

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

**MICROENTERPRISE ACCESS TO BANKING
SERVICES (MABS) PROGRAM**

TRAINING AND TECHNICAL ASSISTANCE MANUAL

February 2001

Principal Contractor: Chemonics, Intl.

MICROENTERPRISE ACCESS TO BANKING SERVICES (MABS)

Training and Technical Assistance Manual

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**MICROENTERPRISE ACCESS TO BANKING SERVICES (MABS) PROGRAM
Training and Technical Assistance Manual**

Date: January 11, 2001

Chapter I: INTRODUCTION

Amends: November 12, 1999

Section A: MABS Manual Outline

1. The MABS Training and Technical Assistance Manual (TA Manual) outlines the policies and procedures developed by the MABS team to serve as a guide and reference in providing the highest quality of training and technical assistance to participating rural banks.
2. This TA Manual will alternatively be called the MABS Approach Manual throughout this guidebook. It is divided into five chapters:
 - 2.1 The INTRODUCTION discusses the rationale and objectives of the MABS Program; general strategies undertaken by the MABS technical team; program and organizational structure; project management; definition and models of microfinance; and an overview of the MABS microfinance operation.
 - 2.2 The PLANNING PHASE has four sections describing the following: selection process of participating banks; orientation training given to the management of participating banks; preparation of the Participant Bank Agreement (PBA); and the setting up or enhancement of the rural bank's management information system (MIS).
 - 2.3 The START-UP PHASE itemizes the type of assistance provided by MABS during the first six months of technical assistance. This chapter is divided into eight sections: organization and orientation of the Microfinance Unit (MFU); training the MFU staff and the bank; assessment of the bank's microfinance market; developing the microfinance products; business planning; product manual preparation; savings mobilization; and product.
 - 2.4 The OPERATIONAL PHASE describes the method of strengthening the microfinance unit of the participant banks. This chapter guides the reader on product review and evaluation, strategic planning, supervising and monitoring the microfinance operations, and staff incentive scheme. It also outlines related training courses that are provided to the participating banks to sustain their microfinance operations.
 - 2.5 The EXPANSION PHASE gives an overview of MABS activities from the thirteenth month up to the eighteenth month of technical assistance to participating banks during their geographic, branch, and/or product expansion stages.

MABS PROGRAM
Training & Technical Assistance Manual

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Amends: November 3, 1999

Section B: What is MABS?

Subject 1: Rationale and Objectives

1. The Microenterprise Access to Banking Services (MABS) Program is designed to assist rural banks in the Philippines to significantly increase the services they provide to the country's microenterprise sector. MABS is funded by the United States Agency for International Development (USAID), jointly implemented by the Office of the President in Mindanao (OP-MIN) and the Rural Bankers Association of the Philippines (RBAP), through its action arm, the Rural Bankers Research and Development Foundation, Inc. (RBRDFI).
2. The MABS Program commenced in January 1998 and is expected to run through the end of 2003. Between 1998 and January 2001, MABS worked with 43 rural banks/branches in Mindanao. By the end of 2003, the program will work with another 8 rural banks throughout the Philippines.
3. *Why Microenterprises?*
 - § A major constraint to economic growth in the Philippines is limited access to financial services.
 - § Surveys indicate that less than 10% of the population regularly do business with a bank. Of this 10%, a majority come from the upper socio-economic groups.
 - § Lower socio-economic groups, including microenterprises are forced to turn to moneylenders, pawnshops, or lending investors for credit.
 - § Forty-one percent (41%) of all households, comprising an estimated 7 million people in Mindanao, and around 20% of all households nationwide, depend on income from microenterprises (based on MABS conducted survey).
3. *Why Rural Banks?*
 - § The Government of the Philippines (GOP) and the donor community have traditionally supported microenterprise activity through Non-Government Organizations (NGOs).
 - § After 35 years of microcredit activity and with 500 microcredit NGOs currently in operation in the Philippines, it is estimated that only 1% of microenterprises are being reached.
 - § NGOs can not legally mobilize deposits, and therefore have difficulty expanding their outreach.
 - § The financial discipline required to run a successful financial institution often conflicts with the social mandate of NGOs.

- \$ There are over 700 rural and cooperative rural banks covering over 85% of the municipalities and cities of the Philippines.
- \$ These banks are culturally and geographically close to the target market, and they have experience working with microenterprises.
- \$ Rural banks have low overhead costs, thus enabling them to profitably manage the large number of small transactions required for servicing the microenterprise sector.
- \$ There is pressure from commercial banks to move down market resulting in increased competition for rural banks. Microenterprises represent a large untapped market, ideal for rural banks.

4. *Objectives:*

- \$ To assist participating rural banks and cooperative rural banks to increase the financial services they provide to the microenterprise sector;
- \$ To provide technical assistance, training, and limited commodity support to those participating rural banks & cooperative rural banks to profitably and sustainably expand their loan and deposit portfolios to microenterprises;
- \$ To introduce transfer technology of proven Filipino and international microfinance practices, profitable microfinance technologies, loan pricing methods, deposit mobilization techniques, and management information systems to assist banks in expanding their loan and deposit portfolios;
- \$ To ensure that participating banks make microenterprise loans and deposit services a regular part of their portfolios, and that the successful example of participating banks will encourage all banks in the Philippines to expand their financial services to the microenterprise market.

5. *Expected Results*

- \$ Reach a minimum of 68 rural and/or cooperative rural banks and bank branches throughout the Philippines;
- \$ Assist each bank to extend at least 500 new microfinance loans or a total of 40,000 new loans for all 68 banks or branches and mobilize at least 60,000 new microenterprise depositors for all 68 banks or branches
- \$ Majority of participating banks will make microfinance services a permanent and significant part of their portfolio;
- \$ Institutionalize within RBAP/RBRDFI a continuing capability to provide microfinance support services to member rural banks.

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Chapter I: INTRODUCTION

Amends: November 3, 1999

Section B: What is MABS?

**Subject 2: Strategies and
Project Management**

1. Each Participant Bank (PB) receives between eighteen months and two years of focused attention and support. For each PB, MABS shall provide the following:
 - 1.1 Technical assistance and training
 - 1.2 Limited commodity support
 - 1.3 Salary subsidies for the MFU staff
 - 1.4 MIS development or enhancement
2. By the end of the PBA, the following will have occurred with the participant banks:
 - 2.1 Development or enhancement of products, practices, and procedures that follow microfinance best practice principles;
 - 2.2 Implementation of a profitable microfinance line of business;
 - 2.3 Integration of microfinance into bank operations;
 - 2.4 Development of the capacity not only to manage the microfinance operation, but continually expand it.
3. The MABS Approach includes intensive one-on-one technical assistance, workshops, seminars, on-the-job coaching, and exposure and training visits. Each bank shall be assigned a technical advisor who will oversee that the training and technical assistance are being delivered in accordance with the Participant Bank Agreement (Chapter II, Section C).
4. The general pattern of the MABS approach is one of building up and then phasing out the level of dedicated technical assistance and training. During the start-up phase, MABS Consultants shall visit the participating banks (PB) for an average of 2 days per week; or 4 days every other week depending on the location of the PBs and the number of banks assigned to the MABS Consultant. As soon as the systems are in place these visits will be gradually reduced to at most 2 days of each month mainly for monitoring purposes.
5. Each MABS consultant is responsible for the project management of three to rural banks. His/her duties and responsibilities are the following:
 - § Prepare the microfinance technical assistance plan and TA package;
 - § Conduct orientation sessions with management and microfinance staff;

- \$ Negotiate the provisions in the Participant Bank Agreement (PBA), Commodity Agreement and Fixed Price Contract and ensure their completion;
- \$ Organize and train the microfinance unit (MFU) of the bank;
- \$ Conduct market research in areas identified by the Participant Bank (PB);
- \$ Identify and assess new or existing microfinance markets;
- \$ Review existing microfinance operating systems and procedures;
- \$ If applicable, assist in the development of new microfinance products and related promotion activities;
- \$ Create and develop the microfinance manual of operations and policy guidelines;
- \$ Assist bank in launching and marketing the microfinance product;
- \$ Assist in the delivery of commodities to the bank as specified in the PBA;
- \$ Monitor the microfinance activities of the PB;
- \$ Review product profitability and competitiveness;
- \$ Conduct other enhancement training for bank management and microfinance staff;
- \$ Monitor the performance of microfinance products, particularly those products assisted by MABS;
- \$ Rigorously monitor the quality of the loan portfolio and provide direct assistance to recover past due amortizations;
- \$ Inculcate within the bank management and staff a culture of “zero tolerance” for past due loans;
- \$ Advise the PB of scheduled training, workshops, seminars to be attended by all PBs;
- \$ Identify other training needs in support of the microfinance activities of the PB not mentioned in the TA plan;
- \$ Formulate staff productivity incentive scheme;
- \$ Provide coaching and guidance to bank management and the microfinance staff in the implementation of the agreed best practice microfinance technology.

6. To ensure that the MABS Technical Team is delivering the training and technical assistance to the PBs in a timely and efficient manner, each MABS Consultant shall be required, but not limited to submit the following:
 - 6.1 *Quarterly Workplan* (Annex I-B2-A1). Timetable and action plan of the MABS Consultant for each quarter of the year. The workplan states the point person’s major objectives for the period, the expected outputs, the activities to be implemented and the target date of completion.
 - 6.2 *Monthly Status Report* (Annex I-B2-A2). This is a monthly report for each participant bank stating its monthly accomplishments (number and amount of loans, completed training, manual preparation, etc) as well as recommendation for future activities.
 - 6.3 *Trip Report* (Annex I-B2-A3). This report is required for every visit made by the point person. The report shall include the bank that was visited, date of visit, trip objectives and results. The point person shall write in detail what has transpired for the duration of the visit and include recommendations for the next bank visits.

7. At the conclusion of the training and technical assistance to the PBs, the MABS consultants are required to submit a Terminal Report for each of their respective banks. The outline of the report will be as follows:
 - J Background including a brief description of the MFU staff, the bank, and the market.
 - J Summary of activities for the full technical assistance period.
 - J Summary of accomplishments both qualitative and quantitative (achievement of targets or explanation for not achieving targets) split by savings and loan products;
 - J Training workshops provided and numbers attended.
 - J Description of loan portfolio including average loan size growth, quality, number of borrowers per credit officer, etc.
 - J Description of savings product(s) including average balances, and growth trend;
 - J Description of cost recovery/ profitability;
 - J Over-all evaluation, brief SWOT Analysis;
 - J Concluding Comments;
 - J Recommended technical assistance/training still needed.

Raike Quinones

Major Objectives for the Period:

RB Tacurong: Product manual & business plan prepared, & lending to target clients commenced.

RB Lebak: Lending operations expanded to the nearby town of Kalamansig & market-testing of deposit boxes started.

Enterprise Bank: MABS-enhanced loan product are offered in other bank branches

ACTIVITY	Expected Output	Target Date	FEB				MAR				APR			
			1	2	3	4	5	6	7	8	9	10	11	12
1.0 ACTIVITIES FOR NEW PB (RB Tacurong)														
1.1 Signing of PBA & other documents	Signed PBAs & other docs.	Feb 4	■											
1.2 Bank briefing on MABS-M	Activity report	Feb 21			■									
1.3 Review of existing MF product (loans)	Product review report	Feb 21			■									
1.4 Training of MF unit	Activity report	Feb 21-25			■	■								
1.5 Market Research	Market survey data	Mar 7							■					
1.6 Product concept paper preparation	Loan product features	Mar 10							■					
1.7 Product manual preparation	Product manual (draft)	Mar 24							■	■				
1.8 Business plan preparation	Business plan	Mar 24							■	■				
1.9 Test-run of lending systems & procedures	Activity report	Mar 24							■	■				
1.10 Start of lending operation	Loans to clients	Mar 27									■	■	■	■
1.11 MIS installation	Activity report	Apr 10											■	■
2.0 ACTIVITIES FOR EXISTING PBs														
2.1 Loan product review														
<i>RB Lebak</i>	Product review report	Feb 29				■								
<i>Enterprise Bank</i>	Product review report	Feb 20			■									
2.2 Business Plan revision														
<i>RB Lebak</i>	Revised business plan	Mar 6							■					
<i>Enterprise Bank</i>	Revised business plan	Mar 31									■			
2.3 MFU incentive scheme														
<i>RB Lebak</i>	Draft incentive scheme	Feb 29				■								
<i>Enterprise Bank</i>	Incentive scheme eval. Report	Mar 13							■					
2.4 Development & testing of deposit products														
2.4.1 Introduction of savings boxes														
<i>RB Lebak</i>	Activity report	Mar 6							■					
<i>Enterprise Bank</i>	Activity report	Mar 15								■				
2.5 Expansion of lending operation														
2.5.1 Branch-level IA & market assessment														
<i>RB Lebak</i>	Market report	Mar 6							■					
<i>Enterprise Bank</i>	Branch IA & market report	Feb 18			■									
2.5.2 Product Standardization														
<i>Enterprise Bank</i>	Standardized product manual	Mar 13							■	■				
2.5.3 Branch staff orientation & training														
<i>Enterprise Bank</i>	Activity report	Mar 20								■				
2.5.4 Start of lending operation (New areas)														
<i>RB Lebak (Kalamansig)</i>	Loans to clients	Mar 1									■	■	■	■
<i>Enterprise Bank (Other branches)</i>	Loans to clients	Apr 3											■	■
3.0 MIS														
3.1 Software installation														
<i>RB Lebak (MicroBanker-savings & GL modules)</i>	Activity Report	Mar 31							■	■				
<i>Enterprise Bank (Curimo software)</i>	Activity report	Apr 28											■	■
4.0 TRAINING/WORKSHOPS														
4.1 Product standardization workshop														
<i>Enterprise Bank</i>	Activity Report	Mar 11							■					

ANNEX I-B2-A1

ACTIVITY	Expected Output	Target Date	FEB				MAR				APR			
			1	2	3	4	5	6	7	8	9	10	11	12
4.2	Product orientation & cash flow lending													
	<i>RB Lebak</i>	Activity Report												
	<i>Enterprise Bank (for participating branches)</i>	Activity Report												
	<i>RB Tacurong (for other bank staff)</i>	Activity Report												
4.3	Customer relations													
	<i>RB Lebak</i>	Activity Report												
4.4	Exposure visit to Coop Bank Bukidnon													
	<i>RB Lebak</i>	Activity Report												
	<i>Enterprise Bank</i>	Activity Report												
5.0	BANK PERFORMANCE MONITORING													
5.1	Enterprise Bank Product Mgt. Comm. Meetings	Activity report												
5.2	Bank performance reports	Consolidated reports												

ANNEX I-B2-A2

TA STATUS REPORT

As of August 31, 2000

Name of Bank: RB XYZ
MABS Point Person: Raika Quinones

TA Milestones for the Month	Target Completion Date	Status	Remarks
<u>MIS</u>			
Enhanced MIS installed & tested in B & C branches, as well as in the remaining 7 branches		Completed	Reports generated by the new MIS, though, do not classify loans by product. It can generate, for example, a list of all loans P25,000 & below. However, it cannot generate a list of delinquent loans by type of product (e.g. individual and group loans).
Training of staff that will be responsible for operating the new MIS		To be scheduled	Training schedule to be determined by the MABS MIS Specialist.
<u>PRODUCT MANUAL & BUSINESS PLAN</u>			
Final draft of group loan product manual completed	August 31	Completed	Draft group and individual loan product manuals reviewed by bank president and the branch managers on August 19, during the training of group loan AOs on CIBI & cash flow. Approved amendments in the product manual have been incorporated in the final draft. It was agreed, though, that the manuals will continuously be reviewed for further enhancements.
Final draft of individual loan product manual completed	August 31	Completed	
Branch business plans completed	August 31	Deferred	Preparation of business plans deferred pending MABS decision on the future of its partnership with RB XYZ -i.e. whether to work with the individual loan product only, or the group loan product only, or with both.
<u>TRAINING</u>			
Training on Market Survey, CIBI & Cash Flow Lending Conducted	August 5-6	Implemented	Two training activities were actually implemented - one for individual loan product AOs on August 5-6, and another for group loan AOs, branch managers & members of the Board Credit Committee on August 19-20. The second activity was undertaken since the group loan AOs and the branch branch managers could not attend the August 5-6 training session. The bank held a meeting of all those involved in its group loan program on August 5-6 in preparation for an evaluation of its program by a team from ADB on the following week. A total of 76 participants attended the said training sessions.
Visit to NW Bank Central Office by Senior Managers of RB XYZ completed	August 11	Completed	Five senior officers from the bank visited NW Bank, viz. the President, General Manager, Chief Accountant, Chief Internal Auditor, and the Group Loan Product Manager. The visit was arranged to enable RB XYZ to learn first-hand about the function & structure of NW Bank's central office operations. The areas of greatest interest to RB XYZ were on HRMD, Treasury, Internal Audit, Accounting, and NW Bank's approach to policy formulation and manualization of operations.

ANNEX I-B2-A3

**MABS/USAID
Microenterprise Access To Banking Services**

Trip Report

Dates covered : Jan. 19-20, 2000
 Submitted By : Meliza H. Agabin
 Position : Sr. Microfinance Policy Specialist

Noted by CDO Branch Mgr. _____
 Noted by Head Office, Davao _____
 (PB/JL/Accounting)

Date & RB/Place Visited	Objectives	Results	Remarks
<p>Jan. 19-20, Green-Bank of Caraga, Butuan City</p>	<p>Discuss following with top management:</p> <ol style="list-style-type: none"> 1. PBA; get data on 3-yr past due ratio; update 1999 ratios on liquidity and capital adequacy (secure end 99 FS). 2. Commodities bank and MABS could provide, subject to approval by MABS. 3. MFU staffing 4. 6-month Action Plan 	<ol style="list-style-type: none"> 1. Top management has reviewed and will sign the PBA once it is ready for signing. Data on 3 ratios are as follow: <ul style="list-style-type: none"> - Past due ratio: 1997 = 3.81%; 1998 = 9.62%; 1999 = 9.42%; AVG. = 7.61% - End 99 Liquidity ratio = 37.54% - End 99 Networth to total loan portfolio = 24.63% 2. Identified tentative commodities to be supplied by Bank and MABS, respectively: <ul style="list-style-type: none"> - Bank: 5 tables and chairs; computer table; typewriter (existing) - MABS: desk top PC, with softwares; LAN card, UPS, external modem; Epson F1170; 1 portable printer (Bubble jet); 1 ZIP drive; McAfee Virus Scan; 1 unit motorcycle; upgrading of existing Mbanker to MBXD 95 1.1 Plus. (List is Annex A.) 3. Bank has designated the MFU Supervisor, on full time basis - Mr. Rembert Nuique, presently in charge of other loans at the Bayugan Branch. Bank will hire 4 new Account Officers, under a 6-month contract and daily pay. MABS salary subsidy is recommended for the full time Supervisor (6,500 monthly basic pay) and 3 Account Officers (@ 4,500 monthly basic). 4. Discussed 6-month Action Plan with top management (Mr. Ismael Andaya, Chair; Rufa Suan, VP Operations), Branch Manager Larry Reyes, MFU Supervisor. Agreed on target completion dates (see Annex B). 	<ul style="list-style-type: none"> - Bank wants to sign PBA and other supplemental agreement on Jan. 25. Bank requested a presentation to their Board about the program and features of the PBA. - Scheduled Board presentation at 10:00 a.m. - On 25 Jan. p.m. scheduled interview of shortlisted applicants for AO position.

<p>Jan 20, RB Talisayan</p>	<ol style="list-style-type: none"> 1. Check on adjustments to Mbanker to correct the problems of interest deductions 2. Inspect collection sheets of Ric and Menchu to ensure they are updated. 3. Get a report from Supervisor about the schedule of collections and whether these are all completed before 3 p.m. 4. Discuss with Ernie & Bobby, the training schedule for MFU staff, and necessary preparations 	<ol style="list-style-type: none"> 1. Based on information from Rene, the telephone advise of Dodong from Davao MBPhil office is to remove the Rule Z feature. Koko was supposed to get in touch with RBT (& RBC) to instruct them on steps to take for the adjustment. He was also supposed to fax us a copy of the instructions. Findings of visit at RBT: There has been no contact so far with MBPhil people. PROBLEM WITH THE MIS CONTINUES. 2. Menchu keeps her collection sheet organized, clean and completely updated. The opposite is true with Ric. His collection sheet for 1/20/00 does not completely contain entries for clients who paid this day. 3. Unable to talk with Bobby, who was on sick leave today. 4. Discussed with Mr. Galenzoga and 2 Account Officers the forthcoming 2-day field training of new MF staff. 5. The market limit within the 30-minute walk radius of the bank appears to have been reached. There are very few new applicants now. However, the Bank has not taken the initial steps for the expansion to 4 Bgys in Talisayan. According to Mr. Galenzoga, they have 2 potential candidates for AO position, but they would like us to help them do the final screening. One of the candidates will replace Menchu, who will start the program at Jasaan Branch. We advised delaying the departure of Menchu for Jasaan unless her replacement has been well trained. The other AO could potentially replace Ric, who continues to have problems doing his job well. 	<p>-Interview of 2 candidates scheduled on Jan 24. -On Jan 24th, will also sit down with staff to put together the concrete step by step plan for the expansion and training of the new account officers.</p>
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**MABS PROGRAM
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Date: January 11, 2001

Chapter I: INTRODUCTION

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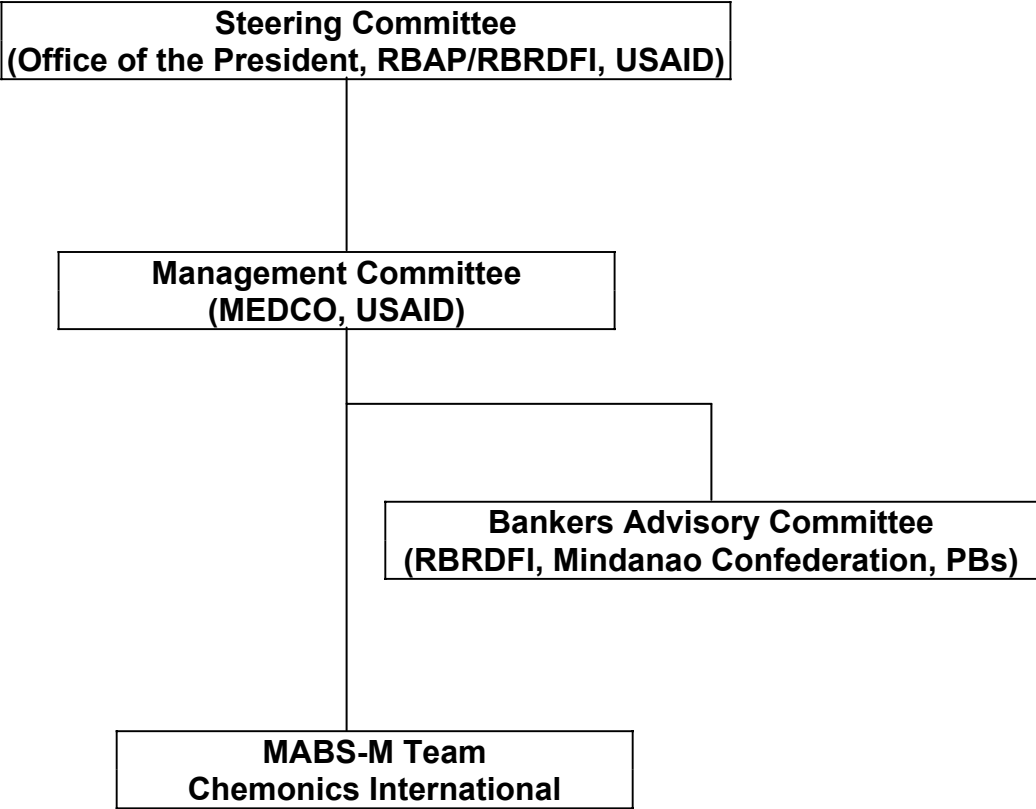
Section B: What is MABS?

Subject 3: Program Structure

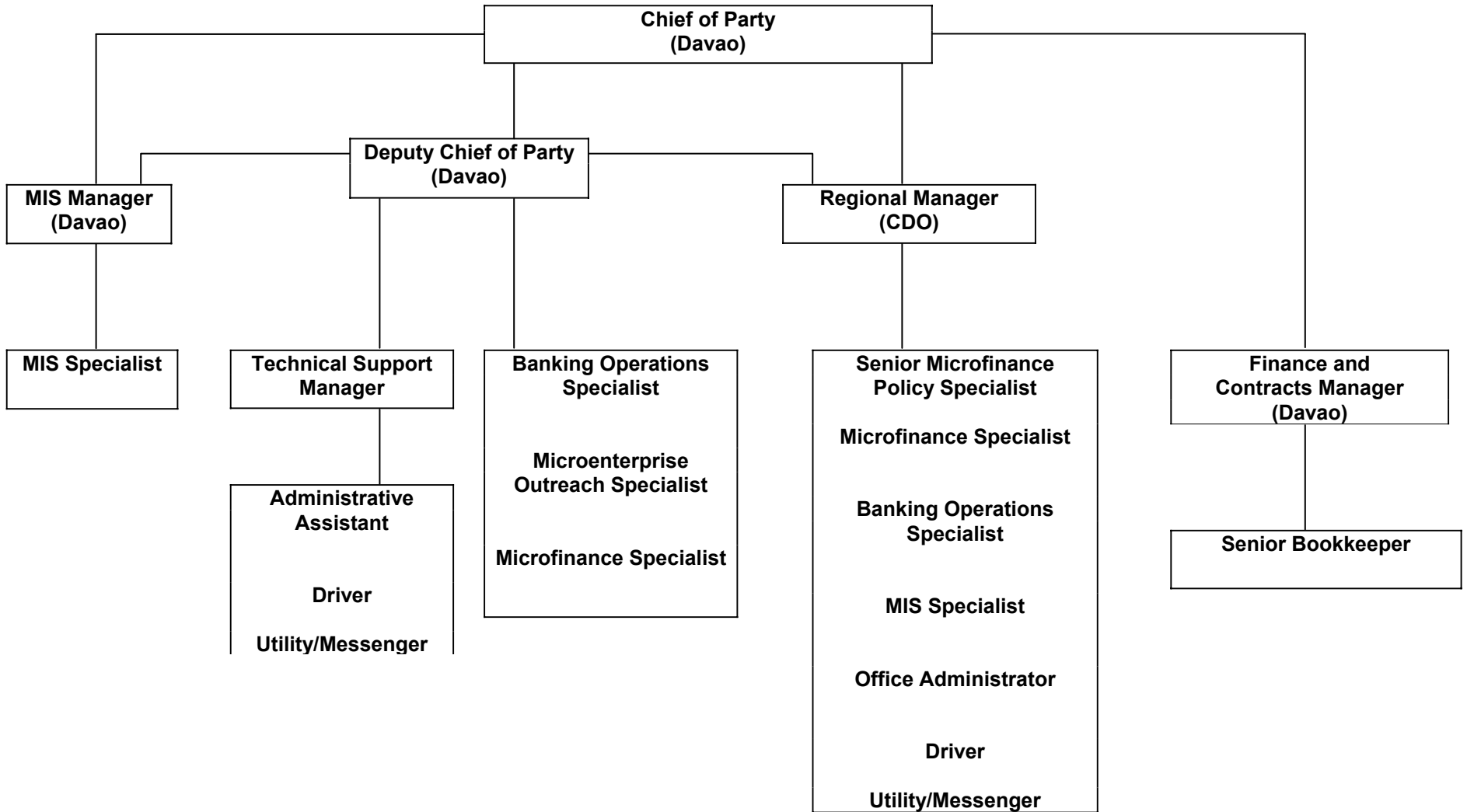
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1. The MABS Program receives over-all policy guidance from the Steering Committee composed of the representatives from the Office of the President, USAID, and RBRDFI. The Steering Committee approves annual work plans and follows up on progress at quarterly meetings.
2. The Program also receives guidance and support on implementation matters from the Management Committee (ManCom). It is also the responsibility of the ManCom to review and approve all major expenditures under the Special Activities Fund (SAF). The ManCom is composed of representatives from the Office of the President and USAID. The ManCom meets monthly.
3. The Banker's Advisory Committee (BAC) provides feedback on the MABS Program periodically or on a per need basis. BAC is composed of the Executive Director of RBRDFI, President of the Confederation of Mindanao Rural Banks, and one representative from the participating bank. Per Steering Committee decision (4th Steering Committee meeting, 30 July, 1999), the position of the participating bank representative shall be kept only until the end of year 1999.
4. The Chief of Party (COP) supervises the MABS Program and is responsible for the day-to-day direction of MABS activities. He/she works closely with the Executive Director of RBRDFI in planning key implementation activities. A technical team led by the Deputy Chief of Party, Regional Manager based in Cagayan de Oro, and MIS Manager assist the COP.
5. Attached are the MABS Program Structure (Annex I-B3-A1) and MABS Office Organizational Chart (Annex I-B3-A2).

**ANNEX I-B3-A1
PROGRAM STRUCTURE**



**ANNEX I-B3-A2
MABS-M ORGANIZATIONAL STRUCTURE**



MABS PROGRAM
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Section C: What is Microfinance?

**Subject 1: Definition of
Microfinance**

1. Microfinance Defined

Microfinance has evolved as an economic development approach intended to benefit low-income groups. The term refers to the provision of financial services to low-income clients, including the self-employed. Financial services generally include savings and credit. Moreover, some microfinance organizations also provide insurance and payment services.

Microfinance activities usually involve:

- \$ Small loans, typically for working capital.
- \$ Informal appraisal of borrowers and investments.
- \$ Collateral substitutes, such as group guarantees or compulsory savings.
- \$ Access to repeat and larger loans based on debt capacity and repayment performance.
- \$ Streamlined loan disbursement and monitoring.
- \$ Secure savings products.

Microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers (hairdressers, rickshaw drivers), and artisans and small producers such as blacksmith and seamstresses. Usually their activities provide a stable source of income (often from more than one activity).

Moneylenders, pawnbrokers, and rotating savings and credit associations are informal microfinance providers and important sources of financial intermediation.

2. Principles of Financially Viable Lending to Poor Entrepreneurs*

Principle 1. Offer services that fit the preferences of poor entrepreneurs.

These services might include:

- \$ *Short loan terms, compatible with enterprise outlay and income patterns.*
- \$ *Repeat loans.* Full repayment of one loan brings access to another although the size depends on the client's cash flow. Repeat lending allows credit to support

* Rhyne E., and S. Holt. "Women in Finance and Enterprise Development" Education and Social Policy Discussion Paper 40. World Bank. 1994

financial management as a process rather than as an isolated event.

§ *Relatively unrestricted uses.* While most programs select customers with active enterprises (and thus the cash flow for repayment), they recognize that clients may need to use funds for a mixture of household or enterprise purposes.

§ *Very small loans, appropriate for meeting the day to day financial requirements of businesses.* Average microenterprise loan sizes for rural banks start as low as PhP5,000 per client.

§ *A customer-friendly approach.* Locate outlets close to entrepreneurs, use extremely simple applications (often one page), and limit the time between application and disbursement to a few days. Develop a public image of being approachable by poor people.

Principle 2. Streamline operations to reduce unit costs.

§ Develop highly streamlined operations, minimizing staff time per loan.

§ Standardize the lending process. Make applications very simple and approve on the basis of easily verifiable criteria, such as the existence of a going enterprise.

§ Decentralize loan approval.

§ Maintain inexpensive offices while providing convenience to clients, such as money shops. Money shops provide easy access to established on-site banking facilities where money can be borrowed easily and conveniently.

§ Select staff from local communities, including people with lower levels of education (and hence lower salary expectations) than staff in formal banking institutions.

Principle 3. Motivate clients to repay loans.

Substitute for preloan project analysis and formal collateral by assuming clients will be able to repay. Concentrate on providing motivation to repay. These motivations might include:

§ *Joint liability groups.* An arrangement whereby a handful of borrowers guarantees each other's loans is a commonly used technique. It has proved effective in many different countries and settings worldwide. Individual character lending can be effective when the social structure is cohesive, as has been demonstrated throughout rural banks in the Philippines.

§ *Client Incentives.* Incentives such as guaranteeing access to loans motivate repayment, as do increases in loan sizes and preferential pricing in exchange for prompt repayment. Institutions that successfully motivate repayments develop staff competence and a public image that signals that they are serious about loan collection.

Principle 4. Charge full-cost interest rates and fees.

The small loan sizes necessary to serve the poor may result in costs per loan requiring interest rates that are significantly higher than commercial bank rates (though significantly lower than informal sector rates). Poor entrepreneurs have shown willingness and an ability to pay such rates for services with attributes that fit their needs.

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 12, 2001

Chapter I: INTRODUCTION

Amends: November 3, 1999

Section C: What is Microfinance?

Subject 2: Microfinance Models*

1. Any approach to microfinance must be made based on the target market and its demand for financial intermediation, contextual factors in the community, and the objectives and institutional structure of the MFI. This section will provide information on some of the most well-known and successful microfinance approaches, to wit:

- § Individual lending
- § Grameen Bank solidarity lending
- § Latin American solidarity group lending
- § Village banking
- § Self-reliant village banks

2. **Individual Lending**

Individual lending is defined as the provision of credit to individuals who are not members of a group that is jointly responsible for loan repayment. Individual lending requires frequent and close contact with individual clients to provide credit products tailored to the specific needs of the business. It is most successful for larger, urban-based, production-oriented businesses and for clients who have some form of collateral or a willing cosigner. In rural areas, individual lending can also be successful with small farmers.

Method. Clients are individuals working in the informal sector who need working capital and credit for fixed assets. Credit officers usually work with a relatively small number of clients (between 60 and 140) and develop close relationships with them over the years, often providing minimal technical assistance. Loan amounts and terms are based on careful analysis by the credit officer. Interest rates are higher than formal sector loans but lower than informal sector loans. Most MFIs require some form of collateral or cosignatories. Compulsory savings are not required.

Detailed financial analysis and projections are often included with the loan application. The amount and terms are negotiated with the client and the credit officer=s supervisor or other credit officers. Documentation is required, including a loan contract; details regarding the client references; if applicable, a form signed by the cosigner and his or her personal information; and legal deeds to assets being pledged and credit history. Credit officers are often recruited from the community so that they can base their analysis on their knowledge of the client=s creditworthiness (character-based lending).

* Microfinance Handbook: An Institutional and Financial Perspective, J. Ledgerwood, World Bank Sustainable Banking with the Poor, pp.82-86, 1999.

This loan is usually disbursed at the branch office. A visit is often made to the client's place of business to verify that the client has made the purchases specified in the loan contract. Periodic payments are made at the branch or through pre-approved payments.

Products. Loan sizes can vary from US\$100 to US\$3,000 with terms between six months and five years. Savings may or may not be provided depending on the institutional structure of the MFI. Training and technical assistance may be provided by credit officers; sometimes training is provided on a per-fee-basis or is mandatory.

Significant Examples. These include ADEMI in the Dominican Republic; Caja Municipales in Peru; Bank Rakyat Indonesia; Agence de Credit pour l'Enterprise Privee in Senegal; Alexandria Business Association in Egypt; Self-Employed Women's Association in India; Federation des Caisses d'Epargne et de Credit Agricole Mutuel in Benin; and Caja Social in Colombia.

Appropriate Clients. Clients are urban enterprises or small farmers, including both men and women, and may be medium-income small businesses, microbusinesses, and production enterprises.

3. **Grameen Bank Solidarity Group Lending**

This lending model was developed by the Grameen Bank of Bangladesh to serve rural, landless women wishing to finance income-generating activities. This model is prevalent mostly in Asia but has been replicated in other contexts. Grameen Trust has more than 40 replicators in Asia, Africa and Latin America.

Method. Peer groups of five unrelated members are self-formed and incorporated into village centers of up to eight peer groups. Attendance at weekly meetings and weekly savings contributions, group fund contributions, and insurance payments are mandatory. Savings must be contributed for four to eight weeks prior to receiving a loan and must continue for the duration of the loan term. The group fund is managed by the group and may be lent out within the group. Group members usually guarantee each other's loans and are held legally responsible for repayment by other members. No further loans are available if all members do not repay their loans on time. No collateral is required. Mandatory weekly meetings include self-esteem building activities and discipline enforcement.

Loans are made to individuals within the group by the local credit officer at the weekly meetings. However, only two members receive loans initially. After a period of successful repayment, two more members receive loans. The final member receives her loan after another period of successful repayment. Grameen typically provides pre-credit orientation but minimal technical assistance. Loan appraisal is performed by group members and center leaders. Branch staff verify information and make periodic visits to client businesses. Credit officers usually carry between 200 and 300 clients.

Products. Credit is for six months to one year and repayments are made weekly. Loan amounts are usually from US\$100 to US\$300. Interest rates are 20 percent a year. Savings are compulsory.

Significant Examples. These include Grameen Bank and Bangladesh Rural Advancement Committee in Bangladesh. Tulay sa Pag-Unlad, Inc. And Project Dunganon in the Philippines; Sahel Action in Burkina Faso; and Vietnam=s Women Union.

Appropriate Clientele. Clients are from rural or urban (densely populated) areas and are usually (although not exclusively) women from low-income groups (means tests are applied to ensure outreach to the very poor) pursuing income-generating activities.

4. **Latin American Solidarity Group Lending**

The solidarity group-lending model makes loans to individual members in groups of four to seven. The members cross-guarantee each other=s loans to replace traditional collateral. Clients are commonly female market vendors who receive very small, short-term working capital loans. This model was developed by ACCION International in Latin America and has been adapted by many MFIs.

Method. Customers are typically informal sector microbusinesses, such as merchants or traders who need small amounts of working capital. Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are made weekly at the program office. The model also incorporates minimal technical assistance to the borrowers, such as training and organization building. Credit officers generally work with between 200 and 400 clients and do not normally get to know their clients very well. Loan approval is by the credit officers based on minimal economic analysis of each loan request. Loan disbursement is made to the group leader at the branch office, who immediately distributes to each individual member. Credit officers make brief, occasional visits to individual clients.

Group members normally receive equal loan amounts, with some flexibility provided for subsequent loans. Loan amounts and terms are gradually increased once clients demonstrate the ability to take on larger amounts of debt. Loan application is simple and is reviewed quickly. Savings are usually required but are often deducted from the loan amount at the time of disbursement rather than requiring the clients to save prior to receiving a loan. Savings serve primarily as a compensating balance, guaranteeing a portion of the loan amount.

Products. Initial loan amounts are generally between US\$100 and US\$200. Subsequent loans have no upper limit. Interest rates are often quite high and service fees are also charged. Savings are usually required as a portion of the loan; some institutions encourage establishing intragroup emergency funds to serve as a safety net. Very few voluntary savings products are offered.

Significant Examples. These include ACCION affiliates: PRODEM, BancoSol Bolivia; Association Grupos Solidarios de Columbia; and Genesis and PROSEM in Guatemala.

Appropriate Clientele. Clients are mostly urban and include both men and women who have small to medium incomes (microbusinesses, merchants, or traders).

5. **Village Banking**

Village banks are community-managed credit and savings associations established to provide access to financial services in rural areas, build a community self-help group, and help members accumulate savings (Otero and Rhyne 1994). The model was developed in the mid-1980s by the Foundation for International Community Assistance (FINCA). Membership in a village bank usually ranges from 30 to 50 people, most of whom are women. Membership is based on self-selection. The bank is financed by internal mobilization of members' funds as well as loans provided by the MFI.

Method. A village bank consists of its membership and a management committee, which receives training from the sponsoring MFI. The sponsoring MFI lends seed capital (external account) to the bank, which then lends on the money to its members. All members sign the loan agreement to offer a collective guarantee. The loan amount to the village bank is based on an aggregate of all individual members' loan requests. Although the amount varies between countries, first loans are typically short term (four to six months) and are small amounts (\$50), to be repaid in weekly installments. The amount of second loan is determined by the savings a member has accumulated during the first loan period through weekly contributions. The methodology anticipates that the members will save a minimum of 20 percent of the loan amount per cycle (internal account). Loans from the internal account (member savings, interest earnings) set their own terms, which are generally shorter, and their own interest rates, which are generally much higher.

Loans to the village banks are generally provided in a series of fixed cycles, usually 10 to 12 months each, with lump-sum payments at the end of each cycle. Subsequent loan amounts are linked to the aggregate amount saved by individual bank members. Village banks have a high degree of democratic control and independence. Regular weekly or monthly meetings are held to collect savings deposits, disburse loans, attend to administrative issues, and, if applicable, continue training with the MFI officer.

Products. Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities. No interest is paid on savings. However, members receive a share from the bank's relending or investment profits. The dividend distributed is directly proportional to the amount of savings each individual has contributed to the bank.

Significant Examples. These include FINCA in Mexico and Costa Rica; CARE in Guatemala; Save The Children in El Salvador; Freedom From Hunger in Thailand, Burkina Faso, Bolivia, Mali, and Ghana; and Catholic Relief Services in Thailand and Benin. The original model has been adapted in a variety of ways. In FINCA in Costa Rica committee members take on the tasks of bank teller and manager. Catholic Relief Services works through local NGOs. Freedom from Hunger in West Africa works directly with credit unions in order to help them increase their membership among women. Its clients graduate to the credit union.

Appropriate Clientele. Clients are usually from rural or sparsely populated but sufficiently cohesive areas. They have very low incomes but with savings capacity, and are predominantly women (although the program is also adequate for men or mixed groups).

6. **Self-Reliant Village Banks (Savings and Loans Associations)**

Self-reliant village banks are established and managed by rural village communities. They differ from village banks in that they cater to the needs of the village as a whole, not just a group of 30 to 50 people. This model was developed by a French NGO, the Centre for International Development and Research, in the mid-1980s.

Method. The supporting program identifies villages when social cohesion is strong and the desire to set up a village bank is clearly expressed. The villages – men and women together – determine the organization and rules of their bank. They elect a management and credit committee and two or three managers. Self-reliant village banks mobilize savings and extend short-term loans to villagers on an individual basis. The sponsoring program does not provide lines of credit. The bank must rely on the savings mobilization.

After a year or two the village banks build up an informal network or association in which they discuss current issues and try to solve their difficulties. The association acts as intermediary and negotiates lines of credit with local banks, usually an agriculture development bank. This links the village banks to formal financial sector. Because management is highly decentralized, central services are limited to internal control and auditing, specific training, and representation. The village banks pay for these services, which guarantees the financial sustainability of the model.

Products. These include savings, current accounts, and term deposits. Loans are short-term, working-capital loans. There is no direct link between loan amounts and a member's savings capacity; interest rates are set by each village according to its experience with traditional savings and loans associations. The more remote the area, the higher the interest rates tend to be, because the opportunity cost of money is high. Loans paid in one installment. Loans are individual and collateral is necessary, but above all it is village trust and social pressure that ensure high repayment rates. Management committees, managers, and members all receive extensive training. Some programs also provide technical assistance to microentrepreneurs who are starting up a business.

Significant Examples. These include Caisses Villageoises d'Epargne et de Credit Autogerees in Mali (Pays Dogon), Burkina Faso, Madagascar, The Gambia (Village Savings and Credit Association or VISACA), Sao Tome, and Cameroon.

Appropriate Clientele. Clients are in rural areas and include both men and women with low to medium incomes and some savings capacity.

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 12, 2001

Chapter I: INTRODUCTION

Amends:

**Section D: MABS Microfinance
Operation**

1. The MABS Program follows two microfinance models: individual lending and group lending. By working with selected rural banks through intensive on-the-job coaching and training, MABS is demonstrating that financial services to the microenterprise sector can be profitable provided that appropriate microfinance discipline and technology are employed.
2. **Creation of MFU.** In each participating bank, MABS created a microfinance unit (MFU) tasked exclusively with the implementation, administration and monitoring of the performance of the microfinance loan product. The MFU staff is fully trained in handling microenterprise credit and equipped with a working understanding of microfinance activities.
3. **Loan Product Design.** The loan products are designed to meet the market demands of micro borrowers based on a market and microenterprise survey done by the bank. Loan sizes can vary from PhP2,000 to PhP50,000 with terms between one to twelve months. Financial charges which include interest rate and a nominal service fee are based on market rates which fully covers both administrative and transactional costs of the bank. The loan product provides for straightforward incentives for prompt payment and stiff penalties for delinquencies.

Compulsory Savings. All clients applying for a loan must open a special savings account at the bank with a balance of not less than 5% of their proposed loan amount or with the required minimum amount set by the bank. Loan payments are deposited into the client's account from which the bank is authorized to automatically debit the savings account each week for the loan amortization. In most cases, clients are required to contribute to their savings account an equivalent of at least 10% of their daily or weekly loan payments. Clients are not allowed to withdraw from their special savings account until the end of the loan term.
4. **Client Orientation Sessions.** The client orientation session is institutionalized and made a pre-requisite to loan applications. It is during these sessions where the bank is able to state in clear terms its policy for lending and its policy on repayment. Having information on the bank's lending policies, the borrowers, on the other hand, are given the opportunity to decide freely if they will be able to comply with the commitments required of them.

5. **Credit Investigation.** The credit investigation process is strengthened to give the bank the confidence to lend based almost exclusively on the borrower's character and capacity to pay. Each PB establishes minimum requirements in the credit investigation process that all loan officers must comply regardless of the amount and purpose of the credit and the character of the borrower.
6. **Cashflow Evaluation.** Capacity to pay is based solely on the borrower's existing cashflow. Cashflow, however, is not limited to the project income but considers family income derived from other sources. Likewise, expenses both from the business and the household are carefully calculated to determine the net household income which determines the borrower's debt capacity.
7. **MIS.** MABS also sets up or enhances the reporting capability of the bank's MIS to include reports needed to monitor the repayment performance of each loan and savings account and the quality of the total loan portfolio on a daily basis. This system allows management to immediately respond to potential and/or actual delinquencies. Immediate action on the part of the bank prevents the delinquency from deteriorating any further.
8. **Zero Tolerance for Past Due.** This is the most important contribution of MABS in its partnership with the PBs. Previously, the PBs would consider an account in arrears only after the Promissory Note has matured. Under MABS supervision, one missed payment places the entire loan amount at risk and immediately triggers a process intended clearly at collection and recovery. Account officers know that they cannot return to the bank unless and until all amounts due for the day have been collected. This bank policy on zero tolerance for past due creates a new brand of account officers who are not only persistent with collection but more importantly take client selection very seriously. As a result, there is an entirely new attitude in these banks regarding delinquency and past due.
9. **Savings Mobilization.** Rural banks are also encouraged to look at innovative ways to mobilize savings while reducing operating costs. Since micro-deposits have more client outreach than micro-loans, the bank can generate voluntary savings from microentrepreneurs, students, office workers, and other market sectors. Operational costs of managing small accounts maybe offset by passing on transaction costs to the clients. An example of which is the bank's utilization of *savings boxes (Ganansiya Box)* combined with deposit pick-up. Clients are provided with a locked *savings box* that they can use to put aside daily savings amounts. The bank mobile collectors or account officers keep the keys of the boxes and visit the clients on a weekly or monthly basis to accept deposits on behalf of the client. The use of the savings box helps to externalize and reduce transaction costs. To further reduce transaction costs, clients are encouraged to take their savings boxes to the bank themselves.
10. **Appropriate Clients.** Clients are individuals working in the informal sector who need working capital. They are either urban or rural enterprises including both men and women, typically belonging to low and medium-income groups. Clients are often market vendors, small variety storeowners, traders, service providers, and small producers (seamstresses, food processors, furniture makers).

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 9, 2001

Chapter II: PLANNING PHASE

Amends:

Chapter II discusses in detail the first phase of the MABS Program – the Planning Phase. During this stage, the MABS technical team begins the process of selecting the participant banks by inviting rural banks in Mindanao to send their key financial figures and a letter of interest. Rural banks that pass the screening process then undergo institutional assessments and rapid market appraisals. An assessment of the candidate banks' management information system is also conducted. As soon as the participant banks (PB) are chosen, a Senior Managers' Orientation Session is conducted to brief the PBs about the MABS Program and the Participant Bank Agreement (PBA).

This chapter contains the following:

- Section A: Selecting the Participant Banks
 - Subject 1: Pre-Screening and Shortlisting
 - Subject 2: Institutional Assessment
 - Subject 3: Rapid Market Appraisal
 - Subject 4: Scoring and Selection of PBs

- Section B: Orienting the Participant Bank Management
 - Subject 1: Purpose and Scope
 - Subject 2: Exposure Trip to Selected PBs

- Section C: Preparing the PBA
 - Subject 1: Definition and Format
 - Subject 2: Commodity Agreement
 - Subject 3: Fixed Price Contract
 - Subject 4: Performance Targets
 - Subject 5: The Sixth-Month Technical Assistance Plan

- Section D: Management Information System (MIS)
 - Subject 1: MIS Assessment and Gap analysis

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 15, 2001 **Chapter II: PLANNING PHASE**
Amends: November 5, 1999 **Section A: Selecting the Participant Banks**
Subject 1: Pre-Screening and Shortlisting

1. To qualify for participation in the MABS program, rural banks shall go through 3 major processes: (a) Pre-screening, (b) shortlisting, and (c) institutional assessment and rapid market appraisal. The last two processes will be discussed under two separate subjects of this section.

2. All rural banks in Mindanao are invited to participate in the MABS Program. A letter is sent (Annex II-A1-A1) inviting rural banks to submit a letter of interest to participate and copies of financial statements submitted to the Bangko Sentral ng Pilipinas (BSP) in the last three years and the most recent interim statements of the bank, to wit:
 - € Consolidated Statement of Condition including Income Statements
 - € Consolidated Summary Report of Loans Granted (non-supervised and supervised credit)
 - € Consolidated Savings Deposit Report by Size
 - € Aging of Past Due Loans

3. Pre-screening. Interested rural banks must meet the following prerequisites to pass the pre-screening process:
 - \$ Membership to the Rural Banker's Association of the Philippines (RBAP) and the Rural Banker's Research and Development Foundation, Inc. (RBRDFI);
 - \$ "Good standing" with the BSP;
 - \$ Have submitted Letter of Interest to participate in the MABS Program; and
 - \$ Copy of financial statements submitted to the BSP for the past three years and the most recent interim statements.
 - \$ Been in operation for a minimum of three years.

4. Shortlisting. Interested banks shall then go through the shortlisting process that involves:
 - 4.1 Computation of financial ratios from the submitted financial statements and comparison with established financial criteria. A table of Key Financial Indicators shall be made for each bank (Annex II-A1-A2).

<u>FINANCIAL CRITERIA:</u>	
Deposit to Loan Ratio	30% Minimum
Capital to Risk Asset Ratio	12% Minimum
Past Due Ratio	20% Maximum
Liquidity Ratio	15% Minimum
Profitability	Profitable in 2 of last 3 years

Other pertinent financial information is also analyzed. Attached is a sample spreadsheet (Annex 2 II-A1-A3) showing the comparative figures of the key financial indicators of the interested rural banks.

4.2 Additional weight is given to banks with more than one branch.

4.3 Classification of banks as “A” and “B” banks:

§ “A” banks are those that passed the criteria listed in 4.1;

§ “B” banks are those that are deficient in more one or more of the criteria listed in 4.1.

5. Candidate banks for institutional assessment are selected based on ranking the criteria above. The number of banks selected is based on time availability of the IA team and the number of participant banks that will ultimately be selected. On the average, MABS completes approximately two institutional assessments for every one participant bank. For example, if MABS wants to select 10 participant banks, it would complete institutional assessments of approximately 20 candidate banks.

6. MABS sends a letter (Annex II-A1-A4) to candidate rural banks that passed the pre-screening and/or shortlisting criteria informing them that MABS will be conducting an institutional assessment and rapid market appraisal on their banks. In this letter, they are also requested to complete various forms and tables (discussed and included in the next section – see II-A-2 Institutional Assessment).

7. For those banks that did not pass the pre-screening and/or shortlisting criteria, MABS sends a letter (Annex II-A1-A5) informing them that they were not selected but will be invited to participate in future MABS-sponsored workshops.

ANNEX II-A1-A1

INVITATION TO PARTICIPATE

Date: _____

Name of President/General Manager
Name & address of the rural bank

Dear _____:

The Microenterprise Access to Banking Services (MABS), a special project of the Rural Bankers Association of the Philippines (RBAP), through its action arm, the Rural Bankers Research and Development Foundation, Inc. (RBRDFI), the Office of the President in Mindanao (OP-MIN), and the United States Agency for International Development (USAID), will be expanding its geographical coverage next year to cover more rural banks in Mindanao.

MABS is in the process of selecting a limited number of rural banks to receive intensive technical assistance in microenterprise loan and savings mobilization. Should you be interested, please forward copies of the financial statements you submitted to the Bangko Sentral ng Pilipinas (BSP) for the past three years and the most recent interim statements to us. There are quite a number of rural banks interested in participating so sending in your financial statement will not ensure that you will be selected. However, it will ensure that you are considered for participation.

We would also need a letter from your bank indicating its interest to participate in the project.

Enclosed, for your reference, is a brochure about MABS and the benefits rural banks will derive from participating in it.

For those banks that are not selected to participate directly, MABS will offer training in microfinance related issues to you and all banks in Mindanao.

Thank you.

Sincerely,

Chief of Party

ANNEX II-A1-A3

Status of 2nd Roll-Out Candidate Banks

Bank	Region	Province	# of branches (incl. HO)	Total Assets			Net Income			Ratios															
				1999	1998	1997	1999	1998	1997	Deposit to Loan (Min 50%)			Capital to Risk Asset (Min 12%)			Past Due (Max 20%)			Liquidity (Min 20%)			Net to Gross Income			
										1999	1998	1997	1999	1998	1997	1999	1998	1997	1999	1998	1997	1999	1998	1997	
RB 1	X	Camiguin	3	111,320,400	110,798,738	104,216,586	5,857,355	5,772,076	5,288,257	22.0%	24.6%	21.6%	25.5%	20.7%	19.3%	21.8%	17.1%	7.9%	15.6%	18.5%	44.2%	31.9%	22.1%	29.2%	
RB 2	X	Davao del Norte	3	49,902,252	46,148,631	41,923,100	407,295	573,387	135,231	112.2%	129.9%	129.0%	36.8%	26.6%	27.0%	9.8%	12.3%	13.3%	32.8%	43.0%	34.6%	5.3%	6.0%	1.7%	
RB 3	IX	Zambo del Norte	1	73,648,693	70,526,956	61,124,186	2,703,881	3,707,156	3,537,524	74.4%	70.5%	75.6%	26.4%	20.9%	19.0%	22.1%	18.6%	15.0%	21.0%	17.6%	20.2%	22.2%	24.5%	28.4%	
RB 4	XII	Lanao del Norte	1	92,446,057	88,093,294	69,910,150	2,339,799	3,042,748	3,091,070	40.6%	45.4%	46.0%	16.0%	16.8%	16.4%	15.8%	13.2%	16.0%	16.1%	20.1%	20.4%	17.4%	18.3%	24.0%	
RB 5	CARAGA	Agusan del Norte	6	175,425,440	142,819,939	117,180,483	8,492,825	7,729,093	5,153,060	68.3%	61.4%	51.9%	23.6%	25.7%	23.5%	9.4%	9.6%	3.8%	20.5%	28.8%	33.6%	25.8%	21.7%	22.9%	
RB 6	X	Misamis Or	2	66,233,583		61,112,905	1,209,258		3,484,008	31.7%		31.3%	86.3%		65.3%	17.7%		19.8%	139.2%		84.1%	12.5%		26.8%	
RB 7	X	Misamis Occ	2	107,151,881	96,291,070	75,822,154	650,099	318,644	1,705,717	57.7%	54.8%	60.9%	16.7%	15.2%	19.3%	11.8%		12.3%	24.1%	21.6%	26.3%	4.6%	1.9%	14.2%	
RB 8	X	Misamis Or	1	41,344,138	37,373,900	30,415,920	403,227	953,907	805,445	9.9%	11.8%	15.2%	14.7%	22.0%	26.8%	16.3%	16.8%	17.9%	28.4%	63.6%	44.0%	6.6%	12.3%	13.5%	
RB 9	X	Misamis Or	1	31,429,960	30,745,060	26,432,030	218,826	616,969	456,348	27.0%	28.1%	36.8%	17.7%	15.3%	13.2%	21.4%	23.1%	16.1%	24.3%	28.5%	17.8%	4.9%	9.3%	9.6%	
RB 10	X	Misamis Or	1			29,312,659			3,447,025			64.1%			40.7%			21.9%				36.2%		51.1%	
RB 11	CARAGA	Surigao Norte	5	91,855,513	88,998,148	72,649,366	(3,523,211)	717,856	1,283,733	109.1%	100.1%	97.2%	10.9%	14.6%	12.7%	24.1%	13.5%	7.0%	16.6%	18.9%	17.9%	-18.9%	2.9%	8.9%	
RB 12	X	Misamis Occ	2	112,400,733	103,443,317	92,117,973	1,192,065	1,451,024	1,746,359	78.6%	89.0%	85.2%	15.8%	16.1%	16.0%	14.9%	11.8%	9.1%	16.3%	25.0%	20.3%	8.8%	8.0%	12.0%	
RB 13	X	Bukidnon	1	31,283,016	27,968,464	26,381,890	696,189	506,305	416,769	56.8%	76.3%	64.1%	33.6%	40.6%	28.7%	15.4%		22.8%	19.8%	28.0%	32.7%	18.1%	14.2%	8.0%	6.0%
RB 14	XII	Sultan Kudarat	4	39,370,357	38,845,956	35,696,363	1,148,461	2,299,954	2,563,615	23.8%	22.5%	24.8%	35.4%	32.8%	27.1%	14.0%	11.2%	12.3%	18.4%	15.9%	18.7%	18.3%	22.6%	30.4%	
RB 16	ARMM	Maguindanao	1	11,691,838		14,870,677	(700,252)		1,433,933	125.8%		68.6%	-29.1%		79.0%	52.0%			57.7%	88.1%		59.6%	-56.6%	31.1%	
RB 17	IX	Zambo del Norte	2	53,554,508	44,788,586	41,034,826	1,611,861	2,020,000	1,562,032	47.8%	56.2%	64.1%	26.4%	30.6%	32.1%	16.3%		21.0%	16.3%	28.0%	27.6%	27.2%	22.4%	23.9%	
RB 18	X	Misamis Or	6	65,756,638		51,276				43.2%			21.6%		17.6%					24.2%			0.5%		

Note: 1999 figures are cumulative - January to September

ANNEX II-A1-A4

LETTER TO CANDIDATE RURAL BANKS

Date: _____

Name of President/General Manager
Name & address of bank

Dear _____:

We are pleased to inform you that your bank passed the pre-screening process. As a next step, we shall be conducting an institutional assessment (IA) and rapid appraisal of the financial markets and microenterprises in the bank's service area on _____.

The institutional assessment will consider various organizational and financial issues, review the existing activities including microenterprise loan products and portfolio information and provide us with information on your management information system (MIS). The market appraisal, on the other hand, will help determine whether there are enough microenterprise in the bank's service area to meet the program goals of at least 500 new microenterprise loans and 1,000 new depositors.

To assist us, we would appreciate it if you could arrange for the following:

1. Complete the attached forms and have them ready for the arrival of the assessment team. There are eight tables in all – six for the institutional assessment and two for the market appraisal.
2. Assign two bank staff to assist the team's Research Assistant in the area mapping activity. It will be very helpful if the assigned staffs are familiar with the geographical and economic aspects of the areas surrounding the bank.
3. Bank's organizational chart with names and positions.
4. Mission statement, if there is any.
5. Aging of past due loans report.
6. Available manuals of bank policies and procedures (i.e. Personnel, Operations, Policy manuals).
7. Financial statements as of October 31, 1999. If the head office would like a branch office to participate in its stead, the financial statements of said branch for the past two years and its cumulative financial statements for the current year are also needed.
8. Other information that you think will be helpful in the assessment activity.

We would also like to request the availability of the bank's chairman/president, manager and credit officer for interviews. Our office will phone you to schedule mutually acceptable appointments. It would also be very helpful if you can name a bank officer with whom we can coordinate during the assessment period.

Upon the completion of the assessments, six rural banks will be selected as participant banks. We expect to begin working with these banks in (date). Meanwhile, should you have any questions, please feel free to contact us.

We look forward to learning more about your bank during our visit.

Very truly yours,

Chief of Party

ANNEX II-A1-A5

NOTICE OF DISQUALIFICATION (PRE-SCREENING)

Date: _____

Name of President/General Manager

Name & address of bank

Dear _____:

We would like to thank-you for expressing interest in the Microenterprise Access to Banking Services in Mindanao (MABS-M) Project and sending us your updated financial statements.

As mentioned in our correspondence of October 11 (October 25), we planned to select approximately 9 rural banks for on-site institutional assessments and from this to select a total of 6 additional Participant Banks. (there were quite a number of rural banks interested in working with MABS-M.) While we would like to work with all rural banks in Mindanao, our limited resources restrict us from providing intensive assistance to more than 20 (our current 14 and the additional 6 mentioned above).

We recently completed our selection process and regret to inform you that we did not select your bank for the completion of an institutional assessment. However, we will continue to develop and provide regional training seminars on microfinance open to all rural banks in Mindanao. We plan to offer at least two seminars during the next year and sincerely hope that your bank will send participants.

Sincerely,

Chief of Party

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 15, 2001 **Chapter II: PLANNING PHASE**
Amends: November 5, 1999 **Section A: Selecting the Participant Banks**
Subject 2: Institutional Assessment

1. **Institutional Assessment (IA)** involves the assessment of the bank's human resource management, MIS, financial services, delinquency and financial management, internal control system, as well as an assessment of the bank's existing microfinance market, competitors, and the possible market that exists for the bank given its branch network.
2. When the banks are informed by letter (Annex II-A1-A4) informing them that they were selected for an institutional assessment, they are also requested to complete various tables prior to the actual IA taking place. These tables are included in Annex II-A2-A2.
3. Institutional assessment of candidate banks shall be conducted in the following manner:
 - 3.1 Each IA team shall be composed of one MABS Consultant and one Research Assistant (RA). The MABS Consultant is responsible for accomplishing the IA Assessment Report (Annex II-A2-A1), while the RA is accountable for completing the Rapid Market Appraisal (RMA) which will be discussed as a separate subject of this section.
 - 3.2 The IA team should spend no more than 2 ½ days gathering information from each candidate bank. MABS will call the bank ahead of time to arrange schedule of visit and to set up an itinerary and meetings.
 - 3.3 The team head shall first meet with the Chairperson of the Board of Directors and/or the majority stockholder for 1-2 hours to discuss the IA/RMA process.

Note: It is vital that the key decision-makers of the bank are clear about the objectives of MABS and their commitment to microfinance. Section 5 is also important for Board members, especially questions 7a, 7b, and 7c of the IA Assessment Report, which questions the bank's commitment to allocate funds for microenterprise lending.

- 3.4 The MABS Consultant shall spend between 2-4 hours with the General Manager (GM).

Note 1: With the GM, go through questions 7-20 in section 1 to get the GM's point of view. Gather the responses of the GM on sections 2, 4, 5, 6 & 7.

Note 2: If the bank has branches, discuss with the GM which branch they would like MABS to concentrate its efforts. MABS generally prefers to work at the main branch unless the bank has good reasons for suggesting another location.

- 3.5 The candidate bank should have completed IA Tables 1 to 6 (Annex II-A2-A2). If not already done so, the MABS Consultant shall request the bank to complete the tables as well as the financial documents specified in #5 of this guideline. While meeting with the GM, a designated bank staff should gather these documents.
- 3.6 Next, the MABS Consultant shall meet with the Head Loans Officer and go through Sections 4 and 5 in more detail. In addition, loan staff members should be asked some of the questions in sections 1 & 2 to check if they have the same point of view as the Board and GM concerning microenterprise lending. The Loan Officer should answer questions about potential markets in section 6.
- 3.7 The MABS Consultant shall briefly interview the person responsible or most knowledgeable about the MIS and answer the items in section 3.
- 3.8 The MABS Consultant shall speak briefly with the accountant about the MIS and review the financial documents to ensure that all the required information and documents are complete.
- 3.9 The MABS Consultant shall also try to speak with other loan staff members and visit bank branches to learn more about the bank's operations, their knowledge and their interest in microfinance and to get a feel of the potential market for microfinance services.
- 3.10 The Research Assistant (RA) is responsible for completing IA Table 8: Aging of Loans Portfolio at Risk (PAR). Below are the steps for completing the table:
 - 3.10.1. Aging of loans will be done for 2 categories of loans: current loans and loans past due maturity.
 - 3.10.2. Determine the total number of past due accounts and the total number of current loan accounts.
 - 3.10.3. Pull out a random sample of 100 loan ledgers. Pro-rate the number of loans current and past due and weigh the sample accordingly. For example, if a bank has 1,000 loan accounts and 100 of these are past due, pull out 10 sample accounts from past due and 90 sample accounts from current.
 - 3.10.4. To pull out the sample ledger cards, determine the interval between each sample card by dividing the total number of loan accounts for each category of loan. Given the example above, the sampling interval for past due loan ledgers and current loan ledgers is 10 (i.e., 100 past due accounts divided by 10 sample ledgers and 900 current loan accounts divided by 90 sample ledgers).
 - 3.10.5. In the appropriate columns, write the loan account number and indicate whether past due or current by writing P or C respectively.

3.10.6. Place the amount of balance outstanding for each loan by category:

- § Current Balance: with no missed payments
- § 1-30 days: loans with missed payments not exceeding 30 days
- § 31-60 days: loans with missed payments more than 30 days and less than 60 days
- § 61-90 days: loans with missed payments more than 60 days and less than 90 days
- § More than 91 days: loans with missed payments more than 90 days. Past due balance shall be placed in this column.

3.10.7 Add the total balance outstanding for each category and the over-all total for all categories. Calculate the percentage share of each category.

3.10.8 Calculate the portfolio at risk ratio (PARR) over 1 day (or 7 days) and over 30 days.

4. **Required documents and other information.** The following documents and information shall be completed at the end of the IA process:

- § List of Board of Directors (IA Table 1)
- § Human Resources (IA Table 2)
- § Training for loan personnel only (IA Table 3)
- § Expenses for the past 2 years for staff training (IA Table 4)
- § Geographic Presence (IA Table 5)
- § Summary of Credit & Savings operations (IA Table 6). Some of the items can be calculated from financial documents, other information must be requested from bank staff.
- § Financial Performance (IA Table 7). All information should come from financial documents. This is the MABS Consultant's responsibility.
- § Plantilla (List of all bank staff and their positions)
- § Organizational Chart
- § Vision and Mission Statements
- § Consolidated Statement of Condition as of _____ and _____ (past 2 years), including Income Statements (by branch if available).
- § Consolidated Summary Report of Loans Granted (non-supervised and supervised credit) for the past 2 years (by branch if available).
- § Consolidated Savings Deposit Report by Size Category as _____ (most recent; by branch if available)
- § Aging of Past Due Loans report as of _____ (most recent).
- § Aging of Loans Portfolio-at-risk as of _____ (IA Table 8)
- § Report of Examination or Audit from BSP (most recent if available)

5. At the conclusion of the IA, the MABS Consultant shall hold an exit interview with the General Manager to thank the bank for its interest in the project and explain that MABS is in the process of assessing a number of banks. The time frame for the selection of partner banks should be disclosed at this point. The assessor shall also give the GM an opportunity to add any more relevant information and to ask questions.

6. **IA Report.** Upon completion of the assessment the responses shall be printed on the IA instrument preferably in bullet forms. The report shall be presented in the following format:

I. Institutional Overview

- a. History, ownership, organizational structure
- b. Board involvement
- c. Planning and monitoring
- d. Interest in Microfinance and the MABS project
- e. Bank resources for microfinance
- f. Past and present microfinance activities

II. Human Resources

- a. Training
- b. Experience (tenure, abilities, knowledge of microfinance, etc.)

III. Management Information Systems (MIS)

- a. Current system
- b. Future requirements

IV. Financial Services (Much of this information should be on IA Table 6 - Summary of Credit & Savings).

- a. Loan parameters
- b. Loan Processing policies and procedures
- c. Savings mobilization

V. Delinquency and Financial Management

- a. Delinquency
- b. Financial Management (profitability issues)
- c. PAR Analysis

VI. Market

- a. Market potential for microfinance
- b. Marketing strategies

7. In addition to the responses from the bank personnel, the MABS Consultant shall write brief personal comments and observations. In particular, he/she shall provide insights of which bank staff would be best for MABS to work with if the bank was selected. General observations of the potential market are also helpful.

ANNEX II-A2-A1

Institutional Assessment Report <i>(Updated 11/04/99)</i>
Name of Bank:
Date of Assessment:
Assessment Team:
Bank Informant(s) <i>(Name & position):</i>

1. Institutional Overview
1a. Number of years in operation:
1b. Number of years under present management:
2. Ownership, Governance and Management: <i>(Complete IA Tables #1, 1.1, 1.2, 1.3, which the bank should have received in advance, and obtain a copy of the bank=s plantilla with names and positions of staff.)</i>
3. Geographic presence: <i>(Complete IA Table #2, which the bank should have received in advance.)</i>
4. Organizational structure: <i>(Obtain or construct a basic organizational chart.)</i>
5a. How frequent are board meetings and management meetings?
5b. What are the usual agenda?
6. Roles of Board and Management:

For example, who makes decisions regarding:

- new product development
- setting and adjusting interest rates
- loan approvals
- loan recovery
- staffing (hiring, firing, salaries, etc...)
- opening new branches
- participation in programs (such as MABS-M)

7. What are the mission and vision of the bank? *(If there is a mission statement in writing, obtain a copy.)*

8. What process does the bank follow for planning/budgeting? *(How often, who is involved, what subjects are covered, targets set, etc.)*

9. How does the bank follow up on the plan? *(How is monitoring and evaluation conducted, are there incentives and/or penalties, etc.?)*

10. What is your definition of microfinance?

11. How does microfinance fit into your vision of the bank? Does your bank currently participate in any government credit program? *(If the bank is participating in programs that encourage peer group lending, probe whether the bank is also open to the idea of building its microenterprise lending program using individual lending approach.)* What are the bank's objectives for microfinance *(for both loans and savings)?*

12. If your bank is selected to participate in the MABS-M project, will the bank be willing to commit one of its senior staff to be a full-time supervisor for the program and the

microfinance unit? How would this be organized and who would be the appropriate person?

13. Under MABS-M, a microenterprise borrower is defined as one whose initial loan with the Bank is P25,000 or less, while a small depositing client is defined as one whose initial deposit is P1,000 or less. Given that definition, how could your bank reach 500 new microenterprise borrowers and 1,000 new savers during the next two years?

14. What additional resources would the bank need to expand savings and credit activities to microenterprise (*human resources, training, funding, technical, equipment, transport, etc .*)?

15. How could these resources be obtained? (*This should include what the bank could provide.*)

16. What are the implications on the workload of your staff if you target 500 new microenterprise clients in the next two years? (*Current credit staff could cover more borrowers, or additional persons would need to be hired.*)

17. Why is your bank interested in participating in the MABS-M project?

18. To efficiently serve microenterprise clients, it may be necessary to enhance existing products and services and adopt policies and practices that are tailored to fit this market. Will the bank management be willing to commit to changes that may be called for, specifically in the following areas: (Include any evidence to support the responses.)

- a) adjust present pricing to the market and to recover costs?**
- b) install and enforce repayment discipline toward a zero@ past due tolerance limit?**
- c) modify existing practices regarding past due installment payments and past due loans?**
- d) expand outreach to more microenterprises?**

19. During the last 12 months, which types of loan were the most profitable? Which types of loans were least profitable? In your opinion, what would be the impact on bank profitability with an increase in microenterprise lending? Please explain your answer.

20. Describe policies, regulations or practices of the Bangko Sentral and other government agencies that encourage a bank=s expansion to the microenterprise sector?

2. Human Resource Management

1. In the past year what staff training has taken place? (Refer to IA Table # 1.2. which the bank should have received in advance.)

2. What training would the staff need to prepare them to handle more loans for microenterprises, and mobilize more deposits? (Assessors should add their own observations.)

3. If selected to participate in the MABS-M project, are you willing to send your staff for training at the bank=s expense?

4. What staff changes have taken place during the past two years? (Refer to plantilla, and if there have been many changes find out why.)

5. If each loan staff person works with borrowers from beginning through repayment, what do you consider the optimal number of loans per account officer?

6. Do you have a performance-based incentive system for your loan officers and staff? Describe it.

7. One of the requirements of MABS-M is that the partner bank will assign two to four full-time loan staff persons full time to the program. How would this be organized and who would be the appropriate persons?

3. Management Information Systems (MIS)

1a. What is the name of the MIS currently used?

1b. How long has your bank been using it?

2. Is the system computerized or manual? If computerized, is it under a DOS or Windows environment?

3a. What modules exist in the system?

	Computerized	Manual
Loan tracking	_____	_____
Savings tracking	_____	_____
General Ledger	_____	_____
Other	_____	_____

3b. Are the modules integrated or separate?

3c. Briefly describe the capabilities of the system. (For computerized system, please include description of your MIS hardware. Do you have a server? How many computer terminals do you have?)

4a. Was the system developed in-house? If so, by whom?

4b. Was the system purchased externally? If so, from where?

4c. What kind of programming language does the system use? (Possible response: Clipper; D-base; Foxpro; Cobol; or Don=t Know)

4d. What data base management does the system use? (Possible response: Xbase; Btrieve; or Don=t know)

5. Who is the MIS technical staff person? (Name, position, full-time or part-time, phone number)

6. What type of training is needed to improve the MIS?

7a. Does the MIS have a manual?

7b. Is it updated regularly?

8. If selected to participate with the MABS-M project, will the bank be willing to make

improvements to your MIS system if these are required? About how much would your bank be willing to allocate for improvements to your MIS system if improvements in hardware and software are required. Would the bank be willing to provide or purchase a computer for the MFU?

4. Financial Services

1. Loan characteristics: *(Obtain appropriate financial documents and complete loan section of Table # 3 - Summary of Credit & Savings.)*

- a. Describe collateral requirements.**
- b. What percentage of secured and unsecured loans were granted in 1998?**
- c. Describe any fee charged for loans.**

2. Type and number of microenterprises that have active loans.

Market vendors
Ambulant vendors
Sari-sari
Carenderia
Tricycle operators
Home based production

3. Loan delivery methodology. *(Individual, groups, wholesale, etc.)*

4. Loan processing procedures: *(Describe all the steps from the initial client contact through loan*

disbursal. Describe differences for different loan products and for repeat loans.)

5. Average amount of time between initial contact and disbursement of loans:

a. For first time borrowers?

b. For repeat loans?

6. Loan repayment procedures: *(How is interest calculated and deducted, who collects, frequency, etc.?)*

7a. What factors are considered when determining the price of loan products?

7b. How frequent is loan pricing reviewed?

8. Describe any incentive associated with loans *(interest rebates, quick repeat loans, increase in loan amount for repeat loans, etc.).*

9. Savings product characteristics: *(Obtain the appropriate financial documents and complete savings section of Table # 3 - Summary Credit & Savings.)*

10. Savings mobilization activities and methodology:

Pickup schemes?
School savings?
Christmas club?
Raffles?
Piggy banks?
Salary related savings?
Contractual savings?

5. Delinquency and Financial Management

1. What is the target for the bank=s past due ratio?

2. What is the current past due ratio? *(Obtain Ageing of Past Due Loans report.)*

3. What is the current average portfolio at risk ratio? *(Information will come from a random sampling of 100 accounts. The guideline on sampling and assembly of data are in Table #5.)*

4. Does the bank have a plan or strategy for reducing the past due ratio? If so, how is the bank implementing the strategy/plan? *(increased visitations, loan extension, restructuring, filing claims for collateral, prosecute borrowers, etc .)*

5. What steps does the bank take when a client misses a loan payment? *(At what point does the bank manager become involved? Has the bank ever brought clients to court or foreclosed on REM?)*

6a. Is a break-even analysis completed for the banks products and services?

6b. Is the profitability of existing products analyzed?

6c. When introducing new microfinance products, how would you analyze the potential profitability or break-even level?

7a. MABS-M provides technical assistance and training but not funds for lending. Given the present financial resources of the bank, how much funding can you commit *initially* for additional microenterprise lending?

7b. Where will these funds come from?

- Bank Deposits:
- Government programs:
- Other Institutions:

7c. If the answer to question 7b is not Bank deposits, then ask if the bank is willing and able to commit its own funds to finance new microenterprise borrowers?

6. Market and Competition

1. What is the bank's defined market segment for lending and savings? (*location and types of clients*)

2. Who are the bank's primary competitors? (*Refer to RMA Tables # 3.1 and 3.2 which the bank should have received in advance*)

3. What are the bank's comparative advantages in relation to the competition? (*Such as location, expertise in delivery, etc.*)

4. How are you addressing the issues of competition from other players in the market for both loans and savings?

5. Are there additional markets the bank could penetrate or is the market saturated?

6. What marketing activities could you adopt in order to reach more microenterprise clients?

7. Internal Control System

1a. Are the bank's policies and procedures documented: *(Check documents if available.)*

Personnel manual?

Operations manual?

Policy manual?

Microfinance manual?

1b. If not, are there written policy and procedure guidelines?

2. Does the bank have an internal control system in place for cash management? If so, how does it work? Are these procedures in writing?

3a. Has fraud been experienced at this bank during the past two years?

3b. If detected, how is fraud dealt with?

Wrap-up discussion with General Manager.

(If the bank has more than one location, discuss which location would be most appropriate for MABS-M staff to work with. MABS-M would prefer to work with the head office unless the bank has a good reason to work with a branch. The assessor should document the reason(s).)

Has the bank paid dividends?

If yes, when (years)? 1997; 1998; other years

Any other issues?

**ANNEX II-A2-A2
INSTITUTIONAL ASSESSMENT (IA) TABLES**

Name of Bank _____

IA Table 1 List of Board of Directors (As of _____)

Name	Position	Percent Share
1.	Chairperson	
2.	Vice-Chairperson	
3.	Corporate Secretary	
4.	Treasurer	
5.		
6.	Director	
7.	Director	
8.	Director	
9.	Director	
10.	Director	
11.	Director	
12.	Director	
13.	Director	
14.	Director	
15.	Director	

Prepared by: _____

Date: _____

Name of Bank: _____
HO
Branch

IA Table 2 Human Resources (as of _____)

Human Resources	Number in HO	Number in Branches
Manager		
Accountant		
Cashier		
Loan Officer/Supervisor		
Loan Account Officer		
Loans Bkkpr.		
Bookkeepers		
Tellers		
New Accounts		

Prepared by: _____

Date: _____

Name of Bank: _____

IA Table 3 Training For Loan Personnel Only (Please enumerate training attended for last 12 months by officers or staff in relation to loan activities of the bank.)

Title of Training/Seminar	Participants (indicate position only)
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

Prepared by: _____

Date: _____

IA Table 4 Expenses in 1998 and 1999 for Staff Training

Year	Amount spent for Training	Percent (%) of Total Expenses
1998		
1999		

Prepared by: _____

Date: _____

Name of Bank: _____

IA Table 5 Geographic Presence

Location	Name of Municipalities Being Served	Number of Barangays Being Served
1. <u>Main Office - Address, phone number and fax number:</u>		
2. <u>Branch Offices - Address, phone # and date opened:</u>		
A.		
B.		
C.		
D.		
E.		
F.		
G.		
H.		
I.		
J.		

Prepared by: _____

Date: _____

Name of Bank: _____

IA Table 6 Summary: Credit & Savings			
As of September 30, 1999			
Item	Loans	Savings Accounts	Time Deposits
* Total amount P (<i>million</i>) (<i>outstanding</i>)			
* Total number of clients (<i>outstanding</i>)			
* Average current balance per client			
* Loans granted during 1998 by size	Percentage of total loans granted		
Number of loans			
* <P5,000			
* P5,001-10,000			
* P10,001-25,000			
* P25,001-50,000			
* P50,000 - 100,000			
* > P100,000			
Minimum loan amount			
Loan terms (<i>minimum / maximum # of months</i>)			
Loan interest rate (<i>range</i>)			
Loan service charge			
Penalty fee for past due			
Minimum amount to open a savings account			
Minimum savings amount to earn interest			
Savings interest rate (<i>How is this compounded?</i>)			
Minimum amount to open a time deposit			
Time deposit interest rate (<i>range</i>)			
Time deposit terms (<i>minimum / maximum # of months</i>)			

* These items can be obtained from the financial documents received from the bank. The other information should come from the General Manager or other bank staff.

Prepared by: _____

Date: _____

Name of Bank: _____

IA Table 7 Financial Performance			
Key Financial Indicators (P million)			
	FY 1997	FY 1998	As of September FY 1999
Total Assets			
Cash and due from banks			
Total Loan Portfolio			
Total past due loans			
Total loan loss reserve			
Average Loan Portfolio <i>(Use the sum of the end of month balances for 12 months/12)</i>			
Total Liabilities			
Total Capital Accounts (Net worth)			
€ Total Amount of Deposits (million) Current Accounts			
€ Savings Accounts			
€ Time Deposit Accounts			
€ Borrowings			
€ Total Income			
€ Interest income + service fees			
Total Expenses			
€ Financing Costs (interest on deposits and borrowings)			
€ Bad Debt Expense (Loan Loss Provision for the period)			
€ Operating Expenses (Total expenses - financing costs and bad debt expense)			
Net Income			
## Declared dividend (yes/no)			
Portfolio Quality Ratios (%)			
## Arrears Rate at maturity (past due at maturity / portfolio outstanding)			
## Arrears Rate at amortization (past due amortization / portfolio outstanding)			
Productivity and Efficiency Ratios (%)			
## Total expenses / average portfolio outstanding			
Profitability Ratios (%)			
## spread $([\text{interest income} + \text{service fees} - \text{financing costs}] / \text{average portfolio})$			
## yield on portfolio $(\text{interest income} + \text{service fees} / \text{average portfolio})$			
Liquidity Ratios			
## Current Assets / Current Liabilities			
## Idle funds ratio $(\text{cash} + \text{due from banks} / \text{total portfolio outstanding})$			
## Liquidity ratio $(\text{cash} + \text{due from banks} / \text{deposits} + \text{borrowings})$			
## Liquidity ratio $(\text{cash} + \text{due from banks} / \text{total deposits})$			
Leverage and Capital Adequacy (%)			
## Capital to Risk Assets $(\text{capital} / \text{outstanding portfolio})$			
## Debt to Equity Ratio $(\text{borrowings} / \text{capital accounts})$			
€ Deposit Ratio $(\text{total deposits} / \text{total deposits} + \text{borrowing})$			

Prepared by: _____

Date: _____

IA Table 8 AGING OF LOANS PORTFOLIO AT RISK (Sample Table)

As of _____, 1999

Rural Bank of _____

Past Due/ Current	Loan Account #	BALANCES OUTSTANDING					OVER-ALL TOTAL
		Current Balance	Loans with missed payments of 1-30 days	Loans with missed payments of 31-60 days	Loans with missed payments of 61-90 days	Loans with missed payments of more than 91 days	
C		P1,000					
C			P2,000				
C				P2,000			
C					P2,000		
C		P2,000					
C		P5,000					
C		P10,000					
C			P1,500				
C				P750			
C					P1,500		
P						P500	
P						P1,000	
				P500			
C			P1,000				
C			P2,500				
C			P7,000				
TOTALS		18,000	14,000	3,250	3,500	1,500	40,250
%		44.72%	34.78%	8.07%	8.70%	3.73%	100.00%

PARR over 1 day: 55.3%
 PARR over 30 days: 20.5%

Prepared by: _____

Date: _____

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 15, 2001 **Chapter II: PLANNING PHASE**

Amends: November 5, 1999 **Section A: Selecting the Participant Banks**

Subject 3: Rapid Market Appraisal

1. During the institutional assessment, the Rapid Market Appraisal (RMA) shall also be conducted. The RMA aims to identify opportunities for outreach or expansion of the candidate bank's microfinance services and specific segments of the microfinance market to be targeted.

2. The following outputs are expected from the rapid market appraisal:

- § RMA Report: A one-page report summarizing the activity with some personal comments and observation of the appraiser.
- § Data on population, number of households and registered businesses in the bank's target area (Annex II-A3-A1: RMA Table 1).
- § Summary table containing a headcount of enterprises within "30-minute walk" from the bank to all four directions: north, south, west, and east (Annex II-A3-A1: RMA Table 2).
- § Summary table of actual count of enterprises within the public market (Annex II-A3-A1: RMA Table 3).
- § Table on the number of transport operators within the community (Annex II-A3-A1: RMA Table 4).
- § Data on bank's competition (Annex II-A3-A2: RMA Tables 5 and 6).

RMA Tables 1 to 4 are attached as Annex 1 and are to be completed by MABS during the RMA process.

3. RMA Tables 5 and 6 are sent to the candidate banks for submission to MABS prior to the IA/RMA. They are attached as Annex 2. The banks are also requested ahead of time to assign two bank staff to assist the RA in gathering the necessary information during the RMA fieldwork.

4. The RA will supervise and complete the RMA fieldwork within 2 ½ days. The procedures are as follows:

- 4.1. During the initial meeting, The MABS Consultant shall brief the GM on the RMA to be conducted.
- 4.2. The RA and the two designated bank staff count the number of enterprises within a 30-minute walk from the bank. They accomplish RMA Table 2.

- 4.3. The RA and/or the bank staff shall gather data on registered businesses from the Municipal Treasurer's Office; information on main sources of income can be obtained at the Municipal Planning and Development Office. Data on the transport sector may be collected from the Tricycle Operators and Drivers Association (TODA). RMA Tables 1 and 4 shall be completed.
- 4.4. The RA and/or the bank staff visits the Public Market Administrator's office for public market records on the number of stall holders and other pertinent information. If the records are outdated, the team may do an actual count or request for an estimate. RMA Table 3 shall be completed.
- 4.5. Other information may be gathered from brochures and flyers given out by the bank's competitors, i.e., other banks, cooperatives, lending investors, pawnshops, and foundations around the area. Additional information may also be obtained through interviews with the bank's competitors.
5. The RA, as well as the MABS Consultant, shall review the outputs for completeness and/or consistency. They shall discuss with the bank staff any information that need to be further verified or validated.
6. RMA shall only be conducted in the branch identified by the bank as the recipient of MABS assistance.
7. Attached as Annex II-A3-A2: is a Sample RMA Report.

**ANNEX II-A3-A1
RAPID MARKET APPRAISAL (RMA) TABLES**

Rural Bank of _____
Town: _____

RMA Table 1 Population and Other Information, By Barangay
(General Socioeconomic Information)

A. Municipal level:	# of Barangays	Total Population	Registered businesses, as of _____	Main sources of income (c)

B. By Barangay, within 30- minute walk radius From the bank	Population (a)	No. of Households (b)	Number of Businesses as of _____	
1. Bgy _____				
2. Bgy _____				
3. Bgy _____				
4. Bgy _____				
5. Bgy _____				
6. Bgy _____				
7. Bgy _____				

Sources of Data:

- a) Population and number of households: National Statistics Office (NSO, 1995 Census) data, available at the Municipal/City Planning & Development Office
- b) Registered businesses: Town - data from the Municipal Treasurer's Office. Small-scale businesses with less than P50,000 assets register with the local barangay office.
- c) Sources of income: Municipal Planning and Development Office (MPDO)

Prepared by: _____

Date: _____

RMA Table 2**Number of Microenterprises**

Within 30-Minute Walk Radius from the Rural Bank of _____

As of _____, 1999

A. Enterprises within Town/City Center	Within the Barangays								National Highway	Total
	Brgy 1	Brgy. 2	Brgy. 3	Brgy. 4	Brgy. 5	Brgy. 6	Brgy. 7	Brgy. 8		
1. Sari-sari store										
2. Others (please footnote)										
TOTAL										

Prepared by: _____

Date _____

Rural Bank of _____
As of _____, 1999

RMA Table 3 Number of Public Market Vendors

B. Public Market (d)	Number of Stall Holders
3. Fish Vendors	
4. Meat Vendors	
5. Vegetable/Fruit Vendors	
6. Sari/sari Stores	
7. Dry Goods	
8. Others (please footnote)	
9. Ambulant vendors	
TOTAL	

d) If market administration office has no breakdown of the various sections/vendors, just indicate total number of registered stall holders and the estimated number of ambulant vendors.

Prepared by: _____

Date _____

Rural Bank of _____

RMA Table 4 Transport Sector, As of _____, 1999

C. Transport (e)	Total # Of Units	# Of Active Units (% Of Total)	# Of Operators	# Of Drivers
10. Jeepney/Motorcab				
11. Tricycle/Motorela				
12. Trisikad				
13. Others (Please footnote)				
TOTAL				

e) Total number of units and operators are available at the Municipal/City Treasurer's Office; number of active unites maybe determined by the Tricycle Operators and Drivers Associations (TODAs) in the community.

Prepared by: _____

Date: _____

ANNEX II-A3-A2

Information on Bank Competition

Rural Bank of _____

RMA Table 5

Information on Loans, As of _____

Financial Intermediary	Major Clientele	Terms and Conditions			Payment Mode		
		Who are supplying financial services in your bank's area? Specify.	Who are their main loan clients? Public market vendors? Those with small businesses? Big business establishments? Farmers? Salaried employees?	What is the interest rate (indicate if per month or per year)? Is the interest deducted in advance or not? Is it a flat rate or based on declining balance?		Minimum amount of loan (in Peso)	Maximum amount of loan (in Peso)
1. Rural Banks							
2. Other Banks (commercial banks, savings Banks, development banks, etc.							
3. Cooperatives							
4. Lending Investors							

RMA Table 5, con't.

Financial Intermediary	Major Clientele	Terms and Conditions			Payment Mode
Who are supplying financial services in your bank's area? Specify.	Who are their main loan clients? Public market vendors? Those with small businesses? Big business establishments? Farmers? Salaried employees?	What is the interest rate (indicate if per month or per year)? Is the interest deducted in advance or not? Is it a flat rate or based on declining balance?	Minimum amount of loan (in Peso)	Maximum amount of loan (in Peso)	Are loans paid daily (D), weekly (W), monthly (M), or lump-sum (L)?
5. Pawnshops					
6. Five-Sixers					
7. NGO/Foundation					
8. Informal Credit Groups (Bubo-ay, Huloga, Ripa, Tampo-tampo, etc.)					

Prepared by: _____

Date: _____

RMA Table 6 Information on Deposit Services, As of _____

Financial Intermediary (FI)	Time Deposit			Other Deposit Products		Other Deposit Services
	Minimum amount to open/earn interest	Range of interest rate (%/annum)	Penalties for pre-termination	Is FI offering other deposit products such as passbook-based TD? 5-year non-withdrawable double-your-money TD? Others? Indicate brand names if any	Terms	Picking-up deposits? Yes/No
1. Rural Banks						
2. Other Banks						
3. Cooperatives						
4. Informal savings group (Bubo-ay, Huloga, Ripa, Tampo-tampo, etc.)						

Prepared by: _____

Date: _____

ANNEX II-A3-A3

RAPID MARKET APPRAISAL REPORT

Name of Bank: RURAL BANK OF DIPOLOG, INC.
Rizal Avenue, Dipolog City

Date of Appraisal: November 22-23, 1999

Assessment Team: Narciso C. Tan, Ma. Rosario Tan Padua

RESULTS OF RAPID MARKET APPRAISAL:

1. **Microenterprise headcount.** The 30-minute walk from the bank covered 5 barangays and 1,471 enterprises. Aside from sari-sari stores, immediate microfinance market are refreshment parlor/carenderia; automotive services; tailoring shops and repair shops; and food processing with minimum gross income ranging from P4,000 to P960,000. Around 30% of the enterprises are concentrated in the public market.
2. **Registered enterprises.** There are less than 2,500 registered enterprises as of 1999. More than 50% of these are involved in trading and general merchandise. These are mostly concentrated within the 5 barangays covered in the 30-minute walk. Outside these barangays are agricultural and residential areas with sporadic microenterprises, mostly sari-sari stores. As of 1999, there are estimated 1,493 tricycle operators, owning 1,767 units.
3. **Micro-financers.** The presence of 71 financial institutions: 14 banks (4 rural banks); 13 insurance/assurance companies; 24 lending investors; 17 pawnshops and 3 cooperatives) suggests that the financial needs of the city are being met. The microfinance segment, however, is dominated by lending investors and informal creditors such as five-sixers that charge higher interest rates than formal lending institutions. In this area, the active entry of a rural bank may lure more than 20 percent-share in the microfinance market. A 20% market share of Dipolog's total number of enterprises plus its transport sector is more than enough to meet the MABS target of 500 borrowers.
4. Interview with the public market administrator revealed that there is really no active cooperative in the public market resulting to some vendors forming a group to initiate a mortuary fund (payable P10 monthly). Five-six moneylenders usually cater to fish and meat vendors with loans amounting from P1,000 to P3,000 while lending investors provide loans between P3,000-P15,000 to dry goods vendors. These two credit providers usually require their clients to provide a certificate of lease from the administrator's office.
5. Rural Banks of Dipolog, Dapitan, and Rizal are all actively servicing Dipolog City. Among these three banks, Rural Bank of Dipolog City is the biggest in terms of reach within the city since it is the city's homegrown rural bank. It is also the biggest among the three in terms of size and assets. While RB Dapitan operates in Dipolog, it has no branch office. It has one loan collector assigned to the area who travels to and from Dapitan and Dipolog everyday. RB Rizal, on the other hand, has a very small branch located in the city public market.
6. Between these 3 rural banks assessed for participation to the MABS program, RB Dipolog has the best comparative advantage in meeting the demands of Dipolog's microfinance market.

Secondary data gathered by Dehlia Capeding.

**MABS PROGRAM
Training and Technical Assistance Manual**

Date: January 15, 2001

Chapter II: PLANNING PHASE

Amends: November 5, 1999

Section A: Selecting the Participant Banks

Subject 4: Scoring and Selection of PBs

1. **Scoring Method.** After conducting the Institutional Assessments it is necessary to rank the banks to determine which will become participant banks in the MABS project. The IA scoring method aims to use the information gathered during the IA in an objective manner to compare the candidate banks against each other, rank them according to the most important criteria of the project, and finally select the participant banks. (Annex II-A4-A1: Scoring Chart) The IA scoring has 2 parts: (a) quantitative and (b) qualitative.

A table of financial ratios for all the candidate banks shall be summarized to facilitate the selection process (Annex II-A4-A2).

2. **Quantitative Scoring** is based on the financial parameters. Using IA Table 7: Financial Performance (Annex II-A2-A2), calculations are made using the financial statements of the candidate bank in the last 3 years, as well as the latest financial statement, preferably the month-end figures prior to assessment period. Trends of the past three years and the annualized current year figures are also analyzed. Candidate banks are ranked against each other. The best financial ratio receives the highest points based on the number of candidate banks and the worst financial ratio receives the least points. For instance, if there are 10 banks being assessed, the bank with the best financial ratios receives 10 points.

QUANTITATIVE SCORING METHOD

No. of branches	5 points per branch
Deposit to total loan funds	rank against all candidate banks
Past due ratio (loans past due maturity/ total loans)	rank against all candidate banks
Efficiency ratio (operating cost/total loans)	rank against all candidate banks
Return on Equity (net income/ equity)	rank against all candidate banks
Liquidity ratio (cash + near cash/ total deposits)	rank against all candidate banks
Portfolio at risk (loan balance with amount past due/ total loans)	rank against all candidate banks
Total assets	rank against all candidate banks
Net income	rank against all candidate banks

3. **Qualitative scoring** is more subjective but the mechanism attempts to limit the subjectivity by relating the scores directly to the answers received from bank management. However, there are often ranges within each question to guide the assessors where, within the range, the answers best fit. MABS tries to base the scores on hard evidence as much as possible to justify the scores given.

<u>QUALITATIVE SCORING METHOD</u>	
Strength and Stability	20 points maximum
Commitment to Microfinance	5 points maximum
Commitment to MABS-M Approach	20 points maximum
Resources available	20 points maximum
Current savings and loan operations	10 points maximum
Market potential	25 points maximum

4. After indicating all the scores of ratios for each candidate banks, MABS ranks the candidate banks against each other (Annex II-A4-A3). Other relevant factors, such as location of the bank, political conditions, and assessor's observations are also considered.
5. After the ranking has been finalized, MABS makes a list of the banks that qualified for the rollout for the approval of the MABS Management Committee (ManCom) and confirmation by the Steering Committee (SteerCom).
6. Banks that passed the Institutional Assessment and Rapid Market Appraisal (IA/RMA) phase will receive a letter of approval (Annex II-A4-A4). The letter also informs the participant banks about the upcoming Senior Management Orientation and PBA discussion for PBs. MABS also sends a letter (Annex II-A4-A5) to banks that did not pass the IA/RMA informing them of the results with an assurance that they will still be invited to MABS-sponsored regional workshops.

ANNEX II-A4-A1
INSTITUTIONAL ASSESSMENT SCORING CHART

Where to find information in IA instrument	What to Evaluate	How to Rank	Score
A. Qualitative			
	1. Strength and Stability (Vision, planning, training, documentation, monitoring, profitability)	20 points maximum	
1.7	a. Bank has a concrete mission (written statement or verbalized well).	0-2	
1.1	b. Three or more years under present management	0-2	
1.5	c. Board has meetings at least monthly.	0-2	
1.6	d. Board sets direction and monitors management.	0-2	
1.8, 1.9	e. Bank conducts strategic planning and monitoring of targets.	0-2	
2.1., 2.2	f. Bank provides staff training.	0-2	
2.4	g. Staff turnover is low.	0-2	
4.7, 5.6	h. Focus is on profitability.	0-2	
5.3, 5.4.5.5	i. Bank has policies and procedures in place to deal with past due loans.	0-2	
7.1	j. Policies and procedures are documented.	0-2	
	2. Commitment to Microfinance (Board and Senior Management's Commitment to Microenterprise)	5 points maximum	
1.7, 1.11	a. Microenterprise is part of the bank's mission statement and vision.	0-2	
1.19, 2.4, 5.6c	b. Views microfinance as profitable	0-2	
2.6	c. There are incentives for staff to increase microenterprise lending.	0-1	
	3. Commitment to MABS-M Approach (Board and Senior Management are committed to Participate in MABS-M)	20 points maximum	
1.10	a. Agrees with MABS-M definition of Microfinance	0-4	
1.13	b. Agrees to reach 500 new borrowers and 1000 new savers with microfinance.	0-4	
1.12, 1.17	c. Agrees with MABS-M project objectives.	0-4	
1.18	d. Bank will adapt current policies and procedures, or adopt new ones, to reach more microenterprises.	0-4	
5.1, 5.4, 5.5	e. Committed to maintaining a low past due ratio towards zero.	0-4	

Where to find information in IA instrument	What to Evaluate	How to Rank	Score
	4. Resources Available (Resources the bank will commit to the project.)	20 points maximum	
Assessor's Observation, 2.7	a. Bank has high quality and motivated staff that will be available to work with MABS-M.	0-5	
2.1, 2.2, 2.3	b. Staff has been, or will be, trained in microfinance.	0-5	
1.12, 1.14, 1.15, 1.16	c. Bank will supply some resources to support microfinance operations.	0-5	
5.7	d. Bank deposits or external funds available for lending to microenterprises.	0-5	
	5. Current Savings and Loan Operations (Level of current savings and loan operations accessibility to microenterprises)	10 points maximum	
4.1	a. Level of the number of unsecured loans granted in 1998 ¹	0-3	
4.3, 4.4, 4.5	b. Loan decisions are decentralized. ²	0-3	
4.6	c. Loan repayments are at least weekly and in small amounts.	0-1	
4.8	d. Aside from reloans, bank gives customer incentives for good repayment.	0-1	
4.9, IA Table 3	e. Savings policies and amounts are accessible to low income people.	0-1	
4.10	f. Bank has tried different savings mobilization methods.	0-1	
	6. Market Potential (Capacity to reach the MABS-M target of 500 borrowers and 1000 depositors)	25 points maximum	
RMA Table 2	a. Number of enterprises counted within 30-minute walk radius from the bank. ³	0-20	
6.1, 6.2, RMA Table 3	b. Bank knows its market and competition.	0-1	
6.3	c. Bank has some comparative advantages.	0-1	
6.4, 6.5	d. Bank has potential to expand to new markets.	0-2	
6.6	e. Bank has ideas on how to reach new markets.	0-1	

¹ Points to be given on the percentage of unsecured loans:

- a. More than 60% - 3 points c. 40%-49% - 1 point
b. 50%-60% - 2 points d. Less than 40% - 0

² Points to be given on the level of decentralization for loan approvals:

- a. Branch Manager can approve some loans - 3 points c. Credit Committee but not GM and BM - 1 point
b. General Manager, but not Branch Manager - 2 points d. Board approves all loans - 0

³ Points to be given on the number of enterprises counted within the 30 minute walk radius from the bank:

- a. More than 1000 enterprises - 20 points d. 250-499 enterprises - 5 points
b. 750-999 enterprises - 15 points e. 0-249 enterprises - 0
c. 500-749 enterprises - 10 points

Where to find information in IA instrument	What to Evaluate	How to Rank	Score
	7. Management Information System	10 points maximum	
3.2,3.3	a. Level of computerization.	0-5	
3.7	b. Bank has an existing MIS manual.	0-1	
3.8	c. Bank's willingness to make improvements and provide a computer to the microfinance staff.	0-4	
B. Quantitative			
IA Table 2	8. Number of Branches	5 points for each branch.	
IA Table 3.1	9. Deposit to Loan Portfolio. As of September 1999 (Amount of bank deposits vs. borrowings for lending to microenterprises) (Deposits/Portfolio Outstanding)	Rank against all candidate banks.	
IA Table 3.1	10. Liquidity Ratio. As of September 1999 (Cash + Near Cash/Total Deposits)	Rank against all candidate banks.	
IA Table 3.1	11. Past Due Ratio. As of September 1999 (Amount Past Due at Maturity/Portfolio Outstanding)	Rank against all candidate banks.	
IA Table 5	12. Portfolio at Risk. As of October 1999 (Amount of loans outstanding with a missed payment/Portfolio Outstanding)	Rank against all candidate banks.	
IA Table 3.1	13. Efficiency Ratio. As of September 1999 (Total Operating Expenses/Average Portfolio)	Rank against all candidate banks.	
IA Table 3.1	14. Total Assets. As of September 1999	Rank against all candidate banks.	
IA Table 3.1	15. Net Income. As of September 1999	Rank against all candidate banks.	
IA Table 3.1	16. Return on Equity. As of September 1999 (Net Income/Total Equity)	Rank against all candidate banks.	

Filename: Shared/Technical/IA For Second Roll-out/Scoring Chart

ANNEX II-A4-A2

**INSTITUTIONAL ASSESSMENT - SECOND ROLL-OUT
FINANCIALS OF 11 RURAL BANKS
As of September 1999**

Rural Bank	Region	Province/City	# of branches (incl. HO)	Deposit to Loan	Liquidity Ratio	Past Due Ratio	Portfolio At Risk As of Oct. 99		Efficiency Ratio	Total Assets	Net Income	Return on Equity
							Over 1 day	Over 30 days				
RB 1	X	Davao del Norte	3	112.2%	32.8%	9.8%	18.0%	16.6%	25.9%	49,902,252	407,295	5.9%
RB 2	IX	Zambo del Norte	1	74.4%	21.0%	22.1%	28.6%	26.4%	12.1%	73,648,693	2,703,881	17.8%
RB 3	XII	Lanao del Norte	1	40.6%	16.1%	15.8%	35.3%	33.3%	10.4%	92,446,057	2,339,799	17.6%
RB 4	IX	Dipolog City	3	52.80%	43.80%	12.50%	33.10%	32%	15.70%	130,782,745	2,109,268	8.3%
RB 5	CARAGA	Agusan del Norte	6	68.3%	20.5%	9.4%	37.3%	27.5%	14.90%	175,425,440	8,492,825	28.1%
RB 6	X	Misamis Or	2	31.7%	139.2%	17.7%			44.3%	66,233,583	1,209,258	6.1%
RB 7	X	Misamis Occ	2	57.7%	24.1%	11.8%	15.5%	9.0%	11.5%	107,151,881	650,099	4.8%
RB 8	X	Misamis Occ	2	78.6%	16.3%	14.9%	41.8%	41.4%	9.2%	112,400,733	1,192,065	8.9%
RB 9	XII	Sultan Kudarat	4	23.8%	18.4%	14.0%	30.2%	27.8%	12.7%	39,370,357	1,148,461	10.7%
RB 10	IX	Zambo del Norte	2	47.8%	28.0%	16.3%	25.0%	17.2%	11.4%	53,554,508	1,611,861	14.6%
RB 11	X	Misamis Or	6	43.2%	24.2%	17.6%	46.3%	34.6%	15.6%	65,756,638	51,276	0.4%

* IA Aborted. Sampling of Ledgers for PAR was not conducted.

ANNEX II-A4-A3

SECOND ROLL-OUT BANK SELECTION PROCESS SCORING SHEET

RURAL BANK Region	RB 1 XI	RB 2 IX	RB 3 XII	RB 4 CARAGA	RB 5 IX	RB 6 X	RB 7 XII	RB 8 X	RB 9 IX	RB 10 X
CATEGORY										
QUALITATIVE										
1. Strength & Stability	15	10	17	17	17	13	16	12	16	16
2. Commitment to Microfinance	2	3	4	3	3	3	2	3	3	4
3. Commitment to MABS-M Approach	17	16	19	20	18	19	20	20	19	20
4. Resources Available	19	16	19	20	18	17	17	17	17	20
5. Current Savings & Loans Operations	6	6	7	9	6	4	7	4	4	8
6. Market Potential	9	11	8	25	25	24	25	25	24	25
7. Management Information System	8	9	8	9	8	7	9	8	6	8
<i>Sub -Total Score</i>	<i>76</i>	<i>71</i>	<i>82</i>	<i>103</i>	<i>95</i>	<i>87</i>	<i>96</i>	<i>89</i>	<i>89</i>	<i>101</i>
QUANTITATIVE										
8. Number of Branches	15	5	5	30	15	10	20	10	10	25
9. Deposit to Loan Portfolio	10	8	2	7	5	9	1	6	4	3
10. Liquidity Ratio	2	9	6	10	1	7	8	5	3	4
11. Past Due Ratio	9	1	4	10	7	5	6	8	3	2
12. Portfolio At Risk	10	7	3	6	4	1	5	9	8	2
13. Efficiency Ratio	1	6	9	4	2	10	5	7	8	3
14. Total Assets	2	5	6	10	9	8	1	7	3	4
15. Net Income	2	9	8	10	7	5	4	3	6	1
16. Return on Equity	3	9	8	10	4	5	6	2	7	1
<i>Sub -Total Score</i>	<i>39</i>	<i>54</i>	<i>51</i>	<i>97</i>	<i>54</i>	<i>60</i>	<i>56</i>	<i>57</i>	<i>52</i>	<i>45</i>
<i>Over-all Total Score*</i>	<i>115</i>	<i>125</i>	<i>133</i>	<i>200</i>	<i>149</i>	<i>147</i>	<i>152</i>	<i>146</i>	<i>141</i>	<i>146</i>
RANK										
NOTE: * Over-all total score excluding PAR.										

ANNEX II-A4-A4
LETTER TO PARTICIPANT BANK

Date: _____

Name of President/General Manager
Name & address of bank

Dear _____:

We recently completed the assessments of a number of rural banks in Mindanao that expressed interest in participating in the *Microenterprise Access to Banking Services* (MABS) program. We are pleased to inform you that based on the results of our assessments, your bank has been approved by our Management and Steering Committees to receive assistance from MABS.

There are a number of activities we would like to undertake with you. The first is an orientation for presidents and senior bank managers of the various participant banks (3 people per bank). We would like to schedule a two-day orientation during the week of January 17, ideally January 17 and 18, in Cagayan de Oro City. We will cover the costs of accommodation, and meals while we request the banks to pay their own transportation costs to Cagayan de Oro. We will follow up with you on the telephone in early January to work on the scheduling of this event and to confirm who will attend.

At the orientation we will present to you the MABS program and method in detail. In addition, the orientation will include an exposure visit to one of the rural banks that MABS is already assisting.

The senior level orientation activity will be followed by the negotiation and signing of a Participating Bank Agreement (PBA) with each bank and then intense training will begin for bank staff, primarily the staff dedicated to microfinance.

Should you have any questions, please feel free to contact us.

We look forward to working with you under the MABS Program.

Very truly yours,

Chief of Party

ANNEX II-A4-A5
LETTER OF DISQUALIFICATION

Date: _____

Name of President/General Manager
Name & address of bank

Dear _____:

We would like to thank you for extending your full cooperation to the MABS assessment team during their visit with you.

The purpose of the institutional assessment is to identify those banks we will work with on an intensive basis for 18 months. We take into account numerous issues including recent financial performance, commitment to microfinance, market area, geographical location and others. We would like to work with all rural banks in Mindanao but our resources are limited and we must choose only a small number. We regret to inform you that we will be unable to work with your rural bank. We will telephone you in early January to discuss the results of our assessment.

We will continue to develop and provide regional training seminars on microfinance open to all rural banks in Mindanao. We plan to offer at least two seminars during the next year and sincerely hope that your bank will send participants.

Sincerely,

Chief of Party

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 15, 2001

Chapter II: PLANNING PHASE

Amends: June 30, 1999

Section B: Senior Management Orientation

Subject 1: Purpose and Scope

1. An orientation session for the senior managers and decision-makers of the selected PBs should be conducted not later than one month from the approval of the Management Committee and the Steering Committee of the list of PBs. The orientation will be conducted over a period of one and a half days.
2. Two or three representatives from each PB are invited to participate in the Orientation Session. Ideally, the Chair of the Board or the President together with the General Manager and Branch Manager of the selected branch office of the PB or any of that branch's senior, preferably loan officers, should be encouraged to participate.
3. The objectives of the orientation are:
 - § To provide the senior representatives and decision makers of the PBs with an overview of microfinance;
 - § To inform the participant banks of the nature and scope of the MABS Program including the capabilities of the consultants and other members of the MABS technical team to deliver technical assistance;
 - § To define the terms and parameters of the MABS Program and the PB partnership including a discussion on the salient features of the Participant Bank Agreement (PBA), the principal document covering the partnership; and
 - § To provide a venue for PBs to get acquainted with the consultants comprising the MABS-M Technical Team, the officers and staff of the partner agencies, MEDCO and RBAP/RBRDFI, and the donor agency, USAID.
4. The Orientation consists of two parts: the exposure trip to selected MABS participant banks and orientation session proper. The first day shall be mostly dedicated to the exposure trip, while the second day (half-day) shall be the plenary and lecture sessions.
5. Attached are the following annexes:

Annex II-B1-A1 Senior Management Orientation Schedule of Activities

Presentation Materials:

Annex II-B1-A2 Senior Management Orientation: An Overview

Annex II-B1-A3 The MABS Program: An Overview

Annex II-B1-A4 The MABS Approach

Annex II-B1-A5 Microfinance Best Practices and Principles

Annex II-B1-A1

MABS ORIENTATION COURSE FOR SENIOR OFFICERS OF NEW PARTICIPANT BANKS

Draft Training Design

DATE/ TIME	TOPIC/ACTIVITY	Duration	LEARNING POINTS	METHODOLOGY/ SPEAKER
Day 1	Arrival of Participants			
Day 2				
800 AM	Session 1. Opening Program	60 min.	<ul style="list-style-type: none"> § Opportunities in Microfinance for RBs § Role of RBAP/RBRDFI in MABS § MABS Approach 	Lecture/Discussion RBAP/RBRDFI USAID Representatives MABS COP
9-930 AM	Session 2. Briefing on Session Objectives and Activities	30 min.	<ul style="list-style-type: none"> § MABS Rationale § Cost Objectives & Structure 	Lecture/Discussion MABS
1200 PM	LUNCH			
100 PM	Session 3. Bank Experiences in Microfinance	30 min.	<ul style="list-style-type: none"> § Overview of bank & its service area § Organization Chart with the MFU § Develop bank opportunities in MF § Bank=s initial perception on MF & expectations of its experiment with MABS § Bank accomplishments with MF under MABS § What has changed within the bank as a result of its experience in MF 	Lecture/Discussion Participant Bank President/GM
130 PM	Session 4. Participant Bank=s MF Product	30 min.	<ul style="list-style-type: none"> § Bank=s MF market § MF Product features 	Lecture-Discussion Bank Pres./GM MABS Staff
200 PM	Session 5. Client Orientation	60 min.	<ul style="list-style-type: none"> § Manner of Conducting a Client Orientation 	Lecture-Discussion Bank Pres./GM
300 PM	Session 6. Visit to MF Clients	60 min.	<ul style="list-style-type: none"> § Types of MF Clients served by Bank § Validation of Client=s satisfaction with bank=s MF Product 	Visit to Client=s places of business with bank=s MF staff
415 PM	Session 7. Exit Discussion with Participant Banks	30 min.	<ul style="list-style-type: none"> § Other issues related to participant bank=s experiences in reducing 	Unstructured discussion (Q & A) with bank Pres./GM

DATE/ TIME	TOPIC/ACTIVITY	Duration	LEARNING POINTS	METHODOLOGY/ SPEAKER
			the costs & risks of its MF product	
500 PM	Travel to CDO/ Davao City			
7-900 PM	Dinner	2 hrs.		
9-1000 PM	Fellowship			
Day 3				
800 AM	Session 8. MF Best practices & the MABS Approach	60 min. 30 min. 30 min.	<ul style="list-style-type: none"> § MF Best Practices § MABS Approach § Financial Projections 	Lecture-Discussion MABS Staff
1000-1015	COFFEE BREAK	15 min.		
1015-1045	Session 10. The Participant Bank Agreement & 6-mo. TA Plan	45 min.	<ul style="list-style-type: none"> § Form & content of the PBA & TA Plan § Leveling of expectations between MABS & participant banks: What each party can and cannot go 	Brief Presentation Discussion MABS staff
1045-1115	Session 11. Post Training Activities	30 min.	<ul style="list-style-type: none"> § Critical dates and activities after training up to the release of the first loans 	Discussion MABS Staff
1115-1200 PM	One-on-one Discussion between PBs and Point Persons	40 min.	<ul style="list-style-type: none"> § Activities to be done & timetable leading to the signing of the PBA 	Discussion MABS Staff
1215-115 PM	LUNCH			
130 PM	Departure			

ANNEX II-B1-A2

SENIOR MANAGEMENT ORIENTATION: AN OVERVIEW

ANNEX II-B1-A3

THE MABS PROGRAM: AN OVERVIEW

The MABS-M Program

An Overview

MABS-M Program

- ‘ Background
- ‘ Project Goals
- ‘ MABS-M Partners
- ‘ The MABS Approach
- ‘ Where We Are Today
- ‘ Where We Go From Here

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN HINDIAKAD

What is MABS-M?

Microenterprise Access to Banking Services in Mindanao

The MABS-M Program provides technical assistance and training to rural banks and cooperative rural banks in Mindanao. The project is designed to expand the delivery of financial services to microenterprises and households belonging to lower socio-economic groups

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Choosing a Strategy:

Financial Services for Microenterprises

- A major constraint to economic growth in Mindanao is limited access to financial services
- Surveys indicate that less than 10% of the population regularly do business with a bank. Of this 10%, a majority come from upper socio-economic groups.
- Lower socio-economic groups, including microenterprises, generally do not save and are forced to turn to moneylenders, pawnshops, or lending investors for loans.
- 41% of all households, comprising an estimated 7 million people in Mindanao, depend on income from microenterprises.

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MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Choosing a Strategy: Working Through Rural Banks

- The GOP and the donor community have traditionally supported microenterprise activity through NGOs.
- After 35 years of microcredit activity and with 500 microcredit NGOs currently in operation, it is estimated that only 1% of microenterprises are being reached.
- NGOs can not legally mobilize deposits, and therefore have difficulty expanding outreach.
- The financial discipline required to run a successful financial institution and many NGOs' social mandate often conflict.

Choosing a Strategy: Working Through Rural Banks

- There are 800 rural and cooperative rural banks throughout the Philippines, 141 of them in Mindanao.
- Rural banks have low overhead costs, thus enabling them to profitably manage the large number of small transactions required for servicing the microenterprise sector.
- Rural Banks can mobilize deposits.

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MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

The Opportunity for Rural Banks

- ‘ Huge demand for financial services from microentrepreneurs and others from the lower socio-economic sector.
- ‘ Pressure from commercial banks to move down market.
- ‘ Microenterprise sector is less price conscious than service conscious.
- ‘ Rural Banks know this market



Profitable business opportunity



Project Goals

By the end of the project, MABS-M will:

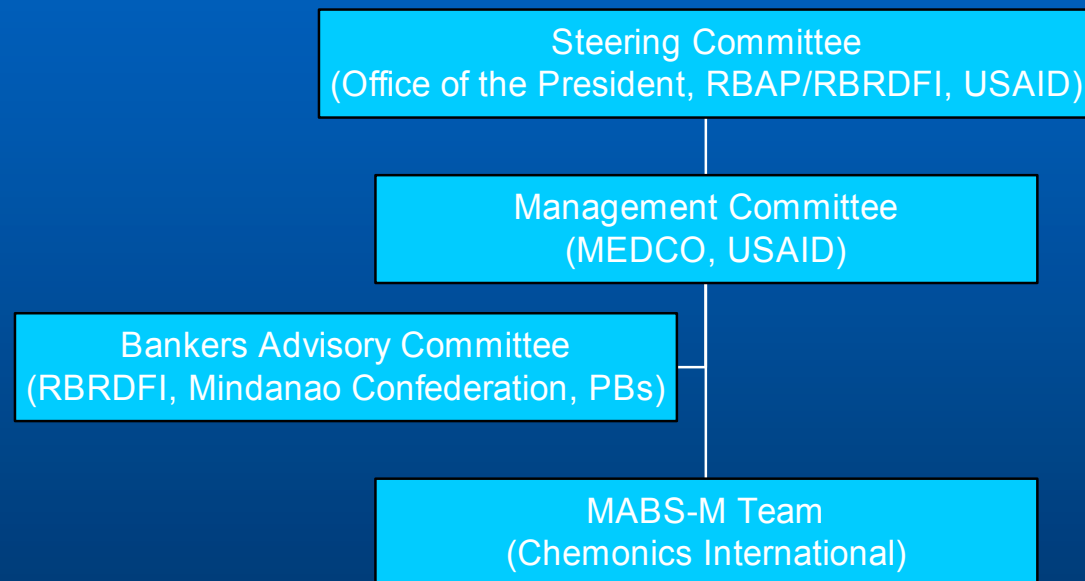
- Reach a minimum of 50 rural and/or cooperative rural banks and bank branches.
- Assist each bank to extend at least 500 new microfinance loans and mobilize at least 1000 new microenterprise depositors.
- Ensure that the participating banks decide to make these services a permanent part of their portfolio.
- Institutionalize microfinance services within the RBAP/RBRDFI.

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MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN HINDIAKI

MABS-M Partners



Steering Committee

Sets policy direction, provides high-level input, endorses MABS-M activities.

- Patricia Melizza Ruivivar, Chief of Staff, Executive Secretary of the President, Office of the President of the Philippines
- Paul Davis, Chief of Economic Development, USAID
- Alex Buenaventura, Executive Director, RBRDFI
- Jose Lustre, President, RBAP
- Reynaldo Reyes, President, Confederation of the Mindanao Rural Bankers



Management Committee

**Oversees the day to day program issues,
provides input on implementation strategies.**

- MEDCO Representative, Nelia Agbon
- USAID Representative, Teresita Espenilla

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES BY HINDAKAD

Bankers Advisory Committee

Provides advice, feedback, and technical input to the Management Committee and the MABS-M Program.

- Alex Buenaventura, Executive Director, RBRDFI
- Boy Reyes, President, Confederation of Mindanao Rural Banks
- Jun Laiz, President, Rural Bank of Sarangani, representing the MABS-M participating banks

MABS Approach

Each PB receives approximately two years of focused support and attention.

Our approach includes workshops, seminars, on-the-job coaching, exposure and training visits, and technical assistance. The general pattern is one of building up and then phasing out the level of dedicated technical assistance and training.

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MICRO - ENTERPRISE ACCESS TO BANKING SERVICES BY HINDAKAD

MABS Approach

Goal for Participating Banks (PBs)

- Development of products, practices, and procedures that follow microfinance best practice principles
- Implementation of a profitable microfinance line of business
- Seamless integration of microfinance into bank operations
- Development of the capacity to not only manage the microfinance operation but continually improve it

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MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN HINDIAKO

Where We Are Now:

- Interest in becoming a MABS-M participating bank was solicited from all 141 rural and cooperative rural banks in Mindanao. 43 responded with letters of interest and financial statements to assist in the screening process.
- 4 rural banks were chosen for the 6 month pilot phase, which was recently completed.
- 10 rural banks were chosen for Group 2 - the first rollout phase.

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MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Activities Completed with 4 Pilot Banks:

- Trained bank staff and managers and worked to build a microfinance “culture” of good service and repayment discipline among staff and clients
- Developed new savings and loan products or modified existing products targeted at small savers and microentrepreneurs
- Introduced new management and operating procedures and product documentation, incorporating microfinance best practices technology
- Upgraded the capacity of the Management Information System (MIS) used by the pilot banks



Activities Completed with 4 Pilot Banks:

(continued)

- Created and helped implement product marketing plans
- Developed operating manuals so as to achieve and maintain a high standard of service to clients and overall program implementation by the rural banks

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES BY HINDAKAD

Where do we go from here?

- ‘ Continue working with the four pilot banks
- ‘ Begin working with 10 Group 2 banks - June 1999
- ‘ Conduct Institutional Assessments for Group 3 banks - November/December 1999
- ‘ Select Group 3 banks - December 1999
- ‘ Possible expansion of MABS services under RBAP umbrella to Luzon and Visayas in early 2000

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES BY HINDAKAD

MABS Geographical Coverage

- Our goal is to work in all 6 regions of Mindanao
- We will cover Mindanao from 2 strategically located offices, our existing office in Davao and a new office in Cagayan de Oro. The Cagayan office will open this week.

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Other Current & On-going Activities

Regional Training

- Will organize at least 2 regional training workshops in 1999 presented in conjunction with RBAP/RBRDFI and local Federations
- Topics may include policy issues, MIS, microfinance best practices, deposit mobilization, and others

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MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN HINDIAKAD

Other Current & On-going Activities

Management Information System (MIS)

- Work with RBAP/RBRDFI on the development of new software for rural banks.
- Programming and functional improvement to existing MicroBanker software
- Begin working with software products and MIS systems used by new PBs

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES BY HINDAKAD

Other Current & On-going Activities

RBAP/RBRDFI Strengthening

- Analysis of RBAP/RBRDFI structure, organization, and operations was currently completed
- Strategic Development Plan for 2000-2003 was prepared with RBAP and presented to the membership at the convention in Manila
- Continue work with RBAP and association members to finalize the plan and assist in its implementation.



Other Current & On-going Activities

Microfinance Policy

- Coordinated with RBAP and other USAID projects, C-PIP and AGILE
- Work with Bangko Sentral ng Pilipinas (BSP) to improve the regulatory and policy environment for microfinance

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN HINDAKAD

ANNEX II-B1-A4

THE MABS APPROACH

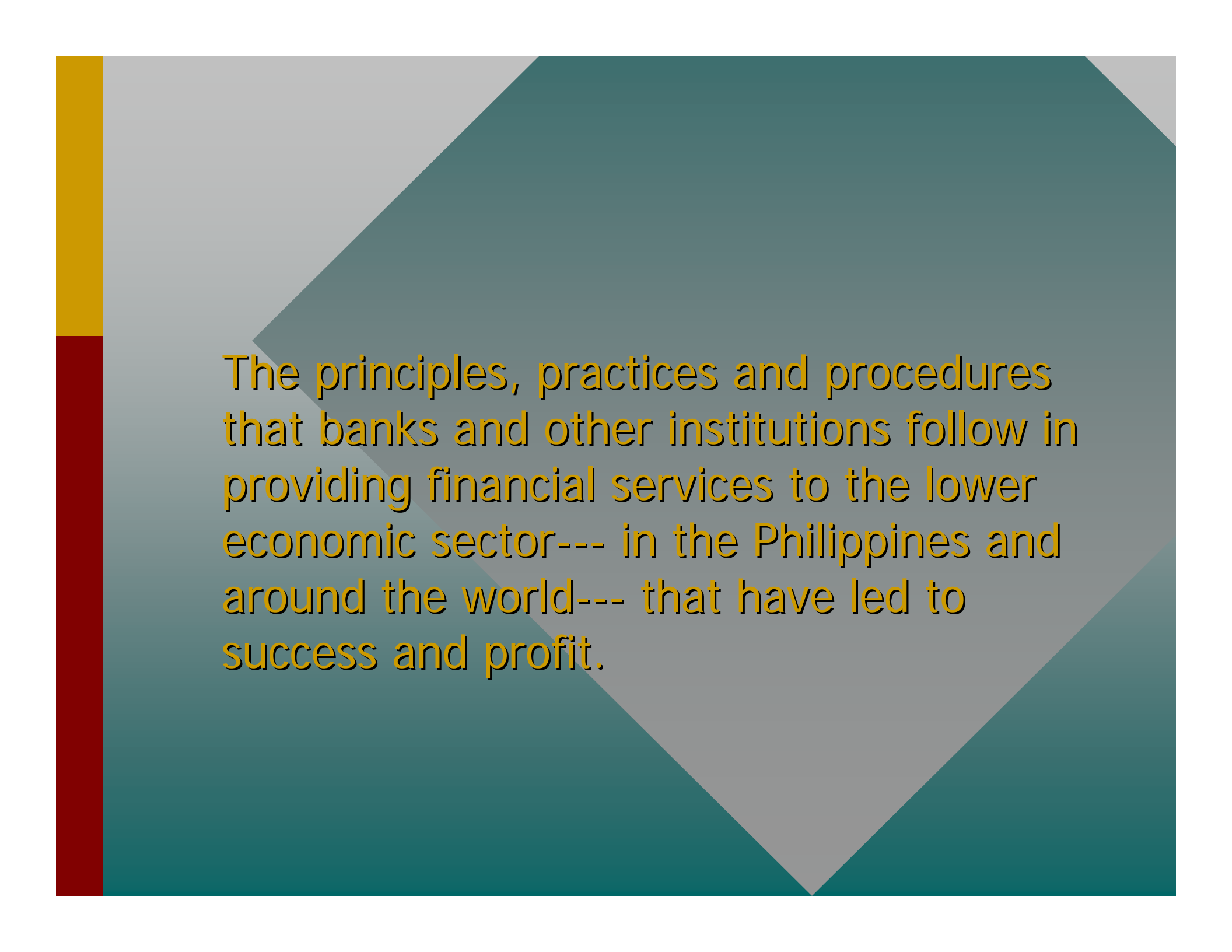
ANNEX II-B1-A5

**MICROFINANCE BEST PRACTICES
AND PRINCIPLES**

MICROFINANCE BEST PRACTICES AND PRINCIPLES

RRAP/RRRDT





The principles, practices and procedures that banks and other institutions follow in providing financial services to the lower economic sector--- in the Philippines and around the world--- that have led to success and profit.

Client selection is based on character and cashflow, not collateral

Why not traditional collateral (i.e., real estate)?

- Limits substantially your target market
- It does not necessarily help. Very often a bank thinks that if it has collateral, it doesn't have to be as careful in choosing a client and analyzing the cash flow of business
- What happens if you, the banker, have to collect on collateral? Is this good for the performance of your bank?

Client Selection (cont.)

The individual's reputation in the community and the cash flow of the business are more important than traditional collateral.

Other forms of collateral such as the guarantee of another reputable individual in the community or the guarantees of a group of individuals can be just as effective.

Step Lending

- Start loans small and increase lending based on successful repayment.
- For a new client, if you are lending exactly the amount the client wants, you are probably lending the client too much.

Working capital commercial loans

Less risky than agricultural production loans or loans to finance the purchase of fixed assets

- generate income very soon after the investment of loan proceeds
- generally produce cash flow on a daily or at least weekly basis

Target businesses that have
been in business for at least
one year

Start-up businesses are much
more risky than existing
businesses.

Frequent small amortization payments

- The more frequent the amortization payments, the smaller they are, the easier they are for the clients to make and the lower the past due rate will be.
- This must be balanced against cost-- for the client and the bank. Daily payments have a much higher cost than weekly payments.

Provide high quality, appropriate and friendly service

Rapid Access. Disburse a client's first loan within 2 weeks and subsequent loans within days if not hours.

Keep it simple. Minimize transaction costs for clients by simplifying payment methods.

Spend time with clients. Let your account officer spend time out of the office talking with prospective clients or monitoring existing clients.

Make clients feel welcome. Develop a public image of being approachable by people from the lower economic sector.

Charge sufficiently high interest rates to make a good profit

Because these loans are small with frequent payments, the transaction costs are high relative to “standard” commercial loans. Do not try to charge the same rate you use for commercial loans. *Microenterprise clients are willing to pay higher rates for good service.*

Use incentives to maximize performance

- **For clients:** Give incentives to clients to make all payments on time.
 - rebate on the interest rate charged at the end of the loan term
 - increase in the amount of loan and/or loan term for subsequent loans
- **For bank staff:** must be based on both quality and quantity

“Zero Tolerance” for past due loans

The bank must establish a disciplined credit culture for microfinance to be successful.

The message must start with the top manager and be communicated down through the bank staff to the client.

“Zero Tolerance”

The client must understand that the bank is providing a good service to him or her at a good price but that he/she has responsibilities.

The bank must be willing to aggressively pursue past due clients, whatever the cost, to establish and maintain a **zero** tolerance.

The message will get out to clients that the bank is very serious about repayment and a self-selection process will occur such that the clients who don't intend to repay will not apply.

Immediate follow-up of past due loans

What is a *past due loan*?

How much is at risk for the bank when an amortization payment is missed?

Good Management Information System

- What is a good MIS?
 - means that early this morning you know who missed loan payments yesterday and you are doing something about it

The longer a loan goes unpaid or the more missed amortization payments, the less the chance that the bank is going to collect.

Good MIS

-enables you to track the performance of your account officers on a daily, weekly or monthly basis

- number of loans disbursed
- outstanding portfolio amounts
- income generated for the bank
- portfolio at risk rate

Standardize and simplify product documentation & procedures

Such simplification and standardization will:

- increase client satisfaction
- improve efficiency
- minimize mistakes
- simplify training of staff and clients



all of which lead to increased profitability

Make branch managers and Microfinance staff accountable

Accountability is improved through decentralized loan approval authority, however, such decentralization must be implemented with adequate internal controls.

Accountability

Account officers should be responsible for recommending approval of loans and then managing those clients on an on-going basis. Separating functions such as the CI and loan monitoring reduces accountability and increases the risk of past due problems.

SAVINGS PRODUCTS

- *Low minimum balance requirements*
- *Frequent & regular deposits and higher daily balances are encouraged by increasing interest rates as balances increase*
- *High quality client service*
- *Standardize & simplify product documentation and procedures*

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

ANNEX-B1-A6

FINANCIAL PROJECTIONS

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Product Profitability Projections



ASSUMPTIONS

- No income at all during the first 2 months of training activity.
- Individual loan size of Php5,000 (initial) to Php30,000 (Maximum)
- Short loan term cycles, e.g. 60, 90, 120 days.
- Interest rate of 2.5% per month, and a 3% service fee.



ASSUMPTIONS

- 500 active borrowers by the end of 24 months.
- 1,000 micro-depositors by the end of 24 months
- Microfinance staff to monitor 100 active loan clients each.

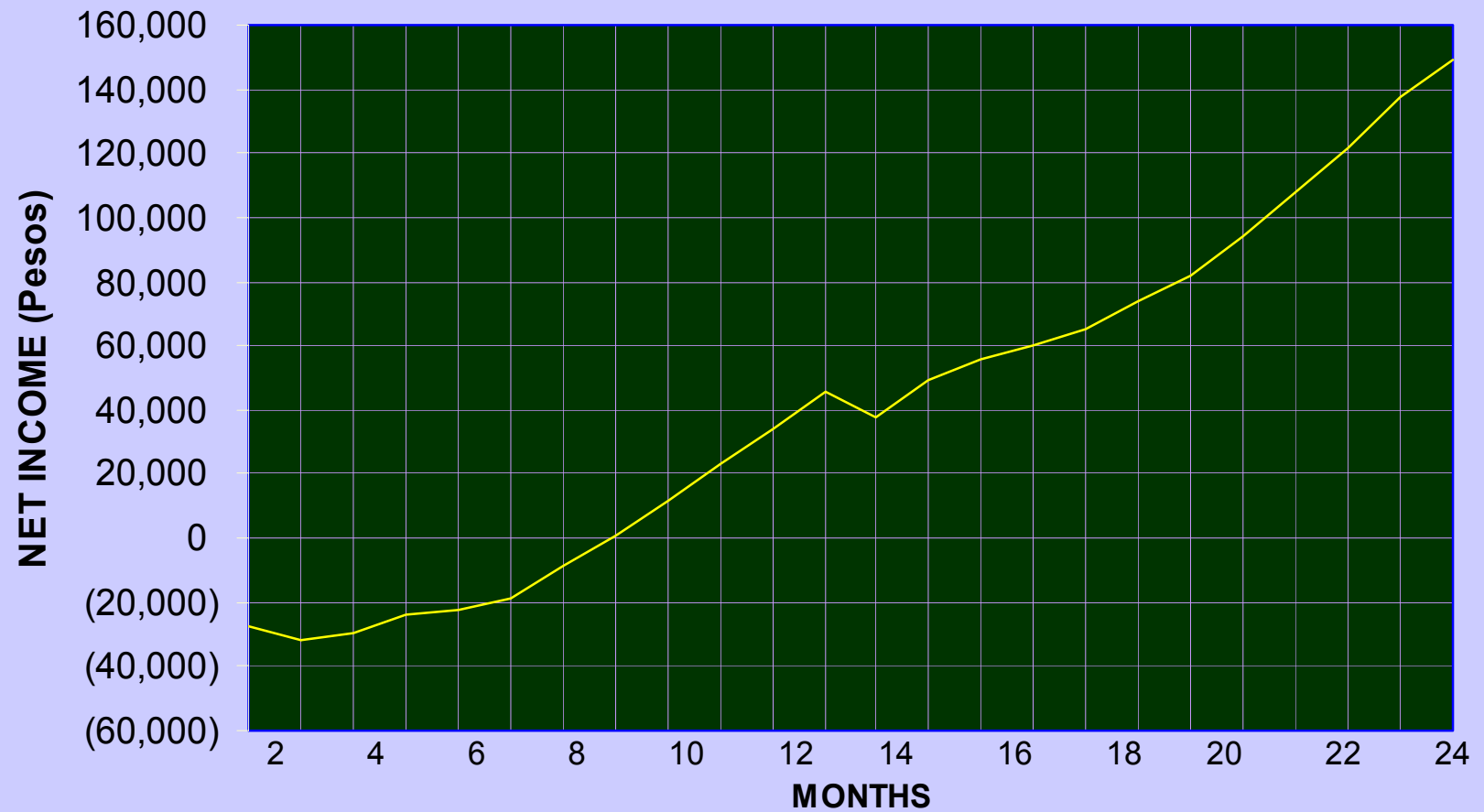


RESULTS

- Start generating positive income within the 1st year.
- By the 24th month, generating P145,000 monthly net income
- Cumulative net income of P1.3M over 24 months.
- Outstanding portfolio of loans will be P5.0M.
- Micro-deposit level will be P3.0M.

Projected Net Income

MONTHLY NET INCOME





CONCLUSION

- Microfinance can be a profitable activity.
- Success will depend on commitments :
 - Five (5) microfinance staff
 - Funding of P5M for 24 mos.
 - Top management attention
 - Close supervision and zero past due tolerance.



RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 15, 2001

Chapter II: PLANNING PHASE

Amends: June 30, 1999

Section B: Senior Management Orientation

Subject 2: Exposure Trip to a Participant Bank

-
1. For purposes of this section, a Participant Bank (PB) shall be defined as any rural bank currently receiving intensive assistance from the MABS Program.
 2. The exposure trip to a MABS Participant Bank is a critical component of the orientation session. It is during the exposure trip where participants are given the opportunity to observe the actual implementation of a microfinance program with the technical assistance provided by MABS. It is also the time where decision-makers and senior managers of the new PBs and the Participant Bank exchange views on the positive contributions of the MABS Program including the development of a microfinance product and the management and administration of microfinance services.
 3. During the exposure trip, the Participant Bank should be able to demonstrate to the participants the following:
 - § A microfinance loan product designed and being implemented with the assistance of MABS, including an operating manual;
 - § An overview of the performance of this new product vis-a-vis the other products of the bank in terms of credit evaluation (including credit investigation, cashflow evaluation), loan documentation, loan processing procedures and delinquency management.
 4. The exposure trip shall also include visiting active microfinance clients of the host Participant Bank to enable the new PBs to gain insights on the type of microfinance clients being served by the bank.
 5. To ensure a smooth and effective exposure trip, the MABS technical team should jointly prepare the schedule of activities with the Participant Bank. If necessary, the MABS shall assist the Participant Bank in the preparation of presentation materials, handouts and other informational materials needed during the exposure trip. Annex II-B2-A1 is an example of a presentation by a host PB.
 6. The MABS Consultant assigned to the Participant Bank must accompany the participants during the exposure trip to answer queries relating to the nature and range of technical assistance provided to the Participant Bank by MABS.

7. The senior management orientation is also an opportunity for MABS to discuss with the bank the Participant Bank Agreement (PBA) to be entered into by both parties. MABS will present to the bank the significance of the contract, the terms and conditions, and the duties and responsibilities of both MABS and the PB as partners in the program implementation (Annex II-B2-A2). This part of the orientation is also a time for the PBs to raise questions and issues regarding the program.
8. After the PBA briefing, MABS shall outline to the senior managers the critical dates to remember after the session and the activities to be done in starting up the microfinance unit. PBs shall also get to know at this point the MABS consultant to be assigned to their respective banks (Annex II-B2-A3).



BUKIDNON COOPERATIVE BANK (BCB)

MICROFINANCE EXPERIENCE

OUTLINE OF PRESENTATION

- › The City of Malaybalay
- › Bukidnon Coop Bank Institutional Profile
- › Previous Microfinance Experience of BCB
- › BCB's Present Microfinance Experience
- › Features of BCB's Microfinance Product
- › Performance of SIKAP Program for the First Three Months Pilot Test

The City of Malaybalay

- › First City in the Province of Bukidnon
- › Capital of the Province of Bukidnon
- › 44 barangays
- › Total population of 105,459 as of 1998
- › Total of 12,354 households as of 1998
- › Primary source of income: Farming & Trading

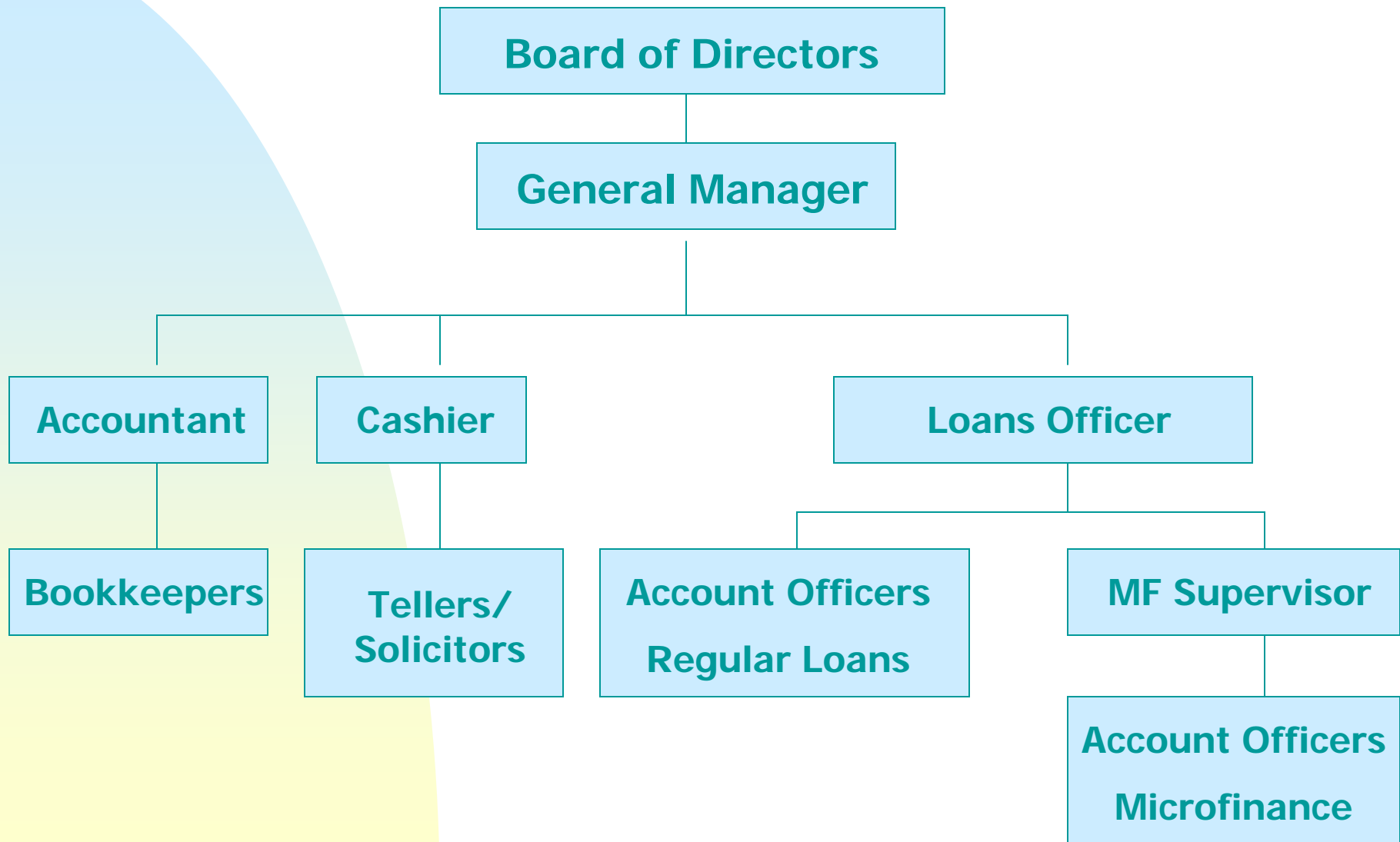
The City of Malaybalay

- › Has 6 commercial banks
- › Has 2 Rural Banks
- › Has 2 active credit cooperatives
- › Has several pawnshops & lending investors
- › Has 1,795 registered business establishments as of January, 1999

BANK PROFILE

- › First coop bank in Mindanao
- › 1998 Gawad Pitak Awardee as # 1 Coop Bank in the country
- › Established in 1977
- › Has 4 branches including main office (Valencia, Maramag, Quezon)
- › Total resources of P80,479,999.98
- › Has 35 employees; 19 in main office, 16 in 3 branches

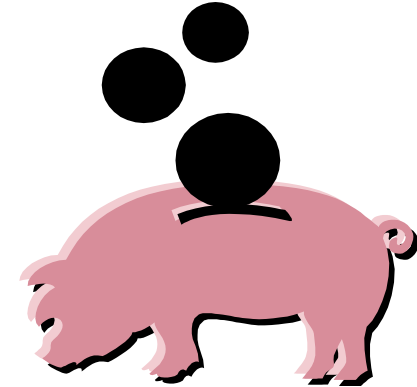
BCB (Main Office) Organizational Chart



BANK'S PRODUCTS

> Deposits

- : Savings- P8,283,337.81
- : Time -P16,086,090.55



> Loans

- : Agricultural - P34,906,242.38
- : Commercial - P9,817,702.16
- : Other Loans - P9,529,383.46
P54,253,328.00



BCB'S PREVIOUS MICROFINANCE EXPERIENCE

- › BCB previously offered two microfinance products:
 - ¥ Market Vendors' Loans
 - ¥ Motorela & Multicab Maintenance Loans

MARKET VENDORS' LOANS

LOAN FEATURES

- › Introduced for stall owners in 1979
- › Clean loan up to P5,000.00
- › Above P5,000.00 is collateralized
- › Payable in 6-12 mos with 12% p.a. interest
- › Collected daily/weekly/monthly/lumpsum
- › Deposit required before loan availment but no deposit build up thereafter.

MOTORELA & MULTICAB MAINTENANCE LOAN

LOAN FEATURES

- › Intended for motorela & multicab operators
- › Loans up to P15,000.00, with Chattel Mortgage or Real Estate Mortgage
- › Payable in 6 months to 1 year, mostly lump sum upon maturity
- › Pre-paid interest of 22% p.a.

PROBLEMS ENCOUNTERED

- › No product manual or guidelines
- › Past Due Ratio of more than 50%
- › Savings Deposits became dormant
- › Market value of tricycle mortgaged not sufficient to cover loan upon foreclosure
- › Product was stopped by the bank after 2 years



BCB'S EXPERIENCES

**AS PARTICIPANT BANK OF THE
MABS-M PROGRAM**

Bank's Initial Perception on Microfinance

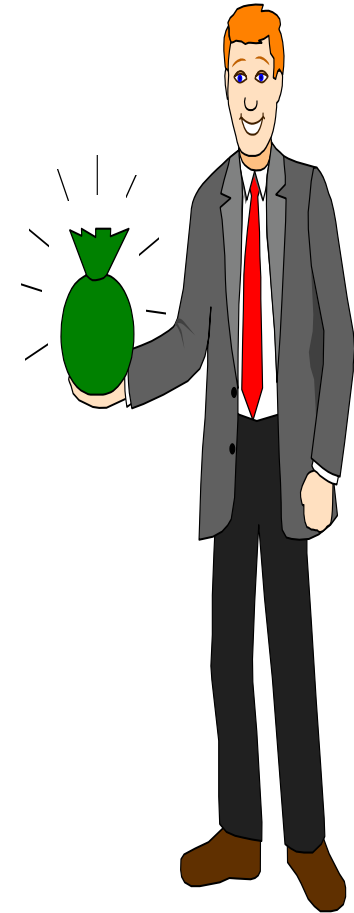
- › High operating cost & manpower intensive
- › Small loan amounts mean lower profit
- › Risky since it's clean & caters to small clients
- › Market for small entrepreneurs is already saturated by informal moneylenders

Factors that Convinced the Bank to Resume its Microfinance Activity

- › Micro borrowers are not interest conscious
- › Close monitoring, clear guidelines & deposit build up mitigate risk
- › Frequent collection = high effective income
- › Bank's bad experiences in big loans
- › Technical assistance from MABS-M will instill new discipline in implementing the product

BCB'S NEW MICROFINANCE PRODUCT

*Sariling Impok, Kita at
Pag-asenso (S I K A P)*



TARGET CLIENTS



Sariling Impok, Kita at Pag-asenso (S I K A P)

PRODUCT FEATURES

- › Intended for microentrepreneurs
- › Loan sizes of P3,000.00 up to P10,000.00 for first time borrowers
- › 3% monthly interest amortized equally
- › 3% service fee deducted up front
- › Loan term : 30, 60 & 90 days
- › Mode of payment : daily & weekly
- › Pick up service for loan payments & deposit

Sariling Impok, Kita at Pag-asenso (S I K A P)

PRODUCT FEATURES

- › Loan Security :
 - ¥ P3,000.00 - P15,000.00 ; two co-makers only
 - ¥ P15,001.00 - P25,000.00 ; two co-makers plus Deed of Assignment of Deposits
 - ¥ Above P25,000.00 - REM or Chattel Mortgage
- › Deposit Build up:
 - ¥ Initial deposit at least equivalent to 5% of loan
 - ¥ Regular deposits to go with each loan payment

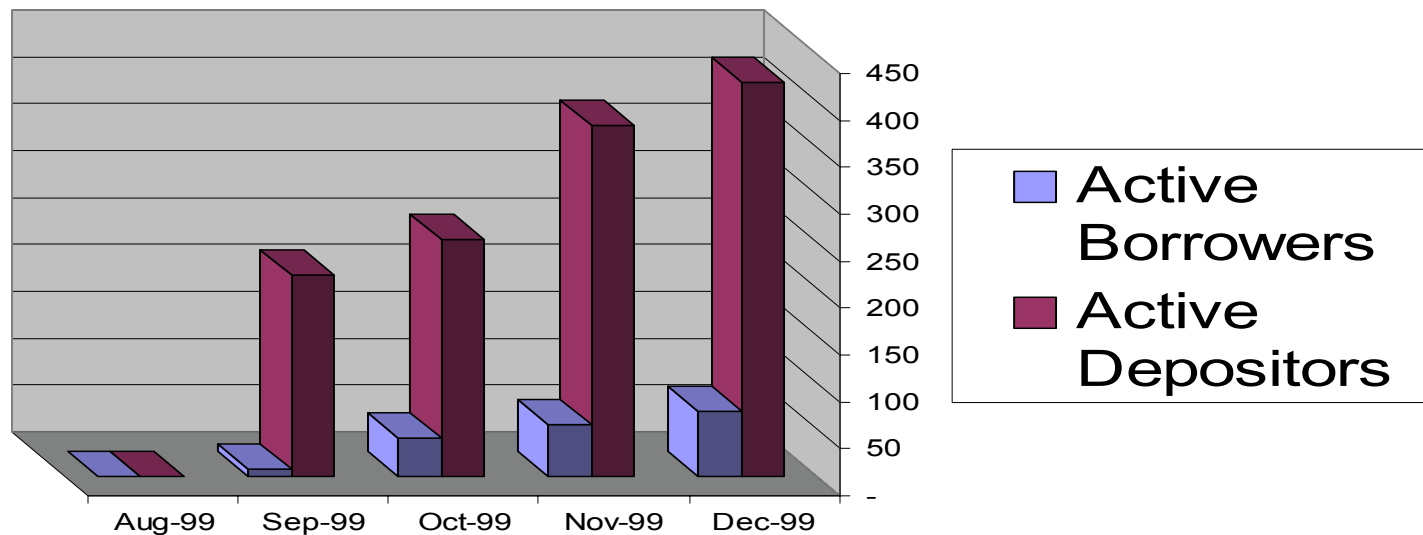
Sariling Impok, Kita at Pag-Asenso (S I K A P)

INCENTIVES TO GOOD PAYORS

- › Eligibility (not automatic) for bigger loan within discounted debt capacity
- › 1/2% reduction of interest rate subject to Manager's approval
- › Immediate release of repeat loan upon full payment of existing loan

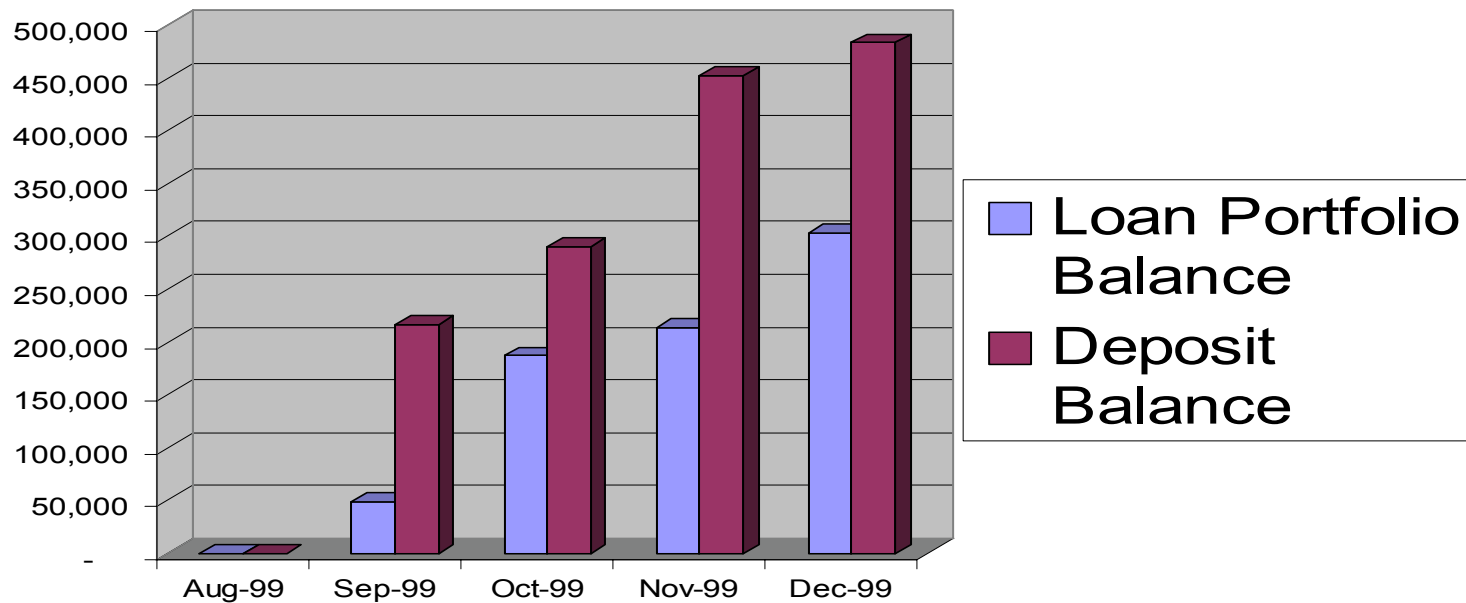
ACCOMPLISHMENTS OF SIKAP LOAN FOR THE FIRST 3 MONTHS PILOT TEST

**Number of Active Borrowers and
Outstanding Depositors**



PERFORMANCE OF SIKAP LOAN PROGRAM FOR THE FIRST 3 MONTHS PILOT TEST

Amount of Loan and Deposit Portfolio



SIGNIFICANT THINGS LEARNED FROM THE MABS-M PROGRAM

- › Market study prior to product design
- › Product designed according to market needs
- › Loan administration procedures documented in the Product Manual
- › All borrowers are required to attend Client Orientation
- › Loan forms are properly filled up



SIGNIFICANT THINGS LEARNED FROM THE MABS-M PROGRAM

- › Thorough character and credit checking
- › Thorough cash flow evaluation
- › Very conservative determination of debt capacity
- › Simplified & fast processing of loan releases
- › Zero tolerance to delinquency

SIGNIFICANT THINGS LEARNED FROM THE MABS-M PROGRAM

- > ALARM SIGNALS IN MANAGING
DELINQUENT PAYORS



ALARM SIGNALS & RECOMMENDATIONS

ALARM SIGNAL #1
PAYMENT DELAYED 1 DAY
LOANS STAFF REPORTS TO SUPERVISOR

ALARM SIGNAL # 2
PAYMENT DELAYED 3 DAYS
SUPERVISOR VISITS OVERDUE CLIENT

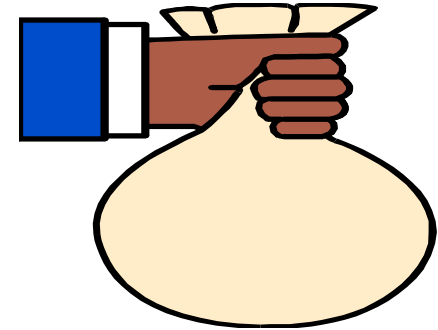
ALARM SIGNAL # 3
PAYMENT DELAYED 1 WEEK
INFORMS CO-MAKER ; FIRST LETTER

ALARM SIGNAL # 4
PAYMENT DELAYED 2 WEEKS
SECOND WARNING LETTER

ALARM SIGNAL # 5
PAYMENT DELAYED 3 WEEKS
FINAL LETTER FROM MANAGER

ALARM SIGNAL # 6
PAYMENT DELAYED 4 WEEKS
IMPOSE CHATTEL; KASABUTAN

Daghang Salamat!



"There is no truth to the saying that the poor does not pay or cannot save. All it takes is discipline which should first come from the bank. Our failures in handling microfinance in the past was mainly caused by the poor product design and our laxity in handling collections."

-Mr. Romy Garcia, Chairman

ANNEX II-B2-A2

PARTICIPANT BANK AGREEMENT

POST-SESSION ACTIVITIES and CRITICAL DATES



- r Completion of Negotiations over the PBA and the Supplemental Agreements - January 31, 2000
- r Signing of PBA - February 4, 2000
- r Hiring/Deployment of the MF Staff - February 14, 2000
- r Training of MF Staff - February 21-25, 2000
- r First MF Loans Released - April 19, 2000



Davao Office

- r **Century Rural Bank - Ed De Casto**
- r **RB Tacurong - Raike Qinones**

Z Cagayan De Oro Office

- Z **RB Dipolog - Nonoy Tan**
- Z **RB Oroquieta - Nonoy Tan**
- Z **Siam Bank - Cecil Dicdiquin**
- Z **Gen Bank - Mely Agabin**

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 1999

Chapter II: PLANNING PHASE

Amends: June 1999

Section C: Preparing the PBA

Subject 1: Definition and Format

1. The **Participant Bank Agreement** or the PBA is the principal document between the PB and MABS. It outlines the terms and conditions of the agreement and defines the roles and responsibilities of the parties under the Partnership.
2. The Management Committee, the Steering Committee, and the members of the Advisory Committee closely review and examine the PBA. Changes and/or amendments, therefore, to the provisions of the PBA should be avoided, particularly and especially substantive amendments to the agreement.
3. The Chief of Party of the MABS Program and the authorized signatory of the PB are the signatories to the PBA.
4. The Orientation for Senior Management (Chapter II-B) provides the opportunity and venue for the MABS Consultant to thoroughly discuss with the PB representative the provisions of the PBA. The objective of this discussion is to ensure that there are no misunderstandings or misinterpretations of the agreement between MABS and the PB.
5. Ideally, the MABS Consultant should make a presentation of the PBA to the PB's Board of Directors prior to the signing. This way each member of the Board of Directors is aware of the contents and implications of the PBA. This will hopefully encourage the active participation of the highest decision-making body of the PB in the implementation of the PB and MABS partnership.
6. The MABS Consultant assigned to the Bank should take note of reactions and comments from the PB regarding the provisions of the PBA and should endeavor to respond fully to queries to the satisfaction of the PB. The Consultant should keep in mind at all times that amendments to the provisions of the PBA should be discouraged and avoided. It should be explained to the PB that the provisions are standard for all PBs and any substantive deviations may affect the relationship of MABS with its other existing PBs.
7. In the event that it becomes absolutely necessary to make changes and amendments to the PBA, the changes and/or amendments **MUST** be covered by a separate amendatory agreement. In other words, the standard PBA document must be maintained together with the signed amendatory agreement.

8. The PBA contains four supplemental agreements, namely the Commodity Agreement; the Fixed Price Contract; the Performance Targets; and the 6-month TA Plan. These are discussed in detail in the succeeding pages.
9. Within a period of thirty (30) days from the date of the Senior Management Orientation, the PB is expected to deliver a Board Resolution accepting the PBA in its entirety and/or including the amendatory agreement, if any, and naming its authorized signatory/ies to the agreement.
10. The PBA is prepared and signed in triplicate, together with the Board Resolution. This is then submitted to the MABS Program for the signature of its Chief of Party. The MABS Program retains the two original copies, while the PB is given a third copy of the agreement.
11. The following are attached as annexes to this subject:

Annex II-C1-A1	Board Resolution (Sample Form)
Annex II-C1-A2	Standard Participant Bank Agreement
Annex II-C1-A3	PBA Form: Guideline for MABS Consultant
Annex II-C1-A4	Sample Amendment to PBA

ANNEX II-C1-A1

BOARD RESOLUTION

SECRETARY=S CERTIFICATE

KNOW ALL MEN AND WOMEN BY THESE PRESENTS:

I, _____, of legal age, with office address at _____, being the Secretary of the Rural Bank of _____ (the ACorporation@), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and duly licensed by the Bangko Sentral ng Pilipinas to operate as a rural financial institution, with principal and postal address at _____ do hereby certify:

That the following Resolution was approved on _____ by the individual assent of at least a majority of the Board of Directors. AResolution No. ____/Series of ____@

RESOLVED, by the Board of Directors of the Rural Bank of _____ (the ACorporation@), in connection with its intent to participate with the AMABS Program,@ that:

1. *The Corporation be, as it is hereby authorized to participate in the Microenterprise Access to Banking Services Program.*
2. *This Board Resolution shall remain in full force and effect, unless otherwise revoked in writing and notice to this effect is received by the office concern.*
3. *That the foregoing are true and correct and in accordance with the records of the Corporation.*

IN WITNESS WHEREOF, this Certificate has been signed this _____ (date) in _____ (place).

Secretary

REPUBLIC OF THE PHILLIPINES]
PROVINCE/CITY OF _____]
MUNICIPALITY OF _____]

SUBSCRIBED AND SWORN to before me this _____ (day) of _____ (month) _____ (year) in _____ (place), Philippines, affiant exhibiting to me his/her Community Residence Certificate No. _____ issued on _____ (date) at _____ (place), Philippines.

NOTARY PUBLIC

ANNEX II-C1-A2
PARTICIPANT BANK AGREEMENT
MABS Program and the Rural Bank of _____

This Participant Bank Agreement (the Agreement) is between the RURAL BANK OF _____ (Participant Bank) and the Microenterprise Access to Banking Services (MABS) Program of RBAP/RBRDFI through its Contractor, Chemonics International who shall be alternately referred to as MABS in this Agreement. Both Parties have agreed to enter into this Agreement to reflect their mutual intention to cooperate, coordinate and/or combine their resources and activities to ensure the efficient and viable implementation of a microfinance savings and credit program that is consistent with the objectives of the MABS Program. The terms and conditions herein appearing shall govern the roles, responsibilities, duties and obligations of the respective Parties under this Agreement.

1. Term

This Agreement shall come into force and effect from the date it is signed and shall continue for a period of eighteen (18) months unless otherwise sooner terminated by either Party in accordance with Clause No. 10.

2. Rationale

The MABS Program was established to provide direct technical assistance to rural and cooperative banks in order that these financial institutions are better able to develop, implement and manage viable and sustainable microfinance savings and credit operations. At the end of the term of this Agreement, the Participant Bank shall have gained sufficient microfinance technology and best practice techniques to allow it to effectively address the financial services requirements of a significantly greater number of microenterprises and the lower socio-economic groups.

3. Scope of Activities

3.1 During the term of this Agreement, MABS commits to provide to the Participant Bank a range of technical assistance and advisory services based on a general pattern of building up and phasing out of dedicated consultancy effort. In the initial 6 months, MABS shall provide the Participant Bank with intensive training that shall include on-the-job coaching, market and product development initiatives, and transfer of appropriate microfinance technology. In the remaining 12 months, MABS shall continue to provide the Participant Bank with technical assistance on an intermittent and as-need basis to be determined by MABS.

MABS may provide, on best efforts basis, limited commodity assistance to the Participant Bank which commodity assistance shall be identified, agreed upon and detailed in a supplemental agreement to be drawn up within 30 days from the signing of this Agreement. Additionally, MABS shall, on best efforts basis, endeavor to provide incentives related to the successful compliance by the Participant Bank with the program's deliverables and targets. **It is understood, however, that MABS can not and shall not, under either its technical or commodity assistance, provide loanable funds for the microfinance program nor guarantee any form of loans by rural and cooperative banks.**

3.2 During the term of this Agreement, the Participant Bank commits to dutifully take part in the MABS microfinance savings and credit program and to host its activities in any one of its branches acceptable to the MABS Program. Over the term of this Agreement, the Participant Bank commits to use its best efforts, consistent with its best commercial interest, to mobilize savings deposit taking activities and open at least 1,000 new micro-savings accounts. At the same time, the Participant Bank commits to allocate sufficient financial resources and make these financial resources available at the time it is needed to service the credit requirements of at least 500 new microenterprise borrowers. Depending on the success of the savings mobilization activities, the Participant Bank may need to

raise an estimated cumulative total of PhP3 Million to about PhP5,000,000 over 18 months in order to effectively fund the credit side of the program. Periodically and estimated to occur every 6 months, loanable funds of not less than PhP1.5 Million may be required. The bank, however, has full discretion to obtain the funds from any single or combination of sources such as savings, rediscounts, or borrowings.

As host of the microfinance activities, the Participant Bank shall, among others: allocate sufficient office/working space; assign/appoint/name/hire at least three full-time microfinance staff; provide a microfinance supervisor; commit other bank support staff and their time to microfinance activities whenever necessary; comply with all reportorial and performance standards as may be required by the MABS; and provide on a continuing basis information relative to the Participant Bank's operations.

4. **Definition of Terms**

For purposes of this Agreement, the following definitions shall be adopted:

- 4.1 **Microenterprise** shall be defined as new clients of the Participant Bank with initial loan size of P25,000 or less and with employment size of 10 or fewer people;
- 4.2 **Microenterprise loans** shall not include salary loans and crop production loans of either individuals or groups of whatever size and purpose;
- 4.3 **Microsavings or small savings** shall include those savings accounts opened with an initial balance of PhP1,000 or less.

5. **Implementation**

The Participant Bank and MABS shall be jointly responsible for the smooth, efficient and successful implementation of the microfinance savings and credit program and both parties shall take all necessary action and assist each other to ensure that the provisions of this Agreement are complied with. The Parties, therefore, agree to observe the following guidelines:

- 5.1 Within 30 days from the signing of this Agreement, the MABS Team and the Participant Bank's designated representative/s shall discuss, agree and submit the action/implementation plan of the microfinance savings and credit program covering the initial 6 months of technical assistance. The action plan shall include, among others, specific activities in the following areas: personnel mobilization, market and product development, human resource development, governance and management, special training courses, and improvement in the management information and loan management systems.

Also within 30 days from the signing of this Agreement, the Participant Bank shall submit to MABS a certification of membership in good standing issued by the RBAP.

- 5.2 Should the Participant Bank require commodity assistance, the list of specific commodities shall be submitted immediately to MABS for evaluation and for securing the necessary approval for the purchase of the commodities. For commodities to qualify for assistance, MABS and the Participant Bank must agree that such commodities are critical to the implementation of the microfinance savings and credit program. It is emphasized that MABS can only provide limited commodity assistance and is therefore mandated to strictly confine its assistance to high priority commodities. In the event that the Participant Bank is furnished commodities, such shall be covered by separate commodity assistance agreements, which shall form an integral part of this Agreement.

It is understood, however, that the Participant Bank shall fully shoulder the cost of installation, maintenance and repair of all commodities granted to it by MABS including registration, fuel, lubricants, insurance and depreciation. The Participant Bank shall also hold MABS free from any liability arising from the use and/or misuse of the commodities.

- 5.3 The Participant Bank shall assign/hire/designate at least three (3) full time microfinance staff, preferably, but not necessarily, newly hired employees, not later than February 14, 2000. The microfinance staff shall be the primary implementors of the microfinance savings and credit program and shall be the direct recipients of the transfer of microfinance technology at the Participant Bank. By agreement with the Participant Bank, MABS may share the cost of the salaries of up to 4 full time microfinance staff.
- 5.4 The Participant Bank shall also name/designate a supervising/senior bank officer who shall oversee together with the MABS-designated point person the implementation of the program and who shall primarily be responsible for monitoring the progress and compliance of the Participant Bank to the requirements and provisions of this Agreement.

The supervising/senior bank official shall see to it that the operations of the microfinance unit can be fully integrated with the mainstream operations of the Participant Bank and/or to determine the courses of action to actually integrate these activities before the end of the 18 months MABS assistance.

- 5.5 In addition to 5.3 and 5.4, the Participant Bank shall allow other officers and staff to participate in training, workshops, seminars and/or activities essential to the successful implementation of the microfinance program including but not limited to activities relating to the development of new products and markets.
- 5.6 The Participant Bank shall allocate sufficient office/working space, equipment and furniture for the microfinance activities including a working area with furniture for visiting technical consultants and advisors from the MABS.
- 5.7 The Participant Bank agrees to comply with the report requirements of MABS necessary to monitor the progress of implementation of the microfinance programs and which may be determined during the course of the 18 months technical assistance. MABS shall endeavor to make available to the Participant Bank the technical services of its MIS consultant in order that such report requirements are integrated in the existing computer or manual system of the Participant Bank, if necessary. Otherwise, MABS shall assist the Participant Bank in identifying and implementing a tentative computer or manual system to address the report requirements.
- 5.8 The Participant Bank agrees to provide MABS with reports and additional information relating to its operations which agreement shall extend to not more than 24 months from the expiry of this Agreement.

For the duration of the technical assistance period of 18 months, the Participant Bank commits to provide the MABS with the bank's financial reports on a monthly basis. Thereafter, the frequency of the submission of the financial reports shall be discussed with the Participant Bank.

- 5.9 The Participant Bank shall not without the knowledge and express approval of the MABS commit the following acts:
- 5.9.1 Remove without cause, re-assign or in any way terminate the services of any of the microfinance staff;
 - 5.9.2 Withhold the salaries other than for withholding taxes, SSS, Pag-Ibig and other standard deductions, for whatever cause, of any of the microfinance staff to which the MABS is responsible for paying;
 - 5.9.3 Amend, revise or in any way change the manner by which the microfinance savings and credit program is being implemented;
 - 5.9.4 Withhold the availability of funds for the microfinance credit and loan program over extended periods without justifiable cause as may be reasonably determined by MABS;

5.9.5 Utilize the commodities granted under this Agreement for purposes not intended by the MABS.

5.10 The Participant Bank commits to set aside at least PhP3,000,000 disbursed in tranches over the term of this Agreement for the microfinance credit program. Also, the Participant Bank commits to make available not later than April 19, 2000, at least PhP500,000 for immediate lending to microenterprises.

6. Performance Targets and Appraisal

To determine the success of the implementation of the microfinance program, the Participant Bank shall commit to a set of microfinance performance targets on a per branch basis (not bank-wide) that shall be the basis of its performance appraisal under this Agreement. The performance targets shall be discussed and mutually agreed upon with MABS within 30 days from signing hereof and shall form part of the action/implementation plan mentioned in Item 5.1. Additionally, the Participant Bank commits to maintain an acceptable level of bankwide operational efficiency that shall be measured using identified performance indicators mutually agreed upon with MABS. The following, however, shall form part of the minimum per branch targets and bankwide indicators:

6.1 Microfinance Unit Operations Targets:

- € Mobilization of at least 1,000 microsavings accounts at the end of 18 months to be divided into acceptable end of quarter targets;
- € Generation of at least 500 microenterprise loans at the end of 18 months to be divided into acceptable end of quarter targets;
- € Maximum Portfolio At Risk Ratio (PARR) of 5%. For purposes of measuring the PARR, the entire outstanding principal balance of any microenterprise loan with at least one amortization past due, regardless of the frequency of the amortization, shall be considered a portfolio at risk.
- € Design and implementation of at least one microfinance product including its manual by April 19, 2000.

6.2 Bankwide Operations Indicators

The Participant Bank shall commit, among others, to at least maintain, preferably improve, on the bankwide performance ratios indicated as of the time of the MABS institutional assessment which are as follows:

- | | |
|--------------------------|-------------------|
| € Capital Adequacy Ratio | - Minimum of 12% |
| € Past Due Ratio | - Maximum of 15% |
| € Liquidity Ratio | - Minimum of 20 % |

7. Program Expansion

Any expansion activity of the MABS microfinance savings and credit program within the 18 months technical assistance period to any of the Participant Bank's branches and expecting to require direct technical and commodity assistance from MABS shall be covered by supplemental agreements. The following serves as guidelines for any such MABS expansion activity:

7.1 MABS direct technical and commodity assistance for expansion activities, if any, may be given to the Participant Bank only when such expansion occurs after the latter has achieved 50% of its savings and credit targets in the first branch.

7.2 For the purpose of securing direct technical and commodity assistance, only branches which have the capability to commit to and achieve a target of 1,000 microsavings and 500 microenterprise loans shall be considered for expansion. MABS, however, is prepared to assist expansion in non-qualified branches but only to the extent of intermittent technical assistance.

7.3 All qualified expansion activities shall require the submission of an action/implementation plan similar to that required under Item 5.1 prior to any implementation.

8. Expenses

Unless otherwise mutually and explicitly provided and agreed upon, all expenses and costs incurred by either Party pursuant to this Agreement shall be borne by the Party incurring the same and neither shall be obliged to reimburse the other.

9. Dispute Resolution

Any doubts or ambiguities or disputes, if any, in the interpretation of the provisions of this Agreement or any of its supplements, shall be resolved through mutual consultations and negotiations between the Parties.

10. Termination

10.1 Either Party may terminate this Agreement upon a 30 days prior written notice to the other. In such a case, MABS reserves the right to withdraw its technical support, discontinue all financial support, and implement measures to recover and physically obtain its commodity support after serving notice of the termination of this Agreement.

10.2 In addition to the above termination clause, MABS may, at its sole discretion, terminate this Agreement in the event that it reasonably determines that any of the following circumstances has occurred:

- (a) Willful non-compliance by the Participant Bank with the provisions of this Agreement and its supplements;
- (b) Consistent (three consecutive quarters) failure by the Participant Bank to comply with microfinance performance targets and the bank-wide performance indicators;
- (c) Deterioration of the Participant Bank's financial position with threat of serious liquidity problems;
- (d) Any intervention or acts of intervention by the Bangko Sentral ng Pilipinas on the Participant Bank;
- (e) Other acts which the MABS determines to be detrimental to the objectives of the MABS Program, Government of the Republic of the Philippines, the United States Agency for International Development, the Rural Bankers Association of the Philippines, or the Rural Bankers Research and Development Foundation, Inc.; and
- (f) At any time that the MABS Program is either terminated and/or suspended by the Government of the Philippines or the United States Agency for International Development.

The Parties hereto set their hands this _____ day of _____, 2000 at Davao City.

RURAL BANK OF _____

MABS PROGRAM

Chairman/President/General Manager

Chief of Party

PARTICIPANT BANK AGREEMENT
MABS Program and the Rural Bank of _____

This Participant Bank Agreement (the Agreement) is between the RURAL BANK OF _____ (Participant Bank) and the Microenterprise Access to Banking Services (MABS) Program of RBAP/RBRDFI through its Contractor, Chemonics International who shall be referred to as MABS in this Agreement. Both Parties have agreed to enter into this Agreement to reflect their mutual intention to cooperate, coordinate and/or combine their resources and activities to ensure the efficient and viable implementation of a microfinance savings and credit program that is consistent with the objectives of the MABS Program. The terms and conditions herein appearing shall govern the roles, responsibilities, duties and obligations of the respective Parties under this Agreement.

[It is understood from the preamble that all agreements between the MABS and the PB are included and incorporated in this document and that there are no side agreements or verbal agreements to the contrary. Any amendment, addition and or subtraction to this Agreement shall be covered by a Supplemental Agreement signed by the same Parties to this Agreement. While the preamble states that there shall be combination of resources of the PB and the MABS, the proceeding provisions of this Agreement show that the resources of MABS are limited to technical and do not include financial resources, unless otherwise stated.]

1. Term

This Agreement shall come into force and effect from the date it is signed and shall continue for a period of twenty-four (24) months unless otherwise sooner terminated by either Party in accordance with Clause No. 10.

[The period of the agreement is 18 to 24 months which includes 6 months intensive technical assistance and 12 to 18 months of intermittent and as-needed technical assistance. The reckoning date of the term is the signing of the agreement.

While it is not expected that any of the Agreements will be terminated, procedures for such and event are just the same provided for in the Agreement. MABS is committed to resort to termination of agreement only in the extreme event of willful non-cooperation by the PB and/or the happening of intervening external factors that could lead to the closure of any of the PBs that the MABS is working with.]

2. Rationale

The MABS Program was established to provide direct technical assistance to rural and cooperative banks in order that these financial institutions are better able to develop, implement and manage viable and sustainable microfinance savings and credit operations. At the end of the term of this Agreement, the Participant Bank shall have gained sufficient microfinance technology and best practice techniques to allow it to effectively address the financial services

requirements of a significantly greater number of microenterprises and the lower socio-economic groups.

3. Scope of Activities

- 3.1 During the term of this Agreement, MABS commits to provide to the Participant Bank a range of technical assistance and advisory services based on a general pattern of building up and phasing out of dedicated consultancy effort. In the initial 6 months, MABS shall provide the Participant Bank with intensive training that shall include on-the-job coaching, market and product development initiatives, and transfer of appropriate microfinance technology. In the remaining 18 months, MABS shall continue to provide the Participant Bank with technical assistance on an intermittent and as-needed basis to be determined by MABS.

MABS may provide, on best efforts basis, limited commodity assistance to the Participant Bank which commodity assistance shall be identified, agreed upon and detailed in a supplemental agreement to be drawn up within 30 days from the signing of this Agreement. Additionally, MABS shall, on best efforts basis, endeavor to provide incentives related to the successful compliance by the Participant Bank with the program's deliverables and targets. **It is understood, however, that MABS can not and shall not, under either its technical or commodity assistance, provide loanable funds for the microfinance program nor guarantee any form of loans by rural and cooperative banks.**

[It is clear in this provision that the MABS shall only commit to providing direct technical assistance and advisory services to the Participant Bank. Commodity assistance is on a best-effort basis. No financial resources, either directly or in the form of loan guarantees, will be provided by MABS.]

The incentives mentioned in this provision are also on a best-efforts basis. Such incentives may or may not be provided depending on the circumstances that MABS finds itself in during the period of compliance by the Participant Bank.]

- 3.2 During the term of this Agreement, the Participant Bank commits to dutifully take part in the MABS microfinance savings and credit program and to host its activities in any one of its branches acceptable to the MABS Program. Over the term of this Agreement, the Participant Bank commits to use its best efforts, consistent with its best commercial interest, to mobilize savings deposit taking activities and open at least 1,000 new micro-savings accounts. At the same time, the Participant Bank commits to allocate sufficient financial resources and make these financial resources available at the time it is needed to service the credit requirements of at least 500 new microenterprise borrowers. Depending on the success of the savings mobilization activities, the Participant Bank may need to raise an estimated cumulative total of PhP3 Million to about PhP5,000,000 over 24 months in order to effectively fund the credit side of the program. Periodically and estimated to occur every 6 months, loanable funds of not less than PhP1.5 Million may be required. The bank, however, has full discretion to obtain the funds from any single or combination of sources such as savings, rediscounts, or borrowings.

[This provision of the Agreement defines the minimum requirements with which all PBs must agree to comply. These are:

1. For multi-branch PBs, the PB recommends the branch where the microfinance program will be piloted. MABS evaluates the acceptability of the branch using as primary criteria the demand for microfinance services within the jurisdiction of the branch being recommended. In the event of insufficient demand in the recommended branch, the PB and MABS shall jointly determine which of the other branches of the PB shall qualify.
2. The PB commits to implement both the savings and credit components of the microfinance program under the conditions consistent with its commercial interest. MABS may recommend which component to implement first but the PB ultimately decides on the priority of implementation.
3. In relation to the preceding paragraph (No. 2), the Agreement clearly states that the PB commits to set aside funds for the credit component of the microfinance program and to make these funds available at the time when it is needed. The microfinance program is estimated to require P5 Million over 18-24 months for at least 500 new microenterprise borrowers whose borrowings may range from P3,000 to P25,000 each. The PB is not obligated to set aside the full amount at the start of the credit program although it is preferable that PBs indicate the source and amount of funds it is willing to immediately make available at the beginning of the lending activity. Ideally, the MABS Point Person should be able to determine that the PB can raise an amount equivalent to P1.5 Million within the first 6 months of the credit operation in order for it to sustain the estimated number of new borrowers for that period.
4. The amount needed by the PB for the credit component of the microfinance program may be raised from the various sources or a combination of sources. It is important, however, for the Point Persons to know from which sources these funds are being generated as this could affect the pricing and the total design of the microfinance loan product. Knowing the sources, especially if these are external sources, will also enable the Point Person and MABS to be aware of the terms and conditions of the particular fund source to ensure that the terms and conditions are not in conflict with MABS objectives and guidelines.
5. This provision of the Agreement states the performance commitment of the PB to the MABS Microfinance Program. Each PB shall, at the end of the 18 to 24 months of technical assistance, have generated 1,000 new micro-depositors and shall have lent to 500 new micro-borrowers.]

As host of the microfinance activities, the Participant Bank shall, among others: allocate sufficient office/working space, assign/appoint/name/hire at least two to **three** full-time microfinance staff, **provide a microfinance supervisor and commit other bank support staff** and their time to microfinance activities whenever necessary, comply with all reportorial and performance standards as may be required by the MABS, and provide on a continuing basis information relative to the Participant Bank's operations.

[As host, the PB also commits to provide working space for the Microfinance Unit (MFU) including office equipment and supplies as may be required by the level of operations of the microfinance program. The office space shall be within the premises of the branch hosting the microfinance program whenever feasible or in space just adjacent to the branch.]

The conditions for hiring staff and the periodic reporting requirements are discussed in other provisions of this Agreement.]

4. Definition of Terms

For purposes of this Agreement, the following definitions shall be adopted:

- 4.1 **Microenterprise** shall be defined as new clients of the Participant Bank with initial loan size of P25,000 or less and with employment size of 10 or fewer people;
- 4.2 **Microenterprise loans** shall not include salary loans and crop production loans of either individuals or groups of whatever size and purpose;
- 4.3 **Microsavings or small savings** shall include those savings accounts opened with an initial balance of PhP1,000 or less.

5. Implementation

The Participant Bank and MABS shall be jointly responsible for the smooth, efficient and successful implementation of the microfinance savings and credit program and both parties shall take all necessary action and assist each other to ensure that the provisions of this Agreement are complied with. The Parties, therefore, agree to observe the following guidelines:

[The relationship between MABS and the PBs is one of the cooperation and partnership and as such both parties are jointly responsible for ensuring the success of the program. No one party shall be held fully responsible for complying with the requirements of the microfinance program. However, while the following provides guidelines for this cooperation, it is advised that Point Persons insist to the best they can for compliance.]

- 5.1 Within 30 days from the signing of this Agreement, the MABS Team and the Participant Bank's designated representative/s shall discuss, agree and submit the action/implementation plan of the microfinance savings and credit program covering the initial 6 months of technical assistance. The action plan shall include, among others, specific activities in the following areas: personnel mobilization, market and product development, human resource development, governance and management, special training courses, and improvement in the management information and loan management systems.

[The technical assistance package is discussed in a separate section of this Chapter.]

Also within 30 days from the signing of this Agreement, the Participant Bank shall submit to MABS a certification of membership in good standing issued by the RBAP.

[This requirement is in deference to the identified partner of the MABS Program which is the Rural Bankers Association of the Philippines or the RBAP. To the extent possible, MABS will only work with rural banks that are members in good standing with RBAP.]

- 5.2 Should the Participant Bank require commodity assistance, the list of specific commodities shall be submitted immediately to MABS for evaluation and for securing the necessary approval for the purchase of the commodities. For commodities to qualify for assistance, MABS and the Participant Bank must agree that such commodities are critical to the implementation of the microfinance savings and credit program. It is emphasized that MABS can only provide limited commodity assistance and is therefore mandated to strictly confine its assistance to high priority commodities. In the event that the Participant Bank is furnished commodities, such shall be covered by separate commodity assistance agreements which shall form an integral part of this Agreement.

It is understood, however, that the Participant Bank shall fully shoulder the cost of installation, maintenance and repair of all commodities granted to it by MABS including registration, fuel, lubricants, insurance and depreciation. The Participant Bank shall also hold MABS free from any liability arising from the use and/or misuse of the commodities.

[Commodity grants are covered by separate agreements. By policy, however, MABS puts a ceiling (in terms of amount of grant) that can be granted to PBs. The specific types of commodities are determined jointly by the MABS Point Person and the PB. Point Persons are advised to keep in mind that only commodities CRITICAL to the operations of the microfinance program should qualify for the commodity grant. These commodities must be to fill an existing need and not future needs of the PB. Point Persons are also advised to ensure that the PB has an equity contribution to the acquisition of these commodities – IS THIS TRUE?]

- 5.2 The Participant Bank shall assign/hire/designate two (2) or three (3) full time microfinance staff, preferably, but not necessarily, newly hired employees, not later than date. The microfinance staff shall be the primary implementors of the microfinance savings and credit program and shall be the direct recipients of the transfer of microfinance technology at the Participant Bank. By agreement with the Participant Bank, MABS may share the cost of the salaries of the 2 or 3 full time microfinance staff.

[MABS prefers that the microfinance staff are newly hired employees to avoid prior misconceptions and perceptions regarding the lending philosophy and procedures. Microlending is very specialized and does not conform to “traditional lending activities” done by most, if not all, traditional lenders such as rural banks. It is easier to train new staff than to discard old and possibly wrong lending habits of longtime credit officers. While this is the ideal situation where MABS is

concerned, the decision to hire should be the sole prerogative of the PB as they eventually will employ the microfinance staff in the long term.

The date for assigning/hiring of the microfinance staff depends on the action/implementation plan of the PB. In any case, this should be done at the earliest possible time after signing of this Agreement but in no case to exceed 30 days from the date of signing.

MABS is prepared to discuss cost sharing of the salaries of a maximum of 4 microfinance staff. Under no circumstance, however, is MABS sharing the cost of officers and/or supervisors of the PB who will be assigned to oversee the operations of the MFU. The cost-sharing is covered by a separate agreement and is discussed in a separate section of this chapter.]

- 5.4 The Participant Bank shall also name/designate a supervising/senior bank officer who shall oversee together with the MABS-designated point person the implementation of the program and who shall primarily be responsible for monitoring the progress and compliance of the Participant Bank to the requirements and provisions of this Agreement.

The supervising/senior bank official shall see to it that the operations of the microfinance unit can be fully integrated with the mainstream operations of the Participant Bank and/or to determine the courses of action to actually integrate these activities before the end of the 18 to 24 months MABS assistance.

[Generally, the supervising/senior bank official is either the General Manager of the PB or its most senior loan officer. This bank official must have some authority over the operations of the PB on a bankwide basis in order to facilitate the integration of the microfinance program with mainstream banking operations. The bank official designated/assigned must have be authorized to implement changes within the bank organization structure or at least influence the operations of the other units of the bank for the purpose of institutionalizing best practices and principles bankwide.]

- 5.5 In addition to 5.3 and 5.4, the Participant Bank shall allow other officers and staff to participate in training, workshops, seminars and/or activities essential to the successful implementation of the microfinance program including but not limited to activities relating to the development of new products and markets.
- 5.6 The Participant Bank shall allocate sufficient office/working space, equipment and furniture for the microfinance activities including a working area with furniture for visiting technical consultants and advisors from the MABS.
- 5.7 The Participant Bank agrees to comply with the report requirements of MABS necessary to monitor the progress of implementation of the microfinance programs and which may be determined during the course of the 18 to 24 months technical assistance. MABS shall endeavor to make available to the Participant Bank the technical services of its MIS consultant in order that such report requirements are integrated in the existing computer or manual system of the Participant Bank, if necessary. Otherwise, MABS shall assist the Participant

Bank in identifying and implementing a tentative computer or manual system to address the report requirements.

[Prior to the signing of this Agreement, Point Persons should provide the PB with copies of the reports required by MABS. This is particularly important for rural banks using systems other than Microbanker. To a large extent, the MABS MIS team is responsible for determining the levels of assistance needed by the individual PBs to comply with the reporting requirements of MABS. These reports are necessary for monitoring the progress of the microfinance activity but in no case should these reports prove to be a burden to the PBs. The intention is for the reports to assist the PB management in managing the microfinance activities – point persons should explain this to the PB emphasizing that while MABS needs to monitor the banks' activities to report to USAID and to ensure that the program is being implemented soundly, the reports are also of benefit to the PB itself. The MIS team and the Point Person should discuss with the PBs the nature of the reports and how these reports can be generated without disrupting regular reporting systems of the PB to either the BSP or other regulatory agency that may require other forms of reports.]

- 5.8 The Participant Bank agrees to provide MABS with reports and additional information relating to its operations which agreement shall extend to not more than 18 to 24 months from the expiry of this Agreement.

For the duration of the technical assistance period of 18 to 24 months, the Participant Bank commits to provide the MABS with the bank's financial reports on a monthly basis. Thereafter, the frequency of the submission of the financial reports shall be discussed with the Participant Bank.

[MABS and/or USAID may require the submission of reports even after the MABS intervention has been terminated to determine whether the microfinance program is sustainable or not. These reports will provide USAID and/or the GOP and/or RBAP with information necessary to plan future activities to help establish a sustainable microfinance program in rural and rural cooperative banks.]

- 5.9 The Participant Bank shall not without the knowledge and express approval of the MABS commit the following acts:
- 5.9.1 Remove without cause, re-assign or in any way terminate the services of any of the microfinance staff;
 - 5.9.2 Withhold the salaries other than for withholding taxes, SSS, Pag-ibig and other standard deductions, for whatever cause, of any of the microfinance staff to which the MABS is responsible for paying;
 - 5.9.3 Amend, revise or in any way change the manner by which the microfinance savings and credit program is being implemented;
 - 5.9.4 Withhold the availability of funds for the microfinance credit and loan program over extended periods without justifiable cause as may be reasonably determined by MABS;
 - 5.9.5 Utilize the commodities granted under this Agreement for purposes not intended by the MABS.

5.10 The Participant Bank commits to set aside at least PhP3,000,000 disbursed in tranches over the term of this Agreement for the microfinance credit program. Also, the Participant Bank commits to make available not later than date, at least PhP500,000 for immediate lending to microenterprises.

[This provision is a reiteration of Section 3.2 of this Agreement. In addition, it provides an indication of the amount of loanable funds the PB is willing to commit at the beginning of the microfinance program. This amount is negotiated between the Point Person and the PB. Initially, MABS has determined this amount should not be less than PhP500,000.]

6. Performance Targets and Appraisal

To determine the success of the implementation of the microfinance program, the Participant Bank shall commit to a set of microfinance performance targets on a per branch basis (not bankwide) that shall be the basis of its performance appraisal under this Agreement. The performance targets shall be discussed and mutually agreed upon with MABS within 30 days from signing hereof and shall form part of the action/implementation plan mentioned in Item 5.1. Additionally, the Participant Bank commits to maintain an acceptable level of bankwide operational efficiency that shall be measured using identified performance indicators mutually agreed upon with MABS. The following, however, shall form part of the minimum per branch targets and bankwide indicators:

6.1 Microfinance Unit Operations Targets:

- € Mobilization of at least 1,000 microsavings accounts at the end of 18 to 24 months to be divided into acceptable end of quarter targets;
- € Generation of at least 500 microenterprise loans at the end of 18 to 24 months to be divided into acceptable end of quarter targets;
- € Maximum Portfolio At Risk Ratio (PARR) of 5% defined and measured as: the outstanding principal balance of all microenterprise loans with an amortization payment (or partial payment) one (1) day or more past due divided by the outstanding principal balance of all microenterprise loans.
- € Design and implementation of at least one microfinance product including its manual by date.

6.2 Bankwide Operations Indicators

The Participant Bank shall commit, among others, to at least maintain, preferably improve, on the bankwide performance ratios indicated as of the time of the MABS institutional assessment which are as follows:

€ Capital Adequacy Ratio	-	Minimum of 12%
€ Past Due Ratio	-	Maximum of 15%
€ Liquidity Ratio	-	Minimum of 20%

[These performance targets are reiterated in a separate agreement. MABS is not only interested in monitoring the performance of the MFU but must also ensure the overall operational efficiency of the PBs. While MABS is directly concerned

with the performance of the MFU, it fully recognizes that the MFU is only a small part of the PB's entire banking operations. Even if the MFU is operationally viable, if the other units of the bank are not performing well, the sustainability of the MFU is threatened. The primary reason for monitoring bankwide performance is for MABS to know of any problems/difficulties at the earliest possible time. This gives MABS the chance to determine whether it is in a position to remedy the problem or at least influence the course of action being taken to address the problem. Even with this provision, however, MABS does not imply that it can actually remedy the problem or influence the action being taken nor does it commit to provide remedial assistance to the PBs experiencing difficulties. It must be understood that remedial measures and/or rehabilitation activities is outside the terms of reference of MABS.]

7. Program Expansion

Any expansion activity of the MABS microfinance savings and credit program within the 18 to 24 months of technical assistance to any of the Participant Bank's branches and expecting to require direct technical and commodity assistance from MABS shall be covered by supplemental agreements. The following serves as guidelines for any such MABS expansion activity:

- 7.1 MABS direct technical **and commodity assistance** for expansion activities, if any, may be given to the Participant Bank only when such expansion occurs after the latter has achieved 50% of its savings and credit targets in the first branch.
- 7.2 For the purpose of securing direct technical and commodity assistance, only branches which have the capability to commit to and achieve a target of 1,000 microsavings and 500 microenterprise loans shall be considered for expansion. MABS, however, is prepared to assist expansion in non-qualified branches but only to the extent of intermittent technical assistance.
- 7.3 All qualified expansion activities shall require the submission of an action/implementation plan similar to that required under Item 5.1 prior to any implementation.

[Point Persons should note that this provision of the Agreement is not a direct commitment by MABS to provide technical or commodity assistance. It is a best efforts provision and MABS has the option to decide the nature and extent of the technical assistance to be provided to the PBs during the expansion stage. Particularly for commodities, there is no commitment that MABS will be providing commodity grants.]

8. Expenses

Unless otherwise mutually and explicitly provided and agreed upon, all expenses and costs incurred by either Party pursuant to this Agreement shall be borne by the Party incurring the same and neither shall be obliged to reimburse the other.

9. Dispute Resolution

Any doubts or ambiguities or disputes, if any, in the interpretation of the provisions of this Agreement or any of its supplements, shall be resolved through mutual consultations and negotiations between the Parties.

10. Termination

10.1 Either Party may terminate this Agreement upon a 30 days prior written notice to the other. In such a case, MABS reserves the right to withdraw its technical support **discontinue all financial support**, and implement measures to recover and physically obtain its commodity support **after serving notice of the termination of this Agreement.**

10.2 **In addition to the above termination clause**, MABS may, at its sole discretion, terminate this Agreement in the event that it reasonably determines that any of the following circumstances has occurred:

- (a) Willful non-compliance by the Participant Bank with the provisions of this Agreement and its supplements;
- (b) Consistent (three consecutive quarters) failure by the Participant Bank to comply with microfinance performance targets and the bankwide performance indicators;
- (c) Deterioration of the Participant Bank's financial position with threat of serious liquidity problems;
- (d) Any intervention or acts of intervention by the Bangko Sentral ng Pilipinas on the Participant Bank;
- (e) Other acts which the MABS determines to be detrimental to the objectives of the MABS Program, Government of the Republic of the Philippines, the United States Agency for International Development, the Rural Bankers Association of the Philippines, or the Rural Bankers Research and Development Foundation, Inc.; and
- (f) At any time that the MABS Program is either terminated and/or suspended by the Government of the Philippines or the United States Agency for International Development.

[While these provisions on termination are self-explanatory, Point Persons are advised to discuss these provisions with the PBs to ensure that there are no misunderstandings or ambiguities in the interpretation of these termination provisions.]

The Parties hereto set their hands this (date) at (place), Philippines.

RURAL BANK OF _____
By:

MABS PROGRAM
By:

Chairman/President/Gen. Manager

Chief of Party

ANNEX II-C1-A4

**Participant Bank Agreement
MABS Program & Rural Bank of XYZ, Inc.**

Amendment #1

Referencing the Participant Bank Agreement in place between the Rural Bank of XYZ, Inc. (RBXYZ) and the MABS Program, both parties hereby agree to the following specific amendments to the agreement. No other parts of the PBA are affected by this amendment, in whole or in part, except those listed below. All other terms and conditions of the PBA remain in force.

1. Under item 1., AMicrofinance marketing, outreach, and products,@ delete Aprovide motorcycle for microfinance staff@and replace with Aprovide two (2) motorcycles for microfinance staff.@
2. Under item 1., AMicrofinance marketing, outreach, and products, delete AProvide ultra high frequency radios with base.@ In its place, insert AProvide coin counter.@

These changes are dependent on receiving subsequent USAID contracting officer approval for the purchase of both the additional motorcycle and the coin counter. Under USAID regulations, MABS must obtain specific written approval for purchasing any non-expendable supply or equipment with a unit cost in excess of \$500. Because both of the above items qualify, MABS must obtain such written approval before the equipment can be provided. However, MABS is hereby committing to making its best efforts to obtain the needed USAID approval, and hereby amends the PBA to reflect the planned change in equipment to be purchased.

The changes contained herein shall not in any way increase or decrease the amount of resources, in peso value, which MABS has committed to RBST through the PBA. This amendment simply changes what is to be purchased on RBXYZ=s behalf.

Signatures of commitment to this amendment:

President & Manager
Rural Bank of XYZ

COP
MABS Program

Date

Date

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 16, 2001

Chapter II: PLANNING THE PBA

Amends: June 30, 1999

Section C: Preparing the PBA

**Subject 2: Commodity Agreement
(Supplementary Agreement 1)**

1. Aside from the direct technical assistance, Participant Banks are qualified under the MABS Program to receive commodity support. The Commodity Agreement is one of four basic supplemental agreements entered into between MABS and the Participant Banks. The features of the Commodity Agreement are discussed below and explanations and notes are further included in the attached template.
2. MABS grants a very limited number and amount of commodities to individual Participant Banks. The commodity grant is NOT an incentive for rural banks to participate; the technical assistance (discussed in Chapter III) should provide enough incentive for rural banks to decide to enter into a partnership with MABS. The commodity grant is intended merely to ensure efficient implementation of the microfinance program.
3. For commodities to qualify for support they must meet the following criteria:
 - 3.1 The commodity is necessary for the smooth and efficient implementation of the MABS Microfinance Program;
 - 3.2 The commodity will ensure the timely delivery of performance targets by the Participant Banks;
 - 3.3 The commodity will allow the integration of the microfinance program with the mainstream operations of the Participant Bank at the earliest possible time.
4. Commodities may fall under any or all of the following categories:
 - 4.1 Facilitate mobility during marketing and collection services of the MFU. For this purpose, MABS is prepared to provide the PB with a maximum of two (2) motorcycles. One of which may be released at the beginning of the lending activity and the other released when the PB has generated at least 200 new microloans.
 - 4.2 Facilitate monitoring of the microfinance activities and support the preparation of reports required by MABS. For this purpose, Participant Banks may be granted computers and printers, file servers, and licensed software (including Microsoft Office and Novell).

- 4.3 Facilitate communication with field activities of credit and collection officers of the PB. Some PBs may have to work in areas distant from the location of the branch and may need to monitor the location of their credit officers. In cases such as this, the PB may be granted communication equipment such as UHF handheld radios, or on an exception basis, cellular phones.
- 4.4 Support the marketing efforts of the PBs. A specific amount of funds intended for marketing of microfinance products is included in the commodity agreement. Qualified commodities include the production of savings boxes, the printing of banners or product brochures, media placements (TV, radio, and print ads), purchase of promotional gimmicks and give-aways, and other such related commodities.
- 4.5 Other commodities that may be needed by the MFU such as coin counters and similar commodities.
5. MABS Consultants are expected to know, prior to negotiation with their respective PBs, the potential commodity requirements (using as a basis the results of the IA and the assessment made by the MIS Specialist). Consultants shall prepare a list of these commodities and rank them according to priority.
6. MABS will cap the amount and value of the commodities that may be granted to Participant Banks and will review this cap periodically. Individual Participant Banks will have different commodity requirements and it is the responsibility of the MABS Consultant to determine which of the commodities being requested are high priority commodities. The basis for the package of commodities is the actual need of the PBs, not the comparative value of the commodities being granted vis-a-vis other PBs. In general, the total amount provided for commodities should not exceed PhP350,000.

Before negotiation, MABS Consultants should inform the Participant Banks of the process involved in receiving commodity support including the purchase of approved items.* These steps include the following:

- 6.1 During negotiation, the PB and the MABS Consultant agree on a list of commodities;
- 6.2 The MABS Consultant secures approval, through the COP for the purchase of the commodities from the ManCom;
- 6.3 The MABS Consultant informs PB of the action taken by Management Committee (ManCom);
- 6.4 Purchase of commodities approved by ManCom and all disbursements of funds related to the commodity support is centralized at the Davao Office including securing quotations, actual purchase, delivery arrangements and installation of equipment/commodities, if necessary.

The MABS Program shall exclusively purchase the commodities and shall not allow the Participant Banks to make independent purchases of any of the commodities regardless of the amount.

* As a policy of USAID on procurement, individual items must not exceed US\$ 500. Items more than \$500 require technical approval from USAID and must include canvassing and normal bidding procedure of suppliers.

6. After approval of the ManCom, the MABS consultant determines the schedule of the release of the commodities. The notice of approval of the commodities together with the schedule of release of the commodities is sent to the Participant Banks for their information.
7. The commodities remain the property of the MABS Program, through its contractor, Chemonics International, Inc. MABS has the sole discretion to determine the manner of the ultimate disposition of the commodity in accordance with the terms and conditions of its contract with USAID. One such manner of disposition may be to donate and/or fully grant the commodities to the Participant Bank at the end of the term of the technical assistance or the end of the MABS program itself. MABS consultants, however, must take note that this disposition is decided only at the end of the technical assistance of MABS at the earliest, or at the end of the term of the MABS Program, at the latest.
8. MABS, as owner of the commodities, reserves the right to withdraw the commodities from the Participant Bank when it reasonably determines that there is sufficient and justified reasons to do so and under circumstances provided for in the Commodity Agreement.
9. MABS only provides/furnishes the commodities while the PB takes full responsibility for the registration, insurance, maintenance, and repair of the commodities granted while in the Participant Bank's possession. The Participant Banks shall also be responsible for the physical installation of the commodity in the bank premises with MABS providing technical advice.
10. Supplemental Participant Bank Agreement (Commodity Support) is attached as Annex II-C2.

ANNEX II-C2
SUPPLEMENTAL PARTICIPANT BANK AGREEMENT
(Commodity Support)
MABS Program and the Rural Bank of _____

Further to the Participant Bank Agreement (**PBA**) dated _____, the Rural Bank of _____ and the MABS Program have determined and agreed that the commodities herein appearing are necessary and critical to the effective implementation of the microfinance savings and credit program. The Rural Bank of _____ hereby agrees to the following terms and conditions governing the grant of commodity assistance by the MABS Program:

1. The commodities under this Agreement are:

Unit	Item Description
-------------	-------------------------

2. The release of the commodities to the bank shall be in accordance with the following:

Commodity	Schedule of Release
------------------	----------------------------

3. The Rural Bank of _____ shall shoulder all expenses related to the normal and extraordinary maintenance and repairs of the commodities including but not limited to registration, insurance, depreciation, installation, fuels, lubricants, and such other related expenses. In addition, the bank also agrees to shoulder the cost of the following:

- 3.1 Cost of cables and wires and other materials including labor required to completely and fully install the computers and its attachments;
- 3.2 Cost of _____;

4. The Rural Bank of _____ holds the MABS Program free from any liability arising from the use, misuse or non-use of the commodities;

5. MABS reserves the right to withdraw and/or remove the commodities from the bank in any of the following instances:

- 5.1 Failure of the bank to comply with any of the provisions of the PBA and all its supplemental agreements including this Agreement;
- 5.2 Failure of the bank to meet the agreed performance targets for three (3) consecutive quarters;
- 5.3 Willful utilization by the bank of the commodities granted in this Agreement for purposes not intended by the MABS Program;
- 5.4 Termination of the PBA as specified in clause no. 10 of that agreement or other instances specified in the supplemental agreements.

6. If it becomes necessary to withdraw and/or remove the commodities from the bank, MABS shall provide the bank with written notice thirty (30) days prior to the actual withdrawal/removal of the commodities. Within the same period, the PB and MABS shall agree on the procedures for the withdrawal and/or removal of the commodities from the bank's premises.

Parties hereby sign this Agreement this _____ day of _____, 1999 in _____.

For:
RURAL BANK OF _____

For:
MABS PROGRAM

 Chairman/President/Gen Mgr

 Chief of Party

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 16, 2001

Chapter II: PLANNING PHASE

Amends: June 30, 1999

Section C: Preparing the PBA

**Subject 3: Fixed Price Contract
(Supplemental Agreement 2)**

1. MABS may agree to share the costs of the salaries of a maximum of four (4) MFU staff. The terms and conditions for this assistance are stipulated in a Fixed Price Contract (FPC) attached.
2. The FPC is a contract designed and required by the MABS funding agency, USAID. It is a standard contract covering all types of direct financial assistance extended by the USAID to its local partners and their partners. It contains specific conditions relating to labor rules and regulations including audit requirements of the US Government with reference to the labor laws of the host government, in this case the Republic of the Philippines. **As such, absolutely no amendments to its provisions can be made.** This is supported by the inclusion of the clauses of the U.S. Government Federal Acquisition Regulations in Section L of the Fixed Price Contract (Annex II-C3).
3. As a matter of policy, MABS will only agree to cost-share the salaries of MFU staff who will render full time (100%) work for the microfinance program. Salaries of the MFU supervisor and other bank officials, even while rendering full time work with the microfinance program will not qualify for cost-sharing assistance.
4. MABS may, at its sole discretion, agree to fully fund the salaries of four MFU staff for the first six months of operations of the MFU and no more than 50% of their salaries in the second six-month period. Alternatively, MABS will fully fund 3 MFU staff for the first 8 months of operations and no more than 50% of the second eight-month period. Thereafter, all forms of salary subsidies shall cease and the PBs are expected to fully fund the salaries of the entire MFU staff.
5. Although MABS subsidizes the salaries of MFU staff, the PB has full administrative supervision, control, and authority over the employees and the work they are doing. MABS consultants should make clear that the employment agreement is between the PB and the MFU staff. The MFU staff are not employed by MABS, rather MABS simply provides a subsidy for their salaries. If, in any event, the MFU staff are asked to work on activities or other matters other than the microfinance program, the MABS Consultant should take up the issue with the management of the PB and not directly with the MFU staff.
6. As employees of the PB, the hiring of the MFU staff should conform to the existing personnel policies of the PB. MABS may suggest or recommend the desired qualifications or characteristics of the MFU staff but it is the PB that makes the final

decision on who to hire or designate from their existing staff complement.

7. MABS will only shoulder the basic salary of the MFU staff and to the extent only of the 13th month basic (as required by law) or its proportional equivalent relative to the ratio of the cost-sharing of MABS. All standard employer counterpart contributions required under the Philippine labor laws are to be shouldered by the PB that includes SSS, Pag-Ibig, Medicare and other such deductions. For salaries that will be subsidized by MABS, the combined monthly salary of the MFU staff shall not exceed PhP20,000 with no staff receiving a monthly salary higher than PhP7,500 per month.
8. Other benefits given to the employees of the PBs are also expected to be given to the MFU staff unless clear and unequivocal unemployment conditions are negotiated between the MFU staff and the PB prior to their hiring or designation. These special employment conditions should be made known to the MABS Consultant by the PB.
9. The PBs must complete the Voucher for Reimbursement of Expenses, found in Section M of the Fixed Price Contract, as well as submit the necessary documentation on a quarterly basis to receive reimbursement for salaries paid. Section M also includes a guideline for completing the expense reimbursement voucher.

ANNEX II-C3

FIXED PRICE CONTRACT

Between

CHEMONICS INTERNATIONAL INC.

And

Hereafter referred to as the Subcontractor

For

MICROENTERPRISE ACCESS TO BANKING SERVICES (MABS)
CONTRACT No. 492-C-00-98-00008-00

Effective Date:

Total Fixed Price:

Contents

Part I - Schedule

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Section B	Reporting and Technical Direction
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Part II - Attachments

Section L	Contract Clauses Incorporated by Reference
Section M	Voucher for Reimbursement of Expenses

The Subcontractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for consideration stated herein.

The rights and obligations of the parties to this fixed price contract shall be subject to and governed by the provisions and specifications attached or incorporated by reference herein, and executed by both parties.

Chemonics International Inc.

Title:

By:

Date Signed:

Place Signed:

Rural Bank of _____

Title:

By:

Date Signed:

Place Signed:

Section A. Background, Scope of Work, Deliverables and Deliverables Schedule

A.1. Background

The MABS Activity is designed to expand the provision of financial services, both lending and deposit mobilization, to microentrepreneurs and other groups at the lower socio-economic levels in Mindanao through the existing network of Rural Banks (RBs) and Cooperative Rural Banks (CRBs). During the life of the project, a minimum of 20 RBs/CRBs will be selected to participate in the MABS initiative. Through the provision of technical assistance, training and other forms of support, the Participating Banks (PBs) will be encouraged to significantly increase the services and deepen their level of financial intermediation in the target sector.

RBs/CRBs are formal financial intermediaries which operate in accordance with the specific supervisory norms and regulatory framework established by the Central Bank. It is expected that as a result of the project, other formal intermediaries in Mindanao and elsewhere in the Philippines, will be encouraged to penetrate the microenterprise market and incorporate microlending into their traditional loan portfolio.

The MABS project has been underway since early 1998. In December 1999, 6 additional rural banks were confirmed as participants under MABS. In conjunction with the Participant Bank Agreements (PBAs) developed with each of the participant banks, MABS will pay the salary costs of ___ employee/s at Rural Bank of _____ to be designated for the microfinance effort. MABS shall pay ___% of their salary in the first _____ months of the agreement, and ___% in the succeeding _____ month period. The scope of work for this subcontract is in A.2. below.

A.2. Scope of Work

The employee/s shall dedicate 100 percent of their time to the MABS effort within the bank. Payment for the services shall be made by the bank, which will be reimbursed by MABS on a quarterly basis. As employee/s dedicated to implementing MABS microfinance methodologies, the employee/s shall have direct responsibility for implementing all of the strategies, outreach, microfinance loan screening and management, deposit mobilization, etc., for RB _____.

A.3 Deliverables

The dedicated microfinance employee/s of Rural Bank of _____ shall meet regularly and faithfully with visiting MABS staff. They shall ensure that all primary microfinance loan and savings data is recorded, such that the MABS MIS reports can be produced.

MABS/Chemonics reserves the unilateral right to terminate this Fixed Price Contract at any time, paying for all deliverables completed at the time of termination, and a pro-rata share of any deliverable in progress, without further financial obligation to the Subcontractor.

Changes in the scope of work above may be ordered by Chemonics pursuant to the

Initials: Chemonics _____

Subcontractor _____

USAID Federal Acquisition Regulation (FAR) clause 52.243-1, entitled, AChanges@, which is incorporated by reference.

Section B. Reporting and Technical Direction

The Subcontractor shall render the services and produce the deliverables stipulated in Section A., above, under the general technical direction of Phillip C. Broughton, Chief of Party for MABS presently, or his designee. The bank employee/s shall report directly to the subcontractor=s (bank=s) president. The MABS COP or his designee will be responsible for monitoring the Subcontractor=s performance under this fixed price contract.

Section C. Period of Performance

The effective date of this fixed price contract is _____,2000 and the completion date is _____, 2001. The deliverables set forth in Section A., Background, Scope of Work, Deliverables and Deliverable Schedule shall be delivered to the MABS Chief of Party in accordance with the schedule stipulated therein.

In the event that the Subcontractor is unable to begin work on this fixed price contract on the effective date, or fulfil the terms of this fixed price contract prior to the completion date, MABS/Chemonics shall be notified forthwith and MABS/Chemonics shall have the right to summary termination of this fixed price contract upon written notice to the Subcontractor with forfeiture by the Subcontractor of any claims against MABS/Chemonics.

Section D. Contract Fixed Price, Invoicing and Payment

D.1. Contract Fixed Price

In consideration for the delivery of the products and/or services stipulated in Section A., Chemonics will pay the Subcontractor a total of *PhP* _____. This figure represents the total price of this contract, and is fixed for the period of performance outlined in Section C., Period of Performance.

D.2. Invoicing

Upon beginning the work under this contract, and upon later MABS Chief of Party acceptance of the contract deliverables described in Section A., Background, Scope of Work, Deliverables and Deliverables Schedule, the Subcontractor shall submit quarterly invoices to MABS for payment using the attached AVoucher for Reimbursement of Expenses@ (see section M). Each invoice shall be sent to the MABS Davao City/Cagayan de Oro City Office, and shall include the following information: a) total amount due in Philippine pesos, per Section D.1., above; and b) Payment address. (As attached)

D.3. Payment

Initials: Chemonics _____

Subcontractor _____

The Subcontractor=s invoice will be paid by MABS within seven (7) business days of MABS= receipt of the Subcontractor=s invoice, whichever occurs later. The Subcontractor shall invoice MABS following the payment schedule listed below. Invoices shall be submitted by the subcontractor on or about the 20th day of the last month of each quarter. Payment of the current quarter shall be made as soon as the subcontractor is able to send an invoice to MABS, once this subcontract is signed. Payment will be made in Philippine pesos, payable to Rural Bank of _____ and at the address specified in the Subcontractor=s invoice. The payment schedule is as follows:

YEAR ONE

Quarter 1 (specify inclusive months & year)

Quarter 2

Quarter 3

Quarter 4

YEAR TWO

Quarter 1

Quarter 2

Quarter 3

Quarter 4

TOTAL

Section E. Intellectual Property Rights

MABS agrees that any intellectual propertyBreports, diagrams, data, statistics, etc.Bproduced by the _____ staff members hired under this subcontract shall remain with the Rural Bank of _____. In return, the bank agrees to provide MABS with the monthly data and statistics covered in the Participant Bank Agreement.

Section F. Certification and Insurance Coverage

This section does not apply as the subcontractor is not being engaged by MABS for construction, design, or engineering work.

Section G. Indemnity and Waiver of Benefits

The Subcontractor waives any additional benefits and agrees to indemnify and hold harmless MABS/Chemonics for any loss, damage or injury sustained as a result of, or arising from, services rendered and duties performed under this contract, including but not limited to any claim for damages, restitution, loss, injury or specific performance instituted by any third party as the result of, or arising from the services rendered or duties performed under this contract, or incidental thereto.

Initials: Chemonics _____

Subcontractor _____

Section H. Compliance with Applicable Laws and Standards

All work shall be performed in accordance with all applicable Philippine and U.S. laws, ordinances, codes, regulations, and other authoritative rules of the Philippines and its political subdivisions and with the standards of relevant licensing boards and professional associations. The Subcontractor shall also comply with the applicable USAID regulations which govern this fixed price contract, which are incorporated by reference into this contract, and appear in Section L., Clauses Incorporated by Reference.

Section I. Disputes

The parties agree that any dispute arising from the prime contract and subcontract shall be settled by arbitration. Judgement upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Where disputes are submitted to arbitration, the parties agree to accept the decision of the arbitrators as final and binding on both parties. Each party shall have the right to appoint one arbitrator. The two arbitrators so appointed shall select a third arbitrator acceptable to the two appointed arbitrates. Arbitration shall be conducted in Washington, D.C. or at another site selected by the arbitrators.

Section J. Organizational Conflicts of Interest

It is understood and agreed that some of the work performed under this contract may place the Subcontractor or its personnel in the position of having an organizational conflict of interest. Such an organizational conflict of interest may impair the objectivity of the Subcontractor or its personnel in performing the work. To preclude or mitigate any potential conflicts of interest, Subcontractor agrees not to undertake any activity which may result in an organizational conflict of interest without first notifying MABS of such potential conflict of interest.

Section K. Anti-Kickback (Corruption)

(a) Definitions.

Kickback, as used herein, means any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind, which is provided, directly or indirectly, to Chemonics, the MABS Davao Office or any of its employees, the Subcontractor or Subcontractor employees, or vendors in any way related to the performance or subsequent activities of this contract, for the purpose of improperly obtaining or rewarding favorable treatment in connection with this contract.

Person, as used in this clause, means a corporation, partnership, business association of any kind, trust, joint-stock company, or individual.

Subcontractor employee, as used in this clause, means any officer, partner, employee, or

Initials: Chemonics _____

Subcontractor _____

agent of the Subcontractor.

(b) The Subcontractor and its employees, whether directly or indirectly engaged in the performance of this contract, agree to abide by the terms of The United States Anti-Kickback Act of 1986, which prohibits any person from providing or attempting to provide any kickback; soliciting, accepting, or attempting to accept any kickback; or including, directly or indirectly, the amount of any kickback in the contract price charged by the Subcontractor to Chemonics.

When the Subcontractor has reasonable grounds to believe that a violation described in paragraph (b) of this provision may have occurred, the Subcontractor shall promptly report in writing the possible violation. Such reports shall be made to Chemonics, who shall forward the report to the USAID Inspector General for investigation.

The Subcontractor further agrees to cooperate fully with any United States Government agency investigating a possible violation described in paragraph (b) of this clause.

MABS/Chemonics may offset the amount of the kickback against any monies owed by MABS/Chemonics under this fixed price contract or order the monies withheld from future payments due the Subcontractor.

The Subcontractor agrees to include the substance of this provision in any contract it may issue under this subcontract.

Section L. Clauses Incorporated by Reference

This Fixed Price Contract incorporates the following clauses of the U.S. Government Federal Acquisition Regulations (48 Code of Federal Regulations, Chapter 1) and AID Acquisition Regulations (48 Code of Federal Regulations, Chapter 7) by reference, with the same force and effect as if they were given in full text. Chemonics will make their full text available upon request by the Subcontractor. Modifications which apply to this Fixed Price Contract appear after each clause. It is understood and agreed that the Subcontractor may be obligated by and to Chemonics for any specifications or documentation required of Chemonics under these clauses, and that references to the AContractor@ may also refer to the Subcontractor. The Subcontractor hereby agrees to abide by the terms and conditions imposed by these clauses. With respect to documentation and approvals required under these clauses, all such documentation and approvals shall be submitted to or requested from Chemonics.

Initials: Chemonics _____

Subcontractor _____

U.S, Government Federal Acquisition Regulations (FAR) Clauses

- 52.202-1 Definitions (September 1991)
- 52.203-3 Gratuities (April 1984)
- 52.203-7 Anti-Kickback Procedures (October 1988)
- 52.203-10 Price or Fee Adjustment for Illegal or Improper Activity (September 1990)
- 52.203-12 Limitation Regarding Payments to Influence Certain Federal Transactions (January 1990)
- 52.209-6 Protecting the Government=s Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (November 1992)
- 52.215-1 Examination of Records by Comptroller General (February 1993)
- 52.215-2 Audit - Negotiation (February 1993)
- 52.215-24 Subcontractor Cost or Pricing Data (December 1991)
- 52.215-25 Subcontractor Cost or Pricing Data - Modifications (December 1991)
- 52.215-33 Order of Precedence (January 1986)
- 52.222-7 Withholding of Funds (February 1988)
- 52.222-8 Payrolls and Basic Records (February 1988)
- 52.223-6 Drug-Free Workplace (July 1990)
- 52.225-11 Restrictions on Certain Foreign Purchases (May 1992)
- 52.227-1 Authorization and Consent (April 1984)
- 52.227-2 Notice and Assistance Regarding Patent and Copyright Infringement (April 1984)
- 52.228-3 Workers= Compensation Insurance (Defense Base Act) (April 1984)
- 52.229-6 Taxes - Foreign Fixed Price Contracts (January 1991)
- 52.243-2 Changes, Alternate I (April 1984)
- 52.244-2 Subcontracts (Fixed Price Contracts) (April 1991)
- 52.246-4 Inspection of Services - Fixed Price (February 1992)
- 52.246-25 Limitation of Liability - Services (April 1984)
- 52.247-63 Preference for U.S. Flag Air Carriers (April 1984)
- 52.249-4 Termination for Convenience of the Government (Services) (Short Form) (April 1984)
- 52.249-8 Default (Fixed Price Supply and Service) (April 1984)

Agency for International Development Acquisition Regulations (AIDAR) Clauses

- 752.202 Alt 70 AID Definition Clause - General Supplement for Use in All AID Contracts (January 1990)
- 752.210-70 Language and Measurement (June 1992)
- 752.7001 Biographical Data (December 1988)
- 752.7002 Travel and Transportation (January 1990)
- 752.7014 Notice of Changes in Travel Regulations (January 1990)
- 752.7025 Approvals (April 1984)
- 752.7027 Personnel (December 1990)

Initials: Chemonics _____

Subcontractor _____

GUIDELINE FOR COMPLETING EXPENSE REIMBURSEMENT VOUCHER

The attached voucher shall be used by all participating banks in submitting expense claims to Chemonics International. The expense item shall be listed as well as the cost of each unit, the number of each unit, and the total amount for all units listed in the appropriate columns. For example, a bank submitting for reimbursement of salary expenses and the purchase of savings boxes will list the expenses as follows:

For the period: December 1-31, 1999

Expense Item	Cost per Unit	Number of Units	Amount
December salary expense for microfinance account officer Juan Delacruz	4,500	1	4,500
December salary expense for microfinance account officer Maria Clara	4,500	1	4,500
Purchase of savings boxes	60	100	6,000
		Total	15,000

NOTE: Acceptable official receipts for the above expenses are a signed disbursement voucher from the bank (signed by the employee) for the salary paid to the account officer and a signed official receipt for the savings boxes purchased by the bank.

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 16, 2001

Chapter II: PLANNING PHASE

Amends: June 30, 1999

Section C: Preparing the PBA

**Subject 4: Performance Targets
(Supplementary Agreement 3)**

1. To effectively implement and monitor the progress and success of the microfinance program, MABS and the PB shall agree to a set of performance targets and indicators.
2. The performance targets are indicators of success and progress of implementation. It is recognized that at the time of the agreement some targets may be arbitrarily set, particularly for the MFU performance. Over the entire period of implementation, MABS Consultants should review the performance targets taking into consideration the actual phase of implementation and the ability of the individual PBs to institute the MF best practices and principles within their respective institutions.
3. Periodically, the MABS Consultants determine the appropriateness of the performance targets based on a closer assessment of the PB's microfinance environment. This should include an evaluation of the demand for financial services which essentially dictates the pace by which PBs are able to generate microdeposits and microloans.
4. In the start-up phase (Chapter III), a business plan will be developed. Once the business plan is developed and agreed upon, the performance targets may be changed to reflect the targets set in the business plan. Under no circumstances, however, are the PBs allowed to set targets less than those agreed to in the PBA.
5. The performance targets consist of two parts: the MFU performance targets and the bankwide performance targets.

The MFU performance targets relate to the number of micro-deposit and micro-loan accounts that will be generated over specific quarters within the two-year technical period. It also includes an agreement on the maximum allowable Portfolio at Risk Ratio (PARR) which the PBs must achieve over the same period. While the microdeposits and the microloans may vary with each PB, the PARR is the same for all PBs and is non-negotiable.

The bankwide performance targets are based initially on the results of the financial performance evaluation of the PBs during the IA stage. MABS Consultant should always strive to negotiate for better performance ratios from the PBs.

6. The rationale for monitoring and evaluating the MFU performance is rather obvious and easily explained. The limited time that MABS has to intervene in the implementation of a sustainable microfinance program requires that it keeps track not only of the periods of implementation but also the quality of the implementation of the microfinance activities.

Monitoring of the MFU performance allows MABS to plan and design intervention mechanisms that can be achieved within a maximum period of 2 years.

7. MABS does not propose to provide a full range of bankwide technical assistance to the PBs and does not propose or imply to do so with the monitoring of bankwide performance. This monitoring is being done to ensure that there are no factors external to MFU that may threaten to jeopardize the microfinance program implementation. Any bankwide operational difficulty may affect the sustainability of the microfinance activity and MABS needs to be fully aware of these problems at the earliest possible time.
8. Annex II-C4 is a sample of Performance Targets Agreement.

ANNEX II-C4

PERFORMANCE TARGETS RURAL BANK OF _____												
Indicator	START-UP PHASE						EXPANSION PHASE					
	mo.	mo.	mo.	mo.	mo.	mo.	1st	2nd	3rd	4th	1st	2nd
A. MICROFINANCE UNIT												
Number of new depositors			40	110	200	280	540	750	850	1000	1200	1500
Number of new microenterprise loans			20	40	75	100	180	250	320	385	450	500
Portfolio-at-risk ratio (maximum)			5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
B. BANKWIDE RATIOS												
Capital Adequacy (Minimum)	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Liquidity (Minimum)	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Past Due (Maximum)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%

THE RURAL BANK OF _____:

1. Agrees that the above performance targets are attainable;
2. Commits to attaining the above performance targets for the period specified;
3. Agrees to have its performance under the MABS Program measured against the above targets as stipulated and provided for in the Participant Bank Agreement and its supplemental agreements.

This document forms an integral part of the Participant Bank Agreement dated _____ signed with the MABS Program.

President, Rural Bank of _____

Date:

Note: MABS and PB agree to exercise best effort towards attaining ZERO TOLERANCE FOR DELINQUENCY. For purposes of performance review, a PARR of up to 5% shall be tolerated.

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 16, 2001

Chapter II: PLANNING PHASE

Amends: November 12, 1999

Section C: Preparing the PBA

Subject: 5: The Six-Month Technical Assistance Plan

1. The Technical Assistance (TA) Plan outlines the activities that will be undertaken by MABS and the PB to implement the microfinance program during the technical assistance period (maximum of 24 months).
2. During the TA period, MABS commits to provide the PB with a range of technical assistance and advisory services based on a general pattern of building up and then phasing out intensive assistance.
3. The first six months is the most critical phase of the implementation. The experiences of the PBs during this period will determine the extent to which the PBs will adopt the microfinance program and whether the PBs will commit to fund it over the long term. MABS technical assistance, therefore, is most intensive during this important phase.
4. The Six-month TA Plan details the activities that will be undertaken by MABS in partnership with the PB during the first six months. This plan shall be drafted by the MABS consultant assigned to the individual PBs. It is the responsibility of the MABS consultant to ensure that the PB is amenable to all the activities specified in the TA Plan. It should also be ensure that the PB finds the duration for each activity and the target dates manageable. The Six-Month TA Plan is to be submitted within 30 days of signing the PBA.
5. The MABS consultant shall advise the PB that financial resources will be needed for the lending activity approximately within three months of the technical assistance.
6. The PB and the MABS consultant shall agree on each of the activities and the target dates specified on the Plan.
7. The MABS Program and the PB shall sign a Supplemental Agreement on the Workplan signifying that both parties accept the plan and targets for the next six months. This shall be attached to the Participant Bank Agreement (PBA).
8. After six months, the PB is expected to have received a sufficient transfer of technology to enable it to implement a microfinance savings and credit program that is both operationally feasible and financially viable.

9. Before the end of the six months, an evaluation of the microfinance program will be conducted jointly by MABS and the PB. One of the purposes of this evaluation is to identify which areas of the microfinance operation need further improvement. The succeeding 12 to 18 months of technical assistance will focus on these areas for improvement, as well as expanding the MF Program. The TA will be more specialized as compared with the general scope of assistance given in the first 6 months.
10. Annex II-C5 is a sample Six-Month TA Workplan. The table is divided into 24 columns indicating the number of weeks that MABS shall be providing intensive assistance. The duration and/or target completion date for each activity shall be indicated on the table by shading the columns and rows corresponding to the weeks.
11. To determine which activities shall be prioritized, the shading of the rows and columns shall vary and classified as (a) major task; (b) sub-task; and (c) to be provided by MABS on a need basis over the TA period.
12. The activities are divided into several parts:
 - 12.1 Participant Bank Agreement (PBA) signed. This takes about 2 days and must be done during the first month of TA. MABS shall also commence procuring the commodities needed by the bank for their MF operations.
 - 12.2 Organizing the MFU. The PB must identify the person responsible for supervising the MF activities not later than the second week from the start of MABS assistance. At the same time, the MF staff have already been identified and hired/assigned.
 - 12.3 Orientation Course for MFU Staff. To familiarize the MFU staff on microfinance, MABS shall conduct a microfinance training orientation within four weeks of signing the PBA. This includes (a) Best Practices- 1 day; (b) Other training requirements- 1 day, topics include delinquency management, business planning, marketing and promotion method etc.; and (c) Exposure visits to selected PBs for 3 days.
 - 12.4 Market Survey. The MFU staff must become familiar with their target market. Area mapping and market survey are conducted. This takes about 1-5 days.
 - 12.5 Product Development. This takes about 5 weeks to complete. Activities include (a) review and document PB MF products and experiences; (b) design/develop MF product; (c) develop product manual;
 - 12.6 Business Planning/Pricing. Activities include (a) create business plan; (b) establish interest rates; (c) develop monthly targets
 - 12.7 Management Information Systems. (a) Review systems, procedures, forms; (b) install enhance system; (c) test reporting capabilities

- 12.8 Staff Training. (a) cashflow lending; (b) conducting CI/BI; (c) loan management; (d) collection & delinquency management (e) mobilizing small savings (f) product promotion
- 12.9 Product Launching. (a) release first group loans; (b) assess product performance
- 12.10 Product Review and Modification and Full product Implementation. (a) review and modify product(s); (b) revise product operating manual(s); (c) implement one-month test of revised products if needed; (d) fully implement loan program
- 12.11 Bank Monitoring and Administration. (a) weekly visits; monthly reports; (b) collection and past due administration; (c) marketing and promotion; (d) product profitability portfolio at risk; (e) achievement of targets.

ANNEX II-C5

MABS MICROFINANCE PROGRAM
Rural Bank of _____
Technical Assistance Workplan

ACTIVITY	Duration	Six Months Technical Assistance Period																									
		Month 1				Month 2				Month 3				Month 4				Month 5				Month 6					
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24		
ACTIVITY	Duration																										
7. MANAGEMENT INFORMATION SYSTEMS																											
7.1 Review systems, procedures, forms																											
7.2 Install/enhance system																											
7.3 Test reporting capabilities																											
8. STAFF TRAINING																											
8.1 Cashflow Lending																											
8.2 Conducting C/BI																											
8.3 Loan Management																											
8.4 Collection & delinquency management																											
8.5 Mobilizing small savings																											
8.6 Product promotion																											
9. PRODUCT LAUNCHING																											
9.1 Release first group of loans																											
9.2 Assess product performance																											
10. PRODUCT REVIEW AND MODIFICATION AND FULL PRODUCT IMPLEMENTATION																											
10.1 Review and modify product(s)																											
10.2 Revise operating manual(s)																											
10.3 Implement one-month test of revised products if needed																											
10.4 Fully implement loan program																											
11. BANK MONITORING AND ADMINISTRATION																											
11.1 Weekly visits; monthly reports																											
11.2 Collection and past due administration																											
11.3 Marketing and promotion																											
11.4 Product profitability; portfolio at risk																											
11.5 Achievement of targets																											

LEGEND:

Major Task
 Sub-task

To be provided by MABS on as need basis over the TA period

MABS commit to provide timely technical assistance to the Rural Bank of _____ to enable the bank to comply with its own commitment under the Program.

President/Chairman/Gm

Chief of Party, MABS Program

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 2, 2001

Chapter II: PLANNING PHASE

Amends:

Section D: Management Information System (MIS)

Subject 1: MIS Assessment and Gap Analysis

-
1. As part of the training and technical assistance package, MABS provides the participant banks (PBs) with guidance on how to monitor the bank's microfinance operations through a well-defined management information system (MIS). The institutional assessment shall have established the following MIS capabilities of the PB: (1) existing computer hardware capabilities; and (2) existing banking software and the software capabilities.
 2. The recommendation is that initially MABS shall modify the PB's existing software to take into account the requirements of the microfinance product rather than develop a new software package. This is primarily because it will take around 18-months to develop a new software package and the pilot phase of the program requires an MIS that is in place to able to manage loans and deposits within the next 3-4 months.
 3. If the bank's computer hardware is not adequate or if it lacks the capability to support the enhanced banking software, MABS shall enhance the computer hardware through the MABS limited commodity assistance. The technical assistance to be provided by the MIS Specialist is not limited to the commodities provided by MABS but includes the selection of computer hardware and accessories that the bank shall purchase as part of their counterpart.
 4. **Gap Analysis.** Each bank has a different banking system developed by different software developers and uses its computer systems in different ways. The MIS Specialist shall prepare a Gap Analysis/System Specification (Annex II-D1-A1) for each bank containing a detailed analysis of the current state of systems within each bank as well as a clear indication of the changes that will be required. The Gap Analysis/System Specification is a comparison between the ideal system (as contained in the Requirements List) and the existing system. The result of the gap analysis is a detailed assessment of the functionality that a system currently possesses and that functionality required.

5. The institutional assessment (Annex II-A2-A1) shall have provided basic questions that will serve as guideline points for the gap analysis, to wit:
 1. Number of branches
 2. Existing Computer Hardware
 3. Local area network (LAN)
 4. Banking Software (Status & Modules)
 5. Banking services offered by the bank
 6. Characteristics of Deposits & Schedule of Interest Rates
 - 6.1. Regular Savings
 - 6.2. Time Deposits
 - 6.3. Other characteristics
 7. Characteristics of Loan Products
 - 7.1. Type of Loan Products
 - 7.2. Computation of Interest
 - 7.3. Amortization Schedules
 - 7.4. Interest Rates & Other Charges
 8. Bank Balances as of cut-off date
 - 8.1. Loans
 - 8.2. Deposits
 10. Name of Internal MIS Officer or Staff (if, any)
6. The results of the gap analysis shall be discussed with the bank management for confirmation prior to preparation of a Systems Specification/Requirements (Annex II-D1-A2) for the perusal of the banking software developer who will enhance the banking software. MABS provide a limited cost-sharing of expenses incurred in the enhancement of existing computerized loan management systems.
7. A technical meeting shall be held with the systems developer to review the requirement lists and determine the functionality that currently exists within the banking system. The systems developer shall then provide MABS a quotation/proposal to enhance the system. Once MABS and the bank's management have approved the proposal, MABS shall enter into contract with the developer. The enhancement normally takes 3 to 6 months depending on the complexity of the gap.

ANNEX II-D1-A1

The ABC Rural Bank (ABCRB) MABS-M Gap Analysis/System Specification Document – January 30, 2001

This document contains details of the customizations necessary to modify the banking system to meet the needs of The ABC Rural Bank (ABCRB).

The ABC Rural Bank will need to upgrade its current version of their banking system in order to comply with the Banko Sentral ng Pilipinas' mandate that within 17 months, all computerized banking software must be Year 2000 compliant. However, the current banking system version still needs to be customized to accommodate the needs of ABCRB.

Included in this document are:

- 1) A list of functionality that is already present within the banking system.
- 2) A description of the additional functionality that will need to be programmed.

1) Functionality currently present within the banking system.

The confirmation of the functionality currently present with the banking system and the determination as to its applicability to the ABCRB was provided by Mr. Juan dela Cruz, representative of the software developer, after review of the Systems Requirement List of similar banks.

Access control and security

- a) System access is controlled through a user definable password.
- b) Record-level data security is provided to protect sensitive system information against outside manipulation.
- c) An audit trail is provided with a hard copy of daily transactions and account listings, which show the number and date of previous transactions.
- d) The banking system has the ability to define a users access authority as any combination of the following - read, write, update.

Loan Functionality

The banking system will accommodate:

- a) Processing the following loan types:
 - Agricultural Loans
 - Commercial Loans
 - Other Loans:
 - Quedan Guaranteed Loans
 - Microenterprise individual loans
 - Salary loans (DECS-IBM)
 - Tricycle Drivers' loans

- b) Processing the following repayment schedule:
 - Daily amortization
 - Weekly amortization
 - Monthly amortization
 - Single amortization (30 day, 45 days, etc....Lump Sum)
 - 15 – 30 days amortization (for individual borrowers)
- c) Capturing and storing the following information as individual data values:
 - Principal payments
 - Interest
 - Other charges
 - Penalty is 2% of past due
 - Documentary stamp
 - Service charges of 4%
 - Insurance fees
 - Notarial fees
- d) Recalculating the loan interest amount in the event of early loan repayment.
- e) The use of the following computation divisors:
 - 360 days for loans
 - 365 days for deposits

Deposits (Savings) Functionality

- a) The banking system allows the user to change the following parameters with appropriate access codes and passwords:
 - Interest rates for savings deposits
 - Fees and other charges
 - Penalty charges
 - Limits on minimum funds in account

2) Functionality to be Programmed

The following list of functionality presented below was arrived at through joint discussion with Mr. Juan dela Cruz.

For clarity, functionality has been grouped into one of three areas - Loan Functionality, Deposit (Savings) Functionality and Reporting. The first two areas allow data to be entered into the system, while the third allows information to be retrieved.

Loan Functionality

The following additional functionality must be added to the banking system:

- a) The ability to check the following conditions before the loan is approved:
 - That a P14 per week deposit has been made for individual borrowers and for each member in the case of group loan accounts.
 - Cross-reference individual loan borrower to group's deposit account.
 - Cross-reference individual depositor of group members to group's deposit account.
 - Notify the user that there are one or more post-dated checks (PDC) related to the loan.

- b) Identify microenterprise loans (P25,000 and under) that are stored on the system.
- c) Assign a loan officer (LO) or account officer (AO) to a loan and relate the LO/AO to all subsequent corresponding loan transactions.

Deposit (Savings) Functionality

The banking system largely meets the requirements of the bank, however, additional functionality that will enable the system to identify microenterprise accounts is also needed.

- a) At the time of writing, Microenterprise accounts are those that are opened with P 200 or less. It is important for the MABS-M program to ensure that these accounts continue to be identifiable even when account balances exceed P200.

Reports

The banking system is capable of producing the following general reports. However, it is important that the following reports inquire solely upon Microenterprise loan information. This may be achieved by presenting the user with a dialogue box to ask the user whether they would like to run the report across the entire loan portfolio or solely across the Microenterprise loan portfolio.

- a) Listing of Loans
- b) Collection Report
- c) Delinquency Report
- d) Portfolio at Risk Report
- e) Interest Collected by the Microfinance Unit
- f) MABS-M Monthly Report
- g) Performance Report by AO
- h) Client's Status Report – Direct Repayment by Installment
- i) Portfolio at Risk by Aging Analysis and Business Activity
- j) Portfolio at Risk by Disbursed Loan Amount and Business Activity
- k) Loans Profile by Gender

Conforme:

Andres Singson
General Manager
ABC Rural Bank

January 30, 2001

ANNEX II-D1-A2

The ABC Rural Bank System Specification Document – April 2000

This document contains details of the customizations necessary to modify the banking system to meet the needs of The ABC Rural Bank (ABCRB).

The ABC Rural Bank will need to upgrade its current version of banking software in order to comply with the Banko Sentral ng Pilipinas' mandate that within 17 months, all computerized banking software must be Year 2000 compliant. However, the current banking software version still needs to be customized to accommodate the needs of ABCRB.

Included in this document are:

- 1) A list of functionality that is already present within the banking software system.
- 2) A description of the additional functionality that will need to be programmed.

1) Functionality currently present within the banking system

Management provided the confirmation of the functionality currently present with the banking system and the determination as to its applicability to the ABCRB after review of the Systems Requirement List of similar banks.

Access control and security

- a) System access is controlled through a user definable password.
- b) Record-level data security is provided to protect sensitive system information against outside manipulation.
- c) An audit trail is provided with a hard copy of daily transactions and account listings, which show the number and date of previous transactions.
- d) The banking system has the ability to define a users access authority as any combination of the following - read, write, update.

Loan Functionality

The system will accommodate:

- a) Processing the following loan types:
 - Agricultural Loans
 - Commercial Loans
 - Other Loans:
 - Quedan Guaranteed Loans
 - Microenterprise individual loans
 - Salary loans (DECS-IBM)
 - Tricycle Drivers' loans
- b) Processing the following repayment schedule:
 - Daily amortization
 - Weekly amortization
 - Monthly amortization
 - Single amortization (30 day, 45 days, etc....Lump Sum)
 - 15 – 30 days amortization (for individual borrowers)
- c) Capturing and storing the following information as individual data values:
 - Principal payments
 - Interest
 - Other charges
 - Penalty is 2% of past due
 - Documentary stamp
 - Service charges of 4%
 - Insurance fees
 - Notarial fees
- d) Recalculating the loan interest amount in the event of early loan repayment.
- e) The use of the following computation divisors:
 - 360 days for loans
 - 365 days for deposits

Deposits (Savings) Functionality

- a) The system allows the user to change the following parameters with appropriate access codes and passwords:
 - Interest rates for savings deposits
 - Fees and other charges
 - Penalty charges
 - Limits on minimum funds in account

- b) Can identify Microfinance account even when the account exceeds P 15,000.00.
- c) Must have the PDIC Quarterly Reports on Deposits

2) Functionality to be Programmed

The following list of functionality presented below was arrived at through joint discussion with system.

For clarity, functionality has been grouped into one of three areas - Loan Functionality, Deposit (Savings) Functionality and Reporting. The first two areas allow data to be entered into the system, while the third allows information to be retrieved.

General Functionality

- a) Network ready to be hosted in Netware or Windows NT Server
- b) To create backup and restore scripts using Iomega Zip Drive for databases, executables, and user profiles and other important files used by the system
- c) Assurance of Y2K bug free

Loan Functionality

The following additional functionality must be added to the system:

- a) The ability to check the following conditions before the loan is approved:
 - That an amount to be determined by management (hence, must be inputted) per week deposit has been made for individual borrowers and for each member in the case of group loan accounts.
 - Cross reference individual loan borrower to group's deposit account.
 - Cross reference individual depositor of group members to group's deposit account.
 - Notify the user that there are one or more post-dated checks (PDC) related to the loan.
- b) Identify microenterprise loans (P25,000 and under) that are stored on the system.
- c) Assign a loan officer (LO) or account officer (AO) to a loan and relate the LO/AO to all subsequent corresponding loan transactions.
- d) The system will need to differentiate between MABS Loans, Microfinance Loans and Regular Loans by means of a user operated flag. All MABS Loans are classed as Microfinance Loans, however, not all Microfinance Loans will also be classed as MABS Loans. In addition, the system is to record regular loans, which are neither MABS, or Microfinance loans.

- e) In addition to the flagging detailed on d), the system is to be able to group both MABS and Microfinance loans under the 'Microfinance' title which itself is to be located beneath 'Commercial Loans' on the menu hierarchy. On the next level below 'Microfinance' in the menu hierarchy, the system is to be able to assign a microfinance loan to one of 10 Business Activities.

Commercial Loans ->	Microfinance ->	Business Activity 1
		Business Activity 2
		.
		.
		Business Activity 10

Deposit (Savings) Functionality

The banking software largely meets the requirements of the bank, however, additional functionality that will enable the system to identify microenterprise accounts is also needed.

- a) At the time of writing, Microenterprise accounts are those that are opened with P 1000 or less. It is important for the MABS program to ensure that these accounts continue to be identifiable even when account balances exceed P 1000.

MABS & Microfinance Reports

Individual Loans Reports:

1. List of New Depositors within the Period
2. Listing of Loans
3. Collection Report
4. Delinquency Report
5. Portfolio at Risk Report
6. Total Interest Collected by the Microfinance Unit
7. MABS Monthly Report
8. Performance Report by AO
9. Client's Status Report – Direct Repayment by Installment
10. Portfolio at Risk by Aging Analysis and Business Activity
11. Portfolio at Risk by Disbursed Loan Amount and Business Activity
12. Loans Profile by Gender

Group Lending Reports:

1. Listing of Loans for Center/Group Members
2. Group Lending Delinquency Report

MABS PROGRAM

Training and Technical Assistance Manual

Date: February 9, 2001

Chapter III: START-UP PHASE

Amends:

The Start-up Phase represents the first six months of the MABS training and technical assistance. After the PBA is signed and the Six-Month Technical Assistance Plan is completed, the MABS Consultant begins his/her intensive on-the-job training of the PB's microfinance unit.

This chapter is divided into 9 sections comprising the major start-up activities:

- Section A: Organizing and Orienting the MFU
 - Subject 1: Composition and Selection
 - Subject 2: Rural Banking Orientation Course
 - Subject 3: Microfinance Orientation Course

- Section B: Training the MFU and the Bank
 - Subject 1: Training Design and Module

- Section C: Assessing the Microfinance Market
 - Subject 1: Purpose of Market Assessment
 - Subject 2: Determining the Size and Composition of the Local Microfinance Market
 - Subject 3: Selecting the Target Microfinance Market Segment
 - Subject 4: Assessing the Demand for and Supply of Financial Services

- Section D: Developing the Microfinance Loan Product
 - Subject 1: Organizing the Product Development Team
 - Subject 2: Reviewing Microfinance Loan Experiences
 - Subject 3: Identifying the Appropriate Loan Product
 - Subject 4: Determining the Features of the Loan Product

- Section E: Preparing the Business Plan
 - Subject 1: Purpose and Format of the Business Planning Model

- Section F: Preparing the Microfinance Loan Product Manual
 - Subject 1: Format of the Individual Loan Product Manual
 - Subject 2: Format of the Group Loan Product Manual

Section G: Savings Mobilization

- Subject 1: Rationale and Objectives
- Subject 2: Reviewing Micro-Deposit Services
- Subject 3: Savings Mobilization Workshop
- Subject 4: Identifying and Designing the Appropriate Savings Product
- Subject 5: Preparing the Product Manual

Section H: Marketing the Microfinance Products

- Subject 1: Preparing the Product Marketing Plan
- Subject 2: Format of the Product Marketing Plan

Section I: Management Information System (MIS)

- Subject 1: MABS 11 Reports
- Subject 2: Training and Technical Assistance

MABS PROGRAM
Training and Technical Assistance Manual

Date: **January 23, 2001**

Chapter III: START-UP PHASE

Amends: **December 17, 1999**

**Section A: Organizing and
Orienting the
Microfinance Unit**

**Subject 1: Composition and
Selection**

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1. The start-up phase begins with the establishment of the microfinance unit (MFU) tasked to develop or enhance the delivery microfinance products.
 2. **Composition of the MFU.** The MFU can either be a unit distinct from the loans department or part of the loans department.
 3. The MFU shall be composed of at least three to five microfinance staff for the first two years of the program, one of which shall serve as the MFU Supervisor.
 4. **Scope of Work.** The microfinance staff shall be directly responsible for implementing all the activities related to developing and managing microfinance products and services. They shall coordinate regularly with the MABS Consultant and ensure that information on microfinance loans and deposits are well documented for purposes of project monitoring and evaluation by MABS and bank management. They shall be under the direct supervision of the branch or general manager or a product manager.
 5. **Duties and Responsibilities.** The following shall be the duties and responsibilities of the microfinance unit.
 - 5.1. On designing the microfinance product(s):
 - 5.1.1 Conduct market survey and identify target microfinance markets.
 - 5.1.2 Assist MABS Consultant in designing or enhancing the microfinance products and services to be offered by the participant bank as well as the design and formulation of the operations manual(s).
 - 5.2 On delivery of products:
 - 5.2.1 Ensure that the delivery of the microfinance products, both deposits and loans, reflects microfinance best practices and principles.
 - 5.2.2 Ensure that the microfinance operations conform to the existing policies and procedures of the bank.
 - 5.3 On lending procedures and processes:
 - 5.3.1 Conduct interview and credit investigation of prospective micro borrowers.
 - 5.3.2 Process microfinance loan applications and facilitate loan releases.

- 5.3.3 Ensure that loans are granted only to borrowers capable of repayment.
 - 5.3.4 Monitor and follow-up all delinquent borrowers.
 - 5.3.5 Document and monitor all microfinance loans.
- 5.4. On savings:
- 5.4.1 Identify target market for savings.
 - 5.4.2 Participate in the development of new or enhancement of existing savings product of the bank.
 - 5.4.3 Conduct an intensive marketing of the bank's savings product through development of appropriate promotional materials and other marketing strategies.
 - 5.4.4 Document and monitor all microfinance savings.
- 5.5 On coordinating with MABS:
- 5.5.1 Meet regularly with the MABS consultant.
 - 5.5.2 Coordinate with the MABS consultant on training, workshops, seminars and other related microfinance strengthening activities.
 - 5.5.3 Ensure the timely preparation and submission of the required MABS reports i.e. loan releases, payments, interest, service charges, portfolio at risk and other relevant data required by MABS.
6. **Minimum Requirements.** MABS recommends the following qualifications as guidelines in selecting the MFU supervisor and staff:
- 6.1 Maximum age of 30 years old, preferably between 21-25 years old.
 - 6.2 At least high school graduate, preferably college graduate of business and related courses from a local university¹.
 - 6.3 Must be healthy and fit to do strenuous fieldwork.
 - 6.4 Local resident of the area.
 - 6.5 Able to relate and communicate well with local residents, particularly those belonging to the lower income levels.
 - 6.6 Good working attitude, receptive to training and supervision but able to work independently.
7. MABS recommends that its Consultants participate in the selection process of the MFU staff, however the ultimate decision and responsibility rest with the PB. MABS prefers that the banks hire at least three new staff for the MFU with the assumption that new staff would be most receptive to training and supervision. However, the bank may assign existing staff to the microfinance unit since they will have the advantage of familiarity with the market and bank operations. Annex III-A1-A1 is an outline of the duties and responsibilities of the MFU staff.
8. **Field Stress Test.** Applicants are also asked to undergo a field stress test (Annex III-A1-A2). It involves gathering of secondary data from the municipal office, some area-mapping, and interview of at least 5 microentrepreneurs. This test also serves as a self-screening process for the applicants to determine for themselves whether they can manage the work of a microfinance account officer.

¹Although an undergraduate would qualify as a loan staff, a degree holder is recommended for the career advancement of the staff in the future. A degree holder might be considered for an officer/managerial position in the bank.

ANNEX III-A1-A1

MICROFINANCE STAFF DUTIES AND RESPONSIBILITIES

A. Microfinance Supervisor:

Reporting

The Microfinance Supervisor shall report directly to the Branch Manager or her designate.

Duties and Responsibilities

1. Develop and execute a strategic and financial plan for the Bank's microfinance activity.
2. Recommend the hiring of microfinance staff to the Branch Manager, in consultation with the MABS technical staff.
3. Lead the Microfinance Field Staff (MFS) in conducting market research and survey activities.
4. Develop new microfinance products and services, and their corresponding marketing plan.
5. Responsible for meeting and/or exceeding the microfinance program's deposit and loan targets prescribed by the Branch Manager, in consultation with the MABS technical staff.
6. Supervise and monitor the daily activities of the MFS.
7. Develop and maintain a harmonious working relationship among staff.
8. Conduct regular performance evaluation of MFS, and recommend any promotion or termination to the Branch Manager, in consultation with the MABS technical staff.
9. Ensure the safekeeping of all cash, documents, and accountable forms in the possession of the microfinance unit.
10. Train the MFS with the assistance of the MABS technical staff.
11. Review and endorse loans for approval, restructuring, para-legal and legal action (if any), by authorized officers of the Bank.
12. Function as a member of the Microfinance Credit Committee.
13. Review legal documents and security files of approved loans. Ensure their safekeeping.
14. Conduct client re-briefing during loan release.
15. Ensure 100% on-time collection of loan amortizations among the MFS. Develop a working culture of "zero tolerance on missed loan payments."
16. Assist the Bank's legal counsel in matters involving remedial account management.
17. Submit monthly accomplishment reports (actual performance versus targets) to the Branch Manager or her designate by the 10th of the following month. Furnish MABS a copy of said report.
18. Ensure timely submission of reports as prescribed by MABS.
19. Attend all training activities conducted by the Bank and MABS.
20. Perform other tasks as may be prescribed by the Branch Manager or her designate, in consultation with the MABS technical staff.

Minimum Requirements:

1. At least high school graduate, preferably college graduate of business and related courses from a local university.¹
2. Preferably with at least two (2) years experience in a financial institution.
3. Must be healthy and fit do to strenuous fieldwork.
4. Local resident of the area.
5. Able to relate and communicate well with local residents, particularly those belonging to the lower income levels.
6. Good working attitude, receptive to training and supervision but able to work independently.

B. Microfinance Field Staff/Account Officer:

Reporting

The Microfinance Field Staff or Account Officer shall report directly to the Microfinance Supervisor or her designate.

Duties and Responsibilities

1. Conduct market research and survey activities.
2. Participate in the development of new microfinance products and services.
3. Solicit new deposit and loan accounts in accordance with specific periodic performance targets prescribed by the Supervisor.
4. Orient prospective clients about the bank's microfinance products and services.
5. Receive loan applications and perform credit investigation on loan applicants and his/her surety/co-borrower/co-maker, if any.
6. If necessary, conduct inspection and/or appraisal of any property being offered as collateral.
7. Organize all loan application documents submitted by the loan applicant, including the preparation of credit files.
8. Present loan applications for endorsement and/or approval by authorized officers of the Bank.
9. Prepare legal documents and security files of approved loans.
10. Facilitate loan release and assist in client re-briefing during the loan release.
11. Conduct regular monitoring visits to clients and perform daily collection whenever necessary. Maintain a high standard level of collection performance in accordance with specific periodic collection/repayment targets prescribed by the Supervisor.
12. Recommend loan accounts for restructuring, para-legal and legal action, if any.
13. Assist the Bank's legal counsel in matters involving remedial account management.
14. Conduct deposit collection in the field.
15. Submit monthly accomplishments reports (actual versus target) to the Supervisor or her designate.
16. Attend all training activities conducted by the Bank and MABS.

¹ Although an undergraduate would qualify, a degree holder is recommended for the career advancement of the staff in the future. A degree holder might be considered for an officer/managerial position in the bank.

17. Assist in the training of newly hired microfinance staff, and provide on-the-job coaching.
18. Perform other tasks as may be prescribed by the Supervisor or her designate.

Minimum Requirements:

1. Maximum age of 30 years old, preferably between 21-25 years old.
2. At least high school graduate, preferably college graduate of business and related courses from a local university.
3. Must be healthy and fit to do strenuous fieldwork.
4. Local resident of the area.
5. Able to relate and communicate well with local residents, particularly those belonging to the lower income levels.
6. Good working attitude, receptive to training and supervision but able to work independently.

ANNEX III-A1-A2

FIELD STRESS TEST FOR MFU APPLICANTS

SET A: SECONDARY DATA GATHERING

1. Visit the City Mayor's Office and obtain the following data:
 - § Number of registered businesses in the entire city/municipality
 - § Number of registered businesses per barangay
 - § Number of households in the city.
2. Visit the LTO Office and gather the following information:
 - § Number of jeepney operators
 - § Number of taxi operators

SET B: AREA MAPPING

1. Make an actual count of enterprises within the 30-minute walk from the bank. Draw an area-map of the microenterprises.
2. Group them according to type of businesses.

SET C: MARKET FAMILIARIZATION

1. Interview at least 5 market vendors from the public market.
2. Use the guide questions below.
3. After completing the interview, count the number of stalls in the dried fish section of the public market.
4. This activity should take 30 minutes to complete.
5. Upon returning to the Bank, report what you found.

GUIDE FOR ASKING QUESTIONS:

Get the name of the person you will interview: _____
What kind of business is he/she operating? _____

ASK the following questions:

How long have you been engaged in your business? _____ Years

Do you do this business activity everyday or only sometimes? _____

Who attends to your business when you are sick or away? _____

Have you ever borrowed capital for your business? YES _____ NO _____

IF YES: Where do you usually borrow? _____

In the last 3 months, did you take a loan for your business? YES _____ NO _____

IF YES: May I know where you got your loan? _____

Write any observations here: _____

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 26, 2001

Chapter III: START-UP PHASE

Amends: December 17, 1999

**Section A: Organizing and
Orienting the MFU**

**Subject 2: Rural Banking
Orientation Course**

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1. The PBs should hire the microfinance staff early enough to be able to provide them with a basic rural banking orientation course before MABS conducts its microfinance orientation course. The basic rural banking orientation course enables the new MF staff to observe and to some extent get minimum hands-on experience with banking operations.
 2. In the absence of any written manual on policies and procedures, the basic orientation course within the bank is the most practical way of introducing the MF staff in the rural banking operations. This orientation course should take approximately 10 days or two weeks at a minimum.
 3. The new staff will undergo basic orientation on the profile and internal regulations of the bank, exposure in the cash and accounting units, and loans and savings operations. They will familiarize themselves with savings and loans documents, observe and assist account opening, tellering, loan collection, and bookkeeping, among others.
 4. Annex III-A2 outlines proposed rural banking course topics and the number of days allocated for each module. The module on loans is emphasized since the new MF staff has to attain a certain level of knowledge and understanding as lending will be the main activity of the microfinance unit.
 5. The new MF staff are expected to have completed a basic rural banking orientation before undergoing the MF orientation course.

ANNEX III-A2

RURAL BANKING ORIENTATION COURSE FOR MF STAFF

TRAINING MODULE # 1: (ONE DAY)
INTRODUCTION

Point Person: General Manager/Branch Manager

1. Introduction of the MF staff to the other officers and staff of the bank/branch
2. Bank history/ownership
3. Organizational structure and branches
4. Personnel policies
 - J Attendance
 - J Regular working hours
 - J Tardiness
 - J Overtime
 - J Probationary period of 6 months or less depending on bank policy
 - J Permanency
 - J Salaries and other benefits

TRAINING MODULE # 2: (ONE DAY)
NEW ACCOUNTS

Point Person: New Accounts Clerk

1. Familiarization of documents:
 - J Client information sheet
 - J Signature cards
 - J Passbook
 - J Deposit slips
 - J Withdrawal slips
 - J Identification documents
2. Observe and assist in the opening of new accounts:
 - J Initial interview
 - J Filing of the information sheet and signatures
 - J Preparation of deposit slip
 - J Acceptance of initial cash deposit
 - J Preparation of passbook
3. Observe and assist in the preparation of the daily reports.

**TRAINING MODULE #3:
TELLERING**

(ONE DAY)

Point Person: Preferably the most Senior Teller

1. Familiarize and observe:
 - J Acceptance of deposits
 - J Payment of withdrawals

2. Observe and assist:
 - J Cash transfers to and from the teller
 - J Cash count/cash segregation
 - J Cash balancing at the end of the day

**TRAINING MODULE #4:
INTRODUCTION TO LOANS**

(TWO DAYS)

Point Person: Loan Officer/Supervisor

1. Familiarization of Basic Loan Documents
 - J Application form
 - J Promissory notes
 - J Disclosure statement
 - J Deed of Assignment
 - J Mortgage Contracts

2. Observe and assist in the preparation of above documents

**TRAINING MODULE #5:
COLLECTION PROCEDURES**

(THREE DAYS)

Point Person: Loans Collector

1. Familiarize and assist:
 - J Collection procedures
 - J Remittance procedures
 - J Forms used
 - J Daily reports

**TRAINING MODULE #6:
BOOKKEEPING**

(TWO DAYS)

Point Person: Loans Bookkeeper

1. Interest computations
2. Accounting entries upon release and payment applications
3. Interest accruals
4. Daily balancing of loan transactions
5. Daily reports
6. EDP systems and procedures

MABS PROGRAM
Training and Technical Assistance Manual

Date:	January 23, 2001	Chapter III:	START-UP PHASE
Amends:	November 18, 1999	Section A:	Organizing and Orienting the Microfinance Unit (MFU)
		Subject 3:	Microfinance Orientation Course

1. Approximately one month after signing the PBA, the formal training of the MFU shall begin with a five-day Microfinance Orientation Course. The venue for the training is either at the head office or regional office of MABS.
2. The objectives of this orientation course are as follows:
 - 2.1. To provide the trainees with an overview of the MABS Program with emphasis on its objectives and its approach to providing technical assistance.
 - 2.2. To present an overview of microfinance and successful microfinance best practices to influence the participants in implementing their respective microfinance activities.
 - 2.3. To prepare the participants in designing and implementing a microfinance product through discussions of the various components of successful microfinance operations.
 - 2.4. To provide a venue for the creation of each PB's workplan and performance targets for the first six months of the program implementation.
3. The training is divided into two parts: a three-day lecture and a two-day exposure visit to selected participating banks. Scheduling of activities depends on the availability of the PBs to accommodate the participants. It is important to organize the exposure visits with minimal effect on the regular banking operations of the existing participant bank.
4. Preparations for the exposure visits involve developing bank presentation materials, field observation (credit investigation, loan collection, etc.), participatory observation (credit committee), process observation (loan release processing, client orientation) and organizing client visits. MABS shall assist the host PB in preparing the presentation materials and other logistics of the exposure visit. A presentation of the bank's microfinance experience similar to the one used during the Senior Management Orientation may be similarly used but with more focus on the day-to-day operations and concern of the MFU staff (see Annex II-B2-A1).
5. Participants are divided into groups and assigned to a particular PB. At the host bank, they are further divided into sub-groups for the activities mentioned above. MABS Consultants and the microfinance staff of the host bank will facilitate these activities.

6. The following annexes are used in the MF orientation course:

Annex III-A3-A1 Schedule of Activities

Presentation Materials:

Annex III-A3-A2	MABS Overview
Annex III-A3-A3	Introduction to Financial Intermediation
Annex III-A3-A4	Microfinance Best Practices and Principles
Annex III-A3-A5	Product Development – Loans
Annex III-A3-A6	Product Development – Savings
Annex III-A3-A7	Market Research
Annex III-A3-A8	Loan Management and Administration
Annex III-A3-A9	Service Quality
Annex III-A3-A10	Marketing and Promotion
Annex III-A3-A11	Action Planning

7. The MFU staff shall also undergo a half-day business planning workshop. (Annex III-E1-A1). The participants will be divided into groups and will have a hands-on familiarization with the MABS Business Planning Model (Annex III-E1-A2) on computers provided during the orientation course.
8. At the end of the course, the MFU staff of each PB shall draw their respective MFU Action Plan (Annex III-A3-A12) for the next six months of the technical assistance.

ANNEX III-A3-A1

MABS-M TRAINING FOR MF STAFF & SUPERVISORS

Schedule of Activities

Date & Time	Topic/Activity	Activity/Course Title	Learning Points	
DAY 1 5:00 –6:00 P.M.	Arrival of Participants Venue Registration			
DAY 2				CLASSROOM
6:00 – 7:30 A.M.	BREAKFAST			
8:00 – 8:15 8:15 – 8:30	Registration Welcome and Introduction	WELCOME REMARKS; Introduction of Participants; MABS-M Staff; Guest		RBAP or MEDCO/USAID
8:30 – 9:00	1) MABS-M Overview	MABS rationale & objectives (including Importance of microenterprise sector); MABS-M approach	Slide Presentation	MABS COP/DCOP
9:00 – 9:30	2) Training Objectives, Structure and Flow	Objectives, structure and flow of the 5-day training; House Rules	Slide Presentation	MABS
9:30 – 10:30	3) Introduction of Financial Intermediation and Microfinance.?	Basic concepts and definitions	Lecture-Role Play?	MABS
10:30 – 10:45	COFFEE BREAK			
10:45 11:15	4) Successful Microfinance Practices	Basic knowledge on what works is microfinance	Lecture- Discussion	MABS
11:15 – 12:00	5) Product Characteristic-Loans	Basis knowledge on loans	Lecture –Group Work	MABS
12:00 – 1:00 P.M.	LUNCH			
1:00 – 2:00	6) Product Characteristic-Deposits	Basis knowledge on deposits; What makes a good deposit product?	Lecture-Group Work	MABS
2:00 – 2:45	7) Brief Background on PB; loans and deposit products; focus on microfinance loan & deposit products	Knowledge on the bank’s MF Unit and products which MFU implements	2 parallel sessions: participants will be grouped according to the bank they will visit	Resource persons from the PB
2:45 – 3:30	8) Loan Process and Procedures for PB MF Product	Loan screening, CI and approval process, loan documentation and procedures the MFU follow; familiarity with the forms host bank uses Loan screening, CI and approval process, loan documentation and procedures the MFU follow	2 parallel sessions	Supervisors of PBs
3:30 – 3:45	COFFEE BREAK			
3:45 – 4:45	9) Introduction to credit Investigation	How to do good CI/BI and cash flow	Plenary Lecture-Group	MABS
4:45 – 5:00	Process; Cash Flow and Risk Analysis Briefing 2-day field training	Analysis Field Activities, Schedule; Logistics	Exercise (case Studies)	MABS
DAY 3	PB	HANDS-ON/EXPERIENTIAL	IMMERSION	Pls. See attached schedules
6:00 – 6:45 A.M. 7:00 SHARP 9:00 –9:15	BREAKFAST DEPARTURE FOR PB ARRIVAL AT BANK/ Introduction			

9:15- 12:00	10) Credit Investigation A. Briefing on the CI process MFU staff follows B. Interview of client, Neighbors, Bgy. Captain, co-makers C. Accomplishing the cash flow Analysis & Finalizing the CI	Actual process and procedures which the MFU Staff follow: How to do the interviews; how to analyze client's cash flow analysis and risks.	Divide trainees into 3 groups of 4-5 each. Each group will go with an AO for actual CI and collection activities. Trainees will practice filling out their own copy of CI form in preparation for their own CI activity the following day	Supervisors/AO's of PB
12:00 – 1:00 PM	LUNCH			
1:00 –2:00 PM	11 a.) Account officer-Trainees: Collection Activity 11 b.) Supervisors-Trainees: Evaluation and Review of CI/BI by MFU Supervisor focusing on the CI/BI and Cash Flow	Collection of daily and weekly Amortization payments by MFU Account Officers Supervisor's role and activity in CI/BI Review Process; use of Summary Form for Mini Credit Committee	Trainees will accompany Account Officers in their collection activity for the day Supervisors-trainees will have a session with the MFU Supervisor	AO's /Supervisors of PB
2:00 – 3:15	12) How to conduct a Client Orientation	Techniques and presentation materials for client orientation	Observation	Supervisors of PB
3:15 – 3:30	COFFEE BREAK			
3:30 – 5:00	13) Mini Credit Committee Approval Process	How to conduct a CreCom meeting; how the Account Officer presents each loan application	Observation	MFU of PB
5:00 – 5:30	Open forum/wrap-up session; Briefing on tomorrow's CI/BI Activity			MABS
DAY 4 Field	OVERNIGHT ON FIELD			
6:00 –7:30 A.M. 7:30 SHARP	BREAKFAST DEPARTURE FOR BANK			
8:00 – 12:00	13) Conduct of CI/BI Activity and Preparation of Cash Flow	Hands-on experience in Conducting CI/BI	Divide trainees into group of 2 each. Each group will conduct one CI/BI	New & Repeat Clients
12:00 – 1:00	LUNCH			
1:00 – 2:30	14) Continue Preparation of Cash Flow and Loan Documents	Hands-on Cash Flow Analysis & Loan Documentation (Application Form; PN; and Disclosure Statement	Work Group Activity	Supervisors of PB MABS
2:30 – 3:30	15) Discussion of the results of CI/BI and Cash Flow Evaluation	Mock Mini Committee	Each group will present its CI/BI finding and recommendation on the loan application	Supervisor/Managers of PB
3:30 – 4:00	16) Collection Management	Do's and Don'ts in Collection; Alarm Signals	Presentation- Discussion	Supervisors of PB
4:00 – 4:30	17) MIS Reporting	Appreciation of MIS reporting		Supervisors of PB
4:30	DEPARTURE FOR CDO			
DAY 5				CLASSROOM
6:00 – 7:30 A.M..	BREAKFAST			
8:00 – 9:30	18) Market Research	Importance of Market Research; How to do (a) Area Mapping; (b) secondary data gathering; (c) market survey		MABS
				MABS

9:30 – 10:30	19) Business Planning	MF loan portfolio projections		
10:30 – 10:45	COFFEE BREAK			
10:45 – 12:00	20) Business Planning	MF loan portfolio projections		MABS
12:00 – 1:00 P.M.	LUNCH			
1:00 – 2:00	21) Loan Management & Admin.	Handling of Loan portfolio	Lecture Discussion	MABS
2:00 – 3:00.	22) Zero Tolerance of Delinquency	Preventing arrears; managing defaults; importance of Alarm Signals and steps to take	Lecture-Discussion	MABS
3:00 – 3:15	COFFEE BREAK			
3:15 – 4:00	23) Product Marketing and Service Quality	How to promote/market the product and bank service quality standards	Lecture- Discussion	MABS
4:00 – 5:00	24) Market Research for Supervisors and Point Persons			MABS
DAY 6				
6:00 – 7:30 A.M.	BREAKFAST			
8:00 – 11:00	25) Action Plan	Work Planning	Group Work, By Bank	MABS
11:00 – 12:00	26) Closing	Course evaluation, Certificates and Closing		
12:00 – 1:00	LUNCH			
1:30 P.M.	CHECK OUT/ DEPARTURE			

The MABS-M Program

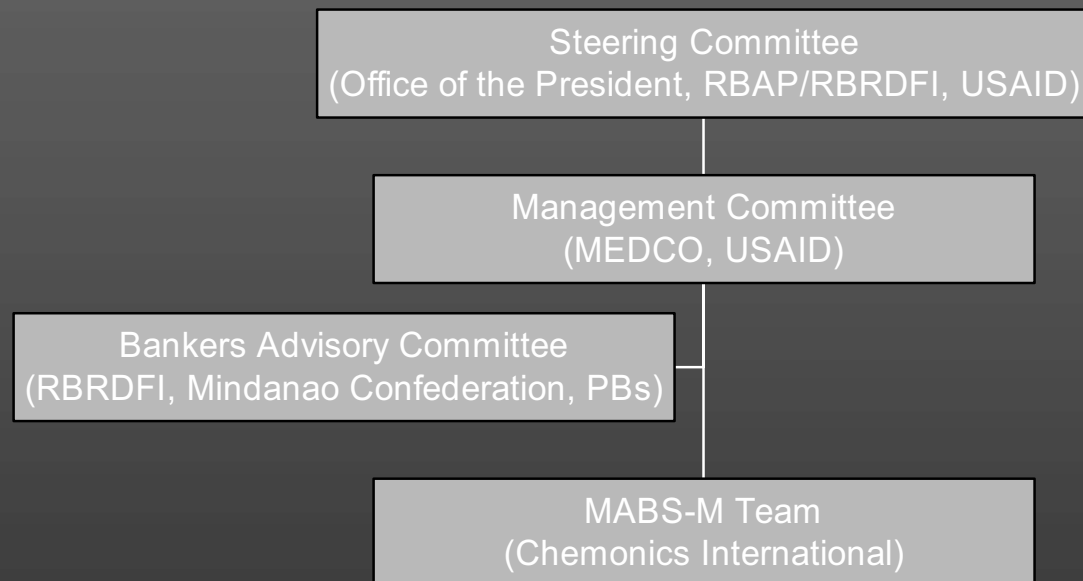
An Overview

What is MABS-M?

Microenterprise Access to Banking Services in Mindanao

The MABS-M Program provides technical assistance and training to rural banks and cooperative rural banks in Mindanao. The project is designed to expand the delivery of financial services to microenterprises and households belonging to lower socio-economic groups

MABS-M Partners



The Opportunity for Rural Banks

- ‘ Huge demand for financial services from microentrepreneurs and others from the lower socio-economic sector.
- ‘ Pressure from commercial banks to move down market.
- ‘ Microenterprise sector is less price conscious than service conscious.
- ‘ Rural Banks know this market



Profitable business opportunity

Project Goals

By the end of the project, MABS-M will:

- ‘ Reach a minimum of 40 rural and/or cooperative rural banks and bank branches
- ‘ Assist each bank to extend at least 500 new microfinance loans and mobilize at least 1000 new microenterprise depositors
- ‘ Ensure that the participating banks decide to make microfinance services a permanent and significant part of their portfolios
- ‘ Institutionalize within RBAP a continuing capability to provide microfinance support services to member banks.

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN HINDIAKI

MABS Approach

Each PB receives approximately 18 months of focused support and attention.

Our approach includes workshops, seminars, on-the-job coaching, exposure and training visits, and technical assistance. The general pattern is one of building up and then phasing out the level of dedicated technical assistance and training.

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN HINDIAKAD

Goals for Participating Banks

- ‘ Development of products, practices, and procedures that follow microfinance best practice principles.
- ‘ Implementation of a profitable microfinance line of business.
- ‘ Development of the capacity to not only manage the microfinance operation but continually improve it.

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN HINDIAKAD

MABS Approach

Loan Products, Practices and Procedures

- ‘ Generally uncollateralized loans starting as low as 5,000 pesos for existing businesses that generate daily cash flow. (Typical businesses include market vendors, home-based food processing and manufacturing, and restaurants.)
- ‘ Comprehensive screening mechanisms to evaluate the **CHARACTER** of the client and his/her capacity to repay debt.
- ‘ A management information system that allows next day follow-up of clients who miss payments.
- ‘ Penalties and incentives to promote quality.

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN HINDI

Savings Products and Procedures

- ‘ Reduce transaction costs by increasing the average deposit amount, limiting the number of monthly transactions and transferring costs to the client (ganancia box).
- ‘ Marketing programs to reach new clients (lottery, collections outside the bank).
- ‘ Contractual savings plans.
- ‘ Incentives for small savers to open accounts and increase their deposit balances.

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN HONDURAS

MABS Approach

Institutional Culture

Reduce bank tolerance for past due loans:

- ‘ Past due rate for rural banks exceeds 18%. Our goal with Participating Banks is Zero Delinquency.

Improve client service:

- ‘ Gain and retain clients through quality services such as rapid loan processing and field deposit collections.

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN HINDIAKAD

MABS-M Results, January 31, 2000

	4 Pilot Banks	10 Rollout Banks	TOTAL
Number Savings Accounts	3,036	6,739	9,829
Savings Account Balances	4,125,541	6,154,381	10,279,922
No. Loans Disbursed	3,223	1,901	5,124
Amount Loans Disbursed	20,658,885	10,079,900	30,738,785
No. Active Loan Accounts	1,070	1,176	2,246
Loans Outstanding	4,689,969	4,232,939	8,922,908
Past Due Rate	6.0%	0.2%	

The MABS-M Program

An Overview

Zero Tolerance for Past Due Loans



Controlling Loan Delinquency

Agenda

- r What is “zero tolerance for past due loans”?
- r Characteristics of loan delinquency
- r Costs of loan delinquency
- r Controlling loan delinquency
 - q Bank image & philosophy
 - q Credit methodology
 - q Information system

What is “zero tolerance for past due loans”?

- r It is the bank management & staff's **attitude** towards loan delinquency -- namely, that no level of late payment is acceptable.
- r It is an **institutional culture** in which late payments are simply unacceptable.
- r The bank must be willing to aggressively pursue past due clients, whatever the cost, to establish and maintain zero loan delinquency.

Why zero tolerance?



- r Loan delinquency can weaken and ruin a lending institution.
- r Unless aggressively controlled, delinquency can spread and worsen, leading to high levels of default.
- r Pursuing the collection of delinquent loans swiftly and aggressively facilitates the development of a strong credit discipline among the clients.

Characteristics of loan delinquency

- r Delinquencies should be seen as direct costs to the bank.
- r Delinquency and loan losses imply postponed income, lost income, and lost portfolio to the bank.
- r Likewise, some measures aimed at reducing delinquency are costly (e.g. client follow-up & monitoring costs)

What makes loan delinquency distinct from other problems?

- r The costs of delinquency are hidden. The true level of loan delinquency can be concealed, making it difficult to recognize the true extent of the problem.
- r Lenders tend to attribute delinquency excessively to external factors. Consequently, they do not confront and resolve the causative factors within their control.
- r Delinquency is contagious. It tends to spread and worsen, leading to high levels of default, unless it is aggressively controlled.

The costs of delinquency

- r Quantifiable costs
- r Non-quantifiable costs

Quantifiable costs

Delinquency has numerous effects on a bank's

- r Cost structure
- r Income
- r Financial condition

Non-quantifiable costs

- r Deterioration in staff morale
- r Breakdown of credit discipline among clients
- r Ineligibility to access funds for portfolio expansion from external funding sources
- r Less access of microenterprises to formal credit -- the bank has less funds to lend while other banks will be more reluctant to lend.
- r Damage to delinquent borrower's reputation and business, leading to a more desperate economic situation for his/her family

Borrowers may think it is better not to repay their loans.

- r Whether a borrower perceives a cost or benefit to late repayment or default depends upon the policies of the bank.
- r Borrower may find it more profitable to keep using the loan funds even after due date, rather than paying it back on time, if the interest rate is low, or there is little or no late payment charges.
- r Likewise, if the bank does not use vigorous collection techniques, or offer repeat loans or other incentives, the client may very well maximize his/her economic benefits by paying late or not at all.

Controlling loan delinquency

- r Uncontrollable factors
- r Controllable factors

Uncontrollable factors

- r Natural disasters (fire, typhoons, flood)
- r Government policies (e.g. crackdown on street vendors, phase out/banning of tricycles in major streets, relocation of public market to a new site leading to dislocation of many microentrepreneurs)
- r Illness or death in the family
- r Slow down in the growth of the local economy

Mitigating measures

- r Emergency grace periods on outstanding loans
- r Emergency or insurance funds
- r Smaller loan sizes & longer terms
- r Client's deposit
- r Restructuring & refinancing loans (only when absolutely necessary)

Controllable factors

- r Bank image & philosophy
- r Credit methodology
- r Information systems

1. Bank image & philosophy

- r The bank's image is determined by the way it presents itself, to the sector and handles its relationships with microentrepreneurs.
- r The bank must view its microfinance activity not as charity (i.e., helping the poor), but as a profitable business.
- r The bank can still project an image of being a socially responsible institution, but the borrower's obligation to pay back their loans on time should be made clear.
- r It has to be emphasized that the bank has very limited resources and that it wants to lend to more people. If the loan is not paid on time or not all, it is not only the bank that suffers, but the low-income people themselves.

Zero tolerance: Creating an institutional culture

- r Begin with the premise that no level of late payment is acceptable.
- r This attitude should be ingrained, initially among the members of the microfinance unit, and eventually among all employees of the bank.
- r Also emphasize the need for on-time and full repayment continuously among the borrowers in all stages of the lending cycle.

Some Examples

Informal moneylenders

- r If a borrower does not have enough cash to pay his/her loan amortization for the day, the moneylender either waits until the borrower has enough cash from sale (“tutok”)s, or just takes some of the goods sold by the borrower (“hakot”).

CARD (San Pablo City, Laguna)

- r Centers do not allow members to leave the meeting until all loan amortization payments due for the week are collected.

TSPI (Metro Manila)

- r Loans staff are not allowed to report back to the office until 100% of their loan collection target for the day are collected.

RB Sto. Tomas (Davao Province)

- r A borrower (sari-sari store owner) claimed that she did not have enough sales for her daily amortization payment. The microfinance staff stayed in the store and took the proceeds of the sale from each of the store's customers until she had collected the full amount due for that day.

New RB of San Leonardo (Nueva Ecija)

- r For every visit/collection attempt, the borrower is charged a penalty of 5% on the outstanding loan balance and a collection fine of P1,000.
- r Sending delinquent borrowers to jail.
- r Daily management meeting on past due loans.

Other MFIs

- r The names of delinquent borrowers are displayed prominently in public places (e.g. post office). This puts pressure on the delinquent clients into paying their loans.


2. Credit methodology



- r Client selection
- r Incentives to clients for on-time payments

Client selection

- r Select clients based on personal factors and moral guarantees, rather than business factors and physical guarantees.
- r Give priority to applicants with existing enterprises.
- r In individual lending, the loan officers should become intimately familiar with the neighborhood in which they work.
- r Check court records (judicial courts and barangay council) for complaints related to non-repayment of debt (e.g. bouncing checks, collection of a sum of money, estafa).

- 
- r Good microenterprise clients of the bank can be an excellent source of information
 - r Orient all prospective clients and make sure they understand the bank's policies and procedures, especially the incentives for on-time repayment, and the penalties for late and non-repayment.
 - r If there is no group guarantee, require a co-maker or a physical guarantee on paper (e.g. stock inventory, small household appliances).

Client incentives

Access to subsequent and bigger loans

r the most critical, most powerful factor affecting repayment

Interest rebate

r Charging an extra interest, then returning the extra interest to borrowers who pay their installments fully and on-time

Penalty charges

Charging additional interest on payments made after due date. Without a penalty charge, good borrowers effectively subsidize delinquent borrowers.

Savings

People tend to repay loans when they know that it is their own savings that is being lent to them

3. Information systems

- r A good information system permits timely follow-up and monitoring of loans.
- r Follow-up visits are imperative in preventing delinquency. But such visits are contingent upon the field staff having accurate and timely information.
- r The less time that the field staff spend in figuring out whose payments are due when, and whose are already late and by how much, the more time they can spend with the borrowers

Importance of a good MIS to the loans staff

A combination of good and timely reports enables a field worker to manage hundreds of borrowers and minimize delinquency by:

- r Ensuring that all new borrowers receive a follow-up visit within days of loan disbursement, so they understand the bank will not “forget” about them;
- r Visiting borrowers quickly after a payment becomes past due to determine the problem and help solve it;
- r Processing repeat loans in a timely fashion for good borrowers to encourage continued on-time repayment;
- r Detecting trends in the portfolio (such as high delinquency among borrowers with certain activities) that might help identify strategies for reducing delinquency.

Importance of a good MIS to loans staff supervisors

A good MIS can provide the MFU supervisors with tools for analysis for understanding the extent of the banks' delinquency problem and responding to emerging arrears problem.

Variables to examine in analyzing delinquent accounts, includes:


- r Age of arrears
- r Loan officer & geographic location of the borrowers
- r Loan type & size of loans
- r Activity of the borrowers
- r Gender
- r Number of loans

Strategies for reducing present levels of delinquency

- r First, the bank should analyze whether the loan sizes and terms are appropriate for the borrowers.
- r Second, it should examine whether there are sufficient incentives for borrowers to repay.
- r Third, a trend analysis focusing on different variables, such as activity, size of loan, and geographic area, might reveal a specific cause of delinquency which can then be addressed.
- r Finally, the bank might want to consider the implementation of an incentive system for field workers that will encourage them to prevent unnecessary late payments.

Summary

- r High levels of delinquency should not be blamed on the borrower group but on the credit institution.
- r To mitigate the effects of uncontrollable factors, the bank should be able to adjust its methodology, and quickly identify and resolve the factors on a case-by-case basis.
- r Whether borrowers pay back loans on time depends, to a large extent, on the borrowers' perception of the costs and benefits of timely repayment

- 
- r A good information systems is critical to controlling delinquency.
 - r The refinancing and rescheduling of delinquent loans should be used sparingly in specific justifiable causes.
 - r Creating a culture of zero tolerance for past due loans within your bank starts with you.



LOAN MANAGEMENT AND ADMINISTRATION

MFU Orientation Course



LOAN MANAGEMENT AND ADMINISTRATION

- z PROCESSING A NEW LOAN
- z COLLECTION PROCEDURES
- z PROCESSING A REPEAT LOAN
- z BASIC MONITORING REPORTS



PROCESSING A NEW LOAN

- z Conduct client orientation.
- z Assist prospective client to complete the application form/s.
- z Interview prospective loan clients
- z Conduct credit/background investigation and collateral appraisal (if applicable).



PROCESSING A NEW LOAN

- z Evaluate paying capacity/cash flow of qualified clients.
- z Evaluate co-maker's paying capacity.
- z Prepare recommendation for qualified loan applicants for submission to senior officer/credit committee for approval.



PROCESSING A NEW LOAN

- z Prepare Promissory Note, Disclosure Statement and Schedule of Payment to be signed by applicant, spouse and co-makers (if applicable).
- z For loans with collateral, mortgage papers must be signed prior to release.



COLLECTION PROCEDURES

- z Prepare a list of borrowers with payments due for the day.
- z Prepare a list of borrowers with unpaid amortization.
- z For security reasons, collectors are encouraged to do a mid-day turn-over of their cash collections to the Cashier.



COLLECTION PROCEDURES

- z At the end of the day, collectors shall turn over all collections together with the collection report to the Cashier. Likewise, all receipts issued for the day must be accounted for.
- z Unissued Receipts for the day must be turned over to the custodian



PROCESSING A REPEAT LOAN

- z A week before the maturity of the existing loan, account officer shall find out if the client intends to make a re-loan
- z Evaluation should be done right away, to focus on previous loan payment (and savings) history, cash flow re-assessment and changes in the assets
- z For accounts with collateral, a re-appraisal should be done



PROCESSING A REPEAT LOAN

- z CI/BI to be done again on the third loan availment
- z Approval must be done a day prior to the last amortization and a new set of documents be prepared including a new set of co-maker's agreement .
- z Client expects to get the loan a day after the last amortization is paid.



BASIC MONITORING REPORTS

- z MABS LOANS
- z PAYMENTS DUE FOR THE DAY
- z DELINQUENCY REPORT
- z PORTFOLIO AT RISK REPORT
- z PERFORMANCE REPORT BY ACCOUNT OFFICER
- z CLIENT HISTORY REPORT
- z LIST OF DEPOSITORS FOR THE PERIOD

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

MARKET RESEARCH

**Orientation Course for the Microfinance
Staff**

OVERVIEW

- § **Module Objectives**
- § **Financial Intermediation: A Framework for Market Research**
- § **Specific Objectives of Market Research**
- § **Steps in Conducting Your Market Research**
- § **Summary of Steps**

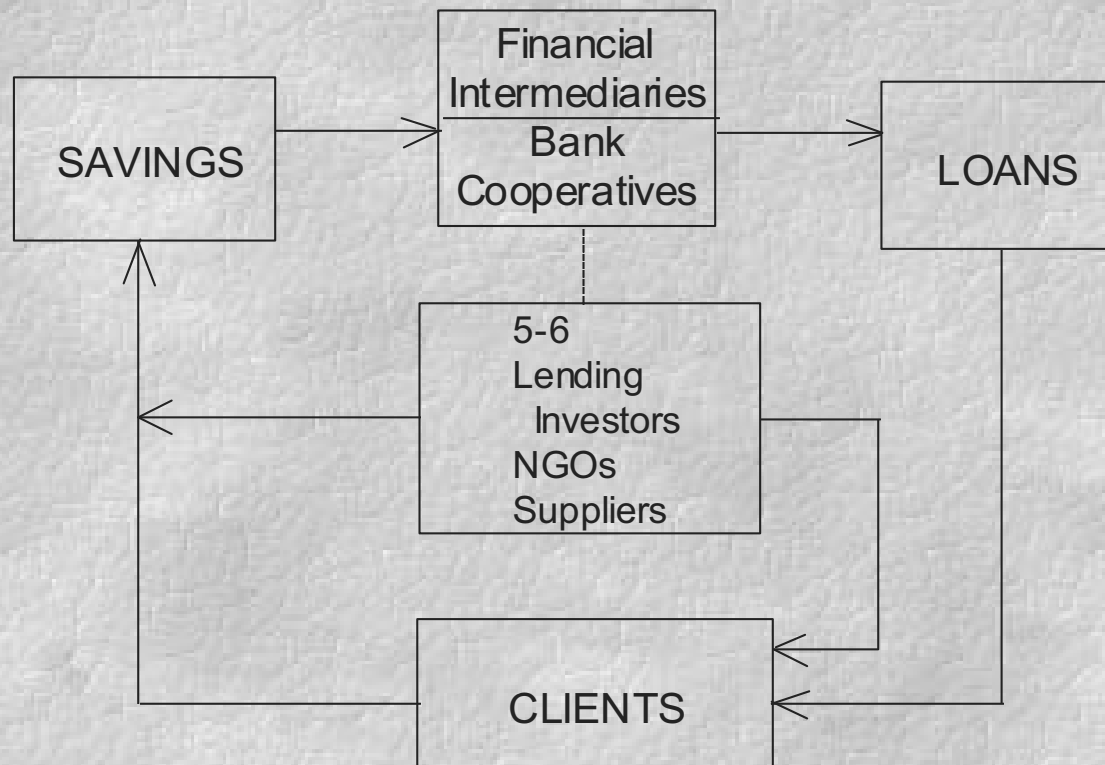
MARKET RESEARCH

MODULE OBJECTIVES

1. Participants will understand the importance of market research in designing products and services that fit the requirements of the clients.
2. Participants will learn the basic steps in conducting market research.

Financial Intermediation

A Framework for Market Research



Specific Objectives of Market Research

- š Determine the market opportunities and constraints
- š Learn about the competitors and products they provide.
- š Understand the microenterprise sector and types of microenterprises in the bank's service area.
- š Determine the characteristics of the financial products and services that microenterprise operators need.

TEN STEPS

- § **Step 1. Scan the Environment for Threats and Opportunities**
- § **Step 2. Identify Your Target Clients/Geographic Areas**
- § **Step 3. Gather Secondary Data**
- § **Step 4. Obtain Information on Other Suppliers**
- § **Step 5. Conduct Area Mapping**
- § **Step 6. Design Your Questionnaire**
- § **Step 7. Conduct Your Survey**
- § **Step 8. Process and Compile the Data**
- § **Step 9. Review Your Market Findings**
- § **Step 10. Present Your Findings to Bank Management**

STEP 1. SCAN THE ENVIRONMENT FOR THREATS AND OPPORTUNITIES

*Factors outside the organization,
over which you have little control,
can threaten or strengthen
your delivery of microfinancial services.*



What factors constrain or offer opportunities?

- š Infrastructure: roads, transportation, communication, water supply, electricity
- š Geographic profile of bank's target market/communities.
- š Security/peace and order situation.
- š Language and literacy.
- š Cultural issues.
- š Presence of other collaborative institutions.

STEP 2. IDENTIFY YOUR TARGET CLIENTS AND GEOGRAPHIC AREA

- § *Focus on those who are already engaged in microenterprise activities.*
- § *Microfinance requires very frequent contact. It is almost impossible to adequately serve clients too far away from the branch.*

STEP 2. IDENTIFY YOUR TARGET CLIENTS AND GEOGRAPHIC AREAS (continuation)

As a general guideline in conducting your market research:

- § “30-MINUTE WALK”. Initially cover areas within a 30-minute-walk radius of the branch.
- § CLUSTER. Research areas/communities that are closer to each other.
- § PRIORITIZE. Give priority to areas with a higher number of households and concentration of micro enterprises.

STEP 3. GATHER SECONDARY DATA.

Handout # 1: Population & Other Information

- š Population, number of households
- š Major sources of income
- š Registered businesses
- š Public markets
- š Schools
- š Others



STEP 4. OBTAIN INFORMATION ON OTHER SUPPLIERS

Handout # 2. Who are Your Competitors?

- š Who are the other suppliers of financial services?
- š Who are your main competitors?
- š What products and services do they provide?
What are their terms and conditions?
- š What is their market share?

STEP 4. OBTAIN INFORMATION ON OTHER SUPPLIERS (continuation)

Š Gather information

- brainstorm with bank staff
- obtain brochures, leaflets and/or interview resource persons from other financial institutions
- interview key informants, borrowers of 5-6ers, lending investors

Š Compile and analyze the information

STEP 5. CONDUCT AREA MAPPING

Hand out # 3.

- Š Within the 30-minute walk radius of the bank; cover the major streets; the public market (if any).
- Š Make a headcount of registered and unregistered businesses, big or small, and the types of businesses.
- Š Your output: a map or maps marking each of the business establishments along the streets.

STEP 6. DESIGN YOUR QUESTIONNAIRE

Hand out #4.

Gather information about:

- š their business
- š their borrowing practices; access to loans; sources; size of loans; terms; mode of payment
- š their saving practices, motivation and preferences; access to deposit-takers
- š potential demand for loans and deposit services = potential business for your bank.

STEP 7. CONDUCT YOUR SURVEY

- Š Survey at least 100 microenterprises of various types.
- Š With two Account Officers (AO): 50 interviews per AO; 1 to 1.5 days

STEP 8. PROCESS / COMPILE THE DATA

- § Manual tabulation
- § Summary tables

STEP 9. REVIEW MARKET FINDINGS

- š Evaluate the findings; review them with the staff.
- š What do the survey results tell you as regards:
 - ç the characteristics of loan (and savings) products which microentrepreneurs use?
 - ç designing products and services?
 - ç opportunities that exist for your bank to do business with small-scale businesses?
- š Use the results to enhance existing and/or design new bank products for microentrepreneurs, and to design your promotions and marketing plan.

STEP 10. PRESENT YOUR FINDINGS TO THE MANAGEMENT

š Your findings are critical in helping the bank management identify and support the strategy and target markets for microfinance.

TEN STEPS

- Š **Step 1. Scan the Environment for Threats and Opportunities**
- Š **Step 2. Identify Your Target Clients/Geographic Areas**
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PRODUCT CHARACTERISTICS - SAVINGS

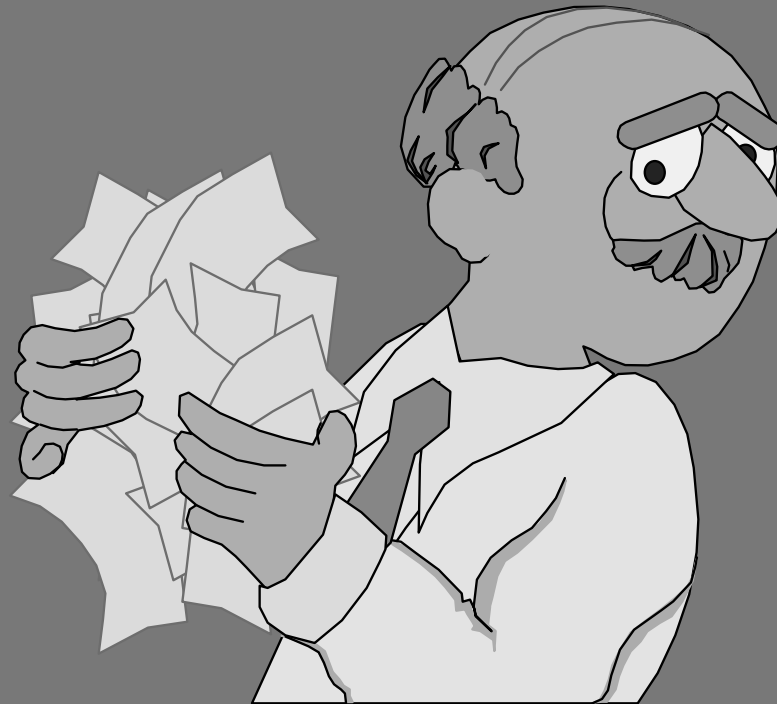
MABS, Chemonics International Inc.



Overview

- z How do people save?**
- z Why do people save?**
- z Types of savings products**
- z Strategies to implement a new savings service**

How Do People Save?



How Do People Save?

z Non-Monetary Form

- jewelry
- livestock
- inventory
- land
- house
- durable items

z Monetary Form

- cash
- passbook savings
- time deposit
- bubo-ay

Why do people save?



Why do people save?

- Z Retirement/better life - wealth accumulation**
- Z Emergency needs - illness, disability, death**
- Z Everyday needs - school fees, food, utilities, transportation, clothing, rent, house renovation, appliances**
- Z Business opportunities- capital**
- Z Special occasions - fiestas, weddings**

Problems associated with non-bank savings

- Z Cash - potential for theft, overspending, demands from family**
- Z jewelry - theft, loss, difficulty of selling in an emergency**
- Z livestock - theft, death of animal, difficult to sell in an emergency**
- Z inventory - spoilage, theft, storage**
- Z land & house - not easy to sell**
- Z durable items - depreciation , theft**

Bank savings - advantages

- z Withdrawability - easy access**
- z Security - no problems of theft, insured**
- z Returns - interest income/investment**
- z Access to other services - loans**
- z Self-financing business capital & other needs - rather than paying 5 - 6ers**



Designing savings products

- Z Market study**
- Z Client Friendly Products & Procedures**
- Z Objectives of the savings service -
different products for different needs**
- Z Pilot program**
- Z Analysis of pilot program &
adjustments**

Market Study



Z Potential clients

- wage earners
- microenterprises
- small businesses

Z Needs/Motivations for saving

- education
- investment
- emergencies

Z Competition



Client Friendly Products & Procedures

- z Convenience**
- z Simple Procedures**
- z Less Restrictive**
 - low minimum balance**
 - low minimum maintaining balance**
- z Lessons learned from the Informal Sector**

Objectives of the savings service

- z Attractive to clients**
- z Maintain good relationship with clients - build trust**
- z Cost efficient for the institution & client - product should be analyzed in terms of costs to the client and bank**



Different products for different needs

- z Regular Savings Products**
- z Semi-Restricted Savings Products**
- z Time Deposits**



Regular Savings

- **Withdrawability (easy access) and service are the most important**
- **More useful for those who need ready access - business opportunities, emergencies**



Regular Savings

- + Generally more stable than larger accounts**
- Administrative costs tend to be higher for smaller accounts and numerous transactions**



Semi-restricted accounts

- **Convenience and level of service**
- **Attractive for those used to the Bubo-ay or who save for particular purposes: education**



Semi-restricted accounts

- + Generally attracts larger savings balances than regular savings**
- The product is simple for clients to understand but can be more complicated to set-up and monitor**



Time deposits

- **Return or interest rate is most important**
- **Generally attractive for those with longer-term horizons: retirement, purchase of land, or house**

Time deposits

- + Administrative costs are lowest of all three products and they are easier to manage**
- Financial costs are much higher**
- Accounts are more difficult to attract (competition)**
- Risk of 'hot money'**

Designing Regular Savings

- Z Access is the most important**
 - hours of service
 - number of tellers (dedicated to savers)
 - deposit collectors
- Z Trademark is important to distinguish the product from others - 'Ganansya Box', 'Happy Future Savers,' 'Grow Every Day'**
- Z Scaled interest rates for higher balances**
- Z Operations and Procedures manual**

Designing Semi-Restricted Accounts

- Z Easy to understand products**
- Z If regular contributions are required, there is the need for dedicated tellers/collectors**
- Z Trademark is important - 'Partner Savings Plan', 'Save for Christmas', 'Save for School'**
- Z Changes to MIS to facilitate more transactions**
- Z Operations and Procedures Manual**



Designing Time Deposits

- z Interest rate is key - need to monitor the competition**
- z Client's generally have more banking experience**
- z Need to be flexible and adjust interest rates regularly**
- z Operations and Procedures Manual**



Pilot Program

- z Selection of pilot branch close to main branch**
- z Committee to coordinate, monitor, and adjust the product**
- z Implementation plan**



Implementation plan

- **Product and administrative systems**
- **Procedure manual, internal control, audit, monitoring and evaluation**
- **Changes to MIS**
- **Projections**
- **Training of personnel**
- **Monitoring and Evaluation System**



Analysis of pilot program

Z Objectives of the pilot program

- **Test products**
- **Evaluate demand**
- **Learn about the market place**
- **Establish and adapt accounting procedures, MIS, communication system, audit system, and internal controls**
- **Analyze costs of the instrument**

Analysis of pilot program

Z Objectives of the pilot program

- **Establish the margin between savings and loans - proper returns**
- **Evaluate the cost effectiveness of different types of promotions - raffle for cash vs. appliances**
- **Evaluate infrastructure**
- **Evaluate the efficiency of service**
- **Adjust the training program for personnel**



Analysis of pilot program

Z System of Monitoring and Evaluation

- Compare actual figures against projections**
- Structure of deposits**
- Evaluate administrative and financial costs**
- Reaction of clients to different products, promotions, and interest rates**
- Evaluate the efficiency of service**

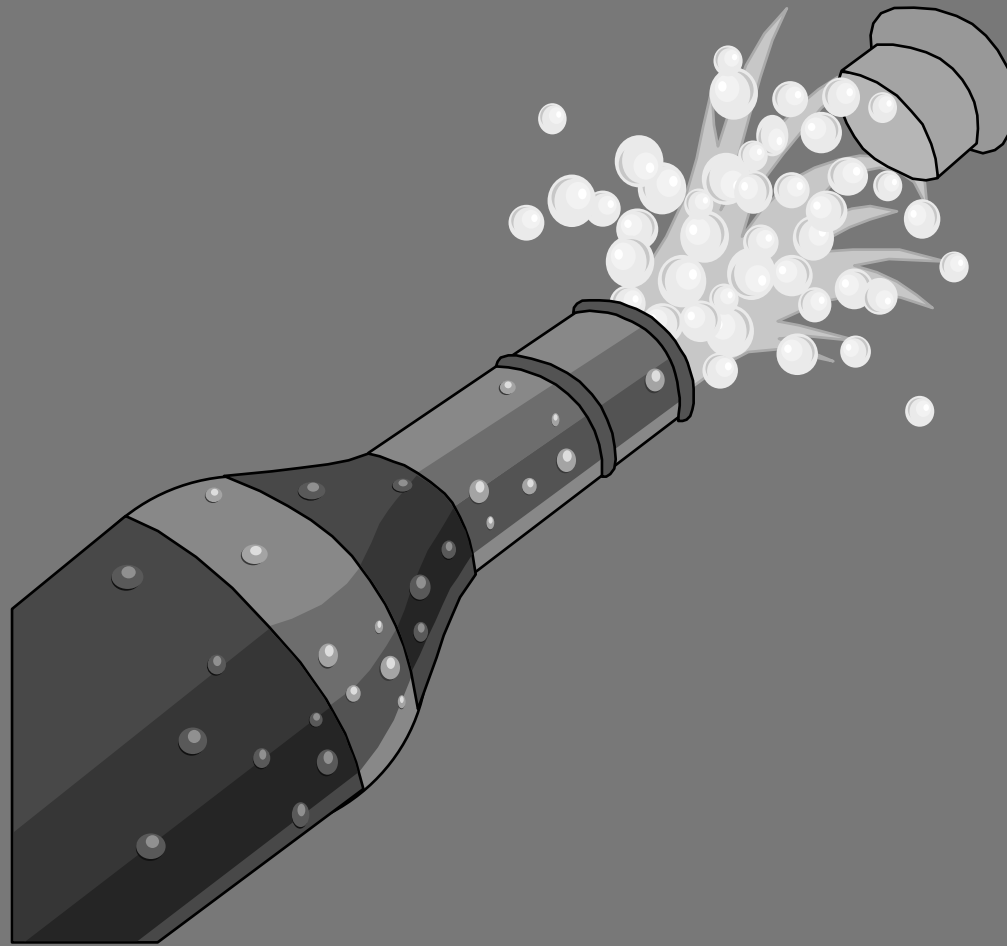


Analysis of pilot program

Z Service Efficiency

- **Time to open, deposit, and close accounts**
- **Number of transactions per day**
- **Average amount of each transaction**
- **Number of transactions by type & size of account**
- **Time that clients waste in line**

**ADJUSTED PRODUCTS READY FOR
SECOND PILOT STAGE OR ROLL-OUT!**



MABS PROJECT

February 21, 2000

PRODUCT DEVELOPMENT - LOANS

Course Audience & Objective

Course Audience

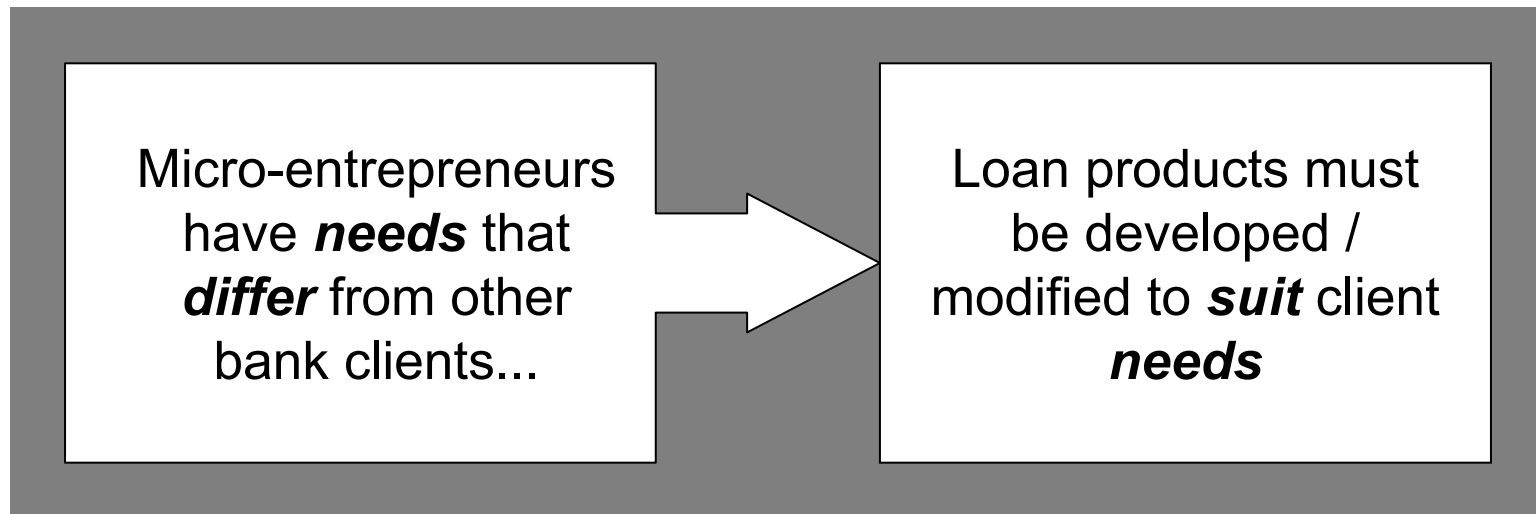
Bank staff responsible for designing and implementing microfinance loan products

Objective

At the end of this session you will know how to design a successful microfinance loan product

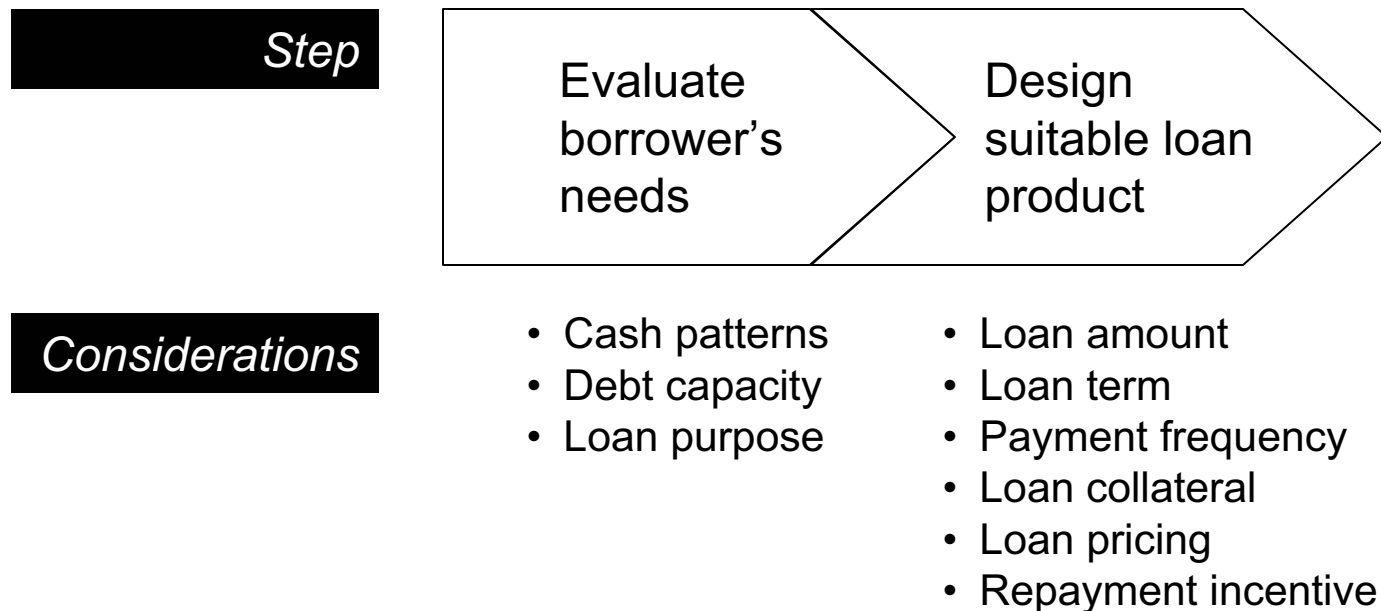
Introduction

- Micro-entrepreneurs are typically not well served by conventional bank loan products
- Typical bank loans are designed for clients with credit history, assets for collateral and a demonstrated understanding of general banking procedures

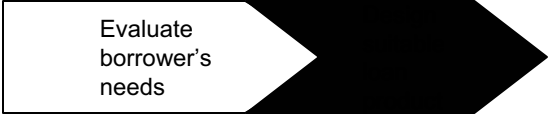


Loan Design Process

- Designing a micro-enterprise loan product is a two-step process:



Cash Pattern Analysis

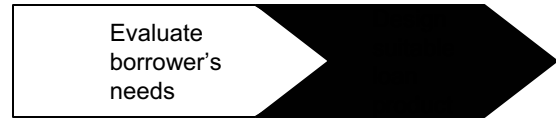


- For the period of the proposed loan, identify timing and quantity of expected inflows and outflows
- Loan should match expected cash patterns to ensure repayment without undue hardship to borrower

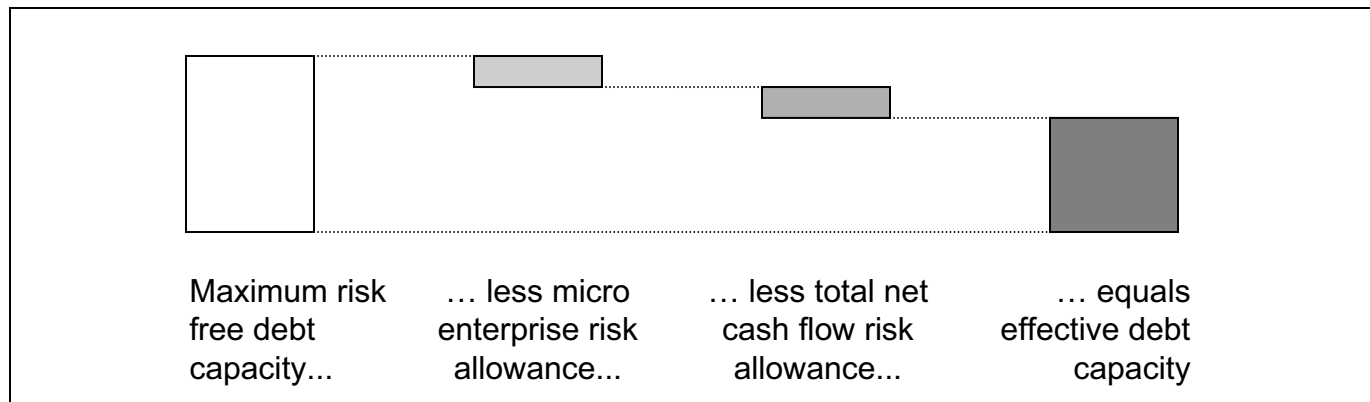
<i>Cash Inflows</i>
<ul style="list-style-type: none">• Wages• Sales revenues• Loans• Gifts

<i>Cash Outflows</i>
<ul style="list-style-type: none">• Business expenses• Household purchases

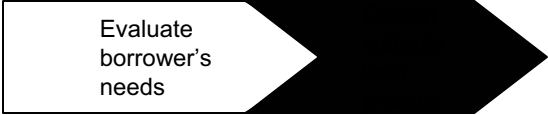
Debt Capacity



- Total net cash flow for the duration of the proposed loan period equals maximum **risk free** debt capacity
- An allowance should be made for the risk associated with the total net cash flow, including:
 - reasonable expectations about adverse conditions affecting the micro-enterprise
 - other claims that may come before repayment to the micro-enterprise loan provider

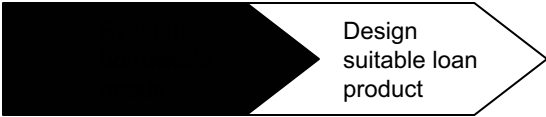


Loan Purpose



Loan Type	Working Capital	Fixed Asset Loan
Purpose	For current expenditures that occur in the normal course of business	For the purchase of assets that are used over time in the business
Considerations	Match loan terms to cash-to-cash gap (typical range: 2 mos. to 1 yr.)	Longer term = Higher risk to microfinance institution
Caveat	Borrower's capacity for repayment is more important than purpose of the loan (a.k.a. impact of fungibility of money)	

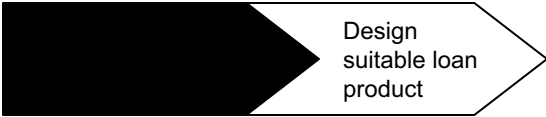
Loan Amount



- Loan amount should be designed to reflect the debt capacity and cash patterns of borrower

<i>Guiding Principle</i>	<i>Rationale</i>
<ul style="list-style-type: none">• Bank should not finance 100% of micro-enterprise activity	<ul style="list-style-type: none">• Borrower should have a vested interest in enterprise's success
<ul style="list-style-type: none">• Look for reasons to lend less than the requested amount	<ul style="list-style-type: none">• Borrowers generally ask for larger amounts than they need and can afford
<ul style="list-style-type: none">• Increase subsequent loan amounts only after successful repayments	<ul style="list-style-type: none">• Borrower is rewarded for respecting bank agreement

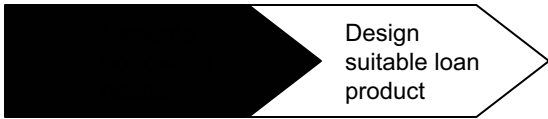
Loan Term



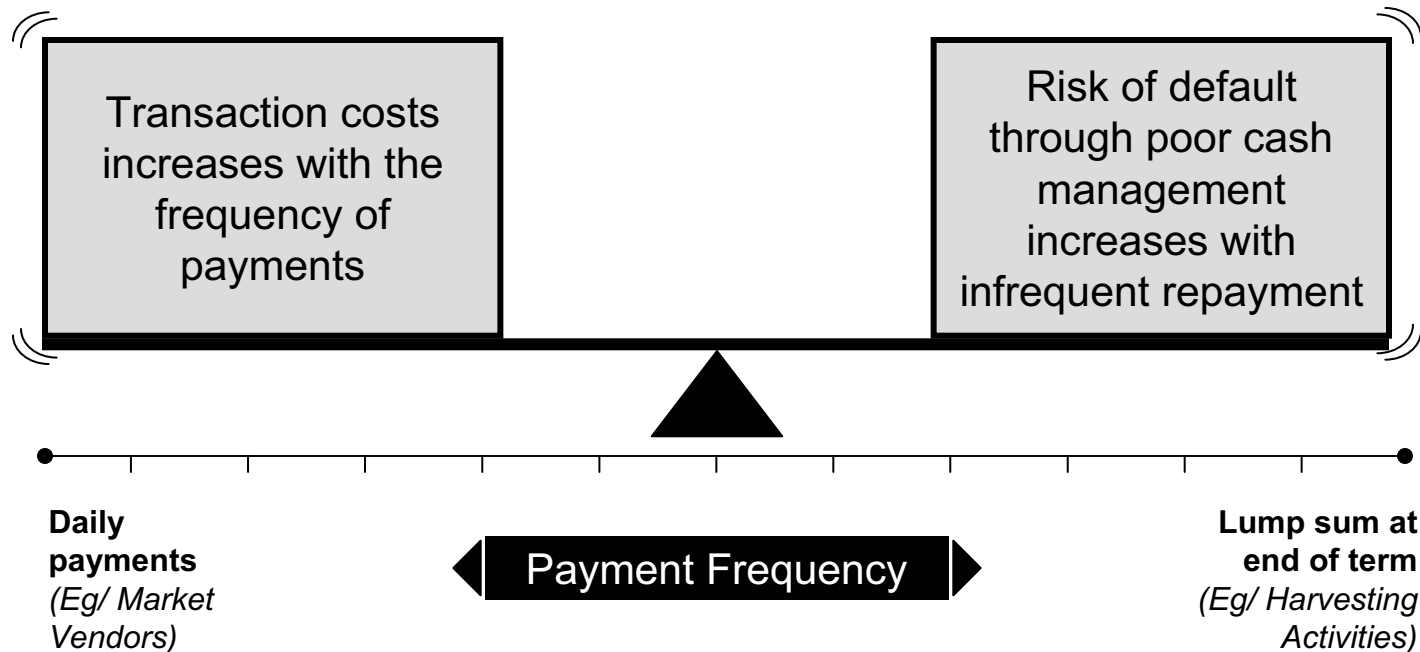
- The term of the loan product needs to be tailored to the micro-enterprise's business cycle

<i>Scenario</i>	<i>Result</i>	<i>Bank</i>	<i>Borrower</i>
Loan term matches business cycle	<ul style="list-style-type: none"> Revenues provide for loan repayment and business income 	Win	Win
Loan term shorter than business cycle	<ul style="list-style-type: none"> Revenues provide for loan repayment but no business income 	Win <i>(short term)</i>	Lose
Loan term longer than business cycle	<ul style="list-style-type: none"> Inability to renew loan "on cycle" leads to inefficiency and/or end of term defaults due to lack of cash 	Lose	Lose

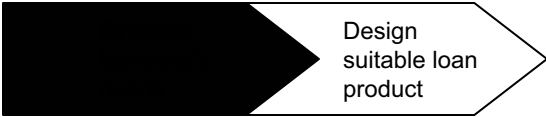
Payment Frequency



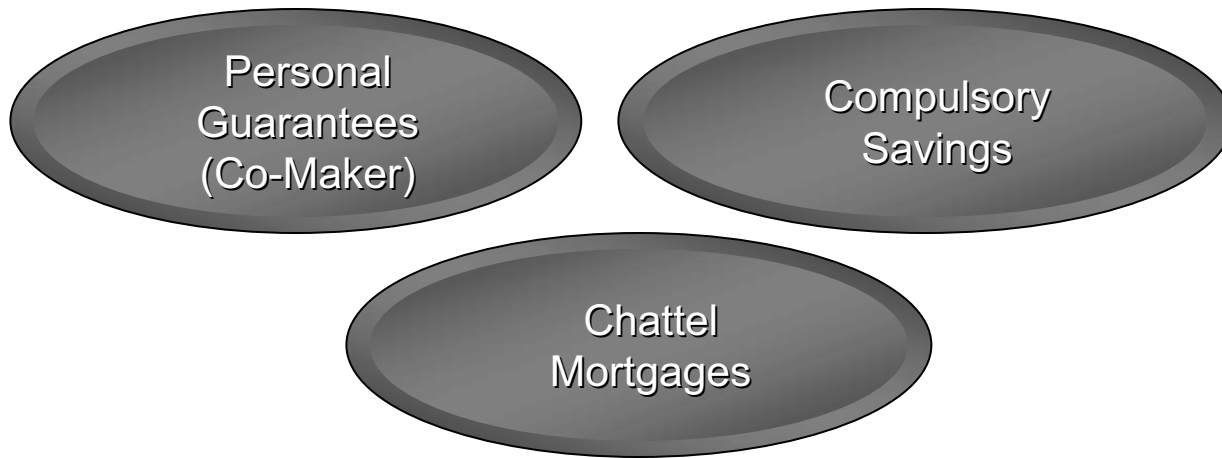
- Loan payment frequency can range from “daily” to “lump sum at the end of term”
- The costs and risks of the of the payment frequency must be assessed and a balance sought



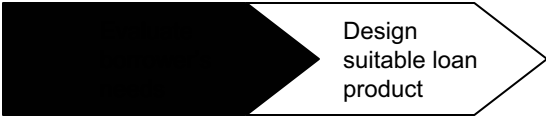
Loan Collateral Alternatives



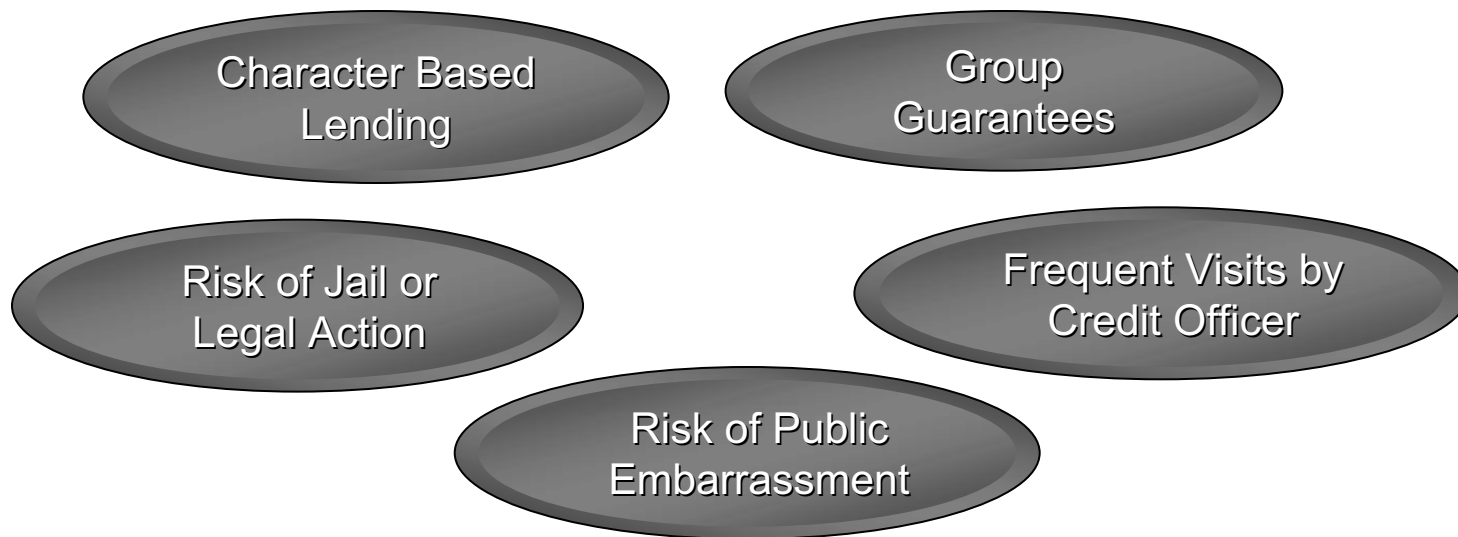
- In lieu of assets of equal value, microfinance loans can be collateralized through alternative methods:



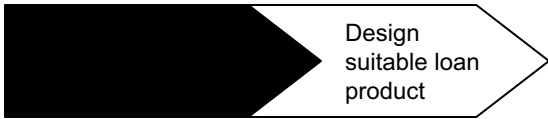
Loan Collateral Substitutes



- If no collateral is available to secure the loan, intangible substitutes can still be arranged.
- The following collateral substitutes have been successfully used by microfinance institutions around the world:



Loan Pricing

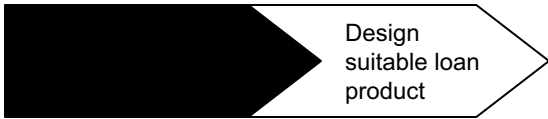


- Revenue generated by loans includes:
 - interest rates
 - service fees
- Costs incurred by microfinance institution include:

$$\begin{array}{r} \text{Financing Cost} \\ \text{Operating Cost} \\ + \text{Loan Loss Provision} \\ \text{Cost of Capital} \\ \hline = \text{Cost of Loan} \end{array}$$

- Loans must be priced to ensure loan revenues equal cost recovery plus a profit

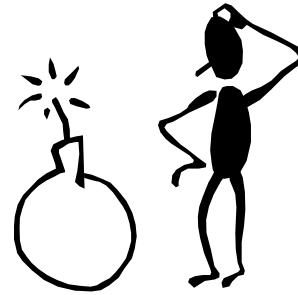
Repayment Incentives



- Successful loan design encourages the borrower's sustained participation and desire for further loans:



- promise of another, larger loan
- rebate/discount



- late penalty fees
- contractual savings requirements

Summary

- When designing a loan product:
 - Always start by analyzing the potential borrower's true needs and available assets
 - Ask yourself: How can I help the borrower to be a successful repeat customer of the bank?
 - Ensure all risks to the bank are accounted for and all needs of the borrower met in the design of the loan product

A spiral-bound notebook with a light-colored, textured cover. The spiral binding is on the left side. The title is centered on the cover in a large, bold, black font.

MICROFINANCE BEST PRACTICES AND PRINCIPLES

RRAP/RRRDFI

The principles, practices and procedures that banks and other institutions follow in providing financial services to the lower economic sector--- in the Philippines and around the world--- that have led to success and profit.





Best Practices

- (Image and Philosophy of the Institution
- (Client Selection
- (Loan Policy
- (Interest Rate Policy
- (Disbursement and Monitoring
- (Good MIS



Image and Philosophy

- (Reliability and quality of service are key.
- (Provision of a financial service, not a government funded loan or social service.
- (Clients need to see that this is a long-term relationship with the bank.



Provide high quality, appropriate and friendly service


***D*Rapid Access.** Disburse a client's first loan within 1 week and subsequent loans within a day if not hours.

***D*Keep it simple.** Minimize transaction costs for clients by simplifying payment methods.



Provide high quality, appropriate and friendly service...

- (*Spend time with clients.* Account officers need to spend time out of the office talking with prospective clients and monitoring existing clients.
- (*Make clients feel welcome.* Develop a public image of being approachable by people from all walks of life.



Standardize and simplify product documentation & procedures

Such simplification and standardization will:

- (increase client satisfaction
- (improve efficiency
- (minimize mistakes
- (simplify training of staff and clients

→ **all of which lead to increased profitability**



Client Selection

- (Clearly defined client group - businesses with at least one year experience. Not start-up business ventures.**
- (Clearly defined geographic areas assigned to account officers improves efficiency and follow-up.**
- (Client selection based on character assessment and repayment capacity, not collateral. The individual's reputation and cash flow are more important than traditional collateral.**

Loan Policy

- (**Start small and increase lending based on successful repayment and a demonstrated growth of business.**
- (**For a new client, it is important to be conservative repayment capacity analysis. The best way is to discount the repayment capacity by looking at all the income and expenses of the client (ie, business & household).**
- (**Look at potential risks to supplier, production, sales.**




Working capital commercial loans

- (Less risky than agricultural production loans or loans to finance the purchase of fixed assets.
- (Generate income very soon after the investment of loan proceeds.
- (Generally produce cash flow on a daily or at least weekly basis.



Frequent small amortization payments

- (The more frequent the amortization payments, the smaller they are, the easier they are for the clients to make and the lower the past due rate will be.
- (This must be balanced against cost-- for the client and the bank. Daily payments have a much higher cost than weekly payments.



Charge sufficiently high interest rates to make a good profit

Because these loans are small with frequent payments, the transaction costs are high relative to “standard” commercial loans.

Do not try to charge the same rate you use for commercial loans.

Microenterprise clients are willing to pay higher rates for good service.

Disbursement & Monitoring

Account officers should be responsible for recommending the approval of loans and then managing those clients on an on-going basis.

- (Separating functions such as the CI and loan monitoring reduces accountability and increases the risk of delinquent loan payments.
- (Credit committee should include account officers, supervisor, and the branch manager.



Disbursement & Monitoring

- (Continuous contact with clients.
- (Bank should have “alarm signals” for follow-up procedures. Follow-up starts the moment a payment is missed by one day.
- (Incentive system for bank staff based on quantity and quality of loan portfolio.



Incentives for Clients

- (Reward system for those who pay on-time and penalties for those who pay late.
 - rebate on the interest rate charged at the end of the loan term
 - increase in the amount of loan and/or loan term for subsequent loans
 - late payment penalties enforced

“Zero Tolerance” for delinquent loans

(Even loans with 1 day missed payment are considered delinquent.

(The bank must establish a disciplined credit culture for microfinance to be successful.

(The message must start with the top manager and be communicated down through the bank staff to the client.

“Zero Tolerance”

- (The client must understand that the bank is providing a good service to him/her at a good price but that he/she has responsibilities.
- (The bank must be willing to aggressively pursue past due clients, whatever the cost, to establish and maintain a zero tolerance.
- (Clients will get the message that the bank is very serious about repayment and a self-selection process will occur such that the clients who don't intend to repay will not apply.

Good MIS

Enables tracking AO's performance on a daily, weekly or monthly basis:

- (number of loans disbursed
- (outstanding portfolio amounts
- (income generated for the bank
- (aging of portfolio at risk rate
- (client history

MICROFINANCE CHALLENGES AND EXPERIENCES - SAVINGS

(**OLD PROBLEMS WITH SAVINGS:**

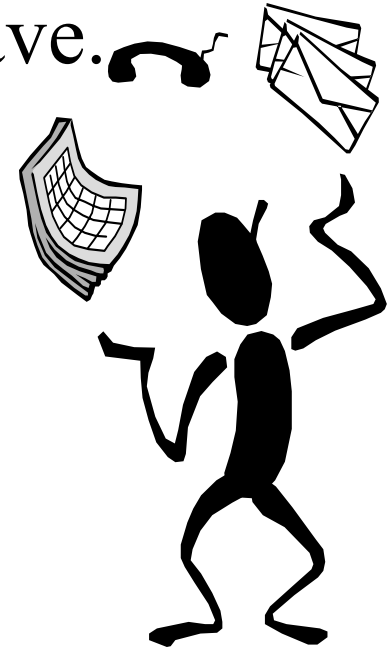
- **MYTH: MICROENTERPRISES AND ‘EVERYDAY’ SALARY EMPLOYEES DO NOT SAVE**
- **THE NUMEROUS SMALL TRANSACTIONS ARE TOO COSTLY TO MANAGE**
- **TRADITIONAL COMMERCIAL SAVINGS PRODUCTS DO NOT SERVE THE NEEDS OF MICROENTERPRISES AND THE ‘EVERYDAY’ SALARY EMPLOYEE**

MYTH: MICROENTERPRISES AND 'EVERYDAY' SALARY EMPLOYEES DO NOT SAVE

(Lower income group can not save.

(Everyone lives hand-to mouth.

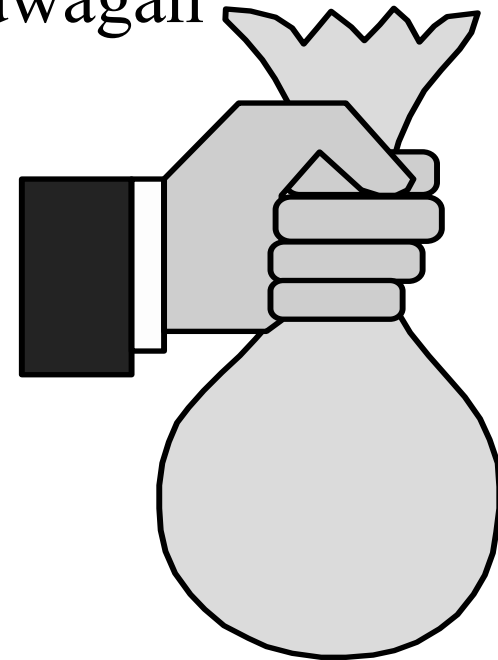
(Everyone is just juggling bills.



THE TRUTH: EVERYONE SAVES!!

(REFUTING THE MYTH

- ROSCAS; Bubbo-ay or Paluwagan
- Money-keepers
- Non-monetary forms



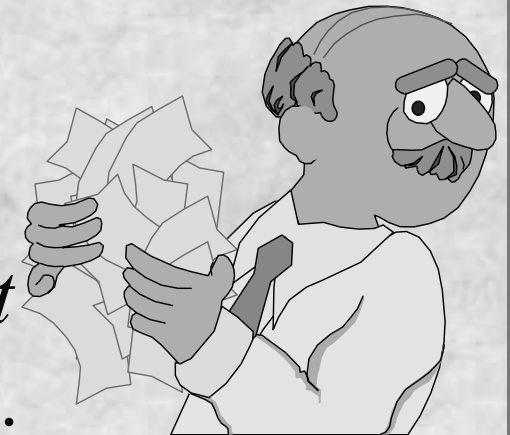
PROBLEM: TRANSACTION COSTS ARE TOO HIGH


- (Costs for a typical bank accepting small deposits is high.**

- (SOLUTION: Build on informal collection system:**
 - Collection by groups**
 - Mobile collectors**
 - Be cost-conscious - Use “Ganansiya” Boxes and reduce small transactions.**

SAVINGS PRODUCTS


- (*Low minimum balance requirements.*
- (*Regular deposits and higher daily balances are encouraged by increasing interest rates or awarding those with higher balances.*
- (*High quality client service.*
- (*Standardize & simplify product documentation and procedures.*





Keys to success in microfinance

- (High quality service
- (Demand-oriented savings & loan products
- (Good client selection process
- (Sufficient interest rates to cover costs
- (Zero tolerance toward loan delinquency
- (Good MIS



INTRODUCTION TO FINANCIAL INTERMEDIATION AND MICROFINANCE

MABS Chemonics International



WHY ARE WE HERE AND WHAT ARE WE DOING

Z WHAT IS FINANCIAL INTERMEDIATION?

- **EXAMPLE**

Z WHAT IS MICROFINANCE?

- **CREDIT**
- **SAVINGS**

MICROFINANCE CHALLENGES AND EXPERIENCES - CREDIT

Z OLD PROBLEMS WITH CREDIT

- MYTH: MICROENTERPRENEURS DO NOT REPAY LOANS**
- THE NUMEROUS TRANSACTIONS ARE TOO COSTLY - MICROENTREPRENEURS CANNOT PAY THE COST**
- TRADITIONAL COMMERCIAL CREDIT CANNOT SERVE THE NEEDS OF MICROENTERPRENEURS**



OLD PROBLEM - REPAYMENT

- Z PAST EXPERIENCE - HIGH DELINQUENCY**
- Z BLAMED ON CLIENTS OR WEATHER, NOT ON THE BANK**
- Z LARGE LOANS, LONG-TERM**
- Z CHARITABLE PURPOSE**
- Z 'TARGETED LOANS' - AGRICULTURE / PROJECT LENDING**

SOLUTIONS - REPAYMENT

- Z REFUTING THE MYTH - MICROENTREPRENEURS PAY**
- Z REPAYMENT DEPENDS ON FACTORS WITHIN CONTROL OF THE INSTITUTION - IMAGE**
 - **RELIABILITY AND QUALITY OF SERVICE**
 - **“ZERO TOLERANCE” OF LATE PAYMENTS - FOLLOW-UP**
 - **ADMINISTRATIVE EFFICIENCY - QUICK & EASY ACCESS**
 - **CLOSE, PERSONAL RELATIONSHIP WITH CLIENTS ♥ THE MONEYLENDER**



SOLUTIONS - REPAYMENT

- Z LESSONS FROM THE MONEYLENDER - CHARACTER-BASED ASSESSMENT - WILLINGNESS TO REPAY**
- Z BORROWER'S ABILITY TO REPAY - DEBT CAPACITY**
- Z LESSONS FROM THE BUBO-AY - PEER GROUP PRESSURE**

OLD PROBLEM - CHEAP LOANS

- Z PAST EXPERIENCE - SMALL FARMERS & MICROENTERPRENEURS CAN'T PAY HIGH INTEREST RATES, ONLY LOW INTEREST CREDIT**
- Z CHARITABLE LOANS**
- Z GOVERNMENT/DONOR / CHURCH FUNDED**
- Z DIRECTED CREDIT - LOANS THAT ARE CHanneled FROM GOVERNMENT THROUGH BANKS FOR A PARTICULAR PURPOSE WITH RESTRICTED INTEREST RATES - RICE LOANS**

SOLUTION - COST RECOVERY

- Z LESSONS - INFORMAL MARKETS -
MONEYLENDERS**
- Z SMALL AMOUNTS WITH SHORT-TERMS COULD
COVER HIGHER COSTS**
- Z FULL COST RECOVERY APPROACH - INTEREST
COLLECTED COVERING COSTS OF FUNDS
(INTEREST PAID ON SAVINGS) +
ADMINISTRATIVE COSTS + LOAN LOSS +
PROFITS**

MICROFINANCE CHALLENGES AND EXPERIENCES - SAVINGS

Z OLD PROBLEMS WITH SAVINGS

- MYTH: MICROENTERPRISES AND 'EVERYDAY' SALARY EMPLOYEES DO NOT SAVE**
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MYTH: MICROENTERPRISES AND 'EVERYDAY' SALARY EMPLOYEES DO NOT SAVE

- Z LOWER INCOME GROUPS CANNOT SAVE**
- Z 'EVERYONE LIVES HAND-TO-MOUTH'**
- Z 'EVERYONE IS JUST JUGGLING BILLS'**



THE TRUTH - EVERYONE SAVES

Z REFUTING THE MYTH

- ROSCAS - THE BUBO-AY
- MONEY-KEEPERS
- NON-MONETARY FORMS



PROBLEM - TRANSACTION COSTS ARE TOO HIGH

z COSTS FOR A TYPICAL BANK ACCEPTING SMALL DEPOSITS IS HIGH



z SOLUTION: BUILD ON INFORMAL COLLECTION SYSTEMS

- COLLECTION BY GROUPS**
- MOBILE COLLECTORS**
- BE COST CONSCIOUS**

SERVICE

QUALITY

RBAP/RBRDFI



HOW - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Service Cycle



Service Quality

What is Service Quality?

- **Keeping Promises**
- **Meeting Expectations**
- **Everyday, any day, all day**

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RRAP - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Service Quality

Service Quality is defined as . . .

The sum of expectations
minus [the number of promises
not kept **multiplied** by the
frequency of failure.]

RRAP/RRDFI



RRAP - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Why the Need for Quality Service?

PROFITS

POPULARITY

RESPECT

Service Quality

SERVICE

=

PROFITS



RURAL BANK

BBAP/BDRDFI

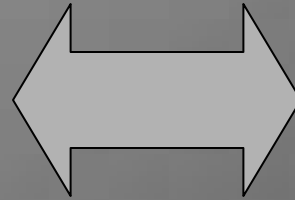


WORD - ENTERPRISE ACCESS TO BANKING SERVICES IN INDIA

Service Quality



PROFITS



SATISFIED
CLIENTS

BRAP/BRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN PHILIPPINES

Service Quality

Who sets Service Quality Standards ?

ä

External

- **Good Sense**
- **Culture/Customs**
- **Marketplace**

ä

Internal

- **Owners**
- **Management**

ä

Client/Customer

BRAP/BRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN INDIA

Service Quality

C - CUSTOMERS
A - ARE our
R - REASONS for
E - EXCELLENCE

RHAP/RBRDFI



HRDS - ENTERPRISE ACCESS TO BANKING SERVICES IN HONGKONG

Service Quality



KBAP/BBRDFI



MIKRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Service Quality

The Service Formula

Preparation

+

Interaction

+

Follow-Through

=

*Service Beyond
Expectation*

BRAP/BRDFI



MCRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDAORO

Service Quality

Preparation Phase:

(**Know your Bank**

- **Ownership Structure**
- **Management Structure**
- **Vision and Mission**

(**Know Your Product**

- **Product Features**
- **Scope and Limitations**

BRAP/BRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN INDONESIA

Service Quality

Preparation Phase:

(**Know your Client**

- **CI / BI**
- **Frequent contact**

(**Know your Client's Business**

- **Industry/Market Studies**
- **Industry sources**

Service Quality

Interaction Phase:

(**Establish your Client's Needs**

- **Perceived vs. Real Needs**
- **Timing and Extent of Needs**

(**Satisfy your Client's Needs**

- **Consistent with Company Vision and Mission**
- **Rule rather than exception**

Service Quality

Follow-through Phase:

(**Keep your Promises**

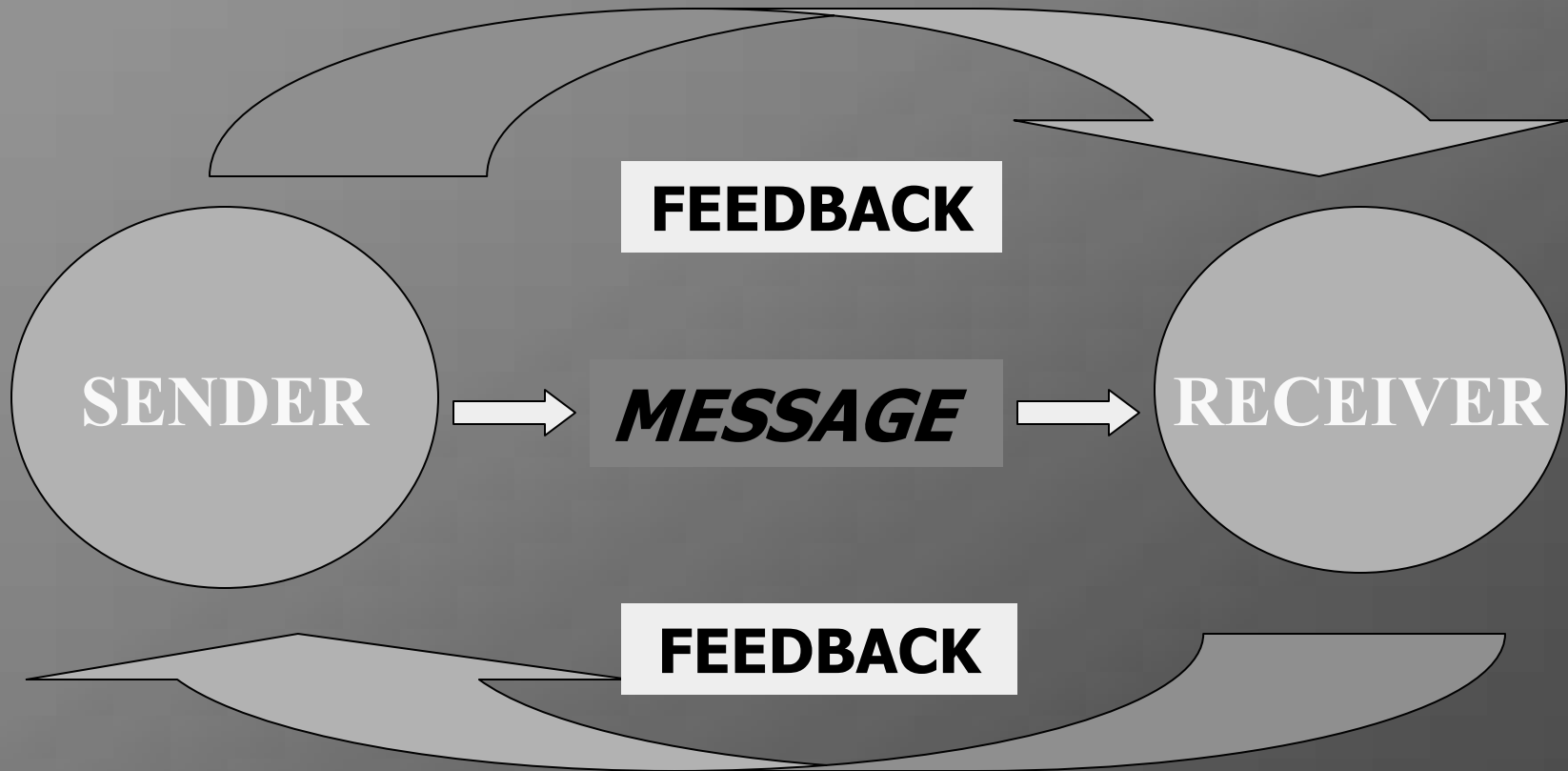
- **Be constantly aware of the promises you made**

(**Keep your Client Informed**

- **Keep in constant touch with the client**
- **Check for any early signs of dissatisfaction**

Service Quality

Building Communication Skills:



RRAP/RRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN INDIA

Service Quality

Tools for Effective Communication:

LISTEN!
listen!!
LISTEN
listen WELL!

**L
S
T
E
N**

Service Quality



KBAP/BBRDFI



MIKRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Service Quality

C - CUSTOMERS
A - ARE our
R - REASONS for
E - EXCELLENCE

RHAP/RBRDFI



HRDS - ENTERPRISE ACCESS TO BANKING SERVICES IN HONGKONG

Service Quality

Who are the Customers?

Internal

- **Boss**
- **Co-Workers**

External

- **Bank Clients**
- **Neighbors**
- **Community**

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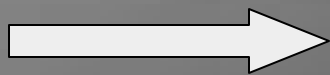


BBAP/BBDFI - ENTERPRISE ACCESS TO BANKING SERVICES IN INDIA

Service Quality

Bank - Client Relationship

- **Mutual Respect**
- **Mutual Trust**
- **Mutual Understanding**



*A relationship of reciprocation
and “mutualities”*

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BBAP/BBDFI
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BBAP/BBDFI - ENTERPRISE ACCESS TO BANKING SERVICES IN INDIA

Service Quality

Building Communication Skills:



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MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN INDONESIA

MARKETING AND PROMOTIONS

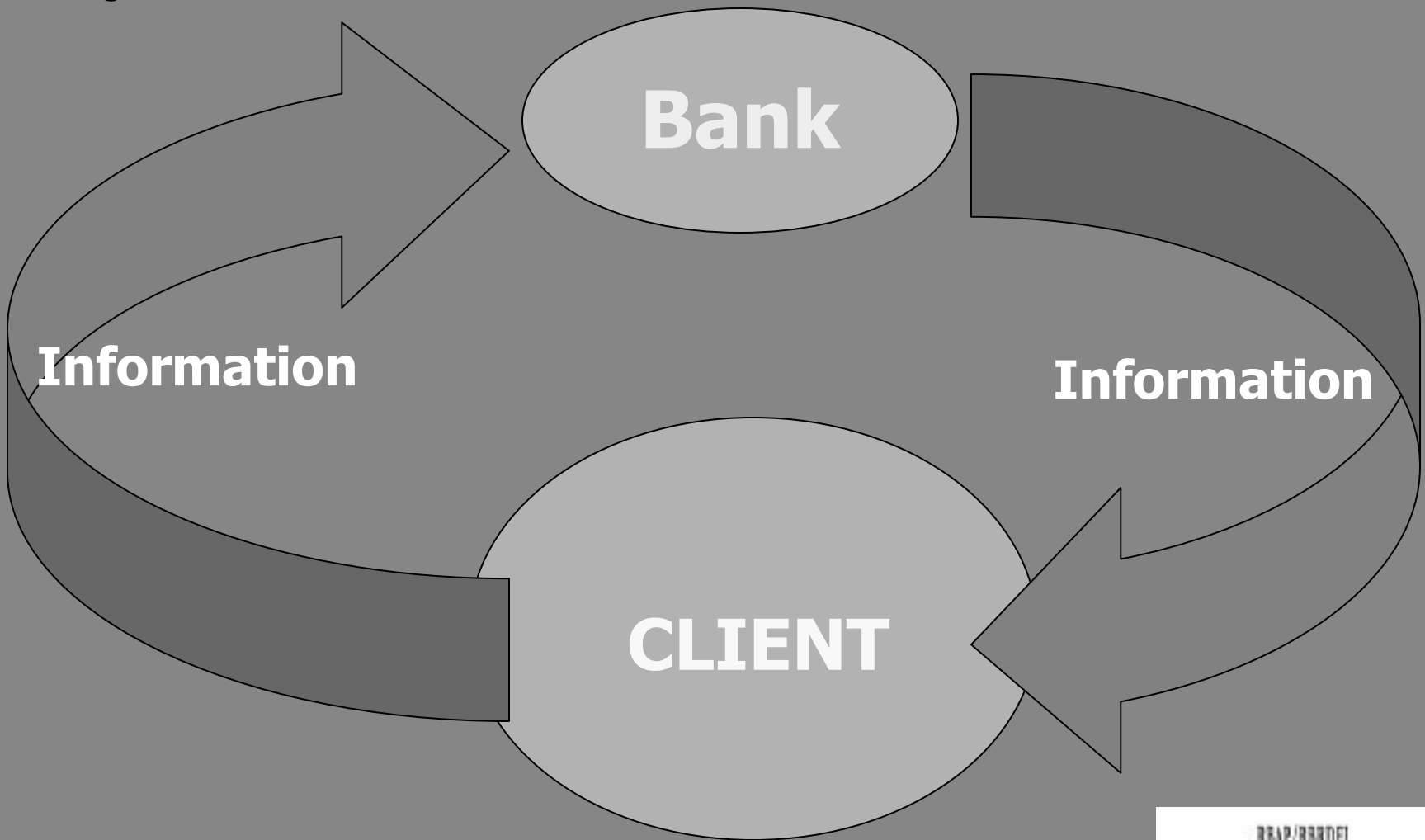
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MIKRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Marketing and Promotions

Objective:



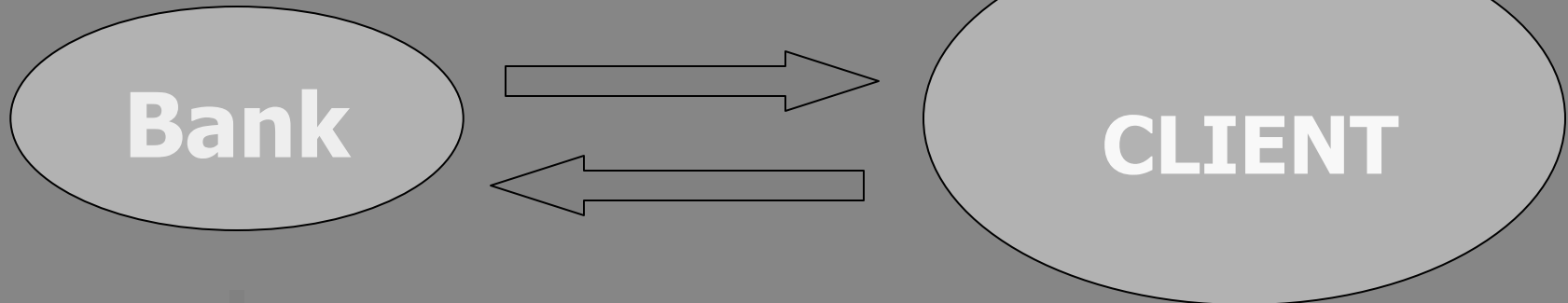
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RRAP - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Marketing and Promotions

The Organization:



- **Stability**
- **Professionalism**
- **Reliability**
- **Credibility**

- **Trust**
- **Confidence**
- **Competitive**
- **Ready**

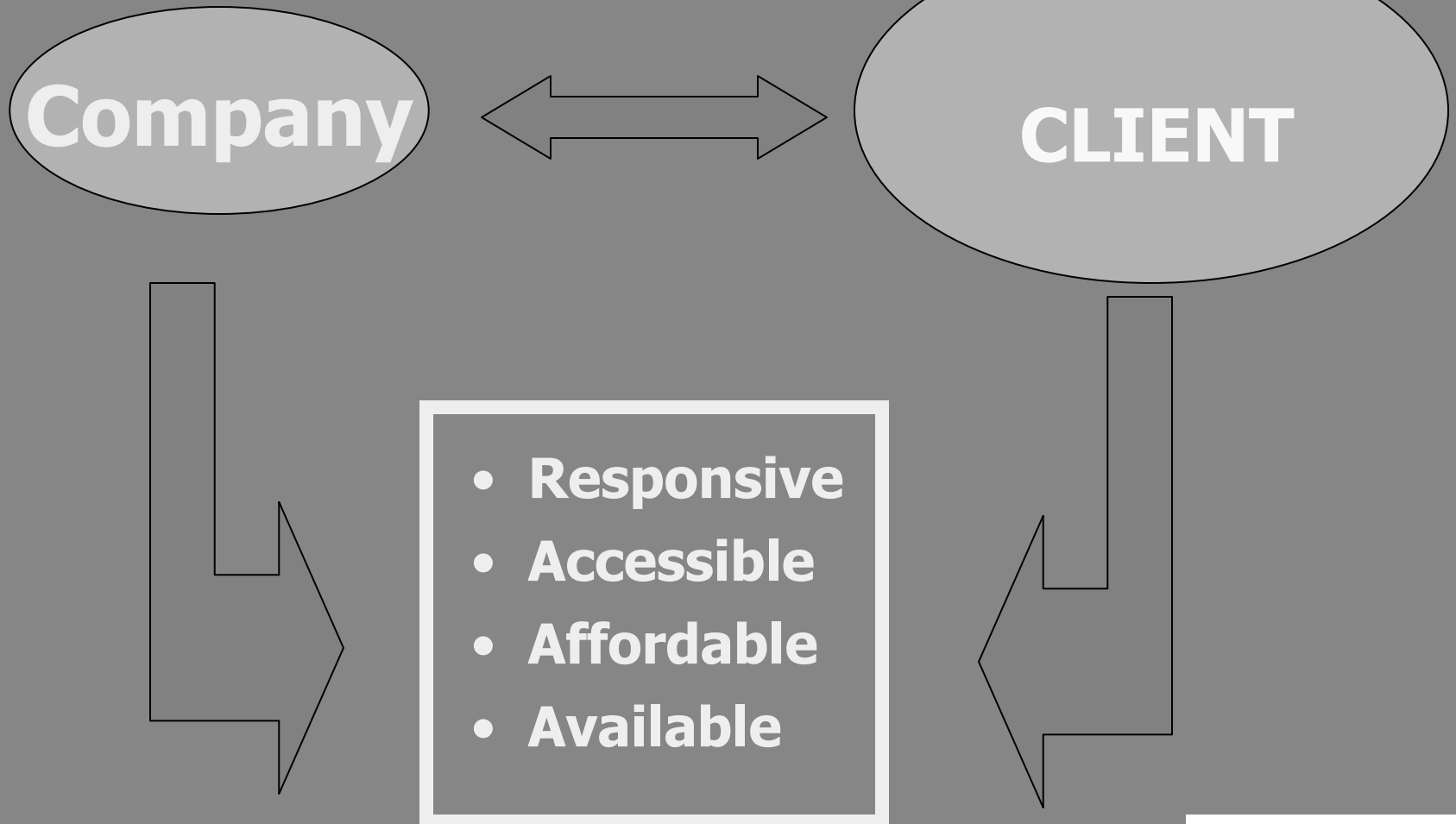
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MFS-M - ENTERPRISE ACCESS TO BANKING SERVICES IN INDONESIA

Marketing and Promotions

The Product:



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RRAP - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Marketing and Promotion

Tools of Marketing:

- **Announcements**
 - â *Flyers, Brochures, Streamers*
 - â *Launchings, Cocktails*
- **Gimmicks**
 - â *Contests, Raffle, Give-away*
- **Advertising**
 - â *Radio, Television, Print*

Marketing and Promotion

Tools of Marketing:

- **CLIENT
ENDORSEMENT**

“Service Beyond Expectation”

RRAP/RRDFI



HRD - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Marketing and Promotion

Tips in Planning:

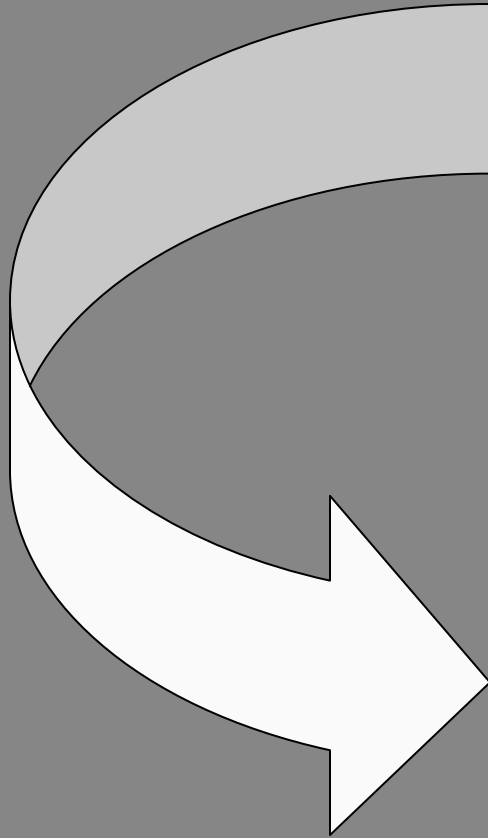
- *Who do we want to reach?*
- *What do we want to say?*
- *How much do we want to spend?*
- *When do we want to do this?*

RRAP/RRDFI



RRAP - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

Marketing and Promotion



***Object of the
Effort?***

CLIENT

RRAP/RRDFI



RRAP - ENTERPRISE ACCESS TO BANKING SERVICES IN INDIA

ACTION PLANNING

AGENDA

- The Generic Six-Month Action Plan
- Preparation of the MFU Action Plan
- Presentation of the MFU Action Plan
- Wrap-Up

Microfinance Unit Activities for the Next TWO MONTHS (August 2-September 30, 1999)

ACTIVITY	DURATION	DATES
1. Market Research	1 week	Feb 28 - March 3
2. Product Development		
2.1 Product design (concept paper)	1-2 weeks	March 6-17
2.2 Business planning	1-2 weeks	March 13-25
2.3 Product manual preparation	2-3 weeks	March 20-April 7
4. MIS	1 week	April 3-7
5. Dry-run of lending operations	1 week	April 10-14
6. Start of product testing (Release of first loan)		On or before <u>April 19</u>

PREPARATION OF THE MFU ACTION PLAN

- The participants will group themselves according to their respective banks.
- The MABS point person will sit with their respective MFUs.
- The action plan will be developed jointly by the MFU and the MABS point person.
- The first two months of the action plan (March and April) will be most critical. Prepare a detailed listing of activities that need to be done during this period. Use the activity worksheets provided for this purpose.
- Be specific. For example, indicate if management or board approval would be needed for certain activities, and how long management or board clearance can be obtained.
- After completing the activity worksheets, prepare a summary of your six-month work plan on a manila paper following the format of the generic action plan. Only the six-month action plan will be presented during the plenary session.
- You have one hour to complete your action plans.

MICROFINANCE UNIT ACTIVITIES FOR THE NEXT SIX MONTHS (Start-Up Phase)

February 28 - August 15, 2000

ACTIVITY		MARCH					APRIL				MAY	JUN	JUL	AUG
		Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 1	Wk 2	Wk 3	Wk 4				
		1	Market Research											
2	Product Development													
2.1	Product design (concept paper)													
2.2	Business planning													
2.3	Product manual preparation (systems & procedures)													
3	MIS (MF monitoring system)													
4	Dry-run of lending operations													
5	Product Testing													
6	Product Evaluation													
7	Staff Training													

ANNEX III-A3-A12

(Name of Bank)

**MICROFINANCE UNIT ACTION PLAN (Start-Up Phase)
February 28 - August 15, 2000**

ACTIVITY	DURATION	TARGET COMPLETION DATE	MARCH					APRIL				MAY	JUN	JUL	AUG
			Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 1	Wk 2	Wk 3	Wk 4				
1 Market Research															
2 Product Development															
2.1 Product design (concept paper)															
2.2 Business plan preparation															
2.3 Product manual preparation															
3 MIS (MF monitoring system)															
4 Dry-run of lending operations															
5 Product Testing															
6 Product Evaluation															
7 Future Training															
7.1 _____															
7.2 _____															
7.3 _____															
7.4 _____															
7.5 _____															

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 26, 2001

Chapter III: START-UP PHASE

Amends: December 17, 1999

**Section B: Training the MFU and
the Bank**

**Subject 1: Training Design and
Module**

-
1. After the five-day microfinance orientation course, the MABS Consultant will now deliver the intensive training and technical assistance to the participating banks. Bank visitations usually take two to three days of each week in the first six months. Within this period, the MFU staff will benefit from course instructions, workshops, and on-the-job coaching, supplemented by diagnostic activities such as case studies, and periodic quizzes.
 2. Taking off from the lectures during the MF orientation course, the MFU staff shall undergo intensive hands-on training on market assessment, product development, business planning, product marketing and promotion, savings mobilization, loan management and administration, and mastery of the operations and procedures of the microfinance products, particularly the loan product.
 3. **Training Design.** The six-month training and technical assistance is designed to maximize the MABS consultant's time at the bank. Each visitation is a series of training, field exercises, and follow-up of the progress of the MFU. Aside from the step-by-step procedural training that will be provided to the MFU staff, other bank staff shall also be required or encouraged to join some training lectures that would enhance not just the microfinance operations but the whole operation of the bank. Topics such as service quality, zero tolerance to loan delinquency, marketing and promotion, and saving mobilization, for example, will directly benefit all the staff and the bank.
 4. **Training Schedule.** The schedule of training and technical assistance shall be based on the MFU six-month start-up phase action plan that was completed by the MFU staff during the microfinance orientation. Attached as Annex III-B1-A1 is a sample MFU action plan for the first three months.
 5. **Training Modules.** MABS keeps a file of all the training and workshops it has conducted (MFU, bankwide, and regional training). Each training session has a training module which briefly outlines the rationale, objectives, course content, methodology, expected output, number of training days and the recipients of the training. Annex III-B1-A2 is a list of training and workshops that the MABS consultant can access from the "Training Presentation Materials" file.

6. The training will especially focus on the proper delivery of the microfinance loan product. The generic manuals on individual loans and group loans will serve as the central tool for training the MFU staff. As soon as the bank has chosen which loan product to implement, the MFU personnel are expected to familiarize themselves with its policies and procedures and how it operates in the rural bank. From this they will actively work with the MABS consultant to customize the manual to suit the PB's particular microfinance market.
7. Specifically, the MFU staff members are expected to develop a deep understanding of the principles of microfinance best practices. Below are the specific objectives for each topic included in this particular aspect of the training:
 - 7.1 Client Orientation: To demonstrate the usefulness of client orientation in promoting the bank and its microfinance services as well as a venue for screening potential loan clients.
 - 7.2 Application Process: To go through the application forms (pre-application, application and repeat) step-by-step and explain procedures and rationale for requesting information.
 - 7.3 Loan Evaluation and Repayment Procedures: To explain in detail the credit appraisal and approval procedures, disbursement process, and repayment procedures; and to give guidance and tips for conducting credit investigation and interviews with applicants and references in a professional manner.
 - 7.4 Cash Flow and Repayment Capacity Analysis: To give guidance and tips in conducting a proper credit investigation of applicants, analysis of cash flow and determining the applicant's capacity to pay their debts.
 - 7.5 Portfolio Monitoring and Reports: To review and understand reports that will be used to monitor and manage portfolio
 - 7.6 Delinquency Management: To impart techniques for dealing and minimizing delinquency.
8. To supplement learning experiences from the field, MFU staff are given periodic diagnostic activities such as case studies and quizzes to evaluate their understanding of the microfinance products and its operations and procedures. Annex III-B1-A3 consists of sample diagnostic materials used by the MABS consultants.
9. The bank or branch manager is expected to be deeply involved with the training activities while the cash department (teller, cashier, new accounts clerk, loans bookkeeper, etc.) are expected to actively support the MFU to ensure the smooth delivery of the bank's microfinance services.

ANNEX III-B1-A2

LIST OF TRAINING MATERIALS

Below are the training sessions developed by the MABS technical team for the Participant Banks. Some are training and workshops exclusive to the MFU while some are designed for the whole bank, including the branches.

MFU Staff Training	Duration of Training (in days)
1. Business Planning	1-2
2. Market Research/Area Mapping	1-2
3. Microbanker 8 Reports	2
4. MF Product Orientation	1
5. MF Best Practices & Principles	1
6. Product Review	1
7. MFU Training	4
8. Strategic Planning for Outreach	2
9. Filling Out Loan Documents	1
10. MBXD Refresher/MBXD+	1
11. A Guide on How to Do the Performance Monitoring Report	1
12. Credit Committee Process and Responsibilities	1
13. Supervising the MFU Staff	1
14. Compulsory Group Training/Center Meeting Management	1
15. Group Loan Product Review Workshop	2
16. Compulsory Group Training Review/Training Enhancement	2
17. Individual & Group Loan Complementmentation Workshop	1
18. Trainor's Training	1
19. Time Management	1
MFU/Bank Staff Training	
20. Cash Flow Lending	1
21. Delinquency Mgt.	1
22. Delinquency Prevention	1
23. Loan Administration Workshop	1
24. Marketing & Promotion	1
25. Service Quality	1
26. Savings Mobilization	2
27. Zero Tolerance	1
28. Designing an Incentive Scheme	1
29. Internal Control and Fraud Detection	1

ANNEX III-B1-A3

DIAGNOSTIC MATERIALS

Case Study 1: Cashflow Lending – Carinderia

Case Study 2: Cashflow Lending – General Merchandise Store

Case Study 3: Cashflow Lending – Snack Food Business

What Do We Know About the ABC Loan Product?

Staff Evaluation on Product Familiarity

MABS WORKSHOP

CASHFLOW LENDING TO MICROENTERPRISES

CASE STUDY 1: CARINDERIA

Arah Minda operates an eatery located along the highway, a few meters from the town center and the public market of the municipality of Lahat Seksi. Arah Minda comes from a family of restaurateurs. Her mother, Divina, started the business some 10 years ago. Arah Minda and her two sisters, Ruffa May and Sunshine, have been operating a chain of carinderias, all located within a few meters of each other, for the last 5 years. Arah Minda declares her daily sales to be P1,800. Her mother retired from the restaurant business 2 years ago but manages her own lechon business also located a few meters from Arah Minda's carinderia.

Arah Minda is married to Leandro and they have two very young children aged 5 and 3. They live rent-free in a compound owned by Leandro's parents. Leandro works as a teller at the Rural Bank of Lahat Seksi. The spouses own a jeep that they bought last year from money borrowed from the cooperative. Arah Minda has three helpers in her carinderia who are stay-ins. The helpers take turns in taking care of the children.

Arah Minda filed an application for a loan with your bank. Assuming that Arah Minda passed all the eligibility requirements and the character and credit checkings, how would you proceed in conducting a cashflow evaluation of Arah Minda's carinderia business? What should you know of the business so that you are able to validate Arah Minda's claim on her daily sales? How do you compute Arah Minda's debt capacity?

CASE STUDY 1: ARAH MINDA'S CARINDERIA

Results of Interview

A. General Information and Sales:

1. 8 tables; 4 chairs per table
2. Equipment: Coke/beer cooler, TV with cable, food warmer (for 6 viands), aluminum food display with glass, upright freezer, 3 LPG (2 with contents), 4 gas burners (pondido), 1 charcoal/wood stoves (used for boiling), grill, dishes (china).
3. Others: stacks of cases of Coke (about 5); stacks of cases of beer (about 6)
4. Operating hours: 6:00 am to 9:00 pm
5. Operating days: Mondays to Saturdays
6. Peak hours: AM - 7:00 to 9:00 (30 pax)
Noon - 11:00 - 2:00 (60 pax)
PM - 6:00 - 8:00 (20 pax)
7. Non-peak: rest of the day equivalent to about 10 pax
8. Customers: mostly travelers for breakfast; office employees and travelers for lunch; office employees in the evenings (mostly drinking buddies)
9. Average time per meal per customer: 30 minutes
10. Take-out: only during lunch time, equivalent to about 10 customers
11. Average spending per customer: P20.00 per meal.
12. Other products: soft drinks and beer. Restaurant sells 3 cases (24 bottles) of 8-ounce Coke for P8 and 3 cases (24 bottles) of beer P10 per bottle.
13. Average profit margin: 40%
14. Leftover: usually none. If there is any, family takes food home.

B. Business Expenses

1. Primary purchases

Item	Volume	Cost	Frequency
Pork	8 kilos	P50/kilo	Daily
Beef	5 kilos	P60/kilo	Daily
Chicken	8 pcs	P65/pc	Daily
Fish	3 kilos	P40/kilo	Daily
Assorted Veges	2 kilos	P15/kilo	Daily
Ice cubes		P150	Daily
Soft drinks	3 cases	P120/case	Daily
Beer	3 cases	P168/case	Daily
Total		P2,384	

2. Other Purchases: Plastic for take-out of food; plastic bags, seasonings (soy sauce, patis, vinegar, pepper, salt, mixes, tomato sauce, catsup, etc.) are purchased weekly while one tank of LPG is purchased every week. LPG costs P375 while all other ingredients is estimated at P500 per week.

3. Paid Staff: 3 waitress/helpers at P700/month, 1 cook at P1200/month and 1 male helper at P400/month. The cook and the male helper are paid every week while the 3 helpers are paid monthly.
4. Utilities: Based on bills of last 3 months: water bill averages P60 per month while electricity averages P800 per month.
5. Other expenses: gasoline for the jeep (P250 per week), rental (P625 per week).

C. Household Income

1. Husband, Leandro, works as a senior teller for a local branch of a rural bank. His monthly salary is P6, 500 with a net-take-home-pay every week of P1050 which pay is net of a housing loan (P1200 per month) and a salary loan (P600 per month).
2. Spouses also have a monthly income of P1500 from the rent of their house which had been bought with the Pag-ibig loan. Contract could not be shown to you as Arah Minda claims that she misplaced the contract.

D. Household Expenses

Item	Amount	Frequency	Remarks
Food	P50-P75	Daily	Husband brings lunch to work; one helper with the two kids are left at home during the day.
Water	P50	Monthly	
Electricity	P300	Monthly	
Telephone	P350	Monthly	
LPG	P375	Monthly	
Loan	P1250	Monthly	P30,000 loan for the jeep taken from the cooperative with a term of 2 years, 24% interest rate with monthly amortization of P1250.
Loan	P500	Monthly	Appliance loans with ABC Appliance Inc

E. Other Information

1. In the course of the validation of your interview with the client, you came across a common acquaintance, Pia who is a longtime and very good friend of Arah Minda and Leandro. Pia informs you that the Arah Minda regularly sends her parents a monthly allowance of P2,500. Leandro is also sending a younger sister to high school in the nearby public school. The yearly tuition has already been paid but she requires spending money of P50 per week.
2. Spouses also send one of their helpers to night high school at the same nearby public school. Her transportation costs are P6 per evening. She attends 3 evenings a week.

MABS-M WORKSHOP
CASH FLOW LENDING
SOLUTION - CASE STUDY 1

CASHFLOW ANALYSIS				
BUSINESS				
	Daily	Weekly	Monthly	Total
Income from Sales				
Business 1	2,600.00			67,600.00
Business 2	1,296.00			33,696.00
Business 3				
Total Business Income	3,896.00	0.00	0.00	101,296.00
Business Expenses				
Raw Materials/Purchases				
Business 1	1,520.00	500.00		41,520.00
Business 2	864.00			22,464.00
Business 3				0.00
Labor		400.00	2,100.00	3,700.00
Rent		625.00		2,500.00
Utilities			860.00	860.00
Transportation		250.00		1,000.00
Fuel (LPG)		375.00		1,500.00
Loan Payments				0.00
Others				0.00
Total Business Expenses	2,384.00	2,150.00	2,960.00	73,544.00
Net Business Income	1,512.00	(2,150.00)	(2,960.00)	27,752.00
HOUSEHOLD				
Regular Household Income				
Salaries		1,050.00		4,200.00
Pension				0.00
Other Income			1,500.00	1,500.00
Total Household Income	0.00	1,050.00	1,500.00	5,700.00
Household Expenses				
Food	75.00			2,250.00
Education (School Allowance)		50.00		200.00
Utilities			1,075.00	1,075.00
Housing/Rent				0.00
Transportation (Helper's transportation)		18.00		72.00
Medical				0.00
Insurance				0.00
Loan Payments			1,750.00	1,750.00
Others (Remittance to parents)			2,500.00	2,500.00
Total Household expenses	75.00	68.00	5,325.00	7,847.00
Net Household Income	(75.00)	982.00	(3,825.00)	(2,147.00)
TOTAL NET INCOME	1,437.00	(1,168.00)	(6,785.00)	25,605.00
Less daily equivalent of weekly net income	(194.67)			
Less daily equivalent of monthly net income	(260.96)			
Estimated amount of debt service	981.37			
Adjusted Debt Capacity Rate: <u>35%</u>	343.48			
Maximum loan entitlement for <u>3</u> months ($343 \times 65 / 1 + .03(3)$)	20,482.75			
Loan payment -- This loan <u>P20,000</u> for <u>3</u> months ($20,000 \times 1.09$) / 65	335.38			

MABS-M WORKSHOP

CASHFLOW LENDING TO MICROENTERPRISES

Case Study 2 – General Merchandise

Violeta Salvador is applying for a P15,000.00 loan for 3 months to augment her working capital in her general merchandise store located at the Digos public market. Her husband helps her in the store and they have two daughters aged 7 and 3 years. The older girl is in grade 2. The family employs a store helper who is paid P900 per month.

She provided you with the following data on her business and household cash income and disbursements: daily cash sales, high - P5,000, medium - P4,200 and low - P3,800; weekly purchase ranges from P14,000 to P16,500. The daily disbursements include: market stall rental, P51 (payable daily whether the store is opened or not); food, P200.00; household transportation costs of P30.00; while monthly disbursements include: child's schooling, P1,500; utilities, P660.00; miscellaneous, P1,000. She operates the store 6 days a week.

Note that the bank charges an interest rate of 3% per month and only allows first time borrowers to receive loan terms of up to 3 months.

Required: Cash flow analysis to:

- a. Determine adjusted repayment capacity at 35%
- b. Maximum Loan Amount

MABS WORKSHOP

CASH FLOW LENDING TO MICROENTERPRISES SOLUTION TO CASE STUDY 2 – GENERAL MERCHANDISE STORE

CASH FLOW ANALYSIS				
Business				
	Amount			
Income from Sales	Daily	Weekly	Monthly	Total
Business 1	3,800			98,800
Business 2				
Business 3				
Total Business Income	3,800			98,800
Expenses				
Raw Materials/Purchases				
Business 1		16,500		71,500
Business 2				
Business 3				
Labor				
Rent	51			1,530
Utilities				
Transportation				
Fuel				
Loan Payments				
Others (Commission Payment)				
Total Business Expenses	51	16,500		73,030
Net Business Income	3,749	(16,500)		25,770
Household				
Regular Household Income				
Salaries				
Pension				
Other Income				
Total Household Income	0	0	0	0
Expenses				
Food	200			6,000
Education (School Allowance)			1,500	1,500
Utilities			660	660
Housing/Rent				
Transportation	30			900
Medical				
Insurance				
Loan Payments				
Others (<i>Helper & Misc</i>)			1,900	1,900
Total Household Expenses	(230)	0	(4,060)	(10,960)
Net Household Income	(230)	0	(4,060)	(10,960)
TOTAL NET INCOME	3,519	(16,500)	(4,060)	14,810
Less daily equivalent of Weekly Net Income	(2,750)			
Less daily equivalent of Monthly Net Income	(156.15)			
Estimated Amount of Debt Service	612.85			
Adjusted Debt Capacity Rate: <u>35</u> %	214.50			
Maximum Loan Entitlement for <u>3</u> months (ARC X # of payments/(1+(int. rate X months)) <i>214.50 X 65 / (1+ (.03 X 3)</i>)	12,791.28			
Loan Payment for loan of <u>P12,000</u> for <u>3</u> months	201.23			

MABS WORKSHOP

CASH FLOW LENDING TO MICROENTERPRISES SOLUTION TO CASE STUDY 2 – GENERAL MERCHANDISE STORE

The above illustration is based on a 6-day per week operations. Multiply the daily cash sales income by 26 to arrive at the total amount of P98,800.00. The weekly negative cash inflow of P16,500 is divided by 6 (the number of working days) and to obtain the total cost for one month, the equivalent daily amount is multiplied by 26 days. Multiply the daily market lease rental of P51.00 by 30 to conform to the daily payment required by market administrator. Transportation is multiplied by 26 days corresponding to the number of working days. Food expense is multiplied by 30, which is equivalent to one month. Because the weekly and monthly income is negative, the total weekly amount is divided by 6 to obtain the daily equivalent amount of 2,750. The total monthly amount is divided by 26 to obtain the daily equivalent amount of 156.15.

Note that even though the client requested a loan for 15,000 pesos, the adjusted debt capacity showed that the client would only qualify for a loan of 12,000 pesos.

MABS WORKSHOP

CASHFLOW LENDING TO MICROENTERPRISES

Case Study 3 – Puto-Bibingka

Aling Juana, married to Pepe dela Cruz, is engaged in the business of puto-bibingka making. The spouse has two small children, Jun who is 5 years and Roger, 2 years old. They live in a house built from a Pag-Ibig loan.

Pepe is employed as a carpenter by the SBC Construction Company which pays him a salary of P7,000 per month. He brings home a net pay of P5,700. His housing loan is being amortized at P750 per month that is directly remitted by the company's accounting department to a local branch of a government bank. In addition to the office deductions, Pepe borrowed money from the Cooperative Bank where he pays an amortization of P200 every payday. He makes the payment to the bank as per agreement with the bank.

Aling Juana is a very industrious housewife who is engaged in several business activities to augment family income. She borrowed money from a lending investor to buy a motorcycle that she has converted into a commuter tricycle. Her nephew, Pete, drives the tricycle and hands in a daily boundary of P200. Part of the agreement requires Aling Juana to put in P50.00 worth of gasoline in the motorcycle on a daily basis. Pete shoulders anything consumed over the P50.00. On Sundays, the family uses the tricycle.

Aling Juana paid the motorcycle dealer 50% of the cost and the balance payable in 36 months at P1,000 every month.

The family residence is about 50 meters away from the only funeral parlor in the barangay. She takes advantage of this proximity and uses her artistic talent making paper garlands that the parlor buys from her at an average of P150 per week. The garlands are made of out of Japanese paper that costs her P50 week.

The main business of Aling Juana is puto-bibingka making -- the regular puto and the special bibingka. She sells the regular puto to 2 elementary and 2 high school canteen operators and a small eatery near the university. The special bibingka are sold directly to the employees of the electric cooperative and the nearby banks.

Daily, Aling Juana sells 200 pieces of regular puto at P3.00 per piece and 150 pieces of special bibingka at P6.00 per piece. She collects daily from the canteen operators and the eatery owner. The school canteen operators and the eatery owner get a commission of 20% of sales.

For every 100 pieces of puto and bibingka, Aling Juana consumes the following raw materials: 8 kilos of rice at P18.00 per kilo; 8 pieces of coconut at P6.00 per piece and 1 kilo of refined sugar at P25.00 per kilo. She also uses P5.00 worth of banana leaves every day. The special bibingka is topped with salted eggs. She uses 1 egg for every 4 bibingkas. She buys the eggs at P4.00 a piece. She also uses brown paper

bags which she buys at P900 per 3000 pieces. Aling Juana buys her raw materials every week except the banana leaves which buys daily and the brown bag which she buys only once a month.

Aling Juana has 2 helpers who are paid P25.00 each per day and who work with her only on weekends.

She heard that NRBLI is lending to small entrepreneurs and she wants to borrow from the bank P10,000.00 as additional working capital for her puto-bibingka business.

The older child is enrolled in a nearby nursery school and the tuition fee has been fully paid until the end of the school year. The boy is given a daily allowance of P5.00 from Monday to Friday. Pete picks up the boy daily from the school free of charge.

The family's budget includes the following: P500 per week for food (which includes the baon of the husband to the office); they spend P125 weekly for transportation; and on a monthly basis P600 for miscellaneous expenses and P400 for utilities (electricity and water).

You conducted background check and credit investigation and the following are your findings:

Aling Juana was born on December 14, 1964 in Tagum, Davao del Norte while the husband is from Cotabato City who was born on October 31, 1960. They had been married in civil ceremonies in 1990 in Tagum City.

1st neighbor: Aling Juana is too protective of her children and she had quarreled with this neighbor. This woman is new in the neighborhood. 2nd residence neighbor: Aling Juana is very industrious and devoted wife. She has not heard of any derogatory statement about her business dealings.

The wholesaler where Aling Juana buys her rice, sugar and other supplies says that she buys her raw materials on cash basis. According to the supplier, she has been patronizing their store for more than 3 years.

Barangay Captain: He claims he knows the family of Aling Juana and he confirmed the quarrel between Aling Juana and one of their neighbors. The Barangay Captain said that the matter was amicably settled in the barangay office.

Proposed co-makers: Josefa Villacorta, an insurance agent and Mercedes Salonga, an employee of the Cooperative Bank. Based on your credit investigation, both are willing to be co-maker of Aling Juana.

Aling Juana displays in her place of business a Mayor's permit to operate a food processing business.

The Cooperative Bank confirmed that Pepe and Aling Juana had borrowed from them and that the monthly payments are up to date. Pepe has 20 installments left to pay.

The lending investor confirmed that Aling Juana had borrowed from them and that she had no missed payments. The lending investor records show that Aling Juana had paid 24 installments out of the 12 months installments due.

Attached is Aling Juana's signed loan application form.

Required:

1. Complete the CI/BI report, particularly the cashflow section to determine the amount of loan Aling Juana could borrow.
2. What is your recommendation?

ACCOUNT OFFICER:			
CLIENT IDENTIFICATION NUMBER (CID):			
RURAL BANK OF XYZ LOAN APPLICATION FORM FOR ABC LOAN			PHOTO
PERSONAL DATA			
Name: Juana dela Cruz		Nickname: Juana	
Identification Number: none		Type Of ID:	
Home Address: Rizal st., Tagum, Dvaos del Norte			
Telephone: none			
Date Of Birth: December 12, 1964		Age: 35	Place Of Birth: Tagum, Davao del Norte
Sex: Male	Female	Civil Status: Single	Married Widowed Separated
Name Of Spouse: Jose dela Cruz			
Occupation Of Spouse: Employed Carpenter			
Number Of Dependents: 3			
Home Ownership: Owned		Rented	Mortgaged Shared/Others
Number of years in the community: 6 years			
BUSINESS ACTIVITY			
Type Of Business: Food processing: puto and bibingka			
Business Name & Address: Tagum City Bus Terminal			
Business Telephone: none		No. Of Years In The Business: 4 years	
Business Partner (If Any): none			
Estimated Business Assets:		Estimated Monthly Sales: P30,000	
Is your business registered? Yes No			
Who looks after your business when you're sick or away? My helpers.			
Are you involved in any other business activity? Yes No			
If yes, what type of business? Tricycle, garland-making			
Are you employed apart from owning a business? Yes No			
If yes, where?		Office Telephone:	
Status Of Employment: Regular		Contractual	Others
Name Of Employer:			
Address Of Employer:			
PURPOSE OF LOAN			
How much do you want to borrow? <u>P10,000</u>		For how long? 1 month 2 months 3 months	
Purpose of loan? Additional business capital			
How often can you afford to pay? Daily		Weekly	Monthly
How much can you afford to pay? <u>P200</u>		P_____	P_____
Do you have any outstanding loan? Yes No		Does your spouse have any outstanding loan? Yes No	
If yes, how much is your outstanding loan? <u>P12,000</u>		If yes, how much is his/her outstanding loan? <u>P4,000</u>	
Name Of Creditor/Supplier: Y2K Lending		Name Of Creditor/Supplier: Cooperative Rural Bank	
Name at least one creditor/supplier that you have borrowed from in the past: 1. 2.			
Do you have a bank deposit? Yes No		What bank?	
AUTHORIZATION			
<p>I confirm that the above information is true and correct to the best of my knowledge. I am aware that any false statement may be an immediate cause for denial of this loan. In connection with this application, I authorize the RB of XYZ, Inc. to obtain such other information as may be required. This authorization includes obtaining information from suppliers, commercial banks, rural banks, and all other creditors while releasing these institutions from liability under any and all bank secrecy laws.</p>			
SIGNATURE OF APPLICANT: <u>Juana dela Cruz</u>		DATE/PLACE <u>May 19, 2000</u>	
SIGNATURE OF SPOUSE: <u>Jose dela Cruz</u>		DATE/PLACE <u>May 19, 2000</u>	

**RURAL BANK OF XYZ
CREDIT INVESTIGATION FORM**

NAME OF APPLICANT: Juana dela Cruz

Business Registration/Stall Lease Agreement Number (if any):

MAIN BUSINESS ACTIVITY: Food processing: puto/bibingka

NO. OF PAID EMPLOYEES: 2

HOUSEHOLD COMPOSITION

HOUSEHOLD MEMBERS AND DEPENDENTS (Starting with Proprietor)	CURRENT OCCUPATION/ ECONOMIC ACTIVITY	REGULAR MONTHLY INCOME	SCHOOL / BUSINESS/EMPLOYMENT ADDRESS
Juana dela Cruz	Entrepreneur		
Pepe dela Cruz	Carpenter/Employee	P5,700.00	SBC Construction Company
Peter (nephew)	Tricycle Driver		
Jun dela Cruz	Student		Digos Nursery School
Roger dela Cruz (2 years old)			
SIZE OF HOUSEHOLD	6	TOTAL MONTHLY HOUSEHOLD INCOME	P5,700.00

MARKET INFORMATION

Factors	Description	Potential Problems/Risks
1. Clients	School canteen operators and eatery owners for puto; employees at nearby electric cooperative and banks for bibingka.	During vacation, canteen and eatery owners get less supply of puto.
2. Supplies	Supplies readily available at the public market, perishable supplies are bought weekly; cash purchases	None
3. Production/Sales/ Services	Production is daily; 2 helpers work for her once a week;	None
4. Others	N/A	N/A

WORKPLACE CHARACTERISTICS

Owned		Home-based		Rented		Ambulant		Shared		Others (specify)
-------	--	------------	--	--------	--	----------	--	--------	--	------------------

PAYMENT RECORDS

Bills (e.g.)	Documents Supplied	Comments (on-time/delinquent payments, etc.)
Water/Electricity	3 months payment receipts and notices	Up-to date payments, no warning notices

BUSINESS SEASONS (High/Average/Low)

Business Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Major Business	A	A	L	L	L	L	A	A	A	A	A	H
Secondary Business	A	A	A	A	A	A	A	A	A	A	A	A

CASH FLOW ANALYSIS				
Business				
	Amount			
	Daily	Weekly	Monthly	Total
Income from Sales				
Business 1 (puto-making)	1,500.00			33,000.00
Business 2 (Tricycle)	200.00			5,200.00
Business 3 (Garland-making)		150.00		600.00
Total Business Income	1,700.00	150.00		38,800.00
Expenses				
Raw Materials/Purchases				
Business 1	5.00	4,557.50	900.00	19,240.00
Business 2	50.00			1,300.00
Business 3		50.00		200.00
Labor		100.00		400.00
Rent				
Utilities				
Transportation				
Fuel				
Loan Payments			1,000.00	1,000.00
Others (Commission Payment)	120.00			2,640.00
Total Business Expenses	175.00	4,707.50	900.00	24,780.00
Net Business Income	1,525.00	(4,577.50)	(1,900.00)	14,020.00
Household				
Regular Household Income				
Salaries			5,700.00	5,700.00
Pension				
Other Income				
Total Household Income	0.00	0.00	5,700.00	5,700.00
Expenses				
Food		500.00		2,000.00
Education (School Allowance)	5.00			110.00
Utilities			400.00	400.00
Housing/Rent				
Transportation		125.00		500.00
Medical				
Insurance				
Loan Payments			200.00	200.00
Others			600.00	600.00
Total Household Expenses	5.00	625.00	1,200.00	3,810.00
Net Household Income	(5.00)	(625.00)	4,500.00	1,890.00
TOTAL NET INCOME	P1,520.00	(P5,202.50)	P2,600.00	P15,910.00
Less daily equivalent of Weekly Net Income	(1,040.50)			
Less daily equivalent of Monthly Net Income				
Estimated Amount of Debt Service	479.50			
Adjusted Debt Capacity Rate: 35%	167.83			
Maximum Loan Entitlement for 3 months 167.83 X 65 X (1+ (3 x .025))	10,147.86			
Loan Payment – This Loan for 10,000 for 3 months	165.38			

RESULT OF INTERVIEW WITH CREDITORS/SUPPLIERS

FOR SUPPLIER/CREDITOR ONLY:	Creditor 1	Creditor 2
1. How long have you known the applicant?	2 years	
2. Are you a relative of the applicant?	No	No
3. How long have the applicant been purchasing/borrowing from you?	2 years	
4. Based on your experience, is he/she a reliable/unreliable borrower?	Very reliable.	Very reliable.
5. Did you have any problem collecting from the applicant? If yes, why?	None, she has never missed any payment (as shown in her records).	Payments are always up-to-date.
Date of Interview:	May 22, 2000	May 22, 2000

CREDIT HISTORY

Name/Address of Creditor/Supplier	Previous Loan Amount	Outstanding Loan Amount	Due Date	Amount of Payment/Frequency
1. Cooperative Rural Bank	P10,000.00	P4,000.00	1/14/01	P200/every month
2. Y2K Lending Investor	50,000.00	12,000.00	5/15/02	P1,000/every month
3. Gregorio M. Maciba	8,000.00	0.00	2/15/00	P200/daily
TOTAL LOANS OUTSTANDING		P16,000.00		

RESULT OF INTERVIEW WITH CHARACTER REFERENCES

Name and Address of Barangay Official (indicate position) and Date of Interview:	Mr. Gerardo Raval Barangay Captain May 23, 2000
1. Are you a relative of the applicant?	No
2. How long has the applicant lived in the community?	6 years
3. Has the applicant been involved in a legal case or dispute? If yes, what is it?	Yes. She had a quarrel with one of our neighbors but the matter was amicable settled in the barangay office.
4. How would you assess the character of the applicant?	She seems very industrious. I see her every morning with her puto and bibingka, on her way to her clients.
5. Do you know if he/she has vices?	I don't know.
6. Is he/she known to borrow loans?	I know her tricycle is on installment basis.
7. Is he/she known to be a reliable/unreliable borrower?	I don't know.

Name and Address of Co-Maker/Neighbor, Occupation, and Date of Interview:	Petra delos Santos - Neighbor Rizal St., Tagum davao del Norte May 23, 2000
1. How long have you known the applicant?	6 years
2. Are you a relative of the applicant?	No
3. Has the applicant been involved in a legal case or dispute? If yes, what is it?	Yes, with a new neighbor. But it was just a petty matter over their children. I think the matter has been settled in the barangay.
4. How would you assess the character of the applicant?	She is very industrious and a devoted wife. She is very business-minded.
5. Do you know if he/she has vices?	No, I don't think she has any.
6. Is he/she known to borrow loans?	Only for her business.
7. Is he/she known to be a reliable/unreliable borrower?	I have not heard derogatory statement about her business dealings.
8. Would you be willing to guarantee for his/her loan?	Yes, but I really don't have any income.
9. Would you be willing to lend him/her money out of your own pocket?	Yes

Name and Address of Co-Maker/Neighbor, Occupation, and Date of Interview:	Josefa VillaCorta (Co-Maker) Insurance Agent, Sun-Life of Canada May 24, 2000
1. How long have you known the applicant?	10 years
2. Are you a relative of the applicant?	Yes, first-degree cousin
3. Has the applicant been involved in a legal case or dispute? If yes, what is it?	No
4. How would you assess the character of the applicant?	She's very hardworking and always thinking of making money. She's also very trustworthy.
5. Do you know if he/she has vices?	No, she has no vices.
6. Is he/she known to borrow loans?	Whenever she borrows, she always tells me.
7. Is he/she known to be a reliable/unreliable borrower?	I know she always pays on time because she hates being hounded by creditors.
8. Would you be willing to guarantee for his/her loan?	N/A
9. Would you be willing to lend him/her money out of your own pocket?	Yes.

Name and Address of Co-Maker/Neighbor, Occupation, and Date of Interview:	Mercedes Salonga (Co-maker) Bank Employee, Cooperative Rural Bank May 24, 2000
10. How long have you known the applicant?	4 years
11. Are you a relative of the applicant?	No
12. Has the applicant been involved in a legal case or dispute? If yes, what is it?	None that I know of.
13. How would you assess the character of the applicant?	She is very a good person and very trustworthy. I think she's a good businessperson.
14. Do you know if he/she has vices?	She has no vices.
15. Is he/she known to borrow loans?	Only when it's necessary for her to borrow, for example, for her business.
16. Is he/she known to be a reliable/unreliable borrower?	Yes.
17. Would you be willing to guarantee for his/her loan?	N/A

18. Would you be willing to lend him/her money out of your own pocket? Yes.

14. What is loan restructuring? Under what circumstances could you recommend loan restructuring? _____

15. In the space below, please document at least one case of delinquency you have encountered as a supervisor/account officer. Describe how you handled the delinquent account/client towards successfully recovering the loan.

Name of client: _____ Type of business _____

Amount of loan: _____ Installment/week/day _____

New or repeat loan? _____ Collateral: _____

Describe the reason given for missing the payment: _____

Describe the action/steps you took and the results from such action:

Looking back at this delinquency experience, what do you think were the weaknesses in the way you handled the loan, from the CIBI and cash flow to the collection processes?

Learning from this experience, what would you do differently now?

Rural Bank of Maligaya, Inc.

BAYANIHAN LOAN PRODUCT STAFF EVALUATION ON PRODUCT FAMILIARITY

1. Who are the specific target clients of the BAYANIHAN Loan Product of RB Maligaya?
2. Are enterprises engaged in agriculture activities like crop and livestock production qualified to borrow under BAYANIHAN?
3. Ms. Rosario Mabanta applied for a BAYANIHAN Loan. She has a sari-sari store that generates daily sales and a piggery business that generates quarterly sales. Her husband is currently employed at the Municipal Mayor's Office earning P7,000 a month. Upon credit investigation, it was learned that Ms. Rosario Mabanta will use the P4,000 loan for her daughter's nursing board exam in Manila. Will you recommend her to avail of BAYANIHAN loan? Why?
4. A 35-year-old puto maker applied for a BAYANIHAN loan. She is a resident of Sta Inez, Maligaya approximately 6 months and is engaged in business for less than 4 months. Will you recommend her to avail of the loan? Why?
5. By the end of the month, BAYANIHAN will only need one more qualified borrower to reach its target of 50 borrowers per month. Based on your cashflow analysis, there are only two applicants who can potentially qualify for a micro-loan. But you must recommend only one applicant to the credit committee. Given the following information on the two applicants, whom will you recommend? Why?

Applicant A:Major source of income is meat vending, has a registered stall in the public market for 3 years and is a resident of Poblacion Maligaya for 5 years. Aside from that she has a sari-sari store at home which is being looked after by her mother. Her husband operates a motorela. She also has a P3,000 savings in your bank. Her meat supplier says she is sometimes late in her payments but eventually pays off all her loan.

Applicant B:Major source of income bolo-making and has been selling within Bilao Public Market for 5 years but has no permanent stall. He is not registered with either the barangay or municipal offices, but is paying the public market administration a minimal fee every month for the space that he occupies in one corner of the market. He has a good reputation in the business community and is not known to be a bad borrower. He can afford to pay weekly but not daily. He does not have any secondary source of income, and no savings account in your bank at the time of loan application but he assures you that he can afford to pay his loan.

6. Mrs. Erlinda Moso of Poblacion Jasaan is applying for a P5,000 loan payable in 3 months. Result of the CI/BI revealed that 40% of the applicant's net cash income amount to P10,000, which exceeds the loan amount applied by the applicant. But inspection of her phone payment receipts and phone bills shows she has 1-month arrears in the last 3 months. She is also 7 months pregnant with her 4th child. Will you recommend the applicant to the credit committee? Why?
7. Mr. Fernando Cauilan's initial loan of P6,000 is due in a week's time. He applied for a repeat loan.
 - a. Will you recommend his loan application given that he incurred 4 days of delay payments on his previous loan?
 - b. If no, why?
 - c. If yes, how will you justify your recommendation and how much will you recommend?
8. Given the following loan amounts, how much interest, service fee, SSD, credit insurance, and documentary stamp will you collect upon loan release with loans amounting to P5,000, P7,500, P10,000 and P12,500?
9. Given the same loan amounts above, what loan guarantees would you require from the applicant?
10. Mrs. Ruthea Narciso availed of loan amounting to P5,000 for 90 days payable daily. After the 70th day of her loan, she started to become delinquent for 3 consecutive days. She informed you that her baby girl has an acute pneumonia and she brought her daily to the doctor for more than 8 days now. Because of this problem she was not able to tend to her store and has actually stopped business operation. What would you do?
11. Mr. Eduardo T. Petalcorin is a fish vendor who borrowed P5,000 for 90 days payable daily. After 60 days he started to fall delinquent for 4 consecutive days. Upon inquiry it was learned that he did not use the loan as working capital for business but used it for the overseas employment application fee of his son. What would you do?
12. What would you do if a client misses:
 - a) one payment?
 - b) two payments?
 - c) Three payments?
 - d) More than 3 payments?

13. When do you send the 1st, 2nd , and final collection letters?

14. If BAYANIHAN has a loan portfolio of 430 accounts; 1, 568,689 total loan outstanding balance; 9 accounts with 4,865 past due payments and an outstanding loan balance of 16,789, what is your portfolio at risk amount and percentage?

15. What are the eligibility requirements for BAYANIHAN loan?

16. Once the loan is approved, what loan documents should be completed before loan release?

17. Ms. Alma Guangco of Gingoog, applied for a P10,000 loan payable daily. She has a sari-sari stall and a newspaper stand at the public bus terminal. In addition, she also has a tricycle that generates daily income. Assuming that the CI/BI report confirmed the data on income and expenditures as shown below, do a cashflow analysis and, answer the following questions:
 - a. How much is the maximum amount of loan that the loan applicant can borrow based on her household income?
 - b. Is the applicant qualified to avail of BAYANIHAN Loan?
 - c. As a first time borrower, how much would you recommend for her?
 - d. How long will be the term of the loan?

Business and other Household Income				
Source of Regular Income	<u>Daily</u>	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>
Gross sales from sari-sari store.	800			
Other business activities (newspaper)	150			
Salary – spouse			7,000	
Livestock/Poultry				7,500
Public utility vehicle (tricycle)	300			
Remittances from abroad			3,000	
Other regular income		350		

Business and Household Expenses				
Household	<u>Daily</u>	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>
Food	110			
Tuition Fee				3,500
Children’s school expenses	35			
House rental			250	
Water bills			100	
Electric bills			150	
Medicines/medical treatment			300	
Business				
Utilities (Water, Light, Telephone)			700	
Stock inventory purchases		4,200		
Business space rental			250	
Transportation	20	200		
Tricycle maintenance			1,000	
Poultry Supplies			1,500	
Loan payments	65			
Real Estate Tax				500

MABS PROGRAM
Training and Technical Assistance Manual

Date: **January 24, 2001**

Chapter III: **START-UP PHASE**

Amends:

Section C: **Assessing the
Microfinance Market**

Subject 1: **Purpose of Market
Assessment**

-
1. Assessing the microfinance market is an important factor in designing the products and services of the banks to ensure that they meet the needs and requirements of the clients.

 2. The objectives of the Market Assessment are as follows:
 - 2.1. To determine the size and composition of the local microfinance market by looking into its various opportunities and constraints, understanding the microenterprise sector and types of microenterprises in the bank's service area.
 - 2.2. To select the target microfinance market segment.
 - 2.3. To assess the demand for and supply of financial services in the target market by determining the competitors, the products they provide, and the characteristics of the products and services the target market needs.
 - 2.4. To determine the bank's marketing strategy given the information gathered from the target market.

 3. During the microfinance orientation course for the MFU, participant banks are provided with an understanding of the importance of the market research in designing their respective microfinance products and services as well as the basic steps in conducting a market research.

 4. MABS point persons shall provide on-the-job coaching and guidance to the microfinance staff as it conducts the market assessment. The MFU staff shall then report its market research findings to the product development team for comments and further analysis.

 5. The rest of this section shall discuss in detail the objectives of market assessment. The terms "market assessment" and "market research" will be used interchangeably.

MABS PROGRAM
Training and Technical Assistance Manual

Date:	January 24, 2001	Chapter III:	START-UP PHASE
Amends:	November 4, 1999	Section C:	Assessing the Microfinance Market
		Subject 2:	Determining the Size and Composition of the Local Microfinance Market

1. MABS uses two approaches in determining the size and composition of the local microfinance market: the rapid market appraisal (RMA) and the market research. The RMA is discussed in detail in Chapter II, Section A-3 of the Manual.
2. **Market Research** should be conducted within a week after the MFU training. It consists of three activities: (a) secondary-data gathering; (b) area mapping; and (c) interviews of microenterprise operators. Results of the survey are used in business planning and designing the bank's microfinance products. It also provides the MFU with an understanding of the business opportunities for the bank.
3. **Secondary-Data Gathering.** This activity aims to get information on the population of and other basic information of the bank's service areas; loans and deposit services of competing microfinance providers; and existing loans and deposit products of the participating bank. Findings shall be summarized in data tables to be provided by the MABS consultant (Annex III-C2-A1).
4. **Area Mapping.** The area mapping should be conducted within a "30-minute" walk (2-3 km radius) of the bank. This is going to be the bank's initial area of coverage during the pilot testing of the microfinance product. With good team coordination and cooperation, a team of 4-5 members should be able to complete the area mapping within half a day to one day. Attached as Annex III-C2-A2 is a guideline on area mapping.
5. **Microenterprise Survey.** MFU staff shall conduct interviews with microenterprise operators using a structured survey questionnaire (Annex III-C2-A4). The entire MFU should be able to interview at least 100 microenterprise operators. Attached as Annex III-C2-A3 is a guideline on microenterprise survey.
6. After collecting the secondary data, completing the area mapping, and the microenterprise survey, the MFU staff, under the guidance of the MABS Consultant can now proceed to analyze the results. Below are guide questions in analyzing the data:

- 6.1 Is borrowing for additional capital for business a primary reason for getting a loan?
 - 6.2 Do microenterprises prefer to pay daily, or weekly, or monthly? Do they get mostly short-term loans? How does this compare with similar existing loan product in the bank?
 - 6.3 What features does the bank need to incorporate in the product design so that the MFU staff can tailor the bank's products to the borrowing practices and needs of microentrepreneurs?
 - 6.4 What do the saving preferences and reasons for saving tell the bank? Do many of the respondents save for school expenses or for additional capital?
 - 6.5. What factors are important to the microentrepreneurs in deciding to save with a particular financial institution?
7. Three outputs are expected from this activity:
- 7.1 Microenterprise survey results. MABS Consultant shall assist the microfinance staff in drafting the market research report wherein conclusions and recommendations are drawn on which market segment the bank should target. This is also forms the basis for the business planning and product development activities. Annex III-C2-A5 is a checklist for reviewing the market study.
 - 7.2 An area map of microenterprises in the locality and their classification by type. The map can be drawn in a cartolina based on the result of the 30-minute walk and the completed RMA Table 2; and
 - 7.3 Completed RMA tables (Annex III-C2-A6) namely:
 - Table 1: Population, Households and Other Information, by Barangay
 - Table 2: Enterprises within the Barangays (30-minute walk radius from the bank)
 - Table 3: Number of Public Market Vendors
 - Table 4: Number of Transport Operators
 - Table 5: Information on Suppliers of Credit
 - Table 6: Information on Deposit Services

ANNEX III-C2-A1

**MARKET RESEARCH
SECONDARY DATA GATHERING**

Table 1. Population, Households and Other Information, By Barangay

	# of Barangays	Total Population	Registered Business, as of 1	Main Sources of Income²
A. Municipality				
B. By Barangay, within 30-minute walk radius from the bank	Population³	No. of Households⁴	Number of Businesses as of 5	
1. Bgy				
2. Bgy				
3. Bgy				
4. Bgy				
5. Bgy				
6. Bgy				
7. Bgy				
8. Bgy				
9. Bgy				
TOTAL				

¹ Registered businesses and municipal data are available at the Municipal Treasurer's Office.

² Sources of income: Data can be obtained from the Municipal/City Planning and Development Office (MPDO/CPDO); at barangay level, interview local officials of your target barangays.

³ National Statistics Office (NSO, 1995 Census) data, available at the MPDO/CPDO Office.

⁴ National Statistics Office (NSO, 1995 Census) data, available at the MPDO/CPDO Office.

⁵ Small-scale businesses with less than P50,000 assets are registered with the local barangay office.

DATA ON SPECIFIC MICROENTERPRISES

Within 30-Minute Walk Radius of the Bank,

As of _____

Table 2. Enterprises within the Barangays

Types of Enterprises	Within the Barangays								National Highway	Total
	Brgy 1	Brgy. 2	Brgy. 3	Brgy. 4	Brgy. 5	Brgy. 6	Brgy. 7	Brgy. 8		
1. Sari-sari store										
2. Buy and Sell/Viajero (wholesale)										
3. Carinderia/Eatery/Bakery										
4. Food Processing										
5. Agriculture Non-Crop (Livestock)										
6. Fishing/Fish Trading										
7. Crafts and Manufacturing										
8. Personal Services (beauty parlor/barber shop Dress/tailoring shops)										
9. Others (Write down in box below the other types of enterprises)										
TOTAL										

Notes:

DATA ON SPECIFIC MICROENTERPRISES

Within 30-Minute Walk Radius of the Bank,

Table 3. Number of Public Market Vendors

As of _____

Type of Vendors	Number of Stalls/Vendors ⁶	
	Public Market 1	Public Market 2
1. Fish Vendors		
2. Meat/Chicken Vendors		
3. Vegetable/Fruit Vendors		
4. Restaurants, Carinderia, Snack Bars		
5. General Merchandise, Dry Goods		
6. Tailoring, Shoe Repair, Beauty Parlor, etc		
TOTAL		
7. Vendors without stalls (regular at the market but has no business license/stall) ⁷		
8. Weekend vendors (estimated) ⁸		

Table 4. Number of Transport Operators

As of _____

Type of Transport	Number of TODA/Terminals ⁹	Total # of Units ¹⁰	# of Active Units (% of Total) ¹¹	# of Operators ¹²	# of Drivers ¹³
1. Jeepney/Motorcab					¹⁴
2. Tricycle/Motorela					
3. Trisikad					
4. Others (Indicate below)					
TOTAL					

⁶ Available from the Public Market Administrator’s Office.

⁷ Market administrator or staff can usually estimate this number.

⁸ Weekend vendors: also called in some areas “tabo” or those who usually sell on Saturdays and/or Sundays, or scheduled market days, e.g., farmers, second-hand clothes sellers, etc.

⁹ Start with the Transportation and communication Committee at the Municipal Council. If not interview a TODA president who has sufficient knowledge of the industry such as the number of terminals, names of other presidents, number of operators, etc.

¹⁰ Municipal data at the Treasurer’s Office or the local revenue office.

¹¹ TODA presidents/members can estimate this number.

¹² TODAs.

¹³ TODAs.

**MARKET RESEARCH
WHO ARE YOUR COMPETITORS?**

**TABLE 5. INFORMATION ON SUPPLIERS OF CREDIT
AS OF _____, 2001**

Financial Intermediary	Major Clientele	Terms and Conditions				
Who are supplying financial services in your bank's area? Specify.	Who are their main loan clients? Public market vendors? Those with small businesses? Big business establishments? Farmers? Salaried employees?	What is the interest rate per mo. Or yr.? Is the interest deducted in advance or not? Is it a flat rate or on declining balance?***	Service Charge (% or flat amt) & Other Fees	Min. amt. of loan	Max. amt of loan	Are loans paid daily (D), weekly (W), monthly (M), or lump-sum (L)?
1. Rural Banks*						
2. Other Banks (commercial banks, savings banks, development banks, etc.						
3. Cooperatives						
4. Lending Investors***						
5. Pawnshops						

6. Five-Sixers						
7. NGO/Foundation						
8. Informal Credit Groups (Bubo-ay, Huloga, Ripa, Tampo-tampo, etc.)						

NOTES:

- * Include rural banks operating in the area but whose branches are located outside the town. Indicate this with (*) sign.
- ** FLAT RATE: The interest rate is applied is on the original loan principal throughout the life of the loan. DECLINING BALANCE: The interest rate is computed based on the balance of the loan (original principal less all payments on the principal).
- *** Include lending investors operating in the area but whose offices are outside the town. Mark with the (*) sign.

**MARKET RESEARCH
WHO ARE YOUR COMPETITORS?**

**TABLE 6. INFORMATION ON DEPOSIT SERVICES
AS OF _____, 2001**

A. REGULAR (PASSBOOK) SAVINGS

Financial Intermediary (FI)	Minimum amount to open/earn interest	Minimum amount to earn interest	Minimum maintaining balance	Interest rate (%) per year	Any special promotional campaigns (such as raffles, give- aways, media campaign, house to house campaign)?
1. Rural Banks					
2. Other Banks					
1. Cooperatives					

B. TIME DEPOSIT AND OTHER DEPOSIT PRODUCTS

Financial Intermediary (FI)	Time Deposit			Other Deposit Products		Other Deposit Services
	Minimum amount to open/earn interest	Range of interest rate (%/annum)	Penalties for pre-termination	Is FI offering other deposit products such as passbook-based TD? 5-year non-withdrawable double-your-money TD? Others? Indicate brand names if any	Terms	Picking-up deposits? Yes/No
1. Rural Banks						
2. Other Banks						
3. Cooperatives						
4. Informal savings group (Buboday, Huloga, Ripa, Tampotampo, etc.)						

ANNEX III-C2-A2

**MARKET RESEARCH
GUIDELINE ON AREA MAPPING**

1. **Where do you conduct area mapping?** Conduct the area mapping within a “30-minute” walk (2-3 km radius) of the branch. This is going to be your team’s initial area of coverage during the product pilot testing period.
2. **Get a map of the town/city.** Your team should have a copy of the map of the town or city and a street map of the town’s commercial center. These are usually available from the Municipal Planning and Development Office.
3. Or, if the maps are not available, draw a map of the area showing the major roads and barangays where a lot of businesses are found. Use Manila paper or cartolina. Don’t worry if you do not draw the map to scale.
4. **Distribute the area among the members of the team.** If 5 staff persons (Supervisor and 4 account officers) will do the area mapping, divide the area into 5 sections – one section per staff person. Try to distribute the workload per staff person evenly.
5. **How long does it take to do area mapping?** With good team coordination and cooperation, a 4-5 member team should be able to complete mapping the area within the 30-minute walk radius of the bank in half a day to one day.
6. **Do a head count; mark it on your map.** In the area assigned to you, walk through each street, including smaller streets, which have a good number of enterprises. In your map, mark every business establishment you see, big or small. Identify the types of business. To do this, use numbers coding, shown below, or color-coding. This way it will be easy for you to put the data together in a summary table shown in page 2.

Sari sari store	1
Public market vendors	2
Buy and sell	3
Carinderia/eatery/bakery	4
Food processing	5
Agriculture non-crop	6
Fishing/Fish Trading	7
Crafts and manufacturing	8
Transport	9
Personal services (beauty parlors/ Barber shops/dress shops)	10
Others (Specify)	11

7. When a public market is within the “30-minute” area, which is likely, go in there and count the number of vendors, shops, eateries, etc. Further classify the market vendors according to the types of good and services they sell (use the classification in Table 3 in Handout #1).

8. **Integrate or separate the maps.** You can either (a) combine the area mapping results in one big map; or (b) keep the area map separate by barangay; or (c) by major section of the “30-minute walk area.”.
9. Make a headcount of the enterprises marked in the map. Present the data in a table like the one you see below.

SUMMARY TABLE: Number of Enterprises
 Within 30-Minute Walk Radius of the Bank,
 As of _____, 2000

Types of Enterprises	Along the Streets (A)	Within the Public Market (B)	Total Number (A+B = C)	Distribution (% to total)
1. Sari-sari store				
2. Public market vendors				
3. Buy and Sell/Viajero (wholesale)				
4. Carinderia/Eatery/Bakery				
5. Food Processing				
6. Agriculture Non-Crop (livestock raising)				
7. Fishing/Fish Trading				
8. Light Crafts and Manufacturing				
9. Transport (tricycle/trisikad/motorela/jeep)				
10. Personal Services (beauty parlor/barber shop Dress/tailoring shops)				
11. Others (please footnote)				
TOTAL				
Percent to Total				100%

ANNEX III-C2-A3

MARKET RESEARCH MICROENTERPRISE SURVEY GUIDELINE

1. **Survey Objectives:** The primary purpose is to obtain some information about the financial services your potential microenterprise clients use and need. Hence, the survey information is intended to assist you in designing loans and savings products, which fit the needs of the microenterprise owners in your service area. Also, the survey will help you understand the business opportunities that exist for your bank.
2. The survey is not designed to be a representative random sampling survey (don't bother to understand this term) that one can use for projection.
3. **Organize the Survey Questionnaire and processes.** Each bank should have the ff.:
 - £ 120 copies of the Visayan version of the questionnaire.
 - £ 2 copies of the English version
 - £ 2 sets of tabulation sheet
 - £ 2 sets of pro-forma summary data tables
 - £ a diskette copy of the summary data tables (in Excel) which will allow you to do simple arithmetic computations faster and accurately
4. Number each questionnaire from 01 to 100. The Supervisor can distribute the questionnaire equally among the MFU staff persons, including the supervisor.
5. Prepare a distribution list indicating the name of the staff person and the corresponding numbered questionnaires he/she received.
6. **Who will you interview?** The business owner/operator will be your *respondents* ®.
7. **How many will you interview?** At least 100 microenterprise owners. The AREA MAP, which you will have prepared earlier before the survey, will provide you with the total number and types of microenterprises within your initial market research area – that is within the 30-minute walk radius of the bank branch. From this, you will prepare a list of possible respondents (see # 8 below).
8. **How will you know how many sari-sari stores, market vendors, service shops, etc. to interview?** Look at the table on NUMBER OF ENTERPRISES that your team has generated. There is a column showing the percentage distribution of all types on enterprises within the “30-minute” area. Distribute the 100 sample microenterprises according to their percentage share in the total. See example below.

	<u>% toTotal</u>	<u>Distribution of Rs</u>
Sari-sari store	40%	$100 \times .40 = 40$
Public market vendors	30%	$100 \times .30 = 30^*$
Personal services	10%	$100 \times .10 = 10$
Crafts/light manufacturing	5%	$100 \times .05 = 5$

Carindaria/eatery/bakery	15%	$100 \times .15 = 15$
Total	100%	100 Rxs

*Further distribute the public market vendors according to the type of goods and services they sell. See Table 3 of Handout #1.

9. From the AREA MAP, choose the location spots of microenterprises whose owners you will interview. Try to distribute them in the 30-minute area.
10. **Practice interview.** You have to be familiar with the questionnaire items. You also have to feel comfortable with asking the questions.
11. Practice interviewing with your team mates. This will enable you to gain a level of confidence and know how much time it will take you to complete the interview. Using the questionnaire in Cebuano, practice interviewing with your team members (this is called the mock interview). It will take approximately 10 minutes to complete the interview.
12. **Skipping instructions.** Pay attention to the skipping instruction (GO TO Q__) when a particular response will allow you to omit asking some questions.
13. **Close-ended questions.** The questionnaire has been designed to make it easier for you to record the answers. The CLOSE-ENDED questions are pre-coded, so all you have to do is encircle the number corresponding to the answer of your respondent.
14. Where the choices are many and long, you will prepare what we call the SHOW CARDS. You will show the cards to the respondent, and ask him/her to point his/her answer.
15. When the respondent is unable to read, you will have to read the answer choices one by one.
16. **Open-ended question.** In OPEN-ENDED questions, no answer choices are generally supplied. Here, you are required to record the answer your respondent will provide, Some times the possible answers are supplied to guide the interviewer. The survey questionnaire you will use only have two (2) open-ended question items (the one on the age of R and Q13).
17. **Quality check.** The MFU Supervisor will check all completed questionnaires for completeness. He will also do spot checking to verify a few key questionnaire items.
18. **Data processing.** Your team will process the data manually in data tabulation sheets that are prepared for you. Use check marks.
19. **Summary tables.** You will put the processed data in summary tables. You can either enter them manually in the hard copy of the pro-forma tables, which you received during the training. A diskette copy of all the tables is in spreadsheet (Excel) and will allow you to compute for sums and percentages very quickly.
20. **GOOD LUCK AND HAPPY SURVEYING!!**

**ANNEX III-C2-A4
MICROENTERPRISE SURVEY**

Rural Bank of _____

Questionnaire No. _____

Ask the microenterprise owner permission to interview him/her. Explain that your bank is reviewing its products and services and that you would like to get his/her help in answering some questions. Inform him/her that it will take only a few minutes to complete the interview. If the owner is not available on your first visit, get a replacement from the list of possible respondents operating the same type of business.

Practice courtesy at all times. If the owner does not want to be interviewed, respect this view. Apologize for having bothered him/her and say goodbye. Move on the next respondent.

=====

Barangay _____	Interviewer _____
City/Municipality _____	Date _____
Name of Business Establishment _____	Time Start _____ Time End _____
Name of Respondent/Owner _____	Male – 01 Female – 02; Age _____

=====

A. ABOUT THE BUSINESS

1. Type of business engaged in:

- | | |
|--|----|
| Sari-sari store | 01 |
| Public market vendors | 02 |
| Fish/meat | 03 |
| Vegetables/fruits | 04 |
| Dry Goods | 05 |
| Others | 06 |
| Buy and Sell/Viajero (wholesale) | 07 |
| Carinderia/Eatery/Bakery | 08 |
| Food Processing | 09 |
| Agriculture Non-Crop | 10 |
| Fishing | 11 |
| Crafts and Manufacturing | 12 |
| Transport (tricycle/motorela/trisikad,etc) | 13 |
| Personal Services (beauty parlor/barber shop | |
| Dress/tailoring shops) | 14 |
| Others | 99 |
| _____ (Specify) | |

2. How many years have you done this business?

- | | |
|------------------|---|
| Less than a year | 1 |
| 1-3 years | 2 |
| 4-6 years | 3 |
| 7-10 years | 4 |
| Over 10 years | 5 |

3. Do you do this year round or only in certain months?

- | | |
|---------------------|---|
| Year-round | 1 |
| Certain months only | 2 |

4. Aside from yourself, how many employees do you have?

- None 1
- One 2
- 2 – 3 3
- 4 and over 4

5. Who runs your business when you are sick or away?

- None 1
 - Spouse 2
 - Other family members 3
 - Relatives 4
 - Paid employees 5
 - Others 99
- _____ (Specify)

6. Aside from your business, does your family have regular income such as from salary, pension, rent, or regular remittances from family members? What else? (MULTIPLE RESPONSE)

- None 1
 - Salary 2
 - Pension 3
 - Regular remittance 4
 - Others 99
- _____ (Specify)

B. BORROWING PRACTICES

7. Do you ever borrow for your business activity?

- YES 1
- NO 2 (GO TO Q14)

8. Where do you usually get a loan? (MULTIPLE ANSWER) (SHOW CARD)

- FORMAL SOURCES 01**
- Rural Bank 02 _____ (ASK which RB; if your own RB, then also encircle 03)
 - Your Own RB 03
 - Other Banks 04 _____ (ASK which bank)
 - Pawnshop 05
 - Lending Investor 06
 - Cooperative 07
- INFORMAL SOURCES 08**
- Family and friends 09
 - Neighbors 10
 - Five-Six/Bombay/Turko 11
 - Savings group (bubo-ay, etc.) 12
 - Others 99
- _____ (Specify)

NOW, LET US TALK ABOUT YOUR MOST RECENT LOAN:

9. May I know how much was your most recent loan? (SHOW CARD)

- Below P2000 1
- P2,000 - 3,000 2
- P3,001 - 5,000 3
- P5,001 - 10,000 4
- P10,001- 20,000 5
- P20,001- 30,000 6
- P30,001- 40,000 7
- P40,000- 50,000 8
- Over P50,000 9

10. Who was the source of your most recent loan? (SHOW CARD in Q8)

- FORMAL SOURCES 01
- Rural Bank 02 _____(ASK which RB)
 - Your Own Rural Bank 03
 - Other Banks 04 _____(ASK which bank)
 - Pawnshop 05
 - Lending Investor 06
 - Cooperative 07
- INFORMAL SOURCES 08
- Family and friends 09
 - Neighbors 10
 - Five-Six/Bombay/Turko 11
 - Savings group (bubo-ay, etc.) 12
 - Others 99
- _____ (Specify)

11. What was the term of the loan? Did you pay it in?

- 1 month or less 1
- 2 – 3 months 2
- 4 – 6 months 3
- 7 – 12 months 4
- Over 1 year 5

12. Did you pay your loan daily, weekly or monthly? (ENTER ANSWER BELOW)

13. How much were you paying each time?

- | | <u>Q12</u> | <u>Q13</u> |
|---------|------------|------------|
| Daily | 1 | P _____ |
| Weekly | 2 | P _____ |
| Monthly | 3 | P _____ |

GO TO Q20

IF ANSWER IN Q7 IS NO, ASK

14. Here is a list of the reasons why some enterprise owners do not get a loan for their business. Is there anything in the list which indicates your own situation or feelings about borrowing?
(MULTIPLE RESPONSE) SHOW CARD

- I have enough capital 1
 - No need for a loan 2
 - Interest on loans is high 3
 - I am afraid/shy to borrow 4
 - There are too many requirements 5
 - I do not know anyone from the bank 6
 - Others 99
- _____ (Specify)

15. If you could borrow money for your business, would you?

- YES 1
- NO 2 (GO TO Q18)

16. How much would you borrow? (SHOW CARD)

- Below P2000 1
- P2,000 - 3,000 2
- P3,001 - 5,000 3
- P5,001 - 10,000 4
- P10,001- 20,000 5
- P20,001- 30,000 6
- P30,001- 50,000 7
- Over P50,000 8

17. Would you borrow from a bank or some other source?

- From a bank 1
- From other source 2

GO TO Q20

IF ANSWER IN Q15 IS NO, ASK:

18. Have you ever used a bank before?

- YES 1
- NO 2 (GO TO Q20)

19. Did you use the bank to get a loan, to deposit money or for other services? (MULTIPLE RESPONSE)

- For a loan 1
- For deposit 2
- Other services/Purpose 3
(such payroll, SSS, pay water/electricity bills)

C. SAVINGS PRACTICES

20. What are the primary purposes you save for? (MULTIPLE RESPONSE) (SHOW CARD)

Children's education	1
Emergencies/medical expenses	2
Special occasions (wedding, fiesta, etc.)	3
Capital to start a business	4
Capital to expand present business.	5
Retirement/Old Age	6
House repair/renovation	7
Buy household appliances	8
Without specific need or purpose/ just believes in the virtue of saving.	9
Others _____(Specify)	99

21. When you have spare cash, what do you **usually** do with it? Do you keep it as cash savings, invest it in business or do you use it for other things? (MULTIPLE RESPONSE)

Keep it as cash savings	1	
Invest it in business	2	(GO TO Q24)
Use spare cash for other purposes	3	(GO TO Q24)

22. Where do you keep your cash savings? (MULTIPLE RESPONSE)

At home	1	(GO TO Q23)
In a rural bank	2	
In a commercial bank	3	
In a cooperative	4	
Self-help savings groups (Bubo-ay/Huloga)	5	
Others _____(Specify)	99	

IF ANSWER IN Q22 IS "AT HOME", ASK:

23. If a bank collector comes to pick up your savings, will you save your money in the bank?

YES	1
NO	2
Don't know/not sure	3

ASK ALL RESPONDENTS:

24. In choosing to keep your savings in a financial institution (FI), which is the most important factor to you? (SHOWCARD) Choose only one. _____

25. Which is the second most important factor to you in choosing where to keep your savings? Choose only one from the remaining answer choices. (USE SAME SHOWCARD AS IN Q24)

	<u>Q24</u> (Most Important)	<u>Q25</u> (2 nd Most Important)
Near my residence/place of business	1	1
Financially stable/good reputation	2	2
Employees are friendly/known to me	3	3
Pays high interest rate on my savings	4	4
I can withdraw my from my savings when I need it	5	5
I can take a loan against my savings.	6	6
Service is fast.	7	7
I have a chance to win in a raffle.	8	8
A solicitor picks up my deposit.	9	9
Bank is open on weekends.	10	10
Others (SPECIFY) _____	99	99

END OF INTERVIEW
THANK THE RESPONDENT FOR HIS/HER TIME AND COOPERATION.

ANNEX III-C2-A5

CHECKLIST FOR REVIEWING THE MARKET STUDY

This checklist is intended to guide you on the *major tasks you need to do or follow-through* after the MFU staff has implemented the market survey activities.

Users of this Check List

1. MABS-M Point Persons
2. Participating Bank MFU Supervisors

MFU Staff Outputs

Familiarize yourself with the handouts that your team received during the MFU Staff Training.

The handouts include, among others, pro-forma tables for the secondary data gathering and survey activities. Based on these handouts, your team will have three (3) groups of outputs.

Group 1 Outputs.

There are three data tables under this group.

- € Data table on population and other basic information on the bank's target areas;
- € Data tables on the loans and deposit products of the competition
- € Data tables on your own bank's loan and deposit products.

General instructions:

1. Review the 3 sets of outputs for completeness and/or consistency.
2. Identify any data that need to be re-checked or verified by the MFU staff.

Data tables on loans and deposit products:

1. Analyze the information in the data tables.
 - £ Who are your bank's main competitors in the commercial and/or microenterprise sectors?
 - £ How do the interest rates on their commercial/microenterprise loan products compare with your bank's? :
 - ♥ Are their rates higher, lower or the same as your bank's?
 - ♥ Do they deduct interest in advance or not? Is your bank doing the same or not?
 - ♥ Does your bank have any distinct comparative advantage over competitors when it comes to loan pricing?
 - £ How do their service charges compare with your bank's?
 - ♥ Are their service charges higher/lower/or the same as your bank's?
 - ♥ Do your competitors deduct service fee in advance or add it on to the regular amortization payments? Which practice does your bank follow?

- £ Other charges:
 - ♥ Do your competitors collect other charges?
 - ♥ Are these deducted in advance?
 - ♥ Are these charges bigger/smaller or about the same as those of your bank's?

- £ Do your clients have the advantage of receiving a bigger portion of the amount they borrow from your bank compared to your competitors?

- £ Do your competitors have a focus on financing the microenterprise sector?
 - ♥ Do they have a staff who specializes in microenterprise financing?
 - ♥ Do they have a product or products that are aimed specifically at existing micro-businesses?

- £ Do your competitors have an aggressive deposit taking activity?
 - ♥ How do they promote their deposit products? Do they have raffles or giveaways?
 - ♥ Do they offer higher/lower interest on deposits as your bank?
 - ♥ Do they have a deposit product designed small savings depositors?
 - ♥ What advantages does your bank have over your competitors?

Group 2 Outputs: Area Mapping

- € Area map of the "30-min. walk radius"
 - € Summary tables containing a headcount of enterprises within the "30-minute walk".
1. To place the 30-min. walk area in a proper geographic context, secure a copy of the map of the town. Copy is usually available, for a fee, with the Municipal Planning and Development Office (MPDO). From this map, and within the 2-3 kilometer radius of the bank, identify the areas where enterprises are concentrated.
 2. Also, secure a copy of the town's street map. This map shows in detail the streets in the town center. You will use this to assign areas each member of your team will cover for area mapping.

Group 3 Outputs: Market Survey

Review the accomplished questionnaires, data tabulation sheets, and summary data tables

- £ **Are the questionnaires properly filled out?**
 - ♥ Randomly check about 10 questionnaires to gauge whether these have been properly accomplished. (Refer to the Survey Guidelines, which have been distributed to all Point Persons and trainees.)
 - ♥ If you, the Point Person, find problems with any of the completed questionnaires, discuss this with the MFU Supervisor to solve the problems.

In the most extreme case, to prevent GARBAGE IN, GARBAGE OUT, you will have to ask the MFU staff to repeat the survey.

- £ **Is the tabulation done correctly?** Pick at random at least 5 completed questionnaires. Match the responses in the questionnaire with the answer grid shown in the tabulation sheet.

- £ **Are there serious flaws in the way the responses were tabulated?** coach the staff on the correct way of tabulating the data. In case of serious errors, you will have to ask the staff to **review the manual tabulation of each of the completed questionnaires.**
3. **Are the tables accomplished correctly?** Randomly check frequency counts and percentage distribution. If the data summary tables have not been accomplished yet, assist with the tabulation of results -- JOB COACH, whenever necessary.
 4. **“OTHERS” as answer category.** Some questionnaire items provide a catch-all answer category under “others”. Here the respondent is asked to specify. If there are more than 10% answering “others”, ask the staff to prepare a list of the specifics. You may then be able to either classify some of the answers under any of the given answer choices, or you may need to create other specific categories.
 6. The survey will yield other information that will be useful in designing loan and savings products. Point Persons should be able to guide the MFU staff concerning this.
 7. All questionnaires should be kept in file, arranged from 01 to 100. Remember that each questionnaire should bear a number for control purposes.

Analyzing the data

1. After ensuring the integrity of the data, helping the MFU staff in analyzing the data is your next most important role.
2. Who are the major players in financing small business owners?
3. Is your bank a major player? How important is your bank’s role presently compared to other major players?
4. Is borrowing for additional capital for business a primary reason for getting a loan?
5. Look at the terms and conditions of the loans they obtain. Examine the amount of loan and payments they make regularly, etc. Do they prefer to pay daily, or weekly or monthly? Look at the term of the loan. For instance, do they get mostly short-term loans with less than 6 months term? How does this compare with similar existing loan product in your bank?
6. What features do you need to incorporate in a product design so that you can tailor the bank’s products to the borrowing practices and needs of microentrepreneurs?
7. Examine their savings preferences and reasons for saving. What messages do the survey results tell you?
8. Do many of them save for school expenses? If so, a “saving for education” product line could be designed and promoted.
9. What are important to the microentrepreneurs in deciding to save with a particular financial institution? For instance, If being served fast is the most important factor, it will be a priority for the bank to review its own servicing efficiency toward improving on what it currently is able to deliver.
10. Analyzing the survey results is a most exciting and fun activity to do.

SO, HAVE FUN AND GOOD LUCK!

ANNEX III-C2-A6

MARKET RESEARCH TABLES

Rural Bank of Dipolog City, Inc.

RMA Table 1 Population and Other Information, By Barangay
(General Socio-Economic Information)

A. City level:	# of Barangays	Total Population*	Registered businesses, as of 1999	Main sources of income
DIPOLOG CITY	21	100,553	2,281 1,493 tricycle operators	Agriculture; Salary Employment; Commercial and Trading (48.5% - trading/retail; 31.6% - services; 16.1% - public market; 3.8% - manufacturing)
B. By Barangay, within 30-minute walk radius from the bank – urban barangays	Population*	No. of Households*		
1. Brgy. Central	4,725	936		Commercial and trading area
2. Brgy. Miputak	12,998	2,574		Residential area: salary employment
3. Brgy. Barra	4,299	851		Residential; partly coastal, fish landing area
4. Brgy. Estaka	7,022	1,390		Residential: salary employment
5. Brgy. Biasong	4,072	806		Residential: salary employment
B. By Barangay, within 30-minute walk radius from the bank – urban barangays				
6. Brgy. Sta. Isabel	5,386	1,066	61	Residential and agricultural areas with mostly microenterprises.
7. Brgy. Turno	7,945	1,573	42	
8. Brgy. Minaog	5,970	1,182	56	
9. Brgy. Sta. Filomena	4,982	987	37	
10. Bgy. Dicayas	4,125	817	24	
11. Bgy. Lugdungan	2,101	416	Not available	
12. Brgy. Gulayon	3,116	617	14	
13. Brgy. Galas	8,958	1,774	47	
14. Bgy. Sicayab	6,107	9,641	64	

* Projected 1999 population

ANNEX III-C2-A6

MARKET RESEARCH TABLES

RMA Table 2

Number of Microenterprises
Within 30-Minute Walk Radius

Rural Bank of Dipolog City, Inc.
As of 18 November 1999

A. Enterprises within Town	Central Barangay and Miputak	Estaka	Other Urban Barangays	Total
1. Sari-sari stores	78	14	79	171 (16.7%)
2. Others	407	196	253	856 (83.3%)
TOTAL	485	210	332	1,027

* This 30-minute walk was originally done for Community Rural Bank of Dapitan City to check their potential market in Dipolog City. The starting point was the Petron Gas Station owned by Mr. Sybico who is part-owner of CRB Dapitan. RB Dipolog is 5-minutes away on foot from the gas station.

Prepared by: CHERRY TAN PADUA

Date: 18 November 1999

ANNEX III-C2-A6

MARKET RESEARCH TABLES

Rural Bank of Dipolog City, Inc.

RMA Table 3 Number of Public Market Vendors
As of November 18, 1999

A. Public Market (d)	Number of Vendors
1. Fish Vendors	150
2. Meat/Chicken Vendors	49
3. Vegetable/Fruit Vendors	73
4. Dry Goods/Groceries/Sari-sari stores	95
5. Others	77
TOTAL	444
6. Ambulant vendors	Can not be determined

Prepared by: CHERRY TAN PADUA

Date: 18 November 1999

ANNEX III-C2-A6

MARKET RESEARCH TABLES

Rural Bank of Dipolog City, Inc.

RMA Table 4 Transport Sector, As of 18 November 1999

D. Transport	Total # Of Units (Registered at the Mun. Office)	# Of Active Units (% Of Total)	# Of Operators	# Of Drivers
1. Jeepney*	398 estimated			398 estimated
2. Tricycle	1,767	100%	1,493 (estimated)	1,767
3. Trisikad	135	100%	43	135

* Jeepneys operate from the city to different municipalities, not within the city.

Prepared by: CHERRY TAN PADUA

Date: 18 November 1999

ANNEX III-C2-A6

MARKET RESEARCH TABLES

Information on Bank Competition

Rural Bank of Dipolog City, Inc.

RMA Table 5 Information on Loans, As of November 22, 1999

Financial Intermediary	Major Clientele	Terms and Conditions			Payment Mode
Who are supplying financial services in your bank's area? Specify.	Who are their main loan clients? Public market vendors? Those with small businesses? Big business establishments? Farmers? Salaried employees?	What is the interest rate (indicate if per month or per year)? Is the interest deducted in advance or not? Is it a flat rate or based on declining balance?	Minimum amount of loan (in Peso)	Maximum amount of loan (in Peso)	Are loans paid daily (D), weekly (W), monthly (M), or lump-sum (L)?
1. Rural Banks					
RB Katipunan	Farmers, salaried employees (gov. & private), small and medium enterprises	26% p.a. deducted in advance; flat rate	5,000	50,000	M,W
CRB Dapitan	Farmers, salaried employees, small and medium enterprises	24% p.a.	5,000	50,000	M,L
RB Rizal	Farmers, salaried employees; small & medium enterprises	25% p.a.		50,000	D, W, M, L
Cooperative Bank	SMEs; Cooperatives; Salaried employees; farmers	24% flat rate; deducted in advance	3,000		D, W, M, L
2. Other Banks (commercial banks, savings Banks, development banks, etc.					
12 Other Banks	Medium to big enterprises; large scale farmers; professionals	18-20%	500,000		M, L
3. Cooperatives					
3 Transport Cooperatives	Cooperative members	15-18%	5,000		M
4. 24 Lending Investors (registered)	Small businesses; employees; market vendors; teachers	5 to 10% per month	2,000	100,000	D, W, M, L
5. 17 Pawnshops (registered as of Nov. 17, 1999)	Salaried Employees; teachers; students, housewives, vendors	5% to 6% per month excluding service and other fees	100.00	Depending on item	D,W,M,L
6. Five-Sixers (5 estimated operating in the public market)	Public market vendors, microenterprises, salaried employees	10% to 20% per month, add-on interest	100.00	150,000	D,W, M, L
7. NGO/Foundation	No available data				
8. Informal Credit Groups (Bubo-ay, Huloga, Ripa, Tampo-tampo, etc.): Usually bubo-ay but no data available					

ANNEX III-C2-A6

MARKET RESEARCH TABLES

Prepared by: **SUSTENESA C. ESTRELLA**
 Manager

DATE: 22 November 1999

RMA Table 6 Information on Deposit Services, As of November 22, 1999

Financial Intermediary (FI)	Time Deposit			Other Deposit Products		Other Deposit Services
	Minimum amount to open/earn interest	Range of interest rate (%/annum)	Penalties for pre-termination	Is FI offering other deposit products such as passbook-based TD? 5-year non-withdrawable double-your-money TD? Others? Indicate brand names if any	Terms	Picking-up deposits? Yes/No
1. Rural Banks						
RB of Katipunan, Inc.	5,000	6% to 13%	Interest reduction	Certificate	30-360 days	Yes
RB Rizal, Inc.	5,000	6% to 13%	Interest reduction	Certificate	30-360 days	Yes
ZN Coop Bank	500	10% over 60 days	Interest reduction to ordinary savings up to 6%	Certificate; passbook-based TD	60 days	Yes
2. Other Banks (commercial)						
LBP	1,000	6.25%	2%	Certificate/passbook	1 mo to 1 yr	Case to case
FBTC	10,000	5.25%	2% + 100	Investment savings deposit; big amount	-do-	Yes
Other Banks	1,000-5,000	3-4%	.5 interest; other bank charges, doc. stamp	Certificate; passbook-based time deposit; 5-year non-withdrawable double your money	-do-	
3. Cooperatives						
FCB	1,000	6%		Passbook; Double your money	30-60-90	Case to case
4. Public market vendors practice a mortuary fund	₱ P10 contribution monthly					

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		Subject 3:	Selecting the Target Microfinance Market Segment

1. The bank's target market segment is classified according to three characteristics (i) type of business activity (e.g. trading, services and manufacturing), (ii.) location, and (iii) income category.
2. Selection of the target market segment largely depends on the size of the target market in terms of demand for savings and credit, extent of competition, current and potential microfinance market share of the bank and product competitiveness. All of these can be derived from the results of the microenterprise survey.
3. Indicators on the size of the target market include the number of registered business establishments with the Department of Trade and Industry (DTI) and the local government unit (LGUs). The Economic and Enterprise Office of the city or the province can provide the number of public market vendors operating in the area. Some of this information has been gathered during the RMA process*.
4. A large concentration of financial institutions generally indicates a high demand for savings and credit in the area as well as the potential high frequency of deposits and borrowing of microenterprises. It is very important, however, to determine whether the market is already saturated with microfinance providers in order for the bank to determine its market strategies.
5. Existing microenterprise clients of the bank should also be considered and evaluated in terms of deposit and borrowing performance. Clients belonging to a certain market segment showing a positive performance should be a benchmark for the bank to intensify market penetration in that particular segment.
6. It is crucial to determine the capability of each market segment to meet credit and deposit responsibilities.
7. Annex III-C3 is an outline of recommended guide questions for the selection of the target microfinance market segment based on the microenterprise survey results.

* The Consultant should still encourage the new MFU staff of the PB to conduct the same secondary data gathering during the market research even if this has already been done during the RMA. There are two reasons why this should be advised: (1) to verify or update the information gathered during the RMA process; and (2) to train the new staff on this undertaking.

ANNEX III-C3

Guide Questions in Selecting the Target MF Market Segment

1. What is the size of the target market?
 - 1.1 Number of registered establishments? How many have less than 10 employees?
How many have capitalization of less than P100,000?
 - 1.2 Number of public market stallholders?
 - 1.3 Number by type of business activity?
2. What is the size of demand for savings and credit facilities?
 - 2.2 How frequent do microenterprises transact with the bank?
 - 2.3 Type of bank facilities do microenterprises use?
 - 2.4 Number of MEs that applied for loans in banks?
 - 2.5 Number of banks (and other financial institutions) in the area?
3. What is the extent of competition?
 - 3.1 Number of players in the market?
 - 3.2 Type of clients targeted by each player?
 - 3.3 Number of clients currently being entertained by the players?
4. What is the present bank market share?
 - 4.4 Number of clients?
 - 4.5 Volume of bank's present business?
5. How competitive are the bank's products?
 - 5.1 What are the product needs and preferences of MEs?
6. What is the bank's potential market share?
 - 6.1 What is the volume of demand currently unmet? by the bank? by its competitors?
 - 6.2 What are the expansion plans of other institutions?
 - 6.3 What is the bank's potential market share?

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Chapter III: START-UP PHASE

Amends: December 5, 1999

Section C: Assessing the Microfinance Market

Subject 4: Assessing the Demand for and Supply of Financial Services in the Target Market

A. ASSESSING THE DEMAND FOR FINANCIAL SERVICES

1. On the demand side, assessing the target clients need for financial services is based on their: (a) willingness to bank with rural banks, and (b) savings and credit needs and preferences.
2. **Willingness to deposit and avail credit with rural banks.** A large proportion of the microenterprise target market willing to deposit with rural banks is a good indication that there is high demand for financial services. These potential microenterprise clients may ultimately request credit from rural banks as well. Usually, a microenterprise operator is willing to do financial transactions with a particular rural bank if it has a good image in the business community. In particular, a rural bank that has been servicing the area for some time; has a good service relationship with microenterprises; provides fast and efficient service; and stable in terms of finances is popular among microenterprise clients.
3. **Savings and credit needs and preferences.** This can easily be identified from the result of the market survey. The following are indicators of the needs and preferences of microenterprises for financial services and institutions:

3.1 Savings

Preferred depository institution. The results of the market survey show the type of depository institution where microenterprises prefer to keep their savings. The higher the percentage of respondents who choose formal financial institutions like banks to keep their savings, the higher the demand for financial services.

Interest on deposits. Although not all depositors are interest-rate sensitive, it is still necessary to offer a competitive interest rate on deposits. High interest rates will attract depositors, especially those who are looking for long-term investments.

Pick-up deposits. Many microentrepreneurs prefer financial institutions that pick-up their deposit. However, the cost of doing so must also be considered (see chapter on savings).

Access to deposit taking institutions. The nearer the financial institution to the depositors the better, as this entails less time to go to the bank and leave their business for their depository activities.

Concentration of depository institutions. The more deposit-taking institutions, the more competitive the market place and the higher the cost of attracting depositors.

3.2 Loan

Proportion of borrowing microenterprise operators. The number of microenterprises that availed of loan in recent months reveal the bulk of demand of credit facilities.

Frequency of borrowing. The more frequently the ME operators borrow, the greater are the chances that they are diligent in repaying their loans, and the greater the demand for loan products and services.

Preferred terms and conditions. Microentrepreneurs' sensitivity on loan terms and conditions greatly affects the success of a financial institution. Those that offer competitive interest rates and reasonable deductions are preferred by microenterprises. Product development and evaluation must therefore take into account the potential client's preferences for loan terms and conditions.

B. ASSESSING THE SUPPLY OF FINANCIAL SERVICES

4. The supply of financial services is assessed based on the: (a) concentration or number of financial institutions in the area; (b) sources of most recent loan of microenterprise operators; (c) products and services provided by competing financial institutions; and (d) microentrepreneur's perceived image of competitors.
5. **Concentration or number of financial institutions in the area.** The number of financial institutions in the area provides a quick overview of the supply of financial services in the area and the level of competition in providing services to microenterprises. This should include both the number of formal and informal financial institutions servicing the microenterprise target market.
6. **Sources of most recent loan of microenterprise operators.** The type of financial institutions indicated by the microenterprises as their recent loan source would suggest what type of institutions are easily and not easily accessible.
7. **Products and services provided by competing financial services.** This indicates the type of financial products and services supplied or available in the financial market.
8. **Market image of competitors.** How microenterprise operators perceive competing financial institutions is important in deciding what improvements should be made to the financial services provided by a rural bank.

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Date: January 24, 2001 **Chapter III: START-UP PHASE**

Amends: December 16, 1999 **Section C: Assessing the Microfinance Market**

Subject 5: Determining the Bank's Marketing Strategy

1. After determining the size and composition of the local microfinance market, selecting the target microfinance market segment, and assessing its demand for and supply of financial services, the bank can now determine its marketing strategy.
2. Findings from the market survey must be reviewed to determine: (a) the characteristics of loan and savings products microentrepreneurs are availing; (b) how to design the products and services of the bank, and (c) how to determine the opportunities that exist for the bank to do business with micro-enterprises. The bank's marketing strategy will follow from these findings.
3. **Characteristics of loan and savings products.** Knowing the characteristics of loan and savings products accessed by microentrepreneurs can influence how the bank will design its own products for microenterprises and how to promote and market the products.
4. **Design of the products and services of the bank.** Knowing what its clientele wants, the bank can now incorporate the terms and conditions preferred by microenterprises ensuring that the benefit for the bank is greater than the cost entailed in delivering the demands of the target market.
5. **Determine existing microfinance opportunities.** Knowing what clients demand and what other financial players supply, the bank can determine the opportunities available upon its market entry or reentry. Conducting a SWOT (Strength, Weakness, Opportunities and Threats) Analysis of the market can guide the bank on how to best use of these opportunities.
6. Marketing and promoting the product may include (a) announcements through the use of flyers, brochures or streamers; (b) gimmicks through the use of contests, raffles, give-aways; and (c) advertising through radio, television or print.
7. The most effective advertising campaign is through customer endorsement. Word of mouth travels fast especially in rural areas. Further, as part of personalized service, the bank can also visit potential clients in their places of business to promote its product.

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Date:	January 24, 2001	Chapter III:	START-UP PHASE
Amends:	December 17, 1999	Section D:	Developing the Microfinance Loan Product
		Subject 1:	Organizing the Product Development Team

1. After the market assessment, MABS consultant shall hold an orientation meeting with their respective PBs involving all the bank employees. This meeting should be conducted after banking hours or when the bank staff has already completed their tasks for the day.
2. During the meeting, MABS consultant shall discuss the following:
 - 2.1. opportunities and successful experiences in microfinance;
 - 2.2. MABS and the work it will be doing with the bank as indicated in the PBA and the six-month action plan;
 - 2.3. process that will be used in developing the MF products;
 - 2.4. results of the market assessment; and
 - 2.5. schedule of subsequent meetings and the work to be done by the product development team.
3. At the end of the meeting, it is expected that the bank employees have understood the principles of microfinance; the MABS program, and the MFU targets for the next two years.
4. The bank can then organize the product development team responsible for accomplishing the following tasks:
 - 4.1 review the bank's previous and present experiences in microfinance, if any.
 - 4.2 identify the bank's target market sectors given the results of the market research.
 - 4.3 recommend features of the microfinance loan product.
5. The product development team may be solely composed of the MFU, or the MFU and the bank or branch manager. In some of the PBs, the product development team is composed of the loans supervisor and the bank manager. In other banks, however, all the bank employees are involved in conceptualizing the microfinance products.

6. MABS Consultant should emphasize that the new microfinance product to be developed is a bank product that shouldn't be viewed as a separate unit from the bank's regular loan products. The bank's microfinance operation can only be sustained and made profitable with full commitment and support from all the bank employees.
7. It is very important that the bank's President and/or Manager and/or the duly appointed representative of the senior management make an oral statement of the bank's commitment and support to the MABS project before the bank employees. A subsequent memorandum formalizing the oral statement of support should be circulated among the staff. Annex III-D1 is a sample of this memorandum.

ANNEX III-D1

SAMPLE MEMORANDUM

Date: _____

TO : ALL PERSONNEL
FR : THE PRESIDENT/MANAGER
RE : THE MABS PROGRAM

Our bank (RB _____) qualified and has been chosen as a participating bank for the MABS (Microenterprise Access to Banking Services) Program, a bilateral program of the USAID, the OPMIn, RBAP and its action arm, the RBRDFI. As a participating rural bank, we shall be a recipient of intensive technical assistance and training in microfinance and deposit mobilization, not to mention other limited resource support.

In turn, our bank is committed to dedicate some of our resources, including but not limited to lending capital, time and effort. Mr./Ms. _____ has been designated as the bank's microfinance lead employee who will directly deal with MABS Technical Assistance Team in their frequent and regular consultation with us.

In line with this, everyone is enjoined to cooperate and support this activity which will greatly amplify the bank's commitment to provide better services to public.

For your information and compliance.

President/Manager

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Date: January 24, 2001

Chapter III: START-UP PHASE

Amends: December 17, 1999

**Section D: Developing the
Microfinance Loan
Product**

**Subject 2: Reviewing Microfinance
Loan Experiences**

1. As soon as it is organized, the product development team shall review the bank's microfinance experience, identify the bank's target microfinance market and provide recommendations.
2. **Reviewing the bank's microfinance experiences.** If the bank is already engaged in microfinancing, the team shall review the bank's previous and present experiences in this market by using the following guidelines below and the attached Profile of Loans Product pro-forma (Annex III-D2):
 - 2.1. What microfinance products does the bank have at present? (Examples, non-collateralized group loans, "palengke" loans or loans for market vendors, deposit product for schoolchildren, etc.) Identify key features of each product. These include the following:
 - (a) Loan and savings policies and procedures
 - (b) Eligibility criteria
 - (c) Loan terms and sizes
 - (d) Interest rates and other fees
 - (e) Penalties for late payments
 - (f) Savings requirements
 - (g) Amortization schedules
 - (h) Restructuring policies
 - (i) Application documents and procedures
 - (j) Loan review and approval process
 - (k) Disbursement procedures
 - (l) Collection process
 - 2.2. What market sectors are these products serving?
 - 2.3. How did these products perform in terms of profitability and outreach?
 - 2.4. If the product performance is poor/unsatisfactory, cite specific reasons for the poor performance.
 - 2.5. If the product performance went well, cite specific reasons for its good performance.

3. **Identify the bank's target market sectors.** Given the results of the market assessment and their own knowledge of the area, which sectors would be good targets for microfinance loans? The team should evaluate the statistical data generated by the market research to be able to provide recommendation for the development of a new loan product suitable to present market needs.
4. **Recommendation for product development.** After identifying the bank's microfinance target market, the team should brainstorm, envision, and determine product features that are appropriate for the target market.
5. The MABS team shall discuss with the bank's chief executive officer (CEO) the workshop outputs of the product development team, particularly the target sectors and product recommendations. If the CEO has other target sectors in mind, the MABS consultant will recommend that another market assessment should be conducted to determine its market potential.

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Date: January 25, 2001 **Chapter III: START-UP PHASE**

Amends: December 17, 1999 **Section D: Developing The Microfinance Loan Product**

Subject 3: Identifying the Appropriate Loan Product

1. To identify the appropriate loan product for microentrepreneurs, it is necessary for the bank to evaluate the characteristics of the borrower's business and household, as well as his/her needs and preferences. The results of the market survey and the review of the present and previous experiences of the bank are designed to help the bank in planning the loan product.
2. In identifying the appropriate loan product, the bank should keep in mind three major considerations:
 - 3.1. *Analysis of Borrower's Cashflow.*
 - (1) The bank should identify the timing and quantity of expected cash inflows and outflows for certain major microenterprise sectors. *Cash inflows* refer to wages, salaries and revenues, loans and gifts; while *cash outflows* refer to business expenses, household purchases and loan repayments. Some businesses, for instance, make money only in certain months of the year, while some incur a daily turn-over of cash.
 - (2) Loan should match existing cash patterns to ensure repayment without undue hardship to the borrower. In identifying a loan product, the terms and frequency of loan payment should match the cash pattern of the target clients.
 - (3) Most importantly, the bank should look for the *net cash flow*. This refers to the funds available both to repay the loan and to reinvest in the business or household.
 - 3.2. *Borrower's Debt Capacity.* This refers to the amount of additional debt a client can take on without running the risk of inadequate cashflow and consequent loan default. The bank must consider debt capacity more than "credit need":
 - (1) The bank should not assume that the need for credit and the ability to repay debt are equal. This means that the credit evaluation should emphasize the capacity of the client to pay the loan, rather than the amount of loan he/she is applying for.

- (2) An allowance should be made for the risk associated with the net cash flow including the potential adverse conditions affecting the microenterprises and other claims that may come before repayment to the rural bank. Banana chip producers, for instance, depend on the extra supply of bananas. If the supply goes down, the banana chip producers become affected. Thus, there should be an allowance for this type of microenterprise activity.

3.3 *Loan Purpose.* Loans can be for working capital or to purchase a fixed asset. It is recommended that initial loans to new clients be the working capital loans for periods not to exceed six months. After the clients have established their debt capacity and relationship with the bank, loan terms can be extended to allow for fixed asset lending for periods up to twelve months.

- (1) Loans for working capital are utilized for current expenditures that occur in the normal course of the business. For this type of loan, the bank should match loan terms to *cash-to-cash* gap (typical range: 2-6 months).
- (2) Loans for purchasing fixed assets are meant for the purchase of assets that are used over time in the business. This type of loan requires a longer term based on the assumption that the asset generates income overtime.

Note: The bank must ensure the borrower's capacity for repayment regardless of the purpose of the loan.

4. Having studied the considerations enumerated above, the bank's product development team can identify the microfinance loan product suitable to their target clients.

5. MABS recommends the following questions as a guideline for conceptualizing the microfinance loan products for their target clients:

- 5.1 What is the name of the loan product?
- 5.2 Who are the target clients or potential users of the product? How many of them are there?
- 5.3 Is the product really needed by the target clients? What specific benefits will they get by using the product?
- 5.4 How will the product benefit the target clients? What specific benefits will they get by using the product?
- 5.5 What are the features of the product? (See Subject 4)
- 5.6 Will the product be affordable to the target clients? What is the product cost?
- 5.7 Will the product be easily accessible to the target clients?
- 5.8 Will the target clients value the product? How is the product different from or superior to similar products offered by others?
- 5.9 How will the product be promoted/advertised? What will be the message that is emphasized?
- 5.10 Will the bank benefit from the product? How?
- 5.11 What are the risks or problems expected in offering the product to the target clients? How can these risks or problems be minimized or mitigated?

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Amends: December 17, 1999 **Section D: Developing the Microfinance Loan Product**

Subject 4: Determining the Features of the Loan Product

1. Having conceptualized the appropriate microfinance loan product, the bank can then determine the specific features of the products. This section intends to help the bank design the features of the microfinance loan product.
2. The product development team is expected to develop a “product concept paper” with the assistance of MABS. This concept paper will be the basis for the operations manual that the bank and MABS will develop to guide the microfinance unit (MFU).
3. The following are the features of the loan product:
 - 3.1 **Loan Amount.** The loan amount should reflect the debt capacity of the borrower. Borrowers often ask for larger amounts than they need and can afford. Thus, the bank should analyze the client and his/her business to make sure that the amount lent is appropriate. This also means that the bank should not finance 100% of the microenterprise activity. The bank should only increase subsequent loan amounts only after successful repayments of previous loans and only when the increase is based on the borrower’s repayment capacity. In this way, the borrower is rewarded for being a “good client” with a good credit history.
 - 3.2 **Loan Term.** The term of the loan product needs to be tailored to the microenterprise’s cash flow patterns or business cycle. This allows the client to have enough income both for loan repayment and profit.
 - 3.3 **Schedule of Payment.** Schedule of loan payment is usually “daily”, “weekly”, or “monthly”. The bank should assess the costs and risks of repayment schedule. For example daily repayment increases the transaction costs of the bank, weekly or monthly repayment increases the risk of default by allowing the client to have the chance and the time to use their money for other purposes. The bank should be able to establish a schedule of payment that is appropriate to the target clients cashflow.
 - 3.4 **Loan Collateral Alternatives.** In lieu of assets of equal value, microfinance loans can be collateralized through alternative methods, such as personal guarantees or co-makers, contractual savings, and/or chattel mortgages. Another effective guarantee mechanism is the use of the Security Agreement (SA). This is a written understanding between the bank and the borrower that the borrower

will offer a number of items (depending on the loan amount) on the agreement as a security for the payment of the loan. This entitles the creditor to confiscate the items listed in the SA should the borrower default in his/her payments as set forth in the Promissory Note.

- 3.5 **Loan Collateral Substitutes.** If no collateral is available to secure the loan, intangible substitutes can be arranged. MABS recommends the following collateral substitutes which have been proven effective by microfinance institutions around the world: character-based lending, group guarantee, risk of being blacklisted, risk of public embarrassment, frequent visits by credit officer.
 - 3.6 **Loan Pricing.** The bank should price loans to ensure loan revenue covers all costs, plus a profit. Revenue generated by the microfinance loan includes interests and service fees. Costs incurred include financing costs, operating costs, and loan loss provisions.
 - 3.8 **Repayment Incentives.** Successful loan design encourages the client to repay on time. Examples of repayment incentives include the promise of another larger loan, rebates/discounts, streamlined loan processing.
 - 3.9 **Delinquency Management.** Delinquent loans result in direct costs to the bank in lost income and capital, and increased operating costs. Begin with premise that no level of late payment is acceptable. Develop a “zero tolerance” policy regarding how bank deals with late payments, document exactly what steps are taken, when and in what sequence, and create accountability amongst staff.
4. In summary, microfinance loan products must be designed with the following objectives in mind:
 - 4.1. To respond effectively to the demand and preferences of the clients;
 - 4.2. To be simple and easily understood by the clients and easily managed by the bank;
 - 4.3. To be cost efficient both for the institution and for the client;
 - 4.4. To generate enough revenue to cover costs and provide for profit;
 - 4.5. To ensure that clients are motivated to repay loans and become repeat customers; and
 - 4.6. To ensure that all risks to the bank are reduced as much as possible.
 5. Once the micro-loan product is designed, the bank must ensure that all systems are in place to administer and manage the loan. Further enhancements can be made after the bank has pilot tested the loan product to the target market.
 6. Attached are Annex III-D4-A1: Microfinance Loan Product Concept Paper; and Annex III-D4-A2: Sample Microfinance Loan Concept Paper.

ANNEX III-D4-A1

MICROFINANCE LOAN PRODUCT CONCEPT PAPER

Outline

1. Name of Bank:

2. Name of the Product:

3. Brief Description of the Product:

This section should describe what the product is, who the target clients are, and how the product will benefit the target clients and the bank. It should also describe how the product is different from the bank's other products, and how it is different from or superior to similar products offered by other financial institutions in the bank's service area.

4. Product Features

This section should describe the specific features of the product.

- 4.1 Client eligibility criteria
- 4.2 Specific purpose of loans/type and amount of benefits
- 4.3 Size of loans/required deposits
- 4.4 Term of loan/deposit
- 4.5 Interest rate
- 4.6 Mode of loan repayment/frequency of deposits
- 4.7 Collateral requirement/other conditions
- 4.8 Incentives and penalties

5. Product Delivery System

This section should, in general terms, describe how the loan or deposit products will be made available to and recovered from the target clients. This will include a brief description of the client selection procedure, and the lending and collection procedures.

6. Product Marketing and Promotion Schemes

This section should describe the strategies for promoting the product among the target clients, if appropriate (e.g., streamers, brochures, posters, print and media advertisements, special events).

7. Bank Cost and Benefits

This section should provide a rough estimate of the size of the investment required in developing, market-testing and launching the product. It should specify the types of costs that will be incurred, as well as the benefits that will be generated, by the bank. A simple analysis will be done to indicate the product's break-even volume and price, using the bank's present product pricing and costs structure, as well as the pay-back period for the bank.

8. Problems and Risks

This section should describe the problems and risks that may be expected to be met by the bank during the development, market-testing and launching of the product, and the appropriate measures to be taken to minimize, if not avoid, the effects of these problems or risks.

ANNEX III-D4-A2

MICROFINANCE LOAN PRODUCT

Concept Paper

1. **NAME OF BANK:** Rural Bank of _____, Inc.
2. **NAME OF PRODUCT:** SIKAP Loan Product
3. **BRIEF DESCRIPTION OF THE PRODUCT:**

The SIKAP loan product is designed for microentrepreneurs who generate regular daily or weekly sales such as sari-sari store owners, public market stallholders, repair shops, and home-based manufacturing activities. The product will enable these microentrepreneurs to access low-cost working capital loans (compare with the rate of five-sixers), expand their present business activities, and thereby increase their incomes.

The product will likewise benefit the bank by expanding its market base for both loans and deposits. Based on the market survey done jointly by the bank and MABS earlier, it is estimated that a total of about 4,000 microenterprises of various types currently operate in the municipality.

Except for a number of informal moneylenders, no other bank in the municipality is providing financial services to this sector.

4. **PRODUCT FEATURES**

4.1. **Client Eligibility Criteria**

Applicant-borrowers who satisfy the following criteria are eligible to borrow from the bank:

- (a) has a duly registered microenterprise that generate regular daily or weekly sales and has been operating for at least 2 years;
- (b) resident of _____ for at least two years;
- (c) at least 21 years old but not older than 55;
- (d) preferably, has a deposit account in the bank; and
- (e) has attended the half-day client orientation

Applicant-borrowers with existing past due loan accounts with the bank either personally or as a co-maker are disqualified.

4.2. **Specific Purpose of Loan**

The specific purpose of this credit product is to finance the additional capital requirements of storeowners and market stall-holders.

4.3. **Size of Loans**

Eligible applicants may avail of loans ranging from a minimum of P2,000 to a maximum of P25,000. Repeat loans may be granted with a maximum increment of 25% depending on the borrower's repayment capacity as determined by the account officers and subject to approval by the credit committee.

4.4. **Term of Loan**

Minimum loan term shall be 30 days; maximum loan term shall be 90 days.

4.5. **Interest Rate and Other Charges**

Interest rate will be computed at 3% per month, and amortized over the term of the loan. Service fee will be 3% and deducted upon release of the loan. Other charges to be deducted from the loan are compulsory savings deposit (5%), credit insurance premium and documentary stamps using the present rates of the bank.

4.6. **Mode of Loan Repayment**

Loan repayments will be scheduled on a daily or weekly basis, depending on the cashflow of the client.

4.7. **Collateral Requirements/Other Conditions**

Loans under this product shall be secured by the following:

- (a) 2 Co-makers
- (b) Credit Insurance Coverage
- (c) Security Agreement
- (d) Deed of Assignment of Bank Deposit

4.8. **Incentives/Penalties**

- (a) *Perfect repayment*: eligible for a bigger loan up to 25% over the borrowers previous loan depending on his/her debt repayment capacity.
- (b) *0 to 5 delayed payments*: can avail of a repeat loan but no bigger than the borrower's last loan
- (c) *More than 5 delayed payments*: ineligible for repeat loans

5. **PRODUCT DELIVERY SYSTEM**

5.1. **Client Selection**

Priority borrowers will be those microentrepreneurs who are present depositors of the bank. Client expansion will depend on the number of people recommended by these priority borrowers.

5.2. **Lending Procedure**

After client selection, emphasis will be on client orientation, thorough character and credit investigation, a detailed examination of the borrower's business and household cashflow and debt repayment capacity, and the creation of a SIKAP credit committee to evaluate all SIKAP loan applications.

5.3. **Collection Procedure**

The account officers will pick up loan repayments at the client's place of business on a daily or weekly basis, depending on the agreed loan amortization schedule.

6. **PRODUCT MARKETING AND PROMOTION SCHEMES**

The loan product will not be difficult to promote. Through word-of-mouth, especially when the account officers make their collection visits, the target sector will know about the product.

7. **BANK COSTS AND BENEFITS**

The bank will need at least two full-time account officers and a supervisor to oversee the bank's microfinance unit. In addition, a computer-based MIS will also be needed to provide critical information on the status of loans on a daily basis. A loan fund, of at least P500,000 should also be set aside for the six-month product-testing period.

Profitability projections for the SIKAP loan product is yet to be prepared. The experiences of other MABS participant banks offering a similar type of product, however, suggest that it is possible for the bank to start generating profit on its SIKAP loans within twelve months.

8. **PROBLEMS AND RISKS**

The major problems and risks of the product are all to the non-repayment of loans. The product will be designed to take into account factors beyond the control of the bank and the borrowers (natural and man-made calamities). In addition, a culture of strong credit discipline will be promoted within the bank and among the clients, along with the installation of a good loan monitoring system, to prevent serious loan delinquency problems.

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 25, 2001

Chapter III: START-UP PHASE

Amends: March 20, 2000

Section E: Preparing the Business Plan

**Subject 1: Purpose and Format of the
Business Planning Model**

1. After the initial product development, it is necessary to create a business plan to determine the potential profitability of the loan product. MABS has developed a business planning model in Excel that allows the banks to project future income and cash flows for a 24-month period.
2. There are two uses of the business planning model: (a) to project future income and cashflows for a new loan product; and (b) to project future income and cashflows for an existing loan product. If the bank is developing a completely new product, it would use the business planning model to project future income and cash flows to determine when a break-even point would be reached, when funding requirements will develop, and what staff resources and capital expenditures need to be made. The model also aids in determining if the loan pricing is adequate given the expected volume of loans and projected expenses.
3. For banks that are enhance an existing product, the business planning model can be used to project the income and cashflow stream of an existing portfolio as well as future loan disbursements and capital expenditures.
4. The model can be also used to complete sensitivity analyses with different pricing of loans, different volumes of clients per credit officer, different loan sizes and terms, etc.
5. The following are annexes the annexes to this subject:

Annex III-E1-A1	Instructional Guideline: Business Planning Template
Annex III-E1-A2	Sample Business Plan
Annex III-E1-A3	Instruction for Worksheet "Existing Loans; and
Annex III-E1-A4	Worksheet for Existing Loan Product.

ANNEX III-E1-A1

BUSINESS PLANNING TEMPLATE

Instructional Guide

Introduction

This template is easy to use. All you have to do is to provide the inputs, and it automatically creates the projected income statements, statements of condition, statements of cash receipts and disbursements, and computes future performance ratios. You can even do several scenarios just by making adjustments to the input variables.

- ∄ The template runs on Microsoft Excel .
- ∄ The maximum projection period is 18 months.
- ∄ Input cells have figures in blue color. You could change these figures to suit your situation and plan. The rest of the cells are “protected cells” that is, they cannot be changed.
- ∄ The template is divided into worksheets for easy navigating. You can move between worksheets by mouse-clicking on the following worksheet tabs:
 1. Loans
 2. Staffing
 3. Deposits
 4. Fixed Assets
 5. Cashflows
 6. Income Statements
 7. Balance Sheets
 8. Ratios

I. LOANS

Click on the worksheet tab labeled “LOANS”. Go to the top of this worksheet.

♥ Step 1

Replace the phrase in blue “XYZ RURAL BANK” with the name of your bank.

A. **Loan Release**

♥ Step 2

If necessary, replace the months indicated in cells F8 to W8.

♥ Step 3

Input the average loan sizes in cells C9 to C20 based on a step-up system. Match these with the terms provided in cells E9 to E20.

♥ Step 4

Input the number of loan releases for new clients for each month in cells F9 to W20. Do not include repeat loans because these are automatically computed, using the step-up method. That is, clients that finish their 1st loans would move on to the next higher loan amount in the 2nd loan, and so forth.

B. **Number of Clients**

♥ Step 5

Provide an estimate of your client’s retention rate. For example, a retention rate of 80% in the 1st loan cycle means that 80% of those who received a 1st loan will proceed to the 2nd loan or cycle. Input these percentages according to your estimates in cells C28 to C36. Then, the template automatically computes for the number of active clients and number of loans disbursed each month.

C. **Loan Loss Reserve**

♥ Step 6

Provide the loan loss reserve as a percentage of loans receivable (cell F46). This figure will be used throughout the months.

D. **Interest Income**

♥ Step 7

Input the annual (not monthly) nominal interest rate in cell F64.. This will be used to compute interest income on an add-on, flat basis. Also, indicate whether interest income is add-on (“A”) or discounted (“D”) in cell D67.

E. Service Fee Income

♥ Step 8

There are two (2) options. One is based on a percentage of loan release that is deducted from the loan proceeds (cell F77).

The other option is based on a fixed amount per loan disbursed that is also deducted from the loan proceeds(cell F80).

You cannot use both options simultaneously.

F. Penalty Fee Income

♥ Step 9

This is an optional item in the template. It is useful if you expect that a significant number of loan amortizations will be delayed.

A penalty rate per day can be provided as a percentage of the late principal payment (cell F90).

Cell F92 is also available for the average number of days the late payment is delayed. For example, a 3 means that those missed payments would be delayed for 3 days, on the average.

Not all collections due (principal, interest, penalty) may be collected on time. You may input the collection rate which reflects your expectations in cell F97.

G. Credit Insurance

♥ Step 10

You may charge an insurance fee on loans.

There are two (2) options. One is based on a percentage of loan release that is deducted from the loan proceeds (cell F103).

The other option is based on a fixed amount per loan disbursed that is also deducted from the loan proceeds(cell F106).

You cannot use both options simultaneously.

H. Transportation Expense

♥ Step 11

Estimate the amount of money that one (1) microfinance field staff/account officer/collector spends for transportation each day. Provide you input in cell F116.

I. Communications Expense

♥ Step 12

This is the estimated monthly communications expense (telephone, radio, postage, etc.) that are directly related to the microfinance unit of the bank. Input the figures for each month in cells F124 to W124.

J. Other Expenses

♥ Step 13

These include all other direct expenses such as office supplies, legal fees, repairs, advertising, etc.). Provide estimates for each month in cells F132 to W132.

K. Gross Receipts Tax

♥ Step 14

This is percentage of gross financial income. Input the appropriate tax rate in cell F139.

II. STAFFING

Click on the worksheet tab labeled “STAFFING”. Go to the top of this worksheet.

A. Staff hires/Movements (individuals)

♥ Step 1

Some of the staff positions have been pre-defined. However, you may increase the positions by modifying those colored blue in cells B11 to B15.

♥ Step 2

Input the number of individuals to be hired at the planned month in cells F8 to W15. If new staff will be added, input a positive number in the corresponding month.

B. Position and Salaries per month

♥ Step 3

Input the average monthly salary for each staff position in cells F20 to F27. Do not include the 13th month mandatory salary, because this will be automatically computed.

♥ Step 4

Some staff are expected to spend full-time into microfinance, some are not. Program Allocation (cells G20 to G27) allows estimates for each position. For example, 100% means that the staff spends full-time into microfinance. Input your estimates.

♥ Step 5

You may provide a future salary increase as a percentage over the given salary rate. This may be inputted under “Inflation p.a.” in cells I20 to I27.

C. Other Compensation

♥ Step 6

Input the estimated staff benefits as a percentage of salaries in cell F34.

♥ Step 7

Input the estimated performance incentives, if any, as a percentage of salaries in cell F35.

D. Grant-based Salaries

There is a need to identify those salaries that are covered by a grant, particularly because they directly affect income and cashflows differently from salaries that are not paid from a grant.

♥ Step 8

Input the amount of salaries covered by grant in cell F44 and cell R44.

♥ Step 9

There is a provision for other grant-based salaries aside from those directly working in the bank. These may take the form of a consultant or others. Input the corresponding amount, if any, in cells F45 and F46.

III. DEPOSITS

Click on the worksheet tab labeled “DEPOSITS”. Go to the top of this worksheet.

A. Compensating Deposit

This refers to the deposit attached to the loan product. It is also known as guarantee deposit, compulsory savings, hold-out deposit, forced savings, etc.

♥ Step 1

Input the initial deposit as a percentage of loans disbursed in cell F9. For example, 5% means that for a P100 loan, five pesos is deducted from the loan proceeds and placed into the client’s deposit account.

♥ Step 2

Normally, compensating deposits are built-up during the term of the loan. Input this build-up as a percentage of loan collection in cell F11. For example, a 10% means that for every P100 collection, ten pesos is set aside and placed into the client’s deposit account.

♥ Step 3

While compensating deposits are not normally withdrawn, the template provides an option for withdrawals on month end balances. Input this as a percentage, if any, in cell G12.

B. Voluntary Deposit

This is a purely voluntary deposit product. It is not directly attached to the loan, and is usually not subject to restrictions on withdrawals, in the same way as the compensating deposit.

♥ Step 4

Input the estimated average balance per depositor in cell F23.

♥ Step 5

Input the number of new depositors expected for each month in cells F24 to W24.

♥ Step 6

Provide an estimate on the growth rate of the average deposit balance per month, in cells G25 to W25.

♥ Step 7

If any, input in cells G26 to W26 the estimated drop-out rate in the number of depositors at the end of each month. This may occur due to closing of deposit accounts.

♥ Step 8

Input the estimated withdrawal rate at the end of each month, in cells G27 to W27.

C. Interest on Deposits

♥ Step 9

Provide the interest rate per annum on both the compensating (cell F52) and voluntary deposits (cell F53).

D. PDIC

♥ Step 10

A percentage of the deposit is used to estimate the expense on insurance (Philippine Deposit Insurance Corporation). Input this figure in cell F64.

E. Reserve Assets

♥ Step 11

Reserves on deposits are provided at levels depending on your bank's liquidity preferences. Input these percentages in cells F74 to F76, and F78.

F. Income from Reserves

♥ Step 12

Deposit reserves earn interest income. Input the annual interest rates (net of the gross receipts tax) in cells F94 and F95.

G. Cash in Banks

♥ Step 13

Another provision is available for additional liquidity. This is deposited in other banks. Input this figure as a percentage of deposits, in cell F107.

H. Income from Cash in Banks

Cash deposited in other banks earn interest income. Input the annual interest rate in cell F111.

IV. FIXED ASSETS

Click on the worksheet tab labeled “FIXED ASSETS”. Go to the top of this worksheet.

Fixed assets acquired for use by the microfinance unit are classified into two categories: (1) those acquired as a grant or donation, and (2) those acquired through regular purchase using own bank funds.

These are treated separately because they affect the income and cashflows differently.

A. Acquired as Grant/Donation

♥ Step 1

Some of the equipment are listed but you may replace those in blue color (cells B13 to B17).

♥ Step 2

Input the number of units under the corresponding month that these equipment are expected, in cells F10 to W17.

B. Acquired from Regular Purchase

♥ Step 3

Input the number of units under the corresponding month that these equipment will be purchased, in cells F22 to W29.

C. Costing and Useful Life

♥ Step 4

In cells F46 to F53, provide the “Acquisition Unit Cost” for each item.

♥ Step 5

It is possible that some of the items are being shared by other units of the bank with the microfinance unit. In this case, you could allocate only a portion of the cost to the microfinance unit. Input this estimate under “Program Allocation” in cells G46 to G53.

♥ Step 6

An option for a price increase or inflation after 12 months is provided. Input your estimated percentage in cells I46 to I53.

♥ Step 7

These fixed assets will be depreciated over their useful lives, using a straight-line method. Provide the life in number of years in cells J46 to J53.

V. CASHFLOWS

Click on the worksheet tab labeled “CASHFLOWS”. Go to Row 41 “Cash Surplus / Deficiency.”

A positive figure in any of cells F41 to W41 indicates a cash surplus, while a negative figure indicates a deficiency. A deficiency suggests that additional funds will be needed.

Due to H.O.

It is assumed that funds to cover for cash deficiencies of the microfinance unit will be provided directly by the head office (H.O.). In effect, these funds become a liability of the microfinance unit to H.O. and have to be paid back with interest, as if the microfinance unit had borrowed.

♥ Step 1

Make an estimate of the annualized composite cost of these funds that the H.O. will “charge” the microfinance unit. Input these in cells F49 to W49, “Interest Rate p.a.”

♥ Step 2

These funds will be paid back to H.O. These payments may be spread over a period of months. Choose 6, 12, 18, or 24 months for cells F48 to W48.

♥ Step 3

While watching the level of cash deficiency in cells F41 to W41, input the amount of funds needed from H.O. in cells F47 to W47. Do this starting Month 1, Month 2, and so forth. The cash level in row 41 should be a surplus. If not, keep on changing the figures for each month until an acceptable cash surplus shows in cells F41 to W41.

CONGRATULATIONS! You have just finished inputting all the data that the template needs. The “Statements of Cash Receipts and Disbursements” is ready.

VI. INCOME STATEMENTS

Click on the worksheet tab labeled “INCOME STATEMENTS”. Go to the top of this worksheet.

You do not have to input anything here. This is an output of the template that shows you the monthly level of income and expenses of the microfinance unit.

It also indicates the month when the unit starts making positive income. This is shown in “Net Income before Grants” (cells F42 to W42) and “Net Income before Income Tax (cells F44 to W44).

The “Cumulative Net Income” (cells F45 to W45) suggests the month when the microfinance unit breaks-even. This is the month when the number is positive.

If you are not satisfied with the income results, you may go back to any of the preceding worksheets to make your input adjustments. If you do make any adjustments, you have to go back to the “CASHFLOW” worksheet to check the cash surplus/deficiency levels. You may have to redo the steps enumerated in “CASHFLOWS.”

VII. BALANCE SHEETS

Click on the worksheet tab labeled “BALANCE SHEETS”. Go to the top of this worksheet.

You do not have to input anything here. Also known as the “Statement of Condition”, this is an output of the template that shows you a snap-shot or financial condition of the microfinance unit at the end of each month.

If you are not satisfied with the figures, you may go back to any of the preceding worksheets to make your input adjustments. If you do make any adjustments, you have to go back to the “CASHFLOW” worksheet to check the cash surplus/deficiency levels. You may have to redo the steps enumerated in “CASHFLOWS.”

VIII. RATIOS

Finally, if you want to measure the performance of the microfinance unit, the template provides you with the most commonly used ratios involving:

- A. Growth
- B. Operating Efficiency
- C. Portfolio Quality
- D. Liquidity
- E. Profitability
- F. Capital Adequacy / Leverage

Again, if you are not satisfied with the results, you may go back to any of the preceding worksheets to make your input adjustments.

When finished, you may save you work using a unique file name. By the way, unless your diskette can accommodate more than 1.44 MB, you will not be able to save the file on regular diskettes. Alternatively, you can save on the hard disk or save the file in compressed format.

ANNEX III-E1-A2

Rural Bank of XYZ, Inc.
Microfinance Unit

PERFORMANCE INDICATORS	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00
Operating Efficiency												
1. Cost per Unit of Money Lent: $\frac{\text{Total Operating Expenses}}{\text{Total Loan Amt. Released}}$	n/a	n/a	0.22	0.12	0.14	0.09	0.08	0.07	0.06	0.05	0.05	0.05
2. Cost per Active Client: $\frac{\text{Total Operating Expenses}}{\text{Total \# Active Clients}}$	n/a	n/a	1,124.14	643.70	521.77	428.20	330.54	257.82	216.24	192.23	170.89	154.10
3. Operating Cost Ratio: $\frac{\text{Cumulative Operating Expenses}}{\text{Ave. Performing Assets}}$	n/a	n/a	0.22	0.05	0.04	0.04	0.04	0.04	0.03	0.03	0.03	0.03
4. Portfolio per Micro Staff: ('000s) $\frac{\text{Net Loans Outstanding}}{\text{Total \# Micro Staff}}$	0	0	37	98	136	198	188	248	315	391	437	452
5. # Active Clients per Micro Staff: $\frac{\text{Total \# Active Clients}}{\text{Total \# Micro Staff}}$	0	0	10	18	26	33	34	45	55	64	73	81
6. Net Financial Margin per Micro Staff: ('000s) $\frac{\text{Net Financial Margin}}{\text{Total \# Micro Staff}}$	(0)	(0)	2	5	6	9	9	12	15	18	20	23
7. Net Income (before Grants) per Micro Staff: ('000s) $\frac{\text{Net Income before Grants}}{\text{Total \# Micro Staff}}$	(11)	(11)	(9)	(7)	(7)	(5)	(2)	1	3	6	9	11
8. Loans Released per Micro Staff: ('000s) $\frac{\text{Total Amt. Loans Released}}{\text{Total \# Micro Staff}}$	0	0	50	98	98	147	140	180	213	253	253	253
Portfolio Quality												
Reserve Ratio: $\frac{\text{Loan Loss Provision}}{\text{Loans Outstanding}}$	n/a	n/a	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Liquidity												
1. Current Ratio: $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	n/a	5.31	28.12	65.69	43.86	35.83	29.87	25.41	22.76	20.90	18.46	15.83
2. Deposit to Loan Ratio: $\frac{\text{Deposit Balance}}{\text{Loans Outstanding}}$	n/a	#DIV/0!	0.23	0.20	0.23	0.25	0.27	0.30	0.32	0.34	0.38	0.45
Profitability												
1. Financial Margin: $\frac{\text{Net Financial Margin}}{\text{Total Financial Income}}$	n/a	-35611%	58%	65%	71%	70%	72%	75%	75%	75%	78%	81%
2. Ave. Cost of Funds (annualized) (Interest on Deposits + Interest on Borrowings) (Ave. Deposits + Ave. Borrowings)		16.1%	20.3%	17.1%	14.9%	15.7%	15.3%	14.9%	15.0%	14.8%	14.4%	14.2%
Capital Adequacy/Leverage												
1. Net Worth to Asset Ratio: $\frac{\text{Total Net Worth}}{\text{Total Assets}}$	(3.77)	(3.86)	(0.40)	0.40	0.33	0.26	0.21	0.18	0.17	0.16	0.17	0.19
2. Net Worth to Risk Assets Ratio: $\frac{\text{Total Net Worth}}{\text{Risk Assets}}$	n/a	n/a	(0.44)	0.83	0.58	0.40	0.29	0.23	0.21	0.19	0.20	0.22

Rural Bank of XYZ, Inc.
Microfinance Unit

PERFORMANCE INDICATORS	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01
Operating Efficiency												
1. Cost per Unit of Money Lent: <u>Total Operating Expenses</u> Total Loan Amt. Released	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.03	0.04	0.03
2. Cost per Active Client: <u>Total Operating Expenses</u> Total # Active Clients	158.64	147.70	138.26	130.03	125.32	121.29	127.71	123.82	116.65	113.61	108.89	105.88
3. Operating Cost Ratio: <u>Cumulative Operating Expenses</u> Ave. Performing Assets	0.03	0.03	0.03	0.03	0.03	0.04	0.04	0.04	0.04	0.04	0.04	0.04
4. Portfolio per Micro Staff: ('000s) <u>Net Loans Outstanding</u> Total # Micro Staff	529	581	609	611	647	694	552	575	582	620	641	663
5. # Active Clients per Micro Staff: <u>Total # Active Clients</u> Total # Micro Staff	88	95	102	109	115	121	98	105	112	118	124	129
6. Net Financial Margin per Micro Staff: ('000s) <u>Net Financial Margin</u> Total # Micro Staff	26	27	29	31	32	34	28	30	32	35	37	40
7. Net Income (before Grants) per Micro Staff: ('000s) <u>Net Income before Grants</u> Total # Micro Staff	13	14	16	18	19	21	16	18	20	23	25	27
8. Loans Released per Micro Staff: ('000s) <u>Total Amt. Loans Released</u> Total # Micro Staff	330	330	330	330	371	401	320	338	338	385	385	406
Portfolio Quality												
Reserve Ratio: <u>Loan Loss Provision</u> Loans Outstanding	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Liquidity												
1. Current Ratio: <u>Current Assets</u> Current Liabilities	15.14	14.15	12.91	11.93	11.28	10.72	10.39	10.13	9.82	9.71	9.68	9.60
2. Deposit to Loan Ratio: <u>Deposit Balance</u> Loans Outstanding	0.46	0.49	0.54	0.61	0.65	0.68	0.70	0.74	0.80	0.81	0.85	0.89
Profitability												
1. Financial Margin: <u>Net Financial Margin</u> Total Financial Income	78%	79%	81%	84%	83%	84%	86%	88%	90%	90%	92%	92%
2. Ave. Cost of Funds (annualized) (Interest on Deposits + Interest on Borrowings) (Ave. Deposits + Ave. Borrowings)	14.8%	14.4%	13.8%	12.9%	12.3%	11.4%	10.5%	9.3%	8.1%	7.0%	6.4%	6.4%
Capital Adequacy/Leverage												
1. Net Worth to Asset Ratio: <u>Total Net Worth</u> Total Assets	0.19	0.20	0.21	0.23	0.24	0.26	0.27	0.28	0.29	0.30	0.31	0.32
2. Net Worth to Risk Assets Ratio: <u>Total Net Worth</u> Risk Assets	0.22	0.22	0.24	0.27	0.29	0.30	0.32	0.34	0.37	0.39	0.42	0.45

Rural Bank of XYZ, Inc.
Microfinance Unit

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00
Cash, Beginning Balance		1,180	3,782	4,022	3,589	3,403	2,836	5,633	2,266	5,353	3,993	5,507
Cash Receipts												
Loan Collection	0	0	23,750	71,488	119,474	167,830	246,248	354,669	432,923	525,502	618,798	712,129
Interest Income on Loans	0	0	1,425	4,289	7,168	10,070	14,775	21,280	26,450	32,979	39,575	46,175
Penalty Fee on Loans	0	0	0	8	23	38	53	78	112	137	166	195
Interest Income on BSP Reserves and Cash in Banks	0	1	3	7	11	17	27	39	53	70	88	107
Deposits	0	6,580	11,107	18,272	23,940	34,668	55,842	74,427	90,751	109,262	128,760	149,352
Total	0	6,581	36,284	94,063	150,616	212,623	316,944	450,492	550,290	667,950	787,387	907,958
Cash Disbursements												
Loan Disbursements	0	0	89,700	175,812	175,812	263,270	375,395	483,035	572,735	680,375	680,375	680,375
Deposit Withdrawals	0	1,645	3,631	6,063	8,405	14,079	21,454	29,906	39,646	50,540	62,433	75,436
Purchases (Capital Expenditures)	2,000	0	0	0	0	0	0	0	0	0	0	0
Interest Expense - Deposits	0	0	47	118	217	343	532	796	1,118	1,492	1,911	2,361
Salaries and Benefits	10,220	10,220	10,220	10,220	10,220	10,220	14,420	14,420	14,420	14,420	14,420	14,420
Transportation	900	900	900	900	900	900	1,350	1,350	1,350	1,350	1,350	1,350
Communication	200	200	200	200	200	200	300	300	300	300	300	300
Gross Receipts Tax	0	0	0	0	0	0	0	0	0	0	0	0
PDIC	0	10	25	44	51	71	111	143	166	193	209	224
Insurance	0	0	300	588	588	881	1,256	1,616	1,916	2,276	2,276	2,276
Income Tax	0	0	0	0	0	0	0	0	0	0	0	0
Other Expenses	500	500	500	500	500	500	1,000	1,000	1,000	1,000	1,000	1,000
Total	13,820	13,485	105,523	194,445	196,893	290,463	415,816	532,565	632,650	751,945	764,273	777,740
Net Operating Cashflow	(13,820)	(5,724)	(65,456)	(96,361)	(42,689)	(74,437)	(96,036)	(76,440)	(80,094)	(78,642)	27,107	135,725
Less: BSP Reserves and Cash in Banks	0	494	1,248	2,201	2,533	3,526	5,531	7,145	8,303	9,665	10,425	11,184
Cashflow after BSP Reserves and CIB	(13,820)	(6,218)	(66,703)	(98,561)	(45,222)	(77,964)	(101,567)	(83,584)	(88,397)	(88,307)	16,682	124,541
Add: Due to H.O. Grants	15,000	10,000	75,000	105,000	70,000	115,000	130,000	140,000	165,000	155,000	90,000	0
Cash Balance before Debt Payment	1,180	3,782	8,297	6,439	24,778	37,036	28,433	56,416	76,603	66,693	106,682	124,541
Less: Payment to H.O. Principal	0	0	(3,750)	(2,500)	(18,750)	(30,000)	(20,000)	(47,500)	(62,500)	(55,000)	(88,750)	(101,250)
Interest	0	0	(525)	(350)	(2,625)	(4,200)	(2,800)	(6,650)	(8,750)	(7,700)	(12,425)	(14,175)
Cash Surplus / Deficiency	1,180	3,782	4,022	3,589	3,403	2,836	5,633	2,266	5,353	3,993	5,507	9,116

Instruction : To print the income statements, press Ctrl + c

Due to H.O.	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Amount of Loan	15,000	10,000	75,000	105,000	70,000	115,000	130,000	140,000	165,000	155,000	90,000	0
Term: (6,12,18,24 months)	12	12	12	12	12	12	12	12	12	12	12	12
Interest Rate p.a.	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
Payment: Quarterly												
Amount of Loan (cumulative)	15,000	25,000	100,000	205,000	275,000	390,000	520,000	660,000	825,000	980,000	1,070,000	1,070,000
Due to H.O., Beginning Balance	0	15,000	25,000	96,250	198,750	250,000	335,000	445,000	537,500	640,000	740,000	741,250
Add: New Loans	15,000	10,000	75,000	105,000	70,000	115,000	130,000	140,000	165,000	155,000	90,000	0
Due to H.O.	15,000	25,000	100,000	201,250	268,750	365,000	465,000	585,000	702,500	795,000	830,000	741,250
Less: Payment	0	0	3,750	2,500	18,750	30,000	20,000	47,500	62,500	55,000	88,750	101,250
Due to H.O., Ending Balance	15,000	25,000	96,250	198,750	250,000	335,000	445,000	537,500	640,000	740,000	741,250	640,000
Accrued Interest Payable, Beg.	0	175	467	1,108	3,150	3,733	4,083	7,350	8,400	9,275	13,008	13,067
Add: Current	175	292	1,167	2,392	3,208	4,550	6,067	7,700	9,625	11,433	12,483	12,483
Less: Payment	0	0	525	350	2,625	4,200	2,800	6,650	8,750	7,700	12,425	14,175
Accrued Interest Payable, End.	175	467	1,108	3,150	3,733	4,083	7,350	8,400	9,275	13,008	13,067	11,375

Rural Bank of XYZ, Inc.
Microfinance Unit

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01
Cash, Beginning Balance	9,116	2,452	5,513	4,542	96,055	114,476	67,655	5,315	94,357	231,235	292,771	470,288
Cash Receipts												
Loan Collection	753,213	828,100	904,678	981,340	1,004,965	1,059,979	1,148,626	1,256,054	1,324,126	1,379,660	1,452,500	1,536,595
Interest Income on Loans	48,358	52,172	56,067	59,967	60,162	61,454	65,153	69,998	74,857	78,798	84,338	91,206
Penalty Fee on Loans	225	238	262	286	310	317	335	363	397	418	436	459
Interest Income on BSP Reserves and Cash in Banks	128	150	173	197	222	246	271	298	325	353	382	412
Deposits	165,226	185,623	228,885	255,170	277,964	284,865	306,864	481,602	513,234	545,035	578,822	615,412
Total	967,150	1,066,283	1,190,065	1,296,960	1,343,623	1,406,862	1,521,249	1,808,314	1,912,938	2,004,265	2,116,477	2,244,083
Cash Disbursements												
Loan Disbursements	886,685	886,685	886,685	886,685	998,810	1,079,540	1,146,815	1,211,399	1,211,399	1,379,586	1,379,586	1,458,074
Deposit Withdrawals	90,149	105,711	144,020	165,077	188,239	205,834	223,972	393,223	423,578	455,505	487,953	521,722
Purchases (Capital Expenditures)	0	0	0	0	0	0	70,000	0	0	0	0	0
Interest Expense - Deposits	2,853	3,382	3,931	4,502	5,095	5,688	6,284	6,915	7,567	8,241	8,938	9,652
Salaries and Benefits	21,862	21,862	21,862	21,862	21,862	21,862	26,482	26,482	26,482	26,482	26,482	26,482
Transportation	1,350	1,350	1,350	1,350	1,350	1,350	1,800	1,800	1,800	1,800	1,800	1,800
Communication	400	400	400	400	400	400	500	500	500	500	500	500
Gross Receipts Tax	0	0	0	0	0	0	0	0	0	0	0	0
PDIC	249	259	269	279	291	278	294	312	314	333	336	350
Insurance	2,966	2,966	2,966	2,966	3,341	3,611	3,836	4,052	4,052	4,614	4,614	4,877
Income Tax	0	0	0	0	0	0	0	0	0	0	0	0
Other Expenses	1,500	1,500	1,500	1,500	1,500	1,500	2,000	2,000	2,000	2,000	2,000	2,000
Total	1,008,013	1,024,113	1,062,982	1,084,620	1,220,888	1,320,062	1,481,982	1,646,682	1,677,692	1,879,061	1,912,208	2,025,455
Net Operating Cashflow	(31,748)	44,622	132,596	216,882	218,791	201,276	106,922	166,947	329,603	356,439	497,040	688,915
Less: BSP Reserves and Cash in Banks	12,450	12,934	13,429	13,952	14,540	13,921	14,682	15,590	15,718	16,643	16,777	17,496
Cashflow after BSP Reserves and CIB	(44,198)	31,688	119,167	202,930	204,251	187,355	92,240	151,357	313,885	339,796	480,263	671,419
Add: Due to H.O. Grants	135,000	75,000	35,000	0	0	0	0	0	0	0	0	0
Cash Balance before Debt Payment	90,802	106,688	154,167	202,930	204,251	187,355	92,240	151,357	313,885	339,796	480,263	671,419
Less: Payment to H.O. Principal	(77,500)	(88,750)	(131,250)	(93,750)	(78,750)	(105,000)	(76,250)	(50,000)	(72,500)	(41,250)	(8,750)	(33,750)
Interest	(10,850)	(12,425)	(18,375)	(13,125)	(11,025)	(14,700)	(10,675)	(7,000)	(10,150)	(5,775)	(1,225)	(4,725)
Cash Surplus / Deficiency	2,452	5,513	4,542	96,055	114,476	67,655	5,315	94,357	231,235	292,771	470,288	632,944

Instruction : To print the income statements.

Due to H.O.	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Amount of Loan	135,000	75,000	35,000	0	0	0	0	0	0	0	0	0
Term: (6,12,18,24 months)	12	12	12	12	12	12	12	12	12	12	12	12
Interest Rate p.a.	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	0%	0%
Payment: Quarterly												
Amount of Loan (cumulative)	1,205,000	1,280,000	1,315,000	1,315,000	1,315,000	1,315,000	1,315,000	1,315,000	1,315,000	1,315,000	1,315,000	1,315,000
Due to H.O., Beginning Balance	640,000	697,500	683,750	587,500	493,750	415,000	310,000	233,750	183,750	111,250	70,000	61,250
Add: New Loans	135,000	75,000	35,000	0	0	0	0	0	0	0	0	0
Due to H.O.	775,000	772,500	718,750	587,500	493,750	415,000	310,000	233,750	183,750	111,250	70,000	61,250
Less: Payment	77,500	88,750	131,250	93,750	78,750	105,000	76,250	50,000	72,500	41,250	8,750	33,750
Due to H.O., Ending Balance	697,500	683,750	587,500	493,750	415,000	310,000	233,750	183,750	111,250	70,000	61,250	27,500
Accrued Interest Payable, Beg.	11,375	14,408	16,625	12,425	12,250	13,358	9,450	8,050	8,692	4,258	2,392	4,025
Add: Current	13,883	14,642	14,175	12,950	12,133	10,792	9,275	7,642	5,717	3,908	2,858	2,858
Less: Payment	10,850	12,425	18,375	13,125	11,025	14,700	10,675	7,000	10,150	5,775	1,225	4,725
Accrued Interest Payable, End.	14,408	16,625	12,425	12,250	13,358	9,450	8,050	8,692	4,258	2,392	4,025	2,158

Rural Bank of XYZ, Inc.
Microfinance Unit

STATEMENTS OF CONDITION	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00
Assets												
Cash												
Cash on Hand	1,180	3,782	4,022	3,589	3,403	2,836	5,633	2,266	5,353	3,993	5,507	9,116
Cash in Vault	0	99	348	788	1,295	2,000	3,107	4,536	6,196	8,129	10,214	12,451
Cash in Banks	0	247	871	1,971	3,238	5,001	7,767	11,339	15,490	20,323	25,535	31,127
BSP Reserves	0	148	522	1,183	1,943	3,001	4,660	6,803	9,294	12,194	15,321	18,676
Loans Receivable	0	0	76,250	200,763	277,288	402,958	575,210	759,042	964,619	1,197,616	1,337,318	1,383,689
Less: Loan Loss Reserve	0	0	(1,495)	(3,937)	(5,437)	(7,901)	(11,279)	(14,883)	(18,914)	(23,483)	(26,222)	(27,131)
Net Loans Receivable	0	0	74,755	196,826	271,851	395,057	563,932	744,159	945,705	1,174,134	1,311,096	1,356,558
Property and Equipment	2,000	2,000	2,000	200,500	200,500	200,500	200,500	200,500	200,500	200,500	200,500	200,500
Less: Accumulated Depreciation	0	(17)	(33)	(50)	(3,875)	(7,700)	(11,525)	(15,350)	(19,175)	(23,000)	(26,825)	(30,650)
Net Property and Equipment	2,000	1,983	1,967	200,450	196,625	192,800	188,975	185,150	181,325	177,500	173,675	169,850
Total Assets	3,180	6,259	82,484	404,806	478,355	600,695	774,073	954,252	1,163,363	1,396,272	1,541,349	1,597,778
Liabilities and Net Worth												
Liabilities												
Deposits												
Compensating Deposit	0	0	7,268	23,792	44,576	74,079	116,356	173,712	241,292	321,105	406,915	498,429
Voluntary Deposit	0	4,935	10,143	15,628	20,177	25,939	38,975	53,065	68,515	85,351	103,791	124,119
Total Deposits	0	4,935	17,411	39,420	64,754	100,018	155,331	226,777	309,808	406,455	510,707	622,548
Gross Receipts Tax Payable	0	0	321	1,026	1,874	3,111	4,896	7,307	10,225	13,771	17,646	21,851
Due to H.O.	15,000	25,000	96,250	198,750	250,000	335,000	445,000	537,500	640,000	740,000	741,250	640,000
Accrued Interest Payable	175	467	1,108	3,150	3,733	4,083	7,350	8,400	9,275	13,008	13,067	11,375
Income Tax Payable	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	15,175	30,402	115,090	242,345	320,361	442,213	612,578	779,984	969,308	1,173,234	1,282,669	1,295,773
Net Worth												
Shareholders Equity	0	0	0	0	0	0	0	0	0	0	0	302,005
Retained Surplus/(Deficit)												
Current Month	(11,995)	(12,148)	(8,463)	195,067	(4,468)	490	3,013	12,773	19,787	28,983	35,642	43,325
Cumulative	(11,995)	(24,143)	(32,606)	162,461	157,993	158,483	161,495	174,268	194,055	223,038	258,680	0
Total Net Worth	(11,995)	(24,143)	(32,606)	162,461	157,993	158,483	161,495	174,268	194,055	223,038	258,680	302,005
Total Liabilities and Net Worth	3,180	6,259	82,484	404,806	478,355	600,695	774,073	954,252	1,163,363	1,396,272	1,541,349	1,597,778

Rural Bank of XYZ, Inc.
Microfinance Unit

STATEMENTS OF CONDITION	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01
Assets												
Cash												
Cash on Hand	2,452	5,513	4,542	96,055	114,476	67,655	5,315	94,357	231,235	292,771	470,288	632,944
Cash in Vault	14,941	17,528	20,214	23,004	25,912	28,696	31,632	34,750	37,894	41,223	44,578	48,077
Cash in Banks	37,352	43,819	50,534	57,510	64,780	71,740	79,081	86,876	94,735	103,057	111,445	120,193
BSP Reserves	22,411	26,292	30,320	34,506	38,868	43,044	47,449	52,126	56,841	61,834	66,867	72,116
Loans Receivable	1,618,976	1,779,376	1,863,198	1,870,358	1,978,893	2,122,413	2,252,287	2,346,733	2,373,107	2,531,447	2,616,947	2,705,853
Less: Loan Loss Reserve	(31,745)	(34,890)	(36,533)	(36,674)	(38,802)	(41,616)	(44,162)	(46,014)	(46,532)	(49,636)	(51,313)	(53,056)
Net Loans Receivable	1,587,231	1,744,486	1,826,665	1,833,684	1,940,091	2,080,797	2,208,125	2,300,719	2,326,576	2,481,811	2,565,635	2,652,797
Property and Equipment	200,500	200,500	200,500	200,500	200,500	200,500	277,500	277,500	277,500	277,500	277,500	277,500
Less: Accumulated Depreciation	(34,475)	(38,300)	(42,125)	(45,950)	(49,775)	(53,600)	(57,425)	(62,533)	(67,642)	(72,750)	(77,858)	(82,967)
Net Property and Equipment	166,025	162,200	158,375	154,550	150,725	146,900	220,075	214,967	209,858	204,750	199,642	194,533
Total Assets	1,830,413	1,999,838	2,090,649	2,199,309	2,334,852	2,438,833	2,591,677	2,783,795	2,957,139	3,185,445	3,458,454	3,720,660
Liabilities and Net Worth												
Liabilities												
Deposits												
Compensating Deposit	600,618	705,568	813,318	923,737	1,036,954	1,154,416	1,278,802	1,411,615	1,545,082	1,686,728	1,829,131	1,977,666
Voluntary Deposit	146,432	170,820	197,360	226,459	258,642	280,386	302,817	325,907	349,621	374,406	399,772	426,202
Total Deposits	747,050	876,388	1,010,678	1,150,196	1,295,596	1,434,802	1,581,619	1,737,522	1,894,703	2,061,134	2,228,902	2,403,867
Gross Receipts Tax Payable	26,740	31,820	37,094	42,564	48,356	54,437	60,891	67,767	74,886	82,671	90,733	99,357
Due to H.O.	697,500	683,750	587,500	493,750	415,000	310,000	233,750	183,750	111,250	70,000	61,250	27,500
Accrued Interest Payable	14,408	16,625	12,425	12,250	13,358	9,450	8,050	8,692	4,258	2,392	4,025	2,158
Income Tax Payable	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	1,485,698	1,608,582	1,647,697	1,698,760	1,772,310	1,808,689	1,884,310	1,997,731	2,085,098	2,216,197	2,384,910	2,532,883
Net Worth												
Shareholders Equity	302,005	302,005	302,005	302,005	302,005	302,005	302,005	302,005	302,005	302,005	302,005	302,005
Retained Surplus/(Deficit)												
Current Month	42,710	46,540	51,697	57,597	61,993	67,602	70,223	78,696	85,978	97,206	104,296	114,234
Cumulative	42,710	89,251	140,948	198,545	260,537	328,139	398,362	477,058	563,037	660,243	764,539	878,773
Total Net Worth	344,715	391,255	442,952	500,549	562,542	630,144	700,367	779,063	865,042	962,248	1,066,544	1,180,778
Total Liabilities and Net Worth	1,830,413	1,999,838	2,090,649	2,199,309	2,334,852	2,438,833	2,584,677	2,776,795	2,950,139	3,178,445	3,451,454	3,713,660

Rural Bank of XYZ, Inc.
Microfinance Unit

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00
Total # of Active Micro-depositors	0	47	112	171	218	259	368	464	551	628	700	768
Deposit Balance	0	4,935	17,411	39,420	64,754	100,018	155,331	226,777	309,808	406,455	510,707	622,548
Total # of Active Borrowers	0	0	20	36	52	65	103	136	166	192	218	244
Loan Portfolio Level	0	0	74,755	196,826	271,851	395,057	563,932	744,159	945,705	1,174,134	1,311,096	1,356,558
Number of Microfinance Staff	2	2	2	2	2	2	3	3	3	3	3	3
STATEMENTS OF INCOME AND EXPENSES												
Financial Income												
Interest Income on Loans	0	0	1,425	4,289	7,168	10,070	14,775	21,280	26,450	32,979	39,575	46,175
Service Fee on Loans	0	0	5,000	9,800	9,800	14,675	20,925	26,925	31,925	37,925	37,925	37,925
Penalty Fee on Loans	0	0	0	8	23	38	53	78	112	137	166	195
Interest Income on BSP Reserves and Cash in Banks	0	1	3	7	11	17	27	39	53	70	88	107
Total Financial Income	0	1	6,428	14,104	17,002	24,800	35,779	48,322	58,540	71,110	77,754	84,402
Financial Expense												
Interest on Deposits	0	10	47	118	217	343	532	796	1,118	1,492	1,911	2,361
Interest on Due to H.O.	175	292	1,167	2,392	3,208	4,550	6,067	7,700	9,625	11,433	12,483	12,483
Total Financial Expense	175	302	1,213	2,510	3,425	4,893	6,599	8,496	10,743	12,926	14,394	14,844
Gross Financial Margin	(175)	(301)	5,215	11,593	13,577	19,906	29,181	39,826	47,798	58,185	63,360	69,558
Loan Loss Provision	0	0	(1,495)	(2,441)	(1,501)	(2,464)	(3,377)	(3,605)	(4,031)	(4,569)	(2,739)	(909)
Net Financial Margin	(175)	(301)	3,720	9,152	12,076	17,442	25,803	36,221	43,767	53,616	60,620	68,649
Operating Expenses												
Salaries and Benefits	10,220	10,220	10,220	10,220	10,220	10,220	14,420	14,420	14,420	14,420	14,420	14,420
Grant-based Salaries	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Transportation	900	900	900	900	900	900	1,350	1,350	1,350	1,350	1,350	1,350
Communication	200	200	200	200	200	200	300	300	300	300	300	300
Gross Receipts Tax	0	0	321	704	848	1,237	1,785	2,410	2,919	3,545	3,875	4,205
Depreciation	0	17	17	17	3,825	3,825	3,825	3,825	3,825	3,825	3,825	3,825
PDIC	0	10	25	44	51	71	111	143	166	193	209	224
Insurance	0	0	300	588	588	881	1,256	1,616	1,916	2,276	2,276	2,276
Other Expenses	500	500	500	500	500	500	1,000	1,000	1,000	1,000	1,000	1,000
Total Operating Expenses	21,820	21,847	22,483	23,173	27,132	27,833	34,046	35,064	35,895	36,909	37,254	37,599
Other Income	0	0	300	588	588	881	1,256	1,616	1,916	2,276	2,276	2,276
Net Income before Grants	(21,995)	(22,148)	(18,463)	(13,433)	(14,468)	(9,510)	(6,987)	2,773	9,787	18,983	25,642	33,325
Income from Grants	10,000	10,000	10,000	208,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Net Income before Income Tax	(11,995)	(12,148)	(8,463)	195,067	(4,468)	490	3,013	12,773	19,787	28,983	35,642	43,325
Cumulative Net Income	(11,995)	(24,143)	(32,606)	162,461	157,993	158,483	161,495	174,268	194,055	223,038	258,680	302,005

**Rural Bank of XYZ, Inc.
Microfinance Unit**

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01
Total # of Active Micro-depositors	827	882	933	981	1,024	1,062	1,113	1,159	1,203	1,241	1,277	1,311
Deposit Balance	747,050	876,388	1,010,678	1,150,196	1,295,596	1,434,802	1,581,619	1,737,522	1,894,703	2,061,134	2,228,902	2,403,867
Total # of Active Borrowers	265	286	307	328	346	362	393	421	449	472	495	517
Loan Portfolio Level	1,587,231	1,744,486	1,826,665	1,833,684	1,940,091	2,080,797	2,208,125	2,300,719	2,326,576	2,481,811	2,565,635	2,652,797
Number of Microfinance Staff	3	3	3	3	3	3	4	4	4	4	4	4
STATEMENTS OF INCOME AND EXPENSES												
Financial Income												
Interest Income on Loans	48,358	52,172	56,067	59,967	60,162	61,454	65,153	69,998	74,857	78,798	84,338	91,206
Service Fee on Loans	49,425	49,425	49,425	49,425	55,675	60,175	63,925	67,525	67,525	76,900	76,900	81,275
Penalty Fee on Loans	225	238	262	286	310	317	335	363	397	418	436	459
Interest Income on BSP Reserves and Cash in Banks	128	150	173	197	222	246	271	298	325	353	382	412
Total Financial Income	98,136	101,985	105,927	109,875	116,369	122,193	129,684	138,183	143,103	156,469	162,056	173,352
Financial Expense												
Interest on Deposits	2,853	3,382	3,931	4,502	5,095	5,688	6,284	6,915	7,567	8,241	8,938	9,652
Interest on Due to H.O.	13,883	14,642	14,175	12,950	12,133	10,792	9,275	7,642	5,717	3,908	2,858	2,858
Total Financial Expense	16,737	18,024	18,106	17,452	17,229	16,480	15,559	14,557	13,284	12,150	11,796	12,510
Gross Financial Margin	81,399	83,961	87,821	92,423	99,140	105,713	114,124	123,626	129,819	144,319	150,260	160,842
Loan Loss Provision	(4,613)	(3,145)	(1,644)	(140)	(2,128)	(2,814)	(2,547)	(1,852)	(517)	(3,105)	(1,676)	(1,743)
Net Financial Margin	76,785	80,816	86,177	92,283	97,012	102,899	111,578	121,775	129,302	141,215	148,584	159,098
Operating Expenses												
Salaries and Benefits	21,862	21,862	21,862	21,862	21,862	21,862	26,482	26,482	26,482	26,482	26,482	26,482
Grant-based Salaries	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Transportation	1,350	1,350	1,350	1,350	1,350	1,350	1,800	1,800	1,800	1,800	1,800	1,800
Communication	400	400	400	400	400	400	500	500	500	500	500	500
Gross Receipts Tax	4,889	5,080	5,275	5,470	5,792	6,081	6,454	6,876	7,119	7,785	8,062	8,624
Depreciation	3,825	3,825	3,825	3,825	3,825	3,825	3,825	5,108	5,108	5,108	5,108	5,108
PDIC	249	259	269	279	291	278	294	312	314	333	336	350
Insurance	2,966	2,966	2,966	2,966	3,341	3,611	3,836	4,052	4,052	4,614	4,614	4,877
Other Expenses	1,500	1,500	1,500	1,500	1,500	1,500	2,000	2,000	2,000	2,000	2,000	2,000
Total Operating Expenses	42,041	42,241	42,446	42,651	43,360	43,907	50,190	52,130	52,375	53,622	53,902	54,741
Other Income	2,966	2,966	2,966	2,966	3,341	3,611	3,836	4,052	4,052	4,614	4,614	4,877
Net Income before Grants	37,710	41,540	46,697	52,597	56,993	62,602	65,223	73,696	80,978	92,206	99,296	109,234
Income from Grants	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Net Income before Income Tax	42,710	46,540	51,697	57,597	61,993	67,602	70,223	78,696	85,978	97,206	104,296	114,234
Cumulative Net Income	344,715	391,255	442,952	500,549	562,542	630,144	700,367	779,063	865,042	962,248	1,066,544	1,180,778

Rural Bank of XYZ, Inc.
Microfinance Unit

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00
Total # of Active Micro-depositors	0	47	112	171	218	259	368	464	551	628	700	768
Deposit Balance	0	4,935	17,411	39,420	64,754	100,018	155,331	226,777	309,808	406,455	510,707	622,548
Total # of Active Borrowers	0	0	20	36	52	65	103	136	166	192	218	244
Loan Portfolio Level	0	0	74,755	196,826	271,851	395,057	563,932	744,159	945,705	1,174,134	1,311,096	1,356,558
Number of Microfinance Staff	2	2	2	2	2	2	3	3	3	3	3	3
STATEMENTS OF INCOME AND EXPENSES												
Financial Income												
Interest Income on Loans	0	0	1,425	4,289	7,168	10,070	14,775	21,280	26,450	32,979	39,575	46,175
Service Fee on Loans	0	0	5,000	9,800	9,800	14,675	20,925	26,925	31,925	37,925	37,925	37,925
Penalty Fee on Loans	0	0	0	8	23	38	53	78	112	137	166	195
Interest Income on BSP Reserves and Cash in Banks	0	1	3	7	11	17	27	39	53	70	88	107
Total Financial Income	0	1	6,428	14,104	17,002	24,800	35,779	48,322	58,540	71,110	77,754	84,402
Financial Expense												
Interest on Deposits	0	10	47	118	217	343	532	796	1,118	1,492	1,911	2,361
Interest on Due to H.O.	175	292	1,167	2,392	3,208	4,550	6,067	7,700	9,625	11,433	12,483	12,483
Total Financial Expense	175	302	1,213	2,510	3,425	4,893	6,599	8,496	10,743	12,926	14,394	14,844
Gross Financial Margin	(175)	(301)	5,215	11,593	13,577	19,906	29,181	39,826	47,798	58,185	63,360	69,558
Loan Loss Provision	0	0	(1,495)	(2,441)	(1,501)	(2,464)	(3,377)	(3,605)	(4,031)	(4,569)	(2,739)	(909)
Net Financial Margin	(175)	(301)	3,720	9,152	12,076	17,442	25,803	36,221	43,767	53,616	60,620	68,649
Operating Expenses												
Salaries and Benefits	10,220	10,220	10,220	10,220	10,220	10,220	14,420	14,420	14,420	14,420	14,420	14,420
Grant-based Salaries	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Transportation	900	900	900	900	900	900	1,350	1,350	1,350	1,350	1,350	1,350
Communication	200	200	200	200	200	200	300	300	300	300	300	300
Gross Receipts Tax	0	0	321	704	848	1,237	1,785	2,410	2,919	3,545	3,875	4,205
Depreciation	0	17	17	17	3,825	3,825	3,825	3,825	3,825	3,825	3,825	3,825
PDIC	0	10	25	44	51	71	111	143	166	193	209	224
Insurance	0	0	300	588	588	881	1,256	1,616	1,916	2,276	2,276	2,276
Other Expenses	500	500	500	500	500	500	1,000	1,000	1,000	1,000	1,000	1,000
Total Operating Expenses	21,820	21,847	22,483	23,173	27,132	27,833	34,046	35,064	35,895	36,909	37,254	37,599
Other Income	0	0	300	588	588	881	1,256	1,616	1,916	2,276	2,276	2,276
Net Income before Grants	(21,995)	(22,148)	(18,463)	(13,433)	(14,468)	(9,510)	(6,987)	2,773	9,787	18,983	25,642	33,325
Income from Grants	10,000	10,000	10,000	208,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Net Income before Income Tax	(11,995)	(12,148)	(8,463)	195,067	(4,468)	490	3,013	12,773	19,787	28,983	35,642	43,325
Cumulative Net Income	(11,995)	(24,143)	(32,606)	162,461	157,993	158,483	161,495	174,268	194,055	223,038	258,680	302,005

**Rural Bank of XYZ, Inc.
Microfinance Unit**

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01
Total # of Active Micro-depositors	827	882	933	981	1,024	1,062	1,113	1,159	1,203	1,241	1,277	1,311
Deposit Balance	747,050	876,388	1,010,678	1,150,196	1,295,596	1,434,802	1,581,619	1,737,522	1,894,703	2,061,134	2,228,902	2,403,867
Total # of Active Borrowers	265	286	307	328	346	362	393	421	449	472	495	517
Loan Portfolio Level	1,587,231	1,744,486	1,826,665	1,833,684	1,940,091	2,080,797	2,208,125	2,300,719	2,326,576	2,481,811	2,565,635	2,652,797
Number of Microfinance Staff	3	3	3	3	3	3	4	4	4	4	4	4
STATEMENTS OF INCOME AND EXPENSES												
Financial Income												
Interest Income on Loans	48,358	52,172	56,067	59,967	60,162	61,454	65,153	69,998	74,857	78,798	84,338	91,206
Service Fee on Loans	49,425	49,425	49,425	49,425	55,675	60,175	63,925	67,525	67,525	76,900	76,900	81,275
Penalty Fee on Loans	225	238	262	286	310	317	335	363	397	418	436	459
Interest Income on BSP Reserves and Cash in Banks	128	150	173	197	222	246	271	298	325	353	382	412
Total Financial Income	98,136	101,985	105,927	109,875	116,369	122,193	129,684	138,183	143,103	156,469	162,056	173,352
Financial Expense												
Interest on Deposits	2,853	3,382	3,931	4,502	5,095	5,688	6,284	6,915	7,567	8,241	8,938	9,652
Interest on Due to H.O.	13,883	14,642	14,175	12,950	12,133	10,792	9,275	7,642	5,717	3,908	2,858	2,858
Total Financial Expense	16,737	18,024	18,106	17,452	17,229	16,480	15,559	14,557	13,284	12,150	11,796	12,510
Gross Financial Margin	81,399	83,961	87,821	92,423	99,140	105,713	114,124	123,626	129,819	144,319	150,260	160,842
Loan Loss Provision	(4,613)	(3,145)	(1,644)	(140)	(2,128)	(2,814)	(2,547)	(1,852)	(517)	(3,105)	(1,676)	(1,743)
Net Financial Margin	76,785	80,816	86,177	92,283	97,012	102,899	111,578	121,775	129,302	141,215	148,584	159,098
Operating Expenses												
Salaries and Benefits	21,862	21,862	21,862	21,862	21,862	21,862	26,482	26,482	26,482	26,482	26,482	26,482
Grant-based Salaries	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Transportation	1,350	1,350	1,350	1,350	1,350	1,350	1,800	1,800	1,800	1,800	1,800	1,800
Communication	400	400	400	400	400	400	500	500	500	500	500	500
Gross Receipts Tax	4,889	5,080	5,275	5,470	5,792	6,081	6,454	6,876	7,119	7,785	8,062	8,624
Depreciation	3,825	3,825	3,825	3,825	3,825	3,825	3,825	5,108	5,108	5,108	5,108	5,108
PDIC	249	259	269	279	291	278	294	312	314	333	336	350
Insurance	2,966	2,966	2,966	2,966	3,341	3,611	3,836	4,052	4,052	4,614	4,614	4,877
Other Expenses	1,500	1,500	1,500	1,500	1,500	1,500	2,000	2,000	2,000	2,000	2,000	2,000
Total Operating Expenses	42,041	42,241	42,446	42,651	43,360	43,907	50,190	52,130	52,375	53,622	53,902	54,741
Other Income	2,966	2,966	2,966	2,966	3,341	3,611	3,836	4,052	4,052	4,614	4,614	4,877
Net Income before Grants	37,710	41,540	46,697	52,597	56,993	62,602	65,223	73,696	80,978	92,206	99,296	109,234
Income from Grants	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Net Income before Income Tax	42,710	46,540	51,697	57,597	61,993	67,602	70,223	78,696	85,978	97,206	104,296	114,234
Cumulative Net Income	344,715	391,255	442,952	500,549	562,542	630,144	700,367	779,063	865,042	962,248	1,066,544	1,180,778

Rural Bank of XYZ, Inc.
Microfinance Unit

DEPOSITS

Compensating Deposit	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00
Initial Deposit												
As a % of Loan Disbursed	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Build-up Deposit												
As a % of Loan Collection	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Withdrawal Rate		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Beginning Balance	0	0	0	7,268	23,792	44,576	74,079	116,356	173,712	241,292	321,105	406,915
Add: Initial Deposits	0	0	5,000	9,800	9,800	14,675	20,925	26,925	31,925	37,925	37,925	37,925
Build-up Deposits	0	0	2,518	7,578	12,664	17,790	26,102	37,595	45,937	55,848	65,837	75,830
Less: Withdrawals	0	0	250	853	1,680	2,963	4,750	7,164	10,282	13,961	17,951	22,242
Ending Balance	0	0	7,268	23,792	44,576	74,079	116,356	173,712	241,292	321,105	406,915	498,429
Active Depositors	0	0	20	36	52	65	103	136	166	192	218	244

Voluntary Deposit	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Ave. Balance per Depositor	100	105	110	116	122	134	147	162	178	196	215	237
New Depositors (individuals)	0	50	50	50	50	50	100	100	100	100	100	100
Ave. Balance Growth Rate		5.00%	5.00%	5.00%	5.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Drop-out Rate		5.00%	5.00%	5.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Withdrawal Rate		25%	25%	25%	25%	30%	30%	30%	30%	30%	30%	30%
Beginning Balance	0	0	4,935	10,143	15,628	20,177	25,939	38,975	53,065	68,515	85,351	103,791
Add: New Deposits	0	6,580	8,589	10,694	11,275	16,878	29,740	36,832	44,814	53,414	62,922	73,521
Less: Withdrawals	0	1,645	3,381	5,209	6,726	11,117	16,704	22,742	29,364	36,579	44,482	53,194
Ending Balance	0	4,935	10,143	15,628	20,177	25,939	38,975	53,065	68,515	85,351	103,791	124,119
Number of Depositors:												
Beginning Balance	0	0	47	92	135	166	194	265	328	385	436	482
Add: New Depositors	0	50	50	50	50	50	100	100	100	100	100	100
Less: Drop-outs	0	3	5	7	19	22	29	37	43	49	54	58
Ending Balance	0	47	92	135	166	194	265	328	385	436	482	524

All Deposits	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Beginning Balance	0	0	4,935	17,411	39,420	64,754	100,018	155,331	226,777	309,808	406,455	510,707
Add: New Deposits	0	6,580	16,107	28,072	33,740	49,343	76,767	101,352	122,676	147,187	166,685	187,277
Less: Withdrawals	0	1,645	3,631	6,063	8,405	14,079	21,454	29,906	39,646	50,540	62,433	75,436
Ending Balance	0	4,935	17,411	39,420	64,754	100,018	155,331	226,777	309,808	406,455	510,707	622,548
Total Active Depositors	0	47	112	171	218	259	368	464	551	628	700	768

INTEREST ON DEPOSITS

Interest Rate p.a.	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Compensating Deposit	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Voluntary Deposit	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Interest Expense	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Compensating Deposit	0	0	15	65	142	247	397	604	865	1,172	1,517	1,886
Voluntary Deposit	0	10	31	54	75	96	135	192	253	321	394	475
Total	0	10	47	118	217	343	532	796	1,118	1,492	1,911	2,361

Rural Bank of XYZ, Inc.
Microfinance Unit

PDIC

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
As a % of Deposit Increase	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
PDIC Expense	0	10	25	44	51	71	111	143	166	193	209	224

RESERVE ASSETS

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
As a % of Deposit Increase												
Legal Reserves												
Due from BSP	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cash in Vault	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
IBODI - Gov't.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Legal Reserves	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Other Reserves	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Reserves	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Legal Reserves												
Due from BSP	0	148	522	1,183	1,943	3,001	4,660	6,803	9,294	12,194	15,321	18,676
Cash in Vault	0	99	348	788	1,295	2,000	3,107	4,536	6,196	8,129	10,214	12,451
IBODI - Gov't.	0	0	0	0	0	0	0	0	0	0	0	0
Total Legal Reserves	0	247	871	1,971	3,238	5,001	7,767	11,339	15,490	20,323	25,535	31,127
Other Reserves	0	0	0	0	0	0	0	0	0	0	0	0
Total Reserves	0	247	871	1,971	3,238	5,001	7,767	11,339	15,490	20,323	25,535	31,127

INCOME FROM RESERVES

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Interest Rate (net of GRT)												
Due from BSP	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%
IBODI - Gov't.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%
Interest Income												
Due from BSP	0	0	1	1	2	4	6	9	12	15	19	24
IBODI - Gov't.	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	1	1	2	4	6	9	12	15	19	24

CASH IN BANKS

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
As a % of Deposits	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Total Cash in Banks	0	247	871	1,971	3,238	5,001	7,767	11,339	15,490	20,323	25,535	31,127
Interest Income												
Interest Rate (net)	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Total Income	0	1	2	5	9	13	21	30	41	54	68	83

Rural Bank of XYZ, Inc.
Microfinance Unit

DEPOSITS

Compensating Deposit	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01
Initial Deposit												
As a % of Loan Disbursed	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Build-up Deposit												
As a % of Loan Collection	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Withdrawal Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Beginning Balance	498,429	600,618	705,568	813,318	923,737	1,036,954	1,154,416	1,278,802	1,411,615	1,545,082	1,686,728	1,829,131
Add: Initial Deposits	49,425	49,425	49,425	49,425	55,675	60,175	63,925	67,525	67,525	76,900	76,900	81,275
Build-up Deposits	80,157	88,027	96,075	104,131	106,513	112,143	121,378	132,605	139,898	145,846	153,684	162,780
Less: Withdrawals	27,393	32,502	37,750	43,137	48,971	54,856	60,917	67,316	73,957	81,099	88,181	95,520
Ending Balance	600,618	705,568	813,318	923,737	1,036,954	1,154,416	1,278,802	1,411,615	1,545,082	1,686,728	1,829,131	1,977,666
Active Depositors	265	286	307	328	346	362	393	421	449	472	495	517

Voluntary Deposit	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Ave. Balance per Depositor	261	287	315	347	381	401	421	442	464	487	511	537
New Depositors (individuals)	100	100	100	100	100	100	100	100	100	100	100	100
Ave. Balance Growth Rate	10.00%	10.00%	10.00%	10.00%	10.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Drop-out Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Withdrawal Rate	30%	30%	35%	35%	35%	35%	35%	50%	50%	50%	50%	50%
Beginning Balance	124,119	146,432	170,820	197,360	226,459	258,642	280,386	302,817	325,907	349,621	374,406	399,772
Add: New Deposits	85,069	97,596	132,811	151,039	171,452	172,721	185,486	348,997	373,336	399,190	425,138	452,631
Less: Withdrawals	62,756	73,208	106,271	121,940	139,269	150,977	163,055	325,907	349,621	374,406	399,772	426,202
Ending Balance	146,432	170,820	197,360	226,459	258,642	280,386	302,817	325,907	349,621	374,406	399,772	426,202
Number of Depositors:												
Beginning Balance	524	562	596	626	653	678	700	720	738	754	769	782
Add: New Depositors	100	100	100	100	100	100	100	100	100	100	100	100
Less: Drop-outs	62	66	70	73	75	78	80	82	84	85	87	88
Ending Balance	562	596	626	653	678	700	720	738	754	769	782	794

All Deposits	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Beginning Balance	622,548	747,050	876,388	1,010,678	1,150,196	1,295,596	1,434,802	1,581,619	1,737,522	1,894,703	2,061,134	2,228,902
Add: New Deposits	214,651	235,048	278,310	304,595	333,639	345,040	370,789	549,127	580,759	621,935	655,722	696,687
Less: Withdrawals	90,149	105,711	144,020	165,077	188,239	205,834	223,972	393,223	423,578	455,505	487,953	521,722
Ending Balance	747,050	876,388	1,010,678	1,150,196	1,295,596	1,434,802	1,581,619	1,737,522	1,894,703	2,061,134	2,228,902	2,403,867
Total Active Depositors	827	882	933	981	1,024	1,062	1,113	1,159	1,203	1,241	1,277	1,311

INTEREST ON DEPOSITS

Interest Rate p.a.	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Compensating Deposit	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Voluntary Deposit	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Interest Expense	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Compensating Deposit	2,290	2,721	3,164	3,619	4,085	4,565	5,069	5,605	6,160	6,733	7,325	7,931
Voluntary Deposit	564	661	767	883	1,011	1,123	1,215	1,310	1,407	1,508	1,613	1,721
Total	2,853	3,382	3,931	4,502	5,095	5,688	6,284	6,915	7,567	8,241	8,938	9,652

Rural Bank of XYZ, Inc.
Microfinance Unit

PDIC

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
As a % of Deposit Increase	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
PDIC Expense	249	259	269	279	291	278	294	312	314	333	336	350

RESERVE ASSETS

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
As a % of Deposit Increase												
Legal Reserves												
Due from BSP	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cash in Vault	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
IBODI - Gov't.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Legal Reserves	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Other Reserves	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Reserves	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Legal Reserves												
Due from BSP	22,411	26,292	30,320	34,506	38,868	43,044	47,449	52,126	56,841	61,834	66,867	72,116
Cash in Vault	14,941	17,528	20,214	23,004	25,912	28,696	31,632	34,750	37,894	41,223	44,578	48,077
IBODI - Gov't.	0	0	0	0	0	0	0	0	0	0	0	0
Total Legal Reserves	37,352	43,819	50,534	57,510	64,780	71,740	79,081	86,876	94,735	103,057	111,445	120,193
Other Reserves	0	0	0	0	0	0	0	0	0	0	0	0
Total Reserves	37,352	43,819	50,534	57,510	64,780	71,740	79,081	86,876	94,735	103,057	111,445	120,193

INCOME FROM RESERVES

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Interest Rate (net of GRT)												
Due from BSP	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%
IBODI - Gov't.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%
Interest Income												
Due from BSP	28	33	38	44	49	55	60	66	72	78	85	91
IBODI - Gov't.	0	0	0	0	0	0	0	0	0	0	0	0
Total	28	33	38	44	49	55	60	66	72	78	85	91

CASH IN BANKS

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
As a % of Deposits	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Total Cash in Banks	37,352	43,819	50,534	57,510	64,780	71,740	79,081	86,876	94,735	103,057	111,445	120,193
Interest Income												
Interest Rate (net)	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Total Income	100	117	135	153	173	191	211	232	253	275	297	321

Rural Bank of XYZ, Inc.
Microfinance Unit

CAPITAL EXPENDITURE

Acquired as Grant/Donation (# of units)	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00
Motorcycle	0	0	0	2	0	0	0	0	0	0	0	0
Computer Hardware & Software	0	0	0	1	0	0	0	0	0	0	0	0
Communications Equipment	0	0	0	0	0	0	0	0	0	0	0	0
Desktop Computer	0	0	0	1	0	0	0	0	0	0	0	0
Office Furniture	0	0	0	0	0	0	0	0	0	0	0	0
Sound System	0	0	0	0	0	0	0	0	0	0	0	0
Typewriter	0	0	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0	0	0	0

Acquired from Regular Purchase (# of units)	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Motorcycle	0	0	0	0	0	0	0	0	0	0	0
Computer Hardware & Software	0	0	0	0	0	0	0	0	0	0	0	0
Communications Equipment	0	0	0	0	0	0	0	0	0	0	0	0
Desktop Computer	0	0	0	0	0	0	0	0	0	0	0	0
Office Furniture	1	0	0	0	0	0	0	0	0	0	0	0
Sound System	0	0	0	0	0	0	0	0	0	0	0	0
Typewriter	0	0	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0	0	0	0

Total Acquisitions (# of units) (# of units)	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Motorcycle	0	0	0	2	0	0	0	0	0	0	0
Computer Hardware & Software	0	0	0	1	0	0	0	0	0	0	0	0
Communications Equipment	0	0	0	0	0	0	0	0	0	0	0	0
Desktop Computer	0	0	0	1	0	0	0	0	0	0	0	0
Office Furniture	1	0	0	0	0	0	0	0	0	0	0	0
Sound System	0	0	0	0	0	0	0	0	0	0	0	0
Typewriter	0	0	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0	0	0	0

Costing and Useful Life	Acquisition Unit Cost	Program Allocation	Program Cost	Inflation p.a.	Life (yrs.)
Motorcycle	70,000	100%	70,000	10%	5.0
Computer Hardware & Software	90,000	15%	13,500	10%	5.0
Communications Equipment	0	0%	0	0%	0.0
Desktop Computer	45,000	100%	45,000	10%	3.0
Office Furniture	2,000	100%	2,000	10%	10.0
Sound System	0	0%	0	10%	5.0
Typewriter	0	0%	0	10%	5.0
Others	0	0%	0	0%	0.0

Note: Program Allocation refers to how much the total cost of the asset or expense item shall be charged against the microfinance unit (as opposed the whole branch/bank).

Equipment	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Beginning Balance	0	2,000	1,983	1,967	200,450	196,625	192,800	188,975	185,150	181,325	177,500	173,675
Add: Acquisitions	2,000	0	0	198,500	0	0	0	0	0	0	0	0
Subtotal	2,000	2,000	1,983	200,467	200,450	196,625	192,800	188,975	185,150	181,325	177,500	173,675
Less: Depreciation	0	17	17	17	3,825	3,825	3,825	3,825	3,825	3,825	3,825	3,825
Ending Balance	2,000	1,983	1,967	200,450	196,625	192,800	188,975	185,150	181,325	177,500	173,675	169,850

Rural Bank of XYZ, Inc.
Microfinance Unit

CAPITAL EXPENDITURE

Acquired as Grant/Donation (# of units)	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01
Motorcycle	0	0	0	0	0	0	0	0	0	0	0	0
Computer Hardware & Software	0	0	0	0	0	0	0	0	0	0	0	0
Communications Equipment	0	0	0	0	0	0	0	0	0	0	0	0
Desktop Computer	0	0	0	0	0	0	0	0	0	0	0	0
Office Furniture	0	0	0	0	0	0	0	0	0	0	0	0
Sound System	0	0	0	0	0	0	0	0	0	0	0	0
Typewriter	0	0	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0	0	0	0

Acquired from Regular Purchase (# of units)	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
	Motorcycle	0	0	0	0	0	0	1	0	0	0	0
Computer Hardware & Software	0	0	0	0	0	0	0	0	0	0	0	0
Communications Equipment	0	0	0	0	0	0	0	0	0	0	0	0
Desktop Computer	0	0	0	0	0	0	0	0	0	0	0	0
Office Furniture	0	0	0	0	0	0	0	0	0	0	0	0
Sound System	0	0	0	0	0	0	0	0	0	0	0	0
Typewriter	0	0	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0	0	0	0

Total Acquisitions (# of units) (# of units)	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
	Motorcycle	0	0	0	0	0	0	1	0	0	0	0
Computer Hardware & Software	0	0	0	0	0	0	0	0	0	0	0	0
Communications Equipment	0	0	0	0	0	0	0	0	0	0	0	0
Desktop Computer	0	0	0	0	0	0	0	0	0	0	0	0
Office Furniture	0	0	0	0	0	0	0	0	0	0	0	0
Sound System	0	0	0	0	0	0	0	0	0	0	0	0
Typewriter	0	0	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0	0	0	0

Costing and Useful Life
Motorcycle
Computer Hardware & Software
Communications Equipment
Desktop Computer
Office Furniture
Sound System
Typewriter
Others

Note: Program Allocation refers to how r
microfinance unit (as opposed the

Equipment	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Beginning Balance	169,850	166,025	162,200	158,375	154,550	150,725	146,900	220,075	214,967	209,858	204,750	199,642
Add: Acquisitions	0	0	0	0	0	0	77,000	0	0	0	0	0
Subtotal	169,850	166,025	162,200	158,375	154,550	150,725	223,900	220,075	214,967	209,858	204,750	199,642
Less: Depreciation	3,825	3,825	3,825	3,825	3,825	3,825	3,825	5,108	5,108	5,108	5,108	5,108
Ending Balance	166,025	162,200	158,375	154,550	150,725	146,900	220,075	214,967	209,858	204,750	199,642	194,533

Rural Bank of XYZ, Inc.
Microfinance Unit

LOAN RELEASE

Average Loan Size	Average Term (days)	Number of Loans Released for New Clients												
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
		Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00
5,000	60	0	0	20	20	20	20	45	45	45	45	45	45	45
6,000	60	0	0	0	0	0	0	0	0	0	0	0	0	0
7,500	60	0	0	0	0	0	0	0	0	0	0	0	0	0
10,000	90	0	0	0	0	0	0	0	0	0	0	0	0	0
12,500	90	0	0	0	0	0	0	0	0	0	0	0	0	0
15,000	90	0	0	0	0	0	0	0	0	0	0	0	0	0
17,500	120	0	0	0	0	0	0	0	0	0	0	0	0	0
20,000	120	0	0	0	0	0	0	0	0	0	0	0	0	0
22,500	150	0	0	0	0	0	0	0	0	0	0	0	0	0
25,000	150	0	0	0	0	0	0	0	0	0	0	0	0	0
27,500	180	0	0	0	0	0	0	0	0	0	0	0	0	0
30,000	180	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Loan Release (New Clients)		0	0	20	20	20	20	45	45	45	45	45	45	45

NUMBER OF CLIENTS

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
Retention Rate													
1st cycle: 80%													
2nd cycle: 80%													
3rd cycle: 80%													
4th cycle: 80%													
5th cycle: 80%													
6th cycle: 80%													
7th cycle: 80%													
8th cycle: 80%													
9th cycle: 80%													
Total Number of Active Clients	0	0	20	36	52	65	103	136	166	192	218	244	265
Total Number of Loans Disbursed	0	0	20	36	36	49	74	94	104	120	120	120	141

LOAN LOSS RESERVE

Loan Loss Provision	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
As a % of Loans Receivable	2.00%												
Loan Loss Provision	0	0	1,495	2,441	1,501	2,464	3,377	3,605	4,031	4,569	2,739	909	4,613
Accumulated	0	0	1,495	3,937	5,437	7,901	11,279	14,883	18,914	23,483	26,222	27,131	31,745

LOANS RECEIVABLE

Loans Receivable	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
Beginning Balance	0	0	0	76,250	200,763	277,288	402,958	575,210	759,042	964,619	1,197,616	1,337,318	1,383,689
Add: Loans Releases	0	0	100,000	196,000	196,000	293,500	418,500	538,500	638,500	758,500	758,500	758,500	988,500
Less: Principal Collection	0	0	23,750	71,488	119,474	167,830	246,248	354,669	432,923	525,502	618,798	712,129	753,213
Ending Balance	0	0	76,250	200,763	277,288	402,958	575,210	759,042	964,619	1,197,616	1,337,318	1,383,689	1,618,976

INTEREST INCOME

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
Interest Rate													
per annum	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%
per month	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Interest Income on Loans	0	0	1,425	4,289	7,168	10,070	14,775	21,280	26,450	32,979	39,575	46,175	48,358

SERVICE FEE INCOME

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
As a % of Loan Release	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
(deducted from loan proceeds)	0	0	5,000	9,800	9,800	14,675	20,925	26,925	31,925	37,925	37,925	37,925	49,425
or													
Fixed Fee per Loan Disbursed	0	0	0	0	0	0	0	0	0	0	0	0	0
(deducted from loan proceeds)	0	0	0	0	0	0	0	0	0	0	0	0	0
Service Fee Income	0	0	5,000	9,800	9,800	14,675	20,925	26,925	31,925	37,925	37,925	37,925	49,425

PENALTY FEE INCOME

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
Penalty Rate per day													
As a % of Late Principal Payments	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Ave. # Days Late Payment	3	3	3	3	3	3	3	3	3	3	3	3	3
Penalty Fee Income	0	0	0	8	23	38	53	78	112	137	166	195	225
Collection Rate													
(Actual Collection Made vs. Due)	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%

CREDIT INSURANCE

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
As a % of Loan Release	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
(deducted from loan proceeds)	0	0	300	588	588	881	1,256	1,616	1,916	2,276	2,276	2,276	2,966
or													
Fixed Fee per Loan Disbursed	0	0	0	0	0	0	0	0	0	0	0	0	0
(deducted from loan proceeds)	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Insurance	0	0	300	588	588	881	1,256	1,616	1,916	2,276	2,276	2,276	2,966

TRANSPORTATION EXPENSE

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
Cost per Field Staff / Collector													
per day (pesos)	15	15	15	15	15	15	15	15	15	15	15	15	15
Total Cost	900	900	900	900	900	900	1,350	1,350	1,350	1,350	1,350	1,350	1,350

COMMUNICATIONS EXPENSE

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
Ave. Cost per month	200	200	200	200	200	200	300	300	300	300	300	300	400

OTHER EXPENSES

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
(includes office supplies, legal fees, repairs, advertising, etc.)													
Ave. Cost per month	500	500	500	500	500	500	1,000	1,000	1,000	1,000	1,000	1,000	1,500

GROSS RECEIPTS TAX

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
GRT Rate													
As a % of Gross Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Gross Receipts Tax	0	0	321	704	848	1,237	1,785	2,410	2,919	3,545	3,875	4,205	4,889
Beginning Balance	0	0	0	321	1,026	1,874	3,111	4,896	7,307	10,225	13,771	17,646	21,851
Add: Current Month	0	0	321	704	848	1,237	1,785	2,410	2,919	3,545	3,875	4,205	4,889
Less: Payment	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	0	0	321	1,026	1,874	3,111	4,896	7,307	10,225	13,771	17,646	21,851	26,740

Rural Bank of XYZ, Inc.
Microfinance Unit

LOAN RELEASE

Average Loan Size	Average Term (days)	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
		Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01
5,000	60	45	45	45	45	45	60	60	60	60	60	60
6,000	60	0	0	0	0	0	0	0	0	0	0	0
7,500	60	0	0	0	0	0	0	0	0	0	0	0
10,000	90	0	0	0	0	0	0	0	0	0	0	0
12,500	90	0	0	0	0	0	0	0	0	0	0	0
15,000	90	0	0	0	0	0	0	0	0	0	0	0
17,500	120	0	0	0	0	0	0	0	0	0	0	0
20,000	120	0	0	0	0	0	0	0	0	0	0	0
22,500	150	0	0	0	0	0	0	0	0	0	0	0
25,000	150	0	0	0	0	0	0	0	0	0	0	0
27,500	180	0	0	0	0	0	0	0	0	0	0	0
30,000	180	0	0	0	0	0	0	0	0	0	0	0
Total Loan Release (New Clients)		45	45	45	45	45	60	60	60	60	60	60

NUMBER OF CLIENTS

	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Retention Rate											
1st cycle: 80%											
2nd cycle: 80%											
3rd cycle: 80%											
4th cycle: 80%											
5th cycle: 80%											
6th cycle: 80%											
7th cycle: 80%											
8th cycle: 80%											
9th cycle: 80%											
Total Number of Active Clients	286	307	328	346	362	393	421	449	472	495	517
Total Number of Loans Disbursed	141	141	141	151	157	172	184	184	201	201	206

LOAN LOSS RESERVE

Loan Loss Provision	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
As a % of Loans Receivable											
Loan Loss Provision	3,145	1,644	140	2,128	2,814	2,547	1,852	517	3,105	1,676	1,743
Accumulated	34,890	36,533	36,674	38,802	41,616	44,162	46,014	46,532	49,636	51,313	53,056

LOANS RECEIVABLE

Loans Receivable	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Beginning Balance	1,618,976	1,779,376	1,863,198	1,870,358	1,978,893	2,122,413	2,252,287	2,346,733	2,373,107	2,531,447	2,616,947
Add: Loans Releases	988,500	988,500	988,500	1,113,500	1,203,500	1,278,500	1,350,500	1,350,500	1,538,000	1,538,000	1,625,500
Less: Principal Collection	828,100	904,678	981,340	1,004,965	1,059,979	1,148,626	1,256,054	1,324,126	1,379,660	1,452,500	1,536,595
Ending Balance	1,779,376	1,863,198	1,870,358	1,978,893	2,122,413	2,252,287	2,346,733	2,373,107	2,531,447	2,616,947	2,705,853

INTEREST INCOME

	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Interest Rate											
per annum	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%
per month	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Interest Income on Loans	52,172	56,067	59,967	60,162	61,454	65,153	69,998	74,857	78,798	84,338	91,206

SERVICE FEE INCOME

	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
As a % of Loan Release	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
(deducted from loan proceeds)	49,425	49,425	49,425	55,675	60,175	63,925	67,525	67,525	76,900	76,900	81,275
or											
Fixed Fee per Loan Disbursed	0	0	0	0	0	0	0	0	0	0	0
(deducted from loan proceeds)	0	0	0	0	0	0	0	0	0	0	0
Service Fee Income	49,425	49,425	49,425	55,675	60,175	63,925	67,525	67,525	76,900	76,900	81,275

PENALTY FEE INCOME

	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Penalty Rate per day											
As a % of Late Principal Payments	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Ave. # Days Late Payment	3	3	3	3	3	3	3	3	3	3	3
Penalty Fee Income	238	262	286	310	317	335	363	397	418	436	459
Collection Rate											
(Actual Collection Made vs. Due)	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%

CREDIT INSURANCE

	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
As a % of Loan Release	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
(deducted from loan proceeds)	2,966	2,966	2,966	3,341	3,611	3,836	4,052	4,052	4,614	4,614	4,877
or											
Fixed Fee per Loan Disbursed	0	0	0	0	0	0	0	0	0	0	0
(deducted from loan proceeds)	0	0	0	0	0	0	0	0	0	0	0
Credit Insurance	2,966	2,966	2,966	3,341	3,611	3,836	4,052	4,052	4,614	4,614	4,877

TRANSPORTATION EXPENSE

	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Cost per Field Staff / Collector											
per day (pesos)	15	15	15	15	15	15	15	15	15	15	15
Total Cost	1,350	1,350	1,350	1,350	1,350	1,800	1,800	1,800	1,800	1,800	1,800

COMMUNICATIONS EXPENSE

	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Ave. Cost per month	400	400	400	400	400	500	500	500	500	500	500

OTHER EXPENSES

	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
(includes office supplies, legal fees, repairs, advertising, etc.)											
Ave. Cost per month	1,500	1,500	1,500	1,500	1,500	2,000	2,000	2,000	2,000	2,000	2,000

GROSS RECEIPTS TAX

	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
GRT Rate											
As a % of Gross Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Gross Receipts Tax	5,080	5,275	5,470	5,792	6,081	6,454	6,876	7,119	7,785	8,062	8,624
Beginning Balance	26,740	31,820	37,094	42,564	48,356	54,437	60,891	67,767	74,886	82,671	90,733
Add: Current Month	5,080	5,275	5,470	5,792	6,081	6,454	6,876	7,119	7,785	8,062	8,624
Less: Payment	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	31,820	37,094	42,564	48,356	54,437	60,891	67,767	74,886	82,671	90,733	99,357

ANNEX III-E1-A3

Instructions for Worksheet ‘Existing LOANS’

Summary

This section describes the contents and operations of the modeling tool present on worksheet ‘Existing LOANS’. If there are no existing loans at the start of the business planning period, then care should be taken to zero out all the relevant inputs on this worksheet, as the output data is linked to the rest of the workbook and will affect the Cash Flow Statement, Income Statement and Balance Sheet.

Overview of the Work Sheet ‘Existing LOANS’

The Worksheet ‘EXISTING LOANS’ is a modeling tool intended for use in estimating the financial impact of existing microfinance loans on a bank’s Balance Sheet, Income Statement and Cash Flow Statement.

‘EXISTING LOANS’ refers to loans that have already been made before the start of the business planning exercise, and whose financial impact should be included in the model. It is assumed that the existing loans are the same “product” as those being forecasted. If not, the model can accommodate this, but changes will need to be made (and are not done to date).

The tool models payment streams for a maximum period of twenty-six (26) weeks. The model cannot be used to forecast the financial impact of existing loans with a longer term than twenty-six weeks or six months (weeks are used as the payment period rather than days or months to accommodate MicroBanker limitations).

NOTE: All existing loans are currently funded by borrowings or ‘due to Head Office’. This can be changed to reflect funding by deposits but has not been done so. Also, no entries have been made to record or depreciate existing fixed assets.

Modeling Approach

The approach is high level, in that information for individual existing loans is not entered. Instead an attempt is made to quantify the overall existing portfolio.

Further, the model is a ‘net’ picture of the existing loan product. It does not attempt to allow for defaults, service charges, or penalties.

If there has been growth in loan size and loan term (common occurrences in microfinance loan products), this is reflected through the input cells of the model.

Inputs and Calculations

The worksheet is divided into seven sections, with sections 1, 2 and 4 containing all the input cells.

The following table summarizes each section's contents and number of input cells:

<i>Section</i>	<i>Contents</i>	<i>Input cells</i>
1. LOAN TERM - In The Last Month	A weighted averaging model to compute a representative loan <i>term</i> for the loan product as it is currently being issued to borrowers.	6
2. DISBURSED LOAN AMOUNT - In The Last Month	A weighted averaging model to compute a representative loan <i>size</i> for the loan product as it is currently being issued to borrowers.	6
3. REPAYMENT SIZE	Repayment data is calculated based on the flat monthly interest charge (as entered on the 'Loans – Future' Worksheet)	0
4. PORTFOLIO GROWTH - In The Last Six Months	Number of loans (today and six months ago) as well as historical loan size and loan term are captured to reflect changes in the loan product (if any)	5
5. Repayment Table	A table (26 columns by 26 rows) that uses the input data to quantify the payment streams, by week, for loans issued up to 26 weeks ago. Total Payments are calculated and then broken into Interest Payments and Principal Payments.	0
6. Restatement Of Payments By Month	The 26 weekly total payment streams are converted to six monthly equivalent payment streams. The model assumes that 4.33 weeks equals one (1) month.	0
7. Summation Of Outstanding Balances	Total existing portfolio size is determined by summing all monthly payment streams.	0

Outputs

The 'Existing Loans' worksheet is linked to the overall model as follows:

SOURCE*		DESTINATION	
Cell(s)	Information Referenced	Worksheet	Cell(s)
I-117	Total outstanding principal (bank's capital deployed)	FUTURE LOANS	F-55 (Loans receivable, Beginning balance, Month 1)
I-117	See above	CASHFLOWS	F-44 (Loans to cover existing MF activity)
I-106 to N-106	Loan principal collected every month (for six months)	FUTURE LOANS	F-57 to K-57 (Loans receivable, Less principal collection)
I-106 to N-106	Loan principal collected every month (for six months)	CASHFLOWS	F-57 to K-57 (Payment to HO – Principal collection)
I-104 to N-104	Loan interest collected every month (for six months)	FUTURE LOANS	F-71 to K-71 (Interest Income, Amount)

* **Worksheet 'Existing Loans'**

How To Use The Worksheet

- € Click on worksheet tab 'EXISTING LOANS'
- € Press [Ctrl]-[Home] to go to the top left cell in worksheet (cell A1).
- € All input cells are blue and are visible in the top half of the screen.
- € Green cells are calculated values and should not be changed by the user. (Non-input cells are locked but not password protected).
- € Input data is required for Sections 1,2 and 4, as per the following table:

Worksheet Section	Input Data Item	Cell
SECTION 1: Loan term data, for loans issued most recently:	1. Average loan term, in weeks	I-3
	2. Proportion of total portfolio with average loan term, in percent	K-3
	3. Longest loan term, in weeks	I-4
	4. Proportion of total portfolio with longest loan term, in percent	K-4
	5. Shortest loan term, in weeks	I-5
	6. Proportion of total portfolio with shortest loan term, in percent	K-5

SECTION 2: Loan amount data, for loans issued most recently:	1. Average loan amount, in 000's of Pesos	I-10
	2. Proportion of total portfolio with average loan amount, in percent	K-10
	3. Largest loan amount, in 000's of Pesos	I-11
	4. Proportion of total portfolio with the largest loan amount, in percent	K-11
	5. Smallest loan amount, in 000's of Pesos	I-12
	6. Proportion of total portfolio with the smallest loan amount, in percent	K-12
SECTION 4: Portfolio Growth	1. Total number of loans today	I-24
	2. Total number of loans six months ago	I-25
	3. How many weeks has the product been available	I-28
	4. Average loan size six months ago, in 000's of Pesos	I-29
	5. Average loan term, six months ago, in weeks (maximum 26)	I-32

1- LOAN TERM - In the last month (max: 26)

What is the AVERAGE loan term	#VALUE!	weeks	#VALUE!	% of existing portfolio
What is the LONGEST loan term	#VALUE!	weeks	#VALUE!	% of existing portfolio
What is the SHORTEST loan term	#VALUE!	weeks	#VALUE!	% of existing portfolio
The WEIGHTED AVERAGE loan term is:				0% (check sum)

2- DISBURSED LOAN AMOUNT - In the last month

What is the amount of an AVERAGE loan	#VALUE!	Pesos, '000s	#VALUE!	% of existing portfolio
What is the amount of the LARGEST loan	#VALUE!	Pesos, '000s	#VALUE!	% of existing portfolio
What is the amount of the SMALLEST loan	#VALUE!	Pesos, '000s	#VALUE!	% of existing portfolio
The WEIGHTED AVERAGE loan size is:				0% (check sum)

3- REPAYMENT SIZE

AVERAGE monthly flat interest rate	#VALUE!	5% per month
AVERAGE total repayment	#VALUE!	Pesos, '000s
AVERAGE weekly interest payment	#VALUE!	Pesos, '000s
AVERAGE weekly principal payment	#VALUE!	Pesos, '000s
AVERAGE weekly loan payment	#VALUE!	Pesos, '000s

Legend
 Blue fields are input fields
 Green fields are calculated values

4- PORTFOLIO GROWTH - In the last six months

Total number of loans today	#VALUE!	loans
Total number of loans six months ago	#VALUE!	loans
How many weeks has the product been available	#VALUE!	weeks (Max: 26)
AVERAGE loan size six months ago	#VALUE!	Pesos, '000s
AVERAGE loan term, six months ago	#VALUE!	weeks (Max: 26)

5- REPAYMENT TABLE

Payment Streams	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13
1	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
2	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
3	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
4	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
5	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
6	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
7	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
8	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
9	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
10	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
11	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
12	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
13	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
14	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
15	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
16	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
17	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
18	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
19	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
20	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
21	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
22	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
23	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
24	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
25	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
26	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Total WEEKLY REPAYMENTS	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Total WEEKLY INTEREST PAYMENTS	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Total WEEKLY PRINCIPAL PAYMENTS	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!

6- RESTATEMENT of PAYMENTS by MONTH

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
1	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
2	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
3	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
4	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
5	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
6	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
7	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
8	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
9	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
10	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
11	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
12	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
13	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
14	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
15	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
16	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
17	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
18	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
19	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
20	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
21	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
22	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
23	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
24	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
25	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
26	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Total MONTHLY REPAYMENTS (to C/F)	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Total MONTHLY INTEREST PAYMENTS (to I/S)	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
Total MONTHLY PRINCIPAL PAYMENTS (to B/S)	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!

7- SUMMATION of OUTSTANDING BALANCES

Total OUTSTANDING REPAYMENTS	All Months #VALUE!
Total OUTSTANDING INTEREST PAYMENTS	#VALUE!
Total OUTSTANDING PRINCIPAL PAYMENTS	#VALUE!

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 25, 2001 **Chapter III: START-UP PHASE**

Amends: December 17, 1999 **Section F: Preparing the MF Loan Product Manual**

Subject 1: Format of the Individual Loan Product Manual

1. MABS has drafted two generic manuals, one for individual lending and one for group/solidarity lending. The manuals are referred to as “generic” because they are not tailored for a specific bank. They are designed based on the best practices of microfinance institutions around the world.

2. **The Generic Manual for Individual Lending** (Annex III-F1). The manual for individual lending or the “ABC Loan Product” as referred to in this manual has undergone ten revisions to date. From a design based on the best microfinance practices in the world, the MABS Individual Loan Product Manual has gradually evolved into a documentation of the participant banks’ best microfinance practices. Revisions to the ABC Loan Product Manual are made possible by regular implementation of product and manual reviews of the 20 participant banks, usually every 3 to 6 months for the duration of MABS training and technical assistance.
 - 2.1 The generic manual for individual lending follows the format below:
 1. Overview of the ABC Loan Product
 2. Loan Policies
 - 2.1 Basic Bank Policy
 - 2.2 ABC Microfinance Staff
 - 2.3 Staff Code of Conduct
 - 2.3 Client Eligibility Criteria
 - 2.4 Purpose of Loan
 - 2.4 Loan Terms and Sizes
 - 2.5 Interest Rate and Other Charges
 - 2.6 Penalties for Late Payments
 - 2.7 Savings Contribution
 - 2.8 Payment Schedule
 - 2.9 Guarantee/Security Mechanisms
 - 2.10 Loan Prepayment
 - 2.11 Loan Restructuring
 - 2.12 Writing Off Loans
 - 2.13 Repeat Loans
 - 2.14 Eligibility Requirements for Repeat Loan

3. Client Application Process
 - 3.1 ABC Client Orientation
 - 3.2 Loan Application Procedure
 - 3.3 Credit Investigation
 - 3.4 Loan Review and Approval
 - 3.5 Loan Signing and Disbursement
 - 3.6 Repeat Loan Application Process
 - 3.7 Repeat Loan Review and Approval
4. Loan Repayment Procedure
5. Loan Delinquency Management

2.2 The manual for individual lending has sample documents for reference of the participant banks. Like the features and procedures indicated in the manual, the sample documents are also based on best practices that are designed to select clients properly and minimize loan delinquency. The sample documents include:

- (1) Attendance Sheet
- (2) Loan Application Form
- (3) Repeat Loan Application Form
- (4) Credit Investigation Form
- (5) Repeat Loan Credit Investigation Form
- (6) Co-Maker's Profile
- (7) Bank Verification Letter
- (8) Loan Recommendation Sheet
- (9) Client Logbook
- (10) Promissory/Co-maker Statement
- (11) Disclosure Statement
- (12) Deed of Assignment of Deposits
- (13) Chattel Mortgage
- (14) Security Agreement
- (15) Dacion en Pago
- (16) Client's Card
- (17) Individual Loan Ledgers
- (18) First Notice
- (19) Second Notice
- (20) Final Notice
- (21) Loan Collection Sheet (Card-Based Repayment)
- (22) Restructured Loan Agreement

2.3 To ensure that the MFU staff are properly implementing the product policies, the manual also has, as annexes, detailed guidelines on the following:

- (1) MFU Staff Duties and Responsibilities
- (2) Internal Control Guideline
- (3) Repayment Capacity Analysis
- (4) Client Orientation Session Guideline
- (5) Credit Investigation
- (6) Determining Repeat Loan Size
- (7) Filling Out Loan Application Forms
- (8) Credit Committee Guideline
- (9) Procedures for Filing Delinquency Cases at the Community Court

ANNEX III-F1

RURAL BANK OF XYZ, INC.

ABC LOAN PRODUCT

OPERATIONS AND PROCEDURES MANUAL

**Draft 10
September 1, 2000**

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ANNEXES

Annex A	Microfinance Staff Duties and Responsibilities
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RURAL BANK OF XYZ, INC.

ABC LOAN

OPERATIONS AND PROCEDURES MANUAL

1.0 ABC LOAN PRODUCT

The ABC Loan Product is a product for microenterprises of the Rural Bank of XYZ, Inc. (RBXYZ).

It aims to make available affordable credit to microentrepreneurs to help them expand their present business activities and increase their incomes. It focuses on microenterprises that generate regular daily or weekly sales and on microenterprise operators who currently depend on loans from informal moneylenders for working capital.

The following policies and procedures are designed to ensure that services of the bank are responsive to the needs and preferences of its microenterprise clients, while at the same time ensuring that only the most responsible and disciplined microentrepreneurs will be able to borrow.

2.0 LOAN POLICIES

2.1 Basic Bank Policy

The bank intends to enter into a long-term and mutually beneficial relationship with its microenterprise clients. It will strive to provide its clients with the best quality and most efficient service they would expect from a bank.

On the other hand, the Rural Bank of XYZ expects that its microenterprise clients also take very seriously the repayment of their loan obligation. The bank expects from its clients no less than the full (100%) prompt repayment of their loans. This is the only way the relationship between the Rural Bank of XYZ and its client-enterprises can prosper.

Those interested in availing of ABC loan must understand the following principles:

- H To qualify, the applicant must meet the established eligibility criteria.
- H Applicants must understand their legal obligation to make all payments within the terms and conditions of ABC loan. Borrowers are expected to make all their scheduled payments on time.
- H The right to be a good client is a privilege that must be earned through a credit worthiness assessment and maintaining a sound credit history. Those who do not pay on time will not be eligible for repeat loans.

2.2 The ABC Staff

The ABC staff is composed of a Supervisor and Account Officers (AO) who are responsible for monitoring product implementation and overseeing that all loans under their responsibility are collected on time.

The supervisor will lead the account officers in ensuring the smooth day-to-day operations of the unit (*see Annex A: Internal Control Guideline*). His/her duties and responsibilities include the following:

- 1) Close monitoring of accounts;
- 2) Review of loan applications recommended by account officers;
- 3) Ensuring on-time collection of all loan payments;
- 4) Reporting and updating the branch manager of the activities and status of the product as well as the problems and issues encountered by the staff while implementing the loan product.

The account officer shall report directly to the designated microfinance supervisor. His/her duties and responsibilities are the following:

- 1) Promote and develop the product market of RB XYZ;
- 2) Assist the supervisor in conducting client orientation sessions;
- 3) Assist clients in the loan application process;
- 4) Conduct credit investigation and cashflow analysis;
- 5) Closely monitor loan payments.

Around 85 percent of the AO's time is spent in the field. To achieve a high level of performance, an AO should be highly motivated individual, who enjoys fieldwork, and who is good at understanding and interacting with people.

(For a detailed job description of the staff, see Annex B: ABC Staff Duties and Responsibilities.)

2.3 Staff Code of Conduct

In carrying their duties and responsibilities, ABC staff must:

- 1) be objective in the assessment of customers;
- 2) conscientiously provide field follow-up to all clients;
- 3) provide repeat customers access to additional loans as soon as possible upon completion of their previous loan agreement;
- 4) maintain professionalism and confidentiality in all matters and business affairs of the client;
- 5) not ask for nor receive from any client, even when offered, anything that is of value – financial or in kind;
- 6) not tolerate delinquent payment of borrowers and must be firm in implementing the zero-tolerance approach to lending;
- 7) avoid loan applications that involve conflict of interest, such as loans to relatives;
- 8) provide top quality service to all clients; and
- 9) abide by the bank's policies and procedures as contained in the manual.

2.4 Client Eligibility Criteria

Entrepreneurs who meet the following criteria will be eligible to avail of the product:

- H A business operator for at least one (1) year.
- H A resident of the branch area for at least three (3) years.
- H Be of legal age.
- H Have some form of identification card (SSS, GSIS, TIN, Driver's License, Voter's ID, Business Permit).
- H Business location located within the defined geographical area covered by ABC.

Priority will be given to entrepreneurs who are engaged in business activities that regularly generate daily or weekly sales.

If required to facilitate loan repayment, entrepreneurs who are not yet depositors of the bank, must open a savings deposit account in the bank.

Who are not eligible to participate? Applicants with existing past due accounts with the bank, with other banks and/or other creditors/suppliers are not eligible to borrow or to act as co-makers.

2.5 Purpose of Loan

Loans can be provided to any entrepreneur for any legal purpose provided he/she can demonstrate credit worthiness and a sufficient debt capacity to cover loan payments.

2.6 Loan Terms and Sizes

Loan amounts are based on the repayment capacity of the client. First loans will be restricted to no more than 25%-35% of the repayment capacity of the borrower taking into account all income and expenses of the applicant (see *Annex C: Repayment Capacity*).

Example of loan terms and sizes:

Loan	Minimum- Maximum Term	Minimum Amount	Maximum Amount	Max. Repayment Capacity
First	2-3 months	P2,000	P20,000	25%
Second	2-4 months	P2,000	P25,000	30%
Third	2-5 months	P2,000	P30,000	35%
Fourth	2-6 months	P2,000	P35,000	40%
Fifth	2-9 months	P2,000	P40,000	45%
Succeeding Loans	2-12 months	P2,000	P60,000	50%

Note: Loan sizes and terms are listed here for illustrative purposes. Minimum and maximum amounts and terms will vary depending on bank policy and the client survey study. It is recommended that all first loans be under P20,000 and not exceed three (3) months. The amount of repeat loans should only be increased gradually based on repayment capacity. No repeat loan term should exceed one year.

Generally, loans over a certain amount, depending on bank policy, will require some type of collateral such as serialized assets and/or inventory.

2.7 Interest Rate and Other Charges

Business planning and market research will guide the bank as to which of the following examples to use.

Example 1:

Interest rate : 2-3% flat rate per month
Service charge : 3%

Note: If the bank finds it easier for clients to accept up-front service fees and a lower monthly rate, they could do so and still have enough return to cover costs. With an up-front service fee of 3%, most banks should be able to charge between 2-3% flat interest rate per month.

Example:

<u>3-Month Loans</u>		
Monthly Interest Rate (flat)	Service Fee (Up-front)	Simple Annual % Rate
2.0%	3%	67.2%
2.5%	3%	78.1%
3.0%	3%	88.9%
3.5%	3%	99.6%
4.0%	3%	110.3%
<u>6-Month Loans</u>		
2.0%	3%	57.0%
2.5%	3%	67.8%
3.0%	3%	78.5%
3.5%	3%	89.0%
4.0%	3%	99.4%

Example 2:

Interest rate : 3-4% flat rate per month
Service charge : No service charge

Note: Interest rates should be based on the average costs of funds, a percentage of bank overhead, a percentage for loan loss reserve, direct operating costs (e.g. account officers, collectors, etc.), and a percentage for profit.

Flat Rate	Simple Annual % Rate
2% per month	43.8%
2.5 per month	54.6%
3% per month	65.2%
3.5% per month	75.8%
4% per month	86.3%
4.5% per month	96.7%
5% per month	107.1%

These simple annual percentage rates exclude up-front fees, which will greatly increase the effective rates. If there is no up-front service charge, most rural banks should be able to charge between 3-4% monthly flat rate for the ABC loan product. This interest should be amortized with regular payments and not deducted up-front in order to give the client availability to more funds.

2.8 Penalties for Late Payments

OPTION 1:

Bank will charge a penalty rate of an additional 5% per month (pro-rated based on the number of days overdue) on the outstanding loan balance for all loans that are one-day overdue (alternatively, penalties can be charged for loans that are one week overdue).

OPTION 2:

Based on the number of missed payments, bank will charge a penalty fee of P10 per day on loans that are one-day overdue on their scheduled payments (alternatively, penalties can be charged for loans that are one week overdue).

Clients shall be informed that an application for a repeat loan will not be approved if more than 10% of their payments on the current loan are not on time.

2.9 Savings Contribution

All clients need to have a savings account opened in order to facilitate loan repayments and allow for automatic deductions. There are two options that banks can follow in terms of savings contributions.

OPTION 1 **Voluntary Savings**

All clients applying for a loan should open an account with the bank in the amount of ____ pesos (place the required minimum amount set by the bank to open a savings account). In order to facilitate loan payments, clients who pay daily are required to have their payments deposited into their savings account and authorize the bank to automatically debit the savings account in order to make loan payments.

In order to facilitate loan payment collections, the loan payments will be rounded-up to the closest ten pesos. (For example a client with a daily loan payment of 96.75 pesos will have her payment rounded-up to 100 pesos). Those with daily payments will have the entire amount deposited to their savings account, with automatic weekly debits made to the savings account and credited to the loan account. Those clients with weekly loan payments will have their loan account credited for the correct amount and the excess funds will be credited to their savings account.

For example, a client wishing to borrow 5,000 pesos for three months will first need to open a savings account for 100 pesos (the minimum amount required by the bank). If the daily loan amortization comes to 83.85 pesos, the client will need to make daily payments of 90 pesos (83.85 pesos for the loan payment + 6.15 pesos for the rounded-up savings contribution).

Clients should be able to withdraw from their savings account at anytime, unless these are being used as a loan guarantee or what as commonly referred to as a hold-out deposit. (See *Section 2.11: Guarantee Mechanisms*).

OPTION 2 **Compulsory Savings**

All clients applying for a loan must open a special savings account at the bank with a balance of not less than 5% of their proposed loan amount. In order to facilitate loan payments, all clients are required to contribute to their savings accounts when they make their loan payments. The savings contribution will be equivalent to at least 10% of the loan payment. In order to facilitate loan payments, clients who pay daily are required to have their payments deposited into their savings account and authorize the bank to automatically debit the savings account in order to make loan payments.

To facilitate collections, the combined savings contribution and loan payment will be rounded-up to the closest ten pesos. Those with daily payments will have the entire amount credited to their special savings account, with automatic weekly debits made to this account and credited to their loan accounts. Those clients with weekly loan payments will have

their loan account credited for the correct amount and the excess funds will be credited to their special savings account.

For example, a client wishing to borrow 5,000 pesos for three months will need to first open an account with an initial balance of 250 pesos (5% of 5,000). If the daily amortization is 83.85 pesos, the client will need to make daily payments of 100 pesos (83.85 pesos for the loan payment + 8.38 pesos for the savings contribution (0.1 X 83.85) + rounded-up additional savings contribution of 7.77 pesos).

Clients are not allowed to withdraw from their special savings account until the end of the loan term. At the client's option, any additional amounts over and above the required savings contribution can also be collected and contributed to the client's regular savings account or the special savings account. Savings held in regular savings accounts can be withdrawn at anytime.

Account officers should always encourage clients to make additional voluntarily contributions to their savings account along with their loan payments. It is important to build on the positive reasons for keeping extra money in the bank depending on the client's particular situation. For clients who have young children, saving for school fees, books, materials, and uniforms is a major regular expense. There are also those little emergencies that having savings in the bank can help with. For those with businesses in rural areas, saving for the slow seasons is very important and should be encouraged. By looking at each client and his/her situation, account officers should find ways to encourage clients to build-up their savings accounts by contributing something "extra" along with their loan payments.

2.10 Payment Schedule

- H Frequency of payment will depend on the cash flow of the entrepreneur.
- H Equal payments either: daily (5 days a week), or weekly.
- H Daily amortization is based on a 5-day week, that is, from Monday to Friday.
- H Weekly amortization is every 7 days.
- H For MicroBanker (MBXD 95 1.1+) users, the number of amortization will follow the MBXD schedule shown under columns 3 and 4 below:

No. of Months/Days	No. of Weeks	MBXD –Actual No. Weeks	MBXD – Actual No. Days
1 month/ 30	4.29	4	28
2 months/ 60	8.57	9	63
3 months/ 90	12.86	13	91
4 months/120	17.14	17	119
5months/150	21.43	21	147
6 months/180	25.71	26	182

Due to the high cost and time requirements of collecting daily payments, all clients should be encouraged to shift to weekly payments as soon as practical. This will need to be closely monitored.

Payments will start as follows:

- H Loan with DAILY payments: First installment starts the day after loan release; when a loan release falls on a Friday, the first installment shall be due Monday of the following week.
- H Loan with WEEKLY payments: First installment shall be due the following week, i.e., on the 7th day after the release of the loan.

2.11 Guarantee/Security Mechanisms

Guarantee mechanisms should be flexible and will depend on bank policy and past experience with target market. Depending on the size of loan, guarantee requirements may vary such as the examples below:

A. Loans below P25,000 will require:

1. Spouse's signature as a co-applicant. For single or widowed applicant, a relative as a co-borrower.
2. 2 co-makers who can be anyone of the following:
 - H Individuals (friends, neighbors, and relatives) not living with the applicant who are willing and have a sufficient and stable source of income to repay the loan, in case the client is unable to do so.
 - H Other bank clients receiving ABC loans.
 - H Other bank clients without past due loan account.
3. Deed of Assignment of Deposit Account and/or

4. Security Agreement

B. Loans over P25,000 will require:

1. Spouse's signature as a co-applicant. For single or widowed applicant, a relative as a co-borrower.
2. A chattel mortgage on one or the more of the following:
 - H serialized assets, equipment, or vehicle
 - H Inventory or stock; and/or
3. A Deed of Assignment of Deposit Account

It is recommended that some form of collateral be required on all loans. **Nevertheless, the value of the collateral will not be the determinant factor in deciding how much a client can borrow.** The idea in taking collateral is that the item should be something that the client would not wish to lose in the event that he/she defaults on the loan. Thus the importance of the collateral should be understood in relation to the value the client places on the items to be taken, rather than their strict market worth. Potential items would include serialized assets such as television set, refrigerators, stoves, video player, stereos, equipment used in the business (such as a sewing machine), or inventory/stock.

Collateral should not be relied on as a means of recovery. Loans should be given under such terms and conditions that having to seize items should be the exception rather than the rule. The client should hold the relationship with the bank and the services offered in such high esteem that he/she would not wish to jeopardize the relationship in any way.

2.12 Loan Prepayment

A borrower may request a change in his/her loan terms in order to borrow a larger sum to meet a new business opportunity. Where a client in good standing wishes to pre-pay and has fulfilled his/her obligations well, the rural bank will maintain maximum flexibility. The amount payable would represent the amount of the initial loan outstanding plus the interest for that month. Only good paying clients who have completed at least 85% of their scheduled payments may be allowed to pre-pay their outstanding loans to avail of a new loan. The new loan amount, however, will still be based on the adjusted repayment capacity (see sections 2.15 and 2.16).

2.13 Loan Restructuring

Restructuring of the ABC loan obligations is not recommended and is to be governed by strict rules.

Special approval by the supervisor will be required for all restructuring. Restructuring of a loan should only happen in rare cases where a major unexpected event has occurred that affects the ability of the client to repay his/her loan in the short-term. This option should only be allowed for clients who “can’t pay” as opposed to those who “won’t pay.” Major unexpected events that may allow for restructuring would include:

- € Major, unexpected, natural disasters such as earthquakes, typhoons, etc.
- € Serious illness or accident of the owner or immediate family member that requires the business to be closed for an extended period of time.

Remember: clients who are sick or temporarily away from their business should have made plans to keep the business open and arranged to continue making loan payments. This is not a justification for loan restructuring.

In the case of clients who meet one of the above-mentioned criteria, an account officer should first find out if the client has savings or if a co-maker can assist with the loan payments. If not, restructuring maybe approved, but should be carefully monitored.

Given that the entire outstanding balance of a loan will be considered overdue as soon as a payment is missed, there is no incentive to restructure unless the client will actually pay.

Any decision to restructure a loan should be made in consultation between the account officer and the supervisor within the first two weeks a client starts missing his/her payments. Once clients are overdue by 3 weeks, their loans can not be restructured under any circumstance.

Restructured loans cannot be restructured a second time. The terms of the restructured loan must not exceed the maximum term allowed for the ABC loan, i.e. 6 months.

Restructured loans should be tracked separately in the portfolio database. Pre-paid loans do not need to be tracked separately.

Restructuring should only be allowed for clients who “can’t pay” as opposed to those who “won’t pay”. The account officer should be certain that the new level of payments will allow the client to repay on time without default.

2.14 Writing-Off Loans

Writing off loans must be done regularly to avoid greater problems in the future. When bad debts are not written off, profits may be exaggerated and reported loan loss recovery may be severely distorted. Writing off loan is primarily an accounting entry and does not mean that the bank has relinquished its legal claim to recover the loan.

When the chance of recovery becomes minimal (the borrower has died, left the area, or simply can not pay) or when delinquent loans have become defaulted loans, write-offs should be considered after a certain period of time has passed and the loan has not been repaid. However, when it makes economic sense, the bank should still make every effort to recover the loan.

The decision to write-off must be based on a sound policy established and agreed to by the bank's credit committee and board of directors. (*Annex D: Writing Off Bad Loans is still under completion*)

2.15 Repeat Loans

Repeat clients are the best clients, and therefore deserve priority service.

Existing clients who request a repeat loan and who have maintained a sound credit history are given the special privilege of access to quick additional loans.

The account officer only needs to do an updated credit investigation. Since the account officer will now be familiar with the business and the client has an established credit history, the analysis can be kept to a minimum. It is always necessary, however, to complete the income and expenses analysis each and every time a loan is requested, even if the repeat loan amount requested remains the same (See *Annex E: Determining Repeat Loan Sizes*).

Provided that the client's request continues to fall within established criteria, processing of repeat loans will be much shorter than the first loan. It should commence before the maturity of the previous loan. The account officer should meet with the client at least one week before the end of the loan to start the process of issuing the next loan.

All successful repeat applications will be processed within one (1) day of the final loan payment for the previous loan.

2.16 Eligibility Requirements for Repeat Loan

To be eligible for repeat loan, the borrower must meet the following requirements.

- H At least 90% of all installment payments on the previous loan were paid on time.
- H Otherwise the account officer must provide justification for recommending the repeat loan.
- H If the loan size increases, the business should demonstrate growth and sufficient capacity to handle the larger loans.

3.0 CLIENT APPLICATION PROCESS

The application process for the ABC Loan has four parts: client orientation, pre-application, credit investigation, and the loan application process. Each step is intended to gather information which will ensure timely processing of the application.

3.1 ABC Client Orientation

STEP 1 Orientation. The purpose of the client orientation meeting is to inform the applicants about the policies and procedures of the product, as well as of the other services of the bank (*See Annex F: Client Orientation Guide*). The supervisor and/or account officers may conduct the client orientation in three ways:

- H A client orientation meeting once a week at the bank.
- H A client orientation at some other location in the community; or
- H A client orientation handled individually at the bank if applicant is unable to attend a scheduled group orientation.

The account officer should make sure that the participants sign the Attendance Sheet.

3.2 Loan Application Process (For first time clients.)

STEP 2 After the client orientation, any interested applicant fills up an Application Form and submits it to the account officer. The applicant may choose to sign the form at the bank, or bring the form to his/her house and submit it at a later date.

STEP 3 The account officer reviews the application form and interviews the potential client to determine whether he/she meets the eligibility requirements of ABC Loan.

STEP 4 If the client is eligible to apply, the account officer schedules a credit investigation appointment with the applicant. The account officer gives the applicant a checklist containing the following requirements for the credit investigation (CI):

- H Identification Card, if any;
- H Business license, if any;
- H Stall holder lease agreement;
- H The last three months utility bills for light and water; and/or
- H Savings passbook, if any

The account officer should remind the client to have available the above-mentioned documents on his/her visit.

STEP 5 The account officer also sketches maps of applicant's residence and place of business on a piece of paper and attaches this to the loan application form.

It is important for the account officer and supervisor to record and keep all client appointments. If, for any reason, the account officer and/or supervisor are unable to meet with the client at an agreed date and time, they shall inform the applicant before the date. This is important for establishing the bank's credibility and setting an example for clients.

IF THE APPLICANT DOES NOT QUALIFY TO APPLY, the account officer informs him/her of the reason(s) and recommends a bank's savings product to meet his/her working capital needs.

3.3 Credit Investigation (CI)

STEP 6 The credit investigation is conducted within three days after the completion of the application form. The purpose of the CI is to verify whether the information provided by the client in his/her loan application form is correct; gather information about the client's character and credit history; and to analyze the client's cashflow and debt repayment capacity. The account officer also needs to inspect and appraise the assets that could be covered by a security agreement or chattel mortgage.

The account officer should plan the first interview at the client's place of business. Conducting the interview at the client's place of business serves two purposes. First, it puts the applicant more at ease because he/she is in his/her own familiar setting, and it also gives the officer an opportunity to observe first-hand the inner workings of the business. Furthermore, an on-site interview gives the applicant and the officer some common ground from which to assess whether and how the rural bank may assist him/her with working capital through the ABC Loan.

A visit to the applicant's residence is also useful if located separately from the business. The account officer should be able to determine the applicant's type of housing, its structural condition, household fixtures and appliances (or lack thereof) so that any of their impacts on the loan application can later be measured. This can also be a useful indicator of the applicant's permanency of residence in the community.

If possible, the applicant's spouse should be present during the interview.

Below are some tips for interviewing a potential client:

- H Be certain to ask all relevant questions so as to get a clear picture why the client needs the loan, how the client will use the loan and how regular payments can be made without unnecessary stress to the business/family.
- H Get an idea about the client's character, their trustworthiness, and reliability.
- H Get a clear picture of the applicant's cashflow and how will this affect his/her ability to pay a loan.
- H Review the loan application form beforehand. Have a clearly thought-out set of questions so that you give the impression of being well informed. At the same time avoid sounding rehearsed.

- H Ensure that the potential client fully understands his/her obligation under the ABC loan especially the incentives for prompt payment and the consequences for paying late.
- H Follow your instincts and avoid doing business with a client you do not believe to be trustworthy.
- H Seek a second opinion from the Supervisor if for any reason you are in doubt on a particular business-related matter. Character and cashflow assessments however are the sole responsibility of the account officer.

Before closing the interview, the account officer should remind the applicant to visit the bank within the week to follow up the status of his/her own application. The account officer should schedule the applicant's visit after the credit committee meeting when all applications for the week shall have been reviewed.

STEP 7 After the initial interview with the client, the account officer fills up the appropriate sections of the Credit Investigation Form that have been covered and performs a repayment capacity analysis.

STEP 8 If there are no adverse findings, co-makers are interviewed using the CI form. The co-maker should also complete and sign the Co-makers Profile Form.

In addition, at least three of the following references should be interviewed using the CI form to know the applicant better, his/her business and his/her credit habits:

- H Applicant's suppliers and/or creditors;
- H Applicant's neighbors, customers, and/or landlord;
- H if required, the barangay captain/purok leader or the public market administrator. Verification of possible court case (barangay or municipality) or outstanding warrant of arrest may be done.

These people are usually a good source of information regarding the applicant's character and credit habits, his/her reputation in the neighborhood, and/or whether the applicant is an old or new resident in the community.

If the applicant has any outstanding or previous loan(s) from any bank, the account officer sends a Bank Verification Letter to the concerned bank(s). This letter will confirm the applicant's credit standing on such information as:

the type of loan; the date the loan was granted; the amount, term and maturity of the loan; outstanding balance; securities offered; and the paying performance of the borrower. The information gathered from this form is entered into the CI form.

The time period for completing the CI for a first time borrower should be within three (3) days from the time he/she has completed the pre-application form.

STEP 9 If there are adverse findings (e.g. applicant has an outstanding obligation with a supplier or other creditors, poor payment habit, or unfavorable reputation within the community, or does not have sufficient debt repayment capacity), the supervisor explains to the applicant why his/her application can not be processed further and recommends a savings plan to meet his/her working capital needs.

3.4 Loan Review and Approval

STEP 10 If the CI results in a favorable assessment of the client, the account officer summarizes the result of the credit investigation in the Loan Recommendation Sheet. This form contains salient personal and business information about the applicant, principal financial indicators, information about co-borrower and co-makers, and the recommendation of the account officer. This form is used during the credit committee meeting.

STEP 11 The account officer files all documents completed into the applicant's credit folder. This file will contain the following:

- H Loan Application form
- H Completed CI form
- H Co-makers Profile
- H Bank Verification Letter
- H Loan Recommendation Sheet
- H Proof of payments and other supporting documents

STEP 12 The supervisor reviews all credit folders submitted by the account officers and checks that the credit investigation, cashflow analysis, adjusted repayment capacity, and the preparation for loan review and approval were properly accomplished by the account officers. The supervisor must carefully inspect any missing information that may affect the loan application. In this case, the account officer should go back to the field and obtain additional information about the applicant.

All loan applications must be thoroughly reviewed before the supervisor endorses them to the Credit Committee for review and approval.

STEP 13 The Credit Committee will meet at least once a week or more regularly, depending on bank policy, to review and approve applications. The Credit Committee, comprising the branch manager (or general manager in the case of the main branch), supervisor and account officers, reviews the loan documents to clarify/verify information. The credit committee will pay particular attention to the following in considering ABC loan applications:

- H The Individual: Review the applicant's past credit history, business performance, management skills, and standing in the community. The applicant must, of course, meet the established eligibility criteria.
- H The Financial Position: How has the business/person performed financially? Does the balance sheet demonstrate a good grasp of managing resources and controlling debt? Is the business growing, with a strong market potential? Are there risks to the business (supplies/sales)?
- H Repayment Capacity: Is revenue currently generated by the business and family sufficient to meet expenses inclusive of the daily/weekly ABC loan payment? Are there risks that might affect the client's repayment capacity (single parent, illness, sole income source for the family)?

STEP 14 The committee will approve, defer, or disapprove the loan application. The branch manager and other signatories in the credit committee shall write their recommendation and signatures in the section "Action on Loan Application Form" in the loan recommendation sheet.

STEP 15 After the credit committee meeting, the supervisor shall collect all credit folders from the branch manager. He/she must:

- H register all applications, whether approved or not, on the Client Logbook;
- H keep all rejected applications in a file, DISAPPROVED APPLICATIONS, ABC LOAN.

STEP 16 If the loan is deferred and requires additional information, the account officer obtains the additional information which is to be included in the applicant's credit folder (GO BACK TO STEP 10).

If the loan is rejected, the supervisor informs the client, upon visiting the bank to follow up his/her loan application, of the disapproval and the reasons for doing so. The supervisor recommends to the applicant a savings plan to meet his/her working capital needs.

If the loan is approved, the account officer informs the new client, upon visiting the bank to follow up his/her application, of the loan approval. The client will also be informed of the loan release schedule, the amount of loan approved, as well as the additional loan application requirements during the loan release:

- H Two 2x2 ID pictures
- H A co-borrower (spouse or relative)
- H 2 co-makers (for the signing of the co-maker's statement)

STEP 17 The account officer prepares the following documents and files these in the new client's credit folder:

- H Promissory Note/Co-maker's Statement
- H Loan Disclosure Statement
- H Loan Repayment Schedule (based on bank's management information system)
- H Deed of Assignment of Deposits, if required
- H Chattel Mortgage, Security Agreement, and/or other guarantee document, if required
- H Client Card for card-based payments
(See 5.0 Loan Repayment Procedure Option 2)

The account officer also checks that the following are in the credit folder:

- H Loan Application Form
- H CI results/supporting documents
- H Co-makers Profile
- H Loan Recommendation Sheet

STEP 18 The supervisor reviews the credit folder for completeness. He/she then turns the folder over to the Loans Processing Clerk for disbursement.

3.5 Loan Signing and Disbursement

STEP 19 Loans Processing Clerk checks the credit folder. If properly accomplished and completed, he/she:

Option 1: prepares the Cashier's Check.

Option 2: prepares credit memo to deposit the loan amount in the client's savings account.

STEP 20 The check is signed by authorized signatories according to bank policy.

STEP 21 The Cashier verifies the amount to be deducted for other loan deductions, e.g., service charge, notary fee, insurance, etc.

STEP 22 The cashier forwards the check to the teller for loan disbursement.

STEP 23 On the day of the loan release, the account officer makes sure that the new client brings his/her ID pictures, his/her co-borrower, and the co-makers (if they have not signed the co-maker's statement previously).

STEP 24 Before presenting the loan documents for client's signature, the supervisor talks with him/her to stress the seriousness of his/her loan obligation. The supervisor must explain the contents and significance of the following documents:

H Promissory Note/Co-maker's Statement

H Loan Disclosure Statement

H Loan Repayment Schedule

H Deed of Assignment of Deposits (if required)

H Chattel Mortgage, Security Agreement and/or other guarantee document (if required)

STEP 25 If present, the supervisor also explains to the co-makers their obligations in case the client fails an installment or defaults on his/her loan.

STEP 26 The client and his/her spouse will sign all of the above documents in the presence of the supervisor.

STEP 27 The co-maker then signs the Promissory/Co-maker's Statement.

STEP 28 After everyone has signed the loan documents, the account officer provides the client a copy of the following documents:

- H Promissory Note/Co-maker's Statement
- H Loan Disclosure Statement
- H Deed of Assignment of Deposit (if required)
- H Chattel Mortgage, Security Agreement (if required)
- H Client Card to record installment payments for client's record and reference. The amount and frequency of regular payment shall be typed or written on it.
- H Loan Repayment Schedule

STEP 29 The client proceeds to the teller to receive the net proceeds of the loan and signs a receipt for the amount received.

STEP 30 At the records section, the Loans Bookkeeper prepares a loan ledger for the clients and posts details of the transaction.

STEP 31 The account officer collects the client credit folder from the cashier and prepares the summary releases for the day.

STEP 32 The account officer forwards all files to the supervisor who ensures they are properly filed in alphabetical order.

3.6 Repeat Loan Application Process

STEP 1 The account officer visits and asks the client one week before full payment, if he/she wants to avail of another loan and how much. He/she gives a Repeat Loan Application Form to the client in case the client wants to apply for another loan. The client should fill up this form on the same day to avoid processing delays.

At this stage of the repeat loan application process, the account officer should tell the client that although a larger loan is possible, it would still depend on the result of the repeat CI, his/her repayment record and his/her cashflow.

Within the final week of the client's loan term:

The account officer:

STEP 2 checks the client's repayment record to determine if at least 90% of payments from the previous loan were made on time.

STEP 3 if client demonstrates a favorable repayment record, visits the

client to conduct a repeat credit investigation and enters the information in the Repeat Loan Credit Investigation Form.

STEP 4 visits the previous co-maker(s) to ascertain if he/she is still willing to guarantee for the client's loan. The co-maker(s) should then complete the co-maker's profile form. If the client has a new co-maker, he/she should be interviewed using the same set of questions for co-makers in the CI form.

STEP 4 does a credit check on the client with other banks or lending institution.

STEP 5 reassess the articles covered by the chattel mortgage and/or security agreement, if any, and check if these articles are still in the possession of the client

STEP 6 does the repayment capacity analysis if there are no adverse findings. If the client wants a bigger repeat loan, the account officer checks if the change in the client's cashflow/repayment capacity is sufficient to cover the increase in the loan amount.

If the client's repayment capacity is not sufficient to cover the new loan amount, the account officer recommends the previous loan amount or a lower loan amount if the debt repayment capacity has decreased.

STEP 6 summarizes the CI result in the Loan Recommendation Sheet.

STEP 7 files the completed repeat loan application documents into the client's credit folder namely:

- H Repeat Loan Application Form
- H Repeat Credit Investigation Form
- H Loan Recommendation Sheet
- H Other supporting documents

3.7 Repeat Loan Review and Approval

STEP 8 The supervisor reviews the client's credit folder thoroughly and checks if the account officer properly completed the repeat CI and cashflow/debt repayment capacity analysis. In reviewing the account officer's work, the supervisor should also make sure that the following terms and conditions for a repeat loan were followed:

- H the proposed increase in the loan amount follows the step-up loan amount scheme of the ABC product;
- H the adjusted repayment capacity rate does not exceed by 5% over the rate charged from the previous loan; and
- H the proposed loan term adjustment does not increase by more than one month over the term of the previous loan.

STEP 9 The supervisor endorses the repeat loan application to the credit committee chairman (branch manager) for review and approval. If the processing of the repeat loan application happens to fall within the credit committee meeting, the account officer presents the application for approval.

STEP 10 The manager and another approving authority sign the repeat loan application form.

STEP 11 The account officer prepares the following loan release documents and files these in the client's credit folder:

- H Approved Repeat Loan Application Form
- H Promissory Note/Co-Maker's Statement
- H Loan disclosure Statement
- H Deed of Assignment of Deposit
- H Chattel Mortgage, Security, Agreement, and/or other guarantee document, if required
- H Client Card (for card-based repayment)

STEP 12 The supervisor reviews the credit folder for completeness. He/she then turns the folder over to the Loans Processing Clerk for loan disbursement.

STEP 13 During the final loan repayment collection, the account officer informs the client the approved amount of his/her repeat loan. The client is also reminded to have his/her co-maker with him/her at the bank for the signing of the promissory note/co-maker's statement.

(See Section 3.5 for loan signing and disbursement.)

4.0 LOAN REPAYMENT PROCEDURE

It is important that all clients realize the importance of making their repayments on time. The account officer must monitor his/her portfolio closely, particularly with new clients, to ensure that they do not become delinquent in making payments. Once a collection schedule is established, the account officer should strictly enforce it. Borrowers tend to test the bank to see how serious it is about late payments. The account officer shall leave no room for lax and intermittent collection as this reduces the seriousness with which clients view their obligations.

It is important to stress to the clients that late payments through poor cash management will not only negatively impact his/her own credibility and prospect for repeat loans but also his/her ability to build up an asset base.

There are two options for the bank: receipt-based repayments or card-based repayments.

OPTION 1 **Receipt-Based Repayments**

Receipt-based repayment system provides for better internal control over daily collections rather than a card-based repayment system. However it should be noted that this system is more expensive and time consuming since it entails a paper trail for every payment transaction. For receipt-based repayments (manual system), the following outlines the steps in repaying the ABC loan:

STEP 1 The account officer generates weekly payments due or collection sheet (CS) for the week every Monday. The CS contains the client's name, and the daily/weekly amount of loan payment and savings.

STEP 2 The supervisor gives pre-numbered provisional receipts (3 copies) to account officers for collection every day.

The account officer/collector:

STEP 3 Collects payment from client based on the collections/repayment report.

STEP 4 Records the payment then issues one copy of the provisional receipt recording loan payment and the deposit amount.

STEP 5 Detaches the other copy to keep as bank's copy which is used to batch total collection for the day. The third copy is turned over to the cashier who files it in a daily collection receipt file.

STEP 6 Writes the corresponding deposit account number of the borrower on the white deposit slip.

STEP 7 Batches collection for the day. This involves the recording of daily amortization payments of the clients and balances cash collected with total of all deposit slips.

STEP 8 Forwards cash collected to the teller for posting. This should be done twice per day – at midday and at the close of business (depending on branch location).

STEP 9 The teller verifies totals per summary and actual money received and refers to the Account Officer if there is any overage/shortage. Enters payments received from clients in their deposit accounts.

STEP 10 The supervisor makes an accounting of all receipts issued by the collector for the day. Declares missing or cancelled receipts. If any receipt is missing, the supervisor requires the account officer to document what happened to the missing receipt and will investigate any discrepancy. If the receipt is cancelled, the supervisor verifies that all three copies of the receipt is stapled in the receipt booklet.

The loans bookkeeper:

STEP 11 Prepares a weekly schedule of loan payments due.

STEP 12 At least once a week, uses this list to batch debit the clients' savings accounts to credit their respective loans.

OPTION 2 Card-Based Repayments

Card-based repayment system is less costly and entails less paper work than receipt-based repayment system. It is also helpful to the borrowers since all payments are recorded on one card rather than numerous receipts. However, card-based repayment system requires more frequent monitoring and double-checking that account officers record all daily/weekly transactions properly and accurately.

The suggested guidelines assume that the loan payments are set-up as automatic withdrawals from savings accounts to facilitate daily and weekly collection.

The account officer/collector:

STEP 1 Generates weekly payments due or collection sheet for the week every Monday.

STEP 2 Collects payment from clients based on the payments due or collection sheet.

STEP 3 Records the payment in the client's card and collection sheet.

STEP 4 Returns to the bank and balances the collected loan payments against the collection sheet. This process is done twice – at midday and before the close of banking hours (depending on the location of the branch).

STEP 5 For daily pick-up, fills up a deposit slip for each loan payment and savings contribution. For weekly pick-up, fills up deposit slip for savings contribution only.

STEP 6 Fills up a Daily Deposits Generation Form (DDG) based on the deposit slips and collection sheet. Submits cash, DDG form, and deposit slips to Teller. This process is done twice a day – at midday and before close of banking hours.

The teller/cashier:

STEP 7 Verifies totals of DDG form, deposit slips and actual money received. Refers to the account officer if there is any overage/shortage.

STEP 8 Stamps "Receive" on the DDG form, signs deposit slips, and prepares ticket entry. Gives deposit slips to Savings Bookkeeper for posting.

STEP 9 Posts each loan payment and client account number into the Cashier's Blotter.

STEP 10 Returns DDG form to the account officer.

STEP 11 Savings bookkeeper posts loan payments as deposits into the client's ledger and passbook. Returns deposit slips to the teller and the passbooks to the account officer.

STEP 12 Account officer checks if the loan payment/savings is properly posted to the passbooks. He/she submits the DDG form and loan collection sheet for the day to the supervisor.

The supervisor:

STEP 13 Checks the DDG form and collection sheet for the day to see that all daily or weekly payments due for the day have been collected. If there are missed payments for the day, the supervisor follows up with the account officer to find out why a payment was missed before the close of the business day. The supervisor must visit all clients who have missed payments of 3 days or more (See Section 6: *Loan Delinquency Management*).

STEP 14 Files DDG form and collection sheet for the day in separate files.

STEP 15 Generates "Payments Due for the Day" report (notes on the report if the client is fully paid) and gives this to the Loans Bookkeeper.

STEP 16 Based on the report, the loans bookkeeper issues a debit memo advising the savings bookkeeper of the weekly loan payment deductions from client's savings ledgers. A list of all clients who paid for the day/week is also attached to the debit memo.

STEP 17 Savings bookkeeper debits from the savings ledger the amount specified in the list, and issues a receipt for the debit memo. A copy of the receipt, the debit memo and the client list is given to the microfinance supervisor for record-keeping in the debit memo file.

STEP 18 The loans bookkeeper deducts weekly amortization payment from the client's account, updates the loan ledger, and generates a daily summary of loan repayments.

NOTE: For weekly/bi-monthly/monthly payment, bank may want to standardize payments/disbursements to 1 day per week to facilitate collection.

5.0 LOAN DELINQUENCY MANAGEMENT

Delinquency management is one of the most important responsibilities of the MFU. The first step to delinquency management starts even before the loan is approved. With a proper credit investigation and cashflow analysis, there should normally be no excuse for a client to miss a loan payment. By observing the following, the account officer/supervisor will avoid instances of loan delinquency:

- H Loan sizes and terms should take into account the debt capacity of the individual borrower and be conservative enough to allow for unexpected expenditures or a decrease in income. Hence a client should not be given a loan that he/she cannot easily repay.
- H The credit investigation should adequately analyze a prospective client's credit history and experiences with making payments on-time and in most cases will be able to detect clients who have poor credit histories.
- H A properly conducted credit investigation should identify potential common risks to the client's supply base, production, or sales. In cases like these, the repayment capacity should be discounted further to avoid delinquent loans.

Account officers/collectors, therefore, need to be diligent in following up in their collections. They should inform their clients to set aside their loan payments from the previous day's sale so that they are available when the collector visits.

5.1 Alarm Signal No. 1 – Payment Is Delayed One Day

The collector (if different from the account officer) should report all missed payments to the account officer. The account officer/collector must do the following steps:

- 1) Schedule a visit to all clients who miss a payment within 24 hours.
- 2) Determine right away the reason for the missed payment and inform the supervisor.
- 3) Encourage the client to pay right away so as to avoid falling behind in his/her payments.

5.2 Alarm Signal No. 2 – Payment Is Delayed Three Days

If payment is three days delayed, the account officer and supervisor must:

- 1) Visit to all clients who have not made a payment for three days.
- 2) Warn clients they will have to pay penalty interest if they do not pay all missed payments within two days and that their co-makers will also be notified.
- 3) Depending on the circumstances of the missed payment:
 - € speak with the spouse/co-borrower to try and arrange a payment and/or
 - € withdraw funds from the clients' savings deposits to cover the missed payment(s) if there is a debit authority from the client.
- 4) Determine, at this stage, why the client is not paying and discuss these problems with him/her.
- 5) Report, during the weekly credit committee meeting, all clients with missed payments for three days or more.

5.3 Alarm Signal No. 3 – Payment Is Delayed One Week

Penalty interest must be applied to all accounts with missed payments of one week or more. At this stage, the following actions are taken:

- 1) The account officer and supervisor must personally deliver to delinquent clients the first warning letter signed by the supervisor.
- 2) The supervisor must stress to the client the need to pay all missed payments immediately to be eligible to borrow from the bank again and avoid any further penalty interest.
- 3) If the client is still unable to pay, the supervisor should meet with the co-borrower and co-makers to collect.
- 4) It is also at this time that the option of rescheduling the loan should be considered for clients who are unable to pay their loan payments because of unforeseen circumstances that are verified by account officers.

- 5) The supervisor must submit a list of clients with missed payments of one week or more to the branch manager.

Remember: rescheduling of loans can only be done once for each client and should be only done under special situations and for clients who "can't pay" as opposed to those who "won't pay".

5.4 Alarm Signal No. 4 – Payment Is Delayed Two Weeks

During this stage, the branch manager must accompany the account officer to visit clients with missed payments of two weeks. At this visit, the following will have been accomplished:

- 1) The account officer shall give the client the second warning letter signed by the branch manager.
- 2) The manager shall inform the client that the bank will be forced to take more drastic measures including:
 - € posting the client's name on a public notice board of delinquent borrowers;
 - € notifying the local barangay captain that the client is not meeting his/her credit obligations to the bank;
 - € withdrawing the client's privilege of access to quick repeat loan from the bank;
 - € enforcing the security agreement or chattel mortgage.
- 3) If the client is still unable to pay, the bank manager should seriously speak with the co-borrower and co-makers to see if they can pay on behalf of the client.
- 4) If the borrower, co-borrower, and co-makers are unable to make up all missed payments due to unforeseen circumstances and the client still has the intention of paying, then the bank should make a final decision whether or not to provide the option of rescheduling the loan.

5.5 Alarm Signal No. 5 – Payment Is Delayed Three Weeks

During this stage:

- 1) The account officer must deliver the third and final warning letter, signed by the bank's legal counsel, to the borrower.
- 2) Drastic measures mentioned in Alarm Signal No. 4 must now be enacted. The client's name should be posted on the public notice board of delinquent borrowers, the barangay captain must be notified (*See Annex I: Filing Delinquency Case Before the Barangay Court*), and steps to enforce the security agreement or chattel mortgage should be finalized.
- 3) The account officer should ask the client to come to the bank immediately to avoid legal action on his/her account. After three weeks of missed payments, the bank will no longer have the option of rescheduling the client's loan.

5.6 ALARM SIGNAL NO. 6 – PAYMENT IS DELAYED FOUR WEEKS

After all the above steps are taken and the client still has not made up all missed payments, the bank shall now, as a last resort, do the following:

- 1) The account officer/collector of the bank should now proceed to enforce the security agreement or the chattel mortgage. Security items are to be confiscated from the clients.
- 2) Clients who have missed payments for four weeks or more will not be able to borrow from the bank again (in accordance with the Chattel Mortgage/Security Agreement Enforcement Guideline).

5.7 Enforcement of Security Agreement

Enforcement of security agreement should only be done after exhausting all measures in the Loan Delinquency Management, including the sending of at least 3 collection letters.

Note, however, that enforcing the security agreement does not extinguish the loan. The seized items will be subject to a redemption period mutually agreed by the bank representative (either the supervisor or the manager) and the client. In case a client fails to redeem the seized items within the redemption period, the bank can then auction/sell the article.

STEP 1 The security agreement will be notarized at this time. The expense of notarization will be charged to the client.

STEP 2 Following the alarm signals 4-6 in Loan Delinquency Management the account officer, supervisor, and branch manager should present the security agreement to the client and ask the client to voluntarily surrender stipulated assets.

STEP 3 Client must be asked to sign a bill of sale or "dacion en pago". Client will be informed of the redemption period of the surrendered assets (not to exceed 30 days).

STEP 4 The supervisor should issue an *acknowledgement receipt* to the client signed by the former and the bank's manager.

STEP 5 The supervisor, together with the manager will determine the selling price and redemption period of surrendered assets. The bank will continue to classify the loan as past due and charge interest and penalty fees.

STEP 6 If not redeemed by the client within the stipulated period, the supervisor sells the items the unit(s) at the price equal to its current appraised value. The client (owner) reserves the right to be the priority buyer (redeemer) of the seized items during the span of redemption period.

STEP 7 Proceeds of the said items will be paid through the teller who issues *official receipt* to the client/buyer.

STEP 8 The proceeds from such sale will be posted to the client's loan ledger. Any excess amount from the sale of the items may be given to the client. On the other hand, when the proceeds from the sale are inadequate to pay the loan, the unpaid balance will remain as past due account in the books, until fully paid.

6.0 LOAN MONITORING REPORTS

More than the bank's financial and structural capabilities, the success of its loan product will ultimately depend on a proper monitoring system. Loan reports and indicators must be generated regularly to:

- § track the status of the ABC portfolio in a timely, accurate comprehensive manner;
- § improve work of field staff, ensuring better monitoring of their portfolios and providing more efficient services to an increasing number of clients;
- § enable supervisor to monitor his/her areas of responsibility, and focusing on priority areas that most require attention; and
- § help senior management to make well-informed operational and strategic decisions.

The table below shows the loan monitoring reports that should be regularly generated by the ABC staff. Most of these reports can be generated anytime as required but normally printed on a month-end basis:

Title	No. Of Copies	Frequency	Who Does	To Whom
1. Listing of Loans	5	Weekly/ end of month.	Loans Bookkeeper/ Supervisor	AO; Supervisor, Br. Mgr; Main Branch
2. Collection Due	3	Weekly	Loans Bookkeeper/ Supervisor	AO; Supervisor
3. Delinquency/ Past-due Report	4	Daily/ Weekly/End of month	Loans Bookkeeper/ Supervisor	AO; Supervisor; Br. Mgr; Main Branch
4. Portfolio at Risk Report	5	Weekly/End of month	Loans Bookkeeper/ Supervisor	AO; Supervisor; Br. Mgr; Main Branch
5. Loans and Interest Collected from MFU	3	End of each month	Loans Bookkeeper/ Supervisor	Supervisor; Br. Mgr; Main Branch
6. Microfinance Monthly Report	5	End of month	Supervisor	Supervisor; Br. Mgr;; Main Branch
7. Performance Report by AO	5	Weekly/End of month	Loans Bookkeeper/ Supervisor	AO; Supervisor; Br. Mgr; Main Branch
8. Client's Status Report – Direct Repayment by Amortization	1	As needed for repeat loan processing	AO/ Supervisor	AO; Supervisor
9. Portfolio at Risk by Aging Analysis and Business Activity	5	End of month	Loans bookkeeper/ Supervisor	AO; Supervisor; Br. Mgr; Main Branch
10. Portfolio at Risk Sorted by Disbursed Loan Amount and Business Activity	3	End of month	Loans bookkeeper/ Supervisor	AO; Supervisor; Br. Mgr; Main Branch
11. Loans Profile by Gender	4	End of month	Supervisor	AO; Supervisor; Br. Mgr; Main Branch

LIST OF ABC LOAN DOCUMENTS

ATTENDANCE SHEET
LOAN APPLICATION FORM FOR ABC LOAN
REPEAT LOAN APPLICATION FORM
CREDIT INVESTIGATION FORM
REPEAT LOAN CREDIT INVESTIGATION FORM
CASHFLOW FORM & CASHFLOW WORKSHEET
RESULT OF INTERVIEW WITH REFERENCES
CO-MAKER'S PROFILE
BANK VERIFICATION LETTER
LOAN RECOMMENDATION SHEET
CLIENT LOGBOOK
PROMISSORY/CO-MAKER'S STATEMENT
DISCLOSURE STATEMENT
DEED OF ASSIGNMENT OF DEPOSIT
CHattel MORTGAGE
SECURITY AGREEMENT
LOAN DISBURSEMENT CHECKLIST
CLIENT'S CARD
INDIVIDUAL LOAN LEDGERS
FIRST NOTICE
SECOND NOTICE
FINAL NOTICE
LOAN COLLECTION SHEET (Card-Based Repayment)
RESTRUCTURED LOAN AGREEMENT
DACION EN PAGO

CLIENT IDENTIFICATION NUMBER (CID):**RURAL BANK OF XYZ
LOAN APPLICATION FORM FOR ABC LOAN****PERSONAL DATA**

Name:		Nickname:		PHOTO
Identification Number:		Type Of ID:		
Home Address:				
Telephone:				
Date Of Birth:		Age:	Place Of Birth:	
Sex: Male Female	Civil Status: Single Married Widowed Separated			
Name Of Spouse:				
Occupation Of Spouse:				
Number Of Dependents:				
Home Ownership: Owned Rented Mortgaged Shared/Others				
Number of years in the community:				

BUSINESS ACTIVITY

Type Of Business:				
Business Name & Address:				
Business Telephone:			No. Of Years In The Business:	
Business Partner (If Any):				
Estimated Business Assets:			Estimated Monthly Sales:	
Is your business registered? Yes No				
Who looks after your business when you're sick or away?				
Are you involved in any other business activity? Yes No				
If yes, what type of business?				
Are you employed apart from owning a business? Yes No				
If yes, where?			Office Telephone:	
Status Of Employment: Regular Contractual Others				
Name Of Employer:				
Address Of Employer:				

PURPOSE OF LOAN

How much do you want to borrow? P_____		For how long? 1 month 2 months 3 months		
Purpose of loan?				
How often can you afford to pay? P_____		Daily	Weekly	Monthly
How much can you afford to pay? P_____		P_____	P_____	P_____
Do you have any outstanding loan? Yes No		Does your spouse have any outstanding loan? Yes No		
If yes, how much is your outstanding loan? P_____		If yes, how much is his/her outstanding loan? P_____		
Name Of Creditor/Supplier:		Name Of Creditor/Supplier:		
Name at least one creditor/supplier that you have borrowed from in the past: 1. 2.				
Do you have a bank deposit? Yes No		What bank?		

AUTHORIZATION

I confirm that the above information is true and correct to the best of my knowledge. I am aware that any false statement may be an immediate cause for denial of this loan. In connection with this application, I authorize the RB of XYZ, Inc. to obtain such other information as may be required. This authorization includes obtaining information from suppliers, commercial banks, rural banks, and all other creditors while releasing these institutions from liability under any and all bank secrecy laws.

SIGNATURE OF APPLICANT _____ DATE/PLACE _____
SIGNATURE OF SPOUSE _____ DATE/PLACE _____

RURAL BANK OF XYZ, INC. CREDIT INVESTIGATION FORM	
ABC LOAN	
NAME OF APPLICANT/CO-MAKER:	
Business Registration/Stall Lease Agreement (if any):	
MAIN BUSINESS ACTIVITY:	NO. OF PAID EMPLOYEES:

HOUSEHOLD COMPOSITION			
HOUSEHOLD MEMBERS AND DEPENDENTS (Starting with Proprietor)	CURRENT OCCUPATION/ ECONOMIC ACTIVITY	REGULAR MONTHLY NET INCOME	SCHOOL / BUSINESS/EMPLOYMENT ADDRESS
SIZE OF HOUSEHOLD		TOTAL MONTHLY HOUSEHOLD INCOME	

WORKPLACE CHARACTERISTICS						
	Owned	Home-based	Rented	Ambulant	Shared	Others (specify)
BUSINESS						
RESIDENCE						

PAYMENT RECORDS			
Receipts of Bills (e.g.)	Documents Supplied	Ave. 3-months Receipts	Comments (on-time/delinquent, etc.)
<i>Water</i>			
<i>Electricity</i>			
<i>Installment Plan</i>			
<i>Mortgage/Rental payments</i>			
<i>5-6 payments</i>			

BUSINESS SEASONS (High/Average/Low)												
Business Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Major Business												
Secondary Business												

BUSINESS INFORMATION		
Factors	Description	Potential Problems/Risks
1. Clients	Who are your main clients?	Are there threats to your client base?
2. Supplies	Where do you get your supplies of raw materias and/or finished goods? Are the goods bought in cash, on installment, or consignment?	Are there threats to obtaining your supplies?
3. Production/Sales / Services	How do you sell your goods/services?	Are there threats to your production/sales/ services?
4. Others	Are there other market factors that may affect your business operation?	

INVENTORY OF ASSETS						
Qty	Description	Appraised Value	Loan/ Acct. Balance	Age	Condition	Supplier
TOTAL APPRAISED VALUE						

SAVINGS HISTORY	
Name/Address of Institution	Amount
1.	
2.	
3.	
TOTAL SAVINGS	

CREDIT HISTORY				
Name/Address of Creditor/Supplier	Previous Loan Amount	Outstanding Loan Amount	Due Date	Amount of Payment/ Frequency
1.				
2.				
3.				
TOTAL LOANS OUTSTANDING				

BUSINESS ASSETS		BUSINESS LIABILITIES AND NETWORK	
Cash and Bank	P	Loan Payables	P
Accts. Receivable		Other Payables	
Raw Materials			
Goods in Process		TOTAL LIABILITIES	
Finished Goods		TOTAL NETWORK	
Other Assets			
TOTAL ASSETS		TOTAL LIABILITIES & NETWORK	

ACCOUNT OFFICER'S OBSERVATIONS/CONCLUSION

CERTIFICATION

I hereby certify that all the information stated in this credit investigation report is true and correct and that I shall be held responsible for any misinterpretation.

Name/Signature of Account Officer: _____ Date: _____

Noted by: _____
Supervisor

**RURAL BANK OF XYZ, INC.
REPEAT LOAN
CREDIT INVESTIGATION FORM**

NAME OF APPLICANT:

TYPE OF BUSINESS:

BUSINESS SEASONS (High/Average/Low)

Business Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Major Business												
Secondary Business												

CREDIT RECORDS

Name/Address of Institution	Outstanding Loan Amount	Due Date	Amount of Payment/ Frequency
1.			
2.			
TOTAL LOANS OUTSTANDING			

INVENTORY OF ASSETS

Qty	Description	Appraised Value	Loan/ Acct. Balance	Age	Condition	Supplier
TOTAL APPRAISED VALUE						

BALANCE SHEET

ASSETS				LIABILITIES AND NETWORK			
	Previous Amount	Current Amount	Amount Change		Previous Amount	Current Amount	Amount Change
Cash and Bank				Loan Payables			
Accts. Receivable				Other Payables			
Raw Materials							
Goods in Process				TOTAL LIABILITIES			
Finished Goods				TOTAL NETWORK			
Other Assets				TOTAL LIABILITIES & NETWORK			
TOTAL ASSETS							

CREDIT INVESTIGATOR'S OBSERVATIONS/CONCLUSION

CERTIFICATION

I hereby certify that all the information stated in this credit investigation report is true and correct and that I shall be held responsible for any misinterpretation.

Name/Signature of Account Officer: _____ Date: _____

Noted by: _____
Supervisor

CASHFLOW ANALYSIS						
BUSINESS	Daily	Amt. Change	Weekly	Amt. Change	Monthly	Amt. Change
Income from Sales						
Business 1						
Business 2						
Total Income						
Expenses						
Raw Materials						
Business 1						
Business 2						
Labor						
Rent						
Utilities						
Transportation						
Fuel						
Loan Payments						
Others						
Total Expenses						
Net Business Income						
HOUSEHOLD						
Regular Family Income						
Salaries						
Pension						
Other Income						
Total Income						
Expenses						
Food						
Education						
Utilities						
Housing/Rent						
Transportation						
Medical						
Insurance						
Loan Payments						
Others						
Total Expenses						
Net Household Income						
TOTAL NET INCOME						
Equivalent of Daily Net Income						
Equivalent of Weekly Net Income						
Less daily equivalent of Monthly Net Income						
Estimated Amount Available for Debt Servicing						
Adjusted Repayment Capacity Rate: x __%						
Maximum Loan Entitlement for __ months						
Loan Payment – This Loan						

LAST UPDATED: August 18, 2000

Prepared By: _____

Date: _____

CO-MAKER'S PROFILE

PERSONAL DATA

Name:	Nickname:
ID number:	Type of ID.
Date of birth:	Sex: male female
Home address:	
Home ownership:	Owned Rented Housing Plan Shared/Others
Telephone number (if any):	
No. of years in this address:	No. of years in the community:
Civil status:	No. of dependents:
Name of spouse:	
Occupation of spouse:	
Regular monthly income:	
Business/employment address of spouse:	

EMPLOYMENT AND ECONOMIC ACTIVITY

IF EMPLOYED:	IF SELF-EMPLOYED:
Name of superior/employer:	Business name:
Name of company:	Business address:
Company address:	Nature of business:
Telephone number:	Telephone number:
Nature of business:	Name of business partner (if any):
Position in the company:	Share in the business:
No. of years with the company:	No. of years in the business:
Regular monthly salary:	Regular monthly sales:
Other sources of income (if any):	

I hereby affirm that all information given above is true and correct.

Signature of Co-maker

Date

INTERVIEW WITH CO-MAKER:

1. How long have you known the applicant?
2. Are you a relative of the applicant? Explain.
3. Has the applicant been involved in a legal case or dispute? If yes, what is it?
4. How would you assess the character of the applicant? Explain.
5. Do you know if he/she has vices? Explain.
6. Is he/she known to borrow loans? Explain.
7. Is he/she known to be a reliable/unreliable borrower? Explain.
8. Would you be willing to lend him/her money out of your own pocket?
9. Have you ever been a co-maker? If yes, for whom and for which credit institution?
10. Would you be willing to guarantee the applicant's loan? Explain.
11. Does your spouse know that you are co-making for this loan?
12. Would you be willing to pay for her/his missed payment? Explain.

RURAL BANK OF XYZ, INC.
(Address of Bank)

BANK VERIFICATION LETTER

Sir/Madam:

Please furnish us the following information regarding the borrower's credit standing. The information shall be treated with utmost confidentiality.

Name of Borrower _____
Address _____

1. Type of Loan: Agricultural Loan
 Commercial Loan
 Industrial Loan
 Salary Loan
 Other Loans
2. Date Granted _____
3. Maturity Date _____
4. Principal Amount _____
5. Balance on Loan _____
6. Term of Loan _____
7. Securities Offered REM
 Chattel Mortgage
 Deposit Hold-out
 Unsecured Loan
8. How would you describe the paying performance of the borrower?
 All amortization is paid on time.
 90% of amortization is paid on time.
 less than 90% of amortization is paid on time.

Authorized Signature over Printed Name

Thank you for your attention on this matter.

Very truly yours,

Loans Supervisor

LOAN RECOMMENDATION SHEET

I. THE CLIENT

Name : _____ Age: _____
 Home Address : _____
 No. of Years : _____
 Civil Status : _____ Name of Spouse: _____
 Number of Dependents : _____

II. THE BUSINESS

Type of Business : _____
 Secondary business, if any: _____
 Location of Business : _____
 No. of years in business : _____

III. THE CASH FLOW

	Daily	Weekly	Monthly
Total net income :	_____	_____	_____
Adjusted Debt Capacity :	_____	_____	_____
Adjusted Debt Capacity Rate :	_____%		

IV. LOAN APPLIED FOR

Loan Amount: : _____
 Term : _____
 Frequency of Payment : _____
 Loan Amortization : _____

V. CO-BORROWER/CO-MAKERS NAME AND ADDRESS

Name	Address
1. _____	_____
2. _____	_____
3. _____	_____

CREDIT COMMITTEE ACTION ON LOAN APPLICATION:	
Approved	Amount Approved: P _____ Term approved: _____ Installment Approved: _____
Declined	
Deferred with reasons:	_____
_____	_____
Approving Authority	Date
_____	_____
Approving Authority	Date

RURAL BANK OF XYZ, INC.
Town, Province/City

PROMISSORY NOTE/CO-MAKERS' STATEMENT

PN No. _____	_____, Philippines
Date Granted: _____	Maturity Date: _____
Type of Loan: _____	Interest Rate: _____ (%)
Term/Period of Loan: _____	Mode of Repayment: _____
Amount of Installment: _____	

Date of installment: First Installment to fall due on _____ and every _____ thereafter until the whole sum of the principal and interest shall have been fully paid. Penalty of _____ shall be imposed per day on the amount of installment due from date of default until fully paid.

This Note is secured by: _____

FOR VALUE RECEIVED, I/WE jointly and severally promise to pay the RURAL BANK OF XYZ, INC. the sum of PhP _____ (P_____).

I/WE hereby agree and authorize RURAL BANK OF XYZ, INC. to encumber, assign or sell to any person or entity any right which may have under this Note and/or any assignment, mortgage lien, pledge or other encumbrances constituted in favor of RURAL BANK OF XYZ, INC. pursuant to the provisions of the loan agreement and this Note, if any the consent herein granted is recognized and acknowledged by me/us as a waiver, to all intents and purposes of whatever right I/we may have to notice of actual encumbrances or assignment.

Should a delay be made in the payment of an installment of at least _____ days, the whole sum remaining unpaid under this Note shall forthwith become due and demandable without need of further demand. In such case, I/WE jointly and severally agree to pay an additional amount equivalent to P_____ per day due and demandable as penalty and collection charges in the form of liquidated damages until fully paid and ten percent (10%) thereof or P1,000.00 whichever is higher for attorney's fees whether actually incurred or not, exclusive of cost and judicial/extrajudicial expenses.

Further, I/WE jointly and severally empower and authorize the RURAL BANK OF XYZ, INC. the option, and without notice, to set off or apply to the payment of this Note any and all funds which may be in their hands on deposit or otherwise belonging to the corporation or one or anyone of us which may be in their possession or control by virtue of any other contract.

DEMAND AND DISHONOR WAIVED. Holder may accept partial payment reserving his/her rights or recourse against each and all endorsers.

VENUE OF ACTION. I/WE agree that any action arising in connection or by reason of this Note shall be filed exclusively with the courts in XYZ, (Province) _____.

I/WE hereby affix my/our signature(s) at _____, Philippines, on _____.

MAKER
Signature: _____
Name in Print: _____
Address: _____

MAKER
Signature: _____
Name in Print: _____
Address: _____

I agree to become a co-maker to this Promissory Note. I am aware of the responsibility which I will assume in signing such a note.

CO-MAKER
Signature: _____
Name in Print: _____
Address: _____

CO-MAKER
Signature: _____
Name in Print: _____
Address: _____

SIGNED IN THE PRESENCE OF:

Name and Signature of Witness

Name and Signature of Witness

RURAL BANK OF XYZ, INC.
Town XYZ, Province

DISCLOSURE STATEMENT
(As required Under R.A. 3765, Truth in Lending Act)

1. LOAN GRANTED P _____ (A)
2. FINANCE CHARGES
- a. Interest of _____% p.a. for _____ days P _____
- b. Non-interest charges _____
- c. Processing fee _____
- d. Service fee _____
- e. Other charges P _____
- TOTAL FINANCE CHARGES p _____ (B)
3. NON-FINANCE CHARGES
- a. Insurance Premium P _____
- b. Taxes _____
- c. Documentary/Science Stamps _____
- d. Notarial Fee P _____
- TOTAL NON-FINANCE CHARGES P _____ (C)
4. AMOUNT DELIVERED OR "CASH PRICE"
(Loan amount less up-front finance and non-financial charges) P _____ (D)
5. AMOUNT TO BE FINANCED (D Plus C) P _____ (E)
6. ANNUAL RATE: $R = \frac{(B)}{(E)} \times \frac{12}{\text{Nos of Mos. to Mat.}} \times 100 = \text{_____} \% \text{ p.a.}$

We acknowledge receipt of this statement prior to the consummation of the credit transaction and that we understand and fully agree to the terms and conditions thereof.

Nadawat namo kining Disclosure Statement sa wala pa matuman ang transaksyon ug kami nakasabot ug nagauyon sa tanang termino ug kondisyon sa loan.

CALCULATION CERTIFICATION:

(Borrower/s)

Account Officer

DEED OF ASSIGNMENT OF DEPOSITS

This ASSIGNMENT made and executed by:

ASSIGNOR

ASSIGNEE

Filipino, of legal age, married and a resident of

RURAL BANK OF XYZ, INC., duly organized
under Rural Banking Act; Republic Act No. 720,
as amended with office at XYZ, Province

W I T N E S S E T H

That as security for the payment of the loan obtained by _____
from ASSIGNEE in the amount of (FIVE THOUSAND) PESOS Philippine currency (PhP 5,000.00)
with TWENTY (20%) PERCENT payable on or before _____. The ASSIGNOR
hereby transfers and assigns unto ASSIGNEE the Assignor's rights, title and interest to and in the sum of
_____ (P _____) PESOS, Philippine currency, out of the
Assignor's deposits with the RURAL BANK OF XYZ, INC., covered by SA/CTD No. _____.
issued in the name of the Assignor, it being understood that the Assignee has the full control of the same said sum
assigned, from and after this date, and that the same cannot be withdrawn, monetized by the Assignor, his heirs,
successors and assigns, unless the said loan granted to him as well as the interest due thereon and expense incurred
have been fully paid. And in the case of non-payment of said loan at maturity or anytime upon demand of the
Assignee for any reason whatsoever, the Assignee is hereby fully authorized and empowered to transfer the
ownership thereof in their name, the same as the payment of the loan herein mentioned.

With full knowledge of the above stipulation and the penal provision of the Republic Act No. 7353 as
amended, I hereby affix my signature or thumbmark on this document, in XYZ, Province.

Assignor

SIGNED IN THE PRESENCE OF:

Name and Signature of Witness

Name and Signature of Witness

A C K N O W L E D G E M E N T

REPUBLIC OF THE PHILIPPINES)
PROVINCE OF _____)
MUNICIPALITY OF XYZ)
x-----/

BEFORE ME, on the _____ day of _____, _____ at XYZ,
Province, _____ personally appeared, with Community Tax Cert. No. _____
issued on _____ at _____,
_____ Province, known to me to be the same person who executed this document and
acknowledged to me that the same is his free and voluntary act and deed.

WITNESS MY HAND AND SEAL.

Doc. No. _____
Book No. _____
Page No. _____
Series of 199__

NOTARY PUBLIC
Until December 31, _____
PRT NO. _____
TIN _____

Check which: () On Machinery or Equipment
 () On Motor Vehicles
 () On Serialized Assets

CHATTEL MORTGAGE

This MORTGAGE, made and executed by:

MORTGAGOR
 Name: _____
 Age: _____ Status: _____ Citizenship: _____
 Spouse: _____
 Address: _____

in
 favor
 of

MORTGAGEE
RURAL BANK OF _____, INC., duly
 organized under the Rural Banks' Act, Republic Act No. 720
 with principal office and place of business at _____

WITNESSETH:

1.) That as security for the payment of any loan or advance obtained by the MORTGAGOR from the MORTGAGEE in the amount of _____ Pesos (P _____) plus interest at the rate of _____ percent (____%) per annum, payable on the dates mentioned in the corresponding Promissory Note, the MORTGAGOR does hereby convey and mortgage unto the MORTGAGEE the following described personal property(ies) now located and situated in the Barangay of _____, Municipality of _____, Province/City of _____, Philippines, and now in the possession of the MORTGAGOR; of which property(ies) the MORTGAGOR warrants that he/she is the absolute owner and that the same is/are free from liens and encumbrances, and that the said mortgaged property(ies) shall not be moved from its/their place of location as set forth above without the written consent of the MORTGAGEE;

LIST OF MORTGAGED PROPERTIES				
Description/Brand	Kind/Type	Serial #	Volume/# of Items	Certificate of Ownership/Receipt

2.) That the MORTGAGOR binds himself properly to tend, care for and protect the crop while growing and faithfully and without delay to harvest the same;

3.) That the MORTGAGEE or its lawful representative is hereby appointed Attorney-in-Fact for the MORTGAGOR and remains as such during the life of this mortgage with ample power and authority to store the mortgaged crops or the products into which same may have been converted, in any warehouse it may choose at any time that the MORTGAGEE deems that the said mortgaged crops or their products are in danger of, or are being lost, destroyed or diminished in value, and all expenses in this regard shall be repaid by the MORTGAGOR and their payment secured likewise by this mortgage;

4.) That in case of judicial execution of this obligation or any part of it, the MORTGAGOR waives all his rights under the provisions of Rule 39, Section 12 of the Rules of Court. In the event that this obligation is placed in the hands of an attorney for collection, the makers and indorsers shall pay TEN PERCENT (10%) of the total amount due as attorney's fees, which shall in no case be less than _____ Pesos (P _____) and the total cost of suit;

Note:

- a.) If farm animals are the subject of the mortgage, enumerate them with corresponding description as to brand, class, age, knots of radiated hair and other marks of ownership as set forth in the Certificate of Ownership, together with the number, date and place of issue of such Certificate.
- b.) If farm machinery or equipment (or motor vehicles) are the subject of the mortgage, enumerate them with corresponding description as to type, make, H.P., factory no., and other marks of ownership as set forth in the Certificate of Ownership if any, together with the number, date and place of issue of such Certificate.
- c.) If growing crops are the subject of the mortgage, specify the crop, agricultural year, the products to which the crops may afterwards be converted such as milled sugar cane, threshed rice (in case of palay), the quantity (piculs, cavanases, and the like), mortgagor's share in case there is a tenancy contract, together with a description of the land where crops are presently grown.

5.) And, that the conditions of this mortgage are such that if the MORTGAGOR shall well and truly fulfill the obligation above-stated according to the terms thereof, then this mortgage shall become null and void; otherwise, it shall remain in full force and effect and may be foreclosed either judicially or extrajudicially according to the Chattel Mortgage Law.

IN WITNESS WHEREOF, the parties have hereunto affixed their respective signatures this ____ day of _____, _____ at _____, Philippines.

Mortgage of MORTGAGOR's share is with my permission and knowledge:

Signature/Thumbmark of Landlord/Administrator
over Printed Name

Signature or Thumbmark over Printed Name
MORTGAGOR

Signature or Thumbmark over Printed Name
MORTGAGOR's Spouse

	Right Thumb

Bank: _____
MORTGAGEE

By: _____
Name & Signature of Authorized Representative

Designation

SIGNED IN THE PRESENCE OF:

Name & Signature of Witness

Name & Signature of Witness

AFFIDAVIT OF GOOD FAITH

We severally swear that the foregoing Chattel Mortgage is made for the purpose of securing the obligation specified in the conditions therein and for no other purpose, and that the same is a just and valid obligation and one not entered into for the purpose of fraud.

Signature/Thumbmark over Printed Name
MORTGAGOR

Signature or Thumbmark over Printed Name
MORTGAGOR's Spouse

	Right Thumb

Bank: _____
MORTGAGEE

By: _____
Name & Signature of Authorized Representative

Designation

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MUNICIPALITY OF _____) S.S.
PROVINCE/CITY OF _____)

BEFORE ME, this ____ day of _____, _____ at _____ personally appeared _____ with his/her C.T.C. No. _____ issued at _____ on _____, known to me and to me known to be the same parties who executed the foregoing Chattel Mortgage and Affidavit of Good Faith and made oath to the truth of said affidavit before me, and that they acknowledged to me that the aforesaid Chattel Mortgage is their free and voluntary act and deed as well as that of the Bank _____ represents.

Doc. No. _____ ;
Page No. _____ ;
Book No. _____ ;
Series of _____ .

Notary Public

SECURITY AGREEMENT

This Security Agreement is made and entered into by _____, hereinafter referred to as the BORROWER, and the Rural Bank of _____ with a principal office and place of business at _____, hereinafter referred to as the CREDITOR.

As security for the payment of a loan obtained by the BORROWER from the CREDITOR in the amount of _____ Pesos (P_____) plus interest at the rate of _____ percent (____%) per annum, payable on the dates mentioned in the Promissory Note signed on _____, the BORROWER provides the following items:

BRAND/MODEL	KIND/TYPE	YEAR	VOLUME	SERIAL NO. OR MARK OF OWNERSHIP

The BORROWER warrants that he/she is the absolute owner of the listed items and that the same are free from liens and encumbrances, and that the same shall not be moved from their location without the written consent of the CREDITOR.

The BORROWER further agrees that the CREDITOR may confiscate the above mentioned items should the BORROWER default in his/her payments as set forth in the Promissory Note.

Affidavit of Good Faith: We also swear that this Security Agreement is made for the purpose of securing the obligation specified and for no other purpose, and that the same is a just and valid obligation and one not entered into for the purposes of fraud.

IN WITNESS WHEREOF, the parties have hereunto affixed their respective signatures this ____ day of _____, _____ at _____, Philippines.

BORROWER

RURAL BANK OF _____
CREDITOR

SPOUSE/CO-BORROWER

BY: _____
NAME OF AUTHORIZED REPRESENTATIVE

SIGNED IN THE PRESENCE OF:

Name and Signature and Witness

Name and Signature of Witness

RURAL BANK OF XYZ, INC. LOAN DISBURSEMENT CHECKLIST

Principal Borrower: _____

Co-Borrower: _____

Co-makers: _____

Document	# Copies	REMARKS
PRE-APPROVAL DOCUMENTS		
<input type="checkbox"/> 1. Application Form of Principal Borrower	1	_____
<input type="checkbox"/> 2. Credit Investigation Form	1	_____
<input type="checkbox"/> 3. Cashflow Analysis	1	_____
<input type="checkbox"/> 4. Result of Interviews with References	1	_____
5. Location Sketch		
A. Residence		
<input type="checkbox"/> (1) Principal Borrower	1	_____
<input type="checkbox"/> (2) Co-maker	1	_____
B. Business/Place of Work		
<input type="checkbox"/> (1) Principal Borrower	1	_____
<input type="checkbox"/> (2) Co-maker	1	_____
<input type="checkbox"/> 6. Promissory Note w/Deed of Assgn. Of Deposit	3	_____
<input type="checkbox"/> 7. Co-Maker's Statement/Profile	2	_____
8. Security Documents		
<input type="checkbox"/> A. Kasabutan	2	_____
<input type="checkbox"/> B. Certificate of Ownership (if any)		
<input type="checkbox"/> _____	1	_____
<input type="checkbox"/> _____	1	_____
<input type="checkbox"/> _____	1	_____
<input type="checkbox"/> C. Chattel Mortgage	5	_____
<input type="checkbox"/> D. Real Estate Mortgage	7	_____
<input type="checkbox"/> E.		
<input type="checkbox"/> 9. Business Permit (photocopy, if available)	1	_____
<input type="checkbox"/> 10. Community Tax Certificate (photocopy)	1	_____
<input type="checkbox"/> 11. I.D. Picture (2" x 2") of Principal Borrower	2	_____
12. Others		
<input type="checkbox"/> A. _____		_____
<input type="checkbox"/> B. _____		_____
<input type="checkbox"/> C. _____		_____
<input type="checkbox"/> D. _____		_____
POST-APPROVAL DOCUMENTS		
<input type="checkbox"/> 1. Computation Slip	1	_____
<input type="checkbox"/> 2. Loan Disclosure Statement	2	_____
<input type="checkbox"/> 3. Client Card	1	_____
<input type="checkbox"/> 4. Amortization Schedule	2	_____
<input type="checkbox"/> 5. Others		
<input type="checkbox"/> A. _____		_____
<input type="checkbox"/> B. _____		_____
<input type="checkbox"/> C. _____		_____

Prepared by: _____

Checked by: _____

Date: _____

Date: _____

CLIENT'S CARD

Name: _____

Loan Amount: _____

Date Granted: _____

Date Due: _____

Date	Amount Paid	Signature
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
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25.		

RURAL BANK OF XYZ, INC.

FIRST NOTICE

(DATE)

Dear Mr./Ms. _____:

May we remind you of your outstanding _____ loan with us which has been overdue since _____ with the principal balance of P _____ plus interest thereon.

In order to avoid legal action, please pay your outstanding obligation immediately after receiving this notice. May we remind you also that your unpaid obligation will incur penalties at the rate of __%/P ____ per day/monty until the date of payment.

Thank you.

Very truly yours,

RURAL BANK OF XYZ, Inc.

By:

Authorized Signature

NOTE: If payment has been made, please disregard this notice.

RURAL BANK OF XYZ, INC.

SECOND NOTICE

(DATE)

Dear Mr./Ms. _____:

May we refer again to your Promissory Note dated _____, 19__ which has been overdue since _____ with the principal amount of P _____ plus interest thereon.

You must have overlooked our first notice that we sent to you on _____. Please note that aside from the penalty fees we have imposed to your account, we will be forced to take further action. As stated in your promissory note, we will post your name on the delinquent borrower's list and notify the barangay captain if you do not pay immediately.

In order to avoid further legal action, please pay your outstanding obligation immediately after receiving this notice.

Thank you.

Very truly yours,

RURAL BANK OF XYZ, Inc.

By:

Authorized Signature

NOTE: If payment has been made, please disregard this notice.

RURAL BANK OF XYZ, INC.

FINAL NOTICE

(DATE)

Dear Mr./Ms. _____:

May we refer again to your Promissory Note dated _____, 19__ which has been overdue since _____ with the principal amount of P _____ plus interest thereon.

The previous notices we sent to you must have been overlooked. Your name has now been posted on the delinquent borrower's list and the barangay captain has been notified of your refusal to pay your outstanding obligations. Unless you settle your obligation to our bank immediately, we will be forced to take the unpleasant task of enforcing the security agreement and confiscate the assets you listed as a guarantee to your loan.

Please give this matter your utmost attention.

Very truly yours,

RURAL BANK OF XYZ, Inc.

By:

Authorized Signature

NOTE: If payment has been made, please disregard this notice.

ANNEXES

ANNEX A	MICROFINANCE STAFF DUTIES AND RESPONSIBILITIES
ANNEX B	INTERNAL CONTROL GUIDELINE
ANNEX C	REPAYMENT CAPACITY ANALYSIS
ANNEX D	CLIENT ORIENTATION SESSION GUIDE
ANNEX E	CREDIT INVESTIGATION GUIDELINE
ANNEX F	DETERMINING REPEAT LOAN SIZE
ANNEX G	FILLING OUT LOAN APPLICATION FORM
ANNEX H	CREDIT COMMITTEE GUIDELINE
ANNEX I	PROCESS AND PROCEDURES FOR FILING DELINQUENCY CASES BEFORE THE BARANGAY COURT

ANNEX A

MICROFINANCE STAFF DUTIES AND RESPONSIBILITIES

A. Microfinance Supervisor:

Reporting

The Microfinance Supervisor shall report directly to the Branch Manager or her designate.

Duties and Responsibilities

1. Develop and execute a strategic and financial plan for the Bank's microfinance activity.
2. Recommend the hiring of microfinance staff to the Branch Manager, in consultation with the MABS-M technical staff.
3. Lead the Microfinance Field Staff (MFS) in conducting market research and survey activities.
4. Develop new microfinance products and services, and their corresponding marketing plan.
5. Responsible for meeting and/or exceeding the microfinance program's deposit and loan targets prescribed by the Branch Manager, in consultation with the MABS-M technical staff.
6. Supervise and monitor the daily activities of the MFS.
7. Develop and maintain a harmonious working relationship among staff.
8. Conduct regular performance evaluation of MFS, and recommend any promotion or termination to the Branch Manager, in consultation with the MABS-M technical staff.
9. Ensure the safekeeping of all cash, documents, and accountable forms in the possession of the microfinance unit.
10. Train the MFS with the assistance of the MABS-M technical staff.
11. Review and endorse loans for approval, restructuring, para-legal and legal action (if any), by authorized officers of the Bank.
12. Function as a member of the Microfinance Credit Committee.
13. Review legal documents and security files of approved loans. Ensure their safekeeping.
14. Conduct client re-briefing during loan release.
15. Ensure 100% on-time collection of loan amortizations among the MFS. Develop a working culture of "zero tolerance on missed loan payments."
16. Assist the Bank's legal counsel in matters involving remedial account management.
17. Submit monthly accomplishment reports (actual performance versus targets) to the Branch Manager or her designate by the 10th of the following month. Furnish MABS-M a copy of said report.
18. Ensure timely submission of reports as prescribed by MABS-M.

19. Attend all training activities conducted by the Bank and MABS-M.
20. Perform other tasks as may be prescribed by the Branch Manager or her designate, in consultation with the MABS-M technical staff.

Minimum Requirements:

1. At least high school graduate, preferably college graduate of business and related courses from a local university.¹
2. Preferably with at least two (2) years experience in a financial institution.
3. Must be healthy and fit do to strenuous fieldwork.
4. Local resident of the area.
5. Able to relate and communicate well with local residents, particularly those belonging to the lower income levels.
6. Good working attitude, receptive to training and supervision but able to work independently.

B. Microfinance Field Staff/Account Officer:

Reporting

The Microfinance Field Staff or Account Officer shall report directly to the Microfinance Supervisor or her designate.

Duties and Responsibilities

1. Conduct market research and survey activities.
2. Participate in the development of new microfinance products and services.
3. Solicit new deposit and loan accounts in accordance with specific periodic performance targets prescribed by the Supervisor.
4. Orient prospective clients about the bank's microfinance products and services.
5. Receive loan applications and perform credit investigation on loan applicants and his/her surety/co-borrower/co-maker, if any.
6. If necessary, conduct inspection and/or appraisal of any property being offered as collateral.
7. Organize all loan application documents submitted by the loan applicant, including the preparation of credit files.
8. Present loan applications for endorsement and/or approval by authorized officers of the Bank.
9. Prepare legal documents and security files of approved loans.
10. Facilitate loan release and assist in client re-briefing during the loan release.

¹ Although an undergraduate would qualify, a degree holder is recommended for the career advancement of the staff in the future. A degree holder might be considered for an officer/managerial position in the bank.

11. Conduct regular monitoring visits to clients and perform daily collection whenever necessary. Maintain a high standard level of collection performance in accordance with specific periodic collection/repayment targets prescribed by the Supervisor.
12. Recommend loan accounts for restructuring, para-legal and legal action, if any.
13. Assist the Bank's legal counsel in matters involving remedial account management.
14. Conduct deposit collection in the field.
15. Submit monthly accomplishments reports (actual versus target) to the Supervisor or her designate.
16. Attend all training activities conducted by the Bank and MABS-M.
17. Assist in the training of newly hired microfinance staff, and provide on-the-job coaching.
18. Perform other tasks as may be prescribed by the Supervisor or her designate.

Minimum Requirements:

1. Maximum age of 30 years old, preferably between 21-25 years old.
2. At least high school graduate, preferably college graduate of business and related courses from a local university.
3. Must be healthy and fit to do strenuous fieldwork.
4. Local resident of the area.
5. Able to relate and communicate well with local residents, particularly those belonging to the lower income levels.
6. Good working attitude, receptive to training and supervision but able to work independently.

ANNEX A

MICROFINANCE STAFF DUTIES AND RESPONSIBILITIES

A. Microfinance Supervisor:

Reporting

The Microfinance Supervisor shall report directly to the Branch Manager or her designate.

Duties and Responsibilities

1. Develop and execute a strategic and financial plan for the Bank's microfinance activity.
2. Recommend the hiring of microfinance staff to the Branch Manager, in consultation with the MABS-M technical staff.
3. Lead the Microfinance Field Staff (MFS) in conducting market research and survey activities.
4. Develop new microfinance products and services, and their corresponding marketing plan.
5. Responsible for meeting and/or exceeding the microfinance program's deposit and loan targets prescribed by the Branch Manager, in consultation with the MABS-M technical staff.
6. Supervise and monitor the daily activities of the MFS.
7. Develop and maintain a harmonious working relationship among staff.
8. Conduct regular performance evaluation of MFS, and recommend any promotion or termination to the Branch Manager, in consultation with the MABS-M technical staff.
9. Ensure the safekeeping of all cash, documents, and accountable forms in the possession of the microfinance unit.
10. Train the MFS with the assistance of the MABS-M technical staff.
11. Review and endorse loans for approval, restructuring, para-legal and legal action (if any), by authorized officers of the Bank.
12. Function as a member of the Microfinance Credit Committee.
13. Review legal documents and security files of approved loans. Ensure their safekeeping.
14. Conduct client re-briefing during loan release.
15. Ensure 100% on-time collection of loan amortizations among the MFS. Develop a working culture of "zero tolerance on missed loan payments."
16. Assist the Bank's legal counsel in matters involving remedial account management.
17. Submit monthly accomplishment reports (actual performance versus targets) to the Branch Manager or her designate by the 10th of the following month. Furnish MABS-M a copy of said report.
18. Ensure timely submission of reports as prescribed by MABS-M.

19. Attend all training activities conducted by the Bank and MABS-M.
20. Perform other tasks as may be prescribed by the Branch Manager or her designate, in consultation with the MABS-M technical staff.

Minimum Requirements:

1. At least high school graduate, preferably college graduate of business and related courses from a local university.¹
2. Preferably with at least two (2) years experience in a financial institution.
3. Must be healthy and fit do to strenuous fieldwork.
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5. Able to relate and communicate well with local residents, particularly those belonging to the lower income levels.
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Reporting

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Duties and Responsibilities

1. Conduct market research and survey activities.
2. Participate in the development of new microfinance products and services.
3. Solicit new deposit and loan accounts in accordance with specific periodic performance targets prescribed by the Supervisor.
4. Orient prospective clients about the bank's microfinance products and services.
5. Receive loan applications and perform credit investigation on loan applicants and his/her surety/co-borrower/co-maker, if any.
6. If necessary, conduct inspection and/or appraisal of any property being offered as collateral.
7. Organize all loan application documents submitted by the loan applicant, including the preparation of credit files.
8. Present loan applications for endorsement and/or approval by authorized officers of the Bank.
9. Prepare legal documents and security files of approved loans.
10. Facilitate loan release and assist in client re-briefing during the loan release.

¹ Although an undergraduate would qualify, a degree holder is recommended for the career advancement of the staff in the future. A degree holder might be considered for an officer/managerial position in the bank.

11. Conduct regular monitoring visits to clients and perform daily collection whenever necessary. Maintain a high standard level of collection performance in accordance with specific periodic collection/repayment targets prescribed by the Supervisor.
12. Recommend loan accounts for restructuring, para-legal and legal action, if any.
13. Assist the Bank's legal counsel in matters involving remedial account management.
14. Conduct deposit collection in the field.
15. Submit monthly accomplishments reports (actual versus target) to the Supervisor or her designate.
16. Attend all training activities conducted by the Bank and MABS-M.
17. Assist in the training of newly hired microfinance staff, and provide on-the-job coaching.
18. Perform other tasks as may be prescribed by the Supervisor or her designate.

Minimum Requirements:

1. Maximum age of 30 years old, preferably between 21-25 years old.
2. At least high school graduate, preferably college graduate of business and related courses from a local university.
3. Must be healthy and fit to do strenuous fieldwork.
4. Local resident of the area.
5. Able to relate and communicate well with local residents, particularly those belonging to the lower income levels.
6. Good working attitude, receptive to training and supervision but able to work independently.

ANNEX B

INTERNAL CONTROL GUIDELINE

This guideline contains the basic procedures in handling savings and loan accounts of the ABC loan product, with emphasis on very basic control measures. The procedures outlined in this paper are applicable for transactions done within the bank and those that are done in the field. To ensure that risks and fraud are reduced to a minimum, the bank (or the microfinance unit) needs to look into three major areas of concern: (1) Good Product Design; (2) Excellent Repayment Rate; and (3) Sound Internal Controls.

During the start-up phase, good product design and excellent repayment rate are the main focus of the product implementation. However, it would be worthwhile for the Supervisor (aside from the internal control personnel of the bank) to start working on sound internal controls before any fraud has started. Internal control assessment must be conducted periodically to determine whether:

1. all financial data gathered is accurate & reliable;
2. risks are identified and mitigated;
3. policies and procedures are followed;
4. and violations to prescribed policies and procedures are dealt with accordingly.

This is a very simple guide that will serve as a tool for the supervisor (or the internal controller) in conducting the internal control assessment for the bank (or the product). The following areas are covered here:

1. Savings Account Opening & Maintenance
2. Cash Handling
3. Handling Cash Shortages & Overages
4. Loan Administration
5. Granting of Waivers
6. Others

Integrating fraud control measures in the operations level is often more effective than an internal auditor's post review. Fraud can be reduced to a minimum when operating procedures impose tight internal control.

1. SAVINGS DEPOSIT ADMINISTRATION

The bank must have sound policies particularly in the following areas:

1.1 Identification and documentation requirements for Savings Account Opening.

Sufficient identification and documents to support the account opening are very important factors that could mitigate the risk of having fraudulent accounts in the bank.

For Individual Accounts, acceptable ID's are Voter's ID, Driver's License, Credit Cards, SSS, GSIS, Pag-Ibig and other club membership cards bearing the client's signature or picture. These cards provide positive identification and comparison with specimen signature on the application forms & signature cards. Community Tax Certificate (CTC) is not acceptable as this could easily be available to anybody, anywhere.

For Corporate Savings Accounts, a Board Resolution authorizing the account opening with the authorized signatories and their specimen signatures must be required, as well as the SEC registration, Articles of Incorporation and By-Laws of the company.

1.2 All information needed on all the forms for account opening must be supplied. For joint accounts, agreement forms must be properly filled up.

1.3 Maintenance of signature cards: active accounts.

If the bank's operation is computerized, the Cashier, the Bookkeeper, and/or the Teller, must jointly keep a custody of **alphabetical** and **numerical** files of signature cards.

1.4 Maintenance of signature cards: inactive and dormant accounts).

Once an account becomes inactive or dormant, the signature cards must be pulled out immediately from the active files, to be transferred to a locked cabinet. These must be held under the dual custody of the Manager and the Assistant Manager or the Cashier. Any movement (either deposit or withdrawal) in these accounts must be jointly approved by the custodians. Monthly interest and service charge posting will not activate these accounts.

1.5 Handling check deposits.

All types of checks (including Manager's Checks, Demand Draft and Pre-Audited Government checks) must be subject for clearing. Only On-U.s checks are not subject for clearing. All checks presented for deposit must be in the name of the account owner, both for personal and corporate savings account and must be properly endorsed by the payee. Acceptance of second endorsed checks must be strongly discouraged as these are very potential sources of fraud.

1.6 Handling withdrawals and verification process for signature and identification.

If the bank's operation is computerized, the teller verifies signature and approves withdrawal up to a certain amount. If the bank's operation is not computerized, the bookkeeper does the signature verification and approves withdrawals up to a certain amount. For withdrawals beyond their limit, the Junior Officers of the bank has to approve. Sufficient identification should be required for transactions in substantial amount. For withdrawals made by a representative, the authorization must be properly filled up and signature verified. These procedures could mitigate the risk of paying out fraudulent withdrawals. As the bank has the primary responsibility to safeguard its client's money, then any unauthorized or fraudulent withdrawal from a client's account must be paid by the bank.

2. HANDLING DAILY COLLECTIONS

Fraud Control is very necessary in Handling Collections. It is very hard to find individuals who are always honest, given the opportunity to steal or to work in an office with no clear sanctions for dishonest employees. Sound Internal Control reinforces a person's internal sense of right and wrong. The following basic procedures must be implemented by the bank to mitigate collection-related fraud:

2.1 Start-of-Day Process.

Collectors ask for blank Official Receipts from the Cashier or anybody who takes custody of all blank pre-numbered forms.

2.2 Mid-Day Process.

Ideally, collectors should remit all collections in the morning at noontime in order the risk of robbery or theft while on field with the collection.

2.3 End-of-Day Process.

Collector prepares a list of collections at the end of the day to be verified by the Cashier or the Teller. Verification should focus not only on the cash turned over, but also on the serial number of the Official Receipt issued during the day. The unissued Official Receipts are then turned over to the custodian before the collector goes home.

3. ADMINISTRATION OF BLANK CASHIER'S CHECKS & RECEIPTS

A Junior Officer must maintain custody of blank Cashier's Check and receipts and keep a logbook to monitor issuance. All Cashier's Check and Official Receipts requisition must be logged prior to issuance.

4. HANDLING OF OVERAGES AND SHORTAGES

4.1 A General Ledger account for Overages & Shortages must be maintained.

Tellers and Collectors must not simply keep overages and pay shortages. They must in the first place, exhaust all means to trace the root of the discrepancies. In the event that the cause of the discrepancy could not be traced, then these must be declared on the same day.

4.2 Booking of Overages & Shortages must be done via ticket entry, to be prepared by the person incurring the discrepancy. Depending on the amount involved, copies of the ticket must be furnished to the Manager or to the Board.

4.3 Settlement shall be via Payroll Deduction and the term will also depend on the amount involved. If the bank gives teller's allowance, then it must be first applied to the shortages incurred and the balance shall be settled according to the terms specified in the bank's policies. Shortages are declared as Other Income of the bank at the end of the year.

5. WAIVER OF PENALTIES AND OTHER CHARGES

A clear guideline showing the levels of authority in granting waiver of penalties and other bank charges must be in place. Bank could lose money if granting waiver will not be controlled. Besides, this could be a potential source of fraud if employees will grant waiver to clients for a fee or commission.

For banks with computerized operations, security password from a higher officer must be needed before any waiver can be posted. For banks that are not computerized, ticket for the waiver must be approved by the most Senior Officer of the branch.

6. APPROVALS OF OTHER DAILY TRANSACTIONS

A "Maker-Checker-Officer" system must be implemented in the bank. This simply illustrates that the person originating the transaction is not the same person checking and approving it. The checker must be higher in level than the person originating the transaction. Approving Officer must either be the Manager or the Assistant Manager. It is very important that the different degrees of responsibility over the transaction be laid out clearly.

7. LOAN ADMINISTRATION

Loan accounts are totally self contained by each Account Officer. This practice could lead to the following fraudulent transactions:

7.1 Existence of "ghost borrowers and co-makers." There's no way for the bank to verify if all the borrowers and Co-Makers really exist. To prevent this from happening Supervisors should implement the following policies:

- € Client ID must be a non-negotiable requirement.
- € Account Officers must not be allowed to have the loan documents (Promissory Note, Disclosure Statement, Deed of Assignment) signed outside of the bank. Borrowers, together with their spouse and co-makers must sign the documents in the bank in front of the supervisor as they come to get the loan proceeds.

7.2 Padded loan amount. Out of financial need, Account Officers can process a loan that is much bigger than what a borrower actually needs and borrow the excess amount with the commitment to pay the amortizations due. To prevent this from happening, Supervisors should do the following:

- € As the borrower comes to sign the loan documents, Supervisors should ask a few questions like, the amount of the loan applied for, and how the money will be used.
- € Make sure that borrowers are not made to sign blank loan documents and that they get their copies of those.
- € Include as part of their weekly activities, a random client visit.
- € Visit immediately the borrower who starts making partial payments and find out the reason why he/she could not come up with the full amortization due.

8. LOAN COLLECTIONS HANDLING AND BOOKING

There are two methods of recording payments being adopted by our Participant Banks. These are the card based method and the receipt method. Whichever method a bank may use, Supervisors/Managers must ensure the implementation of Internal Control measures to prevent the following fraudulent transactions:

8.1 Juggling of collections. Card based method is more susceptible to this. During the field exposure of our trainees to the pilot banks, we have witnessed cases of borrowers complaining that some payments are not recorded in their cards. The bank has no way of checking if all collections are remitted on the same day, especially if they implement the seven-day grace period. To avoid this from happening, Supervisors must always do the following:

- € Ensure that all collections are remitted within the same day.
- € Closely monitor unpaid amortizations for the day and
- € Immediately visit clients who miss paying one amortization.

8.2 Undeclared overages in loan payments. Amortization amounts that are not rounded off make collection difficult as collectors have to provide loose change. Oftentimes, this becomes the source of overages/shortages as they total their collections at the end of the day. As witnessed during the field exposure with our pilot banks, one Account Officer did not declare the overage, but took the money instead, saying that it could be traced the following day. Tolerating this practice could lead to bad habits among collectors. To prevent this from happening, Supervisors must implement the following policies:

- € Amortization amounts must be rounded off.
- € All overages/shortages must be properly declared.

ANNEX C

REPAYMENT CAPACITY ANALYSIS

What is repayment capacity?

Repayment capacity is an assessment of how much a person or business can manage to pay in debt payments over a particular time period. The repayment capacity can be affected by fluctuating market prices of raw materials or inventory, other liabilities, the rate of expansion and growth of the business activity, other family income, and family expenses.

What is it used for?

The repayment capacity analysis is used to determine the amount a client can afford to pay on a regular basis (e.g. daily, weekly, monthly) without weakening the business, threatening regular household expenses, or risking the possibility of defaulting on a loan payment.

How is repayment capacity determined?

Repayment capacity is determined by looking separately at the net income of the business and the net income of the household on a daily, weekly, and monthly basis. The net income of the business is determined by analyzing the income and expenses of the business activity during high, average, and low business months. The net household income is determined by analyzing regular monthly income - NOT seasonal income - and subtracting regular household expenses. Regular income include salaries or wages, rental income, pension, regular remittances from relatives, and earnings from other livelihood activities that generate income daily or weekly (e.g. income from tricycle driving). In households that primarily depend on the business activity to cover expenses, this figure will often be negative and will therefore be deducted from the net business income to determine the repayment capacity of the client.

Why is repayment capacity adjusted?

Since it is difficult to estimate accurately all expenses, the bank needs to adjust the estimated repayment capacity of the client. This is especially true for first time clients, where it is more difficult to obtain an accurate picture of the business and household.

It is recommended that this initial maximum adjusted repayment capacity should not exceed 35% of the total net income for first time clients. In certain situations, the maximum adjusted repayment capacity should not exceed 25%.¹

Below are examples of adjusted repayment rates for borrowers with weekly net incomes of P1,500, P2,000 and P2,500 using adjusted percentages from 25% to 50%:

1) Net Income = P1,500/week:

Adjusted Repayment Capacity Rate	Maximum Weekly Payment	5-day Maximum Daily Payment	7-day Maximum Daily Payment
25%	P375	P75	P54
30%	P450	P90	P64
35%	P525	P105	P75

2) Net Income = P2,000/week:

Adjusted Repayment Capacity Rate	Maximum Weekly Payment	5-day Maximum Daily Payment	7-day Maximum Daily Payment
25%	P500	P100	P71
30%	P600	P120	P86
35%	P700	P140	P100

¹ The lower the adjusted rate, the more conservative the loan amount. A bank may use a lower adjusted rate initially, particularly if the account officers are new.

3) Net Income = P2,500/week:

Adjusted Repayment Capacity Rate	Maximum Weekly Payment	5-day Maximum Daily Payment	7-day Maximum Daily Payment
25%	P625	P125	P89
30%	P750	P150	P107
35%	P875	P175	P125

A client with a net income of P2,500 a week, for example, should not be allowed to make total weekly payments that exceed P875 (using a 35% adjusted rate) or P625 (using a 25% adjusted rate). This adjusted rate also allows for unexpected expenditures or a temporary business closure.

The adjusted rate can be increased gradually as the account officer gains more experience with the client and the income and expenses of the client can be more accurately determined. This adjusted rate should not exceed 50% in succeeding payments to allow some flexibility if the client has unexpected expenses. This adjusted repayment rate should be seen as a benefit to both the client and the bank. The client would not be burdened with a loan that is too costly to manage and the bank will not be making loans to clients who would otherwise default if given loans that exceed their repayment capacity (See Annex G - Guideline On Credit Investigation Form: Income And Expense).

To allow for larger repeat loans (see table below), the adjusted repayment capacity can be increased by 5% over the rate charged from the previous loan. The loan term can also be increased by one month over the term of the preceding loan.

A) Sample Repeat Loan Terms Based on Adjusted Repayment Capacity Rates

Loan Number	Max. Loan Term	Max. Loan Amount	Adjusted Repayment Capacity Rate
First	3 months	15,000	
Second	3 months	20,000	25%
Third	4 months	30,000	25%
Fourth	6 months	40,000	30%
Fifth	6 months	50,000	30%
Succeeding loans	12 months	60,000	35%
			35%

With a 3% loan interest rate, Table B (below) shows the weekly payments allowed for each loan amount possibility that can be availed of during the first or second loan with a loan term of 2 and 3 months respectively.

B) Sample Loan Terms and Payments

Loan Number	Loan Term	Loan Amount	Weekly Payment
First	60 days	5,000	
		10,000	654
Second	91 days	5,000	1,237
		10,000	420
		15,000	839
		20,000	1,258
			1,677

Using tables A and B, the account officer can now make a decision on how much to grant the client on his/her next loan. A comparison of the weekly payment allowed for each loan amount and term (Table B), and the repayment capacity of the client based on the different adjusted repayment rates (Table A) will lead to this matrix:

C) Loan Possibilities for a Client with P2,000 Weekly Net Income

Loan Number	Adjusted Repayment Capacity	Maximum Weekly Payment	Loan Amount
First			
Second	25%	P500	Up to P4,000
	30%	P600	Up to P7,000

A client with a net weekly income of P2,000 would then be able to afford a P500 weekly payment using a 25% adjusted repayment capacity rate. In the example above, a first loan would only be up to P5,000 with weekly payments of P654. Using a 30% adjusted repayment rate, however, the client could now afford to make payments of up to P600 per week. Hence, a second loan could go up to P7,000 with payments of P596 a week.

ANNEX D

CLIENT ORIENTATION GUIDELINE

I. Objectives of the Client Orientation Session

Most if not all, of the target clients of the microfinance loan are entrepreneurs who have at best, limited experience in dealing with a bank especially in relation to borrowings.

Majority of them believes that banks, including rural banks, only lend big. All of them expect the bank to ask for some form of hard collateral to secure their loans. But all of them know that banks charge more reasonable rates of interest than informal money-lenders and other non-traditional sources of loan funds.

The client orientation is conducted primarily to introduce the ABC loan product to the target clients and inform them of its basic features and the terms and conditions of lending.

The session also provides the bank with the opportunity to erase all misconceptions and incorrect traditional thinking about rural banks, in general, and the Rural Bank of XYZ in particular. It is a venue for the bank to communicate its vision and mission and make known its desire to become partners with the microenterprise sector in the development of the rural economy.

The client orientation, therefore is an important aspect of the credit process. The following guidelines are intended to standardize the conduct of these sessions and ensure that not only are the sessions professionally and properly conducted but, more importantly, that uniform information is being relayed to the participants. The guidelines will follow the recommended presentation outline of presenters.

II. Guidelines for the Conduct of the Client Orientation Session

A. Preparing for the Session

1. The presenter should be well prepared for every session. This means that all materials and requirements for presentation are in place hours before the session is scheduled to begin.

2. Among the things that a presenter will need are:
 - § Overhead projector and screen
 - § Presentation acetates
 - § Flip charts
 - § Pointer and/or laser pointer
 - § Client Orientation Session logbook
 - § Copies of Application Form
3. The seminar area must be set-up at least 30 minutes before the scheduled session. Presenter must ensure that there is sufficient space and enough seats for participants expected to arrive.
4. Presenters should be dressed properly for the occasion. This simply means that the presenter should be wearing clean and decent clothes fit for office wear. T-shirts with collar and socks are minimum requirements for men. Women preferably should not be wearing plunging necklines and very short skirts. Shabby dressing tends to distract the participants' concentration on the discussion and, therefore, should be avoided.

B. Venue and Time

1. The orientation session is ideally conducted on a specific time and day of every week. The bank lobby is converted into a seminar area that can comfortably accommodate up to 15 people after 3:00 p.m.
2. SERVICE QUALITY BEGINS HERE. The presenter should make sure that the orientation session begins on time. Starting the session promptly, even if there is only 1 or 2 participants, sends a strong signal that the bank values time and, therefore, demands punctual performance both on itself and its clients.
3. No orientation session should be cancelled or postponed for the simple reason that there are only 1 or 2 participants to the session. A full-scale session should be conducted just the same 1 or 2 participants as if there were 10 or 100.

C. Welcome and Introduction of the Participants

1. Prospective clients are very important persons to the bank and therefore should be treated like guests and made to feel welcome in the bank.
2. The session should be started with the proper greetings either in English, Tagalog, Visayan, or all three.
3. The members of the MFU are then introduced by their first names, preferably their nicknames. To help the participants remember the names of the staff, it is recommended that the staff wear nametags.
4. After the introduction of the staff, the participants are requested to introduce themselves stating the following:
 - š Name
 - š Type of business
 - š Location of the business
 - š Number of years in the business

This introduction is intended to be an icebreaker and should help the participants to relax and be less inhibited. It also allows the presenter to determine who among the participants are likely to participate actively in the discussion.

D. Statement of Objectives

1. The orientation session is not a technical workshop. It should be conducted as informally as possible without losing sight of the real objectives of the session.
2. It should be emphasized during the orientation session that the product is the bank's response to the demand for greater access to banking services by the microfinance sector. Hence, as a contribution to rural development, the bank has developed a program that intends to address the financial needs of the sector under terms and conditions suited to their unique conditions and capacities to pay.
3. In stating the objectives, the presenter should use language that is simple and clear. It is recommended that the entire orientation should be conducted in the vernacular. Using the vernacular puts the participants at ease, encourages them to ask questions about the presentation which in the end, results in better understanding of the terms and conditions of the loan product.

III. Presentation of the Bank's Profile

In order to make the participants understand and appreciate the stability of the bank and the various services it provides to the community, emphasize the following points:

1. The year the bank was established.
2. Bank ownership (who owns the bank).
3. Size of the bank in terms of branches and number of people employed.
4. Deposit services: types of deposit, the minimum amount of initial deposit, the minimum amount to earn interest, the minimum maintaining balance (if any), and the corresponding interest rate for each type of deposit.

RB XYZ Deposit Products

	Minimum Initial Deposit	Interest Rate	Minimum Balance to Earn Interest
Time Deposit			
Savings Deposit			
Current Account			

5. Deposit Insurance. Assure the participants that the people's deposits in the bank are safe as all deposits up to P100,000 are insured by the Philippine Deposit Insurance Corporation (PDIC).
6. Total number of depositors and deposit portfolio.
7. Credit facilities: types of loan being offered by the bank. Total number of borrowers and total loan portfolio.

To summarize, emphasize the following points:

8. Bank strength. The supervisor may say: "The bank is stronger now, more than ever - it has now ___ branches to serve other municipalities in the province, and will continue to add more branches in the coming years."
9. Bank's commitment to service. The supervisor may say: "Rural Bank has served the people of XYZ and of the province of _____ continuously for a total of ___ years and will continue to do so for many years to come."

IV. Introducing ABC Loan Product (CHART 1)
(SEE SAMPLE PRESENTATION CHARTS)

A. Discuss the features of the product.

1. What is ABC Loan? (CHART 2)
2. What are the objectives of the product? (CHART 3)
3. What type of loan can the client avail? (CHART 4)
4. Who are eligible to avail of the loan? (CHART 5)
5. Who are **not** eligible to avail of the loan? (CHART 6)
6. What are the sizes and terms of loans? (CHART 7)
7. What is the interest and other charges of the loan? (CHART 8)
8. What is the mode of loan repayment? (CHART 9)
9. How do I apply for an ABC Loan? (CHART 10)
10. What are the loan application requirements? (CHART 11)
11. What are the conditions for availing of a repeat loan? (CHART 12)
12. Why is on-time repayment important? (CHART 13)
13. Comparison between ABC loan and 5-6 loan (CHART 14)

B. End the presentation by emphasizing the following points:

1. The product is attractive because: (CHART 15)
 - £ Low interest on the loan (___% p.a.);
 - £ No substantial pre-qualifying savings requirement (P___ initial deposit is enough);
 - £ No long client orientation training or seminar (30-minute orientation is enough); and
 - £ There is no group guarantee requirement.
2. The bank is committed to:
 - £ Increase the next loan amount if the business has demonstrated growth and sufficient capacity to handle larger loans.
 - £ Approve the next loan application within one day if the client has an excellent credit record.

3. The bank, however, expects that its clients will:
 - £ strictly adhere to the discipline of repaying their loan amortization on a daily or weekly basis.
 - £ give priority to saving and repaying their loans from the bank over any other financial need or obligation.

4. The client's failure to fully repay his/her loan will result in:
 - £ the bank exerting pressure on the client, through his/her family, the loan co-makers, the barangay officials, and, if necessary, the judicial courts; and
 - £ the client's credit record and reputation being destroyed - the bank will make sure that all other creditors in the community will have a copy of the list of its delinquent borrowers under the program.

SAMPLE PRESENTATION CHARTS
(Translate in the local language)

CHART 1:

DO YOU NEED A LOAN FOR YOUR SMALL BUSINESS?

ABC LOAN CAN HELP!

CHART 2:

WHAT IS ABC LOAN?

ABC LOAN IS A NEW LOAN PRODUCT OF RBXYZ THAT OFFERS WORKING CAPITAL TO INDIVIDUALS WHO HAVE A SMALL BUSINESS.

CHART 3:

WHAT ARE THE OBJECTIVES OF THE ABC LOAN?

- ☛ To encourage the use of formal credit facilities by small entrepreneurs.
- ☛ To make available affordable credit to small entrepreneurs to help expand their present business activities and increase their income.
- ☛ To promote a credit product that will ensure borrower credibility and business capital sufficiency in the future.

CHART 4:

WHAT TYPE OF LOAN CAN CLIENTS AVAIL?

Clients with businesses that generate regular daily or weekly sales can avail of a **working capital loan**.

CHART 5:

WHO ARE ELIGIBLE TO AVAIL OF THE LOAN?

- ☞ A business operator for at least one year
- ☞ A resident of XYZ for at least three years
- ☞ Of legal age
- ☞ Business located within defined geographical area

CHART 6:

WHO ARE NOT ELIGIBLE TO AVAIL OF THE LOAN?

Applicants who have:

- ☞ existing past due accounts with the bank.
- ☞ existing past due accounts with other banks.
- ☞ existing past due accounts with creditors/suppliers.

CHART 7:

WHAT ARE THE SIZES AND TERMS OF THE LOAN?		
LOAN NUMBER	SIZE MIN-MAX	TERM MIN-MAX
First loan	P _____ to P _____	__mos. to 2 mos.
Second loan	P _____ to P _____	2mos. to __mos.
Third loan	P _____ to P _____	2mos. to __mos.
Fourth loan	P _____ to P _____	2mos. to __mos.
Succeeding loans	P _____ to P _____	2mos. to __mos.

CHART 8:

WHAT ARE THE INTEREST AND OTHER CHARGES OF THE LOAN?	
1.	Interest rate: __% per annum (not deducted)
2.	Service charge: __% of the loan amount (deducted upon loan release)
3.	Credit insurance premium: __% (deducted upon release)
Example:	
Loan Amount:	P5,000
Less: Service charge(3%)	150
Insurance (0.3%)	<u>15</u>
Equals: Net Loan Proceeds	P4,835

CHART 9:

WHAT IS THE MODE OF LOAN REPAYMENT?

- ☞ Repayments are in equal installments, 22 days a month.
- ☞ Collection is on a daily basis, 5 days a week (Monday-Friday).
- ☞ ___% savings deposit based on the amount of daily repayment (if required).

CHART 9A

Example 1:	Loan Principal:	P3,000	
	Loan Term:	60 days (2 months)	
	Loan Interest Rate:	3%	
1)	$\frac{P3,000}{60 \text{ days}} =$	P50.00	⇒ Daily Repayment on Principal Loan
2)	$\frac{P3,000 \times 3\% \times 2 \text{ months}}{60 \text{ days}} =$	$\frac{P180.00}{60 \text{ days}} =$	P3.00
			⇒ Daily Repayment on Loan Interest
3)	$P50.00 + P3.00 =$	P53.00	⇒ Daily Loan Repayment
4)	$P53.00 \times 7 \text{ days} =$	P371.00	⇒ Weekly Loan Repayment
5)	$\frac{P371.00}{5 \text{ days}} =$	P74.20	⇒ Daily Equal Loan Repayment (Monday to Friday)

CHART 9B

Example 2:	Loan Principal:	P5,000
	Loan Term:	60 days (2 months)
	Loan Interest Rate:	3%
1)	$\frac{P5,000}{60 \text{ days}}$	= P83.33 ⇒ Daily Repayment on Principal Loan
2)	$\frac{P5,000 \times 3\% \times 2 \text{ months}}{60 \text{ days}}$	= $\frac{P300.00}{60 \text{ days}}$ = P5.00 Daily Repayment on Loan Interest
3)	$P83.33 + P5.00$	= P88.33 ⇒ Daily Loan Repayment
4)	$P88.33 \times 7 \text{ days}$	= P618.31 ⇒ Weekly Loan Repayment
5)	$\frac{P88.33 \times 7 \text{ days}}{5 \text{ days}}$	= P123.66 ⇒ Daily Equal Loan Repayment* (Monday to Friday)

CHART 9C

Example 3:	Loan Principal:	P10,000
	Loan Term:	120 days (4 months)
	Loan Interest Rate:	3%
1)	$\frac{P10,000}{120 \text{ days}}$	= P83.33 ⇒ Daily Repayment on Principal Loan
2)	$\frac{P10,000 \times 3\% \times 4 \text{ months}}{120 \text{ days}}$	= $\frac{P1,200.00}{120 \text{ days}}$ = P10.00 Daily Repayment on Loan Interest
3)	$P83.33 + P10.00$	= P93.33 ⇒ Daily Loan Repayment
4)	$P93.33 \times 7 \text{ days}$	= P653.31 ⇒ Weekly Loan Repayment
5)	$\frac{P93.33 \times 7 \text{ days}}{5 \text{ days}}$	= P130.66 ⇒ Daily Equal Loan Repayment* (Monday to Friday)

CHART 10

HOW DO I APPLY FOR AN ABC LOAN?

- 1) Attend a client orientation meeting.
- 2) Sign a loan application form. To qualify, the applicant must meet the eligibility criteria.
- 3) Undergo credit investigation. You must have a good credit history and sufficient cashflow to support loan payments.

CHART 11:

WHAT ARE THE LOAN APPLICATION REQUIREMENTS?

- ☞ Loan Application Form
- ☞ Credit Investigation Report
- ☞ Two 2x2 Id Photos
- ☞ Some form of ID
- ☞ Co-Maker(s) Profile
- ☞ Promissory Note/Co-Maker Statement
- ☞ Disclosure Statement
- ☞ Deed of Assignment of Deposit (If Required)
- ☞ Chattel Mortgage/Security Agreement (If Required) -- Serialized Assets, Equipment, Vehicle, Inventory Or Stock.

CHART 12:

WHAT ARE THE CONDITIONS FOR AVAILING OF A REPEAT LOAN?

- ☞ At least 95% of repayments on previous loan were made on time.
- ☞ Client's business must demonstrate growth and sufficient capacity to handle larger loans.

CHART 13:

WHY IS ON-TIME REPAYMENT IMPORTANT?

- ☞ It is important to maintain a sound credit history to be eligible for a repeat loan.
- ☞ A possible increase on the next loan; longer loan term; and faster loan processing and approval.
- ☞ On-time repayments help ensure a good business cashflow and growth.

CHART 14

WHY IS ABC LOAN BETTER THAN A 5-6 LOAN?

LOAN OF P5,000 PAYABLE IN 3 MONTHS:

	Interest Rate/Mo.	Receipt after Deductions	Loan Repayment Weekly	Daily
ABC Loan	__%	P_____	P_____	P_____
5-6	10%	P4,500	P541.75	P108.35

With ABC, you save P_____ daily; P_____ weekly; OR P_____ in 3 months!

This is P_____ in 12 months!

THINK HOW YOU CAN USE THE MONEY YOU SAVE - FOR YOUR BUSINESS OR FAMILY NEEDS - WHEN YOU TAKE AN ABC LOAN!

ANNEX E

GUIDELINE FOR CREDIT INVESTIGATION

The CI/BI is conducted within three days after the completion of the application form. The purpose of the CI is to verify whether the information provided by the client in her loan application form is correct; gather information about the client's character and credit history; and to analyze the client's cash-flow and debt repayment capacity. The account officer also needs to inspect and appraise the assets that could be covered by chattel or real estate mortgages.

- A. Below are some tips for interviewing a potential client:
1. Be certain to ask all relevant questions so as to get a clear picture why the client needs the loan, how the client will use the loan and how regular payments can be made without unnecessary stress to the business/family.
 2. Get an idea about the client's character, their trustworthiness, and reliability.
 3. Get a clear picture of the applicant's cashflow and how will this affect her ability to pay a loan.
 4. Review the loan application form beforehand. Have a clearly thought-out set of questions so that you give the impression of being well informed. At the same time avoid sounding rehearsed.
 5. Ensure that the potential client fully understands her obligation under the ABC GROUP LENDING especially the incentives for prompt payment and the consequences for paying late.
 6. Follow your instincts and avoid doing business with a client you do not believe to be trustworthy.
 7. Seek a second opinion from the Supervisor if for any reason you are in doubt on a particular business-related matter. Character and cash flow assessments however are the sole responsibility of the account officer.

When interviewing the character and credit references, the AO must be guided by the following:

1. Introduce yourself as an employee of the bank and ask the respondent if it is possible to ask some questions from him/her. Give an assurance that all information provided would be kept strictly confidential.

2. Casually ask for the name of the respondent and if he/she knows the applicant. Ask him/her where the applicant lives to confirm if the applicant is a resident of the place;
3. Inform the respondent that the client is applying for a loan at the bank and that your purpose is to verify the client's willingness and capability to repay the loan.
4. If applicable, ask what he/she knows about the client and her family – how long the client has been residing in the community, the family 's sources of income, the members of the client's household and the occupation of each of the household members;
5. If applicable, inquire how the other neighbors regard the client and her family, and whether they are known to be honest (not known to cheat or deceive other people), frugal (not living beyond their means), and hardworking;
6. For business neighbors, ask about the general condition of business activities in the area:
 - J Whether sales of most businesses are up or down, and why is this so;
 - J How long has the applicant been engaged in her present business;
 - J Whether the applicant's business is also in similar predicament, in terms of sales, as the other business enterprises;
 - J Who are the applicant's suppliers and creditors
 - J Whether applicant is in good credit standing with these suppliers or creditors.
1. Finally ask the respondent if the applicant is known to borrow money from others and if how reliable the applicant is in repaying borrowed amounts; and
2. At the end of the interview, thank the respondent and give another assurance that all information provided will be treated confidential.

ANNEX F

DETERMINING “REPEAT LOAN SIZE”

To allow larger repeat loans, the adjusted repayment capacity may be adjusted on Table A below. The loan term may also be increased by one month over the term of the preceding loan.

Table A. Repeat Loan Terms Based on Adjusted Capacity Rates

Loan	Maximum Loan Term	Maximum Loan Amount	Adjusted Repayment Capacity
First	3 months	15,000	25%
Second	3 months	20,000	25%
Third	4 months	30,000	30%
Fourth	6 months	30,000	35%
Fifth	6 months	30,000	40%
Succeeding loans	6 months	30,000	40%

With a 2.5% loan interest rate, Table B (below) shows the weekly payments allowed for each loan amount possibility that can be availed of during the first or second loan with a loan term of 2 and 3 months respectively.

Table B. Sample Loan Terms and Payments

Loan Number	Loan Term	Loan Amount	Weekly Payment
First	60 days	5,000	654
		10,000	1,237
Second	91 days	5,000	420
		10,000	839
		15,000	1,258
		20,000	1,677

Use tables A and B to make a decision on how much to grant the client on his/her next loan. Compare the weekly payment allowed for each loan amount and term (Table B), and the repayment capacity of the client based on the different adjusted repayment rates (Table A) will lead to this matrix:

C. Loan Possibilities for a client with P2,000 Weekly Net Income

Loan Cycle	Adjusted Repayment Capacity	Maximum Weekly Payment	Loan Amount
First	25%	P500	Up to 4,000
Second	30%	P600	Up to 7,000

A client with a net income of P2,000 would then be able to afford a P500 weekly payment using a 25% adjusted repayment capacity rate. In the example above, a first loan would only be up to P5,000 with weekly payments of P654. Using a 30% adjusted repayment rate, however, the client would now make payments of up to P600 per week. Hence, a second loan could go up P7,000 with repayments of P596 a week.

ANNEX G

ABC LOAN GUIDELINES FOR BANK STAFF: FILLING OUT LOAN APPLICATION FORMS

This guideline aims to ensure that the following loan application forms namely: loan application form; credit investigation form; co-maker's profile; repeat loan application form; and repeat credit investigation form, are correctly filled-up to avoid delays in the processing and approval of all loan applications. The account officer should make sure that all loan forms are properly and completely filled-up before the concerned parties affix their signatures. The supervisor is also expected to review the work of the account officer and ensure that all the forms have been properly completed before endorsing the loan application to the credit committee.

A. LOAN APPLICATION FORM

After the client orientation, interested applicants may either fill up the loan application form at the bank or bring this home and submit at a later date. In any case, the account officer should be able to explain each item in the application form to ensure that this is properly filled up.

H **Account Officer:** If assisted by an account officer, name of account officer who facilitated the applicant's loan application.

H **Client Identification Number:** Number assigned to client on the first application.

PERSONAL DATA

H **Name:** Full legal name of the applicant.

H **Nickname:** Any other name by which the applicant is known.

H **Photo:** Paste the applicant's photo on the right hand corner of the loan application form. This must be the most recent photo of the applicant, 2 x2, close-up photo, not an old cut-out photograph.

H **Identification Number:** Identification number of applicant, if any.

H **Type of ID:** This may be any of the following: passport, driver's license, voter's ID, taxpayer's ID, or business permit.

H **Home Address:** Current residential address of applicant.

H **Home Telephone:** If any, home telephone number or any other number

where the applicant can easily be reached.

- H **Date of Birth:** Day, month, and year of applicant's birth.
- H **Age:** Age of applicant at the time of application.
- H **Place of Birth:** Town and province, or city where the applicant was born.
- H **Sex:** Indicate whether applicant is male or female.
- H **Civil Status:** Indicate whether the applicant is single, married, widowed or separated.
- H **Name of Spouse:** Name of husband/wife/common-law spouse, if any, who can be contacted in the event the applicant cannot be located during the life of the loan.
- H **Occupation of Spouse:** If spouse is working outside the home, in what capacity is spouse employed.
- H **Number of Dependents:** The number of family and other household members who are financially dependent on the applicant.
- H **Home Ownership:** Indicate whether house is owned, rented, mortgaged, or shared with another family.
- H **Number of Years in the Community:** How long in terms of months or years the applicant has lived in his/her present address.

BUSINESS ACTIVITY

- H **Type of Business:** The nature of business the applicant is engaged in: e.g., sari-sari store, market vendor, carinderia/eatery/bakery, transport, fishing, food processing, "viajero" or buy and sell, crafts and light manufacturing, agriculture non-crop, or personal services.
- H **Business Name and Address:** Indicate if the business has a duly registered business name, as well as his/her business address. If applicant operates from his/her residence, write the address of the residence or indicate: "same as residence".
- H **Business Telephone:** If any, telephone number that is being used by the business. Indicate if this number is the same as the residential telephone.

- H **Number of Years in the Business:** How long, in terms of years, the applicant has been operating his/her business.
- H **Business Partner:** If applicant has a business partner, full name of the business partner.
- H **Estimated Business Assets:** Estimated amount of the business' total value including cash, collectibles, inventory, and fixed assets.
- H **Estimated Monthly Sales:** Estimated amount of income from business sales every month. If sales are generated on a daily basis, this amount should be multiplied by the number of days the business is open within the month.
- H **Is your business registered?** Is the business registered with the Barangay Office, Municipal Treasurer's Office, DTI, BIR, and/or Public Market Administration Office? Tick "Yes" or "No" box.
- H **Who looks after your business when you're sick or away?** Explain what arrangements are made for managing the business in the applicant's absence.
- H **Are you involved in other business activities?** If applicant has other secondary business activity other than the main business. Tick appropriate box.
- H **If yes, what type of business?** See type of business selection.
- H **Are you employed apart from owning a business?** If applicant has another source of income in the form of employment other than operating his/her own business. Tick appropriate box.
- H **If yes, where?** Name and location of company/office, or department/agency if a government employee.
- H **Office Telephone:** Self-explanatory.
- H **Status of Employment:** Applicant should indicate "regular" if working full-time and enjoying full employment benefits; "contractual" if working on a casual basis without employment benefits; "others" if employed in a capacity other than the two status mentioned. Please indicate.
- H **Name of Employer:** Name of applicant's employer or immediate superior.
- H **Address of Employer:** Current address of applicant's employer or immediate superior.

PURPOSE OF LOAN

- H **How much do you want to borrow?** The applicant should indicate the amount he/she wants to borrow.
- H **For how long?** Indicate if applicant would like to pay his/her loan within one, two, or three months.
- H **Purpose of Loan?** The business activity for which the loan is going to be used.
- H **How often can you afford to pay?** How frequent the applicant can pay his/her payment dues: daily, weekly, or monthly.
- H **How much can you afford to pay?** How much the applicant can pay if he/she chose to pay weekly, daily, or monthly.
- H **Do you have any outstanding loan?** Indicate if applicant has current debt to any person or lending institution. Tick appropriate box.
- H **If yes, how much is your outstanding loan?** Amount of any/all outstanding loan(s) of the applicant.
- H **Does your spouse have any outstanding loan?** Indicate if applicant's spouse has current debt to any person or lending institution. Tick appropriate box.
- H **If yes, how much is his/her outstanding loan?** Amount of any/all outstanding loan(s) of the applicant's spouse.
- H **Name(s) of creditor/supplier:** The name of all persons, banks and/or other institutions the applicant and/or his/her spouse has an outstanding loan.
- H **Name at least one creditor/supplier that you have borrowed from in the past:** If the applicant has no outstanding loan at the time of the application but had previous loans in the recent past, the applicant should supply the name(s) of the creditor/supplier for credit investigation purposes.
- H **Do you have a bank deposit?** Does the applicant have a savings deposit at the time of the application? Tick appropriate box.
- H **What bank?** If the applicant has a bank deposit, indicate the name of the bank.

AUTHORIZATION

The applicant must read this section thoroughly and the account officer must make sure that the authorization is explained and well understood by the applicant and the spouse.

H **Signature of Applicant/Spouse:** After the application form is completed and the authorization is read, the applicant and his/her spouse affix their signatures.

H **Date/Place:** Date when and place where the form is completed.

< **Account Officer's Guide:** The account officer may draw or ask the applicant to draw a map location of his/her house and/or business location on a separate sheet of paper. This is a useful guide for rural banks in urban areas or in case another account officer takes over the client's account. Clip the map sheet with the loan application form and then with the CI form when the credit investigation is conducted.

B. CREDIT INVESTIGATION FORM

This section will guide the account officer in filling up the credit investigation form. The CI form is divided here according to major sections to better illustrate each item that the account officer needs to master. It also guides the account officer on how to ask the applicant and other credit and character references during the CI process.

RURAL BANK OF XYZ, INC. CREDIT INVESTIGATION FORM	
ABC LOAN	
NAME OF APPLICANT/CO-MAKER:	
Business Registration/Stall Lease Agreement (if any):	
MAIN BUSINESS ACTIVITY:	NO. OF PAID EMPLOYEES:

H **Name of Applicant:** Full legal name of applicant.

H **Business Registration/Stall Lease Agreement Number (if any):** If registered with Barangay Office, Municipal Treasurer's Office, DTI, BIR, and/or with the Public Market Administration Office.

H **Main Business Activity:** See types of business.

H **Number of Paid Employees:** How many paid workers does the business employ?

HOUSEHOLD COMPOSITION

HOUSEHOLD COMPOSITION			
HOUSEHOLD MEMBERS AND DEPENDENTS (Starting with Proprietor)	CURRENT OCCUPATION/ECONOMIC ACTIVITY	REGULAR MONTHLY NET INCOME	SCHOOL / BUSINESS/EMPLOYMENT ADDRESS
SIZE OF HOUSEHOLD	TOTAL MONTHLY HOUSEHOLD NET INCOME		

- H **Household Members and Dependents:** Name of all family members, as well as relatives and other household members who are dependent on the applicant and his/her spouse. Include the applicant in the list.
- H **Current Occupation/Economic Activity:** Note whether each household member is a student, currently working as an employee, laborer, entrepreneur, or unemployed. If the applicant is employed apart from running his/her own business, supply address of the workplace.
- H **Regular Monthly Net Income:** This is a fixed amount of monthly net income of each household member, such as salaries, pension, monthly overseas remittances, and/or any other income that is fixed on a monthly basis.
- H **School/Business/Employment Address:** If household member is working, indicate employment address. If he/she has a business, indicate business address, and if a student, write the school address, including year level and section (or course degree if college). This information is especially important for banks in the urban areas.
- H **Size of Household:** How many persons, family members and non-family members live with the applicant in his/her residence.
- H **Total Monthly Household Net Income:** Total of all the regular monthly net incomes of each working household members.

WORKPLACE CHARACTERISTICS

Does the applicant own, rent, or share the business and/or residential premises. Is the business home-based or ambulant? This can be a multiple response, i.e., the premises may be rented both for residence and business purpose, making the business both rented and home-based.

WORKPLACE CHARACTERISTICS						
	Owned	Home-based	Rented	Ambulant	Shared	Others (specify)
BUSINESS						
RESIDENCE						

PAYMENT RECORDS

The following items are for illustrative purpose only. The applicant may have other payment items that may need to be inspected other than the sample bills indicated.

PAYMENT RECORDS			
Receipts of Bills (e.g.)	Documents Supplied	Ave. 3-months Receipts	Comments (on-time/delinquent, etc.)
<i>Water</i>			
<i>Electricity</i>			
<i>Installment Plan</i>			
<i>Mortgage/Rental payments</i>			
<i>5-6 payments</i>			

- H **Receipts of Bills:** may include water, electricity, installment purchase, housing amortization or house rent, 5-6 payments, etc. Note the name/business name and address of each.
- H **Documents Supplied:** Indicate what documents were supplied by the applicant to examine payment records, e.g., 3 monthly receipts on utilities, payment receipts for house rental, payment receipts from suppliers/creditors, 5-6 credit payment card, etc.
- H **Average 3-months Receipts:** Total the bills/payments for each month and get the average for utility bills. These figures will be later entered into the cashflow form.
- H **Comments:** Does the applicant have a good payment record? Indicate whether payments were made on time, erratic, or overdue, or if applicant has any outstanding payment balance.

BUSINESS SEASONS

BUSINESS SEASONS (High/Average/Low)												
Business Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Major Business												
Secondary Business												

Record the trends in sales for each business activity for every month of the year, indicating the high, average and low seasons of the business in terms of sales. Enter H, A or L as appropriate in the relevant columns. Leave blank if there is no secondary business activity.

BUSINESS INFORMATION

In this section, the account officer should ask the applicant some basic information about his/her business. The first column lists the market factors namely clients, supplies, and production/sales. On the second column, write down the description for each of these factors and note down potential problems and risks on the third column. Descriptions and potential problems/risks for each market factor are explained below.

BUSINESS INFORMATION		
Factors	Description	Potential Problems/Risks
1. Clients	Who are your main clients?	Are there threats to your client base?
2. Supplies	Where do you get your supplier of raw materias and/or finished goods? Are the goods bought in cash, on installment, or consignment?	Are there threats to obtaining your supplies?
3. Production/Sales/ Services	How do you sell your goods/services?	Are there threats to your production/sales/ services?
4. Others	Are there other market factors that may affect your business operation?	

H **Business Factors:** Clients, supplies, production/sales/services, and other market factors affecting the operation of the business.

H **Description:** The guide questions will help the applicant describe his/her clients, supplies/supplier, production/sales/services, and other business factors that may affect his/her business.

GuideQuestions

Possible Answers

Who are your main clients?

Where do you get your supplies of raw materials and/or finished goods?

Neighbors, farmers, students, wives, employees, businesses, etc?
Within town, from the neighboring town or city, bigger grocery stores, panels, etc.
(Ask the name of the supplier/s.)

Are the goods bought in cash, installment, or consignment?

Any or a combination of these three. Sari-sari stores, food processing, and carinderia usually buy their supplies and raw material in cash. Public market vendors may obtain their goods on consignment or installment.

How do you sell your goods/services?

Clients come over to his/her place of business or the applicant visit his/her clients at home/place of business.

H Potential Problems/Risks: Are there any threats to the client base, goods/supply, production, and sales? Indicate in this section if there is any likelihood that these could be affected in any way. Examples of possible threats are: new competition for the trade or business, within or outside the community, with whom applicant will now have to compete; the likelihood of not being able to obtain goods on a regular or timely basis; power-outages, labor problems; staff changes, etc; that may affect production, sales and services.

INVENTORY OF ASSETS

Inventory of assets is conducted as a means of counterchecking the applicant's declaration of income against the actual assets he/she has acquired. For example, if the applicant exaggerates information regarding his/her sales and income but there is no evidence of household or business properties, this may have an impact on the loan application. It is also a means of looking at a client's potential for bigger loans that will require some form of security or collateral in the future.

Inventory of assets, therefore, ascertains the existence, legal ownership, condition, and value of the property, and whether these assets are already fully paid or are still being paid for. The account officer must always endeavor to inspect, check, and appraise the assets of applicants especially when these assets are offered as collateral or security. Careful inspection of these assets will provide an effective fallback measure for the bank in case of failure to pay by the borrower.

The assets include both household and business assets such as appliances, inventory of stocks, and other chattel items.

INVENTORY OF ASSETS						
Qty	Description	Appraised Value	Loan/ Acct. Balance	Age	Condition	Supplier
	TOTAL APPRAISED VALUE					

- H **Quantity:** This refers to the number of each asset owned by the applicant.
- H **Description:** This refers to all business and household assets, including fixed and movable assets such as business equipment, vehicle, appliances, etc.
- H **Appraised Value:** This is the present market value of the assets mentioned.
- H **Loan/Account Balance:** Amount, if any, still owing on any of the assets, i.e., installment payables.
- H **Age:** Number of years since the asset has been bought.
- H **Condition:** This is the present condition (e.g. very good/good/poor) of the assets mentioned.
- H **Total Appraised Value:** The total market value of all assets.

SAVINGS HISTORY

This section will determine how much cash the applicant has available for personal and/or business use. Sources of savings may include other rural banks, commercial banks, cooperatives, credit unions and informal savings groups such as bubo-ay/huloga.

SAVINGS HISTORY AND REFERENCES	
Name/Address of Institution	Amount
1.	
2.	
3.	
TOTAL SAVINGS	

- H **Name and Address of the Institution:** The name and address of the institution where the savings account is held.
- H **Amount:** The balance in each savings account at the time of completing the ABC loan application.
- H **Total Savings:** The total savings balance of the applicant from all his/her savings accounts in various savings institution.

CREDIT HISTORY

This section will establish the applicant's ability and discipline in making regular and consistent loan payments, including loans from suppliers and other non-bank creditors. The account officer must verify credit references as soon as possible by contacting persons with whom the applicant had any previous relationship which required the making of regular payments.

CREDIT HISTORY				
Name/Address of Creditor/Supplier	Previous Loan Amount	Outstanding Loan Amount	Due Date	Amount of Payment/Frequency
1.				
2.				
3.				
TOTAL LOANS OUTSTANDING				

- H **Name and Address of Creditor/Supplier:** The name and address of bank, supplier, and other creditor from whom loan and/or credit purchase was last received. This includes monetary loans from banks and other creditors or purchase loans from suppliers.
- H **Previous Loan Amount:** The amount of previous loan already been paid at the time of the interview.
- H **Outstanding Loan Amount:** The amount of present loan still owing at the time of the interview.
- H **Due Date:** The maturity of the outstanding loan.
- H **Amount of Payment/Frequency:** Indicate the amount of payment due each time and if payment schedule is daily, weekly, or monthly.
- H **Total Loans Outstanding:** The sum of all outstanding loan amounts at the time of the credit investigation.

BUSINESSS ASSETS, LIABILITIES AND NETWORK

This portion should only include the business assets, liabilities and network.

BUSINESS ASSETS		BUSINESS LIABILITIES AND NETWORK	
Cash and Bank	P	Loan Payables	P
Accts. Receivable		Other Payables	
Raw Materials			
Goods in Process		TOTAL BUSINESS LIABILITIES	
Finished Goods		TOTAL BUSINESS NETWORK	
Other Assets			
TOTAL BUSINESS ASSETS		TOTAL BUSINESS LIABILITIES AND NETWORK	

A. Business Assets

- H **Cash and/or Bank:** This refers to the amount of cash the applicant has available on hand and/or in the bank for immediate use. If there is no separate account for the business, list the balance from any account(s) of the applicant.
- H **Accounts Receivable:** Amount owed to the business by customers but not yet collected.
- H **Raw Materials:** Value of material not yet in production. These include such things as wood for furniture-making; cloth and supplies for dressmaking; and cement, gravel, sand for block making, etc. If involved in merchandise and sales, the value of all goods in stock.
- H **Goods in Process:** Value of goods in production but not yet finished. These include such things as unfinished furniture, dress, etc.
- H **Finished Goods:** Value of goods ready for sale. This also includes stock in a vendor's stall.
- H **Other Assets:** Any item of value not included in the above categories.
- H **Total Business Assets:** This is the sum of the applicant's cash and bank, accounts receivables, raw materials, goods in process, finished goods, and other business assets.

B. Business Liabilities and Network

- H **Loan Payables:** Amount owed by the applicant in relation to the business. These include short-term loans, long-term loans and amounts due to suppliers/creditors.
- H **Other Payables:** Any other amount owed by the applicant and other liabilities such as taxes, insurance/health premiums, small lay-away items, etc.
- H **Total Business Liabilities:** The total of all monies owed by the applicant due to the business.
- H **Total Business Network:** Equity and accumulated profits made by the applicant. This is the difference between Total Assets and Total Liabilities.
- H **Total Business Liabilities and Network:** Total Liabilities plus Network – this should always be equal with the total business assets.

ACCOUNT OFFICER'S OBSERVATIONS/CONCLUSION

The account officer should indicate in this section any important observation, whether positive or negative, which may have an impact on the credit approval. He/she should also include the loan amount recommended based on the result of his/her credit investigation, cash flow analysis, and debt repayment capacity analysis.

ACCOUNT OFFICER'S OBSERVATIONS/CONCLUSION

CERTIFICATION

The account officer must certify that he/she has correctly completed the credit investigation form based on a thoroughly conducted credit investigation and cashflow analysis. After a careful review, the supervisor notes his/her approval by signing at the left-bottom section of the form. If there are mistakes and missing information that need verification, the supervisor must not sign and endorse the application to the credit committee.

CERTIFICATION
<p>I hereby certify that all the information stated in this credit investigation report is true and correct and that I shall be held responsible for any misinterpretation.</p> <p style="text-align: right;">Name/Signature of Account Officer: _____ Date: _____</p> <p>Noted by: _____ Supervisor</p>

- H **Name/Signature of Account Officer:** Name and signature of the account officer in charge of the applicant's loan application process.
- H **Date:** Date of completion of the credit investigation process.
- H **Signature of Supervisor:** Affixed after the supervisor is satisfied that the credit investigation is properly completed.

C. CASHFLOW FORMS

Cashflow Form Worksheet: Preparing for the cashflow analysis

The income and expense section of the CI form will require a separate CI worksheet to determine the income of the business and its raw materials expense for 3 timeframes – daily, weekly, and monthly. The account officer should use this worksheet to prepare for the business income and expense portion of the CI form and determine, in the end, how much the client could borrow. Remember, asking the right questions and probing will help a lot in doing a good cash flow analysis. With enough practice, asking the series of questions below and doing further probing will become very easy.

There are two separate cashflow worksheets for retail business (sari-sari store, buy and sell, etc.) and manufacturing and personal services (carinderia, furniture-making, food processing, beauty parlor, welding, etc.).

1. Worksheet for Retail Business

Worksheet 1: Sales and Purchases

To know the estimated daily, weekly, and monthly sales of the applicant, the account officer may use the following questions as a starting point:

- 1) How many days in a week are you open for business? (This question will help the account officer later in the cashflow analysis in determining the applicant's daily and weekly sales.)
- 2) What are your highest sales on a good business day? How many days in a week do you earn this amount? Can you tell me what days are these (Enter response in Worksheet 1).
- 3) What about on a slow business day, what are your lowest sales? How many days in a week do you earn this amount? Can you tell me what days are these? (Follow same instructions in Q2.)
- 4) And what about on an average business day, what are your average sales? How many days in a week do you earn this amount? What days are these? (Follow same instructions in Q2.)

Now that you have the respondent's estimate of high, average, and low daily sales, you can now make an assumption about his/her daily sales for the week. To estimate these amounts, be careful to take into consideration the days that the respondent mentioned as high, average, or low days.

- 5) Add the daily sales to get the weekly sales and multiply this by four weeks to get the monthly sales. See example below.

Worksheet 1. Sales and Purchase

DAY		Note mean daily sales here:
	Daily Sales	
Monday	800	Mean daily sales
Tuesday	600	$800 * (1/6) = 133.34$
Wednesday	600	$600 * (5/6) = 500$
Thursday	600	$133.34 + 600 = 633.34$
Friday	600	
Saturday	600	
Sunday	0	
Weekly Sales (A)	3,800	
To get monthly income: Multiply (A) by 4 weeks (Ax 4)	15,200	

- 6) Mean daily sales: multiply each daily earnings by the number of days this amount is earned divided by the number of days the business is operating. Add up all these sums to get the mean daily sales. See example above on the third column.
- 7) Proceed to worksheet #2.

Worksheet #2: Cost of Good Sold and Sales Multiplier

In the case of buy and sell activities such as retailing or wholesaling, instead of using expenses for purchases made during a week (or month), some of which end up as inventory, your questions should focus on the cost of goods sold.

In order to estimate cost of goods/purchases of sari-sari and buy-and-sell shops, we can use a simple sales multiplier with the daily, weekly, and monthly sales figure to arrive at the estimated cost of goods/raw materials for each time frame. The following steps will determine your sales multiplier:

- 1) Ask the respondent between 5-6 main products that represent the majority of his/her sales. You may ask:
- What are the most common items that you sell every day? (Write these down in the **Product** column).

- 2) For each of the products, list in the appropriate columns the following information:

	QUESTIONS TO ASK:
H Wholesale cost of the product;	GO THROUGH EACH QUESTION FOR EACH OF THE 5 OR 6 ITEMS: 1) Can you tell me how you buy _____ for your shop? 2) By wholesale or retail? 3) How much did it cost you?
H Quantity per wholesale purchase (e.g. 50 kilos, 1 dozen, 25 pieces)	4) In what quantity? By the dozen? Sack? Pieces?
H Item cost or the unit cost of the product (wholesale cost/quantity: e.g. P120/24 = PHP5	Calculation can be done at the bank.
H Sale price per unit	5) What is your selling price for this item?

- 3) After repeating this process for each of the 5-6 main products sold, divide the total sum of all the item costs by the total sum of their sale prices. This figure will give you a sales multiplier that can be multiplied to the estimated daily, weekly, and/or monthly sales figure, depending on the timing of the procurement of goods, to arrive at the estimated cost of goods sold.

Worksheet 2. Cost of Goods Sold and Sales Multiplier

PRODUCT	WHOLESALE COST (A)	QUANTITY (B)	ITEM COST (A/B=C)	SALE PRICE (E)	SALES MULTIPLIER (TOTAL F/ TOTAL G)
Sardines	20	1 item	20	22	
Rice	800	50 kilo sack	16	17	
Shampoo	36	12	3	3.50	
Beer	264	12	22	25	
Soft drinks	120	24	5	7	
			66	74.5	0.89

Using the sales multiplier to arrive at estimated cost of goods sold

Use the sales multiplier to determine the estimated cost of goods sold (purchases) by multiplying the sales figure, depending on the timing of goods procurement, by the sales multiplier. This will give you the estimated cost of goods sold (purchases) for daily, weekly, and/or monthly timeframe. If goods are bought daily, multiply the sales multiplier (.89) by the mean daily sales. If the goods are bought weekly and/or monthly, multiply .89 by the weekly and/or monthly sales.

If goods are bought daily:	
Daily mean sales	633
Sales Multiplier	0.89
Cost of Goods sold	563

If goods are bought weekly:	
Income from sales	3,800
Sales Multiplier	0.89
Cost of Goods sold	3,382

2. Worksheet for Manufacturing and Services

Worksheet #1. Sales and Purchase

If the respondent is engaged in food processing, manufacturing, or services start by asking the same questions for sales in worksheet for retail:

- 1) How many days in a week are you open for business? (This question will help the account officer later in the cashflow analysis in determining the applicant's daily and weekly sales.)
- 2) What are your highest sales on a good business day? How many days in a week do you earn this amount? Can you tell me what days are these (Enter response in Worksheet 1).
- 3) What about on a slow business day, what are your lowest sales? How many days in a week do you earn this amount? Can you tell me what days are these? (Follow same instructions in Q2.)
- 4) And what about on an average business day, what are your average sales? How many days in a week do you earn this amount? What days are these? (Follow same instructions in Q2.)

To get the average daily sales, add the daily figures and multiply this sum by the number of days the business is open within the week. To get the weekly sales add the daily figures and multiply by 4 to get the monthly sales.

Raw Materials/Purchases

Normally, carinderia owners and food processors have a daily budget for raw materials and purchases. Budget range would depend on the business cycle. A carinderia owner, for example, would allocate more for raw material expenses on days when she expects her sales to be high, and vice-versa. On the other hand, manufacturers and service providers such as furniture-makers, tailors, bag-weavers, welders, beauty parlors, etc. may have a weekly or monthly budget for raw materials.

The last column provides a space to note the **daily/weekly/monthly purchases** on a high, average and low bases. You may continue to ask the respondent:

- 5) How much do you spend daily/weekly/monthly (depending on the business) on your raw materials?

In the raw material expense column, note down the figures for each day depending on the daily sales indicated. For example, if sales are high on a Monday, the daily raw material expense should correspond to the highest daily sales and if sales are low, the raw material expense should also be low.

To get the average raw material expense, add the daily figures and divide the sum by the number of days the business is open within the week. To get the weekly raw material expense, add the daily figures and multiply by 4 to get the monthly figure. See sample worksheet below:

Worksheet 1. Sales and Purchase

DAY	Daily Sales	Daily Raw Material Expense	Note estimated daily sales here:	Note daily/weekly raw material expense here:
Monday	3,500	2,000	Highest: 3,500	Highest: 2,000
Tuesday	3,000	1,800	Lowest: 2,500	Lowest: 1,800
Wednesday	2,500	1,800	Average: 3,000	Average: 1,800
Thursday	2,500	1,800		
Friday	3,000	1,800		
Saturday				
Sunday				
Weekly Sales (A)	14,500	9,200		
To get monthly figure: Multiply (A) by 4 weeks (Ax 4)	58,000	36,800		

Worksheet #2. Raw Materials

Worksheet #2 allows the account officer to get the breakdown of the respondent's raw material expense. In some cases, business owners are better able to compute their raw material expenses by going through each item they buy regularly. This worksheet will also allow the account officer to validate the respondent's earlier estimation. See sample worksheet below:

Worksheet 2. Raw Material

Raw Materials	Cost(P)	Amount Purchased
Pork	100/kilo	500
Beef	110/kilo	330
Fish	75/kilo	150
Chicken	70/kilo	210
Vegetables	Varied	350
Oil	40/kilo	80
Spices/Others	varied	160
Rice	18.5/kilo	220
Total		2,000

After a while, having gone through many credit investigation of each type of business, you will be able to develop good information on the range of mark-ups per type of enterprise and will not need to continue a detailed analysis for each and every business.

For instance, we know from numerous interviews with sari-sari store operators that their mark-ups typically range between 10% and 20%; when a store is located where there are competitors, mark-up is usually around 10%-15%; when there is hardly any competitor, mark-up may go up to 20%.

Cashflow Analysis Form (Income and Expense)

Once you have finished working on the worksheet, you are now ready to write down the sales income and raw materials/purchases/cost of good sold for each timeframe in the CI form and fill up the rest of the income and expense section.

The cashflow section is designed to help the account officer prepare and analyze the daily, weekly, and monthly income and expense of the applicant and determine the appropriate amount of loan that can be reasonable paid out of the cash generated by the household and the business. It also allows the account officer to define the specific terms of repayment that are suited to the applicant's repayment capacity.

The income and expense table in the CI form is divided into sections showing the business cash position, the household cash position, and the combined household and cash position. Rows refer to the income and expenses of both business and household.

It is also divided into 3 timeframes – daily, weekly, and monthly to allow the account officer to more accurately present the timing of the cash receipts and expenses. The columns refer to the timeframes where either cash is received or spent.

The **Monthly Column** is the summary of incomes and expenses of the household over a period of 30 days or one month and should be filled-up at all times regardless of the term of repayment. Thus, the income and expense table will always have at least two columns filled up, the monthly column being one of the two.

Note that the terms income and cash are interchangeably used and should be taken to mean as cash and income.

BUSINESS INCOME AND EXPENSE

Business			
	Amount		
	Daily	Weekly	Monthly
Income from Sales			
Business 1			
Business 2			
Total Business Income			
Expenses			
Raw Materials/Purchases			
Business 1			
Business 2			
Labor			
Rent			
Utilities			
Transportation			
Fuel			
Loan Payments			
Others			
Total Business Expenses			
Net Business Income			

H **Income from Sales:** From the cashflow worksheet, carry over the income from sales for each business activity of the applicant on a daily, weekly and monthly bases.

Business Expenses:

- H **Raw materials:** From the cashflow worksheet, carry over the expenses for raw material or goods purchased for each business activity on a daily, weekly, and monthly bases.
- H **Labor:** Refers to the amount paid in wages/salaries for business employees, helpers and other workers involved in the business, including the owner, whether part-time or full-time.
- H **Rent:** The amount paid in rent for the premises from which the business operates. If the business operates from the owner's residence, leave blank.
- H **Utilities:** Expenses on utility services such as light, water, and telephone of the business. This is generally a monthly expense. In cases where the place of residence and the place of business is the same and where the business and household share the utilities, unless the business uses a remarkable share of the consumption, the account officer may simply note this figure on the household expenses.
- H **Transportation:** Refers to expenses incurred in the delivery of raw materials or goods purchased to and from the source to the place of business or the ultimate consumer.
- H **Fuel:** Refers to gasoline, LPG, firewood, charcoal, and/or other sources of fuel that is used for the production of goods by the business. This expense is common to restaurants, eateries, food processors, and public utility vehicle owners.
- H **Loan Payments:** Refers to borrowings or loan payments that directly affect the business. The account officer should be able to name the creditors and the amount of loan payment and the frequency of payment for each of the creditors identified.
- H **Others:** Refers to business expenses on other items not indicated above.
- H **Total (Business) Expenses:** The total amount of expenses on raw materials, labor, rent, utilities, transportation, fuel, loan payments and other business expenses.
- H **Net Business Income:** This is the amount remaining when Business Expenses are subtracted from Business Income.

HOUSEHOLD INCOME AND EXPENSE

This section refers strictly to the cash sources and uses of the household. To be considered a member of the borrower's household, that individual must be living with the borrower and must be contributing on a regular basis to the upkeep of the household.

Household			
Regular Household Income			
Salaries			
Pension			
Other Income			
Total Household Income			
Expenses			
Food			
Education			
Utilities			
Housing/Rent			
Transportation			
Medical			
Insurance			
Loan Payments			
Others			
Total Household Expenses			
Net Household Income			
TOTAL NET INCOME			

H Regular Household Income: Should include all regular sources of cash by the household such as salaries, pensions, monthly remittances, and other incomes that are generated on a regular basis. Do not include any cash source that is only intermittently received by the household.

Salaries: Refers to collective amounts of income earned from permanent employment by household members. It should not include fees for profession practiced or services rendered. The amount to be put in should refer only to the net cash take-home-pay for regular employment. Incomes derived from non-regular work or from intermittent and part-time work should be placed under Other Income.

Pension: Refers to income received by a family member(s) who is retired from work.

Other Income: Refers to all other incomes derived outside of the regular employment income. It includes income from other regular sources such as rent income, remittances from overseas family members on a monthly basis.

Household Expenses

- H **Food:** Refers to the amount spent on purchasing food items. This row should list daily, weekly, and monthly purchases. Multiply daily food purchases by 7 days and if there are separate weekly purchases, this figure should be added to the weekly purchases.
- H **Education:** Refers to the amount paid for schooling during the month, including school fees, uniforms and other school clothing, books, other fees, and transportation. Note that some school fees are paid monthly or four times per school year. In either case, use the total amount paid per year for all school fees and school clothing and divide by 12 to arrive at the average amount paid per month for these items. Multiply by 30 days the daily costs of the students' daily meal allowance and/or transportation and add this figure to the monthly education expense.
- H **Utilities:** Refers to the amount paid from the household income for utility services such as light, water, and telephone. This is generally a monthly expense. (See Business Utilities)
- H **Housing/Rent:** Refers to the amount paid month for rent or housing amortization where the applicant resides. This is generally a monthly expense.
- H **Transportation:** Refers to the amount paid for transportation for family members (excluding children attending school) during the month (e.g. gas, taxi fare, bus fare). This is generally a daily expense item.
- H **Medical:** Refers to the amount allocated for visits to the doctor or dentist, surgery, medicine purchases, health care premiums, among others.
- H **Insurance:** Refers to the amount allocated for life and accidental insurances, such as SSS, Pag-Ibig, GSIS, etc.
- H **Loan Payments:** Refers to other loan payments that are made monthly by the household such as salary loans, mortgage payments, supplier credit, payments to 5-6ers, etc.
- H **Other (Household) Expenses:** Refers to additional household expenses paid but not included in the above categories. They include home repairs, recreation (parties, celebrations, excursions), clothing, household emergencies, etc.
- H **Total Household Expenses:** Refers to the total amount of all household expenses on food, education, utilities, housing/rent/transportation, health, insurance, loan payments and other household expenses.

- H **Net Household Income:** This is the amount remaining when Household Expenses are subtracted from Household Income.
- H **Total Income:** In the household section, total salaries, pension and other household income. In the business section, total all income from sales.
- H **TOTAL NET INCOME:** The sum of Net Business Income and Net Household Income on daily, weekly and monthly bases. For the purpose of assessing the repayment capacity of the applicant for the 3 timeframes, the Net Household Income is added to the Net Business Income to reflect the Total Net Income for each timeframe.

ADJUSTED DEBT CAPACITY

This section determines the capacity of the applicant to repay the loan based on his/her net income. Debt Capacity is an end-assessment of how much debt a person or business can manage and should be limited to the borrower's ability to pay his/her dues on time without weakening the business or defaulting on his/her payment.

	DAILY	WEEKLY	MONTHLY
Equivalent of Daily Net Income			
Equivalent of Weekly Net Income			
Equivalent of Monthly Net Income			
Estimated Amount Available for Debt Servicing			
Adjusted Repayment Capacity Rate: x ___%			
Maximum Loan Entitlement for __ months			
Loan Payment – This Loan			

- H **Equivalent of Daily Net Income:** If the daily total net income is negative, this figure is multiplied by the number of days the business operates within the week or month and carried over to the weekly or monthly column. The equivalent of daily net income is deducted from the weekly or monthly total net income.
- H **Equivalent of Weekly Net Income:** If the weekly total net income is negative and the total daily net income is positive, the daily equivalent of weekly net income is obtained by dividing the number of days the business operates within the week by the negative weekly total net income. This figure is carried back to the daily column to be deducted from the daily total net income.

H **Equivalent of Monthly Net Income:** If the monthly total net income is negative, and the weekly net income is positive, the weekly equivalent of the monthly total net income is obtained by dividing the total monthly net income by 4 weeks. This figure is deducted from the positive weekly net income.

If both the weekly net income and total monthly income are negative, and daily net income is positive, these negative figures are divided by the number of days the business is open within the week and within the month respectively. Their daily equivalents are deducted from the daily net income.

H **Estimated Amount Available for Debt Servicing:** Difference between the total net income and the daily, weekly, and/or monthly equivalent of the total net income.

H **Adjusted Repayment Capacity Rate (ARCR):** Percentage of total capacity to be used to service loan. For first loan, monthly repayment is recommended to be no more than 25-30% of the estimated amount available for debt servicing.

H **Adjusted Repayment Capacity (ARC):** Amount the client can afford to pay daily, weekly, or monthly. This is the product of estimated amount available for debt servicing multiplied by the adjusted debt capacity rate.

H **Maximum Loan Entitlement:**

$$P = \frac{ARC \times n}{(1+c)(1+rt)}$$

where:

- P = maximum loan entitlement (or loan principal)
- ARC = adjusted debt capacity rate
- n = number of collection days
- c = compensating deposit, __% of amortization
- r = interest rate per month
- t = term in months

Account officer should not recommend a loan over the maximum loan entitlement and should round off the amount to the nearest hundred within ABC loan sizes. If the maximum loan entitlement is greater than the amount applied for, the account officer should recommend the amount the applicant wants to borrow.

H **Loan Payment:** This is based on the loan amortization schedule of ABC loan.

D. RESULT OF INTERVIEW WITH REFERENCES

In this section, the account officer will make a character/credit investigation about the applicant and interview at least 4 people who know the applicant's character and credit history. They must include the two co-makers, and two other people who may either be suppliers and/or creditors, neighbors, and/or a barangay official or purok leader. If the applicant is a public market vendor, public market personnel or collector may be a good source of information.

It is important for the account officer to be sensitive and observant when conducting the interview. The purpose of interviewing character references is to know more about the applicant's character and credit conduct without prejudice to the relationship between the references and the applicant. If answers may be vague or evasive, probe carefully without appearing aggressive.

The account officer should introduce himself/herself properly before questioning the respondent. If possible, show an identification card that will prove that he/she is from the bank. State the purpose of the interview and remember to thank the respondent for his/her participation.

H **Name of Applicant:** The subject of credit/character investigation.

1. Interview with Suppliers:

NAME ADDRESS DATE OF INTERVIEW:	SUPPLIER/CREDITOR-1	SUPPLIER/CREDITOR-2
How long have you known applicant?		
How long has the applicant been buying/ borrowing/ receiving goods on consignment from you?		
Is he/she a good borrower? Explain		
Have you experienced any difficulty in collecting from him/her? Explain.		

- H **Name and Address of Suppliers/Creditors:** Self-explanatory
- H **Date of Interview:** Self-explanatory
- H **How long have you known the client?** Number of years or months the respondent has known the applicant.
- H **How long have the applicant been purchasing/borrowing/receiving goods on consignment from you?** Number of years/months the applicant have been buying goods on installment/borrowing money from the supplier/creditor.
- H **Is he/she a good borrower? Explain.** The account officer should probe the supplier/creditor's answer. Ask why is the applicant is a good/bad borrower. Does the applicant pay on time? Does he/she ignore collection letters? Does he/she fulfill his/her promises of paying on the agreed date?
- H **Have you experienced any difficulty collecting from the applicant? Explain.** If the respondent answered "yes", why did he/she have any problem collecting payments from the applicant. State the reason(s) or let the supplier/creditor cite examples.

2. Interview with Barangay Official

Urban barangays may be bigger and more populated than rural barangays. In this case, barangay officials may no longer know their constituents in the way that rural barangay officials do. If the bank is located in a bigger or urban community, the purok (zone) leader may be a more appropriate reference.

NAME AND ADDRESS OF BARANGAY/PUROK OFFICIAL:	
DATE OF INTERVIEW:	
1. Do you know the applicant personally? For how long?	
2. How long has the applicant lived in the community?	
3. Has the applicant been involved in any legal case or dispute in your barangay? If yes, explain.	
4. Do you have any other information about the applicant that may affect his/her loan application? Explain.	

- H **Name and Address of Barangay/Purok Official:** Self-explanatory
- H **Date of Interview:** Self-explanatory

- H **Do you know the applicant personally? For how long?** Number of years or months the respondent has known the applicant.
- H **How long has the applicant lived in the community?** Verify with the barangay/purok official the applicant's answer in the application form.
- H **Has the client been involved in a legal case or dispute? If yes, explain.** The barangay captain/purok leader may be the best person to answer this question as legal cases in the community level are first settled in the barangay office. Nevertheless, co-makers and neighbors may also have some knowledge about a possible involvement by the applicant in a legal case or dispute.
- H **Do you have any other information about the applicant that may affect his/her loan application?** Open-ended question. The account officer should record verbatim whatever the respondent has to say.

Is he/she known to borrow loans? The bank needs to know if the applicant has multiple borrowings and/or the frequency of borrowing, as this may jeopardize the applicant's ability to pay his/her new loan.

If the respondent says "yes", ask whom/where does she usually borrow from. If the applicant has a regular source of loan where he/she depends on, the bank should know about this to determine if this will contribute to payment defaults and past due loan of the applicant.

3. Interview with Public market Personnel

NAME OF PUBLIC MARKET PERSONNEL:	
DATE OF INTERVIEW:	
1. Do you know the applicant personally?	
2. How long has the applicant been selling in the public market?	
3. Is the applicant up-to-date with his/her market obligations? Explain.	
4. Do you have any other information about the applicant that may affect his/her loan application? Explain.	

- H **Name and Address of Barangay/Purok Official:** Self-explanatory
- H **Date of Interview:** Self-explanatory

- H **Do you know the applicant personally?** If yes, for how long? Write the respondent's answer verbatim.
- H **How long has the applicant been selling in the public market?** Number of years. Write the respondent's answer verbatim.
- H **Is the applicant up-to-date with his/her market obligations? Explain.** These questions should give the account officer a clear idea of the applicant's character and credit reputation in the business community. However, these questions are only starting points for the account officers to get the most of their credit investigation.
- H **Do you have any other information about the applicant that may affect his/her loan application?** Open-ended question. The account officer should record verbatim whatever the respondent has to say.

4. Interview with Business/Residential Neighbors

NAME, OCCUPATION, AND ADDRESS OF NEIGHBOR: Business Neighbor Residential Neighbor Business/Residential Neighbor DATE OF INTERVIEW:	
1. How long have you known applicant?	
2. Is the applicant well regarded by others? Explain.	
3. Is the applicant a good borrower? Explain.	
4. Would you guarantee his/her loan? Explain.	

- H **Name, Occupation and Address of Neighbor:** Self-explanatory.
- H **Tick the box(es)** if business neighbor, residential neighbor or both.
- H **Date of Interview:** Self-explanatory.
- H **How long have you known the applicant?** Number of years or months the respondent has known the applicant.

- H **Is the applicant well regarded by others? Explain.** What is the applicant's reputation in the community? Has the applicant been involved in any legal case or dispute within the community? Probe the neighbor and allow him/her to elaborate. Record his/her answer verbatim.
- H **Is the applicant a good borrower? Explain.** The account officer should probe the supplier/creditor's answer. Ask why is the applicant is a good/bad borrower. Have they experienced being contacted on a regular basis, by a loan collector to ask the whereabouts of the applicants? Is the applicant known to borrow money indiscriminately?
- H **Would you guarantee his/her loan? Explain.** Let the neighbor explain his her answer. Write his/her answer verbatim.

E. CO-MAKER'S PROFILE

PERSONAL DATA

- H **Name:** Full legal name of person acting as co-maker for the loan.
- H **Nickname:** Any other name by which co-maker is known.
- H **ID Number:** Identification number of co-maker, if any.
- H **Type of ID:** Can be any of the following: passport, drivers license, voter's ID, taxpayer's ID, or business permit.
- H **Date of Birth:** Date of co-maker's birth.
- H **Sex:** Indicate whether co-maker is male or female.
- H **Home Address:** Current home address of co-maker.
- H **Home Ownership:** Indicate whether house is owned, rented, a housing plan, or shared with another family.
- H **Telephone Number (if any):** Home telephone number of co-maker or any number where the co-maker can easily be reached.
- H **No. of Years in this Address:** Number of years the co-maker has lived in this address.
- H **No. of years in the Community:** Number of years the co-maker has lived in the city/town.

- H **Number of Dependents:** The number of family and other household members who are financially dependent on the applicant.
- H **Civil Status:** Indicate whether the applicant is single, married, etc.
- H **Name of Spouse:** Name of co-maker's husband/wife/common-law husband/common-law wife.
- H **Occupation of Spouse:** If spouse is working outside the home, in what capacity is spouse employed
- H **Regular Monthly Income:** How much does the spouse earn monthly?
- H **Business/Employment Address of Spouse:** If spouse is working outside the home, address of business or workplace.

EMPLOYMENT AND ECONOMIC ACTIVITY

(Multiple response: the co-maker may be a regular employee, while operating his/her own business.)

If employed:

- H **Name of Superior/Employer:** Name of co-maker's employer or immediate superior.
- H **Name of Company:** Name of company/office where co-maker is currently employed. Or name of department/agency if a government employee.
- H **Company Address:** Current address of co-maker's employment.
- H **Telephone Number:** Telephone number of co-maker's employment.
- H **Nature of Business:** What is the main business activity of the company?
- H **Position in the Company:** In what capacity is co-maker employed.
- H **No. of Years with the Company:** How long has the co-maker been employed with the said company/government office.
- H **Regular Monthly Salary:** Amount of co-maker's monthly salary.
- H **Other Sources of Income (if any):** Other sources of income other than co-maker's regular employment.

If self-employed:

- H **Business Name:** Registered business name of the co-maker.
- H **Business Address:** If different from co-maker's residence, state business address.
- H **Nature of Business:** What is the main business activity of the co-maker?
- H **Telephone Number:** Telephone number, if any, of the co-maker's business.
- H **Name of Business Partner (if any):** If co-maker has a business partner, write down his/her name.
- H **Share in the Business:** If business is a partnership, how much is the co-maker's capital and profit share in the business?
- H **No. of Years in the Business:** How many years has the business been in operation.
- H **Regular Monthly Sales:** The monthly amount earned for goods and services sold.
- H **Signature of Co-maker:** After completion of the co-maker's profile, the co-maker signs on this line to affirm the correctness of the above information.
- H **Date:** Date the co-maker's profile is completed.

INTERVIEW WITH CO-MAKER

1. **How long have you known the applicant?** Number of years or months the respondent has known the applicant.
2. **Are you a relative of the applicant?** State the relationship of the respondent to the applicant (e.g., brother/mother/aunt, friend, etc.).
- 3.
4. **Has the applicant been involved in a legal case or dispute? If yes, what is it?** Co-makers and neighbors may also have some knowledge about a possible involvement by the applicant in a legal case or dispute.
5. **How would you assess the character of the applicant? Explain.** Open-ended question. The account officer should record verbatim whatever the respondent has to say.

6. **Do you know if he/she has vices? Explain.** Does the applicant smoke, drink, or gamble. What about his/her spouse? If the applicant has possesses any of these vices, you may need to allocate a portion of his/her income to these expenses. The account officer should also gauge from the co-maker the seriousness of the applicant's vices, if any.
7. **Is he/she known to borrow loans? Explain.** The bank needs to know if the applicant has multiple borrowings and/or the frequency of borrowing, as this may jeopardize the applicant's ability to pay his/her new loan.

If the respondent says "yes", ask whom/where does she usually borrow from. If the applicant has a regular source of loan where he/she depends on, the bank should know about this to determine if this will contribute to payment defaults and past due loan of the applicant.

8. **Is he/she known to be a reliable/unreliable borrower? Explain.** Write the respondent's answer verbatim.
9. **Would you be willing to lend him/her money out of your own pocket? Explain.** Write the respondent's answer verbatim. Why would the co-maker lend money to the applicant out of his/her own pocket? Has the applicant borrow from him/her before without any difficulty collecting payment?
10. **Have you ever been a co-maker? If yes, for whom and which credit institution?** For the same applicant or for another borrower in the past? Get the name of the bank or lending institution? Also find out if the co-maker has any outstanding loan or is presently co-making another loan. If the co-maker has outstanding loan or loan history with RB XYZ as borrower or co-maker, check bank records.
11. **Would you be willing to guarantee the applicant's loan? Explain.** Why would the co-maker be willing to guarantee for the applicant's loan? Has the applicant borrowed from him/her in the past? What was the co-maker's experience? Record co-maker's answer verbatim.
12. **Does your spouse know you are co-making for this loan?** How does the spouse feel about the co-maker's decision to co-make for the applicant's loan. Is the spouse supportive or not?
13. **Would you be willing to pay for her/his missed payments. Explain.** Gauge from the co-maker's response whether he/she fully understands his/her role as a co-maker. Record co-maker's response verbatim.

F. REPEAT LOAN CREDIT INVESTIGATION FORM

The repeat loan credit investigation process is shorter compared to the first credit investigation. Only the most important information about the client's cashflow is updated to be able to determine the appropriate loan terms and condition on his/her next loan. The sections that need updating are: business season; credit records, inventory of assets, balance sheet, income and expense and debt repayment capacity.

H **Name of Applicant:** Full legal name of applicant.

H **Type of Business:** The nature of business the applicant is engaged in: e.g., sari-sari store, market vendor, carinderia/eatery/bakery, transport, fishing, food processing, "viajero" or buy and sell, crafts and light manufacturing, agriculture non-crop, or personal services.

BUSINESS SEASONS

Record the trends in sales for each business activity for every month of the year, indicating the high, average and low seasons of the business in terms of sales. Enter H, A or L as appropriate in the relevant columns. Leave blank if there is no secondary business activity.

CREDIT RECORDS

Note if there is any need for updating the client's credit history, including any existing loan, the due date, and the frequency and amount of installment payments.

INVENTORY OF ASSETS

This section has to be regularly updated by the account officer to determine if the repeat client has new acquisition or has disposed of any asset during the life of the loan.

H **Quantity:** This refers to the number of each asset owned by the applicant.

H **Description:** This refers to all business and household assets, including fixed and movable assets such as business equipment, vehicle, appliances, etc.

H **Appraised Value:** This is the present market value of the assets mentioned.

- H **Loan/Account Balance:** Amount, if any, still owing on any of the assets, i.e., installment payables.
- H **Age:** Number of years since the asset has been bought.
- H **Condition:** This is the present condition (e.g. very good/good/poor) of the assets mentioned.
- H **Total Appraised Value:** The total market value of all assets.

BUSINESS ASSETS, LIABILITIES AND NETWORTH

In the repeat CI form, there is an additional column for this table, **Previous Column**, where the account officer shall carry over the previous figures for each balance sheet item from the last credit investigation. This exercise will make it easier for the account officer to determine the financial and business growth, or loss, of his/her client, as well as to validate excess estimation by the client during the succeeding credit investigations.

A. Business Assets

- H **Cash and/or Bank:** This refers to the amount of cash the applicant has available on hand and/or in the bank for immediate use. If there is no separate account for the business, list the balance from any account(s) of the applicant.
- H **Accounts Receivable:** Amount owed to the business by customers but not yet collected.
- H **Raw Materials:** Value of material not yet in production. These include such things as wood for furniture-making; cloth and supplies for dressmaking; and cement, gravel, sand for block making, etc. If involved in merchandise and sales, the value of all goods in stock.
- H **Goods in Process:** Value of goods in production but not yet finished. These include such things as unfinished furniture, dress, etc.
- H **Finished Goods:** Value of goods ready for sale. This also includes stock in a vendor's stall.
- H **Other Assets:** Any item of value not included in the above categories.
- H **Total Business Assets:** This is the sum of the applicant's cash and bank, accounts receivables, raw materials, goods in process, finished goods, and other business assets.

B. Business Liabilities and Network

- H **Loan Payables:** Amount owed by the applicant in relation to the business. These include short-term loans, long-term loans and amounts due to suppliers/creditors.
- H **Other Payables:** Any other amount owed by the applicant and other liabilities such as taxes, insurance/health premiums, small lay-away items, etc.
- H **Total Business Liabilities:** The total of all monies owed by the applicant due to the business.
- H **Total Business Network:** Equity and accumulated profits made by the applicant. This is the difference between Total Assets and Total Liabilities.
- H **Total Business Liabilities and Network:** Total Liabilities plus Network – this should always be equal with the total business assets.

CASHLOW ANALYSIS FOR (Income and Expense)

Refer to the same section on Credit Investigation Form.

- H **Amount Change:** This column, in the income and expense, and balance sheet tables, represent an increase or decrease in the amount of income and expenses of the business (daily, weekly, and monthly) and household, as well as the his/her assets, liabilities and network. This figure may be positive or negative, indicating growth or loss on the finances of the client. To arrive at this figure, get the difference between the previous amount and the current amount of all the items in question. The previous amount can be taken from the first credit investigation form of the repeat client. Thus:

$$\text{Amount Change} = \text{Current Amount} - \text{Previous Amount}$$

ACCOUNT OFFICER'S OBSERVATIONS/CONCLUSION

The account officer should indicate in this section any important observation, whether positive or negative, which may have an impact on the credit approval. He/she should also include the loan amount recommended based on the result of his/her credit investigation, cash flow analysis, and debt repayment capacity analysis.

CERTIFICATION

The account officer must certify that he/she has correctly completed the credit investigation form based on a thoroughly conducted credit investigation and cashflow analysis. After a careful review, the supervisor notes his/her approval by signing at the left-bottom section of the form. If there are mistakes and missing information that need verification, the supervisor must not sign and endorse the application to the credit committee.

- H **Name/Signature of Account Officer:** Name and signature of the account officer in charge of the applicant's loan application process.
- H **Date:** Date of completion of the credit investigation process.
- H **Signature of Supervisor:** Affixed after the supervisor is satisfied that the credit investigation is properly completed.

G. REPEAT LOAN APPLICATION FORM

The account officer should give this form to the client one week before the loan has matured.

- H **Account Officer:** Name of account officer in-charge of the application.
- H **Client Identification Number:** Number assigned to client on the first application.
- H **Loan Number:** Maybe a combination of numbers tracing type of loan product, client ID number, and the nth number of loan.

PERSONAL DATA

- H **Name:** Full legal name of applicant.
- H **Home Address:** Current residential address of applicant.
- H **Home Telephone:** If any, home telephone number or any other number where the applicant can easily be reached.
- H **Business Name and Address:** Indicate if the business has a duly registered business name, as well as his/her business address. If applicant operates from his/her residence, write the address of the residence or indicate: "same as residence".

- H **Business Telephone:** If any, telephone number that is being used by the business. Indicate if this number is the same as the residential telephone.
- H **If Employed, Employment Address:** Name and location of company/office, or department/agency if a government employee.
- H **Office Telephone:** Self-explanatory.

PURPOSE OF LOAN

- H **How much do you want to borrow?** The applicant should indicate the amount he/she wants to borrow.
- H **For how long?** Indicate if applicant would like to pay his/her loan within one, two, or three months.
- H **Purpose of Loan?** The business activity for which the loan is going to be used.
- H **How often can you afford to pay?** How frequent can the applicant pay his/her payment dues: daily, weekly, or monthly?.
- H **How much can you afford to pay?** How much can the applicant pay if he/she chose to pay weekly, daily, or monthly.

CREDIT HISTORY

This section outlines the loan history of the repeat client with RB XYZ.

- H **Date:** The date of loan release.
- H **Loan Amount:** The amount of loan released.
- H **Frequency/Amount of Payment:** The amount of loan repayments and the schedule of payment (daily, weekly, or monthly).
- H **No. of On-time Payments:** The number of on-time payments out of the total number of scheduled payments of the repeat client.
- H **No. of Late Payments:** The number of late payments of the repeat client between 1-7 days; 8-14 days; 15-30 Days: and over 30 days.

AUTHORIZATION

The applicant must read this section thoroughly and the account officer must make sure that the authorization is explained and well understood by the applicant and the spouse.

H **Signature of Applicant/Spouse:** After the application form is completed and the authorization is read, the applicant and his/her spouse affix their signatures.

H **Date/Place:** Date when and place where the form is completed.

ANNEX H

CREDIT COMMITTEE GUIDELINE

I. Objectives of Credit Committee

The credit committee meeting is the last stage in the credit analysis process where the decision is made whether to approve, disapprove, or defer loan applications. This is also the time to verify whether the client has complied with all of the product's requirements and terms; assess the completeness of the loan application; and review the account officers' analysis. The credit committee also allows for a group consensus and feedback that might have been otherwise missed by the account officers alone.

The credit committee is therefore an important aspect of the loan process because it allows not only a thorough review of all loan applications but also a regular evaluation of the MFU's performance. The following guidelines aim to standardize the conduct of credit committee meetings.

II. Characteristics of the Credit Committee

1. The credit committee shall be composed of the MFU account officers (up to 5), MFU supervisor, and the Branch Manager (or the General Manager) who will act as the committee chairman. This is an ideal size since more members will result in a reduced level of analysis, difficulty in timely decision-making, and exigency of time.
2. Decision-making is a joint exercise and not the monopoly of the committee's highest-ranking member(s). As such, account officers who did the credit investigation and the cash-flow analyses must make sure that they have done their assignments well enough to justify their recommendations during the decision-making.
3. The committee should decide the maximum number of loan applications that will be reviewed each meeting. This will ensure that each loan application is given ample attention. Credit committee meetings should last no longer than two hours since attention span diminishes over time. If more than two hours is required to accommodate other loan applications, intervals of rest should be taken into account.
4. The committee meets at least once a week or as often as necessary.

III. Preparations for the Meeting

Each MFU staff should be well prepared for meeting by fulfilling the following requirements:

1. The account officer must process completely the documentation of the credit investigation and cash flow analysis, and his/her loan recommendation (amount, term, and payments). By this time, a credit folder should have been prepared for each loan applicant to contain the following:
 - € loan application form
 - € credit investigation form
 - € cashflow and repayment capacity analyses
 - € proof of bill payments and the supporting documents, and
 - € loan recommendation sheet.
2. When in doubt of the applicant's credit history, the account officer should conduct the necessary verification in order to complete his/her credit analysis before the credit folder is submitted to the MFU supervisor.
3. The account officer should submit to the supervisor only those applications that he/she believes can be approved. In other words, the account officer should only recommend clients who he/she would give loan out of his/her own pocket. If the account officer has any doubt, the application should not be submitted to the credit committee.
4. The MFU Supervisor should review all credit folders submitted by the account officers and check the following:
 - € All the sections of the CI form are properly and completely filled up;
 - € All financial computations are correct;
 - € All information and data gathered are consistent;
 - € Recommendation sheet is completed;
 - € All signatures are valid, consistent, and correctly placed in all the forms.
 - € Date from loan application to credit analysis is on schedule as stated in the operations manual.
 - € All forms needed for the meeting are contained in the applicant's credit folder.

5. If there are inconsistencies or missing information that will affect the loan application, the supervisor should instruct the account officer concerned to obtain the additional information. Credit folders with incomplete information and forms must not be reviewed in the meeting to avoid unnecessary waste of the committee's time.
6. The supervisor should submit all credit folders to the branch/general manager providing enough time to review all applications before the scheduled meeting. Should the committee chairman have any comment and/or found something that may have been overlooked by the supervisor, these will be brought up during the meeting.
7. Before the meeting starts, all members of the committee should make sure that they have their own copy of the CI summary as well as their own calculator.

IV. Steps for Presenting an Application Before the Committee

The account officer's presentation of a loan application should exhibit a series of steps. Below are some guidelines:

1. Client's personal and family information: name, age, number of dependents, number of years in the community, as well as other sources of family income.
2. Kind of business and location of operation.
3. A general description of the business:
 - € age of business (must be at least 1 year)
 - € applicant's length of experience in that trade (must be at least 1 year)
 - € products made and/or services rendered
 - € frequency of purchases and sales
 - € total values of purchases and sales
 - € who runs the business when the client is sick or away
4. Principal financial indicators:
 - € Total networth, including total assets and liabilities (level of indebtedness)
 - € Total net income after service existing debts, including net business income and net household income
 - € Result of cash flow and repayment capacity analyses
 - € Other indicators deemed important by the account officer, including any risk to supplies, production, sales and other factors.

5. Other CI results:
 - € Borrowing and paying habits
 - € Savings history and practices, including the total amount of current bank savings
 - € Previous dealings with creditors and suppliers
 - € Payment records
 - € Character of the applicant as perceived by the references.
6. Conclusion and Recommendation. The account officer at this point should present the loan terms: amount of loan, duration of loan, frequency of payment, and amount of installment payment; and that these are all consistent with the client's cashflow.

V. Conduct of the Meeting

1. The committee should endeavor to start all meetings on time to ensure that enough time is allocated to review each loan application.
2. The chairman presides over the meeting.
3. Each account is allocated a maximum of 15 minutes for presentation and evaluation. The account officer's presentation should last no more than 5 minutes. To avoid unnecessary shuffling of presentation notes, the account officer must ensure that his/her notes are in order, clear, and systematically written.
4. While the application is being presented, the chairman should follow the presentation by going through the corresponding client folder at the same time. By this time, the chairman should have noted down his/her comments and questions about the application and should be prepared to ask these to the account officer.
5. A discussion of no more than 10 minutes should follow after each application has been presented. Other committee members should listen closely during the presentation so they can issue their opinions on it, and decide on its approval or deferral. As mentioned beforehand, the decision-making is not just the responsibility of the chairman or the supervisor or the account officer involved, but of all the committee members.
6. If the application is approved, the chairman should write the committee's remarks and recommendation on the section, "Action on Loan Application" at the bottom of the loan recommendation sheet.

The loan amount, term and installment should also be written on the same section and signed by the committee chairman and other approving signatories.

7. If the loan application is deferred, the chairman and/or other committee members should recommend to the account officer that additional information be obtained in time for another review in the next credit committee meeting.
8. If the loan application is disapproved, the supervisor records the reason for disapproval and files the folder in the disapproved applications file. The supervisor shall later inform the applicant of the disapproval and recommends a savings plan.
9. At this point, the supervisor should present to the committee the status of the loan product as of the week, whether performance targets have been achieved or not, and discuss issues and problems affecting the microfinance operation. The account officers should also report if they are having problems with their existing clients, status of loan payments and collections, past dues, portfolio at risk and other potential problems.
10. After the meeting, the supervisor should collect all credit folders from the manager in preparation for the loan release process.

ANNEX I

PROCESS AND PROCEDURES FOR FILING DELINQUENCY CASES BEFORE THE BARANGAY "COURT"

1. Bank files claims or complaint before the barangay court. Bank submits copies of promissory note, statement of account, copies of 3 demand letters, co-maker's statements, and any other documents supporting collateral for the loan.
2. Bank pays filing fee (usually P30-P50).
3. With the approval of the barangay captain, barangay secretary schedules the hearing.
4. Barangay tanod serves the summons to the defendant.
5. Hearing is held. Barangay captain or designated member of the barangay council may preside over the hearing. Bank representatives – account officer, supervisor, and/or manager – attend the hearing equipped with the client's security folder.
6. Decision to settle the account amicably is reached.
7. When client complies with the settlement provision, case is then closed.
8. When client fails to comply with the settlement provisions, bank representatives goes back to the barangay captain and informs him/her of client's failure to comply; and requests for certification attesting to the failure of amicable settlement.
9. Barangay captain, in his/her certification, recommends elevation of the case to the Lupong Tagapamayapa (Arbitration Committee), for further arbitration. Complainant selects the members of the committee which should not include any relatives of the defendant.
10. Bank pays filing fee.
11. Barangay secretary schedules hearing.
12. Bank attends hearing.
13. When client complies with the settlement provision, case is then closed.

14. If client fails to comply, bank gets certification of failure and submits case to bank's legal counsel for collection.
15. Letter is sent to the client through registered mail.
16. Lawyer files civil or criminal case.
17. If civil, the case goes directly to the Municipal Trial Court.

MABS PROGRAM
Training and Technical Assistance Manual

Date: **January 25, 2001**

Chapter III: START-UP PHASE

Amends:

**Section F: Preparing the MF Loan
Product Manual**

**Subject 2: Format of the Group
Loan Product Manual**

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1. **The Generic Manual for Group Lending.** To provide banks with an alternative method of credit delivery, MABS has drafted a manual for group-based loans. Like the manual for individual lending, the group lending manual is also not designed for a specific bank. It is based on the best practices of financial institutions across the globe that offer group loans.

 2. The generic manual for group lending follows the format below:
 - 1.0 ABC PEER GROUP LENDING

 - 2.0 LOAN POLICIES
 - 2.1 Target Market
 - 2.2 Client Eligibility Criteria
 - 2.2 Purpose of Loan
 - 2.3 Loan Terms and Sizes
 - 2.4 Conditions for First Loan Availment:
 - 2.5 Amortization Schedule
 - 2.6 Interest Rate and Other Charges
 - 2.7 Compulsory Savings
 - 2.8 Guarantee Mechanisms
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- 4.0 LOAN REPAYMENT PROCEDURES
- 5.0 LOAN MONITORING
- 6.0 LOAN DELINQUENCY MANAGEMENT

- 3. The operations and procedures of ABC Peer Group Lending Manual are based on the Grameen Peer Group Lending and are modified to suit the needs and preferences of the PB's target market. The target clients are female microentrepreneurs who have no previous access to banking services.
- 4. The following are the loan documents included in the manual for completion with the loan application:
 - (1) CGT Summary of Attendance as compliance to completion of 3-day CGT
 - (2) Group Recognition Test Form as proof of passing the GRT
 - (3) Means Test
 - (4) CI/BI Report
 - (5) Insurance Premium Certificate
 - (6) Security Agreement
 - (7) Barangay Clearance
 - (8) Residence Certificate
 - (9) Two (2) copies ID picture (1x1)
 - (10) Certificate of Ownership or Receipt of Purchase, if any
 - (11) Fully accomplished Loan Application Form duly endorsed by the Group Leader and the Center Chief duly signed by the borrower and spouse
 - (12) Promissory Note
 - (13) Disclosure Statement
 - (14) Land Titles or Certificate of Ownership, if applicable
 - (15) Chattel Mortgage/Real Estate Mortgage
- 5. The manual also contains the following guidelines:
 - A. Guideline for Market Assessment
 - B. Cashflow and Repayment Capacity Analysis
 - C. Guideline for Credit Investigation
- 6. Attached as Annex III-F2-A1 is the ABC Group Lending Manual and all its attachments.

ANNEX III–F2–A1

RURAL BANK OF XYZ, INC.

ABC GROUP LENDING Manual of Operations & Policy Guidelines

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RURAL BANK OF XYZ, INC.

ABC GROUP LENDING Manual of Operations & Policy Guidelines

1.0 ABC PEER GROUP LENDING

ABC Group Lending is a microfinance product of Rural Bank of XYZ, Inc. focusing on providing bankable women microentrepreneurs a sustainable group credit and product.

It aims to make formal credit available to women microentrepreneurs to help them expand their present business activities and increase their incomes. It focuses on microenterprises that generate daily or weekly sales.

The following policies and procedures contained in this manual are replicated from the Grameen Peer Group Lending and modified to suit the needs and preferences of RB XYZ's target clients. The product specifically aims to:

- \$ give female microentrepreneurs access to banking services;
- \$ encourage microentrepreneurs to use formal credit facilities;
- \$ improve the quality of life of group members by augmenting income through borrowing to increase cashflow;
- \$ initiate and encourage habitual savings and prompt loan repayments; and
- \$ implement a credit product with a savings component that will facilitate character development, micro-business growth and capital sufficiency.

2.0 LOAN POLICIES

2.1 Target Market

Since the loan product is offered through a group loan scheme, it is important to focus on areas where there is a high concentration of enterprising poor women to organize at least one center of several groups. The MFU staff shall conduct market appraisals to determine the following: (1) potential market size; (2) competition; and (3) market characteristics. The staff shall use all available data, statistical or otherwise, in determining the area's potentials. Protocols, like meeting with the public officials, and consultation with other concerned groups must be observed and followed in order to gain endorsement and support.

For a summary of the market assessment, Guideline A - Guideline for Market Assessment is attached. It outlines the procedures and objectives for conducting an assessment of target market area and area mapping.

2.2 Client Eligibility Criteria

2.2.1 Female microentrepreneurs who meet the following criteria shall be eligible to apply for the loan:

- § With permanent or established address for at least 2 years (if does not own house) or 6 months (if owning house). The address shall be within the identified priority service area where the center is Located.
- § Must be at least 21 years but not more than 60 years old and in good health
- § Must have good community relationship.
- § Must have completed the Compulsory Group Training (CGT) given by bank (See Section 3.1.3).
- § Must have passed the Group Recognition Test or GRT (See Section 3.1.4)
- § Household per capita income should not be more than P1,500 per month.
- § Household belongings are worth P125,000 or less.
- § Accomplished and submitted a loan project proposal unanimously agreed to by the other group members
- § Must be engaged in any microenterprise activity for at least 1 year prior to the application, with full knowledge, skills and experience of its operations.

2.2.2 Who are not eligible to participate? Applicants with existing past due accounts with RB XYZ or any other bank or financial institution are not eligible to participate.

2.3 Purpose of Loan

The bank will grant loans to each member of the group as additional capital for any existing microenterprise venture, excluding crop production and fishing, that generates daily or weekly income for the household.

2.4 Loan Terms and Sizes

All loan amounts are based on the repayment capacity of the client (see Guideline B: Cashflow and Repayment Capacity Analysis). The first loan is P3,000 with subsequent availments potentially increasing up to a maximum of P25,000 (dependent on cashflow) with no collateral. Loans greater than P25,000 are also based on cashflow but require collateral. The first loan is restricted to no more than 35% of the applicant's repayment capacity (see Guideline B – Cashflow

and Debt Capacity Analysis). All members of a newly formed group may avail of the first loan at the same time.

The table below is an illustrative guide for various loan terms and amount. Loan terms and amounts will depend solely on the repayment capacity analysis and the business cycle of the borrower. Step-up loans are not allowed:

Loan Amount (in Pesos)	Loan Term (in weeks)	Max Debt Capacity Rate (%)
P3,000	12	35
3,000-5,000	12-16	35
3,000-8,000	12-24	35
3,000-10,000	12-28	35
3,000-15,000	12-36	35
3,000-20,000	12-40	35
3,000-25,000	12-48	35

2.5 Conditions for First Loan Availment:

- § Passed the Means Test (See Section 3.1.1)
- § Must have completed the CGT and passed the GRT (See Sections 3.1.3, 3.1.4)
- § Attendance rate in weekly meetings from group recognition date up to the date of first loan release is 100%. Only absences due to illness (of member or any member's household); death (of any member's household or immediate relatives); sponsors to baptism and weddings; PTA meetings, marriage, natural calamities (i.e., flood, typhoon, etc.), accident, victim of fire, and fiesta are considered as valid excuses. If the barangay is due to celebrate the fiesta on the day of the scheduled center meeting, the meeting may be rescheduled on a date agreed by the center.
- § Member must have accomplished a loan proposal to the satisfaction of the group members.
- § Must require the unanimous consent of the other 4 members of the group and the recommendation of the account officers (AO).

2.6 Amortization Schedule

- § The payment is amortized weekly.
- § The weekly payment includes principal, interest, and compulsory savings.
- § The payment is collected by the account officer during the weekly center meeting.

2.7 Interest Rate and Other Charges

€	2% interest rate per month:	Add-on
€	Service Charge:	5% Deducted Upfront
€	Documentary Stamps:	0.0015% x loan Amount
€	Insurance (90 days & below):	0.005 x loan Amount
	(91 days to 180 days):	0.008 x loan Amount
	(181 days to 360 days):	0.014 x loan Amount
€	Other Charges:	10% on Interest on loans & Service Charge
€	Notarial Fee:	P100/ Availment for loans with REM/CHM

Interest on loans is computed and amortized equally over the term of the loan.

The bank further collects from the loan proceeds an equivalent of 5% of the principal amount as initial deposit for the Individual Savings Fund (ISF). The amount deducted will be retained and deposited under the corresponding savings funds.

2.8 Compulsory Savings

Each member of the group shall pledge weekly deposits of not less than P20 per week or amounts relative to their loan availment. The amount is distributed to individual savings, group savings and center savings as follows:

Loan Amount	Weekly Deposit	Individual Savings Fund	Group Savings Fund	Center Savings Fund
None	20	10	10	0
P3,000	20	10	10	0
5,000	25	10	10	5
8,000	30	15	10	5
10,000	40	25	10	5
15,000	70	55	10	5
20,000	90	75	10	5
25,000	110	95	10	5

Savings accounts with account balances of P500 or more will earn interest at 2% p.a. compounded and credited quarterly. A corresponding 20% withholding tax shall be imposed on interests credited to the account.

A. Individual Savings Fund (ISF)

Individual savings can only be withdrawn for emergencies such as illness or death or when the borrower shall have fully paid her loan. Members are allowed to remain in the group even if they withdraw their savings so long as their loans are fully paid.

Conditions for withdrawal from the ISF for emergency cases:

- § The maximum amount of withdrawal shall be 30% of the outstanding balance or P3,000 whichever is lower.
- § The amount withdrawn shall be used by the borrower to defray funeral expenses or medical expenses due to confinement or for maintenance medicines.
- § Hospitalization/confinement shall be considered as an emergency. Ordinary coughs and colds and influenza shall be excluded from the availment except complications related to it like pneumonia, bronchitis, typhoid fever or dengue fever.

B. Group Savings Fund (GSF)

Group savings can be withdrawn with the consent of all the members of the group but can only be withdrawn to cover any missed payments of any member. The amount withdrawn to cover the missed payment/s shall be returned back by the delinquent borrower during the succeeding repayment week.

C. Center Savings Fund (CSF)

The center savings fund is set aside purposely for center activities like the construction or maintenance of a centre meeting hall.

2.9 Guarantee Mechanisms

The following may serve as security for the loan:

2.9.1 Loans below P25,000 shall require:

(A) Group Guarantee. The basic premise in a group lending product is for the members of a group to jointly guarantee each other's loan. This means that group members are liable if other members of the group default on their loans, or have missed any amortization payments.

(B) Repayment Capacity. The client's repayment capacity serves as a guarantee that the client is capable of repaying the loan. This is determined by looking at the combined net income of the household and business on a daily, weekly or monthly basis. The initial maximum

adjusted repayment capacity ranges from 35% to 60%.

(C) Character. The bank lends to microenterprises based on good reputation. This is established through an intensive character and background investigation (CI/BI) (see Guideline C: Guideline for Credit Investigation) in which the AO visits various establishments in the community and ask about the potential client's character and credit history.

2.9.2 Loans over P25,000 shall require a real estate mortgage or chattel mortgage on one or more of the following:

- \$ land
- \$ serialized assets, equipment, or vehicle
- \$ stock inventory

2.10 Penalties for Late Payments

The bank will impose a 1.5% per day as penalty calculated on all missed weekly amortization from the time of default until fully paid.

The bank will likewise impose a 2.5% penalty per month for any matured Promissory Note (PN) based on the outstanding principal balance from the time it becomes overdue until fully paid.

2.11 Loan Restructuring

Restructuring of the ABC Peer Group Loan is an exceptional option next to attachment or foreclosure and is to be governed by strict rules.

Special approval by the Board will be required for all restructuring. Restructuring of a loan should only happen in rare cases where a major unexpected event has occurred that affects the ability of the client to repay his/her loan in the short-term. Major unexpected events that may allow for restructuring would include:

- € Major, unexpected, natural disasters such as earthquakes, typhoons, etc.
- € Serious illness or accident of the owner or immediate family member that requires the business to be closed for an extended period of time.

Remember: clients who are sick or temporarily away from their business should have made plans to keep the business open and arranged to continue making loan payments. This is not a justification for loan restructuring.

In the case of clients who meet one of the above mentioned criteria, an account officer should first find out if the client has savings or if a co-maker can assist with the loan payments. If not, restructuring maybe approved, but should be carefully

monitored.

Given that the entire outstanding balance of a loan will be considered overdue as soon as any single repayment is missed even for a day, there is no incentive to restructure unless the client will actually pay.

Any decision to restructure a loan should be made in consultation between the account officer and the supervisor **within the first two weeks** a client starts missing his/her payments.

As a general rule, the loan term of the restructured loan must not exceed its original loan term.

Restructured loans should be tracked separately in the portfolio database, classified as Restructured Microfinance loans. Pre-paid loans do not need to be tracked separately.

Restructuring should only be allowed for clients who “can’t pay” as opposed to those who “won’t pay”. The account officer should be certain that the new level of payments should allow the client to repay on time without default.

Restructured loans cannot be restructured again.

2.12 Repeat Loans

Clients who request a repeat loan and who have maintained a sound credit history will have access to repeat loans. Specifically, the following conditions should be fulfilled to be eligible for a repeat loan:

- \$ 100% repayment performance during the previous availment.
- \$ 100% contribution to Individual Savings Fund (ISF), Group Savings Fund (GSF) and the Center Savings fund (CSF).
- \$ Satisfactory attendance record in weekly meetings during previous availment except absences considered as valid. (Each borrower is allowed to be absent a maximum of 2 times for any reason not enumerated as valid excuses during the term of the loan but must ensure payment is made on time during the center meeting).
- \$ On going business(es) can support weekly repayments.
- \$ Must require the unanimous consent of the other 4 members of the group and the recommendation of the AO
- \$ Must require the unanimous decision of the center.

Generally, the AO asks the clients to fill up a new application form to signify interest in getting a repeat loan at least two weeks before the maturity of the existing loan.

Upon full payment of the loan, the AO evaluates the client's record to determine

eligibility for a repeat loan and the amount of the loan. If the client is eligible for a repeat loan, the AO prepares all the loan documents (PN, Disclosure Statement, Co-Makers Statement). The steps enumerated under section Loan Release shall be followed (See section 3.5).

3.0 LENDING PROCEDURES

3.1 Pre-Application Procedures

The pre-application phase allows for the client selection and the forming of centers. It includes the means testing, group formation, compulsory group training, group recognition test, and center formation.

In summary, clients are selected based on the following steps:

Step 1. The AO conducts a courtesy call or sends a letter to the Barangay Chairman informing him/her of the ABC Peer Group Lending Product of the bank. The AO also requests the Barangay Chairman to organize a meeting, composed of at least thirty (30) barangay residents preferably with existing microenterprises.

Step 2. During the meeting, the AO conducts an orientation on the mechanics of peer-group lending including a brief discussion of the terms and conditions, systems and procedures and advantages in comparison with 5-6ers.

Ø Walk-in clients can also go directly to the bank to inquire about the product. If interested, the AO will request the client to organize a group of at least 30 people for a briefing on the mechanics of the product.

Step 3. After the briefing in both instances, the AO will ask the participants to signify their interest in the product by listing their names for possible inclusion in the 3-day Compulsory Group Training (CGT).

Step 4. The AO will conduct the Means Test (see below) for those who signify their intentions to participate in the product. In the absence of any adverse findings, the AO informs the interested participants of the schedule of the CGT.

Step 5. After undergoing the 3-day CGT, the participants will have to undergo and pass the Group Recognition Test (GRT) to be considered as a legitimate member of the group and center.

3.1.1 Means Test

As a general policy, the bank will conduct the means test and the character investigation in one visit if possible.

The means test consists of an ocular inspection that validates certain baseline information about the potential group member (see Document 1 – Means Test).

The test covers three (3) major concerns:

A. Dwelling Index (DI)

The AO conducts an ocular appraisal of the residential unit of the potential group member. The appraisal process involves allocating points to pre-determined building components such as size (floor space), materials used for roofing, walls, and flooring in order to approximate the value of the house.

B. Household Income Index (HII)

The household income index simply indicates the average monthly income of each household member to determine the income per capita. The figure should not be more than P1,500 per month.

C. Household (Conjugal/Personal) Asset Index (HAI)

This involves the valuation of all assets found in and/or used by the household unit of the interested participant. Total household assets should not exceed P125,000.

3.1.2. Group Formation

A. The Group

In group lending, the group replaces the need for collateral and ensures credit discipline among members. It creates internal pressure to conform and comply with the policies of the product. A group is a body of 5 to 7 poor women who voluntarily bring themselves together solely for the purpose of improving their economic lives through the bank's peer-group lending product. Each group elects its own leader and secretary who each have a 2-year tenure before another election process.

- \$ A group must consist of 5-7 self-chosen people
- \$ Members must come from the same village
- \$ Members are like-minded, have similar socio-economic condition and enjoy mutual trust
- \$ Members must not come from the same household and must not be related to each other
- \$ Members have freedom to choose group officers and may be rotated annually
- \$ New groups must be unanimously accepted by the center

B. Duties and Responsibilities

B.1 Members

- J Attend meetings regularly and punctually
- J Remit weekly loan payments and compulsory savings
- J Pays for any group member who misses the weekly payment

B.2 Group Leader

- J Informs/reminds/calls members for center meetings
- J Gathers weekly collections (loan payments & savings) and turns over to AO

- J Recommends member's loan application to the center chief and AO
- J Facilitates prompt solutions to minor problems within the group and elevates major problems to the center
- J Motivates members to pay their loans and deposits regularly

B.3 Group Secretary

- J Checks attendance of group members during meetings
- J Keeps all pertinent records of the group and informs members of minutes of meetings
- J Assumes responsibility over the group in the absence of the group leader.

3.1.3. Compulsory Group Training (CGT)

Applicants who have duly formed a group/centre shall be invited by the AO to attend the compulsory group training which will take nine 9 hours total over 3 days at 3 hours/day. Attendance and punctuality will be strictly enforced (see Document 2 – CGT Attendance Sheet). The location and time can be chosen by members and affirmed by the AO.

3.1.3.1 Objectives of CGT

The general objective of the CGT is to create a culture of credit and center discipline and to ensure that all group member-borrowers have acquired the minimum understanding of the credit product.

Specific Objectives of Credit Discipline:

1. Staff and members have a clear idea of their responsibilities and how to carry them out accordingly
2. Center members attend weekly center meetings punctually
3. Center meetings are conducted in an orderly fashion
4. Loan amounts are based on repayment capacity
5. Timely loan disbursements
6. Loan proceeds are used for additional working capital
7. Surplus income is used to improve lives

Specific Objectives of Center Discipline:

1. Discipline in group formation
2. Selection of group leader and secretary
3. Selection of center officers
4. Discipline in loan application
5. Discipline in loan utilization
6. Discipline in over-all loan supervision

3.1.3.2 Procedures of CGT

The following is the procedure in the conduct of the CGT:

Step 1. The CGT starts with an opening prayer to be led by any of the applicants

Step 2. All the applicants recite the 10 decisions in unison. (This activity is introduced on the 2nd training day.)

Step 3. The AO makes the roll call. The applicants sign an attendance sheet.

Step 4. The AO conducts the lecture following the standard CGT modules. The lecture is inter-active. It encourages the applicants to ask questions and to give opinions/views. If circumstances allow (i.e., blackboard) the AO writes down some parts of the lecture so the applicants can copy.

Step 5. The CGT ends with a closing prayer to be led by any one of the applicants.

Step 6. On the 3rd day of the training, the applicants elect or choose their group leaders as well as the center chief. The AO reviews all the modules with the participants to prepare them for the GRT.

3.1.3.3. Agenda for the 3 day CGT

Day 1: Guiding Principles of CGT
 Peer Group Lending under Grameen
 Organizational Structure & Services of the RB
 Knowing One Another
 Communication

Day 2: Cooperation
 Leadership and Decision Making

Day3: Center Meeting Management
 Election of Officer (Center & Groups)

3.1.4. Group Recognition Test (GRT)

The GRT is meant to evaluate whether or not the objectives of the CGT have been achieved. It involves verbal testing, home visits and discussion with spouses conducted by the AO, the loan supervisor or the Branch Manager (BM) in the

presence of the Center Chief (see Document 3 – Group Recognition Test). The GRT assesses the members' understanding of their responsibilities and the product rules. Groups that fail the test shall undergo the follow-up action as recommended.

All applicants are required to come to the GRT venue (usually the same venue where they conduct the CGT) on time. If any of the applicants cannot make it on the agreed date, the test is re-scheduled on another date.

The AO also verifies if all eligibility criteria for group formation have been satisfied. In case of replacement, all the existing members shall be present during the GRT.

The following is the procedure for the conduct of the GRT:

Step 1. Any of the applicants leads the opening prayer

Step 2. All applicants recite the 10 decisions in the local dialect in unison

Step 3. The AO recites the response of the bank to the group's 10 decisions

Step 4. The AO introduces the BM to conduct the test

Step 5. The BM asks the applicants what they have learned in the 3-day CGT and any problems or queries about the terms and conditions of the product

Step 6. The BM delivers a brief inspirational talk

Step 7. The BM conducts the verbal test by asking each of the applicants various questions about peer group lending and then to recite the 10 decisions. Each applicant's understanding and commitment will be assessed.

Step 8. If the BM thinks that any of the applicants did not pass the test, the BM confers with the concerned AO. The AO then relays to the center chief or the group leader the result of the test so that they can help review the applicant. The applicant is given another chance and is requested to visit the bank the soonest where the applicant will again undergo the test. A group can not be recognized if any one of its members fails the GRT

Step 9. The AO or the PCFC Coordinator or the BM will immediately recognize groups whose members all pass the GRT. The AO informs them of the schedule of the next weekly center meeting as agreed by the center.

Step 10. The GRT ends with a closing prayer by any of the members

3.1.5. Center Formation

A center is a federation of 3 to 8 groups. It is considered the heart of the bank's group lending product. It is at the center where mostly of the credit activities are undertaken such as group screening, project evaluation and monitoring.

Centers are formed generally before or during the CGT. Members of a center have to elect a center chief, auditor, secretary and treasurer. Election of officers is done yearly. Center officers can serve for 2 consecutive terms, after which they may be elected to other positions.

Duties and Responsibilities of Elected Members

Center Chief (CC)

- \$ Facilitates conduct of center meetings
- \$ Endorses loan to AO
- \$ Represents the center in other meetings that may be called by the AO

Center Secretary (CS)

- \$ Checks the attendance of all members during the center meetings
- \$ Keeps all records of the center and prepares minutes of the center meetings
- \$ Assists the center chief in conduct of meetings
- \$ Assumes responsibility in the absence of the center chief

Center Treasurer (CT)

- \$ Acts as the cash custodian of funds of the center.
- \$ Co-signs with the center chief in the release of center savings funds for center activities

Center Auditor (CA)

- \$ Audits the funds withdrawn from the center savings funds if such were properly accounted

Weekly Center Meeting

The weekly center meeting is a decisive part in the growth and development of the center and instilling discipline among members. Center meetings are held weekly not only to collect loan payments and deposits but also to provide members with opportunities to discuss issues, share experiences and plans, and solve problems affecting the group or center.

Attendance to the center meeting is of prime importance. The following are considered are valid excuses of not attending weekly center meetings:

- \$ Illness of member or any household members
- \$ Death of any member's household or immediate relatives
- \$ Sponsors to baptism and weddings

- \$ PTA meetings
- \$ Marriage
- \$ Natural calamities (i.e. flood)
- \$ Man made calamities (i.e. fire)
- \$ Accident
- \$ Fiesta (if the fiesta falls on the scheduled center meeting, the meeting may be rescheduled on any date during the week agreed by the center.)

3.2. Loan Application

The loan application phase includes the submission of the loan application and the subsequent credit and background investigation.

After passing the GRT and becoming a member of a center, the client submits a loan application and all of the requirements through the GL or the CC during the first weekly center meeting, at the earliest.

The following are the basic requirements:

- \$ Barangay Clearance
- \$ Residence Certificate
- \$ Two (2) pieces ID picture (1x1)
- \$ Certificate of Ownership or Receipts of Purchase of appliances, if any

All loan documents must be signed and completed before being submitted to the GL, then to GL and to the AO. Incomplete submission of documents by any of the group will further delay the release of the first loan for the center.

3.2.1. Credit and Background Investigation (CI/BI)

The CI/BI is one of the most important activities in the loan process. It is at this stage that the AO gets to know the client and her business. There should be no short cuts taken in the process. The AO must endeavor to obtain as much relevant information about the applicant and her business that would enable the bank to establish her credit worthiness. The CI/BI starts with the visit to the business site of the loan applicant and culminates with the preparation of the credit investigation report that contains the summary of the AO findings, observations and recommendation (see Document 4 – CI/BI Form).

The time period for completing the CI for a first time borrower should be within three (3) days from the time she has completed the pre-application form.

3.2.1.1. Enterprise Visit and Client Interview

The purpose of interviewing the client is to determine the cash flow from her business and from other family income sources – whether these are sufficient to cover her loan amortization payments. The interview should be done in the client’s place of business. Conducting the interview at the client’s place

of business serves two purposes. First, it puts the applicant more at ease because she is in her own familiar setting. Second, it gives the officer an opportunity to observe first-hand the inner workings of the business. Third, an on-site interview gives the applicant and the officer some common ground from which to assess whether and how the rural bank may assist her with working capital through the ABC Peer Group Lending.

Step 1. Proceed to ask the client the questions listed in the Background and Credit Investigation Report (CI/BI Report).

Step 2. Ask the client for any receipt of the payments for any of the following: house or business rental, water and electricity bills, loan payments, installment for appliances acquired through credit, merchandise purchases, and records of sales and receivables. These documents shall confirm the accuracy of the information you just obtained from the interview.

3.2.1.2. House Visit

Step 1. Visit the house of the applicant to verify if the applicant really lives in the address indicated in her loan application and is a long-term resident of the place

Step 2. Inform the applicant's spouse about the loan application and the bank's strict policy on loan delinquency; The spouse of the interested participant shall also be interviewed to ensure that the spouse understands the mechanics of the loan product. The spouse will be required to affix the signature signifying the marital consent on the loan application.

Step 3. Assess whether the physical structure and condition of the house is, more or less, consistent with the income reported by the applicant during the client interview;

Step 4. Identify and assess the market value of household assets which can be used to guarantee the loan of the applicant, if necessary;

Step 5. Check the applicant's household utility and other bills (house rental, light, water, cable TV, amortization on household appliances bought on credit) to determine whether the applicant is up to date with her payments. Any delay in the payment of household utility bills would indicate that the household is having cash flow problems or has poor credit discipline.

3.2.1.3. Cashflow and Repayment Capacity Analysis

Step 1. The AO makes a preliminary estimate of the debt capacity of the applicant (i.e., 35% of the net cash flow) based on the data obtained from the applicant (see Guideline B - Cashflow and Repayment Capacity Analysis).
Step 2. If the estimate indicates that the client will be able to meet weekly

installments on the desired loan amount within the prescribed term and mode of repayment, the account officer informs the client that her loan application will be recommended for approval so long as her group and center members agree.

Step 3. Emphasize to the applicant the bank's policy of zero tolerance against past due installments and the measures that will be taken by the bank against the borrower and the co-makers if any amortization is delayed or unpaid.

Step 4. If the evaluation of the client's cash flow results in a low debt capacity (i.e., her net cash inflow would be insufficient to pay for the proposed amortization payments), the account officer must inform the client that the chances of having her loan application approved by the bank would be slim.

Step 5. Before closing the interview, the AO should remind the applicant that during the next center meeting, the status of each application will be discussed.

Step 6. After the initial interview with the client, the AO reviews the appropriate sections of the Credit Investigation Form that have been covered and validates the cashflow and repayment capacity analysis.

3.2.1.4. Character and Credit Risk Verification

Step 1. Interview of Major Supplier or Creditor. Inform the person of the applicant's interest to apply for a loan at the bank and that you were told that the client has or has had several business or credit transactions with her. Ask her whether the applicant is a good credit risk (i.e., responsible borrower).

Step 2. Credit Check with other Credit Institutions. If the applicant has any outstanding or previous loan(s) from any bank, the account officer sends a Bank Verification Letter to the concerned bank(s). This letter will confirm the applicant's credit standing on such information as: the type of loan; the date the loan was granted; the amount, term and maturity of the loan; outstanding balance; securities offered; and the paying performance of the borrower. The information gathered from this form is entered on to the CI form. Note: information may not be received for a few days – this should not delay the loan application process.

Step 3. Interview of other Credit References. The account officer interviews other credit references of the applicant such as landlord (if paying house rent), and other creditors (e.g., household appliance dealer if a machine or equipment was acquired on installment basis). The applicant's record in paying her obligations should be verified.

Step 4. Visit the Barangay Office. At the barangay level, the MFU staff should determine if there are any complaints or cases filed against her especially those involving the collection of sums of money. Any adverse finding(s) will mean the outright rejection of the loan application.

Step 5. Interview of Business and/or Residential Neighbors. If the applicant's business is located outside of her residence, the interview of business neighbors may be done first before the house visit and the interview of applicant's neighbors. These people are usually a good source of information regarding the applicant's character and credit habits, her reputation in the neighborhood, and/or whether the applicant is an old or new resident in the community.

Step 6. If there are adverse findings (e.g. applicant has an outstanding obligation with a supplier or other creditors, poor payment habit, or unfavorable reputation within the community, or does not have sufficient debt repayment capacity), the supervisor explains to the applicant why her application can not be processed further and recommends a savings plan to meet her working capital needs.

Step 7. Preparation of the CI/BI Report. The AO prepares the CI/BI report by filing in all the information needed to complete the document. The CI/BI report summarizes the AO's findings on the applicant's creditworthiness and his/her recommendation to approve or to disapprove the loan application. The recommendation to approve must indicate the following:

- J The loan amount
- J Term
- J Mode of repayment
- J Additional loan guarantees, if necessary; and
- J Savings requirement

The recommendation to approve or disapprove is supported by the cash flow component of the CI/BI that shows the loan applicant's repayment capacity.

See Guideline C – Guideline for Credit Investigation attached for guidance on how to complete the credit investigation.

3.2.2. Loan Application Processing

Step 1. Once the CI/BI has been completed, the AO enters any remaining information on the loan application form and produces a Promissory Note (PN) and Disclosure Statement for the applicant to sign at the next center meeting. The applicant signs the application form, PN & Disclosure Statement. In addition, the group members sign on the PN as co-makers of the loan.

Step 2. The AO accomplishes the information on the OMG Insurance Premium Certificate duly signed by the applicant.

Step 3. The applicant opens a savings account under the Individual Savings Fund (ISF) as required under the product by filling up and signing the signature cards.

Step 4. The group opens a Group Savings Fund (GSF) wherein all the members of the group are joint depositors and shall jointly sign any withdrawals from the fund.

Step 5. The center opens a Center Savings Fund (CSF) with the CC and the Center Secretary or Center Treasurer as co-signatories for the account. Withdrawal from the fund can only be withdrawn upon the unanimous consent of members of the center during the weekly center meeting.

Step 6. If a newly created center, the AO informs the center of the schedule of loan release. If the client is a member of an existing center, the loan release will be scheduled during the weekly center meeting.

3.3. Loan Review

Step 1. The AO reviews all the required documents as to accuracy and completeness.

Step 2. AO must ensure that the signatures of the applicant, spouse as well as the co-makers are all affixed on the required documents. All filled information and all the signatures must be written in ink. Information and signatures written in pencil are strictly prohibited.

Step 3. AO shall ensure all documents on the following checklist are completed before requesting loan approval.

Check List:

- £ CGT Summary of Attendance as compliance to completion of 3-day CGT
- £ Group Recognition Test Form as proof of passing the GRT
- £ Means Test
- £ CI/BI Report
- £ OMG Insurance Premium Certificate
- £ Kasabutan Form
- £ Barangay Clearance
- £ Residence Certificate
- £ Two (2) pieces ID picture (1x1)
- £ Certificate of Ownership or Receipt of Purchase, if any
- £ Fully accomplished Loan Application Form duly endorsed by the Group Leader and the Center Chief duly signed by the borrower and spouse

- £ PN signed by applicant, spouse as co-borrower and by members of the group as co-makers
- £ Disclosure Statement signed by applicant and spouse
- £ Land Titles or Certificate of Ownership if secured
- £ CHM/REM (for MEL/OVL) signed by applicant and spouse and duly registered

Except for the mortgage agreements, all other form, documents and requirements shall be accomplished/produced in two copies.

Step 4. Copies are distributed to their appropriate places/files. For example, the Account Management Department (AMD) retains the original copy with the duplicate copy retained by the originating branch. Extra copies in the case of mortgage agreements go to the Notary Public and to the Register of Deeds.

3.4. Loan Approval

If all documents are complete and accurate, the AO forwards it to the BM. The BM checks the accuracy and completeness of the loan application, recommends and forwards same to the Head-AMD for review and endorsement to the Credit Committee (CreditCom) for approval.

The CreditCom is composed of the General Manager (GM), Vice-President (VP) and one director. The GM shall always stamp his/her approval in all loan applications with any two of the remaining members to constitute a simple majority in the approval of the loan. The CreditCom is mandated to approve all loans up to a maximum of P25,000. In excess, the CreditCom endorses the application to the President for approval.

3.5. Loan Release

Step 1. Upon receipt of the all documents and requirements from the AO, the BM or Loan Supervisor reviews again all the documents, files it under individual credit folders and endorses it to the AMD Head who is holding office at the Central Office. A Transmittal Slip (TS), done in three copies, shall always be attached to all outgoing credit folders sent to the Central Office. The original and duplicate copies of the TS shall be sent together with the credit folders to Central Office. The originating branch shall retain the triplicate copy.

Step 2. AMD receives credit folders, acknowledges receipt by signing the covering TS and returns the duplicate copy of the TS back to the originating branch.

Step 3. AMD reviews the individual credit folders, checks the computations of interest and other charges/fees against the Disclosure Statement. If inaccurate, AMD amends and alters the amount on the Disclosure Statement. The branch should require the borrower to sign all alterations before disbursing the loan proceeds.

Step 4. AMD rubber stamps all loan documents in the credit folder "PCFC FUNDED" as caution from re-discounting with other re-discounting windows (i.e. BSP or Land Bank).

Step 5. AMD issues individual Cashier's Check (CC) representing loan proceeds. Each branch had its own inventory of pre-numbered CC at the Central Office for monitoring purposes. AMD attaches the CC's to the individual credit folders and endorses to CreditCom for approval/endorsement. If the loan amount exceeds P25,000, forwards the credit folder to the President for approval.

Step 6. All approved loans are returned to AMD. AMD then prepares the covering TS also done in three copies and forwards all approved credit folders to the originating branch. The original and duplicate copies of the TS go to the branch and the triplicate copy is retained at AMD.

Step 7. The branch receives the credit folders, acknowledges receipt on the TS and returns duplicate copy of the TS to AMD.

Step 8. The loans Bookkeeper (LB) logs all the names of all borrowers included in the batch list for safekeeping. All the credit folders on any types of loans are the responsibility of the LB.

Step 9. The AO informs the center of the time of loan release at the bank. The AO assigns the time that each group goes to the bank to receive the loan proceeds. All members of the group should be present at the designated time; otherwise, the loan release will be re-scheduled. Loan releases must be done only at the bank.

Step 10. At the bank, the BM and the Branch Cashier (BC) jointly sign the CC previously prepared by AMD. No CC's shall be signed prior to any release of the loan.

Step 11. The borrower acknowledges receipt on the duplicate copy of the CC. Upon receipt, the borrower endorses the check and forwards to teller for encashment.

Step 12. The teller receives the CC, pays the loan proceeds.

Step 13. The borrower signs at the back of the CC acknowledging receipt of cash.

Step 14. The teller collects from the borrower the amount of other fees/charges (i.e., doc. Stamps, insurance, 5% compulsory savings) and issues official receipts/deposit slips.

Step 15. At the end of the day, the AO prepares the individual loan ledgers filed according to centers.

4.0 LOAN REPAYMENT PROCEDURES

The AO only accepts loan payments during the weekly center meeting. Prior to or during the meeting the Group Leaders (GL) collect weekly loan payments and deposits from each member of the group and submit to the center chief who then submit to the AO.

Step 1. Each member prepares one deposit slip for the ISF indicating the amount of the deposit for the week. The GL prepares the deposit slip for the GSF and the

Center Treasurer prepares the deposit slip for the CSF.

Step 2. The GL prepares a Summary of Collection indicating loan repayments and deposits collected complete with the cash breakdown. The MF shall count the money in front of the GL and compare it against the collection summary for accuracy. The AO places the cash collection and the supporting documents in a sealed envelope.

Step 3. The AO issues Provisional Receipts (PR) to the GL indicating the principal and interest payments received. The Official Receipt (OR) is given to each member through the GL indicating the breakdown as to principal and interest at the next weekly center meeting.

Step 4. If the client is unable to make the weekly payment, the other members of the group will be asked to pay the weekly payment and deposit. If the members of the group cannot cover the payment and deposits, they are asked to withdraw the amount from the Group Savings Fund.

Step 5. The AO turns over the cash, deposit slips and the provisional receipts to the teller for validation. If the cash received by the teller tallies with the supporting documents, the teller stamps "Received" on the Summary of Collection. The teller validates the deposit slips and the provisional receipts.

Step 6. The AO updates the individual loan ledger based on the Summary of Collection and completes the Official Receipts for distribution at the next center meeting.

Step 7. The Collection Report shall be done per account officer and according to centers. At the end of the week, a consolidated weekly collection report shall be prepared, preferably on a Saturday and shall be submitted to the Central Office by Monday of the following week.

5.0 LOAN MONITORING

The success of ABC GROUP LENDING will ultimately depend on a proper monitoring system. Loan reports and indicators must be generated regularly to:

- J Track the status of the microfinance portfolio in a timely, accurate and comprehensive manner
- J Improve work of the AO, ensuring better monitoring of their portfolios and providing more efficient services to an increasing number of clients
- J Enable the BM to monitor its areas of responsibility focusing on areas that must require immediate attention
- J Help senior management to make well informed operational and strategic decisions

The following are the loan monitoring reports. Only the two reports specific to group

lending are attached:

- 1) Listing of Loans by Group/Center: This is a generated list of microfinance clients with current loan account balances, amount past due, portfolio at risk and related savings balance. It is subtotaled by AO, then by Center, then by group.
- 2) Collection Due: This is the list of clients and amount of repayments due for the week. This report is also the AO summary of daily collection.
- 3) Delinquency Report by Group/Center: This is a generated list of MF loan accounts that includes accounts that have fallen delinquent or past due in amortization, if any, and the number of repayments missed and remaining as of a certain period. It is subtotaled by AO, then by Center, then by group. This report can be generated any time as required but should usually be printed at the end of each month.
- 4) Portfolio at Risk Report: This report shows the aging of the portfolio at risk
- 5) Total Interest Collected: This report will enable the MF staff how much interest payments have been collected within a period.
- 6) MABS Monthly Report: this report shows the comparative performance highlights of the group lending active as against the total lending activities of the branch.
- 7) Performance Report by Account Officer: This is a weekly/monthly report by account officer showing the total loan portfolio, loans released during the period broken into new and repeat, portfolio at risk amount and portfolio at risk ratio, if any.
- 8) Client's Status Report: This report shows the past loan performance of the borrower. It also shows the current loan performance of the borrower in terms of repayment.
- 9) Portfolio at Risk by Aging Analysis and Business Activity: This report shows the aging of delinquent accounts by business activity.
- 10) Portfolio at Risk Sorted by Disbursed loan Amount and Business Activity: This report shows the loan sizes of delinquent accounts by business activity.
- 11) Loan Profile by Gender: This report shows the number of accounts by gender.
- 12) Performance Monitoring Report: This report is in Excel format that provides information for the bank on the total outreach of the portfolio and the profitability of the ABC GROUP LENDING.

6.0 LOAN DELINQUENCY MANAGEMENT

Preventing delinquency starts with selective lending. The AO is the key MFU personnel in preventing delinquency. A properly conducted credit investigation should identify common risks to the client's type of business such as supply base, production, or sales and should trigger appropriately discounted debt capacity to counter these risks. A comprehensive credit investigation and a conservative computation of the borrower's debt capacity should therefore dictate the loan sizes and terms of repayment to ensure granting a loan that the client could repay. This approach to lending under the ABC Group Lending product would allow for unexpected expenditures, business reverses, and personal tragedies. However, lapses on the part of the AOs and MFU management do happen that often times could lead to loan delinquencies.

A very important factor in the practice of "Zero Tolerance" under the ABC GROUP LENDING is the timely detection of an account turning sour. The following steps could help detect account that may become delinquent that would enable the bank to effectively manage its loan portfolio:

- Ø The AO should take every center meeting as an opportunity to review and re-assess the status of the borrower's business;
- Ø At least once every two weeks, the AO should take time to talk to the borrower and casually ask him/her about his/her status of business such as sales trend in the last few days;
- Ø The AO should determine if there are situations that the borrower feels may affect his/her repayment capacity in the next few days or weeks.
- Ø If there are any problems that confront the borrower, the AO should immediately sit down with the borrower and plan ways to avert a default such as multiple collections within the day or week or some other mode of collection that would ease the borrower's financial difficulty.
- Ø If the problem appears serious, the AO should review the cash flow and determine the level of repayment that the cash flow would allow;

The AO should immediately report such event to the MF Supervisor (or to the BM if no MFU Supervisor is designated) and recommend appropriate action to avoid delinquency such as:

Entering into a temporary re-adjustment of payment arrangement with the borrower for the duration of the period of temporary financial distress. This arrangement could be effected in cases of emergency and the borrower has to close down for a few days. The affected loan payments could be spread out over the term of the loan and paid together with the regular scheduled installments after the business resumes.

If the borrower or the household has other sources of income, the AO should convince the borrower to assign the proceeds of the other income to the bank only for the duration of the financial distress.

Extending the loan term is an option of last recourse and only if the other sources of income of the borrower and the household have likewise been affected by the financial difficulty. The MF Supervisor (or the Manager if none is designated) must make the decision to extend the loan term.

The MFU Supervisor (or the BM) should generate a delinquency report at least every week and meet regularly to determine causes of delinquency and to discuss measures necessary to compel borrowers and co-makers to repay their loans.

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 2, 2001

Chapter III: START-UP PHASE

Amends: December 17, 1999

Section G: Savings Mobilization

Subject 1: Rationale and Objectives

1. The advantage of rural banks over NGOs or informal money-lenders is the depository services that their clients can enjoy. More clients can be served by offering saving services than merely offering credit; hence the expansion of savings services considerably improves the client outreach of rural banks. Saving services help to induce a more demand-driven approach to financial services and therefore, improve efficiency and profitability of rural banks in order to provide a more sustainable basis for financial service expansion.
2. In order to design successful savings products, rural banks need to understand local client demand for these services in terms of liquidity, return, and security. Market studies are conducted in order to provide information on the needs and motivations of prospective customer base with respect to savings services. These studies also include an examination of the competition, including informal savings mechanisms.
3. Three different products can be offered to provide an appropriate mix of savings options that meet the needs of local clients: regular savings products, semi-restricted savings products, and fixed term savings products.
4. **Regular Savings.** Regular savings products are offered to those clients who require rapid access to their savings for emergency purposes or day-to-day liquidity needs. These accounts generally tend to be more stable for the rural banks with less volatility than larger fixed deposit accounts.

To open a regular savings account, some rural banks have lowered minimum initial balances to as low as PhP100. Most offer interest for accounts with balances of as low as PhP500. Some banks also offer higher interest rates to larger depositors as a way of providing an incentive for increasing average daily balances.

5. **Semi-Restricted Accounts.** Semi-restricted accounts are offered to those clients who generally have short to medium term savings goals and are especially useful for those who are accustomed to informal savings schemes such as rotating savings and credit associations (ROSCAs) or the *bubo-ay* or the *paluwagan* in the Philippines.

These products allow for regular contributions but are generally non-withdrawable for a certain time period. Clients are to make pre-arranged contributions for set amounts for a period of time of one month to a year. Interest rates paid are slightly higher than

regular savings accounts although less than rates provided for fixed deposit accounts. In some banks, groups of clients save together thereby reducing transaction costs. Some products also resemble life insurance policies or retirement plan schemes. Deposited amounts can also serve for collateral for loan amounts of up to two times the amount saved.

6. **Time Deposit Accounts.** Time deposit accounts are offered to customers that have longer term savings goals such as larger investments, the purchase of land or house, or retirement.

Time deposits are similar to those offered by commercial banks, however, interest rates offered are generally higher. Requirements for deposit amounts are as low as PhP1,000 and some rural banks have even offered flexible time deposit accounts that allow interest payments to be withdrawn before the termination date of the time deposit without penalties.

7. Rural banks have also been encouraged to look at innovative ways to reduce operating costs of managing small accounts by passing on transaction costs to the clients. For example, a number of MABS participant banks are utilizing *savings boxes* (*Ganansiya Box*) combined with mobile deposit collectors. Clients are provided with a locked *savings box* that they can use to put aside daily savings amounts. The key remains with the bank. Clients bring the box into the bank on a regular basis or the bank's mobile collectors keep the keys of the boxes and visit the clients on a weekly or monthly basis to accept deposits on behalf of the client. The use of the savings box helps to externalize and reduce transaction costs. Regular savings account contributions can also be made along with loan payments as a way of reducing costs and building on a synergy between savings and credit.
8. To help the PBs mobilize savings, MABS also provides technical expertise through: (1) savings product review; (2) savings mobilization workshop; and (3) development of new savings product, or enhancement of existing savings product.
9. Annex III-G1 discusses issues and strategies for approaching savings mobilization in rural banks. It is broken down into four topics: (a) goals of savings mobilization; (b) analyzing costs of savings mobilizations; (c) setting savings targets by analyzing costs; and (d) savings mobilization techniques.

ANNEX III-G1

RURAL BANKS SAVINGS MOBILIZATION ISSUES AND STRATEGIES

Introduction

The purpose of this paper is to discuss issues and strategies for approaching savings mobilization in rural banks. The paper is broken down into four main topics: Goals of Savings Mobilization, Analyzing Costs of Savings Mobilization, Setting Savings Targets by Analyzing Costs, and Savings Mobilization Techniques.

Goals of Savings Mobilization

As rural banks move away from soft borrowings and rediscount facilities towards reliance on deposit mobilization, the appropriate mix of deposit liabilities becomes very important.

Regular savings accounts provide a stable source of capital for rural banks. These funds are generally less volatile than interest rate sensitive time deposits. The interest expense costs associated with regular savings accounts are much lower than the interest expense costs associated with time deposits. Balancing lower cost and more stable regular savings accounts against the higher interest expense costs and volatility of time deposits requires an appropriate mix of fund sources that are heavily weighted toward regular savings accounts. The recommended mix of deposit liabilities is time deposits of 25-30% and regular savings deposits of between 70-75%.

Administrative costs of small-scale savings are generally much higher than the costs of mobilizing savings through time deposits. Therefore, the goal of rural banks should be to keep overall costs associated with mobilizing regular savings accounts (direct personnel costs + pro-rated operating costs + interest expense) to no more than the overall costs associated with mobilizing time deposits (direct personnel costs + pro-rated operating costs + interest expense). For example, a bank that pays an average interest expense of 10% on time deposits and has a direct personnel and pro-rated operating cost associated with these accounts of 3%, should have a total cost associated with regular savings accounts of no more than 13%.

Analyzing Costs of Savings Mobilization

Rural banks should analyze their current costs associated with regular savings mobilization and compare these costs to those associated with mobilizing time deposits. Rural banks can then make appropriate adjustments to their regular savings accounts to bring these costs in line with time deposits.

An example of a step-by-step approach to analyzing regular savings and time deposits is using the attached worksheet #1.

1. Write down the direct personnel costs of all credit personnel. This would include all loan account officers, loan appraisers, loans' bookkeepers, and loans' collection officers, credit department manager. List these costs in worksheet 1 in section A line 1. List only those staff whose time is 100% directly related to the bank's loan portfolio.
2. Write down the direct personnel costs of all regular savings personnel. This would include deposit solicitors. List these costs in worksheet 1 in section A line 2. List only those staff whose time is 100% directly related to the bank's regular savings deposit services.
3. Write down all other personnel costs of the bank in section A line 3. This would include all staff who handle savings and loans transactions such as the cashier and tellers as well as other bank staff such as managers, bookkeepers, administrative staff, etc.
4. Write down all other operating expenses of the bank in section A line 4.
5. Total all operating costs in section A line 5.
6. List the average number of accounts outstanding for the year in section A line 6. Do the same for time deposits in section B line 6 and loan accounts in section C line 6. The average number accounts outstanding can be derived from taking the number of accounts outstanding at the end of each month and dividing the total by 12 or alternatively taking the number outstanding at the end of the last two years and dividing this total by 2.
7. State the average amount outstanding for each type of account and list these in the appropriate sections in line 7 following the same approach as above to derive the average outstanding balances for the year.
8. Divide the average balance outstanding for each category by the average number of accounts to derive the average balance outstanding per account in line 8.
9. Carry down the figures in section A lines 1 and 2 to the appropriate sections for regular savings and loans in line 9.
10. Prorate other personnel costs by dividing the number of savings accounts/total number of all accounts, the number of time deposits/total number of all accounts, and the number of loan accounts/total number of all accounts and then multiplying these percentages by the total amount of other personnel costs and placing these figures under the appropriate columns in line 10.

11. Prorate other operating costs using the same percentages above and multiplying these by the total amount of other operating costs and placing these figures under the appropriate columns in line 11.
12. Total allocated costs for each column in line 12.
13. Divide allocated direct personnel costs by the average amount outstanding for each type of account and place these percentages under the appropriate columns in line 13.
14. Divide the allocated other personnel costs by the average amount outstanding for each type of account and place these percentages under the appropriate columns in line 14.
15. Divide the allocated other operating costs by the average amount outstanding for each type of account and place these percentages under the appropriate columns in line 15.
16. Add the percentages for each column and list these totals in line 16.
17. List interest expense percentages for each column in line 17.
18. Add lines 16 and 17 and place totals in line 18.

Worksheet 1 – Analyzing Costs

Rural Bank XYZ

	<u>A</u>	<u>B</u>	<u>C</u>
(1) Personnel Costs – Credit			
(2) Personnel Costs – Deposits			
(3) Other Personnel Costs			
(4) Other Operating Costs			
(5) Total Operating Costs			
	<u>Savings</u>	<u>Time Deposits</u>	<u>Loans</u>
(6) Average # of Accounts			
(7) Average Balance Outstanding for the year			
(8) Average Balance			
(9) Allocated Direct Personnel Costs			
(10) Allocated Other Personnel Costs			
(11) Allocated Other Operating Costs			
(12) Total Allocated Operating Costs			
(13) Allocated Direct Personnel Costs/Deposits			
(14) Allocated Other Personnel Costs/Deposits			
(15) Allocated Other Operating Costs/Deposits			
(16) Subtotal Operating Costs			
(17) Interest Rate			
(18) Total Costs			

A more in-depth study can also be conducted to analyze costs by looking at the number of transactions associated with different types of savings products. This can help a bank to analyze what savings account balances would be needed to cover costs. This is especially important when offering such services as regular savings pick-up or contractual savings arrangements that generate a certain number of transactions during a month. (See cost analysis in case study 3)

Setting Savings Targets By Analyzing Costs

After analyzing costs associated with regular savings, rural banks should set appropriate targets for the average outstanding balances for their savings products (“break-even” balances) and make necessary adjustments to their interest rates to keep the overall costs in line with time deposit costs.

Banks with new branches or those with new savings products should be careful to project costs to reflect a mature level of operations. Incorrectly assigning too high a level of fixed costs to too small an operational base will distort the break-even analysis.

Case Study 1 – Setting Outstanding Average Savings Balances and Interest rates			
Rural Bank			
Personnel Costs – Credit	650,000		
Personnel Costs – Deposits	130,000		
Other Personnel Costs	1,230,000		
Other Operating Costs	3,000,000		
Total Operating Costs	5,000,000		
		<u>Savings</u>	<u>Time Deposits</u>
			<u>Loans</u>
# of Accounts	8,000	2,000	5,000
Average Balance Outstanding for the year	18,000,000	20,000,000	50,000,000
Average Balance	2,250	10,000	10,000
Allocated Direct Personnel Costs	130,000	0	650,000
Allocated Other Personnel Costs	656,000	164,000	410,000
Allocated Other Operating Costs	1,590,000	400,000	990,000
Total Allocated Operating Costs	2,376,000	564,000	2,050,000

Allocated Direct		
Personnel Costs/Deposits	.7%	0%
Allocated Other		
Personnel Costs/Deposits	3.6%	.8%
Allocated Other		
Operating Costs/Deposits	8.8%	2.0%
Subtotal Operating Costs	13.1%	2.8%
Interest Rate	4.0%	10.0%
Total Costs	17.1%	12.8%

The targeted % of total costs to regular savings deposit balance should be equal to or less than the % of total costs to time deposit balance. This would be 12.8% in the above example.

In order to meet this target of 12.8%, the bank could reduce interest rates paid on regular savings or increase the average deposit balance.

Setting Targeted Average Daily Savings Deposit Balance

$$\frac{\text{Total Allocated Operating Costs/Total \% Expense of Time Deposit} - \% \text{ Interest Rate for Regular Savings}}{\text{Total \# of Savings Accounts}}$$

The targeted average daily savings deposit balance would be determined using the above equation:

$$\frac{2,376,000/ (.128-.04)}{8,000}$$

Targeted average daily savings deposit balance amount: 3,375

Setting Targeted Average Daily Savings Deposit Balance with a Change in Interest Rates

$$\frac{\text{Total Allocated Operating Costs/Total \% Expense of Time Deposit} - \% \text{ Interest Rate for Regular Savings}}{\text{Total \# of Savings Accounts}}$$

The targeted average daily savings deposit balance with a 1% reduction in interest rates would be:

$$\frac{2,376,000/ (.128-.03)}{8,000}$$

Targeted average daily savings deposit balance amount: 3,030

For the bank to meet the overall target of 12.8% costs for regular savings, the average daily savings deposit balance would need to increase from 2,250 pesos to 3,375 (if the interest rate on savings remained the same) or 3,030 (if the interest rate was reduced by 1%).

In line with increasing average balances on existing regular savings accounts, rural banks can also utilize savings mobilization strategies that attract new accounts that will also build up to targeted average balances.

Savings Mobilization Strategies

Many banks employ strategies of setting minimum maintaining balances on accounts in order to earn interest as a way to compensate for the higher % cost of administering small savings accounts.

Banks can also provide incentives for clients and staff to increase average outstanding balances of regular savings in order to meet targeted “break-even” levels.

Incentives for clients might include such things as raffles or prizes for accounts that maintain a minimum balance level or by rewarding clients who maintain larger outstanding balances.

Case Study 2 – Raffle to Promote Increased Savings Balances

For example, instead of paying a fixed raffle amount, peso denominated prizes could be based on matching the average daily balance (ADB) of the winner, with a maximum amount set above the targeted ADB. A rural bank that has regular savings accounts with an ADB of 3,000 pesos and a target level of increasing ADB to 4,000 pesos could offer a raffle to all depositors with a “Double Your Deposit” prize up to a maximum of 5,000 pesos. Each time a client comes into the bank to make a deposit over a minimum amount, say 500 pesos, the bank could award the client with a raffle coupon. Those who maintain balances over 3,000 could also be awarded coupons with the number of coupons increasing for every additional 1,000 pesos of ADB. Every quarter, a raffle could be held with the winner being awarded an amount that matches his/her ADB for the last month up to a maximum of 5,000 pesos.

This type of incentive scheme awards those that maintain higher balances and helps reduce the number of smaller transactions by encouraging depositors to come to the bank with larger deposits.

In order to control costs, rural banks should allocate raffle amounts as a fixed percentage of average savings deposit balances during the year. Most banks that offer raffle schemes allocate a fixed percentage of no more than 0.5 – 1.0% of the average outstanding regular savings deposit balances. Some banks might find it advantageous to reduce interest paid on regular savings accounts by 0.5% or 1% and instead allocate this amount for raffles instead. A bank may find that a raffle of cash and prizes along with interest may be more attractive to customers than interest alone.

Incentives for staff might be based on setting minimum regular savings targets for deposit solicitors and/or branches. Again, these targets can be set to coincide with the overall savings amounts and balances mentioned in case study 1. Usually, incentives are paid to branches that meet or exceed savings targets. These can be set by branch depending on the overall number of staff per branch. A similar target can be set for deposit solicitors using targeted minimum balances that need to be reached in order to keep operating costs and interest expense at or below costs incurred with time deposit accounts.

For accounts that generate a fixed number of transactions, “break-even” balances can be determined by analyzing the transaction costs. More frequent deposit transactions increase costs and thus increase the “break-even” balances that are required to cover costs.

Case Study 3 – Pick-up Savings Services

Rural Bank XYZ offers a pick-up service for their deposits. In analyzing costs, the bank realized that pick-up services offered in the field ended up costing more than teller based transactions. It also realized that daily pick-up services were much more expensive than weekly or even monthly services and decided to switch to encouraging savers to come to the office using a savings box on a monthly basis. Clients were encouraged to make deposits of 500 pesos or more rather than numerous daily transactions of 10-20 pesos. Clients who deposited more than 500 pesos received raffle tickets for each multiple of 500 pesos they deposited in the bank at the teller window. Clients were also encouraged to maintain larger balances by pegging the winning raffle ticket to the ADB as in case study 2.

	Annualized Costs					
	Daily		Weekly		Savings Box Monthly	
	Field Pick-up	Teller	Field-pick-up	Teller	Field Pick-up	Teller
<i>Transaction Cost</i>	P1,534	P432	P307	P 86	P165	P57
<i>Other Operating Cost (per Account)</i>	P 281	P281	P281	P281	P281	P281
<i>Total Operating Cost</i>	P1,815	P713	P588	P367	P446	P338
<i>Break-even Ratio (TD cost Less Interest Expense Regular Deposits)</i>	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
<i>Break-even Balance</i>	P20,625	P8,102	P6,682	P4,170	P5,068	P3,841

Using the figures in case study 1, the break-even balances needed to cover the costs rises with the frequency of transactions. The lesson for rural banks is to encourage depositors to build balances and reduce the number of small transactions. The use of savings boxes (Ganasya Boxes) helps to reduce numerous small transactions, and when combined with appropriate incentives (see case study 2), keeps overall costs down and reduces the minimum outstanding balance to break-even and cover costs.

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 24, 2001

Chapter III: START-UP PHASE

Amends: December 17, 1999

Section G: Savings Mobilization

Subject 2: Reviewing Micro-Deposit Services

1. The MABS Consultant shall be responsible for reviewing the microdeposit product of the PBs under his/her supervision.
2. Unlike micro loans which are only offered to microenterprise operators, savings products can also be offered to wage earners, students, and small business operators. If the bank already offers micro-deposit services, the product development team shall review the bank's previous and present experiences in this market by using the following guidelines below:
 - 2.1. What micro-deposit products does the bank have at present? (Regular Savings, Kiddie Saver's Club; Group Savings, etc). Identify key features of each product. These include the following:
 - (a) Target market
 - (b) Savings policies and procedures
 - (c) Minimum initial deposit
 - (d) Interest rates and withholding tax
 - (e) Liquidity
 - (f) Deposit incentives
 - (g) Deposit and withdrawal restrictions
 - (h) Other terms and conditions
 - 2.2. What are the volumes and sizes of deposits? What is the average balance?
 - 2.3. How does the bank promote their deposit services (e.g., client incentives, promotional strategies, staff incentives, etc.)?
 - 2.4. Who are the other competing banks and depository institutions in the area?
 - 2.5. Did the number of deposit accounts and outstanding balances increase, decrease, or remain constant over a period of time (i.e., 1 year, 2 years)?
3. **Identify the bank's target market sectors.** Given the results of the market assessment and their own knowledge of the area, which sectors would be good targets for savings mobilization? The team should evaluate the statistical data generated by the market research to provide recommendations for the development of a new deposit product or enhancement of an existing micro-savings product to suit present market needs.

4. **Recommendation for product development.** After identifying the bank's micro-deposit target market, MABS shall provide a savings mobilization workshop for the whole bank to prepare action plans for future savings generation. Subject 3 of this section discusses the objectives and mechanics of the savings mobilization workshop.
5. The MABS team shall discuss with the bank's chief executive officer (CEO) the workshop outputs of the bank, particularly the target sectors and product recommendations. This may lead to the development of new savings product(s) or the enhancement of existing ones.
6. Attached are the following:
 - Annex III-G2-A1: Profile of Rural Bank's Savings Product. This table outlines the salient features of the different products of the bank.
 - Annex III-G2-A2: Profile of Competitors. A summary of deposit services by other banks and depository institutions.
 - Annex III-G2-A3: Sample Report: Review of Deposit Products

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 2, 2001

Chapter III: START-UP PHASE

Amends: December 17, 1999

Section G: Savings Mobilization

**Subject 3: Savings Mobilization
Workshop**

-
1. The objectives of the savings mobilization workshop are as follows: to review the savings generation performance and activities of the bank; to set performance targets; to potentially design strategies and incentive schemes to promote the bank's deposit products and services; and to prepare action plans.
 2. Since savings generation is a concern for the whole bank, from the top management to the frontliners (e.g., tellers, new accounts), all bank employees including the Branch Managers, the General Manager, and the Bank President are expected to join the workshop.
 3. The workshop shall include presentations of the results of the market survey on savings needs and preferences of the bank's market (Annex III-C2-A4); review of existing savings products, savings mobilization performance over the last three years; successful mobilization strategies; guidelines on designing savings products; savings marketing and promotion; and results of action planning and performance targeting. Annex III-G3-A1 outlines the schedule of the workshop.
 4. Preparations shall be done at least two weeks before the workshop. Pro-forma tables and the workshop schedule shall be sent to the PBs by courier so that the concerned staff shall be able to provide the necessary information needed to complete the expected outputs of the workshop. The following annexes are to be completed by the PB prior to the workshop.

Annex III-G4-A2 Table 1. Key Financial Indicators (for the last 3 years)

Annex III-G4-A3 Table 2. Number and Amount of Deposits, by Type of Product

5. The presentation materials are found in the Training Presentation Materials kit – Savings Mobilization Workshop. It contains presentation lectures on the following:
 - A. MABS Survey on Savings Market
 - B. Guidelines on Designing Savings Product
 - C. Savings Mobilization of Successful MF Institutions.

1. The PB, for their part, shall present the bank's existing deposit products and their features, and their performance over the last three years. Annex III-G2-A1 (Profile of Savings Product) of Subject 2: Review of Savings Product shall be the basis for this presentation.
2. The presentations and lectures shall be the bases for the group work session on target setting and action planning. The participants will be grouped according to their branch. The attached pro-forma tables shall be completed during the workshop session:

Annex III-G3-A4	Table 3. Action Plan-Savings Promotion and Marketing
Annex III-G3-A5	Table 4. Savings Mobilization Targets
Annex III-G3-A6	Table 5. Six-Month Action Plan: Savings Promotion and Marketing
Annex III-G3-A7	Table 6. Savings Mobilization Quarterly Targets

These outputs shall be presented by the representative of each branch participant for critiquing and fine-tuning.

3. If the MFU staff has designed a new micro-savings product or enhanced an old product, the workshop may also be an opportunity to present the proposed savings product before the management and the whole staff.
4. In closing, the Bank President or the General Manager may affirm the bank's commitment to saving mobilization, for the most part, to encourage the staff to achieve the goals that were set during the workshop.

ANNEX III-G3-A1

WORKING SESSION ON SAVINGS MOBILIZATION

DATE:

VENUE: Head Office of PB

PARTICIPANTS: Branch Managers, Loan Officers, MFU Staff, at least 1 Teller, CORPlan Staff (if any), President, and General Manager

OBJECTIVES:

1. Review the savings generation performance and activities of branch.
2. Set performance targets.
3. Design strategies and incentive schemes to promote the bank's deposit products and services.
4. Prepare action plans.

SESSION TOPICS:

Session Time	Topic	Methodology	Facilitator/Doer
A.M. 9:30-9:45	1. Review work session objectives and expected outputs.	Overhead (OH) presentation	
9:45-10:15	2. What does the market tell us about savings?	OH presentation of survey results in the participant bank	
10:15-10:45	3. Review of existing savings products. 4. How did we perform in our savings mobilization activity in the last 3 years – '97, '98 '99? (Present data based on the pro-forma tables 1 and 2.)	- Presentation of features of deposit products. - Presentation of over-all performance (easel paper or acetate; branch performance in easel paper to be put up on the wall). - Commentator's critique.	Head Office Head Office Bank President, MABS
10:45-12:00	5. What should we know about savings mobilization: Lessons from successful microfinance institutions, and why should we pay attention to the cost of mobilizing savings.	Technical inputs	
LUNCH			
P.M. 1:00-2:00	6. Setting savings targets for the next 3 years, based on past performance and target markets.	Group work	Facilitators: MABS
2:00-2:30	7. Presentation of group targets.	Easel paper presentation	PB Branch Manager
2:30-2:45	8. Guidelines on designing savings products	Technical inputs on designing savings products.	MABS
2:45-3:45	What products do we promote? - Should we redesign existing products or design new ones? - How shall we promote our savings products? What incentives shall we provide savers? The staff?	Groupwork: Outputs – a redesigned or new savings product(s) and promotional schemes	

Session Time	Topic	Methodology	Facilitator/Doer
3:45-4:30	10. Next Step: Action Planning	By Branch By Head Office group	
4:30-5:30	11. Presentation of action plans and critiquing	By Branch By Head Office group	Reactors: PB President; MABS
CLOSING	12. Affirmation of the bank's commitment to the savings generation goals.	- Signing of Action Plan - Closing note by PB President	PB President

MATERIALS AND EQUIPMENT NEEDED:

1. 15 pcs. Manila/easel paper
2. 10 pcs. Cartolina, various colors
3. 10 pcs. Pentel pens
4. 3 white board markers (or substitute)
5. White board (or substitute)
6. Bond Paper
7. Overhead projector
8. Photocopying machine
9. Computer and printer

ANNEX III-G3-A2

RURAL BANK: _____

Branch _____

Table 1. KEY FINANCIAL INDICATORS

As of End of Period 1996-1999 A37

(Amount in Million Pesos)

Indicator	1996	1997	1998	1999+F26
1. Assets	0.0	0.0	0.0	0.0
2. Networth	0.0	0.0	0.0	0.0
3. Loan Portfolio				
3.1 No. of Clients ²				
3.2 Amount	0.0	0.0	0.0	0.0
4. Deposits				
4.1 No. of Savers ³		0	0	0
4.2 Deposit Balance	0.0	0.0	0.0	0.0
Average for Year⁴				
5. Average Assets		0.0	0.0	0.0
6. Average Networth		0.0	0.0	0.0
7. Average Loan Portfolio		0.0	0.0	0.0
8. Average Deposit Balance		0.0	0.0	0.0
Ratios (%)				
1. Avg. Loan Portfolio/Avg. Assets		#DIV/0!	#DIV/0!	#DIV/0!
2. Avg. Networth/Avg. Assets		#DIV/0!	#DIV/0!	#DIV/0!
3. Avg. Deposits/Avg. Assets		#DIV/0!	#DIV/0!	#DIV/0!
4. Deposits/Loan Portfolio		#DIV/0!	#DIV/0!	#DIV/0!
5. No. of Savers/ No. of Loan Clients				
Growth Rate(%), End of Years		1997/1996	1998/1997	1999/1998
1. Assets		#DIV/0!	#DIV/0!	#DIV/0!
2. Loan Portfolio		#DIV/0!	#DIV/0!	#DIV/0!
3. Deposits				
3.1 No. of Deposits			#DIV/0!	#DIV/0!
3.2 Amount		#DIV/0!	#DIV/0!	#DIV/0!

Instructions for filling up Table 1

1. Peso amounts in million pesos should be rounded off to one decimal place.
2. If data on number of borrowing clients are not available, use number of active loan accounts.
3. If data on number of savers are not available, use number of active savings accounts.
but footnote how many accounts are dormant and their total peso value.
4. To get **average figures, see example below.**
To get the average assets for 1999: (1) Add 1996 year-end figure and 1997 year-end figure then, (2) divide by two.

Do the same process to get the averages for networth, loan portfolio and deposit balances.

5. To get the yearly growth rate (or percent increase), use the end-year figure.

For example:

Asset, 1996 = P15.0 million

Asset, 1997 = P20.0 million

Growth rate is equal to $[(P20.0 - P15.0)/P15.0] \times 100$ or $P5M/P15M = .33 \times P100 = 33\%$

Do the same process to get the growth rate for networth, loan portfolio and deposit balances.

ANNEX III-G3-A3

NUMBER AND AMOUNT OF DEPOSITS, BY TYPE OF PRODUCT
As of End of Period 1997 to 1999

A. Type of Product	1997				1998				1999			
	# of Accts.	Amount (in M)	% Share	Average Deposit Per Acct.	# of Accts.	Amount (in M)	% Share	Average Deposit Per Acct.	# of Accts.	Amount (in M)	% Share	Average Deposit Per Acct.
Regular Savings												
Time Deposit												
Total												
B. Growth rate (%)												
# of Accounts												
Amount												

Note:

1. Amount in million pesos, rounded off to one decimal place.
2. If data on number of savers are not available, use number of accounts as proxy.

fn:\savings workshop tables.xls

ANNEX III-G3-A5

Rural Bank _____

Branch: _____

SAVINGS MOBILIZATION TARGETS, YEAR 2000 - 2002

	Actual As of _____ '99	TARGET		
		Year 2000	Year 2001	Year 2002
I. SAVINGS DEPOSITS				
a. Avg. Deposit Balance (Pesos)				
b. Number of Savers (Accounts)				
c. Total Amount (Pmillion)				
d. Percent Increase				
d.1 No. of Savers				
d.2 Avg. Deposit Balance				
II. TIME DEPOSITS				
a. Avg. Deposit Balance (Pesos)				
b. Number of TD Accounts				
c. Total Amount (Pmillion)				
d. Percent Increase				
d.1 No. of Time Deposit Savers				
d.2 Avg. Deposit Balance				
III. TOTAL SAVINGS & TD				
a. Amount (Pmillion)				
b. Percent Increase				
c. Percent Share to Total Amount				
c.1 Regular Savings				
c.2 Time Deposits				

IV. Our target markets include the following:	

V. To achieve our targets, we will need the following resources:	

WE ARE COMMITTED TO MEET THE ABOVE TARGETS:	Date _____

APPROVED BY:
General Manager
President
Date: _____

ANNEX III-G3-A6

SIX MONTH ACTION PLAN: SAVINGS PROMOTION AND MARKETING

BRANCH: _____

PERIOD COVERED: _____

OBJECTIVE # 1. _____

OBJECTIVE #2. _____

Major Activities	Date Start & End	Expected Results	Persons Responsible	Notes

ANNEX III-G3-A7

Rural Bank _____

Branch: _____

SAVINGS MOBILIZATION QUARTERLY TARGETS, YEAR 2000

Performance Indicator	Actual	QUARTERLY TARGETS			
	As of ____ '99	1ST QTR	2ND QTR	3RD QTR	4TH QTR
I. SAVINGS DEPOSITS					
a. Avg. Deposit Balance (Pesos)					
b. Number of Savers (Accounts)					
c. Total Amount (Pmillion)					
d. Percent Increase					
d.1 No. of Savers					
d.2 Avg. Deposit Balance					
II. TIME DEPOSITS					
a. Avg. Deposit Balance (Pesos)					
b. Number of TD Accounts					
c. Total Amount (Pmillion)					
d. Percent Increase					
d.1 No. of Time Deposit Savers					
d.2 Avg. Deposit Balance					
III. TOTAL SAVINGS & TD					
a. Amount (Pmillion)					
b. Percent Increase					
c. Percent Share to Total Amount					
c.1 Regular Savings					
c.2 Time Deposits					

fn:\Form for Savings Targets.xls

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 26, 2001

Chapter III: START-UP PHASE

Amends: December 17, 1999

Section G: Savings Mobilization

**Subject 4: Identifying and Designing
The Appropriate MF
Savings Product**

1. In most cases, there is a fair amount of competition among financial institutions in offering savings products. To design a savings product, the bank should keep in mind three major considerations: (1) results of the market assessment; (2) results of product review; and (3) objectives of the savings service.
2. **Results of market assessment**
 - 2.1 *Motivation for Saving.* What are the needs or motivation of the target clients for saving? In identifying the appropriate savings services to provide small savers, the bank should analyze the needs and motivations of the target market. The most common reasons for saving include for future purposes, such as paying school fees or a holiday, investment; and emergencies. If the target clients, for instance, save for future purposes, then the bank may choose to offer a semi-restricted savings product (restricted withdrawals). If the clients save for emergency purposes, then the bank should offer savings product that allows for withdrawal at any time.
 - 2.2 *Competition.* The bank must also consider competing financial institutions. What interest rates do other banks offer? Do they pick-up deposits? Do they offer greater accessibility?
3. **Results of product review.** What are the conclusion and recommendations of the product review? Is there a need for the bank to develop a new product because the market has outgrown it? Or does the existing product only needs to be enhanced to answer the present needs of the market? Is the present product being properly implemented to achieve the desired results? What marketing strategies, staff training and incentives, or further studies to be done in order to improve present delivery of the deposit product?
4. **Objectives of the savings service.** The bank should also analyze its own position and the market place to determine its objectives for expanding savings services. Is the bank new in an area and should focus on expanding the number of new savers or is it well established and should focus on encouraging existing savers to increase their deposit balances or a combination of both objectives? These different objectives will depend on the market place, the competition and the liquidity situation of the bank.

5. As in the loan product, MABS recommends the same questions as a guideline for conceptualizing the micro-deposit products for their target clients:
 - 5.1 What is the name of the deposit product?
 - 5.2 Who are the target clients or potential users of the product? How many of them are there?
 - 5.3 Is the product really needed by the target clients? What specific benefits will they get by using the product?
 - 5.4 How will the product benefit the target clients? What specific benefits will they get by using the product?
 - 5.5 What are the features of the product?
 - 5.6 Will the product be affordable to the target clients? What is the product cost?
 - 5.7 Will the product be easily accessible to the target clients?
 - 5.8 Will the target clients value the product? How is the product different from or superior to similar products offered by others?
 - 5.9 How will the product be promoted/advertised? What will be the message that is emphasized?
 - 5.10 Will the bank benefit from the product? How?
 - 5.11 What are the risks or problems expected in offering the product to the target clients? How can these risks or problems be minimized or mitigated?

6. Annex III-G4 is a sample concept paper for a micro-deposit product primarily targeting the microentrepreneurs.

ANNEX III-G4

CONCEPT PAPER “SUKI” SAVERS CLUB: A Proposed Deposit Product for RB XYZ, INC.

1. BACKGROUND/RATIONALE

When RBXYZ became a participant bank of the MABS Program, it started “tagging” all initial deposits of less than P1,000 as micro-deposit. Micro-depositors therefore, include students, salaried employees, contract workers, as well as small and microentrepreneurs. It also includes all the depositor-borrowers of the bank under the *Sariling Unlad, Impok, at Kita (SUKI)* Program. As of January 2000, the bank has registered a total of 1,262 micro-depositors.

RBXYZ introduced the pick-up deposit scheme in January, 2000. Under the pick-up scheme, the Account Officers (AO) go to places where clients reside, work, or conduct businesses to pick up daily savings. This scheme has proven to be attractive to clients since they do not have to leave their place of work to deposit. However, this also entails higher cost on the part of the bank. Doing pick-up services incur transportation cost and greater staff time.

To reduce the cost, RBXYZ introduced the use of the “ganansiya” boxes. This is a savings box with a padlock. The bank keeps the key to the lock. Instead of having their deposits picked up, clients can accumulate their daily savings in a box. The accumulated savings can then be deposited with the bank. RBXYZ was able to sell the first 1,000 boxes from March-August 1999. The boxes were sold at P35, half the production cost of the box. MABS subsidized 50% of the production cost. The low price coupled with the motivation to save attracted the clients initially. However, with the use of the boxes, the client’s average balances do not seem to increase. This can be primarily attributed to the bank’s lack of follow-up on the use of “ganansiya” boxes. Generally, however, the slow deposit mobilization can be attributed to the lack of an identified system that the bank can use in maximizing the use of the “ganansiya” box.

In doing savings mobilization, RBXYZ does not need to increase outreach, i.e., number of micro-deposit accounts. The bank, however, needs to achieve an increase in the average daily balance of the existing depositors.

This concept paper does not attempt to introduce a “new” product. It simply identifies the features and mechanics of the micro-deposit product of RBXYZ.

2. NAME OF THE PRODUCT

The micro-deposit product shall be referred to as *SUKI*. The term “suki” means “loyal” client. However, for the bank’s use it basically means “*Sariling Unlad, Kita, at Impok*” (Own Progress, Gains, and Savings). The term is generally known to be a micro-credit

product of the bank for microentrepreneurs, but shall be expanded to include all micro-depositors (even if they do not have credit accounts with the bank). This is to encourage all clients, specially the micro-business operators, to save regularly. In addition, to give the clients a sense of identification or belongingness, all micro-depositors shall be recognized as members of the *SUKI Savers Club*.

Accounts under the SUKI Savers Club are classified as regular deposits. Membership is unique in the sense that the bank extends special services to the members (Please see Section 6.1).

3. GENERAL OBJECTIVES

- M Provide better voluntary deposit services to existing clients;
- M Provide a mix of saving services that savers will find accessible and convenient;
- M Promote depositing with RBXYZ based on a pre-need savings plan (such as children=s school tuition fees; operating capital for a business; buy a small equipment for a business; invest in a new microenterprise; household equipment or appliance; housing repair; vacation; retirement, etc.);
- M Improve the bank=s servicing efficiency to its depositing clients.

SPECIFIC OBJECTIVES:

- M To encourage existing micro-savers increase their deposit balances;
- M To reach small savers who have less than P1,000 to open an account.

4. TARGET MARKETS

- M market vendors in the Poblacion and Atalipapa@ (mini-markets) of other barangays;
- M shops in commercial center
- M tricycle drivers/operators
- M banana chippers
- M students¹
- M outreach communities, such as the neighboring town of Dujali

5. FEATURES

- | | | |
|-----|----------------------------------|--|
| 5.1 | Minimum Amount to Open | P100. |
| 5.2 | Minimum Balance to earn Interest | P1,000. |
| 5.3 | Interest Rate | 4% per annum, computed monthly, credited quarterly |
| 5.4 | Deposit Instrument | Passbook |

¹If the SUKI Savers Club work for the students, then a separate product shall be implemented to suit their needs and preferences. This shall be referred to as AKiddie@ Savers Club.

5.5	Term of deposit	No term
5.6	Constraints to withdrawal	withdrawable anytime (except the deposits of SUKI borrowers)

6. MECHANICS

6.1 What is the SUKI Savers Club?

The SUKI Savers Club is an “exclusive” club open only to those who are willing to save on a regular basis. All deposits under the SUKI Savers Club are classified as regular deposits. Deposit services are extended through the (a) use of ganansiya boxes or (b) regular pick-up. Clients can choose either of the arrangements, but must sign an Agreement with the bank. This agreement shall be in the SUKI Savers Club form which specifies the following:

For Ganansiya box users:

M what days (such as, every Friday or Monday, every 15th and 30th; etc.) of the month the account officer (AO) should come to open the box and pick-up the deposit

For pick-up depositors:

M frequency of pick up (see eligibility requirements on preferred frequency, Section 6.2);

M minimum amount to be picked-up regularly;

Note: RBXYZ requires a minimum of P100 for each pick-up whether on a daily, weekly, or monthly schedule. The ceiling amount helps reduce the transaction cost on the part of the bank.

6.2 Who can become a member of the SUKI Savers Club?

The SUKI Savers Club is open to all microenterprise operators, wage earners, students, and other small savers. RBXYZ sets the following eligibility requirements on preferred frequency of pick-up deposit:

6.2.1 For daily pick-up- (a) client must be located within a 30-minute radius walk from the bank; (b) client must have a daily income;

6.2.2 For weekly pick-up- client must at least have a weekly income;

6.2.3 For monthly pick-up- client must at least have a monthly income.

6.3 How to become a member of the SUKI Savers Club?

6.3.1 Open a deposit account with RBXYZ (deposit a minimum of P100 and secure

a passbook); For those who have existing deposit accounts with the bank, simply accomplish the SUKI Savers Club membership form;

6.3.2 Buy a “Ganansiya” Box (for those opting to use the box)

6.3.3 Accomplish the SUKI Savers Club membership form.

6.3.4 Accumulate savings regularly

6.3.5 Can withdraw the savings anytime, except for those availing of the SUKI loan. SUKI borrowers can only withdraw their deposit balances at the end of each loan cycle.

6.4 Incentives

(A) As an added feature, all members who use the “Ganansiya” Boxes are eligible to join the raffle contest.² (See Section 6.5).

(B) Clients can use their deposit balances to secure a SUKI loan subject to the policies and procedures of the SUKI Program. This means that clients have to pass the eligibility criteria and must have adequate cash flow to repay the loan. (For further information, please refer to SUKI Loan Manual).

(C) Passbook with a sticker A Proud Member of the SUKI Savers Club.

6.5 Penalty for breaching the SUKI Savers Agreement/Form

6.5.1 The AO stops attending to the client after visiting the client for 2 consecutive times or a total of 3 times and in all instances (for example, AO visits Client X and does not submit, then submits the following week, then does not submit the week after), the client fails to submit the amount specified in the Agreement, for pick-up deposits; or the client does not have any money in the Ganansiya box for the box users;

6.5.2 When an AO stops visiting the client, the client is required to submit the deposits directly to the bank or to bring the ganansiya box to the bank for opening and cash counting.

6.5.3 When the client fails to submit any deposit for a month, he/she automatically loses the SUKI Savers Club membership. This means that he/she cannot join the raffle contest or he/she cannot have his/her deposits picked up.

6.5.4 A client who loses membership in SUKI Savers Club can re-apply provided he/she has diligently submitted deposits to the bank for the succeeding 30 days upon losing the membership. Within 30 days, the client must be able to submit deposits at least once a week. Approval of his/her application is subject to the recommendation of the AO responsible for the client’s account.

²This is to encourage the depositors to prefer the use of Aganansiya@ boxes.

6.6 *SUKI Savers Club Ganansiya Bonanza “Double Your Money” Raffle Draw*

- 6.6.1 Objectives: (a) To encourage clients to submit bigger deposits and maintain higher deposit balances; (b) To encourage clients to sustain the use of the Ganansiya Box; (c) To develop the habit of savings among the bank’s clients.
- 6.6.2 Eligibility: The *Ganansiya Bonanza* raffle is open to all ganansiya box users to give them a chance to win an amount equivalent to 100% of his/her deposits (stated in the “drawn” deposit slip). The triplicate copy of the deposit slip will be used as official entry in the raffle. However, to be eligible, ganansiya box users must maintain a daily balance of P1,000.
- 6.6.3 Mechanics: (a) All entries or triplicate copies of the deposit slips must be submitted not later than every second day of the following month. For instance, for the month of April, the entries must be received on May 2, 2000; (b) Only deposit slips duly authenticated by the teller shall be honored as entries to the raffle; (c) The raffle draw shall be held every first Monday of the month; (d) The amount of deposit in the deposit slip shall be the basis in determining the prize; (e) All winning entries shall be posted within the bank premises; (f) The amount won shall be deposited in the SUKI Savers account of the depositor; (g) Winners shall be notified by the Account Officers (AOs).
- 6.6.4 Mechanics for SUKI Borrowers: SUKI borrowers who would like to join the raffle must also use the “ganansiya” boxes and maintain an average balance of P1,000. The deposits they accumulate in their boxes must not be less than the deposit amount stated in their Promissory Note. Their boxes shall be opened according to the schedule of the loan payments, except for daily loan payments whose boxes shall be opened every Friday only.
- 6.6.5 Prizes:
- | | |
|--------------|--|
| First Prize | 100% of the deposit stated in the deposit slip |
| Second Prize | 50% of the deposit stated in the deposit slip |
| Third Prize | 25% of the deposit stated in the deposit slip |
- 6.6.6 Duration of the Contest: The raffle will be sustained initially for a three-month period starting April to June 2000. RBXYZ may continue to offer the raffle scheme depending on its success in terms of deposits generated.

7. MARKETING AND PROMOTION

- 7.1 Marketing the SUKI Savers Club also requires a strong campaign on the value of saving and keeping the savings in the bank. It is not enough that the clients are offered various incentives to save. Clients must value the act of saving itself and with the assistance of the SUKI Savers Club, gradually develop the habit of saving. In addition, clients must also understand that keeping their savings in the bank is advantageous. Their money is safe and earning. Thus, it is important that RBXYZ emphasizes the value of saving and keeping the savings in the bank in marketing the

SUKI Savers Club.

7.2 Launching:

(A) Flyers- about 500 pieces (1 ream) of newsprint quality paper would be utilized. The flyers should be in Visayan (the local language) and should be distributed by the AOs in commercial areas (such as public markets, offices, mini-mall, etc). They should contain the following information:

- § Why Save?
- § What is the SUKI Savers Club?
- § Who can become a member?
- § How to become a Member?
- § Why should one become a member?
- § Mechanics of the *Ganansiya Bonanza* Raffle

(B) Posters- about 100 pieces to be posted in conspicuous areas in the Poblacion and in the other services areas of RBXYZ (such as Dujali, La Libertad, etc.). The posters should highlight the important details on the SUKI Savers Club (such as what is so special about its membership and the *Ganansiya Bonanza* raffle).

(C) One Streamer- to be posted in front of RBXYZ

Note: It is important to use promotional materials for launching that are visually attractive.

7.3 SUSTAINING

(A) Word of mouth- To sustain the enthusiasm of the members and attract more clients, the RBXYZ staff must continuously promote the SUKI Savers Club by word of mouth. All bank staff must be familiar with the product features and mechanics. Since the bank is right across the public market or located at the heart of the Poblacion, it would be easy for them to reach out to the business community.

(B) Via the SUKI loan client orientation- Since all SUKI borrowers are automatically eligible to join the SUKI Savers Club, then all information pertaining to the Club must also be mentioned during the SUKI Loan Client Orientation. The orientation is conducted weekly either in the bank or in outreach areas.

8. REPORTING AND MONITORING

8.1 Each AO must be given a target average daily balance (ADB) per month depending on the number of accounts being handled. This includes all accounts of SUKI borrowers.

8.2 To encourage AOs to achieve their targets, they must be given incentives based on the average daily balance. (Incentive scheme to follow).

8.2 Each AO reports the following to the bank management monthly:

DATE	No. of Accounts	Balance	Target Balance	Variance (%)
Week 1				
Week 2				
Week 3				
Week 4				

8.3 The AO can get the above data from the Microbanker masterlist of micro-depositors.

8.4 Each AO shall also determine the number of depositors who joined the Ganansiya Bonanza Raffle per month and the amount of deposits generated by counting them manually. This is for purposes of monitoring the success of the raffle scheme.

9. TARGET DATE OF LAUNCHING:

April 1, 2000. The launching was originally scheduled on March 6, 2000, but due to the lack of preparation, it is recommended that the bank formally launches the product on April 1, 2000.

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 3, 2001

Chapter III: START-UP PHASE

Amends:

Section G: Savings Mobilization

Subject 5: Preparing the Product Manual

-
1. MABS also assists the participant banks in the preparation of a manual of operations and procedures for savings products. Since the target clients for micro-depositors are more varied than that for micro-borrowers, MABS does not offer a generic manual that the bank can customize. Instead, savings products are exclusively designed or enhanced for each PB depending on the result of the market assessment for their target depositors, the savings mobilization strategy that the banks want to adapt, and the particular market they want to penetrate.
 2. Attached as Annex III-G5 is a sample savings manual for student savers. It follows the format below:
 - I. RATIONALE
 - II. GENERAL OBJECTIVE
 - III. TARGET MARKET
 - IV. POLICIES AND FEATURES
 - 1) Student Shield Life and Accident Insurance Coverage
 - 2) Minimum Initial Deposit:
 - 3) Interest Rate
 - 4) Withholding Tax
 - 5) Liquidity
 - 6) Deposit Incentives
 - 7) SSC Passbook
 - 8) SSC Savings Can
 - 9) Deposit Signatories
 - V. TRANSACTION PROCESS
 - A. Opening an Account
 - B. Deposits
 - C. Withdrawals
 - 0 Closing of Account
 - 1 Lost Passbook
 - 2 Lost Savings Can
 - 3 Dormant Accounts
 - VI. MARKETING AND PROMOTIONS.

Rural Bank of XYZ, Inc.

STUDENT SAVERS CLUB

I. RATIONALE

The Student Savers Club (SSC) aims to develop savings consciousness among the youth by introducing a savings product specifically designed for their needs and preferences.

II. GENERAL OBJECTIVE

Within a period of 5 months (July to December 2000), the bank aims to mobilize at least 1,500 student depositors from the identified public and private elementary and high schools in Corrales and Quintos areas. After the third month (October) of savings mobilization in the pilot areas, the product coverage will be expanded to Molina, Quezon, and Valencia, and will be replicated in Esperanza branch.

III. TARGET MARKET

At least 20% of the total population of each school covered. SSC membership is open for student ages 3-21 years old.

IV. POLICIES AND FEATURES

1) Student Shield (SS) Life and Accident Insurance Coverage

A life and accident insurance privilege to club members whose SSC savings accounts with the Bank have reached the required maintaining balance of P3,000.

ANNEX III-G5

Members below 3 years old can only be covered with SS Life and Accident Insurance upon reaching 3 years old provided their deposit reach P3,000.00. Members who are more than 22 years old and above can not be covered by the insurance but may opt to stay as Club Members.

2) **Minimum Initial Deposit:**

The product requires a minimum initial deposit of TWENTY PESOS (P20.00) only.

3) **Interest Rate**

Deposit with balance of at least FIVE HUNDRED (P500.00) shall earn an interest of 3% per annum.

Interest will be based on the average daily balance of the deposit. It is compounded quarterly and to be credited on the last business day of each quarter of the year (March, June, September, and December).

4) **Withholding Tax**

All interest shall be subject to 20% withholding tax.

5) **Liquidity**

The SSC account is withdrawable anytime but the depositor can not withdraw from his/her account more than the required maintaining balance of P500.00. Any withdrawal must be discussed with the SSC Coordinator or the Branch Manager first before the Teller effects such withdrawal.

6) **Deposit Incentives**

School Level. The school with the highest number of student savers and deposit balance within one (1) year period will be the first beneficiary of the RB XYZ's Adopt-A-School Program. RB XYZ will design a donation package which would best serve the school, e.g., sponsoring a school event, etc.

ANNEX III-G5

Section Level. The section with the highest number of student savers and deposit balance every 5th month will receive special gifts from the bank such as wall clock, mechanical pencil sharpener, etc.

Individual Level. At the individual level, the following are the incentives:

<u>Amount of Deposit</u>	<u>Giveaways</u>
P500	Pencils/Crayons
P1,000	T-shirts/Caps
P5,000	Umbrellas/School bags

- 7) A **"Student Savers Club (SSC)" passbook** and a separate savings counter conducive to students will be provided exclusively for members only.
- 8) **SSC Savings Can** for members will be provided to facilitate savings account.
- 9) Students 3-7 years old will need the signature of the parents or guardians on the signature card.

V. TRANSACTION PROCESS

A. Opening an Account

1. The designated SSC Coordinator briefs the new depositor of the privileges of being a club member.

New Accounts Officer:

2. Requests the client to accomplish the following:
 - £ Specimen signature card (2 copies)
 - £ Deposit slip
3. Assigns savings account number.
4. Authenticates the client's signature.
5. Prepares and issues SSC savings passbook to the client, as well as a copy of signature card to the client.
6. Registers passbook and files signature card. For monitoring purposes, the Bank will register all SSC deposits on 55-accounts.

ANNEX III-G5

7. Provides the Savings Can for the Student Savers Club members for free. The savings can will have a lock and key; the bank will keep the key.

Teller:

8. Receives from the client signature card, passbook and deposit slip.
9. Receives the initial deposit and validates deposit slip.
10. Posts deposit to the savings ledger.
11. Updates passbook and returns to client.
12. At the end of the day, teller turns over to the savings clerk all signature cards and deposit slips to the cashier. Counts cash collected for the day and completes the Teller's Blotter.

B. Deposits

Student savers can personally deposit at RB XYZ from Monday to Friday during lunch time or from 4:30 to 6:00 p.m. only. This is to prevent the students from cutting classes just to make a deposit. Otherwise, the student can give their deposit to the Bank's SSC Coordinator who has a regular pick-up schedule.

SSC Coordinator:

1. Visits the schools on designated day and time to pick-up student deposits.
2. Unlocks the savings can and counts the content each of savings can in the presence of the depositor.
3. Locks the savings can before returning to the clients.
4. Records each deposit in a summary collection sheet with the following information: name of depositor, amount of deposit and signature of depositor.
5. Remits the collection to the Teller before 3:00 pm together with the individual passbooks, the Summary Collection Sheet and deposit slip for the entire amount.

ANNEX III-G5

Teller:

6. Teller validates summary of collection sheet and deposit slip and balances totals against cash collected by the SSC Coordinator.
7. Posts each deposit transaction to the computer ledger.
8. Updates passbooks.
9. SSC Coordinator returns updated passbooks to the Teacher Coordinator the following day for distribution to their students.

C. Withdrawals

1. Withdrawals should be done in the bank only. Client fills up, signs and gives the withdrawal slip and passbook to the Branch SSC Coordinator.

SSC Coordinator

2. Asks the depositor the reason for withdrawal.
3. Explains to the depositor the need to retain his/her deposit.
4. If the depositor has a valid reason and really need to withdraw, will forward withdrawal slip to the Teller to effect the withdrawal.
5. Encourages the depositor to replenish his/her account as soon as he has the money.

Teller:

6. Confirms the SSC Coordinator's permission to withdraw. In the absence of the SSC Coordinator, the Branch Manager must act on his/her behalf.
7. Verifies the signature against the passbook.
8. Posts transaction to the computer ledger.
9. Hands out cash to the client
10. Requests the client to sign at the back of the withdrawal slip to acknowledge receipt of cash.
11. Updates passbook and returns to client.
12. Records transaction on the Teller's Blotter.
13. Turns over all withdrawal slips at the end of the day.

ANNEX III-G5

D. Closing of Account

1. If the SSC account is closed before reaching P500.00, the student will pay the bank the cost of the Savings Can.

Teller:

2. Updates client's passbook. Checks last transaction and deposit balance.
3. Requests the client to fill up the withdrawal slip based on the balance withdrawable.
4. Verifies signature against the passbook.
5. Collects P20 service charge and issues official receipt.
6. Gives remaining balance to the client.
7. Posts last transaction and closes the account
8. Requests the client to sign at the back of the withdrawal slip.
9. Perforates the SSC Passbook with a puncher; stamps "Account Close" on the SSC passbook and files in the Accounts Closed file.

E. Lost Passbook

1. If the SSC Passbook is lost, the student should present an Affidavit of Loss to the RB XYX.

Savings Assistant

2. Receives the P20.00 service charge for the SSC Passbook and files the Affidavit of Loss.
3. Requests the client to sign at the right side portion of a new SSC Passbook with an invisible pen.
4. Gives the Teller the new SSC Passbook and the P20.00 service charge.

Teller

5. Issues an official receipt for the P20.00 service charge.
6. Prints personal data of the depositor in the passbook and the savings account number.
7. Gives the new SSC Passbook to the client with the official receipt.

ANNEX III-G5

F. Lost Savings Can

If the savings can is lost, the student will pay the replacement savings can at cost to the bank.

G. Dormant Accounts

1. The Bookkeeper generates a quarterly listing of dormant accounts.
2. RB XYZ shall charge P50.00 service charge per quarter on dormant accounts for a period of two years. This shall be automatically withdrawn from the savings account by the teller.
3. Savings Assistant prepares notices for clients with dormant accounts to be signed by the Branch manager.
4. SSC Coordinator must follow-up dormant accounts with the depositors and encourage them to resume depositing on a regular basis.

VI. MARKETING AND PROMOTIONS

1. The Corporate Headquarters (CHQ) will write a letter to the DECS District Supervisor and Principals of the different schools that RBCI will cover.
2. The Planning and Marketing Officer, the Branch Manger, and the Branch SSC Coordinator will personally visit the District Supervisor and the Principals to discuss policies and guidelines.
3. The SSC Coordinator and other RB XYZ representatives will organize a Product Orientation among the students on the designated days and time as approved by the Principal and Teacher Coordinators. Parlor games and other perks will be conducted during the orientation to make it more interesting. Ten (10) t-shirts will be given away for the first 10 depositors of every school. The rest of the early depositors and winners of the question-and-answer portion and parlor games will receive gifts from the RB XYZ.
4. The Planning and Marketing Officer of the RBCI will coordinate closely with the designated SSC Coordinator of each branch.
5. Each branch will have a special savings counter (conducive for children) to entertain SSC members.

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 26, 2001

Chapter III: START-UP PHASE

Amends: December 17, 1999

Section H: Marketing of the MF Products

Subject 1: Preparing the Product Marketing Plan

1. Rural banks must design a marketing plan that will attract the bank's target clients effectively. MABS recommends that the marketing campaign be completed after the pilot phase, or the product-testing period, usually up to three months after the initial loan releases.
2. After determining the size and composition of the local microfinance market, selecting the target microfinance market segment, and assessing its demand for and supply of financial services, the bank can now determine its marketing strategy.
3. Findings from the market survey must be reviewed to determine: (a) the characteristics of loan and savings products microentrepreneurs are currently availing; (b) how to design the products and services of the bank, and (c) how to determine the opportunities that exist for the bank to do business with micro-enterprises. The bank's marketing strategy will follow from these findings.
4. **Characteristics of loan and savings products.** Knowing the characteristics of loan and savings products accessed by microentrepreneurs can influence how the bank will design its own products for microenterprises and how to promote and market the products.
5. **Design of the products and services of the bank.** Knowing what its clientele wants, the bank can now incorporate the terms and conditions preferred by microenterprises ensuring that the benefit for the bank is greater than the cost entailed in meeting the demands of the target market.
6. **Determine existing microfinance opportunities.** Knowing what clients' demand and what other financial players supply, the bank can determine the opportunities available upon its market entry or reentry. Conducting a SWOT (Strength, Weakness, Opportunities and Threats) Analysis of the market can guide the bank on how to best make use of these opportunities.
7. Marketing and promoting the product may include (a) announcement through the use of flyers, brochures or streamers; (b) gimmicks through the use of contests, raffles, give-aways; and (c) advertising through radio, television or print.
8. The most effective advertising campaign is through customer endorsement. Word of mouth travels fast especially in rural areas. Further, as part of personalized service, the bank can

also visit potential clients in their places of business to promote its product.

9. There are several prerequisites in preparing a marketing plan. To be effective, the bank must first gather all the information relevant to the target market and to the product the bank wants to launch.

- 9.1. *Know your Organization.* The MFU must first be familiar with the bank's ownership structure, management structure, and vision and mission. Clients usually look for stability, reliability, professionalism, and credibility in a bank. Knowing the bank enables the MFU to respond to the queries of the target client on the bank. It also enables the MFU to design a marketing campaign suited to the bank's "culture".

- 9.2. *Know your Product.* The MFU must also be familiar with the features of the product, as well as the scope and limitations of the product.

- 9.3. *Know your Client.* Knowing some information on the needs and preferences of the target clients enables the MFU to develop a marketing plan that will attract the target market. If the bank wants to attract micro-deposits from school children, for example, it could market the micro-deposit product by using cartoon characters in a logo.

- 9.4. *Know your Client's Business.* The MFU must also know the business of the target clients. The microenterprise survey conducted by the MFU staff would help the MFU in becoming familiar with the client's business. This type of information is found in some industry/market studies, and other industry sources.

10. Below is a short list of tips in designing a marketing plan:

- € Who do we want to reach?
- € What do we want to say?
- € How much do we want to spend?
- € When do we want to do this?

11. There are several ways to attract the target clients. These include:

- 11.1. *Announcements.* The bank can use flyers, brochures, and streamers in announcing the products.

- 11.2. *Gimmicks.* The bank can also resort to promotional gimmicks, such as contests, raffles, and give-aways.

- 11.3. *Advertising.* The bank can choose to advertise the products through radio, television, and/or print media.

- 11.4. *Customer Endorsement.* Client satisfaction should always be the main objective of any product. The most effective advertising campaign is through customer endorsement. In most rural areas, word of mouth travels fast and is usually considered reliable. It is necessary for the bank to provide quality service in order to attract more clients.

12. MABS assists the bank in designing the marketing plan. Further, depending on the agreement with the bank, MABS may provide limited resource support in promoting the

microfinance products provided it is within the original budget agreed to in the PBA.

13. Annex III-H1-A1 is a questionnaire for the marketing team of the bank to be able to formulate a marketing plan for their microfinance products.
14. Annex III-H1-A2 outlines the process on how the bank will position its microfinance product versus the competition.

ANNEX III-H1-A1

FORMULATING A MARKETING PLAN

A. What is a client worth?

1. If you continue to provide quality service, how long will the client stay with the bank?

		<u>Example</u>
A) Number of Years	_____	<i>2 years</i>
B) Number of loans	_____	<i>6 loans</i>
C) Average loan term (mos.)	_____	<i>4 months</i>

2. How much will the client borrow in the average loan term?

D) Average amount per loan:	P _____	<i>P10,000</i>
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3. What is the effective per annum interest rate of your product?

E) Percent: _____/annum	<i>82%</i>
-------------------------	------------

4. What is the financial cost per annum?

F) Percent: _____/annum	<i>10%</i>
-------------------------	------------

5. At the effective interest rate per annum less financial cost (82%-10%), what is the gross financial margin per client?

_____	<i>82%-10% = 72%</i>
	<i>10,000*0.72 = 7,200/yr</i>
	<i>7,200 * 2 yrs=16,400</i>

6. Briefly state why it is important to keep your clients (the good ones):

7. What do you need to do to keep your clients with the bank? (think quality service, promotional aspects)

B. Determine the budget for promotions/marketing?

8. How much should you budget for marketing and promotional activities? (Rule of thumb is 5% to 10% of the client's worth to you)

		<i>Your own computation:</i>
<i>Example:</i> Client's worth per year:	P7,200	_____
10% of client's worth:	720	_____
Assume # of clients:	100 clients	_____
Total mktg budget (10%):	72,000	_____

9. What is the best way to use the budget so that you achieve your objectives?

ANNEX III-H1-A2

POSITIONING YOUR PRODUCT VERSUS THE COMPETITION

BASIC QUESTION: How will you position/reposition your product against those of your competitors?

Follow the following process:

1. List the credit product competing for your clients or target market. Include your major competitors for microfinance services (lending investors, other rural banks, credit coops, informal sources?)
2. Next to each competitor, list the products/services that directly compete with your product/service.
3. Next to each competitor's product (does it have a brand name? – list the brand name), outline that product's position: (a) who is it tailored for? (b) how is it different from your product?
4. Use the attached grid (Attachment A) to plot each relevant product or brand. Bottom axis can contain one variable, like price, or product quality, or service, or some other differentiation. The other axis grids a different variable.
5. Is there a niche you can find and fill? Or is your niche already existing, but you have to fill it more aggressively than you had been doing? (*Reminder: If you can't find a niche, don't expect customers to find you, unless the bank wants to spend a lot of money to bring them in the door in head-to-head competition with your entrenched competitors.*)
6. _____

7. Describe your proposed niche in 1 short phrase or sentence. This is positioning. Be imaginative, but truthful and realistic.

But first: Has the bank as a financial institution adopted a position in the market? Remember those commercials you've heard or read about other banks? Below are examples of bank positioning.

Examples:

PNB: "Parang nakasandal sa pader."

MetroBank: "You're in good hands with Metro Bank."

BPI Family Bank: "Family First."

BPI: "The tradition of leadership."

LandBank: "We're banking on the countryside."

Currently, how does your bank or branch position itself in the market?

Next, position specific product (e.g. ABC Loan)

Examples:

"Repeat loans within 24 hours."

"Doorstep service for KITa clients.:

"KITa: We serve your savings needs while satisfying your credit demand."

"The lowest priced credit for gagmay na negosyante."

How will you position your product? Use short, catchy phrase or sentence (local language and/or English).

MABS PROGRAM
Training and Technical Assistance Manual

Date: **January 26, 2001**

Chapter III: START-UP PHASE

Amends: **December 17, 1999**

Section H: Marketing of the MF Products

Subject 2: Format of the Product Marketing Plan

1. The marketing plan needs to be a clear statement of marketing objectives, assignment of responsibilities, integration of the different elements into an action plan to reach objectives, and establishing a clear marketing budget to carry out the different steps.¹
2. The marketing plan depends on the basic objectives of the product that is being marketed. If the marketing plan aims to increase the number of depositors and/or borrowers, then its scope should be extensive (e.g., reaching the outlying areas, tapping alternative market segments). On one hand, if the marketing plan aims to increase the existing savings account balances of the bank, then it should include strategies that would motivate existing clients (such as raffle schemes, give-aways, etc.).
3. Designing and implementing the marketing plan requires the participation of the entire bank. For instance, the cash department should be able to work with MFU in designing a marketing plan for a micro-deposit product. In this manner, both departments can contribute ideas essential to their workloads.
4. The participant bank (PB) must set aside some of its resources to carry out the marketing plan. The marketing cost depends on the total cost of maintaining the MF loan and deposit products. However, PBs have the option to allocate some of the MABS resource support budget to their marketing efforts (see Chapter II, Section C).
5. MABS recommends that the PBs do not entail expensive means (such as resorting to television advertisements) to market their products. Since PBs initial target microfinance clients are situated close to each other, such as public market vendors, there is no need for expensive marketing campaigns.
6. MABS recommends the following marketing plan format:
 - 6.1. **Target Market.** Who do we want to reach? *Market vendors? Sari-sari store operators? Bag-makers? Public utility vehicle operators? School savers?*

¹*Marketing in Microfinance Institutions: The State of the Practice.* William Grant, DAI. P. C-7

- 6.2. **Marketing Message.** What do we want to say? *Micro-loan product aims to help small business operators by offering lower rates compared to five-sixers? Personal bank in a box (savings box)? Hard collateral-free loan product? Save for school (educational savings product)? Readily accessible loans?* It would certainly help the PB if the product name is easy to remember and relevant to the needs of the target market. Marketing the product would also be carried out more effectively if the bank carries a slogan or a motto, such as “*helping the small entrepreneurs to grow.*” Messages should be written in the local dialect to make them easy to understand.
- 6.3. **Mechanics of The Marketing Plan.** How do we carry out the marketing plan? *Should the MFU staff visit selected microentrepreneurs in the community? Should the bank utilize printed materials, such as flyers and posters?* The mechanics should be a detailed, well thought-of plan that would guide the bank staff in doing the marketing campaign. For instance, if the bank plans to do a raffle scheme to attract clients, then it should outline the steps to do the raffle scheme.
- 6.4. **Marketing Cost.** How much do we want to spend? The PB should take into account all cost considerations, such as cost of advertising materials, transport, staff time, among others. Pilot testing the product would help the PB in determining the cost incurred in maintaining the product. From the total cost, the PB would be able to find out what percentage can be allocated to marketing.
- 6.5. **Target Date of Launching.** When do we want to do this? MABS recommends that the PB should first pilot test the product for three to six months before formally launching it. Pilot testing the product would help the MFU in determining what features of the product need enhancements before introducing it to the target market.

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 6, 2001

Chapter III: START-UP PHASE

Amends: December 17, 1999

Section I: Management Information System (MIS)

Subject 1: MABS 11 Reports

To monitor the bank's progress towards reaching the targets stated in the PBA, the MABS MIS Team developed the following loan monitoring reports:

1. **Listing of Loans.** This report normally is printed out at the end of every period i.e. monthly although the system can print this anytime. The list includes all microfinance loans outstanding as of date of printing by account officer and will allow the user to generate reports under MFU. Each bank shall determine if the loan is a microfinance loan or not by means of tagging at the time the loan was released.
2. **Collection Report.** This is normally a weekly report that is printed out every Monday morning for the current week. Date input should be Friday of the current week or the last day of the desired period. This report gives information on the borrower's particulars, status of loan and all loan payments and savings due and missed.
3. **Delinquency Report.** Account officer normally prints the report after every day. However, the system should be able to print this anytime. The list includes all loans outstanding as of printing by Account Officer (AO). This report informs the user of the status of the loans with information on: amount of loan disbursed, portfolio at risk, total amount due, amount of loan amortization missed, days overdue, the remaining hold-out balance and the exposed amount left after deducting the total amount due from the hold-out balance.
4. **Portfolio at Risk Report.** This report is normally printed at the end of each month. Include option to print all types of accounts not just Microfinance. Each bank shall determine if the loan is a Microfinance loan or not by means of tagging at the time the loan was released. It records the number and percentage of clients for the particular overdue range relative to the total number of clients; amount overdue; percentage in arrears; loan outstanding balance for each range and the loan portfolio at risk. This report is a tool for loan loss provisioning.
5. **Interest Collected by the Microfinance Unit.** This report normally is printed out on a monthly basis. It also shows the interest collected by each AO, other loan charges and the MFU's total revenue.
6. **MABS Monthly Report.** This report is normally printed at the end of every month. This is basically a summary of the MFU performance for the month.

7. **Performance Report by AO.** This report should be printed at the end of each month. This report shows the individual performance of each AO that monitors whether his/her targets are being met. This is a useful report for monitoring the progress or shortcomings of the AO.
8. **Client's Status Report – Direct Repayment by Installment.** This report should be printed when client applies for a repeat loan. This report should help the AO assess whether the client is eligible for a repeat loan.
9. **Portfolio at Risk by Aging Analysis and Business Activity.** This report normally is printed out at the end of every period i.e. monthly. This report segregates the number of loans and amount of loans overdue, as well as portfolio at risk by type of business activity. Micro-business activities are classified as sari-sari stores, market vendors, transport, food processing, buy and sell, crafts and light manufacturing, eateries and bakery, fishing, agricultural non-crop, and personal services.
10. **Portfolio at Risk Sorted by Disbursed Loan Amount and Business Activity.** This report normally is printed out at the end of every period i.e. monthly.
11. **Loans Profile by Gender.** This report normally is printed out at the end of every period but can be printed anytime as desired.
12. These MIS reports are attached as Annex III-I1-A1. A User's Manual was also developed to guide the MFU staff on how to generate these reports (Annex III-I1-A2).

ANNEX III-I1-A1

MIS REPORTS – As of August 2000

1. Listing of Loans
2. Collection Report
3. Delinquency Report
4. Portfolio at Risk Report
5. Interest Collected by the Microfinance Unit
6. MABS Monthly Report
7. Performance Report by AO
8. Client's Status Report – Direct Repayment by Installment
9. Portfolio at Risk by Aging Analysis and Business Activity
10. Portfolio at Risk by Disbursed Loan Amount and Business Activity
11. Loans Profile by Gender

1. Listing of Loans.

xx/xx/xxxx

Name of Bank
Branch Name
LISTING OF LOANS
Microfinance
As of xx/xx/xxxx

Page : x

BORROWER'S NAME	LOAN ACCOUNT NUMBER	CUMULATIVE LOAN	DATE OF DISBURSEMENT	DATE OF MATURITY	AMOUNT OF LOAN DISBURSED	LOAN ACCOUNT BALANCE	AMORTIZATION AMOUNT	LOAN AMOUNT OVERDUE	LOAN PORTFOLIO AT RISK	HOLD OUT BALANCE
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
ACCOUNT OFFICER : xxxxxxxxxxxxxxxxxxxxxxxx (l)										
XXXXXXXXXXXXXXXXXXXXXX	xx-xxxx-x	xxx	xx/xx/xxxx	xx/xx/xxxx	x,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx.xx
XXXXXXXXXXXXXXXXXXXXXX	xx-xxxx-x	xxx	xx/xx/xxxx	xx/xx/xxxx	x,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx.xx
Sub-Totalà			xx accounts		x,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx.xx
Totalà			xx accounts		x,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx.xx

Note:

- This report normally is printed out at the end of every period i.e. monthly. However, the system should be able to print this anytime. The list includes all Microfinance loans outstanding as of date of printing by account officer. This report will allow the user to generate reports under Microfinance Unit. Each bank shall determine if the loan is a Microfinance loan or not by means of tagging at the time the loan was released.
- Legend:
 - Borrower's Name.* Name of the borrower
 - Loan Account Number.* Loan account number assigned to borrower
 - Cumulative Loan.* Number of loans received including this loan.
 - Date of Disbursement.* Date the loan was released/disbursed.
 - Date of Maturity.* Date the loan will mature.
 - Amount of Loan Disbursed.* Amount of loan disbursed/released.
 - Loan Account Balance.* Outstanding balance of the loan account at the date of printout (Principal only)
 - Amortization Amount.* Includes payment of loan (principal & interest); does not include savings amount of deposit (amortization amount).
 - Amount Overdue.* Amount overdue on loan including principal, interest & fees.
 - Loan Portfolio At Risk.* Includes principal balance of all loans with any payment one-day or more past due. Total outstanding of the loan (g) becomes (j) if (l) has something in the column.
 - Account Officer.* Name or code of Account Officer. (If this field is left blank, will generate the entire branch.)
 - Holdout Balance.* Savings held by the borrower in a "blocked" account
- Distribution: Original copy goes to Account/Loan Officer, duplicate copy goes to supervisor for review.

2. Collection Report

xx/xx/xxxx

Name of Bank
Branch Name
COLLECTION DUE
Through xx/xx/xxxx

Page : xxxx

Borrower's Name (a)	Loan Account Number (b)	Amortization Due Date (c)	Principal Due (d)	Interest Due (e)	Other Loan Charges (f)	Savings Due (g)	Total Amount Due (h)	Amount Received (i)	Loan Amount Overdue (j)	Savings Overdue (k)					
ACCOUNT OFFICER: xxxxxxxxxxxxxxxxxxxxxxxxxxxx (m)								M	T	W	Th	F	Ttl		
xxxxxxxxxxxxxxxxxxxx	xx-xxxxx-x	xx/xx/xxxx	xx,xxx.xx	xx,xxx.xx	x,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx						x,xxx,xxx.xx	x,xxx,xxx.xx	
xxxxxxxxxxxxxxxxxxxx	xx-xxxxx-x	xx/xx/xxxx	xx,xxx.xx	xx,xxx.xx	x,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx						x,xxx,xxx.xx	x,xxx,xxx.xx	
xxxxxxxxxxxxxxxxxxxx	xx-xxxxx-x	xx/xx/xxxx	xx,xxx.xx	xx,xxx.xx	x,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx						x,xxx,xxx.xx	x,xxx,xxx.xx	
Total			xx,xxx.xx	xx,xxx.xx	x,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx						x,xxx,xxx.xx	x,xxx,xxx.xx	

Note:

- This is normally a weekly report that is printed out every Monday morning for the current week. Date input should be Friday of the current week or the last day of the desired period. This report will allow the user to generate reports under Microfinance Unit. Each bank shall determine if the loan is a Microfinance loan or not by means of tagging at the time the loan was released.
- Legend:
 - Borrower's Name.* Name of the borrower
 - Loan Account Number.* Loan account number assigned to the borrower
 - Amortization Due Date.* Date the loan amortization is due. (Always the latest – closest to date entered)
 - Principal Due.* Principal amortization due includes current and overdue.
 - Interest Due.* Interest amortization due includes current and overdue.
 - Other Charges.* Other charges or fees due includes current and overdue.
 - Savings Due.* Savings include current and missed.
 - Total Amount Due.* Sum of current principal, interest, other charges and savings due (d+e+f+g)
 - Amount Received.* Input at time of the collection. Allocate six slots, one each per day and the total.
 - Loan Amount Overdue.* Amount overdue on loan including principal, interest & fees.
 - Savings Overdue.* Amount of savings missed.
- Distribution: Original copy goes to Account/Loan Officer and one to cashier/bookkeeper, duplicate copy goes to supervisor for review.

3. Delinquency Report

xx/xx/xxxx

Page : x

NAME OF BANK
NAME OF BRANCH
DELINQUENCY REPORT AS OF xx/xx/xxxx

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Borrower's Name	Loan Account #	DATE Disbursed	Maturity	Amount of Loan Disbursed	Portfolio At Risk	Total Amount Due	# of Loan Amort. Missed	Days Overdue	Holdout Balance	Exposed Amount
<u>ACCOUNT OFFICER : xxxxxxxxxxxxxxxxxxxxxx (l)</u>										
xxxxxxxxxxxxxxxxxxxxxx	xx-xxxx-xx	xx/xx/xxxxx	xx/xx/xxxx	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx	xxx	xxx	xx,xxx.xx	xx,xxx.xx
xxxxxxxxxxxxxxxxxxxxxx	xx-xxxx-xx	xx/xx/xxxxx	xx/xx/xxxx	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx	xxx	xxx	xx,xxx.xx	xx,xxx.xx
SUB TOTAL:		xx		xx,xxx.xx	xx,xxx.xx	xx,xxx.xx			xx,xxx.xx	xx,xxx.xx
GRAND TOTAL:		xx		xx,xxx.xx	xx,xxx.xx	xx,xxx.xx			xx,xxx.xx	xx,xxx.xx

Note:

- Account officer normally prints the report after every day. However, the system should be able to print this anytime. The list includes all loans outstanding as of printing by Account Officer. This report will allow the user to generate reports under Microfinance Unit. Each bank shall determine if the loan is a Microfinance loan or not by means of tagging at the time the loan was released. The report is to have two (2) options to allow the report to show consolidated information (i.e. information is not split by AO), or the regular printout by Account Officer.
- Legend:
 - Borrower's Name.* Name of the borrower
 - Loan Account #.* Account number assigned to the borrower
 - Date Disbursed.* Date the loan was disbursed.
 - Maturity Date.* Date the loan will fall mature.
 - Amount of Loan Disbursed.* Amount of loan disbursed/released.
 - Portfolio at Risk.* Outstanding principal balance of loans with an amount overdue.
 - Total Amount Due.* Total amount (principal + interest + penalties) due from borrower as date of printing (including current and overdue accounts)
 - # of Loan Amortization Missed.* Number of loan amortization due but not received.
 - Days Overdue.* Number of days the amortization was overdue (oldest overdue or most prior overdue).
 - Holdout Balance.* Savings held by the borrower in a "blocked" account.
 - Exposed Amount.* Total Amount Due less holdout balance (g-j). This amount should not be negative.
 - Account Officer.* Name of Account Officer
- Distribution: Original copy goes to Account/Loan Officer, duplicate copy goes to supervisor for review.

4. Portfolio at Risk Report.

xx/xx/xxxx

NAME OF BANK
NAME OF BRANCH
PORTFOLIO AT RISK REPORT AS OF xx/xx/xxxx

Page : x

For all loans

Days Overdue	Number of Borrowers (a)	% Clients (b)	Amount Overdue (c)	% in Arrears (d)	Loan Account Outstanding Balance (e)	% Portfolio at Risk (f)
Current (g)	x,xxx	xx.x%	x,xxx,xxx.xx	xx.x%	x,xxx,xxx.xx	xx.x%
1 - 7 days	x,xxx	xx.x%	x,xxx,xxx.xx	xx.x%	x,xxx,xxx.xx	xx.x%
8 - 14 days	x,xxx	xx.x%	x,xxx,xxx.xx	xx.x%	x,xxx,xxx.xx	xx.x%
15 - 30 days	x,xxx	xx.x%	x,xxx,xxx.xx	xx.x%	x,xxx,xxx.xx	xx.x%
31 -60 days	x,xxx	xx.x%	x,xxx,xxx.xx	xx.x%	x,xxx,xxx.xx	xx.x%
61 - 90 days	x,xxx	xx.x%	x,xxx,xxx.xx	xx.x%	x,xxx,xxx.xx	xx.x%
Over 90 days	x,xxx	xx.x%	x,xxx,xxx.xx	xx.x%	x,xxx,xxx.xx	xx.x%
Sub-Total	x,xxx	xx.x%	x,xxx,xxx.xx	xx.x%	x,xxx,xxx.xx	xx.x%
Total	x,xxx	xx.x%	x,xxx,xxx.xx	xx.x%	x,xxx,xxx.xx	xx.x%

Report Specifications:

- This report is normally printed at the end of each month. Include option to print all types of accounts not just Microfinance. Each bank shall determine if the loan is a Microfinance loan or not by means of tagging at the time the loan was released.
- Report Legend:
 - Number of Borrowers.* Number of loan clients for the particular overdue age range.
 - Percentage of Clients.* Percent of the number of client for the particular overdue age range to the total number of clients.
 - Amount Overdue.* Amount overdue for the particular loan age range
 - Percentage in Arrears.* Percentage amount overdue for a particular loan range to the total outstanding loan balance (c/sum of e).
 - Loan Account Outstanding Balance.* Outstanding balance for the particular loan age range (portfolio at risk amount except for the current row).
 - Portfolio at Risk %.* Percentage of the amount outstanding for the particular loan age range to the total outstanding loan balance.
 - Current.* This line details the loans NOT at risk. As such columns c and d will all report 0.00. However, e and f should report the actual figures so as to determine the outstanding loan balance and its % to total.
- Distribution: Original goes to supervisor; duplicate copy goes to manager for review.

5. Interest Collected by the MicroFinance Unit.

xx/xx/xxxx

Name of Bank
Branch Name

Page : x

INTEREST COLLECTED FROM MICROFINANCE UNIT xx/xx/xxxx - xx/xx/xxxx

Account Officer	Outstanding Loan Portfolio (Beginning Date Range)	Outstanding Loan Portfolio (End Date Range)	Interest Income (During Period)	Fees & Other Charges (During period)	Total Revenue (d+e)	Yield %
(a)	(b)	(c)	(d)	(e)	(f)	(g)
1. xxxxxxxxxxxxxxxxx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	xx
2. xxxxxxxxxxxxxxxxx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	xx
3. xxxxxxxxxxxxxxxxx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	xx
Total	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	x,xxx,xxx.xx	xxx (h)

Note:

- This report normally is printed out on a monthly basis. This report will allow the user to generate reports for the Microfinance Unit. Each bank shall determine if the loan is a Microfinance loan or not by means of tagging at the time the loan was released

Legend:

- Account Officer.* Name or code of Account Officer
- Outstanding Loan Portfolio (beginning date range).*
- Outstanding Loan Portfolio (ending date range).* Outstanding principal balance as of the last date of the range.
- Interest Income (During Period).* Total interest collected during the range.
- Fees & Other Charges.* Total fees and other charges collected during the range.
- Total Revenue.* Total interest collected & total fees and other charges collected.
- Yield.* f divided by [(b+c)/2].

- Distribution: Original copy goes to Supervisor, duplicate copy goes to Manager for review

6. MABS Monthly Report.

xx/xx/xxxx

Name of Bank
Branch Name
MABS-M Monthly Report
xx/xx/xxxx to xx/xx/xxxx

Page : x

Performance Data	<u>MICROFINANCE ACCOUNTS</u>				<u>BRANCH¹</u>		<u>CUMULATIVE FIGURES</u> Start Date: xx/xx/xxxx*	
	Current Month	Previous Month	Current Month	Previous Month	Micro. Accounts	Branch Accounts		
	LOANS							
(a) No. of New Borrowers	xxx.	xxx	xxx	xxx			xxx	xxx
(b) Amount of loans disbursed during period to new borrowers	xxx	xxx	xxx	xxx			xxx	xxx
(c) No. of Borrowers	xxx	xxx	xxx	xxx				
(d) Outstanding Loan Portfolio	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx				
(e) No. of Loans Disbursed (during the month)	xxx	xxx	xxx	xxx			xxx	xxx
(f) Amount of Loans Disbursed (during the month)	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx			xx,xxx.xx	xx,xxx.xx
(g) Loan Amount Overdue	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx				
(h) Portfolio at Risk (PhP)	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx				
(i) Portfolio at Risk (%)	xx.xx%	xx.xx%	xx.xx%	xx.xx%				
(j) No. of Account Officers	xxx	xxx						
SAVINGS								
(k) No. of Depositors			xxx	xxx				
(l) No. of New Depositors			xxx	xxx				xxx
(m) Amount of Savings Balance			xx,xxx.xx	xx,xxx.xx				
FINANCIAL INCOME								
(n) Interest Income on Loans	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx				
(o) Fees and Other Charges	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx				
(p) Penalty Fee on Loans	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx				
(q) Total Revenue	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx				
(r) <u>Total Fin.Income (Cur. Mo.)</u> Ave. Loan Portfolio Balance			x.xx	x.xx				

Note: Average Loan Portfolio Balance = Loan Portfolio Balance (Previous Month) + Loan Portfolio Balance (Current Month)

* START DATE: Must input start date i.e. the date MABS-M started its Technical Assistance or YTD startdate.

1 - BRANCH: Only includes those clients entered in MicroBanker.

Note:

1. This report is normally printed at the end of every month.
2. Legend:
 - a.) *No. of New Borrowers.* Number of new borrowers for current and previous months under the accounts of Micro and the bank's branch including cumulative figures.
 - b.) Amount of loans disbursed during period to new business
 - c.) *No. of Borrowers.* Number of borrowers current and previous months under the accounts of Micro and the bank's branch.
 - d.) *Outstanding Loan Portfolio.* Outstanding balance as of the printout under the accounts of Micro and the bank's branch and one month preceding.
 - e.) *No. of Loans Disbursed (during the month).* Number of loans disbursed for current and previous months under the accounts of Micro and the bank's branch including cumulative figures.
 - f.) *Amount of Loans Disbursed (during the month).* Amount of loans disbursed for current and previous months under the accounts of Micro and the bank's branch including cumulative figures.
 - g.) *Loan Amount Overdue.* Past due amortization as of this printout for current and previous months. Includes all past due principal, interest and fees.
 - h.) *Portfolio at Risk (PhP)* – Loan portfolio at risk for current and previous months
 - i.) *Portfolio at Risk (%)*. Percentage of loan portfolio at risk for current and previous months. (g / c)
 - j.) *No. of Account Officers*
 - k.) *No. of Depositors.* Number of active depositors for current and previous months under the accounts bank's branch < P15,000.
 - l.) *No. of New Depositors.* Number new depositors for current and previous months under the accounts bank's branch including cumulative figures < P15,000.
 - m.) *Amount of Savings Balance.* Amount of deposit balance for current and previous months' as of this printout and one month preceding.
 - n.) *Interest Income on Loans.* Current and previous months' interest generated on loans disbursed during the month.
 - o.) *Fees and other charges.* Current and previous months' income generated on service charge imposed on loans disbursed during the period.
 - p.) *Penalty Fee on Loans.* Current and previous months' penalty fee collected on loan default payment during the period.
 - q.) *Total Revenue.* The sum of l, m & n (for current period).
 - r.) *Total Fin. Income(Cur.Mo.) / Ave. Loan Portfolio Balance*

[Total Revenue – (Current Month) / Average Loan Portfolio Balance]. The ratio of total financial income to average loan portfolio balance for current period and previous month.
3. Distribution: Original copy goes to MABS point person, duplicate copies to supervisor and manager.

7. Performance Report by AO

xx/xx/xxxx		Name of Bank Branch Name PERFORMANCE REPORT BY ACCOUNT OFFICER xx/xx/xxxx - xx/xx/xxxx										Page : x		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
AO Name	No. Of Borrowers	Loan Account Balance	# Loans Disbursed	Amount of Loans Disbursed	# New Loans Disbursed	Amt. New Loans Disbursed	# Repeat Loans Disbursed	Amt. Repeat Loans Disbursed	# of Loans w/ overdue Amount	# of Loans w/ overdue Amount %	Portfolio At Risk	Portfolio At Risk %	Total Revenue	
1.	xx	x,,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xx.x%	xxx,xxx	xx.x%	xxx,xxx
2.	xx	x,,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xx.x%	xxx,xxx	xx.x%	xxx,xxx
3.	xx	x,,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xx.x%	xxx,xxx	xx.x%	xxx,xxx
4.	xx	x,,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xx.x%	xxx,xxx	xx.x%	xxx,xxx
Total	x,,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xxx,xxx	x,xxx	xxx,xxx	xxx,xxx	xx.x%	xxx,xxx		xxx,xxx	

Note:

- This report should be printed at the end of each month. This report should allow the user to generate reports for the Microfinance Unit. Each bank shall determine if the loan is a Microfinance loan or not by means of tagging at the time the loan was released.
- Legend:
 - AO Name.* Name of the Account Officer.
 - No. of Borrowers.* The number of borrowers monitored by the account officer as of the last date of the range.
 - Loan Account Balance.* Total outstanding principal as of the last date of the range (loan balance being monitored by the AO).
 - No. of Loans Disbursed during the period.*
 - Amount of Loans Disbursed.* Total amount disbursed during the range.
 - No. of new loans disbursed during the range.* (If loan cycle is 1)
 - Amount of new loans disbursed during the range.*
 - No. of repeat loans during the range.* A repeat loan is one that is commenced within 6 months of the repayment of a previous loan. Otherwise this is classed as a new loan.
 - Amount of repeat loans during the range.*
 - # of Loans with overdue Amount.*
 - # of Loans with overdue Amount %* - number of loans with overdue amount divided by total number of borrowers (j / b)
 - Portfolio at risk.* Outstanding balance of all loans with an amount overdue greater than 1 day.
 - Portfolio at risk percentage.* "L" as a percent of "C"
 - Total Revenue.* All revenue (interest and fees) collected during the period.

- Distribution: Original copy goes to Supervisor & duplicate copy goes to Manager.

* Allow the entry of the Account Officer prior to running the report.

8. Client's Status Report

xx/xx/xxxx

Name of Bank
Branch Name
CLIENT'S STATUS REPORT
As of xx/xx/xxxx

Page : x

Name of Client : xxxxxxxxxxxxxxxx
Address : xxxxxxxxxxxxxxxxxxxxxxxx
Loan Sector : xxxxxxxxxxxxxxxxxxxxxx

Client Code : xxxxxxxxxxxx

Performance of Previous Loan

(a) Cumulative Loan	(b) Loan Account Number	(c) Date Disbursed	(d) Amount of Loan Disbursed	(e) # Amortizations	(f) # Late Amortizations	(g) Maximum Days Late	(h) % Amortizations Made on Time	(i) Business Activity
1	10345	1/1/1996	10,000	4	1	3	xx.xx%	xxxxxxxxxxxxxxxx
2	00456	2/5/1996	12,000	6	0	0	xx.xx%	xxxxxxxxxxxxxxxx
3	00567	3/11/1996	15,000	8	0	0	xx.xx%	xxxxxxxxxxxxxxxx
4	00891	4/7/1997	19,000	10	1	6	xx.xx%	xxxxxxxxxxxxxxxx

Current Loan Information

Loan Date: 6/4/98

(e) # Amortizations: 12 (d) Loan Amount: 24,000 (j) # of Amortizations Expected (to date): xxx (k) # of Amortizations Made on Time (to date): xxx
(h) % Made on Time (to date): x.xx%

(l) Amortization Number	(m) Amortization Amount	(n) Amortization Due Date	(o) Amortization Paid Date	(p) Amortization Status	(q) Days Late
01	2,360	5/06/1998	5/6/1998	Paid	0
02	2,360	5/13/1998	6/6/1998	Paid	0
03	2,360	5/20/1998	5/23/1998	Paid Late	3
04	2,360	5/27/1998	5/27/1998	Paid	0
05	2,360	6/03/1998		Overdue	8
06	2,360	6/10/1998		Approaching	
07	2,360	7/17/1998		Approaching	
08	2,360	7/24/1998		Approaching	
09	2,360	8/01/1999		Approaching	
10	2,360	8/08/1999		Approaching	
11	2,360	8/15/1999		Approaching	
12	2,360	8/22/1999		Approaching	

Note:

1. This report should be printed when client applies for a repeat loan. Each bank shall determine if the loan is a Microfinance loan or not by means of tagging at the time the loan was released
2. Legend:
 - (a) *Cumulative Loan*. The number of loans this client has received
 - (b) *Loan Account Number*. Account number assigned to this loan
 - (c) *Date Disbursed*. Date of the release of loan.
 - (d) *Amount Disbursed*. Amount of loan released.
 - (e) *# Amortization*. Number of times the client must make an amortization payment for his loan.
 - (f) *# Late Amortization*. Number of late amortization payment by the client.
 - (g) *Maximum Days Late*. Maximum number of days incurred by the client for late amortization payment.
 - (h) *% Amortizations Made on Time*. Percentage of amortization made on or before the due date (e - f / e).
 - (i) *Business Activity*. Name of economic activity borrower is engaged in.
 - (j) *# of Amortizations Expected (to date)*. Number of amortization expected as of date of printout.
 - (k) *# of Amortizations Made on Time (to date)*. Number of amortizations made on time as of date of printout.
 - (l) *Amortization Number*. Number or level of amortization payment.
 - (m) *Amortization Amount*. Amount due per period (principal & interest).
 - (n) *Amortization Due Date*. Date amortization is expected.
 - (o) *Amortization Paid Date*. Date amortization was made
 - (p) *Amortization Status*. Status of amortization i.e. paid, overdue, paid late, or approaching.
 - (q) *Days Late*. Number of days amortization was late.
3. Distribution: Original goes to account officer, duplicate copy goes to supervisor for review.

9. Portfolio at Risk by Aging Analysis and Business Activity

xx/xx/xxxx

Name of Bank
Branch Name

Page : x

PORTFOLIO AT RISK BY AGING ANALYSIS and BUSINESS ACTIVITY
<Print name of report either as All Loans or Microfinance Unit>
AS OF xx/xx/xxxx

	No. of Borrowers	Business Activity As a % of Grand Total (subtotal a /grand total a) (# of Loans)	No. of Loans With Overdue Amounts	No. of Loans with overdue Amount % (c/subtotal a)	Outstanding Loan Portfolio	Business Activity As a % of Grand Total (subtotal e/ grand total e) (Amount of Loans)	Portfolio at Risk	Portfolio at Risk (%) (g/e)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Sari-sari Stores								
Current	x,xxx				xx,xxx,xxx.xx			
1 - 7 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
8 - 14 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
15 - 30 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
31 - 60 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
61 - 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	x,xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
Market Vendors								
Current	x,xxx				xx,xxx,xxx.xx			
1 - 7 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
8 - 14 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
15 - 30 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
31 - 60 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
61 - 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	x,xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
Transport								
Current	x,xxx				xx,xxx,xxx.xx			
1 - 7 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
8 - 14 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
15 - 30 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
31 - 60 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
61 - 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	x,xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
Food Processing								
Current	x,xxx				xx,xxx,xxx.xx			
1 - 7 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
8 - 14 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
15 - 30 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
31 - 60 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
61 - 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	x,xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%

"Viajeros" or Buy and Sell

Current	x,xxx				xx,xxx,xxx.xx		
1 - 7 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
8 - 14 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
15 - 30 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
31 - 60 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
61 - 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
over 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%

Crafts and Light Manufacturing

Current	x,xxx				xx,xxx,xxx.xx		
1 - 7 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
8 - 14 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
15 - 30 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
31 - 60 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
61 - 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
over 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%

Eateries/Carenderia/Bakery

Current	x,xxx				xx,xxx,xxx.xx		
1 - 7 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
8 - 14 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
15 - 30 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
31 - 60 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
61 - 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
over 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%

Fishing

Current	x,xxx				xx,xxx,xxx.xx		
1 - 7 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
8 - 14 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
15 - 30 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
31 - 60 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
61 - 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
over 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%

Agricultural Non-crop (livestock)

1 - 7 days	x,xxx			xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
8 - 14 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
15 - 30 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
31 - 60 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
61 - 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
over 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%

Personal Services

Current	x,xxx				xx,xxx,xxx.xx		
1 - 7 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
8 - 14 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
15 - 30 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
31 - 60 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
61 - 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
over 90 days	x,xxx		x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	x,xxx	xx.x%	xx,xxx,xxx.xx	xx,xxx,xxx.xx	xx.x%

Total								
Current	x,xxx				xx,xxx,xxx.xx			
1 - 7 days	x,xxx	x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%	
8 - 14 days	x,xxx	x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%	
15 - 30 days	x,xxx	x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%	
31 - 60 days	x,xxx	x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%	
61 - 90 days	x,xxx	x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%	
over 90 days	x,xxx	x,xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%	

GRAND TOTAL	x,xxx	xx.x%	x,xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%

Note:

This report normally is printed out at the end of every period i.e. monthly. This report should allow the user to report for all types of loans and just those under the Microfinance. Each bank shall determine if the loan is a Microfinance loan or not by means of tagging at the time the loan was released.

Legend:

- a) *Number of Borrowers.* Number of loans outstanding as of the report date.
- b) *Business Activity as a % of Grand Total (Number of Loans).* Number of loans by economic activity divided by the grand total.
- c) *Number of Loans with Overdue Amount.* Number of loans with an amount past due.
- d) *Number of Loans with Overdue Amount%.* c divided by subtotal a.
- e) *Outstanding Loan Portfolio.* Total amount of loan outstanding as of the report date.
- f) *Business Activity as a % of Grand Total (Amount of Loans).* Amount of loans by economic activity divided by the grand total (subtotal e/grand total e).
- g) *Portfolio At Risk.* Total amount of outstanding loan balance of loan with an amount past due.
- h) *Portfolio at Risk.* g divided by e.

Distribution: Original copy goes to Supervisor, duplicate copy goes to manager for review.

10. Portfolio at Risk Sorted by Disbursed Loan Amount and Business Activity

xx/xx/xxxx

Name of Bank
Branch Name

Page : x

PORTFOLIO AT RISK SORTED BY DISBURSED LOAN AMOUNT AND BUSINESS ACTIVITY
<Print name of report either as All Loans or Microfinance Unit>
AS OF xx/xx/xxxx

	No. of Borrowers	Business Activity As a % of Grand Total (subtotal a/grand total a) (# of Loans)	No. of Loans with Overdue Amounts	Number of Loans with Overdue Amounts % (c/a)	Outstanding Loan Portfolio	Business Activity As a % of Grand Total (subtotal e/ grand total e) (Amounts of Loans)	Portfolio at Risk	Portfolio at Risk (%) (g/e)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Sari-sari Stores								
Less than 5,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
5,000.01-10,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
10,000.01-25,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
25,000.01-50,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
50,000.01-100,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 100,000.01	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
Market Vendors								
Less than 5,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
5,000.01-10,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
10,000.01-25,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
25,000.01-50,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
50,000.01-100,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 100,000.01	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
Transport								
Less than 5,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
5,000.01-10,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
10,000.01-25,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
25,000.01-50,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
50,000.01-100,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 100,000.01	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
Food Processing								
Less than 5,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
5,000.01-10,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
10,000.01-25,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
25,000.01-50,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
50,000.01-100,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 100,000.01	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%

<hr/>								
"Viajeros" or Buy or Sell								
Less than 5,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
5,000.01-10,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
10,000.01-25,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
25,000.01-50,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
50,000.01-100,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 100,000.01	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
<hr/>								
Crafts and Light Manufacturing								
Less than 5,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
5,000.01-10,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
10,000.01-25,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
25,000.01-50,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
50,000.01-100,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 100,000.01	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
<hr/>								
Eateries/Carenderia/Bakery								
Less than 5,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
5,000.01-10,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
10,000.01-25,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
25,000.01-50,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
50,000.01-100,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 100,000.01	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
<hr/>								
Fishing								
Less than 5,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
5,000.01-10,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
10,000.01-25,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
25,000.01-50,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
50,000.01-100,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 100,000.01	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
<hr/>								
Agricultural Non-Crop (livestock)								
Less than 5,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
5,000.01-10,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
10,000.01-25,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
25,000.01-50,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
50,000.01-100,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 100,000.01	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
<hr/>								
Personal Services								
Less than 5,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
5,000.01-10,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
10,000.01-25,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
25,000.01-50,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
50,000.01-100,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 100,000.01	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
SUB-TOTAL	x,xxx	xx.x%	xxx	xx.x%	xx,xxx,xxx.xx	xx.x%	xx,xxx,xxx.xx	xx.x%
<hr/>								

Total								
Less than 5,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
5,000.01-10,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
10,000.01-25,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
25,000.01-50,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
50,000.01-100,000	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
over 100,000.01	x,xxx		xxx	xx.x%	xx,xxx,xxx.xx		xx,xxx,xxx.xx	xx.x%
GRAND TOTAL	x,xxx	xx.xx%	xxx	xx.xx%	xx,xxx,xxx.xx	xx.xx%	xx,xxx,xxx.xx	xx.xx%

Note:

1. This report normally is printed out at the end of every period i.e. monthly. This report should allow the user to report for all types of loans and just those under the Microfinance. Each bank shall determine if the loan is a Microfinance loan or not by means identifying or tagging at the time the loan was released.
2. Legend:
 - (a) *Number of Borrowers.* Number of loans outstanding of which the amount disbursed falls into the range.
 - (b) *Business Activity as a % of Grand Total (# of Loans).* Number of loans by economic activity divided by the grand total.
 - (c) *Number of Loans with Overdue Amount.* Number of loans with amount past due.
 - (d) *Number of Loans with Overdue Amounts.* c divided by a.
 - (e) *Outstanding Loan Portfolio.* Total amount of loan outstanding as of the report date.
 - (f) *Business Activity as a % of Grand Total (Amounts of Loans).* Amount of loans by economic activity divided by the grand total (subtotal e / grand total e).
 - (g) *Portfolio at Risk.* Total amount of outstanding loan balance of loans with amount past due.
 - (h) *Portfolio at Risk %.* g divided by e.
3. Distribution: Original copy goes to Supervisor, duplicate copy goes to Manager for review.

11. Loans Profile by Gender.

xx/xx/xxxx

Name of Bank
Branch Name
LOANS PROFILE BY GENDER
Microfinance Unit
AS OF xx/xx/xx

Page : x

	No. of Borrowers (a)	No. of Loans with overdue Amounts (b)	Number Loans with Overdue Amounts (%) (b/a) (c)	Outstanding Loan Portfolio (d)	Portfolio at Risk (e)	Portfolio at Risk (%) (e/d) (f)
MALE	x,xxx	x,xxx	xx,xx%	xx,xxx,xxx.xx	XXX	xx.xx
FEMALE	x,xxx	x,xxx	xx.xx%	xx,xxx,xxx.xx	XXX	xx.xx
GRAND TOTAL	x,xxx	x,xxx	xx.xx%	xx,xxx,xxx.xx	XXX	xx.xx

Note:

- This report normally is printed out at the end of every period but can be printed anytime as desired. This report should allow the user to generate reports under Microfinance Unit. Each bank shall determine if the loan is a Microfinance loan or not by means of tagging at the time the loan was released.
- Legend:
 - Number of Borrowers.* Number of accounts
 - Number of Loans with Overdue Amount*
 - Number of Loans with Overdue Amounts (%).* b divided a.
 - Outstanding Loan Portfolio.* Total amount of loans outstanding as of the report date.
 - Portfolio at risk.* Total amount of outstanding loan balance of loans with an amount past due.
 - Portfolio at risk.* e divided by d.
- Distribution: Original copy goes to Supervisor, duplicate copy goes to Manager for review.

ANNEX III-I1-A2

**MICROENTERPRISE ACCESS TO BANKING SERVICES
(MABS)**

MANAGEMENT INFORMATION SYSTEM REPORTS

A USER'S GUIDE

STEP-BY-STEP USER GUIDE

1. Starting MBXD Archiving and Reporting System

1.1. Installation from the MBXD Archiving and Reporting System Distribution Disk.

INSTALL <Source><Destination>

- Installation files are contained in one single high-density diskette (3.5 inch. 1.44 MB). It includes the following files: mbreport.zip, reports.zip, setup.zip, pkunzip.exe and install.bat.

Command Syntax:

- To install the reporting system, type "install <source> <destination>"., where, "<source>" is the path the installation files are found and "<destination>" is the target directory/path to install the system.
- Example: **Install a: c:**

1.2. Running MBXD Archiving and Reporting System

MBREPORT [Enter]

- To start the MBXD Archiving and Reporting System from the \REPORTS directory, type MBREPORT and press [Enter]. The copyright message will appear.

[Enter]

- After reading the copyright message press any key to continue.

[Enter Teller Number][Enter]

- Teller number is a three (3) digit code assigned to each authorized user in the MicroBanker System interactive environment.

[Enter Teller Password][Enter]

- Teller password is a four (4) digit code in an encrypted form.
- After entering the password, you will see the report main menu. Use arrow keys or numbers to select an option from the menu.

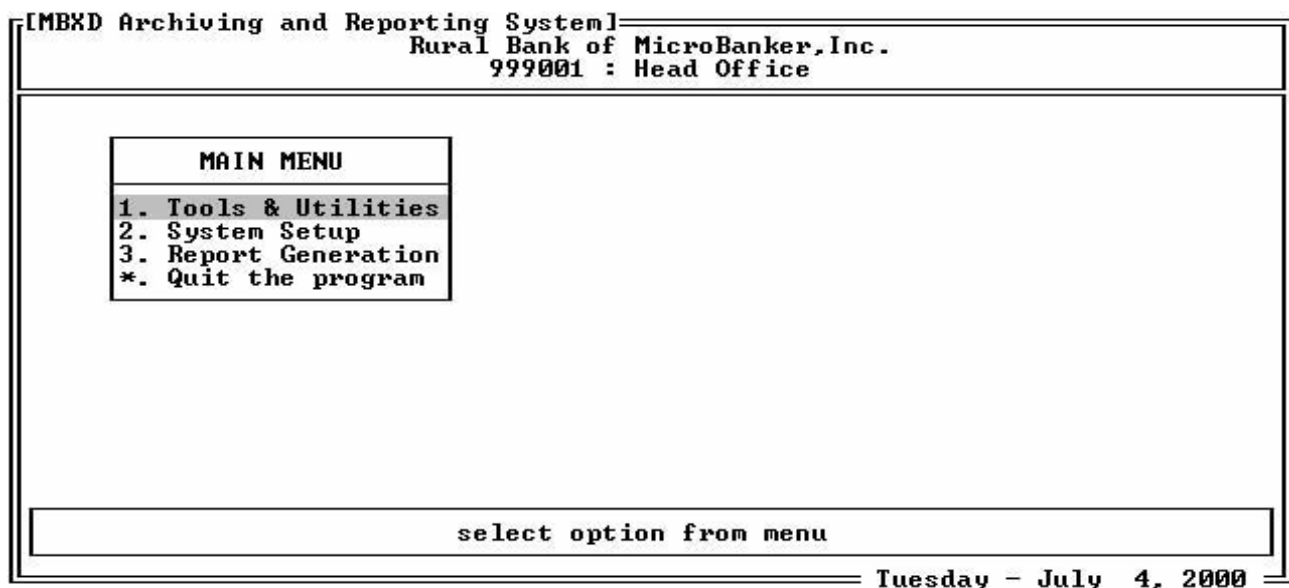


Illustration 1 : Main Menu

2.2. Change General Ledger Data Source/Backup Destination

Where to FIND MM-2-2 Change GL source/dest.

STEP BY STEP Select MM-2-2 Change GL source/dest. from the options provided and enter the following fields:

Restore GL

- **Command:** Utility/command used to restore the General Ledger system back-up. You can specify parameters to control the command's execution.
- Example: **COPY**
- **Source:** Specify the drive and path where to fetch the General Ledger system backup file. Source path must be in its proper syntax: *[drive][path][file]*.
- Example: **A:\GL2000**

Back-Up GL

- **Command:** Utility/command used to back-up the archive files. The archive files are organized in a manner that the MBXD Archiving and Reporting system could easily locate and produce a requested report.
- Example: **COPY**
- **Destination:** Specify the path where to store the files. Destination path must be in its proper syntax: *[drive][path][file]*.
- Example: **A:\GL2000**

Note : Never leave any of this field blank, it might result to data loss or inability to retrieve files at later time.

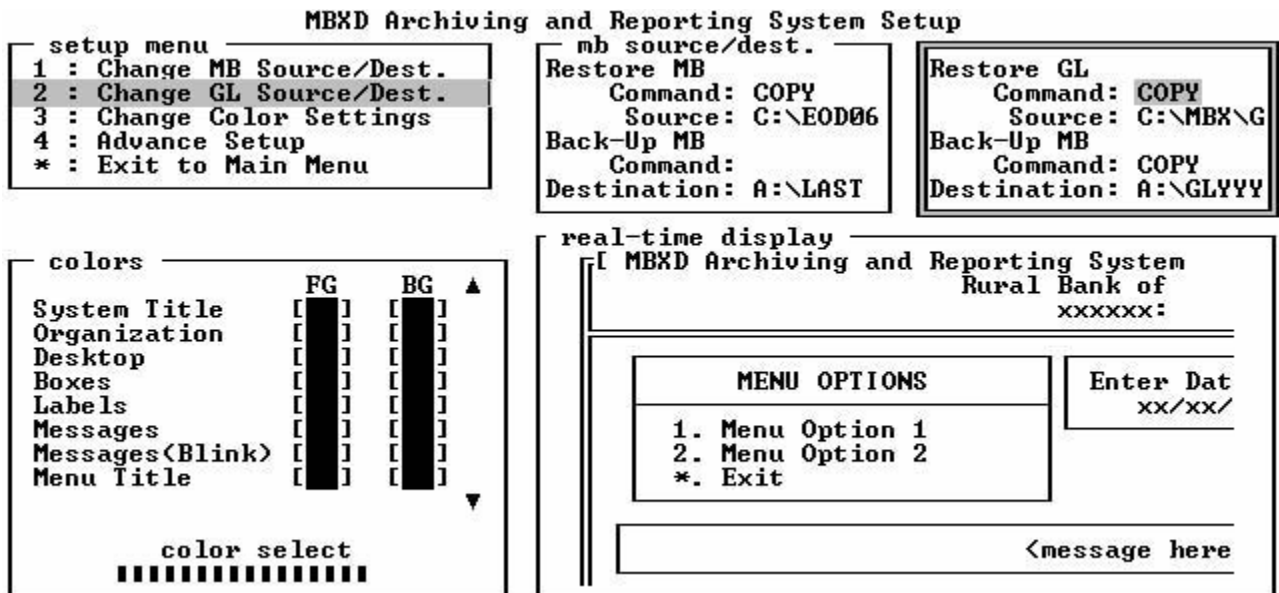


Illustration 3 : Change GL Source/Backup Destination

2.3. Change Color Setting

Where to FIND MM-2-3 Change Color Settings

STEP BY STEP Select MM-2-3 Change color settings to change the current settings of the working environment. Use the following keys to navigate and make changes/modification on the default settings.

- **Up/Down Arrow** : use Up/Down arrow keys to select the area opted to change color.
- **Tab** : use Tab key to select Foreground(FG) or Background(BG) column.
- **Left/Right Arrow** : use Left/Right arrow to select a color from the set of colors displayed.
- **Esc** : Press Esc key when changes/modification has been made and exit from the color setting option at once.

Note : You can view the immediate effect of colors from the real-time display window.

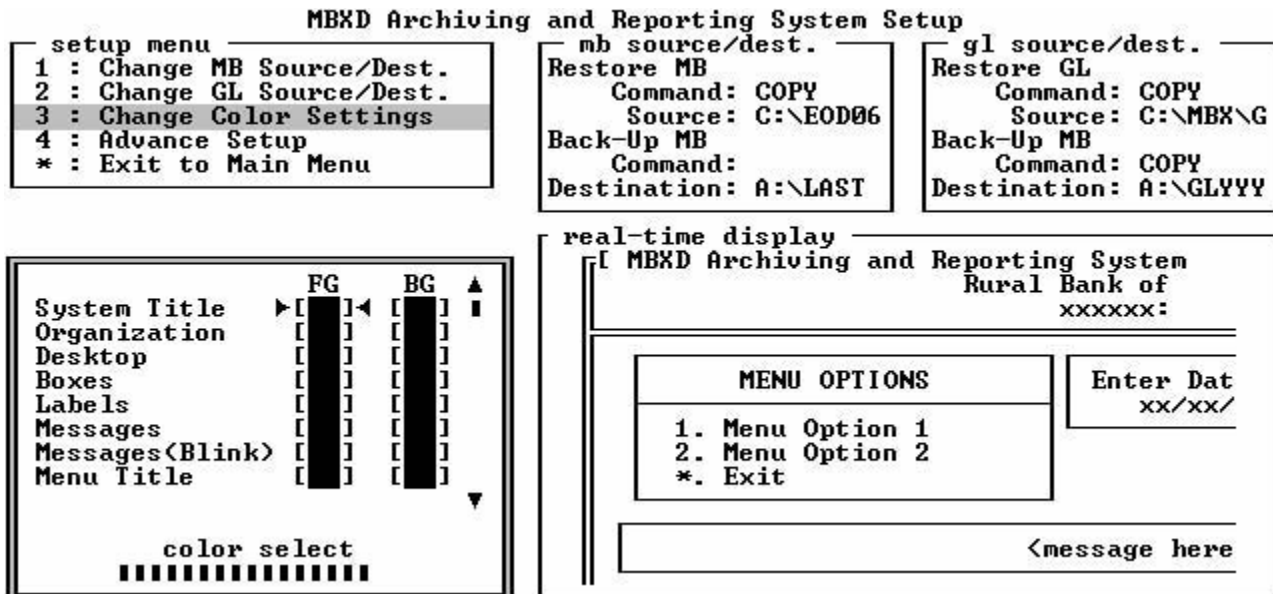


Illustration 4 : Change GL Source/Backup Destination

2.4. Advance Setup

Where to FIND MM-2-4 Advance Setup

STEP BY STEP Option MM-2-4 Advance Setup is set to enable or disable the back-up or restoration of MB file or General Ledger files.

Note : Don't forget to save changes/modifications made when exiting the system setup area.

MBXD Archiving and Reporting System Setup

<pre> setup menu 1 : Change MB Source/Dest. 2 : Change GL Source/Dest. 3 : Change Color Settings 4 : Advance Setup * : Exit to Main Menu </pre>	<pre> mb source/dest. Restore MB Command: COPY Source: C:\EOD05 Back-Up MB Command: PKZIP -& Destination: A:\LAST </pre>	<pre> gl source/dest. Restore GL Command: COPY Source: C:\MBX\G Back-Up MB Command: COPY Destination: A:\GLYYY </pre>
---	--	---

<pre> colors System Title [] Organization [] Desktop [] Boxes [] Labels [] Messages [] Messages(Blink) [] Menu Title [] color select ████████████████████ </pre>	<pre> advance setup Backup MB?(Y/N) : Y Restore MB Backup?(Y/N) : Y Backup GL?(Y/N) : N Restore GL Backup(Y/N) : N </pre>	<pre> Reporting System ural Bank of xxxxxxx: MENU OPTIONS 1. Menu Option 1 2. Menu Option 2 *. Exit Enter Dat xx/xx/ <message here </pre>
---	---	---

Illustration 5 : Advance Setup

3. Tools and Utilities

3.1. Extract data from MicroBanker/General Ledger backup disk

Where to FIND MM-1-1 Extract Data from Backup Disk

STEP BY STEP Select MM-1-1 Extract Data from Backup Disk to extract MB/GL backup. Selected data files are extracted from the backup sources. It includes all files listed in the file registry of the MBXD Archiving and Reporting system.

[Enter] A message appears after issuing enter key, "Insert MB Back-Up and [Enter] to continue [Esc] to cancel". Insert the MicroBanker system back-up disk as required.

[Enter] The system is extracting the files from the backup disk.

Was the Restoration process successful?[Y/N] This question is answered by [Y]es or [N]o. If restoration process failed, press [N] to repeat the process or [Y] to go to the next process.

[Y] A message appears after issuing [Y] key. This time, the system is asking for the General Ledger Backup disk. Insert backup disk and press [Enter] to continue.

[Enter] The system is extracting the files from the backup disk.

Was the Restoration process successful?[Y/N] This question is answered by [Y]es or [N]o. If restoration process failed, press [N] to repeat the process or [Y] to go to the next process.

[Y] If the restoration process is successful, the system pause for a while and returns back to the menu. When it fails, the system displays the message "Inconsistent dates of GL and MB back-ups". This means that the two backup disks inserted are of two different transaction days. Retry the same process until no error message occurs.

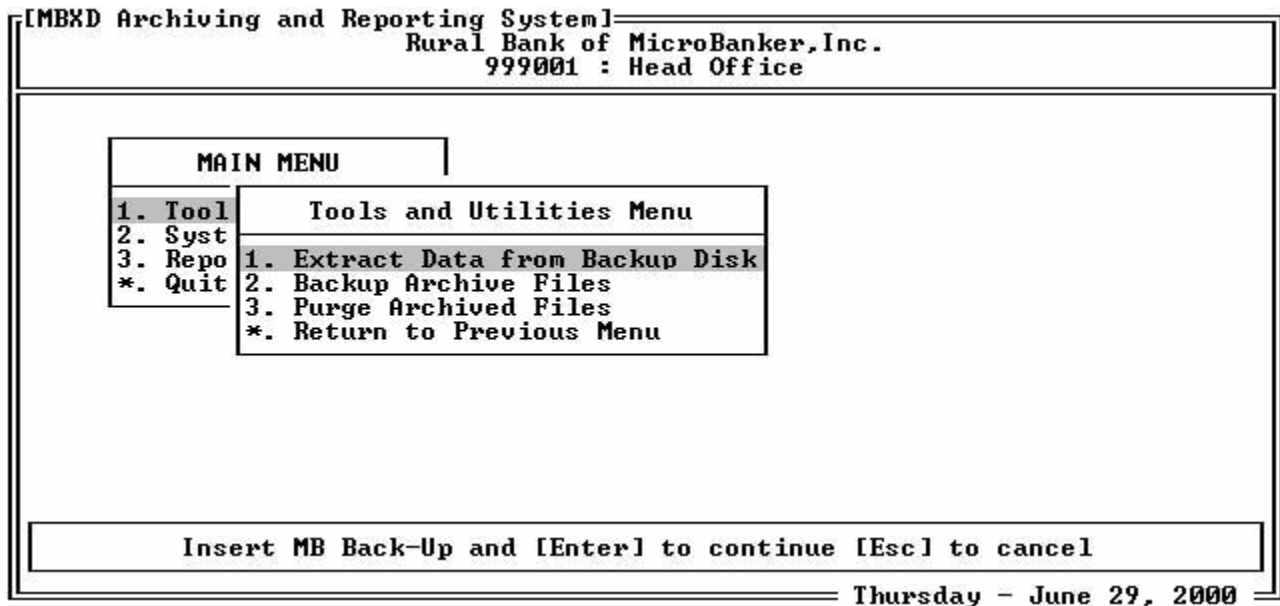


Illustration 6 :Extract Data from Backup Disk

3.2. Backup Archive Files

Where to FIND MM-1-2 Backup Archive Files

STEP BY STEP Select MM-1-2 Backup Archive Files option to store the archive directory files into a floppy disk or hard disk. This facility requires the following fields to be filled:

- **Backup Start Date:** Enter the starting date range of the data to be back-up.
- **Backup End Date:** Enter the ending date range of the data to be back up.

Process: Archive data files within the specified date range are copied into the \WORK directory. From the \WORK directory, it will consequently be transferred into the backup destination path as specified in the destination field of MB source/dest. setup option.


```

[MBXD Archiving and Reporting System]
Rural Bank of MicroBanker, Inc.
999001 : Head Office

data entry
Back-Up Start Date : 05/08/2000
Back-Up End Date   : 06/16/2000
back-up info
Extract No.       : 011
Back-Up Date      : 06/20/2000  Back-Up Time  MB Date
Oldest Back-Up   : 06/20/2000  11:49:58am   05/08/2000
Latest Back-Up   : 06/28/2000  09:35:35am   06/16/2000

select option from menu

Thursday - June 29, 2000

```

Illustration 7 :Extract Data from Backup Disk

3.3. Purge Archive Files

Where to FIND MM-1-3 Purge Archive Files

STEP BY STEP Select MM-1-3 Purge Archive Files to physically remove the files from its storage. Make extra caution in selecting this option. Physical deletion means total removal of file and never be retrieved for report generation. This facility requires the following fields to be filled:

- **Purge Start Date** : Enter the starting date range of the data to be purged.
- **Purge End Date** : Enter the ending date range of the data to be purged.

Process : Data files within the specified range will be removed and no longer exist from the archive.

```

[MBXD Archiving and Reporting System]
Rural Bank of MicroBanker, Inc.
999001 : Head Office

data entry
Purge Start Date : 05/08/2000
Purge End Date   : 06/16/2000
back-up info
Extract No.      : 011
Back-Up Date     : 06/20/2000    Back-Up Time 11:49:58am    MB Date 05/08/2000
Oldest Back-Up  : 06/20/2000    Back-Up Time 09:35:35am    MB Date 06/16/2000
Latest Back-Up  : 06/28/2000

select option from menu

Thursday - June 29, 2000

```

Illustration 8 :Purge Data from Archive

4.0 Procedure for Updating Customer Information

This procedure is a standard MicroBanker procedure to update or change the Customer Information File i.e. updating the Business or Economic Activity.

Access Customer Record

MAIN FUNCTION To retrieve and access a customer record. Once the customer record is displayed, the customer information can be edited, (see "Update Customer Information" below) and accounts and account details can be accessed (see "Customer Inquiry" below).

WHERE TO FIND MB-MM-1-6 or MB-MM-2-6, followed by one of four or five options as follows:

```
select customer record...
1.by customer number
2.by customer name
3.by existing account
  .or.
4.open new cif record
```

- STEP BY STEP**
1. After selecting MB-MM-1-6 (MB-MM-2-6), choose from option 1-4 as follows:
 - MB-MM-1-6-1: Retrieves a customer record by customer number (CID #).
 - MB-MM-1-6-2: Retrieves a customer record by last name, using the "key" as described under "Creation of Customer Information". You can use a maximum of 8 characters. Note that the less characters you use, the less specific the search will be and the more names will match the "key". Note that if you cannot find a person by name, this may be because you mis-spelled the first 8 characters of the name. In that case, search again, this time reducing the number of characters you enter. The minimum to enter is one character: if for example you enter "M", the customer selection screen will display all customers whose last name starts with the letter M.
 - MB-MM-1-6-3: Retrieves a record by the account number of any savings, current, time deposit, loan or share account of the customer.
 - 2a. If you selected menu option 1 or 3, enter the relevant data (cid #, or account # respectively). The customer screen will be displayed when the customer record is found. If the customer record does not exist, the customer selection menu will be re-displayed for another search.
 - 2b. If you selected menu option 2 (by customer name), enter a maximum of fifteen characters of the last name. If more than one person matches this "key", the customer selection screen will be displayed with customers listed in alphabetical order of their last name and two initials. Select the desired person using arrow keys, Page Up, and Page Down. Press [Enter] if the highlight is on the correct person. If only one person matches the key, that customer's information will be displayed without the need for you to select.

Update Customer Information

A Savings Bank	007528	Sampaloc Branch
----------------	--------	-----------------

Customer: Mr. Pedro Glibbery Shortname: Glibbery, Pedro CID number: 00030 Civil Status: Single Address: #107 Bushwill St. Sampaloc Manila Postal code: 1044 Telephone(s): -none- Occupation: requested	Birth date: 01/18/1956 Sex: M DOSRI: N
---	--

1. Customer Inquiry 2. Update Customer Information 3. Close Customer Record 4. Select Spouse's Record 5. Select Different Customer 6. Modify Customer Credit Limit 7. Customer Information Enquiry
--

Select option or [Esc] to return to previous menu

990	System Supervisor	P&O MicroBanking System (C)1988-97	04/23/1999
-----	-------------------	------------------------------------	------------

Select Option 2. Update Customer Information

1. Enter the following fields:
 - **Last name:** Use normal capitalization - e.g. Johnson
 - **First name:** Use normal capitalization - e.g. Patrick
 - **Middle name:** Use normal capitalization - e.g. Lenox

2. After filling-in the above three fields, the program will check if any person with the same or similar name is already in the computer. The check is based on the first ten characters of the last name (this is called the "key"). If any names with the same key are already in the computer, the Customer Selection Screen will appear. At the top of this screen, the name(s) with the identical key will be displayed. The Customer Selection Screen is arranged in alphabetical order and always shows a total of 10 names (see screen below).

A Savings Bank	007528	Sampaloc Branch
----------------	--------	-----------------

CID#	CUSTOMER NAME	ADDRESS	BIRTHDATE
00024	Abbasaldo Iane	#71 Davao del Sur St. Sampaloc	
00015	Arnaez William	#11 Bacolindian St. Ermita Man	05/18/72
00008	Barbarona Barbie	#991 Sta. Ana St. Sta. Cruz M	09/30/57
00013	Buena Ventura Alexander	#1001 Network St. Tondo Manila	01/30/45
00038	Cojuangco Antonette	#21 FLDY Drive Ermita Manila	05/12/77
00020	Colla Don Marcus	#301 Ilocandia St. Ermita Man	06/05/80
00033	Cornejo Andres	#1 Producers St. Sampaloc Man	10/10/75
00022	Crisostomo Peter	#111 Davao del Norte St. Samp	03/20/65
00029	David-Carlos Teresa	#123 Kapangangan St. Sampaloc	
00010	De Meza Jorecell	#13 Ma Man Lak St. Binondo Ma	05/21/80
00028	Deate Annette	#112 Meycauayan St. Sta. Cruz	

select customer or (esc) to exit with no selection
--

990	System Supervisor	P&O MicroBanking System (C)1988-97	04/23/1999
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The Customer Selection Screen

The purpose of this is to verify that the "new" customer, who is about to be entered, is indeed a really new customer and does not yet exist in the system. Therefore, to help you establish the identity of the customers on the Customer Selection Screen, additional customer information is provided such as address and date of birth.

3. **Title** should be selected from the options in the menu display. If the owner of an account is a company or institution, select [*] – meaning "none" - to indicate that there is no title.
4. Continue to fill the following fields:
 - Sex:** - "M" for male or "F" for female
 - Birth date:** - Use the date format that you have specified when you configured the system
 - Address:** - Use a maximum of three lines to enter the mailing address of the client. Use normal capitalization (as if you would address a letter to the client).
 - Postal Code:** - Maximum of 7 characters.
 - Telephones(s):** - Maximum of 15 characters
 - Civil Status:** - If known, enter the code; otherwise press [Enter] to view and select from the menu. Note that the default status provided by the system also included the number of children of the client.
 - Customer codes:**
 - **Entity:** The type of Individual/Character.
 - **Employment:** Sector of Employment.
 - **Barangay/Town/Area:** Location of Address.
 - Tax code:** - Enter the code directly or select from the menu by pressing [Enter] in the blank field. Note that the menu options were specified during configuration.
5. If the Civil Status code indicates that the client is married, you may continue with entry of the spouse information, if available. It consists of the following three fields:
 - **Customer num:** If the spouse is also a customer of the bank then enter the CID number here. If the spouse is no customer, leave the field blank.
 - **First Name:** Enter the first name of the spouse.

5. Procedure to Edit Loan Information

INTRO During the Loan Opening, or during the loan modification process, one or more errors may have been entered, or overlooked, or for other reasons changes may be needed to the loan information.

MAIN FUNCTION To change loan specifications and codes

WHERE TO FIND MB-MM-2-4-4

Rural Bank of MicroBanker, Inc.	036036	Main
---------------------------------	--------	------

<p>LOANS BACK OFFICE TRANSACTIONS</p> <ol style="list-style-type: none"> 1. Open New Loan 2. Approve/Modify/Cancel Loan 3. Reschedule Next Disbursement 4. Change Loan Codes/Recovery Account 5. Adjust Loan Statistics 6. Adjust Disbursements by Allocation 7. Reschedule Loans 8. Capitalize Accrued Interest 9. Info on Installment Schedules * Return to Main Menu
--

Select option or [Esc] to return to previous menu

990	System Supervisor	FAO MicroBanking System <C>1988-97	06/19/2000
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- STEP BY STEP**
1. Enter account number of the loan for which you wish to change the specifications.
 2. Study the customer's loan summary screen which shows totals for all loans that the customer has with the bank, including details of (i) total number of loans, (ii) total amount of all loans (iii) total amount overdue (iv) total amount granted and (v) client's ceiling. Press [Enter] to continue.
 3. Enter the following code fields:
 - **Ledger code:** Enter the code or press [Enter] in the blank field to trigger the menu.
 - **Loan codes:** Enter the three loan codes that you specified during the loan opening process. Like for the ledger code you may either enter the code directly or, if not known by heart, press [Enter] in the blank field to trigger the menu.
 - **NOTE:** Business Activity is derived from Loan Code 3 (Ledger/Grp)

Rural Bank of MicroBanker, Inc.	036036	Main
---------------------------------	--------	------

MABS-M Program <SUKI>	
------------------------------------	--

account number: 66-01197-2 Customer: Cagas, Ernina CID number: 22267 Birth date: 11/22/1957 Address: Fd. Rd. 2 Sto. Tomas Davao	Sector: 002 Commercl Collateral: 004 Unsecure Ledger/Group: M11 SUKIDRES Debit Account: 59-00328-1
---	---

Enter account number or [Esc] to return to previous menu

990	System Supervisor	FAO MicroBanking System <C>1988-97	06/19/2000
-----	-------------------	------------------------------------	------------

4. **Debit Account:** Enter the Savings or Current Account number from which loan installments should be recovered. If your bank does not require such an account, enter "99-99999-9".
5. Press [Y] to confirm that the information so far is correct
6. Enter the **MicroFinance Code**
7. Enter the Teller Number of the **Loan Officer**
8. Press [Y] to indicate that Post Dated Checks (PDC) has been issued for this account otherwise press [N].
9. **Group Account:** Enter the Savings or Current Account number of the Group Account. If the borrower does not require such an account, enter "99-99999-9".
10. **Previous Loan Account:** Enter the loan account number of the previous loan made by the borrower. If this is the first loan of the borrower, enter "99-99999-9".
11. Enter the **Savings Component**. This amount will be checked against deposits made before the loan installment become due.

Rural Bank of MicroBanker, Inc.	036036	Main
---------------------------------	--------	------

MABS-M Program <SURI>		
account number: 66-01197-2 Customer: Cagas, Ernina CID number: 22267 Birth date: 11/22/1957 Address: Fd. Rd. 2 Sto. Tomas Davao	MF code: 001 MABS-M Loan Officer: Sergio S Sebellin PDC: Y Group Account: 99-99999-9 Prev. Account: 99-99999-9 SU component: 0.00	
Press [Enter] to continue		

990	System Supervisor	FAO MicroBanking System <C>1988-97	06/19/2000
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12. Press [Y] to confirm that the information is correct

6. MicroFinance Reports

Where to FIND MM-3-4 Microfinance Reports

STEP BY STEP Select MM-3-4 Microfinance Reports to view all the reports under Microfinance.

```
[MBXD Archiving and Reporting System]
Rural Bank of MicroBanker, Inc.
999001 : Head Office

MicroFinance Reports Menu

1. T
2. S
3. R
*. Q
  1. St
  2. BS
  3. MI
  4. Mi
  *. Re
1. Listing of Loans
2. Collection Report
3. Delinquency Report
4. Portfolio at Risk Reports
5. Total Interest Collected
6. MABS-M Monthly Report
7. Performance Report by AO
8. Client's Reports
*. Return to Previous Menu

select option from menu

Tuesday - July 4. 2000
```

Illustration 9: MicroFinance Reports Menu

6.1 Listing of Loans

Where to FIND MM-3-4-1 Listing of Loans

STEP BY STEP Select MM-3-4-1 Listing of Loans to print all loans by category and by account officer. This report module requires the following fields to be filled:

- **Report Cut-off Date** : Enter cut-off date to list all opened loan accounts as of this date.
- **Account Type(MF Code)**: Select a category either MABS-M, Micro-Finance or Non Micro-Finance.
- **Account Officer** : Enter teller number of the account officer or select all to print loan borrowers under each account officer.

Note : Enter Cut-off Date only when back-up of that date has been extracted, otherwise, error message appears.

[Enter] After pressing enter key, the system makes necessary computation and manipulation to the database file. Wait until the system prompts for printing or viewing of the derived result.

Press [P] or [V] Press **[P]** if you want to print the report output or **[V]** to view.

```

(MBXD Archiving and Reporting System)
Rural Bank of Carlos Rivera
999999 : Alberto Lebrilla Branch

Listing of Loans
Back-Up Ref. Date : 02/04/2000
Report Cut-off Date : 02/04/2000
Account Type(MF Code):
Date Range (Begin) : 02/04/2000
Date Range (End) : 02/04/2000
Account Officer :
back-up info
Extract No. : 021
Back-Up Date Back-Up Time MB Date
Oldest Back-Up : 04/24/2000 11:26:07am 02/01/2000
Latest Back-Up : 04/24/2000 11:29:55am 02/04/2000

select option from menu

Monday - May 8, 2000
  
```

REPORT DATA: As at a specified date.

Purpose: To have a detailed list of outstanding Microfinance Loan Accounts.

The following information is provided in this report:

- | | |
|----------------------------|--|
| € Borrower's Name | - Name of the borrower |
| € Loan Account Number | - Loan account number assigned to borrower |
| € Cumulative Loan | - Number of loans received including this loan. |
| € Date of Disbursement | - Date the loan was released/disbursed. |
| € Date of Maturity | - Date the loan will mature. |
| € Amount of Loan Disbursed | - Amount of loan disbursed/released. |
| € Loan Account Balance | - Outstanding balance of the loan account at the date of |

- printout (Principal only)
- € *Amortization Amount* - Includes payment of loan (principal & interest); does not include savings amount of deposit (amortization amount).
 - € *Loan Amount Overdue* - Amount overdue on loan including principal, interest & fees.
 - € *Loan Portfolio At Risk* - Includes principal balance of all loans with any payment one-day or more past due. Total outstanding of the loan (loan account balance) becomes Loan Portfolio at Risk if Loan Amount Overdue has something in the column.
 - € *Holdout Balance* - Savings held by the borrower in a “blocked” account
 - € *Account Officer* - Name or code of Account Officer. (If this field is left blank, will generate the entire branch.)
- € This report is to be generated by the Loans Bookkeeper or MF Staff in two (2) copies and are distributed to the Account/Loan Officer and MF Supervisor and is used in preparing for the summary report to be submitted to the MABS-M Office.
 - € This report can be generated anytime as required but normally printed on a month-end of each month.

6.2 Collection Report

Where to FIND MM-3-4-2 Collection Report

STEP BY STEP Select MM-3-4-2 Collection Report to print loan accounts to be collected on specified date. This report module requires the following fields to be filled:

- **Back-up Ref. Date** : Enter date of back-up.
- **Report Cut-off Date** : Enter cut-off date to list all loan accounts that is falling due or has been due on or before this date.
- **Account Type (MF Code)**: Select a category MABS-M, Micro-Finance or Non Micro-Finance.
- **Account Officer** : Enter teller number of the account officer or select all to print loan borrowers under each account officer.

Note : Enter back-up date only when back-up of that date has been extracted, otherwise, error message appears.

```

[MBXD Archiving and Reporting System]
Rural Bank of Carlos Rivera
999999 : Alberto Lebrilla Branch

Collection Report
Back-Up Ref. Date : 02/04/2000
Report Cut-off Date : 02/04/2000
Account Type (MF Code):
Date Range (Begin) : 02/04/2000
Date Range (End) : 02/04/2000
Account Officer :
- back-up info
Extract No. : 021
Oldest Back-Up : 04/24/2000 11:26:07am 02/01/2000
Latest Back-Up : 04/24/2000 11:29:55am 02/04/2000

select option from menu

Monday - May 8, 2000
  
```

REPORT DATA: Over a period of time (date range)

Purpose: To know in advance, the outstanding MF Loan Accounts that falls due on the specified period.

The following information is provided in this report:

- € *Borrower's Name* - Name of the borrower
- € *Loan Account Number* - Loan account number assigned to the borrower
- € *Amortization Due Date* - Date the loan amortization is due. (Always the latest – closest to date entered)
- € *Principal Due* - Principal amortization due includes current and overdue.
- € *Interest Due* - Interest amortization due includes current and overdue.
- € *Other Loan Charges* - Other charges or fees due include current and overdue.
- € *Savings Due* - Savings include current and missed.
- € *Total Amount Due* - Sum of current principal, interest, other loan charges and savings dues.

- € *Amount Received* - Input at time of the collection. Allocate six slots, one each per day and the total.
- € *Loan Amount Overdue* - Amount overdue on loan including principal, interest & fees.
- € *Savings Overdue* - Amount of savings missed.

€ This report is to be generated by the Loans Bookkeeper or MF Staff in three (3) copies and distributed to the Account/Loan Officer, Cashier/Bookkeeper and MF Supervisor for review.

€ This is generated every Monday morning for the current week. Input date should be Friday of the current week or the last day of the desired period.

6.3 Delinquency Report

Where to FIND MM-3-4-3 Delinquency Report

STEP BY STEP Select MM-3-4-3 Delinquency Report to print all loan accounts which has been due but not collected. This report module requires the following fields to be filled:

- **Report Cut-off Date** : Enter cut-off date to list all loan accounts that has been due on or before this date.
- **Account Type(MF Code)**: Select a category either MABS-M, Micro-Finance or Non Micro-Finance.
- **Account Officer** : Enter teller number of the account officer or select all to print loan borrowers under each account officer.

Note : Enter cut-off date only when back-up of that date has been extracted, otherwise, error message appears.

```

[MBXD Archiving and Reporting System]
Rural Bank of Carlos Rivera
999999 : Alberto Lebrilla Branch

Delinquency Report
Back-Up Ref. Date : 02/04/2000
Report Cut-off Date : 02/04/2000
Account Type(MF Code):
Data Range (Begin) : 02/04/2000
Data Range (End) : 02/04/2000
Account Officer :
back-up info
Extract No. : 021
Oldest Back-Up : Back-Up Date Back-Up Time MB Data
                  04/24/2000 11:26:07am 02/01/2000
Latest Back-Up : 04/24/2000 11:29:55am 02/04/2000

select option from menu

Monday - May 8, 2000
  
```

REPORT DATA: As at a specified date

Purpose: To have a list of all Microfinance Accounts amortizations that were not paid at least one day or more.

The following information is provided in this report:

- € *Borrower's Name* - Name of the borrower
- € *Loan Account No.* - Account number assigned to the borrower
- € *Date Disbursed.* - Date the loan was disbursed.
- € *Maturity Date* - Date the loan will fall mature.
- € *Amount of Loan Disbursed* - Amount of loan disbursed/released.
- € *Portfolio at Risk* - Outstanding principal balance of loans with an amount overdue.
- € *Total Amount Due* - Total amount (principal + interest + penalties) due from borrower as date of printing (including current and overdue accounts)

- € *No. of Loan Amortization Missed* - Number of loan amortization due but not received.
- € *Days Overdue* - Number of days the amortization was overdue (oldest overdue or most prior overdue).
- € *Holdout Balance* - Savings held by the borrower in a “blocked” account.
- € *Exposed Amount* - This is equal to the Total Amount Due less Holdout Balance
This amount should not be negative.
- € *Account Officer* - Name of Account Officer

€ At the start of the day, this report is to be generated by the Loans Bookkeeper or MF Staff in two (2) copies and are distributed to the Account/Loan Officer and Supervisor for review.

€ In addition, this report can be generated anytime as required but for MABS reporting purposes, it should be printed at the end of each month.

6.4 Portfolio at Risk Report

Where to FIND MM-3-4-4-1 Portfolio at Risk Report

STEP BY STEP Select MM-3-4-4-1 Portfolio at Risk Report to print loan accounts by days overdue. This report module requires the following fields to be filled:

- **Report Cut-off Date** : Enter cut-off date.
- **Account Type (MF Code)**: Select a category either MABS-M, Micro-Finance or Non Micro-Finance.

```

(MBXD Archiving and Reporting System)
Rural Bank of Carlos Rivera
999999 : Alberto Lebrilla Branch

Portfolio at Risk
Back-Up Ref. Date : 02/04/2000
Report Cut-off Date : 02/04/2000
Account Type (MF Code):
Date Range (Begin) : 02/04/2000
Date Range (End) : 02/04/2000
Account Officer :
Back-up info
Extract No. : 021
Back-Up Date Back-Up Time MS Date
Oldest Back-Up : 04/24/2000 11:26:07am 02/01/2000
Latest Back-Up : 04/24/2000 11:29:55am 02/04/2000

select option from menu

Monday - May 8, 2000
  
```

REPORT DATA: As at a specified date.

Purpose: To generate a report that shows the aging of the Microfinance Accounts with Portfolio at Risk Analysis.

The following information is provided in this report:

- € *Number of Borrower* - Number of loan clients for the particular overdue age range.
- € *Percentage of Clients* - Percent of the number of client for the particular overdue age range to the total number of clients.
- € *Amount Overdue* - Amount overdue for the particular loan age Range (principal + interest + penalty)
- € *Percentage in Arrears* - Percentage amount overdue for a particular loan range to the total outstanding loan balance (amount overdue / sum of loan account outstanding balance).
- € *Loan Account Outstanding Balance* - Outstanding balance for the particular loan age range (portfolio at risk amount except for the current row).
- € *Portfolio at Risk %* - Percentage of the amount outstanding for the particular loan age range to the total outstanding loan balance.

€ *Current*

- This line details the loans NOT at risk. As such columns Amount Overdue and % in Arrears will all report 0.00. However, columns Loan Account Outstanding Balance and % Portfolio at Risk should report the actual figures so as to determine the outstanding loan balance and its % to total.

€ This report is to be generated by the Loans Bookkeeper or MF Staff in two (2) copies and are distributed to the Loan Supervisor and Branch Manager for review and is used in preparing for the summary report to be submitted to the MABS-M Office.

€ This can be generated anytime as required but normally printed at least weekly and on the end of each month.

6.5 Loans and Interest Collected from MicroFinance Unit

Where to FIND MM-3-4-5 Interest and Fees Collected by the MicroFinance Unit

STEP BY STEP Select MM-3-4-5 Interest and Fees Collected by the MicroFinance Unit to print summary of collections within a range by account officer. This report module requires the following fields to be filled:

- **Account Type(MF Code):** Select a category either MABS-M, Micro-Finance or Non Micro-Finance.
- **Date Range (Begin):** Enter date the collection started.
- **Date Range (End):** Enter date the collection ended.

```

[MBXD Archiving and Reporting System]
Rural Bank of MicroBanker, Inc.
999001 : Head Office

Total Interest Collected From Microfinance Unit
Back-Up Ref. Date : 06/16/2000
Report Cut-off Date : 06/16/2000
Account Type(MF Code):
Date Range (Begin) : 05/08/2000
Date Range (End) : 06/16/2000
Account Officer :
-back-up info
Extract No. : 011
Oldest Back-Up : Back-Up Date Back-Up Time MB Date
                06/20/2000 11:49:58am 05/08/2000
Latest Back-Up : 06/28/2000 09:35:35am 06/16/2000

select option from menu

Wednesday - June 28, 2000
  
```

REPORT DATA: Over a period of time (date range)

Purpose: To generate a report that will summarize by Account Officer the total interest and other charges collected for the period specified within the date range.

The following information is provided in this report:

- | | |
|---|---|
| € Account Officer | - Name of the Account Officer |
| € Outstanding Loan Portfolio (beginning date range) | - Outstanding principal balance as of the beginning date of range |
| € Outstanding Loan Portfolio (ending date range) | - Outstanding principal balance as of the last date of range. |
| € Interest Income (During Period) | - Total interest collected during the range. |
| € Fees & Other Charges | - Total fees and other charges collected during the range. |
| € Total Revenue | - Total interest collected & total fees and other charges collected. |
| € Yield % | - Total Revenue divided by [(Outstanding Loan Portfolio beginning plus Outstanding Loan Portfolio ending) divided by 2] multiplied by |

- € This report is to be generated by the Loans Bookkeeper or MF Staff in two (2) copies and distributed to the Loan Supervisor and Manager for review. It is also used for preparing the summary report to be submitted to the MABS-M Office.

- € This report can be generated anytime as required but normally printed on a month-end of each month. Generation of this report will prompt an additional query for the range of date to be entered.

6.6 MABS-M Monthly Report

Where to FIND MM-3-4-6 MABS-M Monthly Report

STEP BY STEP Select MM-3-4-6 MABS-M Monthly Report to print a consolidated MicroFinance report. This report module requires the following fields to be filled:

- **Start Date (Previous Month)** : Enter date of first working day of the previous month.
- **End Date (Previous Month)** : Enter date of last working day of the previous month.
- **Start Date (Current Month)** : Enter date of first working day of the current month.
- **End Date (Current Month)** : Enter date of latest working day of the current month.
- **Start Date (Cumulative)** : Enter date the microfinance started.
- **Cut-off Date (Cumulative)** : This field does not prompt for user entry. The default value is the ending date of the current month.

```

(MBXD Archiving and Reporting System)
Rural Bank of MicroBanker, Inc.
999881 : Head Office

MABS-M Monthly Report
Start Date(Previous Month) : 05/01/2000
End Date(Previous Month) : 05/31/2000
Start Date(Current Month) : 06/01/2000
Start Date(Cumulative) : 05/01/2000
Cut-Off Date(Cumulative) : 06/16/2000
-back-up info
Extract No. : 011
Oldest Back-Up : 06/28/2000 11:49:58am 05/08/2000
Latest Back-Up : 06/28/2000 09:35:35am 06/16/2000

select option from menu

Wednesday - June 28, 2000
  
```

REPORT DATA: As at a specified date

Purpose: To generate the summary of the bank's performance for the month.

The following information is provided in this report:

∅ No. of New Borrowers

- Number of new borrowers for current and previous months under the accounts of Micro and the bank's branch including cumulative figures.

∅ No. of Borrowers

- Number of borrowers current and previous months under the accounts of Micro and the bank's branch.

∅ Outstanding Loan Portfolio

- Outstanding balance as of the printout under the accounts of Micro and the bank's branch and one month

<p>€ <i>No. of Loans Disbursed (during the month)</i></p>	<p>preceding.</p> <p>- Number of loans disbursed for current and previous months under the accounts of Micro and the bank's branch including cumulative figures.</p>
<p>€ <i>Amount of Loans Disbursed (during the month)</i></p>	<p>- Amount of loans disbursed for current and previous months under the accounts of Micro and the bank's branch including cumulative figures.</p>
<p>€ <i>Loan Amount Overdue</i></p>	<p>- Past due amortization as of this printout for current and previous months. Includes all past due principal, interest and fees.</p>
<p>€ <i>Portfolio at Risk (PhP)</i></p>	<p>- Loan portfolio at risk for current and previous months</p>
<p>€ <i>Portfolio at Risk (%)</i></p>	<p>- Percentage of loan portfolio at risk for current and previous months.</p>
<p>€ <i>No. of Depositors</i></p>	<p>- Number of active depositors for current and previous months under the accounts bank's branch < P15,000.</p>
<p>€ <i>No. of New Depositors</i></p>	<p>- Number new depositors for current and previous months under the accounts bank's branch including cumulative figures < P15,000.</p>
<p>€ <i>Amount of Savings Balance</i></p>	<p>- Amount of deposit balance for current and previous months' as of this printout and one month preceding.</p>
<p>€ <i>No. of Account Officers</i></p>	<p>- Number of current and previous months' Account Officers handling the Micro Accounts. In most cases, this is the number of Account Officers in the system.</p>
<p>€ <i>Fees and other charges</i></p>	<p>- Current and previous months' interest generated on loans disbursed.</p>
<p>€ <i>Service Charge on Loans</i></p>	<p>- Current and previous months' income generated on service charge imposed on loans disbursed during the period.</p>
<p>€ <i>Penalty Fee on Loans</i></p>	<p>- Current and previous months' penalty fee collected on loan default payment during the period.</p>
<p>€ <i>Total Revenue</i></p>	<p>- The sum of Interest Income on Loans, Fees and Other Charges & Penalty Fee on Loans (for current period and previous months).</p>
<p>€ <i>[Total Revenue – (Current Month) / Average Loan Portfolio Balance]</i></p>	<p>- The ratio of total financial income to average loan portfolio balance for current period and previous months.</p>
<p>€ This report is to be generated at the end of every month by the <u>Loans Supervisor</u> in three (3) copies and are distributed to the <u>Loan Supervisor</u>, <u>MABS-M Point Person</u> and <u>Manager</u>.</p>	

6.7 Performance Report by Account Officer

Where to FIND MM-3-4-7 Performance Report by Account Officer

STEP BY STEP Select MM-3-4-7 Performance Report by Account Officer to print a report presenting the productivity of each Account Officer. This report module requires the following fields to be filled:

- **Account Type(MF Code):** Select a category either MABS-M, Micro-Finance or Non Micro-Finance.
- **Date Range (Begin):** Enter starting date.
- **Date Range (End):** Enter ending date.

```

[MBXD Archiving and Reporting System]
Rural Bank of MicroBanker, Inc.
999001 : Head Office

Performance Report by Account Officer
Back-Up Ref. Date : 06/16/2000
Report Cut-off Date : 06/16/2000
Account Type(MF Code):
Date Range (Begin) : 05/08/2000
Date Range (End) : 06/16/2000
Account Officer :
-back-up info -
Extract No. : 011
Oldest Back-Up : 06/20/2000 11:49:58am 05/08/2000
Latest Back-Up : 06/28/2000 09:35:35am 06/16/2000

select option from menu

Wednesday - June 28, 2000
  
```

REPORT DATA: Over a period of time (date range)

Purpose: To generate a summary report that will show the performance of the Account Officers within the period.

The following information is provided in this report:

- | | |
|--|--|
| <ul style="list-style-type: none"> € AO Name € No. of Borrowers € Loan Account Balance € No. of Loans Disbursed € Amount of Loans Disbursed € No. of New Loans Disbursed € Amount of New Loans Disbursed € No. of Repeat Loans Disbursed | <ul style="list-style-type: none"> - Name of the Account Officer. - The number of borrowers monitored by the account officer as of the last date of the range. - Total outstanding principal as of the last date of the range (loan balance being monitored by the AO). - Amount of loans disbursed during the date range under the Microfinance - Total amount disbursed during the range. - Total number of new (1st availment) accounts during the specified date range. - Total amount of new accounts released during the date range. - A repeat loan is one that is commenced within 6 months of the repayment of a |
|--|--|

- previous loan. Otherwise this is classed as a new loan.
- € *Amount of Repeat Loans Disbursed* - the loan amount of repeat loans disbursed during the specified period
 - € *# of Loans with Overdue Amount* - number of loans with overdue loan amount
 - € *# of Loans with Overdue Amount %* - number of loans with overdue amount divided by total number of borrowers
 - € *Portfolio at Risk* - Outstanding balance of all loans with an amount overdue greater than 1 day.
 - € *Portfolio at Risk %* - PAR amount as a percent of Loan Account Balance
 - € *Total Revenue* - All revenue (interest and fees) collected during the period.
-
- € This report is to be generated by the Loans Bookkeeper or MF Staff in three (3) copies and are distributed to the MF Supervisor, MABS-M Point Person, and Manager and is used in preparing for the summary report to be submitted to the MABS-M Office.
 - € This report can be generated anytime as required but normally printed at least weekly and on the end of each month. Generation of this report will prompt an additional query for the range of date to be entered.

6.8 Client Status Report – Direct Repayment by Amortization

Where to FIND MM-3-4-8-1 Client Status Report

STEP BY STEP Select MM-3-4-7 Client Status Report to print the performance report of a client. This report module requires the following fields to be filled:

- **Report Cut-off Date** : Enter the date of the latest working day.
- **Enter Customer Name** : Enter the name of the client to print previous and current loan accounts.

```

[MBXD Archiving and Reporting System]
Rural Bank of Carlos Rivera
999999 : Alberto Lebrilla Branch

Client Status Report
Report Cut-Off Date ::02/04/2000
Enter Customer Name
>> █

acct(s)
-- no account --

4th Degree Knights Balanga ,Bataan
A M Rice & Corn, Millers Assoc ,Balanga ,Bataan
Abad, Amelita Dona Francisca ,Balanga ,Bataan
Abarca, Ireneo Gomez St.,Balanga,Bataan
Abejar, Gregoria Osboj ,Abucay ,Bataan
Abejar, Lucena Osboj ,Abucay ,Bataan
Abejar, Mamerto G. Capitangan ,Abucay ,Bataan
Abejar, Marietta A. Taglesville Subd ,Balanga ,Bataan
Abejar, Monica A. Taglesville ,Balanga ,Bataan

Select an option
Monday - May 8, 2000
  
```

REPORT DATA: As at a specified date

Purpose: To generate a report that will show the loan cycle and history of a borrower. This report is useful to the Account Officer in its decision if the borrower is qualified to re-loan.

The following information is provided in this report:

- | | |
|---|--|
| ∕ Cumulative Loan | - The number of times the client has availed of a loan |
| ∕ Loan Account Number | - Account number assigned to this loan |
| ∕ Date Disbursed | - Date of the release of loan. |
| ∕ Amount Disbursed | - Amount of loan released. |
| ∕ # Amortization | - Number of times the client must make an amortization payment for his loan. |
| ∕ # Late Amortization | - Number of late amortization payment by the client. |
| ∕ Maximum Days Late | - Maximum number of days incurred by the client for late amortization payment. |
| ∕ % Amortizations Made on Time | - Percentage of amortization made on or before the due date [no. of amortization less (# of late amortization / no. of amortization)]. |
| ∕ Business Activity | - Name of economic activity borrower is engaged in. |
| ∕ # of Amortizations Expected (to date) | - Number of amortization expected as of date of printout. |
| ∕ # of Amortizations Made on Time (to date) | - Number of amortizations made on time as of date of |

- printout.
- € *Amortization Number* - Number or level of amortization payment.
 - € *Amortization Amount* - Amount due per period (principal & interest).
 - € *Amortization Due Date* - Date an amortization is expected or due.
 - € *Amortization Paid Date* - Date when an amortization was paid
 - € *Amortization Status* - Status of amortization i.e. paid, overdue, paid late, or approaching.
 - € *Days Late* - the number of days an amortization was late.

€ This report is to be generated by the Loans Bookkeeper or MF Staff in two (2) copies and are distributed to the Account Officer, and MF Supervisor for review.

€ This report can be generated anytime as required.

6.9 Portfolio at Risk by Aging Analysis and Business Activity

Where to FIND MM-3-4-4-2 Portfolio at Risk by Aging Analysis and Business Activity

STEP BY STEP Select MM-3-4-4-1 Portfolio at Risk by Aging Analysis and Business Activity to print loan accounts by days overdue and loan purpose. This report module requires the following fields to be filled:

- **Report Cut-off Date** : Enter cut-off date.
- **Account Type(MF Code)**: Select a category either MABS-M, Micro-Finance or Non Micro-Finance.

```

[MBXD Archiving and Reporting System]
Rural Bank of MicroBanker, Inc.
999001 : Head Office

Portfolio at Risk By Aging Analysis and Business Activity
Back-Up Ref. Date : 06/16/2000
Report Cut-off Date : 06/16/2000
Account Type(MF Code):
Date Range (Begin) : 05/08/2000
Date Range (End) : 06/16/2000
Account Officer :
-back-up info
Extract No. : 011
Oldest Back-Up : 06/20/2000 11:49:58am 05/08/2000
Latest Back-Up : 06/28/2000 09:35:35am 06/16/2000

select option from menu

Wednesday - June 28, 2000
  
```

REPORT DATA: As at a specified date

Purpose: To generate a summary report that shows the aging of loans by business activity with portfolio at risk (PAR) analysis.

The following information is provided in this report:

- € *Number of Borrowers* - Number of loans outstanding as of the report date.
- € *Business Activity as a % of Grand Total (Number of Loans)* - Number of loans by economic activity divided by the grand total.
- € *Number of Loans with Overdue Amount* - Number of loans with an amount past due.
- € *Number of Loans with Overdue Amount%* - Number of loans with overdue amounts divided by number of borrowers.
- € *Outstanding Loan Portfolio* - Total amount of loan outstanding as of the report date.
- € *Business Activity as a % of Grand Total (Amount of Loans)* - Amount of loans by economic activity divided by the grand total (subtotal of outstanding loan portfolio divided by the grand total of outstanding loan portfolio).
- € *Portfolio At Risk* - Total amount of outstanding loan balance of loan with an amount past due.

€ *Portfolio at Risk %*

- Portfolio at Risk divided by Outstanding Loan Portfolio.

- € This report is to be generated by the Loans Bookkeeper or MF Staff in two (2) copies and are distributed to the MF Supervisor and Manager for review.
- € This report can be generated anytime as required but normally printed at the end of each month.

6.10 Portfolio at Risk by Disbursed Loan Amount and Business Activity

Where to FIND MM-3-4-4-2 Portfolio at Risk by Disbursed Loan and Business Activity

STEP BY STEP Select MM-3-4-4-1 Portfolio at Risk by Disbursed Loan and Business Activity to print loan accounts by disbursed loan amount and loan purpose. This report module requires the following fields to be filled:

- **Report Cut-off Date** : Enter cut-off date.
- **Account Type(MF Code)**: Select a category either MABS-M, Micro-Finance or Non Micro-Finance.

```

[MBXD Archiving and Reporting System]
Rural Bank of MicroBanker, Inc.
999001 : Head Office

Portfolio at Risk Sorted by Disbursed Loan Amount and Business Activity
Back-Up Ref. Date : 06/16/2000
Report Cut-off Date : 06/16/2000
Account Type(MF Code):
Date Range (Begin) : 05/08/2000
Date Range (End) : 06/16/2000
Account Officer :
-back-up info
Extract No. : 011
Oldest Back-Up : 06/20/2000 11:49:58am 05/08/2000
Latest Back-Up : 06/28/2000 09:35:35am 06/16/2000

select option from menu

Wednesday - June 28, 2000
  
```

REPORT DATA: As at a specified date

Purpose: To generate a summary report that shows the sizing of loans by business activity with portfolio at risk (PAR) analysis.

The following information is provided in this report:

- € Number of Borrowers - Number of loans outstanding of which the amount disbursed falls into the range.
- € Business Activity as a % of Grand Total (# of Loans) - Number of loans by economic activity divided by the grand total.
- € Number of Loans with Overdue Amount - Number of loans with amount past due.
- € Number of Loans with Overdue Amounts - No. of Loans w/ Overdue Amounts divided by the no. of borrowers.
- € Outstanding Loan Portfolio - Total amount of loan outstanding as of the report date.
- € Business Activity as a % of Grand Total (Amounts of Loans) - Amount of loans by economic activity divided by the grand total (subtotal Outstanding Loan Portfolio / grand total Outstanding Loan Portfolio).
- € Portfolio at Risk - Total amount of outstanding loan balance of loans with amount past due.
- € Portfolio at Risk % - Portfolio at Risk divided by Outstanding Loan Portfolio.

- € This report is to be generated by the Loans Bookkeeper or MF Staff in two (2) copies and are distributed to the MF Supervisor and Manager for review.
- € This report can be generated anytime as required but normally printed at the end of each month.

6.11 Loans Profile by Gender

Where to FIND MM-3-4-8-2 Loans Profile by Gender

STEP BY STEP Select MM-3-4-8-2 Loans Profile by Gender to print a report by gender either male or female. This report module requires the following fields to be filled:

- **Report Cut-off Date** : Enter the date of the latest working day.
- **Account Type(MF Code)**: Select a category either MABS-M, Micro-Finance or Non Micro-Finance.

[MBXD Archiving and Reporting System]			
Rural Bank of MicroBanker, Inc.			
999001 : Head Office			
Loans Profile by Gender			
Back-Up Ref. Date	:	06/16/2000	
Report Cut-off Date	:	06/16/2000	
Account Type(MF Code)	:		
Date Range (Begin)	:	05/08/2000	
Date Range (End)	:	06/16/2000	
Account Officer	:		
back-up info			
Extract No.	:	011	
		Back-Up Date	Back-Up Time
Oldest Back-Up	:	06/20/2000	11:49:58am
Latest Back-Up	:	06/28/2000	09:35:35am
		MB Date	05/08/2000
			06/16/2000
select option from menu			
Wednesday - June 28, 2000			

REPORT DATA: As at a specified date

Purpose: To generate a report that shows loan profile by gender with portfolio at risk (PAR) analysis.

The following information is provided in this report:

- | | |
|---|--|
| ∓ Number of Borrowers | - Number of clients outstanding |
| ∓ Number of Loans with Overdue Amounts | - Number of borrowers with overdue accounts |
| ∓ Number of Loans with Overdue Amounts (%) | - Number of Loans w/ overdue amounts divided by the number of borrowers. |
| ∓ Outstanding Loan Portfolio | - Total amount of loans outstanding as of the report date. |
| ∓ Portfolio at risk | - Total amount of outstanding loan balance of loans with an amount past due. |
| ∓ Portfolio at risk | - Portfolio at Risk divided by Outstanding Loan Portfolio. |
| ∓ This report is to be generated by the <u>Loans Bookkeeper</u> or <u>MF Staff</u> in two (2) copies and are distributed to the <u>MF Supervisor</u> and <u>Manager</u> for review. | |
| ∓ This report can be generated anytime as required but normally printed at the end of each month. | |

Annex

Microfinance Sample Reports:

1. Listing Loans
2. Collection Report
3. Delinquency Report
4. Portfolio at Risk Report
5. Loans & Interest Collected from Microfinance Unit
6. MABS-M Monthly Report
7. Performance Report by Account Officer
8. Client's Status Report – Direct Repayment by Installment
9. Portfolio at Risk by Aging Analysis and Business Activity
10. Portfolio at Risk by Disbursed Loan Amount and Business Activity
11. Loans Profile by Gender

1. Listing of Loans

This report lists loan information sorted by name and is printed by category (Microfinance, MABS-M or Non-Microfinance) as of a user given date. It is normally printed out at the end of every period, however, the system is able to print the report anytime.

This report can be generated through **MM-3-4-1** creating the report name **REPS341.TXT** and stored in the **DOCS** directory.

06/28/2000 11:53:32am		Rural Bank of MicroBanker, Inc. 999001 : Head Office LISTING OF LOANS As of 06/16/2000							Page : 1		
BORROWERS NAME	LOAN ACCT. NUMBER	CUMULATIVE LOAN	DATE OF DISB.	DATE OF MATURITY	AMOUNT OF LOAN DISB.	LOAN ACCOUNT BALANCE	AMORTIZATION AMOUNT	LOAN AMOUNT OVERDUE	PORTFOLIO AT RISK	HOLD OUT BALANCE	
ACCOUNT OFFICER :101 Edna B. Ani											
Acuesa, Artemia	66-01185-6	2	06/15/2000	09/12/2000	3,600.00	3,600.00	322.25	0.00	0.00	640.20	
Agustillo, Letecia	66-00767-3	1	03/01/2000	06/30/2000	5,000.00	625.00	688.02	0.00	0.00	N/A	
Albiza, Elena	66-00976-3	1	05/05/2000	08/03/2000	10,000.00	5,833.35	895.83	0.00	0.00	325.85	
...											
Sopoco, Zenaida	66-00990-0	2	05/09/2000	08/07/2000	15,000.00	10,000.00	1,343.75	0.00	0.00	N/A	
Trabucon, Juliet	66-01043-5	2	05/19/2000	08/17/2000	10,000.00	7,500.01	895.83	0.00	0.00	985.75	
Zaulda, Nelly	66-00872-1	1	03/31/2000	06/29/2000	3,000.00	748.75	268.75	248.92	748.75	190.34	
Sub-Total ->			51 acct(s)		702,600.00	479,726.22	88,195.15	13,686.48	51,992.90	42,151.00	
ACCOUNT OFFICER :102 Stanly A. Luaron											
Agaton, Sarah	66-01146-3	8	06/06/2000	08/04/2000	3,600.00	3,600.00	472.13	472.13	3,600.00	176.73	
Amahin, Maria Remy	66-00852-3	3	03/27/2000	06/26/2000	8,000.00	1,333.30	717.23	0.00	0.00	N/A	
Ampoloquio, Alan	66-00988-0	4	05/08/2000	08/07/2000	5,000.00	3,333.32	448.27	0.00	0.00	436.74	
...											
Villanueva, Samuel	66-01168-9	7	06/13/2000	12/11/2000	50,000.00	50,000.00	2,397.57	0.00	0.00	2,540.37	
Villotes, Rodrigo	66-00972-9	4	05/04/2000	08/02/2000	4,800.00	2,800.00	430.00	0.00	0.00	N/A	
Wenceslao, Benedicta	66-01041-8	3	05/19/2000	08/17/2000	15,000.00	11,250.00	1,343.75	0.00	0.00	306.10	
Sub-Total ->			101 acct(s)		1,030,000.00	698,963.52	113,405.18	19,300.36	69,055.28	54,271.09	
Total ->			339 acct(s)		3,494,600.00	2,381,673.29	424,763.71	38,756.53	158,748.18	280,559.84	

1. Collection Due

This report lists Microfinance, MABS-M or Non-Microfinance loan accounts with amortizations falling due within a user given date. It also includes accounts with overdue amortizations to be collected. This is normally a weekly report that is printed every Monday morning for the current week.

This report can be generated through **MM-3-4-2** creating the report name **REPS342.TXT** and stored in the **DOCS** directory.

06/28/2000 11:53:32am		Rural Bank of MicroBanker, Inc. 999001 : Head Office COLLECTION DUE Through 06/23/2000							Page : 1							
BORROWERS NAME	LOAN ACCT. NUMBER	AMORTIZATION DUE DATE	PRINCIPAL DUE	INTEREST DUE	OTHER LOAN CHARGES	SAVINGS DUE	TOTAL AMOUNT DUE	AMOUNT RECEIVED	LOAN AMOUNT OVERDUE	PORTFOLIO AT RISK	SAVINGS OVERDUE					
ACCOUNT OFFICER :101 Edna B. Ani								M	T	W	Th	F	Ttl			
Albiza, Elena	66-00976-3	06/22/2000	833.33	62.50	0.00	0.00	895.83	3	3	3	3	3		0.00	0.00	0.00
Amorin, Mamerta	66-00865-3	06/22/2000	625.00	62.50	0.00	0.00	687.50	3	3	3	3	3		0.00	0.00	0.00
Anib, Merlyn	66-00910-7	06/20/2000	250.00	18.75	0.00	0.00	268.75	3	3	3	3	3		0.00	0.00	0.00
...																
Sopoco, Zenaida	66-00990-0	06/19/2000	1,250.00	93.75	0.00	0.00	1,343.75	3	3	3	3	3		0.00	0.00	0.00
Trabucon, Juliet	66-01043-5	06/22/2000	833.33	62.50	0.00	0.00	895.83	3	3	3	3	3		0.00	0.00	0.00
Zaulda, Nelly	66-00872-1	06/22/2000	498.75	18.75	1.33	0.00	518.83	3	3	3	3	3		250.08	748.75	0.00
Sub-Total ->		40 acct(s)	53,867.93	4,503.27	69.92	0.00	58,441.12							13,744.96	51,992.90	0.00
ACCOUNT OFFICER :104 Iris M. Alamilla								M	T	W	Th	F	Ttl			
Abaco, Erlinda	66-00969-5	06/20/2000	416.67	31.25	0.00	0.00	447.92	3	3	3	3	3		0.00	0.00	0.00
Acosta, Jocelyn	66-01160-0	06/22/2000	750.00	37.50	0.00	0.00	787.50	3	3	3	3	3		0.00	0.00	0.00
Alforque, Bernardino	66-01059-6	06/20/2000	5,000.00	754.17	0.00	0.00	5,754.17	3	3	3	3	3		0.00	0.00	0.00
...																
Tuling, Flordeliza	66-00999-2	06/20/2000	250.00	18.75	0.00	0.00	268.75	3	3	3	3	3		0.00	0.00	0.00
Villagracia, Nenita	66-00827-4	06/19/2000	1,000.00	75.83	0.00	0.00	1,075.83	3	3	3	3	3		0.00	0.00	0.00
Vito, Reynald	66-00891-6	06/18/2000	1,250.00	187.50	0.00	0.00	1,437.50	3	3	3	3	3		0.00	0.00	0.00
Sub-Total ->		39 acct(s)	48,445.87	4,873.18	18.66	0.00	53,337.71							4,481.16	30,500.00	0.00
Total ->		259 acct(s)	285,179.53	23,198.34	367.58	0.00	308,745.45							38,988.54	158,748.18	0.00

3. Delinquency Report

This report lists delinquent Microfinance, MABS-M or Non-Microfinance loan accounts at a user given date. Delinquent accounts include loans with unpaid overdue and past due balances. This report is normally printed every day.

This report can be generated through **MM-3-4-3** creating the report name **REPS343.TXT** and stored in the **DOCS** directory.

06/28/2000 11:53:32am		Rural Bank of MicroBanker, Inc. 999001 : Head Office DELINQUENCY REPORT AS OF 06/16/2000							Page : 1		
BORROWERS NAME	LOAN ACCT. NUMBER	DISBURSED	DATE MATURITY	AMT. OF LN. DISBURSED	PORTFOLIO AT RISK	TOTAL AMOUNT DUE	# OF LN MISSED	AMORT OVERDUE	DAYS	HOLDOUT BALANCE	EXPOSED AMOUNT
ACCOUNT OFFICER :101 Edna B. Ani											
Calica, Dominador	66-00755-7	02/29/2000	06/28/2000	30,000.00	5,625.00	2,065.00	2	10		350.51	1,714.49
Castanaga, Evelyn	66-00982-8	05/05/2000	07/04/2000	5,000.00	2,281.67	407.21	1	4		32.50	374.71
Laurente, Evangeline	66-00760-8	03/01/2000	06/30/2000	15,000.00	3,750.00	2,064.06	2	17		115.36	1,948.70
...											
Paracha, Rowena Jane	66-01039-8	05/18/2000	09/15/2000	25,000.00	25,000.00	6,879.17	1	2		313.90	6,565.27
Payno, Lorna	66-00754-3	02/29/2000	08/31/2000	5,000.00	2,499.98	480.56	2	17		202.90	277.66
Zaulda, Nelly	66-00872-1	03/31/2000	06/29/2000	3,000.00	748.75	248.92	1	2		190.34	58.58
Sub-Total ->		9 acct(s)		107,000.00	51,992.90	13,686.48				1,508.43	12,178.05
ACCOUNT OFFICER :104 Iris M. Alamilla											
Dordas, Melina	66-01028-5	05/17/2000	09/14/2000	10,000.00	8,750.00	1,375.00	2	17		391.49	983.51
Penetrante, Danilo	66-00937-1	04/19/2000	10/16/2000	15,000.00	11,250.00	1,437.50	2	17		57.00	1,380.50
Quigta, Elsa	66-01022-3	05/16/2000	09/13/2000	12,000.00	10,500.00	1,650.00	2	17		151.90	1,498.10
Sub-Total ->		3 acct(s)		37,000.00	30,500.00	4,462.50				600.39	3,862.11
Total ->		26 acct(s)		301,400.00	158,748.18	38,756.53				5,029.82	34,532.27

4. Portfolio at Risk

This report gives summary information of all loan accounts by days overdue bracket and printed by category (Microfinance, MABS-M or Non-Microfinance) or all accounts. This report is normally printed at the end of each month.

This report can be generated through **MM-3-4-4-1** creating the report name **REPS3441.TXT** and stored in the **DOCS** directory.

06/28/2000 11:53:32am	Rural Bank of MicroBanker, Inc. 999001 : Head Office PORTFOLIO AT RISK As of 06/16/2000				Page : 1	
Days Overdue	Number of Borrowers	% Clients	Loan Amount Overdue	% in Arears	Outstanding Balance	Outstanding Balance %
Current	313	92.33%	0.00	0.00%	2,222,925.11	93.33%
1 - 7 days	9	2.65%	9,791.35	0.41%	70,988.56	2.98%
8 - 14 days	6	1.77%	6,581.11	0.28%	26,457.75	1.11%
15 - 30 days	9	2.65%	11,006.32	0.46%	50,435.58	2.12%
31 - 60 days	1	0.29%	6,359.06	0.27%	5,855.12	0.25%
61 - 90 days	0	0.00%	0.00	0.00%	0.00	0.00%
Over 90 days	1	0.29%	5,018.69	0.21%	5,011.17	0.21%
Sub-Total of PDI	26	7.67%	38,756.53	1.63%	158,748.18	6.67%
Total	339	100.00%	38,756.53	1.63%	2,381,673.29	100.00%

5. Total Interest Collected by the MicroFinance Unit

This report summarizes all interest and fees collected related to MicroFinance loans outstanding at the End Date Range sorted by account officer. This report is normally printed on a monthly basis.

This report can be generated through **MM-3-4-5** creating the report name **REPS345.TXT** and stored in the **DOCS** directory.

06/28/2000 11:53:32am	Rural Bank of MicroBanker, Inc. 999001 : Head Office INTEREST COLLECTED FROM MICROFINANCE UNIT 06/01/2000 - 06/16/2000					Page : 1
ACCOUNT OFFICER NAME	OUTSTANDING LOAN PORTFOLIO (Beginning Date Range)	OUTSTANDING LOAN PORTFOLIO (End Date Range)	INTEREST INCOME (During Period)	FEES AND OTHER CHARGES (During Period)	TOTAL REVENUE	YIELD %
1. Edna B. Ani	366,083.31	479,726.22	7,948.35	4,293.50	12,241.85	2.89%
2. Iris M. Alamilla	487,554.20	444,470.88	6,967.82	3,186.18	10,154.00	2.18%
3. Sergio S Sebollin Jr	612,129.38	758,512.67	14,548.15	8,176.66	22,724.81	3.32%
4. Stanly A. Luaron	600,401.28	698,963.52	12,632.73	8,415.44	21,048.17	3.24%
Total->	2,066,168.17	2,381,673.29	42,097.05	24,071.78	66,168.83	2.98%

6. MABS-M Monthly Report

This is a consolidated report reflecting the summary of loan account balances, savings accounts, and financial income. It is usually printed at the end of every month.

This report can be generated through **MM-3-4-6** creating the report name **REPS346.TXT** and stored in the **DOCS** directory.

06/28/2000 11:53:32am		Rural Bank of MicroBanker, Inc. 999001 : Head Office MABS-M Monthly Report As of 06/16/2000				Page : 1	
Performance Data	MICROFINANCE ACCOUNTS		BRANCH		CUMULATIVE FIGURES Start Date :06/01/2000		
	Current Month	Previous Month	Current Month	Previous Month	Micro Accounts	Branch Accounts	
LOANS							
(a) No. of New Borrowers	0	39	0	15	0	0	
(b) Amount of New Loans Disbursed	0.00	323,000.00	0.00	754,000.00			
(c) No. of Borrowers	339	312	2,021	2,020			
(d) Outstanding Loan Portfolio	2,381,673.29	2,066,168.17	37,655,795.10	37,344,340.45			
(e) No. of Loans Disbursed (during the month)	91	110	98	127	91	98	
(f) Amount of Loans Disbursed (during the month)	895,900.00	1,097,100.00	2,887,860.00	4,455,900.00	895,900.00	2,887,860.00	
(g) Loan Amount Overdue	38,756.53	33,810.76	29,713,161.51	30,080,065.08			
(h) Portfolio at Risk (Php)	158,748.18	141,163.77	16,536,376.91	16,842,431.11			
(i) Portfolio at Risk (%)	6.67%	6.83%	43.91%	45.10%			
(j) No. of Account Officers	4	4					
SAVINGS							
(k) No. of Depositors	1,326	1,326	5,530	5,457			
(l) No. of New Depositors	0	31	88	105	0	88	
(m) Amount of Savings Balance	1,220,116.00	1,471,132.19	37,581,830.53	36,085,902.46			
FINANCIAL INCOME							
(o) Interest Income on Loans	42,097.05	56,118.98	559,378.29	515,781.69			
(p) Fees and Other Charges	23,741.35	29,073.15	48,065.75	58,861.40			
(q) Penalty Fee on Loans	330.43	302.03	147,269.08	69,367.17			
(r) Total Revenue	66,168.83	85,494.16	754,713.12	644,010.26			
(s) Total Financial Income (Cur.Mo.)	2.98%		2.01%				

Ave. Loan Portfolio Balance							

7. Performance Report by AO

This report is printed to monitor the performance of account officers as to their number of borrowers, number of loans disbursed, amount of loans disbursed, etc. It is usually printed at the end of each month.

This report can be generated through **MM-3-4-7** creating the report name **REPS347.TXT** and stored in the **DOCS** directory.

06/28/2000 11:53:32am		Rural Bank of MicroBanker, Inc. 999001 : Head Office PERFORMANCE REPORT BY ACCOUNT OFFICER 06/01/2000 - 06/16/2000										Page : 1	
ACCOUNT OFFICER NAME	NO. OF BORROWERS	LOAN ACCOUNT BALANCE	#LOANS DISBURSED	AMOUNT OF LOANS DISBURSED	#NEW LOANS DISBURSED	AMT. NEW LOANS DISBURSED	#REPEAT LOAN DISBURSED	AMOUNT REPEAT LOANS DISBURSED	#OF LOANS W/ OVERDUE AMOUNT	#OF LOANS W/ OVERDUE AMOUNT(%)	PORTFOLIO AT RISK	PORTFOLIO AT RISK%	TOTAL REVENUE
1. Edna B. Ani	51	479,726.22	11	161,600.00	0	0.00	11	161,600.00	9	17.65%	51,992.90	10.84%	12,241.85
2. Iris M. Alamilla	62	444,470.88	14	119,400.00	0	0.00	14	119,400.00	3	4.84%	30,500.00	6.86%	10,154.00
3. Sergio S Sebolin Jr	125	758,512.67	36	307,200.00	0	0.00	36	307,200.00	3	2.40%	7,200.00	0.95%	22,724.81
4. Stanly A. Luaron	101	698,963.52	30	307,700.00	0	0.00	30	307,700.00	11	10.89%	69,055.28	9.88%	21,048.17
Total	339	2,381,673.29	91	895,900.00	0	0.00	91	895,900.00	26	7.67%	158,748.18	6.67%	66,168.83

8. Client's Status Report – Direct Repayment by Amortization

This report lists all loans outstanding at the date of printing and all previous loans of the client. The loan account maybe Microfinance, MABS-M or Non-Microfinance. This report is normally printed when client applies for a repeat loan.

This report can be generated through **MM-3-4-8-2** creating the report name **REPS3482.TXT** and stored in the **DOCS** directory.

06/28/2000 11:53:32am	Rural Bank of MicroBanker, Inc. 999001 : Head Office CLIENT STATUS REPORT As of 06/16/2000		Page : 1					
Name of Client : Tianchon, Anita M. Address : San Miguel Sto. Tomas Davao Loan Sector : Other Loan			Client Code : 22925					
Performance of Previous Loan								
Cumulative Loan	Loan Account Number	Date Disbursed	Amount of Loan Disbursed	# Amortizations	# Late Amortizations	Maximum Days Late	% Amortizations Made on Time	Business Activity
1	66-00283-1	08/24/1999	5,000.00	12	4	2	66.67%	Other Loan
2	66-00499-6	11/23/1999	5,000.00	12	1	1	91.67%	Other Loan
3	66-00729-4	02/22/2000	6,000.00	6	2	2	66.67%	Other Loan
Current Loan Information								
Loan Date : 05/22/2000								
# Amortizations : 6				Loan Amount : 6,000.00	# Amortizations Expected(to date) : 1		# of Amortizations Made on Time(to date) : 1	
% Made on Time(to date): 100.00%								
Amortization Number	Amortization Amount	Amortization Due Date	Amortization Paid Date	Amortization Status	Days Late			
1	1,075.83	06/06/2000	06/06/2000	Paid				
2	1,075.83	06/21/2000		Approaching				
3	1,075.83	07/06/2000		Approaching				
4	1,075.83	07/21/2000		Approaching				
5	1,075.83	08/06/2000		Approaching				
6	1,075.83	08/21/2000		Approaching				

9. Portfolio at Risk by Aging Analysis and Business Activity

This report is printed to monitor aging of loans by business activity. Loans outstanding are summarized by day(s) overdue brackets.

This report can be generated through **MM-3-4-4-2** creating the report name **REPS3442.TXT** and stored in the **DOCS** directory.

06/28/2000 11:53:32am		Rural Bank of MicroBanker, Inc. 999001 : Head Office PORTFOLIO AT RISK BY AGING ANALYSIS and BUSINESS ACTIVITY As of 06/16/2000					Page : 1	
	Number of Borrowers	Business Activity As a % of Grand Total (subtotal/grandtotal) (# of Loans)	No. of Loans with overdue Amounts	No. of Loans with overdue Amount %	Outstanding Loan Portfolio	Business Activity As a % of Grand Total (subtotal/grand total) (Amount of Loans)	Portfolio At Risk	Portfolio at Risk (%)

FD 3 - Zone C								
Current	1		0	0.00%	13,750.00		0.00	0.00%
1 - 7 days	0		0	0.00%	0.00		0.00	0.00%
8 - 14 days	0		0	0.00%	0.00		0.00	0.00%
15 - 30 days	0		0	0.00%	0.00		0.00	0.00%
31 - 60 days	0		0	0.00%	0.00		0.00	0.00%
61 - 90 days	0		0	0.00%	0.00		0.00	0.00%
Over 90 days	0		0	0.00%	0.00		0.00	0.00%
SUB-TOTAL	1	0.29%	0	0.00%	13,750.00	0.58%	0.00	0.00%

...								
SUKI-Eatery								
Current	39		0	0.00%	302,018.76		0.00	0.00%
1 - 7 days	1		1	2.33%	22,150.00		22,150.00	6.53%
8 - 14 days	2		2	4.65%	9,007.75		9,007.75	2.66%
15 - 30 days	0		0	0.00%	0.00		0.00	0.00%
31 - 60 days	1		1	2.33%	5,855.12		5,855.12	1.73%
61 - 90 days	0		0	0.00%	0.00		0.00	0.00%
Over 90 days	0		0	0.00%	0.00		0.00	0.00%
SUB-TOTAL	43	12.68%	4	9.30%	339,031.63	14.24%	37,012.87	10.92%

GRAND-TOTAL	339	100.00%	26	7.67%	2,381,673.29	100.00%	158,748.18	6.67%

7. Portfolio at Risk Sorted by Disbursed Loan Amount and Business Activity

This report is printed to monitor aging of loans by business activity. Loans outstanding are summarized by loan amount disbursed brackets.

This report can be generated through **MM-3-4-4-3** creating the report name **REPS3443.TXT** and stored in the **DOCS** directory.

06/28/2000 11:53:32am		Rural Bank of MicroBanker, Inc. 999001 : Head Office					Page : 1	
PORTFOLIO AT RISK SORTED BY DISBURSED LOAN AMOUNT AND BUSINESS ACTIVITY As of 06/16/2000								
	Number of Borrowers	Business Activity As a % of Grand Total (subtotal/grandtotal) (# of Loans)	No. of Loans with overdue Amounts	No. of Loans with overdue Amount %	Outstanding Loan Portfolio	Business Activity As a % of Grand Total (subtotal/grand total) (Amount of Loans)	Portfolio At Risk	Portfolio at Risk (%)

FD 3 - Zone C								
Less than 5,000.01	0		0	0.00%	0.00		0.00	0.00%
5,000.01 to 10,000	0		0	0.00%	0.00		0.00	0.00%
10,000.01 to 25,000	0		0	0.00%	0.00		0.00	0.00%
25,000.01 to 50,000	1		0	0.00%	13,750.00		0.00	0.00%
50,000.01 to 100,000	0		0	0.00%	0.00		0.00	0.00%
over 100,000	0		0	0.00%	0.00		0.00	0.00%
SUB-TOTAL	1	0.29%	0	0.00%	13,750.00	0.58%	0.00	0.00%

...								
SUKI-Eatery								
Less than 5,000.01	10		0	0.00%	26,899.97		0.00	0.00%
5,000.01 to 10,000	13		1	2.33%	73,273.91		5,855.12	1.73%
10,000.01 to 25,000	17		2	4.65%	199,482.75		25,532.75	7.53%
25,000.01 to 50,000	3		1	2.33%	39,375.00		5,625.00	1.66%
50,000.01 to 100,000	0		0	0.00%	0.00		0.00	0.00%
over 100,000	0		0	0.00%	0.00		0.00	0.00%
SUB-TOTAL	43	12.68%	4	9.30%	339,031.63	14.24%	37,012.87	10.92%

GRAND-TOTAL	339	100.00%	26	7.67%	2,381,673.29	100.00%	158,748.18	6.67%

11. Loans Profile by Gender.

This report is generated to segregate loan accounts by gender. It is normally printed at the end of every period but can be printed anytime as desired.

This report can be generated through **MM-3-4-8-3** creating the report name **REPS3483.TXT** and stored in the **DOCS** directory.

06/28/2000 11:53:32am		Rural Bank of MicroBanker, Inc. 999001 : Head Office LOANS PROFILE BY GENDER As of 06/16/2000			Page : 1	
	NO. OF BORROWERS	NO. OF LOANS WITH OVERDUE AMTS	NO. OF LOANS WITH OVERDUE AMTS (%)	OUTSTANDING LOANS PORTFOLIO	PORTFOLIO AT RISK	PORTFOLIO AT RISK (%)
MALE	85	7	8.24%	701,591.89	62,798.10	8.95%
FEMALE	237	19	8.02%	1,606,048.10	95,950.08	5.97%
NOT DEFINED	14	0	0.00%	74,033.30	0.00	0.00%
GRAND TOTAL	336	26	7.74%	2,381,673.29	158,748.18	6.67%

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 2, 2001

Chapter III: START-UP PHASE

Amends:

**Section I: Management
Information System
(MIS)**

**Subject 2: Training and
Technical Assistance**

1. The MIS Specialist shall ensure that the PBs have an MIS capable of monitoring and managing the microfinance portfolio. This system will either be the current system (enhanced) that the PB is using or an interim system (Microbanker). This loan monitoring system needs to be in place prior to the bank releasing microfinance loans. He/she shall continue providing other MIS related technical assistance while the enhancements are still underway.
2. The MIS Specialist shall also, but is not limited to:
 - 2.1 Provide technical advise if the bank would like to procure additional computer hardware, enhance its local area network (LAN) capabilities and other computer hardware and accessories;
 - 2.2 Conduct training and refresher courses to bank staff, specifically the MFU, on popular software, e.g., word processing, spreadsheets, etc; and
 - 2.3 Assist bank management in planning and strategizing future MIS plans.
3. **Testing.** Once the developer signifies that the banking system is ready for testing, the MIS Specialist shall prepare a test plan and test data. Bank management shall also be consulted on schedule and shall be required to provide actual data for second phase testing. The following are the test activities:
 - 3.1 Alpha testing – using controlled test data provided by MABS MIS
 - 3.2 Beta testing – using actual data from PBs but testing done at MABS site
 - 3.3 Site testing initial – using test data at PBs site but still offline
 - 3.4 Site testing interactive – using live data at site.
 - 3.5 Acceptance activities – conference and signing off by bank management

4. **Training.** Initial on-site training on MABS Reports (see Subject 1) shall be conducted by the MABS MIS Specialist while the banking software basic operations and reports printing shall be conducted by the systems developer programmer or representative. Hands-on training will be conducted regularly on a one-on-one basis until the MF staff develops confidence in generating the MABS Reports.
5. **Management Reports and Refresher Course** (Annex III-I1-A1 and A2). The MIS Specialist will provide a two-day course on the generation of the MABS Reports including a refresher course on the basic operations of the banking software. The MIS Specialist will provide the two-day course for all PBs combining PB participants if the PBs utilize the same software. The MIS Specialist shall coordinate the schedule with the MABS consultant. The same shall coordinate with the developer, if needed, for assistance during the refresher course.

Annex II-D2-A2 contains all the material for Day 1 of the refresher course, namely sample reports and corresponding exercises for the participants of the training as well as a technical note for the participants.

6. **Other Activities.** MABS shall also provide assistance in troubleshooting since the enhanced banking software may not be as perfect as expected when installed at the PBs. There may have been program conditions that were not thoroughly tested and may appear later. In the event that this happens, the MIS Specialist shall assist the PBs analyze the problem. The MIS Specialist shall then prepare a trouble report and submit the same to the developer for correction. The MIS Specialist shall be responsible for making sure that the developer addresses the problem in an accurate and timely manner. He/she shall be responsible for the testing the corrected banking software or module before installing the program fix to the PBs.

ANNEX III-I2-A1

MABS Management Reports and MBXD Refresher Course

October 6-7, 2000

Agenda

First Day 10/06/2000			
	<i>Session</i>	<i>Time</i>	<i>Topic</i>
	Registration of Participants	8:00 – 8:30	
I	Introduction	8:30 – 8:45	
II	Types of Reports	8:45 – 9:00	Brief description of the 11 "MABS" reports
III	Reports 1 – 4	9:00 – 10:00	Review of the reports for managing the loan portfolio
	Merienda	10:00 – 10:30	
IV	Exercises on Reports 1 – 4	10:30 – 11:00	Group exercises to ensure a full understanding of reports
V	Reports 5 - 7	11:00 – 12:00	Review of the reports for managing the revenue and overall performance of the MFU
	Lunch	12:00 - 1:00	
VI	Exercises on Reports 5 – 7	1:00 – 1:30	Group exercises to ensure a full understanding of reports
VII	Reports 8 - 11	1:30 – 2:30	Review of the reports for analyzing microfinance clients
VIII	Exercises on Reports 8 – 11	2:30-3:00	Group exercises to ensure a full understanding of the reports
	Merienda	3:00-3:30	
IX	Introduction to MBXD 2000 and MABS Reports System	3:30-4:00	What's new on MBXD2000 and how to identify MF borrower
X	MABS-M Reporting System	4:00-5:30	Part I – Tools & Utilities Part II – Systems Options
Second Day 10/07/2000			
XI	MABS-M Reporting System	8:30 – 10:00	Part III – Report Generation
	Merienda	10:00 – 10:30	
XII	Exercises	10:30 – 12:00	Group Work - Generate and print various reports.
	Lunch	12:00 - 1:00	
XIII	Open Forum	1:00 – 3:00	Q & A on concerns and problems encountered at your bank.
	Merienda	3:00-3:30	Snacks and Seminar Breakup

ANNEX III-I2-A2 LOAN MONITORING REPORTS

More than the bank's financial and structural capabilities, the success of its loan product will ultimately depend on a proper monitoring system. Loan reports and indicators must be generated regularly to:

- § track the status of the microfinance portfolio in a timely, accurate comprehensive manner;
- § improve work of field staff, ensuring better monitoring of their portfolios and providing more efficient services to an increasing number of clients;
- § enable supervisor to monitor his/her areas of responsibility, and focusing on priority areas that most require attention; and
- § help senior management to make well-informed operational and strategic decisions.

The table below shows the loan monitoring reports that should be regularly generated by the MFU staff. Most of these reports can be generated anytime as required but are normally printed on a weekly or month-end basis:

Title	Frequency	Who Creates	To Whom
1. Listing of Loans (by group if applicable)	Weekly/ end of month.	Loans Bookkeeper/ Supervisor	AO; Supervisor, Branch Manager
2. Collection Due	Weekly	Loans Bookkeeper/ Supervisor	AO; Supervisor
3. Delinquency Report (by group if applicable)	Daily/ Weekly/End of month	Loans Bookkeeper/ Supervisor	AO; Supervisor; Branch Manager
4. Portfolio at Risk Report	Weekly/End of month	Loans Bookkeeper/ Supervisor	AO; Supervisor; Branch Manager
5. Total Interest Collected from MFU	End of each month	Loans Bookkeeper/ Supervisor	Supervisor; Branch Manager
6. MABS Monthly Report	End of month	Supervisor	Supervisor; Branch Manager; Head Office; MABS
7. Performance Report by AO	Weekly/End of month	Loans Bookkeeper/ Supervisor	AO; Supervisor; Branch Manager
8. Client Status Report	As needed for repeat loan processing	AO/ Supervisor	AO; Supervisor
9. Portfolio at Risk by Aging Analysis and Business Activity	End of month	Loans bookkeeper/ Supervisor	AO; Supervisor; Branch Manager; Head Office
10. Portfolio at Risk Sorted by Disbursed Loan Amount and Business Activity	End of month	Loans bookkeeper/ Supervisor	AO; Supervisor; Branch Manager
11. Loan Profile by Gender	End of month	Supervisor	AO; Supervisor; Branch Manager

MABS Management Reports

PART I - Exercises

Refer to the following sample reports for the Rural Bank of Canada:

- £ Listing of Loans
- £ Collection Due
- £ Delinquency Report
- £ Portfolio at Risk

Answer questions 1-4 using the Listing of Loans report.

1. Locate the loan accounts of Juana Paraiso and Lorna Maestre. What is the maturity date, the loan amount overdue, the portfolio at risk, and the holdout balance for each client?

NAME	Date of Maturity	Loan Amount Overdue	Portfolio at Risk	Holdout Balance
Juana Paraiso				
Lorna Maestre				

Why is the loan amount overdue *greater than* the portfolio at risk for Juana Paraiso and the loan amount overdue *less than* the portfolio at risk for Lorna Maestre?

What does the holdout balance indicate for Paraiso? for Maestre?

2. Why would we want to know the sub-total by account officer?
3. If the sub-total holdout balance by account officer is greater than the portfolio at risk, does that mean that this account officer need not worry about collecting on delinquent accounts?

Refer to the Collection Due report and the Listing of Loans report for questions 4-8:

4. Locate the loan account of Artemia Acuesa. Why is the amortization amount (on the Listing of Loans report) different from the Total Amount Due (on the Collection Due report)?

5. What is the difference between the Amortization Due Date (on the Collection Due report) and the Date of Maturity (on the Listing of Loans report)?

6. Locate the loan account of Juana Paraiso and fill in the following information.

REPORT	Date of Report	Loan Amount Overdue
Listing of Loans		
Collection Due		

Why is the Loan Amount Overdue on the Collection Due report different from the Loan Amount Overdue on the Listing of Loans report?

7. Why is there a Total column under the Amount Received on the Collection Due report?
What figure should this total match at the end of each week?

Is there any possibility that a loan is *not* delinquent if there is no entry in

the Amount Received column by the “Through” date indicated on the top of the Collection Due report? i.e. is there another reason why this might be blank for the week?

8. Why are there only 307 accounts listed on the Collection Due report and 455 listed on the Listing of Loans report?

For questions 9-12, please refer to the Delinquency report and the Listing of Loans report.

9. Why are there only 3 account officer sub-totals on the Delinquency report and 4 account officer sub-totals on the Listing of Loans report?

10. Locate the loan accounts of Nancy Lanyohan, Ludivida Remolino and Samuel Villaneuva. List the # of Loan Amortizations Missed and the Days Overdue from the Delinquency report.

NAME	# of Loan Amortizations Missed	Days Overdue
Nancy Lanyohan		
Ludivida Remolino		
Samuel Villaneuva		

Why is the # of Loan Amortizations Missed the *same* for Samuel Villaneuva and Nancy Lanyohan and the Days Overdue so *different*?

Why is the # of Loan Amortizations Missed *greater* for Ludivida Remolino than Nancy Lanyohan and yet the Days Overdue are *less*?

11. What does the Exposed Amount represent?

Do you think the Exposed Amount should consider the Total Amount Due or the Portfolio at Risk? (Why?)

12. If the Portfolio at Risk is almost the same as the Amount of Loan Disbursed, do you think the loan became delinquent at the beginning of the loan term or closer to the end of the loan term?

Refer to the Portfolio at Risk report for questions 13-15.

13. What is the difference between the Loan Amount Overdue and the Outstanding Balance?
14. What would you be able to determine if the sub-total Percentage of Clients was 3% and was significantly lower than the sub-total Outstanding Balance Percentage of 10%?
15. Using the sample report for the Rural Bank of Canada, complete the following table and determine the required Loan Loss Reserve for 09/27/00.

Number of Days	Number of Loans (A)	Outstanding Balance (B)	Loan Loss Reserve (%) (C)	Loan Loss Reserve (P) (B) x (C)
Current				
1 - 7 days				
8 - 14 days				
15 - 30 days				
31 - 60 days				

61 - 90 days				
> 90 days				
Sub-Total				
TOTAL				

If the current Loan Loss Reserve on the balance sheet of the Rural Bank of Canada was P64,000, how much Loan Loss Provision would they need?

And where would this Loan Loss Provision be recorded?

MABS Management Reports

PART II - Exercises

Refer to the following sample reports for the Rural Bank of Canada:

- £ Listing of Loans report
- £ Total Interest Collected from Microfinance Unit
- £ Performance Report by Account Officer
- £ MABS-M Monthly Report
- £ Client Status Report

Answer questions 1-4 using the Total Interest Collected from Microfinance Unit report and the Performance Report by Account Officer.

1. Given that the interest rate on microfinance loans for the Rural Bank of Canada is 2.5% per month add-on, why is the Yield % so much higher (5.3%)

Calculate the Yield % if you only include the Interest Income during the period? (Note: remember to calculate the *average* Outstanding Loan Portfolio for the period when calculating the yield.)

Why isn't the Yield on interest income 2.5%?

2. If the service charge on loans is 2.5% and is deducted at the time of the loan what should the total service charges be for the period between 09/01/00 and 09/27/00? Why is this amount different from what is recorded under Fees and Other Charges during period on the Total Interest Collected from the Microfinance Unit?

If the only charges on microfinance loans are the service charge and penalty charge (in addition to interest), do you agree that the Fees and Other Charges on the Total Interest Collected report would equal the

amount disbursed times 2.5%? Why or why not?

3. Of what benefit is it for management to see the Number of New Loans Disbursed (and amount) vs. the Number of Repeat Loans Disbursed (and amount) on the Performance Report by Account Officer?

4. Do you think if a loan is restructured it should be recorded as a Repeat Loan Disbursed in the Performance Report by Account Officer? Why or why not?

5. If the Rural Bank of Canada had an incentive scheme in place for the account officers, which of the account officers do you think should receive the greatest incentive bonus for the month of September?

And which account officer should receive the second highest incentive bonus for September?

Answer questions 6-9 using the Total Interest Collected from Microfinance Unit report, the Performance Report by Account Officer, and the MABS-M Monthly Report.

6. Compare the figures on all three reports. Are there any discrepancies?

7. Based on the MABS-M Monthly Report, is the Rural Bank of Canada performing better or worse as at the end of September compared to the end of August? Consider the loans outstanding, the portfolio at risk, the savings data and the financial income.

8. How does the yield on the microfinance portfolio compare to the yield on the rest of the branch activity?

9. Compare the portfolio at risk in the microfinance unit with the rest of the branch. Why do you think there is such a difference?

Refer to the Client Status Report(s) for questions 10-12.

10. Refer to the Client Status Reports of Serena Arrieta and Nenet Layug. Which is a better client?

Would you have given a repeat loan to both of these clients. Why or why not?

11. Refer to the Client Status Report of Juana Magtibay. What do you notice about her history? Note her loan sizes and terms in relation to the late amortizations. Do you think this client will repay her loan? If she does, would you give her another loan?

12. Refer to the Client Status Report of Nenet Layug. Do you think this client's loan should have increased? Why or why not?

Answer questions 5-6 using the Loans Profile by Gender report

5. Based on this month's data, which are better payors? the female or male clients of the Rural Bank of Canada?

Do men or women default on larger loans?

MABS Management Reports

PART I - Answers

Refer to the following sample reports for the Rural Bank of Canada:

- £ Listing of Loans
- £ Collection Due
- £ Delinquency Report
- £ Portfolio at Risk

Answer questions 1-4 using the Listing of Loans report.

1. Locate the loan accounts of Juana Paraiso and Lorna Maestre. What is the maturity date, the loan amount overdue, the portfolio at risk, and the holdout balance for each client?

NAME	Date of Maturity	Loan Amount Overdue	Portfolio at Risk	Holdout Balance
Juana Paraiso	09/25/00	1591.24	1500	8.08
Lorna Maestre	12/18/00	114.57	5113.88	160.28

Why is the loan amount overdue **greater than** the portfolio at risk for Juana Paraiso and the loan amount overdue **less than** the portfolio at risk for Lorna Maestre?

Paraiso has missed 4 amortizations and her loan is past maturity. The loan amount overdue for Paraiso includes penalties. Maestre has only missed one amortization so no penalty.

What does the holdout balance indicate for Paraiso? for Maestre?

Paraiso does not have enough savings to cover the amount overdue. Maestro has enough to cover the loan amount overdue but not enough to cover the portfolio at risk.

2. Why would we want to know the sub-total by account officer?

*To compare performance per account officer.
To determine incentives per account officer.
To keep track of the quality of each account officer's portfolio.*

3. If the sub-total holdout balance by account officer is greater than the portfolio at risk, does that mean that this account officer need not worry

about collecting on delinquent accounts?

No, should still worry because the client has missed payments and is obviously not a good credit risk.

Refer to the Collection Due report and the Listing of Loans report for questions 4-8:

4. Locate the loan account of Artemia Acuesa. Why is the amortization amount (on the Listing of Loans report) different from the Total Amount Due (on the Collection Due report)?

Because the total amount due on the collection due report includes savings due.

5. What is the difference between the Amortization Due Date (on the Collection Due report) and the Date of Maturity (on the Listing of Loans report)?

Amortization Due Date refers to the day in a week/month that the installment becomes due; date of Maturity refers to the date when all the outstanding principal and interest becomes due i.e. when all amortizations have come due.

6. Locate the loan account of Juana Paraiso and fill in the following information.

REPORT	Date of Report	Loan Amount Overdue
Listing of Loans	9/27/00	1591.24
Collection Due	10/4/00	1609.99

Why is the Loan Amount Overdue on the Collection Due report different from the Loan Amount Overdue on the Listing of Loans report?

The Loan Amount Overdue on the Listing of the Loans report is as of 9/27/00 whereas the Loan Amount Overdue on the Collection Due report is as of 10/04/00 and this includes an additional amortization.

7. Why is there a Total column under the Amount Received on the Collection Due report?

To indicate total amount received for the week. Makes it easy to compare total amount paid by borrower during the week vs. total amount due for the week.

What figure should this total match at the end of each week?

Total amount due.

Is there any possibility that a loan is *not* delinquent if there is no entry in the Amount Received column by the "Through" date indicated on the top of the Collection Due report? i.e. is there another reason why this might be blank for the week?

No, even if the loan is amortized semi-monthly or monthly, it would not show up on the Collection Due report.

8. Why are there only 307 accounts listed on the Collection Due report and 455 listed on the Listing of Loans report?

Loans not appearing must be amortized semi-monthly or monthly and thus no collection falls due during the week in question.

For questions 9-12, please refer to the Delinquency report and the Listing of Loans report.

9. Why are there only 3 account officer sub-totals on the Delinquency report and 4 account officer sub-totals on the Listing of Loans report?

Only 3 out of 4 account officers have delinquent accounts. Siriaco Monton has zero percent portfolio at risk.

10. Locate the loan accounts of Nancy Lanyohan, Ludivida Remolino and Samuel Villaneuva. List the # of Loan Amortizations Missed and the Days Overdue from the Delinquency report.

NAME	# of Loan Amortizations Missed	Days Overdue
Nancy Lanyohan	3	226
Ludivida Remolino	8	57
Samuel Villaneuva	3	17

Why is the # of Loan Amortizations Missed the **same** for Samuel Villaneuva and Nancy Lanyohan and the Days Overdue so **different**?

The loan of Nancy Lanyohan has matured and has been overdue for a longer period than that of Samuel Villaneuva even though they both missed the last 3 amortizations.

Why is the # of Loan Amortizations Missed **greater** for Ludivida Remolino than Nancy Lanyohan and yet the Days Overdue are **less**?

Because the two clients have different payment (or amortization) frequencies. Also the maturity dates are different and while Ludivida Remolino has missed the last 8 installments, Nancy Lanyohan only missed the last 3 installments. The days are greater because Nancy Lanyohan's loan matured earlier than Ludivida Remolino's.

11. What does the Exposed Amount represent?

The exposed amount is the difference between the Total Amount Due and the Hold-out Balance. It represents the amount still owing after the savings balance has been applied to the loan amount due. This is the amount the bank is "exposed" i.e. it is possible the bank could lose this amount.

Do you think the Exposed Amount should consider the Total Amount Due or the Portfolio at Risk? (Why?)

Portfolio at Risk. The bank should know how much of the outstanding loan balance is still exposed since this is really what the bank is at risk of losing.

12. If the Portfolio at Risk is almost the same as the Amount of Loan Disbursed, do you think the loan became delinquent at the beginning of the loan term or closer to the end of the loan term?

At the beginning.

Refer to the Portfolio at Risk report for questions 13-15.

13. What is the difference between the Loan Amount Overdue and the Outstanding Balance?

The Loan Amount Overdue represents the past due amortizations whereas the Outstanding Balance represents the entire loan principal that remains of loans that have a missed amortization.

14. What would you be able to determine if the sub-total Percentage of Clients was 3% and was significantly lower than the sub-total Outstanding Balance Percentage of 10%?

This would indicate that it is the relatively larger loans that are becoming delinquent.

15. Using the sample report for the Rural Bank of Canada, complete the following table and determine the required Loan Loss Reserve for

09/27/00.

Number of Days	Number of Loans (A)	Outstanding Balance (B)	Loan Loss Reserve (%) (C)	Loan Loss Reserve (P) (B) x (C)
Current	438	2,945,840.57	2%	58,916.81
1 - 7 days	8	52,314.64	2%	1,046.24
8 - 14 days	3	14,505.39	10%	1,450.53
15 - 30 days	2	30,666.7	25%	7,666.67
31 - 60 days	2	6,870.11	50%	3,410.05
61 - 90 days	0	0	100%	0
> 90 days	2	6,538.31	100%	6,538.31
Sub-Total	17	110,845.15		
TOTAL	455	3,056,685.72		79,028.66

If the current Loan Loss Reserve on the balance sheet of the Rural Bank of Canada was P64,000, how much Loan Loss Provision would they need?

P15,028.66

And where would this Loan Loss Provision be recorded?

On the Income and Expense Statement

MABS Management Reports

PART II - Answers

Refer to the following sample reports for the Rural Bank of Canada:

- £ Listing of Loans report
- £ Total Interest Collected from Microfinance Unit
- £ Performance Report by Account Officer
- £ MABS-M Monthly Report
- £ Client Status Report

Answer questions 1-4 using the Total Interest Collected from Microfinance Unit report and the Performance Report by Account Officer.

1. Given that the interest rate on microfinance loans for the Rural Bank of Canada is 2.5% per month add-on, why is the Yield % so much higher (5.3%)

Yield is based on total revenue which includes income and fees from other charges, not just interest income. Also, the interest rate is calculated on a "flat" basis which means the amount of interest collected is 2.5% on the initial balance. This makes the yield higher.

Calculate the Yield % if you only include the Interest Income during the period? (Note: remember to calculate the *average* Outstanding Loan Portfolio for the period when calculating the yield.)

$$P108,588.34 / 2,902,459.67 = \underline{3.7\%}$$

Why isn't the Yield on interest income 2.5%?

Interest rate is computed on flat-rate basis even if it is add-on. Even though the loan balance decreases every time a loan payment is made, we still collect interest of 2.5% on the initial loan balance.

2. If the service charge on loans is 2.5% and is deducted at the time of the loan what should the total service charges be for the period between 09/01/00 and 09/27/00?

$$P41,925$$

Why is this amount different from what is recorded under Fees and Other Charges during period on the Total Interest Collected from the Microfinance Unit?

There might be other charges and fees collected by the bank from its MF borrower during the period (e.g. penalty fees).

If the only charges on microfinance loans are the service charge and penalty charge (in addition to interest), do you agree that the Fees and Other Charges on the Total Interest Collected report would equal the amount disbursed times 2.5%? Why or why not?

No, because 2.5% refers only to service charge and does not include penalty charges.

3. Of what benefit is it for management to see the Number of New Loans Disbursed (and amount) vs. the Number of Repeat Loans Disbursed (and amount) on the Performance Report by Account Officer?

Number and amount of new loans indicates the result of extra effort put in by the AO in looking for new clients. This means increased outreach.

Number and amount of repeat loans indicates the volume of business that the AO gets from repeat clients. This also indirectly indicates the size of the AO's workload and his/her ability to retain his/her clients.

4. Do you think if a loan is restructured it should be recorded as a Repeat Loan Disbursed in the Performance Report by Account Officer? Why or why not?

No. It hides the fact that the loan was restructured. Restructured loans should be recorded separately for stricter monitoring.

5. If the Rural Bank of Canada had an incentive scheme in place for the account officers, which of the account officers do you think should receive the greatest incentive bonus for the month of September?

Siriaco Monton

And which account officer should receive the second highest incentive bonus for September?

Irah Algorithm - even though Edgar Allan Poe disbursed more loans and has a larger loan portfolio outstanding, he has higher PAR. PAR is the most important indicator for determining incentives.

Answer questions 6-9 using the Total Interest Collected from Microfinance Unit report, the Performance Report by Account Officer, and the MABS-M Monthly Report.

6. Compare the figures on all three reports. Are there any discrepancies?

None

7. Based on the MABS-M Monthly Report, is the Rural Bank of Canada performing better or worse as at the end of September compared to the end of August? Consider the loans outstanding, the portfolio at risk, the savings data and the financial income.

Worse. Delinquency has gone up but number of accounts have increased and total outstanding balance has increased. And Yield has gone up.

8. How does the yield on the microfinance portfolio compare to the yield on the rest of the branch activity?

Better, but only slightly especially if you consider the very high PAR (44%) in the rest of the branch!.

9. Compare the portfolio at risk in the microfinance unit with the rest of the branch. Why do you think there is such a difference?

- *Quite a big number of regular loan accounts (1,923) without AOs being responsible for supervising them.*
- *Lower tolerance for past due in the MFU*
- *Delayed repayments in other loans*
- *A lot of old loans on the book for many years that are not yet written off.*

Refer to the Client Status Report(s) for questions 10-12.

10. Refer to the Client Status Reports of Serena Arrieta and Nenet Layug. Which is a better client?

Serena Arrieta

Would you have given a repeat loan to both of these clients. Why or why not?

Only to Arrieta. Layug was late in paying her installments 11 times out of 12.

11. Refer to the Client Status Report of Juana Magtibay. What do you notice about her history? Note her loan sizes and terms in relation to the late amortizations. Do you think this client will repay her loan? If she does, would you give her another loan?

No.

Refer to the Client Status Report of Nenet Layug. Do you think this client's loan should have increased? Why or why not?

No, not even a repeat availment. She could hardly meet her maturing installments.

MABS Management Reports

PART III - Answers

Refer to the following sample reports for the Rural Bank of Canada:

- £ Portfolio at Risk by Aging Analysis and Business Activity
- £ Portfolio at Risk sorted by Disbursed Loan Amount and Business Activity
- £ Loans Profile by Gender

Answer questions 1-2 using the Portfolio at Risk by Aging Analysis and Business Activity report.

1. List the top three business activities by a) the number of borrowers and b) the outstanding loan portfolio.

<i>Sari-Sari</i>	-	201 borrowers	<i>Sari-Sari</i>	-	P1,101,700.99
<i>Eatery</i>	-	70	<i>Dry Goods</i>	-	633,228.94
<i>Dry goods</i>	-	64	<i>Eatery</i>	-	505,031.96

2. Which business activities seem to have the greatest portfolio at risk?

Bakery - 19.38%

Which business activities seem to have the greatest number of loans with overdue amounts?

Chi-chirias - 20%

Why do you think these differ?

Bakery loans have bigger loan amounts than Chi-chirias loans.

Answer questions 3-5 using the Portfolio at Risk by Aging Analysis and Business Activity report.

3. Which business activities seem to receive the largest loans?

Bakery - 9 out of 15 (60%) are over P10,000.

4. Does the size of the loan seem to affect the portfolio at risk? i.e. does the portfolio at risk increase as the size of the loan increases for certain business activities?

Its hard to tell, could be no, because loan amount granted to clients is based on their capacity to pay, but could be yes because bakeries do have the highest portfolio at risk.

Answer questions 5-6 using the Loans Profile by Gender report

5. Based on this month's data, which are better payors? the female or male clients of the Rural Bank of Canada?

Female

6. Do men or women default on larger loans?

Men.

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 9, 2001

Chapter IV: OPERATIONAL PHASE

Amends:

The Operational Phase seeks to strengthen the microfinance unit and operations of the participant banks and preparing them for the expansion phase of the program. MABS builds up their management capabilities through activities such as product evaluation, strategic planning workshop, and conducting several enhancement training courses for all the bank staff. The banks are also introduced to a performance-based incentive scheme to maintain staff enthusiasm and productivity and trained to monitor the MFU operation by utilizing MIS reports and completing a monthly performance monitoring report. These activities are all aimed at making the microfinance operation of the bank a sustainable and profitable venture for the PBs.

Chapter 4 is broken down into 6 sections:

Section A: Loan Product Evaluation

Subject 1: Objectives and Procedures

Subject 2: Report Format

Subject 3: Product Manual Review

Subject 4: Peer Review

Section B: Strategic Planning Workshop

Section C: Staff Incentive Scheme

Section D: Bank Training Courses

Section E: Supervising and Monitoring the MFU

Subject 1: Supervision and Bank Visits

Subject 2: Performance Monitoring Reports

Section F: Savings Product Review

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 5, 2001

Chapter IV: OPERATIONAL PHASE

Amends:

Section A: Loan Product Evaluation

**Subject 1: Objectives and
Procedures**

1. After setting up the microfinance unit and testing the loan product with the target market, an in-house evaluation of the product shall be conducted by a team composed of the bank's senior managers (e.g., President, Branch Manager, Internal Auditor, Operations Officer) and the MABS Consultant. This should be done at the completion of the start-up phase and every six months thereafter.
2. The evaluation team will review the product design and evaluate the systems in place; identify program strengths and areas needing improvement; assess the viability of continuing the product; and provide feedback and recommendations to MABS. The in-house evaluation will be beneficial in guiding bank management concerning its expansion plan and allocating resources to the product.
3. The process shall include assessment of the following: (1) product outreach, (2) delivery system, (3) portfolio quality and product risks; (4) product targets; (5) profitability, and (6) product acceptability.
4. **Product outreach.** This includes reviewing the outcome of client orientation sessions, number of active borrowers, and volume of loans. These criteria will assist the MABS consultant in determining the extent and efficiency of the product's outreach. The team should also evaluate whether the clients being served meet the eligibility requirements of the product.
5. **Product delivery system.** Evaluators shall review key loan policies and procedures. Are the rate of interest and service charges adequate, too high or too low? Is there a need for adjustments and if so, what would be the effects of such an adjustment? The team should assess whether client selection, credit investigation processes, and loan collection procedures are properly and objectively implemented. The evaluation should also pull out loan files to check if cashflow analysis and loan documentation are being done correctly. The evaluation should further focus on internal control measures for mitigating fraud.
6. **Portfolio quality and product risks.** The team shall evaluate the product's portfolio-at risk ratio, aging of past due installments and the number of loans with past due installments. The team shall also determine the cause of loan delinquency and the actions taken on delinquent accounts.

7. **Product targets.** The team shall assess if the product is meeting the targets set in the Business Plan. If there is any shortfall, the team shall determine the reasons and recommend steps to address the issues.
8. **Product profitability.** Evaluators should also examine the financial profitability and efficiency of the product and identify areas for improvement. Are the operational costs covered on a full cost allocation basis? Does the MFU earn enough revenue excluding subsidies to contribute profit to the branch? If not, the team should determine possible sources of profitability and identify areas of improvement in the operation and determine implications on income and expense of any expansion to other branches of the bank.
9. **Product Acceptability.** This part involves client interviews to determine how they perceive the product features and delivery systems. The MFU staff may arrange visits to selected clients wherein the evaluators can casually interview them about the product; or invite no more than 10 clients to the bank for a focus group discussion.
10. The in-house evaluation shall take approximately one to three days at most and will result in a written report (see next subject for report outline). Based on the findings of the evaluation, the report should recommend a plan of action for each area that necessitates improvements. Prospects for expansion, enhancement, or replication should also be identified. As a prelude to the expansion phase, the consultant shall also draft a summary of proposed expansion plans (see Annex V-A) indicating the target geographical areas, target enterprises, and the potential number of clients.

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 5, 2001

Chapter IV: OPERATIONAL PHASE

Amends: March 29, 2000

Section A: Loan Product Evaluation

Subject 2: Report Format

1. The MABS Consultant is responsible for completing the loan product evaluation report. He/she may follow a format that best suits his/her writing preferences. The consultant may, for example, want to include some informative background about the branch profile and its operation, and a brief description of the microfinance product being reviewed.
2. Since the main objective of the activity is to be able to identify the areas of the operations that will need to be improved, the report should be able to document the product performance, the systems of delivery, and the recommendations in a manner that would easily persuade the bank management to implement the recommended changes.
3. Below is the proposed format for the product evaluation report:
 - A. PRODUCT PERFORMANCE
 1. Outreach
 - 1.1 Client Orientation Sessions: numbers of sessions conducted; participants by area; loan applications received; loan applications approved; and reasons for non-filing of loan applications.
 - 1.2 Number of Borrowers: number of new and active borrowers, by area and type of enterprise; drop-out rate; and number of repeat borrowers.
 - 1.3 Volume of Loans: amounts of loans released; outstanding balances; number of loans by size, by term and by mode of repayment.
 2. Product Delivery System. Is the product well-designed? Is it being implemented by the MFU staff properly? The following should be reviewed thoroughly:
 - £ Client Orientation
 - £ Client selection/CI-BI
 - £ Loan evaluation and Approval
 - £ Loan Disbursement
 - £ Loan Collection
 - £ Processing of Repeat Loans

3. Portfolio Quality and Product Risks
 - £ Number of loans with past due installments
 - £ Portfolio-at-risk ratio
 - £ Aging of past due installments
 - £ Causes of loan delinquency
 - £ Actions taken on delinquent accounts

 4. Product Profitability
 - 4.1 Income from MF Loans
 - £ Nominal and effective interest
 - £ Interest and service fees collected and earned
 - 4.2 Costs
 - £ Costs of funds
 - £ Loan loss provision
 - £ Operating costs
 - 4.3 Income from Grants
 - 4.4 Net Income
 - 4.5 Profitability Projections
 - 4.6 Break-Even Analysis

 5. Product Acceptability
 - £ Loan Terms and Conditions
 - £ Product delivery System
- B. AREAS FOR IMPROVEMENT. The following are areas of microfinance operation that may need some improvement or enhancements. There may be other findings not mentioned below that may affect the delivery of the product. For example, how are the other staff of the bank view the microfinance operation of the bank and how is this affecting the delivery of the product?
1. Product management
 2. MF Staff Aptitude and Productivity
 - £ Regular work activities and schedules
 - £ Workload (number of clients and volume of loans per AO)
 - £ Staff incentive scheme
 - £ Problems and difficulties
 - £ Knowledge of product and target clients
 - £ Training needs
 3. Internal Control Measures
 4. Management Information System
 5. Loan Terms and Conditions
 6. Product Delivery system
 7. Target Market
- C. EXPANSION PLAN
Potential areas for expansion of MF product in areas covered by the bank.

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 2, 2001

Chapter IV: OPERATIONAL PHASE

Amends:

Section A: Loan Product Evaluation

Subject 3: Product Manual Review

1. MABS strongly encourages the PBs to document all the changes in their microfinance operations and procedures and update their product manuals. To train the MFU staff in making this an integral part of their tasks, MABS conducts a regular manual review every 3 to 6 months during the technical assistance period.
2. This process includes interview of the MFU staff (account officers and supervisor) and the cash department of the PBs (loans and savings bookkeepers, tellers, cashier, etc) for actual operations procedures that are not reflected in the manual. Actual observation is also utilized to check that the procedures likewise and accurately follow the manual of operations. Client folders are also pulled out to check whether the credit investigation, cashflow analysis, and other loan documentation are completed and carried out properly.
3. The objectives of the manual review are to determine whether the MFU staff and the support personnel are familiar with the operations and procedures of their microfinance product and whether they are regularly updated and informed about the changes. The review also aims to check whether the current procedures support the efficient delivery systems of the product.
4. In carrying out the review, the following areas of operations are specifically given attention:
 - 4.1 Changes in the basic loan policies such as interest rates and other bank charges;
 - 4.2 Changes in the loan and repeat application procedures;
 - 4.3 Changes in the loan repayment procedures;
 - 4.4 Changes in loan delinquency management (steps in enforcing the alarm signals); and
 - 4.5 Changes in the loan forms and documentation.
5. Ultimately, the manual review process for each PB serves as an exercise for the project to consistently document the best microfinance practices that are being practiced by the PBs. It enables the PBs to share these practices and learn from each other by recommending any best approach being implemented by every bank. This process also makes possible the subsequent revisions to the generic manuals that are being recommended by MABS to its participant banks.
6. Annex IV-A3 is the review instrument for conducting the process and product manual review.

**ANNEX IV-A3
PROCESS AND PRODUCT MANUAL REVIEW**

OBJECTIVES: To review the procedures in detail in implementing the microfinance. The review provides an indication of how well the bank follows the agreed procedures and policies as stated in the Product Manual of Operations and Procedures

General Policies for the MFU

Policies & Procedure	Does the Bank follow the prescribed policies? (Y/N)	If not, then why? What is the problem? Why the deviation. Any suggestions to mitigate this problem?
MFU Supervisor's Scope of Work		
MFU Account Officer Scope of Work		
Client Orientation Sessions held regularly		
Client Eligibility Criteria		
Penalties for Late Payments		
Collection of Savings (Voluntary or Compulsory)		
Payment Schedule		
Guarantee & Security Mechanism		
Pre-Payment and Re-structuring of Loans		

Loan Application Procedure for New Clients

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the client submit a completed Application Form?		
Does the AO review the Application Form?		
Does the AO give the applicant a checklist containing the requirements for the CI (Credit Investigation)?		
Does the AO ask for a sketch or map of the applicant's address?		
Does the AO ask for a copy of the picture of the client's business?		

Credit Investigation (CI)

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the AO visit the client within the prescribed number days between the application and the CI?		
Does the AO follow the tips mentioned in the manual in interviewing the client?		
Does the AO, after the interview, complete the appropriate sections on the CI Form?		
Does the AO do a thorough cash flow analysis for each client using the Adjusted Repayment Capacity?		
Policies & Procedure		
Does the AO collect receipts for payments to confirm credit worthiness of client?		
Does the AO interview the		

co-makers?		
Does the co-maker, after the interview, complete and sign the Co-Maker's Profile Form?		
Does the AO check with the Barangay captain regarding the reputation of the client?		
Does the AO interview at least 2 of the listed references on the Application Form?		
Does the AO make a credit check on other banks or lending institution, and assess the articles covered by the chattel mortgage and/or security agreement, if any, and check if these articles are in the possession of the client?		
If there are adverse findings, does the supervisor explain to the applicant the reasons why his/her application cannot be processed?		

Loan Review and Approval

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the AO complete the Loan Recommendation Sheet?		
Does the AO create the applicant's credit folder and file all the necessary documents?		

Loan Signing and Disbursement

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the Loan Processing Clerk check the Credit Folder prior to preparing the Cashier's Check and Credit Memo to deposit the loan amount in the client's Savings Account?		
Are checks signed by an authorized signatory according to bank policy?		
Does the AO require the client to present his/her ID pictures, and the co-makers on the day of the release?		
Does the Loan Supervisor speak with the borrower and stress the seriousness of his/her loan obligation and explain the contents and significance of the loan documents?		
Do the client and his/her spouse sign the loan documents in the presence of the supervisor?		
Does the co-maker sign the Promissory/Co-maker Note?		
Upon receipt of the borrower of the net proceeds of the loan, does the Teller ask the borrower to sign the receipt?		
Does the Loans Bookkeeper prepare a loan ledger for the borrower and post the transaction details?		
Does the Account Officer, at the end of each day, collect the borrowers' folder from the Cashier to summarize the releases for the day?		
Does the Account Officer forward all files to the Loan Supervisor to ensure the folders are properly filed?		

Loan Application Procedure for Repeat Clients

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the AO visit the borrower 1 week prior to the maturity of the loan and ask his/her intention to borrow again?		
Does the AO bring with him/her a Repeat Loan Application Form and ask the borrower to complete the form?		
Does the AO inform the borrower that, even though a larger loan is possible, it would still depend on the results of the repeat CI, his/her repayment record and his/her cash flow?		
Within the final week of the client's loan term, does the AO check the client's repayment record to determine if at least 90% of the payments were made on time?		
Does the AO visit the co-makers to determine if they are still willing to guarantee the client's loan?		
Does the co-borrower or co-maker complete the co-makers profile form?		
If the borrower has a new co-borrower or co-maker, does the AO interview them using the CI form?		
Does the AO make a credit check on other banks or lending institution, and reassess the articles covered by the chattel mortgage and/or security agreement, if any, and check if these articles are still in the possession of the client?		

Does the AO complete a repayment capacity analysis and check the client's cash flow/repayment capacity if it is sufficient to cover the increase in loan amount?		
Does AO summarize the CI results in the Loan Recommendation Sheet?		
Does the AO file the completed repeat loan documents in the client's credit folder?		
Is the same procedure on Loan Review and Approval followed for repeat loans?		

LOAN REPAYMENT PROCEDURE

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the bank exert efforts to emphasize to the borrower the importance of making their repayments on time?		
Does the bank stress to the client that late payments through poor cash management will not only negatively impact his/her own credibility and prospect for repeat loans but also his/her ability to build up an asset base?		
Does the AO generate weekly payments due or collection sheet (CS) for the week every Monday? Does the CS contain the client's name, and daily/weekly amount of loan payment and savings due?		
Does the Loan Supervisor provide the AO with pre-numbered provisional receipts for the daily collection?		

Does the AO/Collector collect payment from clients based on the collection sheet?		
Does the AO/Collector record the payment, then issue one copy of the provisional receipt recording payment and deposit amounts to the client?		
Does the AO/Collector write the corresponding deposit account number of the borrower on the deposit slip?		
Does the AO/Collector batch the collections for the day? (record daily amortization payments of clients and balance cash collected with total deposit slips)		
Does the AO/Collector forward the cash collected to the Teller for posting? Is this process done twice a day, during mid-day and at the close of business?		
Does the Teller verify totals per summary and actual money received and refer to the AO if there is any overage/shortage? Does the Teller enter payments received from clients in their deposit accounts?		
Does the Loan Supervisor make an accounting of all receipts issued by the AO/collector for the day? Does s/he declare missing or cancelled receipts, if any? Does s/he require the AO to document what happened to the missing receipt, if any, and investigate discrepancies?		
Does the Loan Supervisor verify if there are 3 copies of cancelled receipts?		

Does the Loans Bookkeeper prepare weekly schedule of loan payment due?		
Does the Loan Bookkeeper, at least once a week, use the list to <i>batch debit</i> the clients' savings account to credit their respective loans?		

LOAN DELINQUENCY MANAGEMENT

Delinquency Management is one of the most important responsibilities of the Microfinance Unit. The first step to delinquency management starts even before the loan was approved. With a proper credit investigation, and cash flow analysis, there should normally be no excuse for the client to miss a loan payment.

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the bank take into account the Repayment Capacity of the borrower before approving the loan?		
Does the bank do an accurate and adequate credit investigation analyzing the client's credit history and experiences in making payment on time?		
Does the bank, when conducting CI, identify potential common risks to the client's supply base, production, or sales?		
Does the Loan Supervisor follow up and check with the AO to find out why a payment was missed before the close of the day, if any?		
Does the Loan Supervisor visit all clients who have missed payments for 3 days or more?		

ALARM SIGNALS

1. Alarm Signal No. 1 –Payment is delayed one (1) day

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the AO/collector visit all clients who miss payments within 24 hours?		
Does the AO/collector report to the Supervisor upon determining the reason for the missed payment?		
Does the AO/collector encourage the client to pay right away so as to avoid falling behind his/her payments?		

2. Alarm Signal No. 2 –Payment is delayed three (3) days

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the AO/collector visit all clients who missed payment within 3 days?		
Does the AO/collector warn clients they will have to pay a penalty if they do not make all missed payments within two (2) days and their co-makers will be notified?		
Does the AO/collector, depending on the circumstances, speak with spouse/co-maker to try and arrange a payment?		
Does the AO/collector withdraw from the client's <i>savings account</i> the amount to cover the missed payment(s) if there's a <i>debit authority</i> from the client?		
Does the AO/Collector discuss with the client why the client was not able to pay the amortization?		

3. *Alarm Signal No. 3 –Payment is delayed one (1) week*

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the AO and the Loan Supervisor personally deliver to all delinquent clients the first warning letter signed by the Loan Supervisor?		
Does the Loan Supervisor stress to the client the need to pay all missed payments immediately to be eligible to borrow from the bank again and avoid any penalty charges?		
Does the Loan Supervisor, if the client still unable to pay, meet with the co-borrower and co-makers to collect?		
Does the Loan Supervisor consider rescheduling the loan if the client is unable to pay their loan payments because of unforeseen circumstances that were verified by the AO?		
Does the Loan Supervisor submit a list of clients with missed payments of one week or more to the Branch Manager?		

4. *Alarm Signal No. 4 –Payment is delayed two (2) weeks*

During this stage, the Branch Manager must accompany the Account Officer to visit clients with missed payments for two (2) weeks.

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the AO together with the Branch Manager issue the client the second warning letter signed by the Branch Manager?		

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the Branch Manager inform the client that the bank will take more drastic measures if they do not pay?		
Does the Branch Manager, if the client is unable to pay, speak seriously to the co-borrower and co-makers to see if they can pay on behalf of the client?		
Does the bank consider rescheduling the loan if the client and the co-borrower are unable to pay their loan payments because of unforeseen circumstances that were verified by the AO, but the client intends to pay?		

5. *Alarm Signal No. 5 –Payment is delayed three (3) weeks*

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the AO deliver the third and final warning letter signed by the bank’s legal counsel?		
Does the bank post on a public notice board the list of delinquent borrowers, and notify the barangay captain?		
Does the bank make steps to enforce the security agreement or chattel mortgage?		
Does the AO ask the client to come to the bank immediately to avoid legal action on his/her account?		

6. Alarm Signal No. 6 –Payment is delayed by four (4) weeks

Policies & Procedure	Does the Bank follow the policy and procedure?	If not, then why? What is the problem? Why the deviation? Any suggestions to mitigate this problem?
Does the bank enforce the security agreement or the chattel mortgage?		
Does the bank confiscate the security items from the clients?		

MABS PROGRAM
Training and Technical Assistance Manual

Date:	February 1, 2001	Chapter IV:	OPERATIONAL PHASE
Amends:		Section A:	Loan Product Evaluation
		Subject 4:	Peer Review

1. Peer review is a process where another MABS point person would visit other participating banks under the supervision of a fellow point person. Since each consultant has his/her own field of expertise (i.e., banking operations, microfinance, microenterprise outreach, savings mobilization, market research, etc), this process will benefit both the MABS consultant and the PBs.
2. The purpose of peer review is to evaluate the microfinance operations of the participating banks from the perspective of other MABS consultant not directly supervising the PBs being reviewed. This approach enables a more objective assessment of the delivery of training and technical assistance provided by the point person.
3. The following areas of concern shall be reviewed:
 - 3.1 **Product Manual.** Is the manual constantly reviewed and updated? Does it reflect the actual procedures being carried out by the MF staff?
 - 3.2 **Product.** Is the product well designed? Does the bank follow microfinance best practices as recommended by MABS?
 - 3.3 **Loan Documentation.** Are the loan folders properly filed? Are all loan documents properly filled up and filed in the client's folder? Is cashflow analysis being implemented? Are all signatures and supporting documents in place?
 - 3.4 **MFU Organization.** What is the MFU's organizational structure? How are the staff being trained and supervised? What is the unit's manpower capacity to answer the demands of the market? How does the structure contribute to the efficient delivery of bank's microfinance operations and the implementation of internal control?
 - 3.5 **Management Information System.** Is the MIS accurate enough to support the bank's decision-makers? Does the MIS have the capability to integrate both loans and savings data as required by the MABS microfinance product? Does the bank have a permanent staff who is responsible for the bank's MIS requirements?

- 3.6 **Internal Control.** Are there proper internal control measures being implemented? Do the account officers observe these measures? How does the supervisor and the bank ensure that the account officers are following these procedures. How are fraud detected? What are the corresponding actions in cases of fraud and internal control lapses?
 - 3.7 **MFU Staff.** Are the staff members motivated? Are they well trained? What is the management doing to keep the staff highly motivated?
 - 3.8 **Senior Management.** How committed is the management to the microfinance operations? Is this commitment supported by corresponding actions? What are the management's long-term plans for the product?
 - 3.9 **Expansion Phase.** How is the expansion phase being carried out? How timely is it being implemented? Are all the requirements for expansion fulfilled before the implementation? Is the bank ready for the expansion phase? Is the bank carrying out its expansion activities in accordance with MABS standard and approach?
4. The peer review will take two days to complete. At the end of the process, the peer reviewer shall write a report on his/her findings and provide conclusion, suggestions, recommendation and give this to the bank's MABS consultant.
 5. Annex IV-A4 is an example of a peer review report.

ANNEX IV-A4

REVIEW OF RB XYZ MF OPERATIONS
MABS Technical Advisor
July 18, 2000

Areas of Concern	Findings	Recommendations
Product Manual		The product manual may need some revisions specifically on collection procedures.
Product	<p>The loan product is well-designed. Loan sizes are initially small. Loan amount depends on the cash flow of the client. Step up lending is not encouraged.</p> <p>Loan repayments are applied weekly. Collections may be daily or weekly. In no instance shall the borrower be allowed to pay from daily to weekly or vice versa during the term of the loan. Changes on the collection option shall be agreed on the next loan accommodation.</p>	<p>The branch should determine the maximum borrowers per AO considering that the collection system has several options. How many are being collected daily or weekly? The standard 100-120 accounts per AO may no longer be applicable. This should also be considered to determine the break-even numbers and loan portfolio for the incentive scheme.</p>
Loan Folders	<p>All loan documents were found in the individual loan folders.</p> <p>Cash flow analysis was recently implemented.</p> <p>The loan folders contain the security agreement and the dacion en pago duly signed by the borrowers.</p>	<p>At the time of the visit, the X branch had 237 active borrowers.</p> <p>The AO's appreciated the cash flow instrument as a means to mitigate risk and prevent delinquency.</p> <p>The security agreement needs to be reviewed on its legal implications. The instrument shall never be confiscatory in nature. The bank cannot impose two legal documents to ensure collection. It is best that the dacion en pago be used provided the items are indicated and its estimated value ascertained at the time of the release of the loan.</p>
MFU Organization	<p>The branch has 4 regular AO's and one loan supervisor. The previous months, the branch became a training ground for other newly hired AO's for branches. The bank plans to hire</p>	<p>X branch should consider hiring additional AO's for the branch since the present manpower complement is nearing its optimum. Though X branch is identified by the bank as its training</p>

Areas of Concern	Findings	Recommendations
	<p>additional 10 AO's to be trained also in X. branch.</p> <p>The branch is considering hiring on full time loan staff to handle the bookkeeping and other administrative functions of the unit. With the present complement of 4 AO's and one loan supervisor, the branch can well afford to hire one loan staff for efficiency and for internal control purposes.</p> <p>On the broader side, the bank plans to create one central unit based at head office. All the MFU of the branches shall be under this central unit.</p>	<p>ground for individual lending, the trained AO's will soon be distributed to the branches leaving the loans that were granted to the regular AO's permanently assigned in X branch.</p> <p>Sound banking practice dictates that there should be somebody to check/continue the process.</p> <p>MABS needs to define the role of this central unit so as to coordinate with the existing organizational structure.</p>
MIS	<p>The present MIS for loans is a locally based software developed by its MIS group. Microbanker system used for savings. The two systems are on stand alone basis ad not capable of being integrated.</p> <p>The reports generated from the loan system were not yet accurate. The bank plans to hire additional staff to augment the present workforce of the MIS group.</p>	<p>A lot of work needs to be done in the loan system to conform to the standard reports of MABS. It is suggested that the MIS group to work full-time since some of the AO's trained in X branch were already distributed to selected branches. The branches are already in the initial implementation of the product.</p>
Internal Control	<p>The branch is using the card-based system in its collection. However, no instrument was used by the AO's in recording the daily collections. Only a piece of paper was given to the loan staff as a basis to issue the official receipt. This piece of paper was then thrown into the wastebasket once the OR's are issued.</p>	<p>It is suggested that the AO's utilize the report on loans maturing during the week as the basis for the collection. The report will then be the basis of the loan staff to issue the pre-numbered ORs. The report shall also be filed and kept as part of the record keeping of the bank and which will serve as audit trails and other future references for the branch.</p>
MF Staff	<p>Well motivated and well trained.</p>	<p>A training needs assessment should be conducted to identify the types of additional training needed.</p>
Top Management	<p>The President was very enthusiastic and very aggressive on both the MF individual and group lending products. Even at the start of our intervention, top management decided to hire 10 AO's to be trained simultaneously with the 4 AO's in X branch. At an early stage, top management</p>	<p>It is suggested that the BM's of the other branches be involved in the activity. Training/appreciation course may be necessary for them to fully understand the program. Even if the AO's are well trained but the BM's are not made to understand the program, resistance will be very prevalent which</p>

Areas of Concern	Findings	Recommendations
	<p>had envisioned that the individual lending activity shall become a major activity and should be implemented the soonest to all its branches.</p> <p>The President is planning an organizational revamp mainly to address the growing branch network and increased deposit and lending activities.</p>	<p>might cause demoralization among the ranks of the AO's leading to the eventual demise of the program.</p> <p>It is suggested that the bank create 5 major departments namely;</p> <ul style="list-style-type: none"> § Branch Operations - to handle the branches dealing with deposit mobilization, marketing, branch expansion § Account Management - to handle all types of loans sub-divided further to big and small loan accounts § Treasury - to handle fund management § Personnel – to handle personnel matters § MIS - handle management information
Expansion Phase	<p>Right from the start of our intervention, the bank hired 10 AO's together with the 4 AO's in X. Sometime last month, most of the AO's were distributed to other branches. Another batch of 10 AO's will be trained also in X bringing to 20 the number of AO's for the other branches.</p>	<p>It is suggested that the bank should have a full blown expansion plan so that MABS can provide adequate and timely assistance to the branches. If we will start counting the numbers of the branches, portfolio quality should be of prime consideration. Although trained in X, closer coaching and monitoring are still needed for the program to work in the branches. .</p> <p>It is suggested that the plans of the bank should not outpace the types of assistance and intervention that we are providing.</p>
Conclusion	<p>In general, Mely has done a great job in providing the needed technical assistance and training for the bank.</p>	<p>Preferably, other technical point persons will be able to support the MABS point person in the expansion phase as RB XYZ was envisioned by MABS to contribute substantially to the committed numbers to USAID.</p>

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 2, 2001

Chapter V: OPERATIONAL PHASE

Amends:

**Section B: Strategic Planning
Workshop**

1. The Strategic Planning Workshop is a two or three-day (depending on the size of the bank) bank-wide activity for the PBs that involves product review, planning, and target-setting for the microfinance operations in the context of the overall bank performance. It should be conducted for all PBs prior to the end of the PBA.
2. It is best to conduct the strategic planning workshop at least one year after launching the microfinance product. By this time, it should be understood by the bank that microfinance is not just a “special project” of the bank funded by an external source, nor a separate activity of the bank. Rather, the whole bank should have accepted at this point that microfinance is a bank (and/or branch-wide) operation, that microfinance products are products of the bank, and that everyone in the bank has a role in the implementation of a successful and sustainable microfinance operations.
3. The Bank President, senior/branch managers and officers (e.g., internal audit, human resource, marketing, central office, etc.), cashier, microfinance supervisors, and account officers should attend the workshop.
4. Specifically, the objectives of the strategic planning workshop are the following:
 - 4.1. Define the bank’s goals in microfinance.
 - 4.2. Evaluate product performance in the context of overall bank performance.
 - 4.3. Evaluate product features, policies and procedures to determine necessary modifications.
 - 4.4. Analyze internal strengths and weaknesses and external opportunities and threats (SWOT).
 - 4.5. Formulate strategies for addressing weaknesses and threats (if the bank has already expanded, this is done for each branch).
 - 4.6. Set targets: new markets; number of clients; portfolio; PAR
 - 4.7. Determine needed support in terms of organizational structure, supervision, and governance
 - 4.8. Determine what resources are needed to meet the goals and targets, viz:
 - P Manpower – area supervisors; account officers
 - P Computer hardware and software
 - P Transportation and communication
 - P Funds
 - P MIS
 - 4.9. Determine training needs and the mechanism that should be put in place to ensure continuing training of new and existing account officers.
 - 4.10. Revise business plans (if necessary)
 - 4.11. Prepare action plan for the next year (for each branch).

5. The workshop involves preparatory activities for the bank. Materials and guidelines will be sent to the bank prior to the scheduled workshop. To prepare, the bank shall do the following:
 - 5.1. Branch manager & supervisors should conduct in-house sessions with MFU staff and collate feedback from AOs on what needs changing as regards to: (a) product features and policies; and (b) procedures.
 - 5.2. Put on acetate selected performance indicators for a specified period based on MIS reports (# of active clients; loan portfolio balance; # of loans disbursed for the month, with new & repeat loans segregated; average number of accounts per AO; PAR, in terms of number of accounts with PAR and % PAR).
 - 5.3. Conduct SWOT analysis, by branch, and put results in acetate.
 - 5.4. Conduct market survey using the survey instruments used previously during the microfinance target market assessment. Interview 100 respondents in a new area.
 - 5.5. Get/update information on competitors in the branch's service areas
 - 5.6. Put together marketing plans for present & future expansion areas, per branch.
 - 5.7. Summary of SWOT analysis concerning the microfinance markets.
 - 5.8. Define the marketing strategy and formulate steps to implement the marketing strategy, to wit:
 - Define area coverage
 - Describe competitors in the area coverage of the branch, and how GB branch product and services compare with the competition in terms of (a) product pricing & features; (b) service quality
 - Identify comprehensive action steps on how to compete and capture an increasing slice of the microfinance market.
 - 5.9. Ensure that preparatory outputs for the workshop are ready for presentation on the first day of the workshop. The bank's strategic plan will provide the overall framework for the planning workshop for the microfinance product.
6. Activities such as plenary sessions, group discussions and presentations shall be utilized to achieve the objectives of the workshop. At the end of the workshop, the bank is expected to complete the following outputs: (1) mission and vision statement for microfinance; (2) status and achievements; (3) proposed changes to the product; (4) SWOT analysis; and (5) strategies, action plans, in relation to the over-all targets of the bank.
7. The bank is expected to prepare presentation materials on product performance such as flowcharts, graphs, or tables that will show the status and achievements of the MFU. The performance monitoring and MIS reports are the main sources of these data. Qualitative achievements may also be presented. These are mainly gathered from client interviews and staff discussion.
8. MABS consultant shall draft a post-activity report of the strategic planning.

9. Attached are the following:

Annex IV-B-A1 Schedule of Activities

Preparatory Materials:

Annex IV-B-A2 Product Review (Sample Output)
Annex IV-B-A3 Competitor Analysis (Sample Output)
Annex IV-B-A4 Guideline: Competitor Analysis
Annex IV-B-A5 Guideline: SWOT Analysis

Workshop Session:

Annex IV-B-A6 Strategic Planning Framework
Annex IV-B-A7 Activity Flow Guide

Sample Outputs:

Annex IV-B-A8 Microfinance Vision Statement
Annex IV-B-A9 Product Achievements
Annex IV-B-A10 SWOT Analysis
Annex IV-B-A11 Strategies
Annex IV-B-A12 Targets
Annex IV-B-A13 Action Plan

Annex IV-B-A14 Strategic Planning Post-Activity Report

ANNEX IV-B-A1

**RB XYZ
STRATEGIC PLANNING WORKSHOP
Schedule of Activities**

Day 1 (Friday)		
Time	Activity	
8:30-9:00 a.m.	Registration	Jonathan
Session 1 9:00-9:15	<ul style="list-style-type: none"> € Workshop Objectives, Activities, Outputs € Over-all Bank Performance 1998-1999 and year 2001 (Strategic Planning) € Participant's roles € Strategic Planning Framework € Activity Flow Guide 	President/GM Rufa Mina
Session 2 9:15-9:45	Workshop Theme: Why is Microfinance is Important to RB XYZ and its Future Direction in RB XYZ	Chairman
Session 3 9:45-10:15	Microfinance and its Future Direction in the Bank: Mission & Vision in Microfinance Output #1: M/V for Microfinance	
Session 4 10:15-12:15	Plenary Session: Has the MF Product Made a Difference to the Bank? Assessment of Achievements, quantitative and qualitative, by branch <ul style="list-style-type: none"> € Consolidated € By Branch Reporting Output #2: Status and Achievements	Facilitator: Mely Each branch should appoint a reporter (25 minutes reporting).
12:15-1:00	LUNCH	
Session 5 1:00-2:30	Group Discussion BY BRANCH <ul style="list-style-type: none"> € Review of Product Features, Policies & Requirements € Review of Process/System <ul style="list-style-type: none"> H CIBI/Cash flow H Releasing-Collection & Internal Control System H MIS € Competitor Analysis BY HEAD OFFICE <ul style="list-style-type: none"> € Finalization of Incentive Scheme 	Facilitator: Berns

Session 6 2:30-5:00	Group Reporting & Critiquing Output #3: Proposed Product Changes / Modifications and Standardization of Procedures in Branches	Chair: Rufa 30 mins/group
Session 7 5:00-6:00 6:00-7:30	SWOT Analysis Technical Inputs Workshop by Branch 1. Strengths & Weaknesses – Internal Factors 2. Opportunities & Threats - External Factors 3. IFE / EFE Matrix 4. SWOT Matching (Strategy Formulation)	Overall Facilitator: Mina Workshop group facilitators: Mely, Berns, & Mina
7:30-8:30	DINNER	
8:30-upwards	Continuation of Workshop/Preparation for Reporting	

Day 2 (Saturday)

Time	Activity	
Session 8 8:00-12:00	Plenary Session: Reporting & Discussion/ Critiquing Output #4: Per Branch 1. List of SWOT 2. IFE/EFE Matrix 3. Formulated Strategies	Facilitator: Mina
12:00-12:30	Consolidation of Outputs	Facilitator: Mina
12:30-1:30	LUNCH	
Session 9 1:00-4:00	<ul style="list-style-type: none"> ∅ Plenary: Technical Inputs ∅ Workshop group, by branch: Translate the results of previous sessions into specific ACTION PLAN, by branch, one-year time frame, 2001 INTERNAL ACTION PLANS ∅ Specific objectives by branch ∅ Target setting (# of active borrowers; portfolio level; PAR; savings generation) ∅ Major activities the branch should take to attain objectives and targets, specifying the time and the lead person/s ∅ To be accomplished by the Head Office H Requirements (funding, manpower, equipment, training, management support, Head Office support, incentive scheme, MIS) 	Facilitator: Mely

	H Organizational Structure EXTERNAL ACTION PLANS € Market component (Marketing Plan) € Competition (Positioning)	
Session 10 4:00-6:30	Plenary: € Reporting, by branch € Critiquing	
6:30-7:30	DINNER	
Session 11 7:30-9:00	€ Consolidating the targets and resource requirements € Each branch should finalize its Action Plan	To work in the consolidation: Mimi & Jonathan. The 2 PCs and printers should be available at the site.
Day 3 (Sunday)		

Session 12 8:00-9:00 a.m.	Report on the consolidation	Bank President
Session 13 10:00-11:00	Commitments and formal signing of the following: € Mission and Vision for Microfinance € Set of Strategies € Branch Action Plans € Consolidated targets and Resource Commitments	To be led by Bank President/Chairman of the Board
Session 14 11:00-12:00	Closing	RBAP Officer Bank Officer Mely Agabin
12:00-1:00	LUNCH	
1:30	Check out/departure	

ANNEX IV-B-A2

RB XYZ "ABC" Product Review

Jan. 26, 2001

X Branch

Review of Product Features	PROPOSED CHANGES	JUSTIFICATIONS																														
Cash Flow Lending Target markets are microenterprises with daily or weekly income Step-up Lending Regular small collection of payments	AS IS																															
Review of Policies Loan Terms and Sizes <table border="1" data-bbox="199 803 945 998"> <thead> <tr> <th>Loan Cycle</th> <th>Terms</th> <th>Min.Amt</th> <th>Max. Amt</th> <th>ARC</th> </tr> </thead> <tbody> <tr> <td>First</td> <td>1-3 mos.</td> <td>3,000.00</td> <td>15,000.00</td> <td>25%</td> </tr> <tr> <td>Second</td> <td>1-3 mos.</td> <td>3,000.00</td> <td>25,000.00</td> <td>25%</td> </tr> <tr> <td>Third</td> <td>1-4 mos.</td> <td>3,000.00</td> <td>40,000.00</td> <td>30%</td> </tr> <tr> <td>Fourth</td> <td>1-5 mos.</td> <td>3,000.00</td> <td>50,000.00</td> <td>35%</td> </tr> <tr> <td>Succeeding</td> <td>1-6 mos.</td> <td>3,000.00</td> <td>60,000.00</td> <td>40%</td> </tr> </tbody> </table>	Loan Cycle	Terms	Min.Amt	Max. Amt	ARC	First	1-3 mos.	3,000.00	15,000.00	25%	Second	1-3 mos.	3,000.00	25,000.00	25%	Third	1-4 mos.	3,000.00	40,000.00	30%	Fourth	1-5 mos.	3,000.00	50,000.00	35%	Succeeding	1-6 mos.	3,000.00	60,000.00	40%	AS	
Loan Cycle	Terms	Min.Amt	Max. Amt	ARC																												
First	1-3 mos.	3,000.00	15,000.00	25%																												
Second	1-3 mos.	3,000.00	25,000.00	25%																												
Third	1-4 mos.	3,000.00	40,000.00	30%																												
Fourth	1-5 mos.	3,000.00	50,000.00	35%																												
Succeeding	1-6 mos.	3,000.00	60,000.00	40%																												
Interest rate = 2.50% per month	AS IS																															
Service charge = 3.00% per loan	AS IS																															
Mutual Benefit Scheme = .4% - .7% (1-6 months) for loans below P40,000.00	AS IS																															
Loan Insurance = .2%-.7% (1-6 months) for loans above P40,000.00	AS IS																															
Notary Fee = P100.00 collected up-front	AS IS																															

ANNEX IV-B-A2

	PROPOSED CHANGES	JUSTIFICATIONS
<p>Penalties for Late Payments: 5% per daily/weekly delayed installment pymts.</p>	AS IS	
<p>Savings Contribution:</p> <ul style="list-style-type: none"> > All clients must open a special savings acct for contractual savings. The initial amount to open is P100.00. > The maintaining balance to earn interest is P500.00 > Clients may also open regular savings acct for their voluntary savings build-up. > ABC clients will deposit the equivalent of 10% of their daily/weekly loan amortization(principal plus interest). 	AS IS	
<p>Payment schedule:</p> <ul style="list-style-type: none"> > Frequency of payment will depend on the cash flow of the entrepreneur > Equal payments either:daily,weekly or bi-monthly > Daily amortization payment is based on a 7-day week. Collection is from Monday to Friday, with payment doubled up on Monday and Friday. > Weekly amortization is every 7 days. > Bi-monthly amortizations is every 14 days. <p>Payment will start as follows:</p> <ul style="list-style-type: none"> > Loan with daily pymt: First installment starts the day after loan release. > Loan with weekly pymts: First installment shall be due the following week on the anniversary day, that is the7th day after the release of the loan. For example, if loan is released on a Tuesday of the current week, weekly collection is every Tuesday. 	MONTHLY	FOR BIG BUSINESSES
<p>Guarantee/Security Mechanisms: All loans will require:</p> <ol style="list-style-type: none"> 1 Spouse or relative as a co-borrower 2 Two (2) co-makers 3 Deed of Assignment of Deposits 4 Security Agreement &/or Dacion en Pago; and/or 5 Chattel Mortgage, on loans over P25,000.00 	AS IS	

ANNEX IV-B-A2

	PROPOSED CHANGES	JUSTIFICATIONS
<p>Repeat Loans: Who may avail of a repeat loan:</p> <ul style="list-style-type: none"> > Clients who have paid on time at least 90% of all installment pymts on the previous loan. > Otherwise the account officer must provide justification for recommending the repeat laon. > If the loan size increases, the business should demonstrate growth and sufficient capacity to handle the larger loans. 	<p align="center">AS IS</p>	
<p>Review of Eligibility Criteria:</p> <ul style="list-style-type: none"> > If home-based, must be in the business at least one (1) year. If public market vendor, 1-5 years depending on the business, with certification from the public market administrator. > A resident of the locality for at least 3 years > Be of legal age up to 70 years and in good health. > Business located within the defined geographical area covered by the Micro-Finance Unit (MFU). > Must pass the requirements of the credit investigator and cashflow process. <p>Who are not eligible to participate or act as co-makers:</p> <ul style="list-style-type: none"> > Applicants with <u>existing past due accounts</u> with RB XYZ, with other banks, and/or other creditors/suppliers 	<p align="center">60 YRS OLD</p>	<p align="center">COVERED WITH INSURANCE</p>

ANNEX IV-B-A2

	PROPOSED CHANGES	JUSTIFICATIONS
Review of Process / System Review: Client Orientation Credit Investigation (CI) Background Investigation (BI) Loan Review and Approval Loan Signing and Disbursement Repeat Loan Application Process (pls refer to attached docs) Repayment Collection Procedure (pls refer to attached docs.) Loan Delinquency Management (pls refer to attached docs.) Loan Monitoring Reports (pls refer to attached docs.)	AS IS	

ANNEX IV-B-A3

STRATEGIC PLANNING-COMPETITOR ANALYSIS

RB XYZ, INC.

A. General Information

Item	Participant Branch	Competitor #1	Competitor #2
1Name of Financial Institution (F)	RB XYZ x Branch	MILLENIUM BANK	KING'S COOPERATIVE
2Type of F	Rural Bank	Rural Bank	Lending
3Location/ Address	XYZ City	XYZ City	Butuan City
4Types of Services Provided	All kinds of deposit accts. All kinds of loan (indiv.)	All kinds of deposit accts. all kinds of loan (indiv&grp)	All kinds of deposit & all kinds of loan (indiv.)
5Type(s) of Loan Product	Individual	Individual / Group	Individual
6Target clients	All existing Microenterprise sector	Microenterprise sector (existing/start-up)	Microenterprise sector (existing/start-up)
7Priority Areas	City proper and its adjacent barangays	City proper and its adja- cent barangays	Butuan and adjacent muni- cipalities and remote areas
8No. of Borrowers	119		
9Total Loan Portfolio	112 M		
10Source(s) of Credit Funds	deposits borrowings	deposits government funds	deposits capital contribution

ANNEX IV-B-A3

B. Comparative Loan Product Features

Item	Participant Branch	Competitor #1	Competitor #2
1Name of Program or Product	ABC Loan	Tulungan Loan	none
2Loan Size-First loan	PhP3,000-5,000	PhP3,000-10,000	PhP5,000-20,000
3Minimum loan size without hard collateral	PhP25,000	PhP25,000	PhP25,000
4Term (range)	3-6 months	3-12 months	3-12 months
5Mode of Payment	daily, weekly	daily, weekly	monthly
6Interest & Other Charges	2.5% / month 3% SF / transaction	2%/month 5% SF / transaction	7% / month 5% SF / transaction
7Deductions	loan protection notarial fee, add-on	doc stamps, loan protection, notarial fee, discounted	doc stamps, notarial fee, discounted
8Savings Requirements	10% contractual savings PhP100 to open acct.	capital build-up	contractual savings
9Collateral	savings acct, chattel,	grp guarantee, savings, chattel	savings, chattel, rem
10Penalty Charges	5% / day	10% / day PhP50 (absent)	none
11Interest Rebate / Other incentives	regalo, step up lending, assurance of a repeat loan, 2%int rate	int. rate rebate	none

ANNEX IV-B-A3

C. Comparative Product Delivery Procedures

Item	Participant Branch	Competitor #1	Competitor #2
1Pre-loan activities(training, client orientation, group formation, written/oral tests	1 hr orientation	7 days CGT	SAME
2Loan application requirements	2x2 Photo, res. Cert.,affidavit of ownership		
3No. of days it takes to process loan applications- First loan	at least one week.... Max	3 days	1 day
4No. of days it takes to process loan applications- Repeat loan	a day after	a day after	a day after
5Collection procedure:picked up or handled in by borrower	picked-up / handled	picked up	picked up

ANNEX IV-B-A4

GUIDELINE: COMPETITOR ANALYSIS

The purpose of assessing your competition in strategic planning is to determine your share of the microfinance market, given the advantages or disadvantages your bank has over your competitors. It will also enable you to examine which aspects of your services need to be enhanced in order for your bank to compete more effectively with your competitors.

You will need information about your major microfinance competitors in your service area. The tables below will help you build up the information you will need in doing the analysis. Gathering information about your competitors may be a bit difficult. However, you could interview their existing clients, or even their field workers, about their microfinance products and the quality of their services.

A. GENERAL INFORMATION

Select the four biggest (in terms of outreach or number of borrowers) microfinance lenders in your service area. These may include banks, NGOs, cooperatives, lending investors, or informal moneylenders.

B. COMPARATIVE LOAN PRODUCT FEATURES

This section shows the comparative strengths and weaknesses of your loan product vis-à-vis those of your four biggest competitors.

Indicate in Name of Program/Product whether the lender is into group lending or individual lending. If the lender is doing both, prepare a separate sheet for the second loan product.

C. COMPARATIVE PRODUCT DELIVERY PROCEDURES

This section shows the comparative advantages and disadvantages of your credit delivery system against those of your four biggest competitors.

D. SUMMARY

This section provides a list of your strengths and weaknesses as a microfinance lender, as well as those of your four biggest competitors.

In strategy formulation, focus on your weaknesses. Think of ways to correct these. This may involve changes in present policies and procedures, or the formulation of new policies or procedures.

Also, look at your competitors' specific strengths. If your bank would not be able to acquire or develop comparable advantages in certain aspects, avoid competing with them in these areas.

ANNEX IV-B-A5

Guide Questions for the S.W.O.T. Analysis

External Environment Assessment:

External Factors are those factors that pose as opportunities and threats affecting the branch's microfinance operations and the microenterprise community as a whole. This may include:

1. Economic

- H What is the attitude of the people in the area towards spending and savings?
- H What is the average per capita income? Earning levels?
- H Any present underground economy in the area?
- H Does the recent oil price hike or inflation affect existing businesses?
- H What are the existing/expected socio-economic prospects that could lead to a microenterprise sector? That would curtail the growth and dynamism of the microenterprise sector?

2. Social

- H What is the level of literacy in the area?
- H Where does people usually borrow funds?
- H Is banking a normal part of their lifestyle?

3. Cultural

- H What is the established culture of the people in the area regarding borrowing, paying debts and saving?

4. Demographic

- H What is the largest age group in the community?
- H How many are still single, married or separated in the community?
- H How many are female vs. male?

5. Environmental

- H Are there existing businesses that are deemed detrimental to the environment?

6. Political

- H Does the political instability affect the way of doing business in the area?
- H Are there any existing insurgency cases in the area?

7. Governmental

- H Are there any existing or expected government policies, programs and support that will enhance/affect the ability of the bank to expand its MF operations?

8. Legal
 - H Are the businesses present in the area legally operating?
9. Technological
 - H What is the level of information technology in the area?
 - H Are there existing businesses using the said technology?
10. Competition
 - H Can the bank offer the same, if not superior, service to the microenterpreneuers to be able to capture a bigger share of the market?
 - H How does the bank's present microfinance products compare with those of its leading competitors?
 - H What are the weaknesses of the other competitors that will limit their competence and expansion to their respective microfinance operations?

Internal Audit and Assessment:

Internal Factors are factors representative of the bank/branch strengths and weaknesses in the functional areas of the branch and the interrelationships among these areas.

1. Management – Planning, Organizing, Motivating, Staffing, Controlling
 - H Does the management give its full commitment and support for the microfinance operations and its planned expansion?
 - H Is the leadership style used motivates personnel to work efficiently for the microfinance operations?
 - H Does management shows competence to handle the program and any expansion?
 - H Are there defined tasks and authority relationships present in the organization and MFU?
 - H Does the present management communication system compliments successful implementation of the program?
 - H Does the bank have adequate and experienced human resources to manage and implement an expanded human resource operation?
 - H How did the management promote product knowledge and awareness to its employees?
 - H Are there internal controls in place for the microfinance operations?
 - H Is there somebody who assures actual operations and conforms to planned operations?
 - H Are the performance standards well understood to all concerned and SMART (Systematic, Measurable, Attainable, Realistic and Time based).

2. Marketing – Customer Analysis, Selling Products/Services, Product and Service Planning, Pricing, Distribution, Marketing Research, Opportunity Analysis and Social Responsibility.

- H Has the bank examined, evaluated and identified exactly the customer needs, desires and wants (market research)?
- H Are the present marketing activities effective in pushing the product in the market (advertising, sales promotion, publicity, sales force, customer relations)?
- H Is the product competitively priced?
- H How is the product presently distributed?
- H Where is the target area and market coverage of the product? Has it been fully serviced?
- H Should the present product be further developed?
- H Has the total benefits exceeded the total cost incurred in promoting the product?
- H Is everyone aware of the social responsibilities involved in promoting the product?

3. Finance/Accounting – Investment/Budget, Funding, Financial Performance of the Bank

- H Does the bank have adequate financial resources to invest in expanding its microfinance operation?
- H Where could the bank source fund for any proposed expansion of the program?
- H Is there an available financing should a need arise?
- H Has the microfinance operations improved the bank's profits and financial performance?

4. Production/Operations – Process, Capacity, Workforce, Quality

- H Can the bank operate efficiently with lesser cost?
- H Has the bank promoted service quality?
- H How long can one (1) loan request be processed?
- H How long can one (1) account be collected?
- H How many accounts can one (1) AO market, collect and produce?
- H Is the present number of staff adequate enough for the MFU?
- H Are the processes involve be further improved?

5. Research & Development – Product and Process Development

- H How are product and process evaluated and further developed?

6. MIS
 - H Does the bank have proper technology to be able to track an expanded MF Operation?
 - H Are there any present automation/networking that could contribute efficiently to the operations of the MF (branch networking)?
7. Organizational Set-up / Culture
 - H Does the bank have adequate organizational structure in place to sustain and expand its MF operations?
 - H Does the bank have the proper institutional culture to be able to manage and control loan delinquency?
 - H What is the bank/branch image in the community and in the banking industry?

Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) Matrices can be developed to come up with specific strategies. The IFE tool summarizes and evaluates the major strengths and weaknesses in the functional areas of the bank. Further, it provides a basis for identifying and evaluating relationships among these areas. The EFE tool, on the other hand, will try to summarize and evaluate the economic, social, cultural, environmental, political, governmental, legal, technological and competitive information as being used by the bank in its strategies.

The participating bank/branch can assign a relative weight of importance to the industry (0.0 not important, 1.0 all-important) for each identified factors. Summation of weights for SW (internal) is 1.0 and for the OT (external) is 1.0.

In addition, a ranking can be performed according to the following ratings:

For IFE	For EFE
1 = Major Weakness	4 = Superior
2 = Minor Weakness	3 = Above Average
3 = Minor Strength	2 = Average
4 = Major Strength	1 = Poor

The rating for EFE is done to indicate how effectively the bank's current strategies respond to each identified factors. The rating for the IFE on the other hand qualifies the factors as being a major or minor consideration.

Ratings are based on effectiveness of the firm's present strategies. It should be organizational based (relative to MF) while assigning weights are industry-based. These are multiplied to give the following evaluation:

- IFE Scores
- Less than 2.5 – Weak internal position
 - Equal to 2.5 – Average internal position
 - More than 2.5 – Strong internal position

EFE Scores

Less than 2.5 – Present strategies are not capitalized on the opportunities/avoidance of threats

Equal to 2.5 – Average response to the existing external factors

More than 2.5 - The bank is responding to the existing opportunities and threats in the industry

The strengths and weaknesses identified will be matched with the opportunities and threats enumerated to develop four types of strategies:

- Ø **SO Strategies** – Strategies that utilize the branch’s internal strengths to take advantage of the present external opportunities.
- Ø **WO Strategies** – Strategies that aim at improving the internal weaknesses by taking advantage of external opportunities.
- Ø **ST Strategies** – Strategies that uses the branch’s identified strengths to avoid (at the maximum) or reduce the impact of external threats.
- Ø **WT Strategies** – These calls for the branch’s use of defensive tactics aimed at reducing the internal weaknesses while avoiding environmental threats.

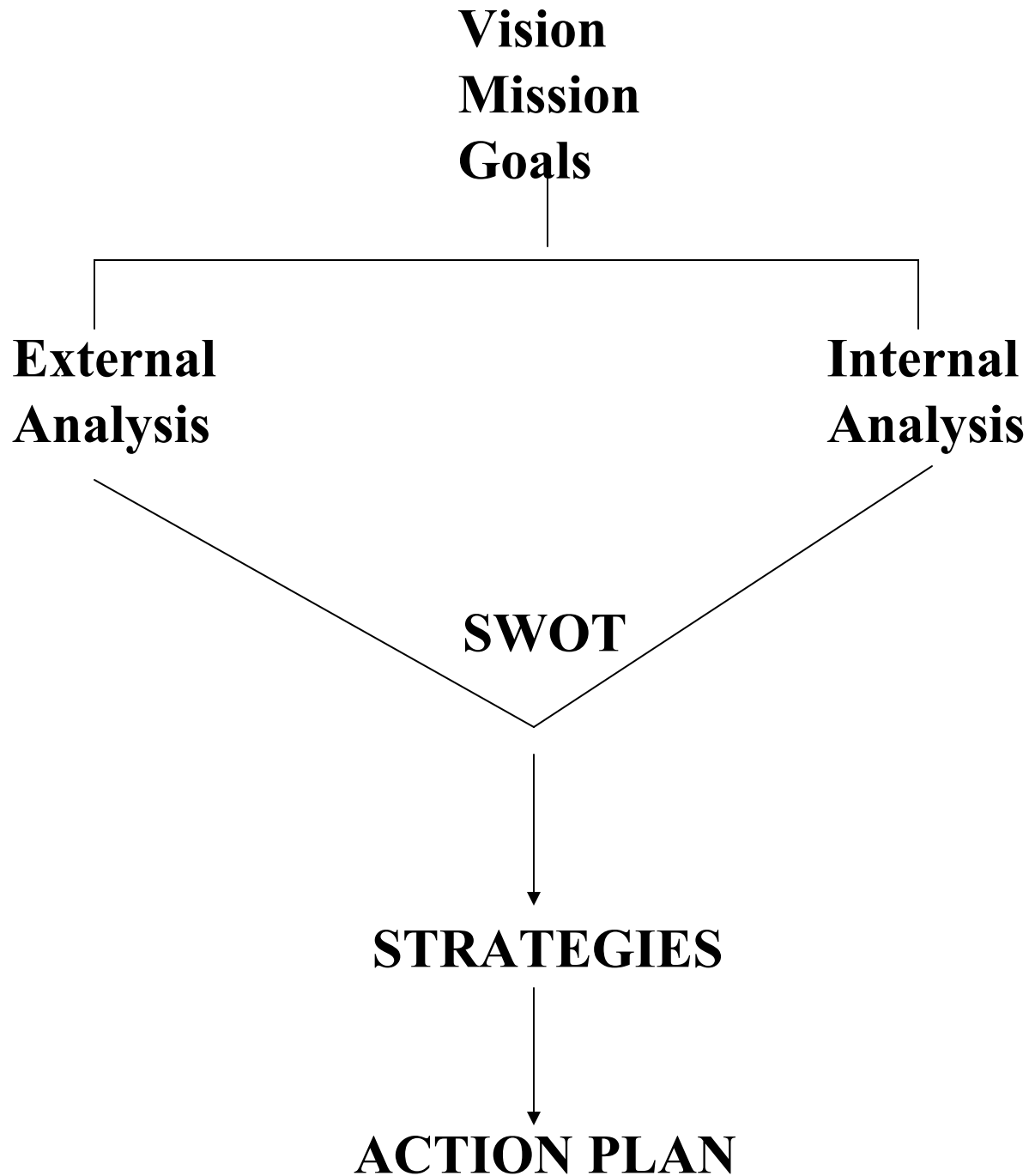
The following matrix can be used to facilitate the matching of SW with OT:

SWOT MATRIX		
	STRENGTHS (List at least five strengths)	WEAKNESSES (List at least five weaknesses)
OPPORTUNITIES (List down at least five opportunities)	SO Strategies	WO Strategies
THREATS (List down at least five threats)	ST Strategies	WT Strategies

In formulating strategies, note what specific threat and weakness factors will be addressed by the strengths and opportunities factors.

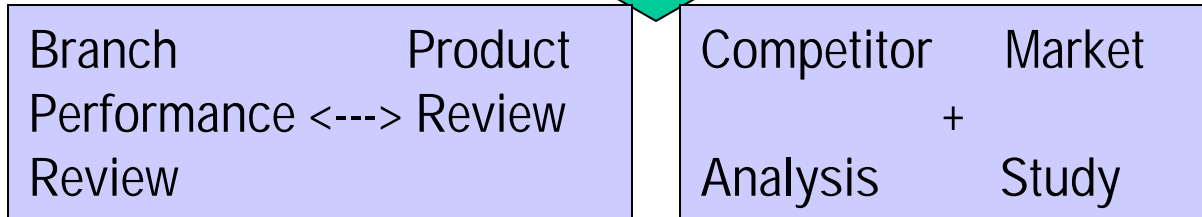
From the resulting strategy, specific action plans will be drafted and implemented addressing both the external (Market and Competition) and internal consideration to the branch microfinance operations (Management and Other Functional Areas). Moreover, target setting and possible enhancement of the existing product will be made.

STRATEGIC PLANNING FRAMEWORK



ANNEX IV-B-A7: ACTIVITY FLOW GUIDE

MFU Mission/Vision Statement Development



INTERNAL FACTORS + EXTERNAL FACTORS

SWOT ANALYSIS

SWOT Matching

STRATEGY FORMULATION

STRATEGIES

STRATEGY IMPLEMENTATION

*Target Setting
*Product Enhancement
*Mgt. & other Fxn'l. Areas
(Leadership, Struc., Tech.,
HR, Grp. Processes)

*Market (Mkt. Plan)
*Competition
(Positioning)

INTERNAL

EXTERNAL

ACTION PLAN

ANNEX IV-B-A8

RB XYZ, INC.

MICROFINANCE VISION STATEMENT

To be a Model Bank by the year 2002 in the delivery of sustainable and profitable Microfinance Services.

MICROFINANCE MISSION STATEMENT

1. Help in the upliftment of enterprising men and women in the rural and urban communities.
2. Set standard of excellence and service quality in rural banking and microfinance.
3. Promote strong customer orientation in the bank.
4. Create a well-trained, motivated and adequately rewarded manpower for Microfinance.

ANNEX IV-B-A9

PRODUCT ACHIEVEMENTS

- H Generation of additional income to the bank.
- H Gathering of quality loan and rendering of quality service.
- H Strict adherence to zero tolerance by means of close monitoring of accounts
- H Improved marketing strategies thereby encouraging small sectors to go into banking.
- H Established good rapport.
- H Increased number of clients.
- H Set good incentive scheme and at the same time imposed a just penalty.
- H Enhanced a sound and effective MIS.
- H Emphasized co-maker commitment.
- H Developed teamwork between staff.
- H Enhancement of the materiality and relevance of the cash flow.
- H Continuously grabbed the advantage of effective training and workshops provided by MABS.
- H Highly motivated and well trained staff.
- H Promoted further the bank's good image and reputation.
- H Deepened the market's trust and confidence of the bank.
- H Instilled clients' discipline and attitude towards adherence to bank's systems and policies.
- H Practiced an open and constant communication (ex. Top to bottom then bottom to top flow of communication).
- H Enhancement of bankwide systems.
- H Lessen the risk of credit through strict implementation of CI/BI.

(Note: These observations may be supported by figures and other presentation instrument when reported to the senior management.)

ANNEX IV-B-A10

IFE Matrix for RB XYZ, Inc.-X Branch

KEY INTERNAL FACTORS	WEIGHT	RATING	WEIGHTED SCORE
Strengths			
1 no. 1 RB in the region	0.10	4	0.40
2 well supported by the management	0.10	4	0.40
3 well trained AO's	0.10	4	0.40
4 highly computerized MIS	0.10	4	0.40
5 good personal relations	0.10	4	0.40
6 presentable building	0.08	4	0.32
7			
8			
9			
10			
SUB-TOTAL	0.58		2.32
Weaknesses			
1 lack of AO's	0.10	1	0.10
2 lack of mobility	0.08	1	0.08
3 lack of knowledge in other bank products & services/optns	0.06	2	0.12
4 longer time allocated for CI/BI	0.06	2	0.12
5 most businesses of the clients are far	0.06	2	0.12
6 application of product manual are not standardized	0.06	2	0.12
7			
8			
9			
SUB-TOTAL	0.42		0.66
TOTAL SCORE	1.00		2.98

EFE Matrix for RB XYZ, Inc.

KEY EXTERNAL FACTORS	WEIGHT	RATING	WEIGHTED SCORE
Opportunities			
1 commercial centers (5,000+ establishments by 2001)	0.15	4	0.60
2 most clients need >15K on 1st loan	0.10	4	0.40
3 long term loan for big amounts	0.05	4	0.20
4 wide area of expansion	0.15	4	0.60
5 availability of funds/borrowings	0.10	4	0.40
6			
7			
8			
9			
10			
SUB-TOTAL	0.55		2.20
Threats:			
1 competitors - low int. rate less requirements pirate existing clients (double amount)	0.20	4	0.80
2 clever clients	0.05	4	0.20
3 relocation of business	0.05	4	0.20
4 weather conditions	0.05	4	0.20
5 economic condition	0.10	4	0.40
6			
7			
8			
9			
SUB-TOTAL	0.45		1.80
TOTAL	1.00		4.00

ANNEX IV-B-A10

<p align="center">INTERNAL FACTORS</p> <hr/> <p align="center">EXTERNAL FACTORS</p>	<p align="center">STRENGTHS (List at least five)</p> <p>1 no.1 RB in the region</p> <hr/> <p>2 well supported by the management</p> <hr/> <p>3 well trained AO's</p> <hr/> <p>4 highly computerized (MIS)</p> <hr/> <p>5 good personal relation</p> <hr/> <p>6</p> <hr/> <p>7</p> <hr/> <p>8</p> <hr/> <p>9</p> <hr/> <p>10</p>	<p align="center">WEAKNESSES (List at least five)</p> <p>1 lack of AO's</p> <hr/> <p>2 lack of mobility</p> <hr/> <p>3 lack of knowledge in other bank ops.P & S</p> <hr/> <p>4 longer time allocated for CI/BI</p> <hr/> <p>5 most businesses of the clients are far</p> <hr/> <p>6</p> <hr/> <p>7</p> <hr/> <p>8</p> <hr/> <p>9</p> <hr/> <p>10</p>
	<p align="center">OPPORTUNITIES (List at least five)</p> <p>1 commercial center</p> <hr/> <p>2 most clients need ₱5K for 1st loan</p> <hr/> <p>3 lon term loans for big accounts</p> <hr/> <p>4 wide area of expansion</p> <hr/> <p>5 availability of funds</p> <hr/> <p>6</p> <hr/> <p>7</p> <hr/> <p>8</p> <hr/> <p>9</p> <hr/> <p>10</p>	<p align="center">S.O. STRATEGIES</p> <p>revision of manual to cater the needs of big clients</p> <hr/> <p>product promotion & emphasized the incentive scheme for clients</p> <hr/> <p>sustainable to the needs of the clients</p> <hr/> <p>introduce other product - TREES+</p> <hr/>
<p align="center">THREATS (List at least five)</p> <p>1 competitors</p> <hr/> <p>2 clever clients</p> <hr/> <p>3 relocation of business</p> <hr/> <p>4 weather condition</p> <hr/> <p>5 economic condition</p> <hr/> <p>6</p> <hr/> <p>7</p> <hr/> <p>8</p> <hr/> <p>9</p> <hr/> <p>10</p>	<p align="center">S.T. STRATEGIES</p> <p>maintain quality service and good client relationship</p> <hr/> <p>thorough CI/BI</p> <hr/> <hr/> <hr/> <hr/>	<p align="center">W.T. STRATEGIES</p> <p>orientation/training of AO's on the other bank product and services and bank operation</p> <hr/> <p>close monitoring of clients and their business</p> <hr/> <hr/> <hr/> <hr/>

ANNEX IV-B-A11

RB XYZ CONSOLIDATED STRATEGIES

For the year 2001

MARKETING	HRD	MANAGEMENT	MIS	R & D	MFU OPERATIONS
1 incentive scheme 2 promotions 3 customer preference 4 generate more deposits 5 effective marketing strategies	1 develop more staff 2 staff orientation (banking services)	1 revise product manual 2 modify insurance coverage 3 increase loan size 4 MOA to replace security agreement 5 mobility 6 train new AO's 7 insurance bonds	1 back-up MIS 2 well defined and refined MIS 3 MIS technician 4 immediate response to computer problems	1 focused on SME's & ABC plus	1 lower interest* 2 interest is add-on* 3 3% service charge* 4 fast efficient quality service** 5 zero tolerance** 6 one hour orientation** 7 explain the benefits of transferring to ABC+ *** 8 offer products and services without hassle*** 9 sustain the needs of clients*** 10 conduct marketing survey*** 11 maintain good rapport w/ existing clients***

Note:

* Product Strategies

** Procedure Strategies

*** Process Strategies

ANNEX IV-B-A12

**RB XYZ, INC.
STRATEGIC PLANNING WORKSHOP
January 26 - 28, 2001**

**CONSOLIDATED TARGETS FOR THE YEAR 2001
(in figures)**

By Year-end 2001	V	X	Y	Z	W	TOTAL
# of Borrowers	470	610	312	320	320	2,032
Amount of Portfolio	4,500,000.00	7,038,462.00	2,325,854.00	5,397,002.00	2,050,000.00	21,311,318
PAR (%)	0%	2.00%	2.00%	2.00%	0.00%	1.38%
# of AO's	4	4	3	3	3	17
# of Area Supervisors	1	1	1	1	1	5
Average # of Active Borrowers per A.O.'s	118	153	104	80	107	562
Average Portfolio per AO	1,125,000.00	1,759,615.00	775,284.00	1,799,000.00	683,333.00	1,253,607

	As of Dec. 2000	Projected by 2001	Growth Rate (%)
# of Borrowers	710	2,032	186%
Amount of Portfolio	6,141,717.00	21,311,318.00	247%
# of AO's	12	17	42%
PAR (%)	.34	1.38	3.06%

ANNEX IV-B-A12

BRANCH: X

TARGET SETTING, JANUARY TO DECEMBER 2001

Performance Indicators	Product Performance				Implied (%) Growth Rate Dec 00 to Dec' 01	
	As of End Dec. 2000	TARGETS, BY Quarter 2001				
		Qtr 1: Mar	Qtr 2: June	Qtr 3: Sept		Qtr 4: Dec
1. # Active Borrowers Outstanding	119	170	280	430	610	412%
2. Amount Portfolio Outstanding (Pmil)	1,220,064.84	1,961,538.46	3,230,769.23	4,961,538.46	7,038,461.54	477%
3. Total # of Loans Disbursed (cumulative)	290	425	700	1075	1525	426%
4. Total Amount of Loans Disbursed (Cum)	3,716,350.00	5,944,055.93	9,790,209.80	15,034,965.03	21,328,671.33	474%
5. Portfolio at Risk (%)	1.28%	2%	2%	2%	2%	
6. Cumulative income	80,266.00	200,000.00	400,000.00	600,000.00	800,000.00	
7. # of AOs or DFs	3	3	4	4	4	
8. # of Area Supervisors	1	1	1	1	1	
9. Avg. # of Active Borrowers per AO or DF	40	57	70	108	153	282%
10. Avg. Portfolio O/S per AO or DF(P000)	406,688.28	653,846.15	807,692.30	1,240,384.62	1,759,615.40	333%

ABC as a Percentage of Total Branch	As of End Dec'00	As of end Dec'01
	Actual	Targeted
BRANCH DATA:		
1. Total # of Loan accounts outstanding	2,494	6,000
2. Total Loan Portfolio (P000)	34,858,267.87	80,000,000.00
3. Gross Income	11,719,010.01	21,562,978.42
ABC DATA:		
4. Total # of loan accounts outstanding	119	610
5. Total ABC portfolio (P000)	1,220,064.84	7,038,461.54
6. Gross Income (cumulative)	80,266.00	2,239,510.50
SHARE OF ABC (in %):		
7. ABC # to Total Branch (3/1)	4.80%	10%
8. ABC portfolio to Branch portfolio (4/2)	3.50%	10%
9. ABC Gross Income to Total Branch	6.00%	10%

RURAL BANK OF CANTILAN, Inc.
 _____ Branch

TABLE 1
 KEY FINANCIAL INDICATORS
 As of End of Period 1996-1999 (Sept.)
 (Amount in Million Pesos)/1

Indicator	1996	1997	1998	1999
1. Assets				
2. Networth				
3. Loan Portfolio				
3.1 No. of Clients /2				
3.2 Amount				
4. Deposits				
4.1 No. of Savers /3				
4.2 Deposit Balance				
Ratios (%)				
1. Avg.Loan Portfolio/Avg. Assets /4				
2. Avg. Networth/Avg. Assets /5				
3. Avg. Deposits/Avg. Assets /6				
4. Deposits/Loan Portfolio /7				
5. No. of Savers./ No.of Loan Clients				
Growth Rate(%)		1996/1997	1997/1998	1998/1999
1. Assets				
2. Loan Portfolio				
3. Deposits				
3.1 No. of Deposits				
3.2 Amount				

Instructions for filling up Table 1

1. Enter amounts in million pesos, rounded off to one decimal place.
2. If data on number of borrowing clients are not available, use number of active loan accounts.
3. If data on number of savers are not available, use number of active savings accounts.
4. To compute for average loan portfolio, do the following: add the ending figure of a previous year and the ending figure of the reference year, then divide by 2.
Example: Get the average loan portfolio for 1997.
$$(\text{Loans outstanding end of 1996} + \text{Loans outstanding end 1997})/2$$
5. Average assets = $(\text{End of previous year assets} + \text{End of present year assets})/2$
6. Average Networth = $(\text{End of previous year's networth} + \text{End of reference yr assets})/2$
7. Use end of year data to compute the ratio.

TABLE 2
NUMBER AND AMOUNT OF DEPOSITS, BY TYPE OF PRODUCT
As of End of Period of 1998-Sept. 1999
(Amount in Million Pesos)

A. Type of Product	1998				1999			
	# of Savers	Amount	% Share	Average Deposit Per Saver	# of Accts.	Amount	% Share	Average Deposit Per Saver
Regular Savings								
Time Deposit								
Total			100%				100%	
B. By Voluntary/ Contractual Savings								
Voluntary								
Contractual (Forced)								
Total			100%				100%	

Note:

1. Amount in million pesos, rounded off to one decimal place.
2. If data on number of savers are not available, use number of accounts as proxy.

ANNEX IV-B-A13

BRANCH: X

ONE YEAR ACTION PLAN, January - December 2001

PRODUCT: _____

	By End December 2001:
TARGETS: # Active Borrowers	1) 610
Loan Portfolio Outstanding	2) 7,038,461.00
Portfolio at Risk	3) 2%

Major Activities	Expected Outputs/Results	Time Frame	Lead Person	Resource Requirements	Status
1. Marketing / Promotion					
1.a Improve incentive scheme	more quality clients	Feb/Mar 2001	jerome	flyers, calling cards	
1.b. one on one marketing	attraction		rommel	banners	
1.c participate in socio civic org.	good image	coordinate sch. of gov't act.	terry		
2 Mobility	faster service	1-Feb	H.O.	multi-cab	
2.a				honda dream	
2.b					
2.c					
3 Additional AO	generate clients/more prod.	1-Feb	HRD	train by MFU Supervisor	
3.a		1-Jul	HRD	train by MFU Supervisor	
3.b					
3.c					
4 Expansion					
4.a Brgy. C	more clients	1-Feb	brenda		
4.b Brgy A-B		1-Mar			
4.c Brgy D		1-Feb	jerome		
			rommel		

ANNEX IV-B-A13

BRANCH: _____
ONE YEAR ACTION PLAN, January - December 2001
PRODUCT: _____

Major Activities	Expected Outputs/Results	Time Frame	Lead Person	Resource Requirements	Status
5 Train of AO's to bank operation	help market other products	1-Feb	HRD		
5.a products and services	and services of the bank				
5.b					
5.c					
6					
6.a					
6.b					
6.c					
7					
7.a					
7.b					
7.c					
8					
8.a					
8.b					
8.c					

By signing below, we express our commitment to meet our targets and implement the action plan within the time frame indicated above.

We approve the Action Plan and commit to provide full Management support to the Plan.

Branch Manager:
Date:

Chairman/President:
Date:
General Manager:
Date:

ANNEX IV-B-A13

HEAD OFFICE
ONE YEAR ACTION PLAN, January - December 2001
PRODUCT: _____

OBJECTIVES:	1
	2
	3

Major Activities	Expected Outputs/Results	Time Frame	Lead Person	Resource Requirements	Status
1. Organizational set up for central MF management, planning, & training					
2. Design training program for MF staff					
3. Determine manpower & training needs for efficient MF back office/admin support					
4. Formulate staff recruitment criteria & process					

ANNEX IV-B-A13

HEAD OFFICE
ONE YEAR ACTION PLAN, January - December 2001
PRODUCT: _____

Major Activities	Expected Outputs/Results	Time Frame	Lead Person	Resource Requirements	Status
5. Revise product manual & standardize implementation					
6. MIS					
6.1 Monitor product performance monthly					
6.2 Continues improvement/development of MIS system; monitor & address bugs					
7. Provide equipment for MF use (computers, radio eqpt, mobility)					
8. Conduct product review & planning workshop					
9. Design incentive scheme					
9.1 Finalize incentive scheme for ABC					
9.2 Implement scheme					
10. Others					

By signing below, we express our commitment to implement the action plan in support of MF operations.

The Action Plan is hereby approved with Management commitment to support its implementation.

Officers:
Date:
Head, MF Section:
Date:

Chairman/President:
Date:

ANNEX IV-B-A14

STRATEGIC PLANNING WORKSHOP
Rural Bank of Makatotohanan, INC. (RBM)
October 28-29, 2000
Malagos Garden Resort

Post-Activity Report

1. Objectives:

- ♥ To review the performance of the microfinance loan product;
- ♥ To review the present market and analyze competitors;
- ♥ To determine if the product characteristics ensure portfolio quality and quantity;
- ♥ To determine if the bank follows the prescribe policies and procedures in implementing the microfinance loan;
- ♥ To review institutional-related matters (such as MIS, funding, regulations) that affect or may affect the performance of the microfinance loan operations;
- ♥ To develop strategies to achieve desired objectives;
- ♥ To draw action plans.

2. Methodology

- ♥ Facilitators presented the information provided by the bank on market, loan process, and institutional factors. Recommendations, strategies, and decisions were sourced from the participants. The discussion was free-flowing.
- ♥ The results of the discussion were classified into 3 items: ISSUES, STRATEGIES, AND DECISIONS. Issues are proposals that need further study but immediate action. Strategies are recommendations provided by the bank's management and staff that will improve the design and performance of microfinance loan. Decisions are actions taken on several problems or issues that will be implemented as soon as possible.

3. Results

ISSUES

- (a) Tagging of the savings accounts of microfinance depositor-borrowers as hold-out in the Microbanker system. At present, savings accounts of microfinance borrowers are considered as non-withdrawable (until outstanding loan is fully paid) regular savings accounts. In order to differentiate microfinance borrower SAs from the other accounts, the branch keeps the passbooks of the microfinance borrowers. This act, however, is contrary to BSP regulations. In addition, the borrowers cannot monitor their accounts individually. Thus, RBM would like to request Microbanker through MABS to put the SAs of borrowers under hold-out.

Note: This has already been suggested by MABS in June 2000 (see microfinance product review). The branch head agreed to this decision, but at that time, Microbanker assistance to RBM was still pending.

- (b) Incentives to good borrowers. RBM management will study possibility of giving incentives to good clients. These include rebates for paying on-time all the time. Another incentive that they would like to study is allowing extremely good clients on their 4th loan availment to receive loans without the co-maker requirement. This, however, will be highly selective. Extremely good clients who qualify to get loans over P20,000 will be required to submit hard collateral but no co-maker requirement. In addition, RBM's management is also willing to reduce the Service Charge by 1% per availment starting on the 3rd availment for extremely good clients. This means that at some point, the borrower will no longer be required to pay any service charge.
- (c) Incentives to good AOs. RBM's management hopes to see bigger outreach and improvement in portfolio quality. They are requesting MABS to design an incentive scheme for them. This will be done the soonest.

STRATEGIES

- (a) Review borrower profile. RBM's management deems that the branch should anticipate problems on their portfolio in February due to the yearly flood that hit the city. The profiles of borrowers should be reviewed in order to categorized them into—(XX) needs close monitoring, (X) needs moderate monitoring (will not be affected), and (XXX) needs extremely close monitoring. Those who belong in the XX category should be encouraged to accumulate more deposits to allow for bigger safety nets. On one hand, those who belong to the category XXX should be encouraged to close their loan accounts before February. This means that their present performance is not good and that they will be directly affected by the February flood.
- (b) Process first availment in less than 7 calendar days. At present, RBM processes first loans in 7-10 working days. In order to compete with the other financial institutions, RBM will process first loans in less than 7 calendar days. RBM will call this "express servicing."
- (c) Hire another Account Officer. RBM's management recognizes that the inadequacy of manpower supply in the Public Market branch is affecting the portfolio quality. In order to encourage improvement in the quality and increase in outreach, RBM's management will study the possibility of hiring another AO depending on the profitability of the microfinance loan operations. Thus, MABS needs to prepare an income statement for microfinance that shows accurate financial income.

- (d) Hire a full-time MFU Supervisor. The AOs are complaining that they cannot cope with the daily workload (an average of 200 accounts each, including pick-up deposit collection). Plus, one of the AOs needs to do the daily batch listing for debit. They also need to prepare loan documents, monitor accounts, conduct CI/BI, face barangay court hearings, conduct client orientation session, market the product, etc. Hiring another AO is a good idea to tap more borrowers and increase portfolio. However, in order to make the operations much more efficient and focused, RBM will hire a Supervisor. This staff will be responsible for (a) doing the daily batch list, (b) monitor the accounts, (c) file barangay court complaints, (d) prepare demand letters, (e) conduct client orientation session, (f) market microfinance, among others.
- (e) Accommodate apprentice (usually graduating students that need work experience) in the bank to assist in the microfinance operations. Every semester, some graduating students offer assistance to banks because they need at least 200 hours of on-the-job training. RBM can use some to assist in the filing and preparations of loan documents. RBM will offer P20 allowance per day.

DECISIONS

- (a) Review loan documents. It has been brought to the attention of the bank's higher management that the loan documents are lengthy, i.e., some information that were being asked are not necessary. Also, RBM wants to cut expenses by reducing the number of pages of the required loan documents. Thus, RBM will review the loan documents. Revisions will be done, if necessary.
- (b) Increase interest rate to 2.5% per month and reduce service charge to 3%. It has been suggested by MABS in June this year that RBM should raise its interest rate. Thus, the management decided to increase the interest rate. However, to remain competitive, the management decided to reduce the Service Charge by 1%. In addition, the management also decided to do away with the P150 processing fee.
- (c) Collect daily/weekly, debit weekly. One of the primary reasons for the increase in the Portfolio-at-risk of microfinance loan is that loan accounts are tagged as monthly even if the collection is daily. The AOs, in effect, are not aware of the extent of the delinquency until the account has reached its monthly due date. By then, the loan amount overdue has rocketed sky-high! The basic problem, however, is that the AO who handles the daily debit has to check the batch list which contains 50 accounts has to collect more than 110 MICROFINANCE accounts (plus face barangay courts and do CI/BI) on a daily basis also. In addition, since the bank uses 2 systems, Cunanan and Microbanker, the Cunanan system must also be updated daily. Doing so will consume so much time. RBM's management deems that the solution to this problem is to hire another AO and eliminate one loan module from the system. The branch prefers Microbanker since it can generate microfinance reports. However, the Microbanker system that they have in the bank at present cannot accommodate other loan products

properly. RBM is seeking MABS assistance to look into the possibility of getting rid of the branch's Cunanan system in order to increase the branch's efficiency.

- (d) Allow only 35% maximum debt capacity factor for each availment, including repeat loans. RBM's management feels that given the uncertainty of the prices of agricultural commodities, the bank should allow more allowance. The microfinance loan manual specifies that the AO can use up to 50% debt capacity on repeat loans if the AO is already confident on the client. However, the bank's management feels that the AOs should stick to at most 35% in determining the maximum loan amortization.
- (e) Turn-over unused pre-numbered deposit slip along with the cash collection and collection report daily. In doing the collection, the AOs use pre-numbered deposit slips which are issued to them by the Cashier depending on the AO's need. This procedure, however, can lead to fraud, especially if the cashier does not check the series of the returned slips. For internal control purposes, it was decided that the AOs should return all deposit slips issued to them--- used or unused—daily.
- (f) Policy on shortage/overage. In practice, the AOs have to pay for the shortages. The overages, however, have to be submitted for deposit to one savings account in the branch. Occurrence of shortages and/or overages, however, happens infrequently since most of the amount to be collected is rounded off to the nearest tens. In any case, the microfinance loan manual should be adopted to include policies on shortages/overages.
- (g) Borrowers to serve as co-makers only once. At present, there are some microfinance borrowers who also serve as co-makers to other borrowers. They are allowed to serve as co-makers up to two other clients. This, however, means that they are responsible for 3 loans already. Thus, to avoid burdening the borrowers, they should only be allowed to serve as co-makers only once.
- (h) Policy on restructuring. RBM will not tolerate extension on loan term. The most that it can do is allow the delinquent client who really cannot pay (as opposed to those who won't pay) to pay the loan amount over due plus remaining balance over the remaining days. Guidelines on this should be specified in the loan manual.
- (i) Policy on pre-payment. The bank's management decided to allow pre-payment in exceptional cases. These cases include allowing clients to pre-pay loans to allow them to take advantage of certain business opportunities. Guidelines on prepayment, however, need to be developed and included in the manual in order to avoid abuses.

4. Action Plans

- ♥ The 2 branch heads of the other branches that join the Workshop specified that they need to increase their deposit and loan portfolio by implementing microfinance in their branches. The major activities they specified in their action plans include assessing their current service areas and studying the competitors. The Pinatubo branch would like to start by first providing microfinance loans to existing or former clients with good deposit and/or loan records.
- ♥ The branch manager of the MABS-assisted branch includes most of the items specified in Section 3 of this report in his action plan. There are, however, certain activities in his action plan that will depend on management approval.
- ♥ The action plans of the AOs aim to decrease PARR as soon as possible. Major activities include verifying character records of loan applicants in barangay halls, reduce delinquency by following the Alarm Signal system specified in the manual, review borrower profile, and increase portfolio. The AO who handles the Talipapa loan hopes to completely "kill" it by February next year.

5. Recommendations

- ♥ Enhance the microfinance loan manual to include the policies on restructuring, pre-payment, and shortages and overages;
- ♥ Submit proposal for incentives to good Account Officers to RBM's top management;
- ♥ MABS MIS team to determine requirements for allowing the branch to use only Microbanker and get rid of the Cunanan system;
- ♥ Request Microbanker to tag the Savings Accounts of microfinance borrowers as "hold-out;"
- ♥ Submit Income Statement to RBM's top management to show that microfinance is profitable. This requires MABS to determine accurate financial income. The Income Statement must also show a operating costs based on realistic assumptions.
- ♥ MABS MIS team to correct error in RBM's Microbanker system in order to show accurate income;
- ♥ Study requirements (MIS, re-orientation of existing clients, etc.) on changing the product's financial charges;
- ♥ Train newly-hired AO and Supervisor;
- ♥ Assist RBM in expansion subject to the improvement of the portfolio quality of the branch

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 2, 2001

Chapter IV: OPERATIONAL PHASE

Amends:

Section C: Staff Incentive Scheme*

1. To motivate the staff towards high productivity and efficiency and reach the product's targets, an incentive scheme must be a basic productivity management tool for financial institutions. In rural banks, this incentive scheme is traditionally in the form of monthly/quarterly bonuses and up to 18th-month pay at the end of the year for all bank staff based on savings and loans targets.
2. Incentives may take many forms, ranging from non-monetary rewards to monetary rewards, and may include any of the following combinations:
 - P Cash rewards
 - P Bonuses
 - P Promotions
 - P Holidays/staff vacations and outings
 - P Recognition in the form of ceremonies or certificates
 - P Additional training
 - P Bicycles, motorcycles, or vehicles
3. When designing incentive schemes, the following questions must be answered:
 - P Who will qualify? All staff? Field staff only?
 - P What are the bases for incentives? Portfolio size? Quality? Profitability?
 - P How often will they be calculated and paid out? Monthly? Quarterly?
 - P How will the size of the pool and distribution be determined?
4. Although all incentive schemes should be based on portfolio quality, it can be designed to encourage and reward any or all of the following results:
 - P Portfolio growth both in terms of number of clients and total portfolio outstanding
 - P Client retention, based on the number of repeat loans
 - P Increased number of new clients
 - P Portfolio quality through portfolio at risk-aging analyses
 - P Increased number of clients or groups (if applicable)
 - P Training of clients and clients or groups (if applicable)
 - P Training of new credit officers
5. To this end, MABS conducts a series of briefing and discussion with all branch managers and personnel officer so they would have an appreciation of the

* Paragraphs 3,4, 6 and 7: *Microfinance Handbook: An Institutional and Financial Perspective*, J. Ledgerwood, pp. 248-250, World Bank, 1999.

principles and mechanics of a performance-based incentive system. The process involved walking them through the break-even yield analysis in constructing the schedule of incentive payments and the basis for the design. Due to the nature of micro-lending, the main responsibility for effective outreach and loan repayments mainly rests with the account officer. It is imperative that the senior managers and other bank staff understand the design of the MABS-recommended incentive scheme.

6. Incentive schemes must, therefore, be transparent to all staff members. An incentive scheme that is secretive may result in more problems than no incentive scheme at all. Furthermore, to be effective, incentive schemes must be achievable and capable of making a tangible difference to staff members.
7. A well-designed incentive scheme should also be supported by quality service. If the service level suffers in response to the introduction of incentive schemes, eventually the MFI may lose productivity as the number of client decreases.
8. It is hoped that by starting an incentive scheme for the MFU loans staff, the PBs will also be encouraged to design an incentive scheme for the other loan products of the bank, as well as for savings officers who focus on savings accounts rather than outstanding loans.
9. Attached are the following documents:

Annex IV-C-A1	Letter of Proposed Incentive Scheme
Annex IV-C-A2	Proposed Incentive Scheme, RB XYZ
Annex IV-C-A3	Sample Breakeven Analysis
Annex IV-C-A4	Briefing on Performance Based Incentives

ANNEX IV-C-A1
Letter of Proposed Incentive Scheme

FOR: General Manager,
Branch Managers

CC: President & Chairman,
Chief of Party

FROM: Microfinance Specialist
MABS-M

SUBJECT: Incentives Scheme for the MFU

DATE: 30 June 2000

A draft Incentive Scheme for the Microfinance Unit is attached for your review.

To enhance the productivity of the bank's microfinance staff, MABS is proposing an incentive system designed to balance portfolio quality and portfolio growth.

The microfinance unit (MFU) at the pilot branch, already a year old, has already completed 10 months of lending activity. The two account officers (AO) and supervisor trained by MABS are still working with the Unit. Each of the AO has reached a portfolio level averaging of PhP403,000, with clients outstanding numbering 90 per AO. As of June 30, the total number of active borrowers is 193 and portfolio is less than a million pesos (P806,467). MFU performance, in terms of portfolio quality, has been excellent so far. However, in terms of number and portfolio outstanding, performance has been average. To push the numbers up, the time has come to put in place an incentive scheme to motivate the staff towards higher productivity.

On June 29 I held an exhaustive discussion with all branch managers and personnel officer so that they would have an appreciation of the principles and mechanics of a performance-based incentive system. They all agreed that the incentive scheme is needed to boost staff productivity and efficiency. Below are a description of the fundamental features and principles of the incentive scheme.

Features of the Incentive Scheme:

- £ It is performance-based.
- £ Scheme balances
 - š Portfolio Quality
 - š Portfolio Quantity

- £ Uses 3 performance indicators
 - § Portfolio at Risk (PAR)
 - § # of Active Borrowers Outstanding
 - § # of Loans Disbursed during the period

- £ Schedule of incentives is based on Break-even (B-E) Yield Analysis.
 - § B-E yield analysis identifies the break-even portfolio level and number of borrowers.
 - § The B-E level shows the peso value of outstanding loans and the number of clients an account officer must have to cover the fixed and variable costs involved in the AO's lending activity. Hence, each AO is considered a profit center.

- £ Basic pre-conditions regarding incentive payment
 - § MFU (or Product) PAR 7 days or more should not be more than 5%. If MFU's overall PAR 7 days or more is greater than 5%, no one can receive any incentive for the month.
 - § An AO receives the incentive pay for the month when 3 conditions are met:
 - Ø AO portfolio is above break-even.
 - Ø AO's # of active borrowers is above the break-even number.
 - Ø PAR 1 day or more is less than 5%. When this is more than 5%, the AO cannot receive any component of the incentive scheme

- £ Sharing of incentive

<u>Who are entitled?</u>	<u>% Share Per AO-Generated Incentive</u>	
	Option A	Option B
§ Account Officer	50%	60%
§ Supervisor	25%*	16%
§ Rest of Branch Staff	25%*	24%
Total	100%	100%

For example:

# AOs	3
Supervisor	1
Branch staff	Manager Teller (2) Loans Bookkeeper Loan Collector

Given: Each AO generates incentives averaging PhP600 in month of June. Total generated by 3 AO s is PhP1,800.

How much incentive pay is each entitled to receive for June?

<u>Entitled</u>	<u>How much?</u>
Option A	
Account Officer (P600 x 50%)	P300/AO
Supervisor (P600 x 25% x 3 AO s)	P450
Rest of Branch Staff (P600 x 25% x 3 AO)	P450

Option B	
Account Officer (P600 x 60%)	P360/AO
Supervisor (P600 x 16% x 3 AO s)	P288
Rest of Branch Staff (P600 x 24% x 3)	P432

£ Results of Break-even Analysis	
š Break-even portfolio/AO:	P340,376
š Break-even # Active Borrowers:	82
(based on average loan balance per account)	

DETAILS OF ANALYSIS

£ Gross Portfolio Yield:	81%
LESS	
£ Financial Expenses	11%
£ Gross Receipts Tax	4%
£ Loan Loss Provision	2%
EQUALS	
£ SPREAD	64%
This spread is divided into:	
£ Cost/AO:	42%
£ Variable cost per account	22%

The bottom line of the analysis is that an account officer would be able to generate pure profits of P42,000 annually for every hundred thousand incremental account that the AO would produce. It is from this profit that the incentive pay would come from.

Given the schedule of incentive payments in the attached tables, the incentive pay for the staff is only 4.8 percentage points of the total incremental profits (42% for every P100,000). The Bank gets to keep 37.2 percentage points.

Attached incentive table shows an increase in incentive pay for every 100,000 increase in loan portfolio.

The attached highlights of the incentive scheme present two sharing options (A & B) for your review. Option B, which you MFU Coordinator suggested, provides a 60% share for the account officer. I think that this favorable bias is reasonable since the AO will have to work the hardest to generate the numbers and keep PAR down.

I hope your Board decides positively to put the incentive scheme in place. Having such scheme had worked wonders for the microfinance institutions I know of.

Good luck!!

ANNEX IV-C-A2

RB XYZ MFU Incentive Scheme : Worksheet

AO Direct Cost

	per AO/mo
Salary	4,430
Benefits	1,772
Transport	117
Supervisor	2,674

Fixed costs	Per AO/yr		Per annum
Supervisor	32,088	Yield	81.0%
AO Salary	75,240	Fin. Expn	11.0%
Fuel	8,400	GRT	4.1%
Transportation	1,400	Loan loss	2.0%
Salaries-others	25,830	SPREAD	64.0%
	142,958		

Variable costs			
	per annum		$64\% = [142958 + (926) * (x/4144)] / x$
Sub-total	77,892		
Depreciation	70,324	0.223	0.42
	148,216	$.64x - .22x =$	142,958
Var cost/account	926	$.42x =$	142,958
Avg balance/acct	4,144	x =	340,376 Breakeven portfolio
			82 Breakeven # active accounts
Avg # of acct/mo	160	Cost/AO =	42%
		Var. cost at BE =	22%

ASSUMPTIONS FOR COST ANALYSIS :

- 1) Incentives for Account Officers to begin after the AO manages a portfolio of at least PhP400,000.
- 2) Breakeven portfolio Breakeven # of Accts

340,376	82
64% (Spread at Break-even point)	
- 3) Fixed cost/AO Variable cost/AO

142,958	73,394
42%	22%

Implications once Breakeven level is reached:

- 1) Every additional P100000 portfolio above B-E level will generate P42,000 pure profits yearly for the
- 2) The additional incentive pay of P400 (or P4800 yearly) for every P100,000 incremental accounts is 11.4% of the total additional profits the AO will generate in a year. This is 4.8 percentage points out of

42,000	100%
42,000	42%
4,800	11.4%

- 3) Bank's share in pure profits is equal to 42% - 4.8% = 37.2 %age points; staff share = 4.8% points.

ANNEX IV-C-A2

ASSUMPTIONS FOR COST ANALYSIS :

1) Incentives for Account Officers to begin after the AO manages a portfolio of at least PhP400,000.

2) Breakeven portfolio	Breakeven # of Accts
340,376	82
64% (Spread at Break-even point)	

3) Fixed cost/AO	Variable cost/AO
142,958	73,394
42%	22%

Implications once Breakeven level is reached:

1) Every additional P100000 portfolio above B-E level will generate P42,000 pure profits yearly for the bank.

2) The additional incentive pay of P400 (or P4800 yearly) for every P100,000 incremental accounts is only 11.4% of the total additional profits the AO will generate in a year. This is 4.8 percentage points out of 42%, that is $(11.4\% \times 42\% = 4.8 \text{ percentage points})$.

42,000	100%
42,000	42%
4,800	11.4%

3) Bank's share in pure profits is equal to $42\% - 4.8\% = 37.2 \text{ %age points}$; staff share = 4.8% points.

ANNEX IV-C-A3

ESTIMATING THE BREAK-EVEN LOAN PORTFOLIO OF THE MICROFINANCE UNIT RURAL BANK of RRQ

1. Compute the Net Spread

	Per Month	Per Annum	<u>Explanation</u>
Effective Yield	6.0%	72.0%	Yield for December 2000 is 6.3%
Less: Interest Expense	0.8%	9.6%	Cost of deposits & borrowings for year 2000 is 9.6% p.a.
Less: GRT (5% of yield)	0.3%	3.6%	GRT is 5% of total financial income
Less: LL Provision	0.2%	2.0%	LL provision is 2% p.a.
Net Spread	4.7%	56.8%	

2. Determine the Fixed Costs and Variable Costs of the MF Unit

<u>Fixed Costs</u>	Per Month	Per Annum
Compensation: MFU staff	19,107	229,284
Motorcycle fuel & oil	3,000	36,000
Communications	300	3,600
Depreciation: MFU equipment	5,200	62,400
Total Fixed Costs	27,607	331,284

Total compensation of four MFU staff
Total monthly fuel & oil allowance is P2,844 for the four MF staff
Assumption: P100 per month each for telephone, fax & courier
Depreciation cost of motorcycles & computers used by MFU

<u>Variable Costs</u>	Per Account
-----------------------	-------------

Direct costs:

Office supplies 120

Loan documents: P5/ account; Passbook: P7/account; Provisional receipts: P1 per day x 22 days x average term of 4 mos., or P88 per account; Miscellaneous (e.g. daily printing of MIS reports), 20%

Indirect costs

180

The total amount of these expenses for the month of December is about P642,000.

Compensation of Other Bank Employees

Mgt. & Other Professional Fees

Taxes & Licenses

Insurance

Depreciation

Other Operating costs

It is assumed that the optimum no. of accounts per AO is 125 or a total of 500 accounts for the four MF staff. The cost allocation ratio for December, at 191 accounts, is 5.2%. Using ratio & proportion, the cost allocation ratio at 500 accounts would be around 14%. The figure used in the estimation (i.e. P180) is obtained by multiplying P642,000 by 14%, then dividing the quotient by 500 accounts.

Total Variable Costs Per Account 300

3. Compute the Break-Even Portfolio to cover Fixed Costs

Total Fixed Costs (A)	27,607	331,284
Net Spread (B)	4.7%	56.8%
B/E Portfolio 1 (A/B)	583,246	583,246

4. Compute the Break-Even No. of Accounts to cover Fixed Costs

B/E Portfolio 1 (A)	583,246	583,246
Average Loan Size (B)	8,000	8,000
B/E # Accounts 1 (A/B)	73	73

Average size of outstanding loans as of December 2000 is P8500.

The amount is derived by dividing the average portfolio by the average number of active accounts.

5. Compute the Total Variable Cost

Total Variable Costs Per Account (A)	300
B/E No. of Accounts 1 (B)	73
Total Variable Costs (A*B)	21,854

6. Compute the Total Operating Costs at Break-Even

Total Variable Costs at Break-Even (A)	21,854
Total Fixed Costs (B)	27,607
Total Operating Costs (A+B)	49,461

7. Compute the Break-Even Loan Portfolio to cover Total Operating Costs

Total Operating Costs (A)	49,461
Net Spread (B)	4.7%
B/E Portfolio 2 (A*B)	1,044,956

ANNEX IV-C-A3

8. Compute the Break-Even No. of Accounts to cover Total Operating Costs

B/E Portfolio 2 (A)	1,044,956
Average Loan Size (B)	8,000
B/E # Accounts 2 (A/B)	131

ESTIMATING THE TOTAL INCENTIVES DUE TO THE MFU STAFF FOR THE MONTH

1. Compute the Incremental Portfolio

Average MF Loan Portfolio (A)	1,488,022
B/E Portfolio 2 (B)	1,044,956
Incremental Portfolio (A-B)	443,066

Explanation

This is the average MF loan portfolio for December 2000.

This represents the portfolio above break-even

2. Compute the Gross Incremental Income

Incremental Portfolio (A)	443,066
Net Spread (B)	4.7%
Gross Incremental Income (A*B)	20,972

This represents the income above break-even

3. Compute the Variable Cost for the Incremental Portfolio

Total Variable Cost at Break-Even (A)	21,854
B/E Portfolio 2 (B)	1,044,956
% Variable Cost to B/E Portfolio (C=A/B)	2.1%
Incremental Portfolio (D)	443,066
Incremental Variable Cost (C*D)	9,266

4. Compute the Net Incremental Income

Gross Incremental Income (A)	20,972
Incremental Variable Cost (B)	9,266
Net Incremental Income (A-B)	11,705

5. Compute the Total Amount of Incentives for the Month

Net Incremental Income (A)	11,705
% of Profits Allocated for Incentives (B)	20.0%
Total Allocation for Incentives (A*B)	2,341

Total incentives is assumed to be 20.0% of the net incremental income.

At full capacity (i.e. 500 accounts and P4.0 Million portfolio, the total incentives will reach P15,614 a month. Assuming the MFU staff receives 70% of the incentives, the net amount due to the MFU will be P10,929, which is about 57% of their total monthly compensation of P19,107.

6. Compute the Incentives Due to the MFU and to the Support Staff

Total Allocation for Incentives (A)	2,341
% Allocation for MFU staff (B)	70.0%
% Allocation for Support Staff (C)	30.0%
Total Incentives for MFU Staff (A*B)	1,639
Total Incentives for Support Staff (A*C)	702

ANNEX IV-C-A3

ESTIMATING THE INCENTIVES DUE FOR EACH MFU STAFF

1. Compute the relative contributions of each MFU staff to total MFU accomplishments

	<u># Accounts</u>	<u>Portfolio</u>	<u>Weighted Portfolio</u>	<u>% Contribution</u>	<u>Condition</u>
Renato	83	686,725	56,998,175	54.6%	PARR a day or more =<2.0%
Bobby	61	454,526	27,726,086	26.5%	PARR a day or more =<2.0%
Cesar	47	419,717	19,726,699	18.9%	PARR a day or more =<2.0%
TOTAL	191	1,560,968	104,450,960	100.0%	

Weighted portfolio is derived by multiplying the # Accounts with Portfolio. It, therefore, combines both the number of accounts & average loan size. An AO with fewer no. of accounts but with larger loan sizes can be compensated just as well as an AO with a bigger no. of accounts but with smaller loan sizes. The measure, however, magnifies the contributions of those with both the most no. of accounts and largest loan sizes and works against those with the fewest no. of accounts and smallest loan sizes. Nevertheless it gives a chance to AOs with fewer, but highly selected, client base to earn just as much in incentives as those with bigger client base but with smaller loan requirements.

The basic condition for granting of incentives is that the PARR of each of the AOs should not go beyond 2.0%. An AO with PARR above 2.0% therefore, will not be eligible for incentives.

2. Compute the incentive due to the Loans Collector

Total Incentives Due to MF Staff (A)	1,639
% Due to the Loans Collector (B)	10.0%
Amount Due to the Loans Collector (C=A*B)	164
Net Amount Due to the AOs (A-C)	1,475

It is assumed the the Loans Collector gets 10% of the total amount of incentives due to the MF Staff

3. Compute the incentives due to each AO

	<u>% Contribution</u>	<u>Incentive</u>
Renato	54.6%	805
Bobby	26.5%	392
Cesar	18.9%	279
TOTAL	100.0%	1,475

The incentive due to each AO is obtained by multiplying the total incentives due to AOs by the % contribution of each AO. For example, Renato's incentive is computed by multiplying P1,475 by 54.6%

4. Compute the incentive due to the rest of the bank employees

The remaining amount (P702) can be distributed among the rest of the staff based on their respective salaries, such that shown below.

	<u>Salary</u>	<u>% Dist.</u>	<u>Incentive</u>
Manager	12,000	30.0%	211
Cashier	10,000	25.0%	176
Teller	6,000	15.0%	105
Loans Bookkeeper	6,000	15.0%	105
Savings Bookkeeper	6,000	15.0%	105
	40,000	100.0%	702

The incentive due to each employee is obtained by multiplying the total incentive due to the rest of the bank employees by the proportion of an employee's salary to total salaries. For example, the incentive of the Manager is computed by multiplying P702 by 30.0%

Performance-Based Incentive Scheme

Briefing on the Guideline

15 September 2000

Introduction

A reward system that is based on individual staff **performance** recognizes the combined efforts of the individual Account Officers, the Supervisor, the Manager, and back room support.

Why the incentive scheme?

- Well-designed incentive schemes in successful MF institutions have proved effective in:
 - raising staff productivity and efficiency
 - increasing MFU/branch profitability
 - sustaining good quality loans
 - raising staff motivation

How will RB XYZ incentive scheme respond to all the good things mentioned above?

- Management Support
- MIS: Monitoring of measurable performance indicators

Features

- Opportunity to earn incentive is open to all MFU Staff.
- Scheme balances Portfolio Quality & Quantity
- 3 Performance Indicators: PAR; # of Active Clients; # of Loans Disbursed

Features... con't

- Based on break-even yield analysis
- Pre-conditions for earning incentives:
 - MFU PAR over 7 days not more than 5%;
 - AO portfolio at least P400K;
 - AO # of clients at least 80;
 - AO total PAR (1 day or more) less than 5%.

Goals and Problems

- Can we reach the goal?
- Potential problems: Staff reaction?
Limited market for expansion?
- Other issues?

In conclusion:

- It is important to have everyone understand what the incentive scheme is all about.
- At staff briefing, emphasize management openness to designing similar scheme for other loan products in the future.
- Monitor, monitor, monitor. Evaluate regularly.

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 4, 2001

Chapter IV: OPERATIONAL PHASE

Amends:

Section D: Bank Training Courses

1. MABS also seeks to strengthen the microfinance unit by providing training courses to all personnel of the bank. One of the ultimate objectives of the program is to influence the rest of the bank's operations with microfinance best practices, thus the requirement for all the bank staff to attend the following training courses:

- P Cash Flow Lending
- P Delinquency Management
- P Delinquency Prevention
- P Zero Tolerance to Loan Delinquency
- P Loan Administration Workshop
- P Marketing & Promotion
- P Service Quality
- P Savings Mobilization
- P Designing an Incentive Scheme
- P Internal Control and Fraud Detection

These courses are found in the file: Training Presentation Material.

2. Depending on the availability of the MABS Consultant and the workload of the bank, the training may be designed to be a weekend training or after-banking hour sessions spread over two or three days during the consultant's regular supervision visits.
3. MABS will provide these training courses for free. The bank, however, will arrange and pay for the training venue and coordinate with MABS the reproduction of training materials for the bank participants.
4. In preparation for the expansion phase, all branch managers and other branch senior staff are strongly encouraged to attend all the bank training courses as an introductory session for future expansion branch training.
5. By participating in these series of training, the whole bank not only acquires the necessary banking skills but also develops an understanding for sound lending practices and savings mobilization, quality service, among others. It will also impress on the staff that microfinance service is a product of the whole bank that should be made sustainable with everyone's cooperation.

MABS PROGRAM
Training and Technical Assistance

Date: February 2, 2001

Chapter IV: OPERATIONAL PHASE

Amends: December 17, 1999

**Section E: Supervising and
Monitoring the MFU**

**Section 1: Supervision and
Bank Visits**

1. Other than the tasks MABS Consultants have to accomplish in accordance with the MABS project management, they must obtain every Monday of the week, the following MIS reports:

- § Portfolio at Risk Report, Aging as of _____
- § Delinquency Report as of _____
- § Account Officer Performance Report- Compare with report of previous period.

These three reports are the basic agenda for the point person's visit to his/her bank. The MFU Supervisor is expected to furnish the MABS Consultant these reports and to give an update on the MF operations so that the point person can plan his/her next visit schedule and agenda as well as the actions to be taken. The PBs usually fax these reports to the MABS office or call in the figures and updates.

2. As a continuing evaluation process during bank visits, MABS consultants are also expected to carry out the following tasks:

- 2.1. Pull out five loan folders and check for completeness of documents:

- § Promissory Notes
- § Co-maker's Statement
- § Co-maker's Interview Sheet
- § Assignment and pledge of passbook
- § Assignment of market stall, if applicable
- § Credit Investigation Report
- § Cashflow Analysis Worksheet
- § Interview with References
- § ID picture

- 2.2. Pull out five loan ledgers, and sample the past due and/or portfolio-at-risk.

- 2.3. Attend Credit Committee meetings, if possible.

- 2.4. Visit at least 2 clients and observe business operations.

- 2.5. Visit at least 1 delinquent borrower.

- 2.6. Meet with MFU staff to discuss performance and operational issues.

3. The MABS consultant is also required to document all other activities of the bank related to microfinance, such as savings mobilization activities, training conducted, installation of interim MIS, among others.
4. The point person should always conduct an exit meeting with the Manager/General Manager/President, to brief them of the results of the bank visit and raise any other concern both on the part of MABS or the bank management.
5. Annex IV-E1-A1 is a checklist of the activities that the MABS Consultants must accomplish for each bank visit. This report should be attached to the required trip report, or incorporated into the trip report itself.
6. From time to time, the MABS consultant should also check if proper internal control measures are in place and whether the supervisor is regularly conducting client visits to ensure that the account officers are doing their jobs properly. Annex IV-E1-A2 is a shortlist of internal control procedures that the consultant should check.
7. Annex IV-E1-A3 is a Client Visitation Form. The consultant may also use this to do his/her own client visitations. Also attached as Annex IV-E1-A4 is a sample report on loan folder sampling done by a MABS Consultant.

ANNEX IV-E1-A1

CHECK LIST - BANK VISIT

Date of Visit: _____

	Remarks
1. Obtain the following reports:	
a. Portfolio at Risk Report - Aging as of:	
b. Delinquency Report of date of visit	
c. Account Officer Performance Report - compare with report as of previous period	
2. Pull out five loan folders and check for completeness of documents	
a. Promissory Notes	
b. Co-makers= Statement	
c. Co-makers= Interview Sheet	
d. Assignment and pledge of passbook	
e. Assignment of market stall if applicable	
f. Credit Investigation Report	
g. Cash Flow Analysis	
h. Result of Interview with References	
3. Attend Credit Committee Meetings, if possible	
4. Visit at least 2 clients and observe business operations	
5. Visit at least 1 delinquent borrower	
6. Meet with MFU staff	
7. Have an exit meeting with the Manager/General Manager/President	
8. Others	

ANNEX IV-E1-A2

INTERNAL CONTROLS CHECKLIST

This is a short list for Point Persons' use as they do Internal Controls Assessment for their respective banks.

SUBJECT	WHAT TO CHECK	STATUS
Savings Account Opening	<ul style="list-style-type: none"> • ID's required for personal accts. • Documents required for corporate accts. 	
Signature Cards Maintenance	<ul style="list-style-type: none"> • Custody of signature cards of active accts. • Custody of signature cards of inactive & dormant accts. 	
Handling Check Deposits	<ul style="list-style-type: none"> • Are second endorsed checks acceptable? • Are Manager's Checks, Demand Draft, Pre-Audited Gov't. Checks subject to Clearing ? • Does the bank follow the standard number of clearing days set by the Phil. Clearing House? 	
Handling Withdrawals	<ul style="list-style-type: none"> • Who verifies signature ? Limits? • Who approves withdrawals? Limits? • Is ID required ? • Who pays for fraudulent withdrawals? 	
Handling Cash Collections Administration of blank Cashier's Checks and Official Receipts	<ul style="list-style-type: none"> • Who keeps Official Receipts? • When does collector request? • When does collector turn over cash collection? To whom? • Does collector include the series of OR's issued in the daily collection report? • Who keeps blank CC's and OR's ? • Is a monitoring logbook maintained? • Are issuances logged before or after? 	

SUBJECT	WHAT TO CHECK	STATUS
Handling of Overages/Shortages	<ul style="list-style-type: none"> • Is there a GL acct. for Overages & Shortages? • How are these booked? • How are these settled? 	
Waiver of Penalties & Other Charges	<ul style="list-style-type: none"> • Does the bank waive loan penalties? Up to • How much? How is this booked? • Does the bank waive interest due? Up to how • how much? How is this booked? • Who approves waiver requests? 	
Approval of Daily Transactions	<ul style="list-style-type: none"> • Who prepares entry tickets? • Who checks entry tickets? • Who approves entry tickets? 	
Loan Administration	<ul style="list-style-type: none"> • Are loan applicants required to submit ID's? • Can the borrowers bring home the loan application and other forms for their spouse or Co-Maker to sign? • Does Loan Supervisor interview borrowers prior to release? • Does the Loan Supervisor visit clients? How often? 	

ANNEX IV-E1-A3

CLIENT VISITATION FORM

INSTRUCTIONS:

A. From the files, get 5 client folders. Review each folder and enter the information in the space below.

Name of client: _____	Loan No.	1	2	3
		4	5	6
Type of business: _____	Number of late payments for current loan: _____			
Business Address: _____	Amount Disbursed: _____			

B. Ask a few questions and write down the client's responses. The questions are intended to verify with the client the amount of loan the client received and his/her familiarity with the loan terms and conditions.

1. How many times have you availed of the ABC loan? ____
 2. How much is your present loan? _____
 3. Are you paying daily or weekly? _____
 4. How much do you pay regularly? _____
 5. What is the term of your loan? ____ months
 6. What is the name of your account officer? _____
 7. Has the loan helped your business? How? _____
-

C. Client Card. If a client card is being used to record payments, ask the client to show you the card. Examine the following and check appropriate space below:

	Yes	No
8. Are payment transactions updated in the card or not?	___	___
9. Is the day of collection indicated in the card or not?	___	___
10. Is the amount of regular payment indicated in the card or not?	___	___
11. Is the late payment indicated with a red pen or marker?	___	___

D. Observe the status of the business (is the store well stocked?) and how busy the business was during your short visit (were there many clients or not a soul came while you were there?). Ask the client how her/his business is doing presently, and whether business is slow, picking up or not. If business is slow, ask the reasons why and when the client expects this to start picking up.

ANNEX IV-E1-A4

Rural Bank of XYZ: Findings of ABC Loan Folder Sampling December 7, 1999

General findings:

1. Folders should be kept in an orderly fashion to minimize search time for folders. Arranging folders alphabetically and using dividers should be done without delay.
2. The keys to the ABC boxes are each separately kept in a letter envelope. The box number and name of the ABC box user are written on the envelope. These envelopes should also be arranged numerically in an ascending order.
3. PNs should be typewritten.
4. Specific findings on sample security envelopes are indicated below:

Name	Proof of release	Disclosure Statement	Pre-application form	Loan application	PN & co-maker's Statement	Co-maker's profile	Collateral: documentation	CI/BI Form (Generally should follow the loan appl. Form)
Sambalod, A.	Ok	Ok	Ok	Poorly stenciled form; Mgr's signature approving loan is missing; No CID & Loan #	poorly reproduced form; illegible in some parts	Ok; 2 co-makers		poorly stenciled form; illegible in some parts
Pazo, T.	Ok	2 diff due dates shown in form: 12/30/99 & 11/30/99.	Ok	Old picture; Mgr's signature missing; No CID & Loan #	Handwritten changes in due date from 11/30 to 12/30 – no initial. Due date in 2 nd copy is uncorrected.	Ok	Note: Deed of Assignment of deposits amounting to P2,500 executed; but client has no existing deposit at time of loan release.	ok
Duatin, C.	Ok	Ok	Ok	No CID; No loan # Authority to debit S/A does not indicate S/A#	Ok	One profile is not fully filled out		Copy of borrower's card from 5-6 lender should indicate source
Zembrano, L	Ok	Ok		No CID; No loan # Mgr's signature missing; applicant's signature missing	Ok	One profile is not fully filled out		Ok
Boniao, F	Ok	Ok	No location sketch	No photo; No CID; No loan #	Ok	One profile is not fully filled out		Ok

MABS PROGRAM
Training and Technical Assistance

Date: February 2, 2001

Chapter IV: OPERATIONAL PHASE

Amends: December 17, 1999

**Section E: Supervising and
Monitoring the MF
Operations**

**Section 2: Performance Monitoring
Reports**

1. The participant bank (PB) is required to submit monthly MF Performance Reports for the current month on or before the 15th of the following month. This report is in Excel format that comes in two sheets: (1) performance data and a summary of income and expenses; and (2) monthly cost allocation. The monitoring report states the quantitative performance of the product, income generated and costs incurred by the bank for its microfinance operations for the current month and the previous month.
2. The MABS consultant shall ensure that the performance figures submitted by the PBs are accurate and that the income and expense figures truly represent the full cost of microfinance activities of the bank. It is imperative that the PB knows if it is losing or earning money from its microfinance operations.
3. **Performance Data** (Annex IV-E2-A1). The first sheet of the Performance Report indicates the microfinance performance data and the income and expense figures. Explanations for each of the items on this sheet are detailed in Annex IV-D2-A2.
4. **Monthly Cost Allocation.** The second sheet of the performance monitoring report indicates the breakdown of expenses and the percent allocated for the microfinance operations based on the bank or branch's total overhead expenses. This full-cost allocation means that the MFU must account for a portion of all overhead costs of the bank. This method argues that all revenue generating departments/units of the bank must contribute revenue to cover the costs of all non-revenue generating units (e.g., accounting, management, etc.). Some PBs choose to only look at *incremental costs* or those costs that are only incurred because of the MFU. The argument is that the other costs (overhead) exist whether the MFU operates or not, thus there is no need to burden the MFU with those costs. MABS, however, recommends full cost allocation for the reason stated in paragraph number 2.

Rural banks can allocate overhead costs (rent, other salaries, office supplies, etc.) based on the following:

- P the number of staff in the MFU relative to the rest of the rural bank;
- P the salaries of the MFU relative to total salaries;
- P the square footage the MFU utilizes in the branch;

- P the total number of loan accounts in the MFU relative to the total number of loan accounts; or
 - P the total number of loan and savings account booked in the MFU relative to the total number of loan and savings account in the branch, etc.
5. Depending on the volume of micro-loans and deposits, the percentage allocation is at the bank's and the MABS consultant's discretion. A number of different methods can also be chosen depending on the expense being allocated. For example, rent may be allocated based on square footage. Salaries of the bank tellers may be allocated based on the number of savings accounts, etc. The decision on whether to do full-cost allocation and how to do it, is up to the rural bank itself. Whatever is decided, the PB must ensure it is applied consistently each month to enable accurate analysis of growth and financial viability.
 6. Determining the loan loss provision expense also depends on the bank. MABS strongly recommends that the loan loss provision be based on the aging of portfolio at risk (see Annex IV-E2-A2).
 7. MABS Consultants are responsible for collating the data and ensuring the accuracy and consistency of the data for their PBs. Although not normally required, they may also submit explanation notes when there are extraordinary performance results.
 8. Moreover, MABS consultants are also responsible for guiding the PBs, particularly the MFU supervisor, in completing the performance report. This is a slow process of learning that requires months to perfect and therefore needs astringent supervision. A powerpoint presentation entitled Guideline to Monthly Performance Monitoring (Annex IV-E2-A3) is available to introduce the MFU staff to this monthly task.
 9. **Monthly Financial Indicators** (Annex IV-E2-A4). As soon as the reports from the PBs are submitted to MABS, the Technical Support Manager enters the figures into their respective folders. The PB's monthly report folder also includes a spreadsheet called Year-to-Date Financial Indicators. As soon as this task is completed, the Technical Support Manager furnishes the point persons their respective banks' financial indicator reports for their supervision perusal.
 10. **Monthly Consolidated Report** (Annex IV-E2-A5). MABS also creates a Monthly Consolidated Report for PBs. This presents the performance figures of all 20 participating rural banks and keeps track of the quantitative targets of the program. This report is submitted to the Management Committee every month.
 11. **Comparative Monthly Performance Data** (Annex IV-E2-A6). The Monitoring Report of each PB is further linked to this report. This data also show the consolidated comparative performance of all the participant banks on a monthly basis.

ANNEX IV-E2-A1

BANK OPERATIONS PERFORMANCE REPORT

Rural Bank of

For the Month Ending

PERFORMANCE DATA	PRODUCT	
	Current Month	Previous Month
# of Active Borrowers Outstanding		
Target # of Borrowers		
# of New Borrowers		
# of Repeat Loans		
Loan Portfolio Balance		
# of Deposit Accts < 15,000 Outstanding		
Target # of New Depositors		
Deposit Balance for Accts < 15,000		
# of Microfinance Field Staff		
# Loans Disbursed during the Month		
Cumulative # Loans Disbursed	0	
Amt. of Loans Disbursed during the Month		
Cumulative Amt. of Loans Disbursed	0	
Amount Past Due		
# of Accounts with an Amount Past Due		
Portfolio at Risk 1 day or more		
Portfolio at Risk more than 7 days		
STATEMENT OF INCOME AND EXPENSES		
Financial Income		
Interest Income on Loans		
Service Charge on Loans		
Penalty Fee on Loans		
Total Financial Income		
Financial Expense		
Interest Expense on Deposits		
Interest Expense on Borrowings		
Total Financial Expense		
Gross Financial Margin (spread)		
Loan Loss Provision		
Net Financial Margin		
Operating Expenses		
Salaries and Benefits - Others		
Micro-finance Salaries		
Rent		
Transportation		
Communication		
Gross Receipts Tax		
Depreciation		
PDIC		
Other Expenses		
Total Operating Expenses		
Other Income		
Net Income before Grants		
Grant Revenue		
Net Income before Income Tax		

MONTHLY COSTS ALLOCATION
Rural Bank of

ACCOUNTS

For the Month Ending

	Expenses	% Allocated	Expense Allocated
Salaries& wages - others			0
Salaries & wages - microfinance staff			
1.			0
2.			0
Sub-Total - MF Staff	0		0
Operating Expenses			
Rent			0
Transportation			0
Communication			0
Gross Receipts Tax			0
Depreciation			0
PDIC			0
Sub-Total Operating Expenses	0		0
Other operating expenses			
Stationary			0
Taxes& licencese			0
Insurance			0
Repairs			0
Fuel & lubricants			0
Others			0
Others			0
Others			0
Others			0
Sub-Total Other Operating Expenses	0		0
Grand Total	0		0
Interest Expense - Deposits	0	#DIV/0!	#DIV/0!
Interest Expense - Borrowed Funds	0	#DIV/0!	#DIV/0!
Total Deposit Liabilities	0		
Total Borrowed Funds	0		
Reserve Requirements for Deposits	0		
Loan Portfolio	0		

ANNEX IV-E2-A2

MABS Monthly Bank Performance Report

EXPLANATIONS

Bank Performance Data

1.	No. of Active Borrowers	No. of borrowers with outstanding loan balances
2.	Target No. of Borrowers	Equal to 10 new borrowers per AO per month; Number shown is the cumulative number of target new borrowers from start of operation 1999 to date
3.	No. of New Borrowers	No. of loans released during the month to first-time borrowers
4.	No. of Repeat Loans	No. of loans released during the month to repeat borrowers
5.	Loan Portfolio Balance	Total loan portfolio as of end of month.
6.	No. of Depositors Outstanding	Total no. of savings & time depositors with deposit balances of P15,000 & below. Taken from the PDIC report.
7.	Target # of New Depositors	Figure taken from the Business Plan
8.	Deposit Balance	Total balance of savings & time deposit accounts with individual balances of P15,000 & below. Taken from the PDIC report.
9.	No. of Microfinance Field Staff	No. of Microfinance Account Officers
10.	No. of Loans Disbursed During the Month	Total number of new and repeat loans disbursed during the month
11.	Amount of Loans Disbursed During the Month	Total amount of loans released during month
12.	Cumulative Amount of Loans Disbursed	Cumulative total amount of loans disbursed from start of operation to date
13.	Amount Past Due	Total amount of past due installment(s), as well as those of loans that are past maturity.
14.	No. of Accounts with an Amount Past Due	No. of accounts with past due installment(s), including loans that are past maturity.

15.	Portfolio at Risk, one day or more	Total outstanding balance of accounts with installments that have been past due for at least one day, as well as those of loans that are past maturity (i.e., all accounts with past due installments)
16.	Portfolio at Risk, more than 7 days	Total outstanding balance of accounts with installments that have been past due for more than seven days
17.	PAR Ratio, one day or more	$(\text{Portfolio at Risk, one day or more}) / (\text{Loan Portfolio Balance}) \times 100$
18.	PAR Ratio, more than 7 days	$(\text{Portfolio at Risk, more than seven days}) / (\text{Loan Portfolio Balance}) \times 100$

Statement of Income & Expenses

1.	Interest Income on Loans	Interest income earned for the month
2.	Service charge on Loans	Service charge earned for the month
3.	Penalty fee on Loans	Penalty fees earned for the month
4.	Interest Expense on Deposits	Interest expense on Deposits incurred for the month

Computation of Interest Expense on Deposits

$$= (\text{Average Monthly Interest Rate Paid on Savings \& Time Deposit}) \times (\text{Average Microfinance Loan Portfolio}) \times (\% \text{ of Total Deposits to Total Balance of Deposits \& Borrowings})$$

The Average Monthly Interest Rate Paid on Deposits is computed as follows:

$$\frac{(\text{Total Interest Paid on Deposits, To date})}{(\text{Average Savings \& Time Deposit Balance}) \times (\text{Number of Months, from Beginning of Year to Date})}$$

The Average Savings & Time Deposit Balance, on the other hand, is computed as follows:

$$\frac{(\text{Total Deposit Balance, Beginning of Year}) + (\text{Total Deposit Balance, To Date})}{2}$$

5.	Interest Expense on Borrowings	Interest expense on Borrowings incurred for the month
----	--------------------------------	---

Computation of Interest Expense on Borrowings

$$= (\text{Average Monthly Interest Rate Paid on Borrowings}) \times (\text{Average Microfinance Loan Portfolio}) \times (\% \text{ of Total Borrowings to Total Balance of Deposits \& Borrowings})$$

The Average Monthly Interest Rate Paid on Borrowings is computed as follows:

$$\frac{(\text{Total Interest Paid on Borrowings, To date}) / (\text{Average Balance of Borrowings})}{\text{Number of Months, from Beginning of Year to Date}}$$

The Average Balance of Borrowings, on the other hand, is computed as follows:

$$\frac{(\text{Total Balance of Borrowings, Beginning of Year}) + (\text{Total Balance of Borrowings, To Date})}{2}$$

6. Gross Financial Margin (Total Financial Income) – (Total Financial Expense)
7. Loan Loss Provision Amount allocated for the month for Loan Loss Reserves

Computation of Loan Loss Provision

Age of Past Due Installment	Loan Balance (A)	Loan-Loss Provision (%) (B)	Loan-Loss Provision (Amount) (A) x (B)
Current		2%	
1-7 days		5%	
8-15 days		10%	
16-30 days		25%	
31-60 days		50%	
61-90 days		75%	
Over 90 days		100%	
Total Requirement			(C)
Cumulative Total of Monthly Loan Loss Provisions, to date			(D)
Additional Requirement (E)			(C) – (D)
Amount Allocated for This Month			(F)
Surplus/(Deficit)			(E) – (F)

8. Net Financial Margin (Gross Financial Margin) – (Loan Loss Provision)
9. Compensation & Fringe Benefits - MF Staff Monthly Salaries & Allowances of AOs, 100% of cost if full-time, 50% of cost if devoting half of his/her time to microfinance.
10. Compensation & F/B – Rest of Branch Staff (Total salaries & allowances of all branch employees for the month) – (Microfinance AO monthly salaries & allowances). Percent of cost allocated is based on the proportion of the number of microfinance loans to total number of all loans of the branch.

MONTHLY MONITORING REPORT

A GUIDE ON HOW TO ACCOMPLISH
THE REPORT

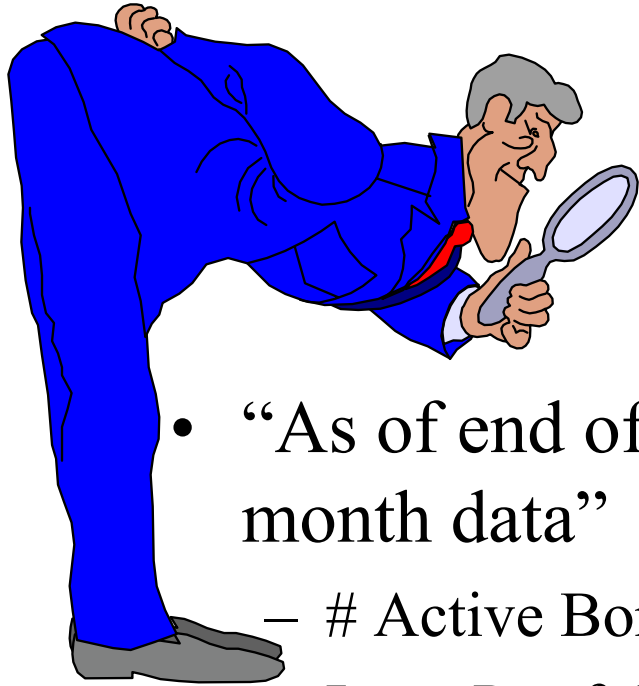
August 2000

MONTHLY MONITORING REPORT

- **DIVIDED IN TWO SECTIONS**
 - **PERFORMANCE DATA**
 - **STATEMENT OF INCOME AND EXPENSE**
- **PERFORMANCE DATA SHOW STATUS OF PRODUCT IMPLEMENTATION**
- **INCOME & EXPENSE STATEMENT SHOWS PRODUCT INCOME FOR THE PERIOD.**

SOURCES OF DATA

- Performance Data are from the MIS Reports.
 - Performance Report, by Account Officer
 - Portfolio at Risk (PAR) Report
 - Delinquency Report
- Statement of Income and Expense
 - Financial Income comes from the MIS report on Income Earned
 - Branch FS for the month to estimate share of product in branch operating expenses
- Product Business Plan for targets.



Performance Data

- “As of end of the month data”
 - # Active Borrowers
 - Loan Portfolio Balance
 - Amount Past Due
 - # Accounts with Amount Past Due
 - Portfolio at Risk
 - # Depositors Outstanding*
 - Total Deposit Balance*
- “For the month” data
 - # New Borrowers
 - # Repeat Loans
 - # Loans Disbursed during the month
 - # New Borrowers PLUS # Repeat Loans
 - Amount Disbursed during month
 - Amount New Loans PLUS Amount Repeat Loans



Performance Data

- Cumulative data
 - Cumulative # of Loans Disbursed: **ADD**
 - # of loans disbursed during the month
 - Cumulative # loans disbursed PREVIOUS MONTH
 - Cumulative Amount of Loans Disbursed: **ADD**
 - Amount of loans disbursed during the month
 - Cumulative amount of loans disbursed previous month

Performance Data: *Deposits...

- Indicators: # of Depositors and Deposit Balance Outstanding are from the Quarterly PDIC Report, which shows the number and deposit balances by deposit size.
- These two indicators are updated in the Monitoring Report every quarter.

Performance Data: *Deposits...

- Establish the baseline quarter. Say, if the branch started with MABS in June '00, the baseline quarter is March '00.
- The relevant data are those pertaining to deposits P15,000 and below.
- The report for June will thus reflect:
 - June data Less March data

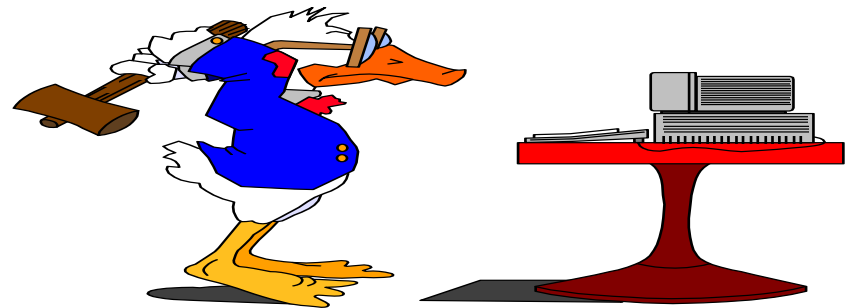
Performance Data...

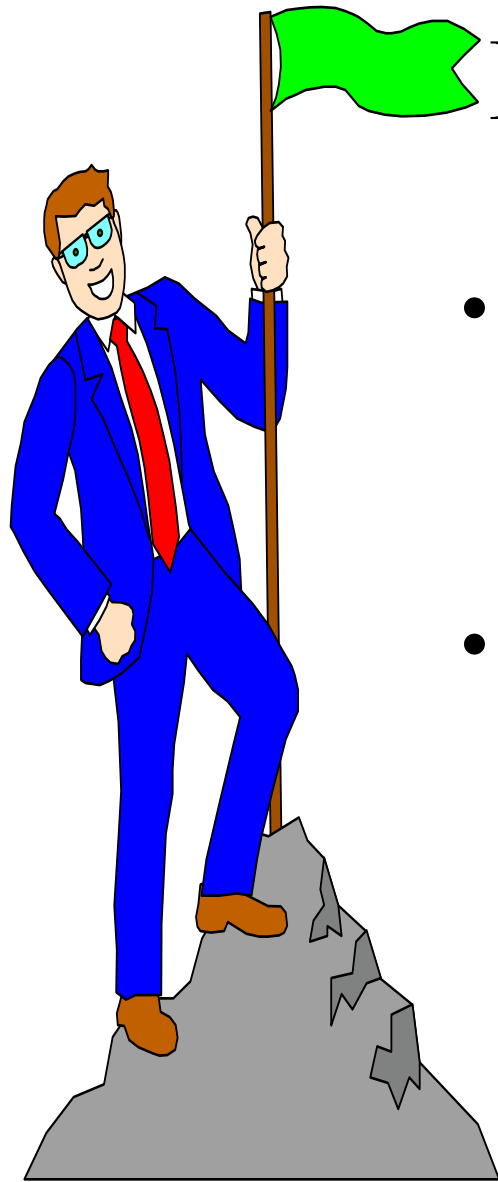


- Amount Past Due:
 - DIVIDE Amount of Missed Payments by Total Portfolio Balance
- No. of accounts with an amount past due:
 - COUNT all accounts with missed payments

Performance Data...

- Portfolio at Risk (PAR): Balance of accounts with missed payments.
 - PAR 1 day or more = total outstanding balance of all accounts with PAR
 - PAR more than 7 days = total balance of all loans with payments missed more than 7 days.





Performance Data: PAR...

- % PAR 1 day or more:
 - (Divide PAR 1 day or more by the Total Loan Portfolio) X 100
- % PAR more than 7 days:
 - (Divide PAR 7 days or more by the Total Loan Portfolio) X 100

INCOME & EXPENSE

- **Total Financial Income: ADD**
 - Interest income
 - Service charge
 - Penalty fee
- **Total Financial Expense: ADD**
 - Interest expense on deposits
 - Interest expense on borrowings

Income & Expense...

- Gross Financial Margin (Spread)
 - Total financial income
 - MINUS
 - Total financial expense

Income & Expense...

- Provisioning varies depending on the # of days payments had been missed.
- Loan loss provision, by age of PAR
 - 7 days & below 2%
 - 8 -15 days 10%
 - 16-30 days 25%
 - 31-60 days 50%
 - 61 & over 100%

Income & Expense...

- Net Financial Margin
 - Spread MINUS Loan Loss Provision
- Operating Expense Components
 - Direct Expenses attributable to the Product
 - Indirect expenses: Share of Product in other expenses incurred by the branch (these are expenses the branch would have incurred with or without the Product).

Direct or Incremental Expenses

- Micro-finance salaries = Basic plus Benefits

Ex.: AO basic = P4,500/month;

Benefits = 70% of basic.

AO s = 3

$P4,500 * 1.70 * 3 = P22,950$

- Transportation: Expenses incurred by the MFU staff for motorcycle gasoline & oil, jeep or tricycle fares reimbursed by AO s.

Direct or Incremental Expenses...

- Gross Receipts tax: 5% of Total Gross Income
- Direct Depreciation on equipment, software, tables & chairs, motorcycles, etc. used by MFU 100%
 - Use the depreciation policy of the bank
 - Depreciation period for pieces of computer equipment is usually 24 months; motorcycle, 36 months.

Indirect Expenses

- Represent the share of the Product or MFU in the other expenses of the branch.
- To get the % share of the Product: Example

	# Loans	#Deposit accts	Total
MF Product	150	477	627
Total Branch	2,801	10,151	12,952
% Share MF	$627/12952 = 4.8\%$		

Indirect expenses (con't)

- Apply the % share of MFU to the other expenses incurred by the branch for the month.
- To get branch expenditure for the month,
 - Current month's expense LESS Previous months expense for the cost item
- Then, expense for the month by the MFU % share to get the amount chargeable to MFU.

Financial Expense: How to Compute

- Case 1. Funds comes solely from **Deposits**.

Data Needed: (Example)

- Interest Rate on Deposits : 5% p.a.
- Total deposit liabilities : P600,000
- Reserve reqts. for deposits : 2%
- MFU Portfolio previous month : P350,000
- MFU Portfolio current month : P500,000

Determine the cost of funds.

Case 1. Funds from deposits

- To get financial expense (FE), say for May:

$$FE = \frac{(\text{Avg. portfolio} \times 5\%) \times 31 \text{ days} / 365 \text{ days}}{(1 \text{ minus } 2\% \text{ or } .02)}$$

- To get avg. portfolio (AP):

$$AP = (\text{MFU Portfolio previous mo.} + \text{MFU Portfolio current mo.}) / 2$$

Case 1: Funds from Deposits...

- To illustrate:

$$\begin{aligned} AP &= (350,000 + 500,000) / 2 \\ &= 425,000 \end{aligned}$$

$$\begin{aligned} FE &= \frac{(425,000 \times .05) \times 31/365}{(1-.02)} \\ &= (21,250 \times .0849) / 0.98 \\ &= 1,804 / 0.98 \\ &= P 1,841 \end{aligned}$$

Case 2. Funds From Borrowings

Data needed:

- Interest rate on borrowed funds (ex. PCFC=13% p.a.)
- MFU Loan portfolio end of previous month
- MFU Loan portfolio end of current month

Get Average Portfolio (AP) for the month.

$$AP = \frac{\text{Portfolio previous mo.} + \text{Portfolio current mo.}}{2}$$

Calculate Financial Expense (FE):

$$FE = (AP \times 13\%) \times \# \text{ days in month} / 360 \text{ days}$$

Case 2: Funds Solely from Borrowed Funds

- For example:
 - AP previous month = 350,000
 - AP Current month = 500,000
 - Interest rate on funds = 13% p.a.
- $FE = (350,000 + 500,000) / 2 \times 13\% \times (31 / 360)$
 $= 425,000 \times 0.13 \times 0.0861$
 $= P 4,757$

Case 3: Funds are from Deposits & Borrowings

- Data needed from Branch FS
 - Interest expense -- Deposits Branch
 - Interest expense -- Borrowed Funds Branch
 - Total Deposit Liabilities of Branch
 - Total Borrowed Funds of Branch
- Other data needed
 - Reserve Requirements on Deposits (2%)
 - Product Loan Portfolio (from MIS)

Case 3. Deposits & Borrowings...

- To illustrate, consider the following data:

Interest Expense--Deposits:	49,758
Interest Expense--Bor.Funds:	160,000
Total Deposit Liabilities:	12,636,617
Total Borrowed Funds:	18,312,790
Reserve Requirement :	2%
Product Loan Portfolio:	722,933

Case 3: Deposits & Borrowings... Share in Total

- Get the total of deposits & borrowings:
 $12,636,617 + 18,312,790 = 30,949,407$
- Get the share of Deposits to Total:
 $12,636,617/30,949,407 = 40\%$
- Get the share of Borrowings to Total:
 $18,312,790/30,949,407 = 60\%$

Case 3: Deposits & Borrowings...

Interest Expense on Deposits

- Steps to get the cost of the deposit component of the Product loan portfolio:
 - A) Divide Branch Interest Expense for the month by Total Deposit Liabilities as of end of month. Given the sample data:
 - $A = P49,759/12,636,617 = 0.00394$

Case 3: Deposits & Borrowings...

Interest Expense on Deposits

- B) Multiply (A) by the MFU Loan Portfolio
 - $B = (722,933) * 0.00394 = 2,847$
- C) Multiply (B) by the share of deposits (40%)
 - $C = 2,847 * 0.40 = 1,139$
- D) Divide (C) by the factor (1 - 2%)
 - $D = 1,139 / (1 - 0.02) = 1,162$

Case 3: Deposits & Borrowings: Interest Expense on Deposits...

- Given the sample data in a previous slide, the whole arithmetic operation can be summarized as follows:
 - $(722,933 * (P49,759 / 12,636,617) * 40\%) / (1 - 2\%)$
 $= (722,933 * 0.00394 * 0.40) / 1 - .02$
 $= 1,162$
- Thus, for our example, the interest expense on the deposit component is P1,162.

Case 3: Deposits & Borrowings: Interest Expense on Borrowings...

- Steps to get the cost of borrowings as a component of the Product loan portfolio:
 - A) Divide Branch Interest Expense on borrowings for the month by Total Borrowings as of end of month. Given the sample data:
 - $A = 160,000/18,312,790 = 0.00874$

Case 3: Deposits & Borrowings: Interest Expense on Borrowings...

- B) Multiply (A) by the MFU Loan Portfolio
 - $B = (722,933) * 0.00874 = 6,316$
- C) Multiply (B) by % borrowings (60%)
 - $C = 6,316 * 0.60 = 3,790$
- Hence, for our example, the interest expense on the borrowing component of the product loan portfolio is P3,790.

POST SCRIPT

- The Monthly Monitoring Report Form can be accomplished using the form in Excel which is already automated.
- Doing the Report manually initially as an exercise will help you understand better the procedures for accomplishing the Product income and expense statement.

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 10, 2001

Chapter IV: OPERATIONAL PHASE

Amends:

Section F: Savings Product Review

1. The MABS Consultant shall be responsible for reviewing the micro-deposit product he/she helped the PB designed. The time for evaluating the product is three to six months after the product launching.
2. The objective of the savings product review is to evaluate whether the product design and implementation responds to the needs and savings preferences of the target market area resulting from the market assessment conducted during the start-up phase.
3. It also seeks to review the performance of the savings mobilization of the PB and compare them against bank targets; identify marketing strategies and promotional strategies and conduct a SWOT analysis of the new product and/or savings mobilization.
4. Specifically, the following policies and procedures should be examined to determine the gap been product design and product implementation:
 - P Target market
 - P Savings policies and procedures
 - P Minimum initial deposit
 - P Interest rates and withholding tax
 - P Liquidity
 - P Deposit incentives
 - P Deposit and withdrawal restrictions
 - P Other terms and conditions

The following questions should also be answered:

- 4.1 What are the volumes and sizes of deposits? What is the average balance?
- 4.2 How does the bank promote their deposit services (e.g., client incentives, promotional strategies, staff incentives, etc.)?
- 4.3 Who are the other competing banks and depository institutions in the area?
- 4.4 What are the internal control measures that are being practiced?
- 4.5 Is the product cost-effective?
5. The MABS team shall discuss with the bank's chief executive officer (CEO) the result of the product evaluation and propose changes to the product design if necessary, and formulate a marketing plan, among others.
6. Annexes IV-F-A1 and IV-F-A2 are two examples of savings product review. The two savings products primarily target microentrepreneurs and student depositors.

ANNEX IV-F-A1

RB SANTO TOMAS, INC.

REVIEW OF SUKI SAVERS CLUB PERFORMANCE As of May 31, 2000

1. Background

When RB Santo Tomas, Inc. (RBSTI) became a MABS participant bank in September 1998, it started to do an aggressive solicitation of micro-deposits. One of the means to do this is to pick-up deposits in the public market and along the main highway. This effort, however, proved very costly. In order to reduce the operating expenses of the bank, it introduced the use of the Aganansiya@ boxes. Under this scheme, depositors were asked to drop their deposits in the ganansiya boxes and submit the boxes to the bank once or twice a month. The bank was able to sell the first 1,000 boxes during the first 6 months. However, only 25% of those who bought the boxes actually opened deposit accounts with the bank. Furthermore, out of the 25%, none of them sustained the use of the box after 3 months.

As a result, the number of micro-depositors were increasing, but the daily balances remained very small. As of March 31, 2000, 70% of the total number of savings accounts maintain an average of P103. in daily balances. Maintaining very small accounts are generally expensive due to the transaction costs that they entail. Thus, in order to encourage the depositors to increase their daily balances, while keeping the operating expenses minimal, MABS designed a deposit scheme, the ASUKI Savers Club.@ Under this scheme, depositors are asked to sign an Agreement with RBSTI that would stimulate them to deposit regularly using the Aganansiya@ boxes. To encourage the depositors further, the bank offered a raffle scheme, the *Ganansiya Bonanza Raffle*.

2. Status

- ⊖ RBSTI launched the SUKI Savers Club in May 2, 2000. The Marketing Officer, Aileen, was the lead person in the effort. She was tasked to (a) market the product, (b) ensure that the policies and procedures are being followed, and (c) monitor the performance of the product. The Loan Account Officers were also asked to help in this activity.
- ⊖ As of end of May, the SUKI Savers Club has 148 registered members. 32% of whom are borrower-depositors under the SUKI loan program. All of them utilize the ganansiya boxes. 86% bring their boxes to the bank once a month to deposit the accumulated savings.
- ⊖ The bank was able to generate a total of P221,250.29 in deposits. This means that

the average daily balance of each depositor is around P1,500.

- ⊖ Interviews with 5 existing members of the SUKI Savers Club reveal that (a) they feel comfortable using the ganansiya boxes; (b) the Ganansiya Bonanza raffle encourage them to deposit and to maintain balances over P1,000 in their accounts; and (c) they are thankful that there is a scheme that Apsychologically@ stimulate them to save regularly.
- ⊖ A look at the comparative figures in Table 1 show that there was a decrease in the number of small accounts (P1,000 and below), but an increase in bigger accounts. There was also an increase in average balance, specially on accounts with over P500 in balances. Total deposits generated increased by 18% from March to May.
- ⊖ The first Ganansiya Bonanza Raffle was held on June 5, 2000. The bank identified 13 winners that won a total of P7,300. This means that winners get an average of P561.54 in cash prizes.
- ⊖ Based on interviews, the Ganansiya Bonanza raffle encourage the depositors to increase their deposits. However, it was not the main reason why they like the SUKI Savers Club. They like the deposit scheme because it espouses them to save regularly or that it develops in them the habit of saving.

**Table 1. Savings Deposit Report By Size Category
March 31 vs. May 31 figures**

	Savings Deposits 03/31/2000			Savings Deposits 05/31/2000		
	No.	Amount	Average Balance	No.	Amount	Average Balance
Up to P500	5155	P533,698.60	P103.53	5120	P553,404.89	P108.09
P500.01-1,000	604	357,418.65	591.75	509	354,421.22	696.31
P1,000.01-5,000	1,004	1,934,022.72	1,926.32	955	2,173,628.73	2,276.05
P5,000.01-10,000	270	1,848,518.35	6,846.36	302	2,129,651.22	7,051.83
P10,000.01-50,000	335	6,782,274.76	20,245.59	403	8,372,828.12	20,776.25
P50,000.01 & above	96	11,318,091.77	P117,896.78	112	14,196,158.75	126,751.41
Total	7464	P22,774,024.8	P3,050.78	7401	P27,780,092.9	P3,753.56

3. Analysis

- ⊖ Generally, the bank=s efficiency has increased, but the increase is not very significant yet. If the trend continues, then the bank would be able to double its over-all average balance in 5 months.
- ⊖ There are now more accounts with higher balances. In addition, the total amount

of deposits has also increased. Although this may not be a direct effect of the SUKI Savers Club efforts, this implies that RBSTI is now more aware of encouraging small savers to increase their daily balances.

- ⊖ The member-depositor of the SUKI Savers Club maintain an average of P1,500 in daily balances. A non-member micro-saver, on one hand, maintain average of P744.44. which is about half the daily balances of a member-depositor.
- ⊖ Although it can be inferred based on the interviews with existing members that the Ganansiya Bonanza raffle encourage them to save, the cost requirements of maintaining it do not make the raffle scheme sustainable after the pilot phase (May-July 2000).

5. Difficulties/Problems:

- ⊖ The lead person of the SUKI Savers Club activity, Aileen, is new to the bank. She cannot seem to get the assistance or support of other bank staff, specially the loan account officers. The AOs were already given instructions by the MABS Point Person to market the SSC and mobilize deposits, but the AOs were not acting on this.
- ⊖ In addition, Aileen has other responsibilities. She is also tasked to update the manual ledgers, assist in preparing loan documents, and entertain inquiries from loan applicants or existing clients. She cannot focus her time in marketing and monitoring the SSC.

6. Recommendations

- ⊖ RBSTI should continue to encourage savers to increase their daily balances. One way to do it is through the use of Aganansiya@ boxes vis a vis the SUKI Savers Club.
- ⊖ RBSTI should not continue the *Ganansiya Bonanza* raffle after the pilot phase. Another option is to offer the raffle, but reduce the number of winners. The bank can simply identify one winner for each category (i.e., one first prize, one second, one third).
- ⊖ RBSTI should strive to encourage its SUKI borrowers to utilize the Ganansiya Box to help them increase their deposits. Some borrowers, specially those who pay their loan amortization on a monthly or bi-monthly basis, are having difficulty meeting the contractual deposit requirements. If they save regularly through the Ganansiya boxes, then they would be able to accumulate more than enough deposits to comply with the SUKI loan requirements. The merits of membership in the SUKI Savers Club should be mentioned during client orientation sessions.

- ⊖ The loan account officers should give more efforts in marketing the SUKI Savers Club. They should also help Aileen monitor the performances of the accounts of the members by submitting a month-end report to her. This month-end report should only track the accounts of the borrowers that each AO are managing. In this manner, the AOs are also aware of the discipline of their loan clients to save.

ANNEX IV-F-A2

Rural Bank of Cantilan, Inc.

Student Savers' Club PRODUCT REVIEW

1) Performance: Targets vs. Accomplishment

Data gathered to evaluate SSC performance in the last 4 months indicate that targets both for number of depositors and deposit were met and exceeded only 2 months after launching in end of August. As of October 31, Cantilan which targeted 20% or a total of 1,195 of the student population had 1,259 and P113,223 in deposit against an estimated P95,600. Madrid on the other hand targeted 525 students but had 1,026 as at October end and a deposit of 51,826 vs. a target of P42,000.

The schedule below shows cumulative performance for Cantilan and Madrid in November against targets:

BRANCH	DEPOSIT TARGET (as of November)	ACTUAL	% EXCEEDED
1. Cantilan	P143,400	P160,437	12%
2. Madrid	63,000	92,852	47%
TOTALS	P206,400	P253,289	

These figures show a strong demand for the product and popular support by the schools and parents. On the other hand, it can also be an indication that targets set were too conservative.

Average amount of deposit by target is P40, while actual is P90 although this is dispersed in a wide range where less than 10% are above the P500 mark, a handful few with more than P1,000 and majority with less than P100.

The demand to bring SSC to other schools not covered by the pilot phase is recognized and therefore evaluation and refinements of the product is in order to be able to answer this demand sooner.

2.) Marketing & Promotions

The product manager, SSC coordinator, school directress, teachers were interviewed to evaluate marketing programs undertaken. Results are as follows:

- € Networking with school officials, DEC's superintendents, PTA to drum up interest was found to be very effective and essential in overall success of the program.

- € Marketing gimmicks are innovative and it gave a good advertising mileage and exposure to the bank.
- € A budget of P50,000 was allocated for promotional materials and launching activities.
- € A marketing plan is needed to concretize follow through activities further sustaining student zeal to save.
- € The issue of expanding to other schools without sustainable efforts to generate deposits in schools presently covered may not be viable until **adequate manpower structure** and a **concrete marketing plan** is adopted.

3.) Product Design

- € Rationale as stated in the SSC Product Manual is to develop savings consciousness among the youth for “*their needs & preferences*”. However, marketing messages are all geared for a long term pre-need plan of education
- € Marketing messages should include saving for other purposes, such as for saving for Christmas, birthdays, for hobbies, toys & books or bicycle etc. So there is a sooner reward system or gratification for the child.
- € Savers should be allowed to withdraw for other purposes (savers should be asked why he/ she wants to save and this should be noted by the bank) Interviews with some elementary and high school students yielded vagueness in understanding that they are not to withdraw their money in the next 2 years. As far as they are concerned, they are saving for the future and look forward to having money when they need it.
- € Interest rate of 3% is ok. The interest rate is not so important to the savers, but the giveaways are attractive to them. Incentive to savers: (free can, issuance of their first passbook, “students are proud & encouraged to save”) The give-away also encourage higher deposit balances and the insurance package was welcomed by parents.
- € Pick up deposit in schools happens 2x month, which school officials find reasonable. No negative feedback was gathered from the Teachers/ Parents to date.
- € Minimum deposit to open (₱20) & maintaining balance to earn interest (₱500) – ok and is considered to be client friendly.
- € There is a need to get feedback and understand segments of target market (elementary, high school) in terms of product satisfaction, convenience and motivation for savings. We suggest that the bank conduct a focus group discussion with these segments of the studentry.

- € For the provision of incentive to schools, we suggest a change from “adopt a school”, which is a vague concept, to “sponsor an activity” and then earmark a budget. For any similar incentive scheme, the bank should conduct a thorough cost and process planning prior implementation.

4.) Procedures

- € Deposit pick-up observation: names are written and collections are recorded in a scratch paper.

- Ø It is highly recommended for the coordinator to use a collection sheet which is pre-printed and made ready for each section prior pick up, indicating name, account number, denomination. This will save him time by doing away with the need to write names and to look up account numbers when he returns to the bank as practiced. The indicated denomination (no. of pieces and total value) would also eliminate the need to double count money upon return to the bank and may help in tracing in any shortage or overage that may occur.

- € When the Internal control of the present system was thoroughly evaluated, it was noted that there is no way to double check amount stated by the coordinator. We, therefore, suggest the following revision in the deposit pick-up done by the SSC coordinator:

- Ø Counting & validation

Parents should be involved in the savings scheme, keys to the savings can should be left with them.

1. The night or morning before the scheduled collection, parents should open the can and count the contents. They should record the breakdown of total savings on a sheet of paper preferably the deposit slip, sign it, put the slip and the savings back inside the can, lock it, and give the can to the child. This deposit slip could be accomplished by the students themselves depending on their age or grade level, as a practice to using bank documents.
2. In school, the bank’s collector / SSC coordinator opens the can, verifies the recorded breakdown by counting the money savings, stamps the deposit slip as “Received”, and signs accordingly.
3. He should then record the number and amount per denomination on a Collection Sheet (please see attached),

which has been pre-printed with the names and account numbers of student-members per section/grade level.

4. Lastly, the SSC coordinator shall ask the student-members to sign on the collection sheet, as an agreement to the amount for deposit.

€ On SSC coordinator practices:

- b.) SSC should never update the kids' passbook. This is the teller's job.
- c.) Walk-in student savers should go through the regular deposit process and deposit their money with the teller and not the coordinator, nor the practicumers. Coordinator would therefore assist in the deposit process.
- d.) Money for fare purposes should be separate from the deposit collection. A petty cash for fare should therefore be provided.
- e.) He should always bring marketing paraphernalia for opening new Student Savers' accounts, including the savings 'lata' bank, deposit slips and some official receipts for those who want to get a new savings can or a replacement passbook.
- f.) He should have: Fidelity bond of at least ₱20K, and wears an ID and be in uniform.
- g.) For lost passbook, the old account should be closed and a new one opened with a corresponding service fee.

5) Cost Effectiveness

Financial cost. Only around 80 accounts out of the 2,636 depositors have a balance of more than P500 and therefore are entitled to interest. With an estimated average deposit of P700, interest paid for the total deposit of P253,289 is only at P1,680 or less than 1%. SSC can therefore be a cheap source of funds with regards to interest rate.

Marketing cost for the cans at P155,000(only half utilized)and the initial promotional materials cost at P50,000(inclusive of give-aways and launching activities' expenses, about 10% utilized). Assuming the given figures, marketing cost(more specifically can cost) eats the bulk of expenses costing 30% of the generated deposit. But since most of these are one time costs it can be spread out in the lifetime of deposit. This also points to generating higher deposit balances to recover marketing costs.

Transaction cost. The coordinator spends 70% of his time for deposit pick-up and doing the summary; and a minimum teller's time as a collective deposit is done. Transportation expense is also minimal as the schools are in the nearby vicinity of the bank. Given that this amounts to an estimated P100, with an average of P5,000 daily deposit, transaction costs around 2% of deposit and can be costly for the bank. This is the main reason why we would like to

MABS PROGRAM
Training and Technical Assistance Manual

Date: February 9, 2001

Chapter V: EXPANSION PHASE

Amends:

The Expansion Phase is the last phase of MABS technical assistance to the PBs. At this point of the program, the banks are expected to have achieved a firm appreciation for microfinance best practices and principles and are able to expand their outreach either geographically, branch-wide, or simultaneously as well as potentially offer more than one microfinance product, without sacrificing their loan portfolio quality.

This chapter contains 5 sections:

Section A: Introduction

Section B: Geographic Expansion

Subject 1: Expansion Implementation

Section C: Branch Expansion

Subject 1: Strategies for Implementation

Subject 2: Expansion Workplan

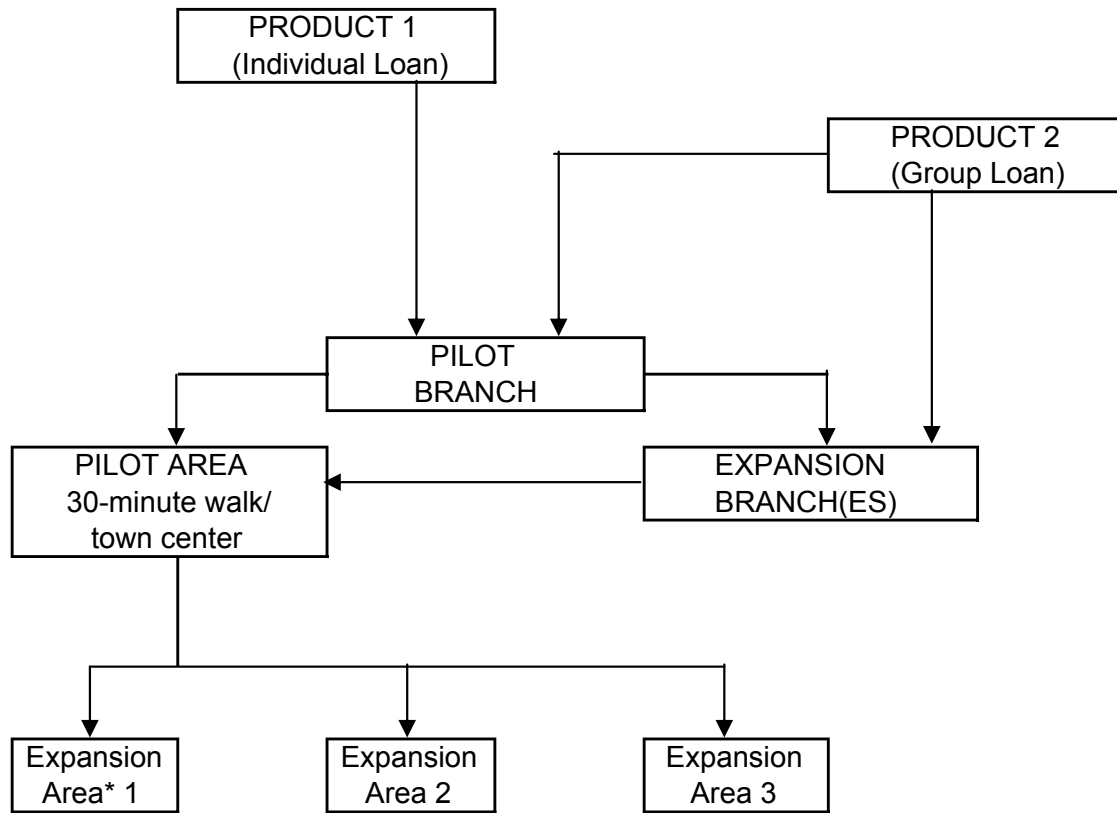
Subject 3: Branch Support Fund and Supplemental Agreements

Section D: Product Expansion

Subject 1: Expansion Implementation

Section E: Performance Monitoring

ILLUSTRATIVE DIAGRAM OF PB's EXPANSION PHASE:



*Nearby barangays or towns.

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 16, 2001

Chapter V: EXPANSION PHASE

Amends:

Section A: Introduction

1. The expansion phase refers to the remaining 12 or 18 months, of the period covered by the Participant Bank Agreement. After providing the Participant Bank (PB) with intensive technical assistance during the start-up and operational phases, MABS shall continue to provide the PB with technical assistance on their expansion activities but only on an intermittent and as-needed basis to be determined by MABS.
2. This phase is characterized by an expansion of the bank's microfinance activities, whether geographic, branch, or product expansion. During the expansion phase, it is expected that:
 - 2.1. The pilot branch of the PB should have attained a minimum outreach of at least 200 active microenterprise borrowers and 400 active micro-depositors as specified in the PBA.*
 - 2.2. The bank's microfinance activity should have proven itself to be a profitable line of business deserving of a substantial and long-term investment.
3. Specific issues related to expansion vary among PBs. There are, however, issues that necessitate concrete and uniform definition and approaches by the MABS team. The rest of this chapter addresses these issues.
4. **Geographic Expansion.** For a single-unit participant bank, expansion activities will entail expanding its outreach in the outlying barangays and neighboring towns. MABS assistance shall include identifying the target market, revision of business plan and MFU targets, assistance in selecting and training new staff, and marketing the product.
5. **Branch Expansion.** For partner banks with multiple branches, expansion shall ideally occur after the start-up phase (or the first six months). MABS shall ensure that the pilot branch is operating sufficiently as a "model" branch before the branch expansion. This means that the pilot branch has well-placed microfinance products (loan and deposit), a properly completed loan manual, an effective and accurate MIS, and a well-established microfinance unit. The branch's Portfolio at Risk Ratio (PARR) must be less than 5%. The branch must also be meeting its monthly targets both in terms of quantity and quality.

* As a general rule, MABS direct technical and commodity assistance for expansion activities, if any, may be given to the Participant Bank only when such expansion occurs after the latter has achieved 40% of its savings and credit targets in the first branch. However, for branches that have limited markets and can not reach the specified target to warrant expansion, this need not be the case.

The same start-up procedures shall take place for branch expansion. MABS will assist in the selection of the new staff, in the in-house MFU orientation course, business planning and marketing. By this time, the MFU staff in the pilot branch are expected to be well-trained to actively participate in setting up the microfinance unit in the other branches of the bank.

6. **Product Expansion.** MABS may assist the participating bank in developing or enhancing another microfinance product. If the branch already has an existing individual micro-loan product prior to the expansion, MABS shall conduct a product review and shall determine if conflict will arise with the introduction of the MABS loan product. In this case, MABS will convince the PB to enhance its existing product and possibly integrate this with the MABS-assisted microfinance product to standardize the micro-loan operation bank-wide. If the MABS product is an individual lending product and if the branch already has a group loan product and requests assistance, MABS may provide technical assistance with the enhancement of this product but will mainly focus on the replication of the individual loan product in the branches.
7. Geographic, branch, and product expansion may happen simultaneously. For example, the pilot branch may be expanding its market outreach to nearby towns and barangays, while a replication of the micro-loan product is under way in its other branches. MABS may also assist the PB in its group-lending product while overseeing the branch and geographic expansion activities.
8. **Market Overlap.** As a general recommendation, the first branch expansion should not be in the same geographic area of another PB branch that MABS has worked with during the start-up phase. For instance, if MABS has worked with PB **X** during the start-up phase in City A, then MABS discourages the first branch expansion of PB **Y** in City A. The succeeding branch expansion, however, can be in any geographic area. Banks can compete freely for the same market in its succeeding branch expansion.
9. **Counting of Market Outreach.** MABS shall count all clients that are new to the MABS-assisted product. These include clients that are new to the product but from the old product of the bank that has been integrated with the MABS product. In the case of product expansion, MABS shall only count these clients if there is direct technical intervention from the program and if the accounts have acceptable portfolio-at-risk ratio in accordance with MABS standard.
10. At the end of the expansion phase, the participant banks are expected to have expanded their respective outreach and attained a profitable scale of operation. Moreover, the PB is expected to have developed and continue strengthening its in-house-training capability for the sustainability of their microfinance operation.
11. MABS shall utilize similar approaches in the expansion as in the start-up and operational phases. However, there may be some variation in the process depending on the needs and preferences of the PBs. The succeeding sections detail the approaches and options that MABS team shall provide during the Expansion Phase.
12. Annex V-A is an example of an 18-month expansion workplan for a participant bank.

ANNEX V-A

EXPANSION PLAN FOR XYZ BANK (18-Month Expansion Plan)

I. Status of MABS Activity

- € Pilot branch is the ABC branch.
- € Individual loan product tested over the last six month (Sept 16 – March 15) is an enhancement of the bank's existing product
- € A product manual & a business plan have been prepared; two motorcycles have been delivered for use of the branch's two MF staff; an interim MIS for loans have been installed and is operational; and training on cash flow lending given to all of the bank's loans staff. The enhancement of the bank's current software will be completed by end of March 2000.
- € On-the-job-coaching of MF staff at the pilot branch has been the primary intervention used by the MABS point person in the last six months.
- € Nothing has been done on the deposit side to date.
- € As of end of February 2000, the pilot branch had a total of 75 active borrowers, which is 68% of its target of 110 active borrowers, as of end of February 2000.
- € Five accounts are delinquent as of March 12, 2000. PARR is 3.1% as of the said date.
- € The pilot branch has a very limited market for individual microfinance loans. It was selected as pilot mainly because of the skills and experience of the branch manager, and on the assumption that the branch's group loan clients would also be counted.
- € Prospects for a rapid expansion of individual lending within the branch's service area in the next several months not quite encouraging as most of the communities outside the town center have been either served or are being targeted under the bank's group lending program.
- € The two MF staff are relatively slow learners, and would need further tutorials on client selection, cash flow analysis, and operation of the MicroBanker loans module.
- € Management at the pilot branch level is not as strong as it was previously assumed. MF staff not very well supervised. Loan applications of individual loan borrowers submitted by the MF staff for approval not being reviewed properly.
- € Management at the bank level not very encouraging, either. The General Manager, being new to banking, is still has to get a good grasp of the entire operations of the bank. The bank president, who is on leave, will be coming back to the bank in June 2000, though.
- € A full-time coordinator for individual loan products has been appointed last January 2000.

II. Expansion Plan

- € The bank plans to focus its attention on further enhancing and promoting its individual microenterprise loan when the bank president gets back to work in June.
- € Client outreach expansion for both individual & groups loans will be most rapid in four branches because of their relatively bigger markets
- € Expansion will be relatively moderate in the banks' four remaining branches
- € Bank-wide lending targets within the next 18 months are 1,920 new individual loan clients and 8,300 new group loan borrowers, or a total of more than 10,000 new loan microenterprise borrowers.

- € The bank is planning to hire more field loans staff, for both group and individual loans, within the year in support of its rather aggressive expansion plan.
- € Funds for the expansion of operations for both group and individual loans will come mainly from PCFC. A P5.0 million credit line under HIRAM has been approved for the expansion of its individual lending program, and an additional P40.0 million line under ADB-IFAD is being sought for the expansion of its group lending program.
- € In so far as the individual loan product is concerned, the bank will need help in standardizing its loan product, and integrating its individual commercial loan products into a single product line.
- € In order for MABS to count the new group loan accounts, as well, the bank can be assisted in improving its MIS for group loans, and in enhancing and documenting its group lending methodology.
- € Two MABS consultants may need to be assigned in the bank – one to focus on its group lending program, the other to continue the work on its individual loan product.
- € Two person-weeks (4 days each person) a month would be sufficient. The approach in TA delivery would be different in the next 18 months. Training will become the primary intervention, instead of on-the-job coaching which is intensive but limited in the number of MF staff that could be reached.
- € The point persons will also be working mainly with and through the bank coordinators for group and individual loans, although occasional MF staff coaching would still be focused mainly in the pilot branch and the expansion branch.

XYZ BANK
CLIENT OUTREACH TARGETS FOR GROUP & INDIVIDUAL LOAN PRODUCTS, BY BRANCH
For the Period April 2,000 – September 2001

Name of Branch	No. of Borrowers As of 2/29/00	Bank Start Date	No. of Months With MABS	Target No. of New Borrowers (Average Per Month)		Total Target No. of New Borrowers		
				Group Loan	Individual Loan	Group Loan	Individual Loan	TOTAL
A	75	Sept 16, 1999	6	27-28	8-9	500	235*	735
B	35	March 16, 2000	>1	111-112	17-18	2,000	355*	2,355
C	36	-	-	83-84	17-18	1,500	356*	1,856
D	-	-	-	55-56	17-18	1,000	320	1,320
E	70	-	-	111-112	17-18	2,000	396*	2,396
F	-	-	-	16-17	8-9	300	160	460
G	-	-	-	27-28	8-9	500	160	660
H	-	-	-	27-28	8-9	500	160	660
					TOTAL	8,300	2,142	10,442

* Including current number of individual loan accounts.

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 19, 2001

Chapter V: EXPANSION PHASE

Amends:

Section B: Geographic Expansion

Subject 1: Expansion
Implementation

-
1. For a single-unit participant bank, expansion activities will entail expanding its outreach in the outlying barangays and neighboring towns. Aside from the basic expansion requirements, geographic expansion for participating banks is implemented as soon as it is determined that the immediate market or the pilot area has already been saturated.
 2. Aside from the quantitative requirements set forth in the PBA, the bank's management must exhibit its commitment to the implementation of the microfinance product beyond the pilot branch by hiring and training more MFU staff to handle the expansion activities.
 3. As soon as bank management has approved the expansion plan, the MFU staff shall conduct market research (area-mapping, microenterprise survey, secondary-data gathering, etc.) for each expansion area identified. This process will enable the bank to identify the priority service areas. Respondents for the microenterprise survey need not be as numerous as the survey done for the pilot area. Twenty-five or fifty respondents, depending on the size of the market area will suffice since the purpose this time of the survey is just to get a "feel" of the prospective area for expansion.
 4. Additional staff shall be hired using the same criteria and procedures for hiring and training the original MFU staff. The newly-hired staff shall undergo on-the-job-training for at least a month with the existing MFU staff and the MABS consultant who may also conduct training workshops (see Chapter III, Section B and Chapter IV, Section D) depending on the bank's needs. Since the MFU staff are now assumed to have familiarized the operations and procedures of the microfinance product, peer training shall be employed as a training methodology. The new account officers should be sufficiently trained by their peers before being left on their own to handle new accounts.
 5. MABS strongly encourages the PBs to carry out the expansion activities to other areas without cutting short the processes involved in introducing a product to a new market or service area. This means that the bank should complete each step in the start-up phase that needs to be done for each target area before delivering the microfinance product. For example, the bank can not start delivering the loan product to the expansion area without first doing a market research, or sending off a new account officer to the area without completing the

compulsory training requirements. There may also be a need to revise the business plan and MFU targets depending on the outcome of the market survey.

6. Geographic expansion can also occur in banks with branch network. The management, for instance, may initially prefer to expand geographically before implementing the product to its branches; or may also expand geographically if the other branches are already involved in the expansion.

MABS PROGRAM
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Date: January 17, 2001

Chapter V: EXPANSION PHASE

Amends:

Section C: Branch Expansion

Subject 1: Strategies for
Implementation

1. Expansion to branches ideally should start at the completion of the first six months of intensive technical assistance in the pilot branch. At this point of the partnership, the microfinance staff shall have been trained and properly coached on the implementation of the bank's microfinance lending facility to the branches.
2. Aside from the minimum requirements for expansion (Chapter V, Section A), the pilot branch must have already developed sufficient microfinance systems and procedures in the pilot branch to introduce these in the new branches. In particular, the following must be firmly in place:
 - 2.1. Manual of operations and procedures are documented;
 - 2.2. Account officers are fully- trained and familiar with the microfinance operation since they are the ones who will train the new hires; and
 - 2.3. A competent supervisor to ensure continuing job coaching and proper and timely diagnosis of field situations.
3. Branch expansion may be implemented in three ways:
 - 3.1. **Gradual Expansion:** Should the PB wish to do so, MABS shall expand microfinance operations to the branches one at a time, or one to three months after every branch depending on the result of the branch selection process. A gradual expansion poses an advantage to the PB as it allows an opportunity for process review and fine-tuning of the product before resuming expansion activities to other branches.
 - 3.2. **Multiple-Branch Expansion:** If the branches are able to fulfill all the requirements set in the branch selection and the PB has the institutional capability to expand its microfinance operations to all its branches simultaneously, MABS shall design a bank-wide training for the new MFU staff. However, the PB should be able to affirm its commitment to this type of branch expansion by hiring a product manager or supervisor, prior to the expansion, who can sustain the expansion activities as MABS gradually phases out from its commitment to the bank.
 - 3.3. **Batch expansion:** Branch expansion may also be carried out in group of branches. Aside from the minimum requirements for expansion, these branches should be geographically closer to each other to enable the MABS consultant to conduct the training and supervise the expansion without

unnecessary distress in his/her workplan. Expansion activities for the first batch of branches shall be directly assisted by MABS. The second batch shall be actively led by the PB with minimum supervision from MABS, while the succeeding batches shall be the sole responsibility of the PB.

4. **Branch selection.** To establish the criteria for branch selection, the MABS consultant will meet with the bank management for a brainstorming session. Once the selection criteria have been established, the bank/branch management shall seek the approval of the Board of Directors. Eligibility criteria shall be generally based on the following: (1) branch performance and loan portfolio quality; (2) management and institutional capability; (3) market potential; (4) management information system; and (5) organizational structure. Annex V-C1-A1 is a shortlist of these minimum qualification requirements.
5. The MABS consultant shall conduct a branch management orientation prior to the expansion activities. This session aims to brief the branch managers about microfinance operations and the manager's role in making microfinance a successful operation. The branch manager for the pilot branch should also be present during this meeting to share his/her microfinance experience. Annex V-C1-A2 is a presentation material for the branch management orientation.
6. **Organizational Structure.** MABS will recommend an organizational structure for the microfinance department of the bank and branches based on consultations with the bank senior management. In smaller banks (i.e., two-unit bank), for example, the MFU unit in the pilot branch may consist of a supervisor and up to 4 account officers. During the expansion phase, an account officer may be promoted as senior account officer (but not necessarily) to handle the peer training (Section 2: Expansion Workplan), while the supervisor travels between branches to oversee expansion activities. Or if the expansion branch is small enough and only needs 1 account officer, he/she may directly report to the branch manager or loans supervisor, under the technical supervision of the MFU supervisor.

For larger banks (more than two branches), a product manager may be hired to manage a sustainable implementation of the microfinance product and training of the MFU staff. Annex V-C1-A3 contains a proposed long-term microfinance department organizational structure.
7. The new microfinance staff shall be trained at the pilot branch. Depending on the availability of the MABS consultant and the workload of the bank, the training may be designed to be a weekend training or after-banking hour sessions spread over two or three days during the consultant's regular supervision visits.
8. As the MABS program gradually phases out its technical assistance, it will not be able to assist all the branches. The program may, however, be able to assist in the expansion of non-qualified branches but only to the extent of intermittent technical assistance and accommodating other branch management and staff in microfinance or bank-wide training sessions conducted by MABS.

ANNEX V-C1-A1

BRABCH ASSESSMENT PARAMETERS

The choice of priority branch to work should be based on the following:

- A. *Branch Performance and Loan Portfolio Quality*
 - 1. Profitable operations in the last year.
 - 2. Past due ration of not more than 15% over the last year.
 - 3. Loan to deposit ratio of ___

- B. *Management and Branch Capability*
 - 1. Clear vision of microenterprise development
 - 2. Exhibits genuine willingness to adopt microfinance technology
 - 3. Ability to define strategic direction in microfinance development
 - 4. Highly motivated, people-oriented, and open-minded
 - 5. Sufficient branch space to ensure that the branch can accommodate the expansion activities (or if not, provision and necessary renovations must be made to ensure the orderly implementation of the expansion).

- C. *Market Potential*
 - 1. Service area with potential to generate at least 250 borrowers within 12 months.
 - 2. Branch preferably located near or within 30-minute walk from either a public or private market.

- D. *Management Information System*

A well-placed monitoring system (automated or manual) to enable MABS to monitor the branch microfinance operations in the same manner as that of the pilot branch.

- E. *Organizational Structure*
 - 3.5.1. Appropriate staffing structure.
 - 3.5.2. No staff conflicts.

MANAGING THE MICROFINANCE UNIT (MFU)

A Branch Management Orientation

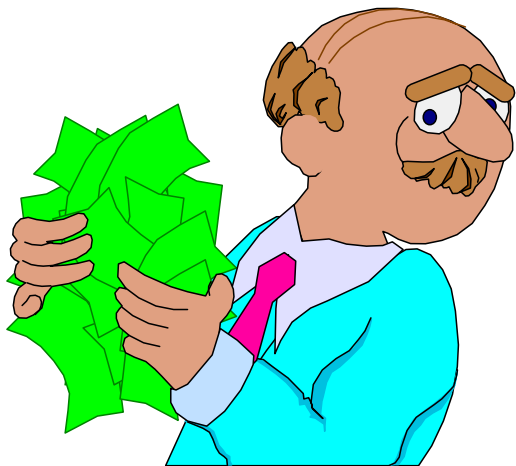
Managing the MFU...

TODAY'S AGENDA:

- What is Microfinance?
- Why Microfinance?
- Key to Success of Microfinance
- The Manager's Role

Managing the MFU...

What is Microfinance?



The bank...

Not bankable...



The Microentrepreneur..

Managing the MFU...

- Microfinance is granting credit to....
 - Poorest of the poor?
 - Farmers?

NO! Microfinance is for the enterprising poor.

- Microfinance is for microentrepreneurs with regular daily or weekly income.

Is Microfinance new to RB XYZ?

No. Rural banks have been doing microfinance for a long time

Managing the MFU...

What is Microfinance?



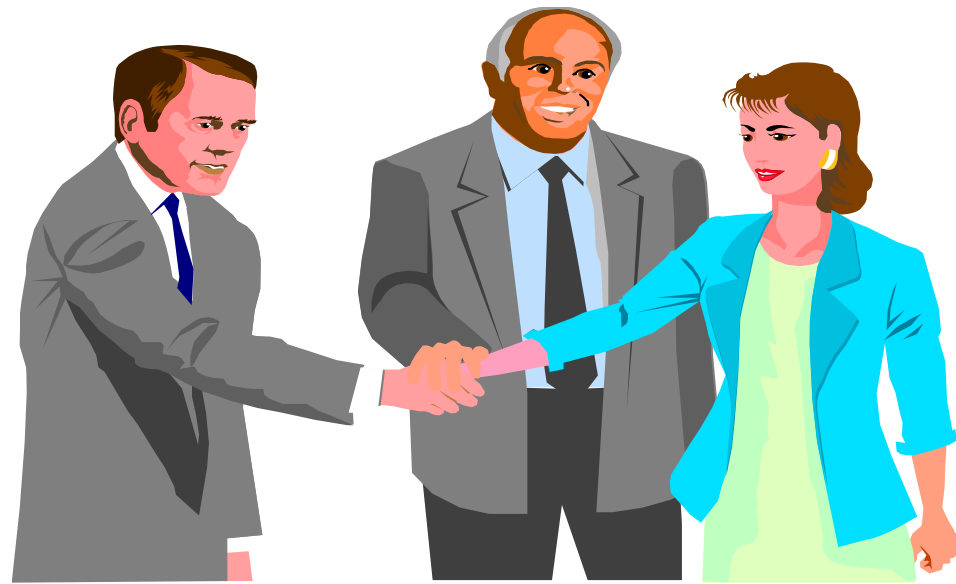
The bank...



The Microentrepreneur..

Managing the MFU...

Why Microfinance?



Small loan, big loans = same amount of work

Managing the MFU...

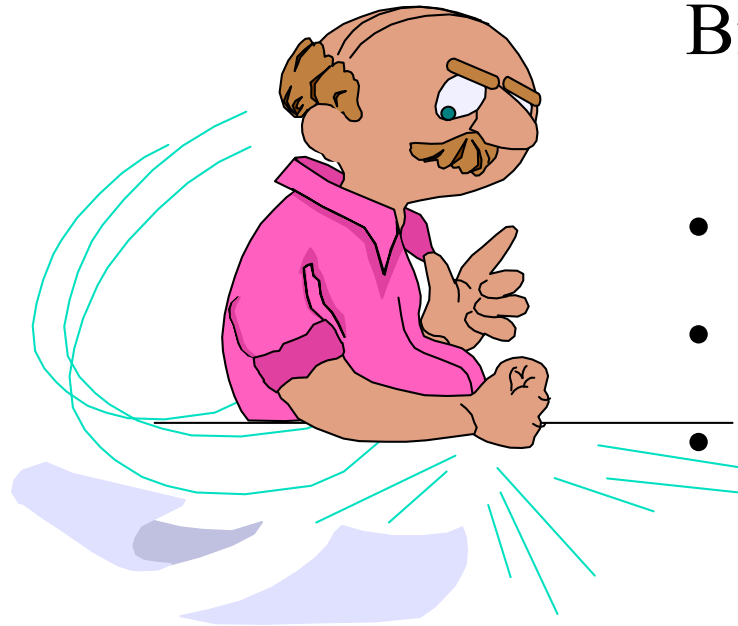
Why Microfinance?

Bigger loans - bigger profits



Managing the MFU...

Why Microfinance?



Bigger is not always better especially if...

- Economy goes bad
- Natural calamity strikes
- Delinquency strikes

Bigger loans could mean bigger losses.

Managing the MFU...

Why Microfinance?

Microentrepreneurs are:

- *Not interest conscious*
- *Easy to please*
- *Great in volume*
- *Good source of deposits*
- *Not directly affected by regional economic crisis.*

Managing the MFU...

THEREFORE:

*Microfinance is profitable
and sustainable.*



Managing the MFU...

Why Microfinance?

When fully implemented in all branches, the entire MFU of RB XYZ could potentially generate the following:

- 1. 2,500 active borrowers**
- 2. PhP 15M in loans**
- 3. 6,500 new depositors**
- 4. PhP 22M in deposits**
- 5. PhP585,000 monthly net income or PhP7M annual income.**

Managing the MFU....

Key to success of microfinance in my branch

The “Microfinance Best Practices & Principles”

- Image and Philosophy of the Institution
- Client Selection
- Loan Policy
- Interest Rate Policy
- Good Disbursement and Monitoring Procedures
- Good MIS
- Zero Tolerance to Delinquency

Managing the MFU...

THE MANAGER'S ROLE

Until when is MABS Technical Assistance?

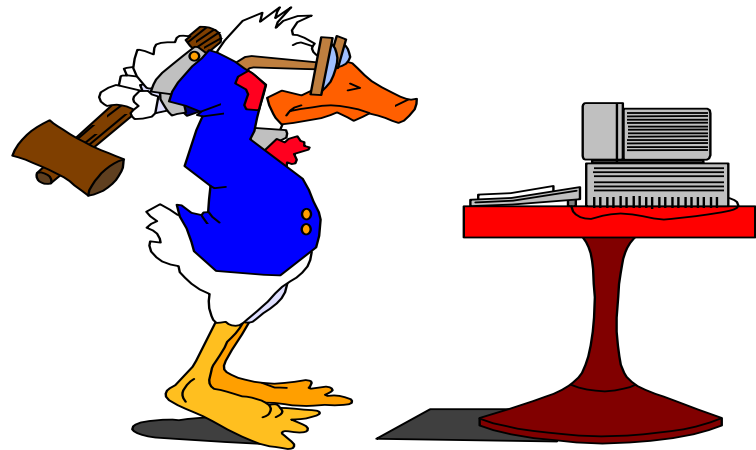
- By the 1st quarter of 2001, MABS technical assistance will slowly phase out.

Managing the MFU...

THE MANAGER'S ROLE

What will happen to the MFU?

Goodbye???



The MFU is a “profit center” of each branch; therefore branch managers are expected to assume full responsibility for the continuation of its operations.

Managing the MFU...

THE MANAGER'S ROLE



HOW?

Managing the MFU...

THE MANAGER'S ROLE

WHAT MANAGERS "MUST DO" Daily:

- 1. Make sure that all payments due for the day are picked up. Clients of AOs on leave must be serviced by another AO or collector.**
- 2. Review the collection sheets to check any missed payments and ensure proper handling thereof.**
- 3. Check production of AOs for the day (deposits and loans).**
- 4. Review the delinquency report. If there are delinquent accounts, make sure that Alarm Signals stated in the Product Manual is followed.**

Managing the MFU...

THE MANAGER'S ROLE

WHAT MANAGERS "MUST DO" Weekly:

- 1. Review delinquency, portfolio at risk and performance reports.**
- 2. Preside weekly credit committee meetings.**
- 3. Monitor progress in collection handling.**
- 4. Visit 3 to 5 clients each week. Review folders first, list basic information that needs to be validated e.g., amount of last loan, number of availments and quality of service that they get from the AO/bank.**

Managing the MFU...

THE MANAGER'S ROLE

WHAT MANAGERS "MUST DO" Monthly:

1. Review the 11 MABS reports.
2. Analyze monthly Branch Performance Monitoring and discuss/present to the President during the monthly Managers' Meeting.
3. Review Performance of AOs versus targets.
4. Conduct monthly meeting with MFU, to address concerns of the MFU staff and/or bank management.

Managing the MFU...

THE MANAGER'S ROLE

WHAT MANAGERS "MUST DO" ALWAYS:

MAKE SURE THAT THE MICROFINANCE BEST PRACTICES AND PRINCIPLES ARE IN PLACE, NOT ONLY IN THE MFU BUT IN THE OVER-ALL DAY-TO-DAY OPERATIONS OF THE BANK.

Managing the MFU...

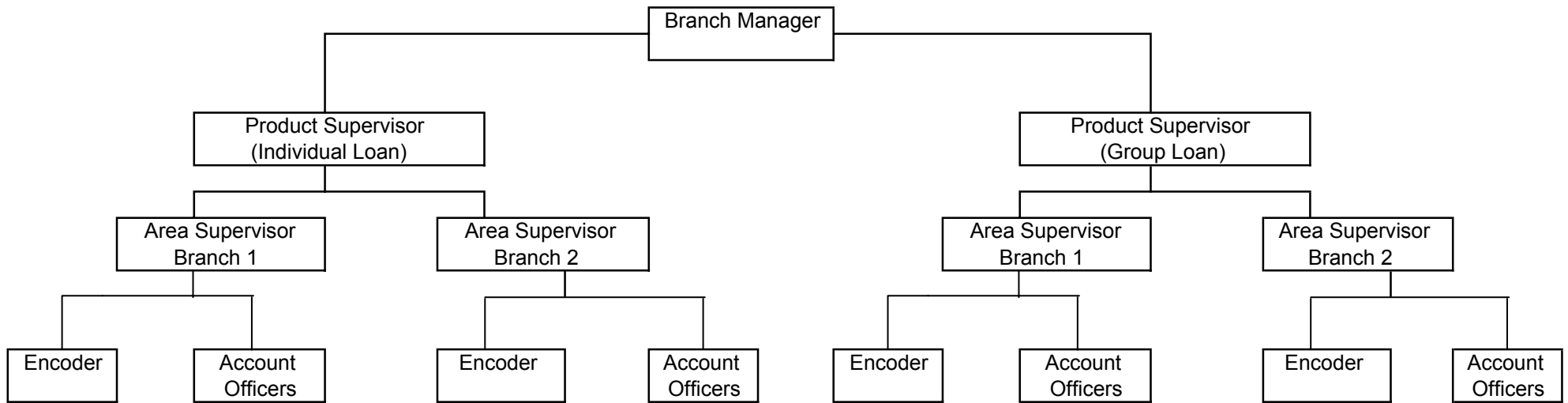
THE MANAGER'S ROLE

WHAT MANAGERS "MUST NOT DO":

The backbone of the MFU is the so called "Microfinance Best Practices and Principles." As the Branch Managers assume full responsibility over the MFU, they should never alter the best practices instituted by MABS.

ANNEX V-C1-A3

**MICROFINANCE UNIT
ORGANIZATIONAL CHART**



MABS PROGRAM
Training and Technical Assistance Manual

Date: January 18, 2001

Chapter V: EXPANSION PHASE

Amends:

Section C: Branch Expansion

Subject 2: Expansion Workplan

1. In preparation for the branch expansion, the MABS Consultant should complete an expansion workplan to outline the PB's expansion activities, the tasks involved, the expected expansion output, delegation of responsibilities, and target date of accomplishment.
2. Expansion activities include staff hiring, assessment of microfinance market, product development, training design, setting-up of MIS, and MFU and other bank training, and product marketing. This will generally take three months to set up for each branch.
3. **Staff hiring.** Immediately after the branch management has been briefed on the MABS-assisted microfinance product, screening and selection of applicants shall commence. The MABS Consultant shall employ the same criteria for hiring new applicants at the branch level (refer to Chapter III, Section A – Organizing and Orienting the MFU: Composition and Selection).
4. **Assessment of microfinance market.** Ideally, this activity should be done after the new account officers have been hired as part of their training. The same process of market research shall be conducted as in the pilot branch: (area mapping, microenterprise survey, market research, identification of market competition). Refer to Chapter III – Start-Up Phase, Section C – Assessing the MF Market.
5. **Preparing the business plan.** A separate business plan should be made for each expanding branch. The new MFU staff at the branch shall prepare the plan after the product development process.
6. **Product development or enhancement.** In some expansion branches, microfinance operations may already be taking place. In this case, a review of branch microfinance experience and practices should be measured against MABS-assisted microfinance at the pilot branch.

The MABS consultant should strongly encourage the bank to standardize the bank's microfinance operation in all its branches. The existing microfinance product of the expansion branch, if any, should be enhanced to reflect the MABS approach or, if not, fully integrate this into the MABS-assisted products. These microfinance product manuals should already be revised and finalized in time for the expansion activities.

7. **Installation or Enhancement of MIS.** The MABS MIS Specialist shall take care of the MIS installation or enhancement to establish monitoring requirements, install microfinance reports in branches, train the MFU on the MIS operation, and system testing.
8. **MFU and other bank training.** The new hires will undergo an on-the-job training for at least one to three months. Since MABS technical assistance is gradually phasing out at this point and expansion visits are reduced to 3 days of each month, it is assumed that the MFU staff at the pilot branch is sufficiently trained to take over the responsibility of the new MF staff's on-the-job training.

Schedule of training and technical assistance. Depending on the kind of branch expansion, the schedule of training and technical assistance may vary between PBs. For example, the bank may opt to have a weekend whole-day training session or a 3-day training after banking hours. For multiple-branch or batch expansion, a bank-wide weekend training may be a more suitable design.

9. **Marketing the microfinance products.** The same process for marketing the microfinance product(s) will be implemented at the expansion branches (Chapter III, Section H).
10. MABS will take the lead in the implementation of the microfinance operation for the first batch of expansion branches or with the central office and the model branch taking the secondary role. Implementation on all succeeding branches shall be fully taken over by the participant bank. During this period, MABS will continue to provide technical guidance to the PB but shall only be limited to the fine-tuning of the delivery system from the model branch(es) to the succeeding expansion branches.
11. The following annexes are examples of expansion workplans.

Annex V-C2-A1	XYZ Bank Technical Assistance Plan
Annex V-C2-A2	XYZ Bank Activity Workplan

ANNEX V-C2-A1

MABS Technical Assistance Plan XYZ BANK May 2000- July 2001

Background

The Mindanao Access to Banking Services in Mindanao (MABS-M) began its partnership with the XYZ Bank on July 15, 1999 with the hiring and training of two Microfinance staff and their deployment at the Main Branch – the pilot branch.

Some enhancements to the bank's loan product for individual micro-entrepreneurs were introduced and tested in the pilot branch. These include:

- § Installation of an MIS that keeps track of loan delinquency levels more accurately
- § Preparation of the product manual
- § Use of cash flow in determining loan size
- § Use of security agreement or deed of assignment as loan security
- § Compulsory savings
- § MF staff as Account Officers, responsible for the performance of their respective loan portfolios
- § Creation of branch credit committees
- § Pick up of loan installment payments by AOs at designated collection points

Performance

The first MABS loan was granted on the second week of September 1999. Six months after, on February 28, 2000, the branch had a total of 75 active borrowers and P318,833 in loan portfolio. Portfolio at risk at that time was zero.¹

The pace of product promotion was kept deliberately slow in the first six months given that the two newly-hired AOs were still working practically as trainees. The branch was given a target of 20 new borrowers a month, or 10 new accounts per AO per month. As of end of February 2000, however, only 68% of the outreach target was met.

The rather slow client expansion was attributed mainly to the respective sizes of Barobo and Tagbina's commercial sectors, which are relatively small. This is exacerbated by the fact that the branch was also promoting its group loan

¹ As of May 30, 2000, the branch had a total of 88 active MABS borrowers.

product in the town center, as well, effectively reducing the market for individual loans.

Expansion of MABS-M Program Coverage

In March 2000, it was decided to include other branches of the bank in the MABS-M program. In consultation with the bank management, outreach expansion in four branches were prioritized. The three remaining branches will likewise be involved in the program in due time.

It was also decided to expand MABS scope of work in the bank to include not only enhancements to the bank's individual loan product, but also enhancements to its group loan product as well.

The inclusion of other branches and products will significantly improve the bank's performance under the program.

Expanded Outreach Target

Consequently, it was agreed to increase the outreach target for Enterprise Bank under the MABS-M program from at least 500 active borrowers to 10,000 active borrowers by July 2001. The new target will consist of both the individual and group loan borrowers of all its branches (please see Annex A).

MABS-M TA Package

1. Installation of MIS Enhancement

A software firm was contracted by MABS to enhance the bank's MIS program for individual and group microfinance loans with a deadline of June 13, 2000. MABS will test the program for about a month before installing it at the main branch on the second week of July. Training of branch staff will follow.

2. Preparation of Product Manual

The product manual is based on the guidelines now being used by the bank. The draft has been prepared and is now being finalized.

3. Preparation of Group Product Manual

Manual is based on the revised guidelines recently approved by the Board. The draft is now being finalized.

4. Conduct of special studies

Short studies will be done to determine other possible enhancements in the bank's group and individual loan products. These studies will include:

- § Study on extent of group guarantee payments or "tapal" (hidden delinquency)
- § Microenterprise cash flow models

In addition, an attempt will be made to modify the "means test" used under the group lending program. The focus of the modified means test will be on measuring the extent of variances in the income and wealth of group members. The aim will be to have greater homogeneity in group memberships.

4. Staff Training

- § Cash Flow Lending/CIBI
- § Market Survey
- § Para Legal Training
- § Others to be determined

5. Management Exposure Visit

- § Visit to Network (scheduled on August 11, 2000)
- § Visit to ASA replicator (proposed)
- § Visit to CARD (proposed)

6. AO Salary Subsidy

The salary of the two AOs will continue to be subsidized by MABS, although, the subsidy will be reduced by 50% on the remaining 12 months of the two-year program (July 16, 2000-July 15, 2001).

7. Branch Incentives

A cash incentive of up to P30,000 will be given to each branch that MABS will be working with for microfinance-related expenditures.

8. Special Activities

Other activities related to microfinance can be co-financed by MABS and the bank on a case-to-case basis.

Start of Counting in the Branches

The counting of all NMKT and KMTK loan releases in the branches will commence on the following months:

Branch	Individual Loans	Group Loans
A	September 1999	July 2000
B	May 2000	July 2000
C	June 2000	July 2000
D	June 2000	July 2000
E	June 2000	July 2000
F	September 2000	September 2000
G	September 2000	September 2000
H	September 2000	September 2000

Annex A

XYZ Bank

BRANCH OUTREACH TARGETS UNDER MABS-M

May 2000-July 2001

	# Mos. in the program	INDIVIDUAL		GROUP		COMBINED TOTAL
		Monthly	Total	Monthly	Total	
A	24	10	240	50	650	890
B	15	30	450	150	1950	2,400
C	14	10	140	150	1950	2,090
D	14	10	140	100	1300	1,440
E	14	10	140	100	1300	1,440
F	12	5	60	50	500	560
G	12	5	60	50	500	560
H	12	5	60	50	500	560
I	12	5	60	50	500	560
		100	1,290		8650	10,500

ANNEX V-C2-A2

XYZ BANK **MABS-M ACTIVITY WORKPLAN** For the Period August 01-October 31, 2000

Objectives for the Period

At the end of the three-month period, XYZ Bank shall have:

1. Entered five of its branches as participants in the MABS-M program
2. Assigned at least one account officer in each branch working full-time on MABS product
3. Standardized its individual loan product for microenterprises
4. Introduced appropriate enhancements to its group loan product, as may be determined jointly by MABS and the bank
5. Installed the new MIS initially in the five participating branches

Production Targets

1. Number of new borrowers

Branch	# of AOs	Target # of New Borrowers Per Month	Projected Total No. of Active Borrowers		
			As of 8/31/00	As of 9/30/00	As of 10/31/00
A	1	10	105	115	125
B	2	20	43	63	83
C	3	30	125	155	185
D	1	10	35	45	55
E	1	5	5	10	15
TOTAL	8	75	313	388	463

2. Number of New and Repeat Borrowers

Branch	# of AOs	Target # of New & Repeat Borrowers Per Month	Projected Total No. of Active Borrowers		
			As of 8/31/00	As of 9/30/00	As of 10/31/00
A	2	50	500	550	600
B	5	200	1500	1700	1900
C	5	150	1000	1150	1300
D	3	100	1000	1100	1200
E	2	50	450	500	550
TOTAL	17	550	4,450	5,000	5,550

3. Loan Delinquency

Branch	Portfolio at Risk Ratio (PARR)		
	August	September	October
A	10%	5%	0%
B	15%	5%	0%
C	n.a.	n.a.	5%

XYZ Bank Client Outreach Targets

For the Period August 1 – October 31, 2000

Branch	Start of Participation In the MABS Program	# Months in the MABS Program (up to July 2001)	INDIVIDUAL	Total # of Loans Released for the Period	GROUP	Total # of Loans Released for the Period	Total # Loans Released	
			Average # of Loans Released/ Month		Average # of Loans Released/ Month			
A	July 1999	24	10	240	50	600		
B	August 2000	12	30	360	200	2000		
C	August 2000	12	40	480	150	1600		
D	August 2000	12	10	120	100	1000		
E	August 2000	12	10	120	50	500		
F	November 2000	9	5	45	50	450		
G	November 2000	9	5	45	50	450		
H	November 2000	9	5	45	50	450		
I	November 2000	9	5	45	50	450		
Total			90		750			

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 17, 2001 **Chapter V:** EXPANSION PHASE
Amends: **Section C:** Branch Expansion
 Subject 3: Branch Support Fund and Supplemental Agreements

1. The main objective in working with additional branches is to replicate and thus expand the bank's microfinance operation. The aim is to implement the MABS loan product and to encourage small savings mobilization in all participant banks branches that have both a market for microfinance and a commitment from management, and, zero tolerance towards delinquency. Any expansion activity of the MABS microfinance savings and credit program within the 18-month technical assistance period to any of the Participant Bank's branches shall therefore be supported by Branch Expansion Support Fund.
2. The Branch Expansion Support Fund is intended to aid the Participant Banks (PB) in the introduction of micro-finance activities and/or the enhancement of their micro-finance activities to their branches. The replicating branch or the central office can use the Fund provided the costs are directly related to micro-finance activities and branch expansion. Following are the allowable costs under the fund:
 - 2.1. Management information systems expenses
 - 2.2. Commodities for the micro-finance unit (directly purchased by MABS)
 - 2.3. Training fees for micro-finance staff, supervisors, trainers
 - 2.4. Salaries for the micro-finance staff
3. To qualify for the support fund, the PB branch must have complied with the requirements stated below at the time the request for funding is submitted for consideration.
 - 3.1. The PB has maintained a portfolio at risk for the micro-finance unit of 5% or less (over 7 days) in the pilot branch.
 - 3.2. The replicating branch has already hired at least 2 full-time micro-finance staff.
 - 3.3. A minimum of 200 active borrowers existing in the MABS-assisted branch.
 - 3.4. An agreement that the branch will submit monthly performance monitoring reports to MABS until September 2003. This must be included in the amended PBA (see Annex V-C3-A4).
4. Each replicating branch is entitled to a PhP30,000 Branch Expansion Fund. Prior approval of MABS to the request for funding is a prerequisite to incur any cost under the fund.

5. The guidelines under this paragraph contain the policies, procedures, forms and responsibilities of persons involved in the utilization and control of the Branch Expansion Support Fund. These are formulated to ensure that the expenditures of the fund are duly authorized and utilized in accordance with the approved purpose and adequately documented and monitored by the program.
 - 5.1. The MABS Consultant will initially determine whether the branch requesting funding has met requirements stated in paragraph number 2 above through documents and reports submitted by the bank.
 - 5.2. If the Consultant finds that the bank has met the above requirements, he/she shall accomplish the form **Request for Branch Assistance (RBA)**. The documents and reports enumerated in the checklist should be attached to the RBA (Annex V-C3-A1).
 - 5.3. If the PB decides that the fund will be used for MF staff salary the Consultant shall prepare **Fixed Price Contract Amendment** (Annex V-C3-A3). If the PB decides that the fund will be used for additional commodities the Consultant shall prepare a **PBA Amendment Form** (Annex V-C3-A4) and **Supplemental PBA Amendment Form** (Annex V-C3-A5).

For processing expediency, the amendment shall be signed ahead by the PB contracting officer who should be advised that the amendment is subject to the approval of the MABS Chief of Party.

- 5.4. The Consultant shall secure the recommendation of the Regional Manager or the Deputy Chief of Party, as the case may be, to the RBA and the approval of the Chief of Party. The Chief of Party shall sign the amendment in number 5.3 upon receipt.
- 5.5. Once the RBA is approved, the Consultant shall accomplish the form **Request for Funding and Budget Confirmation (RFBC)** and submit the same to Accounting for budget confirmation. This form shall be used to request funding approval of proposed PB expenditures, re-alignment of line items budget and for budget confirmation (Annex V-C3-A2).
- 5.6. The Finance & Contracts Manager will confirm and indicate the remaining budget of the PB into the RFBC.
- 5.7. After confirmation of budget, the Consultant will now seek the recommendation of the Regional Manager or the Deputy Chief of Party, as the case may be, to the RFBC. Once recommended, the Consultant submits the RFBC to the Chief of Party for approval.
- 5.8. Upon approval of the RFBC, the Consultant can now advise the PB to incur the expenses covered by it, except for equipment. Procurement of any equipment shall be handled solely by MABS as USAID requires that commodities be purchased by MABS rather than reimbursing the PBs.

- 5.9. The Consultant shall accomplish a **Requisition Slip (RS)** of the commodities, supplies or services in the RFBC which will be purchased by MABS. Approval and distribution of the RS (Annex IV-C3-A6) will follow the existing office procedure.
- 5.10. Based on the approved RS, procurement procedures will be commenced by Accounting and ended with the receipt and payment of the commodities, supplies or services.
- 5.11. Reimbursement of PB expenses (not purchased by MABS) shall be done under existing procedures using the **Voucher for Reimbursement of Expenses Form** (Annex IV-C3-A7). Reimbursement is limited to expenses with prior request and approval through the RFBC.
- 5.12. The Consultant shall submit the approved RBA, RFBC and amendment to the Technical Support Manager for filing in the respective bank folder. The Technical Support Manager shall furnish a copy to the Finance and Contracts Manager.

6. The table below outlines the required forms for the processing of the fund:

REQUIRED FORMS	OBJECTIVE	RESPONSIBLE PERSON	DISTRIBUTION
1. Request For Branch Assistance (RBA) Form	To document request for branch assistance fund.	The Consultant is responsible for the accomplishment of the form, attachments and procurement of approval.	Original package - Technical Support Manager; Copy - Finance and Contracts Manager
2. Request For Funding And Budget Confirmation (RFBC) Form	To document requests for: 1. Funding approval. 2. Re-alignment of line item budget, e.g., transfer of budget from marketing fund to commodities to fund acquisition of equipment. 3. Budget confirmation.	The Consultant is responsible for the accomplishment of the form and procurement of approval.	Original – Technical Support Manager; Copy – Finance & Contracts Manager
3. Fixed Price Contract Amendment (MF Staff Salary) Form	To document amendment to the Fixed Price Contract of MF Staff Salary.	The Consultant is responsible for the preparation of the document. The Chief of Party has the sole authority to execute the amendment in behalf of Chemonics.	Original - PB, Technical Support Manager; Copy - Finance & Contracts Manager
4. PBA Amendment Form	To document amendments to the PBA.	The Consultant is responsible for the preparation of the document. The Chief of Party has the sole authority to execute the amendment in behalf of MABS.	Original - PB, Technical Support Manager; Copy - Finance & Contracts Manager

REQUIRED FORMS	OBJECTIVE	RESPONSIBLE PERSON	DISTRIBUTION
5. Supplemental PBA(Commodities) Amendment Form	The form is used to document amendments to the Supplemental PBA (Commodities).	The Consultant is responsible for the preparation of the document. The Chief of Party has the sole authority to execute the amendment in behalf of MABS.	Original - PB, Technical Support Manager; Copy - Finance & Contracts Manager
6. Requisition Slip (RS) Form	The form is used to authorize initiation of procurement.	The Consultant is responsible for the preparation of the document. The form is recommended by the Deputy Chief of Party or the Regional Manager and approved by the Chief of Party.	Original – Accounting; Copy – Administration (file copy)
7. Voucher For Reimbursement Of Expenses Form	The form is used to document reimbursement of expenses of a PB reimbursable by MABS	The PB and the Consultant shall be jointly responsible for the accomplishment, submission and approval of the form.	Original – Accounting

7. The PB can utilize any remaining budget on the initial branch for the expansion. The utilization of unspent budget often times requires re-alignment of line items budget and amendment to principal agreements like the PBA, the Supplemental PBA (Commodities), or the Fixed Price Contract. To initiate purchase of commodity, supplies or services requested by a PB, the concerned consultant shall determine whether the budget can absorb the estimated cost or a budget realignment should be requested. The amount requested should not exceed the unspent budget of the PB.

ANNEX IV-C3-A1
Request for Branch Assistance

Date: _____

Rural Bank: _____

Branch Office: _____

1. Budget attached (all unused funds expire upon the PBA termination date)
2. Minimum 200 borrowers in initial branch
3. MF portfolio-at-risk below 5% in all branches (recent portfolio-at-risk report attached)
4. Business plan attached (each branch to receive funding shall reach at least 200 outstanding clients)
5. Accomplished PBA Amendment to provide performance monitoring reports for all branches through September 2003.
6. Amended Fixed Price Contract(if applicable)
7. PBA or Supplemental PBA Amendment(if applicable)
8. Completed Form indicating remaining budget by the Finance & Contracts Manager

Requested By:

Recommended By:

Approved By:

MABS-M Consultant

Deputy COP/Reg. Mgr.

Chief of Party

Date:

Date:

Date:

ANNEX V-C3-A3

FIXED PRICE CONTRACT AMENDMENT No. _____
BETWEEN

CHEMONICS INTERNATIONAL, INC. and (BANK) _____
FOR

MICROENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO (MABS)
CONTRACT No. 492-C-00-98-00008-00

This Amendment modifies the FIXED PRICE CONTRACT made and executed by and between CHEMONICS INTERNATIONAL, INC. represented by its Chief of Party _____ and the (Bank) _____ represented by its (Title & Name) _____ on the ____ day of _____, 2000 at Davao City, Philippines.

1. Whereas, in the course of performing the deliverables under the Fixed Price Contract, it has been made known to both Parties that there is a need to modify provision number _____ so that: **(State reasons for the amendment)**
2. Whereas, the parties agree that the following provision shall hereby replace provision number ____ of the Fixed Price Contract. **(Revised paragraph in toto)**
3. Whereas, the Parties, after having thoroughly discussed the need to modify the Fixed Price Contract, agree that this Amendment is truly necessary to successfully implement the Fixed Price Contract. The Parties, by their own free will, agree to the above-mentioned amended provision(s) of the Fixed Price Contract.
4. Except for the above amendment(s) all other terms and provisions of the original PBA shall remain valid and in force.

IN WITNESS WHEREOF, the Parties do hereby set their hands this ____ day of _____, 2000 in the City of Davao, Philippines.

BANK

CHEMONICS INTERNATIONAL, INC.

By:
Title:

By:
Title: Chief of Party

ANNEX V-C3-A4

**PARTICIPANT BANK AGREEMENT AMENDMENT No. _____
BETWEEN**

MABS PROGRAM and (BANK) _____

This Amendment modifies the Participant Bank Agreement (PBA) made and executed by and between the MABS PROGRAM represented by its Chief of Party _____ and the (Bank) _____ represented by its (Title & Name) _____ on the ____ day of _____, 2000 at Davao City, Philippines.

1. Whereas, in the course of performing the deliverables under the PBA, it has been made known to both Parties that there is a need to modify provision number _____ so that :
(State reasons for the amendment)
2. Whereas, the parties agree that the following provision shall hereby replace provision number _____ of the PBA. **(Revised provision in toto)**
3. Whereas, the Parties, after having thoroughly discussed the need to modify the PBA, agree that this Amendment is truly necessary to successfully implement the PBA. The Parties, by their own free will, agree to the above-mentioned amended provision(s) of the PBA.
4. That except for the above amendment(s) all other terms and provisions of the original PBA shall remain valid and in force.

IN WITNESS WHEREOF, the Parties do hereby set their hands this ____ day of _____, 2000 in the City of Davao, Philippines.

BANK

MABS PROGRAM

By:
Title:

By:
Title: Chief of Party

ANNEX V-C3-A5

SUPPLEMENTAL PARTICIPANT BANK AGREEMENT AMENDMENT No. _____
BETWEEN

MABS PROGRAM and (BANK) _____

This Amendment modifies the SUPPLEMENTAL PARTICIPANT BANK AGREEMENT made and executed by and between MABS PROGRAM represented by its Chief of Party _____ and the (Bank) _____ represented by its (Title & Name) _____ on the _____ day of _____, 2000 at Davao City, Philippines.

1. Whereas, in the course of performing the deliverables under the Participant Bank Agreement(PBA) to which the Supplemental PBA pertains, it has been made known to both Parties that there is a need to modify provision number(s) _____ so that: **(State reasons for the amendment)**
2. Whereas, the parties agree that the following section shall hereby replace provision number ___ of the Supplemental Participant Bank Agreement. **(Revised provision in toto)**
3. Whereas, the Parties after having thoroughly discussed the need to modify the Supplemental PBA, agree that this Amendment is truly necessary to successfully implement the PBA. The Parties, by their own free will, agree to the above-mentioned amended provisions of the Supplemental PBA.
4. That except for the above amendments all other terms and provisions of the original PBA and the Supplemental PBA shall remain valid and in force.

IN WITNESS WHEREOF, the Parties do hereby set their hands this _____ day of _____, 200_ in the City of Davao, Philippines.

BANK

MABS PROGRAM

By:
Title:

By:
Title: Chief of Party

GUIDELINE FOR COMPLETING EXPENSE REIMBURSEMENT VOUCHER

The attached voucher shall be used by all participating banks in submitting expense claims to Chemonics International. The expense item shall be listed as well as the cost of each unit, the number of each unit, and the total amount for all units listed in the appropriate columns. For example, a bank submitting for reimbursement of salary expenses and the purchase of savings boxes will list the expenses as follows:

For the period: December 1-31, 1999

Expense Item	Cost per Unit	Number of Units	Amount
December salary expense for microfinance account officer Juan Delacruz	4,500	1	4,500
December salary expense for microfinance account officer Maria Clara	4,500	1	4,500
Purchase of savings boxes	60	100	6,000
		Total	15,000

NOTE: Acceptable official receipts for the above expenses are a signed disbursement voucher from the bank (signed by the employee) for the salary paid to the account officer and a signed official receipt for the savings boxes purchased by the bank.

MABS PROGRAM
Training and Technical Assistance Manual

Date: January 22, 2001

Chapter V: EXPANSION PHASE

Amends:

Section D: Product Expansion

Subject 1: Expansion Implementation

1. MABS may assist the participating bank in developing or enhancing another microfinance product. If the branch already has an existing individual micro-loan product prior to the expansion, MABS shall conduct a product review and shall determine if conflict will arise with the introduction of the MABS individual loan product. In this case, MABS will convince the PB to enhance its existing product and possibly integrate this with the MABS-assisted microfinance product to standardize individual micro-loan operation bank-wide.
2. If the branch already has a group loan product and requests for assistance, MABS may provide technical assistance with the enhancement of this product but will mainly focus on the replication of the individual micro-loan product in the branches.
3. Product enhancement of another existing microfinance product shall employ similar approach as in the development of new microfinance products ((Chapter III, Sections D-H) with particular emphasis on reviewing the bank or branch's microfinance existing product: systems and procedures; target market; profitability and competitiveness. Business planning must also be done for any new product that will be developed or enhanced.
4. Under MABS guidance, the existing microfinance product shall be redesigned and its delivery to new clients temporarily suspended if the review and evaluation yielded adverse findings. Business planning must be done, staff re-trained, and systems and procedures documented (Chapter III, Sections B and C).
5. **Delineation of product service areas.** MABS recommends that PBs should not offer two microfinance products in one area. For example, if the PB is already servicing a particular area with a savings-based credit product (i.e., client can borrow twice the amount of his/her savings), MABS-assisted product should be implemented in another area. Aside from having to compete with other banks and financial institutions engaged in microfinance, the bank does not need to compete with its own product. Transaction costs should also be considered in product implementation. It is easier, for example, to manage the operational cost requirements of servicing outlying areas using the group method. Individual lending can then be concentrated in closer barangays surrounding the branch (within a 30 minute radius).
6. **"Graduation" scheme.** To facilitate the coordination between group loan and individual loan product implementation, the MABS consultant shall assist the MFU to establish policies and guidelines that will avoid conflict and overlapping of target market. Guidelines should be pilot-tested for a specified period of time subject to a review and

evaluation at the end of the pilot-testing. Annex V-D1 is a sample guideline on “graduation” scheme for active clients from group-lending to individual lending product.

7. Account officers of other microfinance products of the bank should also be trained by MABS, especially on cashflow lending and enforcement of zero tolerance to loan delinquency. MABS-assisted microfinance product(s) should be well in place at this time and should start influencing all the other operations of the bank in terms of the discipline, product design, and operating procedures.
8. MABS will count borrowers under another microfinance loan product as soon as any form of technical assistance mentioned above is provided, and the loan quality is able to meet the portfolio at risk standard of the program.

ANNEX V-D1

GUIDELINES ON “GRADUATION” SCHEME

Applicability

This set of guidelines shall be applicable to X Branch of RB XYZ. The guideline seeks to facilitate the coordination between the group loan product and the individual loan product.

Pilot Testing

The Guidelines will be pilot tested for 3 months. After this period, the Guidelines shall be reviewed and modified, if necessary.

Policies

Who can graduate from group lending to individual lending?

1. Clients of group-lending who have:
 - M Good repayment track record with the group loan, and has not had any amortization that was paid through the group’s “cover-up” scheme.
 - M Completed at least two loan cycles with the group loan.
2. Must meet the eligibility requirements of the individual loan product.
3. Must pass the CI/BI and cashflow analysis.
4. Resides within the geographic coverage area of the individual loan product.

Procedures

- A. Group Loan (GL) clients who are endorsed to Individual Loan (IL)
 1. GL Coordinator recommends to TREES Supervisor and the AO and the GL who are potentially qualified for IL loan.
 2. Client attends client orientation.
 3. IL account officers conducts CI/BI and cashflow analysis.
 4. If client passed CI/BI cashflow; proceed with the loan process.
 5. If client failed CI/BI and cashflow, client remains with GL.
- B. GL client applies on her own with IL
 1. IL account officer clears with the Development Officer and GL Coordinator.
 2. If clearance is given, then proceed with steps 2-4 under A..
 3. If client is not cleared/endorsed, client remains with GL..

MABS PROGRAM
Training & Technical Assistance Manual

Date: February 10, 2001

Chapter V: EXPANSION PHASE

Amends:

Section E: Performance Monitoring

1. MABS would still monitor the performance of the PBs as stipulated in the Participant Bank Agreement. MABS, however, no longer requires monthly revenue and expense figures from the banks. The PBs no longer need to submit their performance monitoring spreadsheets every month. The banks only need to submit the following three (3) reports printed directly from the MIS by the 5th of each month:
 - 1.1 MABS Monthly Report
 - 1.2 Portfolio at Risk Report
 - 1.3 Account Officer Performance Report.
2. Revenue and expense for each branch will still be monitored but on a direct cost basis only (based on current cost estimates). MABS will also continue to calculate growth and financial performance ratios of the microfinance operations. This information will in turn be made available to each PB every month.
3. Banks should advise MABS of the changes in direct costs (e.g., microfinance salaries, financing costs, loan loss provision expense, etc. to continue tracking profitability and calculating financial performance ratios in an accurate manner.
4. To this end, MABS hopes that the PBs will continue monitoring the profitability of their MFU using full cost-allocation.