

Clients Speak on Client Protection

Findings from ASKI



Research Team

From ASKI:

Annielyn O. Pangan

Jerico Cedric D. Martinez

Roden G. Agcaoili

From *MicroSave*

Jesila M. Ledesma

Yamini Annadanam (Reviewer)

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MicroSave
Market-led solutions for financial services



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ASKI's Adherence to Client Protection Principles

Clients affirmed the importance of all seven CPPs. ASKI was highly rated by clients on its adherence to CPPs with a high score of 2.91. This is almost excellent in a 3.0 point rating scale where 3.0 is the highest possible score. With this near perfect score, there are but 2 common areas of improvement raised by clients. Among these areas include: communication of interest rate on capital build-up (CBU) and frequency of CBU balance updating; and adequacy of loan size.

Of the 7 CPPs, clients gave a perfect score of 3.0 to 3 principles, namely: Fair and Respectful Treatment of Clients, Prevention of Over-Indebtedness, and Privacy of Client Data.

Towards Improving and Sustaining High Quality of Service

It is recommended for ASKI to adopt the ServQual on CPP as a tool to track adherence to client protection. It can serve multiple functions such as raising knowledge and skills of staff and clients on client protection, and providing board and management with social information to make necessary adjustments and ensure sustained close adherence to client protection via appropriate policies and practices.

BACKGROUND

- Client protection principles (CPP) are basic standards developed by the microfinance industry to guide financial organisations to improve customer service and avoid doing harm to clients. These are increasingly becoming important given the increasing profile of the microfinance industry and the associated risks for clients and microfinance institutions (MFIs) when extending products and services that give priority to financial performance over social performance.
- ASKI is an active endorser of the CPP. This is part of the institutional effort to mainstream Social Performance Management (SPM) to deliberately pursue and achieve the social mission. Doing research to listen to clients on what they think about CPP is welcomed and acknowledged to be a relevant undertaking in mainstreaming SPM at ASKI.

RESEARCH OBJECTIVES

- This research aims to measure the importance and relevance of client protection principles to microfinance clients.
- Moreover, clients were asked to rate ASKI on its adherence to each of the 7 CPPs. The overall client rating provides management with information on the quality of service in terms of client protection and can indicate areas of improvement for consideration.

METHODOLOGY

- A joint ASKI-*MicroSave* team of 4 researchers was formed to conduct qualitative market research with funding support from OI Australia. The team used the ServQual on CPP tool developed by *MicroSave*. ServQual employs several approaches to get client feedback: focus group discussion or FGD, Product Attribute Ranking (PAR), and ServQual questionnaire which contains a set of parameters that best represent each CPP. The table below presents the approaches used and contribution to the research.

Approach Used	Purposed of the Tool
Focus Group Discussion (FGD)	To conduct a more in-depth examination of CPP through peer-group discussion. FGDs bring out experiences and ideas from clients that other clients can support or deny.
Service Quality Questionnaire (ServQual)	To measure the adherence on each principle using a standard set of parameters per principle associated to institutional practices and policies that clients can relate to.
Product Attribute Ranking (PAR)	To bring out clients perceptions on how they would like to be treated vis-a-vis the CPPs. It shows what matters to the clients and why. Ranking enables clients to discuss relative importance of each principle in relation to other principles which makes for richer discussion.

- A three point scale was used to rate the adherence of ASKI to CPPs. For a more interactive rating exercise, participants were asked to represent 3 (excellent) with a ‘thumbs-up sign’, 2 (average) with a ‘thumbs-side’ sign and 1 (poor) with ‘thumbs-down’.
- For each parameter, participants are first asked to show their individual rating at the same time. Next, clients are invited to explain their basis for the rating. When all relevant reasons are brought out and where there are differences in individual rating, the group is requested to weigh the reasons and come up with a group rating.



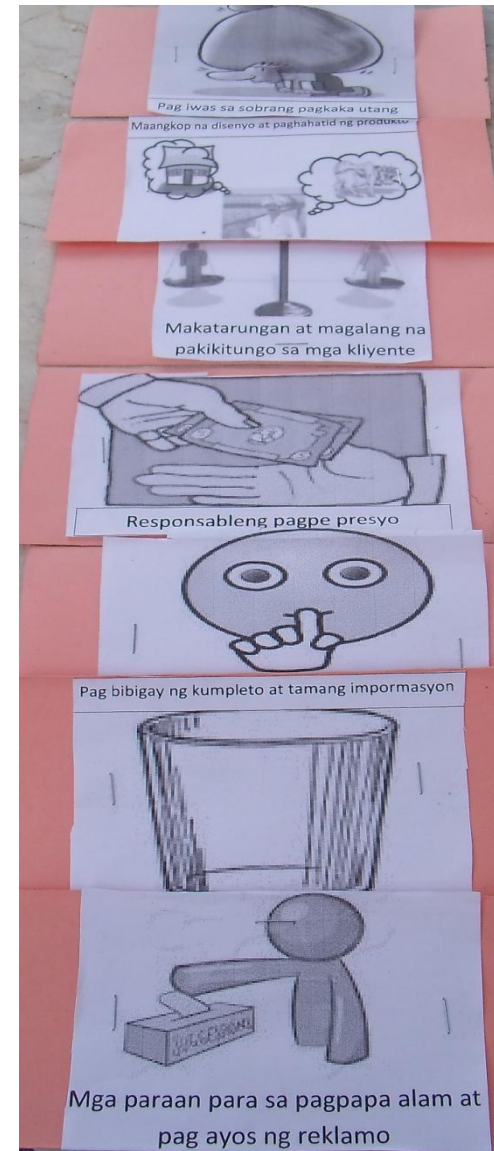
Rating on Current Performance of MFI (Scale of 1-3)
Excellent (<i>Mahusay</i>)= 3
Average (<i>Medyo Mahusay</i>) = 2
Poor (<i>Hindi Mahusay</i>) = 1

SAMPLING

24 FGDs were conducted, half of which represented urban clients with another half, rural clients. These FGDs were participated in by 190 clients, 89 were urban-based while a slightly higher number of 101 were rural-based. Four ASKI branches operating in 3 provinces of Nueva Ecija, Isabela and Cagayan took part in the study. Field work was conducted from May 14 to 25 for 9 days by the research team which was divided in 2 sub-teams of 2 members each.

DATA ANALYSIS

Data collected were consolidated, analyzed, and interpreted through the use of descriptive statistics such as percentages, ranking, and frequencies. Results from the consultations were cross referenced with other approaches to determine patterns and trends and bring out common and relevant information from the clients. On these trends, the researchers were able to draw insights on the research agenda.

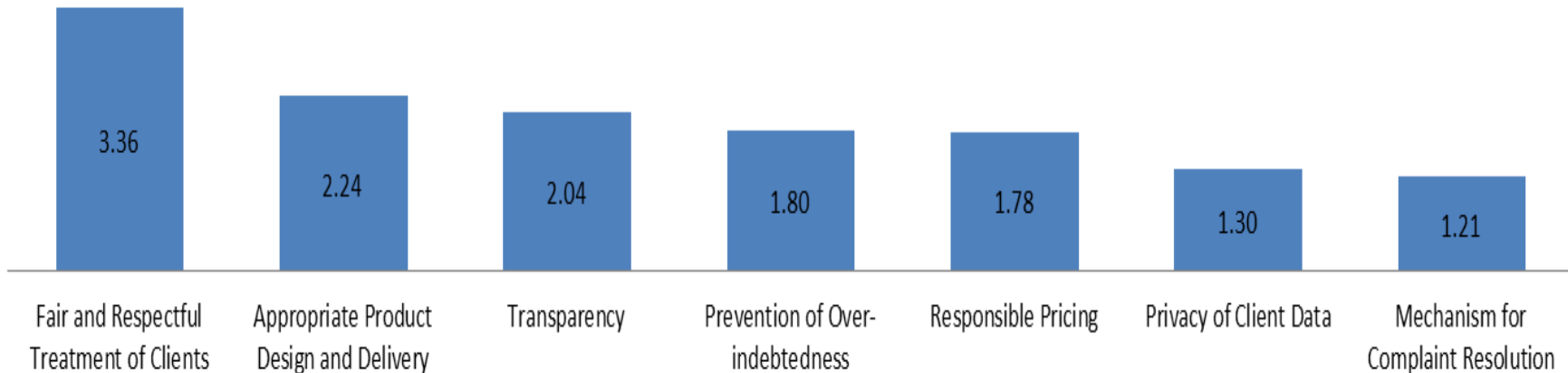


Importance of Client Protection

Key Findings



OVERALL RANKING OF IMPORTANCE OF CPPs (1)



Clients affirm the importance of all 7 Client Protection Principles. However, some principles stand out as more valued.

The top two CPPs are:

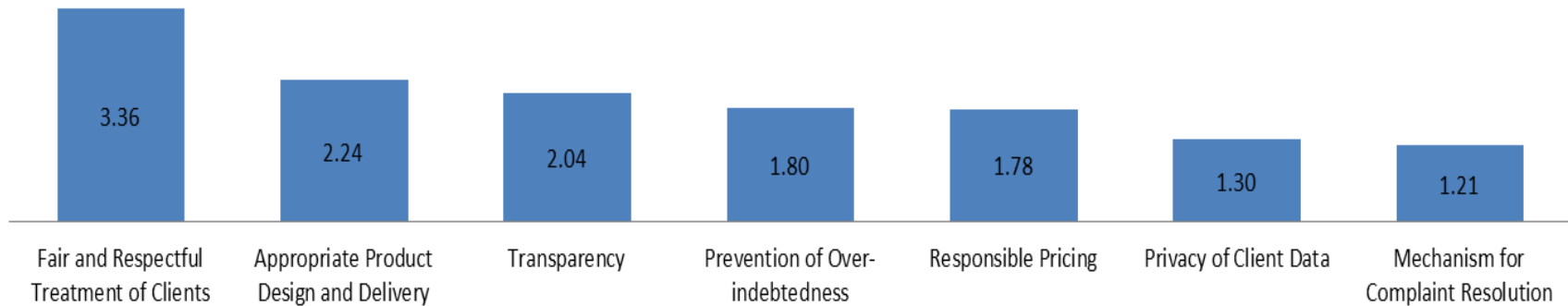
Ranked 1: Fair and Respectful Treatment of the Clients

- 10 out of 24 groups regard this principle as the most important. Clients value respectful, polite, and well-mannered staff in building trust and good relationship. *“Kung may pag-galang sa akin, pag-galang din sa kanya ang aking ipapakita.”* (Show me respect, and I will also be respectful to you.)

Ranked 2: Appropriate Product Design and Delivery

- 5 out of 24 groups gave top ranking to this principle; Overall, it garnered the second highest score because clients believe that access to loans with a suitable repayment schedule enables them to engage in productive activities that bring higher income and improved standard of living. *“Sa kapital na aking nahiram, maabot ko ang aking pangarap na saganang buhay.”* (With the borrowed capital, I can reach my dream of a bountiful life.) Moreover, other benefits such as micro insurance that come with the loan are well-liked by clients.

OVERALL RANKING OF IMPORTANCE OF CPPs (2)



The bottom two CPPs are:

Ranked 6: Privacy of Client Data

- 7 out of 24 groups ranked this as the least important principle because clients trust ASKI which gives them assurance that ASKI will take good care of their information. It is also considered important by clients who cite cases where reputation can be destroyed by spreading malicious information such as status of repayment. *“Kung may kliyente na hindi nakabayad, dapat ang grupo lang ang nakaka-alam para hindi masira ang reputasyon ng kliyente.”* (If a client is unable to repay, this information should be kept within her group to avoid ruining her reputation.)

Ranked 7: Mechanism for Complaint Resolution

- 8 out of 24 groups considered this principle least important because many of these groups cannot recall of complaints about ASKI’s products and services. Moreover, when the group has problems, these usually get solved promptly by the group leader. Clients do consider this principle as important because problems need to be addressed. *“Walang solusyon na mangyayari sa maling ginagawa ng staff kung hindi ka mag-reklamo.”* (Wrongful act of staff will not be solved if you will not complain and inform higher authorities].

OVERALL RANKING OF CPP IMPORTANCE (3)

Ranked 3. Transparency

- Knowing complete information about the loan- procedures, terms and conditions, will help the client better understand the obligations and responsibilities she has to meet. *“Kumpleto at malinaw na impormasyon ay dapat malaman para masuri kung kayang gampanan at sundin ang mga responsibilidad.”* Clients indicate that they do not just join a lending programme blindly. They too use information to help them decide.

Ranked 4. Prevention of Over- indebtedness

- *“Dapat sapat lang ang iyong inuutang sa iyong kakayahan“* (One should borrow within his/her capacity to pay). Over—indebtedness according to clients will bring *“sakit ng ulo”* (headache), *“kasiraan”* (ruined reputation) and *“bankruptcy.”*

Ranked 5. Responsible Pricing

- Respondents believe that pricing is an important feature to be considered before taking a loan. *“Dapat ang interes ay doon sa kaya lang namin para umunlad ang negosyo namin. Ito ang pagiging makatarungan. ”* (The interest rate should be affordable so [we can allocate more money] to grow our business. This is fair pricing.)

RANKING OF IMPORTANCE OF CPP: COMPARISON BETWEEN URBAN AND RURAL

Principles	Ranking in URBAN	Ranking in RURAL
Fair and Respectful Treatment of Clients	1	1
Appropriate Product Design and Delivery	2	3
Transparency	3	2
Prevention of Over-indebtedness	4	5
Responsible Pricing	5	4
Privacy of Client Data	6	6
Mechanism for Complaint Resolution	7	7

- Rural and urban-based clients are united in choosing the most important and least important principles. Ranking differences are found from 2nd- 5th though only slightly.
- In urban areas, ‘Appropriate Product Design and Delivery’ (access- to- good -product factor) is more valued as principle than ‘Transparency’ (access -to -information factor) which is opposite to the ranking given by rural-based clients.
- In rural areas, ‘Responsible Pricing’ (affordability factor) is more valued as principle than ‘Prevention of Over Indebtedness’ (responsibility factor) which urban-based clients showed higher preference for.

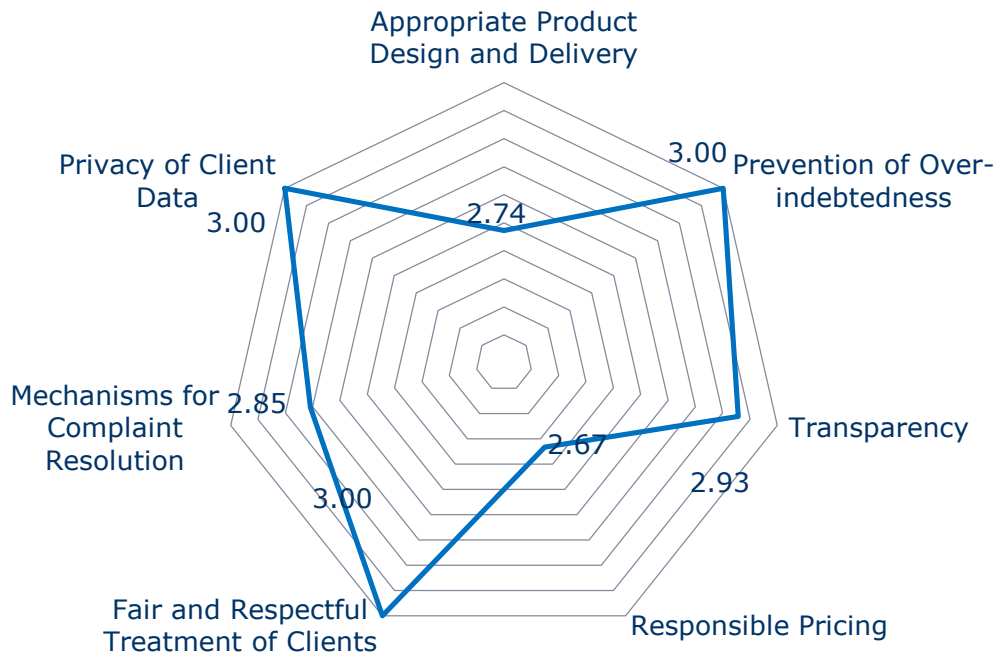
Adherence to Client Protection

Key Findings



OVERALL RATING OF ASKI's ADHERENCE TO CPPs

With 3.0 as perfect score, ASKI received an overall rating of 2.91 from clients. Urban clients gave a slightly higher rating of 2.92 with rural clients at 2.90. This almost similar rating indicates consistency of delivery of products and services across branches.



Top Rated

- Prevention of Over-indebtedness (3.0)
- Fair and Respectful Treatment of Clients (3.0)
- Privacy of Client Data (3.0)

Bottom Rated

- Responsible Pricing (2.67)
- Appropriate Product Design and Delivery (2.74)

Note: score used 3 as excellent and 1 as poor



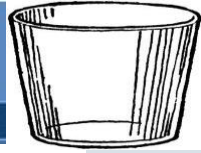
- The field staff adequately assesses the loan repayment capability of the clients before granting loans. 23 of 24 groups fully support the ASKI practice to conduct proper loan evaluation. This helps ASKI, the group and the client clarify need for loan and where repayment will come from. Moreover, all groups were fully satisfied with ASKI's process of evaluating the clients' repayment capacity, citing the conduct of character investigation through interviews with neighbours and friends, visits to clients' houses and place of work to validate data provided on asset value, status of business, residency status, among others. Clients do not mind having the staff take photos of their assets and business.
- Clients feel that they can talk openly to field staff about their repayment problems and there is flexibility to delay payment within the month so long as full payment on amount due is made in the last week. In general, groups look out for their members with the group leader motivating peer support.
 - “Kapag walang payment yung ka grupo, tinutulungan namin“ (If a group member does not have money to pay her debt obligation, we help her to pay for it)
 - “Dapat sa katapusan mabayaran lahat“ (All the weekly amount due should be paid at the end of the month)
- The field staff usually presents the variety of loan products available to clients. Clients have not experienced any kind of pressure from the staff to take a loan or additional loan when they do not need it.
 - “Kami nga po ang nagpepressure na magloan. Ino-offer lang sa amin pero hindi ginigipit“ (We [clients] are the ones who pressure them [the staff] to extend a loan to us. They only present the products but do not force us to take a loan.)



- ASKI scored a perfect rating of 3.0 in the principle that clients regard as the most important principle. Clients believe that the good behaviour and helpfulness of staff promote good relationship and cooperation with clients leading to satisfying, fruitful and lasting partnership. Among the key qualities of staff that clients like are: *mabait* (kind), *maunawain* (understanding), *matiyaga* (persevering), *may pasensiya* (patient), and *magalang* (respectful). While there are some staff who deviate from the ‘ASKI mould’, all clients are one in stating that the majority of staff are well-behaved.
- There is equal treatment among clients— new or long staying, good or delinquent, member or leader.
 - “Pantay at propesyunal ang pakikitungo ng empleyado ng ASKI sa mga kliyente at walang favouritism” (Employees of ASKI deal with clients in fair and professional way, no favouritism is noted.)
 - “Ma-asikaso naman sa branch, kaagad-agad kami siniserbisyuhan, first- come, first-serve kung maraming tao.” (Staff at branch are generally accommodating, welcoming, and attend to us immediately on a first come first served basis.)
- The loan officers maintains the same courteous behaviour when dealing with clients who are unable to repay on time.
 - “Mas tinutulungan pa nga yung mga delinquent clients pero pantay-pantay kaming lahat“ (The field officers even extends more help to delinquent clients...but clients are being treated equally.)



- This is the principle where clients initially found some difficulty to relate to, i.e. concept of confidentiality. By design in a group lending methodology, information is freely shared within the group and with ASKI. Moderators had to give examples such as, ‘How would you feel if people other than your co-group members learn about your repayment record’, and only then can clients start sharing their ideas.
- Clients, in general, trust ASKI to use their data appropriately. They admit to not having information of how data is used internally, but rely on the trust relationship with ASKI.
 - “Maingat sa tingin namin ang ASKI. Hindi ipinagkakalat dahil reputation ng kliyente at organisation ang nakataya.” (We think that ASKI is careful about the information of the clients. They will not spread it carelessly because the reputation of the client and organisation will be at stake.)
- Urban clients are more concerned about sharing client data to external parties. If this must be done, clients consider it appropriate for permission to be secured from clients concerned.
- Rural clients are open to sharing good practices of clients including success stories to encourage other clients to do good as well.
 - “Proud pa nga kami at nakikita ng iba na dahil sa ASKI kami ay umunlad “ (We are proud that other people will know of our progress with the help of ASKI.)
 - “Okay lang para magsikap din yung iba. Maging model kapag nakita nila yung karanasan namin.” (It’s okay, so that others would be encouraged to work harder. It is fine with us to be used as role models to others.)



- All groups highly value the regular updating of transactions and accurate record keeping. In general, clients find ASKI's record keeping practices to be good, yielding accurate information with validation mechanisms in place. Updated transactions via the loan repayment schedule is accompanied by provision of receipt with signatures of the Project Officers. Clients also cite the computer-generated record sheet which states the amount borrowed, the amount repaid, interest paid, and savings received, among others, as giving them assurance of responsible record keeping by ASKI.
- Respondents are given enough time to make decisions to take a loan or not.
 - “Kami na ang nagdedesisyon kung kailan nila ire-release ang loan namin, ganun sila kahusay makisama” (We decide when our loan will be disbursed, that is how accommodating they [ASKI] are to us.)
- Clear product orientation stating loan terms such as interest rate, processing fee, insurances and repayment duration and frequency, is done formally or informally (during meetings, every re-loan time, etc.).
 - “Tuwing loan release ang P.O., PUS, o BM ay nagbibigay ng maayos na paliwanag.” (Every loan release meeting the P.O., PUS, or BM clearly explain the details.)
- The materials are easy to read and understand because the application forms, terms and conditions are in Filipino (Tagalog).
 - “Nasa Tagalog ang forms kaya madaling maintindihan” (The forms are written in Tagalog for easy understanding.)



- Staff also take time to explain the items one by one or to answer any questions from clients. Project Officers are always available and accessible (via call and text, weekly sometimes daily visits) if respondents have doubts and queries. If they have further doubts then they can go and approach staff in the branch to answer questions.
 - “Kaya nila ipaliwanag sa amin nang mahusay ang lahat ng tanong namin. Kahit madami akong tanong dahil new client ako, matiyaga silang sumasagot” (As a new client, I have many questions but they patiently answer my questions. They can explain well too.)
- There is timely communication. ASKI announces any changes with respect to terms and conditions of loan, and updates clients on incoming events during the regular group meetings.
 - “Sinasabi at ipinapaliwanag kung may pagbabago tuwing weekly meeting.” (Staff use the weekly meeting to announce changes or upcoming events.)
- Most clients are satisfied with the updating of CBU balance every 6 months before next loan's release. However, when probed some clients prefer to see a more frequent updating of savings balances without having to ask for it. Some suggested a monthly updating if possible.
 - “Kung gusto mong malaman bago sa sunod na loan release, magtatanong ka pa. Nasa PO naman ang information.” (If you want to know [the balance] before the next loan release’ meeting, you have to ask. The PO has the information.)



- Clients, through their leaders, know that they can raise complaints and expect action from ASKI. Complaints about the PO can be directly raised to the BM. Since there are regular meetings among leaders with the branch staff, they know ASKI personnel as well as location of branch office. In general, complaints with co-clients are raised and resolved at the group level with the leader as mediator. In case of problem with leader, members can raise their complaints to the PO.
- 7 out of 24 groups have not registered a major complaint till date.
 - “Wala masyadong problema, kadalasan ay tungkol lang sa late payments” (Problems are not of serious kind, mostly we encounter problems about late payment.)
- Among the problems which clients recalled to have brought up to ASKI relate to: slow loan processing and loan release, arrogant staff behaviour, and insurance, e.g. non registration of family member. In most cases, clients receive explanation on their complaints from the branch staff which helped them understand the situation.
 - “Humihingi ng paumanhin kung hindi maibigay sa oras na dapat ibigay” (Staff apologise to clients if they are unable to deliver on time.)
 - “Naayos agad sa loob ng 3 araw. Okay na tinutulungan ng PUS ang centro” (The complaint got resolved within 3 days with the help of the PUS.)
- The research team noted that no group is aware of the facility ‘Komento Mo, I-text Mo’ (Send your comment by Text message) which was designed to receive client and staff complaints with head office via the Executive Director’s Office as administrator. The team did not probe on this matter. This can be a possible future research agenda for ASKI.



- Weekly repayment frequency is one of the features cited to be very appropriate to the situation of the clients (20 of 24 groups, equally divided between rural and urban clients' groups). Clients allocate a small portion of their daily earnings to gradually save and raise the needed amount due for the week.
 - “Maluwag at kayang pag-ipunan.” (Easy and we can save up for it.)
- 16 out of the 24 groups indicated satisfaction in the range of loan amount they can access. The range gives flexibility to borrow according to one's needs and capacity to pay. More groups from the urban areas support this comment.
 - “Kapag inapply mo sa negosyo, talagang kikita ka kaya sapat na sa aming pangangailangan“ (If you truly use the loan for business, you are surely to earn that is why it is enough for our needs”)
- Among the rural clients, most groups find the loan size and range small. Farmer clients are particularly vocal about this; newer clients who are about to move to the second cycle also find the P2,000-3,000 increment for next loan size to be small. Once credit history is established after one loan cycle, clients urge ASKI to make loan size policy be more flexible and to mainly take into consideration capacity to pay.
 - “Sa pananahi, may oras na makakuha ako ng order na mag-supply ng office uniforms. Kulang talaga kung dagdag P3,000 lamang ang maibibigay sa akin ng ASKI.” (When I get an order to supply office uniforms, the increment of P3,000 that I can get as re-loan amount from ASKI is inadequate.)



- There are two prices that this principle brings out: 1) interest rate charged on loans and 2) interest rate paid on CBU. ASKI clients highly rated the first but not the second.
- 19 out of the 24 groups find the interest rate on loans to be lower than that offered by clients' usual informal lenders. With regard to other institutional service providers, clients indicated that ASKI offers similar or competitive rates. Clients are familiar with both the monthly interest rate and the equivalent amount in Pesos for the weekly interest payment.
 - “Sa ibang lending, dati 5-6% ang interes. Tapos ibinaba nila sa 3% din dahil sa ASKI.” (Previously, other lenders charged interest rates from 5-6%. When ASKI came in offering loans at 3%, they also reduced their rates to 3%.)
- 16 out of the 24 groups are unaware if ASKI provides interest rate to CBU. This lack of information resulted to low rating given by concerned groups. Clients would like ASKI to offer interest rate on savings. 6 of 24 groups (4 groups from rural areas, with 2 from urban areas) are aware that there is interest paid on savings. The client leaders mainly know this information.
 - “Hindi namin alam kung may interest o wala. Baka hindi alam dahil nakalimutan. Puro lang kasi tungkol sa loan ang aming inaalala.” (We do not know if the savings earn interest or not. Maybe we just forgot. We are more concerned to remember loan features.)

Conclusion and Recommendations



Adopt ServQual on CPP as a regular tool to track adherence

The research introduced ASKI to a tool, ServQual on CPP, that captures client feedback on client protection. In particular, ServQual enables clients to rank the importance of CPPs and to rate the adherence of ASKI to the CPPs through its products and services.

In the pilot test of the tool, the research has established the baseline rating of ASKI at a high score of 2.91 with 3.0 as the highest possible score that an MFI can receive. The score is accompanied by valuable client recommendations on how ASKI can further improve its customer service.

Further to this, the research team recommends:

- disseminate the research results to all ASKI branches to increase staff knowledge and understanding on client protection through the CPPs;
- review relevant policies and practices that clients identified as areas of improvement;
- track the score annually, involving other branches, to measure effects of alignment on level of adherence to CPPs;
- the tool builds on the strong market research capacity of ASKI. This can be added as a regular research undertaking of the ASKI research and development department.

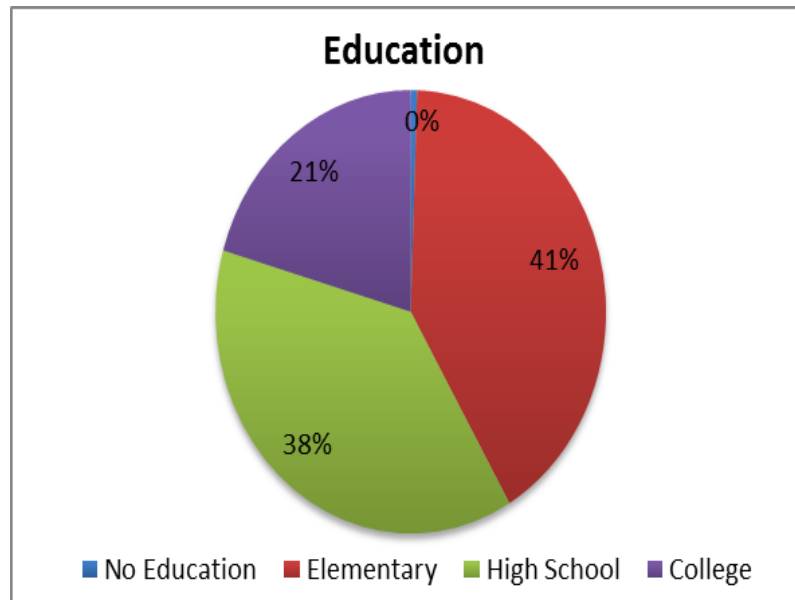
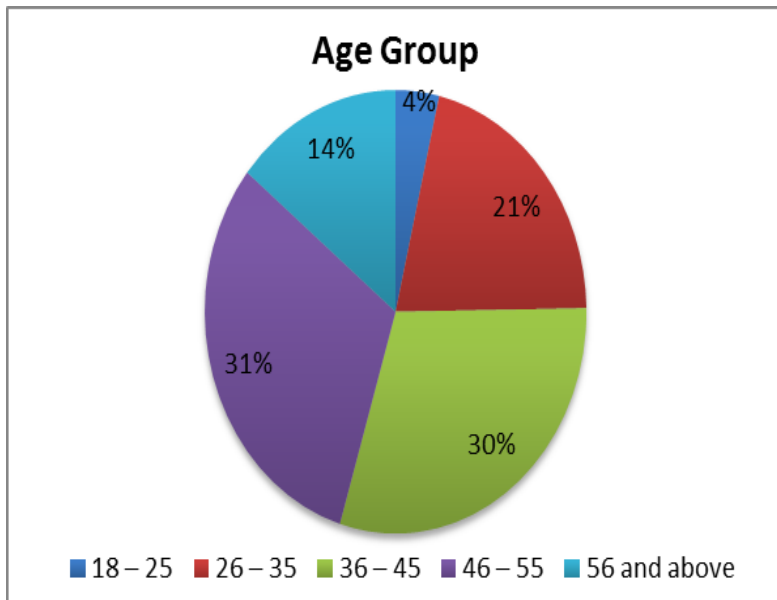
Review and Align relevant policies and practices

With the near perfect score given by clients to ASKI, there are only a few common areas of improvement raised by clients and noted by the research team for ASKI management to consider. These are:

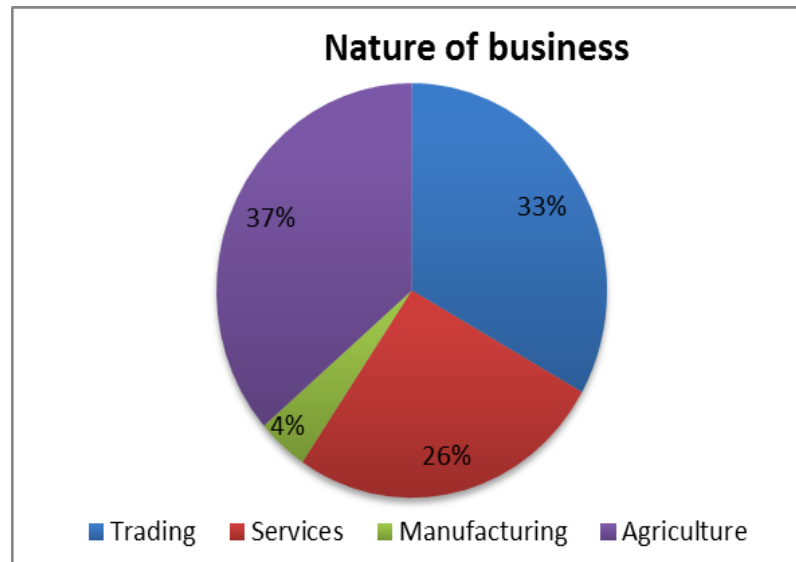
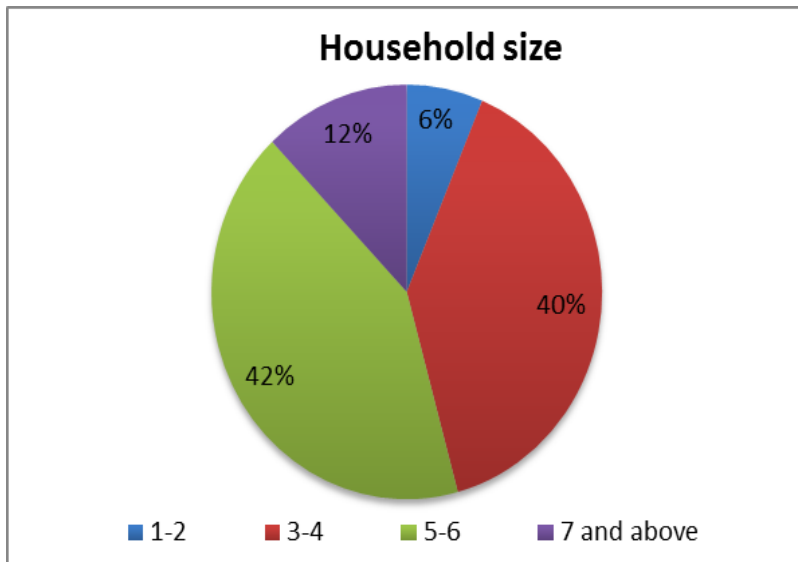
- **CBU.** There are two areas requiring attention. Firstly, clarify and widely communicate the policy on interest rate of CBU. Since there is really an interest rate paid to the CBU, all ASKI has to do is to conduct a refresher session on CBU features to clients through the regular center or group meetings. Secondly, review the policy on savings balance updating at client level and assess the proposal of a small group of clients to update the balance from every 6 months to monthly.
- **Mechanism for complaints resolution.** Study how the existing facility ‘Komento Mo, I-text Mo’ (Send your comment by Text message), is being used by branches and assess relevance of such a facility.
- **Loan size features for both the microenterprise credit and agriculture credit.** Review the loan size policy based on needs and profile of clients.

Participants' Profile

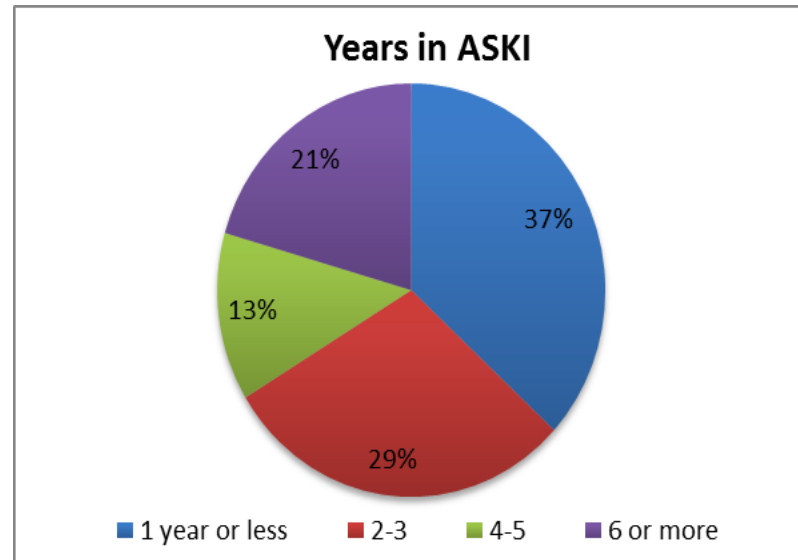
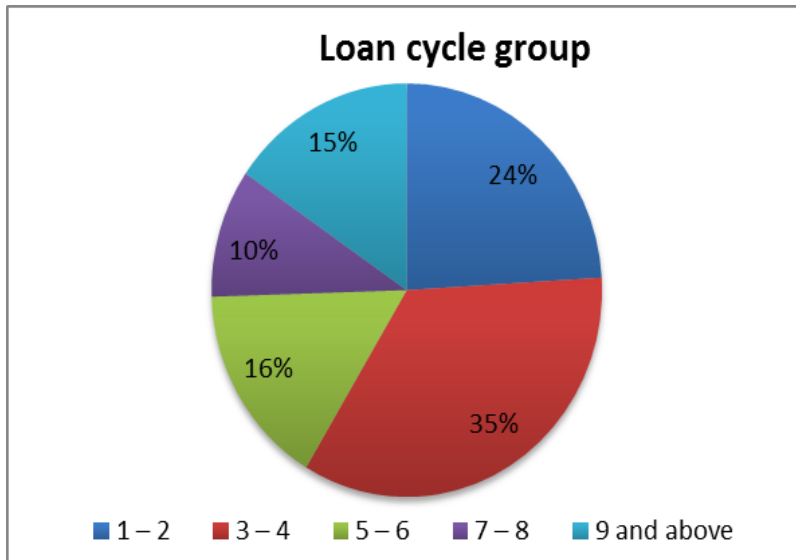




- The gender distribution was predominantly female (80%). Male comprised 20%.
- By age group, 36 – 45 years and 46 – 55 years age groups captured 30% and 31%, respectively.
- 41% of the participants had grade school education, 38% reached or completed high school, and 21% reached or completed college.



- Average household size was 5-6 household members.
- Majority of the participants were engaged in agriculture business (37%) which includes farming rice and high value crops/vegetables, hog raising and poultry. Thirty -three percent (33%) cited petty trading such as sari-sari store, direct selling, vending, buy and sell, etc as their main income sources. Other respondents were involved in services (26%) like tricycle/jeep driver, repair shop, advertising, vulcanizing, beauty parlor, food stall (*karinderia*). The remaining 4% were involved in manufacturing which includes dressmaking, tailoring, bakery, food manufacturing (*pasalubong*).



- Thirty five percent of the participants were on their 2nd year of membership having availed of 3-4 loan cycle, 24% were on their 1-2 cycles, 16% on 5-6 cycles, 15% were in 9 and above cycles, while the remaining 10% were those who availed of 7-8 cycles.
- About 37% of the respondents have been associated with ASKI for less than a year while the majority of 63% had more than 1 year of membership.

Acknowledgement

Thank you to OI Australia and AusAID for the research grant to build capacity of ASKI in the use of the ServQual tool designed for CPP.

Thank you to *MicroSave* and OI Australia for developing and sharing the ServQual tool for use by ASKI.