

MicroSave Briefing Note # 149

One Step Closer to the Clients

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Introduction

Maintaining close engagement with clients is an important prerequisite for efficient and sustainable microfinance operations. It allows building strong relationships, delivering efficient services, and responding to client needs with greater agility.

Alalay Sa Kaunlaran, Inc (ASKI), a microfinance NGO in the Philippines, firmly believes in maintaining such client engagement. In its quest to serve more people, ASKI's realised that its branches were becoming larger and so maintaining close engagement with clients was becoming increasingly difficult. ASKI appreciated the impact such an expansion could have on its services. It therefore decided to restructure its operating model.

ASKI, with strategic and implementation support from Opportunity International, Australia and *MicroSave*, decided to introduce an additional tier, other than the regular branch, called the Collection and Disbursement Point (or the CDP). The primary objective of setting up CDPs was to provide clients increased access to its products and services. In addition, the CDPs were expected to:

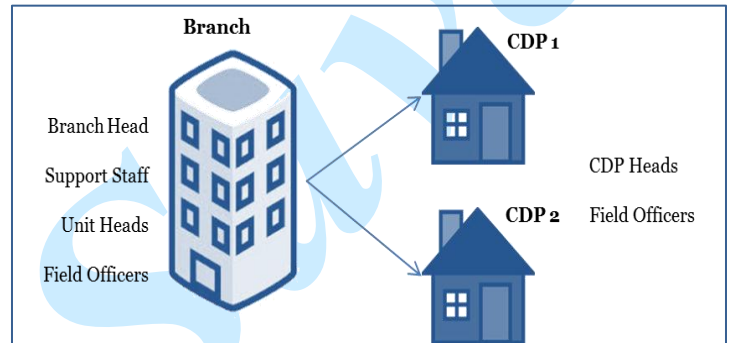
- Reduce operational costs by providing a low-cost delivery channel,
- Increase outreach,
- Ensure good portfolio quality through informed client selection and prompt response to default situations, and
- Improve visibility of ASKI in its operational area.

Operating Model: The Structure of a CDP

The structure of the CDPs is such that they cover a smaller geographic area to provide quick, efficient, and timely service to clients.

- CDPs are an extension of the existing branch structure. Ideally a CDP is within 10-15 kms from all the clients; compared to branches which may be up to 40 kms. The small geographic focus ensures greater penetration of the operational areas.
- A CDP is staffed with 5-7 field officers, managed by a supervisor.
- The administrative support (accounting, book-keeping, cheques, etc.) is provided by the respective branch. As a result, the cost of managing a CDP is lower than the parent branch.
- The main functions of the CDPs are:
 - Sale and promotion of microfinance services

- Loan collection, and cash deposit
- Respond to client queries and provide support to clients
- Engage with the community to increase ASKI's visibility



The Impact

Within one year of the implementation of the CDP model, there were significant improvements in key metrics such as client satisfaction, outreach, portfolio growth, and operational efficiency. It reduced congestion at the branches, improved the quality of customer service, and enhanced accessibility for clients.

1. Perceived increase in client satisfaction

During a field study conducted by *MicroSave*, clients enumerated the reasons why CDPs have led to an increased satisfaction.

- Clients feel that they are able to get assistance more quickly and easily than before.
- Clients save time and money on travel to the branch especially during loan releases and renewal. In a few cases, clients had to spend as much as 90 minutes for each trip.

"Now that there is a branch [CDP] closer to me, I save about an hour of travel, and almost Php 200 in travel expense. I could now use this saving to buy more food for my family instead, and spend more time in my business." – Cirilo, 35 (ASKI client)

- They find it easier to inquire about ASKI's products as they can visit the CDP and not just depend on the field officers. At the CDP, the clients can talk to the supervisor, get more information about the products and services, and clarify their doubts, if any. As a result, on

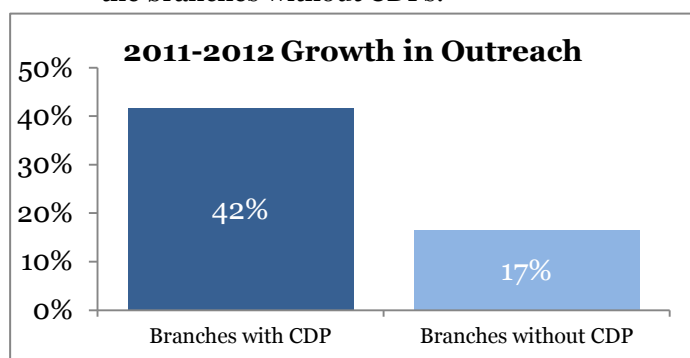
an average, each CDP receives 12-15 more walk-in clients/potential clients every day.

- The field officers also get more time to build relationship with clients. They are more accessible, hence clients often call them to their homes if they want to conduct any transaction others than the regular centre meetings (for example, loan foreclosure).

2. Increased Outreach

Moving the CDP service points nearer to clients has contributed to an increase in outreach:

- The growth in outreach of branches with CDPs was more than the average growth in outreach for the institution. Additionally, the branches with CDPs grew two and a half times more than the branches without CDPs.



- The caseload per field officer of branches with CDP was also higher than those without CDP highlighting deeper penetration.

“When I used to handle this area without the CDP, we could only get 740 clients. I thought that was all we could get from the area. Now that we are closer, I realised that there is more potential in the area. Now we have about 980 clients.” – ASKI CDP Supervisor

- There was also an increase in the number of walk-in customers to the CDPs. These walk-in customers were the potential customers who earlier could not visit the branches due to the long distances and/or lack of familiarity with where branches are located.

3. Portfolio Growth and Quality

In consonance with the growth in outreach, the growth in the portfolio of branches with CDPs was higher than those without CDPs. In 2011-12, the portfolio growth rate of branches with CDP was 20% more than the growth rate for branches without CDPs. Similarly, the portfolio outstanding per field officer of branches with CDP was higher than those without CDP.

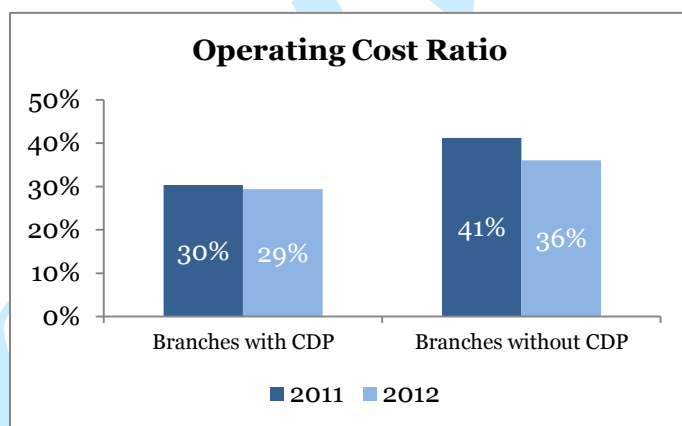
The branches with CDPs also had lower levels of PAR compared to non-CDP branches. The reduced distance

helped to control delinquency, as the staff could visit clients easily.

4. No Adverse Impact on Profitability

The creation of additional tier neither led to an increased cost, nor did it affect profitability. The additional cost on rent and maintenance of the CDP were offset by the saving in fuel and other travel expenses. The staff of CDP claim that they save up to 30% in fuel, repair, and maintenance cost as they have to travel less.

In the period 2011-12, ASKI managed its cost efficiently. Though the cost across the organisation went down, the results were amplified for the branches with CDP. The operating cost ratio for branches with CDP was significantly lower than the branches without CDP.



The Challenges with the CDPs

One of the major challenges with the CDP structure is the increased burden on CDP supervisors. In addition to field operations, they have other responsibilities such as data entry, book-keeping and collection. This does not leave enough time for them to conduct field activities such as loan assessments and operations monitoring. In addition, the lack of support infrastructure at the CDPs, such as computer and internet, causes delay in loan disbursements. ASKI has now addressed these challenges and equipped CDPs with a book keeper and a computer to take care of the additional responsibilities of CDP supervisors.

The Way Ahead

ASKI now aspires to reach even closer to its clients through the use of technology. It envisions using mobile based technology to perform all transactions at the client location. This will eliminate the need for clients to visit either the branch or the CDP. The facility for remote transactions through the use of technology will also reduce the burden of the CDP staff. Through enhanced customer information, and increased operational efficiency, ASKI aims to provide quality customer service at lower cost.