Financial Services for Low Income Households:
Trends and Challenges for MFIs

20th APPEND Leadership Camp

CWC, Camarines Sur

By: Prof. Ronald T. Chua
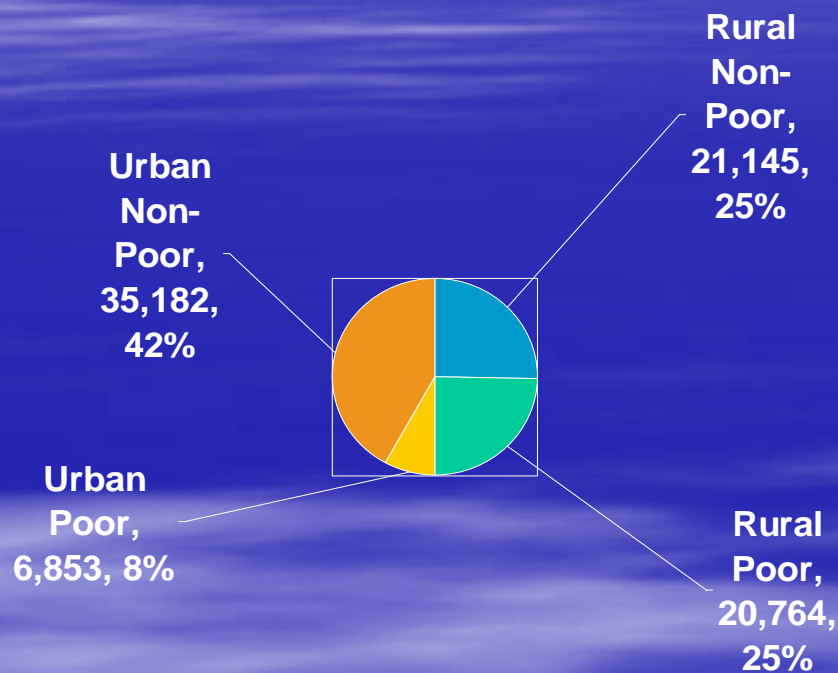
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Presentation Overview

- **Philippine Poverty Situation**
- **Trends in the "Industry"**
  - Otero and Rhyne
  - Philippine Trends
- **Challenges facing MFIs**
- **A Back to Basics View**

Philippine Poverty Situation

Philippine Population Distribution in 2006 – Rural-Urban, Poor-Non Poor

Rural Non-Poor, 21,145, 25%

Urban Non-Poor, 35,182, 42%

Urban Poor, 6,853, 8%

Rural Poor, 20,764, 25%

- 41.910 MM or 50% of population in rural areas

- 27.616 MM or 33% of population were poor
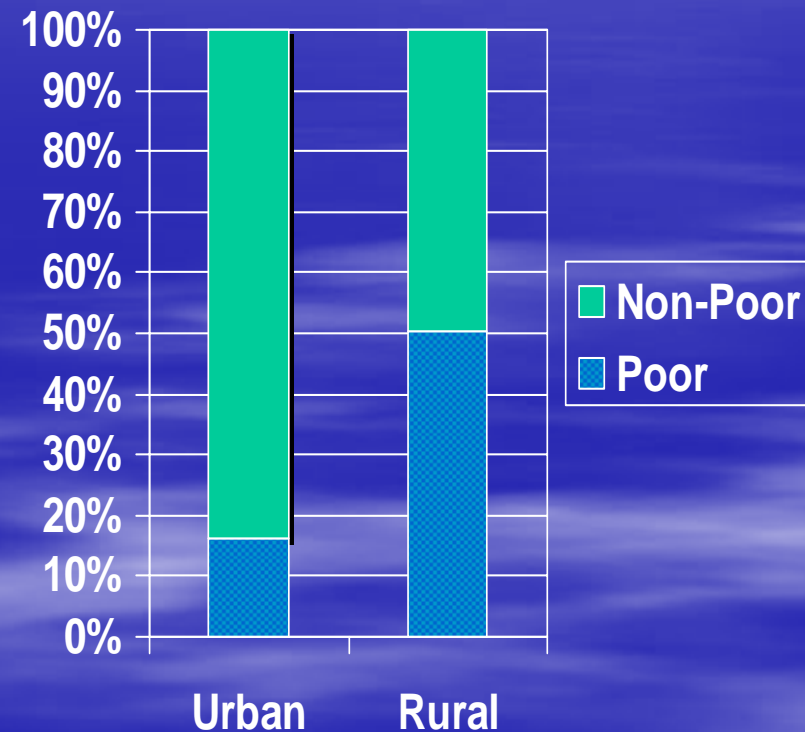
- 20.764 MM or 75% of poor were in rural areas

Derived from NSCB 2006 Poverty Statistics for the Basic Sectors

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Poverty Incidence by Rural-Urban

Philippines

- Rural Poverty Incidence – 50%
- Urban Poverty Incidence – 16%

Philippines

Derived from NSCB 2006 Poverty Statistics for the Basic Sectors

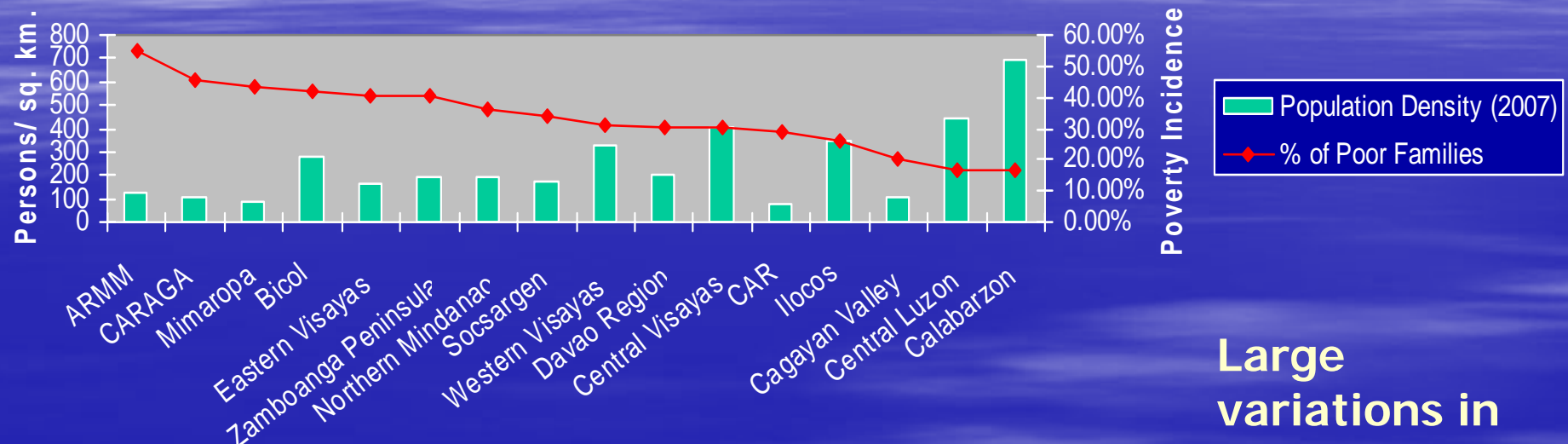Prof. Ronald T. Chua, Asian Institute of Management

Poverty Incidence Among Families and Magnitude of Poor Families by Region 2006

- Large variations in poverty incidence and magnitude of the poor across regions

Source: NSCB Official Poverty Statistics 2006

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Regional Population Density and Poverty Incidence

Persons/ sq. km. — Poverty Incidence

Legend:
- Population Density (2007)
- % of Poor Families

Chart categories: ARMM, CARAGA, Mimaropa, Bicol, Eastern Visayas, Zamboanga Peninsula, Northern Mindanao, Socsargen, Western Visayas, Davao Region, Central Visayas, CAR, Ilocos, Cagayan Valley, Central Luzon, Calabarzon

Large variations in population density across regions and cities

– Phil. Ave. – 258

– Pop. Density of Selected Cities

- NCR – 18,648
- CDO – 1,342
- Davao- 558

- Iloilo – 5,962
- Iriga - 713
- Legazpi – 1,168
- San Pablo – 1,209
- Laoag - 883

Source: Population Density - NSCB 2008 Phil. Statistical Yearbook, Poverty Incidence – NSCB 2006 Official Poverty Statistics

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Urban-Rural and Poor-Non Poor Area Comparisons of Selected Provinces

	Least Poor Provinces [1]		Poorest Provinces [1]	
	Rizal	Bataan	Surigao del Norte	Tawi-Tawi
Poverty Incidence Among Families [1]	6.4%	6.8%	53.2%	78.9%
Urban Poverty Incidence [2]	14.4%	14.7%	40.9%	45%
Rural Poverty Incidence [2]	36%	16.8%	57%	60%

(1) NSCB 2006 Official Poverty Statistics (2) Year 2000 estimate taken from Estimation of Local Poverty in the Philippines, November 2005. NSCB

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Urban-Rural and Poor-Non Poor Area Comparisons of Selected Provinces

	Least Poor Provinces [1]		Poorest Provinces [1]	
	Rizal	Bataan	Surigao del Norte	Tawi-Tawi
% Urban Population [2]	96%	60%	26%	30%
Population/Urban Brgy [2]	13,994	2,958	2,980	2,875
Population/Rural Brgy [2]	3,156	2,406	1,013	2,021

- Poorest Provinces :
  - Have higher proportion of rural population compared to least poor provinces
  - Have lower population densities per barangay

(1) NSCB 2006 Official Poverty Statistics (2) NSCB website NSCB Active Stats as of June 2009
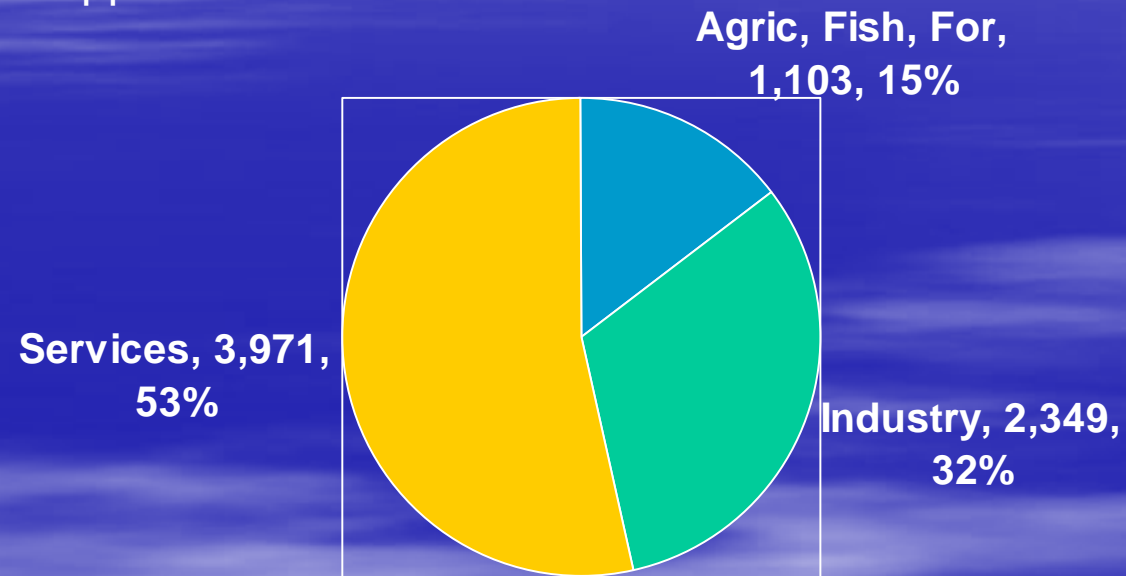
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Urban-Rural and Poor-Non Poor Area Comparisons of Selected Provinces

	Least Poor Provinces [1]		Poorest Provinces [1]	
	Rizal	Bataan	Surigao del Norte	Tawi-Tawi
Urban Population/Rural Population	4.4	1.2	2.9	1.4
Population Density [2]	1,916	60	124	208

(1) NSCB 2006 Official Poverty Statistics (2) NSCB 2008 Philippine Statistical Yearbook. Population Density estimate as of Aug. 1, 2007

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Gross Value Added by Sector (2008, Current Prices, Million Pesos)

Philippines

Agric, Fish, For, 1,103, 15%

Industry, 2,349, 32%

Services, 3,971, 53%

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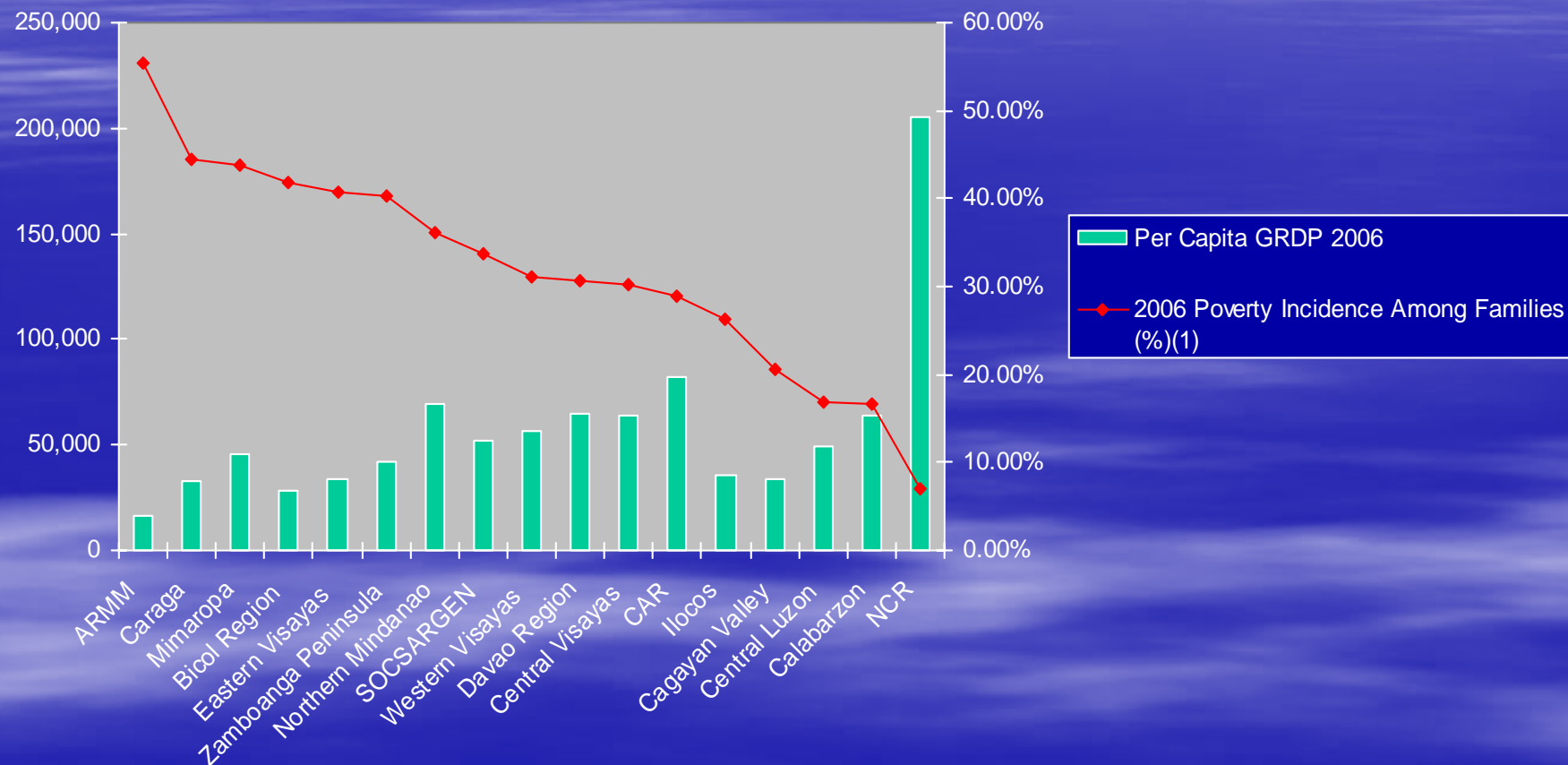
Sector Classification Breakdown

- Agriculture, Fishery, Forestry
- Industry
  - Mining and Quarrying
  - Manufacturing
  - Construction
  - Electricity, Gas and Water
- Services
  - Transportation, Communication, Storage
  - Trade
  - Finance
  - Other Dwellings and Real Estate
  - Private Services
  - Government Services

GRDP and Poverty Incidence by Region

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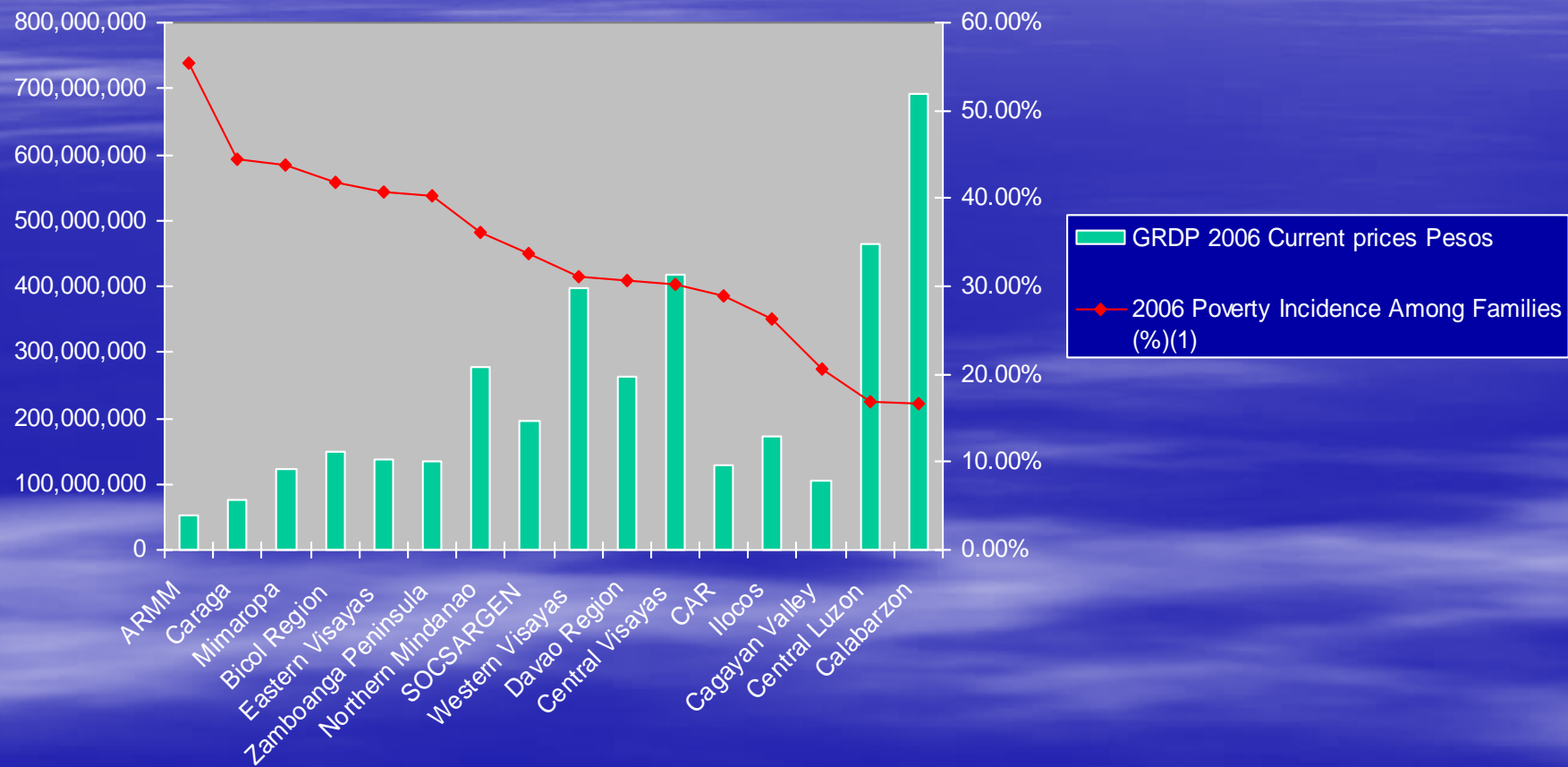
Per Capita GRDP and Poverty Incidence by Region

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Household Profile and Access to Services

Basic Sector Profile Per HH (No. per HH)*

	Poor*		Non-Poor**	
	Phil.	Bicol	Phil.	Bicol
Women	2.7	2.8	2.3	2.3
Youth	1.3	1.2	1.4	1.2
Children	**3.1**	**3.4**	**1.6**	**1.8**

- Poor households have double the number of children compared to non-poor households

*Computed from NSCB 2006 Poverty Statistics for the Basic Sectors (estimate of no. of persons per basic sector divided by the no. of poor households)

** Derived figures

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Basic Sector Profile Per HH (No. per HH)*

	Poor*		Non-Poor**	
	Phil.	Bicol	Phil.	Bicol
Farmers	0.45	0.42	0.31	0.34
Fisherfolk	0.103	0.13	0.04	0.06
Migrant Workers	0.69	0.62	1.05	0.81
Senior Citizens	0.28	0.29	0.40	0.52

- More poor households have farmers and fisherfolk compared to non-poor households

- Less poor households have migrant and salary and wage workers compared to non-poor households

*Computed from NSCB 2006 Poverty Statistics for the Basic Sectors (estimate of no. of persons per basic sector divided by the no. of poor households)

** Derived figures

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Household Access to Services

Basic Service	Urban	Rural
Health Services	Better	Poorer
Health Insurance	Better	Poorer
Education	Better	Poorer
Electricity	Better	Poorer
Water	Better	Poorer
Housing Quality	Better	Poorer

Profile of the Lowest 30% of Income Stratum – Highlights from the 2004 Annual Poverty Indicator Survey

Characteristic	Philippines		Bicol	
	Lowest 30%	Highest 70%	Lowest 30%	Highest 70%
Highest Grade Completed of Fam. Head: HS or Higher	31.3%	65.7%		
Own or owner like possession of house and lot	60.7%	66.2%	52.7%	65.6%
Own house, rent free lot	24.1%	9.8%	31.8%	20%
Single house	98%	89.8%	99.3%	98.3%
Roof: Strong Materials	51.4%	80.0%	35.6%	68%
Outer Walls: Strong Materials	37.5%	72.2%	38.2%	70.2%

Profile of the Lowest 30% of Income Stratum – Highlights from the 2004 Annual Poverty Indicator Survey

Characteristic	Phil		Bicol	
	Lowest 30%	Highest 70%	Lowest 30%	Highest 70%
With Electricity	52.6%	91%	49.6%	79.9%
Community Water System in Dwelling	10.4%	42.8%	8.7%	37.7%
With Own Toilet	45.3%	79.1%	46.3%	75.8%
Own Cellphone	7.4%	51.3%	5.4%	37.3%

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Profile of the Lowest 30% of Income Stratum – Highlights from the 2004 Annual Poverty Indicator Survey

Characteristic	Phil.		Bicol	
	Lowest 30%	Highest 70%	Lowest 30%	Highest 70%
% Population 6 to 24 years old in school	67.8%	67.6%	71.3%	70.4%
% Population 6 to 24 years old NOT in school	32.2%	33.4%	28.7%	29.6%

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School Non-Attendance by Income Stratum by Age: Philippines

2004 Annual Poverty Indicator Survey. NSO

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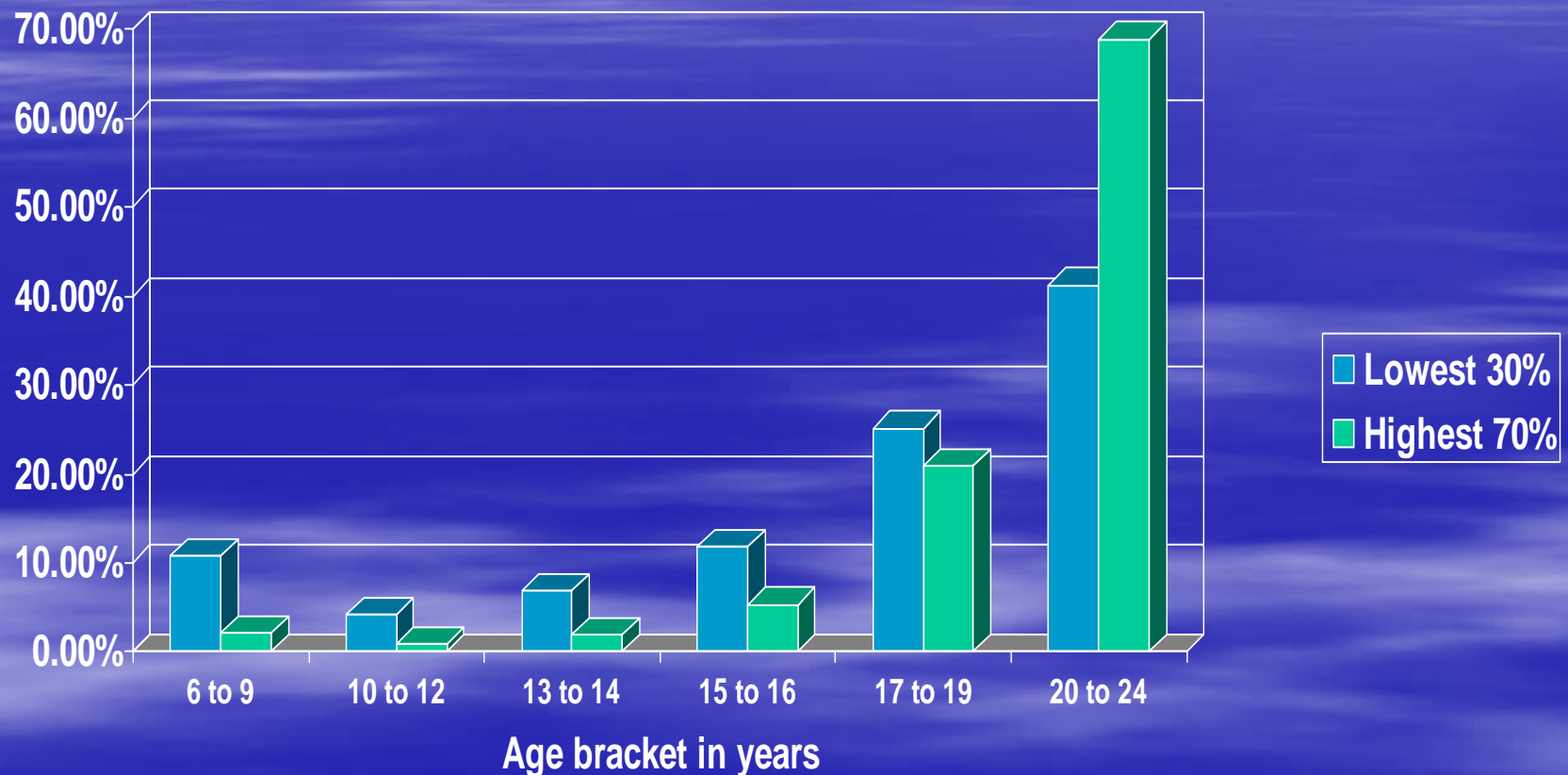
Type of Health Facility Visited by Income Stratum: Philippines
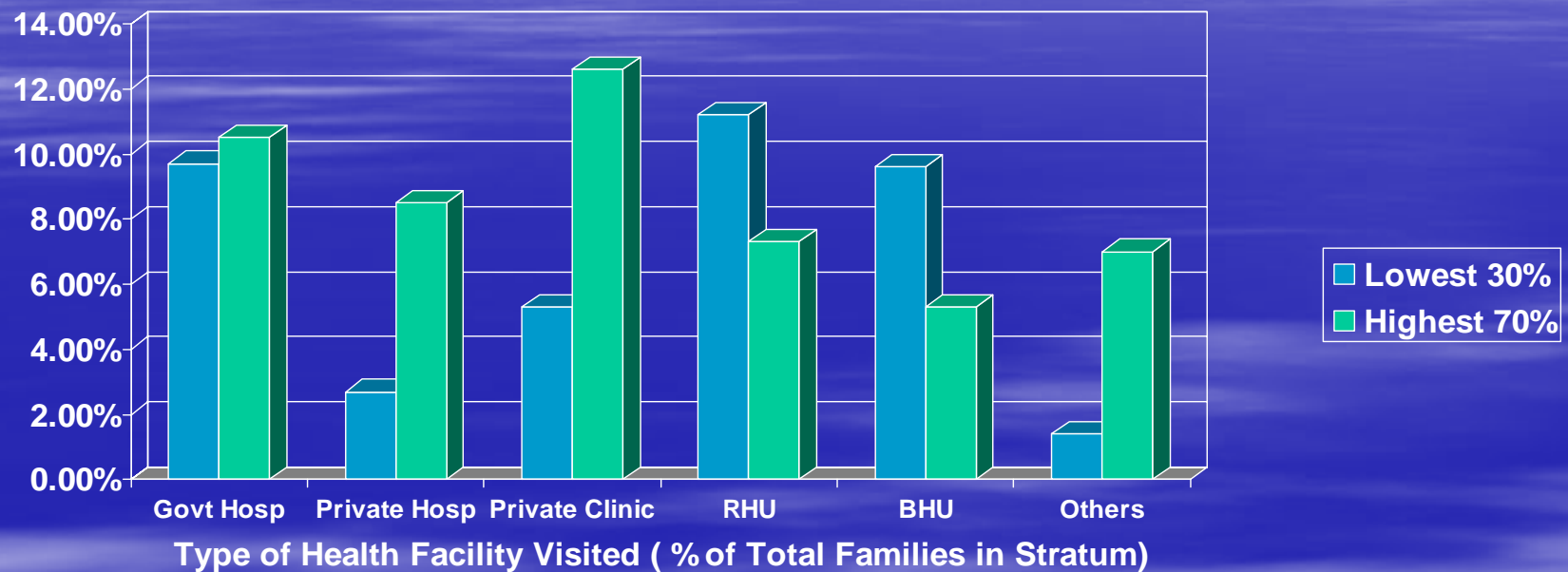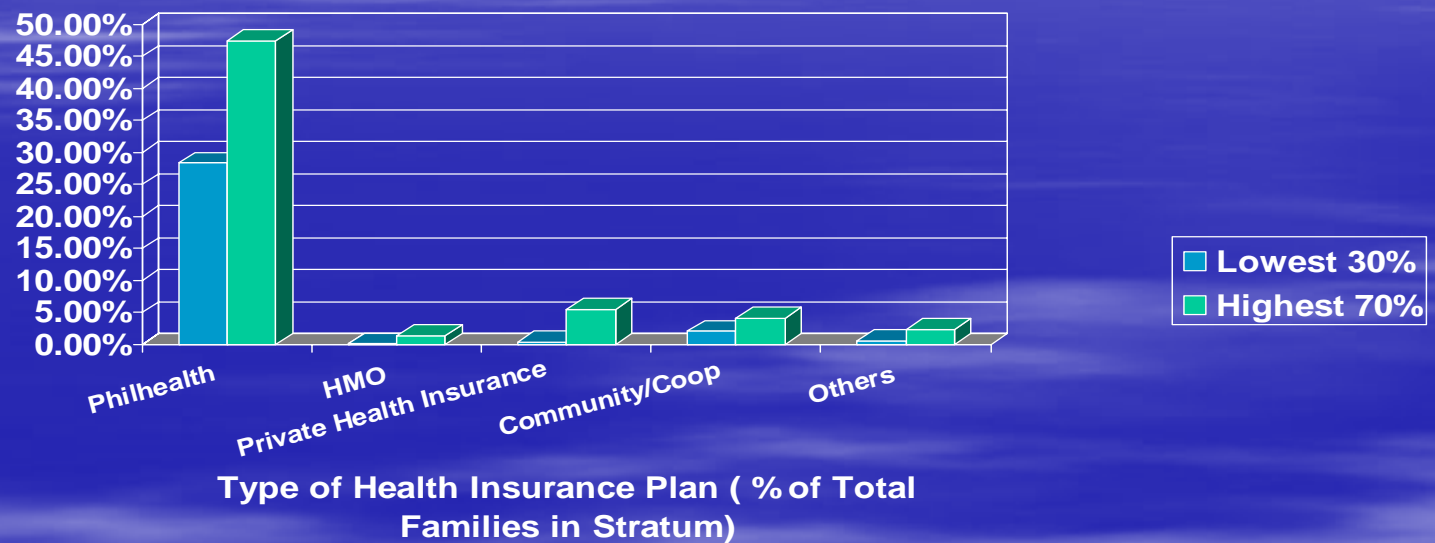

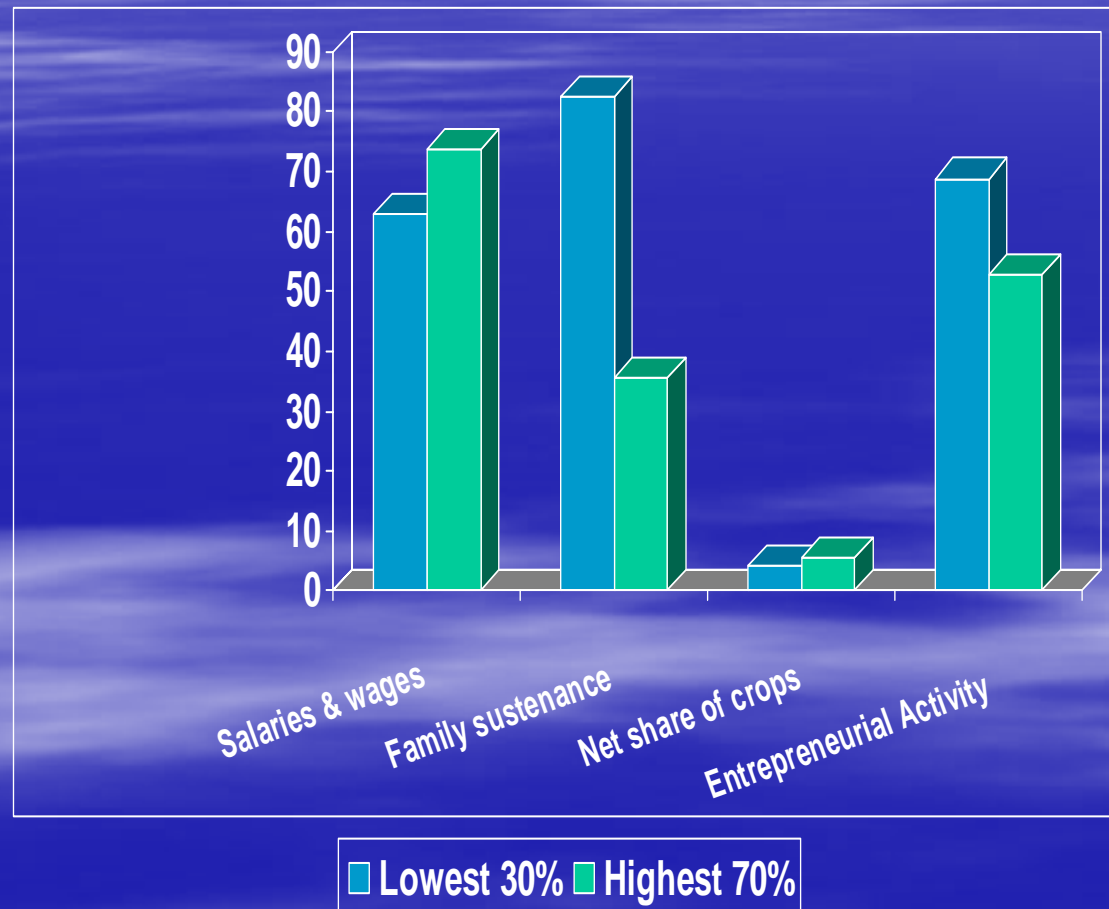| % Families with at least 1 person who visited a health facility	Lowest 30% 32.3%	Highest 70% 36.6%

2004 Annual Poverty Indicator Survey. NSO

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Families with at least 1 member with health insurance by Income Stratum: Philippines

Bar chart legend: Lowest 30%, Highest 70%

Y-axis: 0.00% to 50.00%

X-axis (Type of Health Insurance Plan (% of Total Families in Stratum)): Philhealth, HMO, Private Health Insurance, Community/Coop, Others

% Families with at least 1 person with health insurance plan	Lowest 30% 30.0%	Highest 70% 50.9%

2004 Annual Poverty Indicator Survey. NSO

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Type of Economic Activity Engaged In (% of Households)

Chart legend: ■ Lowest 30% ■ Highest 70%

Categories: Salaries & wages, Family sustenance, Net share of crops, Entrepreneurial Activity

- More HH in Lowest 30% engaged in multiple economic activities
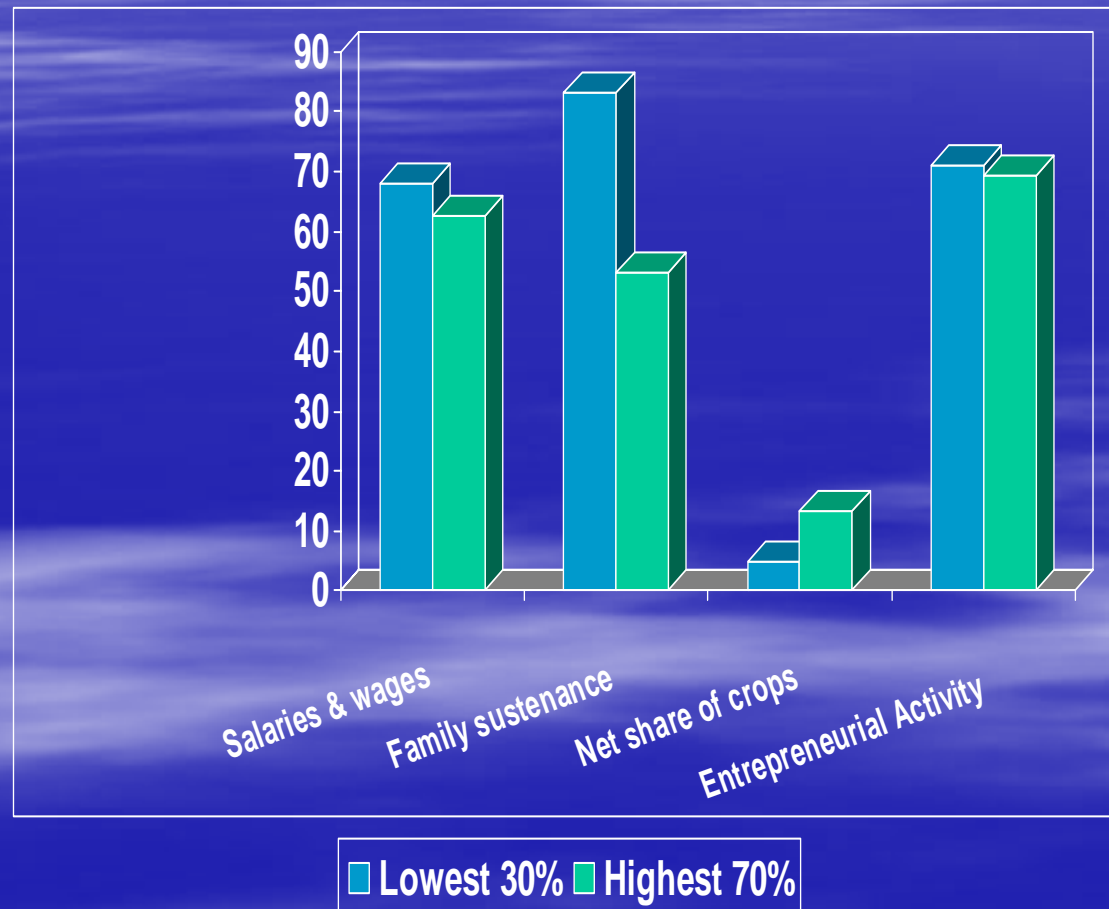- Higher proportions relying on sustenance and entrepreneurial activity
- But…

Ave. Income per HH by Type of Economic Activity (2004, Php)
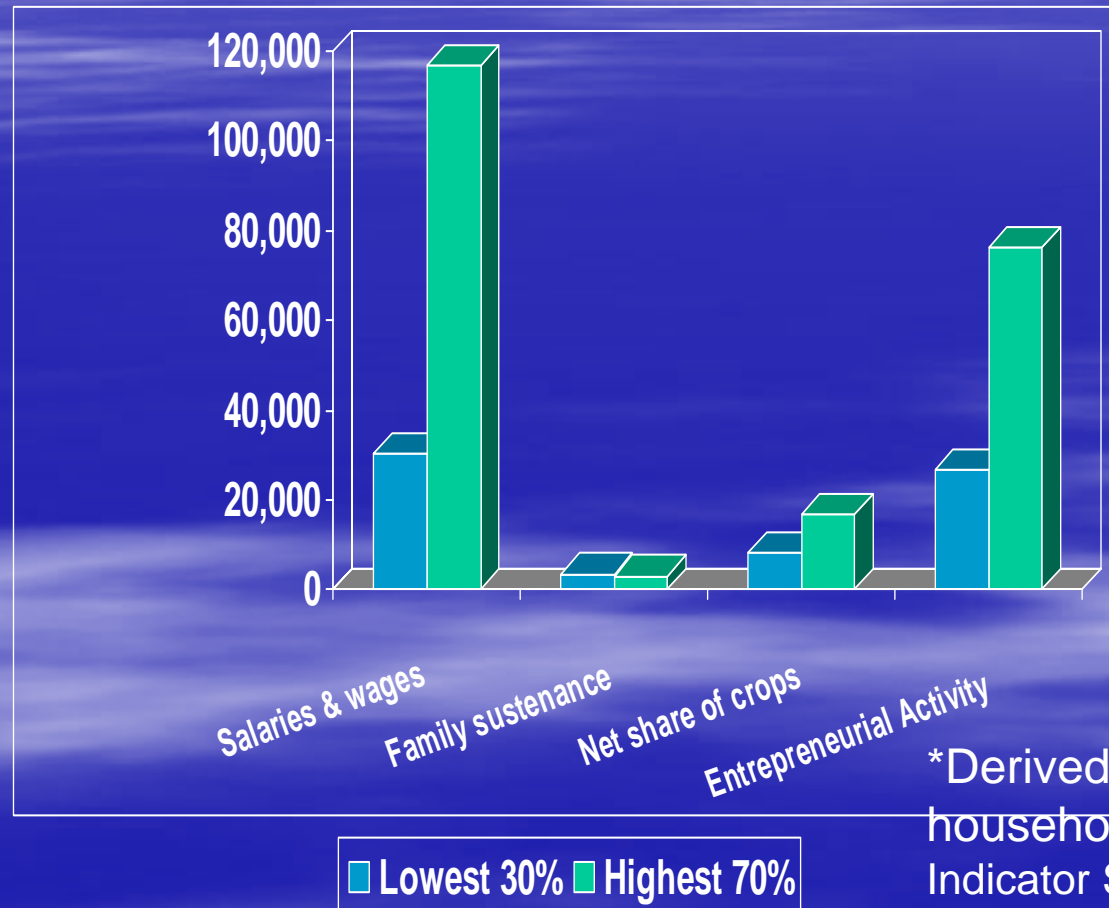
- **For lowest 30%, ave. HH incomes from main economic activities comparatively much lower**

*Derived by dividing total income by no. of households. Based on 2004 Annual Poverty Indicator Survey

Type of Economic Activity Engaged In (% of Households): Bicol

- More HH in Lowest 30% engaged in multiple economic activities
- Higher proportions relying on sustenance and entrepreneurial activity
- But…

Chart axis values: 0, 10, 20, 30, 40, 50, 60, 70, 80, 90

Categories: Salaries & wages, Family sustenance, Net share of crops, Entrepreneurial Activity

Legend: ☐ Lowest 30% ☐ Highest 70%

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Employed Persons by Class of Worker by Income Stratum Jan – June 2004* (Percent Distribution) Philippines
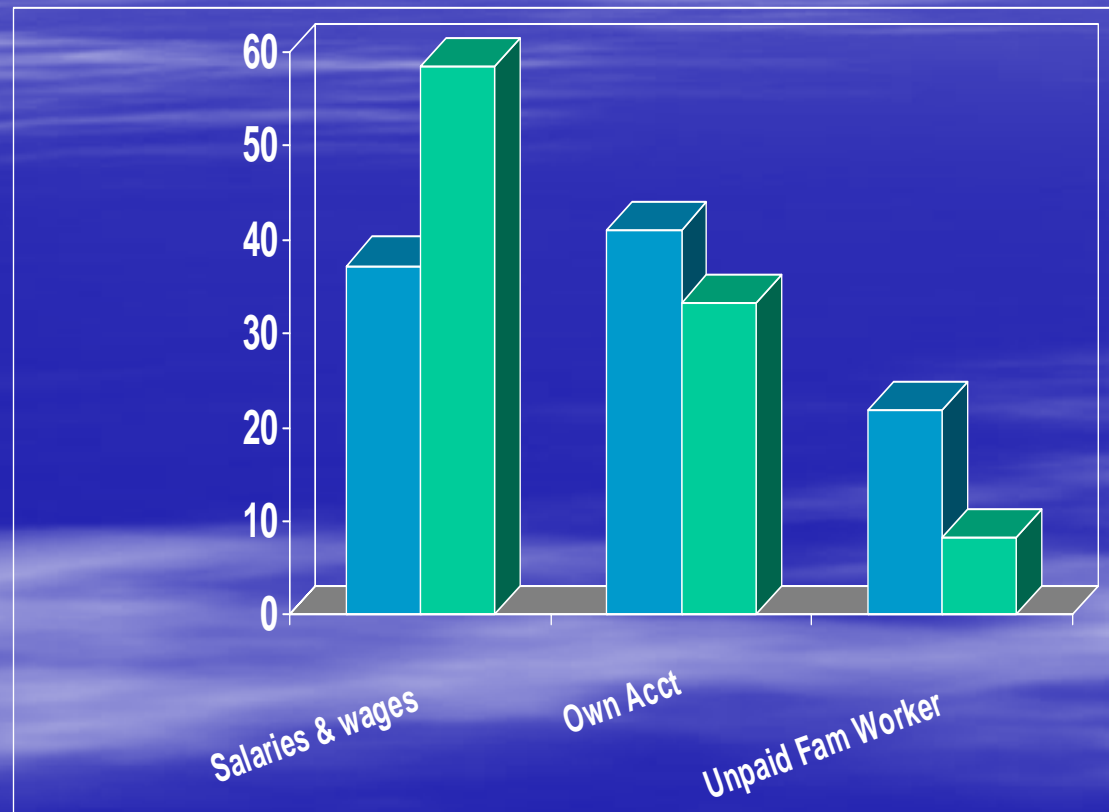
- **Lowest 30%**
  - 3.9 MM Wage & Salary
  - 4.3MM Own Account
  - 2.3 Unpaid Family Workers
- **Compared to Highest 70%**
  - Less salary & Wage workers
  - More Own Acct Workers, Unpaid Family Workers

Chart values (approximate, bar chart):

Class of Worker	Lowest 30%	Highest 70%
Salaries & wages	~37	~58
Own Acct	~41	~33
Unpaid Fam Worker	~22	~8

Legend: ■ Lowest 30% ■ Highest 70%

*2004 Annual Poverty Indicator Survey

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# Employed Persons by Class of Worker by Income Stratum Jan – June 2004* (Percent Distribution) Bicol

- **Lowest 30%**
  - MM Wage & Salary
  - MM Own Account
  - Unpaid Family Workers
- **Compared to Highest 70%**
  - Less salary & Wage workers
  - Slightly Less Own Acct Workers,
  - More Unpaid Family Workers

*2004 Annual Poverty Indicator Survey

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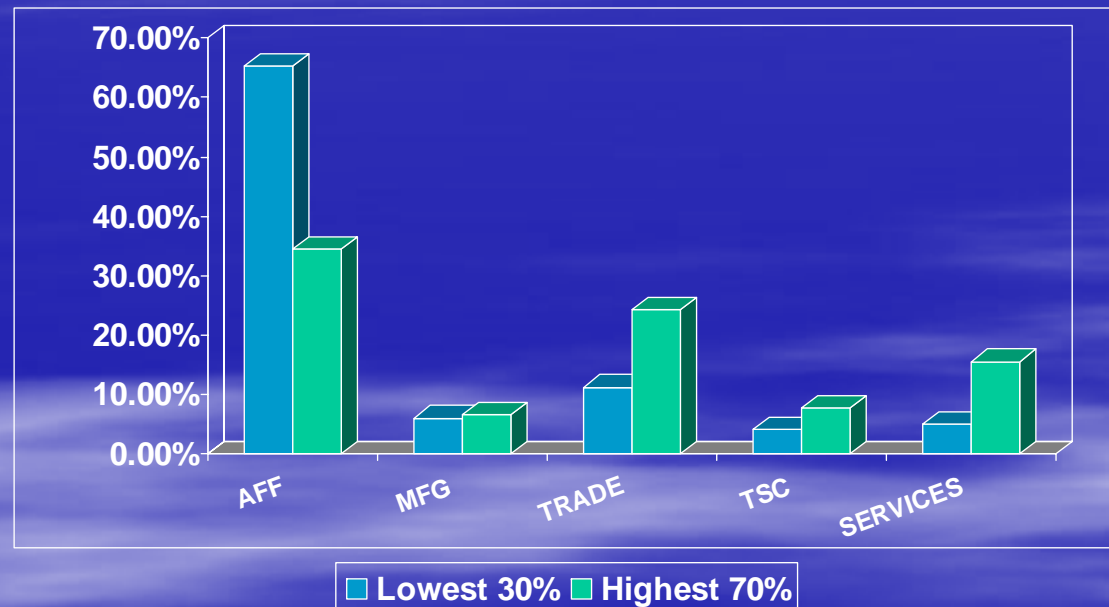# Employed Persons by Major Industry Group by Income Stratum Jan – June 2004* (Percent Distribution) Philippines
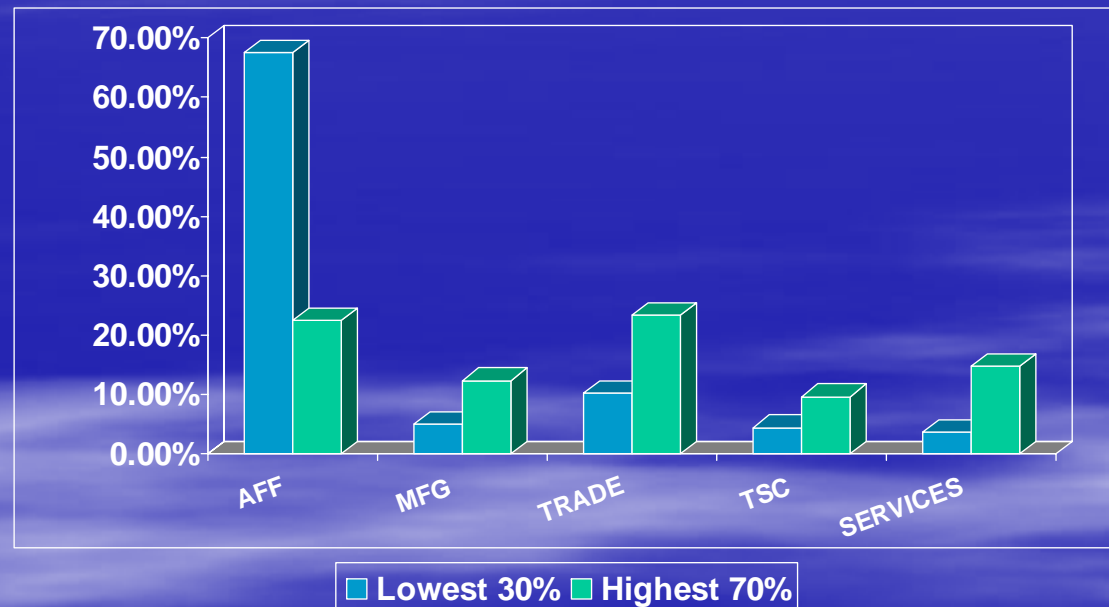
- **Lowest 30%**
  - 67.5% in Agri, Fishery, Forestry
  - 10.6% in Trade

- **Compared to Highest 70%**
  - Less distributed across industry groups
  - Mostly concentrated in agri, followed by trade

*2004 Annual Poverty Indicator Survey

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Employed Persons by Major Industry Group by Income Stratum Jan – June 2004* (Percent Distribution) Bicol

- **Lowest 30%**
  - 65.2% in Agri, Fishery, Forestry
  - 11.2% in Trade

- **Compared to Highest 70%**
  - Less distributed across industry groups
  - Mostly concentrated in agri, followed by trade

Chart axis: 70.00%, 60.00%, 50.00%, 40.00%, 30.00%, 20.00%, 10.00%, 0.00%
Categories: AFF, MFG, TRADE, TSC, SERVICES
Legend: ■ Lowest 30% ■ Highest 70%

*2004 Annual Poverty Indicator Survey

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Employed Persons by Major Occupation Group by Income Stratum Jan – June 2004* (Percent Distribution) Philippines
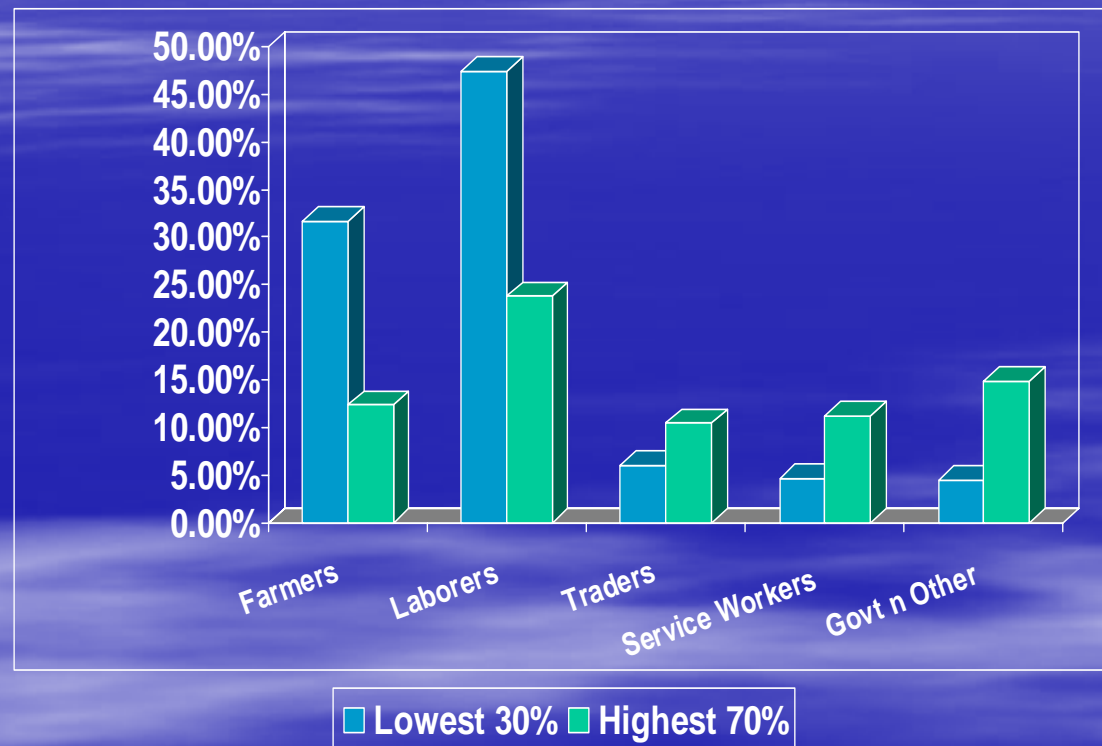
- **Lowest 30%**
  - 31.7% farmers
  - 47.4% laborers
  - 6% traders
- **Compared to Highest 70%**
  - Less distributed across occupation groups
  - Mostly concentrated in farmer and laborer occupations
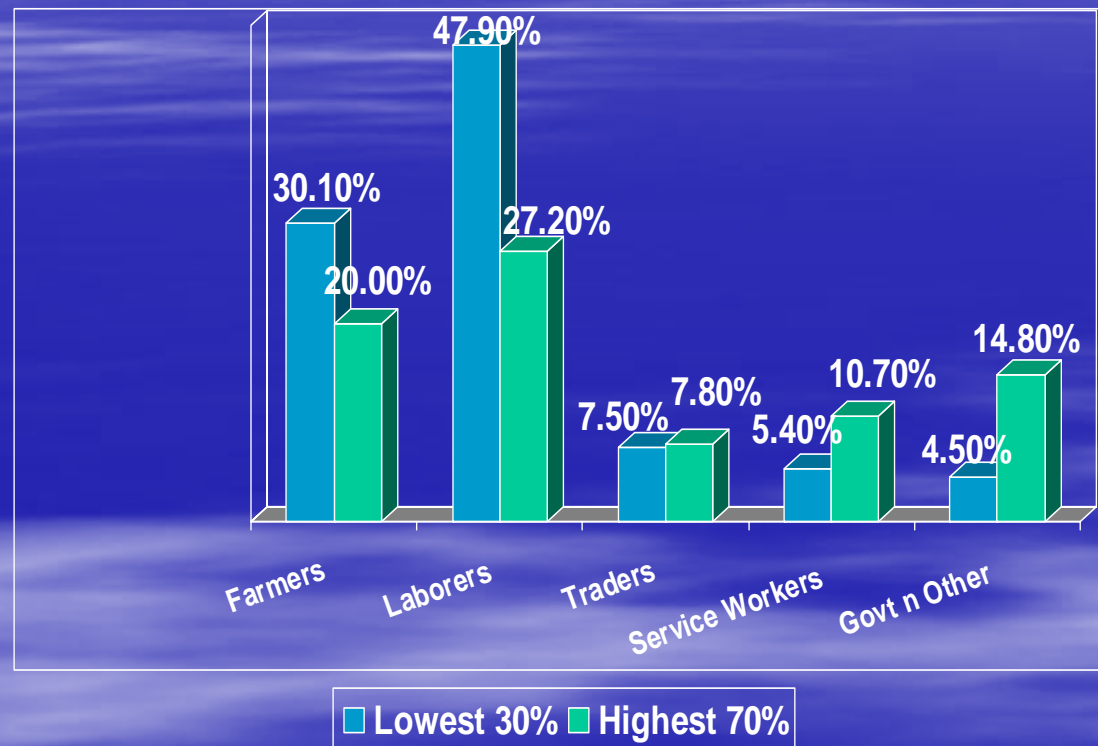

*2004 Annual Poverty Indicator Survey

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Employed Persons 5 yrs. Old and above by Major Occupation Group by Income Stratum Jan – June 2004* (Percent Distribution) Bicol

■ Lowest 30%
  – 260,000 farmers
  – 414,000 laborers
  – 65,000 traders
  – 47,000 service workers
  – Farmers and laborers accounted for 78% of employed persons

■ Compared to Highest 70%
  – Higher proportions of farmers and laborers
  – Lower proportions of service workers, and gov't and Special Interest Org

Chart data:

Occupation	Lowest 30%	Highest 70%
Farmers	30.10%	20.00%
Laborers	47.90%	27.20%
Traders	7.50%	7.80%
Service Workers	5.40%	10.70%
Govt n Other	4.50%	14.80%

Legend: ■ Lowest 30% ■ Highest 70%

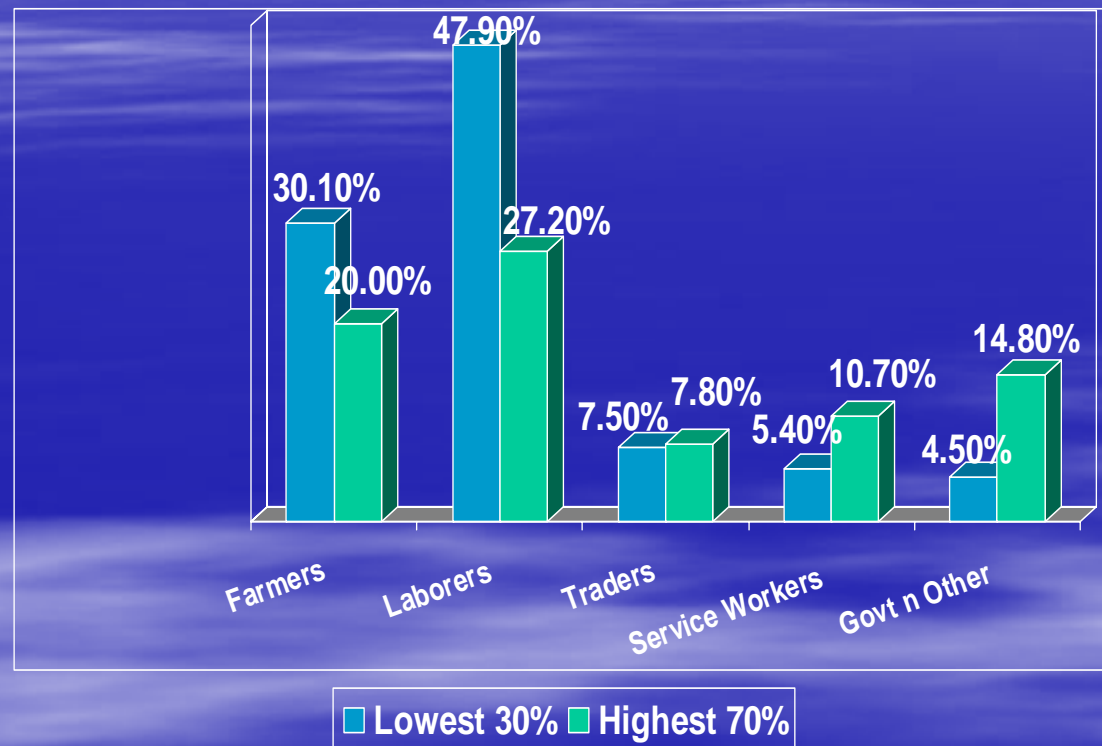*2004 Annual Poverty Indicator Survey

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Employed Persons 5 yrs. Old and above by Major Occupation Group by Income Stratum Jan – June 2004* (Percent Distribution) Bicol

Chart data:

Occupation	Lowest 30%	Highest 70%
Farmers	30.10%	20.00%
Laborers	47.90%	27.20%
Traders	7.50%	7.80%
Service Workers	5.40%	10.70%
Govt n Other	4.50%	14.80%

■ **Lowest 30%**

– 2 out of 3 households in income stratum have a farmer

– Every household in income stratum has a laborer

– 1.5 out of 10 households in income stratum have a trader

*2004 Annual Poverty Indicator Survey

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Employed Persons 5 years and older by Major Occupation Group per Household – 2004 APIS

	Phil		Bicol	
Occupation Group	Lowest 30%	Highest 70%	Lowest 30%	Highest 70%
Farmers	0.66	0.22	0.62	0.37
Laborers	0.99	0.43	0.98	0.5
Traders	0.13	0.19	0.15	0.14
Service Workers	0.10	0.20	0.11	0.2
Officials of Govt & Specl Interest Org; Corp Exec	.09	.27	0.09	0.27

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Different Basic Sectors Mean Differing Financial Service Needs

- Farmers – financing for agriculture, cash flow smoothing for seasonal cash flows
- Wage and Migrant workers – salary loans, money transfers
- Children – financing for education
- Senior citizens – health care
- And more…

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Context and Challenges of Reaching the Poor

Productive Resources Access Factors: External

Weak   MED Institutional Reach   Strong

Large

Growing

Favorable

Highly
Urban
Areas

Policy

Environmen
t

M
A
R
K
E
T
S

Rural

Upland

Unfavorabl
e

Small

Poor   Good

State of Physical Infrastructure

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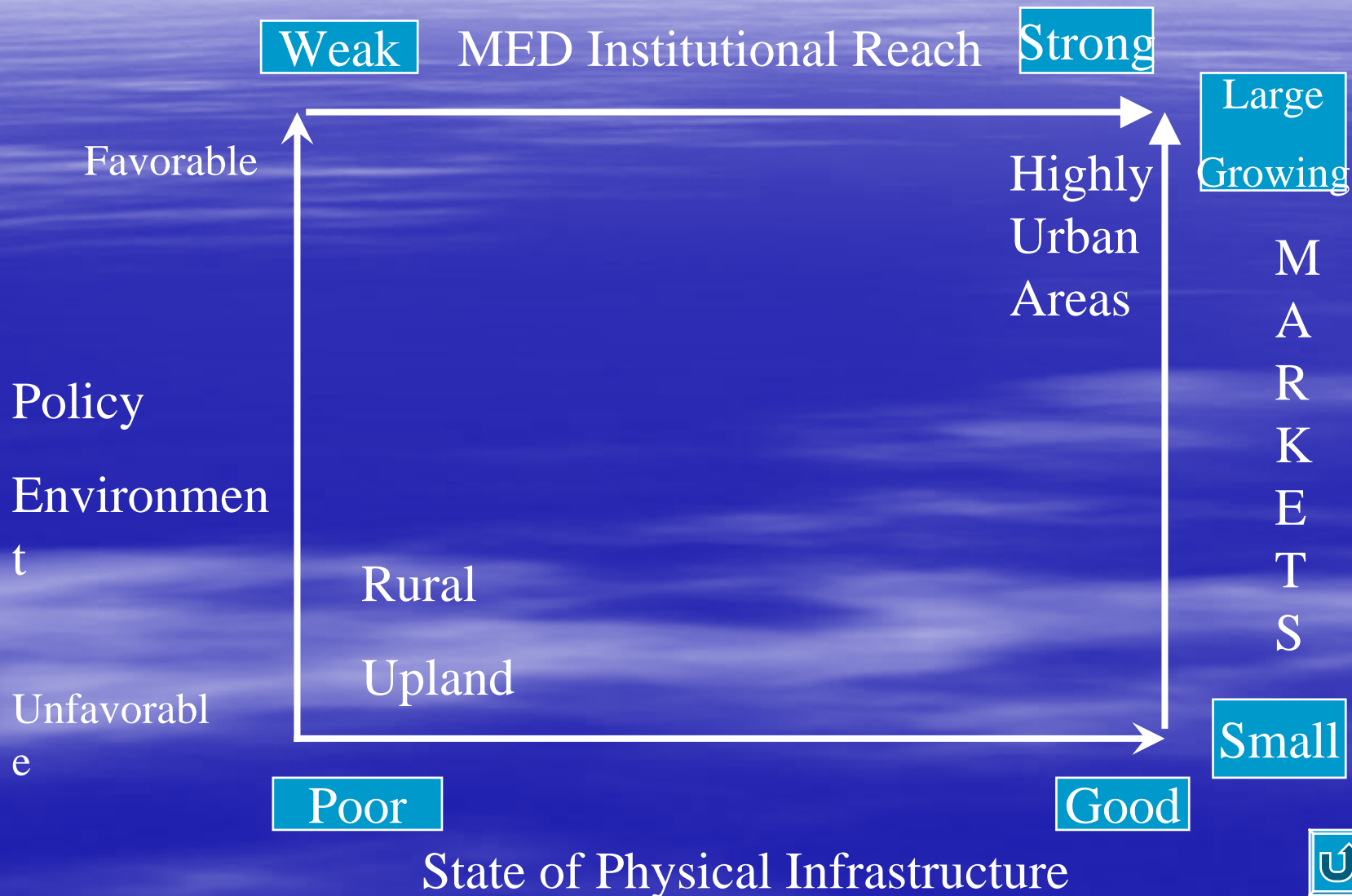
Urban-Rural Area comparisons

Context	Urban	Rural
Poverty Incidence	Lower	Higher
Population Density	Higher	Lower

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Urban-Rural Area comparisons

Context	Urban	Rural
Economic Activities	Trading Center, Services	Production Center - Agriculture, Livestock
Sources of income	Wage and Salary Employment, Informal Sector Employment	Less wage and salary employment, Self-employment in agri and livestock
Size of Internal market/local economy	Bigger	Smaller
Economic Activities	Trade Center	Agriculture, Livestock

Urban-Rural Area Comparisons

Context	Urban	Rural
Road Condition	Better	Poorer
Transportation	Better	Poorer
Cost of transportation	Higher	Lower
Access to Basic Services	Better	Poorer

What does it take to lift a Poor Household Out of Poverty?

Household Income Gap Estimate 2006

	Phil.	Bicol
Poverty Incidence Among Families	26.9%	41.8%
Annual Per Capita Poverty Threshold	Php 15,057	Php 15,015
Income Gap [1]	28.8%	30.1%
Per capita Income Gap [2]	Php 4,336	Php 4,520
Ave. Household (HH) Size Among Poor	5.9	6.3
HH Income Gap (Php/Year)	Php 25,582	Php 28,476

Source: NSCB 2006 Poverty Statistics   (1) Income Gap = etc... (2) Annual per capita poverty threshold x Income Gap

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Poverty Eradication - Magnitude of the Task in Peso Terms

Amount of Income Gap Per Household (Pesos)		
	Philippines	Bicol
Annual [1]	25,582	28,476
Monthly	2,132	2,373
Weekly	492	548
Daily	70	78

- On average, a poor household needed to earn an additional Php 500 per week to bring it up to the poverty threshold (Php 548 for Bicol)

(1) Computed per capita Income gap x No. of household members

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Poverty Eradication - Magnitude of the Task in Peso Terms

Loan Amount (Php)	Php 5,000	
Loan Term	25 wks	
Effective Interest rate (25 wks)	25%	
Weekly Amortization (principal + interest)	Php 250	
	Philippines	Bicol
Weekly Income Gap	Php 500	Php 550
Total Net Income Needed (Interest plus income gap)	Php 550	Php 600
Weekly Rate of Return on Php 5,000	11%	12%
Annual Rate of Return in Php 5,000	572%	624%

- On average in 2006, a poor household needed to earn an 11% weekly return on a Php 5,000 microenterprise loan to be able to move up to the poverty threshold and pay off the interest on the loan. (12% for Bicol)
- This translates to a simple annual rate of return of 572%! Is this a realistic expectation from a Php 5,000 microenterprise loan?

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Microfinance Through the Next Decade: Visioning the Who, What, Where, When and How

Otero and Rhyne

Who will deliver MF services? – Many more different types

- Traditional – NGO, Specialized MF Bank, Credit Union, Public Sector Bank

- Commercial Entrants – Local and Regional Banks, International Banks, consumer lenders, big box retailers

Who will be served?

- Broader range of services
- Reach up, reach down

What products and services?

- Issue of the quality gap
- Deposit and payment products
- Personal loan products
- Business Loan products
- Insurance and other

How will technology Change MF?

- Payments
  - Mobile phone
  - Electronic payment
  - Point of Sale
- Core
  - MIS
- Credit Underwriting
  - PDAs
  - Credit Scoring

How will MF Be Financed?

- Debt
- Equity and ownership

Trends in Philippine Microfinance

Trends in MF

- Current Outreach Situation
- Emerging market opportunities in financial services for low income groups
- Changing landscape of MF service providers
- Changing policy and regulatory environment

Trends in MF

- Changing MFI "support infrastructure"
- Changing market for funds for MF
- Advances in Information and Communication Technology

REVIEW OF MICROFINANCE OUTREACH IN THE PHILIPPINES

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Philippine Outreach Update

- @ 500 MFIs
- NGOs, Coops, Rural Banks, Banks
- Estimated 7 million clients, Php 12 billion in Portfolio
- 3,000 branches
- 200,000 centers
- 40,000 centers meeting daily
- 1.2 million women meeting daily

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PCFC Outreach Data Jan, 2010

Saturation Rate (Active Clients/Poor HH)	62%
Provinces	82 out of 82 (100%)
Cities	130 out of 131 (99%)
Municipalities	1,260 out of 1,497 (84%)

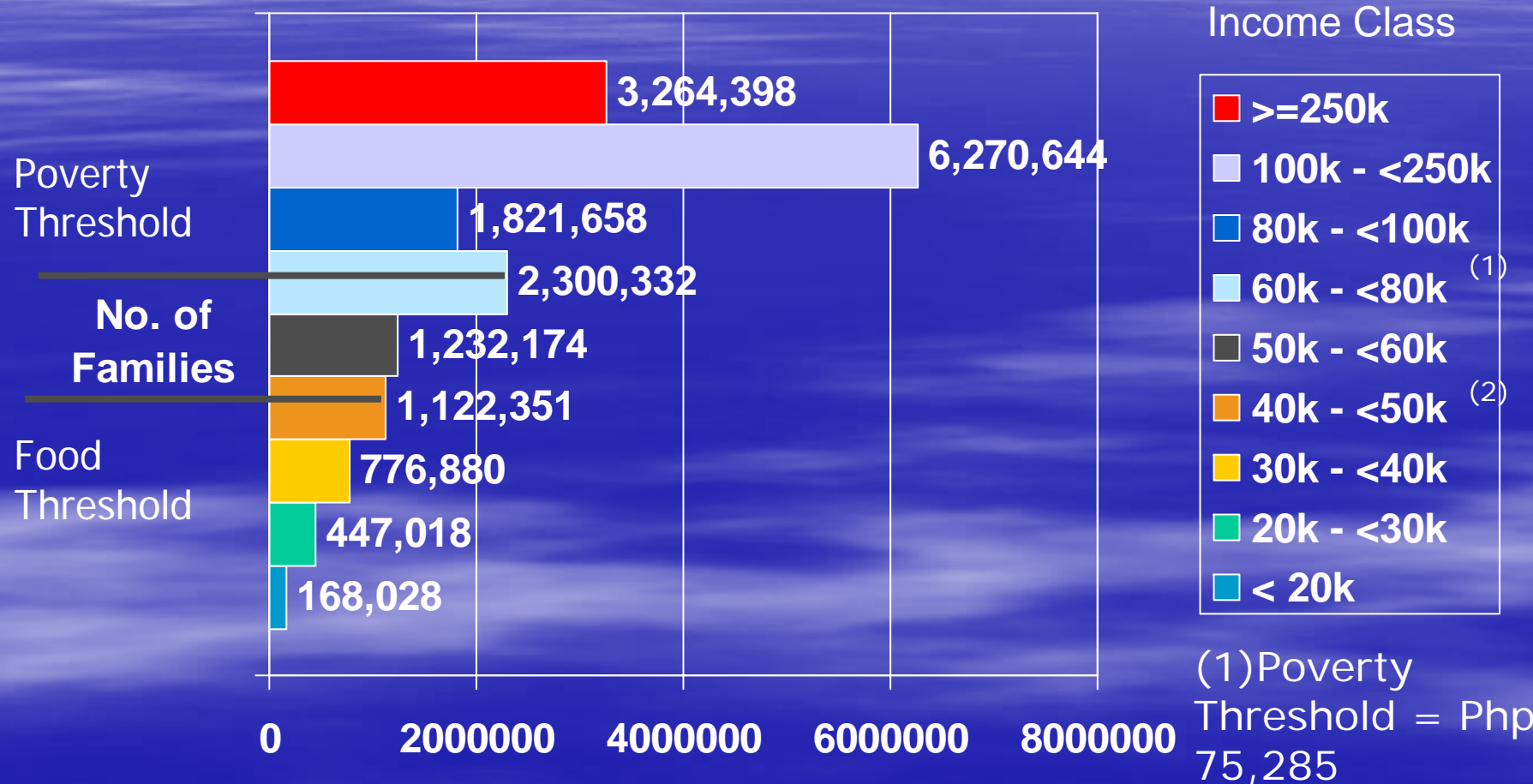# Philippine Microfinance Outreach Update

- Microfinance present in almost all municipalities
- But mostly in the urban areas in these municipalities
- Mostly among the vulnerable non-poor
- Mostly among non-agricultural households

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Highlights from an ADB/PIDS Impact Study*

- Microfinance outreach:
  - 10% Poor
  - 4% Subsistence Poor
  - 86% Non-Poor, clustering around poverty line – vulnerable non-poor?
- Effect of credit on Household Income and Expenditures
  - positive over-all on incomes and expenditures BUT:
  - Effect regressive –
    - Increase in incomes for higher income households
    - Decrease in incomes for lower income households

*Kondo et al. Impact of Microfinance on Rural Households in the Philippines. PIDS Discussion Paper Series No. 2008-05. Feb 2008

No. of Families by Income Class 2006

Income Class

- >=250k
- 100k - <250k
- 80k - <100k
- 60k - <80k [1]
- 50k - <60k
- 40k - <50k [2]
- 30k - <40k
- 20k - <30k
- < 20k

Poverty Threshold

No. of Families

Food Threshold

3,264,398
6,270,644
1,821,658
2,300,332
1,232,174
1,122,351
776,880
447,018
168,028

0   2000000   4000000   6000000   8000000

(1) Poverty Threshold = Php 75,285

(2) Food threshold = Php 50,125

Source: 2008 Philippine Statistical Yearbook

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% of Total Families by Income Class 2006

Income Class

Poverty
Threshold

**% of Total
Families**

Food
Threshold

18.8%

36.0%

10.5%

13.2%

7.1%

6.4%

4.5%

2.6%

1.0%

About 20.3% of families have incomes below the poverty threshold but above the food threshold

About 14.5% of families fall below food threshold

Legend:
- ■ **>=250k**
- ■ **100k - <250k**
- □ **80k - <100k** (1)
- ■ **60k - <80k**
- ■ **50k - <60k** (2)
- ■ **40k - <50k**
- ■ **30k - <40k**
- ■ **20k - <30k**
- □ **< 20k**

(1) Poverty Threshold = Php 75,285
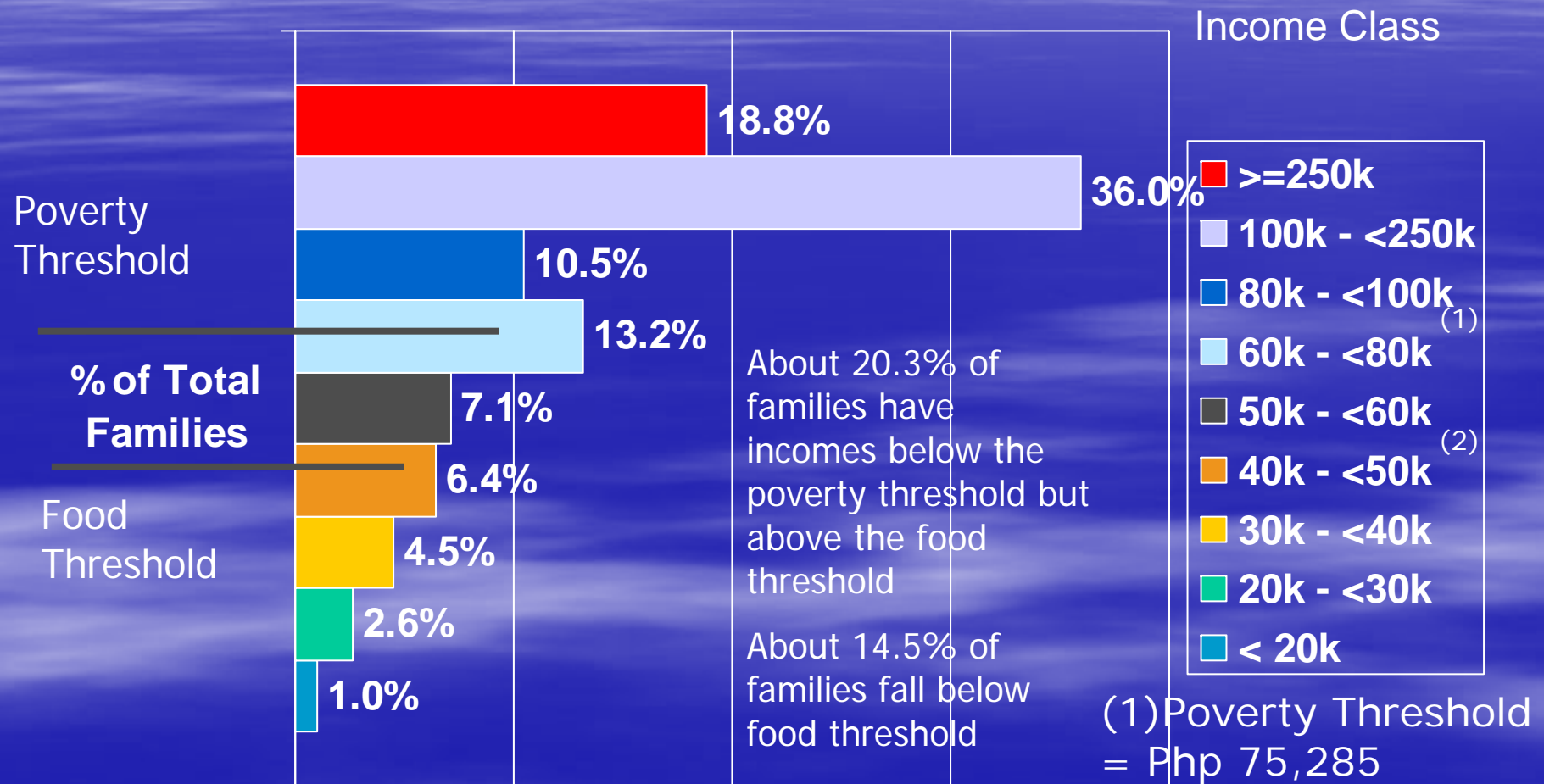
Source: 2008 Philippine Statistical Yearbook

(2) Food threshold = Php 50,125

Estimate of the Unreached Market for Microfinance

Income Class	No. of Families (000) [1]	Estimated Actual Reach PCFC		Current Mkt Share [4]	Unreached
Unit	x 1,000	% [2]	x 1,000 [3]	%	x 1,000
60k-<100k -non poor[5]	3,192	86%	1,720	53.9%	1,472
40k-<80k –poor [6]	2,763	10%	200	7.2%	2,563
<50k subsistence [7]	1,914	4%	80	4.2%	1,834
Total	7,869	100%	2,000	25.4%	5,869

[1] NSCB 2008 Philippine Statistical Yearbook

[2] Kondo et al PIDS discussion Paper series 2008-05

[3] PCFC Estimated outreach (active clients of conduits) as of June 2009

[4] % of Families in Income Class

(5) This computation assumes MFI clients fall within the less than Php 100 k income class.

(6) 2006 poverty threshold per family of 5 = Php 75,285

(7) 2006 Subsistence threshold per family of 5 = Php 50,125

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Current Microfinance Product Characteristics

– Mainly Loans

– Short term with weekly payment

– Attractive only to households with cash in flows to make weekly payments

– Mostly from regular wage employment or trading and service activities (food vending, etc…) that generate daily or weekly cash in flows

– Activities that are more prevalent or viable in urban areas

Estimate of Debt Burden by Income Class (as % of ave. income of income class)

Income Class	No. of Families (000)*	Ave. Income/ yr	Ave. Expend./ yr	Differe nce	Wkly Income	Wkly Loan Amort **	Amort as % of Income
Unit: Pesos	x 1,000	x 1,000	x 1,000	x 1,000			
80k-<100k	1,822	90	87	3	1,731	250	14%
60k-<80k	2,300	70	69	1	1,346	250	19%
50k-<60k	1,232	55	56	-1	1,058	250	24%
40k -<50k	1,122	45	47	-2	865	250	29%
30k-<40k	777	35	38	-3	673	250	37%
20k-<30k	447	26	28	-2	500	250	50%
<20k	168	16	21	-5	308	250	81%

* NSCB 2008 Philippine Statistical Yearbook 2006 FIES

**Assume Loan Size Php 5,000, Term 25 weeks; flat rate of 25% for the 25 weeks

**** 2006 poverty threshold per family of 5 = Php 75,285

*****2006 Subsistence threshold per family of 5 = Php 50,125

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Emerging Trends: Demand

- Large numbers remain unreached /without access

- Increasing sophistication of clients

- Increasing range of demanded products and services

- Shift from microenterprise finance to financial services for low income households

- Emerging consumer protection movement

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Market Opportunities for MF

- **Reaching More of the Poor**
- **Reaching Down to Poorer and Poorest Groups**
- **Help the Poor Manage their Risks**
  - Microinsurance
  - Health and Hospitalization

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Market Opportunities for MF

- **Help the Poor Build Up their Assets**
  - Consumption
  - Housing
  - Children's Education
  - Pension

- **Help the Poor Capitalize on Economic Opportunities and Grow**
  - Enterprise Loans
  - Training
  - Market Links

Changing Landscape of MF service providers

- Improved awareness and understanding of MF
- Significant increase in new entrants
- Emerging few large players with national scope

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Changing Landscape of MF service providers

- Still many small players
- Entry and increasing interest of mainstream financial institutions in MF
  - Universal Banks, KBs, Thrift Banks
- Emergence of a few dominant models/approaches
- Entry of mobile banking based models

Changing Landscape of MF service providers

- Trend towards mergers, acquisitions, consolidation among RBs (effect of BSP regulation)
- Transformation into Formal Financial Institutions by NGOs
- Formation of NGOs by Rural Banks

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Emerging Trends:Supply

- Increasing interest and trends towards new products

- Affiliation with other financial service providers

- Adaptation and use of information technology

Emerging Trends: MF Environment

- Evolving supervisory and regulatory framework
- Development and adoption of industry or sector standards
- Moves towards a more supportive infrastructure – credit bureau

Changing Market for Funds for MF

- Entry of international entities and funds providing investments and technical assistance direct to MFIs – the Microfinance Investment Vehicles
- Entry of local banks and other entities into wholesaling
- Increasing interest of mainstream and social investors in MF institutions
- Emergence of innovative wholesale financing schemes – securitization, etc…

Changes in Support Infrastructure

- Packaged Models
- More course offerings and consultancy/assistance packages
- Movement in Financial Education for women
- Movement in enterpreneurship training

Challenges for MFIs: Staying Relevant, Responsive and Competitive

- Maximizing impact
- Achieving economies of scale
- Managing rapid growth
- Managing product improvement, product range expansion and diversification

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Challenges for MFIs: Staying Relevant, Responsive and Competitive

- Tapping new markets
- Managing in a competitive environment
- Managing change
- Managing crisis
- Becoming catalysts for area socio-economic development
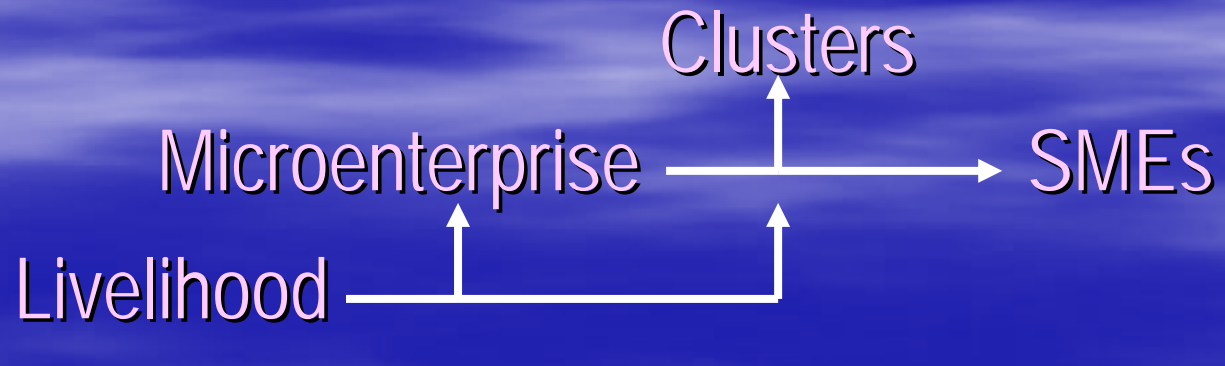- For faith-based MFIs - Becoming catalysts for wholistic transformation

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Microfinance Vision

Improving quality of life

Poor →

MFI

| Manage Risks | Build Assets | Economic Gains |

→ Non-Poor

Vulnerable Non-Poor

Poor

Very Poor

Clusters

Microenterprise → SMEs

Livelihood

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From VISION to REALITY

SUPPLY

Financial system responsive to breadth and depth of financial service requirements of low income groups and microenterprises

DEMAND

Low income HH/ individuals and microenterprises integrate with economic mainstream – financial services and markets

Spiritual Devt.

Social Devt.

Fin'l Services

Enterprise Devt.

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AREAS OF IMPACT

Clients/Markets

Institution

Broader Environment

Individual

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Need to Change Heartsets and Mindsets

- The poor – from BENEFICIARY to CLIENTS or PARTNERS
- Poverty and vulnerability – from RISK to OPPORTUNITY
- From SUBSIDY to SUSTAINABILITY
- From MICROENTERPRISE CREDIT to FINANCIAL SERVICES
- From MARGIN to MAINSTREAM
- Reaching the poor and sustainability – from TRADE-OFF to WIN-WIN

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Thank You!

Email comments and suggestions to:

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