

# MicroSave Briefing Note # 146

## Listen In Order To Protect Clients

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November 2013

### Background

Responsible finance (RF) makes appropriate products and services accessible to the marginalised people. It is also, (and maybe even more), about respecting people through maintaining a culture that listens to clients and actively engages with them to ensure that financial products and services meet their needs and aspirations.

ASKI, a microfinance NGO in the Philippines with 25 years of development experience is a strong advocate of RF.<sup>1</sup> According to its Executive Director Rolando Victoria, ASKI is guided by its mission of service that entails, “*Listening to, showing respect for, and innovating for clients*”.

Consistent with its efforts to serve clients better, ASKI partnered with *MicroSave* to conduct a study to determine what clients think about how they are treated by ASKI branch staff. The study, supported by Opportunity International Australia, used the [MicroSave adapted ServQual tool](#) to obtain clients’ feedback on client protection principles (CPP) and to rate the institution’s level of adherence to the CPPs.<sup>2</sup>

This experience, which started with listening to clients, and then to staff, provides an example of how ASKI puts RF into practice.

### Increasing Understanding and Buy-In

The study’s report contained client insights and experiences on CPP, as well as the relevant practices of ASKI.<sup>3</sup> Overall results are very encouraging, giving ASKI an overall score of 2.91 (on a scale of 1-3 with 3 being the highest). Clients affirmed the importance of CPPs to maintain a productive and long-standing relationship with ASKI. The top three of the seven CPPs rated by clients are:

1. Fair and Respectful Treatment of Clients
2. Appropriate Product Design and Delivery
3. Transparency

Clients gave ‘all thumbs up’ to the fair and respectful treatment they get from different branch staff; the thorough way the staff gathers and validates information to help clients avoid over-indebtedness; and for having a feeling of security about client data privacy and safekeeping.

The results also identified a few areas for improvement. For instance, clients requested monthly instead of half yearly updates to their “capital build-up” (savings) balances. As clients move up to higher loan cycles, they prefer to incremental increases in loan sizes that are

flexible, based on repayment capacity and not on the existing head office determined, fixed amount policy.

The report was presented to top management. Before responding to the findings and recommendations, ASKI management directed the Research and Development (R&D) Department to present the report to Area and Branch Managers and to gather/consolidate staff feedback. This was done in a cost effective manner by making the presentation during the regular area meetings. All four areas were covered in a series of area-level presentations over a period of 6 months.

Middle managers found that breaking CPP down into essential practices for the delivery of microfinance enabled them to better relate to the RF that top management had advocated for years. “*This affirms our belief in the power of mutual respect between staff and clients in building lasting, strong and productive relationships. We value our clients by treating them as ‘part of the ASKI family’. Clients respond by becoming our own marketing agents promoting ASKI products and services to potential clients in their respective communities*”, notes James Mariano, Area 2 Manager for Credit Operations.

With increased understanding of RF, middle managers became more active RF advocates. They eagerly embraced the responsibility to share the report findings to the branch staff during the weekly branch meetings. All 39 Branch Managers have cascaded the findings of the report to their respective staff to remind them of ways to apply good customer service in day-to-day operations and to link these actions to benefits, such as helping them achieve their targets. A front-line Project Officer comments, “*We used to focus our efforts on just reaching our loan portfolio and outreach targets, no matter what it takes. This time, we know that regardless of status—be they in good standing or in default, all clients must be considered as valued clients and treated with respect.*”

When there are client issues elevated to branch management level, both Area and Branch Managers now respond by making more effort to counsel the staff to ensure that these issues are addressed promptly and appropriately.

### Making Decisions Using Social Information

With the completion of the series of consultations with operations middle management, the consolidated staff feedback on the report was submitted by R&D to the Director for Credit Operations, who presented it to

<sup>1</sup> ASKI stands for Alalay sa Kaunlaran, Inc. which translates to Partner in Progress in English. It has an outreach of 111,000 clients as of December 2012 comprising of small farmers, micro and small entrepreneurs, indigenous people and communities, overseas Filipino workers and their families, among others.

<sup>2</sup> Refer to Smart Campaign website for more details on CPPs

<sup>3</sup> See *MicroSave Briefing Note # 125 Developing a Tool to Assess Client Protection* and *Briefing Note # 126 What Makes ServQual Distinctive Tool for Client Protection?*

management for decision making. “Guided by the CPP framework, we have seen how our managers and staff have better imbibed the right attitude and leadership skills to act and behave professionally at all times”, notes Jane Manucdoc, ASKI Director for Credit Operations.

#### *Instituting CPP Assessment*

Among the common staff feedback received, was a request to conduct CPP assessments using the ServQual tool in all branches, and with a larger number of clients. This would extend the use of the tool from the 4 pilot branches to all branches, and from covering existing clients to also reaching out to exiting clients. Middle management noted that clients who have already indicated their intention to leave ASKI may even offer more truthful answers as they may no longer have self interests to protect. The request to expand the coverage to all branches had two purposes: 1) to provide valuable information on branch performance from the perspective of customer service, in order to guide management efforts to improve service delivery; and 2) to increase the integrity of findings to provide a truly representative picture of the whole institution.

Management responded favourably to this request by adopting CPP assessment involving clients as a regular research activity of the R&D Department. To support the department in its expanded research programme, ASKI increased its research budget from 2013. This paved the way for the creation of a new research position. R&D also took the opportunity to decentralise research operations through the assignment of an R&D Officer in one of the regions to cover northern branches farthest from the Head Office. Plans are underway to widen the CCP assessment sample size to ensure that all areas are represented, and to segment clients to compare how insights and findings differ depending on categories—such as clients in good standing, clients in default, and exiting clients.

The R&D has also started to customise the questionnaire to capture more client insights that can guide management by assessing past actions taken and ensure that future decisions are in the best interests of clients. Additional questions are being considered to gather deeper understanding of what clients think on new policies and processes governing specific products and services.

#### *Strengthening the Feedback Mechanism*

The study revealed that clients are not aware that they can direct their comments about ASKI or its staff to top management by sending a text or SMS message to a specially designated member of staff at the ASKI Executive Director’s Office.

During the series of report presentations, Branch Managers explained that the information about this ‘Komento Mo, I-Text Mo’ programme is not being disseminated to clients because they prefer to receive the client comments directly and respond accordingly. They contend that local client issues need not be elevated to top management as local branch

management feels responsible to act on these matters. Moreover, middle managers cited the low ranking, and importance, clients accorded to the mechanism for complaints resolution in the CPP research. They maintain that this indicates a high level of satisfaction amongst clients with the responsiveness of branches and the fast resolution of client complaints or issues.

As a mechanism of internal control and to optimize client feedback channels, the top management directed the branches to immediately abide by the existing complaints resolution policy and to:

- ✓ Post the *Komento Mo, I-Text Mo* campaign collaterals in the branch where all clients can see, read, and note the mobile number to contact.
- ✓ Conduct policy orientation to clients during the field monitoring visits and client leaders’ meetings.

Internal Audit has also decided to test the applicability of the ServQual tool for auditing purposes by early 2014. It will be mainly used to get client feedback on product knowledge. This will help auditors assess branch adherence to the principle of transparency.

#### *Reviewing Product Design*

*Capital Build-Up (CBU)*. The low percentage of clients’ awareness about interest on the CBU prompted the management to strengthen its information dissemination to clients. In the short term, Branch Managers have started to remind staff during the weekly branch meetings to conduct re-orientation sessions where current product features (notably interest rates) are explained to clients. In the medium term, management is exploring how the IT system can be upgraded to provide more frequent CBU updates to clients. At present a certificate of CBU balance is provided to each client only when she/he takes out a follow on loan.

*Loan size*. Preventing over-indebtedness among clients remains a key concern for management. To determine loan size, ASKI has built staff expertise to assess individual client’s capacity to pay through revenue, expenditure and cashflow analysis. Depending on the loan product, the Credit Operations Department allows the branches to determine the maximum loan amount based on the client’s repayment capacity and financial need-based assessment of the business or farm. The study served to remind management to regularly review product features along with capacity of staff to deliver these product features and policies based on client feedback.

#### **Conclusion**

ASKI listens to clients but it does not stop there. It also considers the staff as another key stakeholder—without whom no product or service can be delivered. It has worked hard to deepen staff members’ understanding of, and responsibility for, RF issues. This desire to get balanced viewpoint and the heightened sense of responsibility amongst all staff has allowed ASKI to take decisions that can be implemented with full support and buy-in from both the staff and clients. Listen. Act. Protect. This is Responsible Finance at work.