

MicroSave Briefing Note # 151

Increasing Staff Productivity in Agriculture Microfinance

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Background

The Tulay sa Pag-Unlad, Inc. (TSPI), a microfinance NGO in the Philippines, launched the TSPI Palayan (Rice) Programme (TPP) in 2005. The micro agriculture programme initially extended production loans to small rice farmers tilling land 5 hectares or less. Over the years, it diversified its portfolio to finance other crops like corn and high value crops such as mongo beans, onion, ginger, watermelon and squash. A complementary special loan to finance other agriculture-related activities such as livestock raising and procurement of farm equipment such as water pumps, is also offered along with TPP loans. All these developments were done to bring about increased income and improved living conditions for small farmers, their families and communities.

After a pilot test in one branch, TPP is now offered in 92 branches with outreach to 15,000 clients and a loan portfolio of PhP369 million (US\$8.2 million) as of December 2013.

In 2013, TSPI embarked on an expansion campaign targeted at increasing TPP productivity. With a baseline staff productivity level averaging 73 clients and loan portfolio of PhP1.7 million (US\$38,000) per staff, TSPI saw the opportunity to drive productivity closer to the target workload of 100 clients and loan portfolio of PhP2.5 million (US\$55,000) per staff.

TSPI, with funding support from Opportunity International Australia (OIA), received technical assistance from *MicroSave* to conduct a study on how TPP productivity could be maximised. The study focused on the Agriculture Account Officer (AAO) as the key driver of productivity, as AAOs are the frontline staff responsible for generating and servicing TPP accounts including product marketing, credit appraisal, loan and crop insurance processing, accounts monitoring and loan recovery. On top of these functions, the AAOs are also responsible for mobilising clients and collecting the “capital build-up” savings of clients and providing technical assistance on optimising crop production.

A joint study team composed of staff from TSPI – Product Development Services (PDS) and Finance and *MicroSave* was formed to listen to the staff and their supervisors and, basis their consolidated feedback, come up with recommendations for management to consider and act on.

Plan for Expansion

The TSPI management, led by its Executive Director, weighed the merits of recommendations of the study team based on the following criteria:

1. Relevance to productivity
2. Ease of implementation
3. Level of risk involved.

This process of analysis and prioritisation gave TSPI the confidence to make decisions and design an expansion campaign based on a staff productivity incentive programme. To support the pilot test, product marketing materials and guides were developed and shared with the branches. Policy adjustments were also done to make the TPP more attractive and responsive to the needs of small farmers and staff.

Launch of the Promo Incentives

The “Promo Incentives” initiative was launched in time for the first rice cropping of the year from May-August 2013. This incentive scheme is designed to motivate staff to work together towards increased productivity and:

- ✓ Covers all 88 branches that offer TPP
- ✓ Is available to all AAOs, even probationary AAOs have a customised incentive scheme
- ✓ Also involves and rewards supervisors (Senior AAOs or SAAOs and Branch Managers or BMs) who provide crucial support to the clients and staff (proper cluster mapping, timely loan application review, mentoring, etc.).

To demonstrate management’s seriousness of intent to reward staff for increasing outreach and the loan portfolio, pre-qualifying conditions were set taking into consideration what staff find “doable” and realistic, balanced with what the Finance department finds sustainable based on income projections. For an AAO to qualify, he/she needs to have an additional 10 clients and an additional PhP250,000 loan release (LR) within the incentive period - based on previous client outreach and LR.

In addition to outreach and loan release indicators, collection efficiency forms the third indicator. This ensures that staff will watch out not only for increasing numbers but also for improving or maintaining high quality of productivity indicators.

“There are balanced criteria for the TPP incentive system, which I find reasonable and objective. The amount is big enough to motivate the staff to increase outreach while ensuring quality portfolio.”- BM

Learn and Adjust

Early results from the pilot test of the Promo Incentives encouraged TSPI to extend the campaign to succeeding cropping seasons.

Under the 1st cropping, 67 out of 189 (35%) AAOs increased their productivity in terms of loan releases enough to qualify to receive incentives after the 4-month cropping season.

The TPP covered 15,412 clients in 3 months of the pilot test. This amounts to a 19% increase in outreach from the pre-test figure of 12,921 clients.

A total of PhP524,000 (US\$11,645) were provided in incentives to staff - equivalent to an average of PhP7,800 (US\$173) per AAO who qualified for the incentive. Including those received by SAAOs and BMs, the total incentives given in the 1st cropping amounted to PhP800,000 (US\$17,800).

“The incentive is really a big help to me and my family. I used it to pay for my mother’s medication.” -AAO

Increasing staff satisfaction has a favourable effect in the staff retention level. Anecdotal stories from some staff indicated that they dropped plans to resign due to increased earnings from incentives.

Collection efficiency (CE), another key incentive parameter, also yielded good results.

In the 2nd cropping, 58 of the 188 (31%) AAOs received LR-based incentives while 51 or 27% received CE-based incentive. Though the total number of AAOs who received incentives in the 2nd cropping slightly decreased compared to previous phase, it is worthwhile noting that 88% of the AAOs who received LR-based incentives also received CE-based incentives. This demonstrates the ability of staff to balance pursuit of quantity with quality productivity measures. Indeed, when the Promo Incentives was launched through a memorandum by the Executive Director, staff was reminded of the goal of TPP: *“Creating positive outcomes for small farmers and their communities”*.

Staff responded to the call to service and mission by screening clients well and conducting active monitoring. The staff found themselves increasingly visible and available to clients to provide support when needed, e.g. reporting and filing forms for crop insurance in case of pest infestation or calamity, and in problem solving.

Branch supervisors also responded by providing more time to support AAOs. There was increased focus on the programme. With the changing mind-set from a mono-cropping targeting (rice) to multi-cropping/integrated product targeting (rice-high

value crops-livestock), supervisors are called on to support AAOs to develop their planning and monitoring skills. Moreover, supervisors encouraged their staff to develop and maintain good “centres” (groups of clients) believing that this will lead to good loan collection and thus access to incentives.

System Adjustments

To better manage TPP data, the automated accounting system for TPP has been improved. Learnings from the pilot test were used to update the system, which is set for pilot test in the second quarter of 2014. The updated system is also meant to facilitate tracking of indicators on product effectiveness at the client level and efficiency at staff level.

It was observed that the new marketing materials have not been fully used as no time or support was provided for staff orientation. Moreover, the materials were shared via email, which called on the branch—very busy as they are—to take the initiative to reproduce and package them. To address this, the product marketing materials will be integrated into relevant staff training modules to ensure effective transfer of knowledge and maximum use of available resources.

Keep Planting and Reaping

Full support from TSPI management includes delegation of responsibility to the PDS to provide programme management support during the pilot test. In particular, PDS coordinates and brings up relevant issues of the different units to concerned decision makers. Through PDS, these issues are explored, discussed and addressed.

Change is managed at TSPI. The incentive scheme that will ensure fair and equitable features to further motivate increased productivity among staff and better customer service is now being finalised. After the incentive scheme has been finalised, other opportunities to tap and challenges to address will arise. TPP is but a young plant that requires nurturing until it grows big and strong enough to meet the financial needs of the ‘millions of small farmers’.

The mission call to create more impact remains loud and clear.

“...our programme is more than just about outreach: it’s about making impact in the lives of our clients.”