

## PROGRESS OUT OF POVERTY INDEX IN PAG-INUPDANAY, INC. PHILIPPINES (May, 2009)



### About Pag-Inupdanay, Inc.

#### Key Data:

Starting year: 2003	Legal form: NGO
Active borrowers: 18,953	No. of branches: 23
Active savers: 18,953 (incl. savers only 547)	Gross loan portfolio: US\$ 2,559,399.85
No. of Staff: 65 (development officers)	Total assets: US\$ 2,893,175.72
Regulated: non-regulated	Return on assets: 1.25%
Main lending methodology: ASA technology	Financial expense ratio: 6.63 %%
Legal status: non-stock, non-profit institution	Operating expense ratio: 26.11%
Main zone of intervention: Negros Occidental & some areas of Negros Oriental	Operational self-sufficiency: 104%

*Notes: US\$ computations based on the Php 47.00 dollar exchange rate. Financial indicators are based on the December 2008 audited FS. All other key data are as of March 31, 2009.*

Pag-Inupdanay (PI) means “togetherness” in the Visayan<sup>1</sup> language of Hiligaynon. Metaphorically, it signifies the non-government organization’s (NGO) mission of solidarity with the poor and their communities. PI began as a unit of the microfinance program within Quidan Kaisahan Negros Occidental Inc, an NGO based in Bacolod City.

#### Social mission and strategy

PI is working to: 1) create empowered communities capable of effectively responding to their economic, political and cultural concerns, needs and issues; and 2) create an alliance across the network of communities advocating and implementing a people’s bank built on the principles of sustained development.

PI strives to provide services beyond microfinance by extending financial and non-financial programs and services, including agricultural microloans, savings/capital build-up, a Mutual Guarantee Fund and an Inventory Credit Fund to secure its members’ economic needs. They also provide technological improvement and entrepreneurial skills development. In addition, PI undertakes activities promoting community participation and interactions aimed at community development. In collaboration with CARD-MBA, PI provides microinsurance to its members and other low-income households, including

<sup>1</sup> The second main group of islands in the Philippines

<sup>2</sup> Philhealth or Philippine Health is an agency attached to the Department of Health, which provides social health insurance to Filipinos

life insurance with total/permanent disability and accident cover, a provident/fund/retirement savings fund, an all-loans package plus health coverage in partnership with Philhealth.<sup>2</sup>

PI's partners are primarily poor rural women, particularly the mothers of child laborers<sup>3</sup> and participants in the Alternative Learning System Program of Quidan Kaisahan.



"As a member of Pag-Inupdanay Incorporated, I was given the chance to access credit assistance for additional capital for my sari-sari (variety) store. With the help of Business Development Services, I underwent various trainings and seminars on entrepreneurship, which guided me in my business. I learned how to save and I learned that not all profits from the business should be spent. We should learn to save for future investments. As a result of BDS I am confident my small store will soon be productive."

Ma. Fe Tangile, 55, has been a client of Pag Inupdanay for about nine years. She manages a small neighborhood store with her husband and works as a Women's coordinator in their village.

### Using the PPI tool:

#### Pilot and implementation of the PPI

Toward the end of 2007, PI's management decided to pilot the use of the PPI tool in one of its branches. PI wanted not only to get a more systematic and reliable poverty profile of its clients but also to relate the data provided by the PPI with information from other PI programs such as community development, child welfare and women's community programs.

The initial feedback from staff was positive – the PPI was simpler and easier to use than previous poverty profiling tools used by PI. The decision was then made to use the PPI in all 23 branches of the MFI.

"The information provided by using the the PPI serves as a reality check for us. We are able to verify whether we are really reaching the groups we want to serve," said Mr. Teodorico Pena, chairman of PI's board of directors.

#### PPI results

By December 2008, PI had conducted the PPI survey in all its branches. However, data from only six branches namely, Hinigaran, Murcia, Bacolod, Dancalan, Bayawan and Candoni have been processed and analysed as of April 2009. The results revealed that over half (52.42%) or about 2,173 of PI's partner members out of 4,146 are below the national poverty line (NPL). About 38% or 1,585 of its clients are above the \$4/day PPP (Purchasing Power Parity). In all branches, the biggest loan volumes are in loan cycle 1.

The poorest clients - those below the NPL - are usually engaged in trade or vending. Those that have greater probability to be above the NPL tend to engage in multiple businesses.

Pag-Inupdanay has found the PPI to be a simple, practical tool, which it can use for documentation, monitoring and evaluation. It provides PI with quarterly snapshots of their performance, thereby enabling it to find out how many of its partner-members are below or above the national poverty line. The PPI has provided PI with a guide for policy cut-offs and client targets, as well as the means to derive the poverty rate of its portfolio. It allows PI to track its partner-members' progress out of poverty over time.

The tool has been providing PI a database on the profile of its partners, an initial score board which enables a visualization of certain changes in the lives of partner-members, including repayment rates, area/ branch performance. The tool has thus become an important guide for management decisions and planning for the further improvement of credit assistance services and non-credit related community development engagements.

<sup>3</sup> Negros Occidental is one of the five provinces that make up Western Visayas or Region VI (cf. [www.negros-occ.gov.ph](http://www.negros-occ.gov.ph)). Due to presence of sugar plantations employing children as farm workers, it has one of the highest rates of child labor. As of 2000, the number of child laborers, aged 5 to 17 years, totals about 137,122 (cf. [www.bulatlat.com/news/5-13/5-13-childlabor1.htm](http://www.bulatlat.com/news/5-13/5-13-childlabor1.htm))



Hermilina Tonato, 64 years old, has been a member of Pag-Inupdanay Incorporated since 2005. The organization has played an important role in her life. She says that at her age, she would have wanted to stop borrowing from PI but she has chosen to continue because of the benefits she derives as a member. PI is her primary source of capital for her small store and her piggy bank and Hermilina remains capable of paying her loans. Hermilina said PI is different from the other microfinance institutions she knows as the payments are individual and there are many benefits that convince the borrower to borrow. PI Program officers are competent and persistent in making their members understand their roles as borrowers. This is what makes Hermilina attend center meetings regularly and pay her loans on time.

### **Moving forward**

As PI moves forward with PPI, plans have been made for the next three years which include:

- to ensure and further strengthen the implementation of the research/data quality control system in coordination with MPK (a policy research and advocacy group and sister organization of Pag Inupdana);
- to ensure the systematic operations of a well maintained Management Information System/
- to ensure the continuation and strengthening of a filing system of quantitative and qualitative data regarding PI clients and their progress out of poverty and;
- to share and disseminate data, analysis and knowledge generated through PPI by publishing monographs/books and video documentations of cases of PI partners.

PPI will continue to supplement the PPI scorecard with qualitative investigations conducted by MPK using a variety of methodologies such as ethnographic, focus group discussions, and structured and un-structured interviews with selected key respondents. The initial indicators provided by the PPI have challenged PI to gather more qualitative information about the other aspects of its clients' lives, including their sense of integrity and responsibility, their sense of community, their community involvement, their participation in local governance and their attitudes and values towards loans, income utilization, income generation, etc.

From the data generated by the PPI tool, PI and MPK plan to develop and enhance their manuals and training modules for capability building engagements with PI partners/center members and staff.