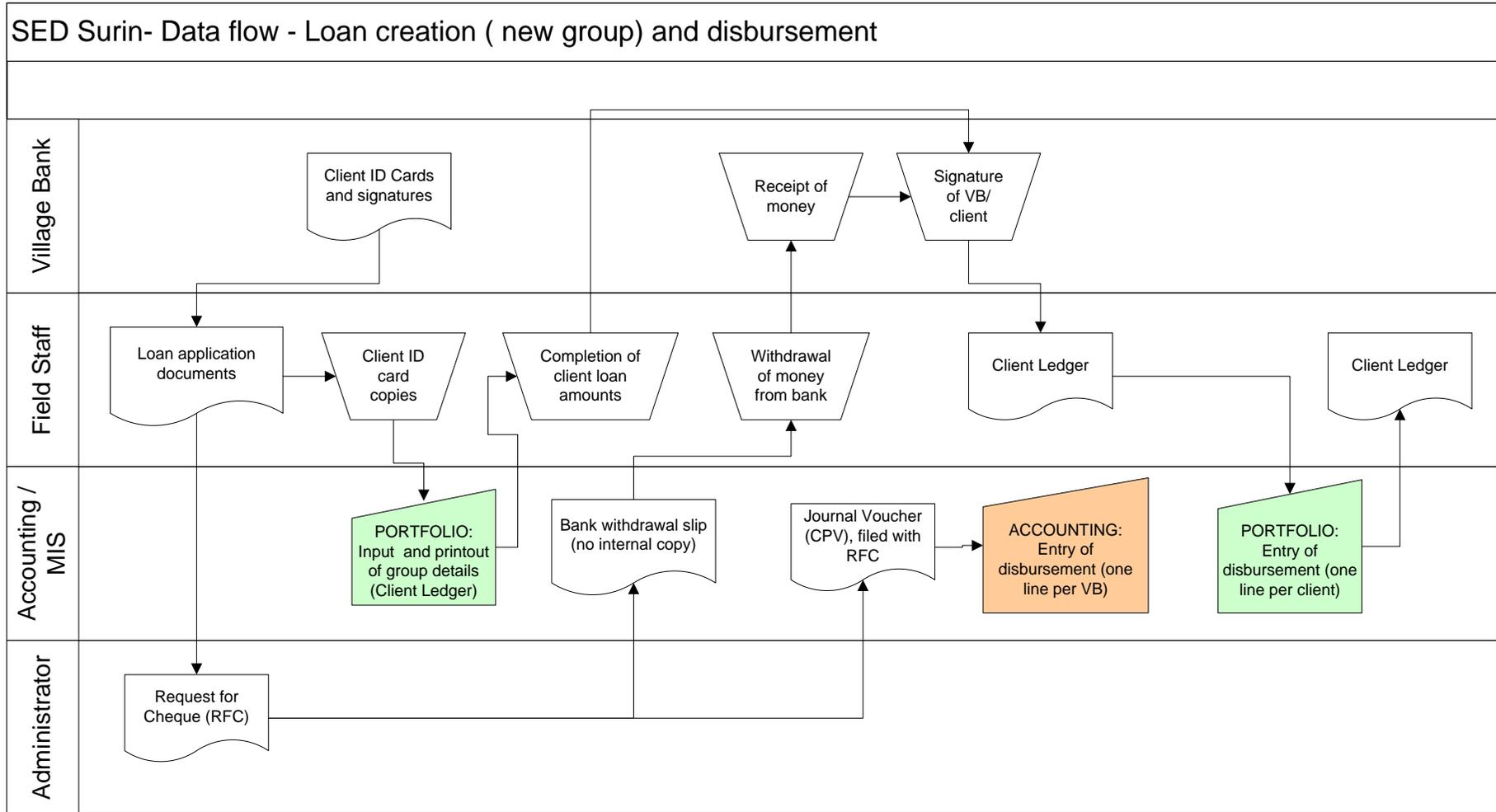


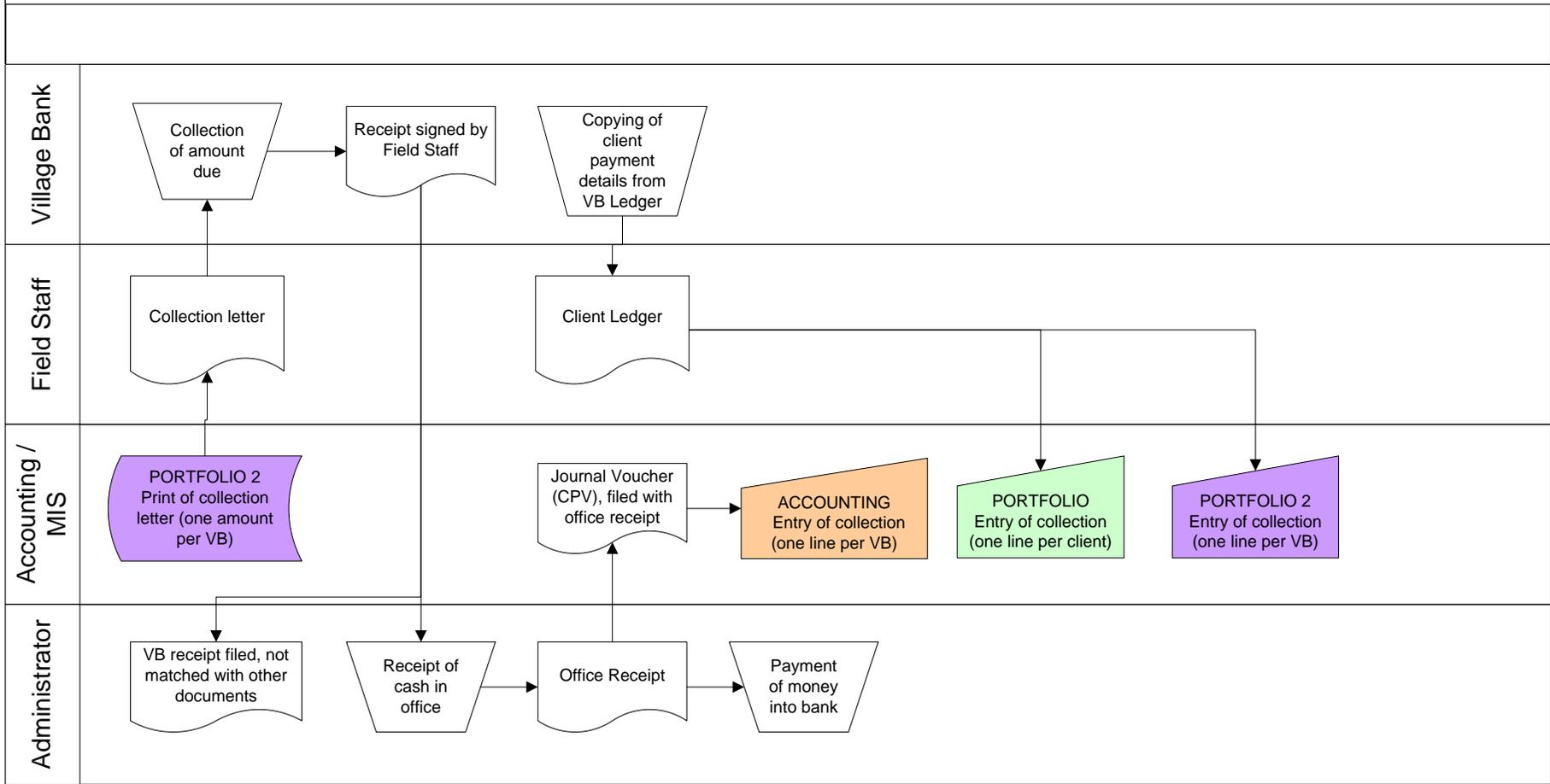
**Nuts and Bolts of Microfinance –  
Management – Examples and  
Tools**

# I. PROCESS FLOWS

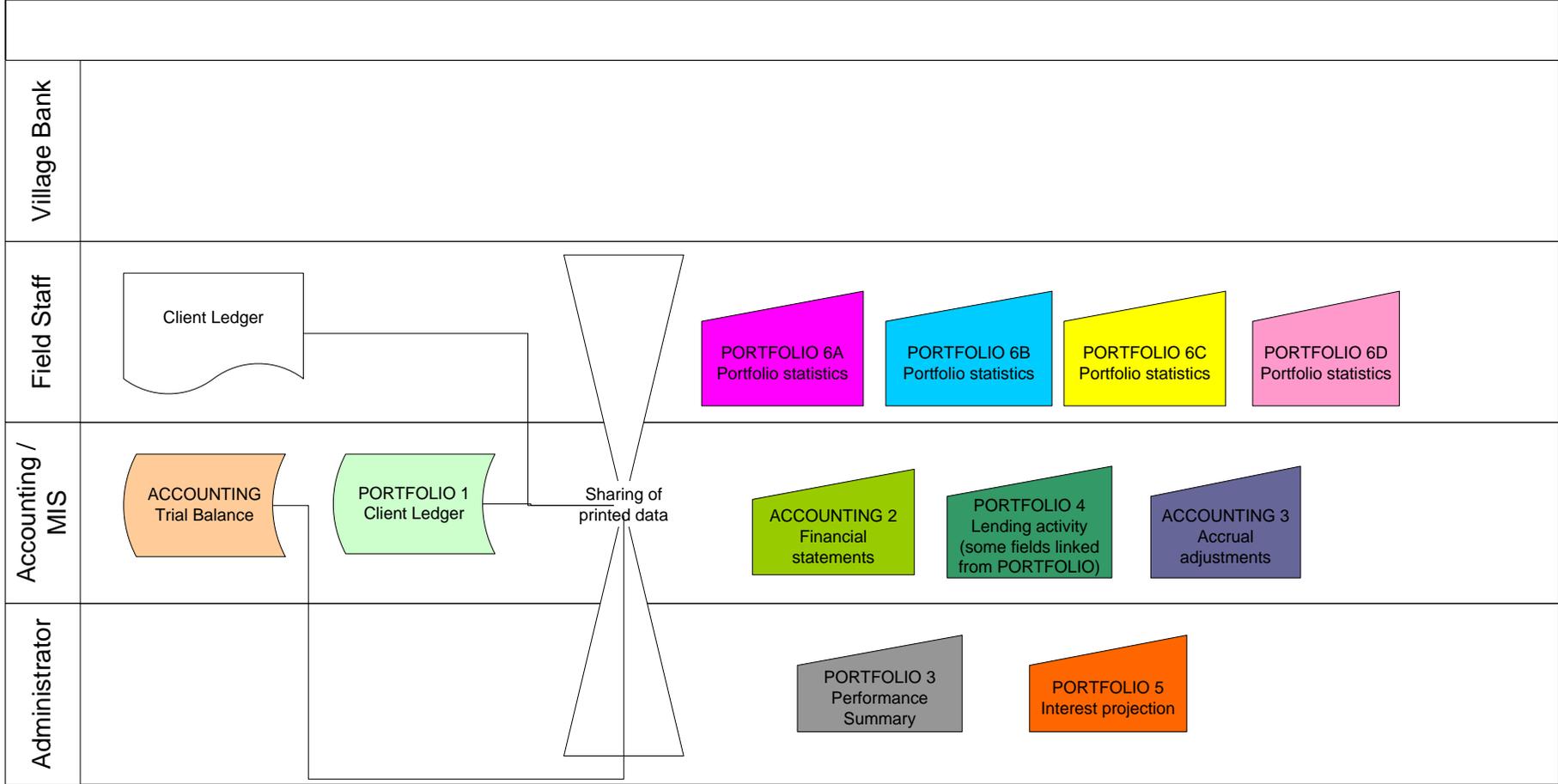




# SED Surin- Data flow - Instalment collection

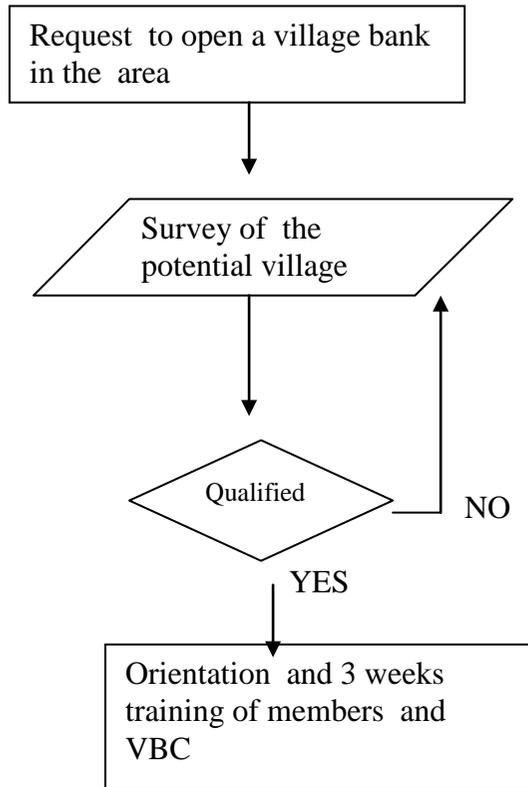


# SED Surin- Data flow - Monthly Reporting



ESTABLISHING A VILLAGE BANK  
SED PROCESS FLOW

**Process**



**Who is responsible?**

SED Field Staff + Coordinator

SED Staff + Coordination

**Activities**

Gathering of information about the village

- Minimum of 35 potential members
- Gather data: no. of households and economic activities in the village
- Coordinate with local authority
- Validate data with existing VB nearby

Orientation to Village Banking Methodology

Loan terms and conditions

Group guarantee

Creation of VB By-laws

Election of VB Committee members

Savings for 3 weeks

Loan Application

# SED LOAN APPLICATION AND DISBURSEMENT

Activities

VB Members

VBC

Field Staff

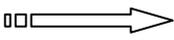
Coordinator

Admin/Cashier/MIS

BOD

Filling up of application form: name, loan size, loan use and signature of member, guarantor

pre-approval, loan contract



Loan Contract post-signed by Board Pres + Secretary during BOD Meeting

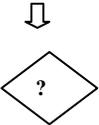
Fund Request

Fund preparation, Print Payment Sched per VB (Interest payment)

FS withdraw cash from bank (SA)

FS Disburse loan to VBC

VBC disburse loan to VB members



**YES**



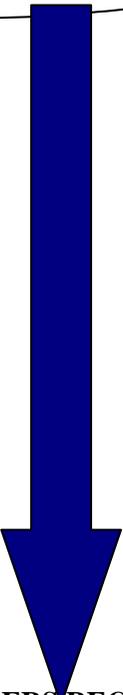
loan disbursed, MIS post indiv. client infor, Acctg. post VB info

**NO**

FS informs admin of change, Confirmation letter prepared and signed by VB (attachment to loan contract, Reprint loan sched, total number of members)



**ALL MEMBERS RECEIVED loan? Total VB loan equals to actual loan received by all members**



## II. SED LOAN COLLECTION DURING MONTHLY MEETING

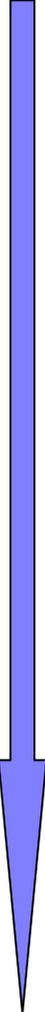
### VB Members

### VBC

### Field Staff

### Coordinator

### Admin/Cashier/MIS

- 
- Indv. clients pay to (Interest/Principal) VBC
  - Any VBC members can recvd payment.
  - Some VBC signs the indiv. passbook

- VBC remits payment to FS (SED account)
- FS checks and records figures from VB Internal account Book, Savings Account Book, External Account Book and Financial Report.
- FS issues Invoice to VBC for the amount received

- Admin issues Official receipt from previous month collection.
- Cashier writes a "collection letter" total amount to be paid for the current month
- Field staff gives to VBC OR and collection letter

- Coordinator checks figures from VB based on FS book
- Records per VB per FS: Total members, total savings fund, total borrowers, no. of groups, amount disbursed, number of members with overdue payment, total loan outstanding

- FS remits payment to cashier
- Cashier post Interest payment (1.25%) . Issue Official Receipt
- MIS post ALL interest payment (SED 1.25% plus VBC commission

<b>POLICIES</b>	<b>CASH PAYMENTS/ DISBURSEMENTS</b>	All payments and disbursements of more than 1,000 baht shall be made based on approved request for payment and disbursement voucher duly approved by authorized person.
-----------------	---	---

PROCEDURES / ACTIVITIES		DOCUMENTS	SUPPORTING DOCUMENTS	Responsible Persons	INTERNAL CONTROL
1	A request for payment is prepared based on a legitimate transaction supported by documents. Once prepared, request for payment is forwarded to accounting.	Request for Payment Form (RFP)	Invoices and bills for recurring expenses, cash advance request, loan release request, request for reimbursement, etc.	Prepared by Administration Manager	Supporting Documents Attached
2	Cash Payment Voucher is prepared after checking supporting documents, computation and amounts, and noting date for payment. Once prepared, CPV is forwarded to General Manager	Cash Payment Voucher (CPV)	Request for Payment Form with Supporting Documents attached.	Prepared by Accountant	CPV forms are prenumbered, multicopied, and total amount verified through computation
3	CPV is approved after review of CPV and supporting documents. Once approved, CPV is forwarded to Finance Officer.		CPV and RFP with all supporting documents	Approved by General Manager	Direct Verification and Signing Authority
4	Withdrawal slip/ check is prepared after checking CPV for amounts, approval. After preparing withdrawal slip/ check is forwarded to General Manager.	Withdrawal Slip or Check	CPV and RFP with all supporting documents	Prepared by Finance Officer	Dual Control meaning that check and balance is achieved with two or more person being responsible for a transaction (Division of Responsibilities)
5	Withdrawal form/ check is signed on the payment date after comparing check amount and purpose to CPV. After signing, withdrawal form/check is forwarded to Finance Officer.		CPV and RFP with all supporting documents	General Manager	Signing Authority and Limits
5a	If amount above General Manager signing limit, then General Manager signs withdrawal form/ check on the payment date after comparing check amount and purpose to CPV. The withdrawal form/check is then forwarded to BOD member for signing. After signing, withdrawal form/check is forwarded to Finance Officer.		CPV and RFP with all supporting documents	General Manager and Board Member	Signing Authority and Limits

6	Withdrawal Form is stamped with the company seal.			Stamped by Finance Officer	
7	Cash is withdrawn from Bank if paying using cash.	Withdrawal Slip	Savings Passbook	Withdrawal by Finance Officer	
8	Money/ check is paid to Vendor, Staff, or any other payee. After paying payee, payee signs voucher and/or issues Official Receipt. After payee signature, Finance Officer stamps Paid on CPV and all Supporting Documents. Finance officer gives the duplicate copy of the CPV to Payee. Official Receipt is stapled to CPV. All documents are given to the Accountant.	Official Receipt from Payee	CPV and /or Check	Completed by Finance Officer	Documentation, Stamping of Paid and Receipt of Payment
9	CPV transactions are recorded into General Ledger, Book of Accounts and/or information system. After recording, documents are filed into CPV file.		CPV	Recorded and filed by Accountant	Dual Control and Division of Responsibilities (See Item 4)

**Notes for Policy**

All copies of cancelled DVs should be retained with the word "**CANCELLED**"

Nature of Disbursement	Account Debited	Support Documents
Loans release	Loan Receivable	Loan Applications, Contract, etc
Cash advance	Advances to Employees	Travel or cash advance request
Payment of expenses	Appropriate expense accounts such as Salaries, Rental, Utilities, Telephone, Office Supplies	Payroll, timesheet, leave form, OT request, invoice, bill, contract, auditors inspection report, etc.

<b>POLICIES</b>	<b>CASH RECEIPTS/ COLLECTION</b>	All receipts/collections of whatever nature and from whatever source shall be supported by the issuance of an Official Receipt (OR).
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	<b>PROCEDURES / ACTIVITIES</b>	<b>DOCUMENTS</b>	<b>SUPPORTING DOCUMENTS</b>	<b>Responsible Persons</b>	<b>INTERNAL CONTROL</b>
1	Prepares payment invoice of VB and give to Field Staff	Invoice which list payment due from VB per borrower		Finance Officer	
2	Collects from VB (following methodology procedures) as per invoice, counts and balances money collected and if correct issues temporary receipt to the VB	Temporary receipt		Credit Agents	VBC certifies Temporary Receipt and multicopied
3	Updates EA journal and checks VB journal to see if balances are correct	EA Journal		Credit Agents	Two sets of records and listing of individual payments - recorded at same time.
4	Prepares deposit slip and deposits collection in the bank	Deposit Slip	Temporary Receipt	Credit Agents	Deposit collections in tact and same day
5	Submits deposit slip and temporary receipt to Finance Officer. Remits cash in cases when direct deposit is not possible (bank is closed).	Temporary receipt and Deposit Slip		Credit Agents	Counted in front of CA and temporary receipt matches cash
5	Count money collected in the presence of the field staff or check that money deposited per deposit slip tallies with temporary receipt. If cash count or deposit slip tallies with temporary receipt, issues Official Receipt in the name of the VB with original copy of receipt given to VB through FS at next meeting.	Official Receipt	Deposit Slip and Temporary Receipt	Finance Officer	Prenumbered and multiple copied OR

6	Deposits money in the bank in case collection is remitted at SED office as soon as possible.	Deposit Slip	Official Receipt	Finance Officer	Deposit collections in tact and as soon as possible
7	Updates Bank Control Ledger and duplicate copy of OR and deposit slip is forwarded to the Accountant	Bank Control Ledger	Bank Deposit Slip	Finance Officer	Audit Trail Establishment
9	Prepare CRV on the basis of OR and Deposit Slip	Cash Receipt Voucher (CRV)	OR and Deposit Slip	Accountant	Dual Control meaning that check and balance is achieved with two or more person being responsible for a transaction (Division of Responsibilities)
10	Post CRV in the ECACC system and file all documents in CRV file.		CRV	Accountant	
11	Post interest payment in individual VB card.		CRV	Accountant	

**Notes for Policy**

OR shall be used by numerical sequence. The **accountable officer** must ensure that all receipts are accounted for duly checked by the GM.

All copies of cancelled ORs must be retained (stapled if already detached) in the booklet and its cancellation noted by the GM. The word "CANCELLED" must be written or stamped across any cancelled OR.

Nature of Receipt	Account Credited	Support Documents
Collection of loan principal	Loans Receivable	Official Receipt
Collection of interest on loan	Interest Income	
Refund from cash advance	Advances to Employees	Liquidation report

<b>POLICIES</b>	<b>Loan Application Policy and Procedures</b>
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	PROCEDURES / ACTIVITIES	DOCUMENTS	SUPPORTING DOCUMENTS	Responsible Persons	INTERNAL CONTROL
1	Photocopies of their National ID and Housing Certificate are submitted by new members during monthly or training meeting. Village Bank and Solidarity Group are recorded onto photocopy. Face and expiration date on IDs are checked. Upon return to office, documents are forwarded to MIS.		Photocopy of ID and Housing certificate	Collected by Credit Agent	
2	Information from photocopies and VB savings journal is inputted into MIS. Links are updated and checked. After recording, photocopies are placed in VB file and Savings Journal is returned to CA		Photocopy of ID and Housing certificate and Savings Journal	Inputted by MIS	Supporting Documents
3	Loan Application and Solidarity Group Guarantee form is prepared, maximum loan size entered and printed. Form is forwarded to CA.	Loan Application and Solidarity Group Guarantee Form (LASGG)		Prepared by MIS	Dual Control meaning that check and balance is achieved with two or more person being responsible for a transaction (Division of Responsibilities)
4	VBC and clients are explained the LASGG and it is distributed to Solidarity Groups.	LASGG		Explained by Credit Agent and Distributed by VBC	
5	LASGG is filled in by Solidarity Group Leaders (SGL) and members. Amount requested and purpose is recorded and verified by member. If okay,	LASGG		Prepared by SGL	Direct Verification by CA and VBC of SGL and member filling in documents

	then member signs. Once form is filled in, SGL signs and returns to VBC for their review.				
6	Each Solidarity Group LASGG is reviewed and analyzed. If LASGG is found to be appropriate then VBC signs form.	LASGG		VBC	Direct Verification by CA and members of VBC signing documents.
7	Once all LASGG forms are reviewed and signed, a Request for Loan Letter is filled out by VBC and is forwarded to CA	Request for Loan Letter	All LASGG forms	Prepared by VBC	Direct Verification by CA of VBC signing documents.
8	Financial analysis and report is prepared for the VB. Recommendation memo is prepared for Field Coordinator (FC) and CA signs prepared section of document.	Financial Report and Loan Application Recommendation Memo	Request for Loan Letter and LASGG forms	Prepared by CA	
9	All Loan Request Documents are reviewed for signatures, dates, computation, loan limits, and other necessary checks. If all is appropriate, then FC signs for recommending approval section of Financial Report and Loan Application Recommendation Memo.	Financial Report and Loan Application Recommendation Memo	Request for Loan Letter and LASGG forms	Reviewed by FC	Dual Control meaning that check and balance is achieved with two or more person being responsible for a transaction (Division of Responsibilities)
10	Reviews all documents. If appropriate then signed for approval. Document is forwarded to Administration Officer	Financial Report and Loan Application Recommendation Memo	Request for Loan Letter and LASGG forms	Reviewed by GM	Dual Control meaning that check and balance is achieved with two or more person being responsible for a transaction (Division of Responsibilities)

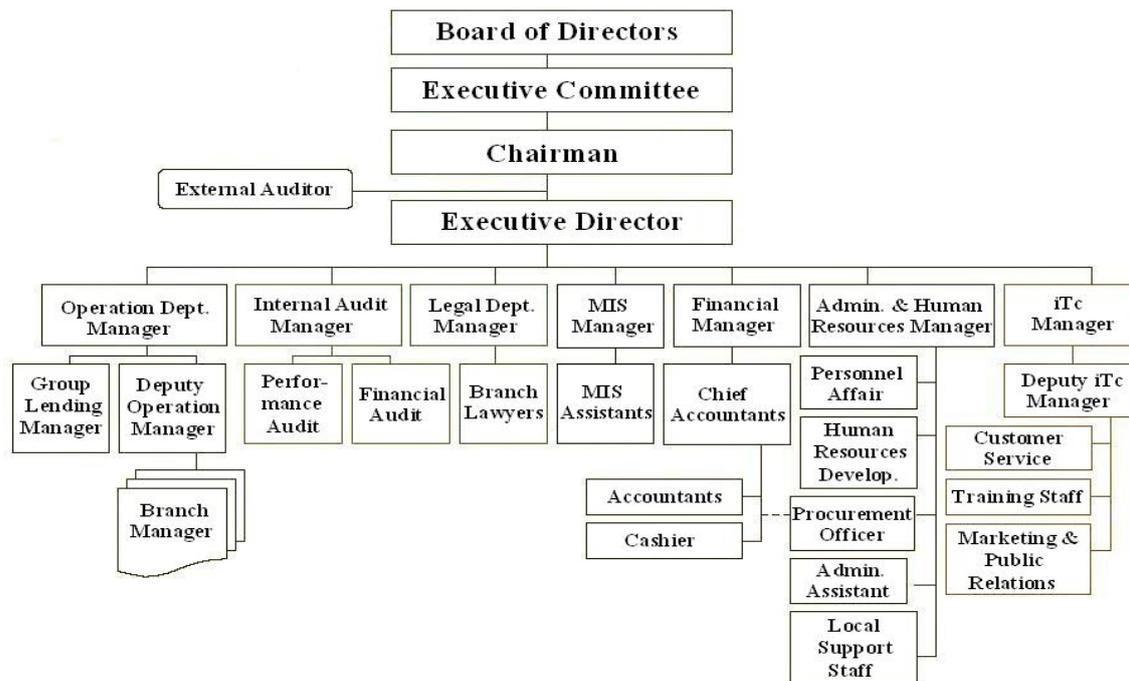
<b>POLICIES</b>	<b>Loan Disbursement Policy and Procedures</b>
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<b>PROCEDURES / ACTIVITIES</b>		<b>Documents</b>	<b>SUPPORTING DOCUMENTS</b>	<b>Responsible Persons</b>	<b>INTERNAL CONTROL</b>
1	Reviews Financial Report and Loan Application Recommendation Memo and checks for appropriate signatures. If all is appropriate, then Loan Amount Requirement is prepared and forwarded to the Accountant.	Loan Amount Requirement	Financial Report and Loan Application Recommendation Memo and all attached documents.	Administration Officer	
2	Reviews and double checks Loan Amount Requirement with supporting documents. If proper, then CPV is prepared and forwarded to Finance Officer.	CPV	Loan Amount Requirement and all supporting documents attached	Accountant	Dual Control meaning that check and balance is achieved with two or more person being responsible for a transaction (Division of Responsibilities)
3	CPV is approved after review of CPV and supporting documents. Once approved, CPV is forwarded to Finance Officer.		CPV and RFP with all supporting documents	Approved by General Manager	Direct Verification and Signing Authority
4	Withdrawal slip/ check is prepared after checking CPV for amounts, approval. After preparing withdrawal slip/ check is forwarded to General Manager.	Withdrawal Slip or Check	CPV and RFP with all supporting documents	Prepared by Finance Officer	Dual Control meaning that check and balance is achieved with two or more person being responsible for a transaction (Division of Responsibilities)
5	Withdrawal form/ check is signed on the payment date after comparing check amount and purpose to CPV. After signing, withdrawal form is forwarded to Finance Officer.		CPV and RFP with all supporting documents	General Manager	Signing Authority and Limits
5a	If amount above General Manager signing limit, then General Manager signs withdrawal form/ check on the payment date after comparing check amount and purpose to CPV. The		CPV and RFP with all supporting documents	General Manager and Board Member	Signing Authority and Limits

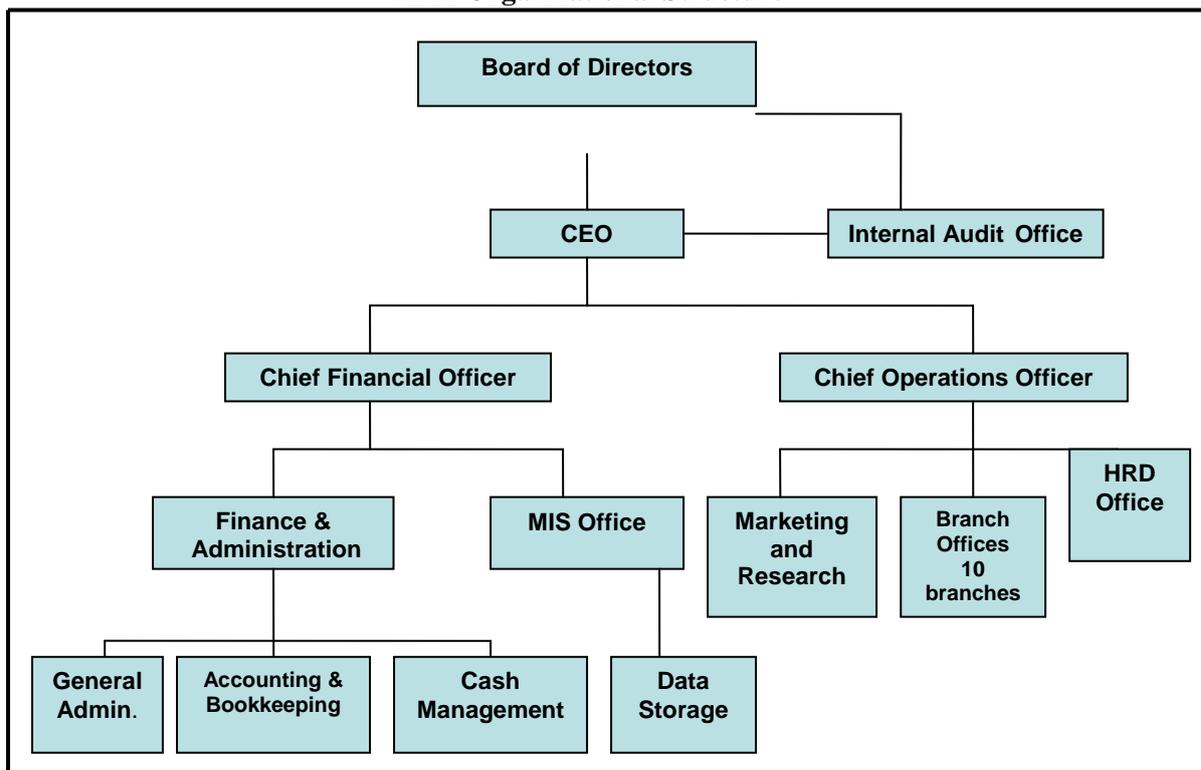
	withdrawal form is then forwarded to BOD member for signing. After signing, withdrawal form is forwarded to Finance Officer.				
6	Withdrawal Form is stamped with the company seal.			Stamped by Finance Officer	
7	Cash is withdrawn from Bank if paying using cash.	Withdrawal Slip	Savings Passbook	Withdrawal by Finance Officer	
8	Money/ check is paid to Staff. After paying staff, staff signs voucher. After payee signature, Finance Officer stamps Paid on CPV and all Supporting Documents. Finance officer gives the duplicate copy of the CPV to Payee. All documents are given to the Accountant.		CPV and /or Check	Completed by Finance Officer	
9	Money is brought to the VB. CA hands over money to VBC. After counting cash, CPV is signed by VBC.	CPV		Counted by VBC and observed by CA	
10	Loan release, repayment obligations, mutual guarantees and other by laws are reviewed and the loan contract is read to VBC and members. After answering all questions asked, VBC begins loan distribution process.	Loan Release Review and Question Checklist		Discussed by CA and VBC	Ensuring understanding and willingness of clients
11	Distribution Process				
11 a	Solidarity Groups are called one by one by the VBC. CA checks ID (picture to face and card number to application), loan amount request (ask client if correct), and willingness to guarantee fellow SG members. If all proper, then allow to move to Treasurer for cash distribution.	LASGG		Checked by CA	Direct Verification
11 b	Based on LASGG, money is distributed to client. After counting the money, client	LASGG		Distributed by VBC	

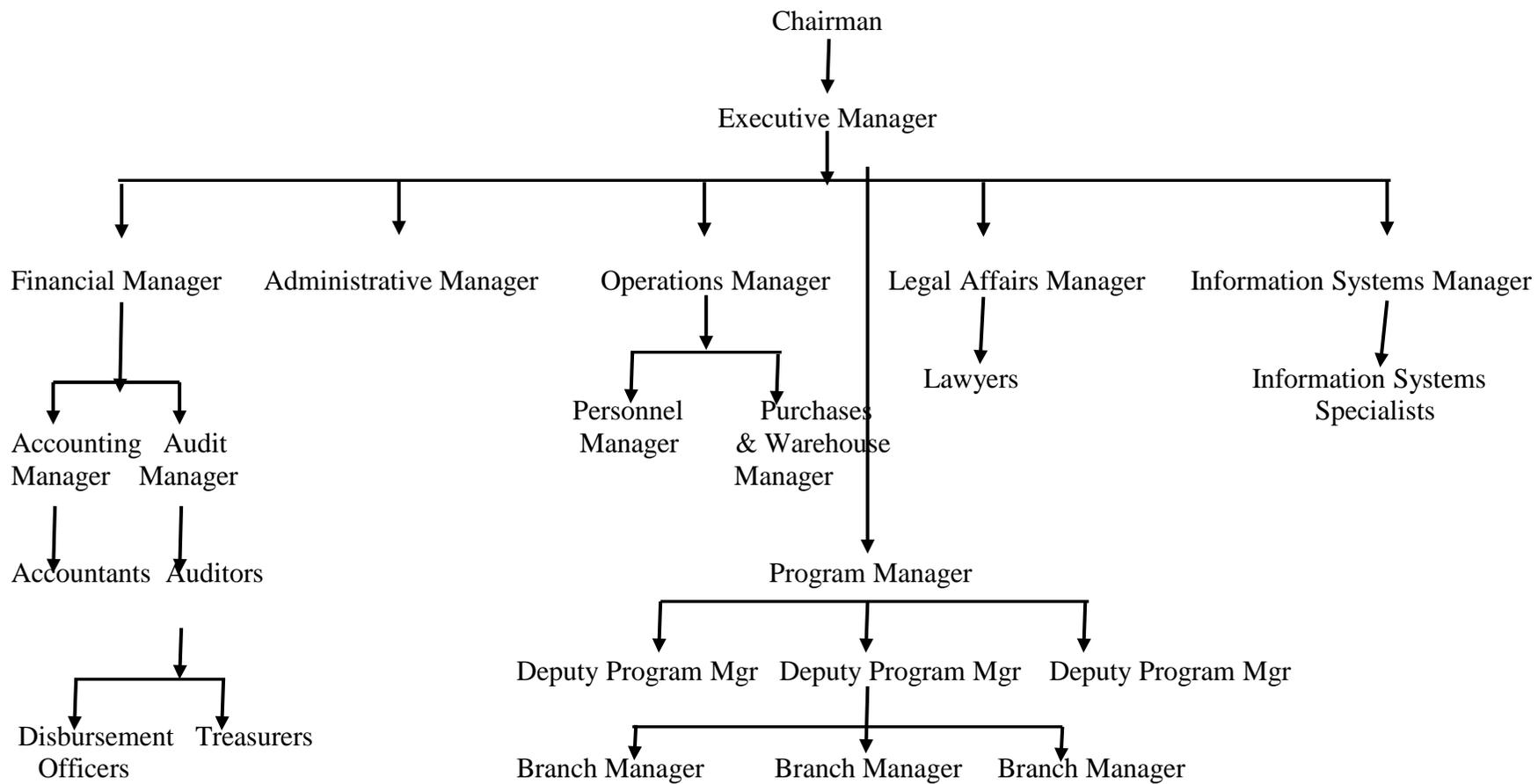
	signs the LASGG to signify their receipt of loan.				
11c	Passbook and External Account Journal is filled out based on amount in LASGG.	EA Journal and Passbook		Recorded by VBC and CA	
11d	Service fee is collected and recorded by VBC from clients.	Receipts???	Fee Schedule	Recorded and collected by VBC	
11e	After all loans are dispersed, then loan contract is checked to determine if loan amount dispersed versus contract amount (loan amount is reduced, client is absent, etc.) and contract is adjusted if necessary. Contract is signed by VBC when all is proper and contract amount equals amount dispersed.	Loan Contract	EA Journal and LASGG	Verified by CA and signed by VBC	
12	After all loan contract is signed, service fees are given to CA. CA counts the cash, verifies amount is amount due and issues receipt to VBC.	Temporary or Official Receipt???	Fee Schedule	Recorded and collected by CA	
13	Financial report for the VB is prepared by CA and VBC. If all is proper then CA and VBC close the meeting.	Financial Report	VBC and CA Journals	Recorded by????	
14	Prepares deposit slip and deposits collection in the bank	Deposit Slip	Temporary Receipt	Credit Agents	Deposit collections in tact and same day
15	Submits deposit slip and temporary receipt and all supporting documents to Finance Officer. Remits cash in cases when direct deposit is not possible (bank is closed).	Temporary receipt and Deposit Slip	LASGG and Loan Contract	Credit Agents	Counted in front of CA and temporary receipt matches cash
16	Count money collected in the presence of the field staff or check that money deposited per deposit slip tallies with temporary receipt. If cash count or deposit slip tallies with temporary receipt, issues Official Receipt in the name of the VB with original copy of receipt given to VB through FS at next meeting.	Official Receipt	Deposit Slip and Temporary Receipt	Finance Officer	Prenumbered and multiple copied OR

# Organization Chart



## XXX Organizational Structure





## Several Best Practice items concerning selecting, training, and retaining staff.

What are the linkages between staff retention and sustainable programmes? -

<http://www.microfinancegateway.org/content/article/detail/3021>

Key ideas from text:

### 1. Personality of the potential employee:

- **Hire a committed personality with a "can-do" attitude.** You must have well-motivated staff who are really interested and passionate about their work. Skills can be taught; however, having a positive attitude and wanting to be a team player can't.
- **Hard Working** - Hire business oriented people who like hard work. You want staff to do whatever it takes to make the program succeed.

This is a business of making loans. We lend to people because they have the capacity to repay, not because we feel sorry for them. Do not hire social service workers to make loans.

- **Animated, good presenters** - If you have someone who is out there trying to sell your program, and they do not have the qualities of a sales-man about them, it would be very hard because, a lot of times, we're selling a new idea. If you have a good way with people and you can sell an idea, then this is a great skill.

### 2. Recruitment - Set up a partnership with a local university or a similar place that teaches values and how to build relationships. This business is not about paper; it's about relationships. Do you have the right type of person who can build relationships? That is not a skill you can teach. You can foster a good environment for that, but you cannot teach someone how to be interested in the client's activity, or how to generally care about the client improving his or her business.

### 3. Selection process - Helpful hints on how to determine if suited for the job:

- Try interviewing them outside of the office – use a public market
- Use public transportation to go to the market
- Have them meet the clients and find out about their activities – do not tell them questions or what to do
- Observe them meeting the clients – do they smile, laugh, ask indepth questions, enjoy meeting people

You can save yourself an incredible amount of time, and you can also learn whether that person is well-suited to the job. This is not something you can train people. They either feel comfortable with the potential clients or they don't. If they do not feel comfortable, you can save yourself an incredible amount of time and grief without going through a long process training.

4. **Work Environment and Retention** - If people's work environment is negative and they feel that what they are doing lacks value, you have lost them right from the beginning. This is a big problem that needs significant attention.

**Positive Reinforcement** - Being in the field is not an easy job. So the work environment at a microfinance program becomes extremely important. I'm sure you have all been in the marketplaces; after four or five hours, it is pretty exhausting. Make sure that there is a lot of positive reinforcement in the work place especially when they return to from the field.

**Provide Recognition**— Recognition is easy to give. It's the positive reinforcement over and over again that becomes really essential for these types of programs. Make people feel appreciated. Give people the credit due.

**Provide Opportunities** - training and advancement. People need to believe that there are opportunities to improve their skills—whether language skills, management skills, time management skills—and that they have the opportunity to advance in the system.

**Training needs to be very experiential.** Basically you learn by working in the field. There's no other way. All training should reinforce the expectations of the program. Everything you do should reinforce sustainability. It's instilling discipline in every step that you do. Then people have a feeling of reliability and dependability which will keep them, not only part of your staff, but as clients as well. Standards should be the same across the board. It requires treating people the way you expect to be treated.

**Communication is everything.** Keeping the flows open for communication is really important. It's important to be proactive about things and encourage staff to say when there are problems right away. It's not a bad thing to make a mistake. It's a bad thing when we fail to learn from the mistakes that we have made. If you can create an environment where it's okay for people to make mistakes and admit they have made them, and learn from them, that's when you can have successful teams that deliver these services.

**From the Book - The people part:** common sense advice in motivating microfinance clients and staff – attached file (key pages would be 28-36 in which the market visit idea is described) A brief description below concerning hiring a great team:

**Step One: Get names of potential staff.** Use untraditional and traditional ways to recruit new sales types: call NGOs and other microfinance organizations, place ads, and ask around the office and town. You don't need to have formal resumes from your potential recruits, since you are looking for go-getters. After all, too much experience may not be a good thing, as experience can translate into pre-conditioned ideas about what work is and how it should be done.

**Step Two: Bring the candidates in for a briefing.** Hold a 15-minute briefing at the office for up to 10 potential promoters and introduce them to the program.

**Step Three: Interview them in the market.** Announce to the group that you are going to a pre-selected market (do not mention this until now) and that you want them to interview potential clients in the field to see how they interact with clients. More than likely, a person or two will drop out immediately: the self-selection aspect works quickly! In the market, divide them in pairs, and ask them to introduce themselves as representatives of your MFI who are conducting market research in lending programs for very small businesses. The team leader, with assistance, should follow candidates around to see how comfortable they are in the market and how clients react to them. Being timid about approaching clients and/or looking at their watches are telling signs that they would rather be elsewhere.

**Step Four: Pick the best to attend training.** After several field interview sessions, pick those with the most potential to attend training. Emphasize that the training is another step in the interview process and doesn't guarantee them a job. Pay them a per diem for attending and provide them with a certificate, so that they benefit from the experience.

During training, the instructors will continually test the applicant to see his/her abilities and willingness. They will make notes about the applicant regarding the following:

- |   |
|---|
| Willingness to learn                                  |
| Willingness to work in groups                         |
| Communication skills in both groups and presentations |
| Quality of effort and interest in work                |
| Punctuality   |

**Step Five: Pick your team.** At the end of the training, based on their presentation skills and team player potential, pick the needed number of candidates based on main hiring criteria. These could include: included personality, commitment, ability to sell, and long-term potential

The selection should be completed by a team of MFI management and staff who discuss the strengths and weaknesses of all candidates and recommend a promoter to the ED.

In the spirit of self-selection, candidates can be asked to choose through secret ballot which candidates they think would build the best team. This would merely reinforce the selection process and provide insight for the ED.

**From the Book - The People Part: Description of Characteristics of a Promoter (Field officer, Loan Officer, Loan Coordinator):**

**Facilitator.** In the credit group, the promoter assists the members to manage their own resources, make their own decisions, and find their own solutions to problems.

**Service provider.** S/he provides key services to clients, such as training in program methodology, provision of loans, guidance at repayment meetings, linkages with other business services. Always remember that the client knows best. Promoters are there to serve.

**Good communicator.** Promoters keep open the lines of communication within the group, among groups, and between the group and the microfinance program. Group lending is more than just money; it is a support network for micro-entrepreneurs that aids information sharing, and experience sharing. Other clients are often the best practical advice-givers. They have been there and done that!

**Role model for clients.** Always set a good example for clients. If you are late, your clients will be late. If you do not keep your appointments and promises, your clients will not either. Earn respect through actions.

The most important thing to remember is that *YOU MUST KNOW THE CLIENT*. Think of the loan as *your money*. Would you lend to this person? It is your responsibility to carefully screen clients and to build a solid relationship with the group so that you have confidence in them and they have confidence in you.

**Personality and Character:** Comfortable with people, especially clients; can relate well to clients; good listener and communicator; is a team player; is able to stand her/his ground when faced with trouble makers; willing and able to learn; is confident, approachable, open-minded, adaptable, committed, honest, trustworthy, dependable, enthusiastic, convincing, confident, concise, helpful, reliable, dynamic, innovative, objective, receptive; presentable; and has a positive attitude!

**Commitment:** Belief in the program; availability; dedication; know it is not a 9 to 5 job.

**Presentation Skills:** Professional; prepared; understands and communicates the methodology; has devoted time to flipchart design; uses language and terms that would appeal to clients.

**Potential:** Has the possibility of graduating to supervisory level; is a team player to create an institution.

**Skills:** Good facilitator and problem-solver; able to form groups; punctual and good time keeper; speaks language of clients and comes from the target area; systematic and organized.

Shadow program – potential/ new staff follow experience staff to learn job and determine if they are willing to join the MFI:

**One-Week Field Exposure and Observation** –(can be one or two days depending on your needs and resources)

<b>Step #</b>	<b>Activity</b>	<b>Action By</b>
1	Prepares Waiver for confirmation of each applicant schedules for 1-week field exposure and observation. (This is a waiving of right to claim any damages from the Company borne out of any mishap that may happen to the applicant while on field exposure)	Branch/Credit Manager
2	If acceptable, signs Waiver	Applicant
3	Organizes team for, and schedule of, field exposure.	Branch/Credit Manager
4	Introduces applicant to village people and observes each applicant's behavior. Notes on the Checklist, submits to and discusses results to Branch/Credit Manager.	Team of Observers
5	The applicants are informed of the outcome of the process. Those not chosen to continue will be informed and explained that if other positions open they might be called again to apply. Short-lists and informs applicant/s for training program.	Branch/Credit Manager

**Key items in checklist – (MFI can decide on key questions for observations based on your needs and criteria)**

How well do they learn?

How well do they communicate and relate with fellow staff?

How well do they communicate and relate to clients?

How do they enjoy this work?

Are they willing to travel and work in communities?

## **Management**

### **Moroccan MFIs Facing Troubles**

In 2008, the number of Moroccan microcredit customers fell by 4%. The [National Federation of Microcredit Associations \(FNAM\)](#) and the finance ministry want to take steps to boost the industry, which saw strong growth between 2005 and 2007. During this period the microfinance industry recorded a 114% rise in the number of customers and an increase of 260% in the total volume of loans.

FNAM President Tarik Sijilmassi said that the microfinance industry has been hit by an increase in non-payment. The defaults have increased to 5%. He said, "We need to organize the profession so that we can improve the quality of new loans. Although microlending is a non-profit activity, associations must develop within a professional framework governed by internal regulations." Confusion between microcredit and subsidies is another matter of concern for FNAM.

Finance Minister Salaheddine Mezouar has expressed a need to draw up a code of ethics so that the sector will develop at the desired pace and the interests of beneficiaries will be protected. FNAM is made up of 13 associations with more than 7,000 employees and 1.2 million customers.

### **Loan Repayments Suspended for Bangladesh Cyclone Survivors**

General Moeen U. Ahmed, the army chief of Bangladesh, has asked all microcredit lending organizations to waive payments of loan installments of Sidr cyclone survivors until April 2008. Nearly 3,300 people died and an estimated 564,000 were left destitute as a result of the November 15 storm. It was the second most powerful cyclone to hit the disaster-prone country since record keeping began.

[Grameen Bank](#) has suspended all loan repayments until June 2008. Another lender, the [Association for Social Advancement \(ASA\)](#), said it would be offering interest-free loans to help cyclone survivors get back on their feet and that existing loans would be suspended.

"We have stopped collecting loan installment from borrowers in the affected areas up to June 2008. We have also stopped collecting loan installments in the four most affected districts indefinitely. We cannot cancel the debts. If we canceled now, every time something happened, a house fire or whatever, then people would be looking to cancel their loans," said ASA spokesman Habibur Rahman.

Cyclone survivors have demanded that banks write off all loans although Muhammad Yunus has rejected the calls.

## Human Resource Management

### IFC Supports K-Rep to Provide Voluntary Counseling and Testing, Extend Free Medical Care to the Affected and Dependents

[International Finance Corporation \(IFC\)](#) has announced that it will help the Kenyan microfinance institution [K-Rep Group](#) implement a corporate HIV/AIDS program for more than 900 employees. IFC's USD77,000 investment will be complemented by an additional USD150,000 from K-Rep. K-Rep Group will implement new activities to strengthen its workplace HIV/AIDS program and increase staff awareness of the challenges associated with the disease. The company will also provide employees with voluntary counseling and testing services that are anonymous and confidential, and extend free medical care to those affected and their dependents.

IFC provides seed funds to help select clients launch and implement workplace and community HIV/AIDS programs, as well as measure their impacts. This effort is led by [IFC Against AIDS](#), an advisory services program for HIV/AIDS and health. IFC is working with 27 client companies in Africa and six in India on HIV/AIDS-related projects that are linked to USD1.1 billion in investments and US\$18 million in advisory services. About 3,000 HIV peer educators have been recruited and trained. These efforts are reaching more than 100,000 employees, with total community outreach estimated at 1.3 million people.

### Survey Finds Huge Gender Imbalance in MFI Staff and Management

[Microfinance Insights](#), the quarterly print publication from [Intellectap](#), recently released a survey report on [Human Resources Challenges and Solutions in Microfinance](#). The online survey, open from February through March 2008, revealed that although microfinance has been promoted as a tool to empower women, the presence of women in staff and management positions is not reflective of the client base. 90 respondents from 31 countries participated in the survey. The survey also found that:

- 51% of MFIs label human resources issues as the most challenging in comparison to financial, technology and turnover issues.
- MFIs and consultants working in microfinance identified finding strategic thinkers with experience in microfinance as the most challenging (63%), in comparison to finding talent with capital markets experience (16%) or basic operations experience (21%).
- Nearly half (46%) of MFIs said that staff turnover is a concern, but not their biggest concern.
- MFIs consider local knowledge as the most important criterion while recruiting. They rank it higher than international knowledge, management degrees, capital markets experience and local language proficiency for all levels of MFI staff.
- More than a quarter of all MFIs surveyed have less than 10% women on staff and only 9% of all MFIs have a staff comprised of more than 75% women.
- Nearly half (46%) of all MFIs surveyed have less than 10% women in their management team.
- A surprisingly large number (81%) of institutions in South Asia reported having less than 50% women on staff.

## **University of Bergamo, Italy Invites Applications for Masters in Microfinance** Course Intake Limited To 40 Students, Deadline for Application is September 28, 2007

The University of Bergamo, Italy will hold its Masters Program in Microfinance from November 2007 to October 2008 (the first two months in distance learning). The course is open to 25 candidates from selected Countries of Africa, Asia, Central and South America, with full scholarship from the Italian Ministry of Foreign Affairs (deadline for application: September 28, 2007) and a maximum of 15 candidates with no scholarship (deadline for application: October 31, 2007).

The focus of the program is on good management of microfinance intermediaries. The course is aimed at providing participants with the necessary background to analyze and evaluate the performance of microfinance intermediaries and to analyze their role in development projects and strategies.

## **Strike Due to Disagreement Between the Government, Management and Workers' Union, Over Employee Benefits**

Workers at [Tanzania's National Microfinance Bank \(NMB\)](#) went on strike today, protesting non-payment of their benefits. NMB is due to list on the Dar-es-Salaam stock exchange in October 2008 and had recently offered its IPO. NMB's Chief Executive Ben Christiaanse says the strike is illegal. NMB, Tanzania's largest commercial bank, has almost 2,000 workers in its 121 branches across the country. The Bank's workers are represented by the Tanzania Union of Industrial and Commercial Workers (TUICO).

The government, which has a 51 percent stake in NMB, is selling 21 percent of the bank worth 63 billion Tanzania shillings (US\$54 million), and 5 percent of this is reserved for the bank's workers. The share offer, open only to Tanzanians, closed on September 8 and was about three times over-subscribed. NMB's prospectus shows that the union had demanded a lump sum payment before the government offloaded its shares. However, the company responded that this would mean the workers would have to waive their rights to the 5 percent stake. According to the workers, the payment relates to the 2005 privatization of the bank.

## System Requirement Guidelines by Level of Maturity of MFIs

MFI Type	Start ups	Developing	Mature
<b>Description</b>	MFCs that are just established or one to two years old.	MFCs can be at various years in age but are categorized as growing in spurts, dealing with inefficiencies in both operations and financial systems and management is overworked as 2 <sup>nd</sup> and 3 <sup>rd</sup> lines are still in development.	MFCs that seek to scale up their outreach and develop key support, management and monitoring systems.
<b>MFC Outreach</b>	5,000 or less clients	5,000 to 50,000 clients.	50,000 and up
<b>Number of Staff</b>	30-50	50-300	300 and up
<b>Primary Focus</b>	CREATING and DEVELOPING their systems framework and ESTABLISHING their branch locations and client services.	GROWING their portfolio size and client outreach, thus BUILDING their capacity to further enhance their level of sophistication and stability	BROADENING the scope of impact, outreach, and products as well as INSTITUTIONALIZING standardized systems.
<b>Overall Systems Development</b>	Basic Systems, Policies and Procedures Development	Manualization, enhancement and introduction of key systems, policies and procedures to handle increased staff and client growth / demands such as marketing, internal audit, HRM, etc.  Product Development - Client Responsive Product enhancements	Standardization of Systems, Policies and Procedures  Vision /Growth Strategies/ geographical expansion  Governance system to ensure organizational continuity and leadership  Financial, Risk and Treasury Management
<b>Business Plan</b>	Basic – meeting minimum requirements in terms of details and projections	Detailed – plan needs to cover all areas in detail in order to lay ground work for growth and development of the MFC	Sophisticated – comprehensive strategies and financial projections are needed to support activities to secure financing.
<b>Mission, Vision and Objectives</b>	Defined and reflecting priorities, clients and values of the MFC	Updated and improved based on reflection by BoD, Mgt. and staff on activities and successes of the MFC.	Revised to reflect the broadening scope of impact, outreach and products.

<b>MFI Type</b>	<b>Start ups</b>	<b>Developing</b>	<b>Mature</b>
<b>Governance</b>	BoD members are selected and BoD policies, structure and procedures are established.	BoD develops systems for BoD evaluation and rotation. BoD structure evolves into committees so BoD can focus on sustainability issues.	Oversight, legal and financing demand BoD have expertise in these areas. Strategic planning should focus financial management and strategy.
<b>Organizational Structure</b>	Centralized – simple structure with a few positions doing many jobs.	Mixture of Centralized and Decentralized – Structure becomes stratified to increase coverage and improve efficiency.	Transitioning fully from Centralized to Decentralized - lean, flat and simple. Regional and branch offices operate autonomously from HQ. New branch growth is a standard replication process.
<b>Human Resources Management</b>	Focus is on hiring a strong core of flexible and versatile employees who can grow with the MFC. Training is focused on learn by doing.	Development of standardized hiring and performance appraisal processes. Capacity building programs (introductory and on the job training) and middle management identification are key focus areas.	Development of complete human resource system with special focus on compensation and benefits policies and procedures. Capacity building should focus on building 2 <sup>nd</sup> / 3 <sup>rd</sup> line management.
<b>Management Information systems</b>	System is developed, tested and adapted to track basic information – operational and financial indicators.	System is standardized, institutional capacity and infrastructure is sufficient to support growth.	System is upgraded and enhanced to meet growth requirements – scale, new locations, new products and services and efficiency improvements.
<b>Internal Control and Internal Audit</b>	Senior/ Branch Managers and Supervisors carry out most of all control and audit functions.	Internal controls are documented into manuals and internal audit department is established.	BoD Internal Audit committee sets annual work plan and internal audit presents reports at regular BoD meetings.
<b>Marketing Strategy</b>	Primarily based on word of mouth and simple promotional materials. Branding strategy is developed.	Market surveys and analysis is undertaken. Product delivery and customer service of a marketing plan are developed.	A complete marketing strategy is developed and implemented.
<b>Products and Services</b>	Initial product introduction is usually based on a standard industry model.	Product Development focuses usually on client responsive product enhancements.	New product development/ innovation to meet evolving needs of clients.
<b>Financing Strategy</b>	Financial requirements projected with the goal to achieve profitability. Financial resources can be still being identified and accessed.	Projections are revisited based on trend analysis and revised operational plans. Cost recovery improving and decentralization of budgeting process is underway. Financial resources base diversified and expanded. Borrowed funds accessed.	Goal now is to effectively build, protect, and use institution's capital. Commercial borrowing and/or equity investments are pursued.

<b>MFI Type</b>	<b>Start ups</b>	<b>Developing</b>	<b>Mature</b>
<b>Financial Reporting</b>	Financial and portfolio performance indicators are established to track progress toward targets.	Rigorous financial analysis and use of ratios related to costs and income is employed to determine efficiency and effectiveness.	Focus on benchmarking and risk analysis.
<b>Transparency</b>	Conduct External Audit and submit data to Mix Benchmarking	Conduct Ratings	Conduct Social Performance Ratings