



Microfinance Institutions: Achievements and Challenges in the Second District of Albay

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Abstract

Achievements and challenges of microfinance institutions change the operation, products, and services to cater to the needs of low-income people. A nonviable microfinance institution will have problems with recruitment, repayment, and client retention. The client of the microfinance institution has no alleviation in their income, no change in their social status, and becomes poorer. This study determined the achievements and challenges of microfinance institutions in the Second District of Albay. The research design used in the study was quantitative, qualitative, pearson product moment correlation and t-test methods.

The study revealed that not all microfinance institutions in the Second District of Albay offered loans, savings, insurance, and other non-financial services to their clients. The financial sustainability of microfinance institutions in the second district of Albay is a problem when it comes to providing loan products and other services to clients. It affects the repayment performance and income alleviation of the clients. The analysis of the relationship between achievements and challenges in operation failed to show any statistically significant relationship for the total sample. Further analysis found no significant relationship between the variables in operation and products and services. Research on the market, institution, and client and having a strategic plan are important to microfinance institutions in diagnosing the problems that they faced and forecasting what will occur in the future.

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1. Introduction

A microfinance institution is an organization that provides financial and non-financial services to low-income people living in both urban and rural areas who are unable to obtain such services from financial institutions, especially commercial banks. Authors in [1] stated that the depth of outreach enables MFIs to achieve financial sustainability. Another study is microfinance provides resources to households that face constraints on access to finance. Many low-income households seek access to finance to build their businesses, but they generally lack the collateral to access financial resources. However, competition would positively impact MFIs if they could adapt to changes in competition levels. By having flexible collateral, it can help promote productive behaviour and foster income-generating activities among low-income people [2]. Authors in [3] that the wave of global financial crises caused a surge in the capital flows of developed countries and hit all financial sectors with unanticipated severity. The innovation of financial services meets the client's needs, demands, and satisfaction of engaging in microfinance institutions. The provision of small microfinance loans to awaken and nurture the entrepreneurial skills of the clients and to provide them with bigger loans and other flexible products and services that help to continue the business of the clients (Card Bank Annual Report 2020). According to the SEDP Microfinance Institution, Bishop said that it is important to recognize the capacity of the entrepreneurial poor, to recognize their dignity, and to trust in each other's talents, skills, and capacities that will contribute to the institution in 2020. Poverty has many faces and reasons in the lower class that need to be addressed by our government programs. The causes of poverty are the growth of the population, lack of education, unemployment, and personal and covariant risk in the household. Microfinance should be targeted at more efficient lending, which will create more opportunities, thus increasing income and economic empowerment and reducing poverty [4]. The Philippine government had several programs to help and support the indigent in order to have an income or other source of living. But as we observe, there are programs of our government that are ineffective and much more inefficient due to some factors affecting them.

The MFIs in the Second District of Albay, along with their operations, products, and services, have problems in terms of recruitment, repayment, retention, and funding to provide financial and non-financial services to low-income people. The gap of this study is that some MFIs in the Second District of Albay provide a high interest rate to their clients and require them to have a good portfolio performance in order to avail the next cycle of loans and other services, which the client find difficult to comply with and feel the burden of it. And by this, MFI's mission to provide simple requirements, simple products and services, and alleviation to the clients is not matching the vision, mission, and goal of the institution. The legal basis of this study that would enhance the operations of microfinance is First, the Strengthening of Non-Government Organizations (NGOs), or Republic Act 10693. It says that an organization should pursue a program of poverty eradication wherein poor Filipino families are encouraged to undertake entrepreneurial activities to meet their minimum basic needs, including income security. The second is the Social Reform and Poverty Alleviation Act. Republic Act 8425 says that and acts to institutionalize the social reform and poverty alleviation programs, create the national anti-poverty commission for its purpose, define its powers and functions, and for other purposes. And the third basis is the

Magna Carta of the Poor, or Republic Act 11291; it says that it is to uplift the standard of living and quality of life of the poor and provide them with sustained opportunities for growth and development. It shall adopt an area-based, sector-focused intervention to alleviate poverty where poor Filipinos must be empowered to meet their minimum needs through the partnership of the government and the basic sectors.

This study will contribute to the body of knowledge in the field of microfinance institutions, schools that have a business course in microfinance, businessmen who want to engage in microfinance businesses, and also to future research.

2. Methods

The research design used in the study was qualitative, quantitative, Pearson product moment correlation and t-test. The researcher used descriptive and numerical data to simply determine, describe, identify and arithmetically calculate the variables of the study. The researcher aimed to discuss based on the different phenomenon and current situations of microfinance institutions in the Second District of Albay. While the correlational was used by the researcher because there are two factors, the achievements and challenges that will determine if there is a relationship between the variables. And to correlate the significant relationship between the achievements and challenges of microfinance institutions in the Second district of Albay the Pearson product moment correlation and T-test was used to indicate the presence or absence of the correlation between any two variables the achievements and challenges by comparing the two factors and variables that used in hypothesis testing to determine whether a process or treatment actually has an effect on the MFIs achievements and challenges along operations and products and services of the study. The study was conducted in the Second District of Albay, namely Legazpi City, Daraga, and Camalig. The researcher selected the three places mentioned because there are more MFIs operating in those areas and also because of the triangulation requirement in research. The staffs of microfinance institutions were selected to specifically extract the necessary data needed for the study. The researcher used a survey questionnaire to the respondents. Purposive sampling technique was used in the study. A purposive sampling also known as judgmental, selective or subjective sampling is a type of non-probability sampling technique. The main goal of purposive sampling is to focus on particular characteristics of a population that are of interest in which will best enable to answer the researcher questions. To get the appropriate data needed, the researcher will have survey questionnaire with two (2) parts. Part 1 will be the profile of MFIs and Part 2 is the products and services of the institutions and will be divided into two sets the achievements and challenges of MFIs along operation and products and services.

3. Results

Status of MFI's Profile

The achievements and challenges faced by microfinance institutions in terms of products and services and their operation now are crucial. The developing nations find difficulty, which leads to a roadblock to their progress. The concept of microfinance is to support low-income people in urban and rural areas with the objective of financial inclusion, especially women. The microfinance sector faced a critical problem with financial

sustainability in their institution, which is the basis for continuous provision of their products and services to their clients and the long-term sustainability of their operation. Aside from that, there are microfinance institutions, especially the newly existing MFIs, that do not have additional services for their clients, and there is no long-term need for them. Providing services is an intangible factor in the satisfaction of the clients and the success of the operation because a client can help the MFIs increase their recruitment rate by telling their clients about their consistency in providing products and services, leading to successful stories from their clients. The operation of microfinance institutions with COVID-19 at the forefront was cut, mostly by the institution, but not by closing their business. It was due to a lack of funds for the operation of products and services, and they also cannot conduct recruitment and marketing to their potential clients due to the COVID-19 protocol. Recruitment is the lifeblood of the operation of MFIs, wherein the field officer will conduct a client investigation and assessment of the new clients in order to know if they are qualified. And so, microfinance institutions faced different challenges even before the pandemic that will be discussed and answered with the following hard data: the status of products and services and the MFI’s profile on their achievements and challenges.

3.1 Type of Business Organization of MFIs in the Second District of Albay

Table 3.1: Business Organization of MFIs in the Second District of Albay.

Profile of MFI's	Number of MFI's	Percentage
Sole Proprietorship	0	0
Partnership	1	6.66
Corporation	7	46.67
Limited Liability	0	0
Incorporation	7	46.67
Total		100.00

Source: Authors’ calculation based on survey data, 2022

The profile of MFIs in the Second District of Albay in terms of the types of business organization was corporation, and incorporation got the same highest percentage of 46.67, indicating that most of the MFIs are registered as a non-stock corporate organization and incorporation.

3.2 MFIs Years in Operation in the Second District of Albay

Table 3.2: MFIs Years in Operation in the Second District of Albay.

Years in Operation	Frequency	Percentage
1 - 3 yrs.	2	13.33
4 - 7 yrs.	4	26.67
8 - 10 yrs.	0	0
10 yrs. above	9	60.00
Total		100.00

Source: Authors’ calculation based on survey data, 2022

As to the years of operation of the MFIs in the Second District of Albay, the 10 years above in operation got the highest percentage of 60.00, indicating that most of the MFIs have operated for more than a decade in providing financial and non-financial services to low-income people. And some MFIs' origins are from other places, not here in Albay; that's why the operation of their business has been going on for more than a decade. In any type of business, one of the bases of stability is the years of operation, wherein the organization meets different challenges, overcomes them, improves, and maintains its operations in the long run.

3.3 Number of Employees in the Second District of Albay

Table 3.3: Number of Employees in the Second District of Albay.

Number of Employees	Frequency	Percentage
10 - 30 employees	8	53.34
30 - 50 employees	2	13.33
50 - 70 employees	2	13.33
80 - 100 above employees	3	20.00
Total		100.00

Source: Authors' calculation based on survey data, 2022

In terms of MFIs number of employees in the Second District of Albay, most of the MFIs have only 10–30 below average employees that got the highest percent of 53.34 based on their unit offices and branch offices. Those MFIs that have a small number of employees are MFIs that operate five (5) years below and that have only one to two branch offices in the Second District of Albay. And those MFIs that have operated for a decade now have more than 80–100 employees in their unit offices and branch offices in the Second District of Albay. In this case, those MFIs that have a few employees that can be analyzed show that their capital invested in engaging in microfinance business is enough only to open a business. That's why during the pandemic outbreak, there were MFIs that cut their operations due to a lack of financial sustainability.

3.4 MFIs Staff Educational Background

Table 3.4: MFIs Staff Educational background.

Educational Background	Frequency	Percentage
High School Graduate	2	13.33
Two year Course Graduate	8	53.34
Bachelor's Degree	5	33.33
Total		100.00

Source: Authors' calculation based on survey data, 2022

As to the preferred level of education of MFIs in the Second District of Albay, the highest percentage of 53.34 indicates that MFIs still hire two-year course graduates.

It was due to the fact that some MFIs have no salary standardization, and because of that, they have their own

basis for calculating the salaries of their employees.

3.5 Number of MFI's Products and Services in the Second District of Albay

Table 3.5: Number of MFI's Products and Services in the Second District of Albay.

Products/Services	No. of MFI's offers	Products/Services	Rank
Loan	15		1
Savings	10		2
Insurance	9		3
Technical Assistance	4		6
Scholarship	6		5
Medical Mission	7		4

Source: Authors' calculation based on survey data, 2022

As to the status of products and services of the 15 MFIs in Daraga, Legazpi City, and Camalig, the highest rank is the loan product offered by MFIs in the second district of Albay, wherein all respondents of MFI's offered the loan product, because that is the main product of a microfinance institution.

The function of a loan product for the client is to provide additional capital for their small business, not for consumption.

3.6 MFI's Achievements in Operation

Table 3.6: MFI's Achievements in Operation.

Achievements in Operation	N=15										Adjectival Interpretation
	4 F	3 WM	2 F	1 WM	0 F	0 WM	0 F	0 WM	0 F	0 WM	
1. MFIs have financial sustainability for providing long-term services to their clients.	7	1.87	8	1.60	0	0	0	0	0	3.47	Agree
2. MFI has a high repayment rate.	0	0	11	2.20	3	.40	1	.07	2.67	Agree	
3. MFI has served a large clientele.	6	1.60	9	1.80	0	0	0	0	3.40	Agree	
4. MFI helps low-income households stabilize their income flows and save for future needs.	7	1.87	7	1.40	0	0	1	.07	3.34	Agree	
5. MFI has done voluntary work in the community.	7	1.87	6	1.20	1	.13	1	.07	3.27	Agree	
Average									3.23	Agree	

Source: Authors' calculation based on survey data, 2022

Based on table 3.6 the data revealed in the first statement on MFI's financial sustainability has the highest total weighted mean of 3.47 and is reflected as agreeing.

The data shows further that the status of MFI’s achievements in operation in the Second District of Albay along with its capacity to serve low-income clients with regards to the following indicators: financial sustainability, high repayment rate, serving a large number of clients, stable income for the clients, and having a community service.

Authors in [5] revealed that economic results reveal a positive relationship between the size of MFIs and their financial sustainability, indicating that large MFIs lead to more sustainability. Hence, in order for MFIs to have a viable operation for their clients, they must have self-sufficiency for the long run of the operation.

In the literature review of the study, the words of Professor Muhammad Yunus were emphasized: "Micro-credit is not a miracle cure that can eliminate poverty in one fell swoop, but it can reduce poverty for many and end its severity for others if micro-credit is combined with other innovative programs that unleash people’s potential." Microcredit is an essential tool in our search for a poverty-free world.

Therefore, MFIs in the Second District of Albay must be determined to achieve success in the operation by focusing on their mission to the poor and improving their products and services to match the needs and demands of the poor in order to lessen the increasing rate of poverty in the country.

3.7 MFI’s Achievements in Products and Services

Table 3.7: MFI’s Achievements in Products and Services.

Achievements in Products and Services	N=15										Adjectival Interpretation
	4		3		2		1		TWM		
	F	WM	F	WM	F	WM	F	WM	F	WM	
1. The loan product helps the clients have additional capital for their small businesses.	8	2.13	6	1.20	0	0	1	.07	3.40	Agree	
2. The savings product helps the clients have an emergency fund to spend when there are risks in the household.	8	2.13	6	1.20	0	0	1	.07	3.40	Agree	
3. The insurance product helps the clients and family members have protection in terms of personal risk.	9	2.40	5	1.00	0	0	1	.07	3.47	Agree	
4. The scholarship program helps the client’s sons and daughters have an opportunity to enter school.	8	2.13	6	1.20	0	0	1	.07	3.40	Agree	
5. The technical assistance service helps the clients gain knowledge and information to manage the loan product and livelihood skills.	9	2.40	6	1.20	0	0	0	0	3.60	Strongly Agree	
Average									3.45	Agree	

Source: Authors’ calculation based on survey data, 2022

Based on table 3.7 the data revealed on MFI’s technical service in order to give knowledge and information to

the clients has the highest total weighted mean of 3.60 and is reflected as strongly disagreeing.

The data shows the status of MFIs products and services in the Second District of Albay, has provided benefits to the clients therefore the small business of the clients will grow and gives them a source of income for daily consumption and other expenses in the household.

The MFI’s in the Second District of Albay mostly offered technical assistance to the clients therefore, the clients will have a knowledge and skills on the right utilization of the loan product. And by this, the products and services of the MFI’s in the Second District of Albay will be effective and efficient to their clients. Irani and his colleagues (2021), states that community mobilizers who have received at least one training were more likely to have higher levels of knowledge and carry out related activities.

Therefore, MFIs in the Second District of Albay will coordinate to the LGU’s to ask for assistance on seminars and workshops to their clients like for instance; seminar on family planning, livelihood programs, medical mission and other voluntary works in the community that will help the clients literacy learning.

3.8 MFI’s Challenges in Operation

Table 3.8: MFI’s Challenges in Operation.

N=15

Challenges in Operation	4		3		2		1		TWM	Adjectival Interpretation
	F	WM	F	WM	F	WM	F	WM		
1. Has a lack of financial sustainability to provide long-term services to the clients.	0	0	2	.40	8	1.07	5	.33	1.80	Disagree
2. The employees lack knowledge and skills in the concept of microfinance.	0	0	2	.40	9	1.20	4	.27	1.87	Disagree
3. Has a lack of budget for recruitment, especially in remote areas.	0	0	3	.60	8	1.07	4	.27	1.94	Disagree
4. The client practices multiple borrowing at other MFIs.	3	.80	11	2.20	0	0	1	.07	3.07	Agree
5. The client provides false information during the client investigation.	0	0	12	2.40	0	0	3	.20	2.60	Agree
Average									2.26	Disagree

Source: Authors’ calculation based on survey data, 2022

Based on table 3.8 the data revealed in the fourth statement on MFI’s clients multiple borrowing has the highest total weighted mean of 3.07 and is reflected as agreeing.

The data reveals that MFI operations in the second district of Albay have a problem with client investigations and multiple borrowings by clients from other microfinance institutions and moneylenders.

One of the challenges in MFI’s operation is the client investigation, wherein the loan officer will conduct an interview with an applicant in order to know and check the applicant's family background, income, and

character.

The result of this process is to know if the applicant is honest during the client investigation, and by doing so, MFIs will avoid a delinquent borrower that can affect their repayment rate.

Ali and his colleagues (2023), states that both demand-side and supply-side factors contribute to the multiple borrowing behaviours of clients. Another study claim that the increase in competition in the industry, low repayment rates, low level of knowledge of operations, and unfavourable regulation and supervision are challenges for MFIs.

On the other hand, MFI owners should have the knowledge and skills to explain the concept of microfinance to their clients.

3.9 Challenges in Products and Services

Table 3.9: Challenges in Products and Services.

Challenges in Products and Services	N=15									Adjectival Interpretation
	4 F	3 WM	2 F	1 WM	0 F	0 WM	0 F	0 WM	TWM	
1. The product and services offered meet the client’s needs and demands.	9	2.40	6	1.20	0	0	0	0	3.60	Strongly Agree
2. The loan product offered has a higher interest rate.	0	0	3	.60	8	1.07	4	.27	1.94	Disagree
3. The client finds difficulty reaching the high repayment rate to avail of the other services.	1	.27	7	1.40	5	.67	2	.13	2.47	Disagree
4. The client is not willing or has no interest in attending the technical assistance service.	1	.27	4	.80	9	1.20	1	.07	2.34	Disagree
5. The client voluntarily exits the group.	2	.53	10	2.00	2	.27	1	.07	2.87	Agree
Average									2.64	Agree

Source: Authors’ calculation based on survey data

Based on table 3.9 the data revealed in the first statement about whether MFIs meet the needs and demands of clients has the highest total weighted mean of 3.60 and is reflected as strongly agreeing. The data reveals that MFIs in the Second District of Albay face challenges in terms of products and services. The MFIs provide products and services that meet the needs and demands of their clients, have low requirements to access, offer a low interest rate on the loan product, and offer technical assistance to the clients. The problem of voluntary exit in the group was revealed in the data: clients of MFIs in the second district of Albay need to innovate their products and services and improve internal staff performance. Authors in [9] suggest that MFIs offer valuable services by expanding access to small credits to poor households and microenterprises and that customer satisfaction and retention are important issues for MFIs. On the other hand, MFIs in the Second District of Albay will innovate their products and services by adopting new methods in financial and non-financial

services, new technologies, and financial sustainability to meet the needs of their clients.

4.1 Significant Relationship of Achievements and Challenges in Operations

Table 4.1: Significant Relationship of Achievements and Challenges in Operations.

Achievements	dA	Challenges	dC	dAdC	d ² A	d ² C
3.47	.24	1.80	-.46	-.11	.06	.21
2.67	-.56	1.87	-.39	.22	.31	.15
3.40	.73	1.94	-.71	-.51	.53	.50
3.34	.11	3.07	.81	.09	.01	.66
3.27	.04	2.60	.34	.01	.0016	.12
				$\Sigma dAdC = .30$	$\Sigma d^2A = .91$	$\Sigma d^2C = 1.64$

Formula of Pearson Product Moment and T-test.

Relationship of Achievement and Challenges along Operations

Analysis of the relationship between achievements and challenges in operation failed to show any statistically significant relationship for the total sample. Further analysis found no statistically significant relationship between the variables in operations. An analysis of the correlation between the achievements and challenges and the factors in operation indicated no statistically significant relationship for the total sample. The Pearson product moment was used for the correlation coefficient to measure linear correlation between two sets of data, and the T-test was used to determine the hypothesis whether a treatment actually has an effect on the two sets of data or is different from one another.

tabular t at 5% = 1.96 H₀ = accepted there is no significant relationship between achievement and

computed t = .43 challenges along operations

4.2 Significant Relationship of Achievements and Challenges in Products and Services

Table 4.2: Significant Relationship of Achievements and Challenges in Products and Services.

Achievements	dA	Challenges	dC	dAdC	d ² A	d ² C
3.40	-.05	3.60	.96	-.05	.0025	.92
3.40	-.05	1.94	-.70	.04	.0025	.49
3.47	.02	2.47	-.17	-.0034	.0004	.03
3.40	-.05	2.34	-.30	.02	.0025	.09
3.60	.15	2.87	.23	.03	.02	.05
				$\Sigma dAdC = .05$	$\Sigma d^2A = .03$	$\Sigma d^2C = 1.58$

Formula of Pearson Product Moment and T-test

Relationship of Achievements and Challenges along Products and Services

An analysis of the relationship between achievements and challenges in products and services failed to show any statistically significant relationship between the variables for the total sample, for the microfinance institutions. An analysis of the correlation between the achievements and challenges and factors in products and services indicated no statistically significant relationships for the total sample. However, an interpretation of strongly agree found on challenges along products and services in MFIs. This correlation was positive and significant at the 3.60 total weighted mean and reflected as strongly agree in (Table 3.7). This relationship indicates that as achievements in products and services mostly of MFI's meets the wants and demands of the clients and intrinsically meaningful. This indicated that strongly agree in achievements along products and services has a satisfaction to the clients of MFIs in the Second District of Albay.

tabular t at 5% = 1.96 H_0 = accepted there is no significant relationship between achievement and
computed t = .44 challenges along operations

4. Discussion

The status of MFIs in the Second District of Albay is their system of providing the loan product mostly uses the group lending method, which consists of 5 to 30 individuals in a group with different amounts of loan and repayment due to their different incomes, which will be based on the institution's terms and conditions based on the income bracket of a client. The reason why MFIs mostly use the group lending method is because it will be the basis of their client investigations according to their income and source of income. Low-income people have no capacity and are not qualified to avail themselves of individual lending. That's why the loan officer will put them in a group because some MFIs practice the system of joint liability groups, in which the co-borrower will shoulder the amount of the other client's repayment. As to the benefits gained by the clients in MFIs in the Second District of Albay, the clients have increased their income, and there has been an increase in their repayment rate. MFIs provide financial services to low-income people, like loan products to provide capital for their small businesses. Having a daily income because of another source of income in the household can help them to sustain their needs and wants, have the capacity to save money, pay for the educational expenses of their children, and pay for other household expenses. To provide capital to the clients is to give them the opportunity to have their own business, and by doing so, the clients will have another source of income that will lead to alleviation and change the status of their lives.

However, MFIs found out that other clients used the loan product for consumption in the household and paid on multiple debts. In this case, it can affect the repayment rate performance of a client, and there is no alleviation in their income. This is also one of the problems and challenges of MFIs: even after they conduct a client investigation, there are dishonest clients whose loan product will go to their other debts.

In terms of the mode of repayment of MFIs in the Second District of Albay, all of the respondents are using the system of weekly repayment to pay the loan product. Repayment is the obligation of a client to pay the weekly instalments, depending on his or her income bracket, that will begin after disbursement. By having a good repayment rating, the MFIs will be successful in their operations for their sustainability and alleviation of the

clients' income. The field staffs of MFIs in the Second District of Albay collect their repayment every week because they practice the system of group lending methodology, and aside from that, they also conduct center meetings. The MFIs have a set of officers in every group, so there are times that if the field staff cannot collect the repayment, the president and treasurer in the group will be the ones that collect it from their co-members. Wherein the MFI's field staff puts their trust in their clients since they undergo screening of character and submit police clearance as proof that they have no derogatory record that will affect the group and the MFI's operation. And so, the MFI's transaction in repayment will be efficient, and the field staff will have time to recruit potential clients to increase their rating in recruitment. But there are times that the client cannot repay the loan due to personal risk and covariant risk. Due to this, some of the MFIs apply the strategy of adjustment of the repayment or joint liability. And also, there are issues in MFIs where putting trust in the officers can lead to different motives of thinking or unethical acts by not remitting the money they collected to the group.

In terms of the status of services provided by MFIs in the Second District of Albay in terms of technical assistance, scholarship to the sons and daughters of the clients, and medical mission to the clients and to the community, not all MFIs offer these non-financial services to their clients. The purpose of technical assistance by means of seminars and workshops is to give the clients short-term knowledge and information about livelihood programs, family planning, and nutrition programs so that they will know how they will spend and manage the loan product, have a plan in the family in order to attain their desired number of children, and have better nutrition in the family related to a stronger immune system, safer pregnancy and childbirth, a lower risk of non-communicable diseases, and longevity. The purpose of giving scholarships to the sons and daughters of the clients is to provide a bridge and opportunity in education. Education is important to the destitute in order to have a better future and to change their economic status in life. And the other service provided by the MFIs in the Second District of Albay is medical mission. The purpose of this service is to provide voluntary work to the clients and the community. And at the same time, these voluntary works for the clients and in the community are part of the strategy of MFIs to have a good image and identity with the clients and the community, which leads to the institution's success in operation. However, stabilized MFIs have a contingency budget for their products and services. The other services, like technical assistance and scholarship programs, are only offered by a few MFIs due to a lack of funds, knowledge, and skills or a lack of a mandate to provide them.

Table 3.6 MFI's Achievements in Operation

Based on the results, it can be implied that the operation of MFIs in the Second District of Albay also has the viability of serving their clients. A viable microfinance institution is important to provide effective and efficient products and services along with operations to low-income clients, and by doing so, MFI clients will have income alleviation and contribute to lessening the increasing poverty rate in the country.

However, viable operations are for those MFIs that have operated for more than a decade and have built stability in their operations. While the young MFIs have times when they cut their operations, if funds are available, they will continue their operations but not close the business. Therefore, the effect on the clients is that there will be no alleviation in their socioeconomic status.

Table 3.7 MFI's Achievements in Products and Services

Based from the results, it can be suggested that the products and services of MFIs in the Second District of Albay is effective to the client's needs and wants. In terms of technical assistance by inviting a resource person MFIs provides the right knowledge and skills to match the loan product function to their non-financial service. However, not all MFI's in the second district of Albay offers technical assistance and other services to their clients due to lack of financial sustainability.

The effect of lack of technical assistance declines the performance of a client's portfolio especially in the loan repayment and by this, lately the client will be a delinquent borrower in the group. Wherein, a delinquent borrower in the part of MFIs field staff will be difficult to manage and monitor.

That's why a weekly meeting of the field staff to the borrowers is important to know some problems or issues in the center area that needs to be addressed and fix by the field staff. Therefore, the field staffs in order to provide technical assistance to their clients is to have a partnership that will support voluntary and financially their different programs in order to have a reduction of cost on their operation.

Table 3.8 MFI's Challenges in Operation

Based on the results, it implies that the challenges in the operation of MFIs in the Second District of Albay have been overcome and that MFIs have overcome the problems they encountered in the past years of their operation. However, it will not just end with overcoming those problems that MFIs faced but also with having the right tools and methods to address the challenges.

Therefore, MFIs will have the capacity to deal with and solve those challenges in operations and apply the best solutions. MFIs that overcome the different challenges in operation due to the internal and external environment will have additional knowledge and experience in the microfinance concept. However, not all MFIs in the second district of Albay have the capacity to overcome the challenges in operation that resulted in mismanaged operations, cutting operations, downsizing, cost-cutting expenses in other areas of operation, bankruptcy, etc.

3.9 Challenges in Products and Services

Based on the results, it is inferred that the products and services of MFIs in the second district of Albay meet the needs of the clients. And by doing so, the repayment rate and profit of the MFIs will increase, creating a good identity and image for the clients and the community.

MFIs create products and services for their clients that will not be burdensome to comply with.

However, not all MFIs in the second district of Albay have good product designs and services for clients to cater to their needs and demands, which will lead to an effective product and efficient service. Authors in [10] states that the financial literacy trainings provided by microfinance institutions benefit both clients and institutions. It can improve the repayment and savings of the clients.

Table 4.3: Strategic Plan of MFI's Operations.

Areas of Concern	Improvements in Operations	Results
Lack of capital	To have adequate donors to cover other expenses. To borrow for commercial funding or BSP.	To provide long-term financial and non-financial services to the clients. To have additional revenue.
Poor knowledge and skills management	Conduct training programs for the staff, like orientation training, product and service training, technical training, and leadership training.	Field staff will acquire new knowledge and skills, increase their productivity, boost motivation, increase co-employee engagement, and have job satisfaction. For staff's long-term job and career development
Recruitment	To have a fare allowance for the field staff in order to reach locations, especially remote areas.	To improve the access to financial services for the poor. To serve a large number of clients.
Client Repayment	Standardization on the computation of the income and interest of the clients. To apply joint liability by shouldering the amount of the repayment of a co-borrower. Timely collection of repayment	To have a full loan repayment. Group members can avail of bigger loans in the future. MFIs will increase their profit to cover the cost of operations.
Client Monitoring	To check and review the repayment, attendance, income, and character of the clients. Develop a computer-based client monitoring system for client performance in the unit office.	The efficiency of loan officers can be enhanced, eliminating the time required for manual operations. To avoid loan default. To address clients issues.
Client Retention	Innovate the products and services and methodology design to meet client needs and demands.	To provide client value and satisfaction. To create a good image and identity as MFIs.
Field Staff Monitoring and Evaluation	The regional manager or seniors will conduct a spot check and evaluation in the field area and unit offices.	To know potential problems and mistakes in the field area and unit offices. Staff are ready and prepared for their job and have self-discipline.
Branch expansion	To open branches in town areas where locational characteristics and the number of potential borrowers are available.	To have a large outreach to the poor. To give more employment To have an opportunity for nationwide operation.
Market Competition	To have adequate donor funding. To improve client focus and leadership strategy. To conduct market research for the development of MFIs in the second district of Albay.	To develop a strategic plan. Improves staff decision-making in order to deal with different dilemmas. To overcome market saturation

Table 4.4: Strategic Plan of MFI's Products and Services.

Areas of Concern	Improvements in Products and Services	Results
Terms and Conditions of products and services	Low requirements for the clients to engage in MFIs Field officers will explain one by one the terms and conditions to the clients for clarity.	Requirements will not be a burden to the clients. There is equality in the terms and conditions.
Innovation of the products and services	Transferable to family members, especially the insurance product. To adapt mobile banking services	Meet the needs of the client. Client satisfaction. Reduce the cost of outreach and field staff.
Loan Disbursement	Short time in releasing the loan. On time release of loan Adopt a digital loan disbursement to the clients.	Clients will have a stable income. Transitioning microfinance clients from cash to digital transactions that will support the BSP goals.
Interest rate	Standardization on the calculation of interest rates for the clients. For MFIs that have banks, they will follow the BSP guidelines.	To provide a fair interest rate to the clients.
Mode of repayment	To have a flexible contract for repayment schedules.	To allow clients to waive their repayments during the next cycle of loans.
Loan default	Educate the clients about their loan repayment. The field officer will review and monitor the performance of the client.	Clients will know and understand their obligation to pay the loan. Increase MFI's profitability and sustain their operations.
Collateral security	A substitute collateral for group lending is JLG, or social collateral. For stabilized MFIs that offer million-peso loans, the collateral will be a land property.	Reduces credit risk and promotes investment. Clients will meet their financial obligations. A fair market value of assets to use to secure a loan.
Literacy Training	To provide the right content of the seminar to the clients. Conduct a seminar every month for the clients.	To improve clients knowledge and skills and to gain new ideas from the livelihood programs.
Education for the sons and daughters of the clients	Young MFIs will offer scholarship programs. Stable MFIs will offer additional courses in their scholarship program.	To provide a bridge and opportunity to the sons and daughters of the clients. MFIs will be recognized by the successful stories of the sons and daughters of their clients.
Personal risk and Covariant risk	Adjustment of the repayment with a grace period	To give the client consideration to pay the repayment.

5. Conclusions

Based on the results of the study on MFIs achievements in operation in the Second District of Albay, that not all microfinance institutions are viable in providing products and services to the clients. A lack of fund in the operations and problems on the disbursement of the loan product resulted to unstable income of the client's small business. And by, giving a high interest rate will result to a client to have a difficulty on paying the repayment and can lead to be a default borrower. In terms of the voluntary work in the community, not all MFIs in the Second District of Albay can provide community services and by this, it can affect the up scaling of MFIs recruitment. The MFI's that operate for a decade found that they have financial sustainability on providing a loan product but the young MFI's who operate for just several years has a problem on financial sustainability. And by this, the client's small business will be affected due to the insufficiency in the loan disbursement of MFIs. The study results on MFIs challenges in operation is on the part of the management found that some MFIs staff has lack of knowledge on the concept of micro-financing. And by this, it affects the effectiveness and efficiency of the whole operation in the field area, the unit office and branch office. The study results on MFIs achievements in products and services that they cater also the client's needs in the Second District of Albay. The MFI's offer loan product that helps the client to have an additional fund for their small business. However, not all MFI's has a sufficient fund and there are times that there is a delay on the disbursement of the loan product. And by this, there are clients that voluntarily exit to the group and engage in informal market lending or in other MFIs due to client dissatisfaction.

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