



نادهندگی-Delinquency

Branch Manager – Refresher

August 28-31, 2012



Goals

- Refresher of Delinquency
- Share process for 100% implementation zero percent delinquency policy
- Categorize delinquent loans
- Share plan of action for delinquent loan more than 30 days



SUSTAINABILITY

**INCOM
E**

Service
Charges

Loan Process
Fee

EXPENSES

Financial Expenses
(Cost of Funds and
Inflation)

- **Loan Loss** =

Operating Expenses
(Personnel and
Administrative
Expenses)

Profit

(Income is greater
than Expenses)



Three ways to increase sustainability are:

1. Reduce costs

(Financial + Operating)

2. Increase income

(raising interest rates, fees, and commissions)

3. Reduce Loan Loss



Delinquency and Default Definitions

DELINQUENCY

- The situation that occurs when loan payments are past due . (late recovery)

DEFAULT

- When a borrower cannot or will not repay a loan, and
- the MFI no longer expects to be repaid (although it keeps trying to collect).



How delinquency affects an MFI?

- Postpones interest income.
- With slower portfolio rotation, lowers productivity of assets and reduces fee income.
- Can spread quickly.
- Costs far more to fight delinquency; prevention is cheaper.
- Affects institution's image.
- Lowers staff morale.
- Lowers image of clients in their community.
- Increase chances of default, resulting in loss of both income and assets.



Asasah Delinquency Status

Total Late recovery as on August 17, 2012

Rs.13,367,111



Asasah Delinquency divided into three phases

Phase	Period	Amount
1	2007 till June 2011	7,580,754
2	July 2011 till June 2012	2,504,715
3	July 01 till August 17, 2012	585,220
	Total	10,670,689



Expected Losses: Income and Asset

Phase	Period	Gross PAR	Income	Asset: Loan portfolio
1	2007 till June 2011	7,580,754	1,263,459	6,317,295
2	July 2011 till June 2012	2,504,715	417,453	2,087,263
3	July 01 till August 17, 2012	585,220	97,537	487,683
Total		10,670,689	1,778,448	8,892,241



Focus point

**How recover Delinquent
amount???**



Asasah Delinquency Policy

Zero Percent Delinquency

Best Practices

- Zero percent delinquency is an obtainable and a reasonable goal, but it has its own costs.
- Zero percent delinquency is an attitude that the whole agency must adopt in order to make it a reality.
- If the institution accepts any delinquency level above zero percent, that is the decision of the institution itself.
- Delinquency is a “hidden beast.” This means that once you see a little delinquency (like the nose of a hippo or the footprint of a bear), it can easily and suddenly get out of control and eat away at your loan portfolio.



Plan of Action – Phase 3

100% Asasah delinquency Policy
implemented w.e.f July 01, 2012



How keep zero percent Delinquency –Phase 3

- Pre Disbursement
- Post Disbursement



Pre Disbursement

1. Identify Right Potential Market (through Mapping)
2. Right Staff
 - Hire CDO as per requirement
 - Training CDO specially on Borrower Appraisal Techniques
3. Know Your Client (PPI tool)



Pre Disbursement

4. Right Borrower Appraisal Techniques
 - Loan Application Form – Client & Loan information
 - Business Analysis – Right loan Size

5. Strong Group Formation
 - BM assure group form as per policy (member know each other+ close residence)
 - BM assure right selection of guarantor



Pre Disbursement

6. Monitoring – By Branch Manager

- Physical business verification
- Assure client not paid cash other than loan processing fee
- Assure 0% misutilization of loan by Activist
- Assure CDO not involve in misutilization of loan

7. Monitoring – By Internal Auditor

- 100% verify client and approve loan amount.
- Assure client receive ATM and Pin code.
- Assure 100% disburse amount receive by client through direct transfer from CO Bank Account to Client Bank Account



Post Disbursement

1. BM assure one day before collection of recovery by Group Leader. (in case problem in collection resolve before recovery due date)
2. BM assure recovery deposit at easy paisa shop by group leader or designated person by GL.
3. Quarterly Unit Audit
4. Quarterly Business Monitoring. (coming soon)



In case delinquency occur (late recovery)

**Identify problem and
categorize delinquency**



Category - 1

- Member hold recovery due to clash with staff.
- Member hold recovery due to group issue
- Recovery rob from Group Leader or member
- Activist or group leader use recovery
- Member could not arrange recovery.
- Group hold last installment of recovery

Action

- Resolve issue with in 24 hours



Category - 2

- Influential person involve and member stop recovery on his/her instruction.
- Member left area.
- Activist misutilize loan of other members
- Member took stay from court
- Staff use recovery

Action

- BM inform to operation Manager with action plan for late recovery
- Operation manager provide support as and when needed
- Branch Manager update to OM on regularly basis.



Category - 3

- Stay issue not resolve out of court.
- Natural Disaster i.e earth quake
- Government policy effect on recovery collection

Action

- Branch Manager inform to operation Manager within 24 hours
- Operation manager develop action plan on case to case basis



Delinquency – phase 2

Action Plan

- Branch Manager conduct field audit of delinquent loan.
(deadline: sep & oct)
- Delinquent loan divide into 7 categories after field audit:
 1. Activist use other members loan
 2. Ex staff use loan
 3. Third party and staff did cash fraud through ghost/fake loan.
 4. Client shifted area
 5. Staff had personal clash with member or group
 6. Timely field issue not resolved by branch staff



Delinquency – phase 2

Action Plan

- **Branch manager first focus on category 5 & 6**
- **Branch Manager conduct meeting with client who build good credit history, access their loan potential, motivate them to rejoin membership of Asasah.**
- **Operation Manager and branch manager resolve issue on client to client base.**



Any question or comment??????

Delinquency—The Hidden Beast—



can eat away at a portfolio without anyone realizing it, and then suddenly explode out of control, like a hidden beast



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Thank you!