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**MICROFINANCE-NGO INSTITUTIONAL
NEEDS ASSESSMENT SURVEY:
RESULTS AND KEY FINDINGS REPORT**

MAY 2006

**SRI LANKA RURAL FINANCE SECTOR DEVELOPMENT PROJECT
ADB LOAN No. 2042-SRI (SF)**

Asian Development Bank
Sri Lanka

Rural Finance Sector Development Program
ADB Loan No 2042-SRI

Microfinance-NGO Institutional
Needs Assessment Survey:
Results and Key Findings Report

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Abbreviations and Acronyms

ADB	Asian Development Bank
CBS	Centre for Banking Studies
Consultants	UniQuest Pty Limited
IT	Information Technology
MF	Microfinance
MF-NGO	Microfinance Non-Government Organization
MFI	Microfinance Institution
MIS	Management Information System
MOFP	Ministry of Finance and Planning
NDTF	National Development Trust Fund
PIU	Project Implementation Unit
PMU	Project Management Unit
RFSDP	Rural Finance Sector Development Program
TA	Technical Assistance
TCCS	Thrift and Credit Cooperative Society
Rs.	Sri Lankan Rupees (Rs. 103.00 = US\$ 1.00)

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Executive Summary

1 The following report presents the results and key findings of a survey of the institutional development needs of Microfinance Non-Government Organizations (MF-NGOs) in Sri Lanka. This MF-NGO Institutional Needs Assessment Survey was financed by the Asian Development Bank (ADB) under ADB Loan No.2042-SRI: Rural Finance Sector Development Program. The Consultants carried out the work associated with this survey in accordance with the project workplan under the CBS and NDTF Components of the Project.

2 The Consultants were responsible for preparing the survey questionnaire, designing the survey sample, supervising the field survey work, analyzing the survey data, and preparing this report. The National Development Trust Fund (NDTF) provided five staff members to serve as survey enumerators who were trained by the international NGO Institutional Development Specialist to conduct field data collection. The domestic NGO Institutional Development Specialist, assigned to NDTF, also assisted in data collection. The survey instrument was pre-tested during the period 21-28 January 2006 in Galle district. Data collection was completed on 27 April 2006 and data validation and results tabulation completed on 30 April 2006.

3 During the months of February through April 2006, survey data was collected from a sample size of 25 MF-NGO respondents, operating in ten districts of Sri Lanka. Data collected from the survey was stratified according to size of the MF-NGO, whether small, medium or large. Size was determined according to the following formula: number of loan accounts plus number of savings accounts divided by two. MF-NGOs having less than 5,000 accounts were classified as "small." Those having between 5,000 to 10,000 accounts were classified as "medium," while those having more than 10,000 accounts were classified as "large." Following this formula, the sample size include 17 small-scale MF-NGOs, 3 medium-scale MF-NGOs and 5 large-scale MF-NGOs.

4 This survey provides profile information on MF-NGOs in Sri Lanka, including their ownership structure, age, client base; their employment profile; their management profile; their financial practices; use of computers, internet and computer applications; their practices related to business planning; and the financial and non-financial services which they offer. The survey provides specific information related to training and training needs of MF-NGOs and includes an assessment of factors limiting their ability to expand and major problems and needs which confront them. The survey also measures MF-NGO performance during the past year.

5 Key survey findings are presented below.

MF-NGO Business Profile

Ownership Structure

6 The survey sample included 17 registered NGOs, 1 non-registered NGO, 1 people's company, 1 guarantee limited company, 1 public limited company and 4 cooperative societies.

7 Survey results show that 96% of MF-NGOs surveyed own their own furnishings and equipment and 52% of all organizations surveyed said that they owned their primary business premises.

Age of Organization

8 Survey results show that MF-NGOs surveyed are well-established, with 92% having been in business for five years or more, and 72% having operated for more than ten years.

Client Classification

9 Survey findings show the top five MF-NGO client classifications included: *women* (100%); *living in rural areas* (92%); *society members* (80%); *engaged in micro-enterprises* (76%); and *engaged in agriculture* (68%)

MF-NGO Employment Profile

Scale of Employment

10 MF-NGOs employing 11-29 workers represent the largest employment scale category measured, accounting for 40% of organizations surveyed, with 47% of Small MF-NGOs surveyed falling within this range. Survey results show that MF-NGOs employing more than 10 employees account for 76% of all survey respondents.

Gender

11 Of the Small MF-NGOs surveyed, 94% reported that their employees were 60% or more female, while 84% of all MF-NGOs surveyed said the same. As such, the predominant gender of MF-NGO employees is female by a wide margin.

Worker Status

12 Of all MF-NGO survey respondents, 36% indicated that their employees were all permanently employed, while 20% of the respondents said that they employed 100% casual employees. Some 60% of all MF-NGOs surveyed said that permanent employees accounted for 90% or more of their total staffing structure.

Employment Benefits

13 Survey findings show that more than three-fourths of all MF-NGOs indicated that they provided employees with *maternity leave* (76%), while a majority indicated that they provided employees with *paid sick leave* (68%), *paid vacation* (64%), *transportation allowance* (60%). Other employee benefits commonly provided by MF-NGOs included *retirement benefits* (48%) and *education/training allowance* (44%). *Health insurance* (4%) and *life insurance* (16%) were the least common MF-NGO-provided benefits.

Employment Trends

14 Survey results indicates that employment over the past year grew at an annual rate of 26.4% for Small MF-NGOs, 57.8% for Medium MF-NGOs, and 10.8% for Large MF-NGOs, for a combined annual employment growth rate for all MF-NGOs surveyed of 16.5%.

15 The data shows a rapid employment growth rate for both Small and Medium MF-NGOs during the past year, suggesting that the volume of financial services as well as numbers of clients served has shown a significant increase.

MF-NGO Management Profile

Gender

16 Survey data indicates that the gender of MF-NGO managers is male dominated (76%).

Age

17 Survey results reveal that the age of MF-NGO leadership is relatively mature, with managers over the age of 40 accounting for 64%, or nearly two-thirds, of all organizations surveyed.

Education

18 45% of the Small and Medium MF-NGOs surveyed showed only a *secondary level* of education for their managers. This suggests that educational standards for managers of Small and Medium MF-NGOs must be increased in order to improve efficiency in operations and expand outreach.

Experience

19 More than three out of four MF-NGO managers has more than 10 years of work experience, suggesting a fairly high level of management work experience among all sizes of MF-NGOs.

Financial Practices

Financial Statements

20 Survey findings show there is a need for further improving the frequency of financial statement preparation and reporting by Small MF-NGOs.

Accounting Practices

21 Three-fourths of the MF-NGOs surveyed had a manual accounting system and none had a *fully-automated accounting system*. This finding suggests the pressing need to introduce IT-supported accounting and MIS systems to sustain portfolio growth.

Auditing, Budgeting, and Monitoring and Evaluation

22 Slightly more than half of the MF-NGOs surveyed (56%) said that they conducted annual internal audits, while virtually all (96%) claimed to have annual external audits. Three out of four MF-NGOs surveyed indicated that they prepared an annual budget and the majority of MF-NGOs in all size categories practiced some form of monitoring and evaluation

Use of Computers, Internet, Computer Applications

23 Slightly more than half (52%) of all MF-NGOs surveyed indicated that they had computers in use in their organization. However, the data indicates that only 35% of Small MF-NGOs were computerized. This data correlates closely with the need to address barriers to MF-NGO growth (Section 10.) related to the need to computerize operations, improve IT-supported MIS, and provide computer training to staff (Section 9.2).

24 More than two-thirds (68%) of MF-NGOs surveyed indicated that they were not presently connected to the Internet. These findings show that the majority of MF-NGOs surveyed are not using email communication or MF/financial search information related to their operations.

25 For those MF-NGOs which have computers, fewer than half use computers for any financial service application. This suggests the strong need for intensive training on microfinance computer applications for relevant staff of MF-NGOs of all sizes.

26 Fully 96% of all survey respondents indicated that they were not using any Microfinance Software packages in the business or financial operations. This finding clearly indicates the need to introduced IT-supported software packages to enhance the management, efficiency and growth of MF operations in Sri Lanka.

Business Planning

27 Survey results show that 59% of Small MF-NGOs did not have a written business plan, suggesting the need for business planning capacity-building for this size category of MF-NGOs.

28 Survey results show that 76% of Small MF-NGOs surveyed said that they do not have a written Microfinance Policies and Procedures Operating Manual. Of these, 54% say they either don't know how to prepare a MF operating manual or that they intend to prepare one in the future. These findings point to the need for technical assistance and capacity building in the area of developing written microfinance policies and procedures, particularly for Small MF-NGOs.

MF-NGO Financial and Non-Financial Services

Short -Term Loan Products

29 Only 24% of Small MF-NGOs and 32% of all MF-NGOs surveyed indicated that they offered short-term loan products with a term of 30 days or less. This is a significant finding as MF programs in many neighbouring Asian countries have very active less-than-30-day short term loan products which generate substantial income for the MFIs. MF-NGOs in Sri Lanka should develop new financial products to serve the less-than-30-day market.

Client Saving Deposits

30 For Small MF-NGOs surveyed, 88% have Rs. 5 million or less in client savings deposits, while for all MF-NGOs surveyed 68% fall into this category.

31 Survey findings show that for all MF-NGOs surveyed, 72% show an average balance per client savings account of Rs. 3,000 or less, and 44% show an average balance of less than Rs. 1,000.

Loans

32 For Small MF-NGOs surveyed, 71% have Rs. 10 million or less in current loans outstanding, while for all MF-NGOs surveyed 52% fall into this category.

33 Survey findings show that for all MF-NGOs surveyed, 36% show an average loan balance per client account of ranging from Rs. 1,000-5,000, and 48% show an average loan balance ranging from Rs. 5,001-15,000.

Delinquency Rates

34 For Small MF-NGOs surveyed, 88% claimed loan delinquency rates of 10% or less.

Aging of Loan Accounts

35 More than two-thirds (68%) of all MF-NGOs and 82% of Small MF-NGOs surveyed do not have a system to age loan accounts. This finding suggests the need for technical assistance and capacity building to teach MF-NGOs, and particularly Small MF-NGOs, how to age their loan accounts.

Source of Funds

36 While most of the survey sample borrowed funds from NDTF only 7 (28%) of the 25 MF-NGOs surveyed borrowed a majority of their funds from NDTF. Savings deposits of clients accounted for the single largest source of MF-NGO funding.

Training and Training Needs

Frequency of Training

37 The survey findings show that frequent training for staff is common in the Medium and Large MF-NGOs interviewed, however, Small MF-NGOs tend to have training programs for their staff less frequently and 35% seldom have training.

Training Needs

38 The top 5 training priorities identified for Senior Managers of MF-NGOs surveyed were: *microfinance / financial management / best practices* (1); *portfolio management / project monitoring / MIS* (2); *administration / management and leadership* (3); *business planning / strategic planning / fund sourcing / new products* (4); and *human resources management and development* (5).

39 The top 5 training priorities identified for Mid-Level Officers of MF-NGOs surveyed were: *microfinance management* (1); *project management / marketing* (2); *portfolio management / financial analysis* (3); *capacity-building / management training* (4); and *computer training* (5).

40 The top 5 training priorities identified for Accountants of MF-NGOs surveyed were: *accounting management / preparation of financial reports* (1); *manual accounting systems / MIS systems* (2); *computer training* (3); *analyzing financial reports / microfinance operations* (4); and *annual budgeting* (5).

41 The top 5 training priorities identified for Field Workers of MF-NGOs surveyed were: *community development / social mobilization, capacity-building* (1); *credit, savings, microfinance management* (2); *project management, appraisal, reporting, monitoring and evaluation* (3); *preparation of feasibility reports / enterprise promotion* (4); and *conflict resolution / client relations* (5).

Barriers to Growth and Expansion

Major Barriers to MF-NGO Expansion

42 For all MF-NGOs surveyed, the major barriers to financial services expansion cited were: *MIS system needs improving* (56%); and *staff lacks necessary skills and needs more training* (48%). When major and significant barrier rankings were combined, survey results showed the following barrier response: *staff lacks necessary skills and needs more training* (88%); *MIS system needs improving* (84%); *availability of funds to expand lending* (80%); *need to introduce new products or services* (60%); and *competition from other MFIs or government programs* (56%).

Major MF-NGO Problems

43 The most frequent major problems cited by MF-NGOs surveyed, in order of response, include: *lack source funds to expand program*; *lack computer, internet & email facilities*; *have insufficient MIS and communication system*; *lack transportation*; *lack office equipment and furnishings*; *lack sufficient office space*; and *lack microfinance specialized software package / delay in receiving reports*.

Major MF-NGO Needs

44 The most frequent major needs cited by MF-NGOs surveyed, in order of response, include: *source funds to expand program*; *computers and related training for staff*; *training facilities and/or training materials*; *training programs for staff*; *vehicles (motorcycles, scooters, bicycles)*; *specialized microfinance software packages / MIS programs*; and *other office equipment and furnishings*.

Performance during the Past Year

45 For all MF-NGOs surveyed, 88% said that their current lending program performance as compared to the past twelve months was improved.

46 For all MF-NGOs surveyed, 92% said that their current deposit growth as compared to the past twelve months was improved.

47 For all MF-NGOs surveyed, 96% said that their number of total clients now served as compared to the past twelve months had increased.

48 For all MF-NGOs surveyed, 100% said that their average loan size now as compared to the past twelve months had increased.

1. Introduction

1.1 Background

1 This report presents the results and key findings of an institutional needs assessment survey of Microfinance Non-Government Organizations (MF-NGOs) in Sri Lanka. The MF-NGO Institutional Needs Assessment Survey, conducted under the Asian Development Bank (ADB) financed Rural Finance Sector Development Program, ADB Loan No.2042-SRI., was carried out by the Consultants, UniQuest Pty. Limited, in accordance with the project workplan under the Centre for Banking Studies (CBS) and National Development Trust Fund (NDTF) Components of the Technical Assistance (TA) support project.

2 The survey questionnaire, prepared by the Consultant's NGO Institutional Development Specialist team, was designed to provide a broad measure of MF-NGOs institutional development needs in order to identify specific measures to address institutional and capacity constraints. The survey provides profile information on MF-NGOs in Sri Lanka, including their: ownership structure, age, client base; employment profile; management profile; financial practices; use of computers, internet and computer applications; practices related to business planning; and the financial and non-financial services which they offer. The survey provides specific information related to training and training needs of MF-NGOs and includes an assessment of barriers to MF-NGO growth, including factors limiting their ability to expand and major problems and needs which confront them. The survey also measures MF-NGO performance trends over the past year.

1.2 Survey Objectives

3 The objectives for conducting the MF-NGO Institutional Needs Assessment Survey under the project were as follows:

- To provide a sample measure of the institutional development needs of microfinance institutions (MFIs) in Sri Lanka, particularly those classified as MF-NGOs.
- To measure the capacity of MF-NGOs to be effective instruments for delivery of a wide-range of financial products and services to the poorer sectors of the economy.
- To generate MF-NGO baseline information that can be used along with other data sources to establish a useful information database to assist government and the private sector in the promotion and productive growth of efficient and sustainable MFIs to support national economic growth.

1.3 Methodology

4 The Consultants were responsible for preparing the survey questionnaire, designing the survey sample, supervising the field survey work, analyzing the survey data, and preparing this report.

5 The survey instrument and sample framework designed by the Consultants, in consultation with the Project Implementation Unit (PIU), National Development Trust Fund (NDTF), was focused on the key objectives of the TA and the time limitations therein defined. The Consultants worked closely with the PIU to ensure their participation and to enable the work to be carried out in a professional, smooth and timely manner.

6 The survey instrument, which included responses to 72 questions/information blocks, was prepared in English. Enumerators conducted the interviews in Sinhala and Tamil languages during field data

collection. The questionnaire adopted a close-ended question structure and data was collected using an interviewer-administered approach.

7 NDTF provided five staff officers to serve as enumerators for data collection. The international NGO Institutional Development Specialist provided survey instrument training, including approach and methodology to be followed, for these five enumerators. The enumerators had extensive experience in quantitative and qualitative data collection.

8 Pre-testing of the survey instrument was conducted in Galle district during the period 21-28 January 2006. Following the pre-testing slight modifications were made to the survey questionnaire to improve on its effectiveness and clarity.

9 Following the survey pre-test, enumerator teams commenced field survey data collection in assigned survey locations following sample framework design criteria. The Consultants accompanied the enumerators on four field data gathering trips during the months of January through April 2006 to ensure accuracy and completeness with respect to data gathering and technique. The domestic NGO Institutional Development Specialist, assigned to NDTF, also assisted in data collection.

10 Information gathered from the field survey was cross tabulated in electronic and hard copy versions using Microsoft Word format.

11 Data collection was completed on 27 April 2006 and data validation and results tabulation completed on 30 April 2006.

1.4 Survey Sample Framework and Analysis

1.4.1 Survey Sample Size

12 The target net survey sample size was set at a minimum of 20 MF-NGOs. The actual net survey sample response was 25 respondents, representing 17 small-scale, 3 medium-scale and 5 large-scale MF-NGOs.

1.4.2 Survey Sample Selection

13 Survey sample selection followed a random selection process and was drawn from a combination of active and inactive MFI Partner Organizations of NDTF. As NDTF's Partner Organizations represent a cross-section of MF-NGOs in Sri Lanka, it was decided that it would be advantageous to the survey objectives to choose a sample from the NDTF Partner Organization roster. In this manner, a pilot support program to address institutional constraints of the MF-NGOs participating in the survey would be easy to structure and would have direct benefit to the NDTF project component objectives related to institutional strengthening and capacity building of NDTF partner MF-NGOs.

1.4.3 Survey Sample Design

14 Responsibility for the design of the survey sample rested with the Consultants who performed their task in close consultation with the NDTF. In order to ensure that the survey sample accurately representing a cross-section of MF-NGOs operating in Sri Lanka, a broad-based geographic representation to include not less than 10 districts, both coastal and inland was established as a selection criteria. Also, the survey sample design adopted a size-criteria, wherein selection of MF-NGOs was stratified according to size of financial services operation, whether small, medium or large. Size was determined according to the following formula

$$\frac{\text{Number of active Loan accounts} + \text{Number of active Savings accounts}}{2} = \text{Account Size} = \text{MF-NGO Size}$$

MF-NGO Size Classification :	Small	Medium	Large
Definition: No. active Loan accounts plus No. active Savings accounts, divided by 2 = account size = MF-NGO size	< 5,000 Accounts	5,000 to 10,000 Accounts	> 10,000 Accounts

15 MF-NGOs having less than 5,000 accounts, according to this formula, were classified as “small.” Those having from 5,000 to 10,000 accounts were classified as “medium,” while those having more than 10,000 accounts were classified as “large.”¹ Following this formula, the sample size for the survey is presented in the table below.

Micro-Finance Non-Government Organizations (MF-NGOs) surveyed:

MF-NGO RESPONDENT CLASSIFICATION	SMALL MF-NGOs < 5,000 Accounts	MEDIUM MF-NGOs 5,000 to 10,000 Account	LARGE MF-NGOs > 10,000 Accounts	ALL MF-NGOs
✘ NUMBER OF MF-NGO Survey Respondents ²	17	3	5	25
TOTAL NUMBER RESPONSES	17	3	5	25
Percent	68.0 %	12.0 %	20.0 %	100.0 %

¹ As an example, a MF-NGO having 1,000 active loan accounts and 7,000 active savings accounts would, under the survey size classification formula have an account size of 4,000 (1,000 + 7,000 ÷ 2 = 4,000).

² Twenty five respondents representing 24 Microfinance NGOs participated in the survey. The Hikkaduwa branch of the Arthacharya Foundation was included as a Medium MF-NGO respondent, while the overall operations of the foundation, with 12 branches, are shown as a respondent under the Large MF-NGO category. Although the survey is broadly restricted to MF-NGOs, one public limited company was included, as its operations are similar to those of other MF-NGOs. Four Thrift and Credit Cooperative Societies (TCCS) were also included in the survey sample, along with one Peoples’ company and one guarantee limited company.

16 A listing of the 25 survey respondents is presented in the following table, according to size.

MF-NGO Survey Respondents:

Name of Organization	No. Members / Clients Served	Average No. of Accounts ³ (loan or savings)	District Location
SMALL MF-NGOs: Less than 5,000 Accounts			
1. Sahana Padanama, member of Ruhuna NGO Federation	3,000	1,387	Matara
2. Katandola Women Development Society	1,000	742	Galle
3. Habaraduwa Participatory Development Foundation	4,500	4,325	Galle
4. North East Rehabilitation Training & Research Association	3,158	1,844	Batticaloa
5. Sweido Vision	6,227	3,447	Ampara
6. Social Development Foundation	3,000	2,750	Jaffna
7. Udapalatha Praja Shakthi Sanwardana - Padanama	1,810	1,475	Kandy
8. Nation Builders Association	5,340	4,250	Kandy
9. Yatinuwara Praja Shakthi Sanwardana - Padanama	1,068	709	Kandy
10. Praja Shakthi Padanama - Galagedara	825	663	Kandy
11. Isuru Development (People's) Company Ltd.	2,000	1,108	Puttlam
12. Development Communication Foundation - Warakapola	1,750	542	Kegalle
13. Udanamulla East - T.C.C.S.	950	715	Colombo
14. Temperance Youth Club of Sri Lanka	3,000	900	Ratnapura
15. People's Development Foundation	1,500	525	Ratnapura
16. Mithuru Mithuro Sansadaya	2,200	1,200	Ratnapura
17. Ekabadda Praja Sanwardana Kantha Maha Sangamaya	2,500	1,650	Ratnapura
MEDIUM MF-NGOs: 5,000 to 10,000 Accounts			
18. Arthacharya – Hikkaduwa Branch	13,500	7,323	Galle
19. SAREERAM Sri Lanka National Foundation, Inc.	16,559	6,310	Batticaloa
20. Lakjaya Thrift and Credit Foundation Ltd.	5,000	5,000	Colombo
LARGE MF-NGOs: More than 10,000 Accounts			
21. Thrift and Credit Cooperative Society - Matara	65,000	21,826	Matara
22. Thrift and Credit Cooperative Society - Galle	70,000	22,000	Galle
23. Thrift and Credit Cooperative Society Union Ltd - Jaffna	12,000	16,560	Jaffna
24. Arthacharya Foundation	15,000	35,000	Colombo
25. SEEDS (Guarantee) Ltd.	400,000	825,000	Colombo
TOTAL (Including SEEDS)	640,887	967,251	10
TOTAL (Excluding SEEDS)	240,887	142,251	10

Survey Results and Key Findings

17 The following sections of this report present the results and key findings of the survey.

³ Survey size classification definition: total number of active loan accounts plus total number of active savings accounts, divided by 2.

2. MF-NGO Profile: Ownership Structure, Age and Client Base

2.1 MF-NGO Ownership Structure

2.1.1 Business Structure

18 The composition of the survey sample classified by type of ownership and organization size is shown in the following table. The data shows that 68% of all organizations surveyed were classified as registered NGOs and 16% were classified as cooperative societies.

MF-NGO Classification / No. of Responses: <i>Ownership structure of MF-NGO:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
✘ Registered NGO	14	2	1	17
✘ NGO <u>not</u> registered	1	0	0	1
✘ Private Limited Company/ Peoples' Company	1	0	0	1
✘ Guarantee Limited Company	0	0	1	1
✘ Public Limited Company	0	1	0	1
✘ Cooperative Society	1	0	3	4
TOTAL NUMBER RESPONSES	17	3	5	25
Percent	68.0 %	12.0 %	20.0 %	100.0 %

2.1.2 Ownership: Land, Buildings and Equipment

19 Survey results, as shown in the table below, suggest a very high ownership of office equipment and furnishings by MF-NGOs, however, less than half of Small MF-NGOs own their primary business premises an barely half (52%) of all organizations surveyed said that they owned their primary business premises.

MF-NGO Classification / No. of Responses: <i>MF-NGO owns:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
✘ Primary business premises	8	1	4	13
✘ Other land and buildings	6	2	1	9
✘ Office equipment & furnishings	17	2	5	24
✘ Vehicle or motorcycles	9	2	5	16

20 Data indicates that 60% of all MF-NGOs surveyed operate branch offices. Less than half of Small MF-NGOs operate branch offices, while 100% of the Large MF-NGOs surveyed have branch offices.

MF-NGO Classification / No. of Responses: <i>Does MF-NGO operate branch offices:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
✘ Yes	8	2	5	15
✘ No	9	1	0	10
TOTAL NUMBER RESPONSES	17	3	5	25

2.2 Age of MF-NGO

21 The following table depicts the age of MF-NGOs surveyed according to size of organization. The results indicate that MF-NGOs surveyed are well-established, with 92% having been in business for five years or more, and 72% having operated for more than ten years.

MF-NGO Classification / No. of Responses: <i>Age of the MF-NGO:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Less than 5 years	1	1	0	2	8.0
✘ 5-10 years	4	1	0	5	20.0
✘ More than 10 years	12	1	5	18	72.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

2.3 MF-NGO Client Classification

22 The following table depicts the surveyed organizations' response to who the majority of their clients represent. The survey question allowed for multiple responses. The **top five client classifications included: women (100%); living in rural areas (92%); society members (80%); engaged in micro-enterprises (76%); and engaged in agriculture (68%)**. Less than half of the respondents classified the majority of their clients as *engaged in trade* (48%).

MF-NGO Classification / No. of Responses: <i>Majority of MF-NGO clients are:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent	Rank (Top 5)
✘ society member	14	1	5	20	80.0	3
✘ men	2	1	1	4	16.0	
✘ women	17	3	5	25	100.0	1
✘ living in rural areas	16	2	5	23	92.0	2
✘ living in urban areas	1	1	2	4	16.0	
✘ households	7	1	3	11	44.0	
✘ engaged in micro-enterprises	13	2	4	19	76.0	4
✘ engaged in Agriculture	13	1	3	17	68.0	5
✘ engaged in fishing	1	0	1	2	8.0	
✘ engaged in trading	9	1	2	12	48.0	

3. MF-NGO Employment Profile: Employees, Gender, Status, Benefits, and Trends

3.1 Scale of Employment

23 The following table presents the scale of MF-NGO employment organization size. MF-NGOs employing 11-29 workers represent the largest employment scale category measured, accounting for 40% of organizations surveyed, with 47% of Small MF-NGOs surveyed falling within this range. Survey results show that MF-NGOs employing more than 10 employees account for 76% of all survey respondents.

MF-NGO Classification / No. of Responses: <i>Number of current employees:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ 1-5 employees	1	0	0	1	4.0
✘ 6-10 employees	5	0	0	5	20.0
✘ 11-29 employees	8	1	1	10	40.0
✘ 30-49 employees	1	1	0	2	8.0
✘ 50-99 employees	2	1	2	5	20.0
✘ 100-149 employees	0	0	1	1	4.0
✘ 150 or more employees	0	0	1	1	4.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

3.2 Employment by Gender

24 Survey findings measuring the range of MF-NGO employment by gender and size are presented in the table below. Of the **Small MF-NGOs surveyed, 94% reported that their employees were 60% or**

more female, while 84% of all MF-NGOs surveyed said the same. As such, the predominant gender of MF-NGO employees is female by a wide margin.

MF-NGO Classification / No. of Responses: <i>Gender of employees:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
✘ male 100% - female 0%	0	0	0	0
✘ male 90% - female 10%	0	0	0	0
✘ male 80% - female 20%	0	0	0	0
✘ male 70% - female 30%	0	1	0	1
✘ male 60% - female 40%	1	0	1	2
✘ male 50% - female 50%	0	0	1	1
✘ male 40% - female 60%	4	0	0	4
✘ male 30% - female 70%	2	1	2	5
✘ male 20% - female 80%	2	0	1	3
✘ male 10% - female 90%	4	1	0	5
✘ male 0% - female 100%	4	0	0	4
TOTAL NUMBER RESPONSES	17	3	5	25

3.3 Employment by Worker Status

25 Survey findings measuring the range of MF-NGO employment by worker status and size are shown in the following table. Of all MF-NGO survey respondents, 36% indicated that their employees were all permanently employed, while 20% of the respondents said that they employed 100% casual employees. Some 60% of all MF-NGOs surveyed said that permanent employees accounted for 90% or more of their total staffing structure.

MF-NGO Classification / No. of Responses: <i>Status of employees:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
✘ permanent 100% - casual 0%	4	3	2	9
✘ permanent 90% - casual 10%	3	0	3	6
✘ permanent 80% - casual 20%	0	0	0	0
✘ permanent 70% - casual 30%	0	0	0	0
✘ permanent 60% - casual 40%	1	0	0	1
✘ permanent 50% - casual 50%	0	0	0	0
✘ permanent 40% - casual 60%	1	0	0	1
✘ permanent 30% - casual 70%	0	0	0	0
✘ permanent 20% - casual 80%	1	0	0	1
✘ permanent 10% - casual 90%	2	0	0	2
✘ permanent 0% - casual 100%	5	0	0	5
TOTAL NUMBER RESPONSES	17	3	5	25

3.4 Employment Benefits

26 The range of MF-NGO offered employee benefits is shown in the following survey findings. Of all the MF-NGOs responding, more than three-fourths indicated that they provided employees with *maternity leave* (76%), while a majority indicated that they provided employees with *paid sick leave* (68%), *paid vacation* (64%), *transportation allowance* (60%). Other employee benefits commonly provided by MF-NGOs included *retirement benefits* (48%) and *education/training allowance* (44%). *Health insurance* (4%) and *life insurance* (16%) were the least common MF-NGO-provided benefits.

MF-NGO Classification / No. of Responses: <i>Benefits offered to employees by MF-NGO:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Rank (Top 6)
✘ paid vacation	10	3	3	16	3
✘ paid sick leave	11	2	4	17	2
✘ transportation allowance	10	3	2	15	4
✘ meals	3	0	1	4	
✘ education/training allowance	5	2	4	11	6
✘ annual tour	5	1	3	9	
✘ commissions	4	1	3	8	
✘ bonuses	1	0	4	5	
✘ maternity leave	12	2	5	19	1
✘ health insurance	0	0	1	1	
✘ life insurance	1	0	3	4	
✘ retirement benefits	6	2	4	12	5

3.5 Employment Trends

27 The survey measured total MF-NGO employment at its current level compared with that of one year ago. The following table presents employment trend survey findings according to MF-NGO size. The data indicates that employment over the past year grew at an annual rate of 26.4% for Small MF-NGOs, 57.8% for Medium MF-NGOs, and 10.8% for Large MF-NGOs, for a combined annual employment growth rate for all MF-NGOs surveyed of 16.5%.

28 The average current Small MF-NGO employment size was 21.1 employees, as compared to 16.7 employees one year ago. For Medium MF-NGOs, the average current employment size was 37.3, as compared to the past year level of 23.7. **This data shows a rapid employment growth rate for both Small and Medium MF-NGOs during the past year, suggesting that the volume of financial services as well as numbers of clients served has shown a significant increase.** This finding correlates closely with that presented in Section 11.1, 11.2 and 11.3 of this report, wherein a large majority of MF-NGOs surveyed said that over the past year *current lending program performance* had improved (88%), *deposit growth* had improved (92%), and the *number of total clients served* had increased (96%).

Actual Employment / MF-NGO Size: <i>Employment trend:</i>	Total Employment Current		Total Employment One-Year Ago		Employment Change	
	Number of Employees	Percent	Number of Employees	Percent	Number of Employees	Percent Change
Small MF-NGOs	359	22.9	284	21.0	75	26.4
Medium MF-NGOs	112	7.1	71	5.3	41	57.8
Large MF-NGOs	1100	70.0	993	73.7	107	10.8
Total	1571	100.0	1348	100.0	223	16.5

4. MF-NGO Management Profile: Gender, Age, Education, and Experience

4.1 Management Profile - Gender

29 Survey data indicates that the **gender of MF-NGO managers is male dominated (76%)**, as shown in the table below. Only one-fourth of the MF-NGOs surveyed indicated that the organization was managed by females. This suggests a gender imbalance as compared to the employment gender data presented earlier (Section 3.2) showing the majority of employees of MF-NGOs are women.

MF-NGO Classification / No. of Responses: <i>Gender of MF-NGO management:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Male	12	2	5	19	76.0
✘ Female	5	1	0	6	24.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

4.2 Management Profile - Age

30 The data below presents a profile of MF-NGO management according to age. Survey results reveal that the age of MF-NGO leadership is relatively mature, with managers over the age of 40 accounting for 64%, or nearly two-thirds, of all organizations surveyed. Correspondingly, no managers under the age of 30 were recorded among survey respondents.

MF-NGO Classification / No. of Responses: <i>Age of MF-NGO management:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Under 30 years	0	0	0	0	0.0
✘ 30-39 years	7	2	0	9	36.0
✘ 40-49 years	5	1	1	7	28.0
✘ 50 years and over	5	0	4	9	36.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

4.3 Management Profile - Education

31 The highest level of educational attainment by managers of MF-NGOs surveyed is presented in the following table. Of all MF-NGOs surveyed, 64% recorded a *diploma* or *university level* of education. This suggests a relatively high level of educational attainment on the part of MF-NGO managers. It is important to note, however, that **45% of the Small and Medium MF-NGOs surveyed showed only a *secondary level* of education for their managers**. This suggests that educational standards for managers of Small and Medium MF-NGOs must be increased in order to improve efficiency in operations and expand outreach.

MF-NGO Classification / No. of Responses: <i>Education of MF-NGO management:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ University level	7	0	3	10	40.0
✘ Diploma level	3	1	2	6	24.0
✘ Secondary level	7	2	0	9	36.0
✘ Primary level	0	0	0	0	0.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

4.4 Management Profile - Experience

32 The data presented below shows a profile of MF-NGO management by years of work experience. The data indicates that more than three out of four MF-NGO managers has more than 10 years of work experience, suggesting a fairly high level of management work experience among all sizes of MF-NGOs.

MF-NGO Classification / No. of Responses: <i>Work Experience of MF-NGO management:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Less than 3 years	0	0	0	0	0.0
✘ 3-5 years	2	1	0	3	12.0
✘ 6-10 years	2	0	1	3	12.0
✘ More than 10 years	13	2	4	19	76.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

5. Financial Practices: Reporting, Accounting, Auditing, Budgeting and Monitoring/Evaluation

5.1 Financial Statements

33 The table below shows the frequency of preparation of financial statements by MF-NGO size. The data shows that for Medium and Large MF-NGOs surveyed, *income statements*, *cash flow statements* and *balance sheets* are prepared by all or a majority of the organizations surveyed on both a monthly and/or quarterly basis and on an annual basis. However, for Small MF-NGOs surveyed, while most prepare these statements on an annual basis, less than half prepared the same statements on either a monthly or quarterly basis. This suggests the need for further improving the frequency of financial statement preparation and reporting by Small MF-NGOs.

MF-NGO Classification / No. of Responses: <i>Preparation of Financial Statements:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Monthly / quarterly income statement	8	3	5	16	64.0
✘ Monthly / quarterly cash flow statement	6	3	3	12	48.0
✘ Monthly / quarterly balance sheet	9	3	3	15	60.0
✘ Annual income statement	17	3	5	25	100.00
✘ Annual cash flow statement	13	3	4	20	80.0
✘ Annual balance sheet	16	3	5	24	96.0

5.2 Accounting Practices

34 All of the MF-NGOs surveyed maintained a *cash book and general ledger*. Three out of four MF-NGOs surveyed followed a *cash system of accounting*. It is significant that more than three-fourths of the MF-NGOs surveyed had a *manual accounting system* and none had a *fully-automated accounting system*. This finding suggests the pressing need to introduce IT-supported accounting and MIS systems to sustain portfolio growth.

MF-NGO Classification / No. of Responses: <i>Accounting Practices:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Maintain cash book and general ledger	17	3	5	25	100.0
✘ Cash system of accounting followed	14	2	3	19	76.0
✘ Accrual system of accounting followed	3	1	2	6	24.0
✘ Manual application of accounting system	16	2	1	19	76.0
✘ Semi-automated accounting system	1	1	4	6	24.0
✘ Fully-automated accounting system	0	0	0	0	0.0

5.3 Auditing, Budgeting, and Monitoring and Evaluation

35 Slightly more than half of the MF-NGOs surveyed (56%) said that they conducted annual internal audits, while virtually all (96%) claimed to have annual external audits. Three out of four MF-NGOs surveyed indicated that they prepared an annual budget and the majority of MF-NGOs in all size categories practiced some form of monitoring and evaluation of *financial performance, social status of clients, exits rates and impact assessment on client livelihoods*.

MF-NGO Classification / No. of Responses: <i>Auditing, Budgeting, and Monitoring/Evaluation:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Internal audits conducted annually	8	1	5	14	56.0
✘ External audits conducted annually	16	3	5	24	96.0
✘ Annual budget prepared	12	2	5	19	76.0
✘ Routine monitoring and evaluation of operational and financial performance	16	3	5	24	96.0
✘ Conduct routine assessment or monitoring of the social Status of clients	8	2	4	14	56.0
✘ Monitor rates at which clients leave the program (exit rates)	10	3	2	15	60.0
✘ Attempt to evaluate the impact of MF-NGO provided Services on client livelihoods	8	3	4	15	60.0

6. MF-NGO Use of Computer, Internet, Computer Applications

6.1 Computer Use

6.1.1 Usage Ratio:

36 Slightly more than half (52%) of all MF-NGOs surveyed indicated that they had computers in use in their organization. However, the data indicates that **only 35% of Small MF-NGOs were computerized**. This data correlates closely with the need to address barriers to MF-NGO growth (Section 10.) related to the **need to computerize operations, improve IT-supported MIS, and provide computer training to staff** (Section 9.2).

MF-NGO Classification / No. of Responses: <i>MF-NGO computerized:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Yes	6	3	4	13	52.0
✘ No	11	0	1	12	48.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

6.1.2 Usage Period:

37 Of those MF-NGOs surveyed which reported that they were computerized, the majority (54%) said that this had happened only within the last 23 months.

MF-NGO Classification / No. of Responses: <i>How long computerized:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Less than 2 years	5	2	0	7	53.8
✘ 2-4 years	0	0	2	2	15.4
✘ Over 4 years	1	1	2	4	30.8
TOTAL NUMBER RESPONSES	6	3	4	13	100.0

6.2 Internet Use

6.2.1 Usage Ratio:

38 Concerning Internet use, more than two-thirds (68%) of MF-NGOs surveyed indicated that they were not presently connected to the Internet. These findings show that the majority of MF-NGOs surveyed are not using email communication or MF/financial search information related to their operations.

MF-NGO Classification / No. of Responses: <i>MF-NGO connected to the Internet:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Yes	4	2	2	8	32.0
✘ No	13	1	3	17	68.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

6.2.2 Usage Period:

39 For those organizations surveyed which said that they were connected to the Internet, 75% indicated that this connection had happened only within the last 23 months.

MF-NGO Classification / No. of Responses: <i>Period of Internet Usage:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Less than 2 years	3	2	1	6	75.0
✘ 2-4 years	0	0	0	0	0.0
✘ Over 4 years	1	0	1	2	25.0
TOTAL NUMBER RESPONSES	4	2	2	8	100.0

6.3 Use of Computer Applications

40 For those MF-NGOs surveyed which have computers, the following table presents data on what computer applications they are currently using. Only slightly more than half of MF-NGOs using computers use them for basic communications, business forms and documents. Fewer than half use computers for any other financial service application. This suggests the **strong need for intensive training on microfinance computer applications for relevant staff of MF-NGOs of all sizes.**

MF-NGO Classification / No. of Responses: <i>MF-NGO uses computer applications for:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
✘ Loan accounts	2	2	2	6
✘ Deposit accounts	3	2	1	6
✘ General accounting	0	2	3	5
✘ MIS	3	0	2	5
✘ Maintaining database of clients	2	2	1	5
✘ Payroll	0	1	2	3
✘ Client and other communications	3	2	2	7
✘ Business forms and documents	4	1	3	8
✘ Advertising / brochures	2	1	1	4
✘ Other applications	0	0	0	0

41 Only one of the MF-NGOs surveyed reported using a Microfinance Software Package. This MF-NGO was urban based and was using a system designed for rural areas. **Fully 96% of all survey respondents indicated that they were not using any Microfinance Software packages in the business or financial operations. This finding clearly indicates the need to introduced IT-supported software packages to enhance the management, efficiency and growth of MF operations in Sri Lanka.**

MF-NGO Classification / No. of Responses: <i>MF-NGO uses Microfinance Software Package:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Yes	1	0	0	1	4.0
✘ No	16	3	5	24	96.0
✘ Type used: Senova Systems (The Rural)	x	-	-	-	-
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

7. Business Planning

7.1 Business Plan

42 Slightly more than half (56%) of all survey respondents indicated that they had a written business plan. However, **59% of Small MF-NGOs did not have a written business plan, suggesting the need for business planning capacity-building for this size category of MF-NGOs.**

MF-NGO Classification / No. of Responses: <i>Does MF-NGO have a <u>written</u> Business Plan:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Yes	7	2	5	14	56.0
✘ No	10	1	0	11	44.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

7.1.1 Reasons for not having a Business Plan

43 For those survey respondents who did not have a written business plan, the following table presents there reasons. The data findings show that 82% of these respondents either did not know how to prepare a business plan or had intention to develop a written business plan. Again, the **findings support the need for capacity-building in the area of business planning, particularly for Small MF-NGOs.**

MF-NGO Classification / No. of Responses: <i>Reasons for <u>not</u> having a written Business Plan:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
✘ Already planning on informal basis	1	1	0	2
✘ Don't consider it necessary	0	0	0	0
✘ No time / too busy to write one	0	0	0	0
✘ Don't know how to prepare a business plan	4	0	0	4
✘ Intend to develop a written business plan	5	0	0	5
TOTAL NUMBER RESPONSES	10	1	0	11

7.2 Vision / Mission Statement

44 A clear majority (92%) of those organizations surveyed indicated that they had a written vision or mission statement.

MF-NGO Classification / No. of Responses: <i>Does MF-NGO have a <u>written</u> vision or mission statement:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Yes	15	3	5	23	92.0
✘ No	2	0	0	2	8.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

7.2.1 Content of Vision / Mission Statement

45 The following table presents survey findings related to the content of the vision or mission statement for those MF-NGOs stating that they had such a written statement. The majority of MF-NGOs with a vision or mission statement said that their statement contained reference to the economic status of target clients (72%) and defined desired social or economic impacts on clients resulting from microfinance services (74%).

MF-NGO Classification / No. of Responses: <i>Does <u>written</u> vision or mission statement:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
✘ Specify the gender or social status of target clients	8	1	2	11
✘ Specify the economic status of target clients	10	3	3	16
✘ Specify the economic activities of target clients	5	2	3	10
✘ Define any desired social or economic impacts on clients resulting from MF-NGO's services	10	3	4	17
✘ Define MF-NGO's financial performance goals	3	1	3	7

7.3 MF Policies and Procedures Operating Manual

46 The following table presents data from the survey related to whether or not the respondents have a written microfinance policies and procedures operating manual. While the majority of Medium and Large MF-NGOs indicated that they had such an operating manual, **76% of Small MF-NGOs surveyed said that they do not have a written Microfinance Policies and Procedures Operating Manual.** These survey findings point to the capacity building and technical assistance need to develop management skills in this area, particularly for Small MF-NGOs.

MF-NGO Classification / No. of Responses: <i>Does MF-NGO have a <u>written</u> Microfinance Policies and Procedures Operating Manual:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Yes	4	2	3	9	36.0
✘ No	13	1	2	16	64.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

7.3.1 Reasons for not having a MF Policies and Procedures Manual

47 For those MF-NGOs not having a written MF policies and procedures manual, the reasons given are shown in the following table. While half of those responding indicate that they already have board resolutions, circulars or guidelines for most financial products, **54% of Small MF-NGOs say they either don't know how to prepare a MF operating manual or that they intend to prepare one in the future.** These findings point to the need for technical assistance and capacity building in the area of developing written microfinance policies and procedures.

MF-NGO Classification / No. of Responses	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
<i>Reasons for <u>not</u> having a written Microfinance Policies and Procedures Operating Manual:</i>				
✘ Already have board resolutions, management circulars, Guidelines and/or detailed forms for all or most savings and lending products	5	1	2	8
✘ Don't consider it necessary	1	0	0	1
✘ No time / too busy to write one	0	0	0	0
✘ Don't know how to prepare an Operating Manual	3	0	0	3
✘ Intend to develop a written Operating Manual	4	0	0	4
TOTAL NUMBER RESPONSES	13	1	2	16

8. MF-NGO Financial and Non-Financial Services

8.1 Types of Financial and Non-Financial Services Offered

48 The following table presents survey findings related to the types of financial and non-financial services offered by MF-NGOs according to their size. Highlighted background indicates the highest number of responses per category.

MF-NGO Classification / No. of Responses	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
<i>Types of financial and non-financial services:</i>				
✘ Short-term loans (loans of 30 days or less)	4	2	2	8
✘ Short-term loans (loans from 1 to 3 months)	9	2	3	14
✘ Medium-term loans (loans from 3 to 6 months)	14	1	3	18
✘ Medium-term loans (loans from 6-12 months)	17	2	5	24
✘ Long-term loans (loans for periods longer than 1 year)	16	3	5	24
✘ Micro-enterprise loans	16	3	5	24
✘ Housing loans	6	3	3	12
✘ Student or education loans	9	1	5	15
✘ Emergency or ceremonial loans	11	2	4	17
✘ Voluntary savings program	16	2	4	22
✘ Compulsory savings program	15	3	5	23
✘ Money transfer	1	1	2	4
✘ Insurance	4	1	2	7
✘ Micro-enterprise training programs	13	2	4	19
✘ Nutrition, health or social awareness training programs	14	2	3	19
✘ Other products or services not listed above ⁴	10	1	3	14

49 From the data presented in the above table, only 24% of Small MF-NGOs and 32% of all MF-NGOs surveyed indicated that they offered short-term loan products with a term of 30 days or less. This is a significant finding as MF programs in many neighbouring Asian countries have very active less-than-30-day short term loan products which generate substantial income for the MFIs as they turn over quickly and often have flat rate interest charges ranging from 3-5% for the period borrowed (i.e. one day, three days, one week, two weeks, etc.) which translates into substantial annual effective interest rates on the money loaned under these short term programs. MF-NGOs in Sri Lanka should develop new financial products to serve the less-than-30-day market.

⁴ Other products or services mentioned included: leadership development; women development training; technical training; marketing opportunities; entrepreneurial and business training; organic gardening and waste recycling; maintaining a library; preschool and child programs; elder care and adult programs; and self employment services.

50 The survey findings from the data shown in the above table show that other least offered financial and non-financial products include *insurance* (28%) and *money transfers* (16%). The most popular financial products include *medium term loans (6-12 months)*, *long-term loans* and *micro-enterprise loans* all offered by 96% of all MF-NGOs surveyed and *voluntary savings* (88%) and *compulsory savings* (92%).

8.2 MF-NGO Savings Operations

8.2.1 Total Current Savings Deposits

51 Data presented in the following table shows the total current savings deposits held by MF-NGOs by size. Highlighted background areas show the highest response per category. For Small MF-NGOs surveyed, 88% have Rs. 5 million or less in deposits, while for all MF-NGOs surveyed 68% fall into this category. Only 24% of all MF-NGOs surveyed reported savings deposits exceeding Rs. 20 million.

MF-NGO Classification / No. of Responses: <i>Total current savings deposits:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Less than Rs. 2 million	7	0	0	7	28.0
✘ Rs. 2-5 million	8	2	0	10	40.0
✘ Rs. 6-10 million	1	1	0	2	8.0
✘ Rs. 11-20 million	0	0	0	0	0.0
✘ Rs. 21-30 million	1	0	0	1	4.0
✘ Rs. 31-40 million	0	0	1	1	4.0
✘ Rs. 41-50 million	0	0	1	1	4.0
✘ Rs. 50-100 million	0	0	0	0	0.0
✘ More than 100 million	0	0	3	3	12.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

8.2.2 Total Number of Savings Accounts

52 The total number of client savings accounts by size of MF-NGO surveyed is presented in the table below. Highlighted background areas show the highest response per category. For all MF-NGOs surveyed, 72% have more than 1,000 client savings accounts.

MF-NGO Classification / No. of Responses: <i>Total number of savings accounts:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Less than 100	0	0	0	0	0.0
✘ 100 to 250	0	0	0	0	0.0
✘ 251 to 500	2	0	1	3	12.0
✘ 501 to 1,000	4	0	0	4	16.0
✘ 1,001 to 2,500	7	0	1	8	32.0
✘ 2,501 to 5,000	3	1	0	4	16.0
✘ 5,001 to 10,000	1	1	0	2	8.0
✘ more than 10,000	0	1	3	4	16.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

8.2.3 Average Balance per Savings Account

53 Survey findings show that for all MF-NGOs surveyed, 72% show an average balance per client savings account of Rs. 3,000 or less, and 44% show an average balance of less than Rs. 1,000.

MF-NGO Classification / No. of Responses: <i>Average balance per savings account:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Less than Rs. 1,000	7	3	1	11	44.0
✘ Rs. 1,000 to Rs. 3,000	6	0	1	7	28.0
✘ Rs. 3,001 to Rs. 5,000	1	0	1	2	8.0
✘ Rs. 5,001 to Rs. 10,000	2	0	0	2	8.0
✘ Rs. 10,000 to Rs. 15,000	1	0	0	1	4.0
✘ Rs. 15,001 to Rs. 20,000	0	0	0	0	0.0
✘ More than Rs. 20,000	0	0	2	2	8.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

8.2.4 Annual Rate of Interest Paid on Savings to Clients

54 The following table presents survey data on the rate of interest paid by MF-NGOs on client savings deposits. Highlighted background areas show the highest response per category. For *normal savings*, 78% of all MF-NGOs responding paid an interest rate ranging from 6-8% per annum. For *compulsory savings*, 68% of responding MF-NGOs paid an interest rate ranging from 7-10% per annum. For *other types of savings* products, 59% of surveyed MF-NGOs paid interest rates ranging from 7-10% per annum.

MF-NGO Classification / No. of Responses: <i>Annual rate of interest paid on savings:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
> Normal Savings	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX
✘ less than 6%	3	0	0	3
✘ 6 %	3	1	2	6
✘ 7-8 %	8	1	3	12
✘ 9-10 %	2	0	0	2
✘ 11-12 %	0	0	0	0
✘ 13-15 %	0	0	0	0
✘ more than 15%	0	0	0	0
> Compulsory Savings	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX
✘ less than 6%	3	0	0	3
✘ 6 %	3	0	1	4
✘ 7-8 %	3	1	3	7
✘ 9-10 %	6	1	1	8
✘ 11-12 %	0	0	0	0
✘ 13-15 %	0	0	0	0
✘ more than 15%	0	0	0	0
> Other Types of Savings (group, fixed deposits, etc.)	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX
✘ less than 6%	1	0	0	1
✘ 6 %	0	0	0	0
✘ 7-8 %	2	1	3	6
✘ 9-10 %	2	0	2	4
✘ 11-12 %	2	0	0	2
✘ 13-15 %	2	0	0	2
✘ more than 15%	2	0	0	2

8.3 MF-NGO Lending Operations

8.3.1 Total Current Loans Outstanding

55 Data presented in the following table shows the total current loans outstanding by MF-NGOs by size. Highlighted background areas show the highest response per category. For Small MF-NGOs surveyed, 71% have Rs. 10 million or less in current loans outstanding, while for all MF-NGOs surveyed 52% fall into this category. 36% of all MF-NGOs surveyed reported current loans outstanding exceeding Rs. 40 million.

MF-NGO Classification / No. of Responses: <i>Total current loans outstanding:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Rs. 1-5 million	6	0	0	6	24.0
✘ Rs. 6-10 million	6	1	0	7	28.0
✘ Rs. 11-20 million	1	0	0	1	4.0
✘ Rs. 21-30 million	2	0	0	2	8.0
✘ Rs. 31-40 million	0	0	0	0	0.0
✘ Rs. 41-50 million	2	0	0	2	8.0
✘ Rs. 50-100 million	0	1	2	3	12.0
✘ More than 100 million	0	1	3	4	16.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

8.3.2 Total Number of Loan Accounts

56 The total number of client loan accounts by size of MF-NGO surveyed is presented in the table below. Highlighted background areas show the highest response per category. For all MF-NGOs surveyed, 44% have 1,000 loan accounts or less and 56% have more than 1,000 client loan accounts.

MF-NGO Classification / No. of Responses: <i>Total number of loan accounts:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Less than 100	0	0	0	0	0.0
✘ 100 to 250	2	0	0	2	8.0
✘ 251 to 500	1	0	0	1	4.0
✘ 501 to 1,000	8	0	0	8	32.0
✘ 1,001 to 2,500	2	1	0	3	12.0
✘ 2,501 to 5,000	4	1	0	5	20.0
✘ 5,001 to 10,000	0	1	0	1	4.0
✘ More than 10,000	0	0	5	5	20.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

8.3.3 Average Loan Balance per Account

57 Survey findings show that for all MF-NGOs surveyed, 36% show an average loan balance per client account of ranging from Rs. 1,000-5,000, and 48% show an average loan balance ranging from Rs. 5,001-15,000.

MF-NGO Classification / No. of Responses: <i>Average loan balance per account:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Less than Rs. 1,000	0	0	0	0	0.0
✘ Rs. 1,000 to Rs. 3,000	5	0	0	5	20.0
✘ Rs. 3,001 to Rs. 5,000	1	0	3	4	16.0
✘ Rs. 5,001 to Rs. 10,000	5	1	1	7	28.0
✘ Rs. 10,000 to Rs. 15,000	4	1	0	5	20.0
✘ Rs. 15,001 to Rs. 20,000	0	0	1	1	4.0
✘ Rs. 20,001 to Rs. 30,000	1	1	0	2	8.0
✘ Rs. 30,001 to Rs. 40,000	0	0	0	0	0.0
✘ Rs. 40,001 to Rs. 50,000	0	0	0	0	0.0
✘ More than Rs. 50,000	1	0	0	1	4.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

8.3.4 Annual Rate of Interest Charged on Loans to Clients

58 The following table presents survey data on the rate of interest charged by MF-NGOs on client loans. Highlighted background areas show the highest response per category. For *Tsunami loans*, 91% of all MF-NGOs responding charged interest rates ranging from 5-6% per annum. For *Income Generating, production, project loans*, 72% of responding MF-NGOs charged interest rates ranging from 19-30% per annum. For *other types of loan products*, 76% of surveyed MF-NGOs charged interest rates ranging from 22-60% per annum.

MF-NGO Classification / No. of Responses: <i>Annual rate of interest charged on loans:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
> Tsunami Loans (Source: NDTF & other)	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX
✘ 5-6 %	5	2	3	10
✘ 7-8 %	0	0	1	1
✘ 9-10 %	0	0	0	0
✘ more than 10%	0	0	0	0
> Income Generating, Production, Project Loans	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX
✘ 5-6 %	0	0	0	0
✘ 7-8 %	0	0	0	0
✘ 9-10 %	0	0	0	0
✘ 11-12 %	2	0	1	3
✘ 13-15 %	0	0	1	1
✘ 16-18 %	1	1	1	3
✘ 19-21 %	5	0	1	6
✘ 22-24 %	5	1	1	7
✘ 25-30 %	4	1	0	5
✘ more than 30%	0	0	0	0
> Other Types of Loans (education, housing, etc.)	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX
✘ 5-6 %	0	0	0	0
✘ 7-8 %	0	0	1	1
✘ 9-10 %	0	0	0	0
✘ 11-12 %	1	0	0	1
✘ 13-15 %	0	0	0	0
✘ 16-18 %	0	0	1	1
✘ 19-21 %	1	0	1	2
✘ 22-24 %	3	1	2	6
✘ 25-30 %	0	1	0	1
✘ 31-36 %	5	0	0	5
✘ more than 36%	4	0	0	4

8.3.5 Loan Delinquency Rate

59 The following table depicts survey result concerning loan delinquency rates by size of MF-NGO. For Small MF-NGOs surveyed, 88% claimed loan delinquency rates of 10% or less, while for all MF-NGOs surveyed, 76% had loan delinquency rates of 10% or less. For half of the MF-NGOs showing delinquency rates exceeding 16%, the reasons given were Asian Tsunami and War Affected areas.

MF-NGO Classification / No. of Responses: <i>Delinquency rate on total loans outstanding</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Less than 5%	8	1	2	11	44.0
✘ 5 – 10 %	7	1	0	8	32.0
✘ 11 – 15 %	0	0	0	0	0.0
✘ 16 – 20 %	1	1	2	4	16.0
✘ Over 20%	1	0	1	2	8.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

8.3.6 Aging of Loan Accounts

60 Data presented in the following table measures MF-NGO response to aging of loan accounts. The data indicates that more than two-thirds (68%) of all MF-NGOs and 82% of Small MF-NGOs surveyed do not have a system to age loan accounts. This finding suggests the need for technical assistance and capacity building to teach MF-NGOs, and particularly Small MF-NGOs, how to age their loan accounts.

MF-NGO Classification / No. of Responses: <i>Does MF-NGO have system to Age loan accounts</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Yes	3	1	4	8	32.0
✘ No	14	2	1	17	68.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

8.3.7 Group Lending

61 When asked whether or not they practiced group lending, 44% of surveyed MF-NGOs indicated that they did and 56% said they did not practice group lending. For those practicing group lending, 91% said that group sizes were less than 20 persons, often ranging between 5-10 persons in group size. Group lending was more common among Large MF-NGOs.

MF-NGO Classification / No. of Responses: <i>Does MF-NGO practice group lending:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Yes	7	1	3	11	44.0
✘ No	10	2	2	14	56.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

MF-NGO Classification / No. of Responses: <i>Average Size of Groups for group lending:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Less than 20 persons	6	1	3	10	90.9
✘ 20-25 persons	0	0	0	0	0.0
✘ 25-30 persons	0	0	0	0	0.0
✘ More than 30 persons	1	0	0	1	9.1
TOTAL NUMBER RESPONSES	7	1	3	11	100.0

8.3.8 Source of Funds

62 The following table presents survey findings with respect to where MF-NGOs source their funds. The top 5 sources were: NDTF (92%); Savings deposits of clients (88%); profits from business operations (48%); grants, trust funds or endowments (44%); and direct loans from donors or other I/NGOs (36%). While most of the survey sample borrowed funds from NDTF only 7 (28%) of the MF-NGOs surveyed borrowed a majority of their funds from NDTF.

MF-NGO Classification / No. of Responses: <i>Source of MF-NGO's Operating Funds:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Rank (Top 5)
✘ NDTF	15	3	5	23	1
✘ Other specialized government lending program	2	0	4	6	
✘ Grants / Trust Fund / Endowments	8	1	2	11	4
✘ Direct loans from donors or International/ Domestic NGOs	6	2	1	9	5
✘ Profits from business operation	7	2	3	12	3
✘ Savings deposits of Clients	14	3	5	22	2
✘ Dividends / earnings from investment	4	2	1	7	
✘ Bank loans / overdrafts	1	1	2	4	
✘ Other	3	1	2	6	

9. Training and Training Needs

9.1 Frequency of Training

9.1.1 Branch Managers / Senior Credit Officers

63 When asked how frequent is training provided to managers and senior credit officers, 40% of MF-NGO respondents said every 3-months or more frequently while 35% of Small MF-NGOs said that they seldom have training.

MF-NGO Classification / No. of Responses: <i>Frequency of training for branch managers / senior credit officers:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Every 3 months or more frequently	3	3	4	10	40.0
✘ Every 6 months	3	0	1	4	16.0
✘ At least once a year	5	0	0	5	20.0
✘ Every 2 years	0	0	0	0	0.0
✘ Seldom have training	6	0	0	6	24.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

9.1.2 Field Credit Officers / Accounting and Support Staff

64 When asked how frequent is training provided to field credit officers, accountants and support staff, 60% of MF-NGO respondents said every 3-months or more frequently while 35% of Small MF-NGOs said that they seldom have training. The findings show that frequent training for staff is common in the Medium and Large MF-NGOs interviewed, however, Small MF-NGOs tend to have training programs for their staff less frequently.

MF-NGO Classification / No. of Responses: <i>Frequency of training for field credit officers / accounting and support staff:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Percent
✘ Every 3 months or more frequently	8	3	4	15	60.0
✘ Every 6 months	2	0	0	2	8.0
✘ At least once a year	1	0	1	2	8.0
✘ Every 2 years	0	0	0	0	0.0
✘ Seldom have training	6	0	0	6	24.0
TOTAL NUMBER RESPONSES	17	3	5	25	100.0

9.2 Training Needs

9.2.1 Senior Managers

65 Survey results shown in the table below measure MF-NGO response, by size category, to their greatest training needs for Senior Managers. The top 5 training priorities identified for Senior Managers of MF-NGOs surveyed were: *microfinance / financial management / best practices* (1); *portfolio management / project monitoring / MIS* (2); *administration / management and leadership* (3); *business planning / strategic planning / fund sourcing /new products* (4); and *human resources management and development* (5).

MF-NGO Classification / No. of Responses: <i>Training Needs: Senior Managers</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Rank Top 5)
✘ Portfolio management / project monitoring / MIS	10	1	3	14	2
✘ Microfinance / financial management / Best practices	13	2	4	19	1
✘ Preparation of policies and guidelines / Legal procedures	2	0	0	2	
✘ Business planning / strategic planning / funds sourcing / new products	4	2	2	8	4
✘ Capacity-building / management training	2	1	1	4	
✘ Administration / management and leadership	10	1	2	13	3
✘ human resources management and development	3	1	1	5	5
✘ English language	2	0	0	2	
✘ computer training	2	0	0	2	

9.2.2 Mid-Level Officers

66 Survey results shown in the table below measure MF-NGO response, by size category, to their greatest training needs for Mid-Level Officers. The top 5 training priorities identified for Mid-Level Officers of MF-NGOs surveyed were: *microfinance management* (1); *project management / marketing* (2); *portfolio management / financial analysis* (3); *capacity-building / management training* (4); and *computer training* (5).

MF-NGO Classification / No. of Responses: <i>Training Needs: Mid-Level Officers</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Rank (Top 5)
✘ Portfolio management / financial analysis	5	1	3	9	3
✘ Business planning	1	1	1	3	
✘ Microfinance management	6	2	3	11	1
✘ project management / marketing	7	1	2	10	2
✘ preparation of feasibility studies	1	0	0	1	
✘ capacity-building / management training	5	1	1	7	4
✘ English language	2	0	0	2	
✘ computer training	3	1	1	5	5

9.2.3 Accountants

67 Survey results shown in the table below measure MF-NGO response, by size category, to their greatest training needs for Accountants. The top 5 training priorities identified for **Accountants** of MF-NGOs surveyed were: *accounting management / preparation of financial reports* (1); *manual accounting systems / MIS systems* (2); *computer training* (3); *analyzing financial reports / microfinance operations* (4); and *annual budgeting* (5).

MF-NGO Classification / No. of Responses: <i>Training Needs: Accountants</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Rank (Top 5)
✘ Analyzing financial reports / microfinance operations	0	2	1	3	4
✘ accounting management / preparation of financial reports	11	0	3	14	1
✘ manual accounting systems / MIS systems	6	3	2	11	2
✘ annual budgeting	1	0	1	2	5
✘ bookkeeping	2	0	0	2	
✘ English language	1	0	0	1	
✘ computer training	5	1	0	6	3

9.2.4 Field Workers

68 Survey results shown in the table below measure MF-NGO response, by size category, to their greatest training needs for Field Workers. The top 5 training priorities identified for **Field Workers** of MF-NGOs surveyed were: *community development / social mobilization, capacity-building* (1); *credit, savings, microfinance management* (2); *project management, appraisal, reporting, monitoring and evaluation* (3); *preparation of feasibility reports / enterprise promotion* (4); and *conflict resolution / client relations* (5).

MF-NGO Classification / No. of Responses: <i>Training Needs: Field Workers</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs	Rank (Top 5)
✘ community development / social mobilization, capacity building	10	1	4	15	1
✘ conflict resolution / client relations	3	1	1	5	5
✘ credit, savings, microfinance management	7	2	2	11	2
✘ project management, appraisal, reporting, monitoring & evaluation	6	2	3	11	3
✘ marketing and identifying market opportunities	2	1	1	4	
✘ preparation of feasibility reports / enterprise promotion	3	3	1	7	4
✘ business counseling	1	1	1	3	
✘ basic bookkeeping	1	2	0	3	
✘ computer training	1	1	0	2	

10. Barriers to Growth: Factors Limiting MF-NGO's Ability to Expand, Major Problems and Needs

10.1 Barriers Limiting MF-NGO's Ability to Expand its Services

69 Survey respondents were asked to rank barriers limiting financial services growth by the level of their impact, whether major, significant or minor/no barrier. The response given by the 25 MF-NGOs surveyed is presented in the following four tables according to MF-NGO size.

70 For all MF-NGOs surveyed, the major barriers to financial services expansion cited were: *MIS system needs improving* (56%); and *staff lacks necessary skills and needs more training* (48%). When major and significant barrier rankings were combined, survey results showed the following barrier response: *staff lacks necessary skills and needs more training* (88%); *MIS system needs improving* (84%); *availability of funds to expand lending* (80%); *need to introduce new products or services* (60%); and *competition from other MFIs or government programs* (56%). Over half of all MF-NGOs surveyed did not identify *lack of demand for credit services*, *slow growth of savings deposits*, *high costs in reaching new clients*, *clients lack credit or savings discipline*, or *clients lack suitable investment opportunities* as barriers to financial services expansion.

Indicator:	All MF-NGOs					
	Major		Significant		Minor/No Barrier	
	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent
<i>Barriers limiting MF-NGO's ability to expand its Microfinance Services:</i>						
Competition from other MFIs or government programs	4	16.0	10	40.0	11	44.0
Availability of funds to expand lending	6	24.0	14	56.0	5	20.0
Slow growth of savings deposits	2	8.0	9	36.0	14	56.0
MIS system needs improving	14	56.0	7	28.0	4	16.0
Staff lacks necessary skills and needs more training	12	48.0	10	40.0	3	12.0
Clients lack credit discipline	3	12.0	8	32.0	14	56.0
Clients lack savings discipline	4	16.0	6	24.0	15	60.0
Clients lack suitable investment opportunities	3	12.0	9	36.0	13	52.0
High costs in reaching new clients	1	4.0	11	44.0	13	52.0
Lack of demand for credit services	4	16.0	2	8.0	19	76.0
Need to introduce new products or services	7	28.0	8	32.0	10	40.0

71 For Small MF-NGOs surveyed, the major barriers to financial services expansion cited were: *MIS system needs improving* (53%); and *staff lacks necessary skills and needs more training* (47%). When major and significant barrier rankings were combined, survey results showed the following barrier response: *staff lacks necessary skills and needs more training* (100%); *MIS system needs improving* (82%); *availability of funds to expand lending* (82%); *competition from other MFIs or government programs* (65%); *clients lack suitable investment opportunities* (64%); *need to introduce new products or services* (59%); *clients lack savings discipline* (53%); and *clients lack savings discipline* (53%). Over half of Small MF-NGOs surveyed did not identify *lack of demand for credit services*, *high costs in reaching new clients*, or *clients lack credit discipline* as barriers to financial services expansion.

Indicator:	Small MF-NGOs					
	Major		Significant		Minor/No Barrier	
	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent
Barriers limiting MF-NGO's ability to expand its Microfinance Services:						
Competition from other MFIs or government programs	3	17.6	8	47.1	6	35.3
Availability of funds to expand lending	5	29.4	9	53.0	3	17.6
Slow growth of savings deposits	2	11.8	7	41.1	8	47.1
MIS system needs improving	9	53.0	5	29.4	3	17.6
Staff lacks necessary skills and needs more training	8	47.0	9	53.0	0	0.0
Clients lack credit discipline	2	11.7	6	35.3	9	53.0
Clients lack savings discipline	4	23.5	5	29.4	8	47.1
Clients lack suitable investment opportunities	3	17.3	8	47.1	6	35.3
High costs in reaching new clients	1	5.9	7	41.1	9	53.0
Lack of demand for credit services	4	23.5	2	11.8	11	64.7
Need to introduce new products or services	5	29.4	5	29.4	7	41.2

72 For Medium MF-NGOs surveyed, the major barriers to financial services expansion cited were: *MIS system needs improving* (67%); and *staff lacks necessary skills and needs more training* (67%). When major and significant barrier rankings were combined, survey results showed the following barrier response: *availability of funds to expand lending* (100%); *staff lacks necessary skills and needs more training* (67%); *MIS system needs improving* (67%); *clients lack credit discipline* (67%); and *need to introduce new products or services* (67%). Over half of Medium MF-NGOs surveyed did not identify *lack of demand for credit services*, *slow growth of savings deposits*, *competition from other MFIs or government programs*; *high costs in reaching new clients*, *clients lack savings discipline*, or *clients lack suitable investment opportunities* as barriers to financial services expansion.

Indicator:	Medium MF-NGOs					
	Major		Significant		Minor/No Barrier	
	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent
Barriers limiting MF-NGO's ability to expand its Microfinance Services:						
Competition from other MFIs or government programs	0	0.00	0	0.0	3	100.0
Availability of funds to expand lending	1	33.3	2	66.7	0	0.0
Slow growth of savings deposits	0	0.0	0	0.0	3	100.0
MIS system needs improving	2	66.7	0	0.0	1	33.3
Staff lacks necessary skills and needs more training	2	66.7	0	0.0	1	33.3
Clients lack credit discipline	1	33.0	1	33.3	1	33.3
Clients lack savings discipline	0	0.0	1	33.3	2	66.7
Clients lack suitable investment opportunities	0	0.0	1	33.3	2	66.7
High costs in reaching new clients	0	0.0	1	33.3	2	66.7
Lack of demand for credit services	0	0.0	0	0.0	3	100.0
Need to introduce new products or services	0	0.0	2	66.7	1	33.3

73 For Large MF-NGOs surveyed, the major barriers to financial services expansion cited were: *MIS system needs improving* (60%). When major and significant barrier rankings were combined, survey results showed the following barrier response: *MIS system needs improving* (100%); *staff lacks necessary skills and needs more training* (60%); *need to introduce new products or services* (60%); *competition from other MFIs or government programs* (60%); *availability of funds to expand lending*

(60%); and **high costs in reaching new clients (60%)**. Over half of Large MF-NGOs surveyed did not identify *lack of demand for credit services, clients lack suitable investment opportunities, clients lack credit or savings discipline, or slow growth of savings deposit* as barriers to financial services expansion.

Indicator:	Large MF-NGOs					
	Major		Significant		Minor/No Barrier	
	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent
Barriers limiting MF-NGO's ability to expand its Microfinance Services:						
Competition from other MFIs or government Programs	1	20.0	2	40.0	2	40.0
Availability of funds to expand lending	0	0.0	3	60.0	2	40.0
Slow growth of savings deposits	0	0.0	2	40.0	3	60.0
MIS system needs improving	3	60.0	2	40.0	0	0.0
Staff lacks necessary skills and needs more training	2	40.0	1	20.0	2	40.0
Clients lack credit discipline	0	0.0	1	20.0	4	80.0
Clients lack savings discipline	0	0.0	0	0.0	5	100.0
Clients lack suitable investment opportunities	0	0.0	0	0.0	5	100.0
High costs in reaching new clients	0	0.0	3	60.0	2	40.0
Lack of demand for credit services	0	0.0	0	0.0	5	100.0
Need to introduce new products or services	2	40.0	1	20.0	2	40.0

10.2 Major Problems Encountered

74 Survey respondents were asked to list major problems encountered in their microfinance operations. Their response is shown in the data table below. Highlighted background areas show the highest responses to problems cited. **The most frequent major problems cited by MF-NGOs surveyed, in order of response, include: lack source funds to expand program; lack computer, internet & email facilities; have insufficient MIS and communication system; lack transportation; lack office equipment and furnishings; lack sufficient office space; and lack microfinance specialized software package / delay in receiving reports.**

MF-NGO Classification / No. of Responses:	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
Major Problems of MF-NGOs:				
✘ Lack Source Funds to expand program	10	1	0	11
✘ Lack computer, Internet & email facilities	6	0	1	7
✘ Lack Microfinance specialized software package / Delay in receiving reports	1	1	2	4
✘ Lack transportation	4	2	1	7
✘ Lack office equipment and furnishings	4	1	0	5
✘ Lack sufficient office space	3	0	1	4
✘ Other INGOs and donors pirating MF-NGO's staff / Retention of trained staff	0	2	1	3
✘ Have insufficient MIS and/or loan processing system, Lack efficient system for sharing information between Head office and branches	3	1	3	7
✘ Low portfolio quality	0	0	1	1
✘ No legal provisions for savings	2	0	0	2
✘ Tsunami destroyed records	0	1	0	1
✘ High administrative expenses / unable to pay staff well	3	0	0	3
✘ Staff problems / untrained staff	2	0	0	2
✘ Too dependent on donors for funding	1	0	1	2

10.3 Major Needs

75 Survey respondents were asked to list major needs to improve their microfinance operations. Their response is shown in the data table below. Highlighted background areas show the highest responses to needs cited. **The most frequent major needs cited by MF-NGOs surveyed, in order of response, include: source funds to expand program; computers and related training for staff; training facilities and/or training materials; training programs for staff; vehicles (motorcycles, scooters, bicycles); specialized microfinance software packages / MIS programs; and other office equipment and furnishings.**

MF-NGO Classification / No. of Responses: <i>Major Needs of MF-NGOs:</i>	SMALL MF-NGOs	MEDIUM MF-NGOs	LARGE MF-NGOs	ALL MF-NGOs
✘ Source Funds to expand program	11	1	0	12
✘ Specialized microfinance software packages / MIS programs	2	2	2	6
✘ Computers and related training for staff	6	1	2	9
✘ Other office equipment (telephone, fax machine, copier), and furnishings (table, chairs, desks, 4-drawer cabinet)	4	1	0	5
✘ Training equipment (overhead projector, multi-media)	1	1	1	3
✘ Training facilities and/or training materials	6	3	0	9
✘ Training programs for staff	5	2	1	8
✘ Bigger office facilities / more space	2	0	1	3
✘ Vehicle (four wheel)	2	1	2	5
✘ Vehicle (motorcycles, scooters, bicycles)	3	2	2	7
✘ Regulatory framework for Microfinance Sector	1	0	0	1
✘ More timely processing of donor-sourced funding	0	0	2	2

11. Performance during the Past Year

11.1 Current Lending Program Performance Compared to Past 12 months

76 Survey respondents were asked to compare their current lending program performance to that of the past twelve months. Survey findings according to MF-NGO size are presented in the following table.

77 For all MF-NGOs surveyed, **88% said that their current lending program performance as compared to the past twelve months was improved.** 8% said their current lending program performance was worse and 4% cited same or no change.

Size/Response:	Small MF-NGOs		Medium MF-NGOs		Large MF-NGOs		All MF-NGOs	
	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent
<i>Compare Current Lending Program Performance to 12 Months Ago:</i>								
Improved	14	82.3	3	100.0	5	100.0	22	88.0
Worse	2	11.8	0	0.0	0	0.0	2	8.0
Same / no change	1	5.9	0	0.0	0	0.0	1	4.0
Total	17	100.0	3	100.0	5	100.0	25	100.0

11.2 Deposit Growth Now Compared to Past 12 months

78 Survey respondents were asked to compare their deposit growth now to that of the past twelve months. Survey findings according to MF-NGO size are presented in the following table.

79 For all MF-NGOs surveyed, 92% said that their current deposit growth as compared to the past twelve months was improved. 4% said their deposit growth now was worse and 4% cited same or no change.

Size/Response:	Small MF-NGOs		Medium MF-NGOs		Large MF-NGOs		All MF-NGOs	
	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent
<i>Compare Deposit Growth Now to 12 Months Ago:</i>								
Improved	15	88.2	3	100.0	5	100.0	23	92.0
Worse	1	5.9	0	0.0	0	0.0	1	4.0
Same / no change	1	5.9	0	0.0	0	0.0	1	4.0
Total	17	100.0	3	100.0	5	100.0	25	100.0

11.3 Number of Total Clients Now Served Compared to Past 12 months

80 Survey respondents were asked to compare their number of total clients now served to that of the past twelve months. Survey findings according to MF-NGO size are presented in the following table.

81 For all MF-NGOs surveyed, 96% said that their number of total clients now served as compared to the past twelve months had increased. 4% said their number of total clients served had decreased, due to the Asian tsunami.

Size/Response:	Small MF-NGOs		Medium MF-NGOs		Large MF-NGOs		All MF-NGOs	
	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent
<i>Compare Total Clients Now Served to 12 Months Ago:</i>								
Increased	16	94.1	3	100.0	5	100.0	24	96.0
Decreased	1	5.9	0	0.0	0	0.0	1	4.0
Same / no change	0	0.0	0	0.0	0	0.0	0	0.0
Total	17	100.0	3	100.0	5	100.0	25	100.0

11.4 Average Loan Size Now Compared to Past 12 months

82 Survey respondents were asked to compare their average loan size now to that of the past twelve months. Survey findings according to MF-NGO size are presented in the following table.

83 For all MF-NGOs surveyed, 100% said that their average loan size now as compared to the past twelve months had increased.

Size/Response:	Small MF-NGOs		Medium MF-NGOs		Large MF-NGOs		All MF-NGOs	
	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent	Response (Number)	Percent
<i>Compare Average Loan Size Now to 12 Months Ago:</i>								
Increased	17	100.0	3	100.0	5	100.0	25	100.0
Decreased	0	0.0	0	0.0	0	0.0	0	0.0
Same / no change	0	0.0	0	0.0	0	0.0	0	0.0
Total	17	100.0	3	100.0	5	100.0	25	100.0