

**PSYCHOSOCIAL AND ECONOMIC CONTRIBUTIONS OF
MICROFINANCING TO WOMEN: THE CASE OF
TAYTAY SA KAUSWAGAN, INC. (TSKI)**

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by

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**PSYCHOSOCIAL AND ECONOMIC IMPACT OF THE MICROFINANCE
PROGRAM OF TAYTAY SA KAUSWAGAN, INC. TO ITS WOMEN
CLIENTS IN THE PROVINCE OF ILOILO**

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ABSTRACT

This study aimed to determine the psychosocial and economic contributions of microfinancing to the women clients of Taytay Sa Kauswagan, Inc. (TSKI) in the Province of Iloilo. It also aimed to analyze TSKI's development strategy and organizational behavior.

The study combined simple descriptive and relational research design and utilized quantitative and qualitative approaches to determine the inputs of TSKI-PKK and its contributions in improving client's psychosocial and economic condition, the issues and concerns regarding TSKI-PKK services, policies and processes, clients' needs in order to strengthen and sustain their microenterprise, and in analyzing the organization's development strategy and organizational behavior. An interview schedule was prepared and used to gather quantitative data. Document analysis, Focus Group Discussions (FGD) and Key Informant Interviews (KII) were employed in gathering qualitative data. Respondents of the survey were 358 sample women program beneficiaries of the TSKI-PKK program in the Province of Iloilo who have participated in the program for at least three cycles. FGD participants were selected Center officers, members and TSKI Branch

Managers, while the KII interviewees were selected policymakers and top level management officials.

The mean age of the TSKI-PKK clients was 43.51. The majority of them were married, had high school education and had source of income before program participation. Their average gross monthly income was P3848.89.

On the average, clients have been program members for 31.26 months. All of them had more than one loan from the program, with an average program loan availment of five. Only slightly more than half of the clients attended training programs sponsored or co-sponsored by TSKI and only 15.9 percent of them availed of technical consultancy averaging 1.51 times. Training services of TSKI has been slowly expanding, technical consultancy has not yet been formally implemented.

At the time of the study, all of the respondents were engaged in income-generating activity or business. The average amount of the latest loan of the clients was P9337.99, but on the average, they have only invested P7585.89. Almost all of them invested their latest loan in sari-sari store, buy and sell, or other small trading business. The majority of those who did not fully utilize their latest loan in their income-generating activity used part of it in the school expenses of their children.

A statistically significant increase in the extent of clients' participation in decision-making and in community activities after program participation was noted. This indicates that program participation has improved the clients' level of empowerment. A statistically significant increase in the extent of clients' emotional and social growth and in the practice of Christian values was also observed after program participation. This

finding indicates that the clients' attitude and values have improved after program membership.

Most of the clients utilized their income from the TSKI-PKK loans on house repairs and/or improvements, spending an average of P11158.44 on these projects. The majority of the clients have also acquired assets during their program membership. A statistically significant increase in gross monthly income was also observed in nine out of ten clients, averaging P6774.15.

Relationship analyses revealed that age, length of program membership, and level of education of the respondents is significantly related to number of program loans availed. The older the clients and the longer their program membership, the more program loans they are more likely to avail. The relationship between program loans and level of education is inverse, the lower the educational attainment the more likely that they will avail of more program loans.

A significant relationship was also found between age of clients, length of program membership and cumulative amount of loan availed. The result implies that accumulated loan is likely greater among clients who are older and those with longer program membership. The significant relationship between the mode of investing their last loan and the number of technical consultancy or business advises availed indicates that the more technical consultancy or business advises availed, the greater the likelihood that the clients will fully invest their program loan.

Among the indicators of the improvement in psychosocial and economic condition, only improvement in housing conditions varied significantly according to length of program membership. The clients' psychosocial and economic conditions do

not however, significantly vary according to their loan utilization. Only improvement in housing conditions varied significantly according to cumulative loan. There were more clients with cumulative amount of loan of more than P30000.00 than those whose cumulative amount of loan is less than P30000.00 whose housing conditions improved after program membership. On the other hand, there is a significant variation in the improvement of clients' participation in community activities when grouped according to frequency of training attendance. Contrary to the expectation that more attendance in TSKI-PKK training will more likely increase participation in community activities, there were more clients who had attended only one training program than those who attended more than one training whose participation in community activities improved.

About one-half of TSKI-PKK clients considered the program as their steady source of capital. They also liked the other services offered like savings and insurance. A number of clients declared that they do not like delinquent members, delayed payments and the slow processing of savings withdrawal. They seemed to be contented with the implementation of the TSKI-PKK program, but some suggested that release of loans and savings should be faster.

TSKI's Development Strategy characterizes commercialization and participation ideology and strategy. The development direction is "Outside-in" and agencies involved are the TSKI, its affiliates, and the community with a program goal of social well-being, client satisfaction and of course, profit. Program rationale is community development with market survey and need identification as starting point. TSKI has a well-defined development process that is strictly followed in all levels of the organization. The training

and technical consultancy services are not however, reflected in the Development Framework.

TSKI's human resources are well-versed of their respective responsibilities and were effectively performing their tasks in the organization. The linkage established by TSKI with funding agencies and other institutions made the program more responsive to the needs of the clients. Except for the technical consultancy, the credit and training services of TSKI are greatly appreciated by its clients.

Based on the pertinent findings of the study, it is concluded that the TSKI-PKK clients are in their prime age, still productive and could be potential economic partners of their spouses. Clients have good education and economically active. They have been with the program for 30 months and the average initial loan granted to them is within the program policy. The TSKI-PKK training service is slowly expanding, but technical consultancy has not yet been formally implemented. Despite partial investment of loans, all of them are currently engaged in an income-generating activity or business. Their choice of business is consistent with what is required by TSKI-PKK that it could give them a weekly income.

The transformational activities conducted by TSKI and the active participation of the clients' in different TSKI-PKK activities have resulted to an improvement in the clients' level of empowerment and an improvement in the clients' attitudes and values. These significant improvements in the clients' psychosocial condition are consistent with the findings of Cranwell and Kolodinsky (2002). Microenterprise program help contribute to the improvement of the personal life and change the attitude of clients. The change in the psychosocial condition of the clients is also an indication that the various

intervention of microfinance programs resulted to a strong sense of efficacy, which has helped enhance the clients' accomplishment and personal well-being. Consistent with the Stages of Change Theory, the weekly transformational activities or the iterative spiral process undergone by the clients helped in the change and maintenance of new behavior.

Since most of the clients were able to use their income from their TSKI-PKK loan to improve their housing condition and acquire additional assets, it can be deduced that the microfinance projects can help in the reduction of poverty, and in the enhancement of incomes of the poorest of the poor.

Older MFI clients are more likely to have longer program membership and greater cumulative loans. Similar to clients with low educational attainment, they are also more likely to avail of program loans. Clients who have availed of technical consultancy or gained access to simple business advice are more likely to invest the full amount of their program loan on an income-generating activity. Clients with longer program participation are also more likely to invest their program loan wisely to have more income, which they can use in improving their housing condition.

Regardless of the mode of loan utilization, the psychosocial and economic condition of the clients still improved. Clients with higher cumulative loan are more likely to do their best to improve their business in order to improve their housing condition than those with lesser loan.

Frequency of attendance in training programs does not guarantee an improvement in the clients' participation in community activities.

Clients' are satisfied with the credit service and the other financial services of the program and considered microfinancing as their steady source of capital. They however,

expect their fellow members to be on-time in paying their weekly amortization and to invest their program loan wisely. Clients expect TSKI to expedite loans and savings releases, to maximize participation of clients in the training programs and to strengthen its technical consultancy service.

TSKI has successfully combined commercialization and participation ideology and strategy in the implementation of their Grameen style microfinance program. The development direction is basically patterned after commercialization strategy while the participation strategy is evident in their program rationale and approach. Goal definition is dictated by the two strategies. Training services and technical consultancy are not however, integrated in the development strategy. A framework for a more comprehensive review of strategy is also needed.

Internally, people in the organization have effectively performed their individual and group tasks. Externally, it is clear that TSKI has effectively reached-out and related their transactions and/or operations with other organizations and institutions. Although TSKI's technical consultancy service has not yet been formally implemented, the organization has successfully "processed" the human and material inputs taken using its well-placed programs.

Based on the major findings and conclusions of the study, it is recommended that TSKI should maximize training opportunities and formally implement technical consultancy for the microfinance clients. Loan utilization check should be conducted regularly and the focus of the check should not only be in determining whether or not the client has an ongoing income-generating activity, but also in determining the proportion of latest loan invested by the client and the financial status of the business. This will

enable MFIs to determine what interventions or appropriate actions should be made to assist clients in improving their micro enterprise. There is also a need to further expose the clients to other enterprise opportunities. It is also important for MFIs to determine the quality of the work life of the clients, while they are engaged in their respective income-generating projects.

Microfinance programs should continue the implementation of transformational activities and should include more sessions or workshops that will help enhance the self-efficacy of the clients. There should also be follow-up activities and if feasible, attitude check on the clients' household should be conducted. This will ensure the practice of learning and the maintenance of behavior.

If any MFIs with similar approach to TSKI would like to sustain its credit service, there is a need for a reorientation of clients on Center loan accountability to help them fully understand its importance and significance.

Since older clients and those with low educational attainment are more likely to avail of more program loans from MFIs, there is a need to implement a social intermediation program that will focus on improving literacy, technical, management and marketing skills of the clients.

The negative relationship between educational attainment and number of program loan highlights the need for the strengthening of training and technical consultancy services of MFIs. The findings that those who have availed of technical consultancy are more likely to invest their program loan in full also calls for the formal implementation of the technical consultancy service. If an MFI will implement technical consultancy, its focus should not only be on loan investment and business operation but also on income

utilization and/or investment of the clients. The intention is to guide the clients in prioritizing the investments they wish to make.

There is a need to reflect training, technical consultancy services and other social intermediation program in the microfinance development strategy. This will help ensure that program implementation can be completed and be wholistic. These activities can be done during the loan or re-loan utilization stage. The development intervention shall not stop in the re-loan stage, but in the period when the clients are already ready to move from being a micro entrepreneur to a small entrepreneur. The alternative development framework and the suggested framework for strategy evaluation recommended by this study could be considered by any other MFIs.

TSKI's effective implementation of its organizational processes could be a factor in the rapid expansion of its microfinance program. Although the organization is still enjoying a high repayment rate and a high approval rate among its clients, they should be reminded however, that provision of the right output at a right price and at a right time. It is important for MFIs to have an effective organizational process and to be ready to survive the future challenges. There is also a need for MFIs to implement an intermediation program that would further strengthen the capability of their clients. The Time Dimension Model of Effectiveness recommended by this study could help any MFIs to further stabilize its program implementation and to effectively adapt to the demands of its future environment.

Given adequate resources to conduct a similar study, it is recommended that assessment of psychosocial and economic contributions of microfinancing should be

conducted to the clients of different microfinance institutions in the Philippines. A comparison of inputs, processes and outputs of these MFIs is also recommended.