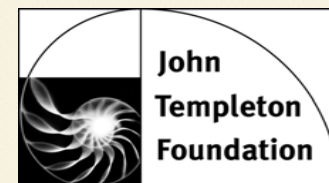


Those Who Leave and Those Who Remain

*A Review of Client Exit
in FINCA Mexico*

April 17, 2009

Benjamin Rae





Today's Discussion

- Executive Summary
- Key Findings
- Implications
- Methodology
- Data and Statistical Analysis
- Limitations
- Next Steps and Conclusion
- Questions

Executive Summary

- 24 of 391 FINCA Mexico clients interviewed plan to leave FINCA.
- Proportion is lower than that of comparable microfinance institutions.
- Exiting clients share a few common traits.
- More in-depth research is needed:
 - Further delineate client reasons for exit
 - Design retention strategies.



Today's Discussion

- Executive Summary
- ***Key Findings***
- Implications
- Methodology
- Data and Statistical Analysis
- Limitations
- Next Steps and Conclusion
- Questions

Key Findings

- **Exiting clients:**
 - ***Lower loan*** sizes.
 - ***Shorter time*** with FINCA Mexico.
 - More likely to own ***agricultural land***.
 - More likely to come from ***Tehuacan or Oaxaca***.
 - ***Do not*** have statistically different daily per capita expenditures (DPCE).



Today's Discussion

- Executive Summary
- Key Findings
- ***Implications***
- Methodology
- Data and Statistical Analysis
- Limitations
- Next Steps and Conclusion
- Questions

Implications

- FINCA Mexico doing better job at retention compared to MFIs.
- New clients should be grouped with other new clients to reduce potential resentment at disparities in loan sizes.
- The higher rates of exit in the Tehuacan and Oaxaca deserves further investigation.
- Consideration of a special program for clients owning agricultural land is warranted.



Today's Discussion

- Executive Summary
- Key Findings
- Implications
- ***Methodology***
- Data and Statistical Analysis
- Limitations
- Next Steps and Conclusion
- Questions

Methodology

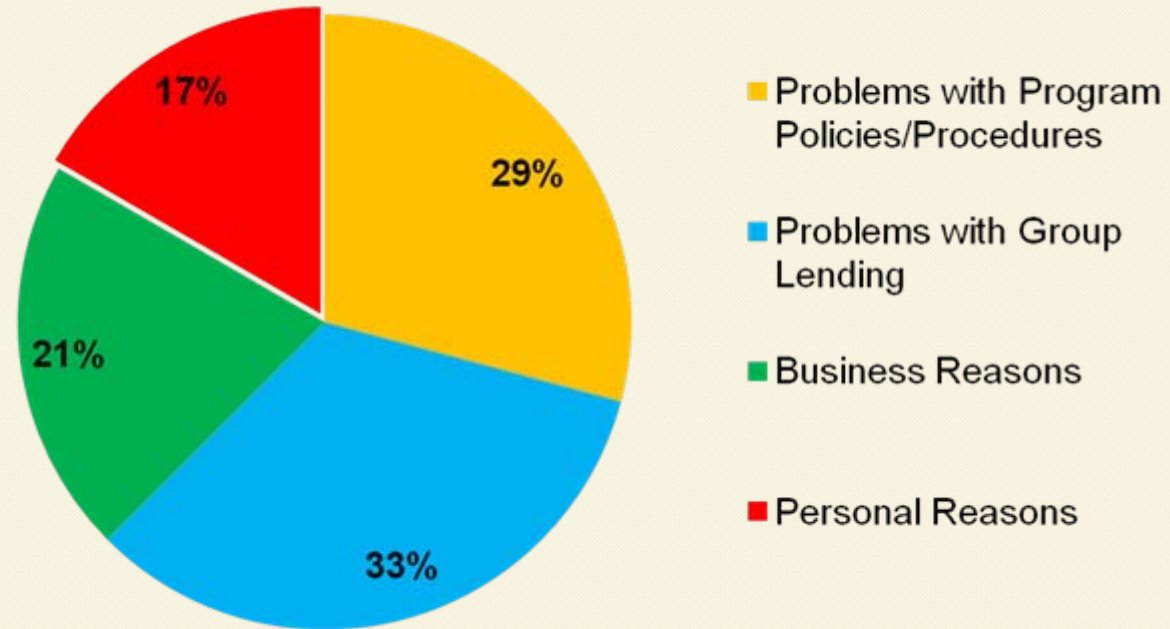
- 391 FINCA Mexico clients randomly selected from 8 different regions.
- FINCA client interviews using FINCA's Client Assessment Tool (FCAT)
- Examined differences between exiting and continuing clients.
- Statistical methods used include t-tests to compare differences in means between these two groups.



Today's Discussion

- Executive Summary
- Key Findings
- Implications
- Methodology
- ***Data and Statistical Analysis***
- Limitations
- Next Steps and Conclusion
- Questions

Data and Statistical Analysis



62 percent of exiting clients leave due to problems with group lending or problems with the village banking program.

Data and Statistical Analysis

Table 2: Means for Clients Staying and Leaving FINCA

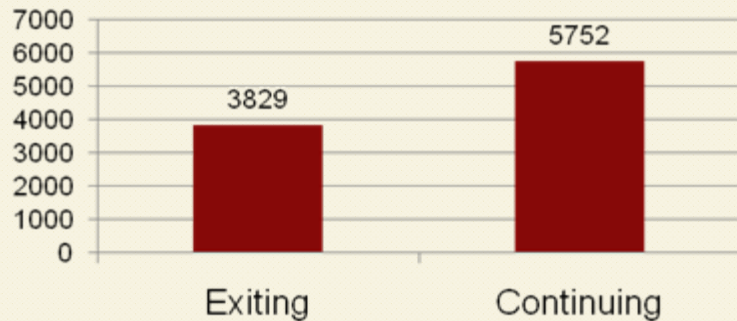
Variable	Description	Mean for Clients Staying	Mean for Clients Exiting
DPCE	Daily Per Capita Household Expenditure	48.24	40.96
DPCE_adj	DPCE using weights for household members	60.55	50.14
Age	Client Age	37.46	36.54
Loanamount	Amount of Current Loan	5751.91**	3829.17**
timewithinstitution	Number of months a client has spent with FINCA	16.04*	10.88*
OwnAgLand	% of Clients who own agricultural land	19.13%*	33.33%*
Areaofagland	Number of square meters of agricultural land owned	16,400	2,492
Age_v	Weighted number of household members	3.8	3.8
Totalhhmembers	Total household members	4.88	4.83
Oaxaca	Percent of Clients who live in Oaxaca	16.39%*	29.17%*
Tehuacan	Percent of Clients who live in Tehuacan	9.56%**	29.17%**

* Indicates statistical significance at 90% level.

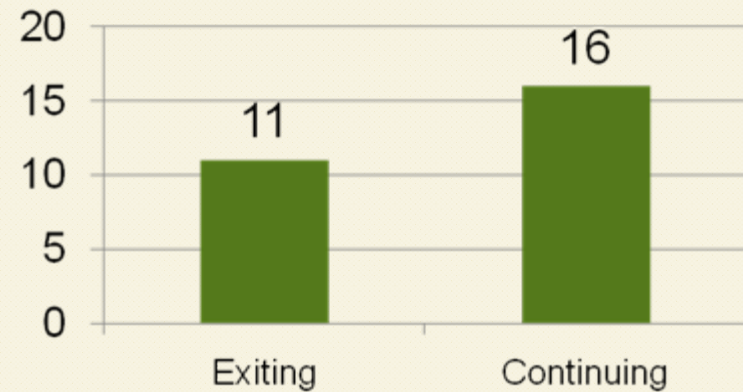
** Indicates statistical significance at 95% level.

Data and Statistical Analysis

**Average Loan Size
(Pesos)**



Time With FINCA (Months)



Continuing clients have 50 percent larger loans and have participated in FINCA for 50 percent longer.

Data and Statistical Analysis



Tehuacan and Oaxaca branches have significantly higher exit rates.

Data and Statistical Analysis

- **Exiting clients:**
 - Have a lower DPCE, but the difference is not statistically significant.
 - Are more likely to own agricultural land at a rate that is statistically significant.



Today's Discussion

- Executive Summary
- Key Findings
- Implications
- Methodology
- Data and Statistical Analysis
- ***Limitations***
- Next Steps and Conclusion
- Questions

Limitations

- 24 of the 391 clients surveyed reported they planned to leave FINCA at the end of their current loan cycle.
- The small number of clients who plan to exit may skew results.
- More clients may have been planning to exit than were willing to say.
- Conversely, clients who said they planned to exit may have changed their plans



Today's Discussion

- Executive Summary
- Key Findings
- Implications
- Methodology
- Data and Statistical Analysis
- Limitations
- ***Next Steps and Conclusion***
- Questions

Next Steps and Conclusion

- **Good news:** FINCA Mexico's actual exit rate of 5.32% (July 2008) is very low.
- **More good news:** While formal exit interview process not yet in place, call center volume consists of only 2% complaints.
- **Recommendation:** Group newcomers with newcomers as much as possible.
- **Idea:** New program for agricultural land owners.

Next Steps and Conclusion

- More research is needed.
 - Why are clients from Tehuacan and Oaxaca exiting at higher rates?
 - Track exiting clients to determine reasons for leaving.



Thank you

