



# “Case Study: Christina Gomez, Midwife”

*The Banking on Health Project*

## **Case Study Description**

### **The Case: Christina Gomez, Midwife**

**Goal:** To improve lenders' credit analysis skills and to understand the particular business model, and risks and benefits of lending to a health care business, particularly a midwife practice.

**Objectives:** At the end of this case study, participants will have enhanced abilities to:

- Understand the business model of a private midwife practice and consider these practices as potential borrowers
- Effectively communicate and gather information from clients
- Gather information for the credit decision making process from non-client sources in an effective and efficient manner
- Construct a cash flow for an applicant
- Determine repayment ability and debt capacity based on a client's cash flow
- Promote repayment with sound credit decision-making and monitoring techniques

The case study takes Account Officers (AOs) through the process of evaluating a first-time applicant and deciding whether to lend and how much.

### **Case Study: Christina Gomez, Midwife**

For the past three years, Ms. Christina Gomez has owned and managed a private midwife clinic from her home. She is 37 years old and has been a certified midwife for the past 13 years, since graduating from the A-1 City School of Midwifery in Iloilo City. Before opening her own clinic, she worked for the midwifery school as a clinical instructress for six years, and as a midwife in the local government hospital for four years.



Christina heard about your rural bank's microfinance program from the pregnant wife of a local sari-sari shop owner. The shop owner is a borrower of your bank. She has come to your bank's MFU this morning requesting a loan application. Although she has not brought her financial information with her, she clearly states that she is making a healthy income, enough to pay back her loan request of P40,000. She has invited you to come to the clinic to see for yourself.

#### ***Initial Interview***

##### ***Exercise:***

1. What information do you want to collect before formally interviewing Christina and giving her an application?
  
  
  
  
  
  
  
  
  
  
2. What questions should you ask?

## **The Initial Interview**

Most of the information needed to evaluate a microenterprise loan application can be gathered at the initial interview. Remember that time is valuable, and that the more necessary information you can gather in the initial interview, the quicker you can make a decision.

### ***Preparing for the client interview***

It is important to be prepared for your initial interview with the client. You should establish your objectives for the interview beforehand and know what you need to get from the client before you can proceed to the next step in the application. A written list of questions or notes may help you to remember what information you need. As some answers are given, other questions may arise, but as long as you have an outline of what you need, you'll stay on track. Questions should start with the general and get more specific as more information is learned.

This list of questions would typically consist of:

1. Questions about the loan application such as clarification in the case of inconsistencies or confusing information.
2. Standard questions that you ask of every applicant – incorporating credit analysis issues and any program requirements
3. Industry specific questions based on your knowledge (or lack of knowledge) of the applicant's business activity.

**Exercise:**

Prepare for the client interview. In your groups, establish objectives for the meeting and make a short list of questions or notes that will help you achieve these information-gathering objectives.

Objectives: \_\_\_\_\_ Questions: \_\_\_\_\_

## Character Reference Checks of Christina

On the way to the site visit, you point out the sign “Christina’s Midwife Clinic” to a woman neighbor walking down the alley. She verifies that the clinic has been there for at least 3 years, and that Christina is well known in the community as a midwife as well as a source for advice on infant care and women’s health. The neighbor herself had two babies at Christina’s clinic.



The neighbor says that Christina’s husband helps her by cleaning the clinic and driving patients to the clinic in his tricycle, and sometimes to the hospital in case of emergency. Her husband works as a mechanic and also does odd jobs in the community such as repair work on cars and tricycles.

After the meeting, you visit the local pharmacy where Christina gets her pharmaceutical and medical supplies for her business. The owner confirms that he supplies Christina’s clinic. He typically allows her to pay 50% up front, and 50% after 15 days, and she always pays him on time.

You call the local midwife association of which she is a member. According to the association head, Christina is friendly, gets along well with people, and is a hard working person who supports herself, her husband, her mother, and her two children with the income from the clinic. She is very responsible and prides herself on keeping a clean and orderly clinic for her patients. She regularly attends association-meetings and has participated in the on-going professional training offered by the association. The association representative wholeheartedly recommends this applicant for a loan.

Christina has given you the name and contact number of the supplier who has offered to sell her supplies in bulk at a discounted price. You call the supplier and verify this information.

Lastly, you remember that Christina heard of your bank through a sari sari shop owner who is a borrower. You check that the borrower is in good standing. You call the borrower for a reference check, and the borrower confirms that his wife plans to give birth to their first child at Christina’s clinic. They had heard that Christina has a good reputation in the barangay.

## Information from a Competitor

You interview a private practice midwife in the neighboring barangay and learn that:



- The other midwife charges P2,500 for deliveries
- The other midwife has a smaller clinic, with a plastic sheet used as a temporary wall in the recovery area. The clinic isn't as clean as Christina's, and there is no sign marking it.
- The other midwife works full time in a government clinic, and spends only late afternoons and some weekends at her clinic.
- She opened her clinic because many women at the government clinic were asking her to assist deliveries for them in their home. There was growing demand, it seemed, and she was earning enough to refurbish a small room in her home for the clinic. For her, it is more convenient to do the deliveries at her own clinic, and more importantly, she could more easily control the cleanliness of the environment with her own clinic.
- Her clients are mainly women who come to the government clinic, but who happen to deliver outside of her usual working hours.
- The other midwife doesn't offer over the counter medicines, only family planning products for sale.
- The midwife confirms that most of her customers are married women of childbearing age who are unsatisfied with conditions at the government clinic. They feel safer at her clinic, and prefer to have their baby there rather than at home with the distraction of family and other children.

The midwife confirms the typical cost and retail prices of products sold by Christina.



## Bangko Credito Sample Credit Analysis Report

**PERSONAL DATA**

Name of Applicant: \_\_\_\_\_ Age: \_\_\_\_\_  
 Residence Address: \_\_\_\_\_ Length of stay: \_\_\_\_\_  
 Educational Attainment: \_\_\_\_\_ Birthplace: \_\_\_\_\_  
 Name of Spouse: \_\_\_\_\_ Age: \_\_\_\_\_  
 Occupation of Spouse: \_\_\_\_\_  
 Educational Attainment: \_\_\_\_\_ Birthplace: \_\_\_\_\_  
 Number of Dependents: \_\_\_\_\_

Name	Age	School	Grade/Year	Remarks

**COURT CASES**

Court/Location	Case No.	Plaintiff	Date Filed	Remarks

**CREDIT HISTORY AND REFERENCES**

Source of Loan	Loan Amount	Date Granted	Date Due	Amount & Frequency Of Installments	Status of Loan

**SAVINGS HISTORY**

<u>Name/Address of Institution</u>	<u>Amount</u>
1. _____	
2. _____	
Total Savings	_____

**PROOF OF PAYMENT:**

Bills	Documents Supplied	Comments (on time, delinquent payment, etc.)
Water	_____	_____
Electricity	_____	_____
Telephone	_____	_____
Installment Plan	_____	_____
Mortgage/Rental payments	_____	_____
Loan payments	_____	_____
Others	_____	_____

**REAL PROPERTIES OWNED:**

Description	Reg. No.	Area	Location	Improvements	Current Value	Remarks
TOTAL						





PERSONAL PROPERTIES (Household appliances, transportation equipment, farm equipment, etc.)

Description	Date Acquired	Acquisition Cost	Current Value	Outstanding Balance
		<b>TOTAL</b>		

**MAIN BUSINESS ACTIVITY**

Type of Business : \_\_\_\_\_ No. of years in the business: \_\_\_\_\_  
 Location of Business: \_\_\_\_\_  
 Type of shop or stall: (check)    None/Temporary structure \_\_\_\_\_    At home/permanent structure \_\_\_\_\_    In or near the public market, permanent \_\_\_\_\_  
 Business space:    Owned: \_\_\_\_\_    Rented: \_\_\_\_\_    If rented, have lease contract? (Y/N) \_\_\_\_\_  
 Type of Goods Produced/Merchandise/Services Provided: \_\_\_\_\_

**INVENTORY OF BUSINESS ASSETS & MERCHANDISE INVENTORY**

Type/Description	Quantity	Unit Price	Total Value
<i><u>Business Assets / Supplies</u></i>			
		<i><u>Sub-Total</u></i>	
<b><u>Stock for Resale</u></b>			-
		<i><u>Sub-Total</u></i>	
			<i><u>Total</u></i>

**BALANCE SHEET**

ASSETS		LIABILITIES AND NETWORTH	
Cash on hand		Loan Payables	
Bank Deposits ( <i>Credit coop</i> )		Other payables	
Accts. Receivable			
Real Properties		TOTAL LIABILITIES	
Personal Assets		TOTAL NET WORTH	
Business Assets			
TOTAL ASSETS		TOTAL LIABILITIES & NET WORTH	

**SALES:**

Frequency of sales/income from business (daily, weekly or monthly): \_\_\_\_\_ Daily \_\_\_\_\_  
 Gross sales (daily/weekly/monthly) High \_\_\_\_\_ Low \_\_\_\_\_ Normal \_\_\_\_\_  
 % of credit sales to total sales: \_\_\_\_\_

**BUSINESS TRENDS:**

Peak Months : \_\_\_\_\_ Slow Months: \_\_\_\_\_ Regular Months: \_\_\_\_\_

**WORKING CAPITAL:**

How often do you buy stocks/raw materials? \_\_\_\_\_  
 How much do you normally spend each time? \_\_\_\_\_  
 Where do you usually get your stocks? \_\_\_\_\_  
 Do you get your stocks on cash, credit or consignment basis? \_\_\_\_\_

CASH FLOW ANALYSIS (See attached sheet)

**RESULTS OF INTERVIEW WITH CREDITORS/SUPPLIERS**

FOR SUPPLIER/CREDITOR ONLY	Supplier/Creditor 1	Supplier/Creditor 2
1. How long have you known the applicant?		
2. Are you a relative of the applicant?		
3. How long have the applicant been purchasing/borrowing from you?		
4. Based on your experience, is he/she reliable/unreliable borrower?		
5. Did you have Any problem collecting from the applicant? If yes, why?		
Date of Interview		

RESULT OF INTERVIEW WITH CHARACTER REFERENCES	
Name and Address of Barangay Official (indicate position) and Date of Interview	
1. Are you a relative of the applicant	
2. How long has the applicant lived in the community?	
3. Has the applicant been involved in a legal case or dispute? If yes, what is it?	
4. How would you assess the character of the applicant?	
5. Do you know if he/she has vices?	
6. Is he/she known to borrow loans?	
7. Is he/she known to be a reliable/unreliable borrower?	

RESULT OF INTERVIEW WITH CHARACTER REFERENCES	
Name and Address of CO-MAKER, Occupation, and Date of Interview	
1. Are you a relative of the applicant	
2. How long has the applicant lived in the community?	
3. Has the applicant been involved in a legal case or dispute? If yes, what is it?	
4. How would you assess the character of the applicant?	
5. Do you know if he/she has vices?	
6. Is he/she known to borrow loans?	
7. Is he/she known to be a reliable/unreliable borrower?	
8. Would you willing to guarantee for his/her loan?	
9. Would you be willing to lend him/her money out of your own pocket?	

RESULT OF INTERVIEW WITH CHARACTER REFERENCES	
Name and Address OF CO-MAKER, Occupation, and Date of Interview	
1. Are you a relative of the applicant	
2. How long has the applicant lived in the community?	
3. Has the applicant been involved in a legal case or dispute? If yes, what is it?	
4. How would you assess the character of the applicant?	
5. Do you know if he/she has vices?	
6. Is he/she known to borrow loans?	
7. Is he/she known to be a reliable/unreliable borrower?	
8. Would you willing to guarantee for his/her loan?	
9. Would you be willing to lend him/her money out of your own pocket?	

RESULT OF INTERVIEW WITH CHARACTER REFERENCES	
Name and Address of NEIGHBOR, Occupation, and Date of Interview	
1. Are you a relative of the applicant	
2. How long has the applicant lived in the community?	
3. Has the applicant been involved in a legal case or dispute? If yes, what is it?	
4. How would you assess the character of the applicant?	
5. Do you know if he/she has vices?	
6. Is he/she known to borrow loans?	
7. Is he/she known to be a reliable/unreliable borrower?	
8. Would you willing to guarantee for his/her loan?	
9. Would you be willing to lend him/her money out of your own pocket?	
RESULT OF INTERVIEW WITH CHARACTER REFERENCES	
Name and Address of NEIGHBOR, Occupation, and Date of Interview	
1. Are you a relative of the applicant	
2. How long has the applicant lived in the community?	
3. Has the applicant been involved in a legal case or dispute? If yes, what is it?	
4. How would you assess the character of the applicant?	
5. Do you know if he/she has vices?	
6. Is he/she known to borrow loans?	
7. Is he/she known to be a reliable/unreliable borrower?	
8. Would you willing to guarantee for his/her loan?	
9. Would you be willing to lend him/her money out of your own pocket?	
ACCOUNT OFFICER'S OTHER OBSERVATIONS, CONCLUSIONS AND RECOMENDATIONS	
<p>I hereby certify that all the information stated in the Credit Analysis Report are true and correct and that I shall be held responsible for any misrepresentation.</p>	
_____	_____
(Date)	(Account Officer)

### Christina's Cash Flow

Item	Daily	Weekly	Monthly	MONTHLY TOTALS
<b>Income from Business</b>				
Business 1: <i>Midwife Clinic</i>				
Business 2:				
Total Business Income				
<b>Business Expenses</b>				
Raw Materials/Purchase				
Business 1: <i>Midwife Clinic</i>				
Business 2:				
Business 3:				
Salaries and Wages: <i>Clinic Assistant</i>				
Salaries and Wages: <i>Assistant Midwife</i>				
Rent				
Utilities				
Transportation Expenses				
Fuel				
Business Taxes & Licenses				
Other Business Expenses				
Total Business Expenses				
<b>NET BUSINESS INCOME</b>				
<b>Other Household Income</b>				
Salaries & Wages ( <i>Husband's take-home pay</i> )				
Pension				
Remittances from other family members				
Other Income Sources				
<b>Total, Other Household Income</b>				
<b>TOTAL BUSINESS &amp; HH INCOME</b>				
<b>HOUSEHOLD EXPENSES</b>				
Food ( <i>Husband's snacks at work</i> )				
House Rent				
Education and School Allowance				
Utilities				
Transportation ( <i>Husband's transp. fare to work</i> )				
Medical Expenses				
Insurance premium / Association Dues				
Other Loan Payments				
Other Expenses ( <i>Groceries</i> )				
Sub-Total				
Add: Miscellaneous Expenses (10%)				
<b>Total Household Expenses</b>				
<b>NET BUSINESS &amp; HH INCOME</b>				



<b>Debt Capacity Analysis</b>				
TOTAL Amount available for debt service (monthly)				
Adjusted Debt Capacity @ 25 - 50% for first time borrower		/month		/week
Max. Loan Amount for <u>3</u> months/ <u>91</u> days / 13 weeks				

## **Loan Analysis and Structuring**

Now it is time for the Account Officer to put it all together. Making a decision on whether or not to recommend a loan is much more than collecting information and making sure all the numbers add up. There is some analysis involved – analysis of financial and non-financial information.

### ***Loan Analysis Exercise:***

In your groups, review the Credit Analysis Report information and the inputs into the Cash Flow Analysis.

1. Analyze the non-financial information.
  - a. What factors do you consider in this process?
  - b. Why are they important to the credit decision?
  
2. Analyze the financial information
  - a. What is included in this analysis?
  - b. What are your group's conclusions about the applicant's debt capacity?

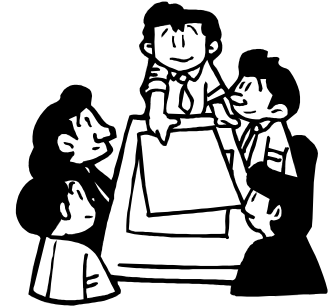
## The Loan Decision

Christina has returned to talk about her loan request. Christina thought the loan approval process would be quick. She would like a loan as soon as possible.

You are relieved that your credit committee had met that morning and had come to a decision, so you could provide Christina with the answer.

### ***Final Group Exercise:***

In your groups, make a decision on whether or not to approve the loan, including the loan amount, collateral or guarantees required, the loan payment structure (daily, weekly, or monthly) and the loan term. Select a member of the group to present your decision.



1. If not already completed, complete the Credit Analysis Report and Cash Flow based on the information provided by the case study and your trainer.
  
2. What has your credit committee decided? Do you approve her loan request?
  
3. If yes, how much can she borrow? If not, why not?
  
4. Over what period of time?
  
5. What are the other terms and requirements of Christina related to the loan?
  - Why have you chosen these?
  
  
  - How will they help ensure repayment?



6. What monitoring procedures do you recommend?
- Why have you chosen these?
  - How will they help ensure repayment?