

Lessons of Buusaa Gonofaa in the Implementation of MIS

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Buusaa Gonofaa MFI (BG), Ethiopia

- BG is established in 1999 by transforming from a project run by local NGO; a NBFIs with deposit taking mandate & regulated by central bank

Amount in USD	Jun 2009	Jun 2010	Jun 2011
Assets	4.7 m	4.4 m	4.9 m
Loan portfolio	3.7 m	3.6 m	4.5 m
Active borrowers	38,392	38,315	48,908
Ave. loan bal. per borrower	98	94	93
ROA	7.8%	8.6%	9.5%
NPL 31 + r + w/o	2.7%	1.9%	0.9%
Portfolio yield	33.7%	32.4%	31.8%

Why we need a well functioning MIS

“ Strong information systems (IS) are the foundation of any financial institution. They help an institution make informed decisions, generate timely and accurate reports, lower costs, and improve customer convenience. “

--CGAP

“Software Implementation: What Have We Learned?”

“We have travelled the world during the past few years, assessing infrastructures for Information Technology (IT) organizations for Fortune 1000 companies and new upstarts that have become the major portals to the Internet with market caps worth billions....”

“The fascinating common thread we found in these organizations was that they were asking for help to solve technical issues and we found non-technical problems. The majority of the organizations were doing a fair job with the technology. ***Their problems centered on people and process issues....***”

Source: Normand Arsenault c. a.



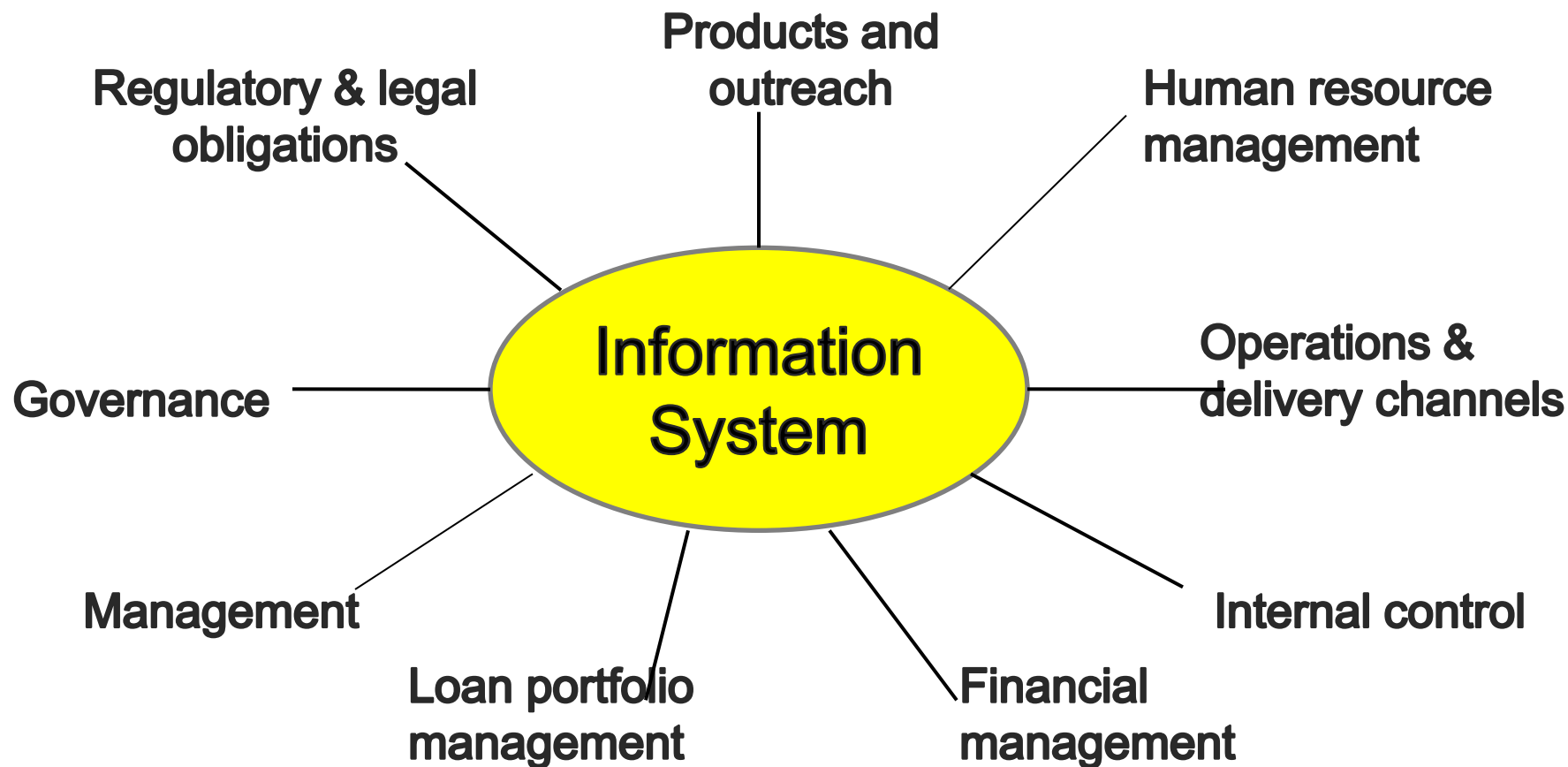
What does it take to have a good MIS?

“Management [must] evaluate and change the way the institution works. *Information systems can perform as well as the institutions they **model**.* If policies, procedures, organigrams, job descriptions, workflows, and the like haven't been properly established, no MIS will function well.”

-- CGAP



MIS is more than installing a software application!



Source: Normand Arsenault c. a.

The Selection Process

- MIS as strategic asset – solve inefficiency problem, service quality and client satisfaction
- Selection process
 - Considered the experience of similar MFIs that have solved problem of manual operation (fraud, errors, reporting delay)
 - Consultant assisted in need identification (RFP), proposed two solutions (one local, one international)
 - CGAP evaluations, exposure visit of user MFIs (Kenya, Eth)
 - Reference check – what did not work for them, why?
 - On-the-shelf solution – license renewal annually, we own nothing and fully depend on vendor to maintain the system

The mother of our failures – failure to change the way the institution works

- there was no document of key business processes – without business process mapping, no avenue to change the way we work
 - mapping done at the end, at the time of change over not before,
- only marginal improvements made, not full advantage of the new technology (scale, efficiency, customer service)
 - data inputting approach, accuracy level – verification, checking;
 - error detection and control mechanism - nothing documented
 - grace period definition, missed repayments criteria
 - interest calculated on 48 weeks (336) or 52 weeks or 360, 365 or 366 days basis (52 weeks = 364 days)

(Cont'd) Some Common failures in the implementation

- The extent to which current data collection system is in place and functioning well
 - distribution of (form) copies, completeness of entries in paper forms, what report by and for whom;
 - existing data inaccurate, member Acct. ID and/or name wrong; multiple name for same acct ID and vice versa, not balancing, members & group level totals do not agree
- Interest calculation – formula (weekly, two-weekly, four weekly, monthly); interest waiving for advance payment or closure, round-off always 'up' and client balance non-zero means follow on loans cannot be disbursed

(Cont'd) Some Common Failure

- Project mgt – who is responsible? “the new MIS is for all of us”; in effect, none of us is accountable!
 - Mgt goal and commitment – executive mgt should be primary sponsor & users of the proposed system
 - ‘accounting dept’ as the project manager – the surest way to the automation project (run two planes side by side);
- Slow or no feedback from users (LOs, BM...); accts continued with its *old* system, also operation dept!
- Slow adoption of operational changes (over 4 years), late banking, reversal, day closure, cash short/over, etc.; LO time mgt remained *old* way

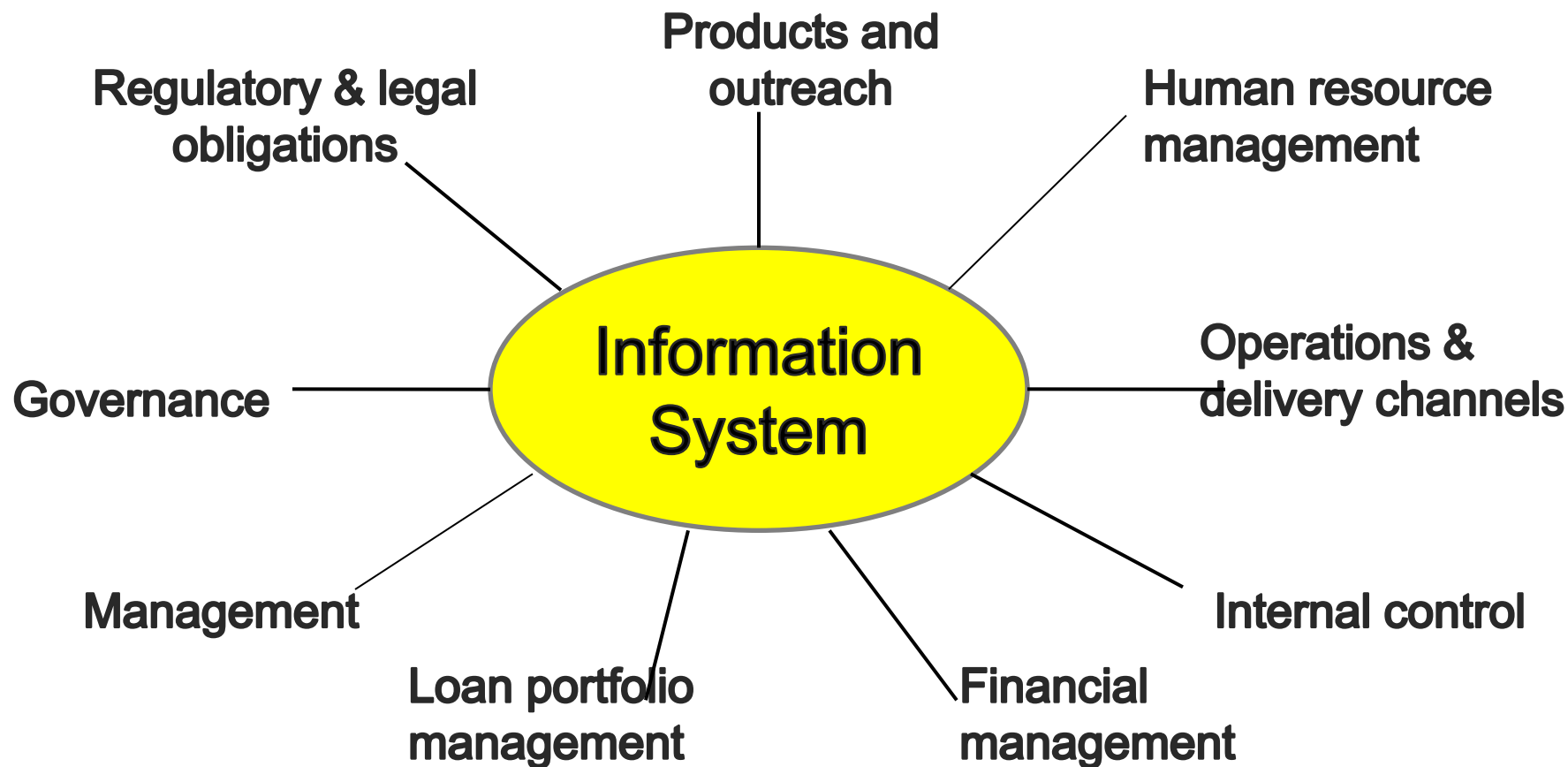
Two Messages

- First identify the problem to be solved, solve some of them for the technology, and then consider the technology to solve the remaining;
- Poorly designed procedures, business process, once automated, are still inefficient.





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THANK YOU!