

Interview with Chaitanya

Date: Apr. 25, 2013

Interviewee: Anand (CEO) & Jignesh (IT)

Conducted by: Deanna McCusker, UX Designer

Summary

What they liked: - don't use Mifos.

For Delphix:

- Simplicity
- Accounting integration

Desired Improvements:

- Track history of branches, centers, clients is very important (change tracking)
- Dashboard info would be nice (prompted)
- Checklist concept would be nice (prompted)

Interview Notes:

Don't use Mifos

Delphix – combined data entry and accounting – 4 modules –

- Financial
- operational
- Admin
- Savings (they don't use)

Mifos X

- Happy with what we are using but don't know about the scalability
- Want to migrate to Mifos when Mifos X becomes available

How big is Chaitanya?

- 25 branches
- around 4-5 Loan officers per branch, 100 total
- 30,000 total clients
- about 800-1000 clients per branch
- each LO handles a portfolio total of 50 Lakh portfolio
- loan varies from 5000 – 50,000
- centers per LO 50-60 centers, 6 days/week, meet Mon-Sat
- 2-5 groups/center
- minimum 4 people, max 25

How much can clients take in loans?

- New client can take 5000-15,000 R
- Can get more if PPI has increased, income has increased, what is the purpose of the loan

Daily Process:

- Start around 6-6:30 am for collections – up to 10/day (avg 4-5 /day)
 - 15-30 minute center meetings
 - Brief discussion – if everything is ok, if members are fine, if someone is absent what is the reason
 - Collect money
- Do all collections before coming back to branch
- Come back to branch around 12-1:00
- Branch
 - Collect money and give to cashier
 - Cashier checks the accounting part, they sign off
 - Cashier is also the data entry operation, mostly a lady
 - She enters data in bulk entry into system,
 - 99.9% of time people pay the right amount
 - Disbursals are normally larger than collections
 - In any given day disbursals will outsize collections
 - Disbursals only happen 3 times a week (didn't get this – nothing else supports this statement) – Monday disbursals are less, start increasing during week
 - Loans need to be sanctioned at least 48 hours ahead
 - Plan for necessary disbursement cash necessary 2 days in advance
 - Keep flexible because of customer, customer comes when they can
 - Know when clients are coming for disbursement, so they take money out of bank and have it ready
 - Cashier is at branch from 9:30 til 5:30, most clients come together at a fixed time, one center all people come at one time for group loan. Lend to groups together, but each has individual loan. (Only loan on fixed schedule – every year for 1 year and 2 year loans. They have very limited products – 1 year and 2 year, 1 or 2 disbursements for 2 year)
 - Cashier enters data into system as it comes in
 - All data must be entered before 5pm
 - BOD and EOD process
 - Say start the day – enters a date
 - If something is wrong, rectification entry
 - Close out with EOD process, data sent to accounting
 - 99.81% repayment rate

Process to ensure good repayments:

- 80% will pay with no problem
- any center that can potentially default, will show signs within 2 months
- discipline – if members stop coming, or don't have money, usually because 1 or 2 members have given the money to somebody else (relends money)
 - biggest problem, want to catch this early
 - have a special meeting tell them this is not as per the rules
 - if not a genuine default, the Joint Liability Group is disciplined (?)
- Other cases – when people fall into a hardship, medical problem or something, we say it's okay, will not put pressure on other members

How is this tracked?

- Track through google.docs, software would be excellent, but we don't have it. Audit also focuses on that

10 steps in process:

1. selecting a village
2. communication to villages about terms and conditions
3. voluntary – they form the groups, liability for each other
4. first day training for whole center, visit each person's house – collect the PPI info
5. get ID card, LO fill out loan application, take signatures of them and husbands
6. information is fed into system – data entry person, at end of the day this data is submitted to credit bureau
7. branch manager – before going to center he checks credit bureau information, total outstanding for each person with other MFIs
 - a. with this data he goes to center
 - b. if someone is not eligible (more than 2 MFIs, 50,000 outstanding)
 - c. sometimes credit bureau is not 100% accurate, if one person has more than 2 MFIs, we have suspicion that other members may have the same, so we do a more rigorous check
 - d. may have to eliminate another person
 - e. makes sure every member understands the loan, the terms and conditions, seriousness of loan
 - f. household check again against PPI survey
8. branch manager discusses about each center with the regional manager (one regional manager for 6-7 branches)
 - a. regional manager again checks on
 - b. makes sure branch manager hasn't made a mistake
9. branch officer issues sanctions
 - a. this person has asked for 15,000 but we feel they can only manage 10,000
 - b. do a repayment capacity check (before branch manager goes to center, does a repayment capacity check, don't ask customer how much they are earning, danger of overstating, find out what

occupation the household has – what crop, how many acres – 2 acres growing rice, we know they can only earn 20,000 R, with 2 cows they can earn an additional 2000 R. Figure out how much they can afford to repay.

- c. Tells client they can only afford 10,000 R
- d. So now we know how much a center is going to get
 - 48 hour minimum time to disburse, once sanctioned, must be at least 48 hours before disbursement
 - calculate how much will come in in collections the next 2 days, difference sent to Head office for them to make up difference
 - at time of loan application, we give a loan within 1 month
 - hand receipt for asked amount, but branch might only give sanctioned amount

Loan Products

- Basic loan called 1-year loan – 1 year 5,000 – 15,000 (90% cases)
 - Repay every two weeks, 26 payments/year
- 2-year top-up loan – can do this at start, we can give this to customers that are buying a cow (can be first time) – 15,000 min – 50,000 max
 - sanctioned 20,000 loan
 - two tranches – $\frac{3}{4}$ first disbursement - 15,000 first disbursement
 - $\frac{1}{4}$ 5,000 second disbursement – happens between 12-18 months
 - can choose not to take the topup
- 2-year loan with 2 disbursements (for 2nd time customers)
 - 1st disbursement is 1 amount
 - 2nd is 125% of first
 - max is 50,000
- 2nd loan can come before end of first year – 1 disbursement, pay over 2 year
 - can start 2nd loan after 22 payment
- Interest is always on outstanding amount
- Want to also offer loans that can have 3 or 4 tranches in 2 years
- Outstanding amount is important, cannot be more than 35,000 say

Don't do emergency loans – something they are looking at

EMI(equated monthly installment) – don't want this to change for the client too much

Centers meet every 2 weeks, but there is flexibility, may do monthly, in that case it will be the day of the month, if falls on a Sunday or holiday, they repay the next day

Use accrual-based accounting

What happens if a LO leaves?

- Minor issue for LO to leave and take money

- Transfer LO – credit officer from onebranch to another
- What is important is who created center in first place and who is responsible now, this history is very important

What happens if 2 centers need to be merged?

- Give the new name to the center, all clients transferred to new center
- In Delphix no problem
- History of center - Need to keep track of who comes and goes in a center

Branch performance

- How many new villages they've entered
- New centers, old centers
- Avg center size
- Disbursal amount per customer
- Per center
- Activity – how many people have taken loans for different purposes
- Village penetration
 - How many villages we've penetrated
 - How many households we've penetrated
 - Number of centers per village
- Distance of village from branch – implications on how efficient they are, if starting to get too far from branch, might want to open a new branch
- Regional manager monitors this information

Center performance

- Attendance
- Loan utilization, how much outstanding vs how much is taken
- Risky centers – how risky they are,
 - Attendance > 60%
 - 1 customer should not be absent for more than 6 times
 - poor discipline
 - normal cross lending – not more than one member cross lending and there is no RP problem due to cross lending
 - misutilization of loan, more than 50%
 - high debt level of center members, although no problem with discipline or RP
- Can be problems with familiarity of LO with customer
 - Give me 100 R and I'll ensure you get a 25,000 loan
 - History of center is very important
- When you are sanctioning a center, want to see history of center to review, each group has to start loan at the same time, but want to be more flexible (software doesn't allow it)
- Each person can only have one loan per type of loan

Roles:

- Credit Officer – lender (LO)
- Cashier/data entry
- Branch manager
- Regional manager
- Operations manager – Anand

Dashboard for Credit officer

- His centers what are repayments on daily basis
- Customerwise
 - 10 centers for repayments
 - which customer, how much money, outstanding, loan product, which village, how far
 - whether center is good, problem, or risky
 - who created the center, who is current owner (who is responsible for repayments – collection owner)
 - this center is up for a loan within next 2 months, it's closing by this date
- plans for day

Dashboard for Branch manager

- aggregate of all centers
 - how many centers are coming up for new loan in next month
 - today's repayment, centerwise, total amount to be collected
 - how much disbursal in next two days (sanctioned amount)
 - what are centers which are pending for sanction, everything is ready but has to be sanctioned
 - branch level data
 - can come in a reports
 - village penetration, etc
 - see plans for the day, what is pending
- Plans for the day in the dashboard
- This CO did so many, track how CO performed for incentives

Dashboard for Data entry/cashier

- repayments for that day
- from which credit officer, how much
- disbursal for that day, what amount, what center for each center
- for disbursal what is not complete
 - documentation isn't done, some signing is not done
- what is pending
- cash balance
- bank balance

Dashboard for Regional Officer

- in charge of 6-7 branches
- same as branch manager but aggregated for all branches

Dashboard for IT manager - Jignesh

- how much time each person is using the system, what is usage
 - like branch manager, cashier, data entry
 - login times, login and logout

Dashboard for Accounting Dept.

- total collections for day
- what are receipts and disbursal expenses
- longer term basis
 - profit and loss
 - income and expenses
 - Notifications (good for each role)

Other comments:

- Once a sanction has been done, goes to regional manager for approval
- Person who starts center could be different from person who collects money
- Once end of day is done and something is not done, it should reflect that
- Operational policies
 - system should not skip these steps

What 3 biggest problems with current system?

- CEOs issues
 - History is very important – center, customer
 - Product is limiting, need a lot of flexibility, limits on outstanding, income capacity cannot give loan above certain amount, want to give multiple loans
 - Manually checking requirements, want to be automated
- IT
 - Unable to validate duplication of customers
 - Can get into another branch, should not allow the same ID to be in the system twice

What do you like best about current system?

- Simple
 - Sanction loans, repayment entry is uncomplicated
- Cost-wise is good, haven't paid a lot of money for it

Microfinance started very standardized – 5 member groups

- Would like flexibility in choices
- Get into microinsurance, individual loans

- Auditing is also very important

Mobile/Future?

- CO to go to field with mobile phone and send SMS that a task has been completed
 - A meeting at 10 o'clock – yes it's done (tracking)
- Maker/checker is very important
- Use mobile to track COs can track that they are in village they say they are in, so can verify
- Also valuable to use SMS receipts
- Technology backbone isn't very strong, so need ability to do offline
- Frequent outages, has to work with lower bandwidth
- Should lose data that has been entered if server connection is lost

Demo (Vishwas learned more from this than I did about their integrated accounting, probably not too useful if you didn't see the screens.)

Delphix

4 parts

- Financial accounting
- Admin
- Operations
- Settings

Operations

- Transaciont
- Reports
- Documents
- Data interface
- Utilities

Accounting done at regional level

BOD – beginning of day dialog

If branch level, only one branch appears

Select branch (but there is only one), then click OK

Select Center

- Choose center, Center Master populated

Center CRM Link definition

- Link a center to a loan officer
- Keeping a history of which LO has managed a center for which period of time

Registration Form

- For new customer – basic customer info, DOB, address, etc.

Applicaton

- Product, KYC ID, purpose, marital status (insurance)

High Mark Report Center Wise

- Credit report
- Click on an individual person get the detailed report for them
- One day report shows list of credit – highlights in yellow clients that have more than 2 loans outstanding

Loan sanction form

- Discuss with BM and shows disbursal schedule

LD Sheet (loan disbursal)

- List of customers disbursed today

Receipt book master

Transaction entry screen

Repayment schedule

2-tranch loan

Demand sheet – what loan officer takes to field?

Bulk entry

Dialog, just a list of collections (doesn't have disbursements on this form)

Branch Day Scroll

Full list of transactions for a branch

Repayment Report

Disbursal Sheet

Customer Sub ledger

Total loan info per customer, when has been disbursed, when has paid

End of Day process

After EOD process, info is transferred to the accounting dept.

If you've collected insurance, it goes to insurance

If it was loan fees, it goes to fees account

Financial Screen

Cash entry

Bank entry

Transfer from one branch to another

Etc...

Cash entry screen

Cash book report – has to reconcile with bank account

Branchwise Summary

All branches, what they sanctioned yesterday, day plan, day actual, scheduled demand, actual repayment, other transactions, prepayment, overdue, total overdue, how many clients overdue

Loan officer reports – same columns

Disbursal Fund planning – how much they collected, how much has been disbursed, difference is how much they need to cover sanctions or how much they will deposit in bank – shows which branches need money on what date

Loan Closure screen – anybody can close if no balance or write off

Codes are used to link lines of info in data entry to the accounting ledger

JLG – Joint Liability Group

Types of payments

- EMI – meaning (look up on Wikipedia)
- Bullet – one payment
- EPI
- Flexible

Jv – Journal voucher