

## **Grameen Field Visits – Day 2**

April 23, 2013 – Day 2

Meet Praveen at Banashankari Temple to go to Kendra meetings

### **Notes from Praveen in Car**

UI does not account for member absenteeism, so it is possible to give loan to a person who has been absent. We want to flag this so Mifos doesn't allow a loan to be given in the person has too high an absenteeism.

Looking into mobile tablets which have a larger screen and can do voice authentication – fraud-free transaction. Would authenticate voice from member registration.

Attendance not marked accurately, loan officer can then pocket money that was supposed to be disbursed to an absent member. Mobile could be used to authenticate their attendance, and not allow disbursement to a non-attending member.

We would also want to use GPS to track which route they follow to get to meeting and whether they are actually there. Device will talk to mediating DB. Mifos will be used to push and pull data to device.

### **1<sup>st</sup> Kendra Meeting – 9:00am (to 9:30)**

Held on roof patio of someone's house in slum

- Members have collected their money before meeting starts, takes less time
- Loan officer collects total from group
- Doesn't worry how much comes from each member, unless it isn't enough, then asks each member how much they contributed. Has to add up. If not, someone has to add more.
- Have to sign attendance sheet.
- In this meeting:
  - 12 people present out of 20 (2 groups)
  - Loan officer is holding a disbursement because there's not enough people in attendance (the person who got the loan is not in attendance?)
  - Person who has meeting minutes is not here, no notes taken
  - Praveen says usually lower attendance in April, May because it's summer vacation.

Loan Types:

- Sell slippers and shoes, buys from whole-saler
- Clothes business – buy from wholesaler
- Fruit business
- Auto finance – 3 wheel taxi, often for husband or son to drive

## 2<sup>nd</sup> Kendra Meeting – 10:00am (to 10:30)

Held in front room of someone's house in slum

Money not collected up front, takes longer to collect money from each person

Approx. 15 people in attendance

- Bring passbook to meeting for each loan
- Passbook has preprinted schedule of loan, enters date and amount paid for each payment at meeting and signature

### Procedure

- Week 1 – loan application filled out, given to loan officer
  - Credit check is done
    - Determines if person has any other loans with another MFI (can only have 2 different MFI loans)
    - Determines if person has maxed out (max of 25,000 loan)
  - Loan committee meets to discuss if loan should be approved
    - Discuss person's behavior
      - Come to meetings regularly
      - No disciplinary action
- Week 2 – if credit check passes and loan is approved
  - Person is given voucher for loan amount which they can take to the branch office to redeem for the cash
  - Person has up to 15 days (2 mtgs) to take disbursement before credit check is no longer valid and the loan process has to start over

Praveen explains:

Grameen has partnered with certain vendors, like water purifiers and cook stoves, so that members can apply for a loan for these items. Grameen gives a 2 part voucher to the member, who takes it to the store to "purchase" the item. The vendor takes ½ of the coupon from the customer. Grameen pays for the items, then these are repaid to Grameen through a loan. Shows as a disbursement when they take delivery of the item.

**Mifos issue:** Mifos doesn't account for this type of loan well. This doesn't show as part of Grameen portfolio, put into a control account. The head office makes payment to device manufacturer. Need an option in Mifos for control account, rather than check or cash, need to account for as merchandise (control account). Currently in Mifos, segregate as separate account header handled by account person.

Emergency loan – doesn't require prerequisite process. Spot disbursement, loan officer can make the decision.

- Emergency loan requirements
  - Person must have a regular loan (yearly loan)
  - LO can only issue emergency loans to 50% of group in one week (if group is 10 people, can only issue to 5 in one week)
  - Only one per person at a time

- Outstanding loans must be less than 35,000
- Can be used for:
  - School fees
  - Electricity bill (current)
  - Phone bill
  - Hospital
- Max emergency loan is 1000 rupees
  - Processing fee of 40 rupees paid to get 1000 rupees loan
- Emergency loans paid back in 10 week installments of 100 rupees
- Emergency loans are taken frequently (collection vouchers I saw had 2-4 emergency loans each)
- Person signs the voucher, branch manager cross-checks signature (from registration) to make sure same person signed to avoid fraud, since there is no preauthorization for this type of loan.

**Mifos issue:** Mifos currently does not have any criteria for emergency loans

- Grameen rules:
  - can only loan to 50% of group in one week
  - only 1000 R
  - can only be given if they have a regular loan

This Kendra took 2 emergency loans, both for electricity bill.

One person took out a 2000 rupee festival loan to repaint house

Auto-finance – 3 wheel taxi

Fruit/vegetable loan

### **Branch Office – 11am**

Branch office is located in a residential area. Looks like a house. Loan officers are usually (always?) single men and Grameen lets them live in rooms in back of office. Have a kitchen and cook in office.

Praveen points out a poster for a new program for whistleblower. Poster tells people they can contact the branch manager to complain and gives a toll-free number. Loan officers can also call and complain about managers, won't disclose who has called.

Process:

- 11:00 - Loan officers come back from Kendra meetings (possibly 4-5 in morning)
- They each count out what they have and record number of bills and coins of each denomination.
- Cashier collects the cash from loan officers.
- Cashier hands over vouchers and documents to data entry person.
- Data entry person enters all the payments/collections for the day.
- 12:30 or so – they begin accepting people to collect their disbursements, this goes on until about 3pm or so

- After 3pm, data entry person has to then enter all the disbursements
- After disbursements are done, cashier takes money that is left to the bank
  - They can keep a certain (but small) amount of “petty cash” at the branch
  - If there is a bank holiday the next day, and they won’t be able to get money for disbursement, they might keep some at branch
  - There is a locker with 2 keys and both the branch manager and cashier must be present to open it

**Mifos issue:** the bulk collections entry sheet in Mifos has both payments and disbursements on the same page, but payments are taken in morning and disbursements are not distributed until afternoon. So data entry person has to zero out the disbursements and only enter payments. Then, after the disbursements are made (or not), they bring up the collections entry again and update the disbursements. (Is there a better way to do this?)

**Mifos issue:** when the data entry person enters all the payments made in the morning, if they don’t enter late fees (1 rupee for being late to meeting), the collections entered don’t add up to the amount of money they have. Data entry then has to close the collections entry sheet, go back to the loan and add the 1 rupee fee, then go back to collections before it will add up. It would be better if, when the data entry selects “Late Present” in the drop-down list that this automatically entered the 1 rupee fee. (or at least allows them to add these fees on the collections entry sheet)

Each branch collects around 2-3 Lacs (million) rupees per day  
 This branch has 5 loan officers and 1 branch manager (Prakesha)  
 Loan officer drives their own personal car and can deduct gas and mileage  
 GK will provide loans to loan officers to purchase a vehicle.

#### Data entry

- Collection sheet entry is prepopulated with expected payments and known disbursements (based on loan disbursement dates)
- Data entry person only needs to modify payments not done in full, or disbursements not taken this week
- Has to add emergency loans
- Done once per week for each Kendra (center)
- Updates absences
- Fines collected
- Data entry takes about 2 hours per day (average is 3 hrs/branch)
  - Depends on how many loans need to be entered
  - Depends on internet speed – when lots of branches are entering data at the same time (like 11-12), system slows down
  - GK currently has 500 GPS current, wants to increase to 800. Currently use a single ISP, but if they have trouble, GK suffers. Want to get multiple ISPs.

**Mifos issue:** data entry person must select a loan type and then the purpose of loan. But the purpose of loan is different for each loan type, but Mifos does not limit purpose of loan to it's corresponding loan type. These fields should be heirarchical

After data is entered, generate the Branch Cash Confirmation (BCC)

- This shows the cash inflow and outflow for the day
- 3 columns
  - actual – how much they actually paid
  - due – how much is due (prepopulated)
  - arrears – diff between due and actual
- Validation is done by cashier and branch manager

Day Book maintained by cashier. Cashier enters accounting info into Microfin

- Voucher for cash
- Emergency loan
- NPS (national pension scheme) collected in meeting
- Collection sheets
- Travel expenses
  - Branch visitor expense (coffee/tea)
  - Branch welfare expenses
    - Newspaper, books
    - Printing/stationary
    - Cooks salary (max 2000 R for cook salary)

Stack of paperwork per branch per day put into Microfin

Every day generate Consolidated Trial Balance

Once/week take a printout of Trial Balance and keep

Consolidated Trial Balance from Microfin

Branch Progress Report from Mifos

**Mifos issue:** some duplication of having to enter data in multiple places, more possibility for error, spend more time on reconciliation. Would like accounting information added to Mifos to reduce error and be more efficient.

**Mifos issue:** each loan has a set of upfront fees, these fees are spelled out for the loan product, but not in the UI for the data entry (in collection data sheet). They want to see the fees spelled out here.

Branch keeps batteries for backup power in case the electricity goes out. They are currently kept under the desk, but Praveen says they should really be kept outside (in case of acid leakage)

**Note:** creating new loans is a task done frequently, especially for emergency loans, but also for new regular loans.

**Disbursement**

- Person has to sign forms to accept disbursement
- Photocopies are taken of person (and husbands) IDs.
  - Every year now they take KYC (know your customer) data
  - Fraud is possible because customer is not allowed more than 2 loans from different MFIs, but they can use different forms of ID (voter ID, ration card, PAN – permanent account number, usually for full-time employees only) at each and it's nearly impossible to tell if it's same person
  - National ID is not validated by govt. They do not disclose this information, even to banks (seems a bit odd)
  - Want Mifos to have a scanned copy of documents
- Branch manager verifies signature
  - Branch manager verifies that person understands the terms of the loan
  - Branch manager signs off on loan
- Person takes paperwork to cashier and he disburses cash
  - In the cases I saw
    - She pays upfront fees
    - Then collected 25,000 R
    - 1<sup>st</sup> week has to repay 125 (interest only, 1 week principal moratorium)
    - 2<sup>nd</sup> – 52<sup>nd</sup> weeks – 311 R
    - she took this loan for a prayer and candle business, she makes and sells, she is Muslim
  - People have the option to preclose a loan to start a new one (because the amount they can take increases), but only if there is fewer than 4 weeks left in the loan
    - New customer can take out max 15,000 R
    - Increase 5000 each time if loans repaid on time
    - Max 25,000 rupees
  - Person can take up to 15 days to purchase what the loan was taken for
    - Other Kendra members will check to make sure they have purchased what they said

#### NPS – national pension scheme

- Person contributes min 1000 max 12000/year
- Government contributes 1000/year
- Collects interest (although not guaranteed) about 7-8%/year (last year 11%)
- If person contributes more than 12,000 R, govt. does not contribute 1000 because they are doing okay financially (only for the poor)

#### GK Numbers

- 2.85 million customers
- avg 3500 per branch
- 161 branches
- avg 7 loan officers/branch

- each loan officer handles about 500 customers
- meetings Tues – Sat, so about 100/day
- 3-5 meetings per day, 2 groups per Kendra
- Max 10 people per group

**Back at Main office 3:00 – Praveen shows me Microfin**

**Mifos issue:** Reports list in Mifos list does not appear in any particular order (should be alphabetical)

Microfin

- Login as branch manager
- Daily process form – must ensure previous day’s closing was done
  - Can check with Day Initialization Date
- Enter information in Journal Entry for each voucher from Mifos
  - Debit and credit need to match for each voucher
  - Enter all vouchers from daily meetings
  - Once Day closing is done, can no longer edit
    - If there are mistakes, must work with head office to fix
  - Microfin correction is difficult
    - If there are mistakes on yearly reports, which happen frequently, it can take 10 days or more to reconcile

Data entered

- customer-wise in Mifos
- account-wise in Microfin