

Interview with Jitegemea

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Interviewee: Polly Gikonyo, IT mgr for Jitegemea Credit Scheme

Joe, the finance guy from JCS

John, CIO for Jitegemea Advisory Service

Conducted by: Deanna McCusker, UX Designer

Summary

Jitegemea Credit Scheme and Jitegemea Advisory Services are two separate operations.

- Jitegemea Advisory Services – use Mifos 2.4
 - Meant to compliment what JCS is doing. In terms of mainly services
 - Customer training (JCS outsources to JAS)
 - Training fees come to JAS, but customers of JCS
 - Some products are outsourced to JAS
 - Also have their own clients – ones who work with suppliers
 - Offer the same services to other institutions
- Jitegemea Credit Scheme – 1.3
 - loans

What they liked:

- Ease of use, statements are easy to read, can use improvements, but workflow is good
- Mifos community support

Desired Improvements:

- Wants ability to provide monthly loans to clients who currently are members of a weekly group (apparently not easy to do with fixed payment dates based on meeting schedule)
- Custom reports
- Integrated with accounting
- Maker/checker

Interview Notes:

Introductory questions

1. *What is your role at MFI?*
 - a. Joe Minor since 2004 (JCS)
 - i. Finance department, experience with Excel and Mifos
 - ii. Pastel for Accounting
 - b. Polly 2006 (JCS)

- c. John (JAS)
 - i. Reviewing operations, checking performance, reports
 - ii. Heads Jitegemea Advisory services –
 - iii. MIS – Mifos – track all operations, products, loan repayment, savings tracking, anything to do with data
 - iv. When we give loans, go to person who does data entry,
- 2. *Who else uses Mifos at your company? Roles?*
 - a. *Business Relationship Officers* – they go out to field and don't do any data entry, view clients and look at loans, etc
 - b. Business Support Officer (JAS – 1, JCS – 5) – data entry, loan applications (2), do transactions, withdrawals, transfers
 - c. Business Relationship Manager –
 - d. Area Relationship Manager - JCS
- 3. *How long have you been using Mifos?*
- 4. *Why did your MFI choose Mifos?*
 - a. Chose for budget reasons
- 5. *What were the alternatives? (XL, build custom, one other open-source, commercial)*
 - a. Bankers Realm,
- 6. *What is your lending methodology (group or individual)?*
 - a. Group loans (individual loans to groups)
- 7. *What products do you offer? (Loans and savings, or just microcredit?)*

Have around 4 products

 - 1. Business loan – 1st loan 6 mon, 30,000
 - a. 2nd loan 6 mo, 45,000, grace period of 4 wks.
 - b. 2nd loan 1 year, max 100,000
 - c. Option to repay weekly or monthly
 - d. Currently charge 22%/year
 - e. Very broad category – would like to subcategorize these things
 - f. Will say they are doing business, but really farming – poultry is very different from potatoes
 - g. Customers want to buy assets for business reasons, but this is not asset financing,
 - h. Assets for business, like machinery, is categorized as business loan
 - 2. Asset financing loan – assets for home
 - a. Finance different types of assets
 - b. Depends on type of assets
 - i. Example solar lamps
 - ii. Gas cookers, TVs, water tanks
 - iii. Want each asset type to be a different type of loan and hard to do in Mifos,
 - 1. Want a category of loans and then a set of products within that category, want to set terms for category, then customize for each asset type

2. Some assets are very small so loan is only 3 months, but others are large, need more time
3. Need to track this way
4. Now we just see a total of asset loans, but need to see individual types for inventory management
3. Health Products – medical coverage – to finance premiums for insurance
 - a. Has many complications, currently just one partner
 - b. Depends on value of premium, depends on family size and conditions
 - c. Max period is 1 year, usually weekly with monthly option
4. Welfare Products – help customers pay for welfare issues, primarily death – funeral services, etc.
 - a. Tried including other welfare issues, like school fees, but had to restructure to just death, but people only join to pay for school fees because they know they need it, then they quit
 - b. School fees, primarily a product by itself
5. Will need more loans in the future

Installation and configuration

6. *How long did it take to get Mifos installed and configured the first time?*
 - a. 2007 started with 1.0
 - b. did a parallel system from 2007 – May 2008
 - c. using Excel spreadsheets before that
 - d. 6-9 months, using excel, had to move balances manually, by the time we get it finished, excel was a month ahead
 - e. now at 1.3, but haven't upgraded again because we didn't want to go through upgrade hassle.
 - f. Didn't have support to upgrade to 2.0. Really want to go.
 - g. In looking for a new system, key is local support
 - h. JAS are not able to cover their costs
 - i. Don't have a budget to upgrade
7. *What process did you follow? (done by a specialist?)*
8. *How long did it take to train staff, to get fully accustomed to using software?*
 - a. 1 week to train staff, depending on background
 - b. if we get an IT oriented person, it's easier
 - c. have had some difficulties, had trouble and had to start posting manually again
 - i. updated all transactions to date, handed over to a new staff
9. *When new releases come out, do you upgrade right away? Why or why not?*
10. *How long does it take to do an upgrade?*
11. *How much time does your MFI spend maintaining Mifos? (full-time admin? It basically runs by itself until we need to upgrade again, specialist)*
 - a. No, just Polly, only go there when there is a problem at most once a month, sometimes 2 months

- i. Get someone to take a DB dump, install here in IT, then send back
 - ii. If we had cloud it would be quite easy
- 12. *How well does Mifos perform with your network bandwidth?* (is it acceptable, too slow? Tasks take too many clicks, exacerbating network sluggishness)
- 13. *What concerns or challenges do you face with configuration?*

Process for loan

1. Groups and individuals – more or less the same,
 - a. Preliminary screening
 - i. Individual assessment
 1. Running business, for at least 3 months
 2. If someone joins without a business, the group has to give extra guarantee
 3. Actively involved in an income generating activity
 4. Business has to be within a certain geographical region
 - a. Within Nairobi
 5. Establish credit worthiness – debt burden, character issues – bad debtor chased by other financiers, although such information is very difficult to get, also people known by community to be bad, group has done some vetting amongst themselves
 - b. Once a group forms, facilitated by a loan officer
 - i. Fill out a registration form, registration fee 400 and passbook fee 100
 - ii. Information uploaded in Mifos, spouse details, now created in system
 - iii. Or can be individual
 - c. Now in count down period, start savings towards
 - i. 4-6 weeks, depending on how fast a group organizes itself
 - ii. can start funding 4 weeks
 - iii. 20% save of loan amount, must have 20% before loan can start
 - d. Now can fill out loan application
 - i. need to pay some fees
 1. loan processing fee – 2%
 2. insurance fee – death, permanent disability, fire destroys business – 1.5% of loan
 3. once deposited in bank
 4. deposited in a fees account
 5. once complete, not more than 5 working days

Savings account (“Loan guarantee fund”)

Should freeze, not allow user to withdraw as long as there is a loan, Mifos currently doesn't freeze the account, don't call savings “loan guarantee fund”, only receive on condition that customer is using it to secure a loan

- When want their money back, they apply for a refund

- Policy-wise, nobody is supposed to get a refund while there is an active loan within the group, an individual can graduate from the group to individual, roll over money to individual account
- Contribute over time, can accumulate more than loan amount, will do a partial refund in this case,
 - **If customer has saved 100,000 and wants to borrow 60,000, we will let them withdraw 60,000 from savings (with a fee)** (Deanna's comment: this is not common amongst other MFIs)

Operations (John - JAS)

- When repayment begins, especially for monthly loans, we define repayment schedule based on first day of disbursement
 - If it's a monthly loan, customers assume this means month end, loan is actually 4 weeks, not 1 month
 - Currently Mifos doesn't handle monthly repayments
 - Problem comes when individuals within a group wants a monthly loan, but group meets weekly
 - Don't know if it's possible to disburse a monthly loan within a weekly group
 - If we could allow a customer within a weekly group to access all products including monthly
 - In a group of 10, maybe 1 or 2 people want to do this, but it screws up the PAR

Reports

- Doing a lot of custom loans
 - Export to Excel, then pretty up the Excel
 - Would like manager to be able to get customer reports on their own rather than relying on person to customize reports
 - Report writer – drag and drop to make own analysis
 - Even Pentaho reports don't have everything we need in one place
 - Want a consolidated report – shows a high-level view
 - One that shows a snapshot of everything (shown below)
 - Mifos reports don't make sense, parameters that we require
 - Outstanding loan balance/portfolio size
 - Number of clients
 - Number of loans
 - Accumulated savings
 - New loans disbursed (within period)
 - Case load (capacity – number of loans related to total client)
 - PAR
 - Balance at risk
 - Amount repaid during that period (per officer, how much they have collected in period)
 - No. of staff (for branch and higher)

- Per officer
- Per branch
- Per region

Mifos issue: once you close the month, you can no longer backdate.

Mifos accounting issue: Training- we require clients to take training, but they pay for this. This is not a loan, not a fee, it is income. Don't know how to account for this. Direct income.

Required to have two accounts: cash collateral and saving account

Mifos issue (John):

(Deanna – sorry about this, I didn't get exactly what he was saying and I'm not sure I really understand it now. Maybe someone can decipher from these notes?)

Right now having a very big challenge with how to track fees.

- Would like savings statement to show what fees separately
- Fees attached to a customer, if we have fees for training, now that training fee is for that particular customer, possible we have one GL account for all fees, but now it is not attached to a particular customer
- Because fees are to the organization, and not per customer, want this to be pooled together.
- Want to close a customer – fees seem to be accounted as savings, but not really customers money, cannot be refunded. This should go into a GL account for the org.
- For example – amount they pay for welfare, is not something refundable to individual – to close the account, we are forced to transfer some money to the customers account in order to close

John – comments on UI

- Mifos found it to be very friendly, simple features
 - Especially customer statements, can see running balances, very well serialized
 - No complications, as easy as a mobile phone, for those who are not educated
 - Can just be improved, but keep ease-of-use
 - Some banks statements are so complicated you need an expert to interpret

(John had to leave, now talking to Polly and Joe from Jitegemea Credit Scheme)

Process

1. *Can you step me through the daily process of collections and disbursements?*
 - a. **Business Relationship Officers**
 - i. Print out collections sheet per day, issue to officers, give to officers latest day before (at any given point, the data should be

- current) (data usually entered a day or two later) (this comes from head office and has to be delivered by courier)
- ii. Take 2 copies, one remains with group and one comes to office
 - iii. (17 branches)
 - iv. Group chooses a member to take money to bank, officer does not handle money, obtains a copy of receipt – collect money at group meeting, take money to bank, then deliver receipt to officer at branch
 - v. Group meeting happen before 1pm, officer comes back branch(banking is done by 3pm), has to be in time for courier services.
 - vi. Officer attaches the receipt to the collections sheets, has a courier send to head office.
 - vii. While at branch office in afternoon, they will do loan applications and default management, getting new business, outreach
- b. Head office – data entry occurs here (usually the next day)
1. Courier comes in by 8am, distributes
 2. End of day we send reports to branches
 - ii. Don't do data entry in branch offices because of costs
 1. Branches need to be self-sufficient
 - a. Costs less to pay courier than to hire data entry at branch office and pay for link
 - iii. Collections must be entered day after meeting takes place or will flag as in arrears by end of day
- c. *What happens at center meetings?*
- i. Culture of meeting formally
 1. Meet at specific time (recorded in DB, place of meeting)
 2. Group has chairman, secretary, treasurer
 3. Chief Whip – maintain discipline, called eyes of the officials, point out areas that aren't going well
 4. BRO will be there
 5. Start with word of prayer, then go through agenda
 - a. Collect savings and repayments separately
 6. Chairman has to determine that savings and repayments have been collected
 - a. If someone hasn't paid last week, they have to pay this week (collection sheet shows this)
 - b. Collections done and recorded to each client, total is done
 - c. Will tally to balance, treasure and officials will countersign
 - d. BRO will sign that it has been done
 - e. Submit agenda which pertains to social things that will be recorded
- d. *What happens at branch office?*

- e. *How is it all tracked?*
 - i. Bulk entry – use to record lump sum
 - 1. Put totals first, then when banking slip comes in they record the receipt number
 - 2. Way it should work – when you put the totals and the date, when you go to allocate the money to individuals, checks the totals against the totals on the first dashboard – with Mifos there is no connection between the two –
 - a. First enter total on first page
 - b. Allocate separately for each individual, but should be linked, so total keeps reducing
- 2. Bankers Realm – loan app fees and loan insurance fees collected way before the loan application, not allowed in Mifos, it hangs. In BR – can post the fees to savings, when loan is approved, fees automatically deducted from savings
 - a. Cannot be approved if savings is less than 20%

Organization

- 3. *How many loans/clients does a branch office support?*
 - a. Total – JCS – 18,000 – JAS – 100
 - b. 17 branches (JCS)
 - i. encourage not less than 1200 per branch to be functional
 - ii. Mumbasa big – 4000
 - iii. JAS has one officer, data entry clerk, one manager
 - c. Clients/officer – 370 or so
 - d. Group size – group methodology is quite unpopular
 - i. Allow groups of 5 customers, encourage them to go up to 10
 - ii. If several groups of 5, will encourage to hold at same venue so officer can do 3 mtgs in one hour
 - e. BRS – targets – depends on region – if new region, usually based on # customers registered in period of time, if established region, based on amount of portfolio and % of recovery
 - f. Rate of recovery for org – 96% - affected by elections
 - i. EOY – during Christmas – clients go to hometowns during festival – convincing the to pay a lump sum in January is hectic
 - ii. When elections happened, people fled towns, so we’re doing that again
 - iii. Encourage people to prepay – encourage officers to encourage customers to pay 1 ½ installments starting 5 weeks before
 - 1. Sometimes we find that people actually banked, but didn’t turn in receipts, and we don’t get the receipt from them until Jan or Feb.
 - iv. Comes in as cash that is not allocated – cannot allocate until we get receipts – when we get them, withdraw from unallocated and add to client accounts
 - 1. Around 2M Kes that cannot allocate

2. Happens more with individual accounts because they are not accountable to anyone
3. With groups, if they are in arrears cannot disbursement new loans
4. If group is 15-20 groups, use subgroup of guarantors
5. 5 -10 members – at least 5 will guarantee
4. *How many loans/clients does a loan officer support?*
5. *If MIS is separate role, how many loan officers does an MIS officer support?*
6. *How often do groups/centers meet? (weekly? Monthly?)*
 - a. Both weekly and monthly group meetings
 - b. 4 weeks meetings – a monthly loan within a weekly meeting
7. *With mobile app – what tasks do you want to do in the field?*
 - a. Piloted this technology with individuals
 - i. Service provider Safaricom, now they are hosting us
 - ii. Client can make payment via Safaricom directly to JCS account, haven't yet linked, administer our account locally
 - iii. When customer pays, it goes to a certain pool, we are able to move the money from that fund to the bank
 - iv. But we haven't done is to link up those two systems
 - v. M-PESA account number for individual
 1. For each loan, separate M-PESA account
 2. Do transaction separately
 - vi. Currently finance prints a report from M-PESA and gives to data entry to enter info Mifos
 1. Data gets recorded to a particular officer
8. *Are there any offline processes that you would like to see automated?*

Thoughts on New Design

9. *If we added a dashboard as the entry point for each user, what information would you want to see on it (as a loan officer?)*
 - a. Likes dashboard idea, see below for specifics
10. *What information would you want to see on a default UI home page or dashboard?*

Dashboards

Officer –

- Balance at risk
- Number of customers
- # loans
- portfolio outstanding (without and with interest)
- accumulated savings for all customers of this officer
- amount collected in certain period (maybe dashboard for current month)
- disbursements for current month – amount and number of loans
- face value (for officer) –
- current month – number of new and exited customers

- current month – (1-8 if it's 8th, 1-30th if 30th)
- normally people or loans at risk come from reports – arrears over 30 days, aging

Branch Manager

- still same information but aggregated for all officers

Finance (I think he's asking for reports, not dashboard)

- Aging – status that you are in in terms of recovery
- If we expect that a loan won't be repaid, want to see what "costs" are coming associated with that
- Profitability
- Interest we get per product, income per product
 - Be able to tell for each and every product how it is faring
- Balance sheet – get disbursements and post to Pastel, get a report from parallel system that I'm working with
- From Mifos ask for balance sheet
- GL – will not link particular GLs to clients – have a pool of transactions that relates to a certain fee
 - At one time, maybe after a week or month, this is now much that has come in
- Want a report that will help me do a quick reconciliation, be able to integrate what I have in the bank and what I have in the GLs, upload report and reconciliation is done by system
- Give me a report that all these transactions have been reconciled – automatic reconciliation
- M-PESA link transaction
- KEEF uses M-PESA to track transactions

Mifos issue:

Deanna – I also didn't get this. Hope someone can interpret.

?? Provisioning for a particular loan that we think might not be paid – a link provided by central office? 1% of particular loan might not be paid. If I want to get that report, I have to select the loans that WERE repaid, arrears over 180 days provisioning at end of year will be based on that, % will be reflected in final accounts???

Improvements:

- Integration with accounting
- Setting rules for certain processes, 20% savings collateral, be able to tag a withdrawal as a specific transaction – when customer has so much savings they can ask for partial withdrawal, others where you take savings to offset loan balance (but these aren't tagged for what they are, it could be a mistake that is being rectified)

- when it goes to client's account, it doesn't show what it is for – because this doesn't go through a bank, we need to be able to track and link this
- maker/checker
- fees pertaining to a particular action – fees associated with particular event, like loan fee, it is deducted during loan application (because it is collected ahead, so it isn't associated with a loan yet) we normally put it into the savings account as a place to put it, so need to know what it is for when it is deducted
- need to show certain amount is “frozen” because it is being used as collateral for an active loan
- customers to access all loans – independent of meeting frequency of group (access monthly loans even if they are in a weekly group)
- Security – Mifos allows more than one person to login under same account, should warn or log first person out
- Support for group customer to graduate to individual client
 - Could be with group for so long
 - Group disputes and disintegrates, but we know that a client is good
 - No set requirements
- Report writer will resolve a lot of report issues – customized drag-and-drop reports

Closing questions

11. *What 3 features/areas would you like to see changed?*
 - a. Integration with accounting
 - b. Report writer – customized drag-and-drop reports
 - c. Maker/checker
 12. *When Mifos X comes out, are you planning to create your own custom interface or do you want to use the default UI? Why?*
 13. Bugs –so many
 14. *Any other comments?*
 - a. Has a beautiful interface, it's the best we've seen so far, it's very user friendly, even easy to manager in terms of sys admin, a lot of support out in community, used to lack local support, never experienced degradation with system, Mifos community is good for support
 - b. Wish we had accounting – key criteria when shopping for system – cost and integration. And support.
- Likes maker/checker idea – officer could post in field with mobile if it is stored in a buffer somewhere and not actually posted until it is checked by checker
 - Likes checklist idea
 - If we could have a report that shows what was posted on a given day – could see duplications or could see that money was allocated to wrong client