Interview with Musoni

Date: 5/3/2013
Interviewee: Stanley COO, Charles, IT officer
Conducted by: Deanna McCusker, UX Designer

Summary

They don't use Mifos. However, their operations are very high tech. Use M-PESA for client repayment as well as for loan disbursement. Piloting the use of tablets in the field so loan officers can help clients apply for a new loan online – fill out form, take photo and upload, upload images of necessary documents. Even trying to get to the point where they can then convene a "virtual" loan committee with other loan officers via chat to approve the loan and get it disbursed within hours instead of days or weeks.

Interview Notes:

Introductory questions

Don't use Mifos, currently use system a few software included – Jasper for reporting, Focus from FERN, integrating Q-PEI and Ostrich, M-PESA, have a system we've built to harmonize the workflows.

Musoni Kenya and Musoni BV (of Netherlands) – provider of core system
Ed talked with Cameron on need to use Mifos, most likely use whatever Musoni BV provides us.

1. *What is your role at MFI*?
   a. Stanley is COO, Charles is the IT guy
2. *What is your lending methodology* (group or individual)?
   a. Individual loans only within group, want to do individual loans
3. *What products do you offer*? (Loans and savings, or just microcredit?)
   a. Single loan type – see below

Operations

100% cash free. Purely rely on mobile money for transactions. MMT (mobile money technology) to disburse loans and collect repayments. Loan created at the banch, gets converted to e-cash and gets deposited into client's account. Makes a payment using our paybill account number, realizes a credit into his or her loan account.

Focus – for data entry
Jasper - for reports

Group lending – loan officers are out meeting groups, getting loan application forms, authenticating, doing home visits, when every requirement is met, form brought to branch for credit approval committee.

- When reaching the branch, it goes to data entry officer who transfer the loan app to Focus.
- Then visible to branch manager immediately, depending on how many are awaiting approval
  - o Checks to make sure client is eligible
  - o Approval is done on web portal after
  - o Loan committee approves, but approval in system is done by branch manager (his responsibilities end)
  - o Loan approvals accumulated at end of day put into a file, uploaded by IT team in Amsterdam
  - o During course of day, customers are making payments with M-PESA, all these are hitting our account
  - o At end of day the M-PESA account balance, check M-PESA account and loans going out
  - o If amount in M-PESA paybill account is equal or more than loans disbursed, it's okay
    - ▪ If not, notification is sent to finance, need to do EFT from bank to paybill account, 3 minutes
    - ▪ Once replenished, loans are disbursed
  - o Keep balance of 5M Kes in paybill account, in a day we might collect 2-3M, depends on loan disbursements

Repayments
- Every customer we recruit must be an M-PESA registered user. Must do this first themselves. Chance are they are already.
- Train them on how to make transfers from their phone to Musoni Paybill account. (Easy as typing a text message) (have only faced one client who was unable to make the transfer – came to branch)
- Our system transfers it into their client account – based on M-PESA account
- Group meetings – weekly or twice a month
  - o For purpose of making loan app
  - o Discuss welfare issues
  - o Default issues
  - o Most loan payments are paid the day before
  - o Loan officer prints a report before going to meeting or can use a tablet to access at meeting
  - o Do trainings – not weekly but regularly, newer groups get more trainings for period of 1-2 months
  - Group guaranteed individual loans
  - 5-30 people in group
  - loan officer handles up to 10 groups per day (because of technology), ideally 6 groups

- Meetings are 30-45 minutes
  - By not collecting cash we reduce the time for meetings
- Meeting venue is centralized
- Loan officer goes to one location and all groups come to him in a given day (go to a different location next day)
  - Group meetings, loan apps, new members and new groups
  - Go to local markets and sell our services

Tablet – has various apps on it
- Group Registration Application
  - Able to register a new group, gather all it's data, get a scanned copy of the constitution, photo of client, uploaded directly into software
- Group Member Registration
  - Take photo of member, member ID, loan app form digitalized
- 2 branches fully converted to paperless, other 3 working on it
- Eliminated nearly 100% data entry that needs to be done at the branch
- Immediately data is submitted to server, branch manager can see it immediately
  - If there is a quorum of LO in branch, they can form a committee and approve the loan
  - Working on getting to real-time disbursement
  - Now it takes a day to get disbursement
  - Tend to accumulate loan apps until there is a good number to form committee, approve in batches
  - Since all LO have a tablet, don't really need a physical loan committee in branch, can do a virtual committee with other LOs online – can comment, can check client's repayment records online – standard checks you can easily run through to make a decision
  - Want to take it to this next level
  - LO should be able to wake up in morning and go straight to field without convening in office first – everything online
- With tablet you can tell that an LO is not at a group meeting, but don't want to be seen to be micromanaging people. LO schedule is on tablet, if he is not at his meeting, Charles is able to know that he is not at his location.
- Loan officer should know that we can print a report at end of report to see where they were and when

Organization
1. *How many loans/clients does a branch office support?*
   a. Clients total 12,000 registered, 8000 borrowers
   b. 5 branches
   c. 40 LO total
2. *How many loans/clients does a loan officer support?*

Any issues with current system:

- Stanley here for 6 months
- IT team very quick to act
- System cannot create individual loans – working on this functionality
- Other immediate challenge is triangular transaction – school loan – paid by client but paid to school, M-PESA only does to-from transactions now

Loan products
- Single loan – business loan product (called the "Kenya prison uniform" – one size fits all), as long as you can repay, we don't care what you do with it
- Last two months we've been very active in product development
    - School office loans
    - Emergency loans
    - Individual loans
    - Agricultural Loan
    - Target is to have 4 new products by end of year

1st loan – 35,000, 50% graduation policy, 1st loan 6 mo
2nd loan is first + 50% 9 months, rest is 1 year
Individual will be much bigger and much longer repayment period

No mechanism to check if they have another loan, kangaroo ways to check background of client, but didn't add any value, checking with 2 credit bureaus to get reports on customers, most MFIs not willing to disclose information about client to others (including Musoni)

Quality of loan – 3% default rate, Monday quality was 2.7%, clients pay a lot on Sunday, they are preachers and their parish has given tithe. Only issue we've had are 2 Nairobi branches, bring us down (usually 5%), city customers are different from country customers. Highest quality of repayments comes from rural customers.

Demo of system:
Focus – built a web portal to work with this
Suspense handling – new or existing, user makes a mistakes, goes to suspense account – somebody has to manually go in and

M-PESA – client enters: amount repaying, paybill acct number, their M-PESA account number, code type: (LR – loan repayment), branch to send payment to M-PESA – Payment Services – Pay Bill (enter number),

Focus – both desktop and web app

Web Portal items:
- Suspense Handling
- Portfolio Transfers

- Client Transfers
- Funds Transfers
- Group Registration
- Loan Application
- Credit Committee In progress
- Loan Progress

Create committee – select members and put them on committee

Jasper is just for viewing reports

LO can access Client report and Group report on tablet in field (from Jasper)
   Client report shows % timely repayments, current loan status, M-PESA number, branch

Group report – shows members in group – client product, loan amount, term remaining, expected repay date, amount in arrears (among others – payment, interest)

Musoni app on tablet, also Jasper lite for reporting

Musoni – app on tablet – big icons for these four tasks
- Client registration
- Group reg
- Site visit
- Loan app

Q-Pay(?) and Ostritch brings in data from M-PESA with Excel
   daily report on M-ESA transactions

Hard to manage collateral in our system (CA code for collateral in M-PESA)
Collateral fund is 20% of loan amount – make these payments weekly
Cannot make withdrawals from collateral account unless group agrees
All members of group is guarantors for a loan
In case of arrears, other members agree to cover so much each (not all the same)
In case of default – take money from collateral account