





# INTRODUCTION

“A GOOD INFORMATION SYSTEM IS A NECESSARY TOOL FOR MANAGING AN MFI SUCCESSFULLY.”

Information lies at the very heart of microfinance. Whether by hand or by computer, microfinance institutions (MFIs) hold and maintain large amounts of important business data, from basic client information to detailed analyses of portfolio statistics. This data must be stored, processed, and clearly presented so that MFI Boards and Managers can make sound decisions. A good information system should do just that: it should act as a conduit through which raw data become useful and useable information.

Technology is consistently cited as one of the greatest challenges faced by MFIs around the world. While efficient use of technology can help reduce costs, improve efficiency, and increase outreach, many MFIs continue to make poor technology investments or simply do not invest in technology thus limiting their ability to grow and respond to demand.

This publication is a joint effort of a team of experts in the field of information technology coming from seven countries in the European Union being part of the EMN IT & Innovation Working Group. It represents the product of two year of close cooperation in which the team shared its rich experiences and knowledge.

The **first chapter** of this publication presents the results of a survey conducted by the working group during the first months of 2011 with the purpose of better knowing the diffusion of technology and the management of information among the members of EMN.

The **second chapter** presents the contributions of the participants at the workshop that the group held within the framework of the EMN Conference in Amsterdam in June 2011 and that addressed the adoption of Information Technology by MFIs.

The **third chapter** focuses on the process to be faced by an MFI in order to choose and implement an appropriate MIS.

The **fourth chapter** presents examples of technology innovation in microfinance, the direct experiences of the members of the Working Group, the process they adopt and two case studies.

THE WORKING GROUP IS COMPOSED OF:



Fair Finance, United Kingdom



Fejér Enterprise Agency  
FEA, Hungary



Fondazione Giordano  
Dell'Amore, Italy



Network Credit  
Norway - NCN,  
Norway  
(Mikrofinans Norge)



PerMicro, Italy



The Prince's Scottish  
Youth Business Trust -  
PSYBT, United Kingdom

Microkrediet in Nederland



Qredits, The  
Netherlands

Triodos Facet

Triodos Facet, The  
Netherlands

## LIST OF ABBREVIATIONS

- **ATM** = Asynchronous Transfer Mode
- **BDS** = Business Development Services
- **CGAP** = Consultative Group to Assist the Poor
- **EMN** = European Microfinance Network
- **FEA** = Fejér Enterprise Agency
- **FGDA** = Fondazione Giordano Dell'Amore
- **GDR** = Group Decision Room
- **GSM** = Global System for Mobile Communications
- **ICT** = Information and Communication Technology
- **IS** = Information System
- **IT** = Information Technology
- **MFI** = Microfinance Institution
- **MIS** = Management Information System
- **NCN** = Network Credit Norway - Mikrofinans Norge
- **PSBYT** = The Prince's Scottish Youth Business Trust
- **RFP** = Request For Proposal
- **SAS 70** = Statement on Auditing Standards (SAS) No. 70
- **TCO** = Total Cost of Ownership

# RESULTS OF EMN SURVEY

## “THE USE OF TECHNOLOGY IN MICROFINANCE”

*This survey was conducted during April - May 2011 with an online questionnaire sent to all EMN members. The complete questionnaire and report are available in Appendix.*

### 1.1. PROFILE OF ORGANIZATIONS

The overall response rate was relatively good: 30.9% of all the organizations contacted answered. The survey received 16 unique responses out of the 68 on the contact list. The survey received responses from 12 countries: Bulgaria, France, Germany, Hungary, Italy, The Netherlands, Norway, Portugal, Romania, Spain, Sweden and the UK. No answers were received from nine countries.

- Most of the responding organizations had been operating for more than ten years. Only 4.8% had operated for less than three years.
- Fifty-seven per cent of respondents operate on a national level and 38% on a local level.
- One third work exclusively in microcredit; the remainder have other activities: above all, Business Development Services (75%) and personal microloans (41.7%), but also debt counselling, insurance, mortgages, money transfer and traditional banking.
- Ten of the 21 organizations have up to ten staff. Growth ambitions for the coming years exist, but remain relatively modest.
- Eleven organizations have up to five branch offices (head office included). As above, modest growth ambitions exist.

### 1.2. INFORMATION SYSTEMS AND USE OF TECHNOLOGY

The organizations' different IT systems for tracking clients, managing applications and reporting are on average between 39 and 56 months old (see below).

Respondents are rather satisfied with their systems. They are most satisfied with client profile information (3.88), MIS loan/portfolio reporting (3.65) and loan/portfolio management (3.65). They are least satisfied with social/economic performance reporting (2.87).

The organizations spend on an average 9% of their annual operational budget on ICT (based on 12 responses), with two organizations spending 15% and one 30% of their budget.

The great majority would like to make more use of technology: to improve reporting on financial, operational and social/economic performance. Reducing costs and improving efficiency is the second most important reason, followed by the wish to attract new clients and retain old ones, and to expand geographical outreach.

The main constraints the organizations face in making better use of technology to support organizational goals and objectives are (in order of importance): lack of funding (81,3%); the ability to accurately define requirements (37,5%); the fear of making poor choices (12,5%) and not being sure what the benefits can be for the organization (6,3%).

Regarding current and future use of IT systems, the survey results show that organizations are generally rather satisfied with the back office systems in place and do not feel the need to expand/improve them a lot. **In contrast, the focus of expansion is on front-end technologies.**

#### A. TECHNOLOGY FOR RUNNING THE BUSINESS:

Two-thirds of the organizations **completely lack an application to ensure that the data flows automatically from the portfolio management application to the financial accounting software**



without duplicate data entry. About half of the organizations **also don't have an application to electronically share data relating to the repayment record of loan accounts with a credit bureau.**

In contrast, nearly two-thirds do have an **application that automatically generates required management reports**, but out of these most identify room for **improvement**. This is also the case for **data storage**: while most organizations do have an application to store all loan/portfolio management data on a single central database, this is also where they identify the most room for improvement. Finally, two-thirds of organizations do have core systems accessible via the **Internet** for all staff, but half of them see room for improvement.

Most organizations have plans to improve or introduce technology applications in the next 1-2 and 3-5 years. This especially concerns **automation processes** (automatic generation of reports, automatic data flows) as well as **storage** of all loan/portfolio management data on a single central database and accessibility of the core systems via the **Internet**.

Organizations perceive least need for improvement with regard to **sharing data relating to the repayment record of loan accounts electronically with a credit bureau and hosting of data and MIS software within their own offices.**

#### **B. CLIENT-FACING TECHNOLOGY:**

In two-thirds of the organizations, the clients **cannot carry out transactions using a mobile phone or e-banking**, but about half of the organizations do have plans to introduce this. Moreover, nearly two-thirds of the organizations **do not use an Internet-based collaboration environment as part of their BDS**, but the great majority would like to introduce this or improve it if it is already in place. Moreover, 73% of the organizations would like **to improve their use of front-end technologies (e.g. web-based communications) to automatically collect client application data without the need for double keying.**

Sixty per cent make use of cashless/electronic payments for disbursement of loans and collection of loan payments and one-third of the organizations have plans to improve or introduce them.

#### **C. PROCESS AUTOMATION/WORKFLOW TECHNOLOGIES:**

Two-thirds of the organizations would like to improve their use of tools such as customer relationship management systems and mobile solutions to automate aspects of their loan application process, including data gathering, analysis and credit assessment. Most also see the need to improve their use of such tools to easily monitor, change and improve process flows.

Features most in need of improvement are "Accurately keeping track of delinquency/default management activities", "cost effectiveness" as well as "ease of use for staff" and "reporting and data analysis". The "ability to support a higher number of accounts/clients" and the "speed of processing transactions" are least in need of improvement.

The number of full-time IT staff varies between organizations. While four organizations do not have any full-time IT staff, seven of them have one or two full-time staff. One organization has five, another eight, another 15 and another 25 full-time IT staff.

Most use of external consultants was made for "technology strategy development" (63%) as well as for "reporting improvement" (56%).

The organizations rank as most important that "The on-going costs to maintain our information system are affordable" and, linked to this, "We are satisfied that the price we paid for our information system software is worth the benefits. The organizations also consider it very important to be confident in their IT department's ability to maintain their hardware and software. Hiring and retaining qualified staff is considered less of a problem. Also the organizations don't think that their information system prevents them from achieving their operational goals.

# FEEDBACK FROM EMN WORKSHOP "CAN WE APPLY IT IN BDS 2.0?"

THIS WORKSHOP WAS HELD WITHIN THE FRAMEWORK OF THE **EMN CONFERENCE IN AMSTERDAM IN JUNE 2011** AND IT ADDRESSED ONE OF THE MOST TOPICAL ISSUES FOR MICROFINANCE ORGANIZATIONS THESE DAYS: **INFORMATION TECHNOLOGY**.



In an innovative set-up we discussed how IT can effectively contribute to improving the relationship with our customers, including increased outreach. Good practice pitches were followed by interactive discussions on specific questions. A collaborative working environment was created by making use of a Group Decision Room (GDR). During a GDR session, information is collected systematically using a predesigned program with a set of questions. Input is given anonymously, so there is a focus at **WHAT** is said and not **WHO** is giving his or her opinion.

As input to the workshop, the results of a survey conducted by the EMN IT & Innovation Working Group were used. Three themes were chosen for this workshop:

- Social Media
- BDS
- Back Office systems

For each theme, different **EMN** members gave a good practice example of how they use IT effectively within their own organization.

## THEME 1: SOCIAL MEDIA

*The survey results show that organizations are rather satisfied with their back office systems in place and do not feel the need to expand/improve them a lot. The focus of expansion is rather on front-end technologies. Therefore, we will now focus on front-end facilities such as social networking, online facilities and online platforms for people to collaborate.*

Social media is a powerful tool for reaching out to (new) customers. It's cheap and you can target specific groups. Targeting specific groups and offering them something useful is more effective than using social media just for propaganda. Good practices in the use of social media for specific goals are announcing conferences and workshops, or using it to market new loan products.

Most of the participants use social media to share information with others. Main reason is for reaching new customers, but also for sharing information with a professional network. To make maximum use of social media, a strategy has to be developed. The time needed and the regular updates required are reasons for not using social media. Appointing an IT officer can contribute to setting up a successful strategy.

There are many examples of applications that can be useful for microfinance customers: mobile banking, GSM banking, on line applications, SMS reminders for loan repayments, Internet online surveys (e.g. for social performance), business health checks, customer platforms, e-learning solutions, tool-kits, etc.



## THEME 2: BDS

One of the questions asked how ICT can help in Business Development Services (BDS) for current customers. Some of the answers provided were: Match relevant businesses together more quickly. Share information and documentation on specific subjects. Use social media to connect mentors and entrepreneurs. Provide business plan templates and give online reviews of the plans. Online coaching, specific questions can be answered by specialists. E-learning.

## THEME 3: BACK OFFICE SYSTEMS

In the first question about the back office system, participants were asked what they think are the most important stages in managing change in information systems. Probably the most important stage is to identify the needs. Take enough time for this. Having a thorough knowledge of your business and processes is needed to choose the right tools. Issues that are important are: the need for flexibility of the system, local regulations (e.g. security) and data conversion. Teaching users and getting the commitment of management shouldn't be forgotten.

When should an organization consider changing its MIS? Some examples: Problems with capacity, regular system crashes, lack of support, system supplier not able to keep up with new technological developments, absence of required reports, inaccuracies in reports, increases in costs without benefits.

Some of the most common problems/shortcomings with Information Systems within an MFI as stated by the participants: Costs, security, qualified personnel, and ability to connect between systems.

In the last part of the workshop, participants were asked to give scores to different questions and statements. In the table below you find an overview of the answers given by the participants.

Questionnaire / statements			
	Question	Average	SDev.
1	I'm happy I chose this workshop today	9,2	0,8
2	Automating (some of) our processes could help us to be significantly more efficient	9,1	0,9
3	Credit-assessment cannot be carried out by a computer alone	8,8	1,2
4	We would be willing to share good practices about IT in an online platform	8,6	1,5
5	These conferences are very useful because exchange of knowledge	8,2	1,2
6	If you don't use new technologies you will miss out on new/young customers	8,1	1,7
7	We, as EMN organizations, will have to invest heavily in IT in the coming years	7,8	2,5
8	We would like to have a web-based application to collect client data	7,6	2,1
9	The EMN membership fee is good value for money	7,4	1,8
10	I'd like to get to know the person next to me	7,1	2,3
11	Microcredit procedures should be Internet based	6,9	1,7
12	We wish EMN could develop IT tools for us to choose from	6,8	2,8
13	We see social media as a good way to lobby	5,8	2,6
14	I'm here for the drinks, not for the conference	4,4	3,1
15	We do not feel the need to expand/improve our back office systems	3,1	1,9

## CONCLUSIONS

The GDR format of the workshop proved very exciting, and it was an efficient way of getting interactivity in the workshop. Each small group of participants had its own laptop PC, and had the ability to write statements that was visible to all, and its answers and comments were sorted immediately. The GDR method proved to be an innovative way of running participatory workshops.

The IT & Innovation group will look into ways of using this method at the next EMN conference. The outcomes of the workshop will be used for the 2012 work plan of the EMN IT & Innovation workgroup.



## NO SINGLE INFORMATION SYSTEM (IS) WILL MEET EVERY MFI'S INFORMATION NEEDS.

The IS needs of institutions differ in size and in complexity. These differences are a function of many organizational variables, including volume of transactions, methodology, regulatory environment, infrastructure, and overall readiness for change, as well as the resources available.

Developing and managing an information system is not a simple linear process; it is an on-going, iterative transformation process that requires close examination of what you have now, what you need now, and what you might need for the future.

A full information system (IS) includes all the systems (both manual and computerized) used by an institution to generate the information that guides management's decisions and actions. We could think of them as:

- the core systems and additional systems.

### CORE SYSTEMS:

- Accounting: Records accounting details and provides tools for financial management
- Portfolio: The core business for many MFIs, manages all transactions relating to the loan portfolio
- Deposit tracking: Manages all transactions related to savings if this product is offered.

### ADDITIONAL SYSTEMS:

- Customer information: Detailed information about customers that may be used to understand the customer base
- Reporting: Reports can be generated within each subsystem; it may also be necessary to extract information across subsystems and recombine the information for more complex reporting requirements.

Another way of thinking about categorisation of systems is by thinking:

- back office and front office.

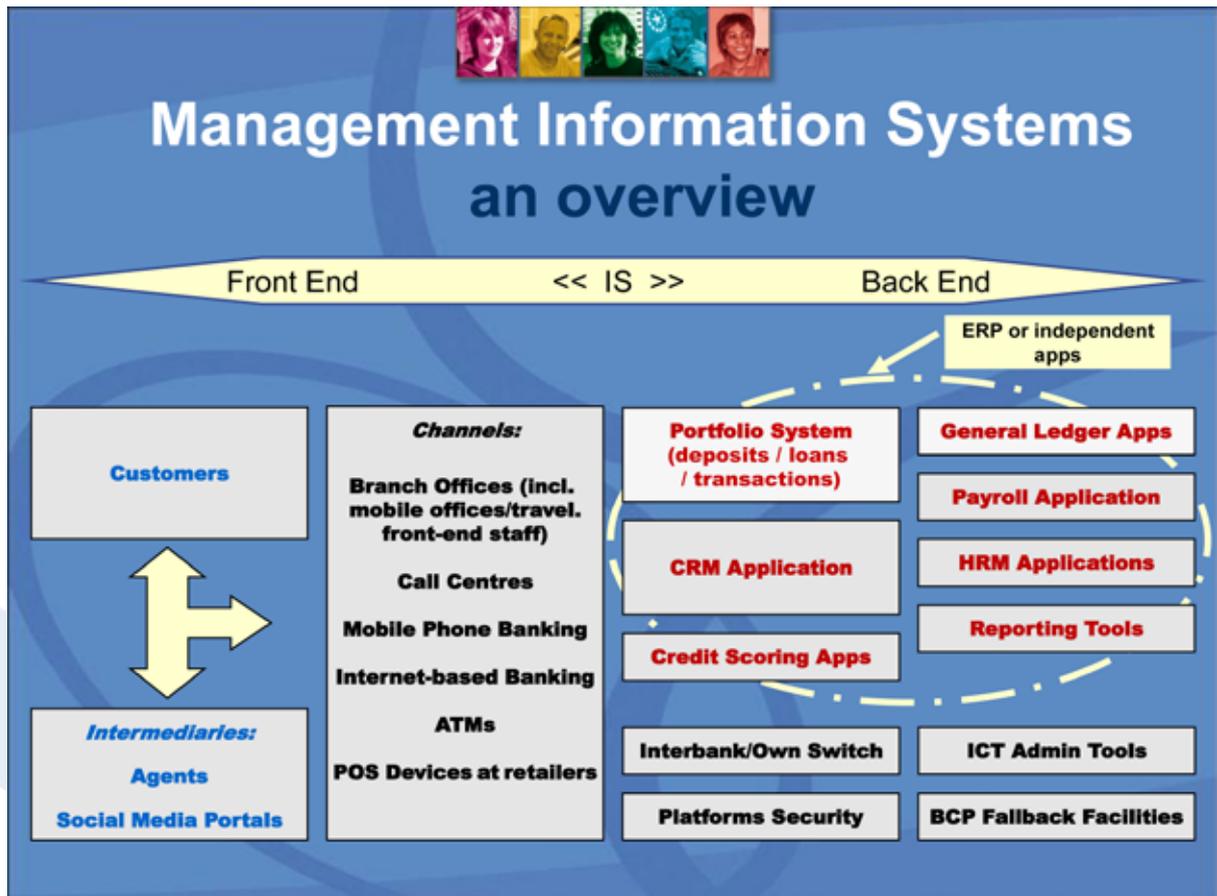
### BACK-END TECHNOLOGIES:

- Enable an MFI to perform daily core operations, such as loan portfolio management, accounting functions, managerial and financial reporting.

### FRONT-END TECHNOLOGIES:

- Allow an MFI to provide clients with faster service and convenience. Such technologies enable an MFI to increase outreach with a fraction of the cost of traditional channels, to provide convenience to clients, and to better meet its institutional goals. Tools such as customer relationship management systems and mobile solutions allow an MFI to automate aspects of the loan application process, including data gathering, analysis, storage, underwriting, collections and security – ultimately leading to cost savings. With these tools, loan officers can monitor, change and improve process flows on the fly – through a graphical interface – and take on more clients as a result of less time spent on the credit process per individual.

While the technologies as stand-alone products are appealing, the challenge to institutions is in incorporating them into their operational processes and in getting clients to adopt them.



### 3.2. PREPARING FOR, EVALUATING AND IMPLEMENTING CHANGE IN INFORMATION SYSTEMS

#### 3.2.1. Preparation, Planning & Requirements

Implementing a new system or delivery technology usually requires fundamental changes in the MFI's business and significant planning.

Start with a business strategy. Technology will not solve deficiencies in an MFI's business strategy or operational processes. Before beginning any technology planning, the organization must be clear on its mission, goals, and especially operational procedures.

An organization's information technology (IT) strategy should underpin and drive the achievement of the organization's business strategies. Therefore, it is critical that an organization chooses its MIS software in light of its organizational goals and objectives. Organizations who are best able to realign their operational policies and practices with the new software will have an easier time with the implementation, create more positive organizational goodwill, successfully optimize the software, and achieve a greater return on their investment.

An IS cannot solve all of an MFI's business and operations problems. Some problems may be due to lack of staff training or a lack of internal controls. As a first step, an institution needs to determine reasons for needing to change. It then needs to set specific measurable goals for the new system, for example, greater efficiency by decreasing costs by 10 per cent.

The process an organization undertakes to improve its management information system involves six core phases – project preparation, needs analysis, design, selection, implementation and management. Regardless of the scale of the changes required to improve the information system an organization should follow this standard process to ensure a well-researched and evaluated solution.

This iterative cycle of evaluating organizational needs, designing a better solution, selecting appropriate tools, implementing the solution and managing performance is known as the system development life cycle. The length of time and the amount of attention required for each phase will depend on the degree of change needed. The more frequently an organization can successfully complete this cycle, the better able that organization will be to implement new ideas and technologies to continually meet future challenges.

The length of time required to improve a management information system varies from organization to organization, depending on the existence or status of a strategic plan, documentation of organizational policies (internal controls) and processes, the nature of the existing information system, and the organization's technology capacity. The pace of the project will also depend on staff availability and financial resources to bring in outside assistance as necessary. The selection of the actual software application will typically take no less than three months and more commonly up to six months. The implementation of the software should not take more than a few weeks, if not a couple of days, depending on the number of branches or locations involved. The training, data conversion and running the old and new system in parallel is the time-intensive portion of the project and can take anywhere from two months to more than a year, depending on the structure of the implementation plan. On average, an MFI is looking at 12 to 24 months from commencement of the selection process to complete conversion to the new system.

To initiate a project, organizations generally form a team to manage the software selection process. The team should address the following questions in detail to help flush out the main goals and prioritize the measurable objectives.

- What do you need and why do you need it?
- What results do you wish to accomplish with this effort?
- What are the business reasons (drivers) for these changes, and how do these changes support the overall needs of the business?
- What is your overall information technology strategy? Identify among others: (i) choice of technology (buy, modify, build, rent), (ii) how frequent customization and changes are likely to be needed (due to fundamentally new products, external market forces, etc.); (iii) system availability, (iv) performance, (v) compliance criteria, and (vi) security.
- What changes do you wish to see in your institution as a result of any increased capacity to manage information? And what do you do with legacy systems?
- What core functionality do you need your information system to have? What current and likely future delivery channels (branch, call centre, mobile banking, eBanking, ATM, etc.) do you need?
- What work processes are you willing to change through this initiative and what might these new processes look like?
- What influences your institution's information needs from outside (e.g. market environment, donor requirements, desire for new products, expansion, etc.)?
- What in general are the current needs for information management among various stakeholders?
- What disaster recovery and security do we need to take into consideration in order meet minimum response times?



Once the project goals and broader objectives have been set, it is important to determine the detailed objectives for the new system and the measurable objectives for the activities within the IS process itself. Generally, the detailed performance objectives for the system cannot be set until the Needs Analysis process has been completed and a requirements definition created.

### *3.2.2. Understanding and agreeing requirements*

## **HOW CAN YOU DO GOOD NEEDS ANALYSIS?**

It is recommended that you undertake the following steps:

- Document and review current business practices, including information flows
- Redesign any inefficient procedures
- Analyse current and future needs
- Assign priorities of needs
- Choose appropriate technologies. Selecting a software solution suited to the institution is critical but equally important is the network structure. Some platforms and architectures aren't appropriate for MFIs using a decentralized methodology and may not be suited to the telecommunications infrastructure.

Be ready with...

- A business plan and budget?  
The business plan and budget include details on planned growth rates, changes in methodology, new products and services, branch expansion, financial projections. All of these influence the requirements of the system and the resources that can be made available for the project. Use the concept of Total Cost of Ownership (TCO) to calculate and incorporate all tangible and intangible costs (upfront installation fee, license & maintenance fees, charges based on number of accounts, users, or time, equipment purchase or lease, needs analysis, design costs, testing costs, training and documentation costs, data transition costs and staff time, on-going ICT management costs, and other costs).
- Documented policies, procedures, and practices?  
An IS cannot outperform the business operations it is intended to model. You need to make sure that the current procedures are designed to work efficiently, or update and streamline them.
- Accurate, complete historical data?  
Correct client balances and transaction histories must be available.
- Internal controls?  
Supervisory checks and balances should be in place and monitored adequately.
- Infrastructure?  
Consider where the new computers go and what they need to function properly: air conditioning, power-surge protection, generator, new building.
- Personnel?  
Review staff requirements: hire new staff, reallocate duties of existing staff, use consultants

You need to understand thoroughly your organization's needs. Once you have a document that clearly states what your needs are, you can also use it to help evaluate potential software or determine specifications for a custom system.

### 3.3. EVALUATION & SELECTION

When deciding on what system to use, consider the following steps:

#### 3.3.1. Review resource requirements for feasibility

Do you need to automate, and how much? Consider the following factors:

- Staff. Do staff have the right skills and experience for an automated IS? What kind of training do they need? Will there be much resistance or is there a willingness to change?
- Technology. What infrastructure is required for network and communications? Are branches to be decentralized or fully integrated? How can the technology be supported?
- Time. When do you need it? How does your business plan to grow? What impact could growth have on your IS requirements?
- Costs. What are the short-term costs for buying hardware and software? What are the longer term recurrent costs for supplies, connectivity, staff, facilities? What is the available budget? How do you get the best value for money?

#### 3.3.2. Conduct a high-level scan of available systems and establish short-list candidates

With a realistic view of requirements and resources, the MFI can consider various alternatives: buying an off-the-shelf package, finding one that can be modified, building one from scratch, or rent (service over the internet).

## ADVANTAGES/DISADVANTAGES – BUY, MODIFY, BUILD, RENT

### BUY

- Low to medium cost
- Likely to operate error free
- Short schedule for implementation
- Dependant on outside tech support and vendor's update + patch release schedule
- Unlikely to fully match expectations and particular requirements
- Cannot be modified easily unless changed by vendor

### MODIFY

- Likely to operate relatively error free
- Medium schedule for implementation
- Can be closely adapted to institutions' policies and procedures
- Medium to high cost (in implementation phase and upgrade moments)
- Dependent on outside technical support and vendor's update + patch release schedule
- Future modification costly

### BUILD

- Stable, qualified, and experienced technical support is in-house (leading to higher institution's operational risk)
- Can be fully adapted to institution's policies and procedures
- Can be modified to match institutions' changes
- High cost
- Will require debugging
- Long development schedule and more complex to manage
- This option seems nowadays only effective for either very small MFIs (fewer than maybe 1,000 customers) who may want to build a basic solution with MS Office (or Open Office) applications or similar database/spreadsheet solutions; or large MFIs with very complex business processes

## RENT

- Low upfront costs and medium running costs
- Short to medium schedule for implementation
- High uptime
- Compliance issue maybe (depending on national legislation regarding privacy – and financial sector matters)
- High dependence on MIS vendor, needs to develop into a “trusted partnering” role to sustain
- High dependence on Internet connectivity and quality (bandwidth, etc.)
- Depending on vendor and contract, system can be modified or standard

### *3.3.3. Make initial recommendation and seek senior management approval*

Generally, if you find a software application that meets at least 75 per cent of your needs, buy rather than build it, even though you may need to change some of your internal processes and policies. The resulting software solution is likely to be cheaper and more likely to meet industry standards.

In some cases, senior management and the Board need to be guided in this process, as the capacity for proper ICT Oversight may be weak at this level.

The drawing of a solid RFP (Request For Proposal), where you specify to potential vendors what the MIS needs to do and what the criteria should be, will be far easier if you have conducted a detailed analysis of your requirements. Even so you may still want to involve an expert who has more experience in dealing with software providers.

### *3.3.4. Apply due diligence tools to analyse short-list candidates*

How can you find out more about the software that is available?

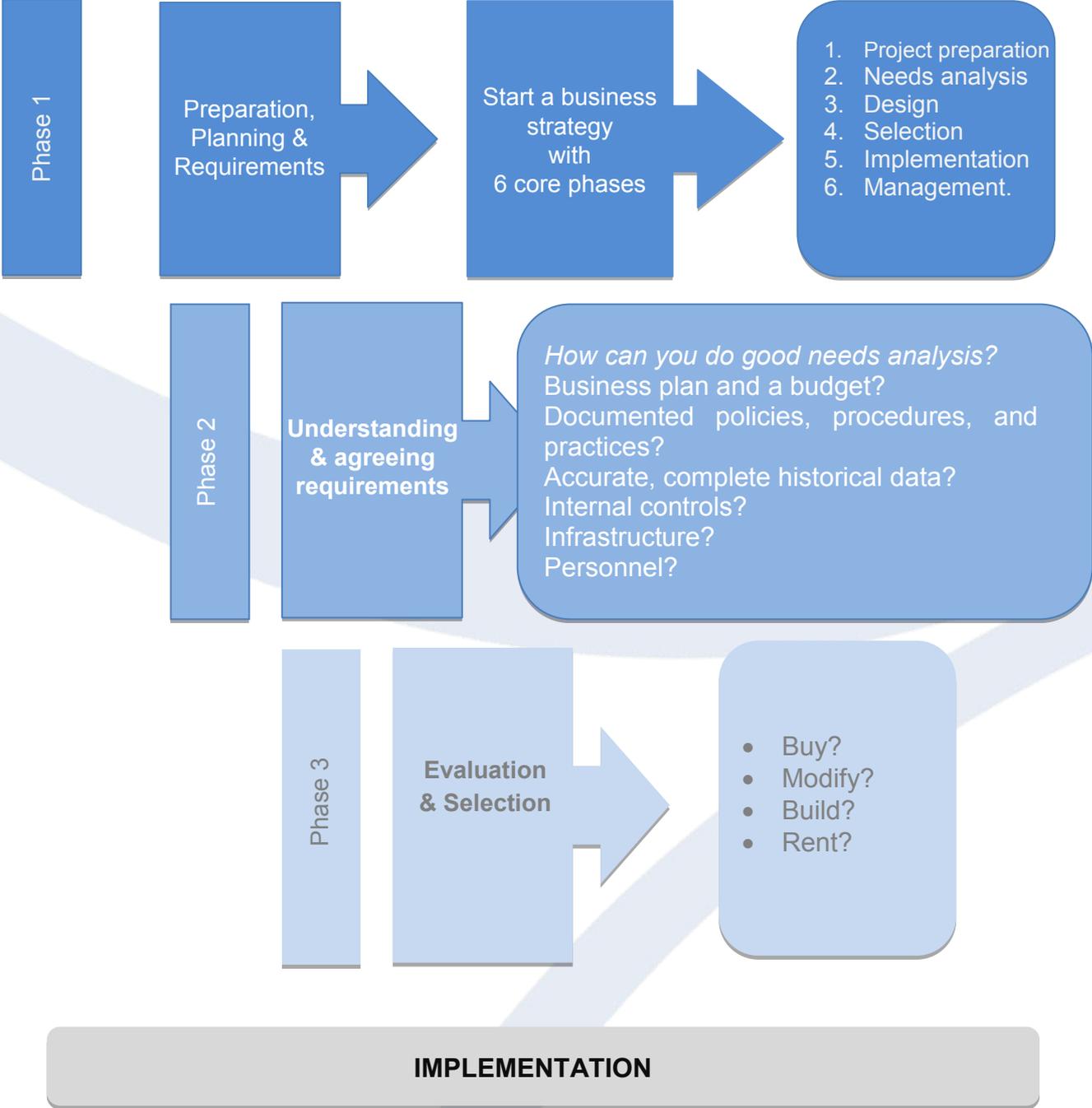
An evaluation framework provides a way of assessing the fit of a software solution for your organization. It is impossible to come up with an evaluation framework which will suit every MFI but there are a number of factors, under the following headings, that you should consider:

- Functionality and expandability. What subsystems are included, what kind of methodologies does it handle? What options are available for payments, branches, etc?
- Usability. How easy is it to use? What kind of user interface is offered?
- Reporting. What reports are available? Can users design new reports?
- Standards and compliance. Does it meet accounting standards? Does it comply with government and regulatory requirements?
- Administration and support. What security options are offered? How robust is the software? What technical support is available? What is the strategy to upgrade software?
- Technical specifications and correctness. What is the architecture? What kind of technology is required?
- Cost. What is the purchase price? What are the annual support costs?
- Make a short list of products to investigate further
- Collect information from the vendor, in writing
- Review a demonstration version of the software
- Check references with other clients using the product and/or the vendor (where information services are to be provided (part or entire MIS) over the internet, ask for an independent security audit report (similar to SOC or previous SAS 70)
- Visit an MFI using the software or see a live demo using your own data





# MIS selection - Preparation phase



### 3.4. IMPLEMENTATION

In designing an implementation plan, consider the following:



- Hardware procurement. What hardware should you buy and what are the memory, speed, space and reliability requirements?
  - Infrastructure development. What type of network is required? What facilities are needed, for instance telecommunications?
  - Software installation. Where should it be installed first?
  - Testing. How do you ensure the system works as you require it to? Computer programs are incredibly complex constructions. The only way to make sure they will do what they are designed to do is to confirm the functionality through testing.
- Software modifications. Are any further changes required to the system?
  - Documentation. Are user and administrator manuals available?
  - System configuration. How should the system parameters be set?
  - Data transfer. How will you transfer old data to the new system?
  - Staffing. Do the staff have adequate training and time to learn the new system?
  - “Live” date. Will the old system and the new system run at the same time during the changeover? If so, for how long? When will the new system be considered “live”?
  - Internal controls. Are there adequate checks such as audit and access trail? What manual or electronic confirmations are needed?
  - Institutional interface. What about procedural issues that the software cannot help to manage?
  - Data security. Are there measures in place to adequately protect the data? Is there a plan of how to operate if the computers are down?

*Assign a point person from within the organisation who is responsible. (And if the organisation is large enough, appoint “promoters” within each key department.)*

***Make sure you specify what the MFI is responsible for and what you expect the vendor to do.***

*Ensure that you the MFI drive the vendor(s) and have the in-house capacity to continue to manage the vendor(s). Avoid at all cost, the situation where you have outsourced the responsibility to the vendor.*

### WHY DO MANY MIS INITIATIVES FAIL TO LIVE UP TO THEIR FULL POTENTIAL?

Project teams tend to focus on technical details at the expense of understanding how people will use the system to perform their jobs. How many times have we seen an IT expert being the MIS project “champion” while employees hardly know there is a MIS project in their institution? Business processes, people and information management are neglected and not addressed properly. In the end, the new technology is installed, the IT department cheers, but employees and managers continue to work manually struggling with paper and Excel based systems.

#### 3.5. WHAT CAN GO WRONG?

##### Common Difficulties

- Underestimate time → Project behind schedule
- Underestimate cost → Project over budget

Remember business fundamentals. MFIs should treat technology like any other investment: returns on investment should be calculated and measured against complete costs. The technology must deliver clear value added to all users, including customers, staff and management.

Management is key. Like any other project, technology implementation should enjoy clear management support, involve stakeholders at all levels, be planned meticulously (with milestones and performance targets), and include a budget for on-going costs as well as any unexpected additional costs. Specialized consultants can be valuable in helping to manage the project and acting as intermediaries with vendors.

**Get specialized, independent advice.** MFIs are sometimes seduced by technologies that may not be right for the MFI at a given time. Specialized, independent consultants can bring an objective perspective and help MFIs set strategic priorities, assess technology requirements, and manage technology vendors.

**Be realistic about upfront and on-going costs.** Systems that will support an MFI over the long term can be expensive. The purchase price of hardware and software usually accounts for only 15 per cent of the total cost of implementation. The majority of IS expenses are incurred in staff time, training, and adapting operations to the new system. Technology will also be an on-going expense as an MFI's operations respond to changing client needs and regulatory and economic environments. An annual budget for information technology maintenance should not exceed 12–15 per cent of an MFI's revenues.

**Consider what has already been tried.** Investigate whether the technology has been tested, and understand what did and did not work.

**INVEST TIME AND RESOURCES IN CARRYING OUT A PROPER NEEDS ASSESSMENT.**

# EXAMPLES OF TECHNOLOGY INNOVATION IN MICROFINANCE

## 4.1. OVERVIEW

Technology is changing at a great pace. So are the needs of businesses. If microfinance institutions are to keep up with the ever-changing demands, they have to invest heavily into the latest technologies. Or is this really a misconception? Are there other alternatives that they can choose from?

In this section of our report we have tried to collect some good examples applied by the various members of the working group on IT and Innovation to demonstrate what kind of technological innovations are already available in the market that microfinance institutions can take advantage of. Most of these tools are freely and easily accessible by anyone without having to make big investments.

## 4.2. OUTREACH

Enhancing outreach is a critical factor in the quest for sustainability. Outreach and sustainability are strongly interlinked. The more clients microfinance institutions can reach, the better their chances are of surviving in the long run.

Technological innovations can help microfinance institutions to extend their services to a greater number of clients and establish their long-term sustainability.

Social Media can be one of the tools that can help microfinance institutions to reach clients, as has been done by PSYBT that has turned to Facebook to establish contact with people considering starting their own businesses. Another solution could be the CREDINFO system used by Fejér Enterprise Agency or Qredits' MicroNet. Both systems enable clients, even in rural areas, to have access to finance by providing them with the opportunity to submit their loan applications online and upload the necessary documents without having to travel big distances.

## 4.3. APPLICATION

Internet-based technology is a useful tool in the hands of MFIs since it can be used for all kinds of purposes. In the examples below it can be seen that some MFIs use the Internet to have active discussions with their clients, donors, staff and volunteers or to enhance business-to-business collaboration. Other MFIs provide financial and non-financial services, and there are also others that use technology for monitoring and coaching purposes or for satisfying group lending needs.

## 4.4. COLLECTIONS

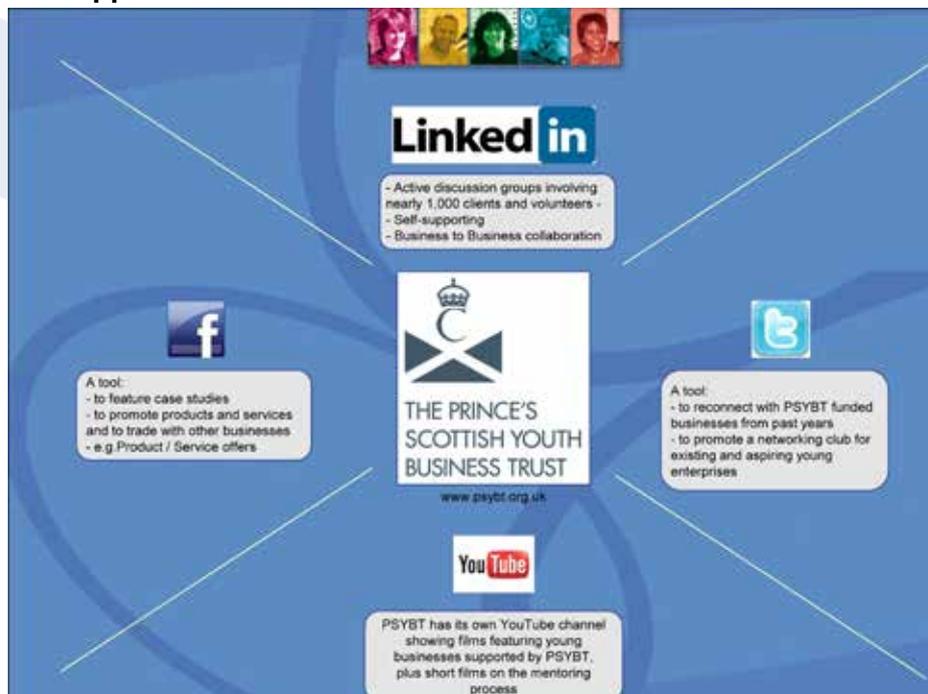
### 4.4.1. The Prince's Scottish Youth Business Trust - PSYBT

Martin Ferry  
15 Exchange Place, Glasgow, G1 3AN  
martin.ferry@psybt.org.uk  
www.psybt.org.uk



*The work of PSYBT is best demonstrated by the young people the Trust has supported to start up in business. During the last 23 years PSYBT has supported over 11,400 individuals to start almost 11,000 businesses and provided over £36million in micro-credits alongside a whole package of other business development services and mentoring tailored to the needs of each individual. Every year PSYBT supports in the region of 700 new businesses to start with average funding of less than £3,000. The organisation manages its own loan portfolio which has a current gross value of £4.2million made up of 1900 loan accounts.*

#### A Social Media Approach



- LinkedIn – PSYBT is using LinkedIn regularly, where it has two groups and has active discussions involving clients, staff and volunteers.
- Twitter – This has been running as a pilot in both the Glasgow and Edinburgh regions. The regional managers have used it as a tool to reconnect with PSYBT funded businesses.

The PSYBT Facebook page [www.facebook.com/psybt](http://www.facebook.com/psybt) was launched in May. The page features case studies and a 'Promotions' section where supported businesses have the opportunity to promote their product or service, offer discounts, etc.

- Own YouTube channel [www.youtube.com/user/PSYBTHO](http://www.youtube.com/user/PSYBTHO) where over 60 short films are featured. These are of young businesses supported by the Trust and demonstrate very clearly that a small amount of low cost money can have a huge impact on a young person. This page also links back to its website. This is a useful resource for people who are not familiar with what PSYBT does and shows the breadth of businesses it supports.

#### 4.4.2. Fejér Enterprise Agency - FEA

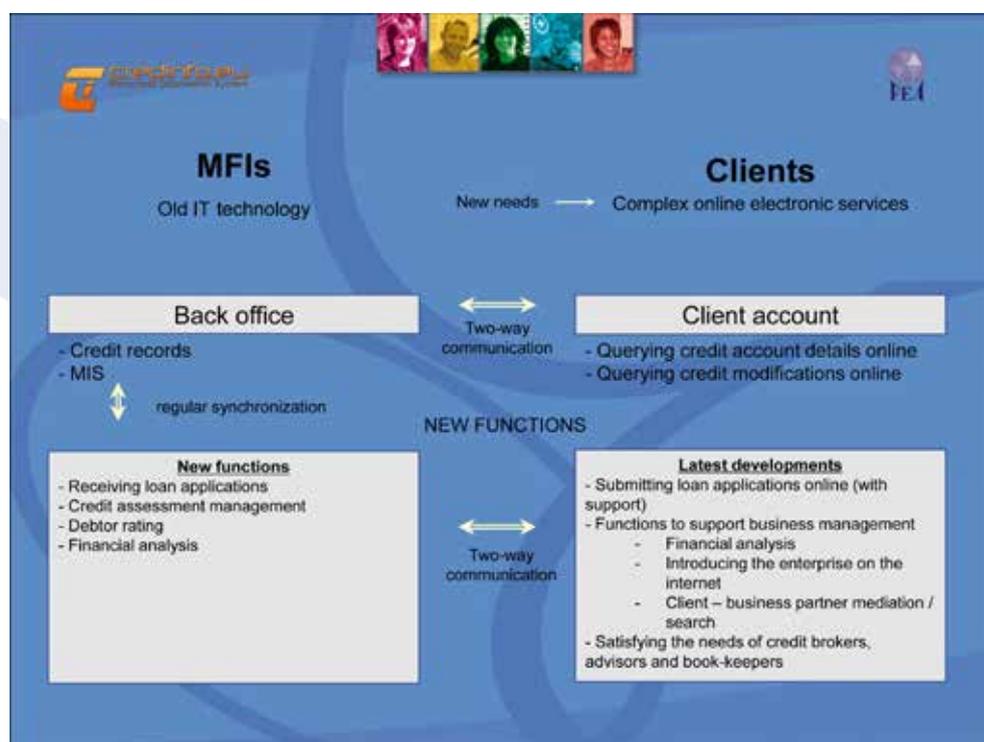
**Credinfo:** Agnes Fiedler  
email: agnes.fiedler@credinfo.eu

**FEA:** Tibor Szekfű  
email: tszekfu@rva.hu



FEA was founded in 1991. It performs both financial and non-financial activities to support micro and small enterprises. Within the scope of non-financial activities, it organizes training sessions, provides advisory services and participates in enterprise promotion projects.

#### THE CREDINFO SYSTEM



CREDINFO ([www.CREDINFO.eu](http://www.CREDINFO.eu)) offers complex services for both MFIs and clients. It has an internal back office system and an advanced front end.

#### Services offered for the various users

##### MFIs

- can introduce their institutions and credit products on a uniform interface
- can receive loan applications online

##### Clients

- can introduce themselves, their enterprise, the products and services they offer
- can perform a previous creditability check (scoring)
- can submit loan applications online
- can prepare a financial analysis for themselves
- can find business partners

### ***Advisors***

- can create their own client database
- can provide services for their clients
- can prepare a financial analysis for their clients
- can submit loan applications for their clients

### ***NET-ADMIN (for MFI users)***

- Administration interface: to set parameters necessary for the operation
- Loan applications interface: to view and handle applications
- Loan assessment module: to assess received loan applications electronically
- Possibility to query information from the internal records
- Reporting functions
- Internal communications tool

### ***Back Office System (Internal Recording System)***

#### ***Client records***

- complete information about clients can be recorded
- Word form letter files can be prepared from the client database in accordance with the various filtering conditions

#### ***Loan application records***

- applications, propositions and approvals can be recorded (to support off-line (paper-based) assessment processes)

#### ***Loan agreement module***

- it can prepare contracts from a Word template (the templates can be edited and extended)
- it stores the contracts in the Media Storage account of the client, making the future handling of the files easier
- it can handle and record contract modifications, rescheduling, cancellations, interest stop, repayment calculations, repayment schedule modifications, taking over loans, etc.
- it can record and handle transactions, accounts, in-payments, disbursements and costs (commissions, fees, other charges)
- monthly/quarterly closing (interest and costs can be calculated, letters of advice can be prepared)

#### ***Reports***

- Individual reports (on the movement of money, client datasheets, etc.) can be prepared
- Analytical reports (portfolio, overview table, trend analysis, etc.) can be prepared

### ***Transparency and adaptability***

Relevant documents, photos and even videos can be uploaded into the system and all the people participating in the loan assessment process have access to the system, but only to those parts which are needed for the performance of their respective tasks. This makes the whole system very transparent.

Due to its flexibility it can be adapted to all kinds of procedures and can be translated easily.

### ***Social Media***

Having examined the opportunities provided by Facebook, there will be a Facebook interface created in the CREDINFO system that simplifies and accelerates the use of Facebook by displaying news/information recorded by the MFI on the Facebook page of the MFI automatically.

#### 4.4.3. Mikrofinans Norge (NCN)

Mikrofinans Norge  
Co/ Forretningsutvikling Oslo  
Storgata 20, 6th floor  
0184 Oslo  
Norway  
Phone: +47 92605197  
info@mikrofinansnorge.no



Mikrofinans Norge (Network Credit Norway – NCN) is a voluntary non-profit association with members (customers).

#### **The CREDINFO system adapted and applied to a different business model**

The Hungarian CREDINFO system has been adapted to the Norwegian group lending model of Mikrofinans Norge (NCN). In Norway they tried to create a more centralized system with different access-levels for users, advanced report-tools and links with client-friendly front-end applications. Soon there will also be links to bookkeeping and online banking and possibly online credit checking.

An IT-infrastructure was set up, which makes a completely digitalized workflow process possible. This means loan officers and assessors can work from different locations, status changes are handled by the system, documents can be generated by the system and the complete management information is directly available online for those who have permission to access it. Automatic generation of emails and sms messages is also part of the system. This reduces costs (travel and process) and increases transparency.

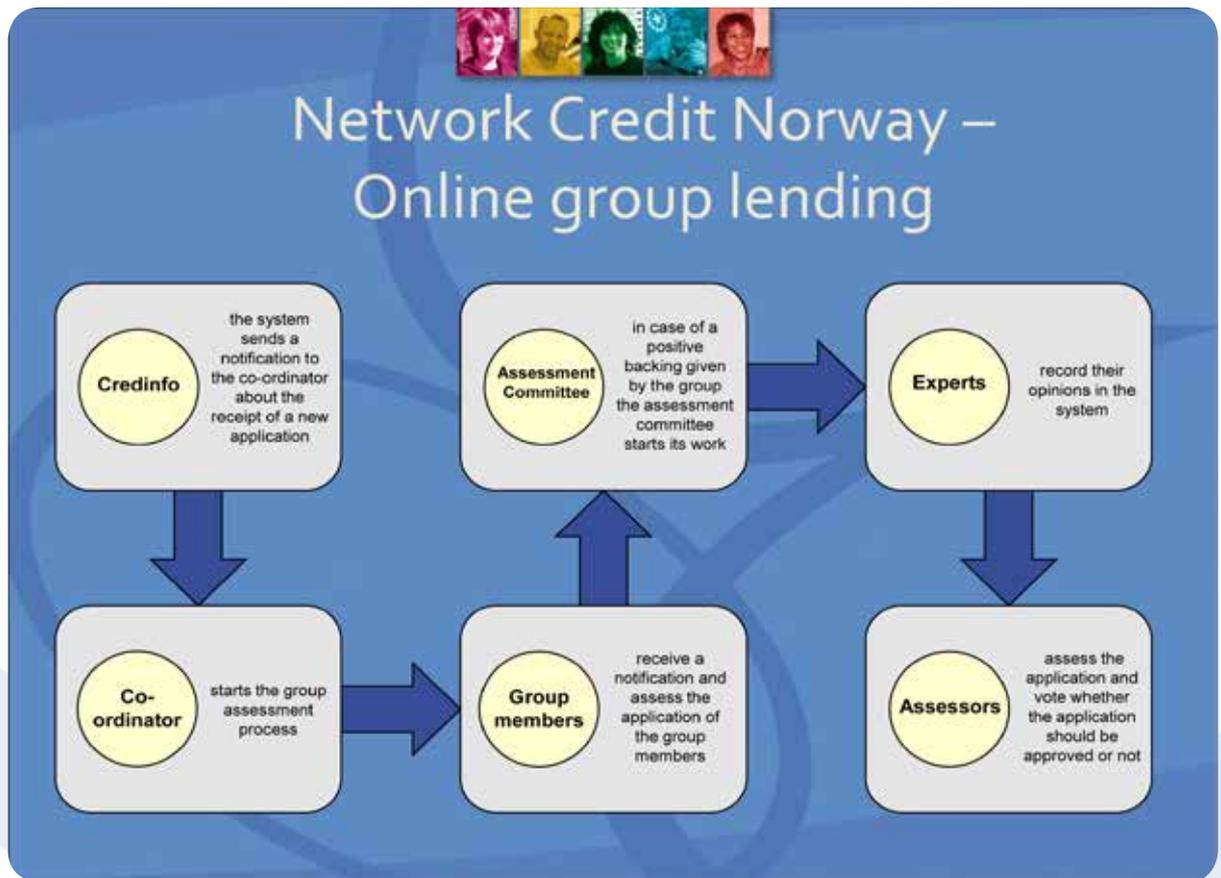
#### GROUP LENDING - ONLINE



The CREDINFO system offers an online assessment function that allows the handling of the assessment process according to the group lending procedure. In this case the members of the applicant's group also participate in the assessment process online. An important aspect is that the loan committee of NCN (the MFI) starts its assessment only after the group has assessed the loan application and given a positive backing to it (no legal ties). However, the online solution will not eliminate

the actual meetings of the group members prior to assessing the loan online. Also coaching and advice as well as training courses will be offered prior to the online loan process. However, the CREDINFO portal offers more options for collaboration, effective management (front and back end), visibility and reporting for local associations, network groups, members of groups with their individual enterprises, a network of coaches, volunteers and other partners. The vision for the IT solution is to be able to coordinate and manage growth in the MF sector in a country with great geographic distances but already a wide network of local network groups all over the country. These groups deserve more visibility at the national level, and Google maps, a collaboration platform and project management tools, individual enterprise profiles and reporting tools will make this possible with fewer economic resources and fewer management staff. The reporting/monitoring possibilities looks very promising, so if implementation goes according to plan, NCN will soon be able to share some good experiences of an innovative way of adapting the Hungarian CREDINFO portal to Norway in a very positive way! One experience from Norway is that translation is easy, but the need to know the needs of the MFI and what you are trying to do is important for the replication process. It may take time to get it right, but a lot less time than developing a system yourself. In Norway, CREDINFO is in the testing phase, and full implementation is planned from April 2012. NCN is happy to share its experience.

# Network Credit Norway – Online group lending



**Mikrofinans NORGE** | Tilbake | Portal

[BetaTest] Credinfo.eU - Europeisk mikrofinans nettportal

[HJEM](#) | [TJENESTER](#) | [MIKROKREDITT SØK](#) | [MFIS](#) | [BEDRIFTER](#) | [PRODUKT SØKEMOTOR](#) | [NYHETER](#) |

**LOGG INN**

Brukernavn:   
 Passord:   
 [glemt passord...](#)

**CREDINFO**

**Lånetyper** Her kan du velge hva slags låneprodukt du ønsker å søke på. Det finnes forskjellige typer lån for oppstartsbedrifter, grupper, og for eksisterende bedrifter som f.eks. ønsker å utvide.

**Mikrofinans eller nettverkskreditt forening/gruppe** Her finner du oversikt over organisasjoner, foreninger og grupper som jobber med mikrofinans i Norge for folk som ønsker å startet eller utvide egen næringsvirksomhet.

**Søk blant etablerere/bedrifter** Her kan du søke etter bedrifter og personer knyttet til vårt nettverk i flere deler av landet. Kanskje ønsker du å finne en ny samarbeidspartner? Eller kanskje vil du se hvem andre som jobber innenfor din bransje? Her er det mange muligheter!

**Søk etter Produkter eller tjenester** Her kan du søke etter produkter eller tjenester som medlemmer i Mikrofinans Norge eller samarbeidspartnere og nettverk tilbyr. Å kjøpe produkter /tjenester gjennom nettverket er en god måte å støtte opp om små bedrifter som kan trenge litt ekstra omsetning!

**Nyheter, kurs og arrangementer** Her finner du nyheter fra nettverket om ting av interesse for næringsdrivende. Vi legger også ut oversikt over kurs/opplæring som tilbys av Mikrofinans Norges nettverk av samarbeidspartnere. Også arrangementer av interesse finner du informasjon om her.

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#### 4.4.4. QREDITS

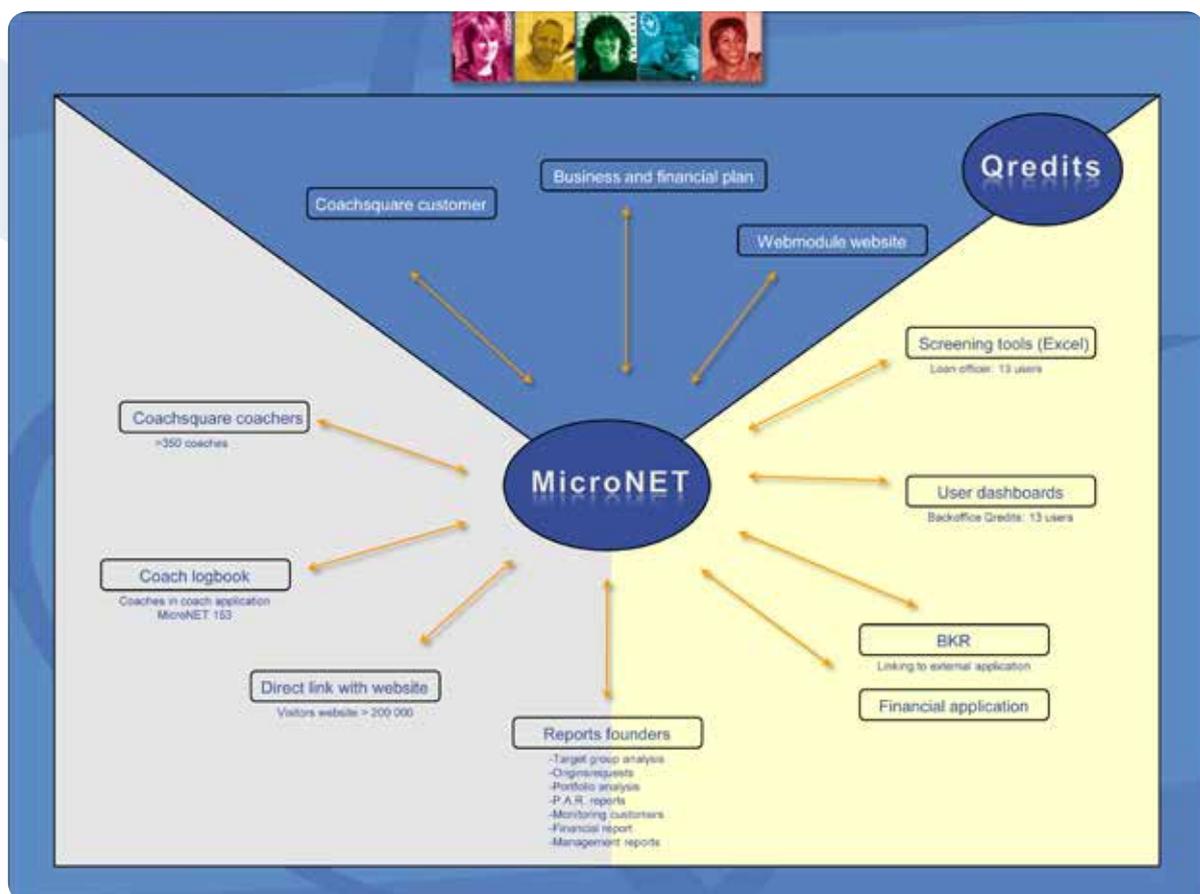
Vincent Stulen ([v.stulen@qredits.nl](mailto:v.stulen@qredits.nl))  
Mobile +31 6 46 25 72 17

Qredits, Stichting Microkrediet Nederland  
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Microkrediet in Nederland



Qredits has adopted an approach that appears to be a new sustainable approach to microfinance, a blend of traditional banking combined with highly sophisticated IT.



#### A COMPLETE DIGITALIZED SYSTEM

##### Digital application in the MicroNET system for potential clients

- In the MicroNET system, application procedures and necessary information are simply explained, and checklists and examples are available. Hence, applying is easy, can be done from anywhere, and the completeness of applications is improved. This means less time is involved in input and fact research.
- Clients can prepare a digital application themselves and upload relevant documents into the system, (efficiency+) which again means lower input costs.
- A digital file can be started right away and kept complete throughout the application and monitoring process, which also simplifies research.

- All users within the organization have personalized dashboards which show relevant information, applications and process stages for that user. This means all information is presented in the optimal way for that user, thus increasing efficiency.

### **Completely digitalized workflow process**

1. All necessary and official documents are generated by the system, thus minimizing “double work” (registration etc.).
2. The system handles all status changes in the workflow process, standardizing the assessment process and structuring it. It can also send automatic emails and reminders for time management purposes.
3. All information is documented by the system, so complete management information is available at any time, including number of applications in different stages of the process and insight into staff activity.
4. All relevant information is transported into the workflow process directly from relevant sources (for example AFAS or other accounting systems, national debt registration system, coaching database); maximum reliability and flexibility is achieved.

### **Business and financial plan**

Tools for customers to make a sound business plan themselves are included in the MicroNET system. Through the website, potential clients can find templates for their business and financial plan. With simple questions they are triggered to think about their business, and a financial module translates their answers into the necessary financial figures, such as investment prognoses, profit and loss statements, cash flow and a balance sheet.

### **Transparency and report manager**

1. MicroNET holds complete digital files for all applicants. All relevant documents and contacts are digitally stored.
2. The collection of data in the system provides easy research options as well as good security as all information is accessible for parties with the correct user rights.
3. All auditing information is available directly in the system.
4. To extract the wanted information from MicroNET, users can use a report manager. This module makes it possible to select data columns from the database and import them automatically into templates. These templates can easily be made in Excel. A scheduler can be set to send periodical reports and analyses by mail to any mail address.

### **Coaching**

1. MicroNET contains an online coaching module where specific questions can be answered by specialists.
2. The coach logbook gives Qredits the opportunity to keep in contact with individual coaches and determine if coaches are meeting clients’ needs.
3. On the online coaching platform, clients and coaches can be matched according to sector and coaching needs.

### **Monitoring and recovery**

Examples of some of the monitoring actions that MicroNET handles itself during this process are:

1. If a payment is late, the accounting system updates this information in MicroNET.
2. The customer receives emails and sms messages that are sent automatically and saved in the digital client file (schedules and templates can be set by the admin-user).
3. The loan officer and delinquency department see the client displayed on their personalized work screens.
4. An overview of all up-to-date outstanding amounts is available at any time.
5. Managers receive reports on outstanding amounts per loan officer.

#### 4.4.5. A case study: PerMicro Information Systems

### **Contracts and Accountancy**

PerMicro is a financial intermediary supervised by the Bank of Italy (article 106 of TUB - Testo Unico Bancario) using a specific MIS – an information system from the MIT Group ([www.gruppomit.com](http://www.gruppomit.com)), specialized in software and consultancy for financial companies. It is an integrated system which includes accountancy + contract management + Bank of Italy's compliance. The system consists of several integrated modules/procedures and has been tailored to the needs of PerMicro.

### **Front Office System**

Online application interface used by loan officers to:

- record customer data (name, mobile, address, etc.)
- upload customer documentation
- print the credit proposal
- create a business plan
- access the banking credit information system
- manage the credit dossier and send it to the credit committee for approval
- calculate the credit score
- print the loan agreement

### **Back Office System**

Several integrated modules used by the headquarter to:

- manage the portfolio
- print compulsory documentation for clients
- print letters of request for payment
- manage credit risk
- print different types of reports useful for PerMicro management
- general ledger - accounting, income statement and balance sheet
- generate and send compulsory data in accordance with Bank of Italy regulations (money laundering, periodical information, transparency, fiscal communications)

### **Company Information and Customer Relations**

Apart from the integrated MIS, PerMicro is developing its customer relations through its website where prospects can find information about products, examples of businesses supported and projects with public institutions, and volunteers may send applications. The website is mainly in Italian, but some news items are offered in English, Spanish, French, German, Romanian and Filipino.

PerMicro also has a Facebook page, created in order to promote microcredit and PerMicro branch activities with pictures of public events and updated news, and a YouTube channel, with several short movies about customer businesses, public events, interviews with the management and conferences about microcredit.

Customer relations will be enhanced in 2012 with a specific project designed for marketing purposes.

### **Internal network – Intranet**

The internal network is a work in progress item, that will run from the end of the year. It is designed as a tool to exchange information between headquarters and branches, offering basic e-learning and an information platform for staff and volunteers to share documents, news and an internal newsletter.

## 4.5. BUSINESS-TO-BUSINESS

The above-mentioned MFIs all use information technology for business-to-business collaboration. In particular, PYSBT uses LinkedIn as an environment to encourage inter-trading, networking and collaboration amongst supported businesses, and the CREDINFO portal applied by Fejér Enterprise Agency links businesses together and provides them with a tool to search for possible business partners and to network with one another.

	DESCRIPTION	TARGET	DISTRIBUTION CHANNELS	BUSINESS MODEL	PRODUCTS
FEA	FEA was founded in 1991. It performs both financial and non-financial activities to support micro and small enterprises. Within the scope of non-financial activities, it organizes training sessions, provides advisory services and participates in enterprise promotion projects.	Micro and small enterprises	Internet, book-keepers, credit brokers, own customer service	FEA operates as a non-profit foundation. It was removed from being under the Act on Credit Institutions and Financial Enterprises in 2003. As a result, it may perform lending activities independently of banks but has to provide guarantees itself.	Mortgage equity withdrawal, working capital finance and loans for investment purposes.
MIKROFINANS NORGE (NETWORK CREDIT NORWAY – NCN)	Mikrofinans Norge (Network Credit Norway – NCN) is a voluntary non-profit association with members (customers).	Start up and existing micro entrepreneurs who cannot get access to loans from traditional financial channels	Internet, entrepreneurial training courses, recommendations from old members/borrowers	Group loans (for start up) and individual loans for existing businesses with at least a 12-month track record. Loans are evaluated and followed up by NCN, but formally given in partnership with Cultura Bank (part of the Bank's books), but guaranteed by NCN through the Cultura Guarantee Fund and supported by a guarantee from the EIFCIP microcredit guarantee.	Microcredit for enterprises and related services (training, advice, mentoring and follow up).
PERMICRO	Founded in June 2007, PerMicro is a non-banking financial intermediary, as defined by art. 106 of TUB (Testo Unico Bancario). PerMicro has its head office in Turin and 10 regional branches covering the whole of Italy	People excluded from the traditional banking system, who want to start or develop a business idea or who have a financial emergency.	Loan officers in different regions	PerMicro has developed a model that deploys an ensemble of activities in Italy normally performed by different entities (volunteers, a foundation and a bank) under the umbrella of a single actor. It takes on the entire responsibility for risk of insolvency and it commits to monitoring the proceeding of the activity and to accompanying the client throughout the entire duration of the loan.	Microcredit for families, microcredit for enterprises, and related services (training, advice, mentoring and follow up).
PSYBT	During the last 23 years PSYBT has supported over 11,400 young people to start businesses and provided over £36 million in micro-credits alongside a whole package of other business development services and mentoring tailored to the needs of each individual. PSYBT has its head office in Glasgow and 18 regional branches covering the whole of Scotland	Young people (18 to 25 years old)	Internet and or references from other mainstream business support agencies	PSYBT is a charitable organisation and provides a range of business development services as well as operating a loan fund for start-up businesses.	Microcredit for enterprises and related services
QREDITS	Qredits has adopted an approach that appears to be a new sustainable approach to microfinance, a blend of traditional banking combined with highly sophisticated IT.	Existing micro-entrepreneurs and start-ups in the Netherlands with viable business plans, who have no access to regular credit facilities.	Loan officers in different regions who visit and assess potential clients personally. The initial application can be filled out online or with help from a local coach organization	Qredits is a private foundation, founded in October 2008, by a group of public and private partners. As a foundation, Qredits has no profit goal and there are no shareholders. Qredits operates from one central main office and currently has 11 branches in different regions. Qredits is the only nationwide microfinance provider in the Netherlands.	Financing and Coaching

# CONCLUSIONS

THE OVERVIEW OF THE **MIS** SELECTION PROCESS AND ITS APPLICATION THROUGH THE DIFFERENT EXAMPLES CITED SHOWED THAT DEVELOPING AN EFFECTIVE **MIS** SYSTEM IS A COMPLEX AND LENGTHY PROCESS. IN ADDITION, IT EMERGES THAT THERE IS NOT A SINGLE PERFECT SYSTEM: AND **MFIs** HAVE TO CONSIDER MANY ASPECTS INCLUDING AN IN-DEPTH ANALYSIS OF THEIR NEEDS THAT ONLY COULD BE COMPLETED IF THE LOAN PROCESS IS WELL STRUCTURED AND DEFINED.

Choosing a proper MIS does not mean just looking at the IT system but it means looking at the organisation as a whole and identifying the strengths and weaknesses of the structure.

MFIs needs to be aware that the cost of a MIS implementation might be higher than originally expected. By initiating this change, the analysis entails a lengthy process that might challenge some of the aspects of how the MFI is working. The MFI might have to rethink the way it operates in order to improve its efficiency and create an environment that both the MFI personnel and clients will benefit from.

MFIs have to understand that technologies are ever changing and need to be ready to question their way of operating on a regular basis.

The EMN IT & Innovation Working Group hopes that this document has helped the reader to better understand what an MIS can do to improve the way an MFI operates; the Group welcomes your comments and is ready to support you in your endeavour to start the process.

[emn@european-microfinance.org](mailto:emn@european-microfinance.org)

# APPENDIX

## SURVEY EMN IT & Innovation Working Group THE USE OF TECHNOLOGY IN MICROFINANCE

Overall response rate is relatively good: 30.9% of all the contacted organizations answered. The survey received 16 unique responses out of the 68 on the contact list.

### 1. Profile of organizations

The responding organizations are:

- MIKROFINANS NORGE (NCN - NETWORK CREDIT NORWAY)
- DMI DEUTSCHES MIKROFINANZ INSTITUT E.V. (GERMANY)
- WEETU (UK), FAIR FINANCE (UK)
- PSYBT (UK)
- NACHALA 2007EAD (BULGARIA)
- QREDITS (NETHERLANDS)
- MIKROFINANSINSTITUTET (SWEDEN)
- PRIMOM FOUNDATION FOR ENTERPRISE PROMOTION IN SZABOLCS-SZATMAR-BEREG COUNTY (HUNGARY)
- FEJÉR ENTERPRISE AGENCY (HUNGARY)
- IMF CREASOL (FRANCE)
- ADIE (FRANCE)
- FRENCH SAVINGS BANKS FEDERATION (FNCE – FRANCE)
- PERMICRO (ITALY)
- CULTUUR-ONDERNEMEN (NETHERLANDS)
- S.C.M. AURORA IFN S.A. (ROMANIA)
- SOCIETATEA DE FINANTARE RURALA FAER IFN SA (ROMANIA)
- FUNDACIÓ CP'AC (SPAIN)
- MITA ONG (SPAIN), ACAF (SPAIN)
- ASSOCIAÇÃO NACIONAL DE DIREITO AO CRÉDITO (PORTUGAL)

As shown below, the survey received responses from 12 countries. No answers were received from 9 countries.

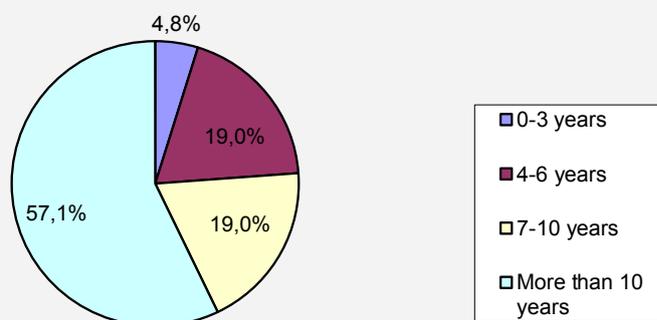
Table: Responding organizations per country

Country	# MFIs	#Survey	Score / country (%)
Albania	1	0	0%
Belgium	4	0	0%
Bosnia and Herzegovia	2	0	0%
Bulgaria	2	1	50%
Croatia	1	0	0%
Finland	1	0	0%
France	7	3	43%
Germany	2	1	50%
Hungary	2	2	100%
Ireland	1	0	0%
Italy	5	1	20%
Norway	2	1	50%
Poland	3	0	0%

Country	# MFIs	#Survey	Score / country (%)
Portugal	2	1	50%
Romania	8	2	25%
Russian Federation	1	0	0%
Spain	9	3	33%
Sweden	1	1	100%
Switzerland	1	0	0%
The Netherlands	5	2	40%
UK	8	3	38%
<b>Grand total</b>	<b>68</b>	<b>21</b>	<b>26%</b>

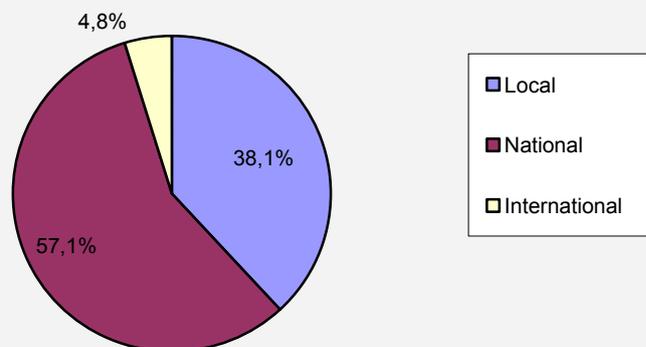
Most of the responding organizations have been operating for more than ten years. Only 4.8% have been operating for less than three years.

1: How many years has your organisation been operating?



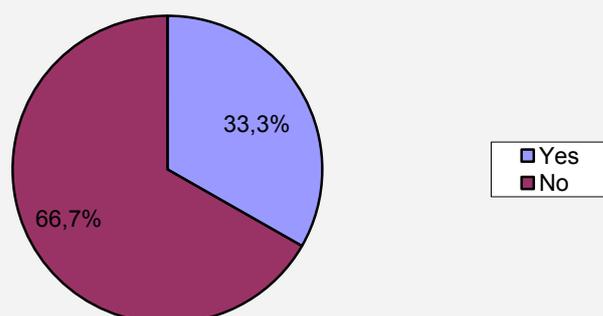
Fifty-seven per cent of them operate on a national level and 38% on a local level.

2: What scale do you operate on?

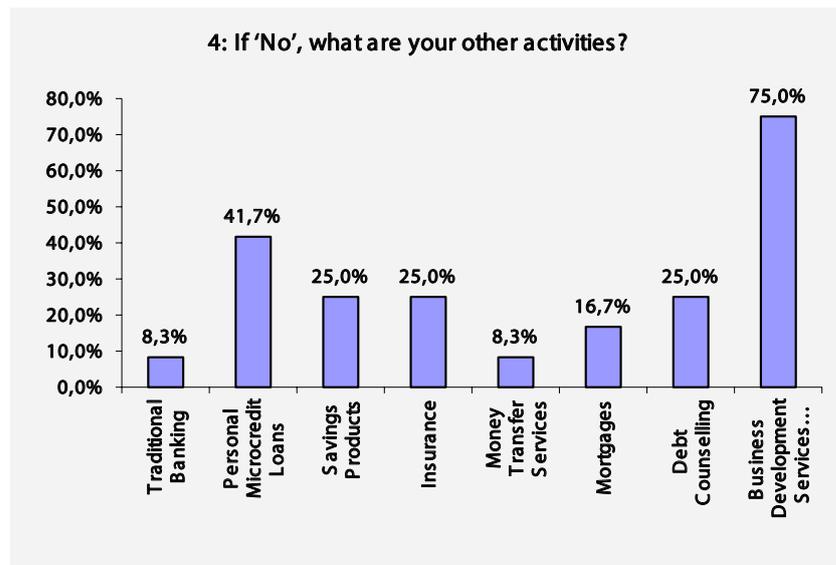


One third of them work exclusively in microcredit.

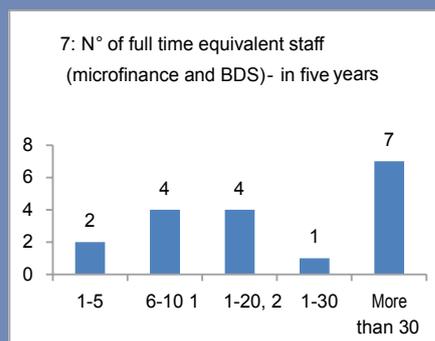
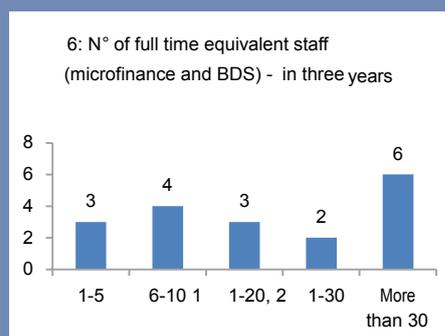
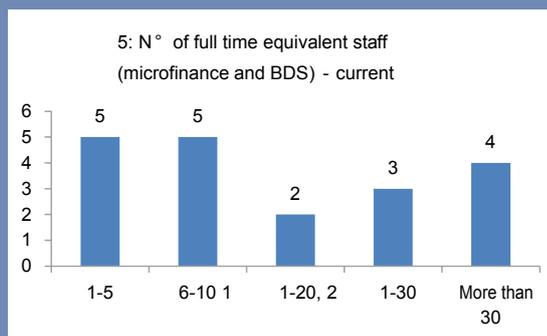
3: Does your organisation work only in microcredit?



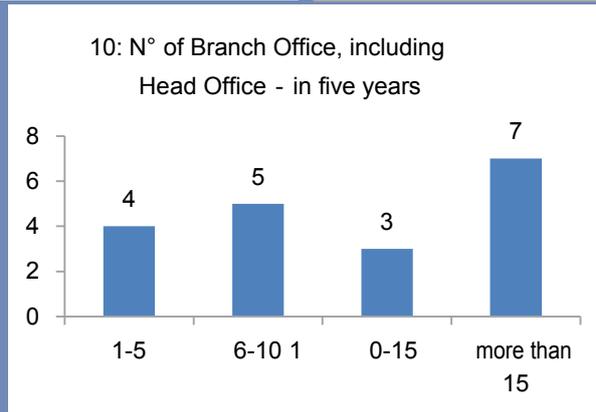
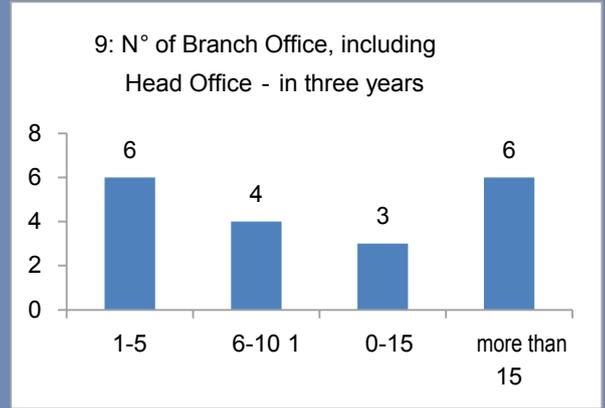
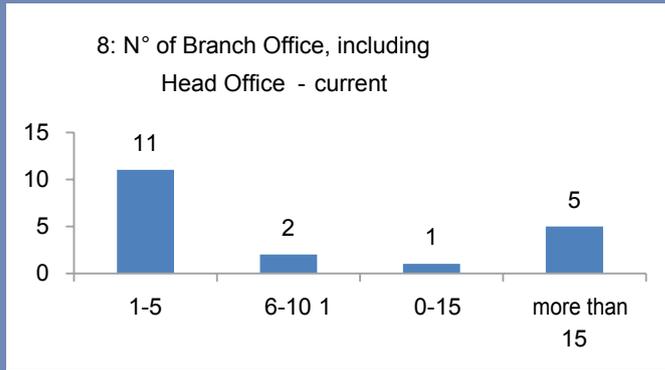
Other activities are above all Business Development Services (75%) and personal microloans (41.7%), but also debt counselling, insurance, mortgages, money transfer and traditional banking.



Ten of the 21 organizations have up to ten staff. Growth ambitions for the coming years exist, but remain relatively modest.

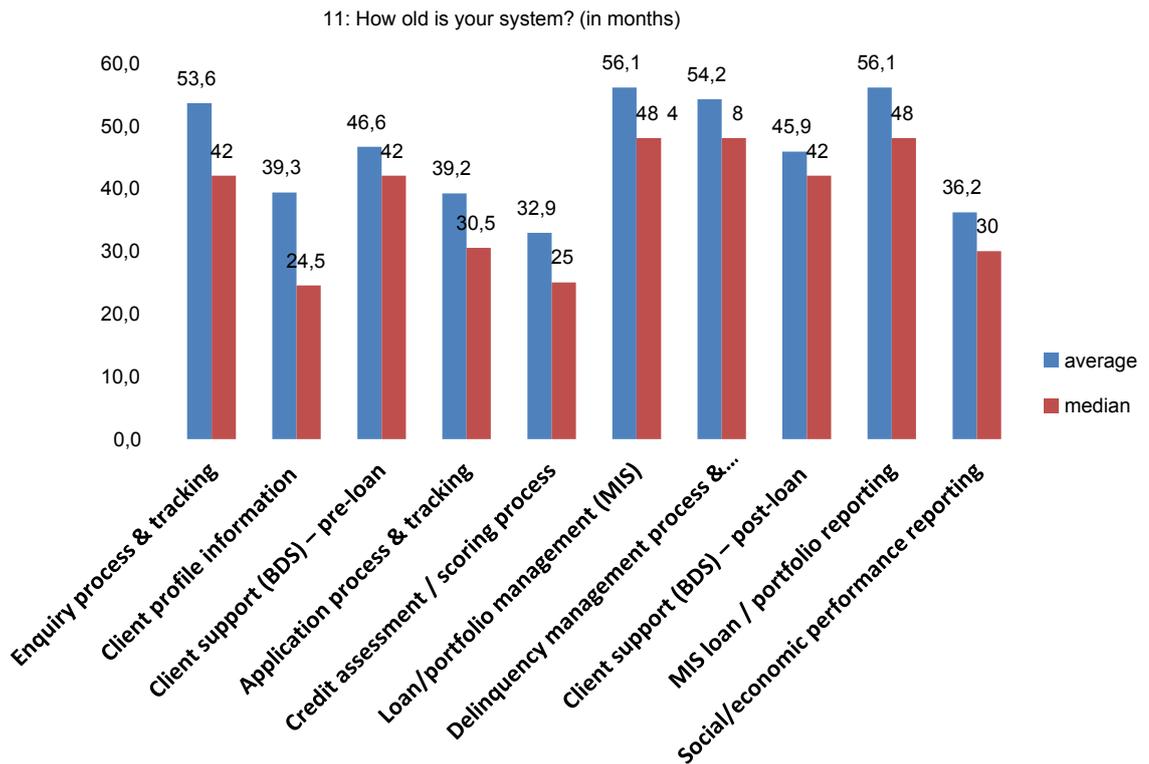


Eleven organizations have up to five branch offices (head office included). As above, modest growth ambitions exist.



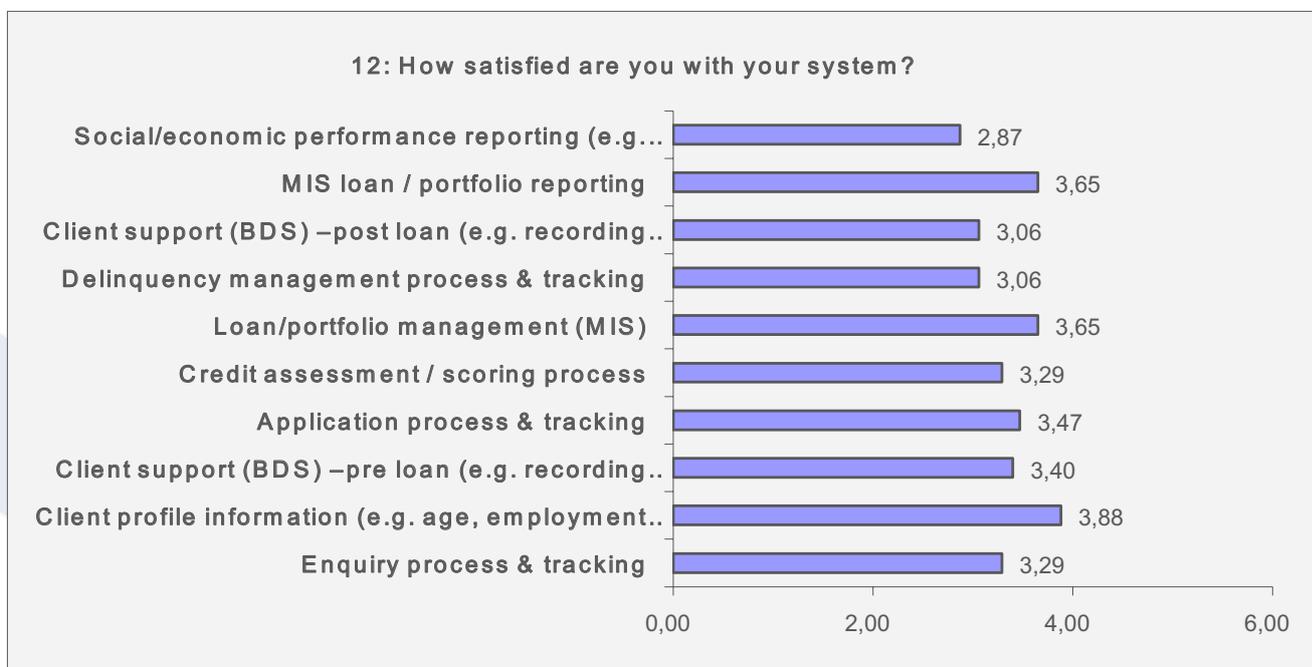
## 2. Information systems and use of technology

The organizations' different IT systems for tracking clients, managing applications and reporting are on an average between 39 and 56 months old (see below).



The respondents were asked how satisfied they were with their current IT systems. These systems are all different, and the view must be seen as subjective for each respondent. However, they are somewhat satisfied with their current systems as the table below shows. The scale is from 0 to 6 where 6 represent most satisfied.

The client profile information get the highest satisfaction with (3.88), The MIS loan/portfolio reporting (3.65) and loan/portfolio management (3.65) share the second place. They are least satisfied with the social/economic performance reporting (2.87). All the results are shown in the table below, and show there is still a lot of room for improvement in IT system satisfaction across Europe.

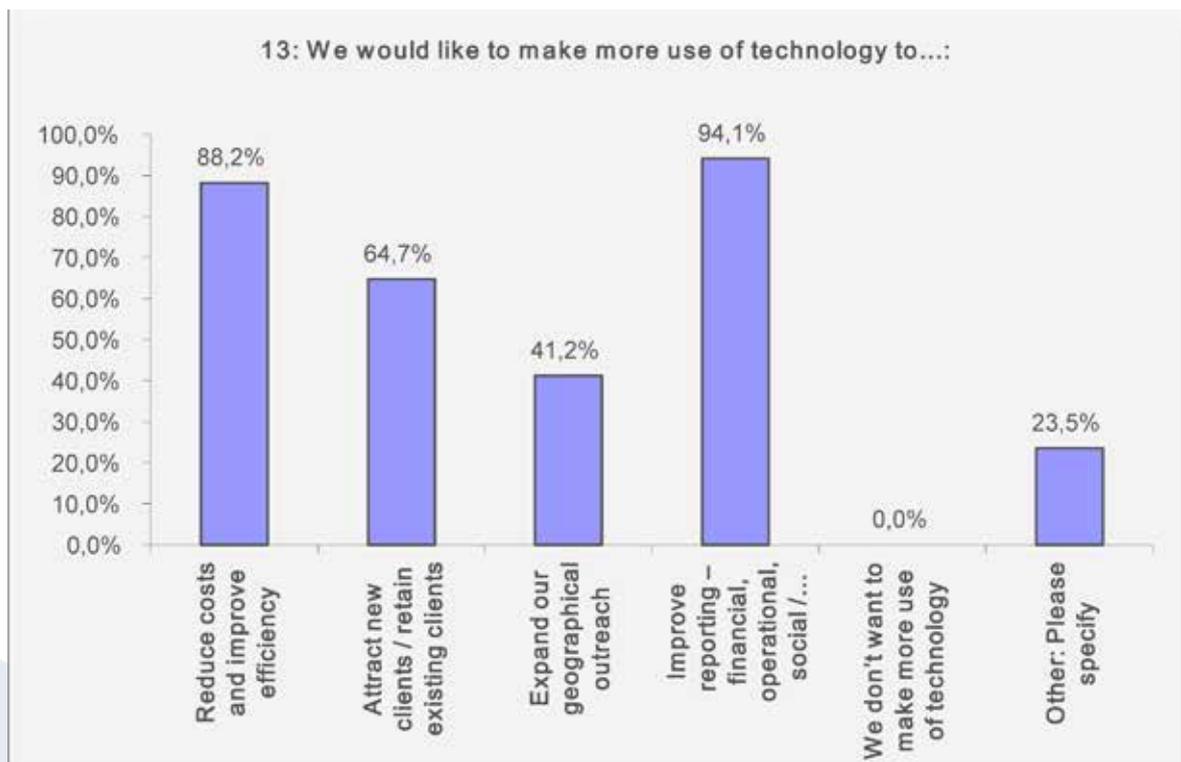


The organizations spend on an average 9% of their annual operational budget on ICT (based on 12 responses), with two organizations spending 15% and one 30% of their budget.

The great majority would like to make more use of technology: to improve reporting on financial, operational and social/economic performance. Reducing costs and improving efficiency is the second most important reason, followed by the wish to attract new clients and retain old ones, expand geographical outreach.

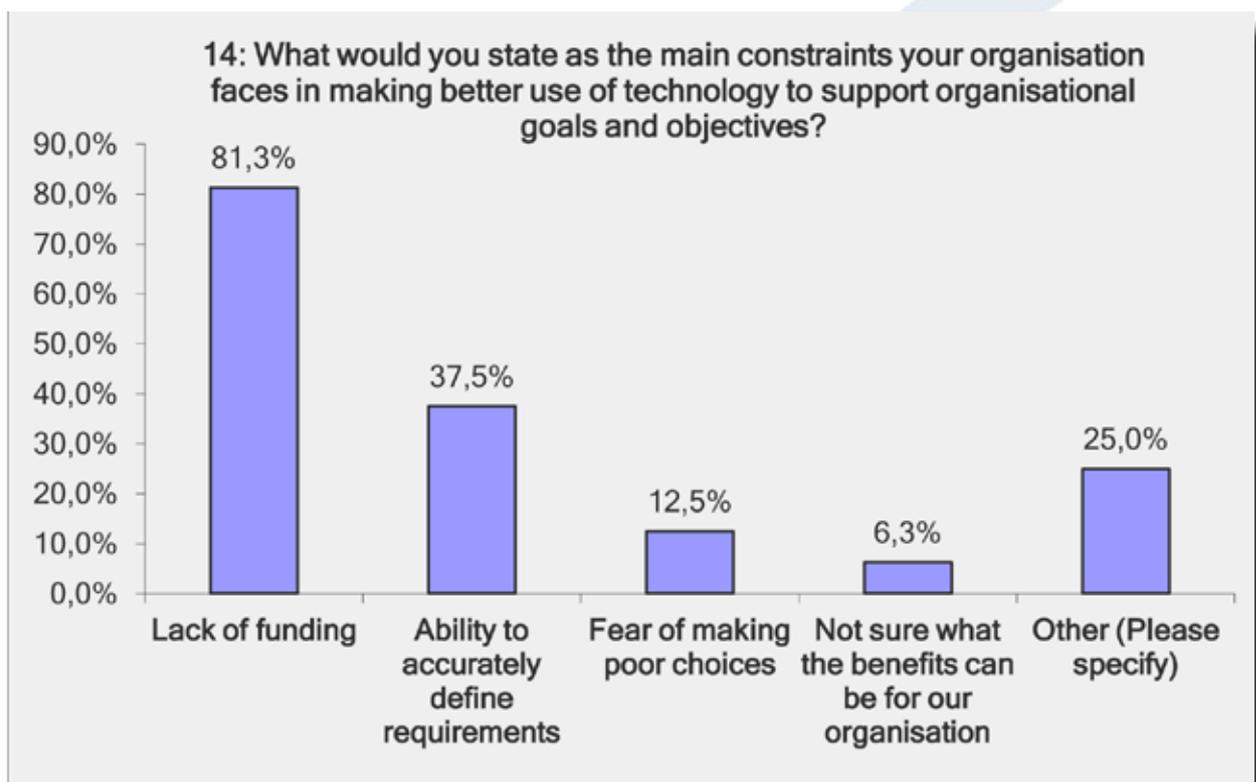
Other reasons are:

- Cooperation with new partners
- Improve quality of service for clients
- Improve risk management
- Improve management

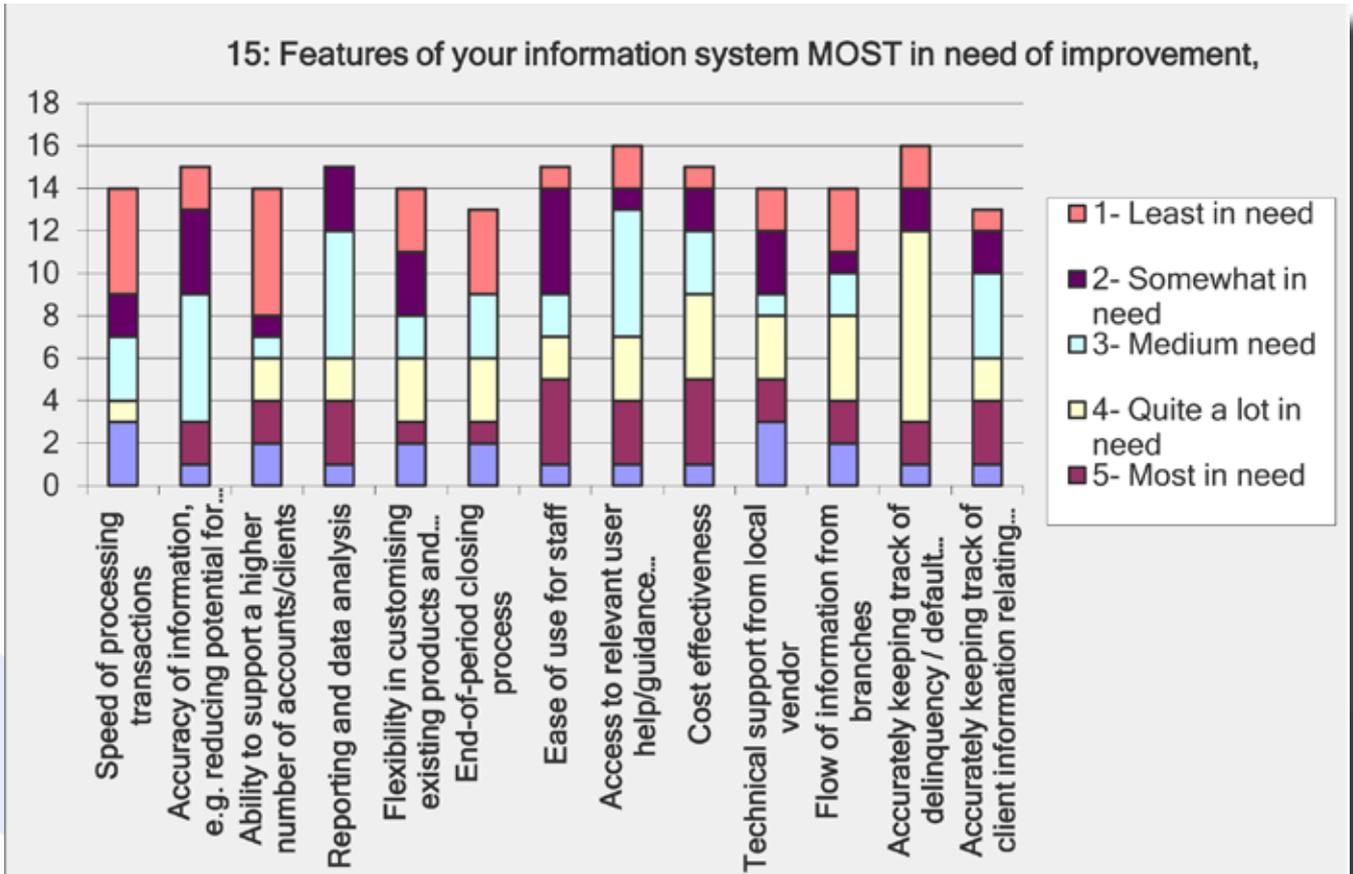


The main constraints the organizations face in making better use of technology to support organizational goals and objectives are (in order of importance): lack of funding (81,3%); the ability to accurately define requirements (37,5%); the fear of making poor choices (12,5%) and not being sure what the benefits can be for the organization (6,3%). Other constraints are:

- Capacity to work on the project
- Lack of staff and the financing thereof
- The support required
- Lack of time to dedicate (related to lack of funding)

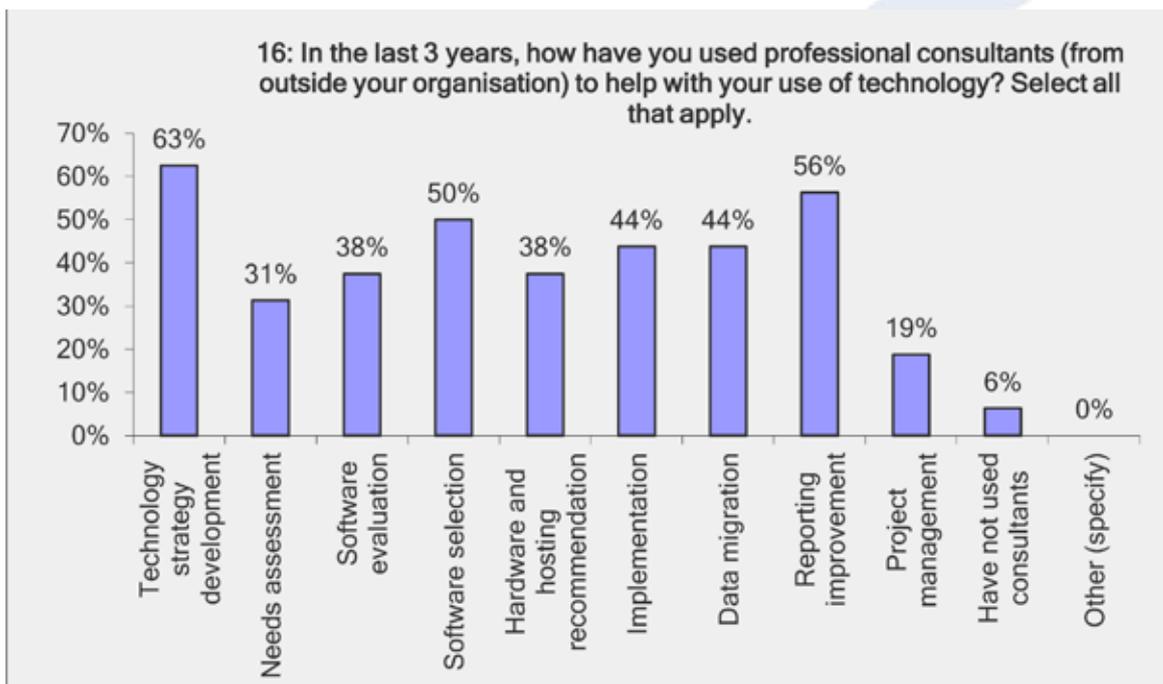






The number of full-time IT staff varies between organizations. While four organizations do not have any full-time IT staff, seven of them have one or two full-time staff. One organization has five, another eight, another 15 and another 25 full-time IT staff.

As shown below, most use of external consultants was made of for “technology strategy development” (63%) as well as for “reporting improvement” (56%).



The organizations rank as most important that “The on-going costs to maintain our information system are affordable”, and linked to this, “We are satisfied that the price we paid for our information system software is worth the benefits”. The organizations also consider it very important to be confident in their IT department’s ability to maintain their hardware and software. Hiring and retaining qualified staff is considered less a problem. Also the organizations don’t think that their information system prevents them from achieving their operational goals.

