



Microfinance Providers (MFPs) and Management Information Systems (MIS): A Strategic Prospective

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ABSTRACT

One of the key challenges in enhancing access to financial services in underserved people has been the high cost to serve. Increasingly, technology is being viewed as key to a low-cost finance stratagem for the underserved. Making financial services accessible to the poorest people is recognized as an important part of poverty reduction strategies. However, in spite of its successes, microfinance has scarcely smashed the surface of need. While increasing outreach has been the catch-cry for the last decade, the existing delivaery models are not quite meeting the challenge in remote locations characterized by low population density. Technological innovation is the nice hope, though it brings with it basic changes to the microfinance delivery mechanisms that became nearly sacred for the finance sector. This paper explores a brief lesson on the strategic prospective of delivery mechanism of Microfinance Providers through Management Information System.

Keywords: Microfinance, MIS, Costs, Outreach and Technology

1. Introduction

Over the past few years, Information System (IS) becomes a mounting attention to Microfinance Providers (MFPs). Microfinance practitioners as well as donors have become alert of the fundamental need for formal and informal financial institutions to manage the degree of data. As a result, there is a vast coerce to heighten the effective understanding and use of the data. It is meaningless to say that it is neither possible to collect nor to collate large volumes of data without accepting new technology. As a result, the microfinance institutions (MFIs) scrutinize the growth and development of Management Information Systems (MIS) very closely.

The intent of microfinance is the delivery of relevant and affordable financial services to poor households so that they can manage their financial resources more efficiently. In recent times, microfinance is heavily concerned with credit and savings and allied services such as fund transfers and remittances, insurance, leasing etc. Providing microfinance to poor clients requires innovative operating methods to reduce transaction costs and managerial. Today, Institutionalization of microfinance activities, building the good governance and management of MFPs and the development of computerized Management Information Systems (MISs) within MF sectors become a major challenge. Technology entries into the MF sectors have entered in a small but in a momentous means. The revolutionary breakthroughs have been made by MFIs which have attained institutional and financial stability and sustainability facilitating them to have well defined MIS systems and a clear vision of what IT can do for their organizations. Recently, Management Information Systems (MIS) have emerged as a robust tool to scale down operating costs, constructing it viable for financial institutions to expand into rural and low-income areas.

2. Advantages of Stipulated Management Information Systems to Microfinance

There is no doubt that "the right information at the right time at the right place" is crucial in decision making. Consequently, information and data is painstaking among the

most valuable assets fundamental to the success of an organization. The primary roles of the MIS are to confine information, store information, convey information to the user and create new information. MIS can add substantial value in achieving major objectives of Outreach and Sustainability of MFPs

- A major advantage of MIS is that it provides easy access to accurate and up-to-date information. Customers can get quick information about their accounts status such as payments and balances.
- Detailed information is captured on customers and their activities that can be used to assess the impact client business. It also helps useful in tracking past information of clients.t
- Actions relating to repayments, disbursements, deposits and withdrawals and money transfers are completed faster and easier with minimum efforts and errors.
- Information facilitates healthier understanding, setting objectives, priorities and strategy due to use of user-required formats. MIS facilitates to compare the key performance indicators of the organization such as performance, efficiency and effectiveness of business procedures so that timely managerial adjustments can be made.
- Use of MIS helps in MFI services more interactive, accessible and transparent.
- MIS offers full flexibility to structure products and services to the needs of its target group.
- Both technical and economical efficiency of staff is increased as they are able to manage more products, customers, and transactions in less time.
- Introduction of new products and setting procedures become easy towards meeting target oriented market needs and can be quickly applied throughout the branch network. It also provides the pliability to integrate with alternative applications and delivery mechanisms.
- MIS increases productivity, lowers transaction cost, reduces risk of failure, and pushes the boundaries beyond bricks and mortar infrastructure to carryout business.

3. Components of a Healthy Management Information System Solution

A Management Information System involves all aspects of storing, gathering, retrieving, tracking and using information within a business or organization. The catch is that almost all MIS solutions give only some of the functionality and capabilities required for sustainability and outreach. This can be better understood by knowing the components of a healthy MIS solution. They can be organized under the following categories:

- Flexibility
- Functionally and Expandability
- Usability
- Technological specification and correctness
- Reporting
- Costs
- Standards and Compliance

4. Problem in Developing Management Information System

Despite the accessibility of technology today there is a problem in developing a good and problem free MIS software for the MFIs. The varied nature of small finance crafts an intriguing quality for software application development. Currently, there are 56 MIS applications listed on the CGAP website, although more are being used by various organizations that are not publicized. Many MFIs are struggling with their MIS. Some of the reasons for these difficulties are:

- Microfinance sector remains evolving and lacks standardization in its procedures, client's characteristics, methodologies, kind of transactions and coverage.
- No ready-made software available in the market that can address the necessities of each MFI.
- Available MIS software in the market is complicated and costly for adoption by MFIs.
- MFIs lack human as well as organizational capacity to develop or choose an appropriate MIS. MFIs operate in remote and difficult areas which are far from using IT equipment required to run MIS applications.

4.1. Back-office Management Information System for MFIs

The selection and implementation of an appropriate back office system lies at the heart of an MFI's business which provides adequate information processing and easy access to management information. A good back office system should also enable organizations to scale in size and to broaden its range of products and services relatively easily. While a few MFIs have built large portfolios with limited use of IT, these are the exception. A sophisticated MIS is prerequisite for the MFI to monitor the effectiveness, sustainability, quality and efficiency of its loan portfolio to manage general administrative tasks and to monitor development impact. The backbone of any Information System (IS) is the core MIS as it holds the critical data and manages the information. All other systems are add-ons. A simple core MIS comprises of two parts:

- i. Database - data structure; an organized set of tables designed to the needs of the business. All data of the organization resides in these tables.
- ii. Application Software – comprises of the user interface, business processes, procedures, reports and queries.

5. Challenges faced by MFIs

- MFIs face difficulty in defining business objectives, needs,

priorities and limitations for acquisition of an MIS solution. Lack of standardization, ill defined business process and procedures within the microfinance sector and business practices of MFIs leads a big problem among software developers to bring a good MIS which can be used by most of the MFIs.

- MFIs lack skilled professionals who cannot understand technology as well as the microfinance industry and unable to suggest the right solution.
- Majority of the MFIs don't have the technical and economical capability to adopt and implement MIS solutions.
- Most MIS solutions don't seem to be rational and realistic to the bulk of MFIs.
- Integration is becoming one of the massive challenges. Most of the MIS solutions for microfinance are designed on weak platforms. Therefore, it is not flexible and scalable enough to integrate with emerging technologies and delivery channels.
- There is a little information sharing on successful MIS deployments within the microfinance institutions.
- The vendors are not getting the incredible business opportunity and growth within the microfinance industry. Therefore, they are reluctant to invest and establish strategic partnerships with MFIs.

6. Suggestions:

- MFIs should invest in relevant technologies after thorough and careful assessment of their requirements. The requirement should be addressed in perspective of current needs and future plans.
- So far the core MIS of MFIs has been deserted. MFIs should obtain their core MIS right before opting for any sort of delivery system.
- Capacity within institutions to manage technology is the key to successful implementation and operation of its MIS. MFIs should employ skilled IT professionals on their staff.
- MFIs must adopt MIS solutions that not only meet their needs but are also manageable by the MFI from all aspects. Such systems condense the organizations efficiency and sustainability.
- MFIs can get maximum benefit by investing in technology and putting in a enhanced MIS solution which works for them. MIS is a strategic investment for MFIs.
- Progressive policies that make MIS accessible and affordable to the majority of the population are important for encouraging the use of MIS within microfinance and for the development of the microfinance sector.

7. Conclusion

Adopting an MIS is strategically important for MFIs. Innovations in ICT have transformed traditional approaches to microfinance, assisting growth and dipping cost. Some of the players have already started getting the benefit by using MIS and similar IT solutions, while the majority of the MFIs have yet to realize the importance of its use to achieve outreach and sustainability. MFIs are facing a big challenge to implement the right MIS till today. Efforts are also made from various corners of the world in overcoming these challenges for a better tomorrow. CGAP's Information System Support is a careful initiative to assist MFIs in getting access to ICT, aligning their MIS and using the appropriate IT solution. Much of the system's flexibility, expandability and robustness depend on the strength of the backend components. Strong core MIS can deliver cost-effective integration of data, channels and processes, facilitating a single consolidated view of the whole portfolio.

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