

INFORMATION SYSTEMS:

Frequently Asked Questions



<http://www.cgap.org/technology>

Table of Contents

<u>Table of Contents</u>	1
<u>What is an MIS?</u>	2
<u>What is enterprise software?</u>	2
<u>When does a microfinance institution need to change its MIS software?</u>	2
<u>How often should an institution expect to replace its MIS software?</u>	3
<u>How long does it takes to identify and implement a new MIS software application?</u>	3
<u>Who in the organization should be involved in the process?</u>	3
<u>What is a system specification document and why is it important?</u>	4
<u>About CGAP</u>	5
<u>CGAP's Technology Program</u>	5

What is an MIS?

A management information system, known as an MIS or simply IS, involves all aspects of gathering, storing, tracking, retrieving and using information within a business or organization. Thanks to the development of computers and the software applications that run on them, much of this work can now be automated and the information more readily accessed. However, the software application itself is not the information system. All the policies, procedures, and practices that direct an organization's operations and the staff that interact with the information, combined with the software and hardware, comprise an information system.

What is enterprise software?

The software application used to track an organization's core or critical information needs is known as information system (IS) software or enterprise software. Since every business' core information is different, enterprise software is the generic term used to refer to this type of information tracking software. In the microfinance sector, enterprise software is commonly identified with loan tracking software, loan accounting software, or microfinance MIS software.

Note: Enterprise software does not refer to any of the Microsoft desktop applications, such as Word or PowerPoint; nor does it refer to other desktop software tools such as Adobe or WinZip.

When does a microfinance institution need to change its MIS software?

This is an important question. Every MFI has some system for tracking their loan and operating expense information. Many small organizations use a manual system with pen and paper. Others may use a spreadsheet, such as MS Excel, or a similar desktop application for tracking loans, and an off-the-shelf accounting package for producing reports. Whatever the method, when an MFI is no longer able to provide quality loan data in a timely and cost effective manner, it is time to consider something more automated or more sophisticated.

The common threshold in the industry for moving to a more specialized microfinance MIS software application seems to be approximately 2,000 clients. However, some institutions maintain a manual MIS and have grown to more than 30,000 clients. If a microfinance program has less than 2,000 clients and limited or no plans for growth, then a system that relies on spreadsheets for managing the loan portfolio is sufficient, affordable and possibly recommended, given the costs to implement an MIS software package.

Some software vendors offer a microfinance MIS product that works in a stand-alone mode, which could be an inexpensive means to automate a small microfinance program. Typically, it is much easier for an organization to step from a manual system to a partially automated system then to a specialized software application, rather than leaping from a manual system to a sophisticated application. However, that does not mean it cannot be done. Furthermore, given the time it takes to select and implement an MIS software application, it is also recommended that an organization implement the software as a precursor to pursuing aggressive growth, rather than as a reaction to such growth.

In brief, computerization brings numerous benefits to most organizations. In virtually every case, automation of records will do the following:

Increase data accuracy

- Increase processing speed
- Create more useful, sophisticated results
- Increase productivity

If an MFI is looking to find efficiencies, generally automating the MIS or upgrading the MIS software is one of the key strategies. Basically an MFI should change its MIS software when the current one is no longer sufficient to meet the demands of the organization.

How often should an institution expect to replace its MIS software?

An MFI should plan on using the software at least three years, preferably five, and seven to ten years if possible, to really get the best return on their investment. As long as the institution does not outgrow the capacity of the application (which it shouldn't if the strategic goals were considered in the process and the appropriate software and database were selected) the institution should be able to use the software for five to ten years. The longer the vendor can provide the necessary support and remain current with technology developments, the longer the institution will be able to use the software; hence the importance of looking not only at the software, but the company providing it as part of the selection process.

How long does it take to identify and implement a new MIS software application?

The length of time required 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 process itself 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.

Who in the organization should be involved in the process?

Since implementing a new MIS software program will impact every single person in the institution, it is recommended that a special task force be created to guide not only the selection of the new software application, but the implementation as well. Senior management must be actively involved in the process. If the executive director is not directly on the task force, the task force should report directly to this person. In addition to a few of the senior managers, the most senior finance director or equivalent should be a member of the task force. Additional task force members should include the system/network administrator, or the person responsible for the hardware and software of the organization; someone with a strong understanding of the organization's operational processes; and someone who understands the organization's current MIS systems. It is also advisable to have someone responsible for training within the organization involved, as well as a select representation from the field managers. While this should be sufficient for the task team, input should be gathered from representatives of every part of the institution throughout the system requirements definition phase.

What is a system specification document and why is it important?

A systems specification document outlines for an organization its functional and technical requirements, including what is legally mandated, what the organization needs, and what would be nice to have, in the context of the organization's goals and objectives.

About CGAP

CGAP is a consortium of 33 public and private funding organizations - bilateral and multilateral development agencies, private foundations, and international financial institutions - working together to expand poor people's access to financial services.

CGAP was established in 1995 by nine leading development agencies and microfinance practitioners to support the development of a sustainable microfinance sector. Today, CGAP serves a global resource center for microfinance, providing advisory services and information to a wide range of stakeholders.

CGAP's Technology Program

CGAP's Technology Program, co-funded by the Bill and Melinda Gates Foundation, leverages CGAP's expertise, neutrality, network of contacts and role as a public good for the field to advance innovative technology approaches that will push the frontier of access to finance and help MFIs make informed technology decisions.

The program advises financial institutions, governments, technology companies and donors, conducts business approach and market research, offers co-funding for MFIs to seek independent advice on information systems, and provides grant funding to selected projects that support the program's research goals. A core CGAP team manages and implements the program, supported by experts in banking technology, payments, technology strategy, financial regulation, and related topics.

The microfinance field has experimented with using technology for several years, but there has been no systematic research spanning a variety of organizations and country contexts to identify models with transformational potential. There is no engine to coordinate multiple large-scale experiments, mitigate the risks of experimentation, and build industry-wide momentum for innovation. This program aims to fill those gaps while continuing to help MFIs strengthen their technology foundations.