Chapter 3
IT and MIS in Microfinance Institution: Effectiveness and Sustainability Issues

S. Mohd. Najmullah Quadri
IT Professional, Singapore

Vikas Kumar Singh
IT Professional, Singapore

Kishen Parthasarathy Iyengar
University of Colorado at Boulder, USA

ABSTRACT

According to a recognized survey, only 11% of the world’s 240 million poorest families are currently served by Microfinance Institution (Daley-Harris, 2002). In order to increase the outreach of MFI, institution will have to go a step further and start their operation in the rural areas. Implementing sustainable IT infrastructure in such areas is a challenge with numerous obstacles. Further, employee training also poses challenges that are unique to the microfinance industry. In this chapter, we articulate some of the challenges faced by microfinance institutions and some potential solutions with the help of real world case studies. We also propose a framework, which will help microfinance institutions implement IT based management information systems effectively.

INTRODUCTION

“The Millennium Development Goals can be met by 2015 but only if all involved break with business as usual and dramatically accelerate and scale up action now.” These words of erstwhile UN Secretary General Kofi Annan suggest that there is a need for every industry, including microfinance institutions (MFIs) to go a step further to increase its outreach.

With current practices, nonstandard data and the lack of infrastructure, microfinance institutions seeking growth will have difficulty in even doubling their operations which is imperative to widen their scope. As a result, new business practices and innovative solutions by harnessing the benefits of technology are preeminent to achieve the breakthrough in the scale. The solution to this
is integrating MFI with a management information system (MIS) but, there are many challenges and sustenance issues to be dealt with. Further, judicious use of MIS can be a boon for any MFI whereas, if not used wisely the same MIS can be encumbrances for the MFI.

In this chapter we intend to consider three very important points which are widely discussed among the fraternity of microfinance, in the context of management information system (MIS). The first point concerns the basic challenges any MFI has to face in integrating management information system. By definition, most of the poor live in rural areas with poorly developed infrastructure. Hence, it becomes imperative to find out different ways to mitigate the impediments coming in the way of any MFI in establishing MIS in the absence of basic infrastructure. The second point concerns the factors that can be included in order to have a sustainable MIS for any MFI. Once the challenges are met in establishing MIS within an MFI, the institution has to confront the sustainability issues from maintaining financial viability to maintenance of infrastructure. We try to discuss diverse range of ways and measures that can be adopted to help MFI sustain its MIS. The third issue concerns the methodologies that can be incorporated for having an effective MIS in MFI. Every MFI seeks some objectives from MIS. Only an effective MIS will be able to promise the following points like fast exchange of information with remote clients, processing and managing of data at the institutional level, both at central offices and in remote clients, reduction in the potential for loss during financial transactions, be it collection or delivery in the remote areas and finally, effective reporting. All these fulfilsments will help the MFI to reach further and deeper and help in serving the needy in a much more focused way. We bring forth some of the points including the discussion of a framework which will help in the set-up of an effective MIS. (Augsburg & Schmidt, 2006)

BACKGROUND: CHALLENGES IN SUSTAINING MIS IN MFIS

The last decade has been marked by the increasing influence of Information Technology and Communications in all walks of life. The Microfinance Industry is no exception, but inculcating MIS in MFIs is not an easy task at hand due to various factors that will be discussed in this section.

MFIs usually operate in remote and rural areas and therefore, employees are predominantly not well educated. Further, MFIs have low budgets, making it difficult to build and operate MIS that can have a positive impact. The major challenges such firms face are that MFIs are significantly different from commercial banks, existence of infrastructure issues in implementing MIS in MFIs, lack of IT support in MIS in MFIs, lack of organized training in IT for the MFI employees and lack of standardization in procedures in the MIS. Each of these challenges is described below. (Ahmad, The First MicrofinanceBank Ltd., 2008) (Murthy and Bagchi – Java Softech Private Ltd, http://www.microfinancegateway.org/gm/document-1.9.26112/38547_file_38.ppt)

Challenge I: MFIS are Different from Commercial Banks

Microfinance is significantly different from Commercial and Retail banking in its approach and operational structure. Since Microfinance is a relatively new concept, as compared to commercial financing, very little attention has been given to its organization and structure. Furthermore, account officers working in MFIs are not that well trained in their realm, as compared to their counterparts in the banking sector.

The kind of information that MIS need to capture is another factor that makes Microfinance different from regular banking. In regular banking, banks obtain proof of the client’s identity and certain relevant information like KYC (Know Your Client) before doing any financial business with the
19 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the product's webpage:
www.igi-global.com/chapter/mis-microfinance-institution-effectiveness-sustainability/46322?camid=4v1


Recommend this product to your librarian:
www.igi-global.com/e-resources/library-recommendation/?id=1

Related Content

Managing Customer Knowledge in Service Economy: Proposing a Conceptual Model of CKM for Services
www.igi-global.com/chapter/managing-customer-knowledge-in-service-economy/104302?camid=4v1a

Do Bankers Use Managerial Discretion with Regard to CSR and Earnings Management to Rebuild Their Reputation in the Aftermath of the Financial Crisis?

Liquidity Efficiency in the Greek Listed Firms: A Financial Ratio Based on Data Envelopment Analysis
www.igi-global.com/article/liquidity-efficiency-in-the-greek-listed-firms/107004?camid=4v1a
A Study on Factors Influencing the Initial Public Offerings (IPO) in the Bombay Stock Exchange (BSE), India: During 2007-2013
www.igi-global.com/article/a-study-on-factors-influencing-the-initial-public-offerings-ipo-in-the-bombay-stock-exchange-bse-india/164985?camid=4v1a