Chapter 5
A Case Study of Mifos Implementation at Asomi

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ABSTRACT

Mifos is an open source enterprise solution for microfinance. This chapter is a practitioner’s point of view on implementation of Mifos in an organization, based on the author’s experience in implementing Mifos at Asomi, a microfinance institution operating in the state of Assam, India. The factors to be considered in selection and implementation of Mifos are discussed. Various inputs, analyses and resources required for implementation are discussed. Any organization must have a concrete set of operational strategies that enables it to track its borrowers and loan portfolio effectively and on time in order to succeed. Wrong assumptions and choice of wrong technology may only aggravate MIS implementation. Development of technology has removed all the barriers to technologies and has enabled organizations to develop computerised systems streamlined to their operational needs and not the other way round. It is attempted to justify this by using the case of Mifos.

INTRODUCTION

Microfinance has become a dominant force in the field of financial services targeted to the poor who do not have access to formal credit. Access to basic financial services (such as credit, savings, and insurance) is most likely to develop the entrepreneurial skills and opportunities among those poor who are currently outside the perimeter of such financial markets and services (Sundaresan, 2008).

There are certain developments in the microfinance industry that necessitate the implementation of computerised management information system (MIS). Foremost is the increasing level of competition. The last few decades have witnessed a tremendous growth in the number of such service providers. At the same time, there has also been an increase in the reach of the older service providers. This increased competition leads to a number of
difficulties like increasing non-performing assets and phantom loans which are the results of reduced loan repayments. Information asymmetry may lead to adverse selection which will ultimately affect the viability of the business. In such a scenario, borrowers’ information and tracking of accounts in a timely manner becomes very critical to the success of a microfinance institution (MFI).

“Methodological issues, staff development, and even financing are frequently not proving to be the critical constraints to growth. Rather, an institution’s ability to track the status of its portfolio in a timely and accurate manner is often the most pressing need.” (Waterfield & Ramsing, 1998, p.2).

The ability to track portfolio, in turn, depends upon several factors including operational strategy and information storage and retrieval system. An MFI’s portfolio is characterized by a large number of loans with small amount.

The sector is also undergoing profound structural changes. Convergence is occurring between microfinance and mainstream banking as MFIs grow in size and sophistication and commercial banks enter the market (Microfinance Banana Skins 2009).

Asomi, an MFI working in Assam, India, is a growing MFI. Prior to implementing Mifos, the organization used spreadsheets and a software package developed in-house in order to manage its data. As the client base increased and the types of services offered to its clientele increased, it was felt that a more robust information management system was the need of the hour. Out of the several options available, Mifos was chosen for implementation for loan portfolio management.

Although Mifos needs improvement in several aspects, it incorporates the whole concept of SHG movement and microfinance. So many things that are required to be done in the process of development or implementation of an MIS, including system analysis and design, can be omitted in this discussion and one can start with customization of the Mifos system for specific requirements of the organization as outlined in the operational manual of the organization.

This chapter outlines the various factors considered in the process of selection of an MIS, the process of Mifos implementation, and also the key learnings from the implementation process. This chapter should provide basic guidelines to a person overseeing the implementation of Mifos in an organization.

**BACKGROUND**

An information system is the set of people, procedures, and resources that collects, transforms, and disseminates information in an organization (O’Brien, 1996). Management information system is the series of processes and actions involved in capturing raw data, processing the data into usable information, and disseminating the information to users in the form needed. (Waterfield & Ramsing, 1998, p.3). It may either be manual, computerised or a combination of both.

One of the major benefits of a good MIS is the improvement of operational efficiency, which gets reflected in a multiplicity of factors like human resource productivity and better loan repayment tracking. This is possible by reducing the number of manual entries to be made, and by minimizing the possibility of human errors.

MFIs serve a market that is spread sparsely and loan amounts are small. This gives rise to increased transaction cost which leads to a relatively higher interest rate charged by the MFIs. Thus another imperative of using an MIS is to reduce costs.

Computerised MIS in any organization has three types, categorized based upon the level of computerization. The first type is the use of computer for normal calculations and data compilation. Here, spreadsheet and word processor based systems are used where data are stored manually and final reports are prepared by entering and compiling data in software packages like
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