

Triple Jump Advisory Services : Impact Study

Approach, Challenges, Results , Impact and Next Steps

MFI partner: **ALIDé**

Project 1: MIS Development

ALIDé (L'Association de Lutte pour la promotion des Initiatives de Développement) is an MFI launched by Initiative Développement, a French NGO, that began as a poverty reduction program in two Cotonou districts in 1995. In 1998, the microcredit component became a fully independent program and extended its activities to other Cotonou districts. In 2003, it was recognized as a microfinance institution by the Ministry of Finance. It now has 8 branches, in both peri-urban and rural areas and over 16,000 borrowers, with a loan portfolio of € 2 million as of December 2010.

To serve its clientele, ALIDé also offers training in credit management, business skills and health and has formed partnerships with NGOs and social agencies to provide social worker services to its clientele. In 2004, ALIDé's board and general assembly, after realizing that many women in the neighborhoods in which ALIDé works were too poor to access even the smallest loan, launched the "Crédit coup de pouce" (the helping hand loan). This loan requires no guarantees, is interest-free and starts off at 10,000 FCFA (approximately \$25). Relying on neighborhood-based associations and current women clients who know their neighbors well to identify the very poorest women in their neighborhoods, these loans are meant for women who are effectively heads of household (because the husband is either absent or does not contribute to the household budget), who can spend only about 50 cents a day on food for themselves and their children and are almost always illiterate and live in precarious conditions.

ALIDé works with clients that no other MFIs serve and offers comparatively low interest rates – the institution has struggled to achieve operational self-sufficiency (as of December 2010, it was at 95%). It has been steadily growing since 2003 (from 1,600 clients and a loan portfolio of €170,000 in 2004 to over 8,000 clients and a portfolio of €1.2 million in 2008, when TJAS first began working with them, to 11,000 clients and €2 million portfolio at the end of 2010) and over that same period has strengthened its management team and reviewed its methodology to improve portfolio at risk. Indeed, the Benin microfinance sector has been struggling with repayment problems since about 2007 due to various factors, and ALIDé has not been spared: after reaching a PAR30 of 19 % in 2009, they have brought back it down to 9.2% as of December 2010 and are continuing to take measures to bring it down to below 5%.

PARTNER SELECTION

ALIDé was selected as a Triple Jump Advisory Services partner due to its steady growth (60% increase in number of clients every year over the last two years), its improving financial performance, strong management team, highly social mission and growth potential. The CEO and management team are highly competent, are very engaged in the success of the institution and have strong support from an active board. They are working towards improving operational efficiencies within their internal control and audit program and their MIS. After assessing the needs of ALIDé, TJAS determined that there was a good fit between TJAS's areas of expertise and ALIDé's needs in technical assistance. ALIDé plans to become sustainable by 2011 and, with TJAS assistance to streamline and improve its MIS and better

understand the costs associated with its products, TJAS is contributing towards enabling the institution to reach this goal, and potentially paving the way to readier access to commercial sources of funding for continued growth.

MIS

THE CHALLENGES

Like many MFIs, ALIDé's MIS system is not as strong as it could be. There are many inefficiencies from the fact that data from its portfolio management system (Loan Performer) was not integrated with its accounting system and staff spent days each month trying to manually consolidate the two systems for reporting. Furthermore, the accounting system was developed by a small local firm that does not have the capacity to make the necessary changes or to integrate the two systems. ALIDé was looking for advice on how to proceed to improve the efficiency of their MIS and requested technical assistance from TJAS.

THE SOLUTION

TJAS began working with ALIDé in late 2008 with a preliminary in-depth study and evaluation of the institution's current MIS and procedures and its needs in terms of an accounting and portfolio management system. The technical expert reviewed current bottlenecks in data processing, the limitations of the current accounting system and ALIDé's overall FIS needs. From this business process mapping and study, the consultant presented an in-depth action plan with specific recommendations on improving credit-related procedures and use of Loan Performer (the system they use for managing their credit portfolio), improving accounting procedures and the need to buy a new accounting software as well as a list of improvements sent to the developers of Loan Performer. After research on different accounting software available in Benin and comparing prices in Europe, ALIDé, with the guidance of TJAS, decided to purchase an off-the-shelf, reliable solution called SAGE100. With TJAS guidance and support, a local software vendor for SAGE 100 was hired by TJAS to configure the accounting solution to meet regional accounting standards and regulatory requirements, train staff on the software and simplify the process of exporting data from Loan Performer into the new accounting package.

IMPACT

During the MIS diagnostic there were functionality improvements, bugs were resolved, portfolio reports were improved and additional required reports were created. During the business process mapping, we discovered that certain operations of staff members were being performed manually when they could be automated in Loan Performer (for instance, the cashier used to prepare end of day cash reports manually before entering them into Loan Performer, whereas LP can produce the cash reports automatically). Also, clients and front-line staff had to fill out the same information several times because of multiple forms. The technical expert's report recommended solutions to deal with these issues and many have been adopted which has led to changes in the way loans and savings are processed at the branch level and has increased efficiency, reduced time spent by staff and clients on procedures and improved the use of Loan Performer to perform daily tasks. Additionally, now with the installation of a solid accounting software, ALIDé financial staff can create reliable – and regulation-compliant – reports in a timely manner.

NEXT STEPS

ALIDe has several loan products with different interest rates and conditions but there is no systematic study of the profitability of each one to help management decide on how to allocate its loan portfolio. This is especially important because ALIDé needs to become sustainable as its main donor may stop funding after 2010 and it wants to retain its social focus. The “credit coup de pousse” earns no income so it has to be cross-subsidized by more profitable loan products. Now that the accounting package SAGE100 has been configured and installed, TJAS plans to support ALIDé in putting in place a simplified cost accounting system that can allow them to track costs per product more accurately which can then be used to determine the profitability of each.