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Improving Efficiency—Maximizing Human and Physical Resources

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Division of Responsibilities Framework

A Tool to Strengthen Operations Management of Microfinance Institutions

PRIMARY AUTHORS

Alma Bijedic and Harsha Thadhani

CONTRIBUTING AUTHORS

Nejira Nalic, Lina Naif, Gloria Amelia Ruiz Gutierrez, Maura Arostegui, Neisa Vasquez, Marlene Chura, Chuck Waterfield, Kim Pityn

EDITOR

Tony Sheldon



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For additional information or to order additional copies, contact:

The SEEP Network
1825 Connecticut Avenue, NW
Washington, DC 20009-5721
Tel.: 202-884-8581 Fax: 202-884-8479
Email: plp@seepnetwork.org
Web: www.seepnetwork.org

To access this publication online, visit www.seepnetwork.org

About the Author

Harsha Rodrigues is a Senior Associate of WWB's Strategy and Customer Insight Group. She is responsible for providing advisory services on corporate strategy development to microfinance institutions around the world. Her work includes designing and conducting organizational assessments that help microfinance institutions make strategic decisions in increasingly competitive markets. Recently, Harsha has been leveraging WWB's years of experience in India by leading a new initiative to bring diversified financial services to an increasing number of low-income individuals. Prior to joining WWB, Harsha worked with Deloitte as a senior consultant and later as a manager and was responsible for leading teams in analyzing and implementing performance improvement strategies. She has a strong background working with institutions to improve their operations through the development of policies, procedures, quality control measures and other operational metrics. Harsha has a bachelor's degree in economics from St. Xavier's College, Mumbai and an MBA from Case Western Reserve University in Ohio. She is an Indian national and is fluent in English, Hindi, and basic French

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Preface

The Practitioner Learning Program (PLP) is a SEEP Network initiative that explores key challenges facing the microenterprise field. The SEEP PLP, a competitively run grants program, engages participants in a collaborative learning process to share and document findings and lessons learned, as well as to identify effective, replicable microenterprise practices and innovations to benefit the industry as a whole. The SEEP PLP is funded by the office of Microenterprise Development of the United States Agency for International Development (USAID). For more information on this and other SEEP PLP initiatives, see The SEEP Network website: www.seepnetwork.org.

The SEEP PLP in “Improving Efficiency—Maximizing Human and Physical Resources” was conducted from 2004 through 2006 and examined strategies, tools, and technologies that microfinance institutions (MFIs) use to maximize human and physical resources. There was a particular focus on low-technology solutions to increase staff productivity, decrease personnel or administrative costs, and increase outreach and client retention.

The “Improving Efficiency” PLP has produced a series of ten Learning Products—as well as an overview outlining the PLP process and its results—to share with the microfinance and microenterprise field that are explained in more detail below. All of these publications are available online at <http://www.seepnetwork.org/>.

Most of the participating institutions began with a rigorous analysis of their core processes, including credit delivery, accounting, and management information systems. Process mapping proved a crucial tool in shedding light on organizational bottlenecks and inefficiencies. Three Learning Products produced from this PLP are devoted to process mapping: case studies of Pro Mujer Nicaragua and of MI BOSPO, which used the tool to make significant changes to their core operations, and a technical note that compiles interviews with MFI managers who used process mapping in their efforts to boost efficiency.

Based on their institutional assessments, most of the MFIs identified a similar set of interrelated issues they need to address in order for them to become more efficient. Decentralization emerged as an overriding theme, especially the exploration of what kinds of institutional structures and systems would support a shift in decision-making authority for credit operations to branch offices. “Decentralization of Microfinance Institutions: A Guide for Decision Making” addresses these issues in depth.

Closely related to the topic of decentralization was the need to train branch managers. Many of the participating MFIs’ branch managers had been senior loan officers and did not have many of the skills and perspectives needed to manage staff and operations. Two of our Learning Products are comprehensive training programs that address areas that were identified as key for branch management training: human resource management and financial management. The training manual on human resource management was developed by the PLP in conjunction with MEDA and is entitled “Branch Management Training for MFIs: Developing Staff Management Skills.” The financial management training manual is “Principles and Practices of Financial Management.” Based on an identified need for training materials in other topics, several of our other Learning Products have accompanying PowerPoint presentations that summarize key information in a format conducive to training.

Several other topics related to enhancing efficiency emerged during the course of this PLP. One topic was the importance of cultivating client loyalty. Loyal clients provide repeat business, contributing to both lower expenses and higher income. The second technical note, “Building Client Loyalty,” explores this issue in detail. Another recurring issue was staff incentives and the dangers of implementing a system before it is thoroughly analyzed. The third technical note, “Pitfalls and Unintended Outcomes: Advice on Designing and Implementing Staff Incentive Systems,” explores these issues. Another valuable tool that emerged from this PLP was a framework for mapping key operational tasks and areas of responsibility. This is explored in the fourth technical note, “Division of Responsibilities Framework: A Tool to Strengthen Operations Management of Microfinance Institutions.”

PLP colleagues from India faced an inverse set of challenges to those posed to most of the other participating institutions—how to capture information from an extremely decentralized network of savers and borrowers in self-help groups and centralize it in order to create accurate, timely, consolidated financial reports. The solution they developed

and implemented is explained in the learning paper, “Promoting Quality Bookkeeping in Self-Help Groups: The Mahakalasm Management Information System.”

The ten Learning Products reflect both the range of institutions and issues explored during this PLP and the consensus that emerged regarding what is needed to efficiently utilize human and physical resources while remaining responsive to client needs. The participating institutions found the PLP to be a rich learning experience and we hope the lessons learned that are distilled in this series of Learning Products prove to be of value to the field as a whole.

–Tony Sheldon, PLP facilitator and Learning Products editor

Participants in the SEEP PLP in “Improving Efficiency—Maximizing Human and Physical Resources”

Covenant Centre for Development (CCD) and ekgaon technologies, India

<http://www.ccd.org.in>
<http://ekgaon.com/>
V.C. Nagarajan (CCD)
Sundaramurthy Olaganathan (CCD)
Tapan S. Parikh (ekgaon)
Kannaiyan Sasikumar (ekgaon)

Fondo de Credito Comunitario, Mozambique

Claudien Nsengimana
Travis Wilson
Jose Mendes
Sarah Mosely

MicroFund for Women, Jordan

<http://www.microfund.org.jo/>
Arije Alamad
Lina Naif

MI-BOSPO, Bosnia and Herzegovina

<http://www.mi-bospo.org/>
Nejira Nalic
Alma Bijedic
Elmedina Becirovic
Edin Bakalovic

Pro Mujer, Bolivia

<http://www.promujer.org/mexico.html>
Carmen Velasco
Neisa Vasquez
Hugo Bellott

Pro Mujer, Nicaragua

<http://www.promujer.org/nicaragua.html>
Gloria Amelia Ruiz Gutierrez
Maura Arostegui
Diógenes Gonzales

Pro Mujer, Mexico

<http://www.promujer.org/mexico.html>
Joséphine Gonzalez
Armando Laborde
Alejandro Amendáriz
Patricia Garcia-Moreno Alvarez

Pro Mujer, Peru

<http://www.promujer.org/peru.html>
Naldi Delgado
Marlene Chura
Lorena Yturry

Pro Mujer Internacional

<http://www.promujer.org/>
Jenny Dempsey
Lara Storm-Swire

Introduction

This paper is intended to provide an overview of a framework that can be used by microfinance institutions to help strengthen their operations. This document describes the Division of Responsibilities (“DoR”) framework and when it is most appropriate to use it, as well as benefits and challenges faced. Finally it shares the experience of MI-BO-SPO, a microfinance institution (MFI) in Bosnia and Herzegovina, and the impact on its operations of applying this framework in its individual lending program. MI-BOSPO’s completed DoR table for its individual lending program is included as well.

MI-BOSPO is a microcredit organization serving women entrepreneurs in the northeast of Bosnia and Herzegovina (B&H). It began operations in 1996, initially with six offices and now with fourteen. There are 50 microcredit organizations currently registered in B&H; twelve of these 50, including MI-BOSPO, serve 97% of the total microfinance market in the country. As of June 30, 2006, these twelve MFIs have over 134,000 active clients and have disbursed over 180 \$US million in loans. The average loan amount for clients served by these 12 organizations is US\$ 1,320.

In 2005, MI-BOSPO, an affiliate of Women’s World Banking (WWB), worked in conjunction with WWB staff in applying the DoR framework to its individual lending operations, with the goal of improving the efficiency of the program and its responsiveness to client needs.

What is the DoR framework?

The DoR framework is a simple tool that has been created with the objective of (1) facilitating an in depth understanding of the various parts of a process and (2) determining how the process can be made as efficient as possible, taking into account internal and external factors such as staff and management requirements, information systems, institutional policies, clients and competition.

The framework consists of a table (See Figure 1) where the rows reflect each of the different steps of a process and the columns capture the distribution of responsibilities by individuals and departments as well as performance indicators and any systems integration that is necessary to perform each step. This format clearly lays out who is responsible for what activities at each step in the process, helping managers as well as staff to understand and embrace their respective roles. Individuals can be held accountable by management monitoring the performance indicators that have been identified, especially when these are included in job descriptions and annual performance plans. Finally the systems/documentation column notes the input and output data necessary at different steps of the process.

Figure 1. Division of Responsibilities Table

Loan Process	Division of Responsibilities				Performance Indicators	Documentation/ Systems
	Admin. Officer	Loan Officer	Branch Manager	Credit Manager		

Step 1:

The DoR framework is highly adaptable and can be applied to virtually any process within an MFI. Depending on the process, the detailed steps will of course differ.

When is it most useful for an MFI to use the DoR framework?

This framework can be used by MFIs at any stage of development e.g., from start-up organizations to those that are scaling up to those that have already achieved significant growth. The framework is especially helpful to an organization undertaking the following tasks:

- developing new products
- centralizing or decentralizing its operations
- introducing a new lending methodology
- undergoing a significant organizational change (e.g., legal transformation, merger, etc.)

MI-BOSPO used the DoR framework in its process of decentralizing its credit operations, shifting responsibility for credit decisions from the central office to the branches, while at the same time simplifying its loan application and disbursement procedures.

MI-BOSPO's strategy is to hold one of the top three leadership positions in markets where it has been for a number of years, and to reach a top-three leadership position within two years in the new markets it enters. MI-BOSPO often has to compete with the three biggest MFIs in Bosnia, which charge lower interest rates (due to their ability to access cheaper sources of funds and their higher economies of scale). In order to compete, MI-BOSPO identified an approach to position itself strategically in the market by having simpler and more efficient processes. The key objective was to retain current clients and attract new ones with superior customer service and an attractive package of financial and non-financial incentives.

What are the benefits of using the DoR framework?

- **Streamline processes:** The framework helps to identify not only gaps in processes but also inconsistencies in processes among branches that may be causing inefficiencies
- **Facilitate standardization of processes:** By documenting current procedures and desired changes, the framework helps efforts to standardize processes across branches.
- **Ownership and Accountability:** The process of identifying the appropriate steps is a consensus building process among management and staff. By constructing standardized and improved processes together, managers and staff own and become accountable for them.
- **Training tool:** The process of using the DoR framework entails documenting people's tasks, performance measures and systems requirements. The resulting documentation connects job descriptions and operations manuals, and can be a valuable training tool for new and existing staff.
- **Improves work flow planning:** The DoR analysis can be used as a time management tool. It gives a very clear overview of the activities to be performed by, for example, a loan officer, and therefore an understanding of the tasks to be performed and goals to be accomplished. Listing the daily activities allows for easy planning with the employee and mapping out the activities to be done.
- **Challenges management's thinking:** The DoR analysis provides the opportunity to ask "why" things are done in a certain way, and whether the current approach is the optimal one.

What are some challenges of using the DoR framework?

- **Resource intensive:** The process is resource intensive and requires a significant time commitment upfront on the part of field staff and senior management. An operations head (typically the Credit Manager) generally needs to champion the effort.

- **Strong negotiating skills:** The Credit Manager and members of senior management may need strong negotiation skills, as the DoR analysis can surface problems related to performance, compliance with policies, and other sensitive areas. Some staff and managers may not be happy with the “intrusion” the analysis entails, or with some of the ensuing recommendations, and this can be challenging. The champion therefore needs to be able to “sell” the value of the overall process and the necessity for undertaking each step.
- **Sensitivity and interviewing skills:** In order to obtain an understanding of the current processes, one has to ask how certain tasks are performed by staff. Staff can be sensitive to such questions and often feel that the way they do it is the best possible way. However, during discussions it might become evident that this is not true. Through the process, it is very important not to make people look or feel in any way incompetent for the way they are performing a task.
- **Strong facilitation skills:** It is imperative to have good facilitators. Internal facilitators can be effective because of their strong knowledge of the organization and internal processes.
- **Monitoring and follow-up:** Periodic follow-up is required by the credit and other teams to ensure that recommendations are being carried out and needed changes to processes are actually being implemented.

The main challenges MI-BOSPO faced were ensuring that it had the financial and human resources needed to undertake a rigorous analysis of the processes and implement improvements identified in their DoR analysis. Specifically, staff time was a concern. In addition, it was critical that staff had the requisite skill and knowledge sets to manage the process. Strong skills in the area of interviewing, negotiation and facilitation proved to be especially important.

What is the process of implementing the DoR framework?

For MI-BOSPO, the process took in total 5 days, and in different stages different people were involved.

Step 1. Identify the process to be analyzed.

The first step towards using the DoR framework is to identify the process(es) to be analyzed. One way to do this is by looking at specific performance indicators such as loan turnaround time, caseload, cost per loan, etc. If the indicators point toward a potential problem in the underlying processes, and other observations support this hypothesis, then using the DoR framework can help to unravel where the problems lie and how best to resolve them.

At MI-BOSPO, in the first step, only the credit manager and human resource manager were involved. In this step, the current credit procedure was entered into the responsibility table. This step took one day for both loan products (solidarity group and individual lending). The operations manual was used as a primary source to construct the table.

Step 2. Identify the team *(often done in conjunction with Step 1)*

The champion of the process has to be identified as well as the individuals who will be responsible for data gathering, interviews, and so on. Ideally, the credit manager should be the champion and an integral part of the team if operational processes are involved.

As MI-BOSPO decided to work specifically on loan processing procedures, it was clear that the Credit Manager had to be involved. The other team member was chosen based on her knowledge of loan procedures and her facilitation skills. This person was the human resource manager.

Step 3. Data gathering

Once the process and team are identified, primary data needs to be gathered in the field. The individual(s) in charge of the DoR process need to go out to branches, clients, etc., and observe how the process is currently taking place. Data needs to be triangulated *i.e.*, data should be obtained from multiple sources before a conclusion can be drawn. For example, in the case of operational processes, the team has to visit more than one branch before they can draw conclusions about where potential problems may lie.

This step took place in the field, where MI-BOSPO's credit manager and human resource manager were each paired up with a consultant from Women's World Banking. These two pairs visited two branches, observed processes, and also visited clients. They also talked to loan officers and branch managers. Data was gathered through interviews and validated through observation. Findings included a lack of standardization in processes and ineffective use of time, resulting in institutional targets not being met.

Step 4. Analysis and Creation of the New DoR Table

Data gathered needs to be compared to existing operating manuals. The DoR team needs to analyze data and agree on what the ideal steps in a process should be. The DoR table, reflecting the desired process, will then be completed by the team for the process identified. In this step, it is important to involve additional staff who know about the activities that have been identified as areas for potential "efficiency gains." For example, if in the field it is found that loan disbursements are not performed as efficiently as possible due to a procedure required by the finance department, then the finance manager should get involved in order to find out whether the constraints can be removed and what the implications of such an action might be. This step is of crucial importance because the team has to know what can realistically be changed and what constraints may need to stay in place, and then be prepared to explain these points to branch managers and other staff.

The table is constructed by asking key questions, including:

- What is each step in the process?
- What is the objective of each step?
- Who is responsible for each step?
- How can performance be measured?
- How can performance be improved?
- What documentation is needed at each step?
- What systems are used at each step?

In this step the MI-BOSPO team made a presentation of their findings to other top management (Executive Director, Finance Manager, IT Manager, Lawyer and Internal Auditor), specifically focusing on the gaps identified between the designed procedures and the implemented procedures. Because some of the gaps related to Finance, MIS or Internal Audit procedures, it was crucial to involve the managers of these areas in the discussion. The discussion took a full day for both loan processes, during which potential solutions to the identified gaps were identified.

The main findings from the MI-BOSPO DoR analysis of loan procedures were:

- Processes were not standardized
- Branch managers did not realize they performed processes differently
- Staff was influencing the timing of the processes to suit individual targets

Step 5. Discussion and Feedback from Key Management and Staff

Once a revised DoR has been developed, the team presents the framework to the managers and key staff involved in the process. Input is sought from each staff member and together the re-designed process is finalized.

This step involved MI-BOSPO's branch managers, the credit manager, the human resource manager, and the two partners from Women's World Banking. The Division of Responsibilities table was introduced to branch managers, addressing both the overall loan procedures and the step-by-step activities. Discussion focused on how each branch performed the various steps in the loan process. In each specific step, the first question to answer was the objective of that particular step. Then the way in which each step was performed in the different branches was presented by branch managers. Every step was discussed in detail and agreement on the most efficient process was reached. Branch Managers welcomed the opportunity to share and learn from each other.

It was observed that over time there was a tendency to adopt behavior that was comfortable or intuitive, which sometimes deviated from the official procedures. Branch managers also recognized that their own creativity and willingness to learn could contribute to making the procedures simpler and more efficient. Once this point was recognized, consensus easily emerged on optimal procedures, which brought a unique feeling of ownership and pleasure to each one of the team members. Then it was easy to list the indicators, systems and documentation that were needed.

Step 6. The final DoR is rolled out to all staff involved in the process

The operations manual is updated with the new procedures, which can be used to train new and existing staff.

One of the greatest benefits for MI-BOSPO was the discussion that emerged from the findings. It challenged the thinking of management within the organization including those individuals in non- credit functions. Additional measurable benefits were:

- Efficiency gaps were identified and resolved
- Process efficiency was improved
- Common understanding and interpretation of the processes

Conclusion

The Division of Responsibilities Framework is a simple tool that can assist an MFI to (1) understand in detail the different parts of an organizational process, such as credit procedures, and (2) determine how the process can be made as efficient as possible, factoring in staff and management requirements, information systems, institutional policies, clients and competition.

The framework, or table, is completed in a six-step process:

- | | |
|--------|--|
| Step 1 | Identify the process to be analyzed |
| Step 2 | Identify the team |
| Step 3 | Gather the data |
| Step 4 | Analyze the results and create a new DoR table |
| Step 5 | Discuss the new DoR table with key management and staff and revise as needed |
| Step 6 | Roll out the finalized DoR table to all staff involved in the process |

The benefits of using the DoR framework include:

- Streamlining operational processes
- Facilitating standardization of processes across branches
- Enhancing the sense of ownership and accountability among management and staff
- Developing a useful training tool
- Improving work flow planning
- Challenging management thinking

Some of the challenges of using the DoR framework include:

- It is resource intensive
- Strong skills are needed in several areas, including negotiating, interviewing and facilitation
- Periodic monitoring and follow-up are essential

Based on its experience MI-BOSPO would offer two concluding thoughts

- The DoR process can be long and a bit tedious. It is therefore important to ensure that you are having fun.
- While you do not need to work with a consultant on the DoR Framework, it was beneficial to bring in an external consultant who could challenge the organization and ask thought provoking questions.

MI-BOSPO's completed DoR table for its individual lending program is included on the following pages.

Distribution of Responsibilities During the Loan Disbursement Process (Individual Lending)

Loan processing	Distribution of responsibilities			Performance Indicators	Documentation / Systems
	Loan Officer (LO)	Branch Manager (BM)	Credit Manager (CM)/ Marketing Manager (MM)		
<p>Step 1: Promotion Objective:</p> <p>Ensuring sales through attracting new clients by providing information on the MFI and its products & services.</p>	<p>Providing information to the BM on the considerations and needs of clients in relation to MI-BOSPO's services and products.</p> <p>Doing direct promotion in the field in accordance with the promotion plans approved by the BM.</p> <p>Participating in promotion initiatives of the institution, the office, the branch.</p> <p>Filling out information interview forms.</p> <p>Participating in training sessions.</p>	<p>Ensuring the implementation of the Marketing Plan for the branch.</p> <p>Ensuring that goals are achieved.</p> <p>Monitoring results of promotion initiatives on a regular basis.</p> <p>Preparing reports for the Head Office.</p> <p>Participating in promotional activities – coordinating the team in branch level promotion, participating and organizing promotional meetings in local communities.</p> <p>Training LOs in promotional techniques and ensuring that the LOs follow the procedures.</p>	<p>CM: Setting overall lending goals.</p> <p>MM: Designing the corporate marketing plan and ensuring that it is successfully implemented.</p> <p>Designing marketing materials.</p> <p>Coordinating support to Branch Managers and ensuring successful implementation of the marketing plan.</p> <p>Designing and ensuring quality of training sessions on marketing.</p> <p>Routinely evaluating the effectiveness of different promotion initiatives with the goal of ensuring successful promotion techniques.</p> <p>Designing reports.</p>	<p># of people who applied for loans / # of people toward whom promotion was done</p> <p># of applications by branch</p> <p>Client retention rate</p> <p># applications / # of inquiries</p>	<p>Marketing reports</p> <p>BM reports on marketing plan/initiatives</p> <p>Forms for information interviews</p> <p>Registry of LO promotion</p> <p>Promotional materials</p>

Loan processing	Distribution of responsibilities			Performance Indicators	Documentation / Systems
	Loan Officer (LO)	Branch Manager (BM)	Credit Manager (CM)/ Marketing Manager (MM)		
<p>Step 2: Informational interview with client</p> <p>Objective:</p> <p>Providing information on the institution, its products and services.</p> <p>Monitoring clients' interests.</p> <p>Collecting basic information on the applicants' business, how they learned of MI-BOSPO, at what time they came to the office, etc.</p>	<p>Providing information on the products and services provided by MI-BOSPO for any interested person.</p> <p>Filling out the form for informational interviews.</p>	<p>Reviewing the informational interview forms, assigning Loan Officers for inquiries.</p>	<p>Collecting information from the filled-out forms for the purpose of estimating interest in different elements of the product.</p>	<p># of filled-out forms</p>	<p>Form for informational interviews</p>

Loan processing	Distribution of responsibilities			Performance Indicators	Documentation / Systems
	Loan Officer (LO)	Branch Manager (BM)	Credit Manager (CM)/ Marketing Manager (MM)		
<p>Step 3: Initial analysis and loan application</p> <p>Objective: Determining whether the client qualifies for MI-BOSPO's services, and if so for which services (Solidarity Group or Individual Loan).</p> <p>In this step, the initial analysis is made and the loan application filled out.</p> <p>Explaining the lending methodology to the client, introducing them to the procedures.</p> <p>General analysis of the strength of the client's business.</p> <p>Establishing the type of guarantee which the client can offer.</p> <p>Making the list of required information.</p>	<p>Interview: Collecting information from the client in order to establish whether she qualifies for a loan, estimating the capacity of the business in order to see whether the client is eligible for SG or IL, and determining the collateral which the client can provide.</p> <p>Checking client's credit history.</p> <p>If the client qualifies for IL, the LO fills out an application.</p> <p>Submitting applications to the BM.</p> <p>Calling the client after 48 hours to check whether the guarantees have been collected.</p> <p>The LO does the verification of co-signers.</p> <p>The LO schedules a visit to the client's business and home.</p>	<p>Ensuring that there is a staff member present in each office at all times.</p> <p>Collecting and verifying the registry of visits to offices.</p> <p>Distributing loan applications.</p> <p>Training LOs in executing this step.</p> <p>Doing random field checks of the manner in which client interviews are conducted in order to make suggestions to the Credit Manager on how this step could be more efficient and effective, as well as reviewing the work of LOs (e.g., whether the LO provided the correct information, whether the LO contacted the client after 48 hours, etc.).</p> <p>Serving as support where and when necessary.</p> <p>Responding to any client complaints.</p>	<p>Doing field checks of how this step is executed in order to review the efficiency of implementation of this step through interviews with Branch Managers, Loan Officers, clients, as well as through attendance at randomly selected initial analyses and filling out of loan applications.</p> <p>Serving as support for Branch Managers where and when necessary.</p> <p>Responding to clients' complaints if they request it.</p>	<p># of clients who have provided guarantees / # of clients with whom an initial interview has been conducted</p> <p># of applications / # of loans approved</p> <p># of applications / planned disbursements</p>	<p>Loan application</p> <p>Entering the application into the MIS</p> <p>Mi-BOSPO credit history</p>

Loan processing	Distribution of responsibilities			Performance Indicators	Documentation / Systems
	Loan Officer (LO)	Branch Manager (BM)	Credit Manager (CM)/ Marketing Manager (MM)		
<p>Step 4: Loan analysis and estimation</p> <p>Objective: Developing a complete picture of the financial position of the client's economic unit and of the client's character, in order for appropriate loan proposal to be made.</p> <p>Estimating the capacity for loan payment.</p> <p>Doing risk analysis.</p> <p>Estimating the character and will for payment.</p>	<p>Collecting information for the purpose of designing a financial report and cash flow of the client's economic unit.</p> <p>Verifying the collected information and requesting more information related to the business (investments done so far, planned future investments, etc.).</p> <p>Completing the credit case for loan approval.</p> <p>Entering information about the client into the system.</p> <p>Requesting information about funds from Branch Manager.</p>	<p>Training LOs in order to ensure that loan analyses are done correctly and in accordance with the procedures.</p> <p>Communicating with the Finance Department and coordinating information about funds from which loans will be disbursed.</p> <p>Collecting information on planned visits by LOs</p> <p>Scheduling Credit Committees for loan approval and informing LOs of the schedule.</p>	<p>Random on-the-spot checks of the credit analysis in order to check the efficiency and effectiveness of execution of this step.</p> <p>Serving as support for Branch Managers where and when necessary.</p> <p>Responding to clients' complaints if they request it.</p>	<p># of loans analyzed/# of loans presented at the Credit Committee</p> <p>Qualitative estimation of execution of loan analysis</p>	<p>Forms for loan analysis</p> <p>Forms for loan approval including risk analysis</p> <p>Guarantees</p>

Loan processing	Distribution of responsibilities			Performance Indicators	Documentation / Systems
	Loan Officer (LO)	Branch Manager (BM)	Credit Manager (CM)/ Marketing Manager (MM)		
<p>Step 5: Credit Committee Objective:</p> <p>Making a decision on the loan application in accordance with the credit procedures</p> <p>Loans up to a certain maximum amount are approved at the Branch</p> <p>Loans exceeding that maximum amount are approved at the Head Office</p>	<p>Submitting credit documentation to the Credit Committee for consideration.</p> <p>Presenting the loan case, recommending approval of the loan.</p> <p>Informing the client of the decision by the Credit Committee and confirming the place and time of contract signing and disbursement (to be done together with a colleague LO and the client).</p> <p>Making modifications to cases based on decisions by the Credit Committee.</p>	<p>For loans at Branch level:</p> <ul style="list-style-type: none"> - Verifying the completeness and accuracy of the documentation. - Asking questions related to the loan, the client's business and household. - Making decisions about loans: determining the amount, payment period and interest rate. - Approving the loan electronically. <p>For loans at the Head Office level:</p> <ul style="list-style-type: none"> - Proposing the schedule of Credit Committees. - Verifying loan documentation. - Providing a recommendation for the loan. - Informing the LOs of the decisions by the Credit Committee. 	<p>Presiding at the Credit Committee for larger loans.</p> <p>Asking questions related to the loan, the client's business and household.</p> <p>Making decisions about loans: determining the amount, payment period and interest rate.</p> <p>Approving the loan electronically.</p> <p>Reviewing Credit Committee procedures when necessary in order to ensure that the Committee is efficient and effective.</p>	<p># of loans approved/ # of loans denied</p> <p>Payment period approved/payment period suggested</p>	<p>Completed loan documentation (loan application; loan analysis; credit guarantees; credit history)</p> <p>Report for the Credit Committee</p> <p>Disbursement request</p>

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<p>Step 6: Loan contract and disbursement</p> <p>Objective: Signing the loan contract with the client and disbursing the loan</p>	<p>Preparing the contract, verifying the accuracy of information and submitting it to BM for signing.</p> <p>Taking the client to the bank for disbursement.</p>	<p>Checking whether the contract is in accordance with the Credit Committee decision.</p> <p>Signing and verifying the contract.</p> <p>Presenting the contract to another LO (who did not participate in the loan analysis) who will explain the contract to the client, sign the contract with the client, and sign for the disbursement in the bank.</p>	<p>Random on-the-spot checks of the procedure in order to check on its efficiency and effectiveness.</p> <p>Serving as support for Branch Managers where and when necessary.</p> <p>Responding to clients' complaints if they request it.</p>	<p>Time from application to disbursement</p> <p># of loans disbursed/</p> <p># of loans approved</p>	<p>Loan contract</p>

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<p>Step 7: Loan monitoring</p> <p>Objective: Maintaining contact with clients in order to gauge the state of the business and the household, with the goal of increasing client retention and preventing delinquency.</p> <p>Regular monitoring is different for new and repeat clients. For new clients, it is done once per repayment period. For repeat clients, it is done once per repayment period only if the loan is disbursed for a period longer than 12 months.</p> <p>The BM retains the right to determine which of the clients will be visited and which will only be contacted through a telephone call. Each LO must do the monitoring visits for up to 10% of clients.</p>	<p>The LO takes the list of clients for monitoring from the BM and agrees with the BM which clients will be visited and which will receive a telephone call.</p> <p>The LO does monitoring during the month in accordance with the agreement with the BM and records findings on a form received from the BM.</p> <p>At the end of each month, the LO submits the filled-out form to the BM.</p>	<p>Delivers the list of clients for monitoring to the LO and agrees with the LO which clients will be visited and which will receive telephone calls.</p> <p>Random check of the executed monitoring visits conducted in order to make suggestions to the Credit Manager on how this step could be more efficient and effective, as well as to check the work of the LOs and ensure that the procedures are being followed.</p> <p>Training LOs in order to ensure that monitoring visits are done correctly and in accordance with the procedures.</p> <p>Reesponding to client complaints.</p> <p>Taking lists for control visits from the CM.</p>	<p>Preparing the list of clients for control visits by the BM.</p> <p>On-the-spot checks in order to make sure that the procedures are followed, as well as to check the efficiency and effectiveness of execution of this step.</p> <p>Responding to client complaints.</p>	<p># of control visits done/# of loans approved</p>	<p>Control visit form for the BM</p> <p>Monthly lists of clients for visits by LOs</p> <p>List of clients for control visits by BM</p>

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<p>Step 8: Delinquency management</p> <p>Objective: Minimizing portfolio at risk and number of delinquent loans.</p> <p>Ensuring the timely collection of disbursed loans.</p>	<p>Checking the daily delinquency report in the database.</p> <p>If an installment is delinquent, the LO calls the client immediately to find out why the installment was not paid.</p> <p>If the installment has not been paid within 5 days, the LO prepares and delivers to the client a written warning for signing and returns it to the BM to prove its delivery.</p> <p>If the installment has not been paid within 10 days from the initial delinquency, the LO organizes a meeting at the office with the client, the co-signers and the BM.</p> <p>Preparing minutes from all meetings.</p>	<p>Checking the daily delinquency report in the database and maintaining constant communication with the LOs in order to monitor progress on each delinquent loan.</p> <p>Participating in delinquency management meetings.</p> <p>If there are no changes within a month from a meeting with a delinquent client, informing the CM of the loan and the steps taken for the collecting the loan, including collecting from guarantors.</p> <p>Continued reporting to the CM on portfolio at risk and on the trend it follows, as well as on the activities taken in relation to it.</p> <p>Training LOs in execution of this step.</p> <p>Respond to client complaints, if any.</p> <p>Does random checks of whether LOs follow the procedures.</p>	<p>Issuing the order for initiation of a lawsuit for collection of delinquent loans. The Lawyer first prepares a pre-suit warning, then if there is no positive response, initiates the suit procedure. If there is progress after the warning, the case is returned to the Branch.</p> <p>Doing on-the-spot checks of whether the procedures are followed.</p> <p>Selective visits to clients more than 7 days in delinquency.</p> <p>Analysis of reasons for delinquency per branch, sector, gender, etc.</p> <p>Preparing recommendations for loan write-offs.</p> <p>Doing loan write-offs.</p>	<p>Portfolio at risk per LO, zone, sector, cycle, etc.</p> <p>Report on loan maturity</p>	<p>Written warnings</p> <p>Minutes from meetings</p> <p>All reports on portfolio at risk which exist in the MIS</p> <p>Pre-suit warnings</p> <p>For lawsuits: the whole credit dossier.</p>

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<p>Step 9: Repeat loans</p> <p>Objective: Improving client retention rate through increasing contacts with clients.</p> <p>Improving products and services through gathering information from clients through exit interviews.</p>	<p>Identifying clients from own portfolio who will be sent letters for repeat loans.</p> <p>Printing letters.</p> <p>Doing telephone calls to clients 2 weeks before final payment of a loan.</p> <p>If the client opts for a repeat loan, steps 3 to 6 will be done. Since these are repeat clients, there is no need for visits to home, only to business. Also, clients do not have to come to the office to fill out loan applications, but these are filled out in the field.</p> <p>Printing and signing appreciation cards within a month after loan renewal.</p> <p>If the client does not opt for a repeat loan, doing an exit interview with the client within three months of the payment of last installment.</p>	<p>Supervising and ensuring the following of procedures.</p> <p>Checking which clients have been excluded from loyalty programs and why.</p> <p>Ensuring that mailings are delivered to the Head Office for sending.</p>	<p>(This step partially overlaps with the responsibilities of the Marketing Department.)</p> <p>Coordinating with the Marketing Department to ensure optimal quality of the design and implementation of program for client retention.</p>	<p>Client retention rate for the organization, branch, office, LO, methodology.</p> <p># of clients who have renewed loans / # of letters sent</p> <p># of clients to whom letters were sent / # of clients repaying loans</p>	<p>Client retention reports</p> <p>Loan renewal letters</p> <p>List of clients for telephone calls</p> <p>Appreciation cards</p> <p>Documentation from steps 3-6</p> <p>Form for exit interviews</p>

PRIMARY AUTHORS:

Alma Bijedic
Harsha Thadhani

CONTRIBUTING AUTHORS:

Nejira Nalic
Lina Naif
Gloria Amelia Ruiz Gutierrez
Maura Arostegui
Neisa Vasquez
Marlene Chura
Chuck Waterfield
Kim Pityn

EDITORS:

Tony Sheldon

ABOUT SEEP:

SEEP is an international network of institutional and individual members committed to reducing poverty through the power of enterprise. Its over 70 institutional members are active in 139 countries and reach over 25 million microentrepreneurs and their families. SEEP promotes professional standards of practice in microfinance and enterprise development, conducts capacity building activities for its members and other practitioners, creates and disseminates publications for application in the field, and serves as a center for collaboration on a broad range of sector-related issues.

CONTACT:

William Tucker, Executive Director
email: tucker@seepnetwork.org

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