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IT system propels Mungania SACCO into greater efficiency

ungania SACCO, a rural-based credit society in Embu District, Eastern Province, has taken giant steps to improve efficiency. From inception in 1991 until late 2001, Mungania operations were run manually. In early 2002, however, with the assistance of the WOCCU-MEP project, the society successfully implemented MicroBanker software, with amazing results. For example, the time it took to serve a member reduced drastically from one hour to less than five minutes. Previously, manual update of cashbooks had taken more than 20 minutes. Loan backlog became a thing of the past in the SACCO, work eased and operations became much more efficient.

Over the years however, with rapid changes in technology and business requirements, the society realised that the software had some drawbacks, which triggered the need to install a better system. However, lack of financial resources was a constraint. Thanks to funding from both Micro Enterprise Support Programme Trust (MESPT) and SACCO Fund projects, Mungania SACCO embarked on a computerisation process in 2008.

Mungania’s Software Acquisition Process

SACCO Cap took Mungania SACCO through the steps of acquiring a better system, which began with defining the SACCO’s system requirements. This was followed by sending invitations to three vendors who had been shortlisted through a rigorous selection process. The vendors sent quotations, and then held system demonstrations. This provided an opportunity for the vendors to understand the SACCO’s needs.

After the demonstrations, the SACCO and SACCO Cap visited other SACCOs that were using the three systems to see how the systems handled the SACCO’s operations. This was a wonderful opportunity for Mungania SACCO to interact with the other SACCOs and get more information regarding the vendors’ support and competence on the systems. Based on this whole process, and considering the price, Mungania SACCO settled for its new system.

Improved Management Information System

An appropriate management information system (MIS) is crucial to banking operations. Mungania used process mapping to identify weaknesses in its banking system and to guide system related improvements. The result is improved efficiency and enhanced risk management.

The new system has greatly improved the operations of the SACCO, especially the generation of timely and accurate reports. Previously on MicroBanker, the SACCO could not get delinquency reports, but with the new system, it can measure and monitor delinquency.

The new system also has the ability to address issues such as member registration and shares contribution. Moreover some other key modules included in this new system are credit scoring, SMS banking, Human Resource and Payroll, Electronic Funds Transfer (EFT) and internet banking.

Internal control measures can now be enforced in the SACCO using the system’s security features since the system conforms to stringent security standards. The whole range of SACCO operations can be performed in virtually impregnable, high-security conditions with password-controlled user access, a dual control methodology (every operation performed has to be authorised by another user with the requisite rights) and functions configurable for every user. Functions like transaction limits, override limits, authorisation limits and on-line authorisation limits configurable for every user, easy on-line authorisation of balance overdrafts and limit excesses, and real-time audit trail for complete control over all activities performed in the system are all supported by the system. The system also resides on a SQL relational database, which is very secure and will not slow down even as the size of the database grows.

Currently, the SACCO is reviewing available options for a wide area network as the new system fully supports branch networking.

Erick Sile, Project Director

Into the Future

Mungania SACCO, a rural-based credit society in Embu District, Eastern Province, has taken giant steps to increase efficiency. From inception in 1991 until late 2001, Mungania operations were run manually. In early 2002, however, with the assistance of the WOCCU-MEP project, the society successfully implemented MicroBanker software, with amazing results. For example, the time it took to serve a member reduced drastically from one hour to less than five minutes. Previously, manual update of cashbooks had taken more than 20 minutes. Loan backlog became a thing of the past in the SACCO, work eased and operations became much more efficient.

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**KEEPING UP WITH THE TIMES**

**Mungania Tea SACCO has developed products systematically**

The product development process is designed as a funnel into which an institution enters, starting broadly with a range of potential product opportunities. Then as project feasibility is researched and analysed through the various stages of development, an institution successively narrows down the new product choices. Through WOCCU/FSD SACCO Cap project, Mungania SACCO underwent training and subsequent product development using a systematic approach of defined phases including design and concept testing.

Embun-based Mungania SACCO was set up to cater for the needs of tea farmers. Since inception, the SACCO has developed several products and services to address the changing needs of its market within the changing operating and legal framework of SACCOs in rural areas.

Like other SACCOs with FOSAs, Mungania is finding itself at a product development crossroads, where different and varying customer needs are to be catered for in innovative ways within markets that are increasingly becoming competitive. Demand for new credit products to cater for small and medium entrepreneurs, crop advances, loans that require partnerships with marketing agencies, just to name a few, are some of the challenges facing SACCOs like Mungania.

Although SACCOs with FOSAs have managed to dramatically mobilise voluntary savings, net borrowing culture among BOSA members and inadequate lending and collection procedures have denied Mungania the opportunity to build the required deposit and capital levels. The society has opened up five more branches, one of which is in neighbouring Mbeere District, to serve a wider range of customers. However, the SACCO lacks capacity to take it to the next level, especially in product development.

As a result of partnering with SACCO Cap, Mungania has managed to conduct market research in all its branches. The SACCO has also constituted a product development team charged with the responsibility of developing and refining its products. A number of products have been introduced including a microfinance product, advances, and refinement of the savings product.

**As a result of partnering with SACCO Cap, Mungania has managed to conduct market research in all its branches. The SACCO has also constituted a product development team charged with the responsibility of developing and refining its products.**

When introducing new products, it is important to examine whether the needs can be accommodated by refining existing products or several needs within one product. The SACCO should be wary of product proliferation. Already it has been observed that Mungania has too many products that can be consolidated into single products.

**4. Opening the common bond presents an opportunity as well as a challenge:** Opening of the common bond presents opportunities and challenges in new product development. New incorporated markets present a new set of needs that the SACCO must move fast to satisfy. Mungania is currently serving different market segments while most of its products remain agriculture based.

There is an urgent need to develop and refine products, especially for small and medium business people. Mungania SACCO has developed a microcredit loan that it is currently offering in some branches. The product development team has reviewed and refined the product to strengthen it.

**5. Keeping up with technological trends:** The SACCO must keep abreast with new trends in the financial market. Such areas include ATMs and other technology-driven products. Mungania SACCO recently introduced new software to fully automate its operations. This will be a platform from where new products will be served.

The President assented to the SACCO Societies Act 2008 in December 2008. The law establishes a SACCO Society Regulatory Authority (SASRA) to regulate and supervise all SACCOs. The law requires that a SACCO serves only its members as defined in its by-laws. This will require SACCOs to redefine their membership and refine their products.

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**Article by Joseph Geita, Product Development Specialist, SACCO Cap**
**STIMA Sacco Process Mapping**

*A leap towards greater efficiency and better risk management*

Process mapping is business process re-engineering. It is an intervention in the operations of a business that identifies weaknesses in internal controls and improves efficiency in service delivery. An operation is composed of processes designed to add value by transforming inputs into useful outputs. Processes can have a significant impact on the performance of a business, and process improvement can improve an organisation’s competitiveness.

**Nothing is constant save for change itself**

Change is inevitable. It is no surprise therefore, that the business environment is highly dynamic, necessitating continuous analysis, evaluation and refinement of the processes, procedures, policies, culture and systems. This is necessary in determining the level, nature and implication of changes required to meet the demands of a competitive market.

Process mapping is necessary in many organisations to counter the effects of age-old habits that have formed into a culture wholly embedded in the business processes. If not properly managed, processes can be a huge hindrance to the success of an organisation despite the advances in information technology and telecommunication. Process management dictates the level of efficiency and effectiveness in any organisation. The best organisations have simplified, lean, well-managed and yet efficient processes.

**Stima Sacco takes the first change step**

Stima Sacco selected Mbai Nd temi & Associates to conduct process mapping through a competitive bidding process. The consultants worked with the staff in the Sacco to ensure that over and above providing technical assistance, there was adequate transfer of skills to the Sacco staff. This would ensure that the Sacco acquired in-house capacity to carry out similar exercises on their own in future.

The consultants together with the staff identified the risks inherent in each process as well as all possible weaknesses in system delays and human interface through current design that negatively impacts on service delivery.

**The mapping outcome**

During this process the Sacco staff not only learned how to use MicroSave's process mapping tool kit, but equally important, they also shared their ideas, experiences and challenges relating to business processes. The staff therefore also had an opportunity to be involved in discussing the re-engineering needs that would help the Sacco run more efficiently, improve its corporate image, and acquire competitive edge in the financial services market.

Initially there were a few draw backs as staff being interviewed were not ready to criticise the existing system. However, the consultants stressed the need for openness and staff became critical of the processes and hence gave suggestions for improvement.

This was achieved through brainstorming sessions on ways the processes could be improved to enhance internal controls and efficiency in service delivery with minimal costs to the Sacco and its members. The team discussed improvements in the way the Sacco conducts its business.

The strategic nature of the Sacco management team was evident as buy-in from junior staff can only be achieved if the management supports the exercise. Management interventions therefore contributed immensely to the success of the process mapping, with staff at every level making suggestions on improvements to the processes.

The process mapping report, given to Stima by the consultants is actually a comprehensive critique of the existing Stima processes where the consultants were drawing significantly on previous experience in process improvement as well as benchmarking with the broader financial sector and market.

**Benefits of the process mapping exercise**

Upon conclusion of the assignment, recommendations were put forward and a work plan was designed to indicate the time frame, responsibility and expectations from the process. The following benefits were realised from the mapping exercise:

**Enhancing Efficiency**: The skills acquired by staff during the in-house training sessions on process mapping were quite evident from comments they made in their contributions on developing mitigation strategies to avert risk and improve efficiency. For instance staff observed that “It is not necessary to take the documents to the banking manager just for a signature if the customer service officer can be empowered to make a decision.”

**Cost Control and Customer Service**: The consultants guided the staff in identifying the risks inherent in each process as well as all possible weaknesses in system delays and human interface in the existing design that could impact service delivery negatively.

Stima Sacco staff highlighted weaknesses and came up with numerous proposals to improve efficiency. Loans are the main asset of the society. As a result, the loan processes are critical in ensuring that the Sacco remains profitable. Intensive and extensive analysis of the credit processes unearthed several weaknesses and recommendations were made to address them. For example the consultants recommended shortening the disbursement process by more than half.

Also, all the functions and processes directly associated with loans issuing, recoveries and maintaining were

**Continued on page 4**

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**A Sample Flow Chart Showing the Loan Approval Process**

![Process mapping is necessary in many organisations to counter the effects of age-old habits that have formed into a culture wholly embedded in the business processes](chart)
Continued from page 3
centralised in the credit department. The steps in processing loans were reduced significantly where the responsibility was given to the credit department. In this regard, the Credit Manager was given authority to approve certain amounts. As a result, the lead time for short-term loans should be at most an hour or less.

If these recommendations are implemented the SACCO will greatly reduce its operational costs and improve service delivery to members.

Savings Mobilisation: Savings mobilisation is a key requirement for any financial institution. Though the SACCO has numerous savings options, it has a blended account (prime account) comprising features of savings and salary accounts. The major recommendation geared to ease the savings process involved the designing of a simplified all-inclusive account opening form with few steps, banking slips comprising both cash and cheque deposits and withdrawals. Also, the exercise recommended ways in which mobile phone banking could be enhanced to improve customer service.

Effective Communication and Coordination of work: Stima SACCO’s process mapping highlighted the need for clarification of various processes that enable staff members and the management team to communicate effectively and disseminate information. It also highlighted the need to ensure products and services are designed, presented and well documented by aligning the information technology systems to the needs of the SACCO in a dynamic and competitive business environment.

One of the major recommendations that the consultants gave to the SACCO was the consolidation of FOSA and BOSA activities in the SACCO. Most SACCOs treat FOSA and BOSA as two separate entities. The process mapping exercise helped to bring down this “wall”. The separation of FOSA and BOSA operations in the SACCO has created some level of inefficiency as many activities were duplicated. Through process mapping, unnecessary and repetitive processes were removed and new work flow patterns designed to streamline the processes.

As a result, customer service has been enhanced as members can now be attended to at one point in the SACCO. Again, efficiency has been improved through merging, reducing or simplifying procedures and processes. It is hoped that this will improve coordination in the SACCO and hence lead to reduction of operational and staff cost.

Staff Involvement: An important outcome of the process mapping was the practical self-reflection of the Stima team. In addition, the assignment provided an opportunity for staff development. There was transfer of skills and involvement of staff in the business re-engineering process in the SACCO.

Any changes envisaged from Stima SACCOs mapping process will not necessarily lead to staff layoffs but rather to better utilisation of existing human resources as surplus staff can be redeployed or retrained to perform other tasks within the SACCO.

In light of the new SACCO Act, it is no secret that SACCOs will be at crossroads. They will be deployed or retrained to perform other tasks within the SACCO.

IN BRIEF

Three more SACCOs have recently joined the SACCO Cap project. These SACCOs were selected through a competitive process and will each receive up to Ksh 30 million for technical assistance from SACCO Fund.

The three award winning SACCOs are:

Muramati SACCO

Muramati SACCO Society Limited was registered in May 1993. The SACCO has ten functional branches and fifteen mobile service points with an overall membership of 49,888 and over Ksh 1 billion value of assets, making it one of the leading SACCOs in the region. Muramati has opened its common bond to attract other clients. Membership in the SACCO increased from 34,798 in 2005 to 49,888 by June 2008.

Kirinyaga District Farmers SACCO

Kirinyaga District Farmers’ SACCO was established in 1998 when Kirinyaga District Farmers Union was split. Following the split Kirinyaga District Farmers SACCO (KDFS) acquired all assets and liabilities belonging to the banking section of the Union. These included a loan of Ksh 436 million given to coffee farmers. As at December 2007, the SACCO had over 34,099 members (in BOSA), total assets of Ksh 679 million; share capital of Ksh 98 million, total deposits of Ksh 455 million and a gross loan portfolio of Ksh 533 million.

Meru Central Farmers SACCO

Meru Central Farmers SACCO Society Limited (MCFSS) was registered in February 2005 following the split of Meru Central Farmers’ District Cooperative Union (MCFDU) into independent business units. It draws its membership from the farmers of the primary marketing societies, business people, salaried people and residents from Meru Central and neighbouring districts. Its mandate is to provide financial services to the estimated 120,000 members in the primary societies. The SACCO had a membership of 14,519 with a total share capital of Ksh 77.6 million as at 31st December 2007 rising from Ksh 46.1 million as at December 2006. The SACCOs total assets as at September 2008 is Ksh 851,263,224.

The three SACCOs will receive training and technical assistance from SACCO Cap and leading consultants in the market over a period of 18 months ending in December 2010. Technical assistance will cover areas including, but not limited to:

• Market Research
• Process Improvement
• Accounting and Financial Management
• Product Development
• Strategic Planning
• Savings Mobilisation
• Human Resource and Governance Strengthening
• Compliance with new regulatory standards

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