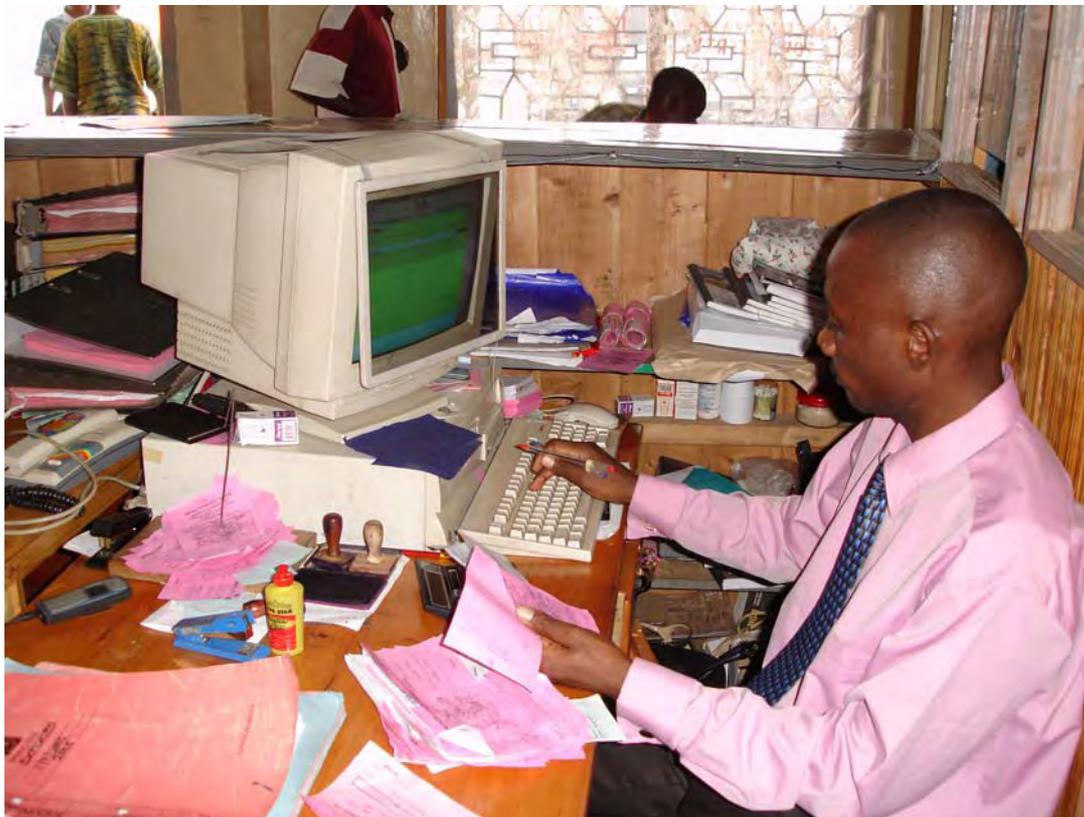




USAID | **UGANDA**
FROM THE AMERICAN PEOPLE

FINANCE SOLUTIONS® EVALUATION ANKOLE REGION

FINAL REPORT



February, 2006

This publication was produced for review by the United States Agency for International Development. It was prepared by Mbekeka Kezia for Chemonics International Inc.



Rural SPEED

Rural Savings Promotion & Enhancement of Enterprise Development

FINANCE SOLUTIONS® EVALUATION ANKOLE REGION

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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ACRONMYS

Rural SPEED	Rural Savings promotion and Enhancement of Enterprise Development
MIS	Management Information Systems
SACCO	Savings and Credit Cooperatives Organisation
SACCOs	Savings and Credit Cooperatives Organisations
MAMIDECOT	Masaka Micro Finance Development Cooperative Trust
RUSCA	Rubaare Modern Savings company ltd
RUBABO	RUBABO Peoples SACCO
KYAMUHUNGA	Kyamuhunga SACCO
FS	Financial Solutions
IT	Information technology
M&E	Monitoring and Evaluation
UPS	Uninterrupted Power Supply
SQL SERVER	SQL Server
PMT	Performance monitoring tool

Executive Summary

It has been revealed through the various meetings, discussions and consultant reports that the current management information systems (MIS) used by Rural SPEED SACCO partners does not adequately meet their loans and savings tracking needs.

Out of the ten partners, six are using manual systems and the other four are using Financial Solutions with the manual systems on a parallel basis. This is because they face a number of challenges with the financial solutions and hence do not have confidence in it.

The consultancy was therefore to work with the current users of Financial Solutions to achieve the following objectives; identify the challenges faced by the users, assess the origin of the challenges and provide advise according to extend to which these challenges can be addressed by Sigma data and computers the developers of financial solutions soft ware.

The following were the major findings regarding the challenges;

- Hardware problems: Old or slow cloned computers, no backup devices no UPSs, Network related problems
- Lack of proper knowledge of Finance solutions
- Constant database crash

A conclusive analysis drawn is that financial solution can address the SACCO partners MIS needs since all the current challenges are manageable. Consideration should be made to customize the soft ware to SACCO specific needs.

POST SCRIPT

Following this conclusion further analysis was done by USAID/Rural SPEED's newest team member, Bob Bariyo Barigye, a SACCO Specialist, which refuted the findings of this consultancy. This is captured in a memo which is inserted on the page following this one.

FOLLOW ON MEMO REFUTING THE FINDING OF THIS CONSULTANCY

To: Richard Pelrine, Rural Finance Advisor, USAID/ Rural SPEED

From: Bob Bariyo Barigye, Rural Finance Specialist, USAID/Rural SPEED

Date: 24 February 2006

RE: RURAL SPEED PARTNER INSTITUTIONS' PROBLEMS WITH FINANCE SOLUTIONS SOFTWARE

Following the discussion we had concerning the above software and subsequent to my visit to all our partner SACCOs in early January 2006, it is apparent that efforts to make improvements on it have not been successful. This failure to repair the software's shortcomings has rendered it not only dysfunctional but has also created more distortions in the SACCOs' Information Systems as they have put renewed faith in a product that isn't working.

Upon my return from the field, I together with you held a meeting on January 18, 2006 with the Finance Software provider to not only brief him about the problems his clients are facing with the program but to also find out ways how it could be improved and made more user friendly and efficient.

Below are some of the problems MAMIDECOT and Kyamuhunga SACCOs are facing:

- At the outset, data entry was wrong because it omitted the element of double entry. This created double work.
- Customer service is not adequate. The provider is slow in responding to client's problems and in instances when he is out of the country, no one from his office has the capacity to rectify any problem.
- All repayments on rescheduled loans first "disappeared" and then reappeared as arrears
- Some repayments, even when successfully posted, remain outstanding. A client may therefore complete repaying a loan but is still indicated as being indebted to the SACCO.
- Some accounts can not be produced when you want to use batches
- After installing an update in Kyamuhunga, the whole system collapsed. It therefore had to be withdrawn.
- After offsetting repayments using savings, the savings accounts are again credited with same amounts.
- Updates on Aging gives wrong figures. Instead of total outstanding, it only brings out the principal

As a result of the above and many more flaws, most of the financial statements and reports can not be relied on. This has meant using both Manual Systems (70% to 90%) alongside the software program.

The software provider in the meeting mentioned above had promised to rectify **all** the problems within a month (before February 17th) but has since not made any formal contact with either Rural SPEED or his clients. Persistent telephone calls have not been answered and I have been informed that he is out of the country.

I therefore suggest that Rural SPEED in the meantime keeps all options open and looks for any viable alternatives.

Section 1

1.0 Background

1.1 Introduction

The task assigned was to assess the extent to which Finance Solutions (FS) software is meeting the loan and savings tracking needs of Rural SPEED SACCO Partners. These partners include; MAMIDECOT-Masaka, RUSCA-Ntungamo, RUBABO-Rukungiri and KYAMUHUNGA-Bushenyi. The exercise was completed successfully in the three day time frame as planned due to the co-operation of the SACCOs.

The main objective of this exercise was to establish whether the problems faced by these SACCOs in using FS were attributed to user skills or the software itself having some deficiency.

This assignment was undertaken to establish a ground against which a decision would be made whether to advise the SACCO partners to continue using FS. This would be by identifying the challenges faced by the SACCO partners and assess if these challenges can be solved by Sigma Data and computers the soft ware developers. The other aim was to make a decision to discard the current soft ware (FS) and identify another one which would meet the SACCO partners' savings and loan tracking needs.

1.2 Methodology

The information contained in this report was obtained by interaction with the different users of the program in each institution. A practical demonstration of the problems or challenges faced by the different users was made and identified.

An evaluation was made to gauge the ability of the users and capacity of Finance Solutions to meet the loan and savings tracking needs of the SACCOs.

1.3 Activity summary

Dates	Institution visited
7th November, 2005 Travel from Kampala	MAMIDECOT-MASAKA
8th November, 2005	RUSCA-Ntungamo- Morning RUBABO-Rukungiri- Afternoon
9th November, 2005	Kyamuhunga-Bushenyi- Morning Travel back to Kampala

Section 2

2.0 Major Findings and Conclusions

The main issues raised by the SACCOs can be grouped into three categories:

- Finance Solutions not completing all the required tasks
- Hardware problems: Old or slow cloned computers, no backup devices no UPSs, Network related problems
- Lack of proper knowledge of Finance solutions
- Constant database crash

2.1 Lack of IT staff:

It is worth noting that Finance Solutions is performing well for some clients, but it is unfortunate that some are not getting the best of it. The current problems faced by these SACCOs are mainly issues which could have been easily solved, had they got a full time systems administrator.

Often issues like network being off, failure to backup, windows crashing, which are simple and could easily have been solved by them. However, this is not the case since they relayed on the software supplier (Sigma Data & Computers) to solve all the problems. This kind of help some times doesn't come in time as it can take a maximum of one day for the suppliers' technicians to travel in the field.

Sometimes the SACCOs don't immediately contact Sigma, because they prefer to have a dozen of such related problems before inviting Sigma. This results into failure of SACCOs to use the soft ware to its maximum capacity due to accumulation of problems.

2.2 New staff members & new versions releases:

The SACCOs have got new staff members after the training of Finance Solutions was carried out. These new employees do not know the software well enough. In general, they are only shown a few menus by the current users. For example the cashiers only know how to deposit savings and how to withdraw. The other issue is that Sigma Data & Computers, in a bid to serve better its market, makes a new release every three months and, sometimes, when showing the new features to the SACCOs, not all of them are able to attend the training.

2.3 Power failure:

There is also the problem of power, which is unstable and unreliable. This usually causes database crash if it is recurrent. Most of these SACCOs are using the version of Finance Solutions with Visual FoxPro database, which is less resistant to power problems as compared to the version working with SQL Server.

(d) Old/cloned computers: Most of these SACCOS have problems with their computers. Most of these are too old and/or clones. Sometimes, the one used as server doesn't qualify to be a server because of the specifications. There is also a problem of limited number of computers.

Below is a detailed list of the SACCOs visited, and the performance of Finance solutions

Section 3

3.0 SACCOS Visited, and the Performance Of Finance Solutions

3.1 MAMIDECOT

It has operated business for six years and operates a network of 2 branches serving a clientele of about 3,700. They have a total of 5 loan products.

MAMIDECOT has been using Finance Solutions for about 1 and a half years, but ever since they haven't yet stabilised, they are still using both the manual and computer based system parallel. The following are the problems identified:

(a) Improper implementation process.

The settings made during the initial data entry was not proper, there was no comparison made between the two systems. A third party person was used for data entry and this was based on his knowledge of FS since he was not a staff of Stigma.

No consideration was made to carry out a feasibility study of how the manual system works. Therefore there were not reconciled at the initial data entry stage. Also certain things were not put right, for example, some loan funds are being used as loan products, and this is a result of improper configuration of the chart of accounts. In addition, initially there were tracking group transactions at group level, but later, they changed to tracking group transactions at member level. This created an effect in their database as certain transactions and records are misplaced.

(b) The second issue is that of data crashes.

This is very common regular problem in this institution. The cause of the database crash is un reliable supply. To make the situation worse MAMEDICOT does not have UPSs. The network switch also has got a problem, as it is connected directly to the power outlet and not to a UPS, so whenever there is a power fluctuation, it disconnects other computers from the server. This results into data in the soft ware getting corrupted.

(c) Non Integrated Manual accounting:

Accounting is done manually. This problem can only be accomplished if the institution organises a proper chart of accounts that is integrated into Finance Solutions.

(d) Discrepancies in figures:

The problem of some accounts not appearing in the batch totals. The account that doesn't appear should be edited and given batch number, then they will appear. As for the rescheduled loans reappearing is due to the database crash and they restored an old backup.

(e) Training:

The SACCO has got new staffs, and these people do not know how to use the system well. For example, the new cashiers only know how to post savings deposits and withdrawals; they require more training on how to use FS.

(f) Features modification:

Some of Finance Solutions features are not applicable to this SACCO. For example when making a batch loan recovery from savings, FS does not leave the minimum balance required on savings, yet this institution needs the minimum balance.

In conclusion, the following are the recommended actions so as to solve the problems;

- They need a more crash resistant and reliable database like SQL server where backups can be scheduled at a required time.
- New records entered in the system with a proper understanding on both FS and their manual system, then proper settings be done.
- Training of staff in the use of FS soft ware.
- Acquire UPS
- Employ a systems administrator who can be charged with other duties with the major responsibility being in charge of the soft ware.

This process would take about 2 weeks, and this would fix the problem of incorrect balances.

3.2 RUSCA LTD

RUSCA LTD is located in Ntungamo district with a clientele base of 1,410 and 6 loan products. It has been using successfully FS for one year now although meeting some challenges. They have a total of 4 computers, of which 1 is branded, the other three are clones, power is relatively stable, although the need for a UPSs cannot be ignored.

1. Discrepancies in figures. The figure of Cash at hand on the balance is too high. This was brought about when entering non cash transactions, they created a sub account cashier 3 for these transactions, so the figures in cash at hand was increased.

The other is the trial balance figure on the solar loans shows a very low figure about 1,200,000, yet when you go to the loan outstanding balance figure is about 12,000,000, the differences here has been caused as a result of posting loans transaction using the general journal, which is not meant for loans transactions, this can only be corrected if the loans outstanding balance is fully paid.

2. Levels needed in the arrears and provision rate: There is need for extending the arrears and provision rate, FS arrears and provision rate is 5 level, yet theirs is 6 level.

3. Reporting: They need a modification for FS reports to give ratios like capital ratio, current ratio. A report is required for the prepaid loan.

4. Training: There is need for more training as new staff members have been recruited in the institution.

In conclusion RUSCA had few problems as compared to MAMIDECOT and the following are some of the recommendations:-

- Modification for FS to completely suit their needs such as capturing the arrears rate and portfolio reports.
- They need a more crash resistant and reliable database like SQL server where backups can be scheduled at a required time.
- Training of staff in the use of FS soft ware.
- Acquire UPS

3.3 RUBABO

This institution is located in Rukungiri district

Rubabo has been using Finance solutions for one year however; they are using only the savings module.

1. Features modification:

They are not using the loans module because of the different methods used in computing interest most loan products interest is calculated on a daily basis, and some loans products like mattress and iron sheets loans have a flat rate not a percentage, say 10,000 as the interest, a feature which FS doesn't have, FS can calculate interest on a daily basis, but the interest realized is a bit higher than the one calculated manually by Rubabo.

We believe if they were contacting us directly from the time they purchased the software, all the methodology they use should have been incorporated in the system by now.

2. Backup:

At present they are backing up on the local computer because they don't have backup devices.

Conclusions and recommendations

- Need for training the staff to effectively use all the features of the software.
- Customize the software to suit their interest rate calculations.

3.4 KYAMUHUNGA

This SACCO is located in Butare in Busheyi district and has operated for six years. They have a clientele of about 4000 people. This is the oldest SACCO using Finance Solutions for the last two years. However they face the following challenges with FS software:-

(a) Different methodology:

Loan recovery from savings which is a batch transaction, does not leave the minimum balance required on savings, yet they want the batch recovery from savings to leave the minimum balance.

(b) **Performance Monitoring report** is not complete, it is not like the **SPEED** PMT certain features have been left out and this makes it hard for them to rely on it, so they want it to be complete like the **SPEED** PMT. This can only be done if we get to work with the designers of PMT. The other issue is acquiring of a patent right to the PMT by Stigma may arise.

(c) Update problems:

It has been noted that many times new updates change the account balances. This problem is currently happening only with Kyamhunga.

In addition, whenever a new update is installed in their system another problem crops up and according to the developer they are aware about it but they haven't established the source of errors. However, this problem may originate from the fact that they were among the first clients to acquire this program. This may have resulted into an in-built error which keeps on maturing and it's not compatible with the current programming language so they keep on conflicting.

(d) New Requirements:

Kyamhunga requires a loans arrears report, it should have a column of the unpaid balance. This has not been captured by the FS software hence justifying the need to maintain the manual system which takes a lot of staff time in capturing the arrears report and therefore aging of the portfolio.

(e) Slow processing:

Closing a session is very slow and backup is very slow takes about 15 minutes, this is brought about as a result of the computer being slow. Their server, they are using Windows 2000 server, which requires a lot of systems resources, the other problem is that the size of their database is now very big, so this makes it slow, they need to upgrade to SQL Server database.

(f) Modification:

The software does not reschedule loans, yet this is needed by Kyamuhunga and FS developers should consider modification to be able to reverse a Reversed loan.

(g) Lack of skills to use the software since the institution has recruited new staff members and most of them do not know how to use the system, and therefore have requested for more training.

(h) Generator Problem

Kyamuhunga has a generator that runs only one computer, this implies that only one person remains working in case of power cut off and hence derails the work. It's worth noting that this generator has the capacity to supply adequate power to the whole institution.

Conclusions and recommendations

- Training of staff in use of software
- Need for modification of the software to accommodate the loan reschedule and arrears report
- Discussion with rural SPEED to see the current PMT features in the FS portfolio report format.
- They need a more crash resistant and reliable database like SQL server where backups can be scheduled at a required time.
- Employ a systems administrator who can be charged with other duties with the major responsibility being in charge of the software.
- Kyamuhunga should consider intensive repair on the existing generator or purchase another which can be used by the whole institution in case of power cuts.

Section 4

4.0 General Conclusions and Recommendations

- Hardware problems can be solved by allowing a proper budget for that, new computers, UPS, network devices and backup devices like zip drives are required. All 4 SACCOs visited lacked Scanners that are needed to scan photographs of their customers into the system.
- Knowledge in Finance Solutions can be improved by more training; refresher training is also required from time to time.
- The few features not yet included in Finance Solutions will be slowly added. For some other major features/modules needed such as payroll, complete performance monitoring and performance indicators reports (as SPEED PMT) that need more programming time, they can be added provided that an order for that is placed on Sigma Data & Computers Ltd.
- For the issue of database crash, the clients should upgrade to SQL Server database which is more resistant to crash, and also can be scheduled to automatic backup.
- In order for Stigma to provide better services to the SACCOs, it would be preferred if all the SACCOs had similar lending methodology, loan products and their terms. This would make modifications and provision of technical support easier and faster.

In the final analysis, FS soft ware is user friendly and can meet the loans and savings tracking needs of the SACCOs met adequately if the above challenges are addressed.