



USING PALM PILOTS TO MANAGE LOANS



INNOVATION BRIEF

ADOPEM RAISES EFFICIENCY WITH HANDHELD TECHNOLOGY

BACKGROUND ON ADOPEM

An MFI with some 50,000 active clients and a repayment rate of nearly 98%, ADOPEM is one of only about a dozen microfinance institutions in the world that have begun using handheld technology to boost efficiency in their lending. Founded in 1982 by a group of Dominican women and men led by Mercedes Canalda, the MFI's full name is *La Asociación Dominicana para el Desarrollo de la Mujer*. It is committed to expanding Dominican women and men's access to financial services.

BACKGROUND ON MFI USE OF PALM PILOTS

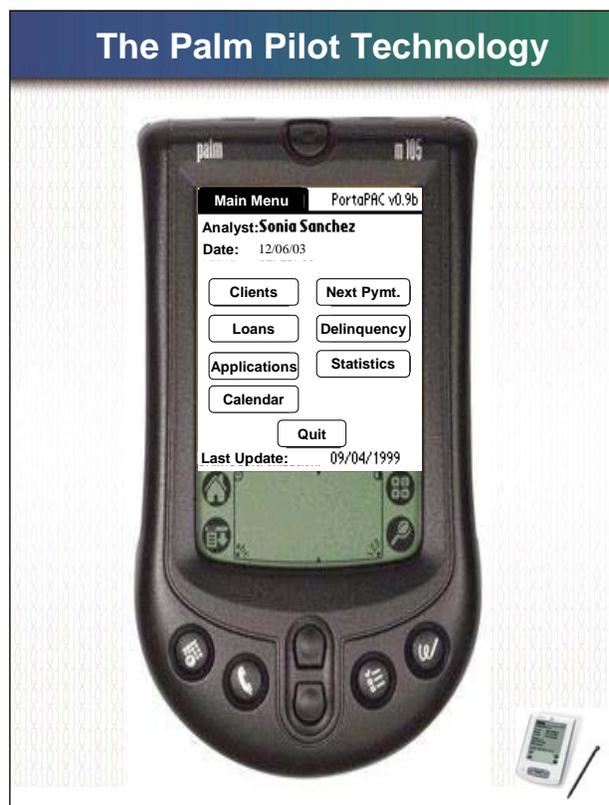
Ten microfinance institutions (MFIs) in Latin America, one in India and one in the Philippines use handheld technology to improve their loan officers' productivity and the quality of client data they gather. FinComún and Compartamos, in Mexico, were the first two in Latin America to do so.

ADOPEM's loan officers each had, as of mid-1999, an average caseload of 150 to 200 clients – below the region's typical best-practice level of 300. Women's World Banking (WWB) contracted Chuck Waterfield of MFI Solutions LLC to develop Palm Pilot software for ADOPEM, creating a tool that reduced the time it took loan officers to capture client data, made it faster and easier to transfer that data to the institution's central database and helped standardize the data thus collected. Loan officers soon were able to increase their caseloads significantly: the average had risen to 344 by 2003.

INNOVATION IN PALM PILOTS

Working closely together, ADOPEM and MFI Solutions purposefully designed the Palm Pilot software to mirror closely the traditional paper evaluation process used by loan officers. This was crucial because it allowed easy training of loan officers and required minimal adjustments to the information system that ADOPEM was already using.

ADOPEM's assignment of a cross-functional team to the effort also helped ensure a strong final product. Teamwork between the MFI's information technology department and operations department, with strong



support from senior managers, yielded software that was well integrated not only with existing data systems but also with the daily activities and needs of the credit staff.

CHALLENGES AND OPPORTUNITIES

Though the Palm software was designed to match the paper-based mode of evaluation employed before – and this did limit loan officers’ need to alter the way they had always interacted with clients – there were some areas where redundancy was created. In some cases this stemmed from staff resistance to using certain features of the software; in other cases the system simply did not match the staff’s needs.

One example of resistance was the calendar function. The Palm Pilot allowed loan officers to enter their daily appointments, helping the head office oversee officers’ time management. But because loan officers were also still required to fill out a weekly paper form showing their schedule, for purposes of estimating transportation allowances, they felt the Palm calendar function was redundant. If the Palm calendar were allowed to replace the paper schedule, loan officers would be more likely to take advantage of that function offered by the technology.

An example of an opportunity for additional uses of the technology would be for loan officers to begin recording receipt of payment in their Palm Pilots. This could further reduce the time required for entering data and tracking payments. Yet another innovation planned at ADOPEM is to use Palm Pilots for credit scoring – a useful practice, employed widely by credit card companies, that WWB is working to bring to microfinance. (See **Credit Scoring in Microfinance** at www.swwb.org/English/4000/www_publications/focus_notes.htm.) Eventually a loan officer will be able to use the Palm technology to obtain an immediate credit score, while still with a client, based on the data just gathered from that client.

IMPLICATIONS FOR INSTITUTIONS OFFERING MICROFINANCE SERVICES

Given the findings from WWB’s client research throughout the world, showing the high value placed by MFIs’ clients on fast and efficient service, the use of handheld technology to streamline lending processes (such as the evaluation of loan applications) could prove critical. As MFIs face greater competition in their markets, an ability to respond to new loan applications speedily, but without sacrificing prudence, will be a key comparative advantage.

Handheld technology can also have positive impact on the accuracy of data collected by MFIs. Precise risk assessments require precise data on clients’ businesses and households. The one-time data entry feature of the Palm Pilot technology reduces chances for human error, helping ensure the increased accuracy of important, subsequent mathematical calculations.

Handheld Technology for Credit Management

PORTA P.A.C.

- ❑ **Programa Administrador de Créditos Portátil, or “Portable Credit-Manager Program.”**
- ❑ **Initial phase developed by MFI Solutions. Maintained by ADOPEM.**
- ❑ **Portable information system for credit analysts.**



FUTURE PLANS

ADOPEM's future plans include:

1. Improving the use of the calendar feature in the Palm technology to help strengthen oversight of loan officers' time management.
2. Introducing credit scoring into the Palm device to allow for automatic approval of repeat loans and potential approval of small new loans.
3. Adding mobile technology to the Palm device to allow for immediate transfer of applications for larger-sized loans to credit committees at the branch for immediate approval. This technology improvement would also be useful for immediate recording, in the institution's central system, of receipt of payments, reducing the possibility of fraud.

IMPACT OF INNOVATION ON BUSINESS

The use of Palm Pilot technology has had a positive impact on ADOPEM's performance. Operational impact includes an increased number and average size of loans disbursed, decreased amount of time required to evaluate loans and more efficient organization of loan officers' daily activities. Financial impact can be seen in ADOPEM's lowered operating costs, the increased productivity levels of individual loan officers and a reduction in staff costs.

ADOPEM CONTACT INFORMATION

Mr. Juan Francisco Terrero Silva
IT Manager
Asociación Dominicana para el Desarrollo
de la Mujer
Heriberto Peiter
No. 12 Ensanche Naco
Santo Domingo
Dominican Republic
Tel. 809-563-3939

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This Innovation Brief was written by Hans Dellien, Yana Watson and Elizabeth Lynch. Donald Creedon provided desktop publishing.



For further information on WWB's work on technology, contact:
Hans Dellien, Manager, Microfinance Operations, at
Women's World Banking, 8 West 40th Street, New York, NY 10018, USA
Ph: (212) 768-8513, ext. 130 • Fax: (212) 768-8519 • E-mail: hdellien@swwb.org Website: www.swwb.org
