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## “Microfinance inst need to spend more time with their IT partners”-Gradatim CEO

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By Asma Azmi,

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[Microfinance Focus](#) <sup>[2]</sup>, July 26, 2010: Gradatim IT Ventures, is one of the leading Information Technology player in the microfinance space. Its technology platform for [microfinance institutions](#) <sup>[3]</sup>, MFResolve is delivered as Utility on a Pay-Per-Use Pricing Model and offers availability of software, right level of application performance and secure IT infrastructure for microfinance transactions. Gradatim has also established a Microinsurance platform, the MF-Insure in 2008 which combines IT Infrastructure and Back Office Services, and delivers as a Business Process Utility (BPU) on a 'Pay-Per-Use' Pricing Model.



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Gradatim's Founder and CEO, Mr. C V Prakash

Gradatim's Founder and CEO, Mr. C V Prakash, spoke to [Microfinance Focus](#) <sup>[2]</sup> about the emerging IT trends in the industry and their associated challenges. He was recently awarded with the "Innovative Leadership" award from [The Public Relations Council of India](#) <sup>[5]</sup> (PRCI). He has also co-founded TRRS Imaging, Indecomm Global Services and more recently, Centillion Solutions and Services. Edited Excerpts from the [interview](#) <sup>[6]</sup>:

[Microfinance Focus](#) <sup>[2]</sup>: Since its launch, how many MFIs have collaborated with Gradatim and how satisfied are you with the level of interest that MFIs have shown so far in technology?

**C V Prakash:** We have about 14 MFIs right now and the good factor is that we have probably covered all models of transactions like SHGs, joint liability groups, individual lending model. Our focus was to cover all the groups. One particular factor that we noticed when we came into this sector is that the way MFIs operate, there is nothing like standardization and in any industry that is very much needed. Even for us as an IT player, it is very difficult for us to create a different system, every time a customer asks for it, it is not practical. There is cost associated in developing solutions, there is cost associated in its maintenance. Especially for

model like us, if we don't standardize on some of the core features, it will be very expensive for us to keep doing it for every customer separately. Our focus is thus more on understanding models of business and then we want to try and create to whatever extent possible something what we call standardization.

Fortunately our experience has been that the new generation MFIs, who are more ambitious, who want to grow fast are more interested than some of the older ones. They understand the need for technology, they also understand that technology can effectively save their money. If you are going to invest in your technology you are going to bring enormous amount of improvement in your operations. Even keeping aside for a moment the aspect of control, the productivity one gains itself is substantial.

We are not among the early players, we came in very late, almost at a time when we are seeing the first IPO. Maybe MFIs have gone through experimenting with IT, some of them adopted the open source model, some of them built their own operations or got someone else to do it for them. They have tried out different things and their experience frankly is not very good. Many of them are being sceptical as a lot of them had 'not so nice' experiences. A lot of them also don't understand what this animal is, the technology. Given these factors, our experiences still have been good so far.

**Microfinance Focus** <sup>[2]</sup>: What are some of the emerging technological needs of MFIs that you have come across while working with them?

**C V Prakash:** The biggest factor is the ability to grow, which is the biggest thing that every MFI is looking for. A lot of them are also worried about leakages within the operations, so control again is a very important. From the functionality perspective, I think most of them have realized that the technology has to reach out to the last man. They want their field agents to be enabled in some or the other way. I am quite surprised by the level of MIS information these people asked us for. In some of our early implementations clients asked us for large number of reports.

Then we stopped that and created just the right number of reports which they can deploy and then we gave them the ability to create their own MIS. In this way, it becomes easy for them to create MIS and they get the information also. The trend we are seeing today is diversification. Lending is no more the only program; there is insurance, trading, e-commerce. We are seeing more diversification in terms of activities and business they we are getting into and that is a very important aspect

**Microfinance Focus** <sup>[2]</sup>: What are some of the obstacles you face while implementing MIS within the MFIs systems?

**C V Prakash:** We were the first people to come in with what is called 'on-demand solution which gives you the flexibility to change your systems. When we started creating it we had to go to the drawing board many times and we spent a year going back and forth trying to perfect the On-demand model. The ability to do on-demand was not there. That was an internal problem but a challenge we had to deal with.

The second biggest challenge we had was lack of standardized information. The question was how to create such a complex process, to cover as much as possible. We really had to face a lot of challenges because of lack of standardization. The customers were not clear about what they wanted and many times we had clients coming to us and saying, they thought we knew about it instead of them knowing what they want.

**Microfinance Focus** <sup>[2]</sup>: Can you explain how your BPU systems (Business Process Utility) are helping MFIs redefine their business?

**C V Prakash:** There are two fundamental factors. Firstly, I think we today carry one of the most comprehensive solutions out there and secondly because it is a 'utility services model', the need for an MFI to invest in technology is dramatically reduced. Not all MFIs carry a lot of cash with them for investment in technology. Setting up offices, spending too much money on people, having overhead operations etc, has been reduced to a large extent. What we wanted to offer were these two factors and also a model of business where they feel comfortable dealing with technology.

**Microfinance Focus** <sup>[2]</sup>: Economists have shown that companies investing in IT, while not changing in-depth the way they operate, actually decrease their performance. In the micro finance sector, it is the case for about 40% of MFIs (CGAP 2008). What is your opinion on that?

**C V Prakash:** We have seen this in every sector, not just in the microfinance sector. If you take the manufacturing sector, when ERP was introduced, everybody said that ERP is going to change the way manufacturing works. It took almost five years, before people realized that how we implement it is also important. Unless you implement IT well, you will not get the benefits of it. Since you have invested in technology, you force people to use technology but that is not what IT is about. Be it any technology, you have to implement it well and you have to train yourself.

There are many things that IT can bring to the table like, expanded reach, better control over finances, people etc. given that people should understand that IT is only as good as how you implement it. What we are seeing in the microfinance sector is again a phase and I am sure it won't take five years for the sector to realize it, probably people have already started realizing it. I've seen customers of past who have within a year or two of operations, have appointed consultants and doing some kind of transformation. Bringing about some productivity and change in the way they are working. Even things like reorganizing clusters, you can achieve better productivity. They are gradually bringing in these changes.

**Microfinance Focus** <sup>[2]</sup>: Are there any new MFIs that are looking forward to avail your services?

**C V Prakash:** We are not very aggressive as a marketing company because we have an equally important growth on what we call a Comprehensive ecosystem. We are into microfinance, Microbanking, Microinsurance, we are just getting into payments. Payment is a completely new strategy where we are acquiring some companies and we are trying to build that capability. Since we are little bit wide spread in our portfolio services, we don't set targets like 100 MFIs by the end of the year. We are doing about 5 MFIs closure by the end of the quarter and these are good mid-size customers.

**Microfinance Focus** <sup>[2]</sup>: Can you tell us about the new version of MFResolve?

**C V Prakash:** The new version of MFResolve is being beta tested as we speak. There are few very exciting features about it. It has a very powerful core engine. Since Microfinance is about managing people, in our new version, we are allowing our customer to organize tasks and take the tasks with them to the fields. As a branch head, I can sent the tasks to my field agent and can say that you are going to do this tomorrow and this is the data that you need to carry with you. So the system actually pulls out the right amount of data, which is required for that day for the person and delivers it in a mode which is either interactive or in the form of a print out.

**Microfinance Focus** <sup>[2]</sup>: Are there any areas where MFIs need to improve to better utilize information Technology?

**C V Prakash:** The MFIs have today become very mature but I think every MFI should evaluate their IT strategy, if possible have someone evaluate it for them and more importantly they should be willing to spend time with their partners. As an IT company we don't have a magic wand and can't say that we are going to transform MFIs but if they believe in us and can spend time with us then a lot more can be achieved.

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