MAMBU

# Grameen America creates opportunities for entrepreneurial women.

**Case Study**

Grameen America

GRAMEEN AMERICA

# Executive summary

## About

Grameen America began as a nonprofit in 2008 to provide small loans, credit and asset building, as well as financial education programs to women entrepreneurs who live below the poverty line to help them build small businesses and empower them to provide better lives for themselves and their families.

## Goals

Until 2013, Grameen America relied on custom-built legacy software. Although it supported the microfinance institution's unique lending model, it was not scalable. The cash-based loan system was setting the organization behind, and Grameen America was unable to grow and scale its operations. The tech team recommended migrating from its legacy server-based system to an elastic cloud native system.

## Approach

The team initiated two pilots to see if Mambu's cloud banking platform could perform on par with, and in many ways better than the legacy system. The pilots demonstrated that Mambu radically improves operational functions, and Grameen America began rolling out the new system nationally.

## Results

The move to the cloud not only improved Grameen America's loan processing and overall borrower experience but it also enhanced internal and external auditing capabilities. Enhanced data accuracy resulted in better data analytics and Grameen America is now able to conduct surprise audits and to detect fraud early on based on data irregularities. The organization's loan transaction time was reduced by 50% and the caseload benchmark grew by 25%. Since Grameen America moved to a 100% digital disbursements and repayments,the overall organization has become more than 60% financially sustainable.

- **MFI**
- Active in
  **19 cities**
  cities across the USA
- **175**
  employees
- Invested over
  **$2 billion**
- **142,500+**
  members
- **Loans, savings, credit scoring, financial education**

https://www.grameenamerica.org/

## About Grameen America

Founded in Queens, NY, in 2008, Grameen America is a nonprofit that builds on the legacy and proven model of Nobel Peace Prize laureate Muhammad Yunus. His revolutionary idea that all people can lift themselves out of poverty through their own entrepreneurial spirit has dramatically altered how the world views global poverty.

Grameen America provides microloans, financial education, and support to women who live below the federal poverty line, for whom the mainstream financial system is out of reach. With nearly 27 percent of US households being unbanked or underbanked, more than 40 million people live in poverty. According to the National Women's Law Center, women are disproportionately affected, and more than one in eight women live in poverty. The lack of access to financial capital is exacerbated by the fact that women entrepreneurs often live outside of the formal banking system, and tend to run companies in industries that are not attractive to commercial banks for lending purposes.

Unlike most commercial banking institutions, Grameen America utilizes a group-lending model where women are guided by a Grameen America loan officer and can receive a loan of up to $2,000 initially, with larger loans available later on. To qualify, each borrower must have an annual income below the poverty line but does not need to have a bank account, collateral, or credit score. The strength of Grameen America's model is its focus on community lending where the pteer support and monitoring system serves as a strong motivator for each borrower to repay their loan.

**Grameen America has tremendously contributed to financial inclusion and is operating in 19 cities across the US. The nonprofit has invested over $2 billion in more than 142,500 low-income women entrepreneurs since January 2008.**

## Business challenge

By 2013, Grameen America was serving more than 25,000 clients and felt that it was time to scale. They realized that transitioning their field operations to a fully digital platform was key to expanding Grameen America's reach and took the opportunity to improve transaction efficiency, data integrity, auditing capability, and borrower experience.

Until then, a typical Grameen America community meeting could have as many as 30 attendees each carrying cash for that week's repayment. The center manager would collect, and manually count and document the payments in the borrowers' passbooks. The manual data entry process often led to mistakes and delays, resulting in an irreconcilable one percent margin of error in Grameen America's loan portfolio. Finally, the entire process could take up to 45 minutes of an hour-long meeting, leaving only 15 minutes to exchange ideas, and seek advice.

Before the transition to the cloud, Grameen America had relied on the gBanker software that was custom-built in Bangladesh for Grameen Bank. While the legacy software supported the bank's unique lending model, it was better suited for the Bangladeshi context than the US one. After exploring the choices, Grameen America's technology team recommended migrating from the legacy server-based system to a cloud native system that would (1) be easily accessible from a mobile device and (2) would ensure less or no downtime.

To test how a new solution would perform and whether it was the right cultural fit, Grameen America's tech team made a decision to run a pilot. They chose Mambu because of the platform's high flexibility and the scalability of the system, and the rigor of the team and processes.

## Objectives

- Streamline processes to increase staff caseload capacity
- Improve customer service and borrower experience
- Reduce front and back-office administrative work
- Go paperless and cashless
- Free themselves of data center management
- Improve data integrity
- Meet upcoming regulatory requirements

## Solution

### *Pilot A*

**The initial stealth pilot that Grameen America and Mambu embarked upon took place in Puerto Rico in 2013. The goal was to test whether an off-the-shelf solution could perform on par with, and in many ways better than, the legacy gBanker solution.**

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Pilot A demonstrated that Mambu's platform could radically improve Grameen America's key operational functions. However, while the newly established Puerto Rico branch was chosen specifically because local loan officers still did not have a "set way" of entering and managing loan data, the lack of the legacy system created limitations around the pilot.

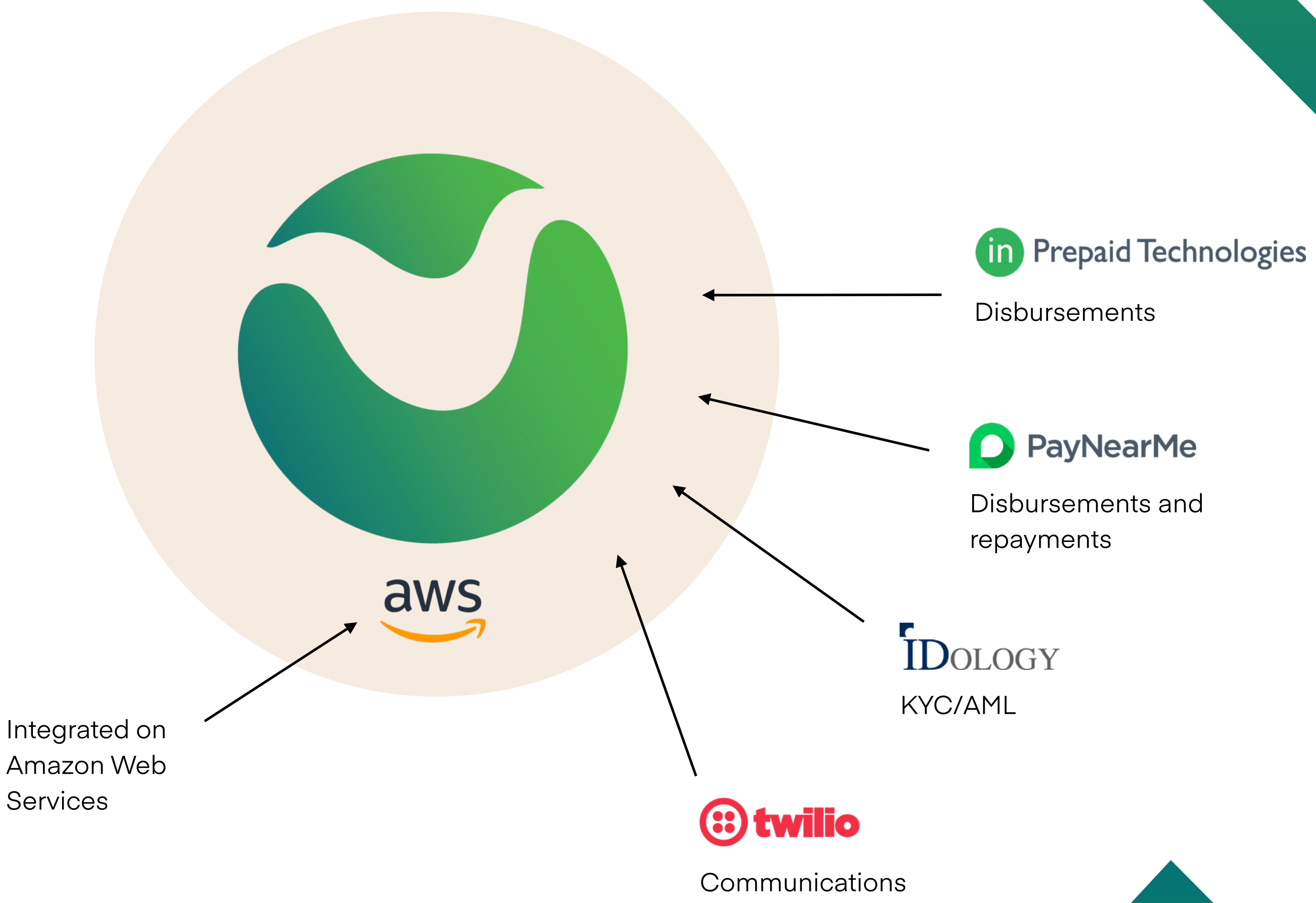
For this reason, the tech team decided to conduct a second pilot at the Sunset Park branch, in Brooklyn. The moderate size of the location allowed the team to avoid taking on too much risk, at the same time the branch would be able to give feedback based on their experience with the gBanker system, ensuring credibility with other branch managers and the nonprofit's senior leadership team.

## *Pilot B*

The second pilot took place in April 2016 and, given the Mambu platform's strategic significance, was approached in a cardinally different way. This time the team established a task force that met regularly to discuss the pilot, its progress, and ways to overcome roadblocks, ensuring proper documentation and feedback throughout.

The close proximity to Grameen America's headquarters also allowed the tech team to check in frequently to test the progress of the pilot, quickly making adjustments to the software as needed. As frontline staff, the centre managers provided invaluable feedback as they could quickly test the platform in action.

Both, Pilot A and B, played an important role in building buy-in amongst Grameen America's senior leadership team and in ensuring that Mambu's platform would be accepted by the frontline center managers and borrowers.



## Implementation

The national roll-out of Mambu's platform took place over the course of nine months, starting in Q3 2016 and ending in Q1 2017. The roll-out occurred gradually, region by region. Before the official roll-out, all staff also went through a six-to-seven week pre-migration training process.

Initially, the move to the cloud was met with considerable resistance, as the branches were reluctant to embrace a more advanced technological system because of the fear of the unknown. To support a quick and smooth adoption of the new system, each branch identified and trained a Mambu champion, who advocated for its benefits, provided ongoing support and helped troubleshoot the new platform locally.

Lastly, all of Grameen America's departments, including the tech team, finance department and field operations, made use of Mambu's sandbox environment. The sandbox allowed them to understand how Mambu works, to test the application and reporting functions, check that all loan data from the legacy system were migrated properly and to practice using the system – with no impact on the system in real-time.

## Results

To Grameen America moving to the cloud meant improvements in loan processing and overall borrower experience and enhanced internal and external auditing capabilities. Enhanced data accuracy resulted in better data analytics and Grameen America is now able to conduct surprise audits, and to detect fraud based on data irregularities. Mambu enabled stronger controls around how information in the system can be manipulated or accidentally impaired.

Through open APIs, Mambu seamlessly integrates with other off-the-shelf software solutions, giving even greater benefits to Grameen America's borrowers. For example, Grameen America implemented compliance-related software and disbursement cards for loans quickly and easily.

Within a month of Mambu's deployment, loan transaction time was reduced by an average of 50 percent per branch. With less time spent on manual cash processing, Grameen America is able to lend to a greater number of female entrepreneurs. Since Mambu's rollout, the caseload benchmark has increased from 400 to 500 borrowers per center manager and each branch can now support all of its borrowers with one fewer center manager.

Even with a smaller staff and a 25 percent increase in the caseload, the center managers report having more time to support their borrowers and build the community. Mambu also increased the information that the field operations staff have at their fingertips, empowering center managers to quickly verify loan payments so that they can then use their weekly borrower meetings to focus on content-rich discussions.

> **Mambu shares our commitment to constant innovation, leveraging technology to empower individuals, while streamlining and improving operating efficiency and effectiveness. Mambu's platform has enabled Grameen America to transform our member experience and provide powerful digital solutions to further accelerate our organization's growth and impact for women entrepreneurs nationwide.**

**Andrea Jung**
President and CEO of Grameen America

Grameen America's Jackson Heights branch became the first branch to achieve 100 percent financial sustainability. Today, more branches have become financially self-sustaining and the organization overall is more than 60 percent financially sustainable. By both decreasing the needed branch staff from ten to nine, and improving the caseload per center manager, Grameen America expects the number of self-sustaining branches to grow at an even faster rate, with the organization soon becoming 100 percent financially self-sustaining.

Lastly, by becoming digital, Grameen America laid the groundwork for its borrowers to also become digital. Integrating with a third-party vendor called PayNearMe, allows members to repay their loans in any way that suits them - at nearby convenience stores (7-11, Family Dollar, Caseys), at any CVS retail pharmacy chain, and by debit and the national automated clearing house (ACH) for electronic funds transfers.

By moving to a predominantly cashless system, theft and safety issues around the community meetings have been largely mitigated, as have any concerns around internal theft of funds or fraud.

Until mid-2020, Grameen America made use of Wirecard, the now-insolvent German payment processor, for its electronic payment transactions.

When on 26 June, 2020, without prior notice or warning, the UK Financial Conduct Authority suspended its permission for Wirecard Card Solutions Limited to operate, this affected thousands of companies globally, including Grameen America.

However, thanks to Mambu's robust API, Grameen America was able to swap out the connector and implemented Prepaid Technologies, their current third-party solution for disbursements, in less than three weeks. As a result, the business experienced no interruption in their operations.

Loan transaction time reduced by

50%

Caseload benchmark grew by

25%

The organization has become more than

60%

financially sustainable

100%

digital disbursements and repayments

## Benefits

- Enhanced data integrity and data analytics
- Demonstrably better internal auditing and accounting
- Ability to add new features and functionality
- Decreased theft and reduced security risk
- Empowered field operations
- Potential for more content-rich meetings
- Faster notification of potential delinquencies
- Improved efficiency and work quality

## Lessons learned

If, like Grameen America, your company was not born in the cloud and you will need to undergo a data and tech stack migration as part of your digital transformation, the way you plan and approach the transition will be key to success.

# 1

Convince stakeholders. To overcome objections and resistance to change, build strong arguments for moving away from the legacy system, such as the ability to simplify the transaction processes, improved personal safety as a result of a cashless system, transforming administrative community meetings into content-rich discussions.

# 2

Run a pilot. Conduct at least one thorough pilot. Grameen America used a two-step pilot process which allowed them to refine Mambu and gain a deeper knowledge of the features and functionalities that would be necessary to digitize. Both pilots were critical to designing the right technology and solidifying the product prior to the national roll-out.

# 3

Plan the migration. To avoid any disruption or downtime during the migration process, consider staff training ahead of time. Because Grameen America's staff was moving from manual processes to digital ones, it took time to get familiar with the new system which resulted in temporary losses in operational efficiency.

# 4

Identify Mambu champions. To mitigate the transition process, consider identifying Mambu champions who will support training and adoption efforts. To Grameen America, the Mambu champions served critical roles, both as trainers and advocates for the new platform.

# 5

Keep your legacy feature sets. Grameen America's tech team kept old feature sets to ensure a level of familiarity with the new platform. Avoiding a full removal of the legacy features, enabled the center managers to become comfortable with Mambu, because the platform mirrored some of its predecessor's functionality.

**Mambu.** Where modern financial experiences are built.

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