CASE FOR SEPARATE AND SEAMLESSLY INTERFACING PACKAGES

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Having access to a full-featured accounting software package:
• The two software are quite different. You get the best of each by having 2 different packages that interface seamlessly. In this way, clients have access both to a full-featured savings and loan tracking software and to a full feature accounting software package.
• Many vendors will acknowledge that their "integrated accounting" is actually a basic and rudimentary general ledger that provides limited accounting features. Many institutions have realized after implementing “integrated software” that they had to buy an additional third-party accounting package anyway.
• Off-the-shelf accounting software is improving dramatically each year. Companies who market off-the-shelf accounting software are specialized in accounting and compete to develop and offer the best accounting product.

More manageable sized implementation projects:
• You can handle the implementation of the two software separately, having more manageable sized projects, thereby increasing your chance of success.

More manageable software
• In theory, the operation of fully integrated software seems easier. In practice, it is often the opposite. To merge two applications of different nature in the same software make the operation more complex.
• With integrated software, transactions are automatically and instantaneously posted to the General Ledger, providing no opportunity to catch simple data entry errors prior to posting. Management must regularly review transactions for accuracy, which can be cumbersome and time consuming.
• Generally, fully integrated systems are seen in large financial institutions, they may mean higher complexity, can be more expensive, may require sophisticated maintenance by in-house IT specialist(s) and could lack flexibility.
• Transferring consolidated data from loan tracking software to third-party accounting systems is relatively easy. Some savings and loan transactional systems provide electronic links to external accounting packages.

Better control and security
• Completely separate loan tracking and accounting systems can be more secure. In this way, clients can be sure that what is recorded in the accounting records has been cross-checked and matches what is shown in the transactional system. Internal control can be much easier.
• Complex integrated systems can be subject to fraud by technical experts. Generally the institutions have to hire technology experts to control and check other technical experts, which can be expensive.
• According to some experts, integrated software makes it possible to avoid the errors between the transactional system and the accounting system. It is generally not the case. It is easier to identify errors and to reconcile the general ledger with the journals and
the bank statements when the accounting system and the transactional system are separated.

Less expensive solutions

- Fully integrated software means the MFI is depending on only one supplier for the two systems. That can prove to be expensive and frustrating if the supplier imposes high prices for modifications on the system or if it does not have the availability to meet the needs of the IMF, especially in cases where microfinance represents a small share of its customers base.
- Adding new features to the system (upgrading) could be a lot more complex and expensive with “integrated” systems.

CASE FOR FULLY INTEGRATED PACKAGES

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Data Consistency:

- Quite often separate database packages contain inconsistent data, i.e. customer account data are out of touch with information in the balance sheet of the accounting package.
- Any worthy integrated package posts both the transactions, as well as corrections to customer accounts and to the General Ledger. In fact, the data inconsistency in case of separate packages mostly happens due to such corrections that have been done in one package and not in another.

Control and security:

- How is control supposed to better and easier to check in separate packages? In fact the situation is opposite in most cases, since quite often proper procedures are not in place for such cross-checking, whereas a good integrated package does it automatically.
- Separate systems can be subject to fraud by technical experts to the same extent as integrated system.

Upgrading packages:

- Upgrade of one package quite often leads to failure in interface between the two packages (or sometimes it is three, four or more packages that are used for different purposes).

Support and maintenance:

- Support and maintenance becomes more difficult, since two or sometimes more independent packages have to be maintained.
- Depending on two suppliers is not any better than one supplier. You still need to negotiate the customization, and the presence of second supplier does not make situation any easier on the customer. In addition to that the changes in your business practices might require the change in both packages, which might be more costly.

I still agree that there are cases when separate packages can and should be considered, but certainly it is not a solution for all cases and everybody.