

Secrets to Success in Informal Sector Financial Compliance: Utilizing New Technological Application for Improved Community Health Program Efficiency and Effectiveness

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ABSTRACT

Secrets to success in informal sector financial compliance: Utilizing new technological applications for improved community health program efficiency and effectiveness
Financial compliance is an essential aspect of good project management. Most organizations function inside the formal economy for [funds disbursement](#). However, frequently community health activities involve the lowest economic sector consequently working outside the formal economy. Substantial effort to maintain donor related financial compliance exposes staff to individual security risks, loss of resources, cumbersome financial reconciliation, risk of fraud and corrupt procurement procedures. New products in mobile money platforms, recently developed to address needs of businesses operating in the informal sector are available. AIC KIJABE [Maternal Newborn Community Health Program](#) adapted a mobile money platform of funds. We customized its protocols to develop best practice for improved compliance in informal sector of community health work to meet needs for transport reimbursements and informal sector catering services. It includes a real-time payment and receipting, combined with an online budgeting for staff which radically improved field work efficiency, reduced financial risks, eliminated carrying hard cash for payments and reduced accounting work effort. Adoption of the new system began in June 2017. The pilot demonstrated reduction in staff hours required for cash procurement, distribution, and accounting from 4 hours to 1 hour for a similar field activity. Additionally, a reduction of multiple trips to one trip by the project vehicle to follow institutional procedures eliminated staff time and saved Ksh6200 on mileage costs. Total estimate savings in terms of hours of productivity for staff deployed reduced effectively, from 4 staff per activity to 2 staff. Improved compliance was noted by our grant management service and adopted across range of their programs in their national scope and they are assessing for a multi-country application of the same in their other programs.

INTRODUCTION

Background of the Study

Financial compliance is an essential aspect of good project management. Financial compliance rules are increasing and regulations are increasingly difficult and time consuming to administer. Yet financial compliance at the highest level is essential for donor management. Management of finances to ensure value for money is also a part in good donor relations. The importance of financial compliances requires a verification process that tracks all the transactions. The tracking is supposed to verify that the amount was paid, to whom it was paid, the date, time of the payment and written confirmation of receipt by the recipient. Consequently, showing evidence that the transaction took place in the first place. Reconciliation is an important tool in financial

management it enables reconciliation of the cash book, the bank, and field activities this brings synchrony of the projected budget and the actual budget. Another fundamental compliance is that of the programs and partners financial policy and procedures.

Programs work in formal sectors where financial accountability is governed by both national and international regulation. These regulations provide a safety net for donors who require transparency and accountability to demonstrate value for money in achieving their objective. In order to achieve United Nations sustainable development goals (SDGs) universal healthcare access, it is essential to work at the community level in primary healthcare with an emphasis in health prevention and promotion. This is particularly important in addressing maternal and child health. Community health workers are the front line of service delivery in increasing demand for and utilization of primary healthcare services. Community Health Workers (CHW'S) work predominantly in the informal sector and the standard way of doing business in the informal sector is cash. This was necessary for community health field activities for routine reimbursements of people who were volunteers and at the lowest level of the economic sector.

Mobile money is safer than all handling cash in the informal sector. Risks of cash based systems face challenges in tracking direct utilization of funds which is usually paper based and exposes programs to individual staff risks ranging from theft to Fraud to physical harm. The challenges of the cash base system range from; with finding correct change of small amounts for transport reimbursement, to more efficient verification of payments, participation verification, date and frequency. According to Kikulwe, Fischer and Qaim (2014) this platform facilitates transfer between business partners and reducing transaction costs.

In 2007, Safaricom, launched a mobile money program called M-Pesa (Ekim, 2014). This platform has gone through a many iterative cycles in meeting customer needs and wants. The direct bulk disbursement product introduced to the market was aimed at sending money from a business to a customer. This is a structured payment plan that is used to pay daily wages, dividends and insurance. It cuts off the manual process because it is done online and it issues receipts. It was developed to cater for merchants who want to pay a large group of people who are predetermined (Safaricom, 2018). This system is not ideal for unstructured payment for people who are not predetermined.

Adaption of using mobile money systems in developing countries like Kenya with the aim of including the informal sector is on the rise. "Mobile money services are being deployed rapidly across emerging markets as a key tool to further the goal of financial inclusion. Financial inclusion, the development of novel methods to enable individuals at the base of the pyramid to access formal financial services and become part of the formal financial system, is considered a key pre-requisite for lifting these populations out of poverty and for driving economic growth" (Lal and Sadchev, 2015, p3). They stated that the advances money services offered range from money transfers, savings and more recently loans.

According to the Communication Authority of Kenya (2018) growth of mobile money platforms has attracted major investors into the trade bring about regulations to enhance fair trade. The rise

of competition in mobile telecommunication has introduced “porting” as a way of merging all the mobile service providers where the customers will not be exploited. Furthermore, in the effort of protecting the interest of the customers, the users will not be restricted to one mobile service contractor. The Kenyan government has established an enabling environment hence more people are subscribing to mobile telephony. These advances in technology and costs of utilizing mobile money have meant that these services have penetrated the lowest economic sectors (where CHWs function). Additionally, the advances in services provided by mobile money platforms include line item tracking and statements. Similarly, the growth has led to an increase in the customer base (Etim, 2014). Mobile money platform has been used as a means to achieve financial compliance in the informal sector; for accountability, budgeting, reconciliation, reporting and timelines.

Kijabe Hospital Maternal Newborn Community Health Program

AIC Kijabe Hospital (2017) Kijabe Hospital (KH) is a Faith based organization that has been offering health care services for over one century. It functions on the formal economy as is expected by other related types of organizations. According to a World Bank blog of Dasgupta (2016), many people work in the informal sector as an obligation and not by choice. Maternal Newborn Community Health (MNCH) program operates in the informal sector. The program works outside hospital walls and functions at a lower economic subset of the population, forcing the program to work outside the formal economy where there is structure as stated by Funds for NGOs (2018). This has posed a series of compliance challenges and individual risk to staff. Since the program’s inception of ten years ago, Kijabe Hospital Maternal Newborn Community Health Project has been working with the objective of reaching out to the neighboring communities on preventive healthcare in collaboration with the Ministry of Health (MOH) to achieve national healthcare goals (Measure Evaluation, 2016).

MNCH program reimburses Community Health Volunteers (CHV’S) and Ministry of Health Officials’ transport during capacity building activities. In addition, they offer meals during trainings and activities. As a way showing compassion to the participants who take time off their usual activities to spend time being trained as community health volunteers considering that they are not on a pay roll. People at the base of the economic pyramid rarely have sufficient financial margin to finance BOTH the giving of their time and the transport costs involved in volunteer activities. The MNCH training programs run in different sub counties where the volunteer participants commute daily for two weeks of community health strategy training (Ministry of Health [MOH], 2007); basic training and MOH 513, a house household health survey or commute daily for Maternal newborn classes which take seven months to complete. The project officers are required to train, organize for meals and reimburse transport to the participants as part of their routine duties.

Potential limitations of the mobile money platform

According to the Communication Authority of Kenya (2018), 86.2% of the country has mobile coverage while 28.7 million people access mobile money transfer service subscriptions. Additionally, the report states that there has been an increase of mobile money agents. That

notwithstanding, limitation may arise in areas where the participants cannot access network or proximity to Mpesa agents to remove cash. The mobile money is sent from a financial institution which is usually the holder of the money (Lal and Sachdev, 2015). These institutions usually have set working hours and limitations that may cause delays of money transfers.

Assumptions of the study

90% the participants have own registered mobile phones and the rest will have a trusted family member who owns one.

Participants have access to mobile money agents.

Participants live in areas where there is good network coverage.

The participants will accept to mobile money transfer instead of cash.

The participants will trust that the MNCH will pay them after one week as opposed to paying them daily.

Justifications/rational for the study

Test replacement of cash payment system with mobile payment system so as to examine both systems for efficiency and effectiveness.

METHODOLOGY

The study designed a pre post examination of financial procedures in the setting of informal sector community health field activities; using standard cash based system (pre) and a mobile money platform (post) for field activity reimbursements. We examined staff hours required for budgeting, reconciliation, and reporting. We also examined transport expenses for moving cash to the field activity and banking fees (relevant to the mobile money platform).

Procedure used in acquiring and disbursing of funds using the cash system required that an activity budget be developed and receive approval. A Cash advance was obtained and based on budgeted expenses. When cash released required a separate approval form. Once the director signed; the document was taken to the accounts department then cash was dispensed. The accounts department has a policy that cash payment was not available until 10am, making it necessary that a MNCH staff person stay behind the rest of the team on a given days activities in order to receive money and then travel via public means or a second trip with the project vehicle was required. This meant getting cash to handle field responsibilities required us to pay a nurse or other senior staff person who could be trusted during all the extra time spent to work with cash window hours.

In addition, at times in order to address the timing of cash window, an available staff member would get cash the day before exposing them to additional risk of an extended time where they were responsible for cash. Organisation policy would set financial limits which meant that

insufficient cash could be dispensed at one time and so a week advance notice was required for amounts that were routinely required for larger activities. The advance notice allowed the finance department to be certain they had sufficient cash reserves to handle patient related hospital bills. The cash payment system utilized the accounting services of Kijabe Hospital for maintaining accurate records of cash advances, reconciliation of cash that was not spent in the field, general accounts, banking, etc. Given the paper based system and field activities in the informal economy, delays in account reconciliation were inevitable. Thus getting real time account information for forecasting was problematic. Cash payments pose a risk for programs and individual staff, requiring additional attention to detail, working within established norms and hospital policy in order to obtain cash from the business department in order to carry on normal project related activities. Carrying large amounts of cash poses a threat to individual staff security, receipting issues can be cumbersome in close to the community programs, especially where small reimbursements of workers or volunteers are irregular (as opposed to monthly salary), and the participants are not formally employed.

Procedure for acquiring funds Mobile payment system used development cycle kept being improved to meet customer needs. The program contracted Hospital Support Organization (HSO) to handle online cash transactions for the field activities in June 2017. Fees for HSO grants management services were negotiated at 6% of grant income. However, the advantage of the HSO grants management system was a willingness to work with a mobile money platform. Fees on the mobile money platform were a per transaction amount. The mobile money platform option in Kenya is quite sophisticated. Mobile money transactions is available in leading communication companies, the completion within the companies have made these services attractive. Recent advances in the services offered by the mobile money platforms and collaborations with banks meant opportunity to explore this alternative to the cash based system (Logan, 2017). This mobile money platform system was introduced as a pilot program jointly by MNCHP and HSO as a solution to the challenges faced in the cash system. Neither HSO nor MNCHP had used the program before.

The stages of mobile transfer required an iterative cycle to improve systems for the field staff. During preparation; the project officer is required to send the list of the CHV's and a separate list for the MOH sub-county staff who would be participating in the training. This attendance form is to be filled in on the first day of the training (usually Monday) and confirmation of the list should be done on Wednesday. At the second stage, a field officer would ensure the final list is sent to the project manager by taking a picture and sending it through whatsapp or using a tiny scanner app, he would scan the document and send on email. The list was then sent to HSO and within two hours the participants would receive their payment and sign on the attendance list. In the case of one day events like the Maternal Newborn class, the list would be signed at the beginning of the training. Since HSO will need a notice of at two days, MNCH will avail the budget of the training in advance. The payment would be done while the training is going on and they would sign at the end of the training.

Caterers would be contracted during the preparation stage of the activity; where they would contract and sign an agreement form containing, the date, time, number of people, number of

meals, registered mobile number and full identification of the caterer. Once the proper procurement procedures had been followed, the project officer would share the quotation with the project manager. On receiving this information, the project manager will liaise with HSO and the payment would be done in two installments. This procedure would apply to payments of all services that are not provided by KH. Commercial Bank of Africa(2018) that internet banking can work across all networks for flexibility and efficiency.

The projected would be sent to HSO at least two days in advance to give them ample time for preparation. The department would procure three mobile phones that would be registered to the program officers to serve as petty cash phones. The officer would be required print a self-care statement at the end of every month for reconciliation. The petty cash telephone will be used for MNCH purposes only.

RESULTS AND DISCUSSION

In June 2017 MNCHP embarked on journey to embrace innovation by moving to a mobile remittances payment platform. Whereas the cash system is considered familiar, cheaper with no disbursement fees, the online system is fast, reliable, shows accountability and saves resources. The result will show the similarities of both methods of disbursing funds, the differences and challenges faced.

One of the similarities between the mobile money and cash systems is that they both pay the contracted caterer, the CHV's and MOH staff transport reimbursement paid at the end of the activities. Likewise, in both systems the activity budget for catering and transportation reimbursements (i.e. caterer's projected budget and the actual budget remained constant (that is the price the caterer quoted remained the same) as shown in the table below. Additionally, they both have a similar process of authorization for cash to be released, however the mobile money system utilized and electronic authorization process via email so real time activities could be tracked in the field. The cash system was all paper based and required a face to face authorization signature and a cash window disbursement. Both the payment systems exhibited time delays for field activities.

ITEM	FREQUENCY		PERCENTAGE	
	PRE	POST	PRE	POST
Staff hours spent collecting and reimbursing cash during the activities	4 hours	1 hour	75%	25%
Amount of time spent on funds reconciliation after the activities	30mins	0	100%	0
Vehicle mileage during two week long activities	2, 368	1,968	83%	17%
The amount of money spent	0	5235	0	100

disbursing funds				
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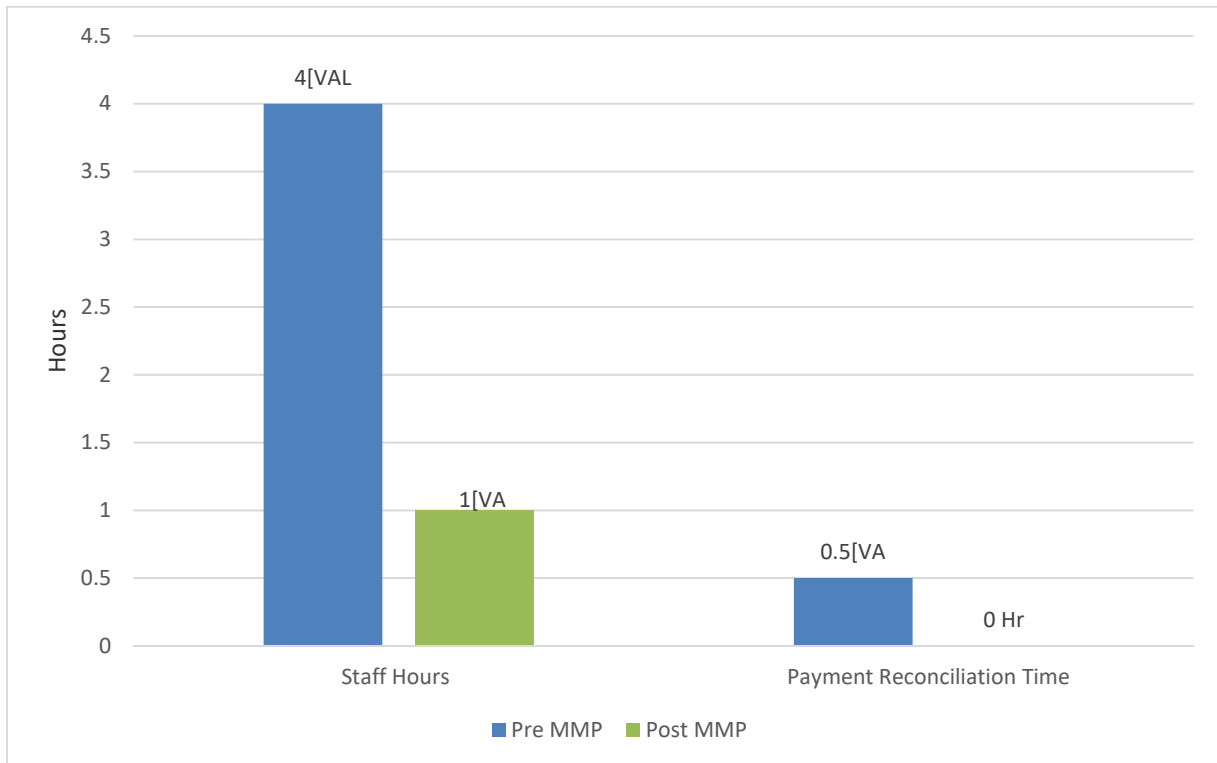


Figure 1. Time comparison between pre and post mobile money payment

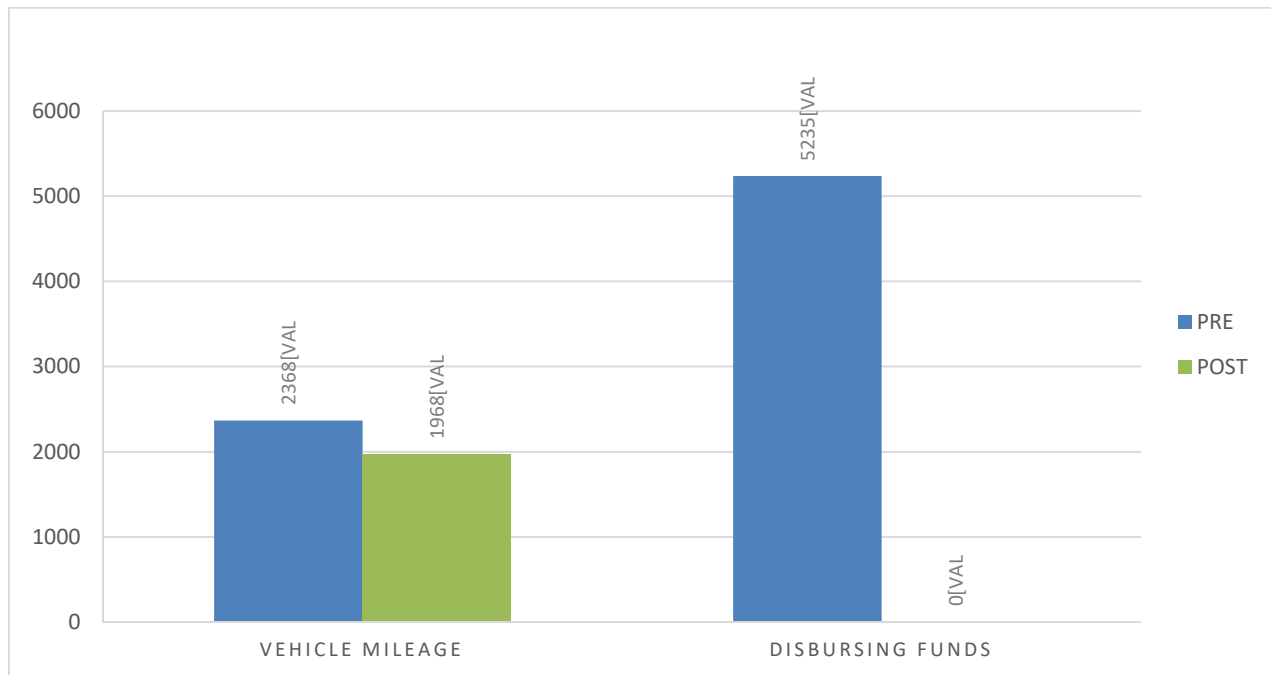


Figure 2. Difference in Vehicle Mileage and Disbursing funds before and after mobile money payment was introduced

The financial statements from the online platform were received on time whilst the cash payment needed more clarification from the field officer who had to create time to reconcile the finances with the accountant. The project officer was required to spend a four hours in the office carrying out reconciliations manually. This is because of the daily paper work on attendance sheets and the daily remittance to the caterer. The time spent on cash reconciliation has been reduced to (1 hour) 25 % because the field officer does not carry cash. At the end of every month the field officer is required to print out his Mpesa statement and attach it to the petty cash vouchers he disbursed. The time saved on cash reconciliation is (3 hours) 75% and this is done once a month regardless to the number of activities (Etim, 2014).

Similarly, time has been saved in payment of participants in the field. They are paid in small denominations and accessing loose change was strenuous. The payment is done after the activity in the evening where each day has a separate sheet which would take 30 to 45 minutes. In the Mobile payment, this time has been reduced because remittance is done at the end of the week and one single signing sheet is signed on Friday in the case of a week activity. Consequently, saving time of approximately 30 minutes multiplied by four days (2hours) and reducing the stress of long rigorous financial reporting while enabling timely monthly statement to assist in program planning.

The engineering department reported a drop in mileage and fuel costs since this system was rolled out. The field officers do not spend time on the road collecting cash for the activity. Moreover, the resources like staff time have been used wisely to develop modules that are more efficient. The distance from one community health activity venue is to Kijabe. A return trip to Kijabe exhibited mileage of difference of 17%. Cost per mileage is calculated at Ksh.40 per kilometer for all

activities the saving would be. Since the cash was collected three times, it would mean that the program saved money during this activity. Just as stated by Kikulwe et al (2014) that the transaction cost taking money to the rural area is high.

Unlike the cash payment which was free, mobile money payment accrues additional of bank charges Ksh75 per transaction and an additional 27 shillings for Mpesa withdrawal charges. MNCHP accrued a total of Ksh 5235 in bank charges. This was inclusive of all the activities that were held in the same month. Similarly, there were participants who had their mobile numbers registered to different names which the banking system rejected. This caused delays that would not have been experienced in the cash system.

Limitations of the study

Study limitations include use of a small sample one program with two similar activities carried out in two different sub- counties over a period of two weeks. More so, the limitations of the study require the participants to have cell phones, registered mobile numbers and identity cards. The bank regulations are another limitation where we are dealing with a specific bank which has specific working hours. Similarly, the Hospital Support Organisation (HSO) has regulations as well; the request for funds would be sent two days in advance so that the main signatories approve cash is disbursed. Finally, the transaction is dependent on the internet connectivity.

In the online platform, the requests are done online and are copied to the authorities in charge. Their physical presence is not needed so no delays have been experienced yet. Apart from an isolated experience where the bank once went offline and delayed sending funds to the field on time; fortunately the funds were needed on the next day hence the activity was not affected. This bank issue was during the election nomination cycle and this has not been experienced again.

In conclusion, the cash system is considered familiar, cheaper with no disbursement fees whilst the online system is fast, reliable, shows accountability and saves resources. The program embraced innovation as a means of scaling high to enjoy efficient and effective financial compliance. The Hospital Support Organisation is looking to use this system with some of the programs that operate in the informal sector.

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