

**Nuts and Bolts of  
Microfinance –**

**Vision, Mission  
Objectives and  
Culture (Strategic  
Planning) –  
Examples and Tools**

## **I. VISION STATEMENT - EXAMPLES**

To empower the poor particularly poor women in rural areas to take greater control of their own lives and significantly improve their standard of living by increasing their opportunities for making productive economic investments.

The long-term vision of MFI is a society 'where citizens have equal and sufficient economic and social opportunities to improve their standards of living, and where they can contribute productively towards the overall development of the country'.

The productive poor, particularly women, have access to sustainable financial (and nonfinancial) services that significantly improves their economic opportunities and quality of life.

To be a leading financial institution who provides excellent services to poor families in order to create benefits for clients, shareholders and society.

Bank's vision is to be Nation's leading commercial bank providing superior financial services to all segments of the community.

To be a top commercial bank Who Gives Priority To Customer Satisfaction.

We bring interactive entertainment to the world.

With the help of our customers and staff we bring good things to life.

The Public Library creates opportunities.

## **II. MISSION**

To improve income in agricultural, commercial and manufacturing enterprises in the rural areas of XXX by providing loans at reasonable interest rates and encouraging savings, and specifically targeting women and poor families in order to help them achieve a higher income.

To promote the general well-being of the poor people in the province and transform them into self-reliant, self-managing, just and peaceful living communities

Our mission is to provide micro, small and medium entrepreneurs with the wherewithal to manage their financial resources efficiently and by doing so to improve the quality of their lives.

Our business is to promote human dignity through the development of self reliant, participatory financial institutions.

To provide quality and innovative financial and nonfinancial services that empowers rural banks and productive poor to excellence.

To provide financial services that are suitable for the needs of most of the rural population while ensuring MFI's long term sustainability".

XXX is an MFI who is persistent in our quest for excellent financial products, quality services and continuous learning.

### **III. OBJECTIVES**

By 2007, MFI will have serviced the need for microfinance services of 60,000 poor rural clients. By 2009, MFI will have reached 90,000 clients resulting in improved standards of living, better asset build-up and stronger civil society. This goal will be achieved through a mix of microfinance products and services that respond to the needs and preferences of our clientele.

MFI shall continue to operate as a licensed and regulated MFI under the laws of the Government of XXX. During the five-year plan period, ownership of MFI will be diversified to include socially responsible institutional investors, employee stock ownership, and individual investors. By 2009, membership in the Board of Directors will be expanded to include new shareholders.

MFI shall provide its clients financial products and services that are competitive and sensitive to their needs and preferences. It shall offer group loans that are suitable to their needs and circumstances. Individual loans will be expanded to meet the demand of clients whose microenterprises have grown and therefore are in need of larger loans. On the other hand, savings products will be offered to meet clients' demand for safe, secure and accessible deposits that provide reasonable returns. MFI's products and services will be periodically reviewed and upgraded based on changing client needs and developments in the market.

By 2009, MFI shall be a major MFI player with highly trained personnel and an effective and systematic strategy to reward excellent staff performance.

By 2009, MFI will continuously develop financial products and services that are competitive and sensitive to the demand of the market.

By 2009, MFI shall be a licensed and regulated MFI. MFI shall also build up capital to two million by 2007 and 2.5 million by 2009 through local (Individuals & ESOP) and international (SRIs) investments.

By 2009, MFI will service 90,000 poor clients with affordable and client responsive financial product and services.

By 2009, MFI shall leverage the capital build up to expand business activities and profitability. Further, MFI shall maintain a fully integrated portfolio management, accounting and internal control systems to ensure transparency and efficiency.

## IV. CULTURE

We believe that people are created equal and should be treated fairly. The poor, especially poor women, are business worthy as any other people and they deserve to have access to financial services in a proper manner.

We believe that we should deliver high quality services and performance as our responsibility to our stakeholders.

We believe that by achieving and maintaining financial sustainability, we could continue to pursue our vision and mission.

The staff of MFI have the following values in their work:

- Integrity
- Trustworthiness
- Customer Oriented
- Teamwork
- Participatory Process
- Continuous Learning
- Transparency

We will at all times observe the highest principles of ethical behaviour, respect for society, the law and the environment.

We will listen to our clients and commit ourselves to consistently meeting or exceeding their expectations with forethought, flexibility, customer-focused service and quality on-time deliverables.

We are committed to strategically growing the company through constant improvement of our operations and pursuing opportunities to further our business model and capabilities.

We will be good stewards of our company's and communities' resources, embracing the responsibilities of corporate citizenship in the communities where our offices are located.

**MFI values client relationships.** Our first priority is always to ensure that the clients are fully satisfied with our services.

**MFI values quality.** We will continue to strive to serve our clients in the most efficient, effective and best possible way.

**MFI values integrity, fairness and honesty in all business dealings.** Trust is the cornerstone of our business and it will never be compromised.

**MFI values diversity and neutrality.** We serve poor people on the basis of need not ethnicity, religion or political affiliation.

**MFI values the vision of a balanced social and profit organizational agenda.** The balance assures the future of our clients and for ourselves.

**Staff value discipline.** I believe in respecting the rules of the organization and country.

**Staff value compassion.** I believe in support of those in need of help and tolerance in times of conflict.

**Staff value equality.** I believe in providing equal opportunity and treatment in all aspects of the organization.

**Staff value hard work.** I believe our future is guaranteed through the maximum effort I give to my responsibilities.

**Staff value quality.** I believe whatever I do, should be the best.

**Staff value recognition.** I believe that I should acknowledge successes and reward those who have achieved them.

**Staff value education.** I believe that I will provide the foundation for lifelong success.

## V. RISKS

### **Time Magazine Features Women's World Banking Report Which Questions Mission Drift in Commercial MFIs**

As microfinance moves more and more into the mainstream of the banking world, is some of its original mission getting lost in the shuffle? That's the implication of a [landmark study](#) released by [Women's World Banking \(WWB\)](#), a network of microfinance institutions in 29 countries. The study examined what happened at 27 outfits as they morphed from non-governmental (typically not-for-profit) organizations into regulated financial institutions, and found that they often end up lending to a smaller percentage of women - the very people they are often started to help.

The WWB study did find real benefits associated with the evolution of microfinancing, which aims to help lift people out of poverty by lending them relatively small amounts of money to start and run their own small businesses. Commercialized microfinanciers, for instance, are able to reach more borrowers and offer important new products like savings accounts. (Microfinance started out with loans largely because in most countries not-for-profits aren't allowed to take deposits; as institutions legally become so-called non-bank financial institutions or all-out banks, this changes.) But WWB also found evidence that such growth might be pushing institutions' interests to be more in line with those of their profit-seeking investors.

The detailed study comes at a critical time for the field. In the past few years, investors have realized that making a lot of tiny loans to poor people in the developing world can actually be a lucrative endeavor. The microfinance industry, which dates back decades and has historically been made up of not-for-profit organizations, has subsequently seen a flood of new money. As microfinance institutions look to tap that capital, they are increasingly becoming regulated financial institutions, which puts them under the purview of a local banking authority.

## **Principles Help Define Minimum Standards to Safeguard Vulnerable Clients**

Thirty-four of the world's largest microfinance investors have signed on to the [Client Protection Principles](#), a microfinance industry-wide initiative that encourages providers to ensure that low-income clients are treated fairly and protected from potentially harmful financial products. The Principles are distilled from the work of MFIs, international networks and national microfinance associations to develop pro-consumer codes of conduct and practices. The Client Protection Principles are an effort to define minimum standards for providers to safeguard the interests of vulnerable clients.

The 34 signatories have committed to a process to translate the Principles into standards, policies, and practices appropriate for different types of microfinance clients, products, providers, and country contexts. By doing so, these institutions commit to incorporate the Principles into their investment selection and oversight processes. While it is microfinance providers themselves that are in a position to apply the Principles, investors can encourage compliance and provide positive incentives.

[CGAP](#) is joining with others to support an industry-wide awareness-raising campaign and consultative process to develop appropriate client protection standards. While the Principles are universal, meaningful and effective implementation on the ground will require careful attention to the diversity within the provider community and conditions in different markets.

## **President Daniel Ortega Encourages Microfinance Clients to Protest High Interest Rates**

A special investigative police commission is looking into violent protests at the offices of a microfinance firm in northern Nicaragua that left five police injured and one civilian blinded in one eye with a rubber bullet. The protests turned violent after President Daniel Ortega told indebted protesters to march on bank offices earlier this month in a speech in the northern farming town of Jalapa.

Police Chief Aminta Granera told reporters Tuesday that when four police arrived to secure the entrance of the microfinance firm Fundenuse in Ocotal, Nuevo Segovia, so that workers could enter and exit safely, the officers were confronted by protesters wielding machetes, shovels, and Molotov cocktails.

Fundenuse is one of several microfinance firms that have closed their doors for more than a week since protesters took to their offices, and in some cases threatening employees, according to a statement from the Nicaraguan Association of Microfinanciers (ASOMIF).

“We express our surprise and worry for declarations made by the president of the republic on July 12 in Jalapa, calling for a renegotiation with microfinanciers, even though we've already agreed to a debt restructuring agreement with the members of the movement, with (Sandinista) legislators as witnesses,” ASOMIF said in a statement.



## **MicroFinance Transparency Aims to Prevent Companies from Exploiting the Poor**

Chuck Waterfield, a professor at [Columbia University](#) and Muhammad Yunus have launched [MicroFinance Transparency](#), a new self-monitoring organization, at this week's [Asia-Pacific Regional Microcredit Summit 2008](#). MicroFinance Transparency's goal is to prevent companies from taking advantage of poor people with high interest rates and misleading credit offers. The website will post interest rates charged by microcredit lenders around the world.

"Microfinance emerged as a struggle against loan sharks, so we don't want to see new loan sharks created in the name of microcredit," said Muhammad Yunus. In an effort to head off a potential crisis in the fast-expanding microfinance industry, its leaders are adopting global truth-in-lending standards and creating a system for comparing loan terms offered by competing lenders.

## **Microfinance's Success Sets Off a Debate in Mexico**

Carlos Danel and Carlos Labarthe turned a nonprofit that lent money to Mexico's poor into one of the country's most profitable banks. But not all of their colleagues in the world of microlending - so named for the tiny loans it grants - are heaping praise on the co-executives of Compartamos. Some are vilifying them as "pawnbrokers" and "money lenders."

They are the center of a fractious debate: how far should microfinance go toward becoming big business? At one end stand traditional microlenders, like the economist Muhammad Yunus, founder of the most famous microlender, the Grameen Bank, and winner of the 2006 Nobel Peace Prize. At the other are the Two Carloses, as they are widely known in this tight-knit world that gave them their start as starry-eyed idealists.

Microlenders, the original and still the most common type of microfinance organization, help the poor start or expand businesses in places most banks shun, like the slums of Calcutta or these impoverished hills in Mexico's sugar cane country, three hours south of Mexico City. Their efforts are widely considered successful in transforming the lives of developing-world entrepreneurs, particularly women, and their families. Many microlending advocates, including Mr. Yunus, say that success is threatened by Mr. Danel and Mr. Labarthe's market-oriented model, with its emphasis on investor returns.

## **Letter Clarifies Compartamos' Core Beliefs in Response to Debate Raised by IPO**

One year after its initial public offering (IPO), [Compartamos Banco](#) has released a letter to the microfinance community to share its core beliefs. Through this letter, Compartamos wishes to contribute to the debate prompted by its IPO, clarify its stand and be more accountable to the microfinance community. Compartamos expresses as its core beliefs that:

- We believe in people.
- We believe that microfinance is finance and has to be sustainable.
- Economic value is a consequence of social value.
- The main contribution of microfinance is the expansion of the market.
- Microfinance has great economic value.
- The challenge of combating poverty is much larger than microfinance itself.

## VI. PLANNING – STRATEGIC PLANNING

### Market Assessment - MFI Market Position

MFI		Active Clients – Dec 07	Market Share
1	Assiut Business Association	194,367	18%
2	Lead	106,321	10%
3	ESED (Cairo Foundation)	93,726	9%
4	Banque du Caire	92,843	9%
5	Dakahlia Business Association	80,960	8%
6	Alexandria Business Association	70,957	7%
7	Al Tadamun Program	41,027	4%
8	National Bank for Development	34,550	3%
9	Banque Misr	29,376	3%
10	Sharkia Business Association	26,317	2%
11	CEOSS	20,508	2%
12	Bank of Alexandria	20,227	2%
13	Mobadara	17,920	2%
14	Port-Said Business Association	15,770	1%
15	Others ( 264 NGOs)	222,238	21%
<b>TOTAL</b>		<b>1,067,107</b>	<b>100%</b>

### Market Assessment – Client Market

Type of Market	Location	Description	# of clients served by MFIs	# of potential clients
Market Vendors	Markets in provincial and district capitals	Daily business with high turnover, willing to pay daily/ weekly	30% of market	70% of market
Agri - business	Rural Areas with strong agricultural production	Adding value to produce – processing Rice mills	25% of market	75% of market

Type of Market	Location	Description	Estimation of Existing Clients/Served	Estimation of Potential
Small Business	<u>Rural</u> <ul style="list-style-type: none"> <li>▪ Village (in front of client's house)</li> <li>▪ Along the road</li> <li>▪ Morning Market Selling</li> </ul>	<ul style="list-style-type: none"> <li>▪ Daily groceries selling</li> <li>▪ Credit selling (20,000 to 100,000 R/day)</li> <li>▪ Retail</li> <li>▪ 100% if the business in rural</li> <li>▪ Capital need, inventory</li> </ul>	60% of Market	40% of Market
	<u>Urban</u> <ul style="list-style-type: none"> <li>▪ Stall in the market</li> <li>▪ Whole Day</li> <li>▪ Rent stall</li> <li>▪ House</li> <li>▪ Own shop</li> </ul>	<ul style="list-style-type: none"> <li>▪ Daily groceries selling</li> <li>▪ High turnover (200,000 to 300,000 R/day)</li> <li>▪ Whole and retail</li> <li>▪ Sell as credit to connector</li> <li>▪ 60% of other business in the market</li> <li>▪ Yearly</li> </ul>	20 % of Market	80% of Market

**Environmental Analysis**

<b>Description of Opportunity</b>	<b>% of likelihood of event happening</b>	<b>Timeframe</b>	<b>Potential Impact</b>
<b>Description of Threat</b>	<b>% of likelihood of event happening</b>	<b>Timeframe</b>	<b>Potential Impact</b>

## Competition Analysis

<b>Product:</b>	<b>Our MFI</b>	<b>Competitor 1</b>	<b>Competitor 2</b>
<b>Product Design</b> <b>Policies, Terms, Conditions and Requirements</b>			
<b>Price</b> <b>Interest Rate and Fees</b>			
<b>Promotion</b> <b>Information and Advertising</b>			
<b>Place</b> <b>Transactions/ Locations</b>			
<b>Positioning</b> <b>Target Market, Slogan, Image</b>			
<b>Physical Evidence</b> <b>Location, vehicle, and documents appearance</b>			
<b>People</b> <b>Staff appearance and attitude</b>			
<b>Process</b> <b>Service, Time requirements, Comfort, Flexibility, etc</b>			

### Institutional Analysis / SWOT Analysis

Assessment Areas	Strengths	Weaknesses
<b>VMOC</b>		
<b>Governance</b>		
<b>Management</b>		
<b>Organizational Structure</b>		
<b>Human Resource Management</b>		
<b>Accounting / Management Information Systems</b>		
<b>Risk Management – Internal Controls/ Audit</b>		
<b>Products and Services</b>		
<b>Marketing/ Customer Service</b>		
<b>Financial Management / Funding Strategy</b>		

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Strong, diversified Board of Directors</li> <li>• Capable management</li> <li>• Attaining an excellent reputation both in the industry and throughout clients</li> <li>• Motivated and mature staff - Willing to learn from mistakes – internal and industry</li> <li>• Solid internal control system</li> <li>• Policy &amp; Procedures Manuals have been completed</li> <li>• Reasonably reliable information about competition and market share</li> <li>• Steps taken towards a comprehensive marketing strategy</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Relatively high client dropout rate.</li> <li>• Relatively high staff turnover.</li> <li>• Limited product diversification</li> <li>• Products offered are very similar to other competitors products</li> <li>• Semi Automated MIS</li> <li>• Still donor funded</li> <li>• Mid-level management with limited MF experience</li> </ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Unmet Demand – existing and new areas</li> <li>• Group Loan competition is weak</li> <li>• Technical Assistance availability through next two years</li> <li>• Increased partnering with private sector and commercial banks</li> <li>• Growing worldwide availability of MF Funds and social investors</li> <li>• Several efforts exerted with government to allow recognition and transforming into Non-Bank Financial Institutions (NBFI)</li> <li>• Recent creation of a Credit Bureau</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Regulatory environment not supportive of new products and sourcing funds</li> <li>• NGO status has limited growth potential</li> <li>• Increased competition in SME market</li> <li>• Lack of market information sources</li> <li>• Lack of client credit information</li> <li>• Possible donor funding for MF limited</li> <li>• Staff poaching</li> <li>• Inadequate coordination among MFIs</li> </ul>

## Leverage the Capital Build up to Expand Business & Strategy

	<b>Short-Term (Now - 1 year)</b>	<b>Mid-Term (2 – 3 years)</b>	<b>Long-Term (5 years)</b>
<b><i>Financing</i></b>	<p>Activities need:</p> <ul style="list-style-type: none"> <li>▪ Review data in business plan               <ul style="list-style-type: none"> <li>- Outreach</li> <li>- Portfolios</li> <li>- Profitability</li> <li>- Financial Assessment: ROE, ROA, Equity multiplier, Cash flow Forecasting, Managing working capital</li> </ul> </li> <li>▪ Source of funds               <ul style="list-style-type: none"> <li>- Capital paid up</li> <li>- Saving collection</li> <li>- Borrowing of staff association</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Follow up the implementation of BP</li> <li>▪ Set up AL Committee</li> <li>▪ Seek new investors</li> <li>▪ Check legal issues</li> <li>▪ Create relationship with external factors mix-market, CGAP... etc.</li> <li>▪ Continually inform BOD and gain approval</li> </ul>	<ul style="list-style-type: none"> <li>▪ Raising funds               <ul style="list-style-type: none"> <li>- New investors</li> <li>- Shareholder</li> <li>- Creditor</li> </ul> </li> <li>▪ Continually establish good relationship with external factors</li> <li>▪ Enter in Stock Exchange market</li> <li>▪ Continually inform BOD and gain approval</li> </ul>



## Fully Integrated Portfolio Mgt, ACC, and Internal Control System to Ensure Transparency and Efficiency

	<b>Short-Term (Now - 1 year)</b>	<b>Mid-Term (2 – 3 years)</b>	<b>Long-Term (5 years)</b>
<b><i>Financial Management</i></b>	<p>Activities need:</p> <ul style="list-style-type: none"> <li>▪ Consolidated F/S report</li> <li>▪ Multi-currencies system</li> <li>▪ Strengthen internal control system                             <ul style="list-style-type: none"> <li>- Financial Comptroller develop staff related to this skill</li> <li>- Internal audit (reviewing methodology of internal audit)</li> </ul> </li> <li>▪ Consider to set up internal audit function on MIS</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continually update MB Win (online application...etc.)</li> <li>▪ Continually improve on internal control system</li> <li>▪ Strengthen the securities system of MIS (password, user)</li> <li>▪ Computerize function on financial management</li> <li>▪ Set up audit function by branch level</li> <li>▪ Continually inform BOD and gain approval</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consider to change MB Win to other</li> <li>▪ Maintenance and evaluation</li> </ul>

Weaknesses	What do we want to accomplish?	How	When	Who	Resources
Operations manual does not reflect what is in field	Revised/update manual use consistently	<p>HO management review results of manual revision if necessary</p> <ol style="list-style-type: none"> <li>1. Share results of revised operations manual with BM presentations of changes</li> <li>2. BMs make suggestions for changes</li> <li>3. Revised based on suggestions and translate</li> <li>4. Develop monitoring plan</li> <li>5. Schedule branch training visits</li> <li>6. Implement training with BM at Branch gather feed back</li> <li>7. CAs implement</li> <li>8. BM, CM, Internal Audit use monitoring plan to verify changes implemented</li> <li>9. Document issues               <ul style="list-style-type: none"> <li>- Revise training manual if necessary</li> <li>- Retrain if necessary</li> </ul> </li> </ol>	<p>End of August</p> <p>End of September</p> <p>End of September</p> <p>November – that is to be changed</p> <p>November</p> <p>January-March</p> <p>January-December</p> <p>January-December</p> <p>January-December</p>	<p>HO Management</p> <p>HR/COO/BMs/IA/MIS</p> <p>BMs – DCOO</p> <p>DCOO – HR management</p> <p>HR BMs DCOO</p> <p>HR, BMs, CM, CA, DCOO</p> <p>CAs</p> <p>BM, CM, IA</p> <p>DCOO</p> <p>HR, BM, DCOO</p>	<ul style="list-style-type: none"> <li>▪ Budget</li> <li>▪ BM presentation, translation, training at branch</li> <li>▪ Photocopying</li> <li>▪ Notebook</li> </ul>