

Business Plan Guidelines for Microfinance Institutions

I. Executive Summary (rarely should be more than two pages and probably should be completed after the other sections)

- a. The microfinance institution (MFI) and its founders. Indicate the core strengths or uniqueness of the institution or its founders. Include a short summary of previous history, including financial data.
- b. Market opportunity. Summarize the opportunity that the MFI will exploit.
- c. Products and technology. Identify what gives the institution a competitive advantage in the marketplace.
- d. Financial projections.
- e. Proposed financing.



II. The Microfinance Industry, the Institution and its Products

- a. The industry. Current status and prospects. Distinguish between the overall microfinance industry and the status in your country.
- b. The institution. The business model and who are or will be its customers. Describe its social mission.
- c. The products or services.
 1. Description. Emphasize any unique features and highlight any differences with what is currently on the market.
 2. Barriers to entry, if any, of potential competitors.
 3. Potential. Clearly identify the competitive advantage of the product(s) over their competitors and how you will take advantage.

III. Market Research and Analysis

- a. Customers. Classify potential customers into relatively homogeneous groups (market segments) and clearly identify the characteristics of each segment. On what basis are decisions made in each market segment: price, service, personal contacts, etc.?
- b. Market size and trends. Identify the market size and the rate of growth. Identify the source of the data or the assumptions made to arrive at these conclusions. If the product is to be sold into multiple markets, a chart identifying the penetration of each market over time can be very helpful (as follows).

		Prior Year	Yr 1	Yr 1	Yr 1	Yr 1	Year 2
			1 Qtr	2 Qtr	3 Qtr	4 Qtr	
Market #1	Loans						
	Amount						
Market #2	Loans						
	Amount						
Total Market	Loans						
	Amount						

- c. Competition. Identify the competing products or services and list their characteristics. Identify the MFIs selling those products and discuss their portfolio, market share, and distribution methods and any significant strengths or weaknesses.
- d. Estimated market share. Make an assessment of the likely market share based on the market size and the competitors. Identify any assumptions made. Consider using a table such as the following:

		Prior Year	Yr 1	Yr 1	Yr 1	Yr 1	Year 2
			1 Qtr	2 Qtr	3 Qtr	4 Qtr	
Est. total market	Loans						
	Amount						
Est. portfolio size	Loans						
	Amount						
Est. market share	Loans						
	Amount						

- e. Ongoing market evaluation. What practices are used in order to keep track of the market?

IV. Marketing Plan

- a. Overall marketing strategy. Identify which customers, market segments or geographic regions are targeted for the initial selling and which for later. Why? Which features are emphasized to generate sales?
- b. Pricing. Provide a rationale for the pricing of the product(s) and how that price is expected to vary in the future.
- c. Mobilization of savings or other means of attracting capital. Description of various savings products and terms.
- d. Advertising and promotion.
- e. Customer service.

V. Formalization and/or Regulatory Environment

- a. Legal structure. If the MFI is not a formal institution, what are the plans and schedule for that to occur? What obstacles may interfere or cause that schedule to be delayed?
- b. Regulation. What is the extent or nature of the regulation? Only collection of data or active over-

sight? Have the regulators intervened in institutions with problems? If so, what have been the results?

- c. Examination. What have been the results of the most recent examinations by the regulators?

VI. Operations Plan

- a. Geographic location(s).
- b. Facilities, equipment and technology.
- c. Labor force.
- d. Control of PAR, efforts to predetermine credit-worthiness of borrowers (e.g., credit bureau) or other issues specific to the products.
- e. Control of operating expenses.
- f. Function of internal audit unit, if applicable.
- g. Social benefits expected to be realized.



VII. Management Team

- a. Organization. Indicate how the organization structure is designed and how it might be structured in the near future.
- b. Key management personnel.
- c. Management compensation and ownership.
- d. Board of directors.
- e. Advisors and consultants.

VIII. **Critical Risks and Assumptions** (very important in the view of the investor because of what it reveals about management's knowledge, experience and insight; however, risks and assumptions should be included within the appropriate sections rather than identified as a separate section).

IX. Financial Plan

- a. Financial statements for at least the previous year.
- b. Profit and loss forecasts. Identify and fully explain any assumptions.
- c. Pro forma balance sheets.
- d. Cash flow projections.
- e. Analysis of profitability of products, if appropriate.
- f. Matching of assets and liabilities by currency and maturities (not always necessary but may impress the reviewer).

X. Proposed Offering (not too detailed because the investment terms are generally negotiable)

- a. Desired financing. Summarize the total amount sought to carry out the development and expansion of the business. Indicate stages of the financing, if any.
- b. Securities offered. Describe what type of securities are being offered. For equity offerings, identify what proportion of the company investors will own after the offering is completed. A range of valuation is acceptable.
- c. Capitalization. Provide a table indicating the shares owned after completion of the financing.
- d. Uses of funds. Summarize the uses of the funds that are being raised.



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