Dan Prusinski

Referencing “Using Microfin 4”

35

**SFL Enterprise Development Association**

**2014 Strategic Plan**

**SEMA**

**Mission and Goals Statement**

Our purpose is to strengthen the economic base of the low-income self-employed of

Taloqan through increased access to lending and savings services in urban areas. We intend to offer diverse products, combine cost-efficient methodologies with exemplary customer service, and become a financially self-sufficient institution.

**Market and Client Analysis (35)**

Findings:

Taloqan Market -

* Taloqan has X current clients (X% in agriculture, X% in animal capacity).
* The estimated market for financial services is X micro entrepreneurs.
* The likely market penetration is X% (or an additional X clients).
* The client retention rate for second, third, and fourth loans is X%; for subsequent cycles it is X%.
* Major findings of client surveys: Clients want larger loans and more flexible terms, and they are interested in expanded savings services.

Implications:

* SFL will need to enter new markets to reach more than 7,500 clients.
* SFL should redesign its current product to better respond to clients’ needs and to increase the retention rate.
* SFL should explore the possibility of offering savings services.
* X is a promising market for expansion.

**Environmental Analysis (36)**

Findings:

*Competition -*

* There are X other microfinance institutions in the country/region with more than X clients each, two of which operate in Taloqan.
* The microfinance institutions operating in Taloqan offer products and services similar to SFL’s, though in different areas of the city, with effective interest rates about X percentage points higher/lower. Each has about X clients.

*Collaborators –*

* X Bank provides savings services (clients are not satisfied with the level of service).
* X, a NGO, provides periodic technical assistance and training.

*Regulatory Factors-*

* Legislation now being developed would authorize nonbank financial institutions (NBFIs) to collect savings from their clients?

*Other External Factors –*

* The inflation rate was X% in 2013 and is projected to be X% – X% for the next three to five years.
* Afghanistan’s stable political and economic climate is expected to continue based on the outcome of the elections.

Implications:

* Competition is not now a significant factor, although the microfinance institutions operating in Taloqan should be monitored, especially their choice of markets. If they enter SFL’s markets, competition could become a serious factor.
* A review of the pricing structure may be appropriate.
* Current needs for technical assistance are being met.
* Adopting the legal structure of a banking financial institution could offer an opportunity to respond to clients’ interest in savings services thereby also providing an additional source of lending funds. Although the inflation rate is stable, its effect should be factored into loan amounts.

**Other steps to be completed before projections are assembled:**

* **Institutional Assessment**
* **Overall Strategy**
* **Objectives and Activities**
  + **Products and Services**
  + **Marketing Channels**
  + **Institutional Resources and Capacity**
  + **Financing**
  + **Financial Management**

**Chapter 1 P23**

**Before You Begin: A Best-practice Approach to Planning**

It is often true that, by failing to plan, an institution plans to fail.

It is equally true that the very process of planning is often more important than the

plan itself. The planning process forces you to clearly analyze what you wish to

accomplish, and how and when you can reasonably expect to accomplish it. The

process also helps you to understand the factors that are key to your institution’s

success.

Specifically, the overall process enables you to:

clearly define your institution’s vision, mission and goals

build consensus and motivate your staff

create an action plan with objective targets and detailed projections

focus and mobilize the resources required to implement the action plan

strengthen your negotiating position with donors, commercial banks and other

funding sources

communicate vital information to external audiences such as clients, regulatory

authorities and other stakeholders

monitor performance for variances and make midcourse corrections, when

Necessary

To provide this foundation, a best-practice framework for planning generally requires

that you complete each of the following steps:

Develop a detailed strategic plan.

Develop a preliminary operational plan.

Develop a financial model to support your operational plan.

Refine your strategy and operational plan, as necessary.

Based upon your financial projections, you may find it necessary to revise your

strategy or the elements of your operational plan, and then adjust your projections

accordingly. It is not uncommon to develop three, four or even five or more versions

before you are satisfied with the results.

Draft a formal business plan document.

The business plan formalizes the results of your strategic planning, operational

planning and financial modeling activities. It generally covers a period of between

one and five years.

**Overview of Microfin’s Planning Framework**

Microfin’s step-by-step approach to planning closely follows a best-practice

framework and is appropriate for most microfinance institutions.

The approach concentrates on four key areas of your institution’s operations:

products and services

marketing channels

institutional resources and capacity

financing5

Using the sheets in Microfin, you identify and analyze the crucial factors for each of

these areas, based on your mission and strategic plan (figure 1.2).