

MicroSave

Market-led solutions for financial services

B-52, Kapoorthala Crossing,
Mahanagar Extension,
Lucknow-226006, UP, India.
Phone: +91-522-2335734
Fax: +91-522-4063773
Website: www.MicroSave.org
Email: info@MicroSave.net

Strategic Business Plan For *Ajiwika* Society

2008-2011

By
Amit Kr. Garg
Matt Leonard
Rakesh Kumar

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List of Abbreviations

BASIX	Bhartiya Samruddhi and Investment Consultancy Services Ltd
GSA	Group Service Advisor
IGL	Income Generating Loan
JLG	Joint Liability Group
KOGMA Analysis	Key Objectives, Goals, Measures, and Activities Analysis
MBT	Mutual Benefit Trust
NBJK	Nav Bharat Jagriti Kendra
PEST Analysis	Political, Economic, Social and Technological Analysis
RBM	Reducing Balance Method
RIA	Rapid Institutional Assessment
SCB	State Cooperative Bank
SHG	Self Help Group
SKS	Sawayam Krushi Sangam
SUPPORT	Society for Upliftment of People with People's Organisation and Rural Technology
SWOT Analysis	Strengths, Weaknesses, Opportunities and Threats Analysis
Y-O-Y Basis	Year on Year Basis

Strategic Business Plan

Date: August, 2008

Garg, Amit Kumar, Matt Leonard and Rakesh Kumar

Introduction

Strategic business planning is a comprehensive approach which helps institutions to take decisions about the future business plans by analysing the present scenario. A well structured strategic plan enables the institution to make more informed choices and decisions, define future directions, identify priorities and ensure optimal use of scarce resources. In simple terms, it is an analysis of **‘where we are now in the present to where we want to be in the future’**. The strategic business plan is made to analyse the present strategic position and develop the future course of action to meet the desired goals and key objectives which would ultimately help the MFI in reaching its vision and ultimate mission.

MicroSave conducted a Rapid Institutional Assessment (RIA) of *Ajiwika* Society in December, 2007. Although *Ajiwika* already had a partial business plan (developed with the support of *Unitus*), one of the major recommendations in RIA report was to conduct a complete strategic business planning exercise and revise the financial projections for *Ajiwika* to reflect present realities and new objectives. Specifically:

- Conducting a review of mission and vision, competition analysis, SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, revising growth strategy and KOGMA planning exercise focusing on SMART (specific, measurable, achievable, result-oriented and time-bound) goals, measures and activities to achieve mission and vision of the microfinance programme and revision of financial projections

Following the above, *Ajiwika* has developed a strategic business plan for a period of three years from 2008 to 2011. The following senior management staff participated in the exercise.

Table 1: List of Participants

S. No.	Participants	Designation
1.	Mr. Tanay Chakravarty	Managing Director
2.	Ms. Anjana Shrivatava	Manager Finance
3.	Mr. Vinit Kumar	Deputy Operations Manager
4.	Mr. Hrishikesh	HR Manager
5.	Mr. Ravi Kumar	Deputy Operations Manager
6.	Mr. Vinay Sharma	Branch Manager

Ajiwika Society's strategic business plan was developed following *MicroSave*'s approach, outlined below:

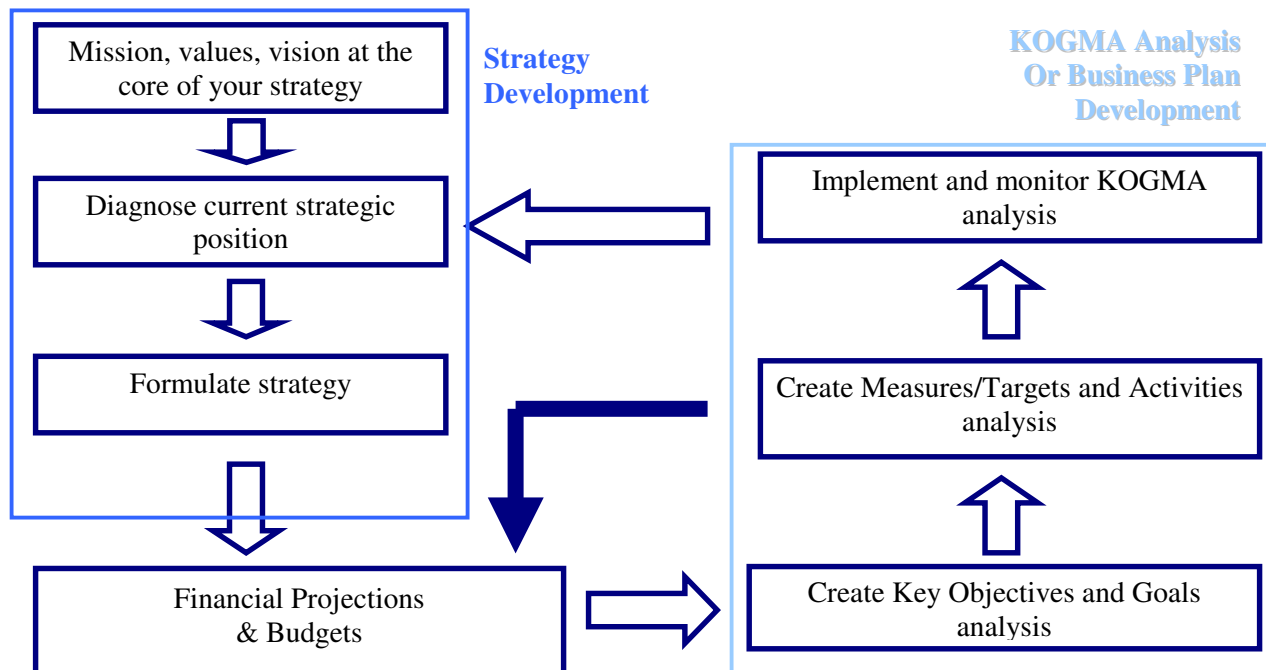


Figure 1 *MicroSave*'s Approach of Business Planning

1. Introduction to *Ajiwika* Society

Ajiwika began its microfinance activities serving self-help groups (SHGs), which were originally formed by its parent organisation – NEEDS (an NGO actively working on promoting gender equity, natural resource management and livelihood security). In order to have a legal form conducive to microfinance activities, *Ajiwika* was registered as a Section 25 Company on July 5th, 2006,

As of August 2008, *Ajiwika* has 7,010 active clients and portfolio outstanding of Rs.44, 624, 936. Through 19 branches, *Ajiwika* caters to clients in 10 districts throughout Jharkhand and parts of Bihar. *Ajiwika* offers two loan products, one is Income generating loan (IGL) and another is Short term loan (*Sawan mela*). Both of the products are delivered by forming joint liability groups (JLG). In addition, *Ajiwika* offers insurance services (agency model) and is piloting a Debt redemption loan product for rural tribal groups in *Santhal* region (details are provided in Product Analysis section in [Table 2 : Product Details](#)).

2. Mission, Vision and Values

Step 1: Define/Refine Mission of the Organisation

A mission defines an institution's reason for existence. It clearly and succinctly identifies what the organisation does, why it does it, and for whom. The existing mission statement of *Ajiwika* Society is to:

Mission: *'Reach the unreached with financial and technical service packages suitable to intended clientele profile constantly and sustainably'*.

Vision: *'Create impact on poverty by increasing access to livelihood opportunities by marginalized'*.

The key words in the above statements and their explanations are as follows:

Financial and technical service packages: *Ajiwika* provides loans to JLGs primarily for income generation and entrepreneurial activities. It also provides insurance products and through partners, livelihood/ skill training to help its clients identify and take advantage of business opportunities.

Intended Clientele: Refers primarily to poor, rural women engaged in productive work.

Constantly and Sustainably: *Ajiwika* aims to be responsive to the market and maintain operational and financial self-sufficiency so that it continues to provide high quality products and services to its clients.

Marginalised: It refers to those among the rural poor, particularly women, who are engaged in productive work but are excluded from the formal financial system; and thus, cannot access needed financial products and services.

Step 2: Identify the Organisation's Values

Values are timeless principles that guide an organisation. They set the norms of behaviour for everybody in the organisation. These values can be the basis of competitive advantage but this is not the reason for following them. Instead values are deeply held beliefs and are meant to be expressed through day-to-day behaviours of all. These are the guiding principles that preserve our commitment to excellence and sustain our long term viability forming the architecture of our beliefs.

What follows below is the list of core values that shall guide *Ajiwika* Society, with a short description for each one of them:

- **Social Commitment:** Although *Ajiwika* will be a for-profit entity, the organisation shall remain focused on serving the poor i.e. seek a double bottom-line.
- **Professionalism:** As a market-oriented business, *Ajiwika* employees should always focus on providing products and services of the highest quality in a systematic manner.
- **Punctuality:** Just as we expect timeliness on the part of the clients with repayments and attendance at group meetings, we expect our staff to set an example with on time service delivery.
- **Respect:** Equal respect for people at all levels. It is important to maintain good relationships and communication with staff, management and clients.
- **Honesty and Integrity:** This is key, particularly in a business that involves money. Honesty in all transactions (both with clients and funders)
- **Accountability:** We at *Ajiwika* are accountable to our stakeholders – particularly our poor clients. Our success, just as our inefficiencies, will impact these stakeholders.
- **Transparency:** Policies and procedures (from salary grades to communication with client) shall be fair and transparent.
- **Team Spirit:** Team is preferred over Individual. Team work is essential to the success of *Ajiwika's* field workers, branch managers and head office staff.

3. Market and Product Analysis

An understanding of the market is key in preparing a successful strategic business plan, as it is the operating environment which determines the future market trends. The market comprises of clients and their specific Needs.

Ajiwika works in rural areas of Jharkhand and Bihar. In all the areas, *Ajiwika* has targeted mainly low-income clients who are economically active e.g. petty shop owner, street hawkers, vegetable vendors, home-based enterprises, small and marginal cultivators and people engaged in other allied activities (such as animal husbandry, fisheries etc.)

Ajiwika started its microfinance operations by financing self help groups. However, in order to keep pace with the emerging demand for quick access to loans and after analysing the strategies adopted by competitors, as a part of strategic decision, it has been decided that *Ajiwika* would offer its loan products only through JLG methodology from September, 2008 onwards. Clients are organised into joint liability groups (a group consists five members) and staff meet clients in a centre (consists 3-4 groups depending upon the number of groups in a particular area) in monthly meeting at the specified place, which is usually a common place in the village or residential premises of the members.

1) Current Strategic Segment

The section below outlines the characteristics of the clients that *Ajiwika* views as its target market and their NEEDS that it meets.

A. Characteristics of Client

- Engaged in productive work (i.e. already in the business for some time)
- Females in the age group of 18 to 49 years
- 100% rural
- Currently in Jharkhand (9) and Bihar (1) in a total of ten districts, namely Deoghar, Dhumka, Jamtara, Bokaro, Dhanbad, Ramgarh, Hazaribagh, Koderma, Ranchi, Banka (Bihar).

B. Needs Satisfied by *Ajiwika*

- Working capital needs for economic activities
- Technical assistance in collaboration with NEEDS (parent NGO)
- Risk mitigation through insurance (life, general, cattle and weather)

C. Products Offered

As mentioned earlier, *Ajiwika* plans to rationalise its loan product mix by reducing the products offered from five to just one core product offered through JLG model. In addition, *Ajiwika* offers insurance services (agency model) and a short-term (*Sawan Mela*) loan, and is piloting a debt redemption product for rural tribal groups in *Santhal* region. The details are given in the table below:

Table 2 : Product Details

Product Name	Interest rate/annum	Loan Size (Rs.)	Repayment Frequency	Loan Term
JLG	15% (Flat)	4,000 to 45,000	Monthly	18 months
Debt Redemption Loan	18% (RBM ¹)	4,000 to 45,000	Monthly	18 months
Short Term Festival Loan (<i>Sawan Mela</i> Loan)	24% (RBM)	5,000 to 20,000	Monthly	3 months

¹ Reducing balance on a monthly basis

Loan Product Mix

The product features of its core product i.e. the IGL (delivered through the JLG) is given in table below.

Table 3 : Loan Product Mix

Loan Features	JLG (IGL)
Loan Size (Rs.)	1 st Cycle: Rs.4,000-6,000-8,000 2 nd Cycle: Rs.6,000-8,000-10,000 3 rd Cycle: Rs.10,000-15,000-20,000 4 th Cycle Rs.15,000-30,000-45,000
Loan Term	18 months
Instalment	Monthly
Client Profile	Mainly given for income generating activities, clients who are involved in some economic activities
Pricing	Interest Rate: 15% flat Registration fee/member (one time): Rs.10 MBT Charges (as a % of loan amount):3.00 % Cash Security (as a % of loan amount): 10.00 %
Process	Women JLGs are formed by Group Service Advisors (GSAs) or field officers. Groups are given training for one week. Branch Manager does loan appraisal before finalising the disbursement date. Branch Manager in the presence of concerned GSA gives loan by cheque in branch Collections are done through Centre meetings, in which GSA goes to centre meeting venue and collects due repayments. A centre comprises of 3-4 groups, depending upon the area and number of clients.
Physical Evidence	ID proof, photograph, copy of property papers
People	GSA, Branch Manager, Head Office Staff
Place	The Branch Manager in the presence of concerned GSA does loan disbursements at the Branch Office. Collection is done by GSAs during the time of monthly group meeting (centre meeting concept is followed).
Promotion	The product is promoted through discussion with GSAs and word of mouth by existing clients. Presently, communication is mainly oral; however, in near future other mode of communication (such as wall posters, distribution of pamphlets and promotion during social gathering) can be tested.

Insurance Products and Services

Besides credit, *Ajiwika* also offers insurance services (life and general) to its clients through tie-ups with various insurance service providers (Aviva Life, LIC, HDFC ERGO and ICICI Lombard). The following table summarises the details of various insurance policies.

Table 4 : Insurance Product

Partners	Aviva Life	HDFC ERGO	LIC	ICICI Lombard	
Terms/Product s	Credit Plus Loan Linked	Health Insurance	<i>Jeevan Madhur</i>	Cattle Insurance	Weather Insurance
Premium	0.8 % of the loan amount	Rs. 346 pa	Rs. 100 per month	4.5 % (pa) of the price of cattle	Rs. 270 per crop season
Sum Assured	Loan amount	Rs. 25, 000+ 25,000 for spouse and 25,000 hospital exp.	Rs. 30,000	Price of the cattle	Rs. 3,000

Partners	Aviva Life	HDFC ERGO	LIC	ICICI Lombard	
Optional/Compulsory	Compulsory	Optional	Optional	Compulsory	Optional
Age limit	18-50 years	18-60 years	18-60 years	NA	NA
Tenure	Loan term	5-15 years	5-15 years	Loan term	Loan term

Ajiwika provides loan-linked insurance to mitigate the risk of losing money in the event of any mishap. This also provides loan repayment coverage to clients. *Ajiwika* is also providing life insurance to its clients in collaboration with Life Insurance Corporation of India and Health Insurance with HDFC ERGO. In addition to loan, Health and life insurance, It also provides cattle and weather insurance with ICICI Lombard in case of a loan taken for purchase of cattle or agriculture purposes. *Ajiwika* is working as insurance commission agency for LIC and ICICI Lombard.

D. Value Proposition

Ajiwika offers following values with its services:

- Need based products (*Short Term Loan - 'Sawan Mela'*)
- Continuous access to financial services
- Provision of loan, life, cattle and weather insurance
- A professional approach defined by timeliness and high quality products and services

E. Un-served segments or needs of the market

The following needs are still not being met by the *Ajiwika* products:

- New ventures
- Loans for marriage
- Loans for consumption
- Remittances
- Loans for house and/or building construction

Ajiwika would also like to reach out to urban clients.

2) Future Strategy

A. Characteristics of Client

- Occupational profile: Engaged in income generating activities and Agriculture (cash crop)
- Gender: 99% to be female in the age category of 18 to 60 years
- Region: Jharkhand, Bihar, Chattisgarh and West-Bengal
- Both rural and urban area but major emphasis to be on rural area

B. Needs Satisfied by Ajiwika

- Initial capital to start the business
- Working capital for day to day operating expenses
- Technical assistance in collaboration with NEEDS
- Risk mitigation through various types of insurance services (life, credit linked, health, weather, cattle)

4. Competition Analysis

Ajiwika's strategic decisions are affected by competing regional players, particularly other financial institutions operating in Jharkhand and Bihar. It is, therefore, important to understand the current strategic position of *Ajiwika* vis-a-vis other organisations operating in the area. However, it is important to recognise that although several big actors are starting operations in the region, *Ajiwika* carries an advantage as a market 'first-mover'. NEEDs (the parent NGO) has been working in the area for last 10 years. Local community recognises the work done by NEEDs, which has helped *Ajiwika* to take advantage of being in the area for long. Generating demand for its product is not the major challenge for *Ajiwika*. Rather, the biggest limitation to *Ajiwika* scaling up according to its plan is *Ajiwika's* own ability to mobilise its resources, improve its operating efficiency and saturating the areas.

Nature of Competition	Competing Service Providers	Competing Products	Strategy Adopted by Competitors
Direct	1. BASIX 2. SKS 3.State Co-operative Society	1. Crop , Agri-allied , Agri Investment, NFS loan products 2.IGL-52 Week 3. Provides micro-loans at 1.5% per month	1. BASIX provides loans to both male and female clients with relatively short loan processing cycle (within seven days). It offers multiple loan products, making it easier for the borrowers to select according to their need. 2. SKS disburses directly to the existing groups formed by <i>Ajiwika</i> with short loan processing cycle (three days).. The good salary structure for the field staff is playing a major role in attracting the field staff of other MFIs.
Substitute	Moneylenders / Temple Priests	Need Based –Daily/Weekly/Monthly (e.g. gives Rs. 3,000 in the morning and collects Rs. 3,100 in the evening)	Moneylenders have been losing their business because of growth and penetration of <i>Ajiwika</i> . However, no clear strategy has been experienced so far.
Potential	1.SCBs 2.Money Lenders 3.Vedika Capital 4.NBJK 5.SUPPORT	1. Crop, SHG and Individual loans 2. Individual demand based loan products at clients' door step 3. Provides vehicle loans and now starting group based financing, based in <i>Ranchi</i> 4. An NGO-MFI that makes loans to SHGs but does not yet focus on microfinance; however, can come up as a potential competitor. 5. Individual loans in urban/rural markets	
Strategies adopted/will be adopted by <i>Ajiwika</i> to address competition			
Direct	a. Introduced credit plus activities, including group strengthening, leadership and livelihood (e.g. Dairy, vermi-compost etc.) training b. Cordial relationship with individual clientele will be maintained to have strong bondage with them (staff will be trained on principles of customer relationship management).		

Substitute	Low interest rate in comparison to the money lenders and easily accessible loans with collections at clients' door step
Potential	Same strategy as in case of direct competition would be continued. In addition to that, options of extending the benefits of NEEDS projects will be explored. Main focus would remain on providing quality services and being more responsive to the needs of clients.

5. Possible Collaborations

Ajiwika sees the items mentioned below as areas of potential collaboration in its growth strategy, some of which can leverage existing partnerships:

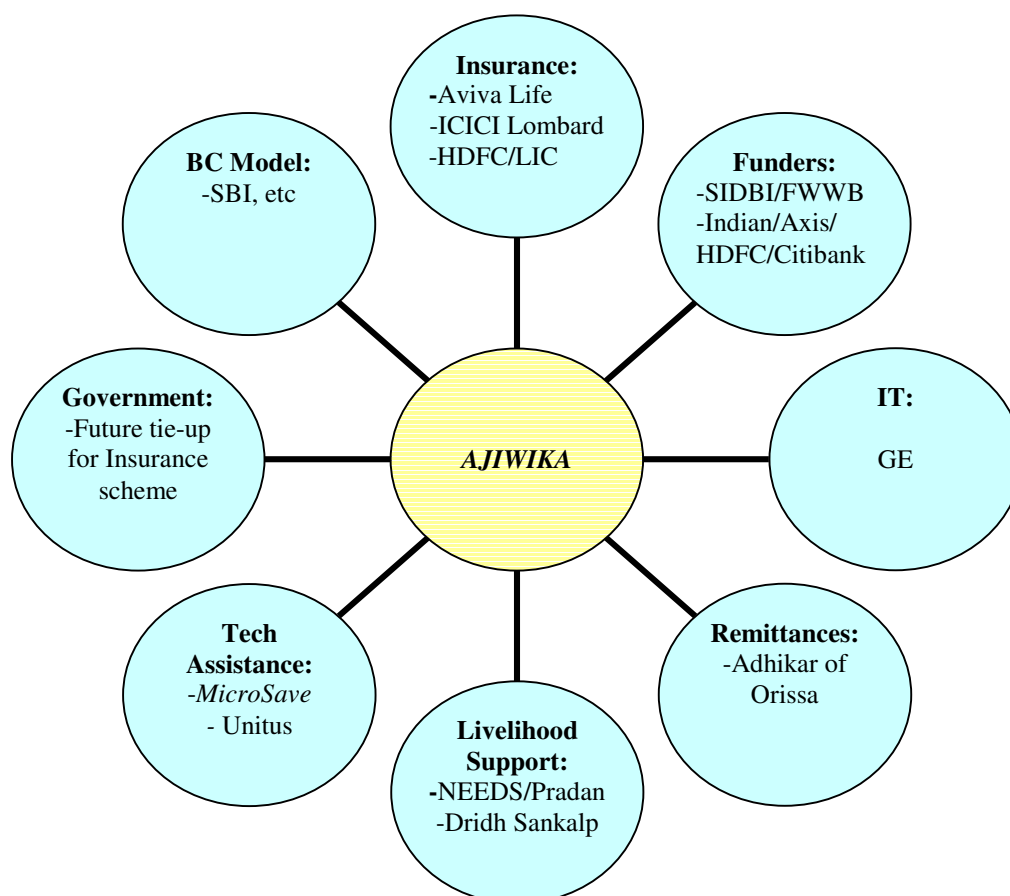


Figure 1 Strategic Collaborations

Collaborators	Nature of Collaboration
Insurance Service Providers	For providing clients, diversified products and services along with risk mitigation by way of providing loan linked insurance, life, cattle and weather insurance. (for details, please refer to Table 4 : Insurance Product)
Banks/Investors	For access to debt funding (and, in the future, equity) so that <i>Ajiwika</i> is able to expand its portfolio and eventually leverage more funds.
Livelihood support	For helping borrowers improve business and technical skills to improve and diversify household livelihoods.
Technical Service Providers	For developing and refining its systems and processes. Currently working with Unitus and <i>MicroSave</i> on business and system development.
BC Model	For leveraging <i>Ajiwika</i> 's link to rural areas and improving access to financial services to the poor in a unique and affordable manner
Agency Model for Remittances	For serving Bihar and Jharkhand's large section of migrated workforce (migrated to urban areas) with a flexible product so that they can send money back to home; thus, improving <i>Ajiwika</i> 's clients' repayment capacity and client retention rate
Government	For participating as a service provider in the planned rural insurance scheme
Information Technology	For improving systems and processes in back office, and eventually increasing efficiency of delivery systems (e-banking, MIS etc.). It is working with GE on designing hand held POS device. Concept is in development stage.

6. Conduct Institutional Analysis

It is important to recognise the strengths and weakness of *Ajiwika* when designing a strategic business plan that recognises what the organisation does well and prioritises areas for improvement.

1) SWOT Analysis

After discussions with senior staff and the field staff, the team prioritized the following core strengths on which *Ajiwika* NEEDs to capitalize as well as weaknesses which need to be addressed.

Table 5 Strengths and Weaknesses of *Ajiwika*

Strengths:	Weaknesses/Areas for Improvement:
<ol style="list-style-type: none"> 1. Strong knowledge of area and familiarity with local communities. 2. Intelligent, young head office team with advanced business training (MBA). 3. Effective and integrated MIS (portfolio linked with accounts) 4. Excellent staff retention 5. Value-added products & services 6. Diversified funding sources 	<ol style="list-style-type: none"> 1. Poor time management 2. Insufficient staff training 3. Lack of standardisation 4. No clear refinancing policy and insufficient delinquency management policies. 5. Long loan processing cycle 6. Excessive documentation

Strengths

1. **Strong area expertise:** *Ajiwika* has strong knowledge of local areas and population and has a recognized community presence.
2. **Smart, Energetic head office team:** Operations and finance team has a good mix of experienced and young talented professionals. Both operations and finance managers have advanced business qualifications (MBA).
3. **Effective MIS:** *Ajiwika* possesses a fine, integrated MIS system that it developed in-house, although it still needs some work to be fully functional.
4. **Excellent staff retention:** Only four staff members out of 102 have left *Ajiwika* in the past year – a promising sign.
5. **Value-added products:** The clients of *Ajiwika* currently can avail value-added products, including insurance and festival loans.
6. **Diversified funding sources:** *Ajiwika* currently has eight different funding sources and more funding partnerships are being planned for the future.

Weaknesses

1. **Poor time management:** Staff members are struggling with timely submission of reports to HO, coming late to the office, and GSAs are not always punctual at group meetings. These issues can weaken repayment culture providing little time for management to make strategic decisions early enough in case of any problem.
2. **Insufficient staff training:** Beyond the core management team, staff members lack the skills and background needed to lead efficient and professional microfinance activities. These needs are particularly noticeable at the field and branch levels, as well as in the lack of strong second tier management.
3. **Lack of standardization:** *Ajiwika* does not have standardised and well documented systems and processes, which is a cause of inefficiencies in the Branch Offices and field activities.
4. **No clear loan policy dealing with rescheduling:** This leads to a subjective and inconsistent application of loan rescheduling and may affect the quality of the loan portfolio when coupled with inadequate delinquency management policies.

5. **Long loan processing cycle:** The average time from registration to disbursement is currently around 07-12 days – putting client satisfaction at risk.
6. **Excessive documentation:** *Ajiwika* believes that there is excessive documentation than is currently required. For instance, registration and application forms are too long and time consuming.

2) Conduct Sector and Macro-environment Analysis

Opportunities and threats are posed by the external environment in which the organisation is operating. It evolves from the PEST analysis, which is detailed below:

P – Political

E – Economic

S – Social/Legal/Environmental

T – Technological

Table 6: PEST Framework for *Ajiwika*

	Political	Economic	Social	Technological
Opportunities	<ul style="list-style-type: none"> • New government micro-insurance (health) scheme • Lack of regulatory body for Societies 	<ul style="list-style-type: none"> • Regional economic growth • Great interest in MFIs by funding institutions • High demand / market potential 	<ul style="list-style-type: none"> • Month-long yearly festival • Strong presence and understanding of tribal areas 	<ul style="list-style-type: none"> • IT can help in improve products, cut costs.
Threats	<ul style="list-style-type: none"> • Government write-offs and subsidies • Pending regulation changes by RBI 	<ul style="list-style-type: none"> • Inflation rate • Rising interest rates • Inappropriate loan terms through funding institutions • Increasing competition from FIs • Client migration 	<ul style="list-style-type: none"> • Social Unrest (<i>bandhs</i>, Naxalites) • Month-long yearly festival 	<ul style="list-style-type: none"> • High costs of maintaining IT systems • Low staff capacity

Opportunities

1. **New government Micro-insurance (health) Scheme:** The new insurance scheme may require the government to partner with MFIs like *Ajiwika* with strong rural presence in poor states like Bihar and Jharkhand.
2. **Lack of regulatory body for MFIs:** This means that there is little interference and regulatory burden for *Ajiwika* (a Section 25 company) presently – at least until it transforms to an NBFC.
3. **Regional Economic Growth:** There has been promising signs of economic growth in *Ajiwika*'s operational areas following new steel plant projects – leading to more micro-entrepreneurial possibilities for clients and more demand for loans.
4. **High level of interest in MFIs by funders:** The overall trend among investors and banks shows an increasing interest in funding MFIs – helping *Ajiwika* diversify its funding base at a time when it hopes to increase its equity base.
5. **High demand / Market potential:** Bihar and Jharkhand (both eastern states) have very little microfinance saturation but huge demand for micro-loans – creating a climate of virtually inexhaustible local market demand.
6. **Month-long yearly festival:** Just as the *Shravan Mela* (local festival) brings increasing numbers of pilgrims to *Deoghar* and the region, business activity increases enormously at this time. This represents

a business opportunity for not only local shopkeepers and merchants, but for *Ajiwika* - who can help them with timely, short-term loan products.

7. **Strong presence and understanding of Tribal areas:** Although it is early in the pilot-test of a debt redemption product for tribal groups in *Santhal* area. Tribals' strong community ethic coupled with *Ajiwika's* local knowledge, may lead to a viable and scalable product development for this vulnerable population.
8. **Technology can help improve products and cut costs:** *Ajiwika* hopes that its partnership with IT provider GE will help it improve service delivery, make its operations more efficient, and decrease costs, thereby broadening client outreach and retention.

Threats

1. **Government write-offs and subsidies:** These politically motivated actions may result in weakening of credit culture in rural areas – whereby farmers in areas that receive debt waivers are effectively penalised for repaying loans.
2. **Pending regulation changes by RBI:** The RBI's new microfinance regulations, currently being reviewed in Parliament, offers some confusion in terms of regulatory environment for the MFIs. Recent changes to the business correspondence model and capital requirements for NBFCs are also making life more difficult for MFIs.
3. **Inflation rate:** India's rising inflation rate is impacting clients' ability to repay and *Ajiwika's* operating and financing expenses. Inflation has increased from an average 6.7% (y-o-y basis) in year 2006-07 to an average 8.1% (y-o-y basis) in year 2007-08².
4. **Rising interest rates:** Interest rates have been rising since year 2006-07. In financial year 2006-07, *Ajiwika's* interest rate on borrowing funds was in the range of 10.5% pa- 12.5% pa, which now has increased to 12.5% pa -15.0% pa. This has increased *Ajiwika's* cost of funding and forces it to raise interest rates for its poor clients.
5. **Inappropriate loan terms:** Most banks are setting the rates and terms on loans, often in a manner that is inconsistent with the NEEDs and requirements of MFIs.
6. **Increasing competition from FIs:** Competition is increasing in Jharkhand and Bihar as big MFIs like BASIX and SKS enter the market.
7. **Client migration:** There is significant migration from *Ajiwika's* coverage areas to urban areas mainly in western India – with negative consequences for client retention and repayment rates.
8. **Social unrest:** There have been several bandhs in the area of late, as well as the ongoing presence of the Naxalite movement – both of which may negatively effect clients and businesses in target areas.
9. **Month-long yearly festival:** While also an opportunity, clients in the region surrounding Deoghar may divert loans to unproductive consumption purposes during festival season – weakening repayment ability.
10. **High costs of maintaining IT systems:** *Ajiwika* has already faced challenges implementing its excellent new MIS – pulling back from branch implementation because of the high costs.
11. **Low staff capacity:** Equally, sophisticated and computerised MIS system requires higher skill level and/or thorough training of staff on every aspect of MIS, from data entry to use of the MIS.

² Source: RBI Quarterly Press Release Paper dated April, 2008

7. Growth Strategy

Strategy is a long term action plan for achieving its goals .The organizational strategy includes:

- Choice of market and scope of operations
- Strategy towards competition
- Competitive advantage development /maintenance

Based on understanding and analysis of microfinance market scenario in *Ajiwika*'s exiting and future operational areas, team has finalised the following growth strategy.

Table 7 *Ajiwika* Business Growth Strategy

Market and Scope	<ul style="list-style-type: none"> • Existing market – Clients who are engaged in income generating activities (small businesses, petty shop owners, vegetable vendors, daily wage earners, small and marginal farmers etc.) • New products –Debt Redemption Loan, Consumption loans like emergency and education to existing clients who are engaged in productive activities and/or want to start new enterprises in other unreached districts of Jharkhand. New business opportunities would also be explored in other districts of Bihar and West Bengal.
Market Growth Strategy	<ul style="list-style-type: none"> • All districts of Jharkhand (directly and through networking) • Expansion in other states (Bihar and West Bengal) • Target low income clients, who are engaged in economic activities • Standard product (IGL JLG) during expansion in new areas • New product development (individual, housing, consumption) in existing markets
Value Proposition	<ul style="list-style-type: none"> • Easy and timely access to a range of financial services tailored to the evolving NEEDs of the customer (e.g. lending through groups to individual lending)
Competitive Advantage	<ul style="list-style-type: none"> • Strong presence in the community • Customer relationship • Value-added services along with credit facility, such as, awareness and training on new business opportunities, insurance etc.
Strategy towards competition	<ul style="list-style-type: none"> • Focus on reducing operational costs by making monthly and annual budgets and keeping track of major operating expenses thereto • Differentiating through other financial services like insurance, credit plus services (through collaboration with other agencies) • Focus on efficiency (e.g. fast loan processing, least possible documentation) • Increasing awareness amongst the target clients about product offerings and price structure • Client driven aggressive marketing and credit policy

8. KOGMA Analysis

Key Objectives	
1	To maximise operational efficiency
2	To increase the outreach to 3 lakh clients
3	To build a capable and committed workforce
4	To provide a wide range of financial and technical services relevant to the NEEDs of our target clients
5	To be the most preferred MFI among target clients
6	To be recognised in Industry ranking as the leader in achieving its social mission

Table 8 KOGMA Matrix

Sequ ence	Key Objectives	Goals	Measures	Targets	Activities
1	To maximise operational efficiency	Reduced operational cost	Operating expense ratio	<10%	1. Tracking the OER 2. Minimise the paper work, repetitive processes 3. Monthly/Quarterly budgeting and variance analysis 4. Use of cost saving technology (e.g. internet, mobile etc. to get progress reports)
		Implement effective MIS	Consolidated MIS reports generated at regular frequency No. of trained staff	% Default in report submission X _[AG1] no. of staff trained	1. Data entry and updating MIS 2. Consolidating reports at H/O level 3. Taking daily data backup 4. Decentralised MIS 5. Staff training (BMs, Accountants, H/O staff)
		Standardised Operational policy and processes	Availability of Operations Manual	Updated Operational Manual in place by Nov, 2008	1. Updating the operational manual 2. Training to field staff 3. Design the monitoring system to ensure implementation 4. Feedback from the field staff 5. Review of operational policies
		Achieve standard operational efficiency ratios	1. Client per Branch 2. Caseload per GSA 3. Outstanding Portfolio per Branch 4. OSS 5. FSS	2500 400 Rs. 20 mn >100% >100%	1. Collect the data for calculating efficiency ratios 2. Calculate and analyse the various ratios 3. Compare with industry standards 4. Find variances 5. Identify key challenges and address them

Sequence	Key Objectives	Goals	Measures	Targets	Activities
2	To increase outreach to three lakh clients, with a focus on the marginalised and un-reached	Well defined business plan to guide expansion	Availability of strategic business plan	Business Plan in place by Oct, 2008.	<ol style="list-style-type: none"> 1. Team of staff working with technical service provider (<i>MicroSave/Unitus</i>) to identify priorities, projections. 2. Board approval of business plan 3. Communicate SBP to branches and staff, all team members 4. Review and adjust SBP regularly (Bi-annually)
		Open 100+ branches	Number of branches operational	100 Plus	<ol style="list-style-type: none"> 1. Have Business Development Manager 2. BDM leads team to do market research and secondary data 3. Select areas of operation 4. Find and rent branch office 5. Supply all materials/systems 6. Hire and train staff 7. Begin operations
		Fund expansion and diversification (mobilise lower cost funds from greater number of funding institutions)	Number of FIs Number of investors Avg. cost of funds	>15 2 12%	<ol style="list-style-type: none"> 1. Contact and share SBP with leading national and international FIs 2. Submit loan proposals 3. Regular follow-up of loan proposals 4. Negotiation and finalise (ROI, terms, etc)
		Transform to NBFC	Legal status obtained	Company registered	<ol style="list-style-type: none"> 1. Contact/work with legal advisor 2. Mobilising equity to meet capital requirements 3. Compliance with all legal formalities (systems, audits, etc) 4. Capital restructuring 5. Operational review and restructuring 6. Communicate new culture
3	To build a capable and committed workforce	To implement effective HR system	<ol style="list-style-type: none"> 1. HR manual in place 2. Staff retention rate 3. Staff performance report (SPR) 	HR manual 96% SPR	<ol style="list-style-type: none"> 1. Develop an HR manual 2. Recruitment of skilled staff 3. Staff orientation and communication 3. Periodic feedback and review of HR policies
		To develop effective staff training modules	<ol style="list-style-type: none"> 1. Availability of training manual 2. Staff feedback 3. Staff performance report (SPR) 	Manual in place SPR	<ol style="list-style-type: none"> 1. Assessment of training NEEDs 2. Preparing department-wise training modules 3. Providing training (Class room/Field based) 4. Response to the feedback on training

Sequence	Key Objectives	Goals	Measures	Targets	Activities
		Develop an encouraging work culture	1. Staff retention rate 2. Work schedule	96%	1. Preparing work schedules 2. Taking regular feedback from staff 3. Proper redressal system 4. Star performance awards 5. Recognising the good work 6. Staff retreat every year
4	To provide a wide range of financial and technical services relevant to the needs of our target clients	To offer client-focused products and services	1. Client retention rate 2. Client satisfaction survey 3. On-time repayment rate	80% 98%	1. Need assessment 2. Market research 3. Product design 4. Pilot testing 5. Feedback and review 6. Making roll out plans 7. Updates operation manual 8. Final roll out
		To build strategic alliances with other service providers (e.g. insurance companies, marketing agencies, Banks for BC model)	1. Number of collaborations 2. Quality of partnership, unique for each partner (e.g. Increase in efficiency due to <i>MicroSave</i> 's interventions)	15	1. Identify the potential areas of partnership 2. Word of mouth promotion, networking 3. Due diligence 4. ToR 5. Maintain and access the relationship
		To provide livelihood support services (mainly with the assistance of NEEDS and other potential partners)	1. Number of clients trained 2. Change in the income level 3. Number of new enterprises	X _[AG2]	1. Need assessment 2. Market study (to identify the potential economic activities and collaborating agencies) 3. Conduct trainings 4. Forward linkages 5. Impact assessment study

Sequence	Key Objectives	Goals	Measures	Targets	Activities
5	To be the most preferred MFI among the target clients	To maintain high client satisfaction	<ol style="list-style-type: none"> 1. Client retention rate 2. Client satisfaction survey 3. Word of mouth client references 	80%	<ol style="list-style-type: none"> 1. Encourage word of mouth recommendation 2. Awareness meetings 3. Quality client training (e.g. financial literacy) 4. Train GSAs to effectively utilise centre meetings to build business relationships with clients 5. Policy for transparency and disclosure to clients (visible signs in branches, GSAs communicate clearly, share audits/how \$ is used with clients) 6. Collect feedback from clients on regular basis (postcards, client satisfaction surveys on sample basis) and monitor retention rates 7. Develop mechanism for client complaints
		To establish <i>Ajiwika</i> as the most preferred brand [M3]	<ol style="list-style-type: none"> 1. Number of branches following standard branch design 2. Number of promotional items distributed (e.g. Umbrella, Calendar, ID cards, T-shirts) 	100% To all the clients	<ol style="list-style-type: none"> 1. Develop a standard branch design and set up (seating arrangement, colour scheme, id cards/t-shirts) 2. Redo all standardized forms in Hindi 3. Develop and distribute items with logo and tagline (umbrella, calendar, etc.)
		Ensure good governance	<ol style="list-style-type: none"> 1. Board composition (balanced, active and independent members) 2. Independent internal audit and control system 3. Number/size of frauds 		<ol style="list-style-type: none"> 1. Review board composition 2. Continuous monitoring 3. Periodic internal audits 4. Regular interaction with board members 5. Assess vision of staff/board at time of interview and through performance reviews
6	To be recognised in industry ranking as the	To enhance the livelihood opportunities for un-reached and	<ol style="list-style-type: none"> 1. M-CRIL Social rating 2. Change in the income level of 	Among top five Impact	<ol style="list-style-type: none"> 1. Identify the performance criteria that is respected in the industry for social ranking 2. Perform baseline and impact studies 3. Highlight and publish the reports (websites,

Sequence	Key Objectives	Goals	Measures	Targets	Activities
	leader in achieving its social mission	marginalised	clients	assessment study	journals, papers, conference participations) 4. Identify the potential livelihood opportunities that can be taken up by the poor people 5. Tie-up with institution which would carry out impact assessment study 6. Collect data about impact assessment from field 7.

Table 9 KOGMA Target Matrix

Ajiwika TARGET MATRIX																													
S.No	Key/Objectives/Goal/Target/Measures	Targets	Lead Person	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
				08	08	08	08	08	08	08	08	08	08	08	08	08	08	08	09	09	09	09	09	09	09	09	09	09	09
1	To maximise operational efficiency																												
1.1	<i>Reduced Operational Cost</i>		DMOs																										
1.1.1	Operating Expense Ratio	<10%																											
1.2	<i>Implement effective MIS</i>		MIS Manager																										
1.2.1	MIS Reports																												
1.3	<i>Standardised operational policy and processes</i>		DMOs																										
1.3.1	Updated Operational Manual in Place																												
1.4	<i>Achieve standard operational efficiency ratios</i>		DMOs																										
1.4.1	Client per Branch	1500																											
1.4.2	Caseload per GSA	400																											
1.4.3	OSS >100%	100%																											
1.4.4	FSS >100%	100%																											
2	To increase outreach to three lakh clients with a focus on the marginalized and un-reached																												
2.1	<i>Open 100+ branches</i>		HR Manager																										

Ajiwika_TARGET MATRIX																													
S.No	Key/Objectives/Goal/Target/Measures	Targets	Lead Person	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
				08	08	08	08	08	08	08	08	08	08	08	08	08	08	08	09	09	09	09	09	09	09	09	09	09	09
2.1.1	Number of Branches	100+																											
2.2	<i>Well defined business plan to guide expansion</i>		MD																										
2.2.1	Business Plan in place																												
2.3	<i>Fund Expansion and diversification</i>		MD																										
2.3.1	Number of FIs	15																											
2.3.2	Number of Investors	2																											
2.3.3	Avg. Cost of Funds	12%																											
2.4	<i>Transform to NBFC</i>		MD																										
2.4.1	Legal Status Obtained																												
3	To build a capable and committed workforce																												
3.1	<i>To implement effective HR system</i>		HR Manager																										
3.1.1	HR Manual in Place																												
3.1.2	Staff Retention Rate	96%																											
3.1.3	Staff Performance Reports																												
3.2	<i>To develop effective staff training modules</i>		HR Manager																										
3.2.1	Training Manual																												
3.2.2	Staff Performance Reports																												
3.3	<i>Develop an encouraging work culture</i>		HR Manager																										
3.3.1	Staff Retention Rate	96%																											
3.3.2	Work Schedule																												
4	To provide a wide range of financial and technical services relevant to the NEEDs of our target clients																												
4.1	<i>To offer client-focused products and services</i>		DMOs																										
4.1.1	Client Retention Rate	80%																											
4.1.2	On-time Repayment Rate	98%																											

9. Financial Projections

1) Annexure I- Income Statement

Income Statement (Rs.)	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Financial Income	2,084,620	6,032,051	16,809,845	61,030,317	139,553,333	255,084,557	422,830,212
Financial Expense	712,435	2,662,494	7,153,410	22,571,332	47,354,692	78,487,682	117,690,643
Net Financial Income	1,372,185	3,369,557	9,656,435	38,458,985	92,198,641	176,596,876	305,139,568
Provision for loan losses	0	0	1,156,397	2,640,786	11,023,952	17,502,322	27,421,487
Net Financial Margin	1,372,185	3,369,557	8,500,038	35,818,199	81,174,689	159,094,554	277,718,081
Program Operating Exp	0	0	5,385,268	14,668,927	29,758,714	51,122,775	82,347,114
Administrative Operating Exp	1,143,686	3,951,423	3,153,920	5,247,234	6,891,123	10,723,070	14,857,964
Net Operating Income	228,499	-581,866	-39,150	15,902,037	44,524,853	97,248,709	180,513,003
Net Non-Operating Income/(Exp)	0	0	0	0	0	0	0
Net Income (before taxes and donations)	228,499	-581,866	-39,150	15,902,037	44,524,853	97,248,709	180,513,003
Amount of taxes paid	0	0	0	0	0	0	0
Net income (after taxes and before donations)	228,499	-581,866	-39,150	15,902,037	44,524,853	97,248,709	180,513,003
Grant Income	0	0	0	0	0	0	0
Net Income (after taxes and donations)	228,499	-581,866	-39,150	15,902,037	44,524,853	97,248,709	180,513,003

2) Annexure II- Balance Sheet

Balance Sheet	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
ASSETS							
Cash in Bank and Near Cash	205,147	3,597,945	250,679	769,212	1,309,344	2,293,691	3,771,079
Net Portfolio Outstanding	16,521,425	26,269,148	114,475,242	355,586,547	600,567,397	1,055,835,217	1,743,593,693
Short-term Inv. & other curr ass	1,109,601	764,680	764,680	764,680	764,680	764,680	764,680
Net Fixed Assets	522,516	1,035,884	1,716,267	2,165,597	2,591,183	3,606,138	5,713,481
Long-term Invest. & other LT assets	17,711	13,283	13,283	13,283	13,283	13,283	13,283
TOTAL ASSETS	18,376,400	31,680,940	117,220,151	359,299,318	605,245,887	1,062,513,009	1,753,856,216
LIABILITIES							
Savings deposits	0	0	14,947,400	53,597,300	104,825,900	181,740,300	296,638,500
Concessional Loans	14,765,128	18,147,754	2,471,110	0	0	0	0
Commercial Loans	0	7,910,668	94,218,272	284,216,612	434,409,728	717,513,741	1,113,445,745
Other liabilities	2,727,209	5,201,317	5,201,317	5,201,317	5,201,317	5,201,317	5,201,317
TOTAL LIABILITIES	17,492,337	31,259,739	116,838,099	343,015,229	544,436,945	904,455,358	1,415,285,563
EQUITY							
Accumulated net surplus	228,499	-353,367	-392,517	15,509,521	60,034,373	157,283,083	337,796,086
Equity Reserves	655,564	774,568	774,568	774,568	774,568	774,568	774,568
TOTAL EQUITY	884,063	421,201	382,051	16,284,089	60,808,941	158,057,651	338,570,654
TOTAL LIABILITIES AND EQUITY	18,376,400	31,680,940	117,220,151	359,299,318	605,245,887	1,062,513,009	1,753,856,216

3) Annexure III- Growth Highlights

Year	Initial Bal	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Outreach						
Number of Active clients	4,639	19,008	63,361	120,964	198,459	302,417
Average Loan size disbursed JLG-IGL (Rs.)		8,342	8,486	8,688	9,437	10,426
Loan Outstanding portfolio (Rs.)	26,277,211	115,639,702	359,194,556	612,910,333	1,077,469,333	1,779,270,500
Overall growth in portfolio		340%	211%	71%	76%	65%
Number Of Branches	8	22	44	72	105	140
Number of Loan Officers	29	109	216	323	481	649
Caseload per loan officer	160	174	293	375	413	466
Loan outstanding per branch (Rs.)	3,284,651	5,256,350	8,163,513	8,512,644	10,261,613	12,709,075
Portfolio per Credit Officer	906,111	1,060,915	1,662,938	1,897,555	2,240,061	2,741,557
Performance						
Operational Sustainability		100%	135%	147%	162%	174%
Financial Sustainability		98%	134%	143%	154%	162%
Yield on Portfolio (annualized)		25.73%	28.82%	29.41%	30.10%	30.60%
Operating Cost Ratio		13.20%	9.48%	7.77%	7.34%	7.07%