

## Training in Strategic Business Planning: A Program for Indian Microfinance Institutions

*Friends of Women's World Banking, India*

Women in developing countries are, in general, less likely than men to have access to resources and assets, including financial, physical or human capital. Thus, microfinance organizations offer an effective way to provide low-income women with crucial capital and support. By providing loans to women, these organizations increase their clients' social and economic power by expanding their ability to gain financial resources, skills, and training. In India, the national demand for credit is enormous—perhaps five times greater than available funds. Thus, there is considerable pressure on institutions offering microfinance services—which now only account for two percent of available funds—to expand rapidly in order to help meet this demand.

Managing a loan fund, however, requires business and financial planning skills, such as strategic planning, financial supervision, and savings and credit management. Many nongovernmental organizations (NGOs) in India involved in microfinance lack expertise in this area. Many focus on social issues such as health, education, and the environment and often have added microfinance services only recently as a means of expanding their social agendas. Despite their commitment to providing adequate services, lack of business skills has hampered these organizations' abilities to maximize their potential, expand their lending portfolios, and assist those in need (NABARD 1999).

Friends of Women's World Banking, India (FWWB/I) addressed this need by implementing a "Strategic Business Planning" training program to improve microfinance institutions' business skills.<sup>1</sup> FWWB/I is an affiliate of Women's World Banking that helps form and strengthen NGOs—including grassroots women's organizations—and assists them in providing their clients with microfinance services. FWWB/I is presently working with 85 NGOs that principally extend credit to women in the south and southwestern Indian states, to which it provides loan funds, training, and support programs. Since 1989, FWWB/I has been affiliated with some 170 NGOs and has provided loans to over 65,000 women through these member organizations. Since 1999 alone, FWWB/I has loaned 50 million rupees (roughly US\$1.2 million) to over 18,500 Indian women.<sup>2</sup>

### Objectives

The project aimed to teach microfinance institutions how to create and implement sound business strategies. Specific objectives included:

- ▶ Help member organizations develop and follow effective business plans to sustain their savings and credit programs;
- ▶ Increase the supply of funds available for loan by expanding membership levels among FWWB/I affiliates, increasing deposits (savings levels), and improving delivery efficiency;
- ▶ Disseminate information on microfinance enterprise in general and on the training program specifically;
- ▶ Replicate the Strategic Business Planning training on the local and regional levels to encourage more microfinance organizations to engage in this process.

<sup>1</sup> For the purposes of this brief, any references to "microfinance institutions" includes those NGOs not primarily focused on credit that have added microfinance services to their portfolios recently.

<sup>2</sup> Under present exchange rate, US\$1 = 42 rupees.

## The Intervention

### *Training in Business Planning*

During 1997-99, FWWB/I conducted five Strategic Business Planning training sessions for representatives of 59 microfinance NGOs representing over 70 percent of FWWB/I's microfinance affiliates.<sup>3</sup> Aimed at chief functionaries, the five-day training program covered broad business, strategic, and financial planning skills essential to helping microfinance institutions meet their goals.<sup>4</sup> The training module provided strategies for business growth and involved the participants in creating plans and making projections. Key components of the training included defining organizational vision and mission; identifying strengths, weaknesses, opportunities,

and threats; defining program objectives and strategies; preparing financial projections; and drafting business and action plans. In particular, the organizations learned the importance of expanding outreach to new members to increase the savings available for microcredit activities.

### *Follow-up and Review*

While strategic business planning activities are essential, they require mastery of complicated skills with which training participants were often unfamiliar. FWWB/I, therefore, provided technical support to participants as they implemented their strategic business plans over the following year. Staff reviewed

business plans shortly after each training and held three follow-up sessions that provided the microfinance institution's staff with technical assistance on implementing their plans. Three one-on-one performance review sessions were also conducted for the participants.

Process and impact evaluations were conducted to analyze the training program, the participants' strategic business plans, and the eventual impact of the training program on microfinance institutions' activities.<sup>5</sup> In particular, the evaluation looked at expansion of memberships in the microfinance organizations and increased savings among members.

## Results

### *Development of Plans and Skills*

By late 1999, FWWB/I had developed a Strategic Business Planning curriculum and trained representatives who manage microcredit programs for 59 of its affiliates. Many participants had no basic business plan before they attended the training; 93 percent (55) completed strategic business plans afterwards. They developed organizational vision and mission statements, analyzed their organization's strengths, worked on financial projections, and developed six-month action plans. This training was the participants' first exposure to strategic and financial planning tools.

The NGOs later demonstrated improved business skills and en-

hanced decisionmaking. For example, after the training, many groups lowered their interest rates for lending to encourage member borrowing, and increased the interest rates for savings to increase deposits. One NGO also introduced registration/processing fees for loans above 10,000 rupees (\$238) to help defray costs. In another example, an NGO offered loans that had a repayment schedule with weekly installments and reported they received 100 percent repayment.

### *Increased Outreach and Savings*

Membership and savings levels increased significantly among the organizations that participated in the training program. Depending on the

organization's size—and the degree to which it emphasized microfinance activities—NGOs expanded their membership base by 40 to 90 percent.<sup>6</sup> Small NGOs for which microfinance was one of many activities showed a 91 percent increase in membership outreach after the training. Medium-sized NGOs for which microfinance was a major activity expanded their membership by 62.7 percent. NGOs with large-scale operations expanded membership by 46.2 percent (see figure 1).<sup>7</sup>

Likewise, total annual savings increased significantly for all participating organizations in the year after the training. The increased savings

<sup>3</sup> Participants were drawn from roughly one-quarter of India's states: Andhra Pradesh, Bihar, Gujarat, Karnataka, Kerala, Maharashtra, Orissa, Tamil Nadu, and Uttar Pradesh. Training sessions and follow-up meetings occurred in Andhra Pradesh, Gujarat, Kerala, Maharashtra, Orissa, and Tamil Nadu.

<sup>4</sup> While women's development is the long-term goal of microfinance organizations, many women may not benefit directly from the Strategic Business Planning training. Microfinance organizations serve women as clients, but men predominate in the leadership. The training targeted organizations' upper echelons—chief functionaries and program officers—which have fewer women. However, women did comprise almost one-third of the training participants.

<sup>5</sup> External reviewers evaluated the entire program to determine its value. The team examined all the business plans, collected a questionnaire from the participants, and interviewed 25 agencies during field visits. Since the training attempted to create long-term results, the evaluation looked at the participants' performance up to one year after the program.

<sup>6</sup> "Small" microfinance NGOs are defined as those with fewer than 2,000 members; "medium" organizations have 2,001-5,000 members; and "large" organizations have over 5,000 members.

<sup>7</sup> The organizations listed are Dale View, The Society for Helping Awaken Rural Poor Through Education (SHARE), and Activists for Social Alternatives (ASA). All are large NGOs (more than 5,000 members) who have been engaged in microfinance activities for five to eight years, and for whom microfinance is either the sole activity or a major organizational activity.

are directly related to membership expansion among microfinance organizations (see figure 2). Even assuming arbitrarily that only 50 percent of the increase resulted from attending the Strategic Business Planning program, participation led to over 9,786,000 rupees (\$233,000) in increased savings.<sup>8</sup>

Most participating NGOs expanded the number of loans they made in the year following the training. There was a great variation among the large NGOs: from ASA with 3,166 to Dale View with 8,300 to SHARE with 13,300 additional beneficiaries.<sup>9</sup>

While the growth in lending operations may be due to factors other than the Strategic Business Planning program, the evaluation indicates that at least some of the improved business operations resulted from the training. Participant self-reports indicate that many felt their expansion was due wholly or in part to the skills they learned. Further evaluation indicates that the training program would be cost-effective so long as more than 15 percent of the increased savings resulted from participation in the Strategic Business Planning program.<sup>10</sup>

### Information Dissemination

In order to more effectively institutionalize and disseminate the training information, FWWB/I created materials to be used by other Indian microfinance organizations:

- ▶ *A Training Manual in Strategic Business Planning for Indian Microfinance Intermediaries* is a 100-page step-by-step guide outlining basic strategic business
- ▶ *Software* is being developed to help participants with their financial projections and computer skills. The linkages between the software and principles of

Figure 1: Increased membership in selected microfinance organizations

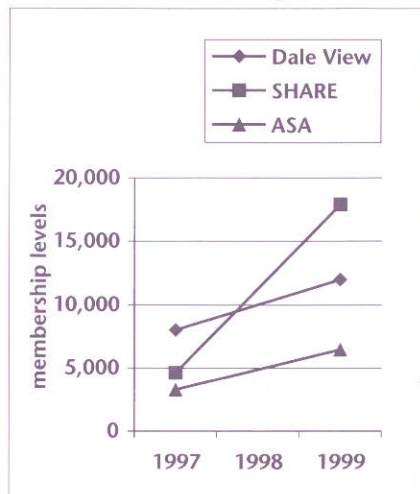
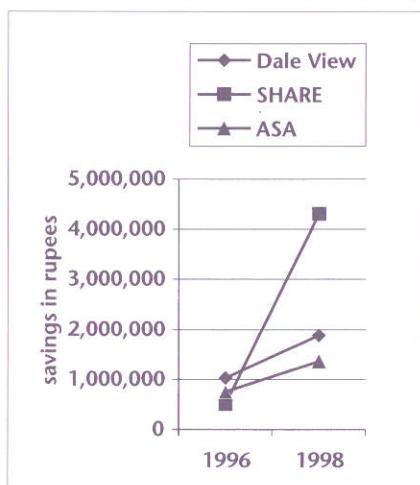


Figure 2: Savings increase for selected microfinance organizations (in rupees)



planning concepts and the framework developed through the two-year training program. The manual provides a small business plan framework in English and three regional languages (Hindi, Tamil, and Telegu) that can serve as a model for others developing their own plans.

financial accounting will significantly improve the participants' knowledge and practice of basic business planning.

FWWB/I also held a two-day conference for formal banking representatives, government officials, microfinance stakeholders, policymakers, and training participants to disseminate the training manual.<sup>11</sup>

### Institutional Capacity Building

FWWB/I's training reached more than 10 percent of the estimated 500 microfinance organizations in India, thereby strengthening the entire microfinance system (NABARD 1999). FWWB/I affiliates are now part of a network of Indian NGOs and microfinance institutions that can share strategies for developing their activities, and can offer one another technical support and expertise.

The training generated much enthusiasm about expanding microfinance activities. As a result, FWWB/I has created a specific training cell whereby trainers provide instruction and technical assistance to the members of their own organizations. FWWB/I also now offers "Training-of-Trainers" sessions so that the program's original participants can learn to disseminate the Strategic Business Planning concepts to other microfinance organizations in their regions on a fee basis.

### Conclusions

FWWB/I's training helped participants learn important finance and business skills essential to improving both member savings and the funds available for loan. Organizational

<sup>8</sup> A discount rate is arbitrarily used to account for the fact that some of the increases in savings may be due to factors other than the training programs: the discounting of 50 percent assumes that only half of the increases in savings are due to the program.

<sup>9</sup> Results from smaller NGOs ranged anywhere from 50 to 1,000 new beneficiaries.

<sup>10</sup> Fifteen percent of the increased savings have been calculated as the approximate equivalent of the cost of the program.

<sup>11</sup> A Web page is also currently under construction: [www.FWWB/I-india.org](http://www.FWWB/I-india.org).

benefits varied based on the size and concentration of the NGO's microfinance activities. A continued

investment in training and support is necessary to expand microfinance activities and the trainings' suc-

cesses, particularly in regions that are currently underserved.<sup>12</sup>

## Recommendations and Lessons Learned

The following recommendations can help improve the efficacy of such programs even further:

### ► Make long-term investments.

Many microfinance institutions need long-term assistance. Training programs should move beyond one-time workshops to a combination of training and sustained technical support. Successful training must include the active participation of the participants through experiential learning, and the long-term support of the participants as they work to implement the business activities.

► **Provide assistance based on organizational experience.** Participants that specialize in microfinance operations benefited more from the

trainings than did those whose work included both social and microfinance programs. The needs of NGOs working to improve the efficiency of their microfinance goals varied widely by the longevity and depth of their prior experience with these activities. Tailoring programs to meet the specific training and technical assistance needs of the NGO will be most effective in creating long-term benefits.

► **Build support among clientele and staff.** Effective implementation of the strategic business planning concepts requires active grassroots-level promotion and support for savings and credit services. Organizational support at all levels is vital for the long-term sustainability of

the program. The training was directed at chief functionaries who represented their NGOs' staff. In order to bring the programs' messages to the staff and clientele, training, program reviews, and follow-up activities can help them to become supporters who "own" the business plans.

► **Use local languages and examples.** Linguistic and cultural barriers make it hard to translate complex financial planning concepts into action. Case studies and other materials are most effective when they reflect the culture in which they are being applied. Providing materials in local and regional languages also helped participants understand unfamiliar theories and activities.

## References

National Bank for Agriculture and Rural Development (NABARD). 1999.

"Report of the Task Force on Supportive Policy and Regulatory Framework for Microfinance." Revised Draft. Mumbai.

<sup>12</sup> The project identified the need for a suitable legal and regulatory framework within which the microfinance NGOs could operate. Therefore, a Task Force on the Microcredit Sector has been set up by India's National Bank for Agriculture and Rural Development (NABARD), whose final recommendations on the framework are due in the spring of 2000.

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