

# **BENIHSNGU GUMUZ CREDIT AND SAVING INSTITUTION**

## **Strategic Business Plan**

**2019/20-2023/24**

**Assosa  
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## Table of Contents

1.	Introduction.....	1
1.1.	Background.....	1
1.2	Governance and Management Structure .....	3
2.	Strategic Review of Benishangul Gumuz Credit and Saving Institution. ....	4
2.1	Performance Overview.....	4
2.1.1	Evaluation of the Previous Strategic Business Plan .....	4
2.1.2	Major operational and financial Pperformance of the previous Strategic Planning Period. ....	4
2.1.3	Product and services .....	7
2.2	Mission Statement.....	8
2.3	Vision Statement .....	8
2.4	Values Statement.....	8
2.5	SWOT analysis .....	9
3	. Environmental and market analysis.....	12
3.1	Environmental Analysis.....	12
3.1.1	Political Analysis.....	12
3.1.2	Social Analysis .....	13
3.1.3	Technology Analysis .....	14
3.1.4	Collaborators.....	15
3.1.5	Regulatory Factors.....	16
3.2	Market & Competition Analysis.....	18
3.2.1	Market Analysis.....	18
3.2.2	Competition Analysis.....	18
4.	Strategic objectives, Goals and Activities. ....	20
4.1.	Key Strategic Areas.....	20
4.2.	Strategic Objectives .....	20
4.3.	Key Goals, Targets and key Activities .....	21
5.	Performance Measures, Monitoring and Evaluations. ....	30
5.1	Projected financial position.....	30
5.2	Projected financial performance.....	31
5.3	Projected portfolio outreach and client .....	31
5.3	key performance indicators.....	32
5.4	Implementation and Monitoring .....	32
5.4.1	Effective execution of the Strategy.....	33
5.4.2	Review and updates of the Strategic Business Plan .....	33

## **Board Chairman's Note**

The process of developing a comprehensive five years Strategic Business Plan for Benishangul Gumuz credit and saving institution from 2018/19 to 2023/24 has needed support and inputs from a diverse of stakeholders. Because of the importance and scope of the exercise, it was necessary to engage an independent committee to facilitate the process – coordinating and compiling ideas and comments from various stakeholders. The process saw a thorough review and improvement of strategic areas of the institutions– its mission, vision and cultural values.

It should be noted that in the course of developing this Strategy, it demanded remarkable time and resourcefulness of members of the Board, Management, and Staff of the institution. It is their unrivaled commitment that this document has been completed. Therefore, in a special way, I would like to express my sincere appreciation to them.

With this note, in order to achieve the desired goals and objectives of the strategic business plan, I request support and collaboration from all the stakeholders; especially to assist the Board and Management of the institution to implement the strategies devised.

With best regards!

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**Mussa , Ahmed**

Board Chairman,

Benishangul Gumuz Credit and Saving Institution.

## Executive summary

Benishangul Gumuz credit and saving institution (BGCSI) originated from the stakeholders of Benishangul Gumuz regional government and the regional development associations of each ethnic group of the region. It is established to provide financial and non-financial services to farmers, youth, women's and other dwellers in the town thereby to contribute for poverty eradication, job creation in the region through opening branches across the region.

BGCSI started operation in January, 2001 under the license from the national bank of Ethiopia (license # 000 18) by fulfilling all the requirements which are set by the bank, including the minimum paid up capital of ETB 300,000. However, as the national bank of Ethiopia has already revised the microfinance business proclamation that sets minimum paid-up capital, BGCSI is now required to raise its minimum paid up capital to Birr **10 billion** up to June 2021 through periodical installment and starting from June 2017. So far, however, the amount of paid up capital of BGCSI has reached only Birr 1.3 million which is very small as compared to the required one.

Even if this financial sector started its service before 18 years ago, the performance trends of the institution have not been excellent. The performance achievement of the recently closed strategic business plan (2013-2018) has not also been as stipulated in the plan. From the year 2013 to 2018, the total outstanding balance of loan has increased from ETB 128 million to 287 million, each year loan repayment rate has been between 67% to 74%, the amount of net saving mobilized has increased from 55.5 million to 146 million-an increase of 26% each strategic business plan year, the total borrowers who have accessed loans in the institution has reached more than 45 thousands, up from 18 thousand. The achievements so far indicate that a lot of targeted communities have not been able to access the financial services from the institution. That is, the financial and non-financial products and services that the institution provides through its branches have very low coverage.

By the end of the just finished strategic period, it is recalled that the government of Ethiopia has officially channeled huge amount of revolving loan fund directly targeting the unemployed youth. Practically, however, as the credit policy and procedures followed has not been strong and strict to keep the standard loan repayment rate by implementing prudent loan collection from the targeted groups, the program rather led the institution to face with high operational and sustainability risks. The key challenge in this loan facility has been program implementing stakeholders' inability to bring a healthy program image, business performance, and attitude among the targeted youth.

When the portfolio at risk level is higher than threshold stipulated under the national bank's directive, the institution is automatically enforced to have sufficient balances of loan loss provision expense on the balance sheet for the non-performing loans. This has adversely affected financial position and the profitability of the institution; it actually dried out the relatively high amount of income that has been generated on the end of strategic period than ever working years.

Therefore, it is stipulated that under the next strategic business plan period (2018/19 to 2023/24), BGCSI should undergo a comprehensive transformation, both in terms of ensuring portfolio quality and impressive outreach in its planned operations. The market potential for financial services is adequate in the region. As such, the institution will focus on transforming its financial products and services along with its institutional delivery methodologies as well as capacities. The latter has also been designed in line with the national financial inclusion strategies.

# **1.Introduction**

## **1.1. Background**

Formerly, before the microfinance business proclamation no. 40/1996 (and its amendment **626/2009**) was issued, the institution, called International Committee for Development of people (CISP) have been operating in limited areas of the Beneshangul Gumuz region with the objective of assisting the poor to avoid poverty. In January 2001, such unregistered financial intuition that had been providing financial services to the poor community in the region was licensed and registered by the national bank of Ethiopian with ref# 0018 and based on the above microfinance business proclamation.

The Benishangul gumuz Regional state administration council, and four development Associations which are formed by the region's ethnic groups have legalized owner Benishangul gumuz credit and saving institution(BGCSI) through forming nominal shares with contribution of total paid up capital of 1.3 million.

The main objectives of Benishngul Gumuz Credit and Saving Institution is to provide financial service to the poor who has shortfalls of small amount of finance thereby facilitating customers' productivity and assuring the social performance of those clients who has taken a loan. Financial services such as credit, savings, and other financial services can enhance the agricultural production of the subsistence farmers, promote entrepreneurship, create employment opportunities for the unemployed youths, and fulfill other needs( such as consumption needs) of other individuals.

To achieve the objectives such as increasing outreach, the institution has to have branches with skilled man power. However, at establishment time there were only six sub branches that provided financial service to the active poor's and the level of outreach coverage in breadth and depth of loan and savings services have stayed low for long. As a result, the recently designed strategies have necessarily started to address the service expansion objectives of the institution. Thus, the total service providing branches have reached to 22 as of end of 2018.

To improve the quality of services available in the institution, the management of the intuition has also decided and started to further redevelop operational and financial and other related policies and procedures, and assign the staffs according to their competencies and skills and this will continue to transform the institution according to the current services demand of existing and potential clients.

## Activities, Products and Services

Key activities of Benishangul Credit and Saving Institution (BGCSI) are:

- Mobilize savings from different alternative sources and meet most of its loan capital needs..
- Design and develop new market driven saving products (Conventional and /or other like sharia complaint products).
- Design and develop new market driven loan modalities and products (conventional and/or interest free /Islamic financing products).
- Provide loan for the targeted groups (farmers, unemployed youth, public-sector employees, women, and traders).
- Collect loan principals disbursed, and the interest earned based on repayment schedule and penalties if default happened.
- Manage third party funds administration.

Benishangul Gumuz credit and saving Institution is currently offering the following financial products:

LOAN PRODUCTS – the institution is providing the following loans with group and /or individual modalities:

- i. **Farmer loan (input):** This loan product is accessible to farmers involved in agriculture/nonagricultural economic activities. It is delivered using group guarantee lending model.
- ii. **Consumption/Asset /Loan:** - this loan is available to those who have monthly salary earnings. Salary of the employee is taken as the loan guarantee. The employing organizations are needs to write a letter of commitment for repaying the loan by deducting the employee's salary.
- iii. **Fixed Asset based Collateral Loan:** this type of loan is given for those individuals who have feasible business proposals and can provide strong fixed asset as collateral plus 2% upfront compulsory savings.
- iv. **Micro-Enterprise Loan:** This loan has been developed in line with government's strategy to create job opportunities to the unemployed youth.
- v. **Revolving Loan Fund Loan:** the purpose of this loan is to create job opportunities for youth with age cohorts between 18 and 34 years; the source of loan capital is the government of Ethiopia. It is group based loan with at least 5 group members.

- vi. Vulnerable Loan Fund:** This type of loan has special requirement in relation to selecting the target group. While an attempt is made to fulfill the special interest of the funder, the institution's internal loan policy procedures is also strictly followed together.
- vii. Loan for BGCSI Employees:** This loan is provided to employees based on their monthly salary amounts. The employees are incentivized with lower loan interest rate. It provides to the institution's employees to maintain the staff turnover to the standard level.
- viii. Savings Product** – BGCSI provides voluntary and compulsory savings services to the community with 7% annual interest rate. Compulsory saving is a prerequisite to access loan for some of the loan products and stable until the end of loan period (the loans are fully repaid).

## **1.2 Governance and Management Structure**

Benishangul Gumuz Credit and Saving Institution owned by the regional council and other four ethnic group people's development associations. One representative from each shareholder has formed the current board of directors. The boards of directors have an overall institutional leadership role.

The General assembly is the highest organ of the institution with the highest responsibility to pass any strategic decisions on the overall operation of the institution. The board of directors is the highest decision making structure, next to the General assembly. The board of directors monitors the overall performance of the management. The board undertakes quarterly operational and financial performance evaluation against annual plan. It also passes any decision on policy changes as wanted. The third level of BGCSI's organizational structure is the management and other staffs that leads, guides, and implements the daily activities of the institution based on strategies, policies, and operational plans. All branches of the institution also provide the services to the community aligned with operational policies which are recognized and authorized by the board of directors.

## **2. Strategic Review of Benishangul Gumuz Credit and Saving Institution.**

### **2.1 Performance Overview**

#### **2.1.1 Evaluation of the Previous Strategic Business Plan**

To achieve its strategic goals, Benishangul Gumuz Credit and Saving Institution have prepared its own five years' strategic business plan during its last operational years. So far, it has implemented more than three such strategic business plans. The strategic business plan has been executed with a series of annual operational plans.

However, as a gap, previous planning efforts have been focusing on annual operational issues but not on strategic issues. During annual operational plan development and annual performance evaluations at lower management level, they were not dealing with opportunities for innovating financial services rather the focus of attention has been only on annual budget issues and their associated specific activities. Therefore, despite the fact that there have been some strategic issues to be tackled over the past longer period of time, there have not been fully practiced efforts to develop and execute strategic frameworks aiming concrete results.

Thus, in a way, it has been difficult for the institution to achieve its bigger goals and objectives and thereby transforming its outlook and performance during the last planning periods. Therefore, because of the pressing need to redesign its image and brand, into a modern and a customer responsive institution, the Board has earmarked to develop its next five years strategic business plan in a transformative way. This will allow the Board and Management of the institution to develop a sense of strategic outlook. The new approach of planning is believed to help the board and the management as well as the entire staff and other stakeholders see and learn from the previous strategic gaps and are able to systematically transform the institution in the course of the next planning periods.

#### **2.1.2 Major operational and financial Pperformance of the previous Strategic Planning Period.**

As noted earlier, most performance targets of the institution from 2014 to 2019 (as projected by June) has been unattained. The table below summarizes performance – for the last recent consecutive years. Though the market potential for access to financial services is huge in many respects, the performance of the institution during the previous strategic period has been poor. Actions taken for expansion of branches, outreach by Keble, and outreach (in depth and breadth) of clients have not been successful. The staff has not been effective in their role to achieve adequate operational growth across the operational periods of the institution.

Gross loan outstanding has grown on average at 26% from Birr 133.3 million to Birr 320.4 million, active borrowers have grown on average at 3% from Birr 38,027 to Birr 42,229 and average loan size also grew at 22%, from Birr 3,506 to Birr 7,588. The growth of the outstanding loan of the period was mainly due to the focus given by the government of the county to youth job creation by allocating relatively bigger amount of revolving loan fund. More than Birr 60 million was disbursed to 574 enterprises since the introduction of this program. The bad thing however is that this loan has been ending up with negative portfolio quality results which can lead the organization towards poor performance (below the industry as well as the regulatory standards), including in the next strategic plan period.

On the financial performances, total asset, total equity, net profit or loss, Debt to equity ratio, capital adequacy ratio, yield on portfolio ratio, and financial and operational expense ratio have the following average results, respectively: 31% ( from Birr 150 million to Birr 433.2 million ), 29%( from Birr 41.9 million to Birr 107.0 million ), 279%( from Birr 2.1 million to Birr 12,3 million ), 6%(from 252 % to 305%) , -3%(from 39 % to 32%), -1%( from 18% to 15% ) , 4%(from 2% ) , -5%(from 17% to 11%). This shows that performances achieved in some of the indicators are normal. The annual income of the Institution has also showed higher increment. All good result performed is because the institution has reviewed the loan terms and conditions including the interest rate and service charges.

The other contributing factors for the increase of the annual income of the institution have also been continuous efforts of the branches on improving loan portfolio quality and following cost effectiveness approach for execution of plan.

To finance the growth demand of the loan portfolio, deposit mobilization is the main source. The institution has its own saving mobilization method and strategies. So far, savings mobilized has grown at average rate of 19.4% and reached to Birr 160.0 million. From this performance trend, it's important the management and the Board of Directors to put in place additional efforts to mobilize adequate savings for increasing the level of savings to loan ratio—to cover at least 80% of the loan portfolio.

	Trend Performance					Growth & performance				
OPERATIONAL PERFORMANCE	2015	2016	2017	2018	2019	16	17	18	19	Ave
Outreach by branch	20	20	20	22	22	0%	0%	10%	0%	3%
Outreach by Keble	420	420	420	420	430	0%	0%	0%	2%	1%
Number of staff	170	177	200	211	211	4%	13%	6%	0%	6%
Number of loan officer/Relation	51	56	63	59	59	10%	13%	-6%	0%	4%
Number of Active borrowers	38,027	37,947	38,525	44,582	42,229	0%	2%	16%	-5%	3%
Gross loan outstanding	133,318,653	135,919,643	178,446,904	287,285,298	320,444,213	2%	31%	61%	12%	26%
Average loan size	3,506	3,582	4,632	6,444	7,588	2%	29%	39%	18%	22%
Deposit mobilized ( in amount in mill)	64.0 mil	78.8mil	93.7mill	127.0 million	160.0milli	23.1%	18.9%	35.9%	25.9%	19.4%
<b>FINANCIAL PERFORMANCE</b>										
Total asset	150,392,798	177,005,451	266,089,804	356,550,165	433,224,796	18%	50%	34%	22%	31%
Total equity	41,902,644	47,090,051	81,979,204	95,098,299	107,092,432	12%	74%	16%	13%	29%
Net profit (loss)	2,180,958	696,393	7,806,179	13,146,158	12,329,224	-68%	1021%	168%	-6%	279%
Debt to equity ratio	252%	276%	225%	276%	305%	10%	-18%	23%	11%	6%
Capital adequacy ratio	39%	41%	48%	33%	32%	4%	17%	-31%	-3%	-3%
Loan yield	18%	19%	23%	14%	15%	6%	21%	-39%	7%	-1%
Financial expense ratio	2%	2%	3%	2%	2%	0%	50%	-33%	0%	4%
Operational expense ratio	17%	19%	18%	9%	11%	12%	-5%	-50%	22%	-5%

### **2.1.3 Product and services**

Starting from the date of establishment, like other microfinance institutions in Ethiopia, Benishangul Gumuz credit and saving institution has been offering financial and non-finance services to respond the various needs of marginalized community members. However, over the last years, the institution has not fully reviewed the existed loan policy to create the high demand of financial services of the regional community.

It has been found that the different types of loans currently offered by the institution have some terms and conditions that are not comfortable to the target groups (such as youth and women, farmers, and other communities. As per the survey conducted, recently by the institution, for example, most of the interviewees have replied that some of the existing loan products terms and conditions like interest rate, loan size and the required collateral/guarantees need reasonable improvements.

Other respondents said that active poor people who are following Islamic religion have faced with the problem of changing their economic status as the institution has not designed sharia compliant financial services.

The other problem identified during the survey conducted that financial services provided by the institution are not currently using advanced financial technologies to facilitate deposit and any other related transactions. There are not also systems established to withdraw deposits at any given branch implying the need to look for advanced digital technology to enhance the deposit mobilization and credit and other financial services.

Therefore, going forward the institution needs to review its products and services in order to address specific financial needs of various customer segments. This will improve its earning capacity – and hence increased benefits to the institution's customers and assure its sustainability.

## **2.2 Mission Statement**

The mission statement of Benishangul Gumuz Credit and Saving institution is:- To improve the socio-economic development of the region by providing a wide range of responsive microfinance services and other complementary social services to economically active poor entrepreneurs and other businesses.

## **2.3 Vision Statement**

To become socially responsive and sustainable microfinance institution with a series of concrete positive results in socio-economic development of the Benishangul Gumuz region

## **2.4 Values Statement**

The following are the values that the institution should always understand and experience to transform and achieve its goals.

**INTEGRITY:** When the institution provides its financial and non-financial services to its customers, it brightly aims at enhancing their businesses; it achieves this ethically and with transparent, fair, and cost-effective manners. This manner of integrity is also applied to the institution's stakeholders.

**QUALITY OF SERVICE:** At BGCS, we provide our customers and other stakeholders tailored as well as efficient services. We provide these services in a convenient, proactive, and timely manner. It is also considered that the sustainability of the services is equally important.

**TRANSPARENCY:-**At BGCSI we provide our customers and other stakeholders with complete and accurate information about terms and conditions of our products and services. Information is provided in a user friendly manner to enable them to easily understand these terms and conditions.

**FAIR PRACTICE: -** AT BGCSI we ensure that the services we provide to our customers, as well as interactions we have with key stakeholders, are not unethical or deceptive. We are committed to build relationships that are based on respect, fair and courtesy.

**CONFIDENTIALITY:-**the privacy of our customers and our stakeholders is strictly safeguarded and such stored data is only used up on their consent, and they are well informed about the specific purpose of the data usage.

**NON DISCRIMINATION:-**BGCSI considers its customers and key stakeholders as valuable assets and takes all necessary measures to ensure that the institution treats them in an appropriate manner with no discrimination.

## 2.5 SWOT analysis

The Table below provides an analysis of the strengths and weaknesses of the Benishangul Gumuz Credit and saving institution in relation to the existing opportunities and challenges in the market – and their implications to the business of the institution.

SWOC	Attributes	Implications to The Business of BGCSI	Strategic Focus
Strengths	<ul style="list-style-type: none"> <li>➤ Potentially capable BODs &amp; CEO to ensure commitment and dedication among management and staff.</li> <li>➤ Encouraging efforts in installing performance based evaluation system.</li> <li>➤ Service unit expansion (branches) at all potential areas.</li> <li>➤ Attempts done to create good relation with key stakeholders.</li> <li>➤ Encouraging efforts in updating of loan policy &amp; procedures</li> </ul>	<ul style="list-style-type: none"> <li>➤ System for strong follow up for plan implantation.</li> <li>➤ Performance sustainability.</li> <li>➤ Reach target groups cost effectively.</li> <li>➤ Increases social mission strategies.</li> <li>➤ A wide range of financial services provision.</li> <li>➤ Customer's continuation with the institution.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Updating and reviewing the operational staff evaluation and motivation system.</li> <li>➤ Keep increasing access point of services in the potential areas to expand the outreach.</li> <li>➤ Low cost promotional system should be implemented.</li> <li>➤ Continuous revision of loan policies and procedures to make the institution customers satisfied and business stability.</li> </ul>

<b>weaknesses</b>	<ul style="list-style-type: none"> <li>➤ No digital institutional infrastructure.</li> <li>➤ Absence of effective use of ICT systems (use of manual MIS).</li> <li>➤ Absence of reliable accounting systems.</li> <li>➤ Less skilled professionals at in some job positions.</li> <li>➤ Lack of structured client protection policy and procedures.</li> <li>➤ Skill and knowledge of low level managers.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Lack of automatic internal controls on operations of the BGCSI;-disposed to losses and inefficiencies;</li> <li>➤ Challenges to the Management in serving customers;</li> <li>➤ Loss of credibility to some clients as some information are subjected to human errors;</li> <li>➤ No repeated Frequency of client for financial service.</li> <li>➤ No Timely technical evaluation of branches and directions to improve the performances.</li> <li>➤ Unable to change the feed backs according to the evaluations report.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The BGCSI should automate most of its operations – especially the management of the loan portfolio;</li> <li>➤ The BGCSI should review its accounting system to ensure all the transactions are accurately accounted for;</li> <li>➤ The Board, apart from BGCSI inspections, should liaise with the Management of BGCSI to access some services like internal audit, risk assessment, etc.</li> <li>➤ The client protection policy and procedures should be implemented.</li> <li>➤ The institution should make continuous evaluation system focusing on technical and re assigning the lower level mangers based on their knowledge.</li> <li>➤ Enforce the branches to implement the feedback action as appropriate.</li> </ul>
<b>Opportunities</b>	➤ National/regional youth job creation strategy	➤ Availability Loan able revolving fund	➤ The institution should follow effective fund management to use the revolving fund budget.
	➤ National financial inclusion strategy	➤ The strategy enforces the institution affordability and accessibility.	➤ The institution should use alternative financial service provisions modalities
	➤ High Demand of interest free banking service	➤ Pushing factor for developing new interest free of financial services	➤ The institution should offer the interest fee financial service to the Islamic religion followers.
	➤ Availability of new fresh graduates from higher education or TVET	➤ Quality service providing ,quality reporting ,and maximizing performance of the institution	➤ The human resource of the institution should take effective recruitment of young fresh graduates and making them ready for work

Challenges	<ul style="list-style-type: none"> <li>➤ Strong comment/push raised from stakeholders and customers to refine the terms &amp; conditions of the financial products.</li> </ul>	<ul style="list-style-type: none"> <li>➤ It improved the business performance</li> <li>➤ It improves the client out reach</li> </ul>	<ul style="list-style-type: none"> <li>➤ Terms and condition should be continuously updated and reviewed to expand the services.</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Increased competition from other financial services providers</li> </ul>	<ul style="list-style-type: none"> <li>➤ Continuous market research and improve affordable financial services.</li> <li>➤ Weak in resource mobilization (deposit)</li> </ul>	<ul style="list-style-type: none"> <li>➤ The institution should conduct a thorough survey to establish the competitiveness of its products and services in order to establish some areas of improvement to attract this demand lost to other markets;</li> <li>➤ The institution should consider innovative products and services – for example to start thinking exploring on Islamic, housing loan , loan size change,</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Low level of development technological infrastructure in most operational areas</li> </ul>	<ul style="list-style-type: none"> <li>➤Fast Quality service provision problem</li> <li>➤Weak controlling and reporting.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Using affordable financial technologies for the selected branches and improving quality of financial service provision.</li> </ul>

### **3. Environmental and market analysis**

#### **3.1 Environmental Analysis.**

The environment of the BGCSI should focus on the stability of the financial services to economic growth, unemployment reduction and poverty alleviation. Therefore, the major analysis of environment of BGCSI should largely focus on assessing the stability of financials service provision and strengthening work relationship among public sectors & key stakeholders. It is obvious that BGCSI will need a smooth general environment outside the institution, but will not be the first determinant for the success of its operations.

##### **3.1.1 Political Analysis.**

The political environment of the institution would largely be stability of the business of the institution. With a general assessment of the growth trend of the institution over the last five years, one can firmly project that the institution will still be in operations over another next five years, and may be growing faster. However, here the assessment includes the working relationship between the government public sectors and other partners.

The relationship has been perceived to be good, although there has never been a charter to clearly define what entails in this relationship – what values should the institution command to employees of stakeholders and what support should the institution get from the stakeholders. It is expected as well that the stakeholders will not harm operations of the institution and that its policies will always favor its operations.

On the bigger picture of the general environment, the region is as much as politically stable, like it has been over the last five years except temporarily happened instability around few branches and getting improved time to time. Therefore, it is projected to remain stable over the next five years. There are key policies and strategies implemented by the Government that are directly favoring growth and development of the modern financial services in the region. Typical as national financial inclusion strategy focused to design and implement wide range of easy financial access to the community therefore there is expectations to review loan policy and procedure. All these strategies and policies do earmark the institution as the right vehicles to reach and serve a mass of population – though they all recognize some challenges to be addressed.

Like the political assessment, the economic environment of the institution is the ability to cover the wide range of service in a sustainable manner by mobilizing large amount of stable public deposit. Thus, we project a stable economy (business) of the BGCSI for the next five years, like it has been over the past period. Moreover, over the last five years, from

2013 to 2019, the institution has a change of business expansion by up grading satellite business centers to branches , outreach in almost all rural areas, increasing outstanding portfolio, increasing deposit mobilization, and growth of the number of staff 25% from 180 to 217 , over the same period. Therefore, over the next five years, the institution is projected to continue growing – even at a higher rate. This will have positive implications to the business of the BGCSI – in terms of increased shareholders, and hence a need for more improvements on service delivery systems. Generally, we expect the economy of the region will growth – as there are much new prospects and indicators – emerging economies in service, mining, farming and construction industry. However, as the state government focuses on building robust systems that will include and serve the financially- marginalized groups in the community, this might create further competition to the BGCSI as more institutions offering diversity of financial services, will start to emerge in the market. Thus, the institution should expect to increase in competition over the next five years – especially from other providers of financial services (commercial banks, other community-based SACCOS, and money lenders). It should therefore work on improving its products and delivery methodologies in order to provide unrivaled services to its community. Furthermore, as the region economy grows, unemployed youths will effectively engage themselves in real entrepreneurship ventures – that will need financing from financial institutions. Therefore, institution, should project a boom in demand for such financial needs.

Furthermore, because of the expected industry growth and consumer spending over the next five years – interest rates, for both borrowing and savings, and other fees will probably increase. Therefore, in order for the BGCSI to be able to access least expensive resources – savings and deposits or (soft loans) – to build its loan portfolio, apart from reviewing and designing attractive products, it should be able to pay adequate interest rates on savings and deposit accounts. Therefore, interest on lending to customers will as well increase gradually to reflect this rise in the cost of funds. This will be the outlook of the BGCSI in order to avoid borrowing from Banks with high interest rate and related financial institutions, which will further swell the cost of funds.

### **3.1.2 Social Analysis**

Basically the formation of BGCSI is not for fully profit rather for committing to achieve the social mission by providing sustainable and affordable financial and socio-economic service to women and economically active poor communities to contribute to poverty alleviation and economic development. It is known that the poor communities is still high demand for

financial and other complementary services from the regional micro finance , the institution will continue its role in designing and introducing new financial services with other social services to get positive result in their economic status as so far. In addition to reinvesting the dividends to expand the service of finance to women, vulnerable target group, and enterprisers, the institution will focus on other alternative sources from different partners.

Service provider centers will also be opened in the area where no services available or the center is very far from the existed branch to helping the customers to easily access the financial services and more than 60% of the services provision proportion is kept continue to economically poor families, women and vulnerable groups as the last five year performance. To provide quality service to those social communities that the experience staff turnover should be maintain at minimum rate by reviewing different attractive benefit package and to be incorporated to the institution human resource manual for implantation and there will be other incentive mechanism to motivate the employee to meet the social goal of the institution.

### **3.1.3 Technology Analysis**

Not only in delivery of financial services, but in almost all economic sectors, over the past ten years technological developments have been remarkable and have equally commanded huge growth in these sectors. However, the financial sector is one of a few economic areas that have experienced a sharp positive impact of technology – on products and services, delivery methodologies and management of core functions for providers of financial services. The impact of all these are increase in efficiency and quality of services, reduce man made transaction error costs, increases outreach into new areas, new products and services, etc. In the less span of next five years, more advanced technologies in the financial industry are foreseen to continue emerging. Therefore, for the BGCSI is to be able to offer services that matches the needs of its customers and hence able to compete with other providers, it needs to explore and invest in robust ICT platforms, for example the use of mobile and smart phones, internet, etc. for depositors to access their accounts with Specifically, for fast and convenient services to its client should immediately explore platforms like Internet Banking, and agent banking (and other telecom-led mobile money platforms) to expedite services to its customers – rather than checks and transfer systems.

### **3.1.4 Collaborators**

The fact that BGCSI works towards ensuring better living standards of the people, especially the poor, creation of jobs to the youth, which constitute the majority of the regional population, helps it to get support from many sides. In the meantime, it has won many collaborators and allies, which provide a good opportunity to be effectively made use of. There are also threats which need to be taken care of.

BGCSI has support from the government and its different structures which now stretches down to the Kebele level, the main operational area. BGCSI can use these organs, with better knowledge about each household, to identify those who are to get the credit service. More importantly, it can form an alliance with these organs in the effort to change the long-established credit culture of the society, with a new emphasis on self-employment and income generation, and doing away with some cultural extravagant spending of scarce, investable resources.

Currently, enterprise development agencies and cooperatives, one of the government organs, have reflection of to start some income generating activities (e.g. small scale irrigation, bee-hives, other off-farm activities, etc.) but could not do so for lack of the startup capital.

Cooperatives cannot avail the needed capital themselves because they do not have enough capital as well as the skill in credit administration. They are willing to establish relations with BGCSI, which has the skill as well as the financial wherewithal, but so far no agreement has been reached. Various options should be explored. For example, new cooperative credit modalities can be designed which 1) allow cooperatives to do the function of a "village banker" on behalf of BGCSI (described below) and/or 2) BGCSI can directly distribute the loan to cooperative members based on its set criteria but in co-operation with the cooperatives particularly in client screening and guaranteeing repayment. Similar collaboration could also be arranged with other associations: Women's Associations, youth Associations, etc.

So far, BGCSI seem to be emphasizing only the financial service side of Micro Enterprise Development (MED). With little consideration of its clients' need for Business Development Service (BDS), in order to enable them become profitable. BGCSI cannot itself provide such services. But as of now there are government efforts to promote BDS in the region through micro and small enterprise (MSE) promotion agency and Technical and Vocational Schools. The agricultural extension service (by the Bureau of Agriculture) so far focused on crop farming and there are efforts on livestock and related activities. There is almost no support

for those engaged in trade. skill training for MSEs in urban areas MSE agency and TVT on areas such as tailoring, embroidery, weaving, handcrafts, woodworking etc. which are carried out at a very limited scale (normally urban based) seem to be encouraging efforts.

Consequently, polarization of loan-supported activities on selected activities like crop farming, livestock etc. often creates market saturation which forces borrowers to lose their meager resources. Where there is no diversified employment opportunity such saturation provides little incentive for enterprising individuals unless there is a backup from relevant section of the Government or NGOs, to support them to enter in new ventures. There are growing numbers of organizations (both national and international) like the AEMFI providing some training particularly for management staff. The scale of service provision is currently not much, but could be exploited fully in future.

### **3.1.5 Regulatory Factors**

Government regulation, particularly National Bank regulations used to limit the interest rate that micro-financial institutions like BGCSI could charge from their clients. Currently, such regulation no longer exists and a new liberal system is in operation whereby MFIs could decide the level of interest rate they charge as long as they can remain in the competitive market. This opens up a new opportunity in the effort to ensure both operational and financial sustainability for the institution. More recently, the new National Bank Directives (pursuant to the Federal Rural Development Strategy and job creation strategy) relaxed its regulatory frameworks on Microfinance Institutions, thus allowing them some scope to diversify their client base, and not to be limited only to the poorest section of the population. Thus, BGCSI will have to diversify its client base, reaching out to a broader clientele of "the working poor", both self-employed and employed, and not just the poorest of the poor. Indeed, with the growth of the microfinance industry in the country, the NBE is trying to make its policies fully respondent to the needs of the clients the industry is helping in their effort to come out of poverty. Most important amongst them are those:

- Regulation of mobile banking and agent banking that allows the institution to use of technology and innovative financial service channels to deepening the accessibility of financial service to the community.
- Expanding the current start through micro bank loans of alternative lending methodologies other than the "group lending".
- Directive vested on interest free banking service in one window or unit by conventional microfinance institution.

- Revision on loan size limit, repayment period for the loan taken from MFIs up to fifteen Years according to the type loan.
- MFIs can lend a loan size more than the Br. 5000 limit, on the condition linked to the size of the total loan disbursement and the total capital of the MFI.

Such a change of policies at the national level away from exclusive focus on the poor (and the poorest of the poor first of all) emanates from the firm believe that the poor can also be well served by providing the access to capital to the relatively well-off people who might open enterprise employment for the poorest section. By way of diversifying, this would provide Micro-finance Institutions an opportunity to enjoy the benefit of economies of scale. BGSi also currently face no restriction or official barrier to borrow from formal financial institution in the case of capital shortages. Thus although BGCSI's ultimate aim is to be financially self-sufficient from its own profitability or saving mobilization, this ensures sufficient flow of capital when the need arises and guards against insolvency.

In this respect, the Rural Financial Intermediation Program (RUFIP) established under the Development Bank of Ethiopia could be potential collaborator by providing loan fund.

## **3.2 Market & Competition Analysis**

### **3.2.1 Market Analysis**

The demand and the supply of financial services in the region where BGCSI based and operated is not still balanced as there is no advanced quality delivery channel, strong communications flows, modified and diversified financial products; there for the product market is very limited number of customers as compared to the potential. However, the past experience of the company shows that there was no faced no market challenges across the branches, as the market is not wide there may be market challenge unless the institution focus on demanding of potential markets areas, quality of delivery products, using strong and popular ways of promoting financial products, facilitating various resource mobilization method to collect stable deposit and identify and mapping the area of potential saving operation. Other financial sector like commercial bank and private bank are expanding their service providing points in which the area where BGCSI is not easy fast and technologically supported, there is high competition in deposit (voluntary saving) mobilization campaign in collecting of deposit and our branches are under challenges so BGCSI have to review and advance the staff composition quality and skill , financial technology and innovation support and expanding branches to the potential market areas and segments of financial service products to demanding various community of the region.

### **3.2.2 Competition Analysis.**

As the number of modern financial service provider (private banks, commercial banks, and Sacco's, credit and saving cooperative, informal money ledgers) in region is becoming increasing in to reach the community in depth with wide range of services. However, even if, BGCSI service points expansions rate are not as equal as banks, are not providing services supported with technology, quality of primary staff those who have directly connected to loans and saving are not efficient like other financial sectors to mobilizing deposit, still there is unmet potential market of financial service where the operational areas of BGCSI. Therefore, potential market is not critical problem and beyond control for the next strategic period. In order to analyze and to set strategies for market completion in the area of BGSCI operation available is as below shows the types of products and services provided by each of these competitors' – their competitive edge – how they compare to each other and what might be strategic choices to BGCSI

Type of competitors	Type and features of product and service	Key competitive edge	Key limitation to the competitors	Business implication to strategic choice to the BGCSI
Banks and other financial institutions	<ul style="list-style-type: none"> <li>Housing loans – up to 25 years repayment period, at 8.5% interest, no application fees;</li> <li>Unsecured staff personal loan – up to 5 years, at 6%, no appl. fees;</li> <li>Secured staff personal loans up to the repayment period of 5 years;</li> <li>A wide option of accounts – varieties of SAVINGS Account for self, children, business, dependents; and CURRENT Account for businesses.</li> <li>Money transfer,</li> <li>Interest free banking services.</li> </ul>	<ul style="list-style-type: none"> <li>Lower interest rates on loans;</li> <li>Ample resources to provide bigger loans to employees;</li> <li>Effective and efficient systems to take various types of securities, evaluate, perfect and monitor value of these securities.</li> <li>Strong staff incentive schemes.</li> <li>digital financial service ( quality service provision)</li> </ul>	<ul style="list-style-type: none"> <li>no salary advance loans;</li> <li>no clear segmentation of needs;</li> <li>it is not the option for “emergent</li> </ul>	<ul style="list-style-type: none"> <li>can introduce “salary advance loans” to all employees of the ins. – recovered through the employer;</li> <li>Need to conduct a critical survey to understand exactly uses of “unsecured personal loans” to staff in order to find the niche it can serve better.</li> <li>To continue improving on delivery and features of emergency loans.</li> <li>need to study the financial needs of all employees of the MFIs in order to increase its products and services – and improving features thereon, that would attract new and retain existed client – increasing consumption rate of its products and services;</li> <li>The BGCSI will have to bargain on the possibility and modality of allowing some financial products offered by the institution to employees to be managed This has benefits to both – to staff (management of</li> </ul>

## 4.Strategic objectives, Goals and Activities.

### 4.1. Key Strategic Areas.

From the review of the current strategic position and the envisioned future of the BGCSI, the Board of Director and management has identified five major areas of focus for the next five years:

- 1.Transformational growth on institutional operation
- 2.Governance and Leadership.
- 3.Financial technology base operations
- 4.Financial Sustainability
- 5.HR management

### 4.2. Strategic Objectives

From the five strategic areas above, the institution has derived the following six strategic objectives as follows:

<b>Strategic Objectives</b>	1	To transforming and growth in portfolio quality, outreach and product and services expansion to the potential market.
	2	To enhance governance and leadership framework to support the envisioned business growth
	3	<b>To</b> enhance financial technology platforms and operational systems to increase efficiency and effectiveness in service delivery
	4	To achieve stable and sustainable financial growth
	5	To procure develop and maintain competent workforce to deliver professional services to its target group.

### 4.3.Key Goals, Targets and key Activities

<b>Strategic objective 1</b>	To Transforming and growth in portfolio quality, Outreach, product and services expansion to various potential markets.
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This objective is to meet unmet demand of the market by reviewing the existing loan policies and procedures, service delivery approach and market channelings and mobilizing resources to cover the diversified need of financial products. Therefore there would be activities that should be strategically implemented within the plan period.

Table; Key goals, measure, target and activities for the strategic objectives.					
	Key Goals	Measurement	baseline	Target	Strategies/activities
1	Improving portfolio quality to the standards,	PAR, RR, NPL, LRORR,	2019 performance indicators	Equal to the standard of the industry	<ol style="list-style-type: none"> <li>1. Reduce the case load per loan officer to the minimum 350 loan.50 for voluntary depositors.</li> <li>2. Set and introduce branch ranking and maintain staff incentive scheme.</li> <li>3. Review the organizational structures and installing monitoring and controlling system at each level of structure.</li> <li>4. Develop policy for client protection for esteemed customers.</li> <li>5. Keep good work relation with key stalk holders always.</li> <li>6. Continuous follow up of the clients to protect from failure</li> </ol>
2	Enhance outreach	Number of total client, amount of outstanding loan , Deposit mobilized	2019 # of client, borrowers, branches	150,000 borrowers, 50,000 Depositors, service units ,	<ol style="list-style-type: none"> <li>1. Open 10 new branches based of market survey.</li> <li>2. Service and product continuous promotion.</li> <li>3. Assign skilled and competent staffs.</li> <li>4. Introduce new innovated products.</li> <li>5. install regular promotion systems, via popular media</li> </ol>

3	Develop new and product services	Types of loan or saving product available	Market survey conducted	New product and service available	<ol style="list-style-type: none"> <li>1. Offering interest free financial services.</li> <li>2. Housing loan ,</li> <li>3. Clean energy loan.</li> <li>4. Emergency loan.</li> <li>5. Staff loan</li> </ol>
4	Review existing ,features ,terms and conditions of product and services	Reviewed types of product to the market	Existing products and services that dissatisfied the market /client	Deliver Reviewed type of loan products and services and innovated	<ol style="list-style-type: none"> <li>1. Review terms, conditions of the existing products &amp; services.</li> <li>2. Interest rate charged, service charge amount, loan size and term of loan,</li> <li>3. smoothing access to finance (options of collateral)</li> </ol>

<b>Strategic objective 2</b>	To enhance governance and leadership framework to support the envisioned business growth
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Because the business of the institution is expected to grow remarkably fast over the next five years, there is a need to strengthen the capacity of the Board and governance systems to ensure effectiveness. Oversight and leadership over its business. Therefore, the Board will institute appropriate frameworks for ensuring the business of the institution is producing the intended results. Table below shows some key strategic activities and related targets to achieve this objective.

	<b>Key goals</b>	<b>Measurement</b>	<b>Baseline</b>	<b>Target</b>	<b>Strategies/activities</b>
1	Improve governance framework of the institution.	Introduce risk based audit function		Well-structured unit	<ol style="list-style-type: none"> <li>1. Reviewing and instituting a strong organizational structure of the BGCSI</li> <li>2. Reviewing of operational frameworks to integrate internal audit into other functions.</li> <li>3. Development of an internal audit manual and internal audit charter to define the scope of internal audit function specifying the purpose, authority and responsibility.</li> <li>4. Introducing risk management and compliance.</li> <li>5. Review of by-laws and other operational manuals to reflect internal audit and other operational manuals to reflect internal audit and risk functions.</li> <li>6. Review of by –laws and other operational manuals to develop a comprehensive risk management</li> </ol>
		Introduce risk management and compliance.		Organized working manuals	

2	Enhancing capacity of Bod and top managements	Learning programs to the board and management	NA	Yearly training and exposure visits to all members of board and management	<ol style="list-style-type: none"> <li>1. To develop annual exposure visit program to the board and management (local or international).</li> <li>2. To undertake training assessment for bod and management and soliciting appropriate providers to provide training on the identified knowledge and skill.</li> </ol>
3	Improving working relation among board and managements and staffs and key stakeholders	Service level agreement should be introduced among managements, Bod and good cooperation		Recognition form all stakeholders, and government institutions.	<ol style="list-style-type: none"> <li>1. Defining the area of working relation among different bodies which can improve governances.</li> <li>2. Creating a strong interface between Bod ,management and stakeholders to support each level of leadership issues and governance</li> </ol>
4	Develop and review policies and procedures	Reviewed and developed policies and procedures	NA	AOA, MOA, Code of Conduct.	<ol style="list-style-type: none"> <li>1. Reviews existed and develop new policies and procedures to govern operations of the institution.</li> <li>2. Conducting trainings to bod, managements and other committees on policies and procedures</li> </ol>

<b>Strategic objective 3</b>	To enhancing ICT platforms and operational systems to increase <b>efficiency and effectiveness</b> in service delivery.
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In order to provide quick services to the community the institution needs financial technology platform of the systems to enable it automate most of its functions and also importantly, to allow its scattered marginalized clients to access real-time services and support from the BGCSI . Therefore, over the next five years the institution will greatly need to automate its core functions and enhance communication between the Head Office and its branches. This will facilitate quick and prompt services and support to its customers. Remarkably, as the institution is planning to review features and introduces a wider range of products – especially loans and savings; it’s inevitable for a reliable ICT system to manage the operations related to these products. Table below shows a list of key goals and respective strategic activities in order to achieve the required ICT platforms and operational systems that support the overall business of the institution.

	Key goals	Measurement	baseline	Target	Strategies/activities
1	Automation of core functions of BGCSI,	<ul style="list-style-type: none"> <li>• Full automation of loan, saving, and financial reporting.</li> <li>• Generation of all type of report on time and supports to the management decisions at each level.</li> </ul>	Octopus , any other applicable software	Loan tracking software. POS, ATM, Internet.	<ol style="list-style-type: none"> <li>1. Transforming from manual into electronic data system and updating the same in the system( using octopus )</li> <li>2. Updating Finance Solution software to adequately cater for loans, savings, shares and deposits</li> <li>3. Training all units of staff and the Board for effective utilization of Finance Solution</li> <li>4. Review of all processes in the management of loans, savings, share and deposits for assigning roles and responsibilities, and setting appropriate rights in the system</li> <li>5. Integration of financial solution with mobile phones( hello-cash, M-birr ) biometric device (POS), internet banking etc., in order to allow clients to view their accounts and do basic transactions</li> </ol>

2	Enhancing easy ways of communication system	Development of integrated website.		Institutional website.	Development of integrated website to allow easily communicate the market and stakeholders
		Functioning of web based help desk.			Introduction of help desk functioning through websites ,and other social medias
3	Enhancing records and information management system.	Reviewed filling and documentation system	NA		Reviewing the documentation and record management system in order to improve access and use of information.
		Electronic archiving system introduced and fully functioning			Introducing an electronic archiving system to allow easy management of electronic information of the institution. Conducting training to all members of staff in order to implement an effective record management system within the institution.

<b>Strategic objective 4</b>	<b>To achieve stable and sustainable financial growth</b>
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The institution will only be able to achieve its other objectives when it is able to attain a stable and sustainable income over the strategic period of the five years. This entails initiatives in growing its assets and managing all risks associated with this growth; increasing income earning sources; investing prudently – directing resources of the institution to profitable ventures; and management and control of costs. The table below highlights the key goals and strategic activities for achieving this objective.

	Key goals	Measurement	Baseline	Target	Strategies/activities
1	Maintaining a growing and quality loan portfolio	Annual growth rate of the loan portfolio			<ul style="list-style-type: none"> <li>Improving competitiveness of the BGCSI and features of loan products and delivery methodologies to attract demand from competitors</li> </ul>
		Quality of the loan portfolio(PAR)		≤ 5%	<ul style="list-style-type: none"> <li>Reviewing and improving loan recovery strategies to ensure full recovery of default loans</li> </ul>
		Non-performing loan (NPL)		≤ 3%	<ul style="list-style-type: none"> <li>Creating adequate awareness and marketing to its loan product and services (negative impact of loan default)</li> </ul>
2	Attaining and maintaining annual income growth of 20%	Annual growth rate of the income			<ul style="list-style-type: none"> <li>Review of the pricing policy of product and services to cover the operating cost and investment.</li> </ul>
		Introduction of individual based performance review system		All staff	<ul style="list-style-type: none"> <li>Realigning business processes and introducing regular performance review system.</li> <li>Introducing new products and services to address emerging financial needs for members and attracting the rest of the market</li> </ul>
		Full automation of all income streams			<ul style="list-style-type: none"> <li>Automation of all income processing and collection - charges, commissions, interest, penalty etc.</li> <li>Instituting an effective system for cost management and control measures.</li> </ul>

<b>Strategic objective 5</b>	<b>To procure, develop and maintain competent workforce to deliver professional services to its target community.</b>
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The conveyed survey realized that in the absence of the workforce with appropriate skills and knowledge, the institution will never be able to achieve its mission and vision. Therefore, the institution has to set competent staffs selection criteria and attitude to achieve the institutions objective. As the institutions envision becoming strong institution of the region, undoubtedly its starting point is on the development and maintenance of capacity of employees. The table below lists key goals and strategies for ensuring the BGCSI is procuring, developing and maintaining competent workforce.

	Key goals	Measurement	Baseline	Target	Strategies/activities
1	Efficient and effective recruitment and employment process.	Improved staff productivity - measured based on standards		2019/2024	<ul style="list-style-type: none"> <li>• Reviewing HR policies to ensure recruitment of competent staff is possible.</li> </ul>
		Implementing the reviewed orientation program			<ul style="list-style-type: none"> <li>• Developing an effective orientation and induction to new employees.</li> <li>• Encouraging staff to advance their career self-initiated learning programs to acquire necessary skills.</li> </ul>
					<ul style="list-style-type: none"> <li>• Networking with better performed branches for practical supporting of orientation programme.</li> </ul>
2	Improved policy on Training and Development of Staff.	Implementation of the Training Program to Staff.		2019-24	<ul style="list-style-type: none"> <li>• Conducting a training needs assessment – in order to develop a training plan for training and development of staff.</li> </ul>
		Experience and Knowledge sharing practice implemented		2019-24	<ul style="list-style-type: none"> <li>• Producing an optimum budget for training and development as per NBE training budget allocation.</li> <li>• Introducing an internal library for self-learning and reference.(soft copy of necessary training material)</li> <li>• Encouraging knowledge sharing and attachment programme between the branches.</li> </ul>

3	Improved policy on compensation, benefits and incentive to staffs.	Full implementation of the Compensation and Benefits Policy.		2019-2020	<ul style="list-style-type: none"> <li>• Introducing an effective system for individual performance appraisal.</li> <li>• Introducing a performance-based remuneration and incentive system.</li> <li>• Reviewing and improving staff benefit package for job retention</li> </ul>
4	Review of the Organization Structure	Reviewed Organization Structure		2019-2020	<ul style="list-style-type: none"> <li>• Conducting job analysis for clear description and specification of jobs.</li> <li>• Reviewing and enhancing an existing organization structure.</li> <li>• Establishing strategic planning for workforce requirements</li> </ul>

## 5. Performance Measures, Monitoring and Evaluations.

### 5.1 Projected financial position.

Comprehensive projection of the financial position of the institution as per the Key Objectives, Goals and Activities is shown in the financial forecast of the institution from 2019 -2024 and the actual performance of the institution and its trend growth over the period of few years since 2016/17 to date.

Balance Sheet	Projected Financial position					
	intial	Year 1 FY19/20	Year 2 FY20/21	Year 3 FY21/22	Year 4 FY22/23	Year 5 FY23/24
Cash in Bank and Near Cash	106,015,492	116,617,041	128,278,745	141,106,620	155,217,282	170,739,010
Net Portfolio Outstanding	291,545,875	377,699,292	483,072,509	632,163,810	850,080,115	1,178,963,338
Short-term Invest. & other curr assets	-	-	-	-	-	-
Net Fixed Assets	2,967,463	3,115,836	3,271,627	3,435,209	3,606,969	3,787,318
Long-term Invest. & other LT assets	-	-	-	-	-	-
Other	35,694,933	37,479,680	39,353,664	41,321,347	43,387,414	45,556,785
<b>TOTAL ASSETS</b>	<b>436,223,763</b>	<b>534,911,849</b>	<b>653,976,546</b>	<b>818,026,986</b>	<b>1,052,291,781</b>	<b>1,399,046,451</b>
<b>LIABILITIES *</b>						
Total deposits	152,224,937	302,159,433	386,458,007	445,731,048	595,443,318	783,988,861
Commercial Loans	181,705	185,339				
Other liabilities	176,407,950	77,421,692	58,457,302	87,704,586	65,196,684	70,200,617
<b>TOTAL LIABILITIES</b>	<b>328,814,592</b>	<b>379,766,465</b>	<b>444,915,309</b>	<b>533,435,634</b>	<b>660,640,001</b>	<b>854,189,478</b>
		50,951,872	65,148,845	88,520,325	127,204,367	193,549,477
Shareholder equity	1,300,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
privious equity	24,863,045	37,192,269	76,228,482	130,144,335	205,674,450	312,734,878
Donated Equity	68,916,902	68,916,902	68,916,902	68,916,902	68,916,902	68,916,902
Profit or loss	12,329,224	39,036,213	53,915,852	75,530,115	107,060,428	153,205,193
<b>TOTAL EQUITY</b>	<b>107,409,171</b>	<b>155,145,384</b>	<b>209,061,236</b>	<b>284,591,352</b>	<b>391,651,780</b>	<b>544,856,973</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>436,223,763</b>	<b>534,911,849</b>	<b>653,976,546</b>	<b>818,026,986</b>	<b>1,052,291,781</b>	<b>1,399,046,451</b>

From the table, although there has been some noticeable increase in other areas as the total asset, total liability and total equity has been growing with different rates; in the asset large amount of growth has been on net portfolio and reached to 305% at the end of strategic period as compared with initial. Important to note is that there has never been any efforts to mobilize deposits from its customers. Nonetheless, for the next five years, as the BGCSI is projecting to continue financing a huge part of its assets from deposit, it will start paying attractive interest to mobilize adequate savings and deposits from customers and wadiya and /or mudraba from Islamic community. Likewise, it will develop new loan product that has rate of saving as mandatory requirement to access the loan (housing loan) Total asset, total liability and total capital will have growth but the effective ways of asset utilization during the strategic period should be automated and monitored and assuring the return of asset and return on equity should keeping to standard.

## 5.2 Projected financial performance.

projection of the financial performance of the institution as per the Key Objectives, Goals and Activities is shown in the financial forecast of the institution from 2019 -2024 and the actual performance of the institution and its trend growth over the period of few years since 2016/17 to date.

Income Statement	projected income statement				
	Year 1	Year 2	Year 3	Year 4	Year 5
	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24
Financial Income	114,980,425	141,417,177	173,932,372	213,923,589	263,109,743
Profit margin (islamic)	-	-	-	-	-
Financial Expense	17,206,022	20,778,532	25,092,809	30,302,864	36,594,691
Net Financial Income	97,776,510	120,652,197	148,879,855	183,711,626	226,692,601
<b>Provision for loan losses</b>	<b>5,200,979</b>	<b>6,917,958</b>	<b>9,201,757</b>	<b>12,239,499</b>	<b>16,280,078</b>
Net Financial Margin	92,542,844	113,691,949	139,674,326	171,594,536	210,809,571
Program Operating Exp	61,665,358	69,988,240	79,434,450	90,155,601	102,323,770
Administrative Operating Exp	1,350,241	1,350,241	1,350,241	1,350,241	1,350,241
Net Operating Income	29,036,213	42,915,852	63,430,115	93,750,428	138,564,193
Net Non-Operating Income/(Exp)	-	-	-	-	-
Net Income (before taxes and donations)	29,036,213	42,915,852	63,430,115	93,750,428	138,564,193
Amount of taxes paid	-	-	-	-	-
Net income (after taxes and before donations)	29,036,213	42,915,852	63,430,115	93,750,428	138,564,193
Grant Income	10,000,000	11,000,000	12,100,000	13,310,000	14,641,000
<b>Net Income (after taxes and donations)</b>	<b>39,036,213</b>	<b>53,915,852</b>	<b>75,530,115</b>	<b>107,060,428</b>	<b>153,205,193</b>

The projected performance for the next five years is based on the average annual growth for the past years – assuming the business of the BGCSI will continue to grow, in drastic rate than the past. Table above shows the projected growth amount net income of the BGCSI for the next five years.

## 5.3 Projected portfolio outreach and client

To achieve strategic objective of transformation the BCSI must expanded the business to all of the operation areas in wide range of service through opening the new services centers with new conducive financial services, hiring qualified staffing, using financial technologies at all branches thus the institution has projected the depth portfolio out reach for the next five year shows in bellow

loan product	projected loan portfolio and out reach											
	Initial		Year 1		Year 2		Year 3		Year 4		Year 5	
	client	portfolio	client	portfolio	client	portfolio	client	portfolio	client	portfolio	client	portfolio
	36,403	280,192,754	44,293	377,699,292	51,661	483,072,509	60,538	632,163,810	71,527	850,080,115	86,175	1,178,963,338
AGRI	13,889	38,057,167	15,278	41,862,884	16,806	46,049,172	18,486	50,654,089	20,335	55,719,498	22,368	61,291,448
INUPT	12,860	52,059,569	14,789	59,868,505	17,007	68,848,780	19,558	79,176,097	22,492	91,052,512	25,866	104,710,389
EMPLOYEES	7,289	47,374,243	8,747	56,849,092	10,496	68,218,910	12,595	81,862,692	15,114	98,235,230	18,137	117,882,276
FIXED ASSET COLLATERAL	948	72,342,899	1,185	90,428,624	1,481	113,035,779	1,852	141,294,724	2,314	176,618,405	2,893	220,773,007
MSES REGULAR	60	29,014,209	135	50,774,866	304	88,856,015	683	155,498,026	1,538	272,121,546	3,460	476,212,705
MSE YOUTH RFL	440	39,572,514	559	50,257,093	710	63,826,508	901	81,059,665	1,145	102,945,775	1,454	130,741,134
STAFF LOAN			75	10,000,000	94	12,000,000	117	14,400,000	146	17,280,000	183	20,736,000
PeTTY	917	1,772,153	1,376	2,658,229	2,063	3,987,344	3,095	5,981,016	4,642	8,971,524	6,963	13,457,285
Housing loan			150	10,000,000	200	12,500,000	250	15,625,000	300	19,531,250	350	24,414,063
Energy loan			2,000	5,000,000	2,500	5,750,000	3,000	6,612,500	3,500	7,604,375	4,500	8,745,031

By maintaining the quality of portfolio to the standard both the number of client will be served and amount of portfolio handled in each strategic year with average annual growth rate of 4% and 33% respectively and this growth will be achieved through modernizing service position.

### 5.3 key performance indicators

In order to measure performance of the BGCSI, the table underneath shows some selected key performance indicators that will be used by the microfinance industry. All the strategic activities in this document, from objective 1 to objective 5 are meant to achieve these indicators. Thus, if these indicators are achieved as projected, BGCSI will have accomplished its strategic objectives by 2024.

	Indicators	projected performance indicators					
		Base	Year 1	Year 2	Year 3	Year 4	Year 5
			FY19/20	FY20/21	FY21/22	FY22/23	FY23/24
1	Borrowers ( in thousands (	36.4	44.2	51.6	60.5	71.5	86.1
2	Value of the loan portfolio (Birr in million	280.1	377.6	483.0	632.1	850.0	1,178.9
3	Quality of the loan portfolio (PAR>30)	≤5%	≤5%	≤5%	≤5%	≤5%	≤5%
4	value of Deposit	152.20	302.10	386.46	445.73	595.44	783.99
5	Return on Assets (ROA)	3%	10%	15%	20%	25%	25%
6	Return on Equity (ROE)	10%	15%	20%	25%	25%	30.00
7	Operational Self sufficiency (OSS)	11%	>100%	>100%	>100%	>100%	>100%
8	Deposits to loan	45%	>70%	>80%	>80%	>80%	>80%
9	Dept to Equity ( in million )	217.3	<100%	<100%	<100%	<100%	<100%

### 5.4 Implementation and Monitoring

In order for the Board and Management to achieve the projected business growth of the institution, they shall institute an effective monitoring framework to ensure the key performance indicators (KPIs), and hence the expected objectives are achieved accordingly. Therefore, the Board will institute quarterly performance appraisal system – whereas Annual Business Plans, and corresponding KPIs, shall be broken down to Quarterly Business Plans in order to allow quarterly performance assessment throughout the year. This will greatly assist the Management to implement the strategy and the Board to follow up closely and keep track on the progress.

The BGCSI shall implement its Strategic Business Plan via its annual business planning and execution process. Thus, each Annual Business Plan of the BGCSI shall be part of the Strategic Business Plan and intending to achieve its long term strategic objectives. Therefore, performance of the Strategic Business Plan shall be measured by measuring annual performance of the business through monitoring systems adopted by each Annual Business

#### **5.4.1 Effective execution of the Strategy**

Effective implementation of the Five Years Strategic Business Plan of the BGCSI shall commence in July 2019 after the approval of board. The approved SBP shall be well communicated to all members of staff of head office and branch representatives, for a common understanding and hence effective implementation of the same. For effective implementation of the Strategic Plan, the Management and the Board of Directors shall need collective efforts from employees, and key stakeholders.

#### **5.4.2 Review and updates of the Strategic Business Plan**

The Strategic Business Plan shall undergo annual reviews and updates, from April to June of each year as part of the preparation of the Annual Business Plan for the subsequent year. This is important in order to make sure the Strategy is in-line with the changing business environment and to address priorities of customers. The Management and the Board shall facilitate the exercise to review and update the Strategic Business Plan. All reviews and updates shall be approved by board before their implementation.