

**BMIC**

**Strategic Plan**

**2018-2022**



**BERENDINA MICRO INVESTMENTS  
COMPANY LIMITED**

**No.44/3, 3rd Floor,  
Narahenpita Road, Nawala**



**BERENDINA MICRO INVESTMENTS  
COMPANY LIMITED**

**VISION**

**Create an empowered, equitable  
society where poverty does not exist**

**MISSION**

**Ensure poor have access to quality,  
responsible and innovative microfinance  
and enterprise development services at  
lowest possible cost in ensuring  
prosperous future for this segment of  
society in a financially sustainable  
manner with a motivated team while  
educating the general public on positive  
impact of Micro finance**

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## List of Abbreviation

AAO	-	Accounts and Administration Officer
AM	-	Area Manager
ABM	-	Assistant Branch Manager
BDS	-	Berendina Development Services (Guarantee) Limited
BEC	-	Berendina Employment Centre (Guarantee) Limited
BMIC	-	Berendina Micro Investments Company Limited
BMI	-	Berendina Microfinance Institute (Guarantee) Limited
BSS	-	Bright Student Scholarship
DMD	-	Deputy Managing Director
EDM	-	Enterprise Development Manager
EDO	-	Enterprise Development Officer
EDS	-	Enterprise Development Services
EWHCS	-	Estate Worker Housing Co-operative Society
IA	-	Internal Auditor
LRF	-	Loan Risk Fund
MIA	-	Manager Internal Audit
MD	-	Managing Director
MFI	-	Micro Finance Institute
MFOs	-	Micro Finance Officers
MSME	-	Micro, Small and Medium Enterprise
OA	-	Office Assistant
OM	-	Operations Manager

# 1. Introduction

## 1.1. Background

Berendina Micro Investments Company Limited (BMIC), a company registered in 2014 in order to provide Microfinance services to the poor people in Sri Lanka, is the second microfinance organization under Berendina family. BMIC is also the successor of Berendina Microfinance Institute (Guarantee) Limited (BMI) which existed as a Microfinance Institute (MFI) under Berendina family since 2007 till September 2017. The business of BMI was transferred completely to BMIC on 30th September 2017 in preparation of BMIC for the application of microfinance license from the Central Bank of Sri Lanka. Thus, BMIC is a MFI having 11 years of experience in the microfinance sector in Sri Lanka.

BMIC is a truly poverty focused MFI. It works hand in hand with two other sister organizations in the Berendina family, namely, Berendina Development Services (Guarantee) Limited (BDS) and Berendina Employment Centre (Guarantee) Limited (BEC) which provide services required for poor people other than microfinance services. BEC facilitates provision of paid employment for village youth in the private sector and also provides vocational training for youth and educational scholarships for poor bright students following A/L studies in villages. BDS provides a whole range of other poverty alleviation interventions such as livelihood development, water and sanitation and advocacy and lobbying interventions. The activities of Berendina are funded by its Founder Berendina Stichting in the Netherlands which has been in operation in Sri Lanka since 1987.

BMIC as a MFI dedicated for poverty alleviation has the following key unique features:

**Table 1 - Key Unique Features of BMIC**

<b>Feature</b>	<b>Benefit</b>
<i>The effective interest rates charged by BMIC are the lowest among the private sector and other NGOs implementing microfinance in Sri Lanka</i>	<i>Lowest interest rates, favourable terms and conditions and transparent interest rates ensure that clients are presented with the best chance to achieve success in their business ventures and family wellbeing</i>
<i>Operate and expansion in to high poverty districts in the country and covering all the villages in the area irrespective of population density, difficulties in access to village such as distance from the town center and zero populated areas, etc.</i>	<i>Ensure BMIC is not profit driven and the poor has access to BMIC services irrespective of whether they live in isolated, remote villages with difficult access, etc., or not.</i>

<i>Use less than US \$ 2.5 a day per person PPP as the entry income criteria for new clients</i>	<i>Ensure affluent people are not benefitted from BMIC</i>
<i>All loan interest rates, terms and conditions are transparent with flat and effective interest rates disclosed to clients on their loan cards</i>	<i>Transparent loan schemes allow clients to have full control of their borrowings and build trust between BMIC and the clients</i>
<i>No deposit requirements or hidden charges applied</i>	<i>No additional burden on clients</i>
<i>Highly streamlined internal processes to continuously improve loan processing time. (Loan facilities are granted within 7 working days after receipt of a loan application)</i>	<i>Speedy availability of loans results in clients being able to meet their requirements without delay</i>
<i>Loan risk fund that covers borrowers and/or family burden on the loan in case of death of borrower or spouse or permanent disability or any other unforeseen eventuality that renders the client economically inactive resulting in a loan default.</i>	<i>Ensures greater peace of mind of clients and relieves family members from additional burdens in times of tragedy</i>
<i>Cash benefits are available for funeral of client's family members and hospitalization benefits for clients, spouse and one-year-old babies under 'Berendina Suwasahana' scheme</i>	<i>Creates a support system that client families can rely on in times of distress</i>
<i>Financial literacy Training programmes</i>	<i>Enables clients to learn cost of borrowing and compares MFIs based on it, financial management and better success in rising out of poverty</i>
<i>Enterprise Development Services (EDS)</i>	<i>Provides clients with technical and soft skills together with business linkages required to succeed in their business ventures as well as in their personal lives. Environmental damages by income generation activities are minimized</i>
<i>Loans for Senior Citizens</i>	<i>Citizens over and above 62 years can also get loans for income generation activities irrespective of their age.</i>
<i>Education Scholarships</i>	<i>Bright but poor students receive a 2 to 3 year financial assistance for their A/L Education</i>
<i>Impact Research Division to assess the impact of BMIC</i>	<i>The findings provide a fair and reliable perspective on impact and field level issues in relation to social performance and client protection aspects of BMIC</i>



## 1.2. BMIC key performance as of 01<sup>st</sup> October 2017

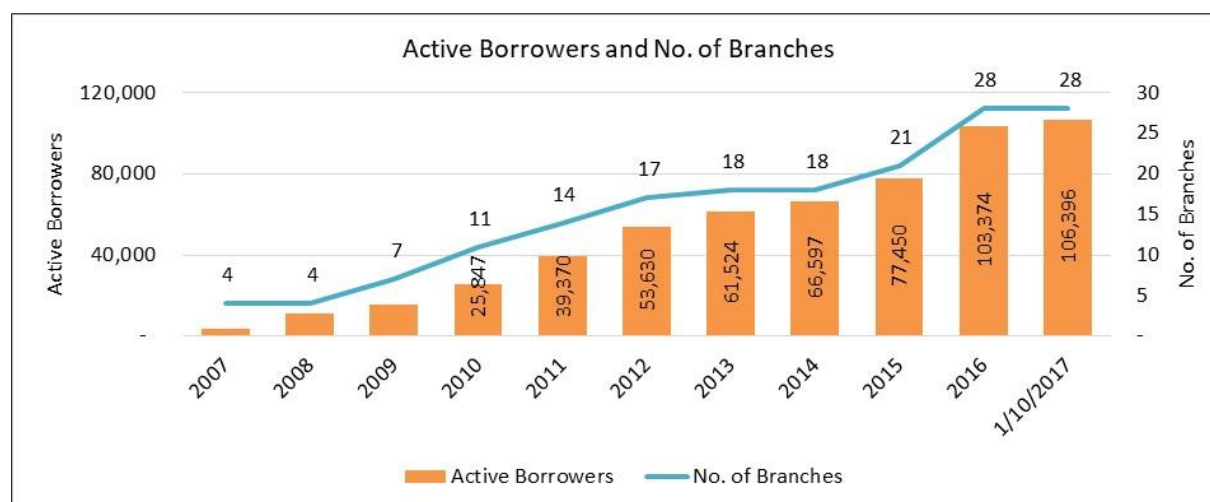
Table 2 - BMIC key performance as of 1st October 2017

Description	Performance
No of districts covered	10
No of branches	28
Cluster members	116,573
Active borrowers	106,396
Total no. of clusters	4,580
Case load per MFO	755
EDS participation (01/01/2017-01/10/2017)	34,916
Female borrower %	87%
Loan portfolio balance outstanding	LKR 3.03 billion
Average loan size	LKR 44,168
Equal opportunity employees	350
PAR (1 Day)	0.75%
PAR (30 Days)	0.58%

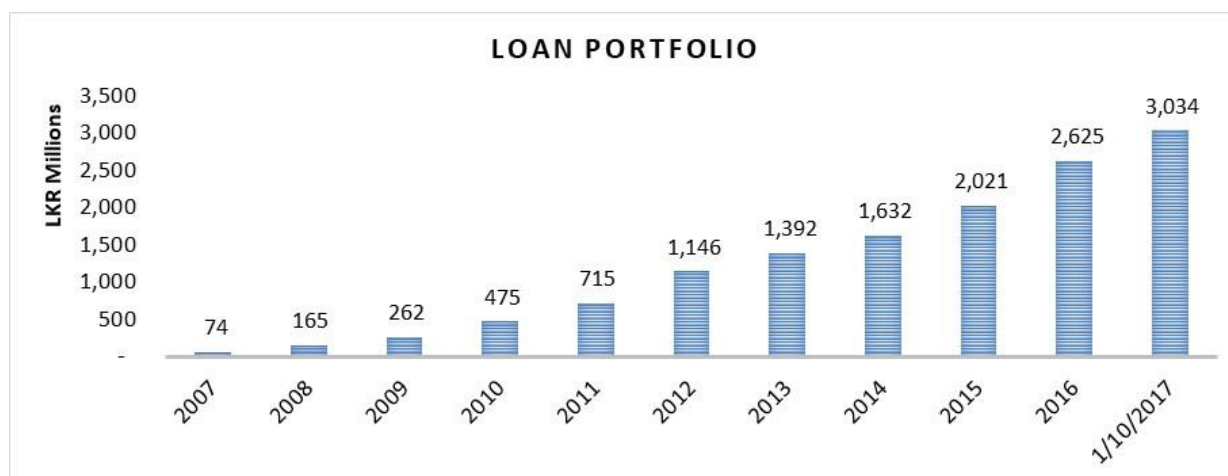
## 1.3. BMIC (and BMI) performance over last few Years

Following graphs indicate the performance of BMIC and its predecessor BMI during last 11 years. It is evident that BMIC (and BMI) have experienced a stable growth from the inception while maintaining an excellent loan portfolio quality over the years. BMIC (and BMI) have made reasonable profits for the organization as expected from a poverty focused not for profit MFI.

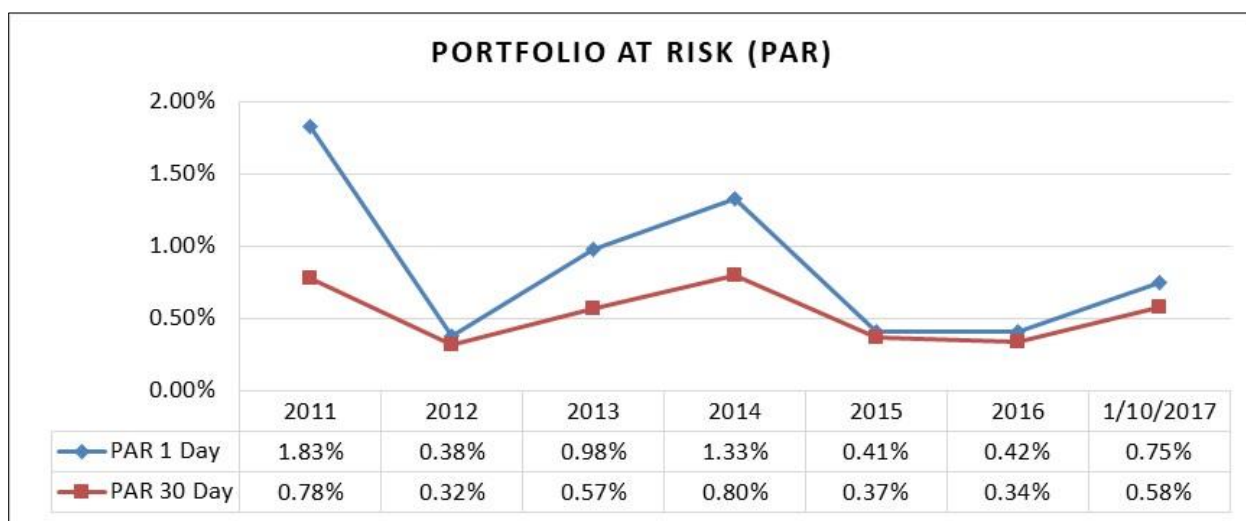
Figure 1 - Active Borrowers and No. of Branches

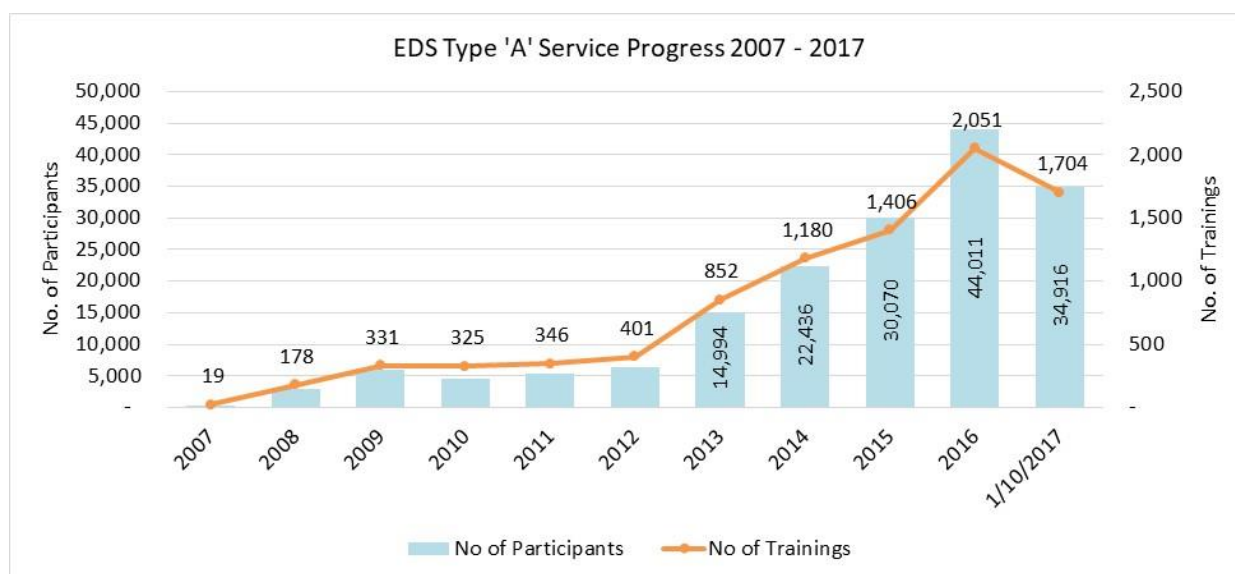
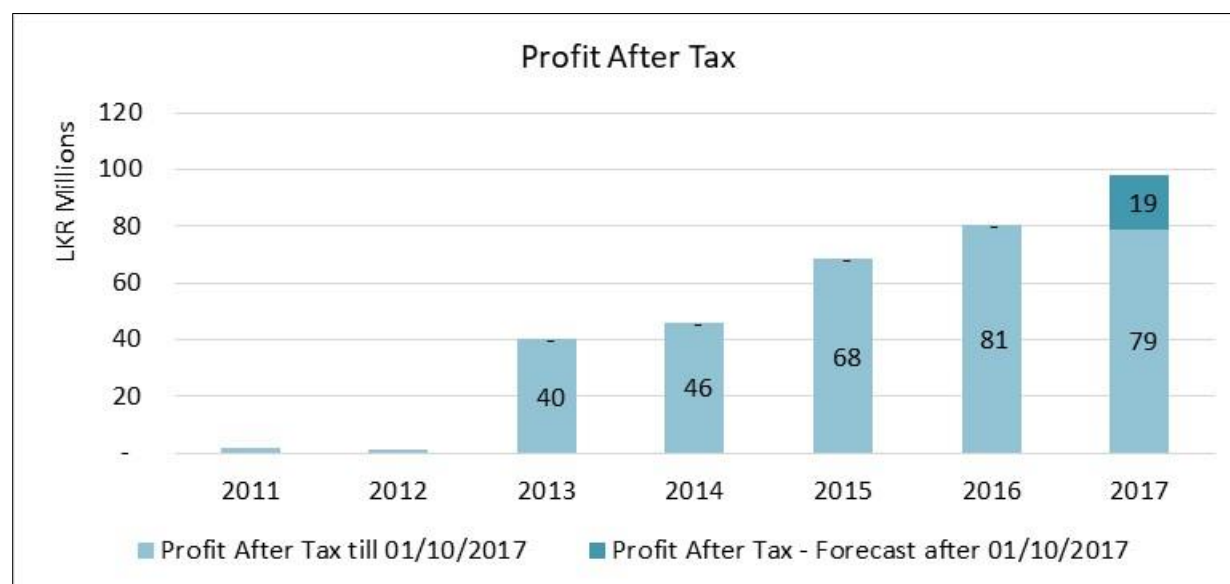


**Figure 2 - Loan Portfolio**



**Figure 3 - Portfolio at Risk**



**Figure 4 - EDS Type A Service Progress 2007-2017****Figure 5 - Profit after Tax**

## 1.4. Future of BMIC

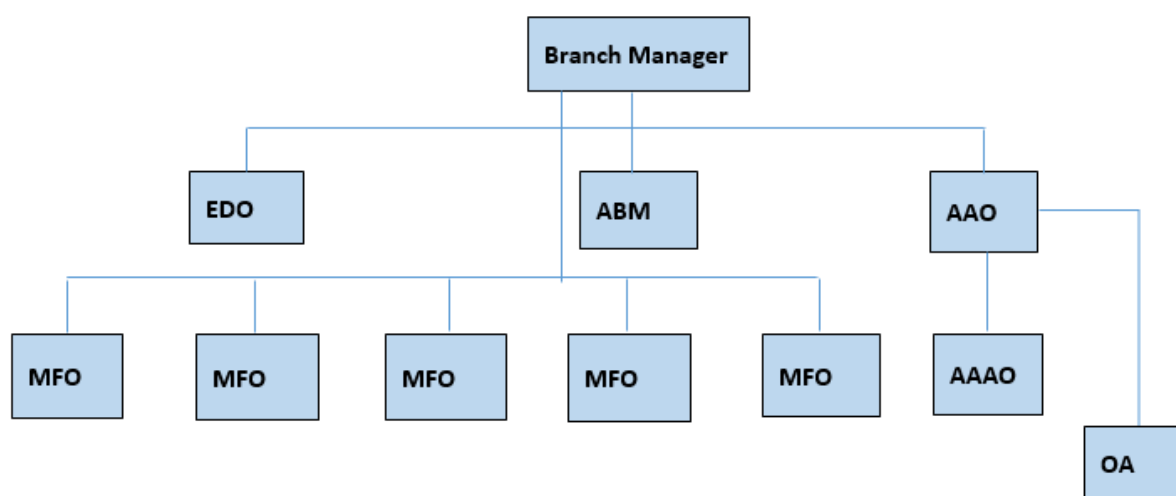
BMIC has submitted application seeking license from the Central Bank of Sri Lanka to operate as a Licensed Microfinance Company under the Microfinance Act No. 6 of 2016. BMIC has formulated a business plan to expand during the period from 2018 to 2022. This plan covers branch expansion, credit and enterprise services expansion and commencing and expanding savings in BMIC. It also provides financial plans and forecasts with key financial performance indicators for the next 5 years.

## 2. BMIC Operational Methodology

### 2.1. Branch Operation

BMIC operations are decentralized to the branch level for efficient and easy operation. Each branch is headed by a Branch Manager. There are 5 to 6 Micro Finance Officers (MFOs) in each branch who are the front line credit staff so far and they will be responsible for savings mobilization also in the future. The Assistant Branch Manager (ABM) who will be responsible for savings and individual Micro, Small & Medium Enterprises (MSME) loans is a new position to be established from 2018. The branch has an Enterprise Development Officer (EDO) who is dedicated for provision of Enterprise Development Services (EDS) which is also termed 'credit plus' services. There is an Accounts and Administration Officer (AAO) supported by an Assistant AAO to carry out Accounts and Admin services of the branch. In addition, there is an Office Assistant (OA) attached to each branch.

**Figure 6 – BMIC Branch Structure**

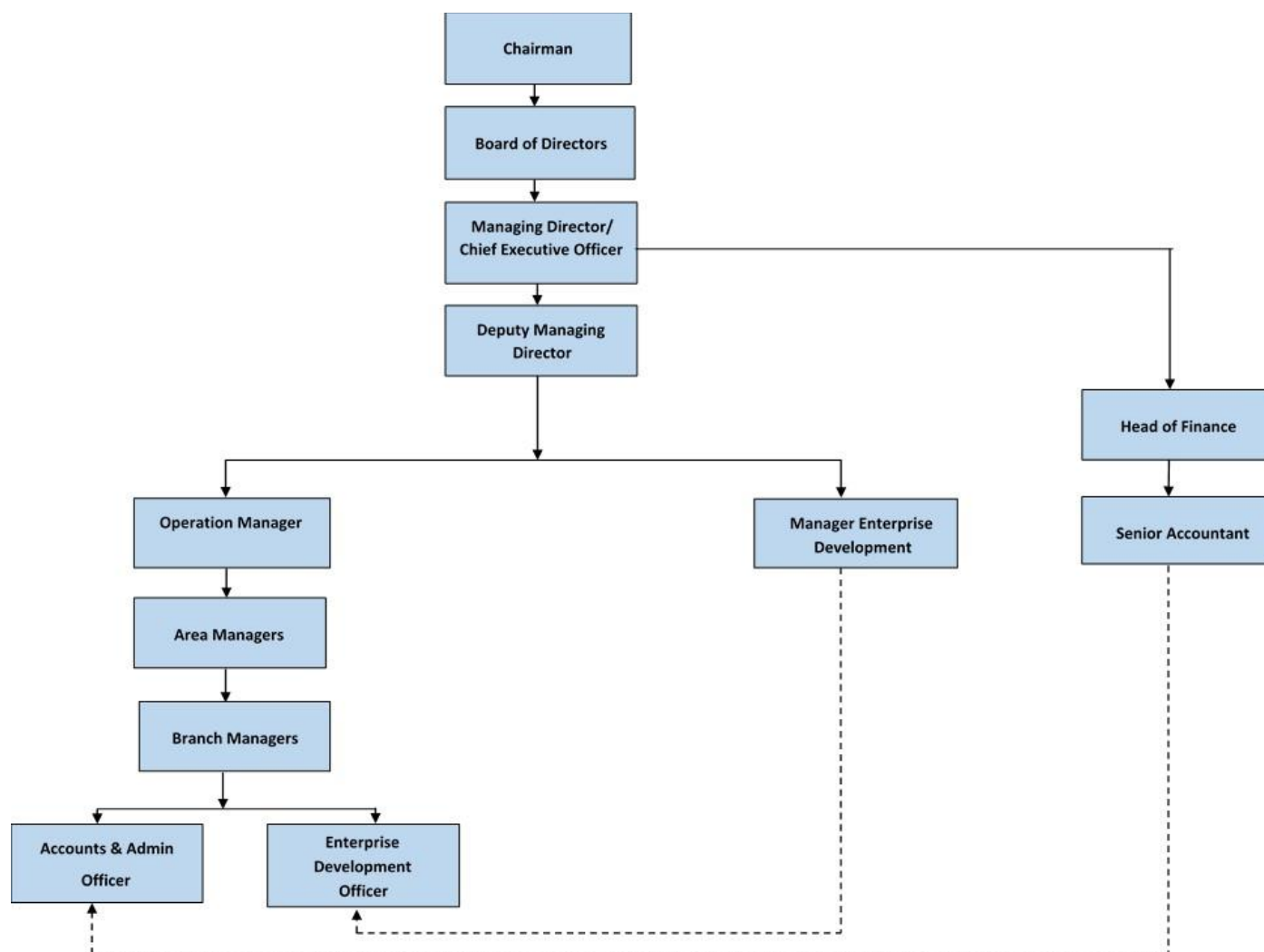


### 2.2. Supervisory Layers

An Area consists of 5 branches. There is an Area Manager (AM) for 5 branches who visits each branch for a day in the week. AM oversees the work of the branch and has certain approval functions too. The Area Managers report to the Operations Manager (OM) at the Head Office who in turn reports to the Deputy Managing Director (DMD) of BMIC. All EDOs in the branches technically report to the Enterprise Development Manager (EDM) at the head office who is also reporting to DMD. The AAOs in the branch office technically report to the Senior Accountant in the Head Office who in turn reports to Head of Finance. The Head of Finance reports to the

Managing Director (MD) of BMIC. The Head of HR and Administration also reports to the MD (see the supervisory structure given in Figure 7).

**Figure 7 - Supervisory Structure**



## 2.3. Other Functions

There are other functional staff located at HO in order to deliver services to branches. The Environmental Coordinator reports to EDM. The Impact Research Officer reports to DMD. The Communication Head reports to MD. There will be a Savings Manager position reporting to the Operations Manager. This position will be established before savings activities are commenced by BMIC. Corporate Relationship & Development Manager reports to DMD is responsible for fund **training** and cooperate affairs of BMIC.

## 2.4. Internal Audit

The Internal Audit Division is headed by the Manager Internal Audit (MIA). There is an Internal Auditor (IA) assigned to each Area (5 branches). They undertake audits in each branch for a week on random rotation basis. Manager Internal Audit reports to the Board of Directors through the Internal Audit Committee. The Internal Audit Committee is appointed by the BOD which reviews internal audit reports every month and decides necessary actions.

## 2.5. Delivery Channels

BMIC uses three key modes of delivery channels for its loan disbursement and collection. The most commonly used method is the Cluster-based lending which involves the provision of credit to cluster members in informal credit groups. BMIC also provides credit to plantation and estate sector workers through the Estate Worker Housing Co-operative Society (EWHCS) while Agent-based lending comprises disbursing loans to cluster members through a cluster leader, or designated cluster member, particularly in the event of an emergency credit need. Loans from BMIC to individual clients, EWHCS or the agents are disbursed using bank cheques.

### 2.5.1. Cluster-based Lending

The cluster-based lending approach utilized by BMIC for its Micro Credit operations is a model now commonly used by other MFIs in Sri Lanka too. Through this approach, each of BMIC's clusters consists of around 10 informal credit groups, each of which has 3 members. Borrowers are required to form groups with individuals of their choice and the loans are extended to individual members. Prior to disbursement, BMIC conducts a comprehensive assessment of the member's credit worthiness. Once the loan is given, regular follow-ups are carried out on how the loan is being utilized. This approach allows the organization to deal with well-defined, recognized groups and enables a wider coverage as well as better monitoring. Cluster meetings take place twice a month as primary cluster meeting and secondary cluster meeting. Participation for primary cluster meeting is compulsory where loan repayment, training awareness and client registration, new loan application submission etc. take place. The secondary meeting is not compulsory where new loan application submissions, loan document signings, discussion on loan related concerns etc. take place. Clients having such needs only will attend the secondary meeting. Loan repayments collected by MFOs in the field or at branch office are banked on the same day except in any eventualities.

Each MFO has 30 clusters and each cluster has 30 members. Thus a MFO can reach a case load up to 900 clients.

### 2.5.2. Lending through plantation co-operative

BMIC was the first MFI to extend its services to plantation workers, a relatively under-served segment of the labour force given the perception of high risk attached to these workers. BMIC disburses credit facilities to estate sector workers through the Estate Worker Housing Co-operative Society (EWHCS). Generally, each plantation has EWHCS registered under the Co-operative Department. After the assessment of EWHCS, a tripartite MOU is signed between EWHCS, Plantation Company managing the estate and BMIC. Based on the bulk loan request the loan is disbursed under separate loan agreement to EWHCS for them to on lend to workers. Before the loan is disbursed to EWHCS each worker's repayment capacity is assessed by BMIC based on their salary details. The repayment of the loan by the end borrower (estate worker) is made as salary deduction by the Plantation Company from their payroll and repaid in bulk by EWHSC to BMIC.

### 2.5.3. Agent-based lending

In addition to the provision of micro credit through clusters, BMIC also serves its rural clientele by providing loans for emergency situations such as sudden illness of a family member, funerals and educational needs of children, etc. Due to the nature of institutional lending by MFIs, these low-income families typically face numerous challenges in obtaining credit during the times of emergency. While these individuals have the option of accessing informal money lending sources, the high interest rates and unfavorable terms exert added pressure on the borrowers. BMIC emergency loans are disbursed through Agents, who are typically cluster leaders or designated cluster members from well-performing clusters. BMIC lends in bulk to these selected agents, who in turn disburse loans to cluster members in small amounts less than LKR 5,000. This lending scheme plays a vital role in supporting these low-income households during their times of need, many of which have no viable alternative. The interest income of these loans are equally shared between BMIC and the village Agent.

## 2.6. Alternative Collection Methods

Understanding the monthly cluster meetings would not be practical in the long run and the risk of cash transport from village to the bank after cluster collection, BMIC initiated a pilot project to use mobile cash (ez cash) and direct bank deposits and bank standing orders for loan repayments. This pilot project is running in Dehiovita Branch at present with positive results and some challenges. BMIC is working on addressing these challenges and will replicate this method in other branches later.

## 2.7. Loan Risk Fund (LRF)

BMIC collects 2% of the loan amount disbursed to the client as a contribution to a fund titled 'Loan Risk Fund.' This fund is used to write-off loan in the following circumstances:

1. Death of the borrower
2. Death of the spouse
3. Full disability of the borrowers irrespective of the reason.
4. Full disability of the spouse irrespective of the reason.
5. Any other acceptable reason making client not possible to repay the loan.

Further, this fund is also being used to pay health and funeral benefits to the families under 'Berendina Suwasahana' scheme.

## 2.8. EDS Coupon System

The main challenge for MFIs to provide training and credit plus services is high cost associated with these services. BMIC has an innovative solution for this issue. Further, BMIC wants to ensure clients value EDS and it should be demand driven and not be supply driven by BMIC which is also ensured through the BMIC innovation.

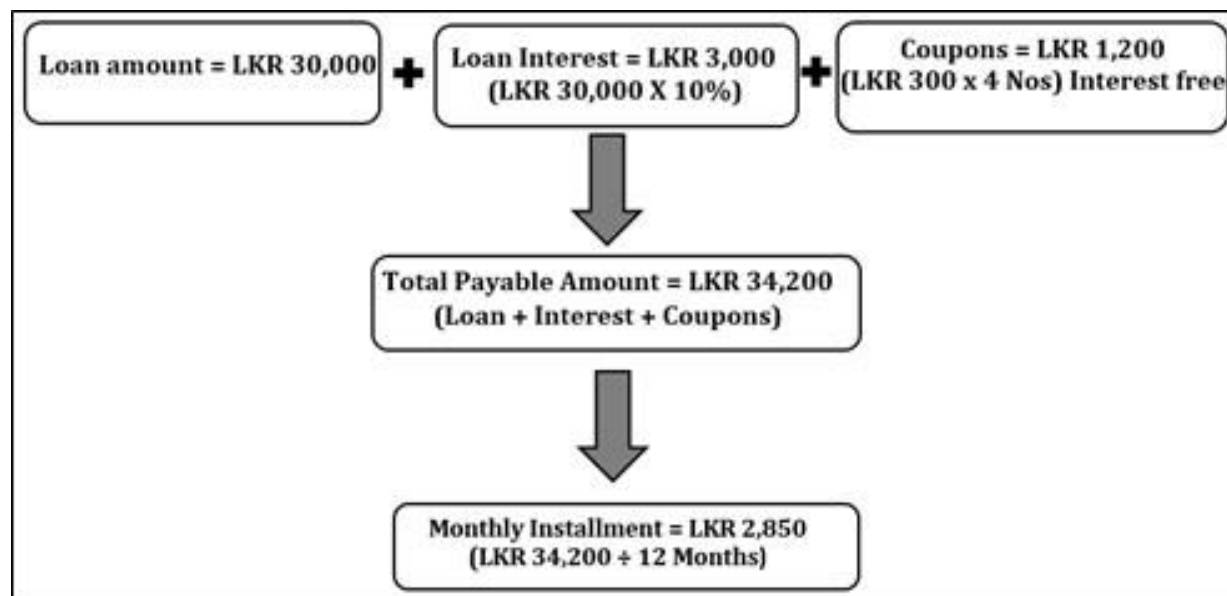
BMIC provides a set of coupons to loan borrowers at the time of loan disbursement. Each coupon is worth LKR 300. The number of coupons given for each loan product are given in the loan product table 3. The clients can use these coupons to pay for the priced EDS services during the loan period. There are services provided free of charge also. EDO (Enterprise Development Officer) in the branch will price the services in multiples of LKR 300 such as LKR 300, 600, 900, etc., to ensure hassle free EDS fee collection using EDS coupons.



**Example of EDS coupon model embedded in credit:**

Loan amount = LKR 30,000, Interest rate = 10%, Coupons = LKR 1,200 (LKR 300 x 4 Nos),  
Loan period = 12 Months

**Figure 8 - EDS Coupon Model**



The loan installment of the client has 3 components. They are loan capital repayment, loan interest payment, and payment for EDS coupon. By the end of the loan, the client pays the value of the coupon received at the time of obtaining the loan from BMIC. The client can repay the last loan installment by using coupons in case the client did not use coupons for EDS services during the loan period. Thus, there is no cost to the client if the client does not use the coupons for EDS services. There is no interest computed on the coupon value as there is no cash outflow involved from BMIC due to it.

BMIC clients also can pay on voluntary basis a contribution for Bright Student Scholarship (BSS) program once in every 2 years using one EDS coupon.

## 2.9. Accounting and Management Information System

Since the inception in 2007 BMI, the predecessor of BMIC has been using the microfinance software called Senova for accounting and management information system including loan client's data management. This comprised stand-alone branch module but not interlinked or networked. Data bases are transferred from branches to HO on regular basis for reporting and monthly backups. Although this software was adequate in the past years of the organisation, currently it is not adequate with the expansion.

In 2015, BMI started procuring a core banking solution customised for BMI from India. The software is called TrustBank Core Banking Solution from the Vendor namely, Trust System Solution (TSS). BMIC entrusted the TSS customize their software to suite BMIC operation. During 2015/16, TSS has done the customisation and now it is at the pilot stage of testing. BMIC expects that the implementation of the new software will begin in November 2017 and get completed in 3 to 6 months. The customised software includes all the functions such as customer, loan and savings management, EDS operation, loan risk fund and Suwasahana scheme, funder management, fixed assets, inventory, HR & payroll and accounting and finance related modules. This also includes planning tools such as credit plan, EDS plan and budget.

This is operated in an online flat form where field staff such as MFOs and EDOs will manage their work through a tablet given to them which will reduce the use of paper and bring a greater efficiency for the organisation. BMIC will commence savings only after successful implementation of the new IT solution in the organisation.

## **2.10. Treasury Management**

The treasury management of BMIC has been a function of finance department so far by the accounting staff. BMIC propose a separate Manager Treasury Management position for the BMIC in the future.

## **2.11. Compliance Function**

The compliance of statutory payments such as taxes and provident funds, submissions to the company registrar, renewal of insurance policies on time were managed by the head of finance and head of HR and Admin. BMIC proposes a new position Compliance Officer reporting to the Chairman of BMIC for the future who will handle CBSL compliance requirements in addition to the above mention functions.

### 3. Market Potential

#### 3.1. Market for Micro Credit and EDS

The current market potential for microfinance cannot be assessed in a realistic manner using the traditionally used simple method such as working out demand by deducting the current supply by other MFIs operating in the areas from the economically active poor population in the targeted area. On the one hand, reliable data on supply side are not available. Secondly, it is a well-known fact that multiple loans are very high in the market and it has become rather a social issue of over-indebtedness created due to large supply of credit by MFIs across the country.

However, BMIC offers a very attractive package of services which has proven that BMIC can establish itself successfully irrespective of this volatile situation in the microfinance market in the country. In doing so, BMIC undertake possible verifications of multiple loans from loan applicants at each loan cycle and adopts a policy of not giving a BMIC loan in case there are more than 2 other loans from other lenders to the applicant. Although this is not a very reliable method of assessing multiple loans, BMIC get the internal auditors and research officer to every client's multiple loans during their field work (post loan independent verification) assuming that client would disclose such information better than at the time of loan appraisal for a new loan. The findings by the internal audit and research officer are also that clients are having less than 2 loans mostly proves that field officer verification of multiple loans of clients is also taking place in an effective manner.

The key reasons for BMIC success in the new and existing operational areas even under the said saturated microfinance contexts are:

1. Low interest rate on loans
2. Monthly recovery arrangement
3. Enterprise Development Services
4. 'Berendina Suwasahana' scheme
5. Quick loan disbursements
6. High level of loan recoveries at clusters which reduces home visits for recoveries. This is also supported by strong organisational discipline to close the office by 5pm every working day.
7. Bright Students Scholarship program

8. BMIC operates in all villages in the Divisional Secretariat Division irrespective of the less populated areas even passing few Kilometres of zero population areas. Such villages are largely not served by other MFIs due to obvious commercial reasons.
9. Availability of clear guidelines through operational manual, circulars and memos
10. Continuous staff capacity development through trainings and scholarships for education

Therefore, BMIC is very confident that it has a winning advantage to establish in new areas over the existing competition. Further, BMIC will step forward in its credit operation by offering a new loan product for expanding businesses with a large amount up to LKR 250,000 in 2018 and LKR 400,000 in 2020. This will help the existing clients to remain in BMIC as well as new clients to see that BMIC has the capacity to supply their future credit needs too.

However, BMIC believes that access to CRIB is essential for BMIC as well as the industry as a whole in addressing the multiple loans and over-indebtedness issues effectively.

The success in establishing new branches in the last one to two years during which same the context remained in the country provides evidence of BMIC's to ability to expand in to new areas. Table 6 provides information of the seven BMIC branches started during the last one to two-year period. It provides data on the level of success of BMIC branches in achieving the scale of operation and the level of penetration in the operational areas. BMIC target for the number of borrowers for a branch is 4,000. It can be seen that branches having 1 year and 2 months' age have achieved an average of 80% target achievement in terms of the growth of number of borrowers and it is around 90% for the branches having 1 year and 7 or 8 months. This indicates that BMIC has no issue in establishing new branches in new areas. Some of the areas like Warakapola, Gampola, Kilinochchi are identified as highly competitive areas for MFIs where BMIC as a new entrant has established well similar to other areas too. While all the above mentioned reasons have contributed to this success, establishment of clusters in the remote and isolated areas in those divisions by BMIC branches is the most contributing factor for this success.

The level of penetration of BMIC in those areas is assessed as the percentage of the families from the total number of families living in the area covered by BMIC. It can be seen that in the areas such as Kalmunai and Mullaitivu, BMIC has achieved almost 30 to 40% penetration, which indicates that the reduced number of families living in the operational area is also not a limitation for BMIC to grow as long as they fall below the BMIC's poverty criteria (US \$ 2.5 per day per capita income in the family) for entry.

It is a well-known fact that no other MFI provides dedicated, effective and sustainable enterprise services like BMIC does which is also valued and appreciated by clients. The supply of a few training programs free of charge by the Government and some other NGOs in certain branch areas at times has been seen as a challenge from time to time but it has never resulted in significant competition for BMIC.

**Table 3 - Analysis of performance of Success in establishing BMIC new branches**

<b>S. No.</b>	<b>Branch</b>	<b>Age of the branch</b>	<b>No. of borrowers in the branch</b>	<b>% success in terms of targeted no. of borrowers target (4,000)</b>	<b>Penetration (% of the families in the area covered)</b>
1	Akkaraipattu	1 year and 2 months	3,171	79%	26%
2	Vavuniya	1 year and 2 months	3,221	81%	9%
3	Kilinochchi	1 year and 2 months	3,231	81%	14%
4	Warakapola	1 year and 8 months	3,283	82%	23%
5	Gampola	1 year and 8 months	3,572	89%	13%
6	Kalmunai	1 year and 7 months	3,774	94%	39%
7	Mullaitivu	1 year and 8 months	3,442	86%	30%

### 3.2. Market for Micro Savings

BMIC held several focus group discussions with BMIC cluster members to understand the potential for savings from BMIC's existing credit borrowers. Following were the findings:

- Approximately 70% of BMIC clients who live in the villages are living more than 5 kilometers away from the closest bank. The bus fair to reach a bank varies from LKR 50 to 80 which does not motivate them to travel for small savings. The travel time also is around 2 to 3 hours to reach a bank and get back home.
- Over 80% clients do not have their own savings accounts in banks.
- Majority of clients have savings accounts in banks for their children and save monthly or seasonally for them.
- Banks and finance companies engaged in microfinance business mostly offer only credit and no motivation for small savings.

- The options cluster members have currently been mainly Samurdhi in all the areas, and Women Development Societies in the North and East.
- Cooperatives such as SANASA and CRB also were not much evident, which could be due to their reaching better off clients.
- BMIC cluster members do not have comprehensive knowledge about products/ features/ benefits of the financial products in the market other than basic savings accounts and fixed deposits and they are used to different systems like "Seettu System" (Roscas) in the village.
- Majority does not like to have savings as a prerequisite for loans. They want loans to be made available irrespective of savings amounts they have with BMIC as it is done so far.
- Many of the cluster members have seasonal bulk income. They use it for saving for their children and purchase household assets, etc. Significant amount of such monies are spent on consumption too at those times.
- Although they are aware of the value of savings for the future, they do not make it happen as it is not such a familiar exercise or habit.

In this context, BMIC believes there is a greater potential for small amounts of savings from poor people in the villages. BMIC will use this potential to inculcate regular savings habit and culture among these clients through a compulsory savings scheme. Regular or ordinary savings accounts will also be made available for ad-hoc savings and also benefit from withdrawals at any time. Fixed deposits will be made available to facilitate bulk savings when they have seasonal cash flows which usually happens during the harvesting periods.

## 4. BMIC Products and Services

BMIC has been providing credit plus services to poor people in BMIC operational areas. Credit facilities were provided for different purposes such as income generation, asset building and emergency needs so far. The 'plus' component includes training, advisory services and market linkage establishments for BMIC clients. In addition, BMIC provides health and funeral cash grants to its clients. After obtaining the microfinance license from CBSL, BMIC will start savings services also for its clients.

### 4.1. Credit Facilities

Following types of loans are being provided currently by BMIC:

- **Small Entrepreneurial Loans:** provided for starting a business and improvement of existing businesses
- **Agriculture Loans:** provided for commencement and enhancement of farming/agricultural activities
- **Dairy Loans:** provided to commence and to expand dairy businesses
- **Asset Building Loans:** provided to build and repair houses, construction of latrines, purchase other assets, and to fulfill educational needs of the children, etc.
- **Emergency Loans:** This product is used by the BMIC clients for emergency purposes, such as funerals, emergency medical situations, etc. The loan is available to clients at any time in the village through the appointed cluster agent.
- **Senior Citizen Loans:** This product is provided to senior citizens who are over and above 62 years of age, only for income generation purposes because other loan products of BMIC are provided only to those who are less than 62 years.
- **Ultra Poor Loan:** This loan is provided for economically active but non-credit worthy clients due to lack of current income for them. This loan product helps the poor people to start an income generating activity in a small way. The product features are made to suit such poor people and repayments are structured to suit the clients' specific needs.

BMIC will also add new loan products such as Micro, Small & Medium Enterprise (MSME) loan for graduating clients, loans for vocational and professional education of youth, in 2018.

Table 4 - Loan Product Table- Cluster Operation

S. No	Product Name	Loan Cycle	Maximum Loan Amount	No of EDS Coupons	EDS Coupon Value	Loan Period (No of months)	Interest Rate (Flat)	Total Interest	Installment Amount	Interest Rebate Entitlement for Early Settlement
1	Business loan	1st	15,000	2	600	24	11%	3,300	788	No
		1st	50,000	4	1,200	24	14%	14,000	2,717	Yes
			50,000	4	1,200	18	14%	10,500	3,428	No
			50,000	4	1,200	12	14%	7,000	4,850	No
		2nd	60,000	8	2,400	24	15%	18,000	3,350	Yes
			60,000	8	2,400	18	15%	13,500	4,217	No
			60,000	8	2,400	12	15%	9,000	5,950	No
		3rd	100,000	12	3,600	30	15%	37,500	4,703	Yes
			100,000	12	3,600	24	15%	30,000	5,567	No
			100,000	12	3,600	18	15%	22,500	7,006	No
		4th	150,000	16	4,800	30	15%	56,250	7,035	No
			150,000	16	4,800	24	15%	45,000	8,325	No
2	MSME Loan	1st	250,000	20	6,000	36	15%	112,500	10,236	No
			250,000	20	6,000	30	15%	93,750	11,658	No
		2nd	400,000	24	7,200	36	15%	180,000	16,311	No



			400,000	24	7,200	30	15%	150,000	18,573	No
3	Assets Building	1st	30,000	4	1,200	24	15%	9,000	1,675	Yes
			30,000	4	1,200	18	15%	6,750	2,108	No
			30,000	4	1,200	12	15%	4,500	2,975	No
		2nd	50,000	4	1,200	24	15%	15,000	2,758	Yes
			50,000	4	1,200	18	15%	11,250	3,469	No
			50,000	4	1,200	12	15%	7,500	4,892	No
		3rd	60,000	4	1,200	24	15%	18,000	3,300	No
			60,000	4	1,200	18	15%	13,500	4,150	No
		4th	100,000	4	1,200	24	15%	30,000	5,467	No
4	Cultivation Loan	1st	30,000	No	No	6	15%	2,250	Note 1	No
		2nd	40,000	No	No	6	15%	3,000	Note 1	No
		3rd	60,000	No	No	6	15%	4,500	Note 1 & 3	No
5	Dairy Loan	1st	75,000	28	8,400	30	10%	18,750	3,405	No
		1st	75,000	28	8,400	24	10%	15,000	4,100	No
		2nd	100,000	28	8,400	30	10%	25,000	4,447	No
		2nd	100,000	28	8,400	24	10%	20,000	5,350	No
6	Emergency Loan	1st	30,000	No	No	12	5%	1,500	Note 2	No
		2nd	50,000	No	No	12	5%	2,500	Note 2	No
7		1st	15,000	2	600	24	11%	3,300	788	No

	Senior Citizen Business Loan									
		1st	30,000	4	1,200	24	12.5%	8,400	1,650	Yes
			30,000	4	1,200	18	12.5%	6,300	2,083	No
			30,000	4	1,200	12	12.5%	4,200	2,950	No
		2nd	50,000	4	1,200	24	14%	14,000	2,717	Yes
			50,000	4	1,200	18	14%	10,500	3,428	No
			50,000	4	1,200	12	14%	7,000	4,850	No
		3rd	100,000	12	3,600	24	15%	30,000	5,567	Yes
			100,000	12	3,600	18	15%	22,500	7,006	No
8	Ultra Poor Loan	1st	80,000	4	1200	36	5%	12,000	2,556	No, Note No 4
			80,000	4	1200	30	5%	10,000	3,000	No, Note No 4

### Note

1. Collect only the interest amount during first 5 months and entire capital and remaining interest will be collected in the last month.
2. Given interest rate of 5% is per month for retail borrower. BMIC interest rate is only 2.5% & balance 2.5% is for the agent. The Agent should pay only the interest during the loan period and renew the loan at the end of each year January.
3. Crop Insurance should be obtained by client to apply for cultivation loan for the value of LKR 40,001 to 60,000.
4. Ultra poor loan carries free coupons (There is no collection amount in the monthly loan installment).

Table 5 - Loan Product Table- Estate Bulk Loan Operation

S. No	Product Name	Loan Cycle	End Borrower	Maximum Loan Amount	Loan Period (No. of Months)	Flat Interest Rate to end Borrower	Flat Interest Rate to EWHCS	Remarks
1	Business Loan	1 <sup>st</sup>	Worker	30,000	18 & 24	15%	10%	
		1 <sup>st</sup>	Staff	30,000	12, 18 & 24	15%	10%	If the staff member has 2 years or more service in the same estate continuously, first loan can go up to LKR 50,000
		2 <sup>nd</sup>	Worker	50,000	24	15%	12%	
		2 <sup>nd</sup>	Staff	50,000	12, 18 & 24	15%	15%	If the staff member has 2 years or more service in the same estate continuously, second loan can go up to LKR 75,000
2	Assets Building Loan	1 <sup>st</sup>	Worker	30,000	18	15%	10%	
		1 <sup>st</sup>	Staff	30,000	12, 18 & 24	15%	10%	If the staff member has 2 years or more service in the same estate continuously, first loan can go up to LKR 50,000
		2 <sup>nd</sup>	Worker	50,000	18 & 24	15%	12%	
		2 <sup>nd</sup>	Staff	50,000	12, 18 & 24	15%	15%	If the staff member has 2 years or more service in the same estate continuously, second loan can go up to LKR 75,000
3	Sanitary Loan	NA	Worker	35,000	24	9%	8%	
4	Festival Loan	NA	Worker/Staff	6,000	6	16%	13%	Minimum 30 loans to be applied at a time & this loan is available for any festival event.

## 4.2. Enterprise Development Services (EDS)

EDS is the “credit plus” component of BMIC's strategy that places emphasis on developing a range of requisite skills of its target clientele. BMIC has a separate division dedicated for EDS which consists of Enterprise Development Officers in the decentralized branches who are guided and supervised by the Enterprise Development Manager in the Head Office. BMIC is proud to be one of just a handful of organizations which provide such services to the rural communities and is known to be the only MFI that delivers a dedicated EDS component in par with the credit facilities given to clients. EDS is a fee levied service through a unique EDS coupon system which is an innovation of BMIC.

BMIC provides 5 types of EDS services.

**Type A Services:** Training and exposure visits are the services that come under Type A, which provide tangible benefits to target clientele in developing knowledge and skills to start and develop enterprises and add value to personal life skills. These training and exposure visits are key to impart technical knowledge and skills in agriculture and livestock production, food and beverage, beauty culture and cosmetic, clothing and other cottage industries and so on. They also, provide knowledge and skills to create business ideas, enhance enterprises, leadership qualities, developing positive attitudes and developing financial literacy. BMIC outsource experts in the respective field to provide training except for financial literacy and few entrepreneurship development training programs.

**Type B Services:** Enterprise Development Officer (EDOs) of BMIC provides typical business support services to clients, including business counseling and business follow ups, provision of business information, facilitation for business registration with the Government, facilitating livestock insurance and business networking.

**Type C Services (Special Income Generating Projects):** Type C Service is a special project which establishes a new production or sales activity or enhancement of existing business activity with improved technology or markets generating new or increased income and employment opportunities for cluster members.

**Type D - Product Marketing Services:** This is to help small producers to access better markets for their products. This is being done under ‘Type B’ services until end of 2017 and will be

developed as 'Type D' service with more focused interventions headed by a separate staff member from 2018.

**Type E Service - Environmental services:** Environmental protection is a key objective of BMIC. 'Type E' service is a newly added service in 2015 to reduce the environmental damages from various income generation and other activities undertaken by BMIC clients resulting from BMIC credit and other services.

Further, EDS selects and awards the best entrepreneurs from the BMIC clientele under five categories every 2 years to acknowledge, appreciate and motivate the best performing enterprises and the staff supported for the success of those businesses.

### 4.3. 'Berendina Suwasahana' Health and Funeral Cash Grants

BMIC provides following cash grants under 'Berendina Suwasahana' scheme to support clients in following eventualities where clients face financial difficulties.

**Table 6 - Benefits of Berendina Suwasahana Scheme**

<b>Benefit Type</b>	<b>Benefit Amount per Year</b>	<b>Eligibility Criteria</b>
<i>Funeral benefit</i>	<i>LKR 6,000 per family per year</i>	<i>Death of client or immediate family members</i>
<i>Hospitalization benefit</i>	<i>LKR 300 per day for maximum 10 days (LKR 3,000) per year</i>	<i>Minimum 2 days hospitalization by client, spouse and their children aged less than a year</i>

### 4.4. Bright Students Scholarships (BSS)

BMIC provides following scholarship grants to the children of BMIC clients who qualify with the given criteria. The scholarship is to provide financial support for Advanced Level studies for 2 or 3 years (in case of a repeat attempt) of these bright but poor students.

**Eligibility criteria:**

1. The child should have 5 Credits (C) and B credit pass for mathematics for O/L.
2. The family income should be less than LKR 7,500 per person in the family.

### Scholarship amounts:

LKR 1,500 per month for those who follow Science and Mathematics for A/L

LKR 1,000 per month for other students

Berendina also provides the same scholarships to the children of families having less than LKR 5,000 per head family income in the villages where BMIC works but those families are not BMIC clients, through the BMIC's sister organization Berendina Employment Centre (BEC)

## 4.5. Savings

Savings is a new service for BMIC. This is the long standing missing aspect in a true microfinance service. Therefore, 2018 will be a milestone year for BMIC commencing savings for poor people in Sri Lanka equipped with a license from the Central Bank of Sri Lanka.

There will be 3 different types of savings products introduced by BMIC. All these products will be operated within the guidelines of the CBSL after licensing.

1. **Ordinary savings:** Clients can deposit at any time and withdraw any amount of money at any time from their savings. Clients can make a deposit for this account at the cluster meeting at the time of loan repayment. The proposed interest rate for this product is 7% per annum.
2. **Compulsory Savings:** There will be a compulsory or mandatory savings account for each loan client. The monthly amount to be deposited each month could be negotiated and agreed for the loan cycle from each client. This will inculcate a regular savings culture among BMIC clients. Withdrawal from these savings accounts will be allowed only after the loan cycle completed and the client is not obtaining another loan. Proposed interest rate for this product will be 6% per annum.
3. **Fixed Deposits:** During the market survey BMIC observed that a fair amount of clients derives seasonal incomes from agriculture. Such incomes do not last long and many farmers do not plan how to make the maximum benefit from such income. Therefore, BMIC will introduce fixed deposits with a term duration of 3 months to 36 months to this target group. The proposed interest rate for this product will be on an average 12% per annum but will vary depending on the term of the deposit.

## 5. BMIC Strategic Plan – 2018 -2020

### 5.1 Strategic Plan Formulation

The formulation of the Strategic Plan 2018-2022 of BMIC has been a process with consultative events, meetings, review discussions and strategic discussions. The Board of Directors (BoD) and Senior Management of BMIC decided to follow these events and the process in order to capture all perspectives of all stakeholders. The following key events were held leading up to the formulation of the Plan:

Workshop 01 (June 27, 2017)	Workshop with the participation of BoD and Senior (Top) Management of the BMIC: The participants of this workshop performed a SWOT analysis and then came up with strategies answering to 12 strategic questions.
Workshop 02 (July 03, 2017)	Workshop with the Field Staff of BMIC: The participants of this were the Regional Managers, Branch Managers and selected Micro Finance Officers (MFOs), Enterprise Development Officers (EDOs) and Branch Office Staff Members. They performed BMIC SWOT analysis and Competitor SWOT analysis. Also, they came up with strategic solutions for 05 key strategic areas.
Workshop 03 (July 24, 2017)	Planning workshop with the Senior Management of the Head Office: This was an important event as ultimately the participants proposed the Strategic Goal Hierarchy for BMIC for the next five years along with 12 Strategic Objectives and their sub objectives.
Workshop 04 (October 02, 2017)	Workshop with MFOs: BoD and Senior Management decided to get the inputs from the MFOs, who were the important cog in the BMIC chain of offering financial services to its clientele. So, two separate half a day workshops for Tamil and Sinhala medium MFOs were held on this day. The important suggestions were obtained with regard to 05 operational areas relevant to MFOs.
Consultative Discussions	Chairman, BoD members and the Senior Management involved in a number of directed discussions during this process to review the strategic objectives and worked on its improvement.

In order to arrive at the areas for which strategic objectives have to be formulated, the Senior Management of BMIC analyzed all the key areas highlighted in the previous strategic plan cycle as well as areas to be added to cope up with the change in context within which BMIC has to operate. Therefore, based on this list of strategic areas, strategic objectives were formulated.

## 5.2 Strategic Goal

To reach out to five high poverty districts and to serve a minimum of 175,000 families consisting minimum 30% of minority communities, 20% of marginalized communities and maintaining at least 75% of women, to reduce poverty by X% among existing borrowers, to include a minimum of 90% of the clients in to saving and to become a market leader in sustainable EDS Sector, while increasing OSS to 130 by the end of 2022.

## 5.2 Strategic Objectives

The strategic objectives developed by BMIC senior management and all specific sub strategies per strategic objective which need to be implemented in order to achieve the strategic objective and ultimately the strategic goal are presented below:

### **Strategic Objective 1:**

**Further growing the organization by increasing active borrowers and deposit holders by introducing customer satisfied financial services**

- i. Achieve 175,000 borrowers from existing and new areas*
- ii. Reaching 160,000 deposit holders*
- iii. Introducing customer satisfied credit, other financial services (loan for higher education, micro insurance, individual loans for new and existing clients, top up loan facilities) and saving products*

### **Strategic Objective 2:**

**Expanding BMIC to highly poverty stricken 05 districts of the country**

- i. Establishing 16 branches in these 05 districts*
- ii. Establishing these 16 branches across four years*

### **Strategic Objective 3:**

**Using new technology to optimize the operational efficiency and customer satisfaction and to measure the impact of the services**

- i. Develop IT Policy, standard procedures by December 2018*
- ii. Increase mobile money technology usage for BMIC operations*
- iii. Introducing hand held device to perform operational activities at the ground level*
- iv. Improve the existing cyber protections in line with the requirement*
- v. Establish a disaster recovery back up in Sri Lanka with the TSS rollout*



#### **Strategic Objective 4:**

**Strengthening HR policies and practices to ensure continuous career advancement with employee satisfaction to retain committed and talented staff**

- i. *Reduce the staff turnover ratio to 15% by end of 2018 and further reduce*
- ii. *Conduct a staff satisfaction survey once in two years in a confidential manner*
- iii. *HR Committee to be established*
- iv. *Existing grading system to be reviewed and improved annually, further to implement the grading system in HO by 1<sup>st</sup> of April 2018*
- v. *Staff transfer policy, in alternative ways*
- vi. *Counseling arrangement for staff at needy times*
- vii. *Staff pension benefit plan to be implemented by 2020*
- viii. *Ensure to review and improve staff KPIs and JDs every two years, streamline before March 2018 and implement the revised KPIs and JDs*
- ix. *Annual training plan, budget and calendar to be updated by end of March based on the requirements of training need analysis done through staff appraisal*
- x. *Comprehensive HR policy to be developed by end of 2018*
- xi. *Identifying a Talent Pool, developing them*
- xii. *Incentive and other staff benefits to be reviewed annually and make it competitive*
- xiii. *Introduce & include values of BMIC (vision, objectives) during the induction or refresher training*

#### **Strategic Objective 5:**

**Improving impact oriented EDS services along with credit offered by BMIC**

- i. *OSS of EDS to be increased by 5% annually and reach 100% by 2022*
- ii. *Increase and maintain A type trainings services covering 50% of the entire clientele in 2022*
- iii. *Define and implement mechanisms to ensure effective implementation of enterprise development trainings*
- iv. *Type B – lobbying efforts for issues faced by micro small entrepreneurs (addressing BR related issues); identifying within BMIC or outside, enhancing existing businesses to improve for market expansion*
- v. *Type B - Further improve business counseling skills of EDOs and establish a Business Counselor Pool for each region*
- vi. *Type C – for each branch, identify potential income generation activities (like advance farming in dry zone region) and set targets for implementation for each year*
- vii. *Type D - commence and develop focused and dedicated services, including improving marketing opportunities for products and services of clients*
- viii. *Type E – further improve and continue environmental conservation efforts by taking steps to source external financial and technical assistance for these efforts*
- ix. *To improve effective and simple record keeping of the client businesses, introduce simple record keeping booklets / for clients identified by EDOs as potential clients for its use*

**Strategic Objective 6:****Increasing the greener practices and occupational health and safety by BMIC and its clients**

- i. *Setup Environment policy by 2018*
- ii. *Providing orientation / awareness session to all staff on environmental policy by end of 2018*
- iii. *Introduce customize training like green productivity, eco product, etc.*
- iv. *Creating partnership with funding organizing for environmental protections*
- v. *Sharing environmental related topics on monthly cluster meeting*
- vi. *Health and safety awareness and protective measures for identified enterprises*

**Strategic Objective 7:****Minimizing unsatisfied dropouts and to make sure all existing clients receive BMIC services with satisfaction**

- i. *Improve the system of complaint reporting, including written, ICT usage based (such web site, Facebook, etc.) and analysis to identify unsatisfied drop outs*
- ii. *Reduce the existing unsatisfied drop-out rate by 50% by 2020 (ensuring a certain percentage reduction annually)*
- iii. *Conduct a customer satisfaction survey that includes both existing & exit clients once in two years*
- iv. *Improve the existing customer complaint system by increasing regular client awareness, addressing the complaints within one week and continuous monitoring and review in monthly progress meeting*
- v. *Provide customer care training for the existing staff and within the first year of employment for new recruitments*

**Strategic Objective 8:****Continue to be the Number 01 brand in microfinance sector with highest level of social acceptance**

1. *To have a communication policy in place by July 2018*
2. *Develop a fully-fledged comprehensive communication strategy reflecting the regional activities, for both internal & external communications by end 2018*

**Internal process**

- i. *Staff sensitisation on importance of communication and case study development*
- ii. *Identify recognitions, certifications, awards for which Berendina can apply*
- iii. *Do at least one educational video a year compiling timeline of activities to communicate improvement to all stakeholders*

### *External campaigns*

- i. *Increase awareness in print and electronic media through advertising and other publicity campaigns (at least one article on Berendina in print mass media monthly)*
- ii. *Circulate at least four newsletters per year for all stakeholders in all 3 languages*
- iii. *Increase the current media viewership / penetration by running constant updates in social media and website.*
- iv. *Deploy other tools to expand outreach (make use of Search Engine Optimisation facilities in Google, pay for Facebook and social media advertising channels)*
- v. *Communicating best practices in micro finance in mass media in Sinhala and Tamil newspapers to contribute to have a healthier MF sector in SL*

### **Strategic Objective 9:**

**Developing a comprehensive and fully fledged audit procedure and process in order to improve compliance, operational effectiveness, efficiency and transparency in all aspects**

#### *Audit operational improvement*

- i. *Comprehensive audits in financial aspects (better use of funds/compliance, etc.) – starting from the beginning of 2018 by doing 4 HO audits per year*
- ii. *Increase 6 to 7 audits per branch per annum (to maintain this, based on the number of branches, increasing the number of auditors)*
- iii. *Changing audit scope in line with present and future developments and changes (CB regulations/new TSS system/savings etc.) at every internal audit committee meetings*
- iv. *Rotating auditor's areas as much as possible – rotating policy to be developed by end of 1<sup>st</sup> quarter of 2018*
- v. *Direct access to information sources and direct travelling to field (without help of others)*
- vi. *Surprise audits for identified high risk areas*
- vii. *Auditing auditor's reports – auditing at least 06 reports of each auditor per annum (operational improvement)*
- viii. *Facilitate alternative use of audit reports for system improvement, impact assessment by research team, etc.*

#### *Auditors' capacity building*

- i. *Increase effective capacity building of audit team including provision of adequate training (in particular, TSS, Senova)*
- ii. *Encourage auditors to have sound operational, admin and financial knowledge – one experience sharing event per year (capacity building)*
- iii. *Improving auditors probing abilities (upgrade technical skills/certified internal audit courses), at least one training per year (capacity building)*

#### ICT usage

- i. *Using software based audit techniques (abnormal amounts, timing, access, volumes, etc.) once TSS get implemented*

#### **Strategic Objective 10:**

#### **Establishing Good Governance Structure & Compliance Policy in order to act as a responsible organization in the Micro Finance industry BMIC**

##### *Corporate Governance*

- i. *Appointment of independent directors to the BOD*
- ii. *Appointment of sub committees (Asset & Liability Management, HR)*

##### *Compliance*

- i. *Ensure a board approved compliance policy in place by 2018*
- ii. *Ensure the compliance of future requirements in SLFRS and improve relevant disclosures in financial statements*
- iii. *Establish a compliance division as per requirements*

##### *Risk Management*

- i. *Formulate a Risk policy covering Credit Risk, Liquidity Risk, Market Risk and Operational Risk approved by the Board of Directors by June 2018*
- ii. *Monitoring of Reviewing of Disaster Recovery process, IT security policies, data backup (including cloud based) by July 2018*
- iii. *Revision of Finance Manual, Administration Manual, Operational Manual (and required translations) & preparation of internal control procedures by the end of 2020*

#### **Strategic Objective 11:**

#### **Assessing the positive and negative outcomes of the BMIC services among its clientele in a scientific manner in order to further improve BMIC services**

- i. *Conduct four socio-economic impact studies annually*
- ii. *Ensure PPI data for each and every loan disbursement is collected and analyzed annually*
- iii. *Identification and use of new and cost effective tools and techniques for impact assessment*
- iv. *Dropout client survey to be conducted once a year covering minimum 10% of exit clients*

#### **Strategic Objective 12:**

#### **Ensuring financial sustainability and efficient fund management**

- i. *OSS (before tax) of 130% to be achieved by 2022 and Improving FSS to minimum 110%*
- ii. *Identify new funding sources, both international and local, and ensuring low cost funding*

- iii. Enhance funding from existing sources and attempt to reduce the cost of funding*
- iv. Identify ways to mitigate foreign exchange risk of borrowing*
- v. Establish a separate treasury department*
- vi. Formulation and implementation of dividend policy*
- vii. System to implement to monitor the covenants given by donors and funders (Monthly)*
- viii. Monitoring system for reporting requirements by CBSL and other partners*
- ix. Increase the annual contribution of BMIC for BDS & BEC Sustainability*

## 6. BMIC Expansion Plan – 2018 -2020

BMIC will expand its services to highly poverty stricken 5 districts. These districts are Kandy, Moneragala, Badulla, Ampara and Rathnapura.

The official poverty line for Sri Lanka for the year 2016 is LKR 4,166. Table 7 provides the poverty position of the districts selected by BMIC for expansion during the five years from 2018 to 2022. It provides the Poverty Head Count Index, number of poor population in the district living below official poverty line together with the ranking of the district based on highest to the lowest order of the two indicators for all 25 districts in the country (Source: Household Income and Expenditure Survey, 2016).

**Table 7 – Analysis of Poverty Status of districts proposed for BMIC expansion from 2018 to 2022**

<b>District</b>	<b>Status for BMIC</b>	<b>Poverty Head Count Index</b>		<b>No of population below official poverty line</b>	
		<b>%</b>	<b>Ranking of the district (When all the 25 districts are ranked in the highest to lowest order)</b>	<b>No.</b>	<b>Ranking of the district (When all the 25 districts are ranked in the highest to lowest order)</b>
<i>Badulla</i>	<i>New</i>	6.8	7	56,698	5
<i>Ratnapura</i>	<i>New</i>	6.5	8	72,715	2
<i>Moneragala</i>	<i>New</i>	5.8	10	27,187	15
<i>Kandy</i>	<i>Existing</i>	5.5	11	76,429	1
<i>Ampara</i>	<i>Existing</i>	2.6	18	17,431	19

(Source: Household Income and Expenditure Survey, 2016).

The table 8 below provides the number of branches BMIC will establish in each selected district and the year in which such branches are to be established. Further plans for the growth of number of borrowers, EDS beneficiaries, Savers and the growth plans for loans and savings balances are given in the table in summary form. Descriptive details are given for the financial projections in the section 7 of this report.

**Table 8 - Expansion plan of BMIC**

<b>Description</b>	<b>2017 (position)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>No. of new branches</i>						
<i>Kandy</i>			01	03		
<i>Ampara</i>			01			
<i>Moneragala</i>		01	03			
<i>Badulla</i>		04				
<i>Rathnapura</i>				01	02	
<i>Total</i>		05	05	04	02	
<i>Total number of branches in BMIC at the end of the year</i>	28	33	38	42	44	44
<i>No. of borrowers</i>	111,685	120,000	140,000	161,000	172,000	175,000
<i>Loan outstanding balance (LKR)('000)</i>	3,135,907	3,727,608	4,598,195	5,569,505	6,429,366	7,095,589
<i>No of Savers</i>	Nil	4,800	40,000	90,000	137,000	160,000
<i>Savings balance end of the year (LKR)('000)</i>	Nil	7,285	129,962	166,489	223,270	257,103
<i>EDS beneficiaries</i>	46,203	50,400	61,600	74,989	82,560	87,500

## 7. Financial Projections

### 7.1. Forecasted Statement of Comprehensive Income

BERENDINA MICRO INVESTMENTS COMPANY LIMITED							
STATEMENT OF COMPREHENSIVE INCOME							
Amount in LKR "000"	Actual	Forecast					
Financial Year Ended 31st December	2016	2017	2018	2019	2020	2021	2022
Interest income	597,400	794,490	966,094	1,200,394	1,516,077	1,841,864	2,102,589
(Less): Interest and similar expenses	199,427	250,254	303,281	370,814	480,238	596,766	696,326
Net Interest Income	397,973	544,236	662,814	829,580	1,035,840	1,245,098	1,406,264
Fee, commission and other income	8,126	9,648	10,962	12,446	14,310	16,165	17,715
Enterprise development service income	34,806	36,175	36,540	46,200	56,242	62,746	66,500
Total Operating Income	440,905	590,059	710,315	888,226	1,106,392	1,324,008	1,490,479
(Less): Impairment charges for loans and receivables	7,606	8,354	6,037	9,156	10,333	8,613	6,100
Net Operating Income	433,299	581,705	704,278	879,069	1,096,059	1,315,396	1,484,379
(Less): Operating Expenses							
Personnel expenses	189,861	245,237	324,301	407,964	516,011	629,941	710,060
Depreciation of property, plant & equipment and amortization	9,292	10,014	10,118	11,187	15,973	19,044	22,483
Enterprise development service expenses	16,003	18,402	20,664	25,256	31,495	35,088	37,188
Other operational expenses	82,448	116,457	168,315	222,379	276,816	330,743	371,305
	297,604	390,110	523,399	666,787	840,295	1,014,815	1,141,036
Operating Profit Before FVAT & Taxes	135,695	191,594	180,879	212,283	255,764	300,580	343,343
(Less): FVAT, NBT and Tax							
Value added tax and national building tax on financial services	34,661	60,412	65,341	81,243	105,693	128,508	146,746
Income tax expense	21,687	32,950	27,132	31,842	38,365	45,087	51,501
	56,348	93,362	92,472	113,086	144,058	173,595	198,247
Profit After Tax	79,347	98,232	88,406	99,197	111,706	126,985	145,096
Dividend distribution	-	-	11,013	10,195	11,336	16,275	18,523
Statutory reserve	-	-	4,420	4,960	5,585	6,349	7,255
Retained Earnings B/F	79,347	98,232	72,974	84,042	94,785	104,362	119,318



## 7.2. Forecasted Statement of Financial Position

### BERENDINA MICRO INVESTMENTS COMPANY LIMITED

#### STATEMENT OF FINANCIAL POSITION

Amount in LKR "000"

As at 31st December

#### ASSETS

Cash and cash equivalents

Balances with banks and financial institutions

Loan and receivables - Clients

Loan and receivables - Staff

Less : Collective allowance for impairment

**Net Loan and Advance**

EDS copon assets

Other assets

Property plant and equipments

**TOTAL ASSETS**

#### EQUITY AND LIABILITIES

##### LIABILITIES

Interest bearing borrowings from external

Interest bearing borrowings from internal

Security fund

EDS coupon liability account

Compulsory saving

Ordinary saving

Fixed deposits

Other liabilities

##### EQUITY

Funds and reserves

Stated capital

Accumulated profit

Statutory reserve

**Total Equity**

**TOTAL LIABILITIES AND EQUITY**

Actual	Forecast					
2016	2017	2018	2019	2020	2021	2022
121,195	40,348	63,243	117,366	97,262	122,475	108,715
43,219	42,687	43,113	43,545	44,415	45,304	46,210
164,414	83,035	106,357	160,911	141,677	167,779	154,925
2,633,473	3,135,907	3,727,608	4,598,195	5,569,505	6,429,366	7,095,589
20,249	28,245	32,481	37,353	42,956	51,548	61,857
(29,443)	(34,658)	(40,695)	(49,852)	(60,185)	(68,798)	(74,898)
2,624,279	3,129,493	3,719,394	4,585,696	5,552,276	6,412,116	7,082,548
104,651	130,841	157,084	195,708	239,420	279,147	311,153
19,423	18,499	22,870	29,339	36,958	44,371	49,458
124,075	149,340	179,953	225,048	276,378	323,518	360,612
24,386	20,123	102,059	142,609	193,540	189,852	184,566
2,937,154	3,381,991	4,107,762	5,114,263	6,163,872	7,093,264	7,782,651
1,110,937	1,234,456	1,714,456	2,314,456	2,844,456	3,264,456	3,594,456
739,181	792,757	853,862	914,747	976,634	1,037,986	1,098,565
1,850,117	2,027,213	2,568,318	3,229,203	3,821,090	4,302,442	4,693,021
161,733	210,244	251,366	306,445	376,110	446,065	505,312
148,216	234,580	280,462	341,916	419,646	497,699	563,804
-	-	5,962	97,632	247,770	380,310	393,360
-	-	1,323	12,330	26,361	37,350	37,338
-	-	-	20,000	45,000	68,500	80,000
46,475	43,954	56,937	74,340	95,128	117,419	139,765
356,424	488,777	596,050	852,663	1,210,014	1,547,343	1,719,579
309,822	97,423	97,423	97,423	97,423	97,423	97,423
180,028	748,028	748,028	748,028	748,028	748,028	748,028
240,762	20,549	93,523	177,565	272,351	376,712	496,030
-	-	4,420	9,380	14,966	21,315	28,570
730,612	866,001	943,394	1,032,397	1,132,767	1,243,478	1,370,051
2,937,154	3,381,991	4,107,762	5,114,263	6,163,872	7,093,264	7,782,651

### 7.3. Forecasted Statement of Cash Flow

BERENDINA MICRO INVESTMENTS COMPANY LIMITED							
STATEMENT OF CASH FLOWS							
Amount in LKR "000"							
Financial Year Ended 31st December							
	Actual	Forecast					
	2016	2017	2018	2019	2020	2021	2022
Net operating income - before interest	278,775	348,486	391,422	464,222	576,743	697,217	806,347
<b>(+) Adjustments for Non Cash Items</b>							
Depreciation of property, plant and equipment	9,292	10,014	10,118	11,187	15,973	19,044	22,483
Impairment charges for loans and receivables	7,606	8,354	6,037	9,156	10,333	8,613	6,100
<b>Net Cash Flow from Operating Activities before WC</b>	<b>295,673</b>	<b>366,854</b>	<b>407,578</b>	<b>484,565</b>	<b>603,049</b>	<b>724,874</b>	<b>834,930</b>
<b>Change in WC</b>							
Increase / (Decrease) of security fund	46,456	48,511	41,122	55,079	69,665	69,955	59,247
Increase / (Decrease ) of EDS coupon liabilities	36,890	86,364	45,882	61,454	77,729	78,053	66,105
Increase / (Decrease) of other liabilities	5,684	(2,522)	12,983	17,403	20,788	22,291	22,346
( Increase ) / Decrease of loans and advances	(608,020)	(505,573)	(591,701)	(870,587)	(971,310)	(859,861)	(666,223)
( Increase ) / Decrease of EDS coupon assets	(24,179)	(26,189)	(26,243)	(38,625)	(43,711)	(39,727)	(32,006)
( Increase ) / Decrease of staff loan	(1,270)	(7,996)	(4,237)	(4,872)	(5,603)	(8,591)	(10,310)
(Increase ) / Decrease of other assets	(2,468)	1,456	(4,797)	(6,901)	(8,490)	(8,301)	(5,994)
<b>Net cash flows from WC</b>	<b>(546,907)</b>	<b>(405,949)</b>	<b>(526,990)</b>	<b>(787,048)</b>	<b>(860,932)</b>	<b>(746,181)</b>	<b>(566,834)</b>
<b>Net cash flows from operating activities (a)</b>	<b>(251,234)</b>	<b>(39,094)</b>	<b>(119,412)</b>	<b>(302,483)</b>	<b>(257,883)</b>	<b>(21,307)</b>	<b>268,096</b>
<b>Cash Flows from / (Used in) Investing Activities</b>							
Purchase of property, plant and equipment	(12,177)	(5,751)	(92,054)	(43,760)	(58,927)	(15,355)	(17,198)
<b>Net cash flows from investing activities (b)</b>	<b>(12,177)</b>	<b>(5,751)</b>	<b>(92,054)</b>	<b>(43,760)</b>	<b>(58,927)</b>	<b>(15,355)</b>	<b>(17,198)</b>
<b>Cash Flows from (Used in) Financing Activities</b>							
Change in Interest bearing borrowings from external - Net	226,563	123,520	480,000	600,000	530,000	420,000	330,000
Change in Interest bearing borrowings from internal - Net	41,997	53,577	61,105	60,885	61,887	61,352	60,579
Interest payments	(199,427)	(250,254)	(303,016)	(373,002)	(473,014)	(570,232)	(661,251)
Net Proceed from issue of shares	60,000	18,000	-	-	-	-	-
Net Proceed from funds and reserve	18,063	19,156	-	-	-	-	-
Increase / (Decrease) cash generation from compulsory saving (Net)	-	-	5,962	91,670	150,138	132,540	13,050
Increase / (Decrease) cash generation from regular saving (Net)	-	-	1,323	11,007	14,031	10,989	(13)
Increase / (Decrease) cash generation from fixed deposits (Net)	-	-	-	20,000	25,000	23,500	11,500
Dividend payment	-	-	(11,013)	(10,195)	(11,336)	(16,275)	(18,523)
<b>Net cash flows from financing activities (c)</b>	<b>147,195</b>	<b>(36,001)</b>	<b>234,361</b>	<b>400,365</b>	<b>296,706</b>	<b>61,875</b>	<b>(264,658)</b>
Net Increase/(Decrease) in cash and cash equivalents (a+b+c)	(116,216)	(80,847)	22,895	54,123	(20,104)	25,213	(13,759)
Cash and cash equivalents at the beginning of the year	237,411	121,195	40,348	63,243	117,366	97,262	122,475
Cash and cash equivalents at the end of the year	121,195	40,348	63,243	117,366	97,262	122,475	108,715

## 7.4. Forecasted Funding Plan

BERENDINA MICRO INVESTMENTS COMPANY LIMITED					
FUNDING PLAN					
Amount in LKR "000"					
Financial Year Ended 31st December					
	2018	2019	2020	2021	2022
Funding Requirements	1,325,425	1,751,677	1,930,407	2,033,097	2,118,800
Funding requirements fulfilled by retained profit	83,986	94,237	106,121	120,636	137,841
Funding requirements fulfilled by internal funds (BDS Loan)	219,656	231,657	244,837	256,679	268,176
Funding requirements fulfilled by external funds	1,021,782	1,425,782	1,579,449	1,655,782	1,712,782
	<b>1,325,425</b>	<b>1,751,677</b>	<b>1,930,407</b>	<b>2,033,097</b>	<b>2,118,800</b>
<b>External Funding Source in 2018 from</b>					
<b>Local borrowings</b>					
Sri Lanka Saving Bank (NDTF)	200,000				
Stromme Micro Credit Guarantee Limited	160,000				
DFCC Bank	100,000				
Hatton National Bank	300,000				
	<b>760,000</b>				
<b>Foreign borrowings</b>					
Grameen Credit Agricole (GCA)	260,000				
Whole Planet Foundation (WPF)	50,000				
Frankfurt School Financial Services	70,000				
	<b>380,000</b>				
<b>Total</b>	<b>1,140,000</b>				

## 7.5. Forecasted Key Indication Ratios

BERENDINA MICRO INVESTMENTS COMPANY LIMITED							
KEY INDICATIONS RATIOS							
Financial Year Ended 31st December							
	Actual 2016	2017	2018	Forecast			
				2019	2020	2021	2022
<b>Sustainability / Productivity ratios</b>							
Return on average assets	3.8%	4.2%	3.1%	2.8%	2.7%	2.6%	2.6%
Return on equity (ROE)	15.5%	16.4%	12.8%	13.3%	13.9%	14.5%	15.0%
Operational self sufficiency (OSS) - before tax	119%	118%	113%	112%	110%	110%	110%
Operational self sufficiency (OSS) - after tax	115%	113%	110%	109%	108%	107%	107%
Financial self sufficiency (FSS)	93%	99%	99%	99%	102%	105%	107%
<b>Asset and Liability management ratios</b>							
Debt to equity (times)	2.5	2.3	2.7	3.1	3.4	3.5	3.4
<b>Portfolio quality ratios</b>							
Portfolio at risk (30 Days)	0.34%	0.37%	0.40%	0.43%	0.46%	0.48%	0.50%
Portfolio at risk (1 Day)	0.42%	0.48%	0.54%	0.60%	0.63%	0.67%	0.70%
Growth in net loan portfolio	30%	19%	18%	23%	21%	14%	9%
<b>Compliance Ratio</b>							
Liquid assets ratio	-	-	868%	107%	35%	29%	25%
Statutory reserve ratio	-	-	5%	5%	5%	5%	5%