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ALTIS: A Microfinance Startup in Nepal

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Social Entrepreneurship Track

Finalist

ALTIS: A Microfinance Startup in Nepal

Free Online Copy

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This case is accompanied by a teaching note, available to faculty only. Please send your
request to freecase@oikosinternational.org. The authors are thankful for any feedback and
suggestions to further develop this case. Please contact the authors directly at
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Mr. Jacen Greene as a basis for class discussion rather than to illustrate the effective or
ineffective handling of an administrative situation.

In Sanjay Karki's role as Deputy Director for the Nepal office of Mercy Corps, he had worked on a number of poverty reduction programs. But his current initiative presents the most daunting challenges he has yet faced. One of the most promising innovations in poverty alleviation was the concept of microfinance, the provision of small-scale loans and other financial services to poor entrepreneurs. And although the government of Nepal strongly supported microfinance models, a decade-long civil war ending in 2006 had severely disrupted government services and worsened poverty. In the *terai*, or plains, of Nepal, government and non-profit microfinance institutions are able to access the population densities and transportation infrastructure necessary to operate poverty relief programs. However, in the rugged and undeveloped mid-mountain and high-mountain regions where Sanjay is hoping to establish microfinance activities, little is being done to help the poor.

Sanjay is considering launching a for-profit social enterprise focusing on agricultural microfinance and technical services for the rural poor, one formed with the assistance of Mercy Corps that could extend the reach of Mercy Corps' programs. In a unique approach, and with the full support of potential donors, the organization would start as a non-profit until it became financially self-sustaining, at which time it would transition to a for-profit social business model. Such an organization might be better positioned than the government and private, purely for-profit institutions that had previously failed to deliver essential financial services. However, starting a social enterprise was risky even in developed nations, and in a geographically rugged, developing nation recovering from a recently ended civil war, it seemed nearly impossible. Aside from the normal questions of market size, which customers to target, what products and services to provide, how to obtain startup funding, and how to manage competition, Sanjay faced the near total collapse of the national financial system. And yet, some of the very same conditions that increased the difficulty of starting a new business or securing funds spoke to the desperate need for basic financial services. Confronting some of the most daunting challenges to business formation in the world, could a for-profit social enterprise be established to help impoverished farmers improve their livelihoods?

Nepal

Nepal, stretching along the southern slope of the Himalayas between India and the Tibetan plateau, rises from subtropical lowlands to the snowcapped peaks of the tallest mountains on Earth (see Exhibit 1). Although until recently it was the only officially proclaimed Hindu state in the world,¹ Nepal has a rich heritage of ethnic, linguistic, and religious diversity. Nepal's history was strongly influenced by its position between China and India, or as the first King of Nepal famously put it, "a yam between two rocks."

Ten years of civil war between Maoist insurgents and the royal government of Nepal, culminating in the dissolution of parliament by the king, was resolved in 2006 with the signing of a peace treaty and establishment of an interim constitution restoring democratic rule. In 2008, the newly elected Constituent Assembly of Nepal abolished the monarchy, ending more than two centuries of hereditary rule, and proclaimed a federal democratic

¹ CIA World Factbook

republic. The nation's first President, Dr. Ram Baran Yadav, was elected in July of that year; the new Prime Minister, Pushpa Dahal, was a Maoist.

The new government faces lingering political instability as well as severe social and economic pressures. With an unemployment rate of 46%, and year-on-year inflation approaching 8%,² the economic situation continues to be dire. In 2009 gross national income per capita was US\$290³ and the poverty rate was 31%⁴ (those living on less than \$0.22 a day, per the national poverty line), placing Nepal among the top 20 poorest nations in the world.⁵ Although the Kathmandu valley had a poverty incidence of only 3%, other urban areas averaged 10% and the rate in the countryside was much higher, demonstrating the lack of effective poverty alleviation programs outside of cities.⁶

More than eight out of ten Nepalese live in rural areas and remain dependent on agriculture for their livelihoods.⁷ However, the agricultural sector accounted for less than half of the nation's GDP of US\$8.05 billion⁸ (see Exhibit 3). It is clear that economic development policies and initiatives will need to take into account the important role of rural agriculture to the people of Nepal. The process of structural transformation in Nepalese economy is highly dependent on the process of agricultural transformation from a highly diversified subsistence-oriented production system to more specialized market-oriented agriculture production system. Transforming the agricultural sector is constrained by a number of factors, including weak agriculture marketing organization and technical capacities, inadequate links between rural agriculture production and marketing, the predominant orientation towards production of commodities, and the lack of financing available for growing and processing value-added agricultural products.

Still recovering from the civil war, the government faced major difficulties in meeting the needs of all Nepalese citizens. The rural financial sector, in particular, suffered a near-collapse during the war, and the need for financial services in the mid-mountain and high-mountain regions of Nepal remain almost entirely unmet. It seems clear that a fertile yet challenging market exists for a social enterprise designed to offer low-cost financial instruments to the rural poor of Nepal.

The Marketspace

Nepal's position between China and India provides access to two of the world's fastest growing markets, but Nepal is not yet equipped to take advantage of this position, as Sanjay points out:

[Nepal] has the conditions required to produce food, spice, and medicinal and aromatic crops that are in high demand in both [India and China]. However, Nepal's agricultural sector remains highly under-commercialized due to inadequate organizational, business, and technical practices, and weak input and service markets. [...] If farm enterprises are to flourish, smallholder farmers – who cultivate

² CIA World Factbook

³ The World Bank, "Getting Finance in South Asia 2009."

⁴ The World Bank

⁵ Josh Dewald, Director, Mercy Corps Nepal.

⁶ Ibid.

⁷ ANZDEC, "Nepal Commercial Agricultural Development Project, Final Report."

⁸ The World Bank, "Getting Finance in South Asia 2009."

*90% of Nepal's agricultural land - must have access not only to basic inputs and information, but to financial and technical services that provide them with the capital and expertise required to grow, and these services must be provided in a manner that is financially sustainable and commercially viable. Yet no Nepali company currently exists that can provide the required mix of agricultural lending and technical services to the smallholder farmer market in a financially sustainable manner.*⁹

In 2006, banks and NGOs in Nepal that served the rural poor accounted for only 2.36% of total financial sector assets, with US\$60.6 million in lending.¹⁰ Nepal had only six domestic banks, and the number of branch offices per 100,000 people had declined to a mere 1.73 due to emergency closures during the civil war, with most branches and ATMs located only in cities¹¹ (see Exhibit 4). Bank deposits and lending showed a linked decline during the same period (See Exhibit 5), and it was estimated that more than 70% of Nepal's people had no access to commercial banks at all.¹² Poor and rural Nepalese faced a crippling inability to access financial services necessary for the most basic aspects of daily life. What few financial services were traditionally available to the rural poor were provided by money lenders or merchants who charged exorbitant interest rates, undermining the effectiveness of such loans in wealth creation and poverty reduction.

Government attempts to expand access to credit were hampered by political instability and endemic corruption. Although Nepal's central bank, Nepal Rastra, introduced corporate governance guidelines in 2005, little progress has been made in achieving the goals set forth in the guidelines.¹³ According to the guidelines, commercial banks are required to grant loans or equity of a value between 0.25% and 3% of total loan portfolios to the "deprived sector" of low-income households. But the lack of financial infrastructure in remote areas severely limits the abilities of financial institutions to implement this directive outside of the metropolitan areas.¹⁴ Nepal Rastra has also established five Regional Rural Development Banks to provide financial services to the rural poor, with mixed results. To augment the services of the state and private banking sectors, a number of non-profit organizations formed microfinance banks or stepped in directly to address the financial needs of the poor (see Exhibit 6). Mercy Corps, in particular, has developed a series of offerings that Sanjay is hoping to develop further and integrate as complementary services in his start-up venture.

Mercy Corps

Founded in 1979 by Dan O'Neil and Ellsworth Culver as an extension of O'Neil's *Save the Refugees Fund* for survivors of the Cambodian genocide, the non-profit Mercy Corps embraced principles of sustainable development with an emphasis on civic engagement and market-driven efforts (see Exhibits 7 and 8). Headquartered in Portland, Oregon, the organization has delivered over \$1.3 billion in aid to more than 107 countries by 2009¹⁵.

⁹ ALTIS Concept Note.

¹⁰ The World Bank, "Getting Finance in South Asia 2009."

¹¹ Ibid.

¹² Bloomberg.com, "Nepal Asks Lenders to Expand Branches as Maoist Hostility Ends."

¹³ The World Bank, "Getting Finance in South Asia 2009."

¹⁴ Asia Resource Center for Microfinance, "Nepal Country Profile."

¹⁵ Mercycorps.org

Mercy Corps specifically targets nations and communities in transition following major natural or social disasters, with efforts ranging from material relief and assistance to the development of long-term civic and economic programs. With its decentralized management structure, the organization's country directors or representatives spearhead development of regional programs and fundraising in partnership with local organizations, colleague agencies, and the United Nations. .

The turmoil in Nepal following the end of the civil war, the abolition of the monarchy, and the establishment of a democratic republic fit well within the scope of Mercy Corps' mission to aid societies in transition. Mercy Corps Nepal was established near the end of 2005. Prior to Sanjay's current effort to establish a rural microfinance entity in Nepal, Mercy Corps has been engaged in a number of projects and partnerships to address unmet needs in agriculture-dependent communities. Examples include Mercy Corps' partnership with the Youth Initiative for Peace and Reconciliation to create youth groups for job training and conflict resolution, its work with the University of Washington to map the value chain of high-value commodities and improve production processes, and its association with Nirdhan Utthan Bank Ltd. (NUBL) to expand access to microfinance services in agricultural communities.¹⁶

The partnership with NUBL helped Mercy Corps meet some of the critical need for microfinance lending and other financial services in remote agricultural communities. However, Sanjay believes that lending services work best when coupled with technical assistance. By linking Mercy Corps' financial and value chain services together in packaged services, and by moving toward a for-profit model, he hoped to provide a constant revenue stream, offer a greater scope of projects and provide a targeted portfolio of complementary services. He plans to call the new organization ALTIS, or Agricultural Lending and Technical Services Company.

The ALTIS Model

ALTIS is conceived as a non-profit company that will offer micro-loans coupled with technical and agricultural training targeted to the specific needs of small, rural farms (see Exhibits 9 and 10). Loan interest rates would be capped at slightly less than existing microfinance institutions in Nepal, but higher than the 12%-14% average rate from government-subsidized development banks. Although it was necessary for ALTIS to charge a higher rate of interest than government-subsidized banks, Sanjay expects little direct competition in the chronically underserved, remote communities where the company hoped to do business. ALTIS also will be the only agricultural lending institution in Nepal to offer embedded technical services and the first to specifically target high-value crops.¹⁷

ALTIS's non-profit structure will allow the company to target communities with the greatest need rather than the greatest market potential, to reinvest all profits in expansion, to seek funding from sources not normally available to for-profit companies, and to creatively employ government and non-profit partnerships. Once the company became self-sufficient, it could reorganize as a for-profit social business (see Exhibit 11) relying predominately on

¹⁶ Ibid

¹⁷ Interview with Josh DeWald, Director of Mercy Corps Nepal.

internal revenue to cover operational costs and fund future expansion.¹⁸ One of the biggest risks faced by ALTIS, according to Josh DeWald, Director of Mercy Corps Nepal :

*Raising the start-up capital and support funds for its preparatory, inception, and early expansion phases, after which time ALTIS will be self-supporting. This will be difficult because ALTIS, as a concept, falls outside of what is traditionally funded by donors in the humanitarian relief and development field, meaning that fairly non-traditional donors must be identified and convinced of the value of ALTIS as a Nepali institution.*¹⁹

Sanjay estimated that ALTIS needs approximately US\$4.16 million in startup capital for the first four years, after which the organization would be expected to quickly achieve profitability (See Exhibit 12). By the tenth year of operation, ALTIS was expected to have a net worth of roughly US\$6.75 million, with annual loan disbursements totaling more than US\$12 million and total benefits to the agricultural sector of Nepal in excess of US\$22 million per year.²⁰

Starting with a central office and a pair of branch offices, ALTIS was expected to expand to a total of five branch offices within the first five years. Board members were to be drawn from ALTIS, Mercy Corps, the Nepal Ministry of Agriculture and Cooperatives, the Bankers Association of Nepal, Nirdhan Utthan Bank and Nepal Rastra Bank. It is expected that strategic partnerships could be formed with board member organizations, in addition to the Federation of Nepalese Chambers of Commerce and Industry's Agro-Enterprise Center, the Rural Microfinance Development Center, and the Rural Self-Reliance Fund.²¹

By partnering with local NGOs, government institutions, industry organizations and for-profit companies, Sanjay hoped to avoid antagonizing potential competitors and draw on a diversity of experience and expertise to guide the growth of the company. How long such cooperative partnerships could be maintained without devolving into serious competition if ALTIS established a profitable model for serving remote communities, however, remained unknown. ALTIS also faced a number of entrenched alternatives that could either complement or supplant ALTIS operations.

Potential Competitors

Governmental Institutions

National Co-operative Bank, Limited (NCBL):

NCBL was established to provide banking and financial services to Nepal's 7500 cooperatives, with membership comprising nearly 25% of the nation's population. In addition to providing loans, NCBL was structured to serve as an interface between Nepal Rastra Bank, international financial and aid institutions, and cooperatives. The bank was capitalized with

¹⁸ Ibid; ALTIS Concept Note.

¹⁹ Interview.

²⁰ All budget estimates altered to maintain confidentiality.

²¹ ALTIS Concept Note.

160 million paid-up shares of capital at 1000 rupees each, with an additional 160 million issued but unpaid shares and 320 million authorized but unissued shares.²²

Agricultural Development Bank, Limited (ADBL):

A government-owned bank with a charter to provide lending to small farmers in addition to traditional commercial financial activities, at the time of this case ADBL accounted for more than 67% of Nepal's institutional credit supply. Under the Small Farmer Development Program, households with a per capita income of fewer than 2500 rupees or land holdings of less than half a hectare were eligible to receive credit for income-generating activities, participate in group savings programs, and receive business and financial training. An institutional development program to assist with the establishment of self-sufficient farmers' cooperatives was later created to address the lack of growth and high costs of the Small Farmer Development Program. A subsidiary of ADBL, the Small Farmer's Development Bank, was formed in 2002 to further address the needs of rural farmers, with a goal of eventually transferring ownership to farmers' cooperatives.²³

Microfinance Banks

Nirdhan Utthan Bank, Limited:

Nirdhan Utthan was formed as a banking subsidiary of the poverty reduction non-profit Nirdhan (see Exhibits 12 and 13). Nirdhan Utthan provided a large variety of loans, as well as banking, microinsurance, and remittance services, but was active in only a quarter of the Nepal's districts.²⁴

Swabalamban Bikas Bank, Limited:

Swabalamban Bikas was an offshoot of the Centre for Self-Help Development, a non-profit organization dedicated to providing financial services in the underserved hill regions of Nepal. In 2006, Swabalamban Bikas had a gross loan portfolio of US\$1,010,436, assets of \$2,276,200, savings of \$494,548, and equity of \$705,775.²⁵

Informal Organizations

It was estimated that although roughly 30% of Nepal's citizens had access to traditional financial institutions, only 18% of the population actually borrowed from such sources.²⁶ The remainder of the nation's credit needs were served by the informal sector, with 55% of such loans provided by family and friends, 26% by moneylenders, and the remainder by a mix of informal groups.²⁷ None of these groups offered the financial, agricultural, and technical services often packaged with loans offered by microfinance institutions, and a lack of transparency in loan rates and terms could have crippling consequences on a family's financial stability.

²² National Co-operative Bank Limited, coopbank.com.np.

²³ Agricultural Development Bank Limited, adbl.gov.np.

²⁴ Nirdhan.com

²⁵ Banking With The Poor network, bwtp.org.

²⁶ Nepalese Economic Review, "Determinants of Formal Credit Market Participation in Nepal."

²⁷ Ibid.

Next Steps

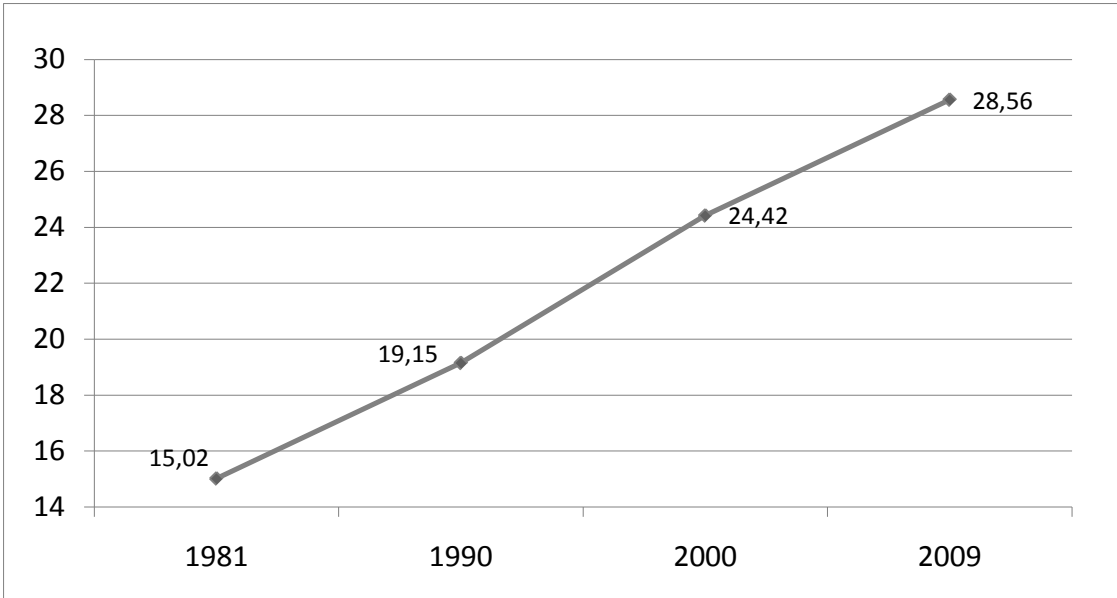
Sanjay believes that ALTIS presents a unique opportunity to serve the financial needs of poor, rural farmers in Nepal. Traditional governmental and business models fail to address the needs of the rural poor, and non-profit organizations are not able to maintain long-term planning and scale up programs due to their dependence on (sometimes fickle) outside funding. Forming ALTIS as a non-profit to broaden funding sources and provide some tax benefits until the company was able to become self-sufficient, then shifting to a for-profit, social business model seemed to offer the best potential, but the company was still highly dependent on a number of major partnerships. Has Sanjay only substituted the demands of investors for the demands of partners? Is a hybrid model combining aspects of both non-profit and for-profit models the best way to reduce the extensive risk faced by entrepreneurs in developing nations, or would the combination prove too unwieldy?

Exhibit 1: Map of Nepal



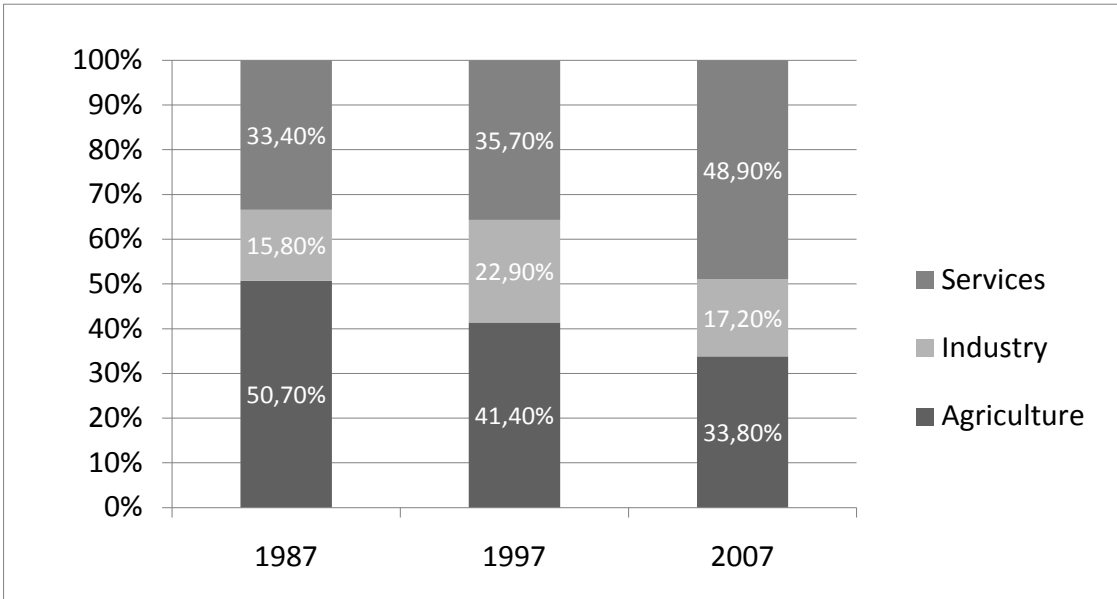
Source: CIA World Factbook

Exhibit 2: Population of Nepal, Millions



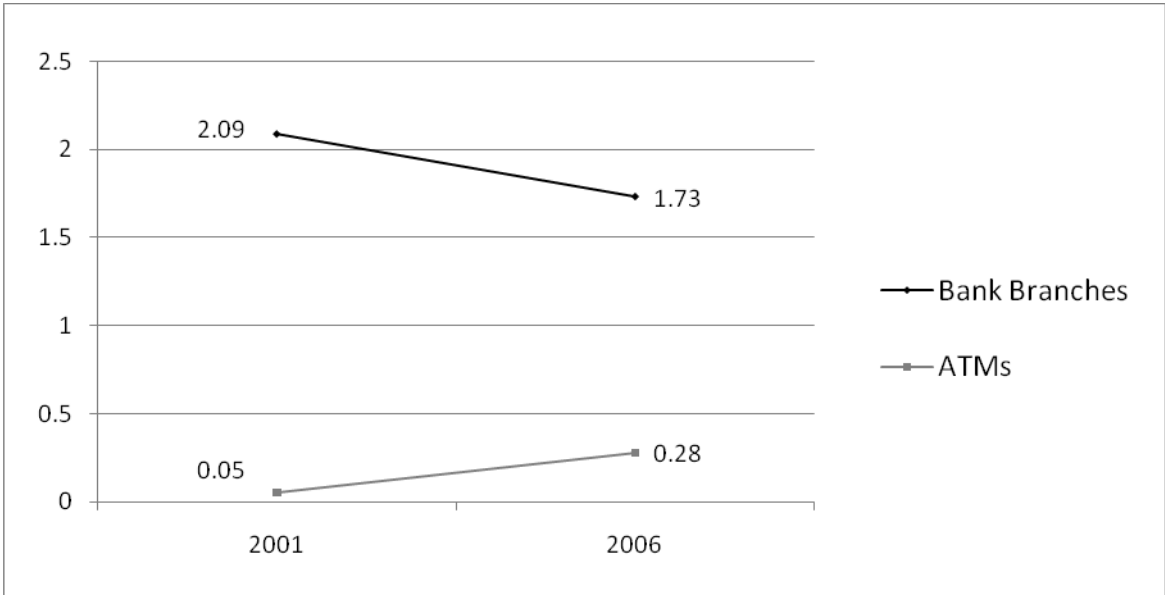
Source: derived from countrystudies.us, CIA World Factbook, World Bank

Exhibit 3: Sector Contribution to GDP in Nepal, by Value Added



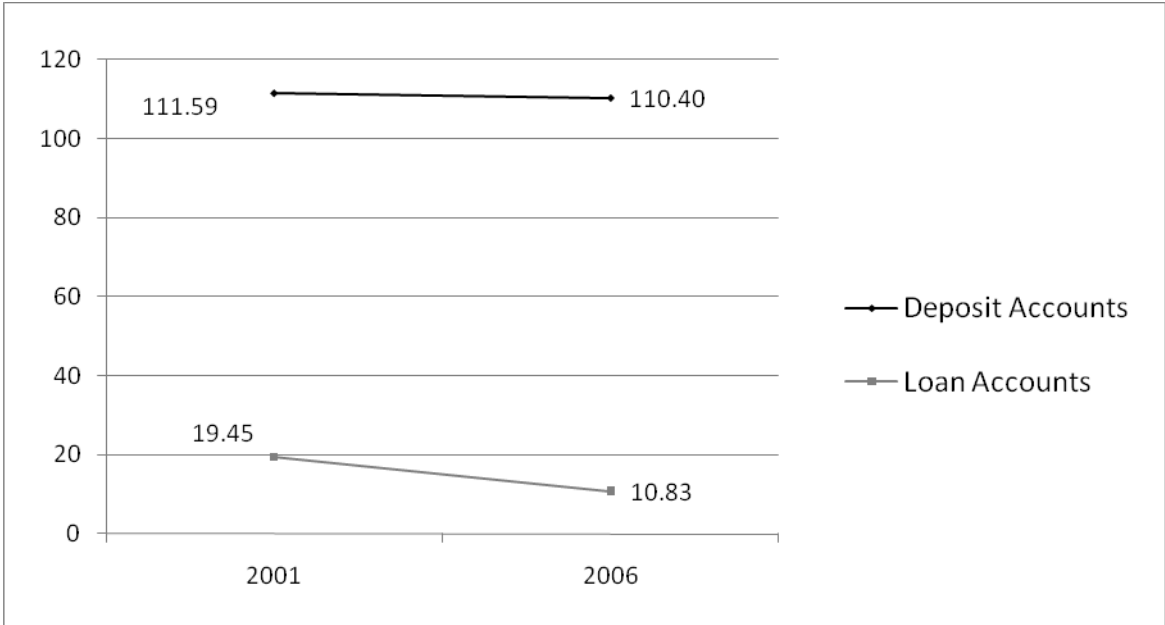
Source: derived from World Bank Nepal factsheet

Exhibit 4: Bank Branch and ATM Penetration per 100,000 People



Source: The World Bank, "Getting Finance in South Asia 2009."

Exhibit 5: Deposit and Loan Accounts per 1000 People



Source: The World Bank, "Getting Finance in South Asia 2009."

Exhibit 6: Microfinance Institutions (MFIs) in Nepal

Institution Type	Number	Inst. Type	Cust. Type	Customers
Grameen Bank replicators / Microfinance Development Banks	12,100	Self-managed center	Poor rural women	353,715
	73,120	Groups		
Savings and Credit Cooperatives / Credit Unions	2,672		Clients	310,771
Small Farmers Cooperative Limited / Small Farmers Development Program	47	Intermediary NGOs	Poor	103,000
			Clients	247,000
United Nations Development Program Projects	39,229	Self-help groups	Men	510,676
			Women	523,280
Rural Water Supply & Sanitation Fund Development Board	1260	Women Technical Support Service Groups	Women	63,000
TOTAL				2,111,442
Estimated population, 2005				25,296,537
% of population served by MFIs				8.35%
% below poverty line of those served by MFIs				26.10%
Women served by MFIs				1,233,058

Exhibit 7: Mercy Corps Strategic Vision, FY 2009

Mercy Corps' **Mission** is to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities across the globe.

Our **Vision for Change**, based on the Universal Declaration of Human Rights, is that peaceful, secure and just societies emerge when the private, public, and civil society sectors are able to interact with accountability, inclusive participation and mechanisms for peaceful change.

Our **Strategy** is to work in countries in transition, where communities are suffering and recovering from disaster, conflict or economic collapse. Our experience demonstrates that during these times of turmoil and tragedy, there exists the possibility for positive change. We add our greatest value as an international relief and development agency by supporting those kernels of positive change with community-led and market-driven action.

To accomplish our mission, we aim to be a world leader in:

(1) *Transforming Transitional Environments Through Community-Led and Market-Driven Initiatives*

Our foundational work is at the community and country level, where we operate rapid relief, long-term recovery and sustainable development programs. In times of crisis or transition, we seek to enable communities to organize for the change they want to see, catalyze the interaction of civil society, government and business, and prompt market-led economic prosperity. We do this based on our experience working alongside communities around the world that these elements are essential to sustaining the changes communities seek.

We emphasize sustainable solutions that are both specific to the context of each community and scalable for broad impact. These country programs are driven by our significant investments in three areas critical to operationalizing our vision for change: (1) rapid relief assistance that paves the way for longer term recovery programs; (2) initiatives that enable peaceful, community-driven change and linkages between government, business and civic sectors; and (3) market-led development.

(2) *Catalyzing Social Innovations*

We will have the greatest impact on global problems if we are able to identify, replicate and scale the most innovative solutions that arise from our global team of social entrepreneurs and the communities where we work. Mercy Corps is particularly focused on capturing, *“new ideas blending methods from the worlds of business, government and civil society to create social value that is sustainable and has the potential for large-scale impact.”* We seek to magnify the influence and impact of our community-led market-driven programs by reaching for the largest possible impact, with a focus on financial sustainability.

(3) *Inspiring Global Engagement*

Finally, our experience tells us it is imperative to help create a globally engaged citizenry that can advocate for change and take action in the quest to eliminate global poverty, hunger and

conflict. We particularly aim to educate and inspire youth around the world as they represent the hope for the future.

Source: Mercy Corps Strategic Planning Framework, FY 2009

Exhibit 8: Mercy Corps Financials

	FY 2008	FY 2007
Support & Revenue		
Proyecto Aldea Global	\$2,554,509	\$2,526,782
Mercy Corps Scotland	\$29,182,552	\$34,114,455
Mercy Corps U.S.	\$152,883,475	\$135,784,173
Material Aid (In Kind)	\$59,334,407	\$51,148,521
Total Support & Revenue	\$243,954,943	\$223,573,931
Expenditures Program		
Proyecto Aldea Global	\$2,637,883	\$2,090,228
Mercy Corps Scotland	\$24,583,110	\$30,848,398
Mercy Corps U.S.	\$175,436,932	\$158,463,970
Total	\$202,657,925	\$191,402,596
Support Services		
General & Administration	\$19,144,523	\$16,952,176
Resource Development	\$11,227,580	\$10,862,768
Total	\$30,372,103	\$27,814,944
Loss	\$1,103,410	\$2,701,199
Total Expenditures	\$234,133,438	\$221,918,739
NET	\$9,821,505	\$1,655,192

Source: Mercycorps.org

Exhibit 9: Rationale for ALTIS

Absence of Technical Capacities

Wider adoption of commercial agriculture requires increased levels of skill and knowledge among farmers as well other stakeholders such as traders, processors, and transporters. The skill and knowledge of actors in the agriculture value chain is inadequate in the changing context of globalization and the WTO. Institutional capacity is also lacking at the local level to foster commercial agriculture.

Lack of Research and Development

The nature of research and development initiatives is still supply-driven and hence less responsive to the needs of clients. Due priority has not been given to the generation and dissemination of location-specific technological packages suitable for the diverse socio-economic and agro-ecological conditions of Nepal. This has resulted in low adoption rates of improved practices.

Decentralized institutional changes are being made to make the extension system farmer-responsible, farmer-accountable and broad-based. However, private sector involvement in agricultural research and extension activities is currently not receiving much attention.

Lack of Funds and/or Access to Capital

The subsistence nature of much production and low levels of savings have resulted in inadequate funding for farming operations. In addition, high interest rates and difficult access to loans has been a bottleneck in the commercialization of the agricultural sector.

Source: ALTIS Business Plan

Exhibit 10: Sample Technical Services Provided by ALTIS

- Agricultural cash flows and lending cycles
- Varietal selection
- Cultivation
- Disease management
- Post-harvest handling
- Low-cost storage
- Grading and processing
- Business planning
- Collective marketing
- Farmers' groups organizational practices
- Global Partnership for Good Agricultural Practice (GLOBALGAP) standards
- Hazard Analysis and Critical Control Point (HACCP) food safety practices

Source: ALTIS Concept Note

Exhibit 11: Aspects of a Social Business

1. Business objective will be to overcome poverty, or one or more problems (such as education, health, technology access, and environment) which threaten people and society; not profit maximization
2. Financial and economic sustainability
3. Investors get back their investment amount only. No dividend is given beyond investment money
4. When investment amount is paid back, company profit stays with the company for expansion and improvement
5. Environmentally conscious
6. Workforce gets market wage with better working conditions
7. ...do it with joy

Source: Muhammadyunus.org

Exhibit 12: Disguised ALTIS Financials

The following represents a summary of budget support required during the preparatory, inception, and early expansion phases of ALTIS. This includes four years of operational support for ALTIS, until the point at which the institution will be on sound footing for self-sufficiency and expansion, in addition to Mercy Corps facilitation, support, management, monitoring, evaluation and reporting costs.

The budget provided will lead to the creation of a self-supporting company that will have a net worth of over \$6.75 million by its tenth year, with annual loan disbursements of at least \$12 million. By its tenth year, this company will provide a conservatively estimated macroeconomic benefit to the Nepali agricultural sector of over \$21.9 million per year. This macroeconomic benefit will continue and increase annually thereafter.

Description	Estimated Cost (USD)
Mercy Corps-facilitated 6-month preparation phase	\$243,926
ALTIS operational losses, Year 1	\$817,649
Mercy Corps Year 1 support costs	\$338,771
ALTIS operational losses, Year 2	\$147,372
Mercy Corps Year 2 support costs	\$275,010
ALTIS operational losses, Year 3	\$527,873
Mercy Corps Year 3 support costs	\$174,600
ALTIS operational losses, Year 4	\$605,540
Mercy Corps Year 4 support costs	\$157,539
ALTIS operational losses, Year 5	\$701,873
Indirect Costs (Applied to Mercy Corps budget component only)	\$178,476
Total Capital Requirements	\$4,168,626

Source: ALTIS Concept Note (figures altered to maintain confidentiality)

Exhibit 13: Nirdhan Utthan Bank Quarterly Balance Sheet, April 2009

ASSETS	Amount in '000 Rupees
Cash and Bank balance	244,432
Receivables	24,415
Inventories	1,402
Investments	94,738
Net Loans Outstanding	976,554
Total Current Assets	1,341,541
Total Long Term Assets	56,066
Less Expenses to be written off	-5,775
Total Assets	1,403,382

LIABILITIES	
Inter-Branch Adjustment Account	-23,095
Client Savings	301,500
Other Current Liabilities	51,569
Total Current Liabilities	329,974
Total long Term Liabilities	894,476
Total Liabilities	1,224,450
EQUITY	
Paid up Equity	100,000
General Reserve	11,851

Institutional Development Fund	30,209
Capital Reserve	15,096
Net Profit (Loss) Previous Year	1,196
Net Profit (Loss) Current Year	20,580
Total Equity	178,932
Total Liabilities & Equity	1,403,382

Source: nirdhan.com

Exhibit 14: Nirdhan Utthan Bank Quarterly Income Statement, April 2009

INCOME FROM INVESTMENTS	Amount in '000 Rupees
Interest from Current and Past Due Loan	122,812
Interest from Investment (Bank Deposit)	6,213
Income from Investment	1,930
Other Income	2,785
Total Financial Income	133,740
Interest on Borrowing	-23,301
Interest on Deposits	-10,818
Gross Financial Margin	99,621
Provision for Loan Losses	-5,334
Net Financial Margin	94,287
INCOME FROM OPERATIONS	
Salaries and Allowances	62,382
Office Operating Expenses	14,136
Training Expenses	1,780
Loss Sale of Assets	49
Depreciation	1,025
Total Operating Expenses	79,372
Net Income From Operations	14,915
Grant Income	5,665
Net Income	20,580
(no bonuses or tax)	

Source: nirdhan.com