

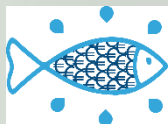


# How to develop and assess a good business plan

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## A special role of local (cooperative) banks in serving local businesses

- In the agricultural and fisheries sector
- Small and medium-sized enterprises (SMEs)
- Good knowledge of the client and local conditions
- Stable personnel and easier decision-making process
- Influence of the local community (cooperative banks are owned by their members, 1 person = 1 vote rule)
- Greater role of non-financial aspects of the business
- Focus on long-term relationship with the client



A business plan defines business objectives and ways to reach them

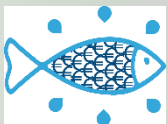
**Most important : Idea and determination to succeed**

**Only slightly less important :**

- Market analysis
- Analyses of assets
- Financial analysis and financial plans (costs&sales forecasts)
- Efficiency

Tools – for instance **SWOT** analysis  
(Strengths, Weaknesses, Opportunities, Threats)

**If you take these into account, you'll make a good business plan**



# Features of any good plan (not only business)

- Fits the business need
- Realistic (can be implemented)
- Specific (one can track results against plan)
- Defines responsibilities
- Identifies assumptions
- Communication and commitment (people)
- Regular review and corrections



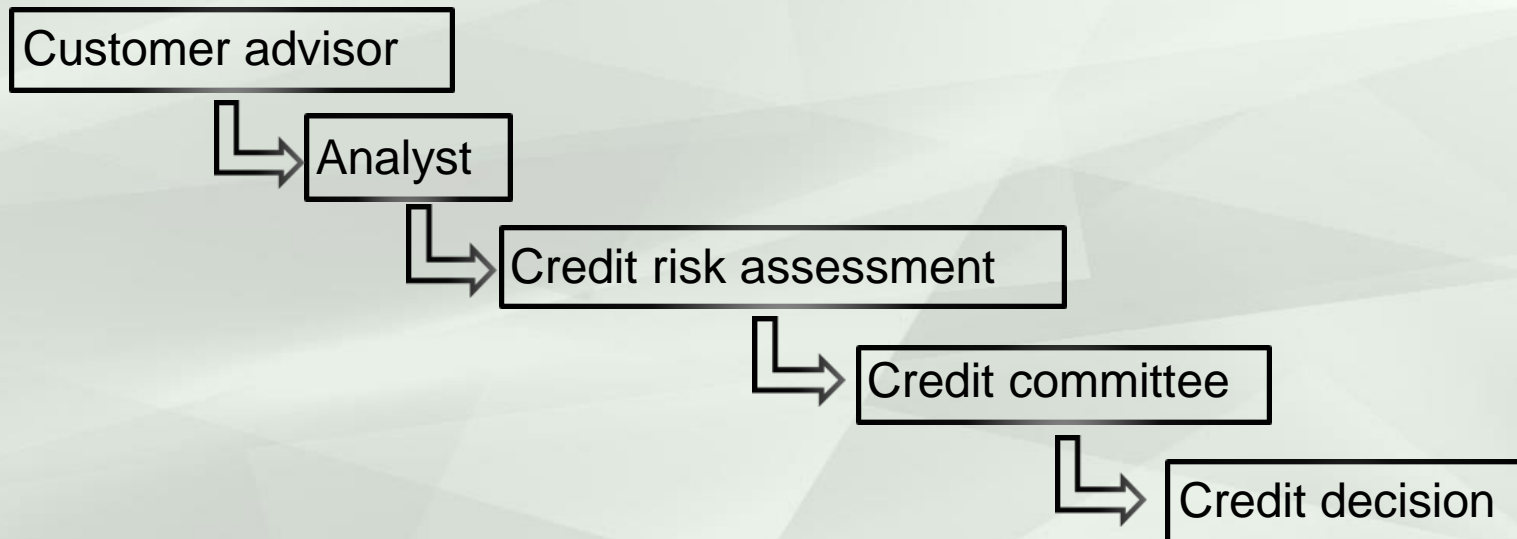
**There is no any single business plan format.  
The structure depends on the author, internal and external  
requirements and the business needs**

From the perspective of the lender, a typical business plan should include :

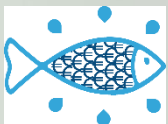
1. Executive summary
2. Description of the enterprise and sector
3. Management and managers
4. Products/services
5. Market and marketing
6. Timetable ( implementation schedule)
7. Financial analysis



## How is a credit application processed in the bank:



Then : signing the contract, implementing investment, monitoring, credit repayment, annexes/modifications if needed



## Why does the bank have to formalise the business funding process ?

- Legal requirements - national and trans-national
- Responsibility for the security of clients' deposits
- To reduce the risk of failure for both bank and the borrower – the bank & borrower are partners
- Most important : creditworthiness!!! = the capacity to repay on time the debt ( both principal sum and interest)



# Assessing the business plan

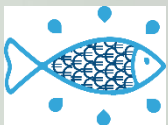
- Feasibility analysis
- Assessing the credibility of the assumptions (concerning market, the demand etc.)
- Assessing non-financial risks (e.g. change of legislation, political risk, lack of successors in a family business, natural conditions – e.g. weather, staff turnover) and ways to mitigate them (e.g. by insurance)





## Assessing the economics and financial situation : present and over repayment time

- Size and structure of own capital and other liabilities
- Size and structure of assets
- Index analysis (including debt level, internal rate of return, short- and long-term liquidity etc.)
- Cash flow
- Profitability/rentability (return on assets, return on capital)
- Adjustment between funding sources and short- and long-term funding needs, financial costs
- Creditworthiness



## Other criteria of business plan assessing :

- **Legal and formal issues**
- **Previous track record of the client ( customer's credit history)**
- **Collaterals**



# We have common objectives : the Client and the Bank

- We want to build long-term relations
- We want to work for the benefit of the local community
- We want to have financial benefits together
- We want to succeed together



# Thank you

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