



## Social Performance Report of Agricultural Credit Cooperative (ACC) Aetos, town Aetos, Bulgaria

### key data

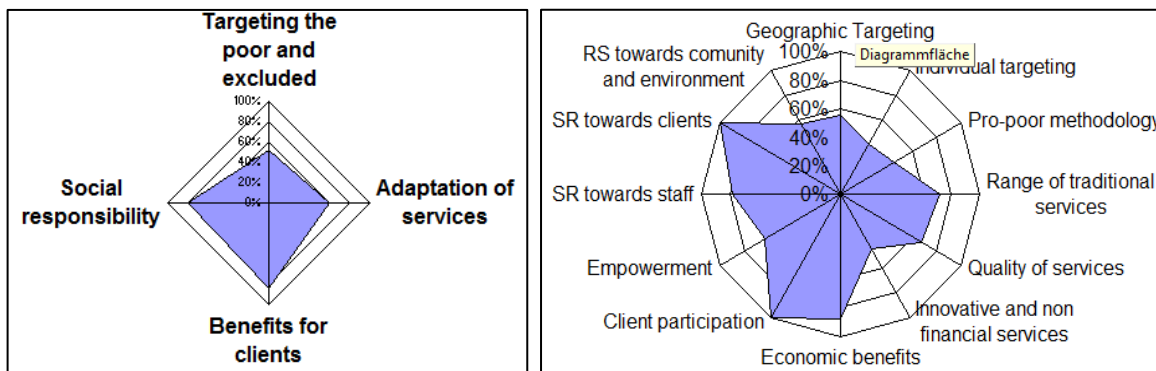
gross loan portfolio (BGN)	1,094,616	average loan size per borrower (BGN)	7108
total assets (BGN)	1,236,000	operating expense per loan (BGN)	370
total equity (BGN)	527,000	financial expense per assets (%)	0.0
active borrowers	128	PAR 30 days, 90 days (% of portfolio)	2.4 2.4
members	298	return on assets (%)	2.5
		number of permanent staff	3

### specific strength

ACC Aetos targets small agricultural producers and achieves to foster their economic growth by building a long term relation with and among the members of the cooperative.

### Mission

The Mission of ACC Aetos is to provide financial services to agricultural small and medium enterprises. By professionally offering financial products to its clients the cooperative achieves economic growth with its clients and contributes to a positive development in an economically weak region.



### History

In 1996 the cooperative was founded within the framework of a PHARE project of the European Union to serve small and medium agricultural producers. For the foundation 100 farmers paid in their share to start the cooperative and to receive additional funds of the project. Technical assistance was provided by the German Cooperative and Raiffeisen Confederation (DGRV) and local experts. ACC Aetos is a member of the National Cooperative Union of Credit Cooperatives Evrostart.

## Targeting

Approximately 80-90% of all clients are agricultural producers. Others run shops, trade, are artisans or conduct other business close to agriculture. The cooperative targets rural areas where most of the clients' businesses are located (65-70%).

As Aetos is a small town the cooperative is well known among the people and the demand for loans is exceeding the possible supply. According to the manager, there is a high potential for small loans to micro and small enterprises, but the limited resources and high costs for external capital are restrictions for increasing outreach.

Members with successful economic growth are still keeping their share in the cooperative because they took part in the foundation and have a strong emotional connection. They do not use the services of the cooperative as the maximum loan size is restricted to 40,000 BGN, which is below their needs, but they still use and support the social network of the cooperative.

People of minority groups (Roma, Turkish descent people) entered the cooperative because they had a personal contact with the manager who had formerly worked in a local savings bank.

Members from different economic stages of development or ethnic groups rarely cooperate, but the cooperative improves the situation by providing an institutional framework for such interaction, e.g. people take guarantees for each other or share their knowledge with other members of the cooperative. This is one of the

strengths of ACC Aetos, as it operates in an environment which is determined by migration and an increasing manifestation of several segregated ethnic groups.

The manager and the credit inspector carefully observe the economic development of the clients and their environment. Secondly, simultaneously to every loan application, the economic status of clients gets documented in the credit dossiers. The staff travels regularly to the clients or clients visit the office of the cooperative in Aetos.

## Adaption of services

ACC Aetos provides flexible loan products in terms of size, maturity and repayment. The average loan size is 7,100 BGN but in reality the portfolio contains 125 loans below 5,000 BGN. By still granting 35 large loans, the manager achieves to mitigate the portfolio risk and to meet the dominating demand for small loans of micro and small enterprises. 40% of the granted loans have a maturity of shorter than one year and serve for financing working capital expenses. To make the loan product easily comprehensible for clients, ACC Aetos offers the same interest rate of 12% for all loans.

According to the clients, the loan products are easily comprehensible and fit to the needs of rural entrepreneurs. Additionally the cooperative requires only a necessary minimum of documents. In many cases the staff consults the clients in addressing public administration to reach an appropriate state of documentation of their business.

### Target groups

Over 80% of the members of ACC Aetos are agricultural producers. As the region is economically weak, agriculture is a main income source.

People start small farms and mainly grow fruits and vegetables. Some clients worked many years with the cooperative, achieved to raise larger farms and provide jobs to low income people.



Further non-financial services of the cooperative are the close discussion of the clients' business plans and the development of a sustainable financial planning as well as the creation of an active network for knowledge exchange among the members.

### Benefits to clients

The main benefit for clients is the access to finance. The cooperative offers a personalized relationship lending service to customers who are situated in rural and semi urban areas. Clients receive intensive financial consulting and get involved into a social network of members. Further they enjoy consulting in administrative tasks like the registration of their businesses, and information support in application for subsidies. The cooperative also fosters insurances and sells mainly life, social and health insurance services to its clients.

Compared to banks, the cooperative can provide financial services with less administrative costs. The cooperative is based on a social network among the members, which facilitates client assessment and repayment enforcement. Hence the clients can take loans by finding a guarantor (up to 3000 BGN) or two independent guarantors for loans up to 5000 BGN. Especially for micro and small enterprises, the cooperative is a unique source for capital.

ACC Aetos also has long term experienced members who contribute their knowledge to the operations of the cooperative as well as to consult less experienced members.

Beyond the contacts between the staff and the clients during the daily operations, the general assembly is the platform for members to exchange opinions and to participate in the cooperative's development. According to interviewed clients and staff members the assembly was

different in each year – mostly everybody is satisfied, sometimes there are hot discussions among the members, the management and the cooperative's bodies. According to the law on cooperatives, each member, independently of economic size, has an equal right to vote.

### Social responsibility

ACC Aetos contributes to the economic development in the region in two ways. First it finances micro and small enterprises directly by offering loans with alternative collateral. This requires the use of guarantors for collateralization as well as intensive financial consulting to prevent loan losses and over-indebtedness of clients. Secondly the cooperative finances larger clients who provide jobs by expanding their businesses and contribute knowledge to the social network as well as financial stability to the cooperative.



#### Example

“I started my business with an old truck and transported goods, then I began building up my plant nursery. Today my wife and I are the largest producers of seedlings in the region and we employ 8 people over the whole year.

Today I also take loans from banks – but the cooperative was a unique opportunity to start-up a small enterprise like mine.”

Both members engaged in the foundation of the cooperative and still contribute their share capital and practical knowledge to the active operation of the cooperative.

All employees of the cooperative are engaged in long term contracts and most of them stay many years in their job. They all show a high commitment to the mission of the cooperative and form the base of the cooperative's social network with its members.

Staff members as well as the elected members of the cooperative's bodies have a professional education in either agricultural production or finance, or both. Additionally they mostly have working experience in their profession and regularly attend seminars for further education. The most important supply of such seminars is provided by the local DGRV office in Sofia (German Cooperative and Raiffeisen Confederation).

### **Procedure of Social Performance Measurement (SPM)**

- Introduction of the Cerise SPI tool (questionnaire) to the managers of Agricultural Credit Cooperatives and discussion of the application
- In each cooperative the questionnaire was filled out and discussed by the management and staff members.

An external review of the 8 participating cooperatives was conducted by Florian Amersdorffer and Ivan Boevsky.

- For clarifications and to ensure the proper understanding of the SPI tool, the questionnaire was discussed with the management and staff members of each cooperative.
- Interviews with the managers and staff members were conducted to compile an external evaluation of the cooperative's self assessment.
- In each cooperative 3-5 clients were visited on the spot. They were interviewed concerning their relation and experience with the cooperative, their participation in the cooperative, and their role and participation in the cooperative's social network.

As the cooperatives have different target groups, the representative clients were selected to provide information on small scale borrowers as well as on clients with medium and larger sized enterprises. In case the cooperative diversified its portfolio, clients of other industries than agriculture were included in the interviews.

The outcome of the external review is documented in the reports on each cooperative as well as in the revised SPI questionnaires.