



## Social Performance Report of Agricultural Credit Cooperative (ACC) Agroimpuls, Sliven, Bulgaria

### key data

gross loan portfolio (BGN)	994,000	average loan size per borrower (BGN)	6,627
total assets (BGN)	1,110,000	operating expense per loan (BGN)	647
total equity (BGN)	406,000	financial expense per assets (%)	1.3
active borrowers	150	PAR 30 days, 90 days (% of portfolio)	1.0 4.1
members	362	return on assets (%)	3.2
		number of permanent staff	4

### specific strength

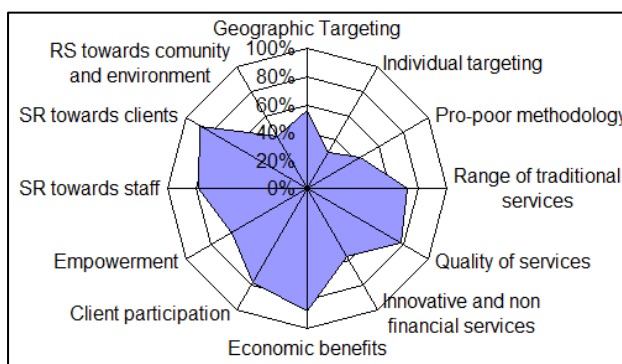
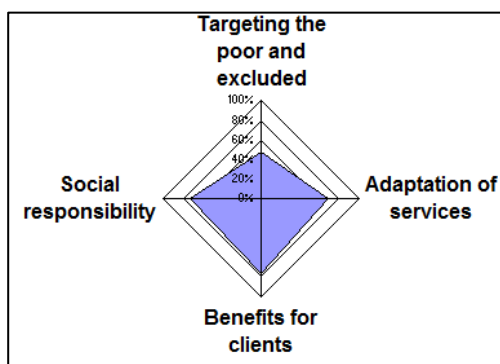
ACC Agroimpuls offers financial services to micro and small as well as to larger enterprises and achieves to include clients of different stages of economic development in the cooperative.

### Mission

ACC Agroimpuls focuses on the provision of loans to agricultural and rural enterprises. The Cooperative provides intensive consulting to its clients. This includes a detailed analysis of the clients' enterprise and household to develop implementable individual repayment schemes for the loans.

To maintain financial stability and to secure the provision of benefits for members, the cooperative uses its profits to gather reserves and to increase its loanable funds.

ACC Agroimpuls cooperative follows a strategy of diversification. The cooperative was founded to finance only agricultural enterprises. Thus, the extension of loans, e.g. for a universal store in a village or for a handcrafter who refurbishes flats in urban areas, can be seen as a mission shift from pure agricultural finance to a broader approach of rural finance. Diversification is one of the newer components of the formal strategy of the cooperatives in the association Eurostart.



## 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 Agroimpuls is a member of the National Cooperative Union of Credit Cooperatives Evrostart.

## Targeting

The target group includes micro, small and medium agricultural enterprises who gain more than 50 percent of their income from agriculture, rural small and medium enterprises as meat processors, bread delivery services, and other businesses in artisanry or services.

In most cases members of the cooperative introduce new clients to the cooperative and guarantee for the repayment of the first loan. This effectively worked for many years and members of the cooperative can be found in a radius of approx. 50km around the town Sliven – where the office of Agroimpuls is located.

The cooperative achieves to reach out to small agricultural enterprises which otherwise would have no or limited, i.e. costly, access to finance. By applying the cooperative approach and by making use of social networks, the high transaction costs due to asymmetric information and risks of rural finance can be overcome. Concerning cultural specifics, it should be mentioned that the Bulgarian society in general relies more on trust between individuals than on institutionalized relations.

This gives special importance to social networks which underlie the cooperative approach and are the core element of reaching clients in rural areas of Bulgaria.

It is remarkable that socially marginalized people are included in the system. Mainly their employers, but also friends who were already members of the cooperative, introduced the new clients and facilitated their access to the cooperative by acting as guarantors.

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 Sliven.

## Adaption of services

Agroimpuls specialized on borrowing to rural entrepreneurs. Staff members have good knowledge in banking as well as in agricultural production. This gives the cooperative the unique position to understand their clients businesses and to develop, together with their clients, sound financial planning as well as appropriate loans and repayment schemes. Products are not classified according to their purposes but are tailored to each client's specific needs in terms of loan size, maturity and repayment scheme.

To simplify the offered loan products, the cooperative offers loans to equal conditions concerning the interest rate.

### Target groups

The majority of the clients of ACC Agroimpuls are agricultural entrepreneurs. Their businesses are located in the region of Sliven which offers favorable conditions for fruit production and intensive agriculture. The cooperative also includes micro and small enterprises, especially in rural areas.



Agroimpuls does not only rely on the client as one person but on the whole household. This applies for support as well as for enforcement of repayment. In sizing the repayments, the cooperative follows more a cautious policy and prefers longer maturities instead of raising the clients' liquidity risks. Clients also perceived the cooperative as a careful but in the end successful consultant for their investments.

Additionally the close personal relation to the manager and loan officer insures a careful analysis and discussion of the clients' situation and the loan purpose. This guarantees an adequate degree of risk mitigation for the cooperative and the prevention of clients' over-indebtedness.

Due to the functional structure of the cooperative a committee of 7 people decides upon loan disbursement. The meetings are scheduled twice per month. Hence, the average time for loan disbursement is estimated to 5 days (max 14 days).

To the question for suggestions for improvement of the cooperatives services, clients responded with the desire for larger loans. The restrictive legal framework for "non-bank financial institutions", which regulates the cooperative financial institutions in Bulgaria, has several shortcomings. It restricts the maximum loan size to 40,000 BGN (20,000 EUR). Further on it prohibits the collection of savings and thus the mobilization of capital from the region of operation. This restricts the expansion of the cooperative and forces it to make use of external refinance.

### 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.

As the cooperative highly depends on the repayment of granted loans, financial education for applicants is one of the main tasks during daily work. Further on the staff has good knowledge in all branches of agriculture and provides free practical consulting in combination with the loans.

The cooperative fosters long term relationships with its clients. This requires a mutual benefit in the long term – which only can be achieved by the economic success of the client.

This perception is prevalent among the managers and staff members. Hence, although the clients' development is not formally documented, the successful development of Agroimpuls shows indirectly the economic improvement among the clients.

The close relation between clients and the staff ensures a fast feedback-mechanism and mutual exchange. The tracking of changes in the economic status of the members happens informally by an ongoing process of mutual exchange, either directly with the clients or through the social network among the members and the staff. Each loan application and client's loan procedure is documented in the credit dossiers. In case of repeating activities of borrowers, the dossier gives evidence on their economic development.



**Example**  
Clients state that "Especially in the beginnings of my business and when I took my first loan, the cooperative helped me to plan and finance my investments appropriately. It also supported me in registering my business officially, in issues of social and health insurance for me and my employees, and many more administrative tasks."

The yearly general meeting enables all members to involve actively in the cooperatives policy and serves as a platform for mutual exchange of opinions. As the management is elected by the membership, all members have an equal right to determine the future orientation of their cooperative. In case the cooperative has profits, it is distributed to reserves and dividends to members. On the behalf of the members and the cooperative's development the dividends were added to the share capital. Thus each member has a benefit and additionally the cooperative has more loanable funds.

Agroimpuls is actively involved in lobbying for the improvement of the restrictive legal framework. The manager is also the chairman of the cooperative association Evrostart, an association with 15 members who mutually exchange experiences and try to mainstream their activities and representation.

### **Social responsibility**

The environment in which the clients are located contributes to the success of the cooperative's approach. People living in small villages are naturally involved in a strong social network. This includes knowledge transfer and multiplier effects but also mutual control and social pressure. The cooperative uses and intensifies such networks. Practical examples are new members who were attracted by members of the cooperative in the same village or the social pressure which is actively used in the enforcement of repayment.

The close cooperation between the managers, credit inspectors and the clients – as well as the mutual dependencies, are the advantages of the cooperative system. Only the members' well-being can insure the cooperative's success. Second the informal information flow in the tight social network of the cooperative ensures the highest possible reduction of asymmetric information and guarantees for an effective client protection policy.

All employees of Agroimpuls 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 participate in 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.