



Social Performance Report of Agricultural Credit Cooperative (ACC) Stopanin 1, Haskovo, Bulgaria

key data

gross loan portfolio (BGN)	640,000	average loan size per borrower (BGN)	4,500
total assets (BGN)	731,000	operating expense per loan (BGN)	430
total equity (BGN)	241,000	financial expense per assets (%)	4.9
active borrowers	151	PAR 30 days, 90 days (% of portfolio)	0.0 0.0
members	274	return on assets (%)	3.0
		number of permanent staff	3

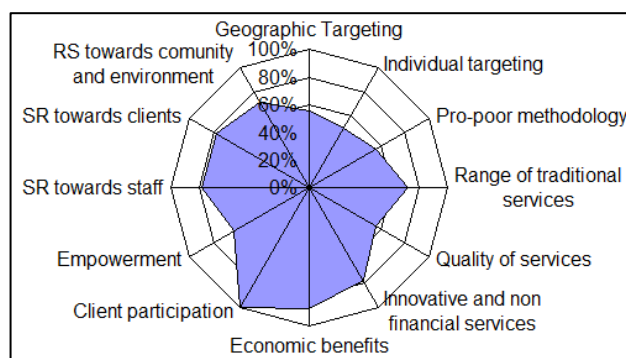
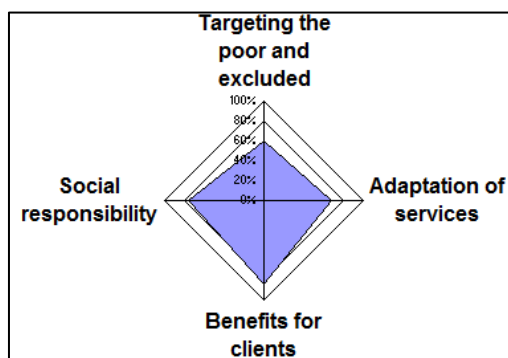
specific strength

ACC Stopanin 1 is lending to customers in rural areas and remote villages. Especially young entrepreneurs are promoted and benefit from the services of the cooperative.

Mission

ACC Stopanin 1 was founded with the mission to serve its members, who are mainly agricultural producers. By acquiring additional external resources for refinance the cooperative began to diversify its portfolio and serves also small and medium entrepreneurs in rural areas and in the town of Haskovo. To maximize the benefits for members of the cooperative, the management adapts loan products to the needs of clients and provides additional support in combination with the loans.

Stopanin 1 especially fosters young agricultural entrepreneurs and achieved to build up a young client base with 50% of the borrowers under an age of 40. Besides the financial services the cooperative also provides consulting and assistance in the application for state support programs.



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 Stopanin 1 is a member of the National Cooperative Union of Credit Cooperatives Evrostart.

Targeting

ACC Stopanin 1 operates in the region of Haskovo and in the neighboring municipalities of Dimitrovgrad and Stambolovo. The members of the cooperative are located in the vicinity of the office, i.e. in a maximum distance of 60km.

Banks are present in the town but according to the clients they refrain from lending to small farmers. The cooperative provides rural finance to micro and small entrepreneurs by making use of the tight social network among the members. Mutual support and trust, as well as the implicated peer group pressure are the preconditions for the successful operation of ACC Stopanin 1. Additionally the cooperative achieves to work at lower costs and requires less administrative procedures. The target group as well as the region of outreach developed historically (old members acquired new members).

Over the time the management gave preference to young farmers when disbursing loans. As the loanable funds are restricted and other members should not be neglected, the management implemented this targeting policy slowly but steadily.

The staff carefully observes the economic development of the clients and their environment. Secondly, simultaneously to every loan application, the economic status of clients is documented in the credit dossiers.

In general the limited resources do not allow running a second branch. As Haskovo is a small provincial town, the cooperative effectively uses the urban infrastructure (e.g. internet access, postal service) to conduct its daily operations in the rural areas. The staff travels regularly to the clients or clients visit the office of the cooperative. Staff members as well as clients confirmed a close personalized relation among each other. Intensive team work and lively discussions among the staff members ensure the common policy and its implementation in the daily operative business.

Adaption of services

ACC Stopanin provides flexible loan products for each individual need. This includes flexible repayment schemes (e.g. yearly or seasonal repayment in agriculture), adapted maturities (short term loans for non-agri-business, long term investment loans for agricultural enterprises), and a loan size which is adjusted to the clients economic potential.

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

Target groups

ACC Stopanin 1 targets micro and small agricultural producers in the region of Haskovo. Although rural areas commonly suffer from an aging population, 50% of the clients of the cooperative are young farmers below 40 years. Following the demand, Stopanin 1 grants long term investment loans, working capital loans and urgent short term loans.



many cases the staff consults the clients in addressing public administration to reach an appropriate state of documentation of their business.

Loans to agricultural enterprises are disbursed with 14 to 15 % interest rate according to the clients' credit history. 80% of the loan portfolio or 95% of the number of loans are lent to clients as small loans below 5000 BGN. Such loans are collateralized without physical assets but with guarantors. Clients stated that such loans are the most needed and that this specific lending system can only work in a cooperative with mutual personal knowledge, trust, and commitment.

Following the demand, ACC Stopanin 1 introduced successfully a new loan product for short term loans. Such "express loans" are quickly disbursed to clients with an appropriate credit history. To cover the higher administrative costs and risks, the interest rate is 24%.

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. For example two members of the cooperative work in public administration and provide information about state support programs to agricultural entrepreneurs.

Additionally to the loans, Stopanin recommends insurances (life, health and production). This also helps to apply the system of mutual guarantees.

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, information and support in application for subsidies, and support in registering to insurances (health care and social insurance), etc.

The members of Stopanin 1 form a social network and actively make use of the possibility to exchange knowledge. Valuable information is for example news on market prize developments, contacts to key persons as veterinaries, etc. The

management connects members to each other in case they can help each other or if there are possibilities for cooperation. This close cooperation with its members is a self interest of the cooperative, as its well-being directly depends on the economic prosperity of its members. It also prevents over-indebtedness of clients.

The yearly general assemblies as well as the close contact to all staff members offer each member an ongoing possibility to contribute suggestions for improvements, complaints or to discuss current issues. According to the law on cooperatives, each member, independently of economic size, has an equal right to vote.



Example

Young people decide to continue the agricultural enterprise which was started by their parents. By constantly reinvesting their profit and financing small investments with loans from the cooperative they can reach a viable size, in this case, with their sheep production.

"The staff of Stopanin 1 knows us personally and understands what we do on our farm. They helped us in our financial planning, supported us in applying for the *young farmers program* and enable us to realize our objectives."

Social responsibility

ACC Stopanin 1 sees its responsibility in providing financial services to micro and small rural enterprises. Thereby it applies sound practices and follows the objective of maintaining a successful and sustainable relation to its clients. The cooperative applies a lending scheme 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. Stopanin 1 requires clients to have a life insurance. Additionally the clients are advised to insure their agricultural production.

The close cooperation between the manager, credit inspector, staff, and the clients – as well as the mutual dependencies, are the advantage of the cooperative approach. 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 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.