Mikro krediti sa makro povjerenjem!

Partner Microcredit Foundation

Category of Good Practice: youth employment and training, research

Good Practice's title: Youth Loans with Financial Literacy Training Show Evidence of Improved Business Profits and Practices in Bosnia and Herzegovina

Main objective

Enhance the empowerment of young people and in turn contribute to more stable economic growth in Bosnia and Herzegovina by:

- Increasing the number of self-employed young people among Partner's clients;
- Providing appropriate business training that enables youth clients to obtain practical skills and knowledge; and,
- Learning how to motivate young people to participate in educational activities.

Key words:
Youth employment, financial literacy, experimental research

Type of organization: MFI
Country: Bosnia and Herzegovina
Year of inception of the good practice: 2009
Services and products provided: individual loan, training, research
Portfolio (€): 51,946,000
Avg. loan size (€): 1,150
# of clients: 42,165
Website: www.partner.ba
Address: 15. maja b.b. Trzni centar Sjenjak, Tuzla 75000, Bosnia and Herzegovina

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Institutional profile

In April 1997, Mercy Corps entered into an Agency Agreement with the Local Initiatives Department (LOIN). Mercy Corps established the Economic Development Department in Bosnia and Herzegovina, which was registered as a local microcredit organization on December 11, 2000. In 2006, Partner was transformed into a microcredit foundation. Partner MCF runs 56 offices and covers over 110 municipalities throughout B&H.

Mission of the organization:

Partner provides financial services to economically active populations who have difficulty accessing or who have no access to commercial funding sources for commercial startup, business development and/or improvement of living quality.

Partner supports micro entrepreneurs, promotes the participation of women in business and offers easier access to financial services in rural areas.

Within B&H, through door-to-door service, Partner provides high quality products and technical support, increases living standards and fosters employment by stimulating the transition to market economy.

Governance structure

Management bodies of the Foundation include: Board of Directors, Director and Audit Board. Adequate foundation management is provided through clear process oriented organizational structures with well-defined authorizations and responsibilities, efficient procedures for determining, measuring and monitoring risk and robust reports concerning the risks that Partner MCF may encounter., Appropriate mechanisms of internal controls including monitoring of the system and distribution of capital needed to cover current and future risks, efficient system for prevention of money laundering and funding of terrorism, meeting the requirements for transparent operations by all interested stakeholders (clients, suppliers, regulator, state, rating agencies) and safe and stable business operations pursuant to the law and regulations are also apparent within the organisation.

Good Practice

Introduction

Traditionally, formal financial institutions have considered youth clients to be too risky. With that in mind, Partner started testing its Youth Loan product beginning in 2009 and has received positive results to date. Partner also aims to provide training and mentoring to its clients in order to build knowledge and capacity, as well as to minimize failure in running a business. As part of the youth program development and pilot test process, Partner collaborated with a local business education NGO and the World Bank to develop a program and carry out a randomized control trial focused on the impacts of financial literacy in combination with business loans.

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Target group and accessibility

For the purposes of the pilot test and research study, Partner drew on its existing loan clients to make a selection, according to the following criteria: between ages 18 and 30 (later expanded to 35), have or would like to start up a business and are interested in taking a loan specifically for a business purpose, not delinquent on any current loans from Partner; willing to participate in the research surveys, interested in attending complimentary business training, live in vicinity of the urban centre Tuzla and meet the criteria of Partner's general target population.

Innovativeness

The innovation of the Youth Loan product was to combine individual loan, training for youth and a controlled research process, in partnership with a local NGO (the Entrepreneurship Development Center) and the World Bank.

Relevance

Given that the current economic crisis has created especially difficult circumstances for youth (youth unemployment in Bosnia and Herzegovina reached above 63% in 2012, leaving many young people to contemplate their futures), the project seems to answer current needs by supporting and stimulating youth self-employment.

Adaptability

The scientific, experimental model is extremely difficult to replicate, particularly by organizations with limited financial and technical means, but Partner's pilot study can be used as a reference for similar projects at other financial institutions.

Efficiency

The project was co-financed by the World Bank and Partner at a total cost of approximately 30,000 Euros. This included 1,000 Euros per group of 15 clients for business and financial literacy training, another 500 Euros approximately per group for transportation, meals, and materials. The cost of an initial pilot session, to enable refinement and improvement before the program launch also cost approximately 1,500 Euros. Partner views this as a modest cost in light of the number of clients reached with education – an approximate per client cost of 100 Euros.

Outcomes

- World Bank research
- Development of a new curriculum for business training tailor-made to youth populations. Partner developed internal capacities for recognizing and meeting the needs of youth clients while creating a new client base with the potential to stay loyal to Partner for their future financial needs.

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Sustainability

Partner was not able to offer this package of services on a financially self-sustaining basis. With training costs at approximately 100 EUR per participant (instructor expenses, small fee to participants and other administrative expenses), as well as estimated administrative costs per loan disbursed of 218 EUR during the project period, and the MFI's signature individualized, door-to-door service in rural areas, Partner's standard interest rate of 17.5% could not hope to cover the expense.

In practice: Specific description of a success story

A beneficiary from the youth project, Elvis Tesanovic, is a great example how business training expanded his business.

Upon completion of business and financial education, Elvis took a loan for the maximum amount of 5,000 EUR. He used it wisely to invest in windshield replacement servicing. His father was a car mechanic, but he wanted to separate himself from the family and start up his own business. After two successful years, he wanted to employ the knowledge he obtained at the business training and start a new activity.

Ha had taken a new loan (4,000 EUR) and purchased a dozen coffee vending machines. Presently, along with his windshield service, Elvis installs and services a variety of coffee vending machines to offices, schools, factories, hospitals etc. He is dedicated to quality customer service and meeting his customers' needs. Elvis stated, "The business training gave me the needed knowledge, skills and confidence to start up my own business and later to start another business in a completely new industry. I am very grateful to Partner for giving me the opportunity to learn, and providing me financial support for my business ideas."

Further readings

www.partner.ba
http://siteresources.worldbank.org/INTDEVIMPEVAINI/Resources/Bruhn_Zia-BusinessandFinancialLiteracyforYoungEntrepreneurs.pdf
https://www.wdronline.worldbank.org/bitstream/handle/10986/10096/636730BRI0Fina00Box0361520B0PUBLIC0.pdf?sequence=1

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