



## Microcredit Foundation Horizonti

**Category of Good Practice:** Products and Services

### Good Practice's title

Flexible agri-loan products

### Main objective

To design and develop an appropriate loan product with flexible payments schedule to meet rural clients demands for easier and more efficient loan repayment, adjusted to seasonal revenues and expenditures, typical for agriculture businesses. The purpose of developing flexible agri-loans was to attract more new clients and also retain the existing clients that has difficulties managing equal instalments schedule.

**Type of organization:** Foundation

**Country:** Macedonia

**Year of inception of the good practice:** April 2013

**Services and products provided:** Group and individual small business loans, housing loans

**Portfolio (€):** 3,740,000

**Avg loan size (€):** 1,700

**# of clients:** 2,987

**Website:** [http:// www.horizonti.org.mk](http://www.horizonti.org.mk)

### Institutional profile:

Horizonti was created in January 2000 as a microfinance programme of Catholic Relief Services-USCC in Macedonia. In July 2005 the programme spun-off from CRS by registering a local Foundation. Horizonti financial services are business and agriculture loans for working capital and purchase of fixed assets, and small housing loans for reconstruction and repairs. The group loan amount ranges from € 250 up to € 1.500 ( 6 to 12 months repayment period) and individual loans are form € 1,000 up to e 10,000 ( up to 60 months).

### Mission of the organization

Horizonti mission is to provide sustained and continuous access to financial services to the low-income economically active population in Macedonia, primarily women-entrepreneurs, representatives of the socially excluded and marginalized groups, in order to support and develop small businesses, creating new jobs and improving the quality of life.

### Governance structure

Horizonti is an institution with strong commitment for achieving the social goals and creating positive impact for its clients. The governing bodies are the Founder (CRS) and the Board of Director which is composed of 5 independent individuals, with expertise in areas of interest

for the organization ensuring adequate balance between social and financial returns. The board membership is approved by the Founder.

## Good Practice

### **Introduction:**

Horizonti began to target rural agriculture clients back in 2006. The initial loan products offer was based on group and individual loans. Individual loans has a grace period up 6 months, and it was up to clients to decide whether they want to use it or not, and the repayment schedule was fixed with equal monthly instalments. Over the time it was noticed that small farmers, in particular the one with seasonal production, have a problem to manage their repayments on a due date, especially during the low income season. After the survey conducted with the existing clients, Horizonti management decide to start working on developing new agriculture products that will offer clients' to repay bigger portion of loan principal when income from sales is received and much smaller instalments during the investment period. The process of development of new loan products, implementation of product features into the MIS and testing last for 12 months, until the official launch in April 2013.

### **Target group and accessibility:**

The practice presented is targeting small rural farmers, especially the crop and vegetable producers. Monthly cash-flow of these types of agriculture businesses is very fluctuating during one production cycle. These clients typically borrow during the investment season in a given period, and prefer during this period next years to pay the smallest instalment (interest only)

### **Innovativeness:**

The flexible agri-loan products enable the borrower to select up to 6 months within a year, in which they can chose the amount they prefer to pay. The minimum amount is equal to monthly interest and the maximum annual payments of principal should not exceed 30% of loan amount. These limits are pre-defined into the loan software which uses advanced calculator for monthly interest calculations. Usually, other financial institution offer only grace period (only interest payment) at the beginning of loan maturity or option to pay limited number of bulk instalments or bullet payments.

### **Relevance given the context:**

The flexible payments module enables clients to review the business cycle of their agriculture production and sales, and adjust monthly instalments based on expected monthly cash-flow. The payment schedule of subsequent years is usually replication of first year, but it could be different depending on client's long-term business plan.

### **Adaptability to other contexts:**

This innovation is very practical and could be easily transferable to others, especially if there is a similarity with the target groups served. It could be used for other types of businesses, in case of unequal monthly revenues and expenditures. The product design could be easily modified based on requirement of clients, in terms of loan size, max or minimum instalment, number of flexible payments etc.

### **Efficiency:**

The implementation of this innovative loan products required allocation of certain resource especially for software upgrade and modifications, and staff training. However, the investment is cost-effective if we take into consideration that since its introduction of these products in April 2013 until December 2014 the agriculture loan portfolio has increased by 100%, of which 50% growth is achieved with the new flexible agri-products.

### **Outcomes:**

Since the beginning of introducing the flexible agri-products in the rural markets, Horizonti succeeded to disbursed 266 loans in amount of 690,000 euro (until December 2014). It's worth to mention the portfolio quality achieved, which is another confirmation of the efficiency of this innovation. The portfolio at risk (PAR30) of flexible agri products, as of Dec 31,2014 is 1.4%, which is much lower comparing to the remaining agriculture portfolio (4.7%).

### **Sustainability**

The results achieved since the implementation of this innovation have met Horizonti management expectations, and to very certain extent confirm the sustainability of this innovative loan products. Horizonti strong MIS enables to regularly maintain and monitor the progress and quality of this practice. The ongoing client's feedback received through their interactions with Loan Officer and regular surveys which are planned to be conducted should ensure maintaining the flexible loan products features in a way that best fits client's needs and preferences.

### **In practice: Berta Gligurovska, successful woman-farmer from Dolno Srpci village, Pelagonia region**

Berta and her family, husband and two children, lived in Dolno Srpci village located in Pelagonia region. Berta's family are typical farmers with diversify agriculture production: crops, small vineyard, and pig farm which is the main farming activity. They found out about Horizonti back in 2010, when Horizonti's Loan officer visited their small village and their home. Without any prior lending experience they were very pleased from the kindness and patient expressed by the Loan Officer in presenting Horizonti loan offer. The first loan they borrowed was just 1,000 euro, and subsequently the borrowed another two times but because of the equal payment schedule, they have to apply for loan size which instalments are affordable to be repaid during the low season. When they found out that Horizonti start offering new loan products with flexible payment, Berta and her husband decided to enter into a new investment to expand the pig farm and build new boxes for small pigs. They apply for 10,000 Euro loan, with repayment schedule adjusted to their business cash flow. "It wouldn't be possible to enter into this investment, if we have to repay this loan amount in equal instalments" - said Berta's husband. "Now, we've feel much comfortable, we could better manage and plan the income and expenditures, including the loan repayment. There was difficult periods before to collect the instalment amount, especially during the low income periods when money were needed to be invested in the business".



Berta, in the pig farm, December 2014