



Savings Bank "Moznosti"

Category of Good Practice: Products and Services

Good Practice's title

Client segmentation as a new approach in rural market

Main objective

The main objective for Target group policy is to set standards for each target group and each segment in that group, which are base for designing products that are suitable for clients' needs and capacity. This enables Moznosti to balance between satisfying client needs and prevent over-indebtedness. This have improved Moznosti's image as moral, innovative and profitable institution that strives for quality, responsible lending and client education.

Type of organization: Saving Bank

Country: Republic of Macedonia

Year of inception of the good practice: April 2010

Services and products provided: Loans (business loans, agricultural loans, consumer loans, HABITAT loans, SME loans) and Deposits (Denar deposits, Denar deposits-Felxy, Denar deposits indexed for euro)

Portfolio (€): 25,005,736 as of February 2015

Avg loan size (€): 3,451 (as of February 2015)

of clients: 7,245 (as of February 2015)

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Institutional profile:

Moznosti is the first micro finance institution in the Republic of Macedonia. It was founded in 1996 as a non-profitable and non-governmental association of citizens. In 2000, Moznosti, transformed from NGO to Savings bank. Moznosti has a branch network throughout the whole territory of the country. The team of MOZNOSTI has over 125 employees. The Savings bank is a partner of the Global microfinance network Opportunity International, USA.

Mission of the organization:

"We believe in free initiative, individual creativity and personal responsibility. Our mission is to provide opportunities for people in need to gain support for their good business ideas. We expect from people to help themselves, their families and the community with the results of their businesses, by which our organization will become respected entity in the financial market."

Governance structure:

Saving house Moznosti is governed by a Board of Directors (composed of six members), and a CEO. The Board of Directors controls the legality of operation and is responsible for stability and efficiency of the institution. CEO leads and organizes the organization. Together with the management team, the CEO initiates and implements work improvements.

Good Practice

Introduction:

The main pillar in Target group policy is grouping clients into five target groups. Each target group has two or three segments. For the Agro target group, the segments are defined by the annual income and the assets that client owns (ex. arable land, vineyard, breeding stock, machinery). For Agro target group, there are five products: Perduv (Feather) for the 1st segment (fixed assets and working capital), Detelinka (Clover) for the 2nd segment (fixed assets and working capital), Sonchogled (Sunflower) for the 3rd segment (fixed assets and working capital), Domakinski (Household) for all segments (consumer needs) and HABITAT loan for all segments (house improvement loan). The total exposure for agro client is the amount up to 80% of client's total annual business income. This is the maximum exposure in all financial institutions, meaning that all current loans plus the amount of the new loan can't exceed the maximum of 80% set by our institution.

Target group:

These clients live in rural environment. Their main occupation is agriculture and very often all family members participate in performance of this activity. They have smaller living costs and very often they produce the food for themselves. The purpose of the loan products for these clients can be for the agriculture activity, consumer loans and housing loans. Therefore the loan products for these clients are according to their needs.

Innovativeness:

When client apply for loan, the starting point is not the amount of the loan and purpose of the loan, but to define the client segment. After that, according to the segment and client's profile, a Client relationship officer offers product mix with predefined conditions (max. amount of loan, min and max. tenor, flexible or equal instalment, collateral, interest rate). This concept is 100% initiated, developed and implemented by our own employees.

Relevance given the context:

We designed the loan products according to the financial capacities of our clients. This practice has helped us to protect the clients from over-indebtedness. By protecting our clients, as our most valuable asset, we protect ourselves and provide financial sustainability.

Adaptability to other contexts:

The MFI should know the characteristics of their own clients and how they generate income (ex. from micro or small business, from agriculture activities, etc). MFI should design loan products suitable to each segment from the target group. MFI should also adopt their MIS and Credit committees to support this practice.

Efficiency:

Since, April 2010, our Client relationship officers are more efficient by avoiding inappropriate clients at the moment of application. This practice, has contributed in decreasing PAR > 30 days for rural loans from 10% to 5%, increasing financial stability, profitability, client retention and good reputation of for the institution.

Outcomes:

Since April 2010 as of February 2015, disbursement of rural client's loans is 6217 loans or 21.745.324 EUR. 96% of this loans have been approved for farmers activity (Perduv, Detelinka and Soncogled), 1% are consumer loan for farmers (Domakinski loan), and 3 % are for improving housing conditions (HABITAT).

Sustainability:

We have experienced this good practice since April 2010 with effective and efficient outcomes. MFI constantly researches and follows up rural client needs, asking for their opinion through several methods such as field visits, prescribing complaints system, by filling out the suggestions and complaints form, analysing drop-out rate. This information system has helped us to meet client's needs and improve our policy and procedures.

In Practice: Success Story/Nikola Popov

Nikola Popov lives in the village of Kurija, near the town of Negotino. He lives with his family, his mother, wife and two children. The whole lifetime he has worked agriculture. He had inherited agricultural activity from his parents, and he successfully maintained and improved it. Moznosti has supported him to expand his activity by lending loans for investing in modern methods of agricultural production and modern farm machinery. Today, he has multiple agricultural activities such as greenhouses, fruit growing and viticulture. In 2010 he registered his agricultural activity and since then he has submitted for Governmental agricultural subsidies. Nikola is a farmer and he is part of Agricultural target group. According to his annual agricultural income and the quality and quantity of the fixed assets that he owns, he belongs to the 2nd segment. The maximum level of total indebtedness to all financial institution for Nikola is 80% of his annual income. He has mainly applied for loans for his agricultural activity, expansion of viticulture and fruit plantation and construction of greenhouses. Nikola and his family are currently servicing a loan for improving home conditions.

Success story/Dragi Petrov

Dragi Petrov lives with his wife and children in the village Dragobraste near the town of Vinica. Up until 2009, the main family agricultural activity was growing crops and providing services to other farmers using his farm machinery. By the loans obtained from Moznosti Blagoja is constantly expanding his family agricultural activity. Since 2009, again supported by a Moznosti loan, they started investing in viticulture. In 2007 Dragi has founded his own company called "AGRO BOEL". He was given a state land on a 30 year concession for raising vineyards. According to his annual agricultural and viticulture income and the income coming from providing machinery services to other farmers he belongs to the third segment. By approving loans, Moznosti has supported him both as an individual farmer and as a registered company. In the future, with the help and knowledge of his son, who is currently on the Faculty of agricultural studies - enology department, he intends to invest in opening a small vine house. He acts very professionally, constantly attending fairs and

keeping up with the latest agricultural news. Dragi have contributed in decreasing of community unemployment. Because he has expanded his activities in multiple segments, he is hiring seasonal workers during the harvesting, but there is one full time worker.