

COOPFIN MICROCREDIT TO COOPERATIVES' MEMBERS

COOPFIN

Objective of Good Practice:

Reinforce the asset of small cooperatives through the financing and contribution from its members

Timeframe of Good Practice:

2001-2013

Keywords:

Partnership, Financial Products

Overview of Good Practice

The cooperative movement was born in Sardinia, Italy, towards the end of the 1990s, and it represents one of the most significant aspects of the region's economic and social progress. Today, cooperatives are an important actor in the regional system, especially for sectors such as agriculture, fishing, agri-food, services.

In the 1990s, COOPFIN was set-up following a public-private agreement between the cooperative business organizations (partners of the company) and the Sardinian regional government. During this period, COOPFIN received some EUR 30 Million of regional funds to support cooperatives through loans and equity investments. Yearly reports are sent to the Sardinian regional government regarding how funds are employed and the president of the auditor's committee is periodically appointed by the regional government.

From 1998 to 2014, COOPFIN financed nearly 800 cooperatives and members of cooperatives through loans, including 600 microfinance interventions under EUR 25,000. An additional 20 cooperatives were financed by equity. At the end of 2016, following the recent Italian banking system reform, COOPFIN was recognized by Bank of Italy as a Microcredit Operator. COOPFIN specialises in the cooperative market and has developed a unique methodology to reach and properly serve this target group. The thin capitalisation of micro cooperatives is one of the main constraints to growth due to the low financial capacity of cooperative members and their difficulty to access traditional credit channels. For this reason, from 2001 to 2013, COOPFIN implemented this initiative to at reinforce the assets of small cooperatives through the provision of microcredits to cooperative members. The project was operationalized through this channel since increasing the capital of cooperatives can only be done by the members.

The program has the following characteristics: i) microloans up to EUR 10,000 to each member transferred to the cooperative in a unique solution; ii) payback period: 7 years with 2 year grace period; iii) 5% fixed interest rate iv) ex-ante and ex-post non-financial services provided by the cooperative business organisations.

The integration between the financial services provided by COOPFIN and the non-financial services provided at the local level by the cooperative business organisations has been the key-factor for the success for the program. The 10 offices of the cooperative business organisations throughout the Sardinian territory allowed them to closely follow beneficiaries.

Innovativeness

The main innovation is the provision of non-financial services to the beneficiaries, which are the micro cooperatives, both before the provision of microcredit and during the repayment phase. Moreover, the services were provided face-to-face to facilitate a direct personal relationship between the tutor and the beneficiary. Furthermore, financing to small local cooperatives is a target in itself, an innovation which extends credit to an often unsupported market.

Institutional profile

COOPFIN was set-up in the 1990's, following a public-private agreement between the cooperative business associations (partners of the company) and the Sardinia Region.

Sardinia Region provided COOPFIN 30 Million EUR to support cooperatives with loans and equity. Established in Sardinia, COOPFIN is currently the only MFI specialized in the cooperative market at the national level.

Type of Organization

Non-Bank Financial Institution

Country

Italy

Products & Services provided

- **Financial:** Business microloans
- **Non-financial:** Entrepreneurship training, Mentoring.

Gross Loan Portfolio

EUR 13.5 Million
(As of December 2016)

Number of clients

520
(As of December 2016)

Target Audience

Rural population, Urban Population, Unemployed people or people on welfare, Women, People excluded from the mainstream financial services, Cooperatives

Organization Website

www.coopfin.it

Efficiency and Sustainability

The project has demonstrated sustainability on the condition that the non-financial services are integrated into the cooperative business organisation system, where other paid services (e.g. accounting and tax services) are provided to beneficiaries and a membership fee is due.

Outcomes

600 members of cooperatives have been financed by micro-loans from 2001 to 2013, in an amount of some EUR 5 Million. These cooperatives are mainly in the services sector.

The results of this program provided the model to start the new phase of COOPFIN activity in 2016 as Microcredit Financial Institutions under the new Italian legal framework.

Lessons Learned

Monitoring and tutoring helped overcome “information asymmetries” and reduce the financing risk and default rate. The empowerment of the loan beneficiaries has been critical to success and the availability of non-financial services has proven to be important, as many beneficiaries need professional support to develop their business optimally.

The microcredit activity is carried out within the new Italian legal framework, for both the granting of loans and the provision of non-financial services. The scheme can be transferred to other areas, especially those with similar business models, but it is extremely important that a network of business support associations/organizations is already fully operational as they ensure the sustainability of non-financial services.

In Practice: Success Story

“Piccoli Passi” is a type A social cooperative born in 2007, thanks to the will of some social workers who turned their passion into a work project. At the beginning, the cooperative was mainly committed to social tourism as well as homecare and educational activities, particularly addressed to disabled and socially disadvantaged youth.

Thanks to the commitment of its members, and with the support of COOPFIN, in 2015 the cooperative transformed into a type B social cooperative, pursuing its social goal through the creation of job and social opportunities for disadvantaged people. Indeed, “Piccoli Passi” deals with the reintegration of disadvantaged workers into the labour market, creating employment opportunities in favour of the so-called weaker categories. In fact, it manages a bar-grill, beach services and sport activities in the location of Porto Ferro in the northwest of Sardinia (Blue Flag award in 2016).

The social aspect of the cooperative is reflected in the activities developed at the service of local community: they promote ethical and social values, above all cooperation, focusing on disadvantaged people through work reintegration and local territory (e.g. supporting sustainable and accessible tourism, networking with other social cooperatives, collaborating with local producers for food supply).

This way, it happens that disabled students or graduates (Hospitality Training Institute) work at the bar; foodstuff comes from local producers (sometimes, cooperatives for job placement); maintenance work is carried out by prisoners and people in a work placement phase after a detention period.



Further Readings

[Piccoli Passi Webpage](#)