

FEA's Rural Financing Programme: Online Credit Application System and Business Development Services to Rural Entrepreneurs

Fejér Enterprise Agency (FEA)

Objective of Good Practice:

FEA's rural financing programme developed Credinfo to reach rural clients that live in areas not covered by MFI branches by allowing them to submit a loan application and receive business development services online.

Timeframe of Good Practice:

2015 - Ongoing

Keywords:

Technology, Financial and Non-financial services

Overview of Good Practice

The main target group of FEA's rural financing program are self-entrepreneurs or small enterprises in settlements with less than 5.000 inhabitants, agricultural enterprises, local farms and producers of organic agriculture. A significant part of these countryside entrepreneurs (traditionally underserved by banks) pursue agricultural activities in areas that are not covered by MFI branches. To address the needs of this specific target group, FEA developed an integrated package called Credinfo that is part of the rural financing programme.

Credinfo allows clients to submit their loan applications online via the FEA's webpage, alleviating the costly and time-consuming burden of traveling to the MFI's offices in bigger towns. The processes are fully automated, the credit application program guides the client through the business plan and offers an on-line business analysis. There is a continuous evaluation of the credit applications. There is no need for paper-based administration except for documentation purposes.

In addition, rural clients are also offered the possibility to take online trainings in the framework of the rural financing programme.

To further enhance the financial inclusion of rural entrepreneurs, FEA is setting up a rural microfinance fund (guarantee scheme). The fund is meant to be combined with tailor-made business development services including trainings for entrepreneurial skill, coaching and consultancy, help in communication and promotion activities.

Innovativeness

Thanks to the Credinfo system, rural clients only need to complete some easy online steps; the rest is handled by the online assessments management system. This is of utmost value to the client since otherwise they would incur large travel expenses and opportunity costs. This platform has incredible adaptability serving a variety of projects both locally and offshore.

Efficiency and Sustainability

The online application and BDS lower the typically high transaction costs of rural microfinance for both borrowers and lenders that are caused by long distances, low population density and dispersed demand; it also allows the MFI to reach a wider audience.

The program has high sustainability since the MFI using the system don't have to buy the software. Instead, they pay a monthly lump sum for the Credinfo services. The online services are provided as a SaaS model.

Outcomes

28% of FEA clients have a rural enterprise. This represents 132 clients participating in the programme. The average employee per rural enterprise is 1,8.

Institutional profile

Fejér Enterprise Agency (FEA) was established in 1991 as a 47 member non-profit with a mission to provide high-level, easily accessible financial, advisory and training services in Hungary to start-ups and existing micro and small enterprises operating in the Transdanubian region and enable them to improve their financial, social and living conditions. Focus is placed in BDS, training for entrepreneurial knowledge and MC for enterprise financing.

Type of Organization

NGO

Country

Hungary

Products & Services provided

- **Financial:** Business microloans
- **Non-financial:** Entrepreneurship training, Financial education, E-learning courses

Gross Loan Portfolio

N/A

Number of clients

3,550

Target Audience

Rural population, Urban population, Youth (18-25 years old)

Organization Website

<http://www.rva.hu>

Lessons Learned

Due to its flexibility, the Credinfo system was also used also in urban settings to set up interest subsidized microfinance programs for the smallest enterprises (such as the FEA Growth Scheme) and later through the introduction of the IBM restarting credit scheme, which was set up by IBM to prevent unemployment after it closed down its country headquarters. IBM set up a fund of EUR 1 million that had an eventual total disbursement of EUR 2.2 million to 178 clients.

In Hungary, 19 Local Enterprise Agencies currently use the Credinfo system and the system has even been adapted for use in Norway by Microfinance Norway. The Credinfo system is easily adaptable for any MFI, independent of the country, language, legal or financial environment. In addition, there are already English and Spanish versions available.

In Practice: Success Story

Credinfo was chosen as a good practice in the DIFASS project, supported by ERDF in the framework of the Interreg Programme. The DIFASS partners studied the introduction of the Credinfo system, and two organizations – CEEI Burgos and the Region of Sardinia - launched pilot projects on the system.

Furthermore, the adaptation of the Credinfo system in Norway has been in place since 2012.



Further Readings / Videos

[Video on FEA's clients](#)

www.credinfo.hu

www.hmn.hu

www.hvk-halozat.hu