

# Good Practice | Albanian Savings & Credit Union

## CATEGORY:

Products and Services

## GOOD PRACTICE'S TITLE:

Savings & Credit Associations model

## MAIN OBJECTIVE:

To target financially excluded populations through the exclusive offer of a suitable range of financial products. By delivering tailor-made financial services in remote areas at the lowest market costs, ASC Union aims to respond to clients' credit needs, as banks have no presence in rural market segments. Likewise, ASC Union promotes income-generating activities through the funding of productive, job-related activities

**ASC UNION**  
ALBANIAN SAVINGS & CREDIT UNION



Albanian Savings & Credit Union (ASC Union) is the product of the first World Bank microfinance project implemented in Albania in 1992. After years of significant changes, the project turned into a consolidation institution, which became the sole financial cooperative in the country serving rural populations. Through a dense branch network in the heart of rural villages, savings & credit associations offer competitive and suitable products such as microloans, MSE loans, voluntary and compulsory savings, loans for agricultural machinery, etc.

### Mission of the organization

To provide financial services for unbanked, rural inhabitants in order to promote productive activities and the continuous development of rural areas and living standards. ASC Union is guided by the financial cooperative philosophy, which gives important decision-making power to its rural members.

### Governance structure

Based on the financial cooperative philosophy, ASC Union is owned exclusively by its rural membership. The supreme decision making body is the General Annual Assembly. The Assembly elects a Board of Directors (BoD) and a Supervisory Committee (SC). No external shareholders exist, so all the profit is used for the further expansion of the network. There are close to 800 locally elected voluntary community leaders that represent 84 savings & credit Associations.



MFI factsheet

Type of organization	Savings & Credit Union
Country	Albania
Year of inception of the good practice	2002
Services and products provided	Micro-loan, MSE loan, voluntary savings, compulsory savings, loan for agricultural machinery
Portfolio (€)	26.5 million
Avg loan size (€)	2,145
Number of clients	16,852
% of rural clients	97%
Typology of rural clients	Farmers, small agro processors, artisans, traders
Website	<a href="http://www.ascunion.org.al">www.ascunion.org.al</a> 

## GOOD PRACTICE

ASC Union's microfinance activities are highly focused on the rural areas where 50% of the Albanian population lives. In terms of income and infrastructure, the rural population is estimated to be the poorest in the country. Since 1992, activity outreach has constantly increased while maintaining high levels of portfolio quality. The offer of financial products and services is adapted to rural clientele based on their specific needs related to daily rural economic activities, mainly agriculture. The daily management of ASC Union is strongly based on the "social guarantee" (a member guarantees another member). This is due to the fact that rural areas' inhabitants aren't able to provide adequate collateral for their loan requests (challenging land register, poverty and economic informality, etc.) The social guarantee forms the basis of this credit cooperative loan methodology and plays an important role in the performance of loan repayments.



### SUCCESS STORY: MR. OSMAN MARRA, GREENHOUSE VEGETABLES



Mr. Osman Marra has been a member of SCA (Savings & Credit Association) GuriiMirë in Kuçovë since its creation in 2009. He is engaged in the production of greenhouse vegetables, where the majority of his products are for export. He has been working many years in the greenhouse, as it's the main source of family income and also his hobby. He grows all varieties of vegetables, and manages to get production from the greenhouse twice each year.

He expresses his enthusiasm for the income earned from the activity, because he has managed to expand the cultivating space of the greenhouse up 10 dunum. The whole family is very dedicated to the work, which generates a sizeable income. As an initial member of this SCA, he is optimistic about further collaboration with SCA.

**Target group**

ASC Union focuses on a large target group in rural areas. ASC Union's membership is composed of farmers, small agro-processors, artisans, traders and other service providers. These clients are characterized by the lack of access to financial and social services and by a desire to expand their economic activities, which remain unfulfilled by the traditional banking sector.

**Innovativeness**

The savings & credit association is an innovative governance model implemented in Albania exclusively by the Union network. This approach is unique considering it was established not through prior experience, but by following a "learning by doing" approach. In the process of adapting this model to the local context, ASC Union has struggled with the existing mentality and the general market immaturity of the credit & savings culture on the rural population.

**Relevance given the context**

The familiarity of the savings & credit association with its members allows for fast and adequate service delivery, a key requirement for rural clients. Engaging the nearly 800 local community leaders who form the head of savings & credit associations has been the key reason for successful implementation of the methodology.

**Adaptability to other contexts**

The savings & credit associations' model has been successfully replicated by other providers adapting services for target clients excluded from traditional financial networks. The concept behind "one member one vote" has proven to be successful even when it is transferred to other financial service providers as it has a great impact for both social and financial aspects, essentially narrowing the gap between service provider and person in need.

**Efficiency**

The savings & credit system implemented by ASC Union has proven to be cost efficient. Voluntary commitment and work is one of the key components of financial cooperative principles, enabling the institution to incur lower costs as compared with other institutions operating in finance/microfinance. Our volunteer based elected bodies strive to achieve high performance and sustainability of institutional operations.

**Outcomes**

More than 90,000 micro loans have been delivered since program inception, an enormous contribution to strengthen the private farm and rural economy. To date, over 40,500 rural households have benefit from financial services through either loans or savings deposits. Expanding financial access, this system presently covers 50% of the rural population or 37% of the villages in the country.

**Sustainability**

Each year, our institution has managed to maintain sustainability, as it is key to the performance of institution. The basic principles of our philosophy and the bond between the institution and our members form the pillars of sustainability. The dedication of local people on a voluntary basis combined with the professional management of operations guarantee sustainability in line with the social mission over the long-term.

**SUCCESS STORY: MR. RRAPUSH KYÇYKU, OLIVE OIL PRODUCTION**



Mr. Rrapush Kyçyku is from Tregan village, well known for its thermal water springs and the wide cultivation of the olive trees in the areas nearby. After he became a member of SCA Tregan in 2002, he thought about engaging in the production of olive oil. Thanks to a credit from this SCA, he managed to set up and expand a mini-plant for olive oil production.

In fact, he has now received his 5th loan after successfully repaying the previous 4 loans for the expansion of his oil production activity. The demands of this area for olive oil are increasing, meaning that additional investments in olive oil activities will continue to grow. After completion of these investments, he will continue to find financial support from SCA Tregan as the only and best possibility existing for the inhabitants of this area.