

# Good Practice | SIS Credit

## **CATEGORY:**

Value Chain approach

## **GOOD PRACTICE'S TITLE:**

More than a loan

## **MAIN OBJECTIVE:**

To help inform clients from rural areas about financial services, how to develop their businesses and to receive a fair price for their production



SIS Credit is a microfinance institution established in 2006 and registered as a non-bank financial institution by the Bulgarian National Bank in accordance to the Law governing credit institutions in Bulgaria. SIS Credit offers loans to micro and small enterprises, agricultural producers and entrepreneurs, who want to start their own business. We believe that funding is only the first step in making an idea come true, consulting makes everything possible. This is why we provide a wide range of business development services to our clients and strive for fast and effective resolution of every financial issue.

### **Mission of the organization**

With respect for the client and his needs, we strive for a fast and effective resolution of every financial issue. Our goal is to encourage entrepreneurship and to grant access to funding for the clients with limited financial means, and we try to support the creation of new jobs in the depressed economic regions in Bulgaria.

### **Governance structure**

Shareholders of SIS Credit are Sofia International Securities, one of the leading Bulgarian investment intermediaries, and Sofia Assets Management, a holding company specialized in strategic investments in private and public companies.

The governing body of SIS is the Board of Directors, which is elected by the general assembly and is composed by three members.



## MFI factsheet

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| Type of organization                   | Non-bank financial institution   |
| Country                                | Bulgaria   |
| Year of inception of the good practice | 2014   |
| Services and products provided         | Loans, BDS (in collaboration with other companies from SIS Group)  |
| Portfolio (€)                          | 2,300,490  |
| Avg loan size (€)                      | 4,675  |
| Number of clients                      | 462  |
| % of rural clients                     | 30%  |
| Typology of rural clients              | Small agricultural producers and other micro businesses  |
| Website                                | <a href="http://www.siscredit.com">www.siscredit.com</a>  |

## GOOD PRACTICE

Our experience has shown that agricultural producers are not good in strategy and management in most cases. Furthermore, the lack of information and higher education has made rural clients the most vulnerable clients in terms of understanding financial products and assessing their own needs.

Our methodology is the following:

- 1) gain client trust and give all the necessary information,
- 2) analyse the business, e.g. what are the weaknesses (in production, machinery, funding structure, labour force, legislation requirements, etc.),
- 3) become an informal partner,
- 4) make processes more effective, negotiate better terms for buying different materials needed,
- 5) skip the many intermediaries in selling production and thus ensure a fair price (SIS Coop, a SIS sister company, is a continuation to this idea and is about to open a shop in Sofia for selling the client products).



**Target group**

Active, young agricultural producers (20-40 years old) who want to develop their business in a more efficient way.

**Innovativeness**

The following are examples of project innovation: (1) the use agents from the region that share the clients' mentality, (2) we have made assessment matrixes covering the main agricultural areas and clients' needs, (3) we provide all financial services that clients need thanks to other SIS Group companies (insurances, consultancy services from EU funding, optimization of funding structure, collection of receivables, selling of production, etc.).

**Relevance given the context**

Many agricultural producers are not aware of the options for developing and preserving their business, e.g. harvest insurance and stock, EU funding for modernization of processes, small producers negotiating pools to achieve better prices, avoid the selling of production at lower prices to big chains, etc. We teach them how to do what they really need to get the most out of their agricultural business.

**Adaptability to other contexts**

In theory, this practice could be transferred to all MFIs and all areas of business. In order to be successful in other contexts, the MFI would need to develop the client business idea while keeping in mind the local psychology, legislation, etc.

The tool adopted by SIS to assess client's needs, which selects the best financial services for each client among the more than 50 offered, could be easily transferred to other contexts.

**Efficiency**

Although the MFI puts effort into educating staff and expanding the assessment matrixes, the SIS methodology is cost-efficient because the client starts to use a number of financial products, not only loans. And of course, if the client is happy with the service, he will come again.

**Outcomes**

In the last year, we have consulted with hundreds of potential clients in rural areas. We could divide them in three groups: (1) businesses with potential are financed and supported in their further development, (2) clients that need other services more than they need loans; in this case we offer them other services from SIS Group, and (3) clients that don't want to make any changes to their business; in this case we don't offer any services.

**Sustainability**

Crucial factors for the sustainability of this methodology are regular monitoring, staff trainings, the forging of long-lasting relationships with regional state bodies, staying up to date with all requirements, legislation, etc.



**SUCCESS STORY: STOCK BREEDER**

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A stockbreeder came asking a loan to buy 100 more sheep. After assessing his needs, we understood that his business was inefficient, breeding sheep was not appropriate to the region, the way of raising was not good, etc. We made an action plan - what breed needs to be grown in this region, we made an insurance of the flock and after that we gave him a loan. We financed the purchase of 100 sheep but from the right breed. In this way, the business of client became efficient. Now we have an agreement to sell milk and cheese in SIS's shop rather than selling his production to big chains that are giving low and unfair prices to small producers.

**SUCCESS STORY: AGRICULTURAL PRODUCER**

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More and more clients from rural areas are coming to us and asking for help because of unethical financial institutions (the so called "fast loans providers" in Bulgaria). These institutions have a lot of hidden fees and are very expensive.

Clients couldn't understand the effective interest rate and nobody explains how to choose a financial institution. Furthermore, these institutions are not making repayment capacity analysis and are giving loans to everybody that makes a request.

We received a client who is an agricultural producer and who had 13 fast loans and where one of the "fast loan" companies had put strain on his farm. We made an analysis of the business and it revealed that most of the client's income was spent paying interest to these institutions.

Because they numbered 13 institutions, he had admitted some delays in payments, his credit history was not very good and there was no bank that wanted to give him funding. We decided to give him a loan to repay the other loans, including the one that was in litigation. Inspired from this case, we have put some advice on our website for what to look for when taking a loan and how to avoid being misled. We are also giving this information to clients in paper format. Recently, he has been consulted in options to receive EU funding under the program for development of rural areas that is expected to be opened in 2015.

