



Un Raggio di Luce Foundation

Personal microcredit

Good Practice's title

A Project of personal and enterprise microcredit in the Pistoia Province

Main objective

To provide financial support to vulnerable people excluded from the traditional banking system and having financial problems; to help economically disadvantaged households to solve social problems and overcome temporary crunches; to provide microcredit for establishing and developing local microenterprises and social business initiatives.

Key words

Personal credit, affordable credit, partnership, attention desks

Type of organization	Foundation
Country	Italy
Year of inception of the good practice	2009
Services and products provided	personal and microenterprises loans
Portfolio (€)	1.500.000
Avg loan size (€)	4.000
# of clients	250

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www.unraggiodiluce.org

www.microcredito-pistoia.org

Institutional profile

Un Raggio di Luce Foundation is an Italian independent, a-confessional, non-profit organization established in Pistoia in 2004 operating in Italy and in three developing countries (Burkina Faso, Central African Republic and Nepal). The **Foundation** is active in the sectors of microfinance, health and education. The Foundation is member of the Italian Network of Microcredit Providers (RITMI).

Mission of the organization

Un Raggio di Luce Foundation's mission is to improve the quality of life of the more disadvantaged communities through concrete initiatives focusing on empowerment



processes. The main strategic values behind the activities of the **Foundation** are responsibility, solidarity, participation and trust.

Governance structure

Un Raggio di Luce is governed by a Board of Directors, a Steering Committee and a Board of Auditors. The Board of Directors is composed by nine members who meet regularly to decide on the most important aspects of the life of the organization. The Steering Committee plays an important role in defining the main sectors of intervention and in establishing the institutional global strategy.

Good Practice

Introduction

The project involves a large number of institutional partners (5 banks, 5 non-profit organization, 1 public institution¹) playing a specific and complementary role in the execution of the project. Un Raggio di Luce Foundation is one of the non-profit partners.

More precisely, the project is built around the following structure:

- a legal guarantee (2.060.000 EUR worth) fund provided by three non-profit organizations and the provincial administration partner;
- four attention desks – hosted for free at the Misericordia premises and supported by non-profit partners that cover the operational costs – acting as first contact points where potential beneficiaries can come and talk about their projects;
- an Evaluation Committee (EC) – composed by one representative of the selected bank, one representative of the guarantors and one representative of the attention desks – for the financing decision;
- microcredits' monitoring conducted together by the attention desks and the banks associated to the project.

Target group and accessibility

Target groups of the project belong to two main categories: (i) vulnerable people (individuals and households) who face ordinary or extraordinary financial constraints and unable to satisfy their basic needs; (ii) microenterprises with no access to the traditional financial system but whose founders possess good entrepreneurial ideas.

In order to access project's services, beneficiaries must show capacity to generate sufficient revenues to reimburse a credit, prove real financial needs and be trustworthy.

Innovativeness

The innovativeness of the project relies on a “holistic system approach” allowing different partners, both public and private and from the banking and non-banking realms, to work together towards a common objective. Another element of innovativeness is the capacity to establish a very strong human relationship with microcredit applicants so that the human and social aspects intrinsically linked to credits are at the core of the activities.

¹ Un Raggio di Luce Foundation, Misericordia Pistoia, Cassa di Risparmio di Pistoia e Pescia Foundation, Caritas Pistoia, Caritas Pescia, Bank of Pistoia, Cooperative Bank of Pescia, Cooperative Bank of Masiano, Cooperative Bank of Valdinievole, Cassa di Risparmio di Pistoia e della Lucchesia, Province of Pistoia.





Relevance given the context

Pistoia is an area more and more constrained by important socio-economic problems negatively affecting vulnerable communities. In such context, the project tries to offer an effective answer by promoting a particular and specific corrective action toward situations of over-indebtedness and marginalization.

Adaptability to other contexts

So far, the project has been carried out at the provincial level. However, an extension of the project beyond the provincial borders is still possible thanks to the particular “open” structure of the partnership but also given the similar socio-economic problems encountered by other Italian regions. Moreover, in Italy, there is a large number of public and private actors operating for the promotion of the social economy at local and national level. With these actors the project could establish new fruitful relationships.

Efficiency

All the operational costs are covered through the contributions of the partners that also provide human resources on voluntary basis. The project doesn't have an income statement so that there is no effective calculation of revenues. However the initiative can be considered cost-efficient because financial resources are ensured by the promoters themselves. These allow covering all the operational costs that are carefully planned at the beginning of each year.

Outcomes

Here below are represented the results in terms of loan portfolio of the Provincial Microcredit System of Pistoia:

Loan portfolio structure	Dec-10	Dec-11	Dec-12	Dec-13
Total active clients (#)**	n/a	180	202	249
Gross loan portfolio (EUR)**	528.813	589.392	629.780	816.608
<i>Growth rate in the period*</i>	n/a	11,5%	6,9%	29,7%
Loans disbursed in the period (#)*	121	47	61	50
Loan portfolio disbursed in the period (EUR)*	537.500	237.200	322.700	262.500
Accumulated disbursed portfolio (EUR)	761.000	998.200	1.320.900	1.583.400
<i>Growth rate in the period*</i>	140,5%	31,2%	32,3%	19,9%
Accumulated disbursed loans (#)	169	216	277	327

*Calculated on 12 months except for Jun-13 which refers to Jan-Jun13.

n/a: not available

**Jun-13 estimated by MFR

Sustainability

The project is sustainable from an institutional point of view. Partners are together and available to run and to financially support the project without a specific deadline.

For the characteristics of the project, it is hard to talk about financial sustainability: costs are covered by partners, some project promoters provided capital for the establishment of a guarantee fund, and the affiliated banks disburse credits to targeted people according to an assigned threshold.



Attention desks are staffed by volunteer people and they are hosted in spaces made available for free by promoters. Given the institutional stability the project, this will be easily maintained in the long run.

In practice: Mr Rossi's success story

Mr Rossi was running a microenterprise in Pistoia and wanted to develop his business by acquiring new equipment and machines. For this purpose, Mr. Rossi needed extra financial resources so he went to ask a bank for a credit. He easily got it at a commercial rate.

Mr Rossi however didn't know how to properly deal with the reimbursement plan of his credit, and therefore eventually got into troubles. After a certain period of time, he had to close his enterprise.

Mr Rossi spent some years dealing with a complex reimbursement plan, while he had lost his regular incomes.

Mr Rossi knew of the existence of the microcredit project in Pistoia. He decided to meet the volunteers working at the attention desk in order to share his experience and difficulties, and receive some advice and concrete support. He had a scuba passion and he expressed the desire to attend a scuba training in order to afterwards open a scuba school. His idea was to transform his passion into his main breadwinning activity! In doing so, he expected to start a new business, earn sufficient incomes allowing him to pay back his previous loan and to live with his family in good conditions.

The volunteers at the attention desk provided Mr Rossi with support, and advised him to better define his business idea. After that the volunteers assessed a revised, valuable business plan, the microcredit project disbursed a credit of 15.000 EUR that allowed the launch of Mr Rossi's new business while paying back his previous debt. Today, Mr Rossi solved his bad financial situation and his new business is doing well.

Further readings

[Un Raggio di Luce Foundation's website](#)

More information on [the Pistoia's Project](#)

The [official website of the Pistoia's Project](#)

