



Mikrokreditna fondacija PRIZMA Sarajevo

Micro-Entrepreneurship

Good Practice's title

Microloan Insurance to Enhance Security.

Main objectives:

- 1) Help **Prizma** better achieve its social goals and improve the overall impact on the lives and wellbeing of its clients
- 2) Benefit low income and excluded families
- 3) Bring some sense of certainty and security in clients' lives

Key words: small business, trade, services, loans, basic needs

Type of organization	Microfinance Foundation
Country	Bosnia and Herzegovina
Year of inception	1997
Services and products provided	1) small business, trade, services 2) agriculture, livestock raising 3) reconstruction and repair of housing 4) loans for basic needs (heating, fuel, food supplies, school supplies, etc.)
Portfolio (€)	48,73 million ¹
Avg loan size (€):	730,64 ²
# of clients	66.638

Bistrik Medresa 43
71000 Sarajevo
Bosnia & Herzegovina
www.prizma.ba

¹ BAM 95,3 million (exchange rate on 3rd Octobre 2013)

² BAM 1.429 (exchange rate on 3rd Octobre 2013)

Institutional profile

Prizma is an independent micro financial institution established by the world-renowned international organization ICMC International, with initial funds from the United States Government. **Prizma** began operations in the Bihać region in 1997. In 2001, the Organization was registered under the name of **Prizma**. Since 2008 it has been organized as a Microcredit Foundation, with the license from the Banking Agencies. It has been sustainable ever since 2001, serving the down-market niche of microfinance. **Prizma** is well-known for its social management and Poverty Scorecard tool.

Mission

- 1) To ensure prosperity for its clients and the organization.
- 2) To provide long-term access to high-quality financial and other services.

Governance structure

The Board of Directors is the top decision-making body and is composed of 7 members, with solid financial and legal background, as well as experience in strategic and policy management. This ensures social impact, financial stability and prosperity to the institution. A broad scope of knowledge and experience of the BoDs' members provides for a comprehensive and balanced supervision over **PRIZMA**'s developmental, organizational and competitive goals.

Good Practice:

Prizma has taken the first step towards microinsurance, introducing insurance of the loans disbursed. For a small fee borne by **Prizma**, loans are additionally secured in case of death or severe disability of clients, thanks to cooperation with a major insurance company in BiH. Loans are insured against death/disability of clients as the insurance policy is a part of the general loan agreement. Insurance is offered to clients free of charge and the procedure is simple. In case of an insured event, the client's obligation upon the loan ceases, relieving the family from the burden of debt. Procedure for collection of policy is also simplified and the tracking of and reporting on insured microloans is easy. This first step into microinsurance paves the way for future cooperation with insurance company, pending law amendments, in offering life, property and crop insurance.

Target group and accessibility

Prizma targets both men and women; its clients predominantly come from rural areas. It operates in more than 100 municipalities across entire BiH. Key clients are micro-entrepreneurs at the low-end market. Insurance is offered to all clients free of charge: the only requirement is that the client must be under the age of 65, free of a serious illness at the time of loan application. It is therefore really accessible.

Innovativeness

With this microloan insurance, **Prizma** is paving new ways of business operations. The insurance procedure requires no additional time, efforts or knowledge. In case of an adverse effect, all the family has to do is to submit to **Prizma** a valid death/disability certificate. In the loan tracking system, these loans are easily marked as having an insurance policy, making the tracking of and reporting on these loans easy.

Relevance given the context

In these turbulent times, innovation has become a must for MFIs in order to ensure long-term sustainability of operations and increase social impact.

Adaptability to other contexts

So far, **Prizma** is the only institution in the country to offer microloan insurance free of charge. The Initiative has a few simple steps to be taken for replicability. The service should be free of charge for clients. Specific but simple requirements should be met by clients for this insurance. A stable insurance company should be identified for loan insurance policies. The procedure for taking a loan insurance policy against death/severe disability of a client has to be simple and the policy should part of the general loan contract. Electronic and paper version of the loan agreement should be amended to include the policy. Loan tracking system should be updated to include insurance tracking and reporting. Staff should be trained to deal with this new tool. Collection procedure from the insurance company should be simple. Clients should be educated as to the benefits of this tool.

Efficiency

All preparations were made, operations adjusted, computer systems updated, staff trained, a pilot project launched, followed by the rollout in the entire organization. Insuring the loans disbursed has already become a standard operating procedure.

The impact of the initiative is not easily measurable. In 2012, 22 insured clients died and the remainders of their respective loans were paid by the insurance company. 36.000 loans were insured totaling over € 30.677.512³. This does not seem as much. But this is not about the quantity, this is about the clients. Potential impact is still to come given that loans have a maturity up to 5 years.

Outcomes

Following thorough preparations covering all aspects of the operations, **Prizma** launched a pilot project in its Sarajevo Office in late December 2011. Within the first month, 800 loans were insured, totaling € 511.292⁴ of the loan portfolio. This was followed by full implementation across **Prizma** and a year later, as of February 1st 2013, there were 35.971 insured microloans totaling € 31.266.981⁵

³ BAM 60 million (exchange rate on 3rd October 2013)

⁴ BAM 1 million (exchange rate on 3rd October 2013)

⁵ BAM 61.152.900 (exchange rate on 3rd October 2013)

Sustainability

Sustainability is generally furthered by risk management, market research, diversification of products/services and fund sources, regional expansion and staff training. **Prizma** has signed a contract with the strongest insurance company in the country, covering approximately one third of the market. At a very low cost, all loans to be disbursed by **Prizma** will be insured, contributing to the achievement of its social goals and improve the overall impact on the lives and wellbeing of its clients.

In practice Enisa's success story

Enisa and her five family members (husband and three children) are returnees and live in the rural area near Višegrad. Their occupation is agriculture. After many unsuccessful attempts to get a loan as returnee, **Enisa** decided to approach the PRIZMA's office in Višegrad. She invested her first received loan in the amount of € 511,29⁶ in buying onion seeds and she started to develop her own business. The second loan in amount of € 1.534⁷ was also invested in agriculture (vegetable growth). **Enisa** and her family own 6,25 acres of arable land and additional 7,5 acres that they have on lease. They also own a greenhouse planted with seedlings of tomatoes and peppers. With **PRIZMA**'s agricultural loans, **Enisa** improved her business and, thus, wellbeing of her family.

Further readings

[Prizma's research](#)

[Prizma's reports](#)

[Prizma Mikro's general website](#)

⁶ 1.000 BAM (exchange rate on 3rd October 2013)

⁷ 3.000 BAM (exchange rate on 3rd October 2013)