



# Mikrokreditna Fondacija PRIZMA Sarajevo

## Project Name

**Microcredits for Microentrepreneurs Campaign:  
How to reach more than 26,000 down-market  
niche clients with 250 staff in 3 months.**

## Initiative Presented for the Award

PRIZMA proposes the “Microcredit for Microentrepreneurs” campaign implemented from 1 July to 30 September 2011 through which it reached more than 26,000 down-market niche clients, and which had an impact on over 100,000 lives. PRIZMA offered enterprise loans (€250 - 12 months or €500 - 22 months) to new clients under the following conditions: interest rate on average 7% lower than other loan products; small instalments of €25; disbursement in cash within 2 days; no guarantor required. In order to increase efficiency while maintaining portfolio quality, PRIZMA engaged over 100 volunteers, leaving its experienced staff more time to focus on credit analysis and disbursements. By implementing this campaign, PRIZMA has proven that there is a huge market potential in the down-market niche, and a significant number of clients that had never had access to any financial institution. Moreover, PRIZMA has strengthened its market position.

Type of organization:..... Microcredit Foundation  
Location:..... Bosnia and Herzegovina  
Founded in:..... 1997  
MF products offered: ..... Microloans (enterprise, agriculture, housing, basic needs)  
Portfolio:..... €49,693,952  
Av. Loan size:..... €720.80  
Number of Clients: ..... 68,943

[www.prizma.ba](http://www.prizma.ba)



## Institutional Profile

People applying for a microloan during the campaign in Sarajevo



### History

With seed capital from the U.S. Government, PRIZMA began operations in the Bihać region in 1997, under the name of "Project Enterprise". In 2001, the Organization was registered under the name of PRIZMA. Since 2008, it has been organized as a Microcredit Foundation, with a license from the Banking Agencies. Its mission is to ensure prosperity for its clients and the organization, by providing long-term access to high quality financial and non-financial services. PRIZMA's vision is to be recognized as a successful and stable organization, providing continuous innovative growth, development and prosperity for its clients and the organization. PRIZMA has been sustainable ever since 2001, always insisting on its core values and serving the down-market niche of microfinance, thus proving its commitment to double bottom line principles. PRIZMA is also well known globally for its social management and a revolutionary Poverty Scorecard tool.

### Structure

PRIZMA has a strong, young and experienced management team. The majority of its members have been internally promoted to their positions, which is one of the main characteristics of a strong and recognizable organizational culture. Its middle and top management are strongly committed to achieving both long- and short-term organizational goals. PRIZMA operates through seven regional offices and 47 registered branches, operating in over 100 municipalities in the country. It has Operations, Finance and Accounting, Risk, IT, HR and Legal Affairs, and Internal Control departments, as well as an independent Internal Audit department. In total, it has 250 highly educated staff members, including 170 loan officers.

### Governance Structure

The Board of Directors is the top decision-making body and is composed of seven members. PRIZMA's BoD has a solid financial and legal background, as well as experience in strategic and policy management, thus ensuring a key focus on the two long-term goals of the institution: social impact, and financial stability and prosperity of the institution. The broad range of knowledge and experience of the BoDs' members provides for a comprehensive and balanced supervision over PRIZMA's developmental, organizational, and competitive imperatives.

### Target Clients and Operational Area

PRIZMA targets both men and women; its clients predominantly come from rural areas. It operates in more than 100 municipalities across the whole of BiH. PRIZMA's key clients are micro-entrepreneurs. PRIZMA fulfils its fundamental twofold mission: by financing micro-entrepreneurship via business and agriculture loans and by financing poor and low-income individuals via loans for basic needs and loans for repair and reconstruction of housing.



Prizma client: Alic Jusuf – shoemaker

Prizma client: Pavkovic Zivko – farmer

## Products and Services

PRIZMA offers enterprise loans for start-up and improvement of small businesses, trade, services, agriculture, livestock raising, reconstruction and repair of housing and business facilities, and loans for basic needs (fuel, food supplies, school supplies, etc.). In accordance with market demands and its organizational possibilities, PRIZMA continuously adjusts its products to the market requirements and the needs of both existing and new clients.

## Funding sources

PRIZMA finances its operations from its equity, an amount of over €10 million. Considering its excellent performance and its social impact on the clients, PRIZMA continuously procures funding from socially responsible investors, from commercial institutions, as well as from several development agencies. Currently, over 20 local and international lenders are supporting the institution, including Blue Orchard, Developing World Markets, EBRD, ICO, Oikocredit, responsAbility, Triodos, Triple Jump, Unicredit Bank, etc.



Prizma client:  
Bralj Ramiza – agricultural producer

### **The story of Zemka Zilić**

In 1992, when the war started, Zemka's family was forced to leave their home in the village of Srednja to find shelter in Srebrenica, the UN protected enclave. In 1995, when the war ended, she was living in Kalesija near Tuzla. At that time, the family just survived thanks to donations, daily business and money sent by the other family members from abroad. "We kept thinking about returning to our pre-war home, but without a regular income and knowing that our children would need to travel every day to school 30 kilometers away, a lot of questions held us back until we heard of the Microcredit Foundation PRIZMA. After friendly employees of PRIZMA explained that they could provide us with the funds to start our own small business, my husband and I started to think about investment. Our main dilemma was whether to invest money in buying cows or in sheep breeding". Zemka considered working with sheep to be more secure and believed that, if she chose that, she would be able to repay the loan without any problem. In the end, they decided to apply for a loan to start up sheep breeding. "Having reviewed our business plan, PRIZMA approved an initial loan amounting to KM 1,500 to buy nine sheep and the necessary quantity of livestock feed." Zemka is currently using the third loan disbursed by PRIZMA, an amount of KM 3,000. This has enabled her to expand her small business that is a fundamental source of income for her and her family.

# Selection criteria

## Innovation

PRIZMA undertook several innovative steps for the campaign, enabling it to offer a service with unprecedented swiftness and quality. Firstly, before the launch of the campaign, PRIZMA conducted detailed market research to evaluate competitors, perspectives, the macroeconomic situation and its own strengths and weaknesses, and raised all the funds needed. Moreover, in order to prevent staff members from being overloaded with promotional activities, PRIZMA chose to outsource the marketing promotion. In order to increase efficiency, it organized training for experienced staff. Additionally, it engaged fresh graduates as volunteers to support the campaign through promotional and administrative activities, giving them the opportunity to become employees upon successful completion of the campaign.

## Sustainability

PRIZMA's approach to sustainability relies strongly on the double bottom line principle, diversification of geographical areas and of product range, strong organizational culture and highly efficient implementation of its goals. It focuses on the quality of the loans disbursed, which is achieved through: (i) an analysis of the needs based on total household earnings and spending, of the purpose of the loan and its repayment capacity, of the client's character; (ii) a double check of clients in the local communities; (iii) an obligatory check through an official report from the Credit Bureau. Given this, 20% of applications for this campaign were refused by the credit committees. All the above-mentioned factors ensured positive financial results.

### Financial Achievements

	Dec 09	Dec 10	Dec 11
Portfolio at Risk	3.29%	4.35%	3.77%
Write-off Ratio	4.18%	4.75%	4.13%
Portfolio Yield	24.07%	26.06%	26.23%
Debt to Equity Ratio	3.41	3.58	3.88
Operating Expense Ratio	10.96%	12.13%	12.25%
Cost per Borrower	€98.76	€108.9	€97.52
Staff Productivity	217	234	275
Return on Equity	3.81%	0.95%	0.06%
Return on Assets	1.28%	0.21%	0.01%
Operational Self-Sufficiency	109.96%	100.99%	100.06%

## Impact – Outreach

During the Campaign period, PRIZMA disbursed a total of 31,165 loans, including 26,000 campaign loans, with an average amount of €505.82, becoming the first MFI in BiH to ever reach a huge number of non-served clients in such a short period, while maintaining its focus on the down-market niche. The impact is even more significant if we bear in mind that for more than 50% of the new clients, it was their first loan ever. During the Campaign, 89% of the loans were enterprise loans and 57% of the clients reached were from rural areas. The impact was very significant among the most vulnerable: 1,743 widows, 1,218 persons from ethnic minorities and over 5,000 young unemployed persons were financed during the Campaign. Another outstanding result pertains to the number of people served indirectly, amounting to 108,274. Additionally, PRIZMA assessed the impact of its activity methodologically, through its Poverty Scorecard.

### Outreach Achievements

	Dec 09	Dec 10	Dec 11
Active Borrowers	49,109	54,522	68,943
Women	64%	60%	54%
Migrants, Minorities	n.a.	n.a.	n.a.
Youth	9%	9%	12%
Rural	47%	48%	53%
Below Poverty Line	n.a.	n.a.	n.a.
Average Disbursed Loans	€885.74	€861.75	€724.43
Portfolio	€43,497,747	€46,984,356	€49,693,952
Number of Branches	47	47	47
Staff	226	233	244
Loan Officers	151	160	165
Drop out Ratio	53.25%	45.81%	45.62%

## Replication

PRIZMA strongly believes that the reason for its success is its strategic positioning, with a clear focus on the down-market niche and the double bottom line principle. The campaign is replicable by PRIZMA and by every institution which is committed to listening and responding to the down-market needs and potential, and which approaches the campaign strategically, with the goal of being ruthless in efficiency and, consequently, being sustainable on the one hand, while staying loyal to its target clients and having a positive impact on peoples lives on the other.