



SAVINGS HOUSE  
**MOZHNOСТИ**  
*moving together*

# Savings House “Mozhnosti”

Republic of Macedonia

Project Name

“Delightful” loan for non-documented micro business.

Initiative Presented for the Award

In the past few years, Macedonia has been actively trying to formalize and regulate micro businesses that are operating on the black market. In this process, some micro businesses have found themselves lacking the resources or the viability to adhere to regulations, continuing to exist on the margins of the economy. These non-documented micro businesses are not the typically desired bank clients and, due to their high level of riskiness, banks refuse to finance them. As a result, they are left with no access to finance. With the aim to provide socially marginalized groups with financial support for their businesses, Mozhnosti created a “Lokum 2” loan especially targeted towards micro-businessmen and women who do not possess any documentation for their business. Loan officers visit the place where the client does his or her activities, which is usually a small shop, and make photographs to document the business activity, based on which the credit committee approves the loan later on. The product is only available in four of the thirteen branches, in the Western part of the country where these non-documented businesses are a frequent occurrence. The Albanian minority is the primary beneficiary of this product.



**Success story: Huseini Kemal, a beneficiary of “Delightful” loan for non-documented micro business**

Huseini Kemal owns a cafeteria in the village of Tenovo, near the town of Tetovo, which offers a wide range of drinks and food. His wife and two sons work full time and help him run the business. In 2008, he decided to open a cafeteria in his house to support his family. He purchased the basic equipment and opened. In the meantime he heard about Mozhnosti through word of mouth and applied for a business loan. He was positively surprised to be approved for a loan without having registered a legal entity. Since then, he has repaid three loans, been approved for expansion of the cafeteria, purchase of large inventory (tables and chairs) and purchase of a vehicle for delivery of products and personal needs. As a result, the small cafeteria has developed into a large catering space; the cafeteria has modern equipment and inventory and is now a place with a pleasant ambience where local people meet. A positive trend can be noticed in the turnover and stock as well. Today, Kemal is using his 4<sup>th</sup> loan for the purchase of a grill. He is especially grateful to Mozhnosti for providing him with finances when he most needed them and when no other institution would provide any credit.

## Innovation

The innovation relies on the product design, the loan approval process and the target group in the specified region, which is currently financed by no other institution in the country. Based on the regular "Lokum" loan, which targets regulated micro businesses, "Lokum 2" is suited for non-documented businesses in the Western part of the country. It is offered when the client does not possess any documentation regarding his/her business (status certificate, balance sheets, income statement, rent agreement etc). Hence, part of the standard procedure is a visit to the business place to take at least 5 pictures (1 from the outside of the shop, 3 from the inside showing the equipment used and 1 of the client) to present to the credit committee whose members are trained to decide based on the photos instead of regular documentation. Unofficial information from the client is used for the credit analysis and is compared with the information provided by the pictures. The decision is taken at the branches, mostly within two days, and the disbursement is realized within four or five days from initial contact with the client.

## Sustainability

This initiative allows Moznosti to grow and reach new market segments fulfilling its mission. "Lokum 2" is a bit pricier than the standard loan, giving an additional source of income. So far, the PAR has been below the institution average (7.26% vs. 11.48% at the end of 2012) demonstrating good repayment habits by these clients. Furthermore, once they expand their business and become regulated, many of them stay loyal to Moznosti and become regular business clients and apply for standard business loans. Finally, helping these businesses grow and become sustainable provides grounds for official registration and regulation stimulating the economy and the country as a whole. The initiative is funded by Moznosti's own equity, client deposits, domestic creditors such as the Macedonian Enterprise Development Foundation and from international creditors such as KFW. Moznosti's goal for 2013 is to reach a loan disbursement amount of 1,000,000 EUR or an additional 300 loans while also increasing the number of women applicants.

## Impact-Outreach

The impact of this initiative is multifold: "Lokum 2" financially supports people with no access to finance, it stimulates business development in the region, it provides essential income for many families and it supports the formalization of businesses. Since its introduction in April 2010 Moznosti has disbursed 200 loans for a total amount of €679,760 supporting 177 families (total of 468 people) and creating or helping to maintain an additional 125 jobs beyond the clients' families. Out of the total number of clients, 88% are men (within the Albanian minority the women rarely own a business), 82.5% are minorities (Albanian and other) and 55% are rural clients. The initiative has an indirect impact on the region by helping to stimulate business development and reduce migration. Furthermore, the fact that the "Lokum" loan has better conditions than "Lokum 2", it encourages businesses to become regulated and apply for a loan with better terms, increasing the number of tax payers and the amount of money the country and the region collects.

## Replication

This initiative can be directly replicated in countries/regions with gray-economy, lack of firm government control or where businesses are forced to regulate and transform from their current non-regulated state. The benefits this initiative creates for the institution and for clients is a strong reason for replication. In addition, the principle of innovation and flexibility, in terms of loan conditions and loan approval process, can be replicated in every aspect of micro financing where an obstacle to reaching clients exists. Where the client cannot provide proof of activity, photographs can be used to support the unofficial data gathered from the client. They will show the property of the client, the machines and equipment used, the investments he/she has made in the business, the stock etc. Having trained credit committee members to translate the photographs into information about loan capacity of the client is an important asset for the institution.



Jakimoska Snezana, tailor,  
a beneficiary of "Delightful 2" loan



"Lokum" is a popular Turkish (and Balkans) delight made of flour, water, sugar and gelatine. Highly incorporated into Macedonian culture, it is a very small but incredibly sweet and delicious delight. Hence the name of the product, that symbolizes a small, delightful and easy loan for any type of need of micro businesses.

# Institutional Profile

## History

Moznosti was founded in 1996 as a non-profit and non-governmental association of citizens. In 2000, the Association Moznosti founded the Savings Bank Moznosti Skopje. The pillars of the business policy are based on continued innovation and implementation of new products and services, with constant knowledge of developing trends and recognition of needs in the market. Moznosti is a partner of the global microfinance institution Opportunity International, with its headquarters in the USA.

## Mission

"We believe in free initiative, individual creativity and personal responsibility. Our mission is to provide opportunities for people in need to gain support for their good business ideas. We offer access to initial capital. Our goal is the creation of new jobs and our method is small loans for small businesses. We expect from people to help themselves, their families and the community with the results of their businesses, by which our organization will become respected entity in the financial market."

## Governance Structure

Saving House Moznosti is governed by a Board of Directors (composed of seven members) which controls the legality of operations and is responsible for the stability and efficiency of the institution. The CEO leads and administers the organization and, together with the management team composed by the department directors, he/she initiates and implements work improvements.

## Organisational Structure

Moznosti's front office structure is composed by 13 branches and 1 department for SMEs situated in the head office. Apart from these units that are in direct communication with clients, the Sales department also has 2 supporting units: Sales coordination and CRM. The following departments form the back-office: Business development and risk, Logistics, Legal, Human resources, Anti-money laundering and Information security. On December 31<sup>st</sup>, the organization employed 116 people, 49 of which are Client Relationship Officers.

## Target Clients

Moznosti's target clients can be divided in 5 groups (in brackets the percentage of active clients on December 31<sup>st</sup>): micro and small businesses (35.02%), farmers (34.99%), consumers (28.51%), pensioners (1.27%) and students (0.2%). Majority of the clients come from marginalized groups of society and 41.37% are rural clients.

## Geographical Area of Operation

Moznosti has branches in 10 towns in the country covering the town, nearby towns and villages. The capital Skopje is covered by three branches located in three different parts of the city, and a SME unit that deals with the biggest clients from all around the country.

## Products and Services

Moznosti offers loan products, savings deposits and foreign exchange services to its clients. In terms of lending, Moznosti offers 22 loan products with different characteristics according to the sub-segment of the five target groups: i.e., lower segment products have broader purpose and require less documentation and more emphasis on unofficial data and the loan officer's judgment. In terms of deposits, Moznosti offers voluntary sight and term deposits on various terms, from 1 to 36 months. All deposits are either in national currency or in Denar indexed in euro. Finally, foreign exchange services are offered to clients and non-clients of the institution at every branch.





Above. Moznosti team at work



Left. Saliu Nejaziye, food products merchant, a beneficiary of "Delightful 2" loan



Gjorgjevski Nikola, mechanic, a beneficiary of "Delightful 2" loan

### Financial Achievements

|                                  | Dec 10  | Dec 11  | Dec 12  |
|----------------------------------|---------|---------|---------|
| Portfolio at Risk <sup>(1)</sup> | 10.54%  | 12.87%  | 11.48%  |
| Write-Off Ratio                  | 0.00%   | 0.66%   | 0.51%   |
| Portfolio Yield                  | 13.22%  | 14.60%  | 14.60%  |
| Debt to Equity Ratio             | 3.54    | 3.72    | 2.86    |
| Operating Expenses Ratio         | 6.39%   | 8.22%   | 9.37%   |
| Cost per Borrower                | €238.08 | €284.16 | €305.66 |
| Staff Productivity               | 71      | 69      | 62      |
| Return on Equity                 | 0.87%   | 1.73%   | 2.76%   |
| Return on Assets                 | 0.18%   | 0.37%   | 0.73%   |
| Operational Self-Sufficiency     | 101.67% | 103.12% | 105.95% |

<sup>(1)</sup> PAR30

### Adopted Approach

The products are created to be appropriate for marginalized groups of clients. In terms of lending, Moznosti follows the individual approach. Every business client or farmer applying for a loan is visited at the place of his/her activity as standard procedure in Moznosti's methodology to assess the client's character, capacity and needs. Loan approval is greatly decentralized and most loans are approved at the branch, within a few days of application.

### Funding sources

Moznosti was founded entirely from grants provided by USAID. Over the years, its capital has grown due to positive financial performance. Today, around 30% of its 6,568,300 EUR capital is comprised of retained earnings, while the rest is the founding capital.

### Outreach Achievements

|                               | Dec 10         | Dec 11         | Dec 12         |
|-------------------------------|----------------|----------------|----------------|
| Active Borrowers              | 7,559          | 7,773          | 7,230          |
| Women                         | 22.75%         | 23.73%         | 25.68%         |
| Migrants                      | 22.32%         | 26.66%         | 35.39%         |
| Youth                         | 2.00%          | 1.34%          | 0.57%          |
| Rural Clients                 | 39.61%         | 40.92%         | 41.37%         |
| Clients Below Poverty Line    | n.a.           | n.a.           | n.a.           |
| Active Savers                 | 7,813          | 8,522          | 8,510          |
| Women                         | 27.39%         | 26.17%         | 26.63%         |
| Migrants                      | n.a.           | n.a.           | n.a.           |
| Youth                         | n.a.           | n.a.           | n.a.           |
| Rural Clients                 | 35.43%         | 39.70%         | 37.91%         |
| Clients Below Poverty Line    | n.a.           | n.a.           | n.a.           |
| Loan Portfolio                | €27,144,162.00 | €26,556,304.00 | €23,060,761.00 |
| Average Loan Amount Disbursed | €4,285.00      | €3,891.00      | €3,823.00      |
| Number of Branches            | 13             | 13             | 13             |
| Number of Staff               | 106            | 113            | 116            |
| Number of Credit Officers     | 50             | 49             | 49             |
| Client Drop-out Ratio         | n.a.           | n.a.           | n.a.           |