

## Peer-to-Peer Visit Report

### **AgroInvest, Serbia visited Ustoi JSC, Bulgaria**

**4-5 December 2017**

#### **Background of the meeting and the visiting delegation:**

AgroInvest, Serbia, has been operating since 2005, with the mission of “serving and empowering rural families with high-quality financial services and social programmes”. AgroInvest’s operations primarily put the focus on people in rural areas who are poor, but who have a strong sense of entrepreneurship - they aspire to create and to run their own small businesses. The company has 19 branches and employs 150 people, mostly in Operations. Since Serbia doesn’t have a Regulatory Framework for Microfinance, AgroInvest lends through a partner bank. The company offers five different types of rural products.

AgroInvest is investigating the development of a Group Lending product, thus, it approached EMN for a peer-to-peer visit. After analysing different aspects, AgroInvest chose to visit Ustoi from Bulgaria. One Regional Manager and one Team Leader from AgroInvest attended the visit that was coordinated and planned in advance. The purpose of the PTP was to learn about Ustoi’s business model, but, primarily to learn about the group lending methodologies and to see the clients who use group lending products.

#### **Lessons learnt during the visit:**

With the aim of having an impact on the lives of clients’, of bringing them economic and social empowerment, and of improving the wellbeing of their families in mind, AgroInvest is considering the possibility of extending its services to even more vulnerable market segments. Thus, the company conceived the idea to introduce group lending to its product portfolio.

During day one of the visit, AgroInvest employees visited Ustoi’s Headquarters where the CEO and the Risk Manager introduced the company including the organisational structure, the way it operates, and the various departments. The AgroInvest team learnt about the organisational chart of the company and how different departments cooperate between each other. Primarily they learnt how an organisation functions when there is a regulatory framework for Microfinance and how AgroInvest can open up risk appetite in case the company is able to work more independently from the bank, which is expected to happen.

The second day of the visit was more operational and completely focused on group lending. The AgroInvest team visited the branch in Sofia where they learnt about Ustoi's group lending. After that, they went into the field to see how the group lending functions – they visited clients who use the product. Given the fact that it is the first time for the team to see the group lending implemented and how it functions and the fact that the company plans to introduce it to its clients, this was a unique chance to see the impact and learn about how the group lending works. AgroInvest clients are poor people from remote areas, however, individual loans limit us in entering the market and lending to the really excluded social groups. When the pressure of returning the loan is brought on individual borrowers, the level of poverty we reduce is limited. However, group lending - where the group controls the repayment of the credit - would enable us to enter the market in even more remote areas, and for example to expand our target group to Roma population etc.

The models of AgroInvest and Ustoi are quite different because Bulgaria has a regulatory framework for microfinance and Serbia doesn't. Consequently, Ustoi lends directly and can be more flexible in developing products etc. Nevertheless, the AgroInvest employees saw group lending „in action” and believe that this type of product should be considered by AgroInvest's management team because the risk for the company is not big and because this type of lending is ideal for some parts of Serbia where most of the clients take loans for small businesses and they cooperate. Moreover, after the field visit, both of the AgroInvest colleagues realised that group lending can be an opportunity for the company to include the most disadvantaged groups as well as clients that don't have assets for security, access to social relations, markets and/or financial literacy. Given the fact that AgroInvest recently started to serve the Roma population, the group lending can be the best option for the market segment.

### **The visiting organisation's plans to adapt some key lessons to its own organisation:**

- Present the idea of group lending to the Operations department in order to investigate the development of such products.
- Continue to gain new knowledge on group lending and the possibilities in line with the needs of the Serbian market.
- To enter/reach new market segments such as Roma population, when introducing the Group lending to our portfolio.
- Continue our efforts to lobby for microfinance law as Bulgaria is an example of the benefits of such a law for an MFI and for the country.