



European Union
European Regional
Development Fund

ATM for SMEs
Interreg Europe



Z A L A

Z M V A

1 9 9 2

Social outreach of microfinance and mitigating the negative effects of financial exclusion

Way out of poverty Self-employment and Microcredit Programme

Andras Nagy
managing director



European Union
European Regional
Development Fund

ATM for SMEs
Interreg Europe



Main objective of the initiative

The objective of KIÚT (Escape) program is to enable people living in deep poverty – primarily Roma – to become self-employed by providing them with social support, financial services and information; and as a result, help them improve their social status and make a living for themselves and their families.

The most important tool: unsecured micro loans (*Grameen model - group-based micro financing*). **Adapting?**

The most important specific goal:

- ✓ the clients establish sustainable businesses that connect into the regular flow of local economy





European Union
European Regional
Development Fund

ATM for SMEs
Interreg Europe



ZALA
ZMVA
1992

Territory of implementation

The most backward regions of Hungary (eg. *Szabolcs-Szatmár-Bereg county and Borsod-Abaúj-Zemplén county*), where people living in deep poverty and help them improve their live conditions

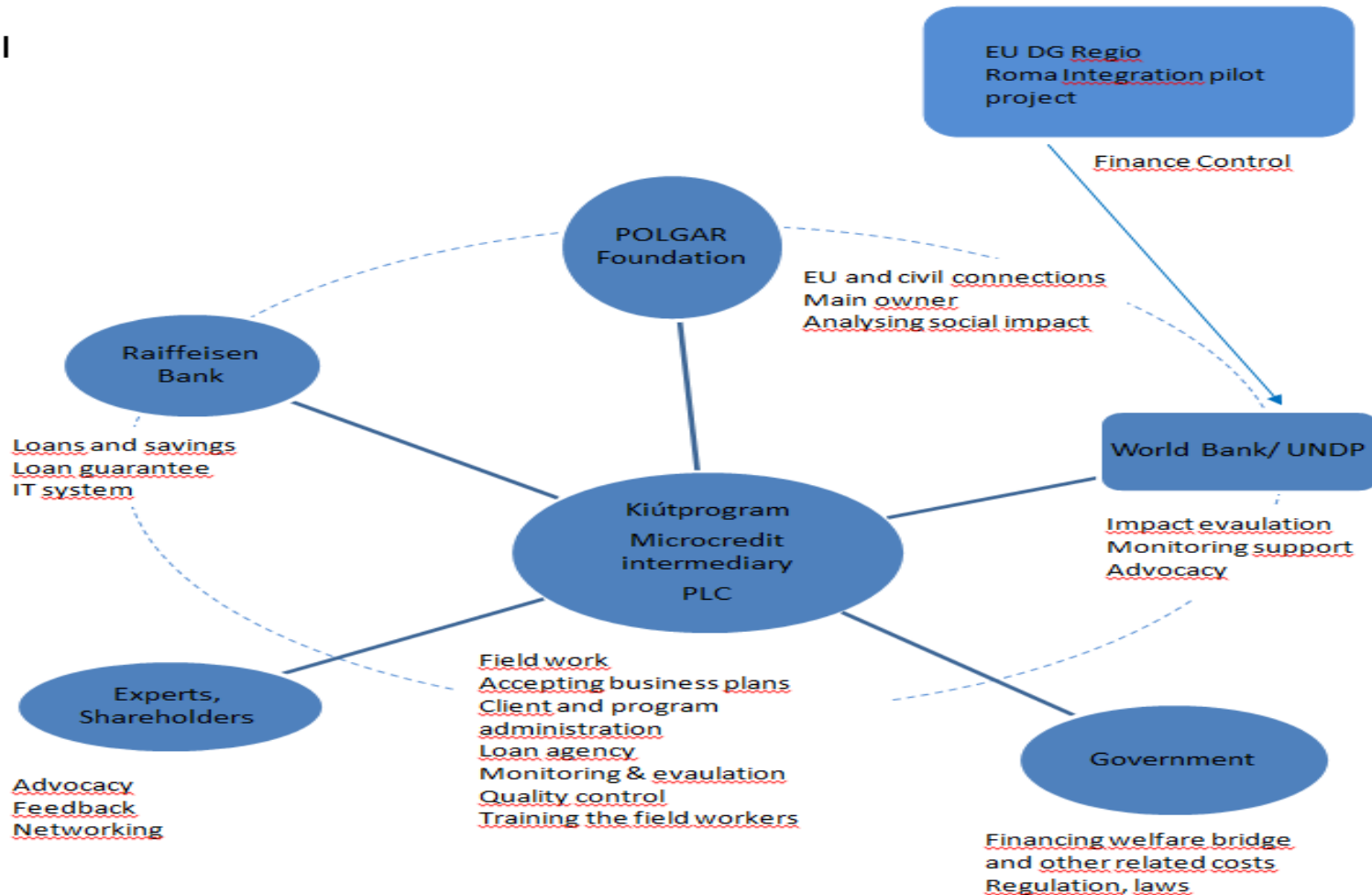
Timeframe: 2009-2012





Institutional structure

I





Steps

1. Exploring the location

- The field worker analyses the location, including its economic, social relations, potential clients, the status of local government, other potential partner organisations.

2. Organising a forum

- The objective of the forum is to give a general idea about the goals of the programme, declare the most important rules and have enough interested participants meeting the criteria to start personal interactions

3. Personal contact

- Following the forum, the field work interested candidates in person. The ideal is the home of the family.





Steps

4. Pre-group meetings

- Community building-group meetings must be organised to find out if they are capable of working as a group and take responsibility for each other

5. Filtering

- The most important milestone. The field worker pre-filters candidates by checking these four areas: unpaid taxes, unpaid loans to financial institutions, a simple business draft (*on a piece of paper; so-called “checked paper”*), complete and evaluate the scoring card. The field worker sends the business draft and the scoring card with his or her recommendation to the headquarters where the Credit Committee (CC) decides about the feasibility of the idea.





Steps

6. Preparing finalised business plans

- The field worker must meet the group at least once a week and work with the clients individually, too.
- Finalised business plans follow a template; a cash flow plan for 13 months must also be submitted created in Excel

7. Group formation

8. Preparing and issuing the loans

- the first two recipients must start their businesses, and open business accounts
- security deposit accounts (*as a savings account with a 15% interest at sight*) and group fund accounts are also opened



Steps

9. Creating and maintaining the business

- Field worker's cooperation is necessary because of prejudices against the Roma and the poor; in these cases, field workers act as catalysts

10. Tasks connected with the repayment of loans

- Field workers must continuously track the repayment of instalments.
- The field worker receives late payment reports from the financial manager, and he or she also tracks payment balances.

Kiútprogram provides bookkeeping for free and pays the entrepreneur's contributions for 1 year.



European Union
European Regional
Development Fund

ATM for SMEs
Interreg Europe



Target group

The social micro-lending target below the poverty line, or near the living form, in particular the Roma, and the ethnically mixed (*Roma - non-Roma*) live non-Roma environment.

Typically:

- ✓ occasional- or seasonal work people,
- ✓ day laborers,
- ✓ informally employed,
- ✓ Unemployed,
- ✓ living on welfare ,
- ✓ other inactive



European Union
European Regional
Development Fund

ATM for SMEs
Interreg Europe



Z A L A
Z M V A
1 9 9 2

Innovativeness - The Syllabus of the Field Workers' Training



The most important objective of the programme is to train field workers who can take on a dual role and maintain the sensitive balance of Kiútprogram, namely, candidates who can work both as social workers and business developers.

A key feature of the social micro-lending to the client's own activity builds on arousing, field workers must help participants modify their life styles regarding regularity and planning, and also develop clients' social competencies in areas such as running official errands.



European Union
European Regional
Development Fund

ATM for SMEs
Interreg Europe



Summary

- Budget 1,4 MEuro + state + private
- Mentoring
- Field workers: social and financial mentors
- CRM Banking
- First credit – for only enterprise starting
- Without collateral
- **TRUST!???**
- <http://kiutprogram.hu/index.php/en/>

