Microfinance in Europe: A Survey of EMN-MFC Members

REPORT 2014-2015

December 2016

Fabrizio Botti
Diego Luigi Dagradi
Luca Maria Torre

EUROPEAN MICROFINANCE NETWORK
MICROFINANCE CENTRE
EUROPEAN INVESTMENT FUND
European Commission
With financial support from the European Union

Content

Figures

Tables

Client stories

MFI experiences

Acknowledgements

Fondazione Giordano Dell'Amore (FGDA) managed the EMN-MFC Survey 2014-2015 on behalf of the European Microfinance Network (EMN) and the Microfinance Centre (MFC).

EMN, MFC, and FGDA would like to thank the institutions that participated in the Survey whose contributions will enhance the development of the sector at both the European and national levels. Our sincere gratitude also goes to those organisations that collected the voice of their clients or shared their experience and knowledge of the sector through personal interviews.

EMN, MFC, and FGDA would also like to thank the National Networks for their support in reaching their members and thus allowing for higher response rate:

Arsim Brucaj, Association of Microfinance Institutions of Kosovo (AMIK), Kosovo

Septimiu Lupea, Credit Union Association from Western Region (UTCAR), Romania

Jörg Schoolmann, German Microfinance Institute (DMI), Germany

Péter Vonnák, Hungarian Microfinance Network (HMN), Hungary

Federica Paviolo and *Daniela Palermo*, Italian Microfinance Network (RITMI), Italy

Katarzyna Sabaranska and *Julia Majer*, Polish Union of Loan Funds (PZFP), Poland

Theodora Hadjimichael, Responsible Finance, United Kingdom

Jaime Durán Navarro, Spanish Microfinance Association (AEM), Spain

EMN, MFC, and FGDA would finally like to extend their gratitude to those involved in the translation of the questionnaire as well as to institutions that tested the questionnaire before its distribution. We are also grateful to the members of the Research Committee for their insightful comments and contributions that greatly improved the Report.

Fondazione Giordano Dell'Amore would like to extend its distinct appreciation to Nicola Benaglio from EMN for his assistance and technical support.

Foreword

The main purpose of this EMN-MFC survey of the microcredit sector is to track changes in the industry and deepen the understanding of core issues such as scale, outreach, sustainability, social and financial performance, while also identifying future plans for the industry's growth.

By learning more about the current scale and nature of microfinance's activities in Europe, we are in a better position to identify and meet the needs of the sector and help it to meet its objectives. Through this study, EMN and MFC will be able to better influence the adoption of more proportionate regulatory frameworks for the development of microfinance at a European level.

The current study has been elaborated conjointly between EMN and MFC, and it is an excellent example of the complementarities and the added value of the cooperation between the two European microfinance networks. The Survey is specifically focused on EMN and MFC members and on the members of the different national microfinance networks affiliated with the EMN.

Though this study has been carried out on a biennial basis since 2004, it has been constantly evolving since its first edition. The survey has increased its coverage from the 32 micro-lenders in 10 European countries participating in 2004 to 149 institutions from 22 countries participating in this 7th edition.

The results of this edition show that demand has never been higher for Microfinance in Europe (in 2015, surveyed institutions served 747,265 active borrowers and the gross microloan portfolio outstanding reached EUR 2.5 billion). Additionally, the industry is improving its institutional capacity to meet this demand; overall, the financial performance data collected shows an increasingly robust and sustainable sector.

These data show that microfinance in Europe is gradually being consolidated as an essential tool of social policy for the promotion of self-employment, microenterprise support and the fight against social and financial exclusion. Nevertheless, behind the figures, there are in fact men and women who are willing to take control of their future with the help of microfinance institutions.

The current edition has been led by Fondazione Giordano Dell'Amore (FGDA). Nevertheless, this project would not have been possible without the collaboration of a large number of EMN and MFC members and the support of many other external organizations.

We want to give thanks to all the organizations that have collaborated in the preparation of this study and we hope that the conclusions and the various analysis carried out will help in the development of the microfinance sector in Europe.

Patrick Sapy
EMN President

Cristian Jurma
MFC President

Preface

In the previous edition, we started our preface by stating that this regular market assessment has established itself as a key publication for the European microfinance market. This new version corroborates and develops this position as it is for the first time based on cooperation between the European Microfinance Network (EMN) and the Microfinance Centre (MFC) – as such it is in terms of coverage and scope even wider than previous analyses.

The study tracks the evolving nature of Eastern and Western European microfinance and via the creation of consistent panel data it lays the ground for future assessments and evidence based analyses. As a combination of quantitative information stemming from the survey wave and qualitative evidence collected from interviews it provides useful statistics to the benefit of a wide range of market participants, including policy makers, transaction managers and market researchers. We are, therefore, happy to continue to support this publication, also for this updated and enhanced overview.

We - as European Investment Fund - have been involved in the European microfinance sector since 2000, providing funding (equity and loans), guarantees and technical assistance to a broad range of financial intermediaries, from small non-bank financial institutions to well-established microfinance banks to make microfinance a fully-fledged segment of the financial sector – everywhere in Europe. In this way, we pursue core European Union's objectives: entrepreneurship, growth and job creation.

EIF manages since mid-2015 the EPMF (European Progress Microfinance Facility) successor programme, EaSI (Employment and Social Innovation), on behalf of the European Commission. Early results are very promising and EaSI will not only result in significantly increased lending capacity for microcredit providers but also emphasise the need for accompanying business development services and further strengthen the professional standards of non-banks through implementation of the European Code of Good Conduct for Microcredit Provision.

It is exciting to follow the development of the European microfinance market. Established non-bank MFIs grow in size and refine their product offering, greenfield MFIs are being created, banks develop microcredit products in cooperation with NGOs, fintechs reach out to new borrower categories, etc. Overall we expect a lot of new activity in years to come, which also will filter its way through to future market assessments and surveys.

EU-wide public microfinance schemes need to establish complementarity with other microfinance initiatives set up at national or regional level, e.g. backed by government funds or structural funds. Also, and increasingly important, crowding-in of private resources is needed to build a sustainable eco-system for the European microfinance market. For the design of efficient public support schemes, in-depth information is essential. In this context, we think that this new report "Microfinance in Europe: A Survey of EMN-MFC Members" plays an important role as a valuable source of information and as a basis for future market assessments.

Per-Erik Eriksson
Head of Microfinance
European Investment Fund

Dr. Helmut Kraemer-Eis
Head of Research & Market Analysis
European Investment Fund

Executive Summary

This seventh edition of the Report on microfinance in Europe provides an overview of the sector developments on the main institutional characteristics, microloan portfolio, social and financial performance for the period 2014-2015, based on data collected through the Survey carried out for the first time as a collaboration between the European Microfinance Network (EMN) and the Microfinance Centre (MFC). The EMN-MFC Survey 2014-15 improves in the selection criteria of participant institutions compared to previous editions. The group of 149 surveyed actors is part of a pre-selected set of microcredit providers: members of EMN and MFC networks (66 MFIs) and members of National Networks affiliated with the EMN (83 MFIs). Quantitative data and information collected through the Survey questionnaire has been combined with qualitative interviews from key European microlenders. As a result, the EMN and MFC joint report offers a wide-ranging perspective on the European microfinance industry and establishes the creation of a consistent panel dataset for the coming years.

KEY FINDINGS

Survey approach

- Overview of the European microfinance sector in 2014-2015 based on data collected from members of the European Microfinance Network (EMN) and the Microfinance Centre (MFC), and members of National Networks affiliated with the EMN.

Institutional diversity of European microfinance

The 2014-15 EMN-MFC Survey involved a broad range of actors from 22 countries (14 EU Member States). Different regional development paths persist for MFIs in Western and Eastern Europe but also show signs of potential convergence.

Microloan providers use a variety of institutional models to operate in heterogeneous legal and regulatory frameworks: survey participants are primarily non-bank financial institutions (60%) and NGOs (31%) but also include other legal forms (i.e. commercial banks, cooperatives/credit unions, government body).

The European microcredit sector, as depicted by the 149 surveyed MFIs, is diverse, relatively young and dynamic. The majority of respondents (77%) initiated their microlending activities after 1995. Approximately half of the sample started lending activities between 1995-2004.

The vast majority of responding MFIs selected financial inclusion (72%) and job creation (70%) as their primary missions, followed by microenterprise promotion (60%) and social inclusion and poverty reduction (59%). A smaller share of respondents' mission statements (20%) emphasize ethnic minorities and/or immigrant empowerment as well as youth employment (18-25 years) goals.

More than half of the surveyed MFIs are specialised in microlending activities, which contribute to more than 75% of their overall turnover. The total number of paid staff reached 7,076 full-time equivalent employees in 2015, with a substantial share of women staff (56%) and a significant presence of MFIs with less than 10 employees (42%).

KEY FINDINGS

Institutional diversity

- The European microcredit sector, as depicted by the 149 surveyed MFIs from 22 countries, is diverse in terms of institutional models (although the majority are NBFIs and NGOs). The sector is relatively young (most MFIs started operations after 1995), and its mission statements primarily focus on financial inclusion and job creation goals.

Microlending activities: trends and outreach

In the period 2014-2015 both the total volume and the number of microloans disbursed showed a growing trend. In 2015, the MFIs surveyed disbursed a total of 552,834 loans (+12% compared to 2014) with a total volume of almost EUR 1.6 billion (+16%).

Overall in 2015, surveyed institutions served 747,265 active borrowers (+13% compared to 2014), and the gross microloan portfolio outstanding reached EUR 2.5 billion (+15%).

The outstanding portfolio is predominantly allocated for business purposes (71% of the total in 2015, 75% in 2014). Nevertheless, the overall distribution is shifting towards personal loans (29% of the total in 2015) due to the fastest grow of number and value of personal microloans disbursed compared to business microloans.

In 2015 the number of active borrowers supported by business microloans reached a total of 402,365. During the year the MFIs surveyed disbursed a total of 220,305 business microloans (+8% compared to 2014) corresponding to a total lending volume of EUR 917 million (+6%).

The survey shows also that a minimum of 207,983 enterprises were supported with business microloans in 2015 with informal businesses and self-employed representing the main clients segment served. The reported number of enterprises supported by the MFIs surveyed increased by 9% from 2014 to 2015.

In terms of personal microloans, in 2015 MFIs surveyed disbursed a total of 332,529 microloans (+15% compared to 2014) corresponding to a total volume of EUR 654 million (+34%). During the same year, the number of active borrowers supported by personal microloans reached a total of 344,900.

Business and personal loan products differ greatly with regards to their terms and conditions. In terms of average characteristics personal microloans are much smaller in size than business microloans (EUR 1,697 vs. EUR 7,947), are offered on shorter terms (30 months vs. 41 months) and are pricier (19% interest rate vs. 10.7%).

Overall, in terms of clients served with both business and personal microloans, surveyed MFIs show a partial commitment to the different target groups proposed in the Survey: rural or urban population, unemployed people or people on welfare, women, ethnic minorities and/or immigrants, youth aged 18-25 years old, disabled people, and financially excluded individuals. MFIs diversify their portfolio risk by serving multiple categories of disadvantaged borrowers (more than 4 on average), each of them representing a limited share of total active borrowers served.

KEY FINDINGS

Outreach

- EMN-MFC extended members contributed to a significant expansion of the scale of the sector both in terms of number and volume of microloans disbursed.
- The overall outstanding portfolio is predominantly allocated to business purposes, although an increasing number of clients are served with personal microloans in the period 2014-15.
- In terms of support for entrepreneurship, the number of active borrowers supported by business microloans reached a total of 402,365 in 2015.

Non-financial services as a prevalent component of European microfinance provision

The provision of both financial and non-financial services is a distinctive feature for a large portion of survey participants.

A negligible number of institutions offer financial services beyond business and personal microloans, but additional products include: insurance (4%), current/checking accounts (3%), mortgages (3%), mobile banking (1%), and money transfer services (1%). Two exceptions to this trend are MFIs that provide larger size business loans (>25,000 EUR to microenterprises and SMEs; 42%), and offer savings (18%). Although green microfinance is still considered a young and underdeveloped trend in the European industry, the promotion of environmentally friendly practices through microloans for renewables, energy efficiency and environmentally-friendly activities is currently carried out or planned to start by almost a third of survey respondents.

A large number of the surveyed MFIs also offer non-financial services (58% of participating MFIs). The most common non-financial services include business development services (BDS, 32%), financial education (31%), and mentoring (30%). MFIs mostly internalise the provision of non-financial products and services (88% of the 85 responding MFIs) and mainly deliver them “in person” to their clients (56%) or combine personal and online methods (40%).

KEY FINDINGS

Beyond microloans

- Most of surveyed MFIs follow an integrated approach to microfinance allowing for the provision of financial products (primarily personal and business microloans but also savings and business loans) and non-financial services (mostly BDS, financial education and mentoring).

Financial performance: improving financial reporting and soundness

A substantial share of the surveyed institutions provides reliable financial performance data, which is consistent with the on-going maturity process of the European microfinance sector and signals the gradual development of management information systems and the institutional capacity to adhere to standard reporting requirements.

Financial performance and portfolio quality trends document an increasingly financially viable European microfinance sector despite a few critical, specific cases.

In terms of portfolio quality, surveyed institutions show an overall improvement during the period 2014-2015: PAR30 decreased from 10.4% to 9.7% and write-offs from 2.8% to 2.6%.

The overall financial sustainability as measured by the return on assets (ROA), the return on equity (ROE) and operational self-sufficiency (OSS) is lower for Western MFIs compared to their Eastern counterparts, where most of the operationally sustainable and best financially performing MFIs are located.

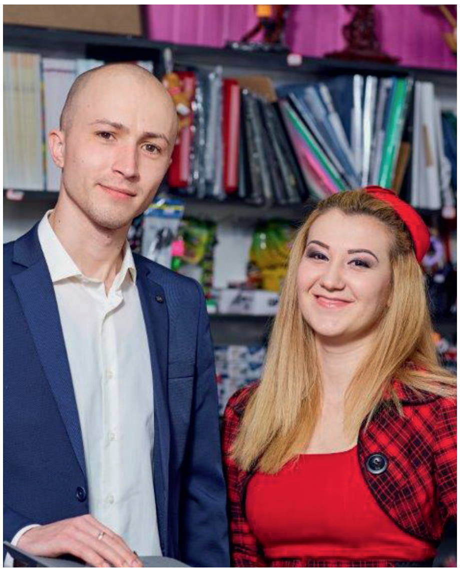
Overall, the average ROE increased from 2.8% in 2014 to 5.7% in 2015. This trend is primarily driven by MFIs in Eastern countries, where ROE more than doubled (from 3.6% to 7.7%). In Western countries, the average ROE is negative and declining. ROA (3% in 2015) and OSS (90.6% in 2015) have not undergone major changes in the two surveyed years. Only 43 out of 94 institutions are operationally self-sufficient in 2015: only seven of them are from Western European countries.

KEY FINDINGS

Financial performance

- Financial performance shows an overall positive trend: portfolio quality is improving and sustainability is stabilizing.
- Most operationally sustainable and financially best performing MFIs are located in Eastern European countries.

…in other words, it turned out, we did not need a miracle to break out of poverty. With financial access, my family was given the opportunity to create a better life and a future for my children.



If I had to do it all over again, I wouldn’t change a single thing!

The MFI listened to my proposals and could see the potential in the business when others doubted me.

1. Introduction

The European Microfinance Network (EMN) publication, "Overview of the Microcredit Sector in the European Union" has been carried out on a biennial basis since 2004 with the aim to provide a consistent picture of the European microfinance sector.

Considering the volatility of MFI participation and the resulting compositional changes in the group of surveyed MFIs from past Overview editions[1], the EMN decided to introduce two significant changes to this seventh edition of the Survey compared to previous waves:

- The 2014-15 edition of the European microfinance sector Survey is a joint effort of the EMN and the Microfinance Centre (MFC).
- Surveyed institutions are a pre-selected set of microcredit providers that are members of both networks (EMN and/or MFC) or members of National Networks affiliated with the EMN.

Thus, the 2014-15 Survey focuses on EMN and MFC members rather than explore a non-representative sample of European actors as in previous editions. By exploiting the membership base of the two main European microfinance networks, the current and future editions of the Survey will contribute to the construction of a more consistent panel data set of MFIs, allowing for the comparison of their social and financial performance over time. Given the enormous data collection effort that a full representation of the European microfinance market would require, this strategic reorientation will improve the quality and comparability of the data collected. Particularly, the overall aims of the 2014-15 Survey are to:

- Provide comparable and reliable data to the EMN and MFC for the years 2014 and 2015.
- Capture the financial activities and socio-economic performance of the participants in various market segments such as personal and business microlending.

Following a call for proposal procedure launched in October 2015, Fondazione Giordano Dell'Amore (FGDA) was awarded the management of the present Survey that covers all EU-28 countries, EU candidate countries, EFTA countries, and other European countries where MFI members of the EMN and MFC are operating.

1 The Overview covered 32 micro-lenders from 10 European countries in 2004, 89 lenders from 15 countries in 2006, 94 institutions from 21 countries in 2008, 170 institutions from 21 countries in 2010, 154 institutions from 25 countries in 2012, and 150 institutions from 24 countries in 2014.

2. Survey Approach

Table 1 – EMN-MFC Survey 2014-15: Response rate

	EMN or MFC members	National Networks members	Total
Institutions contacted	75	170	245
Institutions that are not microcredit providers	2	27	29
Microcredit providers	73	143	216
Respondents	66	83	149
Response rate	90%	58%	69%

The research has been conducted using a mixed-method approach of quantitative and qualitative tools, including both a survey questionnaire and interviews with selected European providers.

The existing structure of the EMN Survey questionnaire used in the previous edition has been reviewed in close cooperation with the EMN & MFC Secretariats and the EMN Research Committee. In order to obtain a comprehensive, balanced, and user-friendly questionnaire, some adjustments to existing questions and new queries have been introduced:

- Institutional type has been reduced to five options (commercial bank, cooperative/credit union, government body, non-bank financial institution, and non-governmental organisation).
- There is now the possibility to describe non-financial products and services in new closed questions.
- The share of target groups served in microlending is now based on active borrowers instead of number or value of microloans disbursed.
- New financial indicators such as the provision expense ratio, the financial expense ratio, and the return on equity have been added.
- The definition of terms and indicators have been integrated into the questionnaire (see the "Glossary" section for detailed descriptions).

The final questionnaire has been tested, translated in seven languages (French, German, Hungarian, Italian, Polish, Romanian, and Spanish) and circulated to potential participants as a guide to gather information before filling out the online survey on SurveyMonkey.

For some networks, activity monitoring of member participation has been directly managed by FGDA: Association of Microfinance Institutions of Kosovo (AMIK), German Microfinance Institute (DMI), Hungarian Microfinance Network (HMN), Italian Microfinance Network (RITMI), Responsible Finance (the United Kingdom), Spanish Microfinance Association (AEM). In the case of the Credit Union Association from Western Region (UTCAR, Romania) and the Polish Union of Loan Funds (PZFP), members have been contacted by their respective National Networks to which FGDA submitted a periodical update of questionnaires.

Evidence presented in the present Report is based exclusively on data provided by 149 participants to the EMN-MFC Survey 2014-15 from 22 countries. The group of surveyed institutions is composed of members from both networks (EMN and/or MFC) or members of National Networks affiliated with the EMN and who are engaged in microcredit activity. As a consequence of such selection criterion, responding institutions must offer at least business or personal microloans.[2] Of the 245 MFIs contacted, 29 institutions did not qualify as microcredit providers and were excluded.

2 A business microloan (EU definition of microcredit for business or entrepreneurial purpose) is a loan under EUR 25,000 to support the development of self-employment and microenterprises (Bending et al., 2014).
A personal microloan (or microcredit for personal consumption purpose) is a loan under EUR 25,000 for covering a client's personal consumption, such as rent, personal emergencies, education, and other personal consumption needs (e.g. white goods) (Bending et al., 2014).

3 The list of EU Member States is available at the EU website http://europa.eu/about-eu/countries/index_en.htm

Of the remaining 216 microcredit actors, 149 MFIs participated, which corresponds to a response rate of 69%. The percentage is higher among EMN and MFC members (90%, or 66 of 73 MFIs) than among National Networks (58%, or 83 of 143 MFIs). The response rates are summarised in Table 1.

The respondents operate in 14 EU Member States[3] (Belgium, Bulgaria, Finland, France, Germany, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Romania, Spain, and the United Kingdom), 4 EU candidate countries (Albania, Macedonia, Montenegro, and Serbia), 1 EFTA country (Switzerland), and other European countries that signed the Association Agreement with EU (Bosnia-Herzegovina, Kosovo, and Moldova).

The most frequent countries in the dataset are from Romania (28 MFIs) and the United Kingdom (26 MFIs). Other countries with National Networks affiliated with the EMN also show a high number of respondents, specifically Germany, Hungary, Italy, Kosovo, Poland, and Spain. Finland, Ireland, Moldova, the Netherlands, and Switzerland each had one respondent.

The geographical distribution of participating MFIs in the Survey is presented in Figure 1.

Figure 1 – Geographical distribution of Survey participants

Note: Countries with National Networks affiliated with the EMN are in light blue.

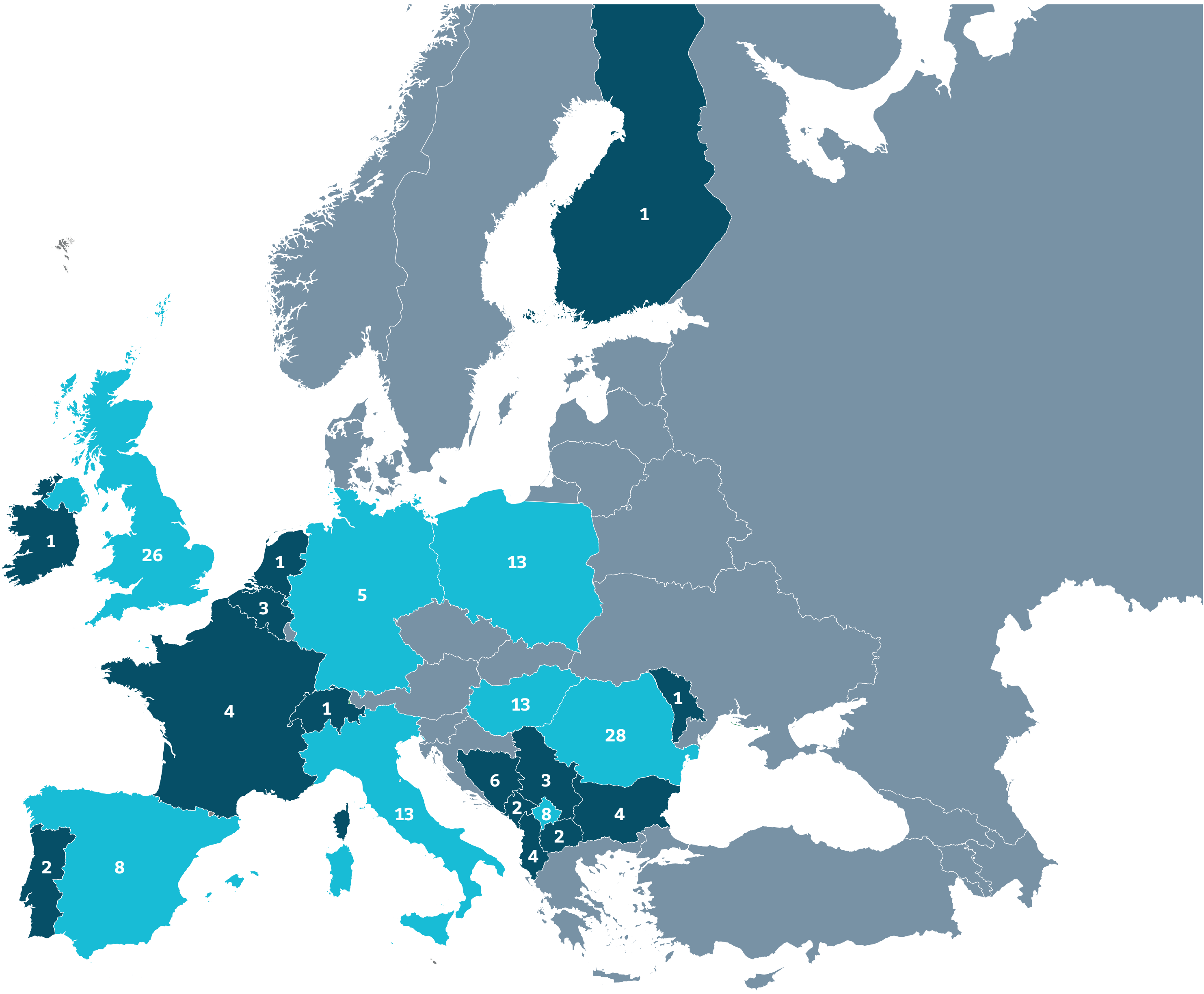


Table 2 – Number of MFIs by region

	Eastern countries	Western countries
Albania	4	
Belgium		3
Bosnia-Herzegovina	6	
Bulgaria	4	
Finland		1
France		4
Germany		5
Hungary	13	
Ireland		1
Italy		13
Kosovo	8	
Macedonia	2	
Moldova	1	
Montenegro	2	
Netherlands		1
Poland	13	
Portugal		2
Romania	28	
Serbia	3	
Spain		8
Switzerland		1
United Kingdom		26
TOTAL	**84**	**65**

For analytical purposes, the Report differentiates between Eastern and Western Europe (11 countries each), with 84 MFIs coded as Eastern European and 65 coded as Western European (Table 2).

The publication is structured in two main parts: "Core issues" and "Cross-cutting issues".

The "**Core Issues**" section tracks changes in the microfinance industry over the current Survey time interval of 2014-2015 and deepens understanding of sector trends in terms of institutional characteristics, loan portfolio metrics, and social/financial performance. The Survey data are systematically analysed and compared by institutional type, and by region/country where appropriate.

The "Core Issues" section is complemented by client stories collected from the field in an effort to capture the customer perspective on the role of microfinance in the European landscape.

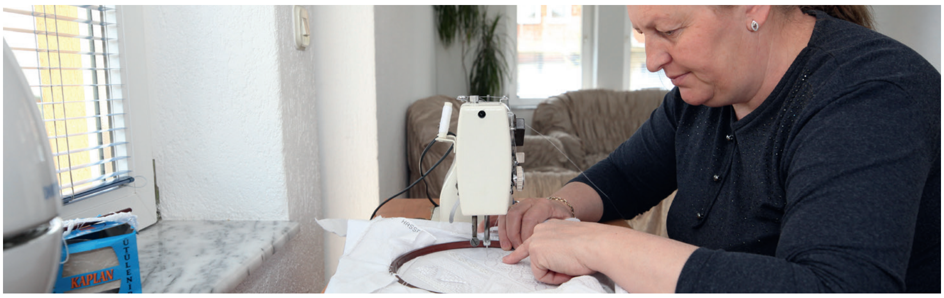
The "**Cross-cutting Issues**" section provides an in-depth analysis on a selection of key debated topics in European microfinance. The section explores the potential connections between outcomes described in the first section of the Report:

- ***Converging path in Eastern and Western European microfinance.*** Microfinance in Eastern and Western Europe currently differs in terms of institutional approaches, target segments, and scale of microcredit activity. Nevertheless, signs of potential convergence exist and are analysed in terms of maturity and scale, focus on microfinance, regulation and financial development.
- ***Institutional framework and mission.*** The interaction of the two dimensions in shaping MFIs target goals, microlending activity and overall performance will be examined in order to highlight the distinctive (and common?) features and challenges faced by EMN-MFC extended members with selected charter types (commercial bank, cooperative/credit union, government body, NBFI, NGO) and how their mission is translated into practice.
- ***Target groups and MFI performance.*** This part aims to identify and discuss: key factors explaining EMN-MFC extended members' outreach to selected categories of beneficiaries; the effect of MFI focus on target groups on their capacity to manage their dual mission or, in other words the potential conflicts and synergies between social and financial performance; the cost of serving different target groups and the role of funding. All analyses take into consideration the implications of an integrated or minimalist approach.
- ***Alternative Approaches to Microlending? Business and Personal Microloans.*** The provision of financial services beyond the mere promotion of small business start-up and development is increasingly acknowledged in the European microfinance industry. This section investigates the distinctive features of microlending activities in meeting diverse client demand.

I believe that everybody is good at something and if more people with ideas have the chance to receive expert support, not only financial but also mentoring, the economy would develop.

...I have been able to start a business when access to finance was previously one of the barriers to starting up my business.

...access to microcredit is a miraculous alternative when all banks close the doors on you and don't trust your ideas and projects.



Core issues

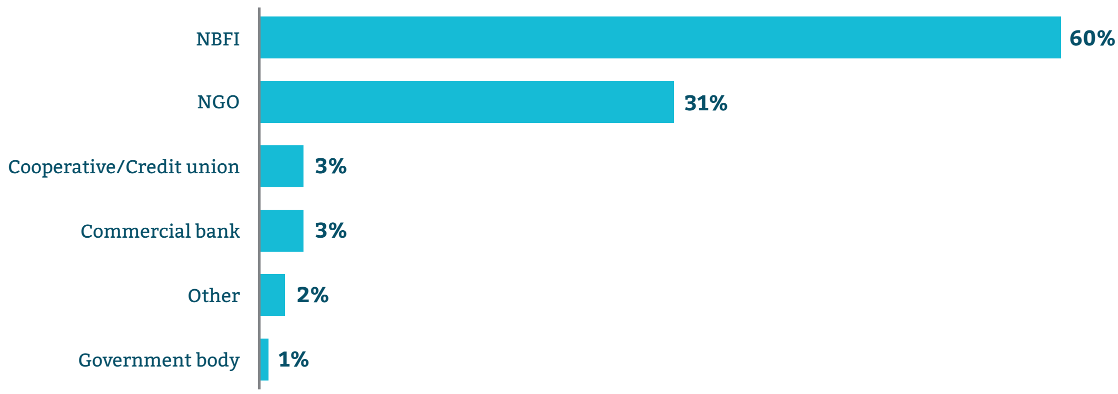
3. Key Institutional Characteristics

The European microcredit sector, as depicted by the 149 surveyed MFIs, is a heterogeneous landscape in terms of institutional models, age, staff size and composition, and focus on microlending activities.

A variety of **institutional types** have been adopted by the surveyed institutions to operate in diverse legal and regulatory contexts throughout Europe, which include: commercial bank, cooperative/credit union, government body, non-bank financial institution (NBFI), non-governmental organisation (NGO)[4], and other. The majority of EMN-MFC extended members[5] are NBFIs or NGOs (Figure 2). Of the 149 respondents, only 5 are commercial banks, 5 are cooperatives/credit unions, 1 is a government body, and 3 are categorised as other (for an in-depth analysis of the role of institutional models on MFI performance, see Section 12).

Figure 2 – Share of MFIs by institutional type

Note: 149 responding MFIs.



A significant share of NBFIs (58%) operate in Romania (28 MFIs)[6] or the United Kingdom (24 MFIs). NBFIs are the most common legal type in Bosnia-Herzegovina (4 of 6 MFIs), Bulgaria (3 of 4 MFIs), and Serbia (2 of 3 MFIs). NGOs are generally concentrated in a handful of countries; 80% of NGO survey respondents come from Hungary, Italy, Kosovo, Poland, and Spain. NGOs and NBFIs are the organisational models for 98% of the 84 Eastern European MFIs in the sample.

In terms of institutional **age**, EMN-MFC extended members represent, on average, a relatively young and dynamic European microfinance sector. In 1932, the oldest MFI in the sample started operating in Romania; the youngest one began operations in Spain during 2015. The majority of respondents (77%) started their microlending activities after 1995 (Figure 3) with nearly 50% starting operations during the decade between 1995-2004 (46%).

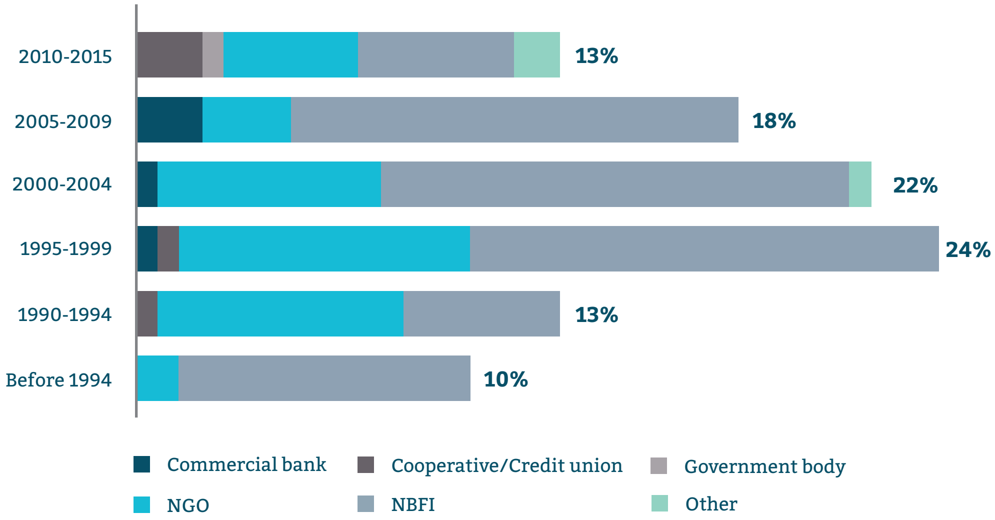
4 For the purpose of EMN-MFC Survey 2014-2015, Non-government organisation (NGO) refers to association, foundation, religious institution.

5 "EMN-MFC extended members" is used within the Report to designate the group of 149 institutions surveyed that are members of EMN and/or MFC and members of a National Network affiliated with the EMN.

6 Romanian NBFIs include the 21 credit unions members of UTCAR, which are non-bank financial institutions by-law.

Figure 3 – Share of MFIs by starting period of microlending activities

Note: 149 responding MFIs.



Except for a number of Romanian NBFIs that started before 1989, 70% of NBFIs from the sample (62 NBFIs) were launched between 1995 and 2009. The majority of surveyed NGOs began operating before 2005 (78% of NGOs). Nearly all commercial banks and cooperatives/credit unions in the sample engaged the microcredit sector in recent years: commercial banks between 2005 and 2009 and cooperatives/credit unions after 2010.

MFIs in Eastern Europe are more mature compared to their Western counterparts. The majority of Eastern MFIs (55%) were launched between 1995-2004, while most of the Western MFIs (52%) started between 2005-2015 (see Section 10 for a more extensive analysis on the role of institutional age between Eastern and Western European MFIs).

In a few countries, the emergence of a national microfinance industry was concentrated during a single time interval. For instance, all German MFIs surveyed started microlending activities in the most recent period, possibly due to the 2010 implementation of the "Mikrokreditsfonds Deutschland", a publicly funded national scheme (Bending et al., 2014). In Bosnia-Herzegovina, surveyed MFIs were launched between 1995 and 1999 in the post-conflict transition; the entire set of Hungarian participants were established in the decade 1990-1999 (77% in the first five years) when the network of local enterprise agencies and the first microcredit programme were launched.

CLIENT STORIES

A growing business in a post war context

Shpresa Ahmeti is an honest, heart-warming and a caring mother of six children in Kosovo. Like many women in a post war country, Shpresa has had to endure and overcome many difficulties, from being a housewife, a mother and working as a hairdresser trying to provide for her family. Just over five years ago, she decided to turn her passion into her own business. She approached KosInvest for a small loan to help start her own beauty salon. At first, she worked in a small store with limited equipment, but has since managed to establish a sustainable business. About a year ago, she took another step to improve her business. She applied for an SME loan in the amount of EUR 10,000 that helped her to rent a bigger space for her beauty salon, which significantly improved working conditions, and she bought new equipment that also improved her services. Being an exemplary client in her previous loans, KosInvest offered her a loan with 0% in administrative fees. Shpresa now works together with her two daughters and her daughter in law, and she is planning to open another beauty salon to meet growing demands. She is very happy that the business is going as planned and that she is able to support her family and send her two youngest children to university. She says "*I wake up every day and try to work very hard to secure a better future for my children*".

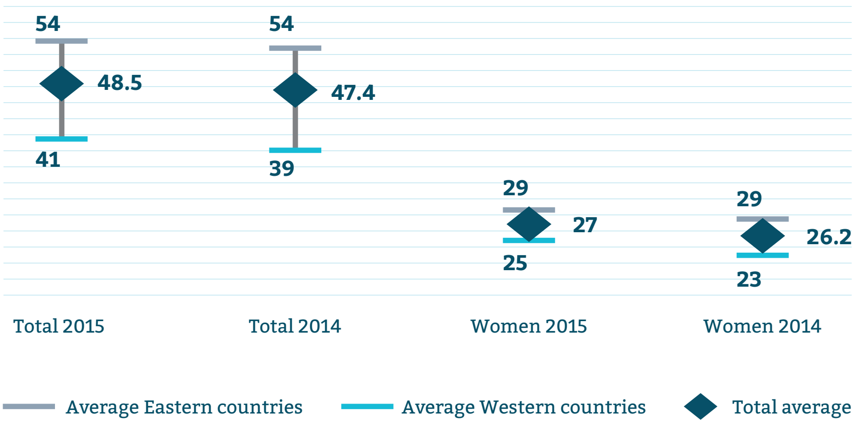
7 For the definition of "Full-time equivalent (FTE)", see the Glossary.

The EMN-MFC Survey 2014-2015 participants show a relatively low number of overall and average **staff employed** (data collected on the number of paid staff members is expressed in full-time equivalent - FTE[7]). In 2015, the total number of paid staff numbered 7,076 (+2% over 2014). The total number of women employed by surveyed institutions was 3,946 in 2015 (+3% annual growth). Gender diversity in the European microfinance workplace appears to be respected as women accounted for more than half of paid staff, both in 2015 (56%) and 2014 (55%).

Larger staff sizes are documented in Eastern compared to Western countries (80% of MFIs in Eastern Europe employ more than 100 paid staff; more than half of which come from Bosnia-Herzegovina or Kosovo), although the gender gap is less pronounced between Eastern and Western European MFIs (Figure 4). The countries with the highest average number of paid staff are Finland and France with more than 300 employees (381 and 305 FTE respectively). Belgium shows the highest positive trend in the number of total and women staff employed in 2014-15: +30% and +45% respectively.

Figure 4 – Average number of paid staff (FTE) per institution

Note: 146 responding MFIs (83 institutions from Eastern countries and 63 from Western countries).

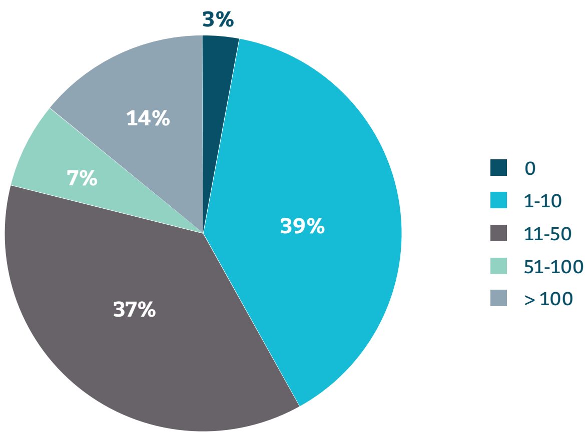


As shown in Figure 5, the majority of surveyed institutions employ up to 50 full time equivalent employees. Only 4 MFIs (3 of which are from Italy) reported not having any paid employee, and thus, these MFIs rely solely on volunteers or employees paid by other organisations.

On average, commercial banks employ three times the number of paid staff at NGOs and NBFIs. Of the institutions employing more than 50 paid staff, NBFIs represent nearly two-thirds. Approximately half of the NGO respondents have less than 10 employees.

Figure 5 – Share of MFIs per staff category (2015)

Note: 146 responding MFIs.



CLIENT STORIES

A new life based on trust

In 2004, Biljana Dilparic returned to her village of Mojsinje (Serbia) after the company where she and her husband were employed went into liquidation due to an economic crisis. Upon returning to Mojsinje, Biljana started a new life with her husband and their son. She started to grow potatoes. She says it was the most profitable job in terms of return on investment. She already owned a small piece of land, which she inherited from her grandparents. So, in 2004, Biljana took her first loan from AgroInvest and led her family in a new direction. The work is hard, but lucrative.

"*AgroInvest did not only provide us access to financial funds, after we remained out of work and realised that no bank will issue us loans, but it provided us a partnership, as the Loan Officers interact with us just like family members. When we first applied for a loan back in 2004, we immediately built a relationship of trust and mutual understanding with the Loan Officers,*" Biljana says.

Today, she is in her fifth loan cycle with AgroInvest and is continuously upgrading her business, growing different sorts of vegetables and having loyal customers for her products. She hopes to expand even further. Biljana didn't give up after she lost her job in the city, and with the help from microloans, she managed to develop a stable business and secure a stable future for her family.

The share of turnover from microlending activities measures the surveyed institutions ***focus on microcredit*** and provides a further point of disaggregation between European microlenders: those organisations that are specialised in microcredit (>75% of turnover from microlending) and more diversified actors (<25% of turnover from microlending). More than half of respondents are specialised on microlending (Figure 6) while for a negligible share of participating providers (6%), microlending is a marginal activity (≤5% of turnover).

The share of NBFIs and cooperatives/credit unions for which the turnover stems almost solely from microcredit (respectively 61% and 80%) is markedly higher than that of NGOs (38%), which is the legal status most engaged in activities beyond microfinance (Figure 7). Correspondingly, integrated operators that offer both financial and non-financial products and services only make up 29% of the institutions that earn more than 75% from microlending.

Figure 6 – Share of MFIs by turnover dedicated to microlending

Note: 146 responding MFIs.

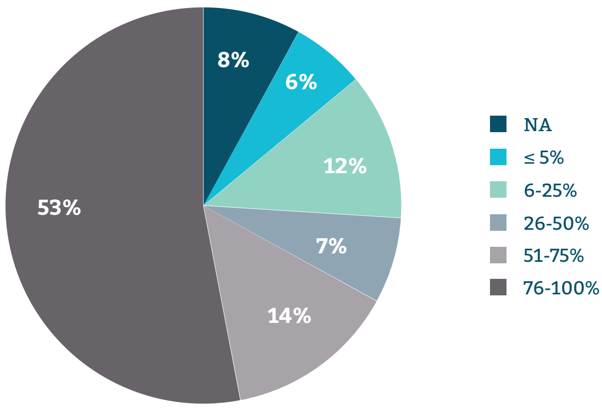
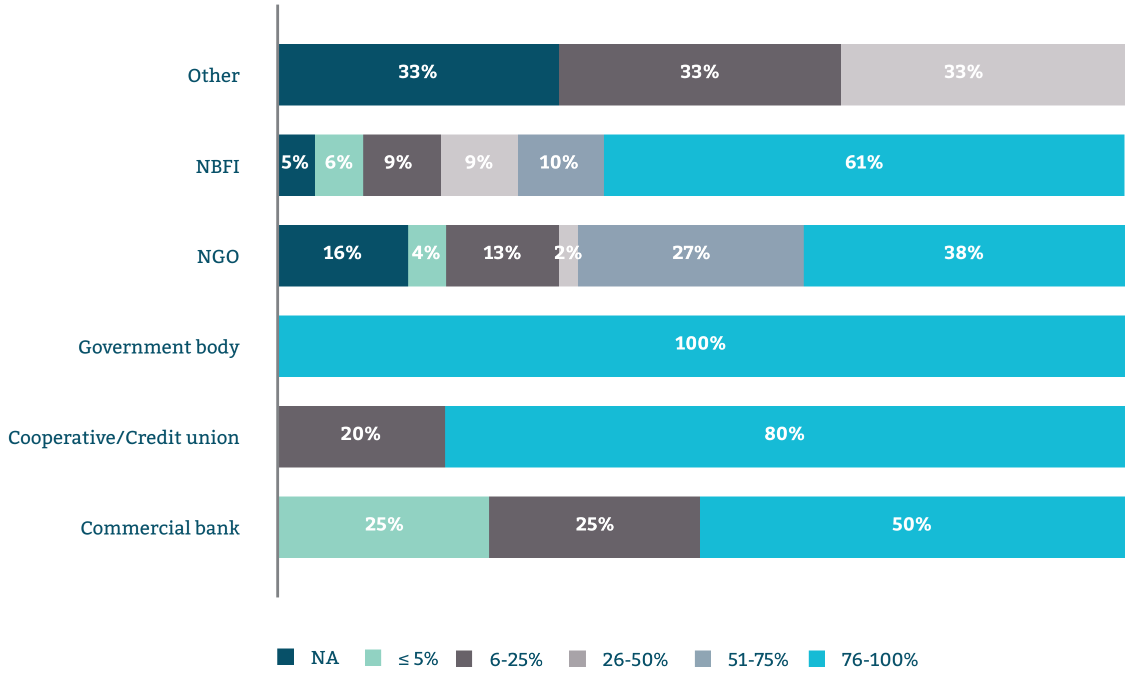


Figure 7 – Turnover dedicated to microlending by institutional type

Note: 146 responding MFIs (4 commercial banks, 5 cooperatives/credit unions, 1 government body, 45 NGOs, 88 NBFIs, 3 “other”).

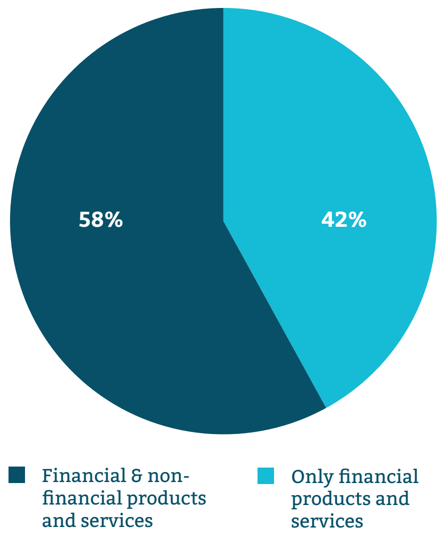


Microlending is the main activity of respondents selecting “financial inclusion” and “social inclusion and poverty reduction” as their missions (respectively 55% and 62%). A significant portion (22%) of MFIs that indicated “job creation” as their mission earn less than 25% from microlending activity. Interestingly, the majority of MFIs aiming at the goal of job creation is a business-only microlender reaching a number of enterprises and active borrowers by far below average (respectively one fourth and half of them).

4. Range of Products and Services

Figure 8 – Share of MFIs by type of products and services offered

Note: 148 responding MFIs.



The European microfinance sector offers a number of non-financial components beyond microloans and other financial products. The provision of an integrated approach to microfinance, combining both financial and non-financial services, is a distinctive feature for a large number of survey participants (58%) as shown in Figure 8. Integrated providers operate mostly in Western countries (59% of 86 integrated MFIs). All survey respondents from Belgium, Hungary, Portugal, and Spain offer both non-financial and financial products and services. Participants from Eastern countries are more narrowly focused on the exclusive provision of financial products and services: 79% of the 62 minimalist MFIs. All survey respondents from Albania, Macedonia, and Montenegro offer financial products and services only.

The non-financial component of microfinance does not seem to affect institutions' scale of outreach. In 2015, on average, the number of clients reached by financial products and services by integrated and minimalist providers are similar (respectively 6,684 and 6,176). In the same year, integrated MFIs also served an average of 2,543 clients with non-financial products and services.

The majority of minimalist organisations are registered as NBFIs (84% of the 62 MFIs offering only financial products and services). NGOs compose the majority of the remaining 16% minimalist MFIs. The majority of cooperatives/credit unions, commercial banks, and NGOs (more than 80% of each institutional structure) follow an integrated approach; 41% of NBFIs use an integrated approach.

4.1 Financial Products and Services

The 2014-15 EMN-MFC Survey was restricted to EMN-MFC extended members that engage in microcredit activity. As a consequence of such selection criterion, responding institutions must offer at least business or personal microloans; 124 of the surveyed MFIs offered business microloans while 73 of the surveyed MFIs offered personal microloans. Approximately half of responding MFIs only offer business microcredits (Figure 9) and mainly operate in Western countries (see Appendix 1 for detailed regional and country data).

Figure 9 – Share of MFIs by type of microloans offered

Note: 148 responding MFIs.

Figure 10 – Average microloan term by institutional type (months)

Note: 113 responding MFIs for business microloans and 69 responding MFIs for personal microloans.

Business and personal microloan products differ greatly with regards to their terms and conditions. The ***average microloan term*** is 41 months in the case of business microloans and 30 months in the case of personal microloans. As shown in Figure 10, the longest average term duration of both business and personal microloans is reported by commercial banks, with the exception of a 60 month term from the single responding government body. Cooperatives/credit unions have a much lower average, while NGOs and NBFIs show much higher variance compared to the other charter types.

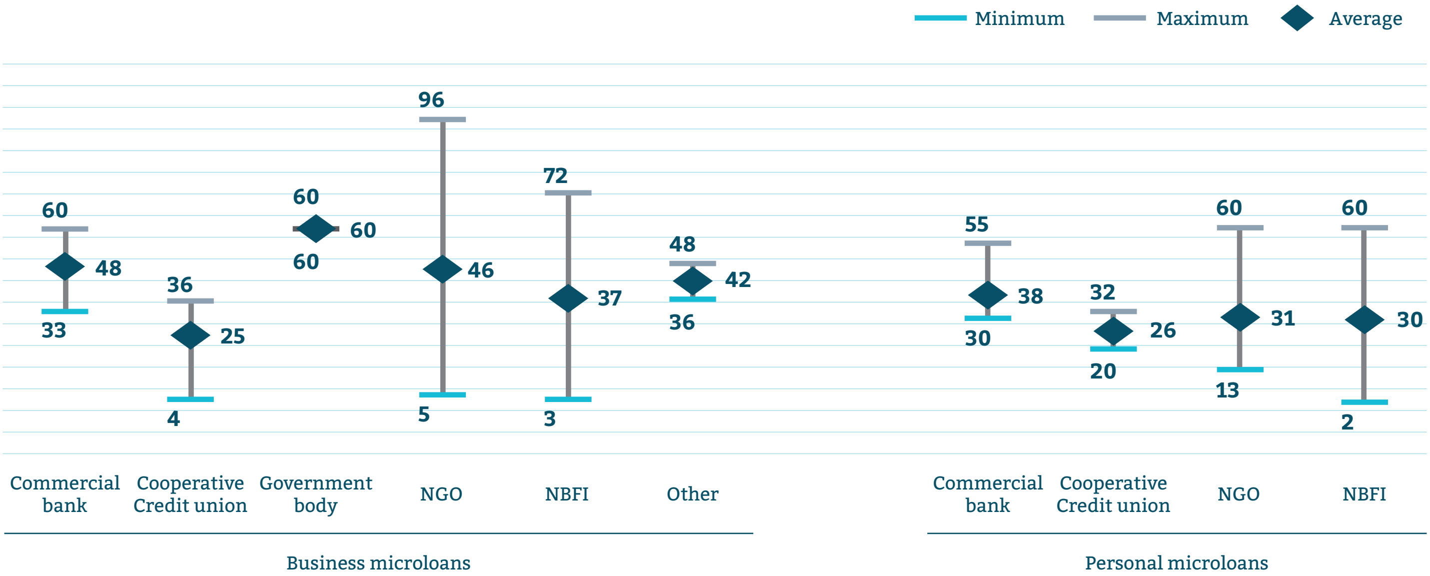
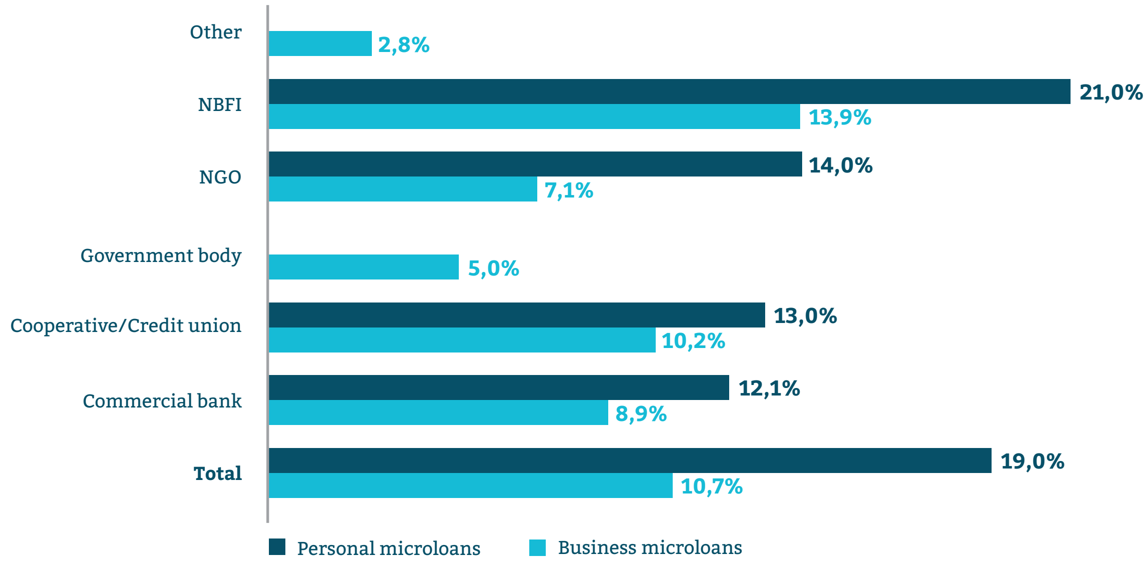


Figure 11 – Average annual interest rate by institutional type

Note: 112 responding MFIs for business microloans and 68 responding MFIs for personal microloans.

Interest rates vary greatly across the surveyed European countries due to differing microloan amounts and terms, and regulatory environments (usury laws and interest rate ceilings). The full sample ***average annual interest rate (AIR)*** charged on business microloans is roughly half the rate for personal microloans (Figure 11). The average AIR charged in Eastern countries is 5% higher for business microloans and 5.5% higher for personal microloans as compared to Western countries. However, the difference between the average AIR for business and personal microloans is roughly the same in both regions: 7.6% in Eastern Europe, and 7.0% in Western Europe.



8 A comparative detailed outlook of the range of average AIR at the country level is provided in the Appendix 2.
9 A business loan is a loan higher than EUR 25,000 to microenterprises and SMEs (Definition set up for the purpose of the EMN-MFC Survey 2014-2015).

Non-bank financial institutions charge the highest average AIR for both business and personal microloans compared to the other institutional types (Figure 11). The lowest average AIR is charged by the sole participating governmental MFI for business microloans (excluding "other") and by commercial banks for personal microloans.

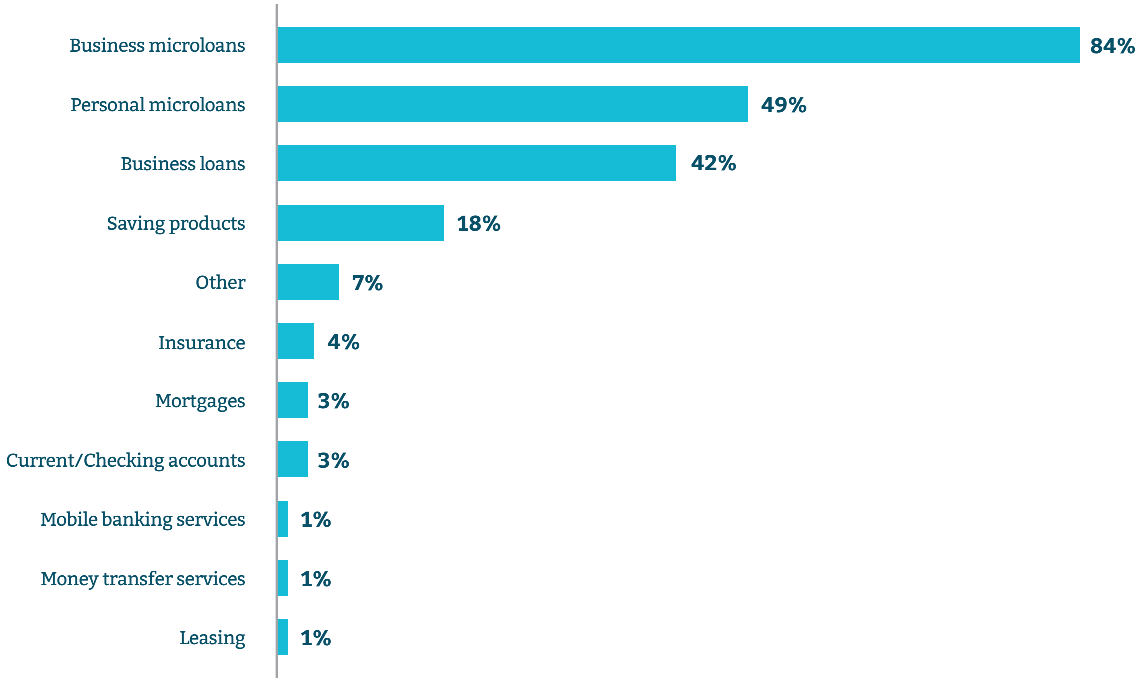
As mentioned above, government usury laws and interest rate ceilings affect MFIs' capacity to price for operational and financial costs. In the case of business microloans, Poland has the lowest average AIR (3%) while Serbia has the highest average AIR (28%). For personal microloans, Italy has the lowest average AIR (4.3%) while the United Kingdom the highest AIR (40.9%).[8]

Additional fees are charged in addition to the annual interest rate by 43% of respondents, who report an average percentage fee of 2.5% of the microloan amount. The most expensive fees are charged by NBFIs (3%) and commercial banks (1.9%). The majority of cooperatives/credit unions (3 of 5) and a large majority of NGOs (32 of 43) do not charge any additional fee.

With the exception of larger business loans[9], savings, and the already mentioned business and personal microloans, a negligible share of institutions offer clients ***other financial products and services*** such as insurance, current/checking accounts, mortgages, mobile banking, and money transfer services (Figure 12).

Figure 12 – Share of MFIs by type of financial products and services offered

Note: 148 responding MFIs (allowed to select multiple answers). None of respondents selected the proposed "Factoring" option.



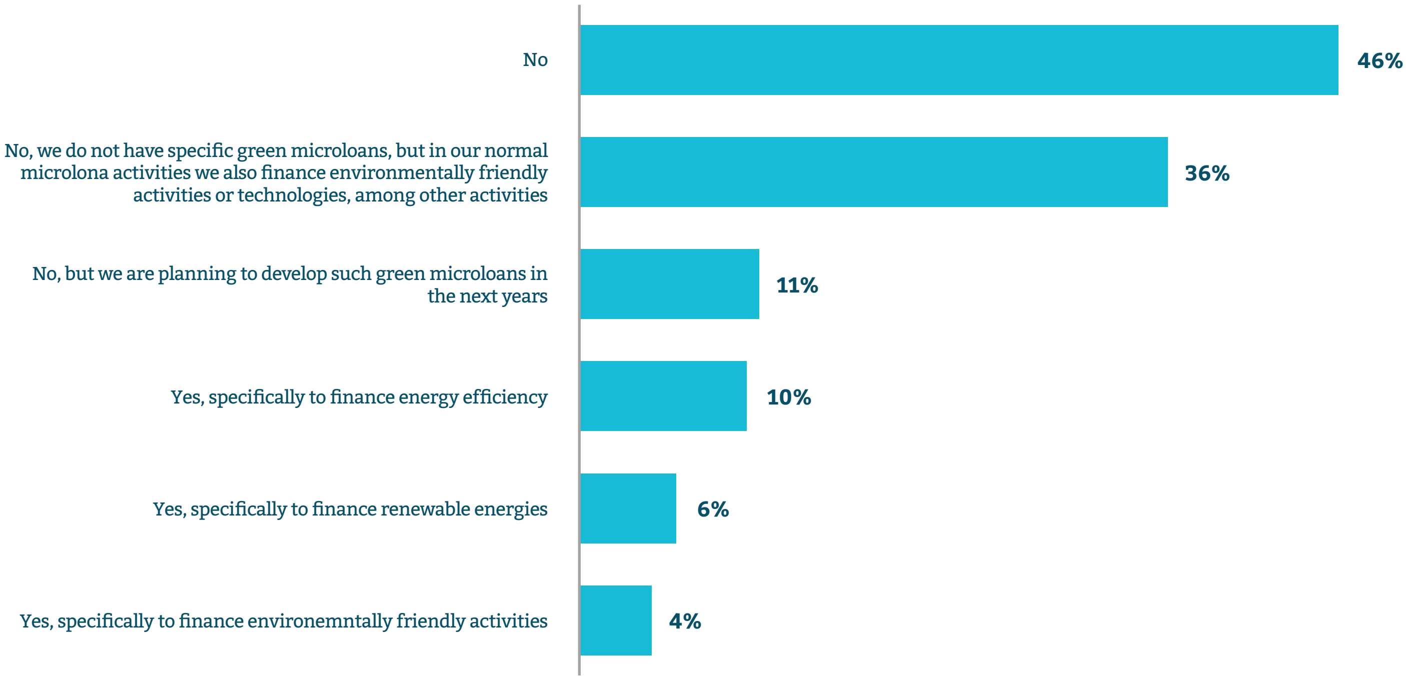
Due to local regulatory provisions and greater institutional capacity, the widest range of financial products and services is offered by commercial banks. Most commercial banks offer business and personal microloans, business loans, and savings. From our sample of surveyed MFIs, mobile banking, current/checking accounts, and money transfer services are only available to customers of commercial banks.

After business microloans, the second most frequent financial product offered by NGOs are business loans (39% of NGOs). Forty-five per cent of NBFIs also offer business loans. Savings providers are mainly registered as NBFIs (85% of 26 MFIs offering savings; 19 NBFIs of which are from Romania).

10 Green microloans are a loan smaller than 25,000 EUR to unbankable clients, both for business/entrepreneurial or personal/consumption purposes, and designed to finance: renewable energies (photovoltaic solar panels, solar water-heaters, biogas digesters, electric vehicles, etc.), energy efficiency (energy-efficient technologies, apartment insulation, etc.), environmentally friendly activities (organic farming, waste collection, recycling, ecotourism, etc.). (Allet, 2011).
11 The promotion of environmentally friendly practices through microlending (the third bottom line objective of microfinance) is increasingly debated at the policy, academic and practitioner level in Europe (Forcella, 2013; Forcella and Hudon, 2014).
12 Breadth of outreach refers to MFIs performance as measured in terms of the number of clients served (see Rosenberg (2009), and section 5 for further discussion on microfinance standard indicators of outreach).

Approximately half of MFI respondents are neither planning nor currently offering ***green microloans***[10] (Figure 13). This seems to confirm that green microfinance in Europe is still a young and underdeveloped sector.[11] However, the remaining 75 respondents expressed interest in the promotion of environmental protection through microlending. Fourteen MFIs declared to offer at least one type of green microloan; specific loan products for energy efficiency improvements were the most common example provided. Green microlenders are mainly NBFIs (7 MFIs) and active in Eastern European countries (9 MFIs), with a significant breadth of outreach[12] (average active borrowers were 27,420 in 2015, or nine times higher than the other MFIs surveyed).

Figure 13 – Provision of green microloans
Note: 138 responding MFIs (allowed to select multiple answers).



Slightly more than one-third of respondents (49 MFIs) do not explicitly target environmental friendly activities with the provision of green microloan products, but finance some green activities through their standard microcredit provision. Fifteen institutions are planning to develop green microloans in the future, half of which are NGOs.

CLIENT STORIES

Moving together: microloan for energy efficiency

Trubljanin Sejdo lives with his wife and three children in the village of Dolno Konjari, located in Petrovec, near Skopje (Macedonia). Sejdo's family lives a typical farmer lifestyle with diversified agricultural production, crops and a small cow farm. He heard about Stedilnica Moznosti in 2004, when he first took a loan. Since then, Moznosti has been the only financial institution he works with. He has mainly used the loans for investments in his agricultural activity, however Sejdo and his family are currently servicing a loan to improve the energy efficiency of their home, becoming a great example of Moznosti's slogan "Moving together". The purpose of the loan was to install thermal insulation in their family house, as well as for some reconstruction and renovation of the house. Before he applied for this loan, he put new PVC windows in the house, but there was still a problem to heat the home. While looking for a way to retain the heat in his home, Sejdo decided to use a very favourable energy efficiency credit from Moznosti. Sejdo used the loan funds to set up a façade system. Today he says: "*I'm enjoying hot winters and cold summers. The loan solved my problem, sister!*"

Table 3 shows the ***number of clients reached by financial products and services***.[13] In 2015, surveyed MFIs served a total of 933,198 clients (including 396,311 women). This shows an increase compared to 2014 in terms of both total clients (+10%) and women clients (+8%). Of the MFIs reporting both total number of clients and women clients, the share of women clients was 42.9% in 2015 and 43.6% in 2014.

EMN-MFC extended members provided financial products on average to 6,392 clients per year, although more than half of the surveyed MFIs (55%) served less than 1,000 customers annually.

Table 3 – Number of clients reached by financial products and services per institutional type

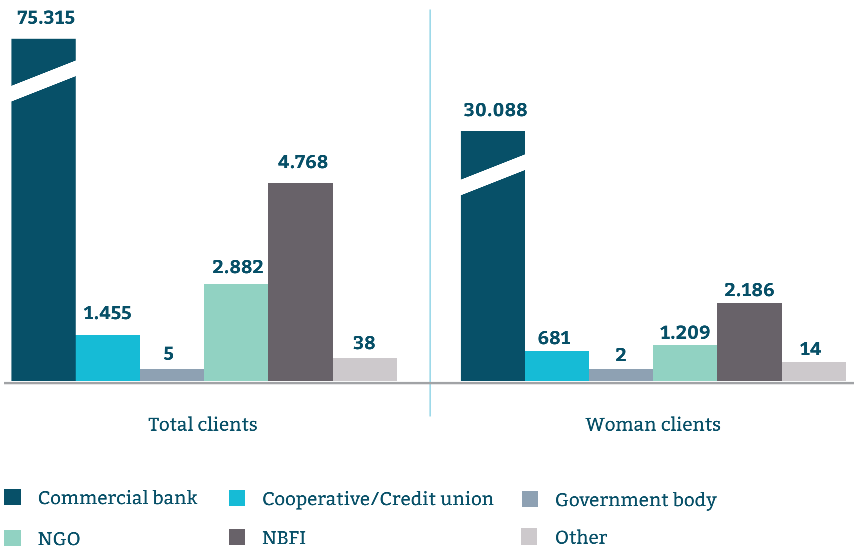
Note: Two NBFIs submitted only the number of total clients.

	No. MFIs	Total clients		Women clients	
		2015	2014	2015	2014
Commercial bank	5	376,577	319,359	150,442	130,918
Cooperative/Credit union	5	7,277	6,385	3,405	3,057
Government body	1	5	0	2	0
NGO	45	129,698	131,253	54,407	56,763
NBFI	88	419,565	391,859	188,028	175,429
Other	2	76	84	27	27
Total	**146**	**933,198**	**848,940**	**396,311**	**366,194**

The majority of MFI clients were served by either NBFIs (45%) or commercial banks (40%), although the average number of clients for the five commercial banks surveyed is substantially higher than that of NBFIs (Figure 14). NGOs serve 15% of total clients, and most of these institutions (76% of NGOs) serve less than 1,000 clients in a year. The other institutional models account for a small share of total clients reached by MFIs (less than 1%), with most of cooperatives/credit unions reporting between 100 and 1,000 clients while the sole participating government body served less than 100 clients.

Figure 14 – Number of clients reached by financial products and services per institutional type (average, 2015)

Note: 146 responding MFIs for total clients and 144 responding MFIs for women clients (2 NBFIs submitted only the number of total clients).



At the country level, Spain (293,049), Bosnia-Herzegovina (169,838) and Romania (108,164) report the highest number of clients served in 2015. The higher percentages of women clients are found in the United Kingdom (64%), Moldova (57%), and Romania (52%).

13 Clients reached by financial products and services are a natural or legal person who have benefitted during the year from at least one of the financial products and services offered by the institution or that have an open relationship with the institution (outstanding loan balance, account, insurance product, etc.) (Definition set up for the purpose of the EMN-MFC Survey 2014-2015).

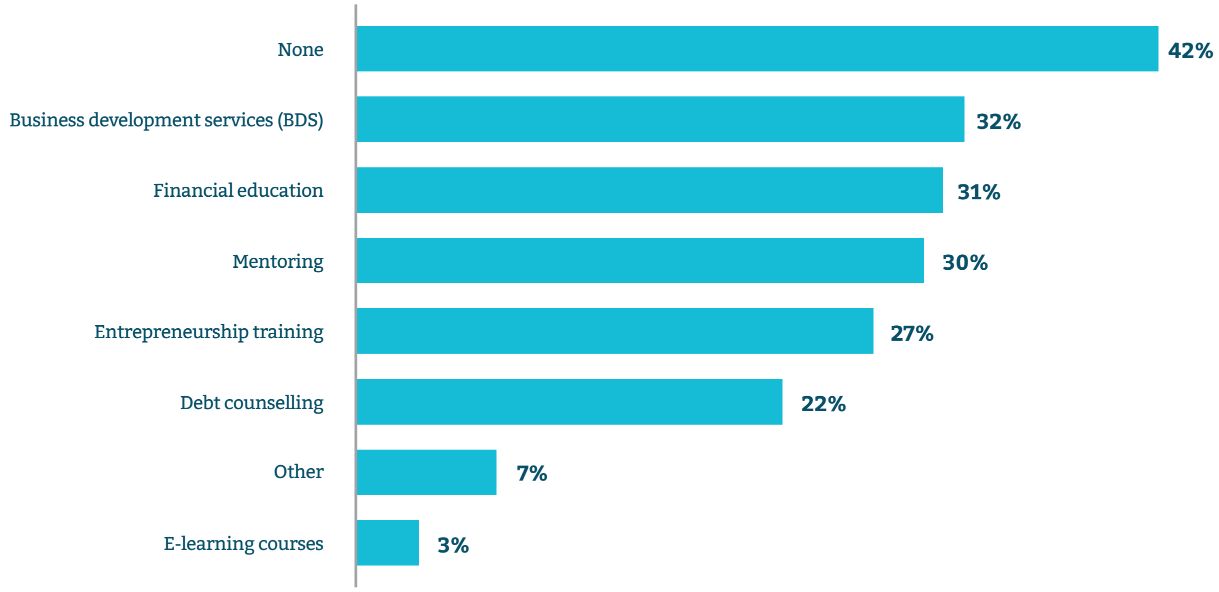
4.2 Non-financial Products and Services

The provision of non-financial services is a common component of the EMN-MFC extended members' offer. At least one non-financial product or service is offered by 86 MFIs (58% of responding institutions). Of the MFIs offering non-financial products, most are located in Western countries (59% of non-financial providers).

The most common non-financial products and services offered are business development services (BDS), financial education, and mentoring (Figure 15). Although Eastern MFIs mostly focus on the provision of financial products (only 42% of them include one or more non-financial products in their portfolio), debt counselling is more likely to be offered by Eastern actors (58% of debt counselling provided by Eastern MFIs).

Figure 15 – Share of MFIs by type of non-financial products and services offered

Note: 148 responding MFIs (allowed to select multiple answers).



CLIENT STORIES

Training for a own business

Nayara, a 27-year-old Brazilian living in Spain, opened the doors of her business thanks to training received from Nantik Lum and ACF, which in part helped her access a microcredit. She says: "*I always wanted to have my own business, but I didn't feel prepared and didn't have the resources to invest. The impossibility of finding a job due to the crisis gave me the extra push I needed to undertake my project. Nantik Lum and ACF played a major role in my project. I consider their training and support essential while starting a business as many questions arise. There are lots of procedures and paperwork and we entrepreneurs don't always know what to do. In my case, Nantik Lum and ACF provided me with business training, helped me develop my business plan, and checked all the contracts that I had to sign. Sharing experiences with other entrepreneurs was also a big experience for me. Thanks to their microcredit fund, Nantik Lum and ACF helped me overcome the financial access barrier. Because I didn't have a guarantee I couldn't access a formal loan. Access to microcredit is a miraculous alternative when all the banks close the doors on you and don't trust your ideas and projects*".

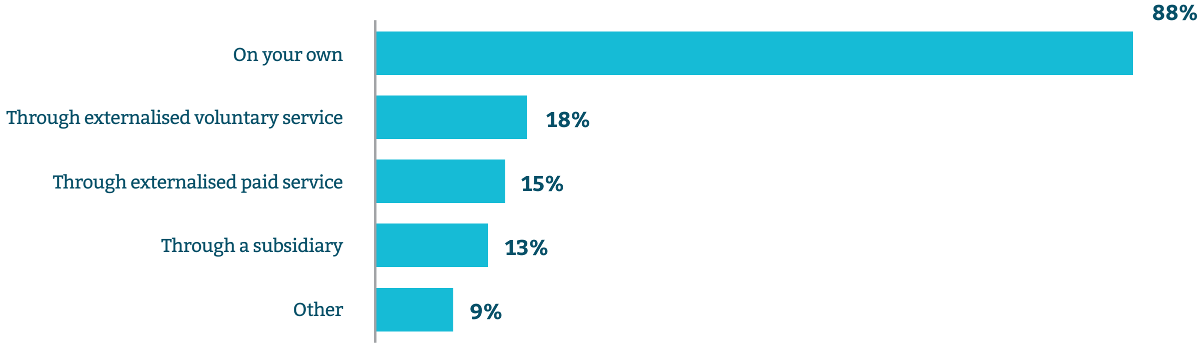
NGOs are the most likely charter type to follow an integrated approach and are the most likely to provide non-financial services (83% of NGOs offer at least one non-financial product or service).

Commercial banks and cooperatives/credit unions tend to supplement microlending with financial education. Most of the NBFIs offer business development services, financial education and mentoring.

Figure 16 – Share of MFIs by method to offer non-financial products and services

Note: 85 responding MFIs (allowed to select multiple answers).

EMN-MFC extended members mainly internalise the provision of non-financial products and services (Figure 16), although using an externalised voluntary service is another popular method to offer non-financial products and services. The use of external actors is chosen primarily by MFIs from Western countries (13 of 15 MFIs).

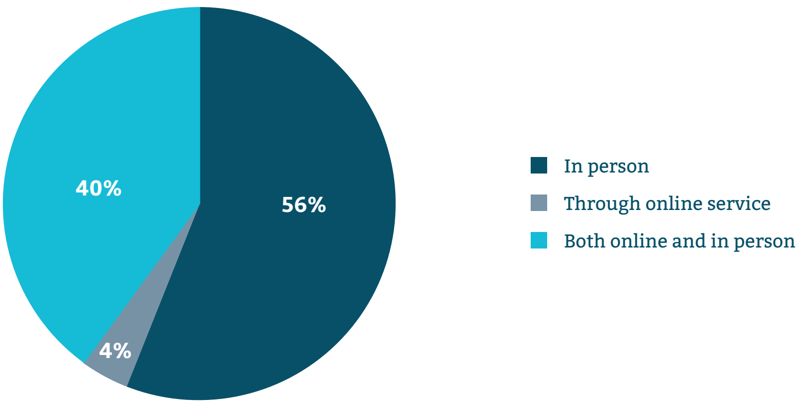


Non-financial products and services are predominantly delivered “in person” (Figure 17). A significant share of respondents combine “in person” non-financial services with online modalities. Only 3 MFIs exclusively use online services, all of which operate in the United Kingdom.

All 4 commercial banks and two-thirds of the NGOs surveyed deliver the non-financial component of their offer exclusively “in person”. Both in-person and online modalities are equally adopted by cooperatives/credit unions and NBFIs.

Figure 17 – Modality of delivering non-financial products and services

Note: 85 responding MFIs.



14 Clients reached by non-financial products and services are natural or legal person who have benefitted during the year from at least one of the non-financial products and services offered by the institution (Definition set up for the purpose of the EMN-MFC Survey 2014-2015).

In contrast to the evidence presented for the clients of financial products (see Section 4.1): a) the ***number of clients reached by non-financial products and services***[14] (Table 4) only modestly increased between 2014 and 2015 in terms of the total clients (+2%) and the number of women clients (+0.5%); and, b) the majority of responding MFIs (73% in 2015) reached less than 1,000 customers per year through their non-financial offer. For MFIs disclosing both the total number of clients and number of women clients reached with non-financial products and services, the share of female clients was 43.0% in 2015 and 43.3% in 2014.

Western MFIs reach most of the non-financial clients (151,368 in 2015 compared to 51,130 clients served by Eastern providers), although they reported a declining percentage change over the survey period (-1% and -3% in terms of total and women clients compared to +8% and +11% for Eastern European MFIs).

Table 4 – Number of clients reached by non-financial products and services per institutional type

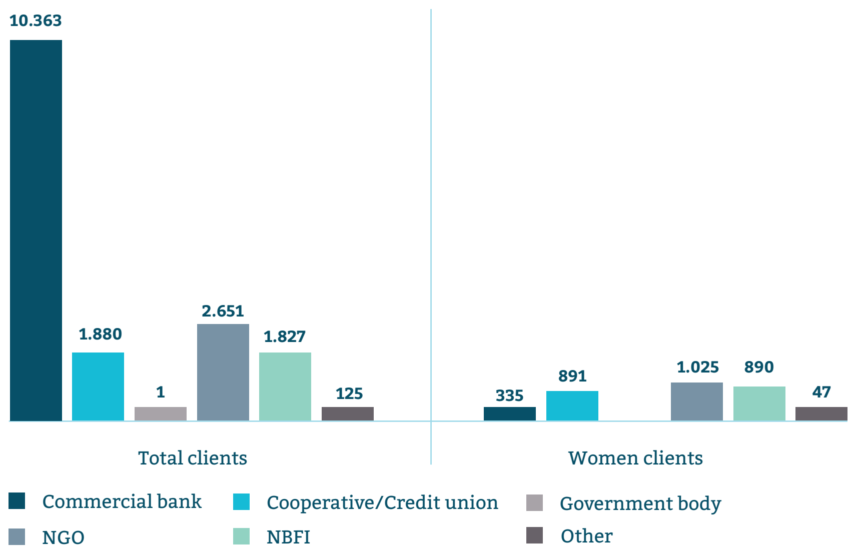
Note: 2 commercial banks submitted only the number of total clients.

	No. MFIs	Total clients		Women clients	
		2015	2014	2015	2014
Commercial bank	4	41,451	39,849	670	675
Cooperative/Credit union	4	7,519	6,425	3,562	3,093
Government body	1	1	0	0	0
NGO	35	92,770	87,770	35,892	33,270
NBFI	35	63,953	68,203	31,148	33,884
Other	2	249	251	94	90
Total	**81**	**205,943**	**202,498**	**71,366**	**71,012**

The stronger orientation of NGOs towards an integrated microfinance approach contributes to their leading role in the provision of non-financial services: approximately 45% of total clients and 50% of women clients are reached by NGOs (Table 4). NBFIs account for one-third of total clients and 44% of women clients. Commercial banks serve 20% of total clients and serve, on average, five times more customers per MFI than NGOs and NBFIs (Figure 18).

Figure 18 – Number of clients reached by non-financial products and services per institutional type (average, 2015)

Note: 81 responding MFIs for total clients and 79 responding MFIs for women clients (2 commercial banks submitted only the number of total clients).



France led all countries in the provision of non-financial products and services in 2015, with 100,626 total clients, more than three times the size of the United Kingdom (30,986).

5. Outreach

Microfinance outreach measures the number of active clients served by MFIs (*breadth* of outreach), and their poverty profile (*depth* of outreach).[15] Indicators for the size of the loan portfolio and the amount of loans disbursed are also commonly included among the standard outreach indicators.[16] The EMN-MFC Survey 2014-15 collected data from 137 responding MFIs[17] on different dimensions of outreach related to their microloan activities.[18]

Section 5.1 documents the expanding trend in microlending activities, highlighting the overall allocation between microloans for business and personal purposes. Section 5.2 investigates the average microloan size (as a percentage of gross national income, GNI) as a proxy to capture the poverty level of MFI clients, assuming that better-off clients tend to prefer larger loans.

15 See Rosenberg (2009). Alternative measures of MFIs' breadth of outreach are the number of loans disbursed or clients served during a reference period.
16 See Mix Market's outreach indicators for global benchmarking at themix.org or "Global outreach & financial performance benchmark report 2014": https://www.themix.org/sites/default/files/publications/mix_global_regional_benchmark_report_2014_0.pdf
17 Outreach indicators for 2014 are based on data provided by 136 respondents. One surveyed institution started its microlending activities in 2015, and its scale does not affect 2014-15 overall comparisons.
18 The Section 5 refers only to the provision of microloans (loans up to €25,000) and not consider business loans (loans >25.000€ to microenterprises and SMEs) or other financial products analysed in Section 4.1.

5.1 Scale of Microlending Activities

The EMN-MFC extended members made a significant contribution to the expansion of European microlending activities during 2014-15 as all microloan portfolio indicators show a double-digit percentage increase (Table 5). The gross microloan portfolio outstanding reached EUR 2.5 billion with a slightly higher annual growth rate compared to active borrowers, indicating a small increase in the overall outstanding balance per borrower (i.e. average loan size).

Table 5 – Overview of microloan portfolio indicators (2014-15)

Note: Data on total microloan portfolio submitted by 137 MFIs in 2015 and 136 MFIs in 2014 (136 and 135 in the case of number of microloans disbursed). Data on business microloan submitted by 113 MFIs in 2015 and 112 MFIs in 2014 (112 and 111 in the case of number of microloans disbursed). Data on personal microloans, active borrowers and outstanding portfolio submitted by 69 MFIs in both years (68 in the case of the other indicators).

	Total			Business microloans			Personal microloans		
	2015	2014	Growth rate	2015	2014	Growth rate	2015	2014	Growth rate
Number of active borrowers	747,265	662,753	13%	402,365	371,071	8%	344,900	291,682	18%
Number of new borrowers	315,873	260,378	21%	120,022	112,175	7%	195,851	148,203	32%
Value of the gross microloan portfolio outstanding (€)	2,537,619,948	2,199,840,863	15%	1,795,234,497	1,648,704,437	9%	742,385,451	551,136,426	35%
Value of microloans disbursed during the year (€)	1,571,259,272	1,351,243,661	16%	917,058,783	864,830,059	6%	654,200,489	486,413,602	34%
Number of microloans disbursed during the year	552,834	494,781	12%	220,305	204,400	8%	332,529	290,381	15%

The outstanding portfolio of EMN-MFC extended members is predominantly allocated for business purposes (71% of the total in 2015, 75% in 2014). Nevertheless, the overall distribution is shifting towards personal microloans (between 2014-2015, the personal microloan portfolio grew by 35% compared to +9% for the business portfolio). Also, the share of the cumulative value of business microloans annually disbursed by responding MFIs narrowed between 2014 and 2015 (from 64% to 58% of the total) given the impressive increase of personal microloans (+34%); the business corresponding segment only grew by 6%.

More generally, the personal microloan market segment grew more vigorously than the business microloan segment as shown by the increasing number of clients served with larger microloans for personal purposes during the 2014-15 period. Surveyed MFIs report higher outreach across all indicators in the provision of personal microloans compared to business microloans with the exception of the average gross microloan portfolio: in 2015, the average annual number of active borrowers was 3,561 for business microloans and 4,999 for personal microloans; the average value of microloan disbursed was EUR 8,115,564 for business microloans and EUR 9,620,595 for personal microloans; and, eventually, the average number of microloans disbursed was 1,967 for business microloans and 4,890 for personal microloans.

Using a subset of 50 MFIs that participated in both the EMN-MFC Survey 2014-2015 and the EMN biannual survey 2012-13, we note that European microfinance has shown steady growth over an even longer time interval. A number of MFI microlending activity measures increased by approximately 50% between 2012 and 2015 (Table 6).

Table 6 – Trend in microloan portfolio indicators (2012-15)

Note: 50 responding MFIs. Authors' elaboration on EMN Survey data 2012-13 edition, and current EMN-MFC Survey data 2014-15.

	2012	2013	2014	2015	% change 2012-15
Value of the gross microloan portfolio outstanding (€)	1,160,477,864	1,410,223,736	1,537,554,183	1,813,285,791	56.3%
Number of active borrowers	335,543	386,457	447,935	519,299	54.8%
Value of microloans disbursed during the year (€)	808,333,291	981,219,694	1,005,255,977	1,188,529,005	47.0%
Number of microloans disbursed during the year	235,819	292,822	315,175	365,532	55.0%

Contribution to total outreach by institutional type is shown in Figure 19. Commercial banks, NBFIs, and NGOs generate almost all the observed microlending activity. Despite only having four survey respondents, commercial banks provide a substantial percentage of the total outstanding portfolio (38.2%; 71.3% of the personal microloans portfolio, see Figure 20)[19], and account 30.6% of active borrowers, 41.6% of new borrowers and 42% and 26.7% of the amount and number of microloan disbursed respectively, in 2015.

19 The predominance of commercial banks on the overall personal portfolio can be attributed to one Western respondent.

Figure 19 – Microloan activity by institutional type (2015)

Note: 137 responding MFIs (136 for Number of microloans disbursed).

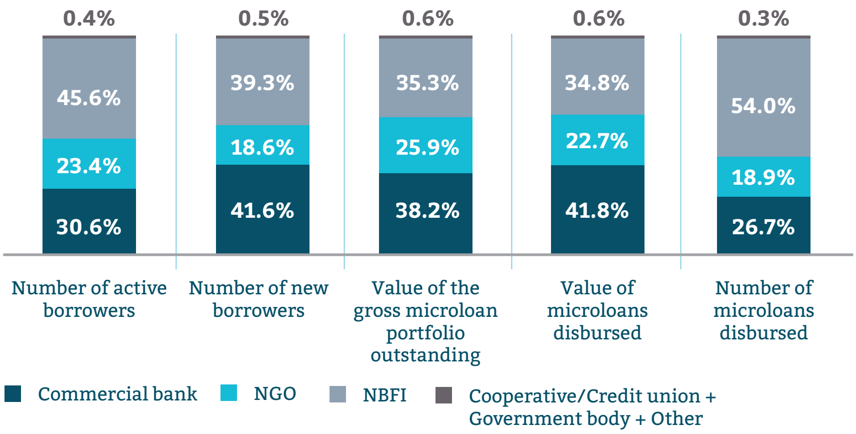
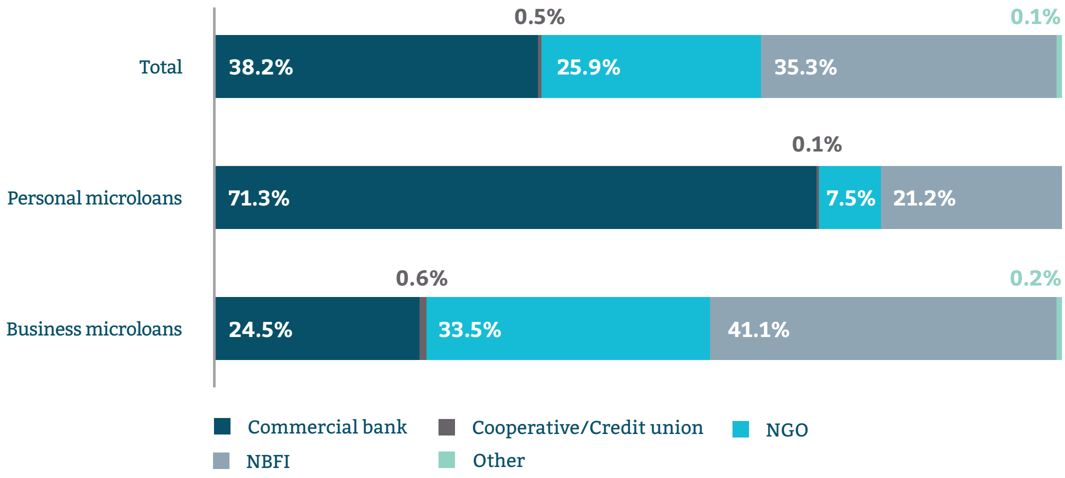


Figure 20 – Outstanding microloan portfolio by institutional type (2015)

Note: 137 responding MFIs (113 for business microloans and 69 for personal microloans). The percentage of the government body outstanding portfolio (business microloans only) is lower than 0.01%.

As shown in Figure 20, NBFIs are the second largest institutional provider in terms of total outstanding portfolio with EUR 895 million (35.3% of the total portfolio) and the largest provider of the business microloan portfolio (EUR 738 million; 41.1% of the total business portfolio). NGOs make up EUR 657 million, or one-fourth of the total portfolio, of which EUR 602 million is dedicated to the business outstanding portfolio. In 2015, NGOs had an average portfolio outstanding of EUR 15.7 million, or slightly greater than that of NBFIs (EUR 10.8 million). The average value of the commercial banks gross microloan portfolio outstanding (EUR 242.3 million) is not comparable with those of any other institutional type.



CLIENT STORIES

It's never too late to become a borrower

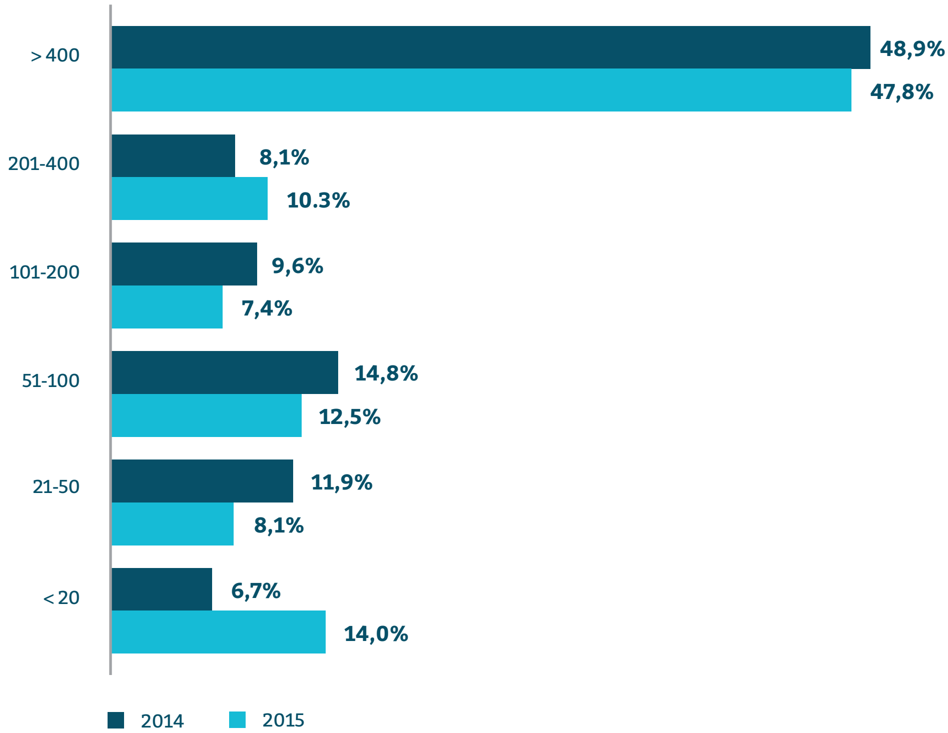
Nadka Manoleva is a 61-year old entrepreneur from the village of Ploski, Bulgaria. Four years ago, she decided to contact SIS Credit and apply for funding to start her own business. At that moment, she had five goats and three cows. She wanted to buy 25 sheep and develop a farm to expand beyond her own consumption needs. Nadka had some of the money needed, but banks were reluctant to give her an investment loan because of her age and lack of business history. Asking Nadka her motivation to start from scratch, she answered, "*Nowadays it is so hard for young people in distant areas to find a job, so two of my sons decided to leave Bulgaria and now they are working abroad. I don't want my third son to follow them and realised that something needs to be done! I had some money left from my husband and one day I decided to invest them and find a lender for the rest of the money needed in order to buy more livestock to start a family business. This wouldn't be possible without the expert support of SIS, of course.*"

Today, Nadka is spending her days in the mountain, pasturing her 170 sheep. In January 2016, 85 additional lambs were born. Last spring, SIS organised the process for selling lambs through a new project, "SIS Authentic shop". Furthermore, Nadka doesn't want to stop here. She wants to invest in a little dairy for producing organic cheese to sell through the SIS shop. Nadka says, "*I believe that everybody is good in doing something and if more people with ideas have the chance to receive expert support, not only financial but also mentoring, the economy would develop. I am very, very happy with my partnership with SIS, because it is really a partnership. We are developing together.*"

Figure 21 – Share of MFIs by numbers of microloans disbursed

Note: 137 responding MFIs in 2015, 136 responding MFIs in 2014.

Approximately half of the institutions surveyed disbursed more than 400 microloans (Figure 21). NBFIs accounted for 49 of the 65 MFIs distributing more than 400 microloans in 2015. The number of MFIs disbursing less than 20 microloans doubled from 2014 to 2015. Of the 19 MFIs disbursing less than 20 microloans, 11 are NGOs.



CLIENT STORIES

Finally a holiday with kids

Caroline is a single mom living in Glasgow, United Kingdom with her two kids, aged 17 and 7. She is a first time personal loan borrower with Scotcash. Caroline had previously borrowed from a variety of sub-prime, expensive lenders in the past and found herself in unmanageable debt due to the high interest and repayments. Caroline managed to get her finances back on track, paid off the debt and didn't borrow for a few years until she approached Scotcash. Caroline applied for a Scotcash loan to treat her kids to a holiday (something she hasn't done in the past). Caroline also opened up a savings account through Scotwest Credit Union and has now saved £200 that she is using for driving lessons and will continue to save towards a car once she passes her test. Caroline says, "*I have never saved in my life and it feels good to have extra money to put towards finally getting my own car, the low interest and repayments have allowed me to do this. My kids feel more positive now and are excited about getting a holiday at the end of the year*".

Microfinance institutions operating in Western countries managed 72% of the total outstanding portfolio (77% of the 2015 personal microloans outstanding portfolio) and reported a higher annual growth rate when compared to Eastern MFIs (+20% in terms of total outstanding portfolio, +45% considering only personal purposes). Eastern MFIs served a greater proportion of the total and business active borrowers (respectively 52% and 57%). Since 2015, MFIs operating in Western countries report a higher number of active borrowers for the personal microloans market segment.

At the country level, the highest share of microloan activity indicators are reported by MFIs in Bosnia-Herzegovina, France and Spain. In both France and Spain, these results are concentrated in a few leading institutions (see Appendix 3 for detailed country and regional data).

5.2 Average Microloan Size

20 For the definition of "Average outstanding microloan balance", see the Glossary.

The average microloan size is commonly used in the microfinance industry as a proxy indicator for the poverty level of MFI clients (depth of outreach). This indicator rests on the controversial hypothesis that wealthier clients are less willing to accept lower loan amounts. The analysis of the average microloan size carried out in this Report refers to the standard and globally recognised "average outstanding microloan balance" indicator.[20]

The overall average microloan size of the survey respondents remained stable between 2014 and 2015 (respectively EUR 6,104 and EUR 6,072). The business microloans outstanding balance was 4.7 times higher than that of personal microloans: EUR 7,947 and EUR 1,697 in 2015. The average outstanding balance in Western countries is 30% higher than Eastern countries in the case of business microloans (EUR 9,090 to EUR 6,972) and three times outstanding balance in the case of personal microloans (EUR 3,230 to EUR 1,072). Moldova reported the lowest country average outstanding balance (EUR 944) in 2015 while Belgium reported the highest (EUR 21,112).

CLIENT STORIES

A passion transformed into business

Florist Rebecca Watson has launched Dainty Daisies with the help of a £15,000 loan from Business Finance Solutions-BSF (United Kingdom). Rebecca's floristry business is selling flowers and handmade gifts as well as offering a bespoke room dressing service for weddings, funerals and special occasions. Having discovered her love of flowers after designing floral decorations and bouquets for events including both her sister's and her brother's weddings, Rebecca is now building her business into a real family affair with the help of her step father as delivery driver and her aunt who makes the handcrafted candles, cards, picture frames and other gifts. She said, "*Taking the leap to start the business has been a lot easier thanks to the loan and support from BFS. Thanks to the BFS I have been able to start a business when accessing finance was one of the barriers to me starting up. Having a shop presence that I can now promote and become known for locally will enable me to really build and grow the business, hopefully opening another shop within the next couple of years.*"

21 World Development Indicators, World Bank Open Data: http://data.worldbank.org/ for the data on GNI per capita. Currency conversion based on the "Euro foreign exchange reference rates" of the European Central Bank: https://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html

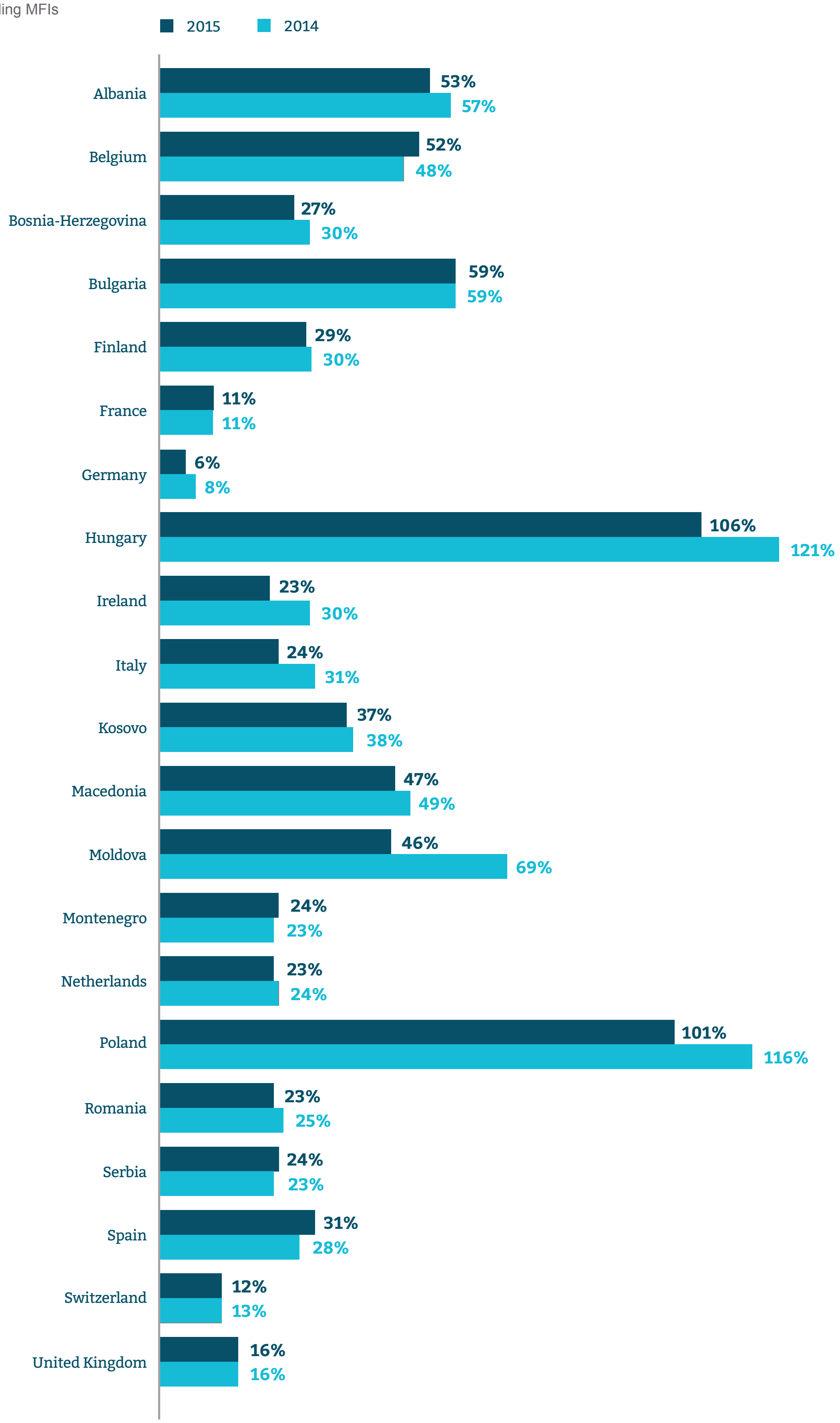
The average loan size indicator is commonly expressed as a percentage of the gross national income (GNI) per capita to allow for more meaningful country comparisons when assessing the degree of relative poverty of clients served by MFIs.[21] It is commonly assumed that the smaller the loan size as a percentage of country national income, the poorer the client.

The ratio is higher than 100% in Hungary and Poland, despite declining percentages in 2015 (Figure 22). Four countries in Western Europe report a ratio lower than the 20% of GNI per capita that is deemed to be a rough critical threshold for the identification of poor clients (Rosenberg, 2009): 6% in Germany, 11% in France, 12% in Switzerland, and 16% in the United Kingdom.

Contrary to the evidence on average loan size previously presented in absolute terms, Belgium's average microloan size relative to GNI per capita becomes smaller than the one of Moldavian MFIs. More generally, Western MFIs report lower depth of outreach compared to their Eastern peers (respectively 23% and 50%) as a result of their stronger focus on disadvantaged groups of clients with relatively lower needs (for an in-depth investigation of the role of legal type and region in explaining differences in the depth of outreach, see Sections 10 and 11).

Figure 22 – Country average microloan size as percentage of GNI per capita

Note: 137 responding MFIs in 2015, 136 responding MFIs in 2014. No data available for Portugal.



6. Social Performance

22 The Social Performance Task Force: http://sptf.info/hp-what-is-sp
23 For a social performance exercise on EMN Survey data 2006-07 and 2008-09, see Botti and Corsi (2011).

Social performance is defined as the "effective translation of an institution's mission into practice in line with accepted social values".[22] Defining and monitoring social goals are essential to effectively achieve the social mission of MFIs. Maximising social performance includes among others, the identification of an MFI's mission and target clientele and the selection of indicators to measure the achievement of targeted social goals.

The EMN-MFC Survey 2014-15 collected a set of social performance indicators in order to encourage the implementation of support and assessment practices. Section 6 explores the mission statements, target groups, and the number and types of businesses financed by EMN-MFC extended members.[23]

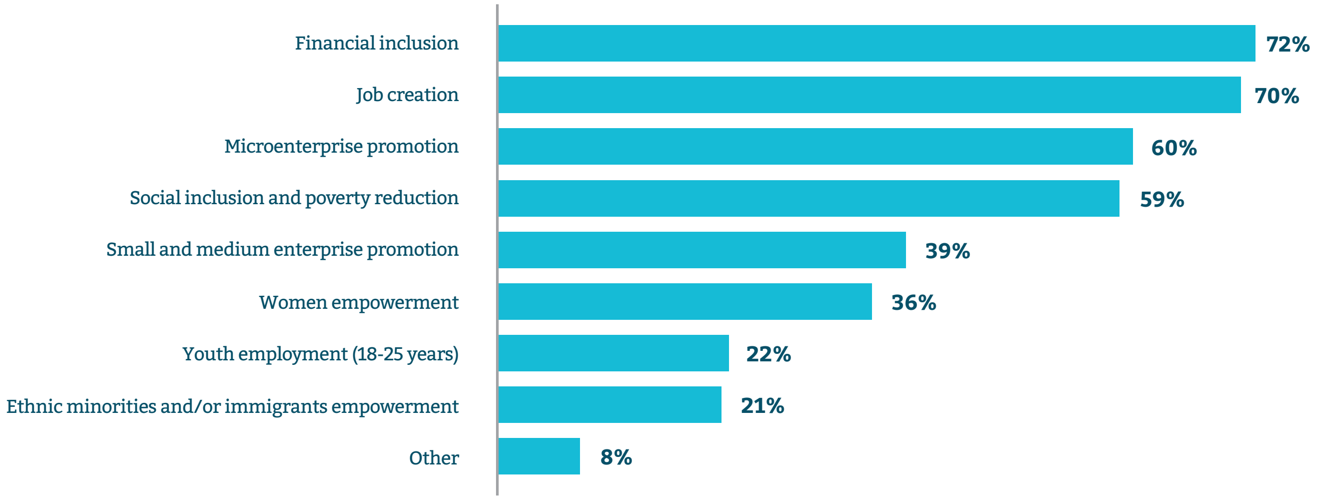
6.1 Mission

24 For the definition of "Microenterprise", "Small and medium-sized enterprise (SME)", and "Ethnic minority and/or Immigrants", see the Glossary.

The EMN-MFC Survey 2014-2015 classifies mission statements by eight main categories (Figure 23).[24] Financial inclusion and job creation are the predominant goals selected by 107 and 105 responding MFIs respectively (the full sample of respondents selected at least one option to describe their mission). The subsequent missions include microenterprise promotion (90 MFIs) and social inclusion and poverty reduction (88 MFIs). A smaller share of respondents report missions related to ethnic minorities and/or immigrant empowerment or youth employment (18-25 years).

Figure 23 – Share of MFIs by mission

Note: 149 responding MFIs (allowed to select multiple answers).



Eastern European microlenders placed greater emphasis on financial inclusion (the most selected option - 55 of 84 MFIs), social inclusion/poverty reduction and microenterprise promotion. Job creation is the most frequently reported goal of MFIs in Western countries (57 of 65 MFIs), along with ethnic minorities and/or immigrant empowerment, and youth employment. The majority of respondents diversify their mission by choosing at least three different options (72%).

Job creation and financial inclusion are the only two missions selected by all the five commercial banks, while job creation and social inclusion/poverty reduction are the only two options selected by all five cooperatives/credit unions. The majority of NGOs (37 of 46 MFIs) focus on job creation, while NBFIs emphasize financial inclusion (69 of 89 MFIs).

Mission statements appear to be correlated to the type of products and services offered by MFIs. Financial inclusion is the main mission amongst minimalist providers, i.e. those providing only financial products and services (48 of 62 MFIs). Job creation is the primary goal of integrated institutions offering both financial and non-financial products and services (70 of 86 MFIs). The majority of MFIs addressing social inclusion and poverty reduction report a stronger focus on microlending activity, deriving more than 75% of their turnover from it (see Section 11, for more analysis of the interaction between mission and institutional type in shaping MFI activity).

CLIENT STORIES

A micro nursery as a job creator

In two and a half years, Alice Charlet, Camille Lustre and Perrine Cotton opened four micro-nurseries and created eleven jobs, a rapid development with no plans of stopping. Everything started from their own difficulties to find appropriate childcare for when they were working night shifts. A desire for a professional change in their lives also pushed them to pursue their project of micro-nurseries in their locality of Pas-de-Calais, France. An analysis of the previously un-provided services led them to develop an innovative concept of a micro nursery open seven days a week from 5.30 AM to 10 PM. They are flexible to parents' needs by accepting children for only one hour and follow an ecological approach to provide a sound environment for the kids. When they contacted Initiative Grand Arras, their business project was already well prepared. "*We made a loan on trust request to finance the construction during the months before the opening*" explains Camille Lustre. They felt fear before the financing committee. Camille says, "*it was the first time we were presenting our project in front of so many people.*" The meeting was a good training exercise that helped them afterwards to convince banks and mayors to join. Their business project was well received by the Committee's members. "*Their questions mainly focused on the profitability of our enterprise. As we were not qualified in early child care, we had to hire people from the start", she adds. "The Committee asked us how we would finance those job creations. The members also gave us precious advice on our business development, on which we planned to make profit. We were in need for this expertise on our project*".

6.2 Target Groups

Surveyed MFIs identified microlending target groups for 2015 by indicating the share of active borrowers for a defined set of client categories: rural population, urban population, unemployed or welfare recipients, women, ethnic minorities and/or immigrants, disabled people and those excluded from mainstream financial services.

This section explores the outreach to specific target groups for 128 responding institutions[25] from two perspectives: targeting and actual share of active borrowers.

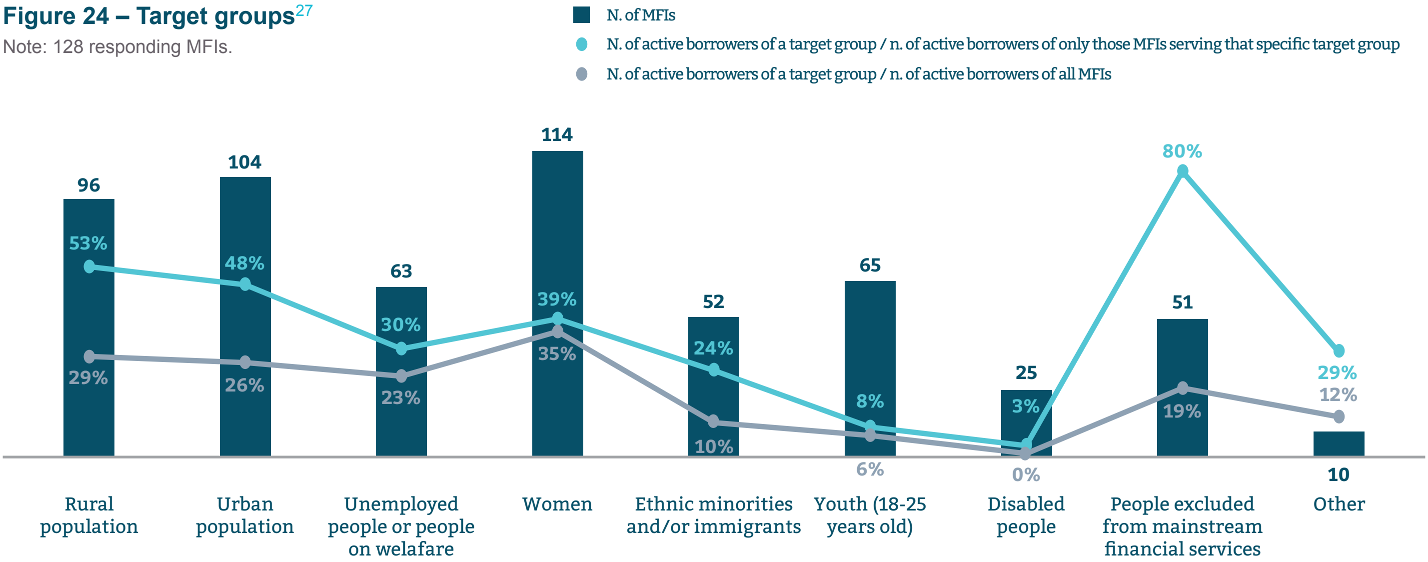
25 Non-responding MFIs include the following institutional models: 1 commercial bank, 7 NGOs, 12 NBFIs, and 1 "other". Half of them (10 of 21 MFIs) also show low response rates for microloan portfolio indicators.

26 Given the structure of the specific question in the Survey questionnaire, the shares of the different categories could overlap, e.g. a borrower could be a woman and have an immigration background.

In terms of ***targeting***, the number of MFIs reporting the percentage of active clients for each category[26] is shown by the *blue histogram* in Figure 24. We assume that a higher number of MFI responses for a particular target group corresponds to higher targeting for the same category of clients. Results could be underestimated because MFIs were asked to provide the percentage of active borrowers for each category. Hence, in some cases a lack of response may simply indicate the unavailability of disaggregated data.

Figure 24 – Target groups[27]

Note: 128 responding MFIs.



27 Under the "other" category, the main target groups mentioned are retired persons/seniors, microenterprises and companies, people living under the poverty threshold.

Women are the most frequently targeted group of the surveyed MFIs (114 MFIs provided gender-disaggregated data). Remarkably, the geographical targets of intervention (rural population and urban population) have been indicated by 96 and 104 MFIs respectively.

All commercial banks, and most of NGOs (92%) and NBFIs (88%), indicated the targeting of women clients. All cooperatives/credit unions provided their outreach to ethnic minorities and/or immigrants.

CLIENT STORIES

A young horticulturist

After working for several horticulturists over a few years, Etienne became unemployed at the age of 22, however, being young didn't deter him from the desire to create his own enterprise. Etienne found that banks refused to finance his project due to his young age, but he soon found Adie (France), which granted him a microcredit of EUR 10,000. With the loan he was able to buy a vehicle and a greenhouse, where he could grow flowers and fruits, and subsequently sell them on local markets. Moreover, Etienne benefited from business development services provided by his microcredit officer and a volunteer, who helped Etienne to develop his skills in management and sales. They both followed his project with trust, attention, and kept in touch with the young man.

At the beginning it wasn't easy for Etienne due to competition with other sellers, but now Etienne proudly states, "*the project is going well, I have faithful customers and now I want to expand my greenhouse to grow more products.*" Looking back, Etienne declares, "*If I had to do it all over again, I wouldn't change a single thing!*"

Outreach towards specific target groups is also analysed in terms of the actual ***share of active borrowers***. This indicator is computed as the ratio between the number of active borrowers of a target group and the total number of active borrowers of only those MFIs serving that specific target group (*light blue line* in Figure 24), rather than referring to the total number of active borrowers of all MFIs (*gray line* in Figure 24).

Surveyed MFIs show a partial commitment to the various target groups. With the exception of MFIs targeting individuals excluded from mainstream financial services (80% of their active borrowers are financially excluded individuals), MFIs diversify their portfolio risk by serving multiple categories of disadvantaged borrowers (more than four on average). Of the 114 MFIs reporting gender-disaggregated data, women make up only 39% of the total active borrowers. In the case of women borrowers, the provision of gender-disaggregated data does not necessarily translate into actual women outreach by the surveyed MFIs.

Commercial banks report the highest share of active borrowers for rural clients and account for 51% of outreach to this target group. Ninety-one per cent of active cooperative/credit union borrowers are urban clients. NGOs and NBFIs show the highest percentages for active borrowers excluded from mainstream financial services (respectively 86% and 79%).

6.3 Number and Type of Businesses Supported

European MFIs support a broad variety of enterprises: informal and registered businesses with no more than nine employees, entrepreneurs in the pre-start-up phase or start-up businesses, self-employed, and social enterprises. Outreach to these enterprises is analysed through the data provided on the number and type of businesses receiving business microloans. As extensively presented in section 5.1, the business microloan segment of the market covers a large portion of the overall outstanding portfolio of surveyed institutions (71% in 2015). In 2015, the number of active borrowers supported by microloans for business purposes reached a total of 402,365. During the year, EMN-MFC extended members disbursed 220,305 business microloans.

The total **number of enterprises supported** by responding MFIs with business microloans increased by +9% between 2014 (191,361) and 2015 (207,983).[28] Accordingly, the average number of enterprises financed per MFI grew from 1,756 in 2014 to 1,891 in 2015. Institutions in Eastern countries served two-thirds of the total number of businesses (144,403 in 2015, +12% compared to 2014). In Western countries, 63,500 enterprises were financed in 2015 (slightly increasing over 2014).

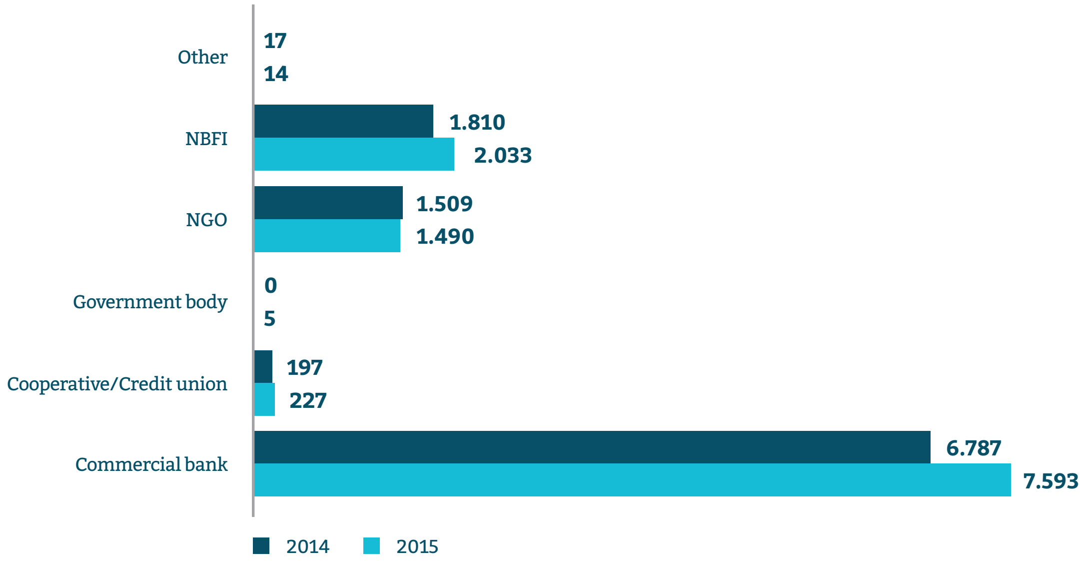
Bosnia-Herzegovina is the country with the highest number of enterprises financed both in absolute terms (71,737 enterprises in 2015) and annual average per MFI (11,956 enterprises). Respondents in Albania, France, Serbia, and Spain reported more than 20,000 enterprises financed during 2015. The total number of businesses supported in the above mentioned five countries corresponds to 80% of the total enterprises financed in 2015.

The share of enterprises supported by NBFIs and NGOs closely corresponds to their share of total respondents (respectively 55% and 30% of the total number of enterprises). Commercial banks financed 15% of microenterprises and reported the highest average number of enterprises financed per institution: 7,593 in 2015 and 6,787 in 2014 (or approximately five times the average number of enterprises financed by NGOs and four times by that of NBFIs, see Figure 25).

28 Respondents for 2015 and 2014 are respectively 110 and 109 MFIs. One surveyed institution started its microlending activities in 2015, and its scale does not affect 2014-15 overall comparisons.

Figure 25 – Average number of enterprises financed by institutional type

Note: 110 responding MFIs in 2015 and 109 in 2014.



Business microlenders were also asked to identify the **type of business** targeted by providing the share of seven categories of businesses on the total number of microloans disbursed in 2015. As in the case of outreach by target groups (see Section 6.2), the type of business supported indicator is analysed from two aspects: targeting and share of business microloans disbursed.

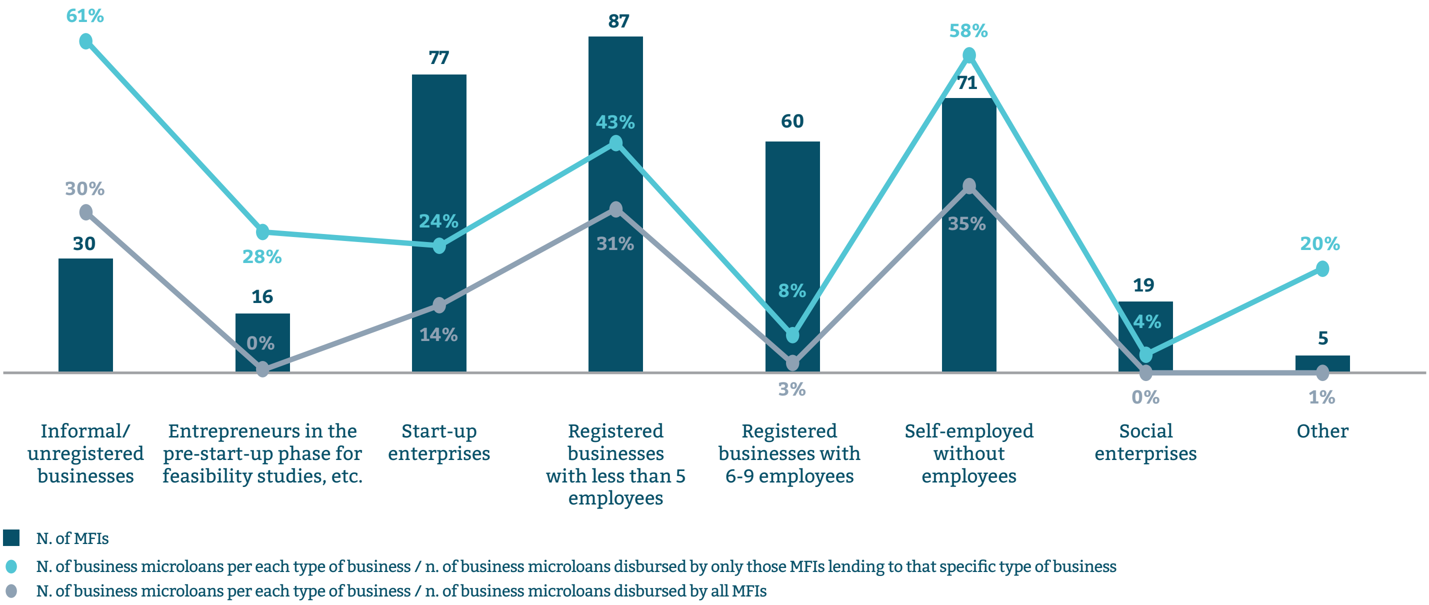
In terms of ***targeting***, the percentage of the total number of microloans disbursed to each category[29] is shown by the *blue histogram* in Figure 26. We assume that a higher number MFI responses denotes a greater focus on the corresponding type of business.[30] Registered businesses with less than 5 employees are the most targeted type of business (87 MFIs) and are the main category of enterprise served by MFIs in Eastern Europe. Start-up enterprises are the main business target group for Western European MFIs.

29 Given the structure of the specific question in the survey questionnaire, the shares of the different categories could overlap, e.g. a business can be a registered business with less than 5 employees and a social business.

30 Results could be underestimated because MFIs were asked to provide the percentage of business microloans for each category. Hence, in some cases a lack of response may simply designate the unavailability of disaggregated data.

Figure 26 – Type of business

Note: 100 responding MFIs of 124 business microlenders.[31]



All responding MFIs from Bosnia-Herzegovina, Ireland, Moldova, and Montenegro lend to informal and unregistered businesses. More than 75% of the institutions in all countries (except Albania, Bulgaria, Kosovo) support start-up enterprises. In five countries (Finland, Hungary, Ireland, Poland, and the United Kingdom), more than 90% of MFIs lend to registered businesses with 6-9 employees.

31 Non-responding MFIs involve the main surveyed institutional models: 1 commercial bank, 2 cooperatives/credit unions, 7 NGOs, 13 NBFIs, and 1 “other”.

32 Business microlenders providing the share of each type of enterprise on business microloans disbursed are only 98 out of the previous 100 respondents, given the lack of corresponding data on business microloans disbursed by 2 institutions (1 NBFIs and 1 NGO).

The types of enterprise supported is also investigated by the ***share of business microloans disbursed***.[32] This indicator is computed by taking the ratio between the number of business microloans for each type of business and the total number of business microloans disbursed by MFIs lending to that specific type of business (*light blue line* in Figure 26), rather than referring to the total number of microloans of all MFIs (*gray line* in Figure 26).

Informal businesses are the main type of enterprise to which the 30 MFIs claiming this target group lent 61% of the number of business microloans and is the main category financed by Eastern MFIs. The self-employed without employees group receives another substantial share of business microloans (58%) and is the main category supported by Western European MFIs.

Informal business is also the major business category financed by NBFIs (71% of NBFI business microloans). The bulk of commercial banks and cooperatives/credit unions microlending activity is devoted to registered businesses with less than five employees (respectively 80% and 89%). NGOs top business category is self-employed without employees (80% of NGO business loans).

CLIENT STORIES

Colours of Manukafashion, a cooperative company

Manukafashion is a cooperative in Italy that produces decorative home-wear and accessories inspired by African colours and fabrics. Lisa, Manuela and Valentina came up with the business idea some years ago while on a work experience in Africa. This African journey changed them: in fact, the emotions, the eyes and the smiles of the people they had met inspired them. They got in contact with PerMicro through The Impact Hub Rome, a business incubator that collaborates with PerMicro. The microfinance institution believed in the project idea and decided to finance the start-up. The founders are thankful for the support, stating "*PerMicro has accompanied us through its representatives in Rome in the evolution of the cooperative and activities. In November 2015, the first online collection of Manukafashion was launched!*" Today, they are three young entrepreneurs who strongly believe in integration, exchange and social inclusion. The three women say, "*We think that development should be achieved through entrepreneurship and we want to avoid a concept of aid to promote employment for professional tailors in Italy and in Africa. We want to create a network that values the integration of different styles and cultures*".

7. Financial Performance

The financial performance of microfinance institutions is not merely a reference benchmark for investors or for regulatory supervisors tasked with monitoring of the sector. Financial performance indicators are useful tools for an MFI to measure and track its achievements such as: ability to collect loans, cost-efficiency, and capacity to reach sustainability and generate revenues.

The EMN-MFC Survey indicators of financial performance are grouped into four main categories (CGAP 2003): portfolio quality, asset-liability management, efficiency and productivity, and profitability and sustainability.[33]

The response rate for financial performance indicators ranges between 61% and 81%, with more data collected on portfolio quality and lower responses for profitability and sustainability indicators. Eastern MFIs report more on financial performance (response rates of 88.8% on average in 2014 and 2015; 92.1% for portfolio quality indicators) compared to respondents in Western countries (48% and 62.8%). We attribute this to international investors' emphasis on the monitoring of financial indicators and self-sustainability in the region.

The share of surveyed institutions providing reliable financial performance data is consistent with the on-going maturity process of the European microfinance sector and signals the gradual development of management information systems and the institutional capacity to adhere to standard reporting requirements.

Loan repayment is a crucial indicator of MFI performance, as high delinquency rates undermine financial sustainability in the long run. **Portfolio quality** is investigated by three main indicators: portfolio at risk > 30 days ratio (PAR30), write-off ratio, provision expense ratio.[34]

From the Survey sample, the quality of the portfolio improved between 2014 and 2015[35]: *PAR30* decreased from 10.4% to 9.7%, the *write-off ratio* decreased from 2.8% to 2.6%, and the *provision expenses ratio* fell from 5.2% to 5.0%. Eastern European MFIs show better portfolio quality compared to their Western counterparts (respectively PAR30 ratios of 7.6% and 13.4%, write-off ratios of 1.0% and 5.6%, provision expense ratios of 2.5% and 10.0%).

Belgium, France, and the United Kingdom report the most critical portfolio quality indicators across the three ratios considered. Bosnia-Herzegovina reports the best overall portfolio quality, with all the three ratios below 1% (PAR30 of 0.8%, write-off ratio of 0.9%, and provision expense ratio of 0.9%).

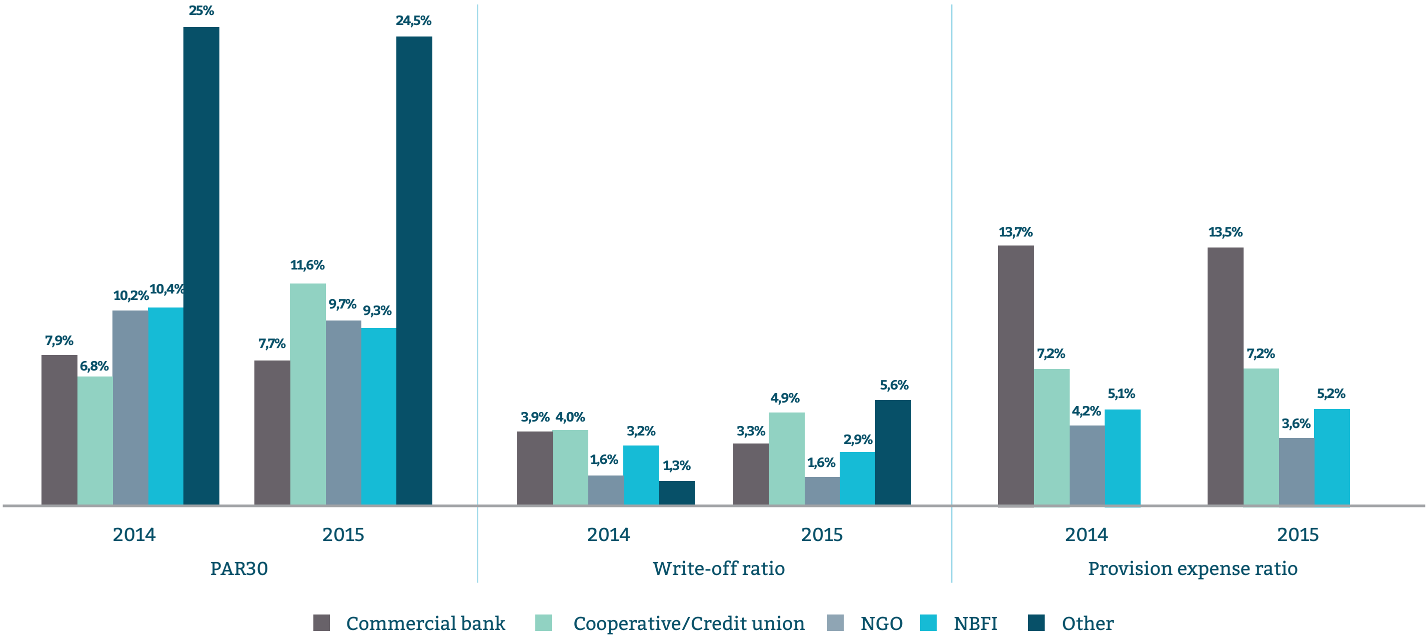
The best performing institutional types in terms of PAR30 were commercial banks in 2015 (7.7%) and cooperatives/credit unions in 2014 (6.8%, Figure

33 Results are presented as standard averages according to conventional international practices. Financial performance indicators by country and region are presented in Appendix 4.
34 For the definition of "Portfolio at risk > 30 days ratio (PAR30)", "Write-off ratio", and "Provision expense ratio", see the Glossary.
35 Response rates for portfolio quality indicators are higher in Eastern countries (on average 92% of the 84 MFIs) compared to Western countries (on average 64% of the 65 MFIs).

27). One institution drove the worsening performance of cooperatives/ credit unions between 2014-2015. NGOs reported the lowest write-off ratio (roughly half that of NBFIs and commercial banks) as nearly half of them (mostly from Eastern countries) do not report any uncollectible loans. The high provision expense ratio of commercial banks is driven by the poor performance of one MFI. Results for the institutional type “other” are also driven by one institution.

Figure 27 – Portfolio quality by institutional type

Note: 120 responding MFIs for PAR30 in 2015 (118 in 2014), 120 for write-off ratio, and 116 for provision expense ratio (115 in 2014). No data available for government body.



The **asset-liability management** indicators explore the ability of an MFI to manage its financial obligations while maximising its most productive assets, and thereby fostering revenue and net profit. The category is analysed by four main indicators: portfolio to assets ratio, debt to equity ratio, portfolio yield, and financial expense ratio.[36]

The *portfolio to assets ratio* looks at the share of an MFI’s asset base used for microloan provision, which is an MFI’s primary and most profitable activity. The overall ratio is 0.6 in 2015 (0.5 in 2014), with comparable indicators in Eastern and Western Europe. Romanian MFIs only allocate, on average, 20% of their assets to microlending. NGOs and cooperatives/ credit unions dedicate the highest share of total assets to their microfinance portfolios (Table 7).

The *debt to equity ratio* decreased from 4.9 in 2014 to 4.5 in 2015. Western MFIs are more likely to rely on debt than on equity (6.2 and 6.7 respectively in 2014 and 2015) compared to Eastern respondents (3.9 and 4.3). Belgium, Hungary, Italy, and the United Kingdom are the only four countries reporting a ratio higher than the average (4.5). Performance in these Western countries is driven by a few institutions. In Hungary, two-thirds of the institutions report an above average ratio. Cooperatives/credit unions exhibit the highest debt to equity ratio (10.5), followed by commercial banks (7.3), NGOs (5.4), and NBFIs (3.8) (Table 7).

The *portfolio yield* of the full sample was 14.5% in 2015 (14.6% in 2014) with substantial divergence by region: in 2015, Eastern MFIs generated more revenue from their microlending portfolio (16.6%) than those in Western countries (10%). The majority of the respondents (40 MFIs) report financial

36 For the definition of “Portfolio to assets”, “Debt to equity”, “Portfolio yield” and “Financial expense ratio”, see the Glossary. Portfolio to assets figures presented in this section are based on data provided by MFIs on the value of their gross microloan portfolio outstanding and on the total assets (respectively question 16 and 29 of the Survey questionnaire).

revenues between 15% and 25% of their gross loan portfolio. Only 12 MFIs report a portfolio yield above 25%. At the country level, Serbia and Albania are the countries with the highest yield on gross loan portfolio (respectively 27.8% and 25.5%).

The *financial expense ratio* increased from 4.3% to 4.7% during 2014-15. The financial expense ratio in Western countries (8.1%, 27 MFIs) is more than twice the Eastern figure (3.4%, 74 MFIs). The cost of funding has decreased for commercial banks and cooperatives/credit unions but increased for NBFIs and NGOs. Comparing portfolio yield and the financial expense ratio, commercial banks and NBFIs report the highest interest margin (12%), nearly twice that of NGOs (7%) and three times that of cooperatives/credit unions (4%) (Table 7).

Table 7 – Asset-liability management by institutional type

Note: 106 responding MFIs for the portfolio to assets ratio in 2015 (105 in 2014), 102 for the debt to equity ratio (100 in 2014), 107 for the portfolio yield and 101 for the financial expense ratio.

	Portfolio to assets ratio		Debt to equity ratio		Portfolio yield		Financial expense ratio	
	2015	2014	2015	2014	2015	2014	2015	2014
Commercial bank	0.4	0.4	7.3	7.0	15.8%	15.7%	3.4%	3.9%
Cooperative/Credit union	0.7	0.6	10.5	9.7	9.2%	9.9%	5.4%	5.8%
Government body	0.1	0.0	0.6	-	0.2%	-	-	-
NGO	0.8	0.8	5.4	6.6	10.1%	9.6%	3.1%	2.7%
NBFI	0.4	0.4	3.8	3.9	17.6%	17.5%	5.5%	5.1%
Other	0.6	0.6	2.0	2.1	2.8%	4.3%	0.1%	0.1%
TOTAL	**0.6**	**0.5**	**4.5**	**4.9**	**14.5%**	**14.6%**	**4.7%**	**4.3%**

CLIENT STORIES

Dreams come true thanks to microcredit

Like many African immigrants, Patiente has gone through a lot of difficulties to survive in Spain. For 12 years in Spain, she took the jobs no one wanted to do. However, due to bureaucratic problems, she lost her residence permit and, as a result, suffered the traumatic experience of seeing her dream of bringing her daughters to Spain slip away. However, this personal story of insecurity and despondency, has found a turning point thanks to the microcredit program of the Cajasol Foundation. Last year, Patiente created a profitable business project from an idea linked to her community of origin: Nigerian, Cameroonian and Chadian population. Thanks to the microcredit, she received the necessary funds to launch her own business. In addition to making African braids with extensions and knots, she teamed up with a Cameroonian designer and is now also selling fabrics. In this way, she has increased her confidence and capabilities, and even more remarkable, she has enough revenue from her business to survive and send money home to her family. In May 2016, she was granted a second microloan to expand her product range. Her story is proof microfinance can make an extraordinary change in lives of ordinary people.

The **efficiency and productivity** of EMN-MFC extended members are analysed in terms of the operating expense ratio, which measures the institutional cost of delivering loans, and the staff productivity ratio, which measures the overall productivity of MFI staff (CGAP 2003).[37] Of the surveyed MFIs, 72% and 88% provided information on efficiency and productivity respectively in 2015. Eastern MFIs represent approximately two-thirds of these observations.

The *operating expense ratio* of the full sample was 16.1% in 2015 and 16.0% in 2014 (for MFIs submitting efficiency data on both years, the ratio slightly improved from 16.1% in 2014 to 15.3% in 2015). For both 2014 and 2015, efficiency levels are lower among Western MFIs (20.8% and 21.4%) compared to Eastern MFIs (13.9% and 13.7%). Regarding country performance, Bulgaria and Italy report the lowest operating expense ratios. Belgium and Ireland both report above average operating expense

37 For the definition of “Operating expense ratio” and “Staff productivity ratio”, see the Glossary. Staff productivity figures presented in this section are based on data provided by MFIs on the number of paid staff as FTE (Question 5) and on the number of active borrowers (Question 14).

38 Responding NGOs employ paid staff. Given the lack of a specific question on MFIs volunteers, it is not possible to estimate any effect of unpaid staff on MFIs efficiency.

ratios, but show the best efficiency gains during 2014-15, 18.9% and 14.0% respectively (for overall, regional and country annual averages, see Appendix 4). The worsening efficiency trends in Spain and the United Kingdom are driven by a single less efficient MFI in both countries that only submit data for 2015; adjusted data for MFIs who submit data for both years show improving efficiency results for Spain (1.9%) and the United Kingdom (0.8%).

The *staff productivity ratio* improved from 151.5 to 173.5 clients per staff member. This trend is driven by the performance of Western MFIs (respectively 288.4 and 348 clients per staff member in 2014 and 2015). Eastern MFIs reported 70.4 clients per staff member in 2014 and 65.8 clients per staff member in 2015. However, the Western MFI figures are substantially affected by the performance of one commercial bank whose ratio is five times the average of the second most productive country (Bosnia-Herzegovina, 306.8 clients per staff member).

As shown in Table 8, NGOs (32 MFIs) are the most efficient type of institution (13%), followed by commercial banks (14.7%).[38] Both institutional frameworks also show higher staff productivity. The commercial bank staff productivity figure is inflated by the performance of one institution; dropping this institution lowers the average to 100.1 clients per staff member (the total average drops to 86.4 in 2015 and 82.2 in 2014). Cooperatives/credit unions report efficiency improvements of 12.5% and a reduction in the staff productivity of 16.0%. With the exception of one responding government body, NBFIs are the least efficient type of institution with figures of 16.7% in 2014 and 17.6% in 2015. The NBFI staff productivity ratio increased from 81.4 to 85 clients per staff member between 2014 and 2015.

Table 8 – Efficiency and productivity by institutional type

Note: 108 responding MFIs for the operating expense ratio in 2015 (107 in 2014), and 131 for the staff productivity ratio in 2015 (130 in 2014).

	Operating expense ratio		Staff productivity ratio	
	2015	2014	2015	2014
Commercial bank	14.7%	14.7%	2,947.8	2,330.0
Cooperative/Credit union	16.5%	29.0%	54.6	65.4
Government body	35.0%	-	1.7	-
NGO	13.0%	13.0%	97.9	88.1
NBFI	17.6%	16.7%	85.0	81.4
Other	11.9%	14.9%	10.6	10.5
TOTAL	**16.1%**	**16.0%**	**173.5**	**151.5**

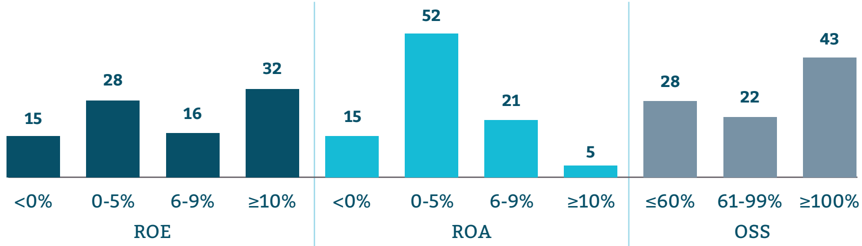
39 For the definition of Return on equity (ROE)", "Return on assets (ROA)", and "Operational self-sufficiency (OSS)", see the Glossary.

Long run viability for microfinance institutions is based on their capacity to cover all costs and generate adequate incomes. The most common measures of MFI ***profitability and sustainability*** are return on equity (ROE), which evaluates owners' investment revenues, return on assets (ROA), which reflects the use of institutional assets, and operational self-sufficiency (OSS), which indicates how well an MFI covers its costs through operating revenues.[39] Response rates are higher among Eastern European providers where 70 of 84 MFIs report complete financial data. In comparison, only one-third of the 65 MFIs from Western countries submit information on ROE, ROA, and OSS.

Financial data for 2015 are shown in Figure 28 (although 2014 data are equivalent). The majority of responding MFIs report ROEs above 10%. Fifteen MFIs report negative results for both ROE and ROA. The majority of surveyed MFIs report ROAs between 0% and 5%. Only 43 of 94 reporting MFIs are operationally self-sufficient (ratio ≥ 100%): only 7 of them are from Western countries.

Figure 28 – Number of MFIs by profitability and sustainability (2015)

Note: 91 responding MFIs for ROE, 93 for ROA and for OSS.



Overall, *ROE* increased from 2.8% in 2014 to 5.7% in 2015, primarily due to positive trends from MFIs in Eastern countries where the average ratio more than doubled between 2014 and 2015 (from 3.6% to 7.7%). In Western countries, the average ROE is not only negative, but also worsening from 2014 (-0.4%) to 2015 (-2.7%).

ROA remained stable over the two years surveyed (3.0% in 2015 and 2.9% in 2014). Eastern MFIs report average figures of 3.2% compared to 2.1% in Western Europe).

The average *operational self-sufficiency ratio* for the full sample was 90.6% in 2015 and 91.0% in 2014. MFIs in Eastern Europe are approaching full operational self-sufficiency (92.5% in 2014 and 94.5% in 2015). Comparatively, Western MFIs report low and decreasing OSS figures (86.1% in 2014 and 78.5% in 2015). Eight countries report an OSS ratio above 100% in 2015 (two more than in 2014). MFIs in Albania, Kosovo, and the Netherlands on average achieved operational self-sufficiency in 2015. Bosnia-Herzegovina, Bulgaria, Macedonia, Montenegro, and Spain reported to be operational sustainable in both years.

Only commercial banks (3 of 5 MFIs) achieve operational self-sufficiency and commercial viability in terms of ability to generate income from its core financial services (Table 9). Cooperatives/credit unions (4 of 5 MFIs) appear to be the least profitable and sustainable type of institution with a negative ROE, an ROA just above 0%, and the lowest OSS figures. NBFIs generally report better indicators and higher financial sustainability than NGOs, which have in turn significantly improved their profitability during the years surveyed.

Table 9 – Profitability and sustainability by institutional type

Note: 91 responding MFIs for ROE, 93 for ROA (91 in 2014) and for OSS (92 in 2014). No data available for government body.

	ROE		ROA		OSS	
	2015	2014	2015	2014	2015	2014
Commercial bank	10.4%	9.3%	2.2%	1.9%	141.4%	126.8%
Cooperative/Credit union	-14.9%	-4.7%	0.2%	-1.3%	55.0%	52.8%
NGO	3.5%	-5.2%	1.4%	0.6%	82.0%	82.1%
NBFI	7.9%	6.4%	3.9%	4.3%	94.6%	96.0%
Other	-1.2%	-1.2%	-1.2%	-1.1%	43.0%	46.0%
TOTAL	**5.7%**	**2.8%**	**3.0%**	**2.9%**	**90.6%**	**91.0%**

CLIENT STORIES

A rural financing with the aim of the family's education

"*I grew up on a family farm and started helping my father with the farm work while I was still in school. When I graduated from high school, I found a job in a shop where I worked as a salesman while working on the farm after work and on weekends. At that time, we had six cows and three sows*" Slavko says. He adds, "*I got married and had three kids. Soon after that, I lost my job and my father died. The farm was left to me, and at that point, I engaged in agriculture more intensely. I took my first loan from Mikrofin (Bosnia-Herzegovina) and invested into the farm's facilities. Over the years, I bought more sows and reduced the number of dairy cows. I continuously used Mikrofin's loans and invested in production, which gradually increased and became a solid source of income for my family. Our two daughters have graduated from university and our son is still in college. Their education was paid solely from the income we have from farming. Today I own one dairy cow, ten sows, and I produce cabbage on about ten acres of farming land. I plan to expand and renovate the farm facilities, buy new machines and purchase more livestock. Eventually, I want to increase the vegetable production and start growing new cultures, primarily cauliflower*".

8. Funding Structure

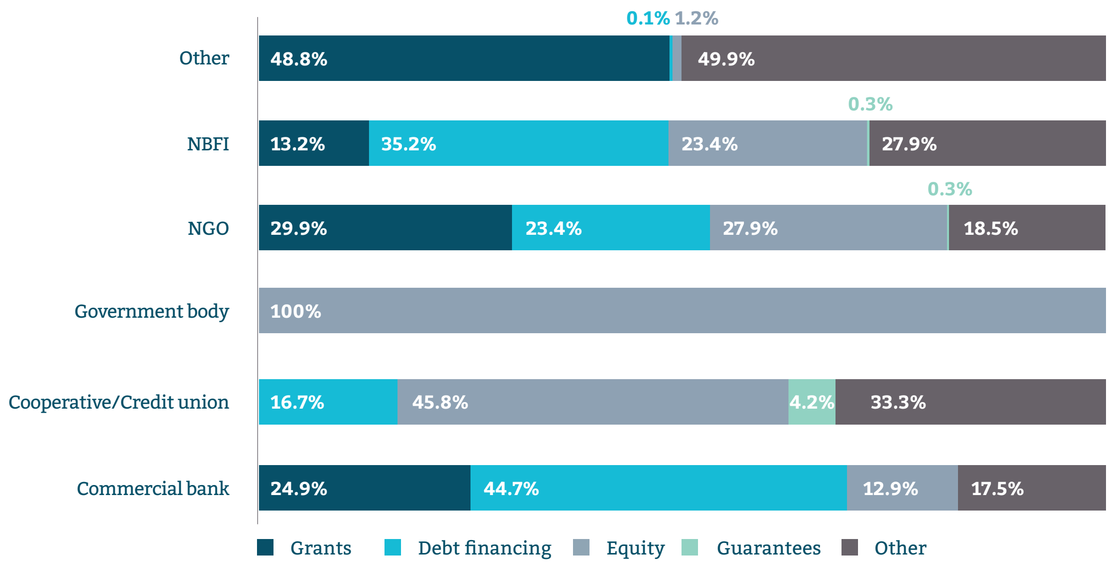
European microlenders access a number of various funding channels. These sources of funding are investigated below, according to categories identified in the EMN-MFC Survey questionnaire: grants, debt financing, equity, and guarantees.

The increasing access to market funds by European MFIs is demonstrated by percentage composition of the EMN-MFC extended members' funding sources. In terms of the share of the total value of funding sources, debt financing is on average the most widespread channel of funding (30.3% in 2015 and 28.9% in 2014). Nevertheless, grants still play a major role, especially for Western providers (38.7% in 2015 and 40.6% in 2014).[40]

Figure 29 shows the funding structure by institutional type. In 2015, 44.7% of commercial banks funding came from debt financing. Equity was the main source of funds for cooperatives/credit unions (45.8%). The funding structures of NGOs are more diverse (although nearly one-third of funds come from grants). NBFIs also show differentiation in terms of funding structure (although debt financing is the largest funding source at 35.3%).

Figure 29 – Funding structure by type of institution (2015)

Note: 121 responding MFIs in 2015 and 120 responding MFIs in 2014.



Grants are particularly crucial in the funding structure of respondents in France, Ireland, and Italy, while MFIs in Albania, Bosnia-Herzegovina, Bulgaria, Finland, Macedonia, and Moldova showed a higher incidence of debt financing (see Appendix 5 for detailed country data). Equity represents the main source of funds for MFIs in Kosovo, Montenegro, the Netherlands, and Serbia. In Hungary and Romania, the main funding sources are local microcredit funds and social funds.

40 Funding sources composition is computed as: Total value of the specific funding source (as of December 31st) / Total value of funding sources (as of December 31st).

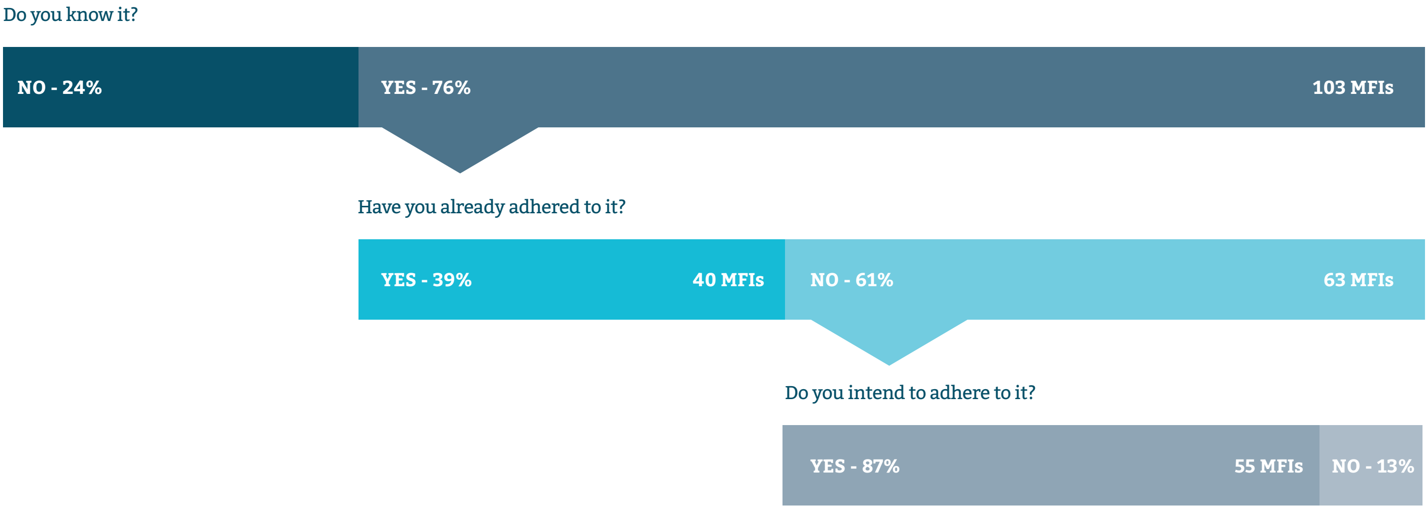
9. European Code of Good Conduct for Microcredit Provision

41 For more information on JASMINE, see: http://www.eif.org/what_we_do/microfinance/JASMINE/
42 "European Code of Good Conduct for Microcredit Provision", version 2.0 – June 2013: http://ec.europa.eu/regional_policy/sources/thefunds/doc/code_bonne_conduite_en.pdf

In the framework of JASMINE (Joint Action to Support Microfinance Institutions in Europe)[41], in 2011, the European Commission published the European Code of Good Conduct for Microcredit Provision (henceforth the Code) with the objective to establish a set of common standards in terms of management, governance, risk management, reporting, and consumer and investor relations that are common to non-bank microcredit providers in the European Union.[42]

A substantial number of EMN-MFC Survey participants declared to know the Code (Figure 30). Higher rates of awareness of the Code are found for MFIs in EU Member States (89 of 122 EU Member State MFIs know the Code, 73%), commercial banks and cooperatives/credit unions (100%; compared to only two-thirds for NGOs and NBFIs). In Albania, Bosnia-Herzegovina, Finland, Kosovo, Macedonia, Moldova, and Montenegro more than half of respondents are unaware of the Code. The share of the total MFI microloan portfolio unaware of the Code is still significant (20%-25% in terms of number of active borrowers, portfolio outstanding, value and number of microloans disbursed). Thus, further dissemination across the European microfinance industry is necessary.

Figure 30 – European Code of Good Conduct for Microcredit Provision
Note: 149 responding MFIs.



43 The European Code of Conduct for Microcredit Provision is not mandatory but rather undergo voluntary sign-up and adherence by the non-bank microcredit providers. On the other hand, organisations that are already complying with the banking legislation and the Capital Requirement Directive and are supervised accordingly, such as banks, savings banks or cooperative banks, have the possibility to endorse the principles of the Code (https://webgate.ec.europa.eu/easi-micpro/Jasmine.jsp#CoGCPlace:).

Among the 103 MFIs that declared to know of the Code, 40 have already adhered[43] and 55 intend to do it in the near future (36 adhere and 48 with intent from EU Member States). Eight institutions neither follow nor plan to endorse the Code; stated motivations for this include lack of employees, lack of opportunities to influence the rules, or already SMART certified.

Table 10 summarises the state of knowledge and adhesion to the Code by country. In Bosnia-Herzegovina and Kosovo, less than one-third of the organisations intend to or already have adhered to the Code. In Bulgaria, Ireland, the Netherlands and Serbia all of the responding institutions are concerned by the Code (at least planning to adhere to it). A large share (more than two-thirds of respondents) in Belgium, France, Hungary, Romania, and Spain are also concerned by the Code.

Table 10 – European Code of Good Conduct for Microcredit Provision by country

Note: 13 MFIs did not answer.

	No. MFIs	No. MFIs that declared to know the Code			No. MFIs that don't know the Code
		No. MFIs that already adhered to the Code	No. MFIs that Intend to adhere	No. MFIs that do not intend to adhere	
Albania	4	1	1	0	2
Belgium	3	2	0	0	1
Bosnia-Herzegovina	6	0	2	1	3
Bulgaria	4	3	1	0	0
Finland	1	0	0	0	1
France	4	2	1	1	0
Germany	5	1	1	2	1
Hungary	13	6	4	0	3
Ireland	1	0	1	0	0
Italy	13	4	2	1	6
Kosovo	8	1	1	1	4
Macedonia	2	0	1	0	1
Moldova	1	0	0	0	1
Montenegro	2	1	0	0	1
Netherlands	1	0	1	0	0
Poland	13	3	3	1	3
Portugal	2	0	1	0	0
Romania	28	4	22	0	1
Serbia	3	1	2	0	0
Spain	8	4	2	0	2
Switzerland	1	0	0	1	0
United Kingdom	26	7	9	0	3
TOTAL	**149**	**40**	**55**	**8**	**33**

The group of 95 MFIs that declared to have already adhered to the Code or that intend to do it in the foreseeable future, includes most of surveyed commercial banks (4 of 5 banks) and cooperatives/credit unions (4 of 5 institutions), more than half of NGOs (27 of 46 NGOs), and the majority of NBFIs (18 NBFIs already adhere to the Code while another 40 institutions intend to adhere of the 89 responding). Among the group of MFIs interested in the Code, 56 MFIs offer both financial and non-financial products and services while 39 MFIs offer only financial products and services (of which 31 intend to adhere to the Code).

When we first applied for a microloan, we immediately built a relationship of trust and mutual understanding with the loan officer.

I have never saved in my life and it feels to have extra money...

Today I know that I have done the right investment for the good of my business and my family.

Cross-cutting issues

10. Converging Path in Eastern and Western European Microfinance

The newly established cooperation between the EMN and the MFC enabled the participation of both networks' members in the European Survey 2014-15. The resulting report constructs a wider perspective on the European microfinance sector compared to previous editions of the biannual EMN-alone survey and other available literature.

Existing research suggests the lack of a common microfinance business model in Europe, with major differences between Western and Eastern sectors in terms of institutional approaches, target clients, and scale of microlending activities (Kraemer-Eis and Conforti, 2009; Kneiding and Kritikos, 2007; Enam, 2016). Most of these features are attributable to specific contextual factors, such as historical microfinance roots, the socio-economic environment, and various financial regulation environments.[44] As documented in the Core Issues section of the Report and in the following sections, regional differences emerge as a key explanatory factor for a number of aspects of European microfinance. Nevertheless, the Eastern and Western European microfinance sectors show signs of potential convergence. An on-going discourse is worth considering to promote a mutually beneficial learning process between the two continental models.

44 Kneiding and Kritikos (2007) carry out a comparative analysis of microfinance provision in two representative countries of Eastern and Western Europe (Poland and Germany) across five environmental dimensions: entrepreneurial culture, financial system, welfare system, legal framework, and financial support to microfinance institutions.

Maturity and scale

Modern microfinance evolved in Europe over the past three decades as a response to structural transformation encountered by European economies and societies.[45] Microfinance in Eastern Europe was launched during the 1990s' economic transitions towards market economies with substantial support from foreign donors. Microfinance schemes were created with the aim of offering self-employment opportunities to urban and rural workers affected by post-communist dismissal processes and the collapse of the formal financial sector (Jayo et al., 2010). In Western Europe, the bulk of microfinance programs were designed during the 2000s in the framework of the Lisbon Agenda. In post-industrialised economies, microfinance has been viewed as a strategic tool to promote social cohesion and tackle the exclusion of certain categories of individuals from the mainstream banking sector.

As a result of these two sector development pathways, Eastern microfinance is more mature than its Western counterpart as well documented in the available literature (see previous EMN survey editions reports; Kraemer-Eis

45 The nineteenth-century European credit cooperative movement represents an early antecedent for modern microfinance (Armendariz and Morduch, 2010).

46 MFC mapping studies on MFIs in ECA explore the early emergence of MFIs in East Europe and their evolution between 2002-2010: http://mfc.org.pl/supply-for-microfinance-services/

and Conforti, 2009; Kneiding and Kritikos, 2007). Amongst the EMN-MFC extended members surveyed for 2014-2015, the average age of Western MFIs (12 years) is roughly half of their Eastern peers (22 years). The majority of Western MFIs started between 2005-2015 (52%), while most of the Eastern European MFIs launched their microcredit programs earlier, between 1995-2004 (55%)[46]. Further, only 5% of Eastern MFIs entered the market between 2010-2015, with more than two-thirds of organisations starting before 1999.

Older MFIs may be expected to attain a larger operational scale when compared to newer programs. This can be seen as the result of a consolidation process (e.g. gradual penetration in microfinance markets and clients seeking progressively larger loans) that relies on the assumption of untapped demand for financial services and the lack of challenging contextual factors to reach a sufficiently large operational scale (Armendáriz and Morduch, 2010; Serra and Botti, 2011).

European microfinance depicts a much more complex picture. At first glance, less mature Western MFIs seem to show a significantly greater average scale of their microlending activities compared to their Eastern counterparts. Standard indicators of the volume of microloan activities are even four and three times larger than those of MFIs in Eastern Europe, for outstanding portfolio and the annual value of loans disbursed respectively (Figure 31).

Figure 31 – Scale of microfinance activity by region (average, 2015)

Note: 82 responding MFIs from Eastern countries and 55 responding MFIs from Western countries.

Nonetheless, if data from one outlier are ignored - a commercial bank operating in Western Europe, regional differences shrink considerably in the case of portfolio scale and value of loans disbursed or even reverse when looking at the number of active borrowers and loans disbursed.

After removing the outlier from Western Europe, the evidence on the expected age effect on microlending scale describes an evolving European microfinance landscape where MFIs based in Western Europe still lack their Eastern counterparts in terms of *breadth* of outreach. In 2015, the average number of loans annually disbursed by Western MFIs was half that of their Eastern peers, and the average number of active borrowers served annually is only roughly comparable (respectively 2,727 and 3,508). The higher average annual portfolio of Western MFIs (+37%) is mostly driven by exchange rate effects (none of the surveyed Eastern European countries is part of the Euro Area), but this trend may also point to further consolidation of Western microfinance.

MFI EXPERIENCES

ADIE, Marie Degrand-Guillaud on a Western perspective on the key factors of European microfinance development

Adie's deepest strength is its vision. Since its inception, Adie attempts to enable anybody willing to create his/her own job and focuses on the most vulnerable entrepreneurs. We have never lost or diluted the purpose of our action. Our mission has enabled us to focus and adapt our business model, products and services and approaches to our clients' needs over time. French legislation has been another key factor for our success. It took us 10 years to enable a small change in the banking law, but this has meant so much for our day-to-day work and the scale of our operations. The last success factor is our culture. We now have more than 450 employees and 1300 volunteers, and we have succeeded in maintaining a strong, agile start-up culture while structuring our activities with efficient processes and tools.

Beyond financial service provision. Adie's involvement in business development services is not a question of competitive advantage but rather a matter of necessity. France has a very complex administrative environment and our clients often have low education skills and limited financial literacy. Thus, it is key for us to provide non-financial services to secure our impact. We are constantly creating innovative solutions such as our social microfinancing initiative to enable as many entrepreneurs as possible to start and develop their business under good conditions.

National microfinance legislation matters. The French microfinance legislation changed everything for us! Instead of partnering with banks through complex financial and operational models, the change in legislation enabled us to lend directly to our clients. We could not have reached our current scale without this law. This law enables us to continue to grow.

European microfinance future ahead. Observing trends in unemployment on the one hand and self-employment on the other, microfinance has a bright future in France and greater Europe. However, to truly unleash the potential of microfinance, the legislation needs to change in other European countries and the sector should be supported financially with a longer-term vision that anticipates future needs.

Focus on microfinance

Eastern European MFIs exhibit more specialisation in microfinance activities compared to Western MFIs, as 65% of Eastern respondents report at least three-fourths or more of their turnover arises from microlending activities compared to 37% of Western MFIs.

The Eastern MFIs maturity and emphasis on microlending activities seems to also be reflected in terms of paid staff: Eastern MFIs employed, on average, 54 full-time equivalent personnel in 2014-15 (71% of Eastern MFIs employ more than 10 paid staff and sixteen MFIs employ more than 100). In contrast, 58% of Western MFIs have 10 or less staff members (and only four MFIs exceed 100 total paid staff).

Eastern providers tend to favour a minimalist approach: they mostly provide financial products and services (25% of Eastern MFIs only offer personal loans and 42% offer non-financial products and services). Conversely, 80% of Western MFIs follow an integrated approach by delivering on average more than two types of financial and non-financial services and products.

Regulation and competition from mainstream finance

Existing literature highlights the role of legal and regulatory frameworks, in addition to financial market development, as key contextual factors that explain intra-European regional differences (Kraemer-Eis and Conforti, 2009). At the same time, the analysis of these characteristics provides valuable lessons for both Eastern and Western microfinance actors.

Both complementary dimensions may affect the holistic approach of Western MFIs. The high penetration of the pre-existing banking system and the lack of a specific legislation in most Western European countries may also explain poor achievements in terms of institutional efficiency and overall financial sustainability.

Most of the microfinance national industries in Eastern Europe evolved in a relatively conducive legal environment (Kneiding and Kritikos, 2007). MFIs in Western countries are constrained by relatively more rigid banking regulation and strict supervision. Accordingly, Western MFIs are forced to manage complex and costly loan processes involving commercial bank intermediation to extend loans to clients (e.g. Germany and Italy; Serbia as an exception in Eastern microfinance industries). The resulting cost-inefficiencies are revealed by the EMN-MFC Survey data through a larger share of operational expenses on the outstanding portfolio when compared to Eastern averages: +6.9% in 2014 and +7.7% in 2015 (Table 11).

Table 11 – Financial performance indicators by region

	Eastern countries				Western countries			
	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014
Portfolio quality								
PAR30	77	77	7.6%	8.6%	43	41	13.4%	13.8%
Write-off ratio	78	78	1.0%	1.0%	42	42	5.6%	6.1%
Provision expense ratio	77	77	2.5%	2.7%	39	38	10.0%	10.3%
Asset-liability management								
Portfolio to assets ratio	74	74	0.5	0.5	32	31	0.6	0.6
Debt to equity ratio	74	74	3.9	4.3	28	26	6.2	6.7
Portfolio yield	74	75	16.6%	16.8%	33	32	10.0%	9.5%
Financial expense ratio	74	75	3.4%	3.2%	27	26	8.1%	7.6%
Efficiency and productivity								
Operating expenses ratio	74	75	13.7%	13.9%	34	32	21.4%	20.8%
Staff productivity ratio	81	81	65.8	70.4	50	49	348.0	288.4
Profitability and sustainability								
ROE	73	73	7.7%	3.6%	18	18	-2.7%	-0.4%
ROA	73	72	3.2%	3.2%	20	19	2.1%	1.8%
OSS	70	70	94.5%	92.5%	23	22	78.5%	86.1%

Without any formal recognition as financial entities, non-profit and social economy organisations targeting individuals excluded from the mainstream banking system are forced to focus on the non-financial component of the loan provision process. At the same time, competition from the formal financial system leaves MFIs in most Western countries to work exclusively with specific target groups of underserved (unemployed, individuals on welfare, migrants, young self-employed, disabled people) rather than more generally with microenterprises and SMEs, as is common in Eastern Europe.

Stronger focus on social objectives may threaten the portfolio quality of Western providers (PAR30 and write-off ratio), as the MFIs could be less stringent on loan collection from vulnerable clients. On the one hand, the provision of non-financial services should lower delinquency by improving client businesses and financial management skills. On the other hand, if the provision of the non-financial component is free of charge and unsubsidised, it may affect the cost-efficiency of Western MFIs (Table 11). Nevertheless, further research is needed to investigate more rigorously the major drivers of Eastern and Western MFI performance.

The overall financial sustainability as measured by ROA, ROE and OSS is relatively poor in Western countries compared to Eastern Europe. The high response rate of Eastern MFIs on the financial performance section of the questionnaire (88.8% on average in 2014 and 2015; 92.1% for portfolio quality indicators) signals an institutional capacity to manage their financial accounts in conformity to international accounting principles. In contrast, the response rate on financial performance indicators for Western providers is 47.4% on average and 62.8% for portfolio quality indicators. Differences in reporting practices between Eastern and Western Europe stems from the East's common adherence to standard reporting requirements when reporting to global datasets of financial services providers (e.g. MIX Market), and pressure from international investors to provide financial indicators and self-sustainability measures.

Therefore, the sample of Western MFIs could be considered a biased selection of financial reporting-skilled MFIs in the region. As a result, available average financial indicators should be considered as an optimistic estimate of Western overall performance.

MFI EXPERIENCES

Horizonti, Vasil Davaliev on the development path and future steps of an Eastern European MFI

Horizonti offers both personal and business products to its clients but does not provide non-financial services given the lack of capacity to provide such services. Horizonti used to offer different types of non-financial services (training, counselling) in partnership with other organisations through different projects. In Macedonia, disadvantaged categories of clients have low awareness about how they can benefit from non-financial services. The provision of non-financial services at the MFI level has to be separated from financial services, which requires an additional department/staff to cover this new expertise. The main challenges are the sustainability of these new business units and the client's willingness to pay for such services.

Donor support to microfinance. At the beginning of our operation, we received substantial amounts of donor support from various sources, which was essential to establish the program and target low-income clients. It is definitely necessary to subsidise MFIs in their start-up phase, especially if their aim is to target disadvantaged clients that are considered very risky by the mainstream banking sector. Start-up MFIs need donated equity to take higher risk and attain scale in the long-term.

Legislation and other future challenges. In Macedonia, there is no specific legislation for microfinance. Horizonti is registered as a Foundation under the Law on Associations and Foundation, and there are limitations in terms of the provision of financial services and sources of funding. The proper legal framework for microfinance remains one of the key challenges. Horizonti expects better segmentation and categorisation of targeted clientele for MFIs in order to distinguish from mainstream banking. One of the future challenges for microfinance is the development of the methods and tools to measure client outcomes and impact. In Macedonia, the potential for microfinance growth and development exists mainly in rural areas (agriculture finance), where as in Western Europe I expect to see the development of alternative financing models (e.g. crowdfunding, fintech), which could jeopardise the development of traditional MFIs.

11. The Interaction of Institutional Framework and Mission

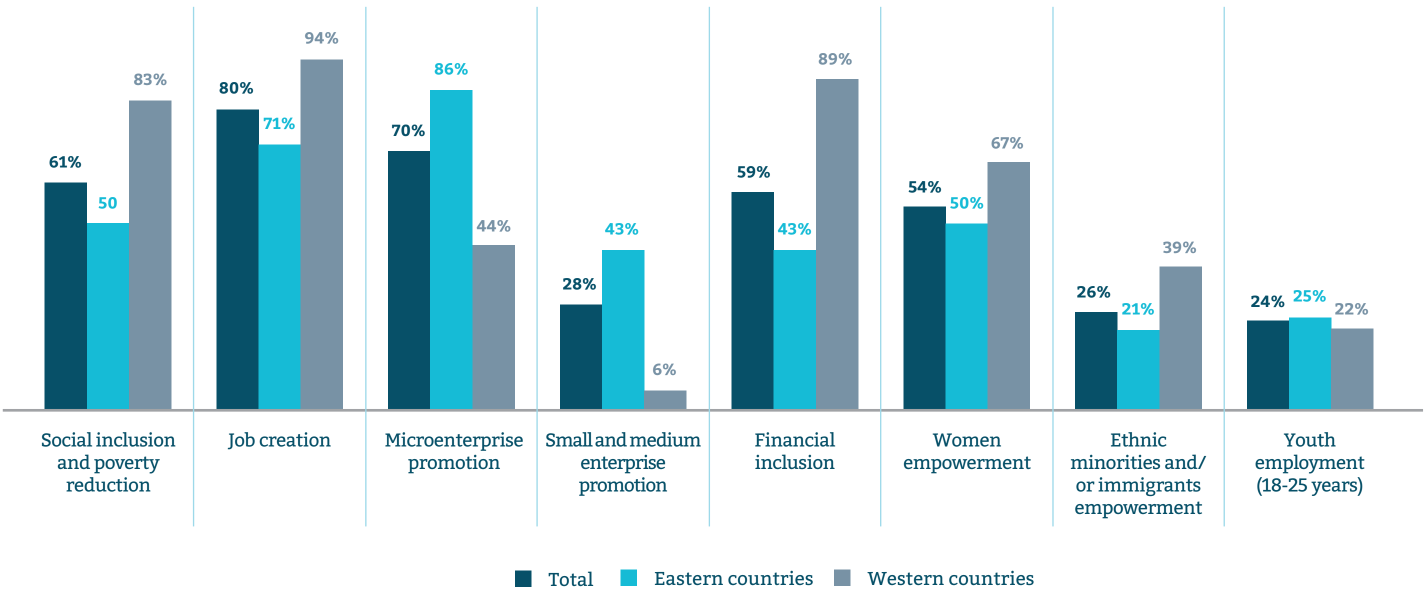
As reported in Section 3, surveyed MFIs utilise various institutional structures, although they are mostly NBFIs and NGOs. Such a varied institutional landscape is partially due to differing legal and regulatory frameworks at the national level (TrustLaw, 2011, Bending et al., 2014). In this section, we examine the interaction between institutional type and mission in shaping MFI goals, microlending activity and overall performance. EMN-MFC extended members with different charter types report distinctive features and face specific challenges across the continent.

Available evidence at the global level documents the role of the institutional status on efficiency and outreach: NGOs generally show a stronger orientation towards poorer and disadvantaged groups of clients (e.g. women) compared to NBFIs and banks (Cull et al., 2009). This premise does not seem to be confirmed by our group of surveyed institutions: social inclusion and poverty reduction is an option chosen by almost all commercial banks and cooperatives/credit unions, while NBFIs (56%) show a share comparable to NGOs (61%).

A more common pattern in terms of mission emerges when data are disaggregated by region. NGOs in Western countries report a noticeable commitment towards the most deprived target groups: social inclusion and poverty reduction (83% of NGOs), women empowerment (67% of NGOs), and ethnic minorities and/or immigrant empowerment (39% of NGOs). On the other hand, Eastern NGOs exhibit a weaker orientation towards the most disadvantaged target groups (Figure 32).

Figure 32 – NGOs' mission by region

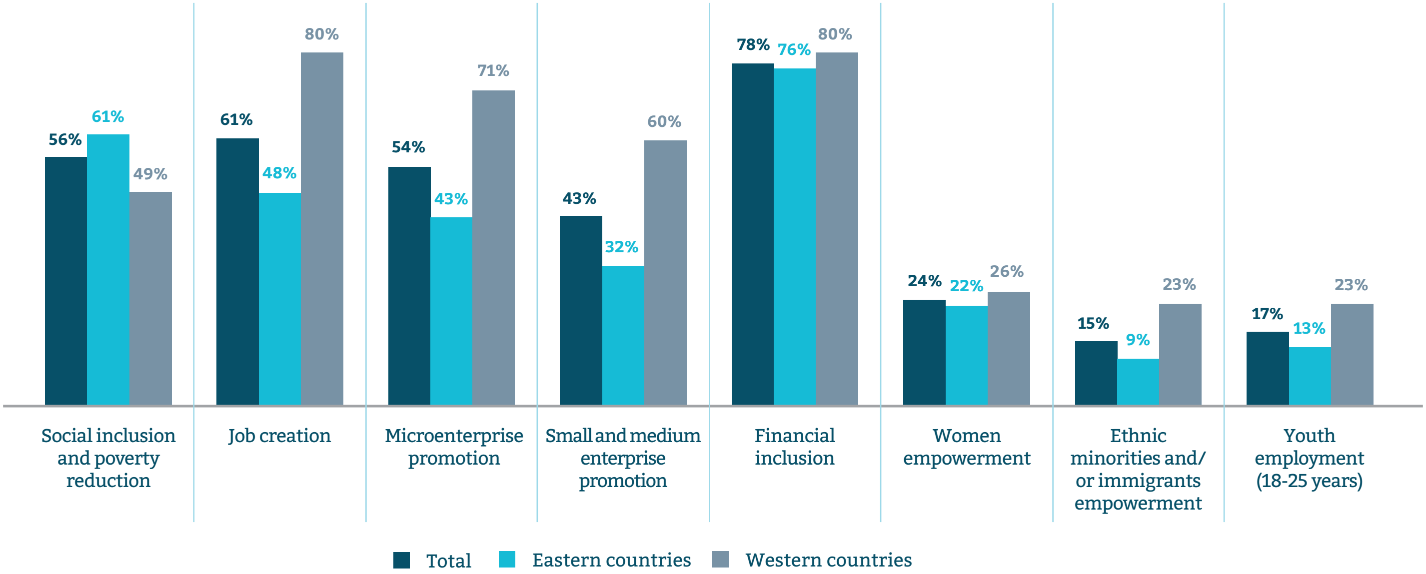
Note: 46 responding NGOs (28 from Eastern countries and 18 from Western countries).



The regional perspective reveals a much greater focus of Eastern NGOs on microenterprise and SME promotion (+41.3% and +37.3% compared to Western NGO data). The same mission options (as well as job creation and financial inclusion) are the most selected by Western NBFIs (Figure 33): at both ends of the European microfinance sector, different institutional types are used to achieve the same goals.

Figure 33 - NBFIs' mission by region

Note: 89 responding NBFIs (54 from Eastern countries and 35 from Western countries).



MFI EXPERIENCES

FAER, Ian Vlasa on the role of MFIs institutional set-up

Institutional type selection and mission. FAER chose to operate as an NBFI since this was the most efficient way of carrying out the mission of its main shareholder, FAER Foundation, both from a legal standpoint and as a financial framework. FAER Foundation was created to aid the economic development of rural areas and support vulnerable groups. FAER Society (the NBFI) was created to continue FAER Foundation's mission by granting micro-loans to the target group of clients as stated in the Foundation's mission. This institutional arrangement is an advantage for our target clients as they are unable to obtain conventional economic services and their access to banking services is limited.

Expectations and challenges for future developments of microfinance in Romania and the EU. One of our expectations for the future foresees an adjustment in the national and European law, by recognising the microfinance institution as a development instrument dedicated to vulnerable groups. The challenges are to create adequate financing opportunities for microfinance institutions on a national and European level. Recognising non-financial activities (business development solutions) as a part of microfinance activity would make them more attractive for various financing opportunities.

How does mission translates into practice?[47]

47 "The effective translation of an institution mission into practice" is exactly what is defined as "social performance" by the Social Performance Task Force (http://sptf.info/).

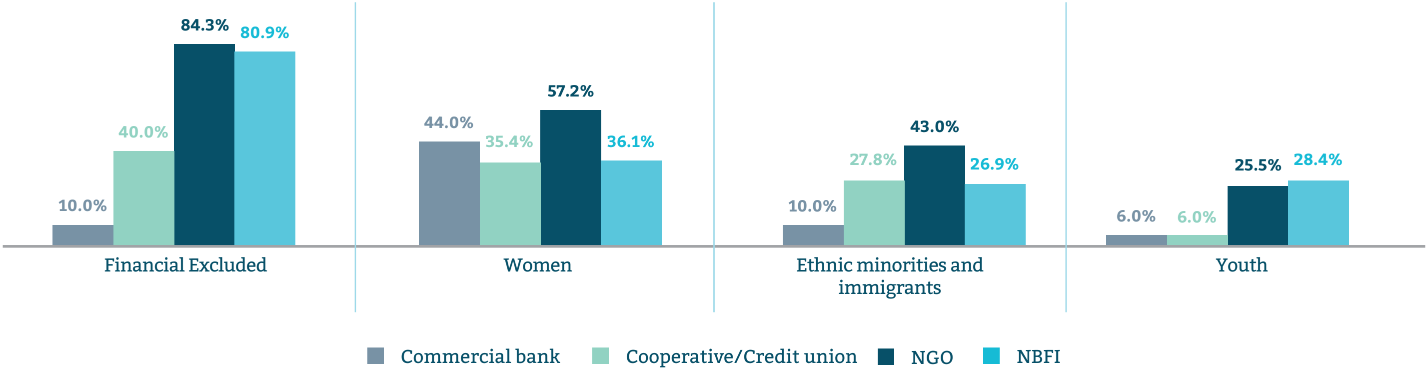
In the framework of the EMN-MFC Survey 2014-15, we could explore the relationship between the outreach to specific target groups (as measured in terms of the share of active borrowers) and the mission statement for a particular MFI over a number of categories: people excluded from mainstream financial services; youth aged between 18 and 25 years old; women; and ethnic minorities and/or immigrants.

48 Target group data for the mission option selected are not available for the sole participating Government body.

Figure 34 – Target groups' share of active borrowers per institutional type

Note: Target groups' outreach in terms of the share of active borrower is computed only for MFIs selecting the corresponding mission category. Respondents: 5 commercial banks, 4 cooperatives/credit unions, 35 NGOs, 74 NBFIs.

Figure 34[48] shows the share of active borrowers per target group and institutional type for the sub-set of MFIs selecting the corresponding mission category. The aim of the figure is to capture a sort of "mission translation rate". NGOs exhibit the greatest effort to attain their stated mission by achieving the highest share of active borrowers for each category with the exception of youth clients. In absolute terms, NBFIs serve the largest share of the selected groups of clients, especially those excluded from mainstream financial markets. Regardless of their low mission translation rate, 70.3% of ethnic minorities and/or immigrants active borrowers in Europe are served by commercial banks. From a gender perspective, it is worth noting that among the subset of non-NGO MFIs selecting a women empowerment mission, the share of female clients is less than half of total active borrowers.



Depth of outreach

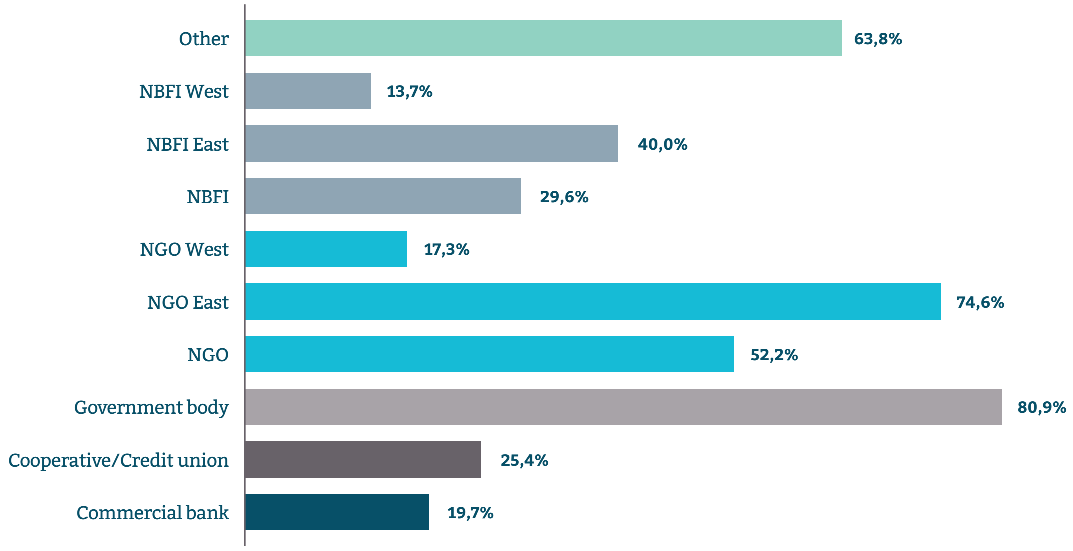
The capacity of MFIs to serve poor clients is typically proxied by two indicators: average microloan size (ALS - as measured by the "average outstanding microloan balance" indicator) and outreach to women. The ALS is commonly used as an indirect indicator of a client's poverty level based on the assumption that better-off clients tend to prefer larger loan accounts. The average outstanding balance is expressed as a percentage of the gross national income per capita (ALS/GNIpc) in order to allow for cross-country comparison. The share of the total portfolio amount and number of loans devoted to women are also used as indicators of poverty orientation as women are deemed as a potentially vulnerable category of clients.

Similar to the case of stated MFI missions and outreach, institutional framework alone cannot fully explain the observed microlending activity. The average microloan balances of NGOs as a percentage of GNI per capita (52.2%) are remarkably greater than those reported by NBFIs (29.6%), cooperatives/credit unions (25.4%), and commercial banks (19.7%). A regional outlook of the data confirms differences in the use of organisational structures by Eastern and Western MFIs.

NGOs (17.3% ALS/GNIpc) and NBFIs (13.7% ALS/GNIpc) in Western Europe exhibit depth of outreach indicators far below their charter type and their Eastern counterparts (Figure 35). NGOs in Eastern Europe provide larger balances compared to local NBFIs, consistent with their above-described mission statements. Similar to previous evidence on institutional frameworks and mission statements, MFIs serving the poorest clientele in Eastern Europe operate as a NBFI.

Figure 35 – Average microloan size / GNI per capita by institutional type (2015)

Note: 137 responding MFIs (4 commercial banks, 5 cooperatives/credit unions, 1 government body, 42 NGOs, 83 NBFIs, 2 "other").



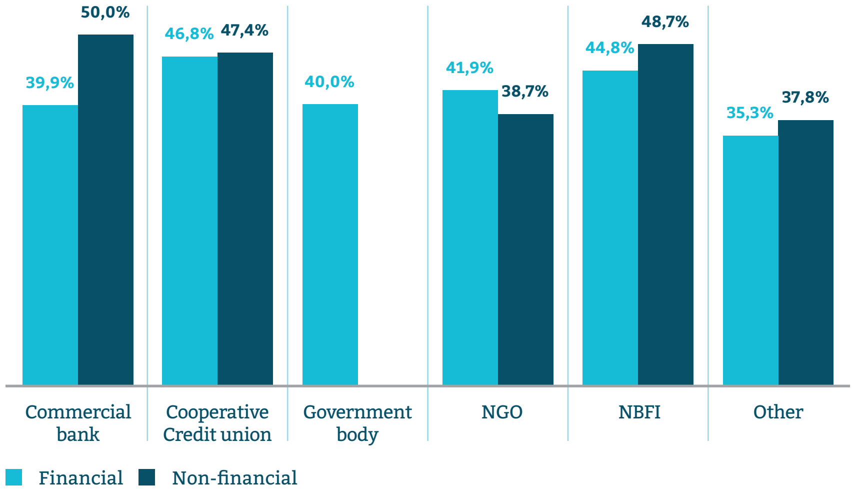
Regional variance in loan size depends on a combination of an MFI's target clientele and institutional age. The older Eastern providers report significantly larger average loans sizes in terms of the GNI per capita compared to their Western counterparts (respectively 50% and 23%). We attribute this to their stronger orientation towards microenterprises and SMEs. Younger microlenders operating in Western Europe focus more on disadvantaged client segments with relatively lower financial needs. In addition, older MFIs may tend to promote clients upgrading from successfully completed loan cycles to products based on higher average amounts or experience a decreasing share of first-time borrowers (sequential graduation of clients' loan size). In both cases, average outstanding balances per borrower may grow with institution maturity. However, further research is needed to investigate major factors affecting loan size in the European context.

A gender perspective (i.e. the proportion of women clients) of the European microfinance sector reveals the complex role of institutional structure on an MFI's depth of outreach. First, gender imbalances (women less than 50% of the total clients) prevail across different charter types for both financial and non-financial products and services.[49] Moreover, in contrast with established global trends (Cull et al., 2009), NGOs serve a smaller share of women than NBFIs (Figure 36).

49 Gender disaggregated data have been provided by only 2 of 5 commercial banks.

Figure 36 – Share of women clients reached by financial and non-financial products and services (2015)

Note: 144 responding MFIs for financial clients; 79 responding MFIs for non-financial clients.



12. Focus on Target Groups and MFIs Performance

The outreach reported by survey respondents, as measured by their share of total active borrowers, offers a comprehensive portrait of the specific underserved client segments served by European MFIs: unemployed or welfare recipients, women, ethnic minorities and/or immigrants, youth (18-25 years), disabled people, people excluded from mainstream financial services, and rural and urban populations.

A detailed review of outreach by target group can be found in Section 6.2. This section aims to identify and discuss: key factors explaining EMN-MFC extended members' outreach to selected categories of beneficiaries; the capacity for MFIs to manage their dual mission or, in other words, the potential conflicts and synergies between social and financial performance; the cost of serving different target groups and the role of funding.

European microfinance in a gender perspective

As highlighted in Section 6.2, women are the most selected target group of the surveyed MFIs. Given the established preference for women as microfinance clients at the global level, such evidence is not surprising. More unexpected is the weaker female outreach achieved by Survey respondents in terms of share of women active borrowers, especially in the case where MFIs select the "women" target group. The Survey reveals a large gender gap as women only make up 39% of total active borrowers for the 114 MFIs providing gender-disaggregated data.

A closer look at the sub-set of lenders showing a stronger commitment towards female outreach sheds light on the institutional challenges and benefits of serving women. What are the key institutional features and practices affecting an MFI's capacity to serve women borrowers?

We grouped the EMN-MFC extended members that disclose the gender composition of their active borrowers into three classes according to their degree of female outreach: MFIs reporting a share of active women borrowers above 50% are labelled as "*women oriented*"; the rest of the responding MFIs are considered as having a "*fair women focus*" or being "*gender unbalanced*" if their percentage composition of women borrowers is respectively above and below the overall average (35%, the share of women on total active borrowers of all MFIs; see Section 6.2 and Figure 24).

From Table 12, more mature MFIs with a stronger focus on microcredit serve a higher proportion of women borrowers. Contextual factors such as sectorial segregation or social norms commonly constrain access to microlending opportunities for women (see Grameen Bank's early experience in Armendáriz and Morduch (2010), pp. 211-212). Therefore, MFIs may require a time-consuming and progressive adjustment process to offer a more gender-conscious financial product.

Table 12 – MFIs' age and focus on microfinance by gender category[a] (2015)

Note: 114 responding MFIs.
a "Women oriented" MFI: share of women active borrowers ≥ 50%; "Fair women focus" MFI: share of women active borrowers between 35% and 49%; "Gender unbalanced" MFI: share of women active borrowers between 0% and 34%.
b "Focus on microcredit" measures the share of MFIs having a high proportion of the overall turnover arising from microlending activities (>50%) for each gender category.

	Age (n. years)	Focus on microcredit[b]
Women-oriented	18.5	76.3%
Fair women focus	19.0	90.9%
Gender unbalanced	14.9	72.7%

As documented in Table 13 and previously discussed in Section 11, the explicit targeting of women disclosed in MFI mission statements does not automatically translate into female outreach. However, women-oriented MFIs seem to pay more attention to social inclusion and poverty reduction, and financial inclusion objectives than their gender-neutral or gender unbalanced counterparts, although this seem to come at the price of less concern for missions related to job creation, microenterprise and SME promotion.

Table 13 – MFIs' mission by gender category (2015)

Note: 114 responding MFIs. For gender categories description, see note at Table 12.

	Women empowerment	Social inclusion & poverty reduction	Microenterprise promotion	SME promotion	Job creation	Financial inclusion
Women-oriented	39.5%	72.1%	39.5%	16.3%	60.5%	83.7%
Fair women focus	40.0%	68.0%	68.0%	40.0%	72.0%	76.0%
Gender unbalanced	41.3%	45.7%	71.7%	56.5%	82.6%	60.9%

MFI staff, especially loan officers, play an influential role in loan granting decisions. Recent evidence highlights the impact of credit officers' biased decisions on the institutional gender gap in loan size (Agier and Szafarz, 2013). Among the EMN-MFC extended members, higher percentages of women employees translates to more gender-sensitive portfolios (Table 14). If confirmed by further quantitative analysis, this fact would add to other documented financial reasons to hire women (Beck et al., 2009 on cost-efficiency improvements from employing female loan officers in Albania).

The provision of non-financial services combined with microcredits benefits women empowerment by relaxing social norms and other gender-related constraints (Corsi et al., 2006, Adams and Mayoux, 2001; Rankin, 2002). From the surveyed MFIs, higher outreach to women active borrowers is associated with less provision of non-financial services. However, the percentage of women beneficiaries with non-financial services is notably higher for "women-oriented" actors (Table 14).

Table 14 – Integrated approach to women clients (2015)

Note: 114 responding MFIs. For gender categories description, see note at Table 12.

	Women staff	Provision of non-financial services	Non-financial services women clients
Women-oriented	70.1%	48.8%	47.3%
Fair women focus	61.5%	60.0%	38.7%
Gender unbalanced	60.0%	58.7%	32.5%

MFI EXPERIENCES

MI-BOSPO, Nejira Nalić on gender and microfinance in post-war Bosnia-Herzegovina

MI-BOSPO's decision to target almost exclusively women clients. MI-BOSPO started its microcredit program in 1996 serving displaced women, mostly beneficiaries of a psychosocial program. MI-BOSPO made a deliberate decision to serve 100% women. Serving women is deemed to be both a good long-term strategy for growing a customer base, and as a way to help society by empowering women.

Women as better customers for MFIs. Women play an accepted and expected role in the household as earners and money managers, often juggling the day-to-day business needs while ensuring that the family is cared for, school fees are paid and health emergencies are covered. This makes women more likely than men to have a focus on the future and an instinct for growing their earnings. Their dreams for their children—good health and nutrition, education, and marriage—are motivators for women to use financial services, along with their own security and independence. MI-BOSPO's experience with providing financial tools to low-income women (also as part of Women's World Banking's global network) generates a positive impact for the family, the financial institution and the global economy. From the financial provider point of view, women have proven to be better borrowers and more loyal clients, who take advantage of multiple financial and nonfinancial services when given the opportunity.

The cost of serving women clients. Women are often more risk-averse and have lower levels of literacy and education than men. MI-BOSPO designs loans and financial education programs tailored to the unique needs of women. MI-BOSPO used to provide a financial education program in the framework of the Women in Business Network project. This specific offer was sustainable but is now heavily subsidised by international donors. MI-BOSPO loan officers still offer an educative approach by ensuring that all clients understand the terms and conditions of the loan agreement.

Women make also good employees for MFIs. To be the best place for women customers, a financial institution should be the best place for women employees and women leaders. Gender diversity within our institution allows us to better serve women. This is why women members of MI-BOSPO staff have participated in Women's World Banking's Leadership and Diversity training programs to develop our leadership skills and encourage future women leaders throughout the organisation.

A gender-sensitive product design. After years of experience designing tools specifically for women, MI-BOSPO found that products and services that meet the needs of women also appeal to and promote financial inclusion for men. In other words, designing services for women simply means ensuring universally attractive features for all clients (even if men experience higher repayment problems). We do not create different products for women and men. Our internal policies ensure that a majority of women are served by MI-BOSPO as promised in our mission statement. Our target is 65% women and 35% men. However, our products and way of conducting business is to understand the needs and preferences of clients and we take care of different aspects of service provision for women and men.

The impact of MFIs focus on specific target groups

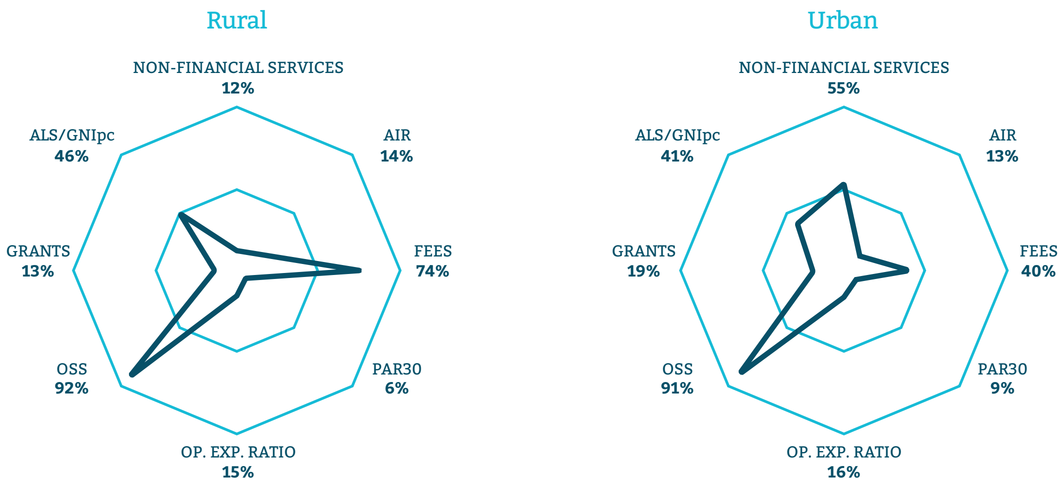
The focus on specific target groups shapes an institution's performance across various dimensions. In order to assess the overall effect of MFIs' social commitment, each target group's performance is analysed by examining the performance of only those MFIs exceeding the target group average for a given category of active borrowers (group average computed by total active borrowers of all MFIs; see Section 6.2 and notes to Figures 37 and 38 for target group cut offs).

Standard indicators of the depth of outreach (ALS/GNIpc), range of products and services offered (share of non-financial providers), pricing policy (AIR level and the portion of institutions charging fees), funding sources (percentage composition of grants), efficiency (PAR30), and overall financial performance (OSS) are then compared to assess the impact of serving selected target groups (rural, urban, unemployed/on welfare, women, ethnic

Figure 37 – Microfinance performance by geographical area of intervention

Note: 42 responding MFIs serving ≥29% of rural active borrowers; 89 responding MFIs serving ≥26% of urban active borrowers.
Overall averages of the sample of all MFIs reporting a share of active borrowers exceeding the target group cut off: Non-financial service providers – 61%; AIR – 13%; Fees – 50%; PAR30 – 10%; Operating expenses ratio – 18%; OSS – 89%; Grants – 25%; ALS/GNIpc – 33%.

minorities and/or immigrants, youth between 18 and 25 years old, disabled and the financially excluded).The selection of rural or urban focus does not translate into notable differences in the overall financial performance and outreach of MFIs (Figure 37). Urban MFIs are more likely to promote an integrated approach and are more likely to rely on grants compared to rural-focused MFIs. Taken in combination with similar interest rate levels for rural and urban MFIs, this may suggest that the cost burden of non-financial services is externally subsidised. On the other hand, the almost exclusive supply of financial services by MFIs in rural areas results in additional fees to attain equivalent financial performance with urban MFIs.



As shown in Figure 38, MFIs reporting a stronger commitment to ethnic minorities and/or immigrants, unemployed people or people on welfare, and women show deeper outreach to the poorest clients (ALS/GNIpc). This may result in a classic conflict between poverty orientation and financial soundness for MFIs catering to poorer migrant clients: they are exposed to higher risks of non-repayment (above average PAR30 of 12%) and fail to attain operational self-sufficiency (operating revenues cover 86% of total expenses). Despite higher delinquency rates and lower OSS figures, MFIs with a migrant focus are quite efficient as compared to the other MFI target group categories (with a below average operational expense ratio of 15%). In order to manage this trade-off, migrant-focused MFIs rely more on grants as a funding source.

In support of the existing evidence on women as more credit worthy clients (Khandker et al, 1995; Armendariz and Roome, 2008; Kevane and Wydich, 2001), we find that women-focused MFIs report the healthiest portfolio quality. The lower delinquency of women-focused MFIs is accompanied by relative cost-efficiency and higher operational self-sufficiency compared to other target groups (possibly due to the lower average provision of non-financial services). Consistent with available literature (Emran et al., 2011), MFIs with higher female outreach charge higher interest rates.

MFIs reporting above-average shares of unemployed borrowers predominantly follow an integrated approach. These MFIs report the highest share of grants and are the most likely to use fees, which may be two possible ways to cover the additional costs of non-financial services.

Youth-focused MFIs are the least operationally sustainable while disabled-focused MFIs generally target relatively wealthier segments of the microfinance market.

Figure 38 – Microfinance performance and target groups

Note: 43 responding MFIs serving ≥10% of ethnic minorities and/or immigrants active borrowers; 32 responding MFIs serving ≥23% of unemployed or people on welfare; 68 responding MFIs serving ≥35% of women active borrowers; 37 responding MFIs serving ≥6% of youth active borrowers; 23 responding MFIs serving ≥0.5% of disabled active borrowers; 44 responding MFIs serving ≥19% of financially excluded people.
Overall averages of the sample of all MFIs reporting a share of active borrowers exceeding the target group cut off:: Non-financial service providers – 61%; AIR – 13%; Fees – 50%; PAR30 – 10%; Operating expenses ratio – 18%; OSS – 89%; Grants – 25%; ALS/GNIpc – 33%.

MFI EXPERIENCES

Fair Finance, Faisel Rahman on synergies between social and financial goals

Launched in 2005, Fair Finance is a social business offering client-centred financial products and services in a sustainable way to the most marginalised people. The mission of Fair Finance is to develop responsible, affordable and fair financial products to people who are excluded from mainstream finance.

In Fair Finance's experience, social and financial goals do not conflict with each other and there is no trade-off between the two. Financial sustainability stems from providing an outstanding level of service in order to develop customer satisfaction and loyalty.

Fair finance designed a customer centric model with high flexibility. Products do not have to be cheap for clients to be successful in achieving social goals. People with limited access to financial services in the UK prioritise access over price, and are usually poorer and disadvantaged clients that show the lowest default rates. Fair Finance's flexible and efficient approach attracts the most underserved customers without a highly diversified offer of products and services, but rather through a closer relationship between the MFI and clients.

Fair Finance believes that a sufficiently large operational scale and a fair interest rate (required for the lender to at least cover its full costs) allow any MFI to attain financial viability and social goals. An efficient MFI should attain this level of maturity in the medium term and donor funding should be limited to the start-up phase.

13. Alternative Approaches to Microlending? Business and Personal Microloans

The provision of financial services beyond the mere promotion of small business start-up and development is increasingly acknowledged in the European microfinance industry (Corbucci, 2016). In the wake of the global financial crisis, personal microcredit has gradually emerged as a product targeted towards unbankable clients for both individual and family needs with the aim of promoting inclusion in the labour market and society at large. Despite controversy over its definition and potentials, the provision of personal microloans has become an exclusive or complementary instrument in the microfinance toolbox for an increasing share of the surveyed institutions. Almost half of surveyed institutions (49.3%) provide only personal microloans or combine them with business microloans in their financial services offer (see Section 4.1). The growth rate of new personal borrowers between 2014 and 2015 was, on average, five times higher than the business microloan market. The gap in the annual percentage increase was even higher (almost seven times) in terms of the monetary value of microloans disbursed.

While business microcredit is commonly considered as a tool for the promotion of microenterprises and creation of income generating activities, the nature and purposes of personal microcredit is still debated between market-based and social oriented views (Corbucci, 2016). This section investigates the distinctive features of microlending activities for different client needs according to EMN-MFC Survey data.

MFI EXPERIENCES

Opportunity Bank Serbia (OBS), Vukotić Vladimir on business and personal microloans different approaches and target clients

OBS disburses business loans to registered micro-businesses and farms mostly in rural areas, while personal loans are mainly targeted towards pensioners and salaried-workers with low income who are not attractive to other banks and are thus excluded from the financial system. OBS business loans boost small-scale entrepreneurship, job creation and economic development while personal loans deal with another important OBS goal, the financial inclusion of under-banked clients in Serbia.

Client protection. The interest rate charged on personal microloans is slightly higher than the interest rate charged for business loans of the same loan amount. Most of our personal loans are covered with loan-life insurance, the cost of which is covered by our bank, hence a slightly higher cost.

OBS has a high social rating of “A” received from Microfinanza Rating this year, and is also one of the MFIs with Client Protection Certification from the Smart Campaign. This ensures that our bank is fully compliant with the highest client protection standards in the industry, of which the monitoring of client over-indebtedness is a very important part. Specifically, the management team and Board of Directors have a good understanding of the risk of client indebtedness as both market studies and analysis of OBS’ portfolio quality are carried out regularly. For example, in the board report, the Chief Risk Officer includes a comprehensive report on PAR. In addition, the Executive Board receives from the Business Development Manager the “Portfolio and PAR” report that breaks down the portfolio into branch, client advisor, and the different stages of delinquency.

50 Personal- and business-only MFIs are selected not taking into account the possible provision of other financial products and services.

NGOs are relatively less involved with personal loan provision as 70% of NGOs lend only for business purposes. All personal-only loan providers are NBFIs. The majority of surveyed commercial banks provide both types of financial services.

One of the most noticeable differences between the two alternative financial products is the interest rate (average annual interest rate - AIR) charged by the surveyed MFIs. The difference can at least be partially affected by local legal frameworks. However, the AIR is always higher for personal microloans across institutional types, regions, and countries (see Section 4.2) with very few exceptions (Macedonia and Romania).

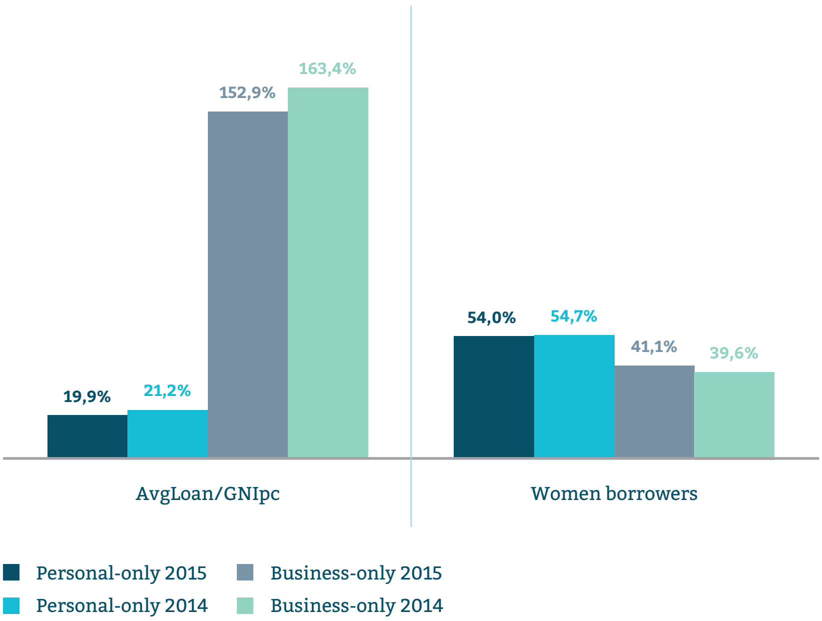
The effect of the loan term is ambiguous: the average annual interest rate for business microloans is systematically lower than personal loans in both Western (-7.1%) and Eastern countries (-7.6%) in spite of an average loan term that is comparable in Western Europe and 13 months higher for business microloans in Eastern Europe.

Can the difference be explained by the riskier profile of personal microloan borrowers? Although complex to identify, such a correlation would confirm the so far assumed vulnerability of personal microcredit clients compared to the "nearly bankable segment of the population" served by business microlenders (Corbucci, 2016).

Figure 39 compares proxy indicators of the poverty profile of clients for personal- and business-only microloan providers.[50] Personal-only MFIs report deeper outreach to the most disadvantaged by serving higher shares of women clients through financial product and services and serving relatively poorer clients (ALS/GNIpc). Depth of outreach indicators are consistent with commonly assumed needs of personal microloans clients: the lack of sufficient resources to finance minor purchases already signals a disadvantaged condition. Nevertheless, personal and business microloans are designed to meet different client demands, and may result in different loan amounts that are uncorrelated with poverty levels.

Figure 39 – Business and personal microloans: depth of outreach (Average microloan balance / GNI per capita; Share of women clients of financial services and products; 2014-15)

Note: 75 business-only responding MFIs; 24 personal-only responding MFIs.



In some cases, legal framework provisions enforce maximum loan amounts for business and personal microloans: e.g. the newly implemented Italian regulatory framework imposes a limit of EUR 25,000 and EUR 10,000 respectively for the business and personal loans, "Microcredit for the start-up and development of entrepreneurial initiatives and labour market inclusion" (business microloans) and "Microcredit for social and financial inclusion" (personal microloans).

In any case, the depth of outreach indicators for personal microlenders warn of the potential risk of a product dedicated to consumption purposes and disconnected from income generating activities. The 2009 microcredit sector crisis in Bosnia and Herzegovina, one of the largest in Eastern Europe, warns of the potential over-indebtedness of clients resulting from the provision of microloans for non-productive purposes. Financial inclusion and client protection needs to be ensured with complementary provision of tailored financial and non-financial products rather than with standard approaches typical of consumer credit.

MFI EXPERIENCES

Scotcash, Sharon MacPherson on personal microloan provision to the excluded from mainstream financial services

The overall aim of Scotcash is to reduce financial exclusion in Glasgow by increasing access to financial product and services, particularly for those who experience difficulties accessing mainstream financial services. We work with Glasgow Central CAB to provided integrated money advice services and consider this a key early intervention mechanism interrupting the cycle of debt.

Scotcash provides non-financial services to clients in the form of debt advice, where a loan is not the best option for the client's financial circumstances, and advice on how to maximise their income, for example by claiming state benefits they were unaware they were entitled to. Scotcash also provides access to energy advice and helps to switch energy suppliers, as well as investigates any energy grants for renewing heating systems and ensures that clients receive the Warm Home Discount, a Scottish Government programme of support aimed at households who may struggle with their energy bills.

Scotcash adheres to a strict Lending Policy. Loan applicants need to demonstrate their ability to service the loan over its full term. This involves establishing the customer's ability to repay both now and in the future within any foreseeable change of circumstances during the term of the loan. Scotcash will request financial statements or supporting documentation that will reasonably assist in the lending decision. The Scotcash Lending Policy recognises the regulatory requirements of the Financial Services Authority (FCA) and incorporates the six key outcomes of the FCA Treating Customers Fairly (TCF).

Conclusions

This seventh edition of the Survey on the European microfinance sector is promoted in cooperation between the European Microfinance Network (EMN) and the Microfinance Centre (MFC) and presents a diverse, relatively young, and expanding European microfinance sector. The EMN-MFC Survey 2014-15 focused on a pre-selected set of microfinance providers, which are members of both promoting networks or members of National Networks affiliated with the EMN. The current and future editions of the Survey will contribute to the construction of a consistent panel data set of European MFIs, allowing for the comparison of their social and financial performance over time.

The analysis conducted in this Report are based on data collected from 149 microcredit providers in 22 European countries: 66 MFIs are members of the EMN and/or MFC and another 83 organisations are members of a National Network affiliated with the EMN.

The broad range of actors in the EMN-MFC 2014-15 Survey includes providers specialised in microlending activities (more than half of the respondents derive more than 75% of their overall business activities from lending) and diversified organisations. Regional differences between MFIs in Western and Eastern microfinance emerged as a key explanatory factor of European microfinance outcomes, although these two regional development paths show signs of potential convergence.

European MFIs adopt a variety of institutional frameworks to operate in extremely diverse legal and regulatory contexts. The majority of EMN-MFC extended members are NBFIs (60%) or NGOs (31%), while the remaining participants are commercial banks, cooperatives/credit unions, and a government body. NGOs and NBFIs disbursed 60% of the total value of microloans, both in 2014 and in 2015. In Eastern and Western Europe, different institutional types aim to achieve the same major goals: while NBFIs in Eastern countries are committed to serving poorer clients and NGOs focus more on target groups (microenterprises and SME) demanding larger balances, the NGOs in Western countries report a strong commitment to the most deprived categories of customers.

The provision of both financial and non-financial services is a distinctive feature of a large share of participants. Most of the responding actors offer business microloans, although half of the sample also provide personal microloans (16% of MFIs are exclusively personal microlenders). Few MFIs offer other financial products and services, with the exception of MFIs providing larger size business loans (>25,000 EUR to microenterprises and SMEs; 42%), and savings (18%). Although green microfinance is still a young and underdeveloped part of the European industry, the promotion of environmentally friendly practices through microloan provision for renewables, energy efficiency and environmentally-friendly activities is carried out or planned by nearly one-third of respondents. At least one non-financial product and service is offered by 58% of surveyed MFIs: the most common being business development services, financial education, and mentoring.

EMN-MFC extended members contributed to a significant expansion of the European microfinance industry during 2014-15: the overall microloan portfolio outstanding reached EUR 2.5 billion, with a slightly higher annual growth rate (+15%) compared to active borrowers served (+13%), indicating a small increase in the overall outstanding balance per borrowers. Although the EMN-MFC extended members' portfolio is predominantly allocated for business purposes (71% of the total in 2015), the personal microloan market segment grew more vigorously showing an increasing number of clients served with larger microloans for personal purposes during the 2014-15 period.

MFIs based in Western Europe still lack their Eastern counterparts in terms of the average number of loans annually disbursed (half of their Eastern peers), and active borrowers served (respectively 2,727 and 3,508). The more mature Eastern MFIs also report significantly larger average loan sizes in terms of the GNI per capita compared to the younger Western MFIs (respectively 50% and 23%). We attribute this to their stronger orientation towards microenterprise and SME promotion. Younger microlenders operating in Western Europe focus more on disadvantaged client groups with relatively lower needs. Western MFIs attained a stage of consolidation comparable with Eastern actors only in nominal terms: their higher average annual value of the gross microloan portfolio (+37%) is mostly driven by exchange rate effects (none of the Eastern European countries involved in the Survey is part of the Euro Area). This may point to further consolidation of the Western microfinance sector.

With the exception of MFIs targeting individuals excluded from mainstream financial services (80% of active borrowers are financially excluded), MFIs diversify their portfolio risk by serving multiple categories of disadvantaged borrowers (more than four on average), each representing a limited share of the total active borrowers served. Among the MFIs providing gender-disaggregated data, a gender gap in European microfinance persists, as the share of total women borrowers was only 39% in 2015.

The response rate for the financial performance section of the questionnaire ranged between 61% and 81% of surveyed institutions depending on the financial indicator. This is consistent with the on-going maturity process of European microfinance, and signals the gradual development of management information systems and institutional capacity needed required for standard reporting requirements. Financial performance trends document an increasingly healthy and financial viable European microfinance sector despite a few critical cases. Indicators for 2014 and 2015 covered a number of dimensions such as portfolio quality, asset-liability management, efficiency and productivity, and profitability and sustainability.

In terms of funding structure, debt financing is on average the most relevant source (30.3% in 2015 and 28.9% in 2014). Guarantees have only been mentioned by five MFIs, but they will play a key role for the development of the industry in the near future as they are expected to gain a more prominent role under the EaSI Programme.

The European Code of Good Conduct for Microcredit Provision is known by two-thirds of participating microlenders, 40 of which already adhere to it and 55 intend to do it in the near future. The share of the total MFI microloan portfolio unaware of the Code is still significant (20%-25% in terms of number of active borrowers, portfolio outstanding, value and number of microloans disbursed). Thus, further dissemination across the European microfinance industry is necessary.

The newly established cooperation for the current Survey between the EMN and the MFC has produced a broader perspective on the European microfinance sector. A combined effort between the two networks will encourage mutual learning between various models of microfinance in the future, promote the harmonisation and improvement of European-wide policies, and foster capacity building through the continuation of Technical Assistance under EaSI programme. The results of the EMN-MFC Survey presented in this Report show an evolution of the European microfinance in recent years and document the networks' role in the fight against social and financial exclusion.

Glossary

Active borrowers
Natural or legal person who currently have an outstanding loan balance or are primarily responsible for repaying any portion of a gross loan portfolio. Those natural or legal persons with multiple loans with a microcredit provider should be counted as a single borrower (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

Average outstanding microloan balance
(Gross microloan portfolio outstanding / Number of active borrowers) (CGAP, 2003).

Business microloan
Microcredit for business or entrepreneurial purpose (EU definition) is a loan under EUR 25,000 to support the development of self-employment and microenterprises (Bending et al., 2014).

Business loan
Loan higher than EUR 25,000 to microenterprises and SMEs (Definition set up for the purpose of the EMN-MFC Survey 2014-2015).

Debt to equity ratio
(Total liabilities / Total equity) (Mix Market).

Ethnic minorities and immigrants
Individuals who are not a member of the national majority ethnic group. They may come from migrant, indigenous or landless nomadic communities. Immigrants are those individuals, not born in the country of residence (Bending et al., 2012).

Financial expense
Interests, fees, and commissions incurred on all liabilities, including deposit accounts of customers held by MFI, commercial and concessional borrowings, mortgages, and other liabilities. It may include facility fees for credit lines (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

Financial expense ratio
[(Financial expense / Average gross loan portfolio) x 100] (MicroRate, 2014).

Financial revenue from loan portfolio
Revenue from interest earned, fees and commissions (including late fees and penalties) on the gross loan portfolio only. It includes interest paid in cash and interest accrued but not yet paid (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

Full-time equivalent (FTE)
The ratio of the total number of paid hours during a period by the number of working hours in that period (week or month). For more information, see: http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Full-time_equivalent_(FTE)

Green microloan
Loan smaller than EUR 25,000 to unbankable clients, both for business/entrepreneurial or personal/consumption purposes, and designed to finance: renewable energies (photovoltaic solar panels, solar water-heaters, biogas digesters, electric vehicles, etc.); energy efficiency (energy-efficient technologies, apartment insulation, etc.); environmentally friendly activities (organic farming, waste collection, recycling, ecotourism, etc.) (Allet, 2011)

Gross microloan portfolio outstanding
Principal balance of all outstanding loans, including current, delinquent, and restructured loans, but not loans that have been written off or interest receivable (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

Loan loss provision expense
Portion of the gross loan portfolio that has been provisioned for in anticipation of losses due to default (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

Microenterprise
An enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million (Commission Recommendation of 6 May 2003, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32003H0361).

Net operating income
Total operating revenue less all expenses related to the MFI's core financial service operations, including total operating expense, financial expense, and loan loss provision expense (CGAP, 2003).

New borrowers
Natural or legal person who, for the first time, received a microloan from the institution (Definition set up for the purpose of the EMN-MFC Survey 2014-2015).

Operating expense
Sum of personnel and administrative expense. Personnel expense covers wages and salaries, other short-term employee benefits, post-employment benefit expense, termination benefit expense, share-based payment transactions, other long-term benefits and other employee benefits. Administrative expense covers non-financial expenses (excluding personnel) directly related to the provision of financial services or other services that form an integral part of an MFI's financial services relationship with customers. Examples include depreciation and amortisation expenses, rent, utilities, supplies, advertising, transportation, communications, consulting fees, board fees (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

Operating expense ratio
[(Operating expense / Average gross loan portfolio) x 100] (Mix Market).

Operating revenue
All financial revenue and other operating revenue generated from other financial services, such as fees and commissions for non-credit financial services not considered financial revenue. It may include revenues linked with lending, such as membership fees, ATM card fees, transfer fees, or other financial services, such as payment services or insurance. It may include net foreign currency gains/losses, but excludes any donations and revenue not generated from provision loans and financial services (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

Operational self-sufficiency
{[Operating revenue / (Financial expense + Loan loss provision expense + Operating expense)] x 100} (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

Outstanding balance per borrower
(Gross microloan portfolio outstanding / Number of active borrowers) (Mix Market).

Outstanding balance portfolio overdue > 30
Value of all loans outstanding that have one or more instalments of principal past due more than 30 days. It includes the entire unpaid principal balance, both past-due and future instalments, but not accrued interest. It does not include loans that have been restructured or rescheduled (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

Personal microloan
Microcredit for personal consumption purpose is a loan under EUR 25,000 for covering a client's personal consumption, such as rent, personal emergencies, education, and other personal consumption needs (e.g. white goods) (Bending et al., 2014).

Portfolio at risk > 30 days ratio (PAR30)
[(Outstanding balance portfolio overdue > 30 days / Gross loan portfolio) x 100] (Mix Market).

Portfolio to assets ratio
(Value of gross loan portfolio / Total assets) (Mix Market).

Portfolio yield
[(Financial revenue from loan portfolio / Average gross loan portfolio) x 100] (Mix Market).

Provision expense ratio
[(Loan loss provision expense / Average gross loan portfolio) x 100] (MicroRate, 2014).

Return on assets (ROA)
{[(Net operating income – Taxes) / Average total asset] x 100} (Mix Market).

Return on equity (ROE)
{[(Net operating income – Taxes) / Average total equity] x 100} (Mix Market).

Small and medium enterprise (SME)
Enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/ or an annual balance sheet total not exceeding EUR 43 million (Commission Recommendation of 6 May 2003, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32003H0361).

Write-off ratio
[(Value of loans written-off / Average gross loan portfolio) x 100] (Mix Market).

Write offs (value of loan written-off)
Value of loans recognised as uncollectible for accounting purposes. A write-off is an accounting procedure that removes the outstanding balance of the loan from the gross loan portfolio and impairment loss allowance, but does not affect the net loan portfolio, total assets or any equity account (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

Bibliography

Adams, D., and Mayoux, L. (2001), "Crossfire", *Small Enterprise Development* 12(1), pp. 4-6.

Agier, I., and Szafarz, A. (2013), "Subjectivity in credit allocation to micro-entrepreneurs: evidence from Brazil", *Small Business Economics,* 41 pp. 263-75.

Allet, M. (2011), "Measuring the environmental performance of microfinance", *CEB Working Paper N° 11/045.*

Armendáriz, B., and Morduch, J. (2010), "The economics of microfinance", The MIT Press: Cambridge MA.

Armendáriz, B., and Roome, N. (2008), "Gender empowerment in microfinance", in Sundaresan, S (ed,), *Microfinance: Emerging trends and challenges,* New York: Edward Elgar Publishing Ltd.

Beck, T., Behr, P., and Guttler, A. (2013), "Gender and banking: Are women better loan officers?", *Review of Finance*, 17 pp. 1279–132.

Bending, M., Unterberg, M., and Sarpong, B. (2014), "Overview of the microcredit sector in the European Union", European Microfinance Network.

Botti, F., and Corsi, M. (2011), "Measuring the social performance of microfinance in Europe", Centre Emile Bernheim Working Paper N° 11/037.

CGAP (2003), "Microfinance Consensus Guidelines: Definitions of Selected Financial Terms, Ratios, and Adjustments for Microfinance".

Corbucci, V. (2016), "Personal loans: the forgotten half of microcredit?", EMN Magazine, May 2016.

Corsi, M., Botti, F., Rondinella, T., and Zacchia, G. (2006), "Women and microfinance in Mediterranean Countries", *Development* 49(2), pp. 67-74.

Cull, R., Demirgüc-Kunt, A., and Morduch, J. (2009), "Microfinance Tradeoffs: Regulation, Competition, and Financing", *The World Bank Policy Research Working Paper* n. 5086.

Emran, S., Morshed, M., and Stiglitz, J. (2011), "Microfinance and Missing Markets", MPRA Paper No. 41451.

Enam, F. (2016), "The Features of Microfinance Industry: A Comparison between Eastern and Western Europe", *World Journal of Social Sciences*, 6(1), pp. 110 – 120

Forcella, D. (2013), "European Green Microfinance: A first look", EMN Research paper, Brussels.

Forcella, D., and Hudon, M. (2014), "Green Microfinance in Europe", *Journal of Business Ethics*, doi: 10.1007/s10551-014-2452-9.

Jayo, B., Rico, S., and Lacalle, M., (2008), "Overview of microcredit sector in European Union 2006-2007", EMN Working Paper n. 5.

Jayo, B., Gonzalez, A., and Conzett, C. (2010), "Overview of microcredit sector in European Union 2008-2009", EMN Working Paper n. 6.

Kevane, M., and Wydick, B. (2001), "Microenterprise lending to female entrepreneurs: Sacrificing economic growth for poverty reduction?", *World Development* 29(7), pp. 1225-1236.

Khandker, S., Khalily, B., and Khan, Z. (1995), "Grameen Bank: Performance and sustainability", *World Bank Discussion* Paper 306.

Kneiding, C., and Kritikos, A. (2007), "Microfinance in Eastern and Western Europe: a comparative analysis", GfA Discussion Paper No. 09/2007.

Kraemer-Eis, H., and Conforti, A. (2009), "Microfinance in Europe: A market overview", EIF Research & Market Analysis, Working Paper 2009/001.

MicroRate (2014), "Technical Guide: Performance and Social Indicators for Microfinance Institutions".

Rankin, K. (2002), "Social Capital, Microfinance, and the Politics of Development", *Feminist Economics* 8(1), 1-24.

Rosenberg, R. (2009), "Measuring Results of Microfinance Institutions: Minimum Indicators That Donors and Investors Should Track", *CGAP Technical Guide.*

Serra, R., and Botti, F. (2011), "Walking on a tightrope: Balancing MF financial sustainability and poverty orientation in Mali", ILO Employment Sector Woking Paper No. 90.

TrustLaw (2011), "Creating Jobs in Europe: Legal and Regulatory Frameworks of Microenterprises and Microcredit in Europe", A TrustLaw publication by the Thomson Reuters Foundation for Adie.

Underwood, T. (2006), "Overview of the Microcredit Sector in Europe 2004-2005", EMN Working Paper n. 4.

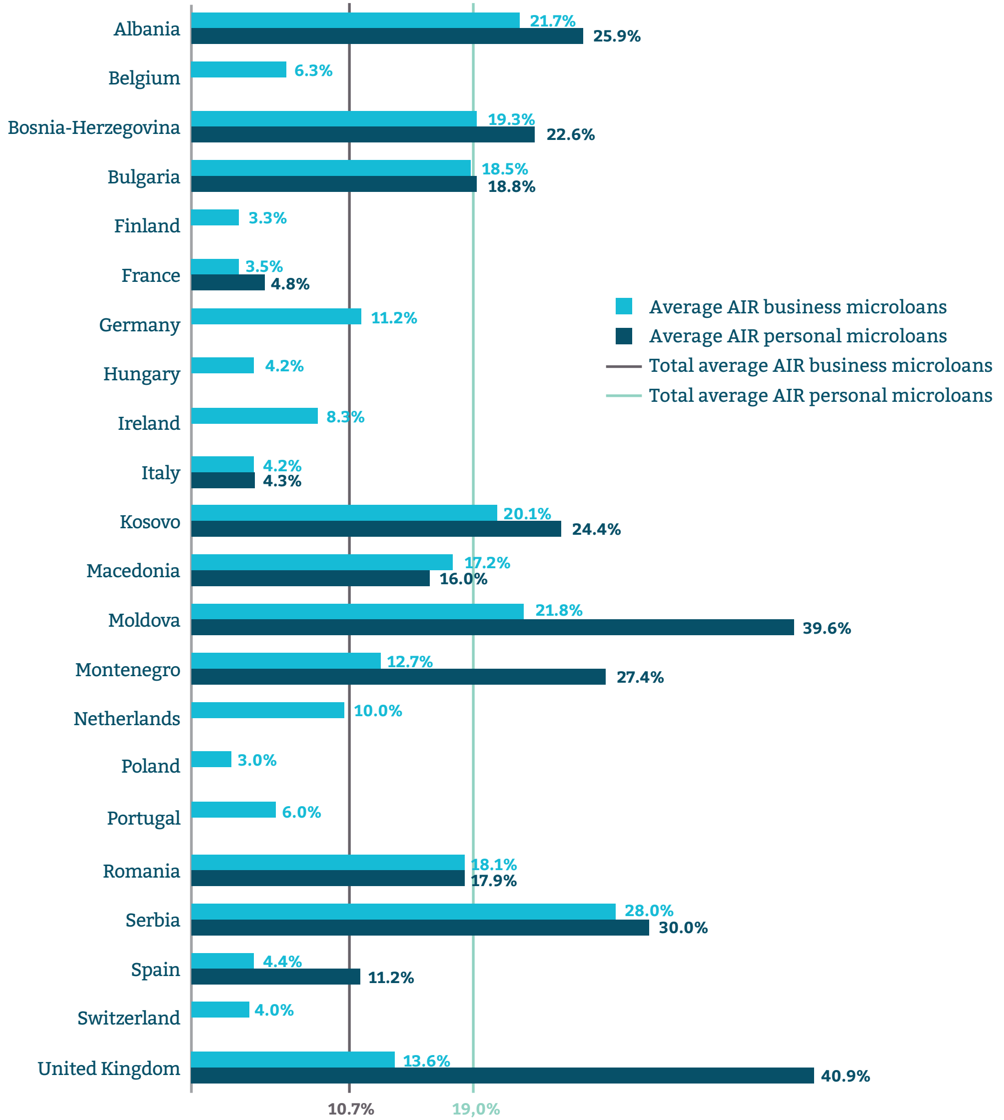
Appendix

1. Number of MFIs per type of microloan offered

	Business & personal microloans	Only Business microloans	Only Personal microloans
Albania	3	1	0
Belgium	0	3	0
Bosnia-Herzegovina	6	0	0
Bulgaria	4	0	0
Finland	0	1	0
France	3	1	0
Germany	0	5	0
Hungary	0	13	0
Ireland	0	1	0
Italy	10	2	1
Kosovo	6	2	0
Macedonia	2	0	0
Moldova	1	0	0
Montenegro	1	1	0
Netherlands	0	1	0
Poland	0	13	0
Portugal	0	2	0
Romania	3	4	21
Serbia	2	1	0
Spain	1	7	0
Switzerland	0	1	0
United Kingdom	7	16	2
TOTAL	**49**	**75**	**24**
Eastern countries	***28***	***35***	***21***
Western countries	***21***	***40***	***3***
EU Member States	***28***	***69***	***24***

2. Average annual interest rate (AIR) by country

Note: 112 responding MFIs for business microloans and 68 responding MFIs for personal microloans.



3. Scale of microloan activities

Number of active borrowers

	Total				Business microloans				Personal microloans			
	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014
Albania	4	4	46,372	45,385	4	4	41,400	41,175	3	3	4,972	4,210
Belgium	3	3	1,563	1,056	3	3	1,563	1,056	0	0	0	0
Bosnia-Herzegovina	6	6	182,389	176,271	6	6	88,228	78,141	6	6	94,161	98,130
Bulgaria	4	4	1,745	1,944	4	4	1,269	1,339	4	4	476	605
Finland	1	1	18,299	18,179	1	1	18,299	18,179	0	0	0	0
France	4	4	86,827	82,945	4	4	71,463	68,552	3	3	15,364	14,393
Germany	4	4	676	665	4	4	676	665	0	0	0	0
Hungary	12	12	5,772	6,181	12	12	5,772	6,181	0	0	0	0
Ireland	1	1	665	346	1	1	665	346	0	0	0	0
Italy	12	12	11,616	9,900	11	11	2,981	2,524	10	10	8,635	7,376
Kosovo	8	8	48,193	47,504	8	8	26,558	26,815	6	6	21,635	20,689
Macedonia	2	2	7,005	7,219	2	2	5,869	6,193	2	2	1,136	1,026
Moldova	1	1	11,568	8,024	1	1	3,419	3,463	1	1	8,149	4,561
Montenegro	2	2	19,390	15,925	2	2	10,699	9,712	1	1	8,691	6,213
Netherlands	1	1	3,220	3,135	1	1	3,220	3,135	0	0	0	0
Poland	13	13	6,646	6,154	13	13	6,646	6,154	0	0	0	0
Portugal	0	0	0	0	0	0	0	0	0	0	0	0
Romania	27	27	10,277	8,601	6	6	6,719	5,485	24	24	3,558	3,116
Serbia	3	3	49,535	44,897	3	3	32,721	30,280	2	2	16,814	14,617
Spain	8	7	185,037	136,399	8	7	49,406	41,132	1	1	135,631	95,267
Switzerland	1	1	70	73	1	1	70	73	0	0	0	0
United Kingdom	20	20	50,400	41,950	18	18	24,722	20,471	6	6	25,678	21,479
TOTAL	**137**	**136**	**747,265**	**662,753**	**113**	**112**	**402,365**	**371,071**	**69**	**69**	**344,900**	**291,682**
Eastern countries	***82***	***82***	***388,892***	***368,105***	***61***	***61***	***229,300***	***214,938***	***49***	***49***	***159,592***	***153,167***
Western countries	***55***	***54***	***358,373***	***294,648***	***52***	***51***	***173,065***	***156,133***	***20***	***20***	***185,308***	***138,515***
EU Member States	***110***	***109***	***382,743***	***317,455***	***86***	***85***	***193,401***	***175,219***	***48***	***48***	***189,342***	***142,236***

Number of new borrowers

	Total				Business microloans				Personal microloans			
	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014
Albania	4	4	14,993	13,842	4	4	13,513	13,165	3	3	1,480	677
Belgium	3	3	691	539	3	3	691	539	0	0	0	0
Bosnia-Herzegovina	6	6	68,973	55,626	6	6	22,474	18,765	6	6	46,499	36,861
Bulgaria	4	4	530	490	4	4	374	335	4	4	156	155
Finland	1	1	1,500	1,400	1	1	1,500	1,400	0	0	0	0
France	4	4	36,732	35,913	4	4	28,980	28,463	3	3	7,752	7,450
Germany	4	4	178	163	4	4	178	163	0	0	0	0
Hungary	12	12	341	590	12	12	341	590	0	0	0	0
Ireland	1	1	319	223	1	1	319	223	0	0	0	0
Italy	12	12	3,333	3,337	11	11	839	831	10	10	2,494	2,506
Kosovo	8	8	14,913	14,997	8	8	7,419	8,171	6	6	7,494	6,826
Macedonia	2	2	979	1,208	2	2	652	849	2	2	327	359
Moldova	1	1	5,362	3,112	1	1	4,345	1,236	1	1	1,017	1,876
Montenegro	2	2	1,124	884	2	2	879	724	1	1	245	160
Netherlands	1	1	905	880	1	1	905	880	0	0	0	0
Poland	13	13	1,723	1,661	13	13	1,723	1,661	0	0	0	0
Portugal	1	1	269	291	1	1	269	291	0	0	0	0
Romania	26	26	21,654	18,300	5	5	2,157	1,455	23	23	19,497	16,845
Serbia	3	3	11,359	11,711	3	3	5,713	5,188	2	2	5,646	6,523
Spain	8	7	116,223	79,765	8	7	20,761	18,236	1	1	95,462	61,529
Switzerland	1	1	15	27	1	1	15	27	0	0	0	0
United Kingdom	20	20	13,757	15,419	18	18	5,975	8,983	6	6	7,782	6,436
TOTAL	**137**	**136**	**315,873**	**260,378**	**113**	**112**	**120,022**	**112,175**	**68**	**68**	**195,851**	**148,203**
Eastern countries	***81***	***81***	***141,951***	***122,421***	***60***	***60***	***59,590***	***52,139***	***48***	***48***	***82,361***	***70,282***
Western countries	***56***	***55***	***173,922***	***137,957***	***53***	***52***	***60,432***	***60,036***	***20***	***20***	***113,490***	***77,921***
EU Member States	***110***	***109***	***198,155***	***158,971***	***86***	***85***	***65,012***	***64,050***	***47***	***47***	***133,143***	***94,921***

Value of the gross microloan portfolio outstanding (€)

	Total				Business microloans				Personal microloans			
	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014
Albania	4	4	82,102,768	79,912,905	4	4	78,473,104	77,074,124	3	3	3,629,664	2,838,781
Belgium	3	3	12,268,568	8,099,735	3	3	12,268,568	8,099,735	0	0	0	0
Bosnia-Herzegovina	6	6	228,894,105	223,775,157	6	6	136,589,969	131,870,163	6	6	92,304,136	91,904,994
Bulgaria	4	4	6,846,648	6,818,664	4	4	6,136,595	6,140,669	4	4	710,053	677,995
Finland	1	1	227,700,000	219,000,000	1	1	227,700,000	219,000,000	0	0	0	0
France	4	4	429,100,578	391,654,536	4	4	400,313,246	366,961,507	3	3	28,787,332	24,693,029
Germany	4	4	2,418,890	2,328,411	4	4	2,418,890	2,328,411	0	0	0	0
Hungary	12	12	74,373,675	84,556,024	12	12	74,373,675	84,556,024	0	0	0	0
Ireland	1	1	6,417,000	3,951,000	1	1	6,417,000	3,951,000	0	0	0	0
Italy	12	12	73,816,739	62,196,643	11	11	36,710,397	29,977,550	10	10	37,106,342	32,219,093
Kosovo	8	8	71,796,752	64,553,502	8	8	40,720,266	37,347,935	6	6	31,076,486	27,205,567
Macedonia	2	2	16,495,633	16,439,834	2	2	14,134,657	14,253,995	2	2	2,360,976	2,185,839
Moldova	1	1	10,923,711	11,664,913	1	1	7,251,616	8,425,426	1	1	3,672,095	3,239,487
Montenegro	2	2	34,342,370	23,876,715	2	2	22,031,154	16,132,239	1	1	12,311,216	7,744,476
Netherlands	1	1	33,739,000	31,658,000	1	1	33,739,000	31,658,000	0	0	0	0
Poland	13	13	80,371,841	71,227,516	13	13	80,371,841	71,227,516	0	0	0	0
Portugal	0	0	-	0	0	0	-	-	0	0	-	-
Romania	27	27	44,747,530	36,249,728	6	6	40,964,793	32,660,265	24	24	3,782,737	3,589,463
Serbia	3	3	68,168,057	61,673,160	3	3	49,304,735	45,785,282	2	2	18,863,322	15,887,878
Spain	8	7	887,435,680	684,925,729	8	7	400,092,177	360,997,354	1	1	487,343,503	323,928,375
Switzerland	1	1	671,132	689,869	1	1	671,132	689,869	0	0	0	0
United Kingdom	20	20	144,989,271	114,588,822	18	18	124,551,682	99,567,373	6	6	20,437,589	15,021,449
TOTAL	**137**	**136**	**2,537,619,948**	**2,199,840,863**	**113**	**112**	**1,795,234,497**	**1,648,704,437**	**69**	**69**	**742,385,451**	**551,136,426**
Eastern countries	***82***	***82***	***719,063,090***	***680,748,118***	***61***	***61***	***550,352,405***	***525,473,638***	***49***	***49***	***168,710,685***	***155,274,480***
Western countries	***55***	***54***	***1,818,556,858***	***1,519,092,745***	***52***	***51***	***1,244,882,092***	***1,123,230,799***	***20***	***20***	***573,674,766***	***395,861,946***
EU Member States	***110***	***109***	***2,024,225,420***	***1,717,254,808***	***86***	***85***	***1,446,057,864***	***1,317,125,404***	***48***	***48***	***578,167,556***	***400,129,404***

Value of microloans disbursed during the year (€)

	Total				Business microloans				Personal microloans			
	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014
Albania	4	4	59,693,401	54,780,248	4	4	56,562,181	52,629,459	3	3	3,131,220	2,150,789
Belgium	3	3	7,602,052	4,461,770	3	3	7,602,052	4,461,770	0	0	0	0
Bosnia-Herzegovina	6	6	212,035,597	218,076,819	6	6	119,538,561	119,780,882	6	6	92,497,036	98,295,937
Bulgaria	4	4	2,913,478	3,738,365	4	4	2,477,566	3,141,141	4	4	435,912	597,224
Finland	1	1	28,347,000	25,500,000	1	1	28,347,000	25,500,000	0	0	0	0
France	4	4	236,693,852	222,298,218	4	4	216,064,551	203,705,222	3	3	20,629,301	18,592,996
Germany	4	4	929,489	1,484,087	4	4	929,489	1,484,087	0	0	0	0
Hungary	12	12	6,763,837	13,479,942	12	12	6,763,837	13,479,942	0	0	0	0
Ireland	1	1	4,746,000	3,275,000	1	1	4,746,000	3,275,000	0	0	0	0
Italy	12	12	37,732,645	30,222,827	11	11	16,147,828	12,857,022	10	10	21,584,817	17,365,805
Kosovo	8	8	65,276,731	60,031,203	8	8	33,354,562	32,140,245	6	6	31,922,169	27,890,958
Macedonia	2	2	10,290,601	10,849,655	2	2	8,894,247	9,454,667	2	2	1,396,354	1,394,988
Moldova	1	1	8,433,555	7,963,570	1	1	4,685,362	5,615,220	1	1	3,748,193	2,348,350
Montenegro	2	2	39,709,758	27,435,054	2	2	25,311,373	17,892,169	1	1	14,398,385	9,542,885
Netherlands	1	1	15,875,000	14,440,000	1	1	15,875,000	14,440,000	0	0	0	0
Poland	13	13	32,975,312	27,868,330	13	13	32,975,312	27,868,330	0	0	0	0
Portugal	1	1	3,464,003	3,967,024	1	1	3,464,003	3,967,024	0	0	0	0
Romania	26	26	71,297,266	61,578,433	5	5	21,843,045	14,929,735	23	23	49,454,221	46,648,698
Serbia	3	3	63,058,411	57,341,423	3	3	47,217,620	43,182,118	2	2	15,840,791	14,159,305
Spain	8	7	593,149,745	439,335,650	8	7	216,194,637	210,029,293	1	1	376,955,108	229,306,357
Switzerland	1	1	282,787	546,322	1	1	282,787	546,322	0	0	0	0
United Kingdom	20	20	69,988,752	62,569,721	18	18	47,781,770	44,450,411	6	6	22,206,982	18,119,310
TOTAL	**137**	**136**	**1,571,259,272**	**1,351,243,661**	**113**	**112**	**917,058,783**	**864,830,059**	**68**	**68**	**654,200,489**	**486,413,602**
Eastern countries	***81***	***81***	***572,447,947***	***543,143,042***	***60***	***60***	***359,623,666***	***340,113,908***	***48***	***48***	***212,824,281***	***203,029,134***
Western countries	***56***	***55***	***998,811,325***	***808,100,619***	***53***	***52***	***557,435,117***	***524,716,151***	***20***	***20***	***441,376,208***	***283,384,468***
EU Member States	***110***	***109***	***1,112,478,431***	***914,219,367***	***86***	***85***	***621,212,090***	***583,588,977***	***47***	***47***	***491,266,341***	***330,630,390***

Number of microloans disbursed during the year

	Total				Business microloans				Personal microloans			
	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014
Albania	4	4	25,796	23,808	4	4	23,993	22,734	3	3	1,803	1,074
Belgium	3	3	956	645	3	3	956	645	0	0	0	0
Bosnia-Herzegovina	6	6	152,400	149,497	6	6	67,373	57,034	6	6	85,027	92,463
Bulgaria	4	4	840	1,046	4	4	484	614	4	4	356	432
Finland	1	1	1,967	1,912	1	1	1,967	1,912	0	0	0	0
France	4	4	40,127	38,818	4	4	31,799	30,910	3	3	8,328	7,908
Germany	4	4	109	194	4	4	109	194	0	0	0	0
Hungary	12	12	389	734	12	12	389	734	0	0	0	0
Ireland	1	1	319	223	1	1	319	223	0	0	0	0
Italy	12	12	4,839	4,554	11	11	1,239	1,135	10	10	3,600	3,419
Kosovo	8	8	39,608	38,824	8	8	19,577	20,359	6	6	20,031	18,465
Macedonia	2	2	2,776	3,302	2	2	2,299	2,802	2	2	477	500
Moldova	1	1	9,228	5,052	1	1	1,754	1,993	1	1	7,474	3,059
Montenegro	2	2	19,513	15,035	2	2	10,199	8,186	1	1	9,314	6,849
Netherlands	1	1	1,040	960	1	1	1,040	960	0	0	0	0
Poland	13	13	2,257	2,186	13	13	2,257	2,186	0	0	0	0
Portugal	0	0	0	0	0	0	0	0	0	0	0	0
Romania	26	26	63,809	63,430	5	5	3,319	2,379	23	23	60,490	61,051
Serbia	3	3	34,135	31,855	3	3	23,364	21,437	2	2	10,771	10,418
Spain	8	7	122,119	83,027	8	7	21,815	18,968	1	1	100,304	64,059
Switzerland	1	1	17	28	1	1	17	28	0	0	0	0
United Kingdom	20	20	30,590	29,651	18	18	6,036	8,967	6	6	24,554	20,684
TOTAL	**136**	**135**	**552,834**	**494,781**	**112**	**111**	**220,305**	**204,400**	**68**	**68**	**332,529**	**290,381**
Eastern countries	***81***	***81***	***350,751***	***334,769***	***60***	***60***	***155,008***	***140,458***	***48***	***48***	***195,743***	***194,311***
Western countries	***55***	***54***	***202,083***	***160,012***	***52***	***51***	***65,297***	***63,942***	***20***	***20***	***136,786***	***96,070***
EU Member States	***109***	***108***	***269,361***	***227,380***	***85***	***84***	***71,729***	***69,827***	***47***	***47***	***197,632***	***157,553***

4. Financial performance

Portfolio quality

	PAR30				Write-off ratio				Provision expense ratio			
	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014
Albania	4	4	2.2%	3.3%	4	4	3.1%	2.9%	4	4	2.6%	2.4%
Belgium	2	2	32.6%	33.4%	3	3	8.5%	5.8%	2	2	12.0%	12.0%
Bosnia-Herzegovina	6	6	0.8%	1.0%	6	6	0.9%	1.1%	6	6	0.9%	1.2%
Bulgaria	4	4	4.8%	6.4%	4	4	1.2%	2.0%	4	4	2.8%	3.0%
Finland	1	1	5.1%	5.1%	1	1	1.9%	1.9%	1	1	3.5%	3.5%
France	3	3	17.5%	18.7%	4	4	6.8%	6.4%	4	4	16.1%	15.9%
Germany	2	2	12.9%	2.8%	2	2	0.9%	1.6%	2	2	9.5%	14.0%
Hungary	11	11	22.4%	21.9%	11	11	0.8%	0.8%	12	12	5.9%	6.5%
Ireland	1	1	0.2%	0.2%	1	1	0.1%	0.1%	1	1	15.0%	15.0%
Italy	9	9	4.6%	5.5%	10	10	4.3%	3.4%	8	8	4.8%	4.0%
Kosovo	7	7	5.6%	7.8%	7	7	4.1%	3.3%	7	7	3.5%	4.4%
Macedonia	2	2	6.3%	7.2%	2	2	0.7%	1.1%	2	2	4.6%	5.2%
Moldova	1	1	6.3%	6.2%	1	1	1.3%	2.0%	1	1	1.6%	3.0%
Montenegro	2	2	1.3%	2.9%	2	2	0.8%	1.9%	2	2	-0.4%	-2.5%
Netherlands	1	1	11.5%	16.0%	1	1	3.7%	6.5%	1	1	2.2%	2.8%
Poland	10	10	6.3%	7.0%	11	11	0.1%	0.1%	10	10	1.1%	1.2%
Portugal	0	0	-	-	0	0	-	-	0	0	-	-
Romania	27	27	6.7%	7.7%	27	27	0.2%	0.2%	26	26	1.4%	1.4%
Serbia	3	3	2.1%	4.7%	3	3	1.4%	2.5%	3	3	4.6%	5.0%
Spain	6	5	6.0%	4.5%	4	4	0.8%	1.1%	4	3	1.0%	1.5%
Switzerland	1	1	21.1%	24.8%	1	1	0.0%	11.7%	1	1	10.1%	10.4%
United Kingdom	17	16	18.7%	20.0%	15	15	8.7%	10.0%	15	15	14.0%	13.9%
TOTAL	**120**	**118**	**9.7%**	**10.4%**	**120**	**120**	**2.6%**	**2.8%**	**116**	**115**	**5.0%**	**5.2%**
Eastern countries	***77***	***77***	***7.6%***	***8.6%***	***78***	***78***	***1.0%***	***1.0%***	***77***	***77***	***2.5%***	***2.7%***
Western countries	***43***	***41***	***13.4%***	***13.8%***	***42***	***42***	***5.6%***	***6.1%***	***39***	***38***	***10.0%***	***10.3%***
EU Member States	***94***	***92***	***11.3%***	***11.8%***	***94***	***94***	***2.7%***	***2.8%***	***90***	***89***	***5.7%***	***5.8%***

Asset-liability management

	Portfolio to assets ratio				Debt to equity ratio				Portfolio yield				Financial expense ratio			
	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014
Albania	4	4	0.8	0.8	4	4	3.4	3.6	4	4	25,5%	24.8%	4	4	8.4%	8.6%
Belgium	2	2	0.6	0.5	3	3	6.2	2.1	3	3	7.4%	8.5%	3	3	1.9%	2.5%
Bosnia-Herzegovina	6	6	0.8	0.8	6	6	2.9	2.1	6	6	20.9%	21.4%	6	6	3.3%	3.6%
Bulgaria	3	3	0.7	0.6	3	3	1.3	1.8	3	3	12.6%	13.4%	3	3	9.9%	9.2%
Finland	0	0	-	-	0	0	-	-	0	0	-	-	0	0	-	-
France	3	3	0.4	0.4	2	2	2.1	2.3	2	2	7.3%	7.3%	2	2	1.7%	2.1%
Germany	1	1	0.7	0.3	1	1	0.0	0.0	2	2	0.7%	0.8%	1	1	0.0%	0.0%
Hungary	11	11	0.9	0.9	11	11	9.3	13.0	11	12	6.2%	7.2%	11	12	1.0%	1.1%
Ireland	1	1	0.6	0.5	1	1	0.8	0.0	1	1	7.2%	6.9%	1	1	0.2%	0.2%
Italy	7	7	0.6	0.7	5	5	6.5	8.0	6	6	6.7%	4.6%	6	6	2.1%	2.8%
Kosovo	7	7	0.9	0.9	7	7	2.0	2.1	7	7	20.0%	19.6%	7	7	5.9%	5.7%
Macedonia	2	2	0.7	0.7	2	2	2.0	2.3	2	2	17.1%	17.4%	2	2	2.2%	2.7%
Moldova	1	1	0.5	0.4	1	1	3.7	3.8	1	1	26.4%	28.1%	1	1	14.6%	10.3%
Montenegro	2	2	0.6	0.6	2	2	1.4	1.0	2	2	22.9%	24.4%	2	2	1.9%	1.6%
Netherlands	1	1	0.4	0.4	1	1	1.9	1.9	1	1	11.3%	11.1%	1	1	0.6%	0.9%
Poland	8	8	0.5	0.5	8	8	3.1	2.8	8	8	7.7%	6.2%	8	8	4.2%	2.7%
Portugal	0	0	-	-	0	0	-	-	0	0	-	-	0	0	-	-
Romania	27	27	0.2	0.2	27	27	3.3	3.1	27	27	18.5%	19.1%	27	27	2.0%	2.0%
Serbia	3	3	0.6	0.6	3	3	4.4	4.5	3	3	27.8%	29.9%	3	3	2.2%	2.8%
Spain	5	4	0.9	0.8	3	2	1.2	1.4	5	4	3.5%	4.8%	2	2	0.4%	0.6%
Switzerland	1	1	0.6	0.7	1	1	0.4	0.2	1	1	3.8%	3.5%	1	1	0.1%	0.1%
United Kingdom	11	11	0.6	0.5	11	10	10.1	11.9	12	12	17.5%	16.1%	10	9	19.5%	18.4%
TOTAL	**106**	**105**	**0.6**	**0.5**	**102**	**100**	**4.5**	**4.9**	**107**	**107**	**14.5%**	**14.6%**	**101**	**101**	**4.7%**	**4.3%**
Eastern countries	***74***	***74***	***0.5***	***0.5***	***74***	***74***	***3.9***	***4.3***	***74***	***75***	***16.6%***	***16.8%***	***74***	***75***	***3.4%***	***3.2%***
Western countries	***32***	***31***	***0.6***	***0.6***	***28***	***26***	***6.2***	***6.7***	***33***	***32***	***10.0%***	***9.5%***	***27***	***26***	***8.1%***	***7.6%***
EU Member States	***80***	***79***	***0.5***	***0.5***	***76***	***74***	***5.2***	***5.8***	***81***	***81***	***12.3%***	***12.2%***	***75***	***75***	***4.6%***	***4.2%***

Efficiency and productivity

	Operating expenses ratio				Staff productivity ratio			
	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014
Albania	4	4	32.1%	31.9%	4	4	48.2	52.7
Belgium	3	3	24.4%	43.3%	3	3	31.6	27.2
Bosnia-Herzegovina	6	6	17.3%	19.8%	6	6	306.8	381.9
Bulgaria	3	3	8.4%	7.6%	4	4	31.4	30.7
Finland	0	0	-	-	1	1	48.0	48.3
France	2	2	20.5%	20.0%	4	4	115.1	123.0
Germany	2	2	58.1%	58.1%	2	2	67.7	93.0
Hungary	11	12	9.9%	8.7%	12	12	54.4	59.7
Ireland	1	1	21.0%	35.0%	1	1	73.9	43.3
Italy	9	9	8.5%	7.5%	9	9	85.6	91.7
Kosovo	6	6	17.3%	17.1%	8	8	119.4	116.8
Macedonia	2	2	12.8%	13.1%	2	2	55.1	55.7
Moldova	1	1	17.8%	18.3%	1	1	112.3	57.3
Montenegro	2	2	29.3%	30.2%	2	2	105.2	86.9
Netherlands	1	1	8.8%	9.5%	1	1	64.4	62.5
Poland	9	9	9.1%	9.3%	12	12	32.7	31.3
Portugal	0	0	-	-	0	0	-	-
Romania	27	27	10.6%	11.0%	27	27	17.8	16.7
Serbia	3	3	25.2%	27.1%	3	3	84.9	86.1
Spain	4	3	11.1%	5.0%	8	6	1,605.0	1,404.3
Switzerland	1	1	39.5%	39.9%	1	1	17.5	22.8
United Kingdom	11	10	28.0%	21.2%	20	20	144.6	112.5
TOTAL	**108**	**107**	**16.1%**	**16.0%**	**131**	**130**	**173.5**	**151.5**
Eastern countries	***74***	***75***	***13.7%***	***13.9%***	***81***	***81***	***65.8***	***70.4***
Western countries	***34***	***32***	***21.4%***	***20.8%***	***50***	***49***	***348.0***	***282.5***
EU Member States	***83***	***82***	***14.3%***	***13.8%***	***104***	***103***	***183.0***	***150.3***

Profitability and sustainability

	Return on equity (ROE)				Return on asset (ROA)				Operational self-sufficiency (OSS)			
	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014	No. MFIs 2015	No. MFIs 2014	2015	2014
Albania	4	4	8.1%	-2.1%	4	4	1.8%	3.4%	4	4	101.2%	91.2%
Belgium	3	3	-28.3%	-13.7%	3	3	-1.0%	-3.2%	3	3	47.9%	41.2%
Bosnia-Herzegovina	6	6	2.3%	-3.4%	6	6	3.1%	1.7%	6	6	120.2%	113.2%
Bulgaria	3	3	3.3%	4.0%	3	3	1.7%	2.2%	3	3	125.4%	117.4%
Finland	0	0	-	-	0	0	-	-	0	0	-	-
France	1	1	0.0%	1.1%	1	1	0.0%	0.5%	1	1	71.0%	60.0%
Germany	1	1	4.3%	5.1%	1	1	1.8%	2.1%	1	1	80.0%	90.0%
Hungary	10	10	3.1%	-9.4%	10	9	-0.4%	-1.1%	8	8	75.6%	85.1%
Ireland	0	0	-	-	0	0	-	-	0	0	-	-
Italy	4	4	-5.0%	-4.6%	4	4	-3.6%	-2.5%	6	6	66.9%	63.3%
Kosovo	7	7	1.8%	-5.7%	7	7	1.3%	-0.3%	6	6	106.1%	96.4%
Macedonia	2	2	5.9%	3.0%	2	2	2.3%	1.3%	2	2	117.0%	109.8%
Moldova	1	1	-8.5%	-2.8%	1	1	-1.8%	-0.7%	1	1	91.2%	95.9%
Montenegro	2	2	8.0%	8.4%	2	2	2.6%	4.0%	2	2	121.6%	122.7%
Netherlands	1	1	0.5%	-4.5%	1	1	0.3%	-2.4%	1	1	106.0%	69.0%
Poland	8	8	9.7%	9.2%	8	8	2.7%	3.3%	8	8	66.3%	70.3%
Portugal	0	0	-	-	0	0	-	-	0	0	-	-
Romania	27	27	12.9%	13.1%	27	27	6.2%	6.7%	27	27	91.8%	89.5%
Serbia	3	3	6.0%	-12.1%	3	3	0.9%	-1.1%	3	3	99.5%	92.7%
Spain	1	1	15.3%	13.8%	1	1	3.8%	3.9%	1	1	232.0%	204.0%
Switzerland	1	1	21.2%	21.9%	1	1	15.9%	16.4%	1	1	12.5%	11.3%
United Kingdom	6	6	2.6%	2.5%	8	7	4.7%	4.9%	9	8	84.2%	119.7%
TOTAL	**91**	**91**	**5.7%**	**2.8%**	**93**	**91**	**3.0%**	**2.9%**	**93**	**92**	**90.6%**	**91.0%**
Eastern countries	***73***	***73***	***7.7%***	***3.6%***	***73***	***72***	***3.2%***	***3.2%***	***70***	***70***	***94.5%***	***92.5%***
Western countries	***18***	***18***	***-2.7%***	***-0.4%***	***20***	***19***	***2.1%***	***1.8%***	***23***	***22***	***78.5%***	***86.1%***
EU Member States	***65***	***65***	***6.1%***	***4.9%***	***67***	***65***	***3.2%***	***3.4%***	***68***	***67***	***85.0%***	***88.0%***

5. Funding structure by country

	No. MFIs 2015	No. MFIs 2014	2015					2014				
			Grants	Debt financing	Equity	Guarantees	Other	Grants	Debt financing	Equity	Guarantees	Other
Albania	4	4	0.1%	85.2%	14.3%	0.0%	0.4%	0.1%	85.8%	13.8%	0.0%	0.4%
Belgium	2	2	48.8%	0.1%	44.9%	6.3%	0.0%	48.3%	0.1%	48.1%	3.7%	0.0%
Bosnia-Herzegovina	6	6	3.7%	57.8%	36.5%	0.0%	2.1%	3.6%	59.2%	35.1%	0.0%	2.1%
Bulgaria	3	3	0.0%	77.3%	22.7%	0.0%	0.0%	0.0%	79.9%	20.1%	0.0%	0.0%
Finland	1	1	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
France	4	4	52.8%	37.0%	0.0%	6.3%	4.0%	52.3%	39.3%	0.0%	4.5%	4.0%
Germany	3	3	33.3%	0.0%	33.3%	0.0%	33.3%	33.3%	0.0%	33.3%	0.0%	33.3%
Hungary	11	11	9.5%	19.0%	23.9%	0.0%	47.6%	10.9%	22.2%	19.6%	0.0%	47.4%
Ireland	1	1	56.0%	44.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Italy	11	11	46.9%	17.7%	27.7%	0.5%	7.1%	45.0%	18.5%	26.9%	0.3%	9.2%
Kosovo	7	6	23.8%	29.9%	45.3%	0.0%	1.0%	27.4%	20.1%	52.5%	0.0%	0.1%
Macedonia	2	2	0.0%	76.0%	24.0%	0.0%	0.0%	0.0%	75.0%	25.0%	0.0%	0.0%
Moldova	1	1	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Montenegro	2	2	0.0%	33.5%	66.5%	0.0%	0.0%	0.0%	29.5%	70.5%	0.0%	0.0%
Netherlands	1	1	0.0%	40.6%	59.4%	0.0%	0.0%	0.0%	44.4%	55.6%	0.0%	0.0%
Poland	10	10	29.8%	22.9%	31.5%	0.0%	15.8%	30.5%	22.6%	31.7%	0.0%	15.2%
Portugal	0	0	-	-	-	-	-	-	-	-	-	-
Romania	27	27	0.0%	14.3%	24.9%	0.0%	61.0%	0.0%	13.7%	24.4%	0.0%	61.8%
Serbia	3	3	0.0%	25.9%	51.2%	0.0%	22.9%	0.0%	25.6%	49.8%	0.0%	24.5%
Spain	7	7	22.0%	23.9%	37.9%	0.0%	16.3%	23.0%	23.1%	37.3%	0.0%	16.6%
Switzerland	1	1	35.9%	39.9%	0.0%	0.0%	24.2%	35.9%	0.0%	0.0%	0.0%	64.1%
United Kingdom	14	14	40.8%	41.9%	0.4%	0.0%	17.0%	45.0%	37.0%	0.4%	0.0%	17.7%
TOTAL	**121**	**120**	**19.3%**	**30.3%**	**25.4%**	**0.4%**	**24.7%**	**20.3%**	**28.9%**	**24.9%**	**0.2%**	**25.6%**

Albania

- BESA FUND jsc
- First Albanian Financial Development Company (FAF-DC)
- NOA sh.a
- Visionfund Albania

Belgium

- Brusoc S.A.
- Hefboom
- microStart

Bosnia-Herzegovina

- MCF EKI
- MI-BOSPO
- Microcredit Foundation “LOK” Sarajevo
- Microcredit Foundation Sunrise
- Mikrofin
- Partner Microcredit Foundation

Bulgaria

- Cooperative Doverie
- Mikrofond AD
- Nachala 2007 JSCo
- SIS Credit

Finland

- Finnvera plc

France

- Adie
- CREA-SOL
- Fédération Nationale des Caisses d’Epargne
- Initiative France

Germany

- dut mikrofinanz GmbH
- GLC AG
- GOLDRAUSCH e.V.
- Kreativ Finanz Mecklenburg GmbH
- Regios eG

Hungary

- Alapítvány a Vidék Kis- és Középvállalkozásainak Fejlesztésére Baranya Megyei Vállalkozói Központ
- Bács-Kiskun Megyei Vállalkozásfejlesztési Alapítvány
- Enterprise Development Foundation for Békés County
- Fejér Enterprise Agency (Székesfehérvári Regionális Vállalkozásfejlesztési Alapívány)
- Hajdú-Bihar Megyei Vállalkozásfejlesztési Alapítvány
- KEMRVA
- Local Enterprise Agency Heves County
- PRIMOM Foundation for Enterprise Promotion in Szabolcs-Szatmár-Bereg County
- Small Business Development Foundation of Kisalföld
- Somogy County Enterpreur Center Public Foundation
- Tolna Megyei Vállalkozásfejlesztési Alapítvány
- Veszprém County Enterprise Development Foundation
- Zala County Foundation for Enterprise Promotion

Ireland

- Microfinance Ireland

Italy

- Agata S.p.A. (Prestiamoci)
- Assista Onlus
- Banca Popolare Etica
- Credito per l’Italia Impresa Sociale SpA
- Finetica Onlus
- Fondazione Don Mario Operti Onlus
- Fondazione Mons. Vito De Grisantis
- Fondazione Risorsa Donna
- Fondazione Un Raggio di Luce ONLUS
- Fondazione Welfare Ambrosiano
- MAG Società Mutua per l’Autogestione
- Microcredito di Solidarietà SpA
- PerMicro

Kosovo

- Agency for Finance in Kosovo
- Finca Kosovo
- KEP TRUST
- KGMAMF
- KosInvest
- Kreditimi Rural i Kosoves, LLC
- Perspektiva 4 - P4
- START

Macedonia

- Horizonti
- savings House Moznosti

Moldova

- Microinvest

Montenegro

- MFI Alter Modus
- Monte Credit d.o.o

Netherlands

- Qredits

Poland

- Biłgorajska Agencja Rozwoju Regionalnego S.A.
- Foundation for the Development of Polish Agriculture
- Fundacja "Kaliski Inkubator Przedsiębiorczości"
- Fundacja Rozwoju Regionu Rabka
- Fundusz Pożyczkowy Województwa Świętokrzyskiego Sp. z o.o.
- Loan Fund of the Lublin Development Foundation
- Lodz Regional Development Agency
- Małopolska Agencja Rozwoju Regionalnego S.A.
- Podlaska Fundacja Rozwoju Regionalnego
- Poręczenia Kredytowe Sp. z o.o.
- Rural Development Foundation
- Stowarzyszenie "Centrum Rozwoju Ekonomicznego Pasłęka"
- Stowarzyszenie "Ostrowskie Centrum Wspierania Przedsiębiorczości"

Portugal

- Associação Nacional de Direito ao Crédito
- Millennium bcp

Romania

- C.A.R. CERTEJ I.F.N.
- C.A.R. CETATE I.F.N. DEVA
- C.A.R. CFR PETROSANI I.F.N.
- C.A.R. CRISANA I.F.N.
- C.A.R. DACIA I.F.N
- C.A.R. DECEBAL I.F.N. DEVA
- C.A.R. EUROPA HUNEDOARA I.F.N.
- C.A.R. LONEA I.F.N.
- C.A.R. PARINGUL I.F.N.
- C.A.R. PETRILA I.F.N.
- C.A.R. RETEZATUL LUPENI IFN
- C.A.R. SANITAR DEVA I.F.N.
- C.A.R. STRAJA LUPENI I.F.N.
- C.A.R. ULPIA I.F.N.
- C.A.R. UNIREA DEVA I.F.N.
- C.A.R. UNIREA HUNEDOARA I.F.N.
- C.A.R. UNIREA PETROSANI IFN
- C.A.R. UNIREA SIMERIA I.F.N.
- C.A.R. VIITORUL CALAN I.F.N.
- C.A.R. VULCAN I.F.N.
- C.A.R. ZARAND I.F.N.
- good.bee Credit IFN
- Opportunity Microcredit Romania
- Rocredit IFN SA
- Rurala Financing Society FAER IFN S.A.
- SC Vitas IFN SA
- SM Aurora IFN SA
- Societate de Microfinantare IFN Romcom SA

Serbia

- AgroInvest Serbia
- Micro Development
- Opportunity Bank Serbia

Spain

- CEEI-Burgos
- Fundación Cajasol
- Fundación Gaztenpresa
- Fundación Nantik Lum
- Fundación Sevilla Acoge
- Microbank
- Seed Capital Bizkaia Mikro, S.C.R.PYME, S.A.
- Treball Solidari

Switzerland

- Microcrédit Solidaire Suisse - Fondation Georges Aegler pour la création d'entreprises

United Kingdom

- ART Business Loans
- BCRS Business Loans
- Business Enterprise Fund
- Business Finance Solutions
- Capitalise Business Support Ltd
- Coventry Warwickshire Reinvestment Trust Ltd
- DSL Business Finance Ltd
- East London Small Business Centre Ltd
- Enterprise Answers
- Enterprise Loans East Midlands
- Fair Finance
- Finance For Enterprise
- Financing Enterprise
- Foundation East
- Fredericks Foundation
- GLE oneLondon
- Goole Development Trust
- Impetus
- Lancashire Community Finance
- Moneyline
- Purple Shoots Business Lending Ltd
- Robert Owen Community Banking Fund
- Scotcash C.I.C
- Sirius
- SWIG Finance
- The Five Lamps Organisation Ltd

Microfinance in Europe:
A Survey of EMN-MFC members

REPORT 2014-2015

EUROPEAN MICROFINANCE NETWORK

MICROFINANCE CENTRE

EUROPEAN INVESTMENT FUND

European Commission

With financial support from the European Union