Microfinance in Europe: Survey Report 2016-2017

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With contribution from

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A team of researchers from Politecnico di Torino and Social Innovation Teams (SIT) conducted the European Microcredit Survey 2016-2017 on behalf of the European Microfinance Network (EMN) and the Microfinance Centre (MFC).

EMN, MFC and the researchers would like to thank the organizations that collaborated during the preparation of the Survey.

First, we would like to express our sincere gratitude to the experts that have participated to the Survey and provided their valuable insights on the microfinance sector in Europe, which allowed us to shed a light on the sector's current trends and future challenges through personal interviews.

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Foreword

Policy makers, stakeholders, investors and practitioners in the European microfinance industry need market data to develop the sector and improve the framework and funding conditions for microcredit provision. Gathering market data is the main purpose of the EMN-MFC Survey Report, which tracks changes in the industry and deepens the understanding of core issues such as the scale, outreach, sustainability, and social & financial performance of the microfinance sector in Europe.

This is the eighth edition of the microfinance report and for the second time it is jointly carried out by EMN and MFC, highlighting the complementarities and the added value of cooperation between the two European microfinance networks. Thanks to the data gathered in this report, the networks will be able to better influence policymakers in preparing the next generation of EU instruments in the field of microcredit, in adopting more proportionate regulatory frameworks for the development of microfinance and inform on a number of other important issues that could have an impact on the daily operations of microfinance practitioners in Europe.

What stands out from the report is the dynamism of the sector that supports a growing number of vulnerable clients and microenterprises thanks to the combined offer of bespoke financial and non-financial services. The sector has been steadily growing over recent years and in 2017 microfinance institutions reported almost 1 million total active borrowers, with a gross microloan portfolio outstanding of more than 3.1 billion euros.

Overall, these results are proof that microfinance has become a growing sector of activity in Europe and carries substantial potential for further growth in the years to come, particularly in relation to the impact of current low economic growth among disadvantaged and impoverished populations and the need to ensure their inclusion. In fact, it is important to underline that behind the figures presented in this publication, there are 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 a team of researchers from Politecnico di Torino University and Social Innovation Teams (SIT). 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 organisations. We want to thank to all those who collaborated to the preparation of this study and we hope that the conclusions and various analyses carried out will help in the development of the microfinance sector in Europe.

Elwin Groenevelt
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Lucija Popovska
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Preface

"Microfinance in Europe", a periodical market assessment in its 8th edition, has established itself as a key publication for the European microfinance market. We – the European Investment Fund, EIF – are happy to continue supporting this important series.

The study tracks the evolving nature of microfinance in Eastern and Western Europe; 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.

The EIF has 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 in an effort to make microfinance a fully-fledged segment of the financial sector – everywhere in Europe. In this way, we pursue core European Union objectives: entrepreneurship, inclusive growth and job creation.

Since the launch of the EPMF (European Progress Microfinance Facility) programme in 2010, and its successor the EaSI (Employment and Social Innovation) programme in mid-2015, both managed by EIF on behalf of the European Commission, new financing in excess of 1 billion euros has already been provided to many thousands of vulnerable micro-borrowers across the European Union. Over time, the still active guarantee agreements under EaSI will mobilise yet another 1 billion euros of financing, including social enterprises and borrowers in EaSI eligible countries outside of the European Union. This demonstrates the strong demand for the type of financing supported under EaSI, which has been significantly scaled up also thanks to EFSI in 2017.

Many exciting, but also challenging, developments are underway in the European microfinance market. Established non-bank MFIs have grown in size and refined their product offering, greenfield MFIs are being created, banks are developing microcredit products in cooperation with NGOs, and fintechs are reaching out to new borrower categories. In addition, the pressure to show impact, in particular non-financial results, is increasing. Many developments are and will further be driven by new digital technologies and approaches, including changes in the generation, use, and interpretation of data.

This report shows that the biggest challenge for MFIs is to find additional funding to finance their growth. Support on a European level is important – via funding, guarantees and technical assistance to a broad range of financial intermediaries. European support needs to be complementary to other microfinance initiatives set up at national or regional level, e.g. backed by government funds or structural funds. Also, and most important, crowding-in of private resources is needed to build a sustainable eco-system for the European microfinance market.

For the design of efficient support schemes, in-depth information is essential. This new report "Microfinance in Europe: Survey Report 2016-2017" plays an important role as a valuable source of information.

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Executive Summary

This is the 8th edition of the European microfinance report published by the European Microfinance Network (EMN) and the second time the report is jointly carried out with the Microfinance Centre (MFC). This report, prepared by researchers of Social Innovation Teams (SIT) and Politecnico di Torino university, involved institutions engaged in microfinance activities from 28 European countries and European experts in microcredit. In total, 156 out of 457 contacted microfinance institutions (MFIs) have replied, which represents an overall response rate of 34%[1]. The survey report covers the 2016-2017 period and provides an overview of the sector's main institutional characteristics, microloan portfolio, social and financial performance, challenges and trends through a mixed-method approach of quantitative and qualitative data collected via online survey and expert interviews.

1 The contact list was built over many years by EMN reflecting both EMN and MFC membership and the lists of MFIs provided by national networks or informed organisations working in the countries considered in the survey. EMN & MFC membership is well covered by the Survey with an 80% response rate

Main characteristics of the sector

European microloan providers use a variety of institutional models to engage in microfinance activities. Non-governmental organizations (NGOs) (40%), non-bank financial institutions (NBFIs) (29%) and credit union/financial cooperatives (19%) constitute the majority of the survey participants while other legal forms (i.e. private banks, state-owned banks, government bodies) make up the rest of the sample. 72% of MFIs categorized as NGOs, NBFIs, credit union/financial cooperatives and government bodies are regulated.

In terms of organisational age, the European microfinance sector is diverse and still relatively young. The majority of respondents (58%) started their activities after 2000. However, there has been a slowdown in the growth of new MFIs, which has decreased in each period since 2005. Only 5% of the surveyed MFIs started microlending operations after 2015.

For approximately 50% of respondents, microlending is the primary operational focus and contributes to more than 75% of their overall turnover. The majority of respondents (79%) employ less than 50 full-time equivalent employees. In 2017, the total number of paid staff for the sample was 14,743, with a substantial share of women staff (59%).

Microlending activities: products and services

In terms of financial products, the majority of respondents provide business microloans (80%) followed by personal microloans (50%), SME loans (37%) and saving products (24%). 37% of survey respondents complement microloans and SME loans with other microfinance products such as insurance, leasing or mortgages.

The terms and conditions for business and personal microloans differ greatly. Personal microloans are smaller in size (€3,098 vs. €8,913), offered on shorter terms (31 months vs. 45 months) with higher average annual percentage rates (APRs) (18% vs. 11%).

In 2017, more than half of the survey participants (68%) also offered non-financial products and services. In total, 443,825 clients were reached through non-financial products and services, more than half of which were not active borrowers.

Microlending activities: outreach and social performance

Between 2016 and 2017, both the total volume and number of microloans disbursed showed a growing trend. In 2017, the total number of microloans disbursed for the sample was 635,330 (+1% compared to 2016) with a total value of €2.1 billion (+11%). Overall, the total number of active borrowers served by the respondents was 988,457 (+8% compared to 2016) with a gross microloan portfolio outstanding of €3.2 billion (+16%).

The majority of the outstanding portfolio is allocated to business microloans (54%) even though there is a shift towards personal microloans (43% of the total in 2016 and 46% in 2017). Overall, personal microloans showed a faster growing trend compared to business microloans.

In 2017, the total number of active borrowers for business microloans reached 406,715 (+5% compared to 2016). During 2017, MFIs surveyed disbursed a total of 260,534 business microloans (+6%) with a total lending volume of €1.1 billion (+15%).

In terms of personal microloans, MFIs in the sample served a total of 581,742 active borrowers (+10% compared to 2016) and disbursed a total of 374,796 microloans (-2%) which corresponds to a total volume of €1 billion (+8%).

The majority of respondents support financial inclusion (60%) as a primary mission, which is followed by job creation (14%) and growth of existing businesses (10%). Women are the most targeted client group by the respondents followed by rural populations, unemployed/welfare recipients and youth, while ethnic minorities, immigrants/refugees and people with disabilities are the least targeted group of borrowers. Moreover, the majority of the sample support solo-entrepreneurs and self-employed, followed by microenterprises up to 5 and 10 employees. Most respondents support businesses that are already established but still young (up to 5 years-old).

Microfinance activities: financial performance

In terms of portfolio quality, portfolio at risk (loans overdue by 30 days, PAR30) ratio decreased from 15.2% to 13.9% and the provision expense ratio decreased from 6.4% to 5.9% between 2016 and 2017. The write-off ratio was steady for both years: 4.7% in 2017 and 4.6% in 2016. The cost of delivering loans decreased in 2017 with an average operating expense ratio of 26% (compared to 33.7% in 2016).

Overall, the average ROE increased from 2.7% to 4.9% and ROA increased from 1.8% to 2.5% in 2017. In 2017, only 14 out of 44 MFIs were operationally self-sufficient.

1. Introduction

Social and financial exclusion is one of the most important challenges the world is currently facing, and microcredit can play a significant role in its alleviation. Microcredit is usually defined as the granting of collateral-free small loans for income-generating activities specifically targeted at the poor (Yunus, 2004), as they are generally excluded from access to traditional banking services. This exclusion is mainly attributed to high administrative costs of small-scale lending, low incomes and unstable income source, lack of adequate collateral, credit history and the high costs of enforcing contracts (e.g. Hermes & Lensink, 2007; Kono & Takahashi, 2010; Rosenberg, Gonzalez, & Narain, 2009a, 2009b).

Consequently, microcredit and Microfinance institutions (MFIs) have rapidly grown in the past decades both in Europe and the rest of the world, reaching tens of millions of individuals and providing billions of dollars in loans (Dichter, 2007).

All over Europe, microfinance institutions still fill an important need. Some population groups face the risk of being excluded by traditional banking services: unemployed, women, immigrants, refugees, youth, disabled, elderly and many more. Often, they lack personal capital, credit history, collateral and guarantees, which make them perceived as too risky for many financial institutions and banks. By offering small amounts of loans, and alternative guarantee and payment options, microfinance institutions offer the opportunity to engage in entrepreneurial activities through business microloans, or to cover consumption needs through personal microloans. Moreover, these financial products are often supplemented with non-financial services (e.g. Business Development Services). As the number of microloans disbursed increases each year, the share of European MFIs offering non-financial products and services is also growing to allow a better use of the financial products and services offered.

Simultaneously, public involvement for microfinance in Europe has been growing. In addition to advocating for microfinance institutions, public sector is increasing its expectations for outreach and impact on social and financial inclusion, job creation and financial inclusion. Hence, MFIs ought to show the impact that they are creating, which urge them to find transparent performance measurement metrics.

With the European Microfinance sector reaching maturity after more than 30 years in both Western and Eastern Europe, the need for consistent data to allow comparisons between different characteristics of the sector is becoming more and more important to support its development. There are many distinctions between European MFIs. The institutional types adopted are diverse and impact many aspects of MFIs' operations. Moreover, types of financial and non-financial products and services offered, terms and conditions related to microloans, scale and outreach of microlending activities as well as their financial performances vary significantly and define the European microfinance sector.

This microfinance survey report by EMN and MFC aims to track the developments in the microfinance sector in Europe and to shed light on MFIs' characteristics, and their social and financial performances. As such, it provides reliable and comparable data and insights for the European Microfinance Sector. Over the years, this microfinance survey report has become the principal European level publication on microfinance in the EU and has been carried out on a biennial basis since 2004 with the main aim to track changes in the microfinance sector. The key audience of this publication are policy makers, investors, national and regional authorities, managers of MFIs as well as other stakeholders such as researchers, consultants and journalists.

With that in mind, researchers from Politecnico di Torino and SIT have prepared this eighth edition of the Survey Report for the time period covering 2016 and 2017. The main objective of this edition was to further improve the structure of the questionnaire focusing on a simpler yet exhaustive version. The revised questionnaire aimed at keeping and improving the most relevant indicators while reducing the time required for survey participants to fill in the questionnaire.

The survey aims at providing a reliable picture of different microfinance activities of various organizations in the sector and compare a diverse range of social and financial performance indicators of European MFIs, mainly focusing on the institutional types that characterize the European microfinance market.

2. Survey Methodology and Respondents

This eighth edition of the European Microfinance Survey Report covers the period 2016-2017 and consists of data collected from 156 surveyed MFIs across Europe. In this new edition of the survey, the sample of MFIs surveyed is not based exclusively on members of EMN, MFC and National Network affiliated with EMN, but also include other institutions based in Europe that are engaged in microlending activities to provide a more consistent picture of the core issues of the sector, changes in the industry, as well as challenges and trends of the sector.

The report distinguishes microloans based on the two following definitions:

Microcredit for business use[2]: Business microloan is a loan of EUR 25,000 or less to support the development of self-employment, microenterprises or SMEs.

Microcredit for personal use[3]: Personal microloan is a loan of EUR 25,000 or less to cover client's personal or consumption needs, such as rent, personal emergencies, education and personal consumption needs (e.g. white goods).

Furthermore, the report considers SME loans, i.e. loans of more than EUR 25,000 to support the development of SMEs.

The report is based on a research process organized in two phases. First, a broad range of quantitative and qualitative data on MFIs' institutional characteristics, types of products and services, social and financial performances, portfolio indicators, and funding sources and needs were collected from MFIs through an Online Survey. Second, interviews with key experts have been conducted to better grasp the current challenges and future directions of the microfinance sector in Europe.

For the online questionnaire, previous iterations have been reviewed and the Survey Questionnaire has been prepared in close cooperation with EMN and MFC. This edition's questionnaire was simplified compared to last editions to ease the data collection process. Survey participants were allowed to provide financial data in their own currency and to report in total values rather than ratios and percentages. The online tool has been pre-tested by the research team and by EMN team and then it has been further tested by two MFIs before being sent to microfinance institutions.

A large list of MFIs operating in Europe was created over time by EMN reflecting both EMN and MFC membership and the lists of MFIs provided by national networks or informed organisations working in the countries considered in the survey. All of these institutions have been contacted. 156 out of 457 MFIs have replied, which represents an overall response rate of 34% (Table 1)[4]. Non-respondent institutions to the first email have been followed-up via another e-mail and then phone calls with the collaboration of EMN and National Networks to increase the response rate.

2 This is coherent with the European Commission definition - microcredit as a loan up to EUR 25,000 to support the development of self-employment and micro-enterprises (EIF, 2009)
3 This definition was used also in the previous iteration of the Survey.

4 As in the previous edition, EMN & MFC membership is well covered by the Survey with an 80% response rate. The number of respondents of this year (156) is in line with the previous edition of the Survey (149 respondents).

Table 1 - Number of surveyed institutions

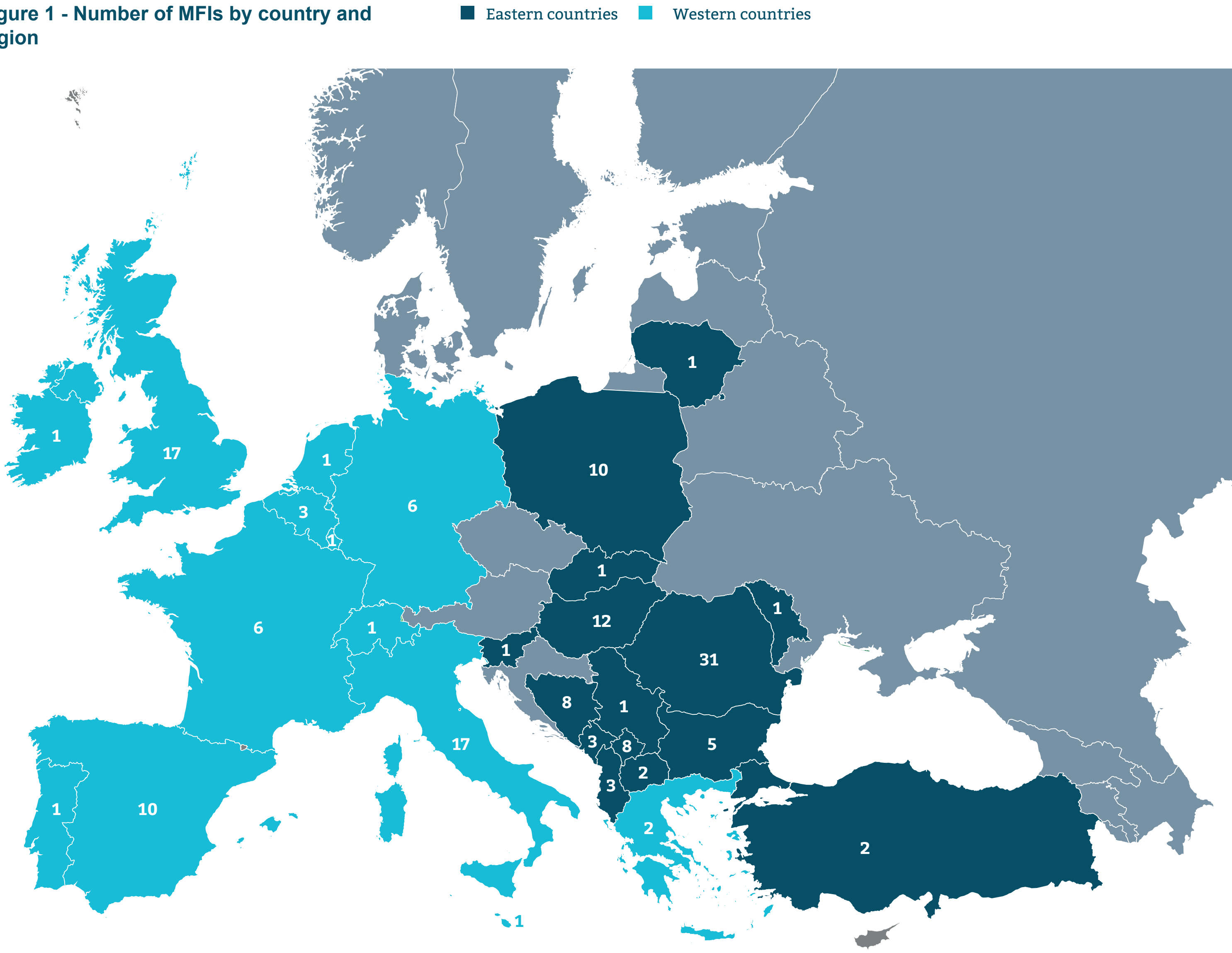
	Institutions contacted	Respondents	Response rate
EMN or MFC members	80	64	80%
National Networks members	137	67	49%
Institutions not affiliated with EMN/ MFC/NNs	240	25	11%
Total	457	156	34%

Not all surveyed MFIs were able to fill out the entire questionnaire. This leads to lower response rates in specific questions, especially for more complex questions such as portfolio and financial ratios. Therefore, the results presented must be interpreted considering the number of respondents as clearly highlight in each table/graph.

This edition of the Survey covers MFIs from European countries that are EU-member states (Belgium, Bulgaria, France, Germany, Hungary, Ireland, Italy, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and the United Kingdom), EU-candidate countries (Albania, Macedonia, Montenegro, Serbia and Turkey), potential EU-candidates (Bosnia-Herzegovina and Kosovo) and other European countries (Moldova, Switzerland).

In some sections of the report, several countries in which only one MFI have replied were grouped into a category of "other countries", which includes the following countries: Ireland, Lithuania, Luxembourg, Malta, Moldova, the Netherlands, Portugal, Serbia, Slovakia, Slovenia, Switzerland. Moreover, a differentiation between Eastern and Western Europe is made where significant differences are observed. Hence, Figure 1 represents the number of surveyed MFIs by country and differentiates between the two regions.

Figure 1 - Number of MFIs by country and region



3. Findings

3.1 Key Institutional Characteristics

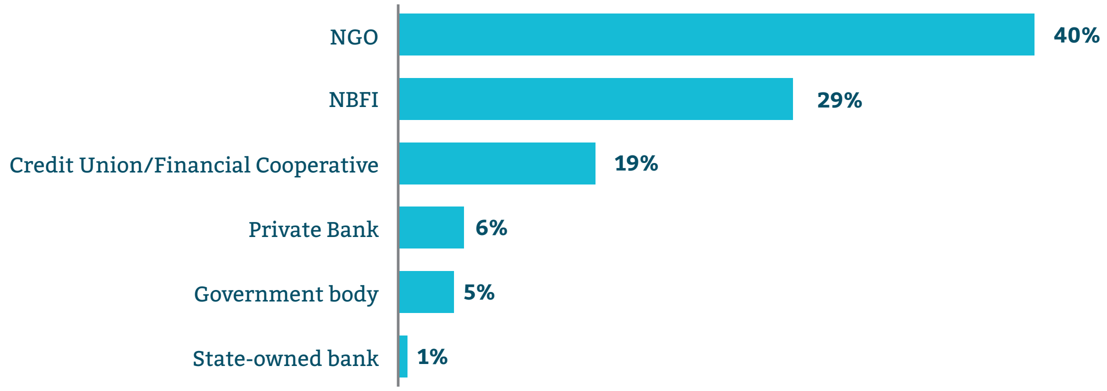
3.1.1 Institutional Types

European MFIs use a variety of institutional models to engage in microfinance activities. To a large extent, this diversity of institutional types is connected to national differences in the legal and regulatory frameworks. As a result, the microcredit market in Europe is quite fragmented. Figure 2 reports the different institutional types adopted by the 156 MFIs surveyed. The institutional forms adopted include private banks, state-owned banks, non-bank financial institutions (NBFIs), credit unions/financial cooperatives, non-governmental organizations (NGOs), and government bodies[5].

5 Definitions for institutional types, and other definitions of terms used in the text, can be found in the "Glossary" section of the report.

Figure 2 – Share of MFIs by institutional type

Note: 156 responding MFIs.



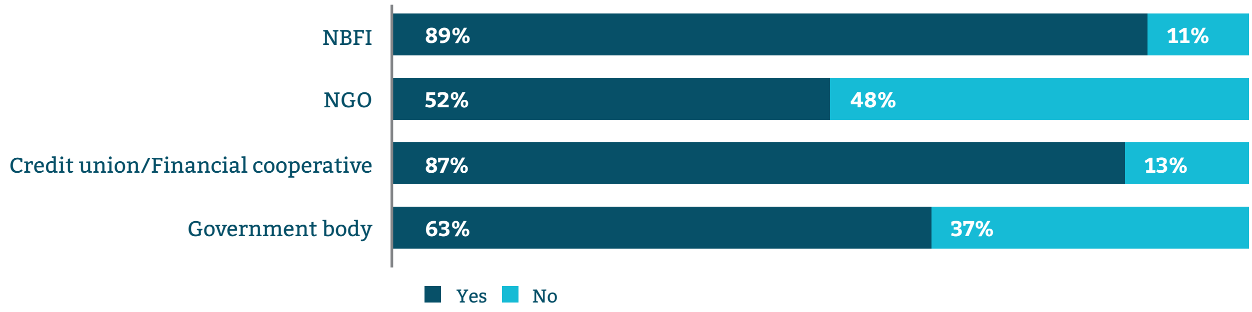
Similar to previous editions of the Survey Report, the majority of the sample (69%) consists of NGOs and NBFIs. Moreover, when government bodies are included, NGOs represent a total of 45% of the overall sample. Out of 156 respondents, only two are state-owned banks, eight are private banks and nine represent government bodies.

COUNTRIES NOTE

- Both state-owned banks are German, where the sector has traditionally been bank-based.
- In Albania (100%), Germany (67%), Montenegro (100%) and United Kingdom (71%), the majority of survey participants are NBFIs.
- MFIs from United Kingdom are either NBFIs (71%) or NGOs (29%).

The legal and regulatory framework for microcredit provision in Europe differs significantly among different countries. These differences range from dedicated legal acts for microfinance provision, to specific provisions on microlending in acts regulating the banking or NGO sector (EMN, 2012). To better understand the differences between the regulatory frameworks under which responding MFIs operate, NBFIs, credit union/financial cooperatives, NGOs and government bodies were asked whether or not they submit to a regulatory authority. Out of 145 respondents, 104 MFIs submit to a regulatory authority (72%). However, the shares vary significantly by institutional type as illustrated in Figure 3.

Figure 3 - Share of MFIs that submit to a regulatory authority by institutional type
Note: 145 responding MFIs.



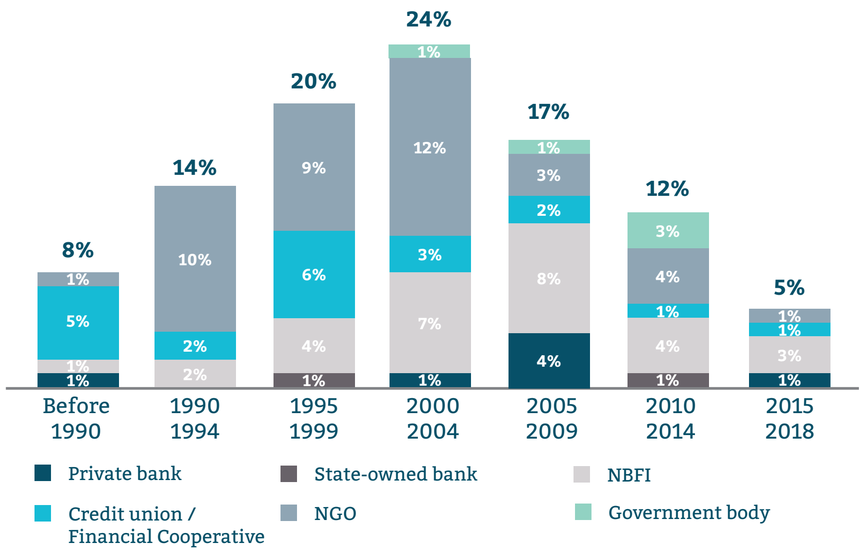
3.1.2 Age

The European microfinance market is still relatively young. The majority of respondents (58%) started activities after 2000 (Figure 4). However, there has been a slowdown in the growth of new MFIs, which has decreased in each period since 2005. Only 5% of the surveyed MFIs started microlending operations after 2015.

COUNTRIES NOTE

- Romania is the most mature market in the sample: 8 out of 31 Romanian MFIs started their operations before 1990.
- After Romania, the oldest MFIs are from UK, France and Italy, which started their operations in the late 1980s.

Figure 4 - Share of MFIs by starting period of microlending activities
Note: 156 responding MFIs.

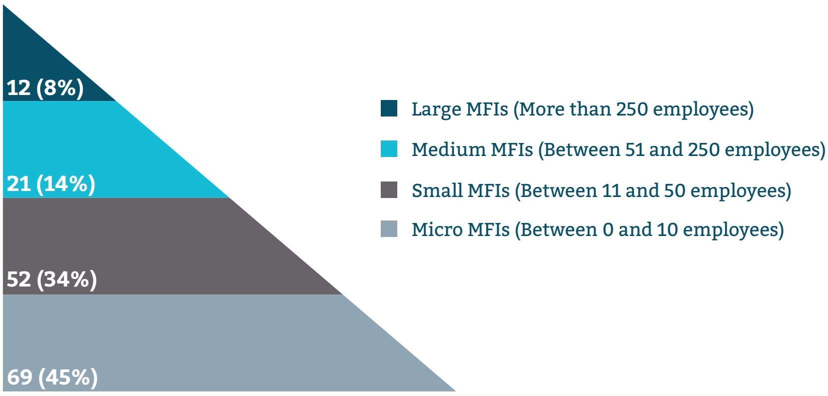


In terms of institutional types, the majority of surveyed NGOs began microlending activities before 2005 (77%), more specifically, between 1990 and 2004. Nearly all private banks and government bodies in the sample began microlending operations in recent years: private banks between 2005 and 2018 and government bodies between 2005-2014. In the case of NBFIs, the majority started operations between 2000 and 2009.

3.1.3 Paid Staff Employed

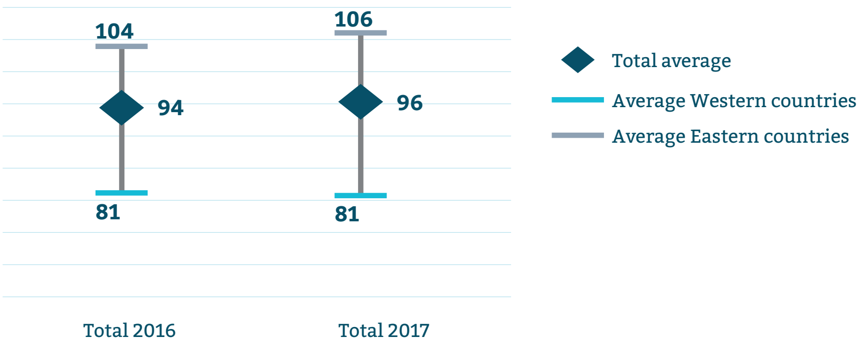
On average, surveyed MFIs reported employing a relatively low number of staff (data collected on the number of paid employees is expressed in full-time equivalent - FTE). In 2017, the total number of paid staff was 14,743, which corresponds to a 1% increase compared to 2016. The majority of surveyed institutions employ less than 50 full-time equivalent employees (79%) (Figure 5). Seven respondents reported that they do not employ any paid staff. These MFIs either rely on volunteers or their employees are paid by other organizations. Two MFIs reported more than 2,000 employees, one is a private bank that provides other products and services apart from microlending and the other is an NGO partnering with a financial institution in the disbursement of the microloans.

Figure 5 - Share of MFIs per staff category (2017)
Note: 154 responding MFIs.



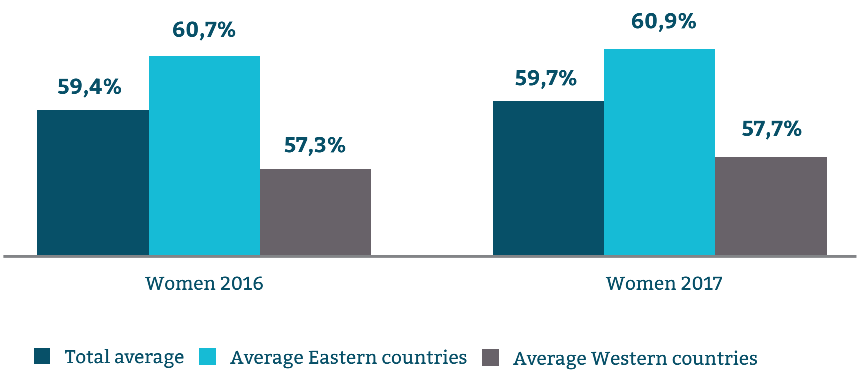
In 2017, the average number of paid staff for the MFIs surveyed has increased to 96 staff compared to 94 in 2016 (Figure 6). On average, MFIs from Eastern countries employ 30% more workers than their Western counterparts.

Figure 6 - Average number of paid staff (FTE) per institution
Note: 154 responding MFIs.



The average number of women staff is approximately 20% higher in Eastern countries. Gender diversity in surveyed MFIs (Figure 7) seems to be in favour of women: 60% of all employees are women (0.5% increase over 2016).

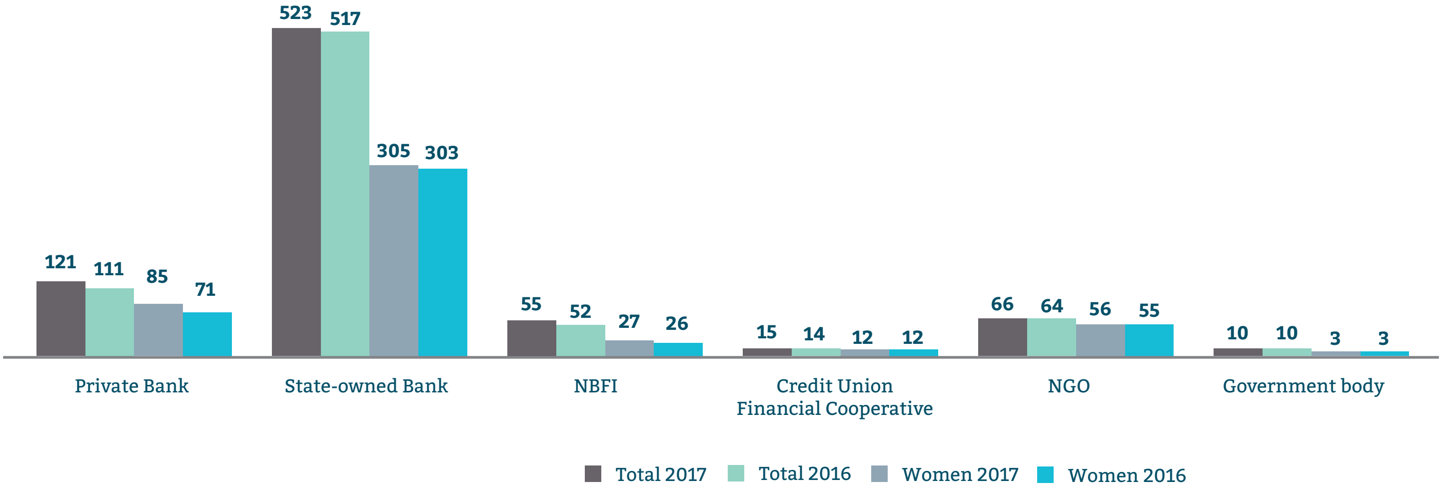
Figure 7 - Share of average number of paid women staff (FTE) per institution
Note: 154 responding MFIs.



On average, private banks and state-owned banks employ the highest number of full-time equivalent employees followed by NGOs, NBFIs and credit unions/ financial cooperatives (Figure 8). Government bodies employ, on average, the lowest number. 47% of NGOs and 61% of credit unions/financial cooperatives employ less than 10 employees.

Figure 8 - Average number of full-time equivalent employees by institutional type

Note: 152 responding MFIs (excluding the two MFIs with more than 2,000 employees).



COUNTRIES NOTE

- The highest average number of paid staff (more than 200 paid employees) is found in Albania, France and Spain.
- Greece and Kosovo show the highest positive trend in the number of total staff employed in 2016-2017 (+10%).
- 4 of the 7 MFIs that report no paid employees are in Italy, while the other 3 operate in Germany, Bulgaria and Hungary respectively.
- The 2 MFIs that reported more than 2,000 employees operate in Slovakia (bank) and Spain (NGO).

3.1.4 Focus on Microlending Activities

One of the consequences of the diversity of European MFIs is that their focus on microlending varies significantly from one institution to the other. The share of the turnover dedicated to microlending activities can be used as a proxy to estimate MFIs' focus on microlending.

More than half of the surveyed MFIs specialize in microlending (more than 75% of their turnover comes from microlending activities). For 22% of the respondents, microlending represents a marginal activity and is not the primary focus of the institution (less than 25% of their turnover stem from microlending activities) (Figure 9).

Figure 9: Share of MFIs by turnover dedicated to microlending

Note: 149 responding MFIs.

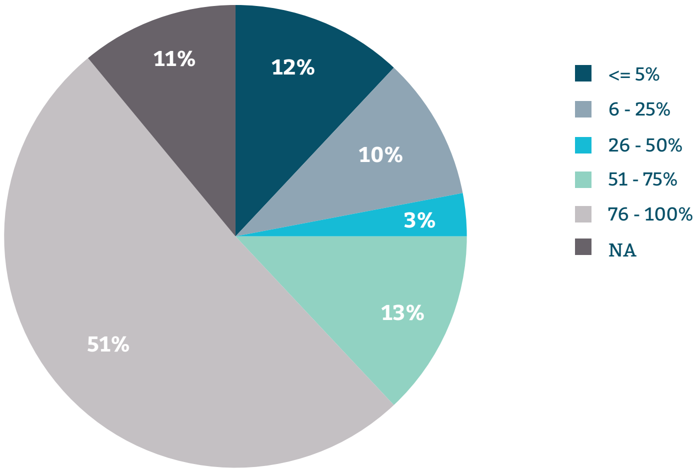
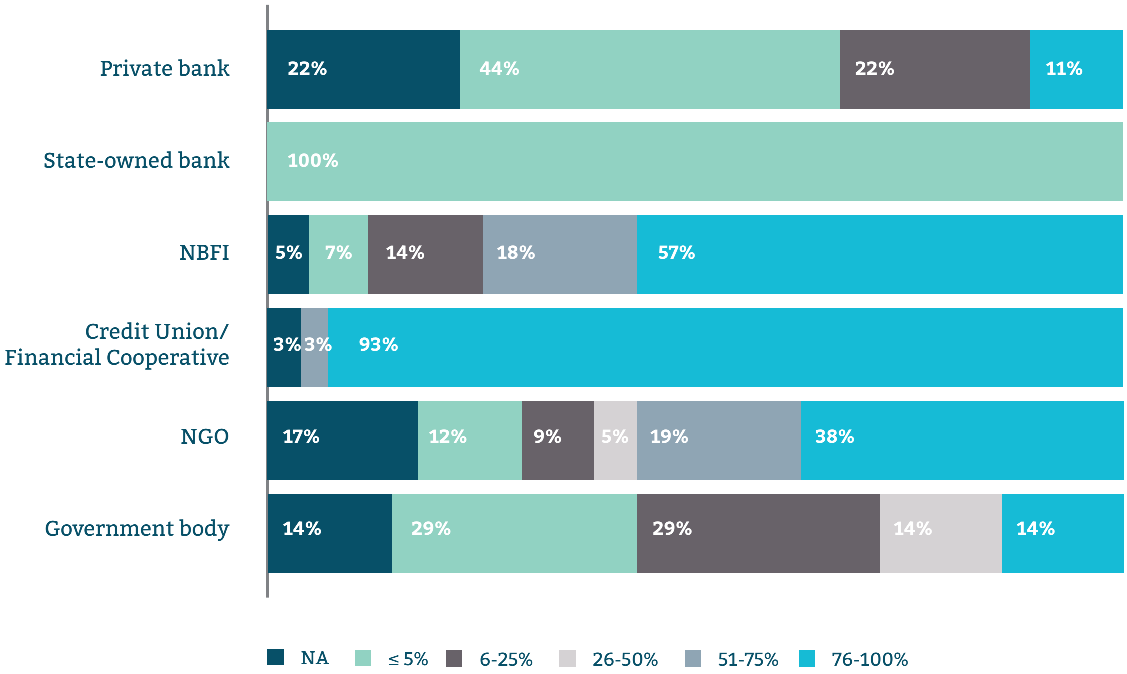


Figure 10 - Share of turnover dedicated to microlending activities by institutional type

Note: Distribution of the 149 responding MFIs: 9 private banks, 2 state-owned banks, 45 NBFIs, 29 credit union/financial cooperatives, 57 NGOs, 7 government bodies.

Private banks and state-owned banks are the institutional types for which microlending represents a marginal activity: both state-owned banks and nearly half of private banks (44%) dedicate less than 5% of their activities to microlending (Figure 10). Microlending is either used to support corporate social responsibility programs or to supplement SME loans. By contrast, the majority of credit unions/financial cooperatives (93%) and NBFIs (57%) are specialized in microlending with more than 75% of their turnover from these activities.



COUNTRIES NOTE

- Countries with the majority of MFIs focused on microlending (>75% of all activities): Albania, Bulgaria, Romania, Bosnia-Herzegovina and Montenegro.
- Countries with the majority of MFIs that do not specialize in microlending (<25% of all activities): Spain, Greece and France.

Key Findings

- The 156 surveyed MFIs include state-owned banks, non-bank financial institutions (NBFIs), credit unions/financial cooperatives, non-governmental organizations (NGOs), and government bodies. The majority of survey participants are NGOs and NBFIs (69%).
- The European microfinance sector is still relatively young: more than half of all institutions (58%) started microlending activities after 2000.
- The total number of paid staff of the sample was 14,743 in 2017, which corresponds to a 1% increase compared to 2016. 59% of MFI employees are women.
- The majority of surveyed institutions (79%) employ less than 50 full-time equivalent employees.
- More than half of the surveyed MFIs (51%) are specialized in microlending (more than 75% of their turnover from microlending activities), while for 22% of MFIs microlending is only a marginal activity (less than 25% of turnover).

3.2 Range of Products and Services

The European microfinance market is characterized by diverse product and service offerings, which can be primarily categorized as financial and non-financial products and services.

Financial products and services can lift people out of social and financial exclusion, help them manage their day-to-day expenses or support them in productive activities. Non-financial services attempt to increase the outcomes of financial products and services received by improving clients' financial management, entrepreneurship and business development skills.

As a result, offering a combination of financial and non-financial products and services is a common practice in the European microfinance market. The number of MFIs surveyed providing both types of products and services has increased to 68% in 2017 compared to the last edition of the Survey (2015: 58%)[6].

Figure 11: Share of MFIs by type of products and services offered

Note: 156 responding MFIs.

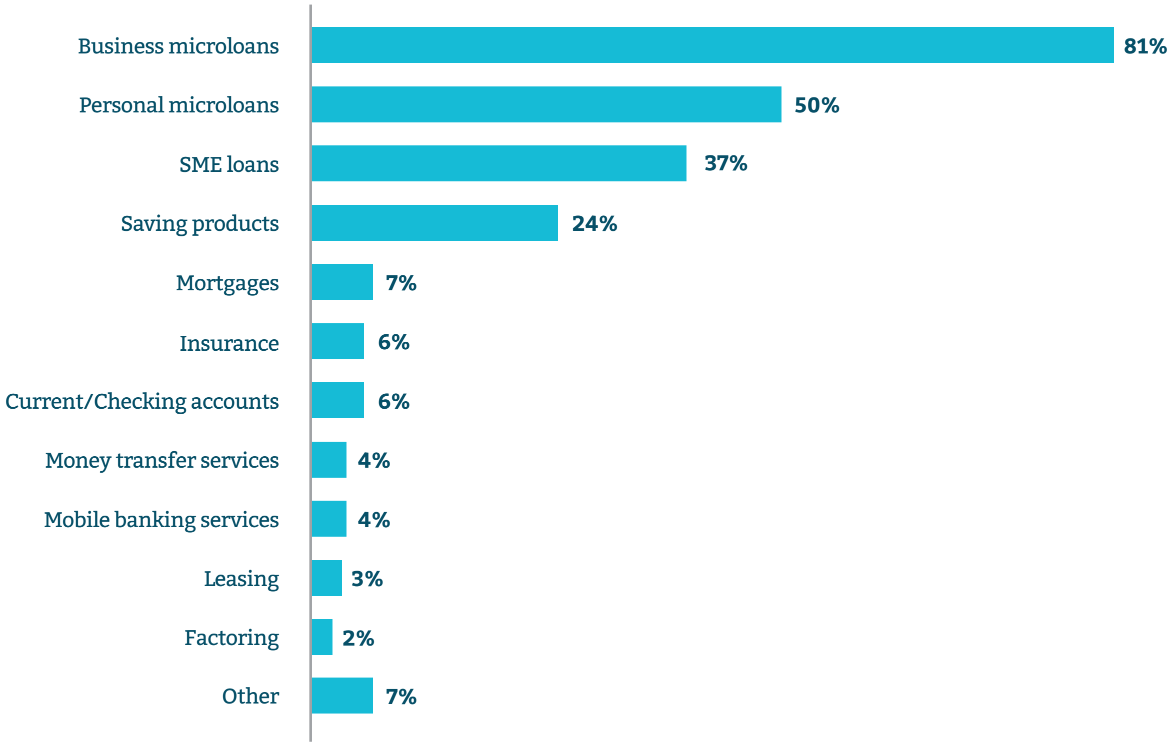
3.2.1 Financial Products and Services

Loans remain the core financial service offered by MFIs. 37% of MFIs also offer other types of financial products, such as saving products, insurance, mortgages, money transfer services, current/checking accounts, mobile banking services, leasing, factoring and other (Figure 12).

The most common lending products offered by MFIs are business microloans (81% of MFIs), personal microloans (50%) and SME loans (37%).

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

Note: 156 responding MFIs.

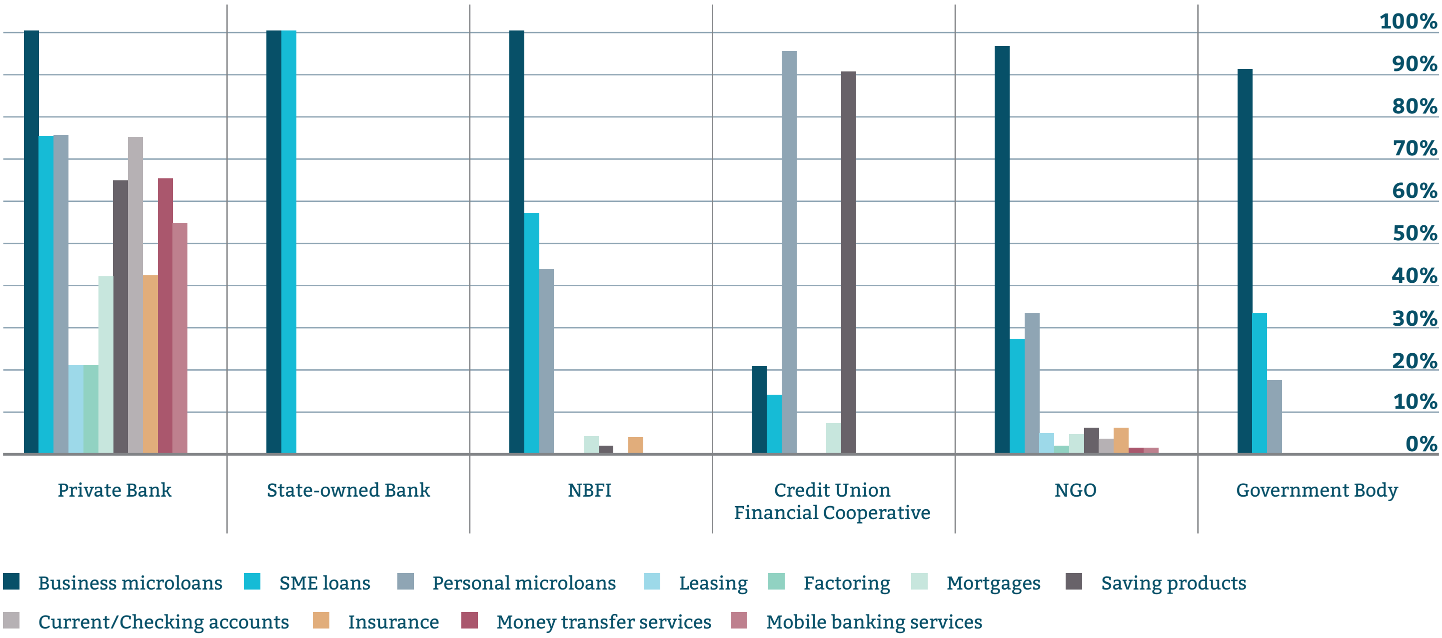


6 Comparisons with the previous edition of the Survey report (2014-2015) were only made when the questions were the same for both 2014-2015 and 2016-2017, and when the majority (more than 50%) of MFIs that responded to both editions were the same.

The wider range of financial products and services is primarily offered by banks (Figure 13). Government bodies are not providing any of the aforementioned financial services except for microloans and SME loans. Financial product and service offerings also vary significantly by institutional type and country since regulatory frameworks differ substantially. Consequently, there may be cases where an MFI wants to offer a wider spectrum of financial products and services but is simply not allowed to do so under the regulatory framework.

Figure 13 - Types of financial products and services offered by institutional type

Note: 156 responding MFIs.



COUNTRIES NOTE

France, Italy and Spain are the countries with the widest spectrum of financial products and services. Almost all of the financial products listed are provided in these countries.

Focusing exclusively on microloan provision, only 31% of total respondents offer both business and personal microloans (Figure 14). Half of survey participants only offer business microloans whereas the number of MFIs only providing personal microloans is much lower (19%).

Figure 14: Share of MFIs by type of microloans offered

Note: 156 responding MFIs.

Figure 15: Microloan terms and conditions

	Business Microloans	Personal Microloans
Average outstanding loan size	€ 8,913	€ 3,098
Average microloan terms	45 months	31 months
Average APR	11%	18%

3.2.2 Microloan Terms and Conditions

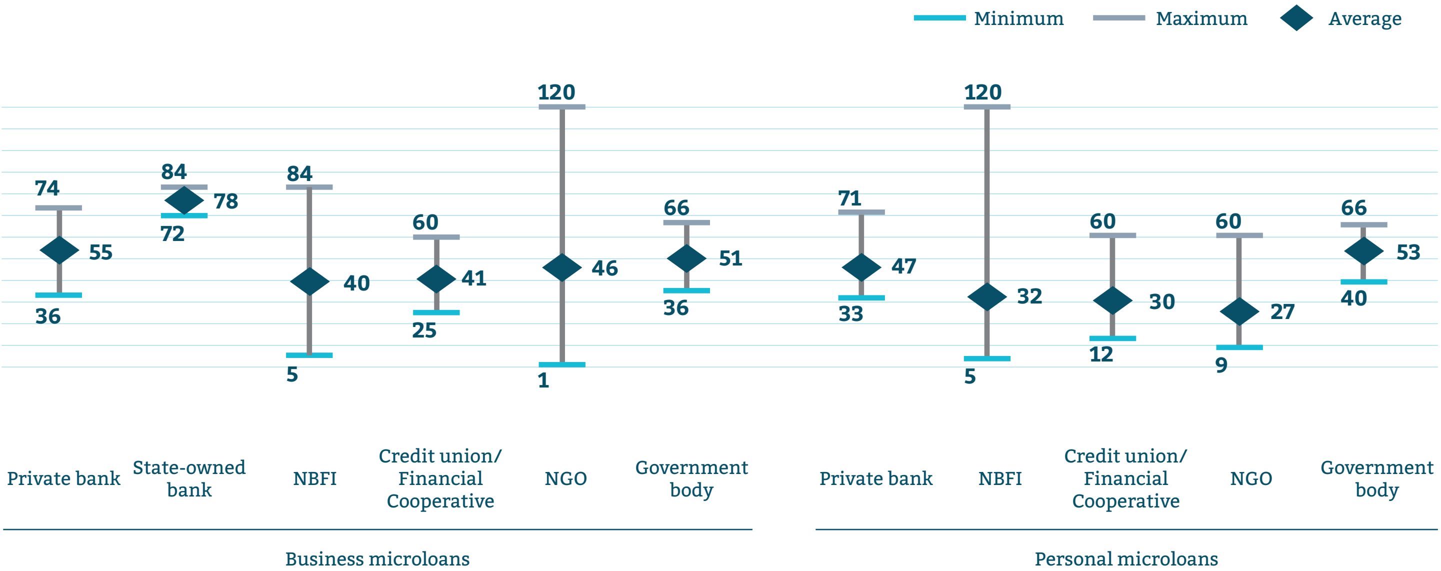
Business and personal microloans differ significantly in terms and conditions. Figure 15 provides an overview of average loan size, loan terms and average annual percentage rates (APRs) for business and personal loans. Personal microloans are characterized by smaller loan sizes, shorter loan terms and higher APRs compared to business microloans.

3.2.2.1 Average Microloan Terms

The average microloan term is 45 months for business microloans and 31 months for personal microloans. For business microloans, on average, state-owned banks and private banks reported the highest average microloans terms, 78 and 55 months respectively. For personal microloans, the highest average microloan terms are reported by government bodies (53 months) and private banks (47 months). The longest average term for business microloans is reported by an NGO (120 months) while an NBFI reported the longest term for personal microloans (120 months). As Figure 16 shows, NBFIs and NGOs offer a larger interval of term compared to banks, credit unions/financial cooperatives and government bodies. The narrowest interval is reported by state-owned banks, yet it should be noted that there are only 2 survey participants under that institutional type. A similar situation is observed for personal microloans as well.

Figure 16: Average microloan term by institutional type (months)

Note: 93 responding MFIs for business microloans, 77 responding MFIs for personal microloans.



COUNTRIES NOTE

- The longest average term for business microloans is reported by Hungarian MFIs (80 months), whereas Italian MFIs reported the longest average term for personal microloans (44 months).
- The maximum term for business microloans is reported by a Greek bank (245 months).

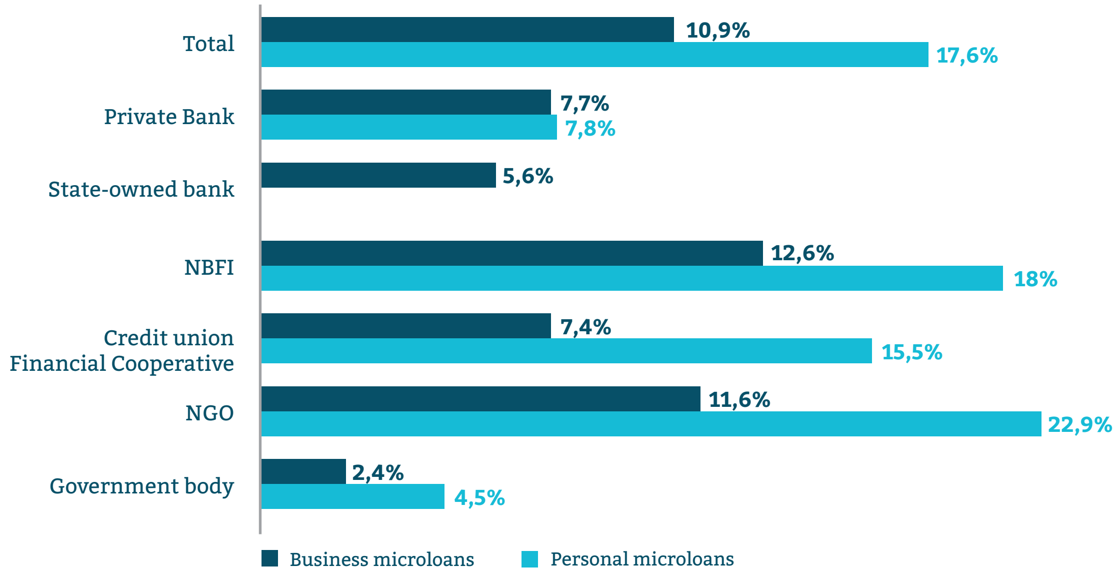
3.2.2.2 Annual Percentage Rates

On average, APRs for personal microloans are higher compared to business microloans for responding MFIs (18% and 11% respectively). APRs vary greatly for surveyed MFIs with a minimum of 2% and maximum of 34.3% for business microloans and 1.2% and 95% for personal microloans.

In terms of institutional type (Figure 17), NGOs charge the highest APRs for personal microloans (22.9%) and the second highest for business microloans (11.6%). NBFIs charge the second highest APR for personal microloans (18.0%) and the highest for business microloans (12.6%). The lowest average for business microloans is charged by state-owned banks (2 responding MFIs) followed by private banks which charge similar rates for business and personal microloans (7.8% and 7.7% respectively).

Figure 17: Average annual percentage rate by institutional type

Note: 91 responding MFIs for business, 77 responding MFIs for personal microloans.



COUNTRIES NOTE

- Lowest APRs for business microloans: Poland (4.23%), Hungary (4.33%).
- Lowest APRs for personal microloans: Germany (3.0%), Italy (4.35%).
- Highest APRs for business microloans: Moldova (24.73%), Kosovo (24.05%).
- Highest APRs for personal microloans: Moldova (41.02%), United Kingdom (38.37%).

3.2.3 Non-financial Products and Services

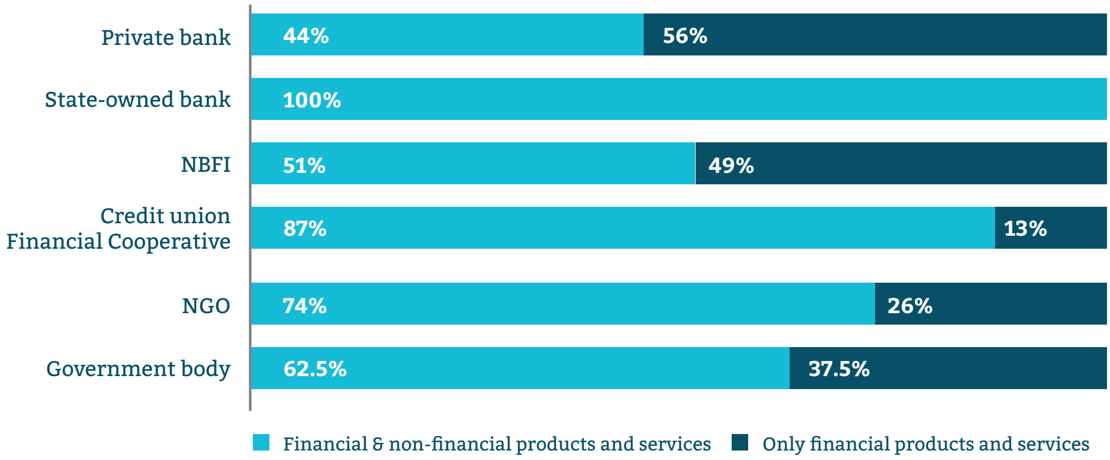
The majority of respondents (68%) provide non-financial products and services, such as entrepreneurship support, to supplement their financial services. Client development services address people with no or low levels of financial management skills to manage a loan product. They attempt to prevent harmful situations (e.g. over indebtedness). On the other hand, entrepreneurship development services focus on developing the business skills and know-how of individuals by raising awareness on entrepreneurship as a conscious career choice. Finally, business development services target existing micro and small businesses to improve their operations, with services ranging from business advice to technical skills training in order to link entrepreneurs to markets. (Molenaar & Lehmann, 2016).

The two most common institutional types that follow the integrated approach and provide both financial and non-financial services are state-owned banks (100% of surveyed MFIs) and credit unions (87%) (Figure 18). NBFIs and private banks are the least likely to provide non-financial services (51% of institutions and 44%, respectively).

The plausible explanation is that private banks and NBFIs are more focused on achieving self-sustainability and the least likely to benefit from soft funding. As non-financial services are free of charge to customers in most cases, private banks and NBFIs may find it difficult to absorb the costs of delivering non-financial services.

Figure 18: Type of products and services offered by institutional type

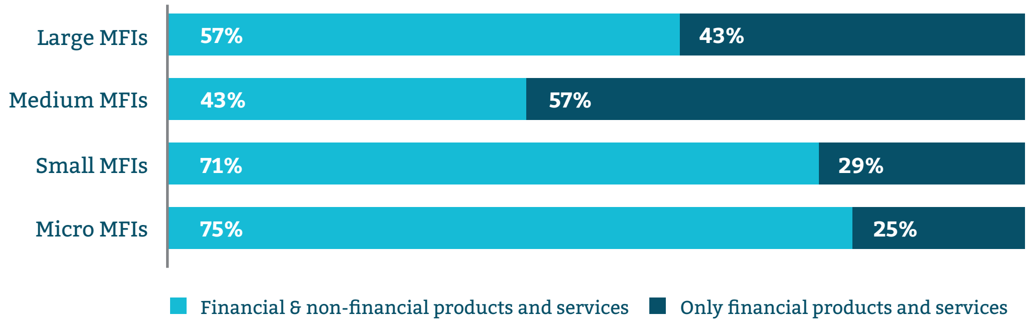
Note: 156 responding MFIs.



MFIs are further classified by the number of people they employ: micro MFIs (<10 employees), small MFIs (10-49 employees), medium MFIs (50-249 employees), and large MFIs (>250 employees). The majority of the smaller-sized MFIs (i.e. small and micro MFIs) offer both financial and non-financial products and services, while only half of larger MFIs offering non-financial products and services (Figure 19).

Figure 19 - Types of products and services by MFIs' size

Note: 156 responding MFIs.



All three types of non-financial services are delivered by an almost equal number of MFIs: client development services (56% of MFIs), entrepreneurship development services (57%), business development services (57%) Some MFIs provide more than one type of service and 20% of surveyed MFIs provide all three types of non-financial services.

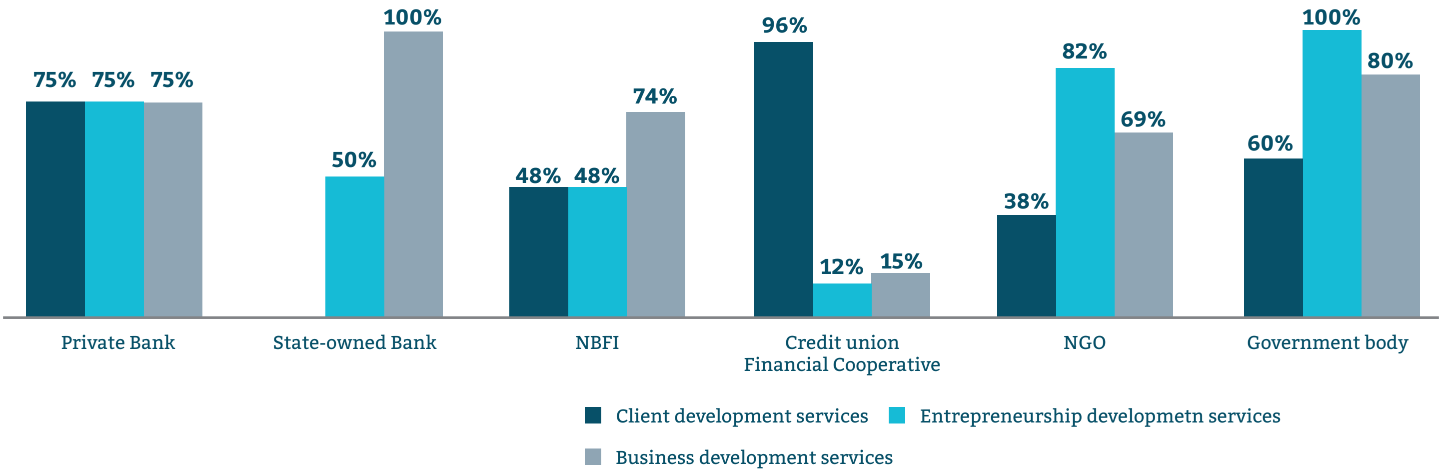
Figure 20 - Share of non-financial services

Note: 105 responding MFIs.

There are substantial differences between institutional types and the sort of services that are delivered. Nearly all credit union/financial cooperatives that provide non-financial services (96%) also offer client development services, while the other services (entrepreneurship and business development) are only delivered by a small number of credit unions and financial cooperatives (Figure 21). Government bodies and NGOs most often engage in entrepreneurship development services (100% and 82% providing non-financial services, respectively). NBFIs focus on business development services (74%). These tendencies reflect the type of clients and business models of the various institutional types. Credit unions, which provide personal loans, also help their clients to develop household budget management skills. NGOs, working towards access to finance and job creation, provide non-financial services to bolster entrepreneurship. NBFIs, who serve well established businesses, work towards improving the business management skills of their clients.

Figure 21 - Types of non-financial products by institutional type

Note: 105 responding MFIs.

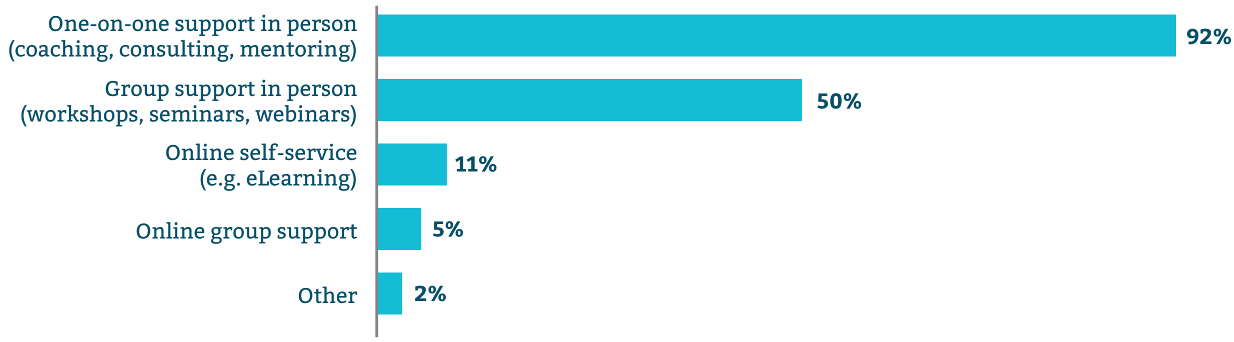


Non-financial products and services can be delivered through different modalities: one-on-one support in person (e.g. coaching, consulting, mentoring), group support in person (e.g. workshops, seminars, webinars), online self-service (e.g. eLearning) and online group support. Almost all MFIs that engaged in non-financial services deliver them through one-on-one support in person (92%) (Figure 22). The least common delivery method is through online group support (5%) followed by online self-service (11%).

Only NGOs and government bodies deliver non-financial services using online group support (5% of NGOs and 9% of government bodies that offer non-financial services).

Figure 22 - Share of MFIs by modality of delivering non-financial products and services

Note: 103 responding MFIs.



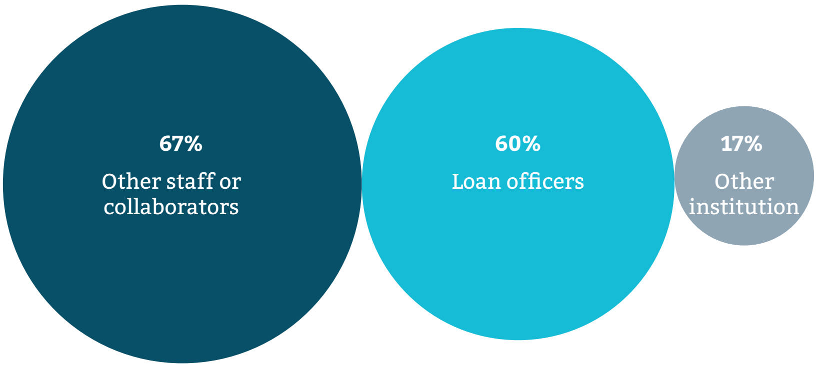
COUNTRIES NOTE

- In Romania, almost all MFIs use one-on-one support in person for the delivery of non-financial services (92%).
- Online group support is only used in a handful of countries: France, Hungary, Italy and Spain.

Finally, MFIs can either externalize (through other institutions such as a subsidiary or external provider) or internalize (through loan officers, other staff such as trainers, back office staff or collaborators such as volunteers and consultants) the provision of non-financial services. Survey participants that offer non-financial services mainly choose to internalize the delivery of non-financial services (Figure 23) with other staff or collaborators (67% of MFIs with non-financial services) and/or their loan officers (60%). 43% of MFIs that offer non-financial products and services combine two types of delivery methods - most often, they supplement their loan officers with the use of other staff or collaborators.

Figure 23 - Share of MFIs by method of delivering non-financial products and services

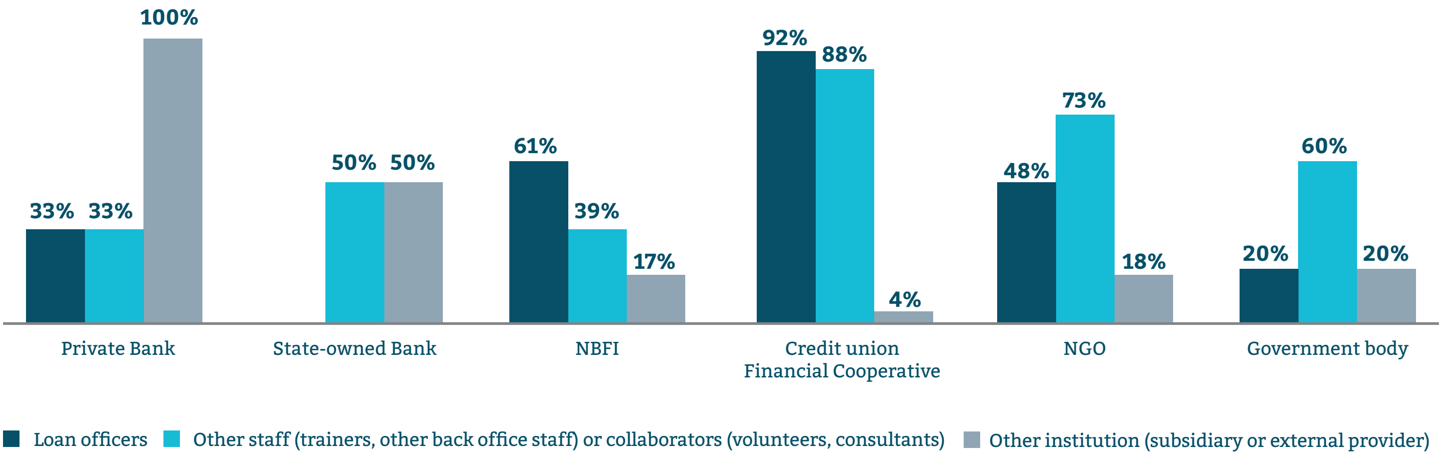
Note: 104 responding MFIs.



Other staff and collaborators are predominantly engaged in the delivery of non-financial services by NGOs and governmental bodies (Figure 24). NBFIs most often engage loan officers in services delivery, while credit unions prefer to deliver non-financial services through loan officers and other staff. All private banks externalize the delivery of non-financial institutions, but some also engage their staff (loan officers and other staff).

Figure 24 - Modality of delivery for non-financial products and services by institutional type

Note: 103 responding MFIs.



In most cases, non-financial services are delivered free of charge (80% of MFIs), but there are differences between institutional types. Up to 40% of government bodies and 30% of NBFIs charge their clients for the delivery of non-financial products and services, compared to only 4% of NGOs.

In 2017, 443,825 clients used non-financial products and services provided by responding MFIs. Compared to 2016, the total number of recipients increased by 5%. Over half of non-financial service users (52%) were not active borrowers of MFIs and these users reported higher growth than borrowers using non-financial services (9% and 1% growth, respectively) (Table 2). This indicates that MFIs are increasingly targeting potential target groups with non-financial services.

More than half of responding MFIs (57%) reached less than 1,000 clients through their non-financial product and service offerings.

Table 2 - Number of clients reached by non-financial products and services by institutional type

Note: 91 responding MFIs.

	Number of MFIs		2016 clients			2017 clients		
	that offer non-financial products and services	that submitted information on number of clients	that are also active borrowers	that are not active borrowers	Total	that are also active borrowers	that are not active borrowers	Total
Private Bank	4	1	135	0	135	80	0	80
Credit Union / Financial Cooperative	26	24	64,305	21,514	85,819	64,872	24,273	89,145
Government Body	5	2	146	31	177	180	100	280
NGO	46	42	106,148	186,080	292,228	106,448	200,719	307,167
NBFI	23	21	37,232	5,903	43,135	39,237	7,539	46,776
State-owned Bank	2	1	0	360	360	0	377	377
Total	106	91	207,996	213,888	421,854	210,817	233,008	443,825

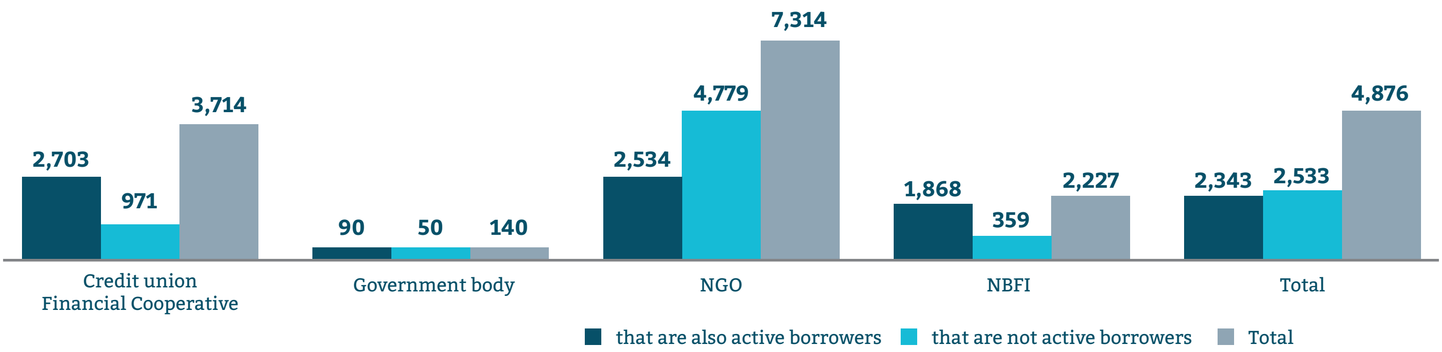
NGOs are the dominant provider of non-financial services by institutional type, responsible for 69% of all non-financial services in 2016 and 2017. Credit unions/financial cooperatives and NBFIs are the other two institutional types with a significant share of non-financial services (20% and 10% recipients, respectively).

Apart from a small state-owned bank, NGOs are the only type of providers that are more likely to extend non-financial services to non-borrowers compared to their loan customers. This echoes the earlier finding about NGOs primarily extending entrepreneurship development services to would-be entrepreneurs. The other institutional types mainly serve their borrowers.

In 2017, the average MFI reached 4,876 recipients with non-financial services. The average NGO served 7,314 recipients, among which 4,779 were non-borrowers. The outreach of an average credit union and an average NBFI were smaller and skewed towards active borrowers.

Figure 25 - Average number of clients targeted by institutional type (2017)

Note: Private banks and state-owned banks, having only 1 respondent MFI, are excluded from the calculation of average number of clients.



COUNTRIES NOTE

In 2017, Turkey and France provided the highest number of non-financial products and services to clients, both in total and on average (Total number of clients: 163,568 and 96,746 respectively; Average: 81,784 and 32,249 respectively).

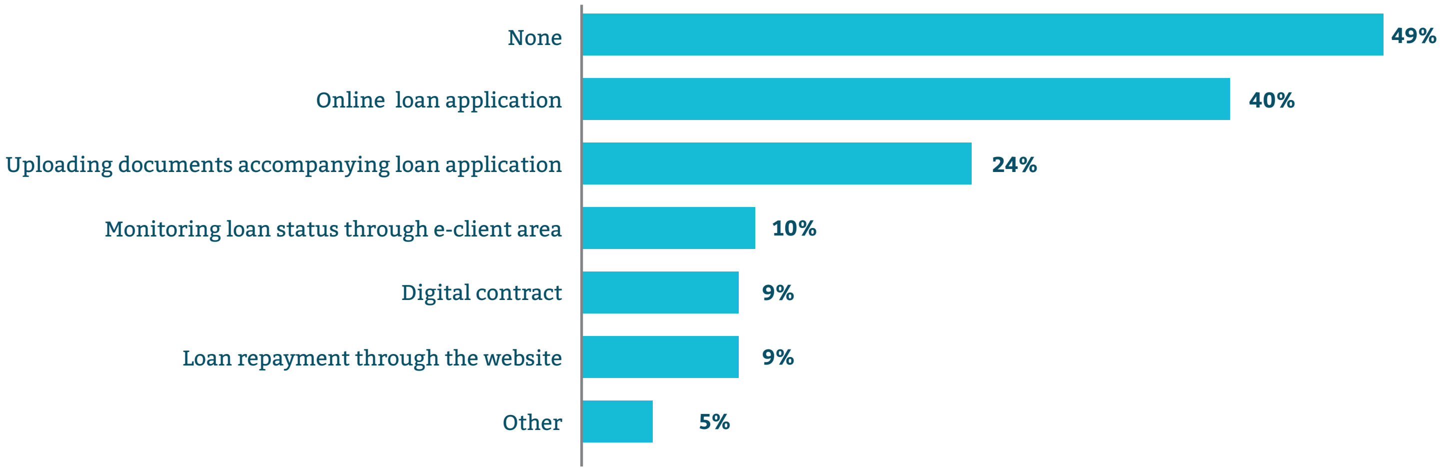
3.2.4 Digitalisation

The ability to provide financial services through digital channels offers new opportunities to MFIs expecting to reach and serve their clients in a more efficient way. MFIs are investing in digital solutions to operate more efficiently and increase their customer outreach.

The preferred digital solutions of surveyed MFIs are “online loan applications” and “allowing clients to upload documents accompanying their loan applications” (40% and 24% respectively) (Figure 26). Only 9% of responding MFIs allow their clients to repay loans through the website or sign a digital contract, and another 10% monitor the loan status of clients online, which can require a higher level of digitalization. Approximately half of responding MFIs (49%) do not offer any digital solution.

Figure 26 - Share of MFIs by digital solutions offered to clients

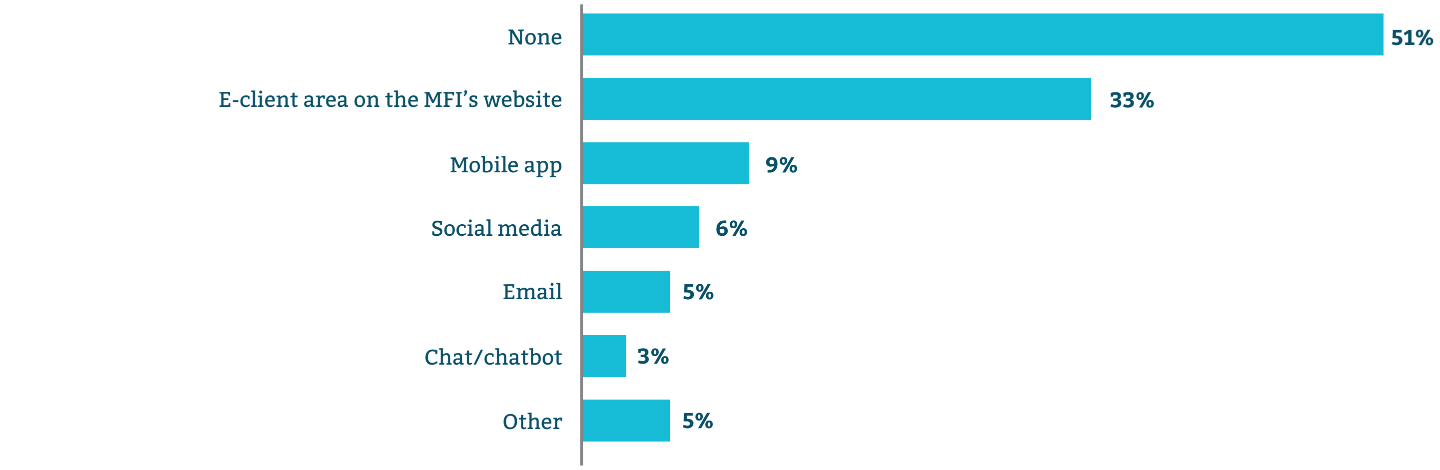
Note: 150 responding MFIs.



In terms of client interaction, some MFIs rely on traditional digital tools such as email (5%), and social media (6%). Some use more advanced tools such as chat/chatbots (3%) (Figure 27). 33% of responding MFIs have a dedicated e-client area on their websites and 9% offer clients a mobile app. Half of the respondents (51%) do not use any of these digital tools to interact with their clients.

Figure 27 - Share of MFIs by digital tools used to interact with clients

Note: 150 responding MFIs.



COUNTRIES NOTE

- The majority of MFIs from the United Kingdom, Spain, Poland and Germany use digital solutions.
- The majority of MFIs from Italy, Greece, Montenegro, Romania and Turkey do not provide any digital solutions to clients.

Key Findings

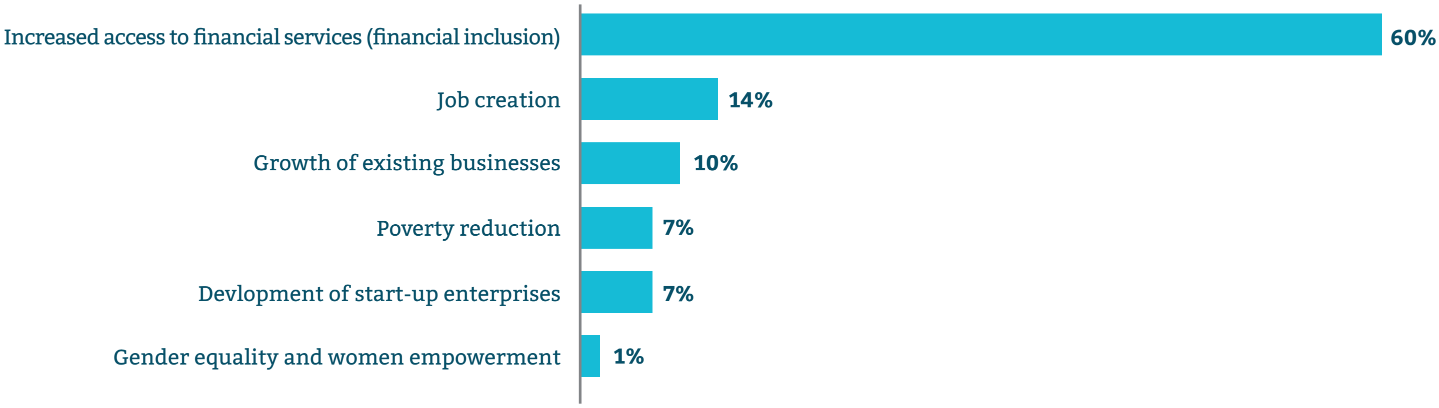
- More than half (68%) of surveyed MFIs offer non-financial products and services to supplement their financial products. In 2017, 443,825 clients (+5% compared to 2016) used non-financial support provided by the responding MFIs.
- The most common financial product offered is the business microloan (81%) which is followed by personal microloans (50%) and SME loans (37%).
- Business and personal microloans differ greatly by their terms and conditions. On average, personal microloans are smaller in size (€3,098 vs. €8,913), offered on shorter terms (31 months vs. 45 months) and carry higher APRs (18% vs. 11%) compared to business microloans.
- Almost all MFIs that deliver non-financial products and services do so through one-on-one support in person (92%). The least common delivery method is through online group support (5%) followed by online self-service (11%).
- The majority of MFIs supplement their loan officers with other staff or collaborators in the delivery of non-financial services.
- The preferred digital solutions are online loan applications and allowing clients to upload documents accompanying their loan applications (40% and 24% respectively).

3.3 Social Performance and Outreach

3.3.1 Mission

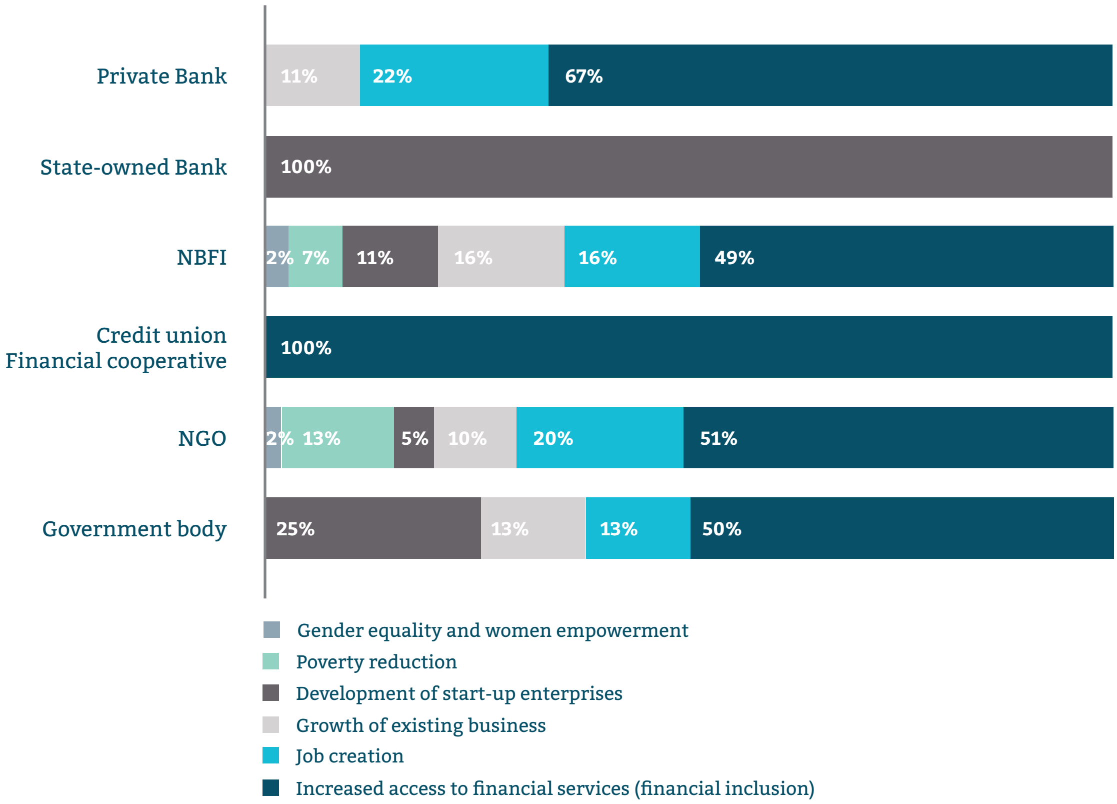
The most widespread mission selected by surveyed MFIs is to increase access to financial services (60% of MFIs), followed by job creation and growth of existing businesses (14% and 10% of MFIs respectively) (Figure 28). Smaller shares of MFIs selected poverty reduction, development of start-up enterprises and gender equality/women empowerment as their primary missions.

Figure 28 - Share of MFIs by mission
Note: 154 responding MFIs.



All credit union/financial cooperatives selected financial inclusion as their primary mission (Figure 29). NGOs and NBFIs are the only institutional types that selected poverty reduction and gender equality/women empowerment as their primary missions. The selected missions are more diverse for government bodies, NGOs and NBFIs.

Figure 29 - Missions by institutional types
Note: 155 responding MFIs.



EAST/WEST NOTE

The majority of Eastern MFIs (76%) selected "increased access to financial services" as their primary missions, while 13% selected "growth of existing businesses" and only 1% selected "job creation". On the contrary, 32% of Western MFIs reported that job creation is their primary mission, which is almost equal to the share of MFIs that selected increased access to financial services (39%). Moreover, Western MFIs are more focused on poverty reduction and development of start-up enterprises compared to their Eastern counterparts.

Figure 30: Primary missions by region

Note: 155 responding MFIs.

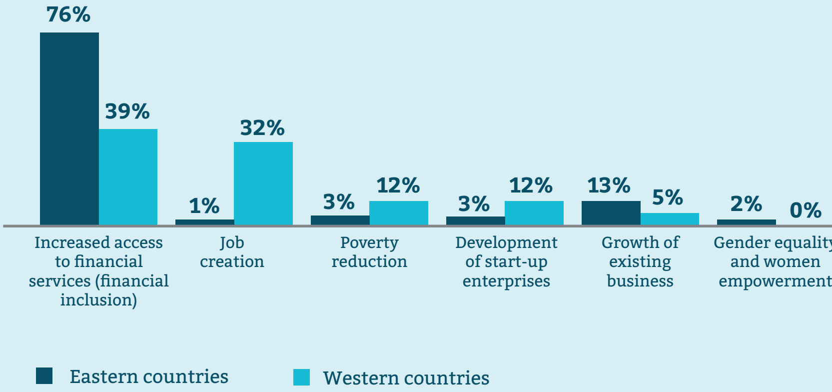


Table 3: Most used words in mission statements of MFIs by institutional type

MFIs were also asked to report their mission statements in an open-ended question. The most used words are provided in Table 3.

Private Bank (n=9)		State- owned bank (n=2)		NBFI (n=45)		Credit Union/Coop (n=31)		NGO (n=62)		Government body (n=8)	
Category and frequency		Category and frequency		Category and frequency		Category and frequency		Category and frequency		Category and frequency	
financial services	22%	responsible	100%	business	58%	members	84%	business	50%	business	75%
business	22%	business	50%	financial services	38%	credit	58%	financial services	39%	financial services	25%
financial inclusion	22%	creation	50%	SMEs	27%	saving	55%	people	32%	microcredit	25%
microcredit	22%	employment	50%	support	20%	financial services	52%	alleviate poverty	31%	development	25%
		support	50%	development	20%	personal microcredit	29%	employment	31%	creation	25%
				personal microcredit	18%	development	23%	support	27%	employment	25%
				microcredit	16%	business	19%	economic	27%	SMEs	25%
				credit	16%	social	19%	development	24%		
				financial inclusion	16%	rural	19%	non-financial services	24%		
				local	16%	non-financial services	19%	creation	19%		

All types of MFIs (with the exception of credit unions/financial cooperatives and state-owned banks) focus on businesses and financial services provision. The only categories that mentioned SMEs in their mission statements were NBFIs and government bodies. Indeed, of the 28 MFIs in the sample that serve SMEs, 25 are NBFIs, NGOs or government bodies.

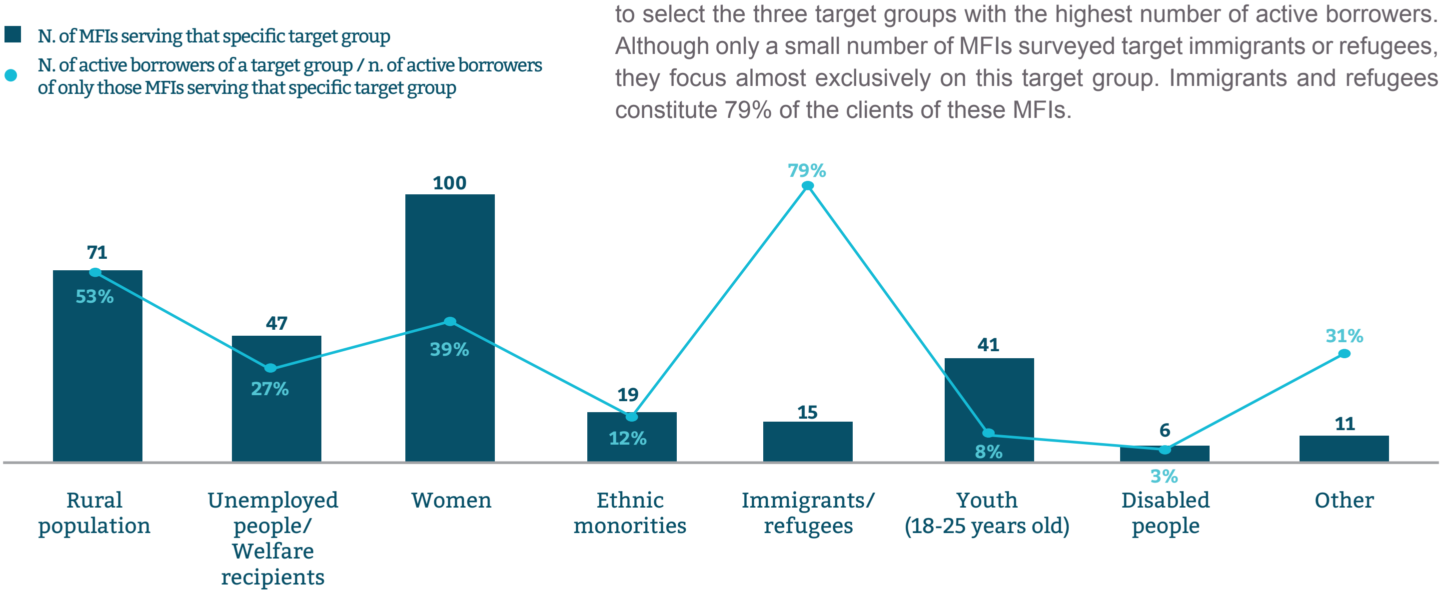
Most MFIs mention "alleviate poverty" or "financial inclusion" in their mission statements, while words like "responsible" is only mentioned by the two state-owned banks in the sample. NGOs are the only legal type that mention "people" and "alleviating poverty" in their top 10 used words. NBFIs, on the other hand, have a strong focus on SMEs and are more focused on local (regional, community, local territories) lending. Credit union/financial cooperatives have a strong focus on their members, and credit and saving services in general. They are also the only ones to mention the words "social" and "rural" in their top 10 used words. "Non-financial services" are more likely to be mentioned by NGOs and credit unions/financial cooperatives.

3.3.2 Target Groups

Figure 31 - Target groups
Note: 155 responding MFIs.

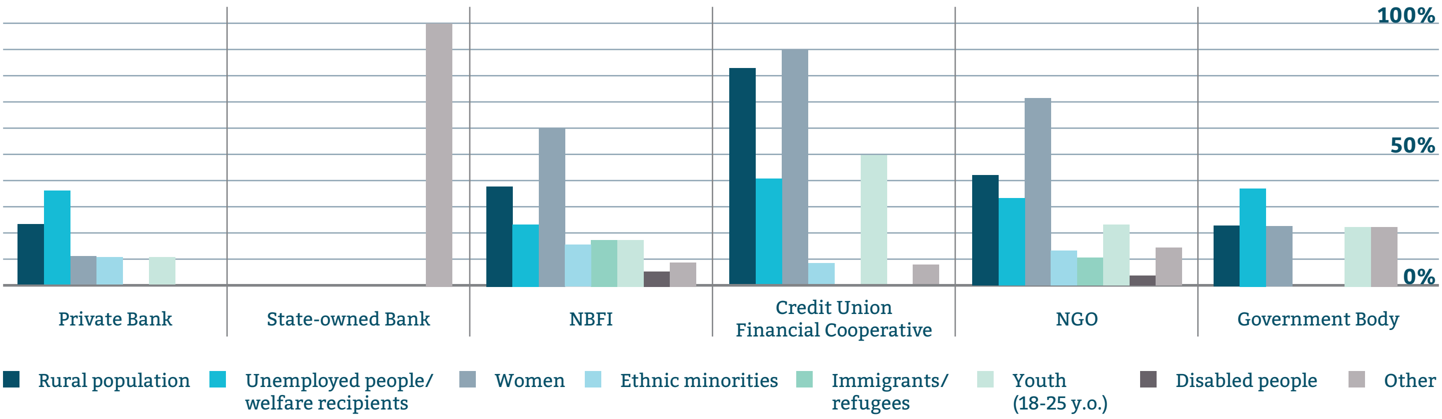
Surveyed MFIs were asked to indicate the three target groups with the highest number of active borrowers.

Figure 31 shows that women are the most frequently targeted group within the sample: 100 out of 155 MFIs expressed a focus on women. This target group is followed by rural populations, which is targeted by 71 of the surveyed MFIs. Immigrants and disabled people are the least targeted groups with 15 and 6 MFIs respectively, followed by ethnic minorities with 19 MFIs targeting these clients. Importantly, this does not mean that MFIs do not serve ethnic minorities, immigrants or disabled people; rather it is because MFIs were asked to select the three target groups with the highest number of active borrowers. Although only a small number of MFIs surveyed target immigrants or refugees, they focus almost exclusively on this target group. Immigrants and refugees constitute 79% of the clients of these MFIs.



The majority of credit unions/financial cooperatives (87%), NGOs (71%) and NBFIs (60%) indicated that they are targeting women clients (Figure 32). Rural populations and the youth are most frequently targeted by credit unions/ financial cooperatives (50%). None of the credit unions/financial cooperatives are focused on immigrants nor disabled people, this target group is reached by NGOs and NBFIs.

Figure 32 - Target groups by institutional types
Note: 155 responding MFIs.



3.3.3 Type and Age of Businesses Supported

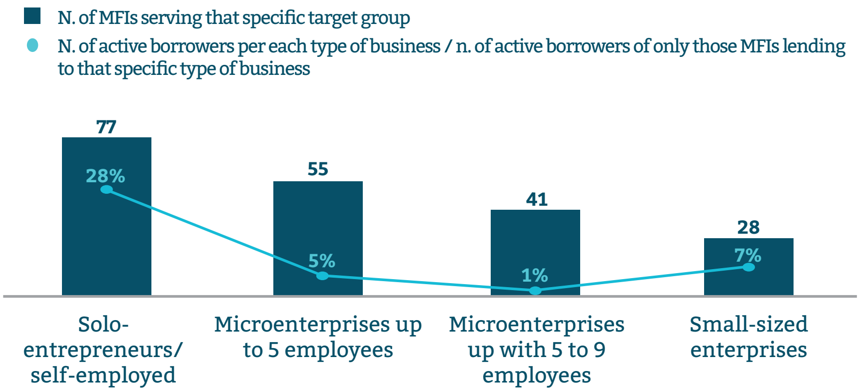
The surveyed MFIs were asked to provide the number of active borrowers by the type of businesses they support (solo-entrepreneurs/self-employed, microenterprises up to five employees, microenterprises with five to nine employees, small-sized enterprises) and the age of the businesses supported (zero, less than one-year-old, between one and three-years-old, between three and five-years-old, more than five-years-old).

MFIs focus on serving the smallest of enterprises. In general, the larger the business, the less likely it is a targeted client group and the less often they are found among the clients of an MFI. Solo-entrepreneurs (self-employed who do not hire any staff) are the dominant type of business clients. Solo-entrepreneurs are served by 77 of the responding MFIs and constitute 28% of active borrowers of those institutions (Figure 33). Although many MFIs (55 institutions) offer their services to microenterprises with up to 5 employees, such clients constitute only 5% of the borrowers for these institutions. Microenterprises with 5 to 9 employees only make up around 1% of the share of borrowers for MFIs targeting such clients. SMEs are served by only 28 MFIs and make up about 7% of these institutions' client base.

The large difference between the share of solo-entrepreneurs among the clients of MFIs targeting them (28%) and the share of employer businesses (1-7% depending on the business size) can be explained by the fact that solo entrepreneurs can use either business or personal loans to finance their activities, and thus can be clients of MFIs that provide only personal loans as well.

Figure 33 - Type of business served

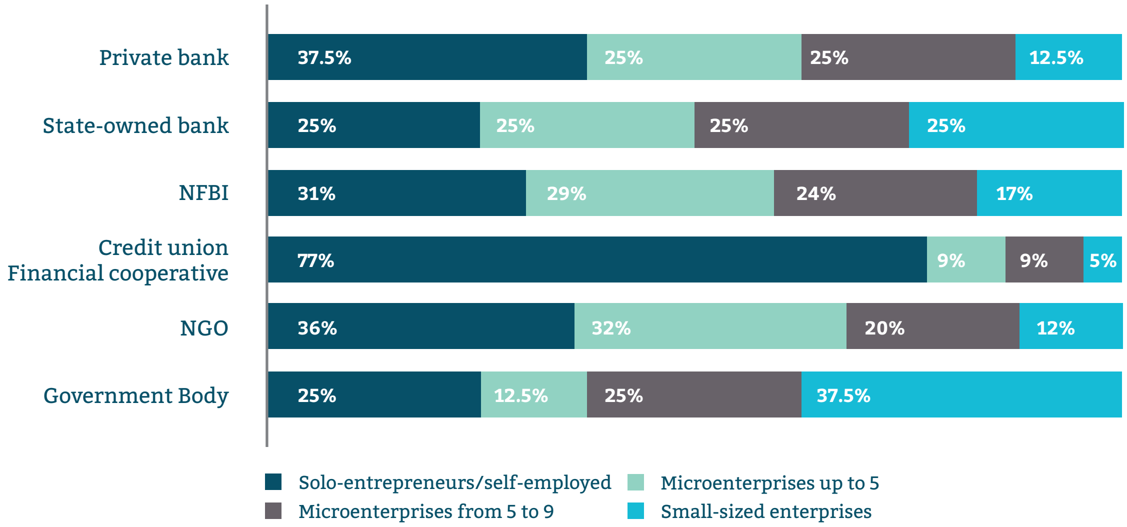
Note: 155 responding MFIs.



In terms of institutional types, most credit union/financial cooperatives (77%) support solo-entrepreneurs (Figure 34). Solo-entrepreneurs and self-employed are the major type of businesses served by private banks, NGOs and NBFIs. The majority of government bodies support larger businesses, microenterprises with five to nine employees and small-sized enterprises. NBFIs, NGOs and government bodies make up 89% of MFIs that serve SMEs.

Figure 34 - Type of businesses served by institutional type

Note: Shares are calculated dividing the number of MFIs serving that group in a specific legal type by the total number of MFIs of that legal type answered the question.



COUNTRIES NOTE

- Small-enterprises are most often targeted by MFIs from Hungary (6 out of 10 respondents) and Poland (3 out of 3 respondents).
- None of the surveyed MFIs from Montenegro and only 9% of MFIs surveyed from Italy support small-sized enterprises.

A similar analysis for the age of businesses supported is presented in Figure 35. The majority of MFIs support businesses that have been already established but are still young (e.g. up to five-years-old). However, targeting and the real share of active borrowers for that age of business are not approximate to each other as in type of businesses served.

Figure 35 - Age of businesses served

Note: 67 responding MFIs. Number of active borrowers are calculated based on the active borrowers MFIs serve for only business microloans.

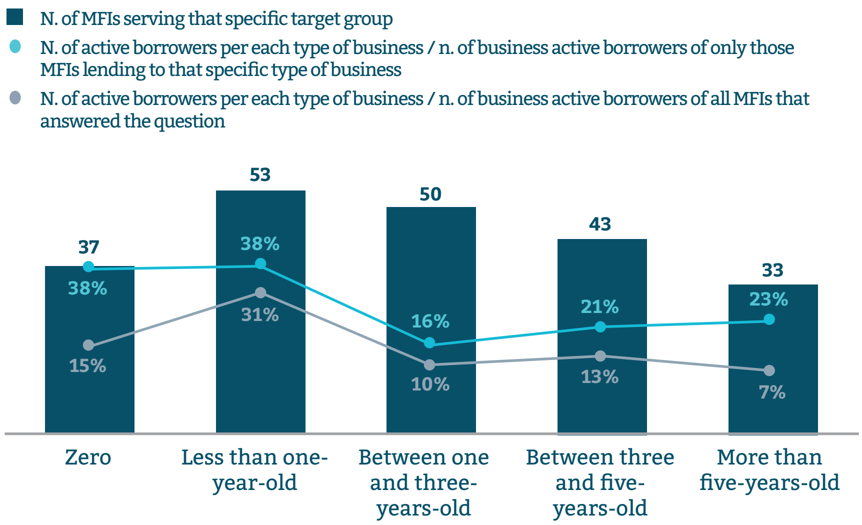
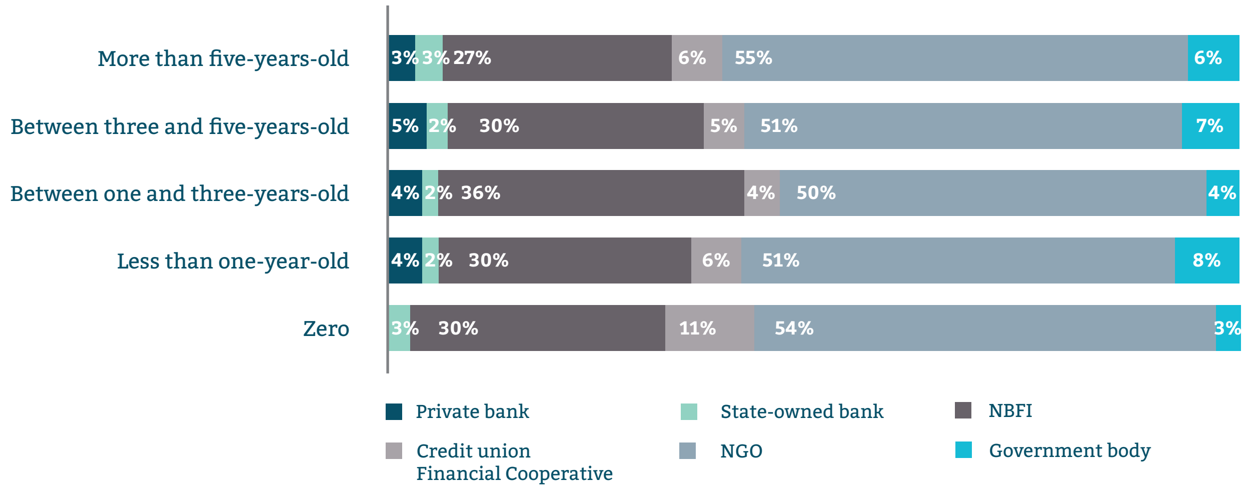


Figure 36 - Age of businesses served by institutional type

Note: Shares are calculated dividing the number of MFIs serving that group in a specific legal type by the total number of MFIs of that legal type answered the question.

In terms of institutional types (Figure 36), 54% of newly created companies are served by NBFIs and 30% by NGOs. Private banks, although they support solo-entrepreneurs, do not serve businesses that are in the process of being established.



COUNTRIES NOTE

The majority of MFIs from Albania (100%), United Kingdom (80%) and Spain (72%) primarily finance younger enterprises up to three-years-old while MFIs from Germany and Kosovo mainly serve enterprises more than three years-old.

3.3.4 Scale and Outreach of Microlending Activities

3.3.4.1 Overall Portfolio Indicators

The total number of active borrowers reached 988,457 in 2017 (Table 4), an 8% increase compared to 2016. The number of active women borrowers reported a similar increase. The outstanding gross loan portfolio of the full sample was €3.2 billion, which represents a 16% increase compared to 2016. The higher growth rate for the gross loan portfolio compared to of the growth of active borrowers indicates an increase in the average loan size. Importantly, the number of respondents are not the same, hence, growth rates have to be interpreted carefully.

Table 4 - Overview of microloan portfolio indicators

Note: When the growth rates are calculated only for those MFIs who replied for all indicators in both 2016 and 2017, and when the one MFI who reported significantly high values compared to other MFIs is excluded, the growth rates for the 74 responding MFIs are as follows: No. of active borrowers (6%), No. of active woman borrowers (4%), Value of gross microloan portfolio outstanding (10%), Value of microloans disbursed (11%) and No. of microloans disbursed (6%).

	Number of respondents		Total		
	2016	2017	2016	2017	Growth Rate
No. of active borrowers	135	138	912,952	988,457	8%
No. of active woman borrowers	118	121	324,600	347,779	6%
Value of gross microloan portfolio outstanding (in million Euros)	130	131	2,708	3,153	16%
Value of microloans disbursed during the year (in million Euros)	132	135	1,859	2,070	11%
Number of microloans disbursed during the year	129	132	629,330	635,330	1%

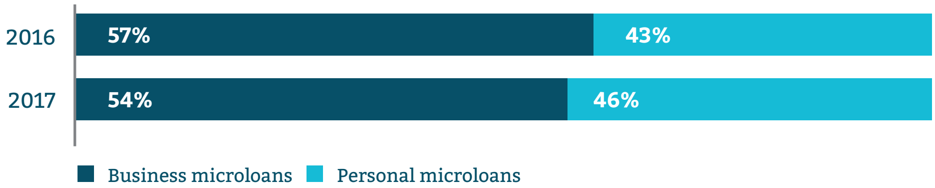
Personal loans constitute the majority (59%) of active loans. However, business microloans make up a larger percentage of the outstanding microloan portfolio, with a 54% share (Figure 37 and Figure 38).

The personal loan segment grew faster in 2017 compared to business loans, with 10% annual growth in active borrowers, double the growth rate of active borrowers for business loans (5%). Even if we calculate the growth rate only for MFIs that provided data for both years, and dropping an outlier (very large MFI), we find that the number of active borrowers with personal loans grew faster than borrowers with business loans (7% versus 5%).

A similar trend is seen for the outstanding loan portfolio growth. The personal loan portfolio grew faster in 2017 compared to the business loan portfolio, regardless of the dataset used for the comparison (full dataset and the restricted sample of MFIs providing data for both years and removing the outlier). The growth rates are presented in Table 5 below and elaborated on in the accompanying table note.

Figure 37 - Share of total number of active borrowers by business and personal microloans

Figure 38 - Share of total amount of outstanding portfolio by business and personal microloans



The total number of personal loans disbursed was higher than business loans in 2017 (Table 5, Figure 39), although the value of disbursed personal loans was lower, which supports the earlier statements about the dominance of personal loans by number but not by value.

Growth trends paint a mixed picture. The total number of disbursed personal loans decreased by 2% in 2017 compared to 2016 (Table 5). However, this is the result of one large provider of personal loans decreasing the number of disbursements. If the data of this provider is removed and we assess only the MFIs for which both years of data are reported, then the 2016-17 growth rate of the number of personal loans is positive (6%) and higher than the growth rate of business loan disbursements (5%).

Similar discrepancies are observed when analysing the value of disbursed loans. While the full dataset analysis shows that personal loan portfolio decreased its share of the disbursements (Figure 40), the reduced dataset (only MFIs providing data for both years and an outlier removed) shows that the growth rate of the value of personal loans disbursements was higher than business loans (Table 5).

Figure 39 - Share of total number of disbursed business and personal microloans

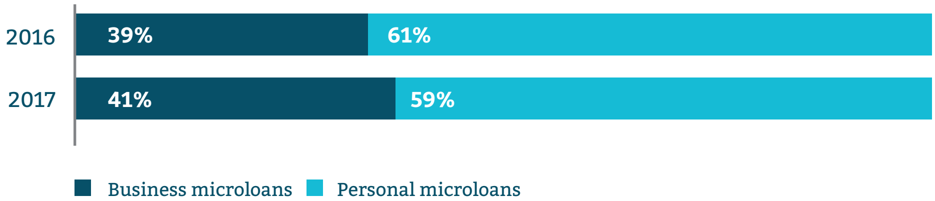


Figure 40 - Share of total value of disbursed business and personal microloans

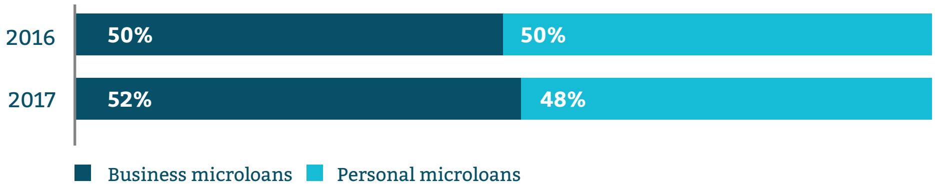


Table 5: Overview of microloan portfolio indicators (2016-17)

	Number of respondents of business microloans		Business microloans			Number of respondents of personal microloans		Personal microloans		
	2016	2017	2016	2017	Growth Rate	2016	2017	2016	2017	Growth Rate
No. of active borrowers	99	102	385,659	406,715	5%	76	77	527,742	581,742	10%
No. of active woman borrowers	82	84	140,308	146,686	5%	71	74	184,292	199,093	8%
Value of gross microloan portfolio outstanding (in million Euros)	93	94	1,550	1,716	11%	77	78	1,158	1,437	24%
Value of microloans disbursed during the year (in million Euros)	95	97	932	1,071	15%	75	78	927	999	8%
Number of microloans disbursed during the year	92	94	246,431	260,534	6%	75	78	383,216	374,796	-2%

Note: When the growth rates are calculated only for those MFIs who replied for all indicators in both 2016 and 2017, and when the one MFI who reported significantly high values compared to other MFIs is excluded, the growth rates for the 74 responding MFIs are as follows:

For **business microloans**: No. of active borrowers (5%), No. of active woman borrowers (4%), Value of gross microloan portfolio outstanding (9%), Value of microloans disbursed (10%) and Number of microloans disbursed (5%).

For **personal microloans**: No. of active borrowers (7%), No. of active woman borrowers (4%), Value of gross microloan portfolio outstanding (14%), Value of microloans disbursed (12%) and Number of microloans disbursed (6%).

Table 6 provides an overview of the average values for various portfolio indicators. The average number of total and woman active borrowers for personal microloans are relatively higher compared to business microloans. The share of active woman borrowers corresponds to 41% of total active borrowers for business microloans and 42% for personal microloans.

The average value of the gross loan portfolio and the average value of microloans disbursed during the year are significantly lower for personal microloans compared to business microloans. However, the number of microloans disbursed for personal purposes is 20% higher in 2017 and 21% higher in 2016 compared to business microloans.

Table 6: Overview of microloan portfolio indicators (averages, 2016-17)

Note: Average values are calculated excluding the outlier with very high values.

	Total		Business microloans		Personal microloans	
	2016	2017	2016	2017	2016	2017
Number of active borrowers	4,845	5,015	3,379	3,453	4,240	4,451
Number of active woman borrowers	2,068	2,102	1,427	1,432	1,852	1,878
Value of gross microloan portfolio outstanding (in million Euros)	11.9	13.0	12.6	13.6	4.9	5.5
Value of microloans disbursed during the year (in million Euros)	8.0	8.8	7.8	8.6	4.2	4.6
Number of microloans disbursed during the year	3,609	3,725	2,504	2,575	3,164	3,228

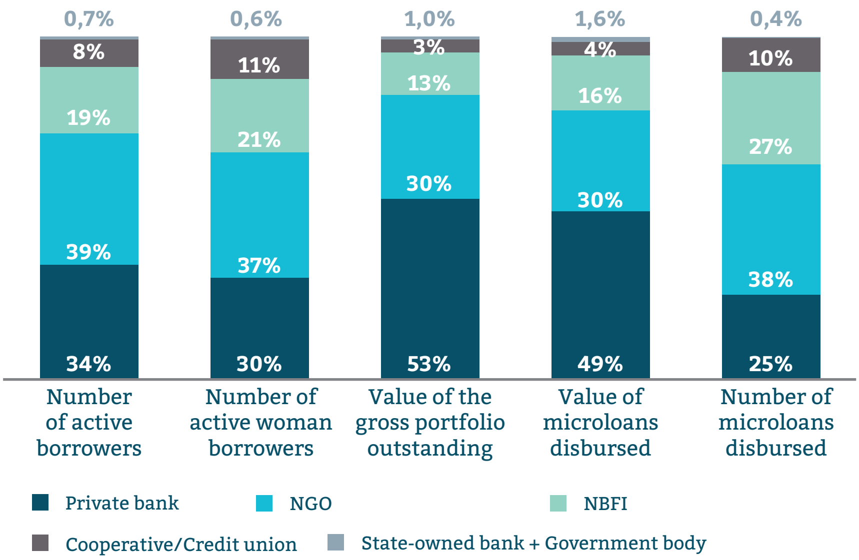
3.3.4.2 Portfolio Indicators by Institutional Types

This section reports portfolio indicators by institutional types.

Figure 41 reports total outreach by institutional type. NGOs, private banks and NBFIs generate nearly all microlending activity. However, it is important to note that other institutional types (i.e. government bodies or state-owned banks) have fewer surveyed MFIs.

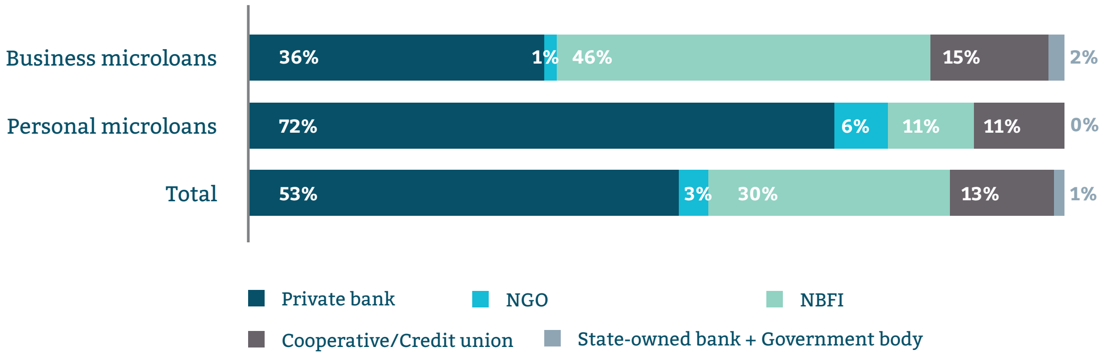
Figure 41 - Microloan activity by institutional type (2017)

Note: 156 responding MFIs.



In terms of portfolio allocation (personal vs. business) by institutional type, NGOs are the largest contributor to the business microloan portfolio (€792 million in 2017 and €733 million in 2016) (Figure 42). On the other hand, private banks generated 72% of the gross personal microloan portfolio in 2017. Despite the high number of credit union/financial cooperative MFIs in the sample, these MFIs contribute the least to the total gross loan portfolio value (except for state-owned banks and government bodies).

Figure 42: Outstanding microloan portfolio by institutional type



The number of microloans disbursed by MFIs varies significantly, from less than 20 to more than 20,000. Approximately half of the survey participants disbursed more than 400 microloans during 2016 and 2017 (Figure 43). Credit unions/financial cooperatives account for 24 of the 69 MFIs disbursing more than 400 microloans, and NGOs account for 22 of the 69 MFIs (Figure 44). Together these two groups correspond to 69% of all MFIs disbursing more than 400 microloans in 2017. NGOs disburse the lowest number of loans : 25% of NGOs disbursed less than 20 microloans per year.

Figure 43 - Share of MFIs by number of microloans disbursed

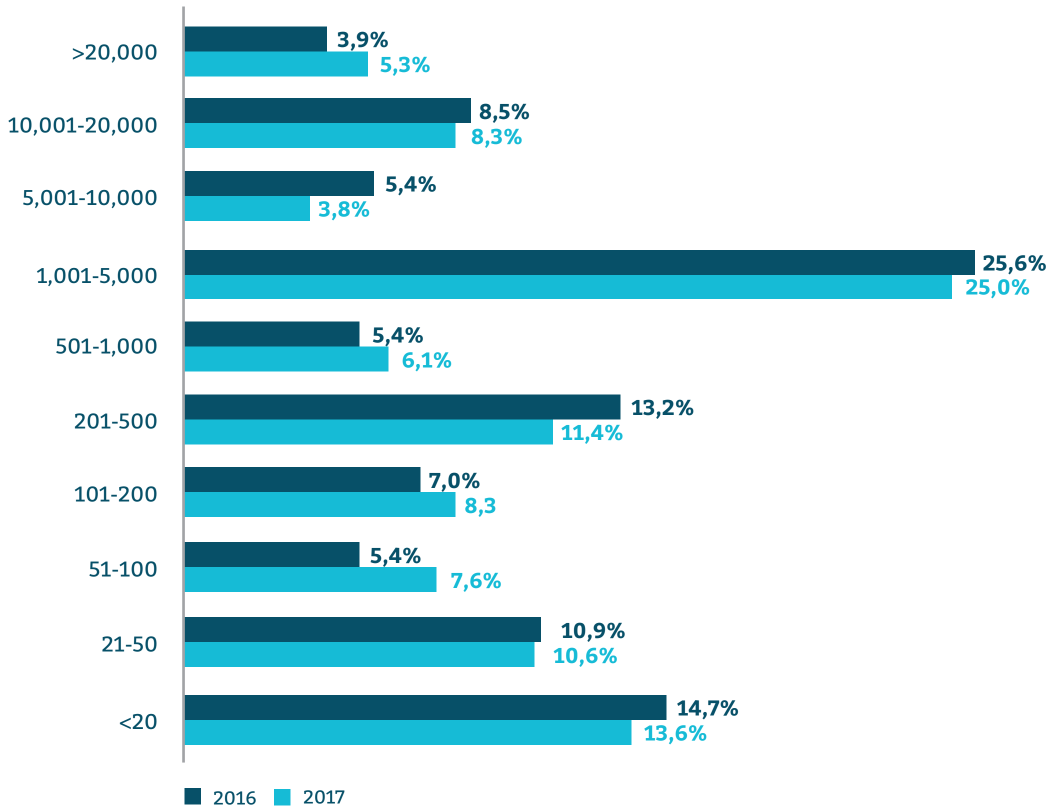


Figure 44: Share of MFIs by number of microloans disbursed by institutional type

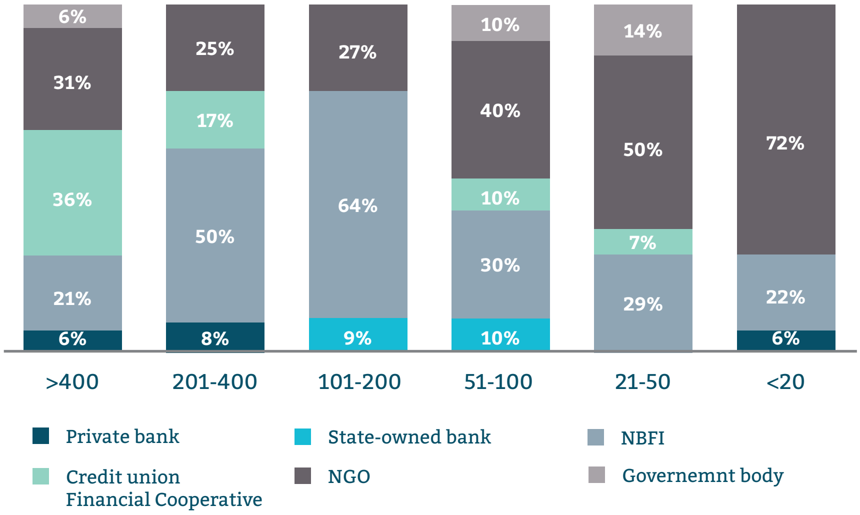


Table 7 reports portfolio indicators for 34 MFIs that have been participating to the Survey since 2012. A steady growth can be observed over the five years considered for all indicators. For these 34 MFIs, every portfolio indicator, except the number of microloans disbursed during the year, has doubled from 2012 to 2017. The number of loans disbursed has increased by more than 80% since 2012.

Table 7 - Trend in microloan portfolio indicators (2012-2017) for 34 selected MFIs

	2012	2013	2014	2015	2016	2017	% change 2012-2017
Number of active borrowers	312,181	357,013	412,192	479,772	612,237	661,480	111.9%
Value of gross microloan portfolio outstanding (in million Euros)	1,083	1,321	1,435	1,704	2,067	2,428	124.0%
Value of microloans disbursed during the year (in million Euros)	748	907	943	1,122	1,404	1,544	106.6%
Number of microloans disbursed during the year	221,585	272,245	292,214	341,143	419,519	407,028	83.7%

COUNTRIES NOTE

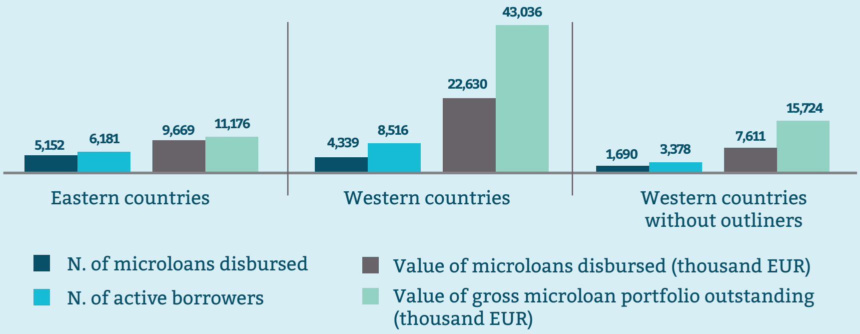
- The highest average number of active borrowers is reported by French MFIs with 26,605 (business microloans).
- Spain and France report the highest number of active women borrowers on average, each reporting more than 11,000 women.
- The highest share of women borrowers is found in the United Kingdom (68%).

EAST/WEST HIGHLIGHTS

One Western European MFI reported a significantly higher gross microloan portfolio (over €1 billion) and value of microloans disbursed (approx. €900 million) compared to all other MFIs. When this MFI is not considered, the average number of microloans disbursed and the number of active borrowers for Western MFIs is almost half that of their Eastern counterparts. Additionally, although the number and value of microloans disbursed as well as for the number of active borrowers the averages are higher in Eastern Europe, the average value of gross loan portfolio for Western MFIs is 42% higher than the Eastern MFIs.

Figure 45 - Portfolio indicators by region

Note: 155 responding MFIs.



3.3.5 Average Microloan Size

The average loan size increased by 4% from 2016 to 2017 and reached €6,562 in nominal terms. In 2015, (from the previous edition of the Survey) the average loan size was €6,072.

As mentioned before, personal and business microloans differ heavily by terms and conditions. Personal microloans are typically smaller in size and offered on shorter terms with higher APRs. The average loan size for business microloans was 2.9 times higher than that of personal microloans: €8,913 and €3,098 respectively in 2017 (Table 8).

Table 8 - Average Microloan Size

	Total		Business microloans		Personal microloans	
	2016	2017	2016	2017	2016	2017
Average microloan size	€6,303	€6,562	€8,548	€8,913	€3,062	€3,098
Number of MFIs	129	130	93	94	75	76

In terms of institutional type (Table 9), the highest average microloan sizes are reported by state-owned banks (€15,014 in 2017) and government bodies (€11,111 in 2017). The lowest sizes are reported by NGOs and NBFIs. NGOs are the only instituional type for which the average loan size decreased from 2016 to 2017.

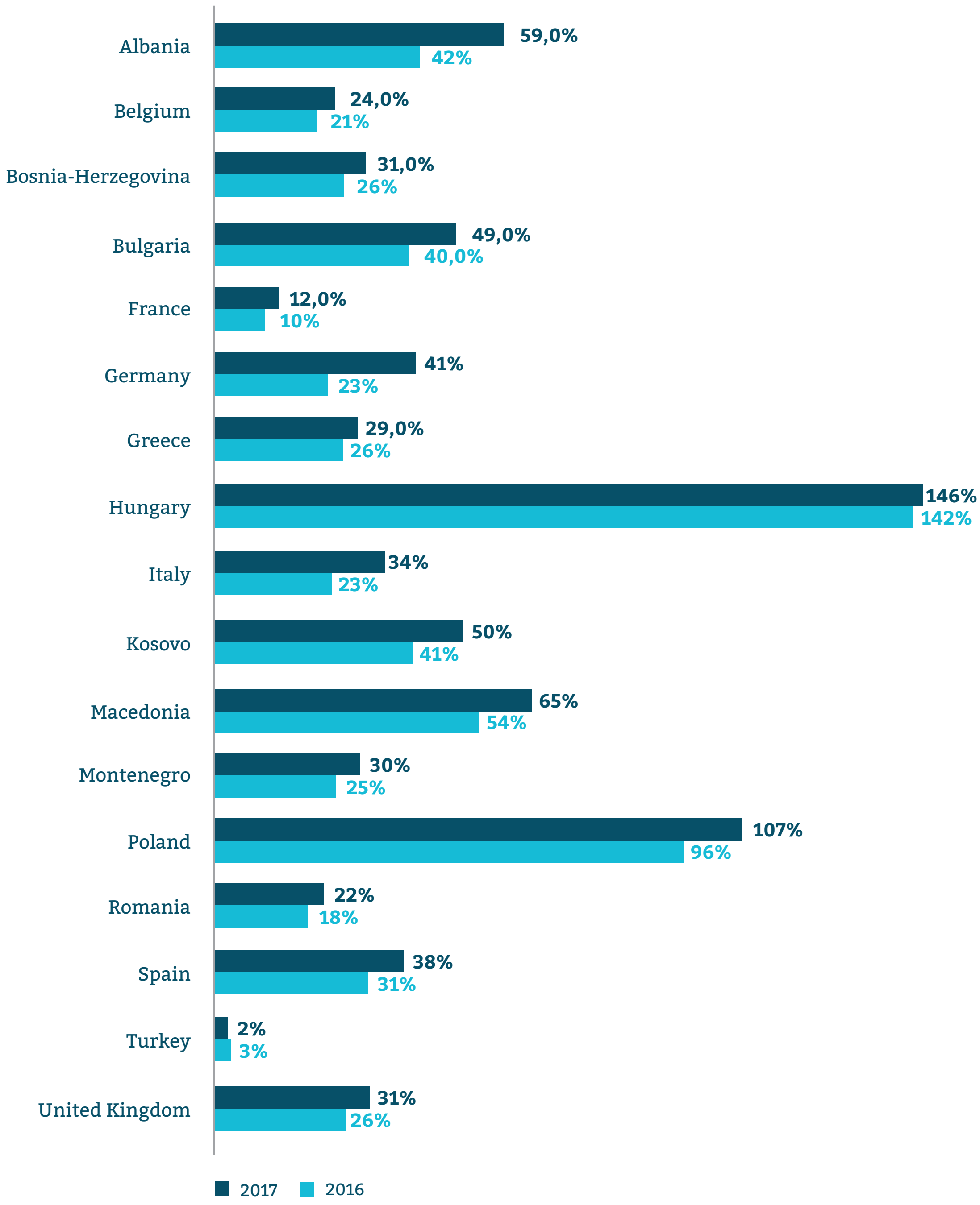
Table 9 - Average microloan size by institutional type

	Total		Business microloans		Personal microloans	
	2016	2017	2016	2017	2016	2017
Private Bank	6,481	7,218	10,253	11,835	3,559	3,946
State-owned bank	14.039	15.014	14.039	15.014	-	-
NBFI	7,096	8,308	7,840	9,167	8,026	7,684
Credit Union / Financial Cooperative	1,730	1,823	6,863	7,045	1,229	1,284
NGO	7,504	7,077	8,297	7,788	1,366	1,408
Government body	10,436	11,111	12,696	13,573	1,396	1,261

The average loan size can also be expressed as a percentage of the Gross National Income (GNI) per capita to allow a better comparison between countries (Figure 46). The assumption is that the smaller the loan size is, as a percentage of GNI per capita, the poorer are the clients served by MFIs. Turkey (2%) is the only country with the ratio lower than 5%. After Turkey, the ratio is the lowest in France (12%), Romania (22%) and Belgium (24%). By contrast, the average loan size is more than 100% in Hungary and Poland (146% and 107% respectively).

Figure 46 - Country average microloan size as percentage of GNI per capita

Note: Data represented only for countries under which there are more than one respondent MFI.



Key Findings

- The most widespread missions include increasing access to financial services (60%), job creation (14%) and growth of existing businesses (10%).
- The majority of respondents support solo-entrepreneurs/self-employed and microenterprises that are already established but younger than five years-old.
- In 2017, the total number of microloans disbursed was 635,330 (+1% compared to 2016) with a total value of €2.1 billion (+16%). Overall, the total number of active borrowers served by respondents was 988,457 (+8% compared to 2016) with a gross microloan portfolio outstanding of €3.2 billion (+6%).
- In 2017, the total number of active borrowers for business microloans reached 406,715 (+5% compared to 2016). During the year, surveyed MFIs disbursed a total of 260,534 business microloans (+6%) with a total lending volume of €1.1 billion (+15%).
- In terms of personal microloans, MFIs in the sample served a total of 581,742 active borrowers (+10% compared to 2016) and disbursed a total of 374,796 microloans (-2%) which corresponds to a total volume of €1 billion (+8%).
- The average microloan size increased by 4% from 2016 to 2017 and reached €6,562. The average microloan size for business microloans was 2.9 times higher than that of personal microloans: €8,913 and €3,098 respectively in 2017.

3.4 Portfolio Quality, Financial Performance Indicators and Funding

Microfinance institutions balance both financial and social performance goals. While social performance (section 3.3) refers to the outreach of MFIs, the financial performance indicators reported in this section measure the financial feasibility and sustainability of MFIs' operations. The capability to obtain capital and maintain financial sustainability while not drifting away from outreach goals is one of the most important challenges for MFIs.

Financial performance indicators are important for MFIs to measure and track and include items such as, but not limited to, the ability to collect loans and the capacity to generate revenues. This report considers the financial performance of MFIs through four set of indicators: portfolio quality, asset-liability management, efficiency and productivity, and profitability and sustainability.

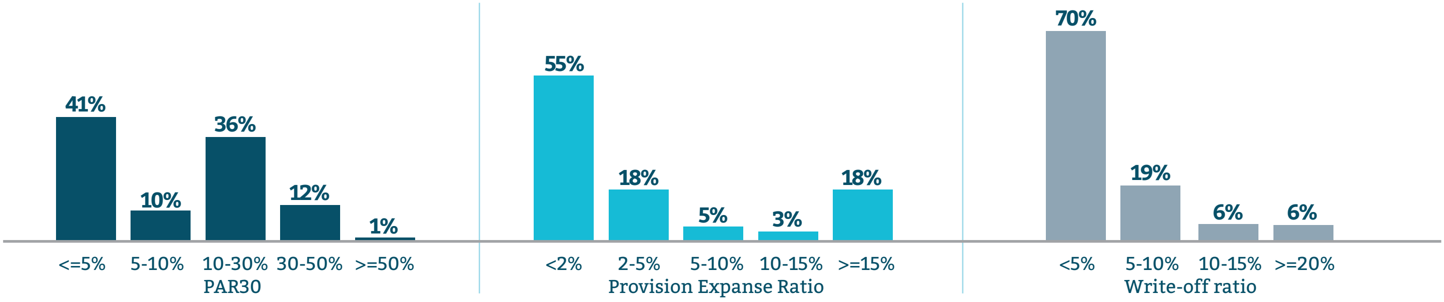
The response rate for financial performance indicators fluctuates between 40% and 60% with the exception of the Operating expense ratio with a 27% response rate (see Annexes for details on response rates).

3.4.1 Portfolio Quality

The portfolio quality ratios measure the quality of an MFIs' loan portfolio and is analysed by three indicators: PAR30, the share of the portfolio that is at risk of not being repaid due to being in debt for over 30 days; Write-off ratio, the share of the loans that has been removed from an institution's books due to a doubt that they will be recovered; and Provision expense ratio, an estimated expense that MFIs set aside to account for uncollected loans and loan payments.

Figure 47 - Number of MFIs by portfolio quality indicators

Note: 92 responding MFIs for PAR30, 62 responding MFIs for Provision expense ratio, 54 responding MFIs for Write-off ratio.



Half of MFIs (51%) in the sample reported PAR30 ratios below 10%. However, 12% of reporting MFIs reported PAR30s above 30% (Figure 47). Two MFI segments are clearly observed: the first with MFIs keeping the PAR30 low, no more than 5%, and the second with higher PAR30 between 10% and 30%. Keeping a low PAR30 is required by some country regulators and several international lenders also require MFIs to maintain a healthy portfolio. Finally, many MFIs cannot afford the high risk of losses in the absence of portfolio guarantees or access to other funds to cover loan losses. However, there are some MFIs that can afford a higher risk tolerance and therefore extend their services to more risky clients.

Nearly all of the surveyed MFIs report provision expense ratios below 5%. However, for 11 of the survey participants, the ratio is higher than 15%. The write-off ratio is below 5% for more than the half of the respondents and only 6 of the respondent MFIs reported write-off ratios higher than 20%.

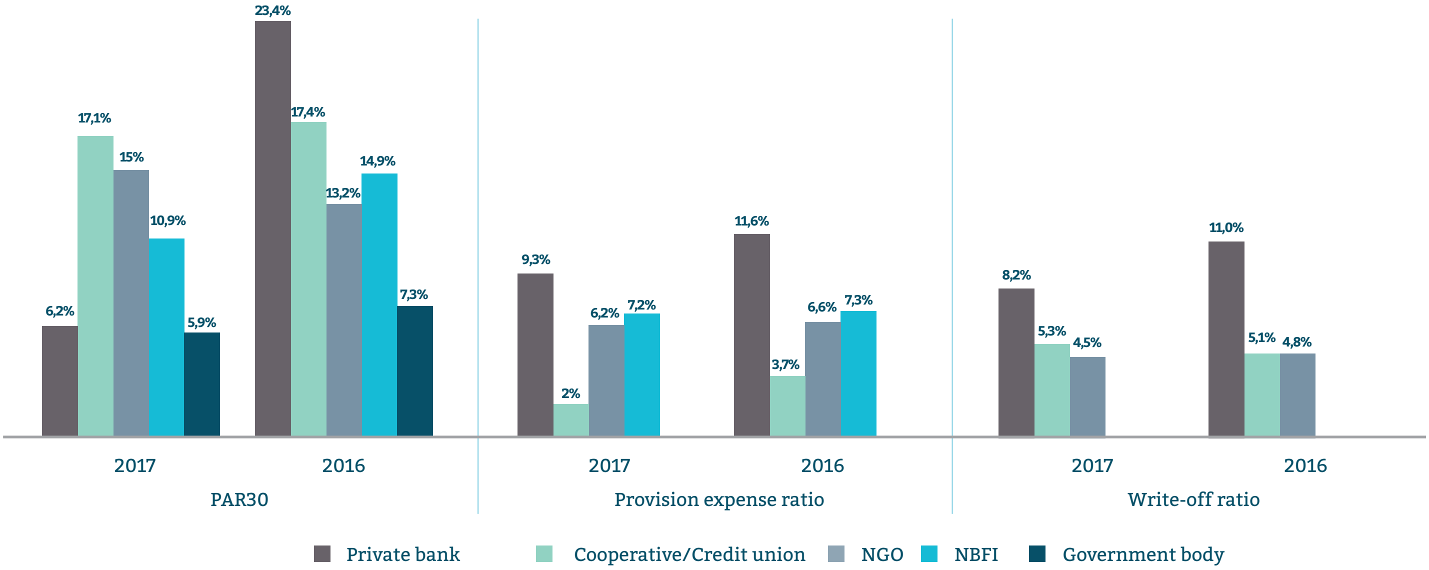
Table 10 - Portfolio quality indicators (averages)

	2016	2017
PAR30	15.2%	13.9%
Provision expense	6.4%	5.9%
Write-off ratio	4.6%	4.7%

Figure 48 - Portfolio quality by institutional type (averages)

Note: Average of financial ratios is calculated for only those categories under which more than 1 MFI replied, exact number of replies can be found in the Annexes.

The average PAR30 decreased from 15.2% to 13.9% in 2017 which shows that repayment discipline has improved. The write-off ratio was steady for both years with 4.6% and 4.7% and the provision expense ratio fell from 6.4% to 5.9% in 2017.



Among the institutional types, government bodies report the best PAR30 ratios (5.9% in 2017- 4 responding MFIs). With the exception of 2016 ratios, which is due to the worsening performance in one surveyed MFI, private banks report the next lowest PAR30 ratios (6.2% in 2017) (3 private banks observed).[7] NBFIs show a higher ratio of problematic loans (10.9% in 2017). Credit union/ financial cooperatives and NGOs reported the highest PAR30 ratios.

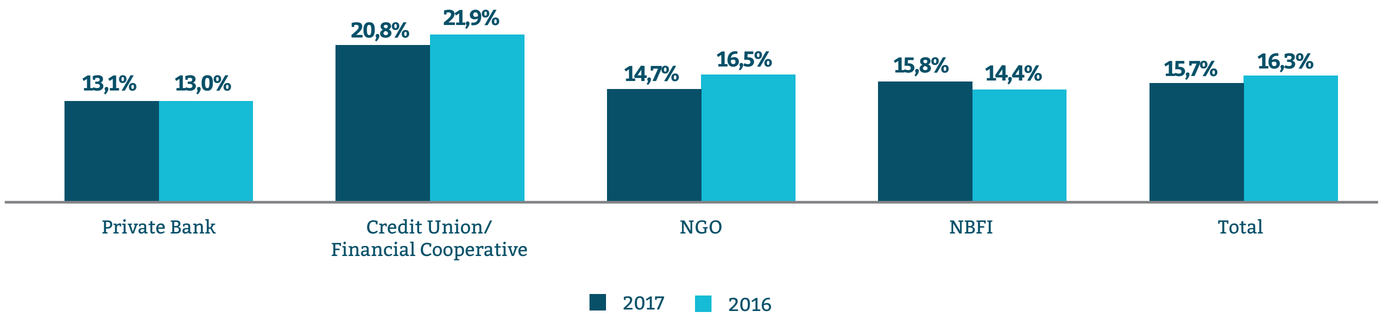
7 There were only three responding MFIs in case of private banks in 2017 and two in 2016 for PAR30 ratio. Hence, the difference in averages is due to the dramatic change of ratio for one responding MFI between 2016 and 2017.

Although portfolio at risk is a useful measure to understand the portion of the loan portfolio at risk of not being repaid, it is not sufficient to make a definitive conclusion on an MFI's portfolio quality. since it does not show the share of lost loans. It is therefore important to analyse PAR30 ratio together with the write-off ratio.

Some institutions report very low portfolio at risk but high write-off ratios, which indicates that they have cleared some part of the risky portfolio. This situation is mostly seen in private banks. The highest write-off ratios are reported by the 3 responding private bank MFIs (11.0% in 2016 and 8.2% in 2017) while NGOs and credit union/financial cooperatives have the lowest write-off ratios among the MFIs surveyed. Additionally, NGOs reported high PAR30 ratios and low write-off ratios. This indicates that NGOs engage in risky loans which are eventually repaid, although with a delay. Figure 49 shows the averages for the sum of PAR30 and write-off ratios for each institutional type. In general, when the sum of PAR30 and the write-off ratio is higher than 10%, it is problematic for MFIs. The highest rates are observed for credit union/financial cooperatives. The averages are only calculated for MFIs that provided data for both PAR30 and write-off ratios for that specific year, which might cause differences with the averages of individual PAR30 and write-off ratios.

Figure 49 - Averages for PAR30 + Write-off ratios by institutional type

Note: 50 responding MFIs both in 2016 and 2017.

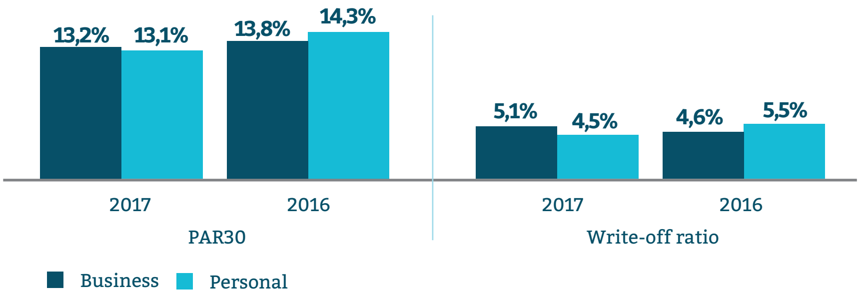


The high provision expense ratio of private banks is due to a poor performing MFI in the sample. Although the majority of responding MFIs (78%) reported provision expense ratios below 10%, there are some cases where MFIs reported ratios above 15% and up to 38%.

Additionally, survey participants were asked to report data on their PAR30 and write-off ratios separately for business and personal microloans. For both business and personal microloans, PAR30 and write-off ratios were comparable and steady from 2016 to 2017 (Figure 50).

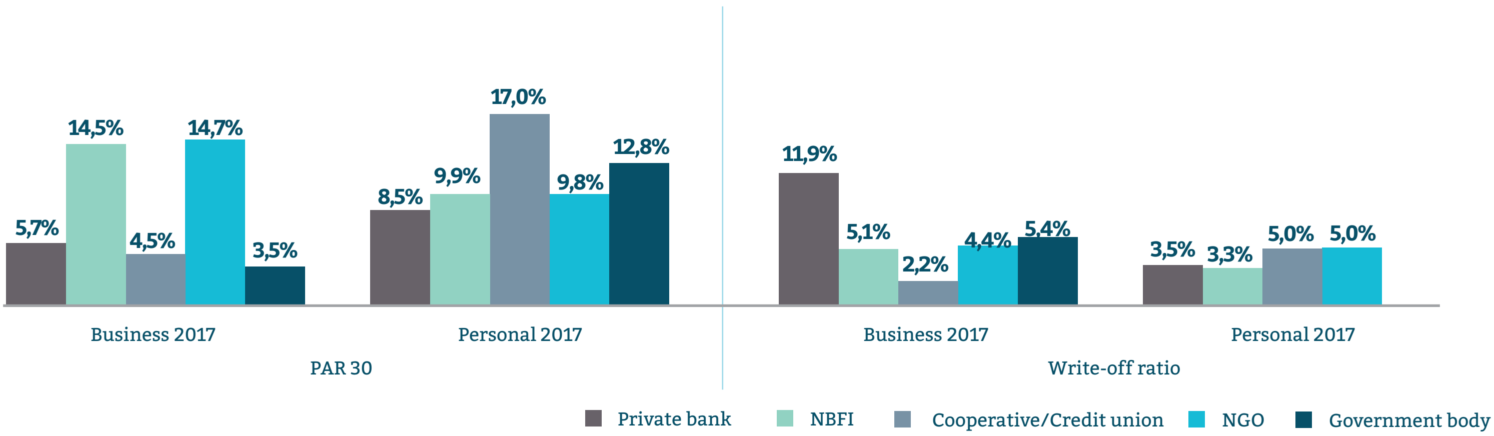
Figure 50 - PAR30 and write-off ratios for business and personal microloans (averages)

Note: 50 responding MFIs both in 2016 and 2017.



The highest PAR30 ratios are reported by credit unions/financial cooperatives for personal loans (17%). In the case of business microloans, NBFIs and NGOs had the highest PAR30 in 2017 (14.5% and 14.7% respectively) (Figure 51). Although private banks reported low PAR30 ratios on business microloans (5.7% on average), they reported the highest write-off ratios in the sample (11.9%), while NBFIs and NGOs reported lower write-off ratios (5.1% and 4.4% respectively) despite their high PAR30 ratios.

Figure 51 - PAR30 and write-off ratios for business and personal microloans by institutional type (averages)



COUNTRIES NOTE

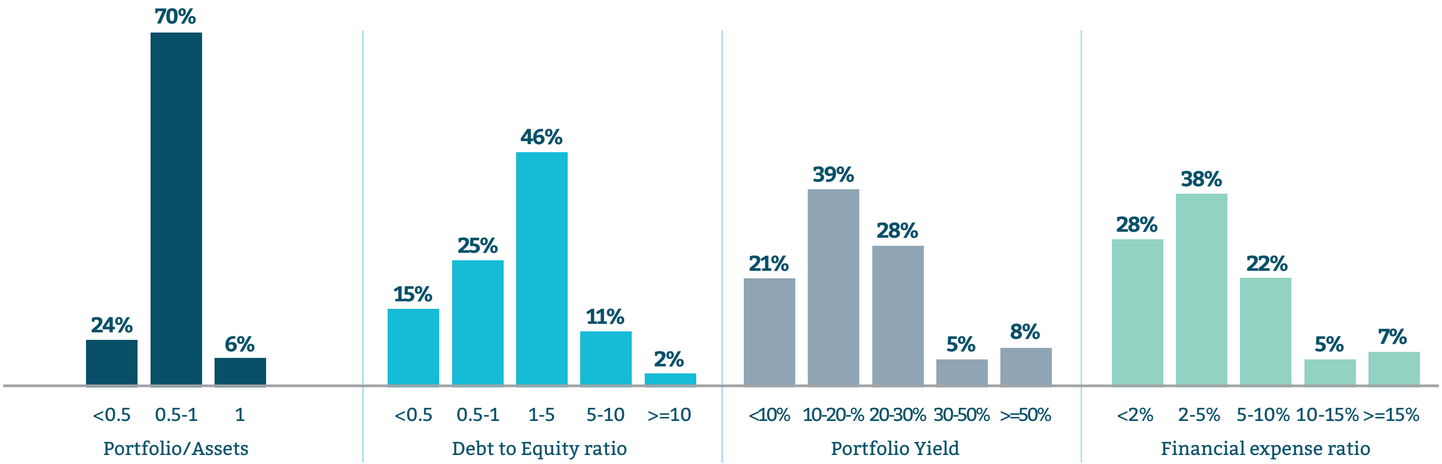
- The United Kingdom and Spain report the most critical portfolio quality indicators across the three ratios considered.
- PAR30 remains quite high in countries such as the United Kingdom (29.6%), Spain (26.6%), Italy (21.2%), Romania (18.4%) and Hungary (18.0%) and has worsened for the majority of MFIs in all five countries. This suggests that the loan portfolio was engaged in risky loans in 2017.
- MFIs with write-off ratios above 10% (up to 30%) are found in the United Kingdom, Italy and Hungary.
- The write-off ratio and provision expense ratio show the highest values in the United Kingdom for both years (2016: 13% and 15%, 2017: 12.1% and 19% respectively).

3.4.2 Asset-Liability Management

The asset-liability management indicators represent the ability of an MFI to manage its financial obligations while maximizing its most productive assets and fostering revenue and net profit. In other words, these indicators ensure there is enough liquidity for the MFI to sustain its operations and are measured by four indicators: Portfolio to assets ratio, the value of gross loan portfolio by the value of total assets; Debt to equity ratio, the overall leverage of an institution; Portfolio yield, the amount received from clients in interest and fee payments; and Financial expense ratio, the total interest expense incurred by the institution over its loan portfolio.

Figure 52 - Number of MFIs by asset-liability management indicators

Note: 84 responding MFIs for provision to assets ratio, 84 responding MFIs for debt to equity ratio, 80 responding MFIs for portfolio yield and 74 responding MFIs for financial expense ratio.



The overall average for the portfolio to assets ratio remained stable in 2017 and 2016 (0.66 and 0.64 respectively). NBFIs dedicate the highest share of total assets to their microfinance portfolio while private banks dedicate the lowest. On the other hand, the debt to equity ratio decreased from 3.09 in 2016 to 2.78 in 2017. The majority of responding MFIs (96%) reported debt to equity ratios much lower than 5 (Figure 52).

Private banks and NBFIs are more likely to rely on debt compared to credit union/financial cooperatives and NGOs (Table 11). This is not surprising as private banks and NBFIs have better access to funds from investors and other commercial lenders, while credit unions/financial cooperatives utilize the equity shares of their members and NGOs traditionally benefit from capital grants and donations.

The portfolio yield of the full sample was 23.2% in 2016 and 22.0% in 2017. Except for two MFIs reporting portfolio yields bigger than 100%, most MFIs (59%) reported financial revenues over gross loan portfolios between 10% and 25%. As noted, portfolio yield provides an indication of an institution's ability to generate revenues from its main productive assets. In other words, portfolio yield is a useful indicator to understand the lending rates of MFIs as it shows how much, on average, the MFI receives in interest payments on its loans. Only 17 of the responding MFIs reported a portfolio yield below 10% and 32 reported a portfolio yield above 20%. NBFIs reported the highest portfolio yields (36%) in 2017, followed by credit union/financial cooperatives and NGOs with report similar portfolio yields (16% and 18% respectively).

Table 11 - Asset-liability management by institutional type

Note: Average of financial ratios is calculated for only those categories under which more than 1 MFI replied.

The fourth asset-liability management indicator is the financial expense ratio, which calculates how expensive an MFIs funding is. The financial expense ratio in the sample decreased on average by 0.5% from 2016 to 2017. Private banks and NBFIs, that have higher leverage (debt to equity ratios) compared to other institutional types, also reported higher financial expense ratios.

	No. MFIs	Portfolio/Assets		Debt to Equity ratio		Portfolio Yield		Financial expense ratio	
		2016	2017	2016	2017	2016	2017	2016	2017
Private bank	2	0.53	0.53	4.75	-	45%	-	12.3%	-
NBFI	23	0.57	0.59	4.33	4.10	34%	36%	7.8%	7.4%
Credit Union / Financial Cooperative	26	0.66	0.67	2.10	2.19	20%	16%	5.6%	5.1%
NGO	34	0.70	0.71	2.89	2.30	17%	18%	3.0%	3.0%
Total	85	0.64	0.66	3.09	2.78	23.2%	22.0%	5.3%	4.8%

COUNTRIES NOTE

- Polish MFIs allocate the lowest share of their assets to microlending (47%) while MFIs from Montenegro (93%), Kosovo (91%) and Albania (87%) allocate the highest.
- Italy and the United Kingdom report the highest yield on gross loan portfolio (55% and 44% respectively) while the lowest portfolio yields are observed in France, Poland and Hungary (8%, 9% and 10% respectively).
- The only two MFIs that reported debt to equity ratios higher than 10.0 are from the United Kingdom: 18 and 35.
- Only Italian MFIs reported portfolio yields larger than 100%.

3.4.3 Efficiency and Productivity

Efficiency and productivity explain how MFIs optimize their operations, and are captured by two indicators: Operating expense ratio, the costs of delivering loans; and Staff productivity ratio, the number of clients served by staff members.[8] 30% of the surveyed MFIs reported data on the operating expense ratio while 83% provided information on staff productivity.

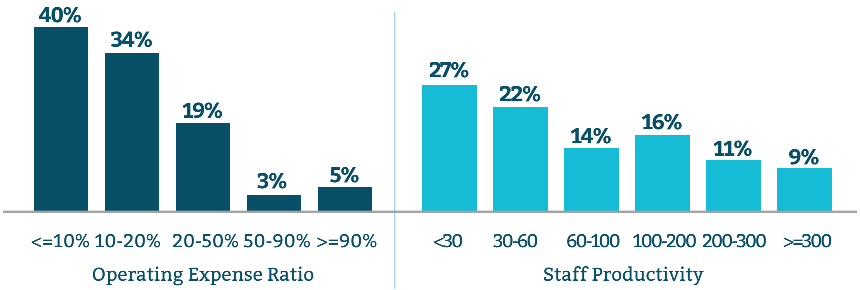
8 The number of employees in FTE are collected based on the total number of employees providing all activities within surveyed institutions, and not only microfinance activities. Hence, staff productivity ratios must be evaluated cautiously.

For most respondents, the operating expense ratio is lower than 20% (Figure 53). Only 7 of the surveyed MFIs reported an operating expense ratio higher than 50%.

Low staff productivity (less land 30 clients per staff) was reported by 35 of the respondents. In contrast, 48 of respondents serve more than 100 clients per staff member.

Figure 53 - Number of MFIs by efficiency and productivity indicators

Note: 86 responding MFIs for operating expense ratio, 129 responding MFIs for staff productivity ratio.



Lower operating expense ratios indicate higher efficiency. The total operating expense ratio for surveyed MFIs decreased from 33.7% in 2016 to 26.0% in 2017. Three respondents reported operating expenses higher than the average value of their gross loan portfolios, which are all NBFIs. NBFIs report the highest operating expense ratios. Operating costs are highly correlated with salary levels, which impact the ratio heavily for MFIs with lower staff productivity. This explains why the 8 MFIs with lower staff productivity (20 clients per staff) have the highest operating expense ratios.

Staff productivity is also an important measure for total MFI productivity; MFIs that are able to handle a large number of clients with lower administrative costs are more financially viable. Apart from one MFI with a staff productivity over 12,000 - which serves a high number of clients using various products (transaction accounts, loans, deposits) with a very low number of paid staff - the staff productivity of the sample varies between 0 and 1,500. This high value of staff productivity is related to one governmental body in the sample that is partnering with financial institutions in the delivery of the microloans. Staff productivity had a negligible decrease from 115.1 in 2016 to 114.8 clients per staff member in 2017. Government bodies and credit union/financial cooperatives report the highest number of clients served per staff member while NBFIs report the lowest ratio.

Table 12 - Efficiency and productivity by institutional type

Note: Average of financial ratios is calculated for only those categories under which more than 1 MFI replied. Staff productivity is calculated excluding the MFI with the ratio over 12.000.

	Operating expense ratio		Staff productivity	
	2016	2017	2016	2017
Private bank	14.2%	3.8%	91	91
NBFI	81.1%	38.3%	63	64
Credit Union / Financial Cooperative	11.4%	9.9%	219	225
NGO	23.3%	18.4%	81	76
Government body	-	-	278	305
Total	33.7%	26.0%	115	114

COUNTRIES NOTE

- The lowest operating expense ratios are reported by 3 Italian MFIs.
- Belgium and Romania served the highest number of clients per staff member (553 and 216 respectively in 2017) followed by Bosnia-Herzegovina (159) and France (147). By contrast, MFIs from Poland and Germany reported the lowest (26 and 35 respectively).

3.4.4 Profitability and Sustainability

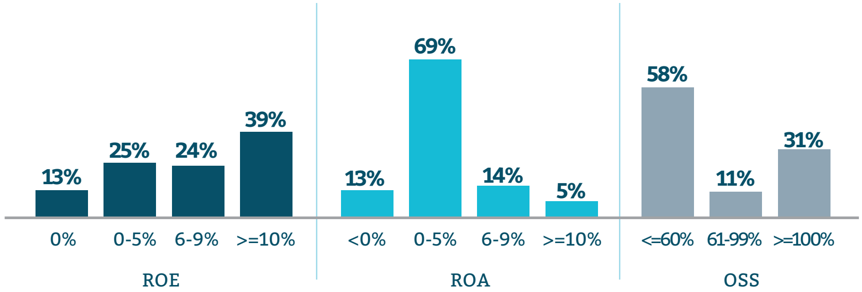
Profitability and sustainability ratios measure the overall performance of MFIs and are measured by three indicators: return on equity (ROE), the return on shareholders' investments or, in case of non-profit institutions, the ability to build equity from retained earnings; return on assets (ROA), the ability of an institution to use its assets; and operational self-sufficiency (OSS), that measures revenues over the main expenses. As noted, there are significant differences in portfolio yields among the surveyed MFIs. In markets where there is strong competition, portfolio yields are more likely to be lower compared to the less competitive markets. Where competition is fierce, MFIs are also forced to be efficient and maintain a high quality loan portfolio. By contrast, when competition is less intense, high yields might lead to high returns.

Most respondents (70 MFIs) reported positive ROE and ROA while 10 MFIs reported negative values of both indicators (Figure 53). Similar to the last iteration of the survey, the majority of responding MFIs reported ROAs between 0% and 5%.

Only 14 of the 45 MFIs are operationally self-sufficient (OSS ratio higher than 100%); most report an OSS ratio lower than 60%.

Figure 54 - Number of MFIs by profitability and sustainability

Note: 80 responding MFIs for ROE, 80 responding MFIs for ROA, 45 responding MFIs for operational self-sufficiency ratio.



In the full sample, the average ROE increased from 2.7% in 2016 to 4.9% in 2017 while ROA remained more stable (1.8% in 2016 and 2.5% in 2017) (Table 13). By contrast, the operational self-sufficiency ratio decreased from 62.0% in 2016 to 59.2% in 2017.

Credit union/financial cooperatives report the highest average ROE for both years. NGOs and credit unions/financial cooperatives achieved a higher ROA compared to private banks and NBFIs. OSS is significantly lower for NBFIs, which can be attributed to the poor performance of a couple of MFIs.

Table 13 - ROE and ROA by institutional type

Note: Average of financial ratios is calculated for only those categories under which more than 1 MFI replied.

	ROE		ROA	
	2016	2017	2016	2017
Private bank	12.2%	-	2.4%	-
NBFI	-16.2%	-6.5%	-0.3%	1.1%
Credit Union / Financial Cooperative	16.3%	11.5%	2.9%	2.2%
NGO	4.5%	7.0%	2.3%	3.7%
Total	2.7%	4.9%	1.8%	2.5%

Table 14 - OSS ratios by institutional type

Note: Average of financial ratios is calculated for only those categories under which more than 1 MFI replied.

	OSS	
	2016	2017
Private bank	109.7%	-
NBFI	22.2%	19.9%
Credit Union / Financial Cooperative	107.1%	101.1%
NGO	61.1%	61.1%
Total	62.0%	59.2%

COUNTRIES NOTE

- MFIs from Romania, Kosovo and Spain report the highest ROEs (above 40%).
- 3 of the 10 MFIs reporting negative ROEs are Italian MFIs. Italy reports the lowest average ROE for both years.
- Romania has the highest operational self-sufficiency ratio (94%) followed by Poland (93%) in 2017.

The portfolio quality of Eastern European MFIs is significantly better than their Western counterparts. As mentioned before, MFIs from Western countries are more focused on specific underserved target groups, such as the unemployed, immigrants and women compared to Eastern MFIs. They also serve potential entrepreneurs that are in the process of establishing their business as opposed to SMEs or microenterprises that are already in business, as is more common in Eastern Europe. As a result, loan collection from these vulnerable client groups might be more problematic and could be the reason for differences between portfolio quality indicators between Eastern and Western Europe.

The overall financial sustainability of Western MFIs in terms of ROE, ROA and OSS is also relatively poor compared to Eastern MFIs. However, the overall response rate for financial sustainability indicators was significantly higher for Eastern MFIs compared to their Western counterparts. Western MFIs are less focused on achieving self-sufficiency as they have better access to funding sources to cover their operational expenses and/or portfolio losses. Conversely, Eastern MFIs often have to generate enough revenues to cover all operating and financial expenses and loan defaults.

Table 15 - Financial indicators by region

Note: When the operating expense ratio is calculated excluding the one MFI from Eastern Countries and one from Western Countries with very high ratios (above 500% for both cases), the operating expense ratios are as below:
For Eastern Countries: 16% in 2016 and 13% in 2017.
For Western Countries: 44% in 2016 and 37% in 2017.

	Eastern Countries				Western Countries			
	No. of MFIs 2016	No. of MFIs 2017	2016	2017	No. of MFIs 2016	No. of MFIs 2017	2016	2017
Portfolio quality								
PAR30	63	65	11.7%	11,8%	23	27	24.2%	19.1%
Write-off ratio	32	31	2.6%	3.2%	22	23	7.6%	6.7%
Provision expense ratio	37	39	4.0%	3.1%	23	23	10.3%	10.7%
Asset-liability management								
Portfolio to assets ratio	63	63	0.70	0.75	22	22	1.46	1.60
Debt to equity ratio	64	64	2.55	2.21	22	20	4.65	4.61
Portfolio yield	62	62	20%	19%	18	18	33%	33%
Financial expense ratio	57	58	5%	4%	17	16	7%	6%
Efficiency and productivity								
Operating expenses ratio	62	62	21%	20%	24	24	71%	39%
Staff productivity ratio	77	77	125.07	125.64	50	52	97.07	97.53
Profitability and sustainability								
ROE	64	64	9%	9%	18	16	-21%	-13%
ROA	64	64	3%	3%	18	16	-1%	2%
OSS	28	31	65%	62%	13	14	55%	53%

3.4.5 Funding Structure

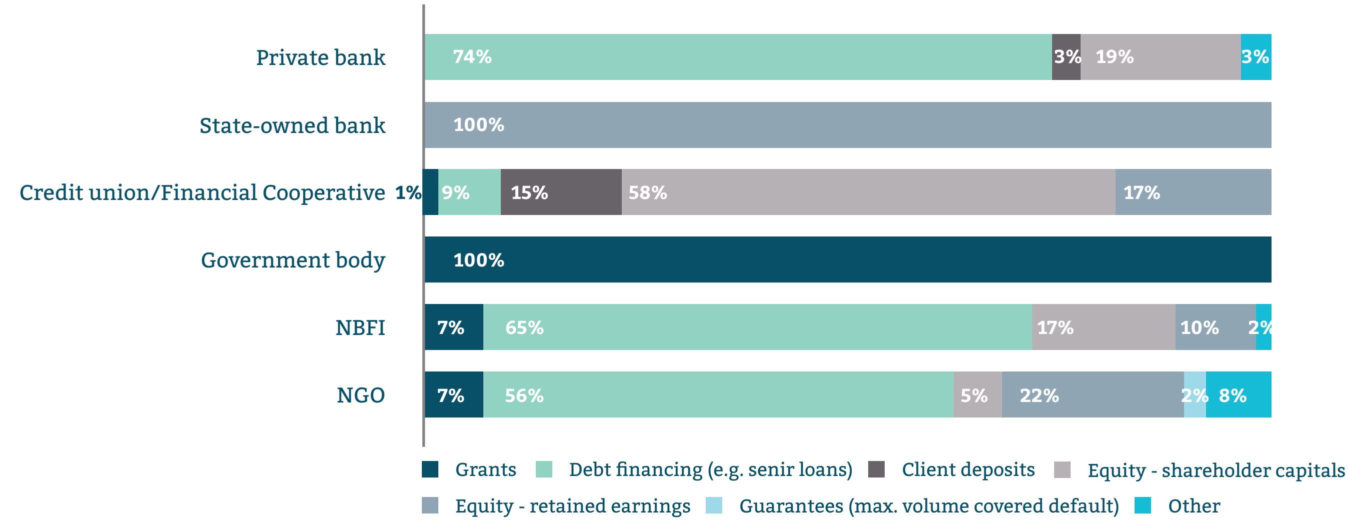
Microfinance institutions in Europe can potentially access many funding sources.

Debt financing is the main funding source for the majority of responding MFIs (78%) followed by equity/retained earnings (18%). Other funding sources are only used by a small number of responding MFIs.

In terms of funding structure by institutional type, government bodies (2 responding MFIs) rely on grants, while equity/retained earnings was the only funding source reported by the single state-owned bank that replied to this question (Figure 55). In 2017, debt financing was the main funding source for private banks (74%), NGOs (56%) and NBFIs (65%). Equity-shareholder capital was the main funding source for credit union/financial cooperatives (58%). The funding structures of NGOs are more diverse compared to other institutional types.

Figure 55 - Funding structure by value and type of institution (2017)

Note: 94 responding MFIs.

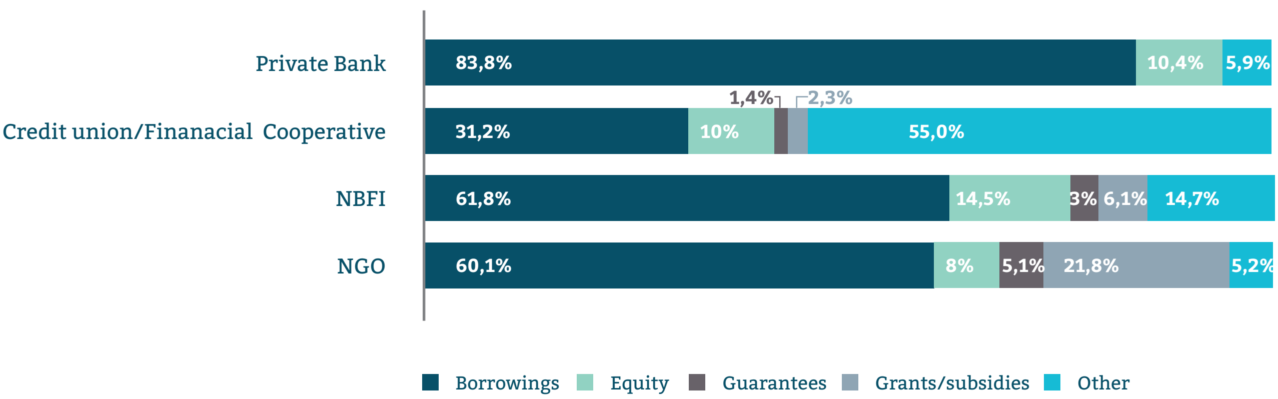


3.4.6 Funding Needs

In addition to funding structure, MFIs were asked to provide information on their funding needs. The average additional funding needed for responding MFIs is over €15 million while the total additional funding needed for all respondents exceeds €942 million, 78% of which is composed by debt financing. Except credit unions/financial cooperatives, the largest volume of funding for MFIs is needed in the form of borrowings (Figure 56). The second largest source of funds needed for MFI operations are grants and subsidies, which constitutes 22% of the value of additional funding required by NGOs, and equity in case of NBFIs (14.5% of the amount needed).

Figure 56 - Structure of additional funding needs by value and type of institution (2017)

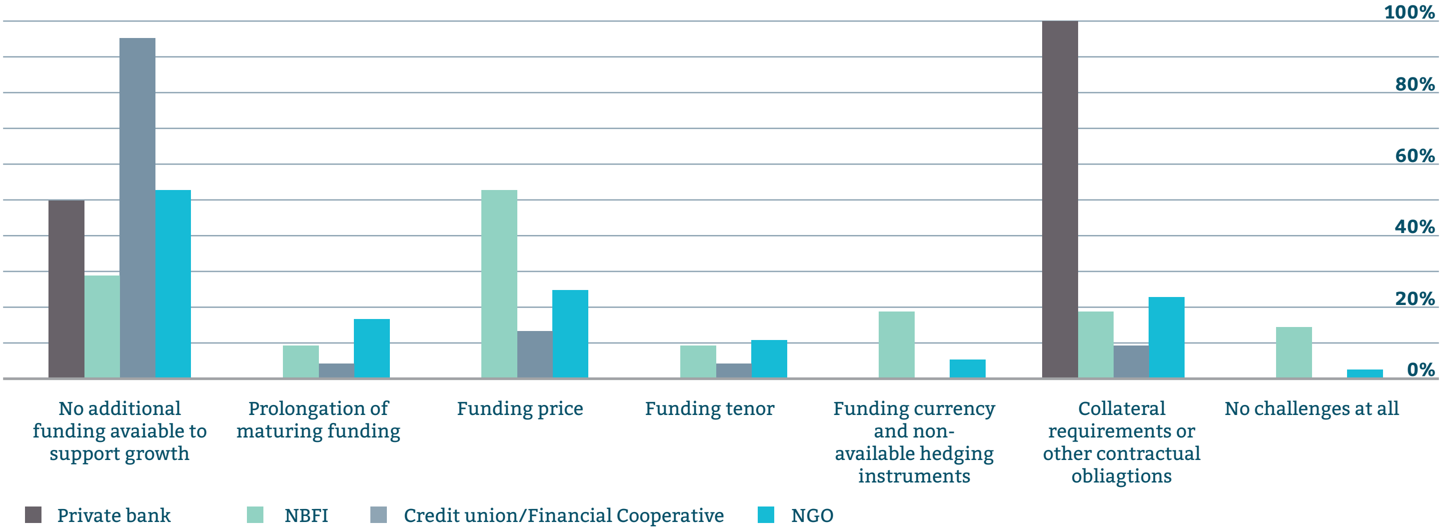
Note: 60 responding MFIs.



MFIs were also asked to specify the challenges they face to secure funding. 5% of MFIs reported that they do not face any funding challenges(3 of 21 responding NBFIs and 1 of 32 responding NGOs).

The biggest funding challenge for MFIs is to access additional support for growth, a challenge for 41% of responding MFIs (Figure 57). Funding currency and the availability of hedging instruments as well as funding tenor are the least significant challenges reported by responding MFIs.

Figure 57 - Challenges by institutional type



Key Findings

- Portfolio quality remained relatively stable during 2016-2017: PAR30 decreased from 15.1% to 13.9%, the provision expense ratio fell from 6.4% to 5.9% and the write-off ratio was steady for both years with 4.6% and 4.7%.
- The average portfolio to assets ratio for the full sample increased from 0.90 in 2016 to 0.97 in 2017.The debt to equity ratio decreased from 3.09 in 2016 to 2.78 in 2017.
- The portfolio yield of the full sample was 23.2% in 2016 and 22.0% in 2017.
- The cost of providing loans decreased from 2016 to 2017: the operating expense ratio fell from 33.7% to 26.0%.
- The majority of responding MFIs reported ROEs above 10%. 10 of the MFIs surveyed reported both negative ROEs and ROAs. Overall, ROE increased from 2.7% in 2016 to 4.9% in 2017 while ROA remained more stable (2.5% in 2017 and 1.8% in 2016).
- Only 14 of the 44 responding MFIs were operationally self-sufficient, while most MFIs reported ratios lower than 60%.
- Debt financing is the main funding source for most MFIs (78%) followed by equity/retained earnings (18%).

4. Conclusion

4.1 Main results

The European microfinance market is fragmented with MFIs opting for a variety of institutional models and operating in diverse countries with varying regulatory frameworks. The majority of surveyed MFIs are NGOs (40%) and NBFIs (29%). Other institutional types include credit union/financial cooperatives (19%), private banks (6%), government bodies (5%) and state-owned banks (1%).

MFIs in Europe are still relatively young. The majority of MFIs (58%) started microlending activities after 2000. However, the creation of new MFIs has been decreasing: only 5% of MFIs started activities after 2015. The majority of older MFIs are listed as NGOs, while nearly all private banks and government bodies began their microlending operations in recent years. MFIs operating in Europe report a relatively low number of overall and average staff employed: most MFIs employ less than 50 full-time equivalent employees (79%). Yet, the total and average number of paid staff increased in 2017 compared to 2016.

In addition to differences in institutional characteristics, European MFIs also differ in terms of the products and services offered. The most common financial products offered are business microloans (81%), personal microloans (50%) and SME loans (37%). Microfinance, a broader concept integrating financial services such as savings or microinsurance, is still limited: just 37% of MFIs offer these products in addition to microloans and SME loans.

In 2017, the average duration of business microloans is 45 months and 31 months for personal loans. The APRs for business and personal microloans were 10.9% and 17.6% respectively. Most MFIs charge higher APRs for personal lending. The highest APRs for business and personal microloans are charged by NGOs (22.9% and 11.6% respectively) and NBFIs (18.0% and 12.6% respectively).

The majority of European MFIs provide non-financial products and services to supplement their financial services (68% of surveyed MFIs). In 2017, 443,825 clients have benefitted from these services, almost half of which are not active borrowers. NGOs reach the highest number of clients with non-financial products.

The most widespread mission selected by MFIs is to increase access to financial services (60% of MFIs), followed by job creation and growth of existing businesses (14% and 10% of MFIs respectively). NGOs and NBFIs are the only institutional types that selected poverty reduction and gender equality/ women empowerment as their primary missions.

Women and rural populations are the most frequently targeted clients by the surveyed MFIs (65% and 46% of MFIs respectively), while immigrants, ethnic minorities and disabled people are the least targeted groups. Youth segments are most frequently targeted by credit unions/financial cooperatives while immigrants and disabled people are reached by NGOs and NBFIs. The majority of responding MFIs support solo-entrepreneurs and microenterprises, whereas only 14% of respondents serve small-sized enterprises. This shows that microfinance still fills an important niche in European entrepreneurial activities. Most MFIs support established businesses that are still young (i.e. up to five-years-old).

The outstanding loan portfolio is not dominantly allocated to business microloans as in the previous editions of the Survey. In 2017, 54% of the outstanding portfolio was allocated to microloans for business purposes, which indicates a shift towards personal microloans during previous years. The average loan size increased by 4% from 2016 to 2017 and reached €6,518. The average loan size for business microloans was 2.9 times higher than that of personal microloans: €8,913 and €3,098 respectively in 2017.

Overall, portfolio quality indicators have improved from 2016 to 2017. Some MFIs reported low portfolio at risk but high write-off ratios, which indicates that they might have tried to clear bad debts from their portfolios. This situation is mostly seen in case of private banks. On the other hand, NGOs reported high PAR30 ratios and low write-off ratios. This indicates that NGOs engage in risky loans and do not tend to write off their unpaid loans.

The overall average for portfolio to assets ratio remained stable from 2016 to 2017 (0.64 and 0.66 respectively). NBFIs dedicate the highest share of total assets to their microcredit portfolio while private banks dedicate the lowest. Moreover, private banks and NBFIs are more likely to rely on debt than on equity compared to credit union/financial cooperatives and NGOs. This is not surprising, as NGO MFIs have traditionally had low debt/equity ratios because their ability to borrow from commercial lenders has been limited. Private banks and NBFIs, that report higher leverage, also reported higher financial expense ratios.

The overall operating efficiency of the sample increased from 2016 to 2017. Operating costs are highly correlated with salary levels, which impacts the ratio heavily if an MFIs staff productivity is lower. This explains why MFIs with low staff productivity (less than 20 clients per staff member) have the highest operating expense ratios. Staff productivity is an important measure for total MFI productivity, as MFIs that are able to handle a large number of clients with minimum administrative costs are more financially viable. Staff productivity remained stable from 2016 to 2017. Government bodies and credit union/ financial cooperatives report the highest number of clients served per staff member while NBFIs report the lowest.

The majority of responding MFIs reported ROEs above 10% and ROAs between 0% and 5%. This echoes the results from the 2014-2015 Survey. Only 14 of the 44 responding MFIs are operationally self-sufficient, while most report a ratio lower than 60%. ROAs decreased compared to the last editions of the Survey (2.9% in 2014 and 3.0% in 2015). The operational self-sufficiency ratio decreased from 61.9% in 2016 to 59.4% in 2017.

4.2 Current Challenges and Future Opportunities

As the microfinance market evolves into a more mature industry, a variety of issues have emerged, ranging from securing funding, expectations of the public, regulations or the appropriate use of digital technologies. In this final section of the Survey, we discuss these challenges, threats and opportunities as well as possible future directions of the European microfinance sector. Key experts have been involved to inform this analysis. The interviews aimed to capture different perspectives: clients, policy makers and practitioners.

A first shared perception is that there is still an undeniable need for MFIs in Europe. For mainstream financial services, lending to small or start-up businesses and to people on low incomes and without sufficient collateral is not interesting or not allowed due to prevailing regulations. Furthermore, there are large client groups, recently fuelled by immigrants and refugees, that cannot access traditional banking services. However, the answer to who will provide credit to these groups depends on the industry's ability to keep its economic sustainability, prove its impact and adapt to a quickly changing market environment.

Figure 58 - Opportunities and threats faced by the European MFIs

Opportunities	Challenges
• Digitalisation • Different target groups that can be served • New partnerships • Possibility to offer more products and services	• Digitalisation • Financial sustainability and efficiency • Alternative financing solutions • Governance • Regulations

New digital technologies offer many opportunities to reach financial sustainability and improve the impact of MFIs in terms of loans disbursed (Figure 58). Digital technologies can help MFIs reach new clients without loan officers, reduce the time it takes to process loan applications and significantly decrease the operational costs of MFIs. Digitalisation can also smoothen communication between MFIs and their clients. Big data and artificial intelligence can improve client quality and better monitor client behaviour to suggest when further support, communication and interventions are needed. Furthermore, MFI clients will increasingly expect fast and easy customer experiences, similar to the ones that they are accustomed to through social media and other service providers. However, although digitalisation represents a wide range of opportunities for some MFIs, it can also be a constraint for others since going digital requires rethinking many aspects of the operations and the organization, for instance in terms of employees and their competences.

Microfinance institutions need to adapt to evolving client needs and must understand how their clients want to communicate and shape their relationship with the MFI. In the next ten years, digital and fin-tech lenders might represent a significant threat to the survival of MFIs. Fin-tech providers might find it economically and socially interesting for their corporate responsibility strategies to start offering microloans. This threat could be much more disruptive than the threat posed by traditional financial institutions. Indeed, as opposed to the traditional microfinance and finance sector, fin-tech organisations can provide a fast and easy-to-use service. Furthermore, these providers could be perceived as more modern, democratic (not only for special categories) organisations. Subsequently, in the next years, MFIs will need to integrate digital technologies into their organizational structures and also attempt to diversify their services (thanks to the new technologies) to cover other categories of clients and renew their image. MFIs that continue with business as usual might not survive the changing market environment.

Another relevant topic that has emerged for the future of microcredit in Europe is regulation. Experts see both opportunities and threats regarding regulation. In general, regulations can enable the efficient functioning of the sector, especially in the countries where a proper legal framework for microfinance does not yet exist or should be improved. At the same time, stricter capital requirements and reporting or credit eligibility requests, excessive regulation may prevent MFIs from reaching their targets, obliging them to focus on administrative tasks and statutory goals instead of their core mission. Regulations differ for each European country and, although specificities need to be tackled on a case by case basis, a more homogenous legislative framework could help formalize the sector, especially considering that microcredit is highly dependent on public support.

An opportunity for European MFIs stems from the growing number of people and businesses excluded from traditional banking services. In particular, especially in Western and Northern Europe, the number of migrants and refugees has increased, which in turn leads to a growing need for financial integration services. At the same time, especially in Southern and Eastern Europe, unemployed youth could start their careers in self-employment or fund new companies with the support of MFIs. There is still an unserved niche markets for MFIs to fill and there are still people asking for microfinance products and services. With evolving target groups, MFIs increasingly need to adapt their financial and non-financial products and services to the needs of these target groups. Consequently, the sector can also explore opportunities in offering more advanced and diverse financial products (e.g. microinsurance, leasing, money transfer services).

Despite continuing demand for their services, MFIs still need to become more efficient and financially sustainable. Experts underlined both the urgency of this development and the risk that the search for financial efficiency might trigger a mission drift. For instance, MFIs might be at risk of changing the range of products or services too much, reducing or eliminating some less profitable but key services or completely shifting their target clients. Therefore, it is important for MFIs to keep a focus on their missions. This responsibility falls primarily to shareholders, the management board and the governance structure of the MFIs. As the MFI market becomes more mature, governance structures become an increasingly important issue. As a result, MFIs and their networks should pay attention to building the right governance structure to protect their original missions, to discussing the issue of mission drift openly and try to develop shared guidelines and influence relevant regulations.

In the past, the European microfinance market was characterized by smaller organizations who knew their clients. As a result, they were in a better position to see the results and impact of their lending activities. However, with the increasing number of borrowers and loans disbursed, it has become more difficult to observe and to show these results. Still, there is an ongoing debate on the real impact of microfinance. Therefore, creating transparent impact measurement tools to report outreach, the number of jobs created, social integration, or poverty reduction is a priority for MFIs and their networks. If MFIs start to report significant numbers, they could demonstrate that microfinance is one of the many paths through which countries can tackle unemployment and enrich local economies. European MFIs could learn from the efforts of MFIs outside Europe on collecting better social performance metrics and adapt them to their own market context. It is becoming more crucial for MFIs to know, for instance, exactly how many people their clients employ, and moreover, to be able to track those trends over time. Demonstrating the positive impact of MFIs is also important to strengthen public involvement and political commitment. MFI networks could help to provide shared methods of analysis and evaluations of MFI impact. The focus of MFIs to bring solid proof on their positive impact on society could help them survive some of the threats coming from changing market conditions.

Finally, to cope with both the future opportunities and challenges mentioned, MFIs might build new and innovative partnerships. This is particularly the case for smaller MFIs that might consider new cooperation models with other MFIs, banks and fintech or other companies to reach economies of scale, financial sustainability and innovate around new technologies.

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.

APR
The annual rate charged for borrowing, expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan. Includes any fees or additional costs associated with the transaction.

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

Business development services
target already existing micro and small businesses to improve their operations, with the services ranging from business advice to technical skills training and linking entrepreneurs to markets.

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).

Client development services
Support services that address people with no or only very low levels of financial management skills. They are aimed at preventing harmful situations (e.g. over indebtedness) and addressed to target group that does not yet have the necessary skill levels for managing a loan product.

Credit Union / Financial Cooperative
a non-profit, member-based financial intermediary. It may offer a range of financial services, including lending and deposit taking, for the benefit of its members.

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

Entrepreneurship development services
include services that focus on developing business skills and know-how of individuals. They help raising awareness on entrepreneurship as a conscious career choice plus basic business skills training.

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).

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).

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 New Borrowers Conduct for Microcredit Provision – Version 2.0, June 2013).

Larger MFIs
MFIs with more than 250 employees.

Microenterprise
enterprise that employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

Micro MFIs
MFIs with the number of employees below 10.

Medium MFIs

MFIs with the number of employees above 50 and up to 250.

Non-Bank Financial Institution

an institution that provides similar services to those of a Bank but is licensed under a separate category. The separate license may be due to lower capital requirements, to limitations on financial service offerings, or to supervision under a different state agency. In some countries this corresponds to a special category created for microfinance institutions.

NGO

an organization registered as a non-profit for tax purposes or some other legal charter. Its financial services are usually more restricted, usually not including deposit taking. Under this category, foundations, charities, social purpose cooperatives, associations and religious institutions are gathered.

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 amortization 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 (OSS)

{[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 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 MFIs

MFIs that employ between 10 and 50 persons.

Small-sized enterprise

enterprise that employs between 10 and 50 persons and whose annual turnover and/or annual balance sheet total is between EUR 2 million and EUR 10 million.

SME loans

refers to loans that are provided for business purposes and whose value is higher than €25,000.

Staff productivity ratio

gives an indication of the number of clients served by staff member (Total number of active borrowers / Number of employees (FTE)).

Write-off ratio

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

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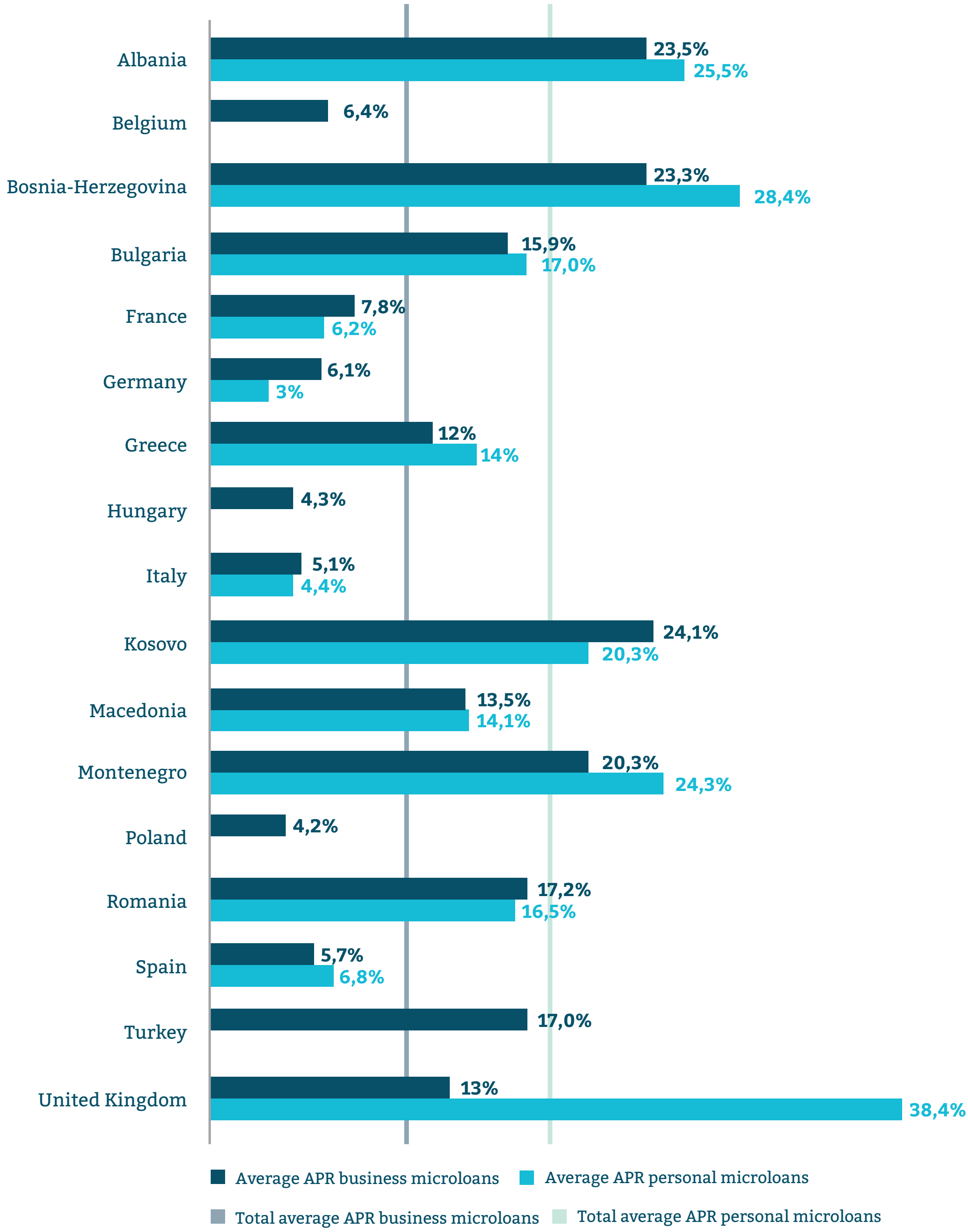
Annexes

Average Annual Percentage Rate (APR) by country



Number of respondents for financial ratios by institutional type

	Total number of MFIs	PAR30						Write-off ratio						Provision Expense ratio		Portfolio Yield	
		Business 2017	Business 2016	Personal 2017	Personal 2016	Total 2017	Total 2016	Business 2017	Business 2016	Personal 2017	Personal 2016	Total 2017	Total 2016	2017	2016	2017	2016
Bank	9	3	3	3	3	3	3	3	2	3	2	3	2	3	3	1	2
State-owned bank	2	0	0	0	0	0	0	1	1	0	0	1	1	0	0	0	0
NBFI	45	20	18	12	11	23	20	13	15	9	10	17	18	21	19	21	20
Credit Union / Financial Cooperative	30	2	2	27	27	27	27	2	2	7	8	7	8	10	8	26	25
NGO	62	30	29	17	16	35	33	20	19	19	18	25	24	28	30	32	33
Government body	8	3	2	1	1	4	3	1	1	0	0	1	1	0	0	0	0
Total	157	58	54	60	58	92	86	40	40	37	38	53	54	62	60	80	80

	Total number of MFIs	Debt to Equity ratio		Operating Expense ratio		Financial Expenses ratio		ROE		ROA		Operational Self-Sufficiency		Portfolio/Assets		Staff Productivity	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Bank	9	1	2	2	3	1	2	1	2	1	2	1	2	1	2	6	6
State-owned bank	2	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2	2
NBFI	45	23	23	22	21	19	19	22	22	22	22	13	9	22	21	35	33
Credit Union / Financial Cooperative	30	26	25	26	25	25	23	26	25	27	26	8	6	26	25	27	27
NGO	62	34	36	35	36	29	30	31	33	31	33	23	24	33	34	53	53
Government body	8	0	0	1	1	0	0	0	0	0	0	0	0	1	1	6	6
Total	157	84	86	86	86	74	74	80	82	80	82	45	41	84	84	129	127

Scale of microloan activities

Number of active borrowers per country

	Total				Business microloans				Personal microloans			
	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016
Albania	2	2	12,528	12,885	2	2	10,667	10,625	2	2	1,861	2,260
Belgium	3	3	3,798	3,303	3	3	3,798	3,303	0	0	0	0
Bosnia-Herzegovina	8	8	202,021	199,957	8	8	141,458	139,594	7	7	60,563	60,363
Bulgaria	4	4	1,450	1,555	3	3	1,163	1,272	4	4	287	283
France	5	5	132,638	125,750	4	4	106,418	100,598	4	4	26,220	25,152
Germany	6	6	1,244	1,233	6	6	1,239	1,230	1	1	5	3
Greece	2	2	2,123	1,950	2	2	482	350	1	1	1,641	1,600
Hungary	12	12	3,481	4,169	12	12	3,481	4,169	0	0	0	0
Italy	14	13	11,113	10,264	12	11	3,001	2,536	10	10	8,112	7,728
Kosovo	8	8	70,273	57,178	5	5	32,689	25,734	8	8	37,584	31,444
Macedonia	2	2	9,878	9,714	2	2	6,397	6,205	2	2	3,481	3,509
Montenegro	2	2	24,675	23,170	2	2	3,955	3,795	1	1	20,720	19,375
Poland	7	7	4,170	3,997	7	7	4,170	3,997	0	0	0	0
Romania	28	28	77,876	73,770	5	5	7,207	6,778	26	26	70,669	66,992
Spain	9	8	302,150	264,362	8	7	58,619	55,054	3	3	243,531	209,308
Turkey	2	2	39,813	38,956	1	1	319	429	1	1	39,494	38,527
United Kingdom	14	13	34,382	33,529	11	10	2,418	2,428	5	5	31,964	31,101
Other	10	10	54,844	47,210	9	9	19,234	17,562	2	2	35,610	29,648
Eastern Countries	80	80	494,501	466,867	51	51	224,232	214,466	53	52	270,269	252,401
Western Countries	58	55	493,956	446,085	51	48	182,483	171,193	24	24	311,473	274,892
Total	138	135	988,457	912,952	102	99	406,715	385,659	77	76	581,742	527,293

Number of active woman borrowers per country

	Total				Business microloans				Personal microloans			
	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016
Albania	2	2	3,115 (25%)	3,385 (26%)	2	2	2,452 (23%)	2,624 (25%)	2	2	662 (36%)	761 (34%)
Belgium	2	2	1,162 (31%)	1,019 (31%)	2	2	1,162 (31%)	1,019 (31%)	0	0	0	0
Bosnia-Herzegovina	8	8	73,165 (36%)	74,147 (37%)	7	7	54,399 (38%)	53,501 (38%)	7	7	18,766 (31%)	20,646 (34%)
Bulgaria	4	4	753 (52%)	786 (51%)	2	2	593 (51%)	629 (49%)	5	5	159 (55%)	156 (55%)
France	5	5	56,510 (43%)	53,518 (43%)	4	4	42,642 (40%)	40,310 (40%)	4	4	13,868 (53%)	13,209 (53%)
Germany	5	5	421 (34%)	450 (36%)	5	5	421 (34%)	449 (37%)	0	0	0	0
Greece	2	2	532 (25%)	475 (24%)	2	2	116 (24%)	75 (21%)	1	1	417 (25%)	400 (25%)
Hungary	10	10	1,118 (32%)	1,250 (30%)	10	10	1,118 (32%)	1,250 (30%)	0	0	0	0
Italy	11	10	5,379 (48%)	5,019 (49%)	9	8	943 (31%)	812 (32%)	8	7	4,435 (55%)	4,207 (54%)
Kosovo	8	8	12,995 (18%)	11,000 (19%)	5	5	4,545 (14%)	3,585 (14%)	8	8	8,450 (22%)	7,415 (24%)
Macedonia	2	2	4,000 (40%)	3,836 (39%)	2	2	2,776 (43%)	2,670 (43%)	2	2	1,224 (35%)	1,166 (33%)
Montenegro	2	2	11,497 (47%)	10,602 (46%)	2	2	2,276 (58%)	2,135 (56%)	1	1	9,220 (45%)	8,467 (44%)
Poland	6	6	1,289 (31%)	1,322 (33%)	6	6	1,289 (31%)	1,322 (33%)	0	0	0	0
Romania	28	28	38,130 (49%)	36,517 (50%)	4	4	760 (11%)	689 (10%)	26	25	37,370 (53%)	35,827 (53%)
Spain	8	8	93,891 (31%)	82,932 (31%)	7	7	28,108 (48%)	26,391 (48%)	3	3	65,783 (27%)	56,541 (27%)
United Kingdom	11	10	23,435 (68%)	23,045 (69%)	9	9	763 (32%)	797 (33%)	4	3	22,672 (71%)	22,248 (72%)
Other	6	5	18,070 (33%)	14,869 (31%)	5	4	2,005 (10%)	1,621 (9%)	2	2	16,065 (45%)	13,248 (45%)
Eastern Countries	73	73	162,689 (33%)	156,641 (34%)	42	42	70,772 (32%)	68,953 (32%)	53	52	91,917 (34%)	87,687 (35%)
Western Countries	48	45	183,090 (37%)	167,960 (38%)	42	40	75,914 (42%)	71,355 (42%)	21	19	107,176 (34%)	96,605 (35%)
Total	121	118	345,779	324,600	84	82	146,686	140,308	74	71	199,093	184,292

Value of gross microloan portfolio outstanding (€)

	Total				Business microloans				Personal microloans			
	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016
Albania	2	2	31,647,592	26,800,939	2	2	28,902,332	23,973,127	2	2	2,745,259	2,827,812
Belgium	3	3	26,797,781	24,466,180	3	3	26,797,781	24,466,180	0	0	0	0
Bosnia-Herzegovina	8	8	291,661,534	269,119,462	8	8	214,153,509	194,692,656	7	7	77,508,025	74,426,806
Bulgaria	5	5	6,570,303	6,043,804	3	3	4,993,542	4,576,268	5	5	1,576,761	1,467,535
France	5	5	582,811,471	546,070,824	4	4	538,478,441	508,492,328	4	4	44,333,030	37,578,496
Germany	5	5	15,768,035	13,263,810	5	5	15,518,035	13,063,810	1	1	250,000	200,000
Greece	2	2	5,724,543	4,960,775	2	2	3,860,255	2,889,955	1	1	1,864,288	2,070,820
Hungary	12	12	44,088,980	54,769,121	12	12	44,088,980	54,769,121	0	0	0	0
Italy	14	13	67,239,332	57,276,481	12	11	36,580,738	29,610,279	10	10	30,658,594	27,666,202
Kosovo	8	8	133,677,169	98,483,537	4	4	70,872,020	50,935,181	8	8	62,805,149	47,548,356
Macedonia	2	2	28,971,499	28,090,587	2	2	18,022,074	17,337,257	2	2	10,949,425	10,753,329
Montenegro	2	2	49,585,023	43,370,113	2	2	7,070,081	6,328,498	1	1	42,514,942	37,041,615
Poland	6	6	47,172,899	45,247,244	6	6	47,172,899	45,247,244	0	0	0	0
Romania	28	28	105,569,524	105,569,524	5	5	40,297,866	34,281,656	27	26	71,287,868	71,287,868
Spain	6	6	1,465,721,901	1,178,892,157	6	6	450,780,185	396,114,213	2	2	1,014,941,716	782,777,944
Turkey	2	2	10,588,045	14,007,071	1	1	59,979	92,968	1	1	10,528,066	13,914,102
United Kingdom	13	13	48,290,514	45,300,530	10	10	25,802,284	24,303,215	6	6	22,488,231	20,997,315
Other	8	8	178,219,452	146,109,991	7	7	142,628,493	118,519,146	2	2	35,590,959	27,590,845
Eastern Countries	78	78	871,778,985	777.215.056	47	49	549,712,853	490,356,786	56	55	322,066,132	286,858,269
Western Countries	53	52	2,280,902,500	1,930,627,094	47	46	1,166,366,641	1,059,336,317	24	24	1,114,535,859	871,290,777
Total	131	130	3,152,681,485	2,707,842,150	94	95	1,716,079,494	1,549,693,104	80	79	1,436,601,991	1.158.149.046

Value of microloans disbursed during the year (€)

	Total				Business microloans				Personal microloans			
	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016
Albania	2	2	22,308,425	19,887,354	2	2	18,062,429	16,305,106	2	2	4,245,995	3,582,247
Belgium	3	3	13,612,189	12,279,304	3	3	13,612,189	12,279,304	0	0	0	0
Bosnia-Herzegovina	8	8	285,688,866	262,204,770	8	8	207,645,922	188,569,822	7	7	78,042,944	73,634,948
Bulgaria	5	5	4,667,986	5,000,191	3	3	3,169,008	3,590,547	5	5	1,498,979	1,409,644
France	5	5	296,644,405	278,107,292	4	4	266,322,895	251,990,811	4	4	30,321,510	26,116,481
Germany	6	6	6,607,960	7,348,600	6	6	6,357,960	7,148,600	1	1	250,000	200,000
Greece	2	2	5,061,538	3,473,138	2	2	4,587,355	3,137,683	1	1	474,183	335,455
Hungary	10	11	6,715,819	8,491,128	10	11	6,715,819	8,491,128	0	0	0	0
Italy	15	13	37,915,195	33,346,007	12	10	17,955,711	15,241,616	11	10	19,959,484	18,104,391
Kosovo	8	8	122,382,674	95,470,332	4	4	74,209,937	55,032,679	8	8	48,172,737	40,437,653
Macedonia	2	2	18,138,245	17,415,521	2	2	11,438,212	12,575,590	2	2	6,700,033	4,839,931
Montenegro	2	2	47,398,492	42,337,490	2	2	5,757,070	5,113,380	1	1	41,641,422	37,224,110
Poland	6	6	8,880,019	11,224,118	6	6	8,880,019	11,224,118	0	0	0	0
Romania	28	28	87,098,118	77,501,935	5	5	25,544,627	19,252,585	26	25	61,553,491	58,249,350
Spain	8	8	904,551,963	818,227,659	7	7	255,705,660	203,786,685	3	3	648,846,303	614,440,974
Turkey	1	1	189,821	281,021	1	1	189,821	281,021	0	0	0	0
United Kingdom	15	13	35,069,382	31,171,855	12	11	15,927,741	12,442,069	5	4	19,141,641	18,729,786
Other	9	9	167,143,498	135,174,639	8	8	128,891,879	105,065,564	2	2	38,251,619	30,109,075
Eastern Countries	76	77	734,913,556	643,880,021	46	47	454,806,336	394,393,062	53	52	280,107,220	249,486,958
Western Countries	59	55	1,335,161,038	1,215,062,332	51	48	616,167,917	537,135,245	25	23	718,993,121	677,927,087
Total	135	132	2,070,074,594	1,858,942,352	97	95	1,070,974,253	931,528,307	78	75	999,100,341	927,414,045

Number of microloans disbursed during the year

	Total				Business microloans				Personal microloans			
	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016
Albania	2	2	8,170	7,811	2	2	5,328	5,422	2	2	2,842	2,389
Belgium	2	2	1,164	1,194	2	2	1,164	1,194	0	0	0	0
Bosnia-Herzegovina	8	8	198,178	192,448	8	8	140,869	137,432	7	7	57,309	55,016
Bulgaria	5	5	1,146	1,288	3	3	735	916	5	5	411	372
France	5	5	46,807	44,388	4	4	36,263	34,809	4	4	10,544	9,579
Germany	6	6	383	302	6	6	381	300	1	1	2	2
Greece	2	2	838	719	2	2	778	666	1	1	60	53
Hungary	10	10	524	679	10	10	524	679	0	0	0	0
Italy	14	13	4,227	4,087	11	10	1,010	937	11	10	3,217	3,150
Kosovo	8	8	59,490	49,155	4	4	30,079	23,666	8	8	29,411	25,489
Macedonia	2	2	5,275	5,411	2	2	3,404	3,533	2	2	1,871	1,878
Montenegro	2	2	18,436	17,305	2	2	2,540	2,335	1	1	15,896	14,970
Poland	6	6	656	867	6	6	656	867	0	0	0	0
Romania	28	28	62,574	65,652	5	5	3,423	3,353	26	25	59,151	62,299
Spain	8	8	147,923	168,147	7	7	21,636	19,064	3	3	126,287	149,083
Turkey	1	1	608	834	1	1	608	834	0	0	0	0
United Kingdom	15	13	35,219	33,420	12	11	1,074	980	5	4	34,145	32,440
Other	8	8	43,712	35,940	7	7	10,062	9,444	2	2	33,650	26,496
Eastern Countries	77	77	396,673	375,626	47	47	196,132	186,717	53	52	200,541	188,909
Western Countries	55	52	238,657	254,021	47	45	64,402	59,714	25	23	174,255	194,307
Total	132	129	635,330	629,647	94	92	260,534	246,431	78	75	374,796	383,216

Portfolio quality

	PAR30											
	Total				Business microloans				Personal microloans			
	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016
Albania	2	2	2.6%	3.9%	2	2	2.6%	4.4%	2	2	3.0%	3.8%
Belgium	2	2	1.4%	1.8%	2	2	1.4%	1.8%	0	0	-	-
Bosnia-Herzegovina	7	7	1.2%	1.3%	7	7	1.1%	1.3%	6	6	1.3%	1.2%
Bulgaria	5	4	3.0%	2.9%	2	2	3.5%	3.1%	4	3	6.3%	2.7%
France	3	3	8.3%	9.2%	2	2	4.3%	5.4%	3	3	13.1%	12.1%
Germany	1	1	2.6%	2.3%	1	1	3.2%	2.8%	0	0	-	-
Greece	1	1	14.6%	66.1%	1	1	13.6%	77.9%	1	1	16.2%	52.1%
Hungary	10	10	18.0%	15.0%	10	10	18.0%	15.0%	0	0	-	-
Italy	6	5	21.2%	42.3%	4	4	27.2%	42.7%	4	3	17.0%	30.6%
Kosovo	6	6	3.1%	4.1%	3	3	1.3%	1.4%	6	6	3.1%	4.1%
Macedonia	2	2	3.5%	4.1%	2	2	4.0%	4.7%	2	2	3.0%	3.2%
Montenegro	2	2	2.2%	2.2%	2	2	1.6%	1.8%	1	1	1.5%	1.3%
Poland	3	3	14.7%	12.9%	3	3	14.7%	12.9%	0	0	-	-
Romania	26	25	18.4%	19.3%	3	2	9.5%	17.9%	24	24	19.8%	19.1%
Spain	5	3	26.6%	14.1%	5	3	26.5%	14.0%	2	2	26.4%	28.9%
United Kingdom	6	6	29.6%	28.9%	5	5	35.1%	28.8%	3	3	21.5%	21.3%
Other	7	6	8.7%	10.3%	4	3	8.5%	10.1%	2	2	1.6%	1.5%
Eastern Countries	65	63	11.8%	11.7%	35	34	8.2%	7.8%	47	46	11.5%	11.2%
Western Countries	27	23	19.1%	24.2%	23	20	20.8%	24.1%	13	12	18.5%	25.2%
Total	92	86	13.9%	15.1%	58	54	13.2%	13.8%	60	58	13.1%	14.1%

	Write-off ratio												Provision expense ratio			
	Total				Business microloans				Personal microloans							
	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016
Albania	2	2	2.9%	3.5%	2	2	2.9%	3.4%	2	2	4.0%	4.7%	2	2	2.6%	3.2%
Belgium	2	2	4.7%	3.3%	2	2	4.7%	3.3%	0	0	-	-	2	2	12.4%	16.3%
Bosnia-Herzegovina	7	7	1.4%	1.4%	7	7	1.8%	2.0%	6	6	1.3%	1.2%	7	7	0.9%	0.9%
Bulgaria	4	3	12.1%	13.0%	2	2	9.0%	3.3%	3	3	11.3%	16.4%	4	3	4.5%	2.9%
France	3	3	4.6%	4.7%	3	3	5.3%	5.3%	3	3	1.3%	1.6%	3	3	1.5%	1.7%
Germany	2	2	1.9%	2.3%	2	2	2.0%	2.4%	0	0	-	-	2	1	2.6%	1.6%
Greece	1	0	2.5%	-	1	0	2.5%	-	1	0	2.5%	-	1	1	24.8%	31.8%
Hungary	1	1	20.4%	5.6%	1	1	20.4%	5.6%	0	0	-	-	5	6	13.3%	16.3%
Italy	6	5	3.3%	4.9%	3	3	2.1%	1.0%	4	4	4.1%	6.2%	5	6	13.3%	8.1%
Kosovo	7	6	1.3%	1.8%	4	3	0.7%	1.0%	7	6	2.9%	1.7%	7	7	1.6%	2.8%
Macedonia	2	2	0.8%	3.1%	2	2	0.8%	3.2%	2	2	0.8%	3.0%	2	2	1.2%	1.0%
Montenegro	2	2	0.7%	0.6%	2	1	0.7%	0.8%	1	1	0.4%	0.3%	2	2	0.9%	1.0%
Poland	1	1	0.1%	0.0%	1	1	0.1%	0.0%	0	0	-	-	1	1	0.4%	0.2%
Romania	3	6	0.3%	0.2%	0	1	0.1%	0.0%	3	5	0.3%	0.4%	7	5	1.0%	1.0%
Spain	2	2	8.6%	8.8%	2	2	12.3%	11.3%	2	2	26.3%	39.1%	2	2	2.1%	1.7%
United Kingdom	5	6	12.2%	12.2%	4	5	12.8%	12.2%	2	2	10.6%	11.2%	5	6	18.6%	15.1%
Other	4	4	6.9%	7.2%	2	3	13.3%	9.2%	2	2	0.5%	0.5%	5	4	5.1%	5.8%
Eastern Countries	31	32	3.2%	2.6%	21	21	3.0%	2.1%	26	27	2.8%	3.2%	39	37	3.1%	4.0%
Western Countries	23	22	6.7%	7.6%	19	19	7.4%	7.4%	12	11	8.1%	11.9%	23	23	10.7%	10.3%
Total	54	54	4.7%	4.6%	40	40	5.1%	4.6%	38	38	4.5%	5.7%	62	60	5.9%	6.4%

Productivity and sustainability

	Return on equity (ROE)				Return on assets (ROA)				Operational self-sufficiency (OSS)			
	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016	N. of MFIs 2017	N. of MFIs 2016	2017	2016
Albania	2	2	14.9%	7.9%	2	2	6.5%	1.7%	1	1	1.5%	7.6%
Belgium	1	1	-83.0%	-122.7%	1	1	-8.6%	-12.9%	1	1	46.7%	47.4%
Bosnia-Herzegovina	7	7	9.6%	8.8%	7	7	3.3%	3.0%	6	6	72.0%	70.8%
Bulgaria	4	3	0.1%	-0.8%	4	3	-2.5%	-2.9%	2	1	121.7%	191.1%
France	2	2	1.3%	-1.0%	2	2	0.4%	-0.7%	2	2	73.0%	62.5%
Germany	1	1	6.7%	10.7%	1	1	9.1%	16.0%	1	1	117.2%	110.2%
Greece	0	1	-	10.5%	0	1	-	1.5%	0	1	-	13.0%
Hungary	9	10	5.3%	7.2%	9	10	1.5%	1.5%	4	5	16.4%	23.8%
Italy	5	6	-1.5%	-1.1%	5	6	-0.6%	-1.2%	4	3	7.9%	7.5%
Kosovo	7	7	18.7%	18.7%	7	7	6.6%	6.5%	5	5	43.9%	44.9%
Macedonia	2	2	5.1%	4.5%	2	2	1.9%	1.9%	2	2	61.2%	62.4%
Montenegro	2	2	14.5%	11.4%	2	2	6.7%	4.4%	2	2	38.0%	33.8%
Poland	3	3	2.7%	3.8%	3	3	2.0%	2.7%	2	2	93.2%	111.5%
Romania	26	26	10.2%	10.2%	26	26	2.1%	2.4%	6	4	94.2%	112.2%
Spain	2	2	27.6%	8.3%	2	2	20.2%	2.9%	1	1	198.5%	206.4%
United Kingdom	2	2	-91.5%	-147.2%	2	2	-0.3%	-1.7%	3	3	28.7%	28.2%
Other	5	5	1.8%	4.8%	5	5	-1.1%	-1.6%	4	2	35.1%	55.0%
Eastern Countries	64	64	9.4%	9.4%	64	64	2.6%	2.5%	32	29	62.0%	65.4%
Western Countries	16	18	-13.2%	-21.1%	16	18	1.9%	-0.6%	14	13	53.1%	54.8%
Total	80	82	4.9%	2.7%	80	82	2.5%	1.8%	46	42	59.2%	62.0%

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