Microfinance in Europe: Survey Report

2022 edition

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EUROPEAN MICROFINANCE NETWORK

MICROFINANCE CENTRE

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Foreword

EMN and MFC are proud to release their Survey Report on Microfinance in Europe. The main purpose of the report is to track changes in the industry and deepen the understanding of core issues such as the sector's scale, key activities and its social, financial and environmental performances.

This is the 10th edition of the report and the fourth time it is jointly carried out by EMN and MFC, highlighting the complementarities and added value of cooperation between the two networks.

The report illustrates that the microfinance sector in Europe has largely recovered from the effects of the COVID-19 pandemic. Most MFIs not only returned to pre-pandemic disbursement levels but even increased loan volumes in 2021 compared to 2019. Even more importantly, the sector confirmed its commitment towards the most vulnerable segments of the population: women and rural populations remain the primary target groups of European MFIs. This strong social mission is further evidenced by the growing interest in serving migrants and refugees, where many MFIs are interested in increasing their engagement in the coming years.

Digitalization and green sustainable microfinance stand out as the two major trends in the market, both accelerated by the multiple crises facing society. The digitalization trend, spurred by the lockdown and need for remote work and client communication, led to new digital solutions. There is a consensus today that scale and customer satisfaction cannot be achieved without the use of digital tools. In this respect, the report shows that most MFIs have adopted digital solutions to improve their clients' experiences. Many MFIs in Europe have already started engaging in the green transition and are fully or partially compliant with green sustainable and climate smart financing. This is a key development for the sector as the integration of green practices and products into MFIs' business models is an opportunity to include vulnerable populations, which are often the most exposed to climate change, environmental degradation and energy poverty.

Overall, the results of the report confirm, once again, the dynamism of a sector that supports a growing number of individuals and microenterprises through the combined offer of financial and non-financial services. The results also suggest that the microfinance sector can play a fundamental role in serving the evolving needs of vulnerable groups and microentrepreneurs during the challenging times in which we're living.

Finally, it is important to stress that this initiative would not have been possible without the collaboration of the responding MFIs and the precious support of national microfinance associations across Europe. We thank all of the organizations that have collaborated in the preparation of this report and we know that this analysis will help to increase the visibility of the sector's impact across Europe. This is crucial to advocate on behalf of the sector towards European or national stakeholders, to raise the interest of researchers and universities and to promote microfinance to the media and general public.

EMN President
Laure Coussirat-Coustère

Brunilda Isaj
MFC Council Chair

Preface

The European Investment Fund (EIF) is proud to support the 10th iteration of “Microfinance in Europe,” a key publication for the European microfinance market.

This periodical market assessment serves as a foundation for evidence-based analyses and policymaking by tracking the evolution of microfinance in Eastern and Western Europe. Through a combination of quantitative and qualitative information via a survey, which is complemented by secondary data sources, it provides useful statistics to the benefit of a range of market participants, including policymakers, transaction managers and market researchers. Data for the current iteration of the survey was collected between March and June 2022. The study therefore sheds light on the challenges of the microfinance sector during the COVID-19 pandemic and into the beginning of the new crisis driven by the war in Ukraine.

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 banks active in the microfinance or social enterprise finance market– in order to build a full spectrum of the European inclusive finance sector. In this way, the EIF pursues core European Union objectives: entrepreneurship, inclusive growth and job creation. Since the launch of the EPMF (European Progress Microfinance Facility) program in 2010, and its successor the EaSI (Employment and Social Innovation) program in 2015, both managed by EIF on behalf of the European Commission, new financing in excess of EUR 3.3 billion has already been provided to many thousands of vulnerable microborrowers across the European Union. Over time, including the still active guarantee agreements, EaSI will have mobilized some EUR 3.6 billion 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 was significantly scaled up also thanks to EFSI (European Fund for Strategic Investments) and was combined with a range of COVID-19 support measures launched in mid-2020.

In the first half of 2022, EIF has started the implementation of InvestEU, which will see a continued strong EU support under the social window to microfinance and social enterprise finance until 2027. Based upon the expressions of interest received so far, it is clear that the demand both for guarantees and capacity building investments remain high. A large number of guarantee signatures is expected in the fourth quarter of 2022 spread across the EU.

The European microfinance market keeps developing but also faces many challenges. Financial intermediaries are growing in size, diversifying and refining their product offering including green loans. Microfinance is well-positioned to support green ambitions of newly created businesses or the green transformation of existing ones. Financial intermediaries also play a role in the digitalization of their clients in addition to the digitalization of their own operations and services. A particular new challenge for the European microfinance market is the new environment with high inflation and significantly increasing interest rates. This is likely to impact on portfolio quality indicators, funding cost for MFIs, demand for microfinance, etc.

Often, MFIs lack access to adequate sources of debt and equity, as illustrated by this report. Fundamental microfinance initiatives are set up at the national or regional level, e.g. backed by government funds or structural funds, but they need to be complemented by support on the European level, via funding, guarantees and technical assistance to financial intermediaries, which are as important to the microfinance market. But first and foremost, to be able to build a sustainable eco-system, the European microfinance market needs to crowd-in private resources. This new iteration of the report “Microfinance in Europe: Survey Report 2021-2022” contributes to providing much-needed in-depth information, which is essential for the design of efficient support schemes.

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Executive summary

The 2022 edition of the Microfinance Survey in Europe offers a snapshot of the microfinance sector from 2020-2021, during and after the most severe phase of the COVID-19 pandemic.

This is the 10th edition of the Overview Survey for the European Microfinance Network (EMN), and the fourth time it was carried out in collaboration with the Microfinance Centre (MFC). The collaboration between these two networks allows the survey to cover the lion's share of the European microfinance sector, delivering the most complete dataset available at this time.

The study covered 156 institutions from 30 countries and captures data for 2020-2021.

Key findings

In terms of **institutional characteristics**, the majority of microfinance providers are non-bank MFIs (94%), which operate as non-governmental organizations (NGOs), non-bank financial institutions (NBFIs), governmental bodies and cooperatives. In Eastern Europe, microfinance is mainly provided by cooperatives and NBFIs while the Western European microfinance sector is dominated by banks and NGOs. Western European MFIs are typically younger, less numerous and employ fewer staff but engage larger numbers of volunteers who support the delivery of financial and non-financial services to vulnerable groups.

Women constitute 63% of paid staff in European MFIs, with relatively more women employed in Eastern Europe (68%) than in Western Europe (53%).

76% of MFIs provide **non-financial services**, particularly in Western Europe. In Western Europe, client development services are the least popular service, as most MFIs engage in business development or entrepreneurship development services. In Eastern Europe, comparable numbers of MFIs engage in each type of non-financial service with a tendency to provide client development services more often than the other types, as they more often provide personal and housing loans and support their clients in household budget management through client development services.

Although one-on-one support delivered in person is the most common way of providing non-financial services, 50% of MFIs already use digital channels to deliver non-financial services.

After the pandemic year of 2020, the microfinance sector has bounced back to its pre-pandemic scale with a total of 1.4 million active borrowers and a gross loan portfolio of EUR 4.3 billion in 2021.

In terms of **social objectives,** financial inclusion remains the main priority of MFIs, illustrating a stable vision for the sector. Women and rural populations are the two main target groups. A quarter of MFIs also prioritize ethnic minorities/migrants/refugees with several MFIs planning to start or increase their engagement towards migrant/refugee populations in the next two years. MFIs that already engage migrants/refugees are mainly NGOs located in Western Europe. NBFIs and cooperatives in both Eastern and Western Europe are the primary institutional type considering increasing their exposure to migrant/refugees in the future. Guarantees appear to be the most desired form of support for MFIs wishing to increase their engagement in migrant support, followed by grants to support the provision of non-financial services. 28% of MFIs do not need any additional funding to serve migrants/refugees.

On average, the surveyed MFIs serve a relatively broad target market. The average depth of outreach expressed as the average loan balance to GNI per capita was 56% in 2021.

While many MFIs measure the impact of microloans on their clients' development, there is a substantial number of MFIs (38%) that do not track changes at the client level. Most often, MFIs track the number of created jobs as a result of business investment (44%), the number of businesses created (32%) or the number of jobs sustained (30%).

Depending on loan type or the type of a client, MFIs may ask clients for various types of guarantees to secure their loans. Most MFIs require loans to be guaranteed by another person, who becomes an individual guarantor (67% of MFIs) or co-signer (41% of MFIs). Asset collateral is also not uncommon and is requested from some clients by 34% of MFIs. However, a substantial number of MFIs (35%) provide uncollateralized loans to some of their clients.

In 2021, the average PAR30 value was 9.9%.[1] By institutional type, banks reported the healthiest portfolios while cooperatives had the worst **portfolio quality.** There were some regional differences; more MFIs reported healthy portfolios in Eastern Europe (PAR30 below 5%) than in Western Europe, where one-third of MFIs reported PAR30 to be in excess of 10%.

71% of surveyed MFIs were **self-sufficient:** that is, they generated enough revenue to cover their expenses. Similar to the other profitability indicators, OSS values varied by institutional type. NGOs were most often unable to be operationally self-sufficient. There were more operationally self-sufficient MFIs in Eastern Europe compared to Western Europe.

Long-term borrowed funds are the main source of funding, reaching a value of EUR 1.1 billion in 2021. The largest volume of borrowings (60%) is managed by NBFIs. Long-term client deposits (EUR 0.4 billion), attracted by cooperatives, are the second principal source of funding. In total, surveyed MFIs need EUR 1.3 billion to realize their goals in the next two years. Half of MFIs need less than EUR 4 million while the largest MFIs are seeking up to EUR 300-400 million of funds.

Digitalization and green sustainable microfinance continue to be two major trends in the European microfinance market.

84% of MFIs have digital solutions that support clients in applying for, managing or repaying a loan. More than half of MFIs currently have an online loan application. The possibility to upload documents that support the loan application is the second most common solution, which is offered by 51% of MFIs. 16% of MFIs do not currently have any digital solutions for clients. Over half (58%) of the institutions help their clients learn how to use digital solutions to access their financial products. Such support is most commonly provided in branches but one-third of MFIs developed virtual communication channels to provide assistance.

1 Outliers, values outside of the boundaries of the average value +/- 3 standard deviations, were removed.

Many MFIs in Europe are already engaged in the green transition and are fully or partially compliant with green sustainable and climate smart financing. Environmental responsibility, goals or processes are part of the institutional strategy of nearly 40% of MFIs. Although fewer MFIs (33%) report their environmental performance indicators, as many as 55% monitor and manage adverse impact of their own operations (green footprint).

Monitoring clients' environmental impact and including such data in the loan assessment is less often practiced (27% of MFIs) and monitoring clients' environmental vulnerabilities is applied by only 15% of institutions. 71% of MFIs finance green solutions of their clients: 26% do it through dedicated loan products while 45% of MFIs finance green solutions through regular microenterprise or housing loans. Another 23% of MFIs plan to introduce a specific green product in the near future and 17% of MFIs do not plan to have green loans in their offer.

Post-COVID Recovery

In 2020, despite the pandemic and lockdowns, the total volume of annual disbursements increased by 6% to reach EUR 1.8 billion. In 2021, disbursements further grew by 11% to reach EUR 2.0 billion. The 2020 growth can be primarily attributed to the largest bank surveyed. NBFIs and credit unions actually decreased disbursements and NGOs only slightly increased them during 2020. Overall, 62% of MFIs decreased the volume of disbursements in 2020, the pandemic year. Eastern European MFIs reduced their lending volumes by 10% in 2020 while Western European MFIs increased the total value of disbursements by 15%.

During the pandemic, many MFIs focused on rescheduling loans and communicating with clients about new repayment conditions. MFIs which became implementing partners for government funding programs and disbursed liquidity loans to microenterprises managed to significantly increase their lending volumes during the pandemic. In 2021, the recovery year, 71% of MFIs increased their disbursement volume, mainly in Eastern Europe and among all institutional types (except NGOs).

1. Methodology

The study covers a sample of 156 MFIs operating in 30 countries for the 2020-2021 period. MFI data was collected from MFI representatives through a survey during March-June 2022. Where responses to the survey could not be obtained or data were incomplete, secondary data sources were used.

In addition to the survey, a series of interviews with key informants was conducted to gather the views and opinions on the current situation and future outlook of the microfinance sector.

Primary data collection

An online questionnaire of 77 questions was made available to MFI representatives through the Survey Monkey platform. The questionnaire was translated to eight languages.

Secondary data collection

The following types of secondary data sources were used to complement the survey:

• Annual reports, activity reports and audited financial statements published by MFIs on their websites;

• Reports and statistics of national associations that collect data from their members; and,

• National banks/supervisory commissions' statistics and reports.

Coverage

The compiled dataset captures data from 156 institutions operating in 30 countries. By country, Romania (30 MFIs) and Bosnia and Herzegovina (25 MFIs) were the countries with the most survey respondents. This geographic distribution is similar to the previous iteration of the survey.

Figure 1: Number of MFIs covered by the survey by country

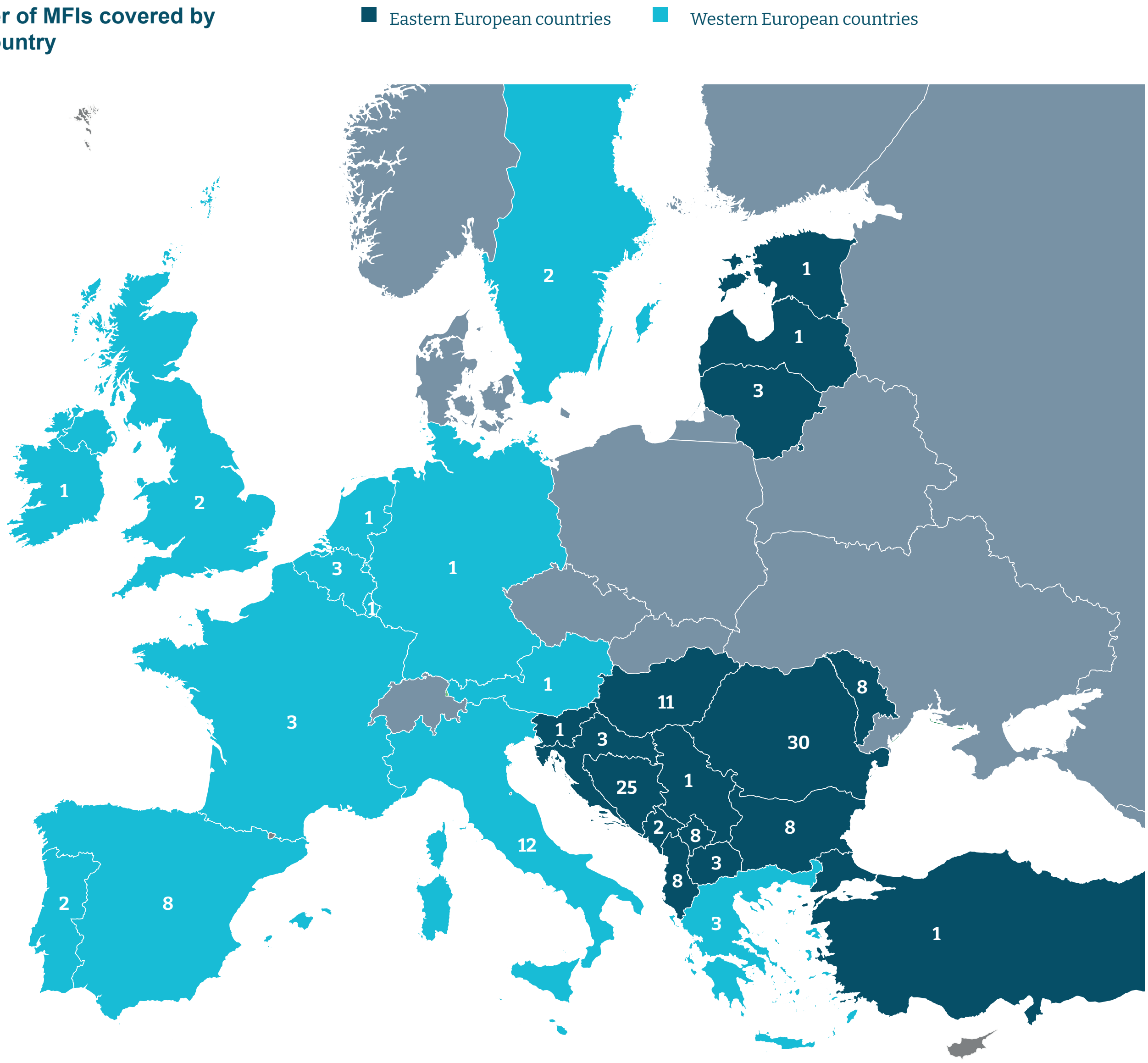


Table 1: Coverage rate by target group

Target group	Total number of contacted institutions	Number of MFIs in the dataset	Coverage rate
Members of EMN and/or MFC	80	64	80%
Members of national networks	219	52	24%
Other MFIs	220	40	18%
Total	520	156	30%

The number of MFIs participating in the survey was higher than the previous 2020 edition (143 MFIs, covering 2018-2019) and the same as the 2019 edition (156 MFIs, covering 2017-2018).

Challenges

During the study, the following challenges were encountered:

- **Varied response rate depending on the affiliation type.** While the response rate among EMN and MFC members was very high (80%), it was lower among members of national networks or unaffiliated institutions. Nevertheless, the main industry actors were covered by the study.
- **Less support from national microfinance networks.** Core national networks which participate in MFC and EMN programmes were quite responsive and supportive to the data collection, while the other networks found it difficult to support an additional data collection since they carry out their own member surveys on an annual basis. As the national networks collect different types of data, their datasets do not contain information useful for this survey.

- **Self-reported data**. As data collected through a survey are self-reported, verification was conducted to ensure the accuracy of the data. Several verification steps were undertaken, such as clarification requests to the respondents, consistency checks between responses provided in the survey, comparisons with data from the previous edition, and verification with secondary data sources.
- **Missing data**. Among the 156 respondents, several institutions did not provide answers to all questions in the survey and some institutions even refused to complete the questionnaire. Institutions which refused to fill in the online survey provided basic data (e.g., scale, size and portfolio quality) via email.

2. Findings

2.1 Overview of the microfinance sector in Europe

The microfinance sector in Europe is diverse. Microfinance services are delivered by various types of institutions operating under different regulatory regimes. Credit unions are the most numerous legal entities providing microloans: there are more than 2,600 credit unions in 13 countries with a total loan portfolio exceeding EUR 9 billion. They predominantly serve low-income people by providing saving opportunities, microloans and money transfers.[2]

Table 2: Outstanding loan portfolio of credit unions operating in Europe as of December 2020

Source: World Council of Credit Unions (WOCCU) Statistical Report 2020

Country	Number of credit unions	Total value of the outstanding loan portfolio (million Euro)	Average gross loan portfolio per once credit union (million Euro)
Albania	14	69	4.9
Croatia	17	57	3.3
Estonia	20	133	6.6
Ireland	301	4 896	16.3
Latvia	34	24	0.7
Lithuania	62	749	21.1
Moldova	228	45	0.2
North Macedonia	1	4	4.1
Poland	23	1 433	62.3
Romania	25	93	3.7
The Netherlands	20	24	1.2
Turkey	1 618	863	0.5
United Kingdom	240	1 101	4.6
Total	2 603	9 492	3.6

2 CU have dedicated regulation at the country level that is different from other non-bank microfinance institutions in Europe.

3 Includes EMN and MFC members, other institutions that are known to EMN and MFC (through their participation in activities such as microfinance conferences, working groups, trainings), as well as members of the national networks and MFIs identified through desk review.

The number of institutions other than credit unions offering microfinance in Europe is substantially smaller. Altogether, we identified 320 non-bank MFIs operating as NGOs and NBFIs.[3]

The largest numbers of NGOs and NBFIs are found in Poland (63 loan funds), Italy (55 foundations, religious organizations and joint stock companies) and the United Kingdom (33 responsible finance providers lending to microbusinesses).

Table 3: Estimated number of NGOs and NBFIs operating in Europe

Source: EMN and MFC database

	Number of NGOs and NBFIs providing microfinance	% share
Albania	12	4%
Belgium	5	2%
Bosnia-Herzegovina	25	8%
Bulgaria	4	1%
Denmark	1	0%
Estonia	3	1%
France	10	3%
Germany	16	5%
Greece	2	1%
Hungary	15	5%
Ireland	4	1%
Italy	55	17%
Kosovo	12	4%
Latvia	2	1%
Lithuania	2	1%
Luxembourg	1	0%
Malta	1	0%
Moldova	4	1%
Montenegro	2	1%
North Macedonia	2	1%
Poland	63	20%
Portugal	2	1%
Romania	14	4%
Serbia	1	0%
Slovakia	1	0%
Spain	20	6%
Sweden	2	1%
Switzerland	1	0%
The Netherlands	2	1%
Turkey	3	1%
United Kingdom	33	10%
Total	320	100%

2.2 Key institutional characteristics

Among the 156 MFIs covered by the survey, NBFIs are the most numerous institutional type (37% of MFIs), followed by NGOs and cooperatives. Eastern European countries made up 74% of the MFIs in the sample, primarily through the NBFI and cooperative institutional form. In Western European countries, more banks engage in microfinance relative to Eastern Europe.

Figure 2: Distribution of MFIs by institutional type (N=156)

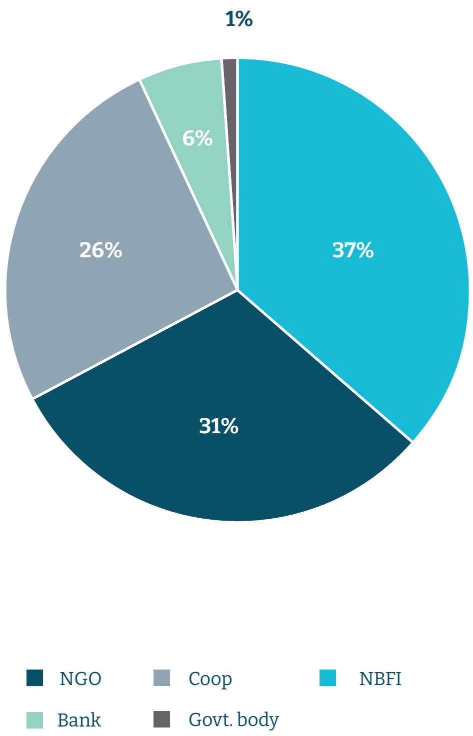
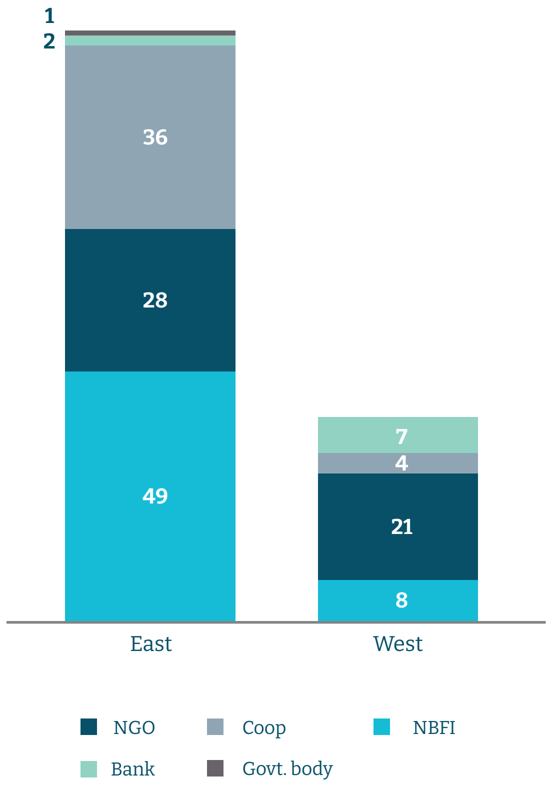


Figure 3: Distribution of MFIs by institutional type and region (N=156)



Half of the surveyed MFIs were established more than 20 years ago, with the oldest institution created 68 years ago. Cooperatives are older on average compared to the other institutional types while governmental bodies are the youngest. The microfinance sector in Western Europe is relatively younger: a quarter of MFIs have existed for more than 20 years; 10% were established after 2016.

Excluding the largest bank, more than 10,000 employees and volunteers are engaged in microfinance activities in Europe. However, most MFIs have a small workforce. One-third of MFIs have fewer than 10 staff or volunteers while another third have between 10 and 50 people. MFIs tend to be smaller in Western Europe, but the difference between Eastern and Western Europe is not large.

Figure 4: Distribution of MFIs by age and institutional type (N=156)

Age groups definitions: Nascent (<5 years), Young (5-8 years), Mature (9-20 years), Very mature (>20 years)

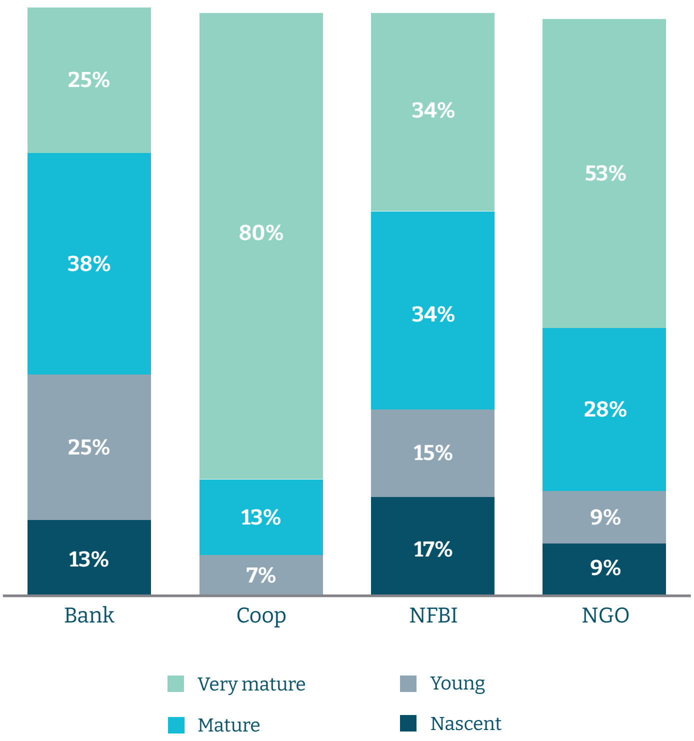


Figure 5: Distribution of MFIs by age and region (N=156)

Age groups definitions: Nascent (<5 years), Young (5-8 years), Mature (9-20 years), Very mature (>20 years)

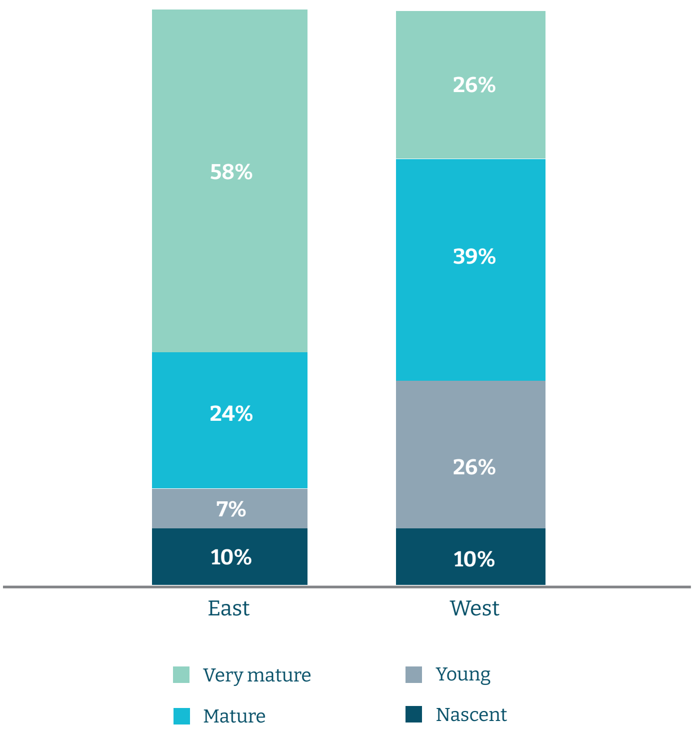


Figure 6: Distribution of MFIs by number of staff and volunteers (N=122)

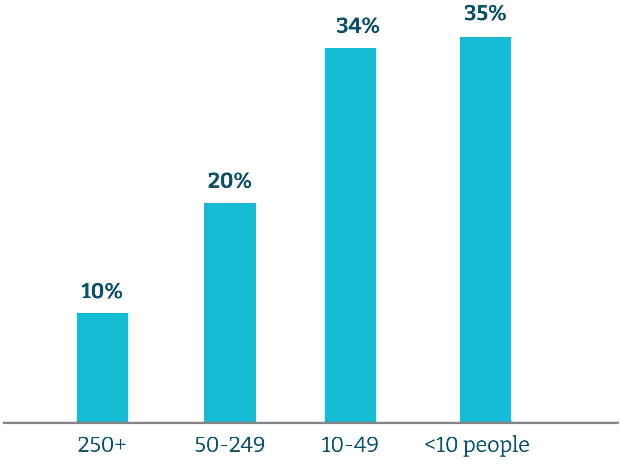


Figure 7: Distribution of MFIs by number of staff and volunteers, by region (N=122)

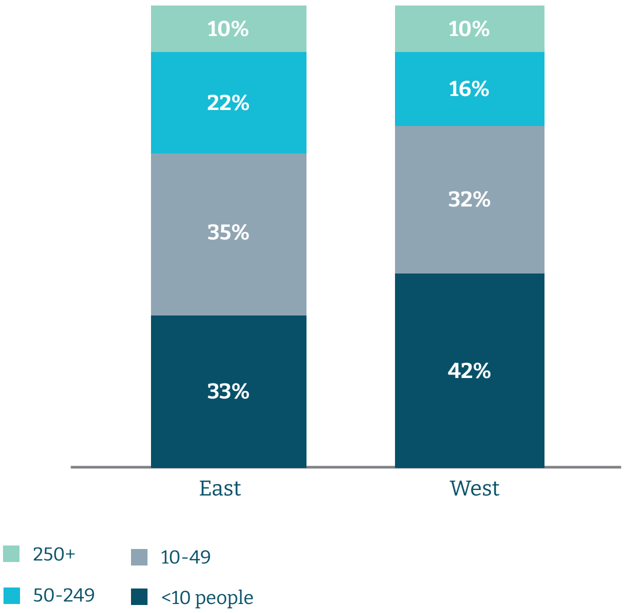


Table 4: Number of staff and volunteers* (N=121)

*data of the largest bank as an outlier have been removed

	Total number of paid staff	Total number of volunteers
East	6 910	30
West	1 303	2 128
Total	8 213	2 158

19 of the 156 surveyed MFIs engage volunteers, which account for 16% of the total MFI workforce. Volunteers are predominantly engaged in Western Europe, where they exceed the number of paid employees.

On average, women constitute 63% of paid staff. More women are employed, on average, in the East (68%) compared to the West (52%). Cooperatives hire more women for paid positions than other institutional types. A similar share of women is employed in both Eastern and Western NGOs while there are more women in Eastern European NBFIs.

Figure 8: Average share of women among paid staff by MFI type (N=87)

*data of the largest bank as an outlier have been removed

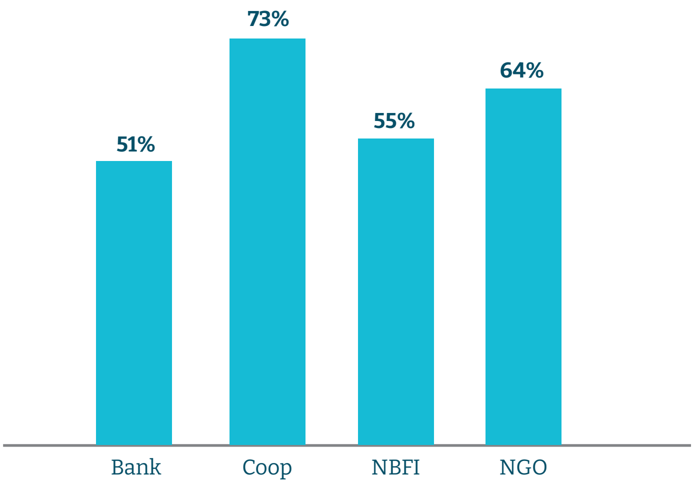
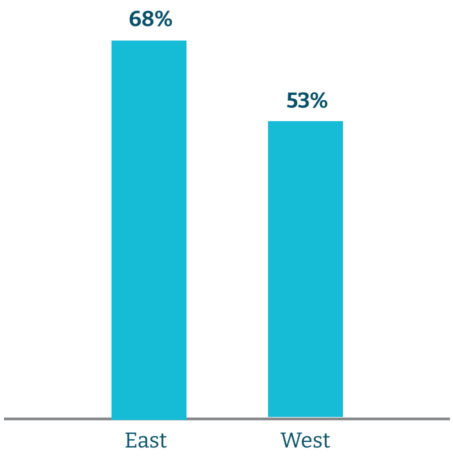


Figure 9: Average share of women among paid staff by region (N=88)



4 119 MFIs provided information about financial and non-financial services.

2.2.1 Products and services

MFIs provide a variety of financial and non-financial products and services. 76% of surveyed MFIs provide both types of services while 24% exclusively provide financial products and services.[4]

Supplementing financial services with non-financial services is more common for MFIs in Western countries (87% of MFIs). Among institutional types, banks are the least likely to provide non-financial services (63% of MFIs).

Financial products

Business loans for micro-enterprises (78% of MFIs) and personal loans (61% of MFIs) are the two most popular products. In total, 46% of MFIs provide both business (micro, SME or agricultural loans) and personal or housing loans. Only 17% of MFIs provide strictly personal or housing loans without offering any business loan products.

Eastern European MFIs are more likely to provide agricultural, personal and housing loans. By contrast, Western MFIs more often offer microenterprise and SME loans and other types of financial services, such as insurance, accounts and payment services.

Figure 10: Distribution of MFIs by provision of non-financial services and region (N=119)

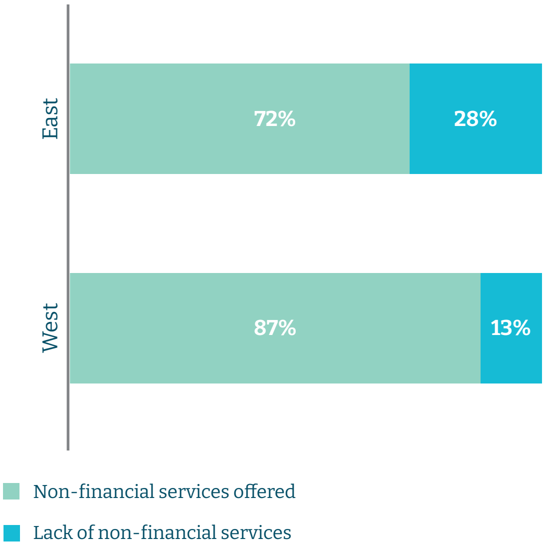


Figure 11: Distribution of MFIs by provision of non-financial services and institutional type (N=118)

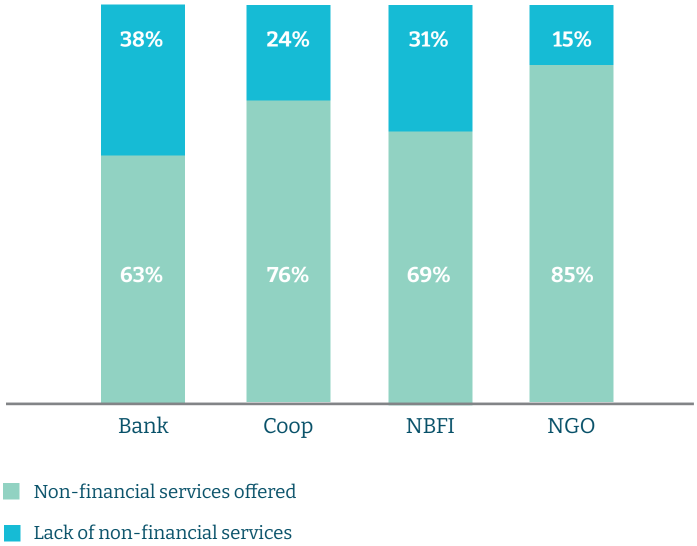


Figure 12: Share of MFIs providing financial products (N=156)

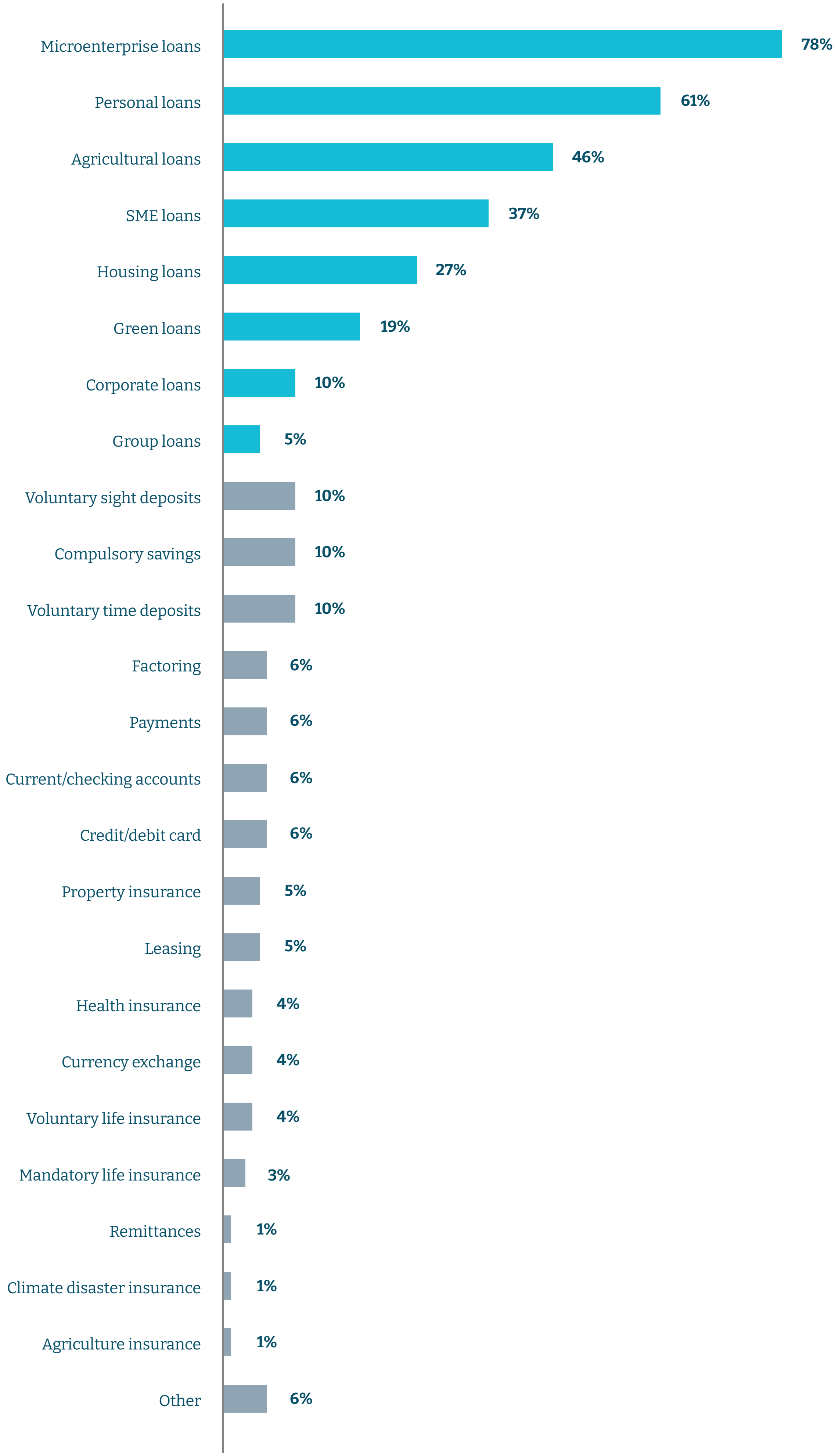
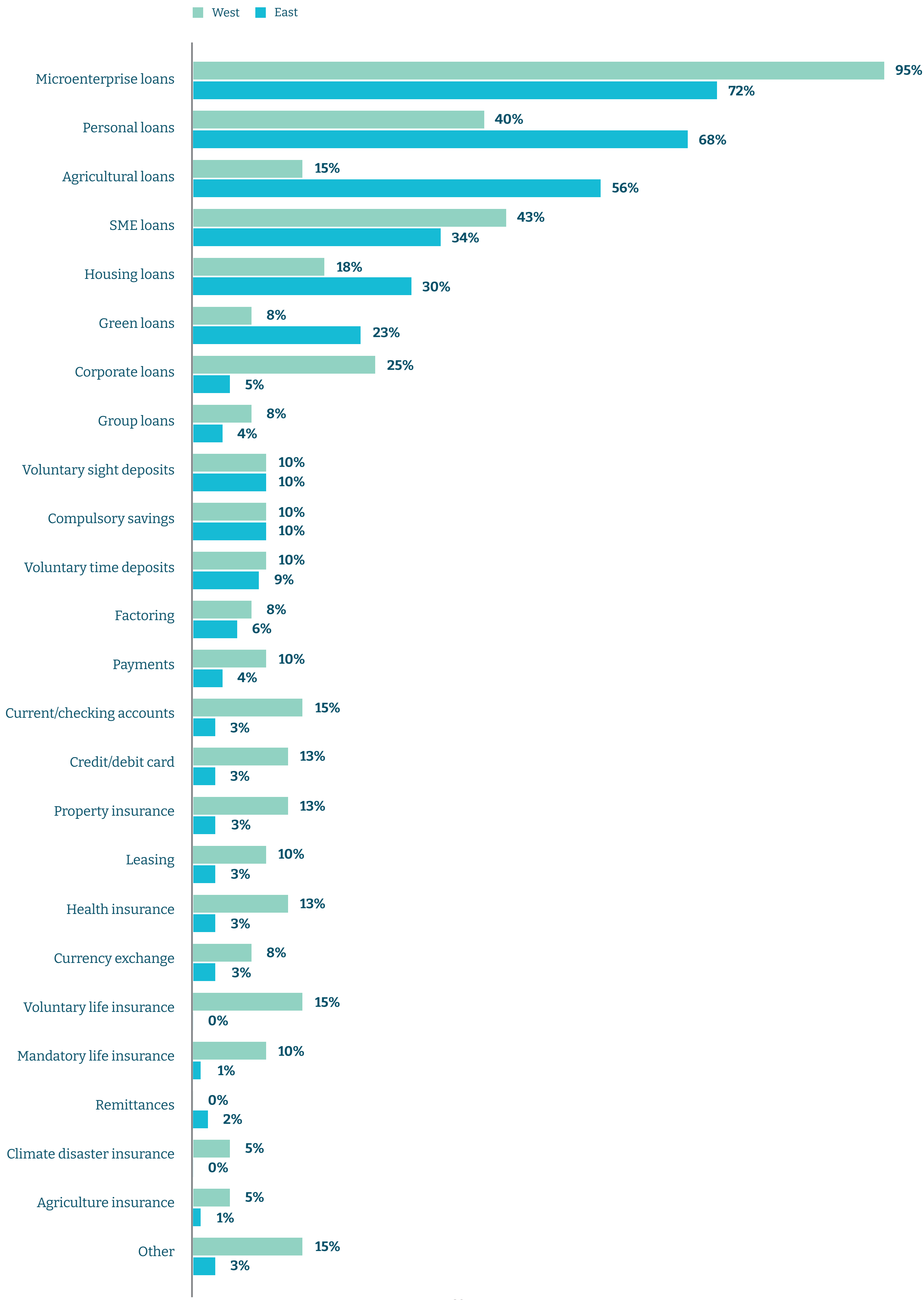


Figure 13: Share of MFIs providing financial products by region (N=156)



2.2.2 Non-financial products

The most popular type of non-financial service offered by MFIs are business development services to existing enterprises (48% of MFIs). However, providing more than one type of development service was not uncommon. Over one-third of MFIs (38%) provide more than one type of non-financial service.

Among institutional types, cooperatives favor client development services, while NBFIs prioritize business development services. Entrepreneur development services are more often delivered by NGOs compared to other institutional types. These results are related to the type of clients served by MFIs, where credit cooperatives often serve individuals with personal loans while NBFIs serve established businesses and NGOs provide entrepreneurship development services to start-up enterprises.

Figure 14: Distribution of MFIs by type of non-financial service offered (N=119)

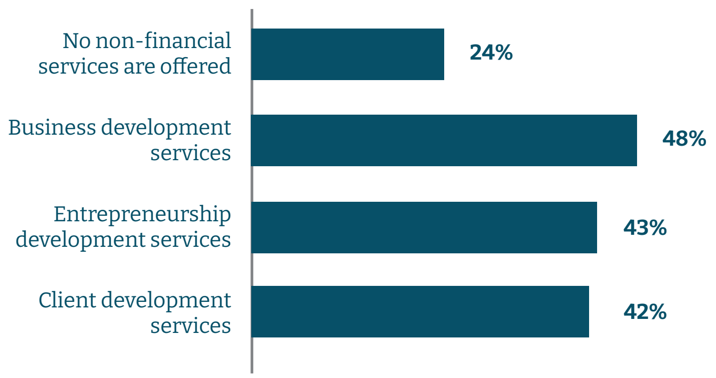
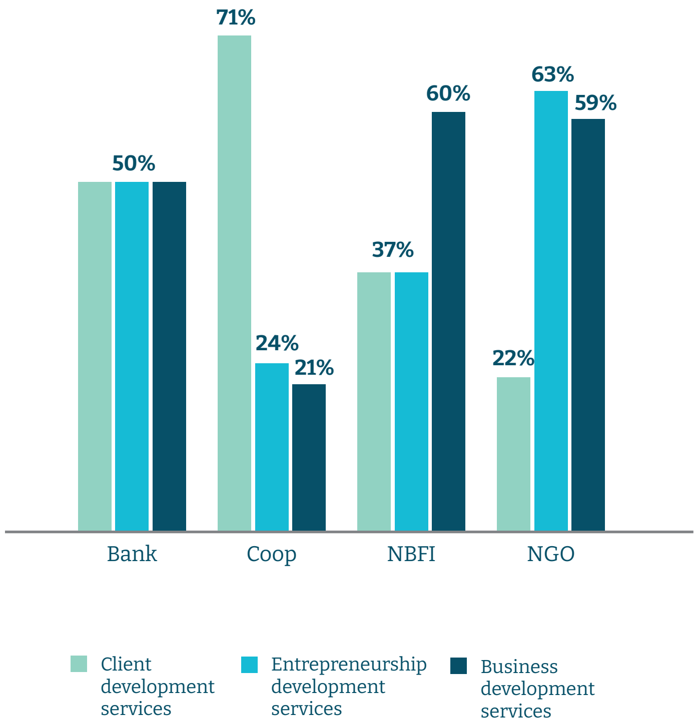


Figure 15: Distribution of MFIs by institutional type and type of non-financial service offered (N=118)



Client development services are the least popular service in Western Europe as the vast majority of MFIs engage in business development or entrepreneurship development services (Figure 16). In Eastern Europe, comparable numbers of MFIs engage in each type of non-financial service. Client development services are provided slightly more often compared to the other types as Eastern European MFIs provide more personal and housing loans and support their clients in household budget management through client development services.

In most MFIs, non-financial services are provided by loan officers (72% of MFIs provide non-financial services via loan officers). Only 48% of MFIs used other employees to provide non-financial services. Nearly one-third of MFIs (31%) outsource non-financial services to other institutions or individual consultants while 25% of MFIs engage volunteers in the provision of non-financial services (Figure 17).

Figure 16: Distribution of MFIs by region and non-financial service offered (N=119)

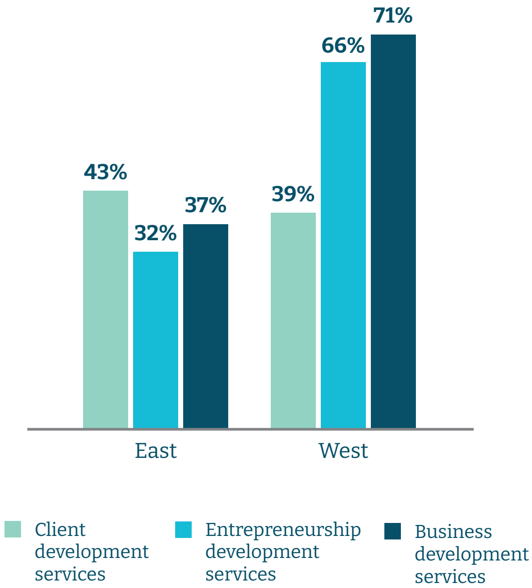


Figure 17: Distribution of MFIs by modality of delivery of non-financial services (N=71)

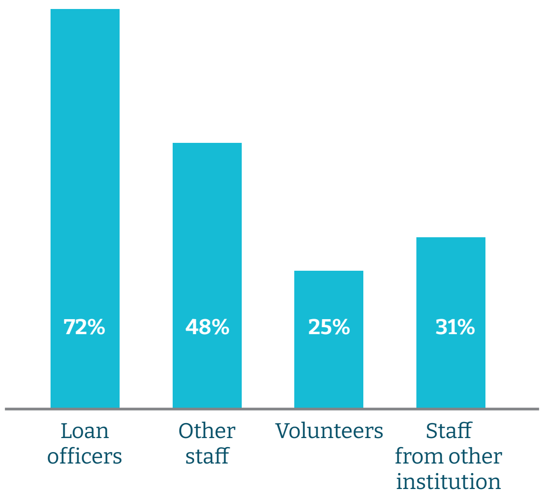
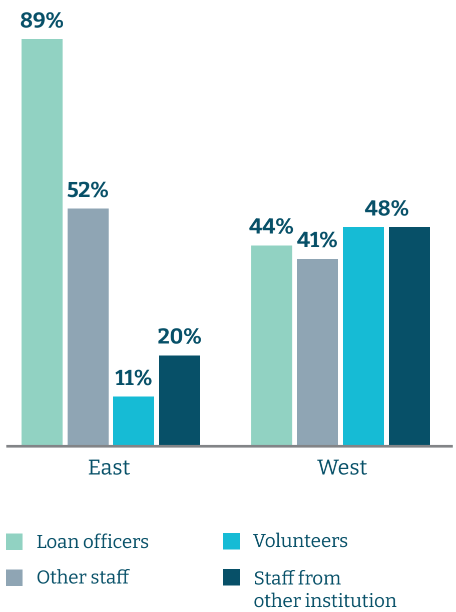


Figure 18: Distribution of MFIs by modality of delivery of non-financial services and region (N=71)



Eastern European MFIs primarily use loan officers to deliver non-financial services in person. Western European MFIs appear to be relatively indifferent between using loan officers, other staff, volunteers or external parties in the provision of non-financial services (Figure 18).

By institutional type, NGOs more likely than other institutional types to engage diverse providers of non-financial services. By contrast, cooperatives rely heavily on their loan officers (Figure 19).

In terms of delivery channel, one-on-one support is the most common way of delivering non-financial services (Figure 20). One-on-one support is predominantly delivered in person (>85% of MFIs) for all three non-financial services (client, entrepreneurship and business development services). By contrast, one-on-one assistance via virtual channels is provided by approximately half of the MFIs. Group support is less common and is equally likely to be delivered in person or online for entrepreneurship and business development services. Client development services in groups are more often conducted in person. Online self-service is the least often provided among all service delivery modalities.

Figure 19: Distribution of MFIs by modality of delivery of non-financial services and institutional type (N=70)

*For confidentiality reasons, data of a government body was excluded

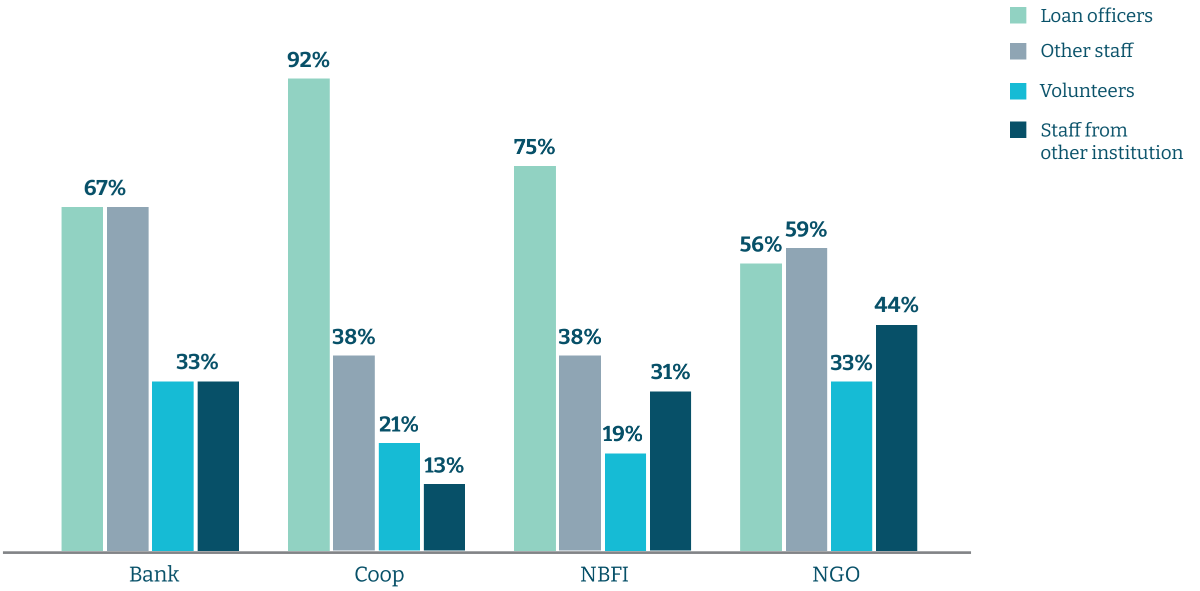
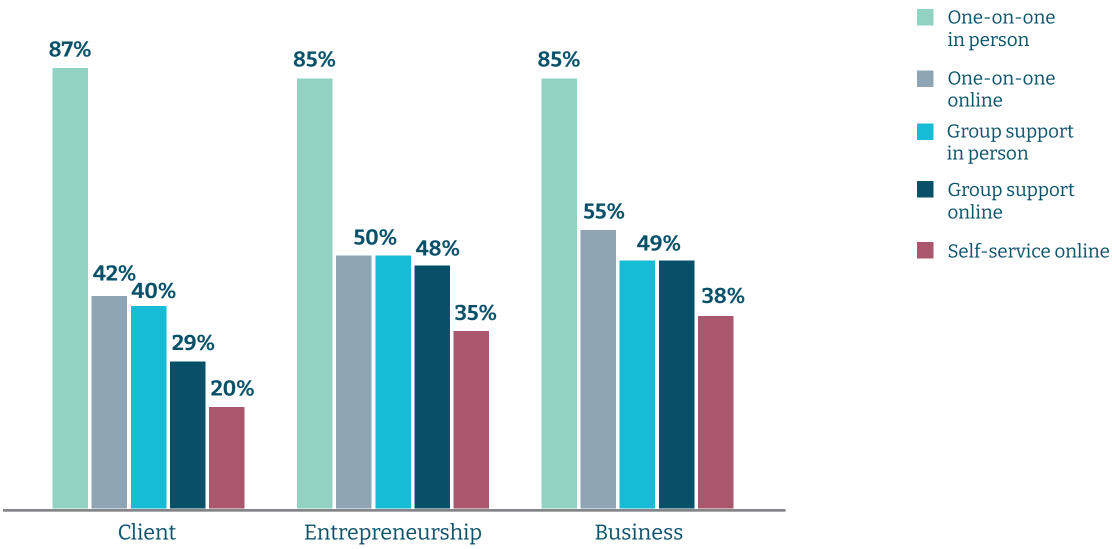


Figure 20: Distribution of MFIs by delivery channel of non-financial services (N=66)



In 2021, 178,000 beneficiaries received non-financial services compared to 151,000 in 2020.[5] 69% of the beneficiaries in 2021 were located in Eastern Europe and 31% Western Europe.

Two-thirds of recipients (65%) received assistance while repaying an outstanding loan. 45% of MFIs offering non-financial services provided them only to their active borrowers and did not provide services to any other groups, such as potential borrowers.

5 56 institutions provided data on this topic.

2.3 Microlending activities

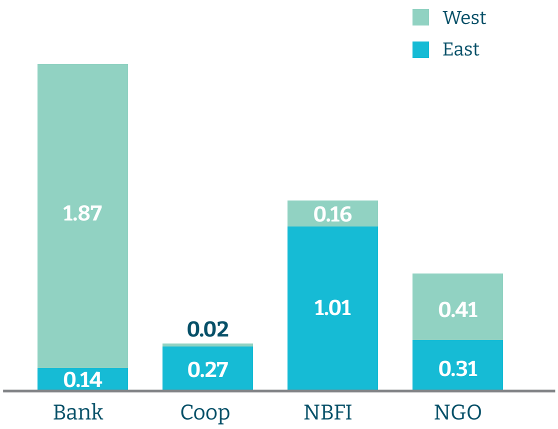
2.3.1 Microlending portfolio

The total gross microloan portfolio value reached EUR 4.3 billion by the end of 2021.

Banks managed the largest share of the portfolio (EUR 2 billion; 47% of the total portfolio) followed by NBFIs (EUR 1.2 billion; 27%), NGOs (EUR 0.7 billion; 17%) and cooperatives (EUR 0.3 billion; 7%). The microloan portfolio is highly concentrated, with one bank managing 40% of the total gross microloan portfolio in Europe.

Geographically, the microfinance sector in Western Europe is larger compared to Eastern Europe in terms of gross microloan portfolio – 57% versus 43% (Figure 21). However, the scale of MFIs and different institutional types illustrate large differences between Eastern and Western Europe. The microloan portfolio of banks is mostly located in Western Europe, while the portfolios of NBFIs and cooperatives are concentrated in Eastern Europe. NGOs have almost equal volume in Western and Eastern Europe.

Figure 21: Distribution of the total gross loan portfolio by region and institutional type (N=137)



The size of the gross microloan portfolios ranges from several thousands of euros to billions of euros across surveyed MFIs. Therefore, to better present the central tendency of surveyed MFIs, Table 5 displays the median values of gross microloan portfolio instead of the mean averages.[6]

Half of surveyed MFIs have a microloan portfolio of less than EUR 4 million. The median microloan portfolio values are comparable across Western and Eastern Europe (EUR 3.4 million vs. EUR 3.9 million). By institutional type, banks are the largest (EUR 105 million), followed by NBFIs (EUR 7.7 million), cooperatives (EUR 2 million) and NGOs (EUR 1 million).

Table 5: Median values of gross microloan portfolio in 2021 by institutional type and region

		Median gross loan portfolio (EUR) N=137
	All MFIs	3 942 719
Institutional type	Bank	105 000 000
	Coop	2 171 431
	NBFI	7 733 205
	NGO	1 188 357
Region	East	3 942 719
	West	3 447 040

Table 6: Median values of gross microloan portfolio of business and personal loans in 2021 by institutional type and region

		Median gross loan portfolio (EUR) N=137	
		Business loans	Personal loans
	All MFIs	4 053 404	2 668 196
Institutional type	Bank	326 086 243	547 999 503
	Coop	2 879 152	1 272 551
	NBFI	11 916 194	27 065 757
	NGO	928 460	7 179 600
Region	East	6 994 716	2 389 357
	West	2 669 545	6 817 193

6 The median is the middle value and is determined by ranking the data from largest to smallest, and then identifying the middle so that there are an equal number of data values larger and smaller than it is. Median gives a better representation of central tendency than the mean average if data values are clustered toward one end of the range and/or if there are a few extreme values (called "skewness").

Analysis of business and personal microloan portfolios was conducted on a sub-sample of 64 institutions. The median business microloan portfolio is higher than personal microloan portfolios (EUR 4 million vs. EUR 2.7 million). By institutional type, business loan portfolios follow the same pattern as the total portfolio: banks have the largest portfolios, followed by NBFIs, cooperatives and NGOs. For personal microloan portfolios, the median value is the highest for banks, followed by NBFIs and NGOs. Cooperatives have the lowest median personal loan portfolio of all institutional types.

The total gross microloan portfolio grew by 11% from 2020 to 2021, from EUR 4.0 to EUR 4.4 billion. Excluding the largest bank, the business microloan portfolio grew by 14% between 2020 and 2021.

The growth rate was slightly higher in Eastern Europe (13%), compared to the West (10%). However, excluding the largest bank, the growth of Western European MFIs was 17%. By institutional type, banks increased their microloan portfolio by 5%, NBFIs by 24%, while NGOs and cooperatives grew by 7%.

The analysis of a sub-sample of MFIs shows that the personal microloan portfolio grew faster than business portfolio (13% vs. 8%) for all institutional types except cooperatives (for both Eastern and Western Europe).[7] The highest personal microloan portfolio growth was seen among NBFIs (22%).

7 The sub-sample of 60 MFIs provided information about the size of their portfolios in the segments of business and personal loans, so the results of the analysis cannot be compared with the findings presented in Table 7 where the growth rate of a larger sample of 137 institutions is presented.

Table 7: Total growth of microloan portfolio between 2020 and 2021

		2020-2021 growth N=137
	All MFIs	11%
Institutional type	Bank	5%
	Coop	7%
	NBFI	24%
	NGO	7%
Region	East	13%
	West	10%

Table 8: Total growth of business and personal microloan portfolio between 2020 and 2021

		2020-2021 growth N=60	
		Business loans	Personal loans
	All MFIs	8%	13%
Institutional type	Bank	1%	12%
	Coop	12%	1%
	NBFI	13%	22%
	NGO	8%	16%
Region	East	15%	18%
	West	4%	11%

2.3.2 Active microborrowers

In total, 1.38 million microborrowers had active loans at the end of 2021.

Microborrowers are almost equally distributed among two institutional types: banks and NBFIs, which each serve 30% of microborrowers. NGOs and cooperatives serve 20% and 17% of MFI clients respectively. 62% of active microborrowers are served by Eastern European MFIs and 38% by Western European MFIs.

Figure 22: Distribution of active microborrowers by institutional type (N=116)

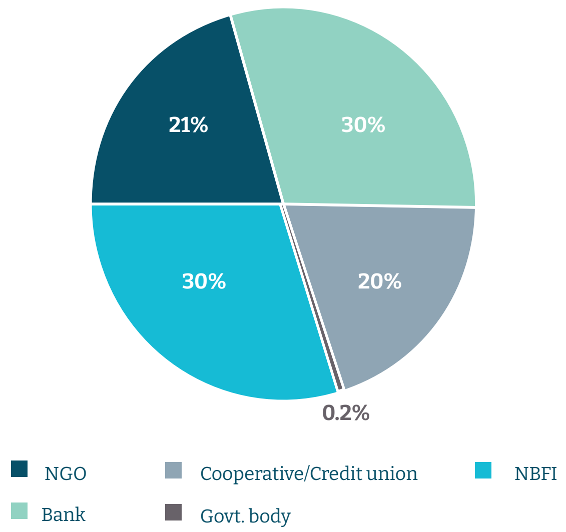
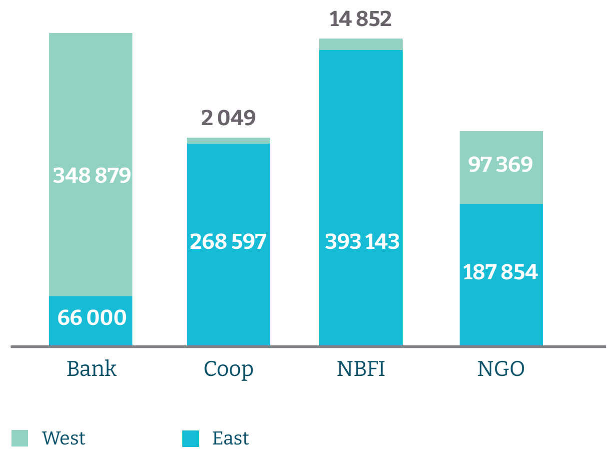


Figure 23: Distribution of active microborrowers by region and institutional type (N=115)

*For confidentiality reasons data of one government body was excluded



Except for NGOs and governmental bodies, all other institutional types have more personal loan clients than business loan clients (Figure 24). There was little difference in the distribution of loan types between Eastern and Western European MFIs (Figure 25).

Figure 24: Distribution of active microborrowers by loan type and institutional type (N=73)

*For confidentiality reasons data of one government body was excluded

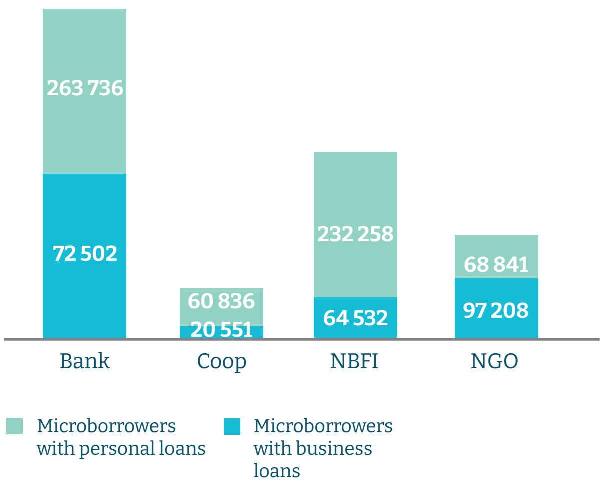
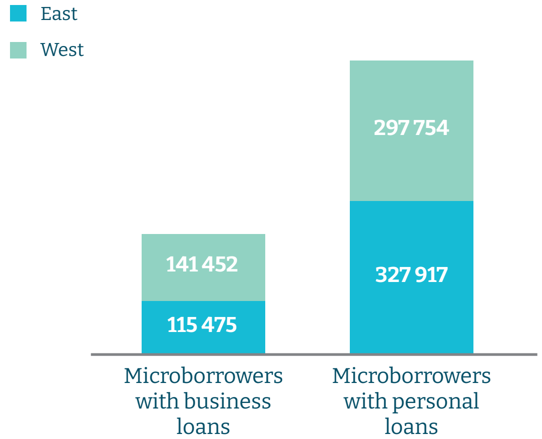


Figure 25: Distribution of active microborrowers by loan type and region (N=73)



Half of surveyed MFIs had fewer than 1,841 active microborrowers in 2021. Banks had the largest outreach (median of 38,130 microborrowers) while NGOs the lowest outreach (median of 120 borrowers). Western MFIs reported lower outreach (median of 181 microborrowers) compared to Eastern MFIs (median of 2,325 microborrowers) (see Table 9).

The median number of microborrowers with personal loans exceeded the median number of microborrowers with business loans for all institutional types (Table 10). In Eastern Europe, the median outreach was higher for personal loans while Western Europe recorded larger median outreach for business loans.

The number of active microborrowers increased by 4% between 2020 and 2021. Personal microloans (8%) grew slightly faster than business microloans (5%). The outreach of different institutional types grew at a similar pace, with the exception of cooperatives which observed a small decrease in the number of microborrowers. Western MFIs reported higher growth than Eastern MFIs (6% and 3%, respectively).

The analysis of a sub-sample of MFIs showed personal microloans grew more dynamically than business microloans, except for the institutional category of NGOs where the opposite trend was observed.[8]

8 The sub-sample of 69 MFIs provided information about their outreach in the segments of business and personal loans. Consequently, the results of the analysis cannot be compared with the findings presented in Table 12 where the growth rate of a larger sample of 112 institutions is presented.

Table 9: Median values of the number of active microborrowers in 2021

		Active microborrowers N=116
	All MFIs	1 841
Institutional type	Bank	38 130
	Coop	2 224
	NBFI	1 800
	NGO	120
Region	East	2 325
	West	181

Table 10: Median values of the number of active microborrowers with business and personal microloans in 2021

		Active microborrowers N=73	
		Borrowers with business microloans	Borrowers with personal microloans
	All MFIs	235	1 845
Institutional type	Bank	72 502	263 736
	Coop	124	1 769
	NBFI	1 486	8 532
	NGO	49	753
Region	East	1 017	1 950
	West	125	92

Table 11: Growth rates of the number of active microborrowers between 2020 and 2021

		2020-2021 growth N=112
	All MFIs	4%
Institutional type	Bank	5%
	Coop	-1%
	NBFI	5%
	NGO	3%
Region	East	3%
	West	6%

Table 12: Growth rates of the number of active microborrowers between 2020 and 2021

		2020-2021 growth N=69	
		Business loans	Personal loans
	All MFIs	5%	8%
Institutional type	Bank	n/a	n/a
	Coop	-2%	1%
	NBFI	-0.3%	9%
	NGO	16%	11%
Region	East	7.7%	8.2%
	West	3%	9%

Table 13: Business and personal microloan attributes

	Business microloans	Personal microloans
Average term (months)	37.7	32.5
Average interest rate APR	11.3%	18.7%

2.3.3 Microloan terms and conditions

The attributes of business and personal loans differ substantially. On average, business loans are larger in size, of longer duration and with lower interest rates (Table 13).

Business microloans

Business APRs differ by institutional type. On average, NBFIs charge the highest interest rate and have the largest range between the highest and lowest rates. Banks charge the lowest interest rates and have the lowest range. Eastern European MFIs tend to charge higher interest rates than their Western European counterparts (Figures 26 and 27).

Figure 26: Average APR on business loans by institutional type (N=51)

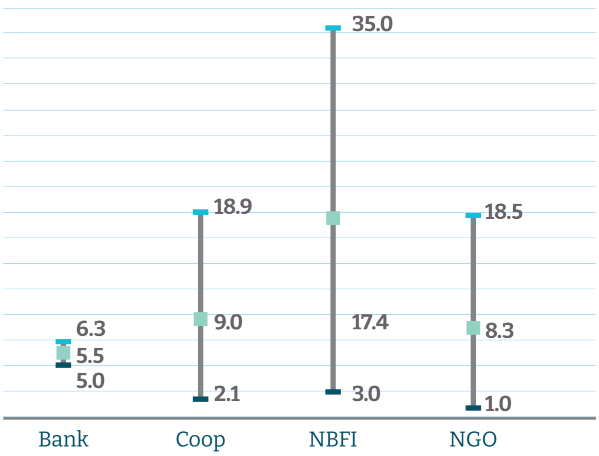
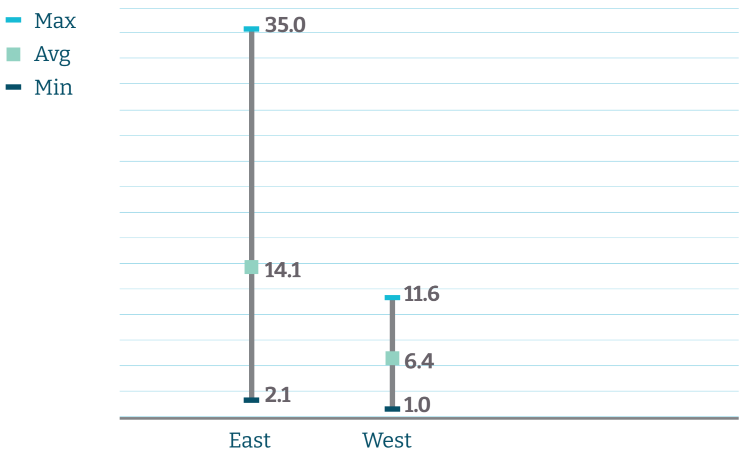


Figure 27: Average APR on business loans by region (N=51)



Personal microloans

Similar to business microloans, NBFIs charge the highest interest rates on personal microloans and Eastern European NGOs and NBFIs charge higher interest rates than their Western European counterparts.

Figure 28: Average interest rate APR on personal microloans by institutional type (N=46)

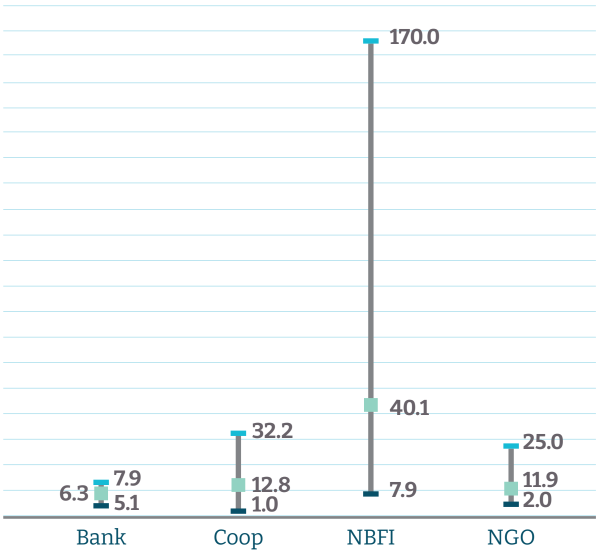
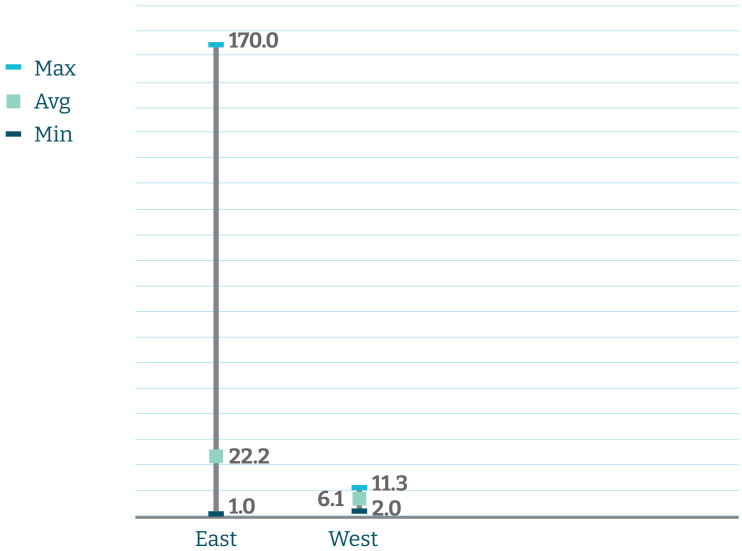


Figure 29: Average interest rate APR on personal microloans of NGOs and NBFIs by region (N=46)



2.4 Social performance

2.4.1 Primary goal of operations

Overwhelmingly, financial inclusion is the primary reported objective by surveyed MFIs (Figure 30).

Financial inclusion is the primary reported objective by all institutional types. Regarding other goals, banks and NBFIs tend to focus on the development of existing businesses while NGOs focus on poverty reduction. Notably, 13% of banks selected job creation as their main goal (Figure 31).

By region, start-up development, job creation and poverty reduction are more often pursued by Western NGOs than their Eastern counterparts (Figure 32).

Figure 30: Distribution of MFIs by the primary goal of operations (N=146)

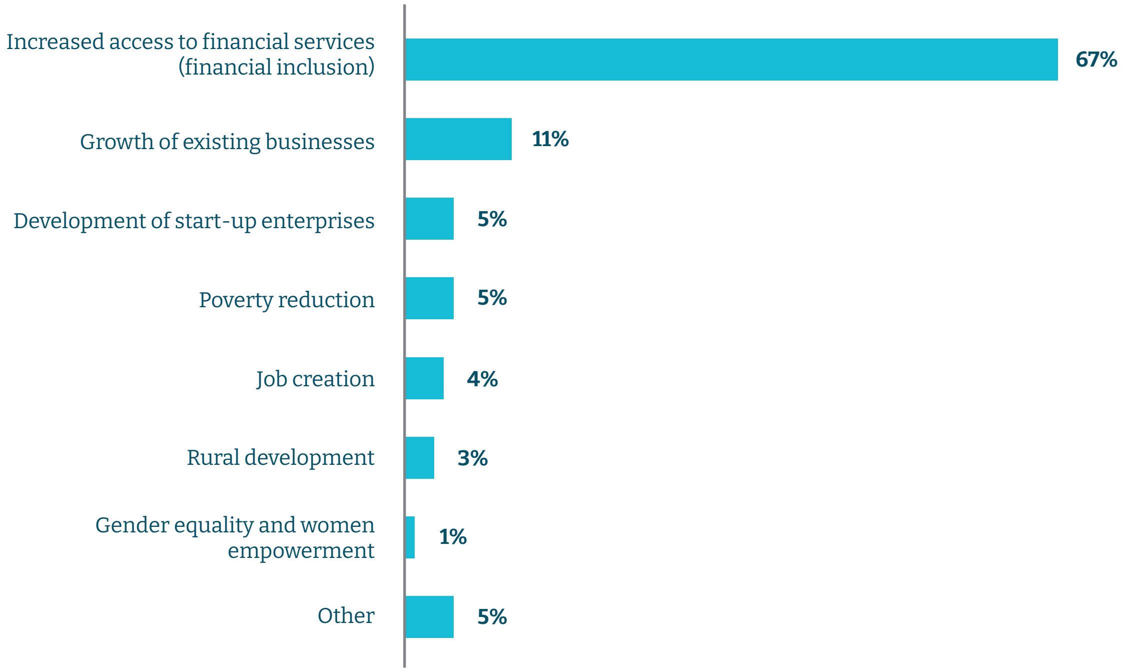


Figure 31: Distribution of MFIs by institutional type and the primary goal of operations (N=145)

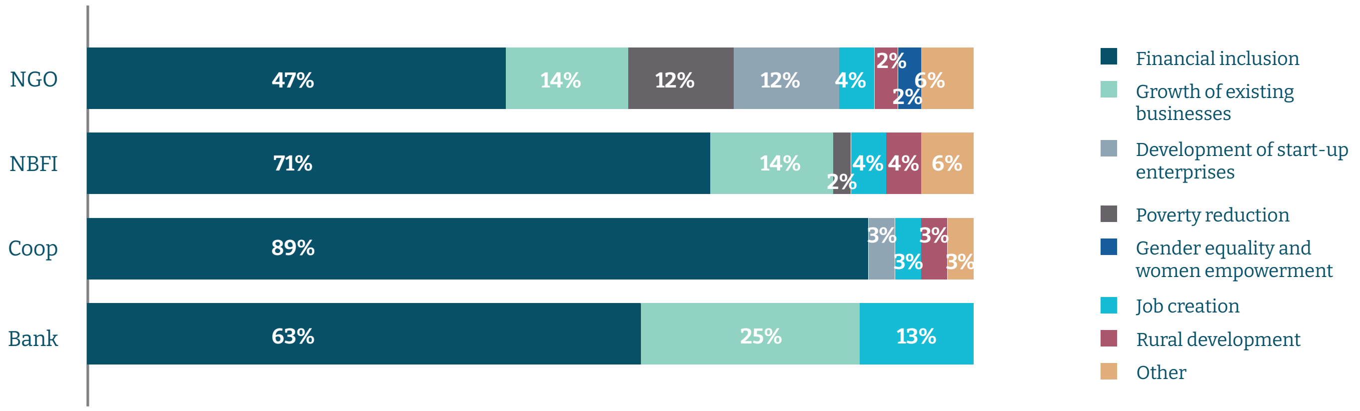
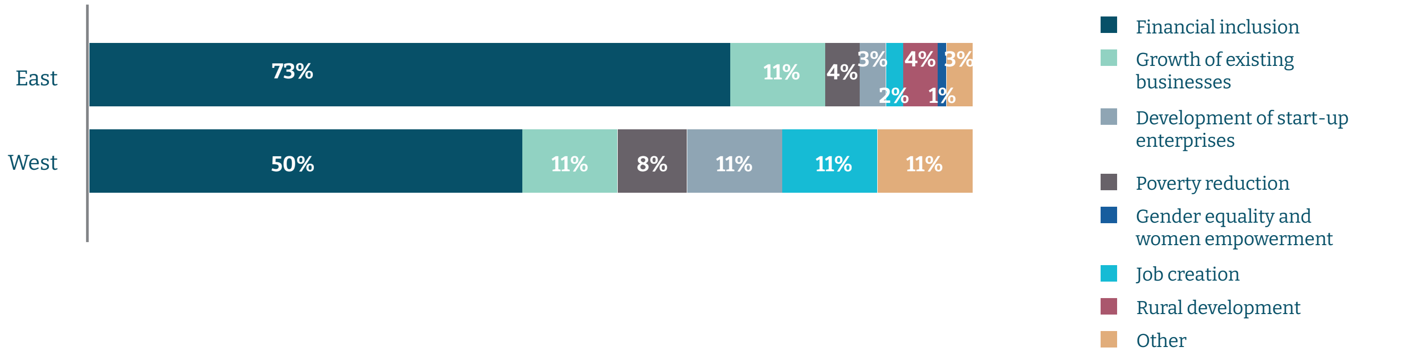


Figure 32: Distribution of NGOs and NBFIs by region and the primary goal of operations (N=146)



Guarantees

Depending on loan type or client characteristics, MFIs often ask clients for various types of guarantees to secure their loans (Figure 33). In these cases, most MFIs require the loan to be guaranteed by another person who becomes an individual guarantor (67% of MFIs) or a co-signer (41% of MFIs). Asset collateral is also frequently used to secure lending to clients (34% of MFIs). Nevertheless, a substantial number of MFIs (35%) provide uncollateralized loans to some of their clients.

Figure 33: Types of guarantees requested from borrowers (N=82)

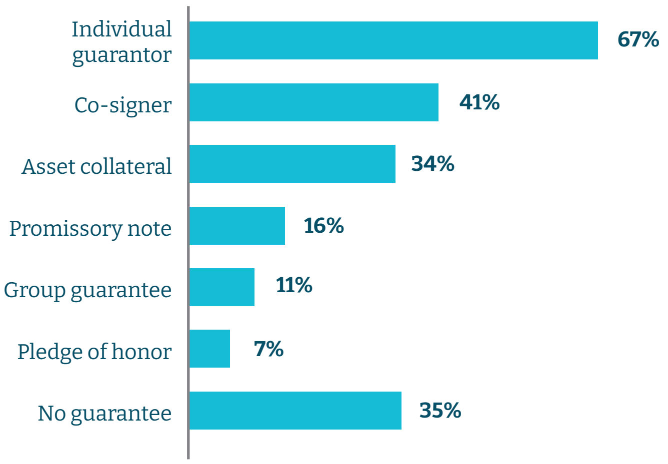
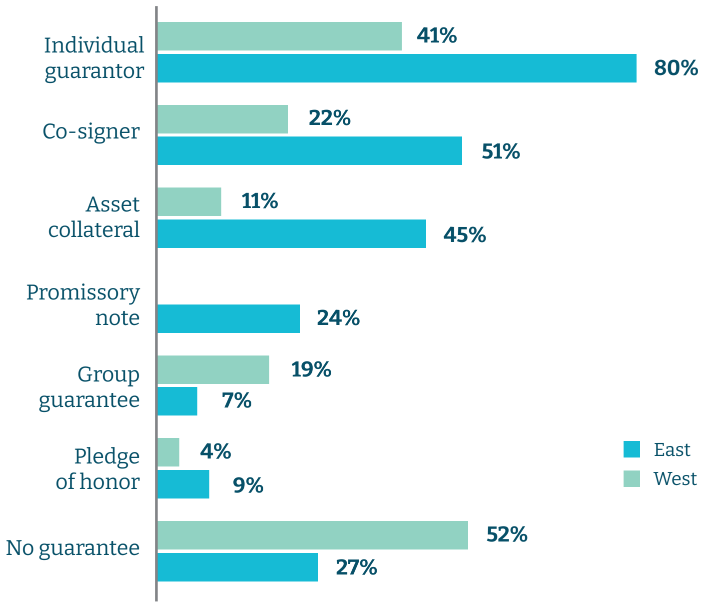


Figure 34: Types of guarantees requested from borrowers by region (N=82)

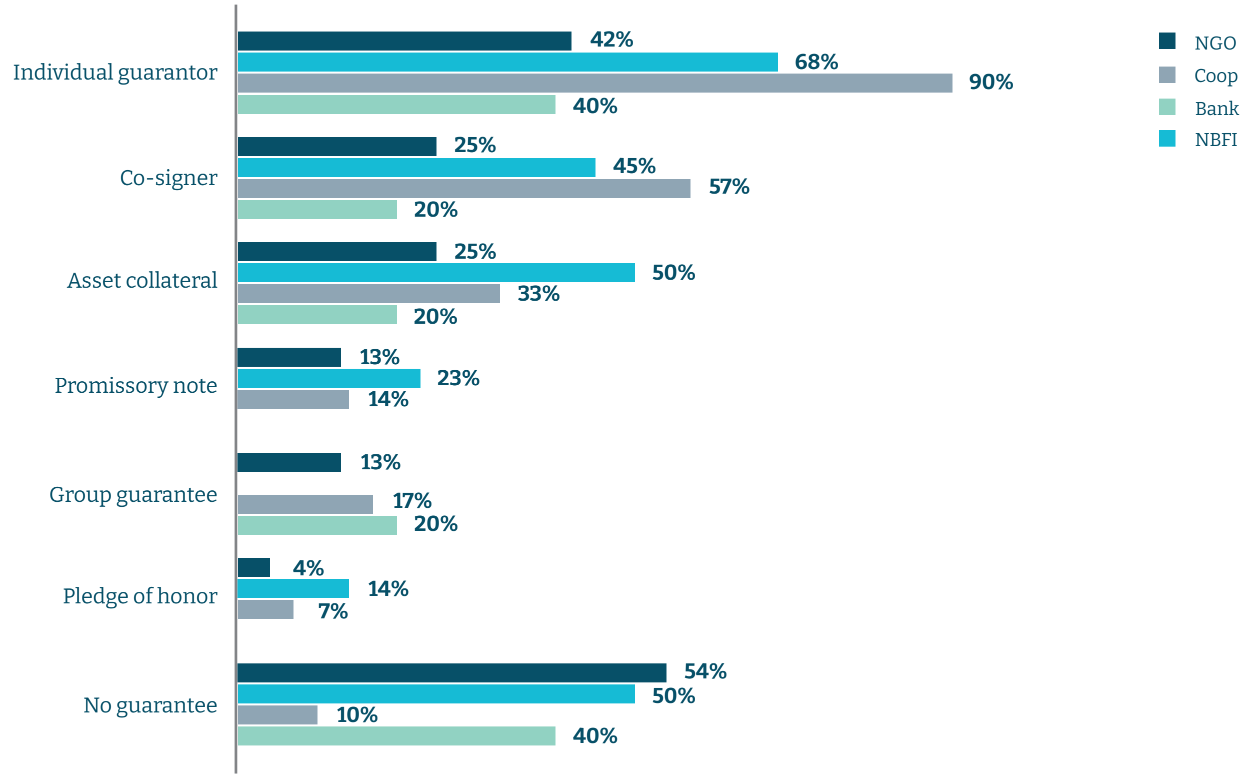


There are large differences between regions (Figure 34). Western European MFIs less likely to ask for additional security features, except in the case of group guarantees. Eastern European MFIs primarily request personal guarantees or asset collateral.

By institutional type, guarantee-free loans were offered by most NGOs and NBFIs; 40% of banks offered loans without any guarantee (Figure 35). By contrast, cooperatives often expected their clients to have an individual guarantor to secure the loan.

Figure 35: Types of guarantees requested from borrowers by institutional type (N=81)

*For confidentiality reasons data of one government body was excluded

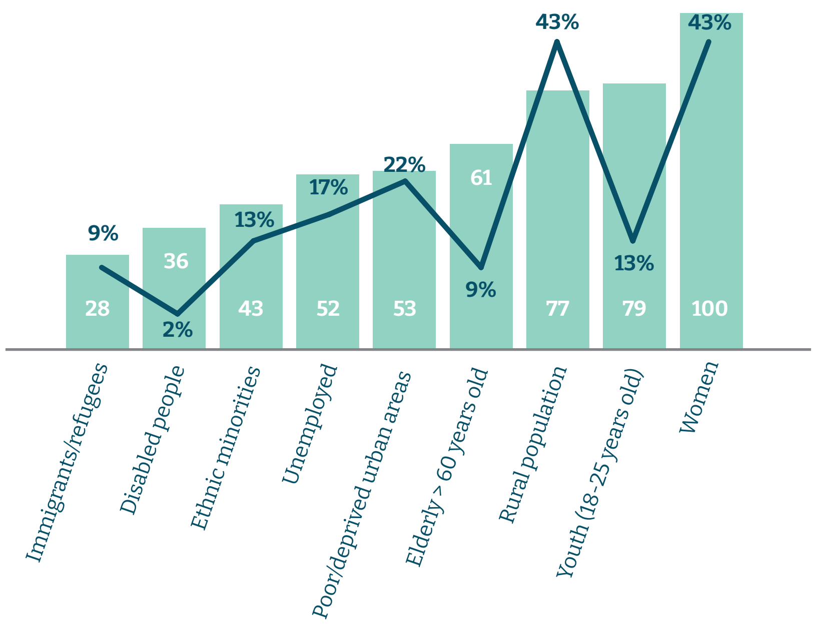


2.4.2 Target groups

Figure 36 illustrates the number of MFIs serving each target group and the share of the targeted clients among the borrowers.

Women are the most frequent target group (100 MFIs target women). However, women make up less than half of the clients among MFIs targeting this segment (43% of borrowers). Young people are the second most popular target group served by 79 MFIs, but there are only 13% of young people (18-25 years old) among borrowers for MFIs aiming to serve this population. Rural clients are another popular target group of MFIs (77 MFIs) and make up 42% of the client base for these MFIs.

Figure 36: Target groups (N=109 MFIs; N=78 MFIs providing # of borrowers by target group)



Several MFIs plan to start or increase their engagement towards migrant/refugee populations through financial and non-financial products and services in the next two years (Figure 37). MFIs that already target migrants/refugees are mainly NGOs located in Western Europe. MFIs that are considering engagement in migrant support are NBFIs and cooperatives, both in Eastern and Western Europe.

Guarantees are the most desired form of support for MFIs wishing to increase their engagement in migrant support, followed by grants to support the provision of non-financial services (Figure 38). 28% of respondents do not see a need to serve migrants/refugees in their markets.

Figure 37: Distribution of MFIs by plans to support migrants/refugees (N=83)

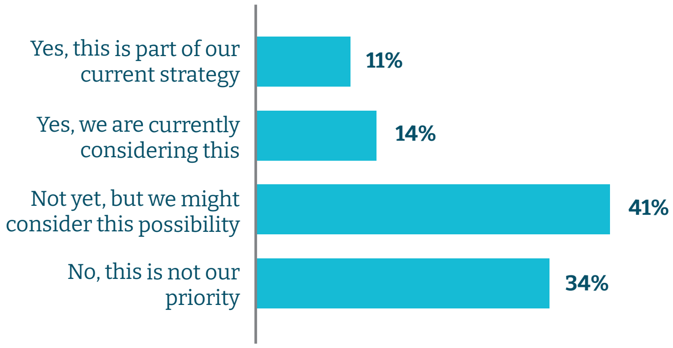
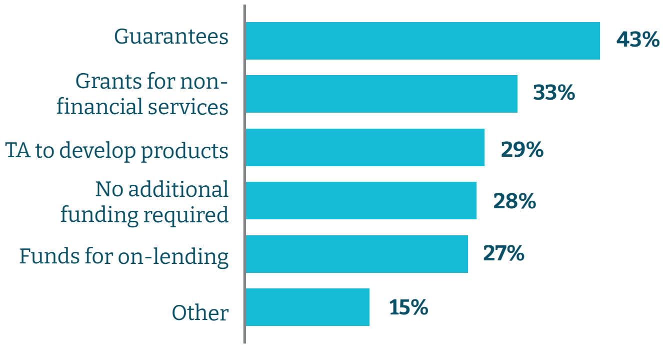


Figure 38: Distribution of MFIs by type of support needed to serve migrants/refugees (N=83)



2.4.3 Average outstanding loan balance

In 2021, the median average outstanding loan balance per borrower was EUR 3,068 (Table 14). This figure indicates that most MFIs provide very small loans. The highest outstanding loan balance per borrower was observed among NGO borrowers (EUR 7,192) while the lowest figure was reported for clients of cooperatives (EUR 1,814). There are large differences between Eastern and Western Europe; Western MFIs reported much higher median loan balances. This regional difference was observed among borrowers across all institutional types.

Table 14: Median outstanding loan balance per borrower in EUR (N=114)

*For confidentiality reasons, data of one bank in the East are not disclosed

	East	West	Total
Bank *	x	5,123	3,645
Coop	1,650	7,270	1,814
NBFI	2,519	12,948	4,240
NGO	4,364	8,840	7,192
Total	2,375	8,840	3,068

9 Expressing average balance as a percentage of GNI per capita allows for international comparisons.
10 Outliers, i.e., values +/- 3 standard deviations of the average, were removed.

2.4.4 Depth of outreach

On average, surveyed MFIs serve a relatively broad target market. The average depth of outreach, expressed as the average loan balance to GNI per capita, was 56% in 2021.[9,10]

37% of MFI respondents serve low-end clients with loans not exceeding 20% of the GNI per capita. However, half of MFIs serve a broad clientele base with loans ranging from 20% to 100% of GNI per capita.

By institutional type, cooperatives are the most likely to serve low-end clients (65% of MFIs), while almost one-fourth of NBFIs serve high-end clients (22% of MFIs). Western European MFIs were more likely to serve low-end clients: 46% of Western MFIs and 33% of Eastern MFIs.

Figure 39: Distribution of MFIs by target market and institutional type (N=108)

Depth of outreach categories: low end - >=20%, broad 21-100%, high end >100% of GNI per capita

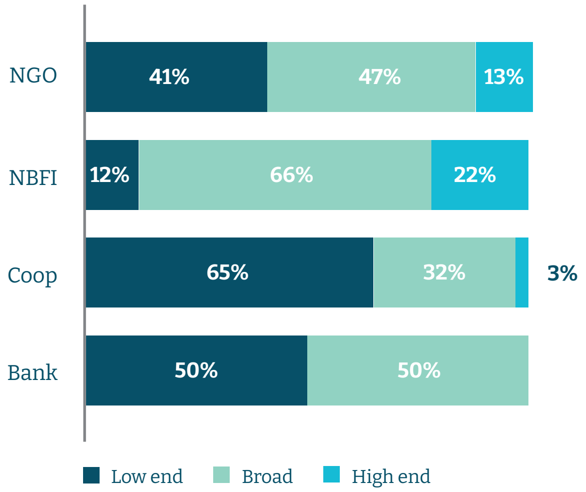
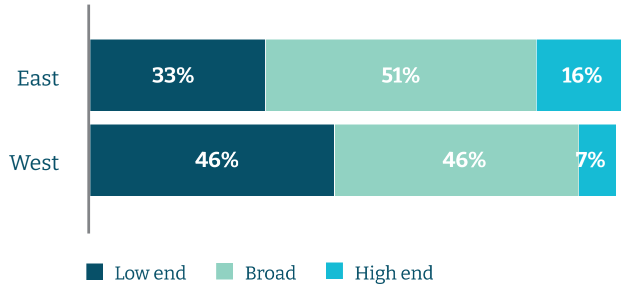


Figure 40: Distribution of MFIs by target market and region (N=109)

Depth of outreach categories: low end - >=20%, broad 21-100%, high end >100% of GNI per capita

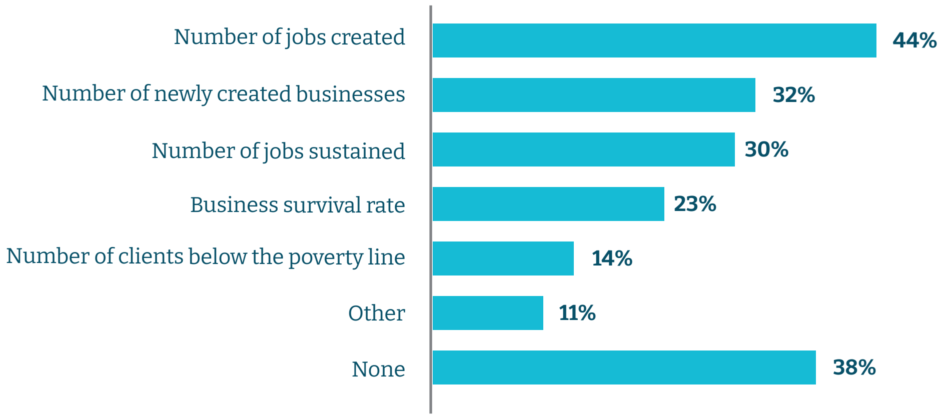


2.4.5 Impact measurement

While many MFIs measure the impact of microloans on their clients' development, there is a substantial number of institutions (38%) which do not track changes at the client level (Figure 41).

Most often, MFIs track the number of created jobs as a result of business investment (44%), the number of businesses created for start-up clients (32%) as well as the number of jobs sustained (30%).

Figure 41: Distribution of MFIs by engagement in impact measurement (N=104)



2.5 Financial indicators

2.5.1 Portfolio quality

To assess the quality of the microloan portfolio, three indicators were used: PAR30, restructured portfolio and write-off ratio. PAR30 indicates the share of the microloan portfolio that is overdue for more than 30 days. The restructured portfolio ratio shows the share of microloans whose original contract has been changed while the write-off ratio reports the share of the portfolio that was removed from the books as unrecoverable or as a loss.

In 2021, the average PAR30 value was 9.9%.[11] By institutional type, banks reported the healthiest portfolio while cooperatives had the worst portfolio quality.

11 Outliers, i.e., values +/- 3 standard deviations of the average, were removed.

Figure 42: Distribution of MFIs by PAR30 ratio (N=59)

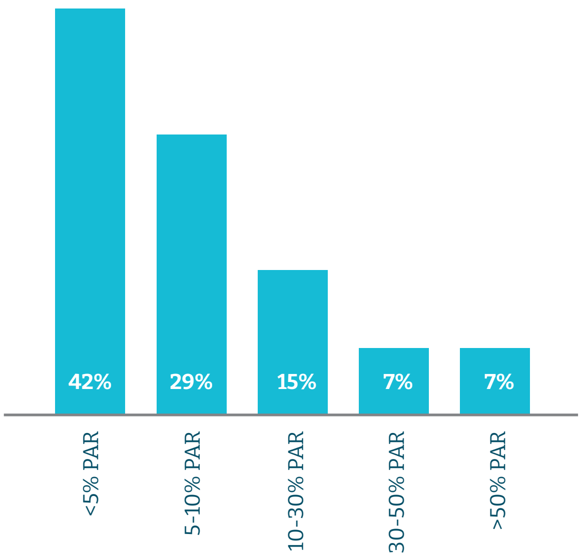
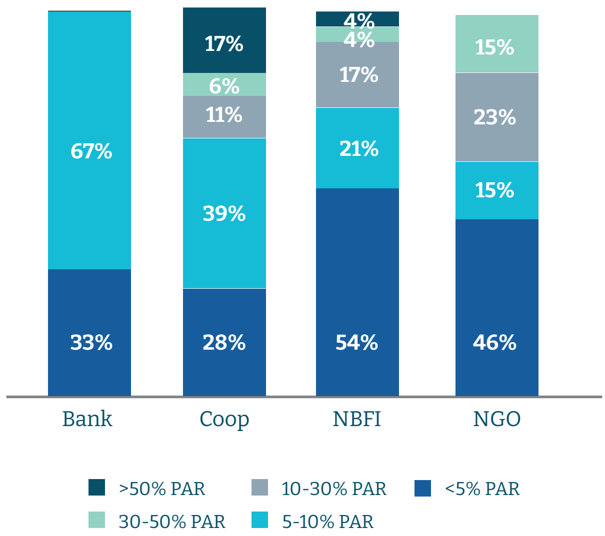


Figure 43: Distribution of MFIs by institutional type and PAR30 ratio (N=58)

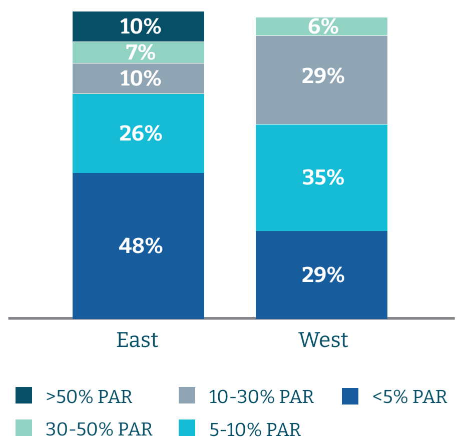
*For confidentiality reasons data of a government body was excluded



Portfolio quality differed between Eastern and Western Europe. More MFIs reported healthy portfolios in Eastern Europe (PAR30 below 5%) than in Western Europe, where one-third of MFIs reported PAR30 ratios over 10%.

The quality of business loan portfolios was, on average, worse compared to personal loan portfolios, with PAR30 ratios of 11% and 8%, respectively.

Figure 44: Distribution of MFIs by sub-region and PAR30 ratio (N=59)



Restructured portfolio

The average value of the restructured portfolio was 4.9%.[12] The average restructured portfolio ratio was higher for business microloans (6.7%) than personal microloans (3.5%).

By institutional type, NGOs reported the highest restructured loans ratios while banks reported the lowest (Figure 46). Significant differences were observed between the two regions: more MFIs in the West had high restructured loan ratios than in the East (Figure 47).

12 Outliers, i.e., values +/- 3 standard deviations of the average, were removed.

Figure 45: Distribution of MFIs by restructured loans ratio (N=32)

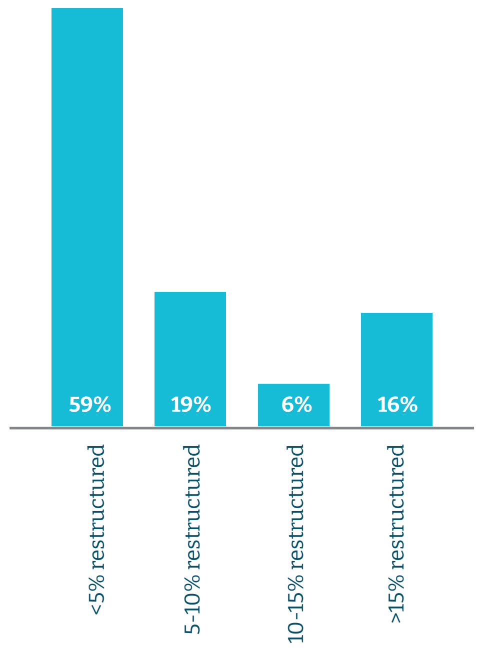


Figure 46: Distribution of MFIs by institutional type and restructured loans ratio (N=31)

* For confidentiality reasons data of a government body was excluded

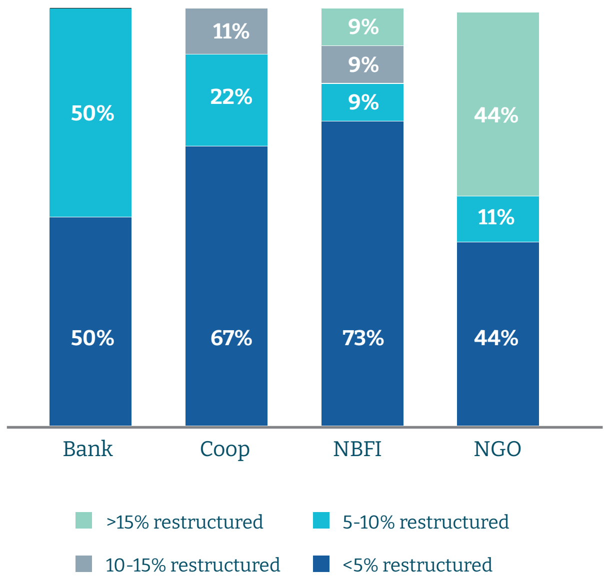
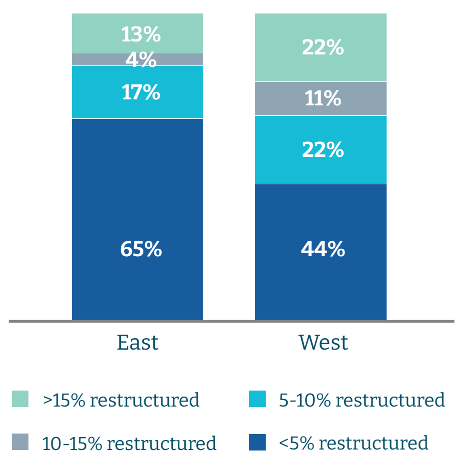


Figure 47: Distribution of MFIs by restructured loans ratio and region (N=32)



Write-off ratio

The average write-off ratio was 3.1% and 76% of surveyed MFIs wrote-off less than 5% of the microloan portfolio.[13] However, 13% of MFIs had write-offs in excess of 15% (Figure 48). By institutional type, banks reported the smallest write-offs and NGOs reported the highest (Figure 49). Compared to Western Europe, fewer Eastern European MFIs wrote off more than 15% of the portfolio (Figure 50). Write-offs for personal microloans exceeded business microloans (4.0% vs. 2.9%).

13 Outliers, i.e., values +/- 3 standard deviations of the average, were removed.

Figure 48: Distribution of MFIs by write-off ratio (N=46)

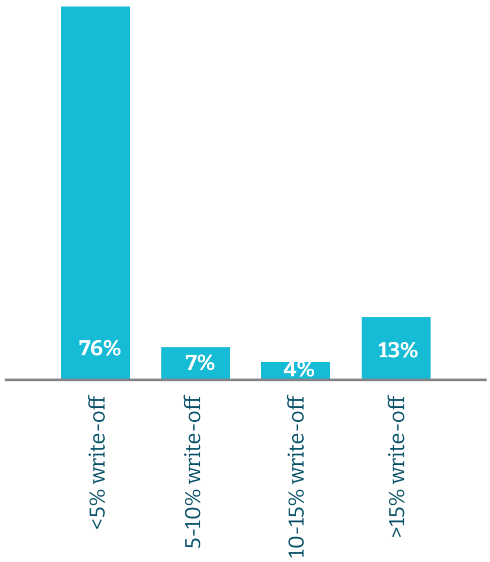


Figure 49: Distribution of MFIs by institutional type and write-off ratio (N=44)

* For confidentiality reasons data of a government body and a bank were excluded

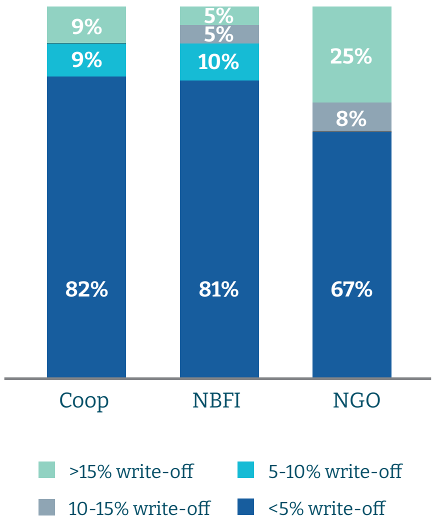
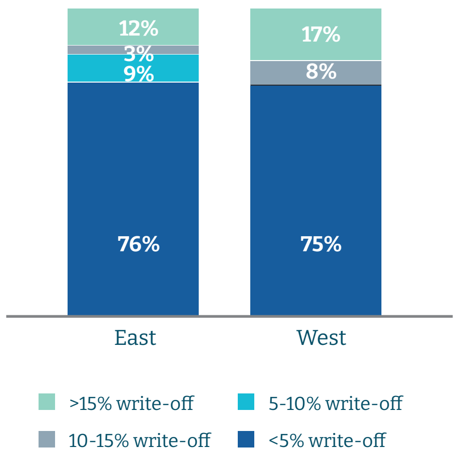


Figure 50: Distribution of MFIs by write-off ratio and region (N=46)



2.5.2 Efficiency and productivity

Portfolio yield and efficiency

In 2021, the average loan portfolio yield was 30%.[14] Cooperatives reported the highest portfolio yields (64%, on average) while banks and NGOs reported the lowest (6% and 9%, respectively). MFIs from Eastern European MFIs reported higher yields than their Western counterparts (37% vs. 7%).

Among expense categories, operating expenses were the largest category (26% of the loan portfolio on average). The operating expense ratio differed by institutional type: cooperatives reported the highest operating expense ratio (53%) while banks reported the lowest (2%). The operating expense ratio among Eastern European MFIs was slightly lower than in the West (24% vs. 29%).

The loan loss provision expense was 4% on average and was the highest among NGOs (11%). There were no differences between East and West in terms of provisioning.

The average financial expense ratio was 6% and was highest among cooperatives (12%). Eastern European MFIs reported much higher financial expenses than their Western counterparts (8% vs. 2%).

Table 15: Average values of financial indicators by MFI characteristics

		Portfolio yield	Operating expense ratio	Loan loss provision expense	Financial expense ratio
		N=65	N=65	N=42	N=52
Total sample		30%	26%	4%	6%
Institutional type	Bank	6%	2%	1%	1%
	Coop	64%	54%	3%	12%
	NBFI	18%	9%	3%	4%
	NGO	9%	13%	10%	1%
Region	East	37%	24%	4%	8%
	West	7%	29%	4%	2%

Productivity

As several MFIs do not employ any staff and rely solely on unpaid volunteers or workers paid by other institutions, we calculated the productivity ratio as the proportion of active borrowers to the total number of staff plus volunteers engaged in microcredit provision.

The average productivity ratio was 91 borrowers per staff member (paid staff plus volunteers, see Table 16).[15] Eastern European MFIs were more productive on average (108 borrowers per staff member) compared to Western MFIs (46 borrowers per staff member). Differences are also observed across institutional types, where cooperatives reported the highest productivity rates (129 borrowers per staff member) and NGOs reported the lowest productivity rates (44 borrowers per staff member).

Table 16: Average productivity ratio in 2021

	Productivity ratio
Total	91
Bank	182
Coop	129
NBFI	97
NGO	44
East	108
West	46

14 Outliers, i.e., values +/- 3 standard deviations of the average, were removed.
15 Outliers, i.e., values +/- 3 standard deviations of the average, were removed.

2.5.3 Financial 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 is measured by two indicators: portfolio-to-assets ratio and debt-to-equity ratio.

Microloan portfolio-to-total assets ratio

On average, the microloan portfolio constitutes 65% of the total assets of an MFI.

By institutional type, most banks, NBFIs and NGOs dedicate the majority of their assets to the microloan portfolio. For 45% of cooperatives, the microlending portfolio is less than 25% of the assets (Figure 52).

Figure 51: Distribution of MFIs by microloan portfolio-to-total assets ratio (N=95)

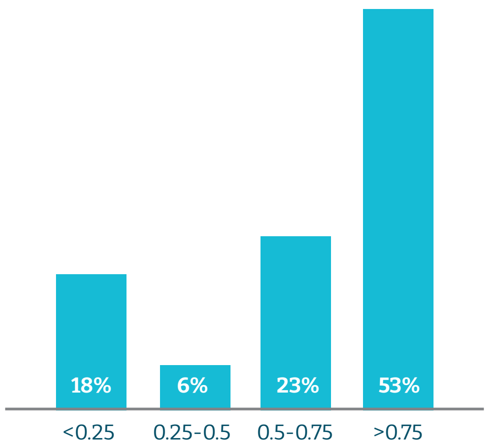
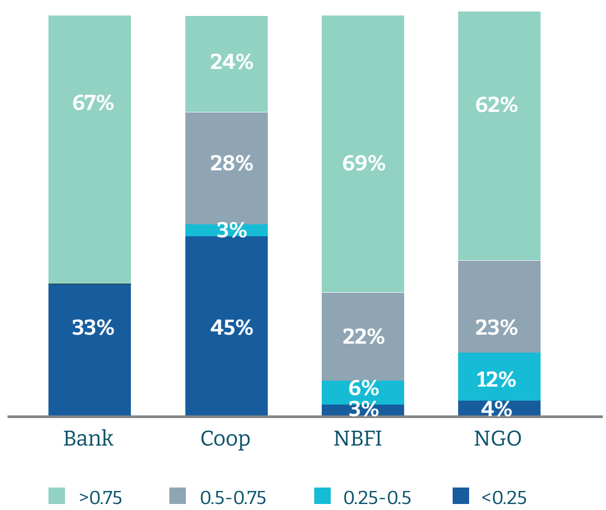


Figure 52: Distribution of MFIs by microloan portfolio-to-total assets ratio and institutional type (N=94)

*For confidentiality reasons data of a government body was excluded



Debt-to-equity

The average debt-to-equity ratio was 3.6, indicating that borrowed funds exceeded the value of funds owned by the MFI by more than three times. Cooperatives were more leveraged than NGOs and NBFIs.

As the majority of cooperatives are located in Eastern Europe, MFIs in this region are more leveraged than MFIs in Western Europe.

Figure 53: Distribution of MFIs by debt-to-equity ratio and institutional type (N=66)

*For confidentiality reasons data of a government body and a bank were excluded

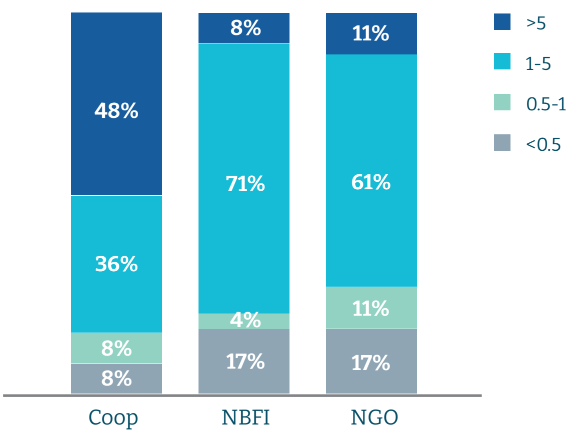
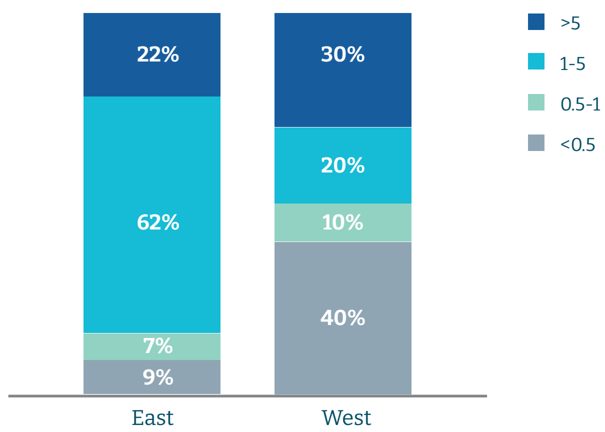


Figure 54: Distribution of MFIs by debt-to-equity ratio and region (N=68)



2.5.4 Profitability and sustainability

Profitability and sustainability ratios measure the overall performance of MFIs and are measured by three indicators: return on equity (ROE), 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), which measures revenues over the main expenses.

Of the 80 MFIs that provided sufficient data to calculate the profitability ratios, 83% generated positive returns and 17% reported losses. The average ROA was 3.5%.[16]

Figure 55: Distribution of MFIs by value of ROA (N=92)

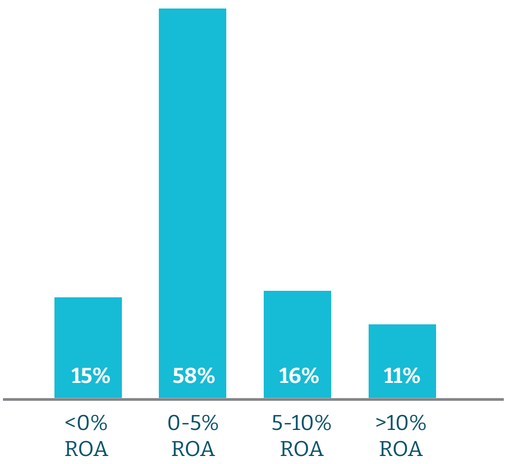
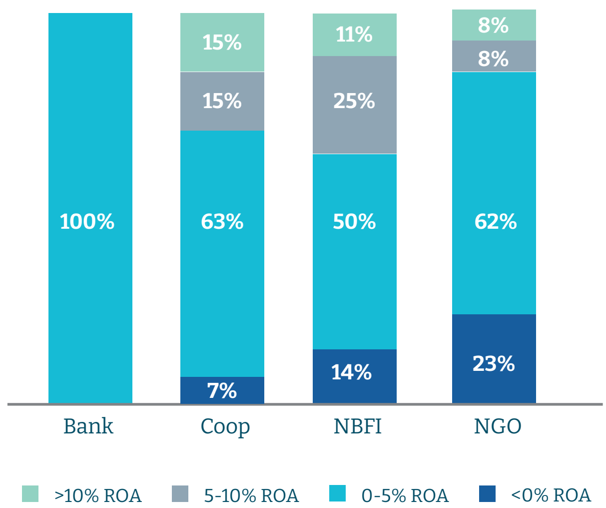


Figure 56: Distribution of MFIs by value of ROA and institutional type (N=91)

* Data of the government body was removed for confidentiality reasons.



The most profitable MFIs (i.e., ROA>10%) were mainly cooperatives and NBFIs (Figure 56). MFIs located in Eastern Europe were more profitable than their Western counterparts on average (Figure 57).

Average ROE was 18% after removing outliers, as there were a few institutions with very high ROE. The median ROE was 9%. By institutional type, NGOs reported the most lowest ROE figures, with 27% of NGOs exhibiting even negative returns (losses) (Figure 59).

Figure 57: Distribution of MFIs by value of ROA and region (N=92)

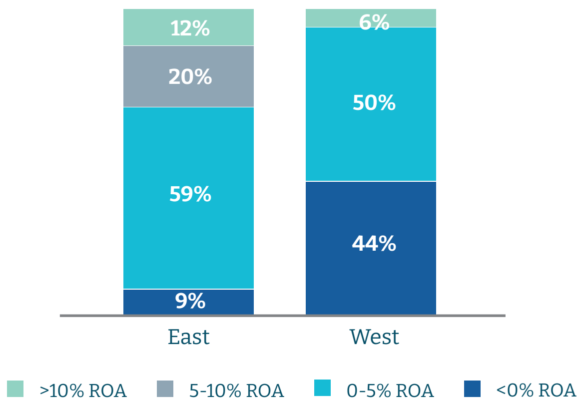
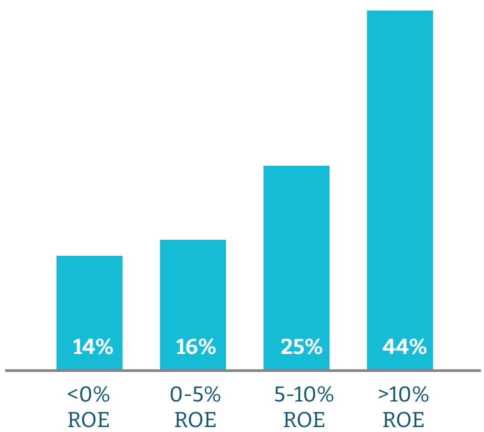


Figure 58: Distribution of MFIs by value of ROE (N=91)



16 Outliers, i.e., values +/- 3 standard deviations of the average, were removed.

Figure 59: Distribution of MFIs by value of ROE and institutional type (N=90)

* Data of the government body was removed for confidentiality reasons.

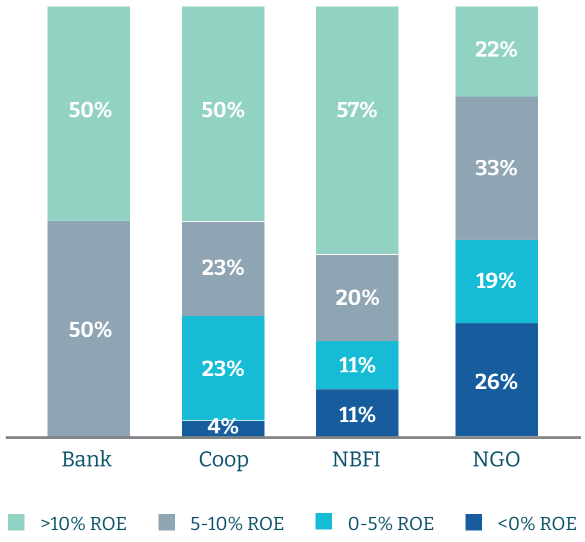


Figure 60: Distribution of MFIs by value of ROE and region (N=91)

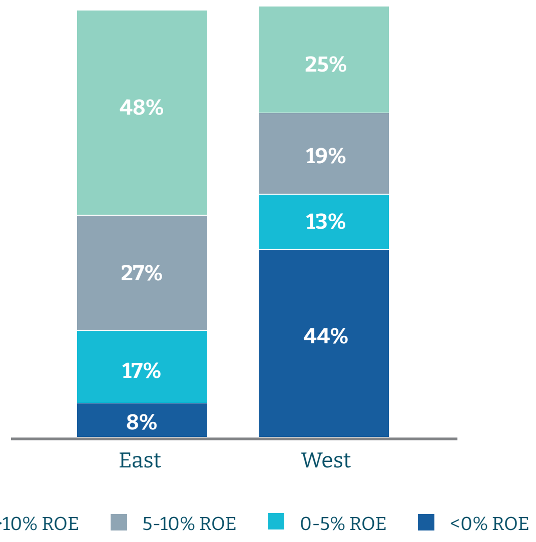
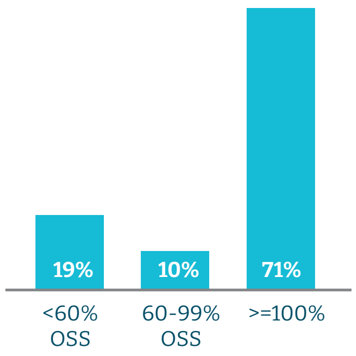


Figure 61: Distribution of MFIs by value of OSS (N=63)



Eastern European MFIs reported high ROE figures, on average, compared to Western European MFIs (Figure 60).

Eastern European MFIs reported high The data required to calculate OSS was only available for a small sample of MFIs. As result, the average OSS values do not correspond with averages for the other profitability indicators.

The majority of respondents (71% of MFIs) in the sample were self-sufficient. That is, they generated enough revenue to cover their expenses. Similar to the other indicators of profitability, OSS values varied by institutional type, with NGOs reporting most often that they were not operationally self-sufficient (Figure 62). There were more operationally self-sufficient MFIs in Eastern Europe (Figure 63). ROE figures, on average, compared to Western European MFIs (Figure 60).

Figure 62: Distribution of MFIs by value of OSS and institutional type (N=63)

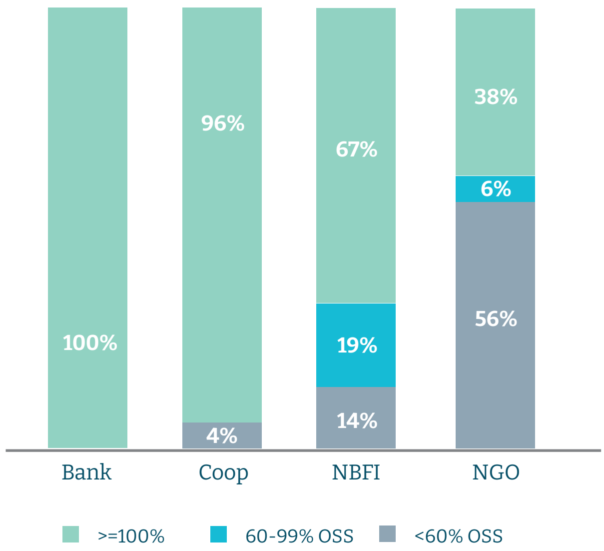
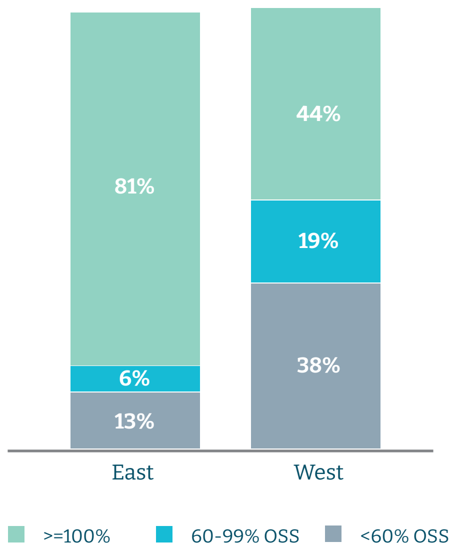


Figure 63: Distribution of MFIs by value of OSS and region (N=63)



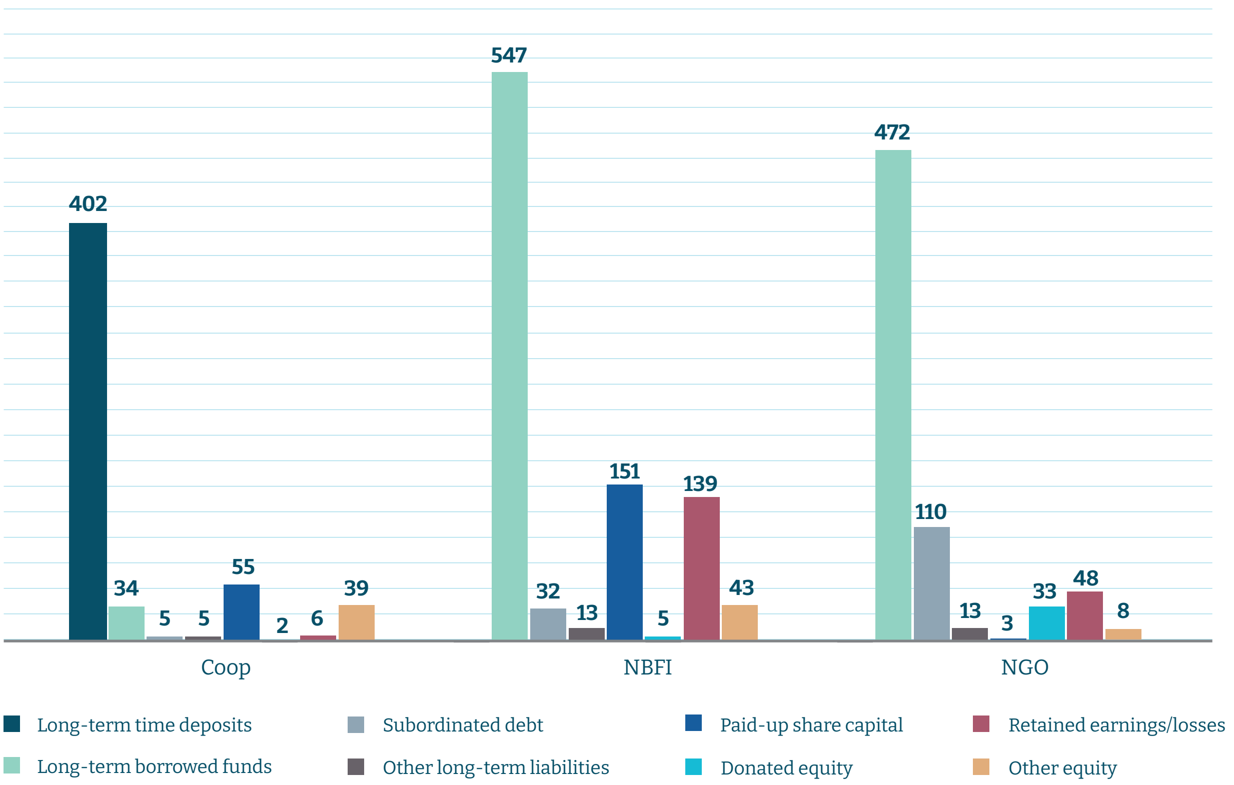
2.6 Funding structure

Funding sources

With a value of EUR 1.1 billion in 2021, long-term borrowed funds are the main source of funding for European MFIs.[17] NBFIs manage 60% of long-term borrowings (Figure 64). The second principal source of funding are long-term client deposits attracted by cooperatives (EUR 0.4 billion).

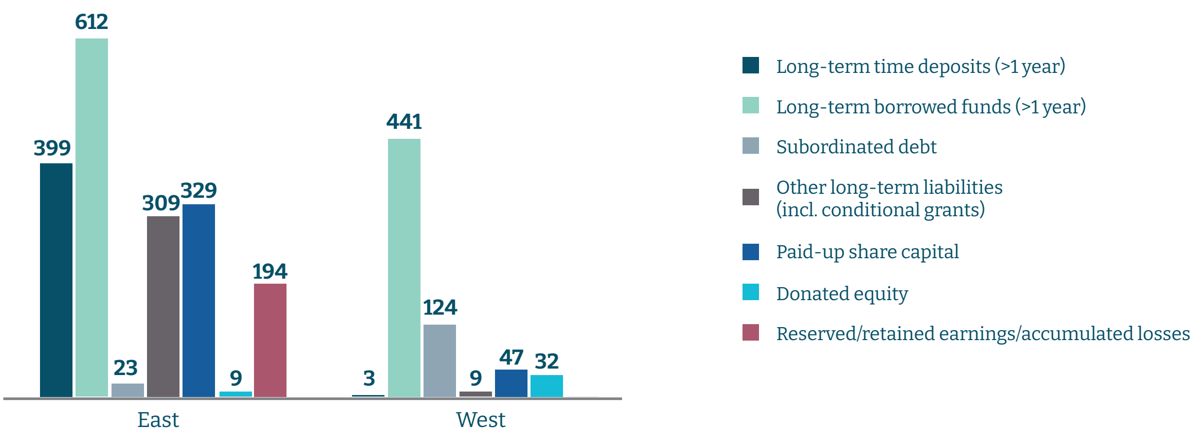
17 Refers to three types of MFIs: cooperatives, NBFIs, NGOs. Banks are not included in the analysis.

Figure 64: Distribution of funding source by institutional type in EUR million (N=61)



Funding sources differ between Eastern and Western Europe not only in terms of the volumes (higher in the East) but also in order of importance. While long-term borrowed funds are the main funding source in both regions, subordinated debt is the second main funding source in the West. In Eastern Europe, long-term deposits, paid-up capital and other long-term liabilities are significant.

Figure 65: Distribution of funding sources by region in EUR million (N=61)



Funding needs

In total, surveyed MFIs need EUR 1.3 billion to realize their goals in the next two years. Half of MFIs need less than EUR 4 million to realize their goals while the largest MFIs need as much as EUR 300-400 million of funds.

Funding needs are higher in Western Europe (EUR 740 million) compared to the East (EUR 595 million). In both regions, the highest demand is for borrowings. Additionally, Western MFIs look for more grants/subsidies and guarantees than MFIs in the East.

Additionally, the funding figures detailed above are underestimated since only 32 institutions disclosed their funding needs in the survey.

NGOs and NBFIs predominantly seek borrowings. Additionally, NBFIs are in need of guarantees while NGOs seek grants or subsidies. Cooperatives are mainly looking for guarantees.

Figure 66: Distribution of the value of funding needs (in EUR million) by instrument type and region (N=32)

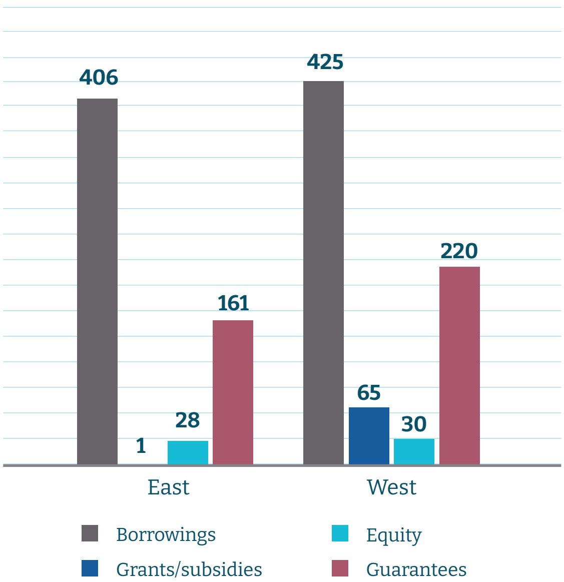
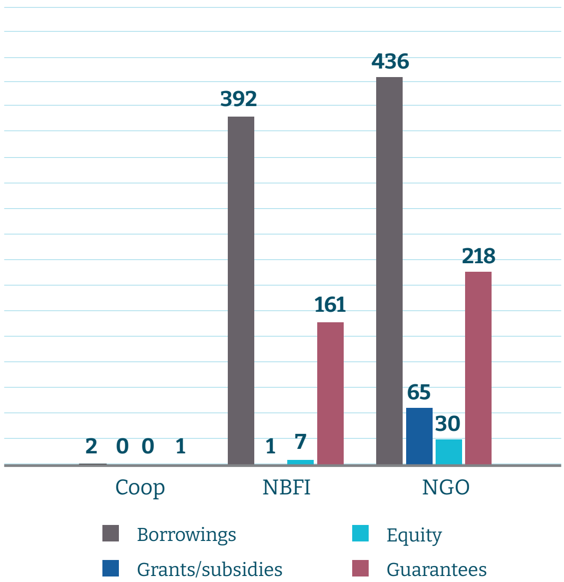


Figure 67: Distribution of the value of funding needs (in EUR million) by institutional type and instrument type (N=32)

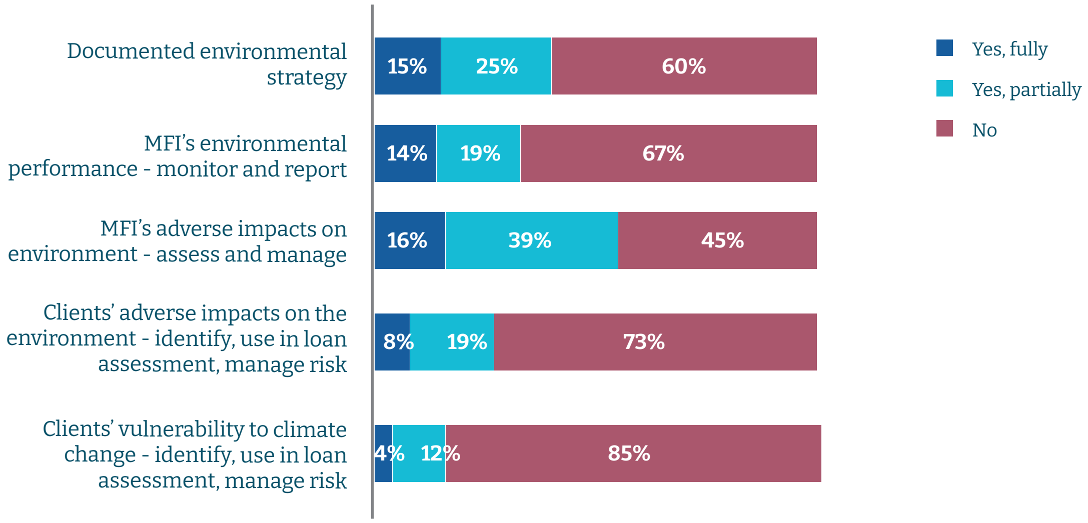


2.7.1 Green microfinance

Many MFIs in Europe are already engaged in the green transition and are fully or partially compliant with green sustainable and climate smart financing (Figure 68). Environmental responsibility, goals or processes are part of the institutional strategy of almost 40% of MFIs. Although fewer MFIs (33%) report their environmental performance indicators, as many as 55% monitor and manage adverse impact of their own operations (green footprint).

Monitoring clients' environmental impact and including such data in the loan assessment is less often practiced by European MFIs (27% of MFIs) and monitoring clients' environmental vulnerabilities is applied only by 15% of institutions.

Figure 68: Distribution of MFIs by compliance with selected Green Index 3.0 standards (N=91)



71% of MFIs finance the green solutions of their clients: 26% do it through dedicated loan products while 45% of MFIs finance green solutions through regular microenterprise or housing loans. Another 23% of MFIs plan to introduce a specific green product in the near future while 17% of MFIs do not plan to integrate green loans into their product offering.

Financing green solutions is more prevalent in Eastern Europe, with 76% of MFIs financing environmentally friendly technologies through general or specific loans. In the West, the share is smaller (59% of MFIs). The regions also differ by method (Figure 70): Western MFIs often finance green solutions with regular loans while Eastern MFIs more often develop dedicated green products, mainly for financing energy-efficiency solutions in housing and renewable energy technologies.

Figure 69: Distribution of MFIs by engagement in green microlending (N=112)

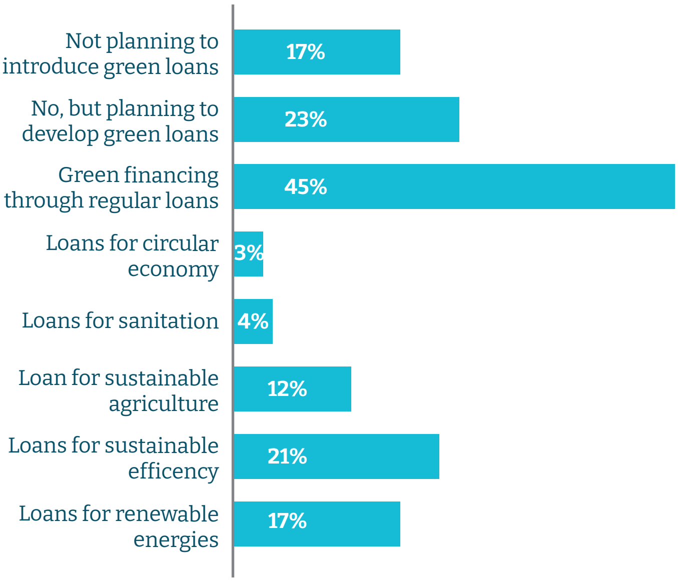
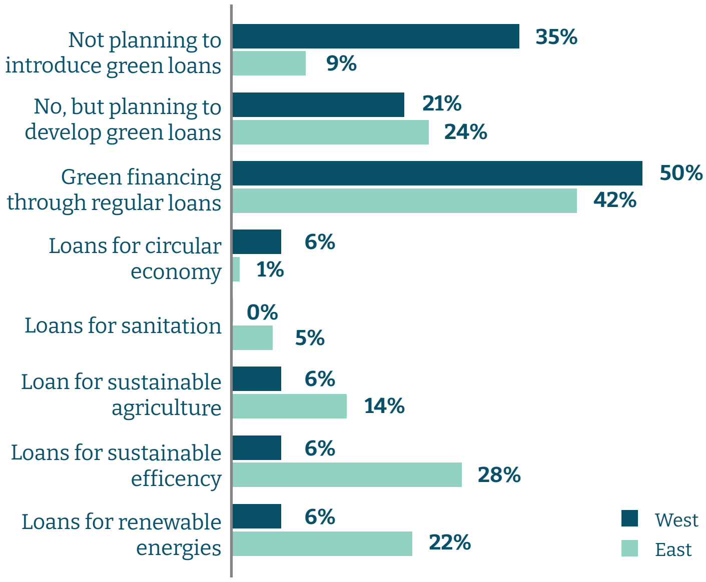
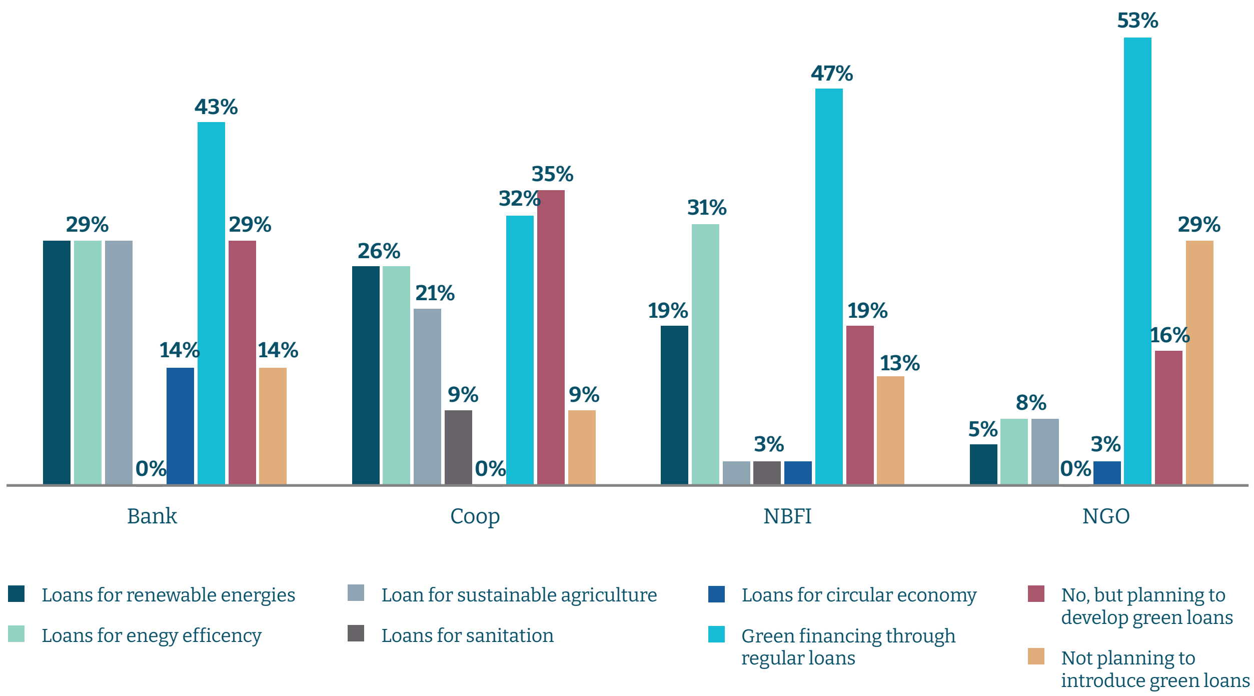


Figure 70: Distribution of MFIs by region and engagement in green microlending (N=112)



By institutional type, banks and cooperatives developed dedicated renewable energy and energy efficiency loans more often than other institutional types (Figure 71). By contrast, NGOs rarely offer specific green loans and are the least likely to engage in the development of green financial products in the future.

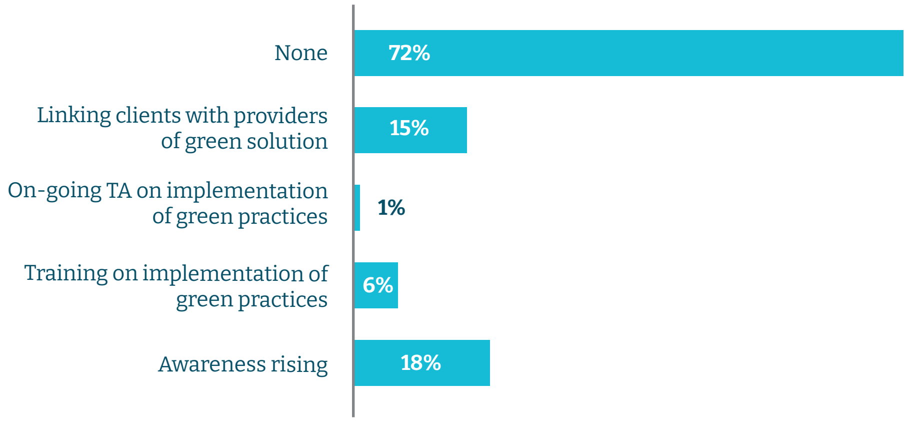
Figure 71: Distribution of MFIs by the engagement in green microlending and region (N=112)



28% of MFIs provide non-financial services to support their clients in the green transition (Figure 72). Most often, such services relate to raising awareness among clients with respect to their vulnerability to climate change or the negative environmental impacts and possible mitigation strategies (18% of MFIs). The second most popular service links clients with providers of green technologies or builds capacity for green practices (15% of MFIs).

MFIs in Eastern Europe provide green non-financial services (34% of MFIs) more often than Western European MFIs (14% of MFIs), in particular those MFIs which offer dedicated green microloans.

Figure 72: Distribution of MFIs by engagement in green non-financial services (N=89)



The main challenges to engaging in green microfinance include weak demand (55% of MFIs) and difficulty to develop a good product (30%) (Figure 73).

In terms of the support needed by MFIs to engage in the provision of green microfinance, grants and subsidies for non-financial services are needed by 47% of MFIs and technical assistance to develop new products is required by some 40% of MFIs (Figure 74).

Figure 73: Distribution of MFIs by challenges to the provision of green microfinance (N=88)

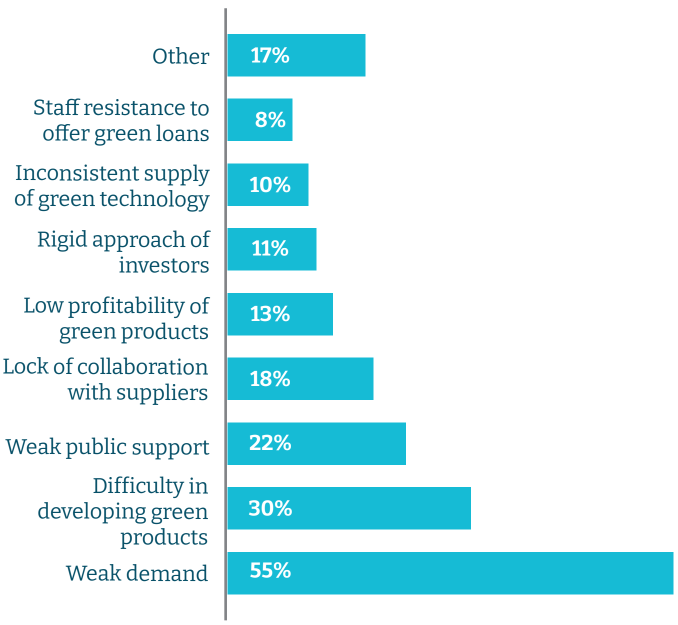
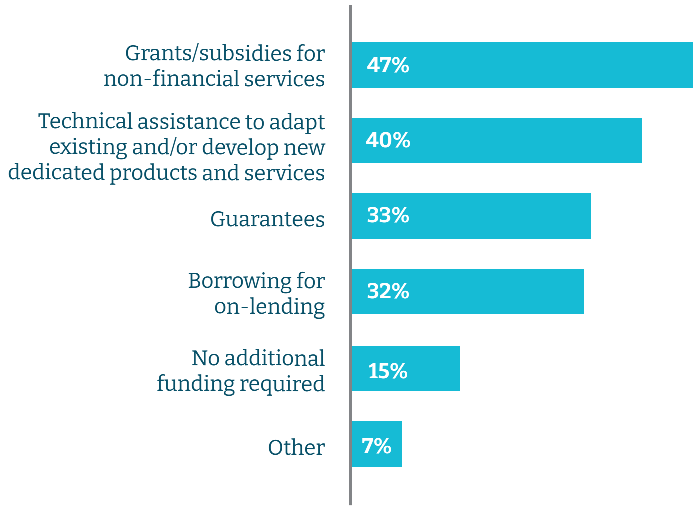


Figure 74: Distribution of MFIs support needed for green microfinance (N=87)

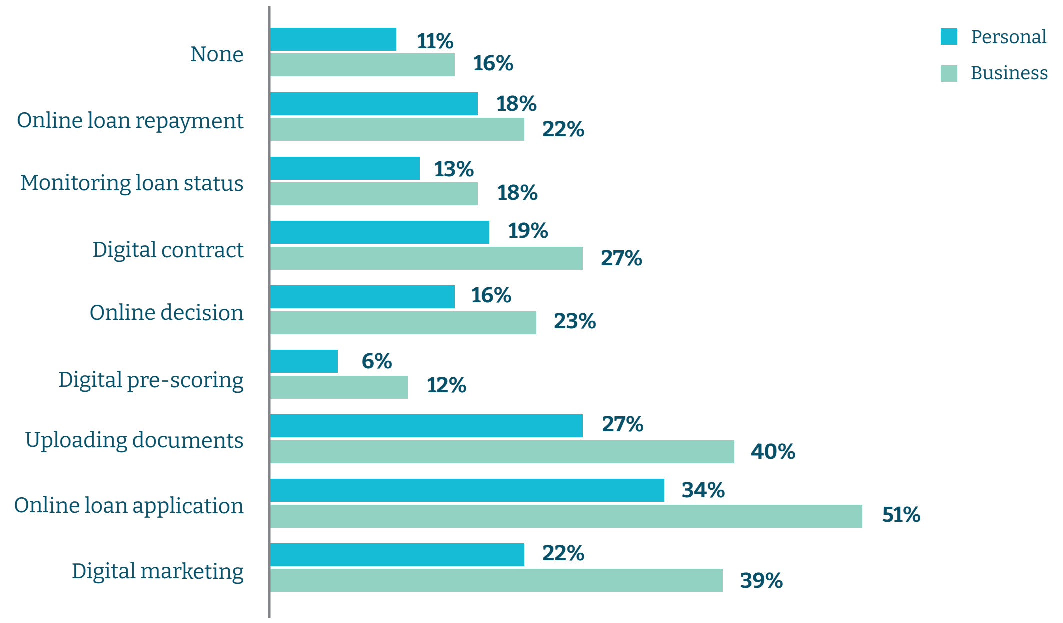


2.7.2 Digitalization

84% of MFIs have digital solutions that support clients in applying, managing or repaying a loan. More than half of MFIs currently have an online loan application (Figure 75). The possibility to upload documents that support the loan application is the second most common solution, which is offered by 51% of MFIs. 16% of MFIs do not currently have any digital solutions for clients.

There is no difference in the offer of digital solutions between institutional types or regions.

Figure 75: Distribution of MFIs by digital solutions for clients (N=113)



Credit scoring

56% of MFIs use credit scoring to assess the repayment capacity of loan applicants. Banks use credit scoring far more often compared to other institutional types (Figure 76). Also, Western European MFIs more often used credit scoring compared to their Eastern European counterparts (Figure 77).

Usually, credit scoring is applied to all types of clients and all types of loans. The decision of whether to approve credit is rarely based solely on the credit score: 83% of MFIs using credit scoring take into account other factors that are not included in the calculation of the credit score.

Figure 76: Distribution of MFIs by use of credit scoring and institutional type (N=111)

* Data of the government body was removed for confidentiality reasons.

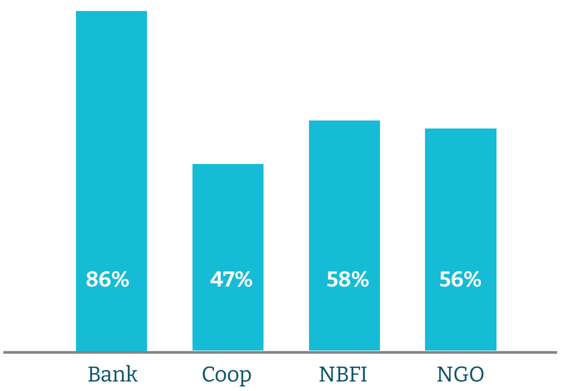
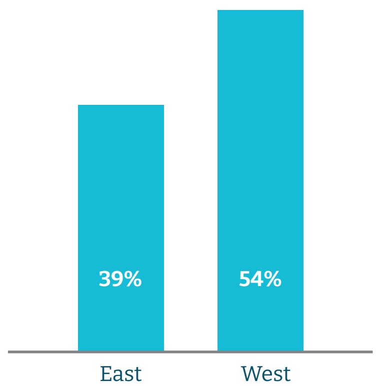


Figure 77: Distribution of MFIs by use of credit scoring and region (N=112)



58% of MFIs help their clients learn how to use digital solutions to access financial products. Such support is most commonly provided in branches but one-third of the MFIs have developed virtual communication channels to provide assistance in using digital finance solutions.

Most MFIs that provide digital financial products are planning to roll out services to support clients in the use of digital solutions in the future.

The main challenges to digitalization include the low digital capability of MFI clients and the high cost of introducing digital solutions (Figure 79).

Figure 78: Distribution of MFIs by engagement in support to clients in using digital finance (N=91)

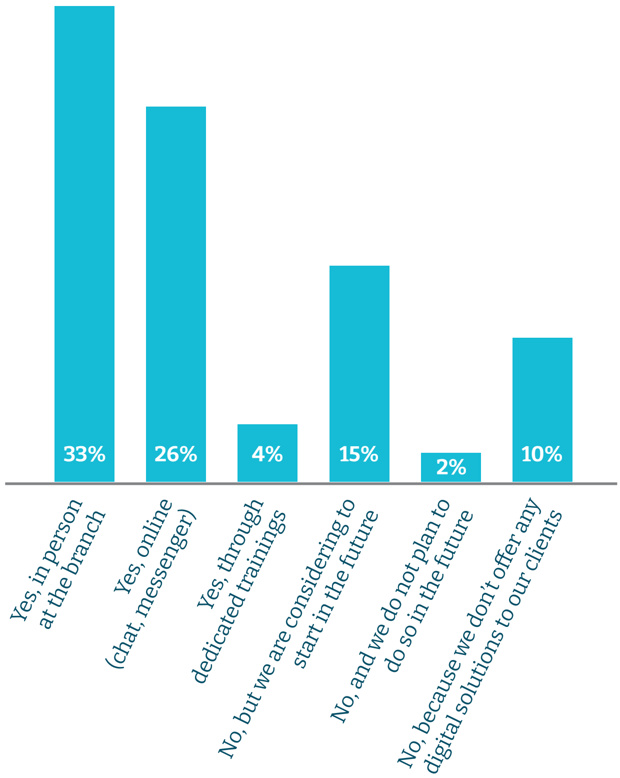
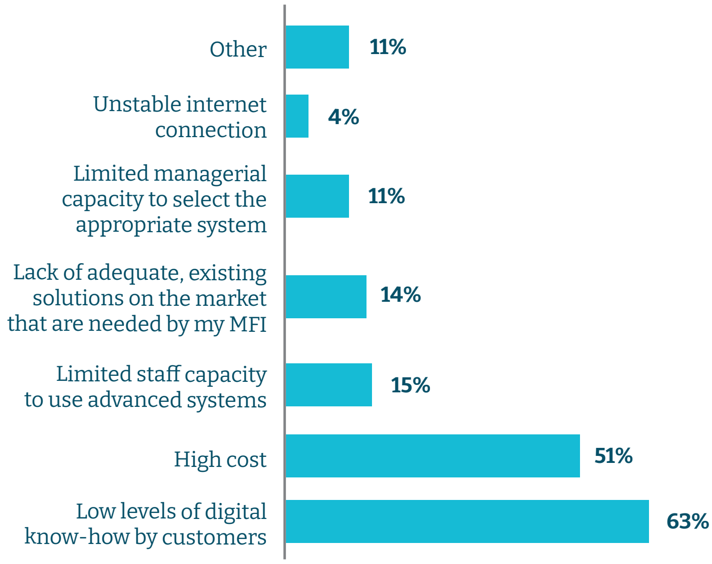


Figure 79: Distribution of MFIs by challenges to digitalization (N=91)



2.8 Post COVID-19 recovery

Volume of disbursements

A sub-sample of 69 MFIs[18] provided information about the value of loans disbursed in 2019, 2020 and 2021.

In 2020, despite the pandemic and lockdowns, the total volume of annual disbursements increased by 6% to reach EUR 1.8 billion, which was largely attributable to the largest bank (Figure 80). NBFIs and credit unions actually decreased disbursements during the initial days of the pandemic and NGOs only slightly increased them. Overall, 62% of MFIs decreased the volume of disbursements in 2020, the pandemic year. Eastern European MFIs reduced their lending volumes by 10% in 2020 while Western European MFIs increased the total value of disbursed loans by 15%. From 2020 to 2021, the total volume of annual disbursements further grew by 11% to EUR 2.0 billion.

During the pandemic, many MFIs focused on rescheduling loans and communicating with clients about new repayment conditions. MFIs that became implementing partners for government funding programs to disburse liquidity loans to microenterprises significantly increased their lending volumes during the pandemic.

In 2021, the recovery year, 71% of MFIs increased the volume of annual disbursements, mainly in Eastern Europe and among all institutional types, except NGOs.

18 The sub-sample of 69 MFIs managed 74% of the total loan portfolio in 2021.

Figure 80: Total microloan disbursements (in EUR million) in 2019, 2020, 2021 by institutional type (N=69)

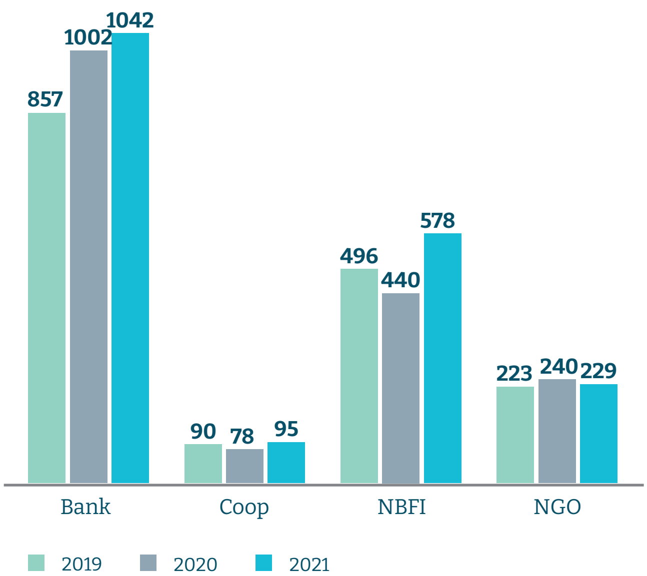
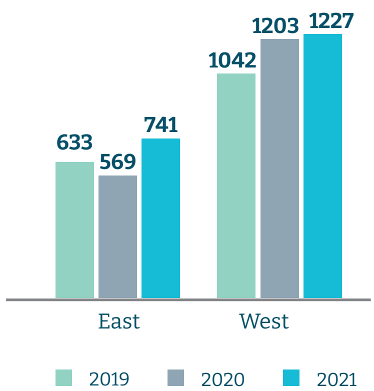


Figure 81: Total microloan disbursements (in EUR million) in 2019, 2020, 2021 by region (N=69)



Evolution of staff numbers

Despite the lockdown and inability to work from office, the majority of MFIs (59%) managed to retain their employees (Figure 82). However, 41% of MFIs had to reduce the number of employees in 2020. In 2021, the situation improved significantly as many more institutions (73% of MFIs) retained the same number of staff or even managed to hire new employees.

The pandemic does not seem to have any influence on the employment of women in MFIs. The average female staff ratios changed very little (from 66% in 2019 and 2020 to 67% in 2021) and the majority of MFIs (71% in 2020 and 73% in 2021) even increased the number of women among their paid employees (Figure 83).

Figure 82: Distribution of MFIs by the direction of changes in staff numbers (N=83)

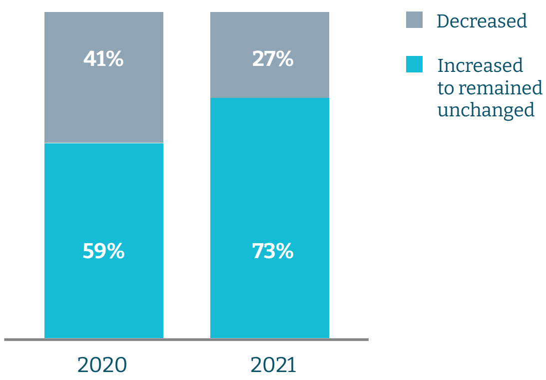
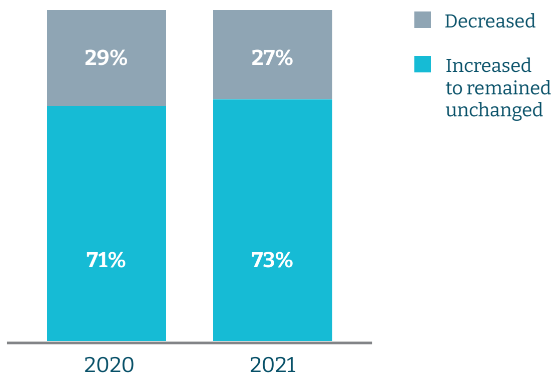


Figure 83: Distribution of MFIs by the direction of changes in the share of women among paid staff (N=51)



2.9. Update on current situation

2.9.1 Perception of the current state and future outlook

Current situation

One year after the outbreak of the COVID-19 pandemic, most MFIs assess their situation as good (Figure 84). 80% of MFIs considered themselves to be in a (very) good situation and only 6% assessed their situation as (very) bad.

By institutional type, banks are doing well, with all of them in good situation (Figure 85). NBFIs seem to be doing better than cooperatives, although the differences are not very large. Only NGOs are far less pleased with their situation – only 56% of them consider their situation to be good or very good while 17% perceive their situation as bad or very bad. 28% of NGOs assess their situation as neither good nor bad.

Differences by institutional type also translate into regional differences (Figure 86). In Western Europe, more MFIs assessed their situation as neutral or bad than in Eastern Europe.

Figure 84: Distribution of MFIs by perception of current situation (N=92)

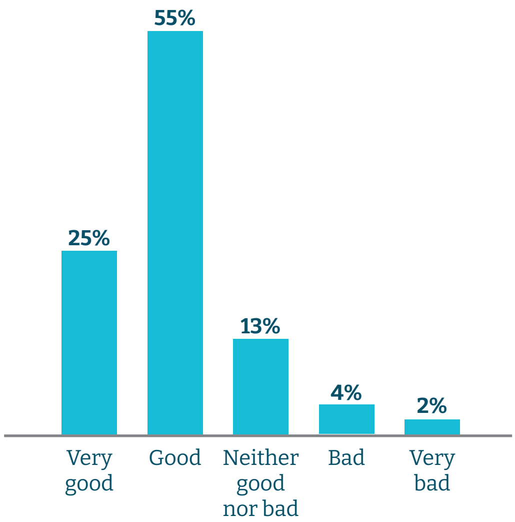


Figure 85: Distribution of MFIs by institutional type and perception of current situation (N=91)

*As only one governmental body provided the data, it was excluded from the graph for confidentiality reasons

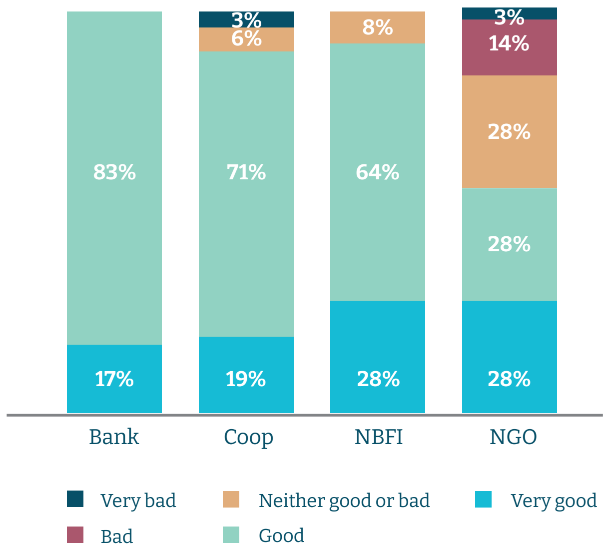


Figure 86: Distribution of MFIs by region and perception of current situation (N=92)

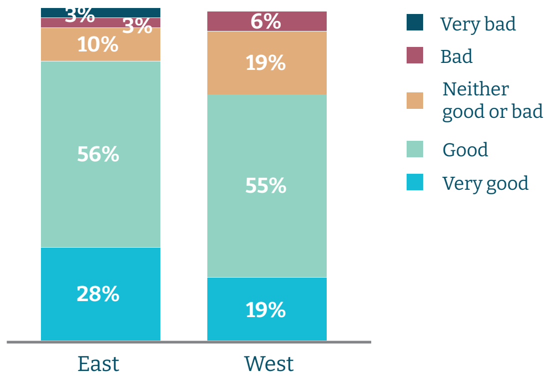


Figure 87 presents the key challenges faced by MFIs on a five-point scale (where 1 is rated as "negligible" and 5 is rated as "very significant"). The key challenges identified by MFIs are mostly associated with clients and concern income volatility (3.4), low digital skills (3.1) and financial capabilities (2.8). External challenges were less acute, with digital capability of MFI staff (2.7), access to funding (2.5) and political interference (2.5) as the main concerns. On average, no challenge was perceived as very significant.

Challenges related to the digital skills of clients was more strongly felt by cooperatives (Figure 88). Access to funding was an important challenge for NGOs (3.0) and regulatory issues were a significant constraint for banks (3.3).

There were some regional differences as Eastern MFIs felt more challenged by digital skills of their clients (3.2) and political interference (2.7), while Western MFIs faced challenges related to clients' income volatility (3.6) and low financial capability (3.2) (Figure 89).

Figure 87: Average severity of challenges (from 1-negligible to 5-very significant) (N=110)

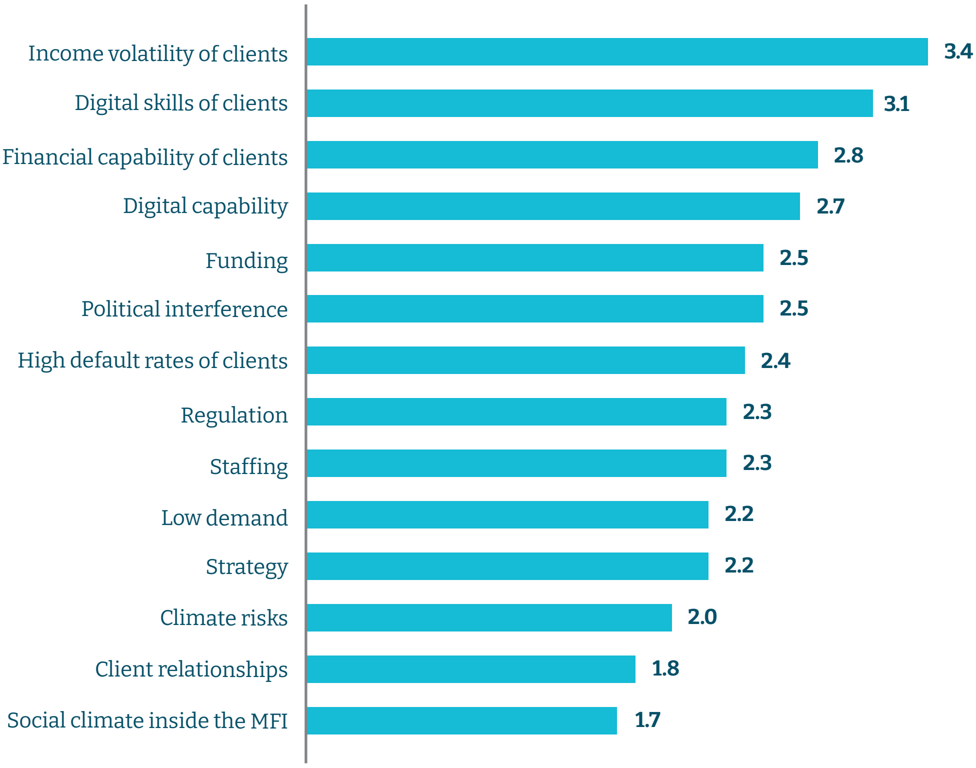


Figure 88: Average severity of challenges (from 1-negligible to 5-very significant) by institutional type (N=110)

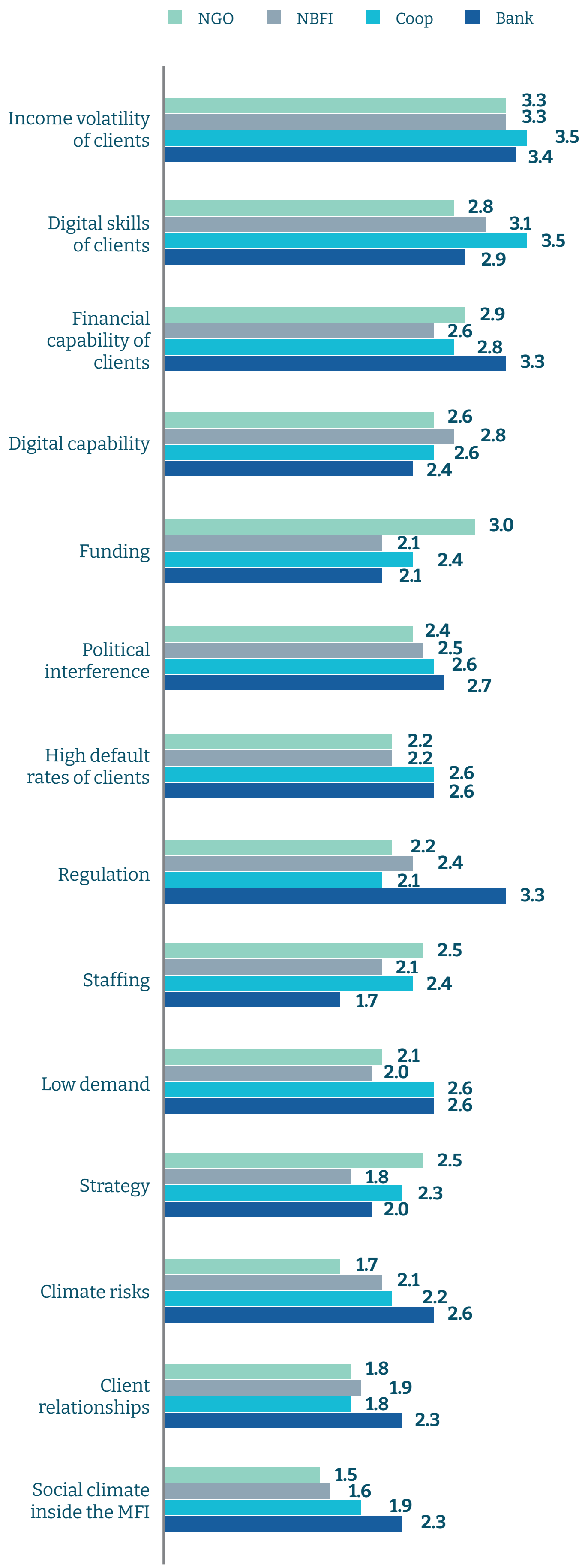
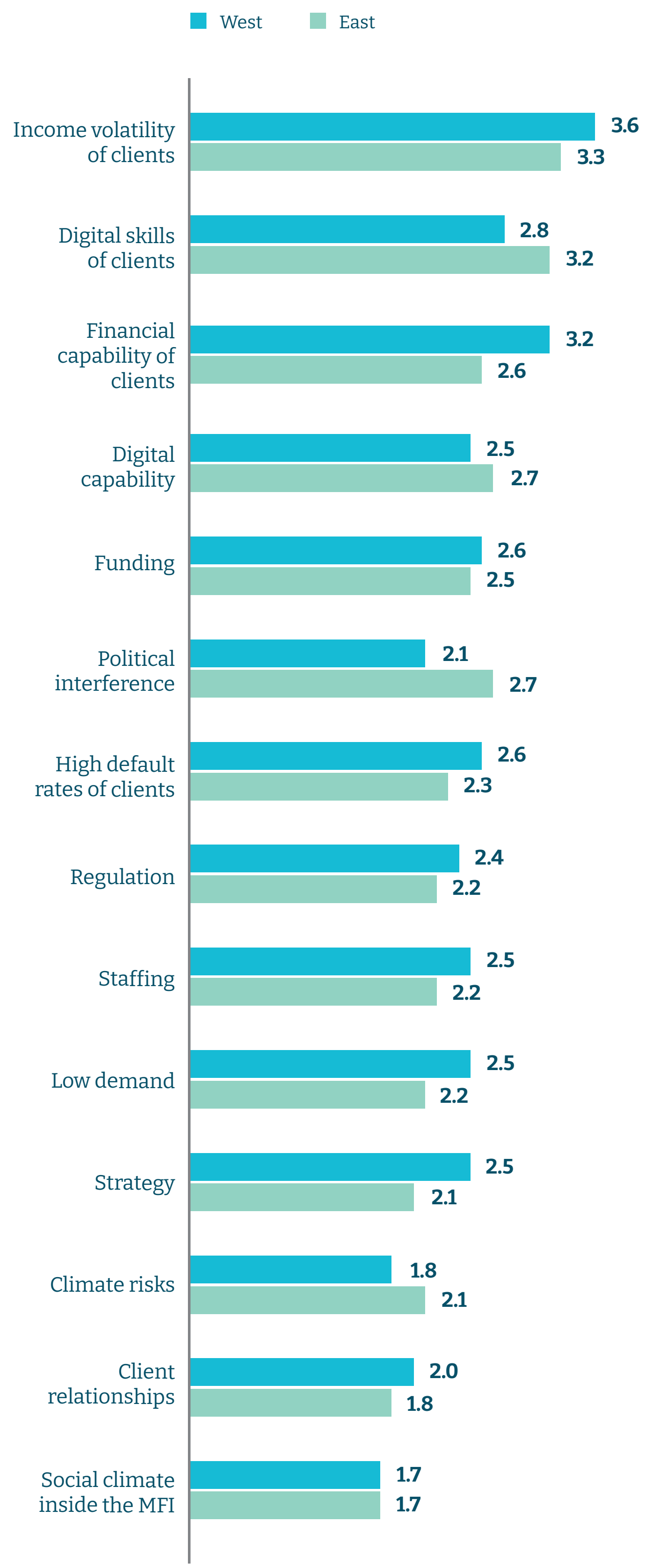


Figure 89: Average severity of challenges (from 1-negligible to 5-very significant) by region (N=110)



Future outlook

MFIs are optimistic about the future: 71% of MFIs believe that business will improve in the next 12 months (Figure 90).

By institutional type, NGOs are the least optimistic, with 45% not expecting any improvement or even fearing deterioration of the market (Figure 91). There were very little regional differences (Figure 92).

Figure 90: Distribution of MFIs by perception of state of business in the next 12 months (N=93)

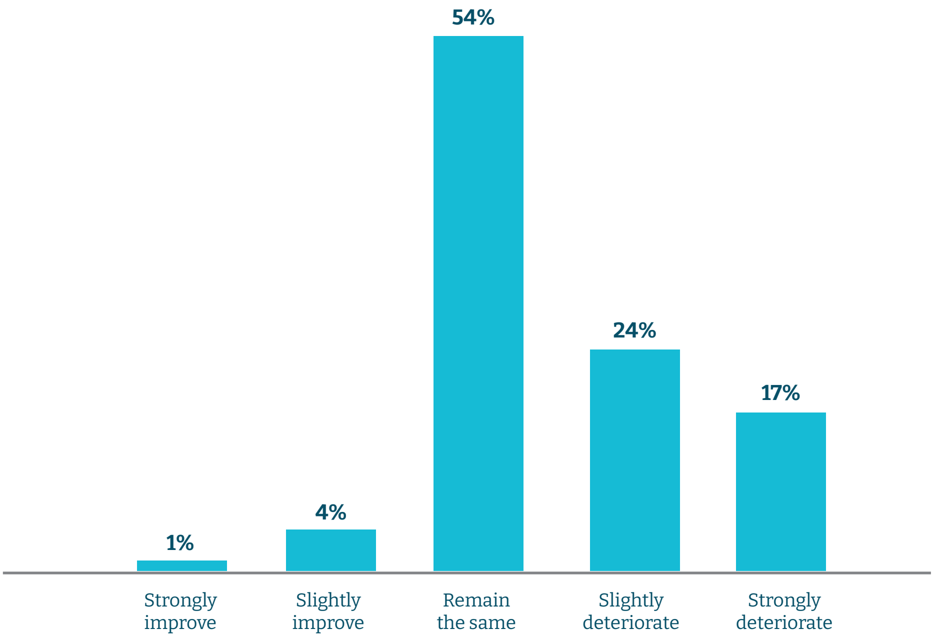


Figure 91: Distribution of MFIs by institutional type and perception of state of business in the next 12 months (N=92)

*As only one governmental body provided the data, it was excluded from the graph for confidentiality reasons

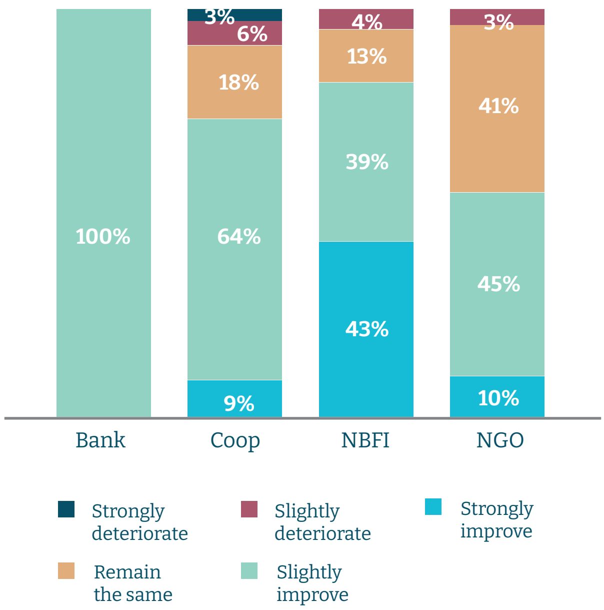
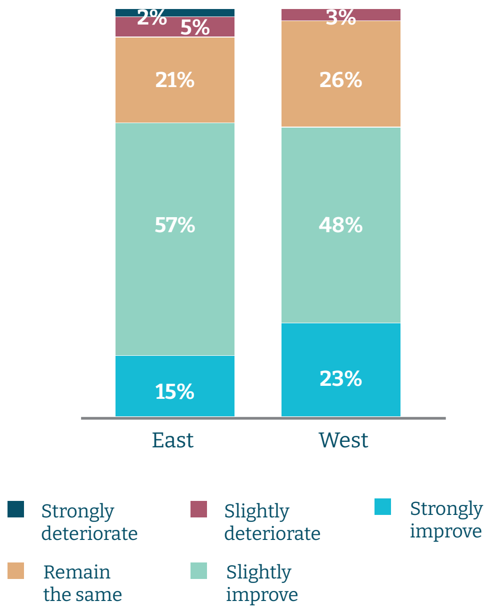


Figure 92: Distribution of NBFIs and NGOs by region and perception of state of business in the next 12 months (N=93)



3. Conclusions

The 2022 “Microfinance in Europe” survey report shows that the microfinance sector has recovered from the effects of the pandemic in most aspects.

There were no major changes in terms of the composition of the sector players, products or services offered or target groups served. The three main institutional types (NGOs, NBFIs and credit unions) continued their market presence in similar numbers as prior to the pandemic.

Although there was a slowdown in disbursements during 2020 for 62% of MFIs, most MFIs (68%) not only returned to pre-pandemic disbursement levels but even increased loan volumes in 2021 (compared to 2019).

At the end of 2021, the value of the total microloan portfolio reached EUR 4.3 billion and the number of active borrowers was 1.4 million. Women and rural populations remained the two primary target groups, each constituting 43% of active borrowers. Even though migrants and refugees only make up a small share of borrowers (9%), many MFIs are interested in increasing their engagement to this target group and provide them with microfinance services.

Several trends observed in previous iterations of the microfinance market survey continued. The personal loan segment continues to grow faster than business loans, both in terms of gross loan portfolio value (13% vs. 8% growth) and the number of active borrowers (8% vs. 5% growth).

The digitalization trend, accelerated by the lockdown and the need for remote work and communication with clients, led to the introduction of new digital solutions. 84% of MFIs have digital solutions that support clients in applying for, managing or repaying a loan.

With large appetites for growth, MFIs perceive clients’ low capabilities to be the main hindrance to the development of the microfinance sector. Low and unstable incomes, limited financial capabilities and the low digital skills of clients are perceived by many MFIs as the key challenges to address. The majority of MFIs continue to support their clients in building their entrepreneurial and financial skills by offering non-financial services. Despite expectations that digitalization will change the delivery mode of non-financial services, in person, one-on-one support is still the most common way of delivering non-financial services (> 80% of MFIs). One-on-one assistance or group support via virtual channels is provided by only half of the MFIs and self-service online platforms are made available to clients by just a bit more than a third of MFIs.

Over half (58%) of MFIs help their clients learn how to use digital solutions to access their financial products. Such support is most commonly provided in branches but one-third of MFIs developed virtual communication channels to provide assistance in the use digital finance solutions.

Despite many challenges, MFIs remain positive and are optimistic about the future. One year after the onset of the COVID-19 pandemic, 80% of MFIs assess their situation as good or very good and 71% of MFIs believe that business will improve in the next 12 months.

Many MFIs in Europe already engage in the green transition and are fully or partially compliant with green sustainable and climate smart financing. Environmental responsibility, goals or processes are part of the institutional strategy of nearly 40% of MFIs. Although fewer MFIs (33%) report their environmental performance indicators, as many as 55% monitor and manage the adverse impact of their own operations.

Monitoring clients' environmental impact and including such data in the loan assessment is less often practiced by MFIs in Europe (27% of MFIs) and monitoring clients' environmental vulnerabilities is applied only by 15% of institutions.

Although more than 70% of MFIs finance the environmentally friendly technologies of their clients, only 26% do it through dedicated loan products. The highest demand is currently for financing energy-efficiency and renewable energy solutions, and it is expected that this segment of green lending will further grow in light of rising energy prices and uncertainties over the supply of natural gas, fossil fuel and electricity production in the coming winter months.

Glossary

Active borrower
Natural or legal person who currently has an outstanding loan balance or is primarily responsible for repaying any portion of a gross loan portfolio. Those natural or legal person with multiple loans with a microcredit provider should be counted as a single borrower.

Administrative expense
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).

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 microloan term
refers to the duration of the loans making up the outstanding loan portfolio.

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.

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. This legal type encompasses for instance financial cooperatives and credit unions.

Depth of outreach
(Average outstanding microloan balance/GNI per capita (ATLAS method) (CGAP, 2003)

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
Individuals who are not a member of the national majority ethnic group. They may come from migrant, indigenous or landless nomadic communities. (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).

Green microloan
Microloan of less than EUR 25,000 to unbankable clients that is designed to finance renewable energies, energy efficiency, environmentally friendly activities, etc. Green microloan can be used for either business/entrepreneurial purposes or personal/consumption purposes.

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).

Interest and fee expense
Interest and fees paid on client deposits and borrowed funds.

Interest and fee income from investments
revenue from interest, dividends or other payments generated by financial assets other than the gross loan portfolio, such as interest-bearing deposits, certificates of deposits and treasury obligations. It includes interest paid in cash and interest accrued but not yet received.

Interest and fee income from loan portfolio
revenue from interest earned, fees and commissions (including late fees and penalties) on the gross loan portfolio only. It includes interest paid in cash and interest accrued but not yet received.

Very mature MFI
Microfinance institution established before 1999 (over 20 years old)

Mature MFI
Microfinance institution established between 1999 and 2010 (9-20 years old)

Microborrower
Borrower with a loan below EUR 25,000.

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

Microloan
Loan below EUR 25,000.

Net income
Total revenue less all expenses, including operating income and expenses, non-operating income and expenses, extraordinary income and expenses, after taxes, before donations Net Income = Net Operating Income + Net Non-operating income + Net Extraordinary Income – Taxes

Migrants
Immigrants are those individuals, not born in the country of residence (Bending et al., 2012).

Net loan loss provision expense
Non-cash expense that is used to create or increase the loan loss reserve on the balance sheet. The provision is usually calculated as a percentage of the value of the gross loan portfolio that is at risk of default. Net loan loss provision expense = + LLP expense - LLP recovery + direct write-off - write-off recovery. Direct write-offs are loans written off as an expense and not against loan loss reserves.

Nascent MFI
Microfinance institution established in 2015 or later (4 years old)

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.

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.

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).

Other financial expenses include mortgage costs, facility fees for credit lines, and other financial risk management costs.

Other income from financial services

All other revenue from the provision of financial services related to saving and credit activities, including transaction fees, premiums, membership fees, passbooks, and smartcards. If the MFI provides loans to employees or board members, the interest and fee revenue from those loans should be included here.

Other operating income (non-extraordinary)

Revenue generated from other financial services that are not related to savings and credit activities. This item may include revenue from financial services such as payment services or insurance. This item does not include any revenue that is generated from activities such as merchandise sales or training fees. However, if the MFI views training as an integral element of the financial services it provides, training revenue should be included.

Outstanding balance of microloan portfolio overdue > 30

Value of all microloans 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).

Personnel Expense

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 (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

Portfolio at risk > 30 days ratio (PAR30)

[(Outstanding balance portfolio overdue > 30 days / Gross microloan 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).

Restructured microloan portfolio

Outstanding balance of microloans whose original contract has been changed.

Return on assets (ROA)

{[(Net income – Taxes) / Average total asset] x 100} (Mix Market).

Return on equity (ROE)

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

Small-sized enterprise (SME)

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

SME loan

Loan of the value above EUR 25,000 provided for business purposes.

Staff productivity ratio

Number of clients served by staff member (Total number of active borrowers / Number of employees).

Written-off microloan portfolio amount

Value of loans recognised as uncollectable for accounting purposes. A write-off is an accounting procedure that removes the outstanding balance of the loan from the gross loan portfolio and impairment loss allowance, but does not affect the net loan portfolio, total assets or equity accounts.

Write-off ratio

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

Young MFI

Microfinance institution established between 2011 and 2014 (5-8 years old)

Annexes

Annex 1 – Number of MFIs participating in the survey by country

Country	Number of MFIs
Albania	8
Austria	1
Belgium	3
Bosnia and Herzegovina	25
Bulgaria	8
Croatia	3
Estonia	1
France	3
Germany	1
Greece	3
Hungary	11
Ireland	1
Italy	12
Kosovo	8
Latvia	1
Lithuania	3
Luxembourg	1
Moldova	8
Montenegro	2
North Macedonia	3
Portugal	2
Romania	30
Serbia	1
Slovakia	2
Slovenia	1
Spain	8
Sweden	2
The Netherlands	1
Turkey	1
UK	2
Total	156

Annex 2 - Number of MFIs participating in the survey by region

Region	Number of MFIs
East	116
West	40
Total	156

Annex 4 - 2020-2021 growth rates of the gross microloan portfolio by institutional type and region

	East	West	Total (institutional type)
Bank	11%	5%	5%
Coop	5%	14%	6%
NBFI	16%	3%	14%
NGO	3%	10%	7%
Total (region)	13%	6%	9%

Annex 6 - 2020-2021 growth rates of the gross number of active microborrowers by institutional type and region

	East	West	Total (institutional type)
Bank	0.2%	6%	5%
Coop	-3%	2%	-3%
NBFI	6%	-5%	5%
NGO	-0.1%	7%	3%
Total (region)	3%	6%	4%

Annex 9 - Average Annual Percentage Rate (APR) bycountry

	Business microloans		Personal microloans	
	N of MFIs 2021	APR	N of MFIs 2021	APR
Albania	4	19.0	6	54.4
Bosnia and Herzegovina	4	17.7	4	21.5
France	2	10.0	2	9.8
Greece	3	7.5		
Hungary	2	4.6		
Italy	3	6.1	4	4.3
Kosovo	3	24.5	3	23.6
Lithuania	3	7.0		
North Macedonia	2	10.5	2	10.2
Romania	9	12.5	17	14.3
Spain	5	5.4	3	6.3
Sweden	2	7.3		
Other countries	8	9.0	5	11.8
Grand Total	51	11.3	46	18.7

Annex 3 – Total value of gross loan portfolio by country

The “Other countries” line includes aggregated data of MFIs from those countries where only 1 MFI provided the data. Therefore, for confidentiality reasons, the data are not shown in the line for the respective country.

	Total				Business microloans				Personal microloans			
	N. of MFIs 2021	N. of MFIs 2020	2021	2020	N. of MFIs 2021	N. of MFIs 2020	2021	2020	N. of MFIs 2021	N. of MFIs 2020	2021	2020
Albania	8	8	269 207 632	233 531 516	3	3	39 906 479	35 939 775	5	5	66 387 089	45 259 621
Belgium	3	3	63 919 285	59 307 685								
Bosnia and Herzegovina	25	25	489 274 790	451 732 941	3	3	135 241 593	136 303 936	3	3	152 826 273	124 876 547
Bulgaria	8	8	26 655 624	23 532 893					2	2	168 218	155 946
Croatia	3	3	26 163 406	25 505 712					3	2	5 027 884	4 724 534
France	3	3	245 081 736	219 977 716	2	2	159 888 600	140 653 500	2	2	66 379 600	59 146 600
Greece	3	3	28 299 470	19 414 606	3	3	21 844 684	15 033 020	1	1	6 454 786	4 381 586
Hungary	8	8	10 752 812	11 599 089	4	5	5 819 836	7 243 974				
Italy	8	8	72 128 846	71 452 579	3	4	28 001 651	26 619 752	3	4	42 640 501	44 112 769
Kosovo	8	8	213 466 562	185 657 596	2	2	58 134 419	51 060 138	2	2	40 951 761	35 921 022
Lithuania	3	2	105 604 930	87 965 974	3	2	32 479 001	12 357 188	1	1	73 125 929	75 608 786
Moldova	8	8	197 710 659	155 655 015	2	2	55 006 418	44 790 364	2	2	52 263 451	42 573 599
North Macedonia	3	3	37 802 323	37 699 207	2	2	8 559 575	7 940 523	2	2	3 984 495	4 221 124
Portugal	2	2	4 322 606	3 831 950								
Romania	26	25	168 759 698	158 039 179	5	7	85 728 068	84 679 623	12	11	24 072 828	21 912 428
Spain	5	5	1 780 649 241	1 663 814 664	4	4	646 105 021	646 511 026	1	1	1 089 544 220	975 303 638
Sweden	2	2	697 179	508 984	2	2	697 179	508 984				
Other countries	11	10	567 089 042	543 333 947	11	7	231 793 458	185 376 074				
Grand Total	137	134	4 307 585 841	3 952 561 254	49	48	1 509 205 983	1 395 017 876	40	38	1 623 907 034	1 438 198 200

Annex 5 – Total number of active borrowers by country

	Total				Business microloans				Personal microloans			
	N. of MFIs 2021	N. of MFIs 2020	2021	2020	N. of MFIs 2021	N. of MFIs 2020	2021	2020	N. of MFIs 2021	N. of MFIs 2020	2021	2020
Albania	8	8	162 446	157 174	4	4	18 753	19 406	6	6	116 283	108 114
Belgium	3	3	6 160	5 298								
Bosnia and Herzegovina	8	8	209 735	207 657	4	4	44 948	38 736	4	4	88 860	81 425
Bulgaria	6	6	1 497	1 636	3	3	375	408				
Croatia	3	3	5 541	5 497					2	2	1 752	1 691
France	3	3	85 446	82 731	2	2	49 926	45 556	2	2	25 261	22 866
Greece	3	3	2 819	2 607								
Hungary	7	7	378	1 071	6	6	258	357				
Italy	9	9	9 269	11 031	5	7	448	2 049	6	5	8 742	8 936
Kosovo	8	8	92 568	88 178	3	3	24 199	23 758	3	3	23 443	22 360
Lithuania	3	2	18 826	13 631	3	2	7 074	1 470				
Moldova	8	8	84 988	78 108								
North Macedonia	3	3	7 815	7 960	3	3	5 204	5 063	3	3	2 611	2 854
Romania	27	25	209 022	70 309	10	9	8 281	7 988	14	13	42 081	37 147
Spain	5	5	341 405	319 137	4	4	73 469	73 537				
Sweden	2	2	47	32	2	2	47	32				
Other countries	10	9	142 915	103 128	10	9	23 945	20 709	5	5	316 638	287 464
Grand Total	116	112	1 380 877	1 155 185	59	58	256 927	239 069	45	43	625 671	572 857

Annex 7 - Average PAR30 ratio by country

	Total				Business microloans				Personal microloans			
	N. of MFIs 2021	N. of MFIs 2020	2021	2020	N. of MFIs 2021	N. of MFIs 2020	2021	2020	N. of MFIs 2021	N. of MFIs 2020	2021	2020
Albania	4	5	8%	10%	3	3	5%	5%	3	4	11%	15%
Belgium	2	2	13%	18%	2	2	13%	18%				
Bosnia and Herzegovina	3	3	1%	0%	3	3	1%	0%	3	3	1%	1%
Croatia	2	2	18%	20%					2	2	18%	20%
France	3	3	10%	10%	2	2	12%	12%	2	2	11%	11%
Greece	2	2	12%	8%	2	2	11%	6%				
Hungary	2	3	34%	39%	2	3	34%	39%				
Italy	2	2	14%	9%	2	2	11%	6%				
Kosovo	6	6	8%	11%	2	2	2%	3%	2	2	1%	2%
Lithuania	2	2	3%	4%	2	2	5%	7%				
Moldova	2	2	2%	2%	2	2	3%	4%	2	2	1%	2%
Romania	11	11	11%	5%	5	4	16%	2%	4	7	7%	5%
Spain	4	4	14%	9%	4	4	14%	9%				
Other countries	11	7	6%	20%	9	8	10%	22%	6	6	12%	16%
Grand Total	56	54	10%	11%	40	39	11%	12%	24	28	8%	10%

Annex 8 – Sustainability by country

	Return on Assets (ROA)				Return on Equity (ROE)				Operational Self-Sufficiency (OSS)			
	N. of MFIs 2021	N. of MFIs 2020	2021	2020	N. of MFIs 2021	N. of MFIs 2020	2021	2020	N. of MFIs 2021	N. of MFIs 2020	2021	2020
Albania	6	6	9%	9%	6	7	25%	33%	5	6	158%	139%
Belgium	2	2	-3%	-5%								
Bosnia and Herzegovina	25	25	3%	1%	25	25	15%	7%	5	5	104%	89%
France	2	2	2%	1%	2	2	6%	4%	2	2	33%	32%
Greece	2	2	-17%	10%	2	2	-15%	12%	2	2	141%	134%
Hungary	3	4	-4%	0%	3	4	-6%	1%	3	4	17%	25%
Italy	3	4	0%	0%	3	4	-13%	-4%	3	3	99%	94%
Kosovo	6	6	5%	3%	6	6	13%	9%	6	6	118%	151%
Lithuania	3	3	1%	3%	3	3	9%	40%	2	2	179%	179%
Moldova	7	7	5%	3%	7	7	16%	11%				
North Macedonia	3	3	4%	4%	3	3	15%	15%	3	3	116%	115%
Romania	20	20	5%	5%	20	20	29%	31%	21	21	139%	127%
Spain	4	5	23%	7%	4	5	35%	31%	3	4	62%	113%
Sweden	2	2	-1%	-5%	2	2	74%	-42%	2	2	165%	121%
Other countries	6	6	0%	-7%	8	8	7%	33%	7	7	93%	112%
Grand Total	95	98	3%	3%	94	98	18%	17%	65	68	118%	117%

Annex 10 - Average Loan Balance/GNI per capita by country

	Total				Business microloans				Personal microloans			
	N. of MFIs 2021	N. of MFIs 2020	2021	2020	N. of MFIs 2021	N. of MFIs 2020	2021	2020	N. of MFIs 2021	N. of MFIs 2020	2021	2020
Albania	8	8	54%	49%	3	3	90%	86%	5	5	18%	16%
Belgium	3	3	18%	19%								
Bosnia and Herzegovina	8	8	31%	25%	3	3	43%	97%	3	3	26%	23%
Bulgaria	5	5	52%	268%								
Croatia	3	3	23%	23%					2	2	16%	16%
France	3	3	5%	5%	2	2	9%	10%	2	2	5%	5%
Greece	2	2	42%	37%								
Hungary	8	7	247%	190%	3	4	81%	47%				
Italy	8	8	33%	30%	3	4	49%	47%	3	3	11%	12%
Kosovo	8	8	41%	38%	2	2	58%	52%	2	2	35%	32%
Lithuania	3	2	29%	33%	3	2	34%	39%				
Moldova	8	8	96%	72%								
North Macedonia	3	3	131%	135%	2	2	32%	30%	2	2	28%	28%
Romania	23	23	32%	31%	4	6	72%	54%	10	9	8%	9%
Spain	5	5	33%	38%	4	4	36%	40%				
Sweden	2	2	22%	23%	2	2	22%	23%				
Other countries	10	9	42%	43%	10	8	66%	71%	5	4	18%	20%
Grand Total	110	107	56%	60%	41	42	54%	55%	34	32	16%	16%

EUROPEAN MICROFINANCE NETWORK

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