

EMN

Covid-19

*Technical
Assistance*

The economic and financial impact of Adie's activities

The Covid-19 pandemic has impacted MFIs and their clients in many ways. True to its mission as the voice of the sector, EMN launched in June 2020 a tailored assistance programme, with the support of J.P. Morgan. The purpose of this project was to deliver Technical Assistance (TA) to a selection of MFIs to build their capacity to ensure continuous, efficient, and adapted support to entrepreneurs in the Covid era. Project beneficiaries are a selection of six MFIs operating on three continents: Adie (France), Credisol (Brazil), Fundación Oportunitas (Spain), PerMicro (Italy), Pro Mujer (Argentina), and SEF (South Africa).

In this paper series, you will discover some highlights of what the six beneficiaries developed and implemented through the consultancies of this project.



Supporting the excluded from the traditional banking system

Adie is a recognized national association of public utility that defends the idea that everyone, even without capital or a diploma, can become an entrepreneur if the entrepreneur has access to credit and professional support.

For more than 30 years, Adie enabled individuals to create their own job without facing financial, administrative, legal, or cultural obstacles. Adie achieved that thanks to its network of specialists: 158 agencies, 292 permanent offices, 650 employees, and 1,200 volunteers.

By supporting entrepreneurs and providing access to financing, Adie contributes to raising employment and improving social inclusion all over continental France and overseas territories while sharing its good practices in terms of savoir-faire and interpersonal skills that are necessary for a successful business.

What is the SROI method?

The use of the SROI (Social Return on Investment) method consists of evaluating the amount received as a return on the initial investment considering the revenues generated and the costs avoided thanks to Adie's activities. Hence, the economic impact refers to the difference between the benefits brought by microcredit (revenues generated + social costs avoided) and its cost.

Through the JPM TA project, Adie hired KPMG to calculate the SROI of its microloan program. To do so, KPMG used past impact reports that Adie ran through their clients and public financial and economic data, handing the final report in June 2021.

Regarding the socio-economic perimeter, Adie chose to use one principle: taking into account only monetizable and de facto already monetized effects. The consideration of stakeholders was limited to the direct beneficiaries of Adie's activities (the people financed to create or develop their business) and to its public and private funders.

Supported microcredits avoid costs for public bodies

In 2017, 76 percent of Adie-supported business creators received social income or unemployment benefits before obtaining their loan and launching their business. In total, the average social income grew to 750 euros per month.

The avoided costs are essentially twofold:

- The average amount of the RSA (Revenu de Solidarité Active or Active Solidarity Income) decreases. Knowing that a significant number of recipients are in activity, there is a switch from the RSA to the "activity bonus" (Prime d'activité) - the amount of which is lower.
- Adie's activities have the effect of preventing a significant number of people from switching to an ASS (Action de Solidarité Spécifique or Specific Solidarity Action), or to the RSA-type scheme after their ARE (Aide pour le Retour à l'Emploi or Help for the Return to Employment) rights have been exhausted.

Avoided costs are less important during the first year after business creation than they are during the second year. This is because, in the first year, many business creators still receive minimum social or unemployment benefits because of the low income from their professional activity.

In 2021, the avoided social costs amounted to 4 million euros (almost fully due to the decrease in the average RSA amount). In the second year, the amount of avoided social costs significantly increased because of the ARE ending (20.2 million euros).

Microcredits bring positive economic spin-offs for the society

The economic benefits generated by Adie's activities are strongly linked with fiscal and social revenues:

- Profits based on the activity of the created companies, including taxes on turnover and charges paid on the jobs created.
- Profits from fiscal and social taxes paid on the salaries of entrepreneurs who have ceased their activity but have returned to employment.

Investing in supported microcredits has a positive economic impact from the second year of activity. Turnovers during the first year are relatively low (13.8 million euros), but they rise fast for the second year (28.7 million euros) before reaching 36.6 million euros in year three. This means that for each invested euro, public bodies receive 2.53.

Business creators who have stopped their activity and found a job also generate revenue: this revenue is based on their salaries (social security charges and taxes) and their income (indirect taxation on the net salary received). This type of pathway is considered a positive exit from the system because it allows the individuals to find a job and an income.

In the first year, the economic impact for the public bodies is negative due to low avoided costs and important tax and social security exemptions related to business creation (return on investment: -7 million euros). It is during the second year that professional microcredits generate a positive return on investment. The cessation and reduction of the amount of the minimum social benefits, combined with the increase in tax and social security revenues, creates a positive economic impact: return on investment rise to 50.4 million euros.



Mélanie

Creator of Nelmine Caftans – Boutique of wedding and evening dresses in Lormont (Gironde, France)

My job has always been a passion. I started Nelmine Caftans, my business dedicated to renting wedding dresses and traditional oriental dresses at my mother's home: I had my own room for the storage and fitting. I quickly developed a close client base who appreciated the quality of the models I offered. This requires a lot of logistics since my designers are based abroad, but it's worth it! In 2019, I decided to open a showroom in Lormont. Despite my busy schedule, I organized myself to pursue my professional ambitions, while ensuring the education of my two young children.



Orlana

caterer and travelling culinary animator

After more than ten years as a head chef (chef de partie) for caterers and an experience abroad, I wanted to be my boss. I've been pushed to do so with the restaurants closing during the March 2020 lockdown. Driven by the desire to reduce food waste, I came up with the idea of recovering unsold food from small stores to transform it into soups or fruit juices and sell it at the Vincennes market. To do this, in August, I bought a three-wheeler and created my brand "Veloo." One month later, Adie helped me to finance its fitting out so I could install all the necessary household appliances and equipment.



Ibrahim

Manager of a food business in Mayotte (insular department of France)

I was born in Comoros. I arrived in Mayotte five years ago and started a food business there. I could not declare my activity to authorities without the right residence permit and I was waiting to have my papers. My friends in the trade then referred me to Adie, and an advisor from the association supported me in registering my business. This allowed me to learn many things: accounting obligations, contributions, insurance... I didn't know anything about all that. My company is now official, and thanks to the Adie financing I received, I was able to order my first container of products