

SUCCESSFUL FINANCIAL INCLUSION OF TRAVELLER POPULATIONS

Objective of Good Practice:

Develop a specific microcredit approach in order to meet the financial needs of traveller community members in France.

Keywords:

Traveller population, moral guarantee, credit process, excluded population, Roma population

Overview of Good Practice

Adie strives to improve and adapt its credit methodologies and approaches to the needs of its clients and potential micro-entrepreneurs. One of the communities Adie has tried, since the beginning of its activities, to work and develop a solid relationship with is the traveller community, the biggest minority in Europe. This community has substantial challenges to overcome when it comes to entrepreneurship, among which the lack of opportunities to access to formal credit. Community members usually have small income generating activities, which do not provide stable or sufficient revenue to access the traditional banking system. Moreover, although settling down has recently started to be more common within this population, the general trend is to be mobile: community members don't have fixed residency, nor established ties with the local communities. This means that it is very difficult for them to find guarantors outside of their communities. Adie identified an approach to target the needs of this population thanks to experience in the field and constant contact with this type of client.

The good practice implemented by Adie allows the traveller population to receive credits to develop their microenterprises and to register informal activities, without providing formal/financial guarantees to the institution. Adie has designed a tailored approach towards this population that ranges from specific follow-up and support to an adapted methodology in lending practices.

Innovativeness

Adie benefits from strong links with members of this community in order to overcome the obstacle represented by the absence of a traditional guarantor for such clients. The peer pressure among members of the community makes the 'moral guarantee' (no financial engagement) a viable alternative to a classic one. Through the moral guarantee, two guarantors—while not subject to legal pursuit in case of default—commit themselves to ensuring that the client respects their engagements towards Adie and to helping them if they have any issue in repaying the loan. If these conditions are met and the client repays the loan within the fixed period, Adie commits to facilitate access to credit for the guarantor, if needed. However, guarantors do not have access to credit if the client for whom they guarantee doesn't repay their loan. If delays in repaying the loans become frequent within the community, Adie reserves the right to stop financing its members.

Another aspect of this approach is the stepped approach: the gradual increase of the amount of the loans granted to members of this community. Starting with a small amount on the first loan and, if needed, larger amounts on the following loans once the trust between the organisation and the client has been established. There is no difference in terms of interest rate.

The support that Adie provides to these communities is not limited to funding. Adie also supports communities through counselling on an ad hoc basis on issues other than their businesses. For instance, Adie provides a valuable administrative support to the community by being present with a mobile office during annual religious meetings. Aside from this, Adie encourages the formalisation of their businesses through the provision of business development services (BDS).

Outcomes

By giving access to finance to the traveller population, Adie has gained a thorough understanding of this type of client and has adjusted its approach even more to make microcredits accessible to them.

Institutional profile

Created 30 years ago, ADIE offers financial services to unemployed people who, despite their lack of access to traditional banks and other financial service providers, plan to start up a micro-business or develop an existing one. Adie is based in Paris and has 142 branches throughout France (including overseas territories). In 2019, Adie granted 28,131 microcredits and provided training and coaching services to 21,000 people through their business creation and development. Thanks to its activity, Adie supported 19,375 enterprises in 2019, created 15,346 jobs and contributed to maintain another 10,542.

Type of Organisation

NGO

Country

France

Products & Services provided

- **Financial:** Business microloans; Personal microloans (not for business); Insurance; Leasing.
- **Non-financial:** Entrepreneurship training; Mentoring; E-learning courses.

Gross Loan Portfolio

168,561,731 €
(as of Dec 2019)

Number of active clients

60,660
(as of Dec 2019)

Target Audience

People excluded from mainstream financial services: Unemployed people on welfare; Women; Young people (18-25 years old), Rural population, Ethnic minorities and/or immigrants.

Organisation Website

<https://www.adie.org/>

Efficiency and Sustainability

This good practice is cost-efficient, because a client who is satisfied and trustworthy will have a good repayment record with Adie. This is reflected in a limited portfolio at risk. As a result of a successful business relationship between Adie and the client, the client's confidence in the institution increases and the relationship between them becomes long-term. Thus, the institution is investing in the loyalty of its clients and, ultimately, in customer retention.

Adie has various measures in place that contribute to a continuous follow-up and improvement in the approach towards travellers. For example, loan officers who have members of the traveller community in their portfolio are strongly encouraged to regularly attend markets the community are involved in. As this population gives more importance to the person (the loan officer, in this case) than to the institution, strong efforts are made to ensure that a solid personal relationship between the client and the loan officer is established and that Adie accompanies the client in various ways, not only by providing credit.

Given the importance of the personal relationship between the client and the loan officer, knowing the client's family history with Adie is crucial. For this reason, at Adie there are focal points for travellers in each department. A focal point is a loan officer or the manager of a specific area who has a deep knowledge of the community, of the different families, and who has significant experience in financing travellers. This person's role is to raise awareness about the community among their colleagues, inform them of changes within the families, and be the keeper of the local rules that are set for travellers in each department. Adie also makes sure loan officers have access to all webinar information sessions on travellers, on their culture, and on how to establish and cultivate a solid relationship with the community.

The success of the approach is proven by the constantly increasing number of members of the community that are financed by Adie: in 2019, 2,341 members were financed and 799 of them were new clients. This represents an increase of 37.6% in comparison to 2018.

Lessons Learnt

The importance of providing support to the community goes beyond the mere role of a financial service provider. If the client feels that Adie is there to support them, for issues other than financial support, it will be easier to establish a relationship based on mutual trust. As a consequence, the client will not hesitate to think about Adie when other members of the community are in need of access to finance for their activities.

Another important lesson learnt is the need to formulate communication procedures that are accessible to the community. This means communicating on issues that are familiar to travellers, devising activities that target their needs, and having a presence in their living spaces (market, camps) to proactively inform them of Adie's activities and on other topics (for example, to raise awareness about regulatory/legislative changes that have an impact on them).

Lastly, Adie is aware of the importance of raising awareness about the existence and needs of this community at national level, to national institutions and authorities. Adie thus plays an active role, with other organisations, in a national commission on travellers. Given Adie's mission, the commission's role is to advocate in favour of reducing barriers to employment for members of this community. A similar approach could be applied by other financial institutions. Each financial institution should adapt these changes in their operations to serve their target clients and improve their credit methodologies and processes according to the needs of their target clients.

In Practice: Success Story & Some Client Photos

Wilson learnt about Adie by word of mouth as another member of his family had been funded by Adie. At the time he was working with his father on different projects, partly in the informal economy, including gardening and small renovation work. He began to think of setting up his own, formal enterprise to have more stable employment and to start gaining experience in his preferred activity: rooftop renovation. After registering his activity, he obtained a microcredit from Adie to acquire some working tools. Having his own equipment allowed him to be more independent and he was able to get more experience in the sector. When his client list expanded, he employed another experienced person. As the number of clients kept growing, Wilson returned to Adie to ask for another loan, this time to buy a vehicle to transport his material. One year later, he decided to ask for a third loan to buy a small second-hand truck with a ladder. Before this loan, he had had to rent one every time he had a client and it was beginning to cost too much in the long run. Wilson's business is running very well: he still works with another person, he has many clients, he has a website, and he is very proud of his business. Given his positive experience with Adie, he recommended them to three family members (his grandmother, mother-in-law and brother-in-law) who are now all Adie clients.



Photo credit: Fabrice Dall'Anese