



PerMicro

Category of Good Practice: MFI & Bank Partnership

Good Practice's title:

PerMicro's partnership model with the banking system

Main objective:

Through a partnership with the banking system, PerMicro is able to increase its number of clients and improve its overall financial performance. Ideally, PerMicro positions itself as a step towards bankability by serving “unbankables” in order to help them eventually become bank customers.

Key words: MFI, partnership, banks, equity, sharing facilities, microcredit

Type of organization: MFI

Country: Italy

Year of inception of the good practice: 2009

Services and products provided: microcredit services and microfinance instruments

Portfolio (€): 29,939,583 by December 31, 2014

Avg loan size (€): 10,000 – 25,000

of loans: 10,112

Website: <http://permicro.it>

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Institutional profile:

Created in 2007, PerMicro is a company specialised in microcredit. Initially only operating in Torino, PerMicro now operates in 11 Italian regions. It is the first and the only Italian microcredit company that professionally manages all phases of a micro company project: scouting, preliminary inquiry, risk assessment, follow up. The company belongs to the Italian and international network of microfinance organizations. PerMicro finances up to 25,000 EUR for companies or families, and it is designed for people who do not have easy access to traditional bank credits. To date, PerMicro has disbursed **10,112 microcredits** for a total amount of **64,345,791 EUR** (1.598 business microcredits and 8,514 family microcredits).

Mission of the organization:

PerMicro's mission is to create employment opportunities and promote social inclusion through the provision of professional microcredit services to sectors of the population that are excluded from traditional channels of credit due to poor credit history or precarious employment status. These services include financial education and coaching for start-ups.

Governance structure:

PerMicro's governance consists of multiple authorities. Eleven members from different backgrounds represent shareholders to form the Board of Directors in addition to five members form the Board of Statutory Auditors. The Executive Committee is the governing body that controls PerMicro's activities; it includes the President and the CEO of the organization and two members of the Board of Directors. PerMicro also has a Responsible Committee that includes the four Supervisors of each operational area: Business Development, Branch Network, Operations, Administration & Finance.

Good Practice

Introduction:

BNL-Group BNP Paribas participates in PerMicro's equity. The bank partner provides funding, solidarity, and operational/commercial support as well as identifies other funding instruments that could be convenient for the MFI. In return, PerMicro introduces the bank to a market of potential clients.

Since 2012, PerMicro has shared its offices and support services with BNL-Group BNP Paribas. BNL offers funds, logistical support (PerMicro's HQ and 5 branches are hosted in BNL offices) and IT infrastructure. BNL, thanks to PerMicro, can reach and serve financially excluded clients.

Target group and accessibility:

PerMicro has two main target groups: microentrepreneurs and families.

PerMicro targets professionals, Italian or foreign citizens, with a good entrepreneurial idea who wish to start or develop an activity and to freelance workers or employees in response to essential financial needs. PerMicro also targets people with primary financial needs (home, health, work or education) who are excluded from traditional credit channels because of insufficient credit history or a precarious working position.

Innovativeness:

Having a bank participating in PerMicro's equity allows the MFI to increase its client base and improve its overall financial performance. Office sharing is an important innovation in terms of public relations and corporate social responsibility. Moreover, from the bank's perspective, this is a great opportunity to offer a product (even if it belongs to another company) to an "unbankable" person who might become a future customer.

Relevance given the context:

Partnering with the banking system enhances the diffusion of microcredit through their networks, allowing PerMicro the opportunity to answer the needs of a good number of "unbankables".

Adaptability to other contexts:

PerMicro's microcredit model operates in well-established branches across the Italian territory in order to gain local knowledge and better serve local areas. PerMicro is now present in 14 branches from 11 Italian regions with headquarters in Torino.

Providing business opportunities and services with the support of a strong banking system, PerMicro can then move to other regions by following a replication model, which can only be successful if applied with its local loan officers' knowledge of the territory and socio-economic situation as well as the geographical reach of the supporting banking system.

Efficiency:

PerMicro needs the bank funds to continue operating and to reach more clients. Sharing offices with BNL allows PerMicro to reduce its operational costs.

Outcomes:

Banks participate in social value creation by supporting a social enterprise. The partnership with banks also signifies that more loans are available to clients. On PerMicro's side, this partnership improves its overall financial performance and leads to an increase in terms of number of clients, including the poor and the very poor, financially excluded, unemployed, women, immigrant and young entrepreneurs.

Sustainability:

Cooperation could be improved by obtaining funds at lower cost. However, the model in its present form is sustainable since PerMicro has access to potential customers with lower operating costs, whereas the banks can reach new potential customers.

In practice: Specific description of a success story

The PerMicro and BNL-Group BNP Paribas partnership represents a solid good practice from many points of view.

Equity and funding: in 2012, BNL bought some shares of PerMicro (23,2% of total equity) and opened a credit line in favour of PerMicro. Moreover, BNL supports PerMicro select the most suitable funding instruments.

Distribution: BNL offers PerMicro's products to its clients or to potential "unbankable" clients (family and enterprises) while PerMicro offers the possibility of a BNL bank account to all clients. Moreover, PerMicro offers other BNL based products (e.g. microinsurance) to clients interested in products dedicated to risk aversion and income protection.

Communication and other operational aspects: the partnership includes a coordinated and joint communication as well as web marketing (see Further Readings). Many BNL retirees are involved in the activities of the Association PerMicroLab Onlus (mentoring to fresh entrepreneurs) in which PerMicro is a main partner.

In conclusion, of the 2.913 microcredits disbursed by PerMicro in 2014, 592 were sourced from BNL (20,3%).

Further readings:

A digital communication outcome of the partnership PerMicro-BNL can be found on the dedicated website: <http://permicro.bnl.it/>