



National Federation of French Savings Banks

**Category of Good Practice:** MFI & Bank Partnership

**Good Practice's title:**

Savings Banks granting microcredit: an example of downscaling

**Main objective:**

Caisses d'Épargne developed their microcredit program (Parcours Confiance) and through this program, they facilitate access to finance to vulnerable groups, in close partnership with social support or business development services (BDS) organizations.

**Key words:**

Partnership, Savings Banks, downscaling strategy, social partners, financial inclusion

**Type of organization:** Savings Banks

**Country:** France

**Year of inception of the good practice:** 2005

**Services and products provided:** personal microcredit, business microcredit, other financial products and services

**Portfolio\* (€):** 22, 000, 000 €

**Avg loan size\* (€):** 3, 140 €

**# of clients\*:** 11,400

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**Institutional profile:**

The National Federation of Caisses d'Épargne (FNCE in French) represents a network of 17 French Regional Saving Banks. The first Caisse d'Épargne was established in 1818, as a philanthropic savings and provident institution. Today, Caisses d'Épargne are full-fledged banks. They are the leading funder for social economy, and one of the main banks serving families, SMEs, social housing and local

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\* microcredit only via Parcours Confiance

public authorities. Since 2005, they developed a network of associations called Parcours Confiance, whose mission is to help vulnerable clients to regain a more stable and balanced financial position; 70 dedicated loan officers' work in 15 regional Parcours Confiance associations.

**Mission of the organization:**

Caisses d'Épargne have the mission, by law, to promote solidarity and fight against financial exclusion. Through Parcours Confiance, they provide a comprehensive solution to tackle financial exclusion. FNCE coordinates this program at a national level.

**Governance structure:**

Since 1999, Caisses d'Épargne are cooperative banks. Their capital is own by cooperative shareholders who elect representatives to the board of directors. In that sense, clients are part of the governance structure.

## Good Practice

**Introduction:**

The philosophy of Parcours Confiance is to assess vulnerable clients' credit worthiness through a customized, in-depth budget and social analysis. Today, most banks rely on highly industrialized screening processes based on automated credit scoring. In the pre-selection phase, Parcours Confiance works closely with a number of social partners, relying on their expertise on social inclusion. Parcours Confiance closely monitors the client's repayment performance. Additionally, FNCE engages in voluntary, balanced partnerships with other organizations in the sector, such as Réseau France Active or Initiative France for business microcredit.

**Target group and accessibility:**

Parcours Confiance targets the financially excluded. People become excluded from mainstream finance for many reasons: unemployment, bad credit history, low revenues, age, etc. To reach these target groups, Parcours Confiance works in close collaboration with social or BDS partners and with the Caisses d'Épargne branches.

**Innovativeness:**

Most banks develop partnerships with MFIs, but very few implement their own microcredit program and integrate it into their organisational strategy. This model allows Caisses d'Épargne to use Parcours Confiance as a social and financial innovation 'laboratory', in which they employ cutting edge financial engineering to respond to unmet social needs.

**Relevance given the context:**

In Western Europe, the banking sector has gained maturity and reached a large majority of the population – less than 1% of the population lacks access to a bank account in France. In this context, the inclusion of mainstream banks is a key factor to provide high quality and large-scale financial inclusion solutions.

**Adaptability to other contexts:**

The Parcours Confiance programme might be replicated in other countries, in which banks have the willingness to provide downscaling microfinance services.

**Efficiency:**

As Parcours Confiance microcredits are on the balance sheet of the Caisses d'Epargne, most costs are covered by existing banking infrastructure. This allows the minimization of back-office costs and financing. The main cost to Parcours Confiance is the customized assessment, by dedicated loan officers, of the financial situation of the borrowers, along with the implementation of various partnerships with local or national support providers – around 700 partnerships at a national level.

**Outcomes:**

In 2014, Caisses d'Epargne, through Parcours Confiance, provided 4,466 personal microcredits and 308 business microcredits. The 2012 impact study highlighted the positive impact of personal microcredit on access to employment. Moreover, personal microcredit is a flexible tool that allowed Parcours Confiance to diversify its target segments, e.g. by developing housing microcredit and tackling fuel poverty.

**Sustainability:**

The sustainability of the program relies on a multistakeholder approach, in which each actor contributes their relative expertise. The objective is to limit the cost for low-income households through the contributions of a large range of stakeholders:

- Caisse d'Epargne provides experienced staff to Parcours Confiance and handles the credit management related-costs (back-office, IT...), as the microcredit is on its balance sheet. Backing the credit activity at a major, local bank gives the possibility to pool resources and reduce the cost.
- National and local public authorities' grant the national guarantee fund (50 per cent guarantee on microcredits) and fund some partners that provide social support or BDS.
- Specialized support networks see microcredit as a way to diversify their financing tools for low-income households.
- Clients' contribute by paying the credit costs and interest.

**In practice:** Specific description of a success story:

Mrs. K is a single mother of 4 children. Due to domestic violence, she left her family household to access an emergency shelter with the help of an association dedicated to women in difficult situations. In the process of getting divorced, she found a part-time job in the industrial cleaning sector, which allows her a small income.

Mrs. K came into contact with Parcours Confiance through the support association: she needed a personal microcredit in order to buy a car and finance the move to a social housing apartment. Buying a car would help her to find a new job with higher income. The car was also a helpful means to manage the daily requirements of her 4 children.

The Parcours Confiance loan officer assessed Mrs. K's household budget, careful not to disrupt the fragile financial equilibrium with the additional costs of the loan instalments, rent, car insurance and fuel. One key element was the very good budget management by Mrs. K. The close collaboration between the local Caisse d'Epargne, through Parcours Confiance, and the support organisations enabled the loan officer to have a comprehensive overview of the Mrs. K's situation.

As a result, Mrs. K received a 3,500 € loan to buy a car that helped her to make a fresh start: she now has a stable family, housing and professional situation.