

Microfinance in Europe: Survey Report 2016-2017

Damla Diriker
Paolo Landoni
Nicola Benaglio

Executive Summary

This is the 8th edition of the European microfinance report published by the European Microfinance Network (EMN) and the second time the report is jointly carried out with the Microfinance Centre (MFC). This report, prepared by researchers of Social Innovation Teams (SIT) and Politecnico di Torino university, involved institutions engaged in microfinance activities from 28 European countries and European experts in microcredit. In total, 156 out of 457 contacted

microfinance institutions (MFIs) have replied, which represents an overall response rate of 34%.¹ The survey report covers the 2016-2017 period and provides an overview of the sector's main institutional characteristics, microloan portfolio, social and financial performance, challenges and trends through a mixed-method approach of quantitative and qualitative data collected via online survey and expert interviews.

Main characteristics of the sector

European microloan providers use a variety of institutional models to engage in microfinance activities. Non-governmental organizations (NGOs) (40%), non-bank financial institutions (NBFIs) (29%) and credit union/financial cooperatives (19%) constitute the majority of the survey participants while other legal forms (i.e. private banks, state-owned banks, government bodies) make up the rest of the sample. 72% of MFIs categorized as NGOs, NBFIs, credit union/financial cooperatives and government bodies are regulated.

In terms of organisational age, the European microfinance sector is diverse and still relatively young. The majority of respondents

(58%) started their activities after 2000. However, there has been a slowdown in the growth of new MFIs, which has decreased in each period since 2005. Only 5% of the surveyed MFIs started microlending operations after 2015.

For approximately 50% of respondents, microlending is the primary operational focus and contributes to more than 75% of their overall turnover. The majority of respondents (79%) employ less than 50 full-time equivalent employees. In 2017, the total number of paid staff for the sample was 14,743, with a substantial share of women staff (59%).

Microlending activities: products and services

In terms of financial products, the majority of respondents provide business microloans (80%) followed by personal microloans (50%), SME loans (37%) and saving products (24%). 37% of survey respondents complement microloans and SME loans with other microfinance products such as insurance, leasing or mortgages.

The terms and conditions for business and personal microloans differ greatly. Personal microloans are smaller in size (€3,098 vs.

€8,913), offered on shorter terms (31 months vs. 45 months) with higher average annual percentage rates (APRs) (18% vs. 11%).

In 2017, more than half of the survey participants (68%) also offered non-financial products and services. In total, 443,825 clients were reached through non-financial products and services, more than half of which were not active borrowers.

¹ The contact list was built over many years by EMN reflecting both EMN and MFC membership and the lists of MFIs provided by national networks or informed organisations working in the countries considered in the survey. EMN & MFC membership is well covered by the Survey with an 80% response rate.

Microlending activities: outreach and social performance

Between 2016 and 2017, both the total volume and number of microloans disbursed showed a growing trend. In 2017, the total number of microloans disbursed for the sample was 635,330 (+1% compared to 2016) with a total value of €2.1 billion (+11%). Overall, the total number of active borrowers served by the respondents was 988,457 (+8% compared to 2016) with a gross microloan portfolio outstanding of €3.2 billion (+16%).

The majority of the outstanding portfolio is allocated to business microloans (54%) even though there is a shift towards personal microloans (43% of the total in 2016 and 46% in 2017). Overall, personal microloans showed a faster growing trend compared to business microloans.

In 2017, the total number of active borrowers for business microloans reached 406,715 (+5% compared to 2016). During 2017, MFIs surveyed disbursed a total of 260,534 business microloans (+6%) with a total lending volume of €1.1 billion (+15%).

In terms of personal microloans, MFIs in the sample served a total of 581,742 active borrowers (+10% compared to 2016) and disbursed a total of 374,796 microloans (-2%) which corresponds to a total volume of €1 billion (+8%).

The majority of respondents support financial inclusion (60%) as a primary mission, which is followed by job creation (14%) and growth of existing businesses (10%). Women are the most targeted client group by the respondents followed by rural populations, unemployed/welfare recipients and youth, while ethnic minorities, immigrants/refugees and people with disabilities are the least targeted group of borrowers. Moreover, the majority of the sample support solo-entrepreneurs and self-employed, followed by microenterprises up to 5 and 10 employees. Most respondents support businesses that are already established but still young (up to 5 years-old).

Microfinance activities: financial performance

In terms of portfolio quality, portfolio at risk (loans overdue by 30 days, PAR30) ratio decreased from 15.2% to 13.9% and the provision expense ratio decreased from 6.4% to 5.9% between 2016 and 2017. The write-off ratio was steady for both years: 4.7% in 2017 and 4.6% in 2016. The cost of delivering loans decreased

in 2017 with an average operating expense ratio of 26% (compared to 33.7% in 2016).

Overall, the average ROE increased from 2.7% to 4.9% and ROA increased from 1.8% to 2.5% in 2017. In 2017, only 14 out of 44 MFIs were operationally self-sufficient.



With contribution from



With financial support from the European Union



POLITECNICO DI TORINO