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Personal loans: the forgotten half of microcredit?

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EUROPEAN MICROFINANCE NETWORK

Content

Foreword

The other side of the moon.

Just a few years ago, the term "microcredit" suggested a mix of social, remote and third world innovation, good for a development prize but not really fit to the complexity of western societies. Now, we have learned that this invention can also express its potential within our society and have witnessed the positive effects of microcredit.

In this new world, microcredit has been shown to help create businesses that would otherwise be non-existent, to foster job creation, to improve financial self-awareness and distribute mentoring services to support entrepreneurs. Yet, these effects only represent the visible side of the moon, business microcredit, while the other side, personal microcredit, is far less known.

Personal microcredit has not yet gained the same visibility of Business Microcredit. It's not the target of EU programs, it's less celebrated, and it's whispered in corridors with shame since it can be the target of anti-social accusations: it's a devil's tool with interest, disguised as consumer credit! The hidden face of the moon reveals the same distance from Earth: personal microcredit originates from the same social segment of population served by business microcredit, e.g. the excluded, or the un-bankable/semi-bankable. The base of the pyramid (BoP) in our society needs access to credit but lacks a formalized market to access credit.

Is personal microcredit really just consumer credit to support commercial practices? Is it a way to sell more goods? No: it's an aid to meet family needs in the case of events or accidents. Personal microcredit may be the only available tool to reduce the financial exclusion of this fragile population segment, a way to assist in part what is normal within many families: home expenditures, transportation needs and driving licences, positive family events (i.e. weddings) and negative ones, such as accidents and temporary difficulties, events regarding the family in the country of origin, disabilities, education needs and health accidents.

No ordinary credit company, no bank would include these people or provide services to these communities. These populations often have no assets (TVs, electronics, bikes), no long term jobs or guarantees of future income flows. This is enough to cancel the worst suspicions of a devil's disguise: a horrible commercial credit profiteer trying to serve sub-prime markets by wearing a social dress.

Personal microcredit is a credit for hope aiming to financially include the rest of the (enlarged) family of the entrepreneur served by business microcredit: I like to call it Social Inclusion Personal Credit (also called by Financité "Affordable Personal Inclusive Credit") aiming to serve primary financial needs (home, health, work, education) or emergencies that addresses those excluded from traditional credit channels because of insufficient credit history or precarious working positions.

The hidden face of the moon will reveal that these credits are offered to low income families, at market rates and without collateral, by a social credit provider struggling with high per-unit operation costs and a lack of information due to absence from the credit bureau. Thus, there is a need to build a unique scoring model from scratch and a need to provide professional service together with financial education, in the context of extremely complex and expensive compliance to various European country central banking rules, where no two countries share the same legal framework.

Corrado Ferretti
Member of the EMN Board
President of PerMicro

Financial exclusion in Europe: room for personal microcredit?

The revolutionary idea of microfinance has been, since its inception, to provide financial services to vulnerable groups of society excluded by the mainstream financial sector. Thanks to innovative lending methodologies, based on the provision of small loans, microfinance facilitates unbanked people in the purchasing of productive assets and working stocks necessary to set up small businesses.

In addition to this original idea, the microfinance experience has shown that the demand of financial services extends well beyond the promotion of microenterprise credit and includes a multitude of other vital services and activities that vulnerable people seek in order to better manage the complexity of their lives.

Indeed, we should acknowledge the importance of looking beyond the business purposes of microfinance and recognize that there are segments of society that, rather than aspiring to be entrepreneurs, struggle to meet other basic needs and are searching for tools to better manage the instability of their daily lives.

In this framework, personal microcredit may find its raison d'être and can be a useful addition to the microfinance toolbox. The original idea of personal microcredit envisions a product designed for disadvantaged individuals and low-income households excluded from the mainstream financial system and who want to finance personal and family development projects or necessities arising from daily needs, potential risks and temporary or unforeseen circumstances (e.g. home expenses, health, education, disability requirements, family reunification or to purchase means of transport necessary for job purposes).

From the above definition, personal microcredit might be considered as one among many financial instruments able to promote the financial inclusion of vulnerable groups. Indeed, there exist a multitude of financial services and products, from the provision of credit to transaction accounts, formal savings, insurances, pensions and guarantees, but it remains unclear which one of these tools is the most efficient to foster financial inclusion. Although access to savings and payment system are generally recognized as effective tools for tackling financial and social exclusion, the provision of credit is still under debate, since, if it is not appropriately provided, may lead to further impoverishment and the exclusion of already vulnerable borrowers.

In order to understand the concept of financial inclusion and its promoters, we first need to explore its counterpart, financial exclusion.

According to the European Commission, financial exclusion is defined as "not being able to

The microfinance experience has shown that the demand of financial services extends well beyond the promotion of microenterprise credit.

access or use financial services in the mainstream market that are appropriate to (people's) needs and enable them to lead a normal life in the society in which they belong". Useful indicators of the level of financial exclusion in Europe are: access to transaction accounts, savings accounts and credit. Access to these three types of financial services are generally seen as universal basic needs in most developed societies, since the absence of these services may run parallel with social exclusion and the increased risk of poverty, making it more difficult for citizens to lead a normal life. Since the use of cash is decreasing because salaries, benefits and utilities are paid via bank accounts and because consumer goods and services are increasingly bought via payment cards, not having access to or using financial services to handle daily transactions, may carry serious risks of social exclusion.

Having an active transaction account at a mainstream financial institution is considered as the entry point into the formal financial system, being an essential tool for citizens and consumers to fully take part in society and facilitate day-to-day life. However, according to the World Bank, approximately 58 million European consumers over the age of 15 do not have a bank account, 25 million of which would like to open one and another 2.5 million who have been denied access. Based on the European Commission calculations, there are almost 3 million EU consumers who requested a bank account but were refused, either due to irregular income (40%), inadequate documentation (20%) or other reasons (40%).

Access to a savings account is defined by the ability to deposit money in a safe place and other related benefits. Not only does it encourage savings behaviour, but savings accounts also help those coping with irregular incomes, with unexpected and emergency expenses, to face needs in old age and to boost productive investment and smooth consumption. Therefore, savings help an individual or family become financially secure. According to the 2015 World Bank Little Data Book on Financial Inclusion, in 2014 only 47.6% of the European population over the age of 15 have saved at a financial institution (compared to 40.8% in 2011) and only 67.2% saved any money.

Access to credit plays a significant role not only to combat income shocks and manage temporary cash shortages but also to smooth consumption and make investments. Data from the World Bank show that 15.8%, of the European population in 2014 over the age of 15 borrowed from a financial institution, 14.5%, borrowed from family or friends, 0.4% borrowed from private informal lenders, while those who borrowed any money accounts for 35.4%.

Across the EU there is growing recognition that access to the abovementioned services – transaction accounts, savings accounts and credit - has become a necessary precondition for full participation in economic and social life and to the integration of people in the current European society. Nevertheless, the evidence shows that financial exclusion due to poverty and to lack of access to mainstream financial institutions is still a reality for many European citizens who not only cannot save for occasions or unexpected events, but who are forced to go into debt for daily living expenses, leading them to a greater risk of social exclusion. Moreover, the inability to exploit these financial services may significantly increase the risk for disadvantaged individuals and low-income households, who may resort to non-status lenders, generating a cycle of over-indebtedness that can be detrimental for their participation in the economy and community.

In principle, personal microcredit is supposed to fill the gap between the mainstream financial sector, unable to overcome costs and risks for poor and vulnerable clients, and those groups pushed to the edge of society for reasons related to their economic or social status.

The following section presents the state of the art of personal microcredit in Europe and recent trends. One of the main projects on personal microcredit carried out at the European level is also featured, highlighting the potential social and economic utility of this product.

Personal microcredit in the European context

Microcredit in Europe is considered as a tool for financial and social inclusion, and defined by the European Commission (EC) as "the extension of very small loans (usually below 25,000 Euro) to entrepreneurs, to employees who wish to become self-employed, to people working in the informal economy and to the unemployed and others living in poverty who are not considered bankable. It stands at the crossroads between economic and social preoccupations. It contributes to economic initiative and entrepreneurship, job creation and self-employment, the development of skills and active inclusion for people suffering disadvantages". Under this definition, microcredit addresses two groups: microenterprises (defined as enterprises employing less than 10 people) and disadvantaged persons (unemployed or inactive people, those receiving social assistance, immigrants, etc.) who do not have access to traditional banking services.

However, the European regulatory framework mostly refers to microcredit as a means to foster employment, encourage self-employment and develop micro-enterprises. Thus, most implemented programmes focus principally on microenterprise lending, while inclusion lending to un-bankable clients has not yet been part of the EU agenda. Nevertheless, in several European countries various initiatives have been set up to help people via personal microcredit – also called social consumer credit – as the CAPIC project illustrates later in this issue.

The latest trends in personal microcredit provision

Some data about the level of personal microloans disbursed in Europe are provided by the EMN Overview of the Microcredit Sector in the European Union of 2012-2013.

The survey shows that, in 2013, the provision of microloans for personal purposes, especially in terms of the number of microloans disbursed are on the rise among the surveyed institutions.

From the survey, the microloans disbursed for business purposes among surveyed MFIs are characterized by a higher average loan value and longer term than microloans disbursed for personal purposes. The average loan size for personal purpose is significantly lower (2.136 Euro) in 2013 compared to microloans for business purpose (9.960 Euro), and the average interest rate of the surveyed MFIs for business loans is 10% compared to 15% for personal loans. However, this masks the fact that MFIs in some EU countries are charging lower interest rates for a personal loan than for a business loan (notably, MFIs from Belgium or France, where personal loans are 3% compared to 6% for a business loan). The variation in the level of interest rates depends on factors such as the national legal framework (the presence of an interest rate cap), the MFI screening, the MFI business model and the availability of public and private support.

On the other hand, differences in the loan size can be attributed to the fact that persons who are likely to remain excluded from the banking system in the medium to long term and wish to take the first step to earning an independent income often look for less than 5,000 Euro. Moreover, differences can be also explained by possible regulatory constraints applied in some countries; for instance, French MFIs are limited by a 3,000 Euro ceiling for personal microcredit and 10,000 Euro for business microcredit.

The overall data show that personal microcredit is gaining traction in European countries and can be explained both as a consequence of its potential benefits and of the escalation of financial exclusion processes due to the global financial crisis and the implementation of fiscal consolidation policies by governments across Europe.

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Among the most important projects carried out in Europe on the potential social and economic utility of personal microcredit is the CAPIC - Cooperation for Inclusive Affordable Personal Credit.

The CAPIC project

CAPIC was a project funded by the EU programme, "PROGRESS 2007-2013", with the aim to analyse personal microcredit initiatives developed in four countries - France, Belgium, Italy and the United Kingdom.

The project illustrated and promoted new cooperation models between social enterprises, public authorities and profit-making companies in the provision of affordable personal microcredit to encourage social inclusion and integrate unbanked segments of the population into the labour market. In Belgium, the public authority was represented by the Walloon Region, the private company by Belfius Foundation and the not-for-profit association by Credal; in France, the not-for-profit organisation was Secours Catholique, the private company the Fédération Nationale des Caisses d'Epargne and the public authority the Caisse des Dépôts et Consignations; in Italy, Un Raggio di Luce represented the not-for-profit organisation, Cassa di Risparmio di Pistoia e della Lucchesia the private company, while the public authority was Provincia di Pistoia. Finally in UK, the not-for-profit organisation was Nottingham Credit Union, the private company was the Co-operative Electrical and the public authority, the Nottingham City Council.

The CAPIC project represents one of the main sources of information about personal microcredit and its impact in Europe. The project aims to foster mutual understanding and to promote best practices among European microcredit stakeholders in an effort to implement affordable personal microcredit in a more comprehensive way.

The four initiatives had the common objective to financially support vulnerable target groups without access to credit, for a need considered as legitimate by the provider.

The product offered is a credit (also called social consumer credit) designed to fit the needs of those with low and irregular income (with the ability to repay) and those financially excluded because of negative risk assessment. Examples of people belonging to these groups are: an over-indebted family (i.e. no access to credit because of negative registration in the credit database); those individuals with mobility problems due to an out of service car while living in a rural area; an elderly retired lady who needs to finance double glazing for her windows; a single parent with two teenagers in need of educational supplies; a family of unemployed parents with five kids and a broken washing machine who would like to avoid shops that propose expensive credit on a weekly repayment basis. Therefore, the abovementioned life conditions constitute some of the criteria to access personal microcredit. These conditions are mainly related to the status of the client (unemployed, temporary worker, over-indebted or at risk of over-indebtedness, single parents, pensioners, households in need of essential furniture or an efficient heating system) with a low income level (under a specific threshold).

> The personal microcredit here presented substantially differs from commercial consumer credit (such as subprime loans, typically with high interest rates), because it embeds an important social role in the form of personal follow-ups before and during the loan contract and provide clients with financial education trainings on the importance of savings and a well-managed budget to avoid future credit crises.

In each initiative, the amount of personal microcredit is adjusted to the low-income creditworthiness, the interest rates are usually under market and sub-prime market average and the indirect costs are close to zero.

Another peculiarity across the initiatives is the identification of potential clients by professionals close to the target population, which allows for a direct check of the requirement conditions. The identification can be made by one or more partners (the social organization, the bank or the local public authority) or by a network of professional services working in contact with the target market (e.g. social workers, debt counsellors, HR services, social housing, public/private foundations, etc.).

The most important characteristic of

personal microloans is that they are complemented with other adapted services that provide added value. In this sense, the personal microcredit here presented substantially differs from commercial consumer credit (such as subprime loans, typically with high interest rates), because it embeds an important social role in the form of personal follow-ups before and during the loan contract and provide clients with financial education trainings on the importance of savings and a well-managed budget to avoid future credit crises. The provision of these additional services (e.g. ex-ante analysis of a client's situation and budget, continuous follow-up, technical assistance and advisory services) through the cooperation between different partners (social enterprise, public authority and profit-making company), help to determine ex-ante whether other financial solutions in addition to the loan are needed, and, to redirect clients to other social services when necessary.

The CAPIC project has shown personal microcredit to be a tool for social action purposes. Nevertheless, in Europe, MFIs see and interpret personal microcredit in different ways according to the country's context and regulation.

To discover more about the CAPIC, visit the EFIN website: http://www.fininc.eu/capic-eu-project-lessons-learned/

Case Studies

In order to illustrate the facets of personal microcredit, four microfinance providers have been selected. They represent a sample of the diverse views and personal microcredit business models adopted across Europe. Among them there are fully sustainable commercial banks as well as subsidized non-governmental organizations working in partnership with banks. Although substantial differences exist for the interest rates charged to clients and the methods of delivering and screening potential clients, all four programs provide personal microcredit products with the aim to broaden financial inclusion for the vulnerable and unbanked segments of the population.

100% Personal Microcredit

SCOTCASH

UNITED KINGDOM

Scotcash

Type of organization/Legal status	Non-banking financial institution
Country	United Kingdom – Glasgow
Services and products provided	Loans, bank accounts, credit union savings accounts, money advice, financial capability support, fuel and energy advices
Total number of microloans disbursed (2014)	2,516
% of personal microloans	100%
Avg. loan size (2014)	464 Pounds sterling (360.43 Euro)
Avg. personal microloan size (2014)	464 Pounds sterling (360.43 Euro)
No. of customers (2014)	2,603
Website	www.scotcash.net

THE INSTITUTION

Scotcash CIC is a Company Limited by Guarantee, a Community Interest Company and a Community Development Finance Institution (CDFI). The initiative was created following a review of advice services within Glasgow, during which the city developed a strategic approach to financial inclusion. The institution's vision is to challenge the financial exclusion of those furthest away from the mainstream financial sector by embedding its services in local communities and giving citizens the advice and products they need to put them in control of their finances. With the aim of creating opportunity and a chance for self-improvement to a diverse population, Scotcash offers access to affordable credit, to bank accounts, to credit union savings accounts and to fuel, energy and money advice.

Since opening in 2007, Scotcash has provided 13.000 loans for 6.8 million Pounds sterling (5.8 million Euro) to these excluded households, has helped open 2,200 bank accounts, 588 credit union savings accounts, has assisted 5,519 individuals with debt issues and 3.3 million Pounds sterling (2.6 million Euro) has been saved in interest payments. The loan portfolio has grown by 30% over the last 3 years, from 1,522 loans in 2012 to 2,516 loans in 2014.

Scotcash's activities are funded on the basis of a Financial Plan which is updated annually and assumes that the loan volumes will increase each year until reaching 100% sustainability. Scotcash estimates that by 2018 the program will generate sufficient income to cover all operating costs. A grant subsidy was used for the initial set up, capital and revenue requirements and the organization continues to recycle the original loan capital but hasn't received any further grant subsidy for core operations except for special projects, such as the Big Lottery Fund Financial Inclusion in the Community Programme.

THE TARGET GROUP OF PERSONAL MICROCREDIT

Scotcash's target markets fall into five main groups: public and private tenants, elderly people, people with a disability or long-term illness, single parent families and minority ethnic groups. To be eligible for a personal microloan, the client has to live within a 25 mile radius from the centre of Glasgow, must be over 18 years old, must have a bank account that supports Direct Debits (although Scotcash can assist them to open one) and not be subject to bankruptcy. Although there is no formal requirement of previous credit refusal from a traditional financial institution, Scotcash carries out regular monitoring to confirm that customer demographics match those that are defined within financial exclusion.

Lending decisions are based on loan officer recommendations and do not use credit scoring, although Scotcash is starting to look how it could use scoring in the future, particularly for identification purposes. The lending parameters are based on strict affordability checks to ensure not only that the customer's financial position at the point of application is taken into account but also how the client's financial position might change over the lifetime of the loan. In order to ensure client protection and avoid potential risks of over-indebtedness, consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.

THE PERSONAL MICROCREDIT PRODUCTS AND COMPLEMENTARY SERVICES

The personal microloans that Scotcash provides are mostly used for holidays, home improvements and Christmas; they are unsecured and do not carry charges for late payments.

Scotcash's services meet the need for affordable credit alongside a balanced approach to an individual's financial circumstances, meaning that customers receive support to manage a budget, open a bank account, set up savings and get advice when they run into financial difficulties.

Scotcash delivers its products through a face-to-face approach, but also supports online and telephone access to create a loan application. Scotcash works with a number of other partners in the city: the registered Social Landlord partners provide office space (for example, the social landlord NG Homes provides Scotcash with premises in North Glasgow) to help keep costs down and provide links to the existing community, while the Home Energy Scotland offers Scotcash's customers fuel and energy advice, the Citizens Advice Bureau gives debt and welfare advice, the Royal Bank of Scotland offers bank accounts and a wide network of Credit Unions supports savings accounts.

Over the next four years Scotcash will focus on the face-to-face services in the East and South Glasgow locations and will strengthen the community presence with additional local outreach locations in the West of the city. This will provide local access points and city-wide coverage, making it easier for customers to get the support and advice they need to make the most of their money.

Personal microcredit for pensioners and salary receivers

OPPORTUNITY BANK

SERBIA

OPPORTUNITY Bank
For a Life Full of Opportunities!

Opportunity Bank

Type of organization/Legal status	Commercial Bank
Country	Serbia
Services and products provided	Micro and SME loans for entrepreneurs and farmers, personal microloans, savings account, bank accounts, guarantees, payments
Total number of microloans disbursed (2015)	18,185
% of personal microloans	59%
Avg. loan size (2015)	2,600 Euro
Avg. personal microloan size (2015)	1,467 Euro
No. of customers (2015)	Total clients: 32,055 Personal microloan clients: 16,604
Website	www.obs.rs

THE INSTITUTION

Opportunity Bank Serbia (OBS) is a Community Bank active in Serbia since 2002 and specialized in microfinance, providing microloans for SMEs, farmers and individuals, savings, accounts, guarantees and payments to clients that cannot ordinarily access financial services from other banks. First established as Opportunity Savings Bank, in 2007 it was successfully transformed into a commercial bank with a license issued by the National Bank of Serbia.

The mission of OBS is to empower underserved and financially excluded people by providing financial solutions and trainings in order to transform their lives, their children's future and their communities. The provision of products for personal needs started in 2010 after it was determined that the rural population lacks access to financial services due to small incomes and distance from the cities. OBS, as commercial bank, is fully sustainable and doesn't receive any subsidies to provide its products.

THE TARGET GROUP OF PERSONAL MICROCREDIT

The main target group for OBS personal microloans is employees in public and state-owned companies and pensioners and the bank is planning to serve pensioners older than 75 years with no access to loans in other banks in the future. Indeed, pensions are the often the main formal source of income in many low-income families, making pensioners one of the main actors applying for loans.

Lending decisions are based on credit scoring, with loan officers partly taken into account by assessing a client's profile and their repayment ability without the involvement of other partners. To prevent over-indebtedness, criteria are clearly defined based on the percentage of clients' monthly salary/pension: if client indebtedness is above the maximum threshold, credit scoring will automatically reject the loan application. The client advisor has the obligation to examine the client's need and to advise a loan amount/term that best suits the potential client.

THE PERSONAL MICROCREDIT PRODUCTS AND COMPLEMENTARY SERVICES

The personal microcredit products offered by OBS are cash and refinancing loans for pensioners and salary-receivers, whose basic needs include the education of children and grandchildren, payments for medical treatment, fuel and scholarship. OBS personal microloan products meet these needs by providing clients with cash in a very short time, with no transfer of pension/salary and through a simple loan processing procedure.

OBS provides additional non-mandatory financial services such as savings products, account opening and payment services, while non-financial services accompany the disbursement of the loan and are limited to free printing and online educational materials which are not mandatory in order to receive the microloan.

OBS loans are secured by collateral such as a bill of exchange and salary/pension withholding instrument. A penalty interest rate exists in case of delay that is prescribed by law, and clients pay a one-time loan disbursement fee for a disbursed loan (from 2%, depending on type of loan). OBS is delivering personal microcredit products alone, however it co-operates with the Insurance Company "Dunav osiguranje" that provides credit life insurance.

A successful partnership

CAISSE D'EPARGNE and PARCOURS CONFIANCE

FRANCE

Caisse D'epargne and Parcours Confiance

Type of organization/Legal status	Savings bank and NGO (Partnership)
Country	France
Services and products provided	Personal microcredit, business microcredit, bank account, insurance, means of payment, savings account
Total number of microloans disbursed (2015)	7,800
% of personal microloans	60%
Avg. loan size (2015)	2,890 Euro
Avg. personal microloan size (2015)	2,550 Euro
No. of customers (2015)	Total clients: 24.4 M Personal microloan clients: 10,700
Website	www.parcoursconfiance.wordpress.com

THE INSTITUTION

In 1818, the first Caisse d'Epargne was established in France as a philanthropic savings and provident institution. Today, Caisses d'Epargne represents a network of 17 regional full-fledged banks. They are leading funders for social economy, and one of the main banks serving families, SMEs, social housing and local public authorities.
Caisses d'Epargne provide around one-third of personal microcredit in France. Since 2005, they operate through two channels: a network of Parcours Confiance associations that could be considered as a specialised microcredit unit within the bank, and Créa-Sol, a microfinance institution operating in the south of France.

The main objective is to design and implement financial solutions for vulnerable groups. It relies on a multi-stakeholder approach, including the local Savings Bank, Parcours Confiance, social partners and public authorities. Caisses d'Epargne contribute by providing experienced staff to Parcours Confiance and by taking charge of credit management related-costs (back-office, IT, etc.), as the microcredit is on its balance sheet. The public authorities contribute by granting the national guarantee fund (50% guarantee on personal microcredits) and supporting social partners.

The implication of a large range of stakeholders is key for the overall sustainability of personal microcredit while limiting the cost to customers: the interest rate charged to the client is less than 4% per year.

Since its inception in 2005, Parcours Confiance has delivered more than 30,000 personal microloans and demand is expected to continue growing.

THE TARGET GROUP OF PERSONAL MICROCREDIT

Clients are mostly people between the age of 33-35, who cannot get credit from mainstream banks, such as low-income, unemployed, people without credit history (mostly migrants and young) or bad credit history, people facing social difficulties (single parents, divorce, death, illness, etc.). Given the differences in customer profiles, the flexibility of personal microcredit responds to diverse customer demands and adapts to each individual's financial needs.

The main purpose of the microloans is mobility, such as for financing a vehicle purchase, repairs, or acquiring a driving license. Personal microcredit also finances training, health care, domestic equipment, etc. In the last years, experimentation has been driven at local level, as described below in the west of France.

An illustration of product diversification by Parcours Confiance Bretagne Pays de Loire (west of France)

In recent years, Parcours Confiance Bretagne Pays de Loire has created a large range of personal microloans to tackle new needs:

- Housing microcredit, directed at low-income homeowners-occupiers facing fuel poverty: financing renovation works help reduce the energy bill. It can also be used for disabled or elderly people, who look to improve their living conditions. This loan is distributed with specific stakeholders (corporations, foundations and local authorities for the guarantees). The maximum amount is 20,000 Euro for 120 months.
- Rent arrears microcredit aims to avoid an eviction order for tenants in financial difficulties by financing part of their debt. These microcredits are provided in close collaboration with social housing partners, as it is essential to have a deep understanding of the origins of households' budgets difficulties. The maximum amount is 3,000 Euro for 48 months.
- Fuel supply microcredit is a new product that has been designed and implemented with the support of the fuel company Total, and the first loans are expected to be disbursed in 2016. The program targets households in rural areas without other heating solutions than fuel oil. Their main financial problem is to have enough money for a full tank supply without destabilizing their budget, allowing them to heat their home during the winter at a lower price. The max amount is 1,500 Euro for 12 months.

THE PERSONAL MICROCREDIT PRODUCTS AND COMPLEMENTARY SERVICES

Delivering the personal microcredits involves many actors. In the pre-selection phase, Parcours Confiance works closely with a number of partners (mainly not-for-profit) to identify potential clients and their financing need, relying on their expert knowledge on social inclusion. Around 700 social partners work with Parcours Confiance, of which family associations (Udaf), local community centers (Centres Communaux d'Action Sociale), Secours Catholique (Caritas), Croix Rouge (Red Cross), access points for employment and social services for youth (Missions locales), etc. Prior interventions by social workers and volunteers also ensure that available welfare benefits are activated: according to a "subsidiarity" principle, microcredit should not replace available social aids.

Following identification of the clients, Parcours Confiance assesses the credit worthiness and decides whether or not to finance the project. At this stage, there is no scoring tool for microcredit assessment and the decision relies on the expertise of experienced loan officers, through a customized and in-depth budget and social analysis. Then, the Caisse d'Epargne takes responsibility for the back-office and risk management. Once the credit is granted, Parcours Confiance closely monitors the clients' repayment performance to prevent any difficulties the client could face.

As Parcours Confiance operates in close collaboration with Caisses d'Epargne, it allows loan officers to provide any financial products and services: bank account, insurance, means of payment and savings account. Customized follow-up is a key component of personal microcredit. The non-financial services include social support by a partner, budget analysis and support by Parcours Confiance and, if relevant, financial education through collective training managed by Finances & Pédagogie, an association created and supported by Caisses d'Epargne.

Family microcredit

PERMICRO

ITALY

PerMicro

Type of organization/Legal status	Non-banking financial institution
Country	Italy
Services and products provided	Personal and business microloans, microinsurance, financial education, budget advices
Total number of microloans disbursed (2015)	3,092
% of personal microloans	60%
Avg. loan size (2015)	7,150 Euro
Avg. personal microloan size (2015)	5,500 Euro
No. of customers (2015)	Total clients: 7,075 Personal microloan clients: 5,830
Website	www.permicro.it

THE INSTITUTION

Created in 2007, PerMicro is a company specialised in microcredit, initially established in Torino but now operating in 11 Italian regions. Its mission is to create employment opportunities and promote social inclusion by providing professional microcredit services, including financial education and coaching services for start-ups, to the sectors of population excluded from the traditional lending channels due to poor credit history or precarious employment status. It is the first and the only Italian microcredit company that professionally manages all phases of a micro company project: scouting, preliminary inquiry, risk assumption, follow-up.

To date, PerMicro has disbursed 11,619 microcredits for a total amount of 75,998.120 Euro, of which 9,755 are family microcredits and 1,864 are business microcredits. The company's long-term action plan towards financial inclusion is carried out by supporting the clients in their credit path by offering specific trainings on credit and support in managing the family budget.

The personal microcredit product is a sustainable activity for PerMicro that address un-bankable individuals and households by applying regular interest rates.

THE TARGET GROUP OF PERSONAL MICROCREDIT

PerMicro's activities target un-bankable people, mainly migrants or persons without any collateral, who have an income and are able to pay back but are excluded by the traditional credit sector. These clients' demands for personal microloans are often related to a financial emergency situation, involving home, health, work or education.

PerMicro does not rely on collateral, but on the moral guarantees provided by the social networks to which the applicants belong. These social networks support clients during the development of their business and constitute a link between them and PerMicro. Among these there are associations, churches and ethnic communities with a strong interest in the repayment of the loans: if members repay the debts, the network will have better conditions in future loans; if members don't repay debts, it will be harder or more expensive for other members to get a loan.

PerMicro's know-how is enhanced by the development of its own credit scoring model, based on the systematization of information on four crucial areas for credit rating analysis: socio-demographic characteristics of the applicant, "goodness" of the social network, credit bureau score of the applicant and guarantor. However, partners and loan officers in PerMicro's 14 branches play an important role in increasing knowledge about their target area in order to better serve the local population.

Concerning client protection, the loan officers evaluate the purpose of the microloan and build, together with the potential client, a family balance sheet in order to evaluate their incomes and expenses during the preliminary enquiry. Moreover, PerMicro organises financial education sessions in collaboration with PerMicroLab Onlus, a non-profit association supporting socially and economically disadvantaged people.

THE PERSONAL MICROCREDIT PRODUCTS AND COMPLEMENTARY SERVICES

Personal microcredit products have significant weight in PerMicro's portfolio, although the company is expecting business microcredit to increase in relevance going forward. Along with personal microloans, PerMicro also offers non-mandatory non-financial services such as the drafting of a family balance sheet, financial education sessions and support on budgeting. Per Micro offers microinsurance products as auxiliary non-mandatory financial services to personal microloans. Two of these microinsurance products (Safe Income and Ride Home) are delivered in partnership with the insurance company NOBIS to improve the risk management capacity of low-income individuals and are complemented by the standard Credit Protection Insurance product delivered in collaboration with Italiana Assicurazioni:

- Credit Protection Insurance: insures the customer in case of death, disability, inability or admittance to hospital;
- Safe Income: answers problems specific to people working at third parties (such as housemaids and caregivers) when they lose their job as it grants income protection;
- Ride Home: specific to foreign citizens who, in case of death, for religious or social needs, wish their body to be brought and buried in their home country.

CASE STUDIES

- The following table has been drawn to highlight the similarities and differences between the MFIs models and the personal microcredit products delivered.

		SCOTCASH	OBS	CAISSE D'EPARGNE and PARCOURS CONFIANCE	PERMICRO
INSTITUTION TYPE		Non-banking financial institution	Commercial Bank	Savings Bank & NGO (Partnership)	Non-banking financial institution
PERSONAL MICROLOAN MAIN TARGET GROUP		Social and private rented sector tenants Elderly Disabled or with long-term illness One parent families Minority ethnic groups	Employees in public and state-owned companies Pensioners	Low income and unemployed People without credit history or bad credit history (migrants and young) People facing temporary social difficulties (single parents, divorce, illness, etc.)	Migrants People without any collateral (18-75 years old)
PERSONAL MICROLOAN USES		Housing Holidays Christmas	Education Health expenses Fuel expenses	Housing Mobility Rent arrears Fuel expenses	Housing Homeland housing Family expenses (health and education)
PERSONAL MICROLOAN CHARACTERISTICS	AVG. LOAN SIZE	£464 (€596)	€1,358	€2,550	€5,500
	MIN – MAX AMOUNT	£50 - £5,000 (€64 – 6,424)	€200 – 5,000	€300 – 5,000	€1,500 – 10,000
	AVG. DURATION	9.2 months	36 months	33 months	36 months
	IR	APR: 121%	EIR 21.73% - 32.5%	4 - 5% (average: 1.5% in 2015)	APR 9.90% (+inquiry expenses)
	COLLATERALS AND FEES	NO	Bill of exchange Salary/pension with holding instrument	NO	NO
ELIGIBILITY CRITERIA		Geographical proximity Bank account (or open one with Scotcash assistance) Not be subject to bankruptcy	Min 3 months of employment/ retirement Pensioner < 75	No formal requirements but clients need to be identified by the social partners of Parcours Confiance (NGOs, not-for-profit corporations)	Positive track record with the company No other formal requirements but priority given to those refused by banks
SCREENING OF CLIENTS		Loan officers	Credit scoring	Loan officers	Mixed: Credit scoring and loan officers
PRODUCTS AND SERVICES COMPLEMENTING PERSONAL MICROLOANS	FINANCIAL	Bank account (in partnership with Royal Bank of Scotland) Savings account (in partnership with Credit Unions)	Bank account Savings account Payment services Credit life insurance (in partnership with Dunav osiguranje Insurance Company)	Bank account Savings account Payment services Insurance products	Micro-insurance products: Credit Protection (in partnership with Italiana Assicurazioni), Safe Income and Ride Home (in partnership with NOBIS)
	NON FINANCIAL	Fuel, energy and money advice (in partnership with Home Energy Scotland) Debt and welfare advices (in partnership with Citizens Advice Bureau)	NO	Customized follow-up on repayment performance Financial education (in partnership with Finances & Pédagogie) Budget analysis and support	Drafting of family's balance sheet Financial education (in partnership with PerMicroLab Onlus) Budget analysis and support

The Debate

Grzegorz Galusek

Executive Director of Microfinance Centre (MFC)

The Microfinance Centre is a regional microfinance resource centre and network that brings together 105 organizations (including 77 MFIs) in 31 countries of Central Europe and Asia, who serve over 1,000,000 low-income clients. Based in Warsaw, Poland, MFC's mission is to contribute to poverty reduction and the development of human potential by promoting a socially-oriented and sustainable microfinance sector that provides adequate financial and non-financial services to a large numbers of poor families and micro-entrepreneurs. To achieve its mission, the MFC promotes balanced MFI performance, creating informed and capable financial consumers, and building strong institutions.

Géraldine Lacroix & Sébastien Poidatz

Director of Economic Development and Social Cohesion Department of Caisse des Dépôts et Consignations
Expert of Personal Microcredit and financial inclusion - Caisse des Dépôts et Consignations

Caisse des Dépôts et Consignations and its subsidiaries constitute a public group in the service of the country's general interest and economic development. The Group fulfils missions of general interest in support of public policies implemented by the French State and by local authorities, and carries out competitive activities.

1

Is personal microcredit a tool for financial and social inclusion?

GG. The expectation that financial inclusion can solve social inclusion is questionable. There is hardly any evidence that more inclusive systems create more equal wealth distribution. Specifically, credit may be the least effective tool for inclusion. A loan from a microfinance institution operating outside the mainstream financial system, or worse a loan from a fringe consumer lender charging high rates, will not financially include the disenfranchised people. More importantly, by focusing on credit we will be neglecting and displacing other forms of potentially more effective policies and programs. For example, it may be much more beneficial to advocate for a bigger role of the state in ensuring that certain basic needs of low income people are met. By borrowing, people may become more vulnerable and further exclude themselves socially when they are not able to repay the loans. If we consider a limited role of credit in eliminating social exclusion, then what we need to focus on are savings and access to payment systems, not a personal credit.

GL&SP. To improve financial inclusion of people who have no access to credit is an overriding objective of personal microcredit; this objective has broadly been reached. Personal microcredit does allow for appropriate access to a loan for people who were initially unbanked. In 2013, the Caisse des Dépôts carried out an impact assessment: 79% of borrowers think that the budget diagnosis allowed them to adjust the monthly payments linked to their loan to their budgetary position. In fact, more than 90% of borrowers fully redeem their loan. If we take a few steps further and ask ourselves whether personal microcredit is able to engage a virtuous circle, allowing the borrower to solve difficulties in accessing or making use of banking products, the outcomes we obtain are poor. Indeed, in the case of borrowers who already benefited from microcredit, when they need to borrow again, the proportion resorting to a traditional bank loan does not increase; it is also worth stressing that there has been little or inadequate change in the banking offer, as shown by a wide implementation of bank overdrafts.

As far as social inclusion is concerned, we know that economic hardship puts it in jeopardy. Social interactions often involve spending money (outings, transportation...), and this is precisely what people living in precariousness try to limit as much as possible. Our assessment has demonstrated that, on average, personal microcredit has improved by a hundred euros the borrower's budgetary margin of manoeuvre (the average standard of living between the time of the microcredit application and the date of the survey has increased from € 756 to € 859 per month); this has positively affected social inclusion among borrowers: 38% of them maintain that their social inclusion has improved. This improvement arises from the fact that, in most cases, microcredit provides funding for buying or repairing a vehicle, which leads to greater mobility. The latter being not only an asset to find or keep a job (this is a great asset as job placement is the field with the most significant impact; one out of two borrowers claims having experienced a positive impact), but also a chance to pay more visits, to engage in sporting or leisure activities, and so forth. These are opportunities to diversify and enrich one's social life.

2

Is personal microcredit different than consumer credit?

GG. No. The idea that personal microcredit should be disbursed only for selective purposes such as education that can potentially have social outcomes (e.g. finding a job) is not enforceable. It is difficult to ensure that personal credit provided by MFIs would only be used for those specific purposes. Moreover, personal credit is a newly coined term that, when legitimized by the EU (as microcredit was), will create an opening for countless consumer credit providers to claim public subsidy or a privileged regulatory treatment to disburse consumer credit under the guise of personal microcredit. We should not be opening the flood gates for over-indebtedness which is already on the rise in the EU among the lowest segments of the population.

GL&SP. In France, the 2010 Loi Lagarde, which reformed consumer lending, has introduced a legal definition of secured personal loans. This type of consumer lending has its distinctive features: apart from its small amount (up to € 5,000), the purpose (to foster social inclusion and employability) and the intended audience (excluded from traditional loans), its originality is that this is a type of supported credit. The Loi Lagarde has brought about a supportive element to this kind of loan. In fact, behind this notion lie different activities ranging from project appraisal (Is it relevant? Are there more appropriate funding sources?), monitoring the borrower (to check that his/her situation does not suddenly deteriorate) and budgetary evaluation (which is a crucial step that allows fine tuning between monthly payments and the borrower's repayment ability). In a nutshell, this is a tailor-made tool and not a ready-to-wear one, which is why it is so effective.

3

Should MFIs provide personal microloans?

GG. Subsidized MFIs with strong social orientation can have a role in providing such loans but they should do that as part of a larger, holistic approach to financial inclusion. However, community and member-owned institutions that apply cooperative principles the best suited for this purpose. Commercial MFIs should not be engaged in personal loan provision as it has been shown to derail the mission of many microfinance institutions and lead to client over-indebtedness. There is also a big role to play for cooperative and ethical banks who should be offering low cost no-frills accounts and develop appropriate credit products.

GL&SP. We generally refer to microfinance institutions as some local outreach institutions that provide financial services to people who do not have adequate access to traditional banking products. In France, two institutions provide these services: Adie and Créa-sol. Although for both of them professional microcredit is the core business, the fact is that they remain active and leading players in personal microcredit. Adie operates in the whole country and develops its activities in Europe, but also ranks second for the market of personal microcredit.

It is true that the most widespread scheme in France is the partnership between a credit institution and an association who is responsible for support. The Caisse des Dépôts has focused on the promotion of this model in order to foster greater convergence between the banks and the unbanked population. Microfinance institutions complete the picture and they have a number of strengths, such as faster operating processes.

4

Do you see personal microcredit as a subsidized product or as a profitable market product?

GG. If offered for career advancement purposes for the financially excluded individuals, personal credit should be a subsidized product. If it is a market product, then it is no different than a consumer loan or a private student loan available from commercially-oriented providers, and there is no public policy justification to allocate subsidies to consumer credit. However, even if it is subsidized credit it has to be repaid with interest and it may increase vulnerability of clients making their personal situation even more precarious.

GL&SP. This issue is still under debate. Personal microcredit is clearly an example of social innovation that addresses a double shortage: a market shortage, since some creditworthy people have no access to credit, and a social protection shortage, since once again in this field they cannot find suitable funding solutions fitting their needs. In the meantime, personal microcredit has taken shape between trade products and social assistance. It is an effective third way!

Credit institutions partially bear the cost of developing personal microcredit: their interest rates, when they are affordable for the borrower, do not seem to recoup the costs of the activity (refinancing, management, risk not covered by the guarantee, business development). Some banks even go further by developing a number of schemes or branches specially dedicated to vulnerable customers. This facility also mobilises public money since the State has created and contributes to the "Fonds de cohesion sociale" run by the Caisse des Dépôts and that secures loans up to 50% of their amount. In addition, the Caisse des Dépôts provides financial support to some associations that are willing to support borrowers. However, it is not enough. Even though personal microcredit has proved its effectiveness in combating poverty and social exclusion, there has been a slowdown of its expansion. In 10 years, the delivery of personal microcredit has increased every year, but the pace is slowing down as the number of loans stagnates at around 15,000 per year. This expansion is currently thwarted by the capacity of supporting associations – unless they receive additional financial resources – to absorb them, even though the number of potential micro-borrowers is by far exceeding 15,000 people per year. Development pathways must therefore try to improve the profitability of microcredit and increase awareness of its original proposal without distortion.

5

Does personal microcredit require a definition?

GG. No. For three reasons: (1) It is difficult to implement and ensure it is followed by MFIs, (2) it may create confusion within the regulatory framework and potential regulatory arbitrage, and (3) With the proposed understanding of personal microcredit, it may lead to exclusion in the same way that business microcredit excludes small firms with financing needs larger than 25,000 Euro.

GL&SP. In the wake of professional microcredit, it is necessary to adopt a European definition of personal microcredit to improve its visibility, to draw the attention of European institutions urging them to set up a supportive policy of national schemes and to develop suitable financial tools.

To reconcile the multitude of personal microcredit models that exist in Europe, the definition may boil down to 3 or 4 main features, such as the intended audience, the inclusion goal and the support that goes hand in hand with the loan disbursement. It is important to make it clear that microcredit exists and to prove that it combats poverty effectively.

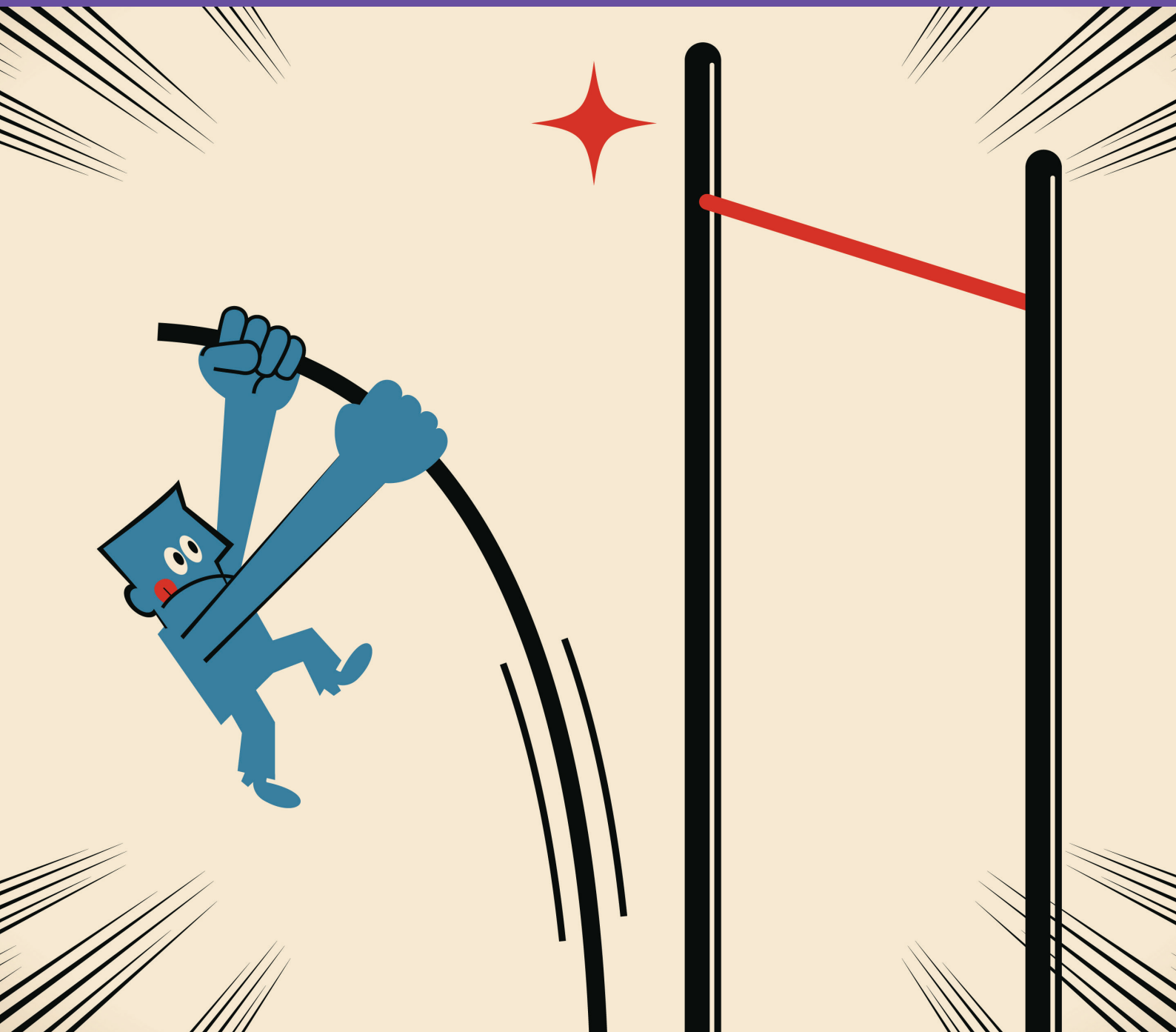
6

Should EU policies provide specific support for personal microcredit?

GG. It would be useful for the EU to consider two sets of policies: (1) financial inclusion policy with the focus on low-income individuals, and (2) enterprise development policy with the focus on start-ups, micro-enterprises and SMEs. Development of community based institutions providing a holistic support to low-income people (such support should be "savings first" and include access to various financial products, educational opportunities, etc.) requires various forms of public support.

GL&SP. This question links up to the previous one. If we take the development of personal microcredit in France, there is an indisputable link to public intervention, state intervention and the role of the Caisse des Dépôts. There have been pilot schemes, and public authorities have been made aware of them. Then we designed the necessary tools to develop them (a national guarantee fund, an Internet portal for the general public, trainings for stakeholders...). It would be interesting to deploy this approach in other countries having personal microcredit schemes, at a European level.

Personal microcredit: a tool for financial inclusion?



The microfinance sector in Europe has been consistently expanding during the last years of the economic crisis. In a context where 24.5% of the EU-28 population (2014) is at risk of poverty or social exclusion and nearly 24 million people are unemployed, microfinance has emerged as an essential social policy tool for the promotion of self-employment, microenterprise support and the fight against social and financial exclusion.

Recently, an increasing number of microfinance practitioners have embraced a broader sphere of financial products to cope with the growing needs of a growing segment of the European population constrained by the crisis (working poor, unemployed youth, people on welfare) and by the fiscal consolidation policies implemented by the European governments.

In this context, personal microcredit has emerged as potential tool for the promotion of financial and social inclusion despite the different business models applied by practitioners, as some view personal microcredit as a social tool while others view it as market product.

A common characteristic is that typical clients are those belonging to societal groups unserved by the mainstream financial sector, such as: the unemployed, or people with irregular and unstable jobs, those unable to work through sickness or disability, the less educated, the young, lone parents, the migrants and particular ethnic groups, the elderly and pensioners, people living in rural areas or in very deprived neighbourhood and the women.

What stands out from the Magazine is that personal microcredit differs from microcredit for business purposes since it is not immediately directed to the creation of income generating activities but is designed to cover personal or family needs that can have indirect positive effects on integration into the labour market and, more generally, on their social inclusion. Thus, if business microcredit targets the nearly bankable segment of the population, personal microcredit goes further and tackles those un-bankable clients, giving them the opportunity to benefit from access to credit and other financial services necessary to climb out of the risk of poverty and social exclusion.

The lack of access to financial services for these segments of society might represent a serious obstacle to reach higher standards of living, and for this reason is seen as one of the causes of social exclusion: when such categories of vulnerable populations face credit denial from mainstream institutions, they might be exposed to risks such as living in poor housing conditions, health vulnerability or missing studying and working opportunities. These conditions, if not adequately smoothed by public social policies, might incentivize them to turn to money shops, home credit companies, payday loan companies and other kinds of non-status lenders charging very high costs of lending, asking for guarantees and usually practicing refinancing loans. Although these actors are highly accessible and are able to offer loans to people who cannot receive them from the mainstream financial sector, this form of "financial inclusion" might have very high costs: it exacerbates peoples' impoverishment, over-indebtedness and social exclusion.
Nevertheless, the plague of over-indebtedness also hit the microfinance world. Unhealthy growth of the microfinance sector and uncontrolled competition between MFIs can result in severe over-indebtedness of borrowers. These situations sometimes take time to identify since clients can use new loans to reimburse old ones or sell their assets and become even poorer to reimburse their debts. The recent microcredit crises occurred in several developing countries (see Guérin et al. 2015 for examples in India, Nicaragua and Dominican Republic) represent an extreme illustration of the consequences of such an evolution of the industry. These crises have seriously harmed the image of the microfinance industry worldwide. Whereas in Europe the sector is not yet facing fierce competition, these examples should be acknowledged as a warning against unhealthy growth leading to over-indebtedness.

Keeping in mind these potential dangers, the relatively new personal microcredit products have been generally acknowledged, among other fundamental financial services in today's society, as a viable alternative to other expensive credit solutions. Given the necessity of financial instruments to those unserved segments of society, providing affordable and better tailored microloans for personal purposes might result in positive social impacts. This opportunity would enable these population segments to manage risks and face financial shocks, to make essential repairs and adaptations to improve housing conditions and, most important, to provide tools for potential job opportunities (e.g. repairing or purchasing a car), invest in education and trainings, reduce borrowing from unlicensed moneylenders and, in general, promote self-esteem and

Personal microcredit has emerged as a potential tool for the promotion of financial and social inclusion despite the different business models applied by practitioners, as some view personal microcredit as a social tool while others view it as market product.

social inclusion.

Provided these social features, personal microcredit offers potential as an empowerment tool targeted to the specific needs of individual and family development projects (such as education or employment) able to prevent and address the causes of financial and social exclusion (poverty, low and irregular income, over-indebtedness) and to act as a springboard for their social inclusion.

From the case studies presented in the Magazine, results indicate that, beside the common uses of personal microcredit such as for housing (e.g. general improvements, energy efficiency and rent arrears), family (e.g. education and health), mobility (e.g. repairing or purchasing a car) and fuel expenses, personal microcredit may be used for more traditional consumption purposes such as holidays and Christmas expenses.

The risk of providing a product for consumption purposes stresses the main issue at the heart of the debate around personal microcredit. Indeed, another line of thought views personal microcredit as an additional burden on the poor and low-income people's lives since, closely resembling consumer credit, it could increase the risk of over-indebtedness and social exclusion. The fact that personal microcredit is not linked to income generating activities might make personal microcredit a risky product for clients whose ability to repay is based on their budget and creditworthiness, not on a specific business plan.

In line with this view, personal microcredit should distance itself from traditional consumer credit since it doesn't merely target consumption but rather enhances the financial and social inclusion of beneficiaries. It follows that, to be able to apply and access personal microcredit, the potential beneficiaries must comply with specific criteria and respond to a "legitimate" need. At the same time, defining and establishing the "legitimacy" of the need might be controversial and difficult to track by MFIs, in effect, leading to the risk of financing consumption exploiting the vulnerable position of the poor and low-income population.

The risk of providing a product for consumption purposes stresses the main issue at the heart of the debate around personal microcredit.

As the case studies presented in this Magazine show, the provision of personal microcredit alone might not be enough to support full financial inclusion of beneficiaries, but can be complemented with additional financial products (e.g. transaction and savings account) and non-financial services (e.g. financial education and personal follow-up). The MFIs covered in this issue offer other non-mandatory financial and non-financial services, considered as important tools for financial inclusion and supplement the provision of credit.

The most common financial services presented by the MFIs covered in this issue are the provision of bank accounts, savings accounts and microinsurance products. Access to bank accounts seems to be fundamental since it encourages saving and opens access to credit, while not having it makes every transaction more costly and time consuming. It is impossible or costly to receive payments such as wages, pensions or social assistance; more difficult to gain employment, to convert cheques or vouchers into cash; and, more costly to make payments for goods and services other than in cash (e.g. ordering of goods by internet, paying rent and electricity). Access to savings also makes a difference: without savings, unexpected events can become overwhelming financial burdens.

Among the non-mandatory non-financial services, the most commonly offered are financial education and specific financial counsel, such as money, fuel and energy advices or budgeting analysis and support. This non-financial aspect represents an essential component that gives personal microcredit its unique and innovative character, making it different from other forms of credit. At its most social representation, the personal microcredit presented by Parcours Confiance is called "microcredit accompagné", underlying the fundamental element of beneficiaries' follow-up that starts before credit delivery and persists throughout all phases of the loan process.

The ways in which these financial and non-financial services are provided vary across MFIs. In the majority of the cases, these are supported by partner organisations (social actors or private companies), whereas in other cases these products and services are internally provided. Partnerships, whether with banks and insurance companies or social partners with complementary expertise, seem to be an important element among those MFIs delivering personal microcredit products.

The general picture that emerges from the Magazine finds that personal microcredit is not a product "for everyone and everything". Not for everyone, as personal microcredit is targeted to unbanked segments of the population; and, not for everything, as the covered needs shouldn't be linked to mere consumption but rather to the broader purpose of enhancing individuals and families' financial and social inclusion.

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- https://www.fwamilano.org/index.phtml?Id_VMenu=1http://www.obs.rs/en/
- https://www.scotcash.net/
- Inclusive affordable personal credit (part 1) video: https://www.youtube.com/watch?v=Y_L9w3ihKmQ
- http://www.fininc.eu/

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