# Microfinance in Europe: Survey Report

## 2020 edition

Justyna Pytkowska

EUROPEAN MICROFINANCE NETWORK

MICROFINANCE CENTRE

With contribution by EIF

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# Foreword

The main purpose of the EMN-MFC Survey Report is to track changes in the industry and deepen the understanding of core issues such as scale, outreach, social and financial performance while also identifying common challenges for the years to come. This is the ninth edition of the report and for the third time it is jointly carried out by EMN and MFC, highlighting the complementarities and the added value of cooperation between the two European microfinance networks.

There is no denying that this year's edition has been a peculiar one due to the particularly difficult circumstances in 2020 under which microfinance institutions were asked to contribute. However, we insisted on the importance of their participation because, now more than ever, information sharing is key to help our community understand progresses made, identify the common challenges ahead of us and take decisions. Policymakers, investors and all stakeholders also need market data to better support the development and resilience of our institutions allowing for a more inclusive and impactful European microfinance sector.

What stands out from the report is the dynamism of the sector that supports a growing number of individuals and microenterprises thanks to the combined offer of financial and non-financial services. The sector has been steadily growing over recent years and in 2019 microfinance institutions reported a gross microloan portfolio outstanding of more than 3.7 billion euros (+14% compared to 2018) with 1.2 million total active borrowers (+14%).

The financial services offered aim to fulfill various needs related to entrepreneurship and family life. In this respect also this edition of the report confirms the higher growth of the personal loan segment (+23%) compared to the business loan one (+12%).

In addition to business and personal microloans, one-fourth of MFIs provide loans above EUR 25,000. Although this segment of business loans is still small, it is growing quickly (+46% between 2018 and 2019). This indicates that there is demand for loans above EUR 25,000 for micro-entrepreneurs.

Regarding recent trends the report bears witness to the sector's growing interest in green finance (16% of MFIs having dedicated energy-efficiency loan products) and of the widening efforts to adopt digital solutions that can provide more tailored and efficient support to clients. A majority of providers have digital solutions to support clients during the loan lifecycle. In addition to that about half of the MFIs plan to introduce new digital solutions in the next three years.

These results confirm that microfinance has become a growing sector of activity in Europe. They also suggest that the microfinance sector can play a fundamental role in the provision of an inclusive response to the emerging socio-economic scenario, particularly in relation to the impact of current pandemic among vulnerable groups and micro-entrepreneurs.

Finally, it is important to stress that this initiative would not have been possible without the collaboration of the 143 responding MFIs, including both EMN and MFC members, and the precious support of regional microfinance associations across Europe. We want to give thanks to all the organizations that have collaborated in the preparation of this report and we hope that this analysis will help to further improve the support available to all individuals that are still socially and financially excluded in Europe. We certainly need that for the challenging years to come.

**Elwin Groenevelt**
EMN President

**Lucija Popovska**
MFC President

# Preface

The European Investment Fund (EIF) is proud to support the 9th iteration of “Microfinance in Europe”, a key publication for the European microfinance market.

This periodical market assessment is an important series as it serves as a foundation for evidence-based analyses and policy making by tracking the evolution of microfinance in Eastern and Western Europe.

As a combination of quantitative and qualitative information stemming from the survey wave complemented by secondary data sources, it provides useful statistics to the benefit of a wide range of market participants, including policy makers, transaction managers and market researchers. Since the data were collected between May and August in 2020, the study sheds light on the current challenges the Microfinance sector is experiencing as the consequences of the COVID-19 crisis.

The EIF has been involved in the European microfinance sector since 2000, providing funding (equity and loans), guarantees and technical assistance to a broad range of financial intermediaries, from small non-bank financial institutions to banks active in the microfinance or social enterprise finance market– in order to build a full spectrum of the European inclusive finance sector. In this way, the EIF pursues core European Union objectives: entrepreneurship, inclusive growth and job creation. Since the launch of the EPMF (European Progress Microfinance Facility) programme in 2010, and its successor the EaSI (Employment and Social Innovation) programme in 2015, both managed by EIF on behalf of the European Commission, new financing in excess of 1.5 billion euros has already been provided to many thousands of vulnerable micro-borrowers across the European Union. Over time, including the still active guarantee agreements, EaSI will have mobilised some 3 billion euros of financing, including social enterprises and borrowers in EaSI eligible countries outside of the European Union. This demonstrates the strong demand for the type of financing supported under EaSI, which has been significantly scaled up also thanks to EFSI (European Fund for Strategic Investments). It is foreseen that the InvestEU Fund will further support this very strategic policy segment under its social window.

In addition to the instruments listed above, the EIF and the European Commission are launching new COVID-19 support measures under the EaSI Guarantee Instrument (EaSI) to enhance access to finance for micro-borrowers, micro and social enterprises. The new measures support micro and social enterprises as well as individual micro-borrowers hit by the socio-economic consequences of the coronavirus pandemic. The objective of the new COVID-19 measures is to further incentivise financial intermediaries to lend money to small businesses, mitigating the sudden increase in perceived risk triggered by the coronavirus pandemic, and alleviating working capital and liquidity constraints of final beneficiaries targeted by the EaSI programme.

The European microfinance market keeps developing but also faces many challenges. Financial intermediaries are growing in size, diversifying and refining their product offering including green loans. Many MFIs are demonstrating their impact, but some are under pressure to document their social footprint. Many developments are and will further be driven by new digital technologies and approaches. Currently MFIs lack access to adequate sources of debt and equity, as shown by this report. Fundamental microfinances initiatives are set up at national or regional level, e.g. backed by government funds or structural funds, but they need to be complemented by support on a European level, like funding, guarantees and technical assistance to financial intermediaries, which are as important to the microfinance market. But first and foremost, to be able to build a sustainable eco-system, the European microfinance market needs the crowding-in of private resources. This new iteration of the report “Microfinance in Europe: Survey Report 2020 edition” contributes to provide the much-needed in-depth information, essential for the design of efficient support schemes.

**Helmut Kraemer-Eis**
Head of Research & Market Analysis,
Chief Economist, EIF

**Per-Erik Eriksson**
Head of Inclusive Finance, EIF

# 1. Executive summary

This Overview Survey presents a snapshot of the microfinance sector from 2018-2019, before the start of the Covid-19 pandemic. However, since the data was collected during the summer 2020, this report is being published post-pandemic. This leads to a special result since the report can be seen as the most recent data available on the European microfinance sector before it was hit by the pandemic. Nevertheless, for this reason, the report also includes a chapter on the preliminary impact of the pandemic in 2020.

This is the 9th edition of this Overview Survey for the European Microfinance Network (EMN), and the third time it was carried out in collaboration with the Microfinance Centre (MFC). The collaboration between these two networks allows the survey to cover the lion's share of the European microfinance sector, delivering the most complete dataset available at this time.

The study covered 143 institutions from 29 countries and captures data for 2018-2019 time period.

## Key findings

In terms of **institutional characteristics**, the sector is primarily made up of non-bank MFIs (91%) operating in the market under various legal types. Western Europe has more bank microcredit providers, while Eastern Europe has more credit unions. Microcredit providers employ approximately 11,000 staff directly, of which 22% are volunteers often seen in NGOs and banks in Western Europe. There is a clear gender skew, with 65% of paid staff being female, particularly amongst cooperatives and credit unions. The institutional characteristics have remained largely stable, with the results not deviating strongly from the previous survey, which was to be expected.

A majority (63%) of MFIs provide **non-financial services**, particularly in Western Europe. Institutions serving personal loans tend to more often have client development services, such as financial education. MFIs without personal loans on offer tend to deliver business development services (e.g. mentoring, consulting). Only 28% of MFIs use digital channels to deliver non-financial services and these are mostly large MFIs. Overall, this wave of the survey confirms the importance of the non-financial services and the shift towards the digital provision of (at least part of) these key services.

Both the microloan portfolio and the number of active borrowers showed a growing trend that resulted in a significant **expansion of the sector's size**, in line with previous survey results. In 2019, the total number of active borrowers was 1.26 million (+14% compared to 2018) with a gross microloan portfolio outstanding of EUR 3.7 billion (+14%). A large percentage of the portfolio is in the hands of a few providers. Business loans constitute 55% of the total microloan portfolio while personal loans make up 45% of the portfolio. The personal loan segment observed higher growth (23%) than business loan segment (12%). This growth follows the same pattern observed in previous years, with the market growing and becoming more mature every year. The consistent growth of personal loans is worth highlighting, as these are mostly used for family needs, and only 13% are used for professional development. This is particularly remarkable due to the lack of policy framework for such increasing needs.

The **characteristics of loans** have also stayed relatively stable compared to other years. Business microloans are larger on average, with longer maturity and lower APR compared to personal loans. APRs vary substantially between institutional types and region. NBFIs and Eastern European MFIs charge the highest interest rates.

In terms of **social objectives**, financial inclusion remains the number one goal of MFI operations, illustrating a stable vision for the sector. Women and the rural population are the two main target groups. A third of institutions also prioritise ethnic minorities/migrants/refugees.

The **financial performance** of most institutions remains in good health: 76% of institutions are operationally self-sustainable. The survey measured trends across several financial variables that are further elaborated in the report.

In terms of **funding**, long-term borrowed funds remain the main source of financing of the loan portfolio. The total value of needed funding is EUR 800 million with the median value of EUR 7.6 million. The aggregate need for funding is higher for Eastern Europe (EUR 482 million) than in the West (EUR 356 million). In both regions, the highest demand is for debt financing. Additionally, Western MFIs seek more grants/subsidies and guarantees than MFIs in the East. The main challenges to access required funding is unavailability of funding (41% of MFIs), the lack of guarantees to cover risk (38%of MFIs) and funding price (37% of MFIs). Four-fifths of the institutions do not experience any challenges to access funding.

Regarding **recent trends**, we found many MFIs engaged in green technologies, with 16% of MFIs having dedicated energy-efficiency loan products. Moreover, 23% of institutions plan to introduce more of such products in the future. A majority of providers have digital solutions to support clients during the loan lifecycle, with smaller-scale MFIs having less sophisticated digital tools available. About half of respondents plan to introduce new digital solutions in the next three years.

## Key findings in perspective

Overall, the results reflect a steady growth of the microfinance sector over the past two years. Total growth remained high in terms of portfolio size and new customers, while the sector's social mission and organisational characteristics remained largely unchanged. We observe some differences between Western and Eastern Europe, but there are more similarities than differences in general.

If we contrast the supply of microcredit in 2019 (EUR 3.7 billion) to the estimated annual financing gap of EUR 12.9 billion proposed by a May 2020 European Commission market analysis publication[1] (based on unmet demand), **we can conclude that the sector still has substantial growth opportunities before it fully serves the market.**

1 Microfinance in the European Union: Market analysis and recommendations for delivery options in 2021- 2027

## Anticipated impact of covid-19 pandemic

As mentioned before, it is impossible to look at a snapshot of 2018-2019 without acknowledging that the immediate future of the sector will be drastically impacted by Covid-19. As we gathered data for this report, we conducted several interviews with MFIs to do a stocktaking exercise and determine the areas most likely impacted by the crisis.

Despite the pandemic, most MFIs perceive their situation as good. Nearly 70% of MFIs considered themselves to be in a good situation while only 6% assessed their situation as bad. The key challenges identified by MFIs are associated with the income volatility of clients, as well as clients' low digital and financial capabilities. The external challenges were less acute, with access to funding and political interference as the most frequent concerns.

MFIs are optimistic about the future: more than half of institutions think that business prospects will improve in the next 12 months. The impact of the lockdown in March-April 2020 was severe in the beginning because of its suddenness and the severity of restrictions, but over time most institutions found ways to ensure business survival and the continuity of operations. MFIs that operate in an environment with strong government support for micro and small businesses felt the impact of the pandemic less strongly, as did MFIs with strong partners and supportive stakeholders.

Institutions that completed their digital transformation could more easily adapt to safety requirements and were more ready to use digital tools to communicate with clients, process loans and implement options for remote work.

# 2. Methodology

The study covers the 2018-2019 time period and samples 143 microfinance institutions. The MFI data were collected during May-August 2020. The main source of data was a survey to capture responses from MFI representatives. Additionally, where responses to the survey could not be obtained or data were incomplete, secondary sources of data were used.

In addition to the survey, a series of interviews with key informants was conducted to gather the views and opinions on the current situation and future outlook of the microfinance sector in the context of the COVID-19 crisis. Findings from the data analysis were also enriched with additional information from a separate research conducted by Microfinance Centre (MFC) on the impact of the COVID-19 crisis on microfinance institutions.

### Primary data collection

Two forms of the questionnaire were available for respondents:

- Survey Monkey (online questionnaire available in English)
- Excel file available in 11 languages

In total, 43 of the institutions filled in the Survey Monkey questionnaire, while 78 institutions completed the Excel file. The Excel file was completed most often by members of the national networks.

### Secondary data collection

The following types of secondary data sources were used to complement the survey dataset:

- Annual reports, activity reports, audited financial statements published by MFIs on their websites
- Reports and statistics of national associations that collect data from their members
- National banks/supervisory commissions' statistics and reports

In total, data for 22 institutions was collected from secondary sources.

### Coverage

The compiled dataset captures data from 143 institutions operating in 29 countries.

The largest number of institutions covered by the survey operate in Romania and Italy. The geographic distribution of the MFIs is similar to the previous iteration of the survey.

**Figure 1 - Number of MFIs covered by the survey by country**

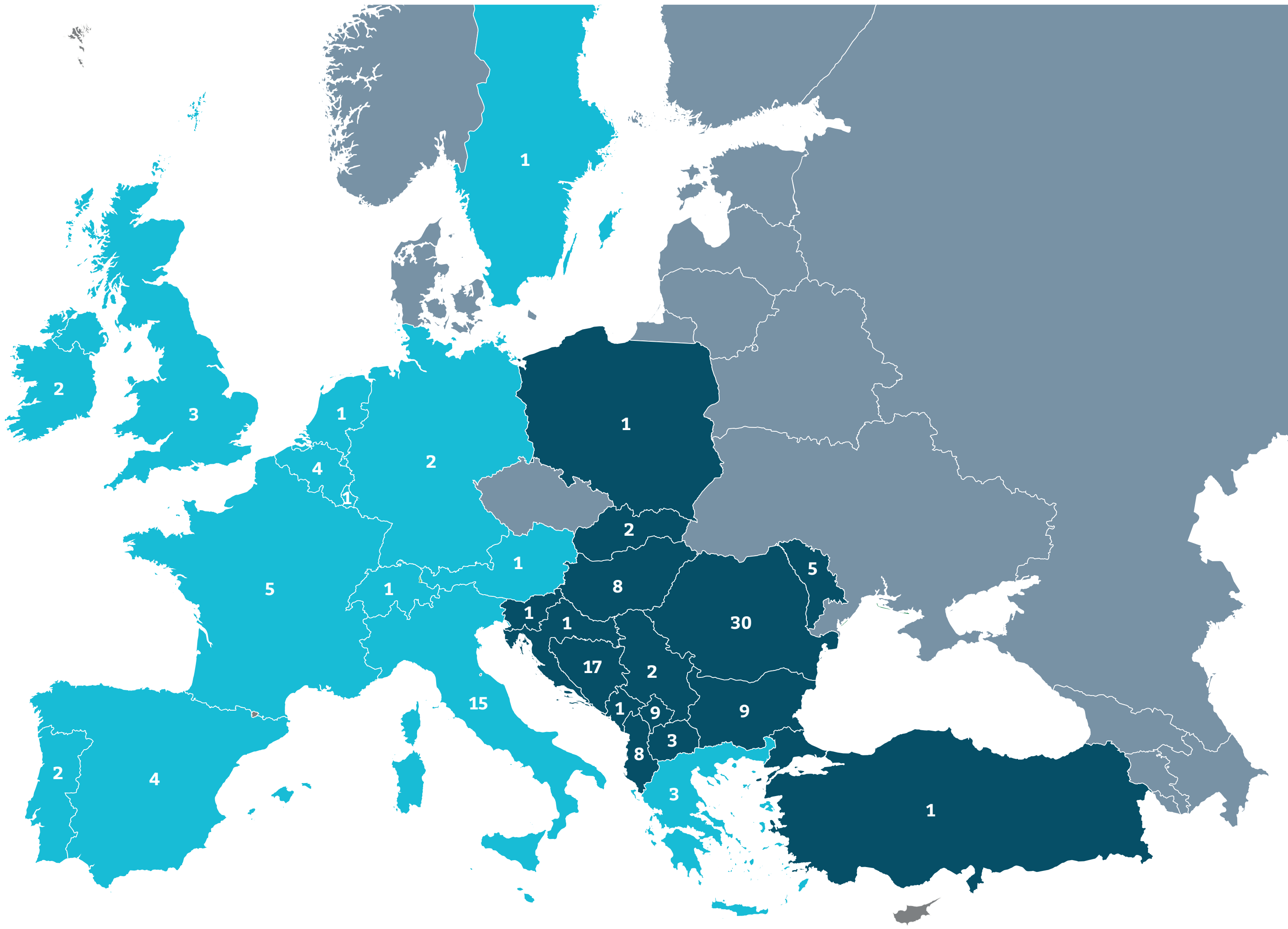



**Table 1 - Coverage rate by target group**

| | Total number of contacted institutions | Number of MFIs in the dataset | Coverage rate |
|---|---|---|---|
| Members of EMN and/or MFC | 84 | 64 | 76% |
| Members of national networks | 159 | 51 | 32% |
| Other MFIs | 279 | 28 | 10% |
| Total | 521 | 143 | 27% |

The number of MFIs participating in the survey was larger in previous survey editions (156 MFIs in 2017-2018 and 149 in 2015-2016), mainly due to the larger representation of the national network members. The number of EMN/MFC members surveyed remained the same (64 MFIs) as the previous iteration.

## Challenges

During the study, the following challenges were encountered:

- **Low response rate**. Due to the pandemic situation, it was difficult for the MFIs to focus on the survey. MFC and EMN staff intensively followed-up via e-mails and telephone with non-responding MFIs. Although the results of the follow-up activities were very good, the data collection period took longer and secured a smaller number of responses compared to the previous iterations of the survey.
- **Less support from national microfinance networks**. For multiple reasons, often associated with the pandemic situation, several national networks could not engage in the data collection from their members as intensively as in the previous iterations of the survey. In many cases, EMN

and MFC staff had to take over the task of the communication with the members of national networks in several countries.

- **Self-reported data**. As data collected through a survey are self-reported, verification was conducted to ensure the accuracy of the data. Several verification steps were undertaken, such as clarification requests to the respondents, consistency checks between responses provided in the survey, comparisons with data from the previous edition, and verification with secondary data sources.
- **Missing data**. Many institutions did not provide answers to all questions. For the Survey Monkey results, 17 institutions did not complete the questionnaire, leaving some responses empty. For the Excel file, many MFIs left many questions unanswered, even for questions that were marked as compulsory. To have a more complete dataset, secondary sources were reviewed to fill the gaps. The financial reports posted on MFI websites were used to complete financial information missing from the submitted responses.

# 3. Findings

## 3.1 Overview of the microfinance sector in Europe

The microfinance sector in Europe is diverse. Microfinance services are delivered by various types of institutions operating under different regulatory regimes. Some microfinance providers are entirely dedicated to providing small loans to low-income people. For others, microfinance constitutes only a small fraction of financial services. Additionally, some institutions engaged in microfinance do not disburse loans themselves but facilitate access to microfinance by supporting the client through the loan application and repayment process, providing guarantees or by offering non-financial services to support microentrepreneurs.

Microfinance providers come in all shapes and sizes. As a result, the fundamental question "How many microfinance providers operate in Europe" is not an easy one to answer. The most numerous providers of microloans are credit unions. The stock-taking exercise showed that there are more than 2,400 credit unions in 13 countries with a total loan portfolio of EUR 11 billion. The main client target group is low income individuals, but in several countries, such as Albania, Croatia, Lithuania, Netherlands, credit unions serve also micro-entrepreneurs and farmers.

**Table 2 - Outstanding loan portfolio of credit unions operating in Europe**

Source: World Council of Credit Unions (WOCCU) Statistical Report 2019

| Country | Number of credit unions | Total value of the outstanding loan portfolio (million Euro) |
|---|---|---|
| Albania | 14 | 68 |
| Bulgaria | 17 | n/a |
| Croatia | 20 | 61 |
| Estonia | 19 | 157 |
| Ireland | 318 | 5,258 |
| Latvia | 25 | 26 |
| Lithuania | 65 | 648 |
| Moldova | 235 | 50 |
| North Macedonia | 1 | 4 |
| Poland | 25 | 1,588 |
| Romania | 24 | 80 |
| The Netherlands | 18 | 8 |
| Turkey | 1,625 | 1,331 |
| United Kingdom | 280 | 1,919 |
| **Total** | **2,686** | **11,198** |

There is a smaller number of institutions other than credit unions offering microfinance in Europe. Altogether, we identified 345 non-bank MFIs operating as NGOs and NBFIs[2].

The largest numbers of MFIs other than credit unions are found in Poland (85 loan funds), Italy (61 foundations and joint stock companies) and the United Kingdom (34 responsible finance providers lending to microbusinesses).

The majority of the institutions handle the entire lending process, but in some countries, MFIs lend through local banks. This is the case of Germany, where 16 accredited institutions offer loans within the Mikrokreditfonds Deutschland scheme. The loans are disbursed by GRENKE Bank AG, but the MFI is the contact point for the client throughout the lending and repayment process.

In Italy, more than 60 non-bank MFIs provide social and entrepreneurship microloans directly or through partner banks. There are also MFIs which only offer guarantees or non-financial services to the clients served by banks.

Regarding the banks, the scale of their involvement in microlending remains unknown. Certainly, most commercial banks have micro-entrepreneurs as clients, but the scale of lending to micro-enterprises is not known. A separate segment of the banking sector constitutes cooperative banks, which are rooted in local communities and serve businesses (including self-employed and micro-enterprises) and farmers. In Germany, Italy and Poland, cooperative banks are present in small towns and effectively serve local businesses in urban and rural areas.

Our focus in this report is on banks that specifically target the excluded segments of businesses and households for whom commercial banking services are unavailable. The examples are microfinance banks dedicated to serve these target groups or mainstream commercial banks with separate microfinance programs or units.

## Table 3 - Estimated number of NGOs and NBFIs operating in Europe

Source: EMN and MFC database

| | Number of NGOs and NBFIs providing microfinance |
|---|---|
| Albania | 8 |
| Belgium | 5 |
| Bosnia-Herzegovina | 24 |
| Bulgaria | 4 |
| Denmark | 1 |
| Estonia | 3 |
| Finland | 1 |
| France | 10 |
| Germany | 16 |
| Greece | 2 |
| Hungary | 15 |
| Ireland | 4 |
| Italy | 61 |
| Kosovo | 13 |
| Latvia | 2 |
| Lithuania | 1 |
| Luxembourg | 1 |
| Malta | 1 |
| Moldova | 4 |
| Montenegro | 2 |
| North Macedonia | 2 |
| Poland | 85 |
| Portugal | 2 |
| Romania | 14 |
| Serbia | 1 |
| Slovakia | 1 |
| Spain | 20 |
| Sweden | 1 |
| Switzerland | 1 |
| The Netherlands | 2 |
| Turkey | 3 |
| United Kingdom | 34 |
| **Total** | **345** |

2 Includes EMN and MFC members, other institutions that are known to EMN and MFC (through their participation in activities such as microfinance conferences, working groups, trainings), as well as members of the national networks and MFIs identified through desk review.

## 3.2 Key institutional characteristics

Among the 143 institutions covered by the survey, NGOs are the most numerous institutional type (37% of MFIs), followed by cooperatives and NBFIs. Eastern countries made up 69% of the MFIs in the sample, in particular for cooperatives/credit unions and NBFIs. In Western countries, relatively more banks and NGOs engage in microfinance than in the East.

**Figure 2: Distribution of MFIs by institutional type (N=143)**

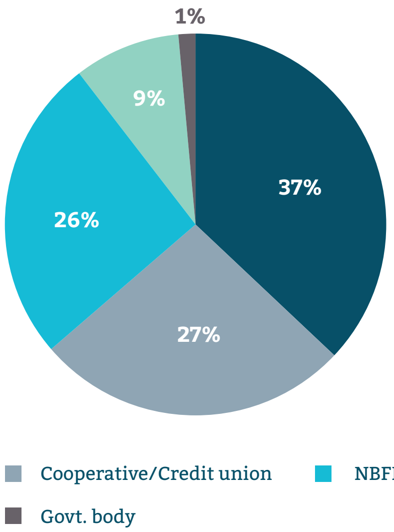
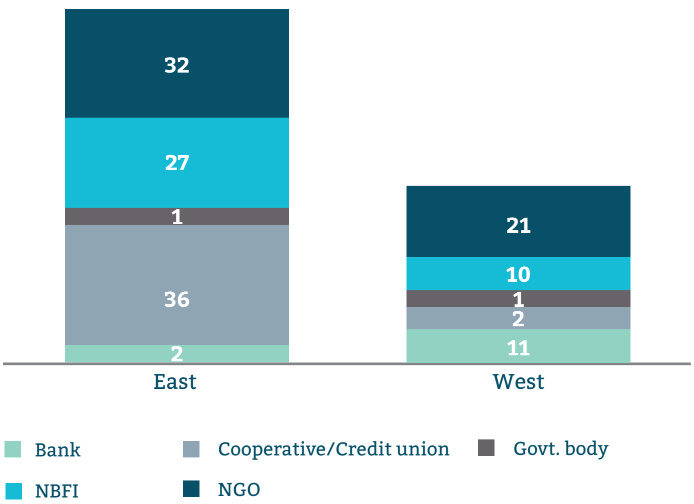



**Figure 3: Distribution of MFIs by institutional type and region (N=143)**




42% of reporting institutions were established more than 20 years ago. On average, MFIs were 19 years old; the oldest institution was created 66 years ago. Credit unions appear to be the older than other institutional types while governmental bodies are the youngest. In Eastern Europe, half of institutions are in the oldest age category and only 7% are younger than 5 years old. The microfinance sector in the West is relatively younger: less than a third of MFIs have existed for more than 20 years while 18% have been established after 2014. Only 15 institutions have been established in the last 5 years: 7 in the East and 8 in the West.

**Figure 4: Distribution of MFIs by age and region (N=143)**

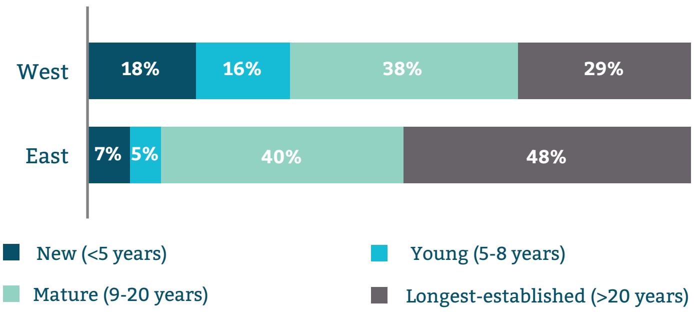



**Figure 5: Average age by institutional type (N=143)**

| | Age (years) |
|---|---|
| Bank | 13 |
| Cooperative/credit union | 27 |
| Government body | 6 |
| NBFI | 13 |
| NGO | 19 |

With the exception of the largest bank, more than 11,000 paid employees and volunteers are engaged in microfinance activities in Europe. However, most MFIs have a small workforce. A third of the institutions have fewer than 10 paid staff or volunteers while another third have between 10 and 50 people.

The majority of paid staff supports microfinance activities in Eastern countries. Volunteers constitute 22% of total staff and are predominantly engaged in Western countries.

**Figure 6: Distribution of MFIs by number of staff and volunteers (N=116)**

Note: Data for banks was excluded from the calculations.

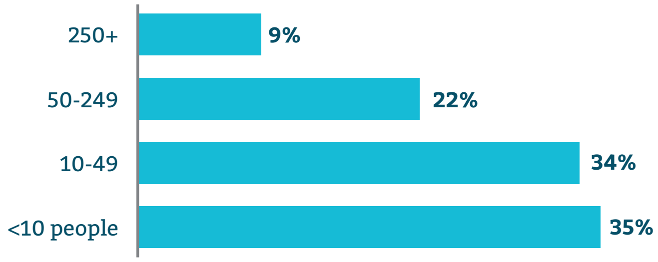



**Figure 7: Number of staff and volunteers (N=115)**

| | Total number of paid staff | Total number of volunteers |
|---|---|---|
| East | 7,156 | 157 |
| West | 1,879 | 2,385 |
| Total | 9,035 | 2,542 |

Volunteers engaged in microcredit provision are most often associated with banks and NGOs where they constitute 34% and 30% of the total staff, respectively. In the East, only 2% of the total staff are unpaid volunteers, both in NGOs and NBFIs. In the West, the share of volunteers is 64% in NGOs, on average.

**Figure 8: Average share of volunteers among total staff by institutional type (N=117)**

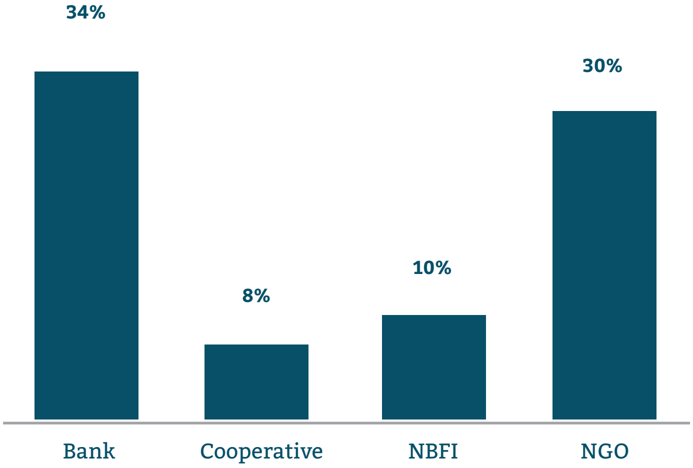
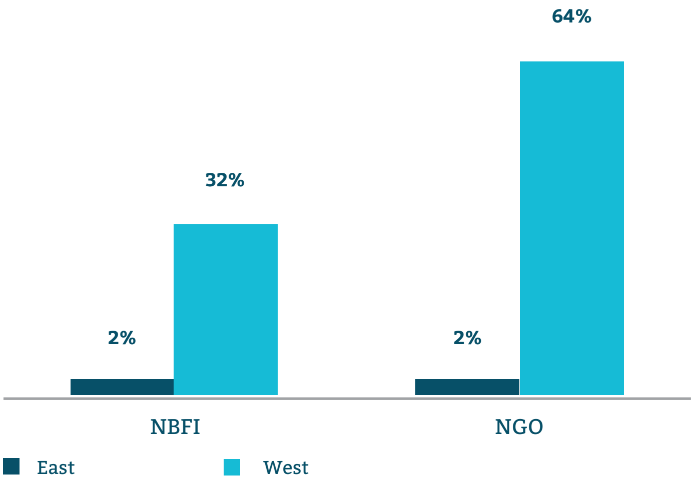



**Figure 9: Average share of volunteers among total staff of NGOs and NBFIs by region (N=73)[3]**




3 Since cooperatives/credit unions are predominantly present in the East and banks are located mostly in the West, the analysis of institutional types by region does not bring meaningful findings. As a result, we only focus on analyzing regional differences between NGOs and NBFIs.

On average, women constitute 65% of paid staff; cooperatives hire more women for paid positions than other institutional types. A similar share of women are employed in both Eastern and Western NGOs while there are more women in Eastern European NBFIs. Additionally, institutions that serve poorer clients also hire more women.

**Figure 10: Avg. share of women among paid staff by MFI type (N=107)**

Note: For confidentiality reasons data of a govt. body was excluded

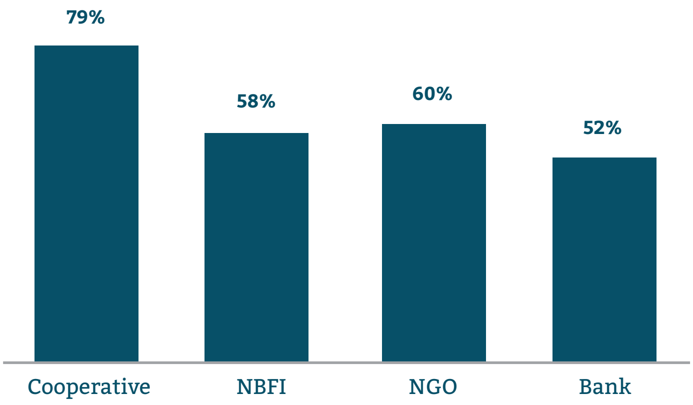
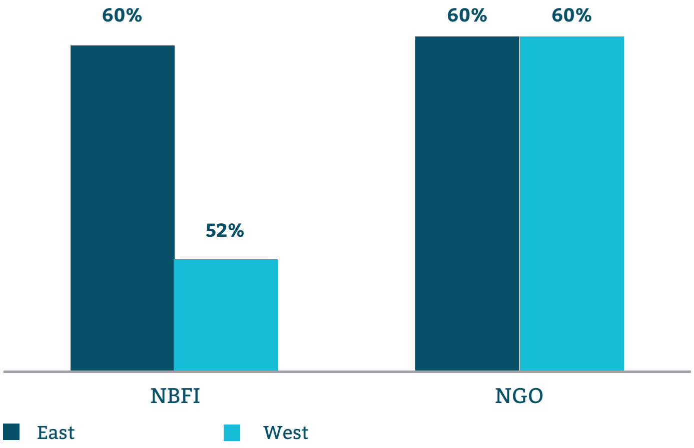



**Figure 11: Avg. share of women among paid staff of NBFIs and NGOs by region (N=66)**




## 3.3 Products and services

Microfinance institutions provide a variety of financial and non-financial products and services. 63% of surveyed MFIs provide both types of services while 37% exclusively provide financial products and services[4].

Supplementing financial services with non-financial services is more often done by MFIs in Western countries (79% of MFIs). Among institutional types, NBFIs are the least likely to provide non-financial services (47% of MFIs).

4 116 MFIs provided information about financial and non-financial services.

**Figure 12: Distribution of MFIs by engagement in non-financial services and region (N=116)**

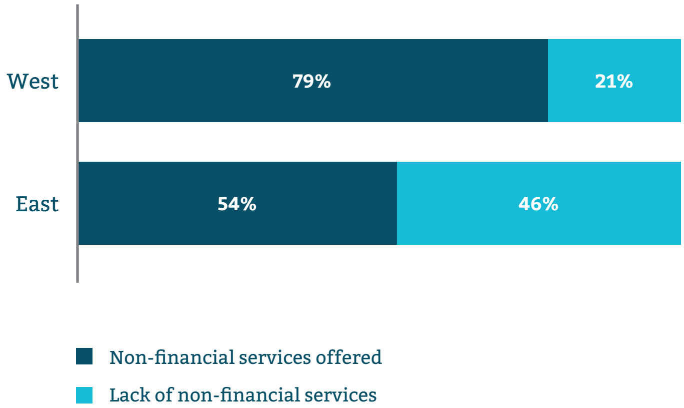
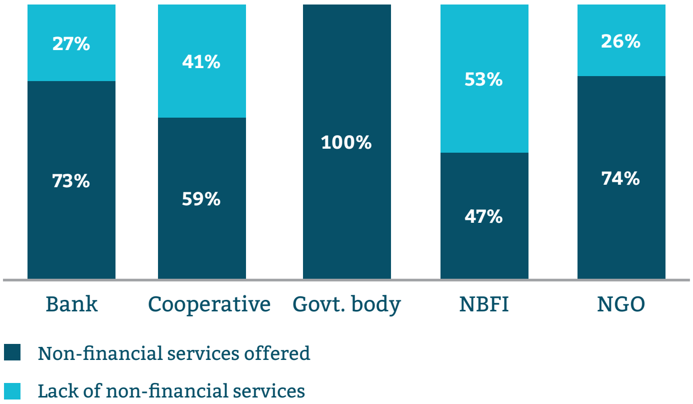


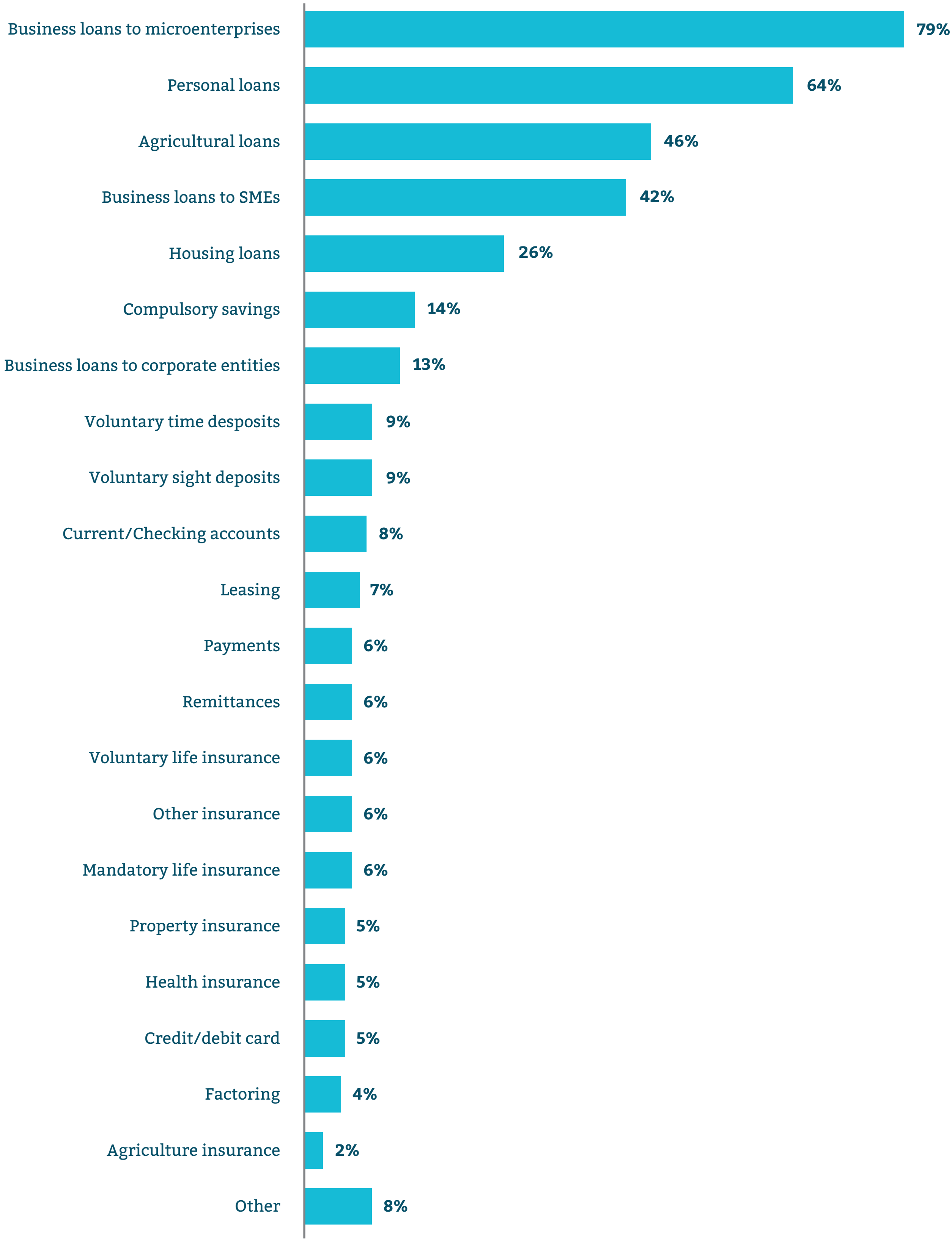

**Figure 13: Distribution of MFIs by engagement in non-financial services and institutional type (N=116)**



### 3.3.1 Financial products

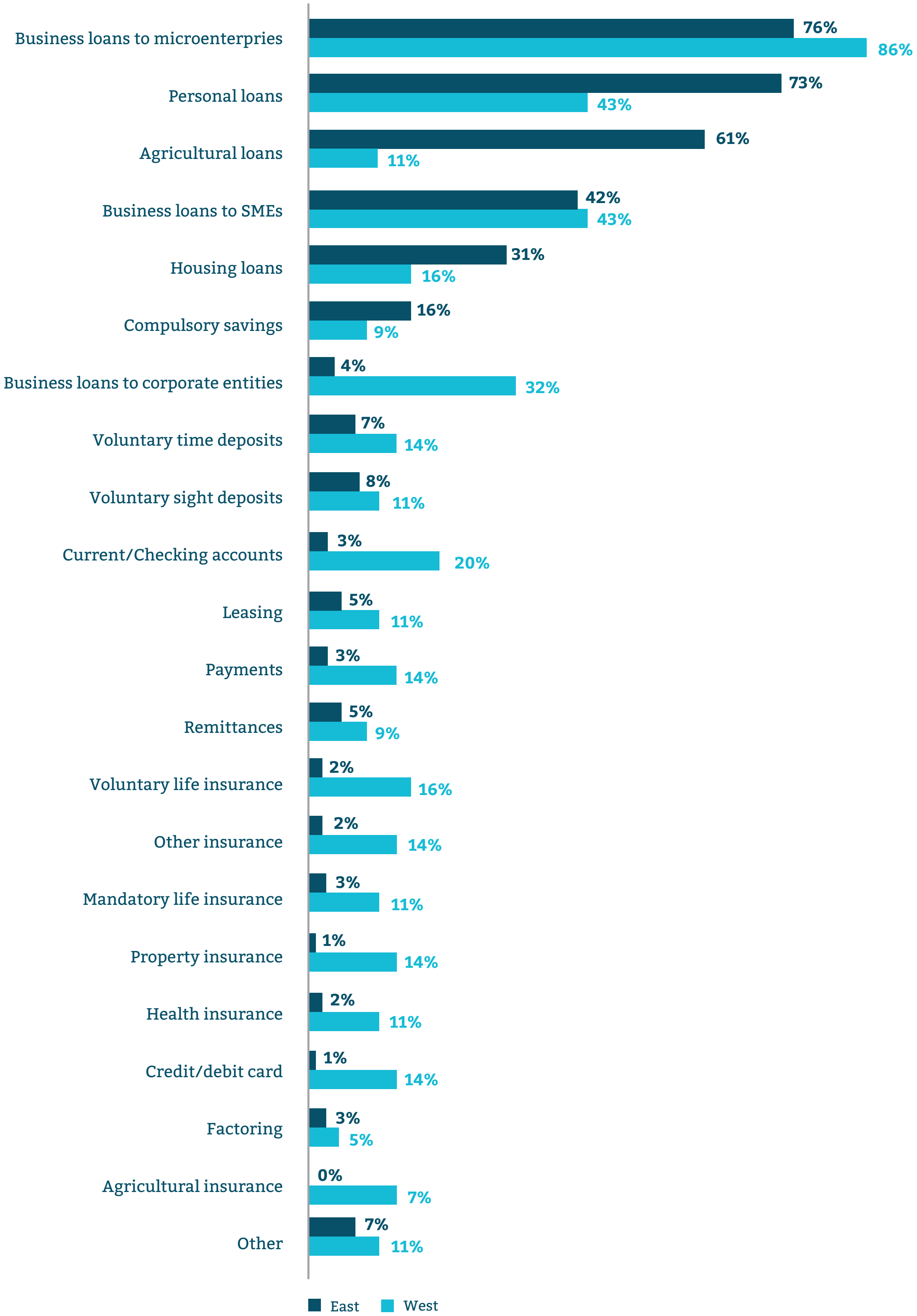
Business loans for micro-enterprises (79% of MFIs) and personal loans (64% of MFIs) are the two most popular products. In total, 52% of MFIs provide both business (micro, SME or agricultural loans) and personal or housing loans. Only 13% of MFIs provide strictly personal or housing loans without offering any business loan products.

**Figure 14: Share of MFIs providing various financial products (N=142)**



Eastern European MFIs are more likely to provide agricultural loans, personal and housing loans. By contrast, Western MFIs more often offer micro-enterprise loans, corporate loans and other services such as checking accounts, deposit accounts, payment services and insurance.

**Figure 15: Share of MFIs providing various financial products in the regions (N=142)**



### 3.3.2 Non-financial products

The most popular type of non-financial service offered by MFIs is business development services to existing enterprises (44% of all MFIs). Nearly one-third (29% of all MFIs) provide more than one type of non-financial service.

Among institutional types, banks and cooperatives/credit unions favor client development services, while NBFIs, NGOs and governmental bodies prioritize business development services. Entrepreneur development services are more often delivered by NGOs than any other institutional type.

**Figure 16: Distribution of MFIs by type of non-financial service offered (N=116)**

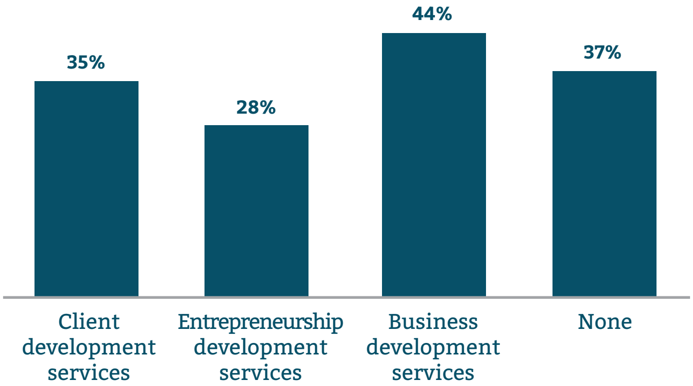
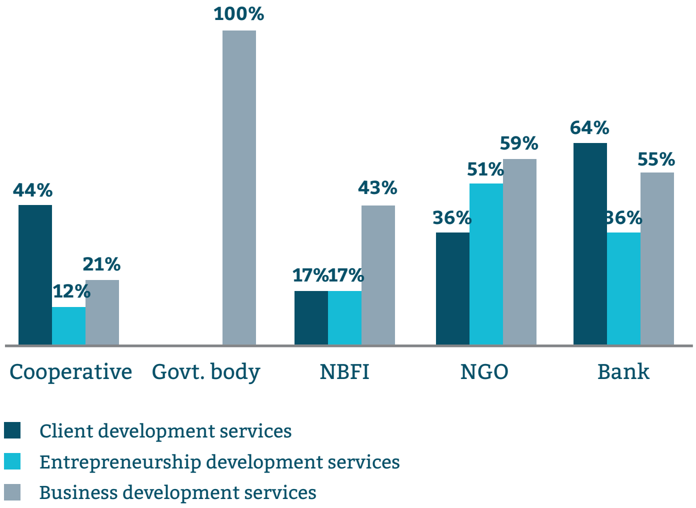



**Figure 17: Distribution of MFIs by institutional type and type of non-financial service offered (N=73)**




Institutions that provide personal loans more often engage in client development services than entrepreneurship or business development services.

MFIs in the West are more likely to provide non-financial services of all types, and entrepreneurship development services in particular.

**Figure 18: Distribution of MFIs by personal lending status and non-financial service offered (N=73)**

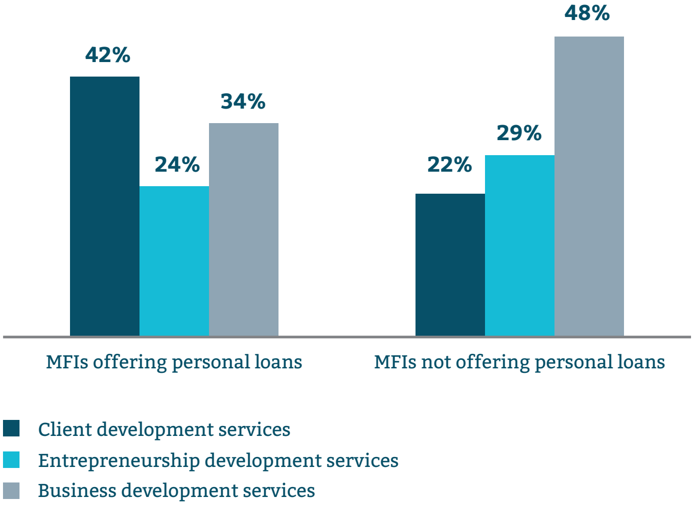
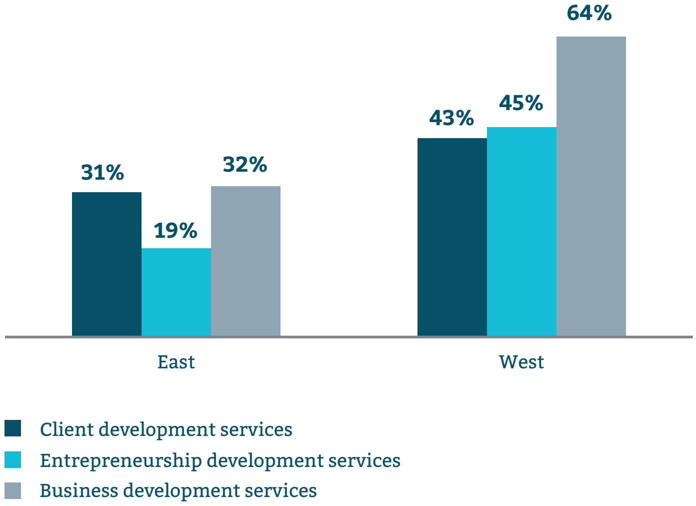
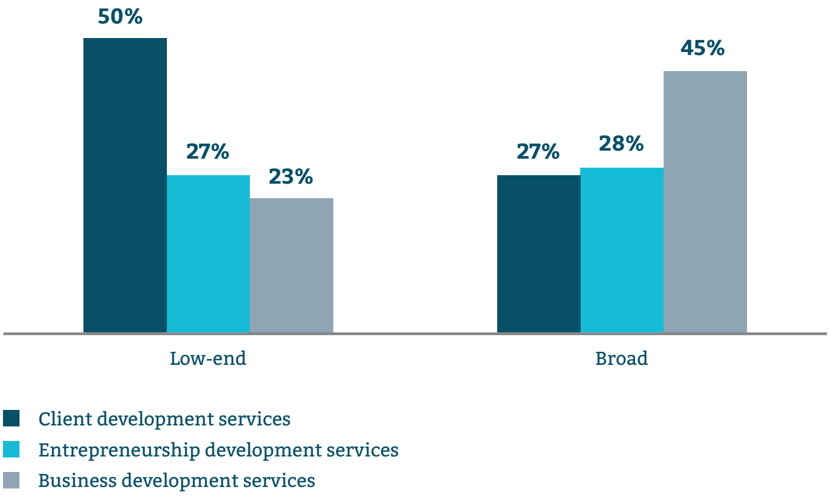



**Figure 19: Distribution of MFIs by region and non-financial service offered (N=73)**



MFIs serving the low-end market with loans below 20% of GNI per capita more often provide client development services, while MFIs with broad targeting (loans between 20% and 100% of GNI per capita) tend to focus on business development services.

**Figure 20: Distribution of MFIs by target market and non-financial service offered (N=73)**




In most MFIs, non-financial services are provided by loan officers (63% of MFIs). Only 45% of MFIs used other employees to provide non-financial services. Nearly one-third of MFIs (32%) outsource non-financial services to other institutions or individual consultants. About one-fourth of MFIs (23%) use volunteers in the provision of non-financial services. Some institutions deliver non-financial services through a combination of staff at different levels and external parties, e.g. business development services are provided to active borrowers by loan officers while entrepreneurship development services are offered to non-clients by external parties. Only Western MFIs use volunteers to deliver non-financial services while Eastern MFIs tend to use loan officers or other MFI staff.

**Figure 21: Distribution of MFIs by modality of delivery of non-financial services and institutional type (N=73)**

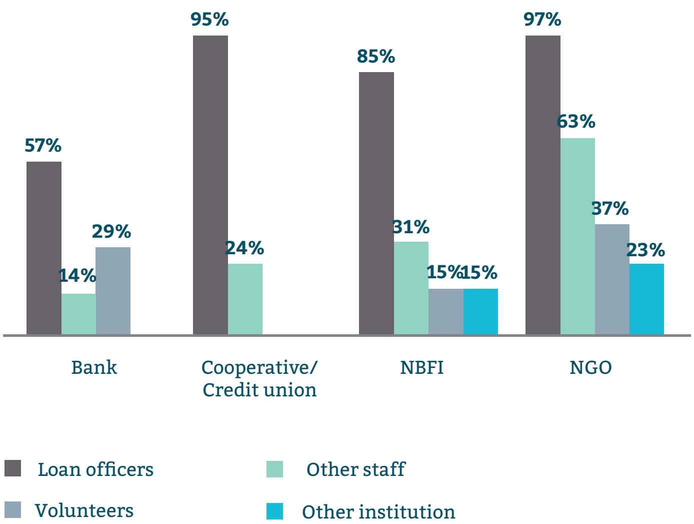



**Figure 22: Distribution of MFIs by modality of delivery of non-financial services and region (N=73)**

One-on-one personal assistance is the most common way of delivering non-financial services (90% of MFIs) but many institutions (42% of MFIs) also organize in-person group support. Online services are provided by 28% MFIs: 6% of MFIs provide both online group support and facilities for individual self-learning, 15% have facilities for online self-learning and 7% deliver online group support.

Other forms of delivery included telephone advice or publications and brochures distributed among clients (6% of MFIs).

**Figure 23: Distribution of MFIs by the delivery channel of non-financial services (N=72)**

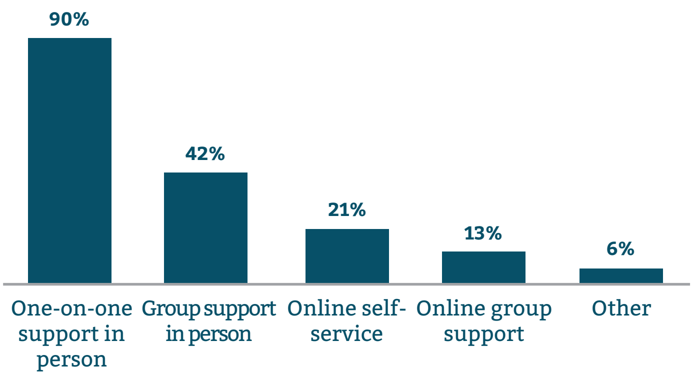
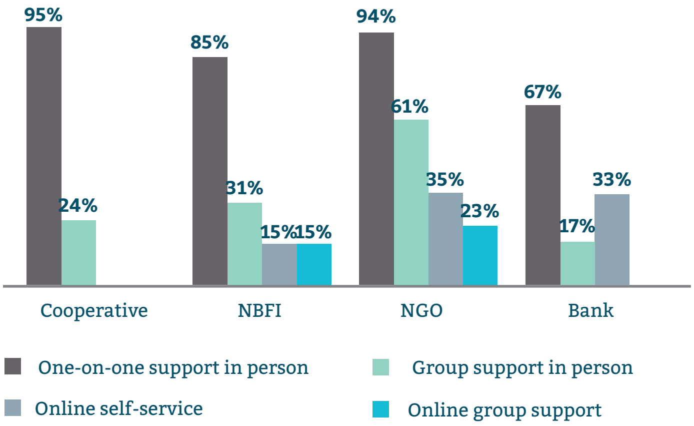
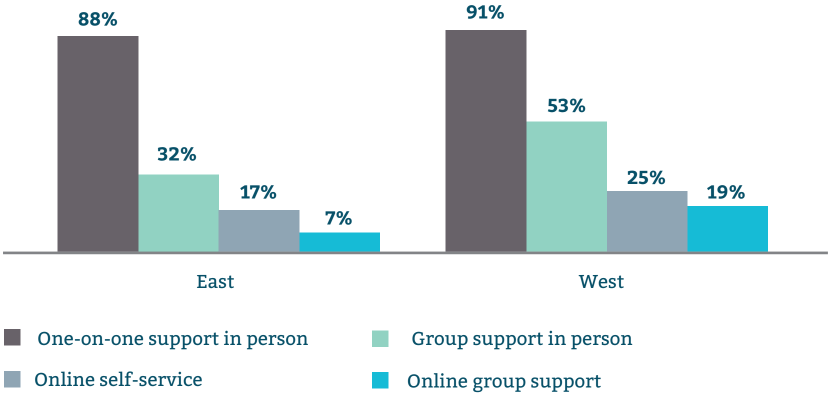



**Figure 24: Distribution of MFIs by institutional type and the delivery channel of non-financial services (N=72)**




In-person group support is more often utilized by NGOs than other institutional types. NGOs also deliver online group support to a larger extent than other institutional types. Online self-service is provided by 21% of institutions of all types except credit unions. Although Eastern European MFIs engaged in non-financial services use one-on-one support nearly as much as Western MFIs, the other delivery channels are used less often.

**Figure 25: Distribution of MFIs by region and the delivery channel of non-financial services (N=72)**




As mentioned earlier, only 28% of MFIs offering non-financial services provide them through digital channels. NGOs and large institutions (with gross loan portfolios > EUR 8 million) use digital channels to provide non-financial institutions more often than other institutional types.

In 2019, 292,000 beneficiaries received non-financial services compared to 226,000 in 2018. Over half of recipients (53%) received assistance while repaying the outstanding loan.[5] One-third of MFIs provided non-financial services to active borrowers and did not provide services to any other groups, such as potential borrowers or future entrepreneurs. 9% of MFIs focused their development services on non-borrowers.

5 64 institutions provided data on this topic.

## 3.4 Microlending activities

### 3.4.1 Microlending portfolio

The total value of the gross microloan portfolio reached EUR 3.7 billion by the end of 2019: 55% in business microloans and 45% in personal microloans.

The microloan portfolio is highly concentrated (40% of the volume is managed by one bank). Altogether, banks managed the largest share of the portfolio – EUR 2.1 billion (56% of the total). NBFIs and NGOs managed comparable volumes (EUR 702 million or 19% and EUR 669 million or 18% respectively). The contribution of cooperatives and credit unions was much smaller (EUR 226 million or 6%) and governmental bodies made up the remaining 1% (EUR 52 million).

Western MFIs managed 64% of the gross microloan portfolio. Most of the gross microloan portfolio related to banks was located in the West while NBFIs and credit unions made up the majority in the East. 86% of the gross loan portfolio related to NBFIs was located in the East while the distribution was more balanced for NGOs (56% in Eastern Europe, 44% in Western Europe).

The microloan portfolio is highly concentrated in the West, where 82% of the microloan portfolio is managed by the 3 largest institutions. In the East, the microloan portfolio is more evenly distributed: the 3 largest MFIs manage 22% of the microloan portfolio.

**Figure 26: Distribution of the total gross loan portfolio by region and institutional type (N=129)**

in bn Euro

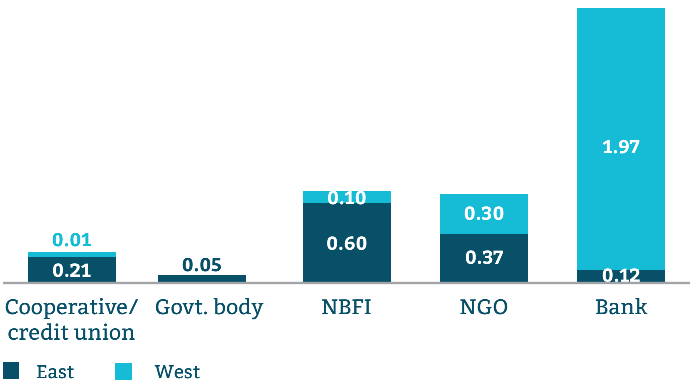
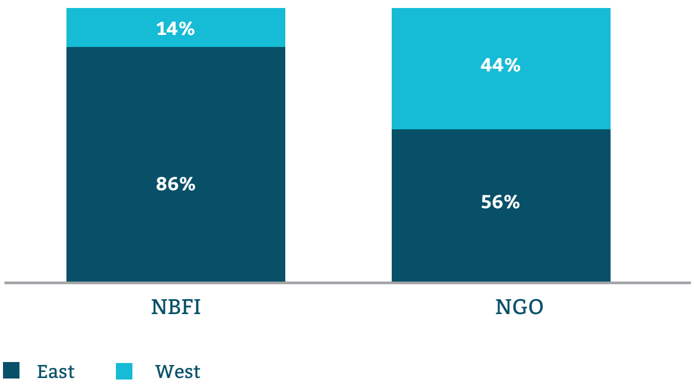



**Figure 27: Distribution of the total gross loan portfolio of NBFIs and NGOs by region (N=82)**




Considering the large difference between the operational scales of MFIs in Europe, the following table presents the median[6] values of gross microloan portfolio instead of the averages to describe central tendency.

The median values indicate that half of MFIs have a microloan portfolio of less than EUR 4 million. The median microloan portfolio is larger in the West (nearly EUR 5 million) and for the institutional types of banks (nearly EUR 25 million) and NBFIs (EUR 6.5 million).

6 Median is the middle value and is determined by ranking the data from largest to smallest, and then identifying the middle so that there are an equal number of data values larger and smaller than it is. Median gives a better representation of central tendency than average if data values are clustered toward one end of the range and/or if there are a few extreme values (called "skewness").

**Table 4: Median values of gross microloan portfolio in 2019 by institutional type and region**

| | N | Total | Bank | Cooperative | NBFI | NGO | East | West |
|---|---|---|---|---|---|---|---|---|
| Gross microloan portfolio | 129 | 3,905,361 | 24,800,000 | 3,130,518 | 6,544,794 | 2,725,008 | 3,905,361 | 4,806,672 |
| Business loans portfolio | 103 | 2,793,704 | 24,800,000 | 774,002 | 4,494,549 | 3,329,021 | 2,603,454 | 3,162,461 |
| Personal loans portfolio | 75 | 3,175,043 | 13,817,838 | 2,410,582 | 8,870,035 | 2,834,980 | 2,928,196 | 4,997,469 |

The median personal microloan portfolio is higher than business microloan portfolio for the total sample (in both regions). Among institutional types, cooperatives and NBFIs report higher median values for their personal loan portfolios than their business loan portfolios.

Compared to 2018, the total gross microloan portfolio grew by 6.2%, from EUR 3.5 to 3.7 billion. However, when the largest bank from the sample, the growth rate of the remaining MFIs reached 14%.

The microloan portfolio grew by 17.3% in the East and 0.8% in the West. Again, removing the largest bank, the growth of Western MFIs reached 10.3%.

55% of the microloan portfolio is for business loans while the remaining 45% is for personal loans. The split between business and personal microloans is nearly 50-50 for banks, NBFIs and cooperatives/credit unions. There are no large differences between Eastern and Western NBFIs, but NGOs dedicate a larger share of the loan portfolio to personal loans in the East.

7 As some of the institutions did not provide information about the loan purpose, the sum of the business and personal microloan portfolios (EUR 3.6 billion) is lower than the total value of the microloan portfolio (EUR 3.7 billion).

**Figure 28: Distribution of the total gross loan portfolio by loan type and institutional type (N=122)**[7]

in bn Euro

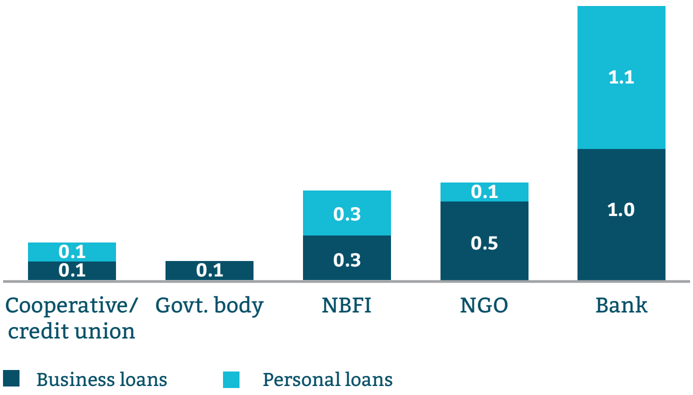
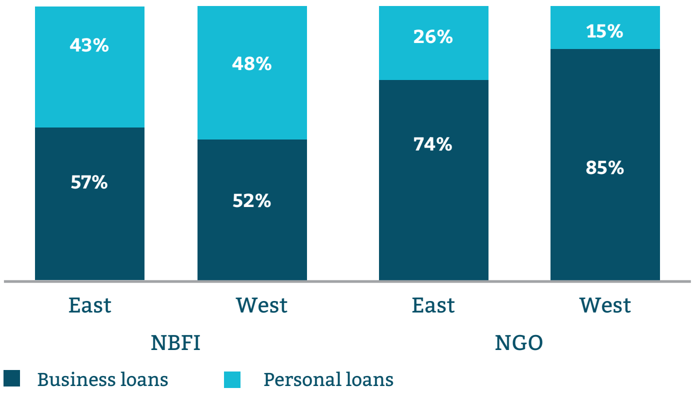



**Figure 29: Distribution of the total gross loan portfolio of NBFIs and NGOs by loan type and region (N=76)**




Excluding the largest bank, the business microloan portfolio grew by 12% between 2018 and 2019. The highest growth was observed among NGOs (institutional type) and Eastern European MFIs (region). The total personal microloan portfolio grew faster than the business portfolio (23%), with the highest growth among NBFIs (institutional type). The personal microloan portfolio grew at a similar pace in both Eastern and Western regions.

**Table 5: Total growth of microloan portfolio**[8]

| | N | Total | Cooperative/ credit union | NBFI | NGO | Bank | East | West |
|---|---|---|---|---|---|---|---|---|
| Total microloan portfolio | 124 | 14% | 10% | 19% | 15% | 7% | 17% | 10% |
| Business microloan portfolio | 97 | 12% | 9% | 5% | 14% | 7% | 15% | 9% |
| Personal microloans portfolio | 69 | 23% | 6% | 40% | 19% | 7% | 23% | 24% |

8 The largest bank is excluded

9 Since only 34 MFIs provided information about the value of the outstanding portfolio of SME loans, no further analysis of sub-segments was conducted.

In addition to microloans, a quarter of MFIs also provide SME loans that are larger than EUR 25,000. The total value of the outstanding portfolio of SME loans was EUR 521 million (i.e. 14% of the total outstanding microloan portfolio). Compared to 2018, the SME loan portfolio increased by 46%, from a base of EUR 357 million. This trend was driven by two large institutions in Western Europe. However, at the institutional level, the average increase of the SME portfolio was 45%, which indicates that many MFIs are engaging more intensively in the provision of larger loans.[9]

Personal loans exceeding EUR 25,000 were provided by 5% of MFIs for a total value of EUR 10 million, which constitutes 0.3% of the gross microloan portfolio outstanding.

## 3.4.2 Active borrowers

In total, 1.26 million borrowers had active loans at the end of 2019 (43% business, 57% personal). Similar to the microloan portfolio volume, borrowing was highly concentrated since one bank served 24% of all active microborrowers. In the West, 90% of clients are served by 3 largest institutions. In the East, the 3 largest MFIs serve 24% of active borrowers.

Borrowers are almost equally distributed among the 3 main institutional types. Banks serve the largest share (35% of borrowers) while NBFIs and NGOs make up 29% and 25% respectively. 62% of active borrowers are served by Eastern European MFIs and 38% by Western European MFIs.

**Figure 30: Distribution of active microborrowers by institutional type (N=127)**

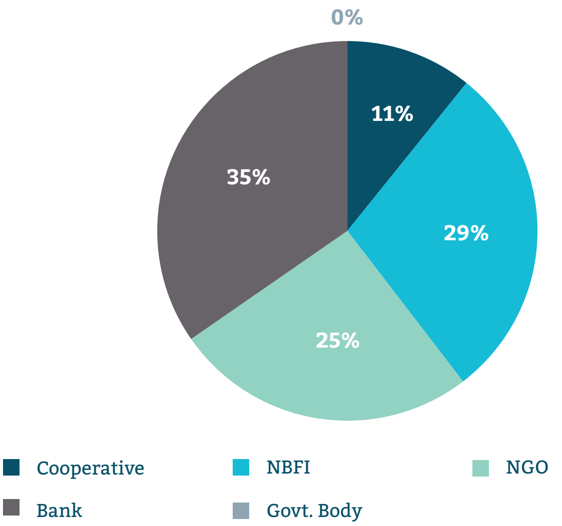
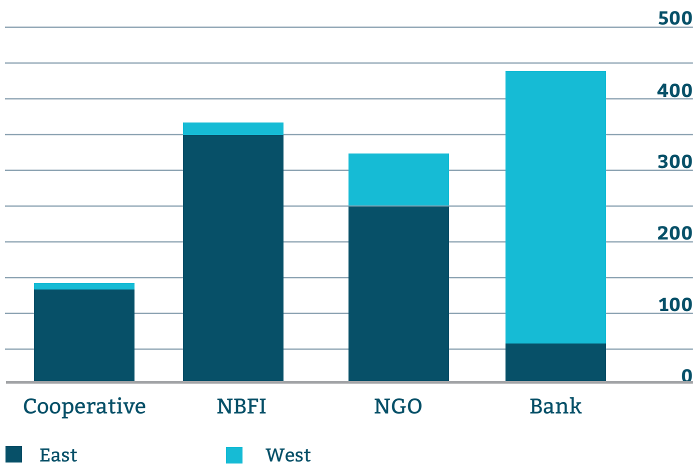



**Figure 31: Distribution of active microborrowers by region and institutional type (N=126)**

Note: For confidentiality reasons data of one govt. body was excluded




Except for the NGOs and governmental bodies, all other institutional types have more clients with personal than business loans. There was little difference between the East and West by the distribution of borrowers by loan type.

**Figure 32: Distribution of active borrowers by loan type and institutional type (N=126)**

*For confidentiality reasons data of one govt. body was excluded

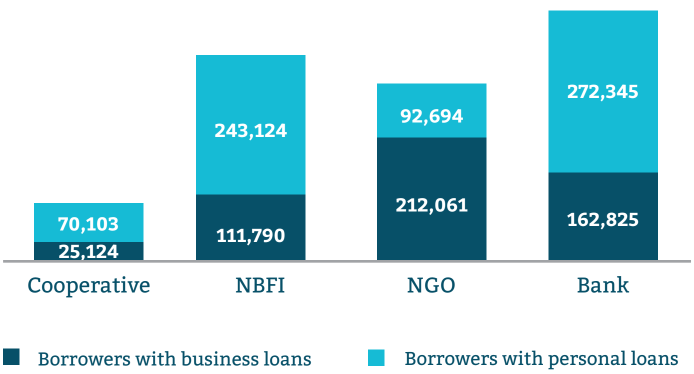
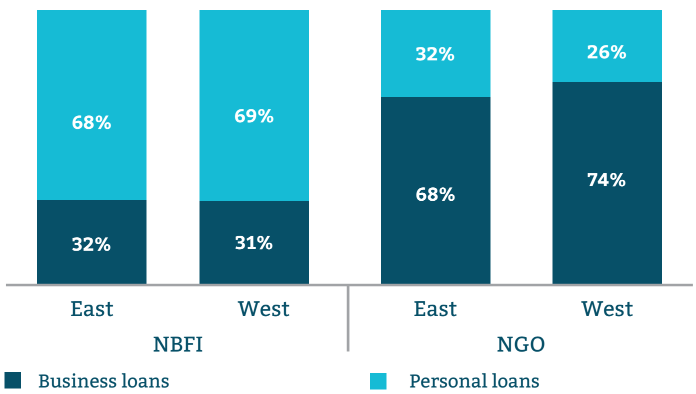



**Figure 33: Distribution of active borrowers by loan type, region and institutional type (N=81)**



Since there are large differences in outreach across institutions, we use the median values for the number of borrowers to describe the central tendency. Half of surveyed MFIs had fewer than 1,617 active borrowers in 2019. The lowest outreach by institutional type was observed among NGOs, with a median of 654 borrowers. Western MFIs reported lower outreach (median of 327 borrowers) compared to Eastern MFIs (median of 2,490 borrowers).

**Table 6: Median values of the number of active microborrowers in 2019**

| | N | Total | Bank | NBFI | NGO | Cooperative/ credit union | East | West |
|---|---|---|---|---|---|---|---|---|
| Active microborrowers | 128 | **1,617** | 1,617 | 1,026 | 654 | 2,028 | 2,490 | 327 |
| Business loans borrowers | 91 | **471** | 2,420 | 654 | 490 | 221 | 601 | 276 |
| Personal loans borrowers | 76 | **1,894** | 1,617 | 4,133 | 3,518 | 1,829 | 2,619 | 543 |

Compared to 2018, the number of active borrowers increased by 14% (excluding the largest bank). Higher growth was observed for personal microloans (25%) compared to business microloans (7%). The outreach of NBFIs grew most dynamically among the institutional types with a 28% increase in the number of borrowers. Eastern European MFIs reported higher growth than Western European MFIs (15% and 8%, respectively).

**Table 7: Total growth of active microborrowers number**

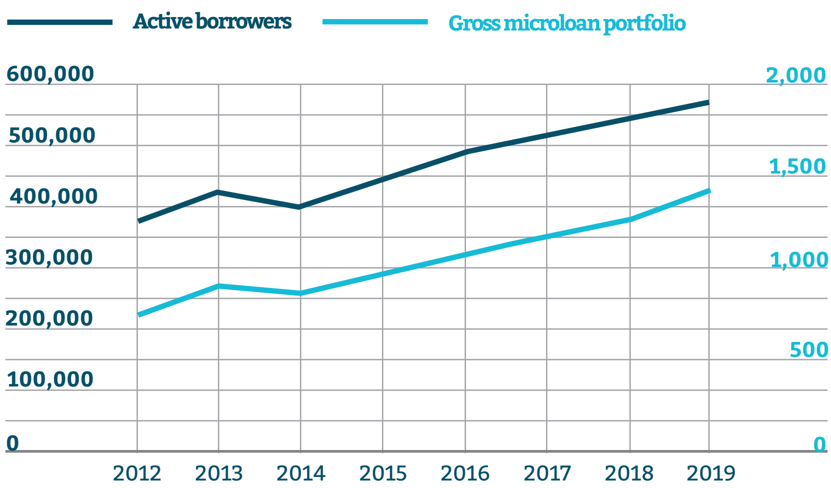
| | N | Total | Cooperative/ credit union | NBFI | NGO | Bank | East | West |
|---|---|---|---|---|---|---|---|---|
| Total number of microborrowers | 113 | **14%** | -1% | 28% | 9% | 6% | 15% | 8% |
| Business microloan borrowers | 79 | **7%** | 2% | -1% | 8% | 13% | 7% | 5% |
| Personal microloans borrowers | 68 | **25%** | 2% | 48% | 12% | -18% | 25% | 22% |

### 3.4.3 Long-term growth trends

Analysis of the microloan portfolio and active borrower growth was conducted for a sub-sample of 34 MFIs that have participated in the survey since 2012. As of 2019, these 34 institutions managed 39% of the gross microloan portfolio of all institutions covered by this study and served 47% of active borrowers.

The results show that between 2012 and 2019, the value of gross microloan portfolio grew by 89% while the number of active borrowers increased by 52%. The growth rates in the last 2 years were lower than in the previous periods.

**Figure 34: The value of gross microloan portfolio and the number of active borrowers of the sub-sample of 34 MFIs in 2012-2019**



## 3.4.4 Microloan terms and conditions

The loan attributes of business and personal loans differ substantially. On average, business loans are larger, longer duration loans with lower interest rates.

**Table 8: Business and personal microloan attributes**

| | Business microloans | Personal microloans |
|---|---|---|
| Average outstanding loan balance | 6,145 | 2,420 |
| Average term (months) | 42.5 | 33.5 |
| Average interest rate APR | 13.0% | 16.3% |

### Business microloans

The APRs differ between the institutional types. On average, NBFIs charge the highest interest rate and have the largest range between the highest and lowest rates. Banks charge the lowest interest rates and have the lowest range.

**Figure 35: Average interest rate APR on business loans by institutional type (N=76)**

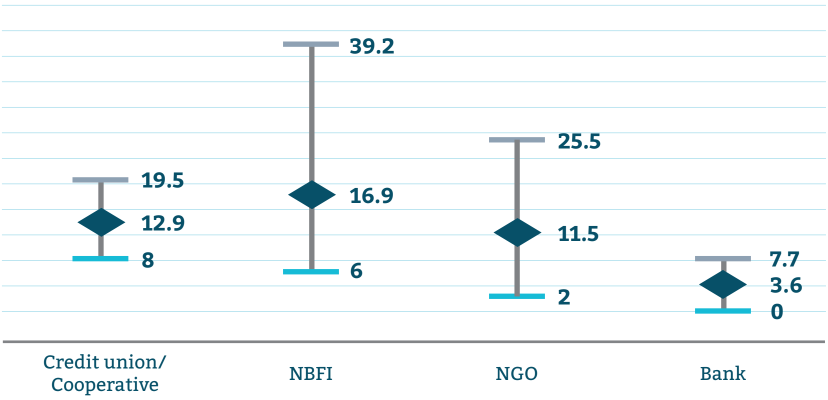
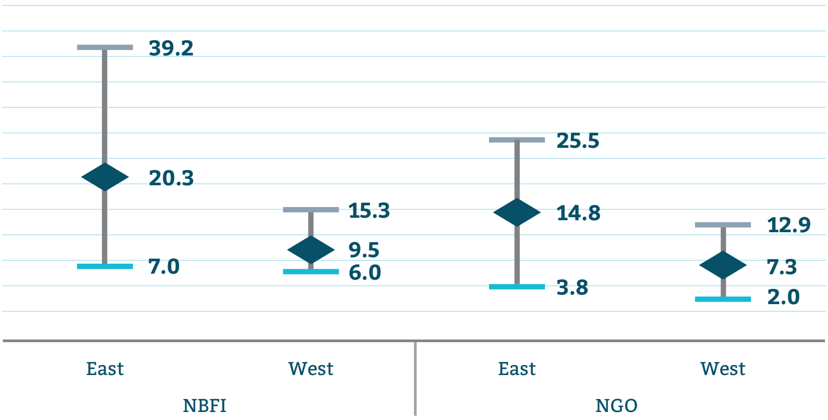



**Figure 36: Average interest rate APR on business loans of NGOs and NBFIs by region**




In general, Eastern European MFIs charge higher interest rates across all institutional types. APR also correlates with the financial expense ratio: MFIs with higher funding costs compensate by charging higher interest rates to their end clients. There is also a correlation between the level of operating expenses and APR. Less efficient MFIs, and those without subsidies, transfer operating costs on their clients.

## Personal microloans

Similar to business microloans, NBFIs charge the highest interest rates on personal microloans and Eastern European NGOs and NBFIs charge higher interest rates than their Western European counterparts.

**Figure 37: Average interest rate APR on personal microloans by institutional type (N=61)**

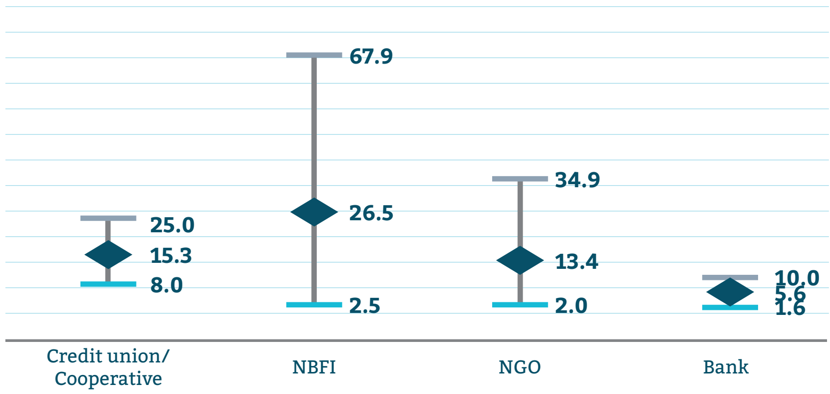
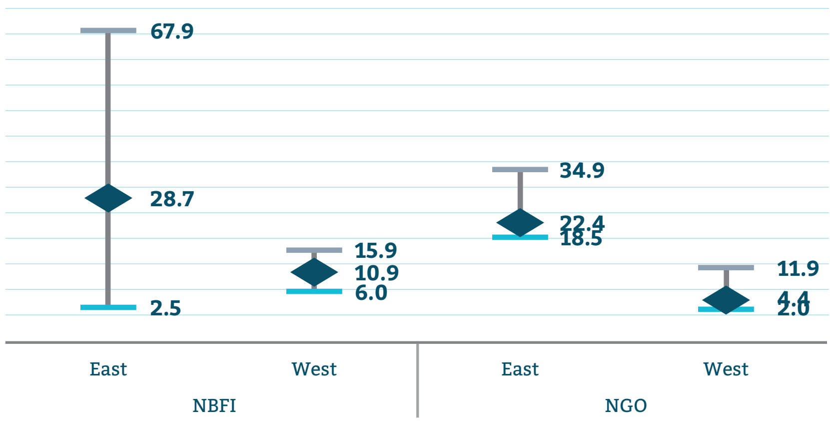



**Figure 38: Average interest rate APR on personal microloans of NGOs and NBFIs by region (N=23)**




Like business loans, the APR on personal loans correlates with the financial expense and operating expense ratios. Additionally, it correlates with debt-to-equity ratio, indicating that MFIs using more external financing charge higher interest rates.

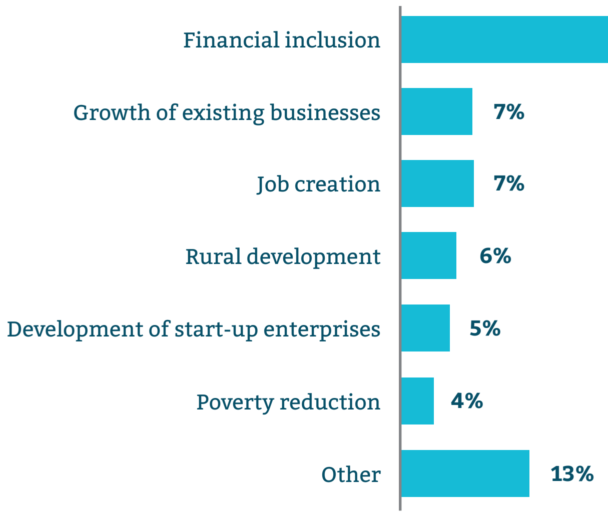
## 3.5 Social perfomance

### 3.5.1 Primary goal of operations

Financial inclusion is the main objective for the majority of microfinance providers. 59% of surveyed MFIs consider facilitating access to financial products and services as their primary purpose.

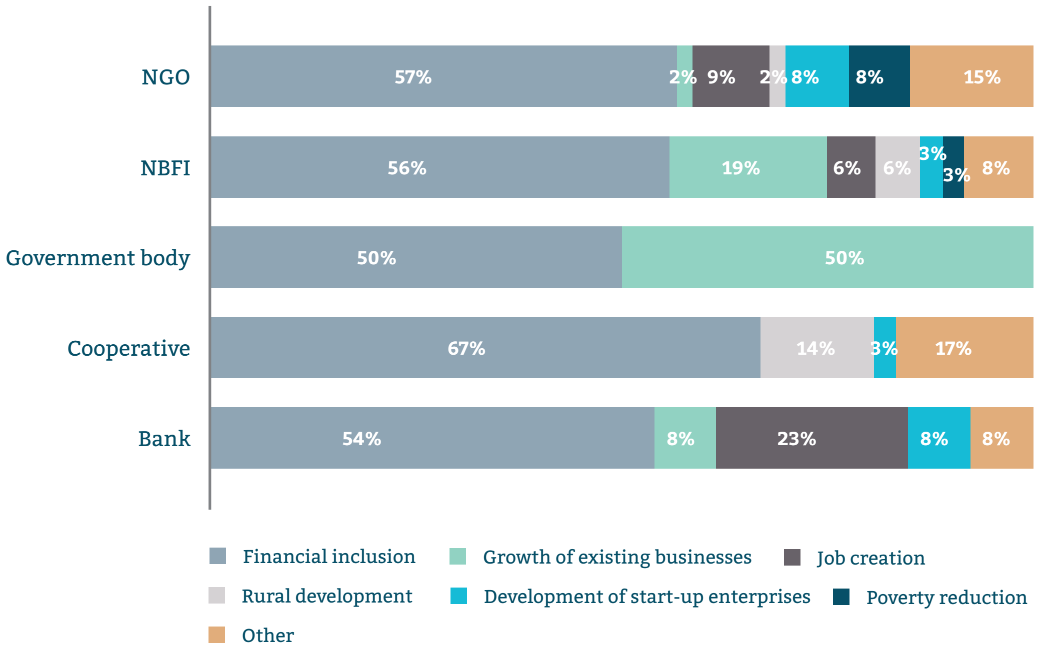
Only 7% of MFIs aim to stimulate business growth while another 7% specifically focus on helping their clients to create employment. Another 6% prioritize support for rural development. Other goals included improving quality of life, improving the financial or economic situation of clients, or financial assistance to members.

**Figure 39: Distribution of MFIs by the primary goal of operations (N=140)**



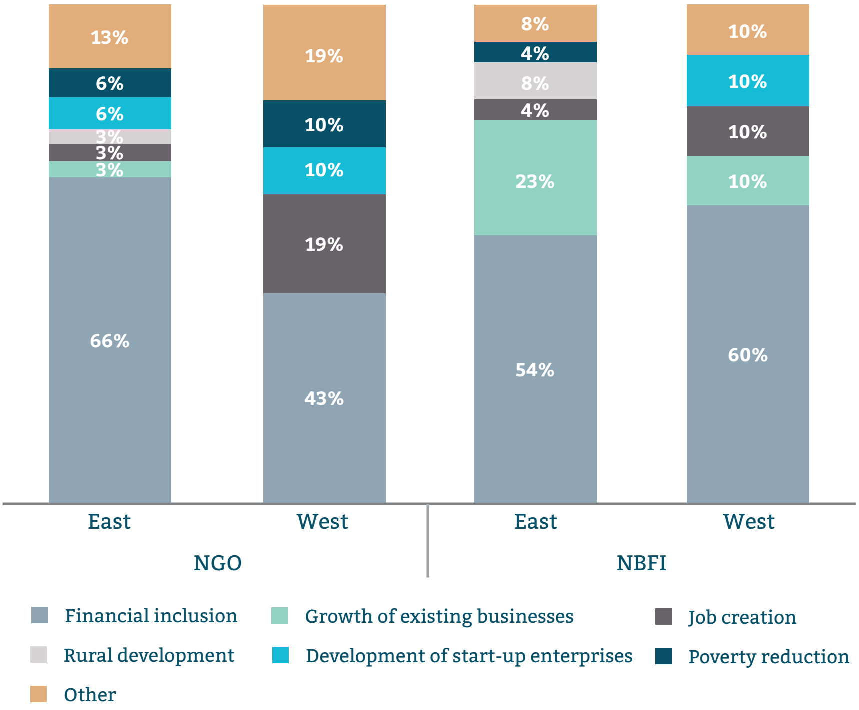

Across institutional types, financial inclusion is the primary reported objective. Regarding other goals, NBFIs more prioritize the development of existing businesses while NGOs focus on poverty reduction. Banks prioritize job creation while credit unions/cooperatives focus on rural development.

**Figure 40: Distribution of MFIs by institutional type and the primary goal of operations (N=140)**



Comparing NGOs and NBFIs across Eastern and Western MFIs indicates that job creation, start-up development and poverty reduction are more often pursued by Western NGOs than their Eastern counterparts. Among NBFIs, Eastern NBFIs more often target enterprise growth and rural development while Western NBFIs focus on job creation and start-up development.

**Figure 41: Distribution of NGOs and NBFIs by region and the primary goal of operations (N=90)**



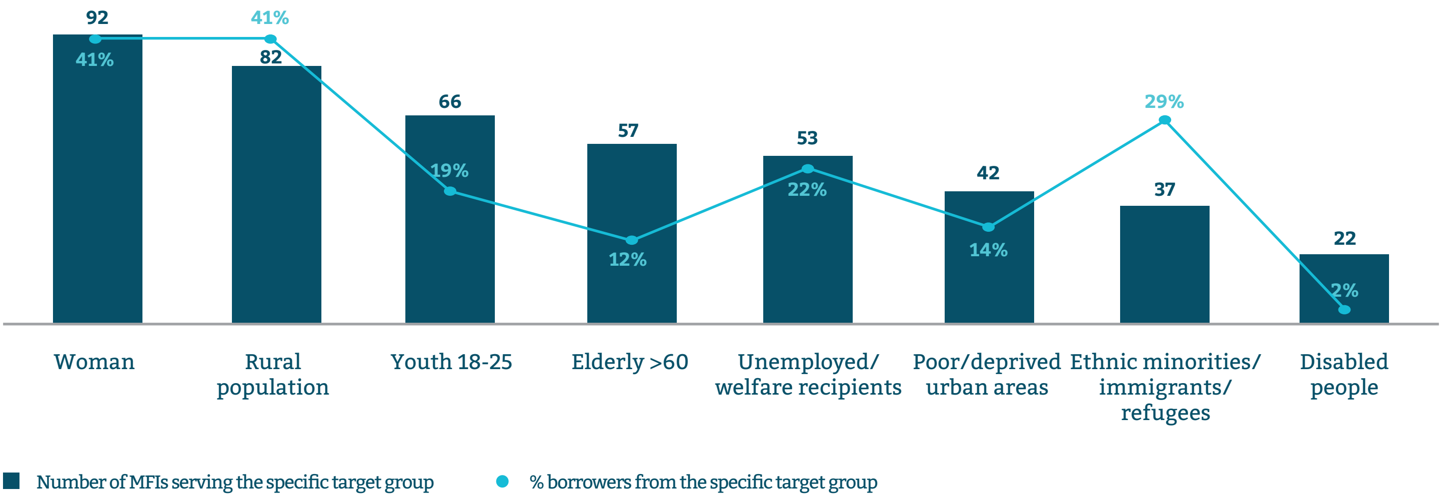

The other institutional types were not analyzed by region due to the small sample size (2 Eastern European banks, 2 Western European cooperatives, 1 government body in the East and 1 government body in the West).

### 3.5.2 Target groups

The chart below illustrates the number of MFIs targeting each target group and the share of the targeted clients among the borrowers.

Women are the most frequent target group (92 MFIs target women). However, women constitute less than half of the clients among MFIs targeting this group (41% of borrowers). Rural clients are the second most popular target group (82 MFIs). Rural borrowers make up 41% of the client base for these MFIs.

**Figure 42: Target groups served by MFIs (N=114 for number of MFIs, N=81 for number of borrowers from specific target groups)**



### 3.5.3 Types of businesses served

63 MFIs shared data about the types of business served. These institutions manage 63% of the total business loan portfolio and serve 54% of borrowers with business loans.

Regardless of the size of business loans (below or above EUR 25,000), enterprises with fewer than 10 employees are the main clientele (99% of the outstanding business microloan portfolio). A similar situation is observed for the SME business loan portfolio (loans > EUR 25,000) where micro-enterprises with fewer than 10 employees make up 81% of the outstanding loan portfolio. By number of borrowers, micro-entrepreneurs constitute almost 100% of all clients using loans below EUR 25,000 and 92% of clients using loans over EUR 25,000.

**Figure 43: Distribution of the business loan portfolio by type of borrower (N=63)**

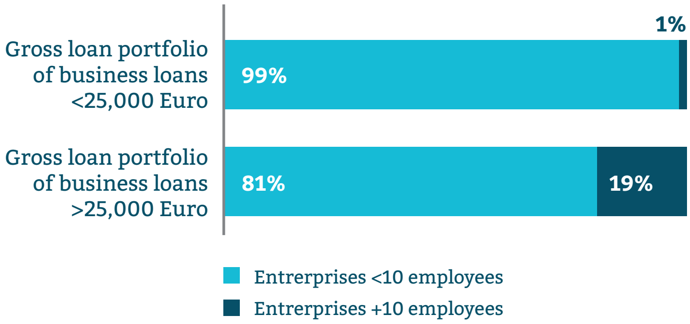
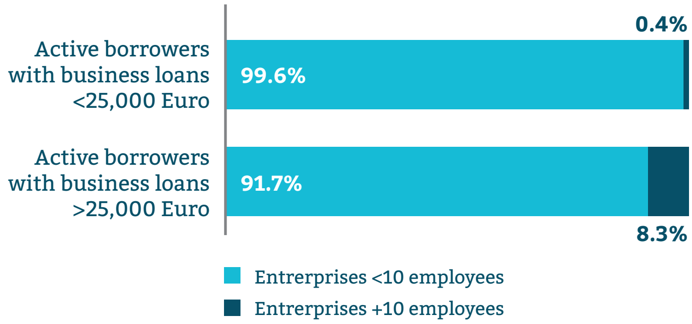



**Figure 44: Distribution of active borrowers with business loans by type of borrower (N=65)**




### 3.5.4 Purpose of personal loans

Information about the purpose of personal loans was available for 51 institutions, which accounts for 25% of the personal loan portfolio and 46% of personal loan clients.

20% of personal loan borrowers (33% of the personal loan portfolio) use loans to finance housing needs: refurbishment, small construction, energy-efficiency improvements, but also rent and mortgage payments.

Only 8% of clients (13% of the personal loan portfolio) finance their own professional development, such as education to improve professional skills or to start a business. However, half of the personal loan volume is used by 71% of clients for other family needs that do not fit into the surveyed categories.

**Figure 45: Distribution of the personal microloan portfolio by loan purpose (N=51)**

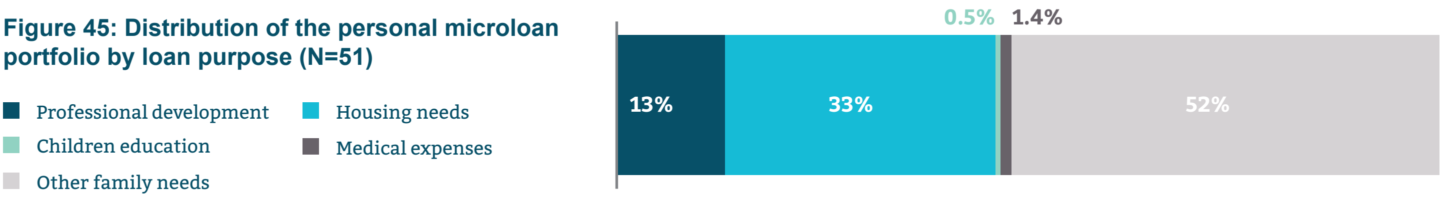
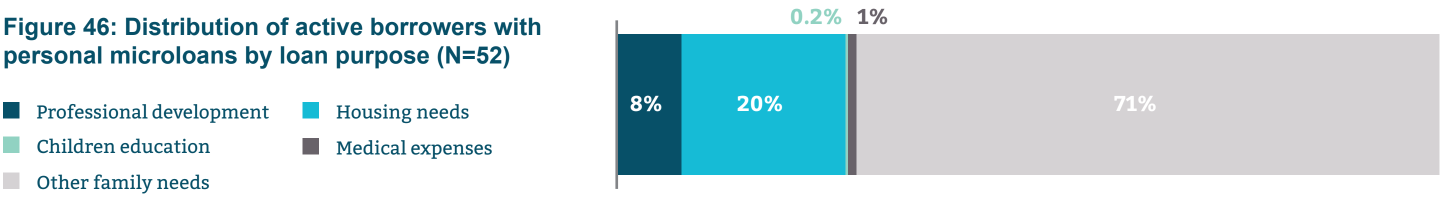



**Figure 46: Distribution of active borrowers with personal microloans by loan purpose (N=52)**



### 3.5.5 Average outstanding loan balance

The average outstanding loan balance per borrower was EUR 5,669 in 2019 (median value of EUR 2,547). Business microloans were larger: EUR 6,207 on average, compared to an average of EUR 2,488 for personal loans.

The highest average and median outstanding loan balance per borrower was observed among bank borrowers while the lowest was reported for clients of credit unions/cooperatives.

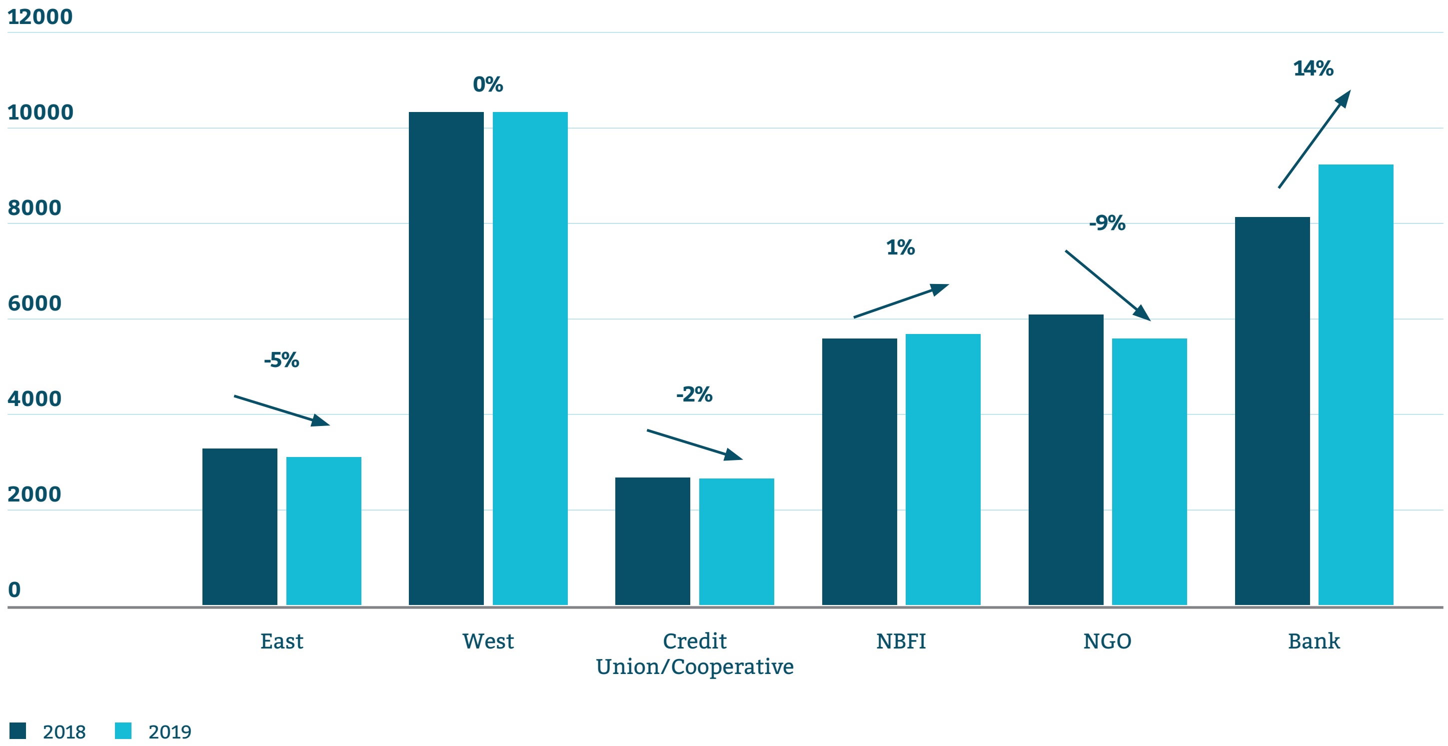
**Table 9: Average and median values of outstanding loan balance per borrower**

| | Total | Cooperative/ credit union | NBFI | NGO | Bank | East | West |
|---|---|---|---|---|---|---|---|
| Number of MFIs | 124 | 36 | 35 | 44 | 8 | 91 | 32 |
| Average outstanding loan balance | 5,669 | 2,703 | 7,216 | 5,536 | 9,065 | 4,237 | 9,620 |
| Median outstanding loan balance | 2,475 | 1,598 | 3,214 | 2,760 | 7,847 | 1,898 | 8,438 |

There are large differences between Eastern and Western Europe. Western microborrowers reported much higher loan balances. This regional difference was observed among borrowers across all institutional types.

Compared to 2018, the average loan balance decreased by 2.5%. Eastern MFIs reported larger decreases (-5%) while no change was observed for Western MFIs. By institutional type, banks increased average loan balances by the largest amount (14%), while NGOs decreased by the highest percentage (-9%).

**Figure 47: Changes in the average loan balance of microborrowers by institutional type**



## 3.5.6 Depth of outreach

On average, surveyed MFIs serve a relatively broad target market. The average depth of outreach,[10] expressed as the average loan balance to GNI per capita, was 34% in 2019.[11]

One-third of the institutions serve low-end clients with loans lower than 20% of the GNI per capita. However, most MFIs (63%) fall into the category serving broad clientele with loans ranging from 20% to 100% of GNI per capita.

By institutional type, cooperatives/credit unions are most likely to serve low-end clients (53% of MFIs), while NBFIs are the only institutional type to serve high-end clients (9% of MFIs). Eastern and Western European MFIs had similar shares of institutions serving low-end clients (loans smaller than 20% of GNI per capita): 31% of Eastern MFIs and 42% of Western MFIs. MFIs serving the high-end market are only observed in the East.

10 Expressing average balance as a percentage of GNI per capita allows for international comparisons of the loan balances as it shows the loan value in relation to country's national income.
11 Outliers, defined as values outside of the boundaries of the average value +/- 3 standard deviations, were removed from the calculation of the average.

**Figure 48: Distribution of MFIs by target market and institutional type (N=122)**

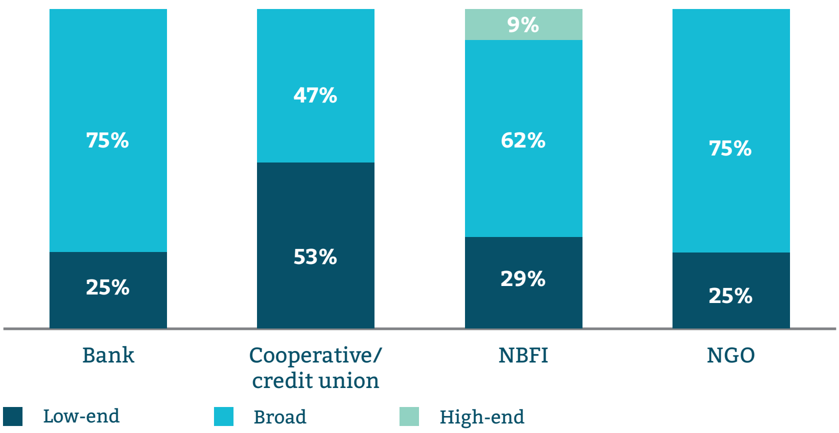
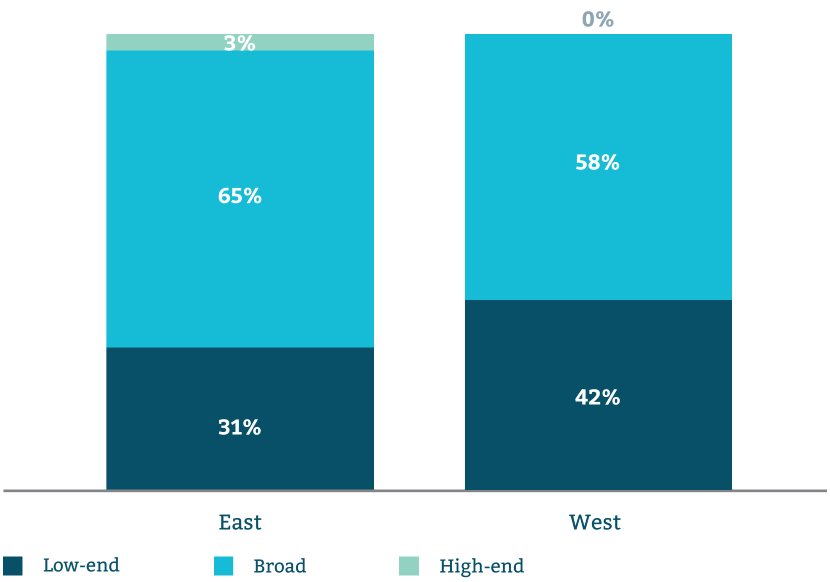


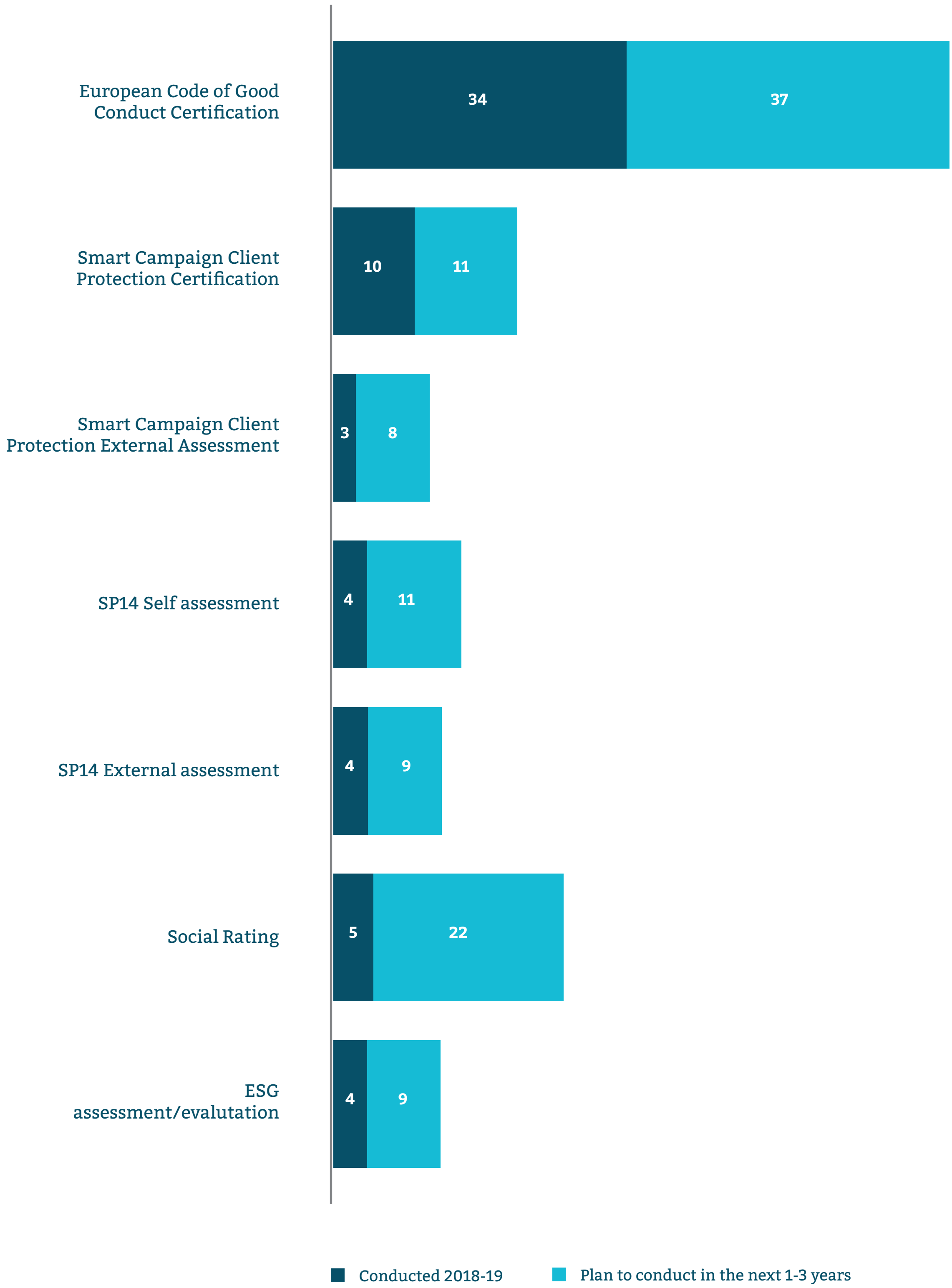

**Figure 49: Distribution of MFIs by target market and region (N=122)**



## 3.5.7 Assessments and evaluations

In total, 92 institutions went through an assessment or evaluation in the last 2 years or plan to do so in the near future (1-3 years). The European Code of Good Conduct (ECoGC) was the most widely cited certificate from the survey respondents (34 MFIs). Many MFIs plan to conduct assessments in the coming 1-3 years, most often through the ECoGC (37 MFIs). A further 22 MFIs plan to carry out a social rating.

**Figure 50: Share of MFIs that conducted or plan to conduct selected evaluations and assessments (N=92)**



## 3.6 Financial performance

### 3.6.1 Portfolio quality

To assess the quality of the microloan portfolio, 3 indicators were used: PAR30, restructured portfolio and write-off ratio. PAR30 indicates the share of the microloan portfolio that is overdue for more than 30 days. The restructured portfolio ratio shows the share of microloans whose original contract has been changed while the write-off ratio reports the share of the portfolio that was removed from the books as unrecoverable or as a loss.

In 2019, the average PAR30 value was 10.6%.[12] By institutional type, banks reported the healthiest portfolio while cooperatives/credit unions had the worst portfolio quality. All banks reported PAR30 ratios below 10% while more than half of the cooperatives/credit unions reported values in excess of 10%.

12 To calculate the average PAR30, outliers, defined as values outside of the boundaries of the average value +/- 3 standard deviations, were removed.

**Figure 51: Distribution of MFIs by PAR30 ratio (N=88)**

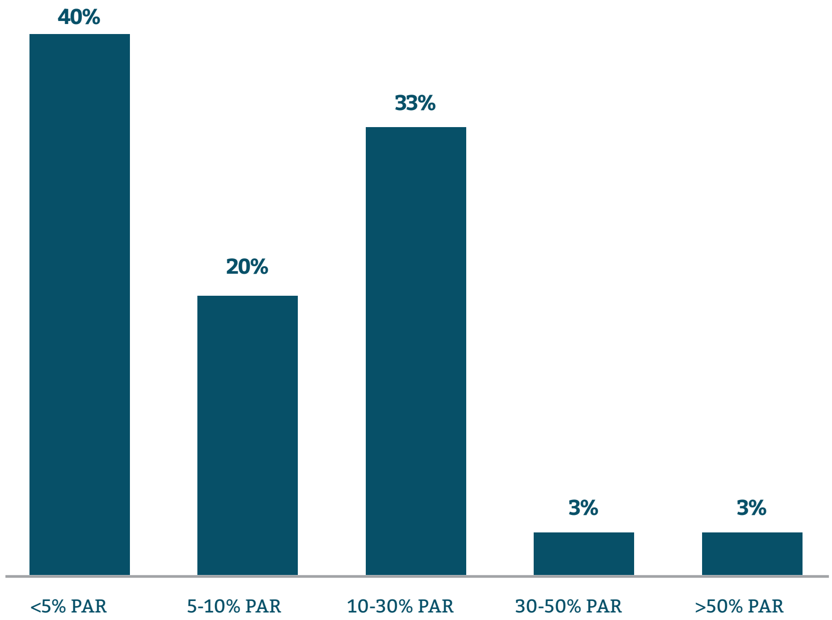
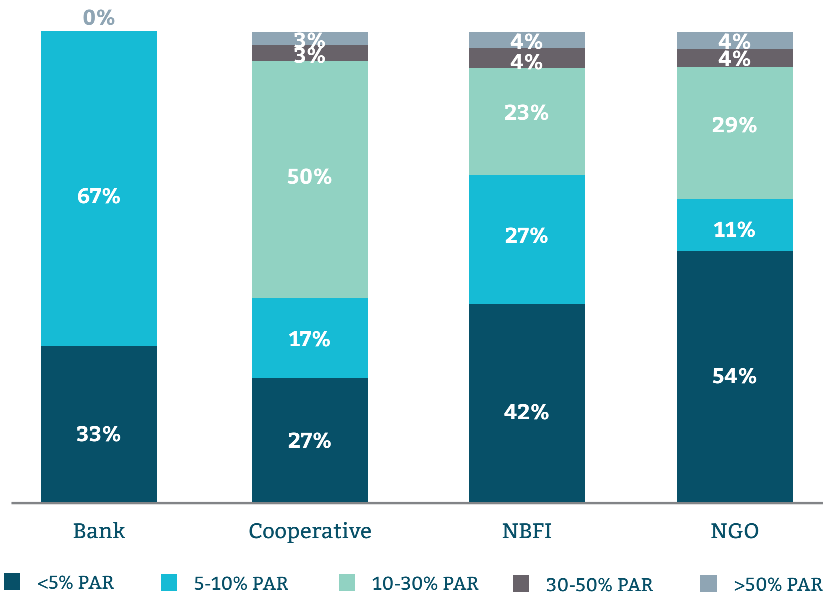



**Figure 52: Distribution of MFIs by institutional type and PAR30 ratio (N=87)**



Significant differences were observed by institutional size (both in terms of loan portfolio and number of borrowers) with large institutions exhibiting healthier portfolios. Eastern NGOs and NBFIs had better portfolio quality than Western institutions.

**Figure 53: Distribution of MFIs by outreach[13] and PAR30 ratio (N=88)**

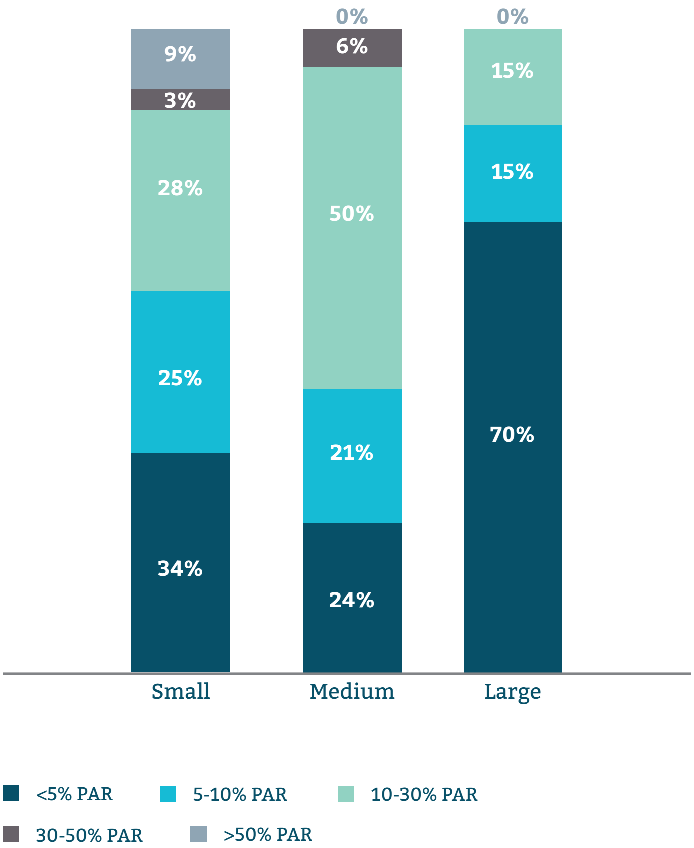
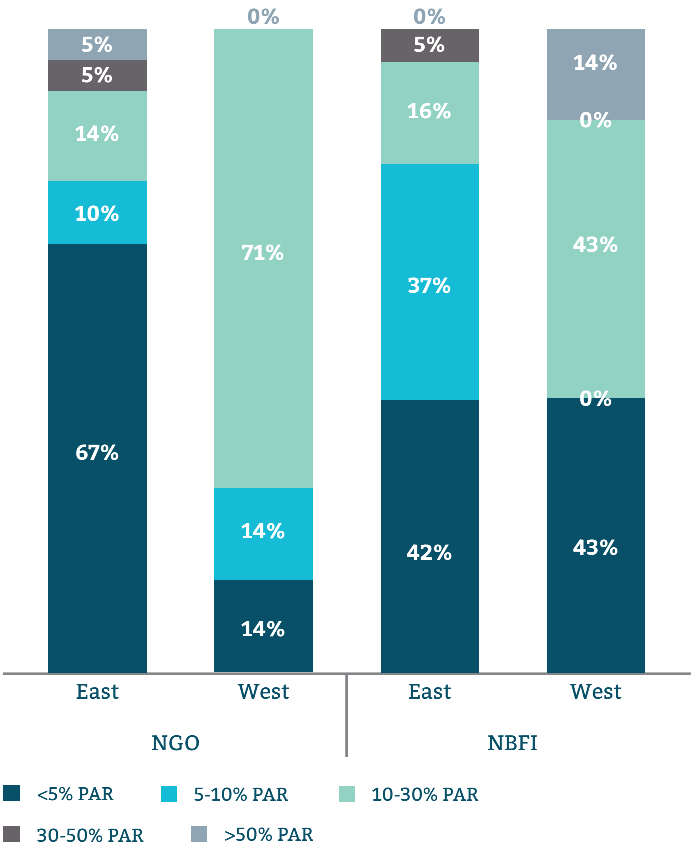



**Figure 54: Distribution of MFIs by institutional type and PAR30 ratio (N=54)**




13 Classification of MFIs by outreach: small MFIs (below 1,000 active borrowers), medium MFIs (between 1,000 and 10,000 active borrowers), and large MFIs (above 10,000 active borrowers)

The quality of business and personal loan portfolios was comparable, with PAR30 ratios of 9.5% and 11.1%, respectively. 83 institutions shared PAR30 data for both years. The average PAR30 ratio for these 83 MFIs remained stable: 11.2% in 2018 to 10.7% in 2019

14 Outliers, defined as +/- 3 standard deviations of the average, were removed from the calculation of the average of the restructured loans ratio.

## Restructured portfolio

The average value of the restructured portfolio was 1.6%.[14] The average restructured portfolio ratio was higher for business microloans than personal microloans (1.6% and 0.9%, respectively).

**Figure 55: Distribution of MFIs by restructured loans ratio (N=72)**

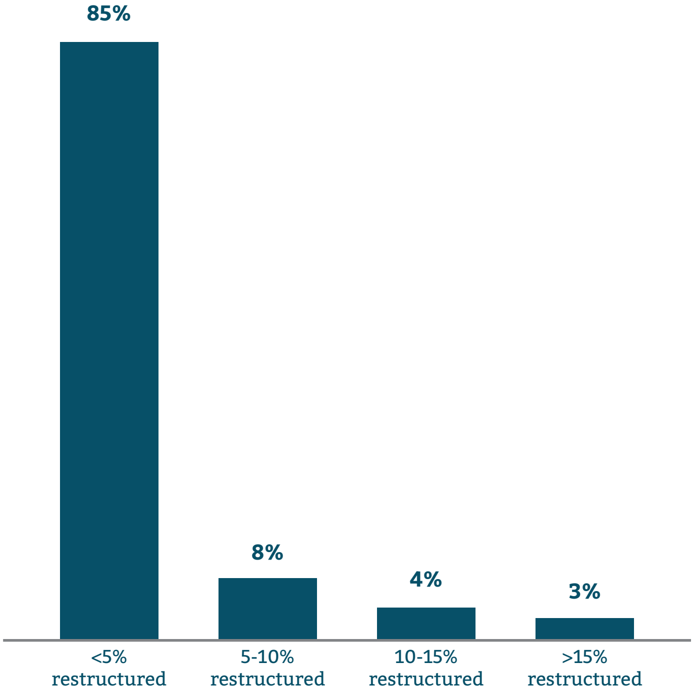
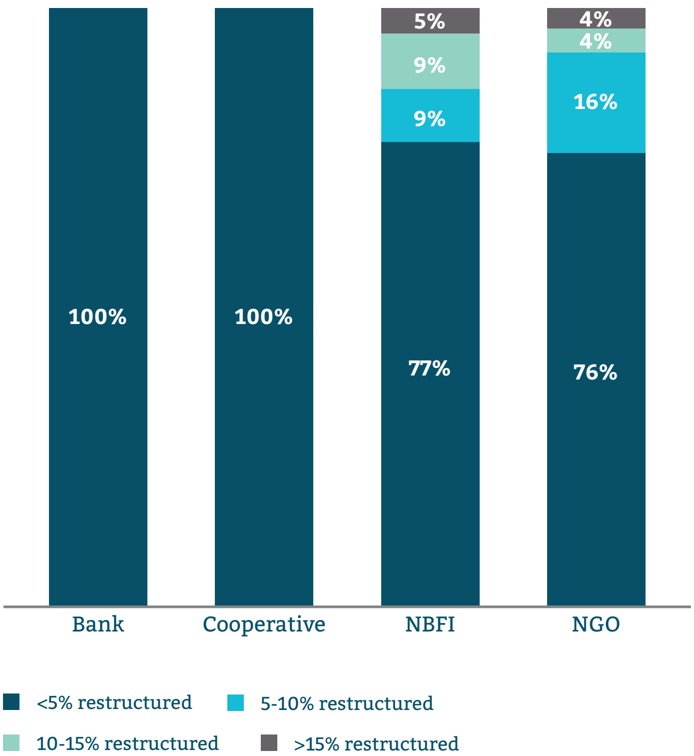


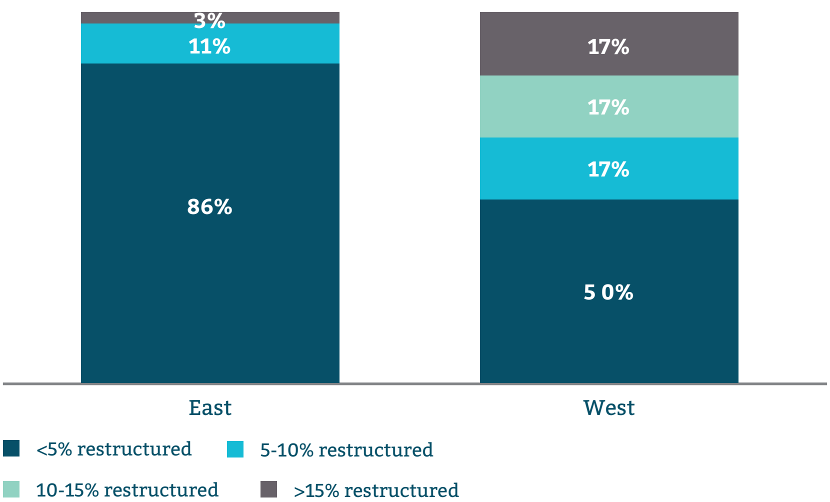

**Figure 56: Distribution of MFIs by institutional type and restructured loans ratio (N=72)**

Note: For confidentiality reasons data of a govt. body was excluded




By institutional type, NBFIs and NGOs reported higher restructured loans ratios. Significant differences were observed between the two regions: more MFIs in the West had high restructured loan ratios than in the East.

**Figure 57: Distribution of MFIs by restructured loans ratio and region (N=72)**



## Write-off ratio

The average write-off ratio was 5%[15] and 70% of surveyed MFIs wrote-off less than 5% of the microloan portfolio. However, some 12% of MFIs had write-offs in excess of 15%. By institutional type, banks and cooperatives/credit unions had smaller write-offs than NBFIs and NGOs. Write-offs for business microloans exceeded personal microloans (6.5% vs. 2.2%).

15 Outliers, defined as +/- 3 standard deviations of the average, were removed from the calculation of the average write-off ratio.

**Figure 58: Distribution of MFIs by write-off ratio (N=57)**

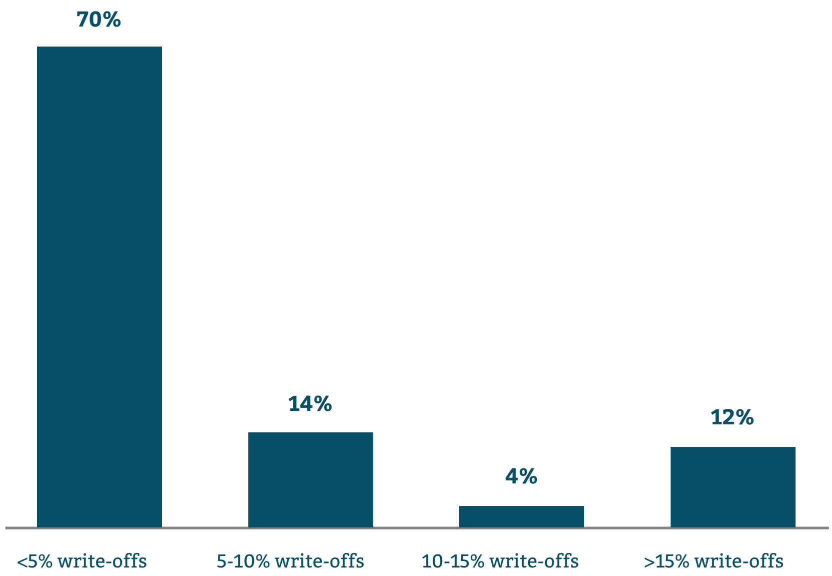
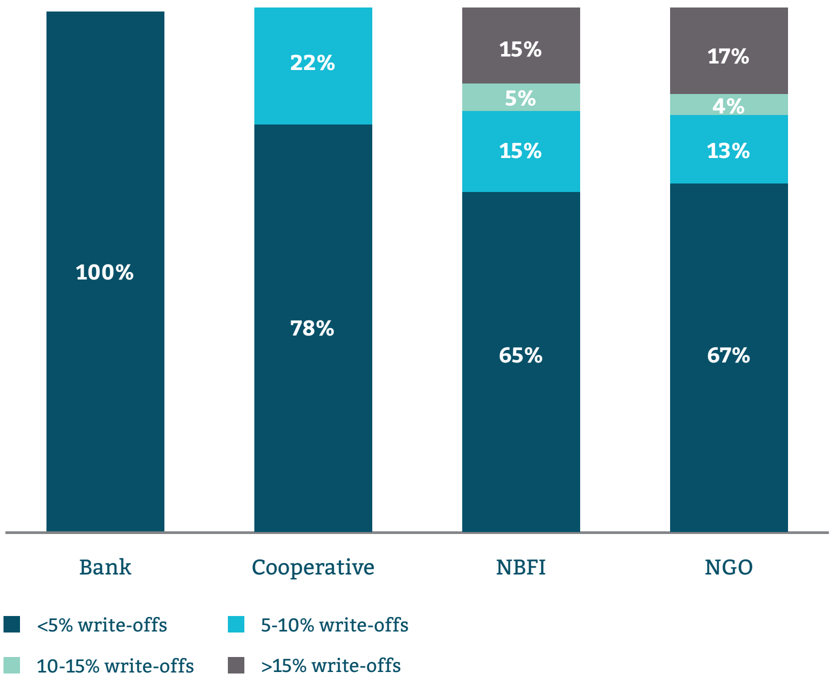



**Figure 59: Distribution of MFIs by institutional type and write-off ratio (N=57)**



### 3.6.2 Efficiency and productivity

#### Portfolio yield and efficiency

16 Outliers, defined as +/- 3 standard deviations of the average, were removed from the calculation of the average of the restructured loans ratio.

On average,[16] the loan portfolio yield was 16% in 2019. NBFIs and cooperatives/credit unions reported the highest portfolio yields (18% and 17%, respectively). Institutions in the large outreach category had higher yields (20%). MFIs from Eastern Europe also reported higher yields that their Western counterparts (18% vs. 8%).

Among expense categories, operating expenses were the largest category (13% of the loan portfolio on average). The operating expense ratio differed by institutional type: NGOs reported the highest operating expense ratio (19%), while banks reported the lowest (6%). Operating expense ratios were similar across the East and the West.

The loan loss provision expense was 2% on average. The highest responses of surveyed MFIs belonged to MFIs in the small category (3.8%) and young MFI category (4.5%). Loan losses in the West (3.9%) were nearly double than in the East (1.5%).

The average financial expense ratio was 3.5% and was highest among new MFIs (5.9%), NBFIs (4.4%) and MFIs with large outreach (4.1%). Eastern Europe MFIs reported financial expenses more than double than that of Western European MFIs (3.9% vs. 1.2%).

**Table 10: Average values of financial indicators by MFI characteristics**

| | | Portfolio yield | Operating expense ratio | Loan loss provision expense | Financial expense ratio |
|---|---|---|---|---|---|
| Total sample | | N=83 | N=82 | N=66 | N=72 |
| | | 16% | 15% | 2.0% | 3.5% |
| Institutional type | Bank | 12% | 6% | 1.8% | 2.0% |
| | Cooperative | 17% | 10% | 1.9% | 4.0% |
| | NBFI | 18% | 18% | 2.4% | 4.4% |
| | NGO | 14% | 19% | 1.7% | 1.9% |
| Region | East | 18% | 15% | 1.5% | 3.9% |
| | West | 8% | 15% | 3.9% | 1.2% |
| Scale (portfolio size)[17] | Small | 14% | 19% | 3.8% | 3.4% |
| | Medium | 17% | 12% | 2.1% | 3.6% |
| | Large | 17% | 14% | 1.2% | 3.5% |
| Outreach[18] | Small | 13% | 19% | 3.5% | 2.1% |
| | Medium | 16% | 11% | 1.4% | 3.6% |
| | Large | 20% | 15% | 1.2% | 4.1% |
| Age group[19] | New | 16% | 25% | 1.4% | 5.9% |
| | Young | 12% | 12% | 4.5% | 2.6% |
| | Mature | 17% | 13% | 2.6% | 3.2% |
| | Longest-established | 16% | 14% | 1.3% | 3.4% |

17 Scale (portfolio size): small (loan portfolio < EUR 2 million), medium (EUR 2-8 million), large (> EUR 8 million)
18 Outreach: small (<1,000 active borrowers, medium (1,000-10,000 active borrowers), large (>10,000 active borrowers)
19 Age group: New (<5 years), Young (5-8 years), Mature (9-20 years), Longest-established (>20 years)

## Productivity

As several MFIs do not employ any staff and rely solely on unpaid volunteers or workers paid by other institutions, we calculated the productivity ratio as the proportion of active borrowers to the total number of staff plus volunteers engaged in microcredit provision.

The average productivity ratio[20] was 83 borrowers per staff member (paid staff plus volunteers). Eastern European MFIs were more productive (101 borrowers per staff) compared to Western MFIs (38 borrowers per staff). Differences are also observed across institutional types, where cooperatives/credit unions reported the highest productivity rates.

The highest productivity rate was also observed for institutions that provide only personal loans; the lowest productivity rate was reported by MFIs that focus solely on the provision of business loans. As personal loans are usually smaller in nominal value (and as a percentage of GNI per capita), institutions serving the low-end market[21] tended to have higher productivity.

The relationship between the share of women among paid staff and productivity was unclear. While MFIs with over 75% of women among staff had the highest productivity (115), MFIs with the small number (less than 25%) had the second highest productivity (97).

20 Outliers, defined as +/- 3 standard deviations of the average, were removed from the calculation of the average of the restructured loans ratio.
21 MFI serving the low-end market: MFI where the average loan balance to GNI per capita is below 20%

**Table 11: Average productivity ratio in 2019 and 2018**

| | | 2018 | | 2019 | |
|---|---|---|---|---|---|
| Total sample | | N | Productivity ratio | N | Productivity ratio |
| | | 113 | 83 | 101 | 92 |
| Institutional Type | Bank | 8 | 72 | 7 | 80 |
| | Cooperative | 32 | 124 | 28 | 139 |
| | NBFI | 32 | 66 | 26 | 85 |
| | NGO | 40 | 72 | 39 | 66 |
| Region | East | 81 | 101 | 75 | 111 |
| | West | 32 | 38 | 26 | 37 |
| Scale (loan portfolio size)[22] | Small | 40 | 53 | 33 | 55 |
| | Medium | 32 | 108 | 30 | 103 |
| | Large | 39 | 97 | 37 | 117 |
| Depth of outreach[23] | Low end | 38 | 128 | 32 | 153 |
| | Broad | 68 | 65 | 65 | 66 |
| | High end | 2 | 24 | 2 | 20 |
| Product type | Only business loans | 39 | 45 | 35 | 47 |
| | Only personal loans | 15 | 136 | 15 | 139 |
| | Business and personal loans | 53 | 101 | 57 | 113 |
| Share of women among paid staff | <25% | 4 | 97 | 4 | 104 |
| | 26-50% | 25 | 59 | 21 | 60 |
| | 51-75% | 36 | 74 | 31 | 89 |
| | 75-100% | 32 | 115 | 30 | 126 |

22 Scale (portfolio size): small (loan portfolio < EUR 2 million), medium (EUR 2-8 million), large (> EUR 8 million)
23 Depth of outreach: low-end (average loan balance/GNI per capita below 20%, broad (20%-100%), high-end (>100%)

### 3.6.3 Financial management

The asset-liability management indicators represent the ability of an MFI to manage its financial obligations while maximizing its most productive assets and fostering revenue and net profit. In other words, these indicators ensure there is enough liquidity for the MFI to sustain its operations and is measured by two indicators: portfolio-to-assets ratio and debt-to-equity ratio.

#### Microloan portfolio to total assets ratio

The majority of the institutions dedicate a large proportion of their assets to the microlending portfolio. Although the microlending portfolio constitutes more than 75% of the assets for 39% of MFIs, it only constitutes more than half of the assets for 32% of MFIs. Only 11% of MFIs report that the microlending portfolio is less than a quarter of total assets. The average value of the microloan portfolio-to-total assets ratio was 0.65 in 2019 (median of 0.7).

By institutional type, half of banks and NGOs are dedicated to microlending with 75% or more of the assets in microloan portfolio. For the other half of banks, the microlending portfolio is less than 25% of the assets. In 2019, 58 institutions reduced microlending as a share of assets while 42 MFI increased portfolio as a percentage of assets. Nevertheless, changes in the average and median for the full sample were minimal.

MFIs in Eastern Europe engage more assets in microlending compared to their Western counterparts. Large MFIs in terms of outreach and size of the loan portfolio have higher microloan portfolio-to-total assets ratios than small MFIs.

**Figure 60: Distribution of MFIs by microloan portfolio to total assets ratio (N=103)**

Note: For confidentiality reasons data of a govt. body was excluded

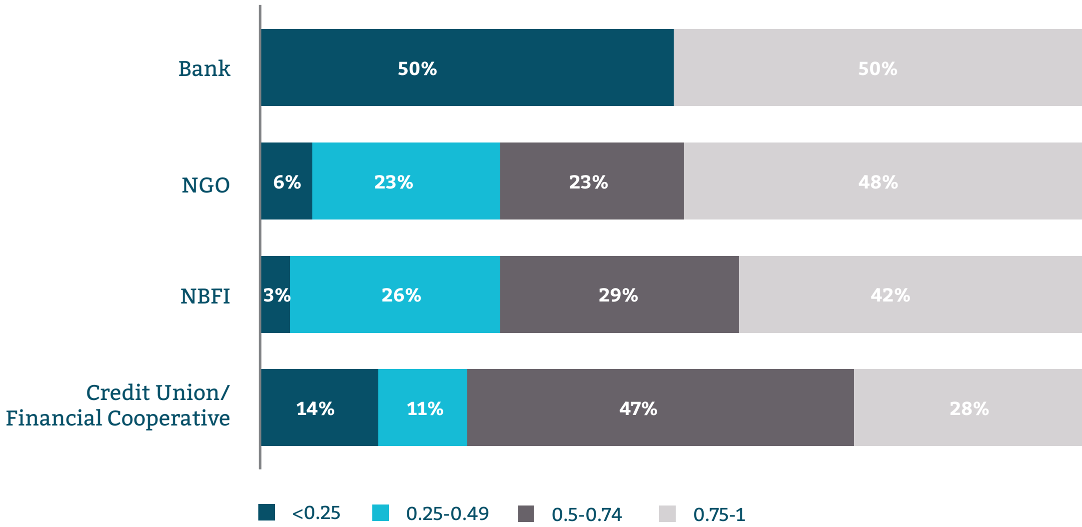



**Table 12: Average microloan portfolio to total assets ratio by MFI characteristics**

| | | Microloan portfolio to assets ratio |
|---|---|---|
| Region | East | 0.69 |
| | West | 0.48 |
| Scale (portfolio size) | Small | 0.54 |
| | Medium | 0.70 |
| | Large | 0.71 |
| Outreach | Small | 0.57 |
| | Medium | 0.62 |
| | Large | 0.84 |

## Debt to equity

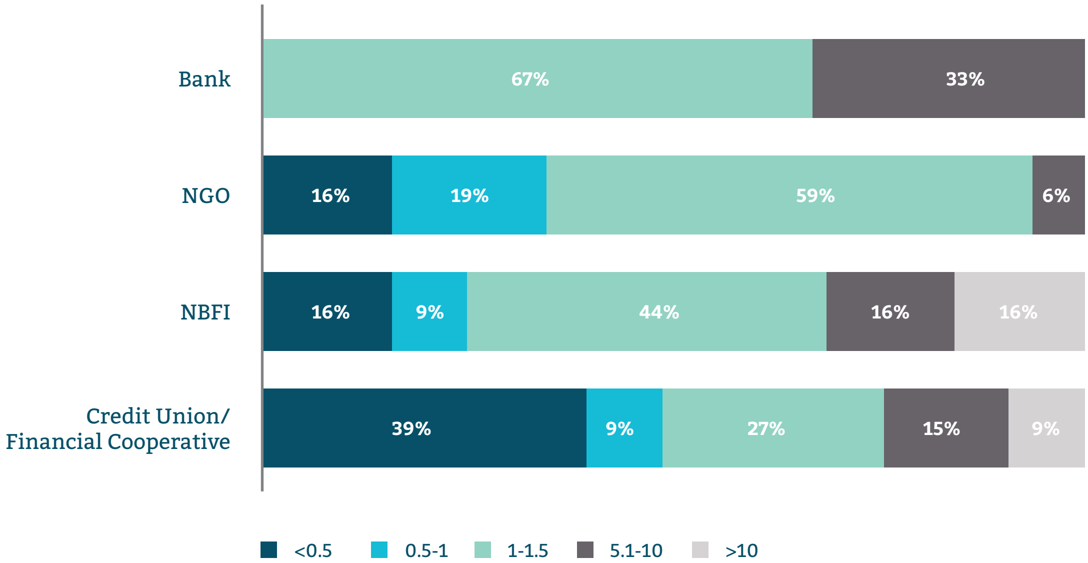
MFIs leverage their own resources by using borrowed funds. A few highly leveraged MFIs (liabilities exceed equity by 50x) drive the average debt/equity ratio to 4.2. Removing outliers reduces the average debt/equity ratio to 3. 23% of surveyed MFIs reported very low leverage, often cooperatives/credit unions. By contrast, NBFIs were most frequently highly leveraged. Additional institutional characteristics (age, region, scale, outreach, target market) were not observed to significantly affect the debt/equity ratio.

Changes were small between 2018 and 2019 changes. 50 MFIs increased their leverage while 48 decreased. The average and median for the sample increased by 2 percentage points.

**Figure 61: Distribution of MFIs by debt to equity ratio (N=101)**

Note: As only one government body provided data, this group was excluded

Note: Institutions with a microlending portfolio smaller than 10% of the assets are excluded from the analysis of D/E ratio



### 3.6.4 Profitability and sustainability

Profitability and sustainability ratios measure the overall performance of MFIs and are measured by three indicators: return on equity (ROE), return on shareholders' investments or, in case of non-profit institutions, the ability to build equity from retained earnings; return on assets (ROA), the ability of an institution to use its assets; and operational self-sufficiency (OSS), which measures revenues over the main expenses.

Of the 90 MFIs that provided sufficient data to calculate the profitability ratios, 79% generated positive returns and 21% reported losses. The average ROA was 0.18%, which was heavily influenced by a few young MFIs that reported large losses. If outliers are removed, average ROA increases to 1.5%.

Average ROE was 4.2% after removing outliers, which was also close to the median of 4.5%. Among the institutional types, the cooperatives were most profitable, while NGOs had on average negative returns.

**Figure 62: Distribution of MFIs by value of ROA and ROE (N=91 and 90)**

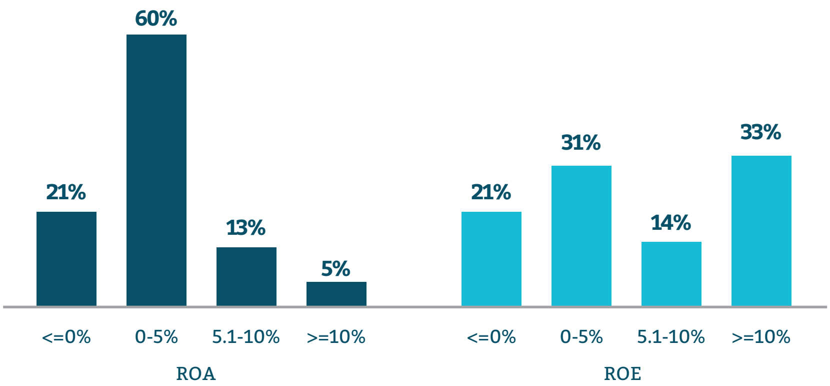



**Table 13: Average ROA and ROE by institutional type**

Note: Data for the government bodies were not available.

| | ROA | ROE |
|---|---|---|
| Bank | 1.8% | 9.2% |
| Cooperative/credit union | 3.7% | 12.2% |
| NBFI | 0.8% | 4.2% |
| NGO | -0.3% | -4.2% |

Data required to calculate OSS was only available for a small number of MFIs. As a result, the average OSS values do not correspond with averages for the other profitability indicators.

The majority of respondents (76% of MFIs) in the sample are self-sufficient: that is, they generate enough revenue to cover their expenses. OSS, similar to ROA and ROE, varied widely across MFIs. After removing outliers, the average OSS ratio was 108%.

**Figure 63: Distribution of MFIs by value of OSS (N=85)**

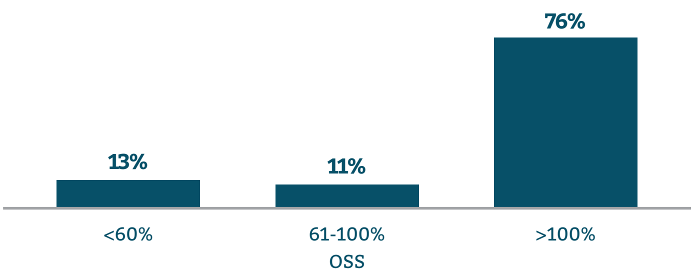



**Table 14: Average OSS by institutional type**

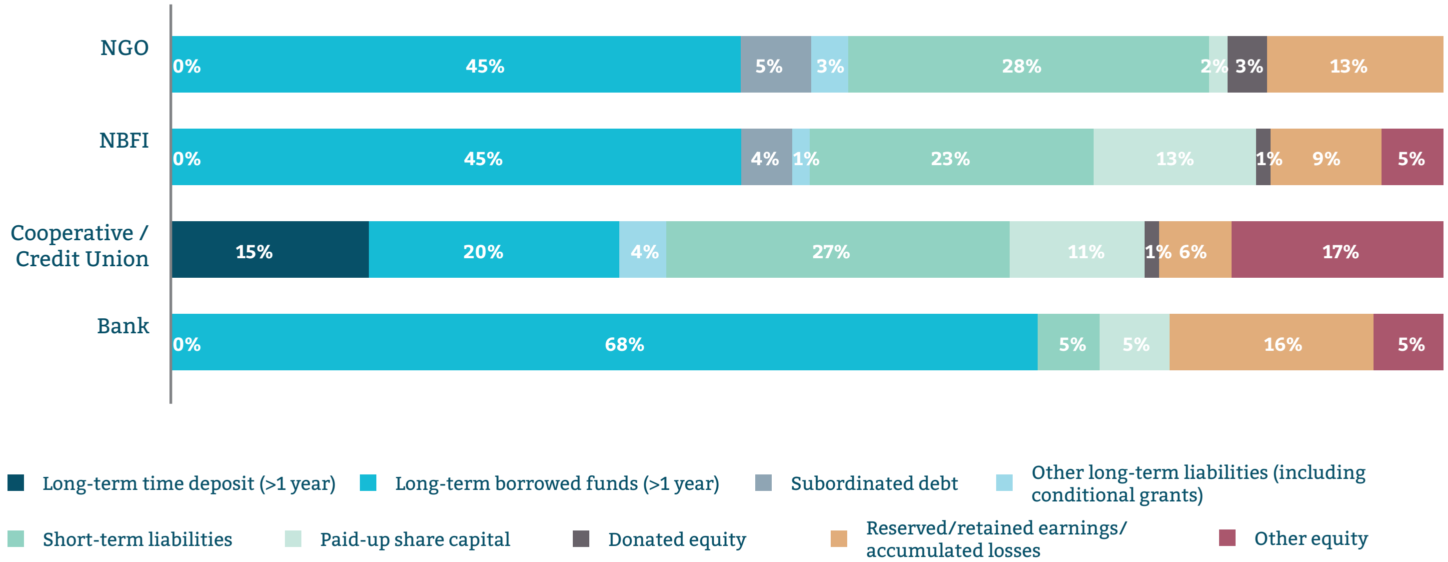
| | OSS |
|---|---|
| Bank | 136% |
| Cooperative | 117% |
| Government body | 105% |
| NBFI | 105% |
| NGO | 103% |

## 3.7 Funding structure

### Funding sources

Long-term borrowed funds remain the predominant source of funding (48% of total funds), followed by short-term liabilities (16% of total funds) and accumulated reserves and earnings (12% of total funds). Banks make use of long-term debt to the largest extent although other institutional types also utilize long-term debt to a large degree. Only cooperatives and credit unions use long-term client deposits as a source of funding for microlending operations.

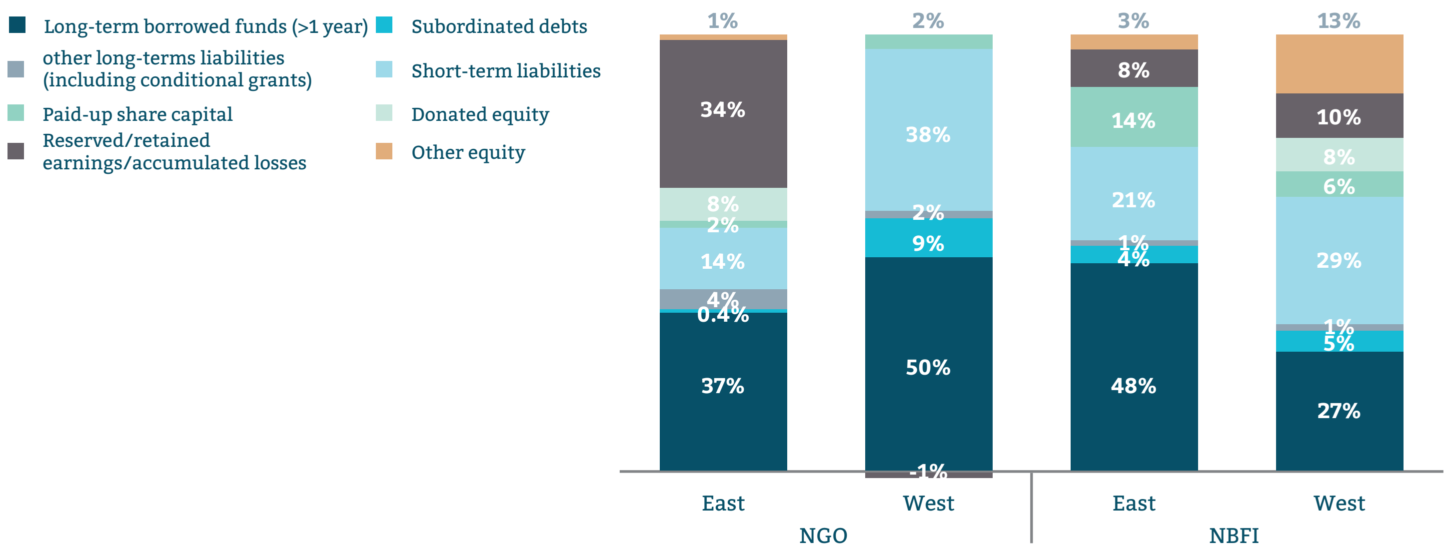
**Figure 64: Distribution of funding source by institutional type (N=86)**




Differences between the East and West are observed among NGOs in the use of long-term borrowed funds, 37% and 50% of funds respectively, and in the use of retained earnings (34% and 2%, respectively).

Among NBFIs, the was a large difference between the regions in the use of long-term borrowed funds. For Eastern NBFIs, long-term borrowings constituted 48% of funds compared to 14% for Western MFIs.

**Figure 65: Distribution of funding by institutional type (N=49)**



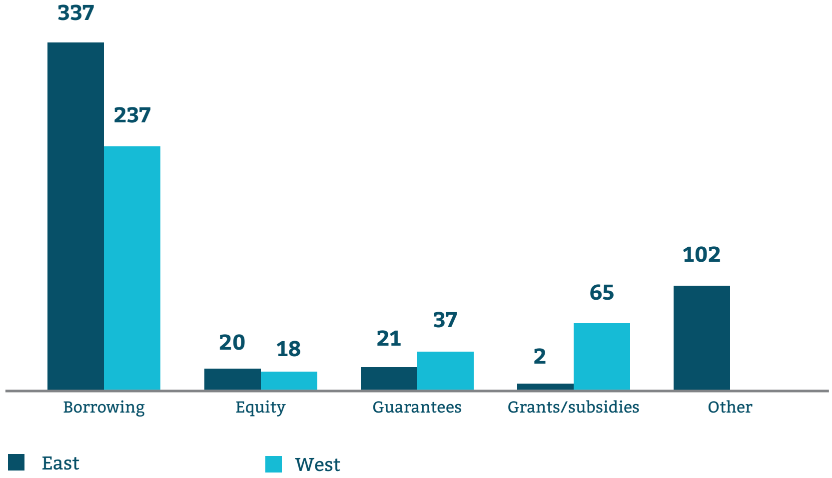
## Funding needs

In total, surveyed MFIs need EUR 839 million to realize their goals in the next 2 years. The average amount required was EUR 18 million, ranging from EUR 10,000 to EUR 130 million. Half of MFIs need less than EUR 7.6 million.

The value of funding needs is higher in Eastern Europe (EUR 482 million) than in the West (EUR 356 million). In both regions, the highest demand is for borrowings. Additionally, Western MFIs look for more grants/subsidies and guarantees than MFIs in the East.

**Figure 66: Distribution of the value of funding needs of MFIs by type of instrument and region (N=61)**

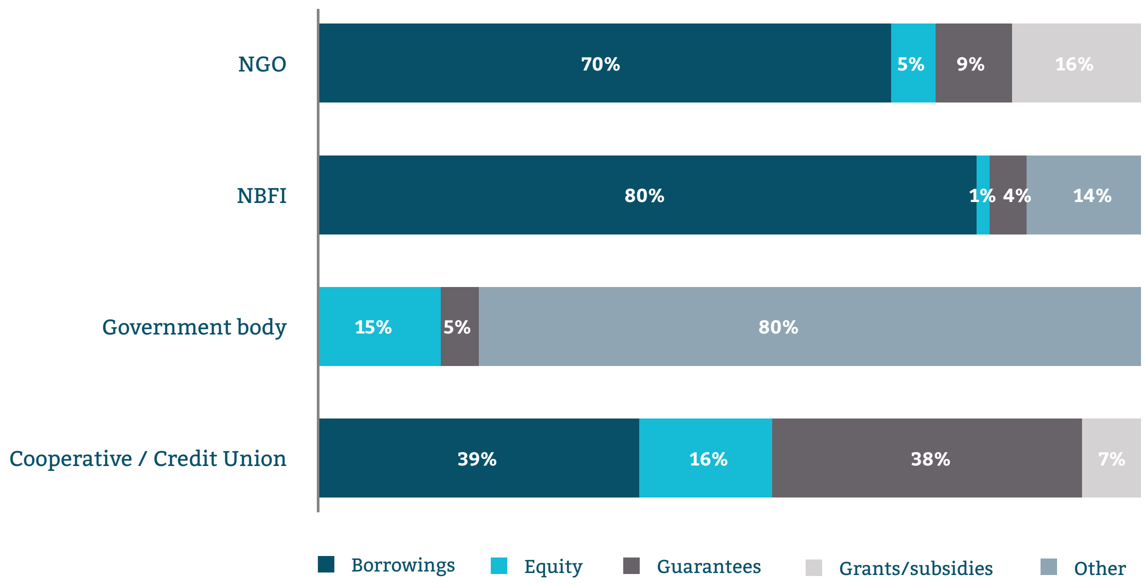
Mln Euro




NGOs and NBFIs predominantly seek borrowings, while cooperatives/credit unions are looking for borrowings and guarantees.

**Figure 67: Distribution of the value of funding needs of MFIs by type of instrument and institutional type (N=61)**

Note: Funding needs of banks remain unknown, as they either did not respond or could not specify their funding needs.



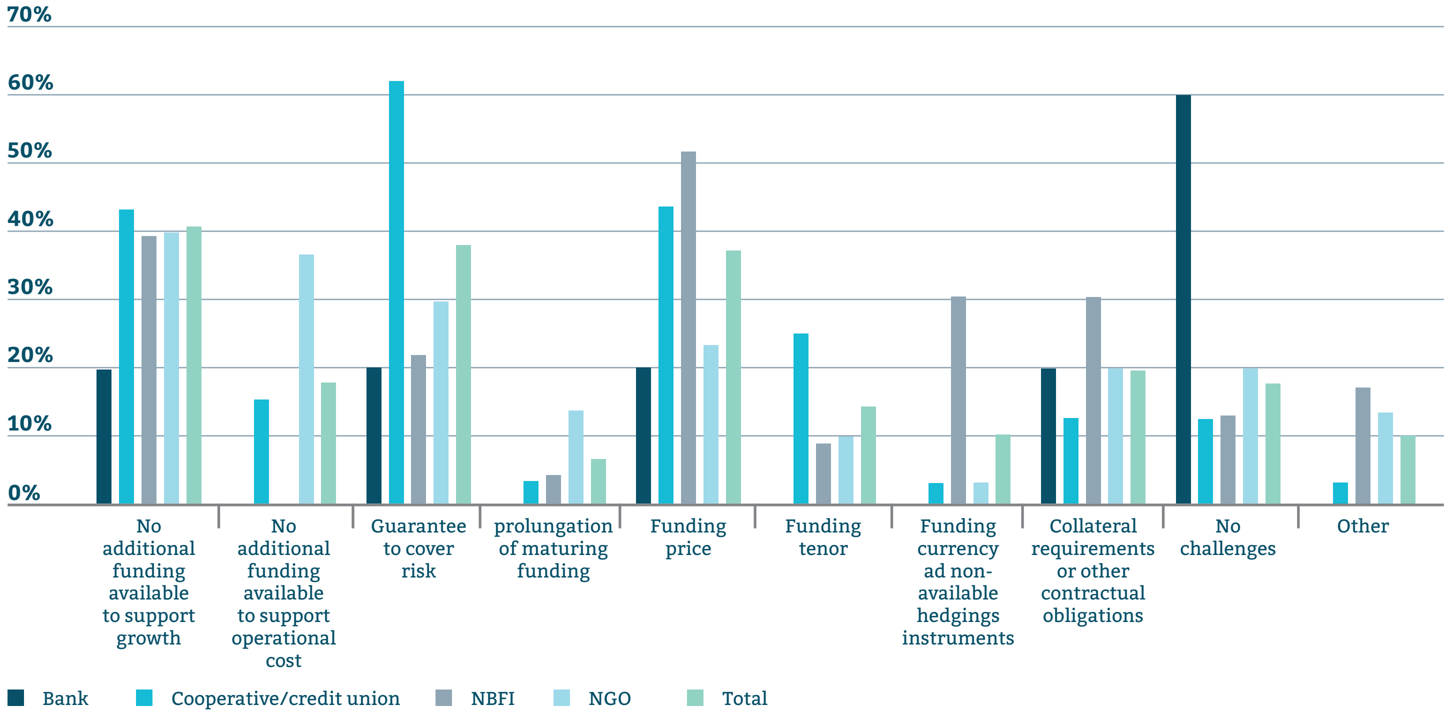
## Challenges

The main challenges to access required funding is unavailability of funding (41% of MFIs), lack of guarantees to cover risks (38%) and funding price (37%). Almost one-fifth of the institutions do not have any challenges in accessing funding.

Banks are the least likely institutional type to face funding challenges (60% of banks). The lack of guarantees is most often felt by cooperatives/credit unions (63% of MFIs) while funding price is often encountered by NBFIs (52% of NBFIs). NGOs most often suffer from lack of access to funding for growth (40% of NGOs) and lack funding to cover operational costs (37% of NGOs).

**Figure 68: Challenges in securing financial support by institutional type (N=91)**

Note: Information from only one governmental body was available, so for confidentiality reasons it is not presented in the chart.




New institutions (less than 5 years old) were more likely to face challenges related to funding price (56% of MFIs). MFIs serving the low-end market (average loan size below 20% of GNI per capita) suffered most often from a lack of guarantees to cover risk (70% of MFIs).

## 3.8 Cross-cutting topics

### 3.8.1 Green microfinance

55% of MFIs that provided information about green microfinance address the topic in some way. The majority of responding MFIs finance environmentally friendly technologies without a specific loan product (39%). However, 16% of MFIs offer specific green microloan products, most commonly specific energy-efficiency loans.

23% of the responding MFIs plan to introduce a specific green product in the near future. However, another 31% of MFIs do not plan to have green loans in their offer at all.

Financing green solutions is more prevalent in Western Europe, with 62% of MFIs financing environmentally friendly technologies through general or specific loans. In the East, the share is smaller (52% of MFIs). The regions also differ by method: Western MFIs often finance green solutions with regular loans (56% of Western MFIs vs. 31% of Eastern MFIs) while Eastern MFIs more often develop separate green products (21% of MFIs vs. 5% of MFIs in the West.

Additionally, Eastern MFIs are more likely to start financing green technologies in the future (32% of MFIs vs. 5% in the West).

**Figure 69: Distribution of MFIs by the engagement in green microlending (N=114)**

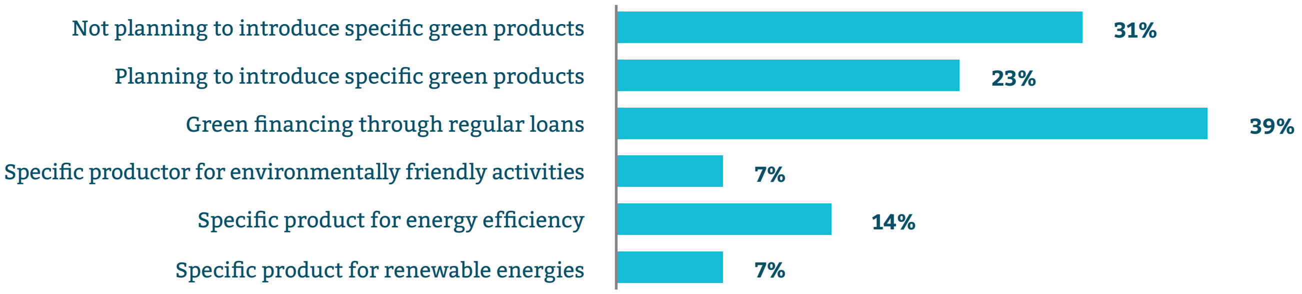
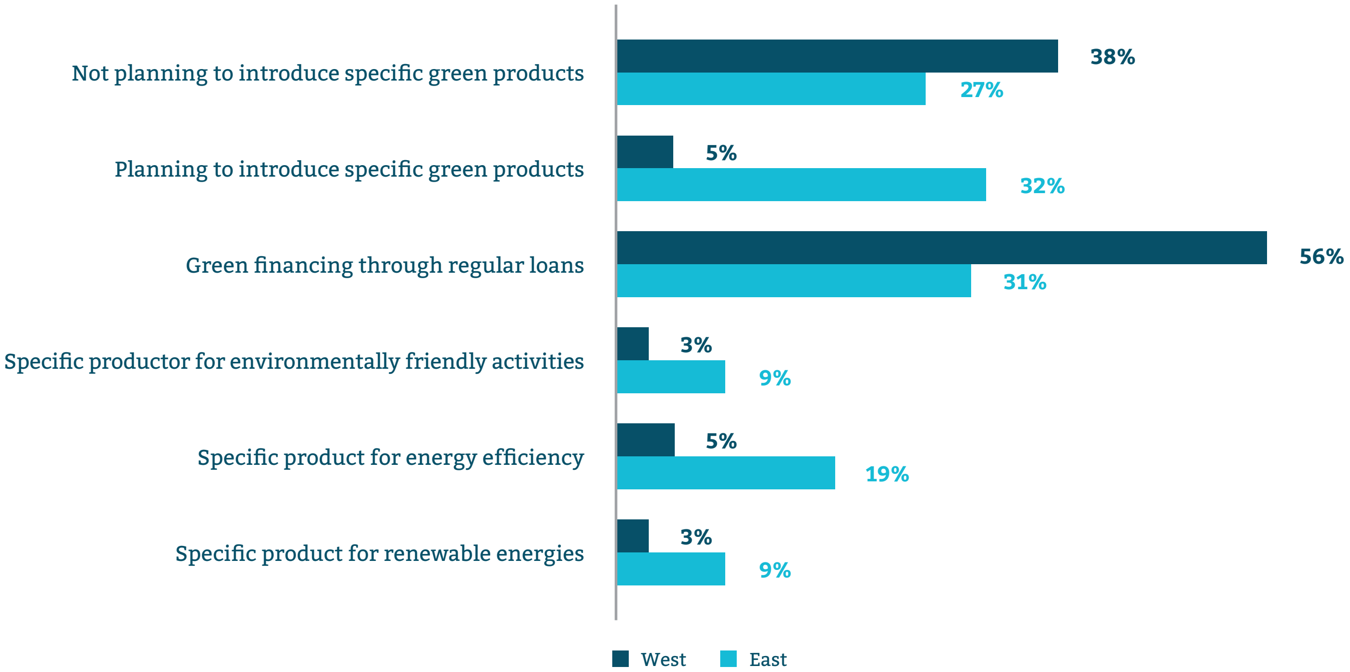



**Figure 70: Distribution of MFIs by region and engagement in green microlending (N=114)**



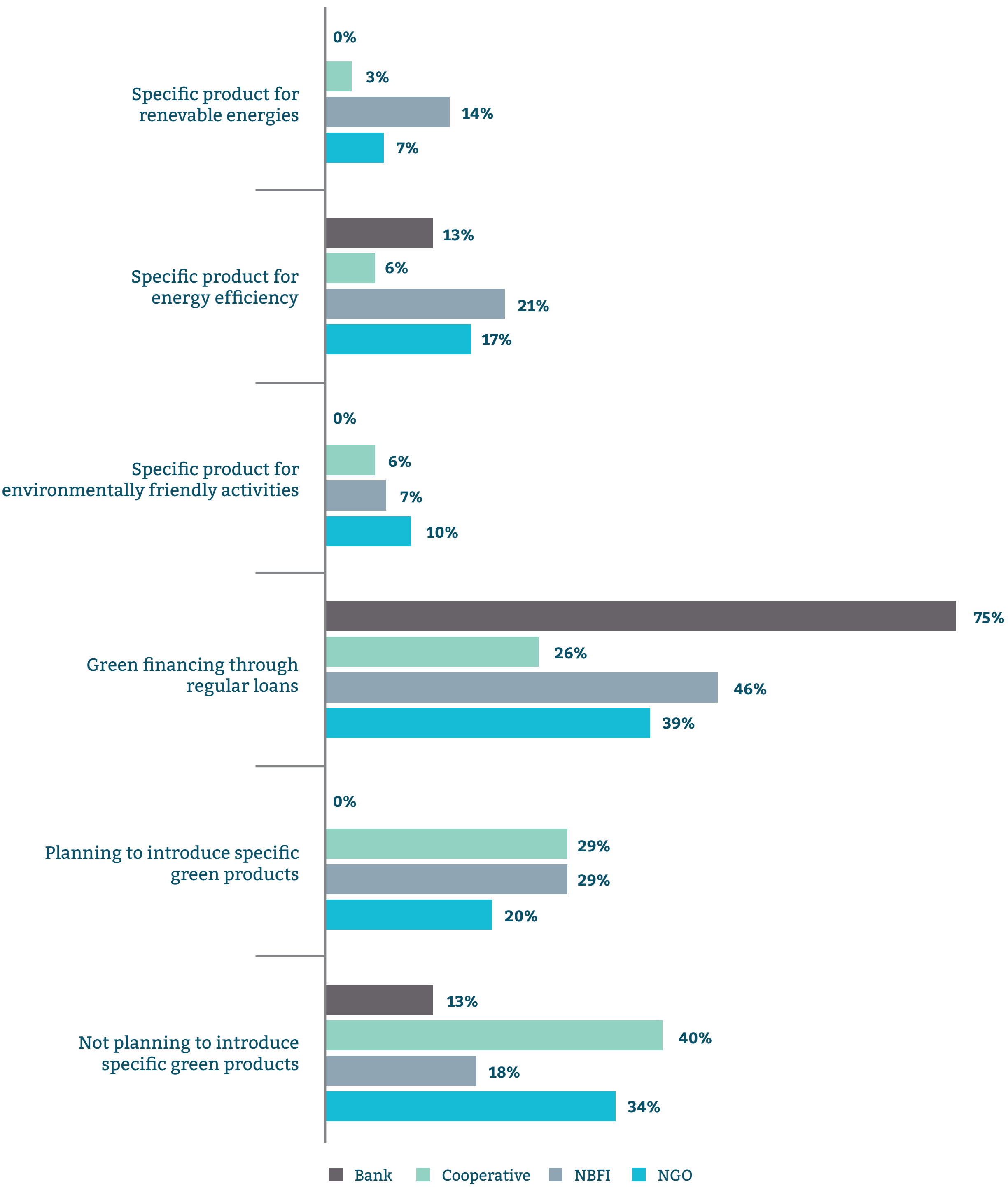
Nearly all banks finance green technologies but most do it through regular loans. A few banks have specific green products but no bank plans to introduce them in the future.

After banks, NBFIs are the second most likely type of institution to provide green financing, either through specific green products or regular loans (68% of MFIs) and many NBFIs also plan to introduce specific products (29%).

Among NGOs, 56% finance green solutions and activities and 29% of NGOs plan to develop specific products.

Cooperatives/credit unions are the least likely to finance green solutions as only 37% of these institutions finance green solutions and only one-fifth of them plan to introduce specific products in the future.

**Figure 71: Distribution of MFIs by the engagement in green microlending and region (N=114)**

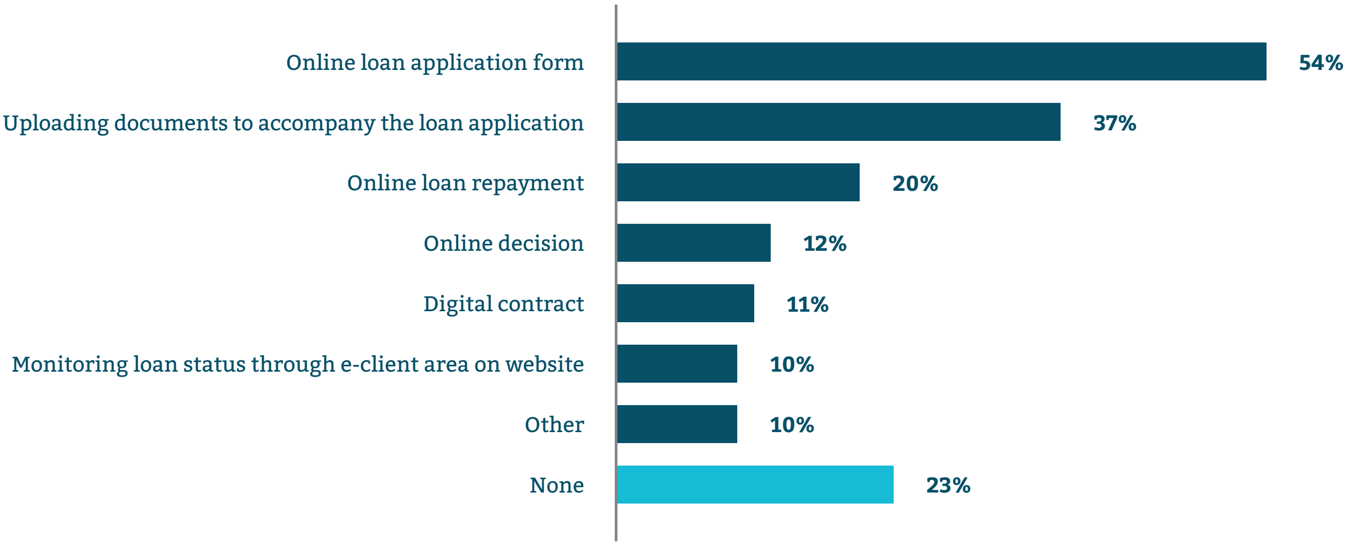


### 3.8.2 Digitalization

77% of MFIs have digital solutions that support clients in applying, managing or repaying a loan. More than half of MFIs currently have an online loan application. The possibility to upload documents that support the loan application is the second most common solution, which is offered by 37% of MFIs. Other solutions include signing a digital contract (11% of MFIs).

23% of MFIs do not currently have any digital solutions for clients.

**Figure 72: Distribution of MFIs by digital solutions for clients (N=115)**




There were no differences in the offer of digital solutions between institutional types or regions. However, small MFIs and those targeting low-end clients were less likely to offer digital solutions.

For many MFIs, digital solutions are the new developments. In 2019, one-third of surveyed MFIs introduced a new digital solution, most often the online application form, online loan status monitoring or internal software for better loan management.

Almost half of the institutions (47% of MFIs) plan to introduce digital solutions in the next 1-3 years: 35% of all MFIs plan to introduce online loan application, 15% will introduce digital contracts and another 15% will install new software for loan processing or CRM.

## 3.9 Update on current situation

### 3.9.1 Perception of the current state and future outlook

#### Current situation

Despite the outburst of the pandemic, most MFIs assess their situation as good. 70% of MFIs considered themselves to be in a good situation and only 6% assessed their situation as bad.

By institutional type, NBFIs seem to be doing better than the other types of institutions, although the differences are not very large. However, there were large differences between MFIs of different sizes and by region. In general, larger institutions were in better situation, although some large MFIs assessed their situation as very bad. In Western Europe, more institutions assessed their situation as neutral or bad.

**Figure 73: Distribution of MFIs by perception of current situation (N=112)**

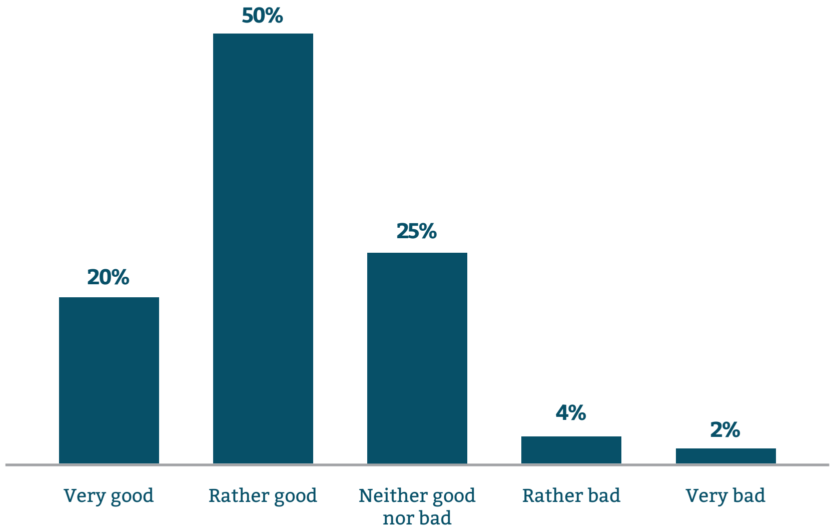



**Figure 74: Distribution of MFIs by institutional type and perception of current situation (N=110)**

Note: As only 2 governmental bodies provided their data, they were excluded from the graph for confidentiality reasons

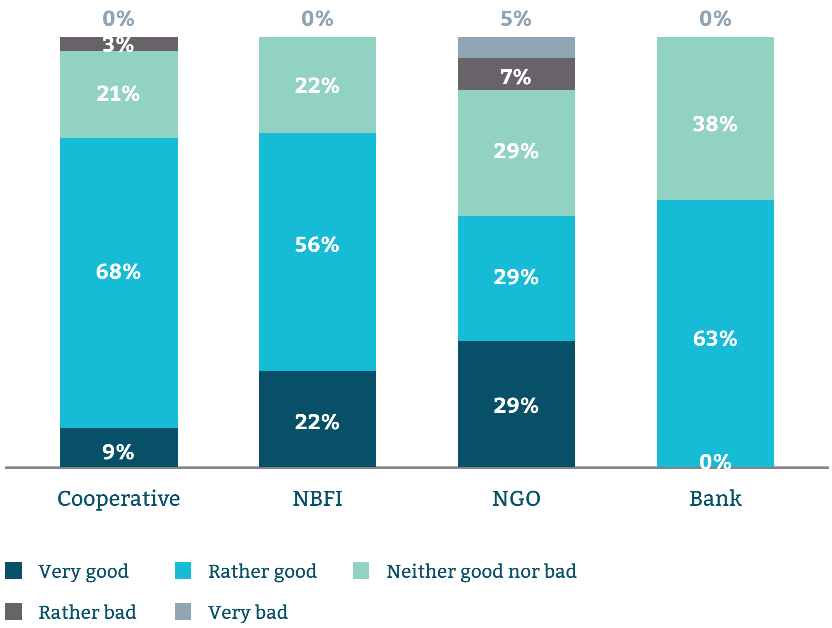


**Figure 75: Distribution of MFIs by scale and perception of current situation (N=112)**

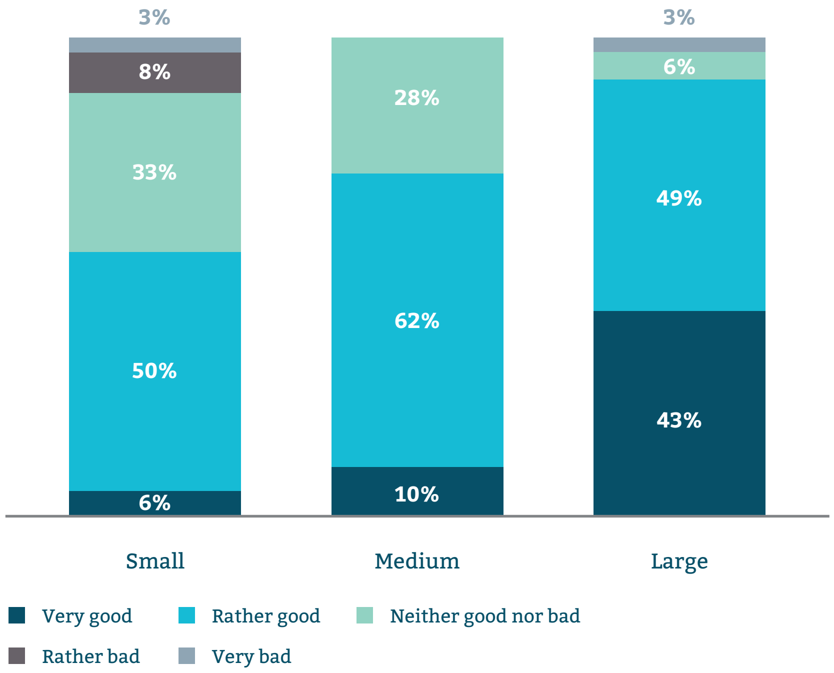
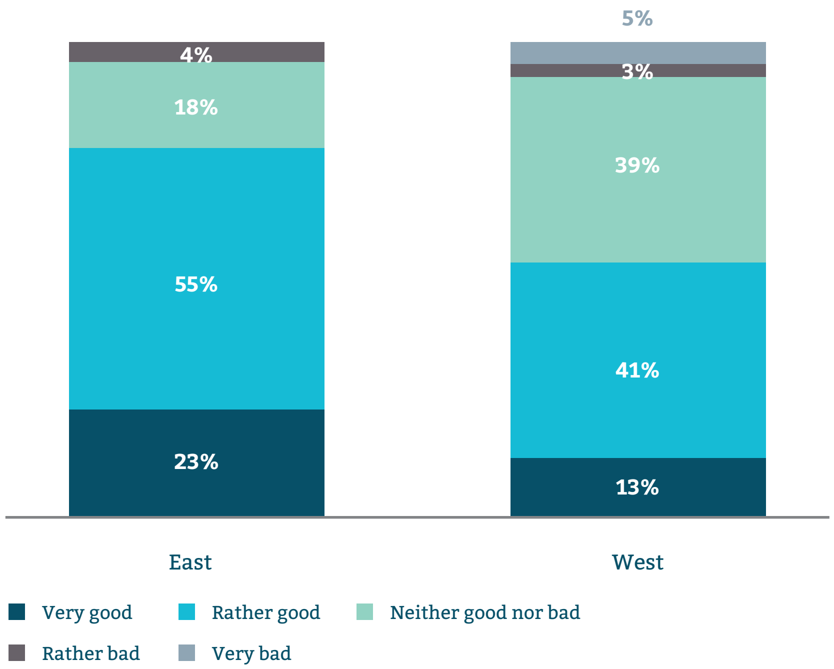



**Figure 76: Distribution of MFIs by region and perception of current situation (N=112)**



The key challenges identified by MFIs are mostly associated with clients and concern income volatility, low digital and financial capabilities with average ratings of 3.1, 3.0 and 2.7, respectively. External challenges were less acute, with access to funding (2.7) and political interference (2.6) as the main concerns. On average, no challenge was perceived as very significant.

The challenge related to the digital capability of clients was more strongly felt by cooperatives/credit unions, medium-sized MFIs and those located in the East. Access to funding was an important challenge for NGOs and small MFIs in terms of the size of the loan portfolio and number of borrowers.

**Figure 77: Average rating of the severity of challenges (from 1-negligible to 5-very significant) (N=108)**

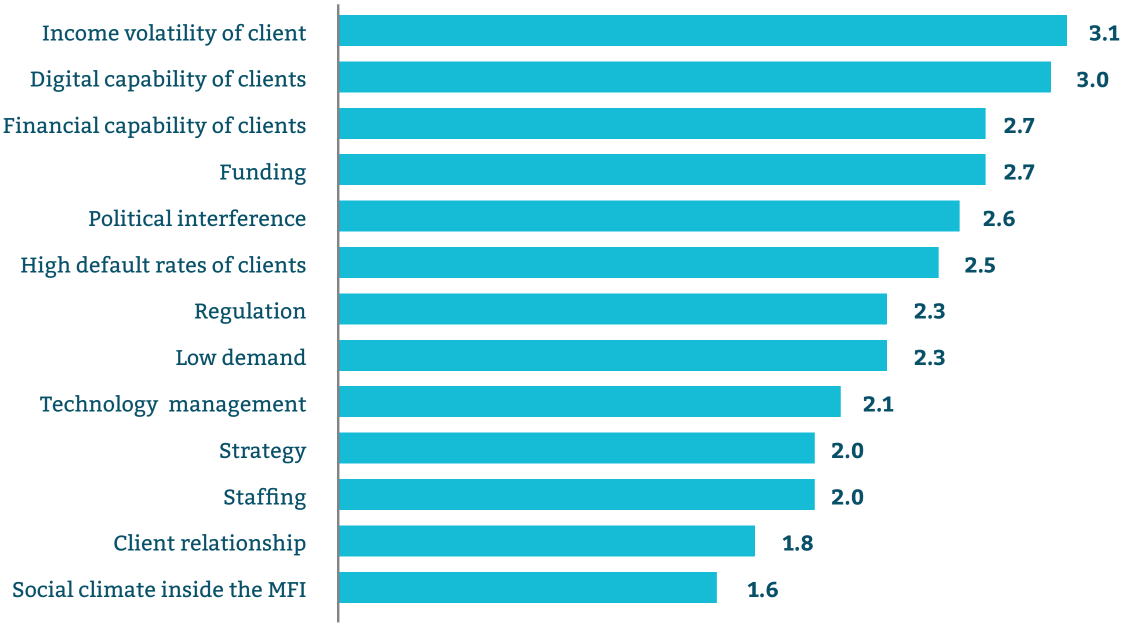



**Figure 78: Average severity of digital capability of clients challenge (from 1-negligible to 5-very significant) (N=109)**

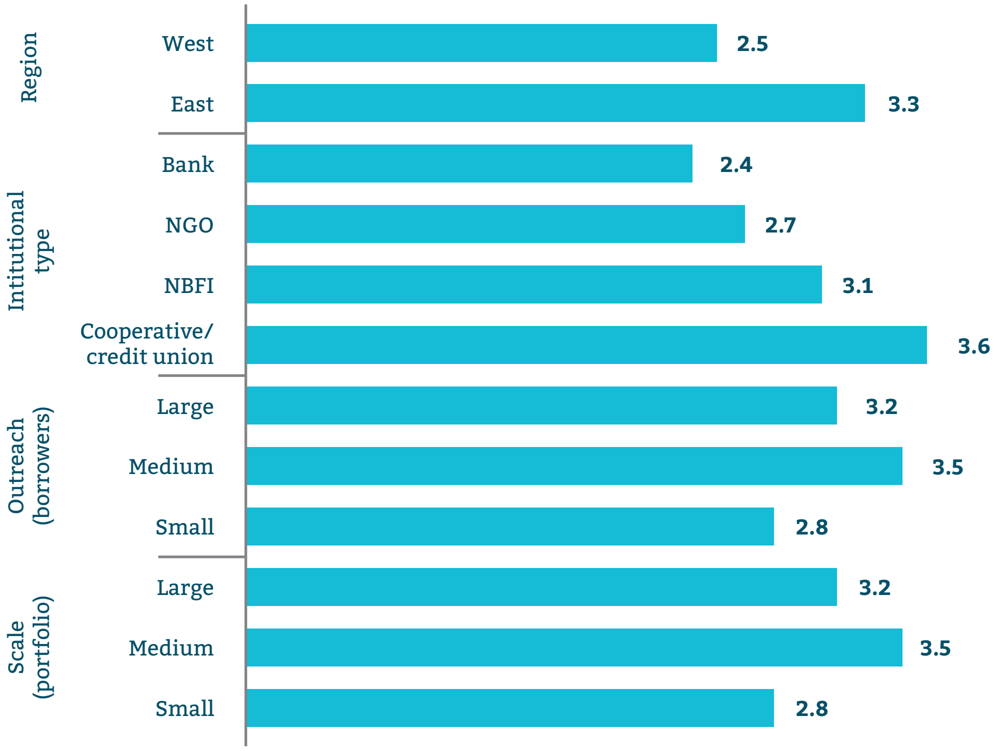


Figure 79: Average rating of the severity of access to funding challenge (from 1-negligible to 5-very significant) N=108

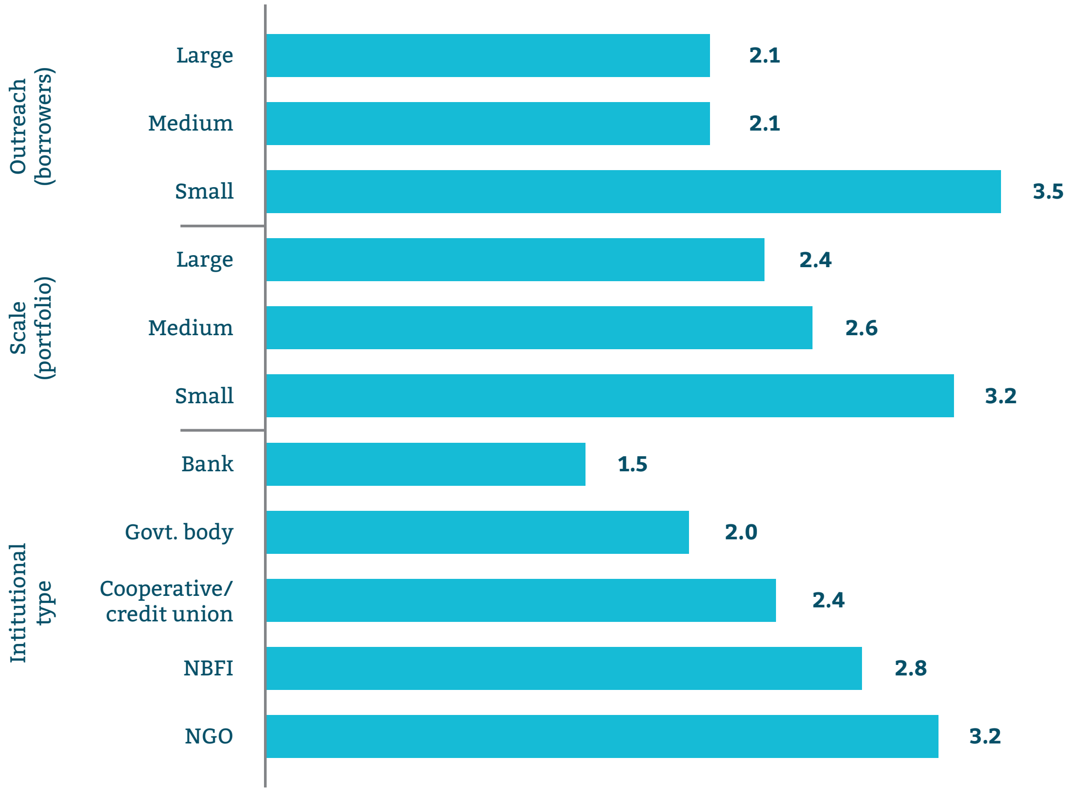
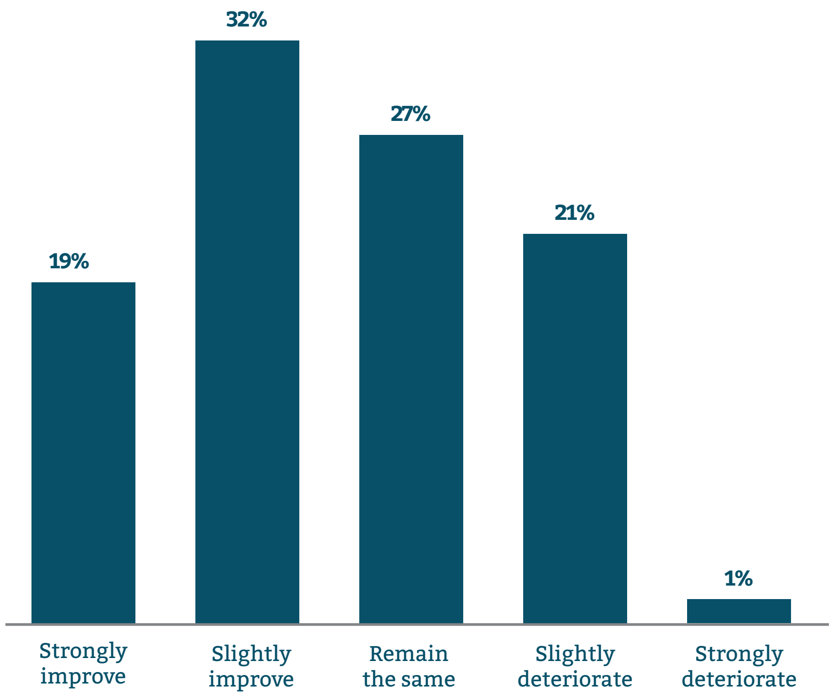



Figure 80: Distribution of MFIs by perception of state of business in the next 12 months (N=112)

## Future outlook

MFIs are optimistic about the future: over half of MFIs believe that business will improve in the next 12 months.



By institutional type, NBFIs reported the most optimistic prospects for the future, especially NBFIs in the East.

**Figure 81: Distribution of MFIs by institutional type and perception of state of business in the next 12 months (N=110)**

Note: As only 2 governmental bodies provided their data, they were excluded from the graph for confidentiality reasons

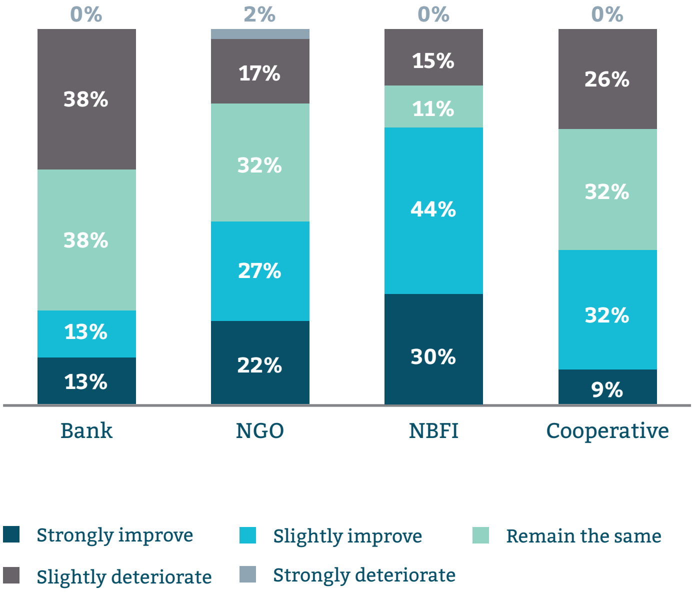
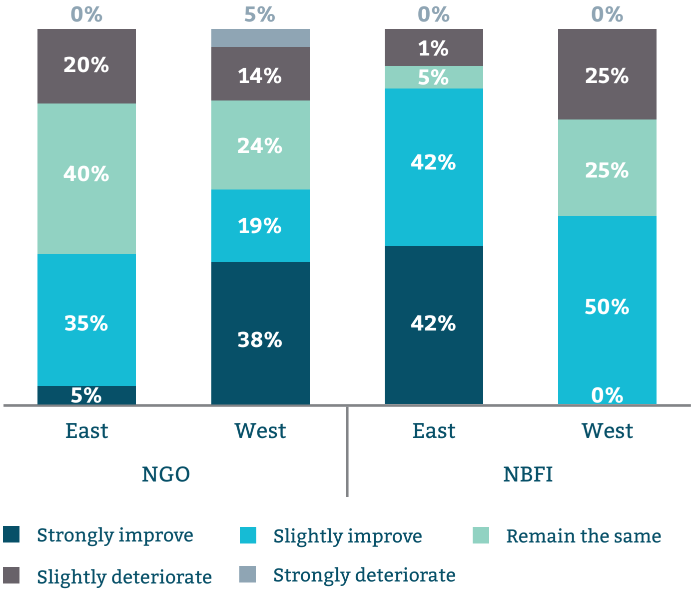



**Figure 82: Distribution of NBFIs and NGOs by region and perception of state of business in the next 12 months (N=27 for NBFIs, N=41 for NGOs)**




Institutions serving low-end clients and the longest-established MFIs are more likely to believe that their situation will worsen within the next year. However, even most MFIs in these groups have a positive outlook.

**Figure 83: Distribution of MFIs by target market and perception of state of business in the next 12 months (N=95)**

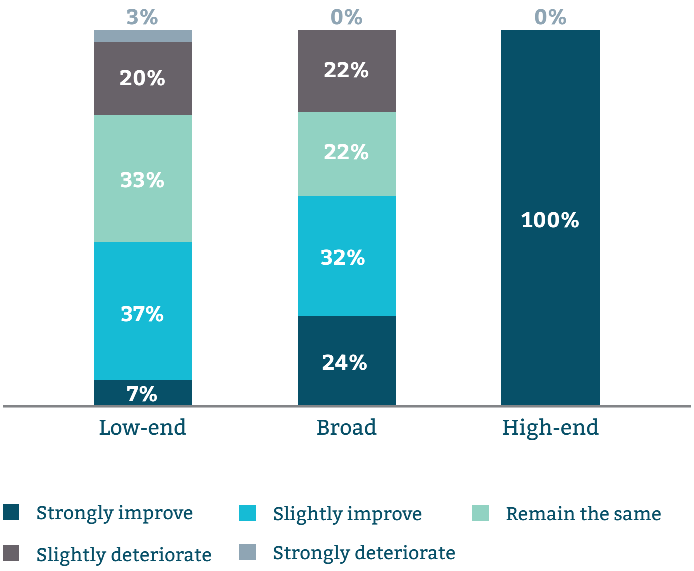
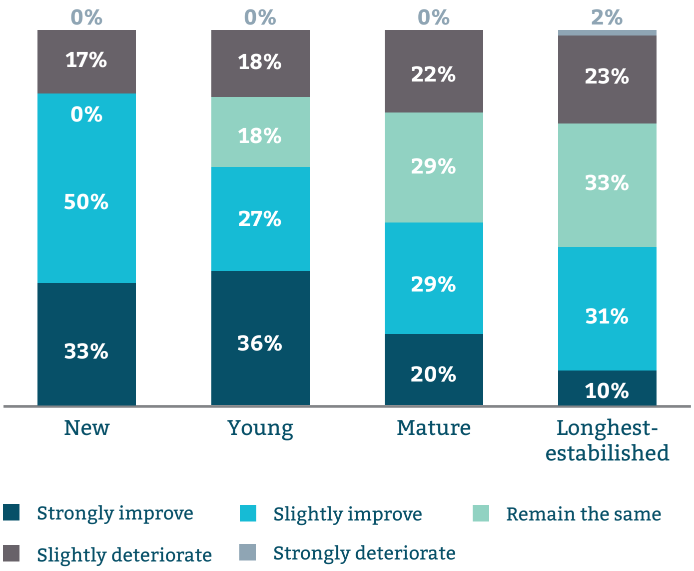



**Figure 84: Distribution of MFIs by age group and perception of state of business in the next 12 months (N=112)**



## 3.9.2 Impact of the COVID-19 pandemic on MFI operations

The following chapter was prepared based on data and information collected by MFC within the EU-funded project "Impact of the COVID-19 pandemic on MFIs and their clients."[24]

24 The study was conducted by Microfinance Centre in June-July 2020 and relies on interviews with 22 microfinance providers, national microfinance associations and national working groups. The full report is available at www.mfc.org.pl.

Discussions with MFIs revealed that most of the institutions managed to adapt to the new situation. The impact of the lockdown was severe in the beginning because of its suddenness and the severity of state-imposed restrictions. However, over time, most of the institutions found ways to ensure business survival and the continuation of MFI operations. Several challenges pose serious risks for the microfinance sector as it emerges from the lockdown and post-lockdown restrictions. These are elaborated upon in the subsections below.

### Limited loan demand

IWhen lockdowns were imposed, the demand for loans went down significantly as businesses closed and there was great uncertainty about further development of the situation. Among the Polish loan funds, the number of disbursements decreased by 32% on average, corresponding to a 24% drop in terms of the value of disbursements.

However, after easing the restrictions, many businesses reopened and demand for credit increased. In Albania, the number of new applications plummeted by 90% from March–April, but the situation started to improve in May. In June, further recovery meant the year-over-year impact was only a 10% reduction. The June figures reflect unmet demand at the time of the lockdown, which was realized in June.

Despite lower disbursements in the first half of the year, loan portfolios have now increased year-over-year, although at a slower pace than in the earlier periods.

As the example of Bosnia and Herzegovina[25] shows, the value of disbursements decreased by 6% in Q1 2020 compared to 2019 and further decreased by 19% in Q2 compared to 2019. However, at the same time, the total gross loan portfolio continued growing, albeit at a slower pace.

25 Data of MFIs registered in the Federation of Bosnia and Herzegovina.

**Figure 85: Year-over-year (July 2019-July 2020) change in the value of gross loan portfolio and number of active borrowers in selected MFIs by region**

Note: Examples of Eastern MFIs from Albania, Bosnia and Herzegovina, North Macedonia, Romania, and Western MFIs from France, Ireland, Italy, Benelux, Spain

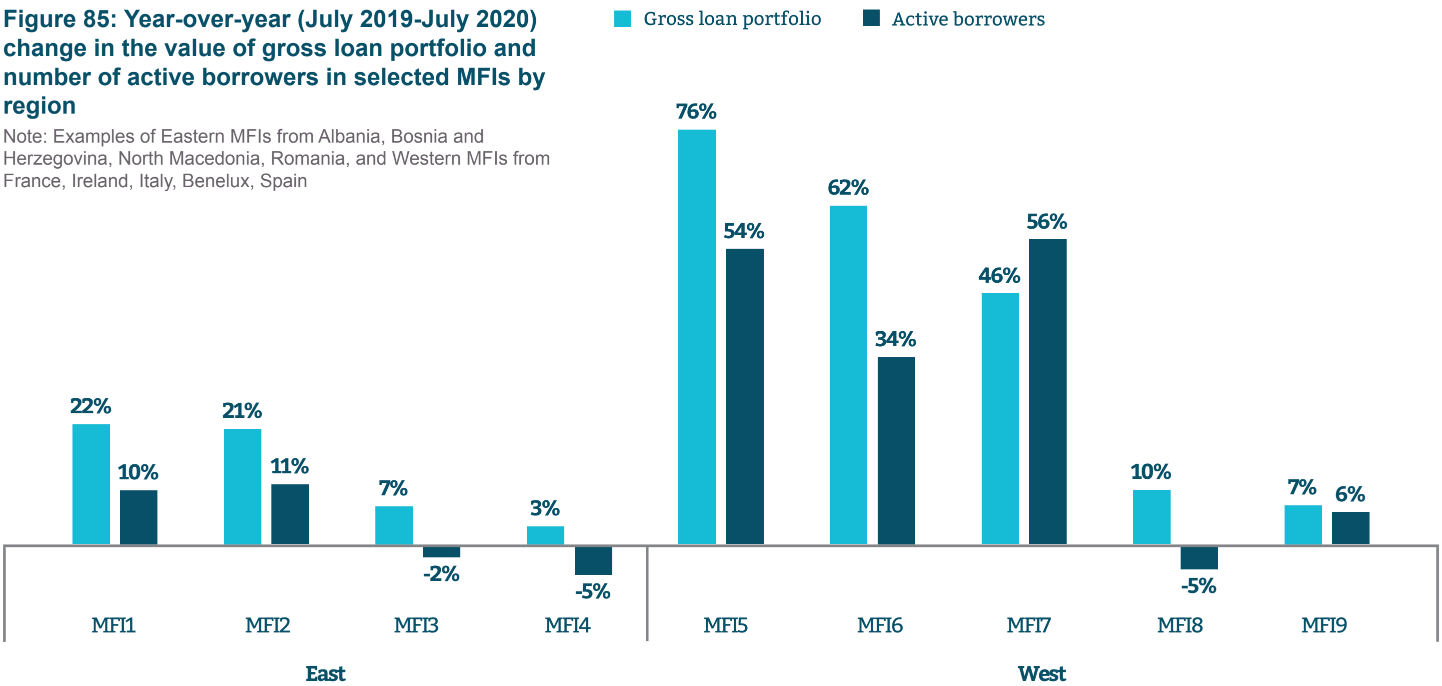
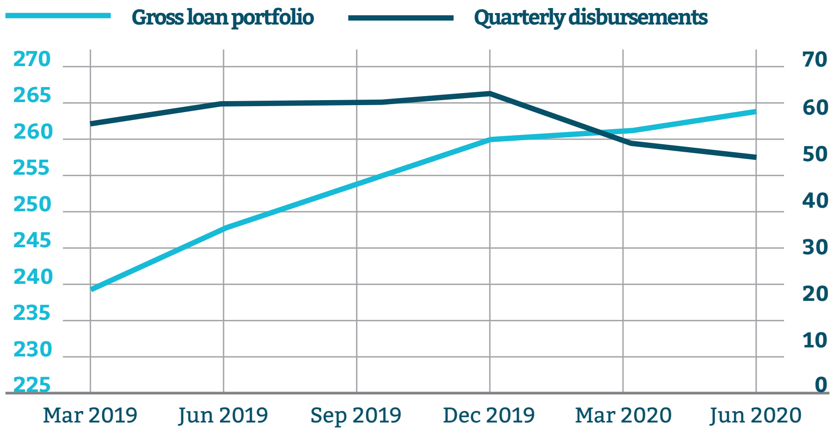


**Figure 86: Total value of loans disbursed and gross loan portfolio of Bosnian MFIs**

Note: data of MFIs incorporated in Federation of Bosnia and Herzegovina

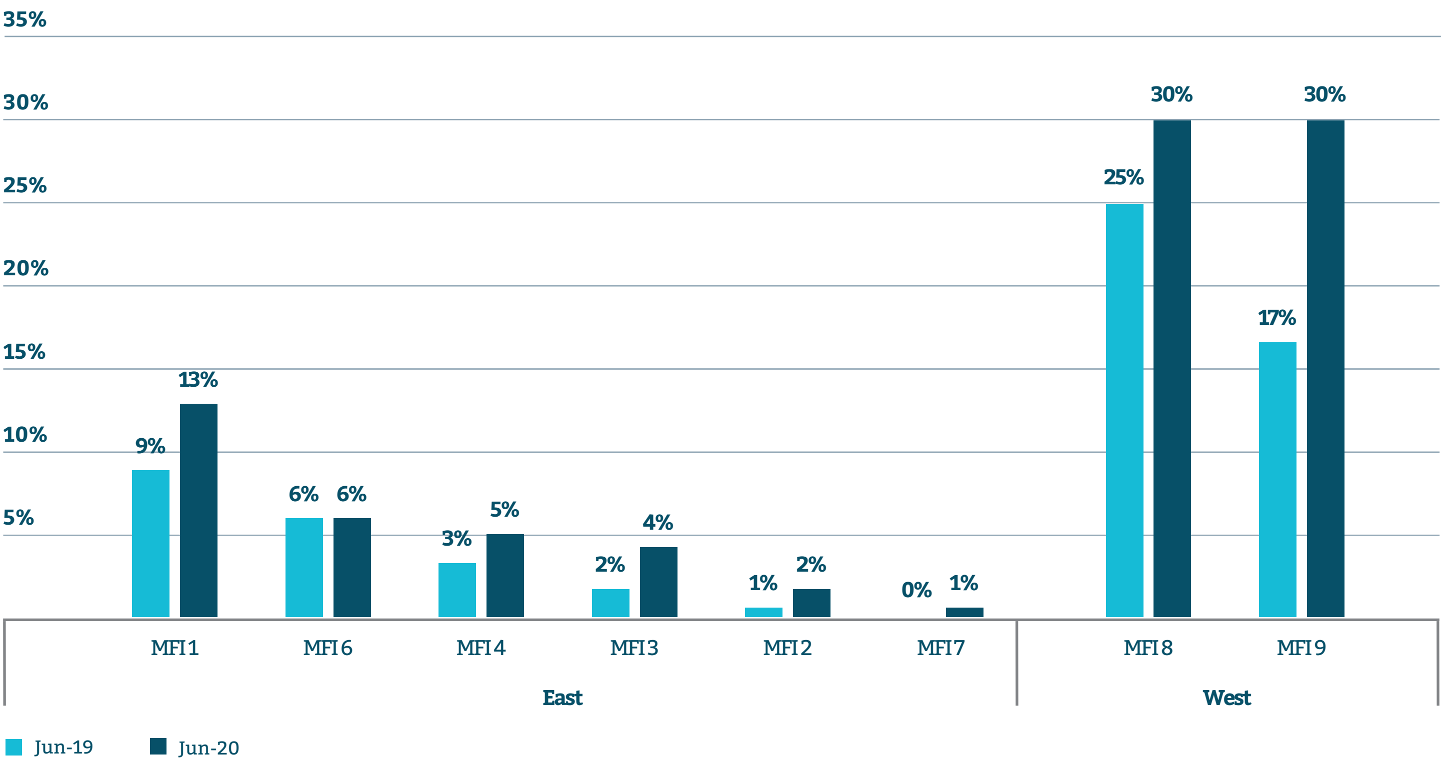



## Portfolio quality

With a few exceptions, the quality of the loan portfolio slightly deteriorated for most MFIs. For MFIs that shared data, the PAR30 ratio increased by 0.7-2 percentage points, although a few MFIs reported larger increases of up to 13 percentage points. A few other MFIs even slightly improved their PAR30 ratios during the pandemic. PAR30 stability was possible thanks to the 3-6 month moratorium granted to clients that underperformed due to the pandemic. The real picture of portfolio quality will likely emerge during Q4 2020 or the beginning of 2021 when the moratorium expire and clients will have to resume repayments. Nevertheless, many MFI borrowers did not enter loan rescheduling or repayment moratorium as their businesses performed properly during the crisis, either because their industry was not widely affected or because state support measures helped to offset the negative effects.

**Figure 87: Evolution of PAR30 ratio of selected MFIs**

Note: Examples of Eastern MFIs from Albania, Bosnia and Herzegovina, North Macedonia, Moldova, Montenegro, Romania, and Western MFIs from Benelux, Spain



### Liquidity

Because of the moratorium on principal repayments, some MFIs faced liquidity constraints as there were not enough inflows to match the demand for new loans and dues to investors. The problem was particularly acute for MFIs with small cash reserves and for those that did not receive new tranches from investors. Several microfinance investment vehicles withheld transfers of new tranches contracted before the pandemic in the first weeks of the lockdown which disrupted the MFI cashflows.

### Communication with clients

The lockdown and sanitary requirements made it impossible to accept cash repayments at MFI offices, conduct face-to-face monitoring visits, or conduct on-site business assessments of loan applicants. Additional communication challenges included personal marketing, especially in the first period of the lockdown. This jeopardized portfolio quality and limited opportunities to attract new clients.

### Work organization

The lockdown forced all MFIs to launch remote work for most employees. MFIs shortened office hours to 2-3 hours per day with 1-2 employees on the premises. As a consequence, MFIs were forced to quickly organize the equipment for staff to work from home and set up a digital communication system.

## Solutions applied by MFIs to counter the negative impact of the COVID-19 crisis

### New types of products in the offer

MFIs that managed to solve liquidity issues and had sufficient funds for on-lending adjusted their products to the new demand for short-term working capital loans. In some cases, this offset the lack of demand for investment products. Some MFIs lowered interest rates or reduced fees to attract price-sensitive clients and stimulate business recovery.

In several countries, MFIs became partners for the distribution of liquidity loans made available by the state, such as the Polish loan funds. Some MFIs were selected to help distribute EUR 230 million for SME support, which was made available by the Ministry of Funds and Regional Policy.

### Portfolio quality

To maintain good portfolio quality, MFIs rescheduled the loans of clients in danger of non-repayment. Most MFIs offered a moratorium on a case-by-case basis and most often the repayment of loan principal was suspended for 3 to 6 months. During that period, clients repaid the interest and were given the possibility of bulk repayment at the end of the period or the option of installments for longer period. In all cases, rescheduling was offered only to clients who had no history of repayment delays before the start of the pandemic.

In one of the entities of Bosnia and Herzegovina,[26] the Federation of Bosnia and Herzegovina, over 26,000 requests for moratorium or rescheduling were approved, roughly 16% of borrowers and 24% of the gross loan portfolio.

In Albania, members of the Albanian Microfinance Associations (AMA) rescheduled on average 31% of the loan portfolio as a result of the moratorium. In other countries, the numbers ranged from 15% to 64% of clients.

The second type of action to protect MFIs against worsening repayment rates was to increase the loan loss provision expense. Bosnian MFIs doubled loan

26 Bosnia and Herzegovina consists of two entities: Federation of Bosnia and Herzegovina and Republika Srpska.

loss provisions from 0.8% to 1.9% of the loan portfolio. Moldovan Savings and Loan Associations increased provisions by 19%, from 6.3% to 7.5%.

Some MFIs received access to local guarantee funds. Bosnian MFIs incorporated in Republika Srpska (RS) could join the Guarantee Fund established by the Government of RS that facilitated access to credit for businesses struggling with the consequences of the Covid-19 pandemic. To date, similar regulations in the Federation of Bosnia have yet to be enacted. In several countries, MFIs were not included in the guarantee schemes designed for banks to support SME lending (e.g. Albania).

At the European level, the EIF and the European Commission launched specific Covid-19 support measures in July 2020 under the EaSI Guarantee Instrument with enhanced terms and conditions for guarantees and counter-guarantees. It is expected that over 100 microfinance providers will benefit from the programme.

Additionally, the EIB Group launched a Pan-European Guarantee Fund (EGF) to support SME liquidity through financial intermediaries, including microfinance providers, although it mostly applies the largest MFIs.

### Liquidity management

Although maintaining liquidity was a challenge for almost all MFIs, most successfully managed the crisis period. Two types of solutions were broadly applied: limiting cash outflows and increasing cash inflows.

The immediate response to cash shortages was to limit disbursements. For many MFIs, this was not problematic due to low demand. In other MFIs, credit rationing was introduced. Preferences were given to long-term clients with good track records.

To reduce spending, MFIs moved some staff to technical unemployment and applied for state support to cover salaries. Some MFIs used state waivers on social insurance payments. In some cases, however, employees had to be laid off, with the extreme case of reducing the staff numbers by 38%. Office expenses were reduced due to lower electricity and water bills since most staff worked from home. Permanent closure of some branch offices also helped reduce administrative expenses. In Albania, MFIs temporarily reduced staff salaries by 30% or more (in the case of managers).

Some MFIs managed to negotiate new funding contracts with investors. In April 2020, 9 investors signed a Memorandum of Understanding, “Coordination between Microfinance Investment Assets in Response to Covid-19” where they agree to coordinate their relationships with investees who needed to revise part of their agreements.

Some MFIs were able to draw on overdraft facilities from local banks to account for cash shortages. Other MFIs successfully approached their shareholders for emergency cash injections.

Overall, the crisis showed the lack of immediate liquidity instruments for MFIs. In cases of sudden cash shortages, there is no lender of last resort to whom MFIs can turn to.

### Communication with clients

During the beginning of the lockdown, MFIs contacted clients to learn about their situation and tried to find solutions to the difficulties encountered by the clients. Initially, telephone contact was the most often used channel, or social media channels that were already used before the pandemic. Overtime, MFIs started to introduce new channels, such as Facebook messenger, WhatsApp, Viber, Skype, Zoom and other communication platforms, relying mostly on mobile phones since most clients have mobile phones with video capabilities.

These new forms of contact were established as permanent channels of communication.

### Digitalization of the lending process

Digital collections were the first response to the lockdown and the inability to collect repayments in cash. MFIs contacted their clients to inform them about bank account numbers that should be used to make repayments. Clients were encouraged to use internet banking, as only a few MFIs had the facilities for online repayment with a credit card.

MFIs that already had online application options encouraged their clients to use them when physical contact was not possible. Although the situation did not allow for investments in new solutions, or major changes, the time was right to intensify usage of available digital solutions. For example, the case of MFIs in North Macedonia illustrates the huge increase in the number of users of e-client platforms which were fully operational before the pandemic. Given a choice, clients often preferred a visit to the office to check loan balances. However, clients started to appreciate and use digital channels. Many MFIs will further develop digital channels, for instance, mobile apps for smartphone users.

Many MFIs saw digitalization as both a necessity and opportunity for future growth and started to explore new functionalities, such as online repayments and digital contracts. Since both features require adjustments to the legal framework, they cannot be introduced in the short-term.

Additionally, video conferences replaced appraisal visits for the time of the lockdown. Now, many MFIs returned to their previous practices of visiting clients for on-site loan appraisal visit.

### Office work organization

For MFIs that already used cloud-based solutions to manage the lending process, the switch to remote work was easy. For others, with fewer digitalized processes, it required a larger effort to set up remote workstations and establish fully digital internal communication processes, including regular communication among staff. In particular, MFIs must ensure that credit committee meetings are conducted efficiently and the quality of the decisions is not affected. Again, MFIs with fully digital processes established before the pandemic transitioned more easily to home work.

During the initial outbreak period, staff worked in shifts to avoid contact with too many people. When the lockdown restrictions were eased, more offices were reopened but MFIs had to invest in sanitary measures such as partitions, masks and shields, and sanitizers.

After successfully shifting digital, several MFIs revised their physical infrastructure and closed some of their branch offices permanently.

There is still a lot of uncertainty about the future since the next waves of the pandemic are quickly approaching. It is unclear what new restrictions will be introduced, and to what extent they will affect the business of clients and of the MFIs themselves. What is clear to MFIs is that they need to revise their strategic plans and projections. Digitalization seems to be the ‘must have’ for every institution, with at least some basic functionalities to enable distant communication between the institution and its clients.

# 4. Conclusions

The results of this study reveal that microfinance is provided by a variety of different institutional types, many of which provide a combination of financial and non-financial services.

At the end of 2019, the value of the total microloan portfolio stood at EUR 3.7 billion and the number of active borrowers reached 1.3 million. The sector remains highly concentrated with one bank managing 40% of the microloan portfolio and serving 24% of borrowers.

The main objective for the majority of MFIs is broadly understood to be financial inclusion. As such, the financial services offered aim to fulfill various needs related to entrepreneurship and family life. Women and rural population are the two main target groups. Ethnic minorities/migrants/refugees are served by one-third of institutions.

While business microloans make up 55% of the total microloan portfolio by value, 57% of active borrowers use personal loans. The personal microloans segment also reports higher growth than the business microloan segment, both in terms of value and number of clients.

In addition to business microloans, one-fourth of MFIs provide loans above EUR 25,000. Although these loans are typically denoted as SME loans since they are considered to be more suitable for larger businesses, our analysis shows that such loans are almost exclusively used by micro-enterprises. Although this segment of business loans is still small (14% of the microloan portfolio), it is growing quickly (46% growth between 2018 and 2019). This indicates that there is demand for loans above EUR 25,000 for micro-entrepreneurs.

Non-financial services are an important component of MFI offerings. As many as 63% of MFIs provide non-financial services, more often in the West than in the East. Institutions serving personal loans are more likely to have client development services such as financial education. MFIs that do not offer personal loans tend to deliver business development services (e.g. mentoring, consulting). Only 28% of MFIs use digital channels to deliver non-financial services and these are mostly large MFIs.

Today, the microfinance sector faces considerable uncertainty about the future. The majority of MFIs managed survive the sudden Covid-19 outbreak and remain optimistic about the future. At the time of survey deployment in May 2020, 70% of MFIs considered themselves to be in a good situation while only 6% assessed their situation as bad. Large institutions and Eastern MFIs seem to be doing better, although the differences are not large.

The key challenges identified by MFIs are associated with clients, including: income volatility, low digital and financial capabilities. In addition to challenges posed by clients, MFIs also face less severe external challenges such as access to funding and political interference. The lack of adequate funding was a limitation for 41% of MFIs, while the lack of guarantees to cover risks was voiced by 38% of MFIs. High funding prices were reported by 37% of MFIs. Funding needs reached more than EUR 800 million, over half of which is needed in Eastern Europe.

MFIs are optimistic about the future: more than half of surveyed institutions believe that the state of business will improve in the next 12 months. By institutional type, NBFIs report the best prospects for the future, especially NBFIs in Eastern Europe. Institutions serving low-end clients and the most mature MFIs are the most likely to believe that their situation will worsen. However, even in these groups, MFIs with a positive outlook outnumber MFIs with a negative outlook. At the same time, MFIs realize that the full impact of the crisis may only be seen in the beginning of 2021.

With moratoria still protecting loan portfolios from defaults and masking the capacity of clients to repay, true portfolio quality may not be known for some time. On this front, MFIs have already signaled that the income instability of clients is the main challenge currently facing the sector.

Although all European countries launched emergency programs to support businesses, these initiatives were typically short-term in nature. Only a few countries have long-term support programs to stimulate the economy by supporting micro and SMEs. Without a strong economic position for these enterprises, the microfinance sector will face inadequate growth opportunities and substantial business challenges.

Another key challenge related to clients is related to their low digital skills. During the lockdown, MFIs started to use digital solutions more intensively to ensure the continuity of services when personal contact was not possible. At the time of the survey in May 2020, 77% of MFIs had already used some digital solutions for MFI-client interactions. Many MFIs believe the future is digital: 35% of MFIs plan to introduce an online loan application and 15% will introduce digital contracts to support the lending process, at the same time being aware of the digital capability challenges of the clients. Therefore, the digitalization trend may lead to the financial exclusion of clients with low digital skills and those who do not have smart phones or computers. The development of digital capabilities is just as important as other development services provided by MFIs.

The microfinance sector in Europe is highly concentrated, as a small number of MFIs manage a large proportion of the loan portfolio and serve the majority of borrowers. Many small-sized MFIs make the sector vulnerable, as observed from the impact of the Covid-19 pandemic. Large MFIs with strong stakeholders and liquidity buffers managed to better weather the negative effects of the pandemic. Weaker MFIs faced liquidity problems and funding streams dried up for a few months during the lockdown. This led to cases of credit rationing and client selection, as MFIs were not able to satisfy the demand. Clearly, there is a need for a lender of last resort to help MFIs that encounter unpredictable liquidity shortages.

More digitalized MFIs and those who had started digitalization projects came out ahead, as they could more easily adapt to the new ways of interacting with clients. Starting a digitalization journey in the current environment is difficult since most MFI resources are focused on securing the sustainability of the institution.

The demand for loans dropped drastically in March-May 2020 and bounced back in June, but it is difficult to predict how the demand for microloans will evolve and whether the repayment capacity of loan applicants is going to be sufficient to grant loans. In view of the deepening economic crisis, the demand for business loans may be low, as clients may not have investment opportunities. On the other hand, there may be demand for start-up loans from recently laid-off workers that may represent a development opportunity for many MFIs. Another opportunity for MFIs to contribute to the economic recovery could be to extend loans above EUR 25,000 to micro-enterprises and businesses with larger investment needs.

Many MFIs also see the future in environmentally-oriented lending. To date, MFIs mainly provide general purpose loans to finance green technologies and solutions (39% of MFIs). However, 16% of MFIs offer specific green microloan products, most commonly specific energy-efficiency loans. Additionally, 23% of MFIs plan to introduce a specific green product in the near future.

The trend towards personal loans, also observed in the previous edition of the study, is also likely to continue since loans for family needs, now the principal purpose of personal microloans, are likely to be even more in demand if the economic crisis deepens. There may be a shift to deeper engagement in personal lending which is not envisaged in the definition of microcredit proposed by European Social Fund Plus (ESF+) for the next programming period since personal microcredit is limited to professional development in that context.

In the ‘new normal’ with restricted mobility and personal contact, the model of global microfinance reliant on international resources may have to undergo fundamental changes. Investment from international sources, cross-border networking and peer exchanges, engagement of international consultants and other service providers will be less accessible. It is, therefore, time to activate and develop local resources, build local alliances, and team up with other types of institutions.

# Glossary

## Active borrower
Natural or legal person who currently has an outstanding loan balance or is primarily responsible for repaying any portion of a gross loan portfolio. Those natural or legal person with multiple loans with a microcredit provider should be counted as a single borrower.

## Administrative expense
non-financial expenses (excluding personnel) directly related to the provision of financial services or other services that form an integral part of an MFI's financial services relationship with customers. Examples include depreciation and amortization expenses, rent, utilities, supplies, advertising, transportation, communications, consulting fees, board fees (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

## APR
The annual rate charged for borrowing, expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan. Includes any fees or additional costs associated with the transaction.

## Average microloan term
refers to the duration of the loans making up the outstanding loan portfolio.

## Average outstanding microloan balance
(Gross microloan portfolio outstanding / Number of active borrowers) (CGAP, 2003).

## Broad MFI
Microfinance institution with the average microloan balance to GNI per capita between 20% and 100%

## Business development services
target already existing micro and small businesses to improve their operations, with the services ranging from business advice to technical skills training and linking entrepreneurs to markets.

## Business microloan
Microcredit for business or entrepreneurial purpose (EU definition) is a loan under EUR 25,000 to support the development of self-employment and microenterprises (Bending et al., 2014).

## Client development services
Support services that address people with no or only very low levels of financial management skills. They are aimed at preventing harmful situations (e.g. over indebtedness) and addressed to target group that does not yet have the necessary skill levels for managing a loan product.

## Credit Union / Financial Cooperative
a non-profit, member-based financial intermediary. It may offer a range of financial services, including lending and deposit taking, for the benefit of its members.

## Depth of outreach
(Average outstanding microloan balance/GNI per capita (ATLAS method) (CGAP, 2003)

## Debt to equity ratio
(Total liabilities / Total equity) (Mix Market).

## Entrepreneurship development services
include services that focus on developing business skills and know-how of individuals. They help raising awareness on entrepreneurship as a conscious career choice plus basic business skills training.

## Ethnic minorities and immigrants
Individuals who are not a member of the national majority ethnic group. They may come from migrant, indigenous or landless nomadic communities. Immigrants are those individuals, not born in the country of residence (Bending et al., 2012).

## Financial expense
Interests, fees, and commissions incurred on all liabilities, including deposit accounts of customers held by MFI, commercial and concessional borrowings, mortgages, and other liabilities. It may include facility fees for credit lines (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

## Financial expense ratio
[(Financial expense / Average gross loan portfolio) x 100] (MicroRate, 2014).

## Green microloan

Microloan of less than 25.000 EUR to unbankable clients that is designed to finance renewable energies, energy efficiency, environmentally friendly activities, etc. Green microloan can be used for either business/entrepreneurial purposes or personal/consumption purposes.

## Gross microloan portfolio outstanding

Principal balance of all outstanding loans, including current, delinquent, and restructured loans, but not loans that have been written off or interest receivable (European Code of Good New Borrowers Conduct for Microcredit Provision – Version 2.0, June 2013).

## High-end MFI

Microfinance institution with the average microloan balance to GNI per capita above 100%

## Interest and fee expense

relates to interest and fees paid on client deposits and borrowed funds

## Interest and fee income from investments

revenue from interest, dividends or other payments generated by financial assets other than the gross loan portfolio, such as interest-bearing deposits, certificates of deposits and treasury obligations. It includes interest paid in cash and interest accrued but not yet received.

## Interest and fee income from loan portfolio

revenue from interest earned, fees and commissions (including late fees and penalties) on the gross loan portfolio only. It includes interest paid in cash and interest accrued but not yet received.

## Large MFI (outreach)

Microfinance institution with the number of active microborrowers above 10,000.

## Large MFI (scale)

Microfinance institution with the gross microloan portfolio larger than 8 million Euro.

## Longest-established MFI

Microfinance institution established before 1999 (over 20 years old)

## Low-end MFI

Microfinance institution with the average microloan balance to GNI per capita below 20%

## Mature MFI

Microfinance institution established between 1999 and 2010 (9-20 years old)

## Medium MFI (outreach)

Microfinance institution with the number of active microborrowers between 1,000 and 10,000.

## Medium MFI (scale)

Microfinance institution with the gross microloan portfolio between 2 million and 8 million Euro.

## Microborrower

Borrower with a loan below 25,000 Euro

## Microenterprise

enterprise that employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

## Microloan

loan below 25,000 Euro

## Net income

total revenue less all expenses, including operating income and expenses, non-operating income and expenses, extraordinary income and expenses, after taxes, before donations

Net Income = Net Operating Income + Net Non-operating income + Net Extraordinary Income – Taxes

## Net loan loss provision expense

non-cash expense that is used to create or increase the loan loss reserve on the balance sheet. The provision is usually calculated as a percentage of the value of the gross loan portfolio that is at risk of default. Net loan loss provision expense = + LLP expense - LLP recovery + direct write-off - write-off recovery. Direct write-offs are loans written off as an expense and not against loan loss reserves.

## New MFI

Microfinance institution established in 2015 or later (4 years old)

## NGO

an organization registered as a non-profit for tax purposes or some other legal charter. Its financial services are usually more restricted, usually not including deposit taking. Under this category, foundations, charities, social purpose cooperatives, associations and religious institutions are gathered.

## Non-Bank Financial Institution

an institution that provides similar services to those of a Bank but is licensed under a separate category. The separate license may be due to lower capital requirements, to limitations on financial service offerings, or to supervision under a different state agency. In some countries this corresponds to a special category created for microfinance institutions.

## Operating expense
Sum of personnel and administrative expense. Personnel expense covers wages and salaries, other short-term employee benefits, post-employment benefit expense, termination benefit expense, share-based payment transactions, other long-term benefits and other employee benefits. Administrative expense covers non-financial expenses (excluding personnel) directly related to the provision of financial services or other services that form an integral part of an MFI's financial services relationship with customers. Examples include depreciation and amortization expenses, rent, utilities, supplies, advertising, transportation, communications, consulting fees, board fees (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

## Operating expense ratio
[(Operating expense / Average gross loan portfolio) x 100] (Mix Market).

## Operating revenue
All financial revenue and other operating revenue generated from other financial services, such as fees and commissions for non-credit financial services not considered financial revenue. It may include revenues linked with lending, such as membership fees, ATM card fees, transfer fees, or other financial services, such as payment services or insurance. It may include net foreign currency gains/losses, but excludes any donations and revenue not generated from provision loans and financial services (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

## Operational self-sufficiency (OSS)
{[Operating revenue / (Financial expense + Loan loss provision expense + Operating expense)] x 100} (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

## Other financial expenses
include mortgage costs, facility fees for credit lines, and other financial risk management costs

## Other income from financial services
all other revenue from the provision of financial services related to saving and credit activities, including transaction fees, premiums, membership fees, passbooks, and smartcards. If the MFI provides loans to employees or board members, the interest and fee revenue from those loans should be included here.

## Other operating income (non-extraordinary)
revenue generated from other financial services that are not related to savings and credit activities. This item may include revenue from financial services such as payment services or insurance. This item does not include any revenue that is generated from activities such as merchandise sales or training fees. However, if the MFI views training as an integral element of the financial services it provides, training revenue should be included.

## Outstanding balance of microloan portfolio overdue > 30
Value of all microloans outstanding that have one or more instalments of principal past due more than 30 days. It includes the entire unpaid principal balance, both past-due and future instalments, but not accrued interest. It does not include loans that have been restructured or rescheduled (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

## Personal microloan
Microcredit for personal consumption purpose is a loan under EUR 25,000 for covering a client's personal consumption, such as rent, personal emergencies, education, and other personal consumption needs (e.g. white goods) (Bending et al., 2014).

## Personnel Expense
wages and salaries, other short-term employee benefits, post-employment benefit expense, termination benefit expense, share-based payment transactions, other long-term benefits and other employee benefits (European Code of Good Conduct for Microcredit Provision – Version 2.0, June 2013).

## Portfolio at risk > 30 days ratio (PAR30)
[(Outstanding balance portfolio overdue > 30 days / Gross microloan portfolio) x 100] (Mix Market).

## Portfolio to assets ratio
(Value of gross loan portfolio / Total assets) (Mix Market).

## Portfolio yield
[(Financial revenue from loan portfolio / Average gross loan portfolio) x 100] (Mix Market).

## Provision expense ratio
[(Loan loss provision expense / Average gross loan portfolio) x 100] (MicroRate, 2014).

## Restructured microloan portfolio
outstanding balance of microloans whose original contract has been changed.

## Return on assets (ROA)
{[(Net operating income – Taxes) / Average total asset] x 100} (Mix Market).

## Return on equity (ROE)
{[(Net operating income – Taxes) / Average total equity] x 100} (Mix Market).

## Small MFI (outreach)
Microfinance institution with the number of active microborrowers below 1,000.

## Small MFI (scale)
Microfinance institution with the gross microloan portfolio smaller than 2 million Euro.

## Small-sized enterprise (SME)

enterprise that employs between 10 and 50 persons and whose annual turnover and/or annual balance sheet total is between EUR 2 million and EUR 10 million.

## SME loan

loan of the value above €25,000 provided for business purposes.

## Staff productivity ratio

gives an indication of the number of clients served by staff member (Total number of active borrowers / Number of employees).

## Written-off microloan portfolio amount

value of loans recognised as uncollectable for accounting purposes. A write-off is an accounting procedure that removes the outstanding balance of the loan from the gross loan portfolio and impairment loss allowance, but does not affect the net loan portfolio, total assets or equity accounts.

## Write-off ratio

[(Value of loans written-off / Average gross microloan portfolio) x 100] (Mix Market).

## Young MFI

Microfinance institution established between 2011 and 2014 (5-8 years old)

# Annexes

### Total number of active borrowers per country

| | Total | | | | Business microloans | | | | Personal microloans | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 |
| Albania | 8 | 6 | 161,593 | 96,587 | 5 | 3 | 44,505 | 33,068 | 7 | 6 | 117,088 | 63,519 |
| Belgium | 4 | 3 | 4,937 | 2,329 | 4 | 3 | 2,715 | 2,241 | 2 | | 2,222 | |
| Bosnia-Herzegovina | 16 | 15 | 242,002 | 228,915 | 9 | 9 | 112,237 | 110,188 | 8 | 8 | 114,594 | 107,167 |
| Bulgaria | 9 | 7 | 2,655 | 2,183 | 9 | 7 | 2,128 | 1,829 | 6 | 4 | 527 | 354 |
| France | 5 | 5 | 138,725 | 129,139 | 4 | 4 | 112,354 | 107,581 | 4 | 4 | 26,371 | 21,558 |
| Greece | 3 | 3 | 1,891 | 1,602 | 3 | 3 | 1,285 | 1,036 | | | | |
| Hungary | 7 | 7 | 1,438 | 1,498 | 7 | 7 | 1,438 | 1,498 | 0 | 0 | - | - |
| Italy | 13 | 11 | 13,911 | 11,322 | 10 | 7 | 3,932 | 3,654 | 10 | 8 | 9,979 | 7,668 |
| Kosovo | 9 | 9 | 95,091 | 82,762 | 6 | 6 | 59,483 | 53,359 | 5 | 5 | 31,687 | 25,399 |
| Moldova | 5 | 5 | 79,707 | 66,317 | | | | | | | | |
| North Macedonia | 3 | 3 | 13,909 | 13,842 | 3 | 3 | 9,322 | 9,032 | 3 | 3 | 4,587 | 4,810 |
| Romania | 28 | 27 | 73,519 | 67,088 | 15 | 15 | 10,485 | 9,730 | 25 | 24 | 61,195 | 55,684 |
| Spain | 2 | 2 | 304,300 | 312,096 | 2 | 2 | 56,158 | 58,484 | | | | |
| United Kingdom | 2 | 2 | 1,278 | 1,167 | | | | | 0 | 0 | - | - |
| Other countries | 13 | 10 | 121,781 | 111,107 | 15 | 12 | 97,162 | 80,404 | 6 | 7 | 310,016 | 306,469 |
| **East** | 92 | 86 | 783,786 | 664,776 | 62 | 58 | 328,101 | 292,950 | 58 | 54 | 390,946 | 309,136 |
| **West** | 35 | 29 | 472,951 | 463,178 | 30 | 23 | 185,103 | 179,154 | 18 | 15 | 287,320 | 283,492 |
| **Total** | 127 | 115 | 1,256,737 | 1,127,954 | 92 | 81 | 513,204 | 472,104 | 76 | 69 | 678,266 | 592,628 |

The “Other countries” line includes aggregated data of MFIs from those countries where only 1 MFI provided the data. Therefore, for confidentiality reasons, the data are not shown in the line for the respective country.

## Total value of gross microloan portfolio outstanding (€)

| | Total | | | | Business microloans | | | | Personal microloans | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 |
| Albania | 8 | 8 | 197,809,830 | 160,009,777 | 4 | 4 | 123,430,316 | 114,441,017 | 7 | 7 | 73,105,007 | 44,429,471 |
| Belgium | 4 | 4 | 30,717,224 | 30,974,011 | 4 | 4 | 23,589,821 | 23,452,639 | | | | |
| Bosnia-Herzegovina | 17 | 17 | 390,809,523 | 350,292,855 | 14 | 13 | 172,820,834 | 154,444,437 | 10 | 9 | 147,322,015 | 127,053,584 |
| Bulgaria | 9 | 8 | 10,884,230 | 10,460,098 | 9 | 8 | 9,620,273 | 9,384,507 | 6 | 5 | 1,263,956 | 1,075,591 |
| France | 4 | 4 | 620,251,938 | 566,973,296 | 4 | 4 | 555,052,053 | 514,401,053 | 3 | 3 | 65,199,885 | 52,572,243 |
| Germany | 2 | 2 | 24,112,000 | 18,712,000 | 2 | 2 | 24,112,000 | 18,712,000 | 0 | 0 | - | - |
| Greece | 3 | 3 | 18,196,903 | 15,049,568 | 3 | 3 | 14,109,903 | 11,270,568 | | | | |
| Hungary | 8 | 8 | 14,033,743 | 18,226,797 | 8 | 8 | 14,033,743 | 18,226,797 | 0 | 0 | - | - |
| Italy | 12 | 10 | 105,752,715 | 92,879,577 | 8 | 5 | 56,006,920 | 59,772,377 | 8 | 6 | 48,403,994 | 31,805,700 |
| Kosovo | 9 | 9 | 190,229,365 | 166,664,987 | 9 | 9 | 136,341,331 | 120,019,188 | 5 | 5 | 53,888,034 | 46,645,799 |
| Moldova | 5 | 5 | 124,218,480 | 85,494,311 | 2 | 2 | 34,555,451 | 24,991,800 | 2 | 2 | 40,845,365 | 20,547,265 |
| North Macedonia | 3 | 3 | 35,344,216 | 34,004,229 | 3 | 3 | 22,601,943 | 21,408,266 | 3 | 3 | 12,742,272 | 12,595,963 |
| Romania | 29 | 28 | 162,327,001 | 136,875,006 | 17 | 18 | 80,257,354 | 69,104,531 | 25 | 24 | 82,069,647 | 67,770,475 |
| Spain | 2 | 2 | 1,461,119,058 | 1,526,011,786 | 2 | 2 | 445,503,475 | 448,055,577 | | | | |
| United Kingdom | 2 | 2 | 21,055,681 | 22,908,015 | | | | | 0 | 0 | - | - |
| Other countries | 12 | 12 | 328,362,354 | 265,317,767 | 13 | 13 | 281,599,883 | 213,956,671 | 6 | 6 | 1,081,431,420 | 1,140,617,677 |
| **East** | 95 | 93 | 1,356,250,299 | 1,150,196,440 | 73 | 72 | 769,653,725 | 668,827,826 | 61 | 58 | 465,837,731 | 371,479,245 |
| **West** | 34 | 32 | 2,378,973,960 | 2,350,657,641 | 29 | 26 | 1,223,981,577 | 1,175,721,617 | 14 | 12 | 1,140,433,865 | 1,173,634,524 |
| **Total** | 129 | 125 | 3,735,224,259 | 3,500,854,081 | 102 | 98 | 1,993,635,302 | 1,844,549,443 | 75 | 70 | 1,606,271,596 | 1,545,113,769 |

## Portfolio quality - PAR30

| | Total | | | | Business microloans | | | | Personal microloans | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 |
| Albania | 6 | 6 | 8.8% | 7.8% | 3 | 3 | 3.8% | 2.6% | 6 | 6 | 9.1% | 7.8% |
| Bosnia-Herzegovina | 7 | 7 | 1.2% | 1.1% | 7 | 7 | 0.5% | 0.8% | 7 | 7 | 1.3% | 1.2% |
| Bulgaria | 6 | 6 | 3.6% | 2.5% | 5 | 5 | 4.3% | 2.5% | 3 | 3 | 4.7% | 4.3% |
| France | 2 | 2 | 14.8% | 15.4% | 2 | 2 | 14.0% | 15.3% | 2 | 2 | 13.2% | 13.0% |
| Hungary | 7 | 7 | 13.4% | 9.0% | 7 | 7 | 13.4% | 9.0% | | | | |
| Italy | 5 | 4 | 7.8% | 18.6% | 3 | | 7.2% | | 4 | 4 | 7.8% | 18.5% |
| Kosovo | 9 | 9 | 9.3% | 9.8% | 4 | 4 | 1.8% | 1.5% | 5 | 5 | 4.2% | 5.5% |
| North Macedonia | 3 | 2 | 6.5% | 3.7% | 3 | 2 | 6.7% | 3.9% | 3 | 2 | 5.9% | 3.9% |
| Romania | 27 | 27 | 15.3% | 17.8% | 13 | 10 | 16.7% | 16.9% | 23 | 21 | 19.0% | 21.7% |
| Spain | 2 | 2 | 8.5% | 6.8% | 2 | | 10.0% | | | | | |
| Other countries | 12 | 13 | 11.2% | 14.1% | 12 | 14 | 11.5% | 14.6% | 4 | 4 | 7.5% | 7.5% |
| **East** | 71 | 70 | 10.3% | 10.6% | 48 | 44 | 8.6% | 7.1% | 50 | 47 | 11.4% | 12.2% |
| **West** | 15 | 15 | 12.2% | 17.7% | 13 | 10 | 12.9% | 19.4% | 7 | 7 | 8.8% | 14.8% |
| **Total** | 86 | 85 | 10.6% | 11.9% | 61 | 54 | 9.5% | 9.4% | 57 | 54 | 11.1% | 12.6% |

## Restructured portfolio ratio

| | Total | | | | Business microloans | | | | Personal microloans | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 |
| Albania | 6 | 6 | 1.5% | 0.8% | 3 | 3 | 3.4% | 1.8% | 6 | 6 | 0.3% | 0.2% |
| Belgium | 2 | 2 | 3.0% | 4.2% | 2 | 2 | 3.0% | 4.2% | | | | |
| Bosnia-Herzegovina | 7 | 7 | 0.4% | 0.5% | 7 | 7 | 0.5% | 0.4% | 6 | 6 | 0.3% | 0.7% |
| Bulgaria | 5 | 4 | 3.0% | 3.7% | 5 | 4 | 3.0% | 3.6% | 4 | 3 | 2.0% | 5.7% |
| France | 2 | 2 | 2.9% | 2.8% | 2 | 2 | 2.8% | 2.7% | 2 | 2 | 3.3% | 3.5% |
| Hungary | 4 | 4 | 3.5% | 2.3% | 4 | 4 | 3.5% | 2.3% | | | | |
| Italy | 5 | 5 | 2.5% | 2.8% | 3 | 2 | 6.8% | 9.9% | 4 | 4 | 2.0% | 2.3% |
| Kosovo | 5 | 5 | 0.5% | 0.5% | 5 | 5 | 0.6% | 0.7% | 5 | 5 | 0.2% | 0.4% |
| North Macedonia | 3 | 3 | 0.3% | 0.2% | 3 | 3 | 0.2% | 0.1% | 3 | 3 | 0.7% | 0.4% |
| Romania | 19 | 20 | 1.2% | 1.6% | 13 | 14 | 0.6% | 0.9% | 15 | 15 | 1.0% | 1.2% |
| Spain | 2 | 2 | 0.5% | 0.6% | 2 | 2 | 0.7% | 0.8% | | | | |
| Other countries | 10 | 10 | 2.0% | 1.4% | 10 | 10 | 0.8% | 1.5% | 5 | 5 | 0.3% | 0.3% |
| **East** | 55 | 55 | 1.3% | 1.3% | 46 | 46 | 1.3% | 1.1% | 42 | 41 | 0.7% | 1.1% |
| **West** | 15 | 15 | 2.9% | 2.7% | 13 | 12 | 2.9% | 3.9% | 8 | 8 | 1.9% | 2.1% |
| **Total** | 70 | 70 | 1.6% | 1.6% | 59 | 58 | 1.6% | 1.7% | 50 | 49 | 0.9% | 1.3% |

## Write-off ratio

| | Total | | | | Business microloans | | | | Personal microloans | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFI 2018 | 2019 | 2018 |
| Albania | 7 | 5 | 4.7% | 2.8% | 4 | 4 | 4.4% | 3.7% | 6 | 4 | 3.8% | 2.0% |
| Bosnia-Herzegovina | 7 | 7 | 1.8% | 2.2% | 7 | 7 | 2.3% | 2.6% | 7 | 7 | 1.3% | 1.6% |
| Bulgaria | | 2 | | 2.2% | | 2 | | 2.3% | | | | |
| France | 2 | 2 | 4.8% | 4.5% | 2 | 2 | 6.9% | 6.3% | 2 | 2 | 2.8% | 1.8% |
| Hungary | 2 | 3 | 7.8% | 4.7% | 2 | 3 | 7.8% | 4.7% | | | | |
| Italy | 7 | 4 | 8.6% | 8.6% | 4 | 2 | 5.3% | 0.5% | 4 | 3 | 3.2% | 2.6% |
| Kosovo | 7 | 6 | 8.2% | 2.8% | 4 | 4 | 24.8% | 28.4% | 4 | 3 | 3.1% | 3.8% |
| North Macedonia | 2 | 2 | 4.2% | 3.8% | 2 | 2 | 4.3% | 3.9% | 2 | 2 | 4.5% | 4.1% |
| Romania | 7 | 6 | 0.8% | 5.7% | 2 | 2 | 0.3% | 13.1% | 5 | 4 | 1.0% | 2.0% |
| Spain | 2 | | 8.2% | | 2 | | 9.0% | | | | | |
| United Kingdom | 2 | 2 | 13.9% | 8.4% | 2 | 2 | 13.9% | 8.4% | | | | |
| Other countries | 11 | 11 | 3.1% | 3.6% | 11 | 9 | 3.1% | 2.4% | 8 | 9 | 1.0% | 0.9% |
| **East** | 37 | 35 | 3.7% | 3.1% | 26 | 27 | 6.3% | 7.4% | 29 | 26 | 2.2% | 2.0% |
| **West** | 19 | 15 | 7.5% | 6.5% | 16 | 12 | 6.8% | 4.3% | 9 | 8 | 2.4% | 1.7% |
| **Total** | 56 | 50 | 5.0% | 4.1% | 42 | 39 | 6.5% | 6.4% | 38 | 34 | 2.2% | 1.9% |

## Sustainability

| | ROA | | | | ROE | | | | OSS | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 |
| Albania | 8 | 6 | 3.1% | 6.6% | 7 | 5 | 26.9% | 12.8% | 6 | 6 | 111% | 99% |
| Belgium | 2 | 2 | -4.5% | -5.9% | 2 | 1 | -36.3% | -266.2% | 2 | 2 | 64% | 58% |
| Bosnia-Herzegovina | 16 | 15 | 1.0% | 1.8% | 16 | 15 | 5.5% | 8.2% | 10 | 10 | 120% | 121% |
| Bulgaria | 5 | 6 | 5.6% | 4.5% | 5 | 6 | 7.4% | 6.3% | 7 | 7 | 118% | 123% |
| France | 2 | 2 | -1.6% | -1.6% | 2 | 2 | -5.6% | -3.7% | 2 | 2 | 44% | 36% |
| Greece | | | | | | | | | 2 | 2 | 146% | 92% |
| Hungary | 5 | 5 | -2.6% | -1.3% | 5 | 5 | -10.2% | 0.4% | 6 | 6 | 93% | 93% |
| Italy | 3 | 3 | -1.7% | -1.4% | 3 | 3 | -40.8% | -39.2% | 3 | 3 | 81% | 81% |
| Kosovo | 5 | 4 | 4.9% | 5.9% | 5 | 5 | 17.8% | 26.3% | 5 | 5 | 128% | 151% |
| Moldova | 5 | 5 | 5.4% | 4.8% | 5 | 5 | 22.3% | 18.3% | 3 | 3 | 131% | 123% |
| North Macedonia | 3 | 3 | 1.9% | 1.8% | 3 | 3 | 5.1% | 5.1% | 3 | 3 | 112% | 113% |
| Romania | 23 | 19 | 2.3% | 4.3% | 22 | 14 | 8.2% | 18.2% | 23 | 23 | 116% | 117% |
| Spain | | | | | 2 | 2 | -27.0% | -23.0% | 2 | 2 | 79% | 73% |
| Other countries | 12 | 11 | -1.6% | -0.9% | 11 | 11 | -2.2% | -24.4% | 9 | 9 | 102% | 104% |
| **East** | 74 | 66 | 2.4% | 3.6% | 72 | 61 | 9.6% | 12.5% | 68 | 68 | 116% | 118% |
| **West** | 15 | 15 | -3.3% | -3.0% | 16 | 15 | -20.0% | -32.2% | 15 | 15 | 81% | 72% |
| **Total** | 89 | 81 | 1.5% | 2.4% | 88 | 76 | 4.2% | 3.7% | 83 | 83 | 110% | 109% |

## Average Annual Percentage Rate (APR)

| | Business microloans | | Personal microloans | |
|---|---|---|---|---|
| | N of MFIs 2019 | APR | N of MFIs 2019 | APR |
| Albania | 5 | 19.9 | 8 | 32.5 |
| Belgium | 2 | 5.2 | | |
| Bosnia-Herzegovina | 7 | 19.9 | 7 | 23.2 |
| Bulgaria | 7 | 12.3 | 6 | 15.0 |
| France | 4 | 5.6 | 4 | 5.5 |
| Greece | 2 | 7.8 | | |
| Hungary | 4 | 4.3 | - | - |
| Italy | 8 | 5.5 | 9 | 4.9 |
| Kosovo | 4 | 20.4 | 4 | 20.2 |
| North Macedonia | 3 | 15.5 | 3 | 15.5 |
| Romania | 14 | 15.1 | 14 | 15.8 |
| Spain | 2 | 10.3 | | |
| United Kingdom | 2 | 12.7 | | |
| Other countries | 11 | 11.1 | 6 | 17.0 |
| **East** | 50 | 15.2 | 43 | 18.7 |
| **West** | 25 | 7.3 | 16 | 5.6 |
| **Total** | 75 | 12.6 | 59 | 15.2 |

### Average Loan Balance/GNI per capita

| | Total | | | | Business microloans | | | | Personal microloans | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 | N. of MFIs 2019 | N. of MFIs 2018 | 2019 | 2018 |
| Albania | 7 | 6 | 44% | 35% | 3 | 3 | 79% | 62% | 6 | 6 | 31% | 25% |
| Belgium | 4 | 3 | 25% | 32% | 3 | 3 | 19% | 41% | | | | |
| Bosnia-Herzegovina | 16 | 14 | 21% | 24% | 8 | 8 | 47% | 44% | 8 | 8 | 23% | 24% |
| Bulgaria | 9 | 7 | 52% | 51% | 9 | 7 | 57% | 56% | 6 | 4 | 35% | 33% |
| France | 4 | 4 | 16% | 16% | 3 | 4 | 12% | 24% | 3 | 3 | 8% | 8% |
| Greece | 3 | 3 | 49% | 56% | 3 | 3 | 53% | 61% | | | | |
| Hungary | 7 | 7 | 57% | 88% | 7 | 7 | 57% | 88% | | | | |
| Italy | 12 | 10 | 33% | 34% | 8 | 5 | 49% | 63% | 8 | 6 | 17% | 17% |
| Kosovo | 9 | 6 | 45% | 52% | 6 | 6 | 59% | 67% | 5 | 5 | 32% | 39% |
| Moldova | 4 | 4 | 37% | 33% | | | | | | | | |
| North Macedonia | 3 | 3 | 42% | 45% | 3 | 3 | 42% | 46% | 3 | 3 | 40% | 43% |
| Romania | 26 | 25 | 26% | 31% | 14 | 15 | 30% | 35% | 22 | 23 | 15% | 27% |
| Spain | 2 | 2 | 28% | 27% | 2 | 2 | 33% | 32% | | | | |
| United Kingodm | 2 | 2 | 46% | 55% | | | | | | | | |
| Other countries | 13 | 8 | 34% | 21% | 13 | 10 | 36% | 44% | 6 | 5 | 22% | 25% |
| **East** | 88 | 77 | 37% | 39% | 56 | 56 | 48% | 54% | 53 | 53 | 24% | 29% |
| **West** | 33 | 27 | 28% | 33% | 26 | 21 | 31% | 42% | 14 | 11 | 16% | 16% |
| **Total** | 121 | 104 | 34% | 37% | 82 | 77 | 43% | 50% | 67 | 64 | 22% | 26% |

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## 2020 edition

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