



EMN Regularly Report ITALY

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This national factsheet series provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-banking financial intermediaries.

The national factsheets cover the following thematic areas:

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Regulation of Lending Activity

In 2010, Italy introduced specific provisions on microcredit within its [Banking Law \[1\]](#), with implementing rules adopted in 2014. These measures defined microcredit activities and established a dedicated register of “specialized microcredit operators,” currently managed on an interim basis by the Bank of Italy.

According to Article 111 of the Italian Banking Law, the following legal entities may operate as specialized microcredit providers: joint-stock companies (S.p.A.), partnerships limited by shares (S.a.p.A.), limited liability companies (S.r.l.), and cooperative societies. These entities must be authorized by the Bank of Italy and are subsequently registered in a dedicated list.

Microcredit operators are subject to less stringent capital requirements than banks - the minimum capital requirement is EUR 250,000 - but they must comply with specific obligations related to guarantees and the provision of non-financial services (see Section III).

A list of non-profit organizations **[2]** is also authorized to operate under Article 111 without prior registration, but only in the area of personal microloans. These organizations must charge interest rates that merely allow for the recovery of operational costs.

Additionally, financial intermediaries (regulated under Article 106 of the Banking Law) and mutual financial operators (cooperatives with specific by-law provisions) may also offer microloans, provided they comply with Article 111. The same applies to banks.

Microcredit operators are allowed to take on debt up to an amount not exceeding nine times their net equity. However, none of the above non-bank microcredit providers are permitted to collect savings from the public. They may, however, offer additional financial services - such as insurance - in partnership with licensed companies, provided the operator is duly registered and staff are appropriately trained.

1. Consolidated Law on Banking. Title V, Subjects operating in the financial sector: articles 111, 113.

2. Associations, foundations, mutual aid societies; local and governmental agencies; social cooperatives; non-profit cooperatives.

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Supervisory Framework for Non-Bank Lending

The lending activities of microcredit providers are overseen by the Central Bank of Italy through mandatory reporting, due diligence, the monitoring of governance mechanisms, and the establishment of capital and liquidity requirements. Microcredit providers that want to access credit bureau data are obliged to share client data with the credit bureau.

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Products

Specialised microcredit providers are authorized to offer both business (“entrepreneurial microcredit”) and personal (“social microcredit”) microloans. However, business microcredit should predominate in terms of portfolio value.

Business microloans may reach a maximum amount of EUR 75,000 and must be repaid within a maximum term of ten years. These loans can be granted to self-employed individuals or to microenterprises. The definition of ‘microenterprise’ applied here is broader than the European definition, as it is based solely on a workforce of up to 10 employees, without reference to the turnover / balance sheet criterion of EUR 2 million set at the European level [3].

In the case of limited liability companies, the loan ceiling can be extended up to EUR 100,000. [4] The regulation also specifies that these maximum amounts may only be granted if the total financing provided to a single beneficiary does not exceed 10% of the microcredit provider’s share capital.

Personal microloans, on the other hand, are capped at EUR 10,000 with a maximum term of five years. They are intended to foster social and financial inclusion and are targeted at individuals experiencing economic or social vulnerability, such as unemployment or poor living conditions.

Both types of microloans must be accompanied by non-financial support services, including technical assistance, mentoring, and monitoring, and neither can require real guarantees.

Interest rate ceilings are set by Italian anti-usury legislation. For business microloans, the applicable cap is defined by general anti-usury rules. For personal microloans, the cap is set at 0.8 times the average annual market rate, inclusive of all costs borne by the client. If the personal loan is provided by a non-profit organization, the cap is reduced to 0.4 times the average market rate.

According to the implementing regulation of Article 111 (Decree No. 176 of 17 October 2014, Article 16), mutual financial operators are also permitted to provide business loans up to EUR 75,000 (“Credito Solidale”). In such cases, the interest rates applicable to business loans may solely cover the recovery of operational costs.

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Incentives and Support

In Italy, there are a few national/regional level funds [5] to support microcredit provision in the form of guarantees. Furthermore, there are regional programs funded by ESF and ERDF that, in principle, could support financial and non-financial services. However, to date, they do not suit the needs of non-bank microcredit providers.

Since March 2020 [6], microcredit providers have been able to benefit from public guarantees offered by the national guarantee fund for SMEs. The fund covers up to 80% of bank funding (up to EUR 5 million) and also provides direct guarantees of up to 80% on business microloans.

The current context has no incentive support in the form of tax deductions for natural persons that provide financial support to microcredit providers.

3. https://single-market-economy.ec.europa.eu/smes/sme-fundamentals/sme-definition_en

4. The maximum threshold has been progressively increased over time, rising from the initial amount of EUR 25,000 to EUR 40,000, and, more recently, to EUR 75,000 or, in certain cases, EUR 100,000.

5. Such as the ‘Central guarantee fund.’

6. Law Decree “Cura Italia” 17/3/2020 n.18

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Development of the Existing Framework for Non-Bank Microcredit Provision

The Italian Microfinance Network (RITMI) points to three strategic priorities for improving support to microcredit operators:

- Access to co-financing under ESF+: ensure that microcredit operators are eligible for co-financing schemes under the European Social Fund Plus (ESF+) to cover a portion of the costs of their non-financial services, with public funding covering up to 50% of these expenses.
- Support for social microcredit: promote the creation of a national microcredit fund dedicated to social microcredit and extend the scope of existing national and European guarantee schemes to cover social microloans, which are currently excluded.
- Expansion of guarantee coverage for bank funding: increase the maximum guarantee coverage for bank funding to microcredit operators to EUR 20 million through national or European instruments.

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Inclusive Entrepreneurship and Microenterprise Development

In Italy, there are simplified administrative procedures in place for entrepreneurs to set up a limited liability company for young entrepreneurs, local one-window service and fiscal incentive frameworks.

In terms of public support, there is no welfare bridge to support unemployed people in the transition towards self-employment and business development services are not publicly subsidized. Local and regional initiatives for inclusive entrepreneurship awareness that are supported by private and social foundations for specific programs.

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Microfinance and Social Economy

Italy has a long tradition in the social economy sector. In 1991 social solidarity cooperatives were legally recognised as social cooperatives. A broader legal framework was introduced in 2005–2006, establishing the category of social enterprise to harmonise the sector in response to the emergence of new organisational forms. With the aim of integrating social enterprises within the broader umbrella of the “third sector”, a new law adopted in 2016–2017 introduced significant changes, providing a common framework for both “third-sector” organisations and social enterprises. [7] Under this framework, any private entity may obtain the status of social enterprise if it carries out, on a stable and primary basis, a business activity of general interest, operates on a non-profit basis, pursues civic, solidarity and social utility objectives, adopts responsible and transparent management practices, and promotes the broadest possible participation of workers, users, and other stakeholders in its activities [8].

Social enterprises are required to register in the National Register for Third-Sector Organisations (RUNTS – Registro Unico Nazionale del Terzo Settore) [9] which grants access to public support schemes delivered through fiscal incentives and public guarantees aimed at attracting investment into the sector. [10] Microcredit operators may also register and benefit from such support; however, due to the heterogeneity of the sector in Italy - where different legal forms coexist (see Section I above) - only those operating as non-profit entities are eligible. As social enterprises, they are not permitted to distribute dividends or other economic returns to their owners, and in the event of liquidation, their assets must be transferred to another non-profit organisation.

7. https://social-economy-gateway.ec.europa.eu/my-country/italy_en#learn-more-about-the-social-economy-in-italy

8. <https://www.lavoro.gov.it/temi-e-priorita/terzo-settore-e-responsabilita-sociale-imprese/focus-on/impresa-sociale/pagine/default>

9. <https://servizi.lavoro.gov.it/runts/it-it/>

10. https://social-economy-gateway.ec.europa.eu/my-country/italy_en#learn-more-about-the-social-economy-in-italy



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