This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

FESSUD

FINANCIALISATION, ECONOMY, SOCIETY AND SUSTAINABLE DEVELOPMENT

Working Paper Series

No 73

Financial institutions and supply of financial services in the European microcredit market: a survey of selected countries' experiences

Sérgio Lagoa

ISSN 2052-8035

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

Financial institutions and supply of financial services in the European microcredit market: a survey of selected countries' experiences [1]

Author: Sérgio Lagoa

Affiliations of author: Instituto Universitário de Lisboa – ISCTE and Dinamia'CET-IUL

Abstract: In this paper we review the country experiences of eight national European microfinance markets in order to study the impact of different types of financial institutions in the supply of financial services. Our study shows that national differences are large and the most important institutions are distinct in each country. The general economic environment affects the development of microfinance, and there is some substitutability between the formal banking sector and the microcredit sector. Nevertheless, the collaboration of Microfinance Institutions (MFIs) with banks (commercial banks and savings banks) and the participation of banks in the microcredit sector is a factor that enhances the growth of the market. The public sector, the non-for-profit MFIs, savings banks, cooperative banks, and CUs are one of the main drivers of growth in the microcredit sector. However, there is a large dependence of institutions on public funds, and they may not be able to sustain their activities if these funds cease. An increase of institutions' specialisation and dimension are important steps to improve their financial sustainability. Local presence through a network of branches seems to be important for MFIs success. Local

[1] This working paper was included in the Appendix of deliverable D803.

knowledge can also be achieved by collaborating with social support institutions that help to reduce operational costs and screen and support clients.

Key words: microfinance, financial institutions

Date of publication as FESSUD Working Paper: November, 2014

Journal of Economic Literature classification: G21

Contact details: Instituto Universitário de Lisboa – ISCTE and Dinamia'CET-IUL. Avenida das Forças Armadas, 1649-026 Lisboa. Lisboa. Portugal. sergio.lagoa@iscte.pt

Acknowledgments: The research leading to these results has received funding from the European Union Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 266800.

We thank the comments of J. Tomidajewicz. The usual disclaimer applies.

Website: www.fessud.eu

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

1. Introduction

This paper addresses some country experiences in microfinance, in particular the role of institution types. We have chosen a set of countries from Western and Eastern Europe: France, the UK, Germany, Sweden, Spain, Poland, Romania and Hungary. Not all these countries are success cases, notably the UK, Sweden, and Hungary. Our goal is to have both successful and less successful cases so as to identify the distinguishing features.

In 2011, the most important markets in terms of total value of loans and number of loans are France, Germany, Poland, Romania, and Spain (Bendig et al 2012) – See Table 1 for the number of loans. [2] The development of microcredit in Hungary, Sweden, and the UK is below the European average. Unless otherwise stated, all the quantitative analysis about the overall microcredit market of each European country is based on the 2010/11 EMN survey (Bendig et al, 2012).

In the European microcredit market there is a divide between Western Europe and Central and Eastern Europe (Kraemer-Eis & Conforti, 2009). In Western Europe players tend not to be profit driven due to the high risk of the lending activity, and most non-bank lenders are small (less than 100 loans a year) and have a limited regional focus. Exceptions are national based lenders in France (Adie) and Finland (Finnvera), which grant the largest number of microloans in Western Europe and are among the largest MFIs in all Europe (the top three also include Fundusz Mikro from Poland). High operational costs linked to the limited exploitation of scale economies compromise the self-sustainability of the sector.

[2] The data used is from the documents "Overview of the Microcredit Sector in European Union" supported by the EMN. See Table 11 and Table 12 for a description of the data used in terms of surveyed institutions and types of institutions.

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

Table 1 – Loans and loans per working population by country in 2011 – business and personal loans

Country	Loans	Position	Country	Loans per capita	Position
Bosnia	52403	1	Bosnia	20.131	1
Spain	36188	2	Albania	8.845	2
France	28690	3	Macedonia	4.697	3
Poland	23732	4	Spain	1.144	4
Albania	18852	5	Poland	0.863	5
Germany	11231	6	Romania	0.778	6
Romania	10983	7	Finland	0.752	7
Macedonia	7021	8	France	0.679	8
UK	3063	9	Moldova	0.608	9
Finland	2671	10	Lithuania	0.490	10
Serbia	1679	11	Serbia	0.333	11
Moldova	1565	12	Bulgaria	0.288	12
Bulgaria	1437	13	Germany	0.209	13
Lithuania	1028	14	Latvia	0.155	14
Netherlands	1000	15	Netherlands	0.090	15
Italy	921	16	UK	0.074	16
Belgium	460	17	Croatia	0.066	17
Hungary	414	18	Belgium	0.063	18
Latvia	215	19	Hungary	0.061	19
Croatia	190	20	Ireland	0.029	20
Portugal	164	21	Portugal	0.023	21
Ireland	88	22	Italy	0.023	22
Austria	65	23	Austria	0.011	23

Source: EMN 2010/11 survey (Bendig et al, 2012). Loans per capita were computed using the working population from WDI of World Bank, and indicate the number of loans per 1,000 working inhabitants. Sweden was removed because only one loan was disbursed in 2011.

In the new member states the market is more mature and has grown more quickly than in Western Europe (Kraemer-Eis & Conforti, 2009). MFIs are larger, more concerned with profitability, and institutions are more focused on lending to micro-entrepreneurs. In Central and Eastern Europe the institutions are also more specialised in microcredit activities (2010/11 EMN survey). There is a stronger presence of commercial intermediaries and competition by downscaling financial institutions. In some countries, mainly in Central Europe, the priority is credit to medium firms rather than to small and micro firms, which sometimes use consumer credit products as an alternative.

The next section summarizes the experiences of eight European countries to add qualitative evidence on the importance of institutions' types. Section 3 summarizes and draws overall conclusions.

2. Countries experiences

France

This summary of the French market follows Lämmermann (2010) and Heipertz (2012). France is one of the European countries where microfinance is most developed. In terms of number of loans, France is the third largest market in Europe with 28,690 loans in 2011. However, in terms of loans per thousand active inhabitants it is only the eighth largest market with 0.67 loans per thousand inhabitants. [3]

The dominant types of institutions in France are microfinance associations that represent 44% of the total number of institutions (Table 13). NGOs or foundations, NBFIs, banks and savings banks each represent 11% of the total number of institutions. Therefore, there is a considerable diversity of institutions. A small proportion of institutions is profit oriented (29%).

[3] The 2010/11 EMN survey includes 9 institutions among which are Adie, Crédit Coopératif Through The GaleCréditMunicipal de Paris; France Active; France Initiative; Group Caisse d'Epargne; IMF Créa-Sol. The full set of institutions for all countries can be consulted in Bendig et al. (2012).

The most common missions of the institutions are job creation (86%), financial inclusion (86%) and social inclusion and poverty reduction (71%) - Table 2. Institutions have a bias towards these missions to the detriment of microenterprise promotion.

Table 2 – Missions per country (% of organisations with the corresponding declared mission)

	Job creation	Microenterprise promotion	SMEs promotion	Financial inclusion	Social inclusion and poverty reduction	Women empowerment	Minority empowerment	Other
France	86	57	29	86	71	43	14	-
Germany	60	73	80	23	13	37	30	10
Hungary	56	100	78	11	-	22	-	-
Poland	100	100	100	100	-	-	-	-
Romania	78	100	100	67	56	11	11	-
Spain	58	92	8	58	42	58	58	8
Sweden	100	100	-	-	100	-	-	-
UK	85	45	50	80	45	40	50	-
Weighted average	72	69	53	49	42	39	33	5

Source: n=137. EMN 2010/11 survey (Bendig et al, 2012). Sweden includes only NEEM and Poland includes only the FM Bank.

The Government played an important role in supporting the growth of microfinance. Firstly, it simplified the procedures for starting up and registering SMEs, and created the status of the self-entrepreneur. Secondly, a special section on microcredit was introduced in the Social Cohesion Law, showing the relevance given to it by the government. Finally, the Social Cohesion Fund was created in 2005 with 75 million euro to guarantee loans for the unemployed starting their own business and for personal microcredit. Similarly, the State participated in the creation of two important guarantee schemes, France initiative and France Active.

Actors

There are three categories of organisations acting in microcredit: non-bank microcredit organisations, organisations that facilitate the access to micro-loans from banks, and para-banks (Lämmermann, 2010). ADIE (Association for the Right to Economic Initiative) is one of the few non-bank microcredit providers and the only MFI with national coverage. Its mission is the provision of microcredit to promote the self-employment of socially and financially excluded persons.

France Initiative and France Active are also important organisations that offer quasi-equity or guarantee schemes to facilitate the access to bank loans by micro-entrepreneurs without sufficient guarantees. France initiative was created by public and para-public initiative that brings together a number of local business support programmes (around 242 in 2010). Based on local structures that manage programmes, France Initiative also offers mentoring to entrepreneurs. France Active joins 38 territorial funds and is a partnership between Foundation de France, French National Agency for Enterprise Start-up, and two banks.

The two most important para-banks providing micro-loans are NEF and Parcours Confiance. NEF is a solidarity finance cooperative that collects savings and provides credit, and has the approval of the Bank the France. Parcours Confiance is an association created by French saving banks to provide micro-loans for business start-ups and social inclusion. It receives funds from public actors, banks and the EU. A less important MFI is Crea-Sol, an association formed by the Caisse d'Epargne de Provence-Alpes-Corse.

In 2011, savings banks granted a total of 10,000 loans totalling 90.4 million euros. Some of these loans were granted through MFIs (3625 loans/11.1 million euros). The remainder were granted directly by savings banks; some were for business purposes (5,119 loans/65.8 million euros) and some for personal consumption (1,224 loans/13.5 million euros). The microloans granted directly by savings banks are not captured in the EMN survey, and were provided by the European Savings Banks Group (Bendig, Unterberg, & Sarpong, 2012).

There is a very good cooperation between savings banks and the banking sector, and the activity of this sector is growing in microcredit for consumption purposes (Heipertz, 2012). This explains why 70% of the microfinance clients graduate to mainstream finance, while the average in the surveyed European institutions is only 18%.

Products

In terms of number of loans the three largest institutions are OSEO Sofaris (23261 loans in 2007), France Initiative (12500 prêts d'honneur - subsidised quasi-equity loans - in 2007) and ADIE (9853 loans and 2391 prêts d'honneur in 2007).

ADIE primary activity (85% of its activity) is to grant microloans (solidarity loans), and secondly prêts d'honneur. Together with pre- and post-loan advice, Adie grants short/medium-term loans with interest rate higher than mainstream banks due to the high costs of micro loans. People from the business environment guarantees 50% of each loan. 85% of loans are for new businesses and 15% for existing enterprises.

Since 2001 the association and all non-bank financial institutions have been able to borrow for on-lending, which had a very positive impact on their activities. MFIs are also financed with public funds, interest free loans from individuals and they use their own funds (Heipertz, 2012).

ADIE has more than 100 branches and can therefore be a local partner that contacts clients and analyses credit risk. The institution targets economically and socially excluded persons, seeks to support long-term unemployed individuals (this is the largest target group) and welfare recipients who want to set up their own business.

France Initiative has a broader mission of stimulating enterprise creation at the local level, and focuses on nearly-bankable persons rather than socially excluded individuals. This is the main institution offering *prêts* d'honneurs, i.e. medium-term loans with zero interest rate and without guarantee, made with the aim of supporting bank loans (on average seven times larger than the *prêt* *d'honneur* itself). France Initiative, as well as other institutions granting *prêts d'honneur*, is financed by the *Fond de Garantie de l'insertion par l'Economique*, the European Investment Fund, partner banks and own funds (Heipertz, 2012).

Table 3 – Loans granted to target groups (as % of total number of loans)

	Women	Clients below poverty line	Ethnic minorities / immigrants
France	37	31	6
Germany	8	4	8
Hungary	9	0	1
Romania	46	29	6
Spain	0	0	13
UK	50	68	3
Weighted average	38	13	12

Note: n (women)=91, n (poverty)=61, n (ethnic minorities)=73. Poland is not available. Sweden is not presented due to the small number of loans disbursed. Source: EMN 2010/11 survey (Bendig et al, 2012).

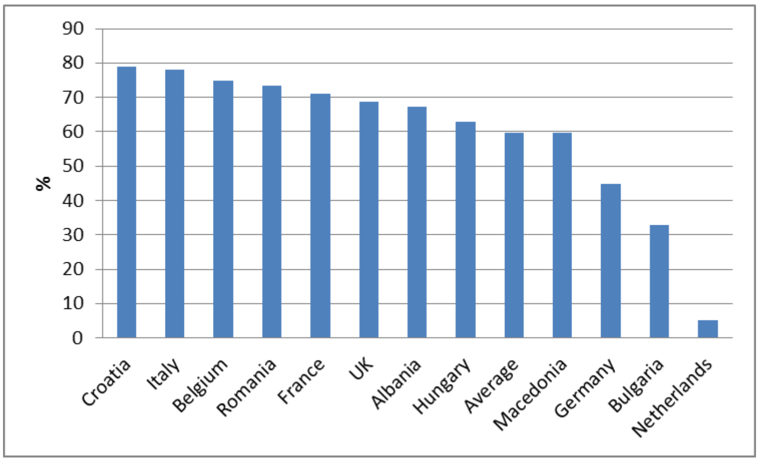
OSEO's Sofaris branch manages business start-up loans PCE (*Prêt à la Création d'Entreprise*) launched by the Minister of SMEs. These loans are unsecured, with a size between 2000 and 7000 euros, with interest rate, directed to new microenterprises and take-overs by underprivileged but nearly-bankable persons. The goal is to facilitate the access to bank loans, and therefore a bank loan is as a compulsory requirement and should be two to three times the PCE loan. Additionally, OSEO may guarantee up to 70% of the bank loan.

For the entire market survey by EMN, 31% of loans are to clients below the poverty line, 83% for clients on welfare, and 71% for non-bankable clients (Table 3 and Graph 1) (Bendig et al., 2012). The loan size to GNI is only 21%, well below the European average of 48% - Graph 3. In the Bendig et al (2012) classification, 80% of the French MFIs follows a social inclusion lending model. All this indicates that the market is more directed to the non-bankable segment of the microcredit market, and microcredit is used to complement welfare policies (namely employment policies). The interest rate is very low (4%), in part because the prêts d'honneur have zero interest rate (Graph 4). The French case shows that the absence of interest rate caps does not necessarily lead to high interest rates (Jayo, González, & Conzett, 2010).

In France microcredit for entrepreneurial purposes is often provided with business development services: 33% of the microfinance providers offer this service - Table 4. Entrepreneurship training is also offered by 44% of the institutions.

Other more innovative financial products have emerged in recent years. Social microcredit is still in a pilot stage with projects at the local level. The Government has set up the Social Cohesion Fund (FCS) that guarantees up to 50% of the social microcredit offered by microfinance institutions and banks. ADIE, banks, financial organisations, and support networks have established partnerships with the FCS. A proportion of the loans (21.5%) are personal loans (for inclusion purposes) and the remainder are for business purposes. With 100% of the institutions offering personal microloans (Table 4), the offer of personal loans is slightly above the European average (17%) - Graph 2 .

Graph 1 – Share of non-bankable clients in number of loans for business and consumption purposes

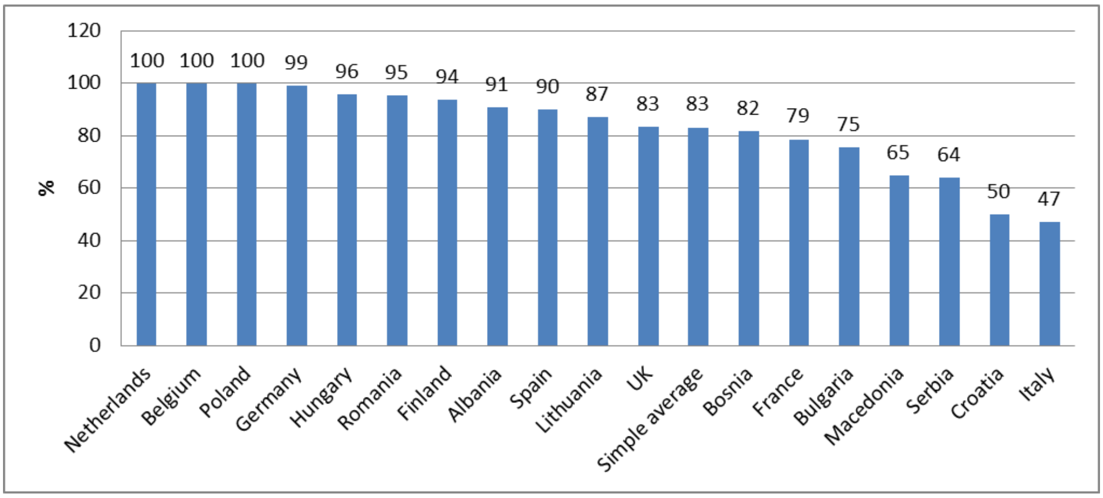


Source: EMN 2010/11 survey (Bendig et al, 2012).

Microinsurance for excluded persons is still a recent product and is offered only by 33% of the institutions. It is intended to persons that cannot access commercial insurance coverage, and it covers professional, family and health incidents. There are two important projects underway. ADIE launched pilot micro-insurance experiences; while the micro-insurance association, Entrepreneurs de la Cité, financed by traditional insurance companies and banks, is more advanced in the offer of insurance to excluded persons.

Several organisations provide social venture capital to micro-entrepreneurs, mostly to facilitate the access to bank loans. Finally, the creation of saving products is been considered by some institutions, as ADIE (Heipertz, 2012). However, currently no surveyed institution is offering savings products, as well as debt counselling, current/checking accounts, mortgages and money transfer services. The French market is lagging behind other European markets in the offer of other financial services.

Graph 2 – Proportion of business loans in the total number of loans per country



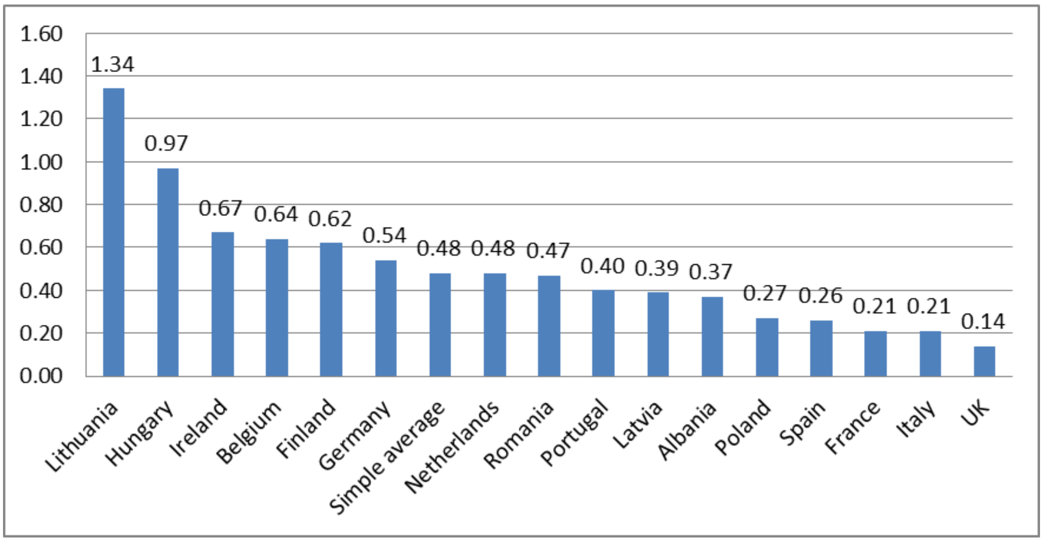
Note: Poland includes only the FM Bank. Source: EMN 2010/11 survey (Bendig et al, 2012).

Financial sustainability is a key issue especially in periods were public financing declines. ADIE aims to reach in the medium term partial financial sustainability, *i.e.*, the ability to cover operating costs with the proceeds from credit activities. Conversely, organisations like France Initiative do not aim to reach sustainability because they are financed by public money (local public

This project has received funding from the European Union's Seventh Framework Programme
for research, technological development and demonstration under grant agreement no 266800

organisations, EU funds, etc.) or private donations (*Caisse des Dépôts et Consignations*, banks and enterprises). On average for the sector the ratio of self-sufficiency was 74% in 2009, a relatively low value - Graph 5. [4]

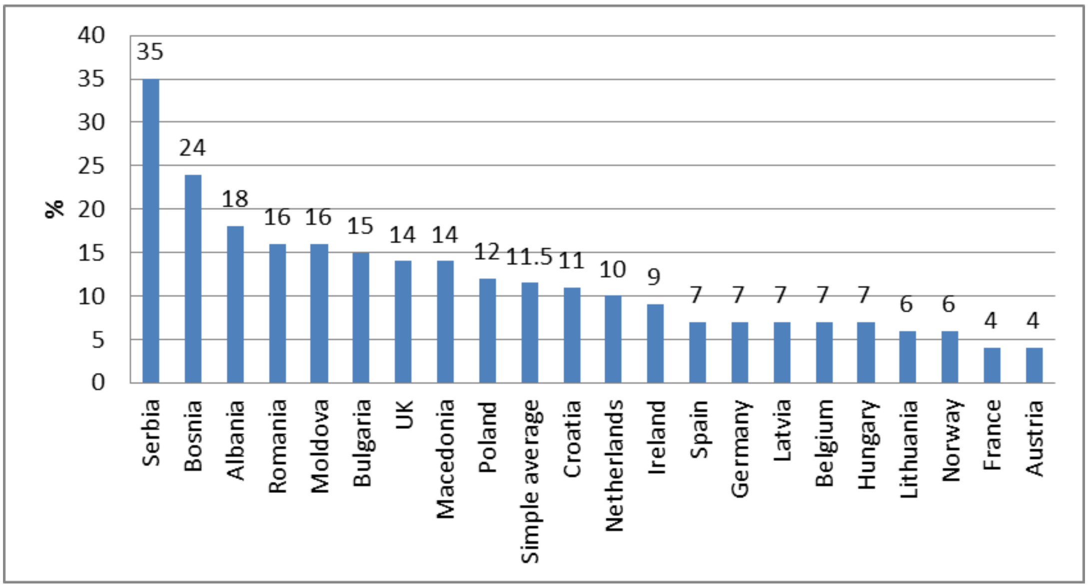
Graph 3 – Average loan size in proportion of GNI (for EU countries only)



Note: n=93. Sweden is not presented due to the small number of loans disbursed. Source: EMN 2010/11 survey (Bendig et al, 2012).

[4] This ratio is obtained as: (financial revenue + Other operating revenues) / (Financial expense + loan loss provision expense + operating expense)

Graph 4 – Current annual interest rate



Note: n=122. Sweden is not presented due to the small number of loans disbursed. Source: EMN 2010/11 survey (Bendig et al, 2012).

Table 4 – Proportion of organisations offering other non-financial services besides micro-credit (%)

	Business development services	Entrepreneurship training	Financial education programmes	Traditional banking	Business incubator	Other
France	33	44	22	22	22	33
Germany	12	6	3	12	3	48
Hungary	67	56	44	11	56	11
Romania	11	11	-	-	11	11
Spain	38	54	-	8	15	46
Sweden	100	100	-	-	-	-
UK	22	11	28	-	-	33
Weighted average	26	20	16	11	10	34

Note: n=145, 49 institutions are active in micro-lending only. The percentages do not sum 100% because question allows multiple answers. Sweden includes only NEEM. Poland did not have answers. Source: EMN 2010/11 survey (Bendig et al, 2012).

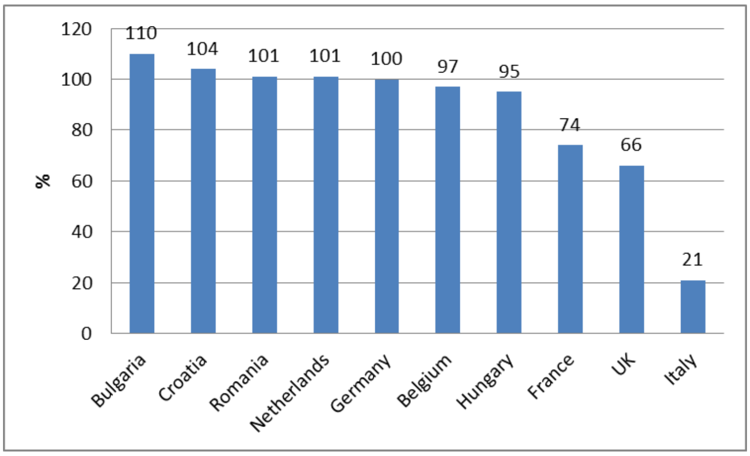
As a summary we can highlight that the good performance of the French market seems to rely on a diversity of products (micro-loans, guarantees, and prêt d'honneur) and a set of diverse institutions (non-bank microcredit organisations, organisations that facilitate the access to micro-loans from banks, and para-banks), that are fruit of the collaboration between NGOs, microfinance associations, the public sector and banks. In this respect the close relation between banks and MFIs is a key ingredient of success. Institutions are specialised in different segments: ADIE in excluded individuals, and France Initiative and OSEO Sofaris in almost bankable clients. The large size of programmes seems to be an important key factor for success. Finally, ADIE has a large network of branches that enables a close contact with clients. As weak points of the market, we highlight the relatively low level of financial self-sufficiency and high credit risk.

Table 5 – Share of other financial services per country (% of institutions offering it)

	No other service	Personal microloans	Debt counselling	Savings products	Insurance	Current / Checking accounts	Mortgages	Money transfer services	Other
France	-	100	-	33	-	-	-	-	-
Germany	71	7	7	14	7	7	7	-	7
Hungary	67	11	11	11	22	11	11	11	-
Poland	-	-	-	100	100	100	-	-	-
Romania	56	44	22	33	11	-	-	-	11
Spain	-	71	14	43	14	29	-	-	29
Sweden	-	-	100	-	-	-	-	-	-
UK	69	31	15	8	-	-	-	-	15
Weighted average	47	34	18	17	9	6	4	2	11

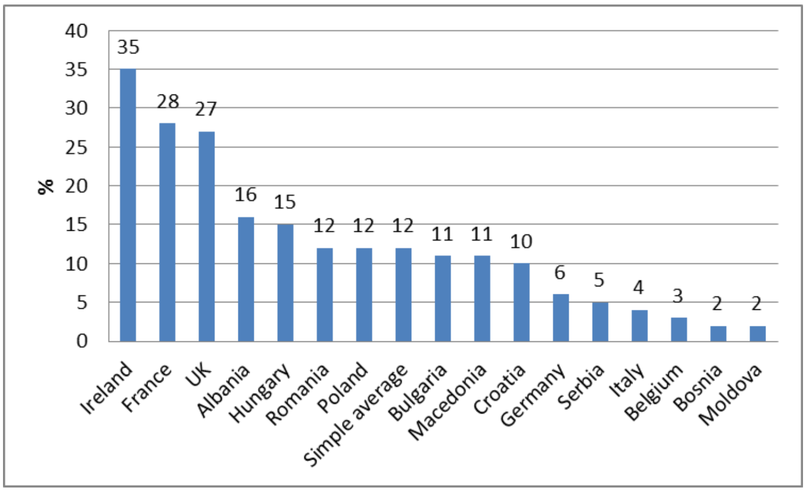
Note: n=99. The percentages do not sum 100% because question allows multiple answers. Sweden includes only NEEM and Poland includes only the FM Bank. Source: EMN 2010/11 survey (Bendig et al, 2012).

Graph 5 – Operational self-sufficiency ratio per country (2009)



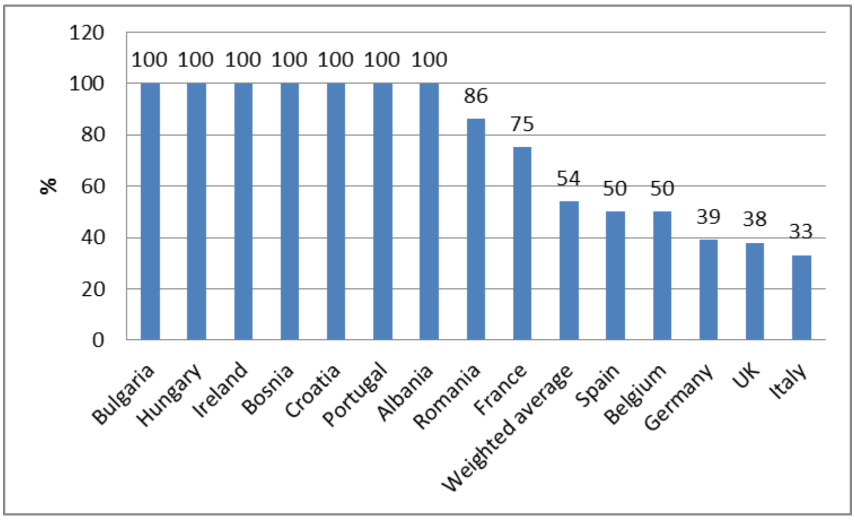
Source: EMN 2008/09 survey (Jayo, González, & Conzett, 2010).

Graph 6 – Average PAR in 30 days per country



Note: n=60. Source: EMN 2010/11 survey (Bendig et al, 2012).

Graph 7 – Proportion of institutions with more than 75% of their business activity dedicated to micro-credit (key institutions only)



Note: n=59. Source: EMN 2010/11 survey (Bendig et al, 2012).

Spain

The characterisation of the Spanish microfinance market will be conducted based on Garrido et al (2010) and Rico and Muñoz (2012). The Spanish microcredit market is the second largest in number of loans disbursed (36,188) and the fourth in loans per working inhabitants (1.14 per thousand inhabitants).[5] [6]

Nevertheless, the development of microcredit has been hampered by the complex bureaucracy to create a microbusiness. Another limiting element has been the lack of specific regulatory framework for microcredit, but there are initiatives underway to fill this gap. The financial crisis started in 2008 has also reduced considerably the number of programmes offered by banks.

---

[5] The large volume of loans is particularly related to the activity of one banking institution, which offers mainly personal loans using its own branch network (Bendig, Unterberg, & Sarpong, 2012).

[6] The 2010/11 EMN survey includes 13 institutions, among which is MicroBank from La Caixa.

Main actors

The main distinctive feature of the Spanish case is the importance of savings banks (*Caixas*). These banks have a social vocation and are obliged to invest profits in social work. One natural area of social intervention for them is microfinance, and consequently they established their own microcredit programmes from 2001. The main advantage is that savings banks combine their social orientation with their knowledge of the credit granting business. The "*Obra Social*" of the *Caixas* receives up to 25% of profits to create social programmes as microcredit.[7] *Caixa Catalunya* and *Caja Granada* were the first to develop this approach. Presently, almost all savings banks have microcredit programmes, but seven of them are the most important.

Apart from their own programmes, saving banks also collaborate with public programmes that provide funds. Commercial banks may also participate in these programmes. Some savings banks use their own branches to deals with clients (but have separate back office structures), while others have separate foundations for that purpose. Independently of the way of dealing with clients, saving banks' structures facilitate latter the integration of clients on the formal banking system (Evers and Lahn, 2010). The programmes are made in articulation with Social Microcredit Support Organisations (SMSOs), which have a large knowledge of the field, but are not allowed to grant loans.

In Spain, there are two main groups of institutions: 53% of the surveyed institutions are NGOs or foundations and 15% are savings banks. Microfinance associations, credit unions/cooperatives, banks and government bodies represent each 8% of the total number of institutions. The diversity of institutions' types is considerable, but the majority in non-profit oriented (80%).The mission most common in Spain is microenterprise promotion: 92% of institutions declare to follow it.

Other major actor in the Spanish microfinance market is the public sector. There are several programmes promoted by public institutions, most notably the ICO

[7] http://www.european-microfinance.org/index.php?rub=microfinance-in-europe&pg=microfinance-by-country&cpg=42.

(*Instituto de Credito Oficial*) programme, programme for female entrepreneurship (2001), and programme for the young (2007). A share of 80% or 50% (more recently) of the banks' default risk is covered by the ICO. These programmes are backed by European organisations, as the European Investment Fund (EIF) and the European Social Fund. The EIF collaborates with the ICO by partially covering risk.

Public programmes are made in articulation with financial institutions and SMSOs. Financial institutions grant and manage microloans. Initially, both commercial and saving banks were involved in the process, but when the coverture of risk by ICO decreased to 50%, all commercial banks dropped from the ICO programme.

Spanish microcredit model

The main microfinance product is microcredit granted by banks, while Business Development Support (BDS) is given by SMSOs. Since 2004 there are also some pilot initiatives with micro-savings conducted by the self-financing communities of ACAF (Rico and Muñoz, 2012).

The typical process starts with the micro-entrepreneur contacting the SMSOs for information. The SMSO assesses the potential beneficiary, helps him in the elaboration of the microcredit application, and send it to the bank. The bank assesses the project, and if it approves it, grants the credit directly to the micro entrepreneur. The SMSO makes the monitoring and supports the client during the duration of the loan.

SMSOs have responsibilities towards both the bank and the micro-entrepreneur. Regarding the financial institution, they are responsible for the selection of the micro-entrepreneur, evaluation and selection of the project in terms of economic viability, monitoring and control of the business to guarantee re-payment of the loan. Since loans do not require collateral, the guarantee is the individual moral guarantee, and the guarantee that the SMOS has selected worthy clients and projects. On the other hand, SMOSs are responsible towards the entrepreneur, namely in giving him advice and support in the business plan elaboration, training and assistance during the duration of the microloan. SMSOs also make the promotion of microcredit to communities not in contact with banks. With the financial crisis, savings banks reduced their programmes, and some SMSOs started programmes with their own funds (Rico and Muñoz, 2012)

Main groups targeted

In Spain microcredit is mainly to promote entrepreneurship and the main target are people that do not have access to financial products in the commercial banking sector, due to unemployment or socio-economic conditions. The main groups receiving microcredit are vulnerable women, immigrants, long-term unemployed, and ethnic minorities; with the first two groups been the main beneficiaries. Statistics indicate that 40% of beneficiaries are women, 45% are immigrants, and 16% are young (Jayo, González, & Conzett, 2010). On this account, Spanish institutions have a large outreach to immigrants. Moreover, the average loan size is 26% of GNI, which is a relatively small dimension (Graph 3).

In Spain around 90% of the loans are for business purposes, and the remainder are personal loans (Graph 2). 71% of the institutions offer personal microloans (Table 5). The offer of other services like savings products, current/checking accounts and insurance is also considerable large.

There is some difficulty in microcredit reaching the poorest of the poor due to two factors. Firstly, SMSOs and financial institutions target individuals with entrepreneurial capabilities. Most of the poorest lack such skills and need training in management before being able to apply for microcredit. This justifies why 54% of the institutions offer entrepreneurship training (Table 4). Secondly, SMSOs and financial institutions select projects with the main criteria being their financial viability, with social criteria in second place. But the average interest rate charged is 7% that corresponds to the average value in Western Europe (Graph 4).

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

Regarding financial sustainability of microcredit providers, there is lack of data to assess this issue, which is not particularly urgent for savings banks that support microcredit with social work funds that are not refundable. However, the expansion of operations depends on increasing operational efficiency. This may be achieved through larger specialisation, since only 50% of institutions dedicate more than 75% of their activity to micro-lending (Graph 7). Naturally, savings banks will never dedicate much of their total activity to micro-lending, given the very large dimension of their credit activity outside microcredit.

Finally, we make a synthesis on the development of the Spanish microcredit market, stressing that its success is partially due to savings banks interest, investment, and know-how in credit granting (Table 6). Together with the funds from these banks, Government and EU funds also play an important role in promoting microfinance. Commercial banks were only interested in the microcredit segment when risk was largely covered by public funds. Other factor of success is the role played by SMSOs, which contribute for the marketing of microfinance products, bring their knowledge of the field, and contribute to reduce operational costs for banks. MFIs focus on business loans to non-bankable clients, have a good outreach to immigrants, and a large offer of other financial services. A less positive characteristic of the market is that microcredit targets vulnerable people, but not the poorest of the poorest.

Table 6 – Role of the major institutions in the Spanish microcredit market

Institutions	Role
Savings banks	Grant microcredit financed by public and own funds
Public institutions	Design programmes to finance microcredit
SMSOs	Provide BDSs, select potential clients, and do the local marketing of products

Germany

The analysis of the German market is based on Evers and Lahn (2010) and Lämmermann (2010). The German microcredit market is smaller than the French, but since 2000 the number of programmes in Germany has increased (Evers and Lahn, 2010). The 2010/11 EMN survey shows that the number of loan in Germany in 2011 was not very high (the 6th of Europe with 11,231 loans – Table 1), but the total value disbursed was relatively high, corresponding to the second largest European market in value (with a total of 187.9 million euros in loans in 2011). [8]

In 2010, the government and the ESF set up a 100 million euro microcredit guarantee fund that contributed greatly for the growth of microcredit in Germany. The umbrella organisation of the fund is the German Institute of Microfinance (DMI), and the GLS bank administers loans. The number of loans disbursed grew from around 1,000 in 2010 to around 11,000 in 2011, putting the German market among the ones that most grew in this period.

There are three types of programmes: those of regional development banks, those of private business start-ups, and those of governmental or quasi-governmental institutions.[9] The programmes of regional development banks focus on microenterprises, with one of the greatest programmes being the one of KfW – Federal Public Bank. Some of the development banks offer microcredit directly, others do it through principal bankers (Evers and Lahn, 2010). For instance, KfW offers microcredit through local banks, with a guarantee of 80% of the loan and a low Interest rate. Development banks of the federal states have similar programmes. KfW also runs business training programmes financed by the ESF.

Other group of providers are the private business start-ups accredited by the DMI. This institute has eight microfinance institutions (MFIs), but members can

[8] The 2010/11 EMN survey includes 33 institutions, from which the GLS bank and the KfW Bankengruppe.

[9] http://www.european-microfinance.org/index.php?rub=microfinance-in-europe&pg=microfinance-by-country&cpg=16

also be business advice organisations, start-up centres, or local business support initiatives active in microfinance. Since only financial institutions can disburse commercial loans, business start-ups cooperate with commercial banks in the context of the DMI framework managed by the GLS bank (an ethical-ecological bank). The members of DMI do the microcredit servicing and monitoring, provide advisory and training, and the GLS bank grants the loans. Other banks also have cooperation arrangements with institutions granting microcredit (Ex.: cooperation between saving banks and advisory centres).

Finally, we have the programmes managed by governmental or quasi-governmental institutions. A leading example is Arges (local job centres created by the social services and municipalities) that focus on financially and socially excluded persons.

According with the 2010/11 EMN survey, the institutional types more common in Germany in 2011 were microfinance associations (39%) and other institutions (33%) – Table 13. The latter category probably includes private business start-ups. Banks represent 12% of the institutions. A total of 73% of the institutions are profit-oriented – Graph 3. Only 38% of the institutions are dedicated more than 75% of their activity to micro-lending, which is a smaller value than in Spain and France – Graph 7.

Regarding missions, the large majority of institutions is focused in microenterprise and SME promotion (73% and 80% respectively) – Table 2, with 99% of all loans dedicated to business purposes (Graph 2). Social inclusion and poverty reduction is a minority mission among German organisations. As a result, the proportion of credit to people below the poverty line is only 4% of total loans (Table 3). The average loan size is 54% of GNI, which is above the European average, indicating that organisations are targeting near-bankable clients.

The offer of other services is not very common in Germany: 71% of organisations do not offer any other service besides microcredit (Table 5). The most offered service are savings products: 14% of the MFIs make it available to customers.

Programmes are directed to different market segments, ones to social inclusion and others to micro entrepreneurs. While regional development banks are directed to microenterprise lending, start-up centres and government institutions focus on inclusion lending. Despite differences in targeted clients, the majority of microcredit programmes are at the local and regional levels (Evers and Lahn, 2010).

In 2006, all institutions in the market disbursed 5,983 loans (Evers and Lahn, 2010). This large number is explained by the large number of loans disbursed by KfW and regional development banks (around 5,000 loans in total). Thus, regional and development banks are the major players in the market. Excluding these institutions, the average number of loans per programme was 31 in 2006, below the European average of 65 loans per provider (Evers and Lahn, 2010).

From these data, we can argue that microcredit does not reach all market segments uniformly: there is considerable progress in reaching the nearly bankable micro-entrepreneurs, but the coverture of the disadvantaged groups of the population is not particularly strong (Evers and Lahn, 2010). Other weak point of the market is that the financing to existing companies is often unavailable (Evers and Lahn, 2010).

A further point of concern in Germany and in the rest of Europe as well, is that many programmes are supported by grants with limited duration (ex.: EU structural funds). When grants reach the end, many programmes cannot obtain more grants or produce own revenues to sustain activities. This is one of the main problems for the sustainable development of the microfinance sector (Evers and Lahn, 2010), especially in a period of steady decline of public financing.

The 2008/9 EMN survey[10] indicates that the surveyed institutions have a 100% self-sufficiency rate (Graph 5). Despite the fact that Evers and Lahn (2010) indicates that low interest rates creates sustainability issues, the 2010/11 EMN survey points for an average interest rate of 7%, which is not a small interest rate in Western Europe markets. [11] A way of raising sustainability would be the

[10] The 2008/09 EMN survey includes 16 German organizations.

[11] In Germany there is an interest rate cap.

cooperation between micro-lenders to reduce unit costs (ex.: share central back office) (Evers and Lahn, 2010).

Contributing to increase sustainability is the fact that Germany institutions have a low proportion of their portfolio at risk: PAR30 is 6%, which compare with the European average of 12% - Graph 6. However, the write-off ratio is 7% slightly above the European average of 6%. [12]

As a summary of the main issues, Evers and Lahn (2010) identify a poor cooperation between banks and microcredit providers. As an example, the cooperation with DMI could be enlarged to other banks besides the GLS bank, enabling among other things the offer of other financial services to the microcredit segment. Even though there are institutions specialised in inclusion lending, the offer on this segment is still insufficient (Table 7). From 2010, the public funds and European Social Fund have made a significant contribution to increase the dynamism of the microcredit market. Funding is still very dependent of public money, and sustainability of some programmes was not yet achieved. One reason for that is the small dimension of programmes outside the regional development banks.

Table 7 - Role of major institutions in the German microcredit market

<table>
<tr><td>Institutions</td><td>Focus</td><td>Loans granted in 2006 (Evers and Lahn, 2010)</td></tr>
<tr><td>Regional development banks</td><td>Micro-enterpreneurs</td><td>≈5000</td></tr>
<tr><td>Start-up centres integrated in DMI (in cooperation with banks and with public money support)</td><td rowspan="2">Inclusion lending</td><td rowspan="2">≈1000</td></tr>
<tr><td>ARGES and other publicly funded programmes</td></tr>
</table>

[12] Write-off ratio is the value of loans recognised as uncollectable during the period to the average gross outstanding portfolio during the period.

UK

The description of the UK market is based on Goggin et al (2010) and Thiel (2012). In the UK the term Community Development Finance Institutions (CDFIs) is used instead of MFIs to refer independent and non-for-profit organisations, which may assume the form of social banks, mutual guarantee companies, mutual credit companies, communities of loan capital, credit unions, among others. They have developed essentially since the 1990s and many have their antecedents in local authority business loan schemes. Most are not banks and cannot receive deposits, but grant credit to micro-entrepreneurs and persons without access to the formal banking system. There is no regulatory framework for microfinance and most CDFIs are not regulated by the Financial Services Authority (FSA), only those with a certain corporate structure.

The Labour Government generated the conditions for CDFIs to become an important and separate sector. The creation of the Phoenix Fund in 2001 increased the activity of the microfinance sector, enabling the creation of 70 new CDFIs. In 2002 it was created the CDF Association bringing together the majority of institutions in the sector. Not all these are microfinance lenders and Fair Finance, which is one of the main providers of microfinance in the UK, does not belong to the Association. The Government has also created other initiatives to support microcredit, namely Small Firms Loan Guarantee Scheme and Community Investment Tax Relief. Finally, the Government funds CDFIs through Regional Development Agencies.

Apart from CDFIs and the public sector, the main actors in the sector include banks, social investors, charitable trusts and foundations (Goggin et al, 2010). Banks do not grant microcredit directly and do not have a significant role in the sector. There are some partnerships between local bank branches and CDFIs to develop projects, which create social and financial return for banks and CDFIs, which however are very dependent of the specific persons in branch management (Thiel, 2012). Banks in the context of their corporate social responsibility also provide grants to CDFIs, and in the context of their commercial activity provide funds with commercial or quasi-commercial conditions. A total of 15% of investment funds of CDFIs and 3% of revenue support is provided by banks (Goggin et al, 2010). The CDF Association initiated a referral scheme between banks and CDFIs that may increase its microfinance clients, as the clients rejected by the mainstream banking sector are referred to CDFIs (Thiel, 2012).

In turn, charitable trusts and foundations support the CDFIs through grants, zero interest rate loans and funding their losses. Social investment by individuals is another source of financing for CDFIs.

From the institutions in the survey [13], 80% are CDFIs (Table 13), and all institutions in the survey were non-profit oriented. Their dominant missions are job creation (85%) and financial inclusion (80%) – Table 2. [14]

The number of microloans disbursed in 2011 was 3,063, which represents a relatively small activity in the European context. MFIs grant loans mainly for entrepreneurial purposes - 83% - (microloans, loans to SMEs, and social enterprise lending) – Graph 2, but also have personal microcredit, credit for housing improvement and community development venture capital. A total of 31% of microfinance organisations provide personal microloans – Table 5. We can conclude that the offer of personal microloans is close to the European average. Moreover, 68% of microfinance institutions provide formal business support services (Goggin et al, 2010). Other products as micro-insurance, equity and quasi-equity for social enterprise are still in development. Debt counselling and savings products are the only other products that are offered by 15% and 8% of the institutions, respectively. Overall, the offer of other financial services is not very large.

The most important priority is to reach individuals excluded from mainstream finance and to create jobs, implying that CDFIs work mainly with non-bankable clients, which are 68% of the clients – Graph 1. The proportion of loans to clients below the poverty line is 68%, the largest in Europe – Table 3. The average loan size relative to GNI is only 14%, the smallest in the sample of countries - Graph 3.

---

13 http://www.european-microfinance.org/index.php?rub=microfinance-in-europe&pg=microfinance-by-country&cpg=47

14 The 2010/11 EMN survey includes 20 institutions, among which is Fair Finance.

The focus of institutions in the poorest clients may justify the high average interest rate (14%) – Graph 4 - and high credit risk (PAR30=27%) – Graph 6. In France a high focus on poor clients also seems to imply high credit risk and low sustainability of operations. Similarly, in the UK the financial result in terms of sustainability is very weak, with only an average self-sufficiency ratio of 66% in 2009 – Graph 5. Among the 10 European countries surveyed, only Italy had a lower ratio than the UK.

In contrasts to the French case, the UK case indicates that the absence of an interest rate cap may lead to high interest rates (Jayo, González, & Conzett, 2010). The same occurs in the Romanian case.

Yet, only 34% of the CDFIs provided microloans in 2007 (Goggin et al, 2010), only few CDFIs are dedicated to microfinance and there is no explicit market segmentation (Thiel, 2012). Only 38% of the surveyed institutions dedicated more than 75% of their activity to microcredit – Graph 7. The main challenges faced by these organisations are the lack of capital, reduced sustainability and lack of visibility at the national level. Nevertheless, CDFIs had an increase in demand after the 2008 crisis because banks reduced credit granted. This shows a degree of substitutability between the banking sector and the microcredit sector.

As a summary of the main characteristics of the UK market, we highlight that many CDFIs do not provide microcredit, the ones that provide it are not specialized in microcredit, they have a small dimension, banks and other financial institutions are not involved in microcredit, equity and quasi-equity products and guarantee schemes are not well developed. However, the government has had an important role in the growth of the CDFIs' sector, and the sector is mainly directed to serve non-bankable clients (Table 8). The sector is characterised by high credit risk and low sustainability. The contribution of high interest rates to this situation should be studied, since they enable high interest income for CDFIs but increase adverse selection, moral hazard, and financial difficulties on borrowers.

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

Table 8 - Role of major institutions in UK microcredit market

Institutions	Role
Public Sector Institutions	Finances CDFIs and other initiatives to favour microcredit
CDFIs	Provide microfinance
Banks	Limited role in financing CDFIs

Sweden

The description of the Swedish microcredit market is based on Swain (2010) and Lundin (2010). Sweden is a country with a very high level of development and a strong social support from the State to its citizens. Nevertheless, there are still people socially excluded and without access to standard finance, mainly single-parent families, immigrants, and young. According with the 2008/9 EMN survey (Jayo, González, & Conzett, 2010), the Swedish microcredit market has a small dimension: only 864 loans were disbursed. [15] There was a slight negative tendency in the market in 2008-09, since the number of loans declined from 913 in 2008 to 864 in 2009.

In Sweden, there is no legal framework for microfinance. Since only financial institutions can grant loans, private banks grant the loans and MFIs are the guarantors. Commercial banks did not show much interest in small and micro-loans (Swain, 2010). In addition, there are no major microcredit programmes and the majority of the activity is of the public financial institution ALMI that supports small and medium entrepreneurs. Other important institutions are cooperative and ethical banks, saving banks, and NGOs (Table 9).

The most important institution is ALMI, a public financial institution founded in 1994 with the mission to help local SMEs, with branches all over Sweden. Its

[15] This survey includes four organizations: ALMI (Governmental body), NEEM (NGO), Roslagen Sparbank (saving bank), and Sörmlands Sparbank (saving bank). Since this survey is the more representative, it is the one that is going to be used throughout this section.

main activities are to disburse corporate loans, support innovation, and grant microcredit without collateral to new and existing firms. In 2006, ALMI disbursed a total of 3051 loans of which 479 were micro loans. ALMI charges interest rates above market levels due to high risk and to avoid competition with the private sector. Its lending activity is self-financed, but operational costs are supported by the owners (central government, local authorities and bodies).

Other players are the Ethical bank Ekobanken, created in 1998, and the cooperative bank JAK Bank, created in 1965. Focusing in the Ekobanken, it is a not-for-profit organisation owned by its members, and membership is compulsory for who opens an account. The bank receives savings and grants credit to projects in the social economy or with an ecological value. The bank has several types of savings accounts that are used specifically to finance social and ecological projects. Collateral is a requirement to grant loans, but if the client does not have collateral, people who want to support the project assume the position of guarantors. In our opinion, this limits the ability of the bank in reaching the typical microcredit client that does not has collateral. As an alternative to collateral, group loans are also used, where the entire group is responsible for the loan.

Savings banks also have microfinance projects as part of their social responsibility programmes.

NGOs as NEEM (for women of ethnic minorities) and Basta Cooperative (for poor and vulnerable, as former prisoners), also offer microfinance services. As NGOs cannot disburse loans, they cooperate with banks and other financial institutions that grant loans themselves, while NGOs have the role of identify the client's needs, support him before and after the credit is granted, and act as a guarantor. As an example, NEEM has the financial support of ALMI to grant loans to immigrant women. We can add that NEEM mission includes job creation, microenterprise promotion, and social inclusion and poverty reduction. It offers other services as debt counselling, business development services and entrepreneurship training.

The proportion of immigrants in total number of loans disbursed was around 30% in Sweden in 2009, which is a relatively high number in European terms.

Women represent around 42% of total loans, which constitutes also a relatively high number in Europe. This is in line with the groups that institutions declare to target: 100% target ethnic minorities and/or immigrants, and 75% target women. However, the proportion of loans to young (less than 25 years) is almost non-existent.

Average interest rate was 6.7% in 2009, below the European average of 9%. The depth of outreach translates in an average loan size of around 40% of GNI per capita, putting the country's institutions on an average position on European terms.

In synthesis, we can note that there are no major microcredit programmes in Sweden, and commercial banks do not show interest in microcredit. The market is dominated by a public financial institution (ALMI), which is not dedicated to microcredit, but also to credit to SMEs. Even the Ekobanken demands some type of collateral, which is not usual in microcredit, showing that the actors are not particularly oriented to microcredit.

The reasons why microcredit is not very developed in Sweden can be found also in the complexity of the procedures to create a business, in high tax rates, in a business environment dominated by large firms, and in unemployment policies that do not favour self-employment. However, institutions show a strong dedication to serve immigrants.

Table 9 - Main institutions in the Sweden microcredit market

Type of Institution	Names
Public financial institution	ALMI
Banks owned by the members	Ekobanken, Jak Bank, Savings banks
NGOs	NEEM and Basta Cooperative

Poland

The analysis of the Polish microcredit market is based on Szostek (2010) and Bialus (2012). Poland is one of the European countries were microfinance is more developed. In 2011, only the loans of FM Bank (23,732) put Poland as the third European market.

Throughout this section we will use the 2004/05 EMN survey (Underwood, 2006) because is the more representative survey of the Polish market since it covers three of the most important institutions providing microcredit (all NGOs): Foundation for the Development of Polish Agriculture (FDPA), Inicjatywa Mikro, and Rural Development Foundation. According with this survey, in 2005 Poland was the largest market with a total of 9,724 loans (36% of the total loans disbursed in all countries in the survey).

The transformation from a centrally planned economy to a market economy in the 1990s favoured the development of microcredit, because the access to finance from traditional banks was difficult.

Even though there is no specific legal framework for microfinance, in general it is relatively easy to create a MFI and to conduct its activities. MFIs have access to credit bureau data if they make a contract with the entities providing this service. Nevertheless there are some limitations to microcredit activity. In 2006 it was created an anti-usury law that caps loans' interest rates, which has been limiting the growth of microcredit activity (Szostek, 2010). Moreover, non-bank MFIs have additional difficulties compared with banks, like for example the fact that loans loss reserves do not diminish taxable income.

The main players in the microcredit market are commercial banks (profit-oriented), credit unions, specialised microcredit banks, loan funds, and other organisations supported by the government. We will start by describing the least important institutions, leaving the most important for last: loan funds and credit unions.

The first specialised microcredit bank was recently created, the FM Bank. It is specialised in small and micro entrepreneurs.

The providers of microfinance services supported by the government are the Polish Agency for Enterprise Development (PAED), which attributes grants and provides other services to SMEs (and not specifically to micro-firms), the National SME services Network (KSU), which provides non-financial services to micro and SMEs, and the consultation centres (PK), which are the first contact of micro and SMEs for matters related with entrepreneurial activities.

Loan funds, grouped in the Polish Association of Loan Funds, finance and provide guarantees to micro and SMEs for investment and working capital. The association represents and supports loan funds (75 funds in 2007) operated by non-governmental and non-profit organisations. Association's members finance SMEs and some finance microenterprises. They operate locally and their clients have difficulty in accessing to the commercial banking system. Some of the members of the association are MFIs, of which the most important is Fundusz MIKRO that is changing status to become a microfinance bank.

The leading microcredit providers are Fundusz Mikro (FMK), Inicjatywa Mikro (IM), Rural development foundation (FWW) and Foundation for the development of Polish Agriculture (FDPA). The first two are non-banking financial institutions, and FMK is the most important MFIs: it has disbursed 71% of the total loan funds in 2006 (Szostek, 2010).

The mission of FMK is to develop the private sector by granting micro and small loans to businesses (investment and working capital). It was funded in 1994 with capital from American funds and has a network of local offices (37 in 2006). It grants individual and group loans, but individual loans are the most popular. In individual loans, collateral is given by guarantors or by fixed assets and/or real estate. Forty percent of the clients are first time clients, because many go to the traditional banking sector after some years of microcredit.

FMK fixes interest rates to cover all costs in order to maintain its sustainability. This allowed the organisation to achieve in 1998/99 operational self-sufficiency, and to reach a return on assets (ROA) of 1.93% in 2006. FMK does not target the poorest of the population, which the organisation think should be helped by the state, focusing instead in micro-entrepreneurs who are able to develop a business.

IM started operating also with American funds and with a focus on the Southern region of Poland that is the poorest of the country. The target is also micro-entrepreneurs that do not qualify for credit in commercial banks. Its ROA was 4.98% in 2006.

The Rural Development Foundation's mission is to promote economic development in rural areas and small towns. Similarly, FDPA's mission is to sustain the transition to a market economy in the agricultural and food sectors, and promote rural development. Clients are entrepreneurs living in rural areas, whom benefit from loan procedures that are simpler than in the banking sector.

The average interest rate in Poland was the highest in Europe (22%) – this was before the anti-usury law of 2006. The depth of outreach indicator (loan size to GNI per capita) was around 40%, similar to the European average.

After looking at the main loan funds, we now analyse credit unions that had a very fast growth since 1992. They are organised in a national association of cooperative savings and credit unions (SKOK). CUs offer financial products (loans and savings) similar to banks, both for businesses and mostly for consumers. But they differ from banks in that they are the largest microfinance provider reaching the poorest of the population, even though there are not much data on their exact outreach (Szostek, 2010). Micro-business owners may represent a large part of CUs' members.

Even though they dominate the overall credit market, commercial banks have a limited offer of loans to micro-entrepreneurs, as they have difficulty in managing the risk of these clients. In contrast credit unions, MFIs, and loan funds serve mainly the non-bankable clients (micro-entrepreneurs and disadvantaged people). But clients requiring loans smaller than 20,000 euros have difficulty in accessing credit, and there is also difficulty in accessing to credit in some regions. [16]

FM bank is the first specialised microcredit bank and it reached a large dimension: 23,732 loans and 100 million euros disbursed of loans in 2011.[17] Its mission includes job creation, micro-enterprise and SMEs promotion, and financial inclusion. The bank reported only business purpose loans. The

[16] http://www.european-microfinance.org/index.php?rub=microfinance-in-europe&pg=microfinance-by-country&cpg=35

[17] The description of the FM Bank is based on the 2010/12 EMN survey.

average dimension of loans corresponds to 27% of GNI, a value below the European average. The bank also offers savings products insurance and current accounts. The average interest rate is 12%, a value not very high if we compare with Romania and Bulgaria. The portfolio at risk in 30 days is 12%, a value similar to the European average.

Funds financing microcredit are public national and regional funds, private funds and international funds. Foreign funds, from EU, US and Germany have played an important role in the development of microcredit in Poland. In 2006, EU structural funds and other foreign funds represented around 44% of the loan funds (Szostek, 2010).

There is a large potential growth for microcredit in Poland. The scale up of operations and cooperation between banks, CUs and specialised non-bank financial institutions are the main challenges to the sector (Szostek, 2010).

In sum, the level of development of microcredit in Poland has been favoured by the historically low development of the banking sector. Our opinion is that the success of microcredit in Poland is related with the existence of a diverse set of institutions granting microcredit: commercial banks, specialised microcredit banks, CUs and loans funds (Table 10). Some MFIs are dedicated to serve rural areas, and there is one large MFIs that has reached a considerable size exploring scale economies (FMK). Finally, CUs have played a central role in reaching the poorest clients. A drawback of the market is the high average interest rate practiced by institutions, mainly before the anti-usury law of 2006.

Table 10 - Main type of institutions in the Polish microcredit market

Type of Institution	Targeted clients	Other Characteristics
Commercial banks	Bankable	Difficulty in dealing with micro-entrepreneurs
Specialised microfinance banks	Non-bankable clients	- Most recent players - Specialised in micro and small firms
Loan funds		- Grant loans and guarantees - Business loans - Some funds are specialised in rural areas and agriculture
Credit Unions		- Largest microfinance providers - Reach the poorest clients - Business and mainly consumer loans.

Romania

The study of the Romanian Microcredit market is based on Doiciu and Bialus (2010) and Doiciu (2012). After 1992, in Romania there was a large demand for credit, but commercial banks were focused on large and SMEs, thus creating an opportunity for microcredit growth. However, during the recent financial crisis (2008-10) the microfinance sector contracted, as financial institutions tried to reduce risk exposition. Anyway the Romanian microcredit market is the seventh largest of Europe with 10,983 loans in 2011, and was also one that most grew in 2010-11. This growth is explained by access to European Progress Microfinance Facility (EPMF) funding (Bendig, Unterberg, & Sarpong, 2012). [18]

In 2005 it was created a legal framework for the microfinance sector, which recognizes microfinance as part of the financial sector. MFIs are treated as non-banking financial institutions (with the exception of the Centre for Economic Development (CDE) that is a NGO), under the supervision of the National Bank of Romania (NBR), and subject to rigorous reporting requirements. However, they cannot receive deposits and there is no interest rate cap. This legal framework made the sector more attractive and improved transparency and governance, leading to the creation of more than 20 new MFIs (Doiciu and Bialus, 2010). The Romanian case shows the importance of comprehensible and helpful legislation for the development of the microfinance sector.

The main actors in the sector are the Romanian Government, credit unions, credit cooperatives, SMEs Banks, commercial banks and mostly NBFIs. The Romanian Government provides technical assistance, created a supporting regulation and legal framework, and with the help of international organisations shaped several microcredit programmes. One of the most important programmes is the Romanian microcredit scheme, which with the support of EBRD and European Commission, and a syndicate of commercial banks finances local banks and NBFIs, so they can in turn finance micro and small enterprises. Other important programmes (some implemented through MFIs) are the mine closure and social mitigation project; rural development project with a micro-credit component; and micro-credit programme for the unemployed.

In articulation with the Romanian government, European Union grants financial and technical help to MFIs (example: Jasmine technical assistance, Progress financial and guarantee facility), which has allowed the growth and sustainability of the sector.

[18] The 2010/11 EMN survey includes 9 institutions, among which is NARCU. But NARCU is removed from the statistics referring to the number of loans because of double-counting and biases due to the large number of loans disbursed by the association members

There are also more than 2,000 credit unions and 840 credit cooperative banks that also offer microfinance products. Credit unions are grouped in the National Association of the Romanian Credit Unions – NARCU, which is the major supplier of microcredit to consumers. In concrete, credit cooperative banks finance activities through contributions and deposits from members, and re-invested profits. They grant loans both to members and non-members.

In turn, we have two SMEs Banks: Procredit Romania that has evolved from a NBFI, and Transilvania Bank. Commercial banks also provide microloans, especially in urban areas.

NBFIs are specialised in microfinance and were established in the nineties with the financial and technical help of international microfinance networks. Initially, they were NGOs, but latter transformed to NBFIs due to legislation change. The recently created NBFIs are focused on consumer finance. Microcredit is also available for the housing market through Express finance (a NBFI) and NARCU. The four largest MFIs (loan portfolio larger than €5,000,000) are Express finance (CHF), CAPA finance (Business Consultancy and Training for Entrepreneurs), OMRO (Opportunity Microfinance Romania), and CDE. Commercialisation is a strategy of almost all medium and large MFIs, which some combine with social orientation. Three of the largest MFIs (excluding CDE) are social and commercial oriented. There is a large NGO (CDE) and two more small and medium NBFIs exclusively social oriented. Recent MFIs are small and medium and commercial oriented.

The 2010/11 EMN survey comprises 89% of NBFIs and 11% of government bodies (Table 13). 75% of the institutions that responded to the survey are profit-oriented. All firms have as mission microenterprise and SMEs promotion and job creation, while social inclusion and poverty reduction is a mission shared only by 56% of the organisations (but a value still above the EU average) – Table 2. The large majority are dedicated more than 75% to microcredit (Graph 7).

There are three microfinance models used by the main MFIs: individual lending, group lending, and individual lending through business services organisations. In individual lending collateral is given by endorser statement, bill of exchange, cheque or mortgage. For small loans (less than €2,000 euros) usually no collateral is required.

Business services organisations do the marketing of products, identify and recommend potential customers to MFIs, and help clients to fill loan applications. Then, the MFI decides on credit granting. All MFIs provide basic business advice, and most provide training on business plan creation and business management. More complete BDS and entrepreneurship training is provided only by 11% of the surveyed organisations (Table 4). Also, only 44% of the institutions offer other services, with personal microloans (44%) and savings products (33%) being the most offered services (Table 5).

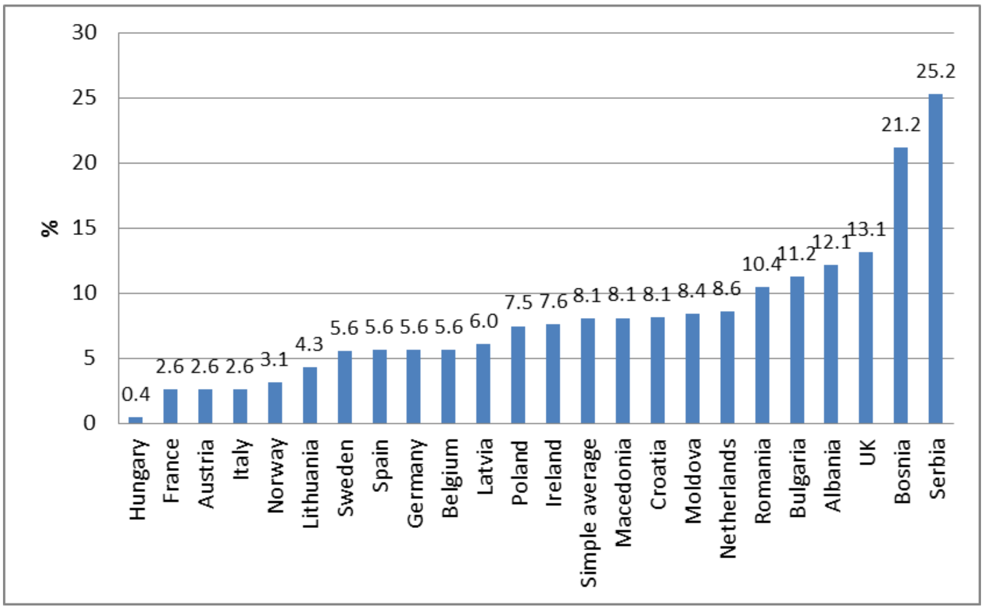
A large number of micro and small entrepreneurs are not served by commercial banks due to high administrative costs. NBFIs, CUs and cooperative banks fill the gap by providing microcredit.

NBFIs are oriented to micro-entrepreneurs and social microcredit does not seem to be very present. The main target groups are micro and small entrepreneurs, farmers and entrepreneurs in rural areas, women at risk, and unemployed. There are target initiatives to women, farmers, and former miners. LAM, FAER (Foundation for the Promotion of Agriculture and Regional Economy) and CDE target entrepreneurs in agriculture; Integra targets women at risk; and CDE focus on the economic development of Gypsies. Unemployed are targeted by government programmes implemented through MFIs. An example is the programme for former miners through Express Finance and CDE. Overall, 95% of the loans are for businesses (Graph 2), 73% of total loans were disbursed to non-bankable clients (Graph 1), and 29% to clients below the poverty line (Table 3). The two latter values are above the respective European averages, and demonstrate the orientation of the market to lower segments of the market.

All of the eight largest and most mature MFIs are operational self-sufficient – they are able to cover operational costs with operational revenues (from the loan portfolio). The 2008/09 EMN survey points for a 101% self-sufficiency rate (Graph 5). Such a high figure may be due to the fact that the majority of the institutions are regulated NBFIs (Jayo, González, & Conzett, 2010). Though, in

2011 the average interest rate was 16%, corresponding to a spread towards the IMM rate of 10.43 p.p., which is relatively high even for a Western European economy (Graph 8). This means that institutions self-sufficiency has been reached partially at the expense of relatively high interest rates. In terms of portfolio at risk in 30 days the average indicator is 12%, very similar to the European average.

Graph 8 – Interest rate spread towards IMM rate



Source: calculations based on the data from EMN 2010/11 survey (Bendig et al, 2012).

The three-month interbank rate is used to explain the microcredit interest rate and was retrieved from Eurostat, with the exception of Norway where it was obtained from OECD. For Albania, Bosnia, Macedonia, Moldova and Serbia the interbank rate was not available and we used instead the deposits rate from WDI.

As a synthesis of the market, we can underline the importance of good regulation to support market development, namely the possibility of MFIs becoming NBFIs facilitates their financing through investors and banks, and allows them to offer complementary savings products. In Romania, microcredit is not limited to MFIs, but commercial banks, CUs and cooperatives are also active in the market. Interestingly, the orientation to commercialisation of the large majority of NBFIs and their good level of operational self-sufficiency does not prevent them to reach the non-bankable clients and to serve particularly deprived groups, even though at relatively high interest rates. Finally, the importance of international support, especially from EU, has been central for the development of the sector.

Hungary

The study of the Hungarian microcredit market is supported by Kovács (2010) and Szekfü and Göde (2012). As seen above, microcredit is less developed in Hungary than in other European countries: only 414 loans were disbursed in 2011. The 2010/11 EMN surveys 15 institutions, 89% being NGOs or foundations and 11% credit unions/cooperatives. No one of these institutions is profit-oriented, and all of them dedicate more than 75% of their activity to microcredit.

There is no legal framework for microcredit, but the legislation does not prevent the creation of microcredit banks. The law exempts foundations granting microcredit from some obligations applicable to financial institutions, which allows them to grant microcredit in more favourable conditions than financial institutions. In sum, the legal framework is not the major obstacle to the development of microcredit in Hungary (Kovacs, 2010).

The main actors in the market are the Hungarian Microfinance Network (HMN) (also called Hungarian Enterprise Promotion Network Consortium), the Hungarian foundation for enterprise promotion (HFEP), and traditional banks (commercial and savings banks). The HMN includes around 20 local foundations (also called Local Enterprise Agencies – LEAs), which are NGOs with an independent status, and the most important organisations in the microcredit sector. After 2003, foundations started to be able to grant loans without the support of commercial banks, but they cannot receive savings. The LEAs collaborate with the HFEP in the management of the National Microcredit Scheme, but also manage local microcredit funds. Between 2000 to 2005, a more centralised model with a National Microcredit Fund was in place, but the success was smaller than the decentralised model. LEAs also receive funds from donors (Ex.: IBM) to grant microcredit. Moreover, saving cooperatives have been cooperating in terms of loans activity with the HMN.

Please note that the foundations have a more general function of support to firms, as management of business incubators and industrial parks, training, supporting, and drawing of development programmes, with microcredit being only one of their services.

The Hungarian Foundation for Enterprise Promotion (HFEP) is a non-for profit organisation that grants microcredit and manages the National Microcredit Scheme, and is under supervision of the Ministry of Economy and Transport. HFEP collaborates with the LEAs that realize the contact with micro-entrepreneurs, carry out the loan assessment, and approve the credit, which should be subsequently approved by the HFEP.

The competition between traditional financial institutions, as banks and savings cooperatives, has being increasing, leading them to grant more credit to bankable small and micro entrepreneurs. Banks also participate in the programme Jeremie, but mainly in the segment of larger loans. In sum, we can argue that the *profit*-oriented sector of microcredit to non-bankable clients is very limited (Table 11).

European Union financing and support has been essential for the development of microfinance in Hungary. For instance, microfinance activity started with the support of the PHARE international programme of help to the Hungarian economy. Another example is the Jeremie Programme from European Institutions that has helped since 2008 to promote microcredit and to broaden the sector. This programme invited the profit-oriented actors to perform microfinance by ensuring a reasonable level of profitability (difference between the low financing interest rate and the interest rate paid by the client).

Regarding outreach, the majority of the programmes intend to promote entrepreneurship, whereas programmes with social objectives are limited. Institutions most chosen missions are microenterprise promotion (100%) and SMEs promotion (78%) – Table 2. These missions translates in 95.6% of the disbursed loans to be directed to business purposes – Graph 2. Due to the

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

focus on microenterprise promotion, the average loan size to GNI per capita is 97%, the second largest in the surveyed European countries (Graph 3). Around 80% of the institutions follow a microenterprise lending model oriented to near-bankable clients. Credit to clients below the poverty line or minorities/immigrants is negligible (Table 3). However, The HFEP and the LEAs have products for target groups like female entrepreneurs.

A large percentage of MFIs (67%) do not offer other services, and among the ones that offer them, insurance is the most commonly offered product (22% of the institutions offer it) - Table 5. In contrast a large percentage of institutions offer BDS (67%) and entrepreneurship training (56%) – Table 4. This fact is explained by the large focus of LEAs in fostering enterprise creation.

The average interest rate charged by institutions is 7%, a relatively low value for a CEE country (Graph 4). The PAR30 ratio is 15%, a relatively large value (Graph 6), but the write-off ratio is only 3%.

Financial sustainability of programmes is difficult to assess, but during the decentralised period (1992-2000) the Hungarian programme was financial sustainable (Kovacs, 2010). After the centralisation in 2000, the costs of the central management increased considerably, leading back to a more decentralised model in 2005. The 2008/09 EMN survey points for a self-sufficiency rate of 95% (Graph 5).

Despite the support of European institutions, the obstacles to the development of microcredit in Hungary are considerable and can be grouped in the following points (Kovacs, 2010): a complex tax system, which makes the creation of a new businesses a risky undertaking; absence of enough support to microcredit programmes; the national microcredit programme and LEAs management could be rationalised; and absence of enough capital to provide sustainability to microcredit operations. We can add that the temporary centralization of the microcredit organisation was not successful and that commercial and savings banks are not sufficiently engaged with the market. Organisations are focused on microenterprise promotion and in near-bankable clients, leaving the lower end of the microcredit market segment with a low offer of products.

Table 11 - Role of main institutions in the Hungarian microcredit market

Institutions	Role
Hungarian Foundation for Enterprise Promotion, Local Enterprise Agencies, and Hungarian Microfinance Network	- Microcredit to non-bankable micro-entrepreneurs.
Commercial and savings banks	- Microcredit to bankable small and micro clients - Savings banks cooperate in terms of loan activity with the Hungarian Microfinance Network

3. Conclusion

Even though our above analysis shows that national differences are large and the most important institutions are distinct in each country, we can draw some overall conclusions. Firstly, the general economic environment affects the development of microfinance. An example is the case of Sweden where bureaucracy, taxes, entrepreneurial environment, public policies (which do not favour the creation of own employment as a way of reducing unemployment) have hampered the development of microcredit. Another example is the recent financial crisis of 2008 that lead to a reduction of microcredit in some countries (examples are Spain and Romania). Furthermore, the level of development of the banking system also affects the microcredit market, as there is some substitutability between the formal banking sector and the microcredit sector. In Eastern Europe microcredit volumes are larger than in Western Europe due to the historically lower development of the banking sector. Moreover, in the UK the decrease in banking credit during the 2008 crisis lead to an increase in the demand of microcredit.

The concept of financialisation of the economy points for a large growth of finance. However, the finance serving the poor is not particularly attractive for commercial banks due to low profitability and high risk. Commercial banks show more interest in the microcredit segment when the coverture of risk is ensured by the State. Instead, the public sector, the non-for-profit MFIs, savings banks and CUs are key drivers of growth in the microfinance sector. On the one hand, national public and EU funds and support are a key element to create and sustain the sector, filling the gap left by a market failure. Other Government policies to foster microcredit include the creation of guarantee funds and coverture of risk, simplification of processes to create micro and SMEs, tax incentives to microfinance, and the orientation of social policies to favour self-employment. Public policy is also important in creating a friendly regulatory environment for MFIs and micro-entrepreneurs. For instance, in France the authorisation of MFIs to borrow in order to lend to micro-entrepreneurs and social excluded persons was an important step in the development of the sector. Another example is Romania were the transformation of MFIs in NBFIs, under a rigorous supervision of the central bank, made the sector more attractive, improved governance, and the quantitative and qualitative offer of microfinance products.

Public policies may instead create difficulties to the microcredit sector. For example, in Hungary the lack of adequate public national policies for microcredit has not favoured the growth of the sector. In Poland, interest rate cap has been an obstacle to the development of the sector, while non-bank MFIs are subject to rules that create a competitive disadvantage *vis-à-via* banks.

Among the studied countries, EU funds are particularly important in CEE countries and Spain (also a cohesion country). However, reliance on public money may lead MFIs not to make the correct selection and monitoring of clients, increasing default rates (Garrido et al, 2010).

One of the main threats to the sustainability of many microcredit programmes (especially in Western Europe) is that they depend on public grants of limited duration, and are not able to sustain their activities when these funds end (Evers and Lahn, 2010). The rationalisation of the management of the microcredit network in some countries, like Hungary, may also contribute to improve the sustainability of institutions. Public policies should also take into account that an abrupt reduction of financing to the microcredit sector may jeopardize institutions and much of the achievements realised up to the present. Additionally, many MFIs are not specialised in microcredit, thus preventing the reduction of costs achieved through specialisation and scale. Theory says that an increase of institutions' specialization may contribute to improve their sustainability. However, the countries study does not show a clear relationship between specialisation and sustainability, with a low specialisation of institutions in Germany not leading to low operational self-sufficiency, while a large degree of specialisation in France is associated with a low operational self-sufficiency. The relationship between specialisation of institutions and the market size is also unclear, as France, Spain and Germany have all large markets and different degrees of institutions' specialisation.

A factor that seems to be common to all large microcredit markets in Europe is the existence of some large size institutions operating in them: ADIE in France, development banks in Germany, savings banks in Spain, Fundusz Mikro in Poland, and four large MFIs in Romania.

In France and the UK the high focus on poor clients seems to imply high credit risk and low sustainability of operations. However, the UK is characterised by a high average interest rate, while France has a low interest rate. These two countries show that the absence of interest rate caps may be compatible with high or low average interest rates.

On the other hand, the collaboration of MFIs with banks and the participation of banks in the microcredit sector is also a factor that enhances growth. Savings banks and CUs have a special vocation to serve this market segment. Savings banks are important in Spain, CUs are key in Poland and Romania, and development banks are central in Germany. In Poland, CUs are also very relevant in reaching the poor clients. Finally, in the smaller markets of UK, Sweden, and Hungary there is a small participation of commercial banks, savings banks, cooperative banks and CUs in the microcredit market.

We can note that the small dynamism of the microcredit market in the UK, Sweden and Hungary is associated with the absence of profit-oriented institutions. Yet, we cannot draw immediate conclusions from here, as the lack of profit-oriented institutions is not associated with a small microcredit market in France and Spain.

Moreover, profit orientation in Germany is associated with a small target of poor clients, but the same does not occur in Romania. Likewise, profit-oriented institutions may be associated with interest rates at an average level (*eg* Germany), while non-profit oriented institutions may be linked with high interest rates (*eg* the UK).

Serving a large proportion of poor clients is associated with a high credit risk and low operational self-sufficiency in France and the UK, but not in Romania. In general CEE countries have a good level of operational self-sufficiency.

The smallest microcredit markets of the UK and Sweden seem to be oriented to serve specific target groups, the poor, immigrants or women.

Local presence through a network of branches seems to be important for MFIs, as the case of ADIE in France shows. In terms of marketing, around 30% of MFIs declared that community outreach is one of the most successful marketing methods (2008/09 EMN survey). Local knowledge can also be achieved by collaborating with social support institutions that help to reduce operational costs and screen and support clients. A proof of this was that in Hungary the temporary centralisation of the microcredit structure did not produce good results. In terms of marketing, referrals from business support centres, employment centres and community support organisations is pointed by 45% of the institutions as one of the most successful marketing methods. Interestingly, in Spain social support organisation started their programmes with own funds when savings banks reduced microcredit during the recent 2008-10 financial crisis.

In several European markets, as France, Germany and Poland, we observe that types of institutions segment the market in near-bankable clients and non-bankable clients. Some institutions' types are dedicated to the former segment and others to the latter. The existence of a diverse set of institutions tends to guarantee a good coverture of the several layers of the microcredit market. The offer of diverse microcredit products, as microloans, zero interest rate microloans, and guarantees, may too be an important contribute to create dynamism in the market, as the French case shows.

The majority of the microcredit programmes in Europe target micro-entrepreneurs, which are not the poorest of the poorest, and social microcredit is much less developed. These two elements should be addressed by public authorities. Since programmes are essentially directed to micro-entrepreneurs, the poorest that typically lack entrepreneurial skills need BDS in order access to micro-credit. Consequently, a large number of MFIs also provide business support services.

4. References

Bendig, M., Unterberg, M., & Sarpong, B. (2012). Overview of the microcredit sector in the European Union. European Microfinance Network.

Bialus, D. (2012). Country Profiles: Poland. In M. Bendig, M. Unterberg, & B. Sarpong, Overview of the microcredit sector in the European Union 2010/11 (pp. 75-77). European Microfinance Network.

Doiciu, M. (2012). Country profiles: Romania. In M. Bendig, M. Unterberg, & B. Sarpong, Overview of the microcredit sector in the European Union 2010/11 (pp. 77-79). European Microfinance Network.

Doiciu, M., & Bialus, D. (2010). Microcredit in Romania. In B. Carboni, M. Calderón, S. Garrido, K. Dayson, & J. Kickul, Handbook of microcredit in Europe (pp. 306-328). Edward Elgar.

Evers, J., & Lahn, S. (2010). Status of microlending in Germany: an empirical survey of programmes in 2006. In M. Calderón, B. Carboni, S. Garrido, K. Dayson, & J. Kickul, Handbook of microcredit in Europe (pp. 164-187). Edward Elgar.

Garrido, S., Calderón, M., & Carboni, B. (2010). Microcredit in Spain the role of savings banks. In B. Carboni, M. Calderón, S. Garrido, K. Dayson, & J. Kickul, Handbook of microcredit in Europe (pp. 277-305). Edward Elgar.

Goggin, N., Dayson, K., & McGeehan, S. (2010). The microcredit sector in the Unieted Kingdom: the role of CDFIs. In B. Carboni, M. Calderón, S. Garrido, & K. Dayson, Handbook of microcredit in Europe (pp. 17-35). Edward Elgar.

Heipertz, J. (2012). Country profiles: France. In M. Bendig, M. Unterberg, & B. Sarpong, Overview of the microcredit sector in the European Union (pp. 63-65). European Microfinance Network.

Jayo, B., González, A., & Conzett, C. (2010). Overview of the microcredit sector in the European Union 2008-09. EMN Working Paper n.º 6.

Kovács, I. (2010). The microlending sector in Hungary: microlending to SMEs. In B. Carboni, M. Calderón, S. Garrido, K. Dayson, & J. Kickul, Handboolk of Microcredit in Europe (pp. 188-213). Edward Elger.

Kraemer-Eis, H., & Conforti, A. (2009). Microfinance in Europe: A market overview. Working Paper 2009/001. European Investment Fund.

Lämmermann, S. (2010). Microcredit in France: Financial support for social inclusion. In B. J. Carboni, M. L. Calderón, S. R. Garrido, K. Dayson, & J. Kickul, Handbook of Microcredit in Europe (pp. 36-60). Edward Elgar.

Lundin, J. (2010). Country profiles: Sweden. In B. Jayo, A. González, & C. Conzett, Overview of the microcredit sector in the European Union 2008-2009 (pp. 94-95). EMN Working Paper Nº 6.

Rico, S., & Muñoz, P. (2012). Country profiles: Spain. In M. Bendig, M. Unterberg, & B. Sarpong, Overview of the microcredit sector in the European Union (pp. 79-81). European Microfinance Network.

Swain, R. (2010). Microfinance in Sweden. In B. Carboni, M. Calderón, S. Garrido, K. Dayson, & J. Kickul, Handbook of microcredit in Europe (pp. 239-246). Edward Elgar.

Szekfü, T., & Göde, Z. (2012). Country profile: Hungary. In M. Bendig, M. Unterberg, & B. Sarpong, Overview of the microcredit sector in the European Union 2010-11 (pp. 67-69). European Microfinance Network.

Szostek, A. (2010). The state of microfinance in Poland. In B. Carboni, M. Calderón, S. Garrido, K. Dayson, & J. Kickul, Handbook of microcredit in Europe (pp. 329-362). Edward Elgar.

Thiel, V. (2012). Country profiles: UK. In M. Bendig, M. Unterberg, & B. Sarpong, Overview of the microcredit sector in the European Union (pp. 82-83). European Microfinance Network.

Underwood, T. (2006). Overview of the microcredit sector in Europe 2004-2005. European Microfinance Network.

5. Annex

Table 12 – Number of participating institutions in each country

Country	Number of institutions		Country	Number of institutions
France	9		Romania	9
Germany	33		Spain	13
Hungary	15		Sweden	1
Poland	1		UK	20

Table 13 – Types of institutions per country

	NGOs or Foundations	NBFIs	Microfinance associations	CDFIs	Credit unions / Cooperatives	Banks	Savings banks	Government bodies	Religious Institutions	Other
France	11	11	44	0	0	11	11	0	0	11
Germany	3	6	39	3	3	12	0	0	0	33
Hungary	89	0	0	0	11	0	0	0	0	0
Poland	0	0	0	0	0	100	0	0	0	0
Romania	0	89	0	0	0	0	0	11	0	0
Spain	53	0	8	0	8	8	15	8	0	0
Sweden	0	100	0	0	0	0	0	0	0	0
UK	15	0	0	80	5	0	0	0	0	0

Note: n=147. Source: EMN 2010/11 survey (Bendig et al, 2012)

Financialisation, Economy, Society and Sustainable Development (FESSUD) is a 10 million euro project largely funded by a near 8 million euro grant from the European Commission under Framework Programme 7 (contract number : 266800). The University of Leeds is the lead co-ordinator for the research project with a budget of over 2 million euros.

THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation? ; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?'

This project has received funding from the European Union's Seventh Framework Programme
for research, technological development and demonstration under grant agreement no 266800

THE PARTNERS IN THE CONSORTIUM ARE:

Participant Number	Participant organisation name	Country
1 (Coordinator)	University of Leeds	UK
2	University of Siena	Italy
3	School of Oriental and African Studies	UK
4	Fondation Nationale des Sciences Politiques	France
5	Pour la Solidarite, Brussels	Belgium
6	Poznan University of Economics	Poland
7	Tallin University of Technology	Estonia
8	Berlin School of Economics and Law	Germany
9	Centre for Social Studies, University of Coimbra	Portugal
10	University of Pannonia, Veszprem	Hungary
11	National and Kapodistrian University of Athens	Greece
12	Middle East Technical University, Ankara	Turkey
13	Lund University	Sweden
14	University of Witwatersrand	South Africa
15	University of the Basque Country, Bilbao	Spain

Published in Leeds, U.K. on behalf of the FESSUD project.