

REPORT | 17

ON THE IMPACT OF
MICROCREDITS



ESADE

Ramon Llull University

INSTITUTE FOR
SOCIAL INNOVATION

REPORT ON
THE IMPACT OF
MICROCREDITS
[2017]

Published by: MicroBank

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Fieldwork: STIGA

Design, layout and print: www.cegeglobal.com

L.D.: B 17502-2015

C/ Juan Gris, 10-18. Torre Centro, planta 10. 08014 – Barcelona

C/ Aduana, 18. 28013 - Madrid

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1. Executive summary

Profile of the recipients of MicroBank microcredits in 2017

The profile of the entrepreneurs who received a MicroBank microcredit in 2017 is as follows:

- The entrepreneurs are mostly natural persons (77%) and predominantly male (49% compared with 28% female). In 23% of cases, the recipient is a legal person.
- On average, they are 40 years old.
- They are Spanish (76%).
- They have completed secondary (41%) or higher education (37%).
- They were self-employed before launching their own project (64%).
- They have not managed a business before (61%).
- They are currently still employed by their own business (94%).
- They have launched their project to become more independent (22%), because they saw a clear opportunity in the market (21%) or out of necessity (17%).

The family situation of these entrepreneurs is as follows:

- They belong to a household consisting of between two and four members (79%).
- In 63% of cases, there are other household members apart from the entrepreneur who depend on the income obtained from the business.
- Their contribution to the family budget is greater than 50% in more than half of the cases.
- Their monthly household income is below €2,000 (for 47%).
- They just manage to make ends meet (46%).

Profile of the micro-enterprises set up or expanded with MicroBank microcredits in 2017

40% of the microcredits granted were used to launch new ventures while 60% were used to expand existing businesses.

The businesses set up or expanded with MicroBank microcredits in 2017:

- Only had one owner (73%).
- Were mainly involved in rendering professional services (52%) or retail trade (25%).
- Most are active in a local, town or city and/or district context (61%).
- Employed an average of 2.7 people per company, including the entrepreneur.
- 43% of the employees had permanent contracts.
- Required long hours: 68% of the entrepreneurs work more than 8 hours a day.
- The microcredit has funded the whole initial investment or expansion of 38% of the projects.

Functioning of the businesses

- 72% of the entrepreneurs interviewed in the survey considered their businesses worked well or very well.
- Most of the entrepreneurs thought their businesses would grow significantly or moderately (70%).
- The business generated sufficient income to repay the loan instalments for 90% of the entrepreneurs.
- 8% of entrepreneurs were unable to pay back a monthly instalment and for only 2% has the business not created sufficient income on an ongoing basis.
- The main causes for this were unforeseen circumstances or insufficient demand for the business.



Impact on the entrepreneurs’ socioeconomic situation

The data show that the impact of the microcredit on the entrepreneurs’ socioeconomic situation was mainly positive:

- 48% of the entrepreneurs thought their disposable income was higher due to having obtained the microcredit.
- Most of the entrepreneurs whose income had increased had reinvested it in their businesses. The average amount reinvested in the business was €20,637.
- 52% of the entrepreneurs interviewed in the survey thought that their current economic situation was better than it would have been if they had not applied for the microcredit.
- Most entrepreneurs thought that their quality of life had improved thanks to the microcredit (64%).
- In addition, 73% of them felt more capable and ready to face the future than before they obtained the microcredit.
- The main positive consequences of obtaining the microcredit for the entrepreneurs were as follows:
 - Having a more stable job situation,
 - Feeling more independent and in control of their own lives,
 - Feeling more in touch with their surroundings,
 - Being more confident about their own skills as an entrepreneur and business owner.

Impact on setting up companies and job creation

In addition to the distinctly positive benefits for the entrepreneurs’ socio-economic situation, **the microcredits have also proven to be a key tool in setting up and consolidating businesses and promoting employment:**

- 69% of the entrepreneurs who had set up a new business considered that it would have been difficult to have set up/expanded their businesses without having obtained the microcredit.

- The microcredit had contributed to strengthening their businesses according to 73% of the entrepreneurs.
- Due to obtaining the microcredit, most of the entrepreneurs could improve their businesses with more equipment or better premises, improve their efficiency and competitive edge, obtain more customers and/or increase their sales.

In addition, it should be pointed out that the companies set up or expanded with microcredits **have created an average of 1.37 jobs per venture.** Bearing in mind that 21,131 microcredits were granted in 2017, **this represents 29,029 jobs created.**

	Total sample
Number of entrepreneurs who have started a new business and are working as a self-employed worker in that business	297
Number of workers employed by the entrepreneurs in the sample since the microcredit was granted	802
Average number of new jobs across the whole sample	1.37375
Total microcredits granted in 2017	21,131
Total new jobs created in 2017	29,029

2. Microcredit recipients in 2017

2.1. ENTREPRENEUR PROFILE

In this first section we analyse the main socio-demographic aspects of the persons who were granted microcredits by MicroBank in 2017.

Gender

Men represented 49% of the whole sample while women accounted for 28%. The remaining 23% corresponded to microcredits granted to legal persons. This distribution follows the trend of previous years.

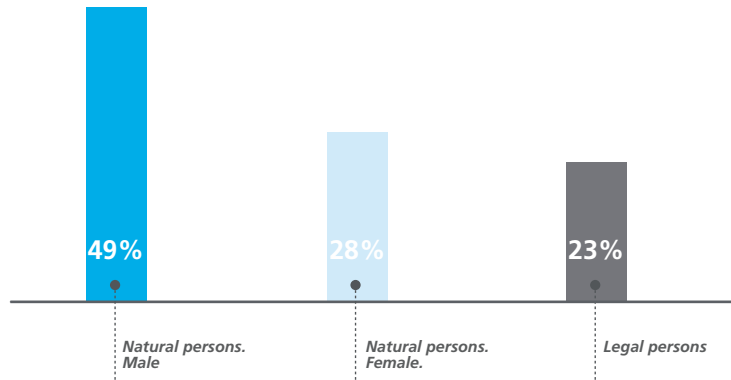
Age

Most of the entrepreneurs who obtained a business microcredit in 2017 were between 36 and 49 years old, followed by the segment of people between the ages of 25 and 35. It should also be pointed out that 19% were older than 50 years. The average age of microcredit recipients in 2017 was **40 years old.**

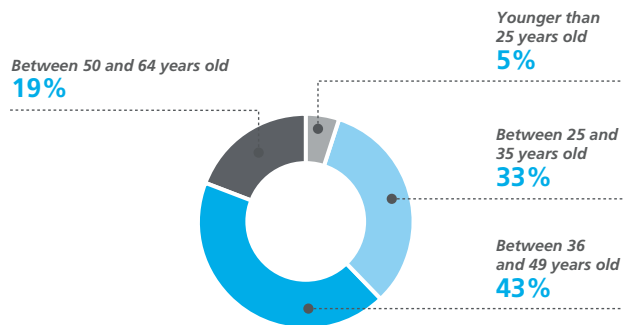
Education

41% of the entrepreneurs interviewed in the survey had completed secondary education, followed by entrepreneurs with higher education (37%). It should be pointed out in this respect that there has been a slight rise in the percentage of entrepreneurs with higher education compared with the previous year: 37% compared with 31%. As already noted in previous reports, the percentage of entrepreneurs who have not completed any education remained very low at 2%.

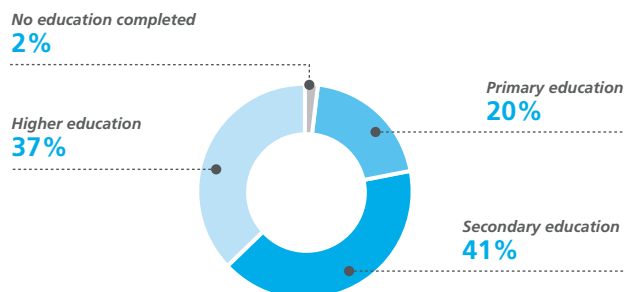
Entrepreneur gender



Entrepreneur age



Which is the highest level of education you have achieved?



Origin

Most of the entrepreneurs interviewed in the survey were Spanish, although there was an increase in entrepreneurs of foreign origin with respect to previous years. While in 2016 entrepreneurs from Spain accounted for 83% of the total, in 2017 they represented 76%. Following them, along the same lines as in previous years, were entrepreneurs from countries in America, representing 16% of the total. Their percentage has risen by four points with respect to 2016. Entrepreneurs from other European countries represented 5% of the total sample, while the percentage of entrepreneurs from Africa and Asia remained low at 2% and 1%, respectively.

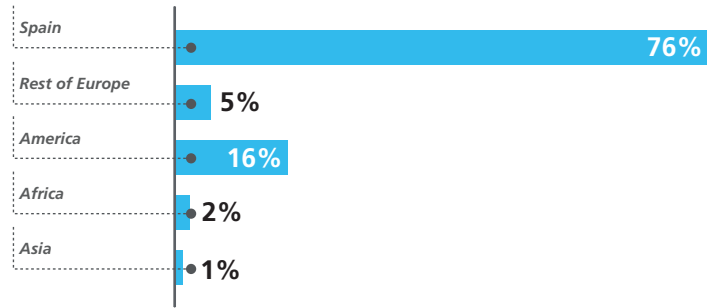
Apart from Spain, most entrepreneurs hail from Colombia, Venezuela, Romania, Ecuador, Morocco and Bolivia.

Previous employment situation

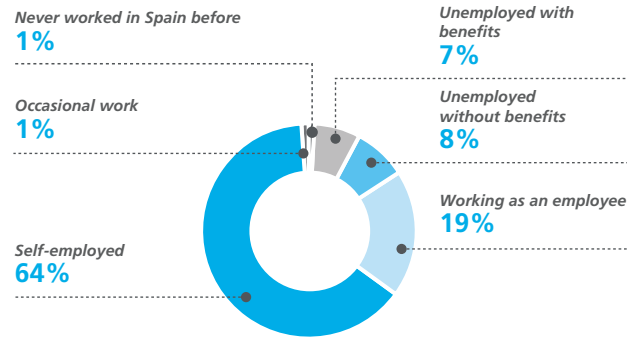
15% of the entrepreneurs had been unemployed (with or without benefits) before being granted the microcredit. This percentage is somewhat lower than in previous reports (in 2016 for example this percentage reached 20%). In addition, 64% had been self-employed while 19% had been working as an employee.

It should be pointed out that, of the persons who previously had been unemployed, **60% had been out of work for 6 months** and 30% had been without a job for more than two years. For this group of entrepreneurs, the microcredits were an opportunity to take part in a job market they had previously found very difficult to access.

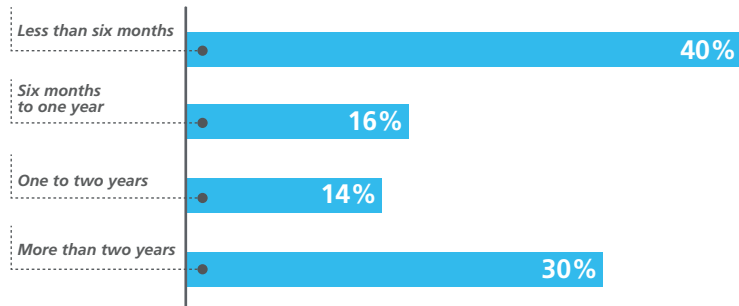
Origin of the entrepreneurs



What was your employment situation before applying for the microcredit?



How long had you been out of work before applying for the microcredit?





Prior experience

61 % of entrepreneurs had never run a business before. In the case of entrepreneurs who did have prior experience, it should be pointed out that, **in 57% of these cases, the experience was related to the business they had just set up.**

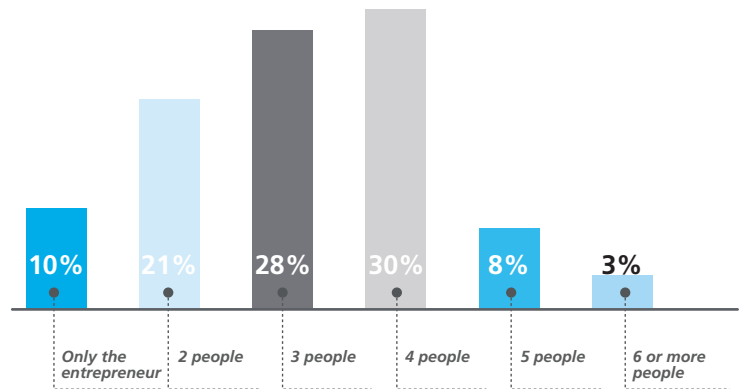
Economic situation and household income

79% of the households of the entrepreneurs interviewed in the survey consisted of between 2 and 4 people. 10% of the entrepreneurs lived alone while 11% lived in a household with five or more members.

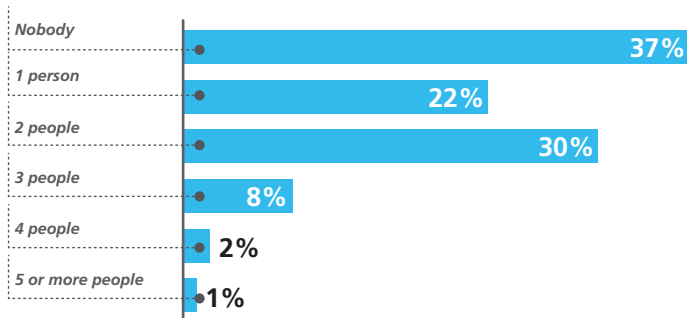
In 63% of the cases, there were more household members apart from the entrepreneur who depended on the income obtained from the business. In 22% of the cases, there was one other dependent person and in 30% of the cases there were two other dependent people. We can hence note the crucial importance of the business set up or expanded with the microcredit for the budget of most households in the sample.

In 25% of the cases, the contribution of the entrepreneur's income to the family budget was higher than 75%, while another 26% made up between 50 and 75% of these budgets. Only in 12% of all cases did this contribution account for less than 25% of the family budget. These figures underline the importance of the microcredit for the household budget of the aforementioned recipients.

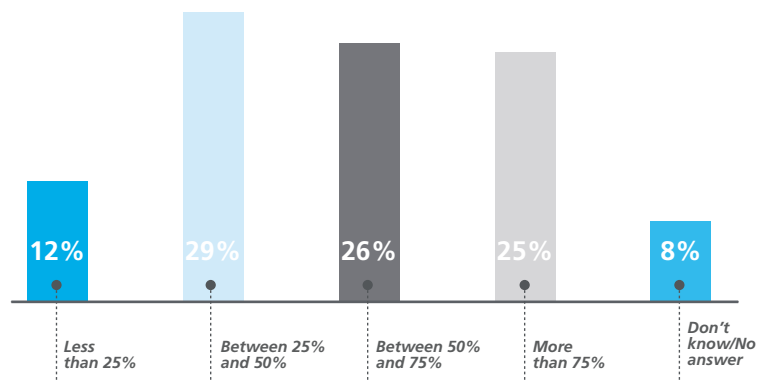
Including yourself, how many people live in your household?



How many people in your household are economically dependent on your income or that of other members of your family with an income? In other words, those who have no income of their own.



What contribution does your income approximately make to the family budget?



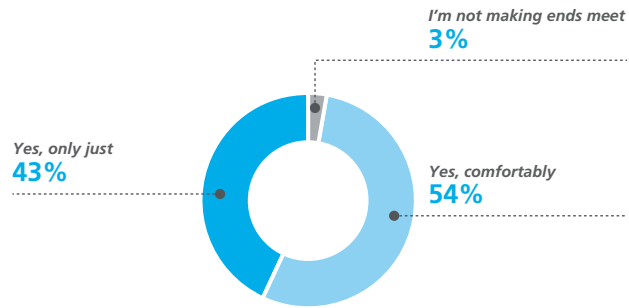
43% of entrepreneurs could just make ends meet and another 3% stated they could not make ends meet. The largest proportion, however, was that of people who could comfortably make ends meet, who accounted for 54% of the total. We note an improvement in the entrepreneurs' economic situation with respect to previous years. As an example, in 2016, 51% of the entrepreneurs surveyed stated they could just make ends meet.

47% of the households of the entrepreneurs interviewed in the survey had monthly income below €2,000, while the monthly income of the remaining 53% exceeded €2,000. Once again we note an improvement with respect to the economic situation of the entrepreneurs surveyed in previous years. However, it should be pointed out that 13% of households had income below €1,000 a month, while only 4% had income higher than €5,000 a month.

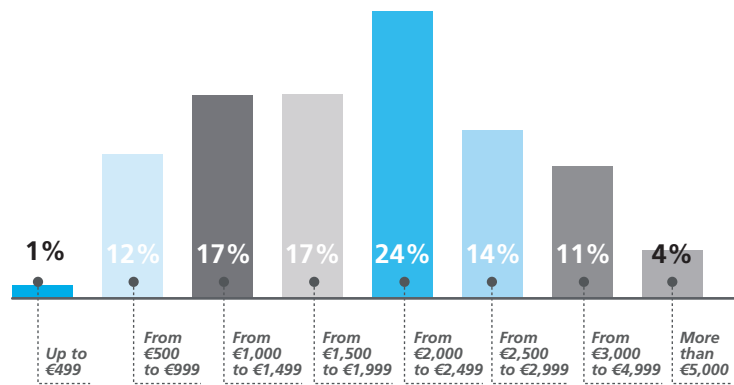
Reasons for starting the business

17% of entrepreneurs started their business out of necessity. This refers to people who started their business due to being unemployed or being worried about losing their jobs. In contrast, entrepreneurs who started their company because they saw a clear business opportunity accounted for 21% of the total. However, the largest group was made up of people who launched their project in order to become more independent and be their own boss (22%). There was also a significant proportion of people who did so out of their own will in order to be able to do something they enjoy (15%).

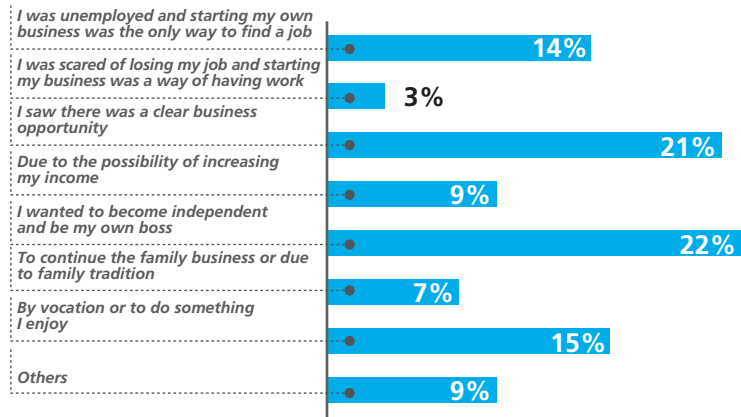
In general, would you say that you are making ends meet?



Could you please tell me the total net monthly income in your home?



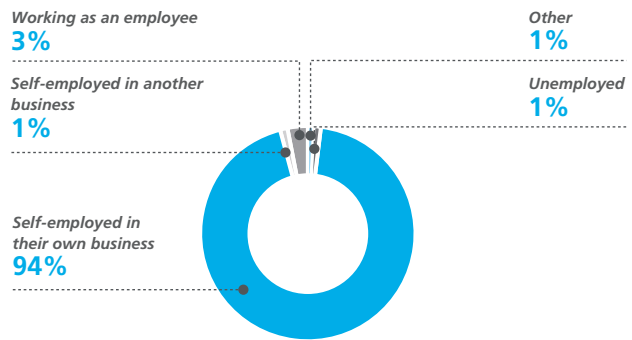
Could you please specify your main reason for starting your own business?



Current employment situation of the entrepreneurs

Consistent with the fact they had recently started or expanded their business, **94% of the entrepreneurs who obtained a microcredit in 2017 were currently self-employed in their own business.** Only 3% of entrepreneurs were currently working as an employee.

Current employment situation of microenterprise owners



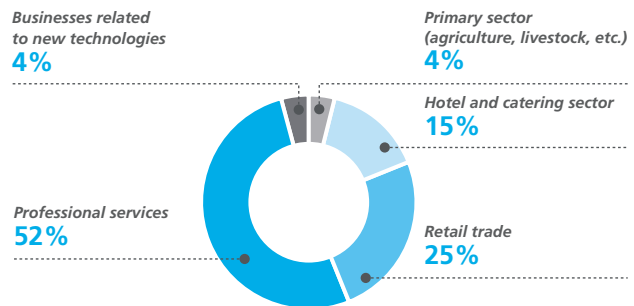
2.2. FEATURES OF THE BUSINESSES SUPPORTED WITH MICROCREDITS

Below we set out the main features of the businesses launched or expanded with MicroBank microcredits in 2017. Firstly, it should be pointed out that **60% of the microcredits granted were used to expand an existing business,** while the remaining 40% were used to launch new business ventures. Bearing in mind the microcredits had been recently granted, all the businesses were still running at the time this report is issued.

Business sector

52% of businesses set up with microcredits were involved in rendering professional services. These were very diverse businesses, from beauty parlours and hairdressing salons to delivery companies, advertising agencies or law firms. They were followed by the group of businesses related to retail trade, representing 25% of the whole sample, and the hotel and catering sector, at 15%. In line with the findings of previous editions of this report, businesses related to new technologies accounted for 4% of the total.

Sector of the businesses set up or expanded with microcredits



Business scope

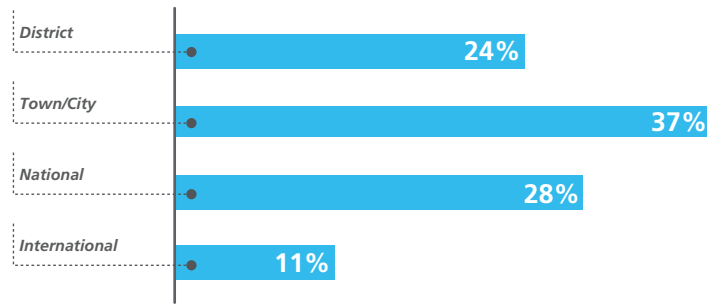
Most business operated within their town/city (37%) or district (24%). Businesses with an international presence accounted for 11% of the total sample while those operating nationally made up 28%. This distribution is consistent with the business sectors in which the companies set up or expanded with microcredits are engaged, as stated above.

Legal status and number of partners

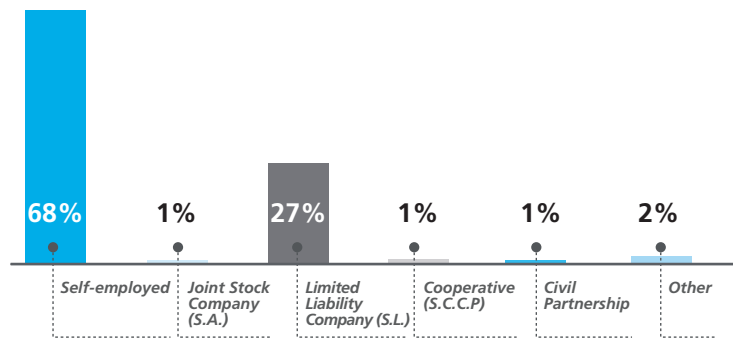
The entrepreneurs are self-employed in 68% of the businesses supported with microcredits. Limited liability companies, in 27% of the cases, were the most common legal status as this corresponds to the nature of the microcredit recipients.

In line with the predominance of self-employed workers, most businesses set up had **one sole owner (73%).**

Scope of the businesses

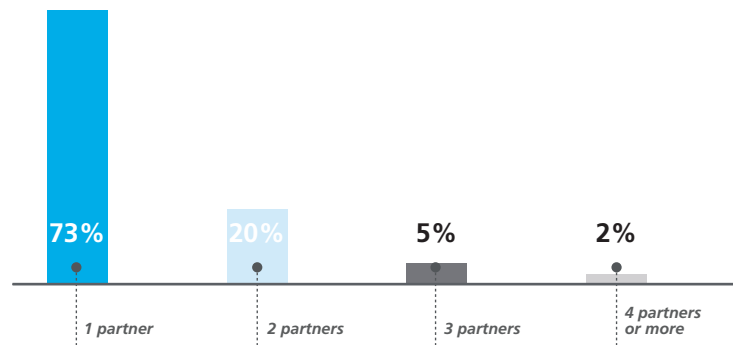


Legal status* of the businesses set up or expanded with microcredits



*Legal status at the time of the survey.

Including yourself, how many partners are there in your business?





Investment and financing of the businesses

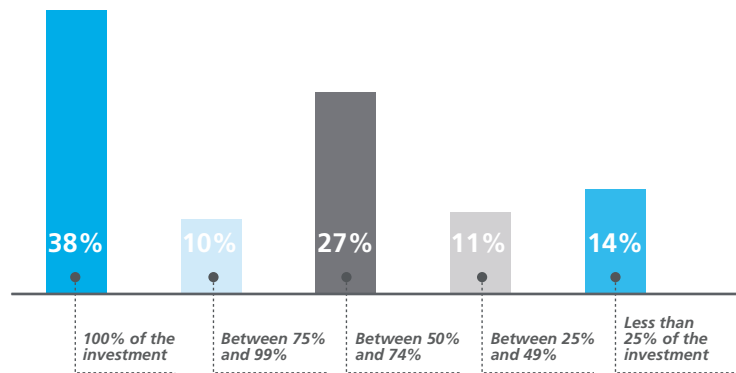
The microcredit represented 100% of the total initial investment or expansion for 38% of those surveyed and between 75% and 99% for another 10%. These data show the vital importance of the microcredit for setting up or growing these business ventures. For only 14% of projects did the amount of the microcredit account for less than 25% of the total initial investment/expansion.

In second place, entrepreneurs used their savings and own funds (52% of those surveyed), while only a very small percentage of entrepreneurs used other sources of financing. 5% capitalised their unemployment benefits while 3% have turned to commercial banks.

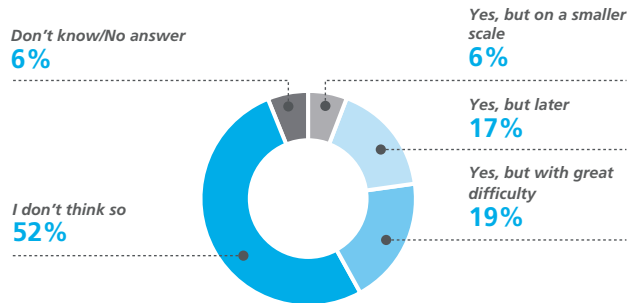
The great importance of microcredits for these businesses was shown by the fact that 52% of the interviewees in the survey said they could never have started or expanded their business without obtaining this microcredit. A further 25% said they could have started their business but with great difficulty or on a smaller scale.

We can note the same situation among entrepreneurs who launched new ventures: 69% of them stated they would not have been able to set up their business without being granted the microcredit and another 17% stated they would have been able to do so but with great difficulty or on a smaller scale.

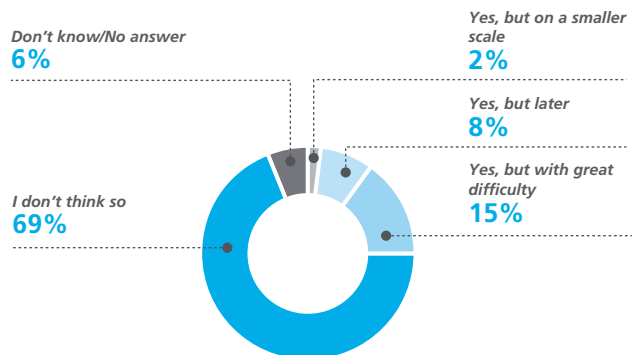
What percentage does the microcredit represent of the original investment/expansion?



Do you think that without the microcredit you would have been able to start/expand your business?



Setting up new enterprises: Do you think that without the microcredit you would have been able to start/expand your business?



Size of the businesses

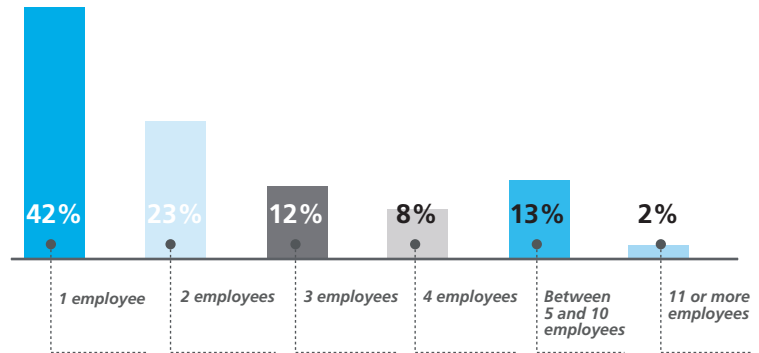
2,215 people were employed in the 800 enterprises set up or expanded that were included in the sample of this report. The average size of these enterprises was hence **2.7 employees per business venture.** It should be highlighted that 15% of the companies had more than 5 employees although most businesses (42%) employed only the entrepreneur who applied for the microcredit.

Among the business ventures that recruited employees, **43% had permanent employees,** a proportion that has risen from the 38% measured in 2016 and that may have been caused by the slight economic recovery currently enjoyed by Spain. 24% were temporary workers and another 31% were partners who work in the business.

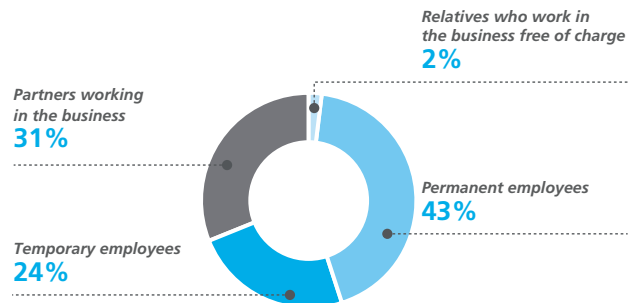
Working conditions

55% of entrepreneurs stated they spent between 9 and 12 hours per day working in the business and 3% even stated they worked more than 15 hours per day. Entrepreneurs not working full time only made up 7% of the total.

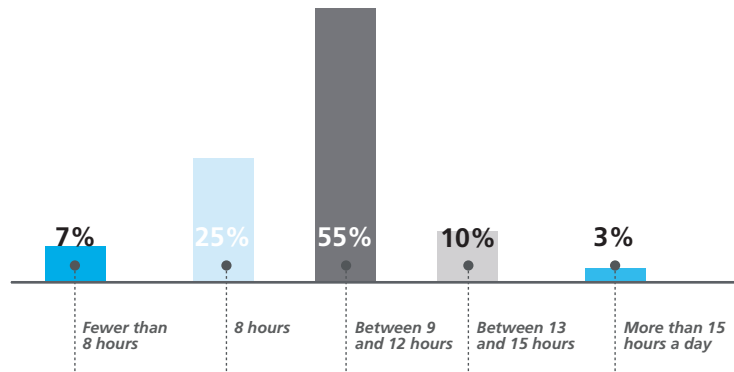
How many people work in the business, including yourself?



Regarding the employees you have mentioned in the previous question, how many are ...



On average, how many hours do [did] you work a day?



2.3. FUNCTIONING OF THE BUSINESSES SUPPORTED WITH MICROCREDITS

In this section we analyse the functioning of the businesses set up or expanded with microcredits granted in 2017. This analysis is based, on the one hand, on objective data (turnover or profit figures for the business, for example) but also takes into account the subjective opinions of the entrepreneurs (how well they think their businesses are working, what their outlook on the future is, etc.).

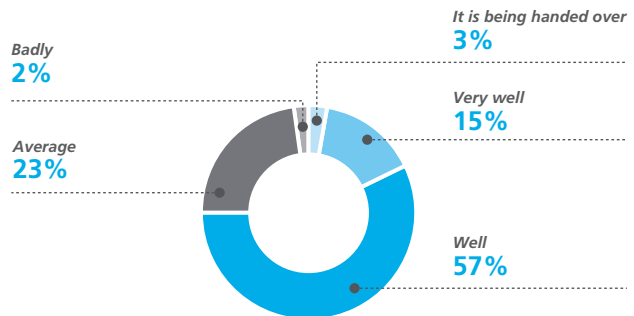
Firstly, it should be pointed out that **15% of the entrepreneurs considered their businesses worked very well while 57% considered they worked well**. Most entrepreneurs were hence optimistic about how well their businesses were working. Only 2% of the entrepreneurs considered their business worked badly, while 3% of the business ventures were currently changing hands.

Most entrepreneurs were also optimistic about the future of their businesses. The majority of them believed their businesses would grow moderately, at 40%, and 30% even believed it would grow substantially. No entrepreneur believed that turnover would drop. The outlook on the future was hence more hopeful than in previous editions of the report, which shows the perceived improvement of the current situation of crisis.

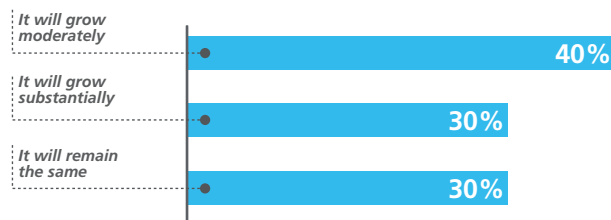
In the case of entrepreneurs that were currently working as employees, it should be pointed out that 69% of them thought the business set up with the microcredit had helped them find their current job.

For 37% of entrepreneurs, the average annual turnover was below €50,000.

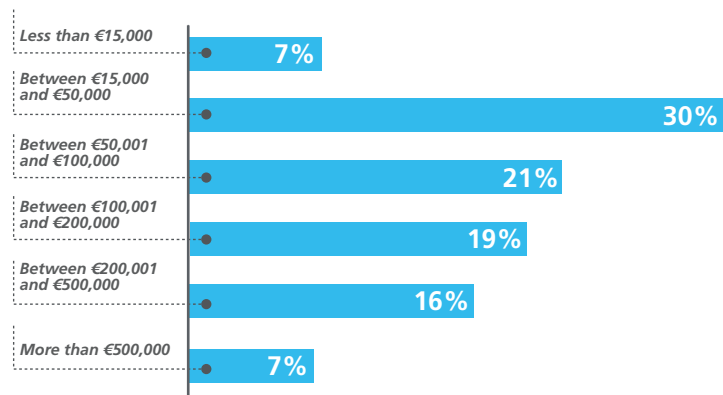
Would you say that your business is working ...?



What is your forecast for your business over the next year?



Could you please state the average annual turnover of your business?

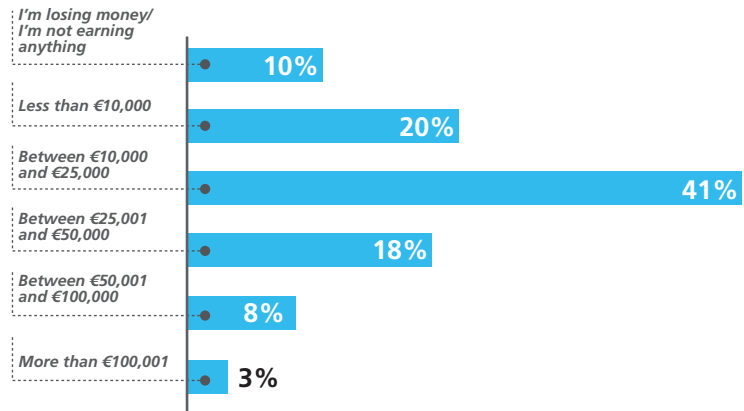


71% of the entrepreneurs surveyed obtained profits below €25,000 per year.

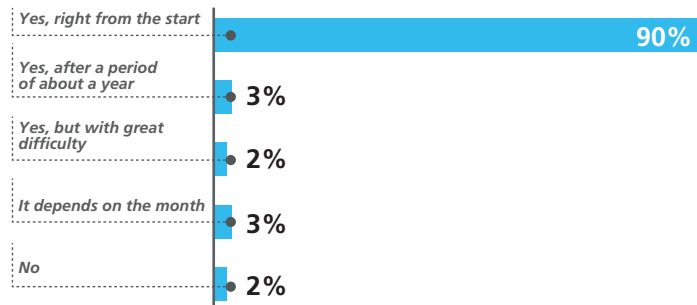
In 90% of the cases, **the business had generated sufficient income to pay back the loan instalments**. Only for 2% of entrepreneurs did the business not generate sufficient income to pay back the microcredit instalments.

The percentage of entrepreneurs who were unable to repay an instalment in any month was 8%. Moreover, the main reason for having been unable to pay the instalment were mostly unforeseen circumstances followed by insufficient sales or demand in the business and lack of cash flow. No entrepreneur believed the business they set up was not profitable.

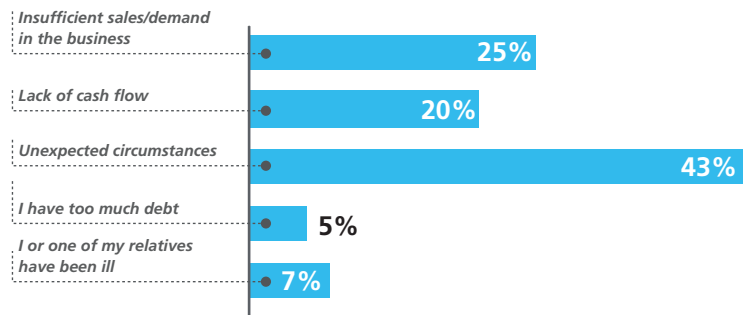
Could you please state the estimated amount of profit obtained in the last year? In other words, the difference between income and expenses



Does your business generate or has your business generated enough income to pay back the loan instalments?



What would you say was the main reason you could not pay the instalment?





2.4. IMPACT OF THE MICROCREDITS

In this last section we wanted to explore the impact of the microcredits granted on two essential areas in greater depth: the improvement in the microentrepreneurs' socio-economic situation and the contribution of the microcredit to setting up and consolidating the business and job creation.

Impact on the entrepreneurs' socio-economic situation

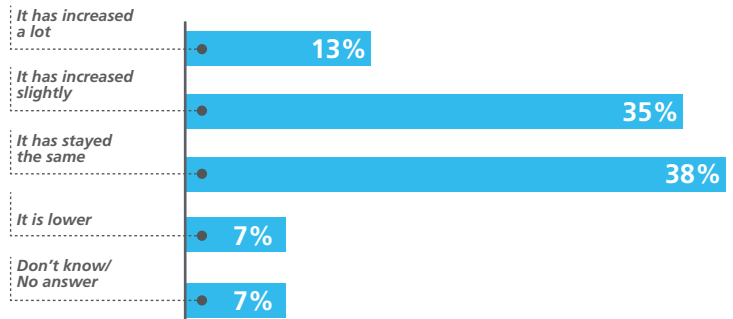
Most entrepreneurs thought their disposable income had increased **due to being granted the microcredit (48%)** or it had **stayed the same (38%)**. Only 7% of the interviewees in the survey thought their income had decreased.

Most of the entrepreneurs whose income **had increased reinvested it in their businesses: 46%**. The average amount reinvested in the business was €20,637. It should also be pointed out that 13% saved the money, with an average of €5,771 saved, while 24% used it to pay for miscellaneous family expenses.

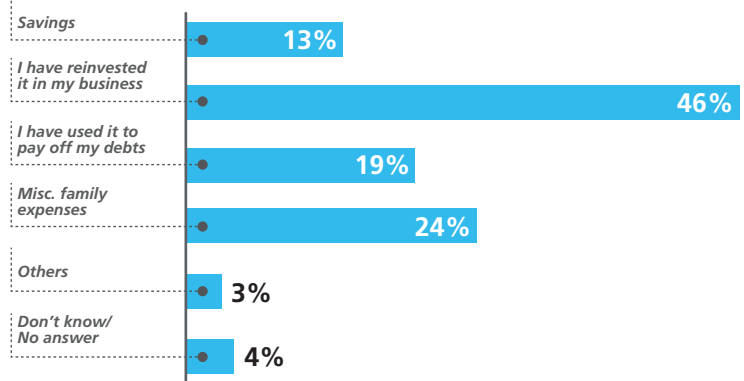
On the other hand, for entrepreneurs who stated that their disposable income had decreased, the main consequences of this fact were more **debt** and **a lower quality of life**.

However, the impact of the microcredit on the entrepreneurs' economic situation was, in most cases, positive, as can be seen from the 52% of the entrepreneurs who considered their current situation was better than it would have been had they not applied for the microcredit.

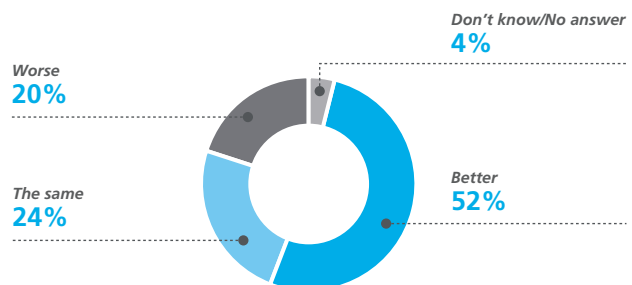
Would you say that your disposable income has increased or decreased due to being granted the microcredit?



What have you used the increase in your income for? (Multiple choice)



Regarding the economic situation you would be in had you not applied for the microcredit, would you say it would be better or worse?

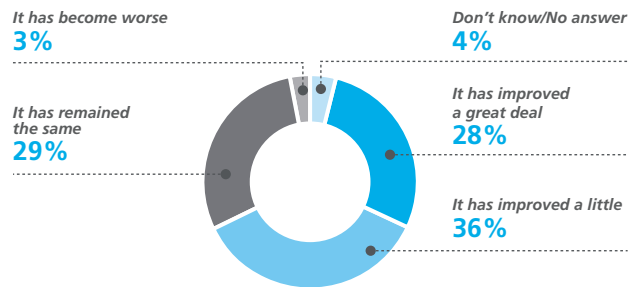


Most entrepreneurs hence thought their quality of life had improved thanks to the microcredit. This was stated by 64% of the total sample. Only 3% of those surveyed thought their quality of life had become worse due to having been granted the microcredit.

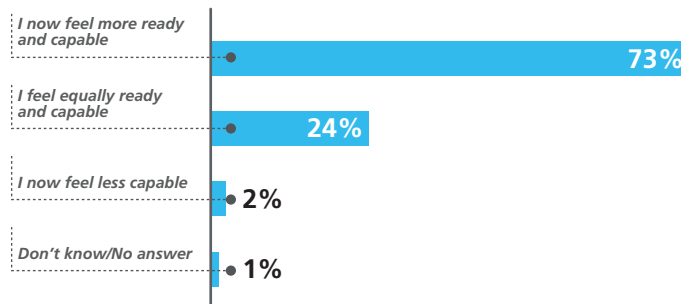
In addition to the direct impact on the entrepreneurs' economic situation, it should be pointed out that **73% of them felt more capable and ready to face the future** than before being granted the microcredit, with 97% thinking that the microcredit had contributed to this improvement.

Lastly, it is interesting to take a look at the impact of the microcredit on other socio-economic aspects of the entrepreneurs. We can see for example that the microcredit has had a clearly positive effect on the self-confidence of the recipients: 84% stated they felt more confident in their abilities as an entrepreneur and business owner. In addition, 79% considered they were now in a more stable job situation while 73% felt more independent and in control of their lives. It is also interesting to note that 51% believed they now had better access to other kinds of financing and even that having been granted the microcredit has contributed to their family lives, with 59% stating this had improved. As a negative aspect, it should be pointed out that 30% now felt more stressed due to the pressure of having to pay back the microcredit.

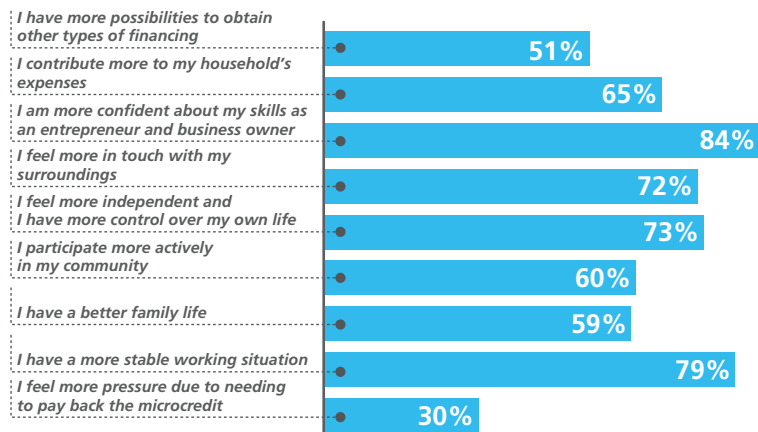
Due to the microcredit, would you say that your quality of life has improved or become worse?



Do you feel more or less capable and ready to face the future than before being granted the microcredit?



Could you please tell me if you agree with the following statements: As a result of having applied for the microcredit, now... (Multiple choice)





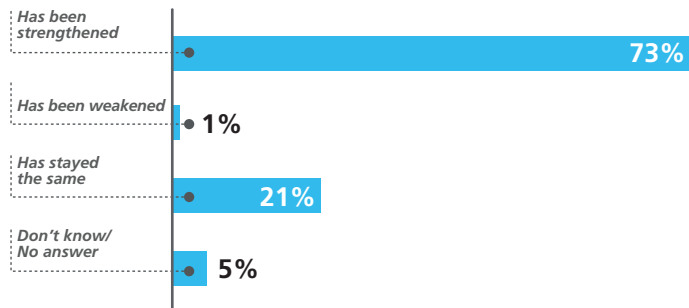
Impact on setting up businesses and employment

In addition to the distinctly positive benefits for the entrepreneurs' socio-economic situation, the microcredits have also proven to be a key tool in creating and consolidating businesses and promoting employment. As stated above, the findings of the study show that 52% of the entrepreneurs considered they could not have started or expanded their businesses without obtaining the microcredit. This percentage increases up to 69% for entrepreneurs who have set up a new business.

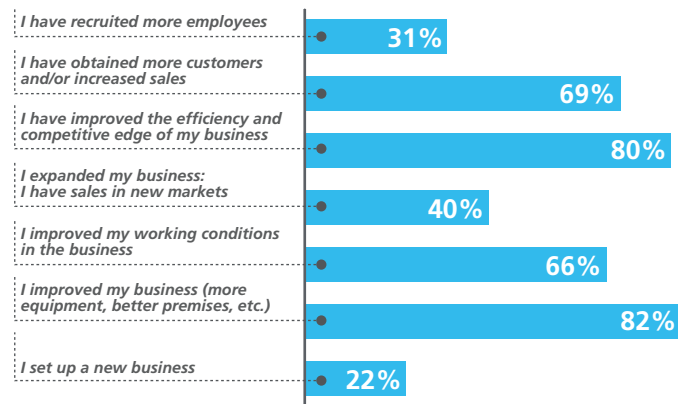
The microcredit has also contributed to strengthening companies, as can be seen from the 73% of entrepreneurs who stated this was the case. Only for 1% of those surveyed was their business weakened as a result of having been granted the microcredit.

This boost perceived by most entrepreneurs resulted in different measures taken: On the one hand, 82% have improved their business by purchasing more equipment or improving their premises. In addition, 80% believed they had also improved the efficiency and competitive edge of their companies. There was also a significant percentage of entrepreneurs who stated they had obtained more customers and/or increased sales (69%) while 22% even set up a new business. Lastly, we should point out the impact on job creation, with **31% of entrepreneurs having been able to hire more workers in the 12 months after the microcredit was granted.**

By obtaining the microcredit, do you think your business:



In the 12 months after the microcredit was granted, did you make any of the following changes to your business? (Multiple choice):





As stated in the previous paragraph, **the microcredits have made a clear contribution to job creation.** 94% of entrepreneurs were currently employed by themselves in their own business. In addition, **new jobs have been created:** Overall, 802 employees have been hired since the microcredits were granted, which represents an average **recruitment of 2.5 workers per business** by all entrepreneurs who had recruited somebody. Moreover, 69% of these workers were full-time employees.

The average number of jobs created across the whole sample, taking into account the self-employment of entrepreneurs who had used the microcredit to start a new business, was **1.37 new jobs per microcredit granted.** We should add to this that **44% of the interviewees in the survey were planning to recruit employees over the next twelve months.**

	Total sample
Number of entrepreneurs who started a new business and were working as a self-employed worker in that business	297
Number of workers recruited by the entrepreneurs in the sample since the microcredit was granted	802
Average number of jobs created across the whole sample	1.37375
Total microcredits granted in 2017	21,131
Total new jobs created in 2017	29,029



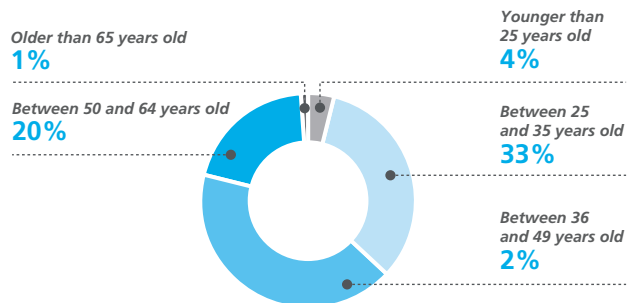
3. Women entrepreneurs

3.1. PROFILE OF WOMEN ENTREPRENEURS

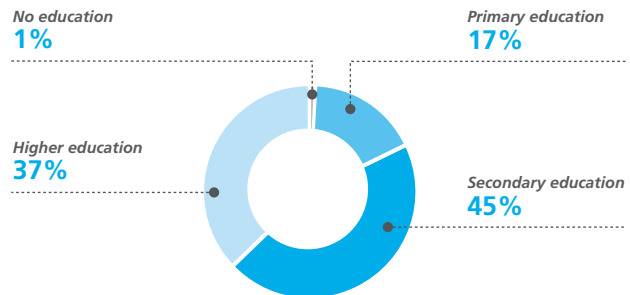
The typical entrepreneur in Spain is a 36-year-old male with university education, mainly at the undergraduate level in the social sciences. Only 1.5% had been unemployed, which shows that they became entrepreneurs because of an opportunity and not out of necessity.¹ However, what is the profile of women entrepreneurs in Spain? What are their main features? According to the latest studies on female entrepreneurship in Spain, the profile of women entrepreneurs in Spain is that of a **young woman with higher education (more than 50%)**. These figures are similar to those obtained when analysing the sample of female entrepreneurs who received a MicroBank microcredit in 2017. We can see that **42% of women who received a MicroBank microcredit in 2017 were between 36 and 49 years old**, followed by the group of 25 to 35 year-olds, which accounted for 33% of the sample. The average age of the female recipients of a MicroBank microcredit in 2017 was **40 years**. According to Womenalia, a social network that connects women in the professional sphere, the average age of women entrepreneurs in Spain is 38², which is very similar to that of the female recipients of MicroBank microcredits.

In terms of their level of education, we note that **82% of the women who took part in the study have completed higher or secondary education**. The percentage of female entrepreneurs with higher education was 37%, somewhat below the average set out above, which is logical bearing in mind the features and nature of a financial instrument such as microcredits. Nevertheless, the percentage of female entrepreneurs who have not completed any education is very low at only 1%.

Age of women entrepreneurs



Women entrepreneurs: Level of education



(1) Entrepreneurship Map 2017, Spain Startup-South Summit.

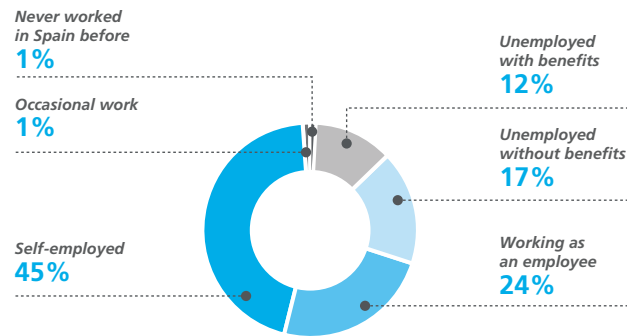
(2) <https://www.womenalia.com/es/hoy-en-womenalia/135-actualidad/3228-infografia-perfil-mujer-emprendedora-espana>.

In addition, it should be pointed out that 45% of women who took part in the study were self-employed before being granted the microcredit, while 24% worked as employees. It should be noted that the **percentage of women entrepreneurs who were unemployed, with or without benefits, was 29%**. These data could point to more women turning to microcredits in the face of a lack of job opportunities.

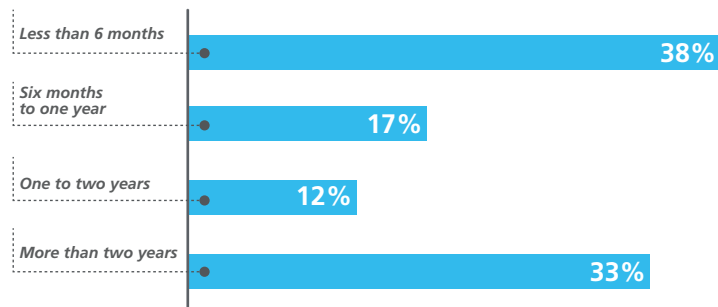
Of the women entrepreneurs who had been previously unemployed, **62% had been unemployed for more than 6 months**. The percentage of women entrepreneurs who had been unemployed for more than two years when they decided to set up their own business was 33%. According to a report issued by Adecco, there are currently more than a million women in Spain who have been looking for work for two years and are unable to find any, i.e. they are in **very long-term unemployment**.³ The longer their unemployment lasts, the likelier they are to become entrepreneurs, as also stated in the GEM report.

In addition, it is important to point out that most female entrepreneurs were part of **core families comprising between 2 and 4 people**. Only 8% of women entrepreneurs lived alone.

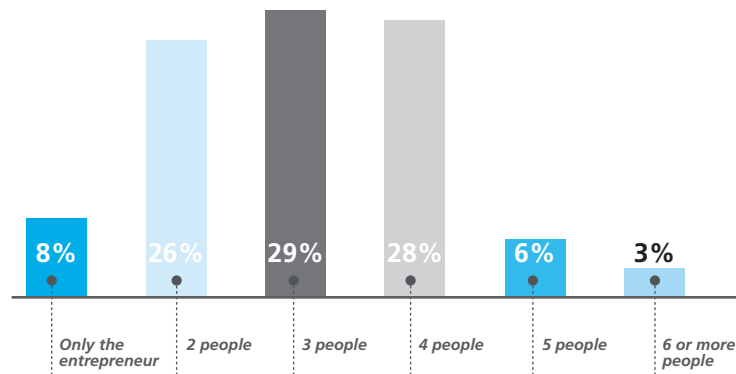
Women: What was your job situation before being granted the microcredit?



Women entrepreneurs: How long had you been out of work before applying for the microcredit?



Women entrepreneurs: Including yourself, how many people live in your household?

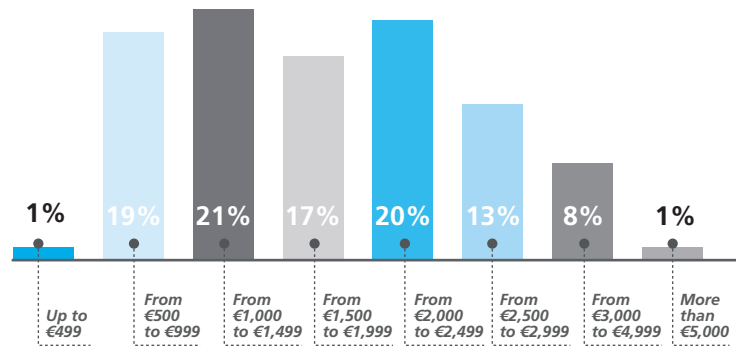


(3) <http://recursos.donempleo.com/mujeres-desempleadas-en-espana-de-larga-duracion-191.html>



Regarding their economic situation, **most of their households had overall income of less than €2,000 per month (58%).**

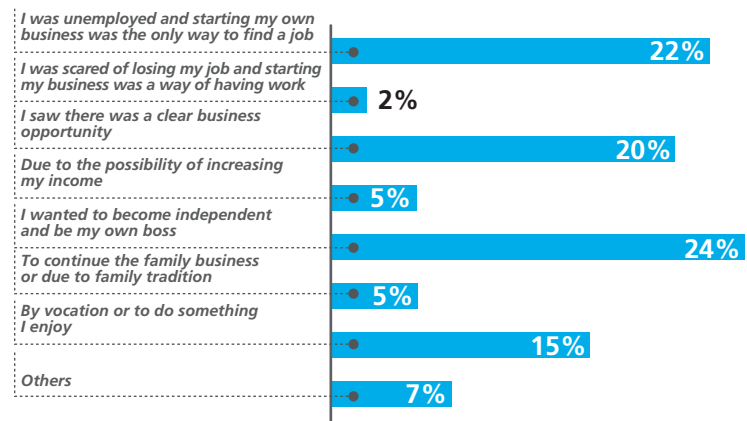
Women entrepreneurs: Could you please tell me the total net monthly income in your home?



3.2. WHY DO WOMEN BECOME ENTREPRENEURS?

The latest GEM report on female entrepreneurship across the world stated that the proportion of women becoming entrepreneurs out of necessity is 20% higher than for men. Many studies have shown that there is a strong correlation between the level of unemployment and female entrepreneurship and the creation of companies “out of necessity”. In the case of Spain, **the latest GEM report points out that the vast majority of women decide to become entrepreneurs when they see an opportunity in the market (70%).** Reasons related to opportunity are also the most cited in the case of the women who have received a MicroBank microcredit 2017. Women who have seen a clear business opportunity accounted for 20% while 24% set up a business to become more independent and 15% became entrepreneurs by vocation.

Women entrepreneurs: Could you please specify the main reason for starting your own business?



Entrepreneurship out of necessity is, however, more widespread among the women than among the men who have taken part in the study, as can be seen from the overall average. In Spain, the proportion of women who have decided to become entrepreneurs out of necessity has been stable over the last two years (about 25%). In the case of MicroBank recipients, **24% became entrepreneurs due to being unemployed or because they were scared of losing their jobs**, which is far from negligible and shows the crucial role played by the microcredit in creating new job opportunities.



3.3. WHAT KINDS OF BUSINESS ARE SET UP BY WOMEN ENTREPRENEURS?

When talking about women entrepreneurship we often mention the differences between the kind of company set up by women with respect to men. In many cases, these differences determine the potential for growth and international expansion of the business ventures. One of the most significant differences can be seen in the business sector. The GEM report on female entrepreneurship across the world states that **women are 16% more likely than men to set up businesses related to retail/wholesale trade while they are significantly less present in the ICT sector**. At the global level, less than 2% of women set up businesses related to technology, while this percentage is 8% in the case of men. More than half of the business ventures launched by women worldwide pertain to fields related to health, education and social services; sectors with a less relevant male presence. In Europe, women also mostly prefer health and social work activities (60%), other service-related activities (59%) and education (55%).⁴

In the case of Spain, according to a study carried out by ATA⁵, in 9 of the 15 sectors included in the study there are more women than men:

- Trade: 29.7% women, 21% men.
- Catering: 10.8% women, 8.8% men.
- Professional, scientific and technical activities: 9.3% women, 7.4% men.
- Healthcare activities: 6.1% women, 2.2% men.
- Administrative activities: 4.2% women, 3.5% men.
- Education: 4.1% women, 1.7% men.
- Financial and insurance activities: 2.6% women, 1.8% men.
- Arts and entertainment: 2.3% women, 2.2% men.
- Real estate: 1.2% women, 0.8% men.

The presence of women in sectors related to technology remains at a very low level. For example, of the almost 700 technology start-up companies supported by *Telefónica Open Futura*, not even 5% are led by women.⁶

(4) Panteia for the European Commission (2014): Statistical Data on Women Entrepreneurs in Europe. <http://ec.europa.eu/DocsRoom/documents/7481/attachments/1/translations>.

(5) ATA: Report on Women in Spain, 2018.

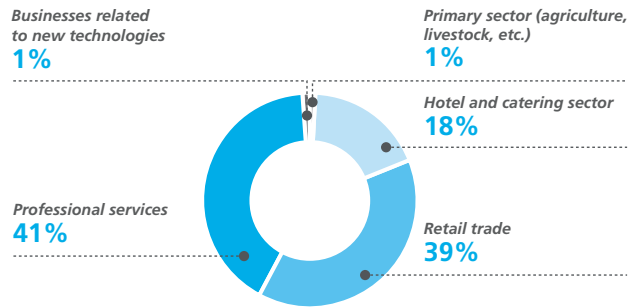
(6) <https://www.efeemprende.com/noticia/solo-5-los-proyectos-apoyados-telefonica-open-futura-esta-liderado-mujeres/>

In the case of the women who received a MicroBank microcredit in 2017, it should be pointed out that these follow the trend of the figures shown above both at the European and the Spanish level. **Most of them have set up or expanded a business related to professional services.** This group accounted for 41% of the total. However, in comparison with the average across the sample, we can see that women showed a preference for businesses related to retail trade, which represented 39% of the total. As stated above, there was less female representation in businesses related to new technologies, which only accounted for 1% of the sample.

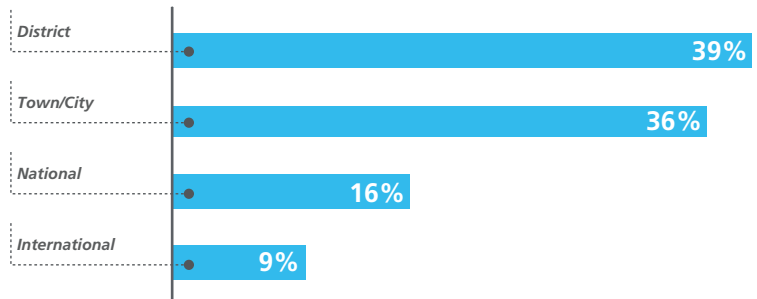
This highlights the need for promoting scientific and technical vocations (STEM: Science, Technology, Engineering & Mathematics) from an early age. According to the World Economic Forum, only 16% of female students graduate in STEM subjects, a field that is commonly associated with men.

Bearing in mind the figures seen above, it is logical to note that among the women in the sample **we detect a clear preference to act in a more local context, which is consistent with the kinds of business set up by women in most cases.** There was a higher percentage of women entrepreneurs with businesses operating at the district or town/city level and a lower percentage with businesses operating nationwide (16%) or internationally (9%).

Women entrepreneurs: Sector of the businesses set up or expanded with microcredits



Women entrepreneurs: Scope of the businesses

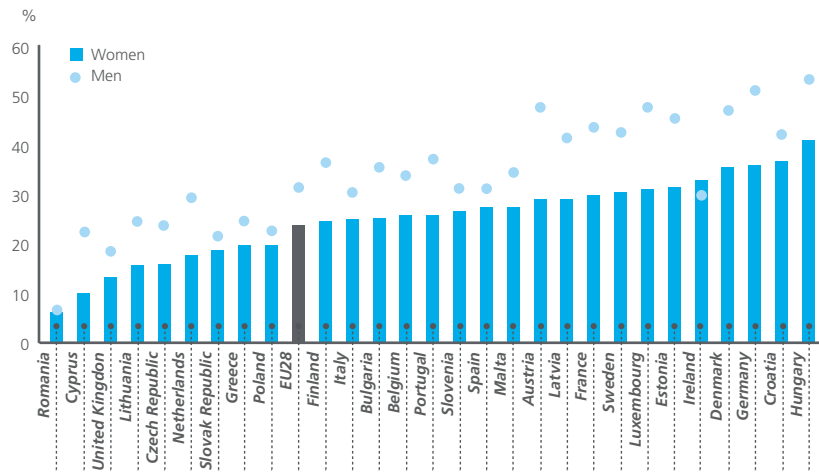


Another feature that is often highlighted when talking about businesses set up by women is that **they are normally smaller in size than those set up by men**. This was found by both the global GEM studies and the studies carried out by the European Commission. The GEM report on female entrepreneurship in 2017 states that 10% of the women entrepreneurs surveyed manage their businesses for themselves and have no intention of hiring any employees within the next five years. The trend of single-person companies is particularly visible in Europe, the region with the highest proportion of women with this kind of business, which contrasts with the USA, where the rate is lowest. The study's data for Spain show that 13.4% of women entrepreneurs expect to hire six or more people in the next five years. This percentage of growth expectations is higher than in France and Germany but does not reach the European average of 28.3%, which in turn is lower than in the USA (37.4%).

The Eurostat 2016 data also show that **European women entrepreneurs are less likely to have employees than men**. In the European Union, 23% of women working on their own behalf had employees in 2015, compared with 31% of men who worked on their own behalf. The only exceptions were Romania and Ireland, as can be seen from the graphic.

In comparison with their male counterparts, there hence seems to be evidence that women entrepreneurs tend to have lower growth targets for their companies.⁷ However, some recent research has questioned this traditionally held belief. For example, a recent study in the United Kingdom has shown that women are just as likely as men to be influenced by economic considerations (general economic outlook, possibilities of accessing financing) or social factors (marital factors and family obligations) when setting their growth targets.⁸

Proportion of self-employed women with employees under their responsibility



Source: Policy Brief on Women's Entrepreneurship, 2017. Eurostat (2016), Labour Force Survey; b. Special tabulations of data from the Global Entrepreneurship Monitor.

(7) Delmar and Holmquist, 2004.

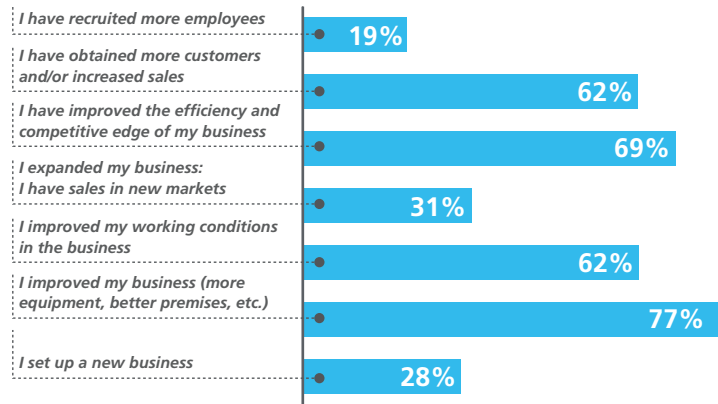
(8) Saridakis et al., 2014.

We can note the willingness to grow among the female entrepreneurs who received a MicroBank microcredit in 2017 in the first graph, which shows that most of them have been able to obtain more customers/increased sales, improve the efficiency and competitive edge of their businesses and improve their businesses with more equipment or better premises in the last 12 months. Moreover, 31% stated they have expanded their business, while 28% have set up a new business.

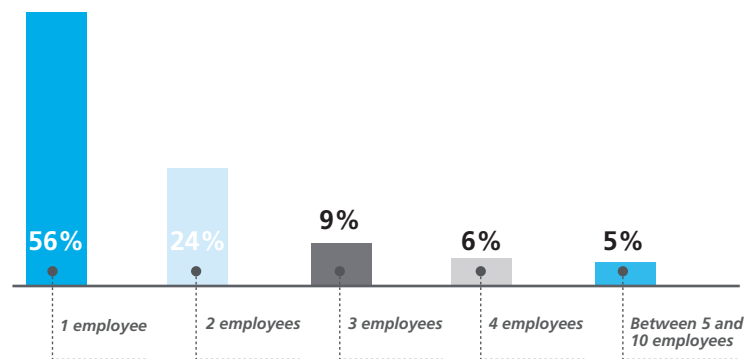
In terms of the size of their businesses, the 225 female entrepreneurs who have received a MicroBank microcredit in 2017 employed a total of 419 people, with an **average of 1.8 employees per business venture**. 56% of ventures only employed the entrepreneur while only 5% employed more than five people. This ratio is very similar to that found by the Womenalia network when talking about women entrepreneurship in Spain, at 1.7 employees per venture set up by a woman.

Moreover, the percentage of permanent employees at companies set up by women was 31% while the percentage of temporary or occasional employees was 26%. It should be pointed out that in 39% of the cases there are other partners working in the business.

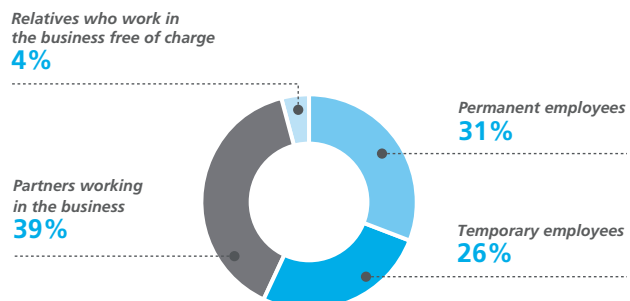
Women entrepreneurs: In the 12 months after the microcredit was granted, did you make any of the following changes to your business?



Women entrepreneurs: How many people work in the business, including yourself?



Women entrepreneurs: Regarding the employees you have mentioned in the previous question, how many are ...



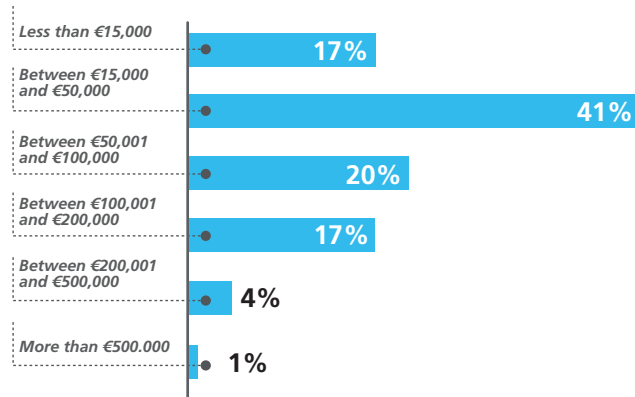


The average annual turnover of companies set up or expanded by women is €80,734.85. There is a significant 5% of ventures with turnover of more than €200,000, although most have an average annual turnover of €15,000 to €50,000. We should also point out that the percentage of businesses with turnover below €15,000 is 17%.

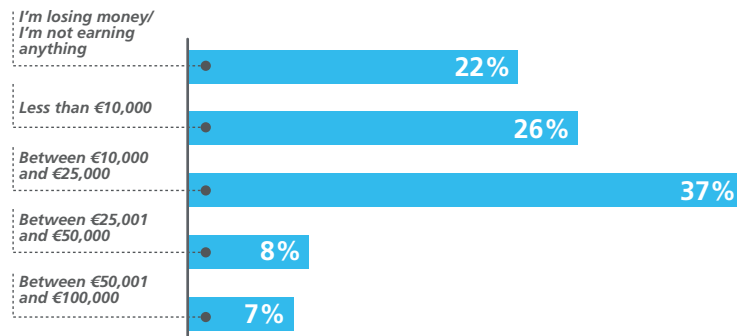
Turning to the average profit of these businesses, we can see that this is at a moderate level: €15,740.74 per year. It should be pointed out that 22% of women entrepreneurs stated they were losing money or did not earn anything from their businesses, which is also understandable taking into account their short track record at the time this study was carried out. Moreover, another contributing factor was the fact that women set up new businesses at a higher rate and therefore at a higher risk of failure.

Lastly, it should be pointed out that, even though the rates are lower than those for men, these businesses **have also successfully created new jobs thanks to being granted the microcredit**. The 225 companies set up/expanded with MicroBank microcredits in 2017 have created 148 jobs in addition to the self-employment created for 113 women. This results in an average of 1.16 jobs created per microcredit. Bearing in mind that a total of 7,818 microcredits were granted to women in 2017, we calculate **a total of 9,068 jobs created by the women entrepreneurs who have received a MicroBank microcredit**.

Women entrepreneurs: Could you please state the average annual turnover of your business?



Women entrepreneurs: Could you please state the estimated amount of profit obtained in the last year? In other words, the difference between income and expenses



	Total sample	Women entrepreneurs
Number of entrepreneurs who have set up a business and who are self-employed in such business	297	113
Number of employees recruited by the entrepreneurs in the sample since the microcredit was granted	802	148
Average number of jobs created bearing in mind the whole sample	1.37	1.16
Total number of microcredits granted in 2017	21,131	7,818
Total number of new jobs created in 2017	29,029	9,068

4. Annexes

4.1. TECHNICAL DETAILS OF THE SURVEY

As with the previous editions of this report, this survey was conducted with a random sample of 800 entrepreneurs who have received microcredits from MicroBank in 2017 and who took part in a phone survey. Since the microcredit had only recently been granted, the analysis focussed on determining the profile of the entrepreneurs who received them and the main features of the businesses launched or expanded thanks to them.

Moreover, we have attempted to take a look at the social and economic consequences and impact the microcredit has had on the lives of the entrepreneurs and, above all, their contribution to job creation. In this year, we have specifically analysed these data for women entrepreneurs in order to gain a clearer understanding of the profile and the kinds of businesses set up by women.

Technical details of the survey

800 interviews conducted

2,180 people contacted (2.725 phone calls per valid survey)

Margin of error for the whole sample: 3.33% (confidence level: 95%)

Methodology: Phone survey

The interviews were held in December 2017 and January 2018. The survey was conducted based on an analysis of the results for the questionnaire attached as an annex to this report, which is broken down into the following three main sections:

Section 1. Data about the business supported with the microcredit

Section 2. Data on the microcredit programme

Section 3. Economic and social impact

Section 4. Classification – Entrepreneur profile



4.2. QUESTIONNAIRE FOR BUSINESS MICROCREDIT RECIPIENTS

DATA ABOUT THE BUSINESS SUPPORTED WITH THE MICROCREDIT

Regarding the business supported with the microcredit...

Could you tell me in which sector the business operates?

- Primary sector (agriculture, livestock, etc.)
- Hotel and catering sector
- Retail trade
- Professional services
- Businesses related to new technologies
- Others

Is the business still running?

- Yes
- No
- Being handed over

Was the microcredit you requested from MicroBank for the purpose of setting up or expanding a business? [Obligatory: Dynamic Quota]

- Setting up
- Expanding

What was your employment situation before applying for the microcredit?

- I had never worked in Spain
- I was unemployed with benefits
- I was unemployed without benefits
- I was working as an employee
- I was self-employed
- I was working occasionally
- No answer

How long had you been out of work before applying for the microcredit?

- Less than 6 months
- Six months to one year
- One to two years
- More than two years
- No answer

What is your current job situation?

- Self-employed in the business
- Self-employed in another business
- Employed
- Unemployed
- Retired
- Other
- No answer



Do you currently receive any benefits from the State?

- Yes → What kind? Pension (widow's pension, disability, retirement, etc.)
 Unemployment benefits
 Family support
 Others
- No

Could you please specify the main reason for starting your own business?

- I was unemployed and starting my own business was the only way to find a job
 I was scared of losing my job and starting my business was a way of having work
 I saw there was a clear business opportunity
 Due to the possibility of increasing my income
 I wanted to become independent and be my own boss
 To continue the family business or due to family tradition
 By vocation or to do something I enjoy
 Others

What is (was) the legal status of your business?

- Self-employed
 Joint Stock Company (S.A.)
 Employee-owned joint-stock company (S.A.L.)
 Limited Liability Company (S.L.)
 Cooperative (S.C.C.P.)
 Civil Partnership
 Other

What is [was] the scope of your business? In other words, where do [did] your customers come from?

- District
 Town/City
 National
 International

How did you fund the launch/expansion of your business?

Out of 100%, what was the percentage of the investment/expansion represented by...

- Commercial banking (other banks)
 MicroBank
 State schemes (ICO)
 Suppliers
 Individuals (friends/relatives)
 Savings (own funds)
 Capitalisation of unemployment benefits
 Other

Including yourself, how many partners are [were] there in your business?



Could you please tell me how long your business was running?

- Less than one year
- One to two years
- Two to three years
- Three to five years
- More than 5 years
- Don't know/No answer

Why did you shut it down?

- Losses or low profitability
- I found a better job
- Personal reasons and incompatibility with family life
- Retirement or health problems
- Other
- Don't know/No answer

Why do you think your business was not profitable?

- Too much competition
- Lack of customers
- I wasn't ready to manage it properly
- My business idea wasn't good
- Expenses too high
- Other

Have you hired any employees since you applied for the microcredit?

- Yes → How many? How many full time?
- No

How many people currently work [worked] in the business, including yourself?

Regarding the employees you have mentioned in the previous question, how many are ...

- Permanent employees
- Temporary employees
- Partners working in the business
- Relatives who work in the business free of charge

Are you planning on recruiting any employees in the next twelve months?

- Yes → How many?
- No

On average, how many hours do [did] you work a day?

Would you say that your business is working...

- Very well
- Well
- Average
- Badly
- It is being handed over
- No answer



What is your forecast for your business over the next year?

- It will grow moderately
- It will grow significantly
- It will remain the same
- Sales will drop significantly
- Sales will drop moderately
- I will need to shut it down
- Other

Would you say your business has helped you get you your current job?

- Yes
- No
- Don't know/No answer

Are you thinking about starting another business?

- Yes
- No
- Don't know/No answer

Could you state the average annual turnover of your business? In other words, how much you earn a year thanks to your business.

Could you state the estimated amount of profit obtained in the last year? In other words, the difference between income and expenses.



DATA ON THE MICROCREDIT PROGRAMME

Does your business generate or has your business generated enough income to pay back the loan instalments?

- Yes, right from the start
- Yes, after a period of about a year
- Yes, but with great difficulty
- It depends on the month
- No

Has there been a month when you were unable to pay back the instalment?

- Yes
- No
- Don't know/No answer

What would you say was the reason you could not pay the instalment?

- Insufficient sales/demand in the business
- Lack of cash flow
- Unexpected circumstances
- The business I have set up isn't profitable
- I have too much debt
- I or one of my relatives have been ill
- Other
- Don't know/No answer

Before applying for the credit with Microbank, did you apply for one with other institutions? (multiple choice)

- No, I applied directly with MicroBank
- Yes, but I was refused
- Yes, but I was not interested
- Other

SPECIFY:



ECONOMIC AND SOCIAL IMPACT

Regarding the MicroBank microcredit...

Economic impact

Would you say that your disposable income has increased or decreased due to being granted the microcredit?

- It has increased a lot
- It has increased slightly
- It has stayed the same
- It is lower
- Don't know/No answer

What have you used the increase in your income for?

- Savings
- I have reinvested it in my business
- I have used it to pay off my debts
- Misc. family expenses
- Other
- Don't know/No answer

What is the approximate amount you have saved?
How much approximately?

SPECIFY:

What were the main consequences of your lower income?

- I have more debt
- I had to move home
- I had to ask friends and/or relatives for help
- My quality of life has become worse
- The quality of life of my family and children has become worse
- Other

SPECIFY:

Regarding the economic situation you would be in had you not applied for the microcredit, would you say it would be better or worse?

- Better
- The same
- Worse
- Don't know/No answer

Socio-cultural impact

Due to the microcredit, would you say that your quality of life has improved or become worse?

- It has improved a great deal
- It has improved a little
- It has remained the same
- It has become worse
- Don't know/No answer

Do you feel more or less capable and ready to face the future than before being granted the microcredit?

- I now feel more ready and capable
- I feel equally ready and capable
- I now feel less capable
- Don't know/No answer



Has being granted the microcredit contributed to this improvement?

- Yes
- No
- Don't know/No answer

Could you please tell me if you agree with the following statements: As a result of having applied for the microcredit, now...

- I have more possibilities to obtain other types of financing
- I contribute more to my household's expenses
- I am more confident about my skills as an entrepreneur and business owner
- I feel more in touch with my surroundings
- I feel more independent and I have more control over my own life
- I participate more actively in my community
- I have a better family life
- I have a more stable working situation
- I feel more pressure due to needing to pay back the microcredit

Impact on the own business

Do you think that without the microcredit you would have been able to start/expand your business?

- Yes, but on a smaller scale
- Yes, but later
- Yes, but with great difficulty
- I don't think so
- Don't know/No answer

By obtaining the microcredit, do you think your business ...?

- Has been strengthened
- Has been weakened
- Has stayed the same
- Don't know/No answer

In the 12 months after the microcredit was granted, did you make any of the following changes to your business?

- I have recruited more employees
- I have obtained more customers and/or increased sales
- I have improved the efficiency and competitive edge of my business
- I expanded my business: I have sales in new markets
- I improved my working conditions in the business
- I improved my business (more equipment, better premises, etc.)
- I set up a new business
- Don't know/No answer

**CLASSIFICATION**

Lastly, I will ask you a series of questions that will help us better analyse your answers. Could you please tell me...

Your country of birth?

Have you managed a business before?

- Yes
- No
- Don't know/No answer

Was the business for which you used the microcredit related to your prior experience?

- Yes
- No
- Don't know/No answer

What is the highest level of education you have completed?

- No education
- Primary education
- Secondary education
- Higher education
- No answer

Including yourself, how many people live in your household?

How many people in your household are economically dependent on your income or that of other members of your family with an income?

What contribution does your income approximately make to the family budget?

- Less than 25%
- Between 25 and 50%
- Between 50 and 75%
- More than 75%
- Don't know/No answer

In general, would you say that you are making ends meet?

- Yes, comfortably
- Yes, only just
- I'm not making ends meet
- Don't know/No answer

Could you please tell me whether the total net monthly income in your home is below or above €2,000?

	1	<i>Up to €499</i>
<i><€2,000</i>	2	<i>From €500 to €999</i>
	3	<i>From €1,000 to €1,499</i>
	4	<i>From €1,500 to €1,999</i>
	5	<i>From €2,000 to €2,499</i>
<i>>€2,000</i>	6	<i>From €2,500 to €2,999</i>
	7	<i>From €3,000 to €4,999</i>
		<i>More than €5,000</i>
	9	<i>Don't know/No answer</i>



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