



EMN Legislative Mapping Report GERMANY

December 2019



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

The national factsheets cover the following thematic areas:

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- 5 Development of existing framework for non-bank microcredit provision
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1

Regulation of Lending Activity

In Germany, there is no specific regulatory framework for microcredit. Non-bank lenders are only allowed to directly lend to businesses and individuals under severe requirements related to the size to the portfolio, the number of loans and the interest rate. According to the German banking law, the portfolio of a non-bank lender is limited to EUR 500.000. If the portfolio exceeds EUR 500.000 with a minimum of 21 loans or more than 100 loans, a banking license is required.

In addition, offering loans with a commercial interest also requires a banking license. In this context, some associations and cooperatives can provide loans to their members without a banking license if there is no commercial interest and provided they comply with the limitations mentioned. However, since providing loans at an interest rate of 0% is not sustainable, the above-mentioned exemption from banking regulation is seldom used.

2

Supervisory Framework for Non-Bank Lending

Overall lending activities are supervised by the Federal Financial Supervisory Authority (BaFin). Organizations operating in partnership with banks to disburse microloans are not supervised and they do not report or access client information from credit bureaus.

3

Products

Where microlending is done in partnership with banks, only business loans are disbursed. A national guarantee programme exists that establishes a 9.9% interest rate for a maximum loan amount of EUR 20.000. Regional programmes generally apply lower interest rates and lower loans amounts.

4

Incentives and Support

There is public support in the form of guarantees for microcredit provision in the country. However, there are no incentives for individuals supporting MFIs in Germany.

5

Development of the Existing Framework for Non-Bank Microcredit Provision

Currently, access to finance is not a priority for policy makers due to the favorable labour market. All initiatives aimed at improving the existing framework need strong political support, which is currently not available.

6

Inclusive Entrepreneurship and Microenterprise Development

The administrative procedure for entrepreneurs and micro-enterprise start-ups are not simplified. The State is not funding governmental programmes for citizen awareness on inclusive entrepreneurship, nor is there any entrepreneurial education at the secondary school level.

Although some state grants exist for people who want to start a business out of unemployment, these are not easily accessible, especially for "disadvantaged target groups" (i.e. lower educated, migrants, youngsters, etc.). This welfare-bridge is not mandatory, specific conditions apply and the final decision is often arbitrary.

Currently, the State is funding BDS for existing SMEs¹ via the European Social Fund (ESF) by subsidising a part of the coaching cost. However, for (unemployed) business starters, access to subsidies for the cost of coaching depends on the region.

The current ongoing initiative aimed at supporting inclusive entrepreneurship is the Youth Business Germany. However, this support for entrepreneurs (financial and non-financial) is currently only available on a very small scale.

1. EU definition of SME – up to 250 employees



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This publication has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020). For further information please consult: <http://ec.europa.eu/social/easi>

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