MICROFINANCE IN EUROPE

SURVEY REPORT
2023 EDITION

EUROPEAN MICROFINANCE NETWORK

MICROFINANCE CENTRE

With contribution by EIF
#BelieveInSmall

Funded by the European Union

FOREWORD BY EMN PRESIDENT

Dear members, partners, and esteemed readers,

I am delighted to present the 2023 edition of the Survey Report on Microfinance in Europe. This comprehensive analysis reflects the collaborative effort of our association and the dynamic microfinance institutions across the 27 EU member states, UK, and candidate countries.

Since its inception in 2003, EMN has been committed to providing valuable insights on the microfinance sector in Europe for practitioners, investors, researchers, and decision-makers. This commitment led to the issuance of the first report in 2004, with subsequent editions released every two years.

The study not only quantifies the size and scope of the microfinance sector but delves into its intricacies. By shedding light on the challenges facing the sector and the vulnerable audience it serves, the report highlights the societal impact that the European microfinance sector generates. As the President of EMN, I take pride in the depth and breadth of this research, underscoring our dedication to foster a thriving microfinance ecosystem in Europe for a more inclusive society.

To our members: this study is a reflection of the invaluable work that you undertake daily. It provides a panoramic view of the sector, enabling you to benchmark your efforts and uncover opportunities for collaboration and improvement.

To our partners and generous funders: your contributions have made this study possible. Your commitment to the mission of microfinance as a tool for financial inclusion and poverty alleviation is vividly reflected within the pages.

To the academic community: this study brings a wealth of insights, ready to be explored and analyzed, providing ample material for further research.

To the European Commission and policymakers: the study provides crucial data for evidence-based decision-making, emphasizing the vital role that microfinance plays in achieving broader economic and social objectives, aligning with the European agenda for a more inclusive and sustainable future.

As Edwards Deming famously stated, "*what is not measured does not improve*." Over the years, this survey has evolved to highlight new trends and subjects of interest, reflecting the current concerns and the maturity of the industry. For instance, data collection on personal microloans was introduced in the 4th edition during 2008-2009. The 2020 edition gathered the first insights on the impact of COVID-19 pandemic on final beneficiaries and, by extension, microfinance providers.

Over the years, the survey has expanded beyond the initial focus on portfolio indicators, risk management, targeted populations, services, and financial results. The survey progressively incorporates more expansive subjects such as digital action plans and the inclusion of green transition in the strategy and services of MFIs.

The 2023 edition also marks the fifth collaboration with the Microfinance Center (MFC) of Warsaw, setting a new record with 169 MFIs included in our dataset.

I invite each of you to immerse yourselves in the rich world of European microfinance, glean insights, and discover the profound impact our collective effort can achieve. As we navigate challenges and opportunities ahead, let this study be a compass guiding us toward a future where microfinance continues to be a catalyst for positive change. Thank you for your unwavering support and dedication to our shared mission.

Laure Coussirat-Coustère, EMN President

PREFACE

The European Investment Fund (EIF) is proud to continue its support for the 11th edition of "Microfinance in Europe," a pivotal publication for the European microfinance market. This comprehensive market assessment serves as a cornerstone for evidence-based analyses and policymaking, offering insights into the evolution of microfinance across Eastern and Western Europe. Through a rigorous survey that combines quantitative and qualitative data alongside secondary sources, the report provides valuable statistics to a wide range of stakeholders, including policymakers, transaction managers, and market researchers. Data for this year's survey was collected between October and November 2023, with a focus towards current practices that support underserved groups, digital transformation, and green initiatives. Furthermore, the report sheds light on the challenges encountered by microfinance institutions (MFIs) and identifies the support needed for each challenge.

Since 2000, the EIF has actively engaged in the European microfinance sector by offering funding, guarantees, and capacity building support to a diverse array of financial intermediaries. This involvement aims to foster entrepreneurship, inclusive growth, and job creation, which align with core European Union (EU) objectives. In 2023, the EIF continued the implementation of InvestEU under the Social Investment and Skills Window, observing robust demand for guarantees and capacity-building investments in microfinance and social enterprise finance. The EIF collaborates with a broad spectrum of financial intermediaries, including non-bank microfinance institutions, fintech lenders, crowdlending platforms, and cooperative banks, among others, to cater to the diverse needs of the inclusive finance landscape.

Despite its development, the European microfinance market faces several challenges. Financial intermediaries are expanding in size and scope, diversifying their product offerings to include green loans, and embracing digitalisation. However, many MFIs encounter obstacles to access adequate sources of debt and equity, highlighting the importance of European-level support through funding, guarantees, and capacity building. This report underscores the necessity of leveraging private resources to build a sustainable European microfinance market.

The EIF strives to facilitate meaningful change and cultivate an inclusive, sustainable, and digitally-enabled microfinance ecosystem across Europe through targeted interventions. By providing a nuanced understanding of the sector's challenges and support needs, this iteration of the report, "Microfinance in Europe: Survey Report 2023 Edition," offers crucial insights essential to design efficient support schemes.

Helmut Kraemer-Eis
Chief Economist
Head of Impact Assessment
EIF

Per-Erik Eriksson
Head of Inclusive Finance
EIF

ACKNOWLEDGMENTS

The European Microfinance Network (EMN) and the Microfinance Centre (MFC) convey their deep appreciation to the institutions that actively engaged in our survey. Their meaningful contributions have played a pivotal role in advancing our comprehension of the sector.

We extend special thanks to the National Networks for their unwavering support in mobilizing their members, thereby fostering a higher response rate and ensuring the success of the survey. Their collaborative efforts have played a pivotal role in capturing a diverse and comprehensive perspective on microfinance practices across Europe.

We would like to acknowledge the following National Networks for their outstanding contributions:

- *AMA Albania*
- *AMFI Bosnia and Herzegovina*
- *Hungarian Microfinance Network*
- *RITMI Italy*
- *Romanian Microfinance Association*
- *ASCAR Romania*
- *Polish Union of Loan Funds (PZFP)*
- *German association of public banks (VÖB)*

Additionally, our sincere appreciation goes to the members of the Research Committee, whose dedication and expertise have been instrumental in shaping the survey methodology and analysis.

A special note of gratitude is extended to all key informants who generously shared their insights during interviews. Their valuable comments and contributions have provided unique perspectives that contribute to a more nuanced understanding of the microfinance landscape in Europe.

The collaborative efforts of all involved parties have been indispensable in making this survey report a comprehensive and insightful resource for policymakers, practitioners, investors and researchers in the field of microfinance.

TABLE OF CONTENT

EXECUTIVE SUMMARY

This report provides a snapshot of the microfinance sector in Europe, marking the 11th edition for the European Microfinance Network (EMN). Conducted in collaboration with the Microfinance Centre (MFC), the partnership enables coverage of the lion's share of the European microfinance sector and produces the most comprehensive dataset currently available. In this edition, three crucial topics receive additional attention: (1) the provision of dedicated services to underserved groups, (2) fostering a fair green transition, and (3) promoting inclusive digitalization.

SECTOR COVERAGE

The report captures data on 169 microfinance institutions (MFIs) from 29 countries, providing a comprehensive overview of the sector landscape for 2022.

By institutional type, non-bank financial institutions (NBFIs) make up the largest segment of the same (41% of surveyed MFIs). NGOs represent 29% of the surveyed MFIs while both banks and credit unions each account for 15% of survey responses.

Breaking down the regional distribution, Eastern Europe emerges as the predominant host for MFIs within the sample, accounting for 41%. The Balkans follow closely behind at 30%, while North-western Europe and Southern Europe are represented by 17% and 11% of the surveyed MFIs, respectively.

SCALE & OUTREACH

MFIs predominantly consist of **small-sized enterprises**, with 71% of the surveyed organizations having fewer than 50 paid staff.

The total workforce reached 11,945 people, who contribute to microfinance delivery through paid and voluntary work. The backbone of the MFI industry's workforce is comprised of women (60% of paid employees). Volunteers make up 12% of the total workforce and are engaged by one-fifth of surveyed MFIs

The total **gross loan portfolio** reached EUR 5.3 billion by the end of 2022, serving a total of 1.3 million active borrowers that are underserved by the traditional financial sector (average loan size of EUR 8,015). Excluding an outlier from the data (a large bank), the business microloan portfolio constituted 74% of the total portfolio volume while personal microloans made up 26% of total portfolio volume.

Due to the differing nature of business and personal loans, business microloans are larger on average (EUR 10,273) compared to personal loans (EUR 2,699). The average depth of outreach (an indicator that weights average loan balances by gross national income per capita to proxy and compare for outreach to low-income populations across different countries) varies significantly across the sub-regions, especially for business microloans.

Retail trade businesses are the predominant type of enterprise supported by MFIs with **business microloans**. 71% of MFIs serve this sector, which constitutes their primary clientele.

MFIs provide support to entrepreneurs at various stages of the business lifecycle. More than half of the MFIs (64%) cater to pre-startup businesses. Furthermore, a large majority of MFIs (88%) extend services to businesses in the startup phase (less than 2 years old). Nearly all MFIs (96%) offer support to businesses older than 2 years.

Regarding **personal microloans**, mobility needs emerge as the most common purpose, with 97% of MFIs offering such loans. However, their volume in the loan portfolio is not very high. Although mentioned by a smaller number of MFIs (61% and 71% respectively), personal loans to satisfy housing other family needs make up the largest share of the loan portfolio.

The provision of **non-financial services** complements the offer of microloans. 76% of MFIs provide non-financial services, which primarily focus on developing the business skills and know-how of individuals (45% of MFIs) or the ongoing operational improvement of existing micro and small enterprises (44% of MFIs). One-third of surveyed MFIs offer support services to help people with no or low levels of financial management to prevent over-indebtedness.

FINANCIAL PERFORMANCE & FUNDING

The average **portfolio at risk** over 30 days (PAR 30) stands at 11%, with an average write-off ratio of 2.9%. When disaggregating by loan type, personal microloans appear riskier compared to business loans.

Most institutions exhibit operational self-sustainability, with an average **operational self-sufficiency** (OSS) of 108%. However, one-fifth of the MFIs fall short of the 100% OSS threshold. Notably, OSS is closely correlated with the size of the organizations, with smaller entities tending to exhibit lower levels of sustainability.

81% of MFIs use **borrowed funds** for client on-lending. The average cost of borrowing is notably higher for MFIs in Eastern Europe (6%) and the Balkans (5%) compared to Southern and Northwestern Europe (2% and 3%, respectively). The primary sources of borrowed funds include loans from commercial banks (37% of MFIs) and EU resources, such as ESF, ERDF, and other funds managed by EIF, CEB, or EBRD (25% of MFIs).

Additionally, half of the surveyed MFIs utilize **portfolio guarantees**, with the most common being EU guarantees like EaSI or InvestEU guarantees (28% of MFIs) and national guarantees (17%).

With respect to **funding needs**, more than one-third of MFIs seek to borrow funds exceeding EUR 10 million. In terms of equity (31% of the responding MFIs), the prevailing ticket size ranges from EUR 1 to 5 million.

EXECUTIVE SUMMARY

SUPPORT FOR UNDERSERVED POPULATION

MFIs play a vital role in supporting a diverse range of underserved groups through their microloan offerings. Universally served by all MFIs, women make up 42% of clients. 64% of MFIs cater to rural clients, which represent 40% of active borrowers. Additionally, 29% of MFIs serve migrants (who constitute 26% of their clients).

While some MFIs offer standard products to underserved groups, others have developed **dedicated financial and non-financial products** or conducted outreach campaigns tailored to specific demographics.

The most popular dedicated financial products are for rural clients (45%) and young people (44%). Furthermore, a substantial number of MFIs provide dedicated non-financial services to women (22%), youth (20%), and rural inhabitants (19%). To expand their outreach, 35% of MFIs organize **campaigns** targeting rural clients, while 31% focus on young people and 29% on women. When it comes to migrants, approximately 20% of MFIs have developed dedicated approaches via financial and non-financial services (12%) and outreach campaigns (11%).

Challenges to provide microfinance vary across underserved groups and are presented in detail in the report.

Overall, 84% of MFIs require **support to initiate or sustain services for underserved groups**. Among these MFIs, 66% expressed a need to support women, youth, and rural populations.

A significant number of MFIs (64%) seek grants to facilitate services to underserved groups, and 55% are actively searching for portfolio guarantees to mitigate the risk associated with lending to these demographics.

GREEN MICROFINANCE

MFIs actively participate in the green transition, dedicating efforts to enhance their environmental performance and the resilience of their clients.

More than half of responding MFIs (55%) offer **green microloans** through dedicated or standard products.

Of the 15 MFIs supplying information, the outstanding green microloan portfolio collectively amounted to EUR 29 million in 2022 with a total of 11,000 active borrowers (average loan size of EUR 11,000). Looking ahead, sector engagement is expected to grow as 24 MFIs that do not currently offer green microloans expressed their intentions to enter this market by the end of 2025.

Renewable energy (77%) and energy efficiency (75%) loans are the most common type of green loans offered by MFIs. Mobility loans and loans for sustainable agriculture/farming are also widespread as they are offered by half of the organizations.

Alongside financial products, 38% of the MFIs providing green loans established **dedicated initiatives** to facilitate the green transition of their clients. Raising awareness among clients (23%) and establishing connections with providers of green technologies (21%) were the predominant focus of MFIs in this regard.

MFIs report several **challenges** to provide green loans to clients. The main problems stem from weak demand due to clients' limited awareness of climate change/sustainability issues (46%) and the hesitancy to adopting new and potentially more expensive green technologies (42%).

To initiate or expand the provision of microloans, MFIs need a comprehensive **support** package through a blend of funding, risk coverage technical assistance (to develop new products, elaborate environmental strategies and train staff) and grants (for non-financial services and outreach campaigns).

22 MFIs provided data on their **funding needs**. With access to EUR 165 million in funding and EUR 184 million in guarantee coverage, they could potentially reach 31,000 clients by the end of 2025.

DIGITAL TRANSFORMATION

Digital transformation is a **strategic** cornerstone for almost all MFIs: 95% deem digital transformation as important or very important and integrate it into their 3–5-year strategic plans.

For European MFIs, digital transformation primarily revolves around optimizing existing services, with a focus on streamlining internal processes and delivering competitive services to clients.

MFIs seek a range of **solutions** across marketing, loan automation, and data management. High-priority solutions pivot upon client interaction, specifically the development of customer apps and digital onboarding.

Investments in digital transformation exhibit substantial variations among MFIs, both in their present and future trajectories.

Overall, the major **challenges** for MFIs include high investment costs (66%) and associated expenses for IT experts (34%). The digital skills of clients and MFI staff are highlighted as challenges by one-quarter of responding MFIs.

Reflecting the primary challenge faced by MFIs, funding **support** emerged as important (54%). Additionally, the exchange of best practices (48%) and the formulation of a digital strategy (41%) are deemed crucial for making informed decisions in a dynamic environment.

I

SECTOR COVERAGE

The survey covered 169 institutions across four institutional types and 29 countries. Non-bank financial institutions were most numerous (41% of MFIs), followed by NGOs (29%). A smaller number of banks (15%) and credit unions (15%) were also included in the study. Eastern Europe hosted the largest number of MFIs (41%), followed by the Balkans (30%), Northwestern Europe (17%) and Southern Europe (11%).

To provide deeper insights, countries were grouped into sub-regions that consider geographic location and microfinance sector development patterns.

The following sub-regions were identified:

Balkans: Albania, Bosnia & Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia and Turkey.

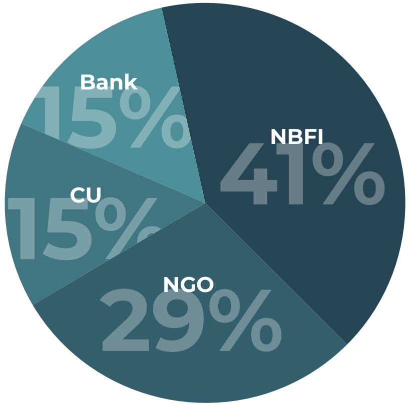
Eastern Europe: Bulgaria, Croatia, Estonia, Hungary, Lithuania, Moldova, Poland, Romania and Slovakia.

Northwestern Europe: Austria, Belgium, France, Germany, Ireland, Luxembourg, Sweden, The Netherlands and the United Kingdom.

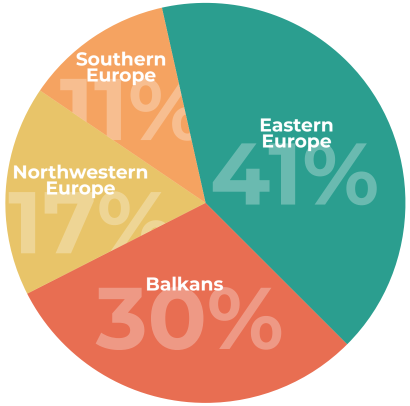
Southern Europe: Greece, Italy, Portugal and Spain.

SECTOR COVERAGE

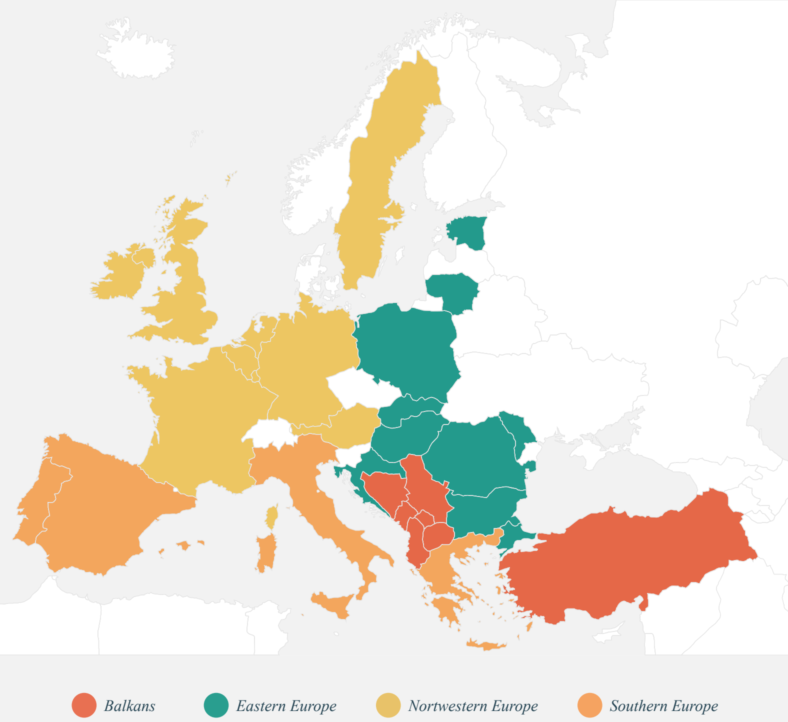
Distribution of the MFIs by institutional type
(N=169)



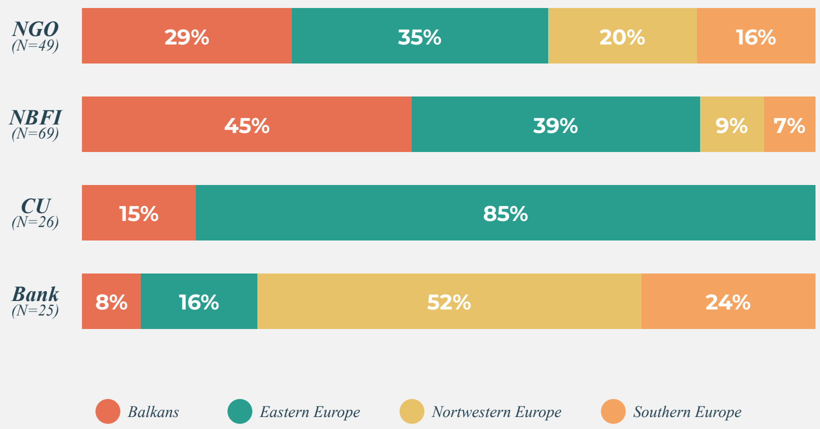
Distribution of the MFIs by sub-region
(N=169)



Countries covered by sub-region
(N=169)



Distribution of MFIs by institutional type and sub-region
(N=169)



II

SCALE & OUTREACH
OF THE SECTOR

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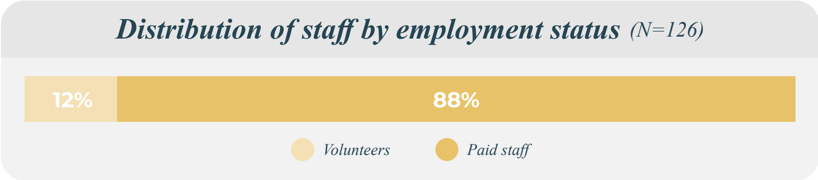
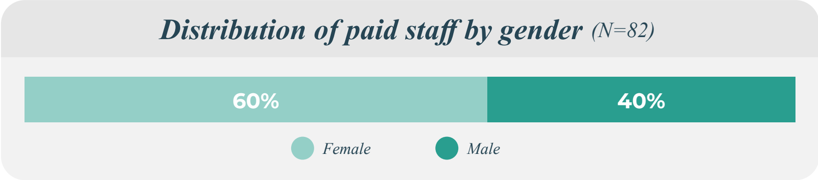
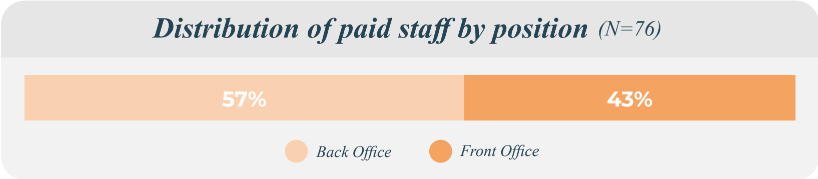
STAFF

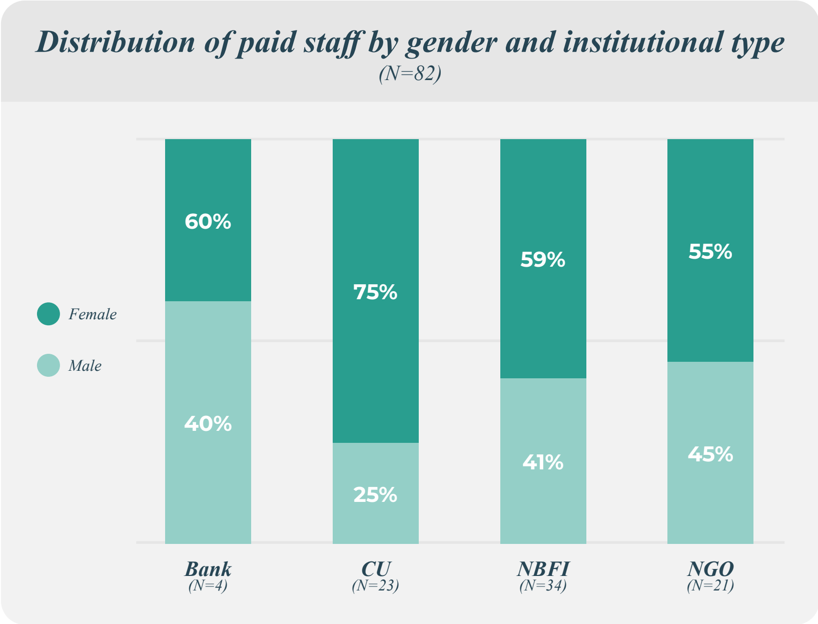
WOMEN COMPRISE MORE THAN HALF OF PAID STAFF; VOLUNTEERS ARE LEVERAGED BY ABOUT ONE-FIFTH OF MFIs

- The total microfinance workforce (paid staff and volunteers) reached 11,945 people.
- Volunteers make up 12% of the workforce and are engaged by about one-fifth (21%) of MFIs. In particular, two MFIs rely heavily on volunteers: together they engage 86% of all volunteers.
- The total number of paid staff reached 10,467 employees. The average staff per MFI was 82 employees. MFIs predominantly consist of small enterprises: 71% of the surveyed MFIs have fewer than 50 paid staff.
- Women constitute 60% of all paid staff. By organizational type, women are particularly well represented in credit unions. Female employees also outnumber male employees in every sub-region, especially in Eastern Europe where women constitute 70% of paid staff.
- Front office staff constitutes 43% of the total workforce, with the highest share in the Balkans (53%) and lowest in Northwestern Europe (24%).







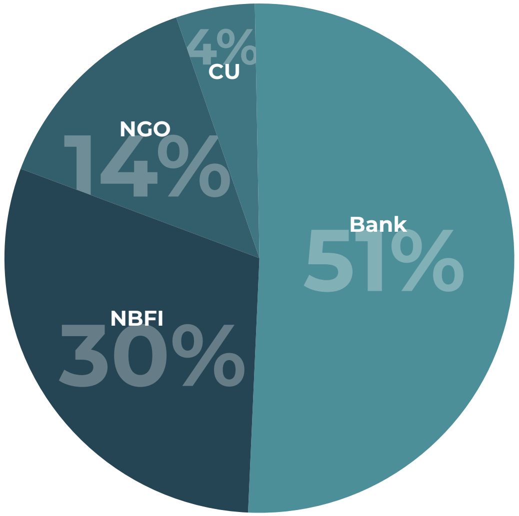


II.2 MICROLOAN PORTFOLIO

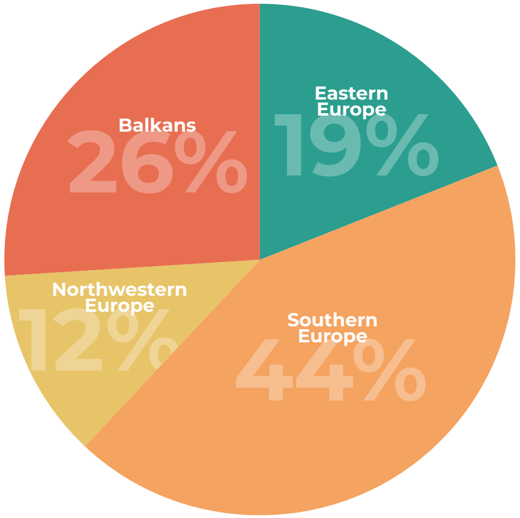
EXCLUDING AN EXTREME OUTLIER, NON-BANK MFIs MANAGE THE LARGEST SHARE OF THE MICROFINANCE PORTFOLIO

- The total gross loan portfolio reached EUR 5.3 billion by the end of 2022.
- More than half of loan volume (51%) was managed by banks, of which one bank accounted for 36% of the total gross microloan portfolio.
- By sub-region, Southern Europe had the largest share of the loan portfolio (44%) due to the presence of the largest bank, which accounted for 36% of the total loan portfolio.
- MFIs in the Balkan sub-region managed the second largest microfinance portfolio (26% of total loan volume).
- Credit unions had the smallest average portfolios (EUR 9.4 million), followed by NGOs (EUR 15.4 million) and NBFIs (EUR 23.2 million). Even when excluding the largest bank, banks still accounted for the largest average gross loan portfolios (EUR 34 million).

Distribution of the gross loan portfolio by institutional type
(N=167)



Distribution of the gross loan portfolio by sub-region
(N=167)

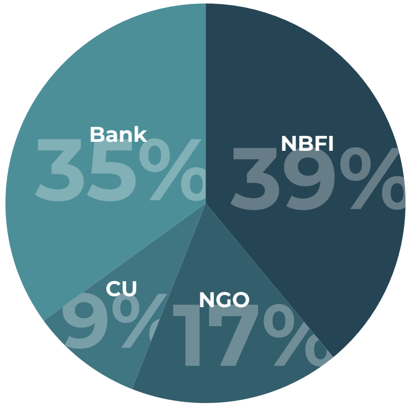


II.3 ACTIVE BORROWERS

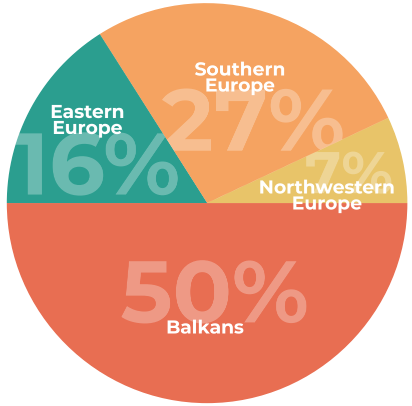
NBFIs SERVE THE LARGEST NUMBER OF BORROWERS; THE BALKANS SERVE HALF OF ALL ACTIVE BORROWERS

- The number of active borrowers served by the end of 2022 reached 1.3 million clients.
- NBFIs served the largest share of borrowers (39%), followed by banks (35%): the largest bank served 24% of all active borrowers while all other banks served 11% of active borrowers in Europe.
- 50% of borrowers were in the Balkan sub-region.
- By region, Southern Europe had the second largest outreach (27% of active borrowers) because of the largest bank located there. The other institutions in Southern Europe served 3% of all active borrowers.
- Analysis of a 64 MFI sub-sample for which multiple-year data was available shows steady portfolio volume growth of 12% in the last two years and slightly lower growth in 2020 during the COVID-19 pandemic.
- Active borrower growth is more modest, with a decrease of 2% in 2020 during the pandemic and an increase of 3% in 2021 as a post-COVID-19 recovery. Active borrower growth was 1% in 2022.

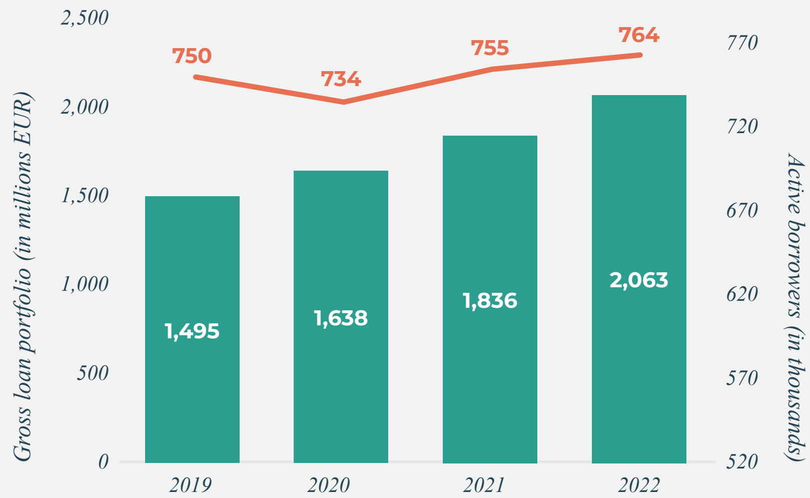
Distribution of active borrowers by institutional type
(N=161)



Distribution of active borrowers by sub-region
(N=161)



Gross loan portfolio and active borrowers growth trends
(N=64)



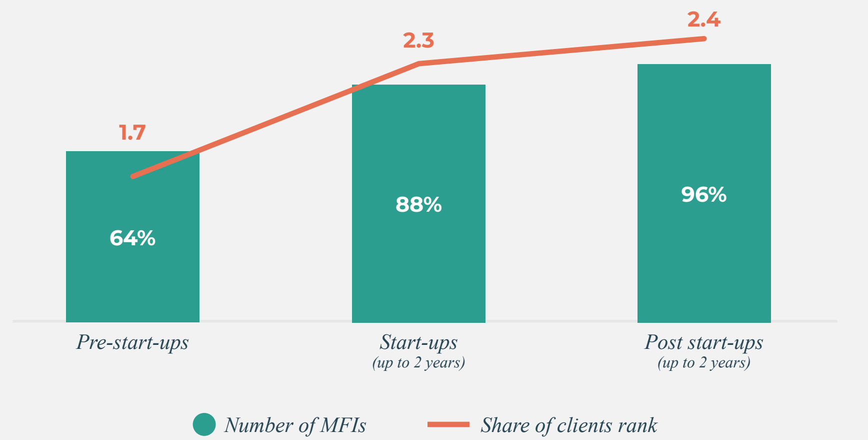
II.4 BUSINESS CLIENTS' PROFILES

A TYPICAL BUSINESS SERVED BY THE MFIs HAS OPERATED FOR MORE THAN TWO YEARS AND IS ACTIVE IN RETAIL OR AGRICULTURE

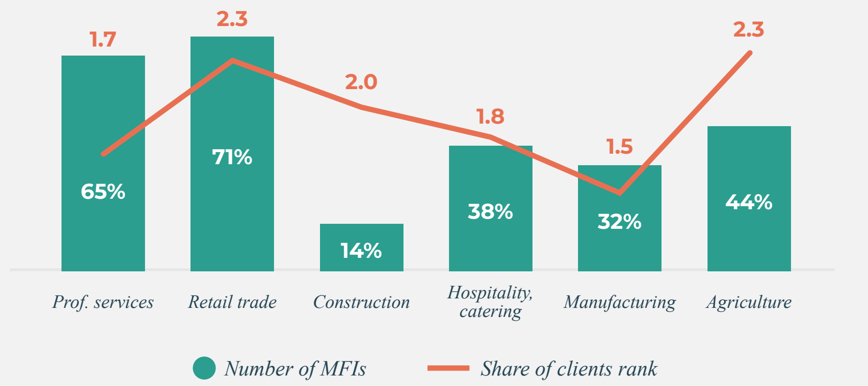
- Almost all MFIs (96%) serve businesses older than two years. A large majority of MFIs (88%) also provide services to businesses in the start-up phase – less than 2 years old. Pre-startups are served by more than half of surveyed MFIs (64%), although their share in the loan portfolio is relatively low.[1]
- NGOs served pre-startups more often than other institutional types (78%). Pre-startups are more often served in Southern Europe (69%) and in Northwestern Europe (65%) compared to other sub-regions.
- Most surveyed MFIs serve retail trade businesses (71% of MFIs), which also constitute the majority of their clientele.
- Entrepreneurs that provide professional services are served by 65% of MFIs, with higher frequencies by NGOs and banks and MFIs located in Northwestern Europe. However, their share among total clients is relatively small.
- Nearly half of MFIs (44%) serve agricultural clients, which comprise a large share of total clients. Most MFIs in the Balkan sub-region served agricultural clients. By organizational type, agricultural clients are more often served by NBFIs and credit unions.

[1] Relative share of active borrowers is expressed on a scale from 1 (low share) to 3 (high share) and is a proxy for the significance of outreach to a certain type of borrower. It is an alternative to the actual percentage share of this type of borrower in the portfolio. The indicator complements the frequency indicator which shows how many MFIs are serving a certain type of borrowers.

Distribution of MFIs by active borrowers' business age
(N=84)



Distribution of MFIs by active borrowers' business sector
(N=84)



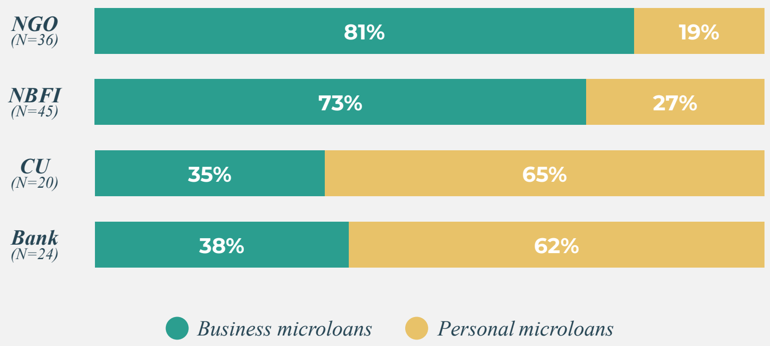
II.5 PERSONAL & BUSINESS MICROLOANS

SCALE & OUTREACH

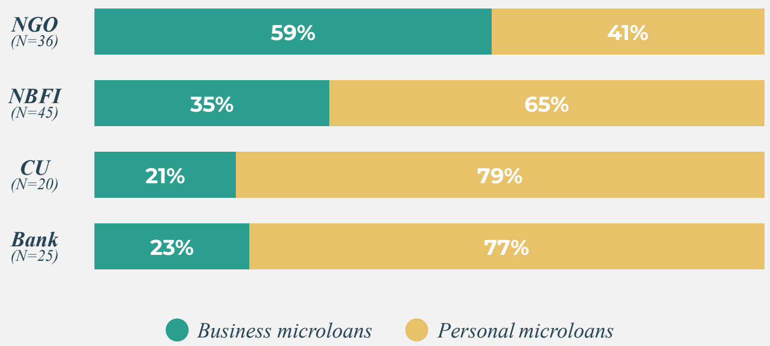
BY INSTITUTIONAL TYPE, NGOS ARE THE MOST DEDICATED TOWARDS THE PROVISION OF BUSINESS LOANS

- Business microloans made up 52% of the total loan portfolio. Excluding the largest bank, the share of business microloans is even larger (74% of total portfolio volume). For NGOs and NBFIs, business microloans made up the largest share of their portfolios (81% and 73%, respectively). By contrast, the portfolios of credit unions and banks were weighted towards personal microloans (65% and 62%, respectively).
- The portfolios of MFIs in Northwestern Europe and in Eastern Europe were primarily comprised of business loans (90% and 79%, respectively).
- 68% of active borrowers used personal loans; 32% of active borrowers used business loans.
- Personal loans were most often disbursed by credit unions (79% of active borrowers of credit unions) and banks (77% of active borrowers of banks).
- Personal loans were most popular in Southern Europe and the Balkans (69% of borrowers had personal loans). Only borrowers in Northwestern Europe primarily used business loans (75% of borrowers).

Distribution of gross loan portfolio by loan type and by institutional type
(N=125)



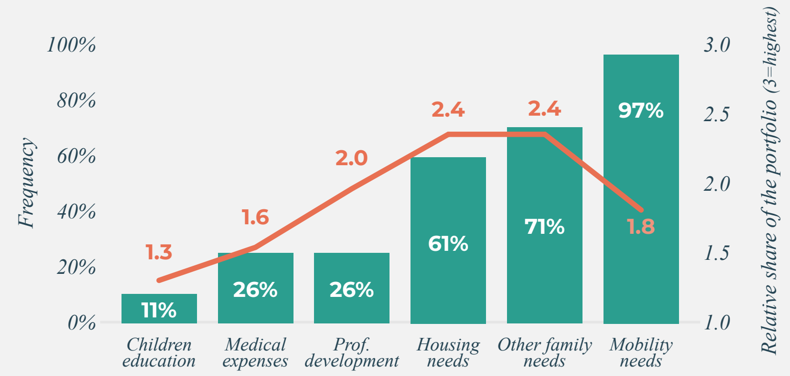
Distribution of active borrowers by loan type and institutional type
(N=126)



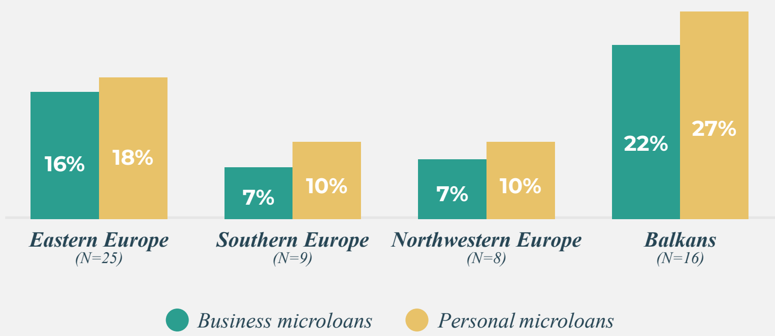
PERSONAL LOANS ARE MAINLY USED FOR HOUSEHOLD NEEDS

- The average microloan balance was EUR 8,015. Business loans reported larger average loan balances (EUR 10,273) compared to personal loans (EUR 2,699).
- Mobility needs were the most common purpose of personal loans mentioned by MFIs (97% of MFIs). However, the share of personal loans disbursed for this purpose in the loan portfolio is not very high.[2]
- Personal loans to satisfy housing and other family needs comprise the largest share of loan portfolios but are mentioned by fewer MFIs (61% and 71% of MFIs, respectively).
- On average, interest rates on personal loans are higher than business loans (15% versus 20%).
- The highest interest rates on both business and personal loans are observed in the Balkans where the average APR on business loans reached 22% and in case of personal loans it reached 27%).
- The lowest interest rates are observed in Northwestern and Southern Europe with the average interest rate of 7% on business loans and 10% on personal loans in both sub-regions.

Personal microloan purpose - frequency and relative share in portfolio (N=38)



Average APR on business and personal microloans by sub-region (N=58)

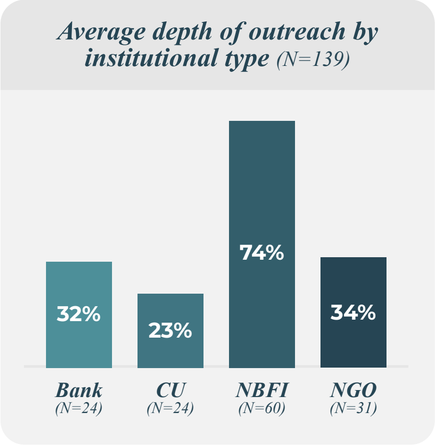


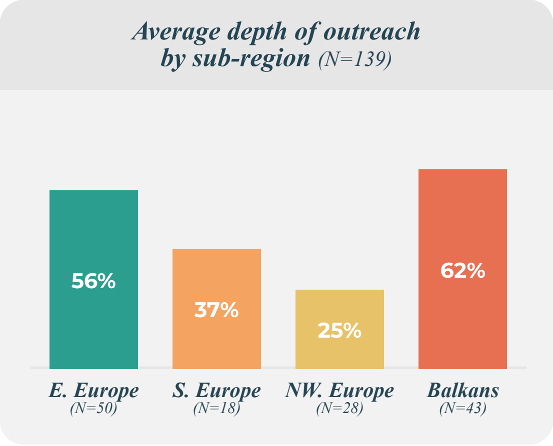
[2] Relative share of the portfolio is expressed on a scale from 1 (low share) to 3 (high share) and is a proxy for the significance of the loans of a certain type in the portfolio and is an alternative to the actual percentage share of this type of loan in the portfolio. The indicator complements the frequency indicator which shows how many MFIs provide a certain type of a loan but does not show what percentage of a loan portfolio these loans constitute.

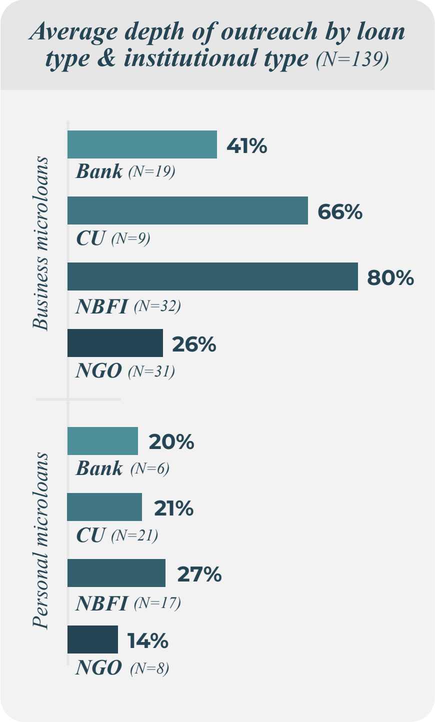
II.6 DEPTH OF OUTREACH

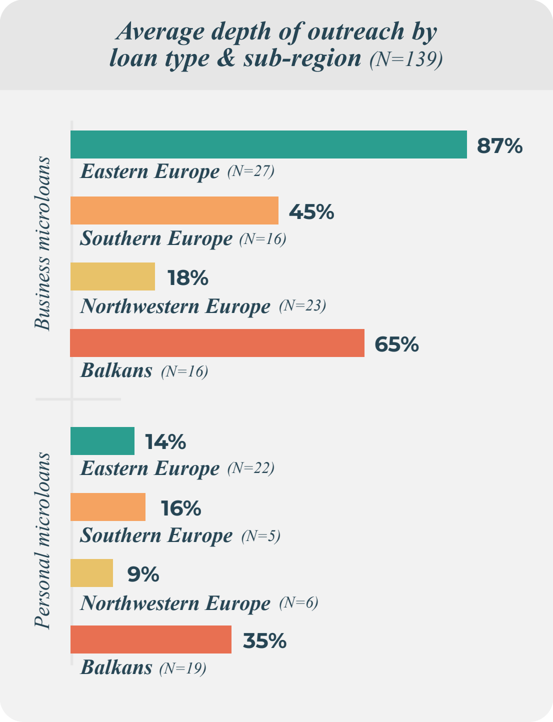
CREDIT UNIONS AND MFIS IN NORTHWESTERN EUROPE HAVE THE HIGHEST DEPTH OF OUTREACH

- The depth of outreach indicator weights the average loan balance by gross national income (GNI) per capita to account for the local economic context and is used as a proxy for outreach to low-income populations. Lower values indicate higher depth of outreach.[3]
- The average depth of outreach (average loan balance divided by GNI per capita) was 49%.
- Credit unions had the lowest average loan size relative to GNI per capita (23%) of all institutional types and NBFIs the highest (74%).
- On average, interest rates on personal loans are higher than business loans (15% versus 20%).
- By sub-region, MFIs in Northwestern Europe had the lowest depth of outreach (25%) whereas the Balkans reported the highest (62%).
- Business loans had an average depth of outreach of 55%, which was lowest for NGOs (26%). The other institutional types had larger loan balances relative to GNI per capita. NBFIs had the largest (80%).
- By sub-region, Northwestern MFIs had the deepest business loan outreach (18%). By contrast, Eastern European MFIs provided the largest business loans, with average depth of outreach of 87%.
- For personal microloans, average depth of outreach was 22%. NGOs reported the deepest outreach (14%) although differences by institutional type were not as pronounced compared to business loans.
- Between the sub-regions, differences in the depth outreach were not as pronounced, although Balkan MFIs stood out with the shallowest outreach for personal loans (35%).









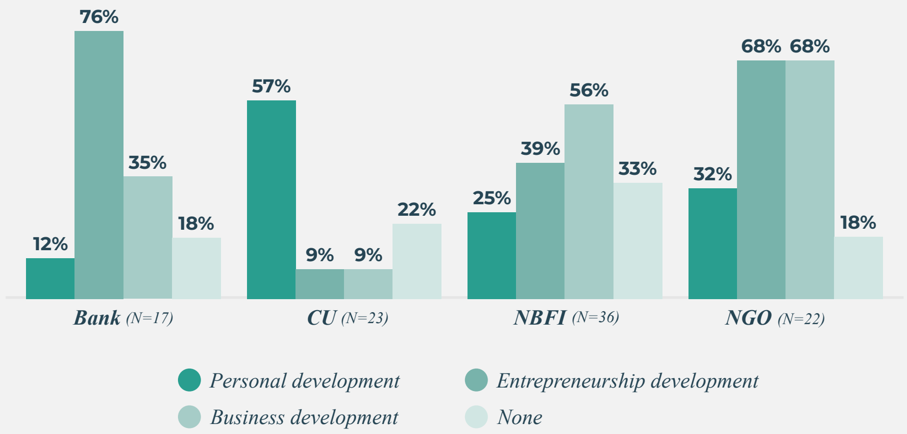
[3] MFIs with depth of outreach below 20% are classified as reaching low-income clients, with depth between 20% and 150% are classified as reaching broad clientele and those with depth of outreach >150%

II.7 NON-FINANCIAL SERVICES

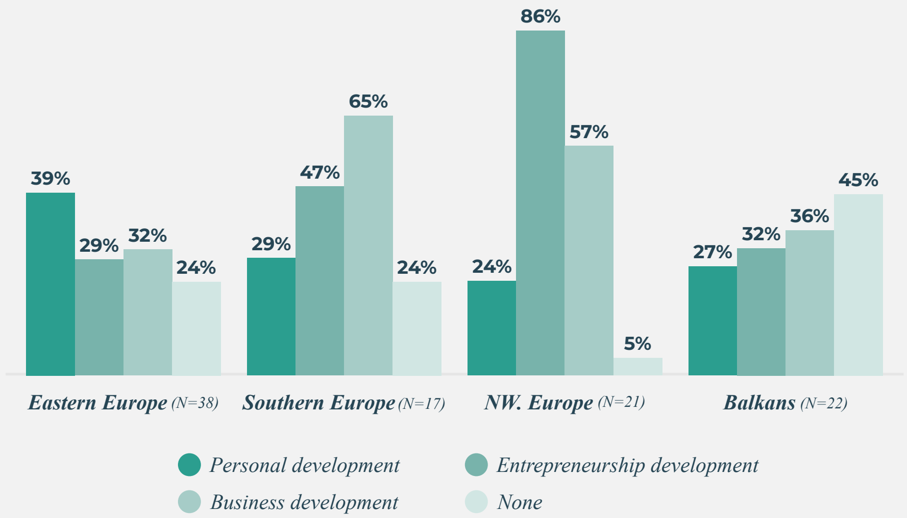
MOST MFIS PROVIDE NON-FINANCIAL SERVICES; THE TYPE OF SERVICE VARIES BY INSTITUTIONAL TYPE AND SUB-REGION

- 76% of surveyed MFIs provide non-financial services. Entrepreneurship development services[4] are delivered by 45% of MFIs; business development services[5] are provided by 44% of MFIs. Personal development services[6] are provided by fewer MFIs (32%).
- Most banks and NGOs (82%) provide at least one type of service. Banks focus on entrepreneurship development (76%) while NGOs provide similar amounts of entrepreneurship and business development services (68%).
- Credit unions most commonly concentrate on developing personal skills (57%) while NBFIs usually aim at business development (56%).
- Nearly all MFIs in Northwestern Europe (95%) provide non-financial services, predominantly for entrepreneurship development (86%). The Balkans provide non-financial services the least of all regions (55% of MFIs), with approximately the same emphasis for each type of development service.
- Only 27 MFIs shared information regarding the number of beneficiaries of non-financial services. In total, the 27 MFIs provided non-financial services to almost 52,000 or 53% of their active borrowers and to 32,000 prospective clients.

Distribution of MFIs by engagement in non-financial services and institutional type (N=98)



Distribution of MFIs by engagement in non-financial services and sub-region (N=98)



[4] Entrepreneurship development services include services that focus on developing the business skills and know-how of individuals. They help to raise awareness on entrepreneurship as a conscious career choice in addition to basic business skills training.

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

[6] Personal development services are support services that target people with no or low levels of financial management skills. They aim to prevent harmful situations (e.g., over indebtedness) and address a target group that does not yet have the necessary skill levels to manage a loan product.

III

FINANCIAL PERFORMANCE

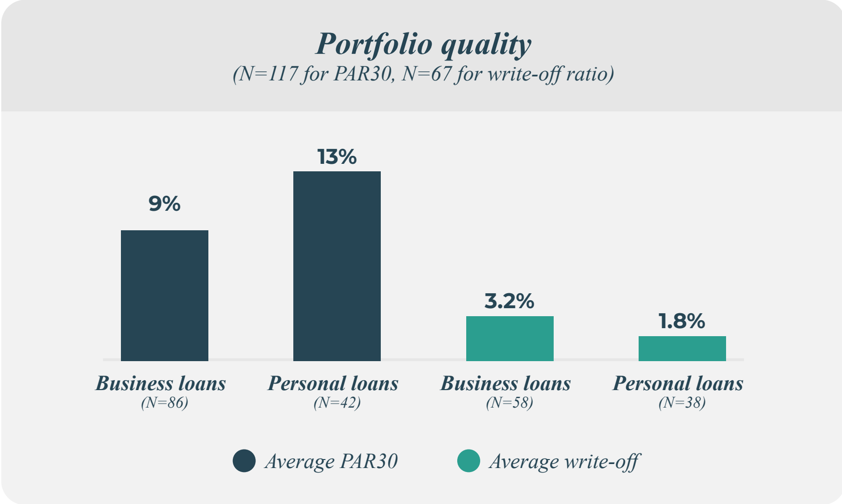
The average **portfolio at risk** over 30 days (PAR 30) stands at 11%, with an average **write-off ratio** of 2.9%. When disaggregating by loan type, personal microloans appear riskier compared to business loans.

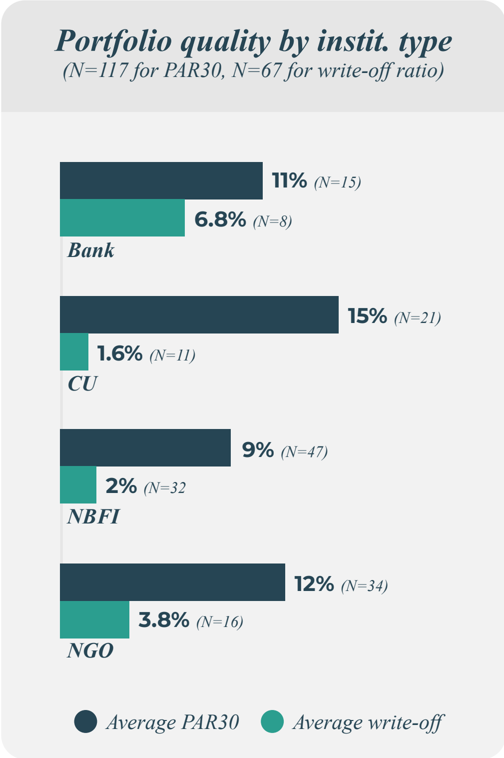
Most institutions exhibit operational self-sustainability, with an average **operational self-sufficiency** (OSS) of 108%. However, one-fifth of the MFIs fall short of the 100% OSS threshold. Notably, OSS is closely correlated with the size of the organizations, with smaller entities tending to exhibit lower levels of sustainability.

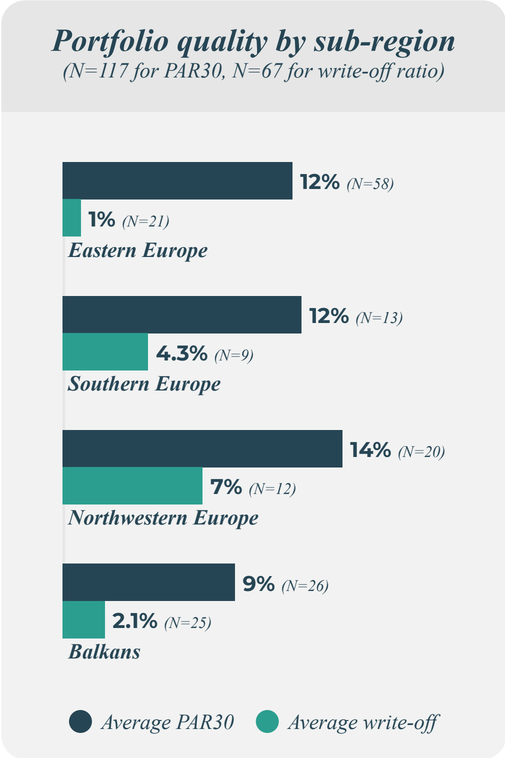
PORTFOLIO QUALITY

PORTFOLIO QUALITY DIFFERS BY BOTH SUB-REGION AND INSTITUTIONAL TYPE

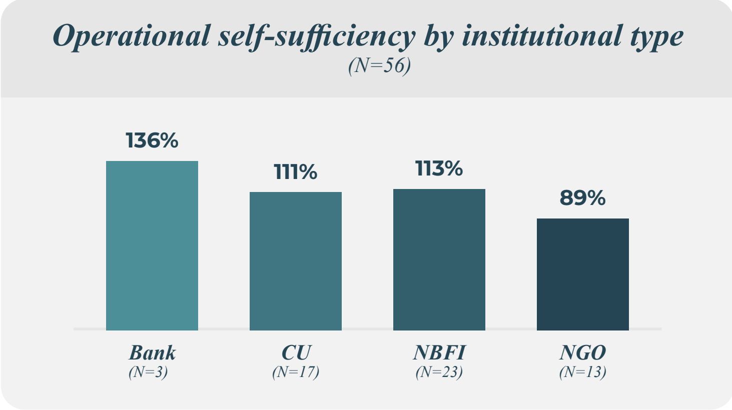
- The average PAR 30 was 11%, with business microloans performing marginally better (9%) than personal microloans (13%).
- The average write-off ratio was 2.9% and was slightly higher for business microloans (3.2%) than for personal microloans (1.8%).
- Although the differences between institutional type were not very large, NBFIs exhibited the best portfolio quality (PAR 30 of 9% and write-offs of 2%) while banks had the lowest quality (PAR 30 of 11%, write-offs of 6.8%).
- The best portfolio quality for both risk indicators was observed in the Balkans sub-region (PAR 30 of 9% and write-offs of 2.1%) while the highest figures were reported in Northwestern Europe (PAR 30 of 14% and write-offs of 7%).





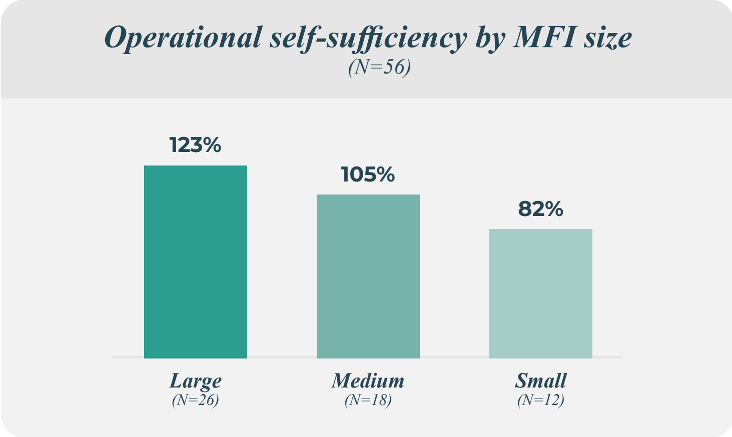


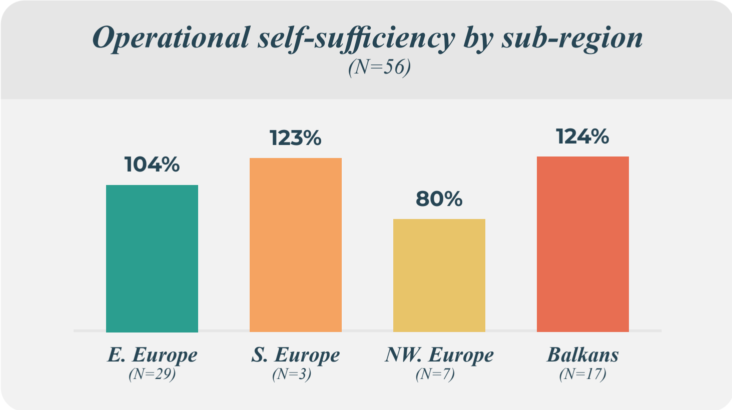
III.2 OPERATIONAL SELF-SUFFIENCY



MOST INSTITUTIONS ARE OPERATIONALLY SELF-SUSTAINABLE

- The average operational self-sufficiency (OSS) was 108% and only one-fifth of the MFIs were not operationally self-sustainable (OSS below 100%).
- Banks were the most sustainable with an average OSS of 136%. NGOs were the least sustainable with an average OSS of 89%.
- Large MFIs had the highest OSS (average of 123%).[7] On average, small MFIs were not operationally self-sufficient (average OSS of 82%).[8] Medium MFIs were in between with an average OSS of 105%.[9]
- By sub-region, the best performing MFIs were located in the Balkans (average OSS of 124%) and in Southern Europe (average OSS of 123%). The high OSS in Southern Europe is driven by the largest bank, which is located there.





[7] Large MFI - MFI with gross microloan portfolio larger than EUR 8 million.
[8] Small MFI - MFI with gross microloan portfolio smaller than EUR 2 million.
[9] Medium MFI - MFI with gross microloan portfolio between EUR 2 and 8 million.

IV

FUNDING

81% of MFIs use **borrowed funds** for client on-lending. The average cost of borrowing is notably higher for MFIs in Eastern Europe (6%) and the Balkans (5%) compared to Southern and Northwestern Europe (2% and 3%, respectively). The primary sources of borrowed funds include loans from commercial banks (37% of MFIs) and EU resources, such as ESF, ERDF, and other funds managed by EIF, CEB, or EBRD (25% of MFIs).

Additionally, half of the surveyed MFIs utilize **portfolio guarantees**, with the most common being EU guarantees like EaSI or InvestEU guarantees (28% of MFIs) and national guarantees (17%).

With respect to **funding needs**, more than one-third of MFIs seek to borrow funds exceeding EUR 10 million. In terms of equity (31% of the responding MFIs), the prevailing ticket size ranges from EUR 1 to 5 million.

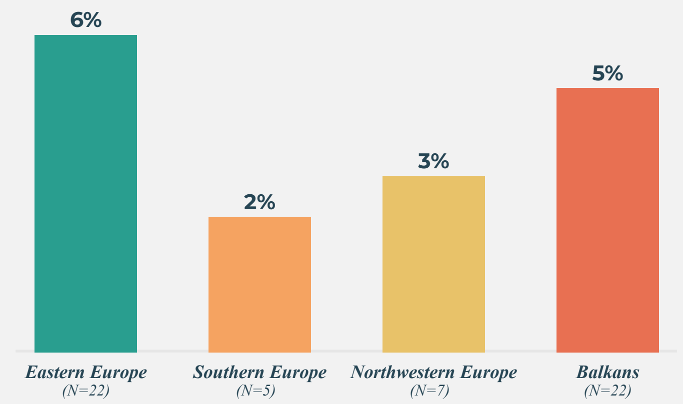
IV. FUNDING SOURCES

BORROWED FUNDS

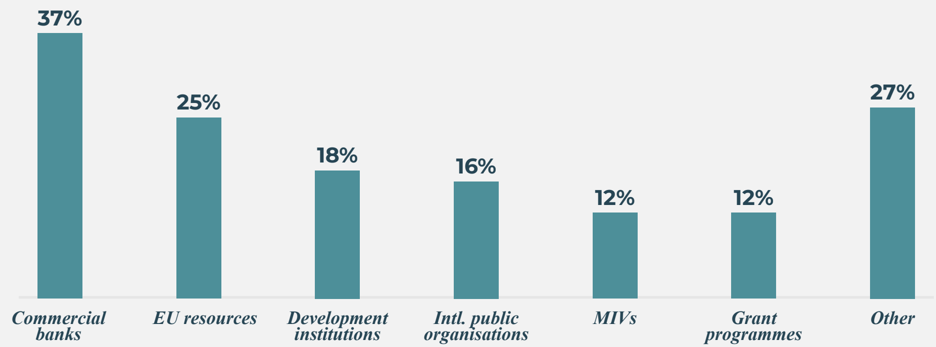
SOURCES FOR BORROWED FUNDS AND EQUITY RANGE WIDELY BY MFIS

- 81% of MFIs use borrowed funds to on-lend to their clients.
- The average total cost of borrowing is the highest for MFIs in Eastern Europe (6%) and the Balkans (5%).
- Loans from commercial banks are the most often used sources of borrowed funds (37% of MFIs).

Average cost of borrowed funds ratio by sub-region (N=48)



Distribution of MFIs by source of borrowed funds (N=67)

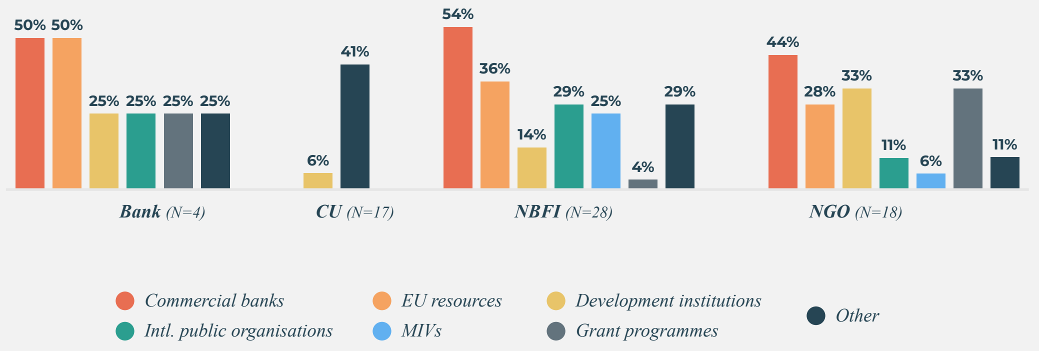


IV. FUNDING SOURCES

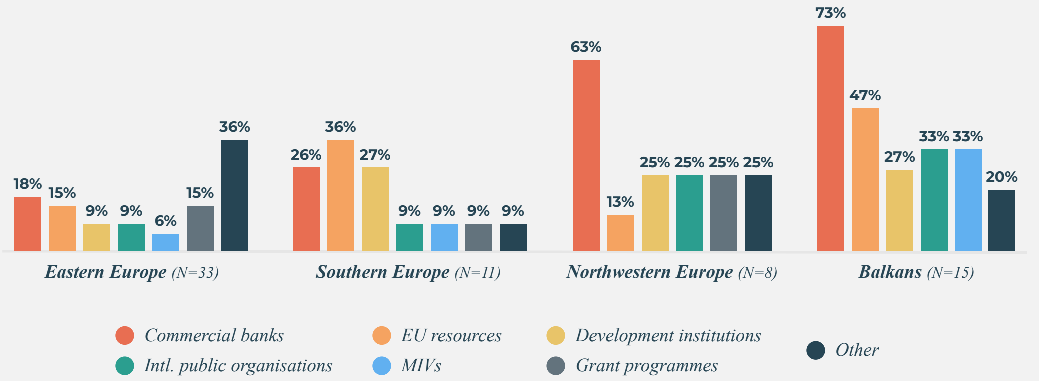
BORROWED FUNDS

- EU resources, such as ESF, ERDF and other funds managed by EIF, CEB or EBRD, are the second most commonly used source of borrowed funds (25% of MFIs).
- Many other types of resources are used by MFIs, including national and regional development institutions (18% of MFIs) and international public organizations (16% of MFIs).
- Banks prioritize debt from commercial banks and EU resources. NBFIs also use commercial bank loans (54% of NBFIs) and, to a lesser extent, EU funds (36% of NBFIs).
- For NGOs, commercial banks are also a primary source of funding (44% of NGOs) but they also use loans from development institutions (33%) and grant programmes (33%).

Distribution of MFIs by source of borrowed funds by institutional type *(N=67)*



Distribution of MFIs by source of borrowed funds by sub-region *(N=67)*

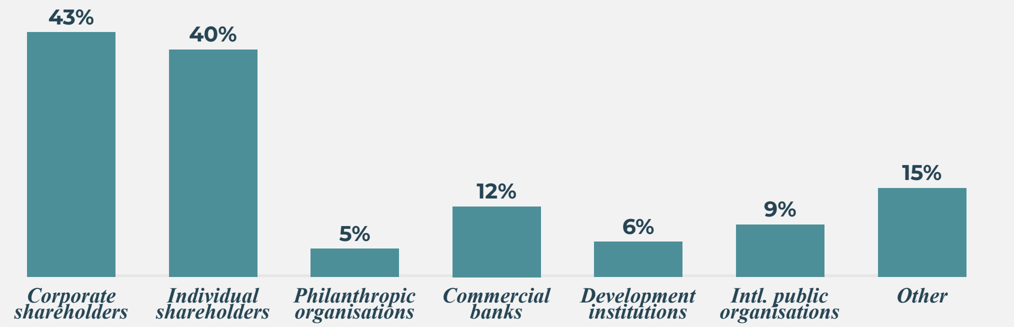


IV. FUNDING SOURCES

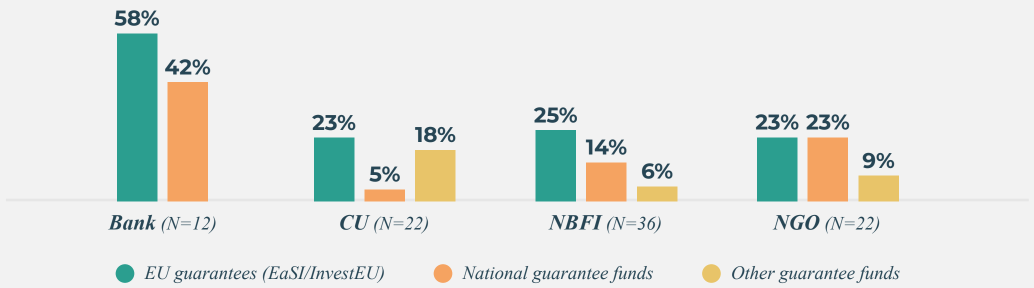
EQUITY & GUARANTEES

- Corporate and individual shareholders are the most common sources of equity; other sources are rarely used.
- Half of the surveyed MFIs use portfolio guarantees, most often EU guarantees such as EaSI or InvestEU guarantees (28% of MFIs) or national guarantees (17%). Some MFIs used other guarantee funds (9%).
- All banks used portfolio guarantees, predominantly EU guarantees (58% of banks). Other institutional types use portfolio guarantees less often.
- Almost half of NGOs used guarantees (41%), split evenly between EU and national sources (20%).
- Similarly, 41% of credit unions accessed guarantees, mainly EU guarantees (23% of credit unions).
- 42% of NBFIs used portfolio guarantees, mainly EU guarantees (25% of NBFIs).
- By sub-region, MFIs in Northwestern Europe used guarantees most often (83% of MFIs), primarily EU guarantees. 65% of southern European MFIs used guarantees, predominantly from national funds. In the Balkans, 46% of MFIs used guarantee funds, split evenly between EU and other sources (17%).

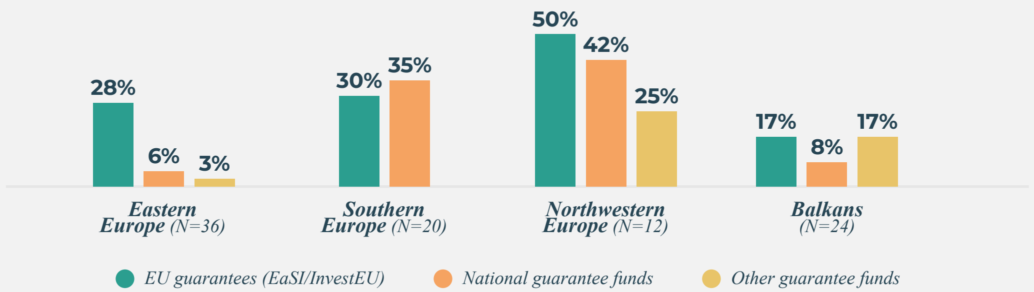
Distribution of MFIs by source of equity (N=65)



Distribution of MFIs by usage of portfolio guarantees & instit. type (N=92)



Distribution of MFIs by usage of portfolio guarantees & sub-region (N=92)

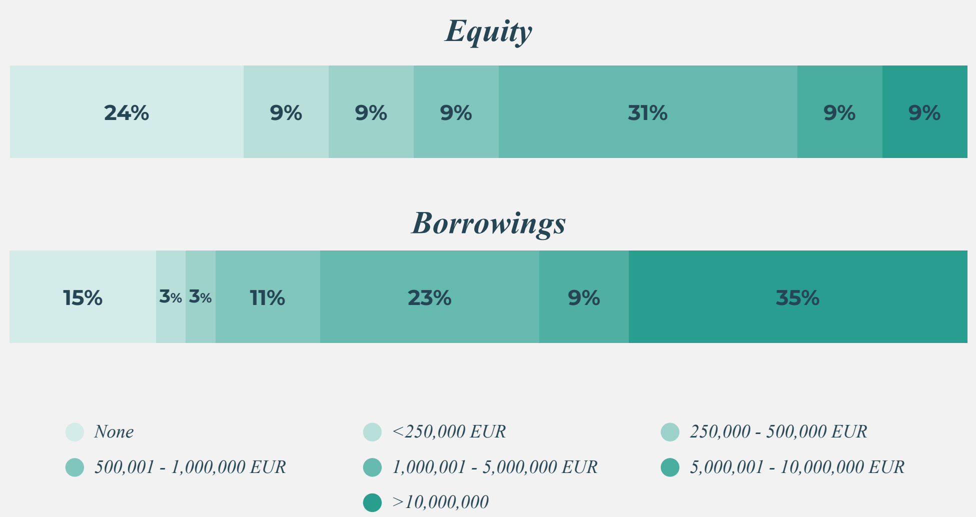


IV.2 FUNDING NEEDS

FUNDING NEEDS ARE LARGE. MANY MFIS SEEK TO BORROW FUNDS IN EXCESS OF EUR 10 MILLION. REGARDING EQUITY, THE MOST COMMON TICKET SIZE IS BETWEEN EUR 1 TO 5 MILLION.

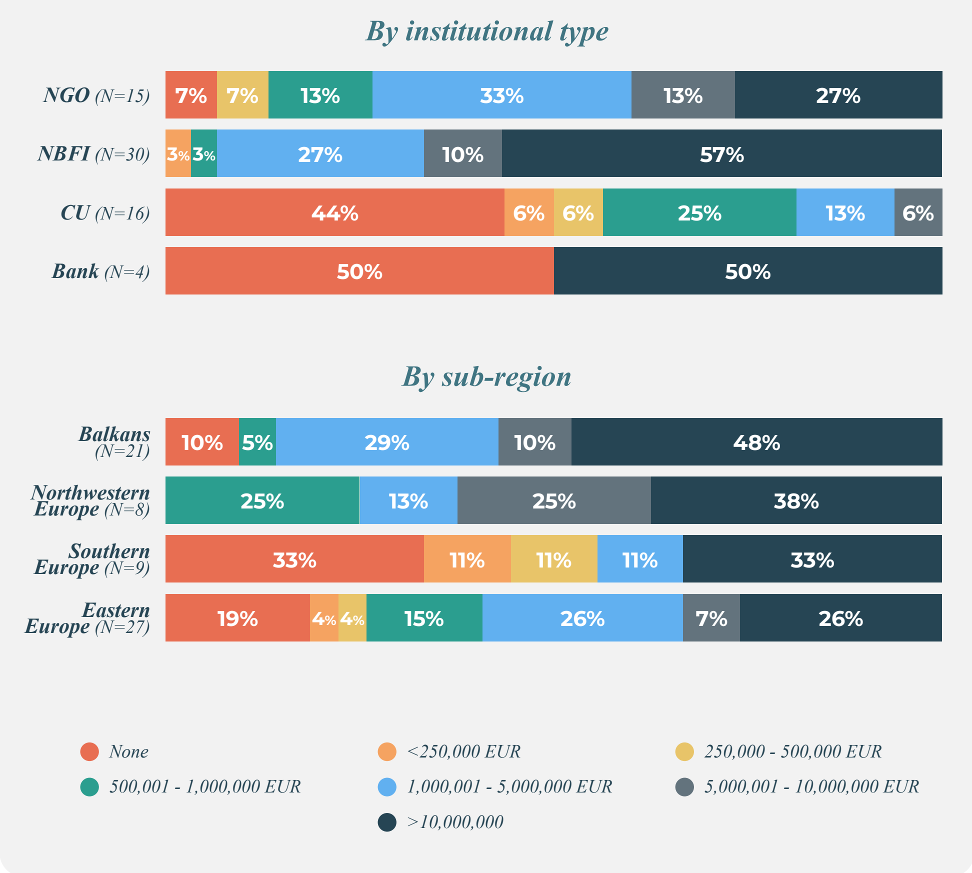
- Banks and credit unions are less likely than other institutional types to seek additional debt. More than half of NBFIs (57%) seek EUR 10 million or more of debt. Among NGOs, one-third of MFIs seek EUR 1 to 5 million.
- In each sub-region, most MFIs seek EUR 10 million or more in borrowed funding.
- With respect to equity, banks, credit unions and NGOs are the least likely to seek additional capital injection. By contrast, NBFIs seek equity finance the most for an amount between EUR 1 and 5 million.
- By sub-region, more than one-third of Eastern European and Southern European MFIs have no additional equity needs.
- In Northwestern Europe, most MFIs seek EUR 5-10 million in equity (38% of MFIs). In the Balkans, 56% of MFIs seek EUR 1 to 5 million of equity.
- About 30 MFIs seek guarantees that will allow them to cover the risk of the loan portfolio (a total value of approximately 700 million EUR).
- 21 MFIs seek grants and subsidies for a total value of EUR 44 million (on average, EUR 2.1 million per institution).predominantly from national funds.

Distribution of MFIs by value of funding needed for the next 3 years
(N=72)

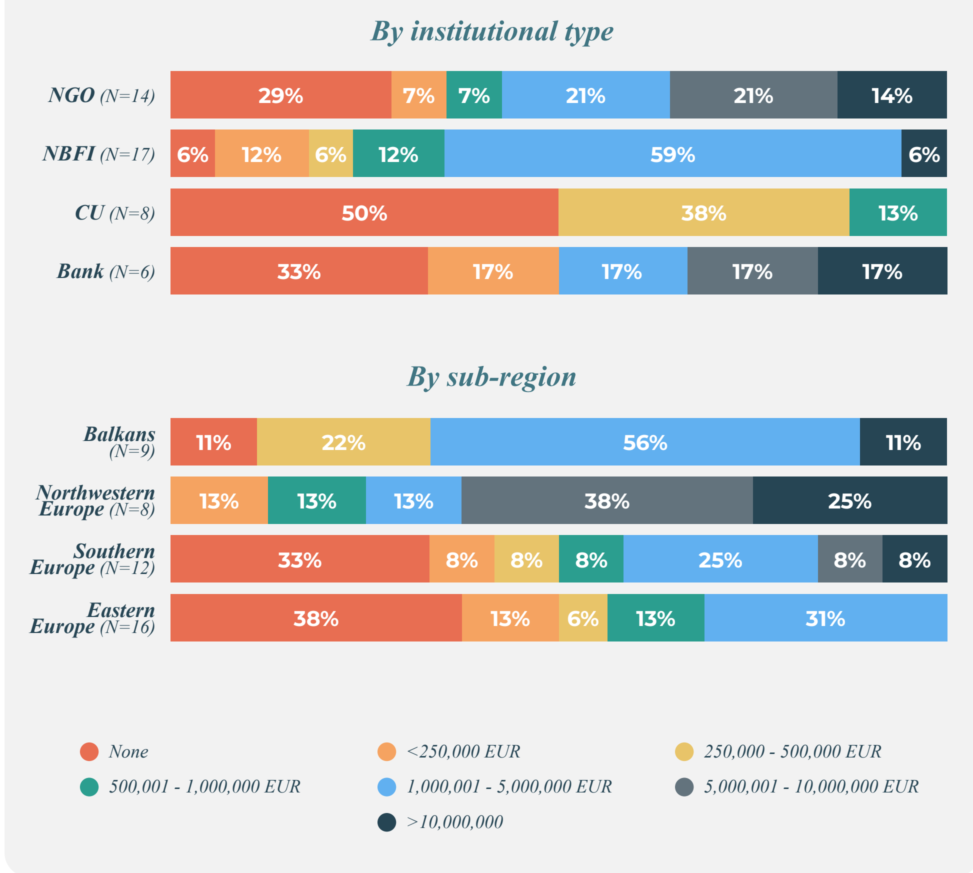


IV.2 FUNDING NEEDS

Distribution of MFIs by value of borrowings needed for the next 3 years
(N=65)



Distribution of MFIs by value of equity needed for the next 3 years
(N=65)



V

SUPPORT TO THE UNDERSERVED

MFIs play a vital role in supporting a diverse range of underserved groups through their microloan offerings. Universally served by all MFIs, women make up 42% of clients. 64% of MFIs cater to rural clients, which represent 40% of active borrowers. Additionally, 29% of MFIs serve migrants (who constitute 26% of their clients).

While some MFIs offer standard products to underserved groups, others have developed dedicated financial and non-financial products or conducted outreach campaigns tailored to specific demographics.

The most popular **dedicated financial products** are for rural clients (45%) and young people (44%). Furthermore, a substantial number of MFIs provide **dedicated non-financial services** to women (22%), youth (20%), and rural inhabitants (19%). To expand their outreach, 35% of MFIs organize **campaigns** targeting rural clients, while 31% focus on young people and 29% on women.

When it comes to migrants, approximately 20% of MFIs have developed dedicated approaches via financial and non-financial services (12%) and outreach campaigns (11%).

Challenges to provide microfinance vary across underserved groups and are presented in detail in the report.

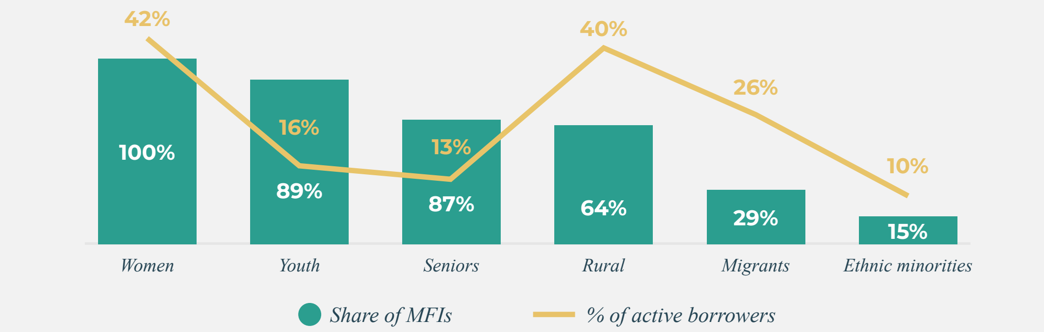
Overall, 84% of MFIs require **support to initiate or sustain services for underserved** groups. Among these MFIs, 66% expressed a need to support women, youth, and rural populations.

A significant number of MFIs (64%) seek grants to facilitate services to underserved groups, and 55% are actively searching for portfolio guarantees to mitigate the risk associated with lending to these demographics.

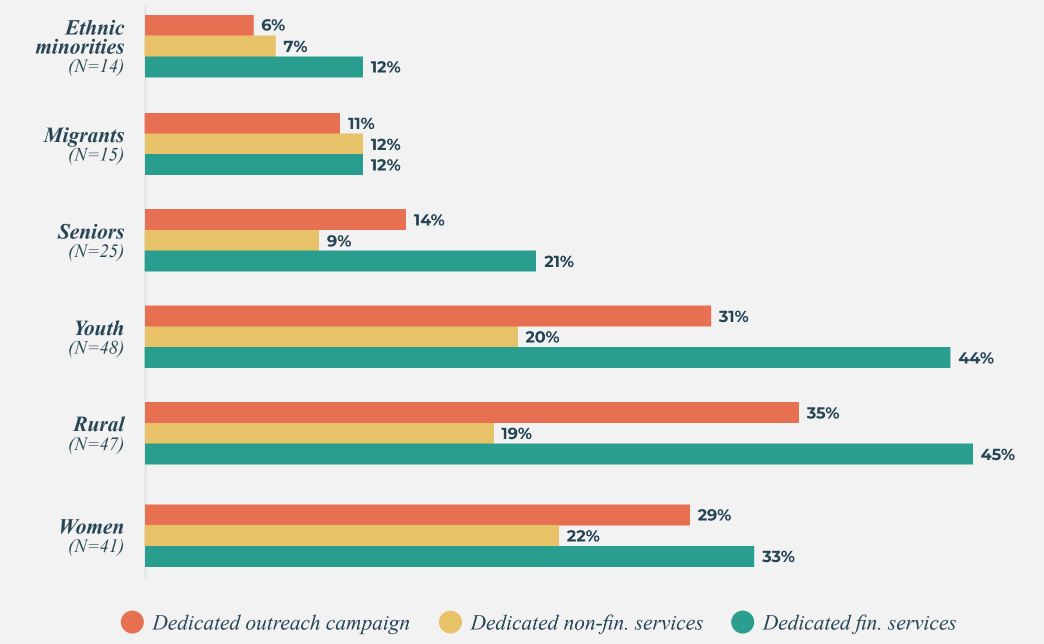
TARGET GROUPS ARE SERVED WITH FINANCIAL AND NON-FINANCIAL SERVICES

- All MFIs serve women clients, who collectively constitute 42% of all clients. Rural clients are served by more than half of MFIs (64%) and account for 40% of all clients.
- By contrast, while young people are served by most MFIs (89%), their share among total clients is relatively small (16%). Similarly, seniors are served by 67% of MFIs and make up 13% of total clients. 29% of MFIs (21 institutions) serve migrants, which constitute 26% of their clients. A smaller number of MFIs (11 institutions) provide services to ethnic minorities, which constitute 10% of their clients.
- Women constitute a larger share of borrowers (between 45% to 49% on average) for credit unions, banks and NGOs. NBFIs tend to serve fewer female borrowers (34% on average).

Distribution of MFIs by engagement in financial services to specific client's groups *(N=72)*



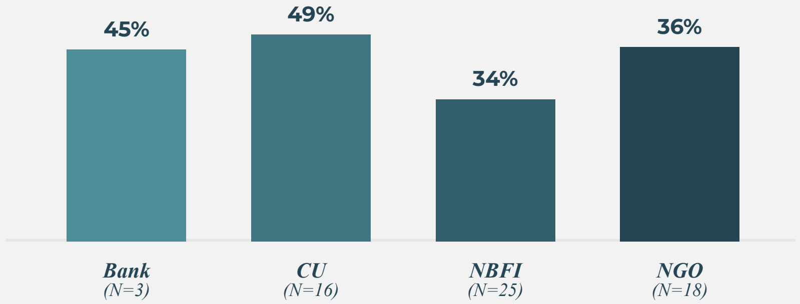
Distribution of MFIs by engagement in dedicated approach to serving vulnerable groups *(N=85)*



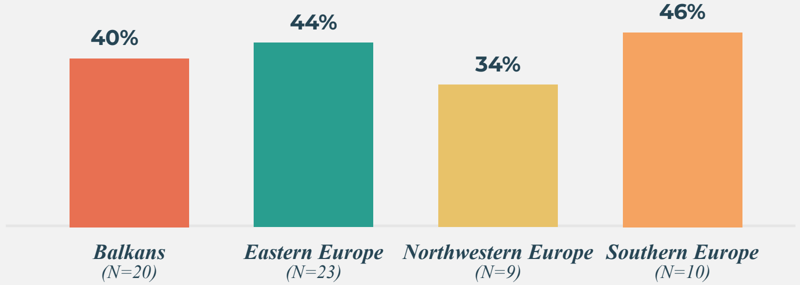
V. PRACTICES

- By sub-region, MFIs in Southern Europe have the largest share of female clients (46%) while MFIs in Northwestern Europe have the lowest (34%).
- Underserved groups are typically offered MFIs' standard products. However, some MFIs develop dedicated financial products to target a specific underserved group.
- The most popular dedicated product is for rural inhabitants (45% of MFIs) and young people (44%). A third of the surveyed MFIs provide non-financial services that are designed for specific underserved groups.
- Dedicated non-financial services are the most popular for women (22% of MFIs), youth (20%) and rural inhabitants (19%).
- Outreach campaigns to attract rural clients are organized by 35% of MFIs. 31% of MFIs organized campaigns for young people and 29% of MFIs for organized campaigns for women

Average share of women among active borrowers by institutional type
(N=62)



Average share of women among active borrowers by sub-region
(N=62)

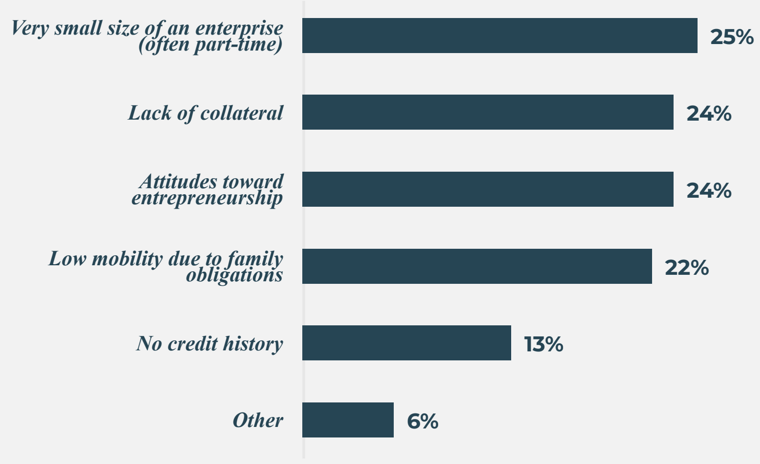


V.2 CHALLENGES / GAPS

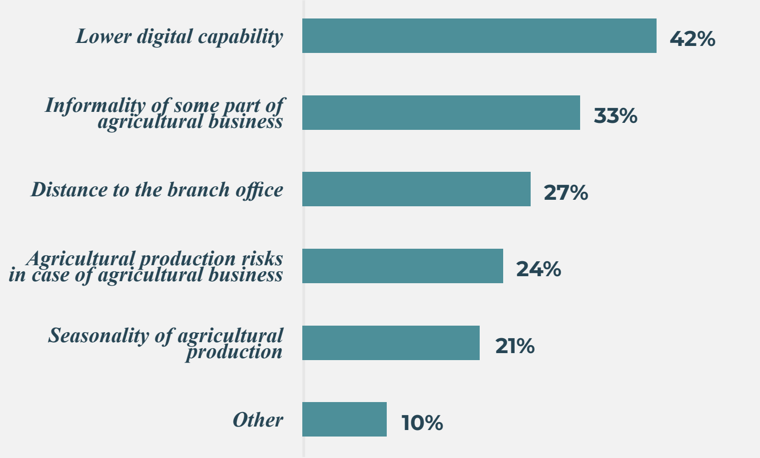
CHALLENGES DIFFER SUBSTANTIALLY ACROSS UNDERSERVED GROUPS

- The main challenges cited to serving women include: the small size of their enterprises (25% of MFIs), lack of collateral (24%), lack of confidence to become an entrepreneur (24%) and low mobility due to family obligations (22%).
- NGOs more often face the challenge of providing services to very small/ part-time female businesses. By contrast, NBFIs more often have to overcome a lack of credit history and lack of collateral of female borrowers.
- The main challenges to serve rural populations include lower digital capability (42% of MFIs) and the informality of some aspects of business, especially in case of agricultural activities (33%).
- Credit unions more often observe challenges regarding agricultural production risks. NBFIs more often recognize the difficulty of providing loans to clients with informal agricultural production.

Challenges to serving women
(N=67)

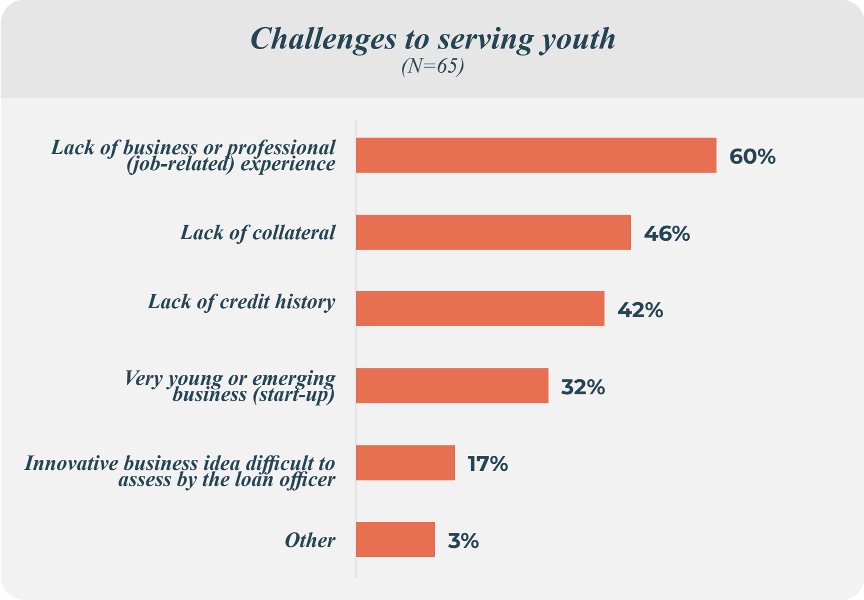


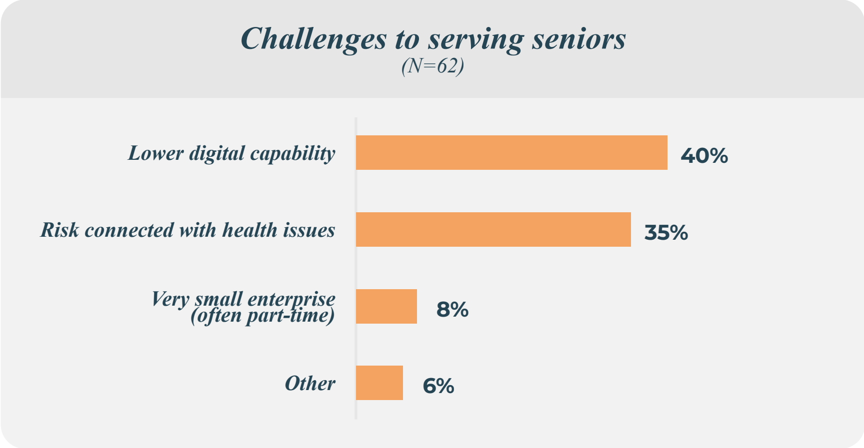
Challenges to serving rural populations
(N=67)



V.2 CHALLENGES / GAPS

- The main challenge to serve young entrepreneurs is their lack of previous business or professional (job-related) experience (60% of MFIs), lack of collateral (46%) and lack of credit history (42%).
- Most of the challenges to serve youth populations were voiced by NBFIs, except for the item referring to the innovativeness of youth businesses, which was cited more by NGOs.
- The main challenge in serving seniors include low digital capability (40% of MFIs) and health-related risks (35%).
- Lower digital capabilities and health related risks were more often seen as a challenge by NGOs while the small size of enterprises run by seniors was a challenge faced more often by NBFIs.

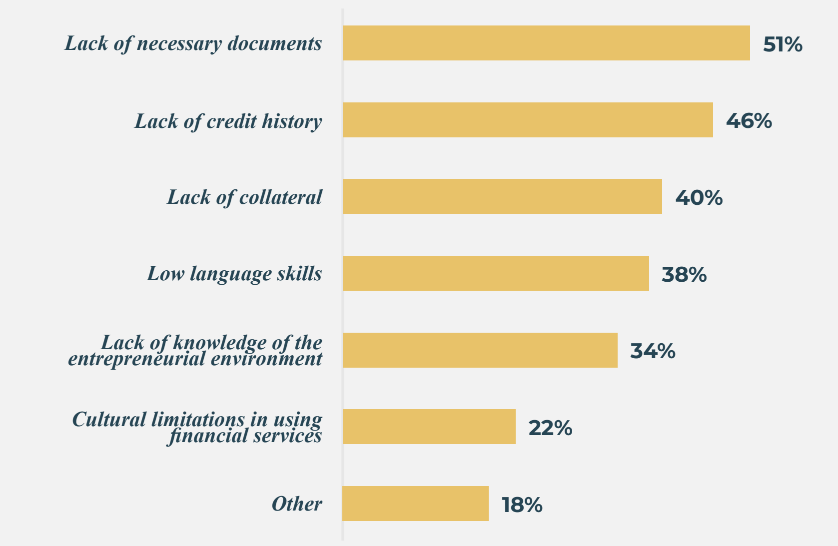




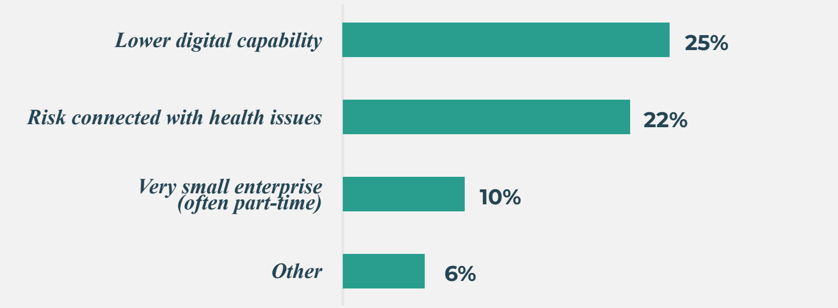
V.2 CHALLENGES / GAPS

- The main challenge to serve migrants includes lack of necessary documents required to take a loan (37% of MFIs) and lack of credit history (33%).
- Language skills and lack of knowledge of the local entrepreneurial ecosystem were more often a concern for NGOs while lack of credit history, collateral and necessary documents were cited by NBFIs more than other institutional types.
- The main challenge to serve ethnic minorities is a lack of credit history (25% of MFIs) and lack of business experience (22%).
- The main concern for NGOs to serve ethnic minorities is a lack of credit history; for NBFIs, lack of business experience and lower market opportunities due to prejudice were the main challenges.

Challenges to serving migrants
(N=65)



Challenges to serving ethnic minorities
(N=63)

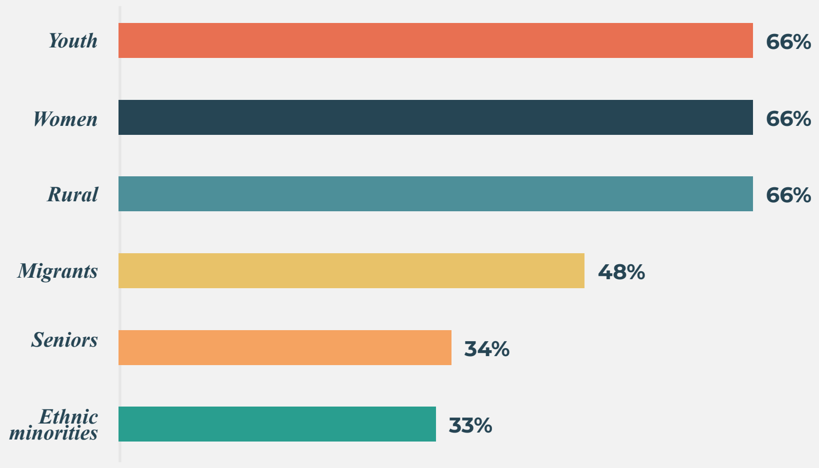


V.3 SUPPORT NEEDED TO SERVE UNDERSERVED GROUPS

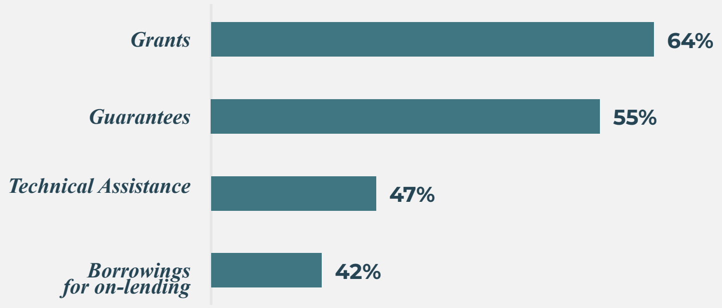
THE VAST MAJORITY OF MFIs NEED SOME KIND OF SUPPORT TO PROVIDE MICROFINANCE TO UNDERSERVED GROUPS

- 84% of MFIs need some kind of support to start or continue serving underserved groups.
- MFIs indicate that support is mostly needed to serve women, youth and rural populations (66% each).
- 64% of MFIs need grants to provide services to underserved groups. Nearly all NGOs need grants and the majority of MFIs in Northwestern Europe seek grants as well.
- 55% of the surveyed MFIs seek portfolio guarantees to cover the risk of lending to underserved groups. All banks providing microfinance stated a need for guarantees. MFIs in Northwestern and Southern Europe request portfolio guarantees more often than MFIs in other parts of Europe.
- 47% of MFIs need technical assistance. NBFIs and banks require TA more often than other institutional types. MFIs in the Southern Europe and Balkans sub-regions seek technical assistance more than the MFIs in the other locations.
- 42% of MFIs need borrowed funds to on-lend to underserved groups; NBFIs were more likely to seek this debt compared to other institutional types.

Distribution of MFIs by underserved group for which serving support is needed (N=64)



Distribution of MFIs by type of support needed to serve underserved groups (N=64)



VI

GREEN MICROFINANCE

MFIs actively participate in the green transition, dedicating efforts to enhance their environmental performance and the resilience of their clients.

More than half of responding MFIs (55%) offer **green microloans** through dedicated or standard products.

Of the 15 MFIs supplying information, the outstanding green microloan portfolio collectively amounted to EUR 29 million in 2022 with a total of 11,000 active borrowers (average loan size of EUR 11,000). Looking ahead, sector engagement is expected to grow as 24 MFIs that do not currently offer green microloans expressed their intentions to enter this market by the end of 2025.

Renewable energy (77%) and energy efficiency (75%) loans are the most common type of green loans offered by MFIs. Mobility loans and loans for sustainable agriculture/farming are also widespread as they are offered by half of the organizations.

Alongside financial products, 38% of the MFIs providing green loans established **dedicated initiatives** to facilitate the green transition of their clients. Raising awareness among clients (23%) and establishing connections with providers of green technologies (21%) were the predominant focus of MFIs in this regard.

MFIs report several **challenges** to provide green loans to clients. The main problems stem from weak demand due to clients' limited awareness of climate change/sustainability issues (46%) and the hesitancy to adopting new and potentially more expensive green technologies (42%).

To initiate or expand the provision of microloans, MFIs need a comprehensive **support** package through a blend of funding, risk coverage technical assistance (to develop new products, elaborate environmental strategies and train staff) and grants (for non-financial services and outreach campaigns).

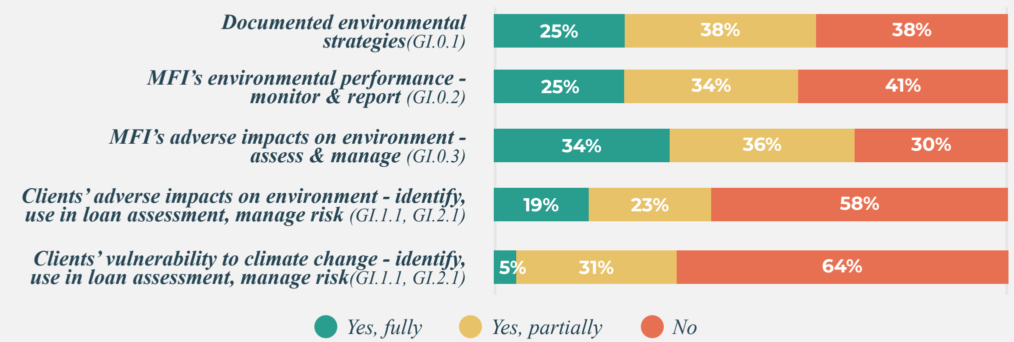
22 MFIs provided data on their **funding needs**. With access to EUR 165 million in funding and EUR 184 million in guarantee coverage, they could potentially reach 31,000 clients by the end of 2025.

MFIs IN EUROPE ARE ENGAGED IN THE GREEN TRANSITION AND WORKING ON THEIR ENVIRONMENTAL PERFORMANCE

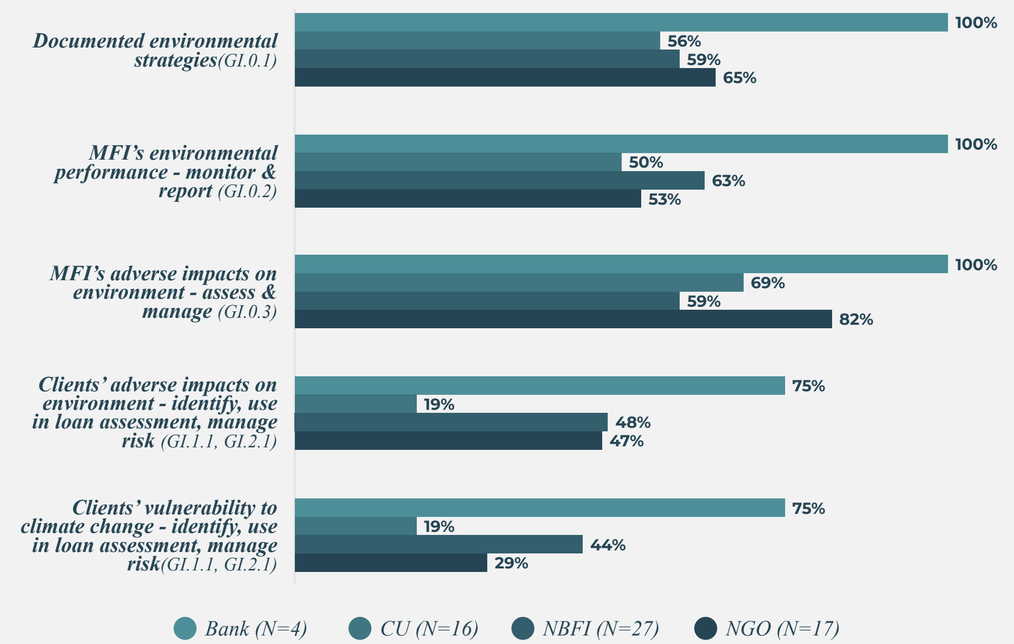
- Responding MFIs affirm the establishment of policies in convergence with essential practices from the Green Index 3.0. Specifically:
  - 71% of MFIs have implemented practices to monitor and manage the adverse impact of their operations on the environment.
  - 63% of MFIs have adopted practices involving a documented strategy outlining environmental goals, processes, responsibilities, and corresponding monitoring and reporting methods.
  - 59% of MFIs have instituted practices to monitor their environmental performance, reporting the results to their board, investors, or in their annual reports.
  - Bank MFIs emerged as the legal entity that has implemented the most policies across the various dimensions under consideration.

[10] Benchmark for assessing green inclusive finance performance developed by the e-MFP Green Inclusive and Climate Smart Finance Action Group (GICSF AG). This chapter on green microfinance was co-designed with GICSF AG.

Distribution of MFIs by adoption of policies aligned with selected Green Index 3.0 essential practices (N=64)



Distribution of MFIs by institutional type and full or partial adoption of policies aligned with selected Green Index 3.0 essential practices (N=64)

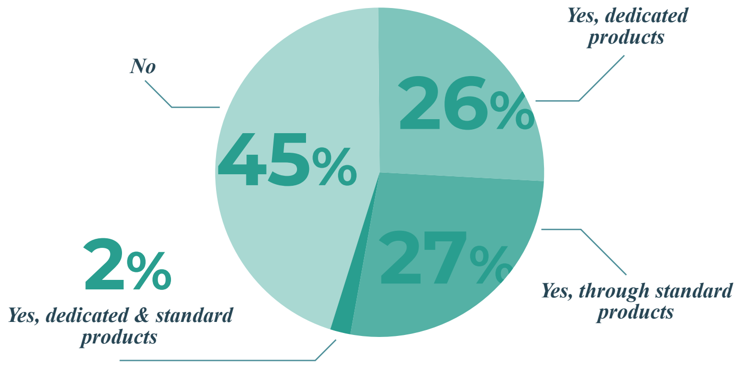


VI.2 GREEN MICROCREDITS

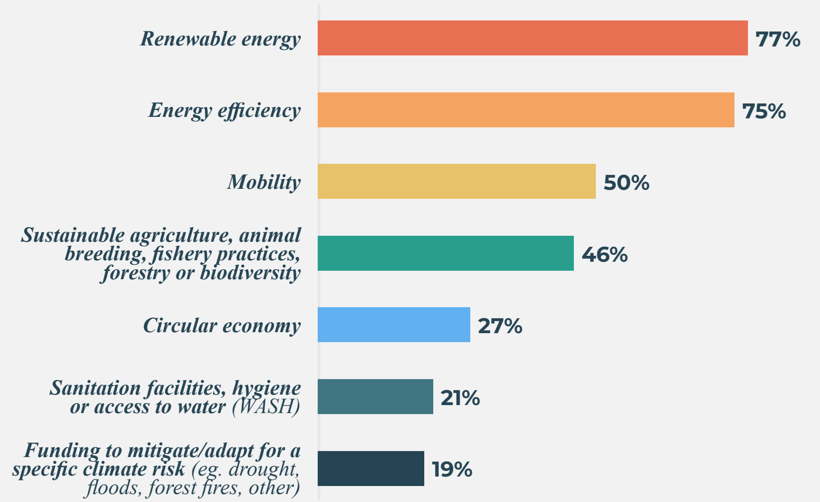
THE SUPPLY OF GREEN MICROLOANS COVERS A BROAD SPECTRUM OF PURPOSES

- 55% of MFIs currently offer green microloans with dedicated or standard products.
- 68% of NGOs and 62% of credit unions offer green loans and are particularly active in this respect.
- Renewable energy and energy efficiency loans are the most common type of green loans offered by MFIs. These products are offered by all surveyed banks and 85% of credit unions. NBFIs also play a significant role: 80% offer green loans.
- Mobility loans to finance the purchase/leasing of electric vehicles and loans for sustainable agriculture/farming are also widespread as they are offered by half of the organizations. Banks lead in the provision of mobility loans (80%), while NBFIs (69%) and banks (60%) are the primary sources for sustainable agriculture/farming loans.
- 15 of 49 MFIs that offer green loans also reported figures about their portfolios. The total outstanding green microloan portfolio amounted to EUR 29 million in 2022 and served approximately 11,000 active borrowers. The average loan size of a green microloan is of approximately EUR 11,000. Reported figures could be lower than the actual volume of loans disbursed and clients reached since only one out of every three MFIs that offered green microloans reported data. However, an outlier also significantly affected data on green loans. With respect to green loans, the outlier represents 58% of the total gross loan portfolio and contributes to 68% of the total active borrowers.
- Looking ahead, 24 MFIs expressed intentions to enter this market in the next two years. 42% are planning on doing so through the development of dedicated products while the remaining 58% intend to incorporate green solutions into their standard products.

Distribution of MFIs by their offer of green microloans *(N=86)*



Distribution of MFIs by engagement in green microlending *(N=47)*

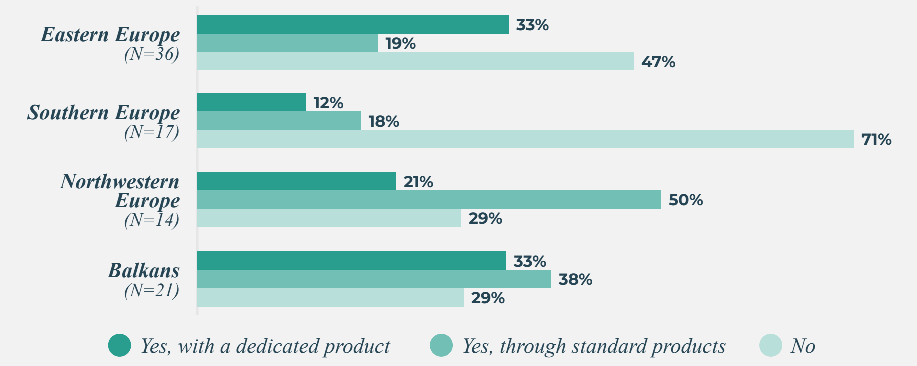


VI.2 GREEN MICROCREDITS

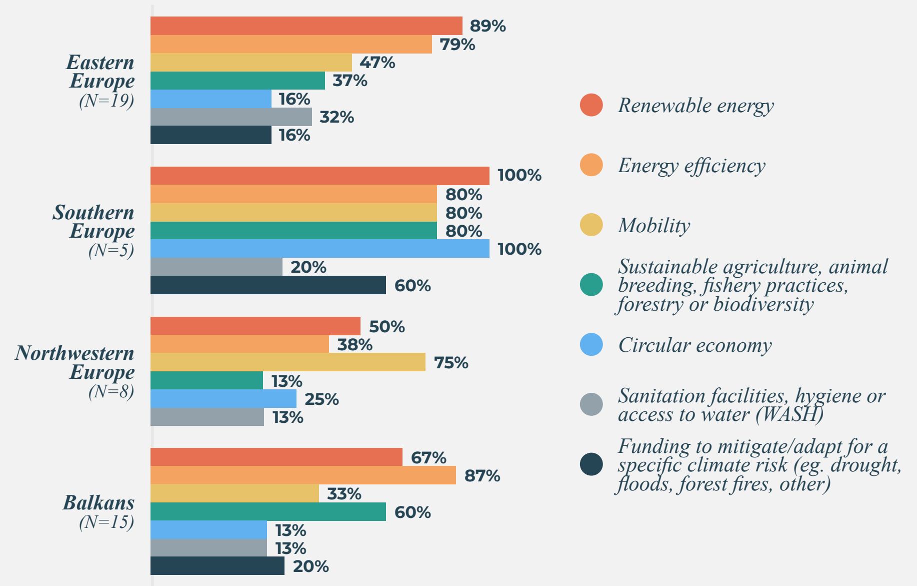
THE AVAILABILITY OF GREEN MICROLOANS VARIES ACROSS REGIONS, WITH SPECIFIC TRENDS CHARACTERIZING EACH REGION

- In the Balkans and Northwestern Europe, 71% of responding MFIs offer green microloans through dedicated or standard products.
- MFIs in the Balkans play a crucial role in supporting energy efficiency, renewable energy, and sustainable agriculture/farming through their loan offerings.
- MFIs in Northwestern Europe demonstrate an advanced commitment to promoting environmentally friendly practices by specializing in mobility loans.
- In Eastern Europe, the emphasis of MFIs predominantly focuses on energy efficiency and renewable energy loans.
- While Southern Europe exhibits a comparatively limited presence in the green microloan market, the MFIs operating in this region demonstrate versatility by offering loans for a wide variety of environmentally conscious purposes.

Distribution of MFIs by sub-region and the offer of green microloans (N=86)



Distribution of MFIs by sub-region and engagement in green microlending (N=47)

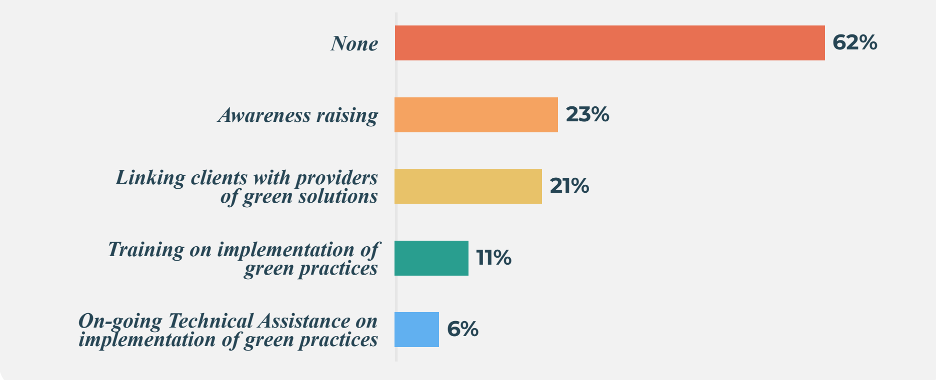


VI.3 GREEN NON-FINANCIAL SERVICES

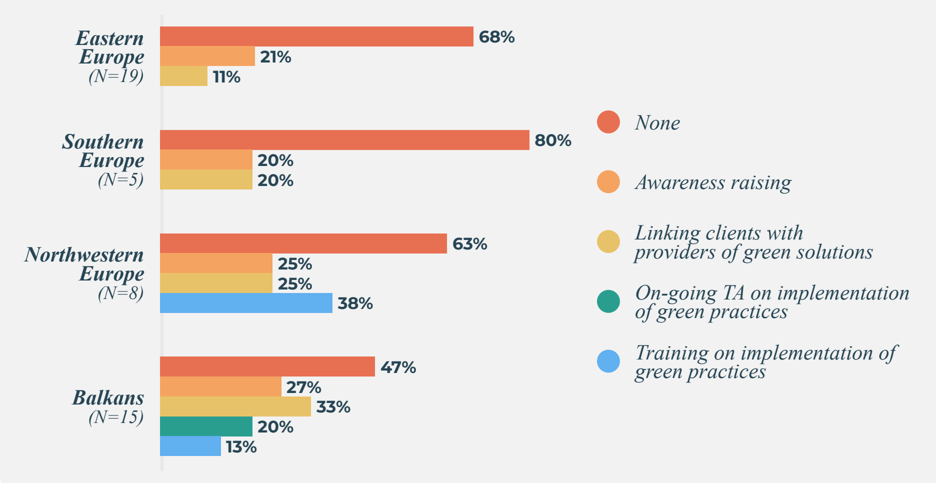
THE PROVISION OF GREEN NON-FINANCIAL SERVICES IS IMPROVING BUT IT IS NOT YET A STANDARD PRACTICE

- 38% of MFIs providing green loans have established dedicated initiatives to facilitate the green transition of their clients. NGOs are the most active institutional type in this respect (54% of the responding MFIs offer green non-financial services).
- The main focus revolves around raising awareness among clients (23%) and establishing connections with providers of green technologies (21%).
- MFIs in the Balkans lead in the provision of green non-financial services, with 53% of the MFIs that declare to offer green microloans actively engaged in such initiatives.
- MFIs in Northwestern Europe (38%) and Eastern Europe (32%) also contribute to the provision of non-financial services with environmental objectives.
- Conversely, Southern European MFIs are less active in this regard: only 20% of the MFIs that offer green loans also deliver green non-financial services.
- Only 4 MFIs provided number of recipients of green non-financial services in 2022. It is still a challenge for MFIs to report the number of clients benefiting from these initiatives.

Distribution of MFIs by engagement in green non-financial services (N=47)



Distribution of MFIs by sub-region & by engagement in green non-financial services (N=47)

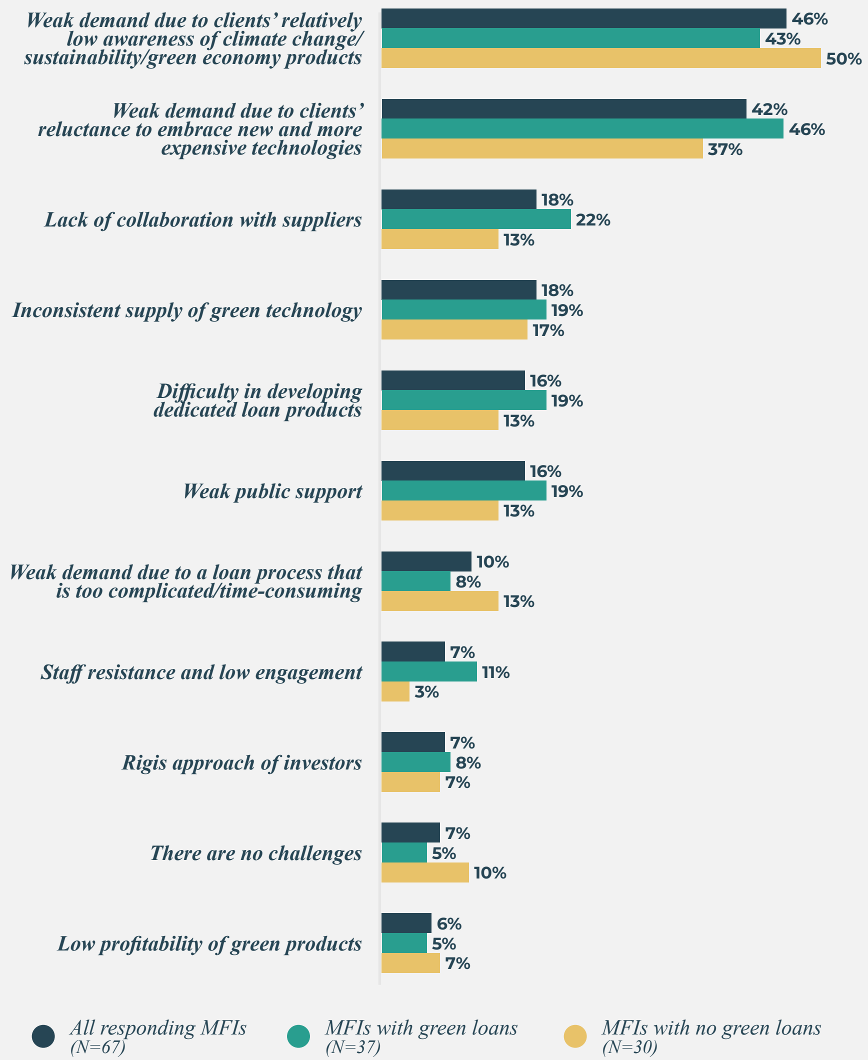


VI.4 CHALLENGES

THE PRIMARY CHALLENGES FACED BY MFIs TO PROVIDE GREEN LOANS STEM FROM WEAK CLIENT DEMAND

- Weak demand is the foremost challenge for MFIs: clients' limited awareness of climate change/sustainability issues (46%) and their hesitancy towards adopting new and potentially more expensive "green" technologies (42%) are key obstacles for MFIs. The main green non-financial services offered by MFIs align with the nature of these challenges.
- In regions more advanced in the provision of green loans, two challenges stand out: the lack of collaboration with suppliers and vendors (cited by 44% of MFIs in the Balkans) and the development of new dedicated loan products (cited by 50% of MFIs in Northwestern Europe).
- Client resistance to the adoption of new products is notably pronounced in Eastern Europe, where 53% of MFIs face this challenge. By contrast, only 18% of MFIs in Southern Europe reported such resistance.
- It is important to highlight the external nature of certain challenges (such as the inconsistent supply of green technology or weak public support). As such, MFIs are unable to address them directly.
- Overall, the responses from MFIs offering green loans do not significantly differ from those that do not participate in such initiatives.

Distribution of MFIs by challenges to the provision of green microloans (N=67)

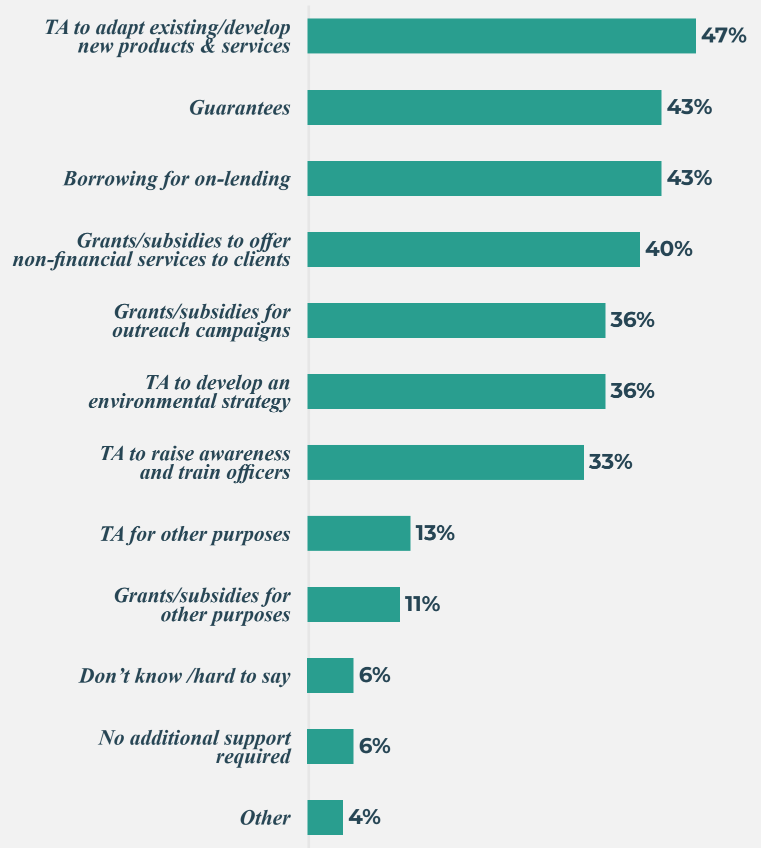


VI.5 SUPPORT NEEDED

TO INITIATE OR EXPAND THE PROVISION OF MICROLOANS, MFIs NEED A COMPREHENSIVE SUPPORT PACKAGE

- This package should encompass a blend of technical assistance (to develop new products and elaborate environmental strategies, train staff), funding, risk coverage, and grants (for non-financial services and outreach campaigns).
- While there are regional differences in the support requirements, only a few key areas stand out as surpassing the European average. Specifically, 64% of the Eastern European MFIs report a significant need for technical assistance to develop new products. In Northwestern Europe, 55% of MFIs highlight the importance of raising awareness and training loan officers.
- Responding MFIs (N=40) anticipate that, with additional funding, they could extend their services (both financial and non-financial) to more than 41,000 clients by the end of 2025.
- A subset of MFIs (N=22) provided data on their funding needs. With access to EUR 165 million in funding and EUR 184 million in guarantee coverage, they could potentially reach 31,000 clients within the same timeframe.
- The average cost per client served is approximately EUR 5,000, emphasizing the substantial financial requirements associated with scaling up green financial and non-financial services.

Distribution of MFIs by support needed for green microloans provision (N=72)



VII

DIGITAL TRANSFORMATION

Digital transformation is a **strategic** cornerstone for almost all MFIs: 95% deem digital transformation as important or very important and integrate it into their 3–5-year strategic plans.

For European MFIs, digital transformation primarily revolves around optimizing existing services, with a focus on streamlining internal processes and delivering competitive services to clients.

MFIs seek a range of **solutions** across marketing, loan automation, and data management. High-priority solutions pivot upon client interaction, specifically the development of customer apps and digital onboarding.

Investments in digital transformation exhibit substantial variations among MFIs, both in their present and future trajectories.

Overall, the major **challenges** for MFIs include high investment costs (66%) and associated expenses for IT experts (34%). The digital skills of clients and MFI staff are highlighted as challenges by one-quarter of responding MFIs.

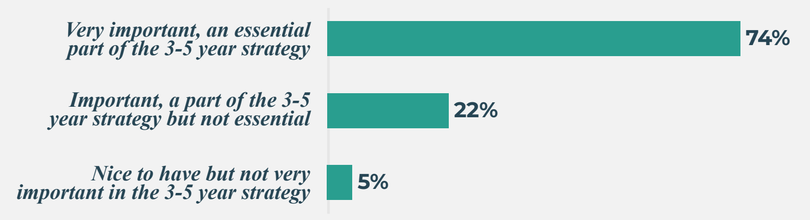
Reflecting the primary challenge faced by MFIs, funding **support** emerged as important (54%). Additionally, the exchange of best practices (48%) and the formulation of a digital strategy (41%) are deemed crucial for making informed decisions in a dynamic environment.

VII. IMPORTANCE & AIM

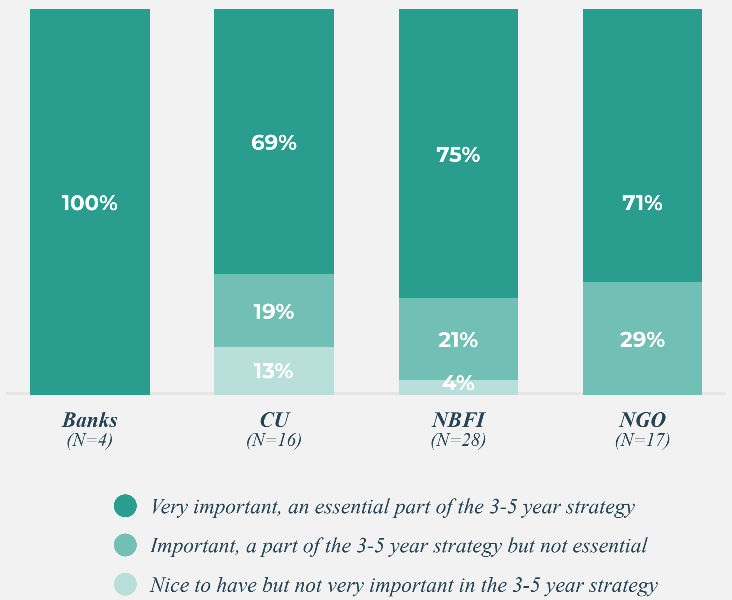
DIGITAL TRANSFORMATION IS A STRATEGIC CORNERSTONE FOR THE VAST MAJORITY OF MFIs

- 95% of MFIs deem digital transformation as important or very important, firmly integrating it into their 3–5-year strategic plans.
- By institutional type, all banks recognized digital transformation as an essential component of their strategy. By contrast, credit unions show relatively lower engagement, with 14% regarding it as a “nice-to-have” element in their strategy. NBFIs and NGOs fall in a middle ground in terms of commitment.
- Notably, digital transformation holds greater significance for larger institutions (84%) than for small and medium-sized MFIs (where 63% and 64%, respectively) consider it “very important.”
- MFIs in Northwestern Europe exhibit the greatest dedication to digital transformation, with Eastern European MFIs following suit. However, it’s noteworthy that 10% of MFIs in Eastern Europe still exhibit resistance to digital transformation.

Importance of digital transformation
(N=65)



Distribution of MFIs by institutional type and importance of digital transformation
(N=65)

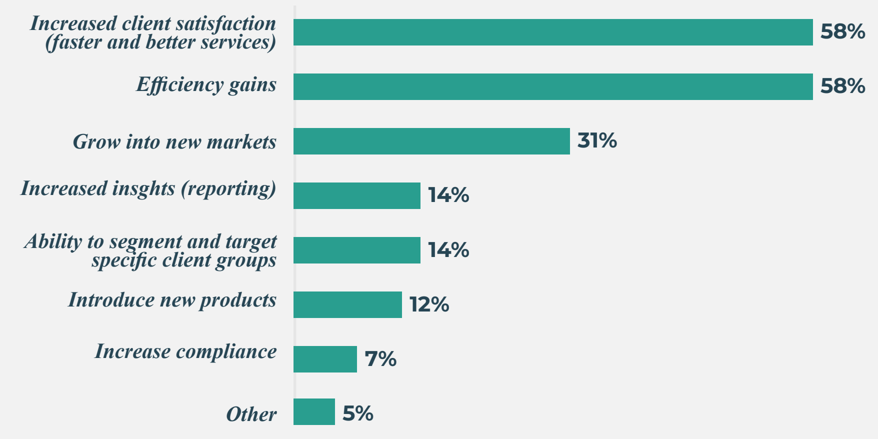


VII.1 IMPORTANCE & AIM

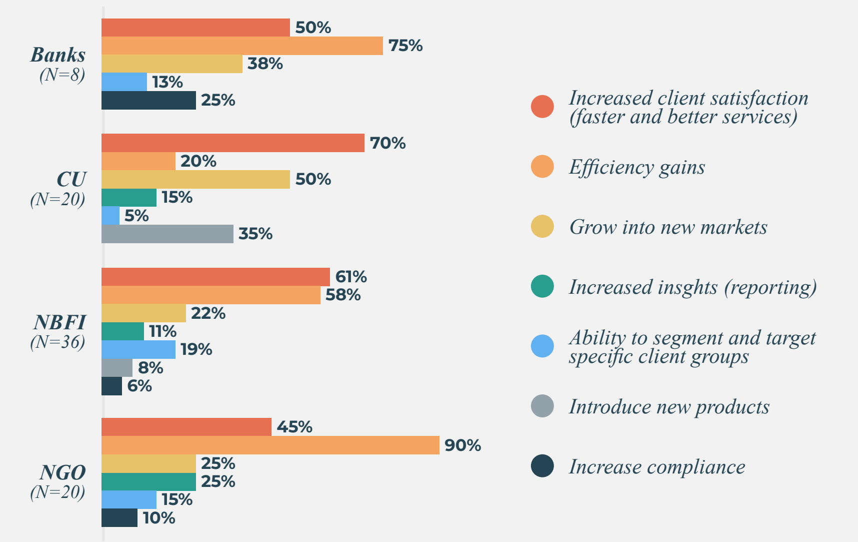
DIGITAL TRANSFORMATION PLAYS A PIVOTAL ROLE TO ENHANCE THE EFFICIENCY AND CLIENT SERVICES OF MFIs

- For European MFIs, digital transformation primarily revolves around optimizing existing services, with a focus on streamlining internal processes and delivering competitive services to clients.
- The adoption of technology to explore new markets or introduce innovative products is less prevalent among MFIs, and data management and insights receive comparatively lower attention.
- NGOs (90% of MFIs) and banks (70%) highlight a strong interest in efficiency gains. Credit unions distinguish themselves by prioritizing client satisfaction (70%), expanding into new markets (50%), and introducing new products (35%). NBFIs align with overall averages, except for a relatively higher focus on better targeting specific client groups (19%).
- Efficiency gains hold significant importance for MFIs in Northwestern Europe, with 83% emphasizing this aspect. MFIs in Eastern Europe prioritize increased client satisfaction as their top priority (71%).
- In Southern Europe, 31% of MFIs aim to enhance targeting specific client groups through technology, whereas MFIs in the Balkans express greater interest (24%) to introduce new products.

Two key aims of digital transformation (N=84)



Two key aims of digital transformation by institutional type (N=84)



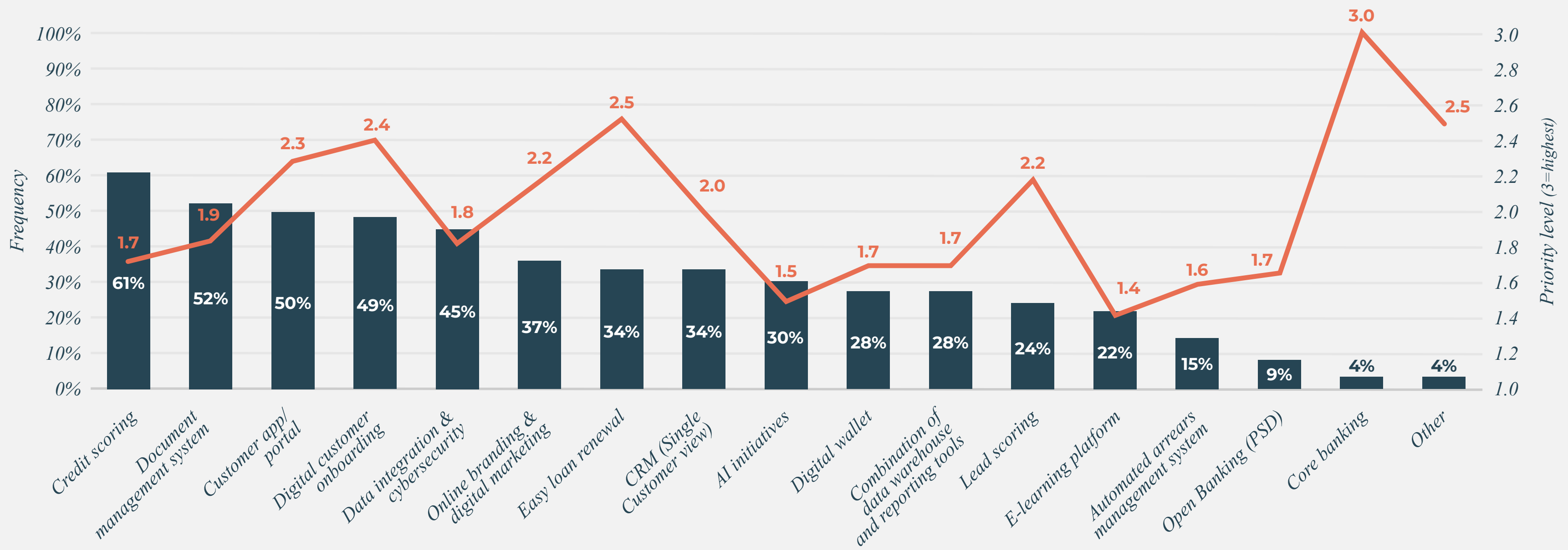
VII.2 PRIORITIES

MFIs REQUIRE A WIDE RANGE OF SOLUTIONS

- MFIs seek a wide range of solutions to facilitate digital transformation across marketing, loan automation, and data management.
- High-priority solutions (both in terms of frequency and priority level) pivot around client interaction, specifically the development of customer apps and digital onboarding.[11]
- Two additional solutions, though less frequently requested, play a critical role in the digital transformation process: establishing a fast track for recurrent clients (streamlining loan renewals) and implementing a lead scoring system.
- Credit scoring is the most commonly cited solution, with 61% of responding MFIs recognizing its importance.
- While not as heavily cited in terms of frequency, core banking were reported as a critically essential solution, indicating its overarching significance for MFIs

[11] Priority level for each solution is expressed on a scale from 1 (low priority) to 3 (high priority). The indicator complements the frequency indicator which shows how many MFIs selected the solution.

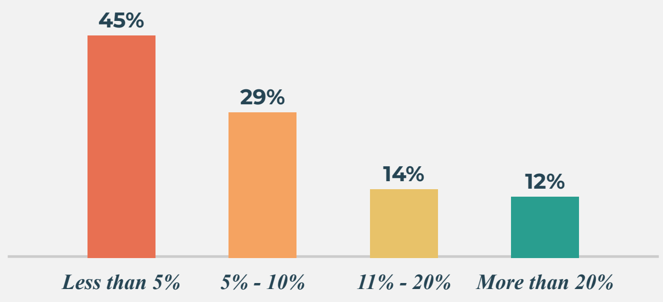
MFIs' top three priorities in terms of digitalization (N=82)



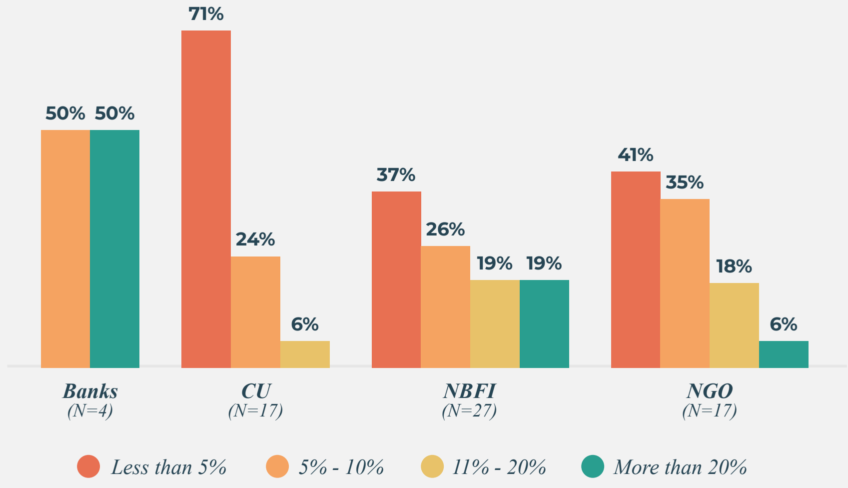
RESOURCES ALLOCATED TO TECHNOLOGY VARY SIGNIFICANTLY AMONG MFIs

- Nearly half of MFIs allocate less than 5% of their operating budget to digitalization[12], a figure driven primarily by small and medium-sized MFIs (57% and 60%, respectively).
- Among different institutional types, credit unions are the least invested in digitalization, with 71% of them allocating less than 5% of their operating budget to this endeavor.
- Conversely, 12% of MFIs, predominantly banks and NBFIs, have the financial capacity for significant investments in digitalization.
- One-third of large MFIs allocate more than 11% of their operating budget to digitalisation, whereas this is the case for one-fifth of small and medium-sized MFIs.

Percentage of current operating budget invested in digitalization (N=65)



Percentage of current operating budget invested in digitalization by institutional type (N=65)

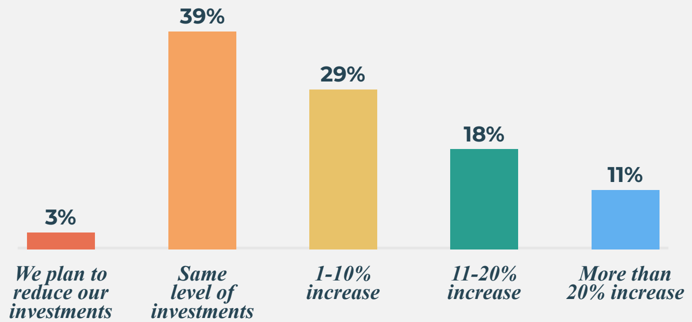


[12] This includes software costs, salary of IT employees and other IT related costs but excluding digital marketing costs like social media.

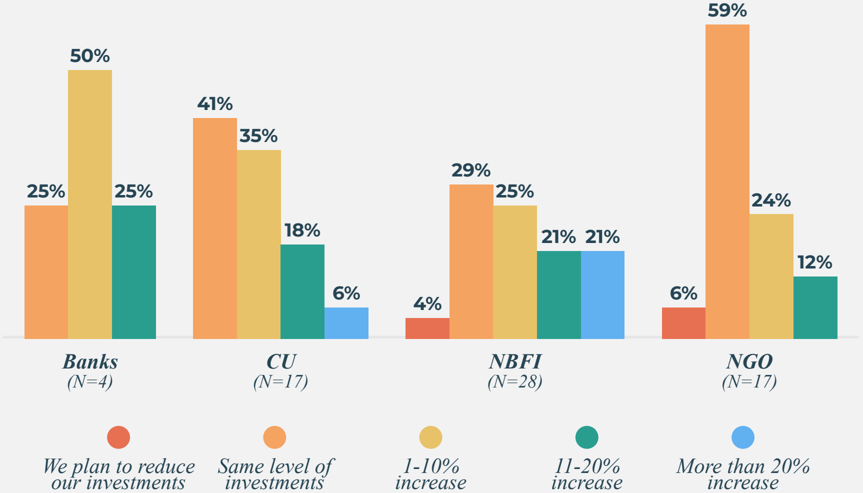
VII.3 BUDGET & SPENDING PLANS

- In terms of future plans, more than 40% of MFIs have no intentions to increase their current digitalization investments, with NGOs being less inclined/in the position to augment their spending.
- By contrast, 11% of MFIs (primarily NBFIs) are planning a substantial increase of more than 20% in their digitization investments.
- Notably, half of the MFIs currently investing more than 20% in digitalization are planning significant increases (more than 11%) in the next two years.
- The largest MFIs lead in future investment plans, with 43% anticipating an 11% or more increase in their digitalization investments over the next two years.

Spending plans in digitalization for the next two years *(N=66)*



Spending plans in digitalization for the next two years by institutional type *(N=65)*

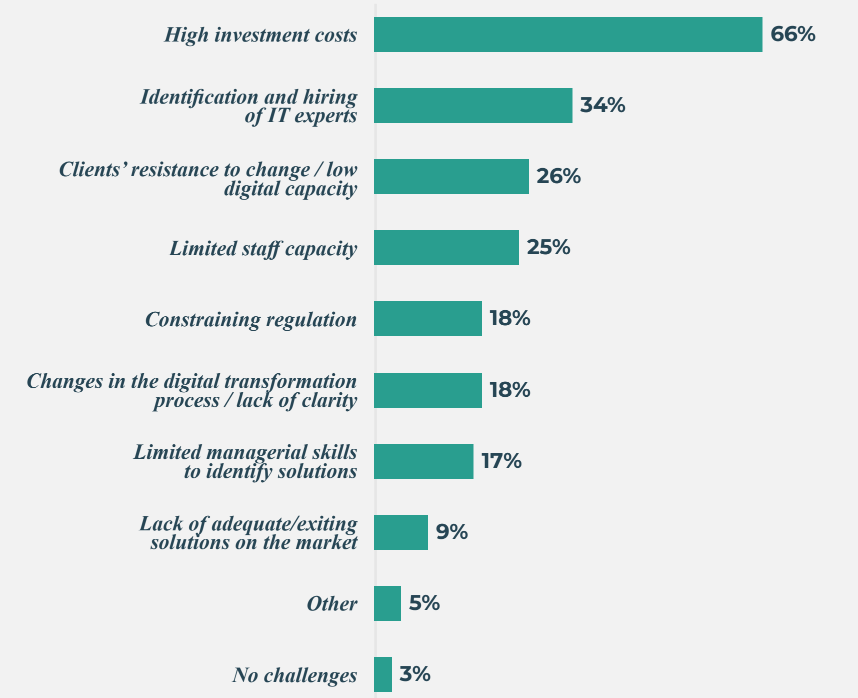


VII.4 CHALLENGES

THE PRIMARY OBSTACLE FOR MFIs REVOLVES AROUND RESOURCE AVAILABILITY FOR IT PROJECTS AND THEIR IMPLEMENTATION

- Major challenges include high investment costs and associated expenses for IT experts.
- The digital skills of clients and MFI staff are highlighted as challenges by one-quarter of MFIs.
- On average, NGOs struggle more with the identification and hiring of IT experts (53%) and building managerial digital skills for innovative solutions. By contrast, banks struggle with changes in planned digital transformation (50%) and restrictive regulations (50%). Credit unions are mainly challenged by clients' resistance to change and low digital capacity (47%), expressing concerns about high investment costs (41%). NBFIs show no significant deviations from overall averages.
- In the Balkans, 94% of MFIs find high investment costs particularly daunting. Additionally, challenges specific to this region include clients' low digital skills (44%) and restrictive regulations (38%).
- MFIs in Northwestern Europe face comparatively larger challenges in the identification and hiring of IT experts (50%), limited digital skills among staff (63%), and digital skills among managers (50%).
- Half of Southern European MFIs encounter challenges related to continuous changes in the digital transformation process or a lack of clarity in future planning.
- Eastern European MFIs show no significant deviations from overall averages.

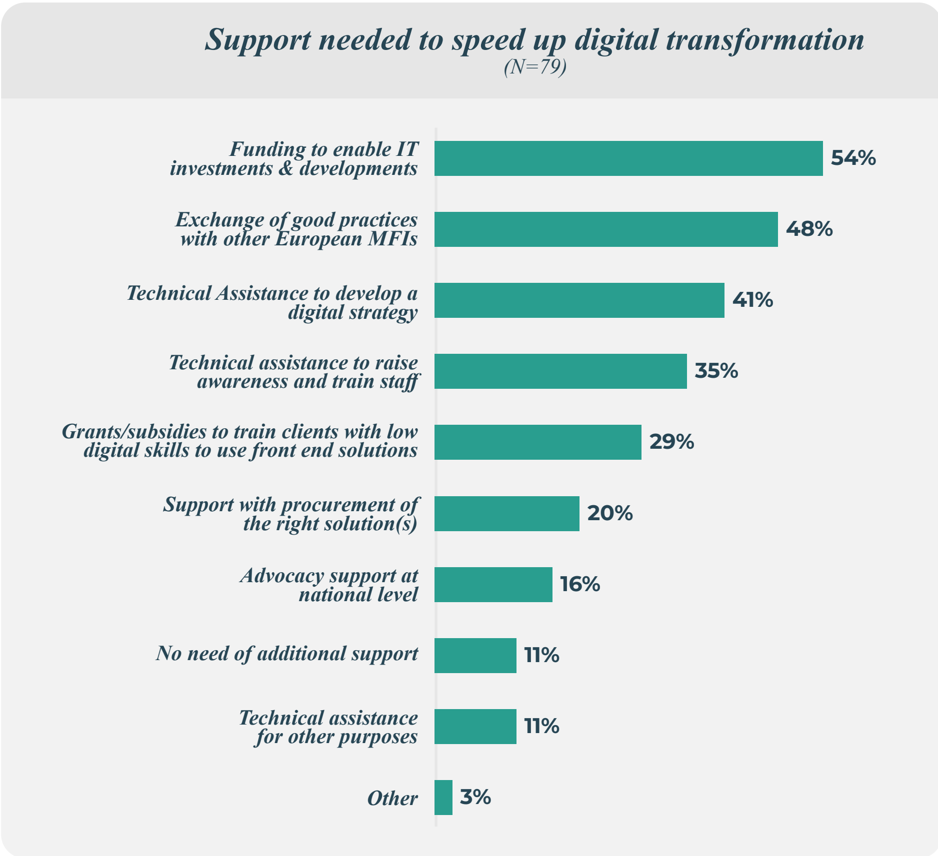
Challenges related to digital transformation
(N=65)



VII.5 SUPPORT NEEDED

FUNDING, TECHNICAL ASSISTANCE, AND PEER EXCHANGE WORK IN TANDEM TO SPEED UP DIGITAL TRANSFORMATION

- Funding support emerged as the primary challenge faced by MFIs. Additionally, the exchange of best practices and the formulation of a digital strategy are deemed crucial for making informed decisions in a dynamically evolving environment.
- Support measures to train MFI staff and clients are also deemed necessary by one-third of MFIs.
- Similar to the results on budget and investment plans, a small cluster of MFIs (11%) is already equipped for digital transformation.
- For both NGOs and NBFIs, the predominant support needed is funding for IT investments (67% and 58%, respectively). For banks, the focus is primarily on TA to develop a strategy and train staff (63% in both cases). The needs of credit unions are in line with overall averages.
- On average, Northwestern European MFIs reported substantially lower scores across all dimensions except for funding IT investments (67%).
- On average, MFIs from the Balkans reported higher scores for nearly all categories. The primary support requested in this region is the exchange of good practices and funding for investments (62%).
- Only one-third of Southern European MFIs expressed a need for funding for IT investments. The primary support required in this region is TA for the development of a digital strategy (47%).
- Eastern European MFIs show no significant deviations from overall averages



VIII

LOOKING AHEAD
ON PRIORITY TOPICS

VIII LOOKING AHEAD ON PRIORITY TOPICS

Looking ahead, and alongside discussions with experts, key points related to the priority topics presented in this report require additional reflection and exploration.

SUPPORT FOR UNDERSERVED POPULATIONS

MFIs continue to provide products and services in a way that is appropriate to underserved populations, both in terms of product features and delivery. The provision of personal, physical or one-to-one services to socio-economically disadvantaged groups is resource-intensive and thus squeezes profit margins. At the same time, mainstream financial institutions (e.g., traditional banks, consumer lenders) are increasingly relying on virtual channels to serve their clients in pursuit of efficiency gains brought about by digitalization.

As a result, the profitability gap between serving bankable clients and the underserved is widening and profit-oriented institutions are even less willing to provide services to the disadvantaged groups than before.

Challenges in serving vulnerable groups are universal for all types of providers but MFIs are uniquely positioned to develop solutions that overcome these shortcomings. This, however, comes at a cost which should not be passed down to the borrowers and further heighten their vulnerability. Public support to the microfinance sector is needed to reduce the cost of microfinance delivery.

Additionally, the challenges mentioned by MFIs participating in this survey refer not only to financial access barriers but also to constraints in entrepreneurship and successful business conduct of their clients. While MFIs serving vulnerable groups have come up with solutions to address access constraints, they cannot solve all the challenges related to entrepreneurship on their own. Cooperation with other ecosystem partners is required to support business development among vulnerable groups.

GREEN MICROFINANCE

Green microfinance aims to foster sustainable resilience among the most vulnerable, acknowledging the disproportionate impact of climate change on this population. Despite the current limited demand for green products, MFIs should prioritize strategies and products that address immediate requirements (even if not felt as needs by clients).

Improving the role of microfinance to support the green transition of the most vulnerable involves identifying effective non-financial services to raise awareness among clients and boost demand for green products.

To attract additional resources for these initiatives, MFIs need to build capacity to monitor and report their environmental performance to public and private investors. In addition, exploring partnerships with tech companies can provide solutions to enhance the environmental performance of MFIs and their efficiency in this respect.

It is crucial for green microfinance to become progressively mainstream within the sector, with a targeted focus on MFIs that do not currently offer these services. Understanding their lack of interest, identifying challenges, and providing support can pave the way for their involvement.

Overall, creating a conducive ecosystem, which includes public and private support, innovative partnerships, and effective regulation, is essential for enabling MFIs to maximize their impact on vulnerable communities.

DIGITAL TRANSFORMATION

European MFIs are undergoing a gradual transformation, by integrating digital elements into their core strategies. They prioritize and wish to uphold human interactions with clients and are therefore not interested in in fully automating all aspects of their operations. Currently their focus on enhancing efficiency primarily involves scaling up within the existing market rather than venturing into new markets.

Digital transformation holds the potential to significantly enhance impact reporting capabilities of MFIs, a critical factor for strategic planning, mission alignment and advocacy. This is also important for fundraising given the growing importance of social impact measurement to both public and private investors.

Overall, for MFIs to capitalize on the vast array of technological advancements available, they must possess a robust and flexible core banking system capable of seamlessly integrating and implementing innovative solutions. Assessing whether MFIs still rely on outdated systems is essential, as it directly impacts their ability to innovate.

Looking at emerging players in the financial landscape, digital-native organizations such as fintech companies are leveraging technology to redefine conventional approaches in meeting both businesses and personal needs. Visibility and differentiation are imperative for the microfinance and social finance sector to be perceived as distinct from fintech companies. The unique mission, target groups served, and tailored services offered with human interaction underscore the differences between the two sectors.

IX

INFORMATION ABOUT THIS STUDY

IX. METHODOLOGY

The study captures data on 169 MFIs that operated in 29 countries in 2022. MFI data was collected from MFI representatives through a survey during October-November 2023. Where responses to the survey could not be obtained or data was incomplete, secondary data sources was used.

In addition to the survey, interviews with key informants were conducted to gather the views and opinions on the current situation and future outlook of the microfinance sector.

	Number of institutions on the contact list	*Number of MFIs in the dataset*	*Coverage*
Members of EMN and/or MFC	**80**	**67**	**84%**
Members of national networks	**151**	**75**	**50%**
Other MFIs	**135**	**27**	**20%**
Total	**366**	**169**	**46%**

Primary data collection

An online questionnaire of 58 questions was made available to MFI representatives through the Survey Monkey platform. The questionnaire was translated into eight languages.

Secondary data collection

The following types of secondary data sources were used to complement the survey: MFI annual reports, activity reports, reports and statistics of national microfinance associations, national banks/supervisory commissions' statistics and reports.

IX.2 GLOSSARY

Active borrower
Natural or legal person who currently has an outstanding loan balance or is primarily responsible for repaying any portion of a gross loan portfolio. Those natural or legal person with multiple loans with a microcredit provider should be counted as a single borrower. Microborrower is a borrower with a business microloan below EUR 50,000 at disbursement and/or a personal loan below EUR 25,000 at disbursement.

APR
The annual rate charged for borrowing, expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan. Includes any fees or additional costs associated with the transaction. (European Code of Good Conduct for Microcredit Provision. 2022 Edition)

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

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

Business microloan
Microcredit for business or entrepreneurial purpose (EU definition) is a loan under EUR 50,000 at disbursement to support the development of self-employment and microenterprises (Bending et al., 2014).

Credit Unions
A non-profit, member-based financial intermediary. It may offer a range of financial services, including lending and deposit taking, for the benefit of its members. Credit Unions often have a dedicated regulation.

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

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

Ethnic minorities
Individuals who are not a member of the national majority ethnic group. They may come from migrant, indigenous or landless nomadic communities. (Bending et al., 2012).

Green microloan
Microloan of less than EUR 25,000 to unbankable clients that is designed to finance renewable energies, energy efficiency, environmentally friendly activities, etc. Green microloan can be used for either business/entrepreneurial purposes or personal/consumption purposes.

Gross microloan portfolio outstanding
Principal balance of all outstanding loans, including current, delinquent, and restructured loans, but not loans that have been written off or interest receivable (European Code of Good Conduct for Microcredit Provision. 2022 Edition).

Large MFI
Microfinance institution with the gross microloan portfolio larger than EUR 8 million.

Medium MFI
Microfinance institution with the gross microloan portfolio between EUR 2 and 8 million.

Migrants
Immigrants are those individuals, not born in the country of residence (Bending et al., 2012).

IX.2 GLOSSARY

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

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

Operational self-sufficiency (OSS)
{[Operating revenue / (Financial expense + Loan loss provision expense + Operating expense)] x 100}
(European Code of Good Conduct for Microcredit Provision. 2022 Edition)

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

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

Portfolio at Risk (PAR)
The value of outstanding loans that have one or more payments past due more than a given number of days. Often displayed as a ratio and divided into categories according to the number of days it is overdue. (European Code of Good Conduct for Microcredit Provision. 2022 Edition)

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

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

Total cost of borrowing
The total charge for taking on a debt obligation (loan) that can involve interest payments and other financing fees to be paid by the customer and known to the lender at the time of disbursing the loan. The total cost of borrowing is expressed in value terms. (European Code of Good Conduct for Microcredit Provision. 2022 Edition)

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

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

X

ANNEXES

X ANNEXES

Table 1
Number of MFIs participating in the survey by country

Albania	9
Austria	1
Belgium	4
Bosnia & Herzegovina	26
Bulgaria	5
Croatia	3
Estonia	1
France	3
Germany	11
Greece	3
Hungary	3
Ireland	1
Italy	7
Kosovo	8
Lithuania	2
Luxembourg	1
Moldova	7
Montenegro	2
North Macedonia	3
Poland	19
Portugal	2
Romania	29
Serbia	2
Slovakia	1
Spain	7
Sweden	3
The Netherlands	1
Turkey	1
United Kingdom	4
Grand Total	169

Table 2
Number of MFIs participating in the survey by sub-region

Balkans	51
Eastern Europe	70
Northwestern Europe	29
Southern Europe	19
Grand Total	169

Table 3
Number and share of MFIs participating in the survey by sub-region and institutional type

	Balkans		Eastern Europe		Northwestern Europe		Southern Europe		Total	
	N. of MFIs	%	N. of MFIs	%	N. of MFIs	%	N. of MFIs	%	N. of MFIs	%
Bank	2	4%	4	6%	13	45%	6	32%	25	15%
Credit union	4	8%	22	31%	-	0%		0%	26	15%
NBFI	31	61%	27	39%	6	21%	5	26%	69	41%
NGO	14	27%	17	24%	10	34%	8	42%	49	29%
Grand Total	51	100%	70	100%	29	100%	19	100%	169	100%

Table 4
Average Annual Percentage Rate (APR) by country

	Business microloans		Personal microloans	
	N. of MFIs	2022	N. of MFIs	2022
Albania	5	33%	5	38%
Belgium	2	11%		
Bosnia & Herzegovina	3	19%	3	22%
Bulgaria	3	6%		
Croatia			2	6%
Greece	3	8%		
Italy	2	11%		
Kosovo	2	19%	2	20%
Montenegro	2	12%		
North Macedonia	2	17%	2	16%
Romania	12	21%	13	16%
Spain	3	3%		
Sweden	2	2%		
Other countries	10	10%	9	19%
Grand Total	51	15%	36	20%

Table 5
Total value of gross loan portfolio by country (total, business microloan, personal microloans)

	Total		Business microloans		Personal microloans	
	N. of MFIs	2022	N. of MFIs	2022	N. of MFIs	2022
Albania	9	279 425 508	6	162 035 806	9	117 389 701
Belgium	4	33 257 871	4	23 499 903		
Bosnia & Herzegovina	26	538 292 856	3	86 690 793	4	144 687 246
Bulgaria	5	13 528 591	3	8 946 647		
Croatia	3	9 774 187				
France	3	189 569 828	3	135 573 666	3	53 996 162
Germany	10	134 146 912	10	134 146 912		
Greece	3	22 866 627	3	17 866 627	2	5 000 000
Hungary	3	4 938 116	3	4 938 116		
Italy	7	134 417 795	5	90 423 514		
Kosovo	8	260 967 272	2	49 322 542	2	5 943 018
Lithuania	2	27 074 267	2	27 074 267		
Moldova	7	250 592 843				
Montenegro	2	52 274 099	2	39 459 517		
North Macedonia	3	37 848 659	2	20 690 557	2	12 823 059
Poland	19	155 694 270	19	155 694 270		
Portugal	2	4 457 062	2	4 457 062		
Romania	28	527 795 689	18	391 080 783	19	120 197 863
Serbia	2	174 424 286	2	63 850 298		
Spain	7	2 136 071 332	7	635 393 477	3	1 500 677 854
Sweden	3	623 674	3	623 674		
United Kingdom	4	52 465 500	4	52 117 545		
Other countries	7	232 385 071	8	313 817 344	9	238 675 438
Grand Total	167	5 272 892 315	111	2 417 703 319	53	2 199 390 343
Total without the outlier (largest bank)	166	3 379 648 028	110	2 009 618 761	52	714 230 614

X ANNEXES

Table 6
Total number of active borrowers by country

	Total		Business microloans		Personal microloans	
	N. of MFIs	2022	N. of MFIs	2022	N. of MFIs	2022
Albania	9	175 031	6	40 136	9	134 895
Belgium	4	5 318	4	3 283		
Bosnia & Herzegovina	19	202 043	4	50 807	4	118 852
Bulgaria	5	1 711	3	950		
Croatia	3	2 227				
France	3	48 216	3	27 950	3	20 266
Germany	11	8 451	11	8 451		
Greece	3	1 997	3	997		
Hungary	3	349	3	349		
Italy	7	12 827	5	4 564		
Kosovo	8	103 082	2	21 153	2	4 320
Lithuania	2	2 913	2	2 913		
Moldova	7	80 741				
Montenegro	2	22 941	2	16 770		
North Macedonia	3	11 527	2	5 084	2	3 533
Poland	19	7 403	19	7 403		
Portugal	2	466	2	466		
Romania	28	102 523	18	44 040	19	56 926
Serbia	2	76 278	2	14 343		
Spain	7	320 369	7	58 642	3	261 727
Sweden	3	39	3	39		
United Kingdom	4	3 163	4	3 131		
Other countries	7	69 191	8	30 448	10	115 405
Grand Total	**161**	**1 258 806**	**113**	**341 919**	**52**	**715 924**
Total without the outlier (largest bank)	**160**	**954 401**	**112**	**297 027**	**51**	**456 411**

Table 7
Average PAR 30 ratio by country

	Total		Business microloans		Personal microloans	
	N. of MFIs	2022	N. of MFIs	2022	N. of MFIs	2022
Albania	8	17%	6	5%	8	17%
Belgium	2	18%	2	18%		
Bosnia & Herzegovina	4	1%	4	1%	3	0%
Bulgaria	5	13%	3	14%		
France	3	12%	3	17%	3	11%
Germany	7	14%	7	14%		
Greece	2	17%	2	18%		
Hungary	3	31%	3	31%		
Italy	2	19%				
Kosovo	7	9%				
Moldova	2	3%				
Montenegro	2	1%	2	1%		
North Macedonia	3	4%	2	3%	2	3%
Poland	19	6%	19	6%		
Portugal	2	8%	2	8%		
Romania	24	13%	15	7%	17	19%
Spain	7	9%	6	10%	2	4%
Other countries	7	15%	10	10%	7	8%
Grand Total	**113**	**11%**	**86**	**9%**	**42**	**13%**

Table 8
Operational Self-Sufficiency (OSS) ratio by country

	N. of MFIs	2022
Albania	6	124%
Bosnia & Herzegovina	5	125%
Belgium	2	75%
Bulgaria	3	93%
Hungary	2	50%
Moldova	2	136%
North Macedonia	3	116%
Romania	20	108%
Other countries	13	107%
Grand Total	**56**	**108%**

X ANNEXES

Table 9
Average Loan Balance/GNI per capita by country

	Total		Business microloans		Personal microloans	
	N. of MFIs	2022	N. of MFIs	2022	N. of MFIs	2022
Albania	9	56%	6	90%	9	40%
Belgium	4	13%	4	14%	3	27%
Bosnia & Herzegovina	18	88%	3	32%		
Bulgaria	5	62%	3	75%		
Croatia	2	33%				
France	3	7%	3	14%	3	6%
Germany	10	24%	9	22%		
Greece	2	46%	2	85%		
Hungary	3	65%	3	65%		
Italy	7	48%	5	57%		
Kosovo	8	41%	2	82%	2	26%
Lithuania	2	41%	2	41%		
Moldova	7	115%				
Montenegro	2	21%	2	22%		
North Macedonia	3	46%	2	67%	3	46%
Portugal	2	35%	2	35%		
Romania	28	43%	17	87%	19	13%
Serbia	2	38%				
Spain	7	25%	7	29%	3	15%
Sweden	3	22%				
United Kingdom	4	68%				
Other countries	8	19%	10	57%	10	19%
Grand Total	**139**	**49%**	**82**	**55%**	**52**	**22%**

MICROFINANCE IN EUROPE

SURVEY REPORT

2023 EDITION

Justyna Pytkowska
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EUROPEAN MICROFINANCE NETWORK

MICROFINANCE CENTRE

With contribution by EIF

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