

THE IMPACT OF MICROCREDIT IN FRANCE: WHICH EVOLUTION FOR THE BENEFICIARIES?

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Abstract: In this paper, we investigate the evolution of the beneficiaries of microcredit in France and of the role of microcredit in this evolution. Our results reveal a contrast between perception and economic reality. It appears a strong psychological impact of microcredit but low economic spinoffs. We find indeed an overall improvement of the professional situation of beneficiaries, but highlight the precariousness of jobs held and the low incomes. We additionally find that the improvements are stronger among the beneficiaries of the personal loan compared to the professional loan beneficiaries and we show that this difference is mainly due to the objects funded and to the difference between paid-employment and self-employment.

Keywords: Professional microcredit, personal microcredit, impact, evolution.

JEL: C25, G21.

INTRODUCTION

Microcredit has become a broader concept; from South to North, from East to West, there are more and more initiatives and the national governments, under the impulse of the international community, accompanying this movement. Let's not forget that 2005 was declared International Year of Microcredit. It was the place for the international community to emphasize the importance of microcredit within strategies to reduce poverty and achieve the Millennium Development Goals. The question of the effectiveness of this tool appears immediately because of the unanimous agreement it obtains both on the domestic and the international scenes. For a long time, its success was assessed in terms of financial performance of microfinance institutions (MFIs) to the detriment of the effective improvement of beneficiaries' welfare (CGAP, 2007). If it is true that financial sustainability is necessary, it remains true that MFIs actions must lead to improve clients' life. Hence the impact studies.

Some authors and practitioners argue that performing impact studies is tautological. For them, the high demand, the borrowers' insensitivity to interest rates and client retention are sufficient to justify the social interest of microcredit and to conclude to its positive impact (Simanowitz, 2001; CGAP, 2007). However, successes posted by microcredit's actors which are both misleading and highly publicized, are not, on their own, sufficient (Servet, 2006). People flock to the MFIs primarily because of the lack or the failure of traditional financial institutions (the case of developing countries) and because of the consequences of their breeding practices which lead to marginalize some population (the case of industrialized countries). These people, in difficulty and excluded from the conventional financial sector, have no choice but to turn to alternatives solutions such as microcredit. Because of that, they are insensitive to interest rates and are ready to return as many times as necessary. If, indeed, the social interest of microcredit is justified, its impact is less.

The impact of a scheme is defined as "*a set of changes that arise directly or indirectly from any action. These changes affect both the individual targeted by the action and the group to which he belongs to and his environment*"¹ (Lapenu and Reboul, 2006:5). In this regard, demand and client retention criteria do not provide information on changes in beneficiaries' life, particularly when we talk about industrialized countries. Indeed, in these countries, a high demand may be the translation of a growing impoverishment of the population; a clientele who always comes back can demonstrate a stagnation or deterioration of the people's situation who still do not meet banks' selection criteria. To conclude to a positive impact of microcredit, it is then necessary to go beyond these sole criteria and inquire after the actual improvement of clients' situation.

If in developing countries (DCs) the impact of microcredit has been the subject of numerous studies, in industrialized countries there are little or no academic studies that deal with the issue. The purpose of this paper is therefore twofold: by focusing on the French case, we assess the microcredit's ability to fight against exclusion in Northern countries. More specifically, the issue of the paper is to see whether obtaining a microcredit helps to improve the beneficiaries' conditions. We also seek the determinants of the observed changes. To address this concern, we conducted a quantitative and qualitative survey among some beneficiaries of microcredit. The results of this survey reveal a positive role of microcredit in the beneficiaries' integration process, even if this impact is limited, and highlight the difficulties brought by self-employment *versus* paid employment. Before presenting out methodology and our results, we first perform a brief literature review on the impact assessment in microfinance.

ASSESSMENT METHODOLOGY AND MICROCREDIT IMPACT: A BRIEF STATE OF THE ART

It is in the early 80s that the first impact studies are emerging in developing countries and soon, the quantitative approach has appeared as a reference. Two main approaches stand out

here: the quasi-experimental approach and the experimental approach. Both of these approaches return to analyze the evolution of what would be the situation of the beneficiary if he does not use microcredit, to one where he uses it (Banerjee and Duflo, 2009; Armendáriz and Morduch, 2010). They then involve comparing the clients with a control group (non-client) that has the same characteristics. The quasi-experimental technique is popularized in the mid 90s. It is preferred to the experimental method because this latter is considered too difficult and cumbersome to implement. In addition, the requirement at that time was to assess the effectiveness of many existing microfinance schemes. It was therefore to perform an *ex-post* analysis, type of evaluation that the experimental method can hardly meet. Pitt and Khandker (1998) use this method to assess the influence of gender on the impact of the three largest MFIs in Bangladesh. The authors use data from a World Bank survey, which covers a total of 1798 households among which are 1538 eligible households (which have the choice to enter the program) and 260 non-eligible households (which cannot participate in the program). Among the 1538 eligible households, 905 actually participated in the program. The analysis results conclude to a positive and significant impact on consumption and household assets and on children's education if the recipient is a woman. The results of Pitt and Khandker (1998) study led to question their validity. Some authors have tried to replicate the same study (Morduch, 1998; Roodman and Morduch, 2009) and others have used different econometric treatment techniques, including the propensity score matching (Chemin, 2008; Duvendark and Palmer Jones, 2011) in order to confirm the results. Morduch (1998) finds no significant impact; Roodman and Morduch (2009) and Chemin (2008) conclude that the impacts are less significant than those reported by Pitt and Khandker (1998) and Duvendark and Palmer-Jones (2011), unlike Chemin (2010), submit the results to the sensitivity analysis and take into account the presence of other sources of funding. The authors highlight the sensitivity of impacts to unobservable factors and conclude that the results of Pitt and Khandker (1998) are overstated and cannot be confirmed.

These critical studies show that the quasi-experimental method is far from being the most appropriate since it suffers from numerous biases of which the most immutable is the selection bias. The experimental approach is then the answer to this problem. It consists on construct *ex ante* treatment group and control group by bringing the MFI to randomly select within an eligible territory or population, areas or individuals who will receive the services and those who will not receive it. This method is used in recent research such as that of Banerjee et al. (2010) on a MFI in India and Crepon et al. (2011) on a MFI working in rural Morocco. The results of these investigations indicate that the introduction of microcredit schemes in areas previously lacking has an impact on employment in terms of creation and development of activities. This introduction does not, however, improve the ability of households to cope with shocks and the impact on non-economic indicators (health, education, status of women) is nil. The impact on consumption is meanwhile disparate: non-essential consumption reduces and consumption of durable goods among beneficiaries who already have an activity, increases. Among those who just start a business, there is a reduction of total consumption in order to meet fixed costs that business creation requires. For those who do not have an activity, there is an increase in consumption since the credit is used to satisfy immediate needs (job loss, death of a family member, loss of property ...).

If the quantitative analysis is important, the methodological difficulties and the fact that it does not provide operational information, led actors to conduct qualitative surveys. Rehman (2000) uses this method to understand the constraints of microcredit as a tool in the fight against poverty in Orangi, a poor neighborhood of Pakistan. The survey covers 44 beneficiaries including 19 women, 22 men and three couples. The results show improvements on health, morale, quality of work and community involvement. The author emphasizes, however, the existence of macroeconomic factors and socio-cultural elements which limit the impact of microcredit.

A third approach is to combine quantitative and qualitative methods in order to "*conciliate rigor and reliability (of the results) and operational relevance (for the policy makers, for donors, but also and perhaps especially for practitioners)*" (Bouquet and al., 2009, p.93). This combination allows

conciliating objective "prove" and objective "improve" (Hulme, 2000) and meets the new requirement in the sector which is not only to prove the impact, but also to bring elements that can be used to enrich the process. This is the purpose of Bouquet and al. (2009) study, conducted in Madagascar. The quantitative component consisted of a panel analysis on 1,307 households including 379 non-members. As for the qualitative component, it is thematic surveys *via* open or semi-open questions, conducted after the quantitative analysis. The results show a positive impact on rural financial inclusion, on the household wealth and on poverty reduction.

In industrialized countries, where we distinguish between professional and personal loans, impact studies are still in their embryonic stage. The few studies that have attempted to assess the loan effects on the recipient and its environment, attack the issue primarily in terms of the evolution of the clients' situation. The "before and after" surveys carried out on the only beneficiaries and designed to assess changes in their lives since they have obtained the loan, are the most used. The studies of Proximity Finance Foundation (2007 – henceforth PFF) in Belgium, of Adie (2010 – henceforth Adie) in France, of *Banco de la Mujer Municipal España* (2008 - henceforth BMME) in Spain, for the case of professional microcredit, of Gloukoviezoff and Palier (2008 – henceforth GP), of Crédoc (2011- henceforth Crédoc) and of the National Federation of Caisse d'Epargne (2010 – henceforth FNCE) in France for the case of a personal loan, are part of this logic. Let precise that there are not academic studies but studies conducted by or on the behalf of MFIs.

For the three studies on the impact of professional loan, the methodologies used are similar. In the first two, the focus is on the enterprise and the individual. At the level of this latter, there are professional, well-being, financial and banking areas which are examined. The BMME's conceptual framework has four analysis levels: the entrepreneur, his business, his family and his community. The survey bathes in light areas related to the safety and the well-being of the family (income, assets, expenses) and of the beneficiary himself (participation to common activity, control of resources, ability to decision-making); to the business development and to the community participation. The results of these studies show that microcredit presents itself as a springboard for employment, especially for the unemployed. The creation experience appears to be highly instructive and sometimes serves as springboard to an employment for people who have stopped their activity. They also show a positive impact more psychological (blossoming, pride, self-esteem ...) than material and highlight positive externalities on the banking situation in terms of access to credit and banking relationships, particularly among beneficiaries who are still in activity. The personal investment that requires self-employment and the high workload however greatly impinge on the social life and create a strong stress that come lessen the positive effects.

Concerning the personal microcredit, GP opt for a qualitative approach on 27 beneficiaries and identify seven categories of impact at both individual and family level: employability, resources, family cohesion, social inclusion, self-esteem, living conditions and banking. This framework is taken up by the FNCE and for the Crédoc, there are 5 impact categories which are identified: professional budget, housing conditions, access to care, and well-being evolutions. The results of these studies converge on some points and disagree on others. All conclude to a positive impact both psychological (trust, fulfillment, self-esteem, pride ...) and professional (access, maintaining in employment) but show a precariousness of jobs held. The impact on resources is certainly positive, but its magnitude is smaller: if there are more positive than negative trends of the financial situation, the vast majority of respondents talks about stability and some say that it's more difficult to make ends meet every month compared to the time of loan application. Unlike Crédoc which concludes that microcredit has limited effects on housing and health care access, GP and FNCE find a strong positive impact on living conditions and show that this impact is mainly due to the objects funded. On banking inclusion, GP find a mixed impact: the beneficiaries are mostly "under-equipped" in financial instruments and those who are adequately equipped are suspicious against them. The experience with microcredit

locked them into a micro-lending's logic so that they do not intend to return to the traditional financial system that they deem unsuitable for their situation.

This last point about the impact of microfinance in developed countries highlights the low number of studies in these countries and the need for further investigation. Our work is from this point of view beneficial since it brings light on the utility of both personal and professional microcredit in a context where studies are scarce. We adopt an approach not previously used in studies conducted in these countries. We combine both qualitative and quantitative analysis which allows us not only to assess the changes in the customers' life, but also to highlight the impact mechanisms.

ASSESSMENT METHODOLOGY AND STUDY DESIGN

Our work is in line with those previously conducted in industrialized countries. It is an operational study which consists on comparing beneficiary's situation during the investigation to the one before obtaining the loan. Drawing on the GP's survey, we conduct an analysis at the microeconomic level, especially at the individual and family levels and we retain eight impact areas (Table 1): employability, resources, banking, security, living conditions, social relations well-being and family cohesion. We also appreciate the degree of satisfaction of the beneficiaries. Like these authors, we consider that, in a protection optical, microcredit is effective when, failing to contribute to improving people's situation, it participates in its maintenance so that it does not deteriorate or does not deteriorate further. Therefore, we hope at better, an improvement, at worst, a maintaining in each area identified.

Table 1: Conceptual framework – Impact areas and expected effects.

Impact area	Expected effects
Employability	Find a job, maintain in employment, optimize job researches
Income	Increase in income
Banking	Improvement of the banking situation
Security	Building savings
Living conditions	Improvement of living conditions in terms of housing, health, food and leisure
Social	Preservation/ Improvement of social relations
Personal well-being	Improvement of morale
Family	Building/maintaining family ties
Satisfaction	Satisfaction <i>vis-à-vis</i> use of microcredit and <i>vis-à-vis</i> personal situation

Source: Author, inspired from GP.

In terms of methodological approach, we opted for a combined integration of qualitative and quantitative methods with collection data in parallel. The goal is not to compare the qualitative results with quantitative results, but to illustrate and enrich quantitative analysis with qualitative data. This combination, which differentiates ourselves from studies conducted until now in industrialized countries, also allows us not only to reduce attribution bias by presenting the link between microcredit and observed changes, but also to establish mechanisms through which impact occurs.

The MFI that we study issues both business and personal loan. This latter has the distinction of being awarded only in the case of a professional project (optimizing job searches, remaining in employment ...). The survey, conducted by telephone in year 2011, focuses on a sample of 151 customers selected on a set of 750 beneficiaries (around 600 professional and 150 personal) who have obtained the loan between January 2005 and October 2010 in two departments strongly realized in Aquitaine. Among them, 101 have received a business loan

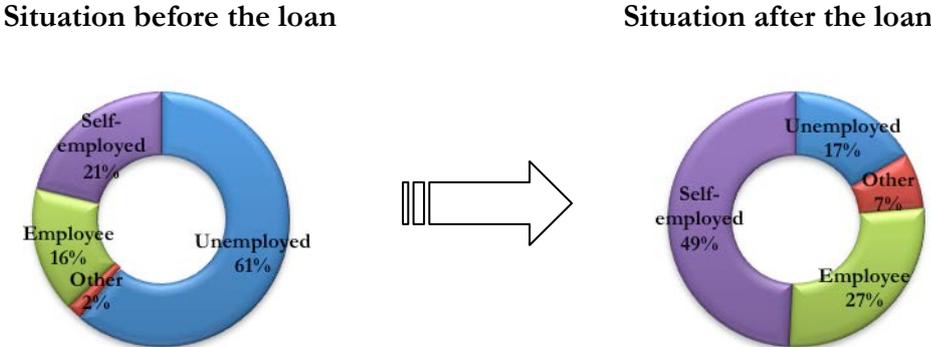
(MPro) and 50 personal loan (MPerso)¹. The original goal was to collect information on all persons funded over this period. We encountered difficulties in achieving this goal: many numbers were no longer assigned; some people did not want to answer and others have not been reached, despite repeated attempts. The final sample is thus composed of people who have been joined and who were willing to answer our questions. The questions were constructed so that the respondent describes the changes in terms of improvement, stabilization or deterioration. For people who have stopped their activity (henceforth stopper vs non stopper), the questions are mainly related to their activity period. The qualitative analysis has consisted of undirected interviews on 10 personal beneficiaries and 30 professional beneficiaries among which 9 are stopper. The choice of the non-directive method is motivated by our desire to trace life's paths and to reach the profound opinions, this by allowing the interviewee to speak freely about his/her relationship with the IMF and the effects of obtaining microcredit in his/her life. These individuals were interviewed either at home or at their workplace and the interview lasted about 1 hour.

We begin by presenting the results of the statistical analysis of the information from the quantitative survey. Then, will be presented the impact mechanisms the qualitative analysis allowed us to establish. Finally, to highlight the determinants of the evolutions, we make at first a principal component analysis (PCA). The latter allows us to quickly visualize the relationship between impact variables and those related to the individual to the loan. To complete and confirm it, we estimate Probit models.

EVOLUTION OF THE SITUATION OF THE RESPONDENTS

Evolution of the professional status of beneficiaries

Figure 1: Evolution of the professional situation



Source: Our survey

In overall, there is an improvement in the professional situation of the beneficiaries. Whereas before the loan more than a half of the beneficiaries are unemployed (61%), at the time of the investigation there are only 17% are job seekers. Almost 68% of funded initially looking for a job, found one. It is either paid employment (mostly personal beneficiaries) or self-employment (mainly professional beneficiaries). Over 90% of those employed at the time of the loan are held there and only 5% are now job seekers. Among the personal beneficiaries who are unemployed, 48% reported having had a job between the time the credit was granted and the date of the survey (6 persons over 14).

Microcredit is not stranger to the improvement of the professional situation of respondents. Indeed, it acts directly (in the case of an entrepreneurial project) or indirectly

¹ Later in the paper, we use the following terms: personal beneficiaries and professional beneficiaries to talk about the recipients of respectively personal and professional loan.

(through satisfaction of a need) on their insertion. This is how, personal loan, by contributing to the people mobility, helps some to remain in their jobs and others to optimize their research to the point to find one. For example, the financing of a driving license contributes to widening the research radius and to improve the candidacy quality of the seeker. Similarly, financing a mean of locomotion allows beneficiaries, particularly those living in areas under-served by public transport, to go to their workplace more easily and thus to keep their jobs. The business loan for its part helps the unemployed to create their own employment and those in activity to continue operating. The role of microcredit is especially important here that nearly one person in two believes he would abandoned the project if he had not received the loan. This indicates, as we shall see, that for some, microcredit is the last resort.

Although more than a half of personal beneficiaries are employed at the date of the survey, it is mainly insecure jobs (52%); which is consistent with Gloukoviezoff and Palier (2008) and FNCE (2010) findings. For the professional beneficiaries, almost 47% see their business as fragile and the same part judge it unprofitable. about 31% have ceased their activity and 45% between them have found a job. Among those reinserted, 10 are employees, a half of which have a permanent contract, and 4 have created another activity which they run for most at full-time. To the question to know whether the business creation experience was useful to find a job or within the current job, inserted people have mostly answered at the affirmative: business creation would have allowed them to acquire new skills and regain confidence in themselves. They also highlight the fact that they were able to build a professional network.

Evolution of the financial and the banking situation

Table 2: Evolution of the financial and the banking situation according to the loan type and the activity status

	Professional loan			Personal loan	Total
	Non stopper	Stopper	Total		
Evolution in income					
Increased overall	41%	23%	36%	42%	38%
Maintained	31%	29%	31%	44%	35%
Decreased overall	27%	48%	34%	14%	27%
Evolution of banking situation					
Better	39%	13%	31%	56%	39%
Neither better, nor worse	36%	55%	43%	38%	41%
Less well	25%	32%	27%	6%	20%

Source: our survey.

As shown in Table 2, both for income and the banking situation, respondents were predominantly found an improvement or stabilization. The improving cases are for the rest more mentioned than degradation cases and the positive trends are stronger for the personal loan. A second analysis reveals that persons who have reported an increase in income are mostly those in employment (around 91%). Among initial unemployed, around 65% have reported an increase in income and about 90% are professional inserted. The positive trend in the employment status seem thus to have contributed to the improvement of income. This record has to be put however into perspective because among people in employment who have reported maintenance or an improvement in income, about 47% receive social minima. More over, 44% of the micro-entrepreneur do not pay themselves and depend on social assistance and 34% earn less than 1200 Euros per month.

The positive development of professional status also appears as the main cause of the improvement of the banking situation. Indeed, 24% of those who have found a job and 20% of those who are maintained in the case of personal loans, reported improvements. For the professional loan, generally, non stopper are more likely to report positive evolutions. For the stopper, changes are generally negative during and after the activity (32% reported deterioration after activity against 26% of improvement). Those who have reported improvements after the activity are mainly those who are professionally reinserted. Note that among those initially in banking difficulties (18 persons), 67% have reported an improvement in their banking situation against 17% who say the opposite. In addition, the strong correlation between the income variable and the bank variable (70%) allows us to conclude that the evolution of income affects the banking sector.

Concerning accessing to banking instruments, table 3 shows that the positive trend is effective for the bank loan. From 41% of people who initially have access, one passes to 50%. In addition, 15% of “non stopper” have obtained a bank loan for business needs after obtaining microcredit. For the other products (with the exception of the current account and credit card), people claiming access are fewer in number. This is especially true for stopper. This deterioration has a major cause: the cash flow difficulties. This is due either to difficulties in the activity (business which does not take off, competition, bad support, disaster ...), either to a succession of unfortunate personal events (divorce, health problems, family issues ...). The consequences are the multiplication of repayment incidents, the explosion of the overdraft, the signing of checks without provision. Therefore, they are denied access to some financial instruments.

Table 3: Access to banking services of professional beneficiaries before and after the loan.

In %	Before		After	
	Yes	No	Yes	No
Current account	100	0	100	0
Credit card	94	6	93	7
Checkbook	95	5	89	11
Overdraft	78	22	73	27
Bank loan	41	58	50	50

In %	Before				After			
	Yes		No		Yes		No	
	<i>Non stop.</i>	<i>Stop.</i>						
Current account	100	100	0	0	100	100	0	0
Credit card	93	97	7	3	93	94	7	6
Checkbook	93	100	7	0	91	84	9	16
Overdraft	79	77	21	23	76	68	24	32
Bank loan	39	45	61	52	51	45	49	55

Source: our survey on 101 professional beneficiaries. “Non stop”=“Non stopper”; “Stop.”= “Stopper”.

Concerning the beneficiaries’ behavior *vis-à-vis* savings, the survey reveals that 56% do not save their earnings. 11%, who were saving before obtaining the loan, do not do it anymore. Conversely, 14% who did not spare before the loan, do it now. The savings made are mostly an available savings (74%) and the savers have mostly a safe behavior. Over 60% indeed, assert saving to hedge themselves from life’s hazards. 89% of people who were not saving mention as a main reason the very low revenues. 8% do not do it (or do not do it anymore) because they do not see its value and 2% have completed the project for which they had spared.

At the question to know whether obtaining microcredit has played a role in the evolution of the financial and banking situation, about 70% of those who reported maintaining or improving of both income and banking situation answered affirmatively. 29% do not attribute this change to microcredit and less than 1% has no opinion on the matter. Among personal beneficiaries, it is 72% who think that microcredit has had positive effects juxtaposed to 69% among professional recipients.

From the qualitative survey, it appears that the responsibility of microcredit in these evolutions is partly due to the fact that by impacting the beneficiaries' employability, it contributes to the evolution of their financial situation. This is how some beneficiaries move from unemployment compensation to a wage, even if, given the precariousness of jobs held, this one is barely higher; the others, by keeping their jobs while they could have lose it, maintain *de facto* their income. In this latter case, if there is not a positive evolution of the financial situation, there is at least a maintaining so that it does not degrade or does not deteriorate further.

The improvement both in income and the professional status of the beneficiaries contribute not only to the reduction of banking tensions (less solicitation of the overdraft, access to banking products, more friendly relationship with the banker ...), but also to the improvement of living conditions as we will see after. However, for the professional loan this virtuous circle is fully observed when the beneficiary is in activity and when his enterprise allows him to pay himself a decent wage, or when he has succeed his professional insertion after having stop his business.

The support, particularly in the context of an entrepreneurial project, also appears to be one of the major mechanisms through which microcredit impacts on the beneficiaries' life. In some cases, the accompanying person proves to be the pillar upon which the creator rests. With his expertise, he directs this latter in his management choices, supports him when faced with difficulties and plays the role of mediator between him and some institutions and administrations (negotiation of banking conditions, accounting and fiscal support...). This support preserves the activity and the financial position of the creator.

Obtaining a loan without an adequate support by cons, sometimes leads to poor professional and financial situation. Indeed, when there is no support or when this one is inappropriate (bad needs detection, partial involvement of the accompanist, bad communication on support opportunities ...), the creator hardly faces the difficulties which occur and the enterprise is impacted. Either this latter does not take off, either health deteriorates. One of the symptoms of this degradation is the deterioration of the treasury, which leads to banking and financial difficulties describe above. This vicious circle is also found without the microcredit (with or without support) being the primary cause. The hardness of the labor market, the difficult economic conditions and the insecurity in paid employment are also at the origin of negative externalities in monetary as well as non-monetary fields.

Perceived impact on non-monetary field

Table 4 shows an overall positive impact in non-monetary field, particularly at the moral and social ties levels. They are indeed 57% to report feeling better since they got the loan and 54% to have seen an improvement of their social relations. Here too, the impact appears greater on personal recipients, particularly in terms of living conditions and family ties. As we will see, this large difference is mainly due to objects financed and to the difference between paid employment and self-employment. As before, the impact appears greater among non-stopper and areas most negatively impacted for the stopper are the moral and social ties.

83% of people who have mentioned a positive impact (maintenance or improvement) in the different non-monetary areas attribute this fact to microcredit. Among the professional

beneficiaries, this rate is 85% against 80% for the personal recipients. About 15% think that microcredit is abroad of these changes and 2% have no opinion.

Table 4: Perceived impact on non-monetary field.

	Professional loan		Total	Personal loan	Total
	Non stopper	Stopper			
Morale					
Better	54%	45%	51%	68%	57%
Neither better, nor worse	30%	19%	27%	24%	26%
Less well	16%	35%	22%	8%	17%
Livings conditions					
Improved	36%	13%	29%	68%	42%
Stable	49%	65%	53%	22%	43%
Degraded	16%	23%	18%	10%	15%
Family situation					
Improved	33%	19%	29%	52%	36%
Stable	59%	55%	57%	48%	54%
Degraded	9%	26%	14%	0%	9%
Social ties					
Improved	50%	45%	49%	66%	54%
Stable	49%	42%	47%	34%	42%
Degraded	1%	13%	5%	0%	3%

Source: our survey.

The interviews reveal that the great impact on moral is firstly due to the fact that given their situation, people did not expect (or did not expect no more) obtain a credit. The trust given to them by judging them worthy of getting a loan and able to pay it back, has a positive impact on their moral. Secondly, it is due to the professional insertion: finding a job or succeeding in keeping it contributes to improving the relationship not only with oneself but also with others. The improving of the professional situation coupled with the improvement in income also affect positively on the living conditions in the sense that it becomes easier to cope with personal and family expenses (easier to pay the rent, to do shopping, to pay bills ...) to the point to afford extras. Relationships with family and friends is thereby improve either because close relations are less solicited to make ends month meet, either because the recipient is able to provide a better living environment to his family (better housing, good nutrition, reducing deprivation ...). Hence a moral relief and a pride gained or regained.

Through the improvement of mobility, the personal loan also participates to people's autonomy, to the maintaining of social and family relationships and to the improvement of the beneficiary's life quality. Indeed, a means of locomotion ensures daily travel, in particular in rural areas where public transport is sometimes non-existent. Of over, be mobile reduced considerably dependence *vis-à-vis* close relations (no need to wait to be driven). It thus becomes easier to maintain social and family ties.

The peculiarities of self-employment are also taken advantage in the family cohesion process. Indeed, the possibility to involve family members in the success of the activity contributes to firm family ties. Escape from unemployment and have an entrepreneur status, not only brings confidence and self-esteem, but also allows an increase of respect in the eyes of family. Independence, autonomy and flexibility that provides self-employment are sometimes exploited in this process (possibility to arrange his schedule and his working conditions in order to spend time with his family). Social link is also impacted. Self-employment will help people to

bring out of isolation in that it allows them to meet and build relationships with people from different backgrounds whether it is customers, suppliers, colleagues, accompanying person or credit advisers.

The time-consuming aspect of self-employment, however, forces very often to sacrifice family and social relationships. This negative externality is not the only one: as mentioned above, the lack of support and macroeconomic factors by affecting the business, affect the personal and financial situation of the entrepreneur: does not any more pouring himself a salary, it becomes more difficult for him to deal with personal and family needs; family and social relationships suffering and moral is affected. Initially *"factor of freedom, self-employment becomes a source of weakness, isolation, uncertainty and constant stress, or synonymous with the absence of rights or identity"* (Gurérin, 2002, p.18). This vicious pattern is also true in the context of a personal project. Indeed, not finding a job or keeping a precarious one leads to financial stress which affects the personal and the family situation of the beneficiary.

Global satisfaction

Satisfaction level *vis-à-vis* microcredit is particularly high. We find that 96% of respondents are satisfied to have used microcredit. This high satisfaction is firstly due to the fact that microcredit presents itself as the only and sometimes the very last resort to satisfy needs. 51% of respondents, indeed, did not try to get the loan from another source mainly because they thought it would be denied to them because of their precarious situation or because of the banking difficulties which they are subject. The remaining part has contacted various other sources, in particular banks (about 55%) and have being turned down because of their high risk profile and/or the high riskiness of the project. Apart from the fact that microcredit is for many the last and final resort, beneficiaries find in it values that, in their sense, are failing to conventional lenders. They feel actually listened, understood, supported and valued. Some praise the availability and the competence of advisers, the ease the credit granting, the ease the reimbursement and the speed of service. The positive experience with microcredit is so strong that 89% of respondents believe having recourse to it again. 66% have recommended it around them and 28% believe to do it. Otherwise, 88% of professional beneficiaries are satisfied to have created their business (50% are very satisfied). This satisfaction is not altered if we distinguish between "stopper" (77%) and "non stopper" (92%). However, while 78% of "non stopper" expressed satisfaction about their personal situation, only 52% of "stopper" are in this case and 32% are not satisfied at all. For the personal beneficiaries, the percentage of satisfied is 88%.

The above developments have allowed us to highlight two factors determining the observed evolutions: the type of loan and the professional insertion. We have found more positive changes among personal beneficiaries and unemployment presents itself as a source of financial and non-financial insecurity. To confirm the importance of these factors and to highlight the possible presence of other factors, we run a synthetic analysis intended to reveal the determinants of an overall positive impact.

FACTORS OF THE OBSERVED EVOLUTIONS

We use the results of the quantitative survey and retain two analysis techniques to highlight the determinants of changes: at first, the principal component analysis (PCA) and then the logistic regression by the Probit method. The data are related to socio-economic characteristics of beneficiaries (gender, age, nationality, educational level, marital status, social status, level of salary), loan (type, object, amount, status, quality), the business (status, health, activity period) and the impact results (professional evolution, change in monetary and non-monetary fields).

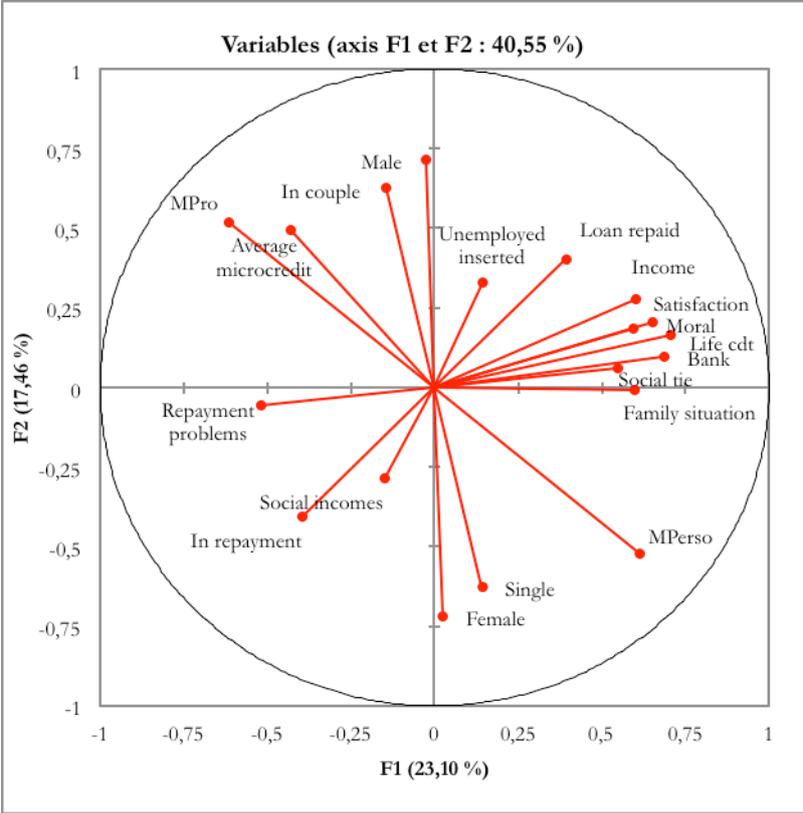
Principal Component Analysis results

We conduct an analysis firstly on all beneficiaries and after on the beneficiaries of each loan type.

PCA on all beneficiaries

The analysis of the correlation circle shows us that improvements within the different areas studied are associated to the beneficiaries of the personal loan who have already repaid their loans. On the other side, there are people who have obtained a professional loan which they actually reimburse not without difficulties. This finding indicates the importance of the type of loan, in particular personal loan, and loan quality as determinants of the evolution. We can also see that the second axis opposes men to women. Among people initially unemployed, those who are inserted are mainly men in couples who have obtained a professional loan. At the opposite, the personal loan is granted mostly to single women who are social minima recipients.

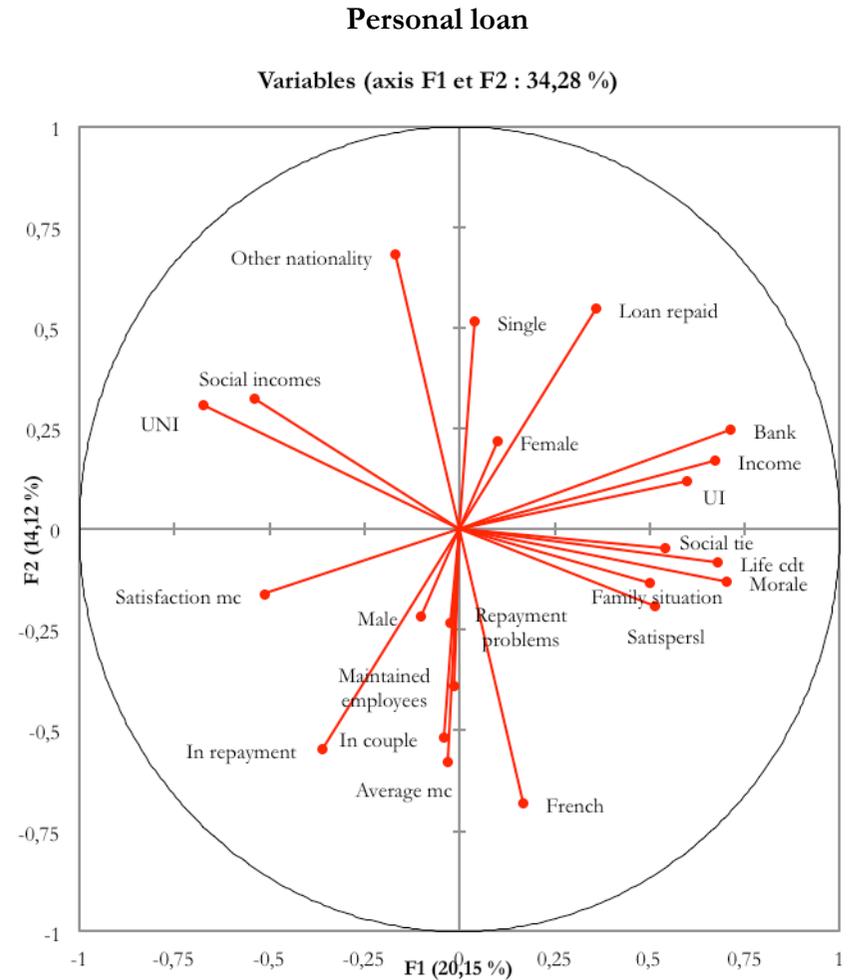
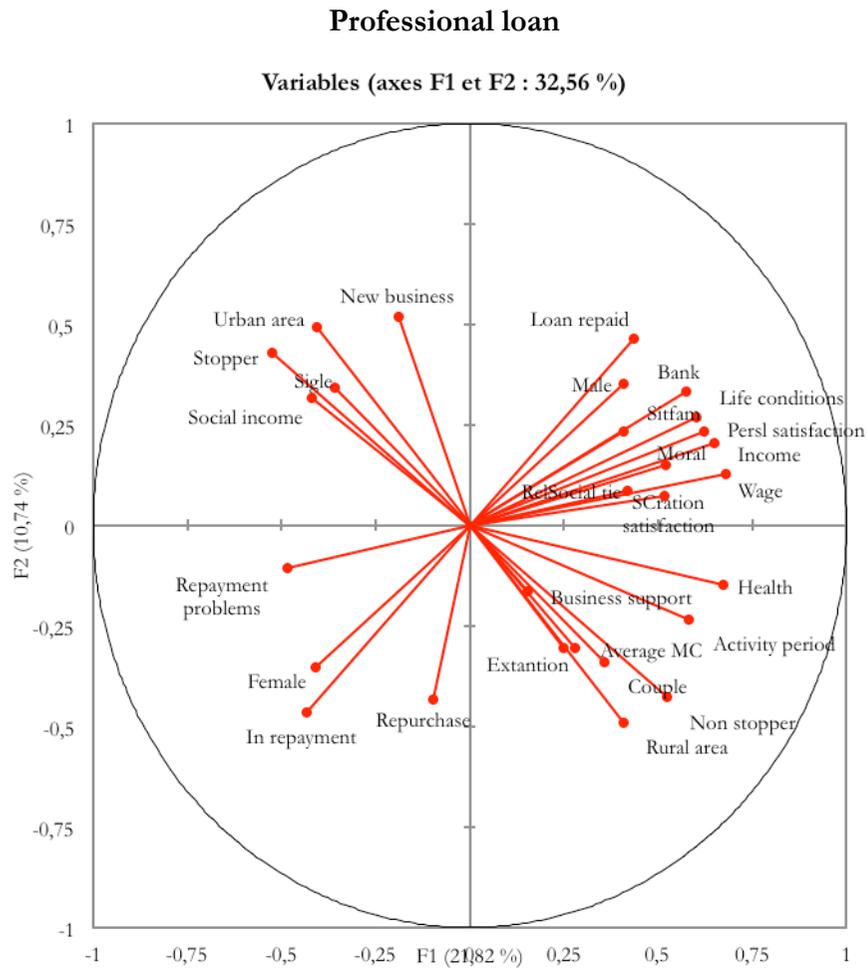
Figure 3: PCA on all beneficiaries.



PCA on the beneficiaries of each loan type

It comes from the Figure 4 that, the beneficiaries of the professional loan who have reported an improvement in all areas are mainly male who run the activity for a long time (axis 1). These people whose activity is going well (Health), pay themselves the highest wages. They are further satisfied for having created (Satis crea) their business and are also satisfied with their personal situation (satisfaction). In contrast, women, who receive social incomes, experience repayment difficulties. Compared to “stopper”, “non stopper” seem to experience greater improvement of their situation. The purpose of the loan (new business, repurchase or extension), does not appear as a determinant of changes.

Figure 4: PCA on the beneficiaries of each loan type



For the case of personal loan, people who have reported improvement are mostly those who have found a job (UI). These people are also more likely to be satisfied with their personal situation. A counter-intuitive finding emerges: the satisfaction *vis-à-vis* microcredit does not appear to be influenced by a favorable employment situation since it is associated, on the left of the axis F1, with unemployed who are not actually inserted (UNI). This seems to indicate that more than a tool for improving the professional and the financial situation of beneficiaries, the personal microcredit is firstly an instrument of banking insertion in terms of access to a source of funding. The beneficiaries seek indeed primarily for a means of funding that they do not find elsewhere. It should be noted that, among employees, those who have managed to stay in their jobs are men in couple, French citizen who obtained a relatively high amount of loan (axis F2). These people, in repayment, have difficulties in repaying the loan judging by the high number of repayment incidents associated to them. The fact that repayment problems are associated to employment situation confirms that the precarious nature of the jobs leads to low incomes generally insufficient to meet household needs and repay the loan.

In order to complete and confirm the PCA results, we estimate simple Probit models.

Results of econometric regressions

Before making the estimations, we conduct a factor analysis (FA) intended to summarize information concerning impact results. This preliminary work allows us to construct an indicator of an overall impact. The variables we use are the variables related to bank, resources, moral, living conditions, family situation and social relations areas. We limit ourselves to these six variables because they are measured on the same scale (1, 2 and 3). For each FA, we find that all variables positively constitute the first axis. The coefficients of Cronbach's alpha greater than 0.7 ensure us homogeneity and internal consistency between the variables and the phenomenon we are trying to understand (see appendix 2). This axis that we call "global impact" is used as dependent variables in our models. For an individual i , the dependant takes value 1 if the individual is found right on the axis, in other words, if his coordinate on the axis is positive and 0 otherwise. We thus determine the probability for this individual to be associated with positive changes in all areas, given its socio-professional characteristics. Tables 5, 6 and 7 present the regression results. Column dy/dx postpones the marginal effect. That is to say, the effect of the variation of each variable on the expected probability of being associated with positive evolutions.

Results on the whole sample

We find that an overall positive impact is mainly function of loan type, gender, marital status, social status, changes in professional situation, loan quality and initial banking situation. Being a woman, not having found a job, being a social income recipient, knowing repayment difficulties and obtaining a business loan decreases chances of being associated to positive developments in selected areas. For example, obtaining professional loan rather than personal loan decreases of about 31% the likelihood of experiencing positive impacts; being a woman decreases it of 20% and be professionally inserted increases it of 24%. The positive relationship between the variable "initial banking difficulties" and the dependent tells us that microcredit is a vector of both social and financial insertion of people initially excluded from bank (those who were filed at the Banque de France when obtaining the loan).

Table 5: Regressions on the whole sample - Determinants of an overall positive impact

Global Impact	Coefficient	Std. Err.	z	p > z	Marginal effects	
					dy/dx	x-bar
Loan type	-0,797	0,261	-3,060	0,002	-0,307	0,669
Woman	-0,518	0,240	-2,160	0,031	-0,204	0,477
Number of children	0,421	0,232	1,810	0,070	0,166	0,497
Initial banking difficulties	0,723	0,403	1,800	0,073	0,272	0,119
Social income	-0,468	0,230	-2,040	0,041	-0,185	0,417
Repayment problems	-0,043	0,015	-2,950	0,003	-0,017	6,066
unemployed inserted	0,600	0,243	2,470	0,013	0,235	0,417
Constance	0,700	0,305	2,290	0,022		
Number of observations	151					
Pseudo R2	0,21					
LR chi(2)	43,44					
Prob > chi2	0,000					
Log likelihood	-82,92					
Prediction power	0,503					

Results on each loan type

The analysis on the sole beneficiaries of the professional loan (Table 6) shows that the probability of knowing overall positive effects is stronger if the activity provides a salary completed by a social income to the creator, if the business is doing well and if there is a business support. Conversely, the impact deteriorates if repayment difficulties are severe.

Tableau 6: Regressions on professional loan - Determinants of an overall positive impact

Global impact	Coefficient	Std. Err.	z	p > z	Marginal effects	
					dy/dx	x-bar
Support	0,796	0,411	1,940	0,053	0,283	0,782
Repayment problems	-0,040	0,017	-2,310	0,021	-0,156	7,752
Health	0,481	0,223	2,150	0,031	0,188	2,485
Wage	0,001	0,000	3,740	0,000	0,001	577,040
Social income	1,079	0,413	2,610	0,009	0,407	0,436
Constant	-3,036	0,806	-3,770	0,000		
Number of observations	101					
Pseudo R2	0,34					
LR chi(2)	47,55					
Prob > chi2	0,000					
Log likelihood	-45,63					
Prediction power	41,75%					

For the beneficiaries of the personal loan, none of which was accompanied, we find that the odds of being associated with positive developments increase if the beneficiary is young with relatively low level of education and if he is not a social recipient. The beneficiaries initially in

banking difficulties have also experienced significant improvements. It also comes that arriving to remain in job does not guarantee an improvement, quite the contrary: our estimations show a negative link between maintenance in employment and knowing positive effects. This could be explained by job insecurity which does not allows people to live a life free from need and which makes them skeptical about their situation.

Tableau 7: Regressions on personal loan - Determinants of an overall positive impact

Global impact	Coefficient	Std. Err.	z	p > z	Marginal effects	
					dy/dx	x-bar
Social income	-3,218	1,140	-2,820	0,005	-0,886	0,380
Woman	0,984	0,588	1,670	0,094	0,347	0,640
Age	-0,062	0,034	-1,830	0,067	-0,021	35,380
Level of education	-0,948	0,397	-2,390	0,017	-0,322	3,000
initial banking situation	2,257	0,775	2,910	0,004	0,447	0,200
Active maintained	-3,373	1,135	-2,970	0,003	-0,908	0,340
Constant	6,886	2,710	2,540	0,011		
Number of observations	50					
Pseudo R2	0,44					
LR chi(2)	29,94					
Prob > chi2	0,000					
Log likelihood	-19,33					
Prediction power	71,30%					

DISCUSSION AND IMPLICATIONS OF THE RESULTS

Our analysis, at first, reveals a contrast between perception and economic reality. It appears a strong psychological impact of microcredit, which results in a high beneficiary satisfaction and in a moral relief due to the loan. The material impact is actually relatively low. If it is true that there is an overall improvement of the professional situation of beneficiaries, it remains true that jobs held are mostly precarious; hence low incomes which do not allow them to live a life completely free from needs. We thus arrive at situations where beneficiaries cannot spare and where they cannot afford extras.

In addition, it appears a great impact among personal beneficiaries compared to professional beneficiaries. This is not surprising. Personal beneficiaries are for most of them employees (former or new) with a fixed income at the end of the month. Furthermore they use objects funded directly for daily needs, which makes their life easier. Professional beneficiaries for their part run for the most part, very small businesses that, either do not provide them wages, or provides them one which is very often modest. Remember that 44% of the micro-entrepreneur do not pay themselves and depend on social assistance and 34% earn less than 1200 Euros per month, which is not guaranteed. In addition, they must first ensure the viability of their business before expecting a positive impact on their non-professional daily. That viability is sometimes so difficult to achieve so that the entrepreneur is often forced to sacrifice his family and his social life to ensure the sustainability of its business. Business support then allows him to better face his environment and increases the viability chances of the enterprise, which also guarantee positive outcomes on non professional areas. This is consistent with Banerjee and al. (2010) who find that credit allow to household which does not start up a business has a positive direct impact since the recipient uses it to deal with immediate needs and increases his nondurable consumption.

Conversely, people who receive a business loan reduce nondurable spending such as snacks eaten outside the home in order to guarantee the viability of the activity.

In general, women appear less likely to report positive developments, particularly in the financial areas. One reason is that they are, for the most part, unemployed, social minima recipients and single. They therefore meet more financial difficulties than men. However, the PCA indicate that there is a difference between self-employed women and employee women². We can see that when subject to income volatility, it is more difficult to them to repay the loan and they experience less positive effects than men. By cons, when their revenue is guarantee, they have a better control of their daily. Compared to men, women thus resist less to unstable situations, especially when they are single. This indicates that, in the case of an entrepreneurial project, next to the microcredit, a special support must be provided to women to help them to sustain the activity and consolidate their personal situations.

The Probit regression on the professional beneficiaries reveals the importance of the social complement. In fact, without taking into account the wage, social income appears not significant; conversely, by retaining just the wage without the social complement, the 'significativity' of the wage's coefficient diminishes. This suggest that, the Government support through financial aids to microentrepreneurs is very important since the created activities sometimes do not provide an income to the owner or provide an insufficient one. Therefore all public policies intended to financially support the creators, especially in their start-up phase, should be encouraged.

As expected, employment contributes to both social and economic inclusion. Therefore, in order to fight against poverty and exclusion, nothing better than the promotion of employment. However, the quality of job is quite important since the job insecurity appears as vector of a socio-economic insecurity. So, all public and private actions designed to combat against precarious employment should be strengthened.

CONCLUSION

Few studies evaluate the impact of microcredit on the lives of beneficiaries in industrialized countries. This article thus provides an additional stone to the building of the literary field in these countries. The results obtained through an investigation both quantitative and qualitative show a strong satisfaction of the beneficiaries *vis-à-vis* microcredit. This satisfaction comes mainly from that given their socio-economic situation and the riskiness of their projects, microcredit presents itself as the only source of external funding available to them to meet their needs. This indicates that the tool meets primarily the need of access to finance for those excluded from conventional financing. Beyond access to credit, it is the dignity of persons which is restored: by judging them worthy of getting a loan and able to pay it back, by participating in their employability, by contributing to their autonomy, microcredit allows beneficiaries to gain in self-esteem and in pride. It makes them feel valued, supported and understood.

This strong psychological impact, has however a low economic equivalent. If we find an overall improvement in the professional situation of beneficiaries, we highlight however the precariousness of jobs held; professional insecurity which is at the origin of the beneficiaries low incomes.

We also find that the changes are greater for recipients of the personal loan. This difference between personal microcredit and professional microcredit is firstly due to the objects financed which, in the context of a personal project, are directly used for everyday needs;

² Given the low inertia of the variable "sex" in the case of the personal loan, it is important to put this conclusion into perspective.

secondly it is due to the difference between self-employment and paid employment. Unlike paid employment, self-employment calls to more personal investment on the part of the creator. He is often forced to sacrifice his family and social life to ensure the sustainability of the business. In addition, he is very often faced with many difficulties that negatively impact his business and contribute to the volatility of his earnings. The business support, that allows him to have some control of his business and his environment, then takes all its importance. The state support through social assistance appears also beneficial. These financial supplements complete the modest wages of the creators and provide to those who do not pay themselves an income which is indispensable to the household.

It also appears a gender difference: compared to men, women, especially when they are single, are less likely to report improvements, particularly in the context of an entrepreneurial project. This finding highlights the need for a special support for women entrepreneurs.

Our study has however some limitations. We can mention the small number of people studied and the fact that we have not make a comparative study between the beneficiary group and control group, in order to eliminate completely, if it can be done, the attribution bias. It would be interesting for future research to expand the size of the sample and adopt an approach that would allow dealing with the numerous biases that this study does not eliminate completely.

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APPENDICES

Appendix 1: Sample characteristics

	Sample			Overall clients		
	MPerso	MPro	Total	MPerso	MPro	Total
Gender						
Female	64%	40%	48%	58%	40%	44%
Male	36%	60%	52%	42%	60%	56%
Age						
Average age	35	44	41	36	42	39
Banking situation						
Without difficulty	80%	92%	88%	72%	88%	83%
With difficulties	20%	8%	12%	18%	12%	17%
Professional status before the loan						
Unemployed	56%	63%	61%	53%	65%	62%
Employee	42%	3%	16%	42%	4%	14%
Self-employed	0%	32%	21%	1%	29%	22%
Other	2%	2%	2%	4%	2%	3%
Level of education						
Upper	4%	8%	7%	2%	7%	6%
BAC+2	0%	8%	5%	1%	10%	8%
BAC	8%	14%	12%	11%	16%	15%
Secondary school	4%	3%	3%	5%	2%	3%
BEP/CAP	62%	56%	58%	62%	52%	55%
Read / Write / Count	20%	9%	13%	17%	11%	13%
Illiterate	2%	2%	2%	2%	1%	1%
Family situation						
In couple with children	22%	32%	28%	22%	36%	33%
In couple without child	6%	20%	15%	7%	15%	13%
Single with children	30%	17%	21%	29%	14%	18%
Single without child	42%	32%	35%	42%	35%	37%
Nationality						
French	94%	94%	94%	95%	94%	94%
Other	6%	6%	6%	5%	6%	6%
Residence area						
Rural area	58%	60%	60%	60%	58%	58%
Urban area	42%	40%	40%	38%	41%	40%

Appendix 2: projects and objects funded

	MPerso	MPro	Together
Projects			
Increase employment opportunities	6%	-	6 %
Staying employed	12 %	-	12 %
Better job search	52 %	-	52 %
Working better	24 %	-	24 %
Returning to employment	4 %	-	4 %
Housing	2 %	-	2%
Entrepreneurship	-	100%	100 %
Microcrédit Objects			
Purchasing means of transport (scooter, car)	70 %	-	70%
Code/driving license	16%	-	16%
Moving house/access to housing	6%	-	6 %
Training	4 %	-	4 %
Automobile repair	4 %	-	4 %
New business	-	79 %	79 %
Expansion	-	15%	15%
Repurchase	-	6%	6%

Appendix 3: Factorial coordinates of the variables on the F1 axis.

Variables	Total	Professional loan	Personal loan
Income	0,730	0,816	0,628
Bank	0,692	0,625	0,718
Morale	0,602	0,576	0,580
living conditions	0,721	0,655	0,748
Family situation	0,596	0,530	0,591
Social relations	0,543	0,502	0,592
Cronbach's alpha	0,799	0,771	0,784
Eigenvalues	42,39	39,17	41,75

Appendix 4 : Descriptives statistics

Variables	Mean	Std err	Variables	Mean	Sdt err
Loan type MPro = 1 ; MPerso = 0	0,67	0,47	Level of education Illiterate =1 Read/Write/Count = 2 BEP/CAP = 3 Secondary school = 4 BAC = 5 BAC+2 = 6 Upper = 7	3,53	1,41
Residence area Urban area = 1 ; Rural area = 0	0,40	0,49			
Gender Female =1 ; Male = 0	0,48	0,50			
Family situation Single = 1 ; Couple =0	0,56	0,50			
Nationality French =1 ; Foreign = 0	0,94	0,24	Age	40,89	10,55
			Number of children	0,50	0,50
Initial banking situation Banking difficulties = 1 ; otherwise = 0	0,12	0,33	Average loan	3029,32	1602,36
			Activity period	3,35	1,85
Social status Social income recipient = 1 ; otherwise = 0	0,42	0,49	Wage	577,04	729,83
			Repayment problems	6,07	11,75
Loan status In repayment = 1 ; otherwise =0	0,61	0,49	Impact indicators improvement = 3 maintenance = 2 ; deterioration=1		
Professional status Unemployed inserted =1 ; otherwise = 0 Active maintained = 1 ; otherwise= 0	0,42	0,49	Income	2,11	0,80
	0,29	0,46	Banking	2,19	0,75
Professional loan object New business =1 ; otherwise =0	0,79	0,41	Morale	2,40	0,77
			Living conditions	2,26	0,71
Activity status “Non stopper” =1 ; otherwise = 0	0,69	0,46	Family situation	2,27	0,62
			Social relation	2,51	0,56
business health Good = 1 ; otherwise =0	2,49	0,82	Global impact Yes = 1 ; No = 0	0,51	0,50