



Personal microcredit impact study

Changes in borrower situations



CAISSE D'ÉPARGNE
FEDERATION NATIONALE

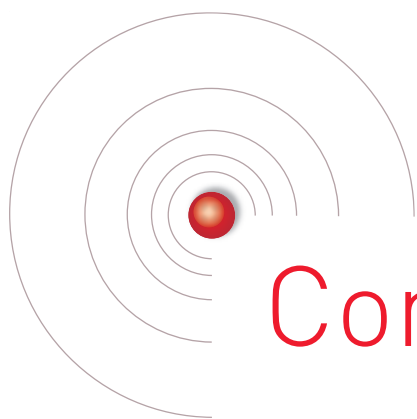


FIMOSOL



3G RECHERCHE





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Introduction

In France, until recently microcredit was mainly a tool to help unemployed people creating their small independent businesses. Personal microcredit began to develop after the creation of the Fonds de Cohésion Sociale (FCS) in 2005. These loans are intended to promote professional and social integration by means other than creating a company. The goal is instead to finance the purchase of helpful goods and services mainly related to mobility, housing, and education.

Until recently there was no official definition of microcredit in France. But the consumer credit reforms law No. 2010-737 of July 2010 sets out the following:

- **the amount:** compatible with the target borrowers' ability to pay
- **the target:** people excluded from consumer credits due to low income or a hazards of life
- **the goods:** goods intended to facilitate the borrower's social integration or job placement
- **loan security:** partially guaranteed by the *Fonds de Cohésion Sociale*
- **support:** provided by associations and local authorities

The French Savings Banks (Caisses d'Epargne) chose to include personal microloans within the broader scope of their actions to encourage financial inclusion. By creating the network of associations *Parcours Confiance* and *Créa-Sol*, the Caisses d'Epargne built a service platform based on the combination of reinforced banking support, suitable products, and concrete educational support via *Finances & Pédagogie*, an association specialised in financial education.

After four years of testing, the Caisses d'Epargne feel the programme has positive results. In 2009, they financed 40% of the personal microloans distributed in France. Relying on the expertise of trained and specialised micro-credit advisors, the Caisses d'Epargne reach 90% of the French territory. They also rely on the services of 800 partners (associations, local authorities, and social businesses) in order to offer the most comprehensive support possible to their borrowers.

¹ *Social Cohesion Fund guarantees loans to unemployed people.*

Now is the time to analyse the results. Mindful of social innovation, the Caisses d'Epargne wanted to assess the impact of personal microloans based on a simple question:

To what extent do personal microloans contribute to improving borrowers' social and professional situation?

It is a simple question, but vital for shedding some light on the social utility of this recent tool. Although it follows on to the studies and reports carried out by the Agence Nouvelle des Solidarités Actives and the Inspectorate General for Finances, this is the first study to focus on the evolution of the situation of such a large number of borrowers. It complements the qualitative study carried out in 2008 by Georges Gloukoviezoff, Jane Palier, and Jeanne Lazarus on behalf of the Secours Catholique.

The study aims to assess the impact of personal microloans using a quantifiable method based on the principles of social progress and innovation which are fundamental to the corporate identity of the Caisses d'Epargne.







PART I: overview of the study

1.1 Methodology and contributors

In order to ensure transparency and efficiency, the Caisses d'Epargne wanted to rely on the expertise of partners and researchers specialised in financial inclusion and personal microcredit. A group of experts was set up quickly in order to develop the questionnaire used as the basis of this study, and to help analyse the results. We are very thankful to the members of this group of experts:

| Nom | Organisation |
|----------------------------|--|
| Marylène Viala-Claude | Caisse des Dépôts et Consignations |
| Sébastien Poidatz | Caisse des Dépôts et Consignations |
| Alain Bernard | Secours Catholique |
| Patrick Kosman | Secours Catholique |
| Nicolas Revenu | Union nationale des associations familiales (French Union of Family Associations) |
| Maela Castel | Union nationale des centres communaux d'action sociale (French Union of Social Action Community Centres) |
| Yves Oudin | Restos du Cœur |
| Solange Trebillon | Restos du Cœur |
| Benjamin Cavalli | Red Cross |
| Philippe Guichandut | European Microfinance Network |
| Stéphanie Laemmermann | European Microfinance Network |
| Aude Costa | Observatoire national de l'Action Sociale Décentralisée (French Observatory of Decentralised Social Action) |
| Pascal Glémain | Ph.D-HDR in economics, Professor at ESSCA, and co-founder of FIMOSOL |
| Georges Gloukoviezo | Ph.D in economics and founder of 2G Recherche |
| Chantal Fazékas | Finances & Pédagogie |
| Didier Gillet | Caisse d'Epargne Bretagne Pays de la Loire |
| Didier Amouroux | Caisse d'Epargne Languedoc-Roussillon |
| Frédéric Nguyen | Créa-Sol |
| Vincent Colmet Dâage | GMV Conseil |
| Vincent Orsini | GMV Conseil |
| Magali Monsavoir | Consultant |
| Pierre-Eric Randrianarisoa | BPCE |
| Cédric Turini | Fédération nationale des Caisses d'Epargne (Federation of the French savings banks) |

The questionnaire included in the appendix was used in a telephone survey with 807 beneficiaries of a personal microloan granted by Caisse d'Epargne between January 2006 and April 2010. This phase of the survey was carried out by GMV Conseil. The number of respondents represents 12.5% of the total number of borrowers financed by the Caisses d'Epargne over the period. The people surveyed were selected at random from a file of 3,500 borrowers; there were no quotas or preliminary referencing. The list of data contained in the original file is presented in the appendix.

87% of those contacted agreed to answer the questions they were asked. This high acceptance rate reflects in some cases a form of recognition towards the institution which trusted the borrowers, and also undoubtedly the desire to share a memorable experience.

The questionnaire, based on the advice of the group of experts, attempts to cover all the impact categories identified by Georges Gloukoviezoff, Jane Palier, and Jeanne Lazarus in their study submitted to Secours Catholique in 2008.

| Category | Impact |
|--------------------------|--|
| Professional integration | Keeping or finding a better-quality job |
| Ressources | Improving the resource level or balancing the budget |
| Family cohesion | Enjoying, maintaining, or strengthening family ties |
| Social integration | Enjoying, maintaining, or developing friendly and social relations |
| Self-esteem | Gaining or regaining self-confidence, be proud of oneself |
| Living conditions | Obtaining, maintaining, or improving the home and furnishings |
| Financial inclusion | Improving access to and usage of banking services |

The study compared the borrowers' "current" situation at the time of the study to their "original" situation when the loan was granted. This was done for each previously identified impact category.

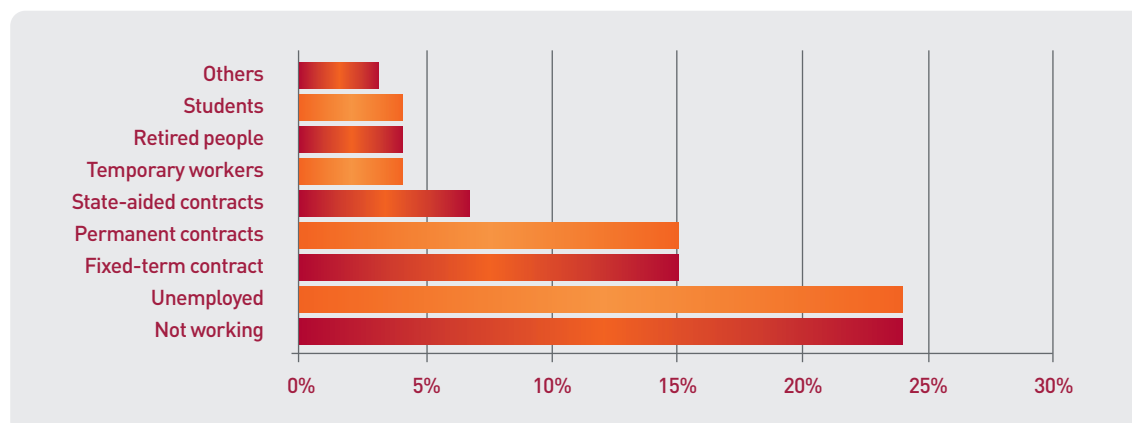
1.2 Profile of the borrowers surveyed

The respondents' characteristics were very similar to those of the reference population. The sample of 807 borrowers did not need any ulterior adjustments. 54% of the people in the sample were female. The average age of those surveyed was near 40; 11% were under 25 and 13% over 55. One-third of the borrowers surveyed were living in rural areas.

The sample included a high proportion of people living alone — 45% were single and 26% divorced or separated — representing 71% of those questioned.

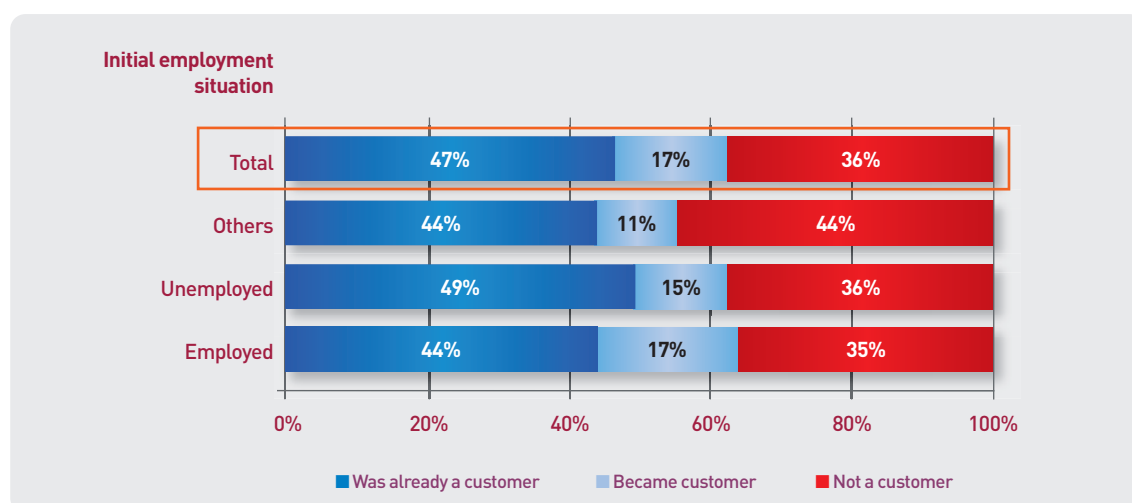
Approximately one borrower out of two was either not working or unemployed when the microloan was obtained. Figure 1 shows the breakdown of the respondents' original professional situation. The profile of the people contacted matches the target audience of personal microloans.

Figure 1: borrowers' original professional situation



One-third of borrowers who were not originally Caisse d'Epargne customers chose to become a customer after having received a microloan. The share of Caisse d'Epargne customers in the total of borrowers increased from 47% to 64% over the period.

Figure 2: breakdown of borrowers originally with or without work



1.3 Description of goods and projects

The questionnaire differentiates between the concepts of goods and projects. Goods embody a need (such as mobility), while a project represents the expected effect of satisfying that need (e.g. return to work). Thus it is possible to identify the project's "direct impact", where completing the project is associated with the goods (automobile = job) as opposed to the "knock-on effect" which has no link to the initial project but which is nevertheless attributable to the microloan (automobile = socialisation).

Figure 3: breakdown of microloans by goods and project



Unsurprisingly, a majority of the projects in the sample were related to employment (64%) or to financing the acquisition of the means to improve mobility (65%), primarily vehicles. A high proportion of borrowers live in rural areas (73% mobility).

Nevertheless, the proportion of loans related to employment and mobility varies significantly from partner to partner. This type of loan involved over three-quarters of the applications orientated by UDAF as opposed to 54% for the Restos du Cœur.

Besides the needs expressed by the borrowers, these differences reflect a selection at the time of the diagnosis, illustrating the over-representation of a vehicle purchase for some partners.

Previous studies show that the purchase of a vehicle, even for professional needs, may have a broad range of direct impact and knock-on effects, including a more closely united family, social life, or self-esteem. This is the case of Ms. Lesage. Her support resource told us about her situation:

*"The first year, she used this vehicle to travel for training courses, internships, and (I believe) a few temporary jobs. But the most important effect in my opinion is that it gave her personal, family, and social independence, enjoying independent housing and being reunited with her two daughters."*².

Practically one vehicle out of two purchased with a microloan was repaired during the first two years, and one-third of those during the first six months. This event might have compromised the completion of the project and the reimbursement of the microloan if it had not been anticipated ahead of time.

Although the sample of borrowers who had financed professional training or a driver's license was small, it is encouraging to note that they had a fairly high success rate. This rate was nearly 74% for a driver's license versus the national average of 56.5%, according to Road Safety Department statistics³. Only 5% of those who financed professional training failed to obtain their certificate at the end of the course.

² Gloukoviezoff G., Palier J., 2008, Évaluation d'impact des Crédits Projet Personnel du Secours Catholique, Lyon : LEFI.

³ Sécurité routière (2009) : Bilan Sécurité routière 2008 (www.securiteroutiere.gouv.fr/IMG/pdf/bilan_2008_rectif_cle22243f.pdf)



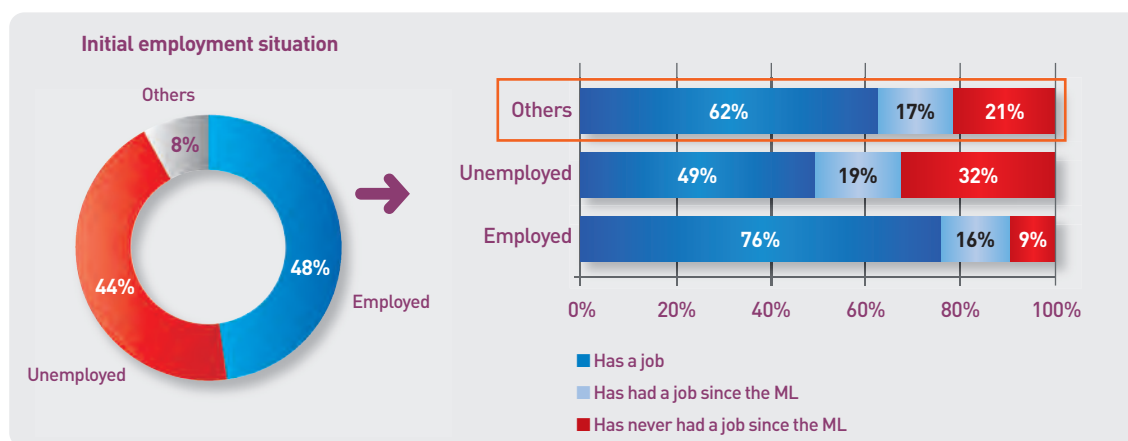
PART 2 : Impact assessment

This section presents the replies of borrowers surveyed for the various impact categories listed in Part 1. Here we quantify the changes in borrower situations since receiving the microloan. Several questions focus on the link with the microloan and its impact in order to determine whether it effectively played a role in the changes observed. The impact assessment should not be confused with a social performance assessment, which in this case would measure and compare the various costs of the testing, the number of loans granted, and their observed effects.

2.1 Employment and mobility

Among borrowers who were originally unemployed, half had found a job.

Figure 4: change in the professional situation of borrowers



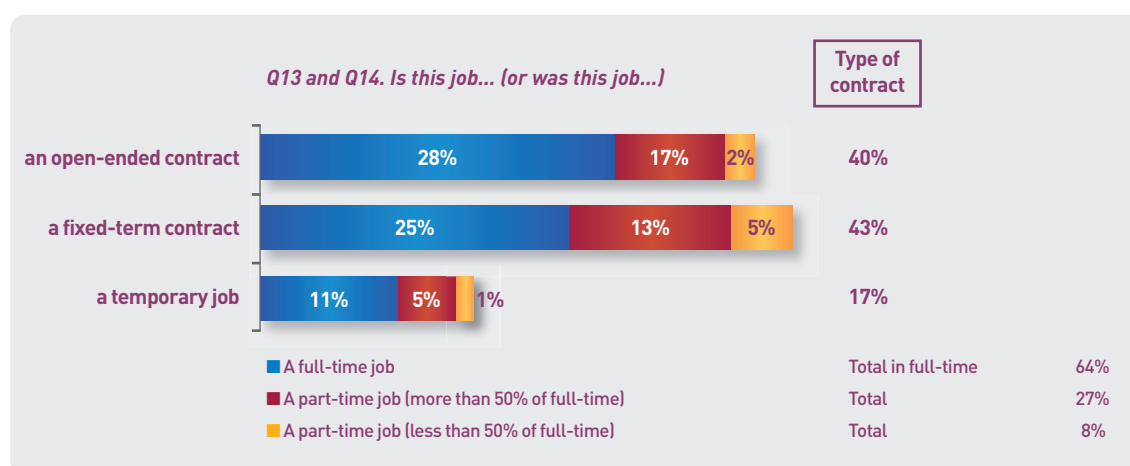
Microloans for financing a professional project (2/3) confirm their role for both “promotion” and “protection”. These terms were used by Georges Gloukoviezoff to describe the improvement of the borrowers’ situation, or its stabilisation. While one borrower out of two who was originally unemployed managed to find a job, three-quarters of initially active borrowers were still employed despite the economic crisis. A majority claims that the microloan helped them.

80% of respondents declared that the microloan played a positive role in obtaining or keeping their jobs.



This significant impact should be balanced by the quality of the jobs obtained by borrowers. Although the majority were full-time jobs, most (60%) were fixed-term contracts and temporary work contracts. These jobs provide less stability in a crisis situation, complicating both the borrowers' equilibrium and the reimbursement of their loans.

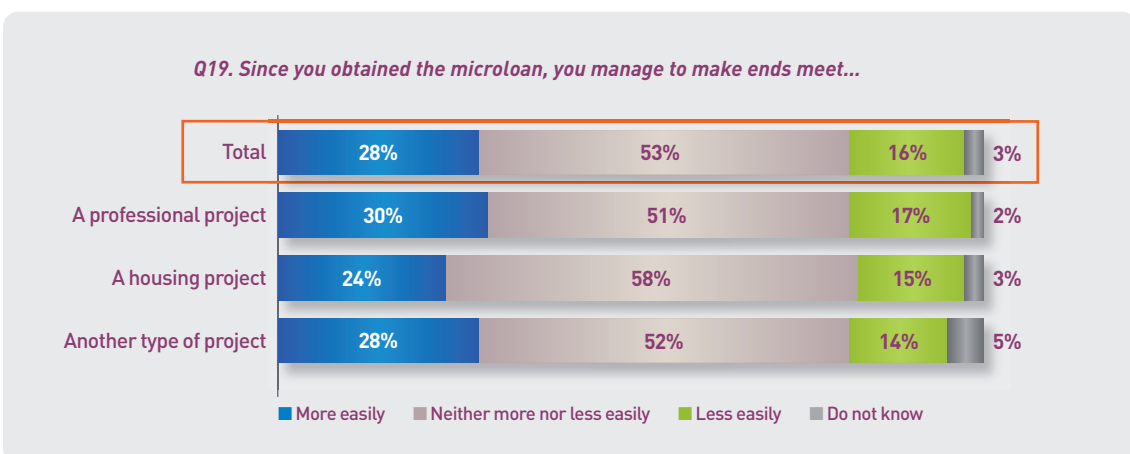
Figure 5: breakdown of new jobs by type and duration



2.2 Income and budget

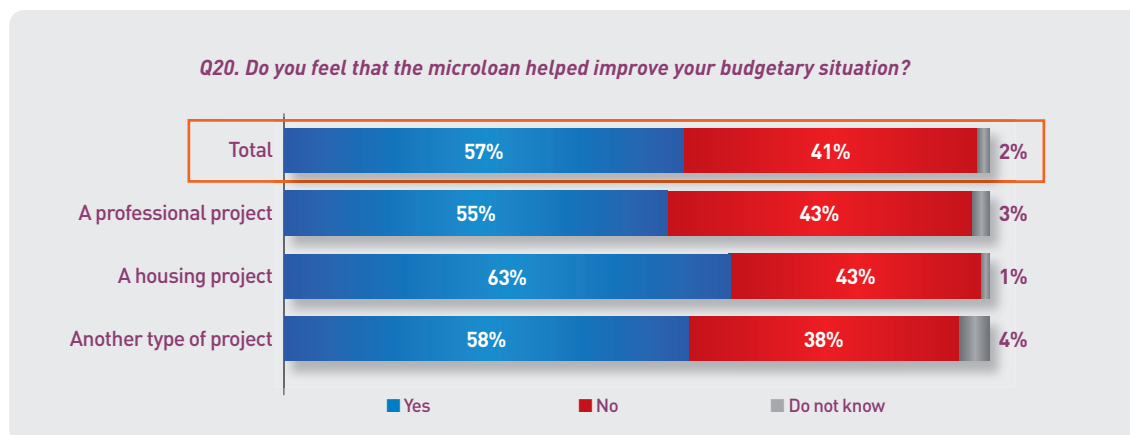
The lack of job security for some of the jobs obtained by borrowers no doubt explains why only 28% said they could more easily make ends meet. On the other hand, the link between the professional project and higher income is not decisive. This link is also illustrated by the equivalent proportions for other projects, including housing.

Figure 6: change in the borrowers' income situation



While the impact on income is mixed, nearly 6 borrowers out of 10 state that the microloan helped improve their financial situation.

Figure 7: Change in the borrowers' budgetary situation



Living in better insulated and better equipped homes, enjoying more stable employment, or the reduction of bank fees were reasons which may explain this feeling of an improved budgetary situation among a majority of borrowers. The Secours Catholique survey identifies another possibility: *"in a life with very little job security, a car can make a significant improvement, if only because people can shop in shopping centres. Due to their low income and the cost of living, the people surveyed have to count and compare prices."*

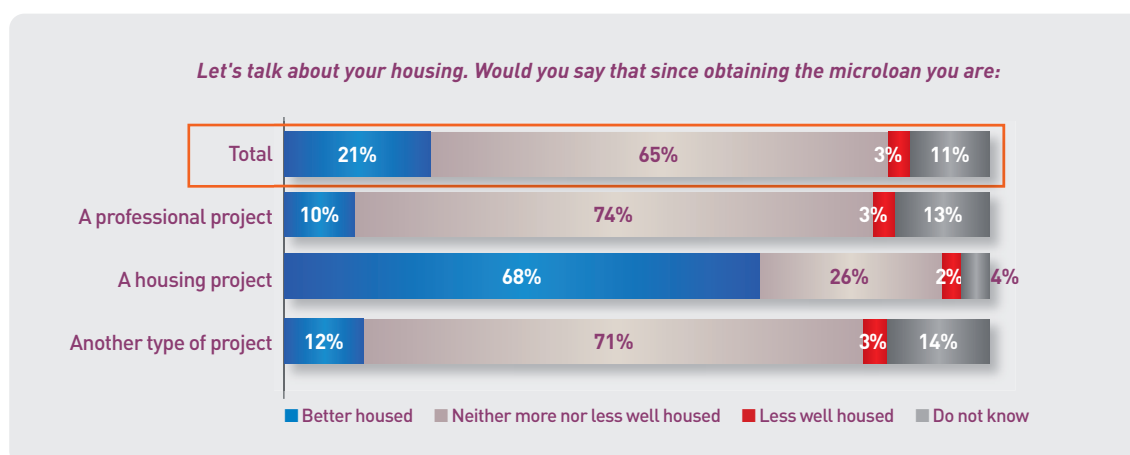
Borrowers confirming that the microloan helped improve their budgetary situation are more numerous among those who used the loan to finance a housing project (63%) than those who used it for a professional project (55%).

2.3 Housing and living conditions

The improvement in housing conditions is no doubt the most direct impact and the one with the highest correlation to the granting of a microloan.

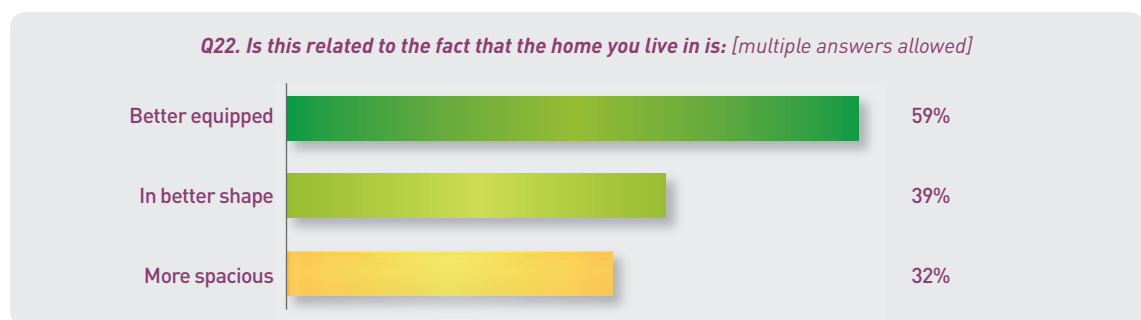
80% of people who borrowed for a housing project (moving, equipment etc.) say the change in their situation is directly linked to the microloan. Seven out of 10 felt that this was a change for the better.

Figure 8: changes in the borrower housing situations



Financing equipment or a move has both concrete and more direct effects in the short term. However, while a majority (59%) of respondents say their housing is uncomfortable due to a lack of space, 6 out of 10 claim their situation improved due to better equipment. Given the amount of the microloan and the economic situation of the borrowers, microloans are better suited for the purchase of furniture or household appliances in order to improve daily life than for financing access to a large home. The effects of equipment financing in terms of comfort and improving living conditions should not be underestimated.

Figure 9: factors for improving the housing situation

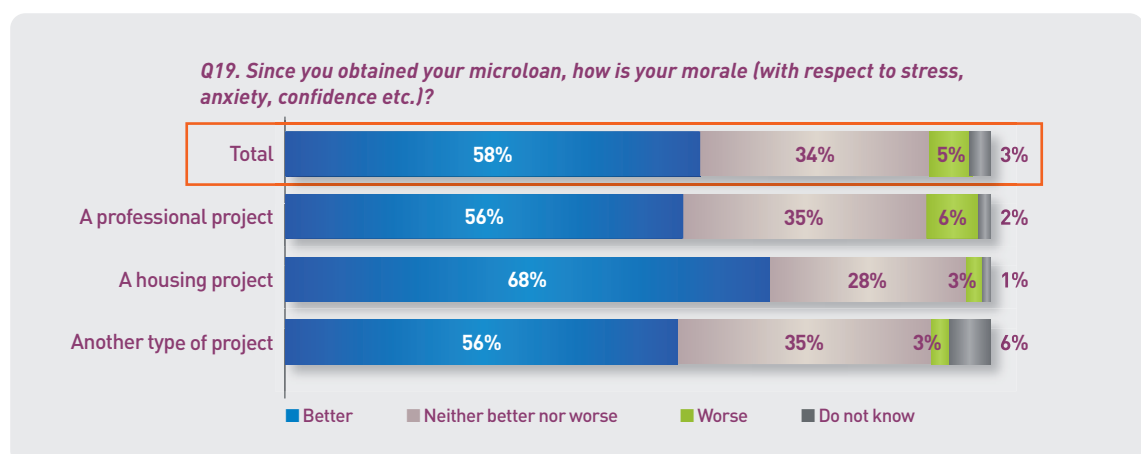


2.4 Well-being and family situation

« That is why I am proud to pay back my loan, and show others that I am somebody. This is also part of the issue: it's a question of self-respect, which commands respect from others. » This quote from the Secours Catholique survey shows the importance of the microloan's impact, given the vulnerable economic and social situation of certain borrowers. The microloan embodies confidence and hope to complete a project, no matter how simple.

Nearly 6 borrowers out of 10 say they have a better morale (less stress and anxiety, more confidence) since they obtained the microloan. This is especially true for borrowers who financed a housing project.

Figure 10: change in the borrowers' morale



Whether or not they view the microloan positively, three-quarters of borrowers say it directly influenced their morale. This proves that even when microloans involve small amounts, they are rarely neutral for borrowers.

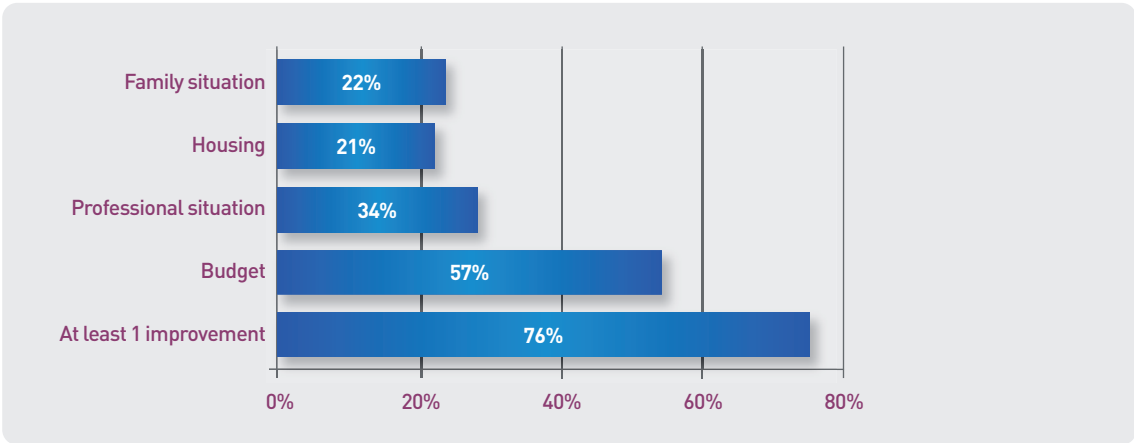
67% of those who deem that the microloan had an impact on their family situation (about 19% of all borrowers) believe that the situation has improved.

The link between the microloan and the family situation reflects the key role of friends and family during periods of doubt and fragility. Life partners and family life provide decisive support in hard times. When microloans are correctly distributed and managed, they help improve self-esteem, which encourages good relations in a couple as part of a more general improvement in living conditions. This virtuous circle should not be underestimated.

2.5 Impact assessment

In short, three-quarters of borrowers felt their situation improved, with respect to either employment, housing, income or family life.

Figure 11: change in the borrowers' overall situation



The improvement in the budgetary situation is the impact cited by the greatest number of respondents. Next comes the professional situation, the family situation, and housing cited by one borrower out of five. Some borrowers naturally combine several direct impacts and knock-on effects related to how housing can influence the family situation, or how employment can influence income.

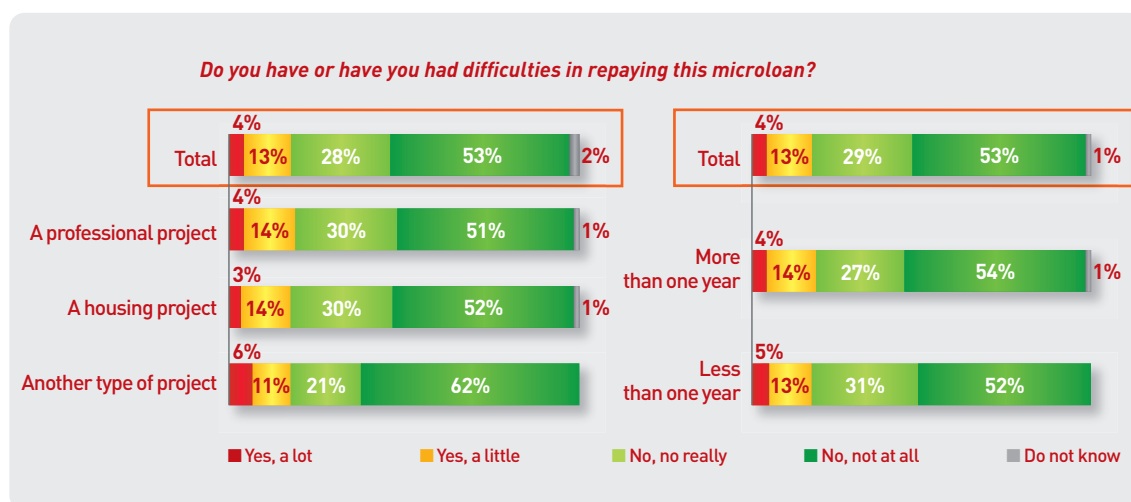


PARTIE 3 : Analysis of banking relations and satisfaction

3.1 Repayment incidents

The share of respondents having faced repayment difficulties (20%) confirms the statistics observed by the Caisse d'Epargne. The fact that this percentage does not increase over time indicates that incidents tend to occur during the first few months. The rate of repayment incidents is appreciably higher for unemployed borrowers (25%) than for those with jobs (14%).

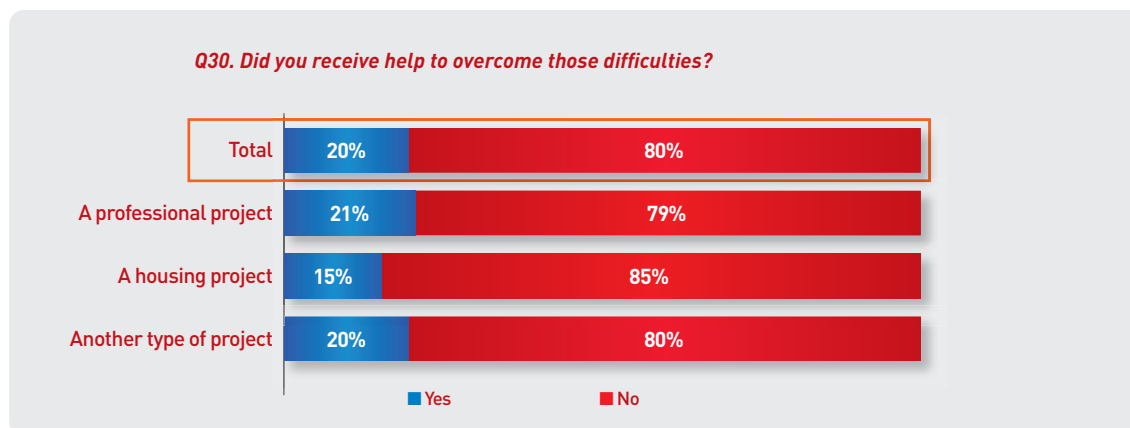
Figure 12: share of borrowers having repayment difficulties



The share of borrowers stating they had lots of difficulties repaying their loan (4%) is no different for borrowers listed in the French file of repayment incidents for consumer loans (FICP). On the other hand, this percentage jumps to 9% for borrowers listed in the French file for unpaid cheques (FCC), who are also blacklisted (prohibited from issuing cheques).

Only 20% of borrowers facing repayment difficulties said they obtained support in these situations. Among those borrowers, one-third declared they were helped by the Caisse d'Epargne, and another third said they received support from their family, rather than a social worker or volunteer.

Figure 13: share of borrowers having received support in case of difficulties



While a majority of borrowers did not express the need for more support, some did complain about a lack of follow-up. For instance, this is the case for Ms Xavier (financing for driving lessons, €1,500, Pays de Loire). She was questioned by Georges Gloukoviezoff and Jane Palier in 2009 for a study commissioned by the Caisses d'Epargne: « *In fact, there never was any follow-up. There is not follow-up. In the same way, they [the association] never called me back to find out how things went, whether we received the money. They didn't even try to find out. In fact, they provide the money [bank] and then afterwards I think they don't pay attention. [...] I would have preferred some follow-up, with someone finding out how everything's shaping up [...]* »

The same study quoted remarks from a partner of a Caisse d'Epargne: « *In theory, we should monitor the person until the end... until the loan has been fully reimbursed. [...] We're not doing well on this point. Our system just doesn't cater for follow-up in most cases. Our procedure runs smoothly through to the release of funds, then it just peters out.* »

The low percentage of borrowers receiving support to overcome their difficulties reflects the current deficiencies in support, both from the banks and from the support networks. This is certainly because the initial focus was on the prescription and the work for preparing the files in order to set the ball rolling. Now we need to reinforce post-credit support by developing reliable, consistent procedures. The report makes recommendations along these lines.

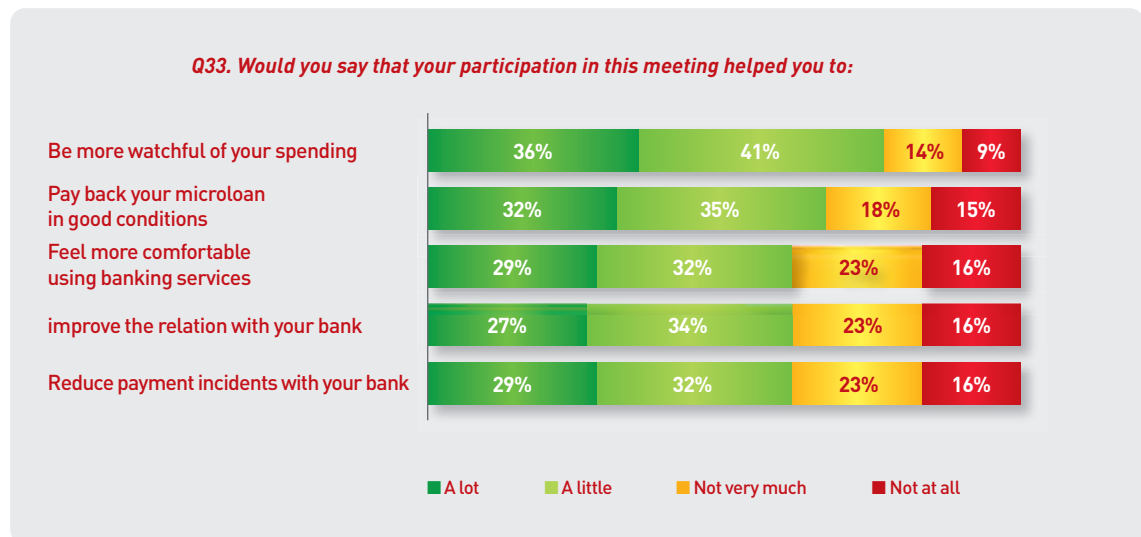
3.2 Educational support

One quarter of borrowers² took part in at least one workshop led by the Finances & Pédagogie association on a topic related to the budget, loans, or relations with the bank. 80% of workshop participants say they are now more watchful in their spending. Consumer behaviour is discussed in depth during these workshops, attended by a dozen people on average. Exchanges between the participants are alternated with remarks by the Finances & Pédagogie advisors, based on entertaining interactive tools.

² This is the ratio of the number of borrowers questioned who took part in at least one Finances & Pédagogie (F&P) workshop versus all borrowers located in a region where F&P organises workshops intended for microloan borrowers only. 14% of all borrowers questioned (in all regions) attended at least one F&P workshop.

For nearly half of Finances & Pédagogie workshop participants, their banking situation improved to the point where they claim to have fewer incidents (delinquent payments, overdrafts, refusals etc.).

Figure 14: impact of educational workshops on borrowers



Georges Gloukoviezoff and Jane Palier (2009) relate remarks by Ms Grange (€3,000 microcredit, Marseille) with respect to Finances & Pédagogie training: « *It was good. It was very good because they really explained things what we might not know about what happens in banks. Because many people came and asked questions: and why is it that when I deposit a cheque, after how much time... it is credited after 3-4 days?* ».

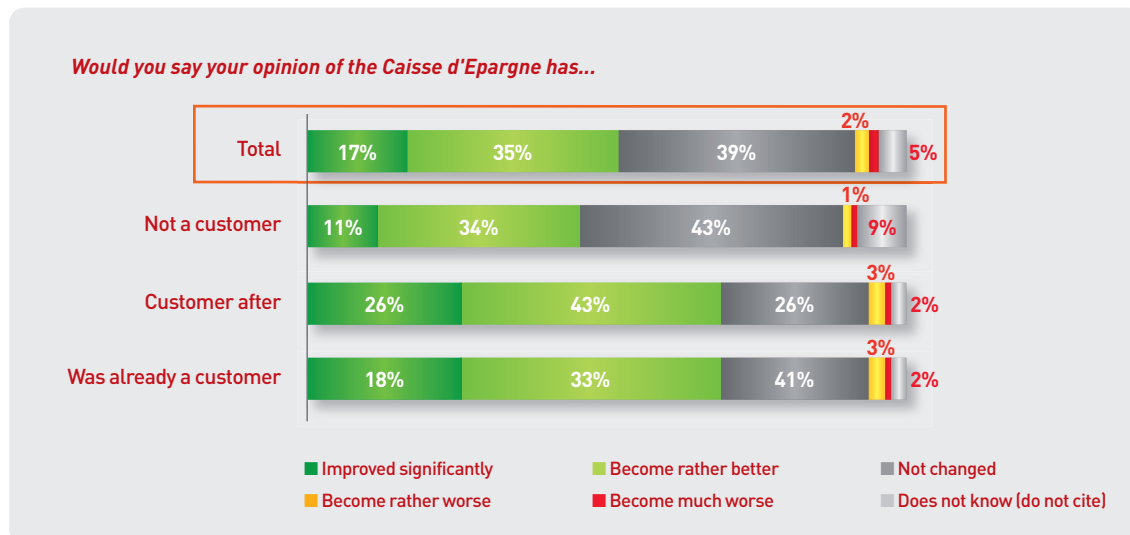
3.3 Financial inclusion

Only 19% of borrowers had subscribed to another Caisse d'Epargne product. The products are mainly savings accounts (LEP and Livret A) as well as automobile insurance contracts. This trend confirms the initial observations of Georges Gloukoviezoff and his colleagues. Their study shows that on average microloan beneficiaries remain “under-equipped” in banking products. Some of them also “under-use” certain products due to a higher level of wariness towards means of payment other than cash.

The researchers noted that these borrowers trusted loans more, while their image of the bank tended to improve. This phenomenon appears to be confirmed.

More than half of the respondents said their opinion of Caisse d'Epargne had improved since they obtained the microloan. Very few borrowers had a worse perception of the bank.

Figure 15: borrowers' image of the Caisse d'Epargne

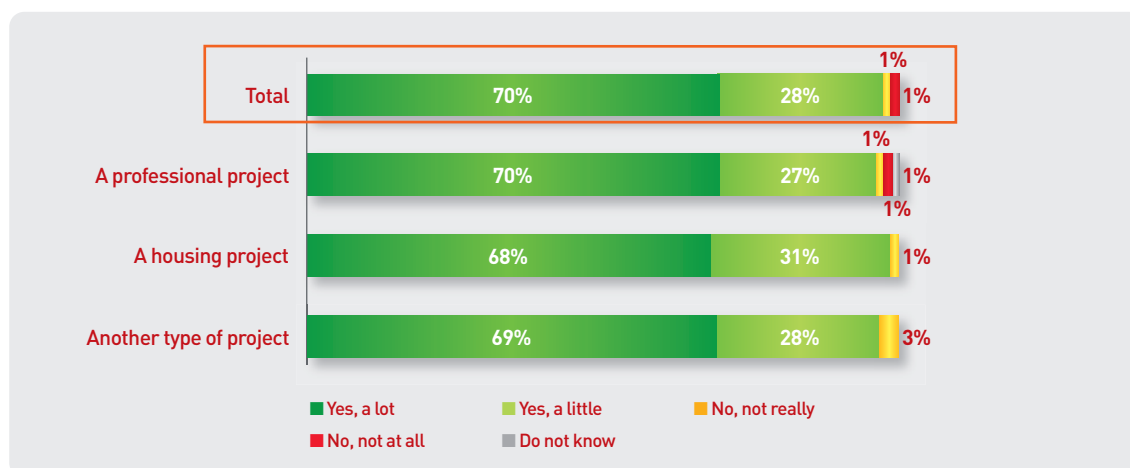


3.4 Satisfaction

Although about 20% of respondents said they had encountered repayment difficulties, this does not appear to have influenced their level of satisfaction.

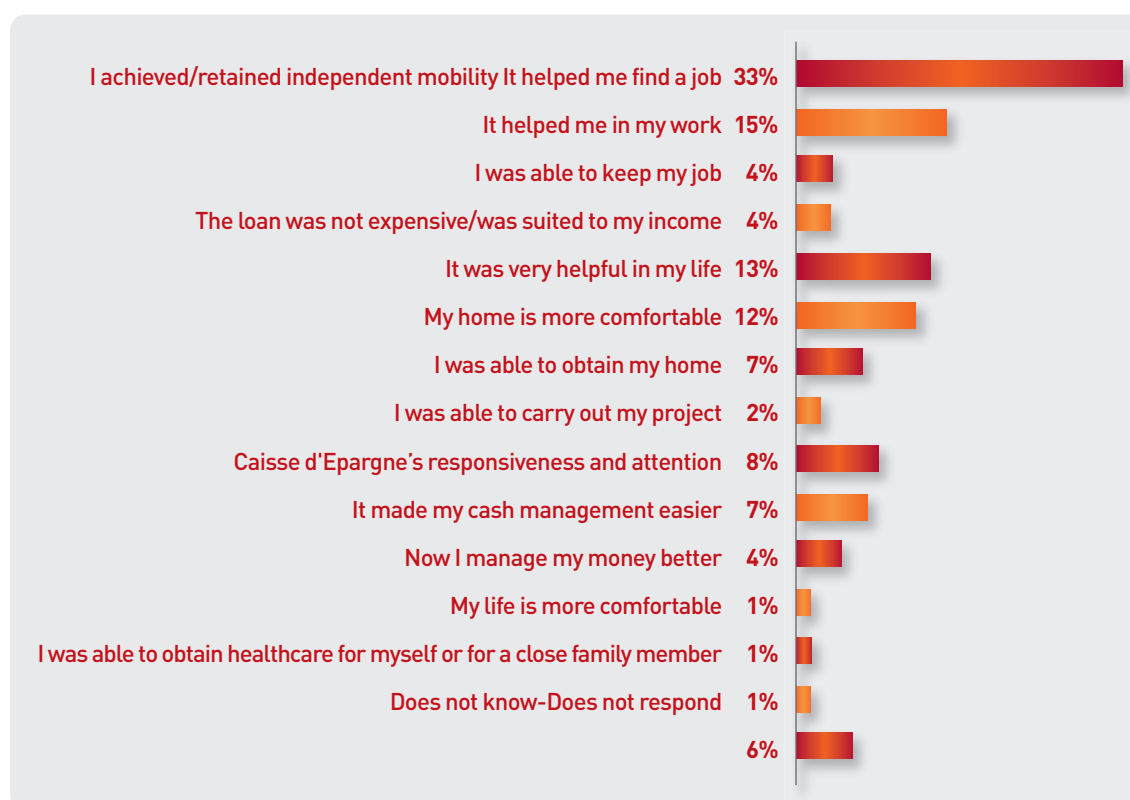
70% of borrowers say they are very satisfied to have benefited from a microloan, and 28% were satisfied. Difficulties are not necessarily perceived as a failure. In the end, borrowers appear to be satisfied nevertheless.

Figure 16: satisfaction level of borrowers



Independent mobility and an improved professional situation are among the leading reasons for satisfaction.

Figure 17: borrowers' reasons for satisfaction

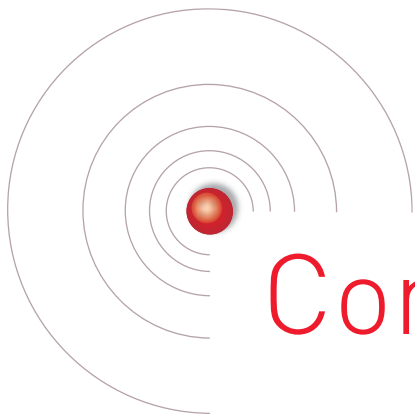


Comments from a few borrowers

Ms Parent (car purchase): « Well, it [the car] helped me for work. I did have quite a few jobs and then afterwards, now, it's for shopping, things like that, it's useful when you have to travel all over in order to fill out forms. »

Ms Blondiaux (moving expenses): « It's very calm. Ah, yes, that's what I missed -- peace and quiet. Down below, there were lots of young people with 6 or 7 dogs, trucks; skinheads shouting at 5 or 6 in the morning. I was on the ground floor and had no shutters. I'm telling you, I really couldn't sleep. »





Conclusions

Unquestionable economic and social utility

This quantitative study is the first in France to attempt to prove the economic and social utility of personal microloans among such a large number of borrowers. The results are encouraging, as shown by the following statistics:

- among borrowers who were originally unemployed, half had found work
- 80% of respondents declared that the microloan played a positive role in obtaining or keeping their jobs
- nearly two-thirds of borrowers declared that the microloan had helped them improve their financial situation

In short, we observed an improvement in the situation of three-quarters of borrowers, whatever their project or goods financed. This improvement was mostly due to the improvement of their professional situation. Although a majority of those jobs were fixed-term contracts (43% versus 40% of permanent contracts), 60% of the contracts were for full-time jobs, despite very poor economic situation in 2009.

From now on the challenge is to prompt the transition of personal microloans from the field of social experimentation—where Caisses d'Epargne has made a major contribution—to the field of social action, as a tool to reduce unemployment and social exclusion. In its December 2009 report on microloan, the French Inspectorate General for Finances estimates that enabling an unemployed person to return to work saves the community €2,500 per year.

The Caisses d'Epargne support that a part of these savings should be reinvested to develop microcredit activities in France. Other means than the Social Cohesion Fund could be explored: line of refinancing, resource diversification, public calls for tenders, service and support contracts, etc...

An appropriate scope of action which is not fully exploited

It is certainly the high level of satisfaction which best reflects how well personal microloans are suited to consumers' needs. Many see this as a way to break the deadlock for a complex situation due to the impossibility to finance a vehicle or to replace essential equipment.

It is not surprising to observe that in the majority of cases, the improvement in the material situation had a positive knock-on effect on the borrower's well-being and family ties. This is supported by the following figures:

- 70% of respondents assert they are “very satisfied” to have used a microloan. The percentage rises to 80% for blacklisted people (listed on national files for unpaid cheques or repayment incidents).

- Nearly two-thirds of borrowers declared a greater sense of well-being. This rises to 78% and 87% respectively for blacklisted people.
- One out of five borrowers declared that the microloan had directly contributed to improving their family situation.

Although the debate over eligibility criteria for personal microloans has focused mainly on the question of record-keeping, this tended to dodge the question of the goods and projects being financed. The study reveals for instance that a project for “housing” and related goods are under-represented, although they have a significant impact on the budget, living conditions, and well-being.

The Caisses d'Epargne promote that the access to microloans, guaranteed by the Social Cohesion Fund, should be determined more by the borrower's objective repayment capacity than on the project or goods to be financed. This means granting more freedom of decision to the bank and its partner. The control of guarantees and the partial assumption of risk by the bank are safeguards.

Room for improvement in financial inclusion and support

Positioned at the intersection between economic and social issues, personal microloans are hybrid vehicles which remain poorly identified. More than a method of financing, they can be a springboard for people on the fringes of the banking system who will become or resume being ordinary customers. Two conditions will help reach this goal. The first is related to the level of support provided to borrowers. The second is the quality of the banking services which will be proposed in addition to the microloan. But the following observations indicate there is room for improvement:

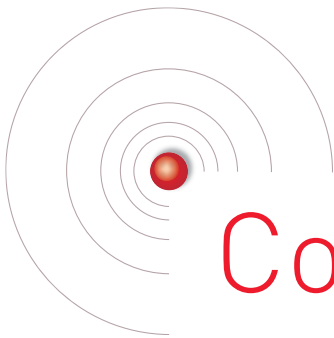
- Although half of the participants in the financial education workshops led by Finances & Pédagogie had fewer incidents with their bank, only one-quarter of borrowers participated in a workshop.
- Only 20% of borrowers facing repayment difficulties claimed to have support in overcoming their difficulties.
- Only 19% of borrowers had subscribed to another Caisse d'Epargne product.

The study by Georges Gloukoviezoff, Jane Palier, and Jeanne Lazarus has already demonstrated the positive correlation between the quality of support, the level of financial inclusion, and borrower success. The authors stress the importance of personalising this support in order to take into account the needs and profile of each borrower. In this case, proper co-ordination between the lending institution and the partner is a key factor for success.

The Caisses d'Epargne support the fact that the lending institution agrees to systematically and immediately contact the partner responsible for support upon the first delinquent payment. On the other hand, partners should not wait for delinquent payments before renewing contact with the borrower. Automatic reminders one, then six months in advance would help borrowers plan ahead and warn them about delinquent payment situations, especially since the majority of these incidents occur during the first few months.



The Caisses d'Epargne support more frequent domiciliation of borrowers in the bank granting the micro-loan, without making it mandatory. Along with domiciliation, an account is opened for borrowers and their income is transferred directly to the account. This enables closer, more personalised monitoring of the borrower's accounts. The bank is able to intervene more quickly in the event of an incident, and may even anticipate some incidents. Secondly, it means they can offer borrowers a service (means of payment, savings account, insurance etc.) better suited to their needs and situation. The service is also a means for amortising some of the costs supported by the bank in the medium term.



Contributions

Caisse des Dépôts et Consignations

Evaluating, optimising, and developing microcredit

The FNCE study provides the means for evaluating personal microcredit, which has developed in France since the creation of the Fonds de cohésion sociale (Social Cohesion Fund - FCS), instituted by the Law of 18 January 2005 for Programming Social Cohesion. Five years later, barely 16,000 personal microloans have been granted: a modest result, although this study underlines the social utility of this new financial tool. The Law of 1 July 2010 for reforming consumer loans provided a legal definition of personal microcredit: "loans guaranteed by the fund are (...) earmarked to help finance integration projects granted to individuals facing financing difficulties, whose capacity for replying these loans is deemed sufficient by the lenders, and who benefit from social support". The integration involved in the projects is social as well as professional. This definition expands the previous scope for microcredit. Following a request by the FCS Committee for Orientating and Tracking Fund Employment, the Caisse des Dépôts will pursue the effort initiated by its partners to provide other qualitative and quantitative information for the evaluation. The goal is to better define the requesters' profiles and needs, and to remove obstacles to the development of personal microloans.

Secours Catholique

Toward accessibility and full, effective financial inclusion

Although the key goal of a personal microloan is financial inclusion, we still need to look more closely at its specific characteristics. For this purpose we will retain four recommendations. First, we must strengthen relations between the lender, its customer, and the social support network, in particular with actual freedom of decision for the bank and the support network. Second, we must consider that personal microloans are for more than just financing projects with the sole purpose of job placement. Third, we must use careful judgement when analysing household budgets. We should require reasonable monthly payments in order to avoid further weakening

of an already fragile financial equilibrium. Fourth and finally, banking, social, and public stakeholders must further analyse upstream loan management. The goal is to obtain a reference framework which respects each party's practices, in areas which have thus far been overlooked, such as collection, delinquent payment management, the required alert in the event of a malfunction in or drift of the loan etc. The key point returns to the question of financial inclusion: we need to look more closely at the quality and development of relations between the bank and its new customer, in order to prevent the microloan from being the only solution for banking inclusion.

European Microfinance Network

Gender issues

This study unquestionably helps us better understand the impact of personal microcredit in France. No similar study with such an extensive scope exists at the European level. Personal microcredit in Europe to date has developed mainly in Spain, England, Belgium, Italy, and Romania, but there is no consolidated data available on this type of microloan. One interesting revelation of this survey is the high proportion of women benefiting from a personal microloan. This percentage is distinctly higher than that of professional microloans which, according to the latest EMN survey, only involved 37.7% of women in 2009, a lower rate than in previous surveys (44% in 2007). Given that women are among the Europeans with the highest risk of poverty and social exclusion, it is interesting to note that they benefited much more from personal microloans than from professional ones. It would have been interesting to be able to present some of the results according to gender, in order to see the impact of personal microloans on the reduction of gender inequality.

Union nationale des associations familiales (French Union of Family Associations)

Promoting social monitoring

The effectiveness of personal microloans is based both on the economic support provided by the loan and on the support provided to the requester. This support takes place at several stages during the loan request process. It may involve people who will not obtain a microloan, but who have been redirected and whose projects may be pursued via other means. It may also involve loan beneficiaries who require support to achieve social integration via confidence in themselves and in others (notably their banking partner). Associations providing such support play a key role. They maintain the social contact, and also assess the project and its feasibility compared to an objective and the requester's budgetary capabilities. They should be capable of providing local support adapted to each person's needs and demands. Support involves more than just orientation, preparing files, or checking that payments are on time. It also involves social monitoring, as well as psychological, moral, or educational monitoring, which are vital complements to financial aid.

Union nationale des centres communaux d'action sociale (French Union of Social Action Community Centres)

Pursuing efforts with respect to support

The Union nationale des centres communaux d'action sociale (UNCCAS), whose members are the leading network of social assistants for personal microloan beneficiaries, is pleased with this survey. The results reveal the pertinence of the system (borrower satisfaction, general improvement in their situation, especially financial). UNCCAS has long considered personal microloans as a means for achieving social integration and job placement. We have defended the idea of paying more attention to the requester's individual situation and ability to pay



rather than their project or banking history. We support the Fédération nationale des Caisses d'Epargne's recommendations. In this framework, UNCCAS also believes it is vital to pursue efforts to assist loan beneficiaries. This approach should lead to better understanding of their needs, in order to better tailor the response and assist exchanges between the bank and the support network, which were originally designed as the cornerstone of the process and a vehicle for social ties.

French Red Cross

The new faces of social insecurity

The results related to the profile of borrowers surveyed, which seems fairly representative of all microloan beneficiaries, raises questions about the emergence of the “new faces of social insecurity” over the past few years. Because work no longer protects against job insecurity, because the rising cost of living is creating more difficult situations for those who have trouble making ends meet. Today French Red Cross delegations are massively helping a number of new categories of individuals: young people, the elderly, and poor workers. This appears to be a structural change, amplified by the current social and economic crisis. Given this situation, we feel it is essential for organisations like the Red Cross to be proactive and, via personal microloans, to try and halt processes which are weakening and jeopardizing these “new faces”. We believe that the organisations fighting exclusion should analyse the situation and develop a specific, territory-based strategy, relying on appropriate partners, to reach out to these people in vulnerable situations.

Les Restos du Cœur

A solution complementing social integration and job placement

This survey's conclusions support the Restos du Cœur's decision to propose personal microloans as part of their support for individuals. It is an additional solution on top of social integration and job placement. Furthermore, it encourages the shift from gifts to loans, as confirmed by the results focussing on the “change in the borrowers' morale”. During our last campaign, over 30 departmental units helped set up microloans, and the Restos du Cœur hope this will gradually be rolled out nationwide. We are also greatly encouraged by the responses pertaining to the improvement of loan beneficiaries and the increase in self-esteem.

Georges Gloukoviezoff – 2G Recherche

Positive results, to be confirmed and expanded!

While microloans are no miracle solution, the study confirms that when used wisely, they are effective in meeting the needs of those excluded from normal loans. The very positive impact of housing-related projects illustrate this. The study provides incentives to pursue the programme and to consider its limits. With respect to financial inclusion, for instance, Parcours Confiance and Créa-Sol should reinforce their roles as gateways to an appropriate banking access, beyond the loan granted. These organisations are currently using only part of their potential. Paradoxically, points not mentioned in the study also provide incentives to act. Firstly, there are relatively few borrowers. Secondly, while among them the needs for mobility or professional projects are the most numerous, that is because other requests—deemed less legitimate—are often rejected. Quantitatively and qualitatively expanding access to personal microloans is also vital for giving full range to the impacts underlined in the study.

Pascal Glémain - FIMOSOL research programme

Diversity in experimental methods for restoring beneficiary capabilities

Interdisciplinary work carried out by the FIMOSOL team on experimental methods in western France (Brittany, Pays-de-la-Loire, and Poitou-Charentes), financed by the former DIISES (2008-2009), produced the same results as this study. It also underlines the importance of restoring or maintaining the beneficiaries' capabilities, as defined by Amartya Sen, i.e. the personal skills to be able to plan and carry out a project according to one's expectations. Most personal microloans granted guarantee the successful completion of the financing and a measure of self-esteem, through the mobility provided not only the job but also which allows to maintain the link to family and society. Most beneficiaries say there has been an improvement in their socially embedded \$\$\$ family economy. They can meet the needs which others meet via income from the work or investments. Their social representation and the way we tend to represent them is not just "changing a bandage" (saving on repairs), but is more "thinking about change" (saving the happiness and sustainable social development).

BPCE

Expanding financial inclusion

This study shows that personal microloans (PMLs) make a strong contribution to improving individual living conditions, beyond the material benefits of the goods financed. PMLs reinforce self-esteem and make a very positive contribution to boosting the beneficiaries. The high proportion of vehicles acquired via the loans underscores the usefulness of this product when it is linked to a search for employment when independent mobility is an important factor in holding a job down and playing a role in society. Conversely, the PML is not used much for housing. In this case, it does not appear to have any connection to employment and reveals the need for larger financing requirements. BPCE will certainly utilise these initial results demonstrating the dual economic and social benefits of PMLs in order to promote them within the Group and to extend the Group's involvement in this practice. In the future, the study could be extended to cover PML impact on families, children, and "hazards of life", in order to identify its contribution to society. Furthermore, it could cover the question of financial inclusion by listing all financial practices for helping fragile customers without necessarily granting a microloan (wiping off or rescheduling debt, financial education etc.). This would add further value to the PML method.

Finances & Pédagogie

The educational dimension of support

Finances & Pédagogie, a training organisation specialised in financial education, is positioned as a leading player in financial inclusion, notably through educational support on personal microloans. Financial education can strengthen banking relations and lay the foundations for a long-term relationship through the microcredit operation. 24% of the borrowers questioned had followed a Finances & Pédagogie workshop. Support from support networks is needed to further expand the educational dimension. The qualified training of the networks support staff responsible for assisting microloan beneficiaries has become a key challenge in the microloan process. Training for all stakeholders will reinforce the principles of banking accessibility and financial inclusion, and Finances & Pédagogie plans to pursue its actions towards those stakeholders.



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APPENDIX 1: questionnaire used for the interviews

A - General questions

Q1. What did you finance thanks to the microloan?

Do not cite - Multiple replies possible

- ☐ A vehicle
- ☐ The repair of a vehicle
- ☐ A driver's license
- ☐ Occupational training (Ongoing training)
- ☐ Your studies
- ☐ Skills assessment
- ☐ Expenses related to obtaining housing and moving (broker fees, security deposit, moving company's invoice etc.)
- ☐ Computer or audiovisual equipment (computer, TV, VCR etc.)
- ☐ Household appliances
- ☐ A heating system
- ☐ Tooling or other professional equipment
- ☐ Healthcare expenses (dental care, glasses, equipment for the handicapped)
- ☐ Other: please specify

Q2. What was the main purpose of the microloan?

Cite - only one answer

- ☐ A professional project (obtaining, returning to, or keeping a job)
- ☐ A housing project (improving living conditions)
- ☐ Other: please specify

Q3. If training (answers 4 or 5) in Q1: Did you pass the test at the end of the training?

- ☐ Yes
- ☐ No
- ☐ Not yet, the training has not finished
- ☐ (Do not suggest) Do not know

Q4. If driver's license in Q1: did you obtain your driver's license?

- ☐ Yes
- ☐ No
- ☐ Not yet, the training has not finished
- ☐ (Do not suggest) Do not know

Q5. If purchase of a vehicle in Q1: is your vehicle still working?

- ☐ Yes
- ☐ No
- ☐ Do not know

Q6. If purchase of a vehicle in Q1: Did you need to have the vehicle repaired?

- ☐ Yes
- ☐ No
- ☐ Do not know

Q7. If purchase of equipment in Q1: is your equipment still working?

- ☐ Yes
- ☐ No
- ☐ Do not know

Q8. If purchase of equipment in Q1: Did you need to have the equipment repaired?

- ☐ Yes
- ☐ No
- ☐ Do not know

B – Employment

Q9. Since you obtained the microloan, would you say your professional situation has:

- ☐ Improved on the whole
- ☐ Remained stable
- ☐ Become worse on the whole
- ☐ (Do not suggest) Do not

If response 2 or 3 in Q2: ask Q10 then go to C. If response 1, go to Q11

Q10. Is the change in your professional situation directly linked to the microloan?

- ☐ Yes
- ☐ No
- ☐ Do not know

Q11. Are you currently employed?

- ☐ Yes
- ☐ No

Q12. If no to Q11: Have you been employed between the time when you benefited from the microloan and now?

- ☐ Yes
- ☐ No

Q13. If yes to Q11 or Q12: Is (or was) this job:

Cite - only one answer

- ☐ an open-ended contract
- ☐ a fixed-term contract
- ☐ a temporary job
- ☐ (Do not suggest) Do not know

Q14. If yes to Q11 or Q12: Is (or was) this job:

Cite - only one answer

- ☐ full time
- ☐ part-time (more than 50% of full-time)
- ☐ part-time (less than 50% of full-time)
- ☐ (Do not suggest) Do not know

Q15. If no to Q11 AND Q12: Do you feel that this microloan helped you in your job search?

Cite - only one answer

- ☐ Yes definitely
- ☐ Somewhat
- ☐ Not really
- ☐ Not at all
- ☐ (Do not suggest) does not know or does not apply

Q16. If yes to Q11 or Q12: Do you feel that this loan helped you find or keep your job?

Cite - only one answer

- ☐ Yes definitely
- ☐ Somewhat
- ☐ Not really
- ☐ Not at all
- ☐ (Do not suggest) does not know or does not apply

C - Income

Q17. If "professional project" in Q2: Since you obtained the microloan, would you say your income has:

Cite - only one answer

- ☐ increased on the whole
- ☐ remained stable
- ☐ decreased on the whole
- ☐ (Do not suggest) Do not know



Q18. If "professional project" in Q2: Did this microloan play a role in the change in your income?

- ☐ Yes
- ☐ No
- ☐ Do not know

Q19. Since you obtained the microloan, you manage to make ends meet...

Cite - only one answer

- ☐ More easily
- ☐ Neither more nor less easily
- ☐ Less easily
- ☐ (Do not suggest) Do not know

Q12.2 Do you feel that the microloan helped improve your financial situation?

- ☐ Yes
- ☐ No
- ☐ Do not know

D – Housing

Q20. Let's talk about housing. Would you say that since obtaining the microloan your housing is:

Cite - only one answer

- ☐ Better
- ☐ Neither better nor worse
- ☐ Worse
- ☐ (Do not suggest) Do not know

Q21. If better: Is this related to the fact that the home you live in is:

Cite - Multiple replies possible

- ☐ In better shape
- ☐ More spacious
- ☐ Better equipped

Q22. If neither nor or worse: Is this related to the fact that the home you live in is:

Cite - Multiple replies possible

- ☐ In poor shape
- ☐ Not much room
- ☐ Poorly equipped

Q23. Did the microloan contribute to the change in your housing conditions?

- ☐ Yes
- ☐ No
- ☐ Do not know



E – Well-being and family situation

Q24. Since you obtained your microloan, how is your morale (with respect to stress, anxiety, confidence etc.)?

Cite - only one answer

- ☐ Better
- ☐ Neither better nor worse
- ☐ Worse
- ☐ (Do not suggest) Do not know

Q25. Did the fact of obtaining a microloan influence your morale?

- ☐ Yes
- ☐ No
- ☐ Do not know

Q26. Would you say your family situation has:

Cite - only one answer

- ☐ Improved
- ☐ Remained stable
- ☐ Become worse
- ☐ (Do not suggest) Do not know

Q27. Did this microloan play a role in the change in your family situation?

- ☐ Yes
- ☐ No
- ☐ Do not know

F – Support

Q28. Do you have or have you had difficulties in repaying this microloan?

Cite - only one answer

- ☐ Yes, lots
- ☐ Yes, a little
- ☐ No, not really
- ☐ No, not at all
- ☐ (Do not suggest) Do not know

Q29. If yes in Q28: Did you receive help for overcoming those difficulties?

- ☐ Yes
- ☐ No
- ☐ (Do not suggest) Do not know



Q30. If yes in Q29: From whom?

Do not cite - Multiple replies possible

- ☐ Family or friends
- ☐ Caisse d'Epargne
- ☐ Advisor from Parcours Confiance CréaSol
- ☐ Social assistant
- ☐ Charitable associations
- ☐ Other: please specify

G – Finances et Pédagogie

Q31. Have you attended at least one meeting on managing a budget and your money?

- ☐ Yes
- ☐ No
- ☐ (Do not suggest) Do not know

Q32. If yes in Q31: Would you say that your participation in this meeting helped you...

Cite - Only one response per item

Rotation of items except for the first

| | Yes, a lot | Yes, a little | No, not really | No, not at all | Do not know |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| In your relations with the bank? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To reimburse your microloan in good conditions | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To reduce payment incidents with your bank | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To be more comfortable using banking services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To pay more attention to your expenses | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

H – Banking relations

Q33. Since you obtained your microloan, would you say that the relations with your bank have:

Cite - only one answer

- ☐ Become better on the whole
- ☐ Not changed
- ☐ Become worse on the whole
- ☐ (Do not suggest) Do not know

Q34. If the beneficiary did not originally have an account with Caisse d'Epargne: did you choose to become a Caisse d'Epargne customer after obtaining the microloan?

- ☐ Yes
- ☐ No
- ☐ (Do not suggest) Do not know

Q35. If the beneficiary originally had an account with Caisse d'Epargne: after obtaining the microloan, did you subscribe to any of following Caisse d'Epargne products:

| | Yes | No | Do not know |
|-------------------|--------------------------|--------------------------|--------------------------|
| A new loan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| A savings account | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Insurance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Others | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q36. Now, do you feel your opinion of the Caisse d'Epargne...

Cite - only one answer

- ☐ Improved significantly
- ☐ Improved a little
- ☐ Has not changed
- ☐ Has become rather worse
- ☐ Has become much worse
- ☐ (Do not suggest) Do not know

Q37. Overall, are you satisfied to have used the microloan?

- ☐ Yes, very much so
- ☐ Somewhat
- ☐ No, not really
- ☐ Not at all
- ☐ (Do not suggest) Do not know

Q38. For what reasons?

Q39. Do you have any other remarks on the microloan system?

Q40. To wrap up, do you have a personal e-mail address?

- ☐ Yes
- ☐ No

Q41. Can you easily connect to the Internet?

- ☐ Yes
- ☐ No



APPENDIX 2: data contained in the survey file

1. File reference
 2. Related Caisse d'Epargne
 3. Name of advisor responsible for the file
 4. Surname of the borrower
 5. First name of the borrower
 6. Gender (M/F)
 7. Fixed phone
 8. Mobile phone
 9. Date of birth
 10. Residence (urban/rural)
 11. Caisse d'Epargne customer (Y/N)
 12. Professional situation
 13. Family situation
 14. Loan number
 15. Date funds released
 16. Purpose of the financing
 17. Amount of loan
 18. Term of loan
 19. Annual Percentage Rate
 20. Name of accompanying partner
 21. Partner's network
- Recordkeeping

This image shows a full page of blank, lined paper. It features approximately 28 horizontal blue or grey lines spaced evenly apart, typical of notebook paper. The lines extend across the entire width of the page, leaving small margins at the top and bottom. There are no vertical lines, text, or other markings on the page.

Notes

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