A Social Performance Analysis of Italian Microfinance

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Background:

- Until recently, MFIs financial performance has been the main focus of microfinance advocates
- Key donors have shown little concern of social performance outcomes
- Predominant paradigm in microfinance circles denies the existence of a trade-off between the achievement of financial self-sufficiency and social outcomes
- “Win-win proposition” is based on controversial evidence and a selective understanding of conceptual factors
- Need for MFIs accountability on MFIs social outcome
  ➔ Social Performance Task Force (SPTF)
Research objectives:

- Analyse social performance of a group of Italian MFIs according to the set of indicators and framework developed by the SPTF
- Identify key features and clients profile of a group of leading Italian MFIs with respect to their social performance
Empirical evidence:

- Data collected by Fondazione Giordano Dell’Amore and Fondazione Risorsa Donna in 2008, in the context of the EMN Survey
- Sample of 27 Italian MFIs selected on the basis of their local relevance
Italian MFIs involved:
Methodology:

Three different dimensions of the social performance process by which social impact depends:

- **MFIs Intent**: assessment of MFIs commitment to their stated social mission and target market
- **Internal system and activities**: indicators concerning strategies and systems, policies and compliance
- **Achievement of social goals**: output and outcomes
MFIs intent (Mission and social goals)

Mission statements

- Anti-usury: 27%
- Social inclusion and fight against poverty: 35%
- SME and economic development: 8%
- Job creation and entrepreneurship promotion: 19%
- Financial inclusion: 11%
MFIs intent (I) (Mission and social goals)

![Graph showing target beneficiaries of Italian MFIs]
MFIs intent (II) (Mission and social goals)

Type of enterprises supported

- start-up enterprises: 77.3%
- existing enterprises: 59.1%
- enterprises with less than 5 employees: 54.5%
- Other: 40.9%
- informal sector: 36.4%
- entrepreneurs in the pre-start up phase: 27.3%
- enterprises with 5-9 employees: 9.1%
Internal system and activities
(Range of products and services)

• Mostly “general loans” and “micro-enterprises loans” (ALB €9,654, below Western EU €11,061)
• **Other financial services** provided by 37% of Italian MFIs: mainly debt counselling, emergency loans and anti-usury loan products
• 55% of MFIs support clients to move into the mainstream financial system
• individual **lending methodologies** adopted by 94%
Internal system and activities (I) (Range of products and services)

- Integrated approach to microcredit (Non-financial services):

![Business development services chart]

- Business development services:
  - Compulsory for all borrowers: 23.8%
  - Not provided: 23.8%
  - Only if demanded by clients: 19.0%
  - Refer to other organisations: 19.0%
  - Required in some cases: 14.3%
Internal system and activities (II)
(Range of products and services)

- Integrated approach to microcredit (Non-financial services):

![Chart: Microlending as a portion of MFIs activity]

- 30.4%
- 34.8%
- 8.7%
- 4.3%
- 21.7%
Internal system and activities
(Cost of services to clients)
Internal system and activities (I) (Staff)
Internal system and activities (II)
(Staff)

Staff gender balance

- Male: 54%
- Female: 46%
Achievement of social goals
(Women outreach)
Achievement of social goals
(Other clients outreach)
Final reflections:

- Microcredit in Italy is essentially a tool to address social and financial exclusion suffered by vulnerable groups (migrants, women, usury victims, youth)
- SPA allowed to identify several distinctive features of the Italian sector:
  1. Small-sized staff, large room for volunteers
  2. Below-market rate pricing policy
  3. Non-exclusive commitment to microcredit activities
  4. Free provision of non-financial services
- Italian MFIs prevailing features signal a sector heavily subsidized, a poor commitment to financial self-sufficiency combined with institutional constraints (lack of a suitable regulatory framework, interest ceiling) preventing financial soundness, a strong focus on the most disadvantaged groups (migrants, youth, usury victims) but an inability to serve women
Thanks for your attention!

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