

The impact of professional microcredit in France and in developed countries

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The impact of microfinance, hence the sustainable changes it creates in the living conditions of a specific target group, is an increasingly debated issue. In the context of financial crisis and reduction in public spending, practitioners and public authorities can no longer afford not to question the effectiveness of microfinance and more specifically that of subsidized microcredit. Is the impact on the beneficiary sustainable? Could we have obtained equal or better results with other mechanisms? How efficient is the professional microcredit in comparison with other mechanisms aiming at creating jobs?

Given the important support granted to beneficiaries of professional microcredit in the setting up of their activities, these questions are even more relevant in developed countries, where it is now necessary to measure the impact of professional microcredit, beyond simply the question of access to funds.

While microcredit is essentially disbursed in developing countries, the issue of measuring the impact is as important in developed countries, but in a different manner. In developing countries, microcredit is used to assist poor people with no access to the banking system to better manage their cash, to protect themselves from vulnerability and to increase their level of income. In developed countries, where access to financial and banking systems is easier (even if financial inclusion of vulnerable populations is still a challenge), and where there is a social security system in place, professional microcredit aims at the social/professional integration of beneficiaries through a sustainable professional activity created thanks to.

In France, microcredit programs vary in their objectives, their terms and their conditions: they can affect beneficiaries directly or indirectly, aim at covering operational costs or not; they have different strategies in relation to targeting clients, and offer a wide range of services from microcredit alone to close support for clients in managing their professional activity. However, their commonality lies in the way that their impact is measured in terms of the number of created or assisted jobs and the sustainability of the created activity. All operators rely on indicators such as loss ratio, survival rate of the funded activity or continued professional activity.

Since the 90s, numerous surveys have been conducted in France and other developed countries (see for instance International Labour Organization (2002), [Microfinance in industrialized countries](#), [Helping the unemployed to start a business](#), [Social Finance Programme](#)). These studies all show that microcredit is an efficient and effective way to create jobs and that the survival rate of businesses that benefited from a microcredit (whether they are created or taken over from) is equivalent to that of businesses created in more favourable conditions (70% after 3 years and 60% after 5 years).

Identifying and measuring this type of impact is necessary but it is not enough to capture all the changes in the careers and the daily lives of beneficiaries. There is indeed a shortage of assessments taking into account more qualitative and societal aspects relating to the impact of professional microloans. What is the pace of work of those who have created a business (working hours, holidays, etc.)? Is this person covered by a social protection scheme? How stable and regular are his income and his savings capacity? Most importantly, how about his "personal satisfaction"? The aspects are

captured only partially and separately by French operators, who work independently, therefore using tools which are often incompatible. Harmonizing approaches is indeed difficult given the fact that each network has its own modalities of intervention as well as its own target group. Aggregated tools that would allow us to capture the effects in a comprehensive manner are not yet available. If we had the capacity to assess the qualitative aspects of microcredit based on common impact indicators, we would be able to have a better understanding of the needs and expectations of micro-entrepreneurs.

This would also feed into the current discussions about the ways to better assist microcredit beneficiaries. These issues will be addressed in a joint publication of the Centre d'Analyse Stratégique and of the International Labour Organization, whose first task will be to examine with all the actors the effect of microcredit on the creation of jobs as well as to assess monitoring and evaluation methods which are being used or which could be used. This will be carried out in 2012 – 2013.

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