We believe in you
THE IMPACT OF MICROCREDITS REPORT

2011
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Introduction

The importance of microcredit and, especially, its ability to contribute to job creation have been subjected to an intense debate in the last years due to the economic crisis and the rising rates of unemployment in which we are immersed. Both the European Union, through the Lisbon Strategy in 2000, and later reports and communications have proved that microcredit acts as a working instrument in the service of social cohesion and economic revitalization.

Since its establishment in 2007, MicroBank has developed a model of “Social Bank” specialized in microfinances, being the only bank in Spain exclusively dedicated to this activity.

Due to its remarkable progress, MicroBank currently represents a very high percentage of microcredit activity in our country. Therefore, any qualitative conclusions about the impact of MicroBank on entrepreneurs and microbusinesses can also be considered largely representative of this type of activity as a whole.

With this document, which continues the report published in 2010, MicroBank consolidates its will to analyze the impact of this instrument. Given the aforementioned context, the present study makes a special emphasis on the issues connected with job creation and economic growth through the starting up of new businesses.

Although previous studies allow us to consider that MicroBank has already contributed to consolidate more than 40,000 jobs, a deep study of the qualitative knowledge is the best tool we have for increasing the impact of our policy and activities, in order to improve our proposal to our clients.

Once again, we have relied on the prestigious Business School ESADE this new report that, through its Institute of Social Innovation, carried out the excellent study published in 2010, which is now complemented and extended by this document. We also want to thank to the team of experts that has made possible this report.

Jose F. de Conrado y Villalonga
Chairman of MicroBank
Like the March 2010 report, the qualitative study herein is based on a survey of a group of entrepreneurs and businesspeople who received a microcredit from MicroBank. There is, however, a basic difference between the two studies. The survey in the previous report covered a similar number of financial and social microcredits (one of the aims of that publication being precisely to analyse the differences between the recipients of both types of microcredits), which was a reflection of the microcredits granted up until that time. The present study, however, features a far higher percentage of financial microcredits, which also reflects the growth in the volume of microcredits of this type arranged by MicroBank.

The aim of this publication is, therefore, to give an insight into how microcredits affected the sample selected for the survey – particularly in terms of job creation. The survey carried out also reveals other aspects such as the profile of recipients, how the businesses boosted by microcredits are run, and recipients’ satisfaction with the programme, all with a view to learning more and making the programme more efficient.

Our grateful thanks to the micro-entrepreneurs who took part in the survey on which our report is based for their time and effort. Without their cooperation this study would not have been possible.

Editorial team
1. Introduction to the study and methodology used

Today's economic crisis, of hitherto unknown dimensions, puts the economy back at the centre of the political and social debate. These new circumstances and uncertain outlook have sent tremors through a society accustomed to living in an artificial world of plenty. The search for solutions that focus primarily on the integral and key part played by the economy and allow its positive impact to increase has become a priority.

Against this backdrop the demand for microcredits as an aid for social cohesion, economic growth and employment, tallies almost perfectly. In addition, it coincides with an unprecedented period of growth in microfinance in modern Europe.

Granting small loans to entrepreneurs, social economy companies or employees who want to become self-employed but generally have no access to traditional sources of capital is a clear example of how economic impact can be combined with social impact.

Indeed, the social and economic utility of microcredits had already been acknowledged by the European Union, before the present-day crisis exploded, in the Lisbon strategy of 2000 and has been ratified by some recent decisions. Governments believe in the value of microcredits and in this respect, as we shall see, they agree with a very diverse group of entities in the social and financial sector who have clearly demonstrated their commitment to microcredits in recent years.

However, the commitment to microcredits entails certain undeniable risks which may be aggravated by certain characteristics of the sector, and which should be taken into account and weighed up in order to minimise their impact. It is important to avoid the positive perception of microcredits leading to them being misused, weakening their impact and destroying their enormous potential.

Consequently, we believe that after years of growth, the time has come for an in-depth analysis of the impact of microcredits and a close look at those aspects of the concept, management and entities involved that may affect their ability to make a real contribution to economic and social wellbeing, from both the individual and group viewpoint. We therefore believe it is important for both the governments and entities involved to encourage reflection about and research into microcredits.

This publication, featuring an article and summary of the findings of the impact study carried out this year by MicroBank, is therefore in keeping with this desire for reflection and research. MicroBank, a leading figure in the microcredit sector in Spain, seeks to use them to create knowledge about this sector and the microcredits it grants in order to improve certain aspects to increase their impact.

The three main sections of this report are:

- A short introduction to MicroBank and its role as a microcredit entity.
- An opening article giving readers an insight into the world of microcredits in Spain and Europe and prompting them to think about the pros and cons of an instrument that has undeniably grown considerably in recent years.

This is in no way an exhaustive, academic paper but a document intended to prompt discussion by listing ideas which could obviously be addressed in a far more in-depth and exhaustive analysis.
• A summary of the findings of MicroBank’s last impact study of microcredit recipients.

This study is a continuation of the one conducted a year ago by the same entity. The intention is to corroborate some of the results obtained at that time and to survey a far larger sample of microcredits.

The initial sample used as a reference consisted of 14,720 borrowers, i.e. all the microcredits granted by MicroBank between July 1st 2007 and 30th April 2010.

MicroBank describes 13,765 of these as financial microcredits and 955 as social microcredits.

In this instance, the summary concentrates mainly on analysing the impact of microcredits on the economy, mostly in the realm of job creation, and gives a detailed analysis of the results according to the purpose of the microcredits (business start-up or enlargement of existing business); the previous work experience of the micro-entrepreneur (unemployed or working); and the final state of the funded company (open or closed).

In order to analyse the aspects mentioned above in greater detail, it was decided to set a minimum number of different types of interviewees to ensure a representative sample and valid results. This made it necessary to weight the sample after obtaining the results to make them tally better with the actual population.

Details of the survey
400 interviews carried out
2,527 calls (6.3 calls for each response obtained)

Minimum numbers to be obtained from total interviews carried out:
• 100 microcredits granted to unemployed micro-entrepreneur
• 151 microcredits granted to micro-entrepreneur in employment
• 151 microcredits for business start-up
• 151 microcredits for business enlargement

The sample was weighted to tally with the actual distribution of the population

Margin of error of entire sample: +/- 4.8%
(confidence level: 95%)

Methodology: Telephone survey
The telephone interviews were conducted in May and June 2011.

The study was based on an analysis of the results of the same questionnaire as the one used for the previous study apart from a few minor modifications. The questionnaire covers five main areas:

Areas of the questionnaire
Area 1. Details of the business funded by the microcredit
Area 2. Details of the microcredit programme
Area 3. Economic and socio-cultural changes perceived
Area 4. Satisfaction with the service
Area 5. Classification. Profile of entrepreneur.
2. MicroBank: La Caixa’s social bank

MicroBank, La Caixa’s social bank, was created in 2007 as a vehicle for the microcredits that La Caixa’s charity work division had been dealing with since 2002. MicroBank is an entity specialised in microcredits designed to promote manufacturing activities, job creation and personal and family development. The achievement of these aims contributes greatly to social cohesion.

MicroBank offers its products and services to entrepreneurs and individuals through a network of more than 5,000 branches and in collaboration with 417 entities.

MicroBank’s main products are:

- **Microcredits for entrepreneurs:**

  Loans with personal guarantees of up to €25,000 for setting up or enlarging a business. Micro-Bank has two lines of microcredits for businesses: social microcredits and financial microcredits.

- **Social microcredits** are intended mainly to finance self-employment projects created by persons whose financial circumstances may hinder their access to traditional finance. In addition, they are also advised by an entity collaborating with MicroBank on how to formulate and develop their business idea.

- **Financial microcredits** are designed for self-employed persons or small entrepreneurs who need finance to start up or enlarge their business and ensure sufficient cash flow. One mandatory requirement is to have a business plan in order to analyse the project’s feasibility. Since MicroBank does not demand any actual guarantees, it is possible to obtain finance without having to mortgage any property.

- **Family and personal microcredits**

  Loans for a variety of personal needs that may arise: finance needed for housing costs; expenses related to the integration of new residents; finance for reuniting a family or for the home in the country of origin; loans for handicapped persons; family circumstances that need special attention; or any unexpected finance a family may need.

  Between its creation and the end of June 2011, MicroBank granted a total of 113,302 microcredits totalling €716 million.

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<th>Microcredits granted in 2010</th>
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<td>Microcredits for entrepreneurs: 6,011 totalling €60.3 million.</td>
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<td>- Social microcredits: 254 totalling €3.8 million.</td>
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<td>- Financial microcredits: 5,757 totalling €56.5 million.</td>
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<td>Family and personal microcredits: 30,834 totalling €151.7 million.</td>
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3. Importance and impact of microcredits

3.1. The entities in the microcredit sector in Spain and Europe

Microcredits have made considerable qualitative progress around the globe and particularly in Europe in recent years. In 1992, following the experience in many developing countries, microcredits began to be offered in eastern European countries such as Poland, Romania, Bulgaria and Slovakia. In western Europe microcredits are a much more recent development, apart from in the United Kingdom and France where they are already quite well established.

This market is characterised firstly by its young population (according to EMN1 data, 70% of microcredit entities have only been operative since 2000, and 17% of this group started offering loans in 2005); the small size of micro-finance entities (most grant no more than 100 loans a year and employ fewer than 5 persons); their constant growth in recent years (ranging from 25% to 100% p.a. depending on the country, with an average of 67% p.a.); and finally, the great variety of entities in the market with different structures, missions, aims and approaches.

It is estimated that there are more than 100 microcredit entities of very different types operative in the countries that constitute the European Union and the European Economic Space. Their activity focuses on different areas ranging from the promotion of micro-enterprises to the social inclusion of persons at risk. To quote the recent report by Nantik Lum2, "some micro-finance entities use microcredits as an aid for promoting the social and financial integration of the most vulnerable groups, whilst others use it to foster the growth of micro-enterprises and small companies and help the local economy develop. In both cases, being granted a microcredit is an alternative to unemployment and exclusion by promoting business initiatives, development and the growth of micro-enterprises and small companies".

According to a study by Evers and Jung3, there are four different types of entities in western Europe, to which we would add a fifth:

1. NGOs that focus on micro-finance (and which often provide assistance too). These include ADIE (France), ANDC (Portugal), Aspire (Ireland) and Street UK (Great Britain).

2. NGOs that focus on certain segments of the population (the unemployed, immigrants, etc) and have microcredits amongst the services they offer to these specific groups. Such NGOs include the Microloan Fund of the City of Hamburg (Germany) and Weetu (Great Britain).

3. Support schemes started by existing entities and development banks such as Finnvera (Finland), KFW (Germany), BDPME-Oseo (France) and ICO (Spain).

4. Specialised divisions of traditional banks.

5. Specialised banks like MicroBank.

There are also what are known as loan unions, of particular importance in certain eastern European countries such as Poland and Romania, plus savings banks which could be classed as a separate group in the 4th category suggested by Evers and Jung. The proximity of savings banks makes them

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1 European Microfinance Network (EMN) established in 2005. At present, the EMN has 78 members from 22 European countries. It consists of micro-finance entities, educational establishments specialised in microfinance, and microcredit experts. The EMN’s work is structured in five working groups: research, funding and sustainability, regulatory matters, social performance, and IT & innovation.


3 Evers, Jan; Lahn, Stefanie; Jung, Martin (2007), pp. 15ff.
neighbourhood partners for micro-enterprises and SMEs, offering them not only a comprehensive range of financial services (loans, savings, transfers and insurance) but also business support services intended to help companies develop and possibly grow.

Indeed, savings banks have played a vital part in the development of Spain’s micro-finance sector, a sector in which many other social entities have also actively collaborated.

The considerable involvement of savings banks in this area in Spain explains why the basic characteristics of this sector in Spain differ from the European average. Microcredits appeared in Spain in the early 1990s under the auspices of a variety of associations and NGOs. In 2001 this sector began to grow considerably, thanks mainly to savings banks and particularly their charity work. According to CECA (the association of Spanish banks and savings banks), 2005, microcredits are granted by almost all 46 of Spain’s savings banks, with seven being the most active in this field. The public sector has developed several schemes too including, in 2001, the ICO scheme (Spain’s official loan institution) and the women’s business scheme, and also, in 2007, the young people’s microcredit scheme.

So although in Spain this sector is very young, it is larger and has fewer entities, and so could be said to be institutionally stronger. According to CECA data, from 2007 to 2010 savings banks, including MicroBank production, carried out 32,750 operations totalling €184 million which created almost 25,000 jobs. In 2009, this sector granted loans of some €46 million, with a total of 3,500 microcredits granted by the eight foremost savings banks and an average of less than 10,000 euros per loan.

As shown by the variety of entities and aims, Europe’s micro-finance sector does not have a homogeneous model. It may, however, be said that in western European countries (such as Spain, Germany, United Kingdom and Italy) micro-finance usually focuses on social inclusion and is not overly concerned about yield, whereas eastern European countries have more commercial intermediaries for whom yield is a priority.

Bearing this in mind, different studies deem the main challenge still facing most micro-finance entities in western Europe to be the creation of effective operating models able to strike a balance between social and financial yield. The high operating costs of micro-finance together with the inability of many micro-finance entities to take deposits, few possibilities for economies of scale due to limited demand, and the high risk premium of customers all add up to making sustainability in this sector no easy task. Some experts wonder whether sustainability as defined in developing countries can in fact be achieved in Europe or whether subsidies or some form of aid will be needed indefinitely to cover the deficits of this activity.

Are microcredit entities economically feasible? What models should be developed to ensure their sustainability?

This is one of the main institutional weaknesses of microcredits. Until now this had not been a significant weakness in Spain because of the considerable involvement of its savings banks in this sector, often under the umbrella of their charity work. Now, however, at a time when banking is being redefined and the role of charity work is being reduced in many cases, it may become a greater weakness in Spain than elsewhere. Strangely enough, this weakness is not at the centre of the debate about this sector although it does affect the selection and profiles of recipients.

This last subject is often discussed because the desire to reduce default rates has undoubtedly improved the profile of recipients.
3.2. Microcredits as an aid to social inclusion. Profile of recipients

Are the recipients of microcredits actually persons at risk of social and financial exclusion? Should they be? What might the importance and social impact of microcredits be for individuals and groups? Do microcredits really help build a more inclusive, tightly-woven society?

The construction of an inclusive, more tightly-woven society has in fact been one of Europe’s strategic aims in recent years that is reflected in the Lisbon Agenda and microcredits have been considered to be a useful tool in this respect.

Microcredits are, therefore, according to the European Commission, “a valid instrument for combating poverty in Europe and helping to get unemployed people off benefits by promoting self-employment”, i.e. a useful tool for achieving a more inclusive society.

“Poverty and exclusion are unacceptable in this Europe based on solidarity”, hence the proposal of what is known as an active inclusion strategy based on three cornerstones: appropriate income support, access to the job market to facilitate insertion, and quality social services. Against this backdrop, microcredits are a useful instrument that paves the way for integrating certain groups and thereby reducing the vulnerability of certain individuals. “Microcredits enable recipients to escape financial exclusion and, if the microcredits are successful, they are the first step towards overcoming employment and economic exclusion too”.4

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4 The Lisbon Strategy or Lisbon Agenda is a EU development plan approved by the Council of Europe in Lisbon on March 23-24 2000 with the strategic aim of making the EU economy “the world’s most competitive and dynamic knowledge economy before 2010, and able to achieve lasting economic growth together with quantitative and qualitative improvements in employment and great social cohesion”. The achievement of this aim required a global strategy in order to:

• Prepare the move towards a society and economy based on knowledge by means of policies best able to meet the needs of the information society and research and development, and also to speed up structural reforms in order to increase competitiveness and innovation and completion of the domestic market.

• Modernise the European social model by investing in human resources and combating social exclusion.

• Maintain healthy economic growth and a favourable outlook for steady growth in macroeconomic policies.


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The Parliamentary Assembly invites member states to adapt their institutional, legal and business frameworks to foster an environment more conducive to microcredit development, in particular by:

3.1. Draughting employment policies to ensure equal treatment for employees and the self-employed.

3.2. Fostering self-employment and micro-enterprises by implementing an advertising and awareness programme in schools, universities and employment bureaux aimed at the general public.

3.3. Establishing legal and taxation measures to reduce red tape, e.g. exemption from social security contributions for new companies, simplifying registration procedures for new companies, etc.

The Assembly also urges member states to create an economic environment that enables micro-finance entities to grow and which covers all segments of the population by means of:

4.1. Reducing operating costs by establishing tax relief in the form of either tax exemption for microfinance entities or lower taxes for the individuals or companies who invest in these activities.

4.2. Improving the institutions responsible for self-employment and micro-enterprises.

4.3. Increasing micro-enterprises’ chances of success by providing training, tutorials and business development services.

4.4. Providing technical and general assistance for the consolidation and development of micro-finance institutions other than banks, including at a regional level.

4.5. Providing additional financial capital for microcredit entities.


The impact of microcredits 2011 report
Hence, microfinance is seen as a means to improve the quality of life, reduce vulnerability, and enhance people’s social and economic empowerment. Access to savings, loans and financial assistance reduces the risk of poverty.

Furthermore, the high rates of unemployment and the backdrop of the current crisis have pushed public funds to the brink. Nowadays, the recipients of social benefits often include trained workers of working age who are affected by long-term unemployment and find it difficult to find a job. These workers, who constitute a new group in Europe, may become socially excluded persons at risk of poverty. In this context, self-employment and the creation of micro-enterprises are ways of avoiding exclusion that extend beyond the obvious economic impact they may have. They are obviously a priority and, therefore, make adequate access to finance essential. It is important to point out in this respect that as we will see, micro-enterprises account for 92% of all European companies and that a recent survey of companies in the Old World revealed that insufficient access to capital is still a great problem for 20% of them.

However, alongside this positive view of microcredits as an instrument for social inclusion, some people question their ability to attenuate poverty and reach the most excluded groups.

Analysing the profile of microcredit recipients in Europe reveals firstly that the percentage of the population that may be granted such loans is lower than in developing countries and that they may be harder to obtain.

In developing countries, microcredits are important to a considerable part of the population in employment due to the limited banking coverage and widespread poverty. In Europe, however, it is estimated that only 10% of the population has no access to credit. Furthermore, potential microcredit customers are geographically dispersed and have been economically inactive and unemployed for years. In Europe, therefore, the guarantee of certain basic cornerstones of wellbeing (health, education, etc), together with the existence of social and taxation policies and a well-established network of social instruments combine to make microcredits an instrument whose potential scope and power of social transformation is more limited than in developing countries.

Different studies have shown that microcredits as a tool to facilitate self-employment and occupational and economic inclusion are only useful for a certain type of person with no access to finance, i.e. persons with sufficient personal resources – including professional experience, capabilities and training – to start up a business project for which they need external financial aid. In other words, microcredits are being granted mainly to people able to start up a successful micro-enterprise. However, as we will see, in many instances microcredits are not the instrument that caters best for the needs of the disadvantaged in a context such as Europe.

In 2005, the Nantik Forum asked several ESAM (Spanish acronym for social entities providing microcredits) and financial entities to rate the importance of different indicators when selecting recipients. This survey showed that priority was given to applicants with a business background, alternative financial possibilities, specific technical knowledge, prior work experience and a stable social and family background.

According to the working tables organised by the Nantik Forum in 2007, the main traits a micro-entrepreneur must have in order for a microcredit to be successful in Spain are:

- A support network.
- An enterprising outlook.
- Experience and knowledge about how to run a business.
- Information and knowledge about the market.
- Information and knowledge about legislation in order to comply with labour and taxation requirements.
- Support from spouse.
- Good health.
- Realistic attitude to reconciling working hours.
- Stable family and psychology.
- Knowledge of the market.
- Employment skills.

Microcredits are, therefore, useful for combating social exclusion, but only in certain cases. As pointed out by the Nantik Lum Forum: “(...) the indiscriminate use [of microcredits] poses serious risks and may cause the opposite of the desired effect. (...) Microcredits must be viewed as an integral part of a social intervention programme or personal development. Microcredits must not be seen as a single, sporadic action but as part of a global integration process based on support in the areas in which the recipient is most vulnerable. This is why before applying for a microcredit or trying to become self-employed, the most socially excluded segments of the population need gradual and sometimes quite long-term support beforehand to enable them to acquire the skills and abilities necessary to escape from this situation. Such processes require great efforts from both social entities, which often lack the resources needed to carry them out effectively, and the recipients themselves who must dedicate themselves wholeheartedly to achieving employment and social inclusion.”

Consequently, for many people microcredits are not the best way of dealing with the most disadvantaged persons in the most industrialised societies where the welfare state meets most of their needs. Indeed, as many authors say, starting a business in a competitive, regulated environment such as Spain or Europe is not the same as in certain developing countries. Not everyone has the ability to be an entrepreneur or run a business, whether they are excluded or not. Microcredits are, therefore, a suitable instrument for the inclusion of a small group of people, and also for the social and economic enhancement of others. Hence microcredits must be contemplated within the context of a broader programme of support for the most disadvantaged and vulnerable, with the necessary accompanying and empowering measures and the appropriate provision of social services.

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3. Importance and impact of microcredits

3.3. Microcredits as an aid for micro-enterprises, economic growth and employment

In the present-day financial climate, nothing is more important than employment. Now, more than ever, in the words of Bernd Balkenhol, director of the ILO Social Finance Programme, “people’s main asset is work.” Creating decent work for micro-finance customers is even more crucial in today’s economic environment.

We would also say in this respect that microcredits are an instrument that undoubtedly contributes to the creation and consolidation of micro-enterprises. An analysis of DIRCE (Spain’s main database of companies) data reveals that in late 2009, micro-enterprises accounted for 95% of Spanish companies. It is logical to deduce from these figures that micro-enterprises are also the leading lights of Spain’s business dynamics. 99% of the companies created in Spain in 2009 were micro-enterprises, and 98% of the companies that ceased trading were also of this type. The figures in Europe are similar.

The latest study published by Eurostat on this subject (in 2008 and featuring 2005 figures) revealed that 92% of the companies in the non-financial business economy (NFBE**) were micro-enterprises (with between 1 and 9 employees) i.e. 18 million micro-enterprises. Micro-enterprises employed some 38 million people (30% of all employment). In the Mediterranean zone, the average workforce per company was less than 5 employees: a reflection of the high proportion of micro-enterprises in this region.

Therefore, despite the low number of workers employed by each, micro-enterprises are crucial for job creation in Spain and Europe. In late 2009, 26.8% of all Spanish employees were working in micro-enterprises. This figure would increase substantially if the self-employed persons who set up their own company were included. It must not be forgotten that more than 53% of Spanish companies have no employees and that in many cases they create indirect employment – by means of self-employed persons – for their partners.

Indeed, against the backdrop of an economic crisis that has led to unemployment of more than 20%, in many cases self-employment is practically the only alternative. According to the GEM Spain report, in 2009 almost 16% of the self-employed said that the main reason why they were self-employed was necessity. Furthermore, European data show that one third of micro-enterprises are started up by unemployed persons.

A report drawn up in 2009 by the Organisation of Professionals and the Self-employed on the basis of data from the INE (Spain’s official statistics bureau) revealed that 25% of self-employed persons had registered as such in the previous three years. According to the same source, in 2010 more than 500,000 people decided to start their own business.

Necessity is the mother of invention and micro-enterprises or self-employment emerge as a valid option. But establishing a small company or becoming self-employed is no easy matter in Spain. On the one hand, the institutional context does not promote micro-entrepreneurship enough, and on the other, the present-day economic climate is not conducive to taking risks and reduces the possibilities of finding profitable spaces. Red tape, a dearth of sufficient tax incentives and difficulties in obtaining finance are obviously hurdles to starting up new companies.

From this viewpoint, it is clear that by contributing to overcoming such barriers, microcredits can play an important part – as most existing literature avers and the European Union does in fact assume with its strategy – in the creation and/or enlargement of micro-enterprises and consequently in economic growth and higher employment. Microcredits can, therefore, be a useful tool for overcoming one of the main challenges facing the Spanish economy.

The impact of microcredits on job creation is one of the main areas of study in this sector and undoubtedly one of its basic starting points. But there are not yet many studies that quantify this. In this respect, mention must be made of the EFSE\(^8\), study based on a survey of 277 small companies and micro-enterprises in Rumania, Serbia and Montenegro (January 2005 to December 2007), the findings of which were as follows:

- 88% of the micro-enterprises interviewed increased or maintained the number of full-time employees after receiving loans.
- 35% of the micro-enterprises reported the creation of 1 to 9 new jobs and almost 10% of the micro-enterprises created more than 10 new jobs.

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• 12% of the micro-enterprises became small companies after being granted the loan.

• Small companies are more likely to create jobs than micro-enterprises.

• Two thirds of the micro-enterprises interviewed described the loan as important or very important for the creation of new jobs in their company. 18% of the micro-enterprises even came to the conclusion that their business would have closed down without the loan.

Although not many studies like the one mentioned have yet been carried out, they show that micro-finance has a positive impact on job creation. In addition, statistics also show that it is more difficult for a company to survive its first year and that, in this context, the survival rate increases if finance is available. According to certain studies, micro-finance is more effective than other tools traditionally used to foster employment.

Hence, although it is difficult for the balance sheet of the micro-finance sector in Europe to be in the black in the short or medium term, it is obviously worthwhile devoting resources to this sector. In this respect, the strategy adopted in Lisbon is still completely applicable, as revealed by the ad hoc meeting held by the EU Ministers of Employment and Social Affairs in February 2010 which discussed how to safeguard employment, taking into account that young people and the long-term unemployed are two of the groups affected most by the crisis in all EU countries. Indeed, this meeting sanctioned the European Progress Microfinance Facility (EPMF) endowed with €200 million and funded by the European Commission and the European Investment Bank. This programme addresses all EU-27 member states and its aim is to increase access to finance by people who have lost their job or run the risk of doing so, or have difficulties entering or re-entering the labour market.

The interest shown by the European Union in the potential contribution of microcredits to job creation is also reflected by a recent report by the European Parliamentary Assembly which highlights the main issues of microfinance and job creation:

Excerpt from the report by the EU Commission for Economic Affairs and Development, May 9th 2011.

A springboard for employment is possible

19. In the creation of a wide range of opportunities for companies, micro-finance is also a new tool for dealing with unemployment. This is one of the reasons why the European Commission addressed the matter and decided to introduce micro-finance system in Europe. The words of Laszlo Andor, European Commissioner for Employment, Social Affairs and Inclusion, “the [...] micro-finance facility will help create new jobs [and] will increase the supply of and access to microcredits for vulnerable groups, providing a way out of unemployment”, are a clear indication of the commission’s desire to use microcredits in the fight against unemployment.

20. This potential springboard for job creation must be analysed from several angles. There are two different but complementary aims here in terms of combating unemployment. Micro-finance must be used not only to create new jobs but also, and above all, to safeguard existing jobs. The latter objective is particularly important in today's economic context because we must try to minimise the negative effects of the recession before focussing on recovery. In addition, it is essential to facilitate the shift from unemployment or dependence on the welfare state to self-employment.

21. On the one hand, microcredits are a means of promoting company start-ups to enable people interested in starting up their own business and generating income in a short period of time. They are, therefore, a worthwhile alternative when searching for paid employment, particularly during an economic recession. In addition, microfinance can help micro-entrepreneurs make productive investments which would otherwise not be possible. Consequently, they have the potential to enable small and medium enterprises to make their business grow and, therefore, to create new jobs.

22. As regards conserving existing jobs, the mechanism is simple. By giving companies access to funding to deal with temporary difficulties, microfinance can safeguard jobs and avoid bankruptcies. The idea that microfinance can help micro-enterprises withstand external or internal attacks on the economy more effectively is also linked to the conservation of jobs which are under threat in times of crisis.
23. My approach here, therefore, is related to the Lisbon Strategy drawn up by the European Union. This strategy launched at the Lisbon meeting of the Council of Europe in March 2000 meant taking all the necessary measures to make the European Union “the most competitive and dynamic knowledge economy in the world, capable of sustained economic growth, more and better employment and greater social cohesion”.

24. I must admit that the aims set forth in the Lisbon Strategy will not be achieved in the immediate future, but this does not make them less laudable or pertinent. In response to the economic and financial crisis having such a great impact on the economies of Europe, governments must lay the foundations for more stable and sustainable growth in order to achieve well-balanced social and economic development and reduce unemployment rates in Europe.

Opportunities for companies

25. Generally speaking the use of micro-finance in conjunction with a special type of administration can help boost the economic drive of young entrepreneurs who have innovative ideas but often lack financial resources.

26. Not only can microcredits help young people create companies, they are also suitable for addressing the problem of unemployment in industries or regions in economic decline. Microcredit programmes can, therefore, offer newly self-employed persons new prospects.

27. Financing small companies is often expensive and risky for commercial banks (low levels of loans, inexperienced customers, unsuitable business plans, etc). Therefore, at the outset micro-finance programmes can act as a springboard for start-ups and open the door to the world of commercial banks.

28. Merely granting loans is not enough to ensure successful microcredit programmes. Entrepreneurs need more services to get off to a good start: advice, micro-insurance, etc. Everyone involved in these programmes has a common interest: to promote successful, feasible companies. The complexity of the micro-enterprise environment requires a variety of business development services and also for entrepreneurs to have certain capabilities that they often lack. It is essential for new entrepreneurs to have training, guidance and advice to improve their chances of success.

29. Promoting the creation of small and medium enterprises is an essential part of microcredits. Microfinance cannot, however, be viewed simply as financial facilities. It is necessary to take into account the social dimension and the economic opportunities it generates, particularly as regards the development of micro-enterprises.

The value of microcredits as a tool for micro-enterprises, economic growth and employment has been adopted by the European Union as the basis for some of its most recent economic policies and its fight against exclusion.

Some authors, however, believe this value must be viewed with caution. As Plasencia9 explains, although micro-finance has significant implications for job creation in the short run, its long-term impact on the economy is not so obvious.

According to this author, firstly, it is far from clear that the employment created by micro-enterprises is quality employment, in the sense of jobs that ensure workers’ standards of living, enable them to be self-sufficient, provide them with financial security and make them feel they are in charge of their life. The creation of low-quality employment provides the economy with weak foundations and is, in fact, a considerable obstacle to long-term growth.

Secondly, the extensive use of microcredits may, according to Plasencia, generate immobility and in the end may cause economic development to slow down. In general, do micro-entrepreneurs create innovative and sustainable businesses? Micro-enterprises are easier to start up and close down, but are they a driving force of economic growth? Do microcredits really maintain companies’ creative flow? Plasencia believes that being granted a microcredit may oblige a micro-entrepreneur almost permanently – due to the high exit barriers – to maintain a rather inefficient and unproductive business. Microcredits boost the ability to create companies in the short term but help reduce the capacity to close them. In the end, this has a negative effect on the future ability to create more efficient and innovative new companies. Hence, in addition to the personal and

social costs to the entrepreneurs themselves when a business fails, microcredits may have a negative impact on the economy as a whole because of the opportunity cost of the inefficient use of capital, creative capabilities and productive efforts.

In this respect it must be remembered that the recipients of microcredits use them mainly to open replicative firms, i.e. businesses similar to those already in existence, often in areas with limited economies of scale. Only if these companies subsequently become innovative companies (that develop new products or services or use materials that increase the innovation and productivity or new forms of organisation, etc) will they contribute effectively to sustainable, economic growth.

Thus Plasencia queries the appropriateness of microcredits as an aid to economic growth. Although we do not share this author’s critical analysis – an analysis that can be corroborated by revising the vast corpus of literature about microcredits – we do feel that his approach is interesting because it addresses what are in our opinion two of the main weaknesses of this instrument, i.e. the quality of the employment created and the higher exit barriers, in addition to the negative impact which being granted a microcredit may have upon the economic future of the micro-entrepreneur.

Unfortunately there are not many studies about the survival rate of companies granted microcredits and whether microcredits really do pose a significant exit barrier to unsuccessful companies. In practice, the few studies carried out seem to suggest that the survival rate of companies financed by microcredits is not very different from that of other small companies, consequently, there are apparently no solid grounds for the theory that microcredits contribute to making the economy stagnate. Indeed, some impact studies, including the one in this report, demonstrate that microcredits have a positive impact on how micro-entrepreneurs perceive their ability to deal with future challenges. 64% of the persons interviewed by MicroBank said they felt better equipped to deal with future challenges thanks to their microcredit. This percentage is lower but still considerable amongst micro-entrepreneurs whose businesses have closed, which suggests a greater willingness to confront new challenges and open new companies.

We are obviously not dealing with significant figures enabling us to challenge Plasencia’s theory. This would require specialised studies and far larger samples. In any case, it would seem that if the idea is for microcredits to contribute to economic growth then it is important for the entities that offer such loans to take particular care to ensure that they are not a burden for their recipients. Great care in selecting the financed projects, advantageous conditions when cancelling the loan should the business fail, plus training and help in developing the business can all help reduce said risk.

This risk, in conjunction with the poor quality of the employment created, as mentioned earlier, is one of the main weaknesses of microcredits as a tool. An analysis of the data about Spanish micro-enterprises reveals, as mentioned earlier, that more than 53% of Spanish micro-enterprises have no employees. A great many micro-enterprises are run by self-employed persons for whom the creation of a micro-enterprise is a form of self-employment. It is common knowledge that under Spanish law, the working conditions of the self-employed differ from those of employees. The self-employed have less social security and fewer labour rights: an obvious disadvantage for many micro-entrepreneurs. These micro-entrepreneurs, most of whom are self-employed, admit that they dedicate many hours to their business and work more than standard working hours: a trait that many micro-entrepreneurs have in common. Another look at the results of this survey by MicroBank shows that 55% of interviewees say that they work between 8 and 12 hours a day in their business and that 16% work more than 12 hours a day. 45% of the micro-entrepreneurs interviewed work Saturdays and Sundays too. Long working hours and low margins make it difficult for micro-entrepreneurs to offer their employees good working conditions.

Because this study is restricted to a very specific group of microcredit recipients the figures must be considered with certain reservations. Nonetheless, we feel that they enable us to pinpoint a trait which is unfortunately more commonplace than is desirable amongst Spanish micro-enterprises and which would confirm Plasencia’s theory. Particularly in their early years, micro-enterprises find it difficult to create much quality employment.

Even so, and possibly because of these initial difficulties, once created, employment seems to be more stable. In the words of Juan Maroto Acín, chair of Financial Structure,
sub-director of the Department of Financial Economics and Accounting III, Complutense University, Madrid, and director for the last 8 years of the Study of SMEs with a company structure, “smaller SMEs are the ones that maintain average employment at any phase of the economic cycle, whereas large SMEs reduce employment when business declines”. The study found that “Spanish SMEs increase open-ended employment and reduce temporary employees in times of crisis in both micro-enterprises and SMEs. In 2008, for example, micro-enterprises increased open-ended contracts by 5.24% and reduced temporary jobs by 11.28% in comparison with the previous year”.

In any case, it is clear that micro-enterprises play an important part in the economic growth of Spain and will continue to do so. Micro-enterprises create employment and are leading lights in the economic life of our society. Microcredits, as a springboard for micro-enterprises, can contribute to this growth. However, this contribution will be unable to transform the world of entrepreneurship in Spain unless the total volume of microcredits granted in Spain increases considerably. This transformation would also require more finance and easier access to the same, a suitable institutional context and the dissemination of a culture that recognises the value of entrepreneurship in Spain. Until this happens, microcredits will undoubtedly be valuable if they are used correctly, will change the socio-economic conditions of recipients and will facilitate economic growth and job creation, but they will not be a significant solution to the serious problems affecting the Spanish economy. The provisions of the EU Parliamentary Assembly in this respect are important because an appropriate political and regulatory climate is essential in order to make the most of this instrument.

Hence the commitment to microcredits must be part of an integral policy of support for entrepreneurship which European microcredit entities must contribute to promoting. We are facing a crucial challenge for the future of an instrument which, as we have seen in this article, faces other basic challenges concerning profitability, the appropriateness of its selection and follow-up processes, the promotion of innovation and support for quality employment.
Promoting micro-finance: the necessary politics

Characteristics the environment needs to ensure really effective microcredits:

Level of entrepreneurship in the business context
Extent to which society is characterised by a high level of entrepreneurship and supports entrepreneurs by measures such as:

• Programmes to promote self-employment as a feasible way of generating income.
• Reduction of legal, taxation and administrative barriers related to self-employment: in an enterprising society self-employment is a respectable alternative: a business failure does not mean the end of one's business career but is seen as useful experience for future ventures.

Extent to which the setting is favourable for micro-enterprises
Are there political measures that promote self-employment in general and particularly for persons at risk of social exclusion?

• Business advisory services on-line and by telephone.
• Loan funds managed by specialised NGOs and savings banks focus on micro-enterprises.
• The government highlights the importance of micro-enterprises.

In an ideal regulatory context, a combination of public-private initiatives would promote the creation and development of self-employment and micro-enterprises, and there would be advisory services specially designed to cater for the needs of micro-enterprises and also financial services that meet their requirements.

Extent to which the unemployed are helped to find jobs
A context with measures to promote finding employment by helping unemployed persons on benefits become self-employed, such as forms of collaboration between the public system and the business system, or schemes that incentivise the unemployed to find employment and penalise inactivity.

Legal framework for the micro-finance sector
Existence of a legal framework for the provision of micro-finance services: specific legislation; reduced capital requirements; tax incentives, etc.

Existence of bridge loans
Extent to which traditional financial services are accessible to the self-employed and persons at risk of social exclusion: tax incentives for investment banks; outsourcing of activities related to loan transactions, etc. Ideally, there should be a wide range of specialised financial entities catering for the specific needs of each target segment and developing innovative products that contribute to social inclusion.

Existence of economic support for providers of micro-finance services
Such as tax incentives for investors or the promotion of risk-capital instruments for micro-enterprises. In an ideal situation, micro-finance service providers would be able to cover their costs by their financial operations. However, this seems quite unlikely in Europe due to current European legislation.

Adapted from: Promoting Microfinance: Policy Measures Needed, Jan Evers & Stefanie Lahn.
EVERS & JUNG, Research and Consulting in Financial Services, Hamburg.
4. Main findings of the survey

4.1. Profile of the micro-entrepreneur

One of the aims of the survey was to determine the profile of micro-entrepreneurs and the relationship to factors such as the success rate. Considerations such as origin, gender, age, education and above all, experience and prior employment, were important elements to be analysed in depth.

Origen

Spain is the main country of origin of microcredit recipients: 80.93% of all. The main countries of origin of the other entrepreneurs were Argentina, Romania, Morocco and Uruguay. Latin American entrepreneurs were the second biggest group after Spanish entrepreneurs. There are still very few entrepreneurs of Asian origin.

It is risky to jump to conclusions about the success rate of businesses according to nationality although there is a higher proportion of Spanish entrepreneurs whose businesses are still open and a higher proportion of Latin American entrepreneurs whose businesses have closed.

As one might expect, the proportion of foreign entrepreneurs who start up a new business is higher than that of Spaniards: there is a greater tendency among the latter to use microcredits to expand existing businesses.

Finally, most foreign recipients of microcredits have lived in Spain for between 3 and 9 years and none of them have lived in Spain for less than 3 years.
4. Main findings of the survey

Age and civil status

There is not much difference between entrepreneurs of different ages although slightly more are under 36. This prevalence is even greater amongst the entrepreneurs who were previously unemployed: 51.38% are under 36 (which tallies with the higher rate of unemployment in this segment in comparison with other age groups). Most of the entrepreneurs starting up new businesses are also under 36 (48.56%). The success rates of businesses do not, however, vary much with the age of the entrepreneur.

As for the civil status of the entrepreneurs, most are married (58%), and single persons constitute the second largest group (31%).

Gender

The microcredit recipients are mainly men: 66.8% vs 33.2% women. The success rate differs 10% between men and women. 80% of the businesses started up by men are still open as opposed to 70% in the case of women. Hence according to these figures, women have a slightly lower business success rate although these figures must be viewed with caution due to the relative size of the sample.

As for age, it must be said that there are more female entrepreneurs under 36 (45.43% of all female microcredit recipients in this age group as opposed to 30.30% of men), whereas male entrepreneurs are more common amongst the over-45s (38.03% as opposed to 24.09% of women).

Furthermore, most male and female entrepreneurs are married although the percentage of single or divorced female entrepreneurs is higher than that of single male entrepreneurs (35.37% as opposed to 28.48%). Another noteworthy aspect is the level of education of entrepreneurs: 38.41% of women had higher education as opposed to 22.66% of men.
4. Main findings of the survey

There is a difference in the employment circumstances of the entrepreneur prior to starting up the micro-enterprise: whereas most of the men had previously been self-employed, most of the women had been employees. However, amongst those who had been previously unemployed, women had been unemployed for longer: 24.09% of women had been out of work for more than two years, a percentage that dropped to 17.39% in the case of men. These figures are reflected in the following figures:

**FEMALE ENTREPRENEURS: EMPLOYMENT BEFORE RECEIVING MICROCREDIT**

- Never worked in Spain: 4%
- Unemployed with benefits: 1%
- Unemployed without benefits: 12%
- Employee: 27%
- Self-employed: 38%
- Undeclared employment: 18%

**MALE ENTREPRENEURS: EMPLOYMENT BEFORE RECEIVING MICROCREDIT**

- Never worked in Spain: 2%
- Unemployed with benefits: 1%
- Unemployed without benefits: 4%
- Employee: 26%
- Self-employed: 57%
- Undeclared employment: 10%

**Education**

Most of the entrepreneurs have primary (35%) or secondary (34%) education and 28% have higher education. As mentioned earlier, the level of education is higher amongst female entrepreneurs (38% have higher education as opposed to 23% of men).

There are no noteworthy differences in the level of education of entrepreneurs who were previously unemployed, or amongst those who started up new businesses as opposed to those who expanded an existing business. The percentage of entrepreneurs with higher education is slightly lower amongst those whose business is still open (26.74%) as opposed to those whose business has closed (33.49% of whom have higher education). It is not possible to reach many conclusions from this information unless the complexity and risks of the businesses started up by the two groups are also taken into account.

**EDUCATION**

- No qualifications: 3%
- Primary: 35%
- Secondary: 34%
- Higher: 28%
Prior employment

Most of the entrepreneurs were either employees (30%) or self-employed (47%) prior to receiving the microcredit. 19% of the entrepreneurs were previously unemployed (with or without benefits), and another 3% were in undeclared employment.

The differences in the previous employment situation of entrepreneurs whose businesses are still open and those who have had to close their businesses are quite insignificant.

Furthermore, most of the entrepreneurs who were previously employed (42%) had been unemployed for less than six months, although it must be said that 21.03% had been unemployed for more than two years.

HOW LONG HAD YOU BEEN UNEMPLOYED WHEN YOU APPLIED FOR THE MICROCREDIT?

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 6 months</td>
<td>42%</td>
</tr>
<tr>
<td>Between 6 months and 1 year</td>
<td>25%</td>
</tr>
<tr>
<td>Between 1 and 2 years</td>
<td>12%</td>
</tr>
<tr>
<td>More than 2 years</td>
<td>21%</td>
</tr>
</tbody>
</table>

WHAT WAS YOUR EMPLOYMENT BEFORE RECEIVING THE MICROCREDIT?

- Never worked in Spain: 30%
- Unemployed with benefits: 7%
- Unemployed without benefits: 12%
- Employee: 47%
- Self-employed: 3%
- Undeclared employment: 1%

Previous experience

62% of the micro-entrepreneurs had never run a business before. As regards those who had run a business before, in most instances it had some relationship with the current business.

Amongst the entrepreneurs who have had to close their business, the percentage that had not run a business dropped to 56%, and was 64% amongst those whose business was still open. Hence, curiously enough and as shown by the study conducted in 2010, the success rate does not increase with previous experience since the success rate was higher amongst those who had not run a business before. This fact may be due to other variables such as the profile of the businesspeople who had run businesses previously or other aspects that cannot be evaluated by the survey conducted.

Finally, it must be said that the percentage of entrepreneurs who had never run a business is higher amongst those who were previously unemployed (76% in comparison with 62% in general).
The impact of microcredits 2011 report

4. Main findings of the survey

Financial situation and family income

The net monthly family income of 57% of the micro-entrepreneurs is higher than €2,000 and of 43%, less. Amongst the micro-entrepreneurs with income of less than €2,000/month, most earn between €1,000 and 1,500 a month.

MONTHLY INCOME OF MICRO-ENTREPRENEURS EARNING LESS THAN €2,000/MONTH

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to €499</td>
<td>8%</td>
</tr>
<tr>
<td>€500 - €999</td>
<td>32%</td>
</tr>
<tr>
<td>€1,000 - 1,499</td>
<td>39%</td>
</tr>
<tr>
<td>€1,500 - 1,999</td>
<td>21%</td>
</tr>
</tbody>
</table>

58% of the entrepreneurs have difficulties getting to the end of the month, 18% say they are unable to, and only 24% say they have no difficulties in doing so.

Amongst the entrepreneurs who manage until the end of the month, most save only between €100 and 200 a month.

The micr-entrepreneur’s income usually contributes between 25 and 50% to the family budget. In 22% of the cases, this contribution is less than 25%.

APPROXIMATE CONTRIBUTION OF THE MICRO-ENTREPRENEUR’S INCOME TO FAMILY BUDGET

<table>
<thead>
<tr>
<th>Contribution Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25%</td>
<td>22%</td>
</tr>
<tr>
<td>Between 25% and 50%</td>
<td>33%</td>
</tr>
<tr>
<td>Between 50% and 75%</td>
<td>19%</td>
</tr>
<tr>
<td>More than 75%</td>
<td>26%</td>
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</tbody>
</table>

Most of the entrepreneurs’ households consist of more than two people. Almost 42% of these households have 4 or more people. Only 27% have no one dependent on the income generated by the business started up with the microcredit, whereas in 20% of the cases, three or more people are dependent on said income.

NUMBER OF PERSONS IN THE IMMEDIATE FAMILY DEPENDENT ON THE MICRO-ENTREPRENEUR’S INCOME

<table>
<thead>
<tr>
<th>Number of Persons</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>28%</td>
</tr>
<tr>
<td>Two</td>
<td>26%</td>
</tr>
<tr>
<td>Three</td>
<td>26%</td>
</tr>
<tr>
<td>Four or more</td>
<td>16%</td>
</tr>
</tbody>
</table>

Legal structure and number of partners

82% of the businesses are not constituted as companies and the entrepreneurs are self-employed. The most usual legal structure is the sociedad limitada type of company, accounting for 9%. The percentages are similar when the entrepreneur was previously unemployed or in the case of a new start-up or expansion of an existing business. The percentages are similar amongst open and closed businesses.

4.2. Types of businesses

The study also aimed to gather more data about the types of businesses in order to describe in greater detail the type of company that a microcredit can help create or expand. Such information should also help understand the economic impact of microcredits.
4. Main findings of the survey

**LEGAL STRUCTURE OF BUSINESSES CREATED WITH MICROCREDIT**

- Self-employed: 82%
- Company (sociedad anónima): 7%
- Workers’ cooperative: 0%
- Cooperative: 1%
- Company (sociedad limitada): 9%
- Other: 1%

Most businesses have just one (64%) or two (28%) owners. This tallies with the fact that most entrepreneurs are self-employed. The percentage of companies with a single owner is higher amongst closed businesses (74%) than amongst open businesses (61%). In the case of closed businesses, only 2.8% have 3 owners, and none have 4 or more. In the case of open businesses, the percentage of companies with 3 owners increased to 6.3% whilst somewhat more than 3% have 4 or more owners.

**NUMBER OF BUSINESS PARTNERS**

- 1 partner: 64%
- 2 partners: 28%
- 3 partners: 1%
- 4 partners: 1%
- 5 or more partners: 1%

**Age of business**

47% of the businesses were established in 2008, 2009 or 2010, whilst 53% are more than four years old. They are, therefore, very recent businesses. In this respect, it must be remembered that the original population consisted of micro-entrepreneurs granted a loan after July 2007.

**Business sector**

Most of the businesses established with microcredits are in the retail sector and hotel and catering (bars and restaurants). Also worthy of mention are the businesses providing services. The companies that have closed include all sorts of businesses, therefore no conclusions can be reached about the success rate according to the type of business funded.

**Sphere of action**

Most of the businesses, (61%) are local (neighbourhood, city). There are no significant differences between the open and closed businesses. As we said in the report published in 2010, a business’s sphere of action is clearly linked to its type and industry and has no obvious impact upon its success.
Size of the companies, employment and working hours

As we have just seen, most are small companies, **82% of which create only self-employment**. The current employment situation of the entrepreneurs confirms this: 81% of the entrepreneurs whose businesses are still open are self-employed.

Furthermore, the entrepreneurs dedicate a great deal of time to these businesses: 55% of the interviewees say they work between 8 and 12 hours and day in the business, and 16% work more than 12 hours a day. The same tendency is found in weekend work: only 21% of the interviewees say they do not work at the weekend, whilst 45% work Saturdays and Sundays.
4. Main findings of the survey

4.3. How the businesses are going

Gathering information about how the businesses are going, in terms of both survival and the ability to generate income and repay the loan, was deemed essential in order to fully understand the impact of microcredits and consequently their importance. In this instance, an effort has been made to analyse how the business is going on the basis of several prior variables related to the entrepreneur’s profile or what the microcredit was used for.

Success, the business remains open

77% of the businesses established with the help of a microcredit are still open, 22% have closed and 1% is currently up for transfer.

The success rate of businesses falls slightly in the case of new businesses, 65% of which remain open whilst 33% have closed and 2% are up for transfer. Hence, business expansions seem to be more likely to succeed than new businesses.

Strangely enough there is no significant difference in the success rate of people who were employed and unemployed beforehand.

56% of the entrepreneurs feel that the business is going well or very well, 34% think it is going reasonably well and almost 10% think it is going badly.

Business closures

The main reason for business closures is a lack of profits (reason given by 63% of the interviewees). Many feel that the current economic crisis is one of the basic reasons why their business was not successful. Other reasons given by interviewees include a lack of additional funding and bad debtors.
4. Main findings of the survey

Ability to repay the loan

52% of the businesses earned enough from the outset to pay the loan instalments, 25% said they were unable to and another 10% said they could pay but with great difficulty.

**DID THE BUSINESS SET UP WITH THE MICROCREDIT MAKE ENOUGH TO REPAY THE LOAN INSTALMENT?**

- **52%** Yes, from the outset
- **25%** Yes, after about a year
- **10%** Yes, with great difficulty
- **7%** Depending on the month
- **6%** No

Considering only new start-ups, the percentage of those that made enough to repay the loan instalment from the outset dropped to about 40%. In addition, 38% said no, in comparison with the 25% mentioned earlier for all types of business (start-up and expansion). Hence, it can be seen once again that the businesses that were enlarged with the microcredit do better than new start-ups.

On the other hand, considering only the companies that are still open, naturally enough the figures are more positive: 61% say that the business made enough from the outset to repay the loan instalment and 13% say it did not.

In **82%** of the cases, the entrepreneurs paid the loan instalments every month, and 18% were unable to do so. The default rate increased to 22% in the case of businesses opened by entrepreneurs who were unemployed beforehand and also in the case of start-ups with 23% of the entrepreneurs unable to pay the instalments every month.

4.4. Impact of microcredits

As we said in the article at the beginning of this publication, we believe it is essential to understand the impact of microcredits in order to be able to adequately assess how they are used and to adapt their design, concept and even the issuing entities in order to improve their results.

From this viewpoint, it is obvious that one of the main objectives of the study was, as in 2010, to determine the impact of MicroBank’s microcredits in three main areas:

- The creation or consolidation of businesses.
- The creation or consolidation of jobs.
- The socio-economic inclusion of micro-entrepreneurs.

In this instance, we were particularly keen to focus on the first two areas in order to help answer the crucial question of whether microcredits make a useful contribution to solving two of today’s great challenges, i.e. boosting the economy and creating employment, it being understood that when these two considerations occur in conjunction then so does the integration of certain groups, in this case groups with capabilities.

**Impact upon the creation and consolidation of micro-enterprises**

On the basis of the findings of the survey we can say that microcredits are a fundamental instrument for creating micro-companies and that they can also contribute significantly to their expansion. Amongst the entrepreneurs that used microcredits to open a new business (45% of the sample), 74% said it would have been impossible without the microcredit. 62% of the entrepreneurs said that the microcredit was essential to expand their business.
The percentage of persons for whom the microcredit was essential was higher amongst those who had previously been unemployed: almost 80% said that without the microcredit they would have been unable to open or expand their business.

**WITHOUT A MICROCREDIT, DO YOU THINK YOU COULD HAVE OPENED YOUR BUSINESS?**

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, but on a smaller scale</td>
<td>2%</td>
</tr>
<tr>
<td>Yes, but later</td>
<td>5%</td>
</tr>
<tr>
<td>Yes, but with great difficulty</td>
<td>19%</td>
</tr>
<tr>
<td>No, I don’t think so</td>
<td>74%</td>
</tr>
</tbody>
</table>

The importance of the microcredit can also be seen by its weight in the original investment. In 40% of the cases, the microcredit accounted for more than 50% of the original investment in business start-ups. However, this percentage plummets to 20% in the case of business expansions. In 41% and 33% of the other cases, respectively, the microcredit accounted for between 25% and 50% of the investment, a far from insignificant figure that was undoubtedly crucial for the business idea to be implemented as intended.

**THE MICROCREDIT AS A PERCENTAGE OF THE ORIGINAL START-UP INVESTMENT**

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Less than 25%</td>
<td>19%</td>
</tr>
<tr>
<td>Between 25% and 50%</td>
<td>41%</td>
</tr>
<tr>
<td>Between 50% and 75%</td>
<td>21%</td>
</tr>
<tr>
<td>More than 75%</td>
<td>19%</td>
</tr>
</tbody>
</table>

**WITHOUT A MICROCREDIT, DO YOU THINK YOU COULD HAVE EXPANDED YOUR BUSINESS?**

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, but on a smaller scale</td>
<td>7%</td>
</tr>
<tr>
<td>Yes, but later</td>
<td>12%</td>
</tr>
<tr>
<td>Yes, but with great difficulty</td>
<td>18%</td>
</tr>
<tr>
<td>No, I don’t think so</td>
<td>63%</td>
</tr>
</tbody>
</table>

**THE MICROCREDIT AS A PERCENTAGE OF THE ORIGINAL EXPANSION INVESTMENT**

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25%</td>
<td>47%</td>
</tr>
<tr>
<td>Between 25% and 50%</td>
<td>33%</td>
</tr>
<tr>
<td>Between 50% and 75%</td>
<td>12%</td>
</tr>
<tr>
<td>More than 75%</td>
<td>8%</td>
</tr>
</tbody>
</table>
Impact upon job creation and employment

The creation of self-employment for the actual entrepreneurs is one of the main results of a microcredit. A look at the job situation of the micro-entrepreneurs whose business remains open shows that 81% work in their own company.

Interestingly enough, however, as we saw earlier, most of the entrepreneurs were in employment before creating their own company: 30% were employees and 47%, self-employed. Only 19% were unemployed. So we can say that the main reason for setting up a business was not a desire to be self-employed but possibly a desire to create a legal entity that embraced their self-employed status.

As regards the impact of microcredits on employment, it is important to point out that 15% of the entrepreneurs who were granted a microcredit are currently unemployed. Bearing in mind that before opening their business, 7% were unemployed with benefits and 12% were unemployed without benefits, it can be seen that the number of unemployed persons has fallen by 4 percentage points.

57% of the recipient companies have no employees although in 67% of these cases, the entrepreneurs themselves work for their business as self-employed persons.

Hence, 43% of the companies create jobs in addition to that of the respective entrepreneurs. Despite their small scale, the job-creation capacity of these companies must not be dismissed. Indeed, the average number of jobs created, taking into account that of the actual entrepreneur, is 1.5 per company. If we disregard self-employment, each company has an average of 0.8 workers.

In addition, almost 30% of the micro-enterprises say that they intend to hire workers in the next 12 months.
Despite how it might seem at first sight, the differences between business start-ups and expansions as regards job creation are not very significant. Although it is true that in the case of the microcredits used to enlarge businesses, there is a slightly higher percentage of larger companies (i.e. with more employees), in general the companies in question are very small.

The analysis so far allows us to confirm that microcredits help create employment. But is it quality employment? The article at the beginning of this report mentioned that enhancing the quality of the jobs created is one of the great challenges faced by not only microcredits as an instrument but also by micro-enterprises as a sub-sector and the economy as a whole. The data provided by the study confirm that the poor quality of the employment created is probably the weakest aspect of the impact of microcredits. This weakness is related not so much to the design, conceptualisation or management of microcredits as with the type of businesses that they help create and the legal and financial circumstances.

Self-employment is the main outcome of microcredits. 90% of the companies that are still open (82% if both those that are open and closed are included) have no specific legal framework and the micro-entrepreneurs running them are self-employed. Bearing in mind, as we saw earlier, that 81% of the micro-entrepreneurs whose businesses are still open are self-employed in their company, we may deduce that a great many of them have working conditions and particularly social security benefits that are far worse than those of people working as employees. This stems from the legal status of self-employment in Spain.
Furthermore, as we said earlier, micro-entrepreneurs also work longer hours (9.2 hours a day) than employees. 71% work more than 8 hours, and almost 30% work more than 10.

Hence this type of employment has less protection and longer working hours, and may therefore be said to be of lower quality than the average. The figures do not, however, enable us to assess other basic factors, such as stability or satisfaction at work, that would enable this quality to be analysed in depth.

So far we have considered the extent to which microcredits generate employment in companies that are open. But what happens when a company funded by a microcredit has to close? To answer this question, it is useful to analyse the current employment situation of micro-entrepreneurs who received a microcredit and were obliged to close their business.

As we can see in the following graph, 44% are unemployed, although a significant 42% work as employees and 4% in other businesses. 19% of the entrepreneurs now working for others say that the previous business, despite having to close, helped them obtain their current employment. It may, therefore, be said that microcredits are an aid to company creation that enables people to increase their future job prospects and, indeed, their job potential. It would undoubtedly be useful to find out whether this impact on job potential also occurs amongst the workers in companies funded by microcredits, but this question lies beyond the scope of this study of micro-entrepreneurs.

Better job prospects are in fact one of the main challenges in our context and require to a great extent an improvement in individuals’ capabilities.

In this respect it must be said that 64% of the persons interviewed felt more capable and ready now than before they were granted a microcredit. This figure increases to 70% in the case of people who were unemployed before receiving the microcredit and falls to 52% amongst the micro-entrepreneurs who had to close the business funded by a microcredit. 90% of those who feel more prepared believe that the microcredit contributed to this improvement.
4. Main findings of the survey

DO YOU FEEL MORE ABLE AND READY NOW THAN BEFORE RECEIVING THE MICROCREDIT?

- Yes, I now feel more able and prepared: 64%
- I feel as able and prepared as before: 30%
- No, now I feel less able: 6%

In most cases, this higher sense of preparation is not due to training because only 23% of the entrepreneurs say they took courses after receiving a microcredit. This figure is very low, and due mainly to a lack of time, and contrasts with the fact that more than 51% of the micro-entrepreneurs think they should do some more training. On-going training is a field requiring more attention.

Despite the lacuna in the sphere of training, microcredits contribute to the micro-entrepreneurs’ sense of capability. This obviously enhances not only their job prospects but also their enterprising spirit – and consequently benefits the economy as a whole.

Impact on entrepreneurs’ socio-economic circumstances

As we have just seen, microcredits have a significant impact on the empowerment of individuals. But do they also have a direct impact on the quality of life and the socio-economic circumstances of micro-entrepreneurs?

The answer to this question is less clear. The analysis of the data gathered in general shows that 55% of the interviewees say that their quality of life has improved, although only 15% specify a great improvement. The remaining 45% say that their quality of life has remained the same or has even deteriorated (14%). Hence microcredits contribute to a better quality of life in an uneven manner.

DO YOU THINK YOUR QUALITY OF LIFE HAS IMPROVED OR WORSENED DUE TO THE MICROCREDIT?

- Greatly improved: 15%
- Slightly improved: 40%
- Stayed the same: 31%
- Worsened: 14%

As one might expect, the answer to this question varies considerably depending on whether the business is currently closed or open. 48% of the micro-entrepreneurs whose business is closed say their quality of life is worse than before whilst 64% of the micro-entrepreneurs whose business is still open say it is better.

DO YOU THINK YOUR QUALITY OF LIFE HAS IMPROVED OR WORSENED DUE TO THE MICROCREDIT?

CLOSED BUSINESSES

- Greatly improved: 2%
- Slightly improved: 18%
- Stayed the same: 32%
- Worsened: 48%
This appraisal of the change in their quality of life is undoubtedly closely linked to the change in their economic circumstances. A comparison of the figures shows that the percentage of the entrepreneurs whose business has closed and who say that their quality of life has worsened is very similar to the percentage who say that their economic circumstances would be better if they had not had a microcredit. It is interesting that, despite having closed the business, almost 20% think they are now better off than if they had not received a microcredit.

Slightly different but along the same lines is the appraisal of the change in the entrepreneur’s income. It is important to say in this respect that the appraisal of the quality of life and the circumstances they would have if they had not received the microcredit is more positive than the actual increase in earned income.

The personal impression of entrepreneurs whose businesses are still open is also higher than the actual figures. Naturally enough, as one might expect, the figures for such entrepreneurs are quite different from those whose business is closed. Hence, 60% of the entrepreneurs whose businesses are still open think their situation is better than it would have been had they not received a microcredit, although 20% of them also think it is worse. Earnings increased in 51% of the cases. 78% of the entrepreneurs whose income increased reinvested part of it in the business.

We may, therefore, say that the impact of a microcredit upon the improvement of the economic situation of micro-entrepreneurs, depends, logically enough, on the current situation of the micro-enterprise. However, this situation is important but not crucial when evaluating the integration of the micro-entrepreneur into society.

80% of the entrepreneurs whose business is closed and 99% of those whose business is open feel that they are equally or more integrated the community since they opened their business. Indeed, 50% and 65% of the entrepreneurs respectively confirm the positive impact of the business on their integration into the community. In this
respect, particular mention must be made of the entrepreneurs who were previously unemployed, in which case, and despite the fact that the business of 37% of them is closed, they rate their increased integration into the community the same as those whose businesses are open. This leads us to say that opening a business, thanks to a microcredit in this instance, possibly has a more positive impact on the unemployed than on the population in general.

These figures, together with the greater sense of capability and preparation mentioned earlier, confirm that the improvement perceived in the psycho-social realm thanks to the microcredit and the role assumed by the entrepreneur are clearly positive. This is not the case in the economic sphere. The figures also emphasise the idea mentioned earlier about the value of a microcredit as an aid to job prospects and an enterprising spirit. A greater sense of capability, preparation and integration undoubtedly has a positive effect on employment and entrepreneurial skills.

### 4.5. Knowledge and satisfaction with the service

The study also analysed the satisfaction with the microcredit scheme, although this was not one of its main aims.

Generally speaking, satisfaction with the programme was very high. **90% of the persons interviewed are satisfied with the services provided, a percentage that falls to 80% in the case of the entrepreneurs whose businesses have closed.**

Furthermore, **79% of the persons interviewed feel that the microcredit application process is straightforward,** although 14% feel it is complicated. These percentages vary little regardless of the use made of the microcredit (business start-up or expansion) or the profile of the micro-entrepreneur (unemployed or working).
5. Conclusions

The study gives further insight into the profile of MicroBank’s micro-entrepreneurs and the characteristics and operating of the funded businesses. One of the aims of the first part of these conclusions is to provide a summary of this information. The first part is, therefore, more descriptive.

The data analysis, however, enables us to go further and reach a series of interesting conclusions about the impact of and contribution of microcredits to boosting the economy, a subject which, as we said in the article at the beginning of this report, is crucial. Although it is true that the size and characteristics of the sample, in addition to its link to a single entity, mean that these conclusions cannot be generalised or applied to microcredits as a whole, nevertheless, some of the aspects pinpointed seem to suggest trends and confirm appraisals that could be shared by the sector as a whole and which are, we believe, worth mentioning. This is the aim of the second and final part of this section on conclusions.

5.1. The micro-entrepreneur and companies funded with help from MicroBank. Short description

Profile of the micro-entrepreneur

The average recipient of a MicroBank microcredit is a married Spanish male with primary or secondary education who was self-employed before starting up his business and had not run a business before.

As regards the economic and family circumstances of the entrepreneur, most of them had net monthly income of more than €2,000 and belonged to households with more than two people. Almost 42% of these family units consisted of 4 or more individuals. Only in 27% of the cases were there no members dependant on the income generated by the business funded with the microcredit, whereas in 20% of the cases three or more people were dependent on said income.

The micro-entrepreneur’s earnings contributed mainly between 25% and 50% to the family budget. In 22% of the cases, they contributed less than 25%. Furthermore, 58% of the entrepreneurs said they had difficulties making ends meet, 18% said they were unable to make ends meet and only 24% said this was no problem.

The average female entrepreneur is a Spanish female, married, aged under 36, with higher education and who worked as an employee before starting up her business. No prior experience and is currently mainly self-employed in the business created.

Although most of the male and female entrepreneurs had not run a business beforehand, the rate is higher amongst women (67% of the women had not run a business beforehand vs 60% of the men).

It is interesting that as we mentioned in the 2010 study, there is a higher percentage of women with higher education than men (although the success rate of the women’s businesses is lower).

Profile of the micro-enterprise

Most of the businesses are not structured like companies and their entrepreneurs are self-employed (82%) and therefore sole partners who, in fact, work full-time in the business. Most of the businesses have a sole partner (64%) or two partners (29%), due to the prevalence of self-employed persons mentioned earlier.

45% of the microcredits are used to start up businesses. 47% of the businesses were established in 2008, 2009 or 2010, whilst 53% are more than four years old. These are, therefore extremely young companies operating mainly (61%), at the local level (i.e. in the neighbourhood or city). Only 12% of the businesses operate internationally.
5. Conclusions

Most of the businesses created with microcredits are in the retail or hotel and catering trade (bars and restaurants). Companies offering professional services also deserve a mention.

How the business is going

As regards the businesses themselves, it must be said that **77% of the businesses started up with help from a microcredit are still open**, 22% have closed and 1% is currently up for transfer. Logically, the main reason for closing the business is a lack of profits (the reason given by 63% of the persons interviewed). Amongst the businesses that are still open, 47% of the entrepreneurs feel that the company is going well, 34% think it is doing reasonably and 10% think it is doing badly.

52% of the businesses earned enough from the outcome to make the loan repayments, 25% said they were unable to do so and another 10% said they managed to do only with great difficulty. If we analyse only the companies that are still open, the figures are obviously more positive: 61% say that the business made enough to make the loan repayments from the beginning and 13% said it did not.

Looking at the factors that might affect the success or failure of the business, several interesting details emerge.

The percentage of Spanish entrepreneurs is higher amongst the businesses that are still open than amongst those that have closed (85% vs 70%). Once again, when analysing these figures it is important to take the relatively small size of the sample into account.

Another aspect is the micro-entrepreneur’s prior experience. Hence, despite what one might expect, the number of entrepreneurs who had run a business before applying for a microcredit is lower amongst those whose business is still open than among the closed businesses. As regards the level of education, the figures are similar for entrepreneurs whose businesses are closed or are still open, therefore there is apparently no correlation with the success rate of the businesses.

There is apparently not much difference in the characteristics of the business that are open or closed. Most of them are not constituted as companies and have a sole partner and operate locally (although a higher percentage of the businesses that remain open operate nationwide and internationally than those that have closed down).

As we pointed out in the first report, it is particularly difficult to determine the possible reasons why a business is successful or not. It is difficult to pinpoint a few variables and, in most cases, it would logically be a group of factors of varying degrees of interest.

5.2. The microcredit and the creation of companies and employment. Food for thought

1. Microcredits contribute to economic growth and the creation of companies

- Microcredits are a crucial factor in the creation of micro-enterprises, as confirmed by 74% of the micro-entrepreneurs who say they would have been unable to open their new business without one, and the fact that 40% of the cases analysed say that the microcredit accounted for more than 50% of the initial investment. These percentages are even higher when the entrepreneur had previously been unemployed.

- Microcredits undoubtedly also make a very significant contribution to the expansion of micro-enterprises. 62% of the micro-entrepreneurs rate them as indispensable for expanding their business.

- A significant percentage of companies, 77%, are still open a certain time after receiving a microcredit. In an unstable economic environment, microcredits can obviously not prevent all business failures but in many cases they help prevent their decline.

- Being granted a microcredit and establishing and running a company all improve the micro-entrepreneurs’ sense of capability and also their integration in the community, thereby undoubtedly increasing their enterprising spirit. 64% of interviewees say they feel better prepared and more able than before receiving the microcredit.
2. Microcredits encourage employment

- **Microcredits create employment.** Each company creates an average of 1.5 jobs, or 0.8 if the entrepreneurs themselves are excluded.

- Self-employment is the main outcome in the microcredit sphere of employment. 81% of the micro-entrepreneurs work in their own company.

- **Receiving a microcredit improves the job prospects of micro-entrepreneurs.** The experience gained and the sense of greater preparation and capability all increase micro-entrepreneurs’ job prospects.

3. Microcredits contribute to integrating individuals into the community

- Opening and running a business increase the entrepreneurs’ feeling and perception of integration into the host community.

- However, the impact of microcredits upon economic vulnerability is not so clear: only 40% of the entrepreneurs said that their income had increased, a percentage that varies considerably, furthermore, depending on whether the business has closed or is still open.

4. The impact of microcredits upon the entrepreneurs’ quality of life and financial circumstances is not homogeneous

- Receiving a microcredit makes it possible to improve the quality of life and increase the disposable income of most of the micro-entrepreneurs whose businesses are still open. In general, however, the impact is different in the case of businesses obliged to close.

Despite the different appraisals of the improvements to quality of life and income, microcredits are obviously able to cause transformations. Microcredits facilitate the creation or expansion of companies, help generate employment and improve job prospects whilst also increasing the sense of capability and integration amongst microcredit recipients. From this viewpoint we can say that microcredits are an investment that clearly has a multiplier effect.
6. References


Underwood, Tamara: Microcredit Research in the EU 15 and European Economic Area (EEA). Published by EMN (European Microfinance Network), 2007.


Microfinance in Germany and Europe. Market Overview and Best Practice Examples. Published by KFW Bankengruppe. Frankfurt, April 2007.

Microcredit in Europe - Experiences of Savings Banks- ESBG: The European voice of savings and retail banking. Published by ESBG. September 2007.


Rico, Silvia and Lacalle, Maricruz: Microcredits in Spain. Published by the Nantik Lum Forum. 2007.


### 7. Appendices

#### 7.1. Questionnaire used in survey

**AREA 1: THE BUSINESS FUNDED BY THE MICROCREDIT**

As regards the business funded by the microcredit,

- **What sort of a business it is?**
  - [ ] ……………………………………………………………………………………………………………………………… | ] ] |

- **Is the business still open?**
  - [ ] Yes
  - [ ] No
  - [ ] Up for transfer

- **What legal framework does it have [did it have]?**
  - [ ] Self-employed
  - [ ] Company (Sociedad Anónima)
  - [ ] Workers’ cooperative (SAL)
  - [ ] Company (Sociedad Limitada)
  - [ ] Cooperative (SCCP)
  - [ ] Other

- **Including yourself, how many partners are [were] there in your company?**
  - [ ] ……………………………………………………………………………………………………………………………… | ] ] |

- **When did the business start trading? [month / year]**
What is your current employment situation?
- Self-employed in the business
- Self-employed in another business
- Employee
- Unemployed
- Retired
- Other
- Does not answer

How many employees do/did you have in the business?
|___|___|

[If there are employees] How many are/were full time?
|___|___|

When you began, how many employees did you have?
|___|___|

Do you intend to hire any employees in the next 12 months?
- Yes
- How many?
- No

Does/did any relative do unpaid work to help with the business?
- Yes
- No
- Does not answer

On average, how many hours a day do/did you work?
|___|___|

Do/did you work Saturdays and Sundays?
- Saturdays
- Sundays
- Saturdays and Sundays
- No

How would you say the business is doing at the moment:
- Very well
- Well
- Reasonably
- Badly
- Up for transfer
- Does not answer

Would you say that the business has helped you obtain your present job?
- Yes
- No
- Doesn’t know/doesn’t answer

Are you thinking of opening another business?
- Yes
- No
- Doesn’t know/doesn’t answer

**AREA 2:**
**THE MICROCREDIT SCHEME**

Is/was the business making enough income to pay the loan instalments?
- Yes, from the outset
- Yes, after about a year
- Yes, but with great difficulty
- Depending on the month
- No

Have you been/were you unable to pay any monthly instalment?
- Yes
- No
- Doesn’t know/doesn’t answer

Why were you unable to pay the instalment?
|___|___|
Who granted the microcredit: Micro-Bank or La Caixa?

- La Caixa
- MicroBank
- Others. Who?
- Confuses La Caixa with MicroBank

Why does she/he confuse them?

As regards La Caixa’s MicroBank

How did you hear about it?

- At the branch
- In the media
- From friends, relatives, etc.
- From the city council
- From a social entity
- Others. Specify

AREA 3: ECONOMIC AND SOCIO-CULTURAL CHANGES

As regards the microcredit granted by MicroBank...

Economic impact

Would you say that thanks to this loan your disposable income has increased or decreased?

- Increased
- Remained the same
- Decreased
- Doesn’t know/doesn’t answer

Have you been able to reinvest part of your profits in the business?

- Yes
  - Roughly how much of this increase have you invested in your business?
  - Doesn’t know/doesn’t answer
- No

Do you think you are better off or worse off than you would be if you had not applied for a microcredit?

- Better
- The same
- Worse
- Doesn’t know/doesn’t answer

Socio-cultural impact

Do you think your quality of life has improved or worsened thanks to the microcredit?

- Greatly improved
- Slightly improved
- Stayed the same
- Worsened
- Doesn’t know/doesn’t answer

Do you now feel more or less able and ready to face the future than before being granted the microcredit?

Explanation for the interviewee: we are asking whether you feel that your ability to deal with future challenges has improved.

- Yes, now I feel more able and ready
- I feel as able and ready as before
- No, now I feel less able
- Doesn’t know/doesn’t answer

Has the microcredit contributed to this improvement?

- Yes
- No
- Doesn’t know/doesn’t answer

Have you taken any course since you were granted the microcredit?

- Yes
- No
- Doesn’t know/doesn’t answer

What sort of course?

- Languages
- Professional course related to current business
- Professional course related to some future business
- Personal interest
- Doesn’t know/doesn’t answer
Do you think you should take some training to improve how you run your business?

☐ Yes
☐ No

What sort of course?

☐ Languages
☐ Management
☐ Technical considerations related to the business
☐ Others. Specify
☐ Doesn’t know/doesn’t answer

Do you feel more integrated or less integrated in the community since you opened your business?

☐ More integrated
☐ Same as before
☐ Less integrated
☐ Doesn’t know/doesn’t answer

AREA 4:
SATISFACTION WITH THE SERVICE

As regards the services MicroBank provides...

Are you satisfied with the services provided?

☐ Yes
☐ No
☐ Doesn’t know/doesn’t answer

Would you like to make any suggestions to help us improve MicroBank’s microcredit service?

Explain to interviewees that they can suggest other services that they would like to be offered, or ways of improving the ones currently available, etc.

..........................................................................................................................[___] [___]

Was applying for a microcredit easy or complicated?

☐ Easy
☐ Normal
☐ Complicated
☐ Doesn’t know/doesn’t answer

[IN THE CASE OF A SOCIAL MICROCREDIT, ACCORDING TO THE LIST]
Was the support received from the entity that handled the microcredit adequate or insufficient? 
Explanation for interviewees: we are talking about the city council or entity that handled your case.

☐ Adequate
☐ Insufficient
☐ Doesn’t know/doesn’t answer

[IN THE CASE OF A SOCIAL MICROCREDIT, ACCORDING TO THE LIST]
Is there anything you would like to improve?

..........................................................................................................................[___] [___]

[IN THE CASE OF A SOCIAL MICROCREDIT, ACCORDING TO THE LIST]
Would you say that the work of the entity that drew up the business plan was adequate or insufficient? 
Explanation for interviewees: we are talking about the city council or entity that handled your case.

☐ Adequate
☐ Insufficient
☐ Doesn’t know/doesn’t answer

[IN THE CASE OF A SOCIAL MICROCREDIT, ACCORDING TO THE LIST]
Is there anything you would like to improve?

..........................................................................................................................[___] [___]

[IN THE CASE OF A SOCIAL MICROCREDIT, ACCORDING TO THE LIST]
Would you say that the work of the entity that drew up the business plan was adequate or insufficient? 
Explanation for interviewees: we are talking about the city council or entity that handled your case.

☐ Adequate
☐ Insufficient
☐ Doesn’t know/doesn’t answer
To finish, I will ask you a few questions to help analyse your answers better. Please could you say…

If you have applied for other loans since you were granted the microcredit?
- Yes
- No
- Doesn’t know/doesn’t answer

What sort?
- Personal
- Mortgage
- For the business
- Other

Do you have any other financial services such as…
- Insurance [car, household, life, etc]
- Savings scheme (pension plan, investment fund, time deposit, etc)
- Other

What is your country of birth?
[Drop-down list of countries of origin. According to frequency in population provided by MicroBank]

In what year did you start living in Spain?

What type of employment did you have before being granted the microcredit?
- Never worked in Spain
- Unemployed with benefits
- Unemployed without benefits
- Employee
- Self-employed
- Undeclared employment
- Does not answer

How long had you been unemployed when you applied for the microcredit?
- Less than 6 months
- Between 6 months and 1 year
- Between 1 and 2 years
- More than 2 years
- Does not answer

Had you run a business before?
- Yes
- No
- Doesn’t know/doesn’t answer

In Spain or another country?
- In Spain
- Abroad
- In Spain and abroad
- Doesn’t know/doesn’t answer

Is the business funded by the microcredit related to your previous experience?
- Yes
- No
- Doesn’t know/doesn’t answer

Please state your marital status.
- Single
- Married [unmarried couple]
- Divorced [separated]
- Widow/wed
- Does not answer

What is the last level of education you completed?
- No studies
- Primary
- Secondary
- Higher
- Does not answer

How many people live in your household including yourself?
[Explanation for the interviewees: count only relatives. If you flatshare, count only your immediate family]

.................................................................................................................................................... [___] [___]
7. Appendices

How many people in your household are financially dependent, i.e. have no wage and therefore depend on your earnings and those of other members of the family on a salary?
.......................................................................................................................... □□□□□

How much do your earnings contribute to the family budget?
□ Less than 25%
□ Between 25 and 50%
□ Between 50 and 75%
□ More than 75%
□ Doesn’t know/doesn’t answer

Generally speaking, can you manage until the end of the month?
□ No problem
□ Just about
□ No
□ Doesn’t know/doesn’t answer

Is the total net income of your household each month above or below € 2,000?
Explanation for the interviewee: include all household income (wages, rent collected, interest, etc).
Household: number of persons sharing dwelling and earnings. Not persons merely sharing accommodation.

| < € 2,000 | Up to 499 € | □ |
| | € 500 to 999 | □ |
| | € 1,000 – 1,499 | □ |
| | € 1,500 – 1,999 | □ |
| > € 2,000 | € 2,000 – 2,499 | □ |
| | € 2,500 – 2,999 | □ |
| | € 3,000 – 4,999 | □ |
| | More than € 5,000 | □ |
| | Doesn’t know/doesn’t answer | □ |

On average, how much do you save a month?
Note for operator: 0 for no savings.
.......................................................................................................................... □□□□□ □□□□□ €

Do you usually send money to your country of origin?
[every month]
□ Yes
□ No
□ Doesn’t know/doesn’t answer

Command of Spanish
Note for operator: according to impression received during interview.
□ Good
□ Medium
□ Poor

AUTHORISATION

Do you authorise us to inform the respective department about your personal opinions and answers?
□ Yes
□ No

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Social and financial microcredits benefit from a security issued by virtue of the European Community Competitiveness and Innovation Framework Programme.