



THE IMPACT OF
MICROCREDIT REPORT

2012



MicroBank



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THE IMPACT OF
MICROCREDIT REPORT

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INTRODUCTION

In the current social and economic climate, financial support for entrepreneurs is essential to boosting job creation and advancing towards economic recovery. Microcredit has long since proved its importance and its capacity for job creation.

Both the European Union, through the Lisbon Strategy in 2000, and later reports and communications have proved that microcredit acts as a funding instrument that serves as a unifying force in society and a way to revitalise the economy.

Since its establishment in 2007, MicroBank has developed a model of social banking, a forerunner in microfinance in Spain that has become a benchmark in Europe. After 5 years consolidated experience, MicroBank aims to continue growing, backing a model for banking committed to sustainable social and environmental development, while acting in accordance with the Bank's principles and ethical values.

This report aims to continue analysing the impact of microcredit loans, placing special emphasis on the impact of the crisis on micro-enterprises and micro-entrepreneurs.

MicroBank currently represents a very high percentage of microcredit activity in Spain. In 2012, 40,784 new loans for a total of €235.4 million were granted, with a notable increase in microcredits for entrepreneurs and micro-businesses. This activity has contributed to the creation and consolidation of over 60,000 jobs since it began operating in 2007, playing a crucial role in the current financial situation.

The ESADE Institute of Social Innovation reaffirms the importance of MicroBank's work in the latest Impact of Microcredit Report, since not only does it encourage job creation, but it also fosters social cohesion.

Once again this year, we would like to thank the team of experts at ESADE. We would not have been able to publish this report without their help.

However, what clearly testifies to the growth and development of MicroBank is the evaluation our customers make and their response in repaying their loans. This encourages us to go on improving so that we can continue to offer the maximum number of opportunities.

PROLOGUE

We are pleased to present the third consecutive edition of MicroBank's Impact of Microcredit Report.

The Research Team is pleased to note the continued commitment of MicroBank to generating knowledge about microcredit and its impact, a commitment that undoubtedly sheds light on the use of this funding instrument in Spain and contributes to its development.

The fact that this is the third consecutive edition of the same report confirms our conclusions and indicates, albeit timidly, certain trends that give added value to this year's edition; an edition that aims to highlight the impact of the crisis not only on microcredit recipients, but also on the use and value of the instrument itself.

The methodology used to compile this report is the same as that used in previous editions. A random sample of micro-entrepreneurs took part in a telephone survey. Once again this year, our grateful thanks to the micro-entrepreneurs for their willingness and dedication. Without their active cooperation, this report would not have been possible.

Research Team

INTRODUCTION:

INTRODUCTION TO THE STUDY AND METHODOLOGY USED

The worsening of the economic crisis in the last 18 months has had a clear impact on small businesses in Spain. The decrease in private consumption and sales and the increase in late loan repayment, together with difficulties for financially weakened businesses to gain access to credit have left many small businesses in an almost unsustainable financial situation.

The micro-enterprise, a major source of employment, has also witnessed huge job destruction in Spain. However, despite this reality and future prospects, the rate of entrepreneurship has increased in Spain. In a hostile economic climate, creating a micro-enterprise would appear to be one of the only valid options to abandon long-term unemployment.

The microfinance sector has not been immune to the crisis, in which late loan repayment rates have increased dramatically, leaving a larger percentage of the population in a situation of what could be termed as “credit exclusion”. Greater risk, less sustainable programmes, new profiles and the disappearance of stakeholders are just some of the changes that the microfinance sector has undergone in recent times; changes to which the restructuring of the Spanish financial sector has contributed significantly.

It is against this backdrop that the MicroBank Impact of Microcredit Report gains more importance than ever. The three main sections of this report are:

- A short introduction to MicroBank and its role as a microcredit entity.
- An opening article which aims to reflect upon the impact of the economic crisis on entrepreneurship and the microfinance sector in Spain. This briefly pinpoints some of the issues for discussion in this sector.
- A summary report on the results of the last impact study conducted by the ESADE Institute of Social Innovation among microcredit recipients.

This is the third consecutive year of the study begun by MicroBank in 2010 with the aim of gaining greater knowledge and insight into the impact of microcredit as a funding instrument. Although the methodology and questionnaire used in the three years are very similar, it was decided to examine a particular aspect each year in greater depth. This latest study focuses mainly on the impact of the crisis on micro-enterprises and micro-entrepreneurs. This does not mean that key issues highlighted in the second edition – such as the impact of microcredit on employment and the creation and consolidation of companies – have been ignored, for these two issues are of vital importance in the current economic climate.

The initial reference sample for this study consisted of 12,250 borrowers, i.e. all the microcredit loans granted by MicroBank between 1 July 2007 and 30 September 2011.

For 2012, it was decided to increase the confidence level to 98%, which made it necessary to work with a greater number of interviewees. The wish to analyse specific differences between a microcredit that leads to a business start-up and one leading to the expansion of an existing business, and the conviction that these differences had a key impact, led us to establish minimum quotas for both types of microcredits.

DETAILS OF THE SURVEY

600 interviews

3,012 phone calls (5.02 calls for each obtained response)

Minimum numbers established:

240 microcredits granted for business start-ups

240 microcredits granted for business expansion

Margin of error of entire sample: 4.6% (confidence level: 98%)

Methodology: telephone survey

The interviews were conducted during November 2012.

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

AREAS COVERED BY THE QUESTIONNAIRE

Area 1. Details of the business funded by microcredit

Area 2. Details of the microcredit programme

Area 3. Perceived economic and social changes

Area 4. Satisfaction with the service

Area 5. Classification. Profile of entrepreneur

MICROBANK: CAIXABANK'S SOCIAL BANK

MicroBank, CaixaBank's social bank, was created in 2007 as a vehicle for microcredit that "la Caixa" Foundation (CaixaBank's charity work division) had been dealing with since 2002. MicroBank is an entity specialising in granting microcredits designed to promote production, job creation and personal and family development. Special attention is paid to investments in socially responsible projects and projects that contribute to sustainable social or environmental development.

MicroBank offers its products and services to entrepreneurs, independent workers, micro-enterprises and families through a network of 6,300 branches and in collaboration with 504 entities. It aims to promote production, generate employment and contribute to personal and family development.

MicroBank's main products are:

Microcredit for entrepreneurs

Loans with personal guarantees of up to €25,000 for setting up or expanding a business. MicroBank has three lines of microcredit for businesses: social microcredit, financial microcredit and eco-microcredit.

- Social microcredits are intended mainly to finance self-employment projects created by people whose financial circumstances may hinder their access to traditional finance. In addition, they are 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 micro-entrepreneurs who need finance to start up or expand their business and ensure sufficient cash flow. One

mandatory requirement is to have a business plan, so that the project's feasibility can be analysed. Since MicroBank does not demand any actual guarantees, it is possible to obtain finance without having to mortgage any property.

- Eco-microcredit for businesses is designed to fund sustainable business projects committed to protecting the environment and encouraging the responsible use of natural resources.

Personal and family 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 the family or for the home in the country of origin; loans for the disabled; family circumstances that require special attention; or any unexpected finance a family may need.

Recently, MicroBank has also incorporated the Eco-Microcredit, designed to develop environmentally friendly products and thus to promote sustainable, energy-saving consumption.

From its creation to December 2012, MicroBank granted 169,282 microcredits totalling €1,045.4 million.

Microcredits granted in 2012

Microcredits for entrepreneurs: 11,185 totalling €116.4 million

- Social microcredits: 484, totalling €7.7 million
- Financial microcredits: 10,642, totalling €108.2 million
- EcoMicrocredits: 59, totalling €511,475.25

Personal and family microcredits: 29,599, totalling €119 million

- Personal microcredits: 29,198, totalling €118.2 million
- EcoMicrocredits: 401, totalling €838,127.74

THE ROLE OF MICROFINANCE AND MICROCREDIT IN THE CURRENT ECONOMIC CRISIS

The current economic and financial crisis is having a direct impact on business activity in Spain, especially for entrepreneurs and SMEs. The most obvious result is the closure of companies, continued job destruction and the deterioration of the employment situation for many workers.

Factors such as growing fiscal pressure on the self-employed - the highest in Europe -, the contraction of the market due to the drop in demand, loan restrictions, the increase in late loan repayment rates, and the lack of a legal framework to facilitate self-employment and job creation, are painting an increasingly complex picture for small business owners and entrepreneurs. It goes without saying that this situation does not contribute to the much needed economic recovery.

We should bear in mind that **between 2002 and 2010 small and medium enterprises generated 85% of all new jobs in the European Union**, considerably higher than the 67% share of SMEs in total employment¹. During this time, net employment in the EU's business economy rose substantially by an average of 1.1 million new jobs per year. The growth of employment in SMEs (1% annually) was greater than in large companies (0.5%). Moreover, amongst SMEs it was micro-enterprises (with fewer than ten employees) that had the highest percentage of total net growth in terms of employment (58%), while companies with less than five years in business created the overwhelming majority of new jobs². As Antonio Tajani, Vice-President of the European Commission, responsible for Industry and Entrepreneurship, pointed out: *"In this critical time for the European economy, we see small enterprises*

*delivering and confirming their role as main generators of new jobs. Their significant share in job creation highlights the greater than ever economic relevance of SMEs and the need to support them at all levels. Small and new enterprises are clearly the key for restoring economic growth"*³.

The importance of micro-enterprises and small companies in the global economy is, therefore, unquestionable. However, these businesses are particularly vulnerable.

While it is true that the current economic crisis has had a negative effect on companies of all sizes, it is the SMEs that have suffered the greatest impact: **since 2009, the number of jobs in the SME sector in Europe has fallen on average by 2.4% a year**, compared to 0.95% in large companies.

The data for Spain, as for countries like Greece, Portugal or Italy, cause even greater concern. Spain's business sector, unlike in North and Central Europe, is defined by the leading role played by small-sized enterprises – with an average of 1 to 3 employees, compared to medium-sized enterprises with 10 employees in countries like Austria, Ireland, Luxembourg or The Netherlands. This type of business has larger closure and job destruction rates. An analysis made by Spain's Central Business Directory, DIRCE, in 2011⁴ reveals that company survival increases on a par with its size. Hence, we share Anna Laborda's opinion when she says: "Companies with fewer than six employees, which account for 90% of all Spanish businesses, are especially vulnerable in the current economic climate".

1. European Commission. Press release: Small companies create 85% of new jobs. Brussels, 16 January 2012. This study is part of the SME Performance Review Project and is based on a survey of enterprises conducted at the end of 2010, covering the 27 EU Member States and another 10 countries taking part in the Entrepreneurship and Innovation Programme.

2. Idem.

3. Idem.

4. Central Business Directory, INE

And yet we are convinced that self-employment and the creation of micro-enterprises provide more than ever an alternative that can revitalise the economy and combat the extremely high unemployment rate in Spain.

In fact, as Laborda herself states in the article *"Business survival in times of crisis"* published as part of the 2012 ESADE Economic Report, company survival in these times of economic crisis is greater than would initially be expected, since companies with fewer than six employees are converted into companies with no employees instead of disappearing altogether from the Spanish business directory. The crisis has, therefore, led to an increase in the number of companies without employees compared to other types of companies in Spain. The group of self-employed professionals has proved to be highly dynamic, with high rates of both job creation and destruction. According to DIRCE, the percentage of business start-ups in 2011 without employees was 12.5%, over 3.5% higher than the number of business closures, around 9%.

Despite the hostile environment outlined above, there are people in Spain who are willing to launch a business and become entrepreneurs. In fact, according to the GEM (Global Entrepreneurship Monitor) Report, the rate of entrepreneurial activity (TEA⁵) in Spain increased by 35% in 2011 over 2010⁶, halting the downward trend of the previous two years. This might be a turning point. The rate is similar to levels in 2005, at 5.8%, although not yet reaching the levels of 2006, 2007 or 2008.

According to the same report, seizing a business opportunity continues to be the main reason for setting up a business, although the number of people starting a business out of necessity has increased significantly. Spain's high unemployment rate has also been a determining factor in business start-ups. **The number of entrepreneurial activities started out of necessity has increased by 36.3% from 2010.** In 2011, business projects **arising from situations of unemployment accounted for 23.7%, compared to 14.2% in 2010.** This indicator has been steadily increasing since 2008, reaching in 2011 its maximum level since records in Spain began in 2000.

This has an impact on the quality of business start-ups, since necessity does not always go hand in hand with the skills and resources needed to set up a business satisfactorily. If the current economic climate fails to change in the near future, this indicator can be expected to continue to rise in years to come, which will place firmly on the agenda major changes in training and funding for entrepreneurs (before and after starting up); mechanisms which are fundamental to reduce the failure rate, especially in the case of entrepreneurs who lack preparation.

Entrepreneurs, moreover, increasingly require more funding to be able to build up their businesses. The average seed capital needed to start a business in Spain in 2011 was €30,000, the same as in 2009 and 2010. 30% of entrepreneurs financed the total initial investment of their start-ups, while 70% required outside funding. This figure has gradually increased, reaching 20 percentage points above the figure in

5. The TEA rate represents the percentage of the 18 to 64 population involved in managing a business less than 42 months old. The TEA rate is the sum of the nascent entrepreneurial rate (paying wages for 3 months or less) and the new business owner-manager rate for businesses between 3 and 42 months old.

6. 2011 GEM Report

2008, when the recession began. This demonstrates the key role played by the financing system and access to credit in business start-ups.⁷

Now is the time, therefore, to ask ourselves what role microfinance plays against the backdrop described above, given the growing need for outside financing for business start-ups recorded in 2011, which will presumably continue to grow.

The truth is that microfinance, and in particular microcredit, has a huge potential for job creation. However, the reality of the sector in Spain and the changes therein suggest there are certain limitations. And the fact is that microfinance has also been affected by the global reach of the financial and economic crisis.

On the one hand, the reform of the Spanish banking system has caused the **disappearance, or a drastic reduction in volume, of the operations of several microcredit programmes**, since the majority depend on the welfare work divisions of banks, which, generally speaking, either disappeared when Saving Banks were converted into commercial banks or had their funding considerably reduced. Only a few entities, such as MicroBank, which adopted a clearly distinct strategy from other leading microfinance institutions linked to the banking system at the time, have continued with a strong commitment to a product that has become a normal part of its business, with access to it standardised, thereby increasing its coverage and impact. A study of 68 entities conducted in Spain provides the following information: **23% of entities with microcredit programmes in 2009 were no longer operating in the sector in 2010 and in the first quarter of 2011**⁸. Indeed, as outlined in the same study in 2010, the prevailing model of the

Spanish microfinance sector, regarded as immovable, was under threat and the word 'crisis' became a reality for microcredit in Spain.

The current economic crisis has demonstrated that the microfinance sector is extremely vulnerable.

First, we should take into account that we are dealing with a complex sector. As Jaime Durán stated, and was brought to the fore in the First National Microfinance Meeting (September 2010), the microfinance sector in Spain has been defined by the duality of its stakeholders, who have not always acted in unison or complemented one another and in many cases have not known how to incorporate the required skills. Thus, most microcredits disbursed in Spain since 2001 **have been conceded by financial entities, mainly Saving Banks. MicroBank is the only significant bank in this sector**, while social entities (ESAM - Social Institutions that Support Microcredit) have been responsible for identifying, supporting and establishing direct contact with the recipients, **despite not being legally authorised to grant microcredit loans directly, although some of them have their own programmes**. This duality has meant that many entities granting microcredit loans in Spain have lacked either financial capacity or the ability to assess risks and evaluate business potential, and have not been able to identify, select and monitor excluded population groups. Some entities, as MicroBank did in its time, tried to resolve this situation by working in partnership with organisations that enabled them to complement their capacities.

It is important to remember that we are dealing with an extremely young sector, which, due to its very youth, has probably not managed to consolidate certain key institutional elements that might have provided it

7. 2011 GEM Report

8. Susana García Jiménez and Teresa Botella Gómez-Acebo: Thesis for Master's Degree thesis in Microfinance at the Autonomous University of Madrid, entitled *Situación de los microcréditos en sectores de exclusión y en riesgo de exclusión en España; especial enfoque de género* (Situation of microcredits in excluded sectors and sectors at risk of exclusion in Spain; special focus on gender).

with some protection to resist the brunt of the crisis. Thus, the lack of a suitable legal framework or stable financing mechanisms and scant collective recognition of the value of microfinance have contributed to worsening the impact of the crisis, especially among microcredit institutions that are not linked to any banking entity.

Many of these institutions - obviously not all of them, as we can also find larger social institutions specialising in microcredit in Spain - were small organisations operating locally and focusing on groups in situations of absolute exclusion based on programmes that were barely financially sustainable. They have not known how, or have not been able to continue operating.

Indeed, one of the biggest stumbling blocks for the development of the microfinance sector in Spain has been the non-sustainability of many microcredit programmes; an obstacle that has become almost insurmountable. A lack of sustainability that, in many cases, has its roots in the prevailing microcredit model in Spain; a model that has used microcredit as its flagship for social inclusion and access to credit, forgetting that it is not a useful instrument for all profiles and situations. A model highly influenced by the experiences of the countries from which the instrument was adopted, and which has fortunately evolved in recent years to adapt to the actual situation and to present-day social and economic needs. Thus, under the leadership of important institutions in the sector, like MicroBank, but also as a result of several crisis-related changes, microcredit in Spain has repositioned its value as a funding instrument at the service of the entrepreneur, business creation, employment and social integration.

We can speak, therefore, of a standardisation of the microcredit recipient profile due not only to the spread of credit exclusion, but also to a change in the philosophy of this sector. Microcredit is no longer conceived as a funding instrument for people at risk of social exclusion (as it was initially in Spain), but has become a financial instrument for creating businesses and employment and preventing the exclusion of 'normalised' groups. Thus, the profile of a recipient is no longer an entrepreneur lacking in resources, often from groups that are clearly at risk of exclusion, but is now mainly an entrepreneur in need of support, a person who is unemployed and unlikely to find work, or a self-employed person and small business-owner who needs funding to maintain and/or expand his/her new business. Entrepreneurship out of necessity is on the rise at the same time as the recipient profile distances itself from groups that could be regarded as marginalised. For example, in this respect, one group of recipients that has grown considerably is the one made up of students who cannot find work on completing their studies, as revealed by the recent European Commission initiative which assigned up to €170 million to microcredit loans for young entrepreneurs over a three-year period (2012-2015)⁹. We find, therefore, that the current financial crisis is broadening the range of potential clients.

However, and contrary to what one might think, the demand for microcredit has not greatly increased, despite unemployment rates that continue to grow and the spread of social and financial exclusion to new groups. The crisis has also brought with it greater uncertainty and fear, which have prevented people from wanting to set up their own business.

Moreover, it should not be forgotten that, over and above the current economic situation, setting up a

9. The Progress Microfinance Facility was launched by the European Commission and the European Investment Bank (EIB) in 2010 to provide direct funding to microfinance providers selected by the European Investment Fund (EIF). This amount will be made available via 20 European microcredit institutions which have received guarantees or funds from this Community funding instrument. In its current format, this instrument offers loans of up to €25,000 and aims to generate a total loan volume of up to €500 million for 46,000 borrowers across Europe. The microcredit providers may be private or public banks or non-bank microfinance institutions and non-profit microfinance providers. The conditions for microcredits to entrepreneurs – amount, duration, interest rate, timeframe to obtain a loan, etc. – depend on the particular microcredit provider.

business in Spain is complex. No framework exists in Spain to facilitate entrepreneurship. The legal and fiscal framework does not promote small business start-ups or self-employment. Entrepreneurs have to deal with many complicated bureaucratic requirements in order to set up a business, which can be discouraging. As mentioned at the beginning of this article, Spain is also the country with the heaviest tax burden for the self-employed and small business-owners in the whole of Europe, without mentioning the limited social security protection for this group. Added to this are an education system and training schemes that fail to prepare people to undertake business initiatives, and a culture that regards the entrepreneur with a certain animosity.

The snapshot we have just provided reveals a complicated scenario for entrepreneurship in Spain. However, and as mentioned above, we are convinced that, more than ever before, **self-employment and the creation of micro-enterprises provide a possible way of revitalising the economy and alleviating the extremely high unemployment rate that prevails in Spain.** If we want the Spanish economy to return to the path of growth, we must be able to create an institutional, social, cultural and political environment that promotes microcredit. We must be able to generate an ecosystem that encourages entrepreneurship and supports entrepreneurs. **It is within this ecosystem that microfinance plays a key role. Against this troubled backdrop, gaining access to credit becomes almost a *sine qua non* for setting up a business.**



MAIN FINDINGS OF THE STUDY

4.1. PROFILE OF THE MICRO-ENTREPRENEUR

One of the aims of the survey was to determine the profile of micro-entrepreneurs in the current economic climate and, in particular, to confirm the hypothesis that this profile may have changed considerably in recent years due to the worsening economic situation. The aim was to verify whether the crisis had made people who would not previously have resorted to this funding instrument apply for microcredit. Accordingly, more attention was paid to certain demographic variables, such as origin, nationality or age of the micro-borrower, and other variables related to previous work experience. An attempt was made to compare data with data available from both the 2010 and 2011 MicroBank Reports and other more general data on small business start-ups and microcredit in Spain.

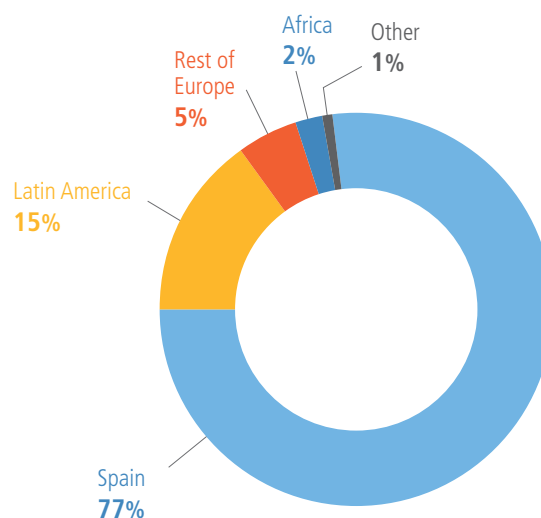
ORIGIN

Data reveal that **Spain continues to be the main country of origin of microcredit recipients: 77%** (in line with 80.93% obtained in the 2011 MicroBank study). Also in line with previous years, Latin American entrepreneurs were the second largest group (with 15%) and, far behind, entrepreneurs from other European countries (with 5%).

Amongst entrepreneurs of European origin, Romanians are the largest group, although entrepreneurs from countries like Italy, Germany and even Switzerland can also be found. Entrepreneurs from Latin America continue to be mainly from Argentina, followed by Venezuela, Ecuador and Colombia. There are far fewer entrepreneurs from Mexico, Brazil or Paraguay.

One important finding is the decrease in entrepreneurs from Morocco compared to the 2011 data. There are still very few entrepreneurs from all other African countries or Asia.

MICRO-ENTREPRENEURS: COUNTRY OF ORIGIN



It would be rash to jump to conclusions about the success rate of businesses according to nationality, since very few respondents in the survey were not Spanish. At any event, the success rate for Spanish micro-entrepreneurs is around 73.97%, slightly lower than for entrepreneurs from the rest of Europe (81.82%), but higher than for entrepreneurs from Latin America (65.91%).

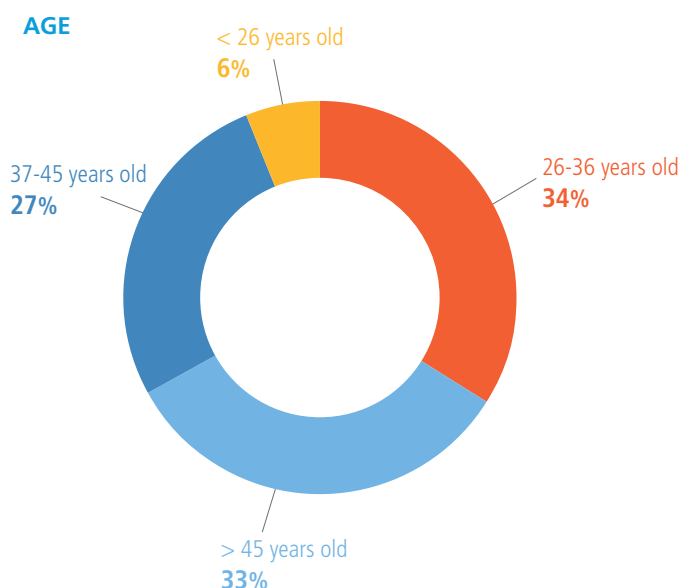
As for the end-use of microcredit loans amongst the different nationalities, it can be seen that **most Spanish micro-entrepreneurs used microcredit to expand existing businesses** (56.18% compared to 43.82% who used them to start a business). This is similar for micro-entrepreneurs from the rest of Europe, while it was detected that a higher proportion of Latin American entrepreneurs used microcredits to open new businesses.

Most foreign micro-borrowers have lived in Spain for between 10 and 19 years and none of them have lived in Spain for fewer than 3 years.

AGE AND MARITAL STATUS

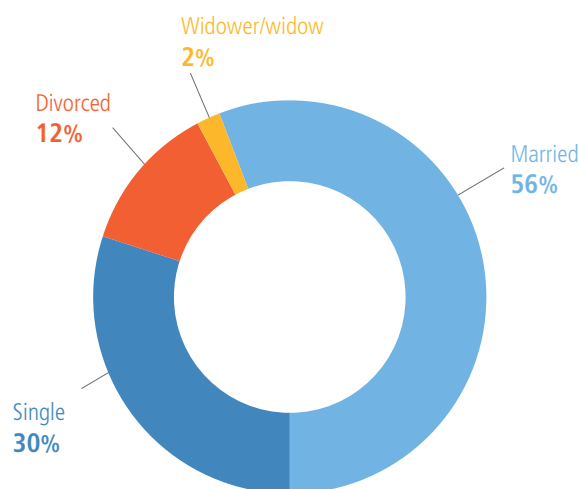
Significant differences in age do not exist amongst entrepreneurs, although **slightly more are under 36 (40%)**, as detected in previous years.

However, people in the under-36 age bracket who were previously unemployed (receiving benefits or not) are the predominant group: 48% under 26 compared to 25% between 37 and 45, and 27% over 45. This finding, also detected in the previous study, tallies with the higher rate of unemployment in this age bracket in Spain (with an unemployment rate as high as 50%) compared to other population segments.



However, the success rate of businesses does not vary greatly with the age of the entrepreneur, as pinpointed in the previous reports.

MARITAL STATUS



As for the marital status of the entrepreneurs, most are married (56%) and single persons make up the second largest group (30%). These findings also vary little from previous years. According to the data, marital status bears little relation to other variables, such as business success rate, previous work experience, etc.

GENDER

The gender balance of microcredit recipients is maintained, with slightly more men (53%) than women (47%). The difference is smaller than in the previous year, when 67% were men and 33% women. This difference could be a result of the current economic situation, in which women have been forced to look for new sources of household income, given the reduced or non-existent income of their husbands or partners. Moreover, Spain's current high unemployment rate excludes women from the labour market to a greater extent than men. Starting up a small business may be one of the few job opportunities at their disposal.

Nevertheless, given the findings of the 2011 GEM Report, which distributes entrepreneurs according to gender (61.4% men versus 38.6% women), firm conclusions on the cause of the significant increase in women recipients of MicroBank microcredits cannot be drawn.

On the other hand, **a slight difference in the end-use of microcredit exists.** Thus, there are slightly more women who apply for microcredit to start up a new business: 56% against 44%, who use it to expand an existing business. In contrast, these figures are reversed in the case of men: slightly more men apply for microcredit to expand their businesses (56%), as opposed to 44% for a business start-up. These figures also coincide with the previously mentioned economic situation, since the incorporation of women as microcredit recipients has been motivated in recent years by the current economic crisis.

As for age, there are slightly more male entrepreneurs under 36 than their female counterparts (39% men as opposed to 34% women), while female entrepreneurs

between 37 and 45 are more common than male entrepreneurs (30% women as opposed to 26% men).

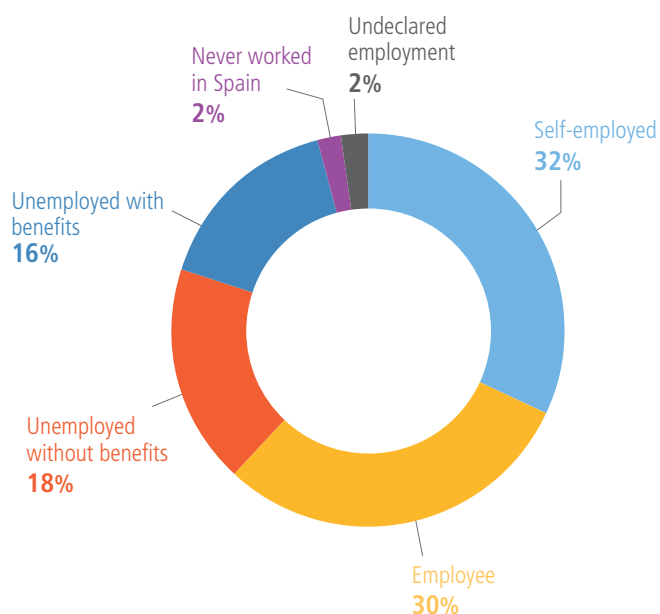
Furthermore, most male and female entrepreneurs are married, in accordance with figures for the general population (56% and 55%, respectively), although the percentage of single female entrepreneurs is lower than that of single male entrepreneurs (25% as opposed to 34%), and the percentage of divorced female entrepreneurs is higher (16% women as opposed to 11% men). Perhaps this last finding is a reminder that women, following a divorce or separation, are often in a more precarious economic situation, which makes them more likely to take the initiative.

As we saw in the 2011 report, **more women entrepreneurs than men have studied at the tertiary level:** 28% as opposed to 21%. It should be noted, however, that this figure reveals a considerable decrease in the level of education of women receiving microcredit from MicroBank, since it was 38.41% in the 2011 report. People, especially women, with lower levels of education, are undoubtedly more adversely affected by the current situation of generalized unemployment. It is understandable, therefore, that more women resort to self-employment as a job opportunity than other female workers with higher levels of education, who are better placed to find wage-earning work.

There is a difference in the employment circumstances of male and female entrepreneurs prior to starting up a micro-enterprise. **The majority of both men and women had been self-employed before setting up their business,** although in the case of men, the percentage of those who had previously been

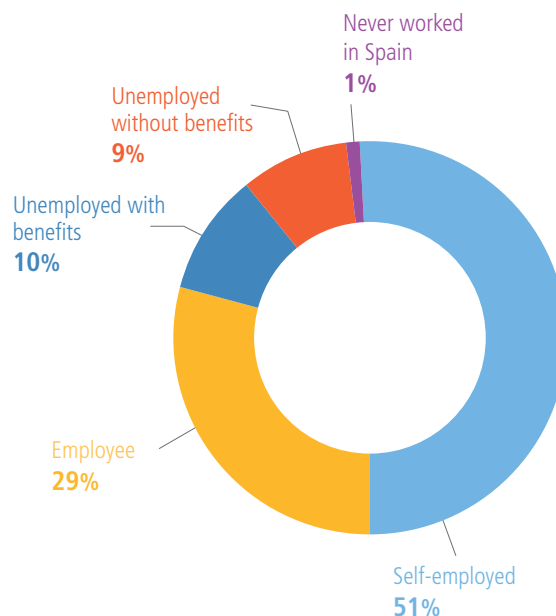
self-employed is considerably higher than the other options. Thus, 51% of men had been self-employed, as opposed to only 32% of women, as shown below:

FEMALE ENTREPRENEURS: EMPLOYMENT BEFORE RECEIVING MICROCREDIT



On the other hand, **there were clearly more women who had been unemployed than men**: 34% of women compared to 19% of men, which, in line with what has been mentioned before, confirms that self-employment is the preferred professional opening for women faced with the current high unemployment rate.

MALE ENTREPRENEURS: EMPLOYMENT BEFORE RECEIVING MICROCREDIT



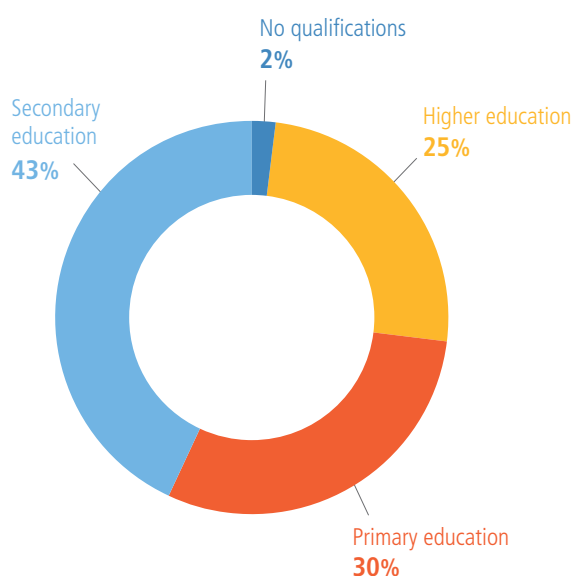
Comparing these findings to the 2011 report, we can see that figures for men have remained relatively similar, while the proportion of women who had been employees prior to starting up a micro-enterprise has changed: from 38% in the previous report, making this the most common previous employment option among women, to a current 30%, in second place after women who had previously been self-employed.

EDUCATION

The survey shows that 43% of the entrepreneurs had completed secondary education, followed by those with primary education (30%), and higher education (25%). Only 2% of the entrepreneurs had no qualifications. It is worth noting that in 2011 more entrepreneurs had only completed primary education (35%) than secondary education (34%). Although the difference is not significant, one might think that the current economic crisis has led people with higher levels of education to resort to this funding instrument. However, looking at the proportion of people with higher education in the 2011 report, it was 28% as opposed to the current 25%, which proves that the findings are still not solid enough to assert categorically that the recipient profile is changing in this aspect.

There are some differences for levels of education according to gender, as mentioned in the previous section, but none of them are significant. Thus, **the level of education is higher amongst women entrepreneurs** (28% as opposed to 21% of men). This was the same as the previous year, although it should be pointed out that women with higher education represented 38% of the sample, which means that the percentage of women with a high level of education has decreased. As for men, the percentage decreased from 23% in 2011 to 21% in 2012. **Most of the entrepreneurs (both men and women) had completed their secondary education**, although there is a greater difference in the case of men compared to the other segments: thus, 46% of male entrepreneurs have secondary education, followed by 30% with primary education, compared to 40% of women with secondary education and 31% with primary.

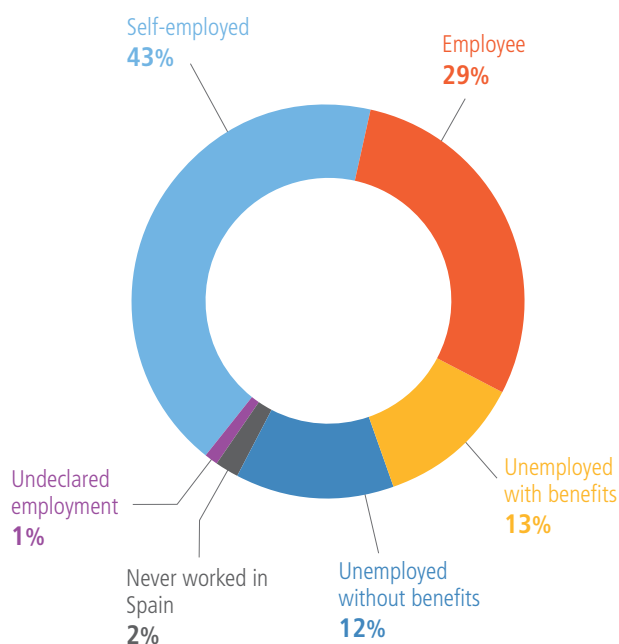
EDUCATION



PRIOR EMPLOYMENT

Most of the entrepreneurs were either employees (29%), self-employed (43%) or in undeclared employment (1%) prior to receiving microcredit. 25% of the entrepreneurs were previously unemployed (with or without benefits). There are no notable differences with the previous report. The only increase has been the percentage of people who were previously unemployed with benefits (7% in 2011 compared to 13% in 2012), which makes sense in the current economic situation. The figures in the remaining categories have not varied greatly compared to the previous report, although the number of people who were previously self-employed has dropped (47% in the 2011 report to 43% in the current one), as has the number of people who were previously in undeclared employment (from 3% to 1%).

EMPLOYMENT SITUATION BEFORE GRANTING OF MICROCREDIT

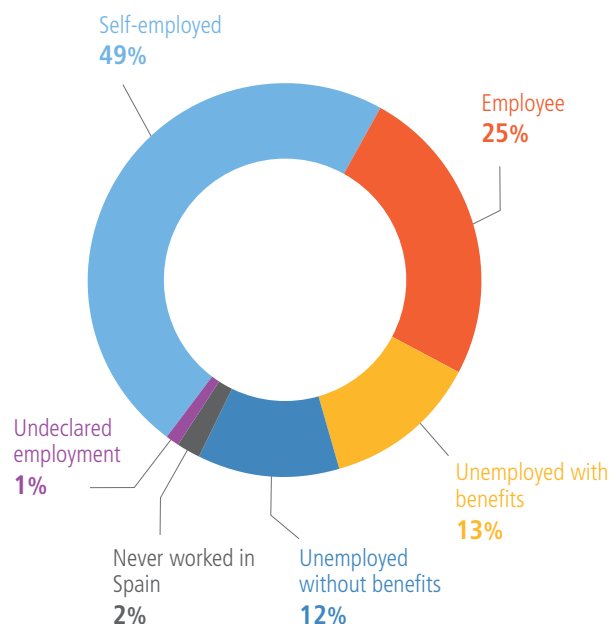


It is interesting to compare these results with the 2011 GEM Report. Thus, as mentioned at the beginning of this report, business start-ups arising from unemployment accounted for 23.7% of business initiatives in 2011, compared to 14.2% in 2010. This is similar to the number of MicroBank microcredit recipients who were previously unemployed, which as we have just seen is 25% and was also lower in previous years.

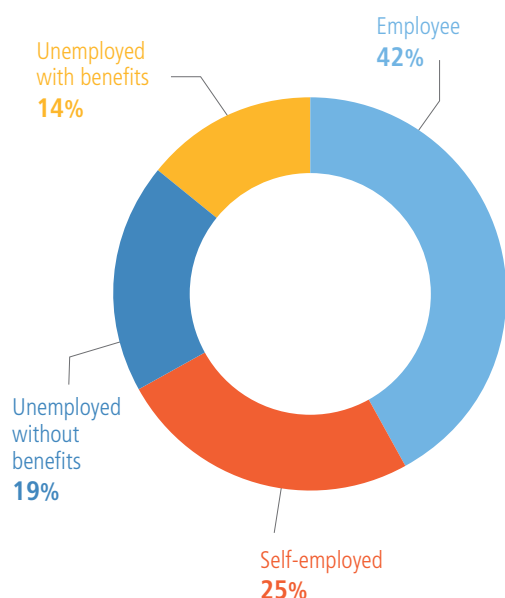
As the GEM Report points out, this indicator has indeed increased since 2008 and reached its maximum level in 2011 in Spain since observations began in 2000: almost 26% of the total activity according to the TEA index.

Furthermore, differences exist for prior employment amongst entrepreneurs whose business is still open, compared to those who have had to close. For example, we can see that **the proportion of people who were self-employed is much higher among those who are still running their business compared to those that have had to close**: 49% as opposed to 25%. This could indicate that people who were previously self-employed were in a better position to start a new business, as they had experience in certain necessary business skills. In the case of businesses that have had to close, most of the business owners had previously worked as employees (42%), while this percentage is 25% for those who were still running their business.

PRIOR EMPLOYMENT – ENTREPRENEURS WHOSE BUSINESS IS STILL OPEN



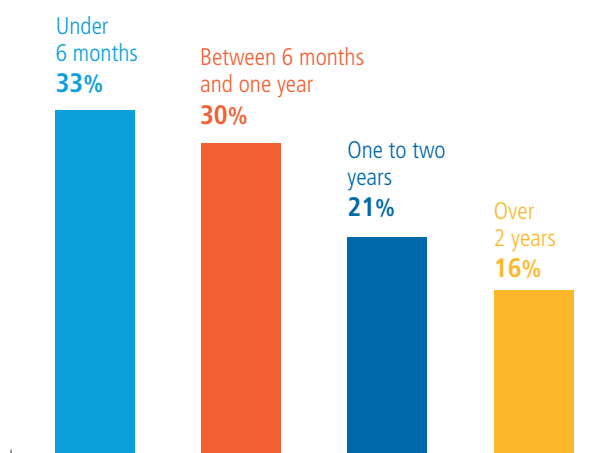
PRIOR EMPLOYMENT – ENTREPRENEURS WHOSE BUSINESS HAS HAD TO CLOSE



23% of people whose business is still open had previously been unemployed, as opposed to 33% of people whose business had closed. This factor might also have affected business failure.

On the other hand, **most of these entrepreneurs (67%) had been unemployed for more than six months**. This figure was 58% in the 2011 report, indicating a slight **increase in the number of people in long-term unemployment who opted to start their own business**. The number of people who had been unemployed for between one and two years increased considerably (from 12% to 21%), although, in contrast, the number of people unemployed for more than two years had decreased (from 21% to 16%).

LENGTH OF TIME UNEMPLOYED WHEN REQUESTING MICROCREDIT



PREVIOUS EXPERIENCE

62% of the micro-entrepreneurs had never run a business before, which is obviously a limitation on the success rate of new business start-ups and demonstrates the importance of the role played by institutions that provide support by assessing and training new entrepreneurs. However, as this percentage is identical to the 2011 figure, the profile of the entrepreneur has not changed in this respect.

Amongst those who had previous business experience, most **had owned a business in another country: 60%** (since they are mainly entrepreneurs who are non-Spanish nationals). Only 19% had previously run a business in Spain. In 65% of cases, the business – whether in Spain or abroad – was related to the one they were currently running.

As mentioned above, all these factors do not provide the firmest base on which to build a business (little experience in running a business, and mainly in another country), which increases the need to provide support for people who are setting up a new business to ensure their investment is profitable and successful.

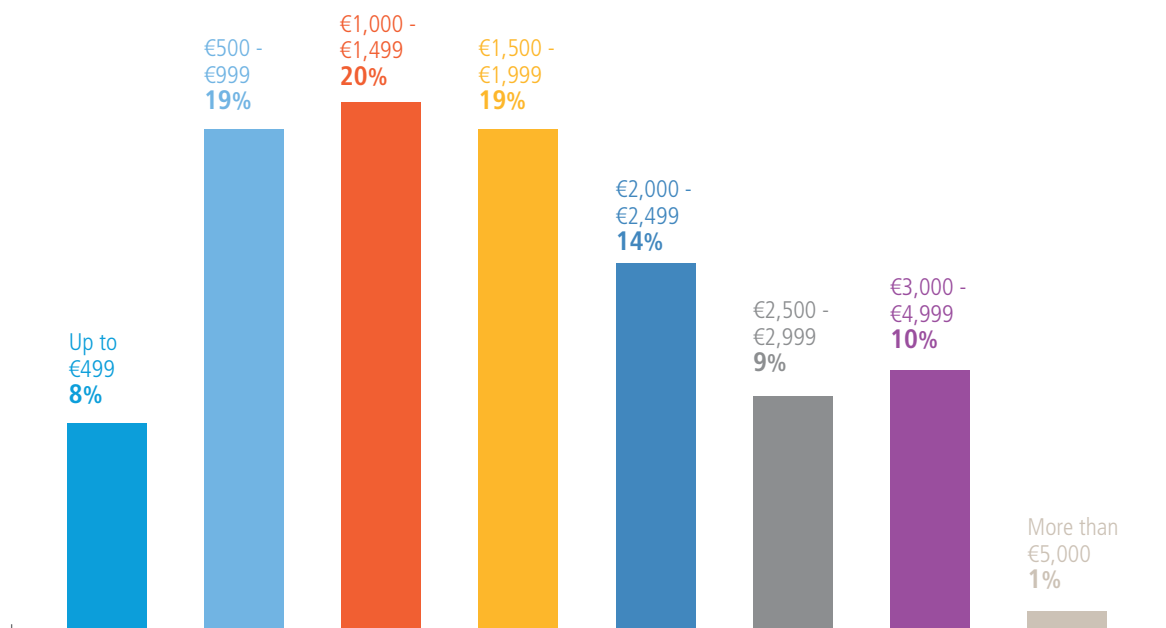
Contrary to what was found in the 2010 and 2011 reports, the percentage of entrepreneurs who had not previously run a business was, generally speaking, higher among people who had to close their business than among those whose business was still open: 66% of entrepreneurs whose business closed did not have previous experience, while this was the case for 61% of the entrepreneurs whose business was still open. This change in tendency, which had previously led us to claim that the success rate did not increase on a par with previous experience, may be due to the enormous complexity of the current economic climate for the success and survival of business initiatives, although the difference is not highly significant.

FINANCIAL SITUATION AND FAMILY INCOME

Net monthly income in the 2011 report was shown to be higher than €2,000 for 57% of the micro-entrepreneurs. However, the findings in this year's report are in line with the current crisis: in **66% of micro-entrepreneurs' households the monthly income is less than €2,000**.

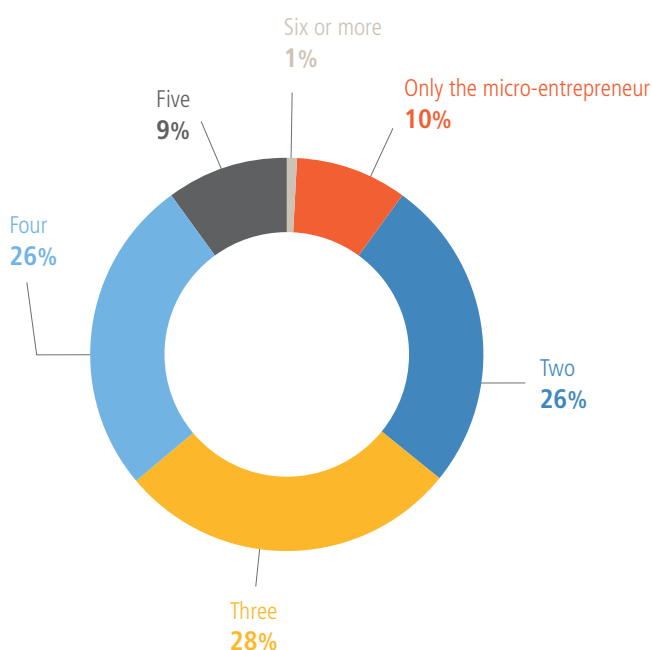
Amongst the micro-entrepreneurs with an income of less than €2,000/month, most earn between €1,000 and 1,499 a month.

MONTHLY INCOME OF ENTREPRENEURS



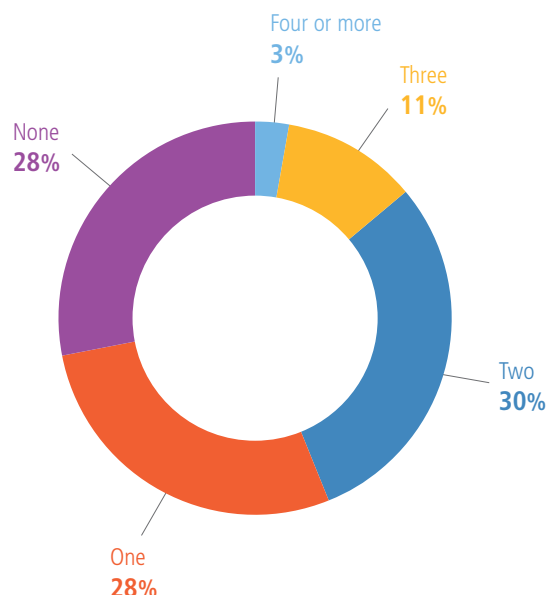
Most of the entrepreneurs' households consist of between two and four people (80%). Only 10% of the households consist of only the micro-entrepreneur, while only 1% consists of six people or more.

NUMBER OF PERSONS IN THE IMMEDIATE FAMILY



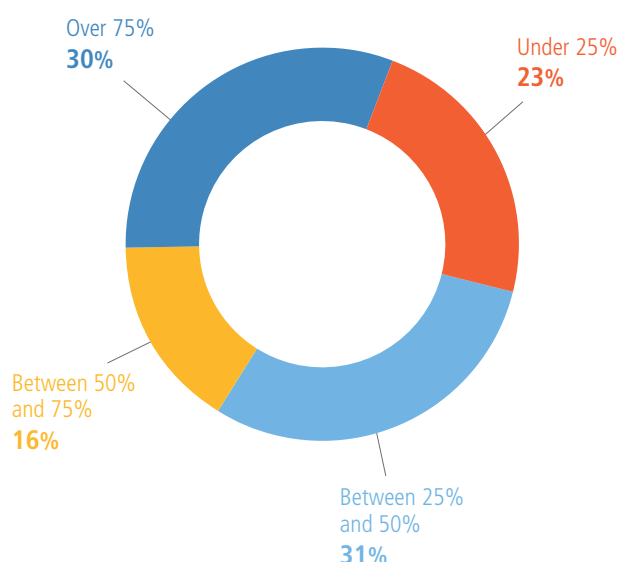
Only 28% of the entrepreneurs have no-one dependent on the income generated by the business started up with the microcredit, whereas 28% have one dependent person and 30% have two people. These figures tally with the previous reports and reflect the great responsibility the entrepreneurs have to ensure the success of their businesses.

NUMBER OF PERSONS DEPENDENT ON THE MICRO-ENTREPRENEUR'S INCOME



The micro-entrepreneur's income usually contributes between 25% and 50% to the family budget. In 23% of cases, this contribution is less than 25%, while in 30% of cases it is more than 75%. This last figure is greater than in 2011 (26%), which reflects a more precarious economic situation in Spanish households, in keeping with the current economic climate.

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



53% of the entrepreneurs have difficulties getting to the end of the month (compared to 58% in 2011), while 22% say they are unable to do so (18% in 2011) and 25% have no difficulties doing so (24% in 2011).

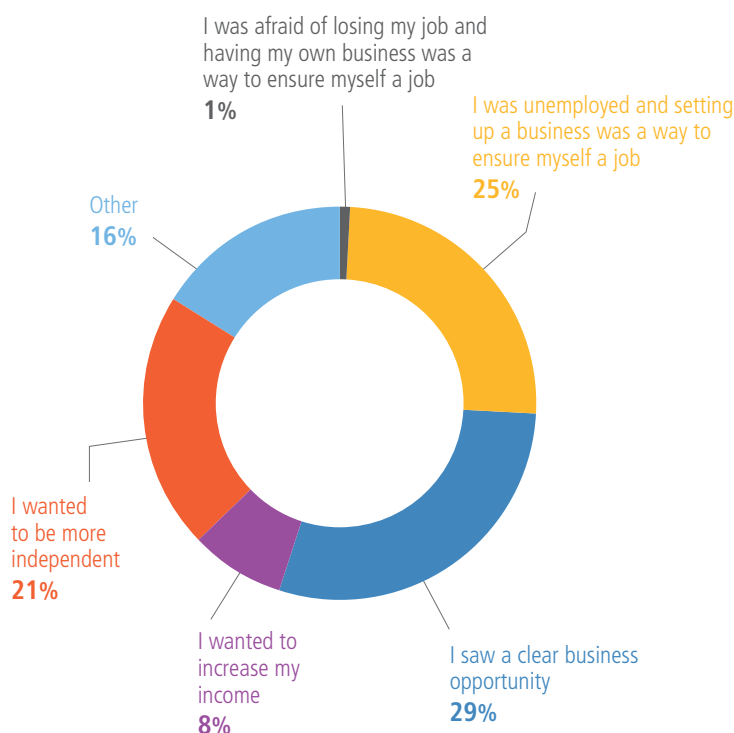
Only 17% of the migrant entrepreneurs who manage to save send money to their countries of origin (between €100 and €200 a month).

Finally, it should be mentioned that **72% of microcredit recipients did not apply for another loan after being granted microcredit**. This figure tallies with the previous reports. However, 28% did apply for another loan, also using it for their business, although an increase in personal loans over previous years was noted.

REASONS FOR STARTING A BUSINESS

In the current economic climate, it has become more important than ever to know the reasons that lead entrepreneurs to start a new business. The analysed data have revealed that the **main reason for setting up a business is because the entrepreneur saw a clear business opportunity (29% of the interviewees)**, which is a good starting point to ensure business survival. It should not be forgotten, however, that reasons we might consider to be more linked to the current economic crisis account for a significant proportion: **25% of interviewees said they had set up their business because they were unemployed and thought it might be an employment opportunity**.

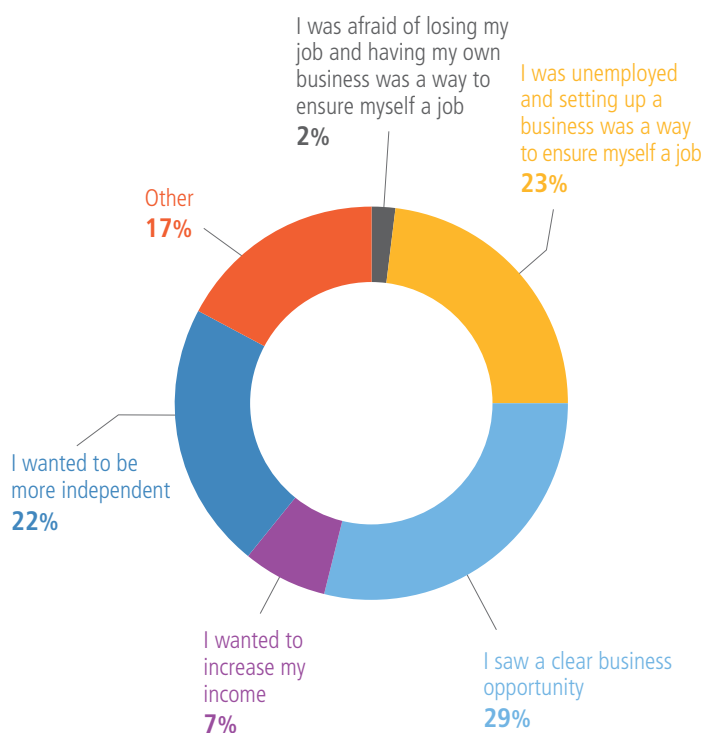
COULD YOU INDICATE WHAT THE MAIN REASON WAS THAT LED YOU TO OPEN A BUSINESS?



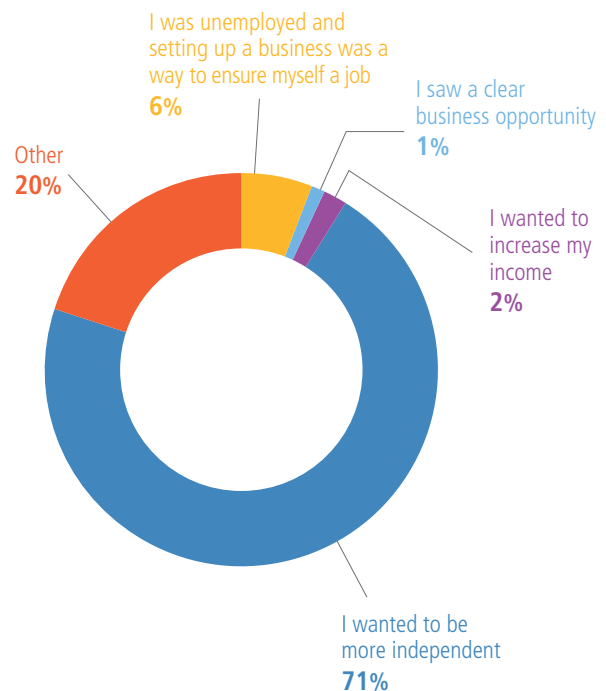
It is interesting to see whether the reasons for setting up a business affect business success rates. The findings reveal significant differences. **The main reason for setting up a business for people whose business is still open is because they saw a clear business opportunity** (29% of interviewees), whereas **for people whose business has closed, the reason was to be more independent** (71% of interviewees) and seeing a clear business opportunity was the main reason for only 1% of this group. It is obvious,

therefore, that **when the reason for setting up a business is because the entrepreneur has seen a clear business opportunity, the business is much more likely to be successful and survive**. A business start-up motivated by personal reasons and not by the viability of the business itself is not a good starting point to ensure the sustainability of the business. However, 23% of interviewees claimed that their main motivation was being unemployed, while only 6% of entrepreneurs whose business had closed claimed the same.

REASONS FOR SETTING UP A BUSINESS FOR ENTREPRENEURS WHOSE BUSINESS IS STILL OPEN



REASONS FOR SETTING UP A BUSINESS FOR ENTREPRENEURS WHOSE BUSINESS HAS CLOSED

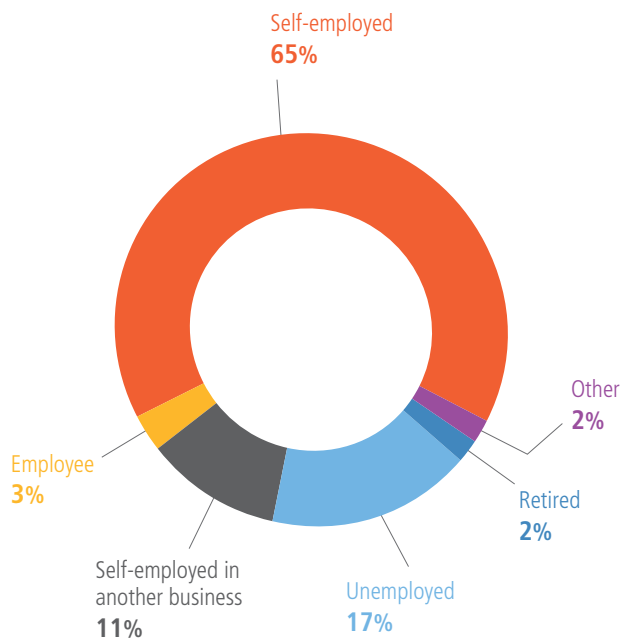


JOB SITUATION OF THE MICRO-ENTREPRENEUR

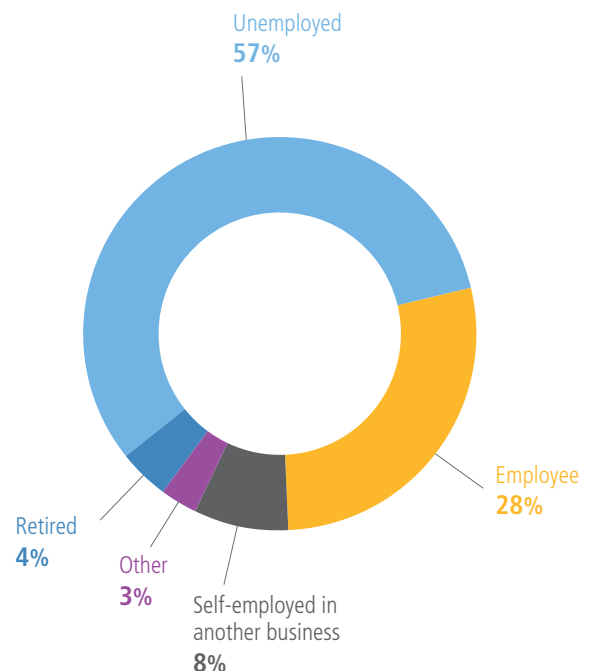
In 65% of cases, the entrepreneurs themselves work for their own business as self-employed persons. It is important to point out, however, the significant number of entrepreneurs who are currently unemployed (17% of interviewees) and the 11% who are wage-earning employees. This shows that the **situation for entrepreneurs has deteriorated compared to the 2011 report**, in which only 6% were unemployed at that time and 81% were working for their own business as self-employed persons.

Understandably, in the case of businesses still open, most people are working as self-employed persons in their own business (65%), while in the case of businesses that have closed, a clear majority of respondents (57%) are unemployed.

CURRENT JOB SITUATION OF THE MICRO-ENTREPRENEUR



JOB SITUATION OF THE MICRO-ENTREPRENEUR WHOSE BUSINESS HAS CLOSED



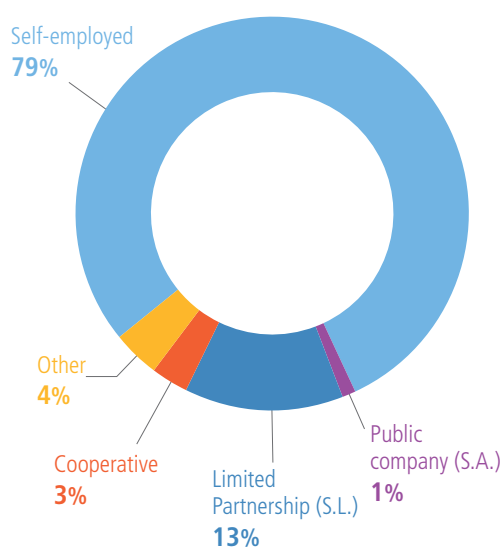
4.2. TYPES OF BUSINESSES

The study also aimed to address the hypothesis that types of businesses created in the current economic crisis had changed considerably in relation to previous years. Hence, we studied the following variables: legal structure and number of partners, the business sector and sphere of action. The main conclusions are given below.

LEGAL STRUCTURE AND NUMBER OF PARTNERS

79% of the businesses are not incorporated companies and the entrepreneurs are self-employed. The most common legal structure is the limited partnership (sociedad limitada) type of company, accounting for 13%. Percentages are similar to the previous year when 82% of the businesses were managed by self-employed entrepreneurs. There are few changes from previous years in other forms of legal structure, either.

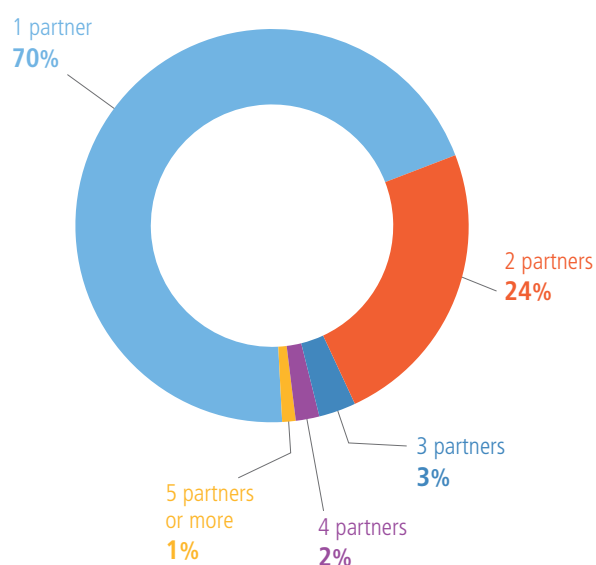
LEGAL STRUCTURE OF BUSINESSES CREATED WITH MICROCREDIT



Furthermore, it is worth noting that most entrepreneurs are self-employed, whether they are setting up a new business or expanding an existing one. Similar percentages are found for open and closed enterprises, although in the case of self-employed persons who have closed their business, the percentage is slightly higher than for those whose business is still open (87% of closed businesses were owned by self-employed persons, compared to 77% in the case of businesses that are still open).

Most businesses have just one (70%) or two (24%) owners. This is in keeping with the fact that most entrepreneurs are self-employed, as we have seen above. Few significant differences have been observed in the number of business partners of open and closed businesses, although, similar to data obtained in previous years, the percentage of companies with a single owner is higher among businesses that have closed (74%) than among those that remain open (69%).

NUMBER OF BUSINESS PARTNERS



BUSINESS SECTOR

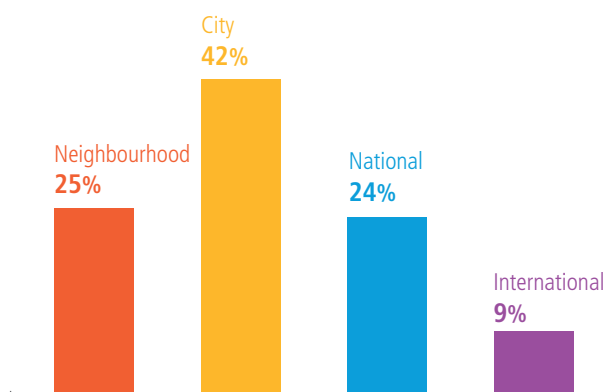
In keeping with findings from the previous reports, **most of the businesses established with the help of microcredit are in the retail and services sector**. There are some differences, however, with fewer businesses in the hotel and catering sector (bars, cafeterias and restaurants) than in previous years, yet more service-related businesses with great diversity, ranging from healthcare consulting services to software companies, nursery schools or plumbing services, to name but a few.

Also in keeping with the findings from previous reports are companies with all kinds of business activities that have closed. It is impossible, therefore, **to draw conclusions about the success rate according to the type of company**.

SPHERE OF ACTION

Most businesses (67%) are local (neighbourhood and/or city). There are no significant differences compared to previous years. Only a slight decrease in international businesses has been detected (12% in 2011 and currently 9%).

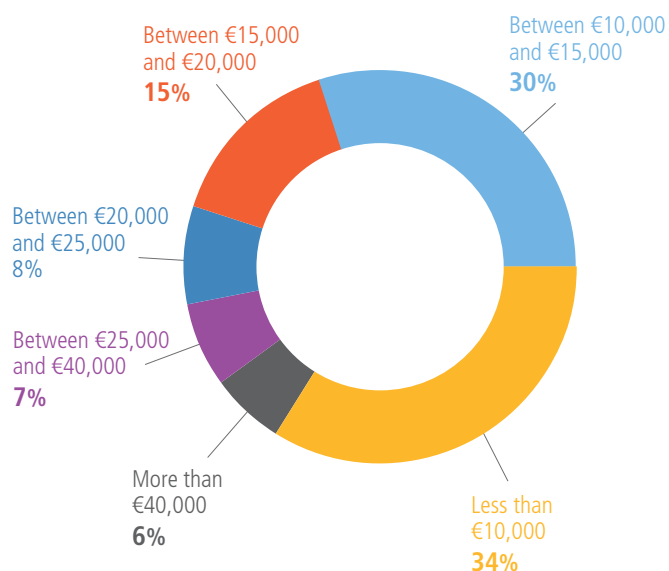
SPHERES OF ACTION



INITIAL INVESTMENT

64% of micro-enterprises have been established or expanded with less than €15,000 (in fact, 34% with less than €10,000), which gives an idea of the type and size of the business that is usually funded with microcredit. Only 2% required more than €60,000.

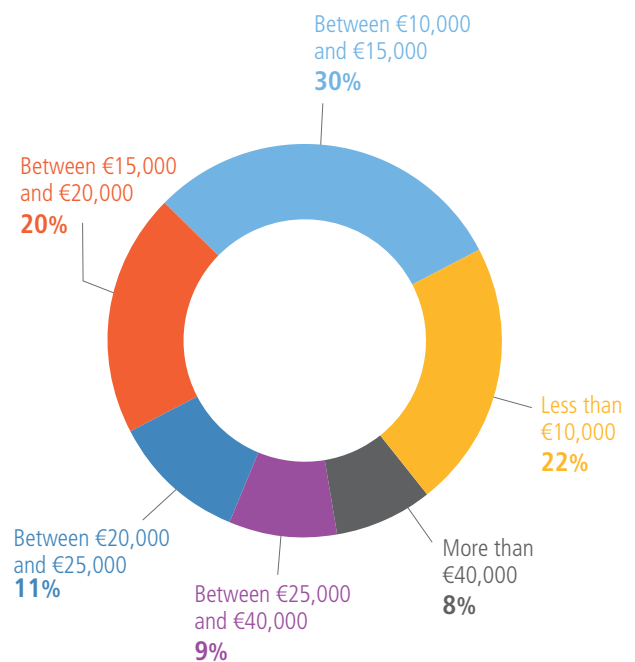
HOW MUCH MONEY DID YOU NEED TO START/EXPAND YOUR BUSINESS?



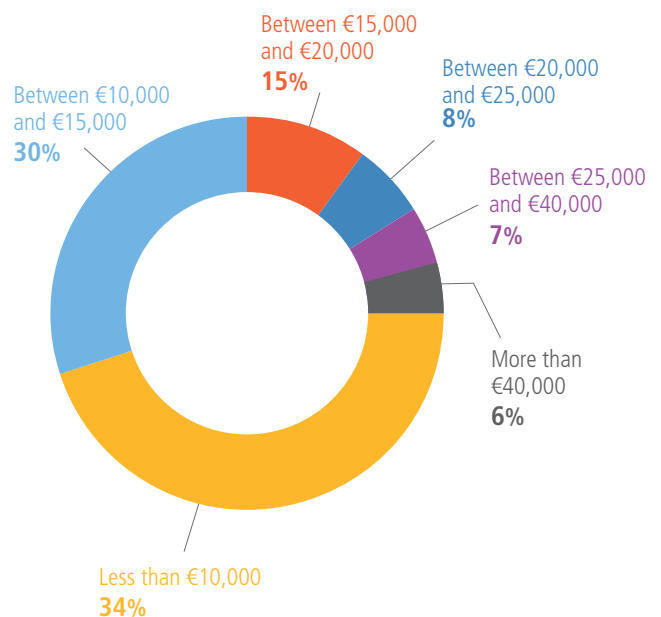
As found in previous reports, there are no significant differences in investment levels between open and closed businesses.

Investment for a business start-up is usually between €10,000 and €15,000 (30% of interviewees), while in the case of business expansion, it is mainly less than €10,000 (45% of interviewees).

HOW MUCH MONEY DID YOU NEED TO START UP YOUR BUSINESS?



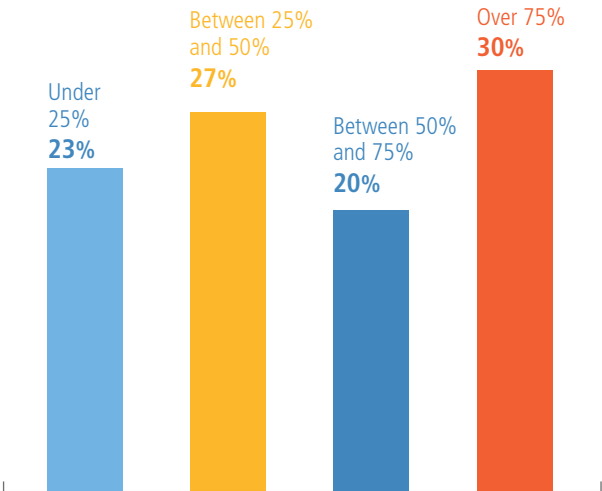
HOW MUCH MONEY DID YOU NEED TO EXPAND YOUR BUSINESS?



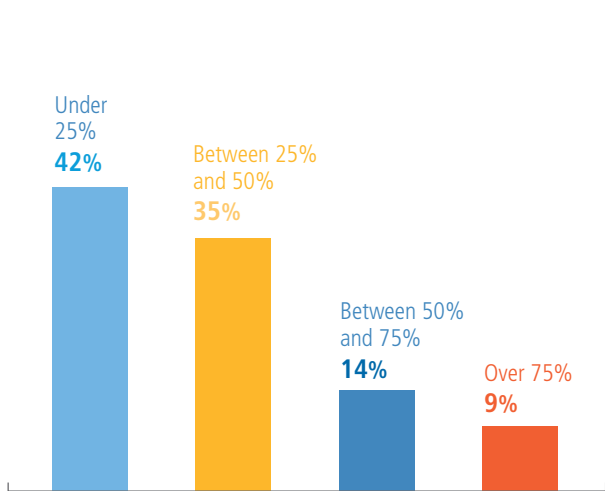
The percentage of total initial investment represented by microcredit should also be mentioned. There was an even distribution among those businesses in which microcredit accounted for less than 25%, between 25% and 50%, between 50% and 75% or more than 75%, despite **a slight predominance when microcredit accounted for more than 75% of the total investment**, which gives an insight into the size of businesses established with the help of microcredit.

Finally, it is worth noting that **most entrepreneurs contributed less than 25% of the original start-up or expansion investment directly from their savings**. Only 9% of the interviewees contributed more than 75% of the original investment.

MICROCREDIT AS A PERCENTAGE OF THE ORIGINAL START-UP OR EXPANSION INVESTMENT



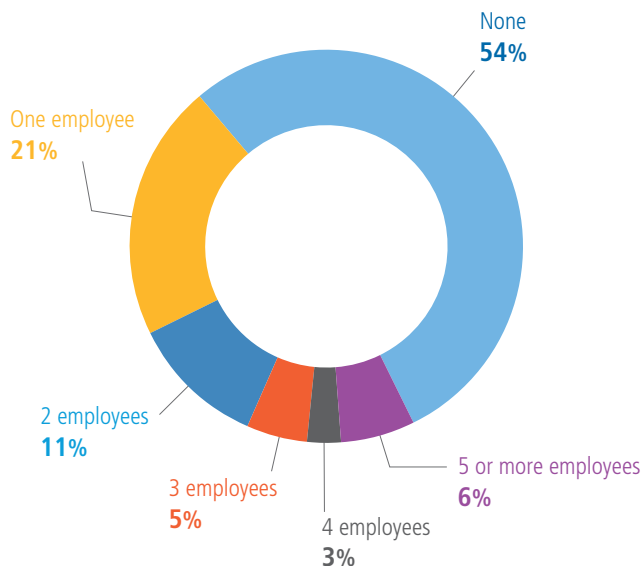
WHAT PERCENTAGE OF THE START-UP OR EXPANSION INVESTMENT CAME DIRECTLY FROM YOUR SAVINGS?



SIZE OF THE COMPANIES, EMPLOYMENT AND WORKING HOURS

As we have just seen, most are small companies, **54% of which create only self-employment**, followed by 21% that have only one employee. Only 6% of the respondents had businesses with five or more employees.

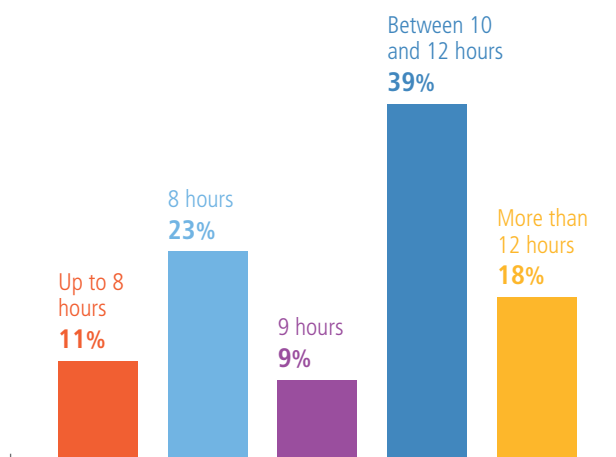
HOW MANY EMPLOYEES DO YOU HAVE IN THE BUSINESS?



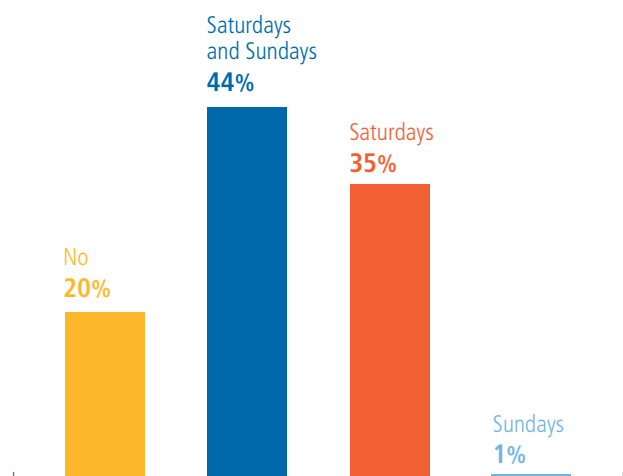
Most businesses have no full-time employee or just one, with only 7% of businesses claiming to have more than five full-time employees.

The work conditions of entrepreneurs also bear relation to the current economic situation; 75% of the interviewees had no family support in the business. Furthermore, most businesses require many hours of dedication; thus, **39% of the interviewees say they work between 10 and 12 hours a day in the business**, while **18% work more than 12**. Here, we can appreciate an increase in working hours compared to the previous reports. The same tendency is found in weekend work: **44% say they work on Saturdays and Sundays** and only 20% do not work at the weekend. These findings tally with the data obtained in the previous reports.

ON AVERAGE, HOW MANY HOURS A DAY DO YOU WORK?



DO YOU WORK SATURDAYS AND SUNDAYS?



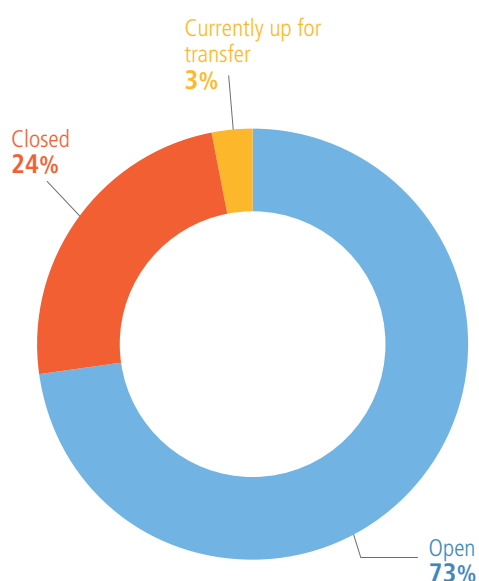
4.3. HOW THE BUSINESSES ARE FARING

How are the businesses funded with microcredit faring? Are they still open? How many have closed and when? How do the entrepreneurs evaluate business performance? These are some of the questions that this study aimed to answer; questions that were asked in the last report and the comparison may provide an insight into how micro-entrepreneurs have been affected by the worsening of the crisis over the last year.

SUCCESS AND BUSINESS CONTINUITY

73% of the businesses established with the help of microcredit are still open, 24% have closed and 3% are currently up for transfer. There are 2% more businesses that have closed than in 2011, mainly due to the worsening economic crisis. However, this figure cannot be considered significant.

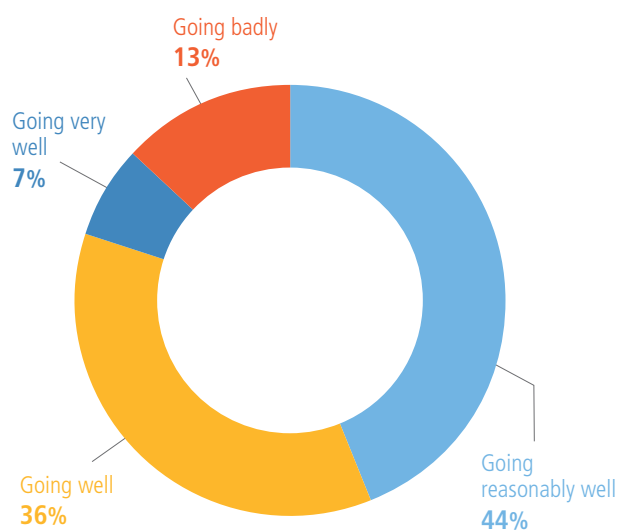
CURRENT SITUATION OF BUSINESSES ESTABLISHED WITH THE HELP OF MICROCREDIT



It should be emphasized that the success rate of businesses varies significantly, depending on whether the microcredit has been used to start up or expand a business. Thus, **62% of businesses established with microcredit remain open, while this figure reaches 84% in the case of business expansion with the help of microcredit.** These findings reflect what logic would dictate; microcredit risk is greater for business start-ups. As we shall see, not for nothing do many entrepreneurship initiatives fail in their first year in business.

43% of the entrepreneurs whose businesses are still open feel that business is going well or very well, 13% think it is going badly, and the remaining 44% think it is going reasonably well. **The percentage of entrepreneurs who feel their business is going well or very well has dropped by over 13% from the previous year, which reflects the worsening economic situation for many small businesses.** However, when asked if they think their business is going worse, better or the same as last year, the percentage of entrepreneurs who think it is going better (29%) is only 9 percentage points less than those who think it is going worse (38%).

EVALUATION OF CURRENT SITUATION OF BUSINESSES ESTABLISHED WITH MICROCREDIT



As for **the entrepreneurs' predictions**, it is important to note that, despite the economic climate, **53% think their business will remain stable and 34% are optimistic about sales** and expect them to grow.

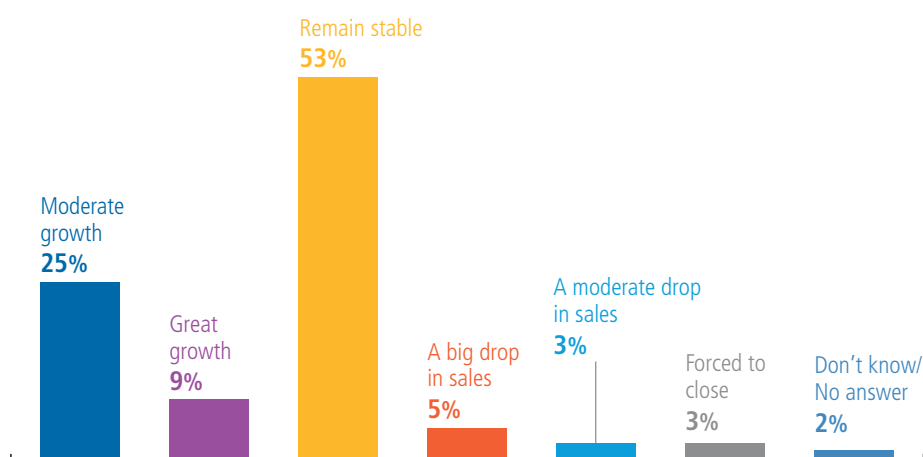
BUSINESS CLOSURES

34% of enterprises that have closed have done so before the end of their first year in business, which makes the first year a clearly critical time for business survival. The remaining 23% closed between the first and the second year, and 33% after two and a half years.

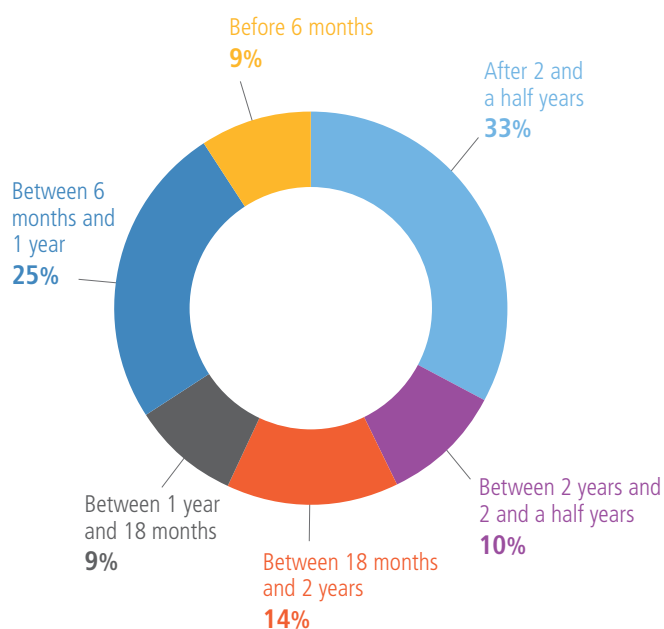
77% of businesses closed because they were not profitable, while personal and family problems, lack of liquidity or late loan repayment were the other reasons for business closure.

2011 and 2012 were critical for business. 62% of the businesses closed during these two years, a percentage that does not correspond to the years when most businesses opened (34% of the businesses in the survey started up between 2010 and 2012).

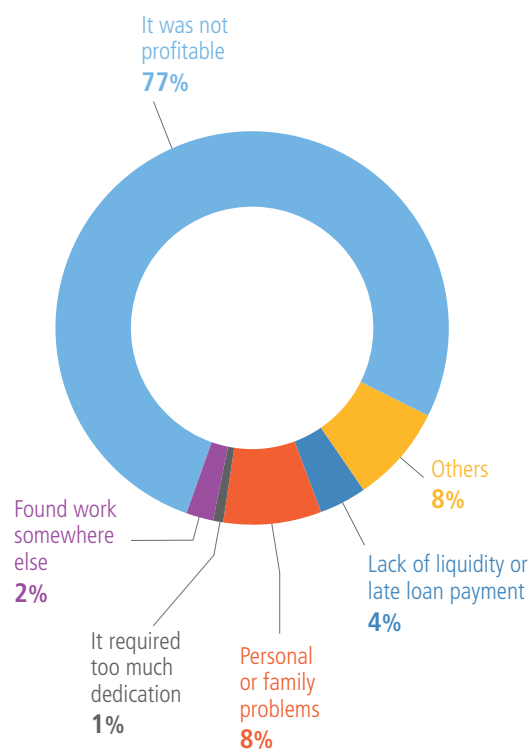
PREDICTIONS FOR THE NEXT YEAR



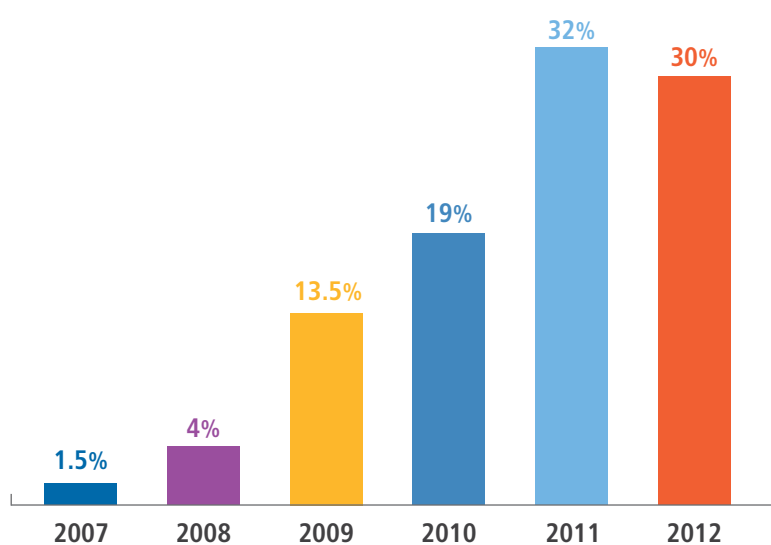
BUSINESS CLOSURES – TIME SCALE FOR BUSINESS CLOSURES



REASONS FOR BUSINESS CLOSURE



DISTRIBUTION OF THE PERCENTAGE OF CLOSED BUSINESSES ACCORDING TO THE YEAR OF CLOSURE

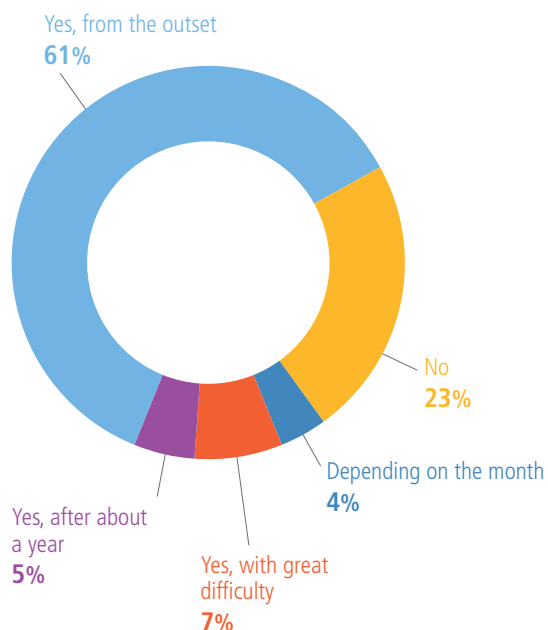


ABILITY TO REPAY THE LOAN

72% of the businesses earned or earn enough to pay back the loan; 61% earned enough from the outset to pay the loan instalments. This percentage dropped considerably to 48% for new businesses. In this case, 61% corresponds to the total number of businesses that earn enough from the outset or after a little time or were able to pay with difficulty.

In 80% of cases, the entrepreneurs paid the loan instalments every month. This dropped to 57% in the case of closed businesses, a figure considerably lower than in previous reports and an indicator of greater difficulties.

DID THE BUSINESS EARN ENOUGH TO PAY BACK THE MICROCREDIT?



4.4. IMPACT OF MICROCREDIT

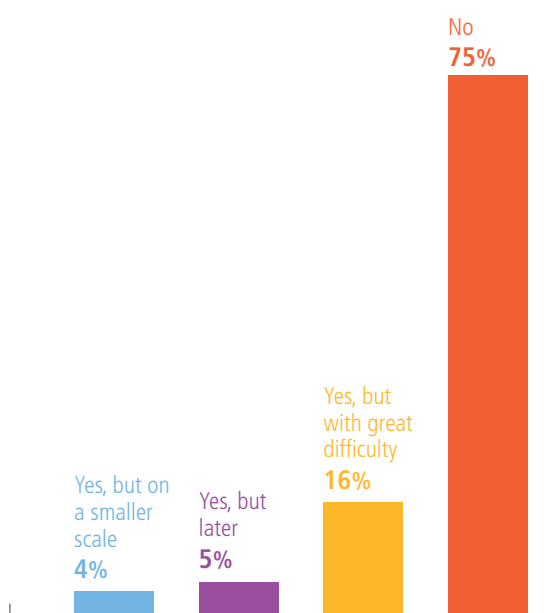
One of the central aims of this study was to understand the impact of microcredit in three main areas: the creation and consolidation of businesses, the creation of jobs and employment, and the social and economic circumstances of the micro-entrepreneurs. These aims had already been set in the 2011 MicroBank Report and gain importance with the increasing severity of the economic crisis. The available findings from the previous report enhanced the conclusions and enabled us to widen the framework of analysis.

IMPACT UPON THE CREATION AND CONSOLIDATION OF BUSINESSES

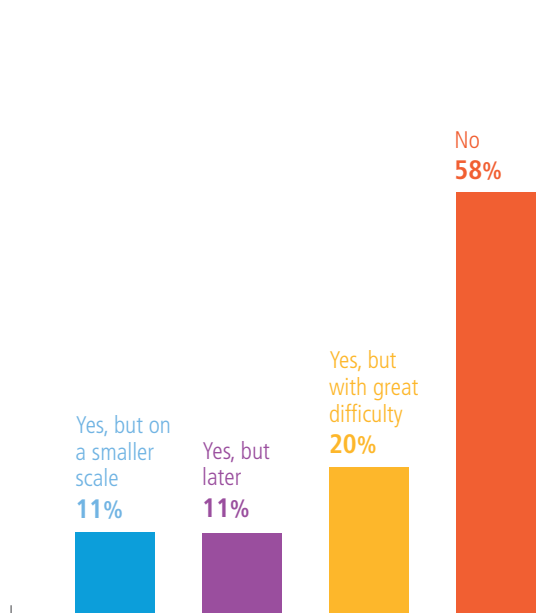
On the basis of the findings of the survey, we can confirm the value of microcredit as a funding instrument to create micro-enterprises. Of the entrepreneurs that started up a business with the help of microcredit, 75% said it would have been impossible without this support. A similar figure was obtained in the 2011 study (74%).

58% of the entrepreneurs said the microcredit was essential to expand their business. This continues to corroborate the value of this funding instrument for the micro-enterprise.

WITHOUT MICROCREDIT, DO YOU THINK YOU COULD HAVE OPENED YOUR BUSINESS? MICROCREDIT START-UPS

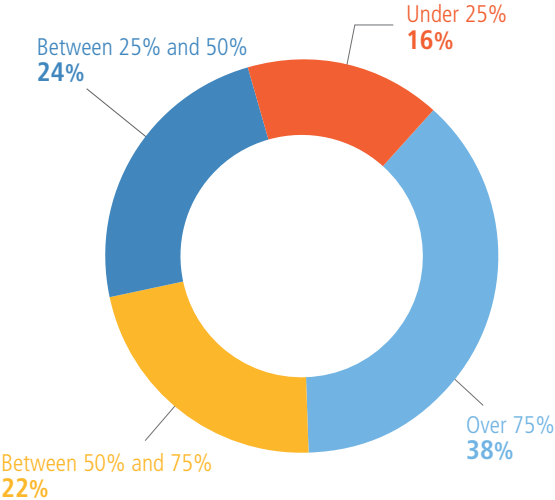


WITHOUT MICROCREDIT, DO YOU THINK YOU COULD HAVE EXPANDED YOUR BUSINESS? MICROCREDIT FOR BUSINESS EXPANSION

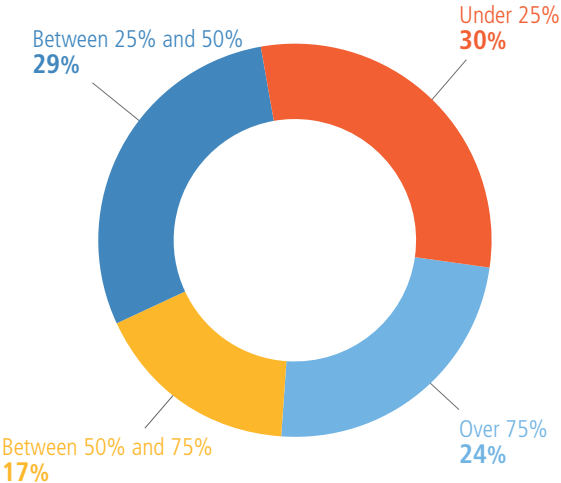


If we analyse the importance of microcredit **in the original investment, in over 60% of cases, microcredit accounted for more than 50% of the original investment for business start-ups.** In the case of business expansion, microcredit accounted for 41%, 19 percentage points less.

MICROCREDIT LOANS AS A PERCENTAGE OF THE ORIGINAL INVESTMENT FOR BUSINESS START-UPS



MICROCREDIT LOANS AS A PERCENTAGE OF THE ORIGINAL INVESTMENT FOR BUSINESS EXPANSION



IMPACT ON JOB CREATION AND EMPLOYMENT

The creation of self-employment for the entrepreneur is one of the main results of microcredit. A look at the job situation of the micro-entrepreneur whose business remains open shows that **88% work in their own company**. For businesses that closed, this figure drops to 65%.

Apart from self-employment, starting a business makes micro-entrepreneurs more employable. 32% of micro-entrepreneurs who work as employees say their business has helped them find their current job.

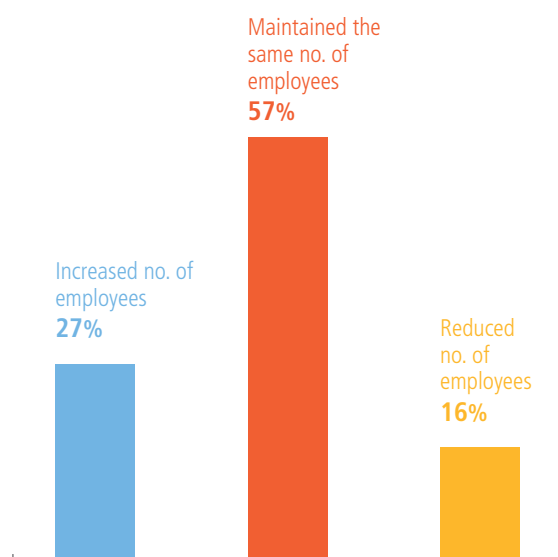
Curiously enough, however, getting a job is not the main reason that micro-entrepreneurs indicate for starting up a business. As seen before, only 25% say this is their main reason. **The main reason for setting up a business is seeing a clear business opportunity, and in second place, being unemployed.**

But in addition to self-employment, **microcredit also generates employment**. Thus, **the average number of jobs created by the companies taking part in the survey was 1.3 per company, to which we can add the job of the actual entrepreneur in 65% of the cases, making an average of 1.95 jobs created by each company**. Let us not forget that the overwhelming majority of these businesses are what

the EU defines as 'micro-enterprises'. In fact, 54% do not have any employees. Furthermore, 30% of the businesses that hire workers do not hire any full-time worker, 37% have one full-time worker, and 15% have two.

Creating employment while the micro-enterprise is in business is no easy task. **In 57% of the cases, the number of workers has not increased in the micro-enterprises since they started up**, although 27% have managed to grow and generate employment. It is the companies that have used microcredit to expand that have most contributed to creating new jobs: 28% as opposed to 22% in the case of business start-ups. However, it is also the companies using microcredit loans for business expansion that have cut back most on the number of employees (16% in the case of business expansion, as opposed to 7% in the case of business start-ups). New companies have been in business less time and this could be a key factor when interpreting these data.

PERCENTAGE OF COMPANIES STILL IN BUSINESS THAT HAVE INCREASED, MAINTAINED OR REDUCED THE NUMBER OF PEOPLE EMPLOYED FROM THE OUTSET



It is encouraging that, **despite the economic crisis, 25% of the entrepreneurs whose businesses are still open say they intend to hire workers in the next 12 months**. This finding is in keeping with the above-mentioned growth forecasts. Most of the entrepreneurs who say they will be hiring workers only intend to hire one.

Microcredit and micro-enterprises clearly help to create employment. But **is it quality employment?**

It is not easy to answer the question concerning the working conditions of the employees that are hired by the micro-entrepreneurs. There are no data available

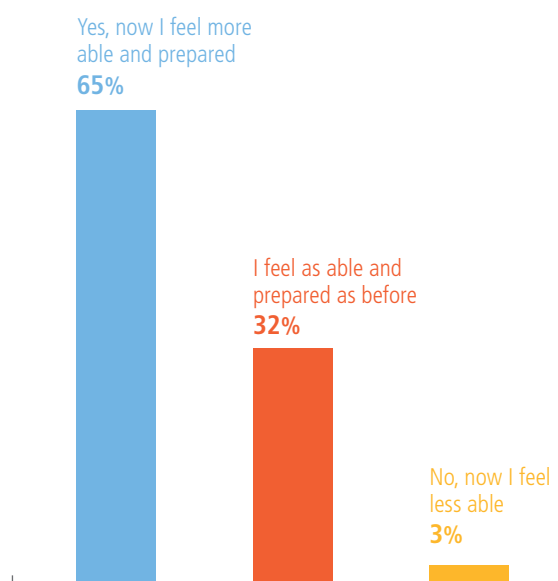
on types of contracts, wages or working conditions . However, we do know that most of them are hired for full-time work. But this factor alone does not permit an analysis of the employment generated by microcredit.

However, one key factor can help us to understand the quality of employment since, as mentioned before, 65% of the entrepreneurs are working in their own businesses as self-employed persons; 88% if we take only those whose businesses are still open.

Entrepreneurs that run their businesses are self-employed. Self-employment in Spain has few social security benefits and few rights. Bearing in mind, as we saw earlier, that micro-entrepreneurs claim to work on average 10 hours a day in their business, we may deduce that, generally speaking, **this is a low-quality form of employment** (although other aspects, such as job satisfaction, stability or flexibility should be taken into account to make a realistic overall evaluation of the quality of employment stemming from microcredit). This is probably the weakest aspect of microcredit as a funding instrument. However, this weakness is related more to the existing legal framework than to the instrument itself.

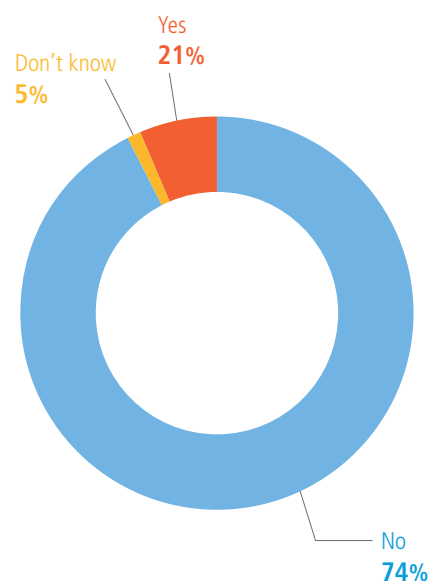
So far we have referred to microcredit as a generator of direct employment. But its impact on employment goes well beyond the direct creation of jobs. As observed in the two previous studies, **in some cases microcredit improves job prospects for the entrepreneur.**

65% of the micro-entrepreneurs felt they were more able and more prepared after receiving a microcredit loan. This personal sensation of capacity and preparation is vital for future employability, as well as for entrepreneurship and the creation of new enterprises.



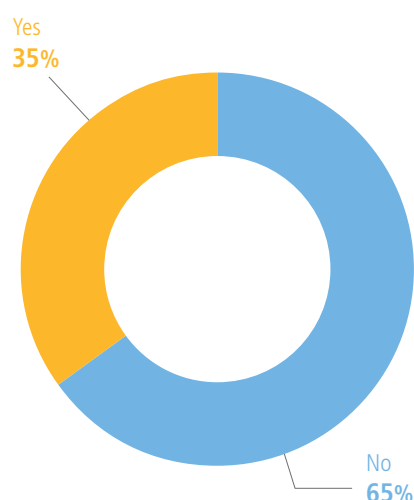
In fact, 22% of the entrepreneurs who had to close their business and are now working (35% of the total sample) say their business experience helped them to find their current job. Furthermore, **21% of the entrepreneurs who closed their business are planning to open another one.**

ARE YOU THINKING OF SETTING UP ANOTHER BUSINESS? (ENTREPRENEURS WHO HAVE CLOSED THEIR BUSINESS)



In most cases, the sensation of being better prepared does not come from training, as observed in other studies. **Only 35% of the entrepreneurs say they took courses after receiving a microcredit loan. It should be pointed out that this figure has increased by 10 percentage points compared to previous reports.**

DID YOU DO A TRAINING COURSE AFTER BEING GRANTED MICROCREDIT?



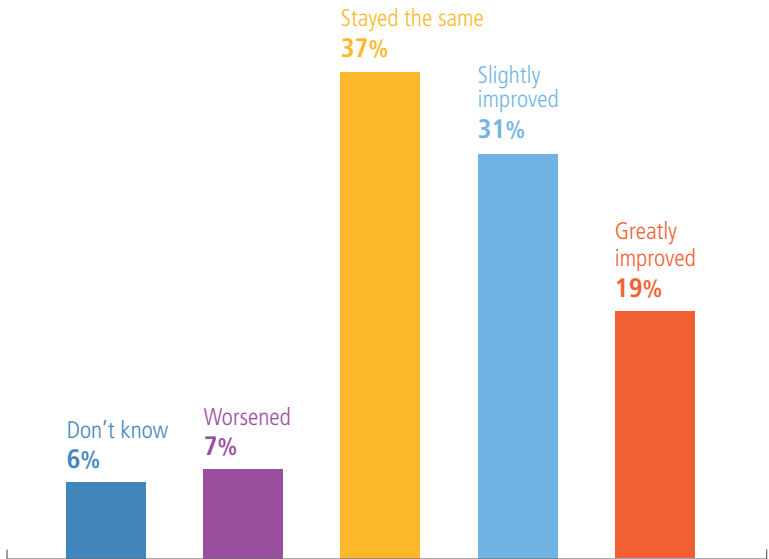
IMPACT ON THE SOCIAL AND ECONOMIC CIRCUMSTANCES OF THE ENTREPRENEUR

Microcredit has a significant impact on the empowerment of individuals and the perception of their own abilities, which undoubtedly affects their future job prospects. But **does it also have an impact on the quality of life and the socio-economic circumstances of entrepreneurs?**

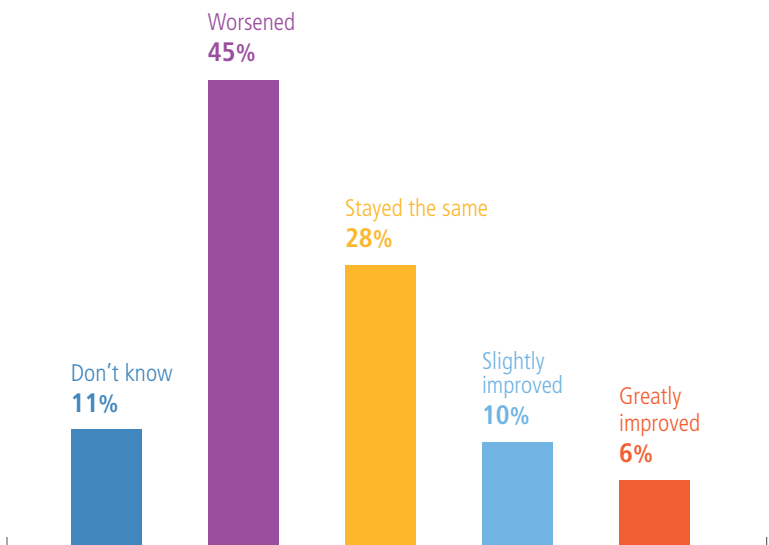
When the entrepreneurs were asked if they thought their quality of life had improved, worsened, or stayed the same, there was great diversity of opinion. This was logically influenced by whether the business was still open or had had to close. 45% of entrepreneurs whose business had closed say their quality of life is worse, whereas 50% of entrepreneurs whose business is still open say it has improved. **Thus, it would appear that microcredit has a highly irregular impact on the quality of life of the recipient.**

Also important to note in comparison to previous years is the percentage of entrepreneurs whose business is still open who feel their quality of life has improved. We suspect that the worsening economic crisis and crisis-related news in the media have had a considerable impact in this respect, although we have no available data to support this theory. We must not forget that the average number of hours that entrepreneurs dedicate to their business has increased by 48 minutes per day on average since the last survey.

DO YOU THINK YOUR QUALITY OF LIFE HAS IMPROVED OR WORSENERD DUE TO MICROCREDIT? (BUSINESSES STILL OPEN)



DO YOU THINK YOUR QUALITY OF LIFE HAS IMPROVED OR WORSENERD DUE TO MICROCREDIT? (CLOSED BUSINESSES)

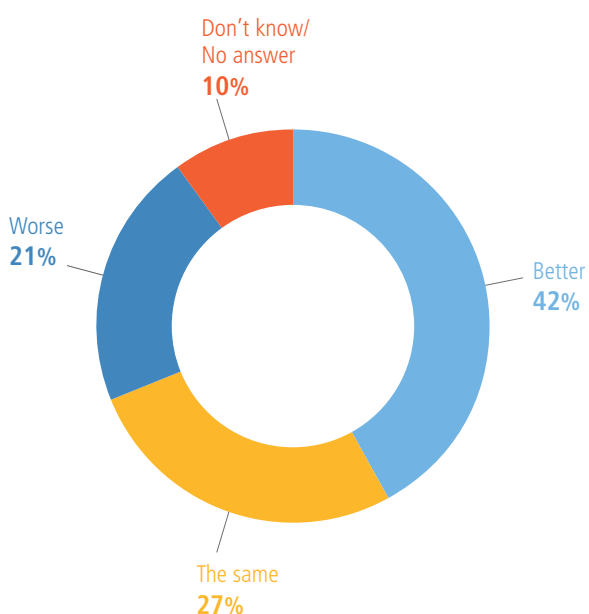


The appraisal of the change in their quality of life is undoubtedly linked in part to the change in their economic circumstances as a result of receiving microcredit.

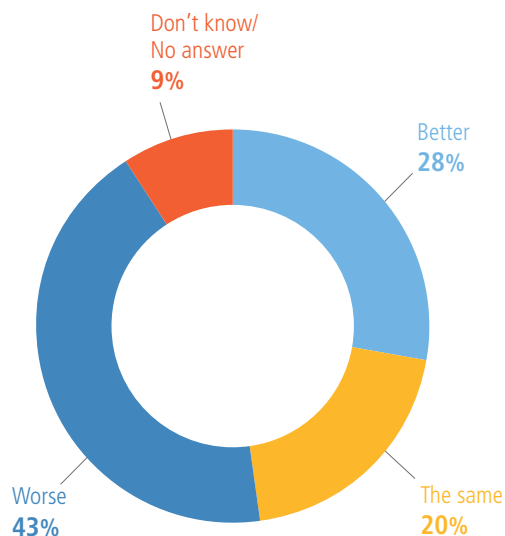
42% of the entrepreneurs whose businesses are still open think their situation is better than it would have been had they not received microcredit, although 21% of them think it is worse. In the case

of entrepreneurs whose businesses have closed, the figures are almost reversed, with 43% who think their situation is worse, and 28% who think it is better. It should be highlighted that the latter evaluate the help of microcredit positively in economic terms, even though their businesses have now closed.

DO YOU THINK YOU ARE BETTER OR WORSE OFF THAN IF YOU HAD NOT APPLIED FOR MICROCREDIT? (BUSINESSES STILL OPEN)



DO YOU THINK YOU ARE BETTER OR WORSE OFF THAN IF YOU HAD NOT APPLIED FOR MICROCREDIT? (CLOSED BUSINESSES)



The perceived improvement in the economic situation of the entrepreneurs is also greater than the actual increase in earned income that they claim to have as a result of microcredit. Thus, 36% of entrepreneurs whose businesses are still open and 12% of those whose businesses have now closed say they have increased their income. There are significant differences between actual improvement in income and the entrepreneur's perception of improved economic circumstances, especially in the case of those whose business has closed. The survey does not permit a more in-depth analysis of the reason for this difference, but it could be due to the greater financial integration gained with access to microcredit funding.

Once again, we detected significantly fewer positive answers than in previous years, confirming the trend noted in other areas of the survey, which we believe is mainly due to the worsening economic crisis that has affected small businesses in particular.

It can be confirmed that the contribution of microcredit to improving micro-entrepreneurs' economic circumstances is irregular and depends largely on how the business is faring and on the economic environment. **Microcredit clearly has a greater impact on the improvement of economic circumstances, when**

the economic environment is better. Therefore, when businesses started or expanded with the help of microcredit, they had better results. This does not mean that the instrument does not currently have a significant impact, but we may have to change our outlook if we are to make a suitable analysis.

However, despite changes in the economic climate and entrepreneur profiles, we can affirm that **microcredit continues to be a good funding instrument for community integration.** Thus, 60% of entrepreneurs whose businesses are open or for transfer feel their business has helped their integration into the community. This figure reaches 70% among entrepreneurs who were unemployed before setting up their micro-enterprise.

CONCLUSIONS

A general overview of the results and their subsequent analysis enable us to reach a series of interesting conclusions, if we compare them with the two previous editions of the report. A comparative analysis allows us, on the one hand, to confirm key conclusions from previous studies about the value of microcredit and its contribution to creating jobs and enterprises and, on the other, to indicate some changes that reflect the evolution of microcredit against a troubled economic backdrop.

The current economic crisis and developments in the microcredit sector in Spain have undeniably helped microcredit to evolve significantly, an evolution to which MicroBank has not been indifferent. We can, therefore, appreciate a considerable change in both the type of priority client and intended objectives. This change is in keeping with the economic crisis we are immersed in, in which difficulty to gain access to credit has frequently become an insurmountable obstacle for the entrepreneur and a major deterrent for business creation or consolidation, economic growth and the creation of employment. The conceptualisation and value of microcredit are changing.

The evolution of the focus of the study since it first appeared (at the beginning of 2010) until the present day reflects this change in concepts and priorities.

In the first Impact of Microcredit Report, priority was given to the analysis of the differences between financial microcredit (for the general public) and social microcredit (for people in a situation of exclusion). In the second year (mid-2011), this comparative analysis was no longer the central focus of the study. The social integration of people at risk of exclusion continued to be, and actually still is, one of the objectives of microcredit programmes, but other central objectives, such as the creation of employment, and the contribution of microcredit to business start-ups and business expansion, have gained in importance. The importance of these objectives has been confirmed by the worsening economic crisis.

Consequently, **in this study we opted for keeping key aspects already analysed in the two other studies**, such as the profile of entrepreneurs and their companies, the operation of the companies, the impact of microcredit on quality of life and the social and economic circumstances of the entrepreneurs. Another issue introduced in the previous report (**the impact of microcredit on business start-ups and the creation of employment**) has also been kept. In the following section, some of the main conclusions in these areas will be given.

As mentioned at the beginning of this report, one of the main objectives was to **analyse how the current economic crisis is affecting the microfinance sector in Spain**. Specifically, in the case of MicroBank, we wished to find out whether there had been significant changes in the profile of the micro-entrepreneur who applied to MicroBank for a microcredit and if the types of businesses created as a result were different from in previous years. Obviously, another basic area of interest was to understand how micro-businesses were doing and their impact on the quality of life of the entrepreneurs. Our conclusions are based on this approach.

In general, the findings reveal that microfinance continues to evolve from offering a product for a specific niche to becoming a recognised form of finance. **The profile of the microcredit recipient has, therefore, been standardised, while types of businesses that are being set up or expanded are increasingly similar to any other business in Spain**. These findings tally with data provided by the GEM Report.

5.1. THE MICRO-ENTREPRENEUR AND COMPANIES FUNDED WITH HELP FROM MICROBANK. SHORT DESCRIPTION

In the light of **the changes in the current economic scenario in Spain, we can see that the profile of the microcredit recipient has altered** since 2003. Thus, in 2004, the groups defined as priority recipients by funding entities and NGOs working in the sector were: i) women at risk; ii) immigrants; iii) the long-term unemployed; iv) single-parent households; v) people over 45; vi) the disabled; and vii) ethnic minorities. At that time, data provided by credit entities and Government bodies showed that microcredit was effectively reaching the following priority groups¹⁰:

- Women at risk, representing approximately 59% of the microcredits granted.
- Immigrants, representing 33% of the microcredits. In some entities with microfinance programmes, this percentage even exceeded that of Spanish recipients, reaching 52% and even 60%¹¹.

These percentages have fallen drastically in recent years until today the priority group, if we analyse the data for microcredit loans granted by MicroBank, is generally speaking much more in line with the average profile of the entrepreneur in Spain: **male (53%), Spanish (77%), married (56%), under 36 years old (40%), with secondary school education (43%) and self-employed before setting up a business (43%)**.

Thus, the 2011 GEM Report and this report coincide in a similar entrepreneur profile as far as nationality, gender, age and other variables are concerned. Both

these reports confirm a greater presence among people starting up their own business of women, young people and people who were previously unemployed. In the last few years, therefore, and as a result of the economic crisis, **the profile of the microcredit recipient has tended to become standardised**, coming closer to the profile of the entrepreneur in general.

Continuing with the profile of the entrepreneur, we can see that **most of them had not run a business before**. As for entrepreneurs' economic and family circumstances, the findings reveal deterioration in their economic situation. While the 2011 MicroBank Impact of Microcredit Report reported that most entrepreneurs' households had a net monthly income of more than €2,000, the latest report revealed a different scenario: **65% of micro-entrepreneurs' households have a net monthly income of less than €2,000**. Furthermore, in 80% of the cases, these family units consist of between two and four individuals. Only in 28% of the cases were there no family members dependent on the income generated by the business funded with microcredit, whereas in 30% of the cases, three or more people were dependent on said income. Finally, **micro-entrepreneurs' earnings contributed mainly between 25% and 50% to the family budget**. In 23% of cases, they contributed less than 25%, whereas in 30% of cases the contribution exceeded 75%. This percentage is greater than in the 2011 report (26%), indicating the precarious economic situation of Spanish households in the current economic crisis.

10. Various authors: *Las entidades sociales de apoyo al microcrédito*. Colección Cuadernos Monográficos, nº. 3. Nantik Lum Foundation, 2005.

11. OneWorld "Un Sol Món" Program (2003): 52% of recipients are immigrants/ Caixa Galicia's Program (2003): 60% of recipients are immigrants. Data source: Various authors: *Los Microcréditos: Alternativa financiera para combatir la exclusión social y financiera en España. Descripción de las principales iniciativas*. Colección Cuadernos Monográficos, nº. 1. Nantik Lum Foundation, 2005.

Another interesting aspect to analyse is why MicroBank microcredit recipients set up a business. **29% said they had seen a clear business opportunity.** This is a more optimistic figure than the one provided by the 2011 GEM Report, which claimed that only 14.4% of entrepreneurs were able to identify a good business opportunity in the area where they lived at the time.

However, let us not forget that the reasons that we might regard as more closely linked to the current economic crisis account for a highly significant percentage: **25% of the interviewees said they had started up a business because they were unemployed and it might be an employment opportunity.** Starting a business out of necessity rather than as a business opportunity also has a greater risk of business failure: it is not the best starting point. This finding is corroborated in this report: **while the main reason for starting a business for people whose businesses are still open was because they detected a clear business opportunity** (29% of the interviewees), **the main reason for people whose businesses have closed was to be more independent** (71% of the interviewees) and detecting a clear business opportunity was only the motivation for 1% of this group. The business success rate shows a link, therefore, with the reason for starting it up.

There were few relevant differences between men and women who decided to set up a business, although there is a slightly higher percentage of women who started a business because they were unemployed (25% as opposed to 22% of men).

PROFILE OF THE MICRO-ENTERPRISE

Most of the **companies do not have a legal structure and their owners are self-employed** (79%) and, therefore, sole partners who in fact work full-time in the business. **Most of the businesses**

have a sole partner (70%) or two partners (24%), due to the prevalence of self-employed persons mentioned above.

48% of microcredit loans are used to start up new businesses, slightly more than in previous years (45% in 2011). These are mainly extremely young companies and are operating locally (i.e. in the neighbourhood or city). Only 9% of the businesses operate internationally. **A greater proportion of national and international enterprises can be found among those that are still open, compared to those that have closed.** Accordingly, businesses that are being expanded tend to operate nationally and internationally to a greater extent, whereas business start-ups are more prevalent in the local environment of the neighbourhood or city.

Most of the **businesses created with the help of microcredit are in the retail and services sector,** although **increasing diversification** in types of business has been detected (compared to a majority of businesses in the hotel and catering trade in previous years).

64% of the micro-enterprises were started or expanded with an investment of less than €15,000 (in fact, 34% were started or expanded with less than €10,000), which may give an idea of the type and size of businesses usually funded by microcredit. Only 13% of the businesses required an initial investment of more than €25,000.

Most entrepreneurs contributed less than 25% of the initial investment directly from their savings when they set up or expanded their business. Only 9% of the interviewees contributed more than 75% of the investment.

This summarized information reveals that the **profile of the micro-enterprise created or expanded with the help of a MicroBank microcredit tallies with what the 2011 GEM Report highlights with regard to entrepreneurship in Spain**. We can also bear witness here to the above-mentioned standardisation process. Basically, these micro-enterprises provide self-employment for the business owner and barely generate employment (only 6% of the interviewees have five or more employees working in their businesses). The entrepreneurs surveyed in both reports also coincide in their outlook for the future, which is not particularly positive, although it does offer a glimmer of hope: **74% of the entrepreneurs do not intend to hire workers in the next 12 months, but an encouraging 26% do**.

The working conditions of entrepreneurs reflect in many ways the current economic situation: **75% of interviewees had no family support in their business, while 39% say they work between 10 and 12 hours a day, 18% more than 12 hours a day and 44%, on Saturdays and Sundays**.

HOW THE BUSINESS IS FARING

The survival rate of businesses started up or expanded with the help of microcredit has decreased slightly in relation to previous years, although it can still be considered satisfactory and absolutely normal for micro-enterprises. Almost three quarters of enterprises funded with microcredit loans **are still in business (73%), while 24% have closed** and 3% are up for transfer.

What has decreased in the last 18 months is the evaluation that entrepreneurs make of their businesses. **Amongst businesses that are still open, only 7% of owners think their business is going very well**, as

opposed to 36% who think it is going well. 13% think it is doing badly and the remaining 44% think it is doing reasonably well.

The first two years are especially critical for business survival. **34% of businesses that closed did so in the first year, which makes the first year** a particularly critical time for business survival. The remaining 23% closed between one and two and a half years after opening; and 33%, after two and a half years.

The **enterprises that are still open have been in business on average for 7.7 years, although there are significant differences**. 24% are less than 2 years old; and 29%, between 2 and 5 years old. These findings are logical if we bear in mind that we are dealing with an instrument, microcredit expansion, which is relatively new. Even so, 25% of the companies are more than 10 years old. If we add the years in business and the survival rate of microcredit-funded companies, it can be confirmed that the survival rate of micro-enterprises is higher than average in the business world. According to the last INE demographic report on businesses in Spain, the survival rate after 5 years is 46.1%. In contrast, the business survival rate for microcredit-funded enterprises is 76% after 5 years.

Logically, and as one would expect from the obstacles to survival in the first years in business, microcredit risk is much greater in the case of funding business start-ups. **62% of microcredit loans were granted for business start-ups**, while this figure rose to **84% to expand existing businesses**.

The main reason for closing a business is lack of profit. **77% of businesses closed because they were not cost-effective**, while other reasons for closing included family and personal problems, and lack of liquidity or delays in loan repayment.

Most of the businesses earned enough from the outset to be able to meet the loan repayments. **72% of the businesses earned enough or generated enough income to pay back the loan.** 61% of the businesses made enough to make the loan repayments from the outset. This percentage drops significantly to 48% in the case of new business start-ups.

5.2. CONTRIBUTION OF MICROCREDIT TO EMPLOYMENT

2011 and 2012 have been critical years for business:

- **60% of the businesses closed during these two years**, a percentage which does not correspond to the years with most start-ups (34% of the enterprises opened between 2010 and 2012).

The crisis has had a negative impact on the employment situation of entrepreneurs, especially on those whose businesses have failed:

- In **65% of cases, entrepreneurs are currently working in their own company. We must draw attention to the significantly high number of people who are currently unemployed (17% of the interviewees)** and 11% who are working as employees. These findings reveal how the **employment situation of entrepreneurs has deteriorated in relation to the 2011 report**, in which only 6% were unemployed and 81% were working in their own company.
- **57% of the micro-entrepreneurs who closed their businesses are currently unemployed.**

Entrepreneurs rate business performance worse than they did a year and a half ago:

- **The percentage of entrepreneurs who think their business is doing well or very well has dropped more than 13%** compared to the previous year, which reflects the impact of the worsening economic crisis on small businesses.

The increase in income and net family income as a result of receiving microcredit has decreased significantly this year, compared to the previous reports, especially in the case of entrepreneurs

whose businesses are still open:

- **36% of the entrepreneurs whose businesses are still open say their income has increased, compared to 51% in mid-2011 (eighteen months ago).**
- The 2011 report revealed that 57% of the micro-entrepreneurs had a net family income of more than €2,000. In contrast, this year's report provides data that is more in line with the current economic climate: **65% of the micro-entrepreneurs' households had an income of less than €2,000 a month.** Furthermore, of entrepreneurs with an income of less than €2,000 a month, the majority earned between €1,000 and €1,499 a month.

The perception of improved quality of life by entrepreneurs whose businesses are still open has also decreased. We believe that the worsening economic crisis and the news related to it have had a significant impact, although we are unable to support this theory with the available data:

- The average number of hours that the entrepreneurs claim to dedicate to their businesses has increased by almost 48 minutes a day compared to the last study.

Despite the crisis, the entrepreneurs are optimistic:

- **53% think that business will remain stable and 34% are optimistic about sales** and expect them to grow.

The crisis has changed the reasons for starting up a business, and we have seen how these reasons

have evolved in recent years. Reasons linked to finding a way out of unemployment have gained importance, becoming the main motivation behind business start-ups:

- **At the beginning of the economic crisis (2008), almost 25% of the entrepreneurs pinpointed unemployment as their reason for starting up a business. This percentage reaches almost 50%** if we take the average number of entrepreneurs who set up a business between 2011 and 2012.
- **The number of entrepreneurs who were previously unemployed has increased by 5% since the 2011 report, and currently accounts for 34% of women** (main prior employment situation) **and 19% of men.** This confirms that starting a business as a way out of unemployment has definitely increased among women, and would also partly explain the increased tendency for women to become microcredit recipients.

We cannot deny that the economic crisis in which we are immersed and, in particular, the worsening situation in the last two years have restricted the impact of microcredit. Businesses have not been going so well and the quality of life and circumstances of micro-entrepreneurs have obviously been affected. However, in spite of this, the findings reveal that microcredit continues to be a valuable, effective and efficient funding instrument, which serves to revitalise the economy, set up and expand companies and create employment. **The 40,233 microcredits granted by MicroBank since it started have contributed to creating or consolidating about 78,454 jobs.**

In a highly volatile economic environment, microcredit has become established as a valuable tool that helps to integrate small business owners both economically and socially; a tool at the service of a more dynamic economy, which serves as a unifying force in society.

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APPENDIX

7.1. QUESTIONNAIRE USED IN SURVEY

BLOCK 1: DATA ON THE BUSINESS ASSISTED BY THE MICROCREDIT

Concerning the business assisted by the microcredit...

can you tell me what kind of business it is?

..... | | |

Is the business still running?

- ☐ Yes
☐ No
☐ Transferred

What legal status does [did] it have?

- ☐ Self-employed
☐ Public Limited Company (S.A.)
☐ Workforce-owned limited-liability company (S.A.L.)
☐ Limited Liability Company (S.L.)
☐ Cooperative (S.C.C.P.)
☐ Other

Including you, how many partners are [were] there in your company?

..... | | |

Can you tell me the date the business opened? [MO/YEAR]

..... | | | / | | | | | |

Can you tell me the main reason that led you to open a business?

- ☐ I wanted to gain independence
☐ I wanted to increase my income
☐ I saw a clear business opportunity
☐ I was unemployed and opening my own business was a way to have work
☐ I was afraid of losing my job and opening my own business was a way of ensuring I had work
☐ Other

When did you have to close it? [MO/YEAR]

..... | | | / | | | | | |

What was the reason for closure?

- ☐ Not profitable
☐ Found work elsewhere
☐ Too time-consuming
☐ Family problems
☐ Other

What is your current employment situation?

- ☐ Self-employed in the business
☐ Self-employed in another business
☐ Employed by someone else
☐ Unemployed
☐ Retired
☐ Other
☐ No answer

What area of action does [did] your business have, i.e. where do [did] your customers come from?

- ☐ Neighbourhood
☐ City
☐ Country-wide
☐ International

Was the microcredit you requested from MicroBank to open or to expand the business?

- ☐ Open
☐ Expand

[As appropriate: open/ expand]

How much money did you need to open/ expand the business?

- ☐ Under 10,000 euros
☐ Between 10,000 and 15,000 euros
☐ Between 15,000 and 20,000 euros
☐ Between 20,000 and 25,000 euros
☐ Between 25,000 and 30,000 euros
☐ Between 30,000 and 35,000 euros
☐ Between 35,000 and 45,000 euros
☐ Between 45,000 and 60,000 euros
☐ Over 60,000 euros

[As appropriate: Initial credit/ expansion]

What percentage of the total does the initial investment/ expansion represent?

- ☐ Less than 25%
☐ 25-50%
☐ 50-75%
☐ Over 75%
☐ Don't know/No answer

[As appropriate: Initial credit/ expansion]

How much of the *initial investment / expansion* required was directly contributed by your savings?

- ☐ Less than 25%
☐ Between 25 and 50%
☐ Between 50 and 75%
☐ Over 75%
☐ Don't know/No answer

[As appropriate: Initial credit / expansion]

Do you think that you could have *opened/ expanded* your business without the microcredit?

- ☐ Yes, though smaller
☐ Yes, though later
☐ Yes, but with a lot of difficulty
☐ I don't think so
☐ Don't know/No answer

How many employees do [did] you have in the business?

..... | | |

[If you have employees] How many are [were] full-time?

..... | | |

And when you set up the business, how many employees did you have?

..... | | |

Do you envisage taking on anyone else in the next 12 months?

- ☐ Yes How many? | | | |
☐ No

Have you had to dismiss any employee in the last 12 months?

- ☐ Yes How many? | | | |
☐ No

Can [could] you rely on the support of a family member working free to advance your business?

- ☐ Yes
☐ No
☐ No 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

Would you say that at present the business works...

- ☐ Very well
☐ Well
☐ Not bad
☐ Poorly
☐ It is being transferred
☐ No answer

Compared with last year, would you say that the business works...

- ☐ The same
☐ Better
☐ Worse
☐ Don't know/No answer

What expectation for the coming year do you have for your business?

- ☐ Moderate growth
- ☐ Quite a lot of growth
- ☐ Remains stable
- ☐ Sales fall a lot
- ☐ Sales fall a little
- ☐ Have to close
- ☐ Other

Would you say that the business helped you get your current job?

- ☐ Yes
- ☐ No
- ☐ Don't know/No answer

Are you thinking of opening another business?

- ☐ Yes
- ☐ No
- ☐ Don't know/No answer

BLOCK 2: DATA ON THE MICROCREDIT PROGRAMME

Does the business generate [or has it generated] sufficient income to make the repayments on the loan?

- ☐ Yes, from the start
- ☐ Yes, after about a year
- ☐ Yes, but with a lot of difficulty
- ☐ It depends on the months
- ☐ No

Was there any month that you could not make the repayment?

- ☐ Yes
- ☐ No
- ☐ Don't know/No answer

What would you say is the reason for not being able to make the repayment?

.....
 | | |

Do you know who you contracted the microcredit from? Do you know with whom you contracted the microcredit: MicroBank or "la Caixa"?

- ☐ "la Caixa"
- ☐ MicroBank
- ☐ Others Who?
- ☐ You confuse "la Caixa" with MicroBank
What is the reason for this confusion?

Concerning MicroBank, part of "la Caixa"...

How did you find out about it?

- ☐ Through the branch
- ☐ Communications media
- ☐ Through friends, family members, etc.
- ☐ Through the town council
- ☐ Through a social organisation
- ☐ Others: specify

BLOCK 3: SOCIAL-CULTURAL AND ECONOMIC CHANGES

In relation to the MicroBank microcredit...

ECONOMIC IMPACT

Would you say that, thanks to the credit, your available income has gone up or down?

- ☐ Gone up
- ☐ Remained the same
- ☐ Gone down
- ☐ Don't know/No answer

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

- ☐ Yes Approximately how much of this increase have you invested in your business?
- ☐ No

In relation to the economic situation you think you would be in if you had not requested the microcredit, would you say you are better or worse off?

- ☐ Better
- ☐ The same
- ☐ Worse
- ☐ Don't know/No answer

SOCIAL AND CULTURAL IMPACT

Would you say that your quality of life has improved or deteriorated because of the microcredit?

- ☐ Improved a lot
- ☐ Improved a bit
- ☐ Remained the same
- ☐ Got worse
- ☐ Don't know/No answer

Do you feel more or less capable and prepared to face the future now than before the microcredit was granted?

- ☐ Yes, now I feel more capable and prepared
- ☐ I feel just as capable and prepared as before
- ☐ No, now I feel less capable
- ☐ Don't know/No answer

Has the granting of the microcredit contributed to this improvement?

- ☐ Yes
- ☐ No
- ☐ Don't know/No answer

Have you taken a training course since the microcredit was granted?

- ☐ Yes
- ☐ No
- ☐ Don't know/No answer

What kind?

- ☐ Languages
- ☐ Professional, relating to the current business
- ☐ Professional, relating to a future business
- ☐ Personal interest
- ☐ Don't know/No answer

Do you think you should expand your training so as to manage your business better?

- ☐ Yes
- ☐ No

In what areas?

- ☐ Languages
- ☐ Administration
- ☐ Technical questions relating to the business
- ☐ Others: specify
- ☐ Don't know/No answer

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

- ☐ More integrated
- ☐ No change
- ☐ Less integrated
- ☐ Don't know/No answer

BLOCK 4: SATISFACTION WITH THE PROGRAMME

Concerning the services offered by MicroBank...

Are you satisfied with the services offered?

- ☐ Yes
- ☐ No
- ☐ Don't know/No answer

Do you want to make any suggestion that may help us to improve the service provided by MicroBank for its microcredit customers?

.....

.....

Did the procedure for getting the microcredit seem easy or complicated?

- ☐ Easy
- ☐ Correct
- ☐ Complicated
- ☐ Don't know/No answer

[IF SOCIAL MICROCREDIT, ACCORDING TO THE LIST]

Would you say that the support work of the entity processing the microcredit was adequate or insufficient?

- ☐ Adequate
- ☐ Insufficient
- ☐ Don't know/No answer

[IF SOCIAL MICROCREDIT, ACCORDING TO THE LIST]

Is there anything that could be improved?

.....

.....

[IF SOCIAL MICROCREDIT, ACCORDING TO THE LIST]

Would you say that the work of the entity in drawing up the Business Plan was adequate or insufficient?

- ☐ Adequate
- ☐ Insufficient
- ☐ Don't know/No answer

[IF SOCIAL MICROCREDIT, ACCORDING TO THE LIST]
Is there anything that could be improved?

.....
.....

[IF SOCIAL MICROCREDIT, ACCORDING TO THE LIST]

Would you say that the support of the entity in monitoring business operations once the microcredit had been granted was adequate or insufficient?

- ☐ Adequate
☐ Insufficient
☐ Don't know/No answer

BLOCK 5: CLASSIFICATION

To finish up, I will ask a number of questions that will help us analyse your replies better. Could you please tell me...

whether you have applied for other loans since the granting of this microcredit?

- ☐ Yes
☐ No
☐ Don't know/No answer

What kind?

- ☐ Private
☐ Mortgage loan
☐ For the business
☐ Other

Whether you have any other financial service contracted, such as...

- ☐ Insurance (car, home, life, etc.)
☐ Savings product (pension plan, investment fund, term deposit, etc.)
☐ Other

Can you please tell me your country of birth?

[Drop-down of country of origin, organised according to how common it is. Provided by MicroBank]

.....
.....

Since when have you lived in SPAIN?

..... | | | | |

What was your job status before you received the microcredit?

- ☐ I had never worked in Spain
☐ I was unemployed, receiving benefit
☐ I was unemployed, receiving no benefit
☐ I was working as a salaried employee
☐ I was self-employed
☐ I was working irregularly
☐ No answer

How long had you been inactive when you applied for the microcredit?

- ☐ Under 6 months
☐ Between 6 months and 1 year
☐ Between 1 and 2 years
☐ Over 2 years
☐ No answer

Had you run a business before?

- ☐ Yes
☐ No
☐ Don't know/No answer

In Spain or in another country?

- ☐ In Spain
☐ In another country
☐ In Spain and in another country
☐ Don't know/No answer

Did the business for which you used the microcredit bear any relation to your previous experience?

- ☐ Yes
☐ No
☐ Don't know/No answer

Please tell me your marital status.

- ☐ Single
☐ Married [Registered partnership]
☐ Divorced [Separated...]
☐ Widower/ widow
☐ No answer

What is the highest level of education you have reached?

- ☐ None at all
☐ Primary
☐ Secondary
☐ Higher education
☐ No answer

How many people live at your home, including yourself?

..... | | |

How many people in your household are economically dependent, i.e. they have no salary and therefore depend on your income or that of other members of your family?

..... | | |

What is the approximate contribution of your income to the family budget?

- ☐ Less than 25%
☐ Between 25 and 50%
☐ Between 50 and 75%
☐ Over 75%
☐ Don't know/No answer

In general, would you say you reach the end of the month?

- ☐ Comfortably
☐ Just
☐ Don't last out
☐ Don't know/No answer

Could you tell me whether the total monthly income in your household is over or under €2,000?

- < €2,000
- ☐ Less than €500
☐ From 500 to €999
☐ From 1,000 to €1,499
☐ From 1,500 to €1,999

- > €2,000
- ☐ From 2,000 to €2,499
☐ From 2,500 to €2,999
☐ From 3,000 to €4,999
☐ Over €5,000
☐ Don't know/No answer

On average, how much a month do you save?

..... | | | | €

Do you usually send money to your country of origin?

- ☐ Yes Approximately how much a month do you usually send?

..... | | | | €

- ☐ No
☐ Don't know/No answer

Knowledge of Spanish.

Note to the operator: based on your observation.

- ☐ High level
☐ Medium
☐ Low

AUTHORISATION

Do you authorise us to send your assessments and personal views to the corresponding department?

- ☐ Yes
☐ No



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