

Original Research Paper

Microcredit Services to Reduce Vulnerabilities in Italy: An Exploratory Study Using Focus Groups

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Abstract: The development and promotion of microfinance services has been viewed as a key policy and program intervention for poverty reduction and bottom up economic and social local development. This study aims to analyze critically the role of microcredit in Italy as a tool to facilitate the credit access to vulnerable people and help them establish or expand a business. Using focus groups, the research analyses the mechanisms through which the involvement in microcredit operations results in positive (and negative) effects on people's lives. During the group discussion, microcredit emerges as a positive instrument representing a great opportunity to allow people to find a form of employment, in the respect of the human rights. The credit seems to be even more important for young and migrants as a way to become independent economically, to start playing a new role in the society. However, the initial support and the following assistance during the loan term emerge as fundamental elements for the success of microloans, not only for the most vulnerable borrowers. These results suggest that effective microcredit policies should support the provision of non-financial services along with microcredit.

Keywords: Business Microcredit, Social Microcredit, Vulnerability, Focus Group, Italy

Introduction

The development and promotion of products and services of microfinance has been viewed as a key policy and program intervention for poverty reduction and bottom-up local economic and social development (Armendariz De Aghion and Morduch, 2010; Banerjee *et al.*, 2019; Hudon *et al.* 2019; Meager, 2019; OECDEC, 2021).

Bhuiyan *et al.* (2012) defines microfinance as a lot of financial service as well as microcredit, savings, insurance, and payment services. In particular, he describes microcredit as a program designed to extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families, whereas microfinance as a lot of financial service as well as savings, insurance, and payment services.

The international profile of microcredit as a tool for poverty alleviation was secured in 2006, when Muhammad Yunus and Grameen Bank were awarded the nobel peace prize (Dowla and Barua, 2006; Mishu *et al.*, 2020; Nicholls, 2006; Yunus, 1999).

This study aims to analyze critically the role of microcredit as a tool to facilitate the credit access to

vulnerable people and help them establish or expand an economic business.

Microcredit targets vulnerable members of society, including persons with disabilities, unemployed persons, young and elderly people, women, migrants, refugees and minorities. These people are under-represented and disadvantaged in find work or in develop a business.

Among members of the vulnerable population, young adults are most severely affected by financial exclusion. European Commission (2020) highlight that only 76% of European Union (EU) citizens aged 15-24 have a bank account. The largest financial exclusion of youth is present in Croatia, Czechia, Greece, and Italy. In different EU countries, banks offer loans to least risky micro-enterprises. Banks also require collateral as a prerequisite for loans, and this excludes vulnerable members of the population and many microenterprises.

The research is focused on the direct experience of people who have used microcredit in Italy. We selected two partner institution as a case study and conducted focus groups with a small sample of participants.

Using focus groups, the research analyses the mechanisms through which the involvement in

microcredit operations results in positive (and negative) effects on people's lives. This analysis is part of the project "measuring microfinance impact in the EU: Policy recommendations for financial and social inclusion" (funded by the EIB University Research Sponsorship (EIBURS)). In the research project, focus groups are used to identify the main changes occurring to borrowers, as a preparatory work for the following impact investigation. Interviews with the institutions' staff members complete the focus group analysis.

The main targets are young entrepreneurs and immigrants, who have the opportunity to reduce their vulnerabilities. Through the creation of a new business, young entrepreneurs can gain independence from their original household. On the other side, immigrants have the opportunity to increase their household income and employ family members. In Italy, focus groups involved also borrowers of "social" loans (loans made mainly to cope with emergencies), who are particularly vulnerable and who rely on microcredit mainly to: Avoid devastating consequences such as, for example, eviction; have relief from temporary financial household imbalances to focus on the seek for a new job.

The paper is organized as follows. Paragraph 2 provides a brief overview of the role of microcredit in Italy. Subsequently, methods of focus groups and data collection are described. Then, the main findings arising from focus groups are highlighted. Finally, discussion and conclusions are summarized.

Contribution of Microcredit in Italy:

Literature Review

The microcredit is very widespread in Italy and is dedicated to people experiencing poverty and social vulnerability and those without collateral. Microcredit experiences in Italy show a very diversified landscape, in terms of actors involved (AA.VV., 2020; Adamo, 2009; Andreoni *et al.*, 2013; Carboni *et al.*, 2010; Bendig *et al.*, 2012; Grazioli *et al.*, 2020; Pizzo and Tagliavini, 2013; Viganò, 2004).

In Italy, the first forms of microcredit, very close to modern ones, can be found in the Monti di Pietà, founded by the Franciscan friars (Zamagni, 2001). The first Monte di Pietà was born in Perugia, in 1462. The basic idea was to provide small loans oriented mainly to consumption, necessary to deal with liquidity crises.

In the twentieth century microcredit activities in Italy were carried out by Mutua Auto Gestione (MAGs), which through the collection of funds among its members financed projects with social aims (culture, fair trade, publishing, international cooperation). From the beginning, the MAG goal was to invite its members to rethink the use of money and to direct it towards social and mutualistic activities.

The profound legislative changes in the financial sector in the 1990s forced the MAG system to initiate a restructuring process.

In those years, MAG proposed to various institutions in the world of social cooperation, voluntary work and associations, ideas aimed at providing the third sector with a financial entity capable of responding to the provisions of the new legislation. All this led, in December 1994, to the creation of the association towards the bank of ethics, in which the entire MAG movement and the various organizations representing the national association scene participated.

On March 8, 1999 the first ethical bank in Italy began operations, it is the Banca Etica (Biggeri, 2013). The birth of Banca Etica marked, in the path of growth of microcredit in Italy, a fundamental step.

Today, Banca Etica selects the subjects that can have access to a micro-loan thanks to the intervention of a series of entities present at the territorial level (such as, for example, the diocesan Caritas), which report to the bank the subjects who previously, they turned to get financial support.

In 2008 the Italian microfinance network (RITMI) was set up in Bologna. Today, this network brings together historical actors of Italian ethical finance (MAG, foundations, ONLUS, public bodies, companies) and strives to coordinate and facilitate the development of microcredit by sharing good practices and sharing knowledge (Conzett *et al.*, 2010).

An important role is played by the projects supported by PerMicro, the first Italian company specialized in microcredit that is part of RITMI and European Microfinance Network (EMN).

Then there are different micro-credit projects launched by the diocesan Caritas. The latter, in fact, for their internal structure turn out to be the ideal partners for the management of solidarity support practices. Caritas listening and support centers become efficient "agencies" which, in addition to the production of forms of material support for applicants (food parcels, generic services, medical assistance), function as a link with the financial system.

Lastly, the initiatives promoted by the Cooperative Credit Banks are also relevant, with their cooperative vision of the community (the spirit of the village) they combine financial self-sustainability with processes of social production of relational goods, with the clear intent promotion of human virtuous skills and behavior (Cassola, 2010).

The initiatives of the cooperative credit banks in the national context are declined in different ways, according to the specific needs of the territory. These experiences show how the microcredit sector in Italy is flexible and able to offer products that meet the needs of the "new poverty" differently spread over the territory.

Despite this interest on microcredit programs, the inadequate regulatory context is the main factor that limits the potential development of microfinance industry (Arbolino *et al.*, 2018).

The first Italian regulation of microcredit (stated in articles 111 and 113 of the consolidated law on banking, CBA and in Decree 176 of 17th October 2014 of the Ministry of Economy and Finances) shows an internal distinction in the definition of microcredit arises, through the separation of business and social microcredit (AA.VV., 2019; cborgomeo&co, 2022; Ruesta and Benaglio, 2020; Yunus, 2010).

Business microcredit refers to products and services useful for developing people's resources by promoting the right to business venture (Glantz, 2014). The form of business microcredit supplies credit support to the start-up, to the consolidation of microenterprises or forms of self-employment. The maximum amount of business microcredit was 25,000 euros.

Social microcredit refers to a group of products and services useful for fighting poverty and social marginalization. The maximum amount of a social microcredit was 10,000 euros.

In addition, decree 176/2014 (pursuant to the authority granted by community law 7 September 2009, n. 88 for the transposition of directive 2008/48/EC, as amended and supplemented by legislative decree 218/2010) established that the microcredit activity implies the supply, from specialized operators, of the auxiliary services of assistance and monitoring of borrowers (Assonime, 2011; Goffredo and Berneri, 2010).

In particular, legislative decree 141/2010, with legislative decree 169/2012, has limited the financial activities subject to regulation and redefining the objective scope of the discipline: "The exercise of loans granted to the public in any form is reserved for authorized financial intermediaries enrolled in the appropriate register held by the Bank of Italy".

Today, in Italy, the regulator has highlighted the importance of microcredit for the economic restart, especially in a phase in which the uncertainty linked to COVID-19 is still strong.

For this reason, the new 2022 budget law provides for a significant expansion of the possibility of access to microcredit by small entrepreneurs, who are already active or who are about to start their own business.

Particularly, the maximum limit of obtainable loans has been raised from 40,000 euros (already the *ristori* decree of 18 December 2020, n.176, had raised the amount from the previous 25,000 euros to the current 40,000 euros) to 75,000 euros for individuals. and up to 100,000 euros for the limited liability companies.

A significant expansion of the purposes there was been: Not only the case of starting a business activity or entering the world of work, but now even those who have a business for some time can request a loan.

In Italy, it's possible individuate two types of market players with the respective different operating modes with which they offer their services.

The first is based on "triangulation", which generally uses a bank for payment, a group of volunteers for tutoring

and monitoring, and a guarantee fund set up by third parties, such as banking foundations or government agencies.

The second is based on an institution specializing in microfinance, which operates as a financial brokerage company pursuant to art. 106 CBA.

The first model is prevailing. Microcredit providers can be classified on the basis of other criteria, as:

1. Institutions that obtain a license to conduct banking activities or simply apply for registration with a banking supervisory authority
2. Institutions having the status of non-profit organizations or institutions who aim instead to make a profit
3. Private institutions or public institutions
4. Institutions whose main activity is microcredit or institutions for whom microcredit is only part of their portfolio of assets

As already pointed out above, the banking sector is a major player in the market for microcredit through savings banks, cooperative banks, and commercial banks. However, in Italy, as is the case in most Member States of the European Union, non-bank institutions are the main providers of microcredit.

Today microcredit is well known throughout the country, also due to the growth of the types of subjects excluded from the financial system and the poverty recorded above all in recent years.

In 2021, household relative poverty incidence is equal to 11.1%, against 10.1% in 2020 and 12.3% in 2017. Compared to 2020, the incidence of households in relative poverty increased especially in the Southern regions, where it rose from 18.3% in 2020 to 20.8% in 2021 (Fig. 1).

Referring to the age group, in 2021, the incidence of individual absolute poverty stood at 14.2% among minors; 11.1% among young people (18-34 years) and remained at a high level (9.1%) even for the 35-64 age group, while it remained below the national average for the over 65 (5.3%). Compared to the 2017, the percentages remained almost unchanged with slight increases probably due to the economic crisis of the last two years.

Data on individual relative poverty incidence show the same results (Table 1).

The share of population at risk of poverty or social exclusion decreased from 27.3% in 2018 to 25.4% in 2021, due to lower rates of severe material deprivation and low work intensity among households. The share of individuals at risk of poverty remained stable at 20.1% in 2021 (Table 2).

Microcredit in Italy can acquire the role of instrument for the country's social policies, able not only to fully support the entrepreneurial spirit but to effectively combat the phenomenon of usury, the liquidity problems of low-income families, unemployment youth, and job insecurity.

Table 1: Individual Absolute Poverty incidence (AP) and individual Relative Poverty incidence (RP) in Italy (values in %)

Gender	Select time Age	2017		2021	
		AP	RP	AP	RP
Males	Until 17 years	12.4	21.3	13.8	21.9
	18-34 years	10.7	19.4	10.8	16.9
	35-64 years	8.6	14.9	9.5	14.0
	65 years and over	4.6	10.9	4.7	9.6
	Total	8.8	16.1	9.5	14.9
Females	Until 17 years	11.7	21.8	14.5	22.2
	18-34 years	10.2	18.7	11.4	17.9
	35-64 years	7.7	14.0	8.8	13.4
	65 years and over	4.6	10.1	5.8	10.2
	Total	8.0	15.1	9.3	14.6
Total	Until 17 years	12.1	21.5	14.2	22.0
	18-34 years	10.4	19.0	11.1	17.4
	35-64 years	8.1	14.5	9.1	13.7
	65 years and over	4.6	10.5	5.3	9.9
	Total	8.4	15.6	9.4	14.8

Table 2: People at risk of poverty or social exclusion (per hundred values)

Data type	2018		2019		2020		2021	
	People at risk of poverty or social exclusion	People at risk of poverty	People at risk of poverty or social exclusion	People at risk of poverty	People at risk of poverty or social exclusion	People at risk of poverty	People at risk of poverty or social exclusion	People at risk of poverty
Italy	27.3	20.3	25.6	20.1	25.3	20.0	25.4	20.1
Northwest	16.8	12.2	16.4	12.4	16.9	12.4	17.1	13.2
North East	14.6	10.5	13.2	9.5	13.2	10.0	14.2	11.5
Central	23.1	16.3	21.4	15.3	21.6	16.0	21.0	15.8
South	43.8	33.0	41.6	33.7	40.7	33.4	41.2	32.0
Islands	47.5	37.3	43.6	36.8	41.8	35.6	41.1	35.5

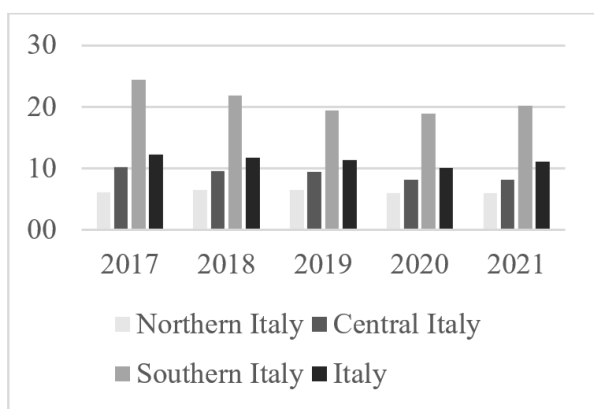


Fig. 1: Household relative poverty incidence (% of households in relative poverty)

Methods

The methodology used is the “focus group”, or a social research tool based on the interaction among the participants in the focus group and between them and the moderator. This tool allows the most convincing ideas to be expressed and progressively strengthened with respect to other interpretative hypotheses that end

up being judged as unconvincing (Krueger and Casey, 2008; Morgan, 1988).

It is a qualitative methodology, which is carried out through an interview with a group of people informed about the topic being analysed and able to express meaningful opinions.

The focus group is composed by 5 to 10 people. People are differently informed and competent on the subject, either on the basis of their professional activity or because they are clients who benefit from a microcredit operation, or because they have been in a position to ask for microcredit but could not receive the loan.

Focus groups were conducted in English and in Italian. All focus groups were recorded and transcribed. This is a Dual Moderator focus group.

The first moderator, who knows the topic and has developed credible hypotheses about the issues discussed, ensures that the session progresses smoothly. He proposes some considerations, data, elements, and asks for a free evaluation, and has the role of guiding the comparison, scanning the sequence of topics and managing the interventions.

The second moderator ensures that all topics are covered. He is a “silent” moderator, who does not intervene in the analysis although knowing the subject,

also follows the discussion group. This observer has the task of taking notes and evaluating interpersonal dynamics and then supporting the other moderator in the post-debriefing phase.

Each participant is explicitly informed that there are no pre-determined opinions on the points under discussion, as there are no opinions that cannot be expressed or censored a priori. Each participant can add comments and clarifications.

Participants were informed of the confidential nature of the opinions expressed that were taken into account at a later stage only in an aggregate form and will not be attributed to the participants individually.

The meeting lasted about two hours. Focus groups were held in June and July 2017. The main topics for discussion in the focus groups centered on the research questions of this study:

- Research Question 1: What is the participants' relationship with the banking system?
- Research Question 2: What are the effects of microcredit on social and financial exclusion?
- Research Question 3: What is the importance of support and technical assistance?
- Research Question 4: What is the role of credit appraisal and confidence building?
- Research Question 5: Which are the possible alternatives to microcredit?
- Research Question 6: What are the main differences between Northern and Southern Italy?

Questions used as the baseline for the investigation are specified in Table 3. The questions are adapted by the moderators according to the type of recipients during focus groups.

Table 3: Questions from focus groups

Question	Objects
<i>Opening question</i>	
1. What led you to the microfinance institution?	Understanding whether there have been previous contacts with the mainstream financial system
<i>Questions on general topics</i>	
2. Can a microcredit operation solve a person's or a household's poverty situation?	Leading to the central topics, letting connections with poverty and social exclusion emerge
<i>To stimulate the discussion, ask how it does or does not happen.</i>	
<i>Questions on central topics</i>	
3. What are the changes in people's and their families life after the loan is granted? (RANKING)	Identifying the changes to be measured through the questionnaire and letting the most relevant aspects to emerge, to focus the questions. Identifying aspects corresponding to negative impacts
<i>Ask everyone to list on a sheet of paper the positive and negative changes. Comment together and build together a list on the whiteboard/flip chart. Try to let both material and immaterial aspects emerge</i>	
4. Ask participants to write on a timeline, with the loan in the middle, the situation before and after the loan, putting events and situations in chronological order (TIMELINE)	This question is useful to compare the situation before and after. It should highlight: The chain of events and the moment from which (after the loan is received) the change occurs and for how long it lasts
<i>How did things go before the loan? How are they after? What has changed? With what timing? Comment together on their timelines, to understand the time horizon and the stability of the effects</i>	
5. What other conditions (different from the loan itself) have contributed to these changes?	Collecting information on how to measure attribution
6. What aspects can be improved in the relationship with the microfinance institution? (Capacity building? Financial education? Others?)	Identifying how impact could be improved
7. What are the alternative tools that support people with the same results as a microcredit operation? <i>Let the advantages and disadvantages of the possible alternatives emerge.</i>	Identifying possible welfare tools comparable to microcredit or, anyway, possible alternatives to microcredit
<i>Final questions (for final check)</i>	
8. What do you think are the 3 main differences between this loan and a loan provided by other banks?	Understanding whether they perceive microcredit a "special" tool
9. After this loan, do you think you could access a loan from other financial institutions?	Understanding whether they improve their ability to credit access (self-esteem, credit standing)
10. Is there anything I forgot? Is there anything you think is relevant but we forgot to discuss it?	Identifying possible prospects for improvement

Data Collection

Data analysis was based on three microcredit projects realized in Northern Italy and Southern Italy.

The first project is realized both in Northern Italy and Southern Italy. It aims to facilitate a new model to support the economic and social vulnerability condition of certain categories of individuals and families (temporary employees, unemployed, young people, disadvantaged people, etc.). The guarantee fund, amounting to 25 million euros, consists of resources from the 8×1000 contribution (a tax percentage that taxpayers can donate to charities), entrusted to a bank and devoted to laic and religious no profit actions, with an expected multiplier effect of the fund that can reach one hundred million. The amount of the loans is up to 7,500 euros, the nominal interest rate is no more than 2.5%, disbursed in 6 monthly instalments of 1,250 euros each.

Participants are identified at the local level, in collaboration with the “banking volunteers for social initiatives” (Vobis) association, which deals with families who are in conditions of difficulty to help their financial inclusion, as well as preventing and combating the over indebtedness phenomena that might involve them. The project includes also a screening by the bank. In some cases, very strong divergences can arise between the evaluations of volunteers and those of the bank (since the bank tends to have a precautionary approach), even though there is no previous reporting to the credit bureau. In these cases, the role of volunteers is crucial in allowing access to finance.

The second project managed by public institution of Northern Italy supports non-bankable entrepreneurs who are not able to access credit since they lack both real collateral and personal guarantees. Borrowers are identified with the support of a foundation. These persons may obtain a guarantee covering up to 80% of the loan financed by the bank, where the amount of the loan may range from a minimum of 3,000 up to a maximum of 25,000 euros. In addition to foundation’s screening, a technical committee is in charge of examining and evaluating all the loan applications. After this exam, the loan application requires the final approval by the bank. Considering the kind of participants served through the project, it arises the need to set up actions aimed at welcoming them, listening to their problems and assisting them. The activities of welcoming, listening, accompanying are delivered by a network of non-profit organizations, coordinated and represented by foundation, who already have experience in the field and who take advantage of the activities of volunteers of high

professional level in the territory (former executives of former bank executives) and a temporary consortium.

Finally, the third project is carried out in Southern Italy by a Cooperative Credit Bank together with a religious institution. This project aims to provide the community with new opportunities and resources to address the problem of youth unemployment in the perspective of human promotion. The collateral or other wealth based guarantee is not required; this is due to the intervention of the religious institution who guarantees the loans through a special guarantee fund. The religious institution collects all the funding applications submitted by young people aged between 18 and 35 years living in one of the diocesan communities. Then, after a pre examination by the diocesan volunteers the documentation is presented to the Cooperative Credit Bank for the bank approval. The bank may, after a technical credit appraisal, grant a maximum loan of 15,000 euros for each subject for a period of 18 to 72 months. The loan is disbursed in the form of an unsecured loan with a fixed interest rate of 3% per annum.

There were 6 focus groups and they involved a total of 26 people. A purposive sampling, where the cases are not selected randomly but are selected as a group because of the nature of the research question, was employed. The main objective of this type of non-probability sample was to identify a representative sample of a particular population that took advantage of the loans related to the three microcredit projects. This selection was made through the collaboration of the volunteers who selected the recipients of the projects.

Since the two categories of social and business microloans meet different needs, we decided to analyze them separately.

Regarding business loans, in Northern Italy, two focus groups on enterprises were been organized: One with eight borrowers, of which seven of Italian nationality and one Romanian, and the other with two volunteers accompanying credit processing of enterprises. While, in Southern Italy, two focus groups have been organized: One with eight young entrepreneurs, all of Italian nationality, and the other with three volunteers accompanying insolvent enterprises.

In order to gather information on social loans, the focus group included two social loan volunteers in Northern Italy and three volunteers in Southern Italy who worked to provide support during the initial funding process for individuals in conditions of economic vulnerability in the application for funding.

Table 4: Focus groups in Italy

Project	Place	Composition
Business loans	North Italy	8 Entrepreneurs 2 Volunteers
	South Italy	8 Entrepreneurs 3 Volunteers on insolvent enterprises
Social loans	North Italy	2 Volunteers
	South Italy	3 Volunteers

The volunteer carries out an assessment of the person's potential to overcome their state of difficulty and analyses all the variables that can contribute to restore the economic financial equilibrium.

During the funding phase, the volunteer systematically verifies how the beneficiary is economically and financially managing the loan and verifies whether the loan is used for the purposes identified during the application procedure.

The number of people interviewed in relation to the type of project and the geographical area to which they belong are described in Table 4.

Survey Results

Through focus groups and interviews, we have been able to gather useful information on different aspects of microcredit.

Generally, what microcredit beneficiaries seem to need is not only credit, but a wider set of services including a microloan. In addition to different forms of economic vulnerability, beneficiaries often display a problematic social background (in particular social loan beneficiaries) and no previous experience as entrepreneurs. As for business loan beneficiaries, sometimes they have had no previous stable working position. Moreover, beneficiaries usually belong to households where no member is able to provide any kind of guarantee valuable for a mainstream bank loan, confirming that they lack a strong economic familiar support. As a result, most beneficiaries need to be supported first of all from a personal point of view. As for business loans, entrepreneurs need to be supported professionally, because most of them are completely unprepared for running a business. As for social loans, borrowers need to be supported in the management of their finances,

because they often lack the tools to understand the financial consequences of their personal choices.

The main results are summarized below and divided by topic. Table 5 shows the main difficulties and opportunities in relation to identified topics.

Participants' Relationships with the Banking System

Some participants have previous experiences of loan refusals from banks. Consequentially financial self-exclusion (potential borrowers give up applying for a loan because they believe they have no valuable guarantee) is widespread. This behaviour is particularly common for business loans. The young quite often do not want to become a financial burden for their parents which should guarantee the funding granted. On this point it is useful to highlight that the household's inability to provide appropriate guarantees is unlikely to arise in a group discussion.

Conversely, for social loans, previous indebtedness with the banking system is widespread. Since participants used to be bankable, in the past they accessed different forms of credit, sometimes becoming over indebted. Another common situation is the accumulation of arrears for non-financial debts (for example, bills, rents, taxes). In these cases, before asking for a microloan, the applicants have usually had a bank loan refused.

Through microcredit, participants have expressed the opportunity to feel more confident that they can relate to a bank to apply for a loan in the future.

Microcredit, Social Exclusion and Financial Exclusion

For business loans, we find that participants are rarely in a situation of poverty or social exclusion. However, they can be considered at risk, because most of them are unemployed or low income workers. The microloan seems to play a role in preventing poverty and social exclusion.

Table 5: Main observations on the behavior of the interviewees

Topics	Main difficulties	Opportunities
Participants' relationships with the banking system	Difficulty to bank credit access; need for independence from family guarantee; financial self-exclusion; over-indebtedness; difficulty to repay the loan, especially in the first two years	Feel safer to relate to a bank to apply for a loan in the future
Microcredit, social exclusion and financial exclusion	Unemployed or low-income workers; risk of poverty or social exclusion	Improving social inclusion and feeling more responsible; finding employment; preventing poverty; reintegration into the social life
The importance of support and technical assistance	Stronger financial education; poor ability to plan with their business activities	Major initial support and following assistance during the loan term
The role of credit appraisal and confidence building	Insufficient awareness of one's economic and financial situation; losing confidence as a consequence of personal or economic malaise	Evaluation of the creditworthiness of the borrower and the family situation; opportunity to be understood and recover trust
The possible alternatives microcredit	The lack of guarantees prevents access to bank credit; many individuals exclude themselves	No alternatives to microcredit are found
Main differences between Northern and Southern Italy	In the North, clients include a higher percentage of immigrants and separated families. In the South, there is greater support from relatives and debt to support family expenses. There is also the problem of usury	Identification of financing to support the local area

On the contrary, very often, social loan borrowers are experiencing poverty and sometimes also social exclusion. For them, the loan serves as a temporary solution for an emergency (usually unexpected expenses or job loss) that without intervention might worsen the household's condition. Although in these cases the loan does not drive the family out of poverty, it prevents a chain of events potentially leading to severe and irreversible consequences (for example, housing loss) from activating. Social loans seem to be able to have a long-term impact if they are used to overcome a temporary emergency and adopt an active behaviour aimed at seeking a new job or anyway a long-term balance in the household's finances. Moreover, an immigrated woman interviewed highlighted that the additional income generated by a new business allowed her to become more independent from her Italian spouse.

Other positive changes emerging for social loans are: Labour market integration; possibility to allow children to complete their educational path; reintegration in the social life.

The Importance of Support and Technical Assistance

From all focus groups, the initial support and the following assistance during the loan term emerge as fundamental elements for the success of microloans.

The assistance during the application phase, with the analysis of personal finances (for social loans) or the business planning (for business loans):

- Allows applicants to become aware of their situation
- Provides applicants with the tools necessary to autonomously control their household's expenses and plan their business activities. Nevertheless, for enterprises, probably due to the complexity of a business plan compared to a household's financial analysis, the impact is limited

The assistance, during the loan term, is considered fundamental because:

- It supports borrowers to correctly plan income and expenses (both for households and businesses)
- Helps to make the correct decisions when extraordinary situations occur (for example, a decision on new investments or a crisis in the enterprise)

Volunteers operating with insolvent enterprises signal that assistance is fundamental during a business crisis, when it is necessary for entrepreneurs to make the correct decisions. In particular, they signal that during a crisis the loan rescheduling is fundamental, for example allowing participants to suspend instalments temporarily. In addition, they highlight the need for stronger financial education.

Nevertheless, participants tend to signal that the technical assistance provided during the loan term is limited and they highlight that it should be strengthened. Volunteers mention the assistance during the loan term as a key element to increase the probability of success and reduce the risk of default.

From the considerations above, the need for financial education clearly emerges:

- Households need education for a better management of personal and family finances and to understand the functioning of the different consumer credit instruments (revolving cards, personal loans, etc.), whose implications users often ignore
- Entrepreneurs' needs refer to the following skills: Business planning during the start-up; financial budgeting of the ongoing concern, without confusing personal with business finances; understanding economic and financial consequences of new investments of the ongoing business (Are the new investments necessary? Are they profitable? What are their financial consequences?)

In addition to these needs, participants often have low levels of education, sometimes added to language and comprehension problems. For immigrants, these problems are more prominent, along with difficulties in understanding regulation requirements in some sectors (for example, fiscal or health rules).

The Role of Credit Appraisal and Confidence Building

During the application phase, when the documents for the credit appraisal are prepared, regardless of the following loan approval, important information and some outcomes arise. For instance, the analysis of the household's finances and the business planning increase applicants' awareness and provide some tips for financial management. For households, the inflow and outflow report are a first step to help understand how to keep track of personal expenses in order to control them.

For the loan success, it is fundamental to properly assess not only the borrower's creditworthiness (meant in the wide sense of project sustainability, specific sectoral skills, personal attitudes, and ability to plan and manage) but also the family situation, that seems to heavily influence the evolution of some micro enterprises, characterized by a fragile background.

Finally, borrowers consider the loan application as an opportunity to be listened to. They find in the operators working with them (in particular the volunteers) a valuable support in building (or re-building) a confidence sometimes lost as a consequence of personal or economic malaise.

The Possible Alternatives to Microcredit

For business loans, all participants agree that the lack of guarantees prevents from accessing bank credit. Indeed, with guarantees, a bank loan application would be the more natural solution. Only some of the participants had previously asked for a loan at a bank, being refused. Most of them have instead self-excluded themselves, not asking for bank loans. Nevertheless, it is important to highlight those volunteers signal as problems additional to the lack of guarantees:

- The nature of the activities meant to be financed, often not properly valid from an economic point of view
- The inability to write a convincing business plan, also for good business ideas

Consequently, for business loans, participants highlight the lack alternative tools functional to achieving the same goals as microcredit.

Also, social credit participants do not identify alternatives to microcredit. Usually, they have already applied for the different welfare tools available in the territory, but without being able to find a solution to their problems. Microcredit seems to be the end point of a path in which all alternatives have been excluded. From this point of view, it might be useful to notice that microcredit involves the reimbursement of the principal received, unlike traditional welfare tools that are received “for free”.

Focus groups with participants highlight that microcredit, as an alternative to the traditional bank credit, is little used and advertised. Since they suggest a wider promotion of the tool, we might deduct that there might be an unmet need for microcredit. Nevertheless, the focus group with volunteers operating with Southern insolvent enterprises highlights the opposite problem, namely an excessive promotion that leads also non-creditworthy individuals to apply for a microloan.

Main Differences between Northern and Southern Italy

The main differences arising between the projects analysed in Northern and Southern Italy, listed below, tend to mirror the socio demographic differences between the two areas:

- In the North, c participants include a larger percentage of immigrants
- Among social loan participants, in Northern Italy, there are many separated families, unlike in Southern Italy
- In the South, a greater support by relatives emerges, whereas it is less prominent in the North
- In the South, the need to pay for children-related expenses is more prominent (for example, education or wedding ceremonies)
- In the South, participants report problems related to usury and to the territorial context in general, especially for business loans.

Discussion

The research focuses on the mechanisms through which the involvement in microcredit operations results in positive (and negative) effects on people’s lives. These effects are potentially numerous and complex and can reflect on all the economic, social, and cultural rights.

The uncertainty about the possibility of getting out of a poverty situation only through obtaining a loan and the use of microcredit becomes clear. There are in fact other necessary conditions to ensure a proper and an effective use of the loan, such as personal motivation, responsibility, and predisposition of the individuals to learn day by day.

It is crucial to note how, overall, the economic issue is not mentioned by beneficiaries even if stimulated many times. The participants, in fact, do not appear to be in a situation of severe poverty before funding: The main problem seems to be unemployment. Accessing microcredit, therefore, seems a way to find employment or, at least, a satisfactory job. Nevertheless, we should also say that they do not mention a remarkable increase of income or improved economic situation by accessing microcredit with respect to a previous job they had.

Beneficiaries mainly underline better conditions under a relation and social inclusion point of view and in feeling more responsible. The improved economic condition concerns more who has already paid off the loan. This is interesting to understand that positive effects may arise only having a long-term perspective.

All the subjects have experienced a critical phase in repaying the loan, especially in the first two years.

It is given great importance to the support and monitoring activity carried out from volunteers, especially at the initial stage of drafting the business plan.

In the focus group with volunteers, there is a strong gratification in their activity of supporting businesses and, above all, a clear attention to the social, economic, and financial problems of the local area. Indeed, the volunteer provides assistance to loan applicants in the initial stage of business viability assessment and in the following debt management. The volunteer, therefore, carries out an assessment of the company’s sustainability based on the potential overcoming of its contingent difficulty by analyzing all the variables that can contribute to restoring an economic financial equilibrium, including the entrepreneur’s prospective capacity of debt management. In this context, specific importance is also attributed to the moral and ethical values of the entrepreneur and to the relationship of mutual trust that the volunteer tends to establish.

The emergency loans provided in Italy deserves a separate analysis. In most cases, they are provided to materially deprived individuals who need to cope with unexpected outflows (illness or accident). Since

microloans allow to make emergency payments, they prevent more severe consequences from occurring. Nevertheless, there is usually a long-lasting imbalance between household income and expenses that hampers savings accumulation, where savings would help to deal with external shocks. The loan itself is not a definitive solution, but only a temporary relief that must be combined with other interventions such as support for finding a new job or financial education. What volunteers signaled is that lower-income borrowers with lower educational levels also display more difficulties in planning and controlling their family budget. As a consequence, in addition to being more vulnerable economically, they also lack the tools necessary to prevent their situation from deteriorating. From this point of view, ad hoc financial education programs could reduce low-income households' vulnerability.

Finally, volunteers signal a return in emotional terms and gratification felt by offering help to other people. They consider their activity as a life school that allows them to come closer to values such as relationship, solidarity, participation, in resolution and change of the problems of their territory.

Many of our findings strengthen the evidence found on the economic impact of microfinance in Italy. Microcredit has the potential to be the answer to the requirement in developed countries for equitable and development (Busch *et al.*, 2016; Arbolino *et al.*, 2018). In particular, the microfinance tool includes four dimensions: Economic, environmental, social welfare (Szopik-Depczyńska *et al.*, 2017), and governance (Aquilani *et al.*, 2018). Indeed, some economic indicators show significant improvements in the Italian labour market. In 2017, the unemployment rate is reduced in Italy, but the differences between geographical areas remain accentuated: In the South (19.4%) it is almost three times that of the North (6.9%) and about double that of the Center (10.0%) (Istat, various years). However, the most recent data, relating to the period of the economic crisis generated by the Covid19 pandemic, show an increase in the unemployed (+21 thousand units) and a decrease in the employed (-945 thousand units).

Conclusions

The results of the research allow us to reflect on the opportunities and actions to be taken to improve the development of microcredit in Italy. Credit and financial services become powerful multipliers of opportunities, tools for social and economic inclusion, promoters of enterprise, and human skills.

Our study intends contribute to the scientific debate on the relevance of microcredit in at least two

significant ways. First, our study highlights a comprehensive set of barriers and problems to credit access for vulnerability people. Second, we showed that different persons perceive a strong need for assistance to face financial problems. This way we might support a debate on a topic that is expected to rise significantly in the next few years. Future research could empirically test our findings on a wider and more heterogeneous sample.

In the last time, the microfinance sector faces furthermore significant challenges arising from the COVID-19 crisis and from the war in Ukraine. In this context, in fact, small businesses and vulnerable people are particularly hard hit.

The main conclusion of this study highlights that microfinance model is effectiveness for social and financial inclusion. The socio economic current situation further highlights the importance of support to the microfinance sector to foster social and financial integration and to contribute to building a more inclusive Italy.

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The paper is the fruit of the joint work of the authors. However, the author's contributions are as follow:

Andrea Calzolari: "Data Collection".

Domenica Federico: "Survey Results".

Antonella Notte: "Contribution of Microcredit in Italy: Literature Review".

Lucia Poletti: "Methods" and "Discussion".

Giulio Tagliavini: "Introduction" and "Conclusions".

Ethics

This article is original and contains unpublished material. The corresponding author confirms that all of the other authors have read and approved the manuscript and no ethical issues involved.

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