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COMMUNITY MANAGED MICROFINANCE EXPERIENCES IN EUROPE: THE SELF-FUNDED COMMUNITIES

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Abstract

The recent crisis on the financial system has opened up new opportunities for non-traditional financing models. Despite of the worldwide development of microfinance sector, we are still a long way from offering to vulnerable people and population in Europe a transparent, tailor-made and quality microfinance products and services to cover their current needs. Self-funded Communities (SFC) methodology has been designed to satisfy **local demands of financial services** for various types of individuals. European SFCs are usually groups of low-income people who buy shares to create a credit fund, from which they finance themselves. The target population is mainly **people at risk of poverty or social exclusion in Europe**. SFCs are already operating in **six countries in the EU**. The model is being used by the members not only for covering basic financial needs but also for fostering **solidarity, social cohesion, informal learning** (learning by doing and learning by sharing) and a sense of community.

Premise

European low-income families can and do save but they have troubles accessing safety financial services that meet their needs. SFC experience shows that organizing the communities through savings is an efficient strategy to help European low-income families to face unexpected living expenses and to make choices which will improve their lives. Learning from Southern Microfinance experiences and **putting at the center the community**, it shows us that the key to **getting out of poverty in Europe isn't just credit**.

Methodological approach

The SFC methodology is based on a community managed microfinance approach. The people, organized in groups (called SFCs) are able to save small amounts of money (micro savings), to borrow money (microcredit), to manage their own finances (financial education) and to earn some income at the end of the financial year (micro investment) coming from the profits of group-lending. The members of each SFC are co-founders and co-owners of the group. The decisions are democratic and the rules are written, shared and known by all the group members.

Achieved Results

Only in the EU, **95 groups** have already been created, which means around 1600 members and around 5600 indirect beneficiaries. The rotated capital in 2012 has been around 988.000€ in 2.470 microloans, and the average return on savings stands at 12%, which means a sum of 61.985 €. The **repayment rate is 98%** and the mean loan is of 400€. In Spain up to 78% of the SFC's members are migrants but due to financial crisis saving groups are becoming an attractive and suitable option for young people and European families. 60% of SFC members say that the group is their only social network. In Hungary SFCs were set up amongst low-income Roma groups in rural areas and in Italy three pilots project were set up among youth (in Central Italy), migrant communities (Southern Italy) and people with mental health disorders (Northern Italy).

Conclusion

From a theoretical standpoint, the SFC represent a challenge that need further involvement. Real practices of community managed financial capital (strictly interconnected with social capital) implemented in developing countries stimulate a reflection on the possibility of reaching a social and economic balance in European countries, capable of recreating or extending the network of resources of those people whom the current economic system is forcing towards social exclusion and financial illiteracy. **Mutualism and community managed microfinance practices in Europe** could reinforce the savings culture, increase financial security and reduce vulnerabilities and barriers, fostering a safe way to save and **building communities resilience and empowerment** in European countries. It is definitely a way of moving towards a **democratic, transparent, trustable and sustainable microfinance system.**

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