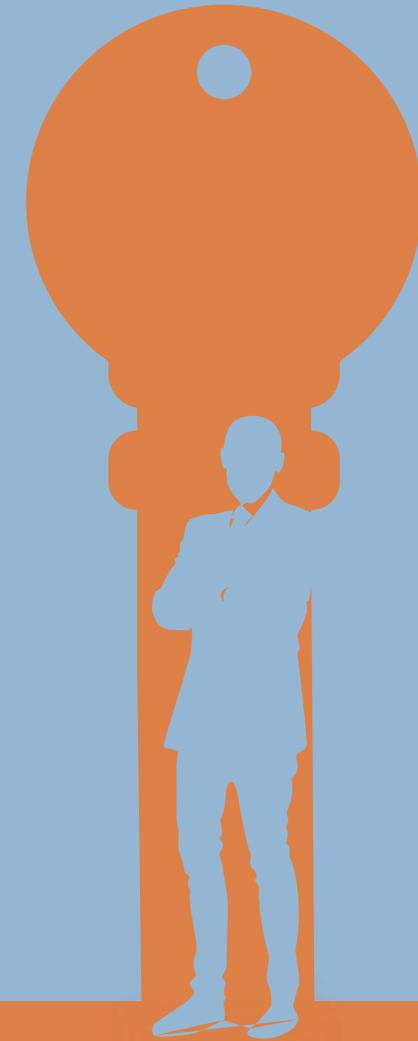


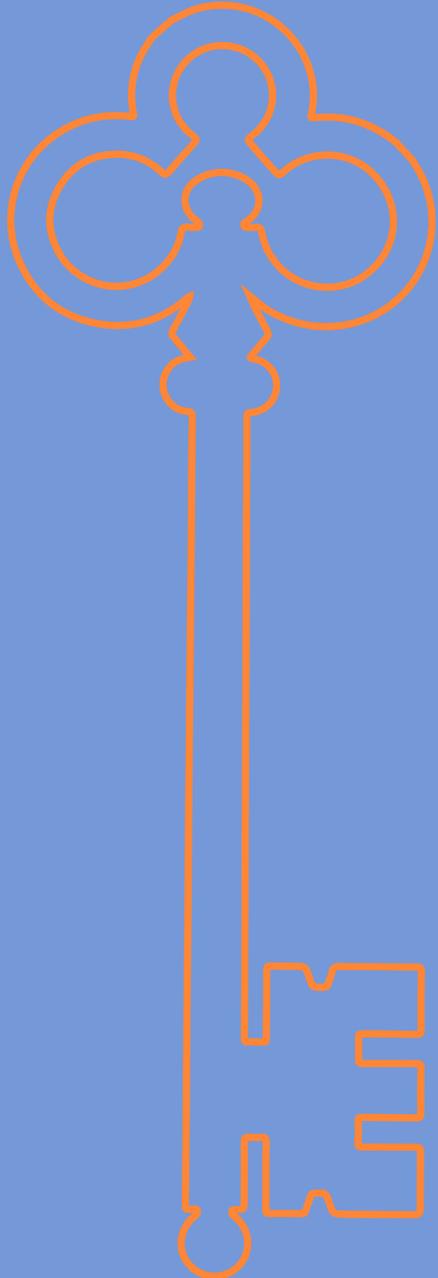
2.4 Financial management – Microcredit exploitation



ReinFORCE SOCIAL Entrepreneurial Spirit through setting up
Innovative Support Structures in the cross-border Territory
“Social Forces”

4.9.2: Design and Development of the Training Material





Contents

- The concept of Financial Management
- Strategies to improve the financial position of the enterprise
- Microcredit Exploitation
- European Progress Microfinance Facility - Progress
- Non Profit Company Action Finance Initiative (AFI)
- «Small credit at common risk»

The concept of Financial Management

Financial Management refers to the efficient use of significant financial resources, especially investment funds. This definition focuses on the efficient and optimal use of limited funding resources



Proper financial management acts as a **shield for small and medium-sized enterprises** in the middle of a recession and is a crucial factor for its growth.

Strategies to improve the financial position of the enterprise

01 Cost reduction

02 Carrying out «what if» scenarios:

With their help, enterprises are ready to defend themselves in times of economic recession.

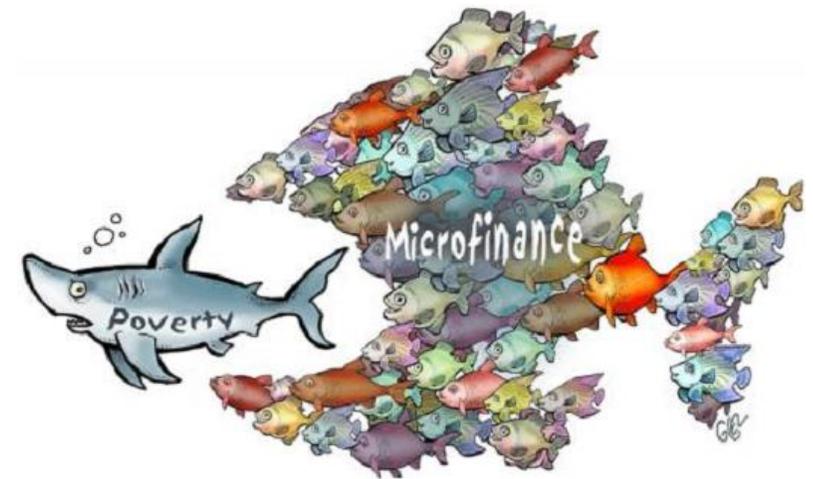
03 Strengthening liquidity:

Liquidity disruption occurs when the enterprise is unable either to meet its financial obligations or to collect accounts receivables.

Microcredit Exploitation

Microcredit: are alternative forms of funding, and are now established as a useful tool in the **operational support** of small and medium-sized enterprises, including the social ones.

They create a **window of opportunity** for enterprises that do not have access to traditional funding types (bank borrowing).



European Progress Microfinance Facility - Progress (1)



The European Commission designed and launched through the **European Investment Fund** in 2010, the European Progress Microfinance Facility which is part of the **EaSI Programme**.

The EaSI programme, which is managed directly by the European Commission, brought together three distinct European Union programmes:

1. **PROGRESS,**
2. **EURES**
3. **Progress Microfinance Facility**

European Progress Microfinance Facility - Progress (2)

The European Progress Microfinance Facility, established in 2010, **increases the availability of micro-credit**, i.e. small loans of less than €25,000, for the **establishment or expansion** of small enterprises.

This mechanism does not directly finance entrepreneurs, but gives the opportunity to micro-credit providers in the European Union to increase the amounts they borrow with the following actions:

- **It provides guarantees** to microfinance providers, and therefore, there is a joint undertaking of risk.
- **It increases the amounts available for micro-loans.**



Non Profit Company Action Finance Initiative (1)

Non Profit Company Action Finance Initiative (AFI): A typical example of a promoter of microcredit in Greece



AFI's mission is to:

-  Introduce microcredit in Greece in order to combat social and economic exclusion and help the unemployed to create their own jobs.
-  Educate and consult micro-entrepreneurs and unemployed.
-  Restore the basic principles of the social economy.
-  Improve the legal and institutional environment of self-employment.

Non Profit Company Action Finance Initiative (2)

- ❖ AFI provides access to funding with micro-credits to potential entrepreneurs who do not have access to the necessary funds
- ❖ AFI provides micro-loans up to €12,500 regardless of activity, level of innovation and type of investment. The geographical range of the funding extends to the prefectures of Attica, Boeotia, Evia, Corinth, and Crete.
- ❖ AFI's founding partners are ActionAid Hellas and the French organization ADIE , while AFI's bank partner is the Pancretan Cooperative Bank.



«Small credit at common risk»

In **Bulgaria** the **main micro-credit access mechanism** for local enterprises is the funding tool "**Small credit at common risk**".

- € The budget of this tool amounts to **53 million Leva of Bulgaria**
- € This financial instrument is managed by the **Microfinancing Institution EAD** in Bulgaria, which provides loans to intermediaries, which it is possible to extend at zero interest rate under certain conditions
- € The amount of individual micro-credits ranges **from 5,000 to 48,895** leva in Bulgaria.
- € The loans are intended for the **establishment** or **exploitation** of existing social enterprises.