

BEST PRACTICE IN MICROFINANCE

microStart, Belgium: Social Return on Investment (SROI)

This case study presents the method for the calculation of a Social Return on Investment (SROI) with a view on the social impact created by microStart, a microfinance institution in Belgium.

Concept: microStart calculates Social Return on Investment (SROI) to reflect the direct results and outcomes of its microfinance operations and to **quantify the impact of its investment on society** in terms of income, economic activity and well-being.

SROI considers the **revenues generated** by microStart's clients - such as their paid taxes and contributions (income for the society) **and the social costs avoided** by the society (e.g. less unemployment benefits) within a year, once they start a business during unemployment with a microcredit from microStart. It compares the situation before and after the loan is taken from microStart with a net present value for two years. This value is then compared with the one-year investment in microStart (operating costs) and defined as the final estimate of economic impact per person within one year of investment.



Since its establishment in 2011, microStart has offered microcredit and business development services (BDS) free of charge for micro-entrepreneurs who are unable to receive financing from traditional banking systems.

microStart has financially supported more than **4,065** micro-entrepreneurs with microloans. Another **8,864** clients have been coached and trained to develop their businesses. microStart operates in Belgium with a network of five branches, including **37** staff and **130** volunteers. As of 2020, the outstanding loan portfolio reached EUR **11.5** million with a reimbursement rate of **91.5%**.

microStart's SROI is currently EUR 4.04 per EUR 1 invested in microfinance after two years of activity.



SROI and social impact analysis: SROI is the central piece of microStart's regular social impact analysis, conducted, on average every three years, by independent external institutions. In addition, the regular impact analysis has been complemented by a social impact survey with a sample of 171 microStart's clients to analyse the effects of microStart's support for their clients' income, business activities and well-being.

Results: The total impact (SROI) of microStart was measured by including all available data from the microfinance institution's accounts, the latest annual reports, and social impact survey analyses on microStart clients and their financial performance. Results indicate that **each EUR 1 invested in microStart yields EUR 4.04 of benefits for society** after two years of revenue - generating activity. 50% of clients that received a microloan from microStart were start-ups that are still active after two years. The estimated timeline of two years is by an assumption sufficient timing for clients to stop receiving social benefits (costs for the society, e.g. unemployment benefits) and start to generate their very first revenues as micro-entrepreneurs.

The final results demonstrate that microStart's social mission has a positive impact on Belgian society and its economy.

Key learnings from microStart when estimating the SROI

1. Perform a **social impact survey** as a guiding point to frame the social strategy of the institution to **acknowledge the needs** of the clients in depth.
2. **Choose an independent partner** that understands the social mission and can create **additional value** in analysing the benefits of received financial support for the clients.
3. Consider **SROI as part of the institution's advocacy strategy**. It allows funders to evaluate the efficiency and impact of their public policies and contributions.
4. **Rely on diverse sources of data** such as annual reports, social impact surveys or open databases to avoid any bias and support your findings with a various nature of information.