

Fintech and Social Impact Assessment in Belgian Microcredit

Abstract:

Microcredit arose as a way to extend financial services to beneficiaries deemed non bankable, for the purpose of social inclusion through the alleviation of economic burden and sustainable job creation; said services are now provided by Microcredit Financing Institutions (MFIs) acting as intermediaries between clients and funding. In today's Europe, MFIs are increasingly entering into partnerships with commercial banks, which increases MFIs' operational capacities and viability, and eases their access to funding for clients. At the same time, it provides different set of benefits to banks, focus on corporate social responsibility, and the prospect of new profitable clientele. This potential goal divergence between the two entities has been identified in previous research as "mission drift". This poses the question of whether there exist mechanisms in place to monitor this drift and measure its consequences in terms of social impact. Such a tool would allow MFIs to better pinpoint their successes and failures, and to respond to them accordingly in order to deliver a more efficient and socially inclusive service. This research paper aims to assess the tools for social impact measurement currently in use by the stakeholders of the Belgian microcredit market, and the potential of fintech development for this purpose. This will be done through two main lines of questioning: (1) How is the social impact of microcredit in Belgium measured and is the method effective? (2) Is it possible to develop digital tools for the purpose of measuring the social impact of microcredit in Europe, and how? The research consists of an overview of social impact assessment frameworks in use by European MFIs, an evaluation of the social impact assessment methodologies of two Belgian MFIs, and an analysis of current fintech in use by MFIs in Europe. Based on a synthesis of the findings, a set of recommendations will be made to coordinate the improvement and development of digital social impact assessment tools.

Keywords: microcredit, fintech, social-impact, Belgium

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1. INTRODUCTION

Microcredit is a form of financing which originated as an alternative to banking or in response to precarious financial circumstances. It also emerged as a form of solidarity between groups of people within a community, as an early form of what is currently referred to as micro-lending. This financial assistance is therefore two-fold; it has the economic implications of being a monetary service and the social implications of being a vector for social inclusion through assisting beneficiaries achieve economic independence or scale up a successful enterprise. This process is largely based on trust, as the beneficiary must be trusted to succeed in order to pay back the loan, and the provider must be entrusted with personal information about the beneficiary's finances, and wider socio-economic circumstances. In its current form, it was introduced in Europe in the last few decades and as it is expressed in a majority of European microfinance papers available, there is no extensive research available yet on the subject. This lack of comprehensive data extends to analyses of whether this method of financing has a social impact in Europe. While it is widely recognized as complex to measure, social impact is necessary to be kept track of and monitored through tools which can then inform public policies. As we live and operate in the digital age, there is an opportunity to make use of digital tools to gather information which can be used to assess social impact and attempt to find ways of maximizing it. Financial technology (fintech) has gained traction over the past decade, predominantly as a way for financing institutions to minimize costs and accelerate client intake. This fertile ground for digital innovation also provides opportunities to test technology for the purpose of social impact measurement. The aim of this research paper is to evaluate the social impact assessments of the two most widely accessed microcredit providers in Belgium, and to appose current research on social impact assessments and fintech in the realm of microfinance in order to explore possibilities for the development of tools for digital social impact assessment.

In the first part of this essay, we will open with a review of current social impact assessment structures in use and/or in development in Europe and more specifically Belgium; this will be followed by an evaluation of the social impact assessments of two of the most used microcredit providers in Belgium, MicroStart and Credal. In the third part, we will explore the role fintech currently plays within microfinance in Europe, focusing on its potential usage for social impact assessment. The essay will conclude with a set of recommendations for future research development a synthesis of the explored subjects.

1.1 Microcredit in Europe

According to the European Central Bank, as of June 2018, the European Union counted a total of 7104 Monetary Financial Institutions, including 6178 credit institutions, 677 money market funds and 220 "others", versus 0 in 1999 (Cozarenco, 2015). While there is no single definition nor standardized regulation on microcredit in Europe, the number of microcredit providers in Europe was estimated to range between 500 and 700 institutions in 2014 (Bending et al. 2014). In terms of what constitutes microcredit provision, there is a cap on this type of financing which is placed at 25.000€. There are three kinds of microcredit deployed - for professionals, which is addressed to persons without access to bank credit due to insufficient guarantors; microcredit for individuals, usually in amounts up to 3000€ and for the purpose of financing a need in order to get to work or to find work; microcredit for young people, who may only have access to precarious employment or lack of guarantors. The most common type of collaboration between MFIs and banks entails MFIs borrowing from banks in order to finance their microcredit or operating activities, and is a model of cooperation widely used in Europe. The main rationale for this type of collaboration rests on MFIs' inability to collect savings from their clients, generally due to regulatory constraints. This situation leads to the set of natural interactions between MFIs and banks in Europe, which impact the partnerships and strategies observed in different

countries, and shape this market gap: “on one hand, MFIs integrate mainstream banks into their business models and on the other hand, banks progressively revise their operating strategies in response to the growing role of MFIs on the financial market in Europe” (Cozarenco, 2015).

1.2 Microcredit in Belgium

Microcredit was introduced in Belgium thirty years ago, by the King Baudouin Foundation and le Fond de participation. Today, the main microfinancial institutions (MFIs) are Credal, the Fond de participation, Hefboom, Oikocredit and MicroStart (Prêt Personnel Comparatif, 2018). Credal and MicroStart are the only providers in Belgium which are sponsored by Belfius (formerly the Dexia Foundation) and BNP Paribas Fortis respectively, the remaining institutions are government funded (Flandroy et al., 2017). The micro loan (up to 25.000 euros) essentially address microenterprises employing fewer than 10 persons with a limited access to the traditional banking system and unemployed persons who are looking to start a business. As a matter of fact, microcredit seems to mainly target and support starters. According to the Socio-economic impact valuation of the activities of a micro-finance institution in Belgium report drafted in 2017 by Vlerick Business School, national statistics usually regard five years as a major milestone for starters (Steel, 2017). As a matter of fact, a five-year period survival rate is calculated and taken as a reference. In 2014, the survival rates for Belgium’s starters was 61,84%, the highest survival rate in Europe according to Eurostat. As highlighted by the Vlerick business school study, this score could be explained by the high starting costs in Belgium and thus the more cautious behaviour of the entrepreneurs before starting a business as well as the will of avoiding the stigma of failing linked to the fact of closing down a business and then the trend of keeping it alive artificially. Applied to the micro-credits, we could add the following hypothesis: as European Capital, Brussels and Belgium as a whole are characterized by their multiculturalism, from Europe and worldwide, a factor which could give room for the use of micro-credits adapted to different cultures. However – and this could be part of the Belgium paradox (ADT-ATO, n.d.), Belgian starters employ less people compared to their neighbours, which could be due to the high costs for workers’ recruitment and taxes in the country.

2. SOCIAL IMPACT ASSESSMENTS

2.1. The Need for Social Impact Assessment

Mission drift, as previously explained, is a term which refers to the potential divergence of goals between a bank and an MFI. Banks are often entering into partnership with MFIs as a way to satisfy corporate social responsibility, and while this mobilizes funds towards those in economic strain, a lack of accountability due to an absence of monitoring may pave the way for a superficial intervention for quota filling purposes. For this reason it is necessary to monitor the effectiveness of a service in terms of its social impact rather than solely its social utility.

"Social impact consists of the sum of consequences (evolutions, inflexions, changes, ruptures) of the actions of an organisation on their external direct and/or indirect (beneficiaries, users, clients) and internal (salaried workers, volunteers) stakeholders as well as on the wider society" - Conseil Supérieur de l'ESS (Avisé, 2017).

As expressed by this same Avisé report, there is a difference between social impact and social utility: social impact is a result of social utility, though one that is not often subject to evaluation. Social utility covers interpersonal elements of a given object/subject/action. For example, measuring the amount of jobs created by an enterprise is a measure of social utility, because it is solely the creation of a job by one person/entity for another being used as an indicator, rather than the quality of said job or the impact that job has on the person who holds it (which would be its social impact). This schism is not

identified in a majority of papers on social impact, so it can be deduced that the term social impact is used interchangeably to refer to social utility. This creates a vacuum of information which is critical and complex to measure. It is for this reason that it is imperative to provide adequate funding for the development of this research (social impact assessment), which would benefit not only microcredit provision, but wider social enterprises and services in Belgium, Europe and wherever else may be searching for a cooperative framework through which to better evaluate whether a financial intervention is having a positive social impact. There are currently a number of models in use and development, all aware of the shortcomings of their methodology, and working on improving themselves in equal measure.

2.2. Frameworks for Evaluation

A framework of social impact assessment often used within business ventures is the Social Return on Investment (SROI). It is a systematic way of incorporating social, environment, economic and other values into the decision-making process (Salverda, n.d.). This version of the framework is divided as follows:

- A - Defining the objective and scope
- B - Identifying and selecting key stakeholders
- C - Developing the business plan / theory of change
- D - Identifying results and inputs for each outcome
- E - Developing indicators to turn the articulated benefits and costs into monetary value
- F - Calculating the SROI ratio, the comparison of the investments and the environmental returns
- G - Complementing the ratio with narratives (stories that contextualise the ratio)
- H - Verifying through triangulation or other means

A 2009 framework of SROI lists the following seven principles as key to the method: involve stakeholders, understand what changes, value the things that matter, only include what is material, do not over-claim, be transparent, verify the result (Nicholls et al., 2009). It appears that there are multiple discourses surrounding guiding principles of the SROI. The methodology is not solely for the evaluation of the social impact of an action, it is a framework through which to plan a social outcome and measure whether the intervention was successful. It is argued that there is not much difference between classical cost-benefit analysis (CBA) and SROI, as they both combine the ratio of discounted costs and benefits over a certain period of time, in the form of cash flow (Arvidson et al., 2010). The same researchers present the limitations and challenges of SROI, including the high costs of conducting SROI assessments. Another social impact valuation methodology currently in development is the VISES projet. The VISES project – Valorisons l'Impact Social de l'Economie Sociale (Valorizing the social impact of social economy) is a Belgian-French collaborative four year project with twenty one partners (representing sixty nine enterprises), of which twelve are Belgian (one of which is Credal), aimed at co creating ways of “valorising” the social impact of social entrepreneurship. We use the translation “valorizing” in quotations because it is important to note that the implications of the word valorization in French have a stronger focus on the importance of using the valuation of something for improvement as opposed to solely appreciation, as the English term may reflect. While it may appear trivial a distinction, it is an apt metaphor for a distinct set of approaches toward the evaluation of social impact. One aims to seek a better understanding of its impact in order to maximize said impact while the other aims to outwardly confirm its impact. They have currently published two progress reports, the latest one in September 2017, and focuses on exploring the different aspects of social impact assessments (including its risks) in theory. The work in development aims to respond to social aspirations and to be a tool of valuation and strategic evaluation in order to transform internal practices

to better respond to their purposes, engage all stakeholders (users, clients, workers, financiers both private and public) in dialogue and communicate internal practices (Interreg – VISES, 2017a).

Our evaluation will be based on a set of questions informed by elements of the aforementioned frameworks:

- 1 – Is the data accessible (Where is the information available? Who is the information legible to?)
- 2 – Is the data representative? (What is the sample size of the study? Is it representative of the group being studied? Can perceived changes be attributable solely to MFI intervention?)
- 3 – Is the methodology replicable? (Who carries out the research and how?)
- 4 – Is the methodology reliable? (Who is involved in drafting the methodology?)

We must reiterate that the purpose of the study is to evaluate the quality of the methodology of social impact assessment, and not of the quality of the purported social impact of the studied microcredit providers, which as is evidenced by their client testimonies, do have a tangible social impact. The analysed reports constitute syntheses of interview contributions of a combined 417 individuals whose experiences do not represent that of the tens of thousands of their peers in Belgium; they provide valuable insight into individual business experiences and methodologies of social research. It must also be acknowledged that evaluations are not neutral, and therefore we cannot claim to present a “neutral” or “objective” perspective.

2.3. MicroStart

MicroStart is a microcredit organisation founded in 2010 by Adie, BNP Paribas Fortis and the European Fund of Investment (EIF). It is active in Belgium and composed of a social cooperative through which they finance people wishing to start or further develop a small enterprise, and a non profit association through which they provide free counselling and business coaching to their beneficiaries. They offer professional microcredits of 500 to 15,000 EUR to professional activities which will generate revenue in Belgium, and if the applicant is not involved in a collective debt settlement (MicroStart, 2017). MicroStart holds the position of leadership of the European Microfinance Network. Their most recent social impact assessment report is titled “Socio-economic impact calculation of the activities of a micro-finance institution in Belgium”.

The report was written by students of the Vlerick Business School for MicroStart. It is seventy-four pages long and available online through the EMN publication database. The previous report was drafted in 2014, also by students of the business school. Its stated purpose is to be MicroStart's main support to demonstrate to its stakeholder that it meets its objectives and has a positive socio-economic impact on Belgium (Flandroy et al., 2017). Although it significantly contributes to the promotion of the importance of microcredit in Europe, this aim appears to illustrate a dynamic which the SROI guide presents as less useful when, among other situations "it is being undertaken only to prove the value of a service and there is no opportunity for changing the way things are done as a result of the analysis" (Society Media, 2009). A methodology of this impact study was developed by the authors of the paper and is as follows:

- a. Define microStart's social objectives
- b. Understand the environment where microStart operates and its stakeholders
- c. Identify and gather the data
- d. Verify and analyse the obtained results to measure the impact of MicroStart's actions
- e. Report the results of the study to the interested parties

(Flandroy et al., 2017)

This resembles a condensed version of the SROI method. As the social impact evaluation is conducted by individuals outside of MicroStart, it is not them who define the social objectives. Furthermore, it is advisable to understand the environment where one operates as well as who the stakeholders are before defining any social objective. The report is complemented by a separate KMPG Advisory report which makes use of the study of these students, which we will discuss further in this section. The sample size of the study is 171 people in total, or a 14.9% survey response rate of their 1143 contacted clients (out of 1385 target clients). These results, which account for less than a fifth of their target demographic, are routinely extrapolated onto the entire population and leads to highly distorted figures, which is acknowledged throughout the paper. There is a discrepancy between the respondent target announced in the company newsletter during the research (300 people) and the reported respondent target in the report (160 people). The formula used to calculate an apt sample size was shown but not explained, however we were able to identify it as a formula referred to as Yamane or Slovin's (sometimes Sloven's). This formula is often misused, as it is the derivation of a more complex formula (Cochran's theorem) requiring more information. The lack of information described in a 2012 paper titled "On the misuse of Slovin's formula" coincides with the conditions of the report.

"Researchers are inclined to use this formula because of its simplicity. However, a careful examination of the formula reveals a lack of basis for its usage in some of the literature. For instance, some papers do not state the degree of confidence $1-\alpha$ nor take into account the population variance. It would be unthinkable to take the same n from two populations of the same N but with differing variability." (Tejada and Punzalan, 2012).

This particular point is interesting to explore because according to the aforementioned 2012 paper, this formula is commonly used in a way which has repeatedly been debunked, and yet it is still taught in business schools. This misinformation originates from the education material given to students, and shows potential for the review of commonly used and unquestioned methodologies. According to the physics graduate consulted to identify the formula, it would not have been possible to identify it without previously having come across it, and as we have explained above, many who know the formula do not understand how it works. This is important because a social impact assessment should be easily understandable to all stakeholders. A further point to explore, in relation to fintech, is how using flawed mathematics translated into algorithms may result in incomprehensible data which can be harmful when put to use. This is by no means what is being communicated here about the information in the report. It is nonetheless an important tangent line of research to note and address in a more suited context.

The criteria measured and referred to as "primary impact" within the evaluation are client sustainability, income evolution, employment creation, formalization rate, and banking access. The "broader" impact was determined by calculating the savings in social contributions the government makes and the extra income it generates from the activities of the businesses of MicroStart clients. The replicability of this method is limited – data collection consisted of surveys (806 calls had to be made over a period of 15 days by 16 people in order to collect the reported data, as well as an online follow up) and access to two private databases. The indicators themselves would be easy to collect through a digital tool, however no infrastructure currently hosts a mechanism through which to provide this service. Furthermore, the report has not been proof read, there are frequent typos and errors in translation which at times complicate the understanding of the presented data. The term "assumption" appears on seven separate occasions in referencing data, meaning that there are large amounts of information based on assumptions rather than fact. The MicroStart internal database was used to capture data from 2013 to 2015, whilst the Bel-First database was used to capture data from 2012 to 2015. MicroStart clients represented in the Bel-First database accounted for only 13% of the total targeted MicroStart clients because it only contains those that are part of a legal entity, have a VAT number, and it excludes one person businesses (which according to the report represent a large portion of MicroStart clients). This

alone would hinder the calculation of client sustainability and formalization rate. The report frequently switches between the two databases without making clear distinctions, and the limitations of these sets of data are acknowledged throughout the paper, however, they are still used to produce extrapolations and interpretations. As previously mentioned, complementary to the report there is the publication “microStart Social Return on Investment (SROI) Analysis” published by KMPG, which uses the same survey. What stands out from this work is that although the word “social” is included before “return on investment” in the title of this report, the findings are entirely calculated in terms of financial gain and includes the following side notes in the report: *“the survey was created by Vlerick Business School students, without the possibility for intervention nor revision from KMPG advisors (...) therefore our conclusions do not apply, in any way, to the social impact created”*. This clarification further establishes an above mentioned mistake of the methodology, which is that it leaves no room for improvement, as it has no room for revision. Moreover, what is abbreviated as SROI in the document only appears to be ROI (Return on Investment), a measure that excludes the social and societal implications, which is also acknowledged in a footnote on the sixth page:

*“*For our calculations we only took into consideration economy-related items. Therefore our study doesn’t elaborate on social items such as well-being, autonomy, trust, skills, etc.. These social items are necessary components to provide a comprehensive view on microStart’s performance”*.

It is difficult to understand the value of a report titled “MicroStart Social Return on Investment Analysis” which states it does not take into consideration social items. On the whole, the research presents interesting findings in terms of individual experiences and economic benefits of the investment, as well as reflecting an extensive investment of time and effort, however the methodologies and extrapolations are flawed due to a lack of available frameworks through which to make social impact assessments.

2.4. Credal

Credal is a microcredit provider established in 1984 formed by four separate entities - one social cooperative through which the funds are channelled and microcredits are delivered, and three non profit associations through which project analyses are carried out and counselling is offered to microcredit beneficiaries. In 2006, it entered into partnership for commercial banking purposes with the entity formerly known as Dexia Group (Van Campenhout, 2016).

The Credal report consists of a 2014 impact assessment of its specific microcredit product for “mobility” on professional, social, and financial inclusion of the clients. It is available on their website. Mobility refers to the physical ability to get oneself to work, so it is mainly a microcredit used to finance a car. It is based on the results of a survey on 246 clients who took a mobility microloan between 2010 and 2013. It is twenty seven pages long and available online through Credal’s website. The research methodology is divided into three parts, the research conducted via telephone, the focus group, and the limitations of the research. It was carried out by a team of four, including a Université Libre de Bruxelles (ULB) Masters student, a co-author, the coordinator of the relevant microcredit branch of Credal, and a postface by the director of Credal. It is not disclosed over which period of time this took place. The study investigates what it refers to as the “real” impact of a mobility microcredit on the client’s professional situation through the following three lines of research: (1) Does the “mobility” microcredit allow beneficiaries to keep or find a job (2) If and how their daily life has improved following a microcredit (3) If their financial situation has improved following the receipt of the microcredit. The first part of the report (pages 6-8) explains the personal microcredit offered by Credal

by contextualising the reason why people may need to access it and laying out the criteria for a successful application. 1100 people were listed as clients for the period of 2010 to 2013, of which 300 people were interviewed, and 246 responses were treated. The questionnaires are not presented. A focus group was run in Liege, though it does not state how many participants attended. Section 2.3 outlines the limits of the study, mainly that due to the fact that most respondents were still Credal beneficiaries at the time, there may have been a reluctance to disclose certain information to avoid hindering their opportunities of obtaining further Credal assistance. Since not every respondent answered every question, percentages are based on specified amounts of responses at each stage. There are also testimonies included in the report to provide a deeper understanding of certain figures presented. The report concludes with a postface written by the director of Credal, acknowledging that for every recipient of a Credal mobility microcredit, five are rejected, and that while credit can be a vector of social inclusion it can also cause over indebtedness.

2.5. Comparison

In both cases, research methodologies are undertaken by third parties which do not take an active part in defining the objectives of the microcredit provider (or have a say in the business plans they are evaluating) and by default have a narrower scope of research. Neither of the reports appear to have involved their clients/beneficiaries in the process of devising an evaluation of social impact. MicroStart translates benefits and costs into monetary value, while Credal makes no such assessment. The use of surveys limits the amount of narratives available within the MicroStart methodology, whilst the inclusion of a focus group by Credal, and its adaptation of the questionnaires to the individuals allows for a more extended narrative beyond the quantitative results. Triangulation is difficult in both methodologies as no alternative assessments or databases on social impact exist. Both methodologies require a significant amount of voluntary work to be mobilized, so their replicability is limited.

It is our opinion based on the elements laid out previously that the Credal report is more effective in acknowledging its limitations and contextualising the respondents' answers, revealing a more comprehensive set of information which exposes the negative aspects as well as the positive ones. It is also more efficient as it compiles the responses of a higher number of clients into a shorter report, which is why our evaluation of their work is shorter. The researchers do not extrapolate findings, which may be due to the fact that their focus is on their "real" effect on their clients. Both reports are carried out in retrospect as opposed to a sustained action throughout the financing, as is a possibility suggested by Avise (2017), who put forward a model of cooperation where social indicators are used in reporting throughout the period of microloan. Credal is a partner organisation of the VISES project and it is therefore known that it is part of ongoing research on social impact measurement.

3. FINTECH IN MICROFINANCE

Fintech is a portmanteau word which was used to refer to technologies applied in the financial services sector primarily by financial institutions, however now it includes technologies which are "disrupting" traditional financial services, such as mobile payments, fundraising, loans, and asset management (Marr, 2017). Within microfinance, the use of big data has previously been identified as a source of information for increased impact within fintech research. According to a 2015 report by Omidyar Network, a philanthropic investment fund created by eBay founder Pierre Omidyar and Pamela Kerr Omidyar, big data could help up to 580 million people gain credit for the first time (Hussain, 2017). Obtaining this type of information (with the client's consent) also presents the potential for studying the information in alternative ways which can extend to social inclusion. While such research is being carried out predominantly within developing economies, it is necessary to harness this knowledge and complement it with parallel studies in developed economies, making necessary adjustments. In 2017 a

survey was carried out by the Microfinance Centre in Poland on the use of fintech solutions and digitalization of the customer relations and lending processes among MFIs in Europe. Out of the 36 MFIs surveyed, 15 are in Western Europe, of which 2 are in Belgium. The main aim is to review which digital solutions are employed in microfinance provision in Europe and assess the level of interest in introducing new solutions at various stages of the delivery of financial services (Pytowska and Korynski, 2017). While this research focuses on the benefits of introducing digital solutions for the purpose of improving the efficiency of credit provision and assistance, monitoring tools are also discussed in the context of loan monitoring, so the knowledge is transferable to potential infrastructure designed to monitor social impact. The paper mainly draws distinctions between Eastern and Western MFIs, so specific information about the Belgian MFIs is not presented.

There is information available on specific fintech used by MicroStart through a 2017 paper which included an interview with their IT manager. We note that in the section of future developments planned for MicroStart there is an element named “social impact point” but it is not specified what this is. The paper tells us there is a wide infrastructure and IT plan in development within the company, however, as they explain, social impact assessment falls outside of the scope of their research, so there is no exploration of potential use for this purpose. The subject of the implementation of digital solutions appears entirely focused on efficiency of client absorption (the rate at which new clients are taken into the system) e.g. by saving from thirty minutes up to one hour in setting up new customer files (Vandeputte and De Toffol, 2017) rather than on the effectiveness of their assistance as it relates to social inclusion. It is an interesting and insightful paper, however it presents interview responses (IT technicians of three different microcredit agencies, microStart, Adie and Qredits) consequently as if all interviewees were simultaneously present in the room, which gives an impression of complementary ideas, when in reality they are three separate sets of modes of operation. This is important to keep in mind when considering tools to be deployed on a macro scale.

In the wider realm of European technological development, on Thursday 19th of July, the Belgian Chamber of representatives approved a law whereby every public service providers will have to name a “data protection officer” who will be in charge of protecting citizens' data (Belga, 2018). This comes as an extension of the General Data Protection Regulation (GDPR) implemented within the European Union on the 25th of May of this year, which gives EU citizens more control over our personal data by applying obligations to businesses and organisations which make use of such data (European Commission, 2018). This concern for and protection of citizen data signals an interest at the commission level for using citizen data fairly and with a focus on individual citizens over business profit. The fact that a group of individuals will be tasked with protecting citizen data presents an apt environment within which research will emerge on consumer protection whilst maintaining operational efficiency, which would benefit the development of a digital social impact assessment tool.

4. RECOMMENDATIONS

- A series of meetings between relevant stakeholders, at first a few targeted individuals identified through a more comprehensive assessment of the subject matter, (and/or an open call) and at a later phase through a public platform open to participation. The relevant stakeholders could be MFI IT technicians, microcredit officers, clients, app developers, psychologists, social services, etc. This may also involve the soon to be appointed “data protection officers” and may take the form of a fair, a festival, a conference, etc. A format can be decided based on available resources and further research, and could be chaired by Masters students from across the country should they wish to participate in the process. This approach would increase the perspectives available from which to address different issues, as well as encouraging cross sector cooperation.

- This would also provide a dynamic case study for Masters students, who in this context would be presenting syntheses and analyses of the outcomes, would not bare the responsibility of being the sole communicators of the information, as the focus of the project would be the networking and meetings, not the report. The aim is to facilitate a space where stakeholders are able to contribute in proportional part, whilst providing a dynamic learning environment for postgraduates aspiring to work in this domain.
- We want to stress the importance of a participative process of evaluation, where clients/beneficiaries who are helping to devise the evaluations are rewarded for their time, or where it is agreed that an evaluation will be part of the microloan process. The current models fail to capture a large part of the beneficiaries of the action in part because there is no incentive in responding to questionnaires, and it is presented as an interruption to their life rather than part of an agreed process.
- As explored in previous sections of the paper, there is a favourable legislative, scientific, and socio-economic climate for this type of collaboration, as varying institutions (and students) are working on complementary themes which could benefit from being brought together and mediated for an effective and democratic (digital) tool development for social impact assessment.
- We suggest a line of research which acknowledges the limitations of quantitative data output as indicators of social impact/improvement, and seeks to find new ways of measuring said impact whilst making full use of the available technology and expertise in various fields to strive toward effective solutions. For example, the mechanisms and habits of using social media are already present on a wide scale, and can be harnessed into actions that can be recycled into social capital. For an example of this dynamic, one may look at the formalization rate with and through the incentive of completion, as per the Hook model (Eyal, 2014).
- We also propose a model where a third party take the mediation between clients and the MFIs so that clients may feel comfortable disclosing a maximum amount of information without their credit being adversely affected.

5. CONCLUSION

The current social impact assessments undertaken by Belgian microfinance institutions tied to commercial banks provide a valuable insight into their social impact, however, they occur sporadically and in both explored cases, are carried out by postgraduate students. This shows an outsourcing of work and a lack of resources being provided for social impact assessment, relying instead on occasional interventions by individuals with limited field experience, as well as being subject to their own academic evaluations. Though this may present educational benefits for the students, it significantly limits the potential approaches and resources mobilized for the purpose of social impact assessment. Furthermore, it is worth noting that the majority of academic papers consulted for this research were by business/economics students, which narrows the possible discourses. Initiatives such as the VISES project, demonstrate that there is both an interest and an identified need for the betterment of social impact measurement tools in Europe. The dynamic evolution of fintech and its adjacent research opens up new opportunities for methods of monitoring progress, successes, and failures of microcredit beneficiaries, as well as the potential to involve said beneficiaries in the development of the tools. Recent budgetary allocations by the European Commission for digital innovation, as well as legislative procedures pertaining to privacy and data protection present a wholesome terrain for social impact measurement fintech development. The provision of a freely accessible tool which improves the financial literacy of its users could prove to be an effective pathway for social inclusion.

This paper presented an introduction to microcredit in Belgium, followed by an explanation of social impact assessments and an evaluation of said assessments of the two most widely used microcredit institutions in the country. The use of fintech for microcredit was also examined, and ideas for potential lines of research for the development of digital tools for social impact assessment were presented. While this paper was critical of the evaluated methodologies, the focus was placed disproportionately on the negative aspects of social impact assessment methodologies, and are therefore not reflective of the social impact on the beneficiaries. All papers on microfinance consulted for this research re-iterate the absence of significant research on this subject in developed countries, and by extension of modes of social impact evaluations. It is time to dedicate appropriate monetary resources to extend this research to real time monitoring in order to complement the retrospective approach and avoid a dependency on postgraduate students. With an increasing amount of citizens of Europe recurring to this form of financing, we believe it is imperative to accord as much importance to social impact evaluation as it is to cost-cutting digital tools, as both are intended to increase the efficiency of the product delivered, though only one is concerned with the social inclusion of its user.

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