

THE GROWTH OF THIRD SECTOR ENTERPRISES CONTINUES: INVESTMENTS AND GROWTH IN BUSINESS WITH BANKS INCREASED IN 2019

The main results of the ninth edition of the Observatory on "Finance and the Third Sector" promoted by UBI Banca and AICCON (Italian Association for the promotion of a co-operation and nonprofit culture) found that 96% of third sector enterprises had made investments and that 78% were satisfied with their relationships with banks.

Milan, 20th April 2020 – The year 2019 was one of confirmation: third sector enterprises confirmed positive forecasts of their revenues and investments made the year before. This is what has emerged from the tenth edition of the Observatory on "Finance and the Third Sector" promoted by UBI Banca and AICCON (Italian Association for the promotion of a co-operative and nonprofit culture).

According to data acquired by the survey, 96% of those interviewed **made investments over the last three years** and the main source for making those investments was **self-financing** (50.4%) – Srl's (limited liability companies) classified as social enterprises in particular made resort to this (52.2%) together with type A social co-operatives (51.0%) – followed by funding from banks (28.8%), a channel used mainly by consortia (52.5%).

Awareness of the availability of social impact financing instruments is growing among social enterprises in Italy (+10.1% compared with the previous edition), especially among **consortia** (76.9% compared with 44.0% of the total sample). Of those with knowledge of the subject, 33.6% showed an interest in using this type of instrument (19.1%) or were already using them (14.5%). Type A social co-operatives were the organisations that showed the highest levels of **use of social impact financing** (20.9%) and were also those who declared a greater **interest** in this sense (25.6%). The most used and well-known instrument was that of **subsidised finance** (e.g. the Ministry for Economic Development's Revolving Fund for enterprises, EIB subsidised funds, etc.).

*"The Observatory shows that the ability of banks to provide a variety of made-to-measure specialist answers is an indispensable factor for the creation of stable relationships with players in the world of social enterprise", said **Riccardo Tramezzani, Head of the UBI Comunità Area**. "At this moment in time more than ever, we are assisting social enterprises in Italy as a true and genuine asset to be preserved and valued for the contribution they make to public welfare and for the care they give to our communities. We wish to continue to be partners in a broader system of which we are a part. It is a system of relationships and economies that deliver services, generate employment and foster well-being. The Observatory gives us an increasingly broader and more detailed snapshot of the diversity of these experiences which are widening the range of our activities towards new investments and new metrics for measuring the value produced. The challenges ahead of us, today more than ever, require a solid and reputable social enterprise presence and as a bank that has always worked "in and for" communities, UBI Banca will not fail to make its contribution."*

Around 77% of enterprises who have **applied to banks for financing in the past three years** (50.4%) have been granted the full amount requested. The main **uses made** of the financing granted were for **medium to long-term investments** (42.0%), a figure which confirms the findings of the previous edition of the Observatory. Levels of satisfaction with banks are high (79.6% declared they were satisfied), above all with regard to the perception of the existence of an adequate range of products and services (53.6%), a figure also confirmed for satisfaction with **the bank's function in processes for the development of the world of social**

co-operatives and social enterprises. As much as 35.2% of the sample thought that a bank's role should be to provide a specialist range of credit services. It was also stated that banks should reconsider their function more as a player able support social enterprises by playing an advisory role (34.0%).

*"In this profoundly changed context, we are aware that the role played by UBI Banca is decisive for Italian social enterprises, as it is called upon to guarantee the continuity of its innovative activities and services which are extremely different from in the past", said **Guido Cisternino, Head of Third Sector and Civil Economy at UBI Banca.** "While the path ahead is still long, with its high reputation and the genuinely tailor-made nature of its services, UBI Comunità intends to make further investments in them and to innovate its service range and service model along the lines recommended by the Observatory. The Bank's role, as UBI Comunità sees it, is not just as a deliverer of services no matter how distinguished and tailor-made these may be, but also that of a player who can help organise and build networks, support investments, create links between different realities and communities and share knowledge".*

As in the past, the tenth edition of the Observatory has set itself the objective of **analysing financial requirements and the outlook for the future of Italian social enterprises.** With regard to **2020, forecasts for investments** confirmed good perception in terms of prospects for social co-operatives and social enterprises with over four organisations out of five expecting to invest during the year (up 20.0% compared with the previous year). In 52.3% of cases, those interviewed confirmed **self-financing** (the means indicated above all by occupational rehabilitation co-operatives – 54.7%) as the main source of funding, followed by reliance on banks (26.3%) used by half of consortia.

Again with regard to forecasts, 2020 confirmed the **positive trend** of the previous year: 74.4% and 75.6% respectively of those interviewed forecast revenues from donations and public authorities and from the market as stable or growing. The figures for **type A social co-operatives and Srl's (limited liability companies) classified as social enterprises** are worthy of note: 85.3% and 72.3% respectively anticipated stability or growth for revenues from donations and public authorities and 81.3% and 75.0% anticipated this for revenues generated by sales of goods and services on the market.

*"For the second consecutive year the ninth edition of the report gives a snapshot of the world of social enterprise looking jointly at social co-operatives and Srl's classified as social enterprises. It is a universe of enterprise which pursues common general interest aims, by using different production of value paradigms" said **Paolo Venturi, the director of AICCON.** "The results show the features of this diversity. Social enterprise Srl's have a strong orientation towards dialogue with private sector investors and show a significant propensity to invest. Social co-operatives are once again the most advanced in terms of enterprise and openness to new markets. In this period in time, when profound changes are taking place, the changes already in progress in Italian social enterprises will accelerate and convergence with banks and the need for a strategic relationship with them will increase. The result of that which is happening will be seen with next year's survey which will allow us to understand these changes in terms of the behaviours and expectations of social enterprises and also in terms of the effect that the current coronavirus epidemic will have on their propensity to invest".*

Method

The 2019 report was intended to continue to monitor the state of and trend for supply and demand for third sector finance with a focus on social entrepreneurship in Italy (social co-operatives, consortia of social co-operatives and social enterprises in the form of Srl companies pursuant to Legislative Decree No. 117/17). It was designed to identify the changes promoted by the reform of the third sector by surveying **a wide range of different aspects** such as: **general sentiment** in the world of social co-operatives and enterprises, **social impact finance, financial requirements** over the last three years, **relationships with banks** and **future**

prospects.

UBI Banca

UBI Banca is the third largest commercial banking group in Italy by market cap, with a market share of around 7%, 1,575 branches in Italy and over 19,940 employees. UBI Banca is a banking Group listed on the Milan stock exchange and included in the FTSE-MIB index.

UBI Comunità

Through its Third Sector and Civil Economy Service, UBI Comunità is the commercial division of the UBI Banca Group specifically dedicated to the third sector and the civil economy. Composed of a commercial team of specialist customer relationship managers, it has an innovative and customised approach to this sector in terms, amongst other things, of providing banking and credit support for the management of daily activities, projects and investments. With UBI Comunità, UBI Banca adds to a range of services designed for simplified banking operations that are secure and economical, with diversified credit solutions to pay advances on contributions and revenues, together with a range of flexible and customisable financing solutions to support the pursuit of institutional aims and to launch or accelerate economically sustainable paths to growth and social innovation. The drivers of UBI Comunità's actions are its closeness to communities, its multi-stakeholder approach, the importance it gives to networks and relationships and sharing its skills and internal expertise and it is through these that it is able to act as a strategic partner in the world of the third sector.

AICCON

AICCON – Italian Association for the promotion of a co-operation and nonprofit culture – is a think tank created by the University of Bologna, the Alliance of Italian Co-operatives and numerous public and private sector organisations operating within the sphere of the social economy. It is located in the School of Economics Management and Statistics at Forlì, in the University of Bologna. The association has succeeded in recent years in becoming a point of reference academically, as a result of the importance of its initiatives and its continuous education and research efforts on salient issues in the co-operation and nonprofit worlds and in the civil economy, conducted in constant contact with the academic community and third sector organisations.

For further information please contact:

UBI Banca Media Relations

media.relations@ubibanca.it

02 7781 4213 - 4938 - 4139