

A YEAR OF GROWTH FOR THIRD SECTOR ENTERPRISES: REVENUES AND INVESTMENTS INCREASE IN 2019

Forecasts of the eighth edition of the UBI Banca – AICCON (Italian Association for the promotion of a co-operation and nonprofit culture) Observatory on “Finance and the Third Sector”: approximately 70% of social enterprises and co-operatives forecast growth in revenues in 2019 and a strong intention to invest has been recorded making use of social impact financing instruments or subsidised finance supported by banks.

Milan, 3rd July 2019 – Third sector enterprises are set to experience a year of great vitality, with forecasts of increased revenues and a strong propensity to invest. This is what has emerged from the eighth 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).

According to the data acquired from the survey, the objective of which was to **analyse financial requirements and development prospects for social enterprises in Italy**, forecasts for 2019 are **exceptionally positive**: 69.2% and 74.8% respectively of those surveyed forecast revenues from donations and public authorities and from the market as stable or growing. Data for **Srl’s (limited liability companies) classified as social enterprises** was particularly impressive: 79.3% forecast stability or growth for revenues generated by sales of goods and services on the market, with 34.5% of these types of enterprise certain of an improvement.

With regard to **knowledge of social impact financing instruments**, it was in fact **Srl’s classified as social enterprises** and **consortia** which recorded **greatest knowledge** with the highest scores of around 45% and 43% respectively, compared with 36% for the total sample. Of those with knowledge of the subject, 33.8% showed an interest in using this type of instrument (16.9%) or were already using them (16.9%). Social Srl’s (30.8%) and type B co-operatives (29.2%) recorded **higher levels of use of social impact financing**. For the former this was because they are able to include investors in their governance bodies, while the latter are social co-operatives with a stronger market orientation. 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 report also confirms that the primary source of finance for investments made **in the last three years** consisted of **banks** (43.3%), just ahead of **self-financing** (40.7%). It is underlined that **private sector sources** are mentioned as a means used to finance investments, declared by 8.2% of those interviewed.

*“The Observatory confirms that the high quality and the specialist customisation of our range of banking services are indispensable for building long-lasting relationships with social enterprises and non-profit organisations in general”, said **Riccardo Tramezzani, the Head of the UBI Comunità Division**. “The role played by the Bank is not so much that of a mere service provider, but that of a fellow protagonist in a broader process that builds networks, supports choices and investment projects, shares skills and acts as an intermediary in relationships between economic operators and*

the community. UBI Comunità aims to be a partner to the whole universe of social enterprises where the objective is to enable the development of the entire ecosystem of social economy and to promote synergies and forms of collaboration between public, private and social private sectors by performing a variety of functions and providing an integrated mix of financial instruments delivered by using a heavily customised approach.

Consequently, within this scenario on average enterprises who have **applied to banks for financing the past three years** have been granted approximately 76% of the amount expected. The main **uses made** of the financing granted were for **medium to long-term investments** (54.7%). After three years of surveys this decision has again become the primary use for social co-operatives. The **high levels of satisfaction** recorded for relationships with banks (86.4% declared they were satisfied) were due to the good range of products and services provided (49%) and to recognition given to assessment methods that are tailor-made for nonprofit organisations (37.4%). Furthermore, the **Bank's function as a multiservice platform for the development of co-operatives and social enterprises in general** was fully confirmed: 37.4% of the sample thought the Bank's role should be to deliver a range of specialist credit services and 34.3% thought it should be a partner for complex projects.

“The report published shows the desire and intention of co-operatives and social enterprises to continue to grow, achieved through broad-ranging strategic planning supported by long-term investments, able to maximise the creation of social value” said **Guido Cisternino, Head of Third Sector and Civil Economy at UBI Banca**. *“In this context the opportunities provided by social impact finance become key factors, and knowledge in this respect is becoming increasingly widespread among third sector players, although there is still room to improve awareness of the relative instruments available. While the path ahead is still long, UBI Comunità intends to stimulate and promote the use of social impact finance among third sector players, for example by introducing innovative features to conventional financing instruments (as in fact requested by co-operatives and social enterprises) and by using an impact approach to guide the grant of finance in order to support entrepreneurial and operational decisions in a sector that is key as much to our own well-being as it is to our economic development.*

There is good news for future prospects with two out of three organisations expecting to make **investments in 2019**. In 52.2% of cases those interviewed thought they could cover these with **self-financing**, followed by resort to banks (28.8%). In this case too **private sector organisations are reported as sources of cover** (9%), preferred above all, as was predictable, by Srl's classified as social enterprises, an increase compared with previous editions with regard to social co-operatives.

“For the first time the eighth edition of the report changes the mix of social enterprises, with a joint focus on social co-operatives and ‘social enterprise Srl's’, thereby identifying a new universe which pursues common general interest aims, by using different production of value paradigms”, said **Paolo Venturi, Director of AICCON**. *“The results show that Srl's classified as social enterprises are naturally more open to dialogue with private investors and have a higher propensity to invest. Social co-operatives and those working in the field of occupational rehabilitation were again found to be the most enterprising in a period in which the benefits of increased efficiency seemed to have been exhausted. This third time round, social co-operatives have started to look again at the medium to long-term, asking the world of finance for a new generation of services to supplement*

resources. This change is radical and it requires social enterprises to invest in new functions and strategies able to manage the complexity of entrepreneurial projects which have now become structurally ‘eco-systemic’.

Method:

Some aspects of the 2018 report have been updated. These include changes to the composition of the sample and the revision of questions in the questionnaire with for example the introduction and/or change of six new items, wanted to monitor the state and development of supply and demand for third sector finance on a continuous basis 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 – limited liability companies – pursuant to Legislative Decree No. 117/17). This was designed to identify the first 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 one of the largest commercial banking groups in Italy by stock market cap, with a market share of approximately 7%, approximately 20,400 employees, 1,640 branches, which give it a presence in the most important economic areas in the country. UBI Banca is a banking Group listed on the Milan stock exchange and included in the FTSE/MIB index. In 2013 UBI Banca was awarded a prize for innovation in banking services in the “Charitable bank” category by the Italian Banking Association and the National Prize for Innovation awarded by the President of the Republic.

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.

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