



EUROPEAN
MICROFINANCE
NETWORK

Microfinanciering Nederland



EMN webinar Dec 6, 2021

Qredits - Using digital tools while maintaining an inclusive approach

Qredits – started 2009

- Private organization: in-house processing & issuing of loans & mentoring services for small entrepreneurs in the Netherlands
- Non-profit organization (115 employees)
- Mentoring programme with 700 volunteers
- Broad funding base: € 350,000,000 by EIB, Government, Banks & Insurance companies

Total

27,500 loans
€ 580 mln

Caribbean

1,500 loans
€ 30 mln



Customer type

Microfinanciering Nederland

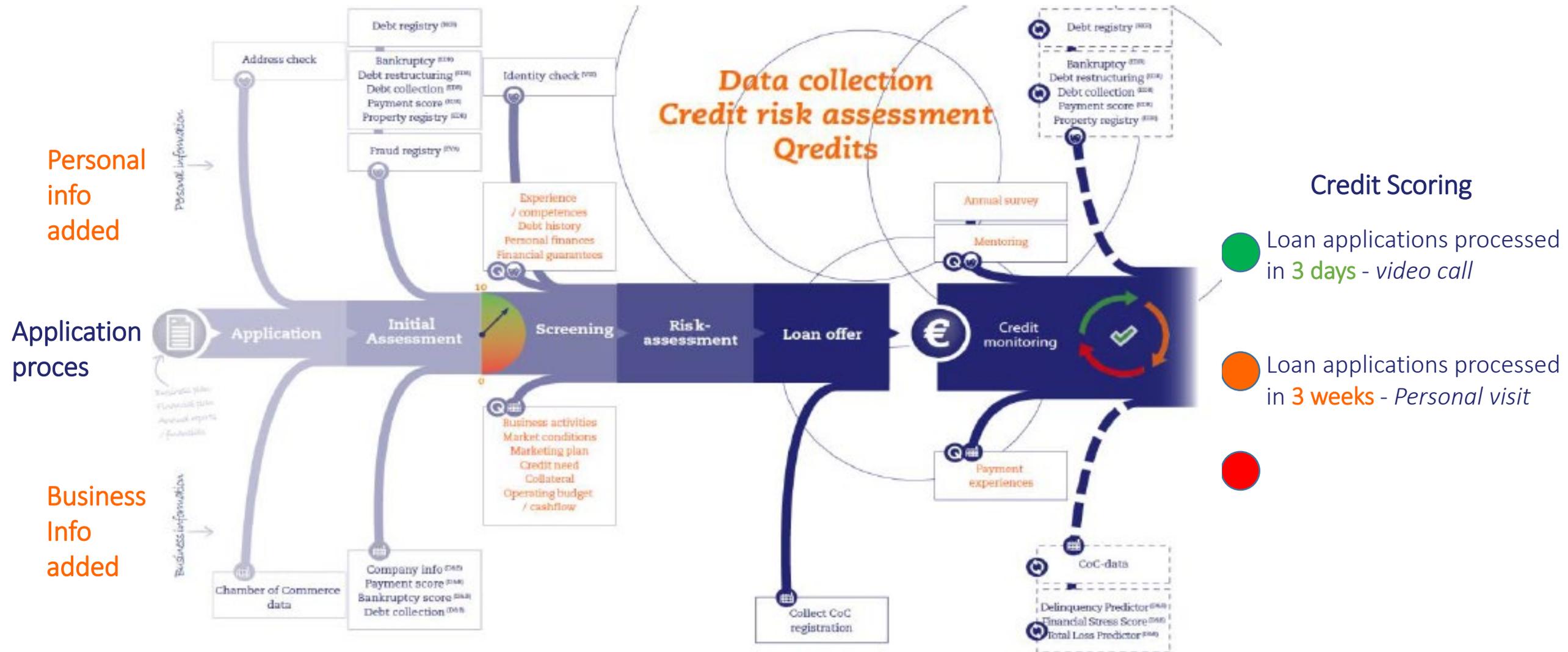


- Micro entrepreneurs
- SMEs
- Youth
- Migrants
- Welfare recipients
- Social entrepreneurs
- Caribbean entrepreneurs
- Beneficiaries from other funds – that Qredits administers

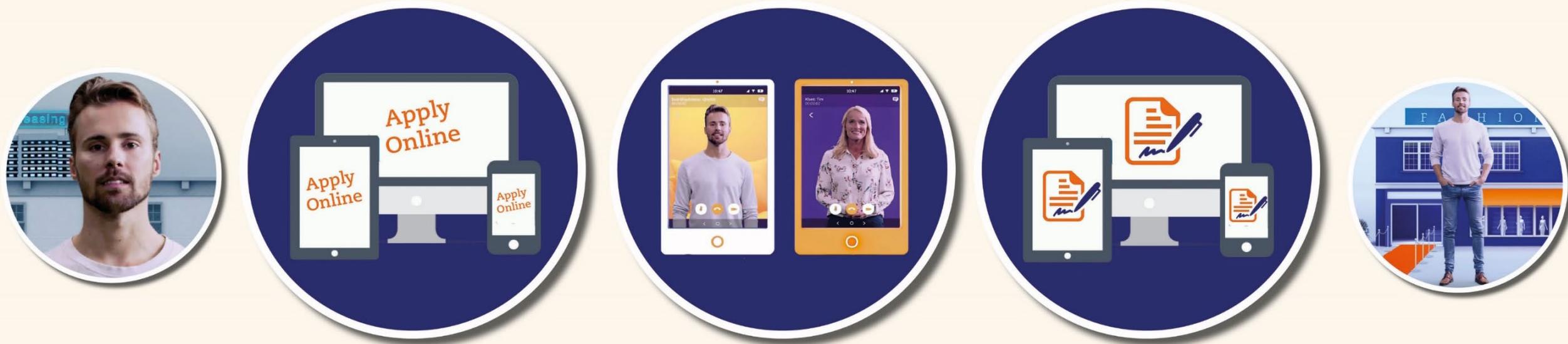
- Design for EFFICIENCY
- Design for SUSTAINABILITY
- Central approach:
 - Marketing
 - Credit applications
 - Contracting
 - Financial Administration
 - e-learning
- Decentral approach:
 - Training
 - Coaching
 - Screening
 - Credit management f/u
- Independence
- SCALE
- Market rates
- Flexibility
- Skill-building (Coaching & Training)
- Partnerships (Banks & other lending schemes)
- Replicability

FIN-TECH

To improve loan application proces Microcredit



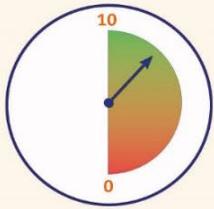
Fast-track application process



2 to 5 days

Initial Assessment

- Customer applies online
- External data is added
- First 5 min check (employee)
- Automatic Qredits-score (1-10)



Screening

- Score >7 qualify for Fastrack
- Choice for video call or visit
- Call max 30 min.
- Report max 30 min.

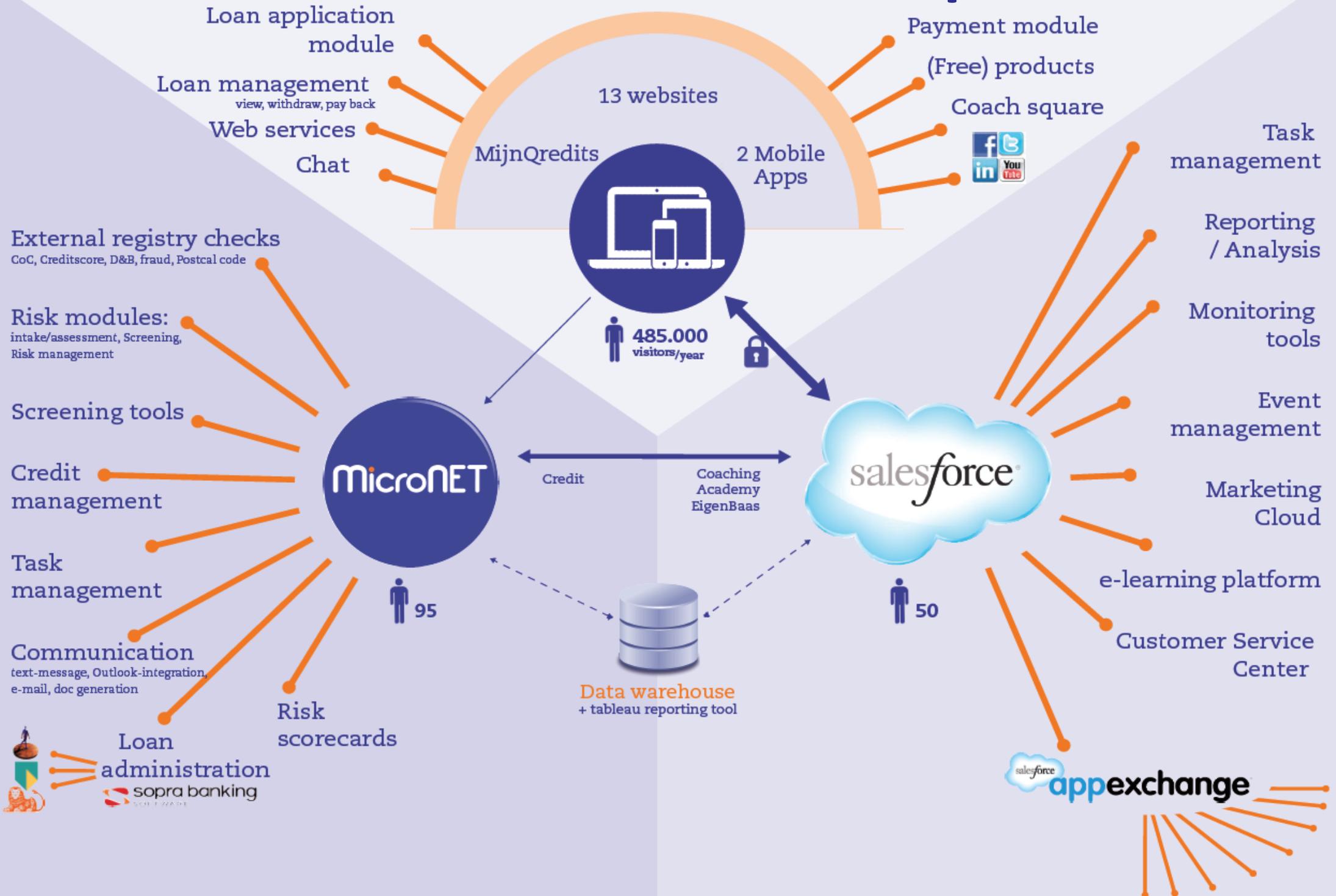


Digital approval & Contracting

- Contract send by e-mail
- Identification through bankaccount
- Signing through bank security
- Customer friendly, by PC or phone



Qredits IT landscape



Tips & Challenges

- Technology & marketing budget from the start – requires significant investment
- Structure Data (warehouse) & logical use of data
- Access for all: 360 degree customer view anytime anywhere
- Technology is ongoing – new applications all the time
- Experiment & pilot new applications
- Adopt & integrate existing solutions
 - requires a well-functioning operating system
 - Follow the market – develop in stages

Qredits - Singlify

Microfinanciering Nederland



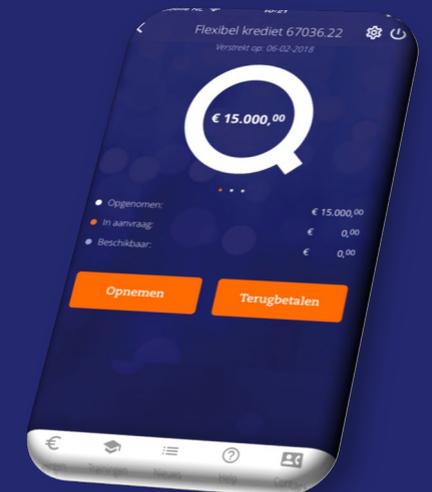
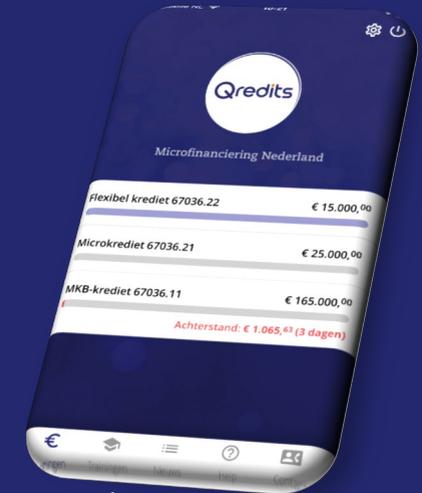
- Qredits International wants to help other MFIs scale up / change business model
- Qredits MicroNET system too large & too focused on NL market
- Partnership with Singlify – Salesforce based
- Qredits advises – Singlify builds
- In future Qredits will also switch to Singlify Loan Management System
(Coaching services & Monitoring already in Salesforce)

Since Covid ...

Microfinanciering Nederland



- Video call screening only by business advisors
- Digital signing of contracts also in Caribbean
- Expanded customer service department (more employees + extended hours)
- Online coaching (by appointment / 'walk-in') & crisis coaching
- Mobile app for Coaches (administration, appointments, connecting)
- 10-week entrepreneurial training school online
- Webinars & Online instructional videos



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Strengthening Financial Inclusion
through Digitalisation in Europe

A project by

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Introducing the SFIDE Project



UNIVERSITY OF TWENTE.

Strengthening
Financial
Inclusion through
Digitalisation in
Europe

Main Goals

- > Case studies on innovative European inclusive finance organizations
 - > 1 Study on EU open banking and PSD2 in progress
 - > 1 Study on Dutch inclusive finance ecosystem finalized
- > In-depth quantitative case study of the Qredits method and systems
 - > Study on the impact of COVID-19 on access to finance for applicants with welfare benefits (presented today); more pending
- > Experimental design study to improve loan assessment with the help of digitalisation
- > Future impact of new technology on the inclusive finance landscape: bringing the results together for policy and business advice

Project Team SFIDE & Partners

University of Twente



Dr. Massimo Prezioso
Assistant professor
Project manager



Dr. Michel Ehrenhard
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PhD Candidate



Qredits

Roy Spit
Directeur



EMN

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& Deputy director

Nicola Benaglio
Senior research officer



European
Investment Fund



Nord University



TU Berlin



Triodos



Youth Business
International

We are interested in your opinion

Which technology related challenge is the most prominent for your organisation?

- a) credit score implementation and use becoming more important than reaching underserved client groups
- b) bringing online video screening calls to the same level as the face-to-face screening
- c) low digital skills of a substantial part of our client base
- d) using technology to reach new underserved client groups
- e) other

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Desilencing Complexities: The Financial Needs of Entrepreneurs on Social Benefits

Motivation

- > Capture the impact of COVID-19 on Loan Officer behaviour in microfinance
- > Target Group of Research: Social Benefit Receiving Client
- > Attempt of a quantitative intersectional approach



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ABSTRACT

Desilencing Complexities: The Financial Needs of Entrepreneurs on Social Benefits

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Access to financial resources for starting or developing an enterprise can be difficult, especially in the case of entrepreneurial groups who face limited options to participate in the economic mainstream. In addition, the recent COVID-19 pandemic has brought historically rooted inequalities to the forefront and exposed social vulnerabilities. Even though much has been done, especially in the social finance and microfinance space additional barriers to financial access exist. This paper focuses on entrepreneurs who depend on welfare benefits but seek financial access to either start or develop their enterprise in the Netherlands. Entrepreneurship may be one of the few key means for this particular group of people to gain independence from welfare benefits that are provided by government entities. In return, more entrepreneurial activity may reduce public expenditures. Latest national statistics show that COVID-19 reflected on the Dutch labour market with a 25% increase in the number of unemployment benefits between February and May 2020 (CBS, 2021). This study aims to capture possible intersecting forms of disadvantage by testing for interaction effects between the welfare benefit receiving entrepreneurs' age, gender, nationality and their creditworthiness.

We draw on loan officer discretion literature to gain a better understanding of how the COVID-19 crisis in 2020 may have influenced the decision making behaviour of loan officers towards welfare benefit receiving entrepreneurs and potential intersecting forms of disadvantage. We analysed the dataset from a prominent microfinance institutions in the Netherlands who were impacted by the crisis as they had to move from on-site personal visit to online interactions with prospective borrowers. The dataset comprises 42,763 loan applications between 2018 and 2020. We provide mixed evidence on how the pandemic may have affected loan officer behaviour and their ability to use discretion to grant and deny loans in comparison to previous years. We find that the likelihood of false positives may have increased in 2020 and recommend further research in this direction. Overall, the approach in this paper falls in line with the UN's agenda that emphasizes the need for more quantitative approaches focusing on intersecting social categories in order to gain a better understanding of inequalities.

The views expressed in this paper are those of the authors and do not represent the views of the institution under investigation and with which the authors are affiliated.

Keywords: COVID-19, Loan Officer discretion, Microfinance, Quantitative intersectional approach.

Research Questions

- > Have the *distancing measures* changed loan advisors *behaviour* at Qredits in a way that their financial credit decision aligns more with recommendation of Qredits automated risk score?
- > Are *applicants with social benefits* less likely to be risk assessed based on the automated risk score recommendations in comparison to applicants without social benefits?
- > Does the *loan advisors risk assessment behaviour* towards applicants with social benefits change depending on a) year of application b) applicants age, nationality, gender c) quality of applications and business factors?

Sample

- > 42,763 Applications between 2018 - 2020
- > Consideration of demographics, application quality and business factors

Independent Variables									
Microfinance applicant welfare benefit status H2									
Welfare benefits	Value of 1 when applicant receives welfare benefits at the time of application, 0 otherwise	42763	0.13	0.00	0.334	0	1	0.00	0.00
Relevant application details H3, H4									
Age	Ordinal Variable: 1 if ≤25; 2 if between 26-35; 3 if between 36-45; 4 if between 46-55; 5 if ≥56	42763	3.01	3.00	1.157	1	5	2.00	4.00
Nationality	Binary Variable: 1 if borrower identifies Non-Dutch, and 0 Dutch Nationality	42763	0.10	0.00	0.296	0	1	0.00	0.00
Gender	Binary Variable: 1 if borrower identifies as female and 0 otherwise	42763	0.28	0.00	0.449	0	1	0.00	1.00
Subjective quality of loan application	Continuous Score between 0 and 3 with 3 the highest possible quality score of application	42763	1.98	2.00	0.440	0	3	2.00	2.00
Business Sector	Categorical Variable 1 to 4 (refer to description for details)	42763	2.30	2.00	1.176	1	4	1.00	3.00
Year of Application H1									
Year of application	Categorical Variable: 1 if year 2018, 2 if year 2019; 3 if year 2020	42763	2.30	3.00	0.795	1	3	2.00	3.00

Control Variables									
Applicants personal financial and business information									
Income from entrepreneurial activity	Binary Variable: Value of 1 if entrepreneur has an active income generating business; 0 otherwise	42763	0.66	1.00	0.474	0	1	0.00	1.00
Income from existing salary	Binary Variable: Value of 1 if entrepreneur receives salary from an employer; 0 otherwise	42763	0.20	0.00	0.396	0	1	0.00	0.00
Business Structure	Binary Variable: Value of 1 if business structure is without legal personality, 0 if business structure is with legal personality	42763	0.80	1.00	0.401	0	1	1.00	1.00
Type of product	Categorical Variable: Value of 1 if Microcredit, 2 if Medium-sized credit; 3 if Microcredit in combination with flexible credit, 4 flexible credit	42763	1.73	1.00	1.071	1	4	1.00	2.00
Amount requested	Continuous variable: Loan amount requested at time of application by applicant	42763	37.613	25000	46.528	1500	500000	10.000	46.000
Marital status	Binary Variable: Value of 1 if entrepreneur is Single; Value of 0 if Married, Living together or in registered relationship	42763	0.42	0.00	0.493	0	1	0.00	1.00
Highest level of education	Ordinal variable: Value of 1 if Secondary education; 2 if Lower vocational education; 3 if Secondary vocational education; 4 if high vocational education and 5 if University education level	42763	3.31	β.00	0.963	1	5	3.00	4.00

Analysis of 4 Lending Outcome Scenarios

	Low Risk Credit Score Output (Score between 7-10)	High Risk Credit Score Output (Score between -4 - 6)
Receives partial or full amount of requested credit	Fast Track Scenario (3)	Benefit of the Doubt Scenario (1)
Receives No Credit	Downgrade Scenario (2)	High Risk Alignment Scenario (4)

Results- General and Impact of Covid-19

Deviation from recommended risk score occurs 36% out of applications

In 2020, loan officers aligned more with risk score recommendation when it indicated high risk (-4-6) in comparison to previous years

In 2020, loan officers aligned less with risk score recommendation when it indicated low risk (7-10) in comparison to previous years

Results- Impact on applicants on social benefits

Applicants with social benefits have a slightly higher possibility to fall under the benefit of the doubt scenario, particularly in 2020

Female welfare benefit receiving entrepreneurs were more likely to receive a loan despite high-risk score in comparison to male applicants

Applicants with social benefits are more likely to receive a loan despite high- risk score if their business is either in transport, health and counseling services

3 Main Take-Aways

- > Microfinance is undergoing consistent change towards the adoption of more autonomous technologies: Covid-19 has accelerated this process
- > Loan officers still play a great role in microfinance; in particular for historically underserved entrepreneurs
- > The role of discretionary practices by loan officers is undergoing changes raising questions about organisational capabilities and skill development

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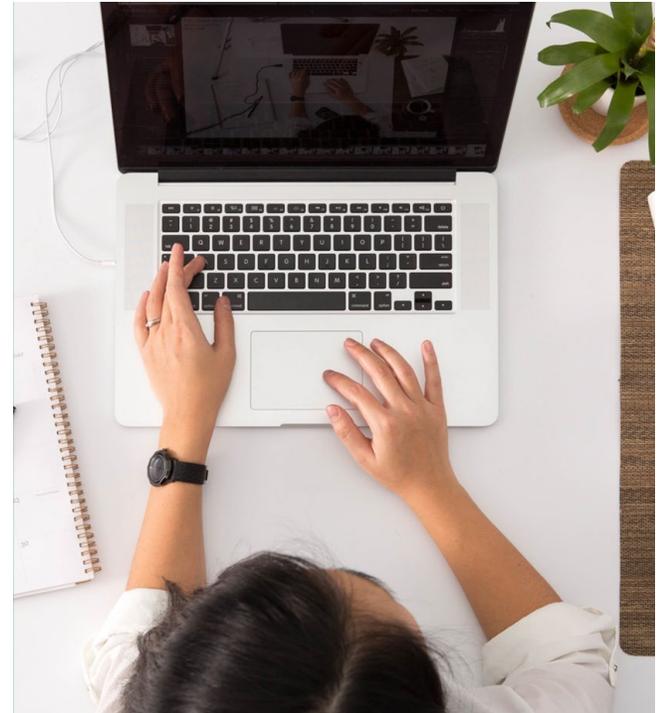


Singlify®

Singlify, the digitization solution for MFIs and CDFIs.



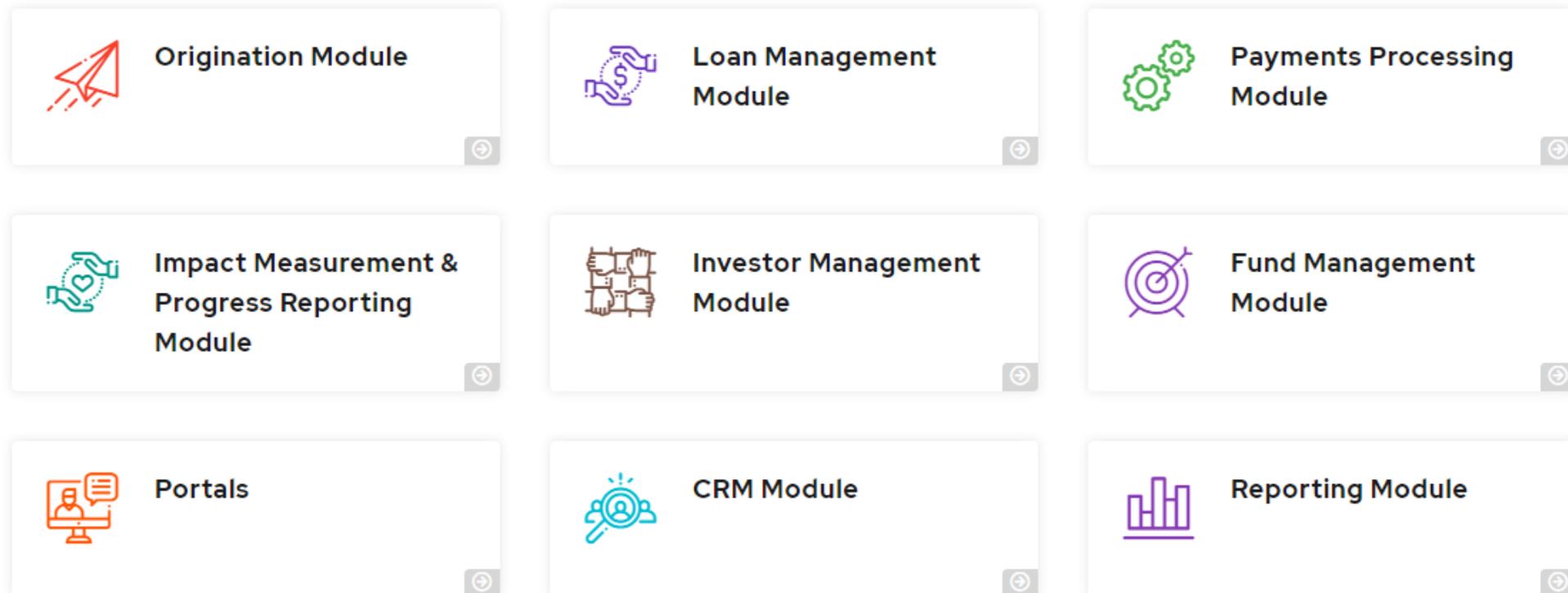
*Maarten Rooney
CEO – Co-founder*



An introduction to Singlify

Singlify is a software developer with a difference. We are established as a social enterprise with a mission to provide microfinance institutions with great technology that helps them reach more individuals and entrepreneurs and provide them with better and faster services.

What we built: Singlify is an end-to-end loan management system which enables microfinance institutions to manage their loan portfolio from origination, contracting, loan management, accounting, payment processing, recoveries, impact reporting, fund & investor management.



Three Challenges...

1. Digital Tech – Human Touch

- ⑤ Central to the business model of MFIs is **the human connection** with the people and businesses they invest in.
- ⑤ Technology should be used to achieve **business efficiency** but not at the expense of the personal touch.
- ⑤ Focus on **Customer experience** – being able to serve individual customers in the way that is best for them (in a branch, on location, online or through self service)



Three Challenges...

2. Customer 360 view

Impact Data

Loan Origination Data

*Business Development
Services Data*



**Customer
360 View**

socio-economic data

Loan Servicing Data

3. How do we use this?

+ Flexible Processes
& Flexible Products



The Singlify – Qredits Partnership



- ④ Embedding Qredits best practice into the Singlify system
- ④ Working together to support MFIs with both technology and Qredits consultancy services



Some of the Singlify Customers



Singlify Strategic Partners



Singlify is a registered
Salesforce Partner



Sector partner and
Singlify Investor



Technology &
Knowledge
Partner



Singlify

Maximise your team,
Singlify your systems.



in



Application **Application 10**

+ Follow Submit for Approval Clone Edit

Organisation: Investee 10 Stage: Due Diligence Requested Amount: £7,200

Progress bar: Due Diligence (active), Approved (Pending...), Application Approv..., Application Withdr..., Application Declined, Application Deferred. Mark Stage as Complete

Related List Quick Links

- Stage Assessments (0) Investments (0) Contracts (0) Progress Reports (0) Application History (4) Files (0) Notes (0) Investment Committee Applications (0) Milestone Histories (3)

Details Related

Table with application details: Application Name, Organisation, Fund, Source, Stage, Assessment Stage, Likelihood (%), Weighted Amount, Owner.

Loan application details

Table with loan details: Requested Amount, Investment description, Purpose of the loan, When do you need commitment.

System Information

Open Tasks

Search this list by Subject...

+ New Task

Table with task details: Subject, Related To, Assigned To, Due Date, Status, Required, Mark Complete button.

Submit applications to Investment Committee or for internal approval

All your tasks and communication in one place

Log a Call, New Event, Upcoming & Overdue tasks, April 2021 calendar view.



Create list views of which loans you want to see (per fund, per owner, loans with a certain status etc.)

Investments
All Growth Fund Loans

New Import Change Owner Printable View

5 items • Sorted by Investment Name • Filtered by All investments - Record Type, Fund • Updated a few seconds ago

Search this list...

<input type="checkbox"/>	Investment ... ↑	Stat...	Repayment %	Fund	Amount	Tot...	Repayme...	Total Due	Total Paid	Principa...	Principa...	Interes...	Interes...
1	<input type="checkbox"/> Investment 02	Active	<div style="width: 33%;"></div> 33%	Growth Fund	£9,000.00	£0.00	On Schedule	£3,043.90	£3,043.90	£2,975.09	£2,975.09	£68.81	£68.81
2	<input type="checkbox"/> Investment 03	Active	<div style="width: 8%;"></div> 8%	Growth Fund	£14,400.00	£0.00	On Schedule	£1,294.74	£1,294.74	£1,119.39	£1,119.39	£175.35	£175.35
3	<input type="checkbox"/> Investment 04	Active	<div style="width: 49%;"></div> 49%	Growth Fund	£7,200.00	£0.00	On Schedule	£3,796.91	£3,796.91	£3,412.26	£3,412.26	£384.65	£384.65
4	<input type="checkbox"/> Investment 06	Active	<div style="width: 47%;"></div> 47%	Growth Fund	£75,000.00	£0.00	On Schedule	£38,212.94	£38,212.94	£34,053....	£34,053.26	£4,159.68	£4,159.68
5	<input type="checkbox"/> Investment 08	Active	<div style="width: 11%;"></div> 11%	Growth Fund	£9,000.00	£0.00	On Schedule	£1,095.20	£1,095.20	£922.08	£922.08	£173.12	£173.12

Immediately see a high level snapshot of each loan and drill down into individual loans