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

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

- 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 processes Microcredit

Credit Scoring

- Loan applications processed in 3 days - video call
- Loan applications processed in 3 weeks - Personal visit
Fast-track application process

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

Screening
- Score >7 qualify for Fasttrack
- 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
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

- 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 ...

- 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
A project by

UNIVERSITY OF TWENTE.

With sponsorship from

European Investment Bank

#Believe InSmall
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
Associate professor
Principal Investigator

Franziska Koefer MSc
PhD Candidate

Qredits
Roy Spit
Directeur

EMN
Caroline Lentz
Partnerships Manager & 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
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
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

<table>
<thead>
<tr>
<th>Microfinance applicant welfare benefit status H2</th>
<th>Value of 1 when applicant receives welfare benefits at the time of application, 0 otherwise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welfare benefits</td>
<td>42763 0.13 0.00 0.334 0 1 0.00 0.00</td>
</tr>
</tbody>
</table>

### Relevant application details H3, H4

<table>
<thead>
<tr>
<th>Age</th>
<th>Ordinal Variable: 1 if ≥25; 2 if between 26-35; 3 if between 36-45; 4 if between 46-55; 5 if ≥56</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationality</td>
<td>Binary Variable: 1 if borrower identifies as Non-Dutch, 0 Dutch Nationality</td>
</tr>
<tr>
<td>Gender</td>
<td>Binary Variable: 1 if borrower identifies as female, 0 otherwise</td>
</tr>
<tr>
<td>Subjective quality of loan application</td>
<td>Continuous Score between 0 and 3 with 3 the highest possible quality score of application</td>
</tr>
<tr>
<td>Business Sector</td>
<td>Categorical Variable 1 to 4 (refer to description for details)</td>
</tr>
<tr>
<td>Year of Application H1</td>
<td>Categorical Variable: 1 if year 2018, 2 if year 2019, 3 if year 2020</td>
</tr>
</tbody>
</table>

---

### Control Variables

<table>
<thead>
<tr>
<th>Income from entrepreneurial activity</th>
<th>Binary Variable: Value of 1 if entrepreneur has an active income generating business, 0 otherwise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from existing salary</td>
<td>Binary Variable: Value of 1 if entrepreneur receives salary from an employer, 0 otherwise</td>
</tr>
<tr>
<td>Business Structure</td>
<td>Binary Variable: Value of 1 if business structure is without legal personality, 0 if otherwise</td>
</tr>
<tr>
<td>Type of product</td>
<td>Categorical Variable: Value of 1 if Microcredit, 2 if Medium-sized credit, 3 if Microcredit in combination with flexible credit, 4 Flexible credit</td>
</tr>
<tr>
<td>Amount requested</td>
<td>Continuous variable: Loan amount requested at time of application by applicant</td>
</tr>
<tr>
<td>Marital status</td>
<td>Ordinal variable: Value of 1 if Single; 2 if Married, living together or in registered relationship</td>
</tr>
<tr>
<td>Highest level of education</td>
<td>Categorical 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</td>
</tr>
</tbody>
</table>
# Analysis of 4 Lending Outcome Scenarios

<table>
<thead>
<tr>
<th>Low Risk Credit Score Output (Score between 7-10)</th>
<th>High Risk Credit Score Output (Score between -4 - 6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receives partial or full amount of requested credit</td>
<td>Fast Track Scenario (3)</td>
</tr>
<tr>
<td>Receives No Credit</td>
<td>Downgrade Scenario (2)</td>
</tr>
</tbody>
</table>
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.
A project by UNIVERSITY OF TWENTE. With sponsorship from Qredits, European Investment Bank, and #Believe InSmall.
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

-central to the business model of MFIs is **the human connection** with the people and businesses they invest in.

- Technology should be used to achieve **business efficiency** but not at the expense of the personal touch.

- 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
- Business Development Services Data
- Socio-economic data

3. How do we use this?

+ Flexible Processes
& Flexible Products
The Singlify – Qredits Partnership

- Embedding Qredits best practice into the Singlify system
- 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
Maximise your team,
Singlify your systems.
All your tasks and communication in one place

Submit applications to Investment Committee or for internal approval
Create list views of which loans you want to see (per fund, per owner, loans with a certain status etc.)

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