

## Peer-to-Peer Report

### **Fundación Oportunitas (ES), Ustoi JSC (BG), Cofiter (IT) visited Qredits (NL) on 16<sup>th</sup> November 2017**

#### **Fundación Oportunitas**

##### **Background of the meeting and the visiting delegation:**

After its first pilot phase, Fundación Oportunitas is planning its next steps and defining a growth strategy that needs to balance its social mission with an improvement in its efficiency. Fundación Oportunitas was interested in learning more about Qredits' model because it has managed to efficiently streamline its processes and workflow, allowing it to significantly grow over the last 9 years of activity.

The objectives of the visit for Fundación Oportunitas were to:

- Learn about Qredits' business model and partnership strategy;
- Familiarise itself with Qredits' data management and monitoring procedures;
- Better define, on the basis of the information gathered, how Fundación Oportunitas can improve its efficiency, further develop its Unique Selling Point and find new strategic partnerships.

##### **Lessons learnt during the visit:**

- **Key stakeholders.** Qredits benefits from the support of the **government**, which has facilitated access to funding (subordinated loan, guarantee to get loans from third parties) and provided resources for product innovation (e.g. student loans) and development of additional support tools for entrepreneurs (e-learning). Moreover, it has developed a close relationship with **national banks** (e.g. ING, Rabobank) so that the latter can refer clients whom they cannot serve: it's a win-win strategy because Qredits can make the most of the banks' reach and banks will have new clients when the micro-businesses served by Qredits grow (loans to SMEs, etc.). Finally, the guarantees provided by the **EIF and BMKB** have facilitated the improvement of the business model, as well as of the credit risk and provisioning policies.
- **Workflow management.** Qredits manages all the information provided by the loan applicants and loan officers through a comprehensive IT platform which significantly increases their efficiency.
- **Online tools.** Online tools are also used to provide BDS, lowering operational costs.
- **BDS.** Qredits runs BDS like a business, i.e. services are designed and provided so that they are useful and valuable tools for entrepreneurs: clients have to

recognise their added value in order to be willing to pay a reasonable fee to access them. This contributes to the MFI's sustainability improvement.

### **The visiting organisation's plans to adapt some key lessons to its own organisation:**

- **Application process efficiency.** Oportunitas has recently streamlined its loan application process, so as to better allocate workforce and optimise workflow. However, it needs to further develop its IT platform to allow both Oportunitas' staff and loan applicants to manage and/or provide information more easily and quickly. Access to external databases to cross check information should also be implemented.
- **Lowering interest rate following positive MFI results.** Thanks to its excellent performance over the last years, Qredits will be able to lower the interest rate of its microcredits in 2018. This is a good practice that Oportunitas would like to implement in the future.
- **Key stakeholders.** Oportunitas needs to further strengthen its relations with public bodies and national banks to access additional funding opportunities and/or other support instruments to scale up its activities and reach.

## **Ustoi JSC**

### **Background of the meeting and the visiting delegation:**

Ustoi JSC is in process of developing a digital loan application model for business lending. At the same time, the MFI explores opportunities to provide non-financial services concerning the improvement of entrepreneurial skills of the target clients and the level of their financial competencies.

The objectives of the visit for Ustoi JSC were to learn about:

- Qredits' market strategy and business model;
- How the institution successfully competes with other financial service providers.
- Provision of business development services;
- Recruitment and management of volunteers.

### **Lessons learnt during the visit:**

The visit was divided into two parts:

- **Part A Qredits Business Model and Unique selling points (USPs)**
- **Part B Qredits IT systems – best practice**

## Part A

Qredits representatives presented their organisational business model and unique selling points. Major attention was paid on the provision of non-financial services and how that is linked with lending operations. The mentoring programme offered by Qredits was presented in greater detail – disclosed were the benefits for the clients and challenges met during implementation. Special interest provoked the training tool for business plan development, which is available for potential clients for free. Clients who experience difficulties in filling the business plan have the opportunity to educate themselves by using on-line learning tool.

Qredits presented their USPs which gives them competitive advantages. It was good to note that Qredits USPs are quite similar to Ustoi's.

**Key lessons:** The first part of the visit helped generate ideas on how to structure the mentoring programme at Ustoi. The use of educational tools is important to improve the level of a client's business planning skills – this idea will be reviewed by Ustoi's operational managers with regard to implementation. Ustoi has already implemented digital marketing and is in process of improving the digital loan application process. The lessons learnt from Qredits' experiences will improve Ustoi's development approach.

## Part B

Qredits presented their IT solution which enables clients to apply on-line. This reduces time and saves resources for the loan applicant and the MFI. The use of automated risk scoring model improves the efficiency and decreases the need for collateral. This approach simplifies the loan origination process while the credit risk seems to be under control. It is important to note that in "traditional" microfinance, the role of the loan officer is instrumental. At Qredits, the loan officers are part of a digitalised lending process which decreases the MFI's dependence on loan officers' skills.

**Key lessons:** The review of Qredits' IT solution was important for Ustoi since it is currently in the process of implementing a new Management Information System (MIS) as well as working to improve its online loan application model. The use of credit/risk scoring model will simplify Ustoi's loan requirements with regard to guarantors and collateral. The information learnt from Qredits in this regard is a very important factor for the development of new digital lending processes at Ustoi.

**The visiting organisation's plans to adapt some key lessons to its own organisation:**

- **Credit risk scoring model.** Thanks to the detailed presentation of Qredits' IT solution, Ustoi JSC will be able to better assess offers for credit scoring models

and be able to incorporate the most suitable one within the digital loan application process

- **Provision of new non-financial services.** Qredits provide non-financial services as a commercial activity. Ustoi plans to use some of Qredits' principles for provision of such services for the development of its own BDS model.
- **Develop mentoring programme.** Ustoi JSC will do some research on what would be best way to implement a mentoring programme in order to supplement its micro-lending services and provide better services to the target clients.

## Cofiter

### Background of the meeting and the visiting delegation:

Cofiter is a mutual guarantee company, and its core business is to issue guarantees on the bank loan. However, Cofiter began operating as a microcredit lender in 2014 after applying to the European Investment Fund (EIF) EaSI Programme.

Cofiter now wants to improve its microfinance operations. In particular, its credit policy, marketing tools and customer management. More specifically, Cofiter has to better understand how to support its customer's needs, and wants to improve its knowledge on specific topics: financial education tools, screening processes and monitoring, and IT systems to use as tool for an e-learning programme. Cofiter's aim is to serve its customers and to create a better economic environment.

Furthermore, Cofiter is looking for partners to help the company pursue its development and to share some international best practices.

### Lessons learnt during the visit:

To start the visit, Elwin Groenvelt (General Director) and Evelyn Oprel (International Relations Manager) presented Qredits. Qredits is a company that offers different kinds of loans, tailored to different customers (Microcredit loans, SME business loans, Flexible Credit etc.) and they develop online tools, school- and mentoring programmes, such as:

- Templates for creating a business / financial plan
- E-learning: How to write a business plan
- Mentoring (Work with volunteers)
- Educational Programmes

The business model they have is important to improve the sustainability of customers and to make BDS more valuable for entrepreneurs. Further, Qredits uses IT developments to have lower operational costs and develop new BDS-products.

Qredits operates with the support of the government, and uses guarantee tools (EIF Guarantee and BMKB guarantee), which have a positive impact on the business

model, credit risk policy and provision. Another important channel is the development of relationships with national banks who can then refer clients that they can't serve.

This meeting with Qredits was an opportunity for Cofiter to exchange ideas, but more importantly to acquire specific know-how from Qredits.

In particular, Cofiter has improved its knowledge on specific tools to offer its customers. It was also interesting to learn about the different tools and the different processes for disbursement of microcredit loans.

The platform to compile a business plan was particularly interesting to Cofiter

**The visiting organisation's plans to adapt some key lessons to its own organisation:**

Cofiter believes that working alongside volunteers could help to build a network of people to support its entrepreneurs and is planning to look into how to adapt Qredits' model to its own company.

The most interesting part of Qredits' model for Cofiter is the e-Learning platform to create a business plan. It is an interesting tool and would also be something useful to offer customers as it is easy-to-use and it's a good guideline for start-ups to help them with their business project. The incorporation of new tools and e-learning methods is important for Cofiter, because it is looking for on-line tools to offer its own clients. In particular, this sort of tool would be useful to reach faraway enterprises and clients that are in more difficult to reach areas. Such a tool would also help Cofiter maintain a relationship and contact with these clients. Cofiter would also consider using these tools to support the disbursement of microcredit, but also to monitor the enterprises after the loan has been granted.