

Peer-to-Peer Visit Report

Patria Credit visited Adie on 17 & 18 May 2018

Background of the meeting and the visiting delegation:

The objective of this visit was to understand Adie's start-up financing and volunteering activities. Patria Credit would like to test a new product with this methodology as a complementary offer to its existing financial services and investigate if volunteering can be adapted to the Romanian business environment.

Patria Credit grants loans for businesses with a minimum 1-year history and has no specific product for start-ups as start-up financing is poor in Romania both from Banks and MFIs. The aim is to set up a specific product by the end of 2018. By taking part in this visit, Patria Credit wanted to understand the methodology of granting loans to start-up businesses (client profile, product characteristics, loan appraisal, risk assessment, methodology, implementation steps...) and whether it seems suitable to address specific target group.

In the future Patria would also like to explore the potential of volunteering in Romania through a pilot project and after assessing the potential of the local market (Bucharest). Patria's representatives wanted to see how the volunteering system is integrated into Adie's current activity (organisation, involvement in loan disbursement cycle, governance, mission), how volunteers and Adie's employees work together and how daily activities are split between them in order to achieve a large number of loan disbursement per month.

Patria Credit found out detailed information about start-up financing meeting Adie's representatives from different departments: deputy CEO, International Department, credit risk, marketing and network animation, volunteering etc.

The end goal was to understand if such models could help Romanian MFIs increase efficiency while still maintaining a good risk profile of the loan portfolio.

A team of three members from Patria Credit – CEO, Sales Manager and the Manager for Approval and Control Department – visited Adie's Head Office and a branch in Paris. They met with loan officers and volunteers as well as representatives from different departments: deputy CEO, International Department, credit risk, marketing and network animation, volunteering.

Lessons learnt during the visit:

The main take-aways for Patria Credit are the following:

- In relation to start-up financing:

- The product design takes into consideration the segmentation of the target group according to business experience criteria: no years of experience; the business is functioning but has no official papers; different loan amounts; a reimbursement plan, collateral, the client's contribution to the investment plan. This therefore reduces non-performing risk.
- The general principle of gradually increasing exposure is one of Adie's most important insights in their start-up financing philosophy. Standard maximum amounts are set for each of the 3 types of start-up businesses financed.
- All loans bear interest so that the final beneficiary can become a standalone entrepreneur, with business focused on profit and efficiency and so the business can grow healthily on a commercial basis. Nevertheless, there are some top-up products - "no interest loans", small amounts offered as a bonus to clients who have already taken a standard loan from Adie.
- Business Development Services pre and post-disbursement are very important in the start-up loan cycle. Adie provides financial education (learning by doing) to all financed clients.
- Financing start-up projects within a community reduces risk and recommendations and moral guarantors are some of the key success factors. In this regard, the Roma community is a success story, with one of the best portfolio-at-risk ratios.
- Finding start-up projects to be financed via partner organisations is the main method of promotion. Such partners include: those offering BDS before the start-up phase; consultancy companies; unemployment agencies; NGOs that target women, young people, Roma communities, migrants, the unemployed, people from the outskirts, etc.).
- In the process of appraising a start-up project, subjective criteria are the most relevant - trust, recommendations. The relationship with the client always starts with a positive impression of the person and his/her project. The loan appraisal process is based on listening. The purpose of the loan appraisal is to meet the new client and understand his/her project: the financial needs and reimbursement capacity, the personal and professional background, the personal/family budget, the financial (banking) situation. The loan officer makes a proposal of financing and if the loan officer is unsure about 2 or 3 criteria, then the client should make an appointment to have an individual training session on business planning.
- Almost the entire portfolio is backed up by guarantee schemes from banks & international institutions.
- Control is the key – there is a risk department located at the HQ; reactions are immediate; monthly checks carried out; special KPI per branch/loan officer; flexible in reallocating local competences / product adjustments.
- Listening to clients is paramount – multiple regional Facebook accounts are used, and a special Facebook group was set up just for Adie's clients where business advice is posted.

- In relation to volunteer activity

- Volunteers are an important asset in Adie's business.
- Individuals volunteer at Adie for three main reasons: to contribute to improving the financial inclusion of people in precarious situations, to foster the creation of businesses, and to feel they are making a difference to society.



- Most of the volunteers are retired from the banking sector.
- A network of volunteers is working together with local & regional branches of Adie.
- Volunteers are present at all levels of the organisation: Bureau and Board of Directors, headquarters and regional offices, the credit committee, national volunteer committee, ethics committee, and local branches.
- Recruitment process: the best results are attained through the volunteer's personal or professional network and through recruitment campaigns.
- Volunteer missions focus on business development services pre and post-disbursement. That is to say, loan appraisal, coaching, welcoming & orientation, business planning. It's also about raising awareness of Adie.

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

Patria Credit intends to test the start-up financing methodology through a pilot product with a limited total duration. In order to do that, the sales and risk department will work together to create a start-up financing product, and as the first step with a small budget, this will be tested on start-ups companies from rural and small urban areas.

At the same time, Patria will look to identify partners like Adie's in order to promote the start-up loan offer. It will also provide an opportunity to identify if there is any potential for a volunteering network.

