

EMN Peer-to-Peer Visit Report

microStart (Belgium) & Microfinance Ireland visited Qredits (Netherlands) on 6th October 2015

Background of the meeting and the visiting delegation

Joining **microStart** in the function of Administrative & Financial Director as of July 2015, Mathieu Godfroid grabbed the opportunity at the last-minute to join a planned delegation in order to visit (on-site) and get inspired by another successful MFI.

Microfinance Ireland (IRL) was represented by Michael Johnson, CEO; Pat Kilbane, Head of Finance & Risk; Ken Dobson, Head of Credit.

The delegation, who provided rich discussions, was composed of:

- MicroLux (LU): Nicolas Blondeau, Operations Director
- Caisse Solidaire (FR): Yael Zlotowski, General Manager

The topics on the agenda were as diversified as the speakers:

- General Introduction
- Online application & screening process (incl. systems & tools)
- Collections management
- Marketing Strategy
- Mentoring Programme (incl. e-learnings)

At the point in time of the meeting, neither specific goals nor expectations had been defined by **microStart**. However, **microStart** was particularly interested in the following:

- Business model (model including coaching/training, funding etc.) and its growth or evolution over the years
- Risk, operational and financial indicators as well as the reporting tools and processes
- Online application process and its link with coaching/mentoring

The objective for **Microfinance Ireland** were to benchmark and seek improvement in:

- Operations workflow end to end and supporting systems, i.e. Application stage through to monthly collections, credit control, cash reconciliations, loan admin, accounting
- Credit process

- Loan Admin process
- Marketing and distribution strategy
- Strategic partner identification and management
- Strategic Plan and related KPIs
- Governance framework incl Board and Committees
- Corporate strategic communications strategy

Lessons learnt during the visit

The 3 most interesting lessons for Mathieu Godfroid ([microStart](#)) as a newcomer in the MFI landscape were:

1. The positioning on the market and the strong partnership with the main banks and the Economic Affairs having structurally co-financed the institution since its inception. As far as I understood, they all agreed that a microfinance actor in the Netherlands was necessary in order to offer financial products to all segments but banks didn't want to cover 100% of the market. So, they created and invested in Qredits. First, they offered professional microloans up to 50 000 EUR but then levelled up the limit to 250 000 EUR for SMEs who are excluded from the classical banking system, with the objective of making the company break-even (what they expect for 2015). This partnership is strong as the banks and government were actively supporting Qredits by looking in the same direction but also to:
 - a. Set up an integrated prescription process to guarantee inflow to Qredits via an online 'refer to' form and 'referrals' targets @ bank side
 - b. Offer fair funding rates (ex: Euribor + Marge)
2. The credit application procedure which is 100% online and is connected with different internal and external databases (with the Chamber of Commerce for instance), as from the application to the loan offer. It makes the application dynamic and easy for their target. Even though it's Online, it takes on average 6 weeks and is characterized by a transformation rate around 20%. The workflow management is fantastic!
3. Last but not least, the coaching process flows very interesting as the volunteer's platform is connected to the credit application process allowing the front-office to connect easily a loan-client to a coach based on the identified needs, competences/skills, location and availability). An evaluation system for the coach should still be implemented to guarantee the quality of the coaching services.

Whether you are interested in the previous topics or not, Qredits is definitely worth visiting!!

Following very lively discussion, some material learnings emerged to the **Microfinance Ireland** delegation:

- Systems development in pursuit of operational excellence is a continuous process. It needs knowledgeable people dedicated exclusively to drive the programme relentlessly. It probably will 'cost twice as much, take twice as long and delivery half the functionality'. It is likely more than one single system is required to address the diverse requirements of the organisation. A reliable database is key to efficiency and tagging on additional systems or functionality thereafter.

The dashboard of MIS relayed on screen in the lobby area of Qredits Head Office is indeed impressive to all visitors, be they prospective customer or just visitors!

- Early credit application filtering can help both the prospective client and the microfinance institution in terms of managing client expectation and ultimately credit assessor workload.
Face to face meetings with prospective clients, ideally in their premises, works best. Qredits engage in early stage filtering which seems to work very well.
- Prior to the visit, we had not appreciated how much of Qredits lending was asset backed and therefore represented a better quality risk than that of Microfinance Ireland. Our risk is essentially unsecured and that represents a significant reason for the difference in credit performance in the two institutions.
- A proactive mentoring programme is critical to good credit outcomes. Qredits' initiative in introducing a nationwide voluntary panel, but critically which is professionally managed and nurtured through quarterly meetings, seemed to us to represent a unique approach to addressing an age old problem of getting the best from the volunteer segment of society. Also recruiting mentors by linking in with corporate CSR programmes of professional services companies was a unique insight.
- Qredits' level of introductions from commercial banks was very interesting to us. They get c 30% of applications from those partners which represents a material level of success in our view. They were at pains to point out that this was only achieved by focussed, proactive, constant and dedicated relationship management by Qredits with each of the banking institutions.
- Qredits strong focus on developing and delivering on agreed business strategy was notable. The very strong relationship with key stakeholders was evident. Their track record in delivery has provided a platform for additional investment by key

stakeholders in the expansion of their remit well beyond microloans (as initially defined).

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

- Key lesson n°3 will probably be implemented during 2016-2017 in the context of our 2016-2020 strategy which **microStart** is now finalizing.
- **Microfinance Ireland** is reviewing its mentoring arrangements with partner organisations to introduce a more comprehensive programme. A proposal has now been made and the financing of same is under consideration.
- Prior to the visit, **Microfinance Ireland** had commenced a system implementation project. The visit provided reassurance that the investment was worthwhile and this project will now continue well into 2016.
- Getting referrals from Banks was and remains a key priority for **Microfinance Ireland**. We noted the intensive relationship management approach adopted by Qredits. Microfinance Ireland has very recently recruited an additional person who will take on this challenge in 2016.