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Case study 2 Avietė, Lithuania

Inga Beiliūnienė, INVEGA
Audrius Griskevicius, FinBee

Environment



Traditional finance providers (banks) are turning away from small businesses!

4th

most concentrated banking sector in the European Union

23%

fewer of **EUR ≤1m loans** issued in 2019 as compared to 2018

60%

of applications of micro enterprises were **rejected**

5x

higher rejection rate for micro enterprises as compared to the European Union's average



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Main goals

- **access to finance for SMEs** through **alternative finance sources** – crowdfunding platforms
- **development of financial technology (Fintech) sector** in Lithuania
- attraction of **retail and corporate investors** to finance businesses in Lithuania



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Financial Instrument



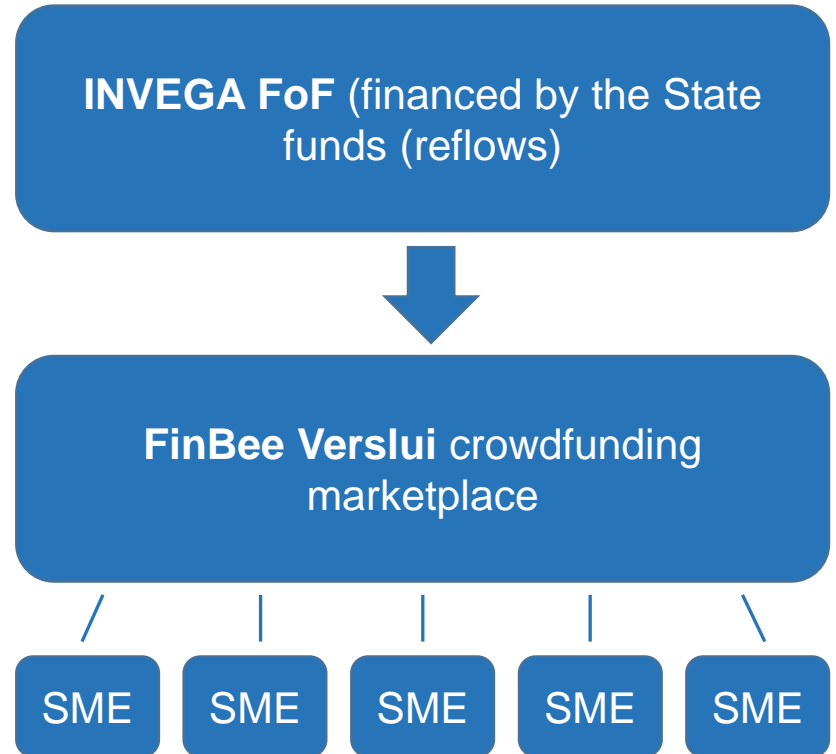
Name: crowdfunding loans “Avietė” (en. “Raspberry“)

Size: EUR 4.6m

Resources: reflows of INVEGA FoF (from 2007–2013 programming period)

INVEGA acts as market investor: full credit risk, market conditions

Financial intermediaries: crowdfunding platforms operating in LT under Law on Crowdfunding platforms



About “Aviete”



State supported business loans accessible through crowdfunding platforms

- Up to **EUR 10 000** of State resources per loan
- Up to **40%** funded by the State
- Up to **36 months** duration
- Up to **1 loan** per 6 months
- Interest rates **in line with the market**

Reaction to COVID-19 crisis (until 31-12-2020)

- Up to **EUR 25 000** of State resources per loan
- Up to **100%** funded by the State
- Up to **12 months** duration
- Up to **2 loans** per 6 months
- Interest rates **in line with the market**



Results (as of 31-05-2020)



No. of operators (F.Ints) **1**



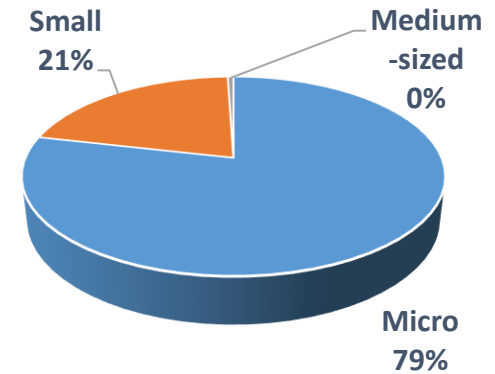
EUR 4.7m total amount of loans
(out of which **EUR 2.5m** of
„Avietè“ funds)



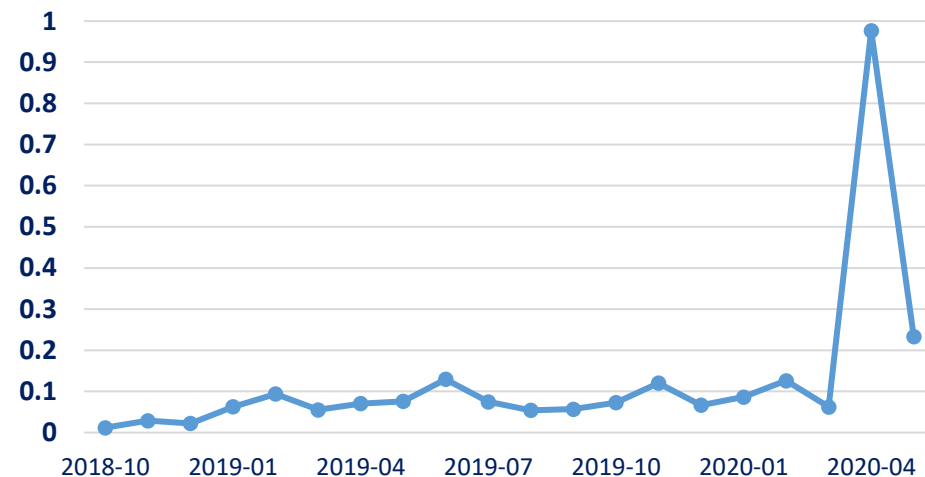
417 loans
EUR 11k avg. loan



13.4% avg. interest rate



Loans issued, EURm



How it works

Finbee Verslui – crowdfunding platform for SMEs

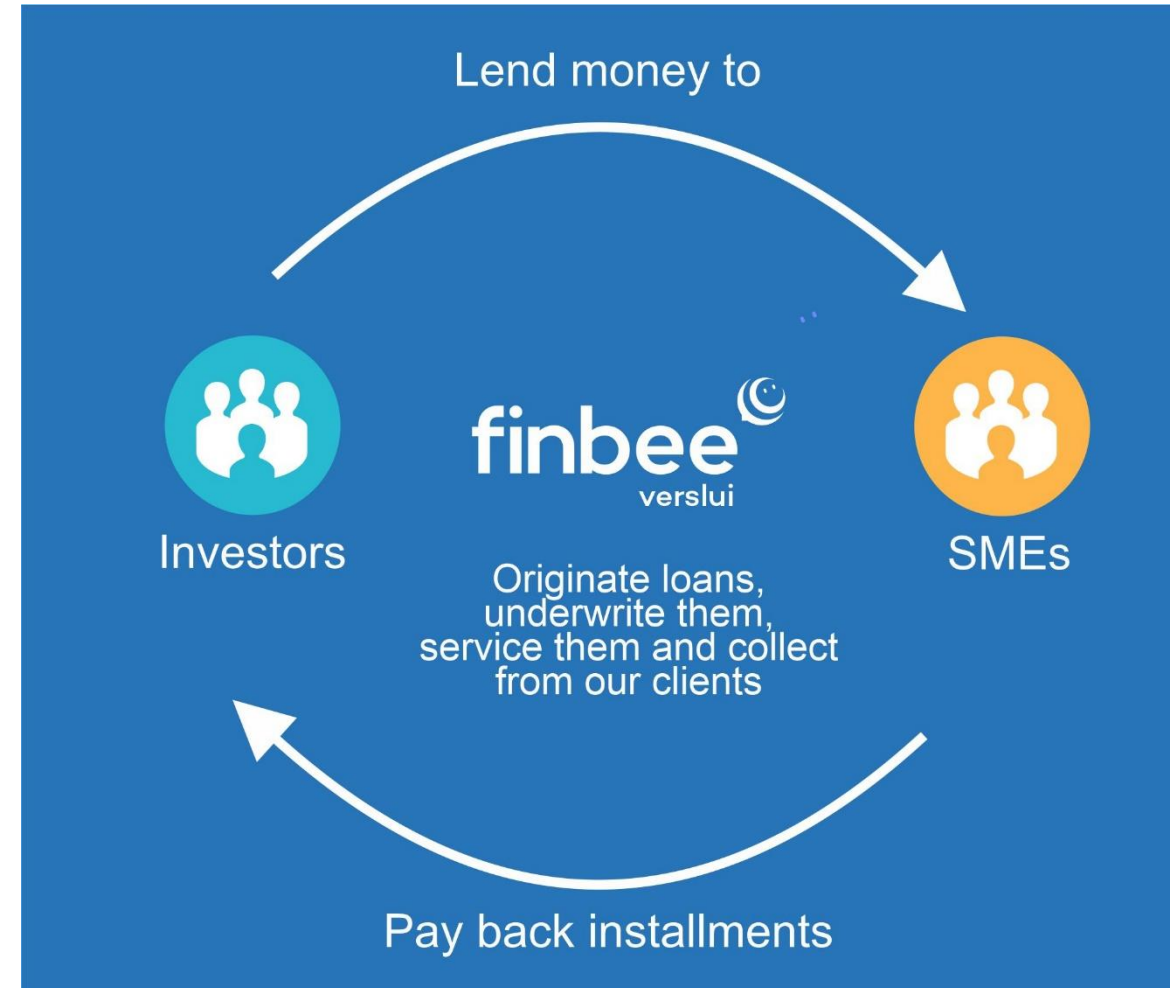
3 years in operation

1 000 funded SMEs

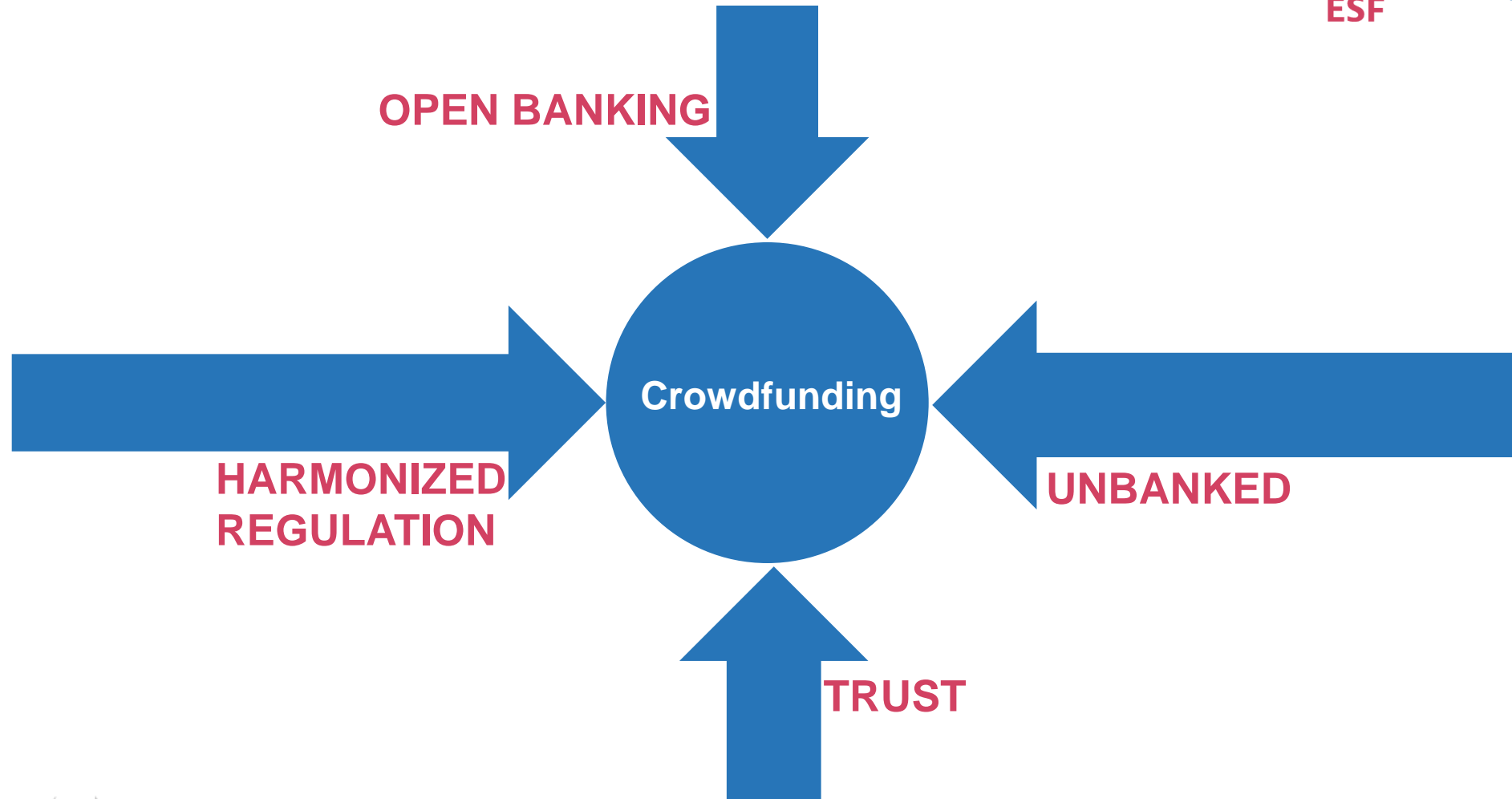
EUR 9m loans issued

14 000 investors

10% - net return rate of investors



Driving forces



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“Aviete” builds trust

1. Gives **certainty to investors** as governmental body performs supervision on the portfolio performance
2. “Aviete“ program stops if default rate exceeds 20% of portfolio
3. Gives **certainty to investors, borrowers and the originator** (the crowdfunding platform) that selected applications will be funded



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“Aviete”

trust builds scale and savings

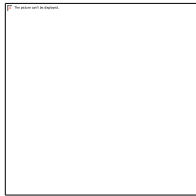
1. **Growth of the platform has doubled** after deployment of “Aviete” capital
2. Large volumes attracted “**smart money**” and allowed to reduce interest rates from 18% to 11%



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Challenges and opportunities



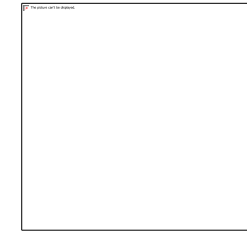
Challenge – **risk based rates to SMEs** (pay high premium due to lack of capital)



Takes many years to build trust in new Crowdfunding platform



Challenge to **balance out demand and supply** and keep both sides happy



SMEs outside of Lithuania **are facing the same capital shortages**





financial instruments
 revolving capacity building
 added value **ERDF** funding agreement **ESF** EU guidance
 governance ex-ante assessment
 technical support seminars leverage financial intermediaries microfinance
 co-financing case studies
 investments **ESIF** fi-compass final recipients
 business plan thematic objectives
 advisory services **Thank you** loans **CF** equity
 guarantees banks life cycle combination of support
EAFRD private investors factsheets
 conferences investment strategy
 fund of funds **EMFF** manuals
 managing authorities



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