

## Business summary

Banco da Familia (BF) is an NGO founded under the name “Banco da Mulher” in 1998. It was created in partnership between the Chamber of Women Entrepreneurs, other entrepreneurs’ associations and the World Women Banking global network. BF offers credit to formal and informal micro and small entrepreneurs with the aim of supporting the expansion of their business and promoting regional economic and social development. Over the years, BF diversified its product offerings (housing, sanitation, health for entrepreneurs and their families) and geographies reaching 33 branches in more than 130 cities located in 3 different states of the South of Brazil. Since 2003, BF has been consistently rated by international organisations and rating agencies as one of the top financial institutions in Latin America and the Caribbean in terms of transparency, as well as financial and social performance.

### TABLE OF CONTENTS

1. Introduction	1
2. Product overview	2
3. Motivations	3
4. Phases and resources	3
5. Affordable New Housing (ANH)	4
6. Water, Sanitation, and Hygiene (WASH)	5
7. Milestones in product development	6
8. Results for clients and organisation	7
9. Challenges and Lessons	8
10. Annex - Output measurement (KPIs)	9

## 1. Introduction

Since 2004, Banco da Familia have successfully rolled out three different financial products to meet the needs of their clients. The MFI entered a journey of progressive development of solutions to its clients in a learning path. They reached 140,336 people in accessible retail loans designed to fund **Housing Renovations (HR)**, **Affordable New Housing (ANH)** and **Water, Sanitation and Hygiene (WASH)** projects. The objective of this case study is to share learnings about the development process of these products, how they were innovated and brought to market, through to understanding the results and key takeaways. Below we outline the different sections in this case-study:

- **Provide a product overview** of the three different financial instruments. Here will entail a description on the product, scope, and a comment on the why.
- **Explore the motivations** that incentivised Banco da Familia to innovate and create new products. We will show how they complemented existing products and services by also harnessing the expertise of local solution providers.
- **Look at the different phases** that brought the products to market. In doing so we will also look what resources were involved.
- **Observe results and draw reflections** from the challenges and lessons learnt in the process.



Banco da Familia's clients who accessed housing products

## 2. Product overview

### HOUSE RENOVATIONS (HR)

- **Commenced in:** 2004
- **Amounts:** R\$500 to R\$25,000
- **IR:** 3.29% p.m. / 39.48% p.y.
- **Tenor:** up to 36 months
- **Fee:** 3.00%
- Loans for small to medium renovations.
- Credit agents are assigned to guide customer and prevent over-indebtedness occurring.
- Designed to meet home improvement needs related to health, accessibility, security and general expansion.

### AFFORDABLE NEW HOUSING (ANH)

- **Commenced in:** 2012
- **Amount:** R\$500 to R\$150,000
- **IR:** 2.09% p.m. / 25.08% p.y.
- **Tenor:** up to 120 months
- **Fee:** 3.00%
- Owning your own home is a primary dream of most families.
- Designed to provide increase accessibility to basic housing in a relatively guided and timely fashion.
- Progressively improving housing enhances the self-esteem of the families. Small amounts invested translates in considerably higher levels of dignity.

### WATER, SANITATION (WASH)

- **Comenced in:** 2017
- **Amount:** R\$500 to R\$10,000
- **IR:** 2.98% p.m. / 35.76% p.y.
- **Tenor:** up to 36 months
- **Fee:** 3.00%
- Loans for improving and/or construct water and sanitation facilities.
- Designed to promote access to safe drinking water and sanitation, ultimately improving living conditions.
- Proven preventative measures for health and and disease control.
- Request can be in-person at the branches, through Whatsapp, Social media or directly with Loan officers.

### 3. Motivations

#### HOUSING RENOVATIONS (HR) - 2004

Loan officers became aware of a pent-up demand from clients for housing renovation, whilst assessing the needs of the micro-entrepreneurs. Very often clients were requesting working capital loans to develop their working spaces at home. Later the scope was broadened to cover improving house facilities such as kitchens, bedrooms, and living rooms. This enabled not only larger financing opportunities for Banco da Familia, but also created a bond between staff and families.

Meanwhile, Banco da Familia's senior management learned from similar experiences taking place in other countries. Many were presented during Foromic-IDB, giving examples of MFIs opening up portfolios of products to encompass housing product to microentrepreneurs, in particular, the one carried out by Mi Banco in Peru, which made available several "Mi Products".

#### AFFORDABLE NEW HOUSING (ANH) - 2012

Financing for housing construction has been typically constrained by several factors, including the cost of materials (brick and mortar), land property and lack of insurance. In the early 2000's, SME unions of Forestry sector from the region of Lages (in the southern state of Santa Catarina) had been struggling with the declining prices of wood and an increase in local bankruptcies.

Banco da Familia joined the effort to overcome the crisis and stimulated demand by partnering with timber manufacturers and housing developers. The MFI had contact with a large group from clientele that could potentially acquire the pre-built wooden housing, improving their quality of life and creating a desired network effect for households and SMEs.

#### WATER, SANITATION AND HYGIENE (WASH) - 2017

After the successful development of the two housing products, Banco da Familia continued in their journey supporting low-income people in their self-empowerment. In 2016, only a few municipalities were carrying out incipient programs for families without access to clean water and sanitation facilities. The MFI saw an opportunity to leverage from their renovation experiences to launch specialized solution for Water and Sanitation. They also understood the benefits of WASH beyond the improved immediate living condition, catching the spill-over effect into health and future earning for families and communities.

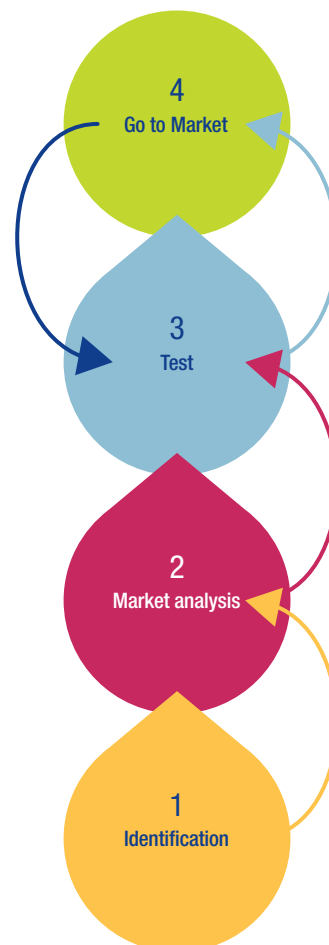
#### BOX: MOTIVATIONS

MISSION: *To promote the improvement of quality of life, acting in microfinance as an agent of social transformation.*

With the mission at the forefront, Banco da Familia opened-up the possibility to scale existing products and services addressing common needs of families; or adding another layer in response to still unmet needs within a community.

### 4. Phases and resources

Below are described the steps followed in the product development process. We summarize the development of **Affordable New Housing (ANH)** and **Water, Sanitation, and Hygiene (WASH)**, which were the 2 most recent products:



## 5. Affordable New Housing (ANH)

### IDENTIFICATION:

**Affordable New Housing (ANH)** was created to service a target group that needed to improve their housing conditions though lack access to traditional banking financing. Traditional institutions base their financing models on automated credit scorings and guarantees applying formal mortgages. BF identified three aspects preventing access to ANH:



*Banco da Familia's clients who accessed housing products*

- No formal **land property rights**, meaning either not having the capacity to prove ownership or unauthorised settlement areas, or willing to make the construction using part of a land owned by parents or relatives.
- **Income stability:** Irregular, limited, lack proof of income to access adequate rented housing.
- Existing homes have often constructed in poor conditions, using materials gathered from other constructions, leaving the family under **severe safety risks**.

The opportunity for BF was the re-insert these customers by finding solutions to these constraints.

### MARKET ANALYSIS:

BF was in **close contact with different entities (sectorial unions, local municipalities, trade associations)**, which provided inputs on the potential market for the Affordable New Housing (ANH). The MFI also applied internal screenings to see which layer of their clients could access these products.

Although no systematic research of the market potential was structured or externally hired, BF gathered sufficient insights, mainly through the **active participation of the board and senior management in these instances**, to realise the great market potential and decide to form alliances around the yet to be ANH product.

### TESTING:

The first attempt to promote ANH generated a pilot constructing only seven houses. Loan officers could not easily sell products because they had to convince clients about benefits and safety of wood constructions compared to brick-and-mortar. In this phase, the **channel between client feedbacks/perceptions, loan officer visits and senior management** had to be strengthened in order to enable an environment for adjustments and corrections.

The second attempt to promote ANH required important efforts which took circa 1.5 year by:

- Intensify **training for the sales team**. Loan officers needed to understand technical aspects of the product (wooden housing) to carry out initial conversations with the client about safety and the benefits.
- Improving the relationships with suppliers, in special **co-designing products** that could fit within repayment capacity, reducing sizes or building in sequential modules (additional rooms).
- **Affordability**, with the reduction of interest rates below 3% (per month), and the extension of tenors to 36 months, with an upper limit to 120 months and flexibility to accommodate the repayment capacity.

### GO-TO MARKET:

Banco da Familia wanted to increase the product outreach and scale. **Opening new geographic areas** required the MFI to bring along SMEs houses suppliers. To build local alliances, they carried out market studies in the regions where it was active with productive working capital loans. The results were shared with SMEs to raise awareness on the potential to service not only middle-class clients but also low-income clients. This way, Banco da Familia enabled several agreements in wood housing suppliers in different cities and states in Brazil.

Other aspects became relevant after several iterations such as:

- Commitment with **quality and completion** (not legally binding)
- Loan officer variable remuneration **incentives**.

## 6. Water, Sanitation, and Hygiene (WASH)

### IDENTIFICATION:

The **Water and Sanitation (WASH) program** was born out of the close relation between Banco da Família and its clients, particularly housing. Since 2016, they started to see the opportunities helping address need for basic sanitation as it is vital to health quality of life. Furthermore, according to the World Health Organization (WHO) for every R\$ 1 real invested in sanitation, R\$ 4 is saved in public health.

Banco da Família **encountered a cultural challenge**; many families believe they do not need investments in sanitation on the premise their parents and grandparents lived “well without a bathroom”.

In 2017, Banco da Família went on to **start a partnership with an international non-profit organization (NGO) Water.org**. They partnered with financial institutions to provide access to small loans for sanitation and access to water, through their ‘Water Credit’ program.

### MARKET STUDY:

The WASH product was developed in **partnership with the Technical Assistance (TA)** granted by **Water.org**. Banco da Família became their first partner in Brazil which has led to US\$ 324,000 of investments during the six years it has been active.

The main components of the TA were related to: **market studies** seeking a suitable local solutions to each theme (water, sanitation); the preparation of **marketing materials** to raise awareness and promote the financial products; and triggering discussions of **market opportunities** with loan officers and the provision of training.

A key finding was the importance of **being flexible with the preferences of the families**. They usually prefer to start with improving components within their bathroom and then promote minor structural improvements such as increasing capacity of their water tanks or replacing leaking pipes.

### TESTING:

To pilot and launch the product, Banco da Família created several partnerships with **suppliers**. One major detraction was the insistence of a partner who wanted to bundle the financing with the products from their own brand for the entire project. This was not typically the preference of the end-clients because most of the times, the structure of the product then implied on a higher budget to be financed. Additionally, private companies wanted to pre-screen for only clients with positive credit bureau

Most of the projects in **WASH do not necessarily mobilise large capital. However, the typical** Family lacking sufficient bathroom facilities (compared to the number of household members), are usually constrained with low-incomes. To lower the barrier, Banco da Família had to actively promote this product with its own loan officer’s teams, **creating incentives and targets** for reaching more families.

The financial terms of the WASH loans are not necessarily too different from Housing Renovation loans. At the beginning of the program, the grants from Water.org were focused on WASH improvements (not including kitchens). After the first year, there was a broadening of scope to include the loans being utilised projects to for capture rainwater.

### GO-TO MARKET:

To promote the goal of expanding the WASH product, BF put in place **awareness-raising actions**. One example was the establishment of partnerships with schools, with children aged between 8-10 years old. The idea was to educate children about the benefits of treated water, the process of sanitation and health implications. They would then return home and **influence parents on the need to improve WASH conditions** (water reservoirs, toilets with adequate facilities, safety, privacy/doors). QR codes were added to handouts provided at the lectures to make it easy for curious parents to follow up and learn or access BF’s WASH products.

Banco da Família created a **Social Responsibility Department** to promote WASH initiatives on a permanent basis. Monitoring staff are allocated to support loan officers and oversee these promotional strategies.

## 7. Milestones in product development

### HOUSING (HR AND ANH)

2005 – 2010	2010 – 2015	2015 – 2020	2020 ONWARDS
<p>The idea of financing for housing <b>renovation</b> was born out of the international experience of FOROMIC and their relationship with the Women's World Bank.</p> <p>The vision of BF encompassed looking beyond just the productive needs of micro-entrepreneurs seeing how to improve the quality-of-life of their clients.</p>	<p>There was crisis in the forest sector in the region of BF. Sectorial unions, professionals wanted to create a solution</p> <p>BF listened to the growing needs of the communities and developed partnerships with suppliers of prefabricated wooden houses.</p> <p>They initially only sold seven houses. It was only able to scale after BF commissioned training for their sales representatives. The training improved both product knowledge and instilled trust into their clients. <b>Full housing.</b></p>	<p>BF funding was limited to productive use. They needed to create relationships with new lenders to make feasible support the development of new products (consider consumption).</p> <p><b>Navigating financial constraints</b></p> <p>BF began replicating the model in new cities (Paraná and Rio Grande). They co-designed the model of the houses with suppliers to be within the clients repayment needs.</p>	<p>BF began offering solar panels to households as new product for home improvement.</p> <p><b>Clean energy solutions</b></p>

### WASH

2005 – 2010	2010 – 2015	2015 – 2020	2020 ONWARDS
		<p>BF developed a pilot in 2016 with local municipalities to address the sanitation needs of their clientele.</p> <p>The following year an agreement was signed with Water.org for technical co-operation program supported with a grant of US\$ 330m that was to be dispersed over a 5-year period. BF committed to reaching 8.4k families, helping them access clean water and safe sanitation.</p> <p><b>Water security</b></p>	<p>Focusing on continuous training for staff. This includes raising clientele awareness and aligning incentives for loan officers. A program is being developed with school, whereby students are developing awareness on household and community needs in relation to water and sanitation. These students are able to promote a change of culture with the parents.</p> <p>Since 2021, Banco da Familia has been rolling out a series of school presentations, titled "Sanitation is Health". So far, the reach has been:</p> <ul style="list-style-type: none"> <li>• 28 schools in the different regions where the Bank operates.</li> <li>• A total of approximately 5,386 people sensitised so far.</li> </ul>

## 8. Results for clients and organisation

### CLIENT RESULTS

- Improving living conditions for households.
- Increasing self - esteem for client and family members.
- Empowerment in decision making process related to household.
- Raising awareness of the importance of housing conditions.
- Increased productivity in their businesses.

### ORGANISATION RESULTS

- Expansion and strengthening of capacity building programs.
- Development of supportive systems complementing the financial services.
- Development of partnerships with providers to facilitate payment flows.
- Innovation embedded in the organisation.
- BF solutions to accelerate loan processes for clients.

It is well known that financial resources owned by microentrepreneurs end up being mixed between their professional and personal life. The income absorbed from working capital financing is channelled back to the improvement of family living conditions. At the same time, improvements in the quality of life are directed linked with improved economic productivity. In addition, it sets-up **true client engagement, and Portfolio-at-Risk (PAR) mitigation**. This is especially true for affordable new housing and water and sanitation which had lower PAR levels compared to housing renovation or working capital loans. (PAR ANH < PAR WASH < PAR HR < PAR WC)

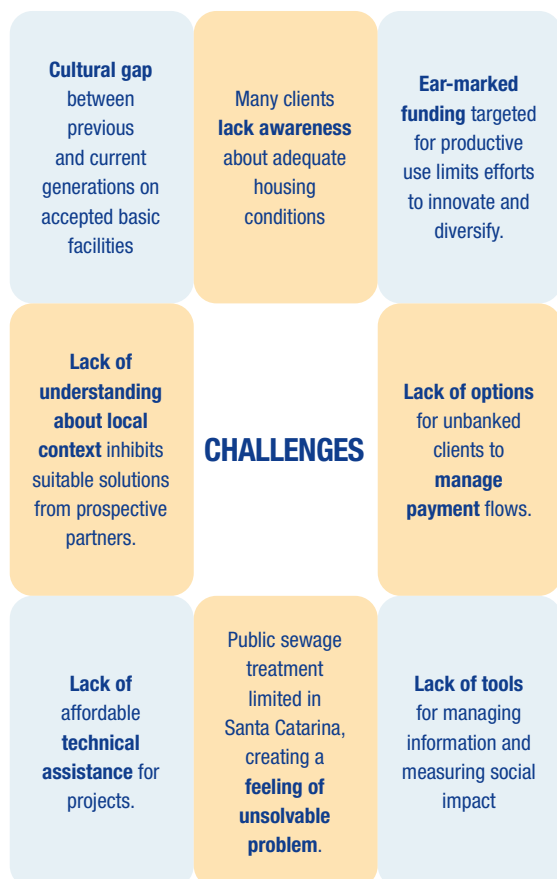
The products developed by Banco da Familia required initiatives to bring them to market. The MFI developed **capacity building programs** with loan officers (LO) and this acted as a catalyst for the implementation process. As a consequence, we have seen an ongoing success with **raising awareness** of the families towards improving Housing and Water and Sanitation (WASH) conditions. The MFI saw an **increased demand** for the products and that has been attributed to the **trust** built between the LOs and clients from these programs. In addition, BF highlighted a network effect, through the **rise of community leaders**, acting as local guides to these issues and product solutions.

The MFI sector usually needs to invest heavily in staffing and facilities to acquire new clients and grow. That causes a hurdle for social impact, as they prioritise keeping current clients over acquiring new ones. In an effort to attract new customers, BF implemented a strategy to extend their coverage areas via creation of **supplier networks** functioning as contact point for clients. Banco da Familia did not need to open branches in new areas and in fact, these networks **helped facilitate payment flows**.

One key achievement from Banco Familia was to place **innovation** at the heart of the organisation, following the lessons learnt from the development of the products AH, HR, WASH. The MFI allowed credit and risk committees to endorse a wider range of proposals coming from LOs that were more closely aligned on the end-client needs. The **BF Solutions product line** is one such example, offering an initial YES for proposals received from LO to negotiate with supply chains, SMEs, or informal agreements, which are incorporated through pilots and implementation steps. These are closely monitored by Legal Department to prevent entering disadvantageous agreements.

## 9. Challenges and Lessons

Banco da Familia progressively developed their products utilising their **close relationship** with their customers. This bridge was built out of the work of their Loan Officers on the ground and their open and fluid communications with clients and internal managers. In order to place innovation at the heart of the organisation, Banco da Familia allowed for flexibility when agreeing loans and this created a knock-on effect of further learning. This process faced several challenges such as lack of funding or supportive systems. We have summarized some challenges and lessons learnt below:



The different challenges presented above have been selected as core points to be addressed. Banco da Familia identified that technology could help overcome some of them. Moreover, the MFI believes that microfinance is a proven tool in raising welfare levels of the poor through increased household income. In addition, it can trigger a broader set of effects on social welfare such as health, nutrition, education, and women empowerment.

Challenges facing microfinance institutions are inevitable. Moreover, addressing all of them is a difficult task, but there is number of good practices within our grasp presented as lessons learned:

One of the key activities in order to develop new products is to collect systemically information, mainly allowing MFIs hear their clients' needs and complains. Moreover, this information has to play a central role in the decision-



making process of the organisation. It is worth mention, that regarding Banco da Familia at the beginning, didn't have a specific tool to collect Data. The direct interaction of the loan officers (people in field) with the decision makers facilitated the process. Currently, they already have a tool to systemically collect information.

Furthermore, key performance indicators cannot be driven by a top-down approach because products need to be adjusted regionally. For example, investors may ask for CO2 mitigation with solar panel. Solar panels can be viable in one region, but in others preferences can be to tailor solar water heating, or maybe invest in improved showers, which eventually decreases consumption of energy. Measurement should be performed after the products are developed.

### LESSONS LEARNT ON THE WAY

Navigating the diversity of challenges and gathering lessons learnt on the way enabled Banco da Familia to develop an internal engine for innovation. This keeps at the centre the desire to serve low-income people in Brazil. The MFI expressed that the most important element to keep pushing forward their activities is their clients' gratitude expressed on a daily basis.



## 10. Annex - Output measurement (KPIs)

INDICATORS			
	BF Wash	BF New Housing	BF Home Improvement
Disbursements 2017	783.449,87	5.666.844,40	17.716.743,92
Disbursements 2018	3.127.287,17	5.627.195,02	17.560.709,77
Disbursements 2019	6.251.025,36	5.519.211,66	16.034.623,04
Disbursements 2020	8.992.476,65	8.774.933,06	17.013.178,01
Disbursements 2021	8.324.477,05	9.089.100,76	19.183.608,43
Disbursements 2022 (Jan-May)	2.905.768,88	2.867.614,28	7.497.669,49
<b>Total Disbursements (2017-2022)</b>	<b>30.010.972,27</b>	<b>40.953.316,85</b>	<b>95.006.532,66</b>
Average Ticket size (2017-2022)	3.621,45	11.591,65	6.573,66
# Operations	8.287	3.533	53.926
# Women clients	3.396	1.586	5.909
# Impacted People	33.148	14.132	215.704
# Clients with no previous active products	5.594	2.920	25.085
# Seminars offered on WASH	5.386	5.386	5.386
# Clients visited in person by LO (per month)		2.946	

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## Oikocredit's mission

Oikocredit challenges all to invest responsibly. It provides financial services and supports organisations to improve the quality of life of low-income people or communities in a sustainable way.

## Oikocredit International



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