

# Shubham Housing Development Finance Company



## Impact Management Case Study



**Location** India

**Sector** Financial Services

**Key Stakeholders** Clients

**Total Reach** 50,000 families



## Business Model

Shubham Housing Development Finance Company provides **housing finance solutions** to families with informal incomes through an **innovative credit program** that builds credit history beyond traditional proof of income. Shubham is one of the first organizations in India moving away from document-based underwriting by taking a holistic view of clients' needs and providing credit to people who are outside the domain of formal credit structures.

More than 80% of all people employed in India work in the informal sector,<sup>1</sup> with limited access to financial services. Securing credit for housing purchases, even in urban centers, is a dream beyond the reach of many of these workers, who lack the credit history and profile to get formal loans. Shubham Housing Development Finance Company provides finance to these underserved households, enabling families to own their own homes and make improvements, as well as giving them access to other services and a sense of prosperity.

Shubham understands that reaching an underserved target group requires unconventional marketing techniques. Shubham's marketing efforts are implemented at the local level and can differ from city to city. The use of local market canvassing in pre-defined areas of a city has helped the company spread awareness and educate potential clients on Shubham's offering at their convenience.

Once a client provides their consent to apply for a loan, the sales officer explains in detail the home loan process, emphasizing how Shubham can add value. The client then completes an application form, provides all the necessary documentation and has a detailed conversation with a sales officer, explaining the nature of their income and expenses. This is central to the application process as this provides Shubham with important information regarding the client's profession, expense flows, family history, future plans and other loans. The sales officer is trained to capture the client's story and determine whether the client would be able to repay the loan given their current cash flow.

Founded in 2010 with the purpose of helping build happy homes for those who are outside the formal income circle, Shubham Housing Development Finance Company has been driving financial inclusion in the informal market across nine Indian states, generating a revenue of USD 30 million.<sup>2</sup>



**40,000**  
Families with  
access to credit  
for house  
purchasing  
since 2011



**160,000**  
Lives impacted



**USD 400m**  
Loan portfolio  
size by 2020

<sup>1</sup> ILO: Women and men in the informal economy: A statistical picture [https://www.ilo.org/wcmsp5/groups/public/-/dgreports/-/dcomm/documents/publication/wcms\\_626831.pdf](https://www.ilo.org/wcmsp5/groups/public/-/dgreports/-/dcomm/documents/publication/wcms_626831.pdf)  
<sup>2</sup> Value for March 2018 - March 2019 period - Shubham Housing Annual Report 2019: <https://shubham.co/pdf/Annual%20Report%202019.pdf>



## Key Stakeholders

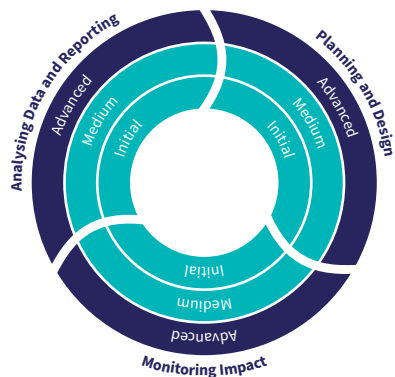
More than **80%** of all people employed in India work in the informal sector, **87%** of the poorest households in the country do not have access to credit, and **71%** do not have access to savings from a formal source.

In India, informal workers that receive a salary work primarily on a cash basis in the manufacturing sectors or independent retail units, whereas workers that are self-employed usually work in grocery shops, small trading firms, and other small-scale vendors.

These workers take loans for several reasons:

- To purchase a house or apartment for residential use;
- To purchase a plot of land for building a home;
- The improvement or expansion of an existing home; or
- For personal needs or projects (e.g. starting a new business, access to long-term working capital or financing children's education)

Source: Shubham Housing Finance Company's internal records



Companies can have an initial, medium or advanced level of impact management capacity

## 1. Assessing Readiness and Capacity

Motivated by the benefits brought by past impact measurement studies, Shubham Housing Development Finance Company was particularly interested in gathering feedback from its clients on their needs as a reference for creating a holistic value proposition for its services.

Shubham joined BCTA's **Impact Champions Programme** to understand how their innovative business model has directly and indirectly impacted their clients' lives. While the company closely tracks business performance, there was no system in place to measure and manage social impact and other non-financial metrics.

At the start of the Impact Champions Programme, Shubham was found to have an **advanced capacity** for undertaking impact measurement and management, as Shubham's business decisions are based on the regular monitoring and reporting of key performance indicators. Moreover, Shubham had prior experience with using web-based tools, laptops, smartphones, and Enterprise Resource Planning software. Lastly, while Shubham's field staff are not familiar with using data for their daily operations, they can allocate a limited amount of time for impact management.

Shubham benefits from impact management, as it allows them to:

- Understand clients' needs
- Understand market opportunities and risk; and
- Design effective products and services

## 2. Planning For SDG Impact

### I. Impact Value Chain

The **Impact Value Chain** is a visual map of how an organization's strategy and operations contribute to its business value and the Sustainable Development Goals (SDGs). The Impact Value Chain allows the organization to holistically understand the effects of its inclusive business activities on different groups and the environment.

Shubham's clients are informal workers who typically lack credit histories and therefore face severe restrictions in accessing housing loans. Many households have limited information on the financial services available to them, which results in a lack of awareness about opportunities. Moreover, the lack of clear property titles in India presents a barrier to home ownership for this segment of the population in particular.

Considering factors other than proof of formal income, Shubham conducts detailed personal assessments and creates a profile for each informal worker based on income, expenses and assets. These clients also have their property legally verified in order to assess its mortgage potential. Moreover, Shubham builds awareness of its service offering and brand through door-to-door campaigning. All these activities enable Shubham to provide loans for housing purchase to the underserved informal sector.

As a result of Shubham's activities, clients gain increased access to credit and knowledge about their own property. Shubham's brand awareness campaigns are implemented at the local level and can differ from city to city. The placement of banners and leaflets in areas with high footfall has proven to be extremely effective in smaller cities. Similarly, strategically placed kiosks in major markets ensure that clients can easily understand Shubham's service offering in a setting where they feel comfortable.

Shubham also initiates conversations with various partners – including corporations, housing boards, digital platforms and correspondents – which enables the company to further their reach in this growing market. This has been an effective channel for reaching new audiences and capturing the attention of potential clients.

In the medium term, Shubham's model improves clients' financial management, promotes knowledge about different financial products, and leads to housing tenure security within the communities in which it operates. In the long run, Shubham provides access to credit for first-time borrowers, allowing informally employed households to build assets and facilitating improvements in health and education.



## Shubham's Impact Value Chain

SDG



**1** NO POVERTY



**3** GOOD HEALTH AND WELL-BEING



**4** QUALITY EDUCATION



**6** CLEAN WATER AND SANITATION



**8** DECENT WORK AND ECONOMIC GROWTH



**11** SUSTAINABLE CITIES AND COMMUNITIES



	Problems & Opportunities	Inputs/ Activities	Outputs	Outcomes	Impact
	<p>Workers in the informal economy lack credit histories</p> <p>Lack of clear property titles hinders growth</p> <p>Awareness about financial services and available facilities</p> <p>Lack of access to housing loans in the informal sector</p>	<p>Conduct a detailed legal verification of property to assess creditworthiness</p> <p>Go through the rigours of a detailed legal verification of the property to assess its mortgageability</p> <p>Working on building brand awareness and undertaking door to door campaigning</p> <p>Providing home loans to the informal segment</p>	<p>Increased access to credit</p> <p>Improved knowledge about their property including but not limited to market value</p> <p>Increase in literacy about the product and service</p> <p>Increased awareness of Shubham's services</p>	<p>Improved financial management</p> <p>Housing tenure security</p> <p>Increased understanding about other financial products</p>	<p>Provide access to credit to first time loan borrowers</p> <p>Enable asset creation</p> <p>Create a better environment for family's health and education</p> <p>Improve living standards</p>
<b>Decision-Making Questions</b>	<p>What are the factors that induce our clients to buy a house for themselves?</p> <p>What is the most common housing situation for our clients before taking a loan?</p> <p>Are our clients aware of their loan options?</p>	No questions added	<p>Are our clients aware of the market value of their houses?</p> <p>Do our clients take other loans after using Shubham's services?</p> <p>Which type of loans do our clients take?</p>	<p>Which factors explain increases in clients' income?</p> <p>Are our clients able to manage their finances better after taking a loan?</p> <p>Do our clients feel safer after purchasing their own house?</p>	<p>Did you use your Shubham loan to move to a new property/ location?</p> <p>Do clients practice better household hygiene?</p> <p>Do children receive better education due to the location of your new home?</p> <p>Are clients more able to build assets?</p>
<b>Indicators</b>	<p>Number of people accessing credit for the first time</p> <p>Reported awareness of financial facilities</p>	No indicators added	<p>Number of people with access to new credit</p> <p>Financial value of clients' assets</p>	<p>Monthly change in clients' income</p> <p>Number of respondents reporting enhanced ability to manage income and expenses</p> <p>Reported change in clients' stress levels</p>	<p>Number of people reporting access to internet</p> <p>Percentage of households reporting better household hygiene</p> <p>Number of households reporting changes in neighborhood safety</p> <p>Time spent commuting to work</p> <p>Number of people with access to healthcare facilities</p> <p>Number of people with access to clean water</p> <p>Number of people with access to quality education</p> <p>Number of people with access to reliable electricity</p>

## II. Understanding and Describing Impact

Business Call to Action adopts international standards on impact measurement and management with guidance from the Impact Management Project (IMP)<sup>3</sup>.

<sup>3</sup> The Impact Management Project (IMP) is a forum for building global consensus on how to measure and manage impact. Through a series of consultations and conventions across the world between thousands of practitioners, IMP has developed shared fundamentals on how to describe and understand impact through the lens of the 5 dimensions of impact. These 5 dimensions are: WHAT, WHO, HOW MUCH, CONTRIBUTION and RISK. More information in <https://impactmanagementproject.com/>

Shubham is contributing to four distinct outcomes: **(1) providing access to credit for first-time borrowers, (2) enabling asset creation, (3) improving living standards, and (4) creating a better environment for family health and education.**

Shubham mapped each goal against the five dimensions of impact to better understand its significance and to better manage and communicate its impact.

	tells us what outcomes the enterprise is contributing to and how important the outcomes are to stakeholders.
<b>What</b>	
	tells us which stakeholders are experiencing the outcome and how underserved they were prior to the enterprise's effect.
<b>Who</b>	
	tells us how many stakeholders experienced the outcome, what degree of change they experienced, and for how long they experienced the outcome.
<b>How Much</b>	
	tells us whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise.
<b>Contribution</b>	
	tells us the likelihood that impact will be different than expected.
<b>Risk</b>	



### Goal 1: Provide access to credit for first-time borrowers



**What**  
*What is the importance of your goal to your stakeholder?*

Suppliers and Producers

Not Important ————— Important

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**Who**  
*How underserved are your stakeholders in relation to the SDGs?*

Suppliers and Producers

Underserved ————— Well-served

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**+ Contribution**  
*How does the impact compare to what is likely to occur anyway?*

Because of our efforts, our stakeholders' access to SDGs is:

Likely Worse — Same — Likely Better

**How Much**  
*How significant is the impact that occurs in the time period?*

Scale: Did the outcomes happen at scale?

Small Scale ————— Large Scale

Duration: Do the outcomes last for a long time?

Short Term ————— Long Term

Depth: Is your organization a deep driver of the outcome for these stakeholders?

Marginal Change ————— Deep Change

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**△ Risk**  
*What is the risk that the impact is not achieved due to external or internal factors?*

Risk

Low Risk ————— High Risk

## Goal 2: Enable asset creation

### What

What is the importance of your goal to your stakeholder?



### Who

How underserved are your stakeholders in relation to the SDGs?



### + Contribution

How does the impact compare to what is likely to occur anyway?



### How Much

How significant is the impact that occurs in the time period?



Duration: Do the outcomes last for a long time?

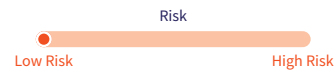


Depth: Is your organization a deep driver of the outcome for these stakeholders?



### △ Risk

What is the risk that the impact is not achieved due to external or internal factors?



11 SUSTAINABLE CITIES AND COMMUNITIES



7 AFFORDABLE AND CLEAN ENERGY



## Goal 3: Improve living standards

### What

What is the importance of your goal to your stakeholder?



### Who

How underserved are your stakeholders in relation to the SDGs?



### + Contribution

How does the impact compare to what is likely to occur anyway?



### How Much

How significant is the impact that occurs in the time period?



Duration: Do the outcomes last for a long time?



Depth: Is your organization a deep driver of the outcome for these stakeholders?



### △ Risk

What is the risk that the impact is not achieved due to external or internal factors?



1 NO POVERTY



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



## Goal 4: Create a better environment for family health and education

### What

What is the importance of your goal to your stakeholder?



### Who

How underserved are your stakeholders in relation to the SDGs?



### + Contribution

How does the impact compare to what is likely to occur anyway?



### How Much

How significant is the impact that occurs in the time period?



Duration: Do the outcomes last for a long time?



Depth: Is your organization a deep driver of the outcome for these stakeholders?



### △ Risk

What is the risk that the impact is not achieved due to external or internal factors?



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



6 CLEAN WATER AND SANITATION



### 3. Monitoring Performance

#### □ What

Shubham provides informal workers with affordable housing loans that are not provided by traditional lending institutions, as these workers are unable to provide the proof of income required. The average loan size is around **\$12,000**. Many of these workers do not have access to information on financial options, and on average each individual in India spends **30 months** searching for available financing options.

#### ○ Who

The main stakeholders in Shubham’s operations are the informal workers that struggle to access credit.

- On average, Shubham’s clients are **38 years old**
- The average household size of loan recipients is **4**
- **15%** of Shubham’s clients had applied for loans with traditional lending institutions before but were rejected

#### ≡ How Much

Improves individuals’ welfare and sense of wellbeing:

- **96%** of respondents are positive about securing housing rights in the future as the fear of eviction is removed
- **73%** respondents feel more financially secure
- **74%** of respondents progressed in their career, which has allowed them to build more assets

Increases knowledge of financial instruments

- **84%** of respondents are aware of the value of their property
- **75%** of respondents who have taken new loans found the application process easier, compared to traditional lending institutions, due to having a better understanding of the documents required

Contributes to the improved socio-economic status of informal workers’ communities

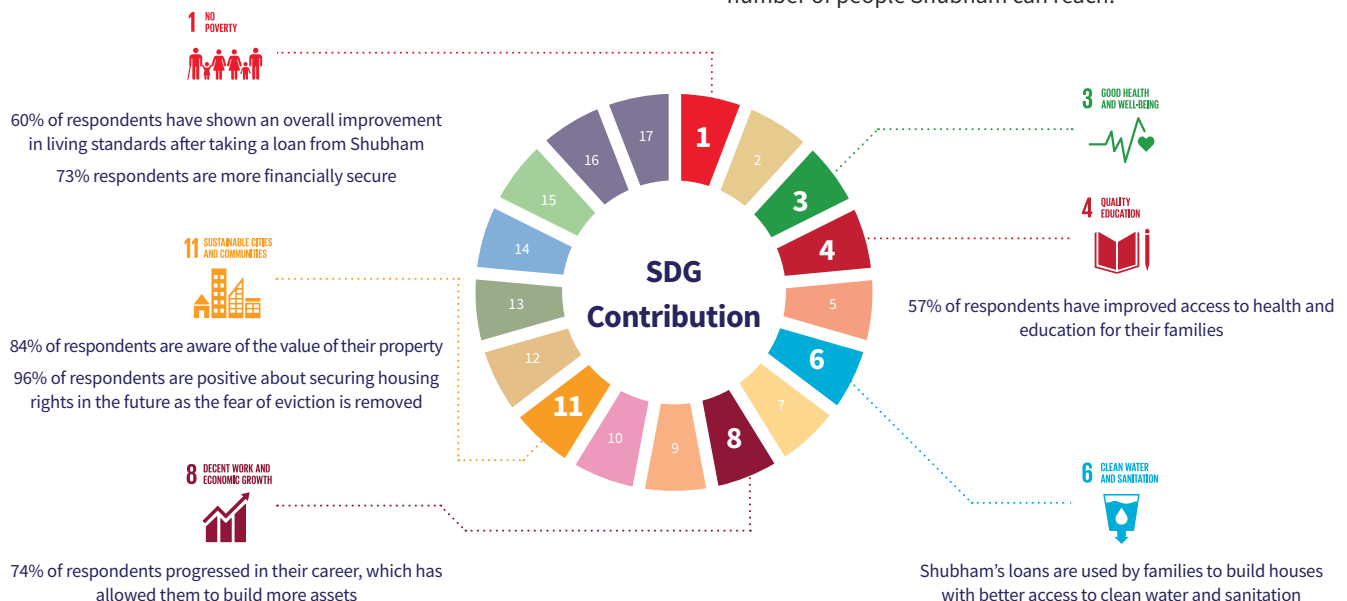
- **57%** of respondents report increased access to health and education for their families
- **25%** of respondents have taken additional loans to purchase goods such as vehicles and consumer durables after taking a loan from Shubham

#### + Contribution

- **60%** of informal workers experienced an overall increase in living standards
- **67%** of the respondents reported an enhanced ability to manage their income and expenses

#### △ Risk

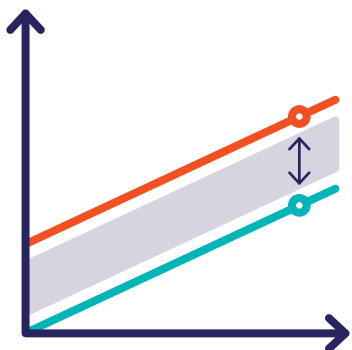
- Shubham’s long term contribution is the improvement of living standards for its clients. The company faces a relatively high evidence risk, since there are a multitude of other factors that can influence Shubham clients’ livelihoods.
- There is a relatively low alignment risk, as some members of the informal community do not match Shubham’s selection criteria and therefore are not eligible for a loan, reducing the number of people Shubham can reach.



## Lessons Learned

Shubham's impact measurement and management experience demonstrates that profitable companies can make a positive difference to the lives of their clients. Several learnings from the exercise are shaping the company's decision-making process:

1. Shubham confirmed the market gap between the demand for housing and the supply of housing finance. The survey also validated their perception that their clients lacked awareness about the financial products that are available
2. Shubham found that communicating its impact to its own employees during their training sessions has an effect on employee motivation and productivity
3. Shubham is planning to integrate impact management into its operations by embedding this into its workplan in order to gather client feedback, grow their business and improve their service offering



**Shubham confirmed the market gap between the demand for housing and the supply of housing finance**



**Shubham is also planning to scale-up by increasing its loan disbursements to USD 150 million, compared with the USD 85 million disbursed in the previous reporting period**

## Way Forward / Next Steps

Recognizing the benefits of impact measurement, Shubham now plans to collect data from different stakeholder groups annually, thereby building on the data collected in this exercise and tracking indicators over time. This data can support business decisions on entering new markets, reaching different market segments, and creating new products that can better address client needs. Impact data will also play an important role in shaping loan criteria and Shubham's underwriting processes.

Shubham is also planning to scale-up by increasing its loan disbursements to USD 150 million, compared with the USD 85 million disbursed in the previous reporting period. Shubham is also developing analytical tools that can collect real-time data and will improve their ability to make timely decisions.

*“Shubham is integrating impact measurement into its operations processes by making it a routine practice to listen to and act on customer feedback to improve and grow our inclusive business.”*

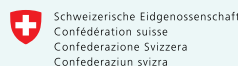
Vidyut Perti, Head of Strategy, Marketing & Partnerships



Contact the Business Call to Action

[www.BusinessCalltoAction.org](http://www.BusinessCalltoAction.org)

✉ [bcta@undp.org](mailto:bcta@undp.org) [Twitter](#) BCTA Initiative [LinkedIn](#) Business Call to Action



Empowered lives. Resilient nations.