Shubham Housing Development Finance Company

Impact Management Case Study

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, 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.²

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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

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 BcTAs 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

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

2. Planning For SDG Impact

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

<table>
<thead>
<tr>
<th>Problems &amp; Opportunities</th>
<th>Inputs/Activities</th>
<th>Outputs</th>
<th>Outcomes</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers in the informal economy lack credit histories</td>
<td>Conduct a detailed legal verification of property to assess creditworthiness</td>
<td>Increased access to credit</td>
<td>Improved financial management</td>
<td>Provide access to credit to first time loan borrowers</td>
</tr>
<tr>
<td>Lack of clear property titles hinders growth</td>
<td>Go through the rigours of a detailed legal verification of the property to assess its mortgageability</td>
<td>Improved knowledge about their property including but not limited to market value</td>
<td>Housing tenure security</td>
<td>Enable asset creation</td>
</tr>
<tr>
<td>Awareness about financial services and available facilities</td>
<td>Working on building brand awareness and undertaking door to door campaigning</td>
<td>Increase in literacy about the product and service</td>
<td>Increased understanding about other financial products</td>
<td>Create a better environment for family’s health and education</td>
</tr>
<tr>
<td>Lack of access to housing loans in the informal sector</td>
<td>Providing home loans to the informal segment</td>
<td>Increased awareness of Shubham’s services</td>
<td></td>
<td>Improve living standards</td>
</tr>
</tbody>
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### Inputs/Activities

- Conduct a detailed legal verification of property to assess creditworthiness
- Go through the rigours of a detailed legal verification of the property to assess its mortgageability
- Working on building brand awareness and undertaking door to door campaigning
- Providing home loans to the informal segment

### Decision-Making Questions

- What are the factors that induce our clients to buy a house for themselves?
- What is the most common housing situation for our clients before taking a loan?
- Are our clients aware of their loan options?

### Indicators

- Number of people accessing credit for the first time
- Reported awareness of financial facilities
- Number of people with access to new credit
- Financial value of clients’ assets
- Monthly change in clients’ income
- Number of respondents reporting enhanced ability to manage income and expenses
- Reported change in clients’ stress levels
- Number of people reporting access to internet
- Percentage of households reporting better household hygiene
- Number of households reporting changes in neighborhood safety
- Time spent commuting to work
- Number of people with access to healthcare facilities
- Number of people with access to clean water
- Number of people with access to quality education
- Number of people with access to reliable electricity

### Problems & Opportunities

- Workers in the informal economy lack credit histories
- Lack of clear property titles hinders growth
- Awareness about financial services and available facilities
- Lack of access to housing loans in the informal sector

### SDG

- 1. No Poverty
- 3. Good Health and Wellbeing
- 4. Quality Education
- 6. Clean Water and Sanitation
- 8. Decent Work and Economic Growth
- 11. Sustainable Cities and Communities
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)\textsuperscript{3}.

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.

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\textsuperscript{3} 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/
Goal 2: Enable asset creation

- **What**
  What is the importance of your goal to your stakeholder?
  - Suppliers and Producers
    - Not Important
    - Important

- **Who**
  How underserved are your stakeholders in relation to the SDGs?
  - Suppliers and Producers
    - Underserved
    - Well-served

- **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?
    - Large Scale
  - Duration: Do the outcomes last for a long time?
    - Long Term
  - Depth: Is your organization a deep driver of the outcome for these stakeholders?
    - Deep Change

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

Goal 3: Improve living standards

- **What**
  What is the importance of your goal to your stakeholder?
  - Suppliers and Producers
    - Not Important
    - Important

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

- **What**
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    - Not Important
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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

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

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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.

Increased 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

57% of respondents have improved access to health and education for their families

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

Shubham’s loans are used by families to build houses with better access to clean water and sanitation

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60% of respondents have shown an overall improvement in living standards after taking a loan from Shubham

73% respondents are more financially secure

67% of the respondents reported an enhanced ability to manage their income and expenses
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.

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 disbursals 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