



SOCIAL PERFORMANCE OF BANCO DA FAMILIA Brazil (March, 2009)

This social audit of Banco da Família uses the Social Performance Indicators (SPI) tool developed by Cerise and its network of partners. An assessment is made of the extent to which an MFI dedicates the means to fulfill its social mission in light of four fundamental dimensions of social performance. Who are the clients and how are they targeted? Are programs and service adapted to clients' needs? How are clients' capacities reinforced and how does the organization manifest its social responsibility?

Key data as June 2008 (Partial mid-fiscal year data)

Starting year: 1998	Legal form: civil association
Active borrowers: 6,430	Branches: 4
Active credits: 8,131	Gross loan portfolio: US\$ 5,918,004
Staff: 47	Total assets: US\$ 7,714,407
Regulated: no	Return on Assets: 5.6%
Main lending methodology: individual loan	Financial Expense Ratio: 2.77%
Legal status: non-profit	Operating Expense Ratio: 14.29%
Main zone of intervention: urban	Operational Self-Sufficiency: 141%

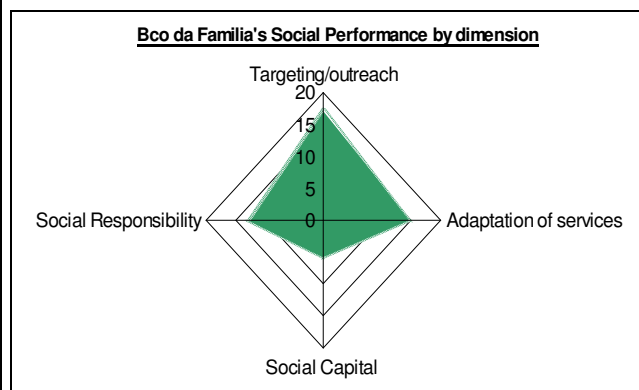
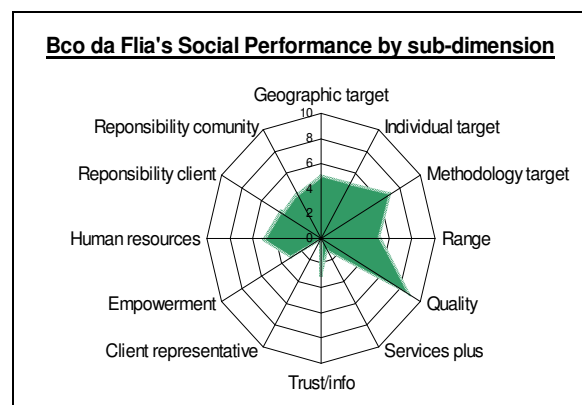
Social mission and strategy of Banco da Família:

Banco da Família (formerly Banco da Mulher) is a non-profit company offering credit to formal and informal micro and small entrepreneurs to promote economic and social development.

Banco da Família (BdF) was created by entrepreneur associations and public agencies, which believe in the viability of microentrepreneurs and seek to promote credit access to those excluded from the traditional credit system.

Based on the values of ethics, loyalty, commitment, cooperation and effective work, BdF has always worked towards the mission of acting in the microfinance segment in the fastest and simplest way, contributing to social and economical regional development.

The following figures graphically represent BdF's scores in each dimension evaluated and reflects the organization's focus on providing quality products and services and targeting poor and excluded populations.



Summary of results:

Outreach of poor and excluded populations

BdF's operations focus on poor urban areas and has a clear strategy to reach the poor and the excluded based on years of field experience. Loan officers' opinions are considered an essential part of the client's selection process. BdF started to apply a strict microfinance methodology, together with strong field work done by loan officers.

BdF has a special focus on women (almost all loans are granted to women¹). The MFI also facilitates educational programs and meetings between neighbors and as a result has been able to detect areas that needed modifications to provide better service and improve the poverty outreach. BdF works with microentrepreneurs in the informal sector (almost 90% of the portfolio).

As BdF is an OSCIP. It is not regulated by the Central Bank and not allowed to offer saving services or products.



Innovation of products and services

BdF offers several loan products. The main products are personal loans, credit lines, housing loans (for house improvements) and checks discount. BdF's central product is individual loans in urban areas. In most cases loans are secured by a third party recommendation (more than 50% of the loans).

BdF is committed to responding quickly to loan applications (less than two weeks between the loan application presentation and the disbursement date), and to work with simple forms and procedures. Office opening hours are also tailored to clients' schedules.

BdF continues to innovate and develop new products for clients. Two new products currently offered – the housing loan and the working capital loan - were developed based on feedback provided by clients through phone interviews. The results of focus group discussions also led to changes in loan amounts, interest rates and acceptable collateral for loans.

Improvement of social and political capital of clients

The audit results show that BdF needs to put more effort into improving the social and political capital of clients. While BdF management is accessible to clients, there is no system of client representation or formal institutionalized process of client participation in decision-making within the organization.

Recognizing that other programs can provide valuable support to its clients, BdF facilitates the link between clients and SEBRAE², for training sessions and different courses. This partnership is still in its early stages and BdF is hoping that the value of these courses will be realized by more clients in future.

¹ BdF firmly believes that women are more excluded from access to financial services and that their access to loans has a more direct impact on a family's social socio-economic level.

² SEBRAE, the Brazilian Service of Support for Micro and Small Enterprises, started in 1972 as result of a pioneer initiative of many institutions that encourage entrepreneurship in the country. Since then, SEBRAE has significantly contributed to the development of Brazil, since it lends support to a segment accounting for 99.23% of the country's businesses and generates 28.7 million jobs: the micro and small enterprises. Of about 14.9 million ventures, 4.5 million are formal and 10.3 million are informal. Supporting the opening and the expansion of small business, SEBRAE changes people's life and contributes to the sustainable development of communities. That is, an essentially citizenship-oriented service committed to the construction of a better country and a fairer and more equalitarian society.

Social responsibility of the MFI

BdF shows a sound human resource policy towards its staff. An annual training needs assessment is provided for staff and staff can participate in decision-making processes based on specific and regular information and in meetings held with senior management. BdF also provides special health coverage for its employees in addition to the national health coverage system.

Social responsibility towards clients is also important for the MFI. As BdF has gained more experience in the activity, it has made some adjustment such as the introduction of a “client card” to facilitate repayment collection and to be the foundation for establishing a system by which various benefits are distributed to clients.

BdF plays an active role in the community and in related microcredit associations. It has also supported the creation of a Business Women’s Association and has supported events focusing on women and women’s issues. Social responsibility to the community has also taken the form of financial support to a number of community projects. One such project involved providing pencils for public school children.

Conclusion:

The results of the social audit of BdF using the SPI tool highlight areas to be addressed to enable BdF to improve its social performance. BdF scored a total of 51 out of a possible 100.

BdF’s strength lies in efforts it has taken to reach its target group, its strong gender focus and its continuing efforts to improve and develop products and services so that these are adapted to clients’ needs. While still needing improvement, the results show that BdF is aware of its social responsibility to clients, staff and the community and takes steps to bring this sense of responsibility to life.

It is in the area of promoting clients’ social and political capital that more effort needs to be put into. It is in this area where collaboration with Oikocredit in the future may be explored. The poor result in this area is nevertheless understandable given the fact that in Brazil, the microfinance market is still in its early stages of development and MFIs are still focused on consolidating its client base and product and the promotion of clients’ social and political capital is not yet getting much attention. Although the current focus is on achieving sustainability, Banco da Família’s commitment to achieving its social goals and objectives including strengthening of clients’ capacities, provides an excellent area of collaboration with Oikocredit through technical assistance or other strategies.