



Bemtevi strengthens microcredit through human and financial capital

Acreditar fuels small businesses in one of the poorest regions in Brazil—the Northeast Region. Its business model is based on microcredit for rural producers, mostly women. Guided by Bemtevi, it was able to build resilience and strengthen its finance.

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LOCATION:

Regional–Northeast
Brazil



MAIN PARTNERS:

Acreditar



SECTOR:

Financial services



**FINAL
BENEFICIARIES:**

- Women
- Entrepreneurs
- Rural communities



TYPE OF INVESTOR/SILO:

Financial institutions



**MOTIVATION/PROBLEM
TO TACKLE:**

Need for capital and technical
support for productive
microcredit NGOs in the interior
of Pernambuco.



**NON-FINANCIAL SUPPORT
OFFERED:**

- Impact management and
measurement
- Business model and/or
strategy
- Financial management
- Governance.



DURATION:

2017

–now



**TYPE OF FINANCING/RESOURCES
INVESTED OR DONATED:**

Debt/Loan BRL 150,000

USD 39,500

Donation BRL 360,000

USD 94,750



KEY IMPACT:

- Acreditar was **rescued and strengthened.**
- A **donation platform for women** entrepreneurs was developed.



SDGS ADDRESSED:



BACKGROUND AND CONTEXT

According to *Síntese de Indicadores Sociais do Instituto Brasileiro de Geografia e Estatística de 2019*, 41% of the inhabitants of the state of Pernambuco live below the poverty line, with 11% living in extreme poverty and with incomes below USD 1.90.

Since 2006, NGO Acreditar has supported local development in the state by means of microcredits. In 2017, the NGO was going through a difficult time, with challenges related to management and access to capital. There was also a structural change in the microcredit market that directly affected the business: in Brazil, banks are obliged to assign part of their portfolios to microcredit. Regional or small institutions, such as Acreditar, were in charge of distributing this credit thanks to their penetration in the area. However, some banks decided to create their own distribution structures, partially reducing liquidity for intermediaries. The business also depended on ongoing donations for capital injection and structural improvements. That is when the relationship between Acreditar and Bemtevi was established.



DESCRIPTION

Bemtevi is a social investment manager founded in 2015. Its model is based on the social enterprise concept by Muhammad Yunus. On the one hand, businesses receive social loans—where interest is exchanged for positive social impact—and, on the other hand, investors receive back their capital adjusted to inflation and can participate in supporting the business.

Acreditar is a non-for-profit entity that promotes an entrepreneurial culture among youth and women in Northeast Brazil. It seeks to promote local development through targeted productive microcredit, entrepreneurship, and financial education. It is headquartered in Glória de Goitá—a city of 30 thousand inhabitants—and also operates in six other municipalities in Agreste and Zona da Mata Pernambucana: Feira Nova, Lagoa do Itaenga, Chã de Alegria, Vitória de Santo Antão, Gravatá, and Pombos. Acreditar is coordinated by Lilian do Prado.

“Lilian is from Glória de Goitá and completed a training course with the idea that she should support the region and its women, so that they do not move to another municipality. The organization was born with a clear vision of how to support this public, and she knows her region very well. That sets them apart from other microcredits.” Fernando A. Simões Filho, Bemtevi Managing Partner.



IMPLEMENTATION

Bemtevi has structured its own social-business support process, which begins by providing non-financial support before any loan is made. This stage is called the “maturation journey” and takes place between the initial (connection, diagnosis, and mapping) and the loan-approval phases.

“This journey helps mature the business for 6 to 8 months on average. Then our Committee approves the loan, with impact goals. Indicator monitoring and support for entrepreneurs is later offered.” Eduardo F. Pedote, Bemtevi Managing Partner.

In the case of Acreditar, the initial diagnosis showed that the business was heading towards a lack of liquidity, with negative results depleting its reserve fund. The solution was an injection of capital and management process improvements.



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Tailored Finance

The business had two main financial challenges: cash flow—with the need to extend its payment terms—and income, as its own capital was gradually decreasing.

For the first challenge, Bemtevi granted a two-year loan, with interest rates that are reduced as social impact goals are met. Within this mechanism, interest rates are determined according to goal accomplishments. The amount lent was about USD 39,500.

Social impact goals accomplishment percentage	Interest rate to be paid on the loan
From 0% to 49.9%	12% per year
From 50% to 59.9%	8% per year
From 60% to 69.9%	6% per year
From 70% to 79.9%	4% per year
Above 80%	Interest-free

The social impact goals are based on the theory of change, often developed for the first time during the maturation journey. In this process, up to fifteen social, environmental, and financial indicators are identified, which are reported monthly since the duration of the loan. Finally, an Impact Service Index is calculated—weighed together with the indicators, allowing for discount calculations such as those in the table above.

In the case of Acreditar, there are four groups of indicators: i) Management and Processes; ii) Economic and Financial Strengthening; iii) Entrepreneurial Management; and iv) Empowerment: Personal, Relational and Collective. Some examples of indicators monitored are compliance, number of people served, amount borrowed, percentage of women in the client base, increase in turnover, increase in family income, and improved perception of women’s value at home and in the community.

For the second challenge, a donation of around USD 94,750 was required. To this end, Bemtevi supported Acreditar in a round of discussions with investors and other potential supporters, presenting a business plan and the impact indicators.

Following the original successful project, Acreditar managed to raise more than USD 85,500 in third-party donations.

Over the course of the successful fundraising process with Bemtevi, a specific request came from the MB Dermatologia clinic, which wanted to get high-income women—an important part of its clientele—to



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contribute so that Acreditar could grant loans to women in their region. The clinic, Bemtevi, and Acreditar joined forces to create Projeto Amadrinhar.

The project's [website](#) allows donations to Acreditar and creates a series of possibilities for interaction between donors and women served by the NGO. The project was launched in the first quarter of 2020.



Non-financial Support

"They were already very well organized in terms of operations, risk, and credit, but not so much in terms of forecasting. You have to look at the next three months be able to plan. Apart from that, there were some problems such as mixing figures from different sectors, which hindered management and follow-up." Eduardo F. Pedote.

As part of its support, Bemtevi brings together mentors and investors experienced in the business sector. In this case, people with financial and banking knowledge were involved and helped to design the financial solution.

A business plan was developed, with financial models and indicators in line with the theory of change, which would then be used to support the fundraising process. Beyond that, the business leadership went through a process during which they learned about their own business, organizing the finances and understanding each part of the business better. That process began in 2017 with the study of the first loan, approved in April 2018.



RESULTS

The challenges that Acreditar faced at the start of the project in 2017 appear to have been overcome.

"Operationally and financially speaking, it was a complete success. They gained control over the business and the certainty that they were delivering the results to pay the bills. They were

able to reach breakeven and raise more funds. There was a motivational turn in the company; they began to believe more in themselves.” Eduardo F. Pedote.

With operational success, the project’s impact also stabilized, with more loans being granted to more families. While the goal was 25 loans per month, the business granted around 38 loans per month. Financially speaking, USD 580,000 were granted in the same period, compared to the initial goal USD 395,000. Thus, an increase in the level of family income and savings was perceived, in addition to a more significant participation of women in their communities.

In terms of impact, Bemtevi made a relevant remark:

“Microcredit can be harmful, indebting those who do not need it. Acreditar is very careful with that. For example, if a person wants to buy a machine, they go see the business and make an effort to understand how the money is going to be used. Microcredit loans are not that favorable; the difference is the short term, and that has to be well planned.” Eduardo F. Pedote.



LEARNINGS AND PERSPECTIVES

One of the main learnings has been the possibility of improving management—even when the business has existed for more than fifteen years—while respecting the empirically developed culture.

In the eyes of Bemtevi’s leaders, the process is very likely to be replicated, as long as certain precautions are taken for the definition of the financial mechanisms. First, doing the maturation work, learning about the business, and developing—with the leadership—the necessary skills and routines to then define financing.

“It is very important to have a connection phase to understand the path and, based on that, understand the mechanism. It can be 100% donation and work well. We are not going to grant loans for all projects. But having a loan creates a challenge that changes the business. Having both ends is healthy, when possible.” Eduardo F. Pedote.

Finally, a crucial point for a successful link between Acreditar and Bemtevi's model was clarity on each agent's values and intentions. Acreditar's business model fits Bemtevi's impact thesis, just as Bemtevi provides support that makes sense for an organization that reinvests its returns.

"There has to be consistency between the resources and the business model. They are a social business and an NGO. Bemtevi made a loan, and Acreditar is only going to repay the loan capital. That is where you contribute a donation to help close gaps." Fernando A. Simões Filho.