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JUN 01 Major Microlaboratory Against Poverty

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RIO DE JANEIRO, May 31, 2011 (IPS) - Microcredit in Brazil still has huge potential for expansion, even though microloans have already grown much more than traditional credit in the last eight years.

Microcredit has formed a successful part of anti-poverty programmes since left-wing former President Luiz Inácio Lula da Silva took office in January 2003 and immediately launched the National Productive Microcredit Programme, targeting low-income households.

During Lula's two terms in office, from 2003 to 2011, the number of holders of small-scale loans rose from 200,000 to more than one million, Lauro González, coordinator of the Getulio Vargas Foundation's (FGV) Microfinance Studies Centre, told IPS.

The programme to expand access to credit among formal sector entrepreneurs and informal sector workers generated the equivalent of nearly four billion dollars in credit for low-income households from August 2004 to August 2010.

"The initiative has played an important role in strengthening and expanding credit for the low-income population," Marcelo Azevedo Teixeira, manager of the urban microfinance unit at the state-run Banco do Nordeste do Brasil (Bank of Northeast of Brazil - BNB), told IPS.

"New actors entered the market, new products were developed, and regulations evolved, which made it possible to coordinate the activities of different institutions," he added.

The BNB's CrediAmigo Plan represents nearly 70 percent of the national market for microcredit in Brazil, and is one of the largest programmes of its kind in Latin America.

A winner of the Inter-American Development Bank's (IDB) Award for Excellence in Microfinance, the programme had 827,579 active clients as of April 2011, and a portfolio of more than 462 million dollars. The borrowers' default rate is just 1.1 percent.

CrediAmigo, which began in the northeast, Brazil's poorest region, and has expanded to other areas, such as the favelas or shantytowns of Rio de Janeiro, has made it possible for 61 percent of its small loan holders to rise above the poverty line, according to a study by economist Marcelo Neri.

In his study, Neri, the head of the FGV's Centre for Social Policies, describes CrediAmigo as a programme "of excellent quality of scale, sustainability and private returns, which reaches women and the poor and thus has an important social effect."

According to Neri, the possibility of leaving poverty behind goes up the longer the borrower remains in the programme.

The BNB programme helps small-scale entrepreneurs, 92 percent of whom are involved in trade, in activities like sales of clothing, articles of hygiene, and food or drink.

Women represent 65 percent of CrediAmigo's client base, and are generally involved in solidarity lending groups.

VivaCred, a non-profit microfinance institution, is one of the channels used by the BNB and other banks to bring microcredit to poor communities in Rio de Janeiro, like the favelas of La Rocinha or the Complexo do Alemao.

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