*MICROCREDIT – PRODUCTIVE POPULAR CREDIT

Guarantees:
1. Solidarity groups
2. Credit agents
3. Endorsement funds
4. Cooperatives
5. Consigned
6. ICTs (cellphones)
7. Fintechs
8. Positive register*

To Overcome Information Asymmetries

Credit: Big Picture

Low Quality lending became Critical Spreads and defaults

After 2008 Crisis: Annual Credit Growth Rate (%)

Public Credit: Big, old and little innovative companies

Lower Credit

Source: BCB - Bonomo et al. 2014
**Microcredit Assessment**

According to the Poverty Lab (J-PAL / MIT) it is possible that microcredit increases household incomes and reduces poverty, but these effects could only be observed in the long run.

**Thesis:** many success stories have internal validity, but not external. That is, they are not representative of any situation outside the place where the experiment was carried out.

Results of 7 Random Trials in different countries

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Bosnia and Herzegovina</th>
<th>Ethiopia</th>
<th>India</th>
<th>Mexico</th>
<th>Mongolia</th>
<th>Morocco</th>
<th>Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business ownership</td>
<td>↑</td>
<td></td>
<td></td>
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<tr>
<td>Business revenue</td>
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</tr>
<tr>
<td>Business inventory/assets</td>
<td>↑</td>
<td>no data</td>
<td>no data</td>
<td></td>
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<tr>
<td>Business investment/costs</td>
<td></td>
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<tr>
<td>Business profit</td>
<td></td>
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<tr>
<td>Household income</td>
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<tr>
<td>Household spending/consumption</td>
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<tr>
<td>Social well-being</td>
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*Types of Organizations (from a micro-credit perspective)*

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<td></td>
<td>Agrodersa</td>
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*A Challenged Myth*

The regulatory framework & macro conditions are paramount to the performance of credit-related organizations.

- Evidence 1: institutions within the same regulatory environment with very different performances.
- Evidence 2: institutions in different environments with similar qualitative performances.

Types of Organizations

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**Winning Features**

- Clear vision, mission, focus.
- Good alliances or Internal division of labor: credit operations distinct from others.
- Financial ethos (interest rates, recovery)
- High level of information disclosure
- Self-critical organizations: re-evaluating strategies.
- Generally pro-women

**Challenges**

- Willingness to borrow is determined by the borrower’s access to collateral (land with and without title (individual X communal)).
- There is no such thing as the best credit model (e.g., individual or group lending or still institutional lending)
- A beneficiary’s repayment capacity should not be underestimated.
- Diversification of the portfolio – spreading risks so often associated with agricultural activities.
- The commercialization-credit nexus.
- Capacity building and technical assistance: sine qua non condition to improve resources efficient use.
The Brazilian Mystery
Why microcredit has a slow advance in Brazil? (1998)

Biases: Consumer, high incomes, Expensive (Spreads), Short Run and Public

The Northeastern Mystery
Why Microcredit grew More in the poorest area of the country? (2008)

Institutionality of Crediamigo

Alignment Proposal: Incubate Cooperatives from the Solidarity Groups (scale-effect). These groups are well structured financially with good balance sheets and flows statements.

Part 4 - The role of the credit advisor
http://www.fgv.br/ibrecps/VIDEOS/credi3/CREDI_3_assessor.wmv
**Crediamigo Impacts**

The Monthly Employment Survey (PME) and CrediAmigo allow the longitudinal monitoring of individuals, firms and families. Economic impacts of CrediAmigo Salvador and Recife with matching techniques. The usual performance differential of 7.7% with p-value of 2.1% of customers of CrediAmigo vis-à-vis other units covered by PME with the same attributes.

**Economic Mobility**

Business Expansion - CrediAmigo clients had chances for moving from entrepreneurs to employers 12.5 times higher than the population of entrepreneurs, in general. Classes - In multivariate exercises we do not reject the hypothesis that for northeastern microentrepreneurs who were initially in Class E, D or C, the access to CrediAmigo gave higher probabilities of progression in economic classes scale. For those initially in class A/B, the effect is the opposite.

1/3 of microentrepreneurs and 2/3 of clients are female

### Gender Equality?

<table>
<thead>
<tr>
<th>Mincerian Equations on Balance Sheets</th>
<th>A - Dummy Last Period</th>
<th>B - Dummy Female</th>
<th>Interaction between A and B Dif in Dif</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving Sales</td>
<td>Estimates</td>
<td>-0.2890</td>
<td>4.2%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>0.3235</td>
<td>-0.2275</td>
<td>3.9%</td>
</tr>
<tr>
<td>Operational Profit</td>
<td>0.3058</td>
<td>-0.2118</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

P- Value of all estimates <.0001

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**Crediamigo: The Brazilian Grameen**

**Differences with Grameen: Urban & Public**

**Similarities:**

Sustentability: Low defaults & Subsidies

Impacts in Business and Families

Solidarity Groups

Women: Greater Access & Higher Impacts
Other Models
Community Banks and Community Groups of 15 to 30 people

Rural Microcredit
Agroamigo - Default rate of 1/10 of Pronaf B, as a result of credit agents
Does not have solidarity groups

Payments Delays Determinants in Agroamigo

<table>
<thead>
<tr>
<th>Rank</th>
<th>Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USES_IRRIGATION</td>
</tr>
<tr>
<td>2</td>
<td>Unit of the Federation</td>
</tr>
<tr>
<td>3</td>
<td>PERIODICITY_PAYMENTS</td>
</tr>
<tr>
<td>4</td>
<td>HAS_WATER_TANK (cisterns)</td>
</tr>
<tr>
<td>5</td>
<td>KNOW_COOPER_ASSOC_PROG</td>
</tr>
<tr>
<td>6</td>
<td>KNOW_TECH_ASSIST_PROG</td>
</tr>
<tr>
<td>7</td>
<td>Condition_USE and Land Possession</td>
</tr>
<tr>
<td>8</td>
<td>HAS_BOLSA_FAMILIA</td>
</tr>
</tbody>
</table>

Sample shows effects of the strong northeastern drought

Brazil vs. World
Brazil has marked overall financial inclusion but low credit and savings coverage

Brazil
- 56% HAS ACCOUNT IN A FINANCIAL INSTITUTION
- 51% WOMEN
- 64.49% LOTTERY HOUSES
- 6% LOANS
- 10% FORMAL SAVINGS

World
- 50% HAS ACCOUNT IN A FINANCIAL INSTITUTION
- 47% WOMEN
- 9% LOANS
- 22% FORMAL SAVINGS

BOLSA FAMILIA BENEFICIARIES HAVE 18%+ CHANCES OF HAVING CHECKING ACCOUNT OR SAVINGS

World Bank data 2011
Productive Microcredit: Alignments and Innovations

Alignments
Between: Microcredit Actors; Microbusiness Support; Financial Services;
Innovations
• Connect with SDGs
• Recognize Assets: Human Capital (Proficiency) and Microentrepreneur (Certification)
• Credit Agents and Solidarity Groups
• Social Money?

• Bolsa Familia: Explore CadÚnico, Collateralize Benefits?
• New Bolsa Familia App
• Savings Funds as in private pension For Bolsa Familia?
• (Avoid touching in spreads)

Only accepted in local machines, Concentrating the multiplier effect of the Program in the city. But what about the Consumers wellbeing?

Some Optional References: www.fgv.br/fgvsocial

Vide video-Extra:
http://www.compaso.com.br/midia/empreendedorismo_br.htm

Thank you!