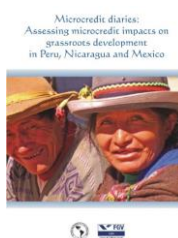
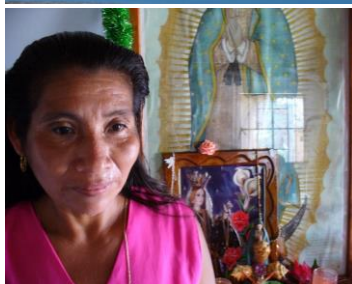


*MICROCREDIT – PRODUCTIVE POPULAR CREDIT

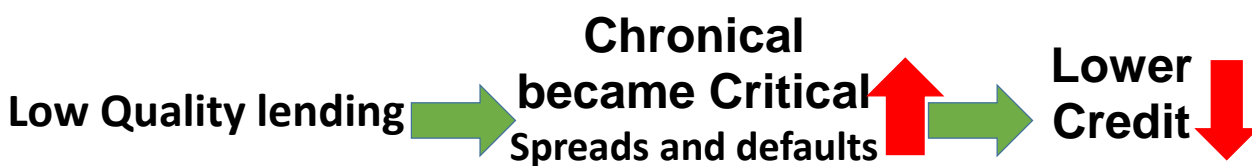
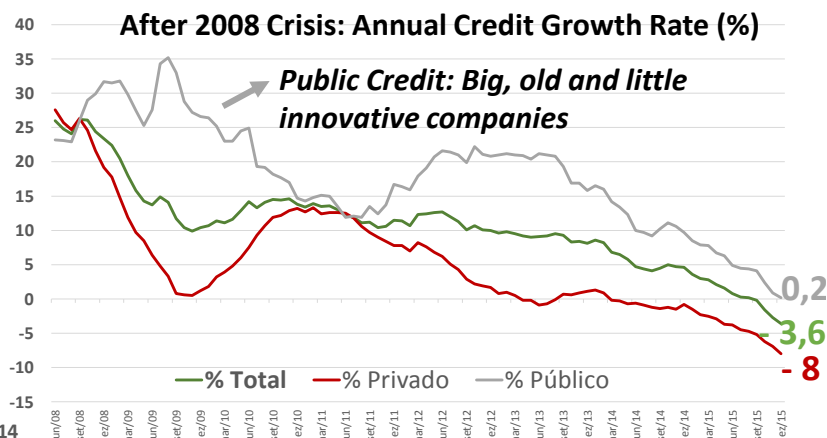
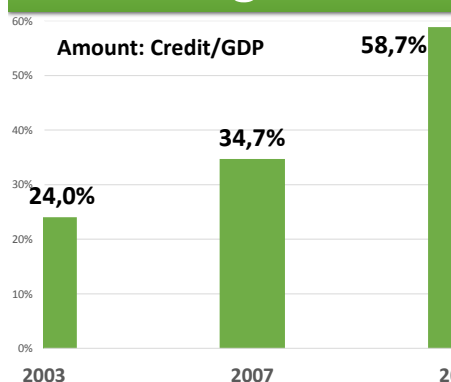
Guarantees:

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



*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

| Outcome | Bosnia and Herzegovina | Ethiopia | India | Mexico | Mongolia | Morocco | Philippines | |
|--------------------------------|------------------------|----------|-------|---------|----------|---------|-------------|--|
| Business ownership | ↑ | — | — | — | ↑ | — | — | |
| Business revenue | — | — | — | ↑ | — | ↑ | — | |
| Business inventory/assets | ↑ | no data | ↑ | no data | ↑ | ↑ | — | |
| Business investment/costs | — | — | ↑ | ↑ | no data | ↑ | ↓ | |
| Business profit | — | — | — | — | — | ↑ | — | |
| Household income | — | — | — | — | — | — | — | Subtitle ↓ ↑ Negative / Positive |
| Household spending/consumption | — | ↓ | — | ↓ | ↑ | — | — | Source: Poverty Lab |
| Social well-being | — | — | — | ↑ | — | — | ↓ | 3 |

Types of Organizations (from a micro-credit perspective)

| Type/Country | Mexico | Peru | Nicaragua |
|--------------|----------------|----------------|---------------|
| Advanced | Accedde | Ceder | Leon 2000 |
| Intermediary | Apoyo CDP-Z | Aedes Cedes | Espino Blanco |
| Basic | GKC | Emucosa | Agrodersa |

Microcredit diaries:
Assessing microcredit impacts on
grassroots development
in Peru, Nicaragua and Mexico



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.

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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)

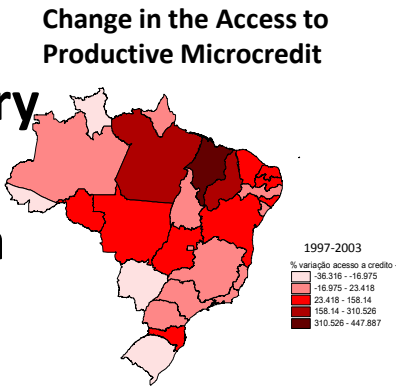
Biases: Consumer, high incomes, Expensive (Spreads), Short Run and Public

Urban
Microcredit
Use 2014
(Up to R\$ 15,000)

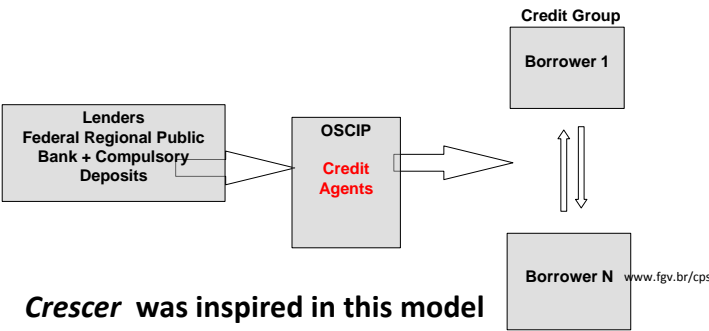
| | |
|---------------|-------|
| Total | 4,00% |
| Self-Employed | 3,16% |
| Employer | 9,94% |

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.

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?

Mincerian Equations on Balance Sheets

| | | A - Dummy Last Period | B - Dummy Female | Interaction between A and B Dif in Dif |
|--------------------|----------------------------------|--------------------------------|------------------------|--|
| Receiving Sales | Estimates | 0,3235 | -0,2890 | 4,2% |
| Gross Profit | | 0,3058 | -0,2275 | 3,9% |
| Operational Profit | P- Value of all estimates <.0001 | 0,3074 | -0,2118 | 4,1% |

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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

Part 1 - traditional Grameen

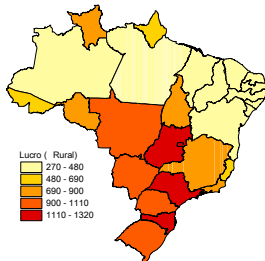
<http://www.fgv.br/cps/curriculo/crediamigo/crediamigo-1.pdf>

Other Models

Community Banks and Community Groups of 15 to 30 people



Rural Programs (Pronaf B)
Rural Microentrepreneurs Profit



Rural Microcredit

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

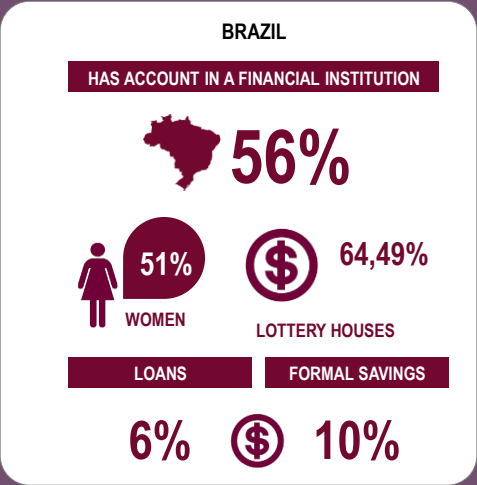
Payments Delays Determinants in Agroamigo

| STEPWISE Model of variable selection | |
|--------------------------------------|-----------------------------------|
| Rank | Variable |
| 1 | USES_IRRIGATION |
| 2 | Unit of the Federation |
| 3 | PERIODICITY_PAYMENTS |
| 4 | HAS_WATER_TANK (cisterns) |
| 5 | KNOW_COOPER_ASSOC_PROG |
| 6 | KNOW_TECH_ASSIST_PROG |
| 7 | Condition_Use and Land Possession |
| 8 | HAS_BOLSA_FAMILIA |

Sample shows effects of the strong northeastern drought

Brazil vs. World

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



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

World Bank data 2011 ¹⁰

Productive Microcredit: Alignments and Innovations

Alignments

Between: Microcredit Actors; Microbusiness Support; Financial Services;

Innovations

- Connect with SDGs
- Recognize Assets: Human Capital (Profficiency) and Microentrepreneur (Certification)
- Credit Agents and Solidarity Groups
- Social Money?

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

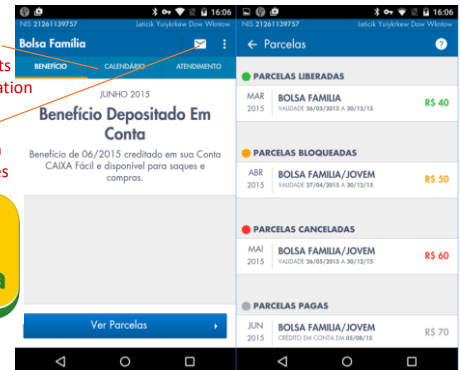
Social Money – Maricá-RJ



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

Future
Payments
Consultation

Warnings of
Problems with
conditionalities



Some Optional References: www.fgv.br/fgvsocial



Vide video-Extra:

http://www.compaso.com.br/midia/empreendedorismo_br.htm

<http://www.povertyactionlab.org/publication/where-credit-is-due>
<http://www.brasil.gov.br/cidadania-e-justica/2015/10/caixa-lanca-aplicativo-do-bolsa-familia>
<http://www.institutobancopalmas.org/e-dinheiro/>
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http://www.planalto.gov.br/ccivil_03/_ato2011-2014/2013/lei/112865.htm (Lei 12.865)
http://www.bcb.gov.br/pre/normativos/busca/downloadNormativo.asp?arquivo=/Lists/Normativos/Attachments/48841/Res_4282_v1_O.pdf (Resolução 4.282 BC)
<http://www.bcb.gov.br/7SPBVISGER> Visão Geral do SPB e suas mudanças
<http://www.bcb.gov.br/7PRED-ARRANJOFAQ> FAQ – O que é arranjo e Instituição de pagamento? Ver perguntas 1, 3, 4, 11, 12, 13, 16, 17, 24.
<http://musonisystem.com/features/> <http://musonisystem.com/> (Sistema Musoni)
<http://musoni.eu/about-us/> Visão Geral Musoni

Thank you!