

Microcredit & Poverty: Crediamigo

The Northeast Mystery and the Brazilian Grameen



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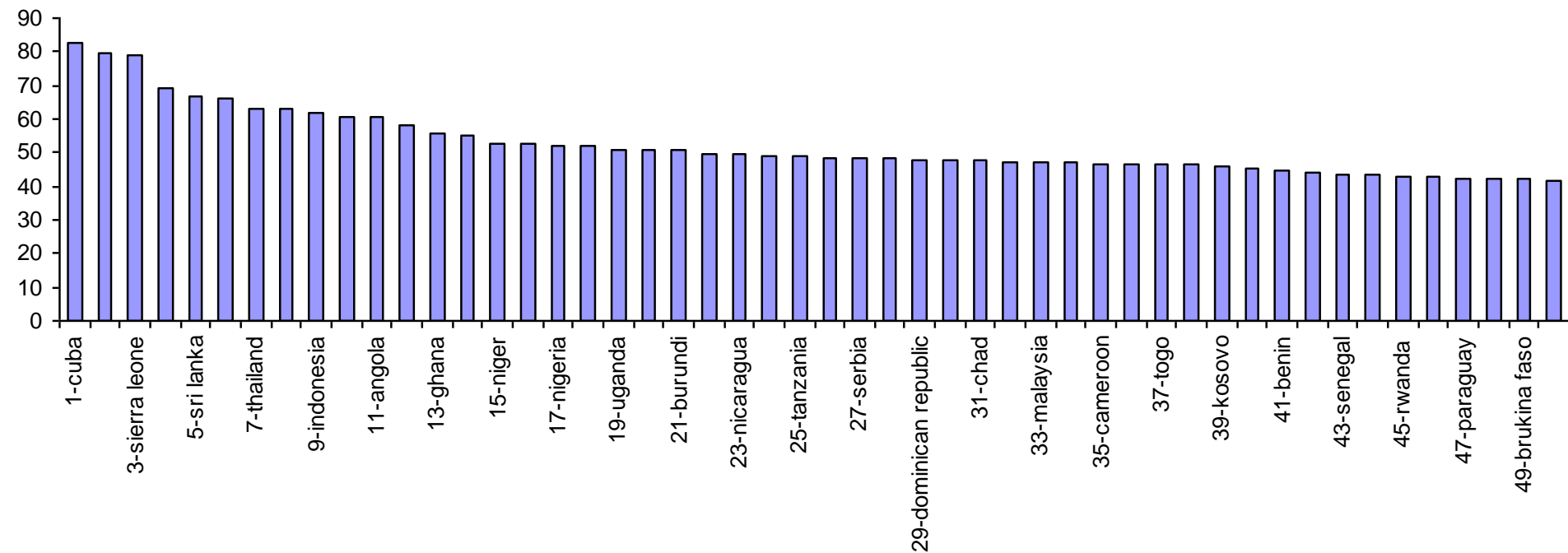
Brasilia, April 12th/2010

Script:

- Targeting Microcredit: Who are the Micro-Entrepreneurs? (**How poor?** How much success to expect?)
- Access to Microfinance (**The Northeast Mystery**)
- Impacts of Crediamigo (**The Brazilian Grameen**)
- Microcredit, other Support Policies & CCTs (**Bolsa Familia & entry doors to markets**)

Global Vision:

% population with the intention of opening a business in the next 12 months



World 40,59

Brazil 38,67

Rank 52 in 100 countries

Others 40,61

America 43,85

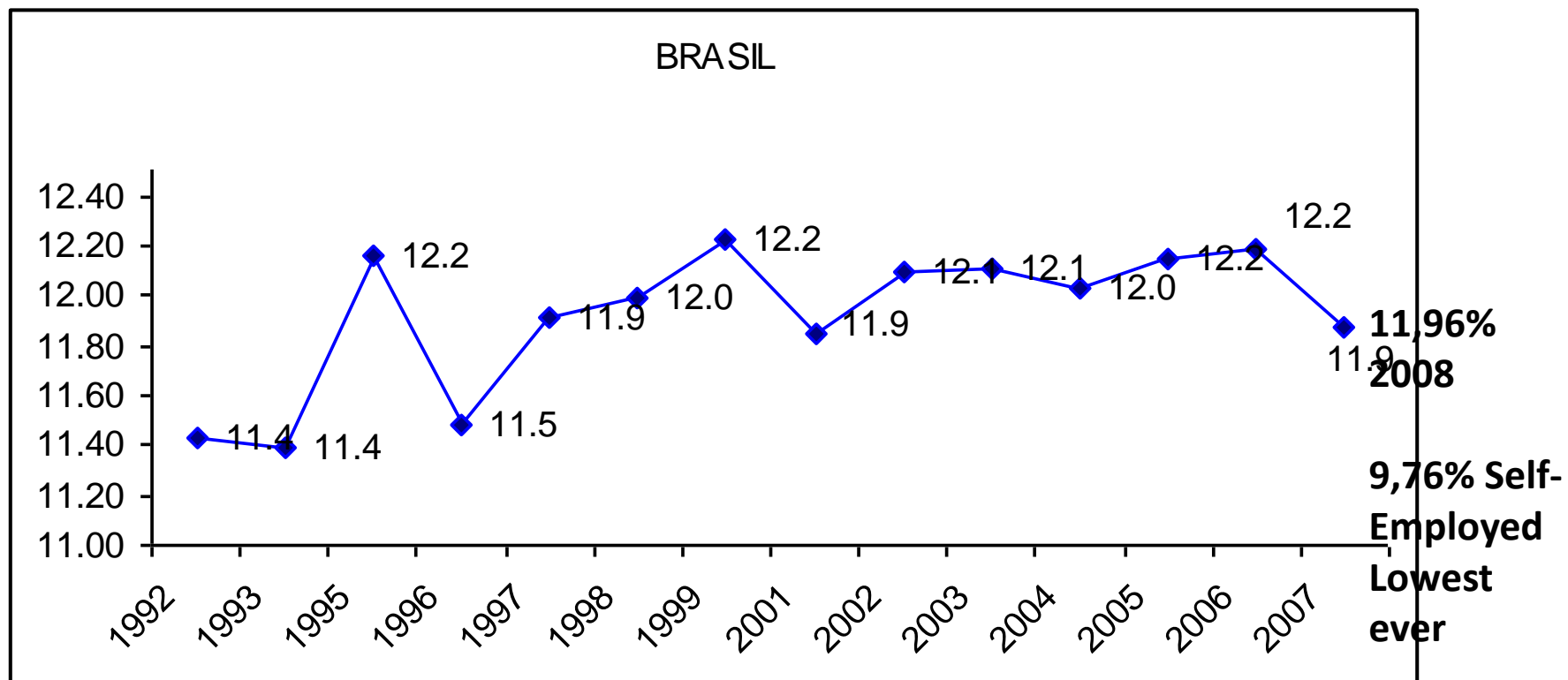
% population with the intention of opening a business in the next 12 months

World	40,59
Brazil 52 / 100	38,67
Other	40,61
America	43,85

País

1 cuba	82,28	29 serbia	45,45	53 panama	38,15	78 georgia	21,85
2 sierra leone	77,15	30 togo	45,39	54 madagascar	38,01	79 myanmar	21,69
3 philippines	72,43	31 mali	45,29	55 bruquina faso	37,58	80 new zealand	21,41
4 malawi	68,68	32 guatemala	45,29	56 azerbaijan	37,58	81 estonia	20,19
5 laos	65,01	33 honduras	45,23	57 uzbekistan	36,02	82 singapore	17,20
6 thailand	62,82	34 cameroon	45,17	58 kosovo	35,95	83 hong kong	16,43
7 haiti	62,10	35 chad	45,08	59 botswana	35,45	84 ireland	16,34
8 sri lanka	61,54	36 tajikistan	44,39	60 macedonia	34,54	85 lithuania	15,85
9 bangladesh	58,54	37 mauritania	44,07	61 algeria	32,29	86 south korea	15,73
10 indonesia	57,23	38 benin	42,82	62 chile	31,91	87 latvia	15,60
11 angola	57,08	39 mexico	42,78	63 armenia	31,73	88 croatia	15,44
12 ghana	54,83	40 peru	42,20	64 argentina	29,99	89 portugal	15,14
13 zambia	54,33	41 rwanda	42,09	65 moldova	29,48	90 puerto rico	14,66
14 montenegro	51,65	42 nepal	41,83	66 trinidad &	29,07	91 russia	14,46
15 niger	51,58	43 malaysia	41,54	67 south africa	28,70	92 switzerland	14,24
16 mozambique	51,39	44 el salvador	41,48	68 kazakhstan	28,40	93 belarus	13,95
17 bolivia	50,49	45 senegal	41,00	69 kyrgyzstan	27,27	94 norway	13,53
18 burundi	49,62	46 afghanistan	40,68	70 ethiopia	27,17	95 austria	11,58
19 nicaragua	48,77	47 zimbabwe	40,66	71 bosnia	27,00	96 vietnam	11,52
20 cambodia	48,17	48 paraguay	40,37	72 ukraine	26,56	97 finland	11,09
21 venezuela	47,97	49 kenya	40,29	73 uruguay	26,19	98 slovakia	7,44
22 ecuador	47,29	50 costa rica	40,05	74 yemen	25,41	99 jamaica	7,33
23 china	47,10	51 albania	38,81	75 cyprus	23,75	100 slovenia	4,92
24 colombia	47,01	52 brazil	38,67	76 taiwan	23,46		
25 dominican	46,67			77 bulgaria	22,16		
26 republic	46,40						
27 uganda	46,06						

% micro-entrepreneurs in Total Population - Evolution from 1992 to 2008



Fonte: CPS/FGV a partir dos microdados da PNAD/IBGE (projeto FGV / CrediAMIGO)

2,2%
Employers
Highest
Ever

State ranking - % entrepreneurs

	State	2007	2006
1	Piauí	18.20	17.99
2	Mato Grosso do Sul	13.92	13.84
3	Rio Grande do Sul	13.86	14.21
4	Ceará	13.52	14.37
5	Paraná	13.33	13.24
6	Pará	13.12	13.21
7	Bahia	12.89	12.89
8	Goiás	12.75	12.31
9	Mato Grosso	12.69	11.99
10	Sergipe	12.54	12.59
11	Santa Catarina	12.07	13.71
12	Roraima	11.93	13.06
13	Maranhão	11.85	15.17

	State	2007	2006
14	Paraíba	11.72	13.24
15	Rio Grande do Norte	11.71	11.85
16	Minas Gerais	11.54	11.86
17	Tocantins	11.42	13.38
18	Pernambuco	11.27	11.84
19	Rio de Janeiro	11.22	10.96
20	Rondônia	11.15	10.52
21	Alagoas	10.89	9.15
22	Acre	10.89	11.29
23	Amazonas	10.46	12.17
24	Espírito Santo	10.44	10.39
25	São Paulo	10.43	10.61
26	Distrito Federal	9.37	8.68
27	Amapá	8.71	9.28

Fonte: CPS/FGV a partir dos microdados da PNAD/IBGE

State ranking - % entrepreneurs ABC class

	State	2007	2006
1	Santa Catarina	87.34	86.86
2	São Paulo	84.14	81.78
3	Paraná	80.88	77.38
4	Rio Grande do Sul	79.02	77.37
5	Distrito Federal	78.96	77.45
6	Goiás	76.31	74.52
7	Espírito Santo	76.20	72.55
8	Rio de Janeiro	75.43	77.45
9	Minas Gerais	74.30	72.31
10	Mato Grosso do Sul	73.42	69.97
11	Rondônia	71.15	69.19
12	Mato Grosso	69.21	70.33
13	Amapá	64.93	53.81

	State	2007	2006
14	Tocantins	58.91	51.58
15	Amazonas	57.89	54.03
16	Pará	56.59	50.36
17	Acre	52.74	54.38
18	Roraima	52.53	45.09
19	Rio Grande do Norte	51.71	52.02
20	Sergipe	49.87	44.78
21	Bahia	44.06	43.33
22	Alagoas	42.46	37.50
23	Maranhão	42.20	33.69
24	Paraíba	41.70	41.40
25	Pernambuco	41.65	40.82
26	Ceará	40.28	37.63
27	Piauí	31.93	31.31

Source: CPS/FGV a partir dos microdados da PNAD/IBGE

Ranking - % entrepreneurs ABC class on total population

Ranking: % Microempresários ABC na População Total

	2007
1 Rio Grande do Sul	10.96
2 Paraná	10.79
3 Santa Catarina	10.54
4 Mato Grosso do Sul	10.22
5 Goiás	9.73
6 Mato Grosso	8.78
7 São Paulo	8.77
8 Minas Gerais	8.57
9 Rio de Janeiro	8.46
10 Espírito Santo	7.95
11 Rondônia	7.93
12 Pará	7.42
13 Distrito Federal	7.40
14 Tocantins	6.73

	2007
15 Roraima	6.27
16 Sergipe	6.25
17 Rio Grande do Norte	6.06
18 Amazonas	6.06
19 Piauí	5.81
20 Acre	5.74
21 Bahia	5.68
22 Amapá	5.66
23 Ceará	5.45
24 Maranhão	5.00
25 Paraíba	4.89
26 Pernambuco	4.69
27 Alagoas	4.63

Ranking - Capitals x Outskirts % entrepreneurs ABC Class

Ranking: Capitais x Periferias - Microempresários (classe ABC%)

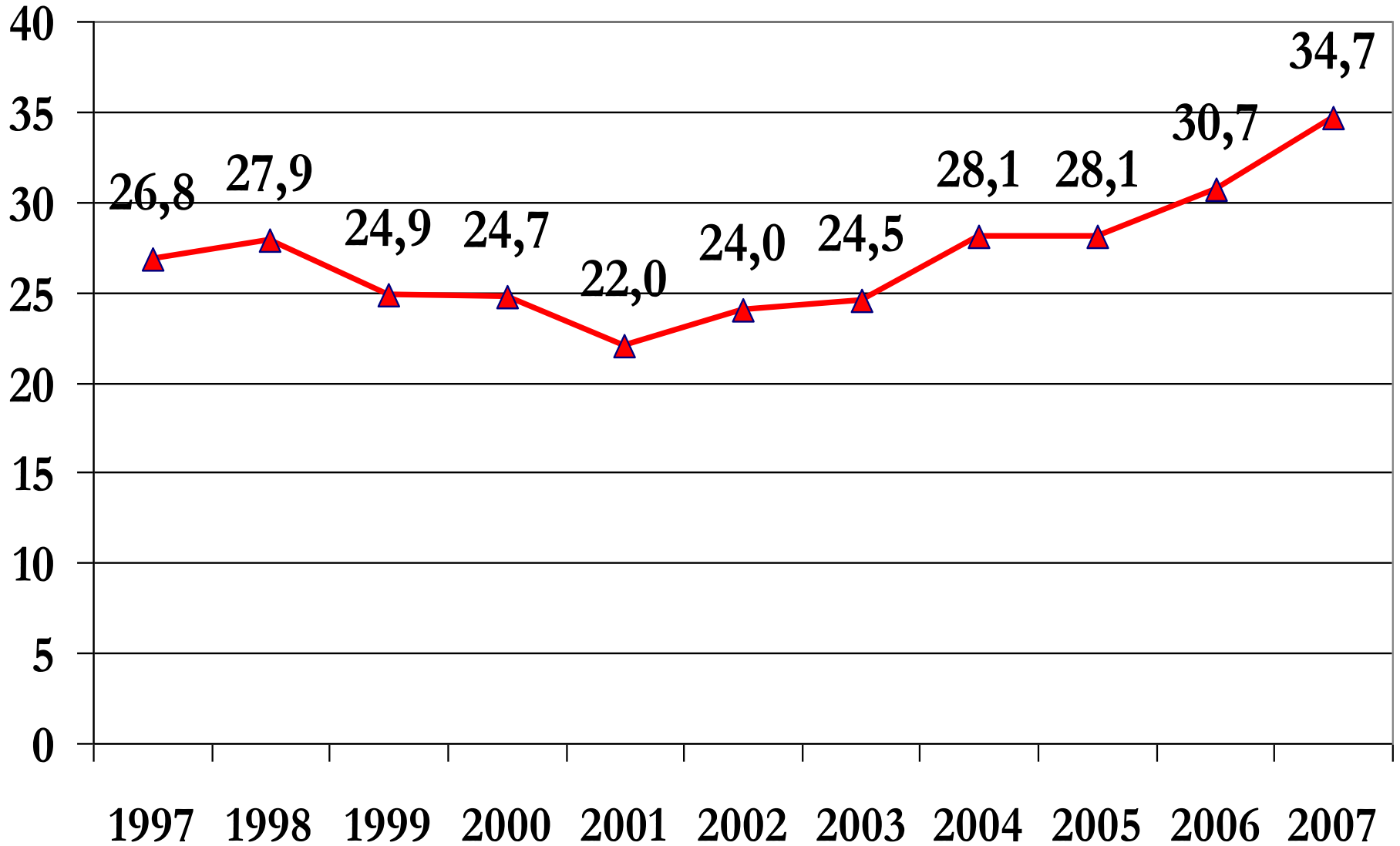
	2007	2006
1 Florianópolis - SC	93.85	94.85
2 Curitiba - PR	92.03	86.69
3 Vitória - ES	90.16	88.06
4 Porto Alegre - Capital - RS	87.29	84.88
5 Goiânia - GO	86.52	84.18
6 São Paulo - Capital - SP	83.33	80.16
7 Belo Horizonte - Capital - MG	82.63	84.36
8 Campo Grande - MS	80.09	76.82
9 Porto Alegre - Periferia - RS	79.79	77.82
10 Brasília - DF	78.96	77.45
11 Cuiabá - MT	78.45	84.94
12 São Paulo - Periferia - SP	78.36	77.42
13 Porto Velho - RO	76.92	71.97
14 Rio de Janeiro - Capital - RJ	74.89	80.49
15 Rio de Janeiro - Periferia - RJ	74.21	75.15
16 Belo Horizonte - Periferia - MG	73.62	72.56

	2007	2006
17 Aracaju - SE	70.29	60.47
18 Palmas - TO	69.22	64.62
19 Natal - RN	68.20	68.72
20 Rio Branco - AC	66.48	66.66
21 Macapá - AP	65.88	56.58
22 Belém - PA	63.24	55.81
23 Manaus - AM	62.46	61.96
24 Salvador - Capital - BA	61.45	61.23
25 Fortaleza - CE	60.54	58.32
26 João Pessoa - PB	60.20	60.33
27 Teresina - PI	58.05	52.79
28 Maceió - AL	57.14	56.48
29 Boa Vista - RR	55.74	47.79
30 Recife - Capital - PE	55.41	54.27
31 São Luís - MA	52.68	47.76
32 Recife - Periferia - PE	47.86	49.90
33 Salvador - Periferia - BA	45.74	52.30

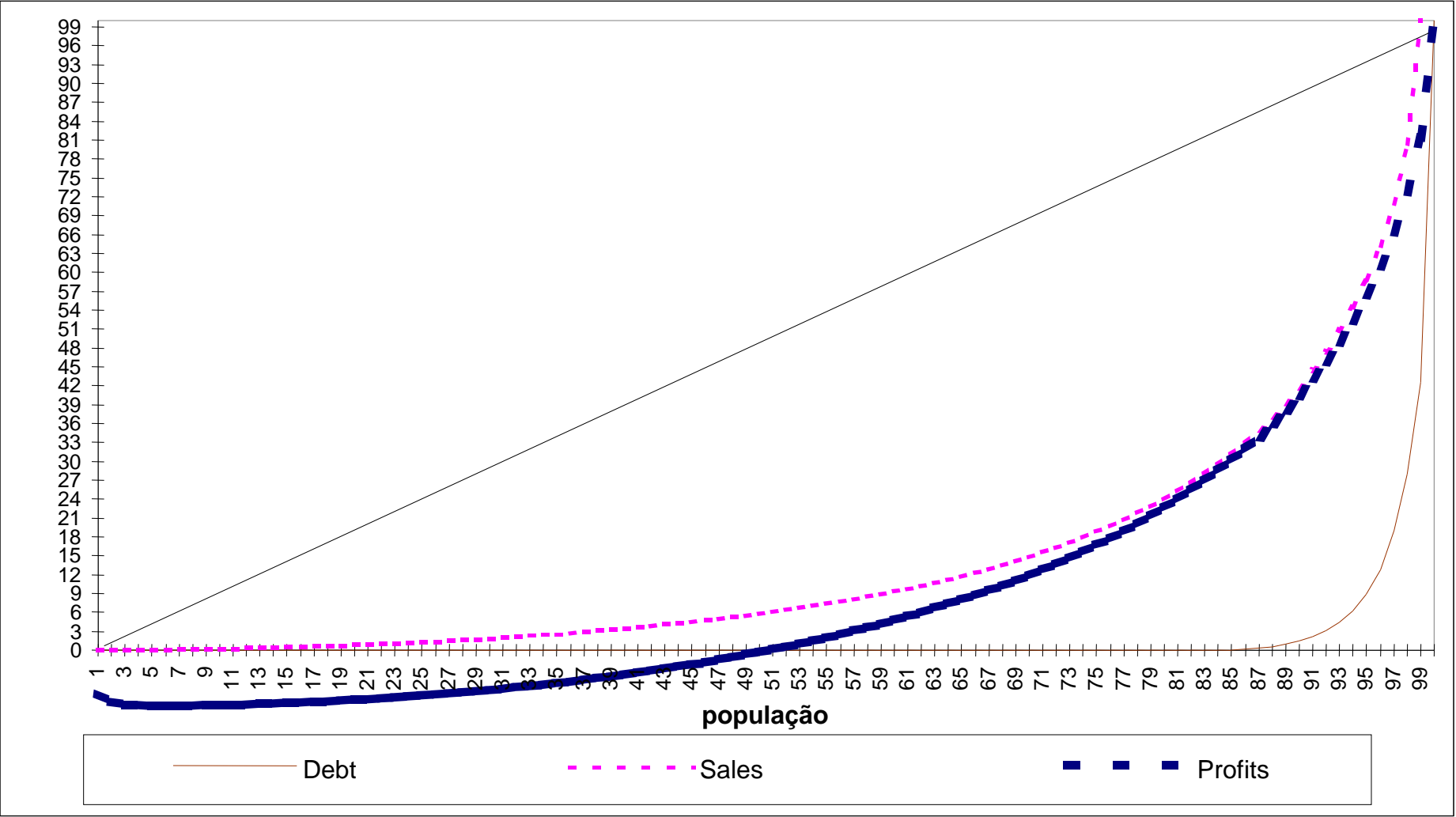
Fonte: CPS/FGV a partir dos microdados da PNAD/IBGE

Total Credit / GDP (%)

45%
in
2010



Lorenz Curves – Debt, Sales and Profits Small Business (up to 5 employees) in Urban Areas



Fonte: CPS/FGV processando os microdados do IBGE

Access and Use of Microfinance

OBS:tradução Ver http://www3.fgv.br/ibrecps/crediamigo_eng/index.htm

Difficulty on Access Financial Services

Categoria(%)	Had difficulty of access to financial service	Main difficult y– insufficient revenue	Main difficulty – did not have proof of income	Main difficult y– did not have proof of residence	Main difficult y– Unpaid Debts	Main difficult y– high cost of bank operations	Main difficult y– needed a guarantor
Northeast	26,98	11,82	9,87	0,23	2,04	1,48	1,5
With access to credit	28.35	9.88	9.90	0.40	2.58	2.50	3.08
Without access to credit	26.89	11.95	9.87	0.21	2.00	1.41	1.39
Non Northeast	23,37	8,08	9,9	0,28	2,46	1,62	1,01

Fonte: CPS/IBRE/FGV processando os microdados da ECINF/IBGE

- **Access to microfinance**

Outlook of access to financial services

Category (%)	Has Checking Account in Some Bank	Has Special Check	Has right to have check	Has savings account	Has credit card
Northeast	24.24	11.19	17.29	19.6	20.06
With access to credit	51,25	28,34	39,58	26,14	37,68
No access to credit	22,43	10,05	15,80	19,16	18,89
Non-Northeast	43,15	24,33	34,65	24,49	28,14

- **Access and use of microfinance**

Outlook of access to financial services

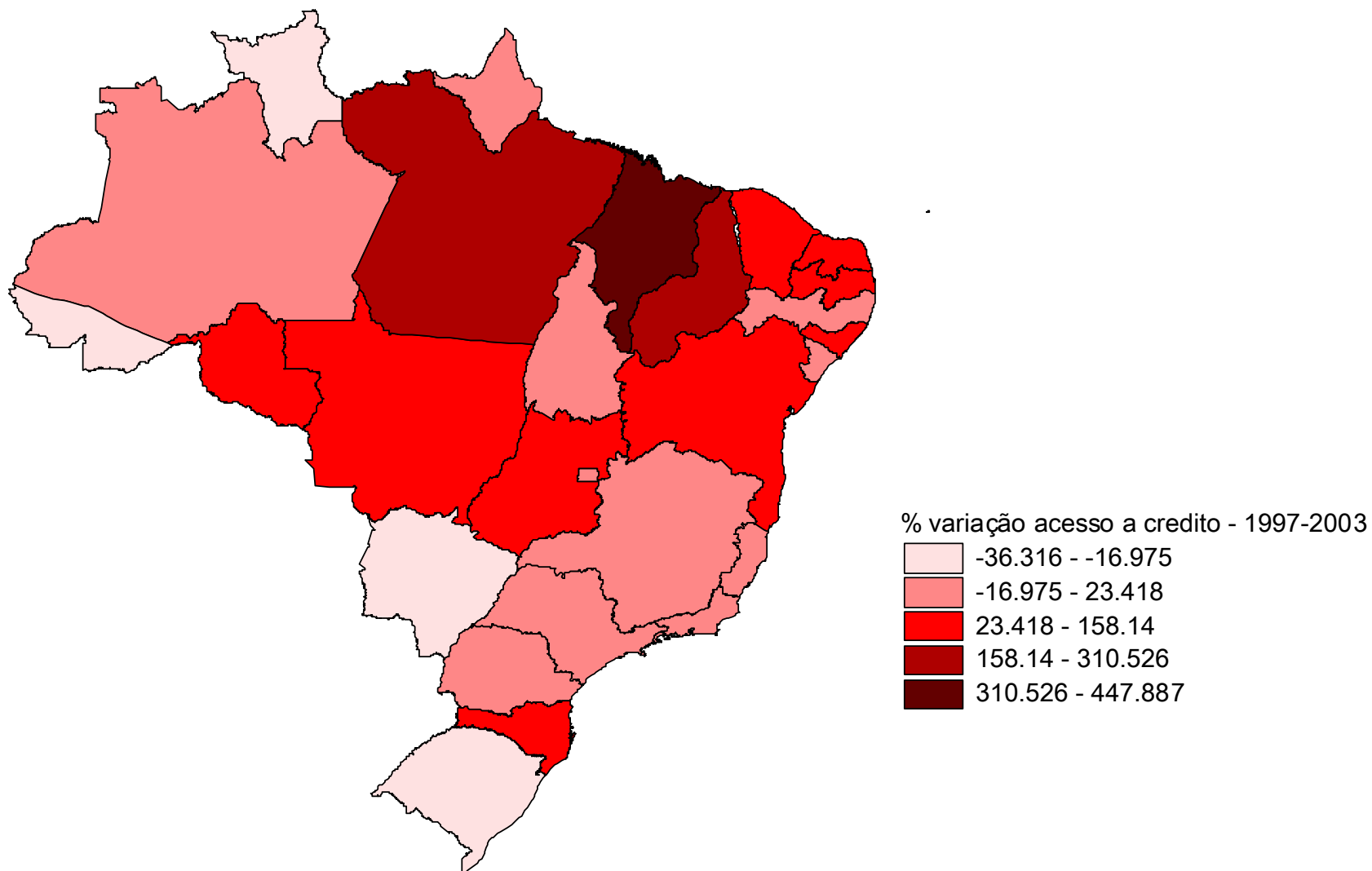
Category	Has life insurance	Has auto/house insurance	Has house insurance	Has private retirement plans	Has dental/health insurance	Takes up to 10 minutes to the nearest bank agency
Northeast	4.54	0.46	0.51	2.16	6.07	67.1
With access to credit	13,08	0,64	1,24	3,69	8,83	63,44
No access to credit	3,96	0,44	0,46	2,06	5,89	67,35
Non-Northeast	10,13	2,68	3,57	4,07	10,22	57,41

The northeastern mystery

Use of credit – last 3 months – urban areas

	Year	Northeast	Non Northeast	D em D (03 - 97)
	1997	3.97	5.34	
Total	2003	6.27	5.99	1.65

State maps on credit usage variation – 1997 to 2003 (%)



The experiment on access: D in D

Northeast (2003 – 1997) - Non Northeast (2003 – 1997)

Variables Explained	Without- controls	Controlled	Controlled- Setor Commerce
Took loans, credit or financing in the last three months	1,35*	1,26*	1,45*
Took loans, credit or financing (constantly) in the last three months	1,25*	1,04*	1,03*
Has stock of debt – still paying	1,19*	1,24*	1,29*
Most of the difficult on the business is not lack of credit	1,06*	1,03*	1,06*
Main source of the capital used to start the business did not come from bank loans	1,28*	1,14*	2,72*

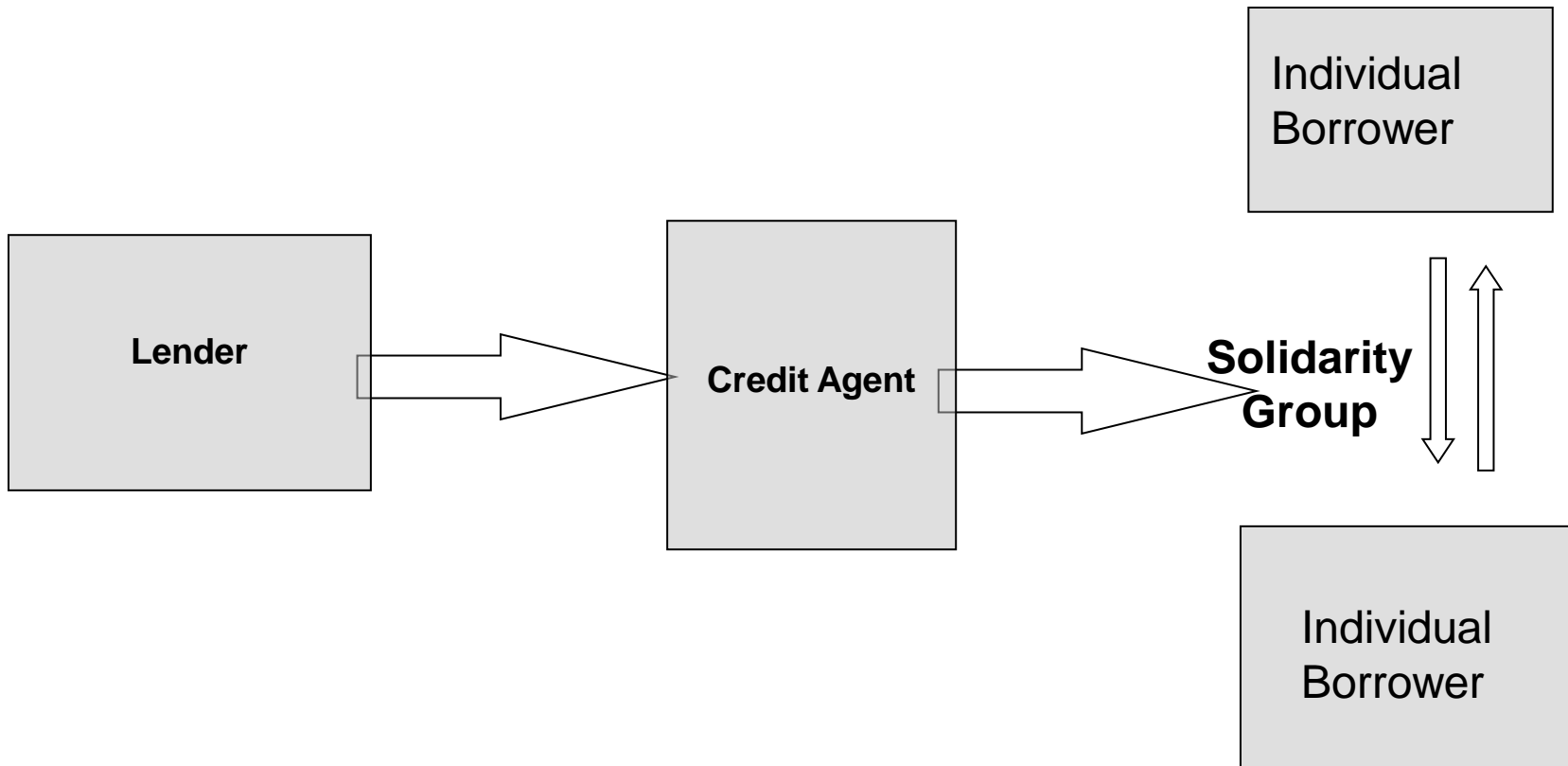
* Estatisticamente diferente de 1 pelo menos ao nível de confiança de 95%

Impacts of Crediamigo

Parte 1 – Regular Crediamigo

http://www.fgv.br/ibrecps/VIDEOS/credi3/CREDI_3_giro_grupo.wmv

Institutionality of CrediAmigo



Parte 4 – The role of credit advisor

http://www.fgv.br/ibrecps/VIDEOS/credi3/CREDI_3_assessor.wmv

Statement of Profit and Loss

	1st period	2nd period	Variation
Sales receipt	3.149,33	4.238,17	34,6%
Gross profit	1.166,19	1.576,08	35,1%
Operating profit	975,16	1332,99	36,7%
Monthly payment capacity	919,68	1199,04	30,4%

Family Expenses

(Education,Food,Health etc)

364,05

466,73

28,2%

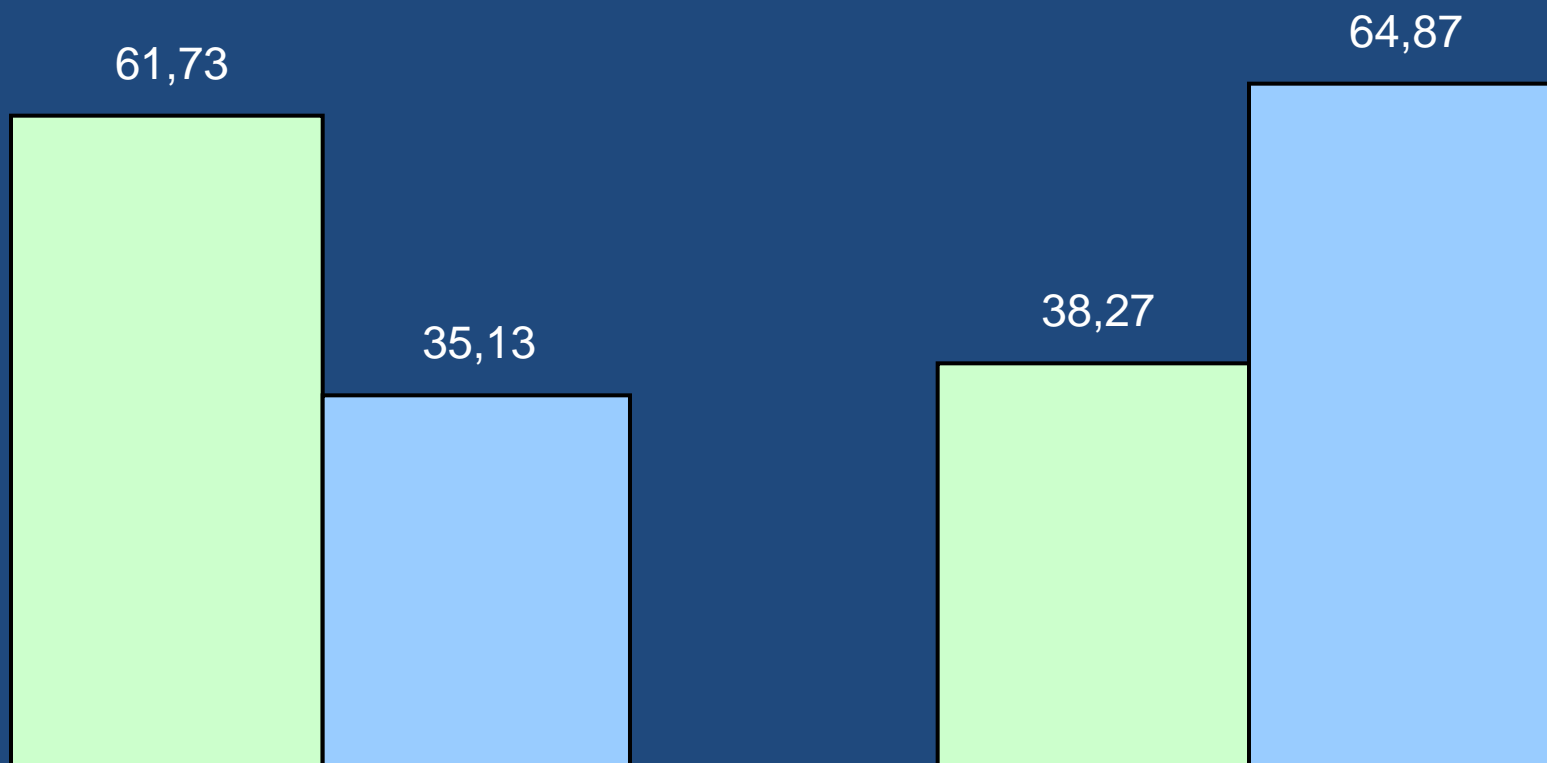
Regressions on Statements of Profit and Loss

Estimates	A - Dummy Last Period	B - Dummy Women	C - Interaction between A and B
Sales receipt	0,3235	-0,2890	4,2%
Gross profit	0,3058	-0,2275	3,9%
Operating profit	0,3074	-0,2118	4,1%
Monthly payment capacity	0,3152	-0,1311	0,0%

P- Value	A - Dummy Último Periodo	B - Dummy s	C - Interaction
Sales receipt	<.0001	<.0001	<.0001
Gross profit	<.0001	<.0001	<.0001
Operating profit	<.0001	<.0001	<.0001
Monthly payment capacity	<.0001	<.0001	90,7%

Focus on Women – Crediamigo's clients

Gender



Females

Males

— CrediAMIGO

— Self employed and employer on urban northeast

Fonte: CPS/IBRE/FGV processando os microdados do CrediAMIGO/Banco do Nordeste

<i>Entrepreneurs PME</i>		Final Period			
		Class E	Class D	Class C	Class AB
Starting period	Class E	61.18	23.06	14.14	1.62
	Class D	24.72	41.24	0 33.47	0.56
	Class C	5.45	10.96	76.05	7.55
	Class AB	1.8	0.45	26.52	71.24

<i>CREDIAMIGO'S CLIENT</i>		Final Period			
		Class E	Class D	Class C	Class AB
Starting period	Class E	45.28	49.06	5.66	0
	Class D	8.6	54.48	36.56	0.36
	Class C	0.97	17.48	71.6	9.95
	Class AB	0	0	46.84	53.16

Crediamigo: The Brazilian Grameen

Differences: Urban and Public

Resemblances:

Solidarity Groups and *Village Bank*

Sustainability: Low

default/No subsidies

Impacts on businesses and families

Gender Bias: Access and impacts

Evolution of Public and Crediamigo's Impacts

Clients of Crediamigo - 2008

Operational profit - in real R\$

INITIAL OPERATION in R\$		in 2008 R\$	var (%)
Year	INITIAL		
TOTAL	1037	1482	42,94
2008	945	1086	14,98
2007	981	1251	27,48
2006	1021	1435	40,53
2005	1068	1608	50,62
2004	1106	1798	62,60
2003	1071	1956	82,75
Before 2003	1257	2226	77,03

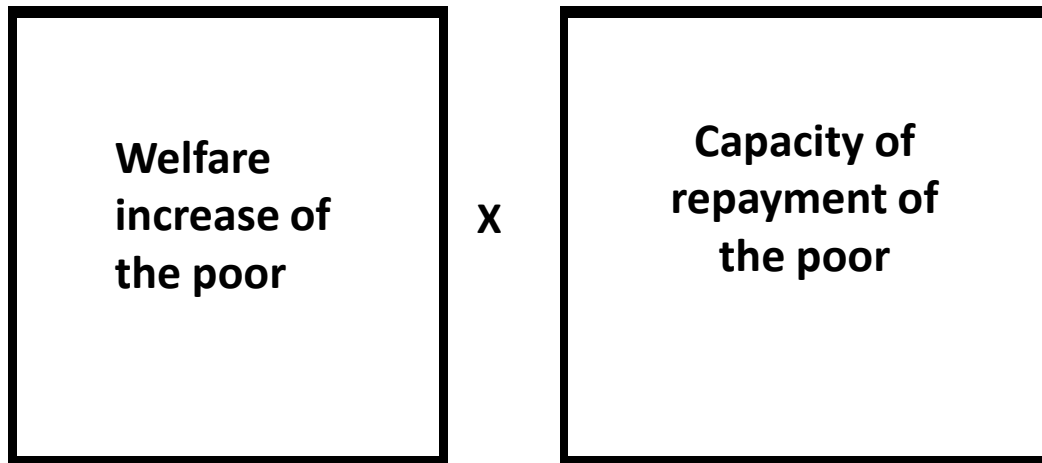
Clients of Crediamigo -2008

Operational Revenues in constant R\$

INITIAL OPERATION in R\$		in 2008	var (%)
Year	INITIAL		
TOTAL	3157	4363	38,20
2008	2729	3088	13,15
2007	2865	3583	25,06
2006	3077	4179	35,79
2005	3282	4754	44,86
2004	3472	5391	55,27
2003	3384	5853	72,97
ANTES 2003	4249	6902	62,43

**Poverty rates –
CrediAMIGO 14,43%
Urban northeast – 27,7%**

**THE DILEMMA OF CREDIT AS A TOOL FOR POVERTY
RELIEF**



The Community Program Village Banks



[Parte 2 - Crediamigo as an exit door from poverty](#)

Bolsa Familia & CrediAmigo

CLIENTS OF CREDIAMIGO - 2008 * Evolution on % of clients

Total Assets			
Start Operation		TOTAL	BENEFICIARIES
YEAR		CLIENTS	BOLSA-FAMÍLIA
	TOTAL	27,4	32,41
	2008	3,84	5,69
	2007	11,79	16,29
	2006	23,89	31,73
	2005	35,85	43,89
	2004	54,63	65,88
	2003	54,63	85,59
	Before 2003	59,47	75,87

CLIENTS OF CREDIAMIGO – 2008 * Evolution % of Clients since it's beginning

Flows Statement

	TOTAL CLIENTS	BENEFICIARIES BOLSA-FAMÍLIA
OPERATING REVENUES	38,2	40,7
GROSS PROFIT	42,51	44,08
OPERATING COST	32,39	41,8
OPERATING REVENUE	42,94	43,37
FAMILY EXPENSES	17,73	16,29

CLIENTS OF CREDIAMIGO – 2008 * Evolution on % of Clients

Family Assets

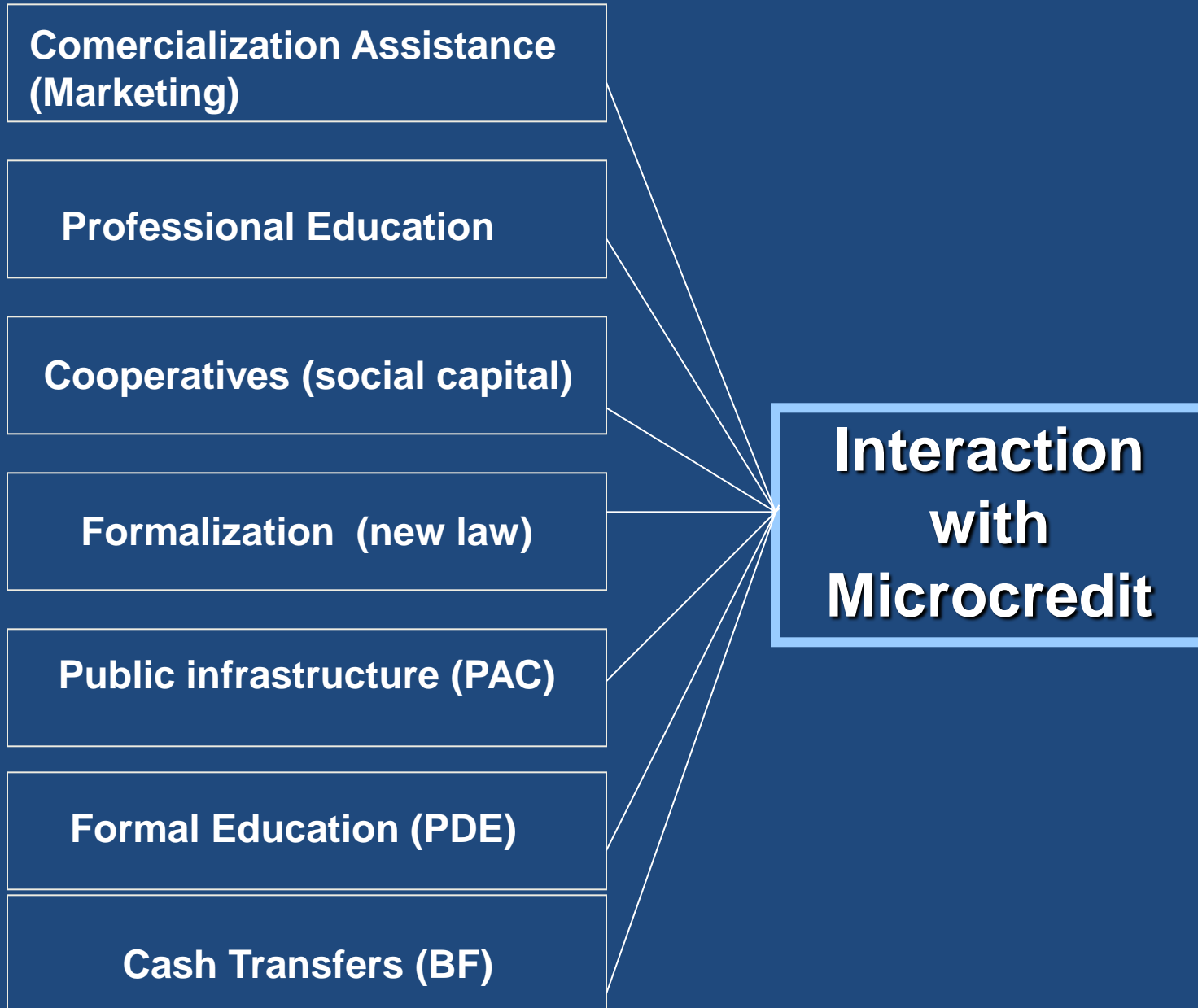
STARTING OPERATION		
YEAR	TOTAL CLIENTS	BENEFICIARIE S BOLSA-FAMÍLIA
TOTAL	23,99	27,89
2008	2,59	27,89
2007	7,99	12,03
2006	18,05	25,58
2005	27,94	34,95
2004	45,93	55,24
2003	55,78	74,71
BEFORE 2003	80,2	94,66

Fonte: CPS/FGV a partir dos microdados do CrediAMIGO

Fabio Veras Key Questions:

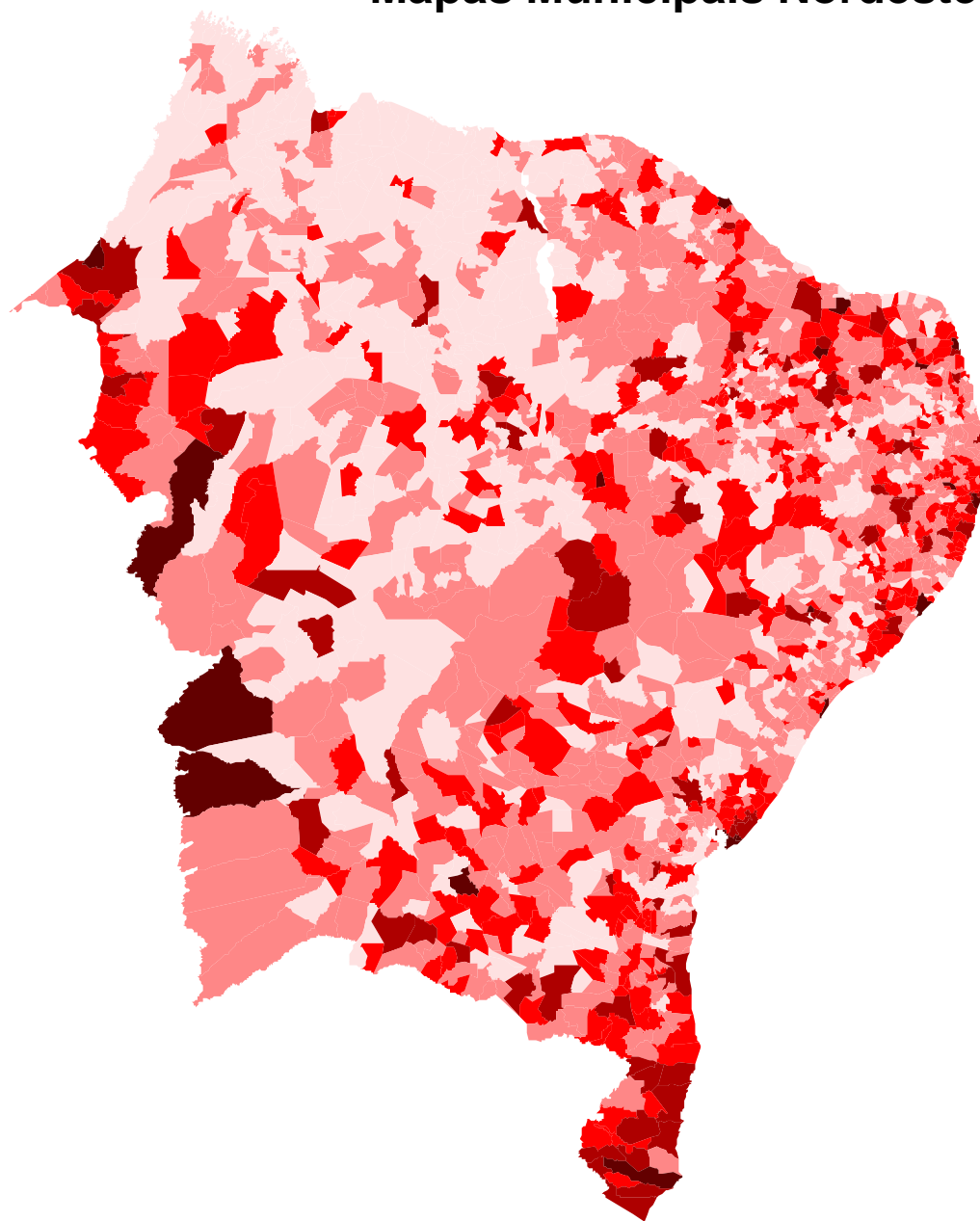
1. Crediamigo's impact on job creation / occupation and income;
2. The question of who benefits most from microcredit programs? How "poor" are the beneficiaries?
3. What are the **pre-requisistos** in terms of "actives" and "skills" on the demand side would facilitate the success of a microcredit program.
4. What characteristics of Crediamigo design – now from the standpoint of supply – that explain the good results of the program
5. And finally, how is the practical integration of programs with Crediamigo income transfer, in particular, the Bolsa Familia.

Microcredit & Other Policies Support for Nano Business

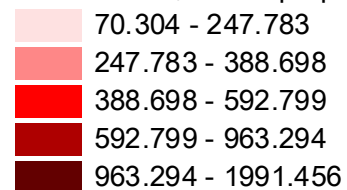


Counties map of Northeast Region – Profits in R\$ of the self-employed and employers

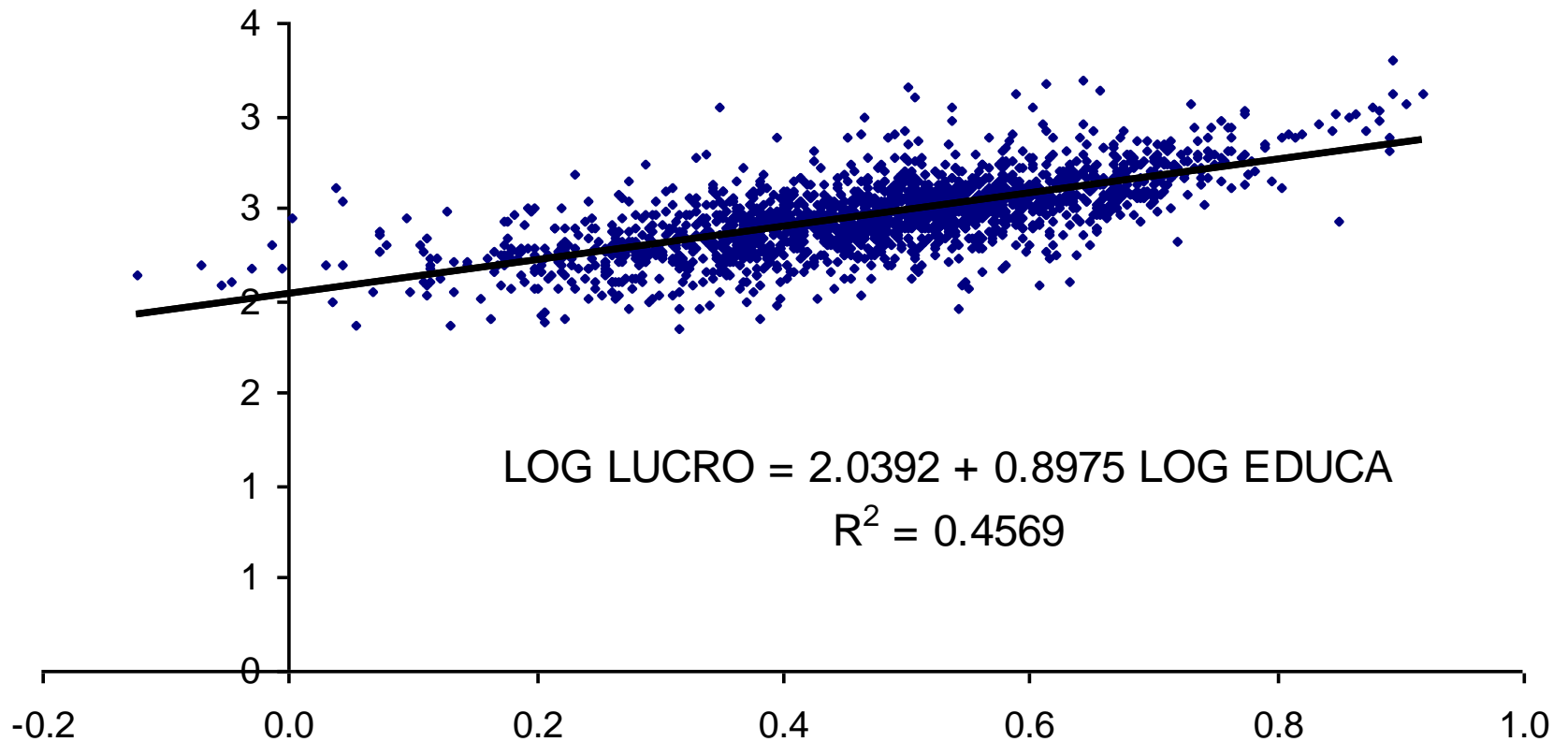
Mapas Municipais Nordeste



Renda em R\$ dos c. própria e empregadores

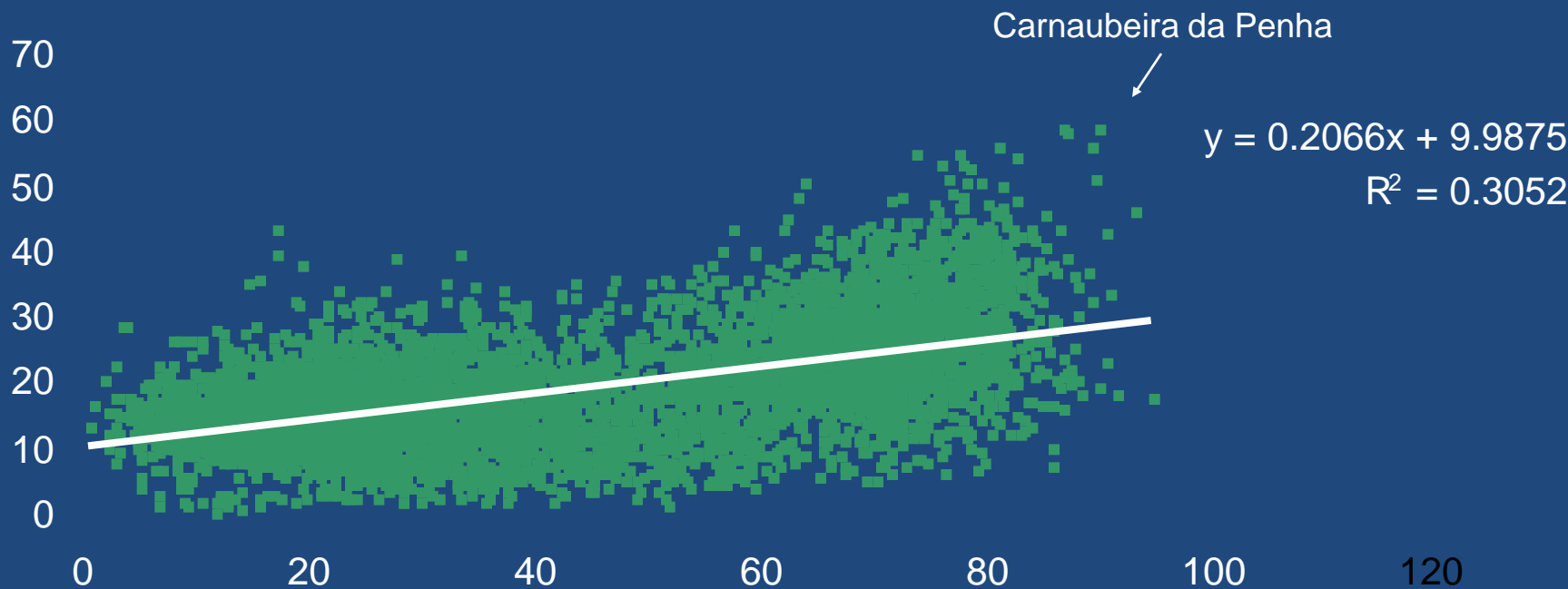


Log income x Log Education



Fonte: CPS/IBRE/FGV processando os microdados do Censo/IBGE

% aposentadorias e pensões x % miseráveis



A Study of Micro-Credit

11 Evaluations in 3 countries (+3 in Brazil)

Mexico (ME-):

407 (Accedde), 419 (GCK), 426 (CDPZ) & 431 (APOYO)

Peru (PU-):

481 (CEDER), 492 (AEDES), 493 (CEDES) & 507 (Emucosa)

Nicaragua (NC-):

227 (Fundación Leon) , 230 (Espino Blanco) & 234 (Agrodersa)

Types of Organizations

(from a micro-credit perspective)

- ✓ **Advanced:** connected with a strategy, credit specialization, transparency, good outreach, self-sufficiency, growth potential, sound social return.
- ✓ **Intermediate:** good real projects, competing interest, learns from experience, applies knowledge to new projects, scarce financial records, reasonable growth, opportunity to leverage.
- ✓ **Basic:** weak credit component, **poor** governance structure, difficulties in recovering loans & covering operational costs, low impacts on the beneficiaries and unsustainability.

Types of Organizations

(from a micro-credit perspective)

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

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.

Credit Lessons: Winning Features

- ✓ Clear vision, mission, focus and leadership
- ✓ 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

Credit Lessons

- 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.



<http://www.fgv.br/cps/crediamigo2/>



<http://www.fgv.br/cps/crediamigo3/>



Centro de Políticas Sociais

www.fgv.br/cps/crediamigo3

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