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*ACCESS TO CREDIT FOR INDIVIDUAL MICROENTREPRENEURS: THE
CHALLENGE OF FINANCIAL LITERACY FOR ACCESS TO CREDIT BY
MICROENTREPRENEURS IN BRAZIL¹*

**ACESSO AO CRÉDITO PARA MICROEMPREENDEDORES INDIVIDUAIS:
O DESAFIO DO LETRAMENTO FINANCEIRO PARA ACESSO A CRÉDITO
POR MICROEMPREENDEDORES NO BRASIL**

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ABSTRACT

This study aims to expand the knowledge about Individual Microentrepreneurs (MEIs), who represent a significant portion of the Brazilian population. The objective is to investigate the challenges related to access to credit and, based on this information, overcome the identified obstacles through the promotion of public policies, internal policies of financial institutions, and initiatives by civil society organizations focused on financial inclusion and the economic development of the country. The article adopts a qualitative approach, utilizing bibliographic research that gathers information from sources such as SEBRAE, IPEA, and IBGE. The participant observation technique was employed as a data collection method during an event at the Federal University of Bahia involving individual microentrepreneurs and experts in the field. The main results include the identification of the challenges faced by MEIs, the mapping of available credit products and solutions, and recommendations for practices and policies that promote the financial inclusion of these entrepreneurs.

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Keywords: microentrepreneurs, access to credit, financial inclusion.

RESUMO

O estudo visa ampliar o conhecimento sobre os Microempreendedores Individuais (MEIs), que representam uma parcela significativa da população brasileira. O objetivo é investigar os desafios relacionados ao acesso a crédito, e, com base nessas informações, superar os obstáculos identificados por meio da promoção de políticas públicas, políticas internas das instituições financeiras e iniciativas de organizações da sociedade civil voltadas para a inclusão financeira e o desenvolvimento econômico do país. O artigo adota uma abordagem qualitativa, utilizando pesquisa bibliográfica que reúne informações de fontes como SEBRAE, IPEA e IBGE. A técnica de observação participante foi empregada como método de coleta de dados, realizada durante um evento na Universidade Federal da Bahia que envolveu microempreendedores individuais e especialistas na área. Os principais resultados incluem a identificação dos desafios enfrentados pelos MEIs, o mapeamento dos produtos e soluções de crédito disponíveis e recomendações para práticas e políticas que promovam a inclusão financeira desses empreendedores.

Palavras-chave: microempreendedores, acesso ao crédito, inclusão financeira.



INTRODUCTION

For Schumpeter (1982), innovation and business creation by entrepreneurs generate the economic development of countries, since it is necessary for “someone” to constantly provoke the imbalance of organizational productivity, implementing new ways of using resources with economic gains compared to pre-existing forms, thus generating innovations. According to Michels et al. (2018), encouraging entrepreneurship represents a public policy strategy for local economic growth, as it promotes the creation of new jobs and the increase of potential and productivity.

In recent years, Brazil has witnessed significant growth in the number of individual micro-entrepreneurs (MEIs). According to data from the Brazilian Institute of Geography and Statistics (IBGE), over this decade, the number of MEIs has increased expressively, registering an impressive 330% growth. As reported by SEBRAE (2022), approximately seven out of ten new businesses formalized in Brazil are categorized as MEIs. This rise is of utmost importance, given that these entrepreneurs play a fundamental role in the national economy, representing the largest share of Brazilian businesses. According to SEBRAE (2023), small businesses account for 99% of Brazilian companies and make up 30% of the country's Gross Domestic Product (GDP), currently generating 80% of formal jobs on a monthly basis. Considering the entire universe of small businesses, Brazil has more than 85 million people directly or indirectly benefiting from the activity of these companies - a contingent larger than the population of countries such as France, the United Kingdom, South Africa, and Argentina. Within this context, the potential of MEIs to drive the economy, foster job creation, and simplify people's daily lives becomes evident. However, despite their undeniable economic value, many of these entrepreneurs face significant challenges in accessing credit, a crucial tool for the expansion and maintenance of their businesses.



This article proposes to investigate the difficulties faced by individual micro-entrepreneurs in Brazil in accessing credit from financial institutions, with special attention to the lack of financial literacy. On one side, banks apply complex credit evaluation criteria, making it difficult for MEIs to understand. On the other side, MEIs present various factors that hinder access to credit, such as: lack of information about available credit options; absence of data on the operational situation of costs, inventories, assets, and finances of the business (lack of documentation and accounting records); absence of credit history; and lack of guarantees to access credit. All these factors hinder loan approvals by financial institutions, as they make it unfeasible to analyze and assess the level of risk of the operation and the entrepreneur's capacity to meet the commitments assumed with the granting of credit.

THEORETICAL BASIS

Individual microentrepreneurs

The Individual Micro-entrepreneur (MEI) is regulated by Supplementary Law No. 128/2008, which establishes the formalization of businesses in a simple manner through the MEI CNPJ (National Register of Legal Entities). In this type of business, the CNPJ may have at most one employee (or intern) and an annual revenue limit of R\$ 81,000.00. In addition to the revenue restriction, there is also a list of regulated professions that cannot be carried out through the MEI.

According to the Statistics of Individual Micro-entrepreneur Registrations from IBGE (2021), there are about 13.2 million individual micro-entrepreneurs (MEIs) in Brazil, which corresponds to 69.7% of all companies and other organizations. According to SEBRAE (2024), in Brazil, from 2009 to March 2024, the growth of individual micro-entrepreneurs reached 35,242% (from 44,188 to 15,617,082), surpassing the growth of micro and small enterprises (MSEs), which

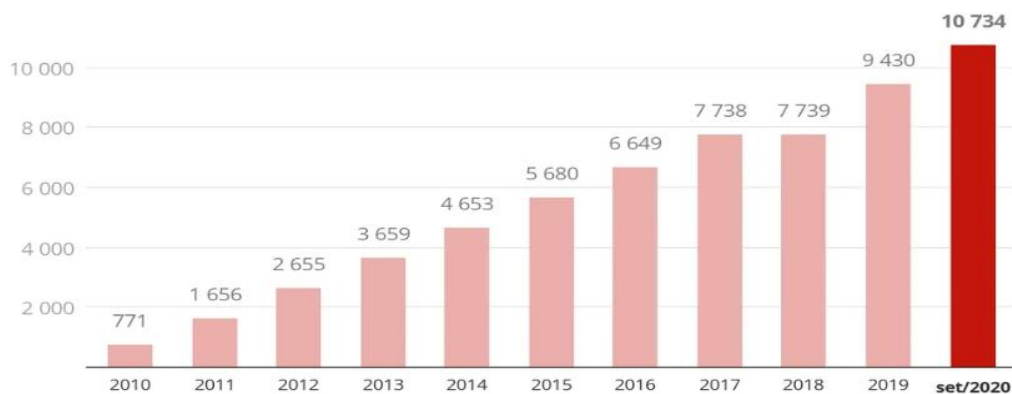


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was 104% (from 3,172,807 to 6,485,129). This demonstrates that most businesses in the Brazilian economy are composed of MEIs, highlighting the relevance of this category, which requires specific public policies regarding access to credit.

In Figure 1, it can be observed that Brazil gained one million new individual micro-entrepreneurs, reflecting rapid and continuous growth. According to data from the Ministry of Economy, at the end of 2022, there were 20,191,920 active CNPJs in the country. In Figure 2, based on data from the Mapa de Empresas Bulletin of the third quarter of 2023, 3,033,332 new individual micro-entrepreneurs were registered in 2023.

Figure 1 – Number of MEIs in Brazil, total registered in thousands.



Source: FELIZARDO (2021)

Figure 2 - Business opening movement by type of company in 2023

	Empresas ativas	Empresas abertas	Variação em relação ao ano de 2022
GERAL	20.798.291	3.868.687	0,7%
Empresário Individual (incluindo Microempreendedor Individual - MEI)	13.933.431	3.033.332	-0,4%
Sociedade Empresária Limitada	6.558.126	812.473	5,6%
Sociedade Anônima	190.483	12.571	-9,2%
Cooperativa	37.465	2.440	-12,6%
Demais tipos de empresas	78.786	7.871	-30,3%

Source: Boletim Mapa de Empresas (2023)



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ACCESS TO CREDIT FOR INDIVIDUAL MICROENTREPRENEURS

Access to credit is a crucial element for individual, business, and, by extension, societal development. Through obtaining financial resources, individuals and companies can invest in and sustain their businesses, drive their projects, and contribute to economic growth. In his analysis, Schumpeter recognizes credit as one of the “pillars of economic development,” defining it as a monetary complement to innovation (apud Paula, p.3, 2011). According to him, credit assumes a crucial role when innovations are carried out by new entrepreneurs, often without access to their own means of production. In the Brazilian context, the National Financial System (SFN) stands out as the main channel of financing for companies of all sizes and sectors, through the credit market with loans, cooperatives, and other financial institutions (Boletim Observatório MPE, 2020).

To understand the importance of the individual micro-entrepreneur in the country's economic and social development, it is essential to analyze the Brazilian economic and credit context, including the national and international macroeconomic scenario. This directly influences small businesses' decisions when seeking the best available credit lines and applying for loans and financing from banks. The Covid-19 pandemic, international conflicts, geopolitical tensions, and the trend of global economic recession have generated uncertainties, especially in Brazil, where the expectation of low GDP growth and the rise of the Selic rate are evident. Based on this information, financial institutions in the country use the Selic rate as a reference for setting the parameters of their financing, but they retain autonomy to define interest rates according to the credit market conditions. These fluctuations or the stagnation of interest rates at high levels generate uncertainties in the market during specific economic periods, directly affecting both individuals and businesses.



Brazilian monetary policy plays an important role in controlling inflation and in the financial structure of the country. It encompasses a set of measures adopted by the government to regulate the amount of money in circulation, directly impacting inflation and interest rates. In periods of economic crisis, such as declines in production and rising unemployment, the government may adopt an expansionary monetary policy, aiming to stimulate economic growth. On the other hand, in periods of excessive growth, when inflation becomes a concern, a restrictive monetary policy is adopted to control liquidity in the economy (Assaf Neto, p.47, 2015). This type of policy tends to negatively affect small businesses by increasing credit operation costs and raising interest rates, which can hinder access to credit for these companies. In addition, monetary policy decisions shape the environment in which banks operate, directly influencing their credit policies. The Central Bank establishes rules and limits for the granting of credit, and banks seek to balance the risk of default with the supply of loans and financing, aiming to stimulate economic growth.

To understand the criteria that influence credit approval, it is necessary to examine the functioning of the Central Bank's Credit Information System (SCR) and the process of data submission to this platform, as well as the dynamics among account holders, financial institutions, and the Central Bank. The SCR operates as a database maintained by the Central Bank, consolidating all credit operations granted by financial institutions to individuals and companies. Each month, financial institutions submit detailed information on outstanding and future-due credit operations, interbank transfers, co-obligations, credit limits, and resources to be released, thus facilitating oversight and monitoring by the Central Bank. This system enables the Central Bank to supervise the banking sector, adopt preventive measures to assess risks in atypical or high-risk credit operations, and monitor financial institutions to prevent issues related to granted loans.



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For financial institutions, the SCR plays a fundamental role in decision-making regarding credit approval, contributing to risk management and the reduction of defaults (Assaf Neto, p.112, 2015). It is important to highlight that the SCR does not assess borrowers' repayment capacity, preserving banking secrecy, with financial institutions themselves being responsible for their internal credit-granting policies. Resolution No. 5,037 of the National Monetary Council, dated September 29, 2022, in its Article 3, states that the following are considered credit operations: loans and financing; advances; leasing operations; provision of guarantees, endorsements, co-obligations, or any other type of personal guarantee for the fulfillment of third-party financial obligations; irrevocable and unconditional credit commitments by the granting institution; credits contracted with resources pending release; credits written off as losses; credits that have been subject to negotiation with substantial retention of risks and benefits or control; operations with post-paid payment instruments; loan and financing operations between individuals through electronic platforms; and other operations or contracts with credit characteristics, as recognized by the Central Bank of Brazil.

Before approving a loan, banks conduct a thorough analysis of the applicant's financial and commercial information in order to assess repayment capacity and the potential risk of default. They often require collateral, such as personal or business assets, to secure repayment in case of default. Interest rates are defined based on the perceived level of credit risk of the borrower, so the higher the risk, the higher the interest rate applied. In addition, banks establish repayment terms by considering both the client's repayment capacity and the type of financing requested.

In Figure 3, it is possible to observe the low participation of individual micro-entrepreneurs in access to credit in recent years, even though they make

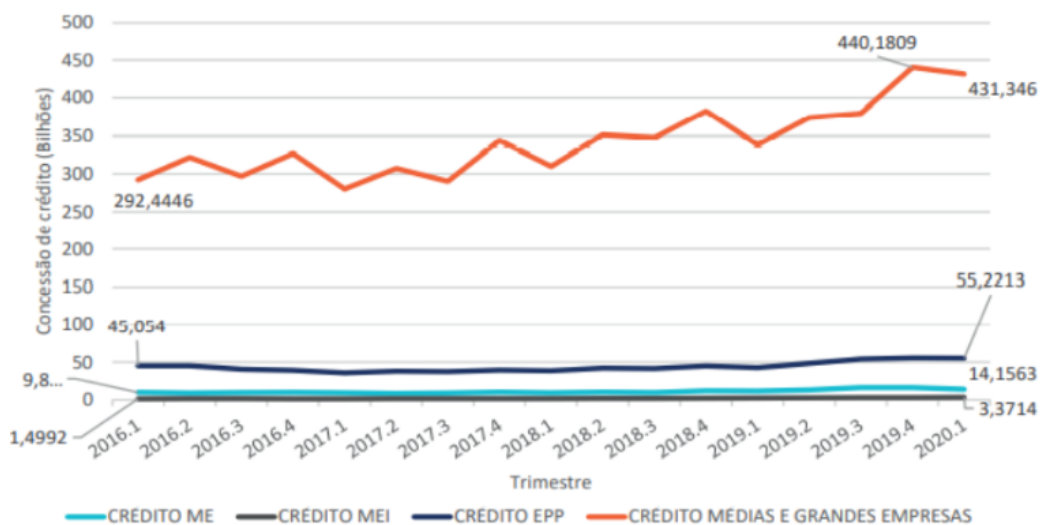


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up the largest number of Brazilian companies. This discrepancy can be explained by the information asymmetry between credit supply and demand.

Figure 3 - Credit Granting by Company Size (R\$ billions)



Source: FELIZARDO (2021)

Micro and small entrepreneurs remain marginalized in the national credit market. Less than 10% of bank credit released between March and June, a critical period during the pandemic in 2020, was accessed by these entrepreneurs, who represent 99% of Brazilian companies. This is due to the difficulty this group has in identifying their true credit needs, confusing credit for working capital with credit for the purchase of fixed assets, for example. Furthermore, it is not possible to easily compare the different existing credit lines, which further hinders effective credit acquisition. (ENAP, The Challenges of Access to Credit, 2021).

Individual micro-entrepreneurs are generally unaware of the credit policies of financial institutions, as well as the evaluation models used in the analysis process. They also lack detailed knowledge about the information on all available credit lines and which one would be the most suitable to meet their business needs. Another factor is the inability to demonstrate collateral or repayment capacity for loans. On the other hand, banks apply complex and bureaucratic credit assessment criteria without providing any guidance or clarity,



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making it difficult to understand which information is relevant in the credit application process.

In Figure 4, it can be observed that the top three reasons for banks' refusals are: "Does not know or did not provide a reason," which demonstrates the lack of transparency and communication from banks; "Bank account too new," which highlights the importance of building a good relationship with banks strategically - something many individual micro-entrepreneurs fail to establish early on as legal entities; and "Lack of credit lines," which reveals a discrepancy between the client's demand for credit and the bank's inability either to grant it or to provide guidance on the most appropriate option. "Santos (2015) reports the importance of identifying the client's needs and their financial and asset situation in order to offer a line of credit that best meets their request" (FELIZARDO, 2021).

Figure 4 - Reason given by the bank for not granting loan/financing



Source: SEBRAE 2023

In Figure 5, Felizardo (2021) discusses a variety of responses. Twenty-one percent (21%) do not understand why they are unable to obtain financing and/or loans from financial institutions, and the same percentage cite



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bureaucracy as an obstacle, including the excessive demand for accounting and financial documentation. Thus, the two main reasons confirm that the main challenge is a lack of financial literacy. "The credit system tends to impose greater restrictions on client selection and establish requirements for greater collateral, as well as raising interest rates" (IPEA, p. 1, 2021). This may reflect the great difficulty individual microentrepreneurs report in meeting all the required criteria. The barriers imposed by traditional financial institutions in granting loans force MEIs to seek alternative resources in the informal credit market.

Figure 5 - Why were you unable to obtain financing/loan?



Source: FELIZARDO (2021)

When receiving a denial from traditional credit institutions, most individual micro-entrepreneurs (MEIs) do not receive feedback explaining the reasons why the credit was not granted, which eliminates the opportunity to improve their situation within the system and reapply successfully.

The reviewed literature makes it evident that individual micro-entrepreneurs face challenges in accessing credit, pointing to barriers that hinder the development of their business activities. These range from macroeconomic conditions stemming from current monetary policy - which causes instability in economic growth and imposes credit restrictions - to the credit system established by the Central Bank of Brazil, which places stricter requirements on



client selection, demanding collateral and raising interest rates according to borrower credit risk criteria. In other words, on one side, banks adopt complex credit evaluation criteria, making it difficult for MEIs to understand; on the other side, MEIs encounter multiple obstacles to obtaining credit, including lack of information about available options, absence of operational data such as costs, inventories, and financial status, lack of credit history, and insufficient collateral. All these factors hinder loan approvals, as they prevent an adequate assessment of risk and repayment capacity by these micro-entrepreneurs.

METHODOLOGY

The research adopted a qualitative approach to understand the difficulties faced by individual micro-entrepreneurs (MEIs) in accessing credit in Brazil. As described by Minayo and Sanches (1993), the qualitative method investigates the subjective and relational level of social reality, exploring stories, values, and attitudes of social actors. In addition, the research has an exploratory-descriptive character, aiming to describe and analyze the characteristics, patterns, and trends related to credit access for MEIs. Following the descriptive approach proposed by Gil (2002), the objective was to characterize specific populations or phenomena, establishing relationships between variables that naturally manifest themselves. One of the distinctive features of this method is the use of standardized data collection techniques, including systematic observation.

To address the research questions and achieve the outlined objectives, a bibliographic review was conducted, gathering information from scientific articles, journals, and other relevant publications such as SEBRAE, IPEA, and IBGE. As a data collection technique, participant observation was employed during an event involving micro-entrepreneurs to gather information about MEIs' experiences and perceptions regarding credit access, in which the research team



directly observed the phenomenon under study, immersing themselves in the participants' social context. The observation took place during a seminar on September 29, 2023, at the School of Administration at UFBA, from 2 p.m. to 5 p.m., with the theme "Challenges and Opportunities in Access to Credit." The seminar featured presentations by SEBRAE's Strategic Management Unit analyst, Anderson Teixeira, who shared relevant data on Bahia and Brazil; NO FRONT cofounder, Rodrigo Dias, representing a digital platform that promotes financial education and emphasized the importance and need for financial literacy among MEIs; and entrepreneurs Cláudia Menezes e Sacramento, a condominium manager, and Jaqueline Oliveira, a business consultant and accounting expert, who shared their struggles and challenges when applying for credit. From this, the audience - mostly individual micro-entrepreneurs - expressed their doubts and posed questions to the speakers and the research group "Innovate for Black People", guiding the next steps of the investigation, which focused on mapping financial products: "Are there financial products available for this audience?"; "If so, is access to this information easy?"; "Why is this information not shared?"

To analyze these questions and present data on banks' credit lines, we followed an approach that involved four stages:

1. Selection of Banks: Public banks, credit cooperatives, community banks, and fintechs were analyzed, along with their credit solutions, including options accessible to individual micro-entrepreneurs (MEIs).
2. Data Collection: Information was gathered directly from banks' websites, promotional materials, financial reports, and press releases. For each bank, were listed the main credit lines available, their requirements, and specific characteristics such as interest rates, repayment terms, and eligibility. The diversity of options and the variations in credit conditions -



such as interest rates and terms - offered by each institution were also noted.

3. Data Presentation: The data were organized into clear and concise sections, first detailing each bank individually.
4. Conclusions and Recommendations: An evaluation of best practices observed, along with suggestions for potential improvements in credit offerings for MEIs.

RESULTS AND DISCUSSIONS

Mapping of credit lines available to MEIS

For MEIs, finding the best credit options for their business development is crucial. In Brazil, several financial institutions offer credit lines to this segment, aiming to support the development and strengthening of microentrepreneurs.

Credit institutions, whether public or private banks, credit unions, or financial institutions, are clearly keeping a close eye on this segment and have made a wide range of loan and financing options available exclusively to MEIs. The federal government, states, and municipalities are also creating benefits and subsidized credit lines throughout Brazil. (SEBRAE, 2023)

The research on mapping credit lines was conducted by examining information from the following institutions: Banco do Brasil, BNDES (Brazilian Development Bank), Banco do Nordeste, Caixa, Desenhahia, Credit Cooperatives (SICREDI, SICOOB, and AILOS), Community Banks (Palmas and Mumbuca), Fintechs (Inter, Firgun), and Simple Credit Companies (ESCs). The aim was to explore these credit lines in order to understand the existing market options for receivables anticipation, working capital, fixed investment financing, and microcredit.

Credit limits are defined by financial institutions' information systems, based on accounting data such as revenue, balance sheet, bank transactions,



business sector, collateral, average current account balance, delays in paying obligations, and possible listings of the company and/or its partners in credit protection services (SPC/SERASA). Other factors may also be considered, such as the business plan, company management, and the client's potential to use other products and services offered by the bank.

However, it is worth noting that not all credit line options are known to MEIs, and each bank has its own characteristics and conditions for granting credit, offering a variety of options to serve micro-entrepreneurs and other businesses across different sectors and regions. A comparative chart (Chart 1) was created, listing the financial institutions and their respective credit lines. Depending on the purpose of the credit, receivables anticipation allows the entrepreneur to advance the collection of future receivables. Working capital enables the business to continue operating by providing the necessary resources to maintain liquidity. Fixed investment refers to resources intended for carrying out an economic project of the company or a specific activity. A loan is a financial transaction in which a bank lends a specific amount of money to a borrower (or debtor) for a determined period of time. The borrower must repay the loan principal plus interest in regular installments over time. Financing is similar to a loan but is generally associated with the purchase of a specific asset, such as real estate, a vehicle, or business equipment. The financial institution provides the funds to acquire the asset, and the borrower repays the amount in installments over time, with interest. The asset is often used as collateral for the financing. A credit line is a pre-approved form of credit that a financial institution makes available to a client. The client can withdraw or use part or all of the line of credit when needed, up to the approved limit. Interest is generally charged only on the amount used. Credit lines are flexible and can be used for various purposes, such as covering unexpected expenses or funding financial projects.



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Mapping of public bank credit lines

Banco do Brasil, a mixed-capital company, offers several types of credit for small investments, enabling businesses to invest in innovation, renew inventories, and/or increase sales, with specific interest rates, terms, and limits depending on customer profiles and the adoption of financial advisory services. Credit options include: Microcrédito Produtivo Orientado (MPO), PRONAMPE, PROGER Urbano, BB Giro Empresa, BB Capital de Giro Digital, Cheque Ouro Empresarial, BB Conta Garantida, in addition to receivables anticipation and financing lines. Despite all these available products, Banco do Brasil's website highlights only the Microcrédito Produtivo Orientado and personal credit as options for individual entrepreneurs, without specifying whether the other lines - except microcredit - are available to MEIs.

BNDES (Brazilian Development Bank), a federal public company, is the main long-term financing and investment instrument of the Federal Government, linked to the Ministry of Development, Industry, Trade, and Services, serving various segments of the Brazilian economy. It operates nationwide through direct operations (loans equal to or greater than R\$ 20 million) and indirect ones (via other banks), serving companies, sole proprietors, micro-entrepreneurs, public entities, cooperatives, and individuals with economic activities. The credit lines listed on its website are subdivided into: Canal MPME (Micro, Small, and Medium Entrepreneurs), which includes BNDES Microcrédito, BNDES Card, BNDES Automático; and BNDES Credit for Small Businesses, which includes BNDES FINAME, BNDES MPME Inovadora, BNDES EXIM Pre-Shipment. Among these, only BNDES Microcrédito is presented on the website as accessible to formal and informal businesses that typically lack access to the traditional financial system.



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Banco do Nordeste offers the following microcredit programs: Crediamigo, based on the guidelines of the National Program for Productive Oriented Microcredit (PNMPO), with the mission of contributing to the socioeconomic development of entrepreneurs through microfinance products, business guidance, and accessible, sustainable, and timely services; and Microcrédito Urbano, with lines such as Crediamigo Comunidade, Crediamigo Delas, Crediamigo Mais, Giro Individual, Giro Solidário, and Investimento Fixo. It also provides credit for investment through products such as Cartão BNB, Import Financing, FNE Giro, PRONAMPE, FNE Emergency Floods, FNE Innovation, FNE MPE, FNE PNMPO, FNE PROINFA, FNE Health Northeast, FNE SOL, FNE Startup, FNE Green, and FUNGETUR. Of all these options, the credit lines explicitly disclosed as available to MEIs include: Import Financing, FNE Giro, PRONAMPE, FNE Emergency Floods, FNE Innovation, FNE MPE, FNE PNMPO, FNE Health Northeast, FNE SOL, FNE Startup, and FNE Green.

Caixa Econômica Federal, a public financial institution, provides credit lines for revenue anticipation, working capital, foreign trade, rural credit, financing, real estate, and microfinance. The Microfinance Program aims to support, train, and develop rural and urban entrepreneurs across Brazil, focusing on educational and financial guidance. It targets both formal and informal entrepreneurs, offering simple, modern, and digital solutions to help businesses grow. For MEIs specifically, Caixa lists the following credit products on its website: Caixa Tem Credit, Caixa Productive Oriented Microcredit, Caixa Cards, Giro Caixa FAMPE, Caixa PRONAMPE, Giro Caixa Instantâneo Múltiplo, and Cheque Empresa.

Desenbahia (Development Agency of the State of Bahia) offers various credit lines for different needs, with Credibahia standing out as a state microcredit program. Its goal is to expand credit availability for small businesses, ensuring the maintenance and expansion of work opportunities for populations with limited



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access to credit. The agency also provides financing lines for microcredit institutions, aiming to strengthen and expand a network of agencies capable of providing credit to micro-entrepreneurs in Bahia. NGOs, OSCIPs (Civil Society Organizations of Public Interest), SCMs (Credit Companies), credit cooperatives with open membership, and small business credit cooperatives may submit financing projects to Desenbahia. The intermediary institutions include: Centro de Apoio aos Pequenos Empreendimentos (CEAPE – Feira de Santana); ICC Conquista Solidária – Banco do Povo; ICC Itabuna Solidária; Centro Ecumênico de Apoio ao Desenvolvimento (CEADE – Salvador); and CRESOL ASCOOB (Central Credit Cooperative of Family Farming and Solidarity Economy of Bahia).

Mapping of Cooperatives' credit lines

Cooperativism is an instrument of economic organization in society, characterized as a form of mutual support through cooperation and partnership. Among the types of cooperative associations are credit cooperatives, created to offer financial solutions tailored to the needs of their members. They serve as an important tool to foster economic and social development, as they use their assets to finance their own members, keeping resources within the communities where they were generated.

This business model was designed with several distinguishing features. Among them are low interest rates - the strongest advantage of credit cooperatives. Unlike banks and other traditional institutions, these organizations offer significantly differentiated payment conditions. The products of three cooperatives were mapped:

SICREDI: PEAC, Crédito Empreendedor, PROCAPSICRED, Construction and Renovation, Revolving Credit/Guaranteed Account, Working Capital, Receivables Anticipation, Secured Credit, Surety Bond, Business Check,



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Vehicle, Machinery and Equipment Financing, FNO and FCO Business, and FCO – Working Capital.

SICOOB: Microcredit, Pronampe, Receivables Anticipation, Working Capital, PROCAPCRED, BNDES Financing, Credit Portability, Debt Renegotiation, and Differentiated Financing (Machinery and Equipment, Construction Materials, Vehicles, Furniture, and Electronics).

AILOS: The credit lines directed at MEIs are BNDES programs designed to provide resources to entrepreneurs of all sizes, including: BNDES Automático, BNDES Small Businesses, BNDES Inovadora, Finame, PROCAPCRED, and Sustainable Credit.

Mapping of Community Development Banks' credit lines

According to IPEA (p.7, 2022), “Community Development Banks (CDBs) constitute specific models of nonprofit civil society organizations for the provision of financial and non-financial services appropriate to local realities, especially in neighborhoods and municipalities with low Human Development Index (HDI).” In other words, besides not pursuing profit, they have a territorially oriented economic purpose subordinated to their social utility, which distinguishes them from other conventional microcredit entities (Búrigo, 2006; França Filho, 2008; Rigo, 2014; Santos & Santos, 2021; Silva, 2017; Silva Júnior & Rigo, 2022; Spilleir, 2021).

Such initiatives may take on different organizational forms, with varying degrees of formalization and local rootedness, and are referred to by Silva (2017) as solidarity finance enterprises (SFEs), since they link the logic of local credit and savings to the perspective of the solidarity economy. This approach considers a range of demands beyond credit itself, connecting with the social reproduction environment of their target audience, where the boundary between consumption and investment is not easily defined. That is why SFEs aim not only



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to meet productive demands but also the daily or emergency financial needs of households, given the instability of their income flows, often marked by precarious employment relations (Ferreira Junior et al., 2018; Magalhães & Abramovay, 2007; Nesol, 2013; Rigo, 2014; Silva, 2017).

The most common types of SFEs in operation are rotating funds, solidarity credit cooperatives, and community banks. In addition to social currencies, other innovations can be observed in solidarity finance practices, depending on the territorial context in which they are developed and the organizational nature of each enterprise. One noteworthy mechanism is the loan disbursement system, which uses collective guarantees (aval solidário) and the involvement of credit agents. The collective guarantee consists of a system of assurance and control of CDB operations based on proximity and trust among credit applicants, managing default risk through the formation of local solidarity groups for loan granting. Within these groups, members are co-responsible for repayment - meaning they become guarantors of one another. Meanwhile, the credit agent is chosen from among community residents, with genuine ties to the group of borrowers, which facilitates monitoring of transactions.

One of the mechanisms for circulating social currency is the Solidarity Popular Credit Program, operated directly by Banco Mumbuca. Its objective is to reverse the exclusion of part of the population from the local credit market, initially offering two interest-free financing lines: one for production (Mumbucred), designed to support enterprises of any size (micro and small businesses, cooperatives, or labor associations); and one for small home renovations (Casa Melhor). The microcredit activity also strengthens the local digital social currency, creating a virtuous circle that generates returns to the bank itself while enhancing its legitimacy with users (Coutinho, 2020).

Banco Palmas credit lines: Productive Credit Lines and Credit Line for Renovations.



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Mapping Fintechs' credit lines

Fintechs are financial technology companies that provide banking services digitally, offering more accessible and flexible credit solutions for MEIs. In our research, we analyzed the following fintechs: INTER and FIRGUN.

INTER: Inter offers digital MEI and PJ (legal entity) accounts. The MEI account uses the same Super App as individual accounts, with credit lines corresponding to personal credit for individuals, including: secured loans with real estate, public payroll-deductible loans, loan portability, mortgage financing, construction financing, and FGTS anticipation. The PJ digital account is specific for public or private corporations, EIRELI, EPP, ME, LTDA, condominiums, cooperatives, and for-profit associations. Credit lines include working capital, home equity, supply chain finance, and payroll-deductible loans for private partner companies. There is no specific credit line for MEIs. From this information, it is clear that the fintech does not provide a credit line specifically for MEIs.

FIRGUN: Founded in 2016, Firgun is a peer-to-peer lending fintech that connects investors with low-income entrepreneurs who have little or no credit history. It uses a psychometric credit scoring methodology to analyze entrepreneurs' financial behavior. Initially, loans had an average value of R\$ 2,000. The peer-to-peer model presented challenges, such as requiring many supporters to fund a significant loan, which could take 30 to 40 days to make the money available to the entrepreneur. In 2020, Firgun launched the Fundo Periferia Empreendedora (Entrepreneurial Periphery Fund), raising over R\$ 500,000 with support from large companies and organizations. This fund offers microloans of up to R\$ 3,000, with a 120-day grace period, repayable in up to 20 installments, without interest or monetary correction, as long as the installments are paid on time. The money returns to the fund after each installment is repaid, benefiting other selected micro-entrepreneurs and creating an "infinite donation" cycle.



ESC - Simple Credit Companies

Created by Complementary Law No. 167 of April 24, 2019, Simple Credit Companies (ESC) are a type of business that provides loans and financing exclusively to Individual Microentrepreneurs (MEIs), microenterprises, and small businesses, using exclusively their own capital (Sebrae, 2021). According to Vasconcelos and Chimuris in their book "Law and Economics," ESCs can be "individual entrepreneurs or legal entities under private law that are Individual Limited Liability Companies (EIRELI), or even a Business Corporation confirmed as a Limited Liability Company (LTDA) and are prohibited from participating in more than one Simple Credit Company." ESC owners have a maximum annual revenue and are prohibited from leveraging (i.e., borrowing to lend to third parties), which is subject to Federal Revenue oversight.

ESCs offer three types of services to MEIs: loans, financing, and discounting of credit instruments.

CHART 1 – COMPARISON CHART

Credit Line	Micro-credit	Receivables Anticipation	Working Capital Lines	Equipment and Vehicle Financing	Construction/ Renovation Financing	PRONAMPE
BB	Yes	Yes	Yes	Yes	Yes	Yes
BNB	Yes					Yes
BNDES	Yes		Yes			
CAIXA	Yes		Yes			Yes
DESENBANHIA	Yes	No	No	Yes	No	
AILOS			Yes			
SICOOB	Yes	Yes	Yes	Yes	Yes	Yes
SICRED	Yes	Yes	Yes	Yes	Yes	Yes
MUMBUCA						
PALMAS	Yes	No	Yes	Yes	Yes	No
INTER						
FIRGUN	Yes	No	Yes	No	Yes	No
ESC		Yes		Yes		

Source: elaborated by authors (2024)



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FINAL CONSIDERATIONS

The research highlighted the importance of Individual Micro-Entrepreneurs (MEIs) for the Brazilian economy and their significant growth in recent years, as well as how crucial access to credit is for the development of these businesses. In this context, it was possible to observe the importance and influence of public policies supporting entrepreneurship. Notably, the implementation of Provisional Measure 1.187/2023, which created the Ministry of Entrepreneurship, Microenterprise, and Small Business, is significant. This ministry is responsible for promoting public policies that benefit MEIs, as well as micro and small enterprises in the country, aiming to encourage the formalization and creation of new businesses, foster growth, and generate employment and income.

Furthermore, it is necessary to consider practical and easily understandable solutions for this audience. The results of this research show that: 1) although there is a variety of credit lines available for legal entities, the options specifically targeted at MEIs are limited; 2) many of the credit lines offered by banks could be adapted to meet the needs and realities of this target audience; and 3) there is an information asymmetry between banking institutions and MEIs, since, despite the available credit options, many entrepreneurs are unaware of them and require guidance - i.e., financial literacy - to identify the best credit lines for the needs of their businesses.

According to a recent SEBRAE study on the main challenges faced by small businesses, most MEIs admitted that they had never even attempted to obtain financing to start their business and were unaware of credit lines offered by banks or the government (SEBRAE Data, 2023).

Finally, it can be concluded that, based on the mapping of available credit lines in the market, there is a need to share this information in an accessible language for individual micro-entrepreneurs, who often have little or no financial



literacy. Actions need to be more practical and effective, aiming to understand the MEI profile and present possible solutions to their needs - for example, solutions using digital technologies such as apps and online courses, informational booklets, e-books, and similar tools. The goal is to find simple and feasible ways to connect these entrepreneurs with financial institutions and their best products.

During the research, it became evident that it is necessary not only to analyze the perceptions of MEIs but also to compare them with the perceptions of credit agents regarding the Brazilian credit system, including their opinions on lending criteria, regulations, and risk assessment practices in each mapped institution. There is also a need to evaluate the role of the state and public policies with the creation of the new Ministry of Entrepreneurship, Microenterprise, and Small Business.

Future research suggestions include: 1) evaluating how the perceptions of credit agents may influence behavior and decisions regarding MEIs' access to credit; and 2) analyzing the functioning and impact of the actions of the new Ministry of Entrepreneurship, Microenterprise, and Small Business, as well as the emergence and/or improvement of new programs such as PRONAMPE and the Projeto Acredita.



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