

Microcredit Overview

1. Introduction

The Project objective is to increase the income of small business inside the poor communities from Jundiaí city and neighborhood.

Credit access is the flag ship of economy grow, all kind of business need credit to support their operation and growing.

The small business has difficult to credit access in regular financial system, with this microcredit project we are going to offer to small and familiar business, the opportunity to grow healthy with microcredit access. This credit is only to be used in their business. Usually, this credit is used for this credit is for buy inventory, working capital, purchase new equipment, small business renovation.

Objective

It is to promote economic and sustainable growth through micro loans for informal entrepreneurs and micro companies without access to the traditional financial system, mainly because they are unable to offer real guarantees. It is a credit intended for production (working capital and investment) and is granted using a specific methodology.

The fundamental aspects that define the specific methodology for microcredit are:

- Productive Credit
- Lack of Real Guarantees
- Oriented Credit
- Credit Appropriate to the Business Cycle
- Low Transaction Cost
- Economic Action with Strong Social Impact

This project is an ecosystem that seeks to offer informal entrepreneurs and micro-entrepreneurs, in addition to credit, technical and financial support and notions of entrepreneurship. This ecosystem reduces the risk of no payment of their debts and creates an environment conducive to their development and ensuring the return on the loan.

The project is made up of the following parts: Banco do Povo -Crédito Solidário, Sebrae and Rotary Club.

1.1 Crédito Solidário - Banco do Povo

It is an OSCIP, nonprofit organization specialized in microcredit loans. This institution has more than 25 years of experience in the market. This organization prospect the customers with employees called Credit Agent. The Credit Agent is the fundamental character for the success of the program. He visits the location where the credit applicant conducts his productive activity, to evaluate the needs and conditions of his enterprise, as well as payment capacity. After the credit is released, these professional starts monitoring the evolution of the business. Another point that differentiates microcredit from traditional credit is the guaranteed systems, which are important for covering possible defaults. Instead of using real guarantees, microcredit adopts guarantee systems that are closer to the socioeconomic conditions of small entrepreneurs, whose lack of goods to offer as real guarantee is compensated by the community's social capital. Thus, guarantees can be offered: individually, with the borrower indicating a guarantor/guarantor; collectively, through solidarity guarantee, which consists of the formation of groups of 4 to 7 people, in which each person is at the same time a borrower of the credit and a guarantor for the others.

1.2 – Sebrae

Sebrae is a governmental institution for micro and small business support service. It is a nonprofit organization with the mission of promoting the sustainable and competitive development of small business. This entity gives support and training for all kind of small business, it has a complete set of business consulting, training for business, business plan. For the microcredit customers Sebrae is going to give them consulting services (presential) and online training like Cash Flow, Financial introduction, Cost of products, how to do a business plan, Taxes policy, etc.,

1.3- Rotary Club

You will be responsible for managing the project. Rotarians will help nominate and select credit candidates, visiting them, assessing their real needs, and monitoring business developments. Rotarians will be the bridge connecting all parts of the ecosystem.

The Rotary Club, through the Rotary Foundation, will create an initial fund between US\$ 30 to US\$ 40k that will be administered by Crédito Solidário - Banco do Povo. This fund will be replenished with payments on loans granted, income, making new loans possible.

The project will be developed with the following steps:

- Prospecting and selecting loan candidates
- The candidate will take free courses at Sebrae to help create a business plan with investments and business administration and cash flow knowledge.
- Crédito Solidário will approve the microcredit loan according to the candidate's needs and payment conditions.
- Rotarians will visit applicants to check their real condition and discuss the loan approval process with other institutions.

4 - Microcredit Features:

The microcredit loan will be granted according to the lender's needs and perceived repayment capacity. Credit-Solidário has a special methodology for making loan payments. Currently the profile of microcredit borrowers is:

- 60% destined for commerce.
- 64% of borrowers are women.
- 64% are over 40 years of age.
- 41% only have primary education.
- 95% of loans are intended for working capital.

The average value of loans may vary from R\$300.00 to R\$15,000.00, being released according to the application and evolution of the business.

To access the loan, the applicant must have the following characteristics:

- - Be over 18 years old.
- - Have at least 6 months experience in the activity.
- - Have ID, CPF and proof of residence.
- - Do not conduct illegal activities.
- - Do not conduct activities that harm the environment.

Loans are mostly intended for the following purposes:

4.1 Budget for Microcredit

This budget for this project will be between US\$ 30.000 to US\$ 40.000. This money will deposit in Banco do Povo – Credito Solidário, this amount will be used only for microcredit loan.

4.2- Project Phases

The project will have two phases:

4.2.1 - First phase will happen in the first year, when we are going to loan half of the budget to between 20 to 40 borrowers, in this period will be evaluate the process of them.

4.2.2 – Second Phase: we are going to reloan the other half budget to the same borrower. In the final of the second loan the objective is the borrowers have capacity to get credit, if necessary, in regular financial systems.

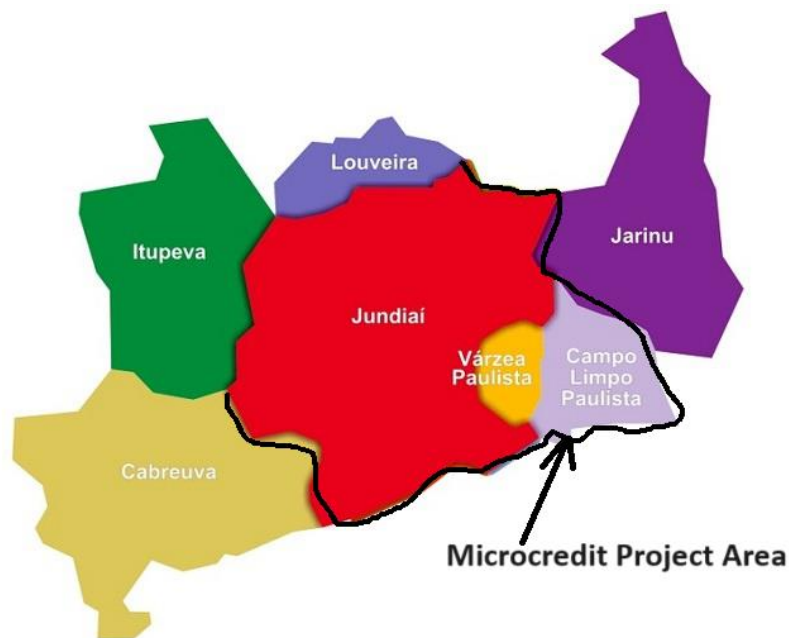
4.3 – The budget

The initial budget will be a donation to the Credito Solidário – Banco do Povo, and this money will continue to be used only for microcredit in the area of the project once this institution only does this. The microcredit will continue in the same area. Every loan has a loan agreement and other legal documents, they will be management by Rotarians.

5- Geographic Location

We are going to work in Jundiaí and other small cities around like Campo Limpo Paulista and Várzea Paulista.

In this region we have around 42.000 of small businesses. Small businesses are defining how a company with the maximum billing of US\$ 16.500 per year.



5- Customers for Microcredit

Inside the poor communities there is a lot of small business. The business and the family are almost the same thing, it is a very important part of income for that family.

The typical business are:

- Food and food delivery
- Cake and sweet makers
- Clothes repair
- Clothes store



- Party Snacks and delivery
- Dressmaker
- Barbershop
- Snack bar
- Popular clothing stores
- Food store
- Small market
- Services in general (mobile and electronics repair and accessories)
- Female and male shoes
- Lingerie and other woman's products
- washing and ironing