Recent debates on poverty and inequality
A Special issue in memory of Leonor Vasconcelos Ferreira (1960-2008)

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THE SCIENTIFIC CONTRIBUTION OF LEONOR VASCONCELOS FERREIRA

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MONETARY POVERTY, MATERIAL DEPRIVATION AND CONSISTENT POVERTY
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MICRO CREDIT AND TERRITORY: PORTUGAL AS A CASE STUDY

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SOCIAL INSERTION INCOME: THE CONTRIBUTION
OF THE ASSOCIATION QUALIFICAR PARA INCLUIR
This paper studies the relations between micro credit and territory, assuming that micro credit is an important instrument for fighting against poverty and social exclusion. Based on a micro-level database provided by ANDC (Associação Nacional de Direito ao Crédito), a statistical and econometric study has been undertaken in order to identify the territorial idiosyncrasies associated with the employment of micro credit in Portugal. Focusing on the survival of micro credit projects during the period 2006-2009, our study demonstrates the significance for a firm’s survival of variables such as population density, value added growth in each activity and promoters’ qualifications, as well as two regional dummies.

Este trabalho tem como objectivo o estudo das relações entre o microcrédito e território, admitindo que o microcrédito é um instrumento importante de combate à pobreza e à exclusão social. Com base numa base de dados a nível micro fornecida pela ANDC (Associação Nacional de Direito ao Crédito), foi desenvolvido um trabalho estatístico e econômétrico tendo por fim identificar as especificidades territoriais associadas ao emprego do microcrédito em Portugal. Focando a atenção na sobrevivência dos projectos de microcrédito no período de 2006-2009, o estudo demonstra a importância de variáveis como a densidade populacional, o crescimento da valor acrescentado por secteur de actividade, e as qualificações dos promotores, para além de duas dummies regionais, para a sobrevivência dos projectos de microcrédito em Portugal.

Cet article rapproche les relations entre le microcrédit et le territoire, en supposant que le microcrédit est un instrument important pour combattre la pauvreté et l’exclusion sociale. Fondé sur une base de données-micro prévu par l’ANDC (Associação Nacional de Direito ao Crédito), nous avons développé un travail statistique et économétrique afin d’identifier les particularités territoriales liées à l’emploi de microcrédit au Portugal. Nous nous concentrons sur la survie des projets de microcrédit dans la période 2006-2009, et nous avons pu conclure sur l’importance de la densité de population, la croissance de la valeur ajoutée de chaque activité et les qualifications des promoteurs, en plus de deux variables indicatrices régionales, pour la survie des entreprises.

JEL Classification: G21, R58, C24.
1. Introduction

Micro credit has gained considerable attention among economists and institutions over the last two decades. The growth of the micro credit sector across the world and the recognition of its importance, especially in developing countries, are clearly demonstrated in two main events: the 2005 International Micro Credit Year and the attribution of the 2006 Nobel Peace Prize to Muhammad Yunus and the Grameen Bank. The Nobel Committee considered micro credit as a tool for upholding economic and social development, contributing in this way to the fight against poverty and to the promotion of human rights (Mjos, 2006).

The evolution of the micro credit sector and its geographical dissemination has not been homogeneous. Additionally, there are different perspectives regarding the economic and social impact of this instrument on the beneficiaries and its ability to reduce poverty. However, the empirical evaluation of the micro credit sector and its effects is quite difficult, firstly because there are strict data limitations, secondly because data collection is very expensive, and thirdly because the most adequate methodological procedure is not clearly defined. Therefore, research into this topic is far from exhausted and there is still a lot of work to do as far as research into the micro credit sector is concerned (Rosenberg, 2010).

The aim of this paper is to make a small contribution to this difficult task, using a territorial approach which, as far as we know, has not been adopted at this level. The territory is expected to play an important role, since poverty and social exclusion are geographically diverse and these differences must be taken into account when designing and implementing social policies. Our main goal is to identify territorial idiosyncrasies associated with the use of micro credit in Portugal and to propose explanations for the potential differences.

This study is organised as follows. After the Introduction, Section 2 reviews the concept of micro credit, its evolution and dissemination all over the world, as well as micro credit in Portugal. Section 3 presents the main methodological considerations of our study concerning the relationship between micro credit and territory, based on Portuguese territorial idiosyncrasies. In Section 4 the results are discussed and in Section 5 the main conclusions and ongoing research are presented.

2. The conceptualization and evolution of micro credit

Micro credit consists in providing small loans to poor and socially excluded people, allowing them to become entrepreneurs. Through self-employment, people are expected to become professionally integrated and to be able to earn sufficient income to support themselves and their families (Sengupta and Aubuchon, 2008; Microcredit Summit Campaign, 2010).

From this perspective, micro credit is an instrument for fighting against poverty and social exclusion, and this was the main motive for the first experiments in the 1970s in some Asian and Latin American countries. The most famous and successful of these experiments was the one conducted by Muhammad Yunus in the village of Jobra, Bangladesh (Gutiérrez-Nieto, 2005). In 1983, the Bangladesh government created a special charter to allow the foundation of the Grameen Bank, an independent formal financial institution dedicated to micro credit (Sengupta and Aubuchon, 2008).

The Grameen Bank experiment demonstrated that poor people benefit from the opportunity to access capital and that institutions achieve high repayment rates from these credits. This success was the reason for a fast dissemination to other countries, some of them replicating the Grameen Bank programme. The sector’s evolution also demonstrated that besides the act of providing credit, many of the institutions started offering a wider range of financial products and services, including savings and insurance. This enlargement is reflected in the use of the term microfinance (Sengupta and Aubuchon, 2008).