
The Role of the Public Development Banks in financing micro, small and medium enterprises (MSMEs)

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Résumé

The current nature of the Brazilian Financial System is based on the banking sector and is characterized by the presence of large banks with a concentrated universal character, focused mainly on short-term loans, long-term loans operating with high interest rates and those with large levels of spread. In this structure, the role of the public financing sector, in particular the National Development Bank - BNDES - financing the productive process, capital goods, and infrastructure, among others -, Banco do Brasil - agricultural credit - and Caixa Econômica Federal - real estate credit, are highlighted. Furthermore, the System is highly concentrated, with the six largest banking institutions - Itaú, Banco do Brasil, Caixa Econômica Federal, Bradesco, Banco Nacional de Desenvolvimento Econômico e Social and Santander - accounting for 78% of the total assets of the financial system. In terms of credit operations, this ratio represents over 83% of the total.

Perceiving the financial system as being imperfect by nature and prioritizing to finance the projects with higher return rates, is essential to ensure the presence of public financial institutions in order to reduce market imperfections because - they work in those sectors, areas and sizes that generate positive externalities, and are hardly attended to by private institutions. In addition to correcting market failures, public financing institutions often allow the creation and expansion of markets, as well as being constituted in the arms of government public policies - including financial policy, through competition in the banking market. Therefore, they work with Micro, Small and Medium Enterprises, innovation projects, deconcentrating sectoral and regional credit.

In Brazil, there is a preponderance of small and micro-sized establishments, with most of the jobs 2016. Microenterprises accounted for 85.8% (3.3 million) of Brazilian establishments that registered at least one formal job in the year and employed 24.8% (9 million) of the total formal employees in the private sector, 2.8 registered employees in the segment average. Small businesses, in turn, accounted for 12.1% of establishments and employed 27.3% of the total, with an average of 21.5 employees per establishment. Thus, these two segments together accounted for almost 98% of establishments and 62% of total private sector formal employment. If the average companies, which corresponded to 1.3% of the total establishment and 13.4% of the total of formal jobs, the MSME group is home to 98.2% of establishments and 65.5% of total jobs.

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Notwithstanding the centrality of MSMEs, the segment faces substantial difficulties in accessing the Brazilian credit market under appropriate conditions. The participation of MSMEs in total credit to companies was 36.3% in December 2017. Furthermore, as far as interest rates are concerned, data from the series show that the levels of the average rates charged for micro and small enterprises are consistently higher than the average NFSSFN rate, except for the one registered in the fourth quarter of 2013 for micro-enterprises.

Given such scenario, it is imperative to prepare public financial institutions to increase their operations to this segment. The improvement of the credit supply should include not only the amount of credit, but also reduction in interest rates and provide consultancy in order to improve the quality of the loan.

Mots-Clés: Development Banks, development, State, financial System, micro small enterprises