

**DEBT IN THE BOTTOM OF THE PYRAMID:
Credit Cards, Public Policy and Financial Opportunism**

Almog Griner

PhD Candidate

PPGA/EA – UFRGS

Cel. André Belo St., 686, ap 408,

Postal Code: 90110-020, Porto Alegre, RS, Brazil.

E-mail: almogadm@gmail.com

Diego Cristóvão Alves de Souza Paes (Corresponding Author)

PhD Candidate

PPGA/EA – UFRGS

Cel. Fernando Machado St., 891, ap. 501,

Postal Code: 90.010-321, Porto Alegre, RS, Brazil.

E-mail: diegopaes@gmail.com

ABSTRACT

The present study aimed to evaluate the advantages and vulnerabilities attached to the facilitated access to credit by low-income citizens in Brazil. It is carried amidst the transformations made possible by the economic growth and social development of Brazil over the last decade, and has special attention to the income group popularly known in the country as “C and D Classes”, or “the new middle class”. The offer of credit to this new emergent market is studied through a critical perspective, using elements of Baudrillard (1995) to better understand the creation of demand for consumer goods, and analyzing the repercussions of a managerial interpretation of the Bottom of the Pyramid idea of Prahalad and Hart. Both the public policy of credit stimulus of the last three Brazilian governments and the actions of corporations from the credit market are analyzed. In order to achieve our objective, this study aimed at a double investigation, analyzing the credit expansion as a public policy of economic stimulus and, simultaneously, capturing the point of view of the credit provider and credit taker. A documental analysis was made to analyze public policy. To analyze the point of view of the credit taker and provider, open interviews were made in the cities of the metropolitan area of Natal, RN, Brazil. Results showed the practice of credit card lending within the social circle, the predominance of private label cards, the emphasis on the value of each installment and not in the total price of the product, the ignorance over the exact value of the interest rates applied, the masked increase of the credit limits and the fear of debt. As such, it was found that the ignorance about the rates applied, the illusion over the real nature of installments, the hidden expansion of limits, the easy access, added to the governmental desire of having consumer demand as the main stimulus of economic growth lead to continuous increase in low-income debt.

Keywords: Credit cards, Public Policy, Consumer Society, Debt, Bottom of the Pyramid, Middleclass

INTRODUCTION

It has become normal among the speech of the Brazilian businessmen the image of the “C Class” (also known as “the new middle class”) as a new market through which one must aim to expand their business. Supposedly little understood and poorly catered, the “C Class”, and, most recently, the “D Class”, have become the symbols of salvation to Brazilian companies, which had to reformulate their own ideals to follow the “sudden” increase in the income of over 90 million people, something that has created “a new category of consumer demand” yet to be explored.

Recently, the population of low-income is responsible for over 70% of Brazilian families: or, there are 130 million inhabitants with family income of up to 1,500USD (five Brazilian minimum wages). This population, that emerge from the poor neighborhoods and favelas of the big and small cities, and rural areas have become the target of big companies, not by their individual purchase power, but because of the overall purchase power of the group it is part of. The inspiration on Prahalad’s concept of “Bottom of the Pyramid” is obvious: there is a great dormant market that could be extremely profitable to whoever learns how to “speak its language” and provide products that fit within their reality. The concepts of “C and D Classes” became the Brazilian interpretation of the Bottom of the Pyramid, abandoning the discourse of “empowerment by consumer goods” and focusing in economical exploitation pure and simple.

There is an institutional factor to this that must be considered. The public policies of the Federal Government of Brazil of the last 12 years have favored the expansion of credit in many ways, encouraging consumer demand as a part of a group of actions to incite economic growth (BARONE, SADER, 2008; SOUSA, PINHEIRO; 2012). This has been translated as stimulus to: housing credit, through programs such as “Minha Casa, Minha Vida”; student loans, with the expansion of programs such as FIES; social development, with the “Bolsa Família” welfare program and with the financing of production to peasants and small rural workers, such as the PRONAF and Fundo Amazônia; and in the productive sectors in general, through BNDES. Those are actions with obvious positive social repercussions. However, credit stimulus also has been translated as a new business opportunity by financial corporations.

Banks identified in the credit expansion to individuals an enormous potential of financial gain, facing the optimistic expectations around the employment rate recovery and the considerable increase in family income between the years of 2000-2014. To financial corporations, individual credit is much easier to assess than business credit, which demands knowledge about the business, financial analysis and monitoring of corporate activities. At the same time, as the interest rates applied to individuals are higher, the operation becomes more profitable (FREITAS, 2009). Such flexibility of credit has implied in expressive increase in debt, with the popularization of credit cards contributing to the increase of default rates.

Therefore, this paper consists in a double investigation, aiming at the same time the issue of credit expansion as a public policy of economic stimulus, and the point of view of the credit taker and credit provider within the Credit card market. Brazil has one of the highest interest rates for Credit cards in the world (300% a year, on average), but it is becoming increasingly popular among low-income groups. Our objective is to understand the advantages and vulnerabilities to which are subjected the new populations that emerge amidst Brazil’s new consumer society.

2. CONSUMER SOCIETY

To better understand the public policies of stimulus to consumer demand, the spreading of banking services in Brazil and even the “behavior of the new middle class”, it is important to recollect the basic idea to the entire debate: the concept of a Consumer Society. For this, we reach for Baudrillard (1995). His work, originally published in the 1970s, discuss the association of consumerism and happiness as a social construction, emphasizing the distinction between satiating a necessity and creating a necessity to be satisfied.

Baudrillard (1998) analysis aims to demonstrate that it is not the possibility of accumulation that ends with inequality, understanding the equilibrium as “the ideal fantasy of economists which is contradicted, if not by the very logic of society as a condition, then at least by all known forms of social organization.” (p. 53). Hence, the growth of a society increases the inequalities, just as the existence of abundance presupposes scarcity, in a systematic logic which is pointed by Baudrillard as inherent to the capitalist system.

Brazil, as many other westernized capitalist States, sustains the idea and the ideals of democracy, equality and freedom. These principles, so valued in our current society, upon a closer look, may be seen just as mere slogan, or, as Baudrillard (1995) would put, as a formal democracy that hides the social inequality. According to Baudrillard (1998, p. 50):

The democratic principle is then transferred from a real equality of capacities, of responsibilities, of social chances and of happiness (in the full sense of the term) to an equality before the Object and other manifest signs of social success and happiness.

Therefore, the diffusion of access to credit emerges as another tool maintained by the discourse that pushes economic and social development of a country. However, at the same time in which allows the apparent equality with consumer goods, it enforces the perpetuation of inequalities, and the money, in the form of credit, becomes another merchandise to be desired.

While emphasizing the social structure that has in itself inequality, the privileges and the power of the classes, Baudrillard (1995) rejects the idea that growth (just as equality) is the cause or the solution, but a function of inequality. The author breaks, therefore, with the idea of abundance which would allow social equality and democracy, but highlights that such principles emerge as alibis to make viable and perpetuate the system which “knows only the conditions of its survival, it knows nothing of social and individual contents” (BAUDRILLARD, 1998, p. 56).

Consumerism represents the maintenance of production in a capitalist way. To Baudrillard (1995), the needs are not results of the production, they do not manifest themselves one by one, but they are part of a system – a system of needs. As a social phenomenon, consumerism is not limited to the satisfaction of “natural” needs, but is the product of an aggregate of signs in which the objects are not connected to a function or a necessity, but they

correspond to something else, defined arbitrarily. Therefore, the needs change, and the simple satisfaction of a specific desire does not make an individual fulfilled, for the need is determined by the necessity and in this sense occurs a succession of needs in the extent that each one can be satisfied in full (BAUDRILLARD, 1995).

What we have here is, then, a portrait of a consumer society, product of the advanced moment of the division of labor in a global scale – in which capitalism finds at its disposal almost all of the labor stocks and production inputs it desires. The satisfaction of the basic needs of men – food, water, shelter, social contact – are put in second place to the necessities created – diverse consumer goods. While certain social groups aim to gather enough capital to satisfy the created needs, other groups, as a result of the wheel of capitalism, are found in a situation in which even their most basic needs are not being met. Therefore, it is observed that individuals end up submerge in collective values that are made available, and stimulated by the credit. The ideas of happiness, of need, of satisfaction, pleasure, among others, are built according to dominant codes that are defined by a society, at the same time the society is defined by them.

3. AND WHEN MONEY IS NOT AT HAND...

Credit cards emerge in the context of the USA pre-Crash of 1929, starting with a chain of Gas Station as cards handled to frequent customers as an ID to grant advantages. Among these was the privilege to leave debt for future payment (NUNES, 2000). It was only in the last year of the 1940s that the first credit cards appeared as we know them today. According to Brunner (2003), the Diners Club, the first multi-use card, was initially accepted in 27 restaurants replacing cash or check. In the beginning, there were 200 people holding those cards. In the year of 1950, this number was already of 20,000 people and continued to grow exponentially: in 1951, it had 42,000; in 1958, 250,000, and in 1965, 1.3 million card holders.

The first credit card in Brazil was issued in the year of 1954, but it was only in 1994, with the Plano Real¹, that the process or market consolidation began, starting to be used by 22.2 million cardholders in over 480,000 affiliated establishments (BRUNNER, 2003).

Based on data gathered by the ABECs (Brazilian Association of Credit card and Service Companies), we can visualize in the Figure I below the evolution of the total amount of credit cards, transactions and values exchanged between the years of 2000 and 2012. The credit cards, that in 2000 were 28 million, have become by the end of the decade in 164 million and, in 2012, 203 million (625% growth in the period). The amount of values exchanged, which in 2000 were of R\$ 45 billion, expanded to R\$ 480 billion in 2012, increasing to R\$ 537 billion in 2013 and it is estimated that it will achieve R\$ 619 billion in 2014 (ABECS, 2014).

Figure I- Evolution of the amount of Cards and Transactions in Brazil - 2000-2012 (ABECS, 2014)

		2000	2002	2004	2006	2008	2010	2012
Total	Transactions - thousands	1.095.088	1.628.944	2.519.976	3.704.056	5.322.888	5.978.077	8.149.601
	Variation % from previous year		33%	35%	32%	30%	11%	27%
	Billings - BRL millions	65.379	103.378	158.943	244.671	375.363	487.454	724.335
	Variation % from previous year		37%	35%	35%	35%	23%	33%
Credit	Cards - thousands ⁽¹⁾	28.466	41.392	52.787	82.399	124.490	164.234	203.010
	Variation % from previous year		31%	22%	36%	34%	24%	19%
	Transactions - thousands	571.146	775.045	1.086.768	1.566.376	2.202.466	3.073.000	4.040.525
	Variation % from previous year		26%	29%	31%	29%	28%	24%
Debit	Billings - BRL millions	45.739	68.905	95.089	141.851	215.059	326.296	479.554
	Variation % from previous year		34%	28%	33%	34%	34%	32%
	Cards - thousands ⁽¹⁾	48.045	82.430	138.219	187.099	216.785	249.293	284.213
	Variation % from previous year		42%	40%	26%	14%	13%	12%
	Transactions - thousands	206.540	479.442	943.734	1.451.678	2.101.687	2.905.077	4.109.076
	Variation % from previous year		57%	49%	35%	31%	28%	29%
	Billings - BRL millions	10.082	14.832	21.710	36.312	52.952	161.158	244.781
	Variation % from previous year		32%	32%	40%	31%	67%	34%

** BRL millions (US\$ monthly average) - Fonte: BACEN
(¹) Number of plastics active for each modality.

¹ The present currency in Brazil, lasting for over 20 years and which marked the end of hyperinflation in the country.

Another type of card (“Plastic” as they are known in the business) that also became increasingly popular is the Debit Card, which does not add rates or allow for installments. In 2012, the total amount of Debit Cards in Brazil was of 284 million (1.3 cards per citizen).

Private label cards, as the cards issued by supermarket chains and other stores are known, added to a total of 254 million units in 2012 (INFOMONEY, 2012). Private label cards are even closer to low-income populations than credit cards. This type of card does not depend on a bank account and the restrictions and verifications are made at a minimum; cards are handled to people earning a Brazilian minimum wage (730BRL, or 275USD a month²), provided that they do not show any restrictions in credit reports provided by SPC/SERASA³ – income proof is rarely requested. According to the ABECS (2014):

An important characteristic and one of the highlights of its use in Brazil is the public targeted, normally from the C/D/E classes, many of whom do not possess bank accounts. It is with this card that the public has pre-approved credit, eliminating the bureaucracies in shopping, especially in the stores that are closer to them.

This type of card does not have an annual fee or charges and usually allows for long-running installment payment. One recurring practice in this market is the charging of extra fees for payment of bills over the internet or bank invoice, favoring the client who returns to the store to settle the payment, which encourages new purchases. This segment projects a future expansion from low-income consumers, estimating an increase in the value of transactions from 84 billion BRL in 2011 to 293 billion BRL in 2022 (ABECS, 2014).

Credit cards represent a transformation in commercial relations by pulling away the physical representation of money (bills, coins) from commercial transactions, something that already began with checks (today replaced by debit cards). At the same time, it makes instantaneous and frivolous the concession of Credit makes the acquisition of debt almost unconscious. There is the notion that the payment should be made in a certain future, a notion that is usually put in second place given the interpretation of the Credit card as a financial resource available, and the distance between the satisfaction of the act of purchasing a product and the consequences (debt) (SBICCA; FERNANDES, 2011).

The banks identified in the credit providing to low-income populations a great potential for profit, facing optimistic expectations regarding the recovery of employment and income in the Lula-Dilma Governments. According to Monteiro (2009):

May it be over the constant publicity in the mass media or the direct and aggressive harassment of the consumers in the streets, especially in great urban centers, shopping malls or department stores, the massification of credit card use has become a phenomenon of the current consumer society.

Flexibility in Credit cards implies in an expressive increase in debt. The popularization of Credit cards contributes to default rates, considering that transactions that involve this form of payment make consumers increase their expenses (ROBERTS, 1998).

According to Thomas et al (2002, apud PAZZINI et al, 2007), the analysis of credit or the choice of proponents that receive credit was, until the XX century, guided exclusively on the judgment of one or more analysts – therefore, subjectively. It was only in the 1930s (PAZZINI et al, 2007) that was developed the discriminant analysis, inaugurating a series of works on the subject of credit analysis, aiming on a selection of credit as objective as possible.

Credit analysis is usually represented as the capability to make a credit decision, within an environment of uncertainty, with constant alterations and incomplete information (PAZZINI et al, 2007). The main objectives of credit analysis is, therefore, the identification of risk, the disclosure of conclusions over the capacity of payment of the credit taker, recommendations to better design and qualify the concession of credit limit.

The role of the credit agent as the central actor in the process of concession of consumer credit must be understood both by the point of view of its contributions and its weakness. Understanding the importance of his work is related with the importance of the role of the financial institutions while mediators (or not) in the financial sector and also with the proposal of the of popularization of credit (FERRAZ, 2007)

² Minimum Wage in Brazil at the year 2014. Exchange rate of December 2014.

³ Serviço de Proteção ao Crédito, or Credit Protection Service.

In a credit policy there must always be explicit the pattern of concession. This pattern represents the minimum requests that must be met by the clients to be apt to make long term payments. More relaxed standards makes for increased sales and increase in default; rigid standards reduce the problem of default, but lower the sales and, possibly, the operational profit (SOUSA; CHAIA, 2000).

It is up to the financial institution to determine the degree of risk that it is willing to assume in each case and the amount of credit that can be prudently conceded, while regarding the possibility of default. The credit assessment is basically the same in all banks, but certain functions may be emphasized in some institutions rather than others. In general, they include the gathering of information that will be relevant to the credit assessment and, from that, the analysis will be made. In some financial institutions, the department of credit may make recommendations in relation to the credit provision, but the final decision is in the charge of the board of directors or the credit committee (CESAR et al., 2006).

4. PUBLIC POLICY AND THE EXPANSION OF CREDIT

The period between 1980 and 1994 is known in Brazil as the lost decade. It is marked by the instable economy, the high inflation rates, the deterioration of the purchase parity, the scarcity of Credit and low economic growth. Between the years of 1986 and 1991, five attempts to stop inflation failed vehemently – the economic plans known as Plano Cruzado (1986), Plano Bresser (1987), Plano Verão (1989), Plano Collor I (1990) e Plano Collor II (1991) (ZOUNAIN; BARONE, 2007).

It was in 1993, after the impeachment of the Brazilian former president Fernando Collor de Melo, that the Plano Real was conceived. The implementation of this economic plan was carried out in many steps and carefully. The result of this process was the start of prosperous moment for the Brazilian economy, with inflation rates controlled, increase of investment rates and economic growth. From 1994 to 2002, with two mandates of Fernando Henrique Cardoso in the presidency, such policy was maintained and millions of Brazilians were included in the consumer market.

By the end of 2002, with the election of Luiz Inácio Lula da Silva, it was initially opted by the maintenance of the economic policy of the previous government. According to Zounain and Barone (2007), however, there was an alteration in the concept of access to credit, which started to be understood as a process of “bancarização”, or popularization of bank accounts among the low-income population.

Including the population in the financial system became one of the great objectives of the public policy of the Lula government (2002-2010). If in the Fernando Henrique Cardoso administration microcredit was considered a productive credit, capable of leveraging income, in the Lula government the concept of microcredit was subverted to small value credit, productive or not, capable of generating income (ZOUNAIN; BARONE, 2007).

Among the government incentives of stimulus of access to the low-income populations to bank accounts and other financial services the Resolution 3.104, of 2003 is considered of the most importance. It made possible the improving of conditions to credit taking, savings and acquisition of financial products for low-income people (DARCY; SOARES, 2004).

Simultaneously, public banks such as the Caixa Econômica Federal and the Banco do Brasil created mechanisms to operationalize this public policy, beginning with the opening of simplified bank accounts that demanded only the presentation of the Brazilian national Identity Card (Registro Geral) and the Registry of Physical Person (Cadastro de Pessoa Física). Additionally, the law number 10.735, of 2003, stimulated the popularization of bank accounts for low-income people and mandated the flow of 2% of deposits retained by the Central Bank to microcredit. This law established, then, the legislation over credit limits to be conceded and the amount installments possible, while still fixating the interest rates and regulating the profession of credit technicians (BARONE; SADER, 2008). Hence, it was conducted a balance of the market of microcredit oriented to production, the increase of banking among low-income population, and the popular credit both for consumer expenses and for investment in small business.

In 2012, the Brazilian Central Bank promoted a historic cut in the interest rates, with major impacts in overdraft, personal credit, Credit cards, car loans, and overall goods acquisition (BCB, 2012). As a result, we have the continuous expansion of credit concession, according to the Brazilian Central Bank:

The credit to families – both for consumption and housing – grew significantly over the last ten years, in a setting of employment and income growth; the financial inclusion of the population; the cut in interest rates; and, the increase of real-state credit operations and payroll. In this context, the ratio between credit to physical person/ GDP went from 9.3% in January 2004, to 26.1% in January 2014 (BCB, 2014, p. 31)

5. LOW-INCOME POPULATION AND ITS RELATION WITH CREDIT – The Bottom of the Pyramid

Prahalad and Hart’s (2008) idea is considerably simple, and the way it presents itself demonstrates a great ability to mask a business idea and sell it with good intentions. The term Bottom of the Pyramid, just as the concept of a society in the shape of pyramid – with the poor and miserable sustaining the upper layers, each one with less and less representatives – definitely is nothing new, but it gave origin to the name of Prahalad and Hart’s model, which outlines the idea of a better world through capitalist exchanges.

More specifically, Prahalad and Harts (2008) argue that there is a great piece of the market yet to be explored by the great international conglomerates: the low-income population, “bottom of the pyramid” of the world economy, which survives with scarcity of financial resources and is incapable of uniting with the capitalist consumer society. Traditionally despised as a consumer market, they are in need of products which are coherent with their realities and available resources.

The solution given by the authors provides for a mutual assistance. In one side, the great multinational corporations may increase its earnings considerably, while attempting to low-income population, thinking about profit in a scale instead of the margin, creating products that are cheaper and simpler, adapted to the needs of low-income groups. On the other hand, by having products and services available that are coherent with their purchase power and reality, the “bottom of the pyramid” could transform its reality through the acquisition of new tools of communication, health, sanitation, education and productive inputs. Therefore, it would be possible to the “bottom of the pyramid” to improve its conditions of life, through the possibility of consuming basic items of hygiene, health, food, education and creating new sources of income through the acquisition of diversified productive inputs (PRAHALAD; HART, 2008). In order to all that be possible, of course, it would also be necessary the concession of credit to the poor (PRAHALAD; HART, 2008).

Prahalad and Hart (2008) point as a solution to this the credit initiatives such as the microcredit programs and other social programs, made in cooperation with great financial companies and the public sector – the credit in itself, of low cost, would only have the purpose of providing the initial push for the creation of consumer markets. The setting does not change the fact that it is created a relation of dependency between the product of large corporations, and that the money keeps flowing from the bottom to the top of the pyramid. Even with a social facade, the entire scheme elaborated by Prahalad and Hart points towards the “bottom of the pyramid” as a new source of capital accumulation – a new opportunity to do business.

Part product of the increase in the average income of the Brazilian population in the last decade and part symptom of the dissemination of Prahalad and Harts’ idea, the “C class” and its emergent sibling, the “D class”, are good demonstrations of the fascination of the business studies in Brazil with easy and simplistic terms, as well as the ease with which capitalism perceives new sources of capital accumulation.

Watching the economic growth of Brazil in the last decade, the many times known as “the new middle class” has opened up as an opportunity to the automatic increase in the consumer market: in a moment in which the export emerges as a tendency to expand sales, and the emergency of “C and D classes” exposed a market that was once ignored. Therefore, according to the Bottom of the Pyramid logic, the low-income population in Brazil, while individually insignificant in terms of capital, has become a major consumer market due to its size (PARENTE; LIMEIRA; BARKI, 2008).

To explain social classes in Brazil, the IBGE (Brazilian institute of Research and Statistics) divides the family income in seven groups, which take as basis the number of minimum wages.

FIGURE 2 – Groups by Family Income, Family Members and Representation.

Brazilian Minimum Wages*	Number of Families	Family Members	% Families by Group
Up to 2 m.w.	12,503,385	3.07	21.63%
2 to 3 m.w.	10,069,184	3.18	17.42%
3 to 5 m.w.	16,972,311	3.38	29.36%
5 to 10 m.w.	8,890,463	3.42	15.38%
10 to 15 m.w.	4,181,485	3.48	7.23%
15 to 20 m.w.	2,994,837	3.47	5.18%
above 20 m.w	2,204,938	3.30	3.81%
TOTAL	57,816,603	3.30	100.00%

Source: Based on data from IBGE (2014) - Pesquisa de Orçamentos Familiares 2008-2009.

*Brazilian Minimum Wage: Circa BRL 730, or USD 250, in values of 2014.

Increased perception of the changing realities in the money distribution has made businesses more agile in directing efforts and resources to low-income groups. Analyzing those segments of income is already part of a strategic assessment of many organizations (WRIGHT et al, 2008). Therefore, the low-income population has become a major target of financial corporations and other companies that provide payment in installments, becoming the segment that is more submitted to elevated interest rates (FUSTAINO, 2009). Fustaino (2009, p. 29) adds that “the trend of opting for loans and installments is derived by the fact that this is the only alternative of acquisition of a product by the customer”.

Godoy and Nardi (2006 apud Wright et al 2008), studying Brazilian consumer behavior, argue that consumers recognize the price as the most important condition in the act of purchase. However, there is a surprising factor perceived by those authors: the total price of product is put in second place to the value of each monthly installment. Therefore, the high interest rates or the extensive period of debt is disregarded, and it is only kept in mind the value to be paid each month. Basically, if each installment fit within the family budget, then the product can be bought.

Along the increased ease of expenditure, there is also the accumulation of debt, acquired through the use of Credit card, installment payments, loans, and leasing that guarantee the “maintenance” of the income. It is also common to appeal to the close family network, by “borrowing the name”, or obtaining credit using a family member as a front (PARENTE; LIMEIRA; BARKI, 2008). According with data from the Confederação Nacional do Comércio (Brazilian National Confederacy of Commerce), among the indebted, 76% claim that credit card is the main cause of debt (G1, 2013). In December 2013, the index of Credit card debt in Brazil was of 25.6%.

A setting of greater debt is of great interest for financial institutions: the bigger the debt, the greater the interest rates and financial return. This situation has not passed by unscathed to the Brazilian Central Bank. Back in 2010, as a palliative measure to reduce cases of superdebt, the minimum payment for credit card bills was raised from 10% to 15% of the total amount – while a raise to 20% by the end of 2011 was scrapped.

6. METHOD

To understand the advantages and vulnerabilities to which are subjected the new population that emerge amidst the consumer society in Brazil, this study aimed at a double investigation, looking to analyze the expansion of credit as a public policy of economic stimulus and, simultaneously, gathering the point of view of the credit card provider and the credit card taker.

In order to achieve that, we initially focused in an extensive documental analysis of papers, news, governmental and non-governmental reports and collected data through interview with users (or ex-users) of credit card classified in the low-income group and commercial manager/supervisors of credit card providers.

Therefore, this study uses qualitative data, through which we aimed to deepen in the subject, taking under consideration that its complexity and particularity create a need to understand each case as singular and unique. Despite its qualitative character, considering the number of interviewed persons, we allowed ourselves to group some information in categories to elaborate a descriptive analysis, with graphics, to help illustrate the issue.

In order to choose our subjects, it was used the “snowball” method, “a technique particularly useful when the identification of potential candidates is difficult” (PARKER; REA, 2000, p. 150). In practical terms, participants were identified and interviewed, and asked to indicate other persons to be interviewed as well.

The interviews followed a semi-structured script, with some basic questions that allowed analyzing the profile of the respondents, and other open questions, in which we asked their experiences and behavior with credit cards.

The interviews were conducted between the period of July 07 and July 18 2014. During this period, 42 credit card users were interviewed, all of low-income groups (family income of 5 Brazilian minimum wages) which are, or used to be credit card users and live in the metropolitan area of Natal-RN (cities of Natal, Parnamirim, São Gonçalo do Amarante, Ceará-Mirim, Macaíba, Monte Alegre, Nisia Floresta, São José de Mipibu and Vera Cruz). The average duration of each interview was of 8 minutes, ranging between five and fifteen minutes.

Additionally, we interviewed, based in a different script, the commercial managers/supervisors of a few credit providers, namely Hipercard, Carrefour, Extra and Bradesco Cartões (which provides Visa and Mastercard for its customers). The next two figures provide a detailed profile of the participants of the study.

Figure III: Profile of the Participants (Credit Takers)

Participant	Occupation	Education	Age Group	Family Income (Minimum Wage)	Family Size
EU1	Stockman	Undergraduate Incomplete	26-35	Up to 2 m.w.	3
EU2	Woodworker	Basic Education	Above 45	Up to 2 m.w.	3
EU3	General Services Assistant	High School	36-45	3 to 5 m.w.	4
EU4	General Services Assistant	Basic Education	18-25	Up to 2 m.w.	3
EU5	Sector Coordinator	Undergraduate Incomplete	26-35	Up to 2 m.w.	2
EU6	General Services Assistant	Basic Education	36-45	2 to 3 m.w.	4
EU7	General Services Assistant	Undergraduate Incomplete	36-45	Up to 2 m.w.	3
EU8	Doorman	Basic Educaton Incomplete	36-45	2 to 3 m.w.	3
EU9	General Services Assistant	Basic Educaton Incomplete	36-45	Up to 2 m.w.	4
EU10	Housemaid	Basic Educaton Incomplete	36-45	2 to 3 m.w.	3
EU11	Guidance Councelor	Undergraduate Incomplete	18-25	3 to 5 m.w.	3
EU12	Commercial Supervisor	Undergraduate	36-45	3 to 5 m.w.	4
EU13	Manager	Undergraduate Incomplete	26-35	3 to 5 m.w.	2
EU14	Student Guidance Concelor	Undergraduate Incomplete	26-35	Up to 2 m.w.	4
EU15	General Services Assistant	Basic Education	26-35	Up to 2 m.w.	5
EU16	Dentist Assistent	High School	26-35	2 to 3 m.w.	2
EU17	Student	High School	18-25	2 to 3 m.w.	2
EU18	Office Assistent	High School	18-25	3 to 5 m.w.	4
EU19	Student	High School	26-35	Up to 2 m.w.	5
EU20	Housemaid	High School	18-25	2 to 3 m.w.	4
EU21	Pensioneer	High School	26-35	Up to 2 m.w.	4
EU22	Unemployed	High School Incomplete	36-45	2 to 3 m.w.	4
EU23	Seamstress	Basic Education	36-45	Up to 2 m.w.	1
EU24	General Services Assistant	Basic Educaton Incomplete	Above 45	Up to 2 m.w.	3
EU25	Doorman	High School Incomplete	26-35	3 to 5 m.w.	4
EU26	General Services Assistant	High School Incomplete	Above 45	3 to 5 m.w.	4
EU27	General Services Assistant	Basic Educaton Incomplete	Above 45	Up to 2 m.w.	2
EU28	General Services Assistant	High School	26-35	Up to 2 m.w.	1
EU29	Dentist Assistent	High School	Above 45	3 to 5 m.w.	4
EU30	General Services Assistant	High School	26-35	2 to 3 m.w.	4
EU31	General Services Assistant	High School	Above 45	2 to 3 m.w.	4
EU32	Office Assistent	Undergraduate	26-35	3 to 5 m.w.	2
EU33	Doorman	Basic Educaton Incomplete	36-45	Up to 2 m.w.	3
EU34	Dentist Assistent	High School	Above 45	3 to 5 m.w.	4
EU35	Dentist Assistent	High School	36-45	2 to 3 m.w.	3
EU36	Secretary	Undergraduate	36-45	2 to 3 m.w.	2
EU37	Doorman	High School	36-45	2 to 3 m.w.	3
EU38	General Services Assistant	High School Incomplete	26-35	2 to 3 m.w.	6
EU39	General Services Assistant	High School Incomplete	18-25	2 to 3 m.w.	5
EU40	Doorman	High School	26-35	Up to 2 m.w.	3
EU41	Unemployed	High School	36-45	Up to 2 m.w.	5
EU42	Student	Basic Educaton Incomplete	18-25	Up to 2 m.w.	6

Source: Data from research, 2014.

Figure IV – Profile of the Participants (Credit Providers)

Participant	Card Issued	Occupation	Time at Profession
ER1	Hipercard	Supervisor	3 years
ER2	Carrefour	Commercial Supervisor	10 years
ER3	Bradesco Cartões	Manager Personal Accounts	5 years
ER4	Extra	Commercial Manager	4 years

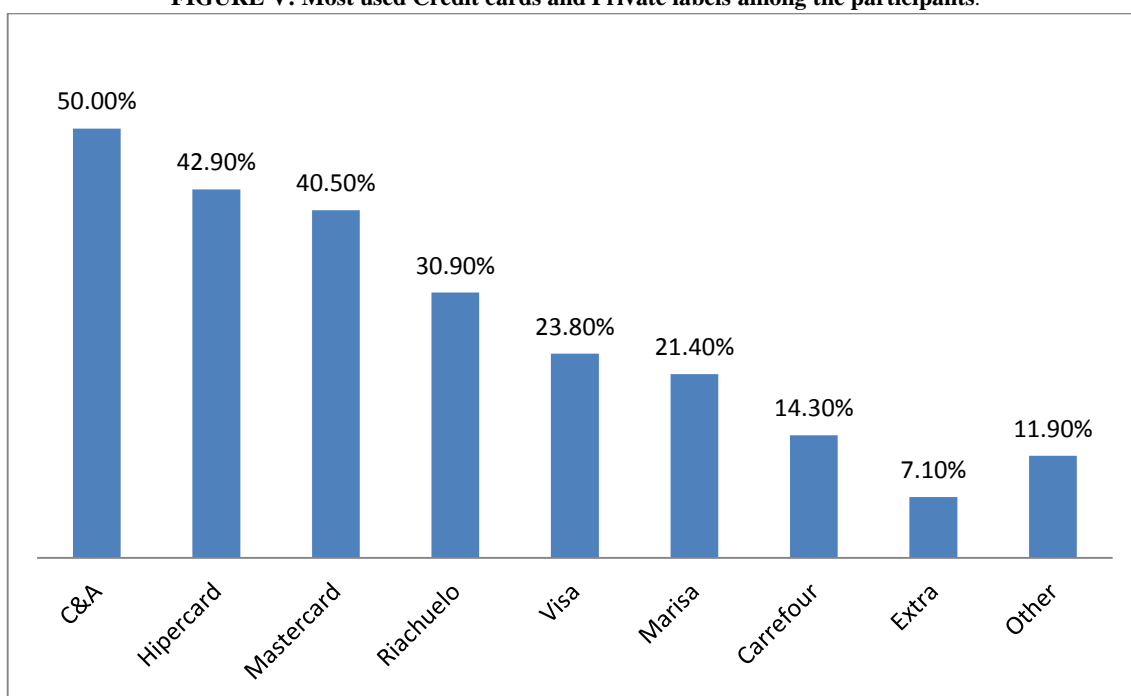
Source: Data from research, 2014.

7. DISCUSSION

Based on the data presented in the Figures III and VI, creating a profile of the participants, it was perceived that over 75% of the interviewed have a monthly familiar income of up to 3 Brazilian minimum wages (circa 750USD); of those, 42.9% received up to 2 Brazilian minimum wages (circa 500USD). This monthly income sustains families that average 3.43 members. This average is consistent with the average observed in the Family Income Research, carried out by the IBGE.

From the participants, 85.7% have some credit card or private label and 14.3% had one, but gave up. The figure below allow us to observe the cards used at the time of the research by the participants.

FIGURE V: Most used Credit cards and Private labels among the participants.

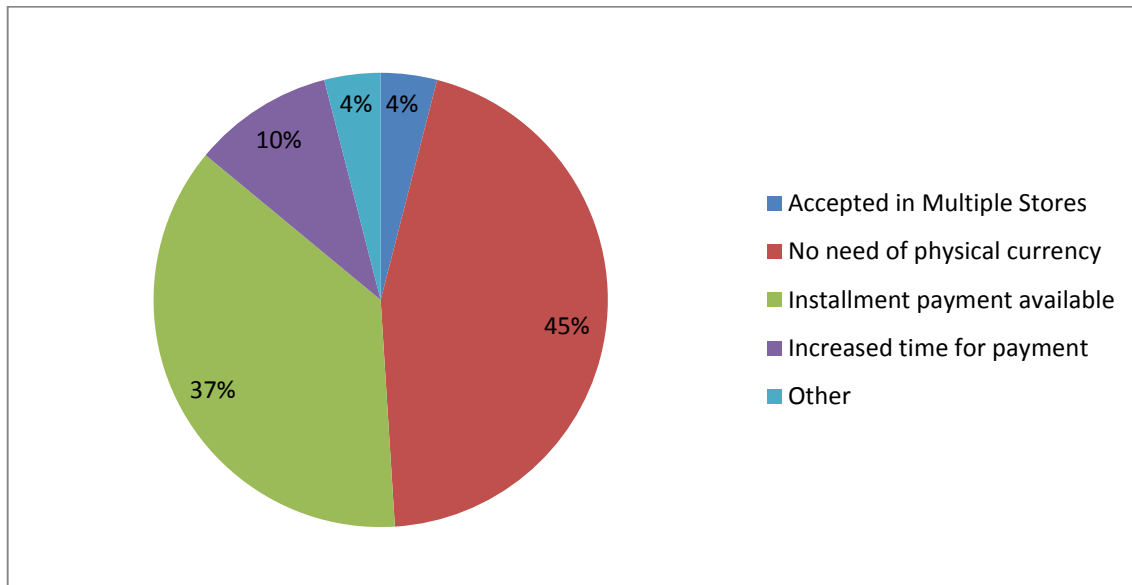


Source: Data from research.

The graphic above shows a clear preference for Private label cards of stores such as C&A, Riachuelo, Marisa and Hipercard, which are cards that do not charge annual fees. Beyond those, Credit cards such as Visa and Mastercard, and Private label cards issued from supermarket chains (Carrefour and Extra) were also mentioned.

While questioned regarding the positive aspects of the use of Credit cards, the most mentioned points were the possibility to pay in installments and the advantage of not needing money available at the time of the purchase. This may be best visualized in the graphic below and in the selected statements.

Figure VI: Positive Aspects related to the use of credit card



Source: Data from research.

With the card is good because I am not always with cash. (EU1)

When I have no money, there is always the credit card to take me out of a hard time. (EU9)

Sometimes we're in a need at that exact time and we have no money. In these moments, the card can solve our problems. (EU2)

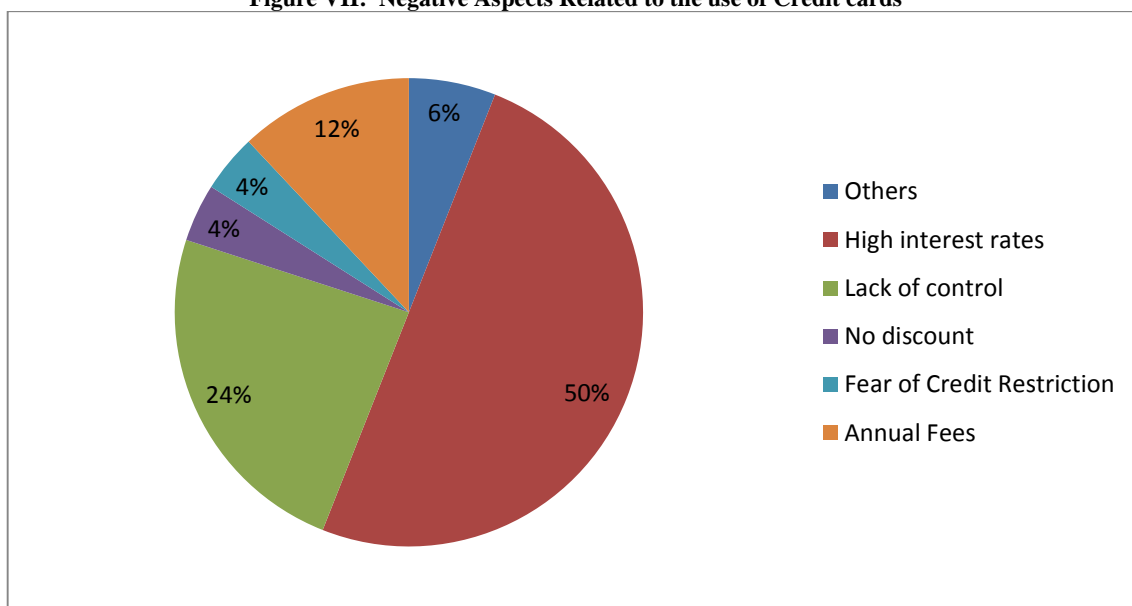
The positive side is that when it comes a certain time of the month, when you run out of money in your pocket then you can use the credit card. (EU4)

We can buy things with more time to pay it off, and we can even split the payment in many months. (EU5)

(...) The easy use, we can split the full price, we can buy in with revolving credit, sometimes we do not have money at the time, and then the credit card helps. (EU6)

Regarding the negative aspects of credit card use, the participants pointed as the main disadvantages the high interest rates and the fear of losing control of the expenses.

Figure VII: Negative Aspects Related to the use of Credit cards



Source: Data from research.

Another issue of alert is the card limit, which does not seem to be related to the user income. The average of credit limit of the participants was of 1,900 BRL, ranging between 200 BRL and 8,000 BRL. However, the interviewed put the average value of its credit card bills in 360 BRL.

The credit providers interviewed argue that, just like the card concession, the limit of credit is assessed by an automatic system that works with a score based in many different aspects related to the user lifestyle to analyze his financial conditions. The aspects analyzed involve scholarship level, income, duration of employment and even the civil state of each customer.

The participants affirm that with a single phone call is possible to ask for an increase in the credit limit, as we can observe in the following selected statement, something that is further explained by the statement of a credit provider.

I asked one time to increase [the limit of credit] and then, later, it began to increase by itself, went up, up all by itself. (...) I think it is dangerous. (EU9)

If one wants to increase the credit limit, the last three bills must have been regularly paid by the due date, or the client may bring a statement proving the upper credit limit from another company's credit card. (...) Every 180 days, the system renews the threshold value and if the user is not in default and making the full payments when due, the limit is automatically updated. (ER1)

When questioned if they had some sort of expenses control, almost 40% of the interviewed affirmed that they did not have any type of control, being guided by "good sense". Other participants controlled their expenses by taking notes of each purchase in a notebook or daily planner (50%), by organizing a spreadsheet (7%) or making a monthly planning of expenses (5%).

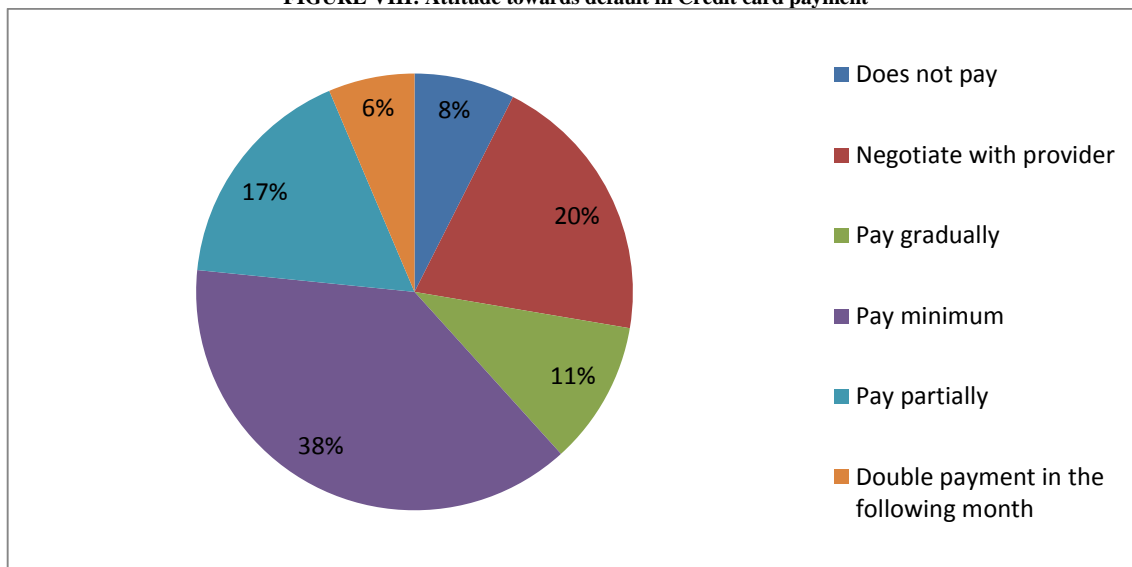
When asked about the default charges and interest rates applied, more than 85% of participants affirmed they do not have any idea of the exact value of the rates and charges, even if this was one of the main negative aspects pointed out by users. The commercial representatives, on the other hand, guarantee that users have complete science of the rates applied, as we can perceive by the following statements:

Surely they are aware, it comes in every statement, monthly, the amount of interest and penalty and the possible rate of the following month. (ER1)

They do know it. They are reported in the service channel and on their bills. (ER2)

Almost 70% of the participants affirm that there have been months in which they were not able to pay the full total of their bill. In these situations, users were asked which measures they usually take, which are discriminated in the graphic bellow.

FIGURE VIII: Attitude towards default in Credit card payment



Source: Data from research.

Another situation perceived among the participants is the lending of cards. It was perceived that half of the interviewed informed that they usually lend or make purchases for third parties with their own cards. Despite of only making such kind of arrangements within the close family or close friends, many already passed by the situation of having to deal with default arising from such practice.

I bought the television for the guy and he didn't pay me the installments, so I went to his house, took the 29 inches TV for myself and I finished paying for it. (EU37)

I've done that and he didn't pay me. It was my brother. It became a snow ball, I was slowly paying, paying the minimum amount, the minimum turned into maximum and my name was in the SPC (Credit Protection Service). (EU5)

At last, it was considered that the issue of credit restriction and what it represents to users of credit. Half of the interviewed admits to having delayed card payment and having credit restrictions as consequence. The majority of participants perceive a negative impact, and, even, the harm of this limitation: however, some affirmed to not be bothered by such situation, as Brazilian legislation does not allow for an individual to have credit restriction for over a period of 5 years.

It is terrible, closes many doors. It is worse than losing the job! (EU38)

It compromises your quality of life. (EU28)

It is a situation of pressure and you just can't do anything. And when you are in a need you have to ask someone else to buy for you because your name is dirty. It's really annoying. (EU16)

You can even lose your job for this reason. I think this is absurd. You can't move on with your life. (EU12)

It's terrible, you lose your credit, your name gets dirty. (EU3)

It's very sad, it's horrible having to ask for someone else's credit card. (EU9)

It is annoying, but I know that in 5 years your name gets clean again. (EU8)

I was relieved because I couldn't buy anymore, but it is bad in case of an emergency. (EU31)

8. CONCLUDING REMARKS

Public policies of credit stimulus made possible a series of benefits to Brazilian low-income population, and became a crucial part of a series of measures of economic stimulus. As a consequence to this process, the perception of the market was quick, making the expansion of credit offer to low-income public to be raised considerably and fast. According to the idea of Bottom of the Pyramid, the corporations of the financial sector perceived they could increase profits by increasing the use of credit by the "new middle class" in Brazil – providing credit so 130 million Brazilians could join the consumer society.

This study aimed to evaluate the advantages and vulnerabilities attached to the facilitated access to credit by low-income people in Brazil. Through open interviews, it was possible to investigate the relation of this group with credit.

According to the analyzed data, it was perceived that the easy credit induced increased consumer demand by low-income population. This, however, does not guarantee the payment for the product or the acquired service. By the gathered statements during the research, it is possible to infer that their debt is, initially, of small amounts, and accumulates until the point in which the capacity of response of the credit card user is not enough.

As a result of increased default, the tools to avoid it are high interest rates. What can be perceived while working with a population with a low level of education is that there is awareness that the rates and charges are high, but it isn't known their real value and the real impact in the family budget. Here, we observed a clear contradiction between both sides of the table, with credit providers disagreeing with credit takers, arguing that all rates applied are informed.

Credit card users that become indebted and with credit restrictions, appeal to the closer social network to keep making use of credit benefits. To achieve advantages such as payment in installments, those consumers make use of credit cards from relatives and friends, counting with the fact that in Brazil, credit restrictions cannot legally

last more than 5 years. Payment of the minimum amount of the bill, combined with the payment in many installments is also responsible for the continuous increase in expenditures and debt.

Another aspect to be assessed refers to the credit limit provided to the user. The existence of automatic increase in credit limits, well above the user payment capacity, incites the exaggerated expenses behavior and may conduct the population to situations of severe insolvency.

Making credit available to low-income population has also a factor of democratization, providing the same service to multiple levels of income within the society. However, the effects of payment default have a very different effect between levels of income, with low-income population becoming entrapped in snowballing interest rates, which, in Brazil, are, on average, of 300% a year.

Therefore, with the misinformation around the rates and charges applied, the illusion over the real nature of payment in long term installment, the irresponsible and masked automatic raise in the credit limits, and the facilitated access, added to the government desire of seeing consumer demand as the main stimulus to economic growth, there is a setting where the population debt increases continuously, while looking to purchase goods which many times they don't need, but which are now within their reach. While much criticism can be made over the implications of this phenomenon to the society as a whole, certainly, the cruelest side occurs amidst the low-income population, which increases their financial dependency while attaching their lifestyle to a continuous cycle of fees, charges, and interest rates, month after month.

As an exploratory research, this paper was able to assess a series of questions connected to the new setting of credit users in Brazil. Therefore, it could also permit to open the field for new studies, with more diffused samples and with the possibility of creating an instrument of quantitative data collection to measure the advantages and vulnerabilities of this form of credit access.

REFERENCES

- ASSOCIAÇÃO BRASILEIRA DAS EMPRESAS DE CARTÕES DE CRÉDITO E SERVIÇOS (Brasil). ABECS. Available at: <http://www.abecs.org.br/novo_site/>. Access in: 18 jul. 2014.
- BANCO CENTRAL DO BRASIL. Evolução recente da inadimplência no crédito a pessoas físicas. Relatório de Inflação. Banco Central do Brasil, março, 2014. Available at: <http://www.bcb.gov.br/htms/relinf/port/2014/03/ri201403b4p.pdf>. Access in: 20 jul. 2014.
- BARONE, Francisco Marcelo; SADER, Emir. Acesso ao crédito no Brasil: evolução e perspectivas. Rap - Revista de Administração Pública. Small business através do panóptico, Rio de Janeiro, v. 42, n. 6, p.1249-1267, nov/dec. 2008.
- BAUDRILLARD, Jean. A sociedade de consumo. Rio de Janeiro: Elfos, 1995.
- BAUDRILLAR, Jean. The Consumer Society: Myths and Structures. Sage, London, England, 1998.
- BRUNNER, Thaís. O contrato de cartão de crédito à luz do Código de Defesa do Consumidor. Jus Navegandi. dez 2003. Available at: <<http://jus2.uol.com.br/doutrina/texto.asp?id=5079>>. Access in: 03 jul. 2010.
- CESAR, Breno Lenz; MACHADO, Maria Augusta Soares; OLIVEIRA JUNIOR, Hime Aguiar e. Sistema de Apoio à Decisão na Concessão de Crédito Pessoal Usando Lógica Fuzzy. In: III SEGET - Simpósio de Excelência em Gestão e Tecnologia. Resende, 2006. Available at: <http://www.economia.aedb.br/seget/artigos06/403_SEGET-Breno-Formatado.pdf>. Access in: 19 jul. 2014.
- DARCY, Sérgio; SOARES, Marden. Democratização do crédito no Brasil: atuação do Banco Central. Brasília: BCB, 2004.
- FERRAZ, Camila de Araújo. Agentes de Crédito e Sustentabilidade: Um estudo de metodologias em Instituições de Microfinanças. 2007. Trabalho de Conclusão de Curso (Graduação em Economia) - Universidade de São Paulo.
- FREITAS, M.C.P. Os efeitos da crise global no Brasil: aversão ao risco e preferência pela liquidez no mercado de crédito. Estud. av. vol.23 n 66. São Paulo, 2009.
- FUSTAINO, Joanna. O Consumo de Crédito no Mercado de Baixa Renda: Fatores Contribuintes para o Aumento das Dívidas. 2009. 107 f. Dissertação (Mestrado) - Departamento de Faculdade de Gestão e Negócios, Universidade Metodista de Piracicaba, Piracicaba, 2009. Available at: <<http://www.unimep.br/phpg/bibdig/pdfs/2006/GKGXMXFRVWEL.pdf>>. Access in: 18 jul. 2014.
- G1. Cartão de Crédito é principal dívida das famílias. Seu Dinheiro, São Paulo, 2013. Available at: <http://g1.globo.com/economia/seu-dinheiro/noticia/2013/12/cartao-de-credito-e-principal-divida-das-familias-mostra-pesquisa.html>. Access in: 20 jul. 2014.
- MONTEIRO, João Marcos Alencar Barros Costa. Articulando a Legalidade. O cartão de crédito e o endividamento do consumidor. 04 fev. 2009. Available at:

- <http://articulandoalegalidade.blogspot.com/2009/02/o-cartao-de-credito-e-o-endividamento.html>.
Access in: 08 jun. 2014.
- NUNES, José Ricardo da Silva. Cartões de Crédito: Lobos em Pele de Cordeiro. Rio de Janeiro: E-papers, 2000. 136p.
- INFOMONEY. Número de cartões supera os 704 milhões, mais de três por habitante. Infomoney, São Paulo, p.1-2, 22 may 2012. Available at:
< <http://www.infomoney.com.br/minhas-financas/cartoes/noticia/2442691/numero-cartoes-supera-704-milhoes-mais-tres-por-habitante>>. Access in: 10 jul. 2014.
- PARENTE, Juracy; LIMEIRA, Tânia M. V; BARKI, Edgard. Varejo para a baixa renda. Porto Alegre: Bookman, 2008. 197 p.
- PAZZINI, F.L.S.; ROGERS, D.; ROGERS, P. Análise dos fatores que influenciam na concessão do limite de crédito: uma aplicação prática. 2007.
- PRAHALAD, C. K. A riqueza na base da pirâmide: como erradicar a pobreza com o lucro. Tradução de BAZÁN Tecnologia e Lingüística. Porto Alegre: Bookman, 2005. 391 p.
- PRAHALAD, Coimbatore; HART, Stuard. The Fortune at the Bottom of the Pyramid. Estratégia & Negócio, v. 1, n. 2 jul/dec 2008.
- REA, Louis M.; PARKER, Richard A. Metodologia de Pesquisa: do Planejamento à Execução. São Paulo: Pioneira, 2000.
- ROBERTS, J. Compulsive buying among American college students: an investigation of its antecedents, consequences, and implications for public policy. Journal of Consumer Affairs, 32, p. 295–319, 1998.
- SBICCA, Adriana; FERNANDES, André Luiz. Reflexões sobre o comportamento do consumidor e o cartão de crédito no Brasil. Economia & Tecnologia. v. 25, n. 07, apr./jun. Curitiba, 2011.
- SOUSA, A.F.; CHAIA, A.J. Política de crédito: uma análise qualitativa dos processos em empresas. Caderno de Pesquisas em Administração, v. 07, n 3, jul/sep. São Paulo, 2000.
- SOUSA, Katsuk R.; PINHEIRO, Valéria F. A política de crédito do Governo Lula, no período de 2003 a 2010. II Colóquio Sociedade, Políticas Públicas, Cultura e Desenvolvimento, 2012. Available at:
<http://www.urca.br/coloquioeconomia/IIcoloquio/anais/trab_est_pol_pub_bra_ident_lim_nov_possib/2.pdf> Access in: 10 jun. 2014.
- WRIGHT, James Terence Coulter; SPERS, Renata Giovinazzo; CASTRO, Helena S. F. Mapeamento do potencial da população de baixa renda no Brasil: uma análise do setor de crédito e de bens de consumo. In: XI SEMEAD Seminários em Administração FEA/USP, 2008, São Paulo. XI SEMEAD Seminários em Administração FEA/USP, 2008.