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Brazilian Credit Unions banking potential during COVID-19 pandemic

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Abstract :

The expansion of the financial and credit system is fundamental for the economic and social development of Brazilian municipalities. The democratization of access to credit and banking services configures a challenging scenario for the National Financial System (SFN), especially in poorer and isolated municipalities, with a prevalence of rural population. In this sense, the National Cooperative Credit System (SNCC) stands as a potential agent for banking and meeting the needs of these people, insofar as it acts as an instrument of financial and social inclusion.

Despite the economic downturn and the closing of commercial establishments in Brazil during the Covid-19 pandemic, cooperative financial institutions continued to expand their physical service structure. In the period between March 2020 and February 2022, the National System of Cooperative Credit recorded an increase of 1,182 cooperative service stations (PAC), totaling 7,376 service units in the country, which represents a growth of 19.08%.

Credit Unions also extended their coverage area, offering access to credit and financial services to 204 new municipalities, totaling 2,890 Brazilian cities which have an option for financial and credit system to offer their population. The phenomenon contrasts with the reality of other institutions of the National Financial System, which have reduced their service structure in recent years. According to data from the Central Bank of Brazil, the number of branches closed during the Covid-19 pandemic reached 2,394, with 88 Brazilian municipalities running out of in-person service units of these financial institutions. The regions that suffered the greatest impact in this sense were the Northeast and South, with 40 and 24 municipalities without service, respectively. This reduction indicates a movement that has been repeated in recent years and reinforces the importance of credit unions for the local and regional socioeconomic development of thousands of Brazilians.

Keywords: banking, financial services, credit access, social inclusion, growth