Is financialisation of everyday life different in developing and emerging economies? A mixed-method study of financial inclusion in Brazil

Abstract

Financial inclusion in developing and emerging economies has been pushed by international organisations as a solution to poverty alleviation and income inequality reduction. However, such policies often fail to recognise macroeconomic conditions and market structures of developing and emerging economies, such as the currency hierarchy, bank concentration, and the labour market composition. These characteristics may lead to an environment of high interest rates, high insurance premiums and low savings, which may offset the expected development benefits of financial inclusion. Moreover, income shocks due to informality conditions may also lead individuals into arrears or defaults, pushing the poor into a debt trap. This article contributes to the debate on financialisation of everyday life by providing mixed-method evidence on the relationship between financial inclusion, poverty and income inequality using Brazil as a case study. Based on semi-structured interviews of 30 participants in urban and rural areas in the country, this investigation relates macro- and meso-level data to the perceptions of low-income individuals.

Keywords: financialisation of everyday life, financial inclusion, mixed-methods, Brazil

JEL classification: B5, G5, J4, O2

1. Introduction

Financialisation of everyday life has received recent attention within the financialisation literature. However, existing case studies focus on developed countries and asset-based welfare, in particular regarding homeownership, savings and pensions (Hillig, 2019; Lai, 2018; Langley, 2006; Martin, 2002; Pellandini-Simányi et al., 2015; Smith et al., 2004). In developing and emerging economies (DEEs), however, everyday financialisation has been pushed as a developmental policy, namely financial inclusion (Aitken, 2013). This paper delivers a mixed-method case study of Brazil in order to answer two questions about FI in DEEs: (i) Do macroeconomic conditions influence individuals' access to and usage of financial services? (ii) How do macroeconomic constraints undermine FI's development goals?

Financial inclusion (FI)[1] has been promoted as a poverty and income inequality reduction policy by international organisations and local governments (Banco Central do Brasil, 2018; Bank for International Settlements, 2012; Dabla-Norris et al., 2015; World Bank, 2014). Unlike microfinance, where the focus was on micro-firms and entrepreneurs, financial inclusion also targets households. The main argument is that, through access to and usage of the formal financial system, poor individuals can overcome poverty by investing in human capital and business, as well as smoothing consumption over time (Akotey and Adjasi, 2016; Ehrmann and Ampudia, 2017; Li, 2018). In turn, income inequality can be narrowed as the income surplus of the rich will be channelled to the poor, who will be able to invest and boost their income (Aslan et al., 2017; World Bank, 2014).

These policy studies, however, fail to address the macroeconomic conditions and market structures of DEEs and their impact on promoting finance to the poor. First, DEEs display high levels of labour market informality, which constrain the potential positive effects of FI both from a demand- and supply-sides. Second, DEEs have fundamentally higher interest rates than developed countries due to their lower positions in international currency hierarchy. Finally,

concentration in financial markets in DEEs is common, which may also increase interest rates and other financial services' fees.

This article contribution is twofold. First, it introduces a Post-Keynesian analysis of FI, which has not been proposed in the FI literature so far. Second, it analyses the case of Brazil through mixed methods, adding to the literature of financialisation of everyday life. The article is divided into four sections. The section after this presents the hypothesis that macroeconomic conditions are fundamental in order to understand FI in DEEs. Section 3 combines existing quantitative research of FI to our semi-structured interviews. The final section concludes.

2. Macroeconomic conditions and market structures

Three main macroeconomic conditions and market structures influence the impacts of FI on poverty and income inequality reduction in DEEs: (i) the labour market structure, (ii) the international monetary and financial system, and (iii) the oligopoly structure of national financial markets.

First, unlike in developed countries, where wage employment is the norm, workers in DEEs are often in the informal labour market. Figure 1 displays the share of informality by country. As we notice, DEEs have a higher share of informality than developed countries. In Africa, 85.8% of employment was informal in 2016, followed by Asia and the Pacific (68.2%), Arab States (68.6%) and the Americas (40%) (ILO, 2018).

Figure 1 here

A large informal sector has two implications to FI. From the supply side, increasing credit to informal businesses leads to an expansion of low-productivity micro-enterprises with high failure rates, which pushes prices down and generates over-indebtedness (Bateman and Chang, 2012; Schicks, 2014). From the demand side, informal workers often do not have collateral or regular income. Therefore, they are considered high-risk clients, and banks charge higher premiums to offer financial services (Lavinas, 2018). These risks are perceived in all elements of FI: bank account may be denied as the individual may not be able to afford the monthly account fees; credit may be declined or incur very high interest rates; and insurance premium increases as pay-outs may occur more often. In sum, under these circumstances, FI as a poverty reduction tool may be undermined.

A second macroeconomic condition regards the "subordinated position of the DEEs in a hierarchic and structured international monetary and financial system" (Bortz and Kaltenbrunner, 2018, p. 382). According to the currency hierarchy hypothesis, the low value of the currencies of DEEs influences the higher base interest rates in comparison to countries with hard currencies, i.e., US dollar, Euro, Yen and Swiss franc, as "international investors demand a premium which takes the form of an increase in the nominal interest rate to compensate for the risk of moving to an unstable currency" (Carneiro and Rossi, 2013, p. 6). This argument stems from the Keynesian assumption that assets have a liquidity premium, i.e., a value for their convenience and security, which is included in the final rate of return on these assets (Keynes, 1997 [1936]). Considering national currencies as assets, in which "each currency in the world earns a specific non-pecuniary rate of return" (Herr, 2008, p. 129), the more convenient and secure the currency, the lower its interest rate. The currency premium then represents its respective quality in the international market. This difference in quality generates a hierarchy among currencies, in which low-ranked currencies are forced to offer higher interest rates to maintain demand (Becker et al., 2010; Conti et al., 2014; de Paula et al.,

2017). Thus, fundamentally higher interest rates in DEEs also push loan interest rates upwards, contributing to over-indebtedness and undermining the efforts of poverty reduction through financial services.

Finally, financial market concentration can also influence the access to and usage of financial services by the poor. Bank concentration averaged 75.48% in 91 DEEs in 2017 (World Bank, 2020).[2] The concentration level varied from 18.39% in Nepal to 100% in several countries, including the Gambia, Myanmar and Turkmenistan. Larger economies, such as South Africa and Brazil had 76.18% and 69.79% bank concentration, respectively.

From a Kaleckian approach, the bank industry can be considered an oligopolistic market, as banks set lending interest rates in the same way oligopolistic firms set prices, i.e., aiming to maximise profits and not based on demand factors. The interest rate of loans is determined by the mark-up (spread) over the "cost of funds", which in the banking industry is the interest paid on deposits plus the interest paid on borrowed funds. This mark-up is determined, in turn, by the degree of monopoly or the profit margin of the bank (Khemraj, 2010; Rousseas, 1985). In this way, countries in which for-profit financial institutions have a large share of the market will be likely to set a higher mark-up on loans. In 2017, DEEs' commercial banks had a lending-deposit spread of 8.21% in average, in contrast to the 4.27% in developed countries (World Bank, 2020).

This mark-up theory can be also be transposed to other financial products, such as bank accounts, debit card replacement and transactions costs, as the oligopoly power of banks enables them to increase prices of basic services. In this way, we can assume that the large concentration of for-profit financial institutions in DEEs will make access to finance more expensive than in developed countries.

If base interest rates are inherently higher in DEEs due to their low-quality currencies, and the high levels of bank concentration increases the mark-up on financial services, it is likely that for-profit financial institutions will offer credit with high interest rates. Adding to this, the poor in DEEs, mostly part of the informal labour market, will have an added premium in loan interest rates due to their riskiness. This means that the access to and usage of financial services to the poor, when done through for-profit financial institutions, will not be a valid instrument to reduce poverty or income inequality.

On the contrary, charging high prices on financial services and loans may increase poverty as individuals may allocate their income from basic consumption needs to financial services. Moreover, as the income stream of for-profit financial institutions arises from the fees and interest rates, higher prices will transfer income from the poor worker to the rich rentier. This financial expropriation is also key element of financialisation (Lapavitsas, 2009; Moura, 2016).

In a nutshell, high labour market informality, the low position in the currency hierarchy and the bank concentration in DEEs must shape how FI policies are elaborated in order to avoid increasing poverty and income inequality.

3. Financial inclusion in Brazil

Acknowledging these structural conditions in DEEs, this article presents a mixed-method study of the case of Brazil. Mixed-method triangulation is useful in development economics as it allows researchers to have a deeper understanding of a phenomenon and its potential effects (Downward and Mearman, 2007; Kaltenbrunner, 2018; Karacimen, 2015). In this article, we link the results of statistical data and the perception of participants of the qualitative study. The semi-structured interviews were conducted between April to July 2019 in the region of Minas

Gerais, Brazil.[3] The 30 selected individuals had an income close to or less than the national minimum wage (R$1,000).[4,5]

We split this section in three parts. First, we discuss the role of informality in owning bank accounts, purchasing insurance and building up savings. Second, we focus on how informality, the currency hierarchy and bank concentration impact on credit to the poor and, consequently, indebtedness. Finally, we link these issues to the claimed benefits of FI, i.e., poverty and income inequality reduction, and discuss the role of public banks in promoting FI to the poor.

3.1 Bank accounts, insurance and savings

One of the objectives of FI is to ensure bank account ownership to all individuals. This would allow access to further financial services, such as insurance and savings. However, this approach disregards some key aspects of the labour market informality that influences the access to and usage of formal financial services in DEEs. First, informal workers may not need a bank account, as income is low and irregular, and payments are often made in cash. Second, the lack of income does not allow poor informal workers to purchase insurance or build up savings, as all income is used for basic consumption needs.

Informality and unemployment have risen in Brazil since late 2015 due to an economic slowdown and government change. Figure 2 displays the unemployment downward trend until 2014 and its shift from 2015 onwards. The rise in unemployment has led workers into informality, overcrowding the informal sector. In Figure 3, we see the upward trend of informality rates in Brazil.

Figure 2 here

Figure 3 here

This recent worsening labour market conditions was felt by nine participants in our study. Participant 2 (P2), for instance, claimed that the end of tourism boom after the World Cup in 2014 caused her to be downgraded from head cleaner to a self-employed cleaner in the hotel she works. Others, such as P14, a former kitchen assistant was fired and became a self-employed waster picker in a cooperative. Similarly, P12 used to work as a cashier in a supermarket but, due to long-term unemployed, she became a self-employed hairdresser.

These examples suggest that self-employment is often the last resource of workers. Of the 20 participants in the labour market, 12 were informal workers, especially on low-skill occupations, such as cleaning, hairdresser, sales and construction. This supply shock generates extreme competition in labour market, which was noticed by some participants. As put by P11, a pensioner who performs sporadic work as hairdresser (*bicos*), "nowadays there are too many people [working on it], so for me it is complicated". This competition put a downward pressure on wages and profits, which in turn may increase poverty levels (Bateman, 2014; ILO, 2009; Taylor, 2012). Figure 4 shows how self-employed workers in our sample earn, in average, less than formal workers, as there is no minimum wage floor. While the average of formal workers was R$1,000, informal workers reported average earnings of R$836.

Figure 4 here

From a demand-side, being in the informal sector reduces the need for formal financial services, especially bank accounts, "as I am not working [anymore], I can't put money there. So, I don't use it. But I didn't close it" (P15). Unlike formal workers and pensioners, who often

receive wages and benefits through a bank account, self-employed and unemployed workers are usually paid in cash. Participants use banks "the less I can. […] as I am self-employed, I already pay [the debts] in cash" (P2). Those who receive benefits, such as the conditional cash transfer *Bolsa Família* (BF)[6], report to use it only once a month: "when it is possible to withdraw everything, I do it, so I can solve things" (P14) and they "prefer to use cash. I don't know if it is true, but they say every time I use my card, they discount R$2. Therefore, I already withdraw everything at once!" (P11).

Besides the low income, irregular income streams create uncertainty, which discourages individuals from acquiring further financial services, such as insurance. While pensioners and formal workers "think like this 'well, I can do this commitment. If I can't pay, I will have to take from the money that I earn'. Even if he gets tight, eat less rice, less bens, no rice, no beans" (P26), informal workers need to be careful: "today you are working, tomorrow you don't know. So today you earn a salary, tomorrow you don't know" (P2). For instance, despite acknowledging the importance of health insurance, they "haven't done yet, precisely because of the income, which is low. There are times that it sells well, there are times that doesn't. We are scared of doing a commitment like this, and I can't do it now" (P22). Thus, "usually those who have health insurance are the ones with signed [formal] contract. The company has an agreement with someone else, INSS… [but I don't] because I am not working formally. And to pay a health insurance without working and without being sick [it is not worth it]" (P30).

Similarly, the lack of money constrains savings to the poor. While half of participants claimed saving money (Figure 5), self-employed workers only manage to save low amounts for everyday needs: "if I have to buy a bit of sand [for constructing a house], I keep some small amount. It is not really saving; it is the necessary. The wage doesn't allow [me] to buy things" (P10). For those "who earn the minimum wage, we end up spending everything. Sometimes, if we do keep [money], it is R$100, it is money that is there for emergencies. For example, if we

need something, gas[7], something fast, you have it there” (P1). However, “there are times by the end of the month that there is not R$1 to spare” (P10).

Figure 5 here

These results are consistent with a Central Bank study that shows that about 57% of savers in Brazil had less than R$100 (Figure 6). In turn, 3% of the population saved more than R$30,000 in 2017. This concentration of savings also suggests that, in an environment of high interest rate, the savings-rich earners will benefit more from the financial system. In 2017, the deposit rate was 6.6% a year, and lending rates reached up to 299% (Banco Central do Brasil, 2020). This discrepancy means that the poor will pay a high premium for debts, while the rich will earn high returns on savings. Moreover, financial institutions appropriate most of this spread in the form of profits, thus boosting the income of shareholders. Thus, in an environment of low income and irregular income streams, increasing FI of the poor may lead to income inequality, as we will discuss next.

Figure 6 here

Overall, we notice that formal employment and use of financial services are intrinsically related. This must be considered when promoting FI to the poor, especially informal and unemployed workers, as the need for bank account and insurance may be reduced and the prospects of savings is low.

3.2 Credit and indebtedness

As presented before, macroeconomic conditions and market structures shape the local financial market in DEEs. In Brazil, the international monetary system and bank concentration may explain the high interest rates charged to customers. Furthermore, informal workers and the unemployed are charged a further premium due to their riskiness. Expensive loans, in turn, lead to over-indebtedness of poor workers, and we demonstrate it through our case study.

Brazil, as other DEEs, exhibits a subordinate position in the international currency hierarchy (Bortz and Kaltenbrunner, 2018; Kaltenbrunner and Painceira, 2015, 2018; Trancoso Baltar, 2015). The low quality of the Brazilian Real creates a low demand for the currency, which is balanced by the monetary authority through increasing base interest rates. By adding a premium to the interest rate differential to core currencies, Brazil is able to attract foreign investors. This financial integration policy has been key to the Brazilian government since the 1990s, which includes reductions in capital controls and new policy-friendly rules toward foreign investors (Prates and Cintra, 2007).

Added to the high base interest rates, interest spread in the country is also above other DEEs'. In Brazil, average spread has slightly reduced between 2000 and 2017 in -1.23 percentage points (p.p.) (Table 1). Yet, the country displays around 30 p.p. above the median interest rates of other DEEs, which suggests that other factors may contribute to such a spread.[8] Thus, fostering FI policies in Brazil may have a stronger pervasive effect than other DEEs.

Table 1 here

One explanation for this phenomenon is the high concentration in the credit market. From a Kaleckian perspective, banks can be considered oligopoly industries, where the interest rate

spread is the mark-up of the financial institution over the costs (interests paid on deposits and on borrowed funds) and it is determined by the degree of concentration. We suggest that fees for other services, such as bank accounts, are also inflated by the lack of competition. In 2017, the five largest banks accounted for 85.9% of loans (Banco Central do Brasil, 2017) and 83.37% of total commercial banking assets in 2017, displaying an increase over the years (Table 2).

In our research, most participants consider interest rates “high” (P3, P5, P8, P14, P17, P22, P24, P25, P27, P28, P29), “absurd” (P4, P12) and even “abusive” (P2, P16, P19 and P23). Some claim that, “in a way, they [banks] take advantage of people’s needs, they have abusive interest rates. Then a lot of people in their innocence, in a moment of despair, end up falling for it” (P2). For P29, “the problem of the bank […] is that the interest is very high. So, if you delay one day, it is over. Then you get desperate, because they will throw a lot of interest on me”. Therefore, they consider banks “sort of thieves. The interest is too high, other things [also] super high. […] They may say they don’t steal, but we know they do. Super high interests, […] abusive. You take a R$2,000 loan, when you realize, in the end, you paid R$5,000. They should offer and supply you with what the propose. Like, it is a R$2,000 loan? Could be, like, R$2,500, to take their share. But to take R$2,000 and pay R$5,000 in interests I think it is unnecessary” (P19).

Table 2 here

Breaking these interest rates by credit type, we notice that there are strong differences depending on the employment status. As we see in Table 3, the cheapest credit lines are payday loans[9] to public officers and pensioners (i.e., regular income earners) and vehicle purchase credit. In contrast, non-payday loans, credit card rates and overdrafts display the highest interest rates in the credit market.[10] As long-term loans are inaccessible to self-employed and unemployed workers, they recur to short-term loans, in particular credit cards and overdrafts, whose interest rates are incompatible to their earnings (Costa et al., 2018; Paim, 2015).[11]

Table 3 here

Unlike formal workers, the self-employed and unemployed do not have access to cheaper lines of credit. Benefit holders, despite having a regular income stream, can be divided into two groups. The first one is constituted of those who receive a minimum wage pension, such as retired or disabled workers. The second includes those who earn lower benefits, particularly the BF, which are usually around 1/3 of the minimum wage (in our sample, the average was R$379). The first group has access to similar loan conditions than formal workers, while the second group must recur to higher interest rate loans. This constraint is reported by participants, as P14, an unemployed mother of nine, who said she would not even apply for a loan because "I won't get it. If I do get it, how am I going to pay? The money from BF is just for food and gas. There is not even money left to buy clothes to my boys".

This finding partially contradicts the hypothesis that government benefits, such as pensions and the BF, are a sort of collateralization in financialised capitalist economies, in order to push FI to poor individuals (Lavinas, 2018). In fact, a survey shows that, despite being more numerous, BF recipients have less access to credit in comparison to other benefit holders and their credit

penetration rate has dropped over time (Table 4). In turn, holders of minimum wage benefits display an increase in indebtedness. Thus, we suggest that, for regular income stream to be considered collateral for loans, it must overcome a certain survival threshold – which is not the case of BF.

Table 4 here

Due to the high interest rates, most participants who have borrowed from formal financial institutions were unsatisfied. They consider that overdrafts are "not worth it. […] They lend you the money automatically, you get it on the ATM, arrive and choose. The machine offers you. It can lend you R$1,000 today, but tomorrow you are already owing R$3,000 to the bank. Overdrafts are not good" (P6). Others consider loans to be "horrible. Too many interests, too high. I asked for R$1,000 and paid almost R$5,000. I paid every month for two years, R$250 a month. […] I said, 'never again'" (P4).

The concept of over-indebtedness is open to debate, as there are different approaches on how to measure it. We follow the definition that over-indebtedness occurs when individuals must make sacrifices in order to comply with repayments, such as cutting on food, as well as becoming impoverish through debt (Afonso et al., 2017; Guérin et al., 2013; Guérin et al., 2018; Schicks, 2014; Schicks and Rosenberg, 2011). Within this framework, a third of participants can be considered over-indebted as they claimed working more hours (P8, P26, P29), cutting on food (P2, P10, P12, P18, P19), reducing/not paying utilities (P4, P18) and selling assets to repay the loan (P24, P25).

Besides the high interest rates, an important driver of over-indebtedness is an income shock, such as unemployment or sickness.[12] Some participants, for instance, stopped paying credit

cards statements because "the firm sent me away, so I had to sell some goods I had in order to repay [the debt]" (P25), but "it was not because I acted in bad faith, it was because there was no time. I got unemployed. So, I made a plan, and everything went wrong" (P4). Likewise, P14 purchased a sound system through instalments while formally employed but, after made redundant, was unable to keep repayments. According to her, the store called to negotiate the debt, but she "didn't have the money to pay. I was sad, because I didn't have the money to be able to pay. When I asked how much I owed, they said I was owing R$5,000, but I bought it for R$1,000 when I was working. I told them that I could go back to the shop when I was working again. But I haven't got a job until today. I am unemployed. It is hard to find a job. I have already signed up, handed out CVs, but no one calls me back". These examples show that, while a steady income stream may facilitate loans, as it acts as a collateral to banks, it may lead to a debt-led consumption, as has been reported in the microfinance literature (Guérin et al., 2018; dos Santos and Harvold Kvangraven, 2017; Schicks, 2014).

Two extreme over-indebtedness cases were reported in our interviews. First, P11, a widow and mother of two, suffered an accident that incapacitated her to work. She reported having outstanding loans "with Caixa, [...] with this BMG[13], then, with another financial institutions that I went, they said it was called Olé,[14] but I never even heard of this bank". All these loans were on a payday basis, as she receives a minimum-wage pension due to the early death of her husband. Most of her loans were for building a house, as her family was previously living on a plastic tent. Of her R$1,000 monthly benefit, R$400 is withheld by Caixa. She said it was "her dream" to pay these debts in full, "but for me there was no way [...]. It was either paying [...] or leaving my children hungry".

Second, a craftswoman from the rural area, P24, claims she has paid over R$40,000 in interest rates to Itaú over 20 years. In 1996, she took a R$700 loan from BEMGE[15] to purchase supplies for her business. She had paid half of the loan, when she "suffered a disease I was not expecting

at the time, so the raw material wasn't even used. I didn't even work with what I had invested, therefore I couldn't [repay], and delayed the instalments. […] At the time I was very sick, in a wheelchair, […] and I had no other help. So, I had to deal with it myself, sold what I had, sold my house, sold my goods to treat the disease, to pay for the delayed bills and trying to pay the loan. But it didn't work out". When she tried to negotiate "this amount of R$700, it was R$29,000! And it was interest on interest, and I couldn't solve it. I would go there, negotiate again, started paying […] but if I delayed, they would tell me I had to do a new contract". Therefore, she has "decided that I will no longer pay for this. I am being a slave to this bank, I feel like a slave of this bank".

Our findings suggest that the DEEs' subordinated position in the currency hierarchy and bank concentration may increase interest rates. Along with informality and unemployment, this environment of high interest rates can push the poor into over-indebtedness, undermining the claimed positive effects of FI.

3.3 Poverty, income inequality and the role of public banks

Acknowledging the imposed macroeconomic constraints on FI in DEEs, we investigate the hypothesis that the policy reduces poverty and income inequality. Thereafter, we address alternative solutions, focusing on the role of state-owned banks.

3.3.1 Poverty and income inequality

In our case study, interviewees did not believe that poverty was a result of a lack of financial access. In fact, many participants considered that banking could increase poverty. For them, the roots of poverty were mainly three: income inequality, bad institutions and individual responsibility.

First, one third of participants considered that income inequality was the main cause of poverty. While a person “who is born in a golden crib is not to blame for poverty” (P2), “if the big one had more love in their hearts, the little ones would not suffer so much” (P9). P3 illustrates this inequality through his work experience. As a glassmaker, he visits different types of houses and “you go through certain places that are very poor, but if you go to a gated community, with houses that for you to go around the house, you get lost”.

Inequality is, however, considered a societal tradition, and participants felt that there was no solution for it. For them, “the money is poorly divided. And this is not from now, it is since they discovered Brazil” (P30). It is a “chronic problem, [which could be solved by] dividing income. If the income in the country was divided with more humanity, some wouldn’t earn as much as they do, and other wouldn’t earn almost nothing. This is the problem of Brazil, and everyone knows it. Everyone who reads knows that the problem in Brazil is income distribution” (P26). Thus, “this is the reality of our life. This goes from generation to generation; this is the reality. That’s poverty, and you can’t outrun poverty. The day you do, it is only the day you die. Then you outran it. But, yet, you will create problems for who is left, because they have to bury you. This is the reality, there is no way of overcoming it” (P17).

While high income inequality has been a long-term feature of Brazilian society (Fishlow, 1972), programmes to tackle income inequality were introduced in the past two decades. These, however, may display a “distributional ratchet” effect, that is, improvement tends to be temporary but deterioration tends to be more permanent (Palma, 2011; Palma and Stiglitz, 2016). In fact, a study using tax information found that, in Brazil, income concentration in the top has remained stable from 2006 to 2012, despite the reduction in income inequality in the bottom and middle of the income distribution (Medeiros et al., 2015).

Since 2015, however, income concentration and poverty have been worsening in Brazil (Neri, 2019). From 2012 to 2018, total real monthly household income increased 60.49% (Table 5).

The bottom 40% had an income change of 55.17%, while the top 10% had an increase of 61.04%. The quintile change was, however, disproportional. The bottom 10% had an increase of only 34%, while those between the 30-40% had a 59% increase in income. Finally, income concentration of the top 10% reduced from 2012 to 2015 but reached its peak of 43.12% in 2018.

Table 5 here

From a micro-level perspective, an individual in the bottom 40% of the distribution earned monthly average of R$720 in 2018. This is very similar to the average income of our participants (R$742). In turn, individuals in the top 10% had an average monthly income of R$9,369, and the top 1% of R$27,744. This represents 13.01 and 38.53 times more than the average bottom 40% of the population. While these figures do not establish a causal relation between poverty and income inequality, it does demonstrate that participants had a clear picture of the magnitude of income inequality in the country and were able to draw conclusions on its effects on their daily lives.

The second declared cause of poverty was bad institutions, including government corruption, according to eight participants. As politicians "govern for themselves, not for the people" (P7), besides "stealing millions" (P30), funds for poverty alleviation are scarce. Nonetheless, if "the rulers would think more on the middle class and the poor, peripherical, class" (P12) or "if the government wouldn't steal so much" (P13), they believe poverty could be overcome. Therefore, "from everything the steal, if they would take some to solve a bit of poverty, it would be very nice" (P11), as "depending on the president that is there, if it is a good president, if he knows how to work properly, it would get better" (P29).

Finally, four participants thought that the individual responsibility, due to a lack of education or goals, would be cause for their impoverish situation. “If the person has some character and has the will to work, he can overcome [poverty]” (P17) and “if the person chases a better life, she could do it” (P25), even if “you can eat today, but not tomorrow, but you get by” (P17). While the government may be seen as a support, it is “also us. […] For example, today I am currently poor. I am not poor; I am just currently poor. Tomorrow, I can have a better situation, if I fight for it. We don’t have to die in poverty because we were born in poverty. We must have faith in god, work, fight and I am sure it will be solved” (P24).

In contrast, banking was not considered a key solution to fight poverty. In fact, participants often highlighted the limitations of access to finance in reducing poverty. For them, the policy success would depend on individuals’ income, financial skills and loan purpose. Otherwise, FI would lead individuals into deeper poverty conditions due to over-indebtedness.

On one hand, some considered that having access to banking could improve people’s income, as long as they had enough money and wage as “it is no use to have access to banking, but not having money, a high wage. Depends a lot on the wage. Because they look and if you earn R$1,000, how can you do a R$500 instalment? How will you eat, take a medicine, if you need to pay water, energy? There is no way, you can’t” (P1). Therefore, just having a bank account would not solve poverty, as “the person would have to have a job, a better dignity, in order to have some money” (P5), especially if there are no particular purpose for it: “how will he have a bank card? What for? To keep it the drawer? If he has no means to use it…” (P27). Thus, if “there is no salary, [the poor] will end up indebted” (P8). This can then lead to a bigger problem as “if it is to make debts, they will just be going in a hole. Like an armadillo! Just going in a hole and there is no way out” (P13).

On the other hand, 17 participants thought that access to banking would lead to an increase in poverty, in particular due to a lack of income and high interest rates. They believe that “the

poor without banking are better off" (P19) as they "already don't have anything. If we start with banking, [the situation] will get worse!" (P9).

The lack of income and the possibility of losing wealth over time is the first reason participants believe the poor would get poorer by using financial services. P21 thinks "she would get more [poor], because she will ask for a loan and won't be able to repay". If the poor "doesn't have employment, doesn't have work, how will she pay?". For them, "the economy of Brazil must get better, because it is useless for the bank to provide a loan, that he [the poor] won't be able to repay" (P26). Repayment problem may lead to destitution as "dealing with banks being poor is bad. If I get some money to build a house and don't pay it, I will lose the house" (P20).

The second reason, high interest rates, are also seen as impoverishing, as "the bank […] takes you out of suffocation and puts you into an even bigger one, because of the interests, the payment designs. Let's suppose, today you didn't manage to repay your statement. When next month starts, when you go to pay it, you will have to pay twice, and one of the statements will be almost double than it was before, because of interests. [...] So, if me, poor, didn't pay one, when it is the following month, you won't pay the next. […] It will become a snowball and that's it. You won't pay anything anymore, your name is dirty, you can't do anything anymore" (P16). Furthermore, "the banks steal so much, the person would deepen into bills, loans, cards…It would come to a point in which he would be suffocated and would not be able to afford it" (P18). In conclusion, "the bank will not come and say, 'take this money for you to overcome poverty', they won't do that. They could even bog you down deeper. Like, 'do a loan here, we will help you out. Do a R$200 loan'. In the end, it ends up being R$300, so it is not worth it" (P19).

The perception that banks make too much money also corresponds to reality. The increasing profits of the four largest Brazilian banks with stock market presence[16] has been extraordinary,

particularly in face of the recent economic slowdown (Figure 7). Since 2016, there has been a sharp increase in total profits, reaching R$73.208 billion[17] in 2018.

Figure 7 here

More precisely, from 2017 to 2018, Santander's had a profit increase of 24.56% (R$12.4 billion); Banco do Brasil of 22.18% (R$13.51 billion); Bradesco of 13.35% (R$21.56 billion); and Itaú only of 3.4% (R$25.73 billion). Services, including account maintenance and debit card replacement fees, showed an average increase of 6.83% (R$108.3 million) (Dieese, 2018). This suggests that, while interest rate charges are indeed high, other financial services also contribute to the increasing profitability of these banks.

The possible impoverishment through finance and the increasing profits from banks feeds back into the main perceived cause of poverty: income inequality. By expropriating the poor through high interest rate loans and expensive services, income shifts from the bottom to the top of the distribution. Alongside, potential over-indebtedness may lead to worse quality of life, such as reduction in food consumption, and even wealth destitution, as previously illustrated in our qualitative research.

Because of these potential drawbacks of FI, participants considered that a better solution for poverty reduction would be through improving employment conditions and public services (Figure 8).

Figure 8 here

For participants, in order to help the poor, the government should fund better health care and education, which could reduce these costs to the poor and improve their chances in the labour market, besides creating jobs and establishing higher wages. In sum, "just give a job to a person and she can handle on her own. For sure, the solution would be to create jobs, educational centres, something like that, to recover those people who believe they are no one in this world. Employment, the basics: health care, education. The least they deserve" (P7).

In conclusion, on one side, where the poorest receive less than the minimum wage but pay interest rates around 300% on credit card debts and overdrafts, it is reasonable to suggest that market-led FI will destitute indebted individuals. Moreover, fee-based bank accounts, which participants reported to be pushed by private banks, withhold a considerable sum of these individuals' income.[18] On the other side, this financial expropriation allows banks to increase profitability and growth, expanding their oligopoly power and furthering poverty and income inequality in the country. In this context, FI policies are likely to fail the poor.

3.3.2 The role of public banks

An alternative to the promotion of FI without the drawbacks of financial expropriation is the development of state-owned banks with a clear development goal, including a low profitability strategy.[19] While the World Bank (2014, p. 3) advocates that the public policy should only handle market failures and that "direct government intervention – such as directed credit, debt relief, and lending through state-owned banks – tend to be politicized and less successful", our results suggest that state-owned banks have been very effective in promoting FI to the poor.

In Brazil, the state-owned bank Caixa Econômica Federal has played a key role.[20] However, recent changes in governance has shifted previous developmental policies to a more profit-led

objective. Like private banks, Caixa has had increasing profits since 2017, reaching R$21.06 billion in 2019 (Figure 9).

Figure 9 here

This high profitability is a result of increasing income from fees, declining funding costs, and a restructuring process aimed at reducing labour costs that started in 2015 (Dieese, 2018). From the revenue side, part of Caixa's profits were from services and fees. Table 6 displays this type of income of the top five banks. As we notice, Caixa increased its income by 88% from 2012 to 2018, surpassing other private banks such as Santander and Bradesco.

Table 6 here

From the cost side, Table 7 shows the reversing of the previous upward trend in job creation, due to incentives to voluntary retirement programme, voluntary redundancy programme and the closure of 37 branches in 2017 and 2018 (Dieese, 2015, 2017, 2018).

Table 7 here

Despite this recent changes in governance, in our case study, 78% of account holders were clients of Caixa. The bank is considered a more accessible financial institution for low-income individuals and has been referred to as the "bank of poverty" (P2) since it "is more viable for us who don't own much" (P5). For them, "there are banks for posh people and banks for the

humbler ones. The bank of the poor and the bank of the rich. Caixa, for me, is more for the ordinary people" (P11). Moreover, "their accounts have a gratifying benefit to the poor. The other banks we can't do it. Caixa, how do I say it, is the bank of the poor. It is there where you receive unemployment benefits, PIS[21], these things, everything is at Caixa Econômica. Caixa or Banco do Brasil. [...] And it is a bank that when you open an account, let's suppose, you want to cancel that account, the fees are not so high. It is not an absurd such as Itaú, Bradesco, Santander" (P12).

Private banks, in contrast, are usually seen as expensive and less accommodating to the needs of the poor. In our sample, several participants decided to migrate from private banks to Caixa because of the high costs. At Santander, for instance, the experience "was really bad. They ate up a lot of money because it was a checking account and a salary account. Anyway, I opened it at Caixa, to save a bit of cash on the savings account" (P20). Likewise, at Itaú, "the financial costs were too high, so I couldn't keep the account at Itaú. I had to cancel and keep only Caixa, which is a savings and a salary account" (P4). In turn, at Caixa "if the money would be deposited on one day, you could let it to the next, without any costs. At Santander, no. If you leave it from one day to the other, they already take some of your money" (P20).

Private banks have also been reported to take advantage of some participants (P14, P21, P24, P26). The most common practices were pushing checking accounts instead of salary or savings accounts, and extra unrequested services or products.[22] To P26, a Santander employee "said, 'you must open a checking account', 'am I obliged to?', 'yes', so well, I didn't mind and opened it. But every month I was owing some money. [...] So I said, 'there is something sketchy about it'. [...] Wait a minute, I have a checking account and I am paying almost R$13 to have it?". For participants, the costs of keeping a checking account are too high: "you take R$25 off the minimum wage. If you think about it, R$20 is five packs of rice, of the worse rice" (P17). Bradesco, instead, added an unsolicited insurance policy to a loan made by P24. She claimed

her savings were reducing overtime and, when she spoke about it to a bank officer, “he said ‘it must be because of the insurance’. But I didn’t hire any insurance! So, they were cashing in, he said. [...] It took the little money we were saving”. These findings are in line with other studies who have also reported capitalisation on the most vulnerable individuals in Brazil, which suggests that these are common occurrences (Reymão and Oliveira, 2017; Santanna, 2019, chap. 6).

To conclude, our findings suggest a recent shift from the development goal of Caixa’s FI policies to a profit-led strategy. While Caixa is perceived as the “bank of poor”, it still has room to reduce spread and fees, in order to promote an FI policy that does not expropriate the poor.

4. Conclusion

This article proposes the hypothesis that financialisation of everyday life in developing and emerging economies (DEEs) has taken the form of financial inclusion (FI). Unlike in developed countries, where the focus is on homeownership, savings and pensions, financialisation in DEEs is largely characterised by debt-led consumption and over-indebtedness.

By using a Post-Keynesian approach to FI, we conclude that macroeconomic conditions influence the access to and usage of financial services. We highlighted three macroeconomic conditions and market structure in DEEs: a domination of the informal labour market, the subordinated position of local currencies in the international monetary system, and the oligopoly characteristic of the national financial markets. These factors induce high interest rates and high costs of basic financial services which, in an environment of low and irregular income, may lead to impoverishment. Moreover, these characteristics may foster income inequality in DEEs, as banks expropriate wealth from the poorest individuals. Therefore, we challenge the claims that FI reduces poverty and income inequality.

Acknowledging these macroeconomic constraints, we conclude that the development objectives of a for-FI are likely to be unsuccessful. Through a mixed-method case study of Brazil, we illustrated the existing drawbacks of for-profit FI, such as pushing expensive services to customers. Using the statements of 30 participants, we suggest that formal employment is essential for the access to and usage of formal financial services. Furthermore, inherently high interest rates are an important source of over-indebtedness and must be acknowledged when considering FI as a tool for development.

Due to the high costs of FI and low incomes, participants considered that access to banking is unable to reduce poverty and could lead to wealth destitution and worsen quality of life. Thus, we conclude that for-profit financial institutions are unlikely to promote poverty and income inequality reduction policies. In turn, a potential alternative would be to deliver FI through state-owned banks with a development goal, allowing the poor to have free bank accounts and low-interest loans.

References

Afonso, J. S., Morvant-Roux, S., Guérin, I., and Forcella, D. 2017. Doing Good by Doing Well? Microfinance, Self-Regulation and Borrowers' Over-indebtedness in the Dominican Republic, *Journal of International Development*, vol. 29, no. 7, 919–35

Aitken, R. 2013. The Financialization of Micro-Credit, *Development and Change*, vol. 44, no. 3, 473–99

Akotey, J. O. and Adjasi, C. K. D. 2016. Does Microcredit Increase Household Welfare in the Absence of Microinsurance?, *World Development*, vol. 77, 380–94

Aslan, G., Deléchat, C., Newiak, M., and Yang, F. 2017. Inequality in Financial Inclusion and Income Inequality: International Monetary Fund IMF Working Papers 17, date last

accessed June 27, 2018, at IMF Working Papers at https://ideas.repec.org/p/imf/imfwpa/17-236.html

Balliester Reis, T. 2018. Why Are Policy Real Interest Rates So High in Brazil? An Analysis of the Determinants of the Central Bank of Brazil's Real Interest Rate, *International Journal of Political Economy*, vol. 47, no. 2

Banco Central do Brasil. 2017. Relatório de Economia Bancária:

Banco Central do Brasil. 2018. Relatório de Cidadania Financeira:

Banco Central do Brasil. 2020. *Time Series Management Database*

Bank for International Settlements. 2012. Financial inclusion indicators, in *Kuala Lumpur Workshop on Financial Inclusion Indicators*, Kuala Lumpur, Bank for International Settlements

Bateman, M. 2014. The Rise and Fall of Muhammad Yunus and the Microcredit Model: 001, date last accessed at International Development Studies Working Paper

Bateman, M. and Chang, H.-J. 2012. Microfinance and the Illusion of Development: From Hubris To Nemesis in Thirty Years, *World Economic Review*, vol. 1, 13–36

Becker, J., Jäger, J., Leubolt, B., and Weissenbacher, R. 2010. Peripheral Financialization and Vulnerability to Crisis: A Regulationist Perspective, *Competition & Change*, vol. 14, nos. 3–4, 225–47

Bortz, P. G. and Kaltenbrunner, A. 2018. The International Dimension of Financialization in Developing and Emerging Economies, *Development and Change*, vol. 49, no. 2, 375–93

Carneiro, R. and Rossi, P. 2013. The Brazilian experience in managing interest-exchange rate nexus: Berlin Working Papers on Money, Finance, Trade and Development 2

Conti, B. M. De, Prates, D. M., and Plihon, D. 2014. A hierarquia monetária e suas implicações para as taxas de câmbio e de juros e a política econômica dos países periféricos, *Economia e Sociedade*, vol. 23, no. 2, 341–72

Costa, T. B. G., Vieira, A. S., and Neto, J. A. de S. 2018. Análise do Endividamento Financeiro: Um Estudo de Caso entre Instituições Pública e Privada na Cidade de Cajazeiras – PB, *Revista de Finanças e Contabilidade da UNIMEP*, vol. 5, no. 1, 58–76

Dabla-Norris, E., Deng, Y., Ivanova, A., Karpowicz, I., Unsal, F. D., VanLeemput, E., and Wong, J. 2015. Financial Inclusion; Zooming in on Latin America: International Monetary Fund IMF Working Paper 206, date last accessed at IMF Working Papers

Dieese. 2012. Desempenho dos Bancos 2012:

Dieese. 2013. Desempenho dos Bancos 2013:

Dieese. 2014. Desempenho dos Bancos 2014:

Dieese. 2015. Desempenho dos Bancos 2015:

Dieese. 2016. Desempenho dos Bancos 2016:

Dieese. 2017. Desempenho dos Bancos 2017:

Dieese. 2018. Desempenho dos Bancos 2018:

Dieese. 2019. Juros e spread bancários no Brasil: Razões estruturais para os patamares elevados:

Downward, P. and Mearman, A. 2007. Retroduction as mixed-methods triangulation in economic research: reorienting economics into social science, *Cambridge Journal of Economics*, vol. 31, no. 1, 77–99

Ehrmann, M. and Ampudia, M. 2017. Financial inclusion: what's it worth?, *Working Paper*

Series, Advance Access published 2017

Fishlow, A. 1972. Brazilian Size Distribution of Income, *American Economic Review*, vol. 62, no. 2, 391–402

Ghosh, J. 2013. Microfinance and the challenge of financial inclusion for development, *Cambridge Journal of Economics*, vol. 37, no. 6, 1203–19

Guérin, I., Labie, M., and Morvant-Roux, S. 2018. Inadequate growth, over-indebtedness, and crises in microcredit: What have we learned?, *Enterprise Development and Microfinance*, vol. 29, no. 2, 118–32

Guérin, I., Morvant-Roux, S., and Villarreal, M. 2013. *Microfinance, debt and over-indebtedness : juggling with money*, (I. Guérin, S. Morvant-Roux, and M. Villarreal, Eds.), Routledge

Gurgel, C. M. C. de A. 2014. 'A Desigualdade Financeira Induzida: Discussão sobre as Dimensões da Exclusão Financeira e seus Efeitos sobre os Indivíduos em Condições de Desvantagem Social e Econômica, Influenciados pelos Aspectos Espaciais – Casos Brasileiros e Americano', Universidade Federal de Minas Gerais

Herr, H. 2008. Financial Systems in Developing Countries and Economics Development, pp. 123–150, in Hein, E., Niechoj, T., Spahn, P., and Truger, A. (eds.), *Finance-led Capitalism? Macroeconomic Effects of Changes in the Financial Sector*, Marburg, Metropolis

Hillig, A. 2019. Everyday financialization: The case of UK households, *Environment and Planning A*, vol. 51, no. 7, 1460–78

IBGE. 2020. *Pesquisa Nacional por Amostra de Domicílios Contínua*

ILO. 2009. The financial and economic crisis: A decent work response:

ILO. 2018. *Women and men in the informal economy: a statistical picture*, Geneva, ILO

Kaltenbrunner, A. 2018. Financialised internationalisation and structural hierarchies: a mixed-method study of exchange rate determination in emerging economies, *Cambridge Journal of Economics*, vol. 42, no. 5, 1315–41

Kaltenbrunner, A. and Painceira, J. P. 2015. Developing countries' changing nature of financial integration and new forms of external vulnerability: the Brazilian experience, *Cambridge Journal of Economics*, vol. 39, no. 5, 1281–1306

Kaltenbrunner, A. and Painceira, J. P. 2018. Subordinated Financial Integration and Financialisation in Emerging Capitalist Economies: The Brazilian Experience, *New Political Economy*, vol. 23, no. 3, 290–313

Karacimen, E. 2015. Interlinkages between credit, debt and the labour market: evidence from Turkey, *Cambridge Journal of Economics*, vol. 39, no. 3, 751–67

Keynes, J. M. 1997. *The general theory of employment, interest, and money*, Prometheus Books

Khemraj, T. 2010. The simple analytics of oligopoly banking in developing economies: University Library of Munich, Germany, date last accessed July 26, 2018, at MPRA Paper at https://ideas.repec.org/p/pra/mprapa/22266.html

Lai, K. 2018. Financialization of Everyday Life, in *The New Oxford Handbook of Economic Geography*

Langley, P. 2006. The Making of Investor Subjects in Anglo-American Pensions, *Environment and Planning D: Society and Space*, vol. 24, no. 6, 919–34

Lapavitsas, C. 2009. Financialised Capitalism: Crisis and Financial Expropriation, *Historical Materialism*, vol. 17, no. 2, 114–48

Lavinas, L. 2018. The Collateralization of Social Policy under Financialized Capitalism, *Development and Change*, vol. 49, no. 2, 502–17

Li, L. 2018. Financial inclusion and poverty: The role of relative income, *China Economic Review*, vol. 52, 165–91

Martin, R. 2002. *Financialization of Daily Life (Labor in Crisis)*, Temple University Press

Medeiros, M., de Souza, P. H. G. F., and de Castro, F. A. 2015. O Topo da distribuição de renda no Brasil: Primeiras estimativas com dados tributários e comparação com pesquisas domiciliares (2006-2012), *Dados*, vol. 58, no. 1, 7–36

Moura, R. 2016. Consigned Credit: the face of financial expropriation on the course of the counter-reformation of social security, *SER Social*, vol. 18, no. 39, 374–90

Neri, M. 2019. *A Escalada da Desigualdade - Qual foi o Impacto da Crise sobre Distribuição de Renda e Pobreza?*, Rio de Janeiro, FGV Social

Paim, B. 2015. Perfil da dívida das famílias e o Sistema Financeiro Nacional, *Indicadores Econômicos FEE*, vol. 42, no. 4, 9–24

Palma, J. G. 2011. Homogeneous Middles vs. Heterogeneous Tails, and the End of the 'Inverted-U': It's All About the Share of the Rich, *Development and Change*, vol. 42, no. 1, 87–153

Palma, J. G. and Stiglitz, J. E. 2016. Do Nations Just Get the Inequality They Deserve? The "Palma Ratio" Re-examined, pp. 35–97, in *Inequality and Growth: Patterns and Policy*, Palgrave Macmillan UK

de Paula, L. F., Fritz, B., and Prates, D. M. 2017. Keynes at the periphery: Currency hierarchy and challenges for economic policy in emerging economies, *Journal of Post Keynesian Economics*, vol. 40, no. 2, 183–202

Pellandini-Simányi, L., Hammer, F., and Vargha, Z. 2015. The Financialization of Everyday life or the Domestication of Finance?: How mortgages engage with borrowers' temporal horizons, relationships and rationality in Hungary, *Cultural Studies*, vol. 29, nos. 5–6, 733–59

Prates, D. M. and Cintra, M. A. M. 2007. Keynes e a hierarquia de moedas: possíveis lições para o Brasil: Texto para Discussão 137

Reymão, A. E. N. and Oliveira, F. G. de. 2017. Inclusão financeira e vulnerabilidade do consumidor de crédito habitacional: uma análise jurídico-econômica do mercado brasileiro, *Revista de Direito, Globalização e Responsabilidade nas Relações de Consumo*, vol. 3, no. 2, 1–21

Rousseas, S. 1985. A Markup Theory of Bank Loan Rates, *Journal of Post Keynesian Economics*, vol. 8, no. 1, 135–44

Santanna, D. 2019. 'A critical study of financial inclusion policies in Brazil', University of Leeds

dos Santos, P. L. and Harvold Kvangraven, I. 2017. Better than Cash, but Beware the Costs: Electronic Payments Systems and Financial Inclusion in Developing Economies, *Development and Change*, vol. 48, no. 2, 205–27

Schicks, J. 2014. Over-Indebtedness in Microfinance – An Empirical Analysis of Related Factors on the Borrower Level, *World Development*, vol. 54, 301–24

Schicks, J. and Rosenberg, R. 2011. Too Much Microcredit? A Survey of the Evidence on Over-Indebtedness:, date last accessed July 26, 2018, at http://www.cgap.org/publications/too-much-microcredit-survey-evidence-over-indebtedness

Smith, S. J., Easterlow, D., and Munro, M. 2004. Housing for Health: Does the Market Work?, *Environment and Planning A: Economy and Space*, vol. 36, no. 4, 579–600

Taylor, M. 2012. The Antinomies of 'Financial Inclusion': Debt, Distress and the Workings of Indian Microfinance, *Journal of Agrarian Change*, vol. 12, no. 4, 601–10

Trancoso Baltar, C. 2015. Inflation and economic growth in an open developing country: the case of Brazil, *Cambridge Journal of Economics*, vol. 39, no. 5, 1263–80

World Bank. 2014. Global Financial Development Report 2014: Financial Inclusion: The World Bank, date last accessed February 8, 2018, at http://elibrary.worldbank.org/doi/book/10.1596/978-0-8213-9985-9

World Bank. 2020. *Global Financial Development Database (GFDD)*

Appendix

Table A.1: Socio-economic characteristics of 30 participants

Number of interviews	30	
Location	15	Urban
	15	Rural
Gender	20	Female
	10	Male
Age	8	18-29 years old
	13	30-49 years old
	9	50-65 years old
Marital Status	13	Single
	2	Co-living
	9	Married
	5	Divorced
	1	Widow
Religion	11	Catholic
	14	Evangelic
	2	Umbanda
	3	None
Race	8	Black
	16	Mixed
	6	White
Education	10	Incomplete primary
	3	Complete primary
	7	Incomplete secondary
	8	Complete secondary
	1	Incomplete tertiary
	1	None
Employment status	9	Employed
	12	Self-employed
	3	Pensioner
	7	Unemployed
Average income by employment status (R$)	1000	Employed
	836	Self-employed
	678	Pensioner
	213	Unemployed

Footnotes

1. We define as the access and usage of credit, deposits, savings, payments and insurance by individuals provided through for-profit financial institutions. Interesting discussions on for-profit financial inclusion can be found in dos Santos & Harvold Kvangraven (2017) and Ghosh (2013).

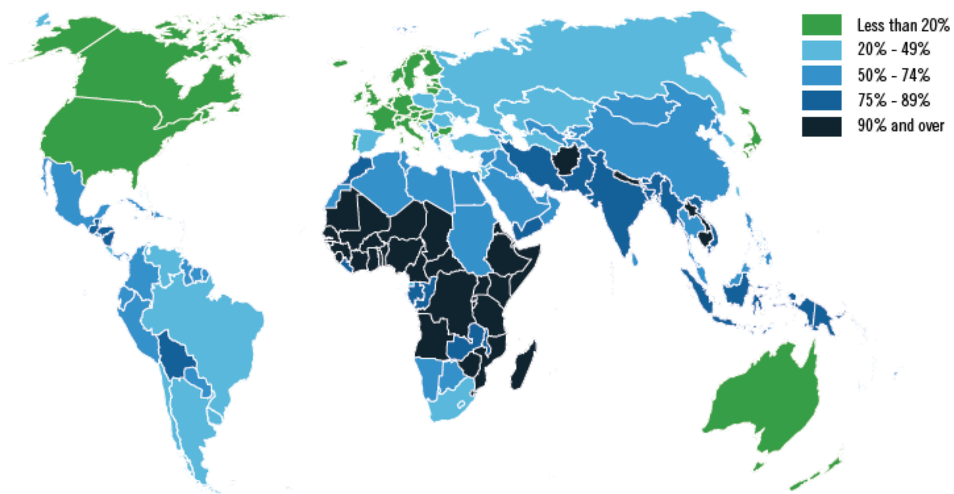
2. Measured as the assets of three largest commercial banks as a share of total commercial banking assets.
3. An interesting ethnographic study on financial inclusion in the rural areas of Minas Gerais can be found in Gurgel (2014).
4. R$1000 = £135 (25/08/2020).
5. Socio-economic information of participants in found in the Appendix.
6. From 2020, the BF is provided to households with per capita monthly income of R$89,00 (GBP12) or between R$89,01 and R$178,00 (GBP24) if there are children in the household. The amount varies depending on the household situation. For instance, if a beneficiary is pregnant, there is an increase of R$41 (GBP 6) per month. More in http://mds.gov.br/assuntos/bolsa-familia/o-que-e/beneficios/beneficios.
7. In Brazil, it is common to buy gas cylinders for household consumption, which costs around £14 and lasts, in average, for up to 3 months. P16, however, said her gas would last one month, so it depends on the household usage.
8. In Balliester Reis (2018), the author suggests that powerful financial elites may be the reason for the high real interest rates in the country.
9. In Brazil, a type of payday loan called ‘consigned credit’ is designed for public officials and pensioners (either retiree or other type of pension) who may access a cheaper type of credit by deducting the amount from the checking account when the person receives the wage/pension.

10. Credit card interest rates reached 497.73% in 2017, before the National Monetary Council implemented Resolution 4.549, establishing that unpaid statements could only be charged in "rotativo" up to the following statement (Banco Central do Brasil, 2017; Dieese, 2019).
11. In Karacimen's (2015) mixed-method study on Turkey, workers under superior employment conditions also had access to cheaper loans, while workers in precarious employment situations would often use credit cards as a substitute for wage, which could lead to indebtedness.
12. Formal workers may apply for unemployment benefits up to 5 months and sickness benefits during the illness period. This benefit is, however, not available to informal workers.
13. BMG is one of the largest non-bank financial institutions (*financeira*) in Brazil. For payday loans, they have a programme called "Extra Cash" (*Dinheiro extra*), in which pensioners with bad credit can borrow. More on https://www.bancobmg.com.br/site/
14. Specialized on payday loans for pensioners and public officers, Olé is part of Santander. In their website, they state "you and your needs are our focus. Therefore, we do not consult SPC/Serasa" – credit ratings agencies, where it is possible to check if the client has a "dirty name". They also state that interest rates are of a maximum 5.5 per cent a month, i.e., 66 per cent a year. While it may not seem so high in comparison to credit card or overdraft rates, these are still above the average showed on Table 3, of 24.7 per cent for pensioners and 21.45 for public sector officers.
15. In 1998, the public bank BEMGE (State Bank of Minas Gerais) was bought by Itaú.
16. Itaú, Bradesco and Santander are fully private banks, while the government owns 50% of Banco do Brasil' shares.
17. About £12 billion.

18. More on this on the following sub-section.
19. Ghosh (2013) also suggests fostering public development banks, community banks and cooperative banks.
20. The Banco do Nordeste also has an important participation on FI policies, including their own line on microcredit. However, as this is a regional bank, we decide to leave it out of the analysis.
21. Programme of Social Integration, a social benefit paid by the employer.
22. Checking accounts incur fees, while salary and savings accounts are free.

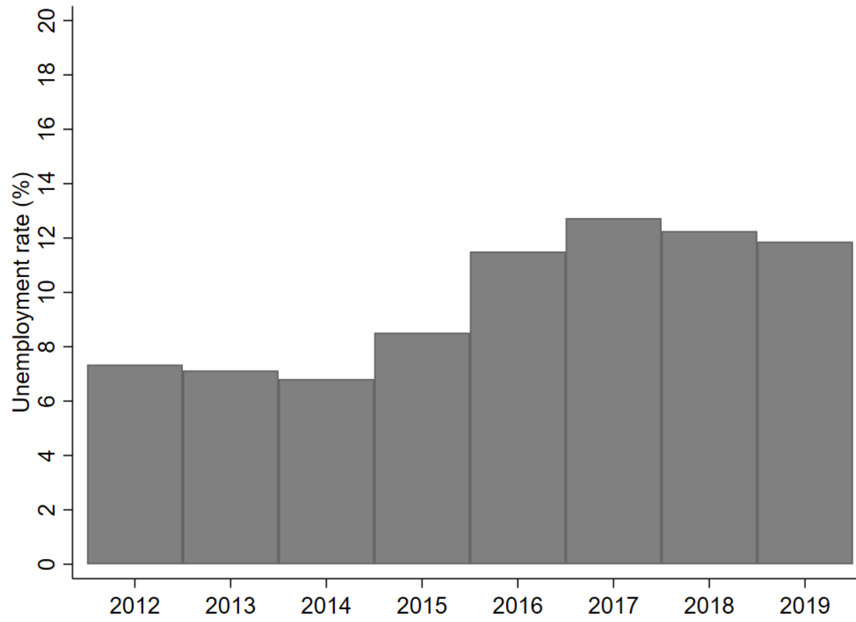
Figures

Figure 1: Share of informal employment in total employment, including agriculture (2016)



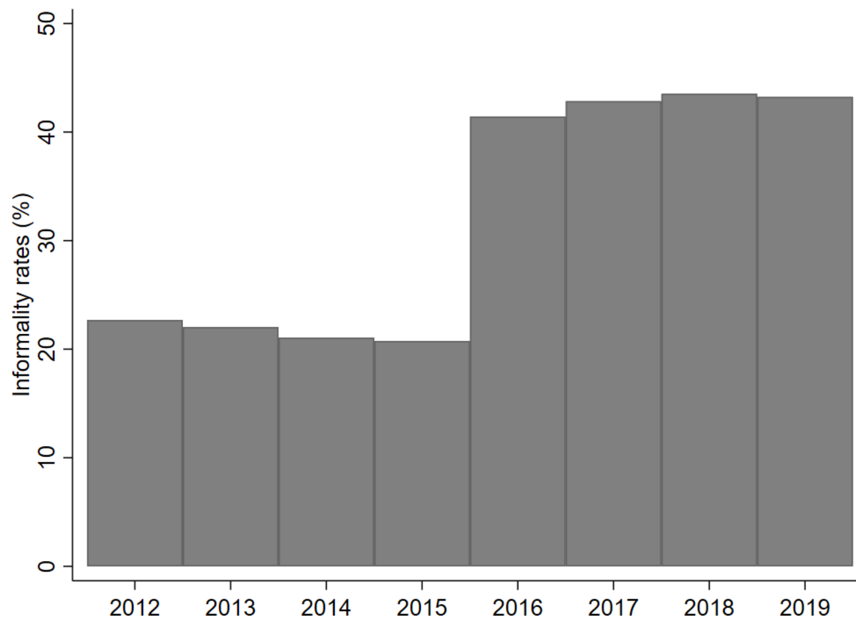
Source: ILO (2018a, Fig. 5)

Figure 2: Unemployment rates in Brazil (2012-2019)



Source: IBGE database

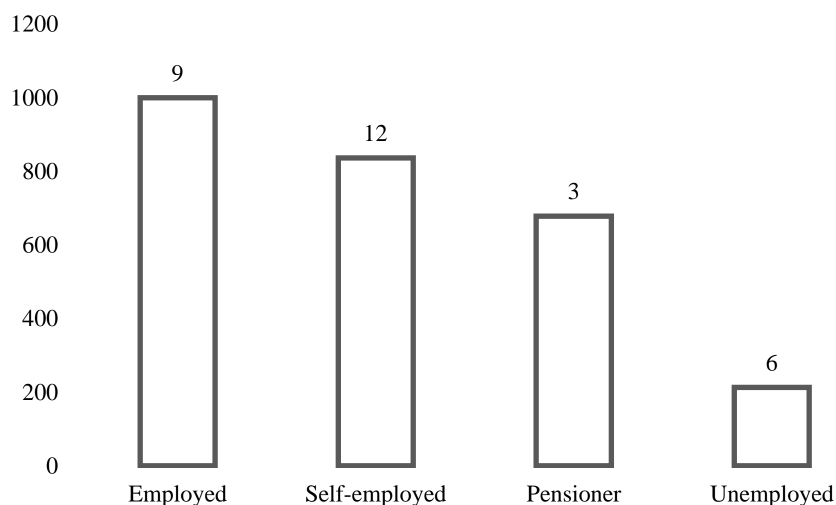
Figure 3: Informality rates in Brazil (2012-2019)



Source: IBGE database

Note: Informality is measured by those who work without a contract (*carteira assinada*), self-employed workers without a taxpayer registry (*CNPJ*), employer without taxpayer registry and contributing family worker. Before 2016, there is no data for self-employed and employers without taxpayer registry, which partially explains the sharp increase from 2016 and suggests that previous data was an underestimation.

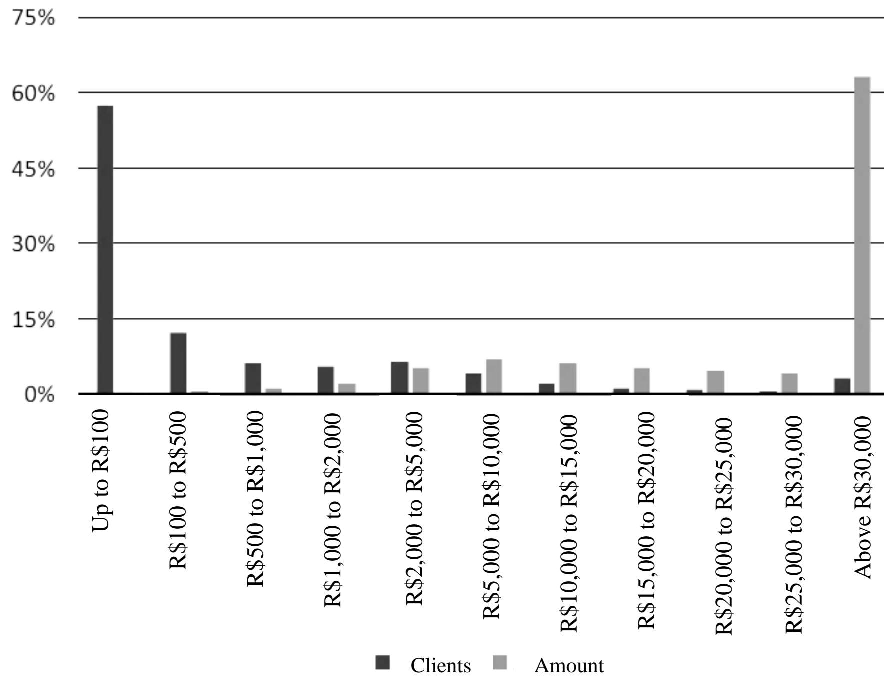
Figure 4: Average income by employment status



Note: the numbers on top of each category show the number of participants. While pensioners have the right to a minimum wage, the average is lowered by one of the participants who had issues with proving his disability condition. He was retired for health reasons and had his income reduced to R$35, as he could not afford to go to the largest nearby city to do further exams and take it to the Social Security Office (INSS) to prove his inability to work.

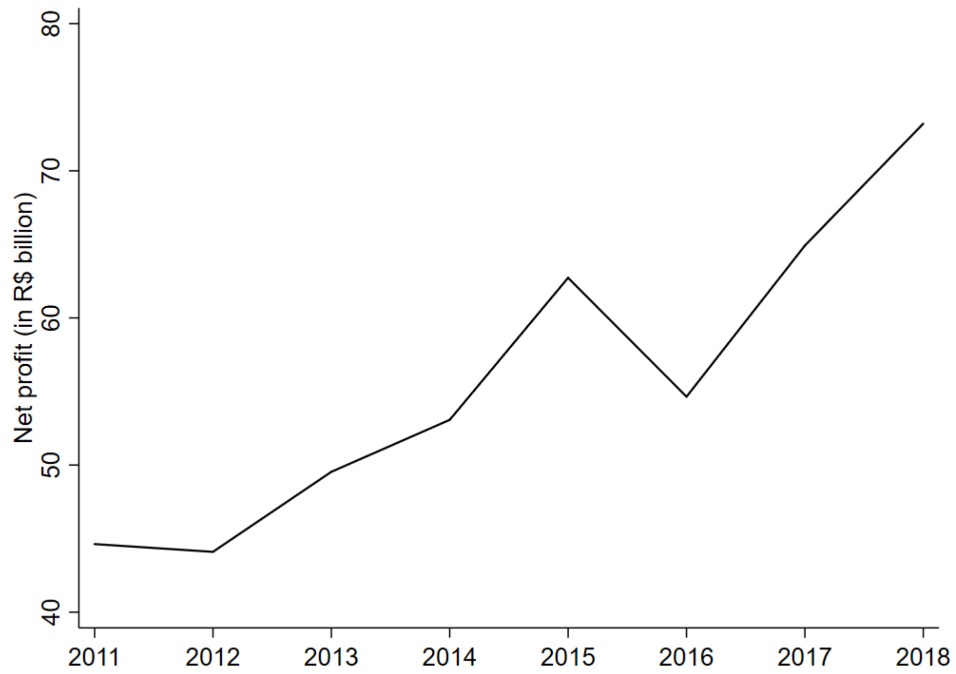
Figure 5: Participants' answers on whether they save money

Figure 6: Distribution and participation of clients and amounts by savings deposit bands (2017)



Source: Banco Central do Brasil (2018, fig. 1.13). Translation made by the author.

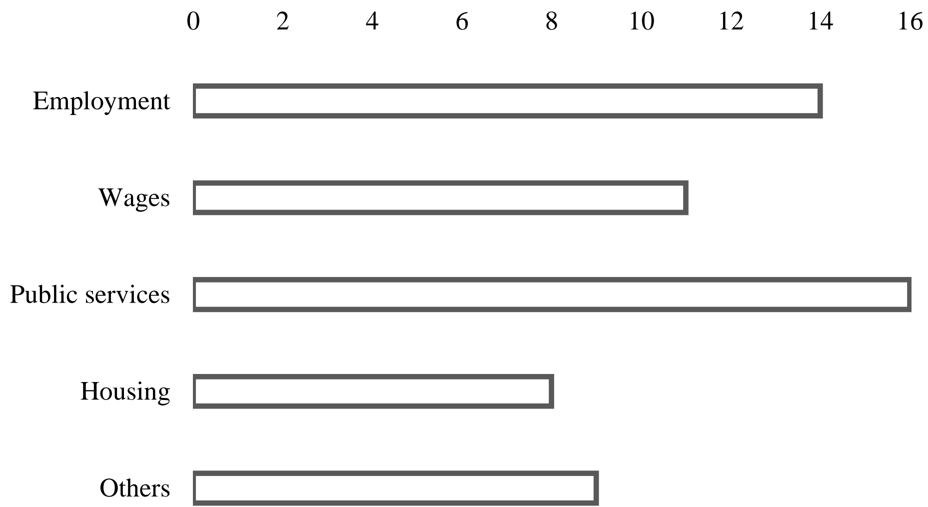
Figure 7: Yearly profit of four largest banks in Brazil (in R$ billions)



Source: Dieese (2012, 2013, 2014, 2015, 2016, 2017, 2018)

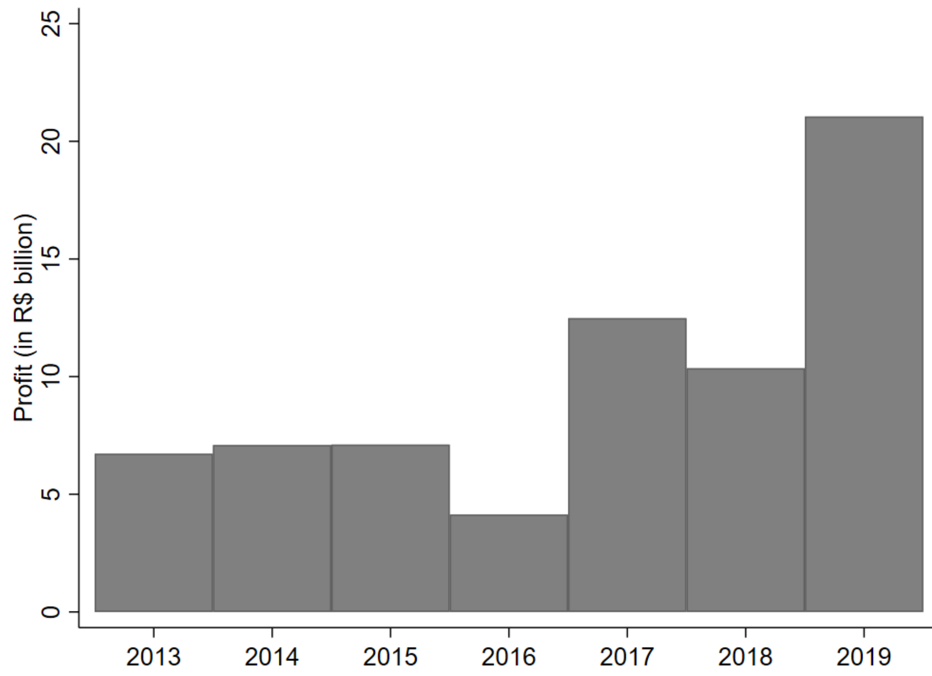
Note: Banks are Itaú, Santander, Bradesco and Banco do Brasil.

Figure 8: Poverty solution (participants' answers)



Note: Some participants gave more than one possible solution.

Figure 9: Caixa's net profit (in R$ billion)



Source: Caixa's financial statements 2013-2019.

Tables

Table 1: Interest rate spread for selected countries

	2000	2005	2010	2015	2017	Variation (p.p)
Argentina	2.75	2.40	1.39	3.75	9.69	6.95
Brazil	39.63	37.75	31.12	31.34	38.40	-1.23
China	3.60	3.33	3.06	2.85	2.85	-0.75
Colombia	6.64	7.55	5.72	6.87	7.70	1.06
Indonesia	5.95	5.97	6.24	4.33	4.56	-1.40
Kenya	14.24	7.80	9.81	6.90	5.99	-8.24
Lebanon	6.94	2.01	1.94	1.48	1.18	-5.76
Malaysia	4.31	2.95	2.50	1.45	1.69	-2.62
Mexico	8.67	6.24	4.07	2.83	4.64	-4.03
Nigeria	9.58	7.42	11.06	7.70	8.00	-1.58
Pakistan	NA	6.48	5.90	4.18	3.73	3.73
Philippines	2.60	4.63	4.45	3.99	3.75	1.15
Russian Federation	17.93	7.50	4.20	6.52	4.72	-13.20
South Africa	5.30	4.58	3.37	3.26	3.13	-2.18
Thailand	4.54	3.07	3.13	3.30	3.13	-1.41
Median	6.30	5.97	4.20	3.60	3.31	-4.92

Source: World Bank (2020)

Table 2: Bank concentration for selected countries (%)

	1996	2001	2006	2011	2012	2013	2014	2015	2016	2017
Argentina	40.31	47.53	46.95	57.76	59.53	61.99	63.36	65.77	65.83	57.92
Brazil	51.10	51.15	49.80	75.95	76.62	77.45	79.50	83.44	84.99	83.37
China	59.68	51.94	49.60	64.68	78.87	77.52	55.38	54.54	52.92	52.48
Colombia	68.66	68.15	76.93	80.40	80.34	80.97	80.38	86.48	89.39	77.03
India	48.17	47.20	46.71	39.89	39.37	39.48	40.17	41.26	44.29	47.03
Indonesia	44.86	48.98	60.27	55.52	54.20	51.23	52.38	52.34	52.39	53.92
Kenya	68.76	66.16	69.64	59.76	54.60	52.80	48.65	55.79	53.53	52.91
Lebanon	48.18	53.86	52.43	58.33	55.86	56.34	57.17	55.95	55.65	55.77
Malaysia	57.71	64.83	61.52	68.48	62.26	62.59	64.66	69.08	69.60	69.94
Mexico	72.51	80.99	80.67	72.03	70.75	72.53	72.88	69.72	68.05	68.96
Nigeria	48.60	48.41	33.42	59.06	55.52	56.47	56.83	57.28	62.73	63.21
Pakistan	89.44	87.32	90.28	100.00	58.92	59.24	58.31	57.52	58.79	59.99
Philippines	89.82	87.23	90.24	56.37	56.48	60.34	62.49	64.28	61.70	65.03
Russian Federation	78.97	77.52	81.60	35.50	38.74	38.06	41.69	55.25	54.80	67.81
South Africa	89.85	87.12	98.22	99.36	99.25	99.12	99.11	99.03	98.84	98.47
Thailand	63.72	65.33	69.96	66.20	67.52	67.43	69.54	66.78	67.73	68.58
Turkey	74.68	65.44	67.89	63.25	61.59	59.70	59.66	60.38	60.04	60.18

Source: World Bank (2020)

Note: Bank concentration is measured as the share of system assets of five largest banks.

Table 3: Average interest rates of selected types of credit (March 2019)

Variable	Annual percentage
Payday loan - public sector workers	21.45
Payday loan - pensioners	24.7
Payday loan - private sector workers	37.65
Non-payday loan	123.71
Vehicle purchase credit	21.38
Other goods purchase credit	75.06
Credit card - instalment by financial institution	178.41
Credit card - "rotativo"	299.45
Overdraft	322.74

Source: Banco Central do Brasil (2020)

Note: This is the average of interest rates supplied to individuals, not firms. It is important to remind that credit card instalments that are provided by stores are free from interest rates. *Rotativo* is the loan supplied by a credit card when clients are unable to pay the full statement.

Table 4: Individuals who are part of social programmes and have credit access (in thousands)

Year	2012	2013	2014	2015	2016	2017
Number of beneficiaries	24,065	30,054	32,925	34,385	34,914	38,620
Non-BF	7,717	10,681	12,538	13,728	14,647	16,160
BF	16,348	19,373	20,386	20,657	20,266	22,460
Number of beneficiaries with active debt	4,561	6,053	6,687	6,840	6,472	6,700
Non-BF	2,014	2,968	3,615	4,110	4,205	4,416
BF	2,547	3,086	3,072	2,729	2,267	2,284
Credit penetration (%)	19.0	20.1	20.3	19.9	18.5	17.3
Non-BF	26.1	27.8	28.8	29.9	28.7	27.3
BF	15.6	15.9	15.1	13.2	11.2	10.2

Source: Central Bank of Brazil (2017, p. 38)

Note: Other benefits include the Benefício de Prestação Continuada (BPC), which provides a minimum wage to disabled or above 65-year-old individuals. In the survey, only those with a debt larger than R$1,000 (£140) were considered.

Table 5: Real monthly household income in Brazil (in R$ million)

	2012	2013	2014	2015	2016	2017	2018
Bottom 40%	18,158	20,597	23,486	25,048	25,845	26,638	28,175
Top 10%	74,360	80,615	88,522	93,363	103,936	108,709	119,749
Total	173,028	190,623	211,949	225,503	245,176	255,624	277,704
Gini index	0.508	0.502	0.501	0.494	0.501	0.501	0.509
Palma ratio	4.10	3.91	3.77	3.73	4.02	4.08	4.25

Source: IBGE (2018)

Note: Due to a lack of information on the share of GNI between the top 10% and the bottom 40%, we proxy the Palma ratio measuring it as the ratio of the total real monthly household income per capita between these two groups.

Table 6: Income from services and fees of the top 5 Brazilian banks (in R$ millions)

	2012	2013	2014	2015	2016	2017	2018
Banco do Brasil	21.072	23.301	25.07	22.361	24.004	25.941	27.415
Bradesco	17.07	19.46	21.79	19.301	21.577	24.028	25.22
Caixa	14.281	16.352	18.404	20.715	22.463	25.041	26.849
Itaú	20.313	24.066	27.74	30.815	33.228	35.802	38.4
Santander	9.68	10.674	11.058	11.867	13.719	15.611	17.269

Source: Dieese (2012, 2013, 2014, 2015, 2016, 2017, 2018)

Table 7: Number of employees of the top 5 Brazilian banks

	2011	2012	2013	2014	2015	2016	2017	2018
Banco do Brasil	113.810	114.182	112.216	111.628	109.191	100.622	99.161	96.889
Bradesco	104.684	103.385	100.489	95.52	92.861	108.793	98.808	98.605
Caixa	85.633	92.926	98.198	101.484	97.458	94.978	87.654	84.952
Itaú	98.258	90.323	87.589	93.175	83.481	80.871	85.537	86.801
Santander	54.564	53.992	49.621	49.309	50.024	47.254	47.404	48.012

Source: Dieese (2012, 2018)

Note: In 2016, Bradesco hired former HSBC employees which explains the sharp increase.