

Brazil's Itaú Bank to Expand Access to Loans for Low-Income Entrepreneurs

Some 100,000 small-scale entrepreneurs in Brazil will gain access to US\$167 million in business loans following a commitment by Itaú Unibanco to the Business Call to Action (BCtA), a global initiative aimed at encouraging the private sector to fight poverty and backed by the UN Development Programme (UNDP).

Itaú Unibanco, one of the world's largest banks in market value, will expand access to small loans, also known as microloans, for entrepreneurs living and working in urban communities. While 85 percent of Brazilians live in cities, up to 40 percent lack access to formal banking services such as savings accounts and credit.

"An effective impact measurement system is critical to determining the success of microloan programs," Sahba Sobhani, BCtA Acting Programme Manager, said. "As part of its commitment to the BCtA, Itaú will develop a new evaluation tool to measure the impact of microcredit loans on clients' lives, including changes in income, increased financial literacy, and enrollment in additional banking products such as insurance and debit and savings accounts."

Brazil comprises an estimated 10.3 million informal, unregistered enterprises. Its informal or "shadow" sector accounts for roughly 17 percent of the economy, with millions excluded from banking and insurance services that could help lift them out of poverty and achieve greater resilience in the face of financial or other crises.

Mobile technology

Itaú's program will enhance the use of cutting-edge mobile technology to reach small-business entrepreneurs who often lack the information, income, or credit history to access bank loans. This allows staff to spend more time working in the community and building relationships with borrowers.

Itaú Microcrédito leverages these personal relationships to educate clients about financial planning and spending controls. Loan officers are also trained to work with borrowers who may have limited literacy or impaired vision.

"Itaú's microfinance work has a role in advancing the development of an unbiased financial system," Eduardo Ferreira, head of Itaú Microcrédito, said. "Done well, microfinance is an effective tool for economic and social inclusion of underprivileged portions of the population. Expanding this model as part of our commitment to the Business Call to Action will contribute to Brazil's economy and social development."

Working without paper also helps meet the bank's environmental objectives, saving time and resources. By investing in innovations such as geo-referencing tools and hybrid credit analysis, Itaú Microcrédito is able to cut costs further and reach more clients.

The Government of Brazil requires all banks to allocate 2 percent of cash deposits to microcredit operations. While many banks keep a part of these funds in Brazil's Central Bank, Itaú plans to invest the full 2 percent in microcredit portfolios.

Link to video on the program here: <http://bit.ly/12e7kMm>

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About Itaú Unibanco

With operations in 20 countries and more than 90,000 employees, in 2011 Itaú Unibanco recorded revenues of US\$40 billion. Itaú Unibanco defines sustainable performance as the generation of shared value for employees, clients, stockholders, and society. The bank has three strategic focus areas in corporate sustainability: Socio-Environmental Risks and Opportunities, Financial Literacy, and Dialogue and Transparency. For the last four years, Itaú has been a recipient of FT/IFC Sustainable Finance Awards: elected Sustainable Bank of the Year—Emerging Markets in 2009 and 2010, Sustainable Bank of the Year in 2011 and, in 2012, Sustainable Bank of the Year—Americas.

@itau on Twitter

About the Business Call to Action (BCtA)

Business Call to Action is a global initiative that challenges companies to develop inclusive business models that offer the potential for development impact along with commercial success. The initiative is the result of a partnership between the Australian Agency for International Development (AusAID), the Dutch Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency (Sida), UK Department for International Development (DFID), US Agency for International Development (USAID), United Nations Development Programme (UNDP), the United Nations Global Compact, the Clinton Global Initiative, and the International Business Leaders Forum to meet the anti-poverty Millennium Development Goals by 2015. Companies report on progress toward commitments on an annual basis. www.businesscalltoaction.org

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