



ECONOMIC AND FINANCIAL PERFORMANCE: RANKING CREDIT PICOS IN SOUTHERN BRAZIL

EFICIÊNCIA ECONÔMICO-FINANCEIRA E RANKING DAS OSCIPS DE CRÉDITO DO SUL DO BRASIL

RENDIMIENTO ECONÓMICO Y FINANCIERO: UNA CLASIFICACIÓN DE LAS OSCIPS DE CRÉDITO DEL SUR DEL BRASIL

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ABSTRACT

This study seeks to gauge the economic and financial performance of credit Public Interest Civil Society Organizations (PICSO) in Southern Brazil, establishing a ranking of the same. The research methods employed are characterized as descriptive and documentary, with a quantitative approach to data analysis. A study was carried out on microcredit PICSOs in the region, generating a sample composed of 22 such organizations during the 2012 year. The MOORA method was applied for data analysis. The results show that Credioeste attained first place in the ranking of organizational efficiency, while also last place in terms of the indicator Return on Equity (ROE), with a distance-to-zero index of 0.53. Garantioeste scored zero in the Return on Assets (ROA) and Financial Dependence indicators, or, rather, the organization displayed the best results, in those regards, of the entities analyzed. In respect to the financial

Recebido em 30.09.2014. Revisado por pares em 17.11.2014. Reformulado em 18.12.2014.

Recomendado para publicação em 29.12.2014. Publicado em 01.04.2015.



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health of the PICSOs under analysis, the study showed that six of them are troubled (i.e. reporting net losses), smaller in size than the other organizations in the sample and, beside this, beset by liquidity problems.

Keywords: Credit PICSO; Ranking; Economic and Financial Performance.

RESUMO

O estudo tem por objetivo verificar qual a eficiência econômico-financeira e o *ranking* das Organizações de Sociedade Civil de Interesse Público (OSCIP) de crédito do Sul do Brasil. A pesquisa caracteriza-se como descritiva, documental, com abordagem quantitativa. Foi realizado um estudo com as OSCIPs de microcrédito dessa região, sendo que a amostra do estudo compreendeu 22 OSCIPs no ano de 2012. Para a análise dos dados foi adotado o método MOORA. Os resultados apresentam que a Credioeste obteve o primeiro lugar do *ranking* em relação à eficiência das organizações e pior resultado no indicador de ROE, com índice de 0,53 de distância para zero. Já a OSCIP Garantioeste obteve índice zero nos indicadores de ROA e Dependência Financeira, ou seja, a OSCIP apresentou o melhor resultado nesses indicadores dentre as entidades analisadas. Quanto à situação financeira das OSCIPs, verificou-se que seis das entidades analisadas apresentam dificuldades, com resultado negativo, menor que as demais entidades analisadas no exercício e, além disso, evidenciam dificuldades de liquidez.

Palavras-chave: OSCIPs de Crédito; *Ranking*; Eficiência Econômico-Financeira.

RESUMEN

El estudio tiene como objetivo encontrar lo que la eficiencia económica y financiera y la clasificación de las Organizaciones de la Sociedad Civil de Interés Público (OSCIP) de crédito en el sur de Brasil. La investigación se caracteriza como descriptivo, documental, con un enfoque cuantitativo. Se realizó un estudio con los OSCIPs microfinancieras de esta región, y la muestra del estudio estaba compuesto por 22 OSCIPs en 2012. Para el análisis de datos fue adoptada método Moora. Los resultados muestran que la Credioeste ganó el primer lugar en el ranking en términos de eficiencia de las organizaciones y el peor resultado en el indicador ROE, índice de 0,53 de distancia a cero. Ya el instituto Garantioeste logra tasa cero en el ROA y los indicadores de dependencia financiera, es decir, el instituto mostró los mejores resultados en estos indicadores entre las entidades analizadas. En cuanto a la situación financiera de OSCIPs, se encontró que seis de las entidades analizadas presentan dificultades, con resultados negativos, menos que las otras entidades analizadas en el año y, además, muestran dificultades de liquidez.

Palavras clave: OSCIPS crédito; Clasificación; Eficiencia Económica y Financiera.

1 INTRODUCTION

The Third Sector, as according to Albuquerque, Cavalcante and Carvalho (2012), is composed of associations, philanthropic, beneficent and charitable organizations, Non-Governmental Organizations (NGO), private foundations, Social Organizations and Public Interest Civil Society Organizations (PICSO), which share the common general objective of social benefit in place of economic gain. These entities are set apart from private sector companies by key characteristics, and they defined by the social mission that they adopt, contributing to society in both direct and indirect fashions.

The chief characteristic that distinguishes the not-for-profit sector, among other factors, is that the organizations that make it up receive the majority of their income by way

of fees and member contributions, in place of the sale of goods or services (SALAMON; ANHEIER, 1994).

As per Boris *et al.* (2010), the implications of a weakened not-for-profit sector are not currently included in public policy agendas. Despite this, the results of the study revealed some positive points, which could provide models for improving the relationship between these entities and governmental financing providers.

As such, the public sector has been adopting free market methods and values in order to guide the policy creation and management. This phenomenon might eventually threaten Third Sector organizations, given the impact that these methods engender on their capacity to build and maintain a strong civil society (EIKENBERRY; KLUVER, 2004).

The credit market has seen constant growth in Brazil, as per a report published by the Central Bank of Brazil (BACEN). Despite the sound macroeconomic measures implemented by the government, itself seeking to contain credit, long-term loans are discouraged (BACEN, 2011).

Along these lines, Soares and Sobrinho (2008) state that some of these institutions see microfinance as a market with great potential, while others among them count people concerned with social and environmental responsibility in their upper management.

Silva (2010) observes that the Third Sector has been growing the area in which it acts, in terms of both scope and importance, over the course of the last five centuries. Congruently, Mañas and Medeiros (2012) point out that the Third Sector has been seen as one of the indispensable agents in the process of aiding populations in need, resulting from the fact that its policies are based in the execution of projects and programs that provide incentive for creating jobs and income, among other aspects that stand to assure its survival.

The entities making up the Third Sector, of which Public Interest Civil Society Organizations (PICSO) form part, carry out unique roles in society, including the creation of opportunities for involvement by way of philanthropy, association-based volunteering, social change, and bringing to light issues not yet represented by other institutions (GIDRON, 2010).

As a result of the increase in Third Sector organizations and their dependence on resources provided by third parties, an interest in how said entities manage their performance using accounting measures has been growing, since these serve as the base of economic and financial performance reports (LUKE; BARRAKET; EVERSOLE, 2013).

In light of the above-mentioned circumstances, it is understood that the Third Sector strives for social well-being and maintains itself through fees and contributions, in contrast with other organizations. This in turn amplifies its scope and importance in the environments in which its actors operate. PICSOs in particular aim to promote innovation that other companies do not enact (GIDRON, 2010).

With this in mind, the following question, which guides the research here present, emerges: How do credit PICSOs in Southern Brazil perform in the economic and financial sense, and how do they rank against each other? From this, the objective of the study is to gauge the economic and financial performance of credit PICSOs in Southern Brazil, and to provide a ranking of the same.

The choice to analyze not-for-profit organizations, namely, (PICSOs) was based in the need to identify economic and financial performance in order to attain a perspective on their economic efficiency. Toward these ends, the Third Sector is presented with the goal of bridging the gaps and meeting the needs that the public and private sectors do not address (MAÑAS; MEDEIROS, 2012).

2 THEORETICAL FRAMEWORK

In this section, the theoretical framework that guides the development of the study and the premises underlying it, so that its objectives might be reached, is outlined. Initially, an overview of the Third Sector will be addressed, followed by a more in-depth description of the Public Interest Civil Society Organization (PICSO) in particular, and lastly, economic and financial performance as seen in such entities is detailed, to allow for an enrichment on the topic.

2.1 Third Sector

The Third Sector emerged in the United States at the end of the nineteenth century by way of philanthropic institutions, bearing the worldview of not-for-profit organizations (MAÑAS; MEDEIROS, 2012). It is composed of a diverse set of organizations that carry out different services that are always directed towards society, with the goal of defending the environment. Beside this, these entities work towards differing ends and depend on the participation of different people, depending on their focus (PAULA; BRASIL; MÁRIO, 2009).

There has been a rapid expansion in the Third Sector in Brazil since the 1990s. Private organizations, not driven by profit, working toward public or collective benefit encompass these entities, fitting into the larger goal of social development; they are often considered an alternative to supplement the ineffectiveness of the State. Further, the Third Sector strives to earn a place for itself, for though it is characterized by its not-for-profit aims, it must maintain a self-sufficient management perspective (SILVA, 2012).

As such, according to Albuquerque, Cavalcante and Mário (2012), the Third Sector is understood to be a set of privately owned legal entities that manage themselves, that do not operate to generate a profit and do not distribute their earnings to associates or members. These entities voluntarily serve a determined social group, or even society in general, providing for wellbeing in general without shunning the objectives set out in their respective statutes.

Similarly, Souza, Carvalho Junior and Albuquerque (2012) highlight that Third Sector entities carry out activities that promote wellbeing in society and the absence of accounting profit is one of their chief characteristics. Regardless, these must acquire resources from donor institutions if they are to survive.

Salamon and Anheier (1997) posit that there are two large organizational complexes that are termed sectors: the market (private sector) and the state (public sector). Along with this, the existence of a third complex can be identified, it being titled the Third Sector, which occupies a distinct place in society, outside of both the state and the market.

Not-for-profit organizations contribute to economic and political development, assisting the government in issues that it is not able to confront alone in order to successfully resolve them. In order for this to take place, the government must serve as not only political but also financial support, which displays the interdependence that exists between the sectors (SALAMON; ANHEIER, 1998).

Delgado (2004) states that the Third Sector has grown in Brazil just as it did in other countries, and that it coexists with the first two sectors. The former is represented by the government, which acts as an administrator of public assets at the city, state, and federal level. The second sector is represented by the market, or, rather, by private companies that seek economic profit.

According to Reimann (2006), non-governmental organizations, which also belong to the Third Sector, are becoming more and more influential in world politics by the day as a

result of their political access, the evolution of the international governance system, and the increasing complexity and scope of the sector.

As such, in congruence with the authors cited above and along with the increasing political influence enjoyed by Third Sector entities, the need for them to become more efficient, in economic as well as financial terms, is apparent, with tax politics assisting in the process.

The rising demand across society for the Third Sector implies a need for financial resources, with a visible competition between such organizations in the search for financing for their projects and objectives (CRUZ *et al.*, 2010).

The Third Sector, due to its being composed of not-for-profit, private institutions, strives to promote political, economic, social and cultural development in Brazil, and these organizations can be categorized in accordance with their activities (SILVA *et al.*, 2011).

In the context into which Third Sector entities are ingrained, the difficulty for the same to keep themselves afloat in their operating environment is noteworthy, given that they all require financial resources in order to carry out their projects, thusly achieving their objectives.

The Third Sector in both Brazil and the world in general represents a great challenge, bearing in mind the actions that it carries for communities in need of means for survival, thusly addressing issues that the public sector, private companies, and society are unable to meet. In doing so, it has been a vital agent in the process of assisting populations in need, encouraging the creation of jobs and income and helping with the basic needs of those that most require such assistance (MAÑAS; MEDEIROS, 2012).

As per Mañas and Madeiros (201), one of the main forms that involvement in this sector takes is that of Non-Governmental Organization (NGO). Paula, Brasil, and Mário (2009) point out that the Third Sector is becoming more and more important before society as a result of the activities of those NGOs. This sector comprehends a collection of purposes and actions that concern philanthropic issues, citizen action, defense of human dignity, the fight for social inclusion and support for social movements, as well as other viewpoints steered toward society as a whole (MAÑAS; MEDEIRO, 2012).

2.2 Public Interest Civil Society Organization – PICSO

A process of economic stabilization has been in effect in Brazil since 1994, within which microfinance institutions that supported the creation of new NGOs emerged, themselves specialized in that same field. Along with this, the Third Sector Law (*Lei do Terceiro Setor*; nº 9,790/99) was created, as well as the Public Interest Civil Society Organization (PICSO) Law (BRASIL, 1999).

The law expands on the categorization of legal entities that are privately owned, not driven by the generation of profit in this case, PICSOs. The first paragraph of Article 1 stipulates that legal entities are deemed nonprofits when they do not distribute incidental gains or profits earned in the varying operations to their members, associates, council members, directors, employees or donors, in as much as these arise from the application of their efforts toward the benefit of society on the whole (BRASIL, 1999).

As stated by Pereira, Oliveira and Ponte (2007), Law no. 9,790 (ratified in 1999) provides a framework for accountability between the Third Sector and the public sector, providing greater transparency between the two as well as a results-based relationship.

From this, the importance of the integration of this law into the entities making up the Third Sector becomes apparent, for this process encouraged their development and assists in the achievement of their goals.

According to Silva *et al.* (2012), PICSOs are considered legal entities of private ownership, without profit as a goal, established on February 27, 1996 by employees of a financial organization that voluntarily participated in activities promoting social wellbeing. A PICSO is a new form of civil society organization, geared towards benefiting the public in place of generating profit.

As per Alcoforado (201), PICSO titles have been legally recognized in Brazil as of nearly ten years ago. From then on, several interpretations were formed inside the sphere of public administration regarding the application and purpose of those titles, which were then implemented on the national, state, and county level.

Herlin and Pazirandeh (201) state that PICSOs are seen as a complex matter, as on the one hand, they are not-for-profit nature and must compete to attract donations and resources, while on the other hand, they require a great deal of outside help. In respect to the latter, corporate supplies assist the needs of these organizations in an effective manner.

With this complexity in mind, it is important that society frequently take an active role in order to further develop these organizations, especially given their perennial need for financial support, which can be provided by either the government or people.

In considering the term 'Third Sector', Mañas and Madeiros (2012) and Hudson (2004) state that it consists of organizations that meet social, in place of economic, ends. Further, it can include a variety of organizations, including philanthropic entities, associations, churches, foundations, unions, and other volunteer organizations that work to reduce poverty and promote development.

One successful alternative that serves to reduce poverty and unemployment, mainly in underdeveloped nations, is microcredit, which concerns loaning small monetary amounts to small business owners. Microcredit, or microloans, came about from the need to create a new line of credit for individuals and legal entities that may have difficulty gaining access to the banking system but are nonetheless interested in starting or growing small businesses (PEREIRA; OLIVEIRA; PONTE, 2007).

As such, and based on the works of the above-cited authors, microcredit is seen as noteworthy alternative to aid both people and legal entities that are challenged in regards to obtaining financial resources by other means, in order to get a business off the ground and reach their objectives and goals.

The majority of PICSOs display administrative problems, a lack of resources and a smaller clientele, inadequate for the maintenance of financial stability. Microcredit operations are considered to be low in value. Despite higher margins, returns from operations is lesser, and greater scale must be achieved to generate enough revenues to cover costs, enabling the needed support to existing investments and encouraging the growth of the organization (BACEN, 2009).

Barone and Sader (2008) state that the growth of microcredit will result from a reorganization of the microfinance sector, given that a need exists for an institution that would coordinate the policies applied to the varying entities operating in the PICSO sector, as well as others, that would also be capable of interacting with the realm of public policy.

Additionally, the strategies employed to encourage the growth of PICSOs merit attention, for growing the client base stands to maintain a low rate of bankruptcy. In this regard, one solution for the problem might be a consolidation of the PICSOs operating in the same region, thusly transforming them in financial institutions regulated by the Central Bank of Brazil (BCB). From this, the importance of regulation stands out, for they will not so much find themselves confronted with an environment of greater formality, but rather attain the

ability to offer additional financial services, consolidating the concept of microfinance (BACEN, 2009).

2.3 Economic and Financial Performance

Silva *et al.* (2003) posits that entities defined as PICSOs must, upon entering into a partnership with the government, provide a plan as to how they will evaluate their own performance, using results indicators. Further, the authors point out that performance evaluation in these entities is just as important as it is in private, for-profit organizations. As such, in order to guarantee the ongoing life of the entity, activities and operations must generate a return that ensures the replenishment of their assets, and PICSOs must evaluate their performance in that regard.

Policy changes over the years have played an important role in the growth of not-for-profit entities, particularly in terms of the creation of commercial revenues and a greater emphasis on performance (EIKENBERRY; KLUVER, 2004).

Beside this, Third Sector organizations face several difficulties, including the disclosure of the results of their activities to society, which ensures the entry of resources that provide for their survival (ASSIS; MELLO; SLOMSKI, 2006).

Along with this, the economic and financial performance of Third Sector organizations is directly related to how they conduct their respective missions. While the business world is most often associated with maximizing profits, the distinction between the Third Sector and for-profit organizations implies both positive and negative effects in terms of performance. In the non-profit sector, management strategies and leadership are valuable tools that assist in improving performance (CHEVERTON, 2007).

As stated by Moxham (2009), the performance of said organizations must be measured using data contained in the following: financial reports, income statements, operations controls and continuous improvement techniques.

Cruz *et al.* (2009) highlights that these entities, because of efficiency in meeting social needs are subject to the scrutiny of the public, and that they receive offers to form alliances and partnerships that can lead to new performance and structuring standards.

Given these circumstances, not-for-profit organizations, besides maintaining solidarity in their values, must deal with other situations, including more practical issues, as is the case of striving for better economic and financial performance, and, consequently, a stronger bottom line (Silva, 2010).

Not-for-profit organizations provide various benefits to society. According to Paula, Brasil and Mário (2009), the identification of the value of a social cause stands out among the advantages they present, or, rather, the benefit to society resulting from free-of-charge services provides a separation between economic and social value.

Further, Mañas and Madeiros (2012) point out other benefits that these entities provide to society, including the following: a specific category of legal entity, believability, ease in obtaining private investment and financing, ease in accessing tax benefits, the possibility of using public resources and covenants and partnerships with the government, and the option for donors to take advantage of tax benefits.

Along with this, according to Barros *et al.* (2010) these entities add value to themselves. The authors highlight public image gains, greater support on part of society, employee and partner motivation and confidence, and a better relationship with the government among the benefits that add value to the organization.

Luke, Barraket and Eversole (2013) affirm that the results of economic and financial performance reinforce the prioritization of the availability of financing in Third Sector entities, whether it originate within or outside of the organization, in contrast with the generation of profit by way of entity management.

From this, individuals responsibility for governance and administration in Third Sector entities seek to employ appropriate approaches to measure and manage performance, with the goal of distributing responsibility for achieving their objectives. Thusly, factors regarding performance measurement become of interest to financiers, donors, society and companies that call for accountability (LUKE; BARRAKET; EVERSOLE, 2013).

3 METHODOLOGY

This study is characterized as descriptive and documentary in nature, employing a quantitative approach to data analysis. According to Gil (1996), descriptive research seeks to describe the characteristics of a determined population or phenomenon, or to establish relationships between variables.

Quantitative research, as per Richardson (1999), is characterized by its use of quantification in both information collection methods and the application of statistical methods to treat those data.

In terms of its procedures, the study is documentary in nature. In accordance with Gil (1999), this sort of study uses data that have not yet received any specific analytical treatment.

3.1 Population and Sample

The research population is composed of the 25 microcredit PICSOs of the Southern Region of Brazil, comprising the states of Rio Grande do Sul, Santa Catarina and Paraná, while the sample encompasses 22 of these: organizations that did not disclose the information necessary for the creation of the ranking were removed from the sample. Figure 1 displays the research sample.

Figure 1 – Research Sample

State	PICSOs	State	PICSOs
SC	Credivale - Agência Metropolitana de Micro Crédito	SC	Associação Brasileira para o Desenvolvimento da Família - Banco da Família
SC	Instituição Comunitária de Crédito Blumenau Solidariedade - ICC - BLUSOL	SC	Casa do Microcrédito
SC	Profomento Agência de Crédito Especial	SC	Crediamai - Agência de Microcrédito
SC	Banco do Pequeno Empreendedor - BAPEM	PR	Associação de Produtores Rurais Familiar de Foz do Iguaçu – APROFFOZ
SC	Planorte - Sociedade de Crédito ao Micro Empreendedor do Planalto Norte - Banco do Planalto Norte	PR	Agência de Desenvolvimento Regional do Sudoeste do Paraná – Agência
SC	Credioeste	PR	Instituição de Crédito Solidário de Maringá
SC	Associação de Crédito Comunidade do Futuro	PR	"Garantioeste" - Sociedade de Garantia de Crédito do Oeste do Paraná
SC	Crecerto - Agência de Microcrédito Solidário do Alto Uruguai Catarinense	PR	Sociedade Civil de Desenvolvimento Humano e Socioeconômico do Brasil – SODHEBRAS
SC	Instituição de Crédito Solidário - CREDISOL	RS	Agência de Desenvolvimento Econômico e Sócio-Ambiental de Canoas - ADESCAN

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SC	ACREVI - Agência de Crédito do Vale do Itapocu	RS	Associação de Desenvolvimento Econômico, Social e Cultural do Rio Grande do Sul - ADESC BRASIL
SC	Juriti Associação de Crédito ao Microempreendedor	RS	Instituição Comunitária de Crédito Portosol

Source: Research data.

3.2 Method and Data Analysis

In order to perform data analysis, data was initially collected from the Public Ministry website, from which the PICSOs of the southern region of Brazil were identified. The indicators contained in Figure 2 were used for analysis purposes.

Figure 1 – Financial and Economic Indicators

Indicator	Base	Formula
Liquidity	Current Liquidity	Current Assets / Current Liabilities
Profitability	Net Income Margin	Current Liquidity / Sales Revenues
	ROE	Net Income / Net Assets
	ROA	Net Income / Total Assets
Debt	Financial Dependence	(Current Liabilities + Noncurrent Liabilities) / Total Assets
Costs and Expenses	Operational Efficiency	(Personnel Expenses + Administrative Expense) / (Operating Income or Loss+ Service Revenues)

Sources: Matias & Siqueira (1996); Macedo, Santos & Silva (2006); Iudícibus (2007); Brigham & Ehrhardt (2012); Silva (2012).

The MOORA (Multi-Objective Optimization on the basis of Ratio Analysis) method was applied for data analysis, in which the quantitative data set is squared and then divided by the sum of data presented to the square as denominators. The indices used range from zero to one, and they are added when maximization is the objective (the more, the better), and subtracted in the case of minimization (less means a better indicator) (BRAUERS; ZAVADSKAS, 2006).

The method also consists of a ranking, using the values closest to zero observed in all of the indicators in question. As such the MOORA index is considered the greatest indicator of inefficiency between the variables, with a zero value denoting the most efficient organization in terms of that particular variable.

The MOORA method can be used as a multi-objective optimization technique, applied to various types of complex decision-making scenarios, for it provides an overview of the performance of diverse indicators in terms of maximization or minimization (GADAKH; SHINDE; KHEMNAR, 2013).

In a study by Brauers (2013), this method was applied to six decision-making problems that had previously been addressed with other methods. The method corroborates with the results obtained by other researchers in all of the cases, which indicates the applicability, potential, and flexibility of the method toward the resolution of complex decisions.

The data collected in this study will be analyzed using the following approach: firstly, the accounting indicators of microcredit PICSOs in Southern Brazil will be addressed; afterwards, the related indicators and MOORA method ranking will be provided.

4 DATA ANALYSIS

In light of the objectives of gauging economic and financial performance and compiling a ranking of the microcredit PICSOs of Southern Brazil, the financial statements of said organizations were collected from the Justice Ministry online database, using the national registry of public entities. The MOORA method was used to complete the ranking.

Table 1 displays the data gathered concerning the 22 microcredit PICSOs that were considered during data analysis, as well as their respective indicators as disclosed in the 2012 year.

Table 1 – PICSO Accounting Indicators

No.	PICSO	Cur. Liq.	NIM	ROA	ROE	Debt	Op. Eff.
1	Credivale - Agência Metropolitana de Micro Crédito	4.9904	0.0757	0.0307	0.1296	0.7631	0.5760
2	Instituição Comunitária de Crédito Blumenau Solidariedade - ICC - BLUSOL	4.0387	0.1762	0.0735	0.1439	0.4894	0.5435
3	Profomento Agência de Crédito Especial	3.8316	0.1465	0.0628	0.0925	0.3204	0.3453
4	Banco do Pequeno Empreendedor - BAPEM	2.0412	0.2957	0.2796	0.6107	0.5422	0.5816
5	Planorte - Sociedade de Crédito ao Micro Empreendedor do Planalto Norte - Banco do Planalto Norte	30.7856	0.0984	0.0253	0.0997	0.7463	0.5976
6	Credioeste	10.3492	0.3236	0.1639	0.2595	0.3683	0.2684
7	Associação de Crédito Comunidade do Futuro	3.2219	0.2300	0.0579	0.1792	0.6769	0.3932
8	Crecerto - Agência de Microcrédito Solidário do Alto Uruguai Catarinense	7.9417	0.3705	0.1211	0.2128	0.4309	0.1959
9	Instituição de Crédito Solidário - CREDISOL	9.1565	0.3413	0.1143	0.2314	0.5060	0.3421
10	ACREVI - Agência de Crédito do Vale do Itapocu	16.4895	0.2228	0.0645	0.1417	0.5448	0.3101
11	Juriti Associação de Crédito ao Microempreendedor	5.4545	-0.6423	-0.3185	1.2911	1.2466	2.1214
12	Associação Brasileira para o Desenvolvimento da Família - Banco da Família	6.5234	0.2626	0.0908	0.1440	0.3695	0.3476
13	Casa do Microcrédito	4.5080	0.2380	0.0703	0.1540	0.5435	0.4330
14	Crediamai - Agência de Microcrédito	9.6194	0.3460	0.1270	0.1651	0.2306	0.2434
15	Associação de Produtores Rurais Familiar de Foz do Iguaçu - APROFFOZ	0.0016	-0.0957	-0.0480	-0.0633	0.2417	0.0830
16	Agência de Desenvolvimento Regional do Sudoeste do Paraná - Agência	2.0834	0.0282	0.0738	-0.4404	0.4052	0.2630
17	Instituição de Crédito Solidário de Maringá	4.5884	-0.0054	-0.0029	-0.0117	0.7526	0.3963
18	"Garantioeste" - Sociedade de Garantia de Crédito do Oeste do Paraná	7.0454	0.2811	0.2753	0.2965	0.0715	0.6583

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19	Sociedade Civil de Desenvolvimento Humano e Socioeconômico do Brasil - SODHEBRAS	2.0058	-0.0347	-0.1006	-0.1991	0.4949	0.0756
20	Agência de Desenvolvimento Econômico e Sócio-ambiental de Canoas - ADESCAN	0.1576	-0.4054	-1.7770	1.4262	2.2460	1.6891
21	Associação de Desenvolvimento Econômico, Social e Cultural do Rio Grande do Sul - ADESC BRASIL	3.8697	0.0310	0.0850	0.1023	0.1693	0.5037
22	Instituição Comunitária de Crédito Portosol	3.7469	-0.0488	-0.0249	-0.0337	0.2615	1.0502

Source: Research data.

The data shown in Table 1 indicates that the entities analyzed display differing results in each of the six variables in question. Regarding the latter, four are of the `the more, the better` type: Currently Liquidity, Net Income Margin, Return on Assets (ROA) and Return on Equity (ROE).

Current Liquidity presented a positive distinction for Planorte and ACREVI, with values of 30.7857 and 16.4895, respectively. In other words, for each real of short-term debt held, these entities control R\$30 and R\$160 reals in assets that can be used to pay it down.

Among the entities analyzed in this study, the Associação de Produtores Rurais Familiar de Foz de Iguaçu and the Agência de Desenvolvimento Econômico e Socioambiental de Canoas alone displayed liquidity values below one, meaning that they are not capable of covering their short term debt with the current assets they hold.

In considering the Net Income Margin, ROE and ROA variables, six of the 22 entities were shown to report negative results, or, rather, they had a net loss in the operating year in question. Of the 16 credit PICSOs reporting a profit, only four showed a Net Income Margin below 10%, while 12 of them had a net income greater than 10% in the 2012 operating year.

Of the PICSOs with a net income greater than 10% in the 2012 operating year, Credioeste stands out with Net Income Margin of 32.36%, while Crecerto – Agência de Microcrédito Solidário do Alto Uruguai Catarinense showed the greatest net income of the sample (37.05%), followed the Instituição de Crédito Solidário – CREDISOL (34.13%) and Crediamai – Agência de Microcrédito (34.6%).

Upon analysis of the `the less, the better` indicators –Debt and Operational Efficiency-, the results show that the majority of the PICSOs display a high level of debt, particularly those that also have greater profitability indices, or, rather, PICSOs with higher debt levels charge higher fees on their loans.

In the operational efficiency indicator, which serves as an expression of the percentage of resources applied to generate revenues and operating profit, the Sociedade Civil de Desenvolvimento Humano e Socioeconômico do Brasil – SODHEBRAS was the top performer, with just 7.56% of its resources applied to administrative and operating expenses. Following this, the Associação de Produtores Rurais Familiar de Foz do Iguaçu – APROFFOZ, showed a value of 8.3%. Of the entities making up the sample, the two top performers in terms of operating efficiency reported a net loss in the operating year in question. This result is a reflection of the other operating costs reported by the entities.

Below, Table 2 presents the economic and financial performance indicators that were both calculated and analyzed by way of the MOORA method, as well as the resulting ranking and key indicator influencing the PICSO's placing.

Table 2 - MOORA Index and Economic Ranking of the PICSOs

Nº	PICSOs	Cur. Liq.	NIM	ROA	ROE	Debt	Op. Eff.	MOORA	Rank
6	Credioeste	0.48	0.04	0.06	0.53	0.09	0.06	0.53	1
9	Instituição de Crédito Solidário - CREDISOL	0.50	0.02	0.09	0.55	0.13	0.08	0.55	2
18	"Garantioeste" - Sociedade de Garantia de Crédito do Oeste do Paraná	0.55	0.07	0.00	0.52	0.00	0.17	0.55	3
8	Crecerto - Agência de Microcrédito Solidário do Alto Uruguai Catarinense	0.53	0.00	0.08	0.56	0.11	0.04	0.56	4
14	Crediamai - Agência de Microcrédito	0.49	0.02	0.08	0.58	0.05	0.05	0.58	5
12	Associação Brasileira para o Desenvolvimento da Família - Banco da Família	0.57	0.09	0.10	0.59	0.09	0.08	0.59	6
10	ACREVI - Agência de Crédito do Vale do Itapocu	0.33	0.12	0.11	0.59	0.14	0.07	0.59	7
1	Credivale - Agência Metropolitana de Micro Crédito	0.60	0.24	0.13	0.59	0.21	0.15	0.60	8
5	Planorte - Sociedade de Crédito ao Micro Empreendedor do Planalto Norte - Banco do Planalto Norte	0.00	0.22	0.14	0.61	0.20	0.15	0.61	9
13	Casa do Microcrédito	0.61	0.11	0.11	0.58	0.14	0.10	0.61	10
2	Instituição Comunitária de Crédito Blumenau Solidariedade - ICC - BLUSOL	0.62	0.16	0.11	0.59	0.12	0.14	0.62	11
21	Associação de Desenvolvimento Econômico, Social e Cultural do Rio Grande do Sul - ADESC BRASIL	0.63	0.27	0.10	0.61	0.03	0.13	0.63	12
3	Profomento Agência de Crédito Especial	0.63	0.18	0.12	0.61	0.07	0.08	0.63	13
7	Associação de Crédito Comunidade do Futuro	0.64	0.11	0.12	0.57	0.18	0.09	0.64	14
17	Instituição de Crédito Solidário de Maringá	0.61	0.30	0.15	0.66	0.20	0.09	0.66	15
22	Instituição Comunitária de Crédito Portosol	0.63	0.34	0.16	0.67	0.06	0.29	0.67	16
4	Banco do Pequeno Empreendedor - BAPEM	0.67	0.06	0.00	0.37	0.14	0.15	0.67	17
15	Associação de Produtores Rurais Familiar de Foz do Iguaçu - APROFFOZ	0.72	0.38	0.17	0.68	0.05	0.00	0.72	18
19	Sociedade Civil de Desenvolvimento Humano e Socioeconômico do Brasil - SODHEBRAS	0.67	0.33	0.20	0.75	0.13	0.00	0.75	19
11	Juriti Associação de Crédito ao Microempreendedor	0.59	0.82	0.32	0.06	0.35	0.60	0.82	20
16	Agência de Desenvolvimento Regional do Sudoeste do Paraná - Agência	0.67	0.28	0.11	0.86	0.10	0.05	0.86	21
20	Agência de Desenvolvimento	0.71	0.63	1.09	0.00	0.65	0.47	1.09	22

Economic and Financial Performance: Ranking Credit Picos in Southern Brazil

Econômico e Sócio-ambiental de Canoas - ADESCAN									
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Source: Research data.

From the data shown in Table 2, the indicators that had the most impact in the determination of the placing of each of the credit PICSOs in the economic and financial efficiency ranking were shown to be Current Liquidity and ROE.

The ROE indicator was responsible for the placing earned by 11 of the entities, as shown in the ranking, followed by Current Liquidity, with nine. The other two ranks are due to the Net Income Margin and ROA indicators.

The MOORA evaluation and ranking method consists of determining which observation arrived most near zero in all of the indicators in question, which is to say that the MOORA value is generated using the indicator that reveals the greatest inefficiency in each entity.

Credioeste, which achieved a MOORA value of 0.53 due to the ROE indicator –the worst result shown by the same-, receives a positive distinction among the sample. Despite having a good result in the Net Income Margin indicator, it did have the weakest performance in terms of ROE, given that it has the one of the greatest shareholder equity values of the group and thusly requires a high degree of profitability to have a comparable performance, in terms of ROE, to other entities in the sample

Considering the other Credioeste indicator values, the entity had strong results in terms of Net Income Margin, ROA, Debt, and Financial Efficiency, while it did not enjoy the same in the Current Liquidity score.

Included among the entities that achieved top rankings in more than one indicators is Garantioeste - Sociedade de Garantia de Crédito do Oeste do Paraná, which scored zero in both the ROA and Debt indicators. This result demonstrates that the PICSO had the highest placement among the sample in terms of those indicators. Further, Garantioeste placed third in the sample overall due to the Current Liquidity indicator, in which it showed a value of 0.55. Crecerto - Agência de Microcrédito Solidário do Alto Uruguai Catarinense showed a value of zero in the Net Income Margin indicator and placed fourth in the overall ranking, with ROE being the main factor in that result. Finally, apart from Garantioeste and Crecerto, no other entity displayed better scores in a given indicator, and as such did not achieve a standout placing in the ranking.

5 FINAL CONSIDERATIONS

The objective of this study was to gauge the economic and financial performance of credit PICSOs in Southern Brazil, and to provide a ranking of the same. Toward these ends, a descriptive and documentary study was carried out with a quantitative approach to data analysis. The study population was composed of the 25 microcredit PICSOs of Southern Brazil, comprising the states of Rio Grande do Sul, Santa Catarina and Paraná, while the sample was made up of 22 of the organizations in the population. The 2012 reporting year was set as the period for data analysis, which was completed by way of the MOORA method, establishing a ranking that strives to maximize the objectives of the entities (BRAUERS, 2013).

From the data analysis phase, the results obtained in the study, which, within the variables of interest to the research (themselves, indicators of economic and financial performance), four are of the ‘the more [the value], the better [the efficiency]’ type: Current Liquidity, Net Income Margin, ROA and ROE.

Regarding Net Income Margin, ROE and ROA, six of the 22 entities analyzed were shown to report net losses in 2012. Along with this, 16 PICSOs displayed positive results, while just four reported a Net Income Margin under 10%. As such, 12 credit PICSOs presented net income greater than 10% in the period in question.

Additionally, upon analysis of Debt and Operating Efficiency indicators, the majority of the PICSOs were shown to have high levels of financial dependence, particularly those that had high levels of profitability, suggesting that PICSOs with higher debt levels charge higher fees for the credit they provide. Also in terms of operating efficiency, two of the entities with high placements in this regard reported a net loss, which demonstrates that this result is a reflection of the other operating costs that the entities incur.

Along with this, the indicators that most contributed to the placement of the credit PICSOs of Southern Brazil in the economic and financial efficiency ranking were ROE and Net Income Margin. This can be explained by the arguments elaborated on in Assis, Mello and Slomski (2006), which posited that accounting is an essential instrument in information transparency in the Third Sector, given that it assists in the disclosure of necessary information, allowing social investors to monitor the resources that the entities receive, as well as the application of the same and the results generated in the process.

Credioeste stood out in terms of efficiency, and though it did not show itself to be the most efficient across all of the indicators analyzed, it did receive the top placement in the ranking, with its weakest result being the Net Assets (Profitability) indicator at 0.53 a distance-to-zero value.

The PICSO Garantioeste displayed a zero value in the ROA and Debt indicators. This means that in terms of these indicators, the PICSO achieved the strongest results of the sample; however, Garantioeste did not earn first place in the overall ranking due to the MOORA method analysis, which joins all of the indicators of the organizations together for a more comprehensive examination.

In respect to the financial health of the PICSOs, the study concludes that six of the entities analyzed are beset by financial difficulties, immediately visible in the losses reported in the operating year in question, as well as liquidity problems. According to Albuquerque, Cavalcante, and Carvalho (2012), one factor that might explain these results is the fact that, in a sector not geared to generating profits, managers are more concerned with organizational management, placing greater emphasis on cash flows.

In light of the results obtained in the study, it bears mentioning that the entities that stood out in the ranking are the ones that present greater benefits to society, and by extension to themselves, as well, though these benefits are different between the entities in question, and some stand to provide greater advantages than others do.

A possible limitation of the study is the size of the sample, which was made up of 22 entities located in just one region of Brazil. As a recommendation for further research, the sample size might be increased, which would allow for a greater degree of comparability with other credit institutions, for example, not-for-profit credit cooperatives.

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