Available online at www.jlls.org
JOURNAL OF LANGUAGE AND LINGUISTIC STUDIES
ISSN: 1305-578X
Journal of Language and Linguistic Studies, 18(2), 276-297; 2022

APPROACH TO A CHARACTERIZATION OF CREDIT

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APA Citation:

Dueñas-Peña Alex, Barbosa-Guerrero Lugo Manuel, Palacios Rozo Jairo Jamith (2022). APPROACH TO A CHARACTERIZATION OF CREDIT, *Journal of Language and Linguistic Studies, 18*(2), 276-297

Submission Date:11/01/2021

Acceptance Date:16/03/2022

Abstract

As presented in the document, credit has been one of the sources of financing that has allowed society in general to promote leverage in terms of investment and working capital of companies, as well as support for the consumption of resources that allow the generation of quality of life for consumers. Thus, this is a chapter that presents a review of the literature with the purpose of recognizing aspects, actors, context, among others that contribute to the characterization of credit, thus showing the dynamics and the various variables that revolve around it. The literature reviewed addresses different expositions, such as the origin and diversity of elements associated with credit, such as money, the different socioeconomic actors, as well as the public policies for its supply and consumption. It was identified that credit is based on trust, and at the end of the 20th century, microcredit began to be shown as a type of credit, besides the traditional ones as consumer, commercial and mortgage, with the aim of achieving small loans to the low-income population that has restricted access to loans from ordinary banks, so it is considered as a strategy of coverage and financial inclusion.

Keywords: credit, microcredit, microfinance, money, monetary policy.

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1. Introduction

Credit is an important source of financing that allows society to improve its quality of life through consumption, in the same way to support small and medium scale productive projects (Financial Superintendence of Colombia 2016). Thus, credit is one of the tools that individuals have to protect themselves in the critical states of economic cycles and is for investment projects the effective conduit for the transfer of resources from the market (Dabla and Srivisal, 2013).

The etymology of the word *credit* comes from the latin *creditum*, which means trust, the first important element for the concept, since it is on the framework of trust that a relationship is established between the one who receives a good and the one who gives it, both of them harboring something in exchange. The one who receives it corrects an insufficiency of resources, while the one who makes the transfer expects that this present wealth will be transformed into a future benefit.

Credit has a dual nature, as a loan received by a third party to level its requirements for personal use or to leverage the sustainability or growth of production, and as the opportunity cost of those who maintain a resource that expects through a transaction to have an incentive expressed as an increase in the same in the future, has been present in society throughout time (United Nations, 2006). "The financing necessary to carry out businesses that require investments are not covered entirely by contributions of partners as capital, but this means of financing must be supplemented to a greater or lesser extent with external resources" (González and Díez, 2010, p. 51), for which the intervening actors, in addition to their respective needs, must have the trust factor.

In transactions involving those who need and those who place resources, there is also an element that allows the exchange, this is called interest rate or price of money over time. In the case of credit, it is formally called the placement interest rate and varies according to factors such as the perceived risk or perception of low belief or relative distrust of the consequences potentially associated with the possibility of suffering partial or total loss of the offered resources (Volle, 1995; Dowling and Staelin, 1994; Sweeney et al., 1999; and Amraoui and Morales, 2011). This is an endogenous variable that can be intervened by whoever makes the credit offer, who ultimately makes the decision to lend. However, there are other variables that must be taken into account, but which are not within reach because they are exogenous. The most important of the exogenous variables is the government, with its monetary policies, which makes decisions based on general objectives Banco de la República (2007), obliged to ignore the particular ones, a fact that hinders the success of the decisions taken and even those to be taken.

At a general level, it can be established that the credit is to grant a resource, for the subject that is worked in this document a financial resource, in exchange for a payment response in a determined time or times. The repayment on the part of the one who grants the amount of resource must be returned with an additional amount, as a stimulus to his act of serving in function of the solution of a problem of scarcity of resources of the one who requests it. The additional amount depends on the interest agreed upon by the parties, for which different variables accompanying risk and trust were taken into account.

It is in this context that elements are found, with which it is hoped to conceptualize "credit" and its existence in society. Therefore, with this intention, the paper presents a perspective of credit over time, recognizing actors that are part of its performance at a general level. The monetary system and the role of monetary policy and its influence on the price of money, an important factor in the dynamics of credit in society, are discussed. Finally, the microcredit tool is presented, considered as a tool for the inclusion of the less favored in access to credit, which has been taking an important place in the daily life of micro-entrepreneurs, among others.

2. Methodology

The chapter is the result of the review and analysis of specialized literature, in such a way that it is framed in the documentary type study, since it is the execution and management of knowledge around the selection and compilation of information mediated by the objective reading of specialized materials that rest in databases, spaces dedicated to their classification, specialized magazines and books (Baena, 2017).

More than 40 different database resources were reviewed that allowed information from different approaches related to the subject under study in order to glimpse the perspective of credit in general and microcredit in particular, from positions presented through these resources provided by those who in one way or another have experienced around this financial leverage tool in productive units, whether micro, small or medium (MiSME). It is thus considered that the exposed results represent the analysis in great part of the empirical world that is strengthened from the experiences and approaches of actors related to the topic of study, this with "the purpose of "reconstructing" the reality as observed by the actors of a previously defined social system" (Hernández, 2014, p.19) typical of a descriptive perspective, supported by hermeneutics, since it is a way to achieve the understanding and interpretation of the context in which a financial leverage tool for micro and entrepreneurs in Bogota is located from the different authors and sources consulted. Thus, it is established that in relation to the epistemological vision of the subject under study, contributions were taken from different approaches, knowledge and professions related to dissimilar sciences and disciplines.

3. Development

Credit perspective over time

The complexity of transactions between people due to the lack of a clear pattern that would guarantee, on the one hand, comfort in the exchange and, on the other, trust and satisfaction in the exchange made, were factors that gave birth to both money and credit in society. It became necessary to construct a means that would allow the valuation of goods and services in general existing in the markets and at the same time would be accepted by all people as a payment instrument (Hernández, 2001). In response to the different problems, money was presented in the form of metals, such as gold and silver, which, in addition to meeting the requirements of convenience for exchange, apparently had qualities that guaranteed transportation, durability, homogeneity, limited supply, divisibility, among the most important to meet the characteristics of money.

Gold was regularly used as money in transactions, the passage of time gave strength and credibility to this precious metal and insecurity to those who possessed it. These perceptions facilitated the existence of places that gave custody to its owners. Then, the safekeeping service appeared, in function that the owners of the precious metal kept it and requested it when they believed it was necessary in the report of some payment (Eagleton and Williams, 1997). Time and society's trust in these custodians established that the people who deposited their wealth in large vaults did not need anything more than a letter issued by the custodian of the gold, and this paper would serve as a means for transactions in the market, giving elements for the appearance of paper money.

The large amounts of gold that backed those letters that circulated in the market with which different types of exchange were traded gave the custodians the possibility of thinking and issuing more papers in society. The unused, stored gold and the trust developed over time became elements to provide people who required resources with the solution to their money needs. In this way a tool appears that benefits those who require money and those who lend it, who would charge a price or interest for the service. For Keynes (1936), this "is nothing other than the percentage of surplus of a sum of money contracted for future delivery, for example, at a year's term, (p. 198). Thus, the guardians of precious metals become people who collect surplus resources from some people to provide them or transfer them to individuals who need them, thus creating another figure in society: the banker. In this regard, Múgica, (2010) comments that "the banking business is very simple: it consists of lending the money that is received, charging a higher interest than that which is paid" (p. 10).

The resource described in the preceding paragraphs brings into play some of the actors involved in credit: supplier, demander, price or interest rate and money. Thus, it can be said that credit has its own market, which can be conceptualized as the space instituted by suppliers and demanders of credit to make use of money at a given price, and that depending on the risk that infuses these endogenous and exogenous variables, the dynamics of which can mutually benefit the agents involved. Alan and Atman (2003) point out that there are two elements inherent to credit that must be managed: "the expected loss and the unexpected loss. The first one is mitigated with preventive provisions, while the second one is the result of variables that cannot be controlled by the lender and is caused by changes in the credit quality of the credit user" (p.62). The first one is foreseen and static and the second is spontaneous and dynamic.

Thus, the socioeconomic credit environment presents actors that are part of its performance at a general level. It is considered necessary to report on money, prices, inflation, monetary policy, taking into account that they are actors related, in different degrees of importance, to the subject under study.

Money

The practice concludes that, in order to complete a transaction, means of comparison or sales are required, which ultimately compensates what is accepted by each agent involved in the transaction. When money, which may be expressed in paper money, is not used, other means are used in its place, which over time have been formed and recognized for their backing with funds of whoever guarantees the means (Reina et al., 2006), such as the bill of exchange, the check, the transfer, or the promissory note. Additionally, art, precious stones and real estate have been used as means of payment, thus affirming that money can be represented in equivalent objects that are freely accepted by society. However, according to the Central Bank of Colombia, money must fulfill the three functions shown in Table 1.

Table 1. *The functions of money.*

Function	Concept
Means of exchange,	Means that must be accepted by people in exchange for the goods and services they sell.
Unit of account	The prices of goods and services can be expressed in units of money rather than in terms of other goods.
Value deposit	Money must maintain its value over time and, therefore, it is not necessary to exchange it immediately when it is received.

Source: Own elaboration with information from Banco de la República, 2014 and Reina, Zuluaga and Rozo, 2006.

The other instruments or mechanisms accepted in the financial system that facilitate the payment of goods and services without the use of cash are accompanied by factors such as trust and risk, therefore, it is not mandatory to accept it, it is more of the will of those who transact.

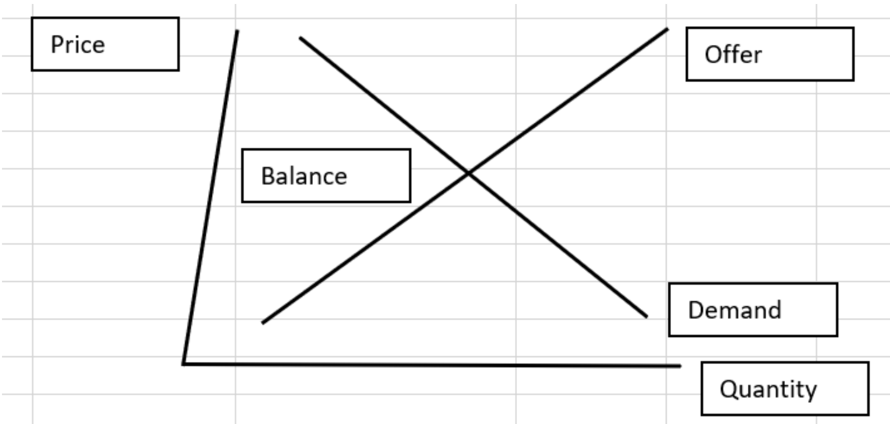
Prices and inflation

The productive process and the distribution of goods and services in capitalist society revolves around the way the population manifests its needs and priorities of products in the market, being a problem that involves all economic agents who make decisions about what to produce, how to produce, how much to produce, as well as those who decide what to consume and how much to consume of a particular good or service. These problems that have to do with the resources available both to produce and to consume, capital goods, labor and raw materials, in the case of suppliers, and available income for the demanders are the basis for decision making in solution to the questions, which must be oriented in a systematic way by a system that provides sufficient information for decision making.

Milton Friedman defines the system that allows information for decision making in supply and demand activities as prices, and assumes it as the system that in an economy of exchange and free enterprise allows solving the problems in the market that the state, by default, cannot do. He specifically states that prices "exercise three types of functions to solve the problems that a market has: they transmit information, they create an incentive to the owners of resources, and they provide an incentive to the owners of resources to orient themselves also by this information" (Friedman, 1962 p.24). In this way, the price system informs the producers what is scarce or abundant in the market and, at the same time, tells the demanders the same thing, so that if prices are high, it informs them that there is a lack of production and distribution of a certain good or service, with the same information it informs them which good or service allows maximizing the income of the demanders.

Price is the way in which the population expresses the need and priority of a product or service. The price is the message that the consumer sends to the productive sectors to inform which good is required to be in the market. In this way, a willingness to pay a high price is saying that it is necessary and that it is part of their priorities; likewise, a low price is showing that their priority and need is low or that there is enough in the market. In addition to knowing what the market is asking for, they are also informed, through the price, of the availability of the resources they need for the production process: labor, capital and raw materials. It can be inferred that prices show whether at a given moment there is a shortage or abundance of both finished goods and productive factors in the market. At high prices, there is a scarcity of resources and vice versa. In this way, the suppliers and demanders of a given product have the information to make decisions on what, how and how much to produce and what and how much to consume, respectively.

Figure 1. *Illustration of the market*



Source: Own elaboration with information from Mankiw, 2009.

The law of demand and supply shows how consumption and production of a given product is influenced by prices, although the relationship between prices and quantities are inversely proportional for demanders and directly proportional for suppliers, prices balance supply and demand to a great extent. Figure 1 is a representation of the states and behaviors of demand and supply at given prices.

Figure 1 shows a price-regulated market in a free capitalist economy. The scarcity of a product causes the demand curve to tend to gather while the supply curve tends to expand. The change in prices is not always the result of the abundance of the relative scarcity of goods and factors. Here also intervenes, sometimes, the speculative behavior of both demanders and suppliers, others may be government policy interventions, such as taxes, subsidies, tariffs, among others that will be discussed later in the document.

In the economy, money is considered as a product, which, like any other, if it is in abundance, its price goes down and if it is scarce, its price goes up. In a similar way to how the price varies in the face of surpluses or decreases of goods in society, in the case of money, so does the rate of interest or monetary rate of interest, which indicates whether it is abundant or scarce. Interest is established, as the price of money, value in the market, which allows access or not to those who require it. In other words, the cross shown in the previous figure can illustrate the behavior of goods and services, as well as the behavior of money in the face of price changes. Thus, showing the well-known law of supply and law of demand set forth in microeconomic theory.

A concern in the economy and society in general is that prices do not allow the exchange of the different goods required by the population. This can happen due to the existence of price growth, which leads to a slowdown in consumption (Mankiw, 2009), since if income is permanent and prices grow, people will be forced to condition their consumption, demand less, and condition their quality of life by prioritizing certain goods and services that have been necessary and permanent in their consumption in order to guarantee their stability. The phenomenon of the growth in prices, conditioners of the quality of life, is determined as "inflation". All those who define this phenomenon agree that it is evidenced when there is a sustained and generalized increase in the prices of goods and services measured against a purchasing power.

The Banco de la República de Colombia, in agreement with different scholars on the subject, states that inflation is a phenomenon caused by an imbalance between the existing money in society and the goods and services produced and offered. In the same way, it is stated that price increases can occur for two reasons: one, because consumers request more goods and services than those available in the market, in such a way that they become scarce, causing suppliers to charge more for them. And the other, because there is an increase in the cost of producing a unit of such good, due to the increase in the price of any of the factors involved in the production process, thus causing producers' profits to decrease, leading them to react or to produce less or to increase their prices of a given good (Subgerencia Cultural del Banco de la República, 2015).

The monetary system

In society, for the exchange of goods and services in general, money is required, meaning with this that parallel to the processes of production and distribution are the monetary flows as a support for them. Therefore, if goods and services increase in the market, there will be a corresponding increase in money so that transactions are not hindered by the scarcity of this resource, guaranteeing the permanent exchange of the different products produced in the productive sectors. Otherwise, a decrease in the supply of the different products will respond with a decrease in money in order not to produce inflation.

From the point of view of monetary flows and those who allow it, it is established that there are money suppliers and money demanders. On the demand side are households and companies, both public and private. On the supply side are, in the first instance, the central bank and commercial banks. The demand side makes use of money for consumption, production or investment purposes, while the supply side guarantees the required existence of money for the achievement of those objectives in society. The monetary and credit system is established on the basis of the monetary activities and operations between the central bank and other monetary entities that supply money.

Central and commercial banking and money supply.

There are two main suppliers of money in the market, one of them is the commercial bank, the other, which will be discussed later in this item, is the central bank. In the case of the former, it is made up of banks that can be classified according to the ownership of their capital as: private, state or mixed (Corbo and Hernández, 2005), and have the particularity of being the intermediary between the central bank, households and companies (Corbo and Hernández, op. cit.). Regardless of their classification, these financial institutions are sustained by the purchase and sale of money or credit, they buy at low rates and sell at higher ones; the motivation is to obtain profits in the exchange as any company in the capitalist system, so the motivation for the placement of money is supported by high interest rates.

It is interest rates through credit that provide income to commercial banks. For Cole, (2014), the interest rate is not the price of money, it is more the price of credit, "more concretely, the interest rate is the price paid for the temporary use of loanable funds, and is generally expressed as a percentage per annum, although the duration of the loan may naturally be higher or lower" (p.51) and is intimately associated with all the actions of banks. But, just as the motivation to grant credit is motivated for banks by high rates, they present for those who demand it, companies and households, an opposite behavior, leading to the market dynamics that evidences the law of supply and demand.

Commercial banks charge more or less for money depending on whether this interest rate, as an instrument of credit exchange, is optimal for both parties. However, the price of money depends on the amount of money in the market, if there is more money in the market than strictly necessary, the price of money tends to go down or the opposite is the case when there is a low amount of money. The central bank, in charge of guaranteeing the strictly necessary money based on the productive capacity and existing goods in the market through its monetary policy tools, such as the marginal reserve requirement and the mediation interest rate, among others, carries out processes of contraction and expansion of money (Mankiw, 2009).

Commercial banks have as one of their sources of income the purchase of money, at interest rates of capture, who are interested in obtaining marginal income for their money and the other is the central bank, which provides them with this resource depending on the needs of the same in the market, at an interest rate of mediation that are usually below the placement rates imposed by commercial banks, this in order to promote the injection of money when needed in the market, such as collecting money when the decision is to increase them (Cole, 2014). Thus, Commercial banking is subordinated to the savings intentions of firms and households, as well as to the economic policy actions of central banking.

Since the creation of paper money, mentioned above, as a result of the issuance of these papers backed by gold in custody and the loss of confidence due to the fact that the circulating paper did not have sufficient backing at the time of mass withdrawal of savers from the vaults where their wealth, represented in gold, was protected, the state came in to mediate and respond to the adequate amount of circulating money that should be kept in society in order not to exceed or shortage this resource to the detriment of both suppliers and demanders of goods and services. The state comes in to mediate and respond to the adequate amount of money circulating in society in order not to exceed or shortage this resource to the detriment of both suppliers and demanders of goods and services, taking into account that a surplus would cause an inflationary phenomenon damaging the level of purchase of consumers and, on the other hand, a shortage would cause a deflationary effect to producers.

Based on the scenarios described in the previous paragraph, the Central Bank assumes the responsibility and functions of regulator of money in the market. For example, the Banco de la República de Colombia proclaims in the official document that:

The Political Constitution of Colombia, as well as Law 31 of 1992, assign to Banco de la República several functions related to the central government, among which the following stand out: Serve as the Government's agent in the edition, placement, custody and administration in the market of public debt securities, activities that are advanced with the support of the infrastructure of the Central Securities Depository (DCV). Act as fiscal agent in the contracting of external and internal credits and those operations that are compatible with the Bank's purposes (p.1).

As Colombia is concerned about monetary security, the passage of time has led central banks in general, based on experience, to take measures to guarantee the community that its money will have a constant purchasing power. On this basis, central banks use tools, considered as monetary policy tools, in order to respond to society. Thus, tools appear with which they can fulfill objectives related to monetary policy, such as the marginal reserve requirement and interest rate, in order to contract or expand money in the market (Mankiw, 2009).

Therefore, the discount interest rate or "intervention rate" used by the Central Bank becomes a sort of faucet, which opens or closes, in order to regulate monetary liquidity in the market, with the aim of keeping the money strictly necessary in the market, in order to promote a price system as stable as possible (European Central Bank, 2009). The intervention rate as an instrument of monetary policy is of great importance, and this rate is modified when there are alterations in the market. A greater liquidity has a response with an upward discount rate or, on the contrary, when there is low illiquidity. If the central bank wants to collect money, it closes the tap by raising rates, and if it wants to expand it, it opens it with a lower rate, thus bringing the ideal of the economy in terms of price levels that guarantees an adequate inflation.

Monetary policy and credit in Colombia.

Monetary policy is in the hands of the central banks since they are the ones that manage the monopoly of issuing money (López et al., 2009), therefore, this policy is linked to the increase or decrease of the amount of money in the economy and to the intervention interest rate that is set by this institution based on the analysis of the inflation behavior against its target goal, which for example, for the Colombian case is established by the Board of Directors of the Banco de la República at 3%. Without meaning that the interest rate mechanism is the only way used by the monetary and credit authority. If it is the one that induces commercial banks to adjust the interest rates they pay for money loans between them, called this the interbank rate, transmitting to credit users and economy in general the possibilities of wide or low acquisition of money (Ortiz, 2017).

From a heuristic research, Ortiz (2017) corroborates what was contextualized in the previous paragraph by formulating the following:

An increase in the interbank rate (a proxy for the intervention rate) has as a response a fall in the growth of the total portfolio of banks in Colombia. When disaggregated by type of policy, it is observed that the bank lending channel acts more strongly in times of monetary contraction, exhibiting greater reactions in banks with low solvency levels than in those with high solvency. In contrast, when the policy is expansionary, the high solvency segment is the only one that exhibits the presence of the bank lending channel, while in banks with lower indicators there is no evidence of any effect of this mechanism (p.3).

Under these premises, the transmission channels of monetary policy operate in the economy, influencing the expectations of money consumption, projected, at the same time, in supply, demand, expenditure and investment decisions. In summary, the Banco de la República has several transmission channels for its monetary policy, which are shown in Table 2.

Table 2. *Transmission mechanisms and impact of monetary policy in Colombia.*

Mechanism	**Action and impact on the economy due to changes in intervention interest rates**
Interest rate channel	The intervention of the monetary and credit authority is through the intervention interest rate; changes in this variable affect lending and deposit rates in the market, as well as long-term interest rates, affecting household and business spending.
Asset price transmission channel	Variations in intervention interest rates alter the price of financial assets, in turn, affect the wealth of households and companies, alter the cost of credit of their stakeholders, which leads to an impact on demand, supply and aggregate spending in the economy.
Exchange rate channel	The variations in the intervention interest rates alter the profitability between internal and external financial assets of the country, leading to the alteration of the supply and demand of foreign currency. Depending on the variation, this may cause the exchange rate to go up or down, thus affecting the prices of goods and services, as well as production costs.
Channel of expectations	It activates the psychological effect on economic agents, who then react by modifying their future investment expectations. This is considered to be the fastest and most direct transmission channel.

Source: Own elaboration with information from Londoño, Tamayo, Velásquez, 2012.

Therefore, monetary policy, within its main objective of guaranteeing constant purchasing power, greatly influences the dynamics of the economy and the behavior of a society's economic agents.

Types of credit

Credit is undoubtedly a part of the monetary and financial system of a society, by means of which a great deal of financial intermediation between the central bank, commercial banks and the real sector takes place, making it the most important factor in the functioning and development of a country. The dynamics of the financial system is largely supported by the volume of investments made by society. Credit, as well as other alternatives for financing investment and expenditure, is the instrument that allows different activities of the production sectors to develop and fulfill different objectives; direct consumption, education, financial leverage, working capital, creation of productive units, among others of different order and importance, which were provided through different proposals existing in the market (Ocampo, 1999).

Within the diversity of credit types, taking into account the observation of different financial institutions, the most important are consumer loans, commercial loans and mortgage loans. Table 3 presents a synopsis of each of these types of loans.

Table 3. *Types of commercial bank loans available in the Colombian market.*

Type	Feature
Consumer Loans	Refers to the granting of money by a financial institution to an individual to be used, normally, for the acquisition or payment of goods and services for personal use. It is agreed to be repaid in an average term of one to four years. According to (Ocampo, 1999), this credit is a way to promote the demand of companies.
Commercial loans	They refer to the different amounts of money requested and delivered to economic agents with the purpose of being incorporated to economic production activities. These resources are normally used to meet working capital needs, investment and payment of operating expenses. They are monetary resources that are agreed to be paid in an average of one to four years. It is established that these credits are one of the ways of facing the companies' economic situations and that they are backed by product sales.
Mortgage Loans	These are loans granted for the purpose of acquiring a property: built, housing, land, offices and other real estate, with the guarantee of a mortgage on the property acquired or built. They are usually agreed to be paid in the medium or long term in an average of 8 to 40 years.

Source: Own elaboration with information from different websites of commercial banks operating in the Colombian territory.

The different offers shown in the table above are common denominator in different countries, which operate from the banking sector to strengthen sustainability and productive growth. In this regard, Dávila et al. (2017) state that the banking sector, particularly referring to the Colombian one "has a great importance in the development of the Country, among other reasons, because it provides transversal services to all sectors and is the main source of financing for investment and development of all types of businesses" (p.2), at the same time the cited authors expose that:

Large infrastructure and development projects have been possible thanks to the participation of banking establishments and associations, which, in harmony with the State, have promoted savings, the banking penetration of the population, the financing of personal and business projects, the financing of educational and housing projects, among others (p.11).

As in Colombia, the worldwide finance system in general has been accompanied by these institutions that support the various productive sectors, reaffirming that credit is one of the financial products as an important part of the financial system.

Microcredit is a type of credit for inclusion and financing.

Based on its development, purpose and the people involved, the disbursement of microcredits has been understood as an instrument of response and financial inclusion for that part of society with scarce resources, which due to such conditions have not had the possibility of accessing credit, which does not allow them to take advantage of opportunities to work on projects with which they could self-manage resources to improve their quality of life (Nieto, 2005).

Colombia has had a great interest in microfinance, because of the positive results shown by the world experiences, such as those mentioned by Grammen, like the disbursements under the microcredit system, as well as the maxims exposed by those interested in the inclusion and improvement of the quality of life of society in general. Table 4 makes a short summary with expositions of some expressions about the attributes of microcredit.

Table 4. *Reference frameworks that expose the attributes of microcredit.*

Referrer	**Attribute**
Muhamad Yunus (2010).	"Credit is not only an income-generating tool, it is a powerful weapon for social change, a means for people to find new meaning in their lives, credit is a human right."
Muhamad Yunus (2010).	"The opportunity for inclusion and growth of people is a result of their potential, NOT on the study of valuation or material possessions as conventional banks have done".
World Bank (2010)	"Microfinance holds the promise of reaching the poor, as it can help income generation for businesses operated by low-income households."

Font (2010)	"The results of the different financial inclusion policies developed over the last 150 years are highly positive. It is difficult to measure the social impact with quantitative indicators, although many stages have shown significant impacts".
Abbad (2010)	Poverty has nothing to do with marginality. It can be the cause of some social exclusion and, of course, it is the cause of financial exclusion. Poverty is usually accompanied by a permanent search for opportunities and marginality by a search for economic resources. Microcredits are aimed at those who suffer from exclusion and marginalization.
Lacalle Calderón (2002),	"microcredits are a financing instrument for development, whose ultimate goal is the reduction of poverty in the world."
Beatriz Marulanda (2007)	"Initially the financial instruments towards the microenterprise sector were framed within a paternalistic approach, with the aim of alleviating poverty first and foremost, later there was a recognition of the microenterprise sector as a potential growth factor and seedbed for small and medium-sized enterprises."

Source: Own elaboration based on specialized documents on the subject of microcredit.

Not unrelated to the necessary existence of this tool for the inclusion in the financial system of those people marginalized from the right to credit, the Colombian Congress of the Republic presented a bill expressing the need for banking establishments to facilitate access to microcredit services to low-income populations that have not had access to them (SENATE of the Republic 2013).

Table 5. *Articles of the proposed law to facilitate access to microcredit services.*

Article	Concept
Article 1.	In order to stimulate access to credit for the low-income population to serve as a generator of employment, the banking establishments authorized to carry out financial activities must offer preferential microcredits for the creation of small businesses.
Article 2.	Banking institutions must allocate no less than five percent (5%) of their total placement budget for microcredit, and of this percentage at least fifty percent (50%) must be allocated to strata one, two and three (1, 2 and 3) of the population.
Article 3.	Debtors covered by this law have the right to make payments on the principal due at any time.
Article 4.	The procedures for the granting of microcredits will be free of charge for those who request them.
Article 5.	The evaluation or granting of the microcredit by the banking establishments will not be subject to the existence of real guarantees, but to the business plan presented by the client.

Article 6.	The National Government will monitor the growth of the microcredit portfolio, and will guarantee, through appropriate intervention mechanisms, that its real annual growth is at least in accordance with the percentages indicated in the second paragraph of the second article of this law.
Article 7.	The National Government shall implement programs to promote access to microcredit in the rural sector. It shall also design microfinance training programs in the rural sector through the Ministry of Education.
Article 8.	The National Government shall formulate policies that promote the sustainable growth of microcredit for the establishment of new businesses, foster competition among financial intermediaries, identify the presence of market failures that hinder access to the institutional financial market and adopt the pertinent corrective measures, within the framework of its competencies.
Article 9.	This law is effective as of its promulgation, and repeals all provisions contrary to it.

Note: In its articles to facilitate access to micro-credit services to low-income populations, this bill presents the following clarifications: The banking establishments may place this percentage directly or through institutions, establishments, organizations and/or similar specialized in microfinance, event in which the total disbursement of the resources under the microcredit modality must be accredited.

The National Government shall regulate the incorporation of stimuli and incentives for the financial system to place significant resources in the urban and rural microcredit modality.

The proposal from Law 43 of 2013 based on the lack of employment and income of the Colombian population and the need for new ways to generate opportunities covers issues such as those presented in Table 5. In general, Tables 4 and 5 allow a dialogue with the elements for the public policy proposals that give formality to the supply and demand of microcredit disbursements. There is a common denominator in what was stated by the different authors, the need for a tool that includes that part of society that due to their poverty conditions are not taken into account in the ordinary financial system, the instrument is the microcredit.

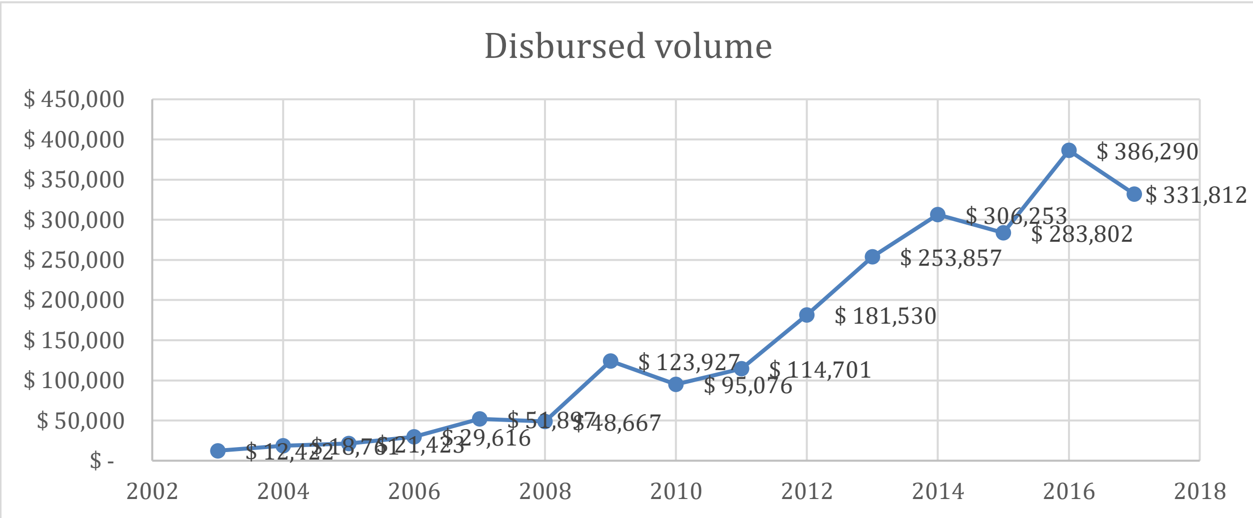
Therefore, microcredit is a financing and financial leverage modality for low-income populations, in addition to the types of credit presented in Table 3, since, as it is aimed at this low-income population, its support is different from the traditional types of credit offered by commercial banks in the market (Corporación Andina de Fomento, 2014). The microcredit tool is understood as one that allows the inclusion of vulnerable groups, due to market failures, especially in developing countries (Yunus, 2010).

On the other hand, it should be noted that Law 590 of 2000 was implemented in Colombia, which was considered an advance for the development and financing of micro, small and medium-sized enterprises. Through Articles 38 and 39, it envisions credit opportunities for this part of society that, due to low payment capacity, had not had the opportunity to access credit with the financial sector.

Thus, in one of its aforementioned articles, it sets forth the microcredit system as the tool that will stimulate the financing of micro-entrepreneurs with maximum amounts per operation equivalent to 25 minimum wages in force. Based on this commitment, microentrepreneurs see an opportunity to access lines of credit that will enable them to sustain and develop their business units. Figure 2 presents a graph showing the growth of microcredit disbursements in every year. The behavior of the use of microcredit is sustained in its growth, showing that disbursements bring more users over time: it began in 2003 with $12,442 million and as of 2017 it is $331,812 million.

The dynamics that microcredit has had since 2000, allows inferring that those public policies have become an important advance for the financial inclusion of this market composed of entrepreneurs and micro-entrepreneurs. In such a way that the statistics, facing the consumption of this financial service, show growth, as reflected in the September 2014 report, the Bank of the Republic, where it is reported that the demand for microcredit increased above the average of 2013, by 9.8% for the microcredit market and 1.6% in regulated entities. Thus, microcredit is an initiative to assist and improve the quality of life of these small entrepreneurs who have been invisible because they do not have the same opportunities for financial leverage from traditional banks (Sánchez, 2015).

Figure 2. *Volume of microcredit disbursements 2003-2017*



Source: Own elaboration based on data from the Superintendencia Financiera de Colombia (2017).

During the course of the document, the importance of microfinance in the development of peoples has been expressed, more precisely, microcredits as an efficient strategy for local impulse, including people or groups that for the traditional financial system are inexistent, as a result of their socioeconomic conditions that qualifies them as unreliable actors (World Bank, 2012). The provision of microcredits to microenterprises as to poor family units, through three different modalities of microfinance: individual credit, pooled credit and solidarity credit, have allowed to conceive microfinance as a progressive financial activity, "a trend that undoubtedly erects microfinance not only as a serious option to meet social needs, but also as a tool to support local development" (Mballa, 2017, p. 114).

Credit risk.

Regulatory agencies recognize that the greatest banking risk is in credits. Based on the provisions of Decree 2555 of 2010, the Financial Superintendency of Colombia assumes credit risk as:

The possibility that a credit institution incurs losses and the value of its technical equity is reduced as a result of its debtors' failure to meet their obligations on time or imperfect compliance with financial obligations on the agreed terms (chapter 3).

The concept of risk presented in this part of the document is related to financial institutions and banks, taking into account, on the one hand, that it can be extended to different activities of the economy and, on the other hand, that the topic being worked on is that of credit.

Banks, in general, recognize a possible non-payment on the part of their creditors, as they make provisions for this phenomenon, thus assuming an indicator of the institution's expected loss, implying that the higher the provision, the lower the profit (Matus 2007). For Alfaroet al. (2008), the quality of the portfolio is determined by the stock of provisions, to which it refers:

In fact, a standard measure in the industry corresponds to the ratio between the stock of provisions (S) and total loans (L). This measure is usually reported by loan category and is understood as an estimator of the probability of losses in that type of loan (p. 3).

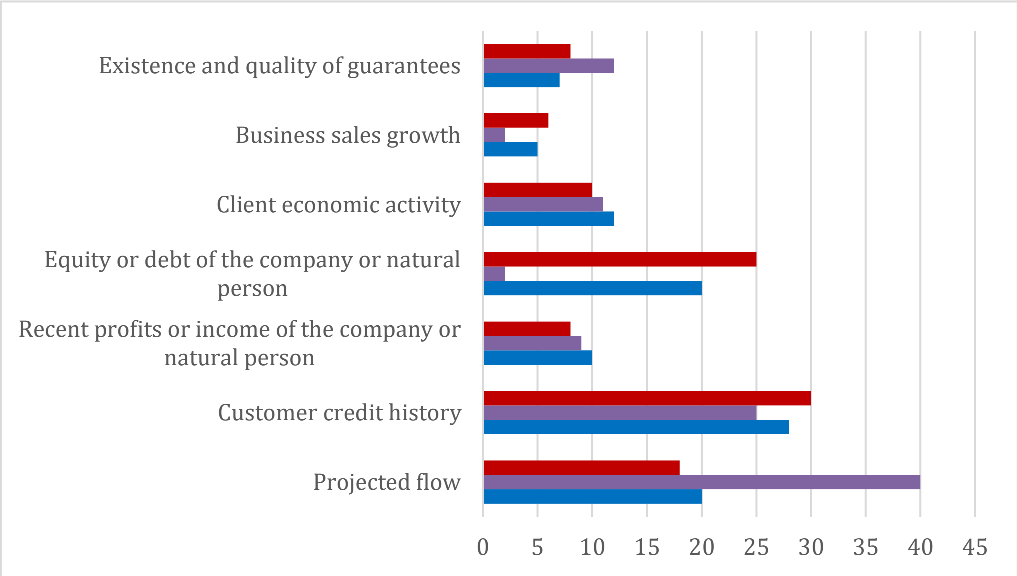
For the authors of the previous reflection, provisions are diverse and are estimated according to the type of debtor and the possible environmental factors that could affect it; provisions are not the same for consumer loans as for commercial or mortgage loans, and are also different in a dynamic economy than in one with recessionary phenomena.

Microcredit risk and delinquency.

Among the clients that make use of the financial system, those that correspond to microcredit assume different control parameters than the other types of leverage because of what has been reported about who, par excellence, are its users. In this regard, the National Commission of Banks and Insurance in Honduras, in the circular -CNBS- No.036/2014, reports that some characteristics to identify these types of credits are, among others, that their destination are the informal sector of the economy, that the main source of payment is constituted by the proceeds of sales and income generated by such activities that are financed, and, not by a stable income. It is precisely for a niche market with characteristics such as those mentioned above that microcredit is oriented, bringing with it the idea that the risk assumed by the institution providing this type of service is higher.

According to the Superfinanciera in Colombia, the effectiveness of the portfolio in the different types of credit is estimated by the quality indicator for delinquency, an indicator composed of the variables: balance of past-due portfolio in a given time, over balance of gross portfolio in a given time. This equation with respect to microcredit accounts for the behavior and risk involved in the recovery of the resources disbursed by the lending institutions through the microcredit system. The indicator provides information for the institutions to make changes in the requirements for approving or disapproving new loans, since "low credit risk is the second characteristic that determines the approval of new loans for all intermediaries" (Hurtado et al., 2016. p.7).

Figure 3. *Changes in the requirements for the allocation of new loans in the microcredit portfolio.*



Source: Own elaboration based on the survey on the credit situation in Colombia, March 2016; calculations by Banco de la República.

Note: Red indicates if it increased, yellow indicates that remained the same and blue if it decreased.

The graph is presented by Hurtado et al. (2016.) in response to the question asked to financial intermediaries, in the Quarterly Survey on the Credit Situation in Colombia applied in March 2016, regarding whether they have made demands in the allocation of new credits. Attention is drawn to the fact that, in relation to microcredit:

66.7% of banks reported no change in their requirements for approving new loans, while the remaining 33.3% increased them. These increases were mostly associated with the less favorable or uncertain economic outlook, so a similar behavior of the requirements is expected in the following quarter (p.9).

The responses of the financial institutions suggest that they are aware of the microcredit target population and the risks involved in disbursing resources to them. For their part, Gómez et al., (2016), in a report on the current situation of microcredit in Colombia presented in December 2016, report that the novelty regarding the microcredit portfolio is that there is an increase in the practice of portfolio restructuring, among the last quarter of the year under observation, but nevertheless "the representativeness of this practice within the total portfolio continues to be low and the main types of restructuring are the extension of the term, the reduction in the amount of payments and the reduction of the installment" (p.18).

The authors, referred to in the previous paragraph also clarify in the report that during the period October-December 2016, the report of entities that had written off portfolios increased, surpassing the maximum reported in 2014. In conclusion, Gómez et al. (2016) report that "the ratio between past-due and gross portfolio, weighted by the participation of the microcredit portfolio of the entities, increased, placing it above the average of 2016" (p.18). These data provide a synopsis of the behavior of credit in terms of portfolio risk and how this type of financial leverage is involved in a number of possible precautions for the institutions that offer it.

4. Conclusions

Credit is the result of the need for leverage and appropriation of resources for the purpose of undertaking business units, as well as for the sustainability and/or increase in the productivity of companies. The intermediary instrument at a general level is the commercial bank, which collects resources from those who have surplus and places them to those who lack them, an exercise that is mediated by a price known as interest rate: collection when it collects and placement when it lends.

There are several elements that are part of the credit environment: money, since it is the object that is negotiated in a transition through the interest rate, another is prices and inflation. The first one is considered as the system that allows information for decision making in the activities of supply and demand in the market, which scholars of the area such as Milton Friedman refer that "there are three types of functions to solve the problems that a market has: they transmit information, create an incentive to the owners of the resources, and provide an incentive to the owners of the resources to also orient themselves by this information" (Friedman, 1962 p.24). The second one is considered as a sustained and generalized increase in the prices of goods and services that makes purchasing power seem inefficient, since if income is permanent, people will be forced to condition their consumption, demand less, and condition their quality of life.

A permanent element in the credit environment is the monetary policy that influences the monetary system, considered as the model that accounts for the suppliers and demanders of money. It is in the monetary system that the consequences of the expansion and contraction of money by the Central Bank, through its instruments, can be observed. As well as the buying and selling of money by the commercial banks in order to obtain profits in the exchange. The particularity of the above-mentioned events is that the Central Bank makes monetary policy, collecting or withdrawing money, in order to guarantee the constant purchasing power of the circulating money, while the commercial banks develop their activities in order to guarantee their wealth by trying to sell at higher interest rates. However, the price of money depends on the amount of circulating money in the market, which is determined by the monetary policy of the issuing bank.

Colombia has a diversity of credit types, such as consumer, commercial and mortgage loans, among others. It is clear that the diversity in credits informs of the different products that are around this financing tool.

Colombia currently has, increasingly, a financial product aimed at those people who do not have the opportunity to acquire loans in traditional banking, the microcredit. It is the tool for the inclusion in the financial system of those people marginalized from the right to credit, its credibility is so great that public policies are being implemented to ensure that more and more people enjoy the opportunity of financing.
In general, the credit context is identified, which is accompanied by a series of components that are worth working on individually in future research.

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