



FINANCIAL INCLUSION IN LAC: TRENDS, CHALLENGES AND OPPORTUNITIES

 **Sergio Navajas**

The Korean Experience: Lessons for LAC Development

May 2014 – Washington DC

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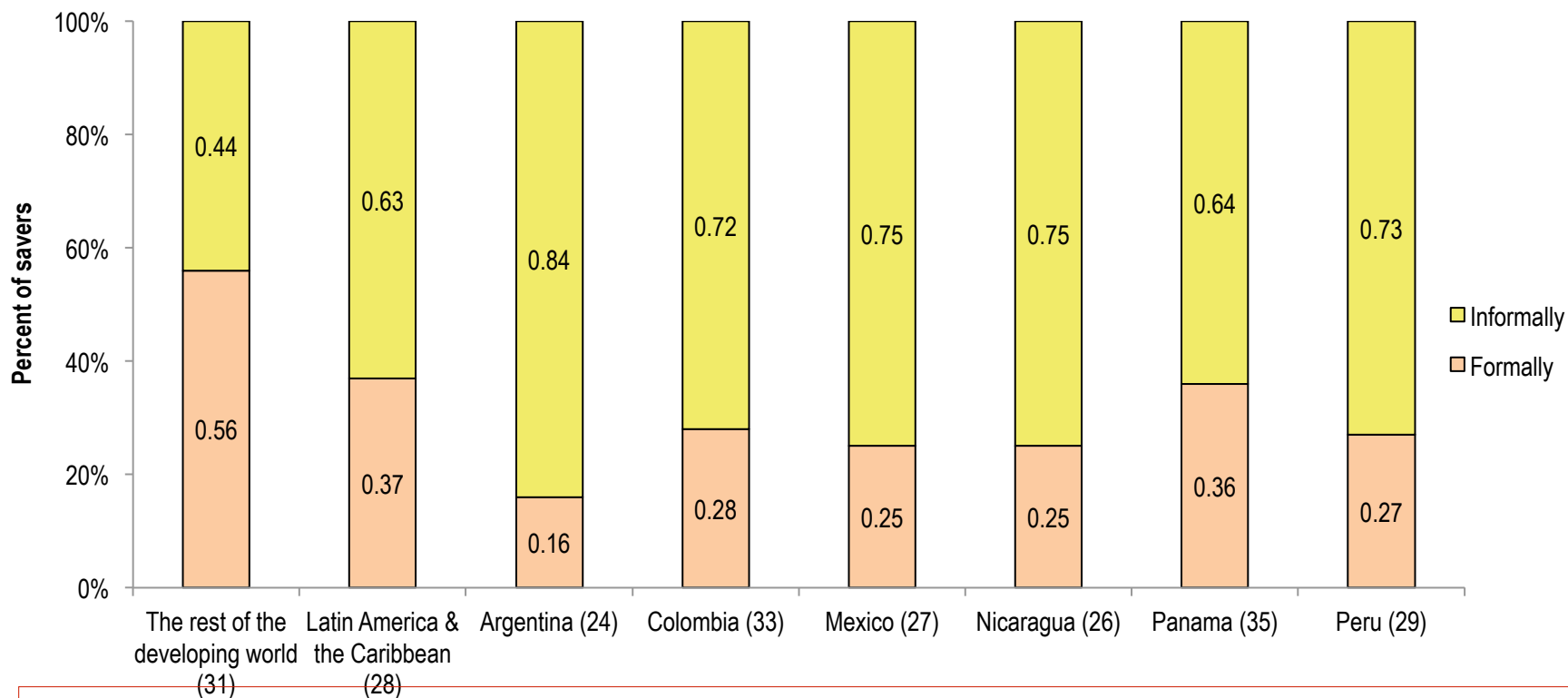
1. BASIC DATA - LAC

- Globally, over **2.5 billion adults** do not have a formal account
- In LAC **39% of adults are banked** (compared to 41% for adults in developing countries and 89% adults in high-income economies)
- 37% of women in developing economies are banked—compared to 46% of men. In LAC, **this ratio is 35%**
- **15% of savers** in LAC saved using an informal club or a person outside the family (compared to 17% of savers in developing economies and 48% of savers in Sub-Saharan Africa)
- **23% of adults** living below \$2 per day have a formal account
- **37% of savers** in LAC saved using a formal financial institution (compared to 56% of savers in developing economies)
- **2% of adults** in LAC report having used a mobile phone to pay bills send or receive money in the past year (compared to 15% of adults in Sub-Saharan Africa)



1. BASIC DATA - LAC

How do savers save in Latin America & the Caribbean?



Over 60% of savers for emergencies or future expenses (such as a large purchase, or wedding) only save informally

1. BASIC DATA - LAC

Other interesting findings from global data

- The most commonly cited barriers to account ownership are lack of money, **excessive costs, lack of documentation, and lack of trust**, with the last three cited much more frequently than in the rest of the developing world.
- Account holders in LAC particularly likely to use **accounts to receive payments from employers or the government**; account holders less likely to use accounts to save
- **Credit card penetration** in LAC is relatively high: 18% in LAC, 7% in developing countries and 50% in high-income countries.

1. BASIC DATA - LAC

Remittances

\$61.3 billion dollars sent to Latin America and the Caribbean in 2012



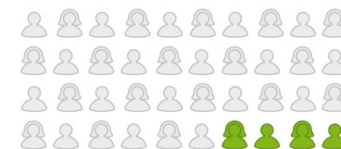
Social Protection Payments

19 countries in LAC currently implement social protection programs (conditional cash transfers - CCT)

27 million low-income women receive payments protection payments do



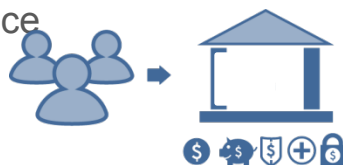
90% of people receiving



Microinsurance

In LAC there is a potential market of **350 million people**, of which **only 45 million** have access to microinsurance

Currently:



Life microinsurance products reached **32.5 million people**

24 million people benefit from accident cover

Health microinsurance products covered at least **10.3 million people**

About **2.9 million properties** are protected through corresponding microinsurance products

Microcredit

Over 1000 institutions provide microcredit in LAC

Total microcredit portfolio surpasses **\$37 billion to 20 million clients**

The lion's share of this portfolio (over 80%) is **delivered by regulated institutions**

The estimated **microcredit interest rate is 29%** compared to 14% of the total financial system



2. FINANCIAL INCLUSION– AN EVOLVING DISCUSSION

Lessons from the microcredit revolution:

- The poor can repay a loan (**willigness and ability**)
- There are **lending methodologies** than have been adapated to to traditionally excluded populations (size, diverse income soruces, etc.)
- Providing credit to the poor can **be a sustainable and profitable activity** (Bolivia, Peru, Bolivia, Mexico).

2. FINANCIAL INCLUSION– AN EVOLVING DISCUSSION

Evolution of concepts

Microcredit → Single product- microcredit

Microfinance → Product diversification – microcredit, savings

Access to finance → Product diversification and new clienteles (the “missing middle”- SME finance)

Responsible finance → New elements of transparency and consumer protection – partly as a result of the 2008 financial crisis

Financial inclusion → Institutions and its business/regulatory environment– very useful for public-private dialogue

2. FINANCIAL INCLUSION– AN EVOLVING DISCUSSION

There is **no a single definition of financial inclusion**. Examples include:

- ACCION's Center for Financial Inclusion (CFI). *“Full financial inclusion is a **state** in which **all people** who can use them have access to a **full suite of quality financial services**, provided at **affordable prices**, in a **convenient manner**, and with **dignity** for the clients. Financial services are delivered by a range of providers, most of them private, and reach everyone who can use them, including **disabled, poor, rural, and other excluded populations**”*.
- The World Bank's Consultative Group to Assist the Poor (CGAP). *“Financial inclusion means that **households and business** have access and can effectively use appropriate services. Such services must be **provided responsibly and sustainably**, in a **well regulated environment**”*.
- Alliance for Financial Inclusion (AFI). **“Access to appropriate financial services for the poor”**

2. FINANCIAL INCLUSION– AN EVOLVING DISCUSSION

The closest “common” element for a financial inclusion strategy is the **Maya Declaration** which seeks to establish a measurable set of commitments by developing and emerging countries taking into account the following four broad areas:

- Create an enabling environment to **harness new technology** that increases access to and lowers the costs of financial services;
- Implement a **proportional framework** that advances synergies in financial inclusion, integrity, and stability;
- Integrate **consumer protection and empowerment** as a key pillar of financial inclusion;
- Utilize **data for informed policymaking** and tracking results.

2. FINANCIAL INCLUSION– AN EVOLVING DISCUSSION

However, implementation is very heterogenous → Very different expertise

Country	Institutions Involved	Number of Concrete Targets	Concrete Targets Achieved by 2013	Microinsurance	Microsavings	Microcredit	Mobile Financial Services	Consumer Protection	Financial Literacy	Agent Banking	Data and Measurement	Progress Monitoring	Regulatory Framework	Alternative Financial Products and E-money Framework	Payment System Strategy	Credit Information Systems	Financial Identity	SME Development	Women Empowerment	Expansion of Financial Services Infrastructure
Brazil	Fin	5	2					1	1		1		1		1					1
Chile	M	6	6						1		1	1		1	1					
Colombia	M	5	0			1				1			1	1	1					
Ecuador	FA	6	0				1		1				1		1					
El Salvador	FA	4	0	1	1	1	1	1	1		1	1	1							
Guatemala	FA	5	2					1	1		1		1							
Haiti	FA												1	1	1					
Mexico	FA +	6	5				1			1	1		1							1
Panama	FA						1					1	1	1						
Paraguay	FA	2	1										1							
Peru	FA	8	6		1		1	1	1	1	1	1	1	1						

Source: WB (2013) Financial Inclusion Strategies Database

2. FINANCIAL INCLUSION– AN EVOLVING DISCUSSION

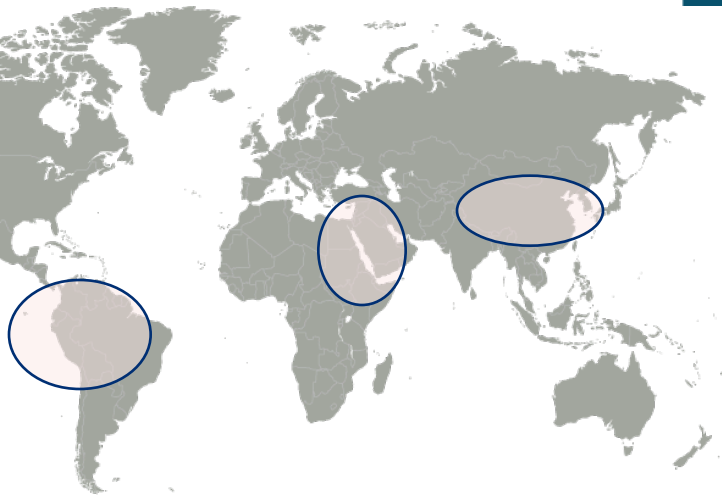
- Hay bastantes **esfuerzos de medición** de uso y algunos de acceso (por ejemplo ubicación de agencias) de **inclusión financiera** pero **pocos de evaluación del entorno**.
- Uno de los pocos esfuerzos es el **Microscopio Global sobre el Entorno de las Microfinanzas** que desde el 2007 efectúa dicha evaluación. El EIU implementa la evaluación y ha contado con el apoyo de del FOMIN/BID, CAF, IFC, CITI y el CFI de ACCION.
- El **Microscopio** actualmente cubre 55 países con variables en dos categorías:
 - a) Marco regulatorio y práctica (*ej. supervisión de microcrédito*)
 - b) Marco institucional de apoyo (*ej. buròs de crédito*)+ factor de ajuste

2. FINANCIER INCLUSION– AN EVOLVING DISCUSSION

Resultados del Microscopio 2013

- Perú mantiene su liderazgo
- En los 10 primeros puestos:
 - 5 países de América Latina
 - 2 países de África
 - 3 países de Asia

Ranking	País	Puntaje en 2013	Cambio
1	Perú	82.5	+2,7
2	Bolivia	69.8	-2,0
3	Pakistán	69.7	+2,3
4	Filipinas	67.9	+4,6
5	Kenia	61.1	-1,7
6	Camboya	60.3	+4,6
7	Colombia	58.5	+2,5
=8	El Salvador	53.8	-2,5
=8	Uganda	53.8	+2,2
10	Rep. Dominicana	53.6	+7,5



2. FINANCIAL INCLUSION– AN EVOLVING DISCUSSION

- Como un paso de evolución natural, se espera que en 2014 el **Microscopio** tenga una cobertura más amplia de temas de entorno en **inclusión financiera**.
- Bajo discusión están temas de:

Políticas gubernamentales (positivas y negativas)

Regulación de más productos (microcrédito, ahorros, seguros) y canales

Análisis de **sistemas de pagos** (incluyen temas de finanzas digitales)

Análisis más amplio de temas de **disciplina de mercado** (protección al consumidor), **transparencia** y **resolución** de disputas

Reglas de entrada para proveer servicios financieros (perímetro regulatorio).

3. FINANCIAL INCLUSION– MIF'S WORK AREAS

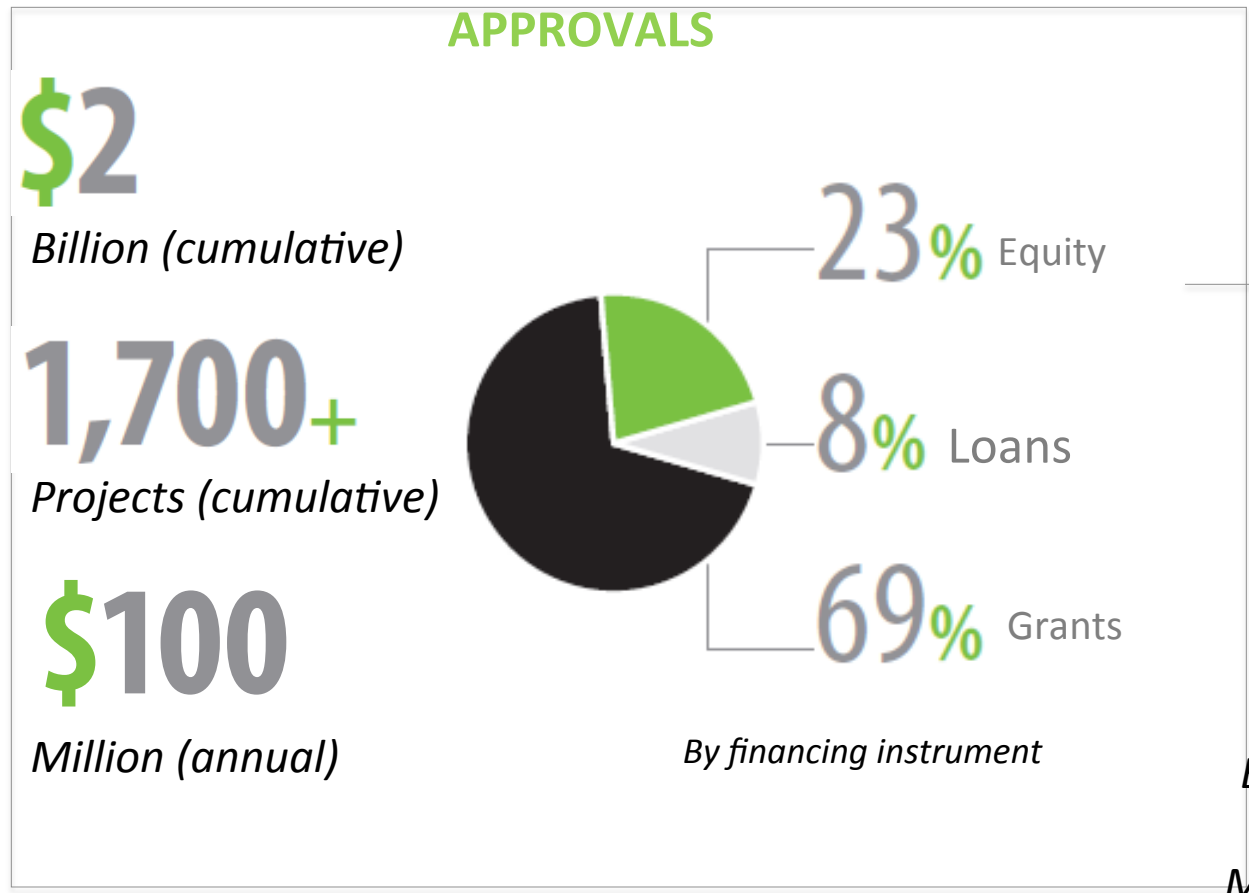
The IDB's Multilateral Investment Fund (MIF)...

- Was established in 1993 as a unique laboratory to test innovative private sector development models, using grants, equity, and loans.
- Targets micro and small entrepreneurs, small farmers, and low-income households.
- Empowers clients through tools to increase their incomes: access to finance, markets and skills, basic services and green growth.



3. FINANCIAL INCLUSION– MIF WORK AREAS

Some MIF numbers....



\$2

Billion (cumulative)

1,700+

Projects (cumulative)

\$100

Million (annual)

COMPLETED

1,000+

projects

OVERALL LEVERAGE

in 2012

1:3

Grants

1:1

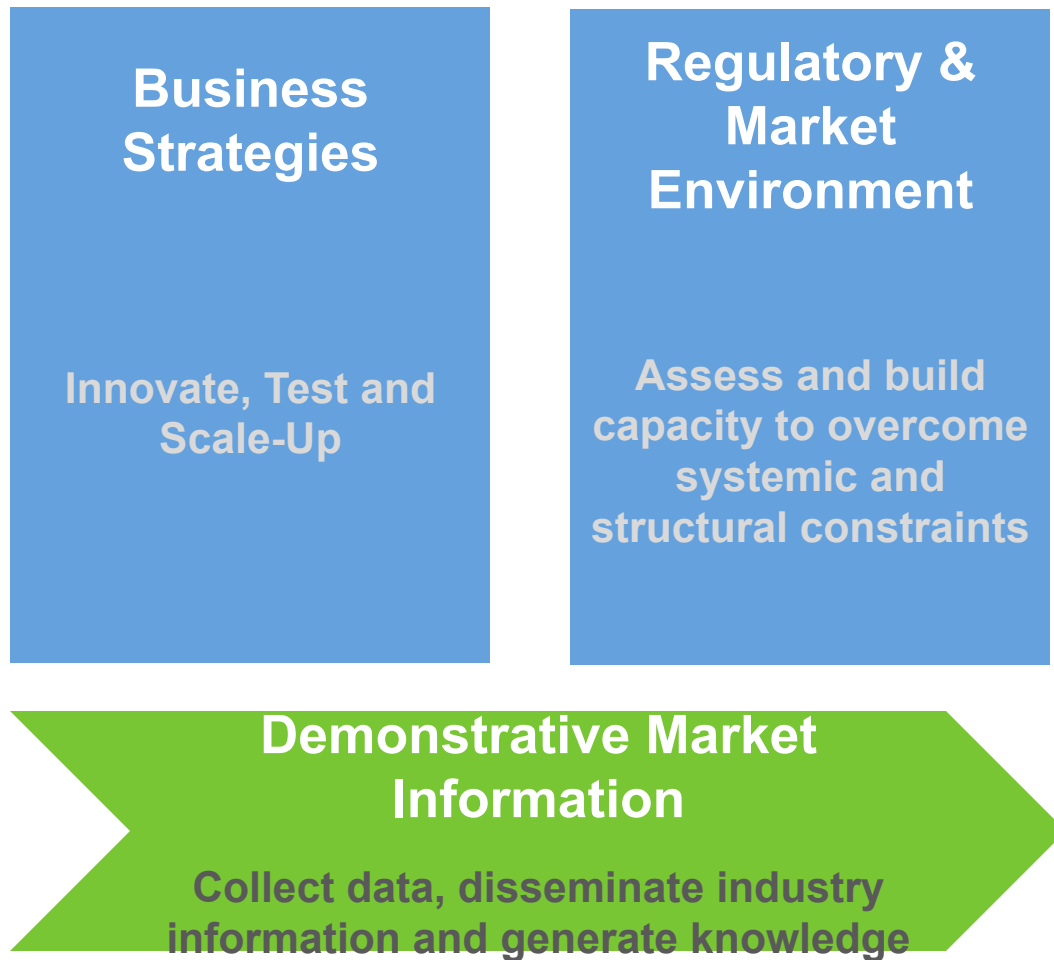
Early stage equity

1:6

Microfinance funds

1:9

3. FINANCIAL INCLUSION– MIF WORK AREAS



3. FINANCIAL INCLUSION– MIF WORK AREAS

Business Strategies

1. Adapting products (e.g. rural finance)
2. Cost-effective distribution channels
3. Corporate governance for financial services providers
4. Enhanced financial capabilities in end-users
5. Invest in sustainable institutions
6. Fund and scale-up sustainable models

Regulatory & Market Environment

1. Policy-Regulatory Environment
 - i. Branchless banking and digital finance regulation
 - ii. Nationwide financial inclusion policies and strategies
 - iii. Corporate Governance
2. Market Environment
 - i. Credit bureaus
 - ii. Client protection
 - iii. Local currency funding
 - iv. Capital markets

Demonstrative Market Information

1. Access, use and quality impact of financial services
2. Industry's environment conditions to develop financial inclusion markets in LAC
3. Clients' needs and preferences

4. CHALLENGES

A nivel de entorno

- Creación de marcos regulatorios “separados” para microfinanzas e inclusión financiera (Ecuador, Nicaragua)
- Creación de estándares mínimos para aquellas prestamistas (crédito de consumo) que están fuera de los perímetros regulatorios tradicionales.
- Nuevo mandato de uso de indicadores sociales para inclusión financiera
- Regulación de las finanzas “digitales” (billetera electrónica, pagos móviles)
- Monitorear el sobreendeudamiento y buscar respuestas regulatorias
- A nivel de uso de datos, se debe intensificar el uso de la información ya existente de burós de crédito públicos y privados (ej. Perú y Brazil)

4. CHALLENGES

A nivel institucional

- Revisitar el tema de ahorros. Como fuente de fondeo ha sido un éxito pero hay evidencia que una porción importante de cuentas son inactivas.
- Analizar el tema de transición de institución especializada a banca múltiple. El tema de capacitación de persona no es trivial.
- Se necesita experimentar y/o documentar más el uso de tecnologías para apoyar al oficial de crédito. Ya hay info. acerca de pago de servicios y otros.

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4. CHALLENGES

Identificación de riesgos y dimensión del mercado de crédito y otros servicios no financieros en el sector no regulado.

Diseño de productos financieros acorde con las necesidades de los colectivos excluidos típicos: mujeres, sector agrícola / rural (apenas el 20% de la cartera regional de 58 IMF de early trends)

Posible consolidación de los sectores financieros / microfinancieros.

Riesgos y potencial de actores con presencia transnacional (bancos, bureaus de crédito, operadores de telefonía).

Necesidad de regular otras metodologías crediticias? banca Comunal, crédito solidario?

Hay actores principales en despliegue de estrategias de inclusión financiera?

Como articular estrategias de sector privado y público?

Papel de organismos multilaterales, rol de fomin?

¡MUCHAS GRACIAS!

