



“Financial Inclusion: The Role of Governments and Financial Institutions: The Peruvian Experience”

***Bali, Indonesia
September 2013***

PERU

Territory: 1,285,216 Sq.Km.

Population: 30 million (2012)

Population Density: 23.4 hab/Km²

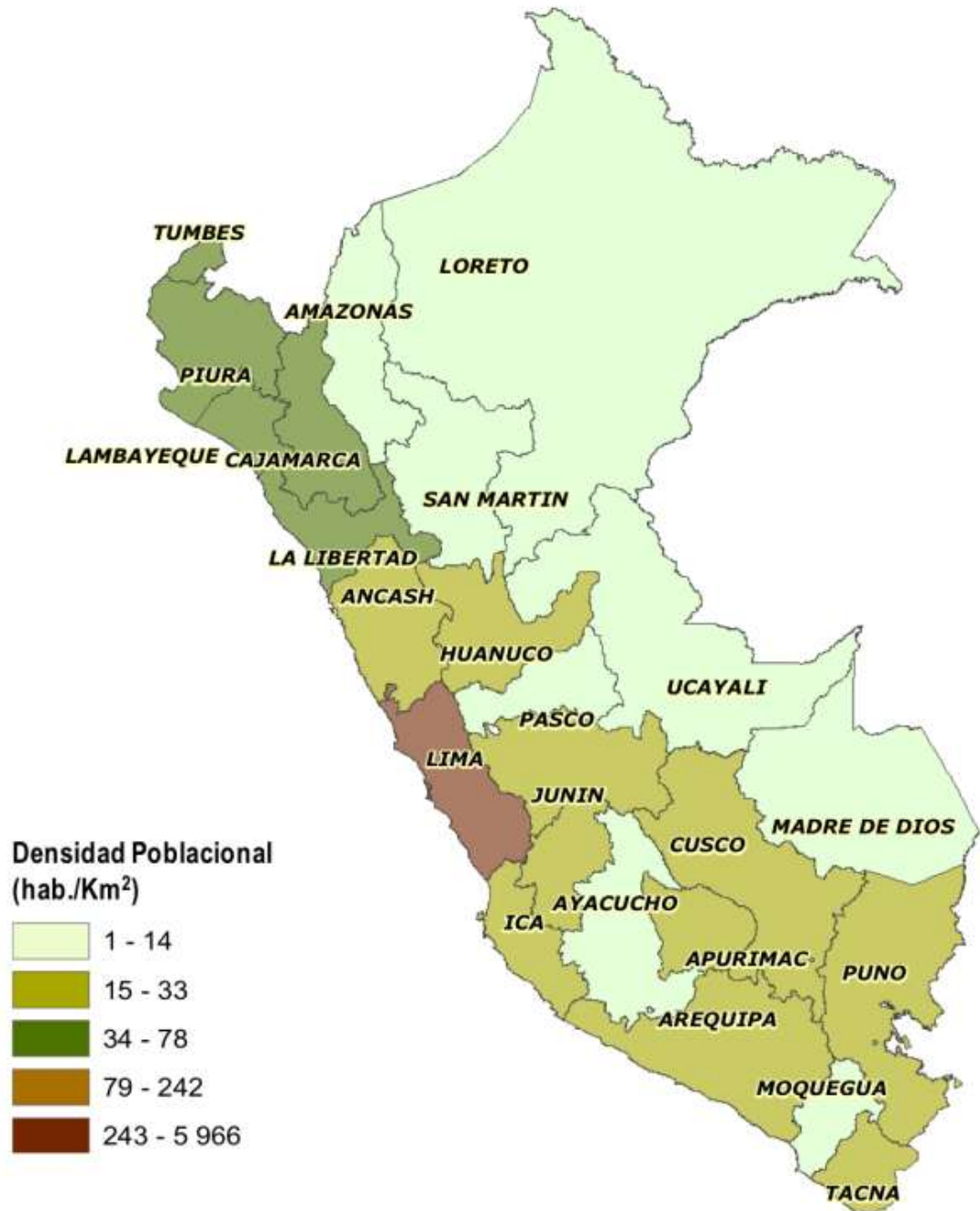
GDP: 526,286

GDP per cap. (2000): \$4,550

GDP per cap. (2011): \$10,200

Poverty rate (2007): 42.4%

Poverty rate (2011): 27.8%



Agenda

- 1. Women Entrepreneurs in Peru**
- 2. Microfinance in Peru**
- 3. Peruvian Strategies to promote financial inclusion**
- 4. Financial Inclusion Programs**
- 5. Measuring Progress**
- 6. Conclusions**

1. Women entrepreneurs in Peru

Women Entrepreneurs in Peru

- Women own and operate over 40% of MSEs. Individually these are small, but collectively these businesses generate 42% of Peru's GDP and play a pivotal role in the livelihoods of millions of workers and their families.
- Despite the fact that women own over 40% of all MSEs in Peru, very few training programs exist that are exclusively tailored to the needs of women entrepreneurs.
- Almost 65% of households are economically supported by women
- Women entrepreneurs in Peruvian MSEs require
 - (i) access to *credit*, and
 - (ii) access to a range of *business capacities*.
- Some Peruvian microfinance institutions (MFIs) and NGOs have provided business training for classes containing both men and women entrepreneurs.

2. Microfinance in Peru

Microfinance in Peru

- Micro and Small Enterprises (MSEs) represent approximately 98% of the total number of businesses in the country, contribute with 42% of the GDP and give employment to 62.1% of the active economic population.
- MSEs credits account for 16.6% of the total of loans granted by the Peruvian financial system, attending the 35.24% of total debtors.

Key actors in Microfinance in Peru.

A. MSEs

B. Regulatory
Institutions

C. Financial
Institutions



Instituciones Financieras (IFIs)*

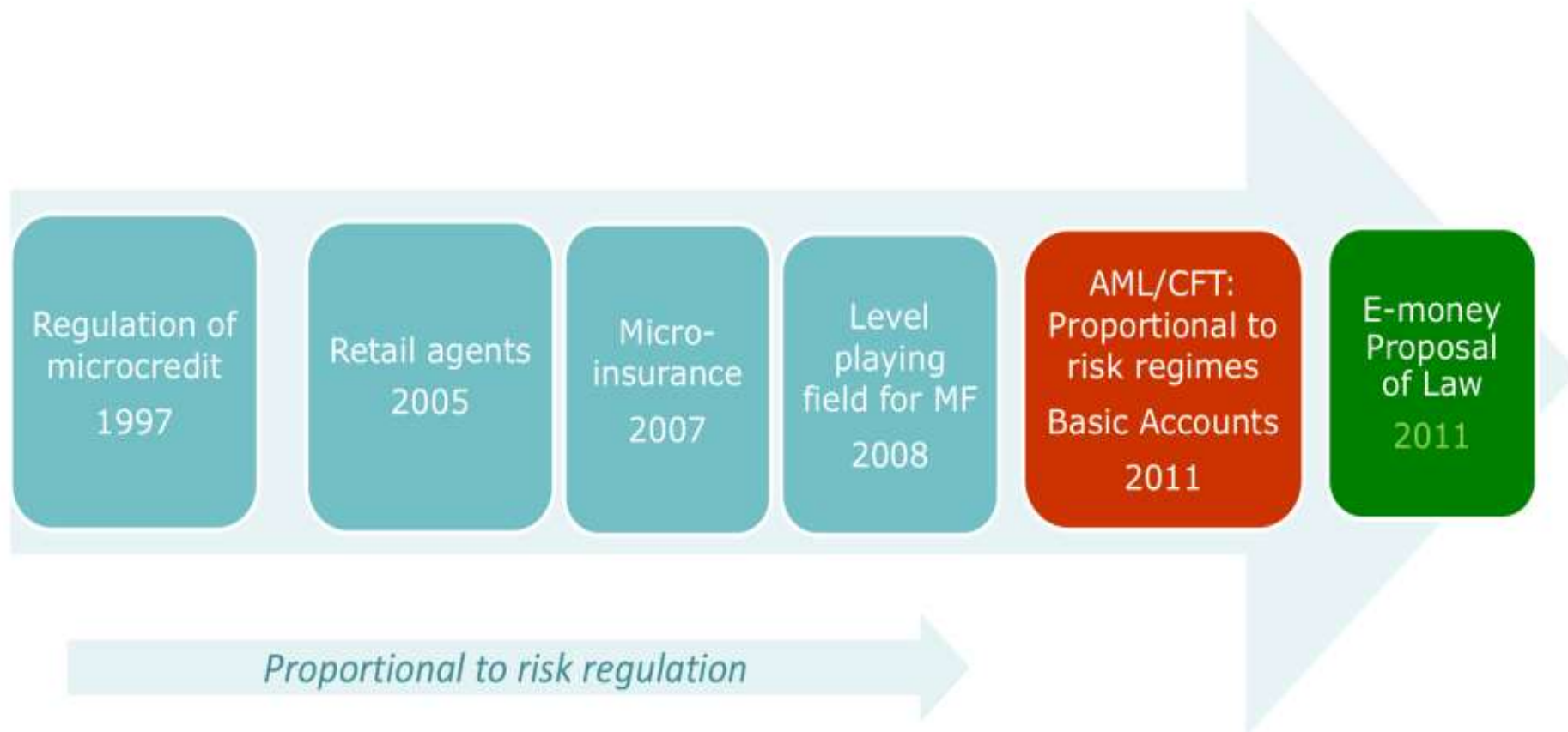
❖ Comercial Banks: 16

❖ Financial Entities: 11

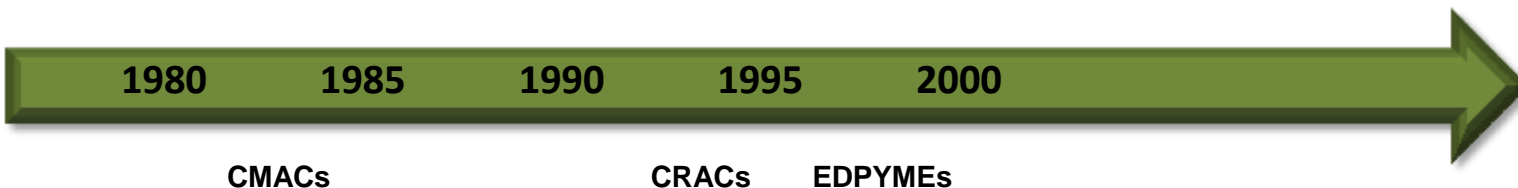
❖ Microfinance Institutions:

- Municipal Banks - Cajas Municipales de Ahorro y Crédito (CMAC): 13
- Rural Banks - Cajas Rurales de Ahorro y Crédito (CRAC): 10
- SMEs Development Entities - Entidad de Desarrollo a la Pequeña y Microempresa (Edpyme): 10

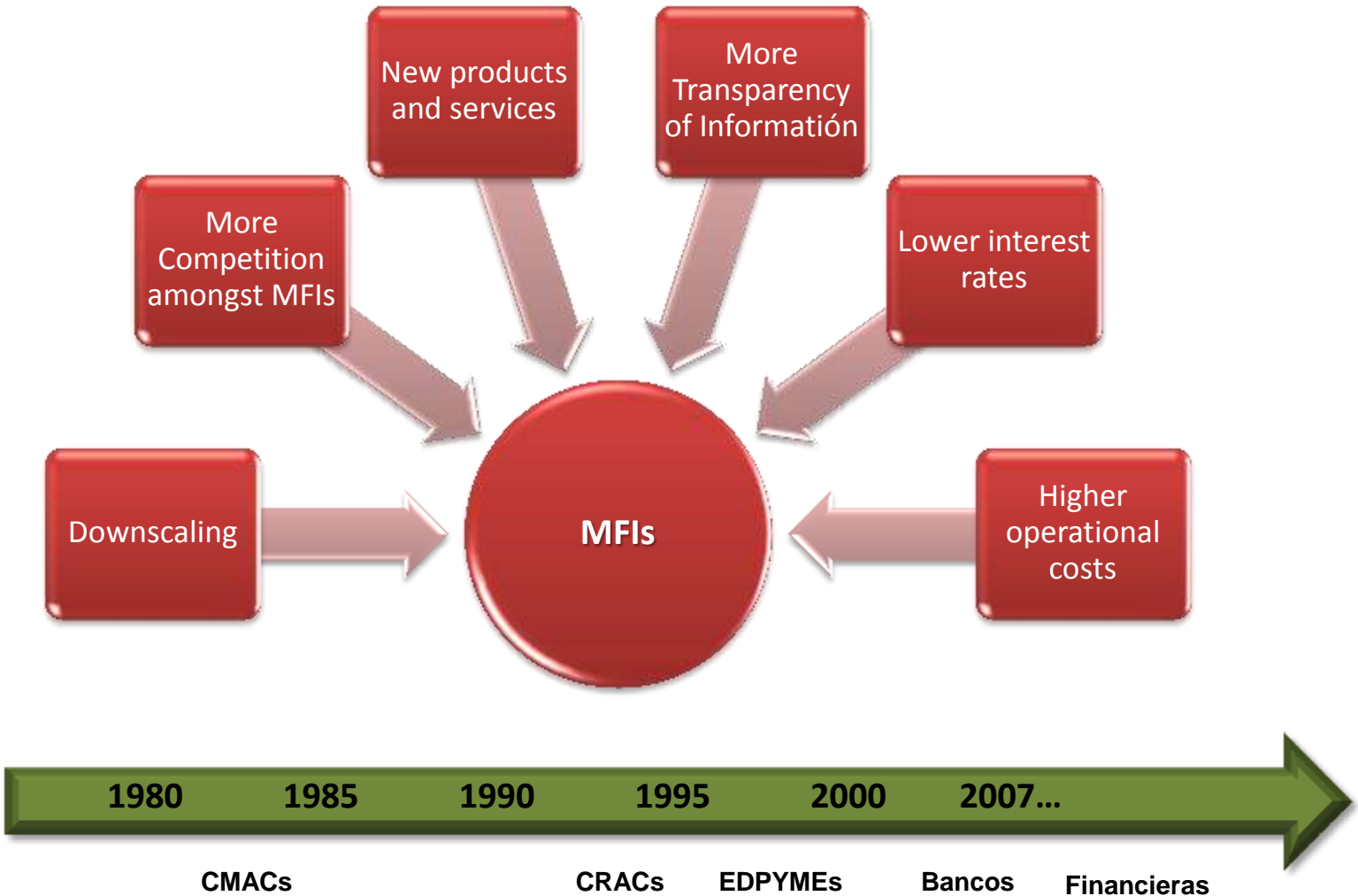
Regulatory Framework conducive to Financial Inclusion



Base Line



Context changed...



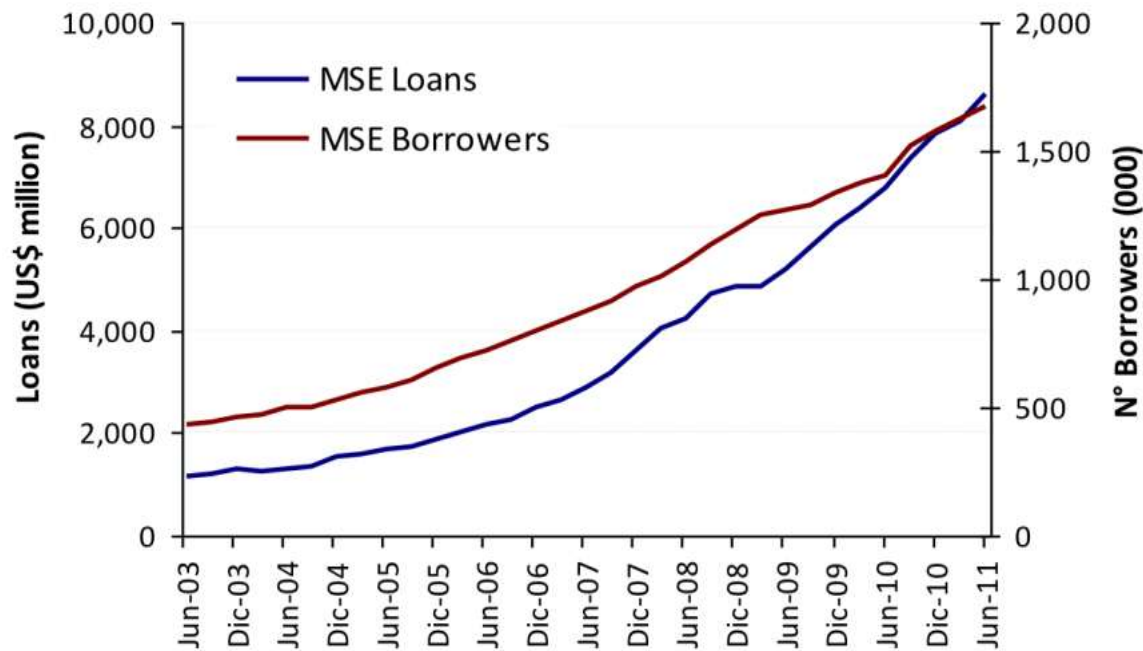
Customer service network has increased steadily

N° Branches, ATMs and Banking Agents and N° Service Points per 100,000 adults



Sustained growth of loans and debtors of microcredit, on average 28% and 19%, respectively, in the last 8 years

Micro and Small Enterprise Loans and Micro and Small Enterprise Borrowers



3. Strategies to promote financial inclusion

Strategies to promote financial inclusion

I. Regulation

The framework of regulation and supervision must promote the soundness of the financial system and competition, without limiting the scope and depth of the financial institutions and creating more incentives to do so

II. Transparency and User Orientation

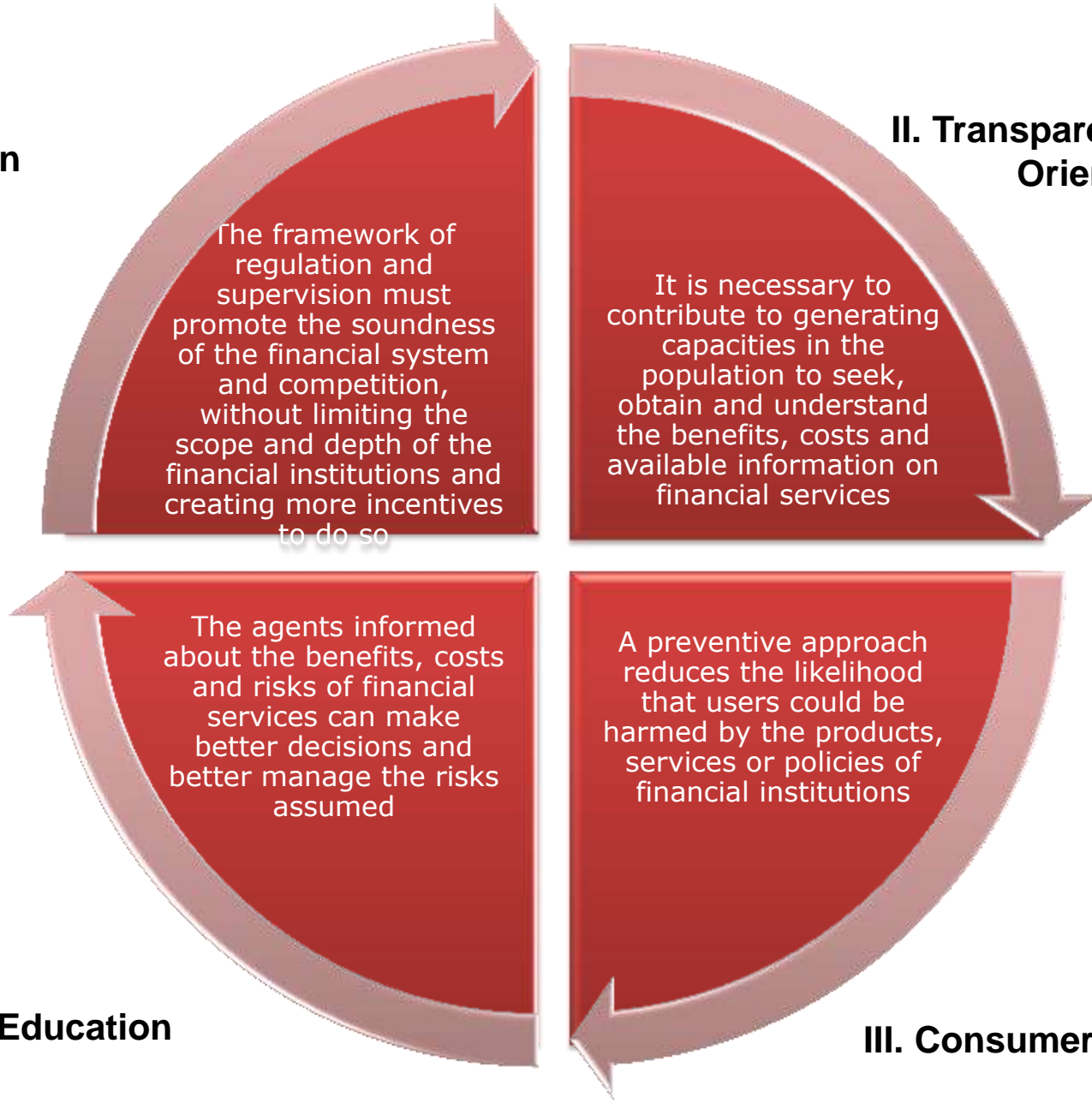
It is necessary to contribute to generating capacities in the population to seek, obtain and understand the benefits, costs and available information on financial services

The agents informed about the benefits, costs and risks of financial services can make better decisions and better manage the risks assumed

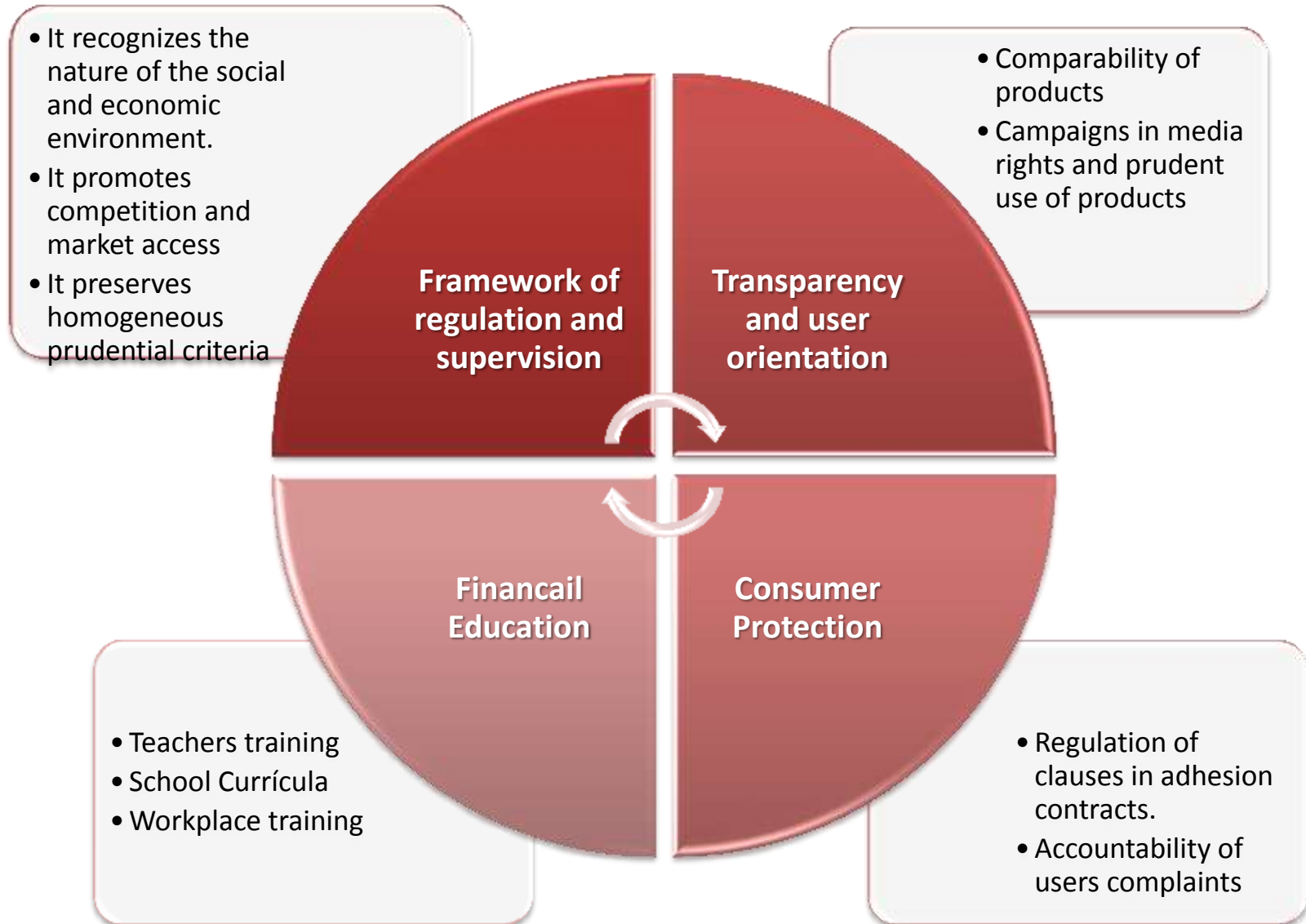
A preventive approach reduces the likelihood that users could be harmed by the products, services or policies of financial institutions

IV. Financial Education

III. Consumer Protection



Strategies to promote financial inclusion



Success factors of microfinance in Peru

- Appropriate framework of regulation and supervision.
- Promotion of transparency and competition in the market.
- Broad access to funding from national and international sources. Strong support to the development of microfinance.
- Specialized and appropriate lending technologies.
- Low levels of banking or financial inclusion (23.91% in Peru) and credit unsatisfied demand, as well as for the attention of other financial services.
- Favorable macroeconomic context: growth and price stability.
- Promotion of financial culture

....but still there are Barriers to financial inclusion in Peru

- 1. High levels of poverty and informality.**
- 2. Uncertainty of income.**
- 3. Limited coverage of the financial system.**
- 4. Limited information on the availability of financial products.**
- 5. Poor level of education in financial culture.**

- Factors that reduce the probability of using banking services in households are being a woman, rural, family worker, low-income quintiles, and living in small towns;
- For SMEs, poorer quintiles lower the probability of using banking services, while education, company revenue, and being formal increase it;
- Estimates show that the potential for financial inclusion in households is focused on the middle class;
- Perception of barriers to using banking services varies according to characteristics of the individual;
- Financial exclusion requires political action to combat market faults.

4. Financial Inclusion Programs

FINANCIAL INCLUSION PROGRAMS

- Superintendence of Banking and Insurance (SBS)
- Electronic money
- MIDIS: Ministry of Development and Social Inclusion
- Peace Corps and other international organizations
- Microcredit, Municipal Banks and Rural Banks

SBS: Financial Education Program

Financial Education

- Agreement with the Ministry of Education (2006).
- Financial education on school curriculum (2009)
- Financial Literacy Program for School Teachers (PAD) since 2007
- Virtual Classroom: web repository with material from the teacher advisory program (media, docs, tools and links)
- FS textbooks for high school students

Building financial capability

- Training points
- Annual Savings Fair
- Training lectures for workers in major companies in the country.
- Subjects:
 - Tools to better manage personal and family finances.
 - proper use of products and financial services

Measurement

- Baseline in financial literacy: “Primera Encuesta de Cultura Financiera en el Perú”

SBS Financial Literacy Program targeted at school teachers



- Offered in 15 regions 
- Estimated outreach:
10% teachers of state schools.
➔ 29% of state school students

Electronic Money

- WHAT SAYS THE LAW N ° 29985?
- Law that regulates the basic characteristics of electronic money as an instrument of financial inclusion
- E-money is a monetary value stored on an electronic device, accepted as payment by entities or persons other than the issuer and has effect canceling, it is issued by a value equal to the received funds, convertible to cash. It does not constitute a deposit or interest.
- E-money can be issued only by supervised companies as well as electronic money issuers. If a telecommunications company wants to provide services by itself and not as a service provider of the financial system, it shall constitute a specialized company.
- The Act addresses issues associated with the convergence of financial services and mobile (are these electronic money or deposits) and ensures an environment allowing to minimize situations that limit the offer.



Electronic Money

- Electronic money is a great opportunity for the promotion of financial inclusion in the Peru.
- The use of the technology solves some of the barriers of access to financial services for people unbanked, encouraging the use of means of payment.
- The infrastructure is available at present.
- Lower transaction costs (example: payment of social programs by the Government - Juntos program, Pension 65)



Ministry of Development and Social Inclusion (MIDIS)

- Promotion of financial capabilities in the population in the process of development and social inclusion
 - The MIDIS financial inclusion guidelines are designed to ensure that all members of the population in the process of development and social inclusion have financial capabilities that contribute to the exercise of rights and the generation of opportunities.
 - Guidelines for Financial Inclusion (R.M. 030-2013-MIDIS) 3 stages:
 - Diagnosis of situation and actors.
 - Design, implement and evaluate pilot/interventions with various stakeholders (financial education, technological innovation and payments of social programs, among others).
 - Scaling up successful interventions, learn from evidence and incorporate good international practices.

Ministry of Development and Social Inclusion (MIDIS)

- The MIDIS today has partnerships with various actors:
 - **Public Entities** (SBS, MEF, BN, etc.)
 - **Financial Institutions** (BCP, Mi Banco, Interbank, Caja Rural Los Andes, ASBANC)
 - **Private Companies** (La Positiva, Backus, Visa, etc.)
 - **International Cooperation** (IFC, IDB, World Bank, CADF, Ford Foundation, IDRC, etc.)
 - Peru as a member **Better than Cash** (transition from cash to electronic payments) and **The Alliance for Financial Inclusion** (AFI).

Constantly evaluate:

- What is the best model of financial education? Impact of financial education: "Implementation and impact evaluation of Yauli, Huancavelica" (BN, IDB, IEP, together, MIDIS)
- Role of ICT? [Interaction] «Everybody Counts" documental tv to promote savings (GRADE, IEP, Juntos, MIDIS).

Peace Corps Peru Program

- Savings and Loan Program
 - Focused mainly in women;
 - Promote weekly savings by members;
 - Short term loans to members;
 - Encourage small income-generating projects using funds from these loans;
 - strengthen the community through the existence of the Community Bank
- Financial Literacy
 - Focused in Youth and women
 - Family/personal finance management
 - establishment of personal financial goals and strategies to achieve them



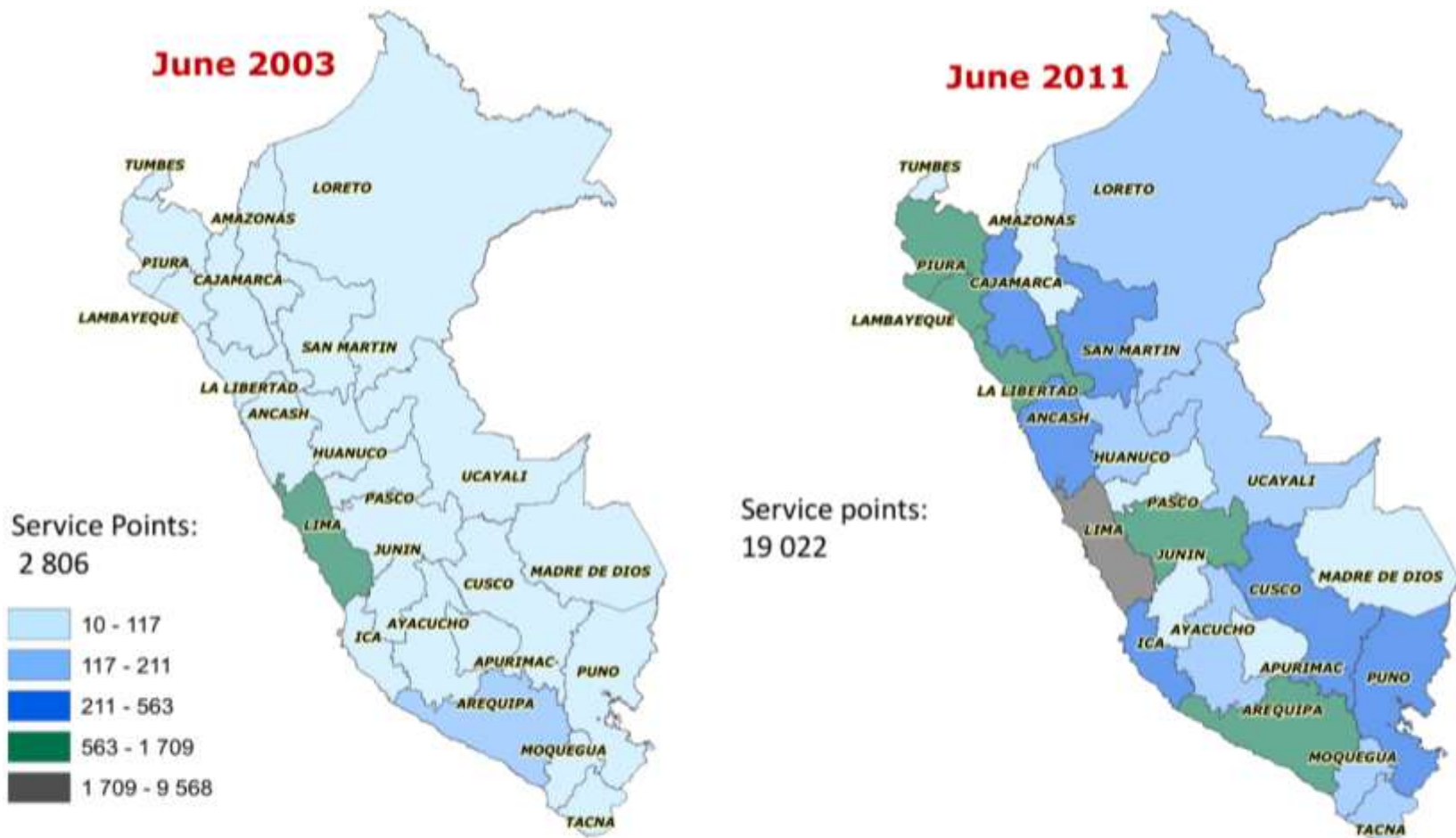
Peace Corps Peru Program

- Business Development
 - Financial Management
 - Marketing
 - Business Planning
- Income Generation Activities
- Youth Entrepreneurship



5. Measuring Progress in Financial Inclusion

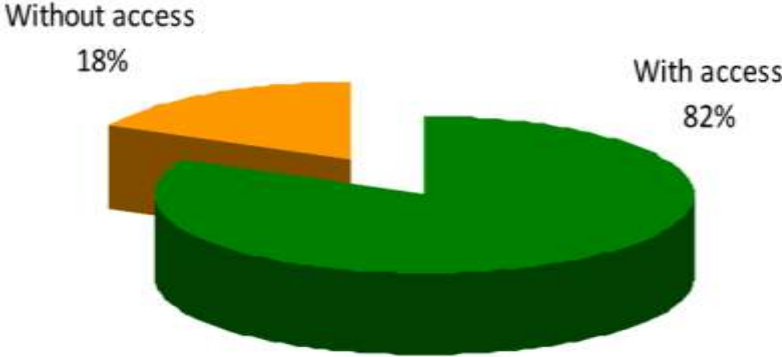
Better geographical outreach through branches, ATMs, and Banking Agents



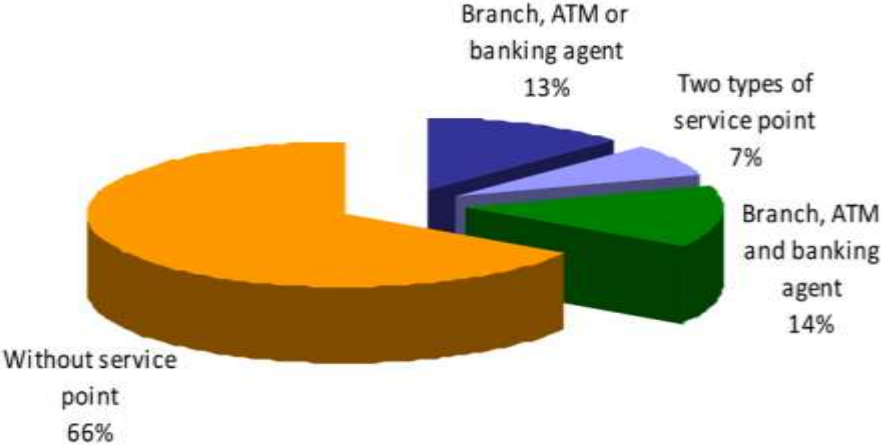
Nº Service points per 100,000 adults	Jun-03	Jun-11
	17	103

The network of the financial system reaches 82% of the national population, living in 34% of the districts

Distribution of population by access to financial services*

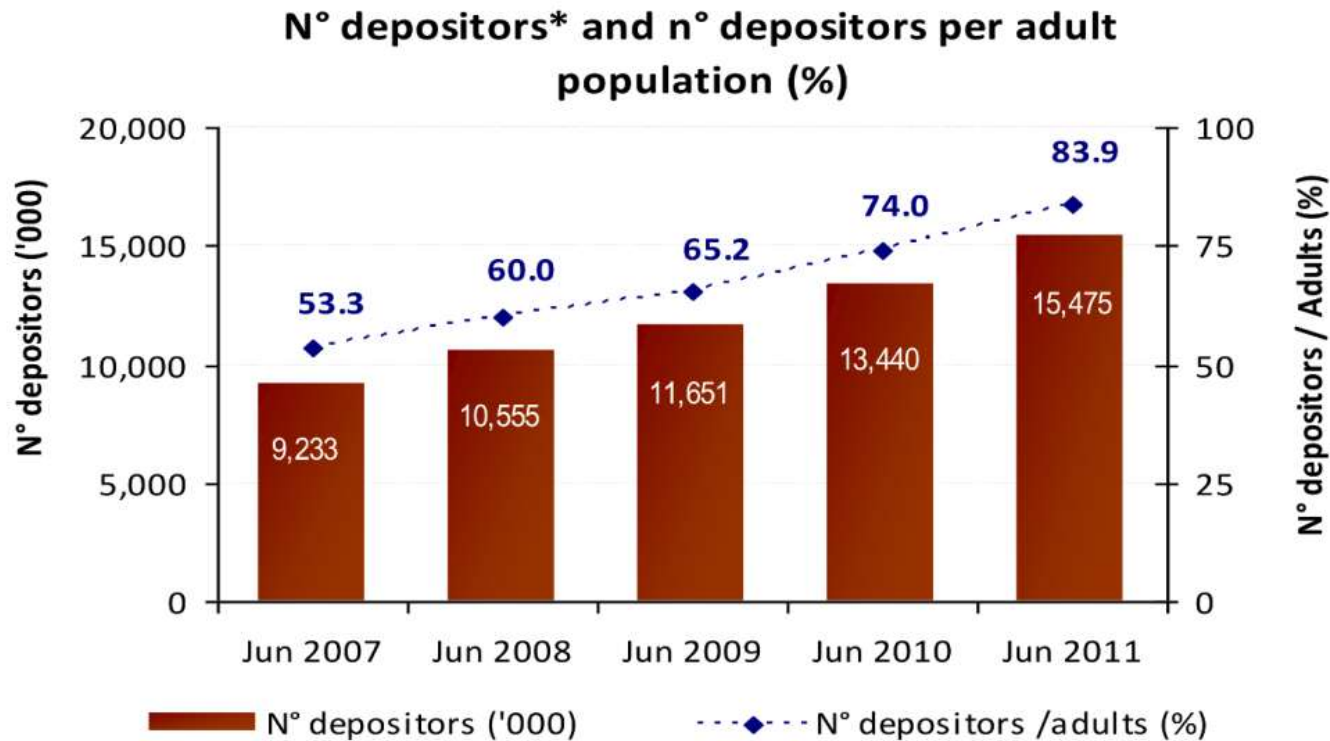


Distribution of districts by type of service point (branch, ATM and banking agent)



* Population in districts with service points as percentage of total population.

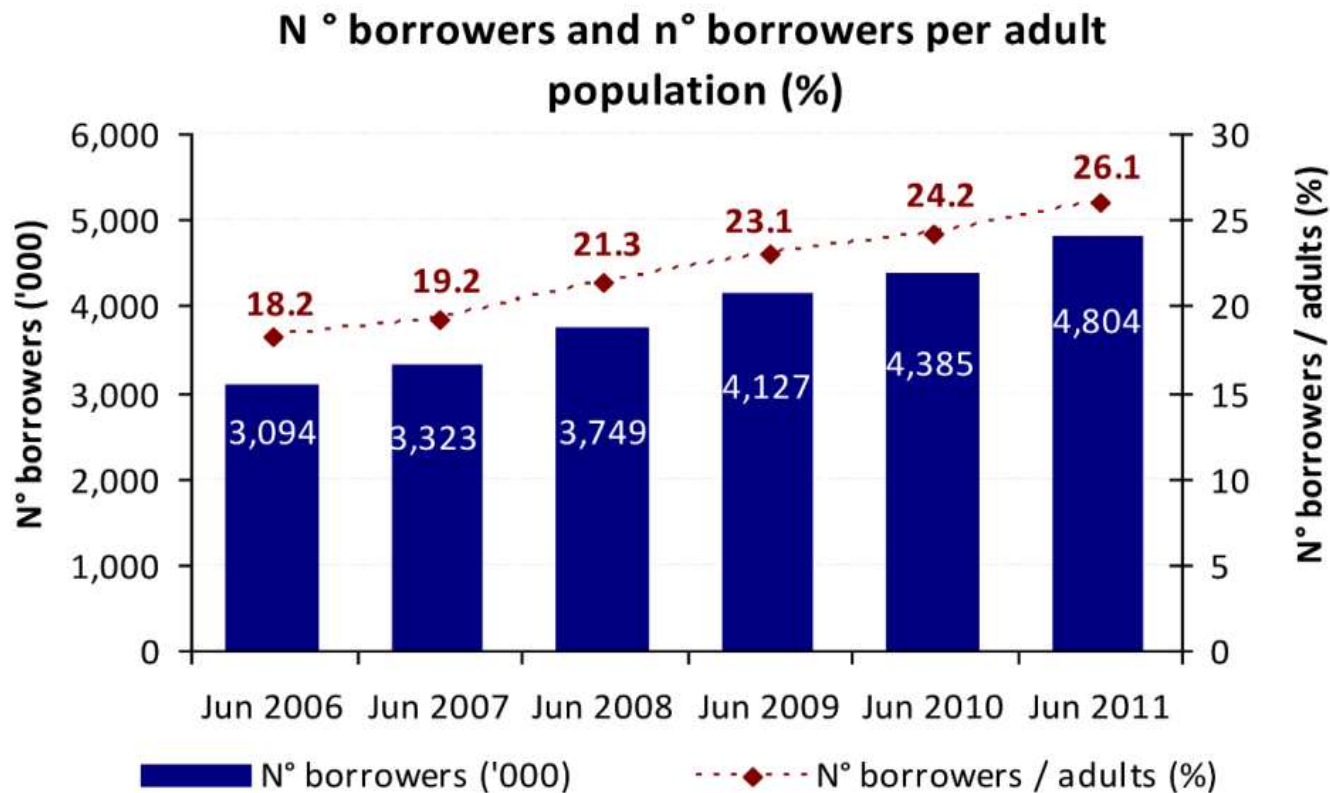
Sustained growth of individuals with a bank account



* Individuals with a bank account

Source: SBS.

The number of borrowers per adult population notably increases



Source: SBS.

The number of MSE borrowers has notably increased in the last decade, particularly of the small ones

Number of MSE borrowers and MSE loans

Debt range (US\$)		Jun-01		Jun-11		Var. Jun11/ Jun01	
		N°borrowers (000)	US\$ million	N°borrowers (000)	US\$ million	N° borrowers (000)	%
0	500	119	28	477	117	358	25.4
500	1000	54	39	273	195	219	15.5
1000	3000	66	113	414	735	349	24.7
3000	7000	20	89	224	1 026	204	14.5
7000	10000	4	32	72	602	68	4.9
10000	30000	3	52	159	2 711	156	11.1
More than US\$ 30 000		1	129	58	3 437	57	4.0
Total		266	482	1 677	8 823	1 411	100.0

Source: SBS.



x6+

6. Conclusions

Conclusions

- ❖ The regulatory framework and supervision has progressively change to favor:
 - ❖ strengthening institutions oriented to microfinance
 - ❖ microenterprise access to credit
 - ❖ competition in the microfinance market
- ❖ Competition will continue favoring micro-entrepreneurs to access credit in more favorable conditions, both in terms of cost and range of products and services.
- ❖ There are still much to do, specially in terms of women financial inclusion

MUCHAS GRACIAS!!