FINANCIAL INCLUSION INDICATORS FOR DEVELOPING COUNTRIES:
The Peruvian Case

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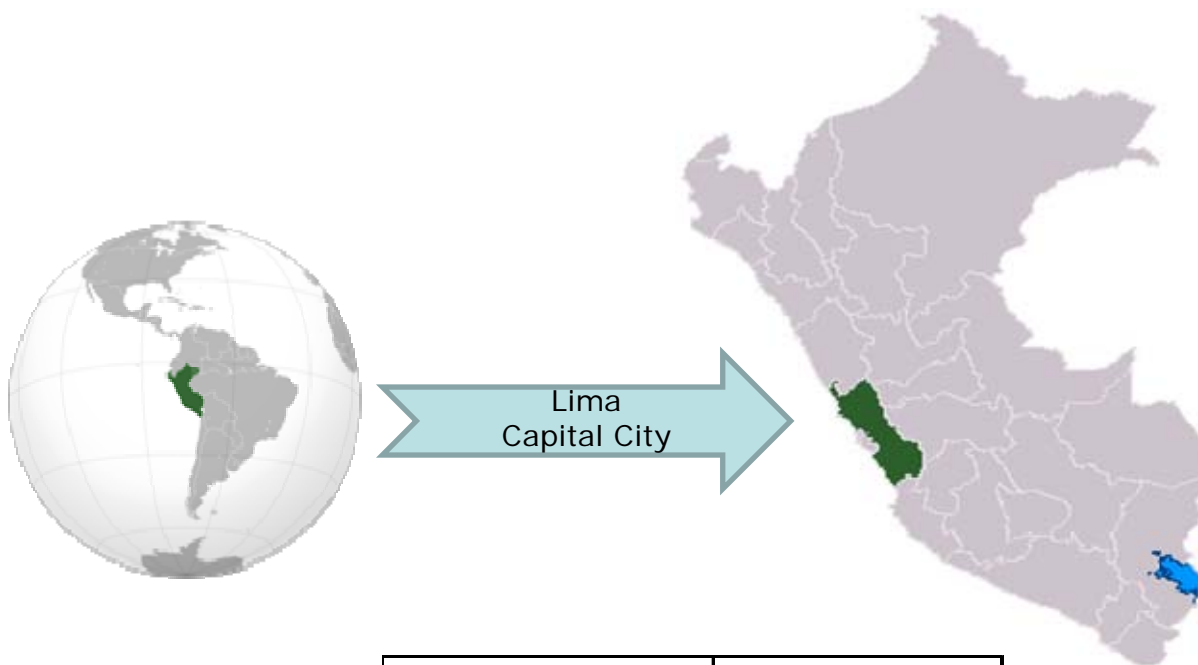**Superintendency of Banking, Insurance Companies and Private Pension Funds of Peru (SBS)**

Malasia
June 2010

Contents

General information

Lima
Capital City

Capital	Lima
Official language	Spanish
Total Area	1, 285, 216 km2
Population	29 132 013
Gini	47.9
Currency	Nuevo sol

General information

Peru's population by age

65 and more 6%

0 - 4 30%

15 - 64 64%

Peru's population by region

34% Other departments

66% Lima

Department of Lima: Employment and unemployment rates

Labor force unemployed 9%

Labor force employed 91%

Adequate employment 45,1%

Under employment 46,1%

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◊ **Peru information**

    ◊ General information

    ◊ **Economic and financial evolution in Peru**

    Financial Inclusion: What is it and why is so important?

◊ Indicators of Financial Inclusion

    ◊ Quantitative Indicators

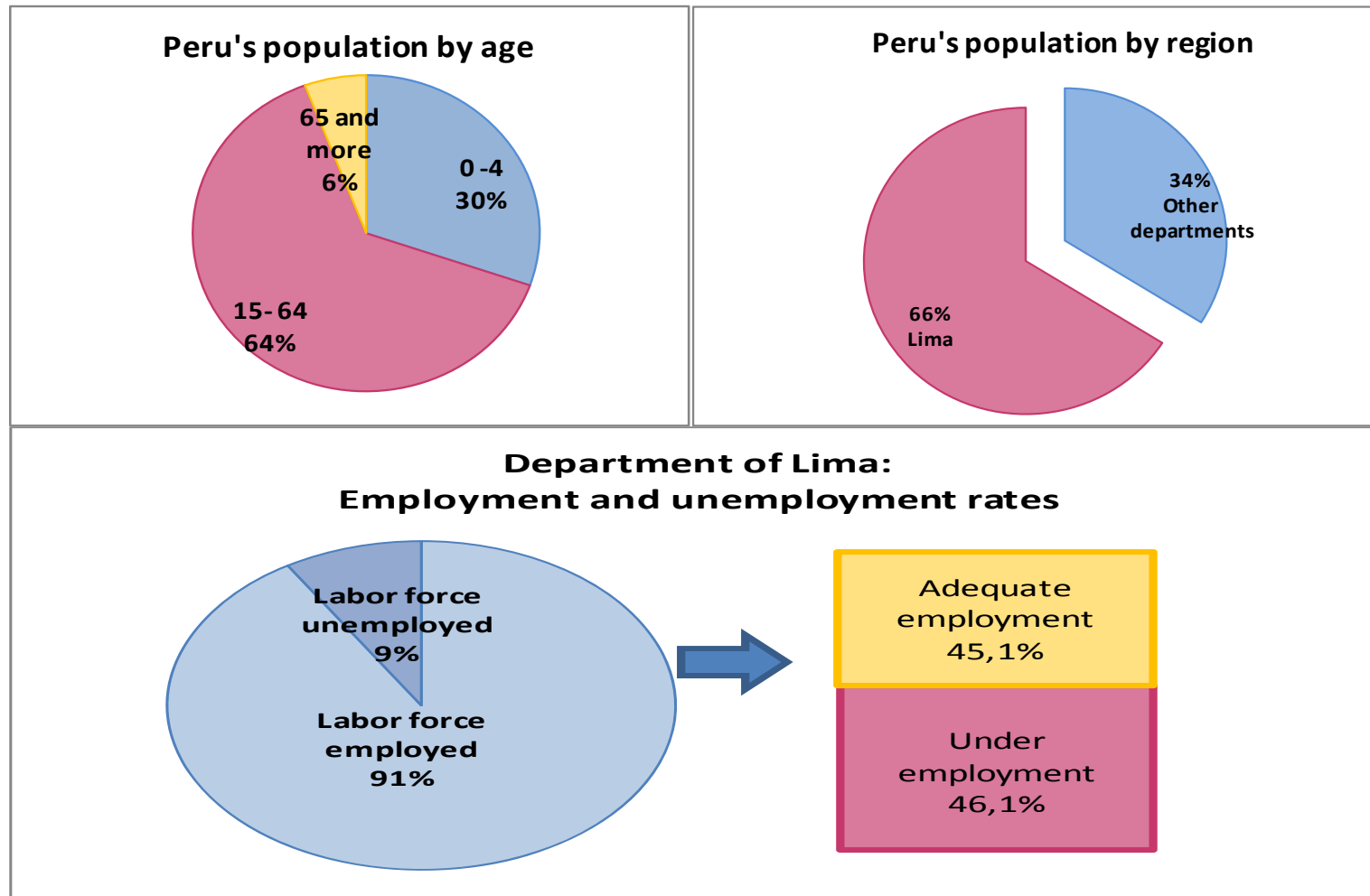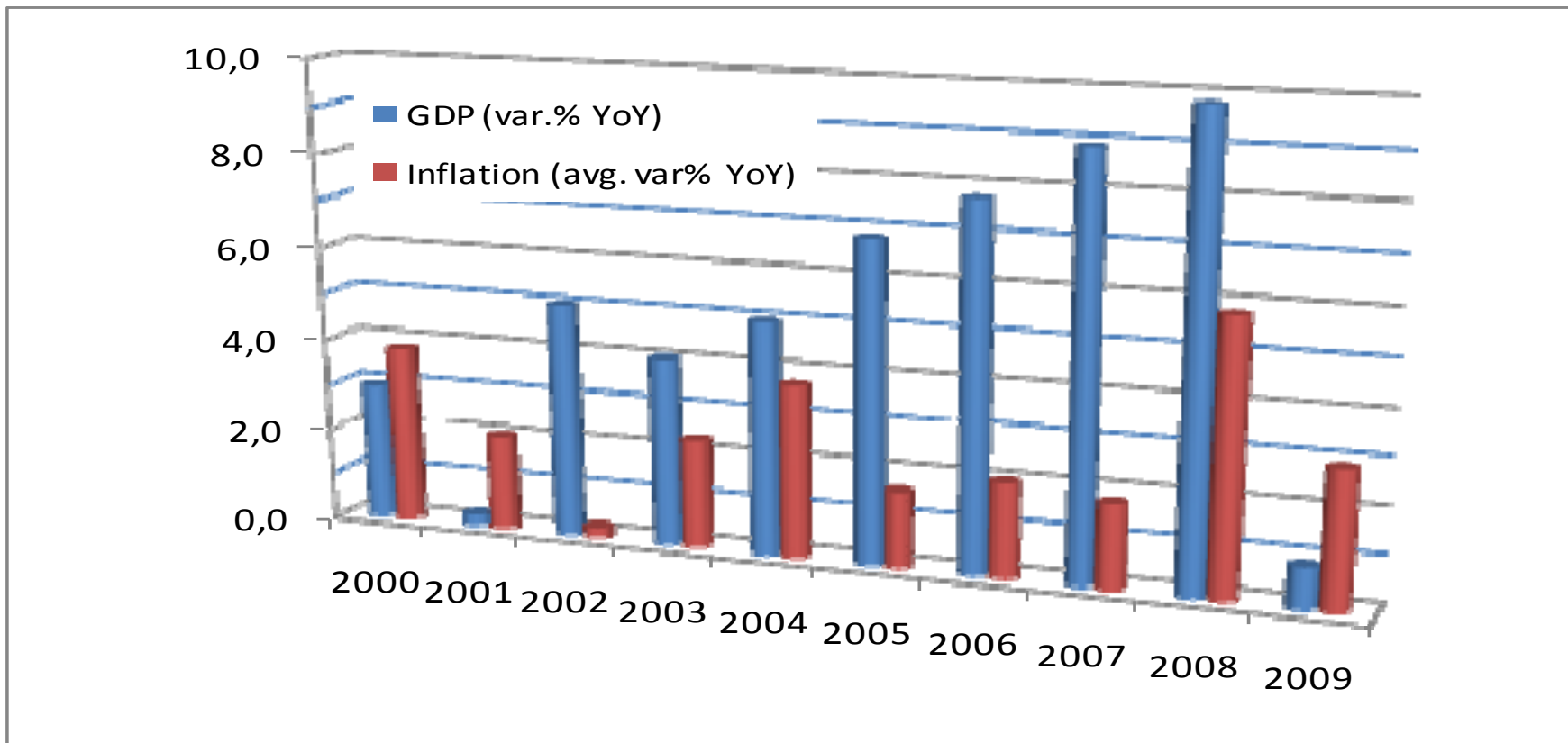   ◊ Qualitative Indicators

◊ Future developments

Economic and Financial Evolution in Peru: 2000 – 2009

The last decade has been one of continuous **GDP** growth (5,1% avg.) and constant **prices** in Peru (2,6% avg.)…

Economic and Financial Evolution in Peru: 2000 – 2009 (cont.)
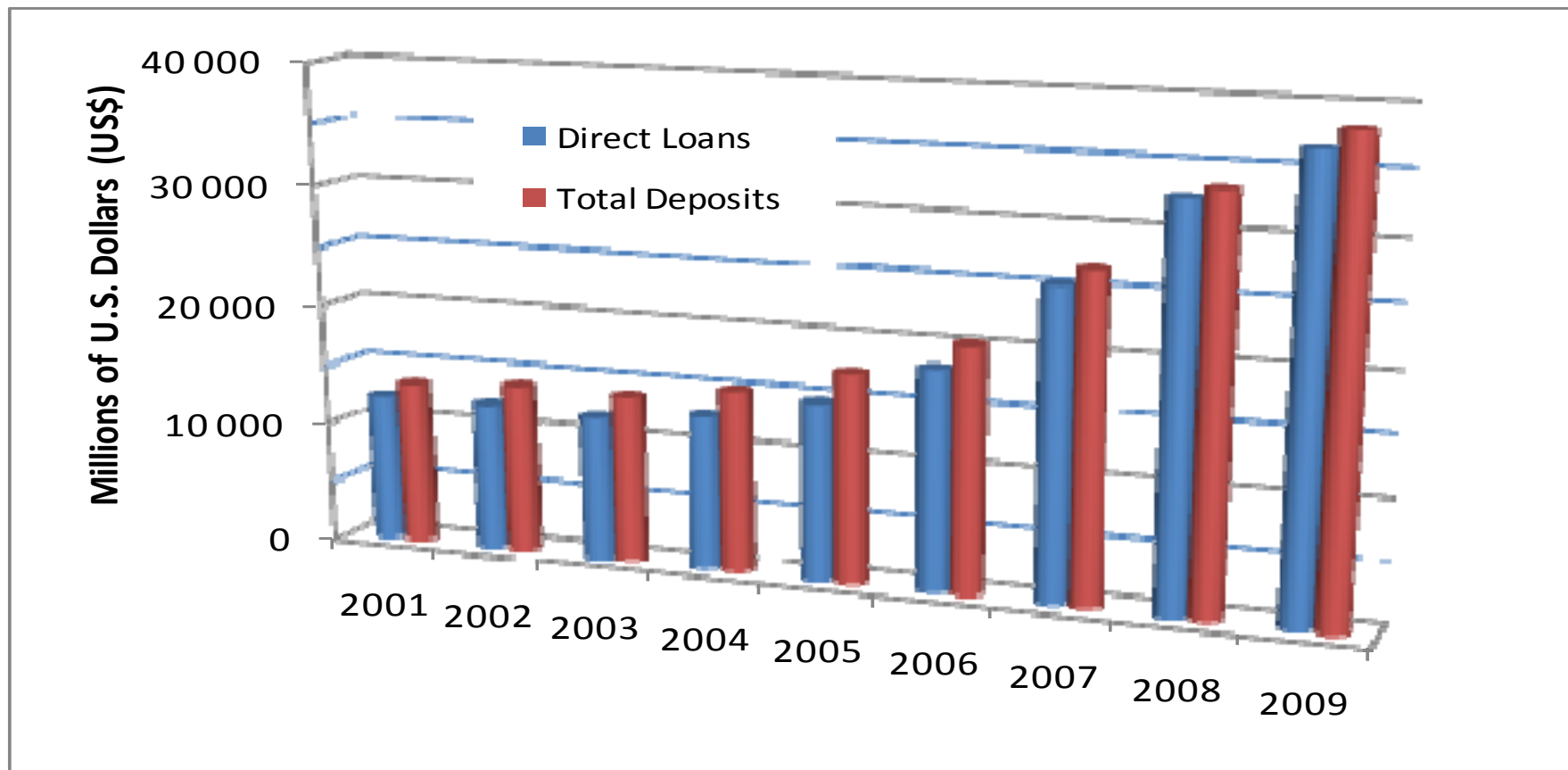
...in which the **GDP per capita** more than doubled, from US\$ 2035 to US\$ 4533...
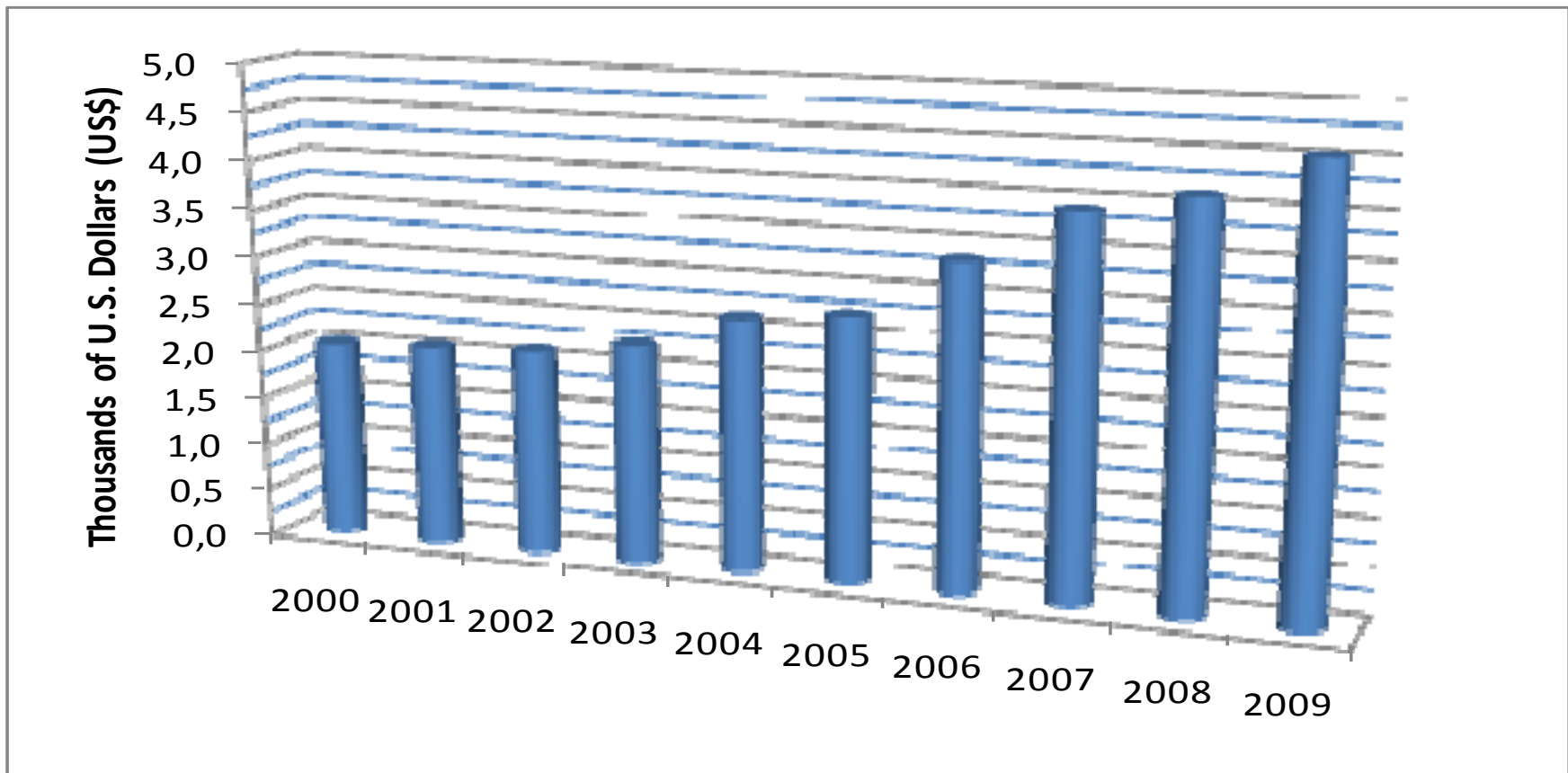
Economic and Financial Evolution in Peru: 2000 – 2009 (cont.)

...and the financial system wasn't foreign to this economic growth, increasing its stock of **loans and deposits** in near 200%…

Economic and Financial Evolution in Peru: 2000 – 2009 (cont.)

However, these results haven't achieved deeper penetration of financial services' use, compared with other Latam countries.
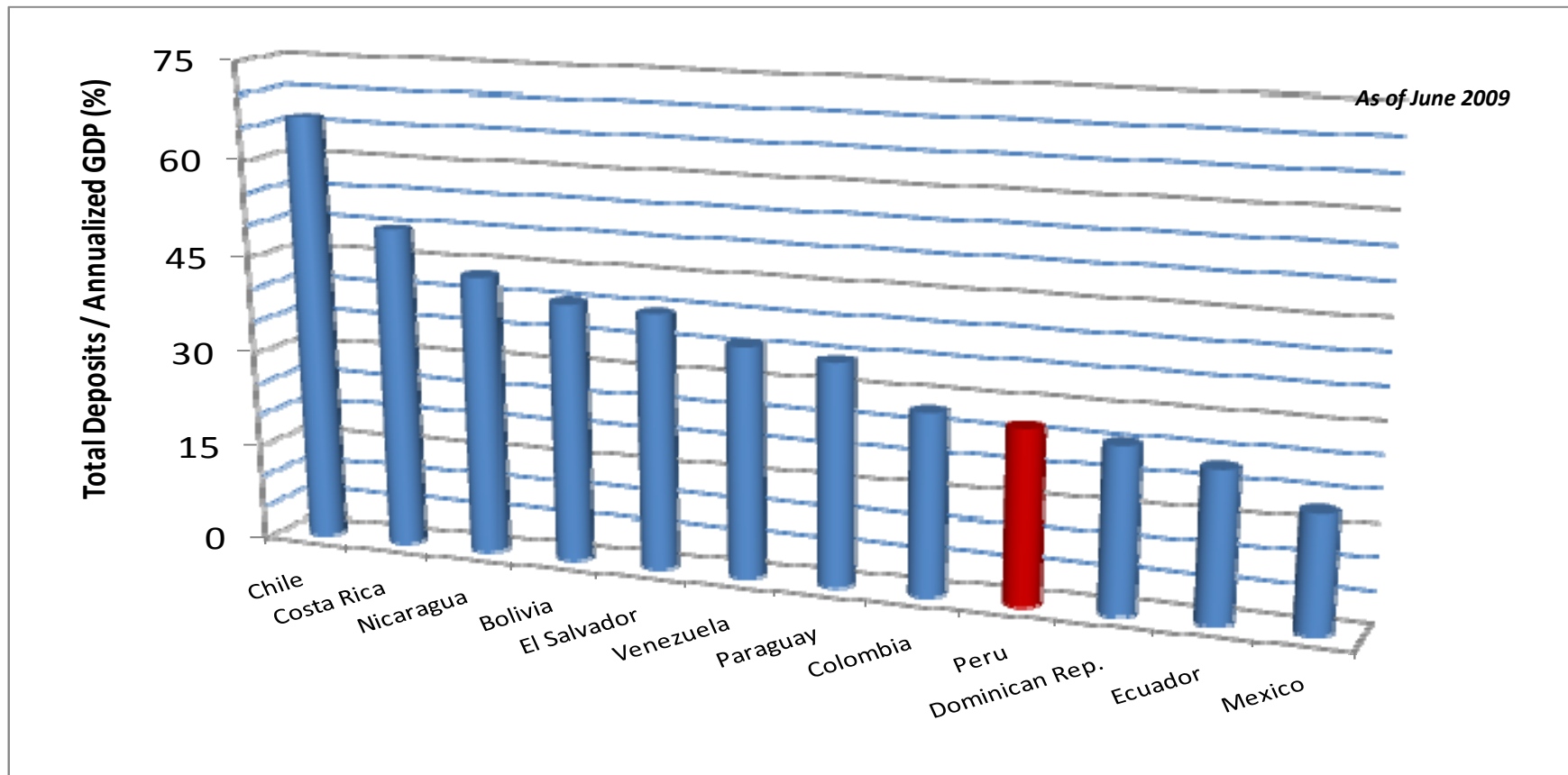
As of June 2009

Chart: Total Deposits / Annualized GDP (%)

Countries (left to right): Chile, Costa Rica, Nicaragua, Bolivia, El Salvador, Venezuela, Paraguay, Colombia, Peru, Dominican Rep., Ecuador, Mexico

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◆ Peru information

    ◆ General information

    ◆ Economic and financial evolution in Peru

    ◆ Population not covered by financial services

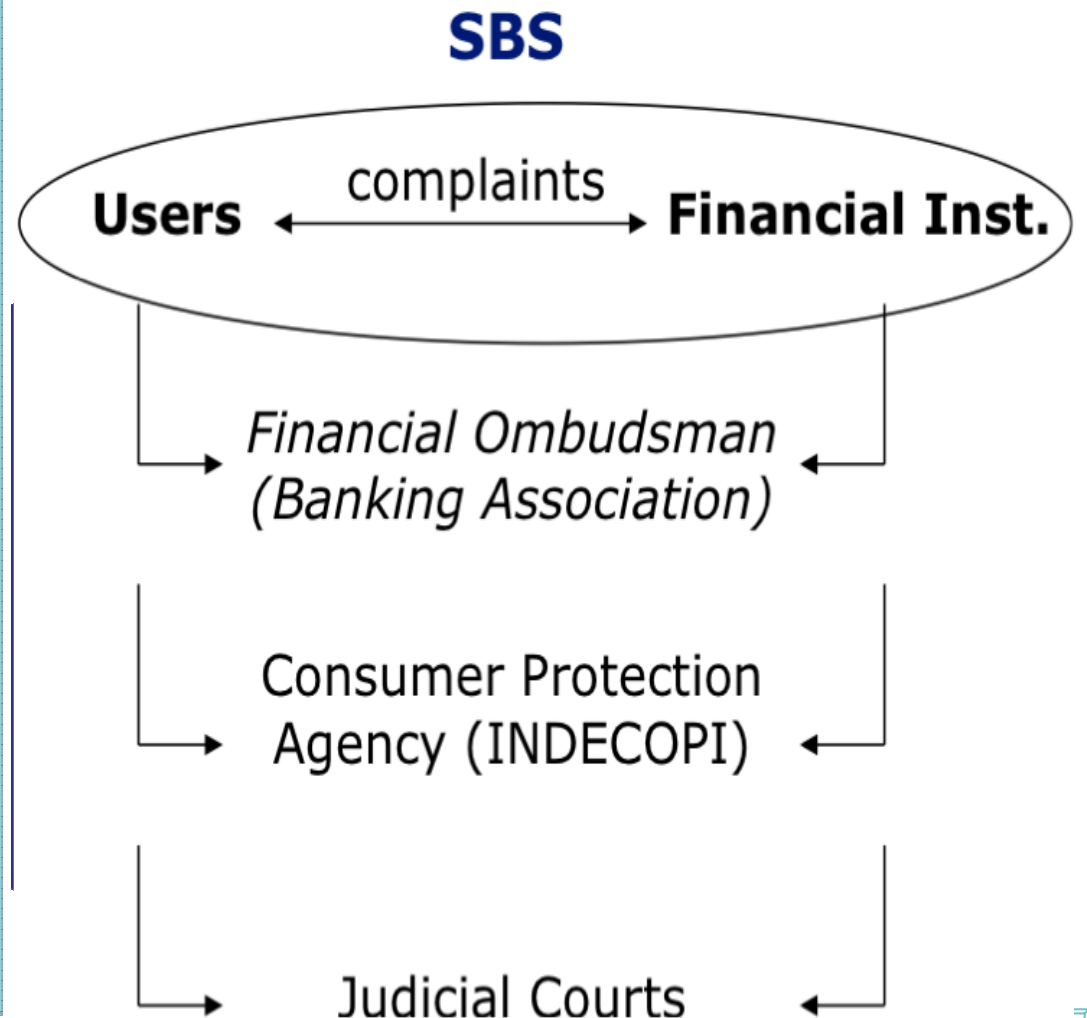◆ **Financial Inclusion: What is it and why is so important?**

◆ Indicators of Financial Inclusion

    ◆ Quantitative Indicators

    ◆ Qualitative Indicators

◆ Future developments

Financial Inclusion: What is it ?

Inclusion of Financial Literacy contents in the high-school curriculum

After several meetings between the SBS and the Ministry of Education, the 2009 school curriculum (DCN, by its initials in Spanish) was approved last December. This document determines the skills and knowledge that the students of primary and high school should acquire during their education.

SBS

Users ← complaints → Financial Inst.

Financial Ombudsman (Banking Association)

Consumer Protection Agency (INDECOPI)

Judicial Courts

Financial Inclusion: Why is important to measure it?

It is important to produce, estimate and analyze financial inclusion indicators which address the need to know how deep or shallow is current access and use of financial products and services by the population. These indicators should be measurable and meaningful for developing countries, in which there is urgent need to understand their financial inclusion levels and to take proactive and effective action.

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- Peru information
  - General information
  - Economic and financial evolution in Peru
  - Population not covered by financial services

- Financial Inclusion: What is it and why is so important?

- **Indicators of Financial Inclusion**

  - **Quantitative Indicators**
  - Qualitative Indicators

- Future developments

Indicators of Financial Inclusion:
Quantitative Indicators

I) Access

- Number of branches per 10 000 pop.
- Number of ATMs per 10 000 pop.
- Number of agents per 10 000 pop.

II) Use

- Number of depositors per 1000 pop.
- Number of borrowers per 1000 pop.
- Average size of total deposits per depositor to GDP per capita
- Average size of total loans per borrower to GDP per capita
- Population not covered by financial services

Indicators of Financial Inclusion: Quantitative Indicators

III) Geographical Inequality Distribution

- ◆ Total loans in provinces to total deposits in provinces
- ◆ Borrowers by region
- ◆ Number and geographic distribution of branches and agents, major banks
- ◆ Distribution of agents and socioeconomic needs

IV) Other:
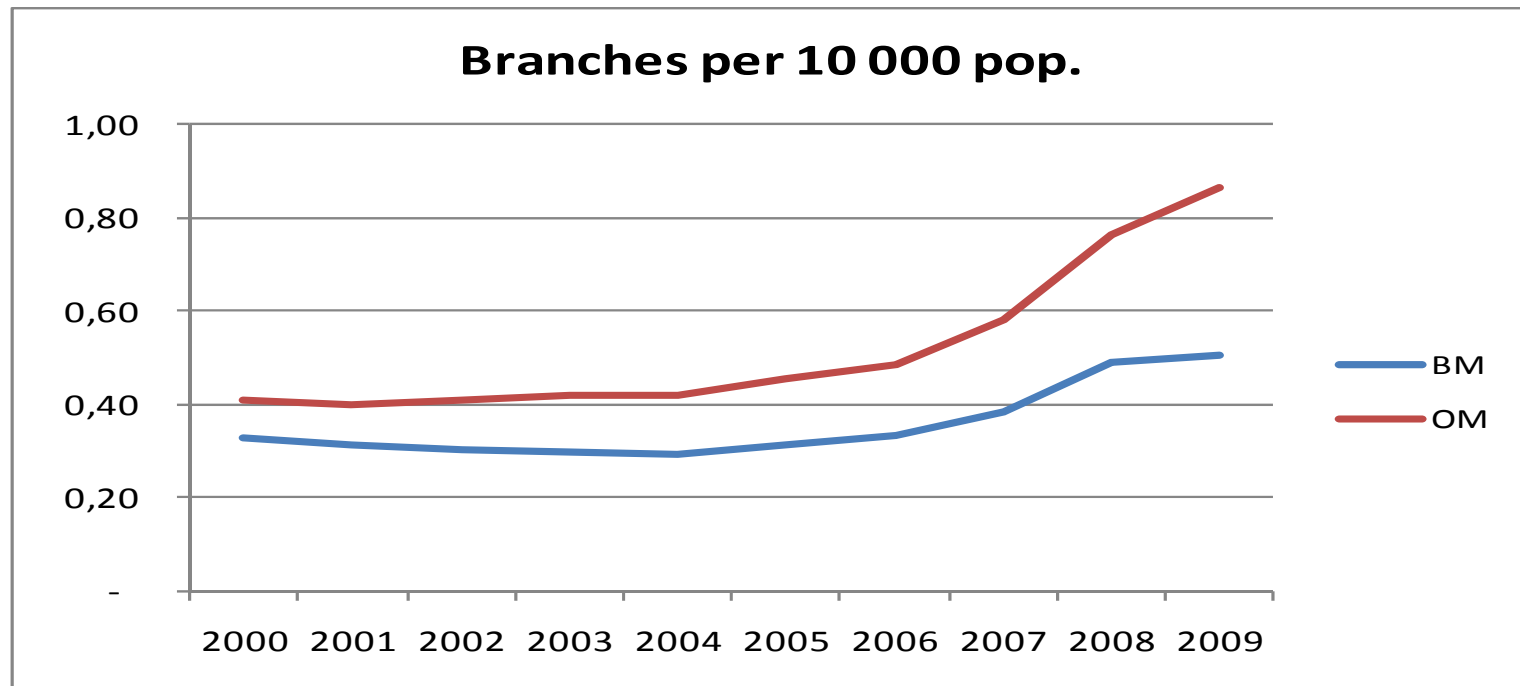
- ◆ Financial services through non regulated Micro Finance Institutions

Quantitative Indicators:
Number of branches per 10 000 pop.

◆ There are 1,4 bank branches per 10 000 people in Peru, which is near to the average of Latin America (1,3).

Branches per 10 000 pop.

BM: Multiple-operation banks

OM: Regulated multiple-operation institutions.

Source: Financial access 2009, SBS.

Quantitative Indicators:
Number of ATMs and Agents per 10 000 pop.

◈ Financial services are also offered by ATMs and banking agents, so its development is important in the promotion of financial inclusion.

◈ There are 2,5 ATMs per 10 000 people, which is near to the average in developing countries (2,3) but represents a low level compared with developed countries (7,8).
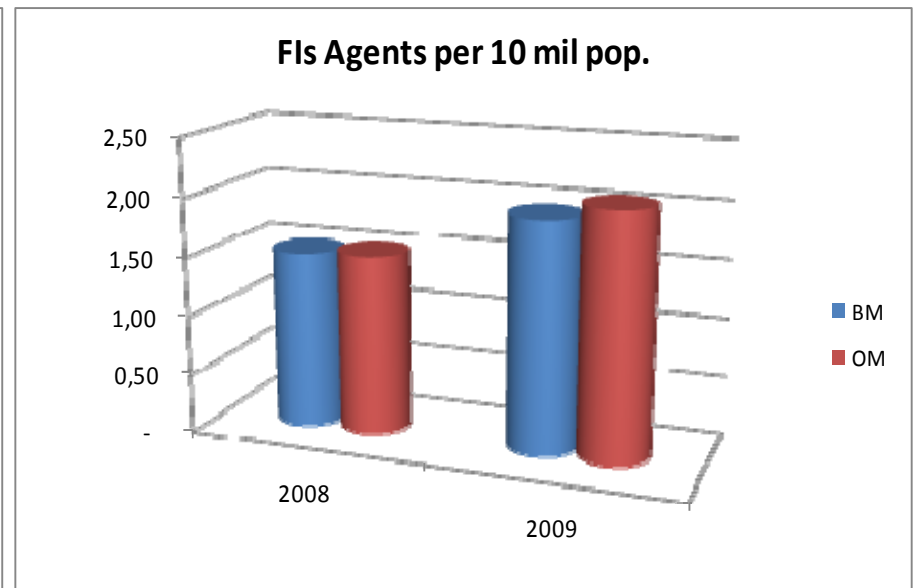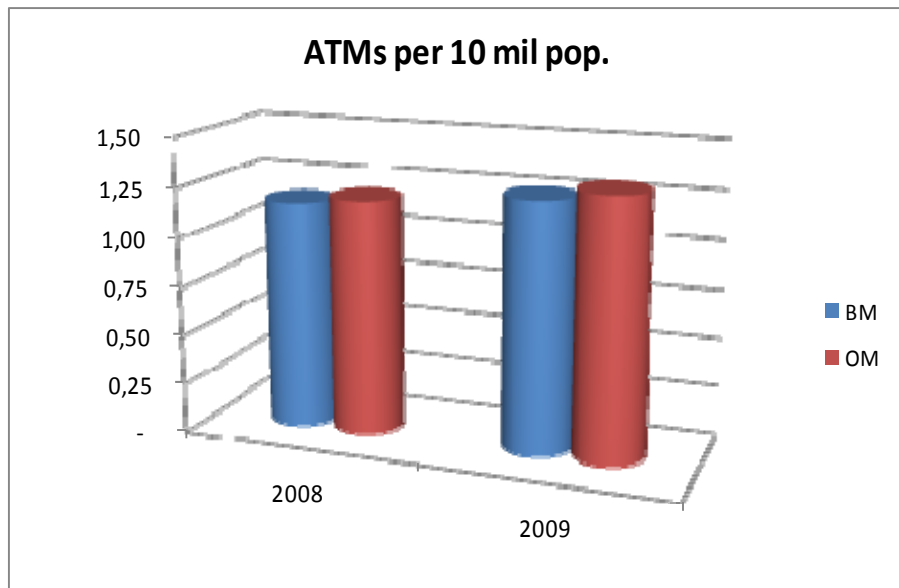
Source: Financial access 2009, SBS.

Indicators of Financial Inclusion: Quantitative Indicators

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- Average size of total loans per borrower to GDP per capitaPopulation not covered by financial services

III) Geographical Inequality Distribution
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Quantitative Indicators:
Number of Depositors per 1 000 pop.

◇ There are 564 depositors per 1000 people in Peru, which represents a low level compared with Chile (1932), Colombia (1151), and the Latam average (746)*.

Depositors per 1000 pop.
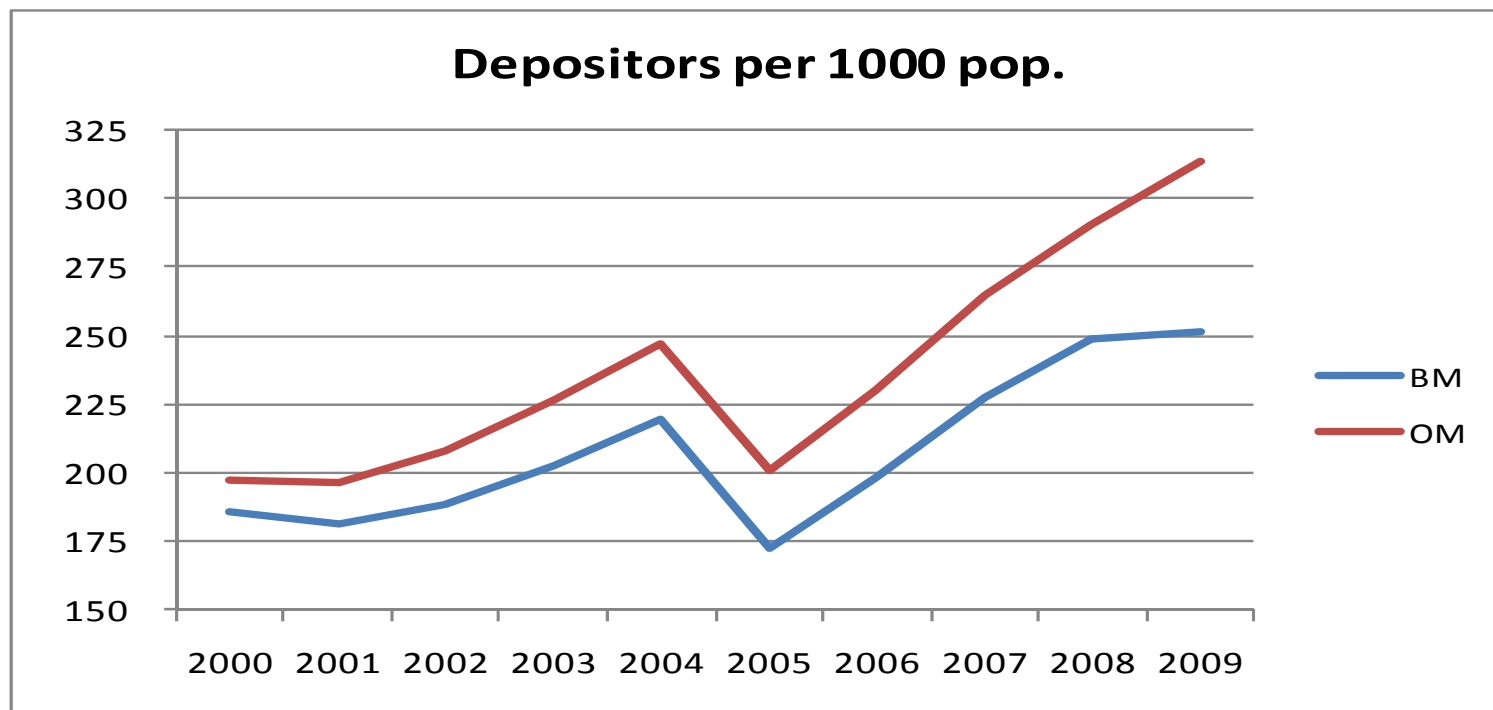
Source: Financial access 2009, SBS.

*A person may have more than one deposit account.

Quantitative Indicators:
Number of Borrowers per 1 000 pop.

◈ The countries with the higher rate of Borrowers per people in Latam region are: Chile (808) and Venezuela (484), while Peru has 366 Borrowers per 1000 people.

Borrowers per 1000 pop.
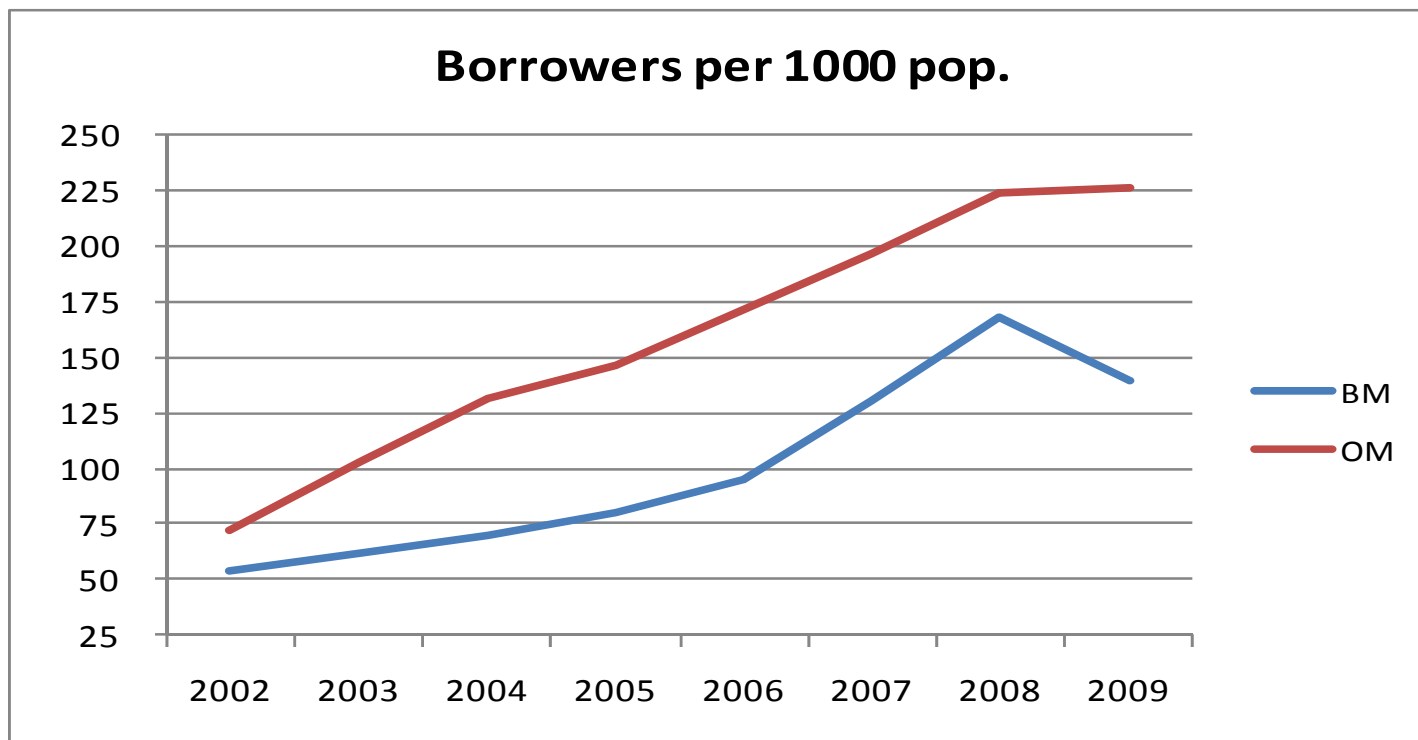
Source: Financial access 2009, SBS

*A person may have more than one credit.

Quantitative Indicators:
Deposits per Depositor and Loans per Borrower as a percentage of GDP per capita

⬧ The average size of credits and deposits has decreased as a consequence of the growth in the number of borrowers and depositors in the financial system. It is means that the use of financial services has increased.

Total Deposits per Depositor (avg.) / GDP per capita

Total Loans per Borrower (avg.) / GDP per capita
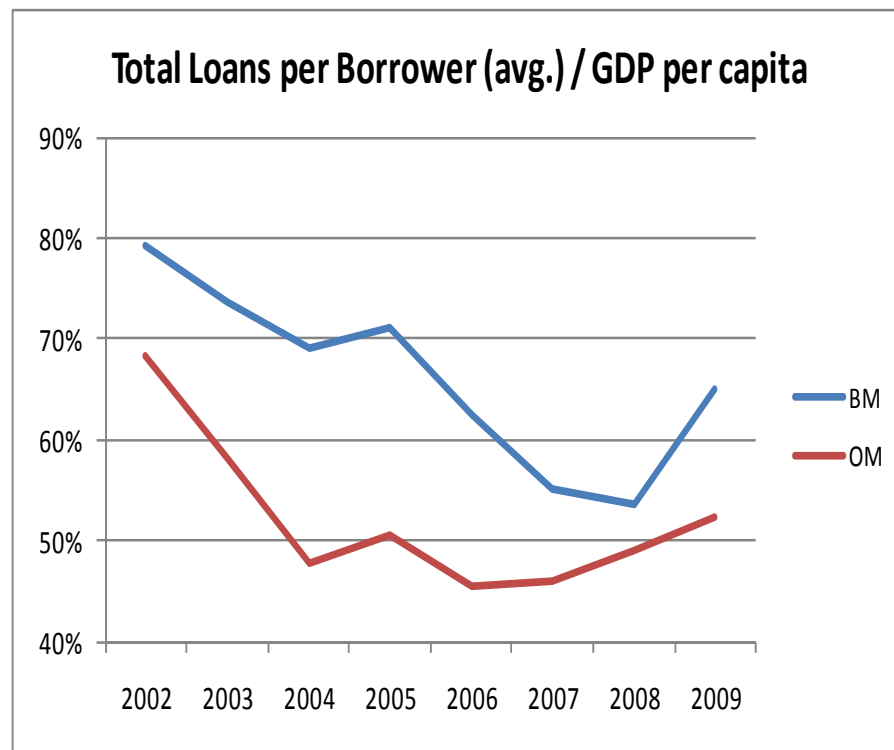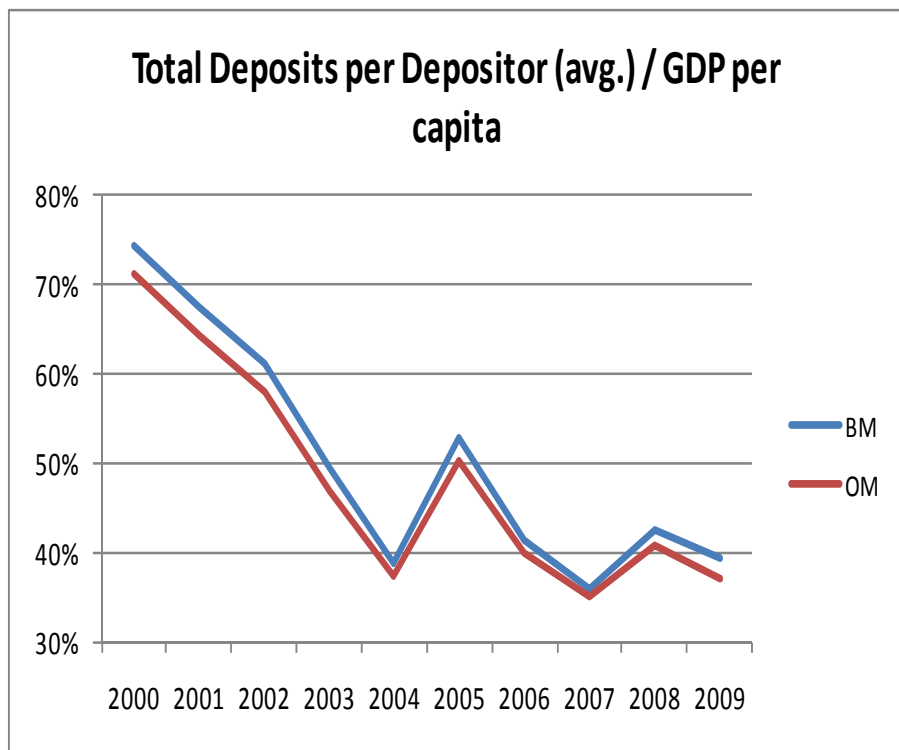
Population not covered by financial services

Each socioeconomic status shows a significant proportion of people not using basic personal financial services, like deposit accounts or credit cards.

Socioeconomic status		Average Income (US$)	Population not covered by financial services	
5,5	A	2694	deposit accounts	41%
			credit cards	29%
16,5	B	905	deposit accounts	51%
			credit cards	63%
31,8	C	388	deposit accounts	71%
			credit cards	86%
30,1	D	238	deposit accounts	87%
			credit cards	96%
16,1	E	171	deposit accounts	98%
			credit cards	99%
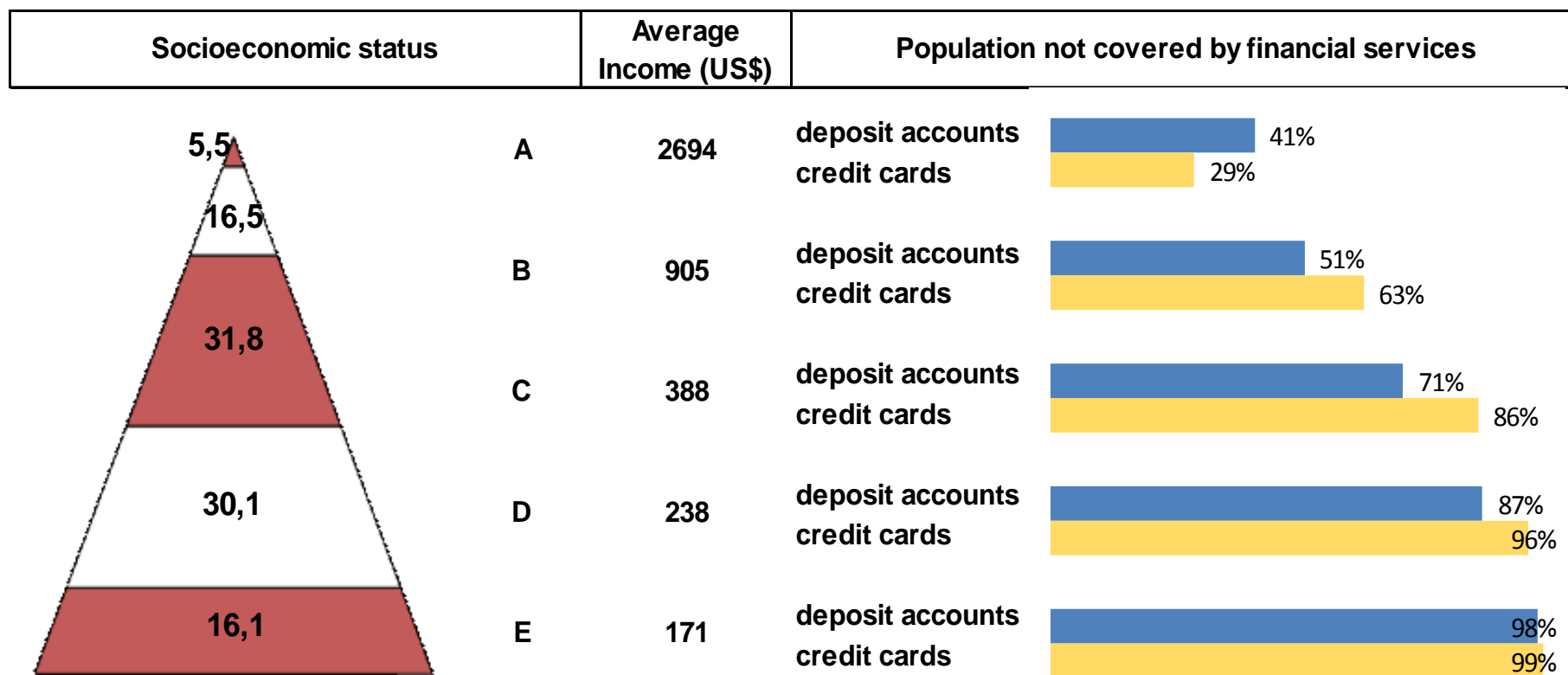
Lima population: 9 913 080

Source: Asociación Peruana de Investigación de Mercados, 2009.

Population not covered by insurance and pension funds

There is a considerable part of the population covered by some insurance product, but pension benefits for retired people are still a privilege of workers with adequate employment.

Socioeconomic status	Average Income (US$)	Population not covered by financial services	
5,5	2694	insurance	7%
A		pension funds	49%
16,5	905	insurance	15%
B		pension funds	64%
31,8	388	insurance	35%
C		pension funds	81%
30,1	238	insurance	69%
D		pension funds	88%
16,1	171	insurance	90%
E		pension funds	97%
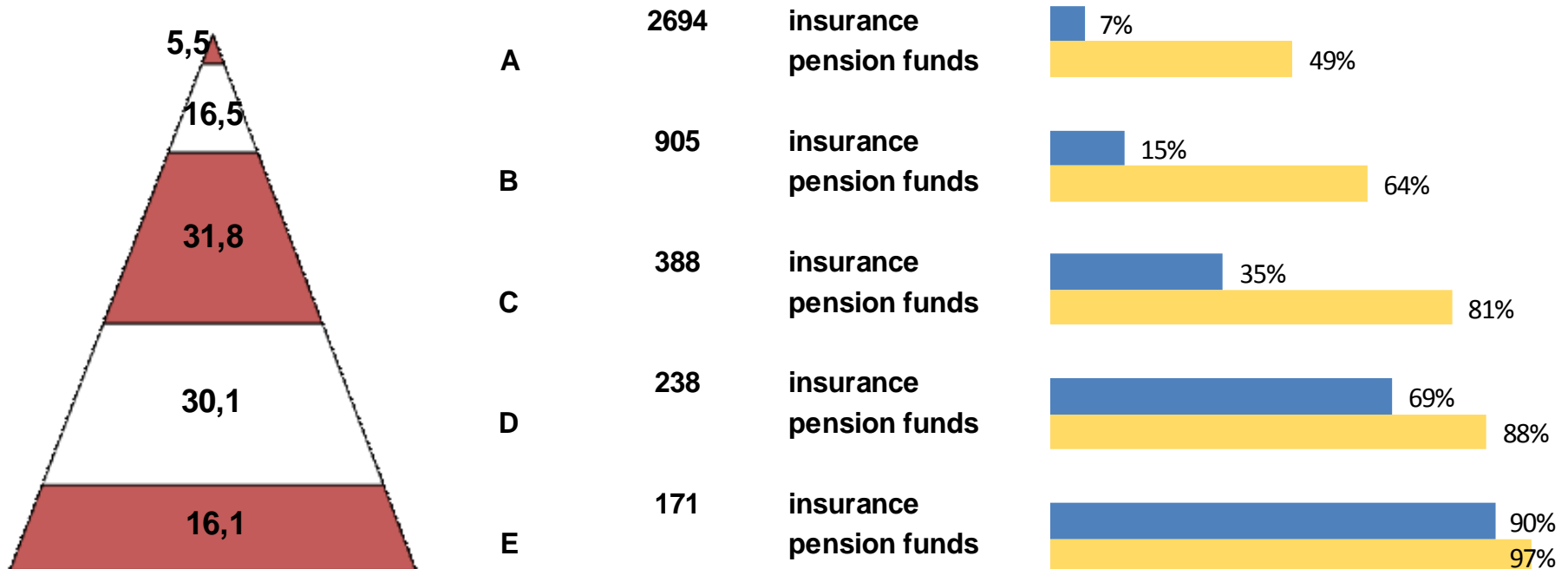
Lima population: 9 913 080

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Indicators of Financial Inclusion: Quantitative Indicators

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III) Geographical Inequality Distribution
- ◇ Total loans in provinces to total deposits in provinces
- ◇ Borrowers by Region
- ◇ Number and geographic distribution of branches and agents, major banks
- ◇ Distribution of agents and socioeconomic needs

IV) Other:
- ◇ Financial services through non regulated Micro Finance Institutions.

Quantitative Indicators:
Loans to Deposits by region

◇ Microfinance institutions have increased their network reach. In later years the MFIs, which were originally established in provinces, opened branches in Lima.

◇ As a result of that the credits/deposits rate in provinces has grown 30%, in comparison with 2001, which means that deposits from Lima have funded the credit lines for provinces.

Geographical Distribution Indexes
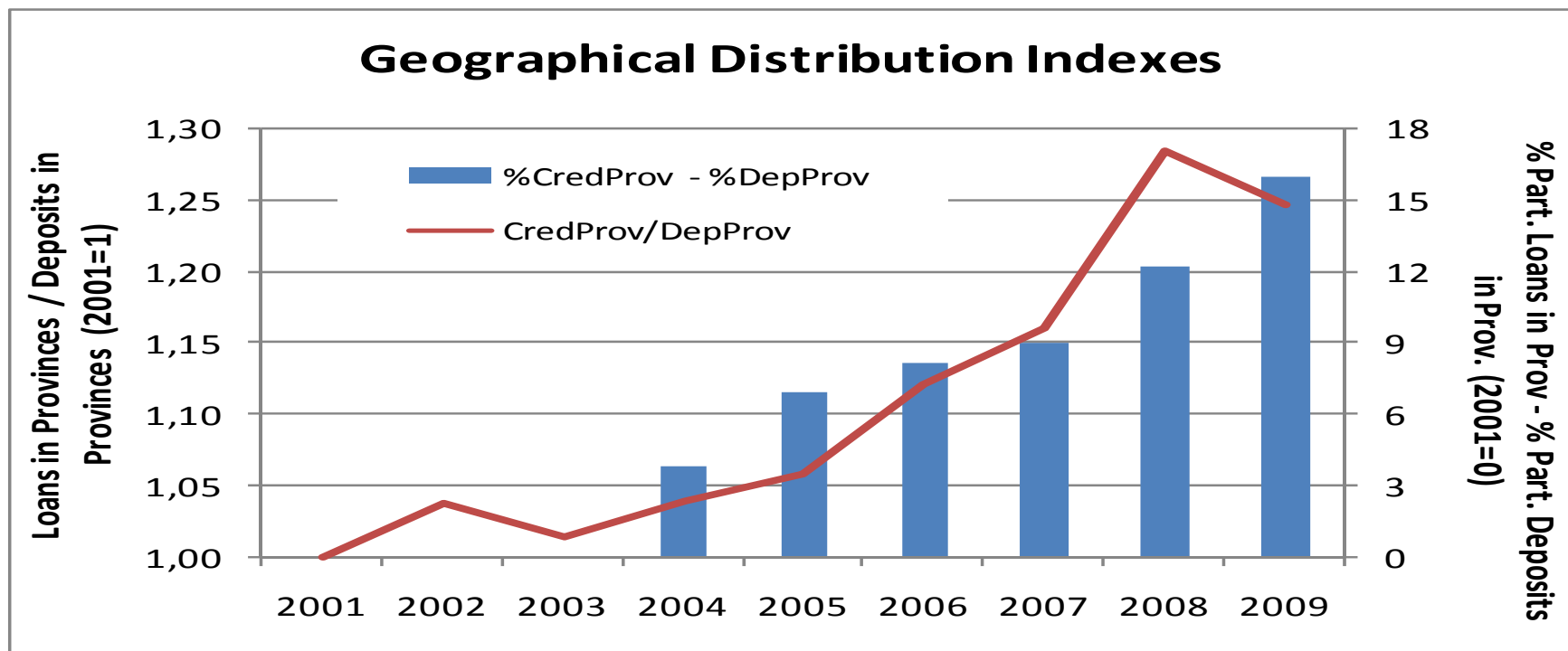
Quantitative Indicators: Borrowers by Region

◆ The number of borrowers in provinces increased by 23% in the last two years (*).

Borrowers by region
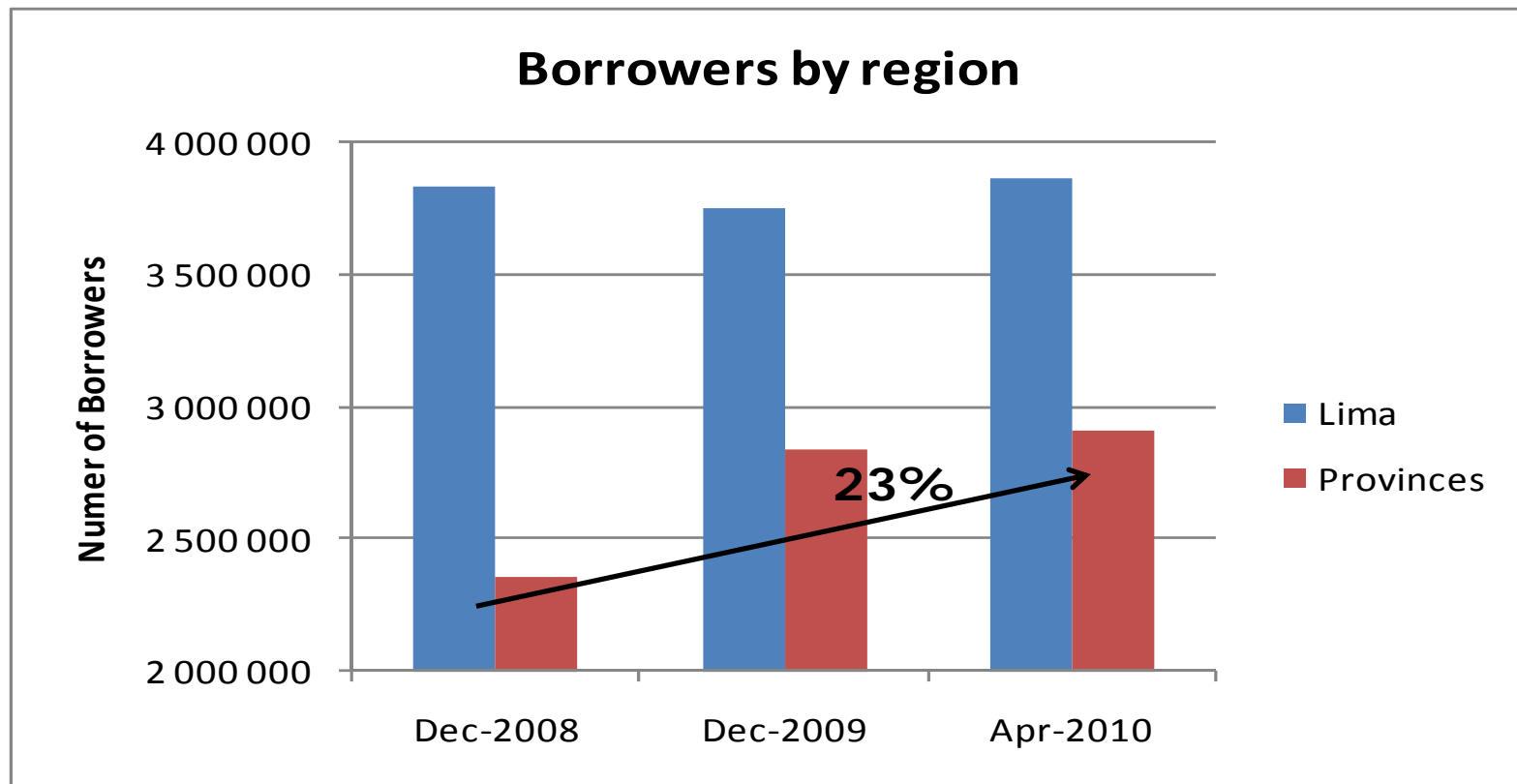
Source: SBS.

* There is no available information for number of Depositors per location.

Quantitative Indicators:
Distribution of agents and socioeconomic needs (Ignacio Mas index)

- 86% of Peruvian districts don't have a bank branch nor a banking agent.

- 7% of the districts, accounting for 16% of the population, have banking presence exclusively through banking agents.

Districts with bank branches		Districts with banking agents					
		0	1	2	3	> 3	
	0	86%	4%	1%	1%	1%	of districts
		34%	6%	3%	3%	4%	of population
		0.56	0.27	0.22	0.19	0.08	Needs index
	1	0%	0%	0%	0%	0%	of districts
		0%	1%	2%	0%	1%	of population
		0.14	0.21	0.13	0.33	0.13	Needs index
	2		0%	0%	0%	0%	of districts
			0%	0%	0%	2%	of population
			0.11	0.20	0.06	0.08	Needs index
	3			0%	0%	0%	of districts
				0%	1%	0%	of population
				0.03	0.10	0.06	Needs index
	> 3				0%	4%	of districts
					0%	42%	of population
					0.15	0.05	Needs index

Source: Ignacio Mas, with data provided by the SBS during CGAP mission to Lima in early 2008.

Quantitative Indicators:
Number and geographic distribution of branches and agents, major banks

- Agent networks are concentrated in Lima and other major cities.
- In rural areas there is only 13% of bank branches and 16% of bank agents.

	BCP	BBVA	INTERBANK	SCOTIABANK	MIBANCO	FALABELLA	TOTAL	%
BANK BRANCHES								
Total	329	243	227	163	108	41	1 111	
In metropolitan Lima	185	156	151	110	46	23	671	60%
In other departamental capital cities	86	61	58	41	41	18	305	27%
In smaller towns / rural areas	58	26	18	12	21	0	135	13%
Population in districts with branches, as % of total population	50%	45%	43%	39%	43%	19%		
BANKING AGENTS								
Total	2 799	337	1 197	490	432	235	5 490	
In metropolitan Lima	1 367	165	685	216	159	136	2 728	50%
In other departamental capital cities	928	112	390	180	152	83	1 845	34%
In smaller towns / rural areas	504	60	122	94	121	16	917	16%
Population in districts with agents, as % of total population	69%	48%	58%	48%	55%	38%		
SUMMARY								
Agents as % of total (branch+agent) points of presence	89%	58%	84%	75%	80%	85%		
% of agents in districts with no branches	19%	20%	20%	18%	29%	42%		

Source: SBS, as of December 2009

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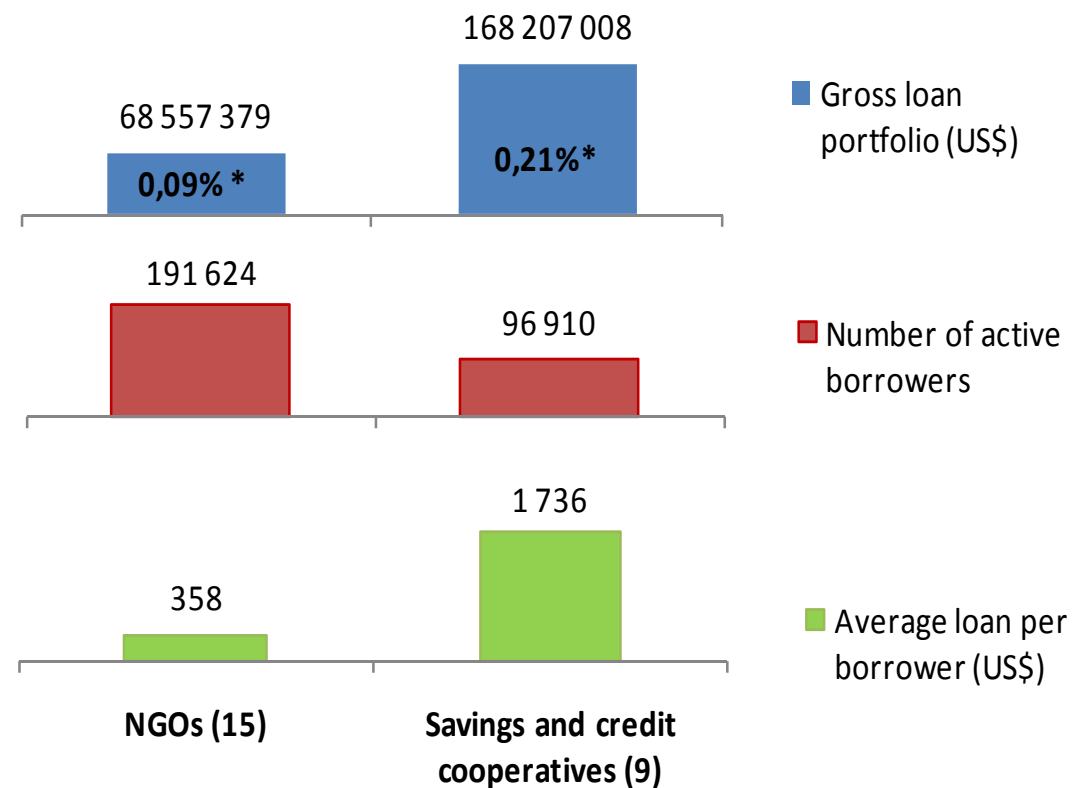- Distribution of agents and socioeconomic needs

IV) Other:
- Financial services through non regulated Micro Finance Institutions.

Quantitative Indicators:
Financial services through
non regulated Micro Finance Institutions

There are Micro Finance Institutions (MFIs) that are not under the regulated system, as is the case with NGOs dedicated to provide financial services to people in need, and also the case of savings and credit cooperatives.

Both of them offer financial services mostly to people that have little or no access to regulated finance institutions.

168 207 008

68 557 379

0,09% *

0,21%*

■ Gross loan portfolio (US$)

191 624

96 910

■ Number of active borrowers

1 736

358

■ Average loan per borrower (US$)

NGOs (15)

Savings and credit cooperatives (9)

Source: Microfinance Information eXchange, as of December 2009

* As a percentage of Regulated of Financial System

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    ◈ **Qualitative Indicators**

◈ Future developments
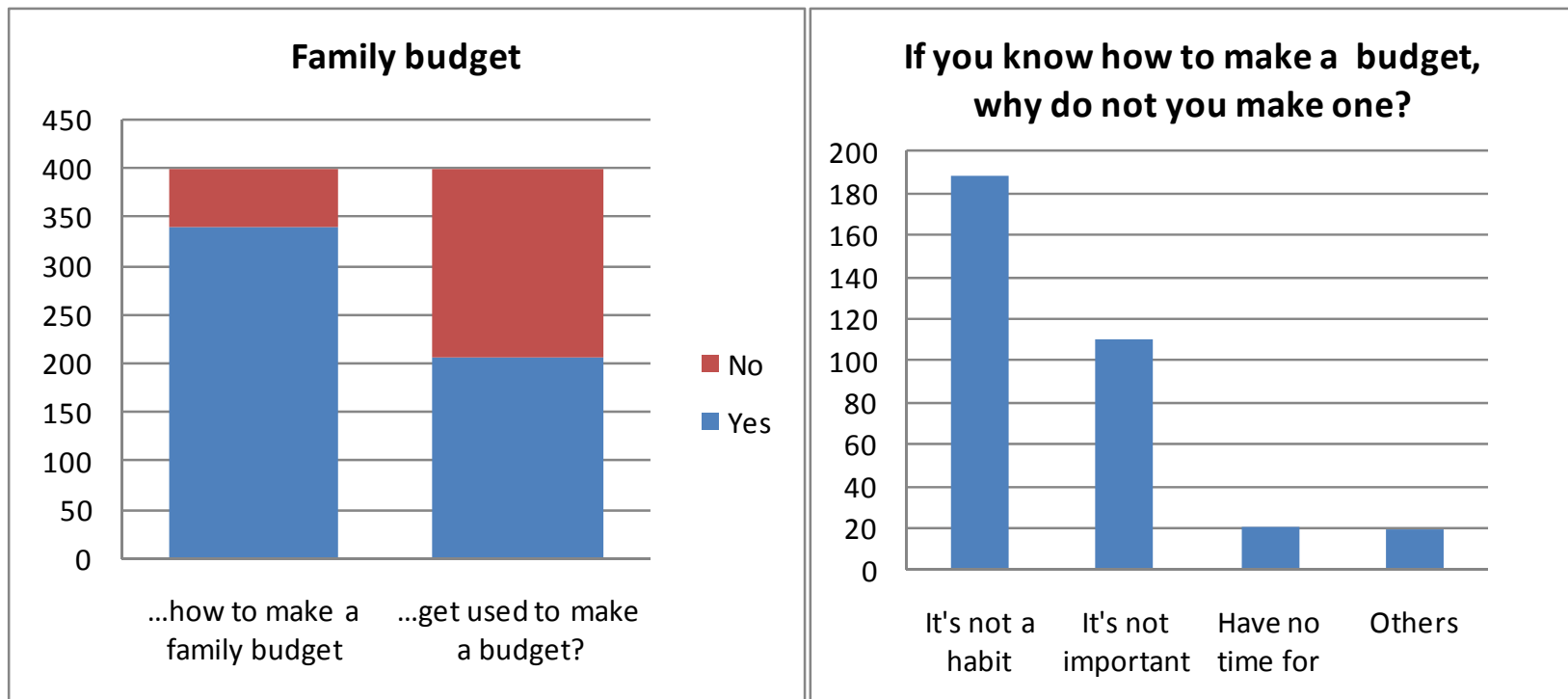
Indicators of Financial Inclusion: Qualitative Indicators

I) Perception of the Financial System in urban areas

- Survey in Lima Metropolitana
- Size of the sample: 400 households
- Priority topics: saving accounts open; credit card use and familiar budget building.
- Principal outlines:
  - Only 3 of each 10 have a saving account
  - Only 6 of each 10 ask a credit in the financial system
  - 8 of each 10 say they know how to make a family budget, but only 5 say to use a family budget
  - 4 of each 10 say they don´t use a family budget because it is not an habit or because it is not important

Perception of the Financial System in Urban areas

◆ As an example: Family budget perception

Family budget

If you know how to make a budget, why do not you make one?

Indicators of Financial Inclusion: Qualitative Indicators

I) Perception of the Financial System in rural areas

- Interwiews in Pucallpa (Selva Region)
- There is only one banking branch in this region
- Priority topics: basic knowledge of the financial system (financial literacy), basic knowledge of the financial products and services; and use of e-banking.
- Principal outlines:
  - 100% recognize the name of the Superintendency, but none identifies the its role
  - None knows the products and services offered by the bank, they only go to a specific use (to cash his paycheck or receive a wire transfer)
  - None knows how to make a complaint
  - None uses the e-banking
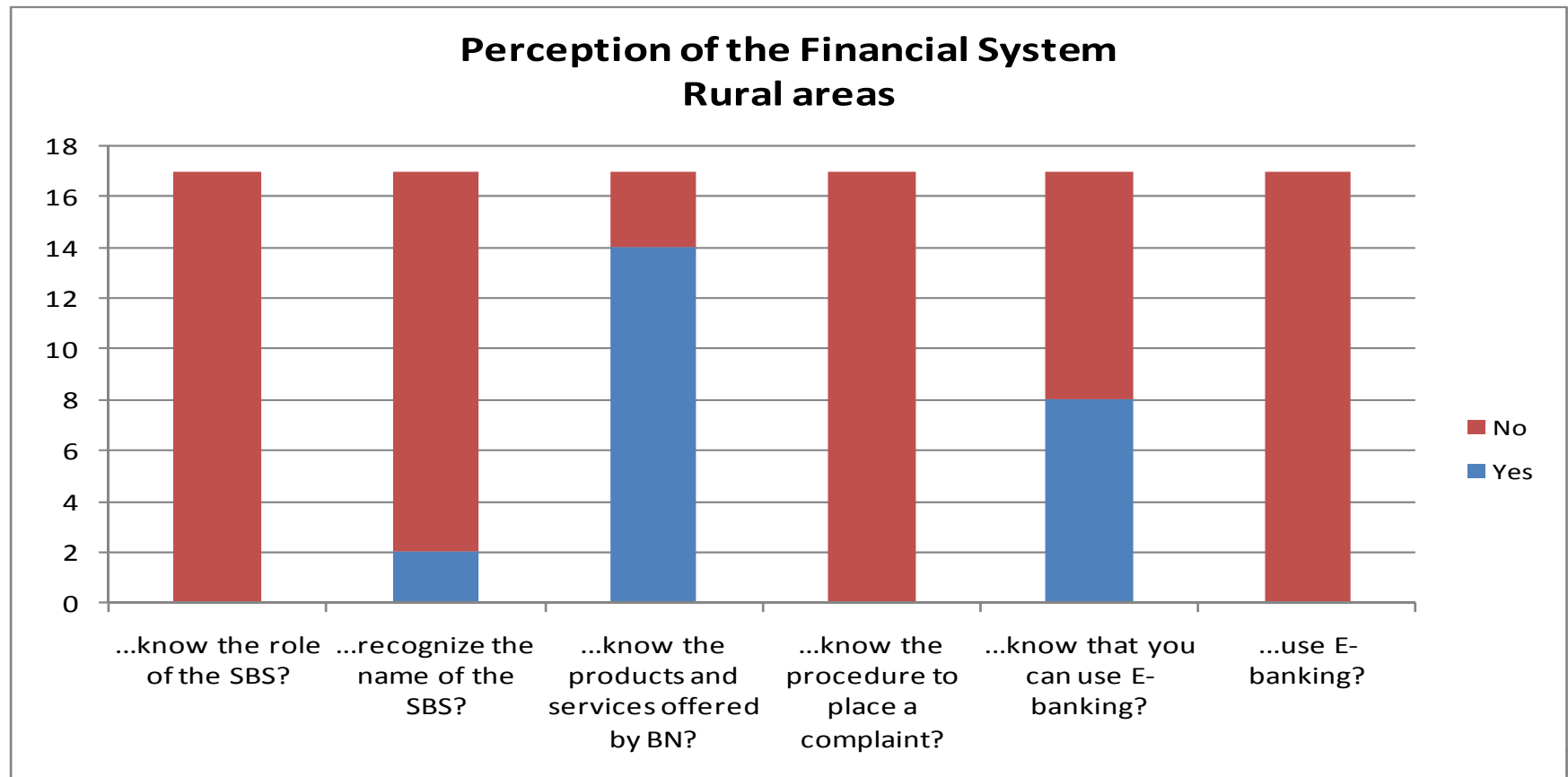
Financial Services in rural areas

- Financial institutions located in rural areas are: *Banco de la Nación* (state bank), non bank financial institutions, NGOs, as well as savings and credit cooperatives.

- Banco de la Nación has 304 UOB (sole banking offer) branches nationwide.

- **Video**

Qualitative Indicators:
Perception of the Financial System in Rural areas

◆ Base: 17 users of the state-owned bank in towns with just one bank branch

**Perception of the Financial System
Rural areas**

Legend: No (red), Yes (blue)

Categories:
- ...know the role of the SBS?
- ...recognize the name of the SBS?
- ...know the products and services offered by BN?
- ...know the procedure to place a complaint?
- ...know that you can use E-banking?
- ...use E-banking?

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- **Future developments**

Future developments

- Development of new indicators:
  - Gini indexes of deposits, loans and branches related to population.
  - Qualitative and quantitative indicators from a baseline survey on financial literacy and financial access and use of financial products and services.
- Implementation of policies for increasing financial inclusion:
  - Urban: Financial education actions focused on low-end socioeconomic status.
  - Rural: Creation of optimal access conditions through regulation aimed to new rural users.

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