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STRATEGIC MAP OF FINANCIAL INCLUSION: A WORKING TOOL

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Various circumstances make difficult the rigorous study of processes, strategies and impact of the efforts of financial inclusion and penetration, either at the academic level, in the public policy area or in companies and organizations of financial services industry. The central problem in Mexico has been the lack of a unified agreement on the definition and the low comprehension level of the basic concepts. An example of it could be appreciated with the term *banking*, which definition has lacked of a conceptual frame that states with clarity its scope and involvement. As a result, it has been used by many people to describe miscellaneous strategies and methods to extend the financial system that are substantially different with each other. This has produced differences in the understanding, approaches, and objectives of the efforts of financial inclusion and penetration.

In general, the strategies applied in Mexico to increase the penetration of the financial system include public, private and social assistance initiatives of different nature, which include: the opening of accounts for payroll or the transferring of resources to beneficiaries of public programs; financing schemes for targeted guaranteed credits; creating financial intermediaries; anchoring and capitalization of these ones; the subsidy of physical and technological infrastructure acquisition; providing technical assistance; and, on the legal framework, the creation and/or

modification of specific laws to regulate not banking financial intermediaries activities, among others. On the other hand, there is the implementation of massive financial services from the private banking (*downscaling*) or from other companies and financial intermediaries. The diversity of approaches and efforts described for Mexico can also be observed in other developing countries, where currently they look to improve the access of financial services to the population that lack of them.

The multiplicity of the initiatives mentioned above—inherent to markets where agents of different nature compete—can contribute to the financial inclusion. However, if the promoted initiatives are not performed with consistency and coordination they could also make difficult the follow up of the objectives and strategies targeted to deepening the financial system, for example, under a comprehensive strategy of financial inclusion. Under this perspective it could be easier to measure the accomplishments of goals and maximize the impact on the economic development and the welfare of the population.

In this context, the document offers a conceptual basis that facilitates the orderly and systematic understanding of the different financial inclusion dimensions, in particular for homes and people. The base is expected to work to unify criteria that contribute to define objectives, strategies and activities, not only for Mexico, but also for countries that encounter similar challenges.

The “Strategic Map of Financial Inclusion: A Working Tool” is the result of the work of a group of people that, independently or representing their institutions, has a wide theoretical and practical experience about the complexity of the financial inclusion process. Since the beginning, in early 2008, the group’s work focused on promoting the coordination among a group of institutions that were performing research and analysis in order to understand the problematic on the Mexican banking and to establish a long term research program that help the process.

Along the way, it became clear that to achieve this objective, it was necessary to make a close examination of the meaning and objectives pursued by the named “banking inclusion”, as well as the elements that composed it. In this way, the group went from the necessity to find a uniform definition, that allowed its measurement, to the usage and definition of a most integral term of “financial inclusion” like: *Universal and continuous access of the different, appropriate and formal financial services for people, as well as the possibility of its use according to the users’ necessities, to help into their development and welfare.*

The dimensions of *access to and use of* financial services refer to, in first plane, the general and permanent availability of these ones and, in a second plane, to its use connected to specific needs—planned and potential—of the users. The availability, in its simple expression, refers to physical “proximity”, which includes: services geographical closeness to the users; or its convenient location in areas with wide confluence of users; or its delivery through the use of mechanisms of appropriate distribution (technology, methodology). The *universal* qualifier implies that the services are available to the population in general. The *continuity* of the service relates to the existence of solid and self-sustainable financial providers.

The definition also includes the ideal properties of the offered services: *diversified*, referring to a wide and varied range of services; *appropriate* refers to the characteristics and conditions of the products for a determined objective market; and *formals* refers to the operation under a solid regulatory frame that incentive strengthen institutions and stimulates confidence.

This definition starts with the premise that the financial inclusion is an important condition for the economic development of countries—like Mexico—that present a deficiency in distribution of resources and richness, as well as wide groups of the population in poverty. For each country and its people, the lags could be overcome by the creation of development opportunities for the society, such as financial opportunities in which the users could strengthen its economic and social welfare. This includes, among other aspects, the use of a payment system, the participation in productive opportunities, the attention to necessities related to the life cycle and the smoothness of consumption paths, the creation of capital, and, finally, the promotion of a culture of prevention.

Through the definition and delineation of the conceptual categories that compose it, the strategic map of financial inclusion aims to contribute to the debate and current efforts of financial inclusion. We believe it can be a useful tool to diagnose, analyze, and guide in a systematic way the complex process of financial inclusion that is currently observed in different parts of the world.

With this objective in mind, the document presents: a proposal of a detailed definition of the concept of financial inclusion; a strategic map that includes core elements of an inclusive financial system and strategies to achieve it; and a proposal of indicators and variables to monitor and measure the impact of interventions performed. This tool will also allow the construction of specific parameters for the measurement of improvements in the complex process of financial inclusion.

To obtain a copy of the publication or for more information, write to: inclusionfinanciera@gmail.com.