



NACIONES UNIDAS

CEPAL

22nd WSBI World Congress
Financial inclusion in a globalised world
Our Challenge

30 April 2009

Sheraton Hotel Convention Center, Santiago (Chile)

Microfinance and financial inclusion
ECLAC's Perspective

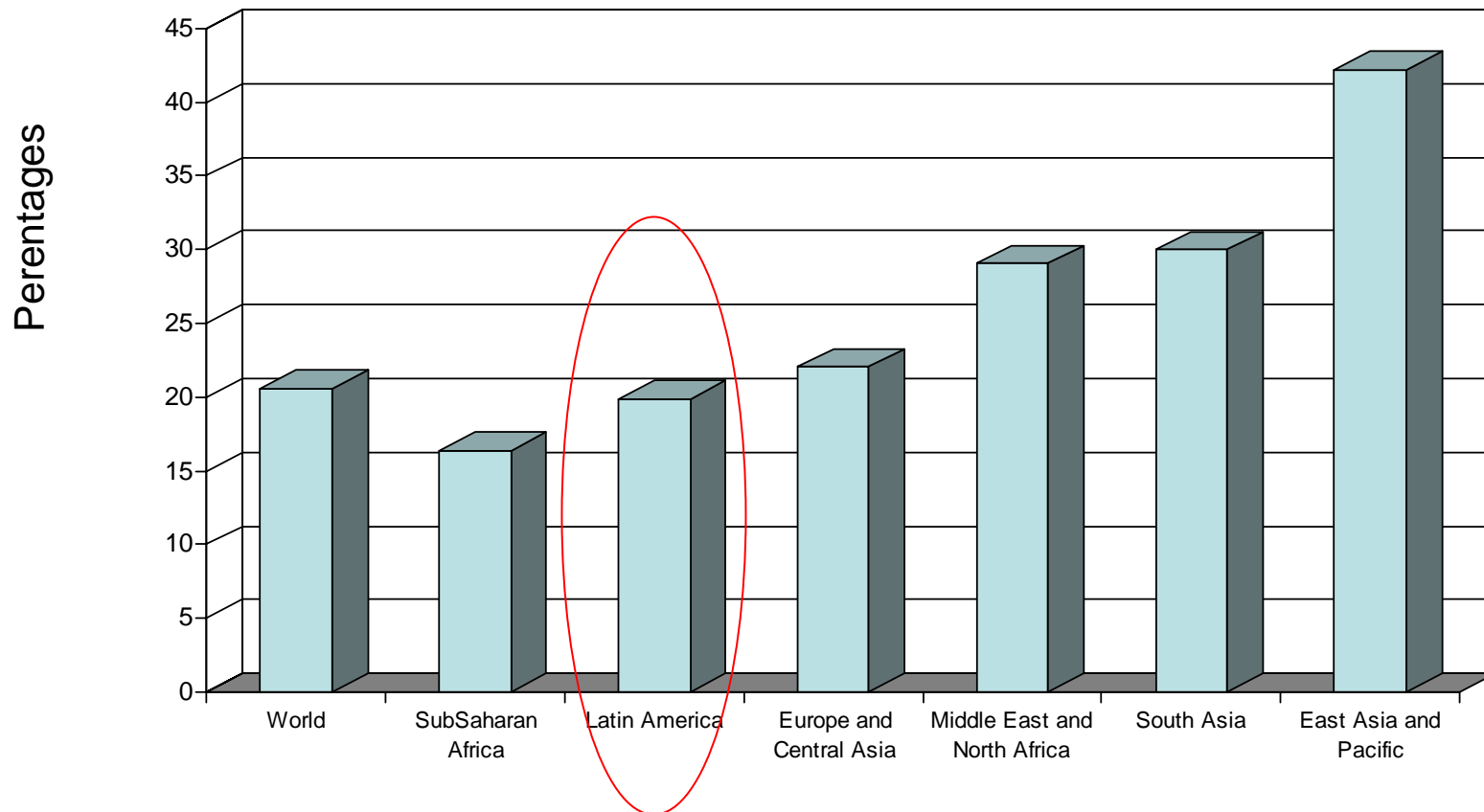
Development Studies Unit
ECLAC

The role of ECLAC in promoting microfinance in Latin America

- ECLAC is not a funding institution.
- Its purpose is to:
 - Provide policy advice to promote and develop microfinances.
 - Support and assist governments in the design of microfinance programs.
- The promotion of microfinances is part of a broader mandate:
 - Inclusive economic and social development.
- Context of financial heterogeneity and diversity.

Latin America has one of the lowest savings rate worldwide

**Gross domestic savings
Selected regions (% of GDP)
2002-2006 (Averages)**

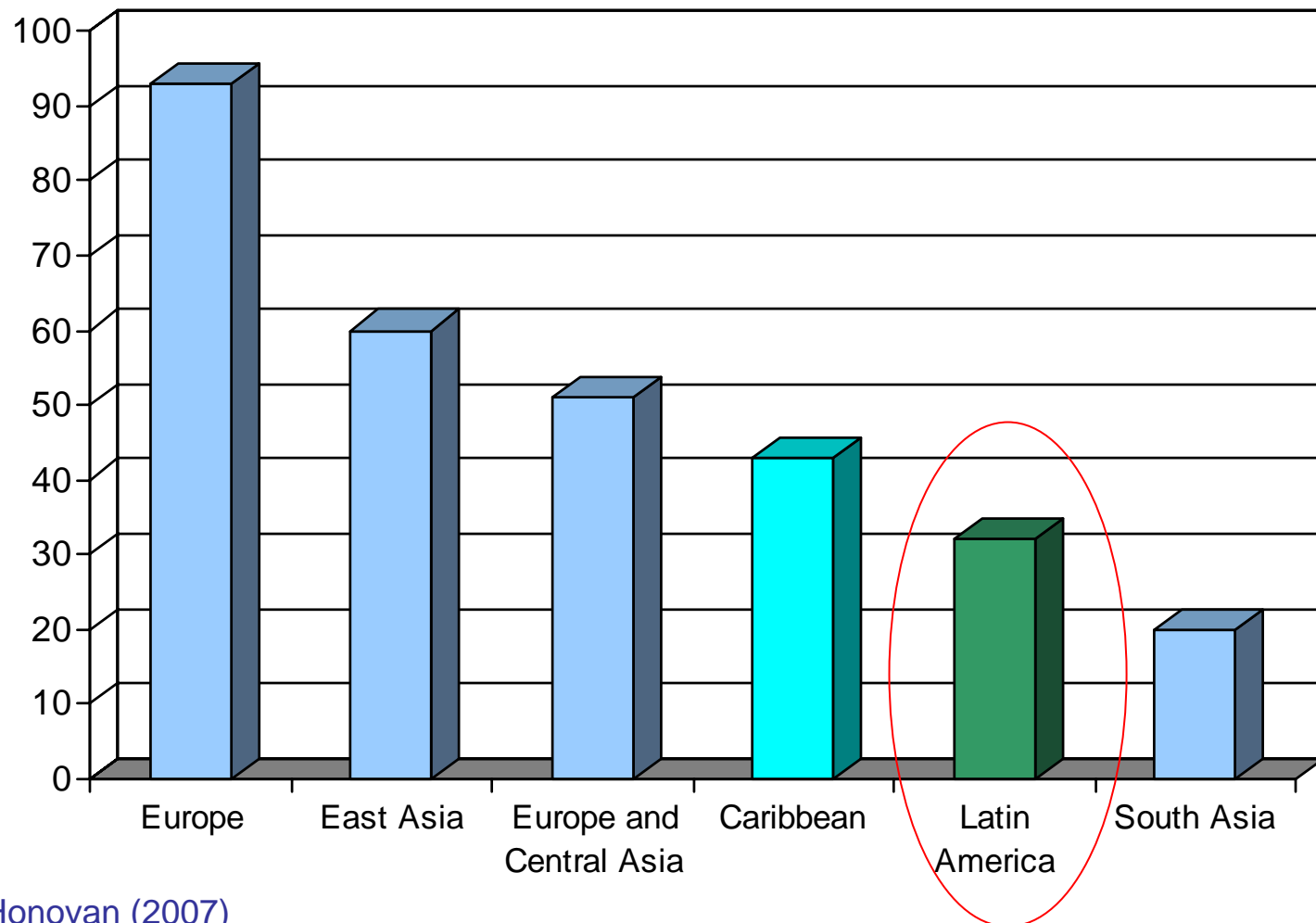


Notwithstanding the implementation of market oriented structural reforms, the financial systems in the region exhibit:

- Low levels of development and financial deepening.
- Mainly bank centered.
- Short term and with few instruments for the provision of long-term finance.
- Limited supply of services, mainly savings and credit.
- High financial costs.
- Highly segmented markets, with credit rationing in particular for small and medium size firms and for new and innovative activities.
- Low levels of banking.

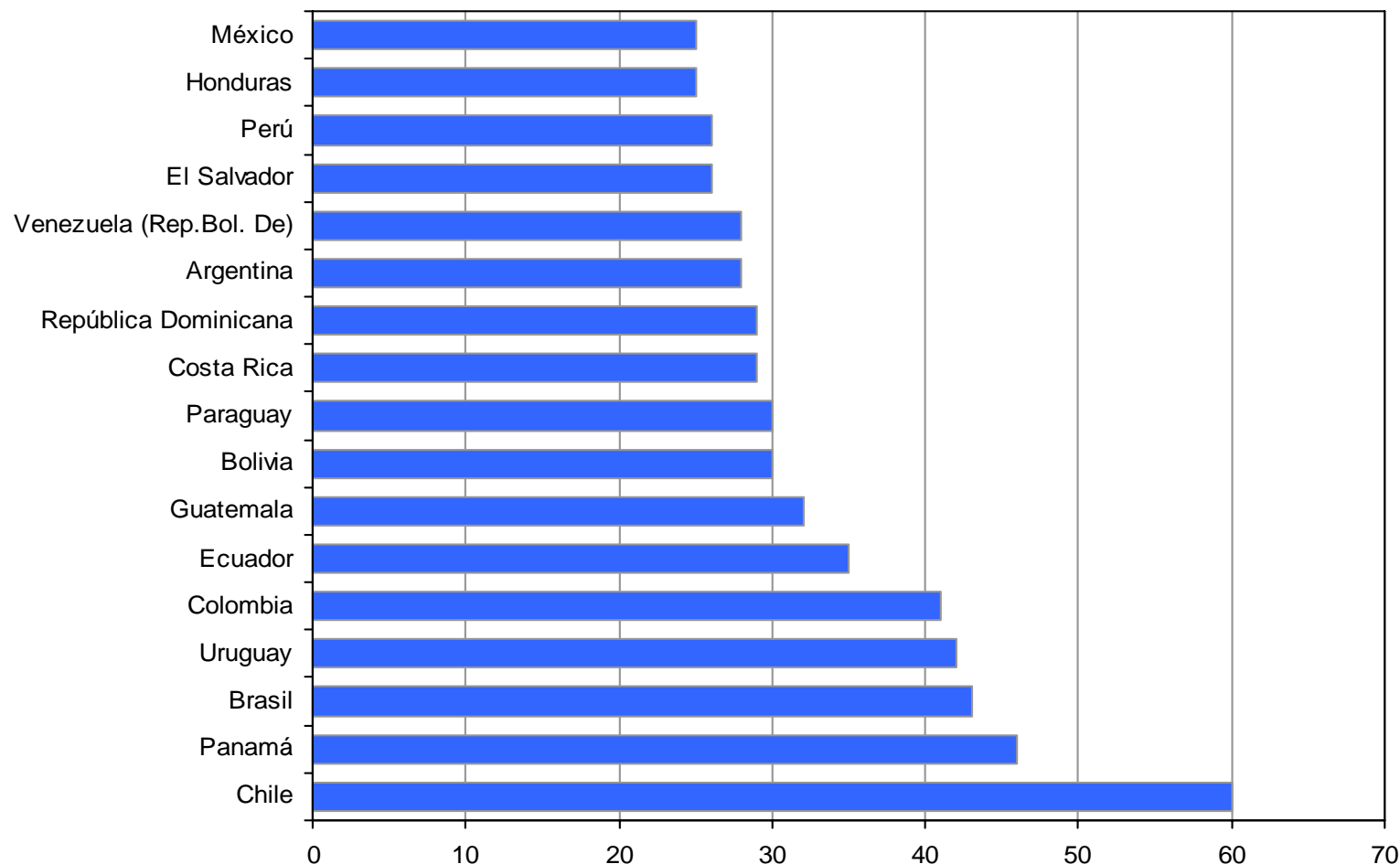
Indicators of access to financial services

COMPOSITE INDEX OF FINANCIAL ACCESS BY REGION



Financial access is heterogeneous across the countries of the region

COMPOSITE INDEX OF FINANCIAL ACCESS (BY COUNTRY)



Access to financial services is limited by:

➤ The development and size of markets

- ✓ Positive relationship between financial access and financial deepening.
- ✓ The larger economies show a greater level of financial penetration and greater use of financial services.

➤ Existence of information asymmetries

➤ Factors heightening structural heterogeneity

- Poverty, informality, etc...

Within this context the strengthening of microfinance institutions is an important step towards the design of inclusive financial markets

- Microfinance institutions provide financial services to low income households and microfirms that do not have the capacity to provide collaterals.
- Multiproduct
 - ✓ Financing of working capital.
 - ✓ Credit lines: education, family.
 - ✓ Health insurance.
 - ✓ Means of payment: Current account, credit cards.

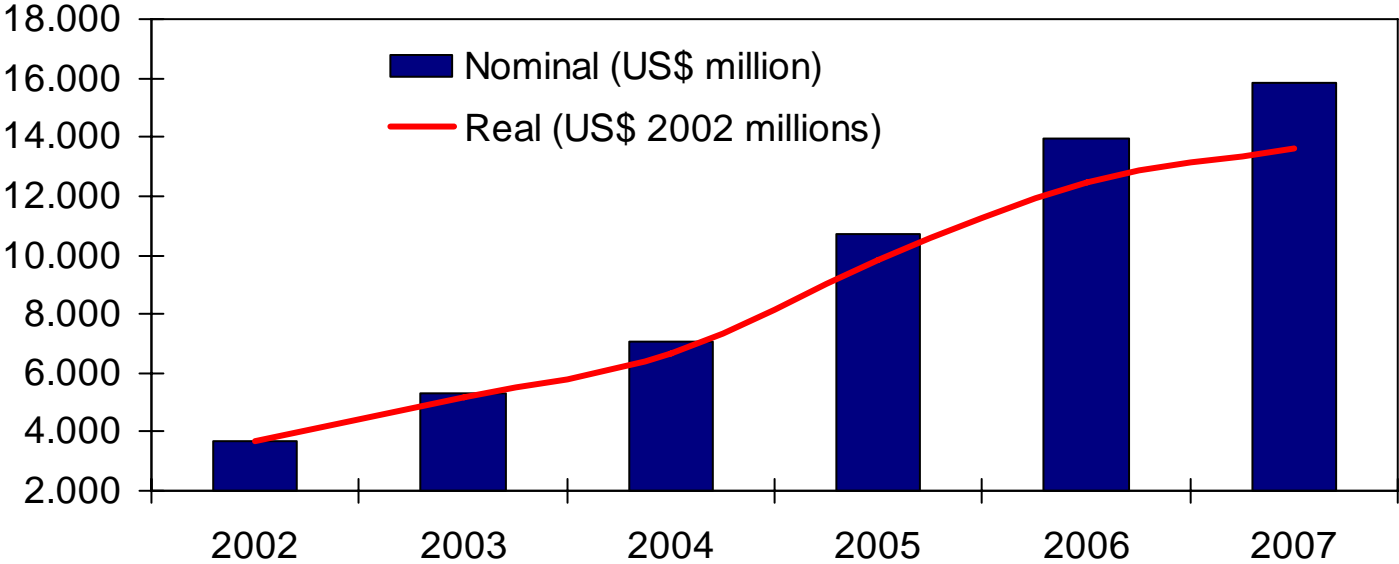
ECLAC's work on microfinancial institutions

A summary

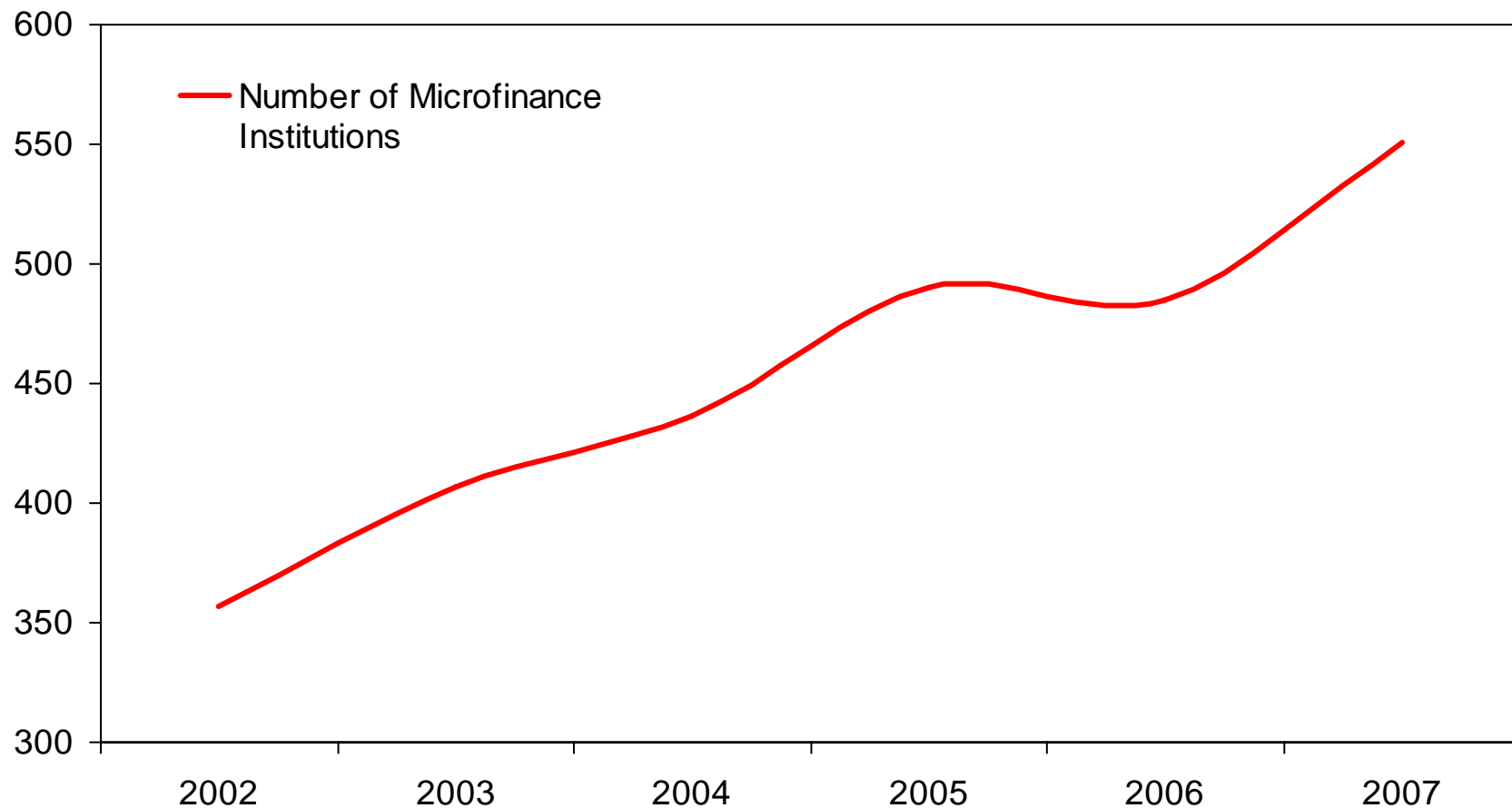
- Country studies on microfinance institutions
 - Colombia, Guatemala, Honduras, Bolivia, Nicaragua, Argentina, Brasil, Chile, Costa Rica, Perú, Venezuela.
- Seminars on microfinance institutions
 - Honduras, Venezuela, Chile, Ecuador.
 - Assessment of regional and national microfinance situation, prospects and challenges.
 - Identification of best practices in the region.
- Construction and design of statistical series on the microfinance market.
- Statistics on the use of services on the basis of household surveys from different countries of the Latin American region.

In Latin America, the microcredit loan portfolio has increased at a 33% annual rate in the period 2002-2007. In 2007 the microcredit loan portfolio reached US\$ 16 billion...

**Total microcredit loan portfolio
2002-2007**



The number of MFI has increased significantly by roughly 9% on an annual basis...



Cooperatives and credit unions account for half of total microcredits in 2007. Nonetheless, the portfolio of NGO registered the highest growth in 2002-2007...

Total credit by type of micro-finance institution
(millions of dollars)

	2002	2003	2004	2005	2006	2007
Banks	767	1.340	1.851	2.778	3.709	3.210
Coop/credit unions	1.602	2.399	3.092	5.237	6.697	7.539
IFNB*	1.126	1.229	1.646	1.983	2.507	3.747
NGOs	215	317	463	744	1.059	1.348
TOTAL	3.709	5.284	7.052	10.741	13.972	15.845

Source: Development Studies Section, ECLAC.

* Includes other non-banking microfinance institutions.

Future challenges for the development of microfinance institutions

- Greater institutionalization of microfinancial institutions
 - To promote deeper levels of financial inclusion
 - To channel financial resources effectively and efficiently
- Widen the coverage and access of microfinancial institutions
 - The development of microfinancial institutions is viewed mainly from the the supply side.
 - It is necessary to adopt a more comprehensive approach including both supply and demand sides.
- Improve the capacity of the relevant microfinance institutions to intermediate resources in the market and develop new and innovative products.
- Confront the challenges related to regulation in order to facilitate the monitoring and management of risk.
- The application of low cost technologies that are accesible to this type of institution.
- To advance towards the design of instruments providing an improved evaluation of the impacts of microfinance.
- Delineate an agenda and the main pertianing issues to promote a better and adequate interaction between the private and public sector.