

Advisory Group  
Meeting I  
**PAPER 4-B**



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Financial inclusion in a  
middle-income country:  
**THE CASE OF CHILE**

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ABAC CHILE 2018



- **Much more than a poverty-alleviation strategy**
  - payment system more efficient
  - increases productivity among MSMEs
  - positive contribution to financial stability
- **Institutional ways to catalyze financial inclusion**  
need to have solid foundations and an adequate institutional framework
- **Technology as an ally of financial inclusion:** reducing banks' transactional and operational cost, allowing them to pass these lower costs on to clients

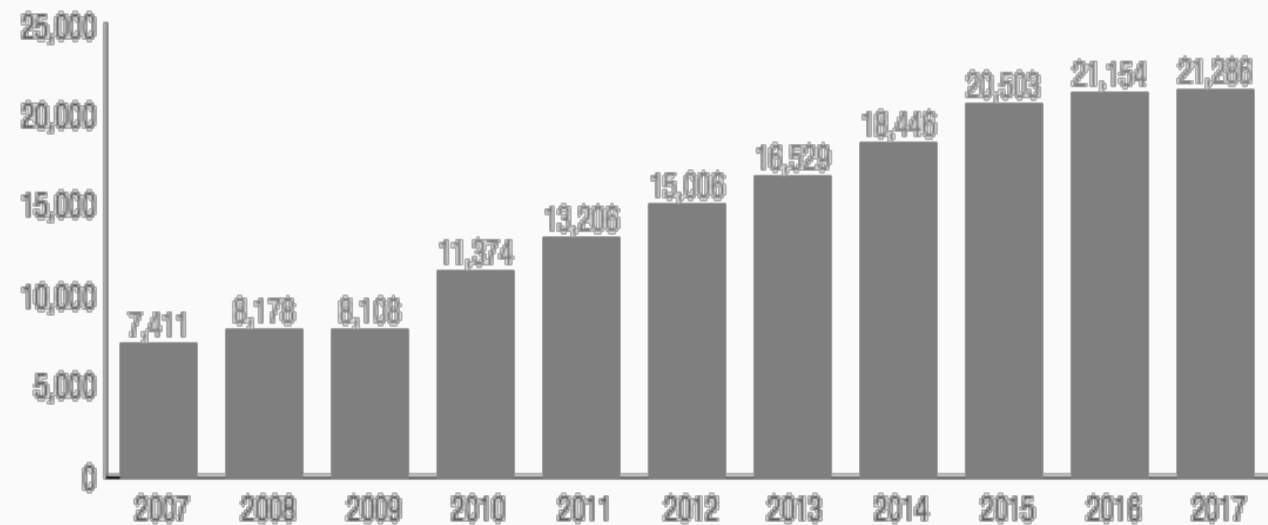


- **Financial inclusion in a middle-income country**
  - GDP (2017): **US\$ 264,8bn**
  - GDP per capita (2016): **US\$ 16.6m**
  - GDP annual growth (2017): **2.2%**
  - Population (2017): **18.5 million**
  - Inflation (Oct. 2017): **1.9%**
  - Unemployment rate (Oct. 2017): **6.7%**
  - Member of OECD **Since 2010**



- **Remarkable progress achieved in the past decade**  
strong growth of transactional or payment accounts and debit cards associated with them

Figure 2. Evolution of debit cards in Chile  
(in thousands)



Source: Chilean Superintendency of Banks and Financial Institutions (SBIF)

## FACTORS BEHIND THIS RAPID PROGRESS



- 1. Soundness of Chile's financial system** as recognized by several international rankings/standards
- 2. Provision of services through multiple channels** including digital (internet and mobile), and traditional (branches, ATMs & correspondent networks)
- 3. Proportionate regulation:** flexible requirements for the opening of transactional accounts as an effective way to reduce access barriers
- 4. Adjustment of fees to customers' needs:** fixed charges were replaced by a charge based on movements. Charges rationale need to be explained, and applied with transparency

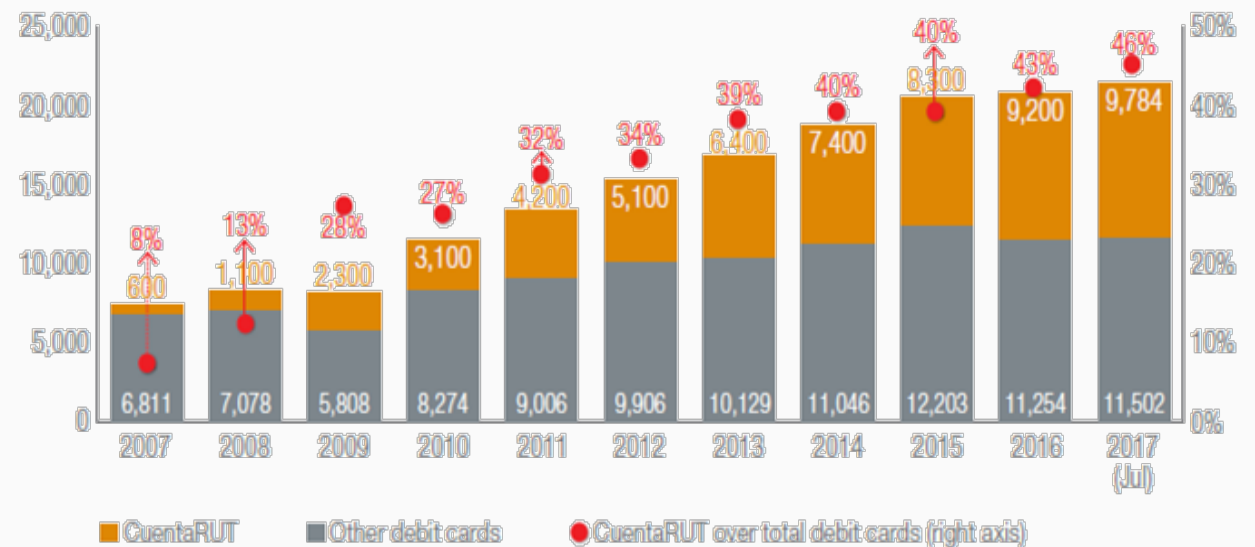


- 5. Role played by Banco Estado** it has provided remarkable leadership, not only in terms of financial inclusion but also through its decision to innovate with regards to the implementation of an efficient network of 21,000 bank correspondences throughout Chile as well as 400 full branch offices (the only bank of the system in 120 counties), 107 small-type branch offices and 2,400 ATMs
- 6. Promotion of use of transactional accounts through online payment of state subsidies and benefits** the private sector encourages employees to have an account for the direct and automatic payment of their wages



- **Universal access to transactional account** accompanied by infrastructure that favors their use; Banco Estado offers a CuentaRUT account to everyone with a taxpayer number (RUT)

Figure 4. Evolution of CuentaRUT accounts over total debit cards  
(in thousands, percentage)



Sources: Chilean Superintendency of Banks and Financial Institutions (SBIF) and BancoEstado



- 1. Digital transformation:** the rapid advance of technology must be matched if effective financial inclusion across all sectors is to be achieved
- 2. Financial education** should be addressed jointly by both the educational and financial authorities, promoting financially responsible behavior across all segments of the population
- 3. Remittances for immigrants through banking institutions** can favor financial inclusion since the senders seldom have a transactional account despite having a reasonably constant inflow of cash.
- 4. Implementation of Basel III and financial inclusion**  
Chilean regulators should implement these international standards and replicate preferential treatment of SME





## Financial inclusion remains a challenge worldwide

- **Crucial to identify** the main barriers to continuously increase access to financial products
- **Sound and secure financial systems** require informed consumers, hence the importance of financial education programs to promote responsible indebtedness and products' effective use
- **Regulatory infrastructure** that includes the design of products suited to users' needs, and flexible to allow new technologies



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