



POLICY MAKERS' PILLARS TO FOSTER FINANCIAL INCLUSION



Madrid, Spain. October 5, 2017





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- Given new migration policy in the U.S., Mexico expected an increased number of Mexicans being repatriated.
- Strengthening of Social Inclusion Program: Somos Mexicanos.
- Financial Inclusion challenge:
 - Mexican repatriates without official documents.
 - Assets remain in the U.S.
 - Lack of financial inclusion in Mexico.

- **Pillars for policy makers.**
 - Financial inclusion, the final goal of stakeholders of the formal financial market, is the result of policy makers' pillars that must be present in order to provide the necessary conditions to allow customers to reap the benefits of such market.
- **Five pillars based on customer centricity:**
 1. Financial Education.
 - Must be designed to cater to the needs of those involved.
 - The information given to customers depends on the sophistication of the products or services to reduce information asymmetry among both parties.
 - Offer tools for customers to make informed decisions.

2. Regulation

- There can be regulatory innovations to resolve challenges.
- Migration Identification Document (Constancia de Repatriación) .
 - Official identification document.
 - Proof of residence.

3. Financial Product and Service Availability.

- Having many options to choose from does not increase consumer satisfaction. Low income and vulnerable groups are not an exception.
- When working on financial inclusion of low income population or other vulnerable groups, it is imperative to offer the basic products they need to satisfy their immediate needs during an initial phase of financial inclusion.

4. Financial Ecosystem.

- For financial inclusion to be effective, there must be a strong financial ecosystem.
- Although access in terms of infrastructure has increased during the last years, Mexico still reflects a delay in comparison to other countries with a similar market size.

5. Operational Flexibility.

- Brick-and-mortar and internet banking remain prevalent in Mexico.
- However, mobile branches may also operate as long as they comply with banking issues like money laundering and consumer data protection.
- There must be operational flexibility to reach vulnerable customers, at a lower cost.
 - Overcomes barriers for financial inclusion like time and transportation costs.

III. Bansefi's Mobile Branches

- Financial Inclusion for the Attention Program of Migrants (Programa de Inclusión Financiera para la Atención de Migrantes).

Tijuana



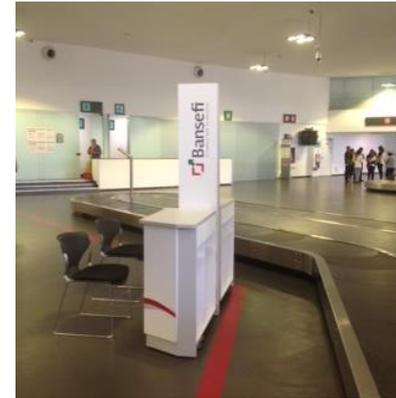
Mexicali



- Main products:
 1. Deposit account with a debit card which includes 2 free microinsurances.
 2. Remittances.
 3. Currency exchange.

III. Bansefi's Mobile Branches

12 Points of entry for repatriates from the U.S.



Mexico City
International Airport



- The success of the program will be based on the financial education provided.
 - At the mobile branch and during the course of their lifespan to foster a fruitful social inclusion.
- Financial education definition.
 - Developed by OECD and endorsed by G20 leaders, when Mexico presided over the group in 2012:

*“the process by which financial **consumers/investors** improve their understanding of financial products, concepts and risks and, through information, instruction and/or **objective advice**, develop the skills and confidence to become more aware of financial **risks and opportunities**, to make informed choices, to know **where to go for help**, and to take other effective actions to **improve their financial well-being.**”* (OECD, 2005).

- **Product innovation**
 - Leads to complex products and services.
 - The more complex the financial product or service, the more comprehensive the information that must be presented to customers.
- **Channel innovation**
 - New technologies have allowed reaching a broader spectrum of customers.
 - Facilitate and improves banking experience, but also introduces new risks.
 - For example: sale of an options contract in a stock market mobile application.

- **Information asymmetry.**
 - Some institutions offer information to market agents like credit bureaus and securities and credit risk rating agencies.
 - Customers also need means to reach information.
 - Customers must be taught about tools at their disposal to evaluate the information available about options, responsibilities and risks to which they are subject.
- **Predatory practices.**
 - Financial education is not an antidote for predatory practices but will always improve customers' awareness and protection from such practices.
 - Financial education reduces the vulnerability of customers from predatory practices.

- To foster financial inclusion, policy makers must consider various pillars and financial education is the most important one.
- Financial education:
 - ✓ Allows customers to overcome uncertainties in the financial sector.
 - ✓ It should be present throughout the duration of any financial inclusion program.
 - ✓ Innovative products and new financial channels should provide financial education, a tutorial or be user friendly, as it may apply.