

Financial Literacy and Inclusion

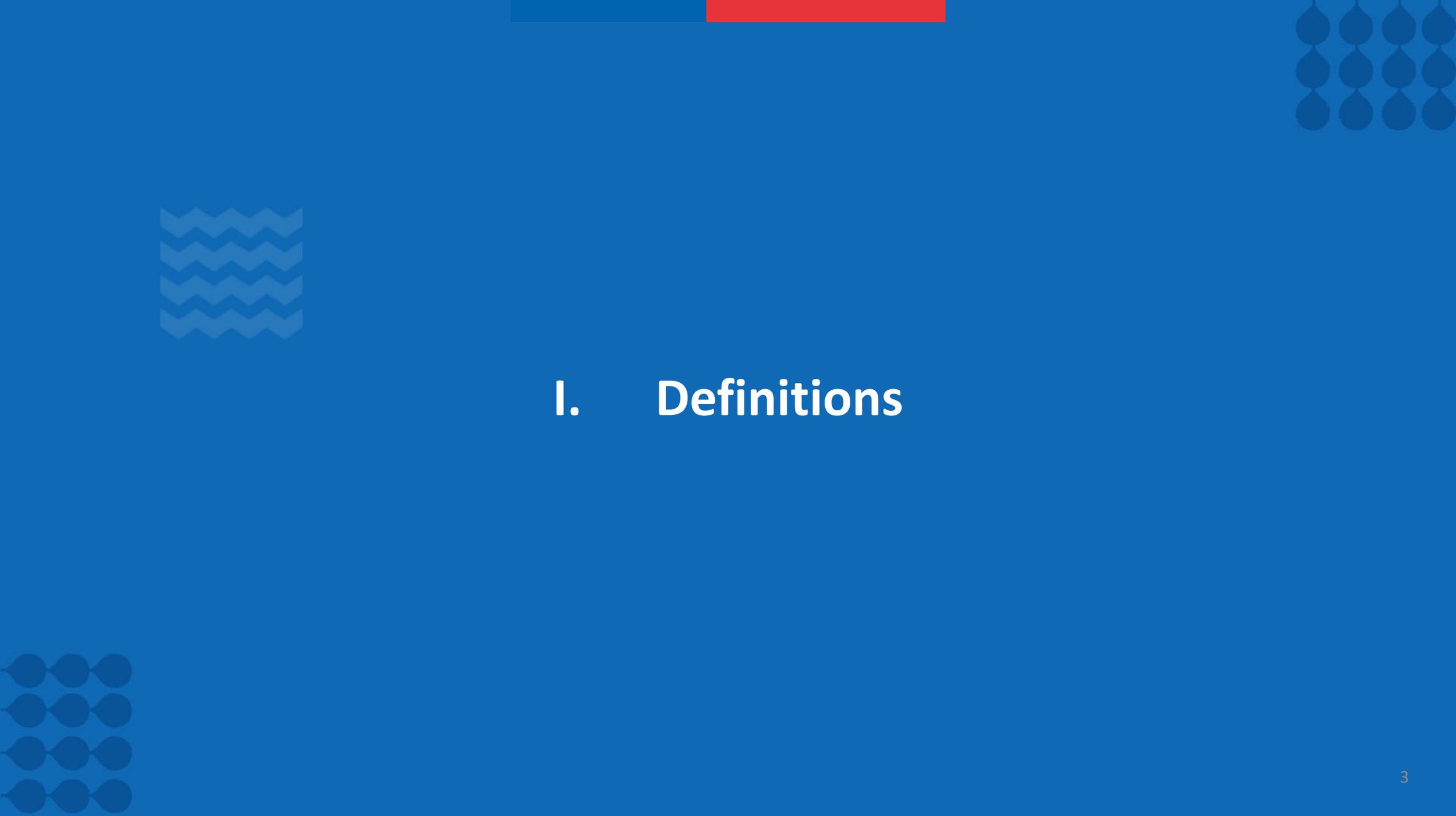
Spring Meetings WB IMF – George Washington University

April 13, 2023

Mario Marcel | Minister of Finance

Agenda

- I. Definitions
- II. Current state of financial inclusion in Chile
- III. Initiatives



I. Definitions

Financial inclusion is a multidimensional concept

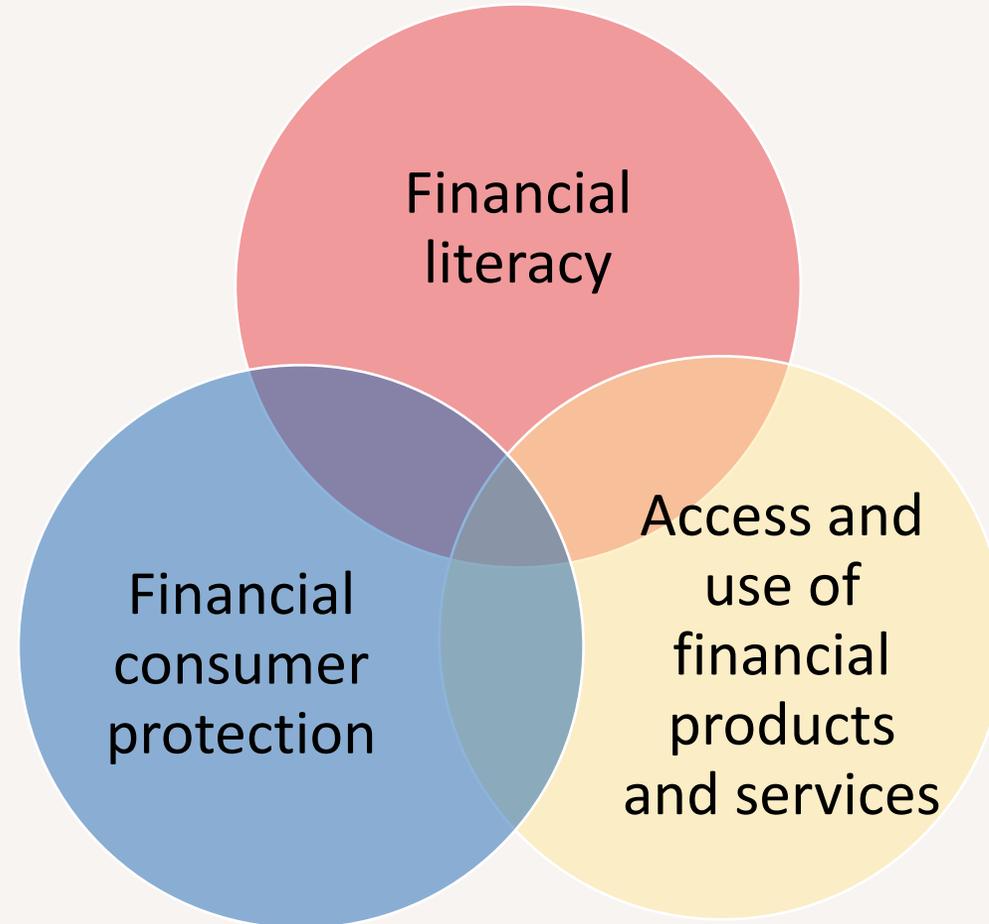
World Bank definition

*“Financial inclusion means that individuals and businesses have **access to useful and affordable** financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.”*

OECD definition

*“The process of promoting **affordable, timely and adequate access** to a wide range of regulated financial products and services and **broadening their use** by all segments of society through the implementation of **tailored existing and innovative approaches**, including financial awareness and **education** with a view to promote **financial well-being** as well as **economic and social inclusion**”.*

Financial Inclusion

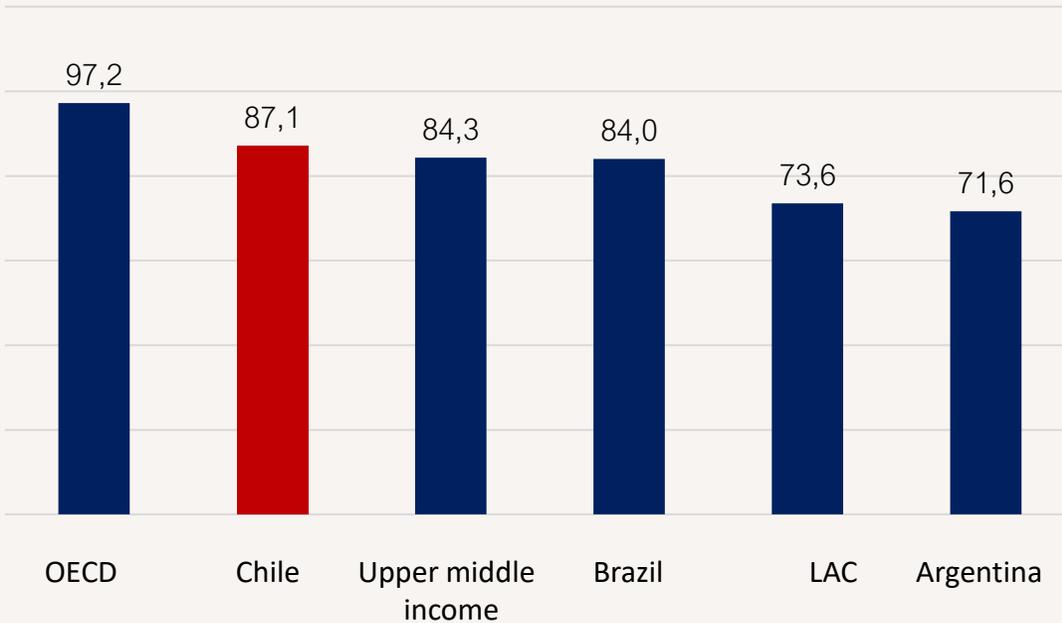




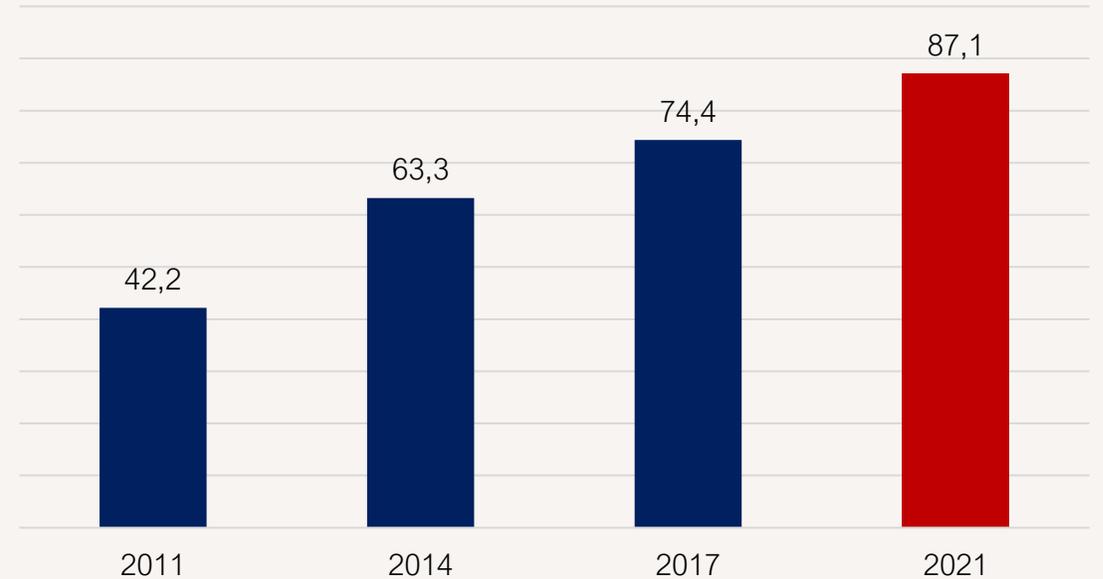
II. Current state of financial inclusion in Chile

Chile has achieved good levels of access to financial products

Account ownership – International comparison
(% age +15)

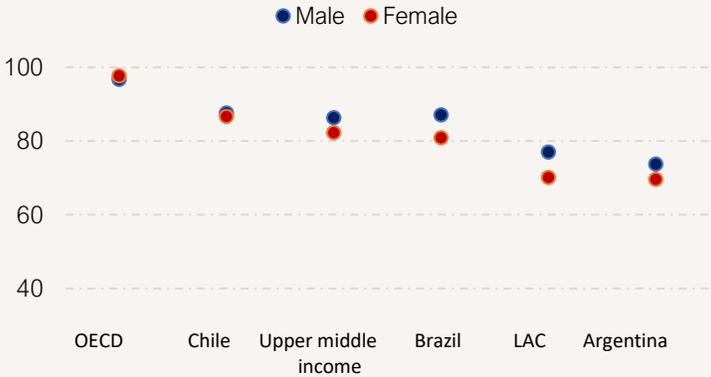


Account ownership – Chile
(% age +15)

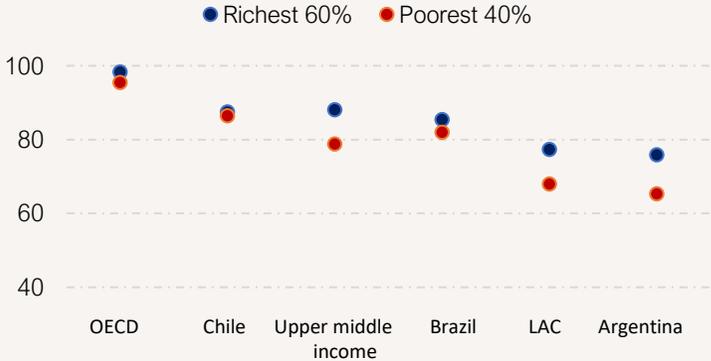


No substantial gaps by gender, level of wealth and age but with opportunities to improve for those out of the labor force and less educated

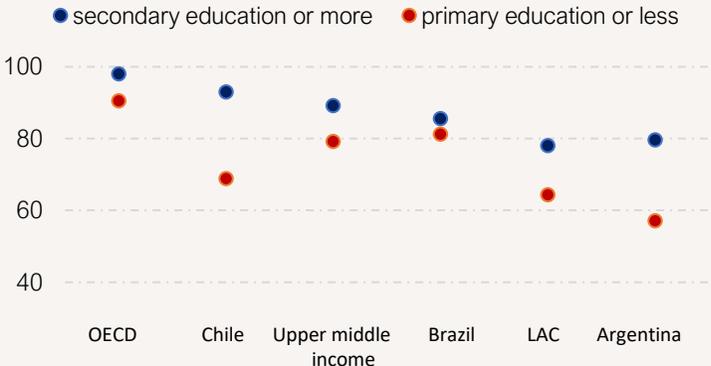
Gender



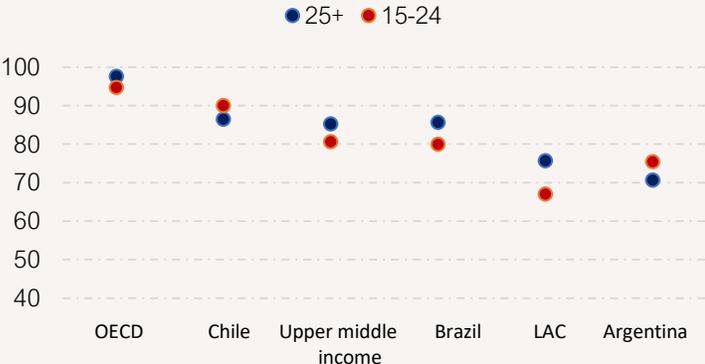
Level of wealth



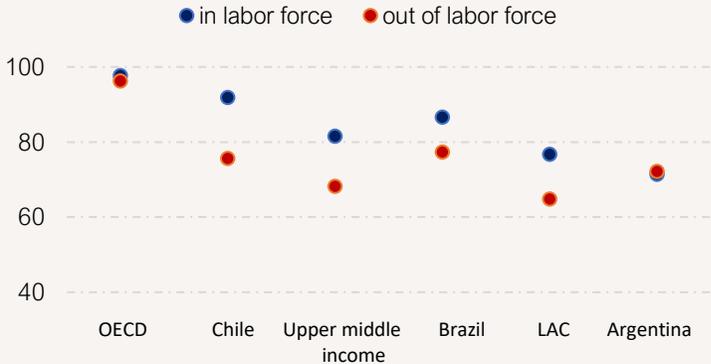
Education



Age



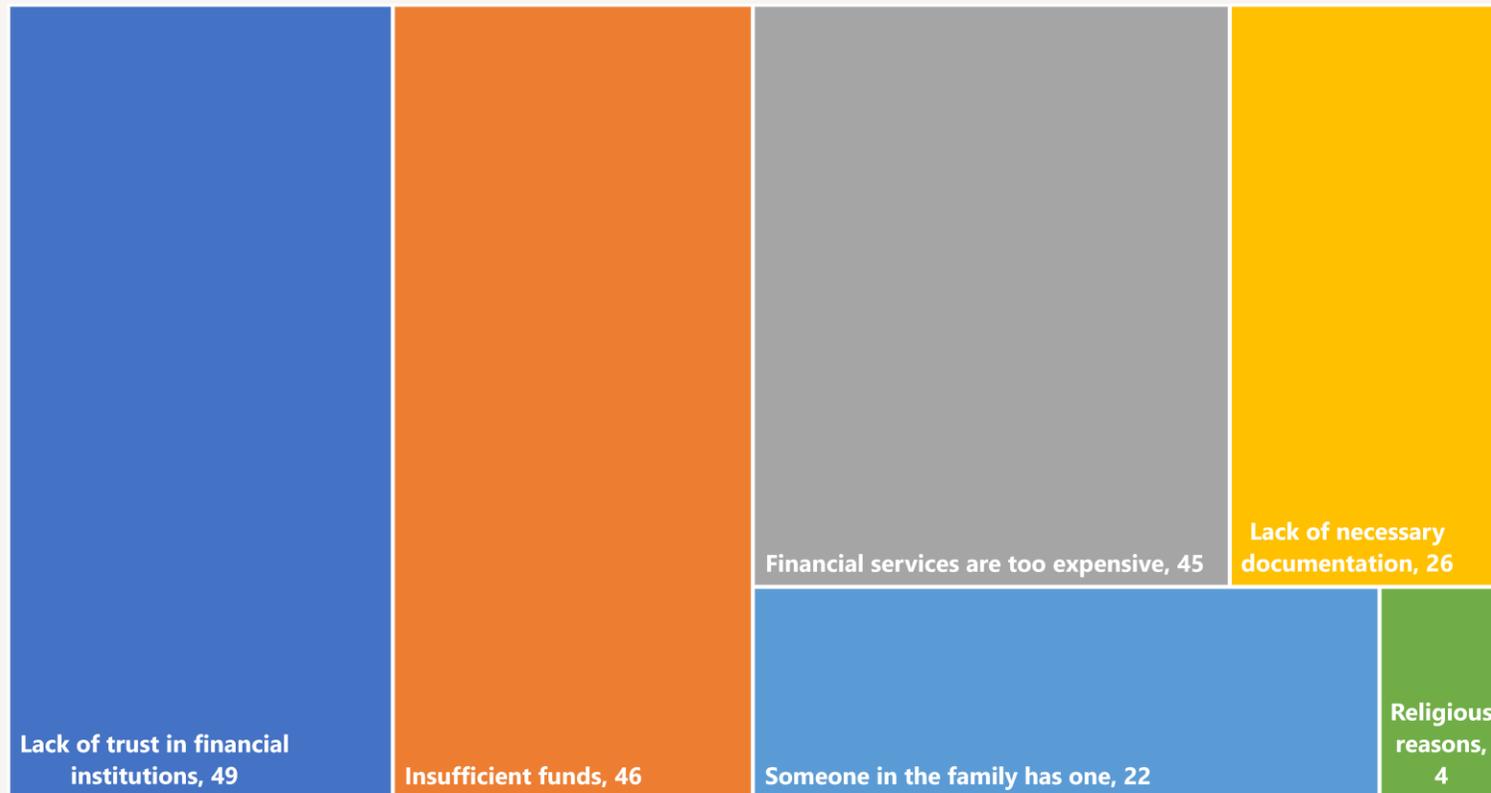
Labor force



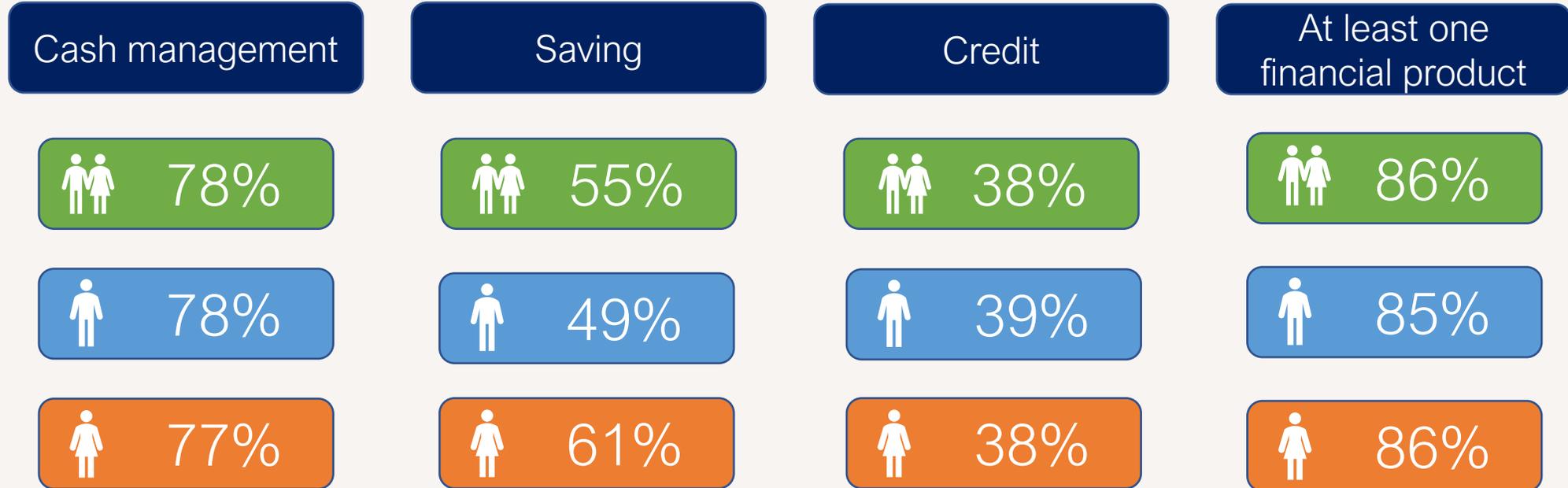
Source: WB Global Findex, 2021.

Among the reasons why people do not have an account, the most mentioned are lack of trust, lack of resources and because financial services are very expensive

Reason for not have an account - Chile

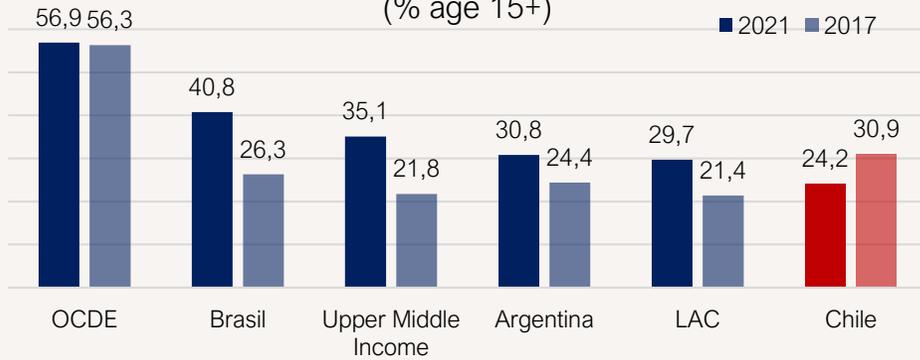


In a complementary look at the supply side (financial institutions), we see opportunities for improvement in access to credit and savings products

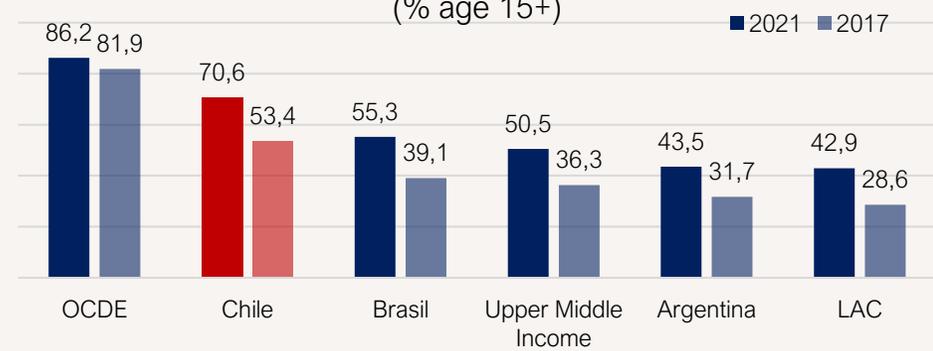


Gaps remain in the use of financial products

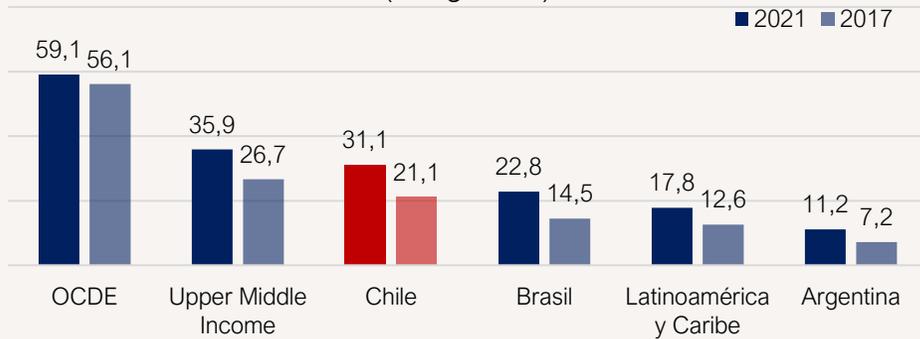
Borrowed from a financial institution in the past year
(% age 15+)



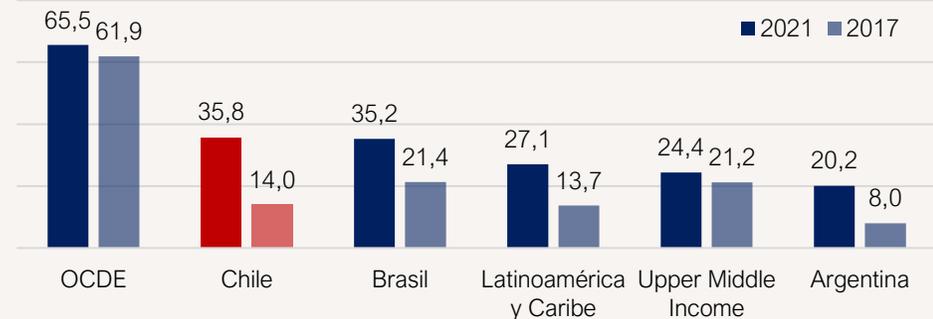
Used a debit or credit card in the past year
(% age 15+)



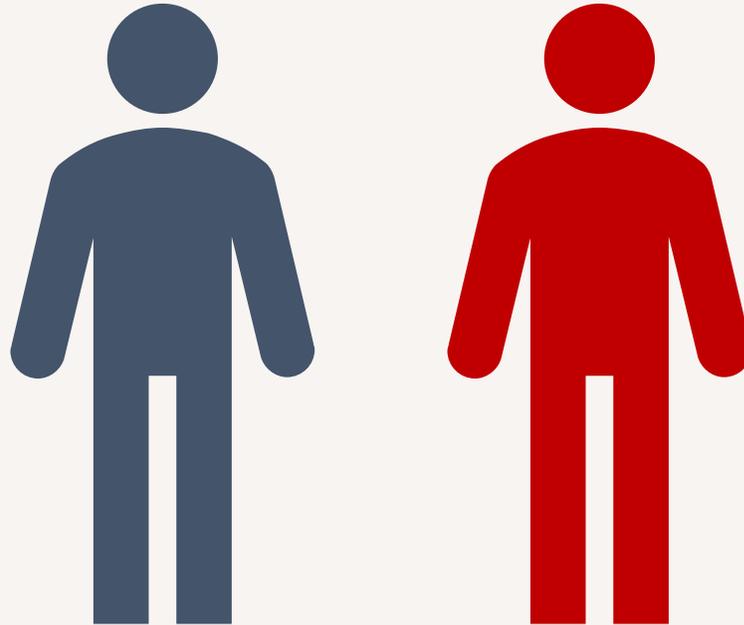
Saved at a financial institution in the past year
(% age 15+)



Made a utility payment using an account
(% age 15+)



Approximately 1 out of 2 individuals open their first account to receive their salary.



BancoEstado –Chilean public bank- : a success story

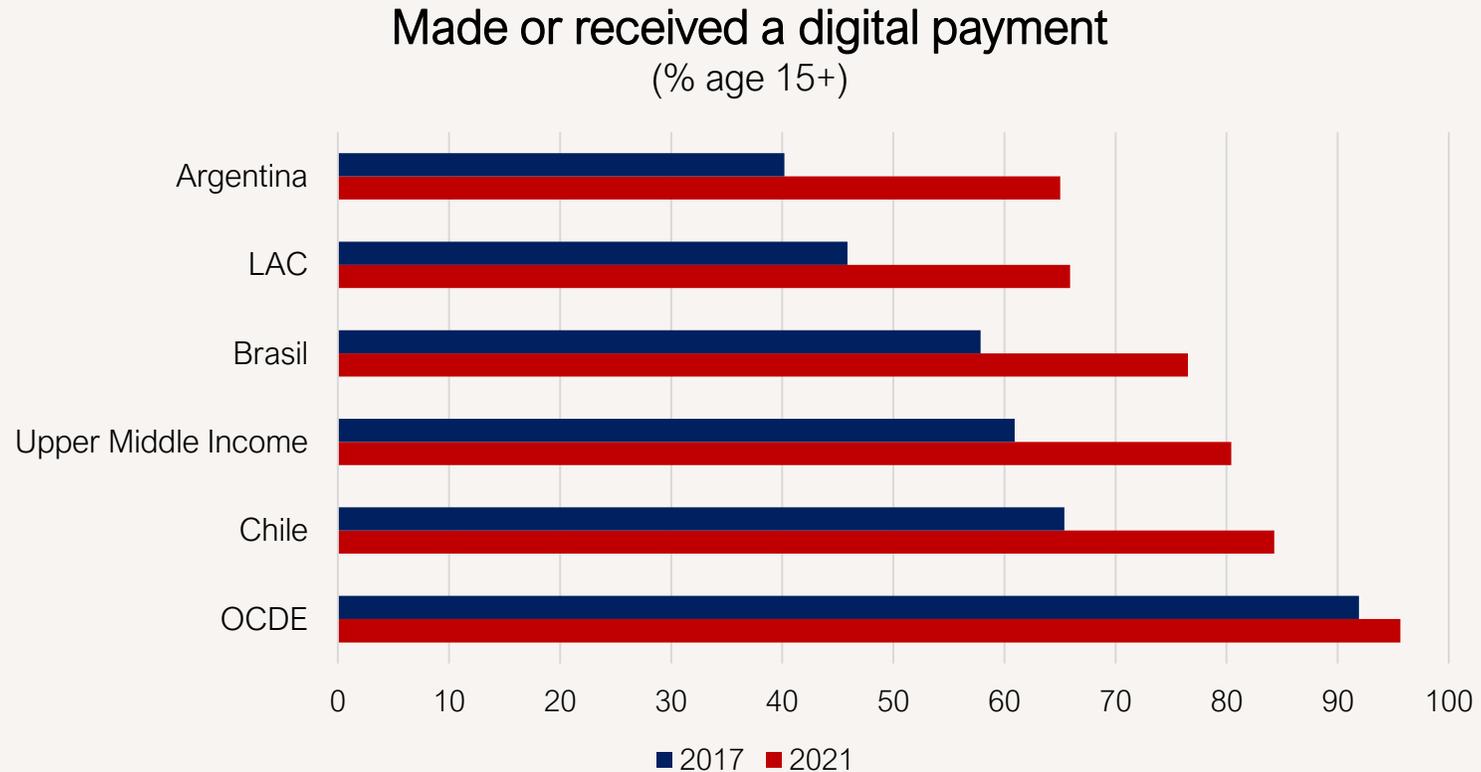
BancoEstado offers financial products and services to all the country's inhabitants, without exclusions of any kind, and with special dedication to those who have less access to the financial system.

Some figures:

- 84% of adults are BancoEstado customers.
- 54% of customers belong to the low-income segment.
- Bank with the largest presence throughout the country.
- Bank with great emphasis on supporting micro and small businesses.

Digital payments have an increasing role for financial inclusion

- 84% of adults made or received a digital payment in 2021



Financial decisions: importance of financial literacy



91%

Of households
have assets

Real assets: 81%

Financial assets: 37%



62,1%
Main house



15,2%
Other properties



54,8%
Vehicles



24,7%
Savings account



11,3%
Mutual funds
or similar



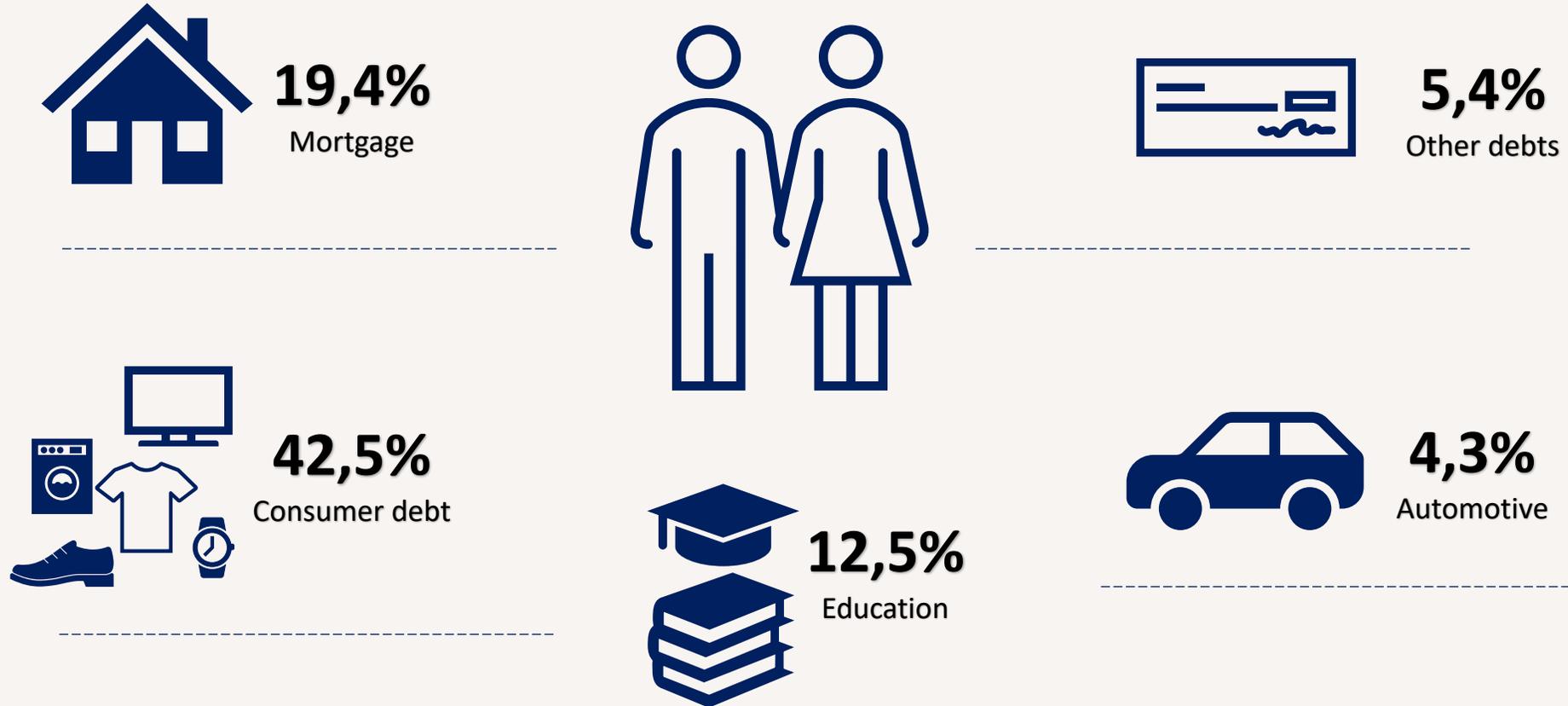
7,9%
Voluntary
savings for old
age



III. Household debts

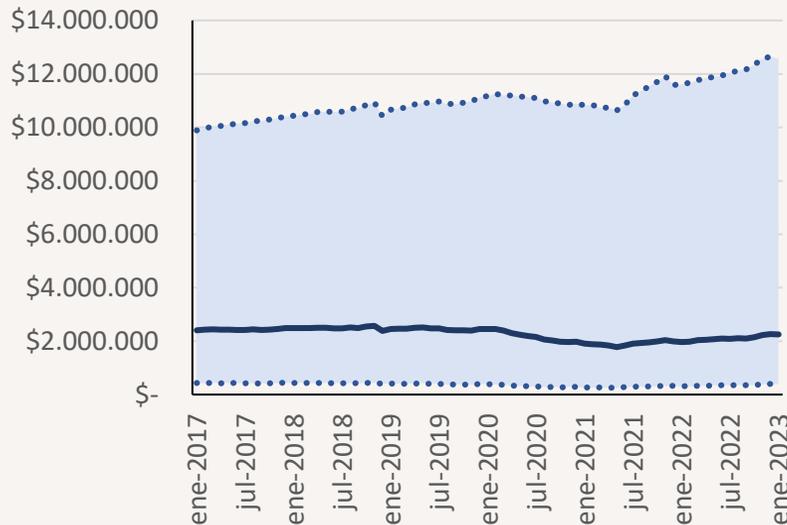
Financial decisions: importance of financial literacy

- 57% of households have debts

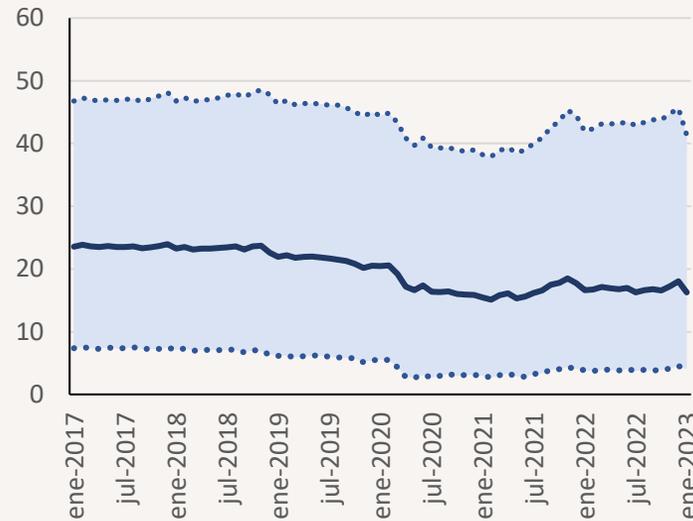


The median household has a debt equivalent to 2.84 times its monthly income and allocates 16% of its monthly income to pay financial debts

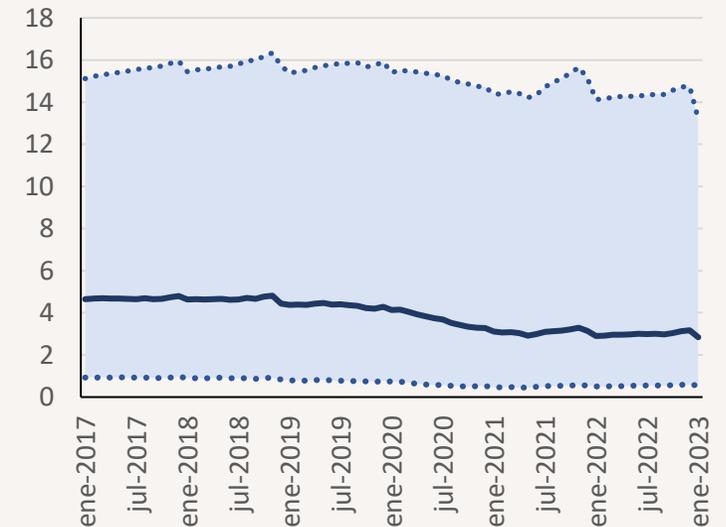
Debt (*)
(CLP)



Financial burden (*)
(monthly payment/monthly income)



Leverage (*)
(Debt/monthly income)



Explanatory factors of household over-indebtedness (800,000 people allocate more than 50% of their income to pay off debts)

- ✓ Low levels of financial education
- ✓ There is fragmentation and asymmetry of credit information
- ✓ Marketing strategies of financial institutions
- ✓ Revolving credit with a very low minimum monthly payment
- ✓ Room to improve the regulation and supervision of financial institutions

Policies and measures to reduce over-indebtedness

- ✓ Update of the National Financial Education Strategy
- ✓ Consolidated Debt Registration Bill
- ✓ Development of a platform with the information that the CMF currently has on personal debts, understandable and attractive, providing tools for financial education
- ✓ Anti-abuse agenda: (i) Regulate the sending of pre-approved credit offers; (ii) Prohibit incentives for tied sales in the case of financial products; (iii) Eliminate the possibility of transferring to the consumer the costs of extrajudicial collection in case of breach of contract; and (iv) Regulate the amounts collected for “judicial fees”
- ✓ Review of the minimum monthly payment regulations for revolving credits
- ✓ Increase CMF powers for the protection of the financial client. Among other measures, the following are being studied: (i) Specify powers of the CMF to regulate advertising; (ii) Obligation to publish a report with statistics of complaints with individualization of inspected; and (iii) Authorize CMF officials to act as undercover client.



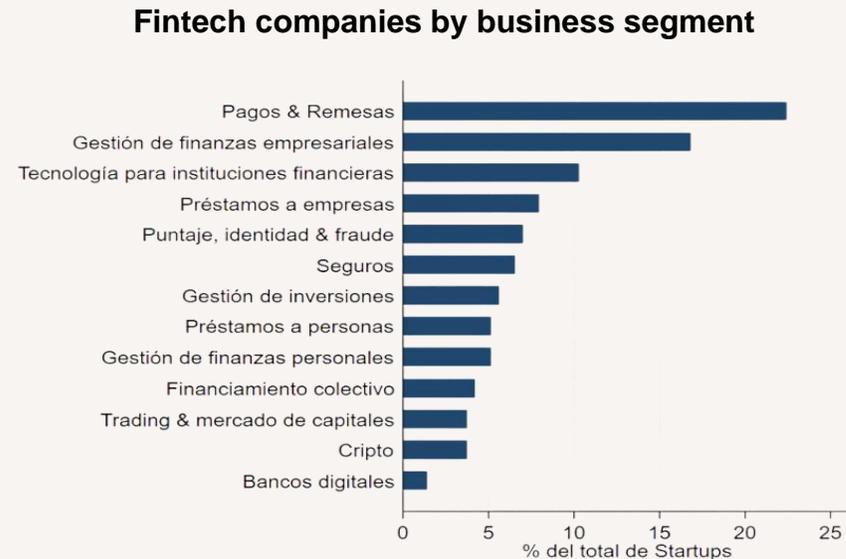
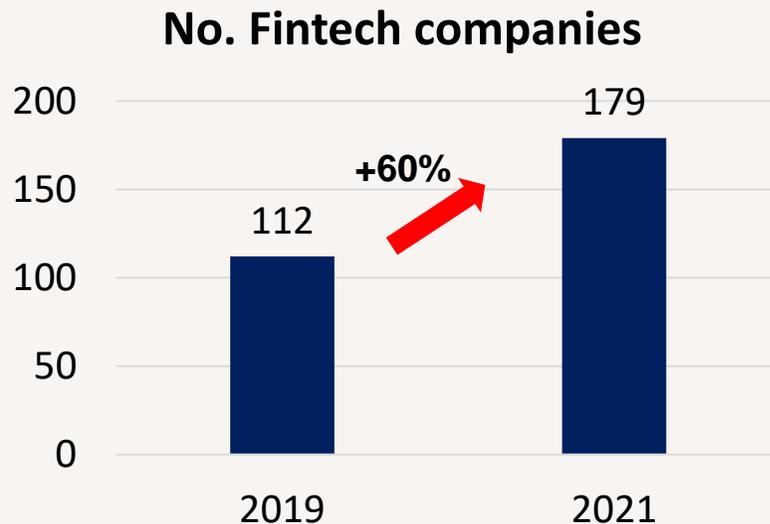
IV. Initiatives for financial inclusion

Several initiatives have driven further progress for financial inclusion in recent years

- ✓ Authorization for the issuance and operation of prepaid cards by non-bank entities (2017)
- ✓ Incorporation of financial education content in high school (2018)
- ✓ Financial Portability Law (2020)
- ✓ Market Agents Law (2021)
- ✓ 4-part model for retail payments and setting limits on interchange fees (2021-2022)
- ✓ Low-value payment clearinghouse administrators (2022)

And... several ongoing initiatives will promote further progress for financial inclusion

Financial Innovation Law (Fintech): the recently approved Fintech Law will bring certain groups of fintech services to the regulatory perimeter of the Financial Market Commission. Also includes open finance provisions that would allow further competition in the financial services industry.



And... several ongoing initiatives will promote further progress for financial inclusion

National Strategy for Financial Inclusion (NSFI): Within the framework of an ad-hoc commission (Advisory Commission for Financial Inclusion), we are developing the NSFI that includes an update of the National Financial Education Strategy published in 2018.



Financial Education Month (October 2022), at which time the beginning of the preparation of an NSFI was announced.

From left to right: Rosanna Costa, President of the Central Bank of Chile; Mario Marcel, Minister of Finance; Solange Berstein; President of the Commission for the Financial Market; Jean Pierre Couchot, Deputy Director of the National Consumer Service

Electronic Family Pocket: Allows the delivery of a targeted benefit, with amounts and objectives that can be modified over time

1. At the beginning of each month, the beneficiary will receive \$13,500 for each household member in her Electronic Family Pocket, receiving a notification from the State Bank.



4. The beneficiary may exercise any of these three options throughout the month, without limits, activating or deactivating the use of the Pocket.

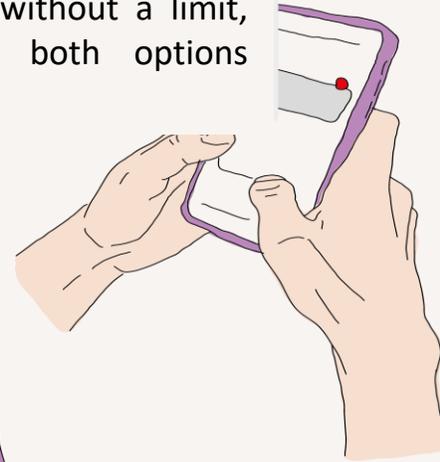


2. The pocket will be activated to be used in all shops in the food business that use electronic means of payment, to cover 20% of each purchase, with a maximum of their available balance.



5. When using their CuentaRUT, the pocket will immediately contribute the resources of a part of the purchase, returning them to the account. The person will receive a notification that the amount charged to the Pocket and returned to the account.

3. In the event that the person doesn't want to use the Pocket (for example, they want to save it for their main purchase of the month), or wants to use it without a limit, they can exercise both options through the App.



6. It will be possible to permanently check the available amount through the App, or change the usage preferences. If there is a surplus, it will accumulate to the following month.

In today's world, where we are exposed to more and more information and constantly have to make financial decisions, financial education is becoming more increasingly essential. For this reason, among other initiatives we highlight:

- ✓ **Incorporation of financial education content in high school:** Know and apply basic financial concepts, as well as develop attitudes, behaviors and practices that facilitate decision-making and allow effective actions to improve their economic, personal and family well-being.
- ✓ **Financial education month:** In October of each year, our country commemorates the financial education month, a period in which different institutions promote financial education activities for citizens.
- ✓ **National Financial Education Strategy (NFES):** Update the NFES, and through this public-private collaboration, promote a better understanding of the concepts, financial products and financial rights that citizens have and encourage the development of skills and attitudes to improve their well-being.



Ministerio de
Hacienda

Gobierno de Chile