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**MICROFINANCE INSTITUTIONS:
Peruvian Model of Financial
Inclusion
for Latin America**

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Introduction

- The experience with microfinance in the Peruvian institutions is of great international success by development market and internal performance, as well as its regulatory framework in the last ten years.
- All institutions operating together in the market constitute a national institutional movement that may be treated as a model of microfinance operations. This model has as one of its purposes the financial inclusion of those segments of the population in low income that are distributed in the different towns of the country.
- The microfinance institutions represent a Peruvian model of financial inclusion worthy of replication in other Latin American Nations.

Framework organizational and market (1)

- The supply of finance for microcredit is effected by regulated and non-regulated entities. The regulated are 10 EDPYMES, 10 Cajas Rurales de Ahorro y crédito, 13 Cajas Municipales de Ahorro y Credito, 8 finance institutions, MIBANCO – Micro finance bank, and some commercial banks. The unregulated include twenty NGOs and 15 cooperatives of savings and credit.
- All these institutions have a reach of 4.1 million customers, and also comparing the results of 1997 which reached US \$100 million with the results of the time 2014; i.e., over a period of 17 years, loans of microfinance in the Peru grew slightly more than \$9,900 million. Impressive growth to finance micro and small business activities.

Framework organizational and market (2)

- The sector of microfinance with these results increased financial deepening in Peru at about 32% of GDP.
- The growth of market of the microfinance operations took place in a context in which joined the initial difficulties of access to credit, especially for the poorest, 12.7% of the population lives on less than two dollars per day.
- However, there is a great entrepreneurial spirit of a large part of the population that contributes to a high demand for microfinance services, and which has been of great benefit for the potential development of microfinance in Peru.

Framework organizational and market (3)

- This growth of market of microfinance operations has also been brought to the influence of the regulatory framework that enabling the growth of the operations of financial inclusion.
- Actually the panorama of financial inclusion in Peru has been characterized in recent years by its growth in access to financial services, which has been possible thanks to advances in the regulatory framework and financial institutions that have adopted alternative low-cost distribution channels.
- Financial inclusion is an important tool for poverty reduction, however to increase financial access requires an appropriate offer to guarantee its use and effectiveness

Background of the institutions of microfinance (1)

- Which factors led to this strong growth in microfinance, without a doubt, institutions not only were those of the market, but also others that helped and pushed these institutions to increase their loans to micro and small enterprises. Together they launched the framework of the development of microfinance in Peru.
- According to the Global microscope, four important factors contribute to make Peru the best framework of business for microfinance development: 1) very suitable regulatory environment, 2) a competitive and innovative market, 3) progress in protection of the customers, and 4) the economic stability of the country

Background of the institutions of microfinance (2)

- Within this framework of microfinance development, all these institutions have led to effect growth strategies dedicated to expand the catchments and placements aimed at micro and small enterprises, real estate loans and personal loans to lower income people.
- The operations of financial inclusion also grew strongly especially in the adult population of the vulnerable sectors of society
- The framework of microfinance development enabling a dynamism of market that well knew how to take advantage of each of the entities that make up the sector.

Perspectives for the Sector of microfinance (1)

- As for trends in microfinance in the Peruvian market, these are positive for the next few years. Participation, increasingly important in the informal sector of the economy, in the generation of: gross domestic product, investment and employment, has led to a boost in the trend of growth in the microfinance industry.
- The Peruvian microfinance sector now faces a series of challenges, including pressures on profitability, since the strong competition for the microfinance market has pushed down interest rates
- The increase in clients with multiple credits is also a challenge. It is usual for good borrowers, to receive various offers of credit institutions that compete with each other. In this context, the delinquency rate of the microfinance sector is growing. Levels of nonperforming portfolio and portfolio at risk (which incorporates BlackBerry and refinanced loans) have continued to increase

Perspectives for the Sector of microfinance (2)

- To tackle these obstacles, the sector will be challenges better monitoring to their existing customers, find new borrowers and expand into new markets.
- The development and use of new technologies: e-money, correspondents, mobile phone via wap and the internet, will enable greater efficiencies and increased coverage.
- The human talent from the organs of management, middle managers and operating staff, becomes transcendent, seeking to generate a new layer of professionals at all levels, to collect good practices but which in turn provide to management concepts and modern and innovative elements.