

Financial inclusion and regulation: successes and failures in Colombia

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Financial inclusion is an essential ingredient for economic development and is thus becoming increasingly prominent within the agendas of governments, regulators and international institutions. In this context, there is one question that must inevitably arise in the minds of regulators: what aspects need to be considered in the design of a regulatory framework that favours financial inclusion?

BBVA Research and the Centre for Global Development have developed an Index to assess and compare the regulatory practices for financial inclusion used in eight Latin American countries. This paper identifies three types of relevant policies: firstly, regulations that determine the quality of the environment in which financial service providers (facilitators) operate; secondly, proactive efforts to promote financial inclusion by regulating the provision of products and services tailored to the needs of the lower income population (promoters); and thirdly, regulations that, often unintentionally, create barriers or distortions to financial inclusion (obstacles).

Colombia ranks fourth among the countries selected according to the aforementioned Regulatory Practices Index. However, the country is notable for the strength of its “promoter” policies, in which it ranks second. Specifically, it highlights the quality of regulatory frameworks for electronic money, simplified accounts and credit information systems. On the other hand, the existence of policies such as 4x1000 and exorbitant interest rates are a great hindrance and contribute to explaining why, despite proactive government efforts in the design of inclusive financial products and services, Colombia is not at the top of the ranking.

As in the rest of the countries of the region, much remains to be done in Colombia in the field of regulation. The challenge is to design a framework that takes advantage of the opportunities of the digital age to promote the access to and use of formal financial services, while eliminating the distortions inherited from the past.

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