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# Mexico

## Country-Level Savings Assessment


**Janette Klaehn, independent consultant**
**Brigit Helms, lead microfinance specialist, CGAP**
**Rani Deshpande, microfinance analyst, CGAP**

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## List of Abbreviations

| | |
|---|---|
| AFORES | Administradores de Fondos para el Retiro |
| ATM | automatic teller machine |
| BANSEFI | Banco del Ahorro Nacional y Servicios Financieros |
| BOM | Banco de México |
| CNBV | Comisión Nacional Bancaria y de Valores |
| COFIREM | Confederación de Cooperativas Financieras de la Republica Mexicana |
| COMACREP | Consejo Mexicano del Ahorro y Crédito Popular |
| CONDUSEF | Comisión Nacional para la Protección y la Defensa de los Usuarios de Servicios Financieros |
| CONSAR | Comisión Nacional del Sistema de Ahorro para el Retiro |
| DAI | Development Alternatives, Inc. |
| DGRV | German Confederation of Raiffeisen Cooperatives |
| FONAES | Fondo Nacional de Apoyo para las Empresas de Solidaridad |
| GDP | gross domestic product |
| GNI | gross nacional income |
| IMSS | Instituto Mexicano del Seguro Social |
| IPAB | Instituto para la Proteccion al Ahorro Bancario |
| LACP | Ley de Ahorro y Crédito Popular |
| MFI | microfinance institution |
| PATMIR | Proyecto Regional de Asistencia Técnica al Microfinanciamiento Rural |
| POS | point of service |
| PRONAFIM | Programa Nacional de Financiamiento de Micro Empresarios |
| SAGARPA | Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación |
| SEDESOL | Secretaría de Desarrollo Social |
| SHCP | Secretaría de Hacienda y Crédito Público |
| SOFOL | Sociedad Financiera de Objeto Limitado |
| USAID | United States Agency for International Development |
| WOCCU | World Council of Credit Unions |

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## Executive Summary

This report summarizes the results of the first test of the country savings assessment toolkit under development as part of CGAP's savings initiative. The purpose of the toolkit is to help government agencies, donors, and others to identify the opportunities in and constraints to increasing poor people's access to high-quality deposit services in various countries. The methodology examines client demand for small-balance deposit services, and the ability of the financial system to satisfy this demand at three levels: financial institutions (micro), supporting infrastructure (meso), and policy (macro). It concludes with suggestions for possible strategies to improve the quality and quantity of deposit services available to poor and low-income households.

The financial system in Mexico is surprisingly shallow. Savings held in banks account for just 9.7 percent of the gross domestic product. Between 15 and 25 percent of the urban population, and as low as 6 percent of the rural population, has access to accounts in financial institutions. The assessment identified strong latent demand for small deposit services in Mexico, and a high level of consensus about the need for a more inclusive financial system. It also encountered an unprecedented level of interest in savings mobilization, although much remains to be done to get quality savings services out to the masses. Obstacles at all levels inhibit formal financial sector institutions from meeting the strong demand.

Mexicans of all socioeconomic levels save, although many use informal instruments due to the lack of accessible formal financial savings products on the market. Recent innovations demonstrate that when offered an appropriate formal deposit service, poor clients respond on a large scale. However, low-income customers tend to lack confidence in the financial sector and the lack of financial literacy thwart savings in formal financial institutions.

At the micro-level, despite a range of products and financial service providers, there are major constraints to small-deposit mobilization: no physical proximity; inappropriate, high-cost products; and ineffective marketing and product delivery. On the meso-level, the lack of competitive second-tier services for the popular finance sector and distortion of the market by heavy government intervention with subsidized credit hamper the provision of savings services to low-income clients. The assessment found that the future role of BANSEFI (Banco del Ahorro Nacional y Servicios Financieros) in delivering financial infrastructure services is of particular concern for the popular finance sector. On the macro level, although current technical assistance programs support greater savings mobilization, fragmented public policy has inhibited the government's ability to create an enabling environment for small-deposit mobilization. The recent positive strides in public policy on the savings front tend to get overshadowed by the array of often poorly executed subsidized credit programs.

Eight strategies to improve small deposit mobilization in Mexico emerged from the assessment and warrant further research and reflection:

1. **Bring reliable information to the table** by generating and disseminating accurate and up-to-date data on access to financial services to promote a dialogue based on facts rather than politics.
2. **Shore up existing consumer education efforts to improve financial literacy** and enable poor people to understand the benefits of formal financial products and find out about the options available to them.
3. **Build institutional and human capacity** among different types of financial institutions so they can operate in challenging environments.
4. **Enhance innovation in product design, marketing, and service delivery** so that institutions can break out of their traditional supply-led models and decrease the costs of reaching marginalized areas.
5. **Support viable financial infrastructure services for the popular finance sector**, such as access to the payments system, either through BANSEFI or other (private sector) second-tier institutions.
6. **Encourage consolidation of the popular finance sector** at both the micro- and meso-levels to gain greater efficiencies of scale and scope.
7. **Explore innovative incentives** for encouraging formal financial institutions to expand branch and point-of-sale penetration in rural and low-income communities.
8. **Take advantage of the political juncture to press for policy coherence** by starting now to debate public policy related to financial inclusion with the goal of clearly defining the appropriate roles and comparative advantages of government and private actors.

## Introduction

This report summarizes the results of the first test of the country savings assessment toolkit under development as part of CGAP's savings initiative.[1] It is designed to help government agencies, donors, international networks, and technical service providers define potential strategies for increasing poor people's access to high-quality deposit services.

The toolkit gauges the level and characteristics of client demand for financial savings among poor populations, and identifies opportunities and constraints to meeting that demand. It examines three levels of the financial system: 1) the capacity for small-deposit mobilization among financial service providers—"micro-level"; 2) financial infrastructure and second-tier support for the micro-level institutions to reach scale—"meso-level"; and 3) public policies and government entities that offer an enabling environment (or not) for savings mobilization—"macro-level." It concludes with concrete suggestions for possible strategies to improve the quality and quantity of deposit services available to poor and low-income households.

The assessment draws on analysis of existing studies and information on demand levels, institutional capacity, and the macro-environment in Mexico (see annex 2 for sources compiled on savings in Mexico); interviews with more than 60 informants knowledgeable about small-deposit mobilization in Mexico during the in-country assessment carried out March 7–18, 2005 (see annex 3 for the list of informants); and visits to financial institution branches in Irapuato, Guanajuato, in April 2005.[2]

**Defining Savings**

Poor people save in various forms–financial and non-financial, formal and informal. The focus of the assessment is on formal financial savings, defined as non-compulsory liabilities that come from clients.

## The Mexican Financial System[3]

Mexico has rebounded to achieve relative macroeconomic stability in the decade since the financial crisis that crippled the economy in the mid-1990s. (See box 1 for an overview of Mexico's macroeconomic situation.) Nevertheless, the legacy of the financial system crash is palpable in the restrictive regulatory regimes for the two types of private sector financial service providers that can offer deposit services to poor clients: commercial banks and popular finance institutions (non-bank financial institutions that serve low-income clients).

The financial system in Mexico is surprisingly shallow. Savings held in banks account for just 9.7 percent of the gross domestic product (GDP) and bank loans to the private sector account for 11.8 percent of GDP.[4] The conservative banking sector is highly concentrated and the popular finance sector is still small relative to the size of the population. Recent studies estimate that between 15 and 25 percent of the urban population, and as little as 6 percent of the rural population, has access to accounts in financial institutions.[5] It is not clear exactly how many people or households have bank accounts in Mexico, as many have multiple accounts, and some accounts may be dormant or used for limited purposes (e.g., receiving salaries). Approximately 20 million people hold accounts in banks, 2.9 million in popular finance institutions, 2.65 million in BANSEFI (Banco del Ahorro Nacional y Servicios Financieros, the government savings bank), for a total of roughly 25 million people with accounts in formal financial institutions.[6] High-quality active accounts that meet the needs of poor and low-income savers are likely to be a small fraction of this total.

The restrictive regulatory environment is perceived by financial institution representatives to

[1] For further information on CGAP's savings initiative and information on savings mobilization, visit the CGAP Savings Information Resource Center (SIRC) at www.microfinancegateway.org/savings.

[2] The assessment team was comprised of Janette Klaehn, independent consultant; Brigit Helms, lead microfinance specialist, CGAP; and Rani Deshpande, microfinance analyst, CGAP.

[3] This section on macroeconomic information is compiled from data of the *Banco de México*, available at www.banxico.org.mx/eInfoFinanciera/FSinfoFinanciera.html and Mary Stanier and Ondine Smulder, eds., "Mexico Country Profile 2004," Economist Intelligence Unit (London: The Economist, 2004).

[4] Total savings in banks was US $71,239,354,683 and GDP was $733,889,384,478 as of December 2004. Bank loans to the private sector totaled US $86,357,078,449 as of February 2005. *Banco de México*, www.bancodemexico.gob.mx/ eInfoFinanciera/ FSinfoFinanciera.html.

[5] World Bank, confidential draft of "Broadening Access to Financial Services among the Urban Population: Mexico City's Unbanked," Vol. I, Finance, Private Sector, and Infrastructure Management Unit, Latin America and the Caribbean Region, World Bank, October 2003; and World Bank, "Mexico Rural Finance: Savings Mobilization Potential and Deposit Instruments in Marginal Areas," Report No. 21286-ME (Washington, DC: World Bank, June 4, 2001).

[6] Estimates are based on best information available. Commercial banks publish information on number of accounts only. Popular finance sector and BANSEFI estimates are based on information received on the number of persons served from COMACREP, ProDesarrollo, some micro institutions and BANSEFI. In a recent article on microfinance in Mexico, the author cited that 20 percent of the population had access to bank accounts. See John Authers. "Major Victories for Microfinance," *Financial Times*, May 18, 2005, www.ft.com.

**Box 1 Mexico's Macroeconomic Situation**

The Banco de México (Banxico) and the government adhere for the most part to sound monetary and relatively stable fiscal policies. Inflation has been on a slow but steady rise, closing 2004 at 5.2 percent. Interest rates have risen, the interbank balance rate at 28 days* closed 2004 at 8.95 percent, partly due to an active Banxico policy to increase the *corto* over the past year.** The peso, free-floating since 2001, has also remained relatively steady at 11.21 pesos per US dollar at the end of 2004.[7] The fiscal deficit hovers around 1% of GDP (US$ 638.4 billion as of September 2004). Economic growth has been sluggish; real GDP growth is projected at 3.2 percent for 2005.

* Tasa de interés interbancaria de equilibrio (TIIE) at 28 days.

** The *corto* is the amount by which Banxico leaves the banking system short of its daily demand for money. A rise in the *corto* drains liquidity from the money market, applying upward pressure on interest rates.

inhibit the extension of financial services to low-income clients, particularly those living in rural areas. For example, representatives from both commercial banks and popular finance institutions noted that inflexible regulations governing credit approval and loan-loss provisioning render the relative costs of servicing small loans much higher than for larger loans.

The assessment team encountered consensus on the need for a professionalized, regulated, and inclusive financial system capable of serving the millions of poor and low-income savers that remain unbanked. Strong differences in opinion abound about how to achieve this goal, which institutions have the greatest potential to scale up and provide services to the poor, and what is the appropriate role of the state. In gauging actions, although there exists an unprecedented interest in promoting savings, there seemed to exist a general lack of political will or grand strategy for promoting massive small-scale savings mobilization at any of the three levels analyzed in the assessment.

## Clients: Demand for Small-Deposit Services

**Main Finding** A strong pent-up demand for small-balance deposit services far exceeds the supply of accessible products in both urban and rural areas.

### A Large Market of Low-Income Clients

Mexico has 106 million people, 43.4 million of whom are considered economically active.[8] A large part of the economically active population is employed in the informal sector. The gross national income (GNI) per capita is US $6,230, yet half of Mexico's population is estimated to live in poverty and one-fifth in extreme poverty.[9] As in other countries, Mexico is likely to have many more net savers than net borrowers. This section of the assessment focuses on client demands for savings instruments.

An analysis of income levels in Mexico demonstrates that the vast majority of savings demand is for small-scale services. Income levels are often calculated as a multiple of the minimum wage in Mexico. As table 1 illustrates, most (62 percent) of the economically active population earns between one and five times the minimum wage, with 70 percent earning between one and ten times the minimum wage. The minimum wage was 35.12 pesos (US $3.65) per day, and the basic consumption basket was 1,083 pesos (US $113) per year in 2000.[10] Assuming a year has 260 workdays, then most workers earned between US $949 and $9,490 to purchase a basic basket of $113. Small savings capacity does exist in Mexico.

Remittances are a major source of income with significant impact on savings capacity in Mexico. Mexicans received US $16.6 billion in international remittances in 2004 and estimates for 2005 are as high as $20 billion[11] It is unclear the extent to which remittances are deposited into savings accounts on a mass scale. One popular finance institution estimates that around 2.1 percent of total remittances its customers receive are deposited into savings accounts. This low level of remittance pass-through to deposit accounts indicates that financial institutions could do more to cross sell savings services to remittance recipients.

[7] All figures are presented in US dollars, using the exchange rate of 11.21 pesos unless otherwise noted.

[8] Consejo Nacional de Poblacion (CONAPO), www.conapo.org.mx; and Instituto Nacional de Estadística y Geografía e Informátcia (INEGI), STPS, Encuesta Nacional de Empleo, 2004, www.inegi.gob.mx.

[9] World Bank, "World Development Indicators Database," September 2004, www.worldbank.org/data/countrydata/countrydata.html

[10] The minimum wage increased to 45.24 pesos (US $4.04) per day by 2005. The basic consumption basket was 1,340 pesos ($120) in 2004.

[11] 2004 amount from the Multilateral Investment Fund of the Inter-American Development Bank, www.iadb.org/mif/v2/files/map2004eng.pdf; and 2005 estimate from "Payments to Mexico Skyrocket, " *Dallas Morning Post*, April 15, 2005, www.dallasnews.com.

**Table 1 Income Distribution of Economically Active (EA) Population in 2000 Measured by Minimum Wage (MW)**

Minimum wage in 2000 = 35.12 pesos (US $3.65) per day

| | Total EA population* | Salaried employees and workers | Day laborers and farm workers | Managers/ Employers | Self-employed | Unpaid family workers | Unspecified |
|---|---|---|---|---|---|---|---|
| **% of Total EA population** | **100.00%** | **60.55%** | **7.87%** | **2.53%** | **21.85%** | **4.06%** | **3.14%** |
| **RANGES** | | | | | | | |
| **1 MW or Less** | 20.67% | 9.25% | 34.42% | 7.19% | 34.38% | 100.00% | 19.69% |
| **Between 1 and 5 MW** | 62.03% | 73.45% | 60.37% | 33.98% | 49.36% | 0.00% | 36.82% |
| **Between 5 and 10 MW** | 8.01% | 9.74% | 0.64% | 18.16% | 6.75% | 0.00% | 3.99% |
| **More than 10 MW** | 3.85% | 3.79% | 0.39% | 24.04% | 3.90% | 0.00% | 1.98% |
| **Unspecified** | 5.44% | 3.78% | 4.17% | 16.62% | 5.61% | 0.00% | 37.52% |
| **TOTAL** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

* The total economically active population in Mexico was 33.7 million in 2000.
Source: INEGI, *XII Censo General de Poblacion y Vivienda 2000*.

### Client Preferences

Preliminary results of a national-level panel survey conducted in 2004 by BANSEFI highlight the two primary motivations for saving among various income groups—health/sickness and education of children. Other top motivations include covering expected and unexpected household expenses, building or adding on to the home, and retirement.[12] Analysis of another nationwide survey in 1997 finds that Mexicans save regardless of their socioeconomic status, using formal and informal mechanisms. The majority save small amounts for short-term needs, such as dealing with emergencies as they arise or for consumption. Only one-third of savers said that they saved for the future.[13]

The latter study explores the savings instruments used by Mexicans. Of the 11 types of savings cited, only two were formal and nine were informal. Many respondents used a mix of instruments, for example, saving in a bank for a future land purchase or other long-term goal, and in a *tanda* (rotating savings and credit associations) to pay off a short-term loan to purchase something for the home. Three categories of savings were analyzed in depth: formal financial savings, informal financial savings in tandas, and savings in physical assets.

As table 2 illustrates, usage of savings instruments varied according to demographic characteristics. The poorest respondents, those living in rural areas (including farmers), and residents of the south tended to save in physical assets. Tandas were preferred by the middle class, housewives, and salaried workers, as well as those living in mid-sized towns and in the Bajío region. Use of banks was concentrated among wealthy, professional people living in urban areas and in the north. Not surprisingly, patterns of bank usage follow those of bank branch density: in 1997, the bank branch density was per every 9,500 people in the north, 10,500 in Bajío, and 18,800 in the south.

There is reason to believe that the patterns found in 1997 are relevant to the current analysis of savings patterns in Mexico. Overall demographic and socioeconomic patterns have not varied much and financial institution penetration rates not have increased significantly since the survey was conducted.

### Savings Patterns in Rural Areas

In June 2001, a World Bank study of Oaxaca and Huasteca found that savings amounted to about 16 percent of average household incomes, comprised of 12.5 percent liquid physical assets (primarily livestock and inventories), 21 percent in formal financial assets, and 1.6 percent in formal deposits.[14] The ratio of informal non-financial to formal financial savings increased with the degree of marginality, reflecting both preferences for saving in physical assets and less access to reliable formal financial savings mechanisms.

[12] Pilar Campos Bolaño, *"Primeros resultados de la encuesta panel a hogares usuarios y testigos de las SACP*," presentation at ForoLAC in Oaxaca, Mexico, March 18, 2005. The survey included 5,767 households; 52 percent were users of a popular finance institution; the remaining households provide a control sample.

[13] Pilar Campos Bolaño, *El Ahorro Popular en México: Acumulando Activos para Superar la Pobreza* (Mexico: CIDAC and Miguel Angel Porrúa, January 2005.). The analysis is based on data collected in a nationwide survey carried out in 1997. The survey represented 1,200 individuals with homes in 68 municipalities throughout the 32 Mexican states. Twenty-four percent of those interviewed lived in rural communities of less than 2,500 inhabitants; 51 percent were women; and all were above age 18. The country was split into three regions: north (most developed), Bajío (mid-level), and south (least developed).

[14] World Bank, "Mexico Rural Finance: Savings Mobilization Potential and Deposit Instruments in Marginal Areas." The study was carried out through a household survey of 2,499 heads of household plus 1,629 separate interviews with spouses, and interviews with formal and informal providers of financial services in the designated areas. In addition, a separate review of savings mobilization by non-bank financial intermediaries was conducted.

**Table 2 Usage of Savings Instruments According to Demographic Characteristics***

| | Formal financial (Represented by banks) | Informal financial (Represented by *tandas)* | Physical assets (Grains, animals, construction materials) |
|---|---|---|---|
| **TOTAL** | 27 | 20 | 29 |
| **Income level** | | | |
| Very Low | 10 | 11 | 42 |
| Low | 22 | 19 | 32 |
| Medium | 29 | 30 | 23 |
| Medium-high | 53 | 23 | 24 |
| High | 67 | 22 | 17 |
| **Occupation** | | | |
| Private sector | 37 | 23 | 26 |
| Public sector | 44 | 33 | 15 |
| Day laborer | 29 | 25 | 27 |
| Farmer | 12 | 5 | 65 |
| Ind. professional | 60 | 11 | 22 |
| Self-employed | 32 | 20 | 26 |
| Housewife | 19 | 21 | 30 |
| **Community size (# of inhabitants)** | | | |
| Less than 2,500 | 12 | 7 | 48 |
| 2,500 to 100,000 | 25 | 19 | 31 |
| 100,000 to 500,000 | 27 | 31 | 23 |
| More than 500,000 | 41 | 24 | 16 |
| **Region of the Country** | | | |
| North | 36 | 14 | 13 |
| Bajío | 22 | 33 | 18 |
| South | 14 | 12 | 39 |

Percentages of respondents who use each type of savings instrument

* Excerpted from the more detailed analysis of savings patterns in Pilar Campos Bolaño, *El Ahorro Popular en México: Acumulando Activos para Superar la Pobreza.*

Almost 50 percent of the households surveyed kept money at home, and 14 percent of respondents reported using at least one other type of informal financial instrument. Less than 6 percent of households used formal savings instruments. Within this 6 percent, banks attracted more depositors than popular finance institutions, despite the relative proximity of the latter to rural clients. This may reveal a lack of confidence in popular finance institutions, inappropriate products, or unsustainable mechanisms for reaching remote communities. The study suggests that the three main product characteristics sought in rural areas are: security, a wide array of maturities, and simple low-cost procedures.

### Savings Patterns in Mexico City

A recent World Bank study found that three-quarters of Mexico City's adult population has no bank account or any dealings with a financial institution (referred to as the "unbanked).[15] The unbanked tend to be less educated and less economically secure, although they also include a large portion of the middle class. The study found that 72 percent of the unbanked had never attempted to open a bank account, largely because they felt they did not have enough money or they objected to high minimum balance requirements. But unbanked respondents in the study almost unanimously affirmed that they wanted interest-bearing savings accounts.

Twenty-eight percent of the unbanked in the study held some form of financial savings outside of financial institutions, as did 40 percent of the banked. Tandas (more than 20 percent), *clubes,* and *cajas de ahorro* were the most prevalent informal financial savings mechanisms in Mexico City. A significant number of respondents (about 16 percent) had savings at home.

In the use of formal financial products, the study found that the level of access decreased as products became more sophisticated: savings and debit card accounts had the highest usage, then checking accounts, with time deposits in last place. The study also found that use of formal financial instruments increased with both income and education levels. Debit cards (due largely to the growing use of *cuentas nóminas* or payroll accounts—see box 4 on page 10) and *administradores de fondos para el retiro* (AFORE pension accounts—see box 2) were among the most widespread of the formal instruments used. Numerous informants noted that debit card and AFORE accounts are growing rapidly.

[15] World Bank, "Broadening Access to Financial Services Among the Urban Population: Mexico City's Unbanked." The report draws largely from data collected by INEGI from 1,500 households as part of a labor and employment survey. The analysis was conducted jointly with a team from the Universidad Autónoma de Mexico (UNAM) in 2002. The same study cites a survey carried out by BIMSA among 45,000 households in Mexico City, Guadalajara, and Monterrey which found that less than 15 percent of the adult population in Mexico's largest cities have accounts.

**Box 2 Overhauling the Pensions System to Boost Domestic Savings**

In 1997, the Mexican government undertook a radical transformation of the pensions system, moving from a pay-as-you-go system—with all funds managed collectively by the Instituto Mexicano de Seguridad Social (IMSS, the social security institute)—to one where workers make individual pension contributions handled by private pension managers. The transformation has had a positive impact on domestic savings. The AFORES (private administrators of individual pension accounts) manage pensions worth US $41.7 billion for 33.3 million people, as of December 2004. Account holders can access the funds upon reaching 65 years of age or if they are laid off or become incapacitated and are unable to work.*

* CONSAR, *Estadísticas Historicas y Preguntas Frecuentes,* www.consar.gob.mx

### Demonstration of Pent-Up Demand

When given the opportunity to save in financial institutions, Mexicans have voted with their feet, demonstrating the high level of demand for deposit services. The three institutions in table 3 represent dramatically different approaches to serving the low-income market:

1. ***Banco Azteca*** is a new commercial "niche" bank that has piggybacked on the existing infrastructure and client base of the Elektra department stores.
2. ***FinComún*** is a *unión de crédito* that has until recently focused on credit, capturing savings largely through "inertia," but is now embarking on a savings mobilization program. (Voluntary saving there have grown by 70 percent over the last year.)
3. ***SERFIR*** is a new cooperative financial institution that uses mobile branching to reach isolated markets. It was founded by Développement International Desjardins under the government's Proyecto Regional de Asistencia Técnica al Micro-financia-miento Rural in the Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación (PATMIR/ SAGARPA) program.

Despite their differences, all three of these institutions have proven that appropriately designed and delivered products can tap enormous demand for deposit services among low-income Mexicans. The experience of Banco Azteca has been particularly instructive: one government official noted that its success "opened his eyes" to the demand for deposit services among low-income people as well as to the feasibility of providing these services viably on a mass scale.

### Critical Obstacles on the Client Level

On the demand side, two main factors prevent clients from savings in financial institutions:

- Lack of consumer confidence in the financial sector as a whole. Specifically, poor clients mistrust traditional commercial banks because of the widespread perception that they will be treated poorly by them and popular finance institutions because of historical cases of financial mismanagement and fraud in which depositors lost their savings.
- Lack of financial literacy among clients and potential clients. While the Comisión Nacional para la Protección y la Defensa de los Usuarios de Servicios Financieros (CONDUSEF) and some of the *cajas populares* (financial cooperatives) provide financial education programs, there was a widespread recognition that low-income Mexicans do not know the benefits of using formal financial services or about the financial options available to them.

**Table 3. Small Deposit Services in Three Promising Institutions**

| Institution | Operating environment | Founding of institution | Current volume of deposits | Number of accounts | Average deposit size |
|---|---|---|---|---|---|
| Banco Azteca | Nationwide | Jan-2003 | $1,692,864,865 | 4,699,255* | $360 |
| FinComún | Urban | Sept-1994 | $14,253,514 | 44,543 | $320 |
| SERFIR Chiapas | Rural | Apr-2003 | $3,605,773 | 14,170 | $254 |

Data as of December 2004 and January 2005, figures in USD.

* The exact number of new voluntary savings accounts that Banco Azteca has attracted since its launch in January 2003 is unclear, since it purchased approximately 400,000 active savings accounts from Banco Serfin (which previously had branches in some Elektra stores) and automatically opened savings accounts for all of Elektra's existing credit clients when the bank operations were launched.

## Micro-level: Retail Financial Service Providers

**Main Finding** Despite a range of products and financial service providers in the market, lack of physical proximity, inappropriate, high-cost products, and lack of product and service delivery innovation are major constraints to small deposit mobilization.

The strong pent-up demand identified in the client analysis is largely the result of supply-side weaknesses within Mexican financial institutions. A range of financial institutions in Mexico could, in theory, offer small-scale deposit services, from large commercial banks to small rural credit and savings cooperatives and everything in between. However, currently, the limited geographic outreach of these institutions' outlets often precludes low-income people from gaining access. In addition, low-income people cannot afford or do not see the relevance of most savings products on offer. The low penetration levels and lack of innovation reflect the lack of priority placed on small-scale savings mobilization among retail institutions.

### Overview of Deposit-Taking Institutions in Mexico

The institutional landscape of the Mexican popular finance sector is currently in a state of flux. Upon implementation of the Ley de Ahorro y Crédito Popular (LACP), commercial and government development banks will be joined by financial cooperatives (largely the cajas populares, *cajas solidiarias,* and some *uniones de crédito)* and popular finance companies (also some uniones de crédito plus other non-cooperative popular finance institutions) to constitute the formal deposit-taking institutions with the potential to serve low-income clients.[16] The different types of institutions have distinctive characteristics; each presents unique opportunities and challenges for small deposit mobilization.

**Commercial banks.** Of the 32 commercial banks in Mexico, 29 provide some type of savings service. All together, banks hold over 36 million accounts, worth more than US $126.6 billion with an average size of $3,465, or 56 percent of GNI per capita.[17] Eight banks hold 98.6 percent of the savings accounts, which account for 91 percent of the volume captured by the sector.

Banks have more than three and a half times the number of service outlets of the entire popular finance sector and government development bank combined. The 7,793 bank branches are primarily located in urban areas. According to a recent CONDUSEF study, there are 129 bank branches, 173 ATMs, and 1,356 POS terminals per million inhabitants.[18] Approximately 34 million debit cards are in circulation, many issued for use with cuentas nóminas (see box 4 on page 10).

The prospect of traditional commercial banks reaching down on a large scale to serve low-income clients is not likely in the near future. There is simply too much market in between existing bank clients and low-income segments to expect traditional banks to invest in technologies for significant downreach. Nor are banks' cost structures and institutional cultures geared towards serving low-income, hard-to-reach clients. Instead, policy makers and sector representatives expect to see the emergence of more niche banks building on existing infrastructure (e.g., retail outlets) and using innovative operating models and appropriate products to meet low-income demand.

**Cajas populares and cajas solidarias.** The cajas (financial cooperatives) are the major players in the popular finance sector. They serve more than 2.5 million members (about 340,000 of them belonging to cajas solidarias and the rest to cajas populares) and have mobilized more than US $2 billion in savings, for an average savings of $782 per member.[19] The cajas have about 1,800 branches throughout the country. Their greatest challenges, particularly for the cajas solidaria*s,* are that they suffer from a lack of public confidence and are still largely dependent on traditional credit-focused operating models. Many cajas will need to confront persistent governance problems and management deficiencies to ensure solid foundations before attempting to increase their savings outreach. Although many cajas will be able to scale up efficiently, others are likely to be too small and/or weak to expand services to large numbers of low-income clients on an efficient basis.

[16] The two legal figures under the LACP are Sociedades de Cooperativas de Ahorro y Crédito Popular *(sociedad cooperativa)* and Sociedades Financieras Populares *(sociedad financiera).*

[17] Reliable information on the number of clients served by commercial banks was not available, but estimates range between 20 and 25 million people.

[18] CONDUSEF (data as of March and June 2004), presentation, "Comisiones Bancarias: Para hacer valer la fuerza de los usuarios," September 2004, www.condusef.gob.mx/comisiones/comisiones_bancarias.pdf

[19] The average deposit size is calculated per member for the cajas populares and cajas solidarias, since number of accounts was not available. Cajas populares and cajas solidarias are both financial cooperatives. The cajas populares function as credit unions as they are known in the rest of the world or *cooperativas de ahorro y crédito* in the Latin America region. The cajas solidarias are formed by the government to channel credit to rural areas; they then form their capital base through recovering the subsidized credits ('*crédito a la palabra'*).

**Box 3 Popular Finance Sector Institution Initiates Debit Card Services**

Banks were the only types of institutions to issue debit cards until October 2004, when Caja Libertad launched the first non-bank ATM network in Mexico. As of February 2005, Caja Libertad had issued 66,981 debit cards, with average withdrawal amounts of US $93. At the time of writing, Caja Libertad is negotiating with a national network to enable its debit cards to function in ATMs owned by other financial institutions.

The approximately 300 cajas populares range from small community institutions located in isolated rural areas to large sophisticated financial institutions with nationwide (or more commonly regional) coverage. They tend to be located in urban areas and rural population centers and have a solid presence among low and middle-income clients. Representatives of cajas populares interviewed were generally willing to open branches in communities with a minimum of 3,500 to 7,000 inhabitants. Estimates are that about 100 of the existing small cajas populares will remain outside the regulatory framework or will have to discontinue capturing savings. The bigger and more advanced cajas expect to become networked and offer more advanced transaction services in the next year (see box 3 for an example).

The more than 300 cajas solidarias have arguably the deepest outreach into rural, marginalized, and underserved areas and 217 of them mobilize savings. However, with notable exceptions, their origins as institutions created by the Secretaría de Desarrollo Social (SEDESOL—Ministry of Social Development) to channel subsidized credit to these areas carries a legacy of poor financial management. Over the past few years, the government has changed its approach to cajas solidarias, supporting them now through the Fondo Nacional de Apoyo para las Empresas de Solidaridad (FONAES) with a more sustainable financial model. FONAES estimates that approximately 170 cajas solidarias may be able to transform under the LACP; it is unclear what will happen to the rest. The cajas solidarias that do become regulated will be well positioned geographically to mobilize small deposits in rural areas, but many will need to improve their financial management and boost their public images in order to do so.

**Uniones de crédito.** The uniones de crédito are also a diverse group, with 137 institutions and more than US $1 billion in savings captured as of September 2004.[20] The uniones de crédito have a mixed geographical distribution, with some in Mexico City and others in remote towns. With notable exceptions, many uniones de crédito were founded to pass through subsidized government credit lines, which dampened incentives to mobilize savings and encouraged weak financial management. Uniones de crédito have experienced a steep decline, particularly since the financial crisis. Nevertheless, some of the stronger institutions do present interesting prospects for small deposit mobilization. Like the cajas, they will need to abandon traditional operating models and strengthen their financial management capacities to mobilize small deposits on a large scale.

**State development banks.** The LACP created BANSEFI out of the government-owned savings bank known as the *Patronato Nacional del Ahorro* (PAHNAL). BANSEFI is limited to capturing deposits from the public and investing them in government instruments.[21] It has increased outreach significantly since the transformation. BANSEFI serves 2.65 million clients through 560 branches with a total of US $330 million in savings, for an average account size of $111, or 1.8 percent of GNI per capita as of February 2005. The average account size is skewed downward because of BANSEFI's many Oportunidades (government welfare) accounts. BANSEFI is the primary payer of the government's Oportunidades transfer payment. About 2.2 million people receive this benefit, offering an excellent, opportunity for cross-selling savings services. BANSEFI's outreach is a combination of urban, semi-rural, and rural; approximately 70 branches are in Mexico City and 190 branches are considered rural. Although BANSEFI promotes an information technology (IT) platform in its meso-level role, its retail savings operations are not networked, meaning that savers have to deposit and withdraw in the same branch. BANSEFI expects to become networked and offer debit cards in the next year.

**Microfinance institutions (MFIs).** MFIs were not the focus of the assessment because they are not legally allowed to collect deposits from the public. Most of them are NGOs, and some are s*ociedades financieras de objeto limitado* (SOFOLES, private lending companies). A notable SOFOL in terms of scale is Compartamos, serving more than 300,000 clients. The MFIs all together provide financial services to more than 375,000 low-income and poor clients, and some capture significant volumes of

[20] Average savings account size was not available since consolidated member or account numbers are not reported by CNBV.

[21] *Banjército* is the other development bank that captures savings from the public, but the client base is limited to members and families of the armed forces.

**Box 4 Cuentas Nóminas: An Opportunity with Obstacles**

Electronic payroll accounts lower operating costs for both employers and banks. Much of the growth in both the number of bank accounts and debit card usage is attributed to these electronic payroll accounts, where employees receive their salaries through direct deposit and are allowed a specified number of free withdrawals. Depending on the bank and the terms negotiated by the employer, employees may be able to make deposits into this account. For low-income workers, cuenta nóminas can be challenging since 1) salaries are low and the 50-peso bill is the smallest distributed by bank ATMs; 2) many people with little or no financial literacy are not comfortable transacting through ATMs and POS devices; and 3) there are not many ATMs and POS devices, particularly in poor neighborhoods and towns, so people do not have many options for using their debit cards. The big questions are whether these accounts can be made more user friendly for low-income workers and whether institutions will eventually offer them in a package of formal financial services, including savings, for low-income workers.

small deposits via informal mechanisms, principally the internal accounts of village banks. A rough estimation is that about 70,000 clients have voluntary financial savings affiliated with an MFI. Some MFIs intend to come under formal regulation (either as a popular finance institution or bank). Others want to keep savings at the village level so that clients continue to have access to deposit services, and still others have decided to remain credit-only institutions for the time being. The first two groups present interesting opportunities for small-deposit mobilization from the poorest segments. They often operate in very poor communities, know the market, and have developed technologies for reaching down. But the first group faces significant challenges to becoming regulated as they now must focus on financial performance and sustainability.

**Looking to the future.** The sheer size of the market means there is and will continue to be room for an array of institutions to fulfill different market niches in small deposit mobilization. At the same time, the few large and financially sound institutions with the will to serve small savers seem to have the most potential for providing small deposit services on a massive scale due to the greater geographic outreach and economies of scale and scope that they can achieve. The new niche bank model that utilizes existing infrastructure to lower costs also represents a promising operating model. The question remains whether this latter model can really reach down and generate development impact over the long term.

Although they admittedly reach much less scale, some MFIs with alternative operating models demonstrate that it is possible to provide deposit services to people too poor or remote to be served by niche banks or cajas. In those cases, strategic alliances between MFIs and formal financial institutions (both banks and popular) could benefit both the institutions and their clients.

### Low Branch Penetration and Lack of Physical Proximity Inhibit Access

Financial institution branch penetration rates remain low and branches are not located in remote rural and poor urban areas. Table 4 shows the level of

**Table 4 Number of People per Financial Institution Branch** (by state)

| State | People per branch |
|---|---|
| Distrito Federal | 5,222 |
| Colima | 5,268 |
| Nuevo León | 6,086 |
| Jalisco | 6,697 |
| Yucatán | 6,824 |
| Querétaro | 7,430 |
| Baja California Sur | 7,572 |
| Quintana Roo | 8,102 |
| Guanajuato | 8,152 |
| Nayarit | 8,764 |
| Sonora | 8,868 |
| Coahuila | 8,873 |
| Campeche | 8,970 |
| Morelos | 9,369 |
| Tamaulipas | 9,461 |
| Michoacán | 9,745 |
| Chihuahua | 9,880 |
| Baja California Norte | 10,153 |
| Aguascalientes | 10,154 |
| Sinaloa | 10,614 |
| Oaxaca | 11,165 |
| Zacatecas | 11,771 |
| San Luis Potosí | 11,976 |
| Durango | 12,382 |
| Tabasco | 14,224 |
| Puebla | 14,301 |
| Veracruz | 14,954 |
| Guerrero | 15,171 |
| Tlaxcala | 15,781 |
| Hidalgo | 16,318 |
| Estado de México | 17,965 |
| Chiapas | 19,604 |

Source: Bansefi, CNBV, Caja Libertad, Caja Popular Mexicana, Compartamos and FinComun

penetration of formal financial sector institutions by state.[22] Branch penetration varies significantly: while the country average is 9,799 inhabitants per branch, the state penetration level ranges from 5,222 in Mexico City to 19,604 in Chiapas.

When the same calculation is made for commercial banks alone, however, the national penetration rate decreases to 12,509 inhabitants per branch. As figure 1 illustrates, the state level bank penetration is about the same for Mexico City with 5,595 inhabitants per branch (a difference of just 7 percent). But in Chiapas, the situation worsens by one-third to 26,315 inhabitants per branch.

**Figure 1 Inhabitants per Branch in the Federal District and Chiapas**

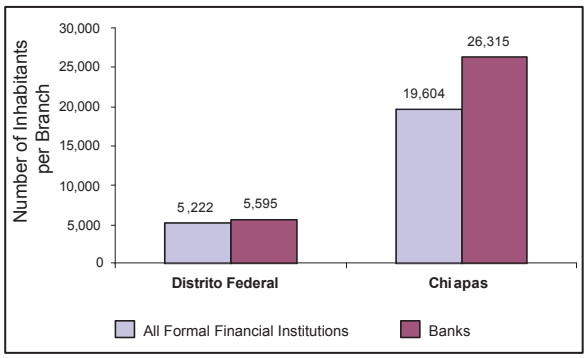
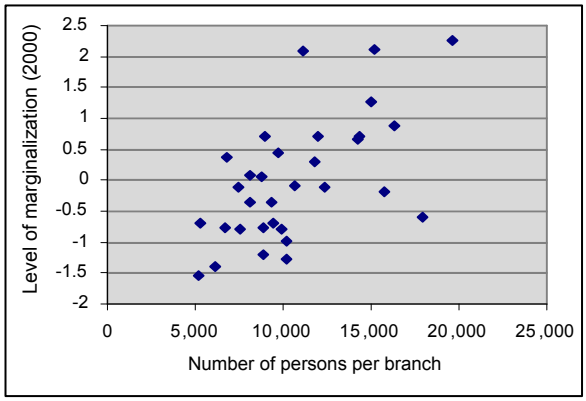



Figure 2 illustrates the strong positive correlation (0.62) between the level of marginalization (a composite indicator defined by the Mexican government) and number of inhabitants per financial institution branch, also by state. With some exceptions, the states with higher levels of marginalization tend to have lower financial institution branch penetration.

**Figure 2 Correlation between Level of Marginalization and Number of Persons per Financial Institution Branch** (by state)




[22] Institutions are included in this definition if they are presently regulated by the Comisión Nacional Bancaria y de Valores (CNBV) or taking the steps to come under the LACP or banking regulation. Best available information was compiled from CNBV, BANSEFI, Caja Popular Mexicana, Caja Libertad, Compartamos, and FinComún. Information was not available for many uniones de crédito.

Finally, the maps in annex 5 show formal financial institution branch penetration at the municipal level in the Mexico City area and Chiapas. The maps demonstrate that financial institution branches are concentrated in more urban areas. Even in Mexico City, branches are mostly found in zones with significant commercial activity or where inhabitants have higher income levels.

### The Benefits of Existing Products Are Not Clear for Clients

Mexican financial institutions offer a variety of savings products. Available formal financial savings instruments include: fully liquid demand accounts, current accounts, programmed savings, fixed-term deposits, electronic payroll accounts, investments offered by brokers, AFORE pension accounts, and government-sponsored savings accounts for gaining access to mortgages. Many of these products present problems of accessibility and affordability for low-income clients. Also, institutions do not package and market the existing products in ways that make the benefits of using them clear to potential clients.

Inappropriate products predominate in the traditional banks. As the product comparison in Table 5 demonstrates, traditional banks do not offer products for low-income savers. In fact, in the two traditional banks visited, savers would lose significant value on a deposit of 1,000 pesos left in for one year without any transactions. The niche bank offers significantly more accessible terms and deposits maintain their nominal value. Two of the three banks do not offer debit cards for a basic savings account with a 1,000 peso deposit, even though they are available for use with their higher end savings services.

Small savers fare better in the popular finance institutions and in the government development bank, where the more affordable products maintain their nominal value. Only in one case, FinComún, does the small saver maintain the real value of his or her 1,000 peso deposit over the year period (although the viability of this savings product in the long term should be examined). Requirements for opening an account are more flexible in the popular finance institutions and the government development bank, however, the share requirements in the cajas represent significant barriers to access for low-income savers.[23]

[23] Shares are completely illiquid while a person is a member of the *caja.* Shares do not earn interest in any of the *cajas* interviewed during the assessment.

**Table 5. Characteristics of Basic Savings Products* in Different Types of Formal Financial Institutions**

| *Cost/Charge* | HSBC | Banamex | Banco Azteca | Caja Popular Mexicana | Caja Libertad | Caja Solidaria Guachinango | FinComún | BANSEFI |
|---|---|---|---|---|---|---|---|---|
| **Product name** | *Tu Cuenta* | *Tarjeta de Ahorro* | *Guardadito* | *Cuenta Mexicana* | *Ahorro a la Vista* | *Ahorro Corriente* | *Ahorro a la Vista* | *Cuentahorro* |
| **Entrance require-ments**** | Federal election ID and separate proof of address | Federal election ID and separate proof of address | Federal election ID | Federal election ID, birth certificate, separate proof of address, two photos, 500-peso share purchase to become member | Federal election ID, copy of birth certificate and 300-peso share purchase to become member | Government ID and proof of local residence plus purchase of 10 pesos permanent capital and 100 pesos social capital | Government ID and separate proof of residence | Federal election ID or driver's license with proof of address |
| **Minimum deposit to open** | 1,000 pesos (the investigator was first told 5,000 pesos, and then a 1,000-peso option after insisting) | 1,000 pesos | 50 pesos and client has one month to reach 100 pesos | 20 pesos | 50 pesos | 50 pesos | 10 pesos | 50 pesos |
| **Minimum balance required** | None | 1,000 pesos | 100 pesos | None | None | 1 peso | 10 pesos | 50 pesos |
| **Interest rate** | None | None | 0.95 % annual compounded monthly | 3 % annual compounded quarterly | 0.50 % annual compounded monthly | 2.5 % annual compounded monthly | 8.5 % annual compounded monthly | 0.16 % annual compounded monthly |
| **Interest rate paid on balance over** | NA | NA | 100 pesos | 500 pesos | 300 pesos | Any amount | Any amount | Any amount |
| **Fees** | Monthly member-ship fee of 50 pesos + 15 % tax, fee charged after 10 withdrawals per month | 30 pesos per month for no minimum balance and unlimited withdrawals; client can opt to pay no maintenance. fee and maintain 1,000-peso balance; 5 pesos per withdrawal and 75 pesos per month if below 1,000 pesos | 10 percent of balance maintenance fee charged if balance falls below 50 pesos | None | None | None | None | None |
| **Balance on 1,000-peso deposit after 1 year** | 310 pesos | 640 pesos or 1,000 pesos if the client selected the second option | 1,007 pesos | 1,005 pesos | 1,003 pesos | 1,023 pesos | 1,080 pesos | 1,001 pesos |
| **Debit card** | Offered but not with the basic account | Yes | Offered but not with the basic account | NA | Yes | NA | NA | NA |

* The affordability analysis is adapted from Tova Solo's analysis of bank products in World Bank, "Broadening Access." Institutions were selected here based on 1) size and capacity for outreach, 2) purported efforts to offer services for clients of all income levels, and 3) being regulated or in the process of becoming regulated by the CNBV. The institutions featured in this table are not necessarily representative of all similar-type institutions; they provide a snapshot of available savings products for the low-income market in April 2005. The accounts are the most basic fully-liquid demand deposit account offered by each institution.

** In all cases proof of residence (such as a utility bill) could be in another family member's name as long as the address on the proof of residence matched the address on the government-issued identification of the individual.
*Source*: Mystery shopping visits to six financial institution branches, phone call with FinComún and data collected for caja solidaria by FONAES.

A lack of innovation in product development and marketing is found on both the savings and credit sides throughout the bank and popular finance sectors. Banks and popular finance institutions remain supply-led, meaning they serve traditional client bases with the products they feel comfortable providing. Particularly in the popular finance sector, institutions remain focused on credit, viewing credit as their main business and savings mobilization as a secondary activity.

The high cost and lack of innovation means that low-income clients do not perceive that saving in a formal financial institution will meet their needs better than the informal products they currently use. The few very successful cases of small-deposit mobilization have resulted from innovative methods of service delivery, such as using mobile branches, creating strategic alliances, and building on existing infrastructures.

### Other Key Constraints at the Micro-Level

Human resources for filling management and staff positions in cajas (and other types of popular financial institutions) located in marginalized rural areas are lacking. The education levels tend to be much lower in rural areas and educated urbanites are unwilling to move to rural areas to manage remote financial institutions.

On the credit side, conservative lending practices and inappropriate loan products make excess liquidity a serious challenge for many deposit-taking institutions. With the lack of innovation on the credit side and challenges of excess liquidity, institutions have little incentive to invest resources in mobilizing small savings since they do not need the funds to finance their loan portfolios. (In fact, representatives from micro institutions mentioned feeling pressure from the regulator to decrease their liquidity levels.)

## Meso-level: Financial Infrastructure and Second-Tier Services

**Main Finding** The lack of competitive financial infrastructure services in the popular finance sector and distortion of the market by heavy government intervention with subsidized credit lines hinder the provision of savings services to low-income clients.

Meso-level institutions play a critical role in mass savings mobilization. Their services enable retail institutions to reduce costs, increase efficiency, and provide a wider array of financial services to their clients. In the best cases, meso-level institutions offer useful and efficient support services such as liquidity management, deposit insurance, information technology, and auditing. In the worst cases, large government-run subsidized credit lines distort the market, create poor repayment cultures, and dampen institutions' incentives and abilities to mobilize deposits. In Mexico, the banks have relatively well-developed meso-level institutions, but they are still in early stages of development in popular finance. As a result, popular finance entities depend heavily on commercial banks and pay high costs for the services they can access.

The lack of second-tier services precludes the popular finance institutions' ability to scale up through supplying transaction services, such as debit cards, ATMs, international remittances, or government transfer payments. These services are key for attracting low-income clients and providing critical opportunities for cross-selling savings products.

At the same time, the popular finance sector's reliance on banks for investing their liquidity acts as a disincentive for banks themselves to provide small-scale deposit services for low-income clients. The popular finance institutions do it for them. Banks collect savings as a source of funds without having to invest in the systems and processes required to mobilize them directly from low-income clients.

### Key Meso-level Institutions

In addition to BANSEFI, the popular finance sector federations and government subsidy providers (discussed in detail below), a broad range of meso-level institutions operate in the Mexican financial system:

- The Consejo Mexicano del Ahorro y Crédito Popular (COMACREP) serves as the national-level professional and trade association for eight popular finance federations. Various sector representatives noted the difficulty in presenting one voice to the government. COMACREP is a first step in this direction.
- The Confederación de Cooperativas Financieras de la Republica Mexicana (COFIREM) is the confederation of federations being developed to provide services—most notably deposit protection—to financial cooperatives under the LACP. COFIREM's level of development is unclear.
- ProDesarrollo is a professional and trade association for NGOs, cajas populares, and uniones de crédito dedicated to the provision of microfinance services.
- The Asociacion de Bancos Mexicanos (ABM) is the professional and trade association for commercial banks. The ABM is currently paying closer attention to the large numbers of unbanked Mexicans.

- The Instituto para la Protección del Ahorro Bancario (IPAB) protects against systemic risk in the bank sector and provides limited deposit insurance to banks only; it also manages the extraordinary bank debt that remains from the financial crisis in the mid-1990s.
- International consultants provide technical assistance funded by the BANSEFI and PATMIR/SAGARPA programs. (See box 5 for details on these programs.) They include Développement International Desjardins, Sparkassen, German Confederation of Raiffeisen Cooperatives (DGRV), PlaNet Finance, and the World Council of Credit Unions (WOCCU). Recent entrant Development Alternatives, Inc. (DAI), is funded by the US Agency for International Development (USAID).

### BANSEFI Plays a Mixed Role

BANSEFI is the government-proclaimed leader of the popular finance sector. Its vision to advance the popular finance sector and become the *caja de cajas* (bank for the popular finance institutions) that it will eventually sell to the sector is forward-looking and the second-tier services it provides are technically sound. Its principal weaknesses have been a failure to get the full support of the popular finance institutions for its approach to development of the sector and the conflicts of interest presented by the dual meso- and micro-level roles it plays.

BANSEFI offers various services to the popular finance entities, including:

1. liquidity investment instruments, which pay significantly higher returns than investments in commercial banks (although smaller institutions noted that liquidity management worked only in one direction, as BANSEFI will not make them loans to cover short-term liquidity gaps);
2. *L@ Red de la Gente*, a point of access to the payment system so that financial institutions can distribute remittances and government transfer payments as well as enable clients to access government housing programs; and
3. a standardized information technology platform for popular sector entities.

These services are considered technically sound by popular finance representatives. But many voiced concerns about the government's involvement in meso-level services, especially since BANSEFI is a direct competitor at the micro-level. A specific concern, for instance, relates to the requirement of submitting full client databases to BANSEFI as a condition for using the IT platform. Some larger cajas have opted not to use BANSEFI's services because of these concerns.

The general consensus among representatives of the popular finance sector is that BANSEFI should focus on providing infrastructure services and leave retail savings to them. BANSEFI's dual roles create tension with those very institutions it needs to make its meso-level services viable. Although the cajas perceive BANSEFI to be a direct competitor on the retail level, BANSEFI does not believe it competes directly with the popular financial sector because it does not provide credit services and many of its branches are located in geographical locations where others are not present.

The government has made known its intention to sell part of BANSEFI to the popular sector. As of writing, the terms of sale are still unclear and questions remain about the level of future government involvement in a privatized BANSEFI. Nevertheless, many sector representatives indicated that they would be interested in taking part of the semi-privatization of BANSEFI.

**Box 5 The Government Invests in Technical Assistance for the Popular Finance Sector**

The Mexican government has taken two loans for a total amount of US $140 million from the World Bank and received more than $5 million in donations from the Inter-American Development Bank and the German government to support the popular finance sector. Technical assistance to the popular finance institutions is a major component of the World Bank loans. BANSEFI finances $45 million in six technical assistance programs that work with a total of 14 federations and 391 cajas populares and cajas solidarias to help them to meet the requirements of the LACP. The institutions participating in the BANSEFI technical assistance programs represent more than 90 percent of the assets and client base of the institutions that should operate under the new law. BANSEFI is also carrying out a nationwide panel survey to gauge the impact of the transformation of the popular finance sector.* The PATMIR/SAGARPA program has a budget of $22 million to strengthen 28 popular finance institutions and open 87 new branches in rural areas to increase access to financial services to more than 80,000 clients in marginalized populations through testing innovative service delivery mechanisms, such as mobile branches and savings groups. Reviews from the sector were mixed, while some institutions praised the high quality of the technical assistance they receive, others complain that the quality of technical assistance is highly uneven and that the international consultants are failing to create local capacity that would have a long-term impact.

* BANSEFI, "BANSEFI coordinacin de los apoyos del Gobierno Federal al sector de ahorro y crédito popular," 2005.

**Box 6 The Costs of Supervision under the LACP**

Although no hard numbers were readily available, the general perception is that the costs of supervision are very high in both the commercial bank and popular finance sectors. For popular finance institutions, in addition to the one-time cost of coming under the regulation (which for members includes contributing to the capital of the federation), there are on-going supervision costs. These costs are estimated to range from US $320 (in the most highly subsidized) to $1,900 per month for affiliated entities. They cover maintenance of an independent supervisory committee at the federation, the fees that the federation pays to CNBV and the confederation, as well as all travel costs for on-site examinations. They do not include reporting costs (or the costs of adjusting systems to be able to report properly). The relative burden on institutions varies widely: one federation estimated that supervision costs equal to 5 percent of income for its smallest member and just .005 percent for its largest member. The BANSEFI technical assistance programs and the Ford Foundation subsidize the cost of supervision in the federations. The real impact of supervision costs will be felt once these subsidies end. For institutions currently regulated by CNBV *(sociedades de ahorro y préstamo and uniones de crédito)*, the cost of becoming regulated under the LACP is temporarily greater because they have to pay the ongoing costs of supervision in their current legal status while starting to pay for the new supervisory system.

### The Proliferation of Federations in the Popular Finance Sector

Federations represent groups of popular sector finance institutions, often (but not always) organized along geographic lines. The 16 popular finance sector federations serve a number of meso-level purposes in Mexico. Their level of involvement with their members varies, they generally provide the following services:

- Supervisory functions as mandated by the LACP. Eleven federations have their supervisory committees certified by Développement International Dejardins. But, at the time of writing, not one had yet received authorization from the CNBV to function under the LACP (it is a two stage process—certification and authorization). Authorized federations will also provide supervisory and deposit insurance services to non-members on a fee basis.
- Technical assistance on legal and financial management, new product development, and regulatory compliance
- Trade association and representation functions, such as holding forums and lobbying local and national governments
- Development of deposit insurance in the short-term by some federations, until the third-tier confederation (COFIREM) builds the sector-wide deposit protection fund
- No legal authority to manage liquidity and investments for members

The system of auxiliary supervision established by the LACP creates a potential conflict of interest for the federations, despite the noteworthy advances in creating independent supervisory committees. Retail institutions purchase shares to become members and capitalize a federation. They also pay supervision fees directly to the federation, which also sells them other products and services, sometimes on a fee basis. (See box 6 for a discussion of the costs of supervision under LACP.) The system is based on the successful models of financial cooperative supervision employed in Germany and Quebec, Canada. However, this consulting/auditing model has been proven faulty elsewhere. It remains to be seen if the Mexican federations will be able to give poor ratings if they stand to lose member capital and/or the business of unaffiliated institutions. This situation is particularly risky in the current environment where so many federations compete for the business of relatively few retail institutions.

### Prevalence of Easy Government Credit Distorts the Market

The government administers various finance-related programs to benefit the low-income population through various entities. Each program has its own motivation, and many include subsidized on-lending funds (sometimes referred to as second-tier funds).[24] Easy access to subsidized second-tier debt financing not only kills incentives to capture savings, but it also distorts the financial management of institutions. As one expert recently wrote, "The most important legacy of all these interventions [referring to large subsidized credit lines] has been the absurd absence of any serious concern about the risk in these segments of the Mexican financial system."[25] In the context of savings mobilization, the lack of risk management means that micro-level institutions are unable to ensure that deposits are safely administered. Additionally, the

[24] Informants estimate at least 30 programs in total. Some of the largest programs highlighted in the assessment include the Fideicomisos Institutidos in Relacion con la Agricultura (FIRA), which administers funds in rural areas to support agricultural production; Financiera Rural, the government retail lending institution; and Nacional Financiera , which provides start-up micro and small business loans, among others.

[25] Gonzalez-Vega, Claudio, "Mexico Rural Economy Strategy. Rural Financial Markets in Mexico: Issues and Options," report prepared for USAID by Chemonics International, Inc., for "LAC Bureau Poverty Reduction: A Task Order under the RAISE IQC," Washington, DC, April 2004, www.dec.org/pdf_docs/PNACX472.pdf.

Mexican Congress recently restricted access to the largest funds to the strongest institutions, dampening the incentives of the most capable institutions to mobilize deposits. It is beyond the scope of the present assessment to evaluate the success, or lack thereof, of the multiple government credit and transfer programs. It is clear, however, that they do distort the financial markets for low-income clients, particularly in rural areas.

## Macro-level: Role of Government and Policy Environment

**Main Finding** Although important advances have been made in recent years, fragmented public policy has inhibited the government's ability to create an enabling environment for small deposit mobilization. Excessive direct and indirect government intervention in financial services to low-income clients has produced mixed results at best.

Informants at all levels agree that financial service provision to the poor remains politicized in Mexico. They diverge sharply on the appropriate role of the state in developing small-deposit services. While some argue that the state should limit its role to regulatory policy, others take the stand that the state should continue to subsidize the popular finance sector and even relax regulations for the small institutions in difficult-to-serve areas. The debate is highly charged, but the assessment found that little systematic data exist to substantiate the different arguments.

The government has achieved major gains in recent years to increase access to financial services. At the same time, fragmentation in the articulation of policy, the array of often poorly executed subsidy programs and over-involvement in direct and indirect service provision have inhibited its ability to fulfill its essential function of ensuring an enabling environment for deposit mobilization. The government has been perhaps overly involved in direct and indirect service provision. But it has not been strong enough in its essential function of ensuring an enabling environment for deposit mobilization. The LACP takes promising steps in that direction for the popular finance sector, and the banking regulations that were revised after the crisis in the 1990s have created a relatively stable, but inflexible, environment for the commercial banks.

### Fragmented Public Policy

Although the current administration seems to coordinate public policies to promote microfinance more effectively than previous administrations, representatives of micro- and meso-level institutions report that they often receive mixed and contradictory messages from the government. This perception may result from the fact that various government agencies, each with their own motivations, mandates, and constituencies are involved in some manner with financial service provision to the poor. In addition to BANSEFI and the large second-tier lending programs, there are other important policy making (and implementing) bodies:

- The **Secretaría de Hacienda y Crédito Público** (SCHP) oversees fiscal policy, sets broad financial system policies, and approves new bank licenses. It wields considerable influence over both the bank and popular finance sectors.
- The **Comisión Nacional Bancaria y de Valores** (CNBV) is mandated with direct supervision of commercial and development banks, and oversight of the delegated supervision of popular finance entities.
- The **Banco de México** is the central bank. It manages systemic risk and the payment system. It recently criticized commercial banks for their inability to reach down to lower-income clients.
- **CONDUSEF** protects the rights of financial service users, primarily by receiving complaints, publishing product information, and educating consumers. Although its focus has been primarily on the commercial bank sector, it has started a campaign to educate consumers about the LACP.
- **SEDESOL** oversees poverty programs and specifically direct government transfer payments. It also has a subsidized lending line to reach poor people with loans.
- The PATMIR program at **SAGARPA** focuses on increasing financial service provision in marginalized rural areas.
- The **Ministry of Economy** (Secretaría de Economia) oversees both the Programa Nacional de Financiamiento de Micro Empresarios (PRONAFIM), which supports microentrepreneurs, and FONAES, which supports the cajas solidarias by financing initial capital and start up costs and providing ongoing technical assistance.

The fragmentation of government approaches means that no single leading body can develop, articulate, and align all government agencies around an overarching policy. The significant resources invested already could generate a more positive impact if they were re-directed in a strategic, comprehensive manner. Informants mentioned some coordinating committees and a presidential commission. However, little was known about their results and skepticism prevailed about their potential efficacy, given the prevailing political climate. Other voices suggest a national compact, where sector representatives dialogue with the government to create a national approach to promoting an inclusive financial sector.

**Box 7 Principal Components of the LACP**

The LACP provides for two types of regulated entities: Sociedades de Cooperativas de Ahorro y Crédito Popular *(sociedad cooperativa)* and Sociedades Financieras Populares *(sociedad financiera)*. The main difference between the two is that the first is a non-profit owned by members, and the second is a partial for-profit owned by shareholders (and has a higher tax burden as a result). Financial supervision of these entities is carried out in a system of auxiliary supervision, where CNBV legally authorizes the federations to supervise them. Taking into account the different types, sizes, and capacities of institutions that existed before the law, there are four levels of operation, according to asset size, number of clients, number of branches, geographic location, and technical and operational capacity. The level of deposit insurance required and services that an institution may provide vary according to operational level. SOFOLES and uniones de crédito will continue to exist, but are not authorized to capture savings from the public.* Small *asociaciones civiles* and *sociedades civiles* under the minimum legal threshold of 250 clients or 350,000 UDIs (a unit measuring economic value) in assets will continue to serve a limited number of poor clients with savings and credit services. However, their growth—and potential for outreach—is capped if they cannot meet the standards to become regulated.

* For an excellent summary of the LACP, see Pilar Campos Bolaño, *El Ahorro Popular en México: Acumulando Activos para Superar la Pobreza* (Mexico: CIDAC and Miguel Angel Porrúa, January 2005).

### Legal and Regulatory Framework: Opportunities and Challenges

**The Ley de Ahorro y Crédito Popular (LACP) organizes the popular sector.** Described in box 7, the LACP presents great opportunities for the popular financial sector by organizing it, helping to boost public confidence, requiring access to deposit insurance, recognizing non-bank institutions as part of the formal financial system, and taking steps toward creating a more inclusive financial system in Mexico.

The LACP was enacted in June 2001 and originally gave institutions until June 2003 to comply with standards. The deadline was extended to June 2005 when it was evident that no institutions were ready to comply. In April 2005, the Congress passed an amendment to extend the deadline once again to December 2005, and to December 2008 for institutions which meet the minimum rating set out in the amendment and show good faith attempts to come into compliance.

After years of a gaping regulatory void in most of the popular finance sector, the LACP has perhaps erred on the side of being overly restrictive and complex. After all, four years later not one institution is operating within the law and another extension has just been granted. No one seems to have clear answers about why it is taking so long. The financial institutions claim the high costs, rigid requirements, and surrounding uncertainties inhibit their becoming authorized, but government authorities note that they are never presented with the data to substantiate these claims. The latter also point out that many institutions have advanced significantly on the road to regulation during this time.

The LACP has clearly consumed the focus and resources of institutions and their leaders, leaving little energy to address the other obstacles to savings mobilization (and financial service provision as a whole). In addition, some unintended effects might emerge and some key questions need to be addressed:

- Are people, including government officials and politicians, losing confidence as the transformation process is prolonged?
- Will the costs of being regulated push institutions up market, decreasing access for low-income clients?
- What is the potential impact of some of the specific regulatory norms (e.g., regarding minimum capital requirements and no-cost share capital in cajas) on smaller financial institutions and poorer clients?
- What happens to those small alternative institutions (and more importantly their poor savers) that cannot comply?

Finally, it is unclear if the formalization that has begun with the LACP will lead to the integration of one financial system, or to the continued development of dual system. A dual system might benefit everyone if the missing financial infrastructure is permitted to develop, decreasing the popular finance sector's dependence on the banks. Separate but equal can work in developing an inclusive financial sector, but separate and unequal could further marginalize popular finance, stunt growth, and pass on high costs to low-income clients.

**Banking laws are designed to serve 15 percent of the population.** The banking laws do not provide flexibility for commercial banks to deepen their outreach to low-income clients. Some specific regulatory requirements make the relative costs of providing small transaction services much higher. The informants highlighted a few examples:

- The physical security requirements for banks (live-feed video cameras and exclusive entry ways, for example) make rural branches too costly.

- Microcredit is not recognized as a credit category within regulatory norms. Banks are required to follow the same approval procedures for micro-size loans as for much larger ones, such as the requirement to consult an authorized credit bureau before approving a microloan (even though low-income clients do not appear in the existing bank-based credit bureau).
- Reporting requirements are also standardized, rendering the relative costs of reporting on small transactions to be high.

These types of regulatory impediments, although not insurmountable, provide further disincentives for banks to launch serious programs to offer savings and loan services to low-income clients. Bankers recognize that the CNBV has provided exceptions to specific regulations that are demonstrated to thwart efforts at inclusion. Nevertheless, the request and granting of exceptions tends to require significant legal resources.

**Anti-money laundering laws may discriminate against small savers.** Anti-money laundering requirements cut across both the commercial bank and popular finance sectors. Most rules apply to transactions of US $10,000 or greater. But the "know your customer" requirements compel financial institutions to ask for a government-issued identification card and formal proof of address when an account is opened. These seemingly simple requirements increase the costs associated with providing even basic accounts and can be steep barriers for many potential poor clients.

## Strategies to Improve Small-Deposit Mobilization in Mexico

This section suggests potential strategies for expanding deposit mobilization on a massive scale in Mexico. Rather than offer definitive recommendations or prescriptions, these suggestions raise key points that warrant further research and reflection.

**1. Bring data to the table.** Data on indicators such as number of clients served, savings levels, size of institutions, and locations of all types of points of service (including brick and mortar branches, mobile branches, ATMs and POS terminals) by municipality were not readily available. Nor were data easily accessible on the costs of supervision or the number and types of second-tier credit lines. Investment in generating this type of comprehensive data would enable a true assessment of the level of unbanked to determine the accessibility and quality of deposit services on the market and promote a dialogue based on facts rather than politics. All knowledge generated in publicly-funded technical assistance projects should be made easily available to allow others to apply lessons learned.

**2. Shore up existing financial education efforts to improve financial literacy.** Examples include financial institutions with financial literacy programs and CONDUSEF's education efforts in promoting general financial literacy and the benefits of financial savings. Another key area is to promote transparent disclosure of pricing and performance information among all types of financial institutions that serve low-income clients. Investigate a potential link with the Ministry of Education (Secretaría de Educación) to incorporate basic financial literacy topics into primary and secondary curricula. Public funds that are currently financing subsidized credit lines and/or ineffective programs could be re-directed to support financial literacy on a mass scale.

**3. Build institutional and human capacity.** Continue investments in institutional strengthening at both the micro- and meso-levels. There has been a heavy reliance on the LACP to create strong institutions, but regulation alone does not strengthen institutions. Strengthening those popular sector institutions with the most potential for reaching large scale and serving remote areas will increase the accessibility and affordability of small-deposit services. To develop local human resource capacity, work with professional and trade associations to create regional training institutes focused on practical training for directors, managers and staff of popular finance institutions (and possibly banks as well). Also, explore alliances with technical/trade schools to develop *bachillerato* degrees in basic financial management. Finally, continue strengthening the capacity of meso-level entities, especially in the federations' supervisory committees.

**4. Enhance innovation in product design, marketing, and service delivery.** Research and document methodologies that break out of traditional supply-led models and decrease the cost of providing services to marginalized areas. Activities could include:

- supporting the design, pilot testing, documenting the methodology, and disseminating innovative savings and loan products for low-income clients;
- investing in information technology upgrades and networking among smaller institutions in rural areas; and
- testing alternative service delivery mechanisms through new mobile technologies, creative branching strategies, and promotion of strategic alliances to build on existing physical infrastructure.

Innovations that focus on bundling and marketing packages of financial services, including savings, should receive priority. Specifically, product development efforts should seek ways to leverage the large inflow of international remittances to ease access to

savings and credit services for the millions of recipients. While some of this occurs now, informants were almost unanimous in their claims that the documentation of new products, delivery mechanisms, and results of experiments are not made available to all.

**5. Support viable financial infrastructure services for the popular finance sector.** Support regulation that would allow the creation of a private-sector second-tier bank with access to the payments system for the popular finance sector. This would occur naturally if BANSEFI is sold to the popular finance institutions. However, the timing and terms of sale need to be made clear now to engender more confidence. Incorporate lessons from the IPAB experience in creating deposit insurance and publish a guideline for managing deposit insurance for the popular finance sector. Finally, review existing government subsidized credit lines to determine efficacy, identify strategic areas for intervention, and consolidate government credit flows.

**6. Encourage consolidation in the popular finance sector**. Support mergers among micro- (cajas) and meso-level institutions (federations), so they can enjoy greater economies of scale and scope. At some point in the not-so-distant future, consolidation will have to occur in the popular finance sector if the LACP is to be effective. Consolidation does not necessarily mean reducing geographical coverage. In fact, it may be the only way to extend services via solid, secure institutions capable of multiplying points of sale efficiently. In other countries with more developed non-bank sectors, such as the United States and Germany, consolidation allowed retail institutions to lower costs, increase efficiency, and reach greater scale. Published guidelines for mergers and technical assistance for overseeing the process in the pioneer merger cases would have a long-term positive impact. Also, explore strategic alliances between MFIs that reach marginalized populations and larger formal institutions that lack the knowledge on how to serve the low-income market. For smaller institutions which cannot comply, are unable to merge with a larger institution, and will close as a result, take proactive measures to protect their clients' access to financial services.

**7. Explore innovative incentives.** Support the development and articulation of a public policy approach to developing an inclusive financial sector and redirect existing resources to support it. Research ways to provide incentives that encourage formal financial institutions to reach marginalized areas. Some possibilities include tax incentives offered on operations in these areas; a Community Reinvestment Act-type program to link regulatory approval for moving up market and expanding in urban markets to an institution's demonstrated efforts to serve lower-income and rural markets, and individual development-account mechanisms to help poor people build assets where accountholders receive matching funds as they save for set purposes (such as housing, education or small business investments).

**8. Take advantage of the political juncture to press for policy coherence.** The July 2006 presidential election already weighs heavily in almost all discussions about building an inclusive financial system in Mexico. The juncture represents both instability and political opportunity. Stakeholders can influence the future by starting now to launch the public debate about public policy, as the campaigns are forming their consultative committees and political platforms. Both commercial bank and popular finance leaders could capitalize on this opportunity to educate current and potential lawmakers about the obstacles that prevent them from expanding financial services to the poor.

A specific challenge for the popular finance sector is to implement the LACP well before the next elections. Institutions must become regulated to institutionalize the reforms that so many have worked so hard to achieve. Only proof that the new system works can prevent a newly-elected government from proclaiming wide sweeping reforms that may or may not benefit low-income households. This risk is especially acute if politicians make campaign promises to extend more services to the poor, which will inevitably happen.

The goal of this process of political engagement would be to push for a coherent national strategy that clearly identifies the appropriate roles of government and the private sector in the financial system and minimizes fragmentation in government policies and programs. Examples of issues to work out include 1) defining sharper roles within government, especially policy and supervisory powers among CNBV, SHCP, and Banxico; 2) balancing prudential control of the financial system while enabling innovation and expansion of institutions to serve small depositors; 3) eliminating the distortion and its effects caused by government-sponsored second-tier subsidy programs; and 4) clarifying the role and comparative advantage of BANSEFI vis-à-vis private sector meso- and micro-level actors.

# Annex 1

**Summary Matrix of Opportunities, Obstacles, and Suggestions**

| Level | Opportunities/ Strengths | Obstacles/ Weaknesses | Suggested Actions | |
|---|---|---|---|---|
| Clients | Strong pent-up demand exists for small-balance savings services | - Consumers lack confidence in financial institutions<br>- Clients lack of financial literacy to participate or make good decisions | Leverage existing financial education infra-structure to increase financial literacy | Produce more specific data on important indicators and use this to ground sectoral discussions |
| Micro | Diverse range of financial service providers exists in the market | - Most services are characterized by lack of proximity, high cost to clients, and lack of innovation in service delivery | - Build institutional and human capacity<br>- Enhance innovation by documenting demand-led methodologies and techniques for reducing cost-of-service delivery to marginalized areas<br>- Encourage consolidation of retail institutions | |
| Meso | - Donors and government make significant investments in technical assistance to popular finance sector.<br>- BANSEFI has developed high-quality investment, payment, and IT services for popular finance institutions | - Proliferation of federations increases costs and weakens supervision<br>- BANSEFI's competition with popular finance institutions has reduced their uptake of other services<br>- Abundance of subsidized government on-lending funds distorts the market | - Support viable financial infrastructure for the popular finance sector by allowing the creation of a second-tier bank; learn from IPAB's experience in deposit insurance; and review and consolidate government credit flows<br>- Encourage consolidation of second-tier institutions | |
| Macro | LACP is attempting to set up regulatory and supervisory framework for popular finance sector | - Repeated postponements of LACP effectiveness deadline delay necessary changes in sector<br>- Involvement of multiple government agencies sends mixed messages to sector<br>- Anti-money laundering laws discriminate against small savers<br>- Certain sections of the banking law are disincentives to bank downscaling | - Explore downscaling incentives for regulated, deposit-taking institutions<br>- Take advantage of the political moment to press for policy coherences vis-à-vis the popular finance sector | |

# Annex 2

### Resources on Deposit Mobilization in Mexico

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# Annex 3

## Informants Interviewed

**Holmer Hernán Aguirre M.**
Director Comercial
FinComún

**Blanca Aldasoro**
Coordinadora de Servicios a Socios
ProDesarrollo

**Andrés Aymes Ansoleaga**
Director General Adunto de Operación
Banco del Ahorro Nacional y Servicios Financieros (BANSEFI)

**Leon Barri Colín**
Director General de Planeación, Análisis e Investigación Financiera
Instituto Para la Protección al Ahorro Bancario (IPAB)

**Pilar Campos Bolaño**
Subdirectora de Análisis Económico y Social
Banco del Ahorro Nacional y Servicios Financieros (BANSEFI)

**Javier Cárdenas Felix**
Director de Cajas Solidarias
FONAES

**Marco Carrera Santa Cruz**
Director de Estudios de Mercado
Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (CONDUSEF)

**Tomas Carrizales Villegas**
Gerente General
Federación Alianza

**Alfonso Castillo**
Unión de Esfuerzos para el Campo, A.C

**Antonio Chaez**
Gerente de Mercadeo
Federación Alianza

**Juan Felipe Cisneros Sanchez**
Sociedad Mazehualtzitzi Iricentiliz, SC

**Carola Conde Bonfil**
Investigadora
El Colegio Mexiquense

**Isabel Cruz Hernández**
Directora General
Asociación Mexicana de Uniones de Crédito del Sector Social, AC (AMUCSS)

**Oscar de Leon**
Director de Proyecto
WOCCU/Alianza-FMEAC

**Rafael de Villar**
Investigador
Banco de México

**Luis Fabre Pruneda**
Vicepresidente Técnico
Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (CONDUSEF)

**Vicente Fenoll Algorta**
Director General
FinComún

**Fernando Fernández**
Director de Proyecto
Proyecto AFIRMA, DAI

**Javier Fernández Cueto**
Director de Estratégia
Compartamos

**Pierre Gaches**
Consultor, IRAM
Proyecto DGRV-SAGARPA Oaxaca
DGRV - Confederación Alemana de Cooperativas

**Alfonso Garcia**
Director de Servicios Corporativos
Caja Popular Mexicana

**Marcela Gessaghi**
Directora
ProDesarrollo

**José Hernández Domínguez**
Presidente Consejo de Administración
Caja La Monarca

**Adrián Hong López**
Director General Adjunto de Diagnóstico y Supervisión del Sistema Bancario y Relaciones con Inversionistas
Instituto Para la Protección al Ahorro Bancario (IPAB)

**Alfredo Hubard**
Director General
CAME

**Emilio M. Illanes Díaz Rivera**
Director General de Fondos y Microempresas
FONAES, Secretaría de Economía

**Ramon Imperial Z.**
Director General
Caja Popular Mexicana

**Cesar Izurieta Moreno**
Director de Servicios
Caja Libertad

**Juan Carlos Jiménez Rojas**
Director Técnico
Asociación de Bancos de México

**John Keane**
Director del Proyecto
DGRV-BANSEFI Oaxaca y Yucatán
DGRV - Confederación Alemana de Cooperativas

**Armando Laborde de la Peña**
Director
ProMujer México

**Carlos Labarthe Costas**
Director General
Compartamos

**Barry Lennon**
Financial Services Team Leader
Microenterprise Office, US Agency for International Development (USAID)

**Óscar Guillermo Levin**
Presidente
Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (CONDUSEF)

**Julio César López Marín**
Gerente General
Consejo Mexicano del Ahorro y Crédito Popular (COMACREP)

**Luis Felipe Mariscal**
Director General de Supervisión de Entidades de Ahorro y Crédito Popular
Comisión Nacional Bancaria y de Valores (CNBV)

**Bárbara Meraz**
Directora de Ahorros
Compartamos

**Hillary Miller Wise**
Especialista de Desarrollo Económico
Development Alternatives, Inc. (DAI)

**Yanira Morales Badillo**
Sociedad Mazehualtzitzi Iricentiliz, SC

**David Myhre**
Asesor de Programas, Finanzas para el Desarrollo y Seguridad Económica
Fundación Ford

**Martin Naranjo Landerer**
Senior Financial Economist, Latin America and the Caribbean Region
World Bank

**Luis Niño de Rivera**
Vicepresidente del Consejo de Administración
Banco Azteca

**Mary O'Keefe**
Especialista en Microfinanzas

**Antonio Ortega**
Presidente, Comité de Supervisión
FedRural

**Jesús Ortiz Caso**
Director
Caja Depac Poblana

**Gonzalo Puente**
Director General
FINCA México

**Juan Ramos de la Rosa**
Fondos de Cooperación Zihualtme
Kimpantilla Tekitise, SC

**Cirilo Rivera Rivera**
Subdirector General
Caja Popular Mexicana

**Almincar Rodríguez**
Director de Proyecto
Développement International Desjardins

**Rolando Salazar**
Especialista en Microfinanzas
WOCCU/PATMIR-Veracruz

**Félix Sierra Alvarez**
Gerente General
Federación Mexicana de Entidades de Ahorro y Crédito (FMEAC)

**Aarón Silva Nava**
Director General Adjunto de Planeación Estratégica y Evaluación
Banco del Ahorro Nacional y Servicios Financieros (BANSEFI)

**Jeremy Smith**
US Agency for International Development (USAID), México

**Harald Speidel**
Director del Proyecto
DGRV-SAGARPA Oaxaca
DGRV - Confederación Alemana de Cooperativas

**Erick Tapia**
Gerente Jurídico y Asistencia Técnica
Federación Mexicana de Entidades de Ahorro y Crédito (FMEAC)

**Miguel Ulloa**
Consultor Independiente

**Alejandro Vargas Durán**
Director General Adjunto de Normatividad
Banco Azteca

**Armando Velasco Castrejón**
Gerente General
Finrural

**Aurora Vignau Ruíz**
Directora de Planeación
Espacios Alternativos

**Anna Wellenstein**
Sector Leader, Latin America Financial Development
World Bank

**Guillermo Zamarripa Escamilla**
Titular de la Unidad
Unidad de Banca y Ahorro, Subsecretaría de Hacienda y Crédito Público, Secretaría de Hacienda Crédito Público,

**Gabriela Zapata Alvarez**
Directora
Proyecto de Asistencia Técnica al Microfinanciamiento Rural (PATMIR), Subsecretaría de Desarrollo Rural, Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación (SAGARPA)

# Annex 4

**Key Indicators of Mexican Financial System**

| GENERAL | |
|---|---|
| Population | 106 million |
| Economically Active Population | 43.4 million |
| Average Exchange Rate for 2004 | 11.3 US$ |
| Inflation | 5.20% |
| GNI per capita | $6,230 |
| Minimum Wage | US $4.04 per day |
| % Population on <$2 per day | 20% |
| % Population on <$1 per day | 5% |
| Total Financial Institution Branches | 9,948 |
| Population/Financial Institution Branch | 9,799 |
| Financial Institution Branch/Million Inhabitants | 102 |
| GDP 2004 | US $733 billion |
| Savings in Banks/GDP* | 9.7% |
| Bank Loans to Private Sector/GDP* | 11.8% |

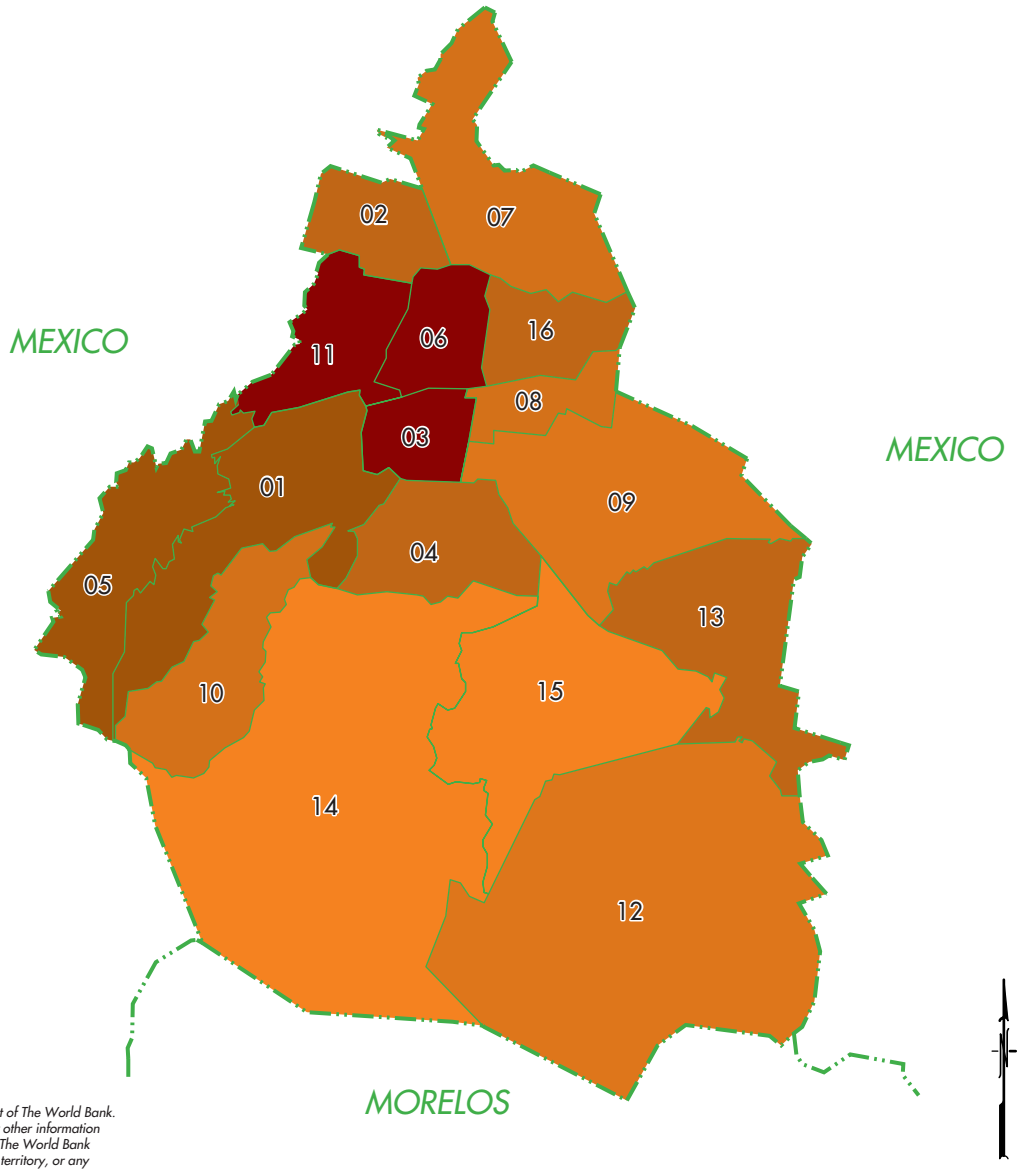
| INSTITUTIONAL COMPARISON | Commercial Banks | Popular Finance Institutions | BANSEFI |
|---|---|---|---|
| Branches | 7,793 | 1,628 | 560 |
| Population/Branch | 12,509 | 59,879 | 184,978 |
| Population with account | 20-25 million | 2.9 million | 2.65 million |
| Number of accounts | 36.5 million | NA | 2.96 million |
| Total savings mobilized | US $126 billion | US $2.03 billion | US $330 million |
| Average savings account | U S$3,465 | US $782** | US $111 |
| Average savings account/GNI per capita | 56% | 13% | 1.8% |
| Branch/Million inhabitants | 80 | 17 | 5 |
| Debit cards in circulation | 34 million | 66,981*** | None |
| ATM/Million inhabitants | 173 | 0.6 | None |
| POS terminal/Million inhabitants | 1,356 | None | None |
| Geographic coverage | Nationwide in urban areas | A few large cooperatives with nationwide or regional coverage, most with local coverage only in urban, semi-rural, and rural areas | Nationwide in urban, semi-rural, and rural areas |
| Governance/Ownership structure | Private sector banks, mostly foreign-owned | Mostly member-owned financial cooperatives in the form of cajas populares, cajas solidarias, and uniones de credito. These will transform to sociedades cooperativas and sociedades financieras under the LACP | Government-owned devel-opment bank with some popular finance sector represen-tatives on its board |

* GNI figures not yet available for 2004
** Average per member since number of total accounts not available
*** Caja Libertad only

## Annex 5

### Maps of Population per Financial Institution Branch in Mexico City and Chiapas

# MEXICO
# FEDERAL DISTRICT
# POPULATION PER FINANCIAL INSTITUTIONAL BRANCH




DELEGATIONS:

01 Alvaro Obregón
02 Azcapotzalco
03 Benito Juárez
04 Coyoacán
05 Cuajimalpa de Morelos
06 Cuauhtémoc
07 Gustavo A. Madero
08 Iztacalco
09 Iztapalapa
10 La Magdalena Contreras
11 Miguel Hidalgo
12 Milpa Alta
13 Tláhuac
14 Tlalpan
15 Xochimilco
16 Venustiano Carranza

*This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.*


POPULATION PER FINANCIAL INSTITUTION BRANCH*:

- ⩾ 15.001
- 12.001 - 15.000
- 9.001 - 12.000
- 6.001 - 9.000
- 3.001 - 6.000
- 0 - 3.000

STATE BOUNDARY

DELEGATION BOUNDARY

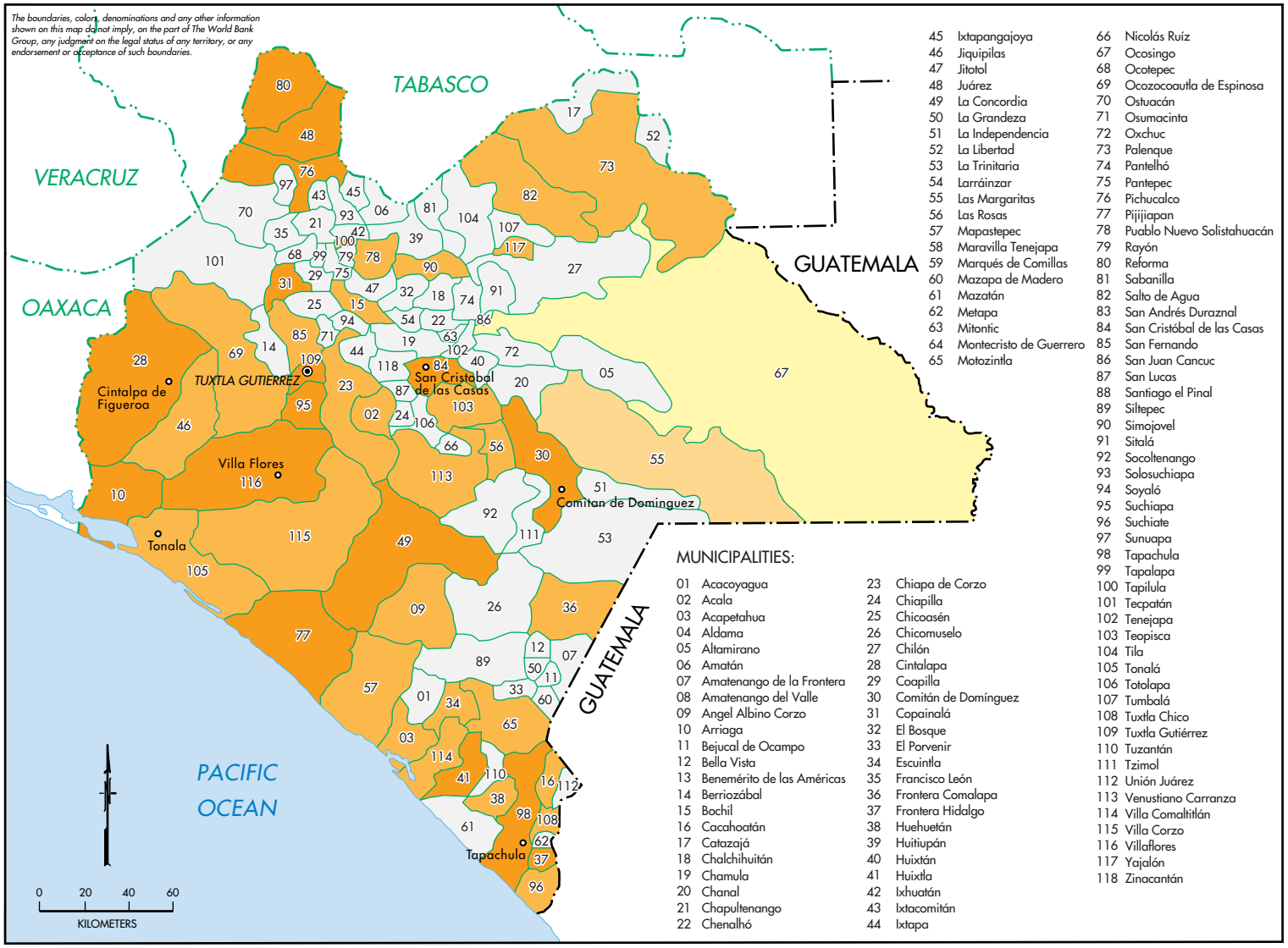
** The best information available from the sources cited was used to create the maps, some unregulated small local institutions may not be included.*

Notes: Number of financial institution branches as of 2004 and population data from 2000 National Census.

Sources: INEGI, Bansefi, FONAES, ABM, Caja Libertad, Caja Popular Mexicana, Compartamos and FinComun.

IBRD 34020

# MEXICO
# STATE OF CHIAPAS
# POPULATION PER FINANCIAL INSTITUTIONAL BRANCH




MUNICIPALITIES:

01 Acacoyagua
02 Acala
03 Acapetahua
04 Aldama
05 Altamirano
06 Amatán
07 Amatenango de la Frontera
08 Amatenango del Valle
09 Angel Albino Corzo
10 Arriaga
11 Bejucal de Ocampo
12 Bella Vista
13 Benemérito de las Américas
14 Berriozábal
15 Bochil
16 Cacahoatán
17 Catazajá
18 Chalchihuitán
19 Chamula
20 Chanal
21 Chapultenango
22 Chenalhó
23 Chiapa de Corzo
24 Chiapilla
25 Chicoasén
26 Chicomuselo
27 Chilón
28 Cintalapa
29 Coapilla
30 Comitán de Domínguez
31 Copainalá
32 El Bosque
33 El Porvenir
34 Escuintla
35 Francisco León
36 Frontera Comalapa
37 Frontera Hidalgo
38 Huehuetán
39 Huitiupán
40 Huixtán
41 Huixtla
42 Ixhuatán
43 Ixtacomitán
44 Ixtapa
45 Ixtapangajoya
46 Jiquipilas
47 Jitotol
48 Juárez
49 La Concordia
50 La Grandeza
51 La Independencia
52 La Libertad
53 La Trinitaria
54 Larráinzar
55 Las Margaritas
56 Las Rosas
57 Mapastepec
58 Maravilla Tenejapa
59 Marqués de Comillas
60 Mazapa de Madero
61 Mazatán
62 Metapa
63 Mitontic
64 Montecristo de Guerrero
65 Motozintla
66 Nicolás Ruíz
67 Ocosingo
68 Ocotepec
69 Ocozocoautla de Espinosa
70 Ostuacán
71 Osumacinta
72 Oxchuc
73 Palenque
74 Pantelhó
75 Pantepec
76 Pichucalco
77 Pijijiapan
78 Puablo Nuevo Solistahuacán
79 Rayón
80 Reforma
81 Sabanilla
82 Salto de Agua
83 San Andrés Duraznal
84 San Cristóbal de las Casas
85 San Fernando
86 San Juan Cancuc
87 San Lucas
88 Santiago el Pinal
89 Siltepec
90 Simojovel
91 Sitalá
92 Socoltenango
93 Solosuchiapa
94 Soyaló
95 Suchiapa
96 Suchiate
97 Sunuapa
98 Tapachula
99 Tapalapa
100 Tapilula
101 Tecpatán
102 Tenejapa
103 Teopisca
104 Tila
105 Tonalá
106 Totolapa
107 Tumbalá
108 Tuxtla Chico
109 Tuxtla Gutiérrez
110 Tuzantán
111 Tzimol
112 Unión Juárez
113 Venustiano Carranza
114 Villa Comaltitlán
115 Villa Corzo
116 Villaflores
117 Yajalón
118 Zinacantán

POPULATION PER FINANCIAL INSTITUTION BRANCH*:

- NO FINANCIAL INSTITUTION BRANCHES
- ≥ 100.001
- 50.001 - 100.000
- 20.001 - 50.000
- 1 - 20.000
- STATE CAPITAL
- SELECTED CITIES
- MUNICIPAL BOUNDARIES
- STATE BOUNDARIES
- INTERNATIONAL BOUNDARIES

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