

PAYMENTS ASPECTS OF FINANCIAL INCLUSION IN PERU

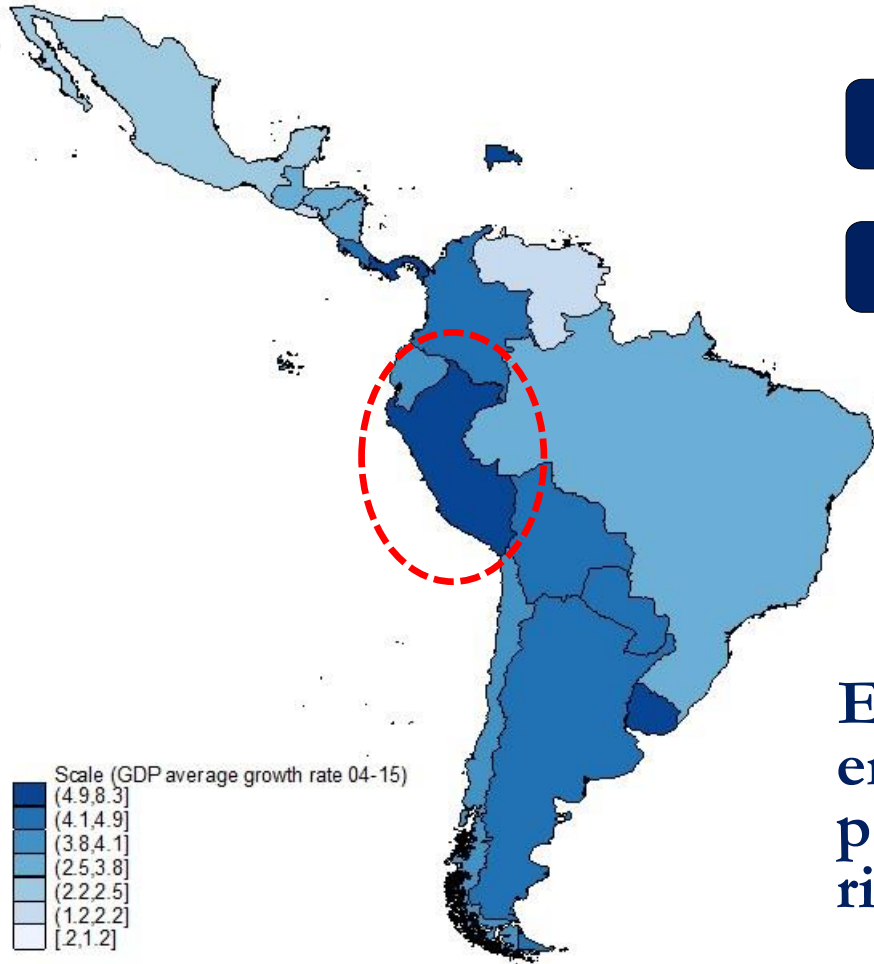
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I. MACROECONOMIC STABILITY AND PAYMENTS SYSTEMS DEVELOPMENT



MACROECONOMIC STABILITY FOSTERS PAYMENT SYSTEMS



Average Growth (2004 – 2015)

PERU

5,8

LAC

3,3

Average Inflation (2004 – 2015)

2,9

6,7

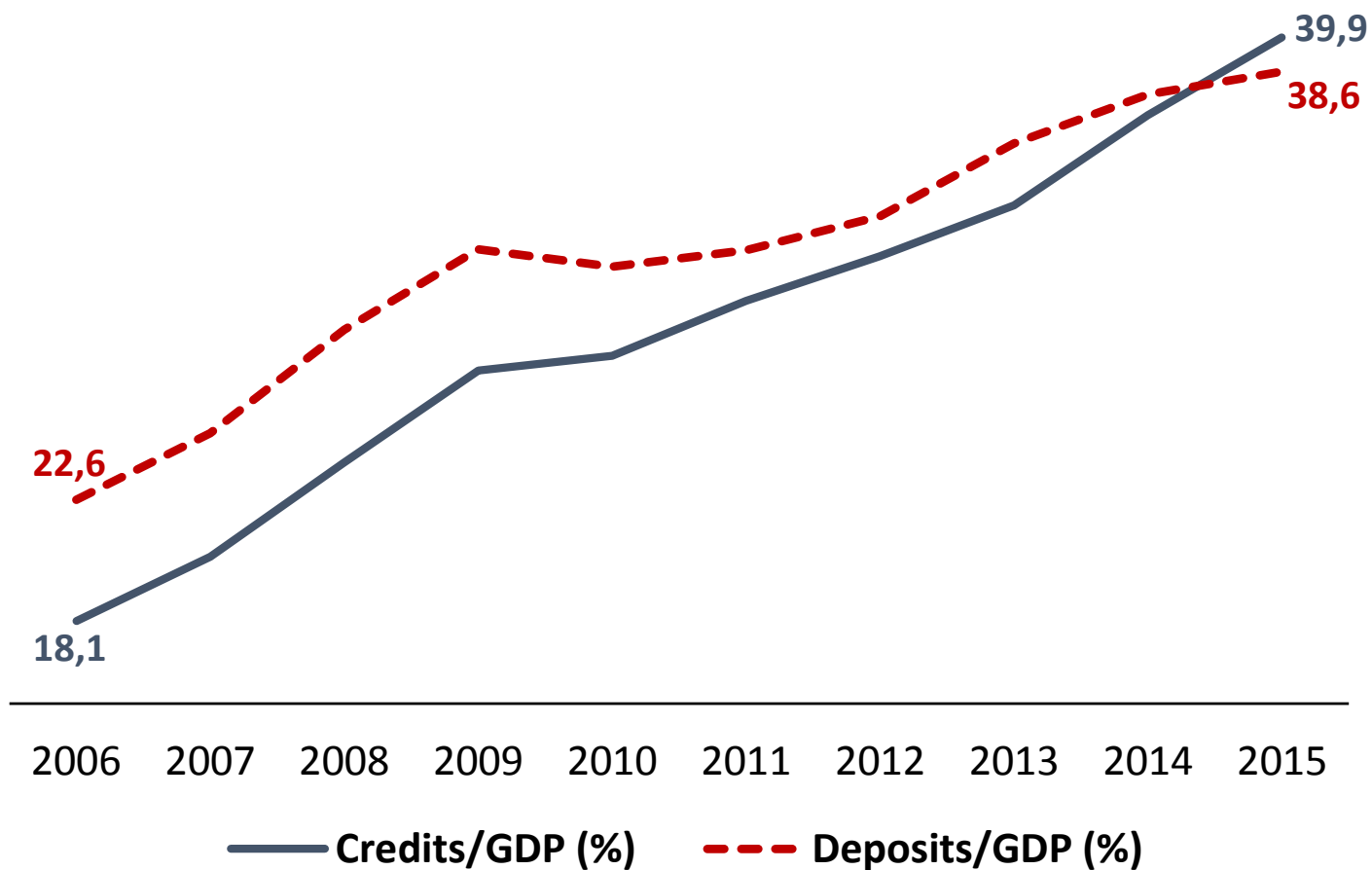
Economic growth and price stability enhance confidence in the means of payment, reducing both costs and risks of economic transactions.

Source: World Economic Outlook - International Monetary Fund



BANCO CENTRAL DE RESERVA DEL PERÚ

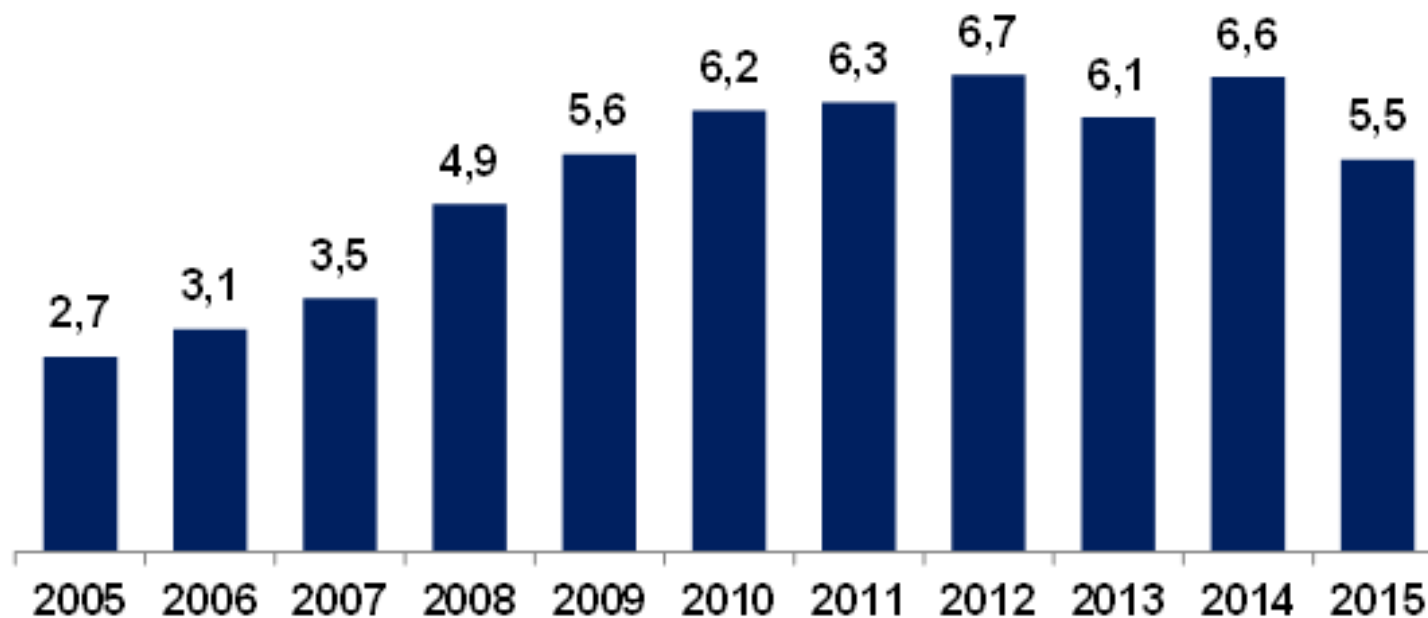
STRONGER FINANCIAL DEPTH



Source: SBS



PAYMENT SYSTEMS GREW FASTER THAN GDP



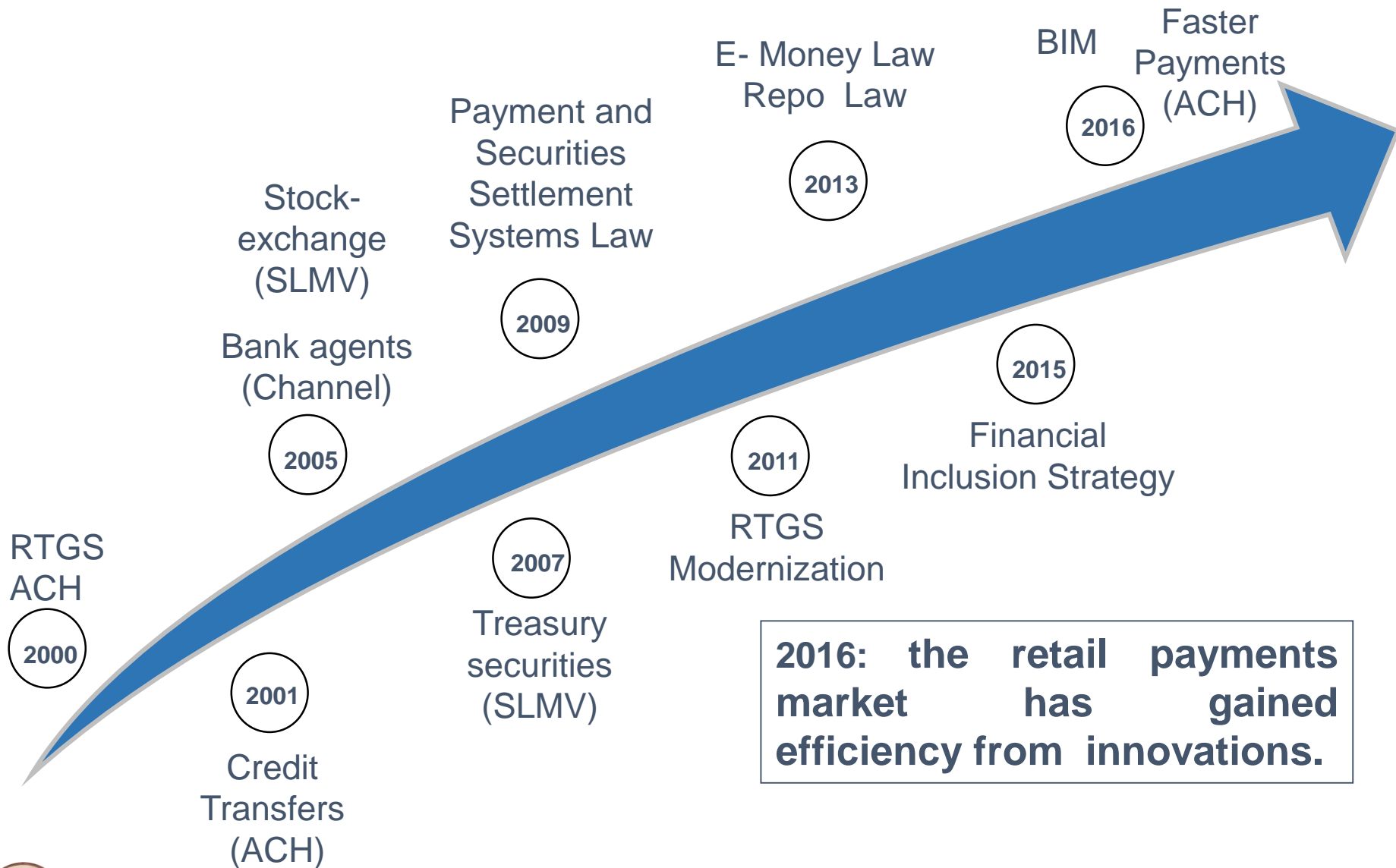
Source: BCRP



II. PAYMENTS INFRASTRUCTURE



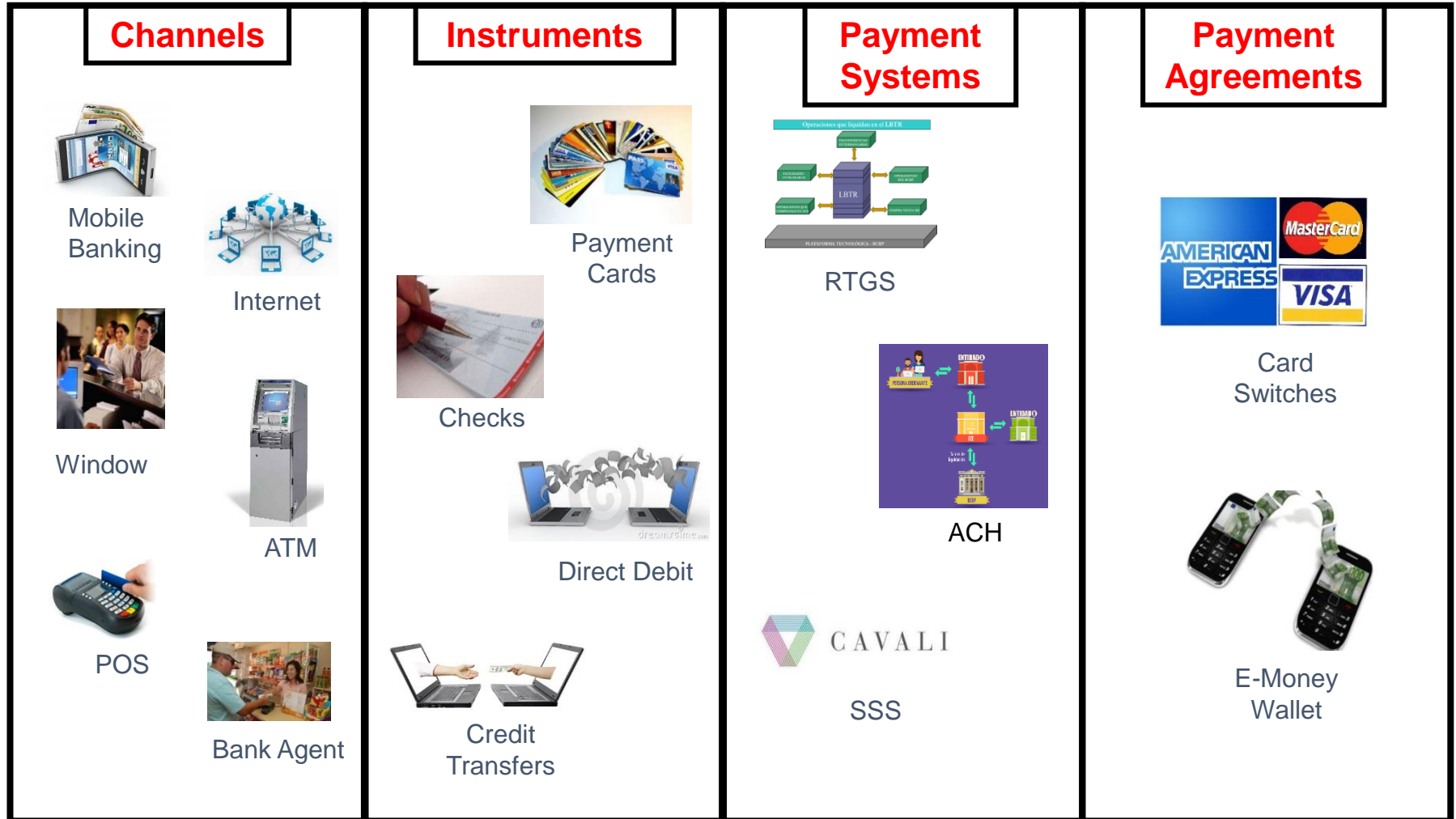
REGULATORY FRAMEWORK AND PAYMENTS INFRASTRUCTURE DEVELOPMENT



2016: the retail payments market has gained efficiency from innovations.



DIVERSIFIED PAYMENT SYSTEMS AND AGREEMENTS, CHANNELS AND INSTRUMENTS



ALL FINANCIAL INSTITUTIONS ARE PARTICIPANTS IN THE RTGS

	BANKS	NON-BANKS	NON-FINANCIAL
RTGS	Direct ✓	Direct ✓	
ACH	Direct ✓	Direct* ✓	
SSS	Direct ✓		
PAYMENT CARDS	Direct ✓	Direct ✓	
E-MONEY	Direct ✓	Direct ✓	Direct ✓

(*) Non-Banks: restricted access to ACH services.



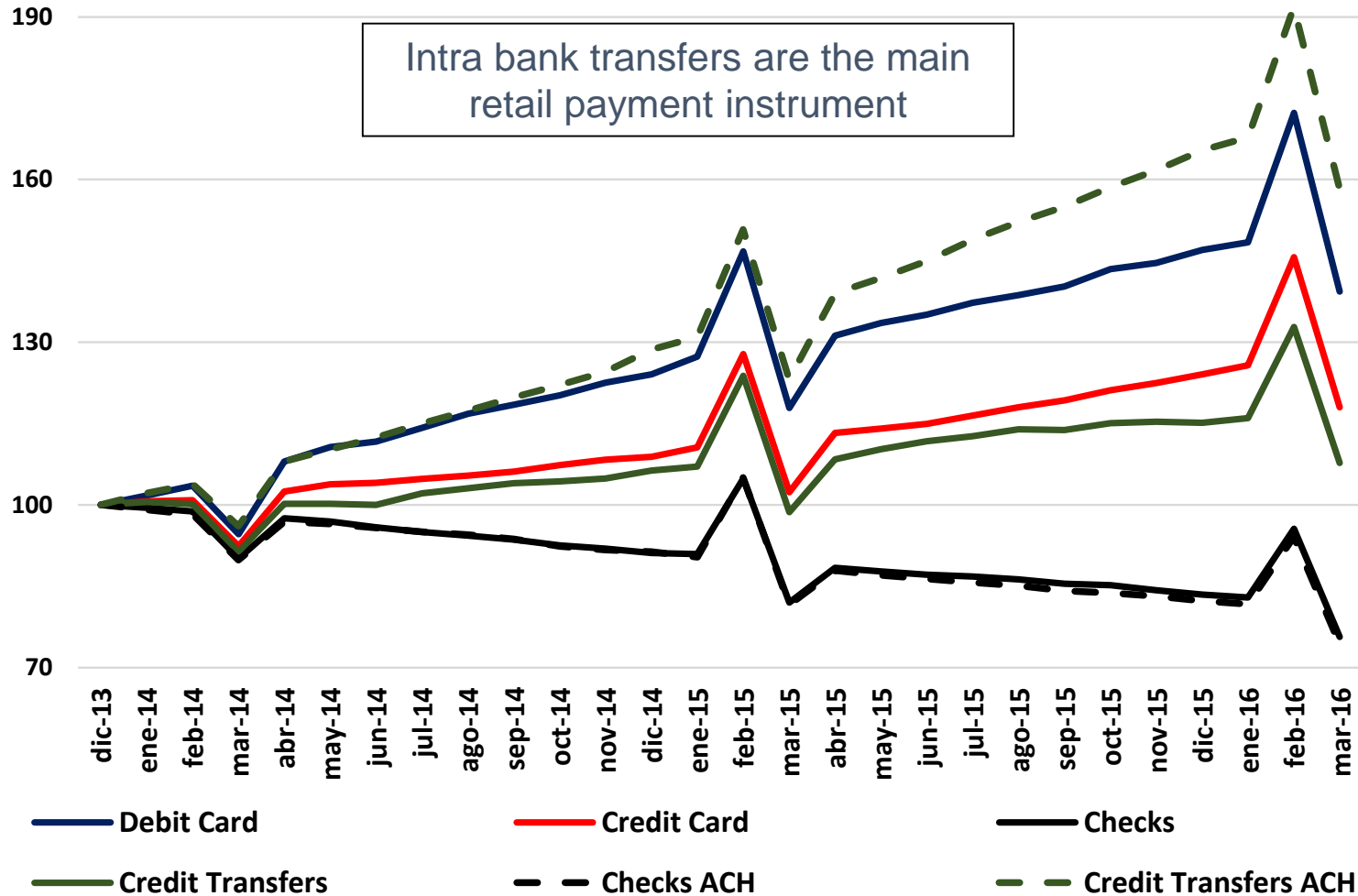
REGULATION AND SUPERVISION FOCUSED ON SYSTEMIC RISK

	REGULATION	MONITORING	SUPERVISION
RTGS	✓	✓	✓
ACH	✓	✓	✓
SSS	✓	✓	✓
PAYMENT CARDS		✓	
E-MONEY		✓	



CHECKS ARE BEING REPLACED BY RETAIL DIGITAL PAYMENTS

Daily average volume (April 2015-March 2016) Index (100=Dec 13)



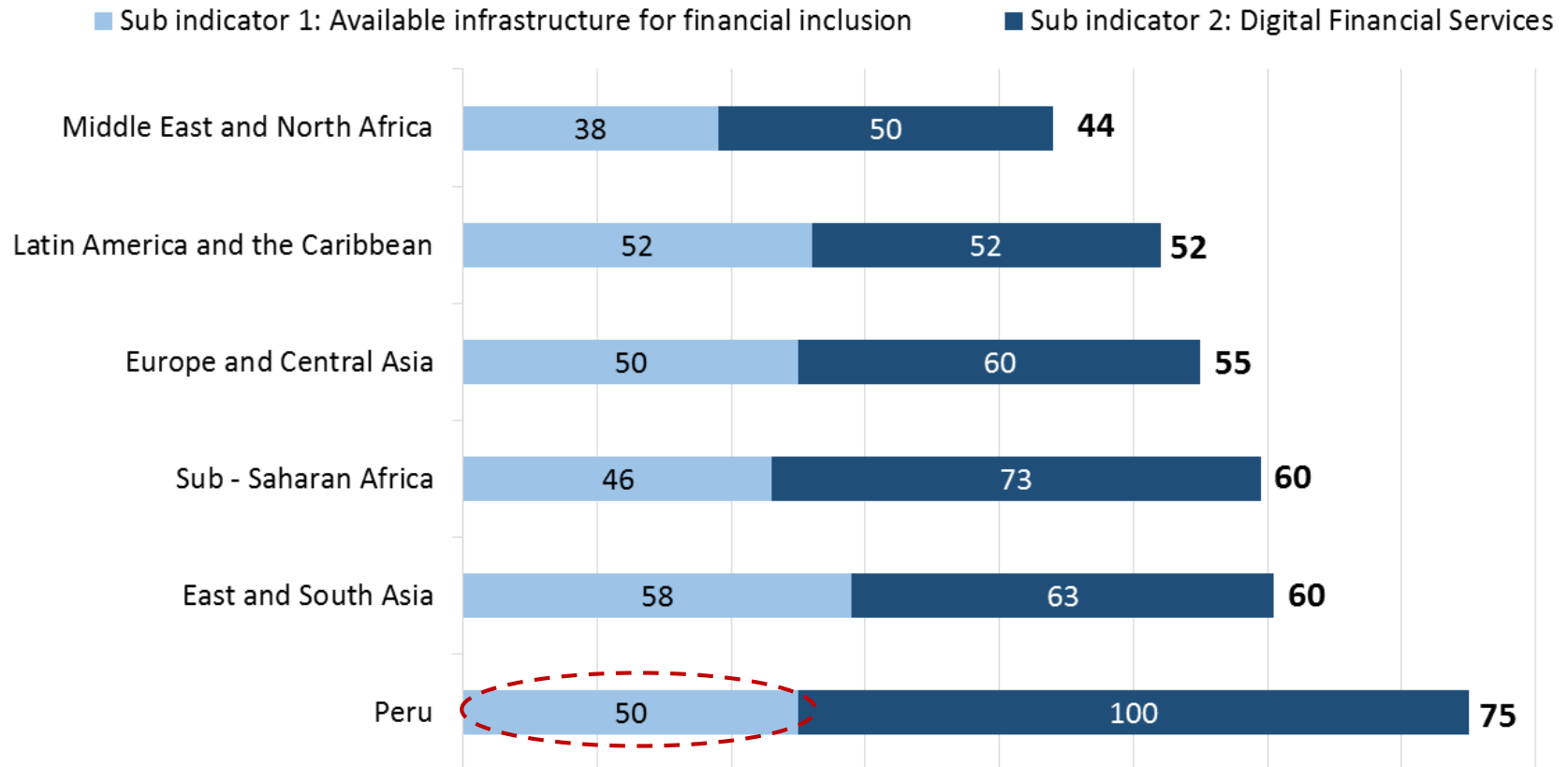
Source: BCRP Circular 046



III. INTERNATIONAL COMPARISON



GLOBAL MICROSCOPE 2015: PERU HAS A SOLID REGULATORY FRAMEWORK FOR PAYMENTS



However, paper-based payment instruments are still widely used and low-income population's needs are partially satisfied.



ACCESS AND USE FROM A PAYMENT SERVICES PERSPECTIVE

- For international comparisons, there is no index of payments aspects of financial inclusion and the existing financial inclusion indexes not always include payment services variables.
- We have worked on two preliminary indexes, one based on demand side information (Global Findex 2014) and the other on supply side information (World Bank Global Payment Systems Survey 2012), in order to compare statistics of access and use of payments services with the rest of the world.

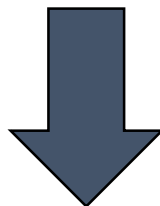


Global Payment Systems Survey (2012)

Variable	Weight	MAX.	MIN	LAC MAX	LAC MIN	PERU
Access Variable	50%					
Payment cards in circulation (per 1,000 inab.)		7 103,2	0,6	2 318,2	361,5	842,7
Use Variable	50%					
Average per capita cashless transactions		712,4	0,1	118,3	5,7	15,2

Countries: 81

LAC Countries: 12



Results for Peru

Variable	World Ranking	LAC Ranking
Payment cards in circulation (per 1,000 inab.)	61	9
Average per capita cashless transactions	54	9
Weighted Average Index	58	9



GLOBAL FINDEX (2014)

	Weight	MAX.	MIN	LAC MAX	LAC MIN	PERU
ACCESS VARIABLES	50%					
Account (% age 15+)	70%	100,0%	3,5%	78,4%	18,9%	29,0%
Credit card (% age 15+)	30%	77,1%	0,1%	39,8%	3,5%	11,7%
USE VARIABLES	50%					
Credit card used in the past year (% age 15+)	35%	75,1%	0,0%	36,0%	1,9%	10,0%
Debit card used in the past year (% age 15+)	35%	95,9%	0,0%	51,3%	4,8%	11,9%
Used the Internet to pay bills or buy things (% age 15+)	10%	79,0%	0,0%	20,1%	0,9%	2,8%
Paid utility bills: using an account at a financial institution (% paying utility bills, age 15+)	10%	98,2%	0,0%	37,7%	1,0%	1,7%
Received wages: into an account at a financial institution (% wage recipients, age 15+)	10%	99,0%	2,1%	71,6%	29,1%	40,6%

Countries: 140

LAC Countries: 18



GLOBAL FINDEX (2014)

Results for Peru

Variable	World Ranking	LAC Ranking
Acces Index	93	16
Use Index	80	13
Weighted Average Index	90	16

- Both indexes show that Peru, relative to the rest of the world, is less advanced on access than use.
- This means that we have to work on finding ways to facilitate people to open bank accounts or electronic money accounts first and then to use them to make payments.
- Further work on a payment's index may be useful to policy makers in order to highlight specific problems in the payments market.



IV. DIGITAL PAYMENTS AND FINANCIAL INCLUSION



DIGITAL PAYMENTS AVOID COSTS AND RISKS OF CASH

Costs of cash

- Supply
- Transportation
- Storage
- Management
- Tax evasion

Risks of cash

- Fraud
- Theft



DIGITAL PAYMENTS FOSTER EFFICIENCY AND FINANCIAL INCLUSION

Safety:
Regulated
payment
systems based
on accounts.

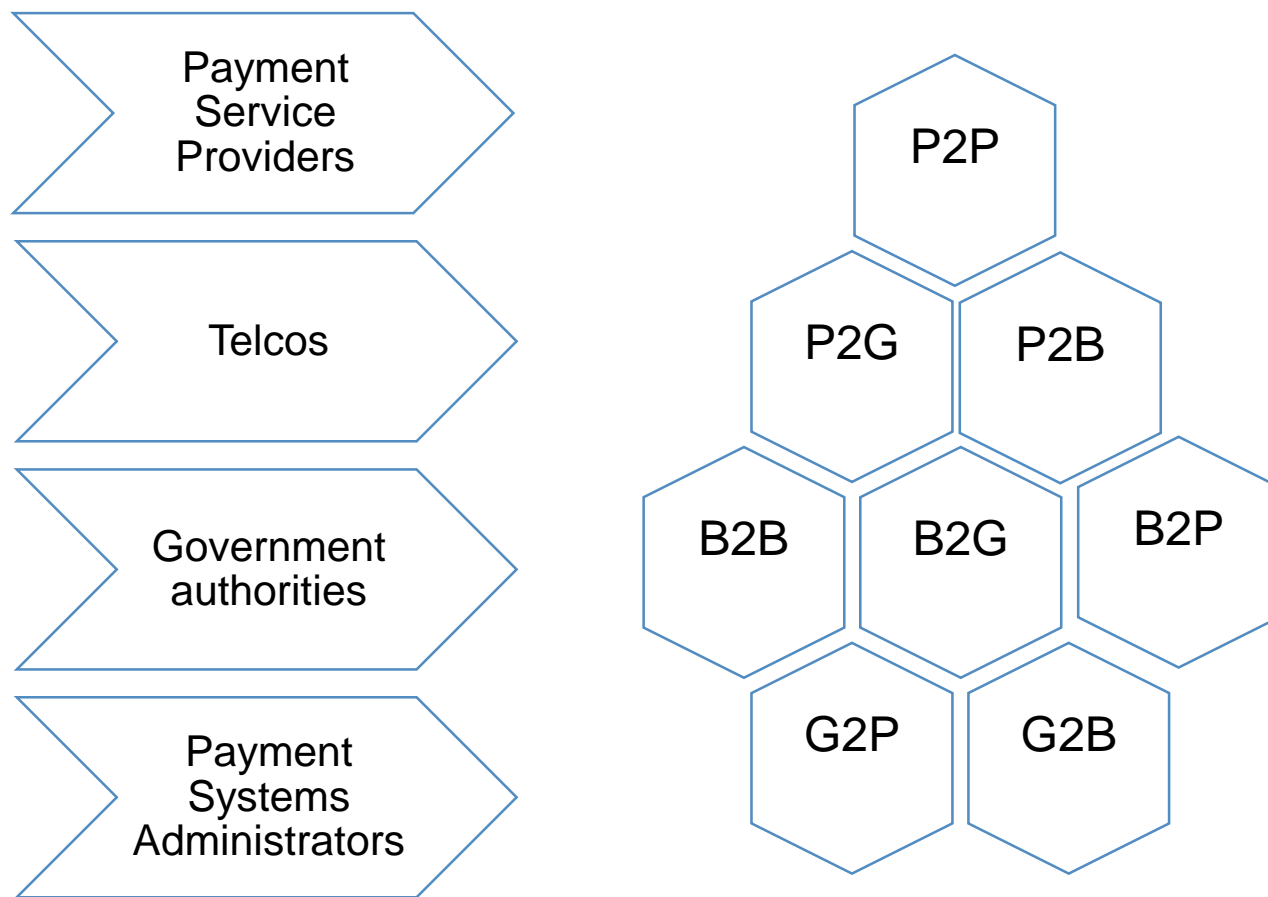
Promotes the opening
of accounts.

Efficiency:
Real time
payments and
remote payments

Starting point to access
other financial services
such as savings.



THE ECOSYSTEM FOR DIGITAL PAYMENTS INVOLVES MANY STAKEHOLDERS



The lack of an enabling ecosystem is the main factor behind the low access and use of existing electronic payment instruments.



FINANCIAL INCLUSION STRATEGY

FINANCIAL INCLUSION STRATEGY (FIS)

To promote access and responsible use of financial services that are designed according to the needs of the population.

Key Area: Digital Payments

To promote and develop channels and digital payment instruments in order to support financial inclusion.

Working Group on Digital Payments (GTT-PAGOS)

The leader is the Central Bank of Peru, who articulates the efforts of public and private entities to promote a proper ecosystem for electronic payments.



FIS: KEY AREA ON DIGITAL PAYMENTS

"Promoting the development of channels and retail payment digital instruments."

- Expand the communications network to give access to digital payments.
- Strengthen the regulatory framework for electronic payments.
- Promote the supply and use of electronic payment instruments.
- Increase government electronic payments.
- Foster more efficient, safer and faster payments.
- Improve transparency.



BCRP'S RECENT ACTIONS ON DIGITAL PAYMENTS

Regulation and Innovation

Regulation on Faster Payment like services at the ACH (Circular N° 035-2015-BCRP).

Safety

Certification on Information Security for Interbank Transfers in the RTGS.

Government payments

Better Than Cash Alliance (BTCA) and the Inter-American Development Bank (IDB) are working on studies for the Ministry of Finance, in coordination with BCRP.

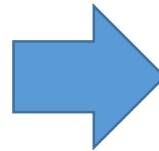
Coordination

Working Group on Digital Payments: identification of barriers and actions to digitize payments.

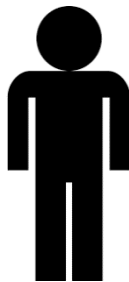


PRIVATE SECTOR: MODELO PERU

Unique example in the world of cooperation between electronic money issuers, mainly financial firms, to implement an interoperable platform that provides processing and clearing services of transfer instructions.



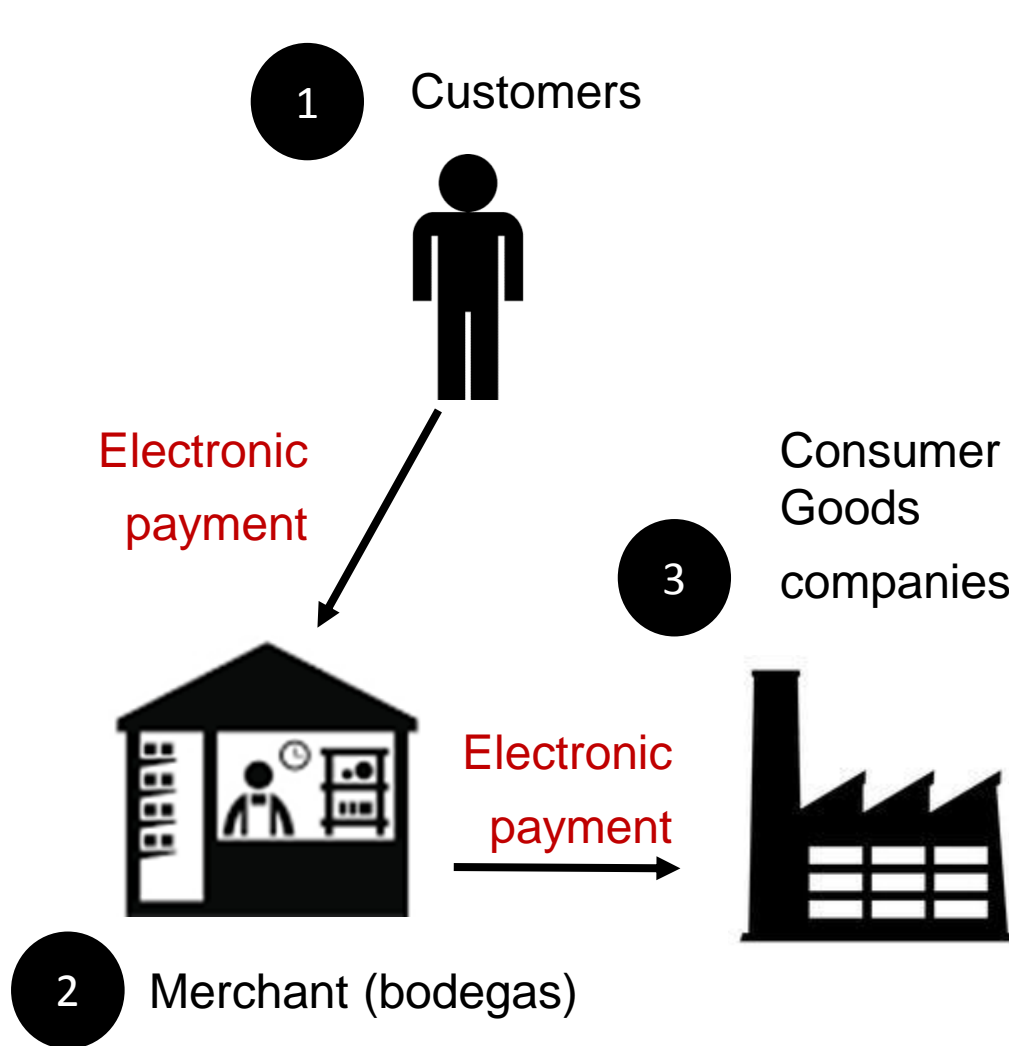
- Banks
- Non Banks
- Electronic money issuers



- Cash in
- Cash out
- Transfer P2P
- Cellphone Recharge



PRIVATE SECTOR: B2B



Consumer Goods
Companies are exposed
directly or indirectly to cash
management problems

- * High costs associated with management and transportation of cash
- * Risk of fraud and theft



Companies are implementing
measures to foster electronic
payments by the merchants.



CONCLUDING REMARKS

- Solid macroeconomic foundations has been crucial for the development of payment systems in Peru, as well as a strong regulatory framework that fosters safety, efficiency and innovation.
- Peru has a diversified payments infrastructure that includes many instruments and channels, but cash is still used to make most of retail payments. So it is important to foster digital payments in order to increase efficiency and safety and reach non financially served population.
- In that sense, access and use problems of digital payments are better addressed with a Financial Inclusion Strategy, which applies an holistic approach that involves private and public sector stakeholders under the common objective of fostering access and use of financial services designed to attend the needs of the population.
- The recent implementation of an interoperable E-money mobile platform and other payment innovations and initiatives coming from the Working Group on Digital Payments will have a positive and far-reaching impact on access and usage of well-conceived digital payments services in Peru.



Banco Central de Reserva
THANKS



BANCO CENTRAL DE RESERVA DEL PERÚ