FINANCIAL INCLUSION
REPORT

20
20

FINANCIAL INCLUSION
REPORT **2020**

FINANCIAL SUPERINTENDENCE OF COLOMBIA

Jorge Castaño, Financial Superintendent of Colombia
Juliana Lagos, Director of Research and Development
Mariana Escobar Uribe, Chief Sustainable Finance Officer

TECHNICAL TEAM

Oscar Martínez, Advisor
Juan Oswaldo Manrique Camargo, Advisor
Kelly Granados, Analyst

BANCA DE LAS OPORTUNIDADES
Freddy H. Castro B, Director

TECHNICAL TEAM
Economic Analysis Unit
Daniela Londoño Avellaneda, Chief Analyst
Federico Medina Cifuentes, Analyst
Alvaro Parga, Analyst
Camilo Peña, Analyst
Juan Guillermo Valderrama, Analyst

.Punt₀aparte

Abreviations

CD	Certificate of deposit
CPI	Consumer Price Index
DANE	National Department of Statistics
FIR	Financial Inclusion Report
NGO	Non-governmental organization
NDP	National Development Plan
RUES	Unified Commercial and Social Registry
SEDPE	Specialized Electronic Payment Processing Company
SES	Superintendence of Solidarity Economy
SFC	Financial Superintendence of Colombia
SMMLV	Current monthly minimum wage
URF	Unit for Financial Regulation

Introduction

The Financial Superintendence of Colombia (SFC, as per its Spanish acronym) and Banca de las Oportunidades are pleased to present the tenth annual Financial Inclusion Report. **This report aims to assess the status of inclusion in terms of access to and usage of financial products based on information gathered from data about financial products.** In this way, we can continue developing knowledge and metrics that can be used to strengthen public policies, regulation, and financial supervision.

In 2020, the COVID-19 pandemic impacted every country in the world, and Colombia was no exception. For this reason, it is currently facing one of the most complex social, health, and economic crises in its history. In response to this situation, the national government designed and implemented the Ingreso Solidario (Solidarity Income) cash transfer and VAT compensation programs, which facilitated access to financial deposit products for the traditionally excluded population. Addi-

tionally, through the Debtor Support Program, financial consumers were able to redefine the conditions of their loans based on their current income and payment capacity. Furthermore, in response to this situation and the isolation measures that were implemented, many people opened or began to make greater use of their financial products, with a particular focus on using digital channels.

These factors contributed to 32 million Colombian adults having some financial product at the end of 2020. As such, the access indicator reached 87.8%, surpassing the National Development Plan's goal of 85% two years ahead of schedule. Likewise, around 1.9 million debtors redefined their loan conditions, equivalent to $34.6 trillion pesos, which helped offset the decline observed in the financial system portfolio in 2020. Additionally, financial operations done on digital platforms grew substantially. In fact, the number of online transactions increased by 66.3% in the last year, showing more growth than in previous years. Although these achievements are significant, challenges still persist, including closing gaps in access to products by the rural population, youth, and adults over 65 years of age, promoting financial consumers' habitual use of these products, and strengthening financial infrastructures in order to increase interoperability and competition between providers.

As a result, the National Economic and Social Policy Council formulated the new national policy for financial inclusion and education—CONPES 4005—in September 2020. It describes the strategies and action plans to continue integrating financial services into citizens' and micro, small, and medium-sized enterprises' (MSMEs) daily activities, meeting their needs, and creating economic opportunities to contribute to Colombia's growth and financial inclusion.

Likewise, in order to continue providing an adequate regulatory environment to improve financial inclusion, the national government issued decrees 222 and 1692 in 2020. The first allows for the operation of mobile and digital correspondents, expanding the conditions under which the service can be provided, and categorizing simplified savings products as small-balance deposit products. The second enables new competitors to enter the low-value payment system and establishes the conditions under which the entities that manage them must operate, thus promoting interoperability and transparency in rate setting schemes.

The 2020 report follows a similar structure to the 2019 report for easier reading. The document is divided into six sections. The first chapter presents the main inclusion figures, including the access and usage indicators' recent performance. The remaining chapters detail our analysis of the main trends and developments in the financial system, including trends in the financial inclusion of women, of various age groups, and in rural areas, the recent dynamics of financial system coverage and transactions, and the current state of the inclusive insurance offer. The data reported by the entities overseen by the Financial Superintendence of Colombia, the Superintendence of Solidarity Economy, TransUnion, the National Planning Department, the Ministry of Trade, Industry, and Tourism—as well as figures from the 2018 Population and Housing Census carried out by DANE (National Department of Statistics)—were used. In order to facilitate the general public's access to information, the databases used to create each chapter of this report can be found on the Financial Superintendence and Banca de las Oportunidades websites.

We would like to thank the team at the Financial Superintendence of Colombia for their efforts and dedication in preparing this report: Mariana Escobar, Juan Manrique, Oscar Martínez, and Kelly Granados. We would also like to thank the Banca de las Oportunidades team: Daniela Londoño, Federico Medina, Camilo Peña, Juan Guillermo Valderrama, and Álvaro Parga.

Jorge Castaño Gutierrez
Financial Superintendent of Colombia

Freddy Castro
Banca de las Oportunidades Director

Table of **contents**

Colombia
in figures

BANCA DE LAS
OPORTUNIDADES

sfc
Superintendencia Financiera
de Colombia

RIF **2020**

National total

Area

1,141,246 km²

Adult population

36,418,910

Financial presence
(physical locations per 10,000 adults)

Correspondents **63.8**	Self-operated correspondents **7.8**	Branches **2.0**
Active correspondents **43.7**	Outsourced correspondents **55.9**	POS terminals **187.9**

Percentage of adults with products

A. General		B. Gender		C. Age groups	
Total	87.8 %	Men	90.5 %	18-25*	81.2 %
Deposit products	85.7 %	Women	84.5 %	26-40	85.0 %
				41-65	94.4 %
				>65	80.2 %

Percentage adults with active products, by product type

Total	72.6 %	Credit products	35.1 %	Small-balance deposit products	34.7 %
Deposit products	68.4 %	Savings accounts	49.3 %	Savings accounts per adult	**1.9**

Credit disbursements

A. Microcredit	B. Consumer credit	C. Housing loans
Number per 10,000 adults **411.9**	Number per 10,000 adults **29,401**	Number per 10,000 adults **46.8**
Average amount (millions of pesos) **5.5**	Average amount (millions of pesos) **0.9**	Average amount (millions of pesos) **110.4**

Caribbean Region

Area

132,288 km²

Adult population

7,760,288

Financial presence
(physical locations per
10,000 adults)

Correspondents	Self-operated correspondents	Branches
44.0	**4.9**	**1.3**

Active correspondents	Outsourced correspondents
32.6	**39.1**

**Percentage of adults
with products**

A. General

| Total | 75.3 % |
| Deposit products | 73.1 % |

B. Gender

| Men | 76.0 % |
| Women | 74.1 % |

C. Age groups

18-25	54.1 %
26-40	77.4 %
41-65	87.0 %
>65	68.8 %

**Percentage adults
with active products,
by product type**

| Total | 60.5 % | Credit products | 25.0 % | Small-balance deposit products | 35.3 % |
| Deposit products | 56.9 % | Savings accounts | 34.6 % | Savings accounts per adult | **1.3** |
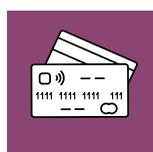
Credit disbursements

A. Microcredit

Number per 10,000 adults
360.5

Average amount (millions of pesos)
4.0

B. Consumer credit

Number per 10,000 adults
12,637

Average amount (millions of pesos)
1.2

C. Housing loans

Number per 10,000 adults
27.3

Average amount (millions of pesos)
97.7

East Central Region

Area

99,594 km²

Adult population

12,140,656

Financial presence
(physical locations per
10,000 adults)

Correspondents
82.7

Self-operated correspondents
9.8

Branches
2.3

Active correspondents
54.6

Outsourced correspondents
72.9

**Percentage of adults
with products**

A. General

Total	95.7 %
Deposit products	94.2 %

B. Gender

Men	99.3 %
Women	91.5 %

C. Age groups

18-25*	
26-40	88.0 %
41-65	99.9 %
>65	89.6 %

*These figures are under review.

**Percentage adults
with active products,
by product type**

Total	81.4 %	Credit products	43.3 %	Small-balance deposit products	39.1 %
Deposit products	76.9 %	Savings accounts	58.6 %	Savings accounts per adult	**2.5**

Credit disbursements

A. Microcredit

Number per 10,000 adults
341.3

Average amount (millions of pesos)
6.5

B. Consumer credit

Number per 10,000 adults
64,150

Average amount (millions of pesos)
0.6

C. Housing loans

Number per 10,000 adults
62.4

Average amount (millions of pesos)
125.1

South Central Region

Area

266,967 km²

Adult population

2,298,186

Financial presence
(physical locations per 10,000 adults)

Correspondents	Self-operated correspondents	Branches
71.5	**11.5**	**2.4**
Active correspondents	Outsourced correspondents	
47.9	**59.8**	

Percentage of adults with products

A. General		B. Gender		C. Age groups	
Total	86.1 %	Men	88.9 %	18-25	63.6 %
Deposit products	83.6 %	Women	83.0 %	26-40	91.7 %
				41-65	95.3 %
				>65	78.0 %

Percentage adults with active products, by product type

Total	70.6 %	Credit products	35.6 %	Small-balance deposit products	34.6 %
Deposit products	65.3 %	Savings accounts	45.0 %	Savings accounts per adult	**2.0**

Credit disbursements

A. Microcredit	B. Consumer credit	C. Housing loans
Number per 10,000 adults	Number per 10,000 adults	Number per 10,000 adults
873.2	**8,079**	**40.3**
Average amount (millions of pesos)	Average amount (millions of pesos)	Average amount (millions of pesos)
4.9	**2.6**	**78.7**

Eje Cafetero Region

Area

77,485 km²

Adult population

6,963,179

Financial presence
(physical locations per
10,000 adults)

Correspondents
54.9

Self-operated correspondents
7.2

Branches
2.3

Active correspondents
37.4

Outsourced correspondents
47.5

**Percentage of adults
with products**

A. General

Total **94.7 %**

Deposit products **92.4 %**

B. Gender

Men **98.0 %**

Women **90.1 %**

C. Age groups

18-25*
26-40 **87.5 %**
41-65 **94.1 %**
>65 **80.0 %**

*These figures are under review.

**Percentage adults
with active products,
by product type**

Total **79.1 %**

Deposit products **75.4 %**

Credit products **35.1 %**

Savings accounts **55.8 %**

Small-balance deposit products **33.4 %**

Savings accounts per adult **1.9**

Credit disbursements

A. Microcredit

Number per 10,000 adults
328.8

Average amount (millions of pesos)
6.0

B. Consumer credit

Number per 10,000 adults
14,907

Average amount (millions of pesos)
2.0

C. Housing loans

Number per 10,000 adults
50.5

Average amount (millions of pesos)
117.0

Llano Region

Area

434,168 km^2

Adult population

1,403,414

Financial presence
(physical locations per 10,000 adults)

Correspondents	Self-operated correspondents	Branches
72.7	**10.3**	**2.0**

Active correspondents	Outsourced correspondents
53.2	**62.2**

Percentage of adults with products

A. General		B. Gender		C. Age groups	
Total	80.2 %	Men	83.1 %	18-25	61.9 %
Deposit products	78.9 %	Women	76.7 %	26-40	81.2 %
				41-65	90.3 %
				>65	76.1 %

Percentage adults with active products, by product type

Total	66.0 %	Credit products	30.2 %	Small-balance deposit products	34.5 %
Deposit products	62.6 %	Savings accounts	43.5 %	Savings accounts per adult	**1.8**

Credit disbursements

A. Microcredit	B. Consumer credit	C. Housing loans
Number per 10,000 adults	Number per 10,000 adults	Number per 10,000 adults
501.5	**7,550**	**21.5**
Average amount (millions of pesos)	Average amount (millions of pesos)	Average amount (millions of pesos)
6.2	**2.5**	**93.5**

Pacific Region

Area

131,246 km²

Adult population

5,853,187

Financial presence
(physical locations per
10,000 adults)

Correspondents
56.0

Self-operated correspondents
6.3

Branches
1.8

Active correspondents
39.2

Outsourced correspondents
49.7

**Percentage of adults
with products**

A. General

Total	81.3 %
Deposit products	78.9 %

B. Gender

Men	84.3 %
Women	78.3 %

C. Age groups

18-25	58.2 %
26-40	83.6 %
41-65	92.3 %
>65	76.2 %

**Percentage adults
with active products,
by product type**

Total	64.3 %
Deposit products	59.6 %

Credit products	32.5 %
Savings accounts	44.7 %

Small-balance deposit products	26.0 %
Savings accounts per adult	**1.7**

Credit disbursements

A. Microcredit

Number per 10,000 adults
522.9

Average amount (millions of pesos)
5.5

B. Consumer credit

Number per 10,000 adults
10,404

Average amount (millions of pesos)
2.0
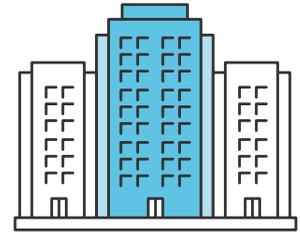
C. Housing loans

Number per 10,000 adults
44.5

Average amount (millions of pesos)
82.4

Cities and urban agglomerations

Levels of rurality:

Area

73,558 km²

Adult population

24,415,351

Financial presence
(physical locations per 10,000 adults)

Correspondents	Self-operated correspondents	Branches
69.7	**7.6**	**2.1**
Active correspondents	Outsourced correspondents	
47.2	**62.0**	

Percentage of adults with products

A. General

Total	96.4 %
Deposit products	94.4 %

B. Gender

Men	
Women	91.4 %

C. Age groups

18-25	99.7 %
26-40	88.7 %
41-65*	
>65	90.3 %

*These figures are under review.

Percentage adults with active products, by product type

Total	80.7 %	Credit products	40.7 %	Small-balance deposit products	37.1 %
Deposit products	76.3 %	Savings accounts	57.5 %	Savings accounts per adult	**2.4**

Credit disbursements

A. Microcredit	B. Consumer credit	C. Housing loans
Number per 10,000 adults	Number per 10,000 adults	Number per 10,000 adults
360.1	**42,908**	**65.1**
Average amount (millions of pesos)	Average amount (millions of pesos)	Average amount (millions of pesos)
5.7	**0.9**	**112.8**

Medium-sized municipalities

Levels of rurality

Area

108,099 km^2

Adult population

6,051,197

Financial presence
(physical locations per 10,000 adults)

Correspondents	Self-operated correspondents	Branches
54.2	**8.4**	**2.1**

Active correspondents	Outsourced correspondents	
39.0	**45.6**	

Percentage of adults with products

A. General

Total	75.5 %
Deposit products	73.2 %

B. Gender

Men	76.8 %
Women	73.9 %

C. Age groups

18-25*	54.2 %
26-40	82.0 %
41-65	84.3 %
>65	64.6 %

Percentage adults with active products, by product type

Total	60.8 %	Credit products	25.7 %	Small-balance deposit products	31.8 %
Deposit products	56.7 %	Savings accounts	36.3 %	Savings accounts per adult	**1.2**

Credit disbursements

A. Microcredit	B. Consumer credit	C. Housing loans
Number per 10,000 adults	Number per 10,000 adults	Number per 10,000 adults
642.6	**3,223**	**16.7**
Average amount (millions of pesos)	Average amount (millions of pesos)	Average amount (millions of pesos)
4.8	**42.6**	**76.6**

Rural

Levels of rurality

Area

224,027 km²

Adult population

3,650,384

Financial presence
(physical locations per
10,000 adults)

Correspondents
51.9

Self-operated correspondents
8.5

Branches
1.7

Active correspondents
36.0

Outsourced correspondents
43.2

**Percentage of adults
with products**

A. General		B. Gender		C. Age groups	
Total	69.0 %	Men	69.8 %	18-25*	42.1 %
Deposit products	67.0 %	Women	68.1 %	26-40	76.5 %
				41-65	79.9 %
				>65	61.0 %

**Percentage adults
with active products,
by product type**

Total	54.9 %	Credit products	22.9 %	Small-balance deposit products	29.9 %
Deposit products	50.9 %	Savings accounts	30.8 %	Savings accounts per adult	0.6

Credit disbursements

A. Microcredit

Number per 10,000 adults
417.1

Average amount (millions of pesos)
5.8

B. Consumer credit

Number per 10,000 adults
735

Average amount (millions of pesos)
4.6

C. Housing loans

Number per 10,000 adults
3.3

Average amount (millions of pesos)
82.3

Dispersed rural

Levels of rurality

Area

736,064 km²

Adult population

2,301,978

Financial presence
(physical locations per
10,000 adults)

Correspondents
44.7

Self-operated correspondents
7.1

Branches
1.4

Active correspondents
30.4

Outsourced correspondents
37.5

**Percentage of adults
with products**

A. General

Total	56.8 %
Deposit products	55.3 %

B. Gender

Men	56.3 %
Women	57.2 %

C. Age groups

18-25*	30.3 %
26-40	62.6 %
41-65	68.7 %
>65	52.7 %

**Percentage adults
with active products,
by product type**

Total 44.5 %

Deposit products 40.9 %

Credit products 18.9 %

Savings accounts 25.0 %

Small-balance deposit products 23.8 %

Savings accounts per adult **0.5**

Credit disbursements

A. Microcredit

Number per 10,000 adults
346.8

Average amount (millions of pesos)
6.7

B. Consumer credit

Number per 10,000 adults
411

Average amount (millions of pesos)
3.6

C. Housing loans

Number per 10,000 adults
1.1

Average amount (millions of pesos)
80.3

01

Financial product access and usage
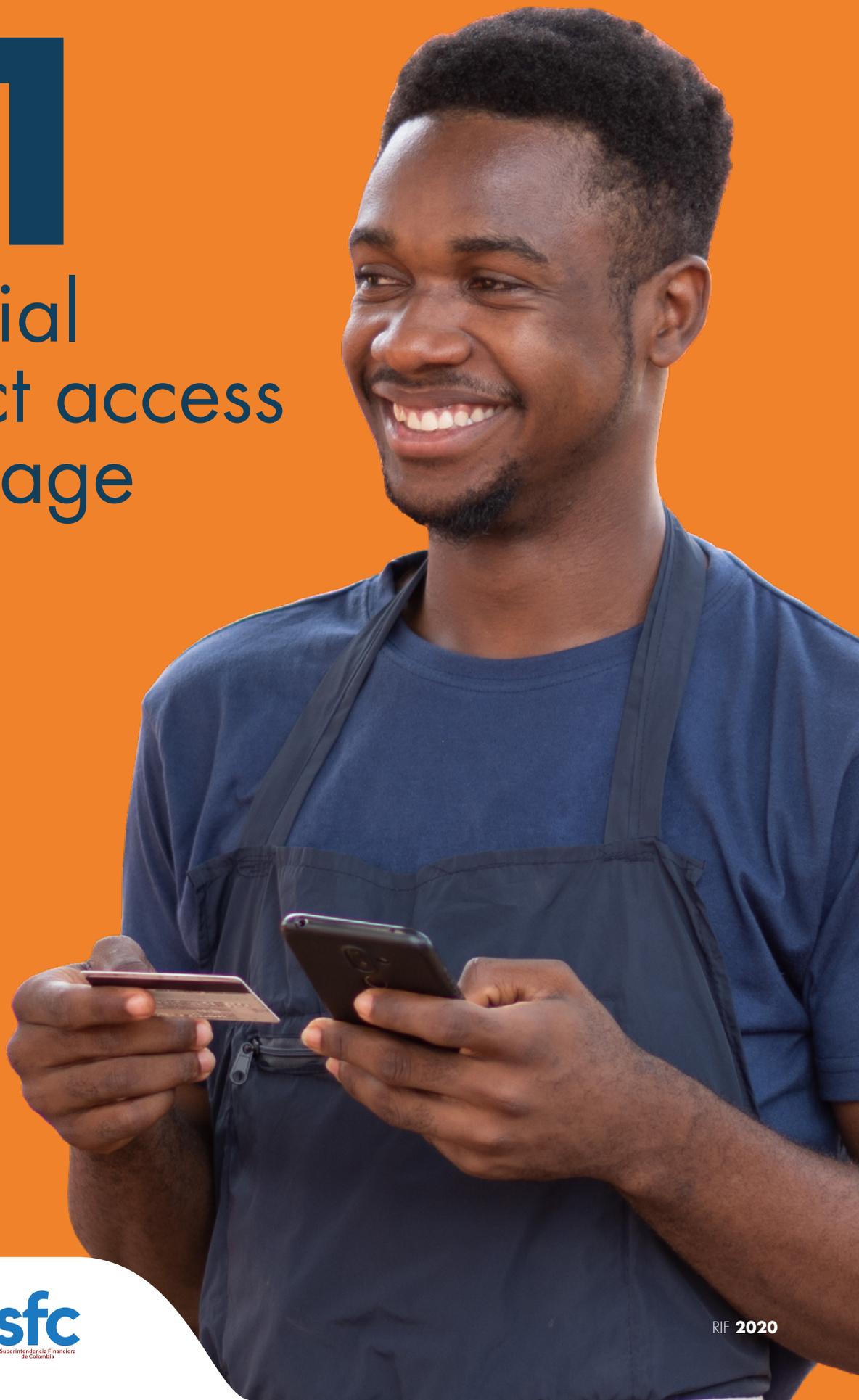
This chapter will describe the main findings regarding the access to and usage of deposit and credit products in Colombia throughout 2020. The main financial inclusion indicators showed an upward trend, reaffirming the trajectory observed over the last decade. However, there are still clear disparities at the departmental and regional levels regarding access to and usage of financial products. This aspect must be taken into account when formulating and targeting public policies in this area. **The main results of this analysis are detailed below.**

1.1 Main results

Natural persons

The **access indicator** for financial products had a positive trend over the last year. In fact, the percentage of adults who had at least one product rose from

82.5 %
at the end of 2019 to

87.8 %
in the same period of 2020

an increase of 5.3 percentage points (pp).

Last year

2.6 million

Colombians acquired financial **products for the first time** al cierre de 2020.Thus
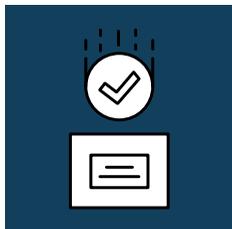
32.0 million

adults had a financial system product at the end of 2020.

In terms of usage, a similar trend was found. The number of **adults with at least one active product** rose from 23.5 million to 26.4 million between 2019 and 2020, leading the product usage indicator to increase from

66.0 %
to 72.6 %

Deposit products played a fundamental role in the access indicator's growth.

At the end of 2020,

85.7 %

of the adult population had at least one bank liability product—an increase of 6.4 pp compared to the previous year.

Digital deposit products were the products with the best performance last year. In this regard, the percentage of adults with simplified savings accounts rose from

9.3 % to 22.3 %

Likewise, the percentage of adults who had an electronic deposit product increased from 17.0% to 31.9%.

The **savings account** continues to be the product with the highest penetration among Colombians. In December 2020, 27.9 million adults had at least one such account, corresponding to

76.7 %

of Colombia's adult population

However, this product continues to have a high level of inactivity.

Regarding credit products, **credit cards**

22.2 %

and **consumer credit**

18.8 %

continued to be the most common among Colombians.

However, the penetration of these products fell by about 1 pp in the last year. A similar trend
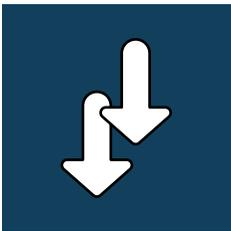
6.5 %
of Colombian adults

was observed for **microcredit;** had this product in December 2020—a decrease of 0.6 pp compared to December 2019.

An analysis of the disbursements made by financial entities showed that the **number of credits disbursed** per 100,000 adults decreased for all credit types between 2019 and 2020.

Legal entities

At the end of 2020, 925,255 **legal entities had a financial product**—14,427 less

1.5 %

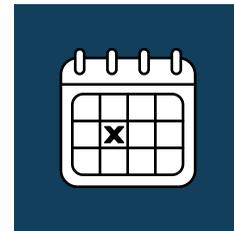**decrease than the figure from the same period of 2019.**

The **savings account** was the most accessed product by this type of entity (639,839), followed by the checking account (491,360). However, an analysis showed that the percentage of legal entities that used their **checking account**

91.0 %

significantly exceeded that of the **savings account**

45.0 %

In terms of **credit,** as in the case of natural persons, the number of legal entities that had at least one bank asset product also decreased. In fact, this figure decreased from 286,192 to

284,206

in the last year.

1.2 Descriptive statistics

Access to and usage of financial products and services by adults

National

The access indicator—calculated as the number of adults with at least one financial product divided by the total size of the adult population—reached 87.8% in December 2020.[1] This figure is higher than the 82.5% observed in December 2019, continuing the indicator's upward trend over the last ten years and surpassing the National Development Plan's goal of 85% (Graph 1.1). Thus, 32 million Colombian adults had at least one financial product at the end of 2020.

Graph 1.1. Evolution of the access indicator (2010-2020)[2]

Access indicator
Usage indicator
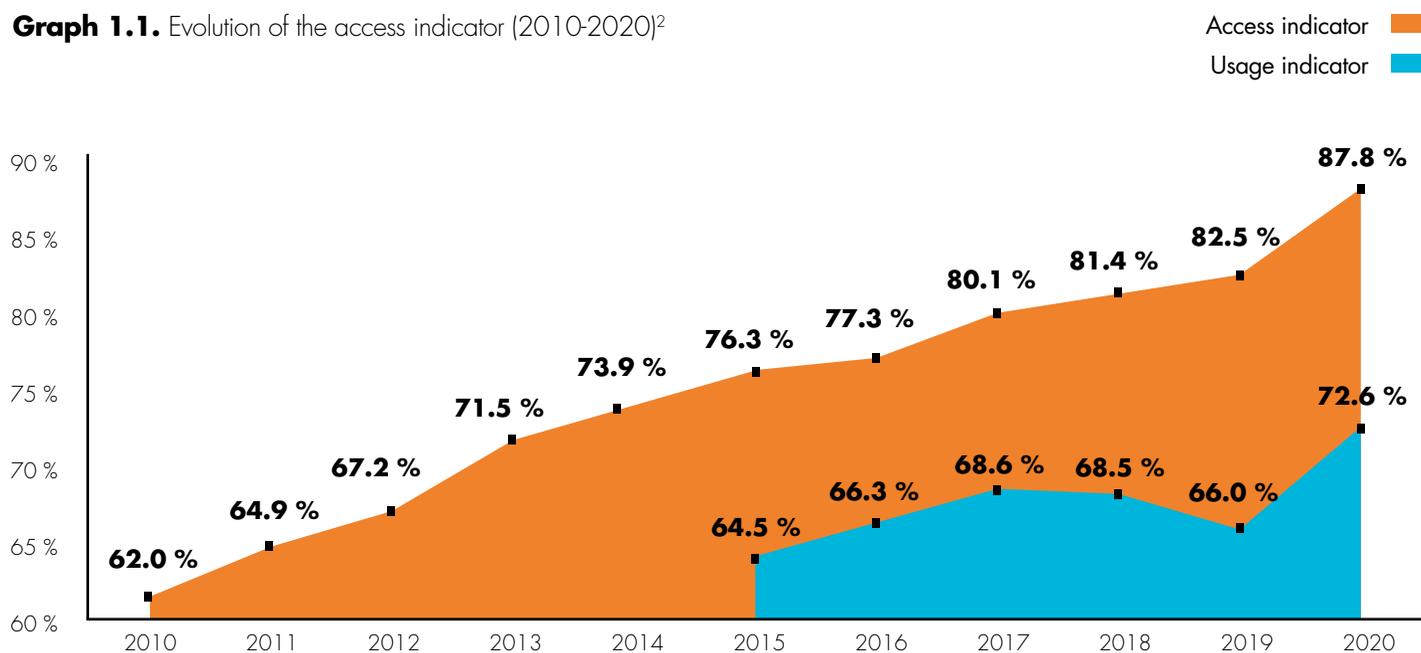
Source: Financial Inclusion Report (FIR) team with data from TransUnion and DANE.

1. The number of adults with a product is measured by the number of identification cards tied to a financial product. This indicator considers three types of entities: credit institutions overseen by the Financial Superintendence of Colombia, financial credit unions overseen by the Superintendence of Solidarity Economy, and microfinance NGOs.

2. Since 2019, the calculation of the number of adults with credit does not take into account people with written-off loans. This exclusion led to differences in the form of measurement, which affected the results compared to past periods. In addition, some entities' reports were processed and screened, which allowed the loans' validity to be recorded more accurately.

Similarly, the usage indicator—calculated as the number of adults with an active financial product divided by the size of the adult population—grew significantly between 2019 and 2020[3]. In fact, at the end of 2020, 72.6% of Colombia's adults had at least one active financial product—an increase of 6.6 pp compared to the same period in 2019—surpassing the 70% mark after a few years of stagnation that reported figures ranging from 66%-69%. Similarly, the number of adults with at least one active product reached 26.4 million (Graph 1.2).

Ingreso Solidario (Solidarity Income) and VAT compensation—national government cash transfer programs—played a key role in the progress observed in the financial product access and usage indicators. As of June 2020, more than 730,000 beneficiaries activated their products or opened one for the first time. At the same time, in response to the COVID-19 crisis, many people began to open or make greater use of their financial products.

Graph 1.2. Number of adults with at least one active product
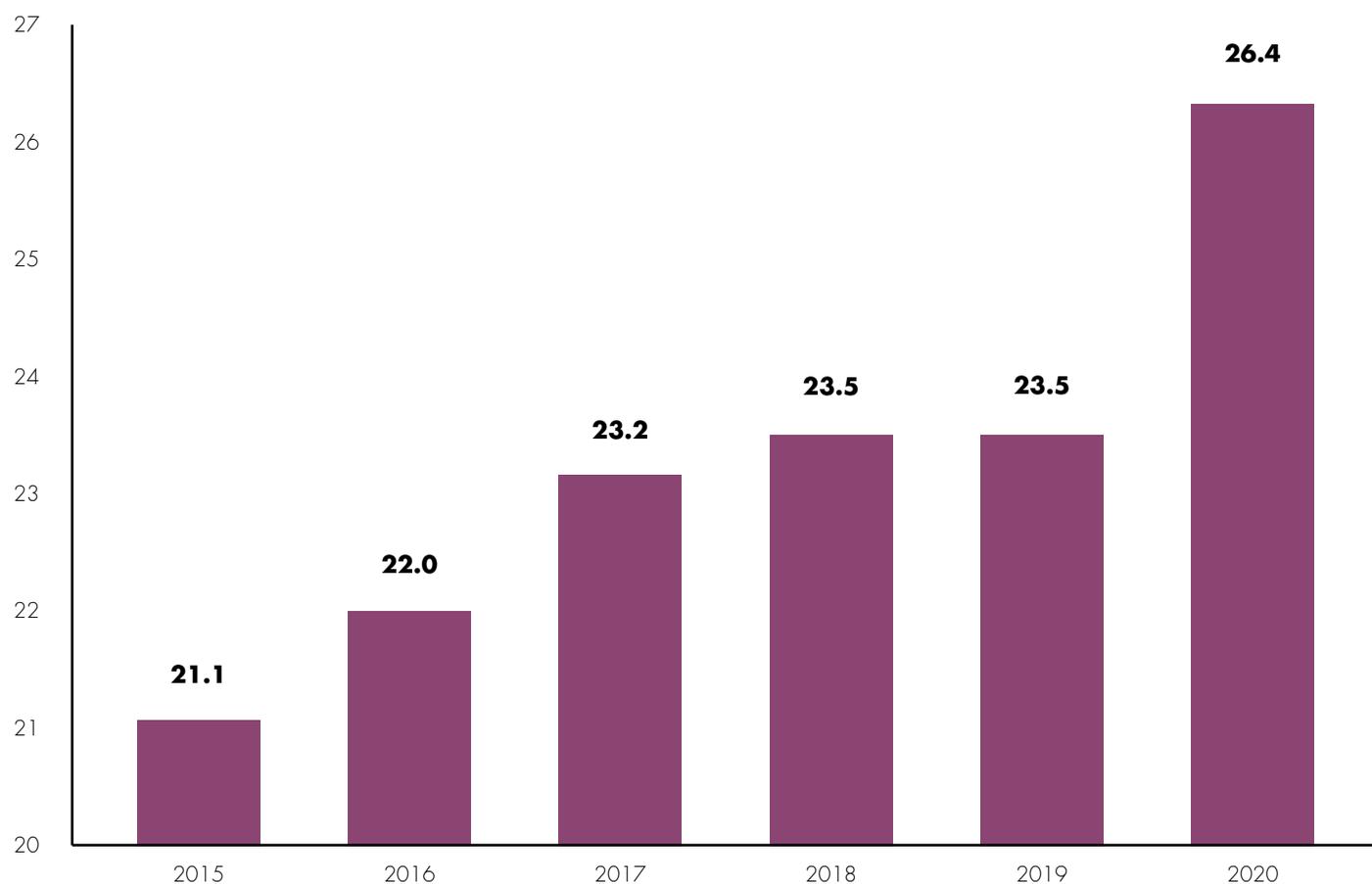
Source: FIR team with data from TransUnion and DANE.

3. A deposit product is considered active when at least one transaction has taken place in the last six months. A credit product is active when the debt is still pending.

Regional

At the regional level, progress was made over the last year in terms of access and usage indicators. However, the results are varied and show that certain areas of Colombia are lagging behind. For example, the Caribbean (75.3%), Llano (80.2%), and Pacific (81.3%) regions showed access indicators below 82%, thus falling below the national average (87.8%). On the other hand, the East Central (95.7%) and the Eje Cafetero (94.7%) regions showed figures that exceeded the average by more than 6 pp (Table 1.1).

Results were similar for the usage indicator; the Caribbean region recorded the lowest figure (60.5%), while the East Central region had the highest (81.4%).

Table 1.1. Access and usage indicators, by region

Región	Dec-19		Dec-20	
	Access	**Usage**	**Access**	**Usage**
Caribbean	70.4 %	53.7 %	75.3 %	60.5 %
East Central	91.1 %	74.8 %	95.7 %	81.4 %
South Central	82.4 %	65.7 %	86.1 %	70.6 %
Eje Cafetero	85.8 %	70.1 %	94.7 %	79.1 %
Llano	78.4 %	61.6 %	80.2 %	66.0 %
Pacific	77.1 %	60.0 %	81.3 %	64.3 %
Grand Total	82.5 %	66.0 %	87.8 %	72.6 %

Source: FIR team with data from TransUnion and DANE.

Departamental

By departments, Bogotá, Antioquia, Huila, and Valle recorded the highest access indicators in 2020, with percentages surpassing 94%. In contrast, Vaupés and Vichada recorded the lowest values in this indicator, with figures below 35.0% (Map 1.1).

Map 1.1. Access indicator by department, 2020

Access
1 (27.5 % - 67.6 %)
2 (67.6 % - 74.8 %)
3 (74.8 % - 80.4 %)
4 (80.4 % - 88.2 %)
5 (88.2 % - 99.0 %)

Source: FIR team with data from TransUnion and DANE.

Similar results were reported for the usage indicator, with the Andean region's departments showing the best results, while those in the eastern and southeastern parts of Colombia recorded the worst performances (Map 1.2).
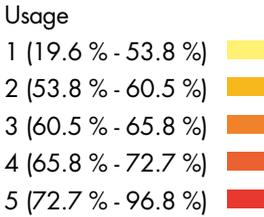
Map 1.2. Usage indicator by department, 2020

Usage

1 (19.6 % - 53.8 %)
2 (53.8 % - 60.5 %)
3 (60.5 % - 65.8 %)
4 (65.8 % - 72.7 %)
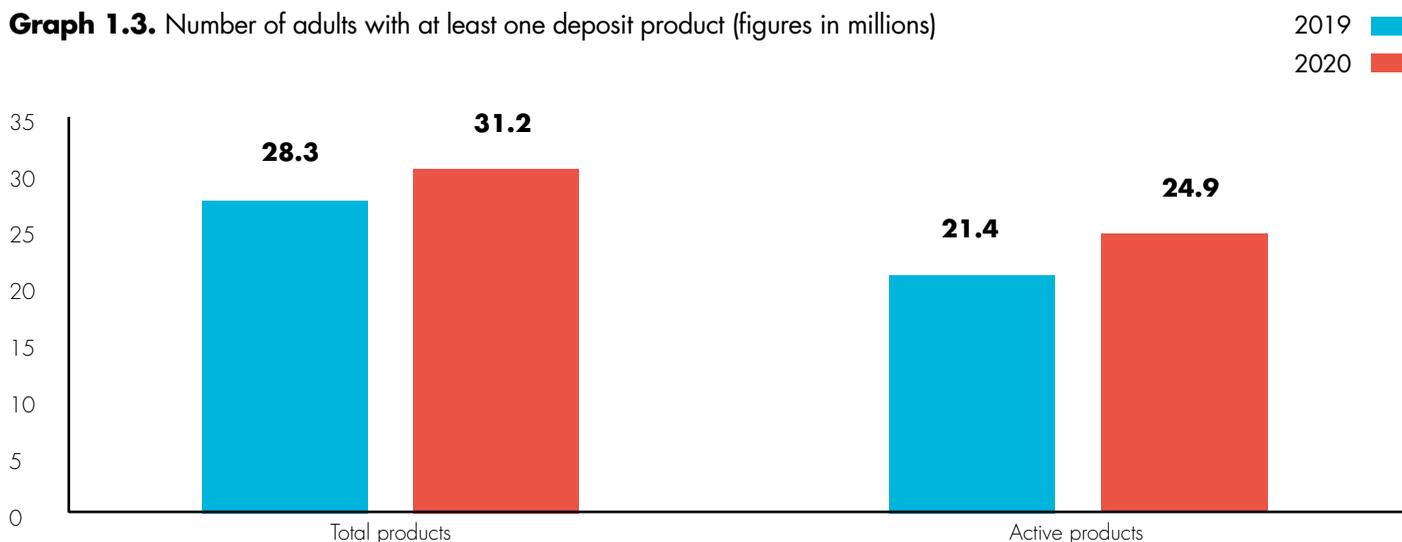5 (72.7 % - 96.8 %)
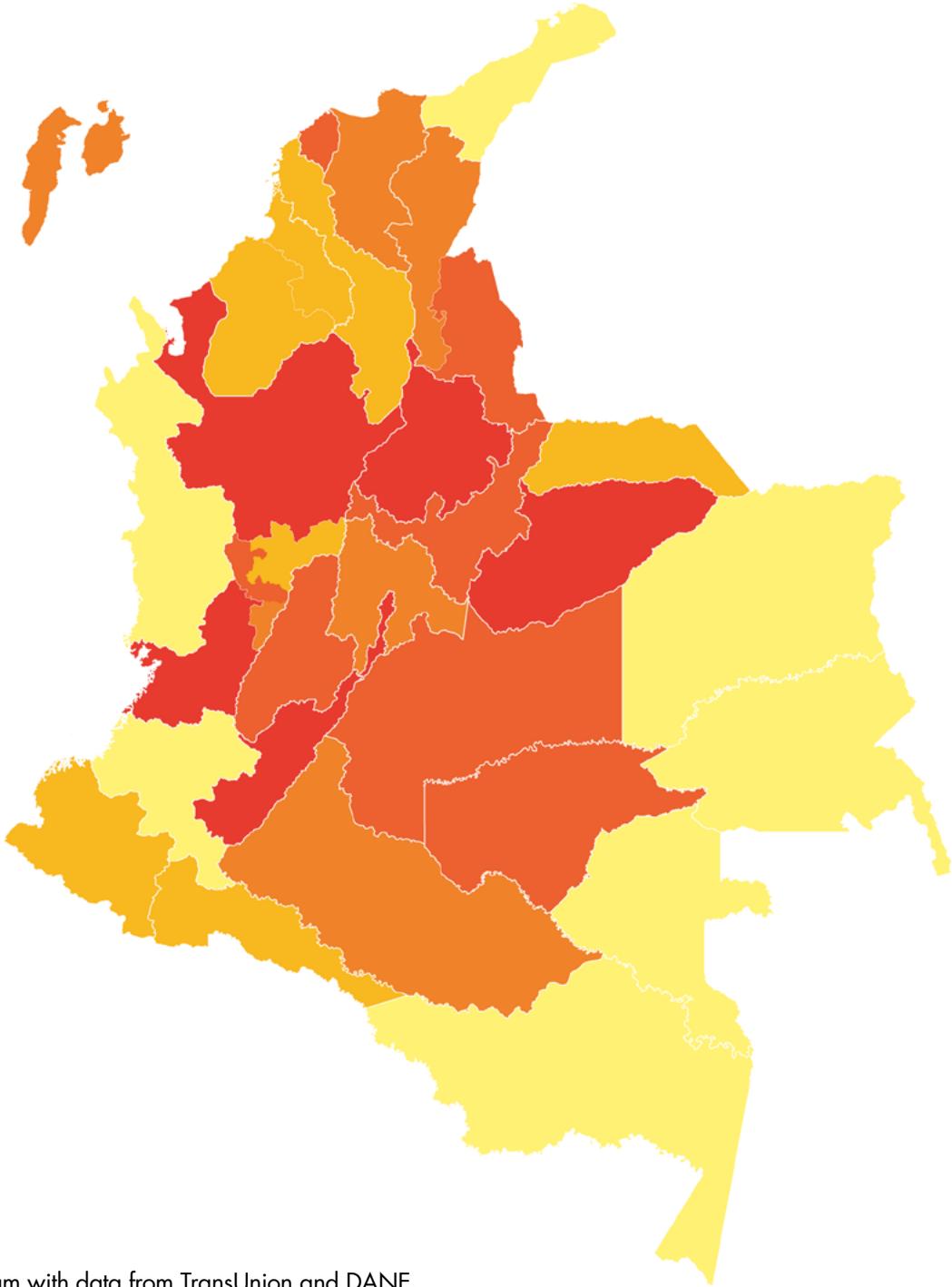
Source: FIR team with data from TransUnion and DANE.

1.3 Deposit products

At the end of 2020, 31.2 million adults had at least one deposit product; of those, 24.9 million had an active product.[4] This means that over the last year, 3.5 million Colombians opened or reactivated a bank liability product (Graph 1.3).

In 2020, 1.2 million more adults held at least one savings account than in 2019. The number of adults with simplified savings accounts also increased, rising from 3.3 million to 8.1 million; electronic deposit products increased from 6 million to 11.6 million in the same period (Graph 1.4.).[5,6]

**Graph 1.3.** Number of adults with at least one deposit product (figures in millions)

2019 ▦
2020 ▦

```
35
30        28.3      31.2
25                                                  24.9
20                              21.4
15
10
 5
 0
         Total products              Active products
```

Source: FIR team with data from TransUnion.

....

4.   Approximately 6.3 million adults had at least one product but did not use it in the last six months.

5.   Decree 222 of 2020 defines the conditions for small-balance deposit products, which consolidate these types of products (electronic deposit products, simplified savings accounts, and digital savings accounts), with the following general characteristics: (i) establishes a deposit product's maximum balance as 8 current monthly minimum wages (SMMLV); (ii) establishes a maximum accumulated amount of debit operations per month as 8 SMMLV; (iii) each person can only have one small-balance deposit product in each entity; (iv) it can be offered by credit institutions, SEDPEs, and financial credit unions, and the process to open this type of product should be simplified; (v) the resources from aid programs and/or subsidies granted by the State or disbursements of small-amount credits will not be taken into account when calculating the limits; and (vi) the deposits will be called small-balance deposit products including when they are aimed at individuals in level 1 of the Social Program Beneficiary Identification System (SISBEN, as per its acronym in Spanish), displaced persons registered in the Single Registry of Displaced Persons, or beneficiaries of aid programs and/or subsidies.

6.   In order to maintain comparability with the 2019 data, the classification used prior to the recently implemented regulations is maintained.

In terms of usage, opposing results were observed. On the one hand, the population using electronic deposit products increased by 5.5 million, and the population using simplified savings accounts grew by 4.1 million over the last year. In

contrast, the number of adults with an active savings account fell by 800,000 (18.8 million to 18.0 million), while the number of those with an active checking account fell by 95,489.

Graph 1.4. Number of adults with at least one deposit product (active and total; figures in millions)

Total ▉ (teal)
Active ▉ (purple)
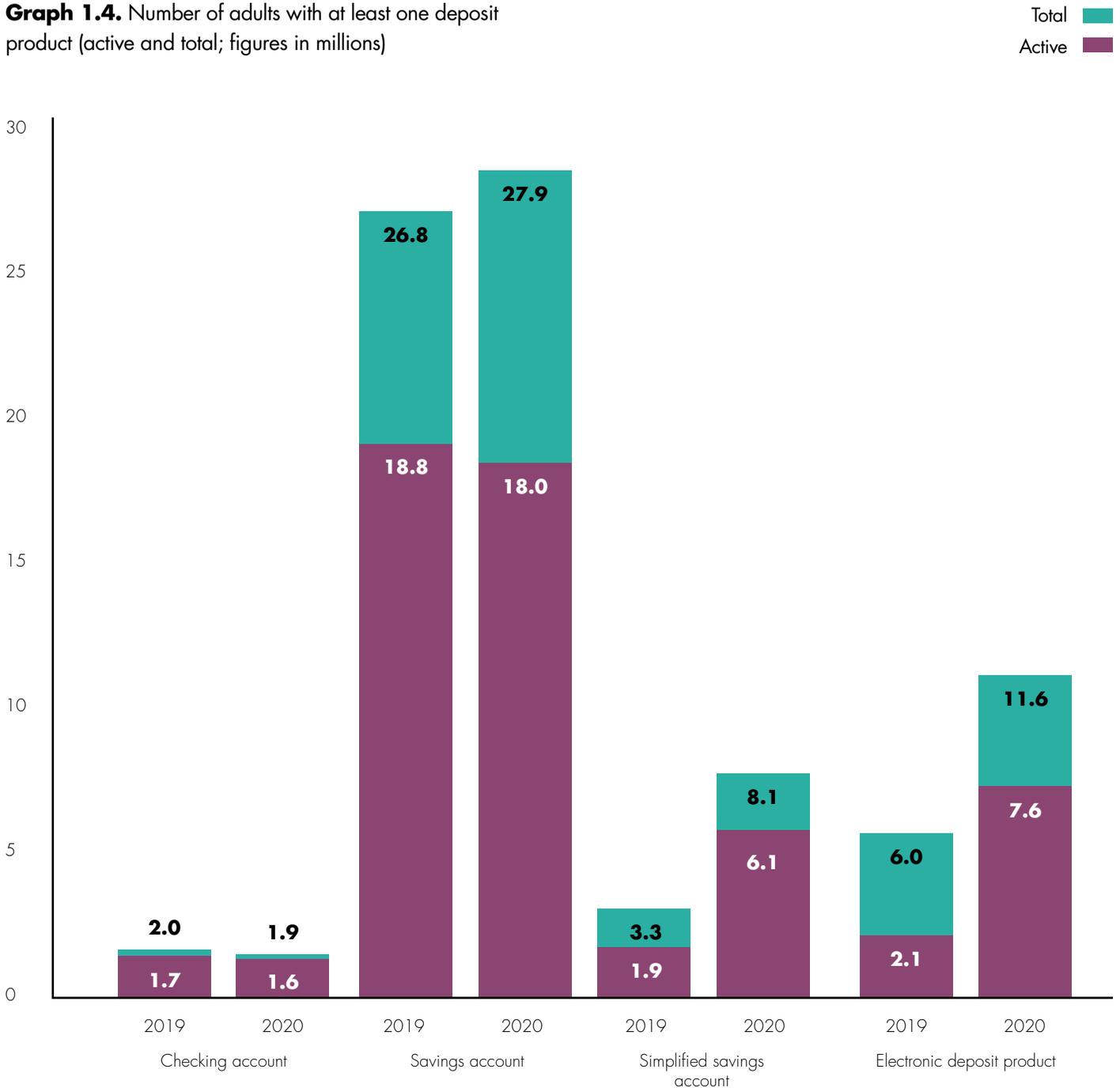
Source: FIR team with data from TransUnion.

In total, at the end of 2020, 16.7 million adults had a small-balance deposit product (either an electronic deposit product, a digital savings account, or a simplified savings account); 12.6 million of those individuals' products were active in the same period..

Graph 1.5. Number of adults with at least one small-balance deposit product (total and active; 2020)
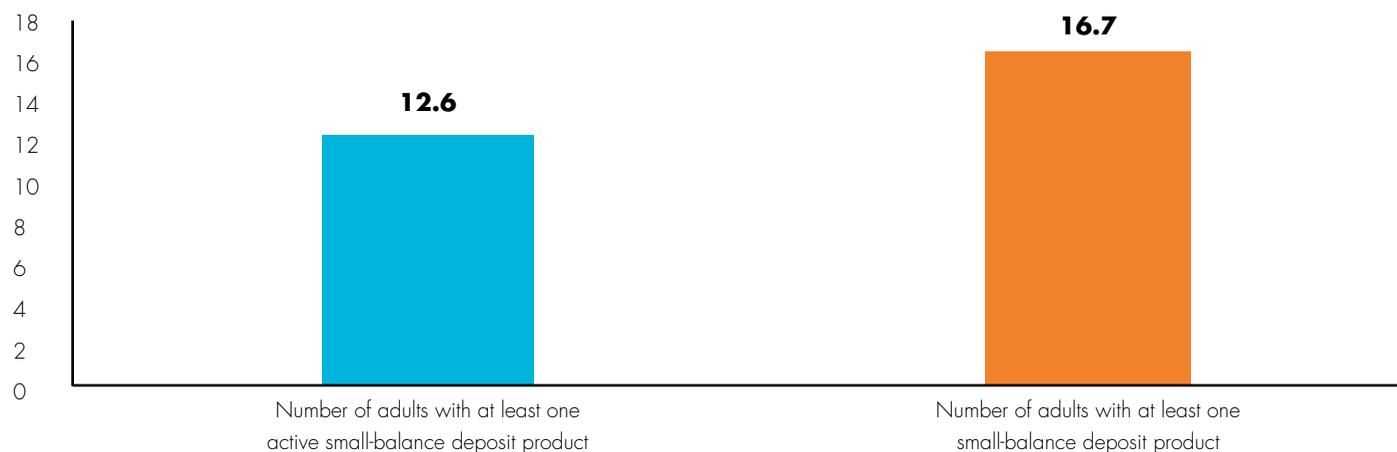
Source: FIR team with data from TransUnion.

Furthermore, at the end of 2020, the number of savings accounts reached 70.5 million—3.5 million more than what was recorded the previous year. The average balance for this product was $3.5 million pesos. An analysis of this product's activity showed that only 39% were active at the end of 2020, which highlights the usage issues this deposit product has been facing (Table 1.2).

In the case of simplified deposit products, the usage indicator was higher. Of the 13.3 million electronic deposit products in Colombia, 69.9% were active in December 2020. In turn, there were 10.2 million simplified savings accounts—74.5% of which remained active.

Table 1.2 Number of deposit products in Colombia (figures in millions; total and active)

Product	Total		Active	
	2019	**2020**	**2019**	**2020**
Savings account	67.0	70.5	27.0	27.5
Electronic deposit	6.2	13.3	2.2	9.3
Simplified savings account	4.2	10.2	2.5	7.6

Source: FIR team with data from TransUnion..

1.4 Credit product holdings

The number of adults with at least one active credit product in Colombia fell from 13 million in December 2019 to 12.8 million in the same month of 2020—a difference of approximately 239,000 adults. As such, the percentage of adults with at least one bank asset product fell from 36.6% to 35.1% in the last year.

An analysis by product shows that the number of adults with at least one active credit card in Colombia decreased by 289,323 between 2019 and 2020. A similar trajectory was observed for consumer credit, which decreased by 43,334. Similarly, 134,945 fewer adults were holders of

microcredit in 2020 than in 2019. On the other hand, the number of adults who had a housing loan in Colombia increased by 21,519 (Graph 1.6).

At the national level, 294,010 consumer credits were disbursed for every 100,000 adults in 2020, with an average amount of $992,244 pesos. Likewise, for every 100,000 adults, 4,119 microcredit disbursements were made—averaging $5.6 million pesos each. In addition, 330 small-amount consumer credits—averaging $581,191 pesos—were also disbursed. Finally, 468 housing loan disbursements were made for every 100,000 adults, averaging $110.5 million pesos (Table 1.3).

Graph 1.6. Number of adults with an active credit product (by product; figures in millions)
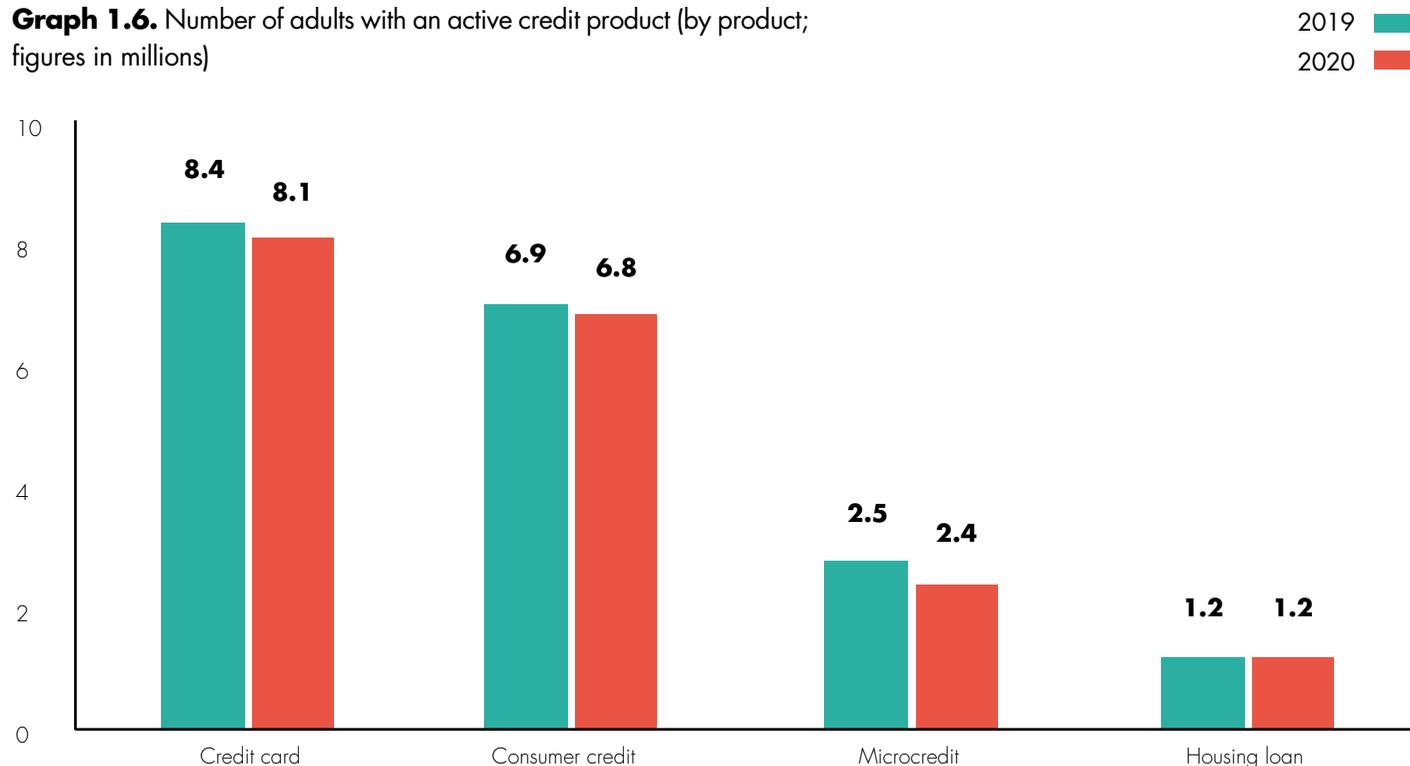
2019 ▪
2020 ▪

Source: FIR team with data from TransUnion.

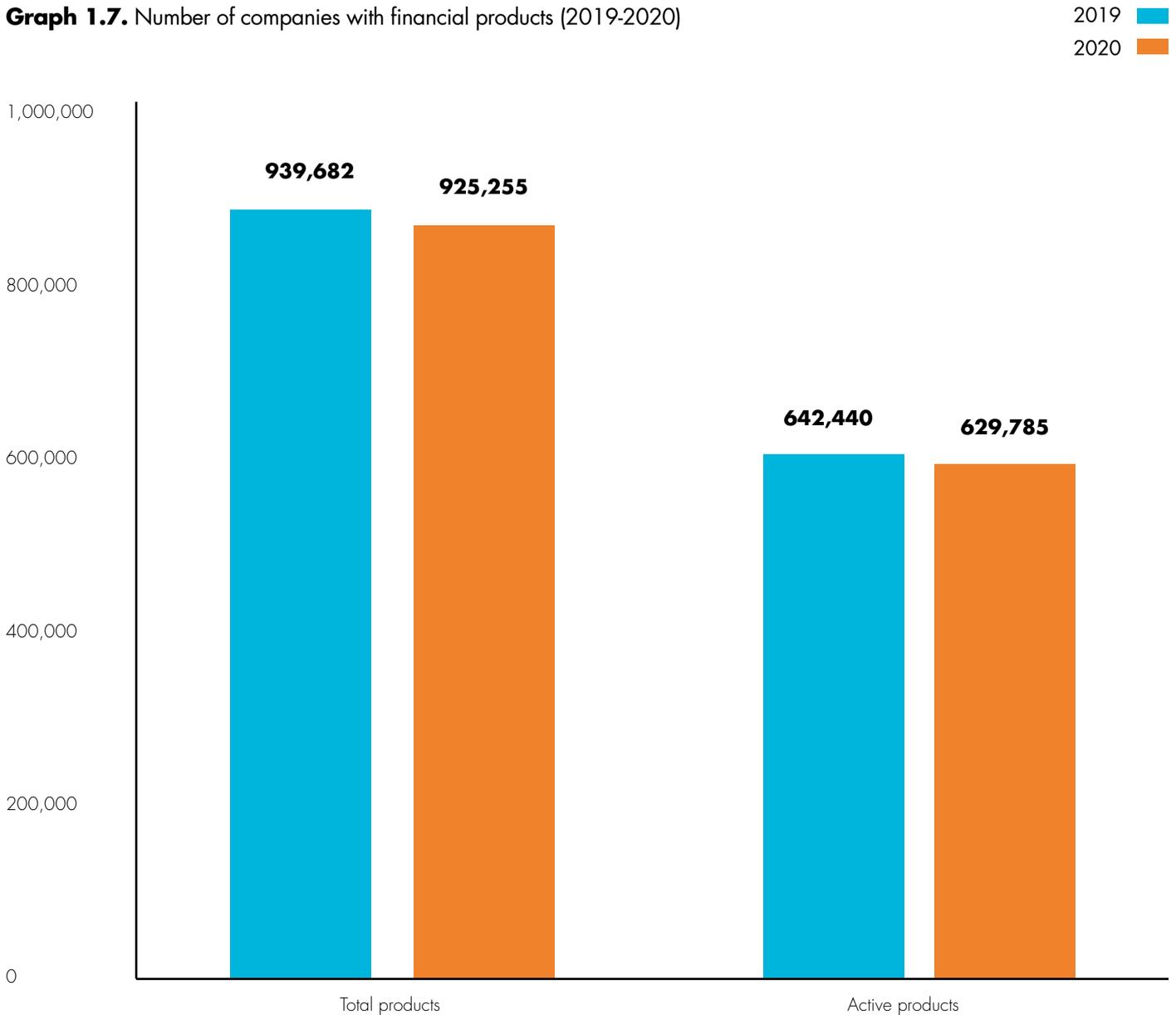**Table 1.3** Number and monetary amount of disbursements, by credit type (2019-2020)

Product.	Indicador	2019	2020
Microcredit	Number of disbursements per 100,000 adults.	6,354	4,119
	Average amount for disbursements (millions of COP).	$4.8	$5.6
Consumer credit	Number of disbursements per 100,000 adults.	348,018	294,010
	Average amount for disbursements (millions of COP).	$1.1	$1.0
Housing loan	Number of disbursements per 100,000 adults.	517	468
	Average amount for disbursements (millions of COP).	$114.3	$110.5
Small-amount consumer credit.	Number of disbursements per 100,000 adults.	503	330
	Average amount for disbursements (millions of COP).	$0.7	$0.6

Source: FIR team with data from TransUnion and DANE.

1.5 Legal entities

The number of legal entities that had a financial product fell from 939,682 to 925,255 between 2019 and 2020 a decrease of 14,427 entities. When analyzing usage, a similar trend was found, with 629,785 legal entities holding at least one active financial product—12,655 fewer than that observed the previous year (Graph 1.7).

Graph 1.7. Number of companies with financial products (2019-2020)

2019 ▇
2020 ▇

|		
1,000,000		
	939,682 925,255	
800,000		
		642,440 629,785
600,000		
400,000		
200,000		
0	Total products	Active products

Source: FIR team with data from TransUnion.

The number of entities with at least one deposit product decreased from 908,970 to 898,998 between 2019 and 2020. One situation that can explain this finding is that the number of legal entities with savings accounts dropped from 648,796 to 639,839. On the other hand, the number of entities with a checking account rose from 490,714 to 491,360 (Graph 1.8).

As for usage, a similar situation was observed; the number of legal entities that had at least one active deposit product fell from 623,418 to 613,944. The decrease in savings accounts and the rise in checking accounts played an important role.

Graph 1.8. Holding and usage of deposit products by legal entities (2019-2020)

Total ■
Active ■
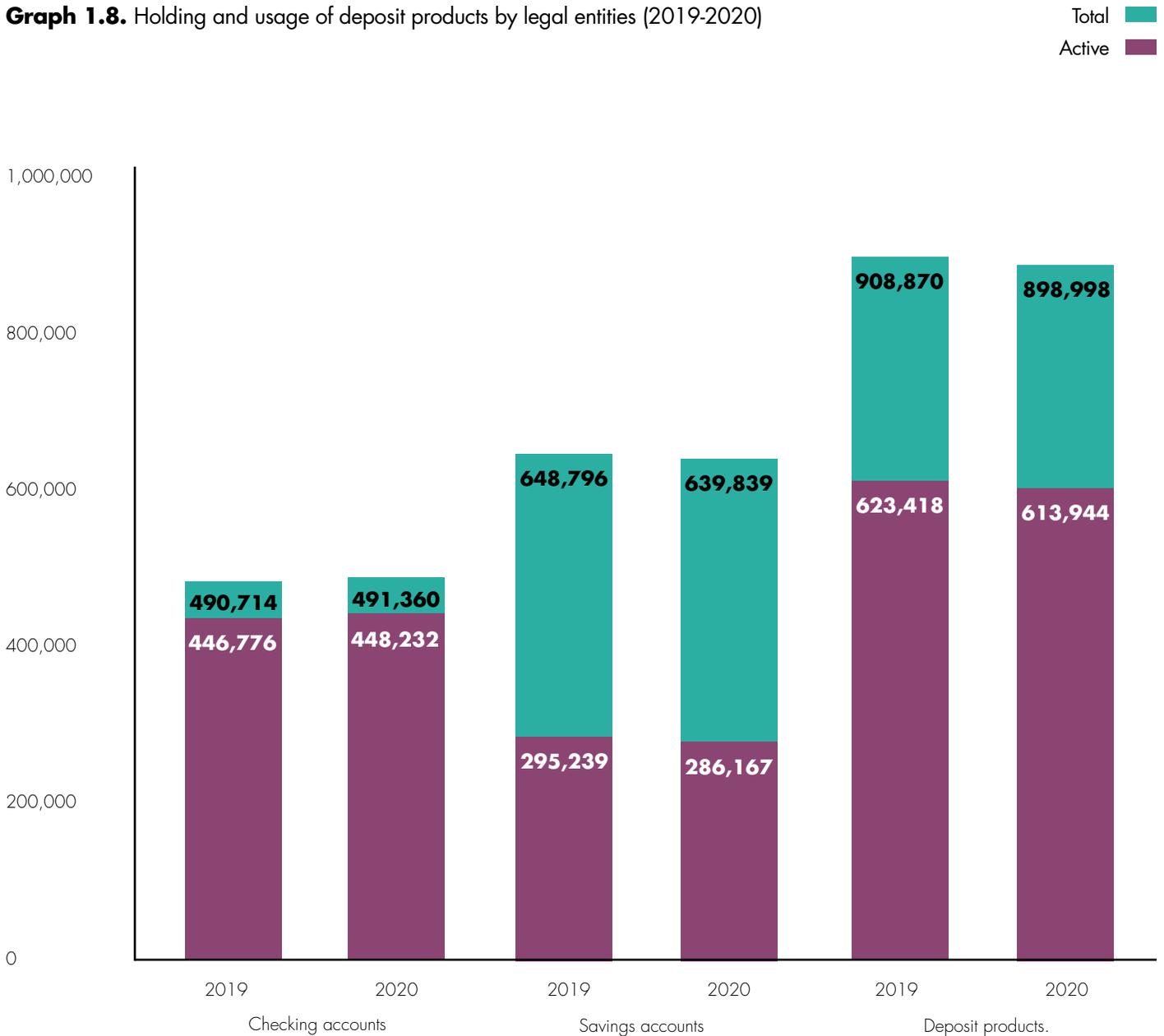
Finally, 284,206 legal entities had at least one credit product at the end of 2020—1,986 fewer than in 2019. The credit products most used by legal entities were commercial credit (215,104) and credit cards (90,185), although both showed decreases close to 1.0% compared to 2019 data. Additionally, 11,527 legal entities accessed microcredit—3.9% less than those observed a year ago (Table 1.4).

Table 1.4. Number of legal entities with active credits vigentes

Product	Dec-19	Dec -20
At least one credit product	286,192	284,206
Commercial credit	216,071	215,104
Consumer credit	82,068	79,638
Microcredit	11,995	11,527
Credit card	91,190	90,185

**Source:** FIR team with data from TransUnion.

Inset 1.1.
Fintech companies in Colombia and their commitment to greater inclusion

In recent years, Latin America has seen a significant boom in fintech ventures, understood as those companies whose corporate purpose is to develop or apply technology-based innovations that result in new business models, applications, processes, or products that provide financial services. The fintech industry in Colombia has firmly established itself, driven by a growing demand for digital financial services, and supported by a national public policy aimed at facilitating innovation in the financial system.

Thus, according to the latest figures published by Finnovista Fintech Radar as of March 2020, Colombia reports an ecosystem of approximately 240 fintech startups (see Graph 1), registering an annual growth of 20.0%. In line with the global trend, the electronic payments, money orders, and remittances segment continues to show the most dynamic growth (with a 22.5% share), followed by digital credit to individuals (14.0%).

Graph 1. Evolution of the fintech ecosystem in Latin America
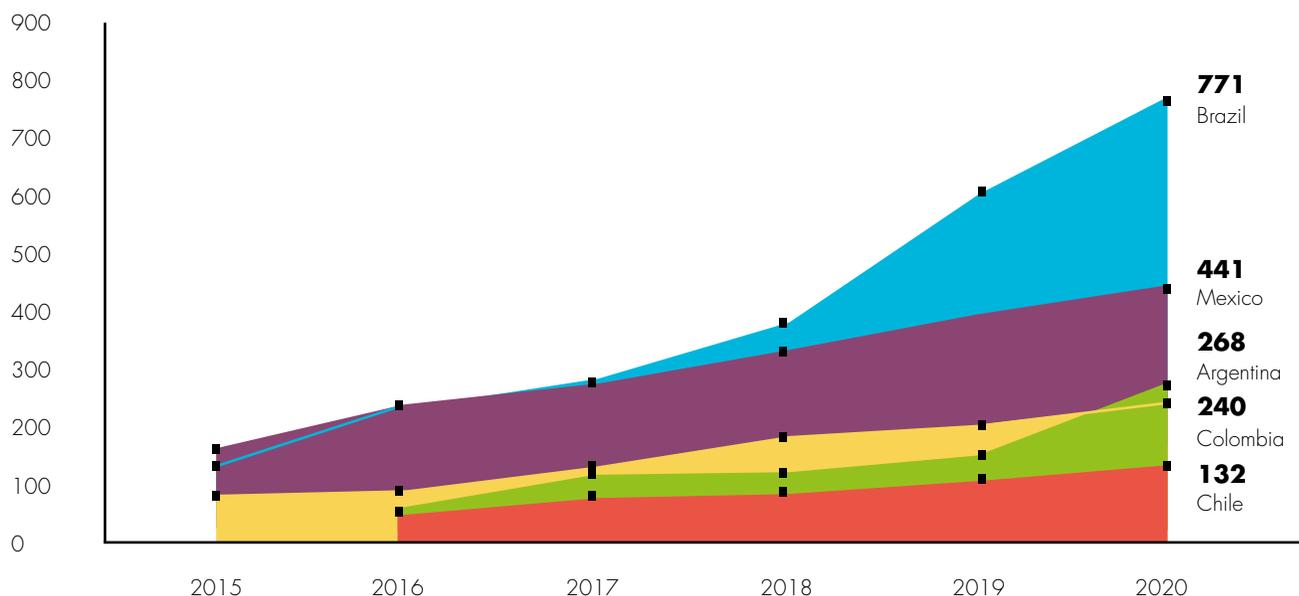
Source: Finnovista Fintech Radar, IDB (2020).

The Colombian authorities have joined forces to chart a comprehensive and enabling regulatory path for the financial system's digital transformation as well as technological innovation—a framework that has proven to be key for overcoming the economic adversities caused by the COVID-19 health crisis. Today, Colombia has applicable regulations and entities that have different innovative business models, such as specialized electronic payment processing companies (SEDPEs, as per its acronym in Spanish), collaborative financing platforms (crowdfunding), and digital banking. Similarly, interesting collaborative models have emerged through alliances, investments, and correspondent schemes (such as marketplace and banking-as-a-service (BaaS)) between fintechs and existing companies, with the aim of expanding the frontier of financial service access and usage, for both the banked population and those traditionally excluded.

Likewise, regulatory adjustments have been made aimed at facilitating financial consumers' digital experience without neglecting the underlying risks, as provided by the Financial Superintendence of Colombia's external circulars on cloud computing, cybersecurity, digital affiliation (SARLAFT 4.0),

biometrics, and QR codes. These regulatory advances, hand in hand with the processes of technological adoption and digital transformation, have stimulated the use of digital channels to carry out financial operations.

All of this has resulted in more and better financial services; consequently, Colombians have access to a wider range of simplified products, such as digital wallets. Graph 2 shows the main players in this market, including SEDPEs, large banks—through their digital business lines—and fintechs leveraged through correspondent schemes. In 2020, Colombia's digital wallet market was estimated to amount to more than 25 million[7] users, and the SEDPEs were able to mobilize approximately $90 billion pesos in order to carry out various transactions, including electronic payments, money orders, and receipt of State resources.

Finally, regulations have been transparent about entities' potential need to experiment while developing financially innovative activities and designing the controlled testing space (or regulatory sandbox), as provided by Decree 1234 of 2020. This framework will allow innovative technological developments—aimed at solving financial consumers' issues or facilitating financial inclusion, among other things—to operate for up to two years.

---

7.   https://www.larepublica.co/finanzas/billeteras-digitales-alcanzaron-mas-de-25-millones-de-usuarios-tras-la-pandemia-3150880

Graph 2. Main digital wallets in Colombia

Wallet 1
Bank

a. Volume
Users:
11 million
Money mobilized
$20.5 trillion

b. Products
Deposits
• Electronic deposit
• Debit card

Credit
• Small-amount consumer credit
• Credit card

Channels:
• ATM
• Correspondents
• QR codes

Wallet 2
Bank

a. Volume
Users:
5.8 million
Money mobilized
$13.1 billion

b. Products
Deposits:
• Savings account

Credit:
• Small-amount consumer credit
• Others

Channels:
• ATM
• Correspondents
• QR codes

Wallet 3
SEDPE

a. Volume
Users:
1.4 million
Money mobilized
$33.9 billion

b. Products
Deposits:
• Electronic deposit
• Debit card

Credit:
• Partners

Channels:
• Correspondents

Wallet 4
Payment gateway

a. Volume
Users:
200,000
Money mobilized
Not available

b. Products
Deposits:
• Savings account
• Mutual funds

Credit:
• Partners

Channels:
• ATM
• Correspondents
• QR codes

Wallet 5
SEDPE

a. Volume
Users:
29,000
Money mobilized
$19.3 billion

b. Products
Deposits:
• Electronic deposit

Credit:

Channels:
• ATM,
• Correspondents,
• QR codes

Wallet 6
SEDPE

a. Volume
Users:
27,000
Dinero movilizado
$13.4 billion

b. Products
Deposits:
• Electronic deposit

Credit:

Channels:
• Correspondents

Note: Figures as of December 2020.
Source: SFC, Asobancaria, press releases (La República).

Inset 1.2.
Financial inclusion of Venezuelan migrants

Colombia's government has spearheaded and implemented several actions to mitigate the effects of the migration crisis. For example, the Temporary Protection Statute for Venezuelan migrants aims to strengthen and reinforce migratory flexibility, move towards effectively protecting and guaranteeing this vulnerable population's rights, as well as guide Colombia towards achieving and benefitting from an orderly, regular, and safe migration process.

Supporting financial inclusion processes is a way to incorporate migrants into economic systems and make it possible to improve their living conditions. As such, it is important to analyze Venezuelan migrants' state of financial inclusion.

According to SFC figures, between January 1, 2017 and December 31, 2020, 242,601 Venezuelan citizens joined the Colombian financial system. A comparison of this figure and the number of Venezuelans reported in Colombia's Office of Immigration (1,729,000 at the end of 2020) reveals an access indicator of 14% for this population.

During the last quarter of 2020, 15,528 Venezuelans joined the financial system.[8] Of these, 8,585 did so with the requirements of the Basic Legal Circular[9] (CBJ, as per its acronym in Spanish), followed by 6,852 who used the special residence permit (PEP, as per its acronym in Spanish), 14 who used the supplementary special residence permit (PECP, as per its acronym in Spanish), and 77 who had a special residence permit to promote labor formalization (PEPFF, as per its acronym in Spanish).[10]

In terms of location, the municipalities that registered the highest number of Venezuelan citizens were Bogotá, Medellín, Bucaramanga, Cúcuta, Cali, Cartagena, Barranquilla, Santa Marta, and San Gil. Other municipalities that registered a large number were Itagüí, Chía, Tuluá, Arauca, Zipaquirá, Soacha, Villavicencio, and Puerto Inírida.

---

8. Quarterly information submitted by 24 banks and five (5) financial credit unions: Bancolombia, Davivienda, BBVA, BCSC, Banagrario, AV Villas, Banco de Bogotá, Banco W, Colpatria-Scotiabank, Itaú-Corpbanca, Bancamía, Banco Mundo Mujer, Bancoomeva, Cootrafa Coop., Banco Falabella, Banco Popular, Confiar Coop., Banco de Occidente, JFK Coop., Banco Pichincha, Cooperativa Financiera de Antioquia, Banco GNB Sudameris, Banco Serfinansa, Banco Santander, Bancompartir, Coofinep Coop., Finandina, Coopcentral, and Banco Credifinanciera.

9. Foreign resident identification card, passport, or card issued by the Protocol Department of the Ministry of Foreign Affairs.

10. These figures were calculated in accordance with the provisions of Decree 1288 of 2018, Resolution 3548 of 2019 of the Colombia Office of Immigration, and Decree 117 of 2020.

02
Financial inclusion by level of rurality

BANCA DE LAS OPORTUNIDADES

sfc Superintendencia Financiera de Colombia

This chapter includes the 2020 financial inclusion results for Colombian municipalities with various levels of rurality: urban, medium-sized, rural, and dispersed rural. An analysis was carried out to determine the evolution (between 2019 and 2020) of access to and usage of financial products across various levels of rurality, pointing out the differences between urban and rural municipalities. In turn, it shows the 2020 behavior regarding the number of adults with deposit products (total and active) and active credit products, as well as the number of deposit accounts and credit disbursements, broken down by levels of rurality. **Results show that financial inclusion indicators in Colombia's rural areas continue to lag behind the figures observed in urban areas.**

2.1 Main results

Between 2019 and 2020, **access to financial products** showed an upward trend in rural areas. This indicator went from

64.1 % to 69.0 %
in rural municipalities and from

55.7 % to 56.8 %
in dispersed rural areas.

This translates into progress towards the 2018-2022 NDP goal of 68.0% for these areas, which **reached an access indicator of 64.3% in 2020.** Despite these advances, the gap between urban and rural areas increased in the last year.

Over the last year, the number of individuals with financial products increased throughout all levels of rurality. However, access to and usage of these products continues to decrease as municipalities become more rural. While the **access indicator** was equivalent to

96.4 %
in cities, it was lower

75.5 %
for medium-sized municipalities

69.0 %
rural areas and

56.8 %
dispersed rural areas

The increase in the **financial product access** indicator was largely driven by more individuals having deposit products. In 2020, deposit products showed a positive trend across all levels of rurality, increasing

7.1 pp
in cities and urban agglomerations, and to a lesser extent in medium-sized municipalities

5.2 pp
rural municipalities

5.8 pp
and dispersed rural areas

1.8 pp

For products such as **traditional savings accounts,** the highest relative growth occurred in the more rural areas, with an increase of

9.3 %
in dispersed rural areas

8.6 %
in rural areas

7.8 %
in medium-sized municipalities and

4.8 %
in cities and urban agglomerations

In terms of **having active credit products**, there are large gaps between levels of rurality:

40.7 %
of individuals who lived in cities and urban agglomerations had an **active credit** product, **with fewer in medium-sized municipalities**

25.7 %
rural municipalities

22.9 %
and dispersed rural areas

18.9 %

In 2020, **microcredit decreased by more than**

30 %
compared to 2019 regarding the number of recipients for all levels of rurality

However, in rural areas, the average monetary amount for microcredit disbursements increased between 2019 and 2020, especially in more rural areas, where it was between $5.9 and $6.7 million pesos.

2.2 Descriptive statistics

In 2020, financial product holdings increased across all levels of rurality compared to 2019. The population that lived in cities and urban agglomerations showed the most growth. In contrast, dispersed rural municipalities showed the least growth, which may be associated with less financial coverage and connectivity.

Despite the advances, access to these products decreases as rurality increases. Indeed, in cities and urban agglomerations, the access indicator was equivalent to 96.4% (23.5 million adults), while in medium-sized municipalities, it was

75.5% (4.6 million), in rural areas, 69.0% (2.5 million), and in dispersed rural areas, 56.8% (1.3 million) (Graph 2.1).

Similarly, in terms of the usage indicator, some progress was observed in all levels of rurality. However, there are also differences due to the fact that a higher percentage of adults have active products in cities compared to less urban areas. That being said, the gap between the usage indicator for cities and rural municipalities[1] is smaller than that of the access indicator (29.8 pp vs. 32.1 pp).

Graph 2.1. Access and usage indicators for financial products by rurality

Access ▮
Usage ▮
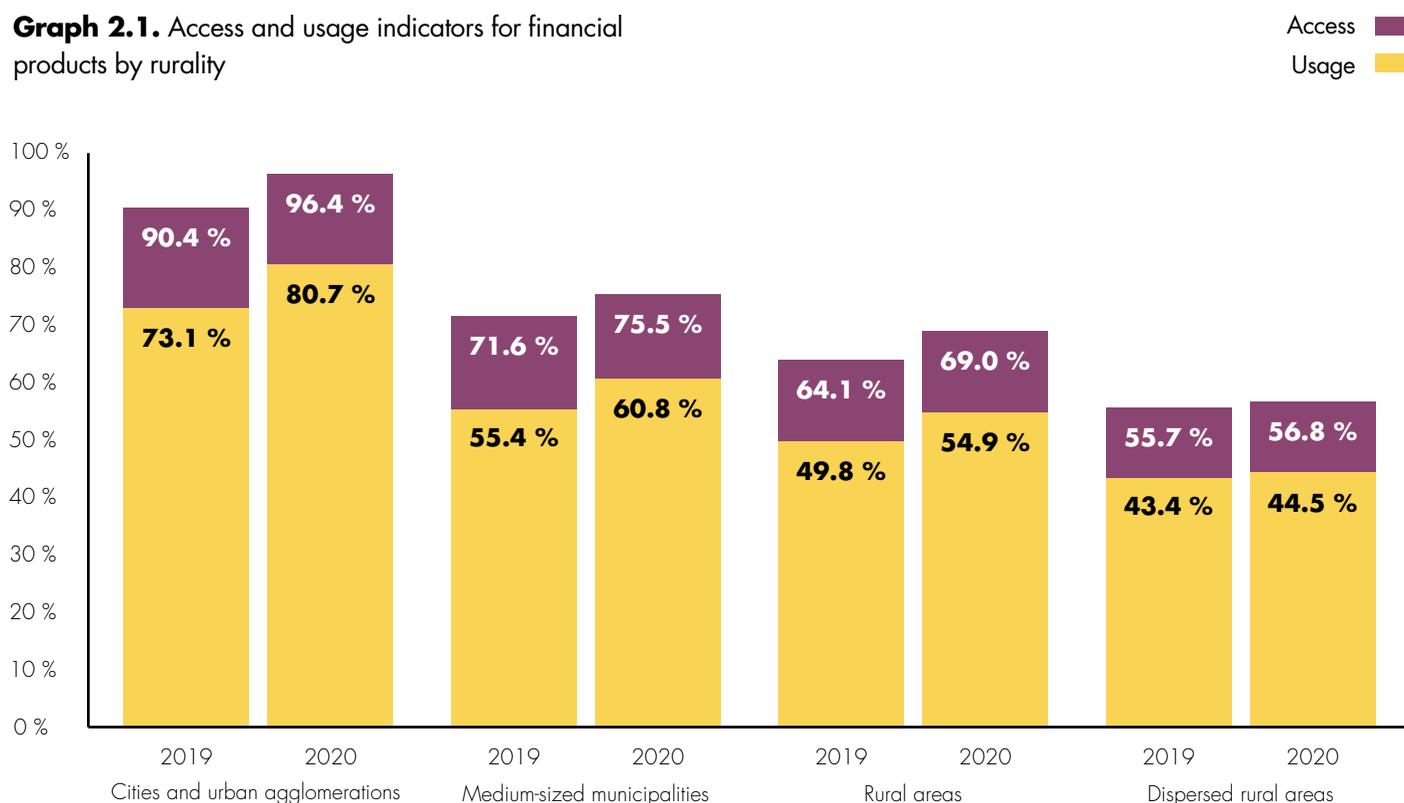
Source: Prepared by FIR team with data from DANE and

1.   Rural and dispersed rural.
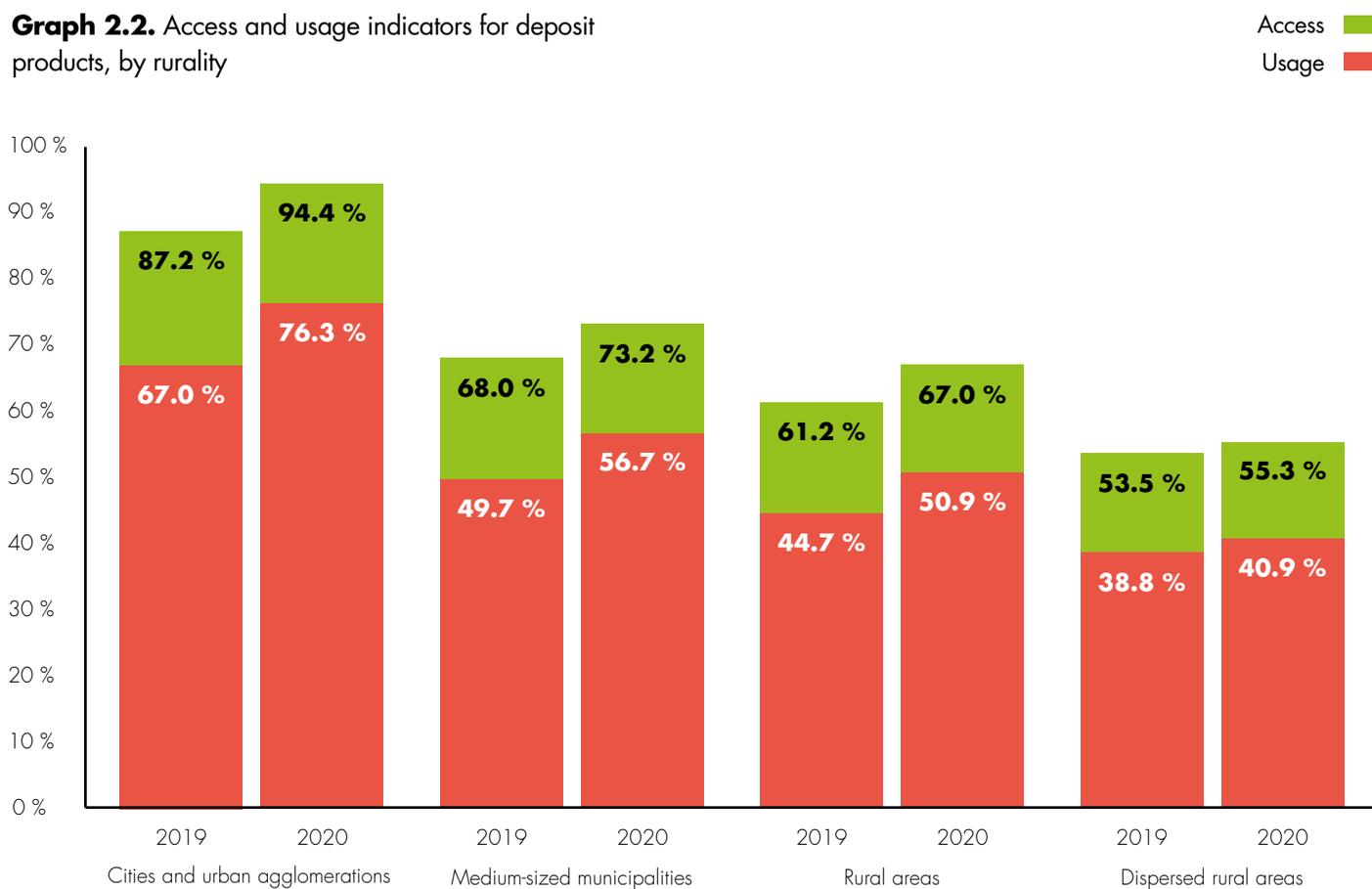
2.3 Deposit products

The holding of deposit products significantly increased between 2019 and 2020 for all levels of rurality (Graph 2.2). By the end of 2020, 94.4% (23 million) of the adult population living in cities and urban agglomerations had at least one deposit product. In medium-sized municipalities, this indicator reached 73.2% (4.4 million adults); in rural areas, 67.0% (2.4 million); and in dispersed rural areas, 55.3% (1.3 million).

An increase in the usage indicator was also seen in 2020. However, the increase was less in rural areas than in cities.

In terms of product types, savings accounts and small-balance deposit products had the highest penetration in all levels of rurality, although the access and usage indicators were higher in cities and medium-sized municipalities compared to more rural areas.
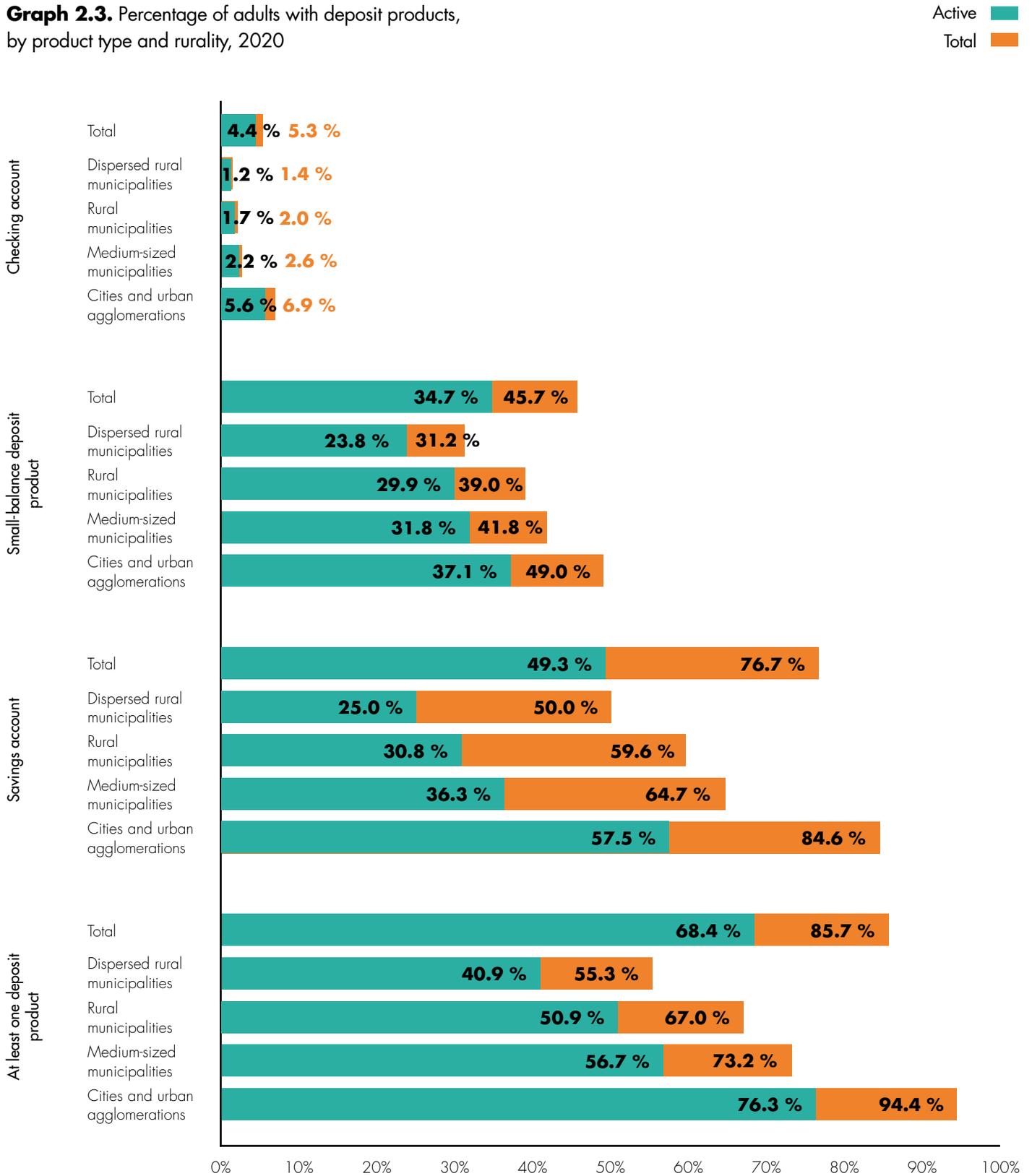
Small-balance deposit products and checking accounts had a higher usage indicator than savings accounts across the various levels of rurality (Graph 2.3).

Graph 2.2. Access and usage indicators for deposit products, by rurality

Access ▇ (green)
Usage ▇ (red)

Source: Prepared by FIR team with data from DANE and TransUnion.

Graph 2.3. Percentage of adults with deposit products, by product type and rurality, 2020

Active ▮
Total ▮

Checking account

Total	4.4 %	5.3 %
Dispersed rural municipalities	1.2 %	1.4 %
Rural municipalities	1.7 %	2.0 %
Medium-sized municipalities	2.2 %	2.6 %
Cities and urban agglomerations	5.6 %	6.9 %

Small-balance deposit product

Total	34.7 %	45.7 %
Dispersed rural municipalities	23.8 %	31.2 %
Rural municipalities	29.9 %	39.0 %
Medium-sized municipalities	31.8 %	41.8 %
Cities and urban agglomerations	37.1 %	49.0 %

Savings account

Total	49.3 %	76.7 %
Dispersed rural municipalities	25.0 %	50.0 %
Rural municipalities	30.8 %	59.6 %
Medium-sized municipalities	36.3 %	64.7 %
Cities and urban agglomerations	57.5 %	84.6 %

At least one deposit product

Total	68.4 %	85.7 %
Dispersed rural municipalities	40.9 %	55.3 %
Rural municipalities	50.9 %	67.0 %
Medium-sized municipalities	56.7 %	73.2 %
Cities and urban agglomerations	76.3 %	94.4 %

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Source: FIR team with data from TransUnion and DANE.

The number of traditional savings accounts increased across all levels of rurality between 2019 and 2020. The largest relative increases occurred in dispersed rural municipalities (9.3%), followed by rural (8.6%) and medium-sized municipalities (7.8%), then cities and urban agglomerations (4.8%). Similarly, an increase in active savings accounts was observed in the same period (6.4% in dispersed rural and rural municipalities compared to 1.0% in cities and urban agglomerations). However, this product is still mainly concentrated in cities and urban agglomerations (Graph 2.4).

In terms of this product's average balance, differences were noted based on the levels of rurality. In cities, the average balance amounted to $3.9 million, whereas it averaged $1.3 million in medium-sized and rural municipalities, and $1.7 million in dispersed rural areas.

Furthermore, digital savings accounts[2] showed a contraction between 2019 and 2020 for all levels of rurality. This type of product had a lower concentration in cities compared to traditional savings accounts (Graph 2.5).

Gráfico 2.4. Graph 2.4. Total savings accounts by level of rurality*(Figures in millions) 2020

Cities and urban agglomerations ▮
Medium-sized municipalities ▮
Rural municipalities ▮
Dispersed rural municipalities ▮

Source: FIR team with data from DANE, Financial Superintendence of Colombia (SFC), and Superintendence of Solidarity Economy (SES).

Graph 2.5. Total digital savings accounts, by level of rurality*(Figures in millions) 2020

Cities and urban agglomerations ▮
Medium-sized municipalities ▮
Rural municipalities ▮
Dispersed rural municipalities ▮

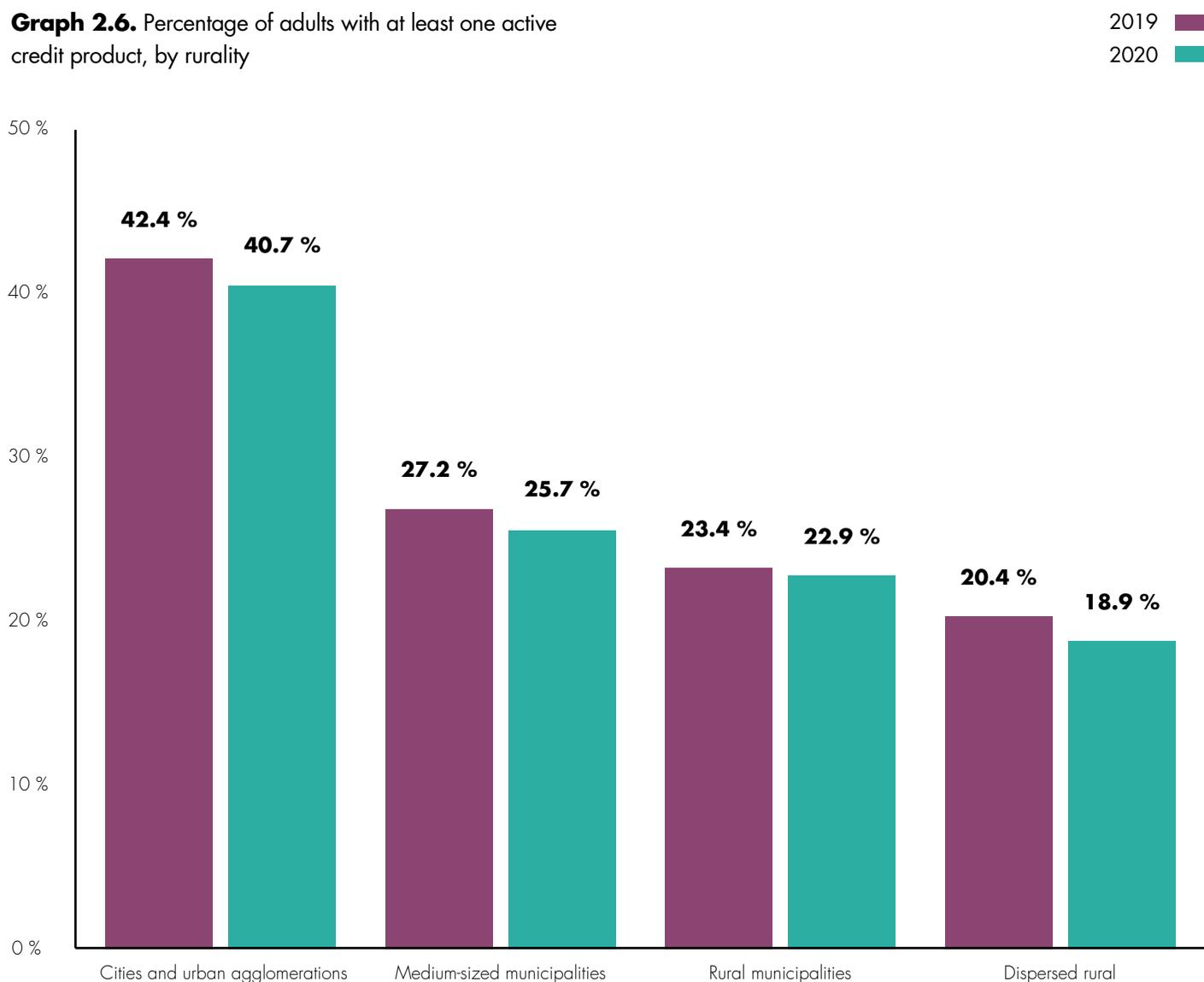**Source:** FIR team with data from DANE, SFC, and SES.

2.   They are considered small-balance deposit products. They are categorized as such because of the way financial entities report them in the SFC's Form 534.

2.4 Credit products

In contrast to the deposit products' dynamics, the number of active credit products decreased across all levels of rurality between 2019 and 2020. In relative terms, the greatest decrease occurred in the municipalities categorized as medium-sized (Graph 2.6).

Moreover, the amount of credit products decreased as the level of rurality increased. For example, in 2020, the access indicator for active credit products was 40.7% in cities and urban agglomerations, while it stood at 18.9% for dispersed rural municipalities.

Graph 2.6. Percentage of adults with at least one active credit product, by rurality

2019 ▬
2020 ▬

Source: FIR team with data from TransUnion and DANE

As of December 2020, 4.6% of adults in cities (1.13 million) had microcredit, with numbers varying depending on the level of rurality: 9.8% (591,323) in medium-sized municipalities, 11.2% (409,195) in rural municipalities, and 10.9% (249,974) in dispersed rural municipalities. In the last two levels of rurality, the indicator showed a decrease of 0.8 pp compared to 2019.

The average amount of microcredit disbursements increased between 2019 and 2020, especially in more rural areas. However, the number of recipients decreased across all levels of rurality[3] (Chart 2.1).

Chart 2.1. Number and average amount of microcredit disbursements, by level of rurality

Level of rurality	2019		2020	
	Number	**Average amount (millions of COP)**	**Number**	**Average amount (millions of COP)**
Cities and urban agglomerations	1,329,607	$4.92	879,232	$5.78
Medium-sized municipalities	595,104	$4.12	388,855	$4.82
Rural municipalities	221,391	$5.16	152,265	$5.87
Dispersed rural municipalities	118,313	$5.73	79,837	$6.71
Total	**2,264,415**	**$4.77**	**1,500,189**	**$5.59**

Source: FIR team with data from DANE, SFC, SES, and microfinance NGOs.

Regarding housing loans, in 2020, 4.4% of adults in cities and urban agglomerations (1.07 million) had this product, 1.1% in medium-sized municipalities (67,266), 0.7% in rural municipalities (25,591), and 0.5% in dispersed rural municipalities (10,879). In contrast to consumer credit and microcredit, the number of individuals with housing loans did not decrease compared to the previous year, which was reflected in the different levels of rurality.

As to be expected, there was a higher concentration of disbursements for this type of credit in cities compared to rural areas. However, between 2019 and 2020, the number of recipients increased in dispersed rural and rural areas, contrary to that of cities and urban agglomerations, as well as medium-sized municipalities (Chart 2.2). Regarding the average amount, there was a decrease in cities, rural areas, and dispersed rural areas.

---

3.   The behavior of microcredit will be further detailed in Inset 2.1.

Chart 2.2. Average number and monetary amount of housing loan disbursements, by level of rurality

Level of rurality	2019		2020	
	Number	**Average amount (millions of COP)**	**Number**	**Average amount (millions of COP)**
Cities and urban agglomerations	172,123	$117.04	158,849	$112.88
Medium-sized municipalities	10,721	$73.97	10,128	$76.68
Rural municipalities	1,172	$84.25	1,207	$82.36
Dispersed rural municipalities	243	$93.22	253	$80.35
Total	**184,259**	**$114.30**	**170,437**	**$110.47**

Source: FIR team with data from DANE, SFC, and SES.

Regarding consumer credit, the percentage of adults with an active product also varies across different levels of rurality. In 2020, 23% of adults in cities (5.62 million), 12.1% of those in medium-sized municipalities (732,981), 9% of those in rural areas (329,903), and 6% of those in dispersed rural areas (138,123) reported having consumer credit.

Although the number of disbursements in 2020 decreased across all levels of rurality compared to the previous year, the disbursements' average amount increased in areas of greater rurality (Chart 2.3).

Finally, there were 120,169 small-amount consumer credit disbursements in 2020, all taking place in cities and urban agglomerations, for an average amount of $581,191 pesos. In 2019, small-amount consumer credit was mainly concentrated in cities (179,062), although disbursements were also made at other levels of rurality (115 in medium-sized municipalities, 27 in rural areas, and 19 in dispersed rural areas).

Chart 2.3. Number and average amount of consumer credit disbursements, by level of rurality

Level of rurality	2019		2020	
	Number	**Average amount (millions of COP)**	**Number**	**Average amount (millions of COP)**
Cities and urban agglomerations	121,107,813	$1.04	104,761,736	$0.95
Medium-sized municipalities	2,463,032	$2.63	1,950,548	$2.64
Rural municipalities	336,986	$4.34	268,431	$4.69
Dispersed rural municipalities	114,897	$3.53	94,570	$3.62
Total	**124,022,728**	**$1.09**	**107,075,285**	**$0.99**

Source: FIR team with data from DANE, SFC, and SES.

amount for loans was higher in dispersed rural municipalities ($6.7 million) and rural municipalities ($5.9 million) than in cities and urban agglomerations ($5.8 million) and medium-sized municipalities ($4.8 million). In this sense, Graph 1 illustrates a direct relationship between the average amount disbursed per municipality and its level of rurality.

Map A is another way to illustrate the distribution (by quintiles[4]) of the average monetary amount of microcredit disbursements by municipality, nationwide, for 2020. The map shows that most of the municipalities classified as rural and dispersed rural (52.0%) reached quintiles 4 and 5 in terms of the average disbursement amount, ranging between $5.1 million and $35.9 million pesos.

Inset 2.1.
Microcredit distribution, by rurality

For all levels of rurality, microcredit showed a negative trend throughout 2020 compared to that registered in 2019. However, this type of credit plays an important role for financial inclusion in rural areas, because the average

Graph 1. Dispersion of average monetary amount of microcredit disbursed and dispersion of rural population, 2020

Cities and urban agglomerations ▮ Rural municipalities ▮
Medium-sized municipalities ▮   Dispersed rural municipalities ▮
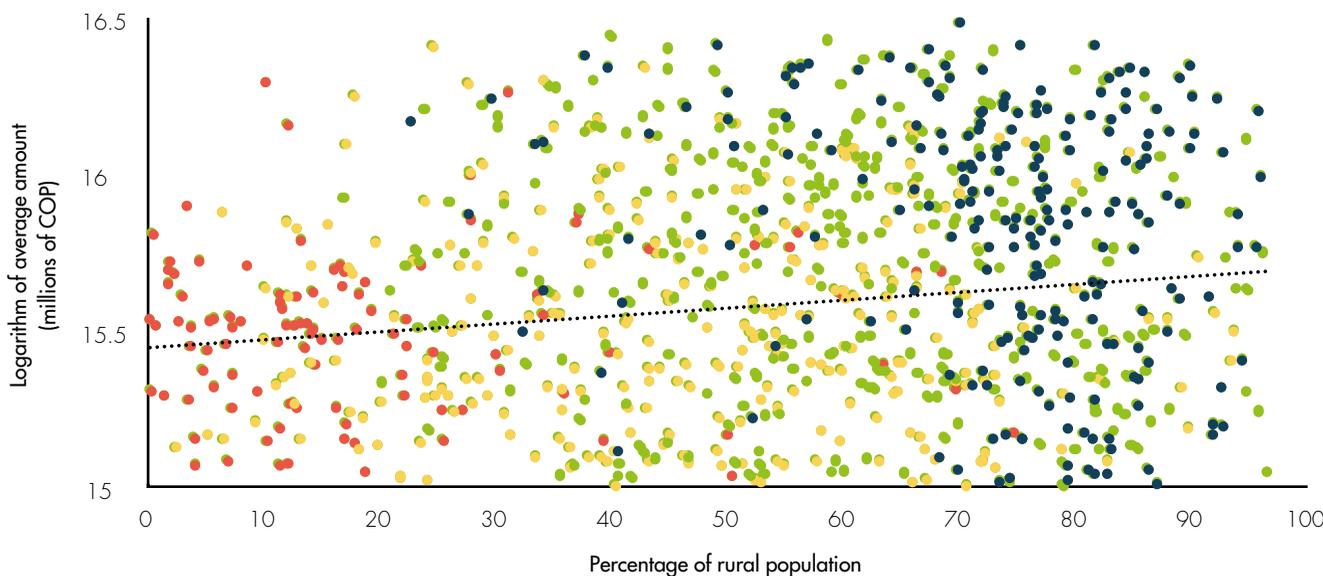

Source: FIR team with data from DANE, NDP, SFC, SES, and microfinance NGOs.

4.   A quintile represents one fifth of a statistical population. In this case, microcredit disbursement data is grouped by quintile from lowest to highest average disbursement amount.

Map A. Distribution of the average microcredit disbursement amounts at the municipal level, 2020

In addition, this distribution differs in each region, with average amounts varying between the lowest and highest quintiles for municipalities located in the same department, as illustrated in Map A.

Average amount
(millions of COP)

$0.7 - $3.8	
$3.8 - $5.1	
$5.1 - $6.6	
$6.6 - $9.0	
$9 - $35.9	
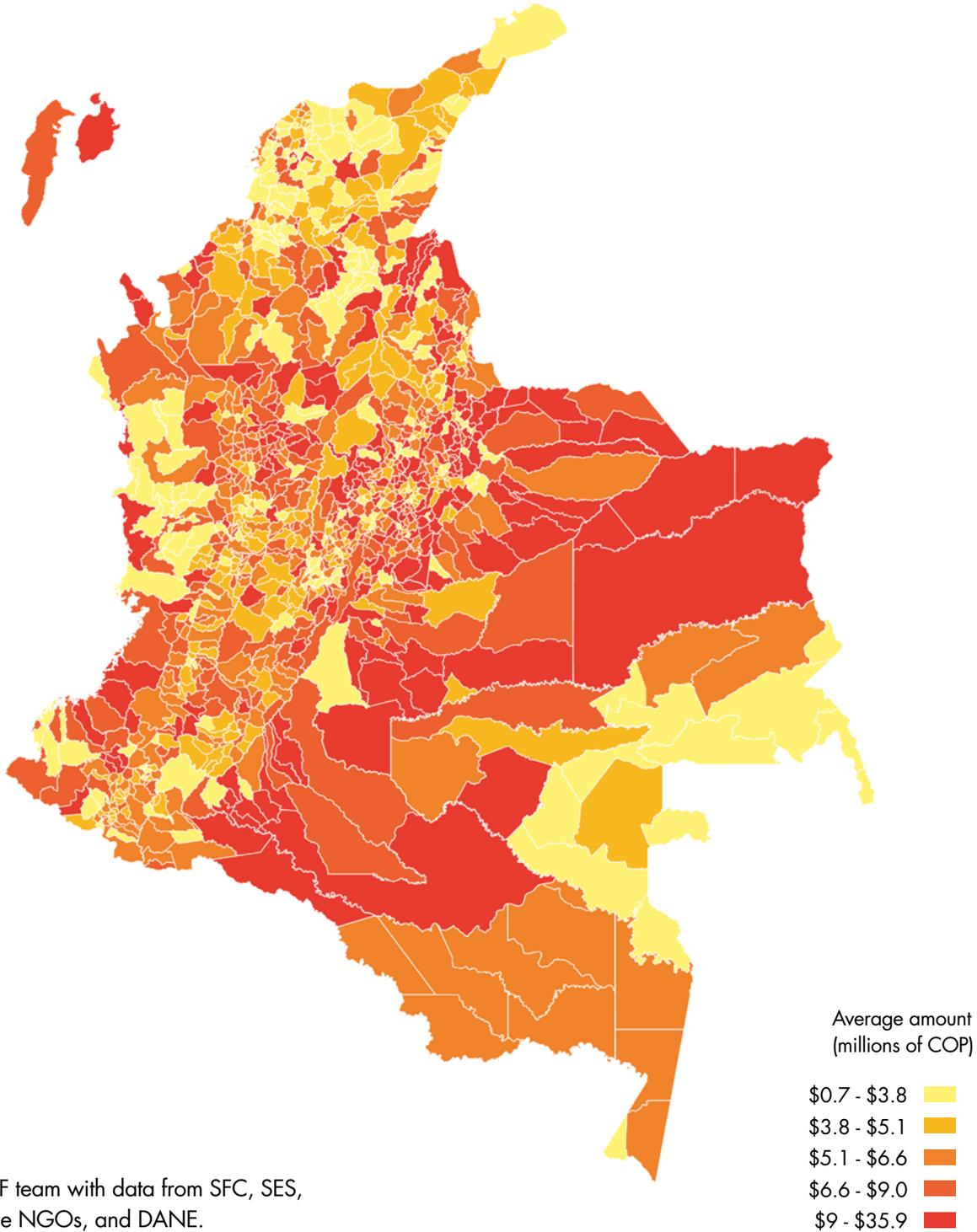
Source: RIF team with data from SFC, SES, microfinance NGOs, and DANE.

03

Financial inclusion, by gender and age group

BANCA DE LAS
OPORTUNIDADES

sfc
Superintendencia Financiera
de Colombia

This chapter analyzes the evolution in access to and usage of financial products between 2019 and 2020 by gender and age group. Using the same breakdown, the 2020 behavior of the number of adults with deposit products (total and active) and active credit products is detailed below. A complementary comparison by gender is presented in indicators such as the number of deposit accounts, the number of loan disbursements, and the average amount per financial obligation. **Overall, it was found that men had higher levels of access to and usage of financial products than women. Similarly, young adults and people over 65 are the groups that lag behind the most in terms of financial inclusion.**

3.1 Main results

Adult women and men's access to financial products increased in 2020, reaching

84.5 %
in the case of women

90.5 %
for men.

Despite the growth for both groups, there is still a gap favoring men, which grew slightly larger in the last year.

As for age groups, each one made progress in terms of the access and usage indicators from 2019 to 2020. The access indicator for adults between **18 and 25 years** old rose to

81.2 %
for those between **26 and 40 years old,** the indicator registered at

85.0 %
In the **41 to 65 age** group, it amounted to

94.4 %
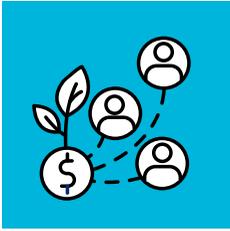and for those **over 65**, it reached

80.2 %

For both men and women, having a deposit product was the main driver of progress in terms of access to financial products. **Men's** access to this financial product increased by 6.6 percentage points, reaching

88.3 %
at the end of 2020, while **women's** access increased 5.9 pp, registering
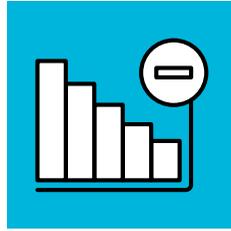
82.6 %

By age group, the highest access indicators for deposit products were registered for adults between 41 and 65 years old

91.7 %

and 26 to 40 years old

83.5 %

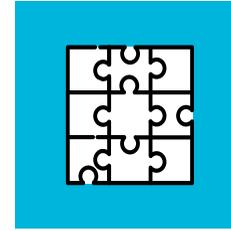**Adults over 65 years of age lagged the furthest behind,** with an indicator of 77.9%.

In 2020, the number of individuals with credit products decreased for both women and men. The percentage of men with at least one active product fell from

38.3 % to 36.9 %

between 2019 and 2020, while for women, it decreased from

34.8 % to 33.3 %

In other words, a gap favoring men remained (3.6 pp).

There were also gaps in the number of credit products held by different age groups;

22.1 %

of adults under **25 years** of age and

36.8 %

of adults between **26 and 40 years old** had a product, while

42.2 %

of individuals between **41 and 65 years of age** and

28.6 %

of those **over 65** had one.

In 2020, the number of credit disbursements decreased for both men and women, compared to 2019. **In the case of microcredit, housing loans, and small-amount consumer credit, the relative decrease was greater for men.**
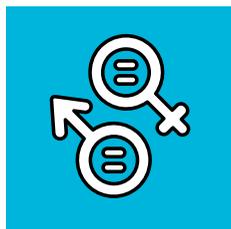
However, they received more consumer credit and housing loan disbursements—and higher average monetary amounts—than women.

3.2 Descriptive statistics

In 2020, both men and women enjoyed an increase in access to financial products. The access indicator for men registered an increase of 5.5 percentage points, with 15.8 million men having at least one financial product.

For women, this indicator rose 4.8 pp, resulting in 16 million women having a product. Despite this progress, the gap in access between men and women widened from 5.3 pp in 2019 to 6 pp in 2020 (Graph 3.1).

Graph 3.1. Access and usage indicators for financial products, by gender

Access
Usage
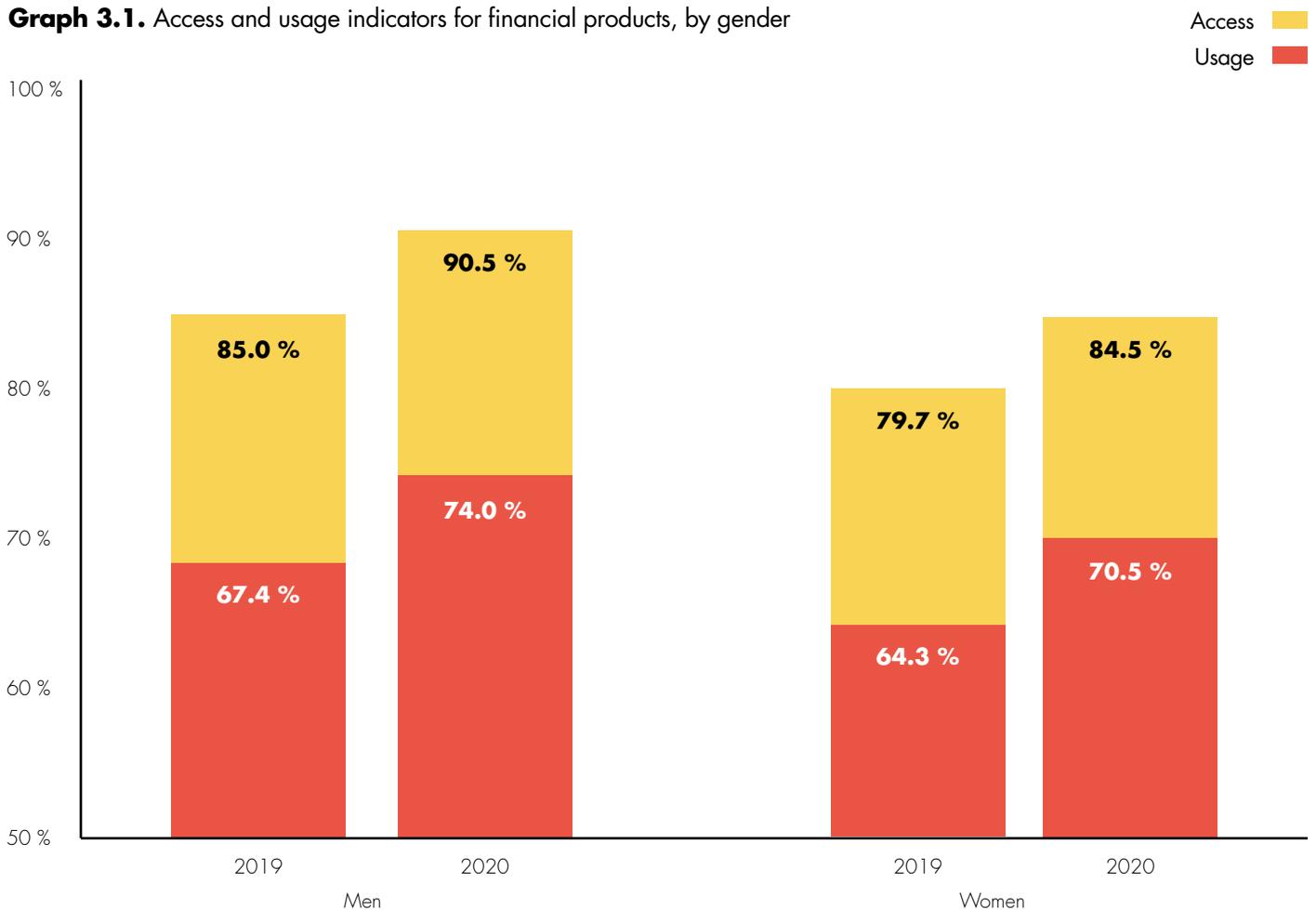
Source: FIR team with data from TransUnion and DANE.

An analysis by gender showed a similar trend in terms of financial products' level of usage, with men's usage increasing by 6.6 percentage points and women's by 6.2 pp between 2019 and 2020. Over the last year, the gender gap favored men by 3.5 pp.

In terms of access for all age groups, progress was indeed made between 2019 and 2020. For example, the youngest adults' 9.7 percentage point increase in product ownership (5.6 million with products) means this group is no longer lagging the furthest behind.

However, with 9.9 million individuals between 26 and 40 years old and 12.8 million between 41 and 65 years old having products, these two age groups registered the most access. Finally, the age group over 65 years old was the least financially included, with 3.5 million having a product.

Graph 3.2 Access and usage indicators for financial products, by age group
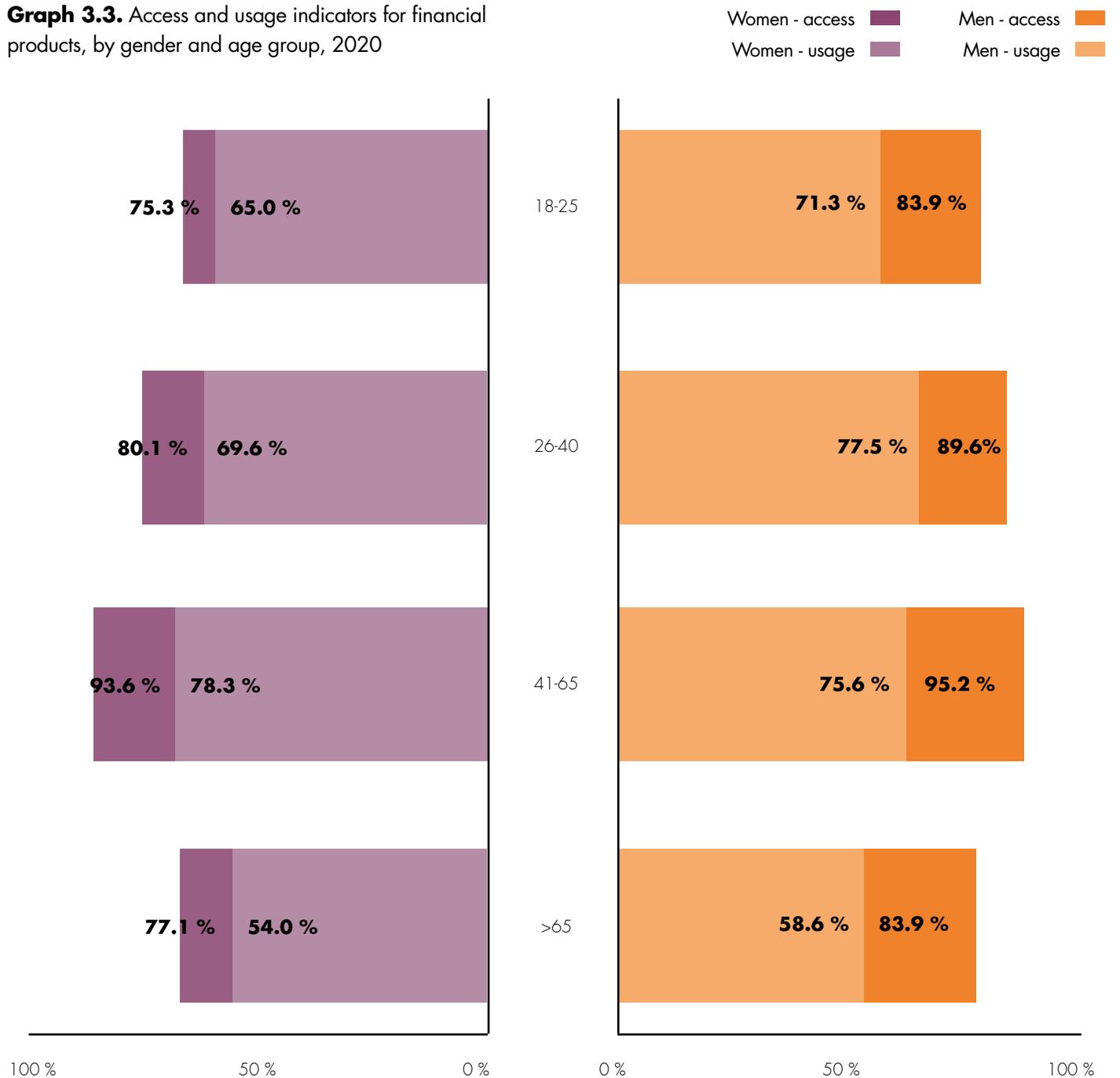
Access ▇ (green)
Usage ▇ (blue)
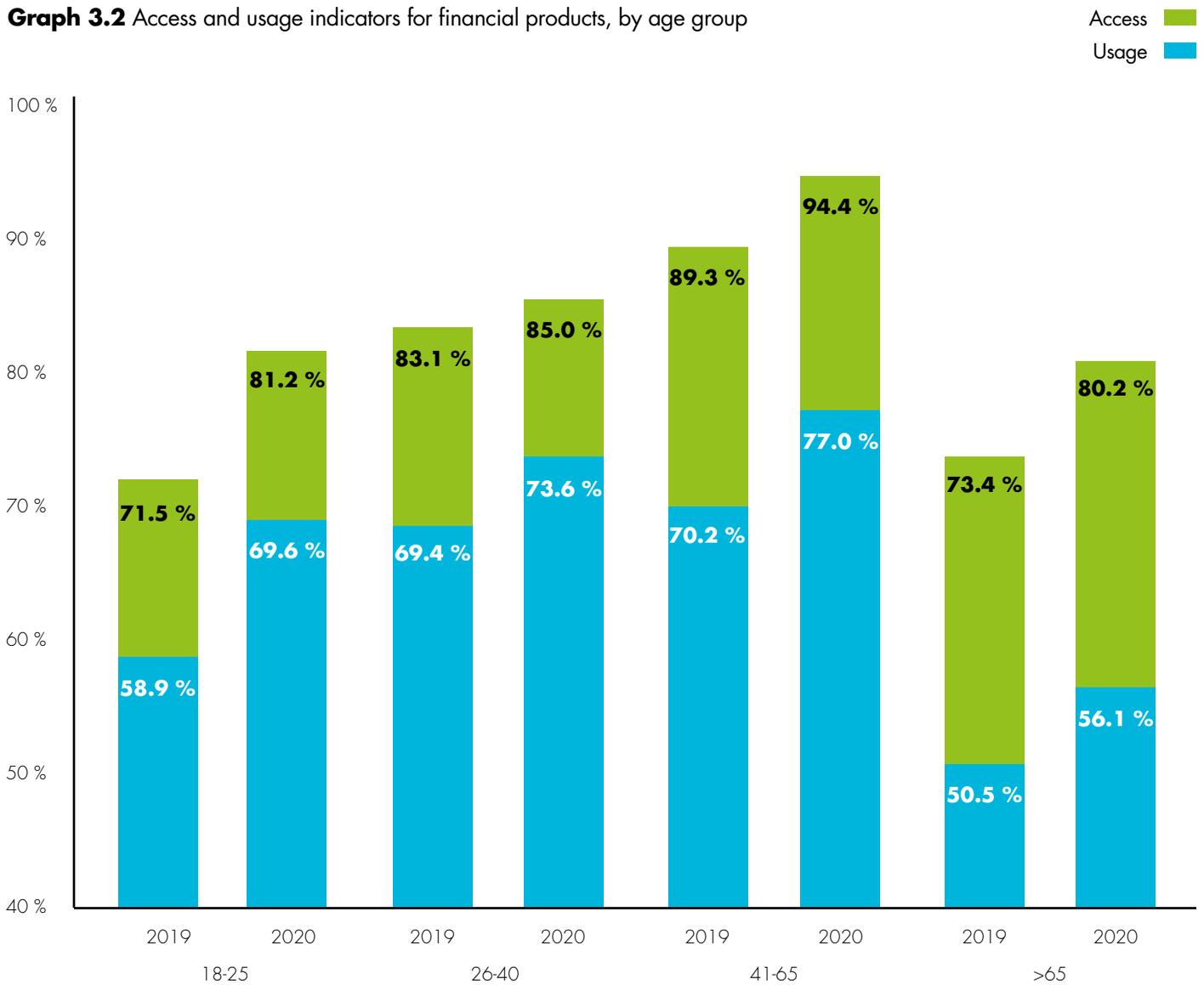
Source: FIR team with data from DANE and TransUnion.

Additionally, individuals between 41 and 65 years of age used their financial products the most, while those over 65 used theirs the least (Graph 3.2). The evolution of the youngest group's indicator stands out, since it showed a growth of 10.8 percentage points between 2019 and 2020.

A breakdown by gender and age group showed a gap in access between women and men for all age groups; however, the greatest gap was in adults who were between 26 and 40 years old. Furthermore, women in the youngest age group had the least access to financial products.

In terms of usage, the indicator for women only surpassed that of men in the 41-to-65-year-old age bracket. Additionally, adults over 65 had the lowest levels of usage for both genders (Graph 3.3).

Graph 3.3. Access and usage indicators for financial products, by gender and age group, 2020

Women - access ▉   Men - access ▉
Women - usage ▉   Men - usage ▉

	Women - access	Women - usage		Men - usage	Men - access
18-25	75.3 %	65.0 %		71.3 %	83.9 %
26-40	80.1 %	69.6 %		77.5 %	89.6%
41-65	93.6 %	78.3 %		75.6 %	95.2 %
>65	77.1 %	54.0 %		58.6 %	83.9 %

100 %   50 %   0 %   0 %   50 %   100 %

Source: FIR team with data from TransUnion and DANE

3.3 Deposit products

In 2020, access to deposit products increased by 6.6 percentage points (15.4 million) for men and 5.9 pp (15.7 million) for women. This increase was the factor that most affected the access to financial products indicator in general.

In terms of usage, despite the fact that this indicator increased for both men and women compared to the previous year, the gender gap still remained in 2020, standing at 3.1 percentage points. This figure is slightly higher than the 2.9 pp difference favoring men that was registered in 2019 (Graph 3.4).

**Graph 3.4.** Access and usage indicators for financial products, by gender
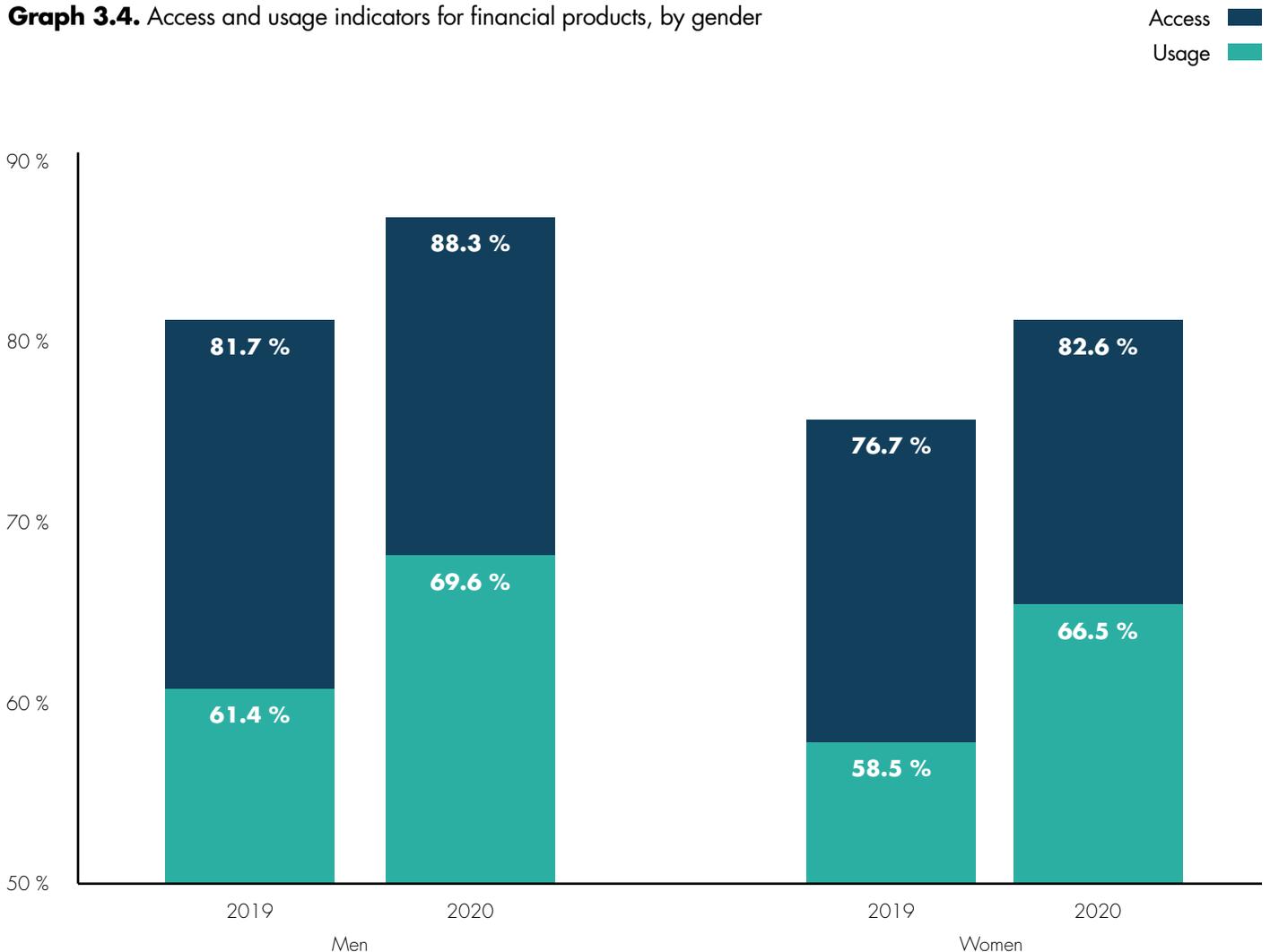
Access
Usage

When analyzing by age group, 41-to-65-year-olds and 26-to-40-year-olds had the highest levels of access to and usage of deposit products (12.4 and 9.7 million individuals, respectively). Likewise, the substantial increase in the number of products held by the youngest age group caused those over 65 years of age to become those with the least access to bank liability products (Graph 3.5).

Graph 3.5. Access and usage indicators for deposit products, by age group
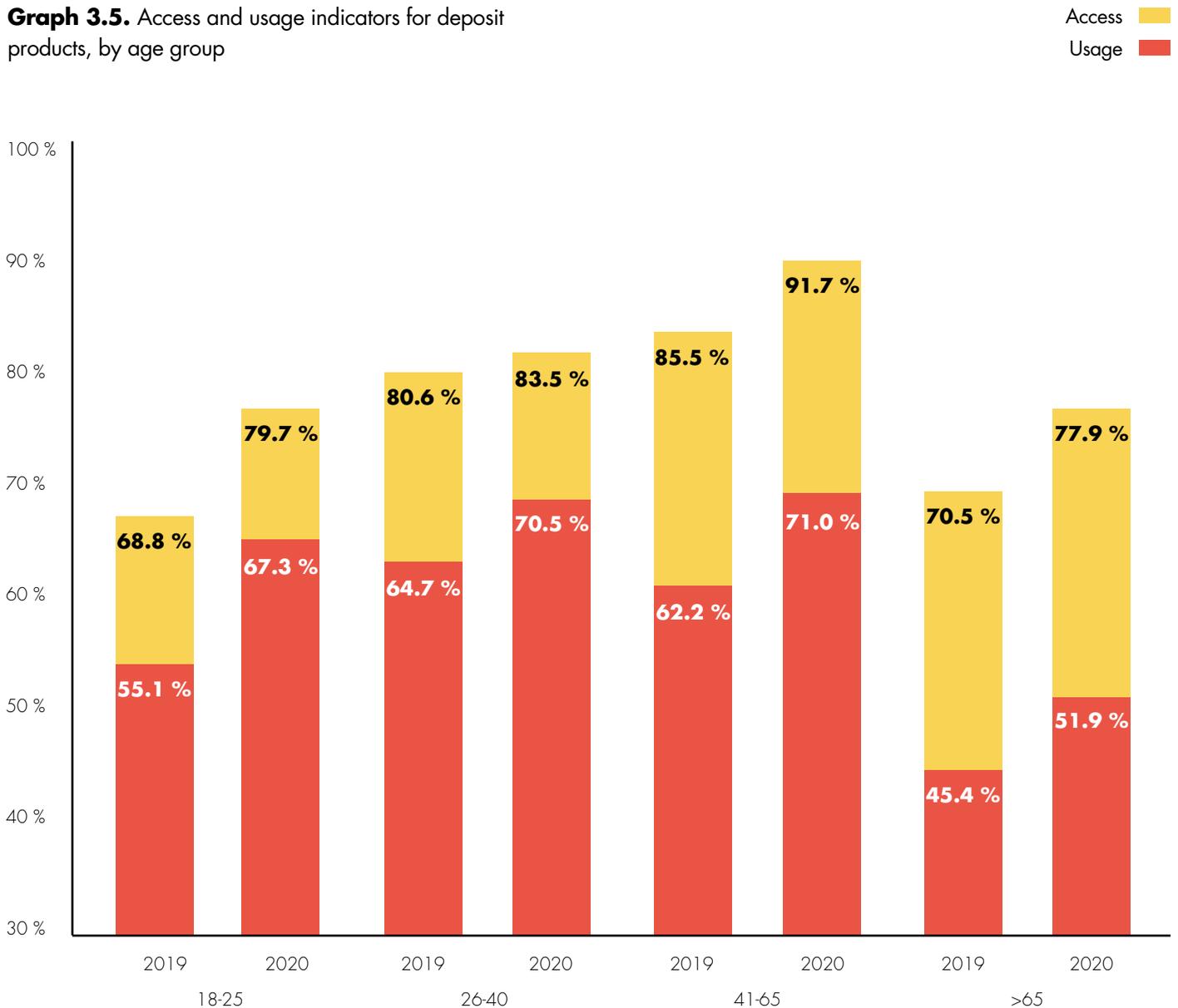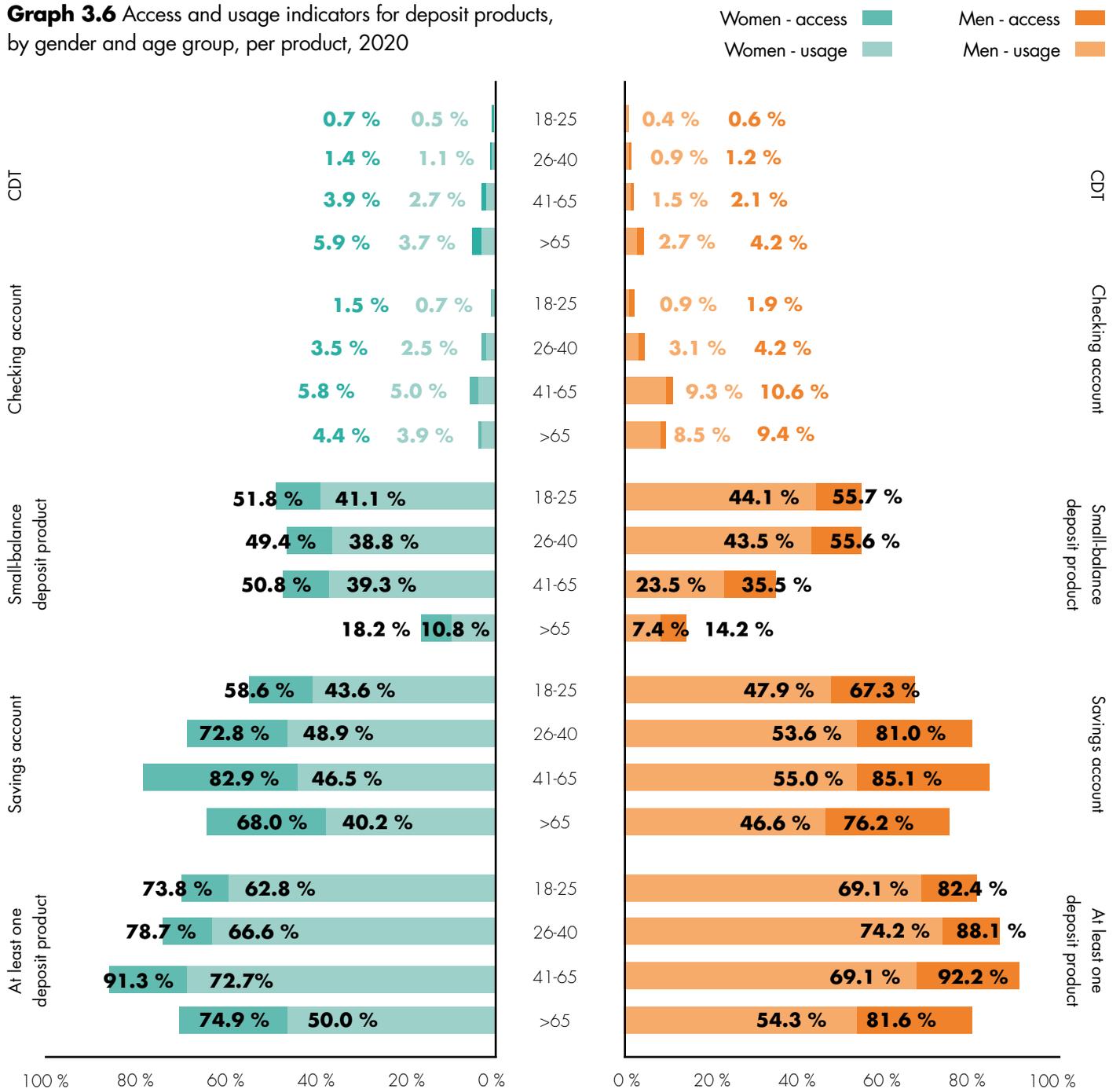
Access
Usage

Source: FIR team with data from TransUnion and DANE.

An analysis by gender and age showed that women lagged behind in accessing at least one deposit product, especially in the 18-to-25-year-old age group (8.7 pp) and the 26-to-40-year-old age group (9.4 pp). There was a similar trend in traditional savings accounts.

It should be noted that small-balance deposit products were mostly preferred by the younger age groups. In contrast, older adults registered the highest access and usage levels for products such as checking accounts and CDs. There were differences by gender for each of these products.

Graph 3.6 Access and usage indicators for deposit products, by gender and age group, per product, 2020

Women - access   Men - access
Women - usage   Men - usage

Product	Age	Women - access	Women - usage		Men - usage	Men - access
CDT	18-25	0.7 %	0.5 %		0.4 %	0.6 %
CDT	26-40	1.4 %	1.1 %		0.9 %	1.2 %
CDT	41-65	3.9 %	2.7 %		1.5 %	2.1 %
CDT	>65	5.9 %	3.7 %		2.7 %	4.2 %
Checking account	18-25	1.5 %	0.7 %		0.9 %	1.9 %
Checking account	26-40	3.5 %	2.5 %		3.1 %	4.2 %
Checking account	41-65	5.8 %	5.0 %		9.3 %	10.6 %
Checking account	>65	4.4 %	3.9 %		8.5 %	9.4 %
Small-balance deposit product	18-25	51.8 %	41.1 %		44.1 %	55.7 %
Small-balance deposit product	26-40	49.4 %	38.8 %		43.5 %	55.6 %
Small-balance deposit product	41-65	50.8 %	39.3 %		23.5 %	35.5 %
Small-balance deposit product	>65	18.2 %	10.8 %		7.4 %	14.2 %
Savings account	18-25	58.6 %	43.6 %		47.9 %	67.3 %
Savings account	26-40	72.8 %	48.9 %		53.6 %	81.0 %
Savings account	41-65	82.9 %	46.5 %		55.0 %	85.1 %
Savings account	>65	68.0 %	40.2 %		46.6 %	76.2 %
At least one deposit product	18-25	73.8 %	62.8 %		69.1 %	82.4 %
At least one deposit product	26-40	78.7 %	66.6 %		74.2 %	88.1 %
At least one deposit product	41-65	91.3 %	72.7%		69.1 %	92.2 %
At least one deposit product	>65	74.9 %	50.0 %		54.3 %	81.6 %

Source: FIR team with data from TransUnion and DANE

Regarding the total number of savings accounts, there is also a gap favoring men. As of December 2020, 52.3% of all savings accounts belonged to men and 47.7% belonged to women. For both groups, both the number of accounts and the average balance showed an increase compared to 2019 (Chart 3.1).

In contrast, the gap favored women for digital savings accounts: 84.8% were in a woman's name,[1] although the average balance was higher for men. During the last year, both the number and average balance of this product decreased.

Between 2019 and 2020, small-balance deposit products grew substantially for both men and women. In fact, simplified savings accounts increased by 109% for men, and 164.8% for women. Similarly, electronic deposit products doubled, with a higher increase in those held by women than men (Chart 3.2).

Chart 3.1. Number and average balance of savings accounts and digital savings accounts, by gender

Product	Gender	2019		2020		Account growth
		Number	**Average balance (COP)**	**Number**	**Average balance (COP)**	
Savings accounts	Men	32,401,013	$1,039,183	33,916,477	$1,287,251	4.7 %
	Women	29,531,802	$1,031,032	31,058,886	$1,290,72	5.2 %
Digital savings accounts	Men	647,941	$39,101	628,719	$35,894	-3.0 %
	Women	3,540,520	$37,463	3,512,270	$30,58	-0.8 %

Source: FIR team with SFC and SES data.

Chart 3.2. Number of simplified savings accounts and electronic deposit products, by gender

| Product	Gender	2019	2020	Account growth
Simplified savings accounts	Men	1,452,333	3,035,586	109.0 %
	Women	2,697,839	7,142,633	164.8 %
Electronic deposit products	Men	2,704,529	5,319,681	96.7 %
	Women	3,947,464	8,011,017	102.9 %

Source: FIR team with SFC data.

1.   This could be related to the dispersion of subsidies from the national government.

3.4 Credit products

In 2020, women's and men's active credit products both decreased by approximately 1.4 percentage points compared to 2019 (Graph 3.7). In total, 6.4 million men and 6.3 million women had an active credit product.

At the same time, all age groups—except those over 65 years of age—saw a reduction in the number of credit product holdings (Graph 3.8). As of December 2020, 1.5 million adults between 18 and 25 years of age had at least one credit product, as well as 4.3 million of those between 24 and 40 years of age, 5.7 million of those between 41 and 65 years of age, and 1.3 million individuals over 65 years old.

Graph 3.7 Credit product access indicator, by gender

2019
2020

Men   Women
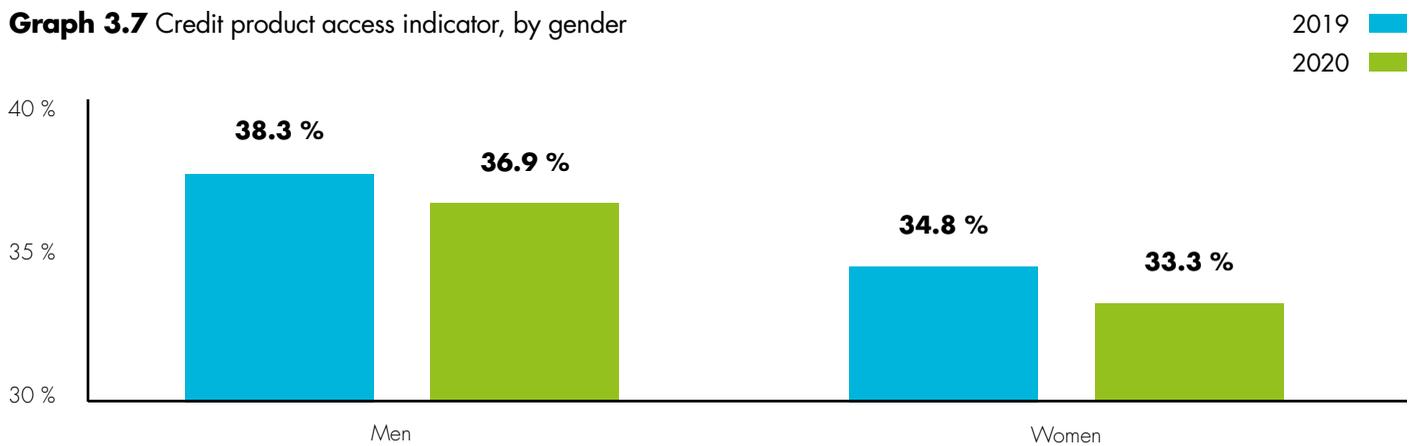
Source: FIR team with data from TransUnion and DANE.

Graph 3.8. Credit product access indicator, by age group

2019
2020

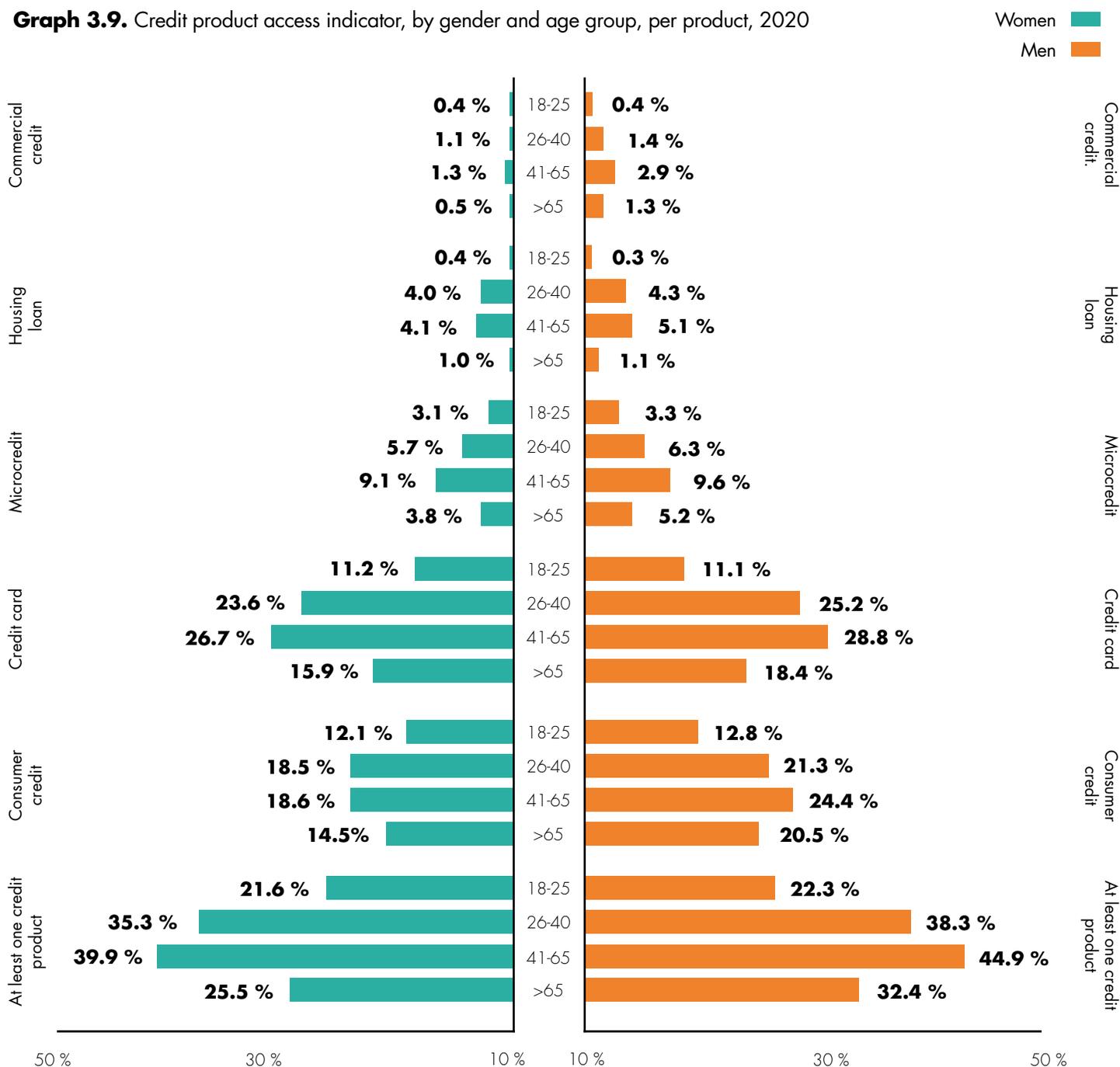18-25   26-40   41-65   >65
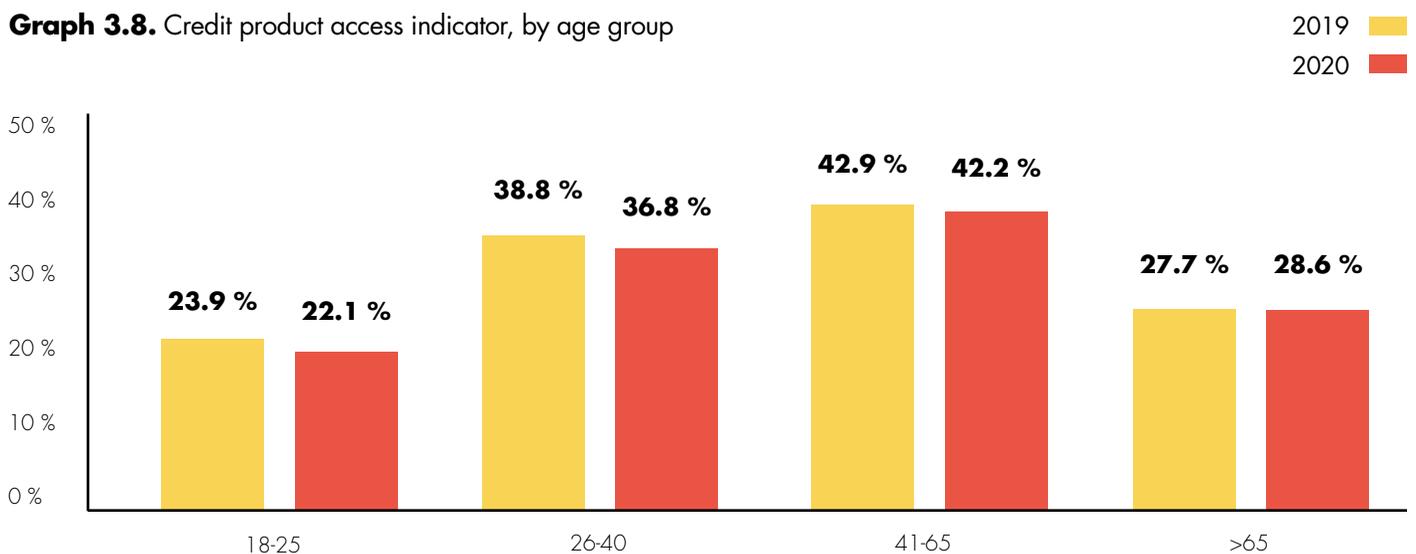
Source: FIR team with data from TransUnion and DANE.

A more disaggregated analysis revealed that the gender gap between those having at least one active credit product increased among older age groups. The difference was 0.7 percentage points for younger adults and up to 6.9 pp for those over 65.

A breakdown by product showed that consumer credit and credit cards were the most common among the various age groups, mainly for adults between 26 and 65 years old. For all types of credit, men had greater access than women, with the exception of those with housing loans and credit cards in the 18-to-25-year-old group.

Graph 3.9. Credit product access indicator, by gender and age group, per product, 2020

Women ▮
Men ▮

		Women	Age	Men	
Commercial credit		0.4 %	18-25	0.4 %	Commercial credit.
		1.1 %	26-40	1.4 %	
		1.3 %	41-65	2.9 %	
		0.5 %	>65	1.3 %	
Housing loan		0.4 %	18-25	0.3 %	Housing loan
		4.0 %	26-40	4.3 %	
		4.1 %	41-65	5.1 %	
		1.0 %	>65	1.1 %	
Microcredit		3.1 %	18-25	3.3 %	Microcredit
		5.7 %	26-40	6.3 %	
		9.1 %	41-65	9.6 %	
		3.8 %	>65	5.2 %	
Credit card		11.2 %	18-25	11.1 %	Credit card
		23.6 %	26-40	25.2 %	
		26.7 %	41-65	28.8 %	
		15.9 %	>65	18.4 %	
Consumer credit		12.1 %	18-25	12.8 %	Consumer credit
		18.5 %	26-40	21.3 %	
		18.6 %	41-65	24.4 %	
		14.5%	>65	20.5 %	
At least one credit product		21.6 %	18-25	22.3 %	At least one credit product
		35.3 %	26-40	38.3 %	
		39.9 %	41-65	44.9 %	
		25.5 %	>65	32.4 %	

50 %   30 %   10 %   10 %   30 %   50 %

**Source:** FIR team with data from TransUnion and DANE.

Compared to 2019, the number of disbursements for all types of credit decreased for both men and women in 2020. In the categories of microcredit, housing loans, and small-amount consumer credit, the reductions were greater for men than women. However, in 2020, men received more total disbursements in the case of consumer credit and housing loans. Finally, the average amount disbursed continues to be higher for men than for women for all types of credit products.

Chart 3.3. Number and average amount of disbursements, by gender, per product

Product	Gender	2019		2020		Disbursement growth
		Number of disbursements	Average amount (millions COP)	Number of disbursements	Average amount (millions COP)	
Microcredit	Men	997,984	$5.0	622,535	$6.1	-37.6 %
	Women	1,250,709	$4.2	863,754	$4.8	–30.9 %
Consumer credit	Men	61,919,646	$1.2	54,059,086	$1.1	–12.7 %
	Women	62,102,502	$0.9	53,015,086	$0.9	–14.6 %
Housing loan	Men	96,740	$121.7	87,425	$118.6	–9.6 %
	Women	87,519	$106.1	83,011	$101.9	–5.2 %
Small-amount consumer credit	Men	75,610	$0.7	42,829	$0.7	–43.4 %
	Women	103,613	$0.6	77,340	$0.5	–25.4 %

Source: FIR team with data from SFC, SES, and microfinance NGOs.
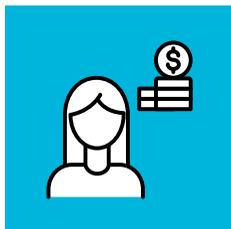
Inset 3.1.
Status of financial product access and usage for rural women in Colombia

Women between the ages of 18 and 40 and those over 65 had less access to financial products compared to

their male counterparts—a gap that is more pronounced in urban areas[2] than in rural areas (Graph 1). For their part, women between 41 and 65 years old had more financial products than men of this age bracket in medium-sized, rural, and dispersed rural municipalities.

Women in cities and urban agglomerations aged between 26 and 40 lagged behind in the access indicator by more than 10 percentage points compared to their male counterparts. In comparison, women in dispersed rural municipalities had almost the same indicator as men in those areas. This closing of the gap between men and women in rural areas may be related to the fact that many of the national government's social program transfers are made to rural women through the financial system.

Graph 1. Access indicator for the four levels of rurality, by gender and age group,[3] 2020

Women ■
Men ■

....
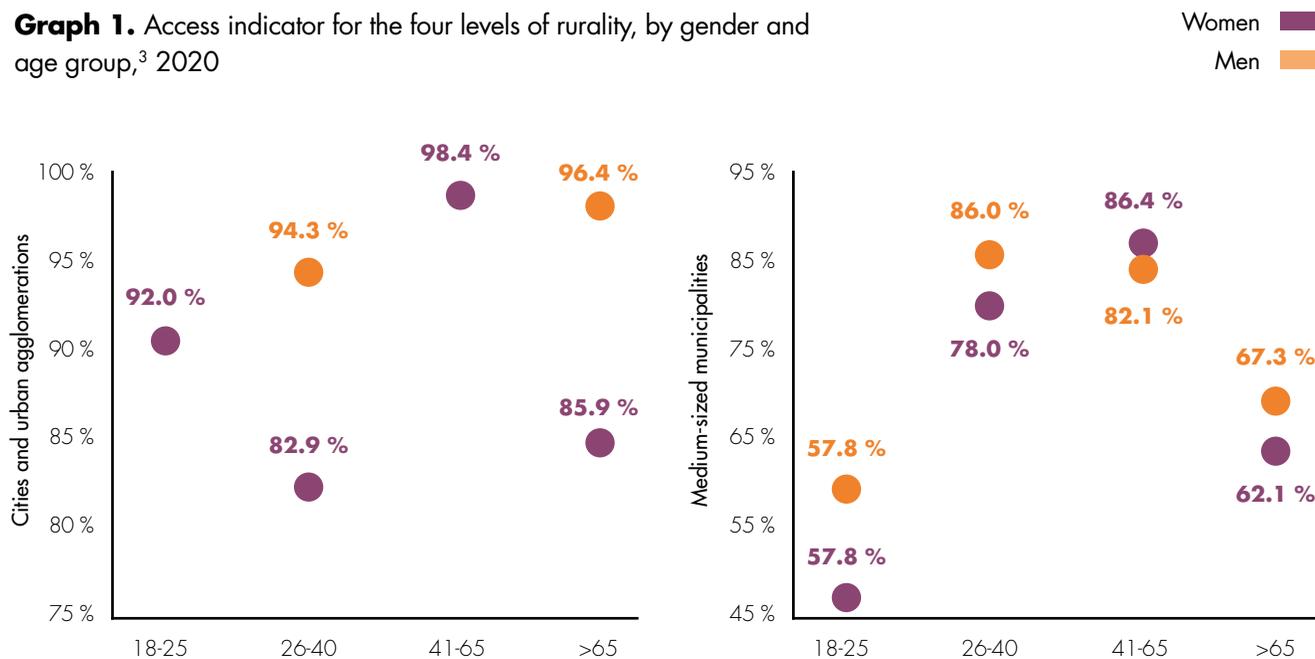
2. Urban areas include cities and urban agglomerations as well as medium-sized municipalities. Rural areas include rural and dispersed rural municipalities.

3. The access indicator for men between the ages of 18 and 25 as well as 41 and 65 for cities and urban agglomerations is under revision.

Women ▮
Men ▮
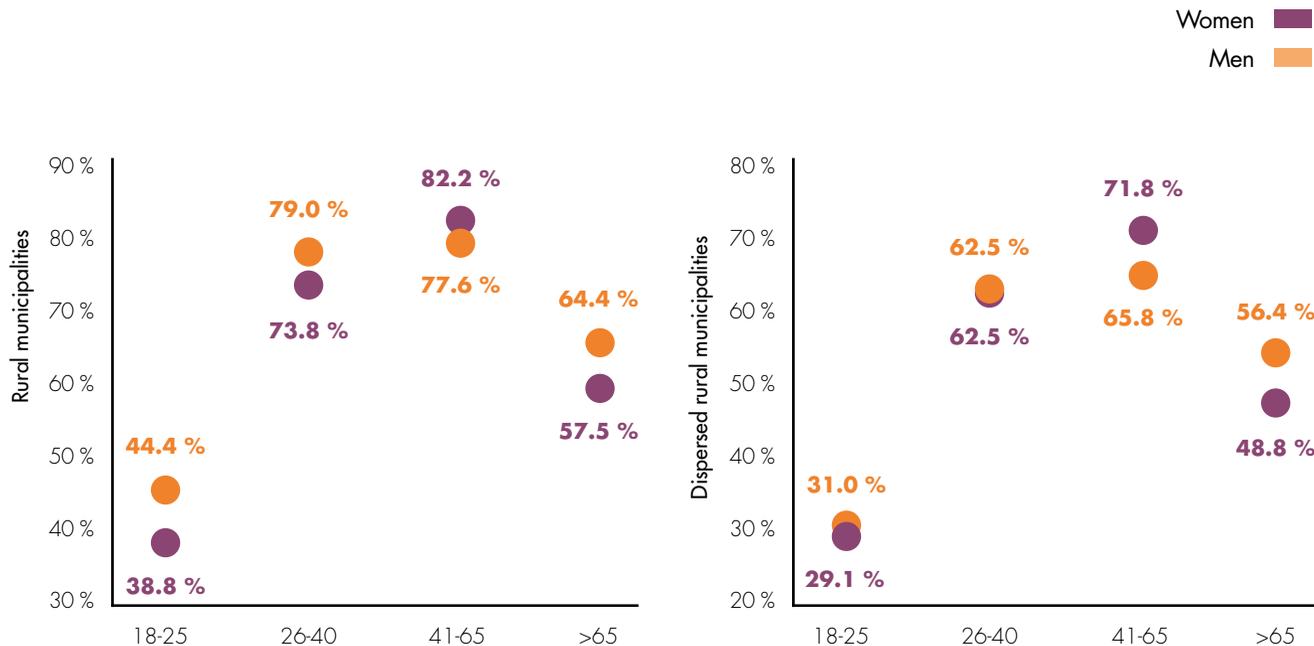
Source: FIR team based on TransUnion and DANE data.

An alternative way to measure the usage of financial products is by calculating the level of activity,[4] which reflects how much individuals use their products. This percentage showed that women use their products more when they enter the financial system, except those in rural areas aged 18 to 40 and those in cities and urban agglomerations over 65 years of age (Graph 2). Additionally, there is a considerable gap in the level of usage favoring women between 41 and 65 years of age, especially in rural areas and medium-sized municipalities. In this sense, women had less access to the financial system than men, but those who were able to access the financial system used their financial products much more actively.[5]

....

4. The level of activity (%) is calculated as the number of adults who have at least one active financial product divided by the total number of adults with at least one financial product.
5. Differences in access could be due to wage differences between men and women, sociocultural barriers, and other behavioral aspects.

Graph 2. Percentage of activity for the four levels of rurality, by gender and age group, 2020
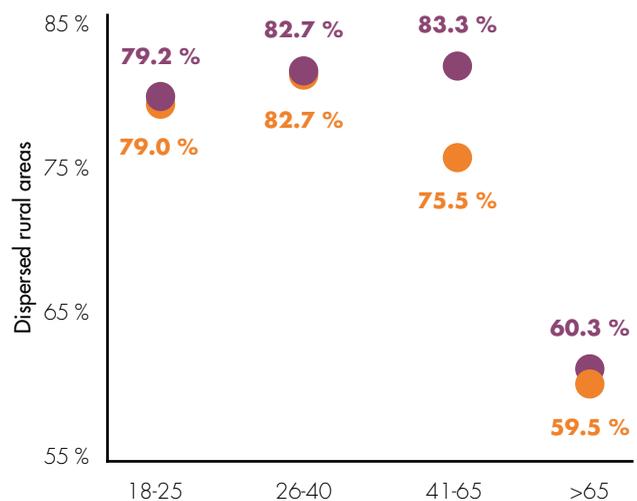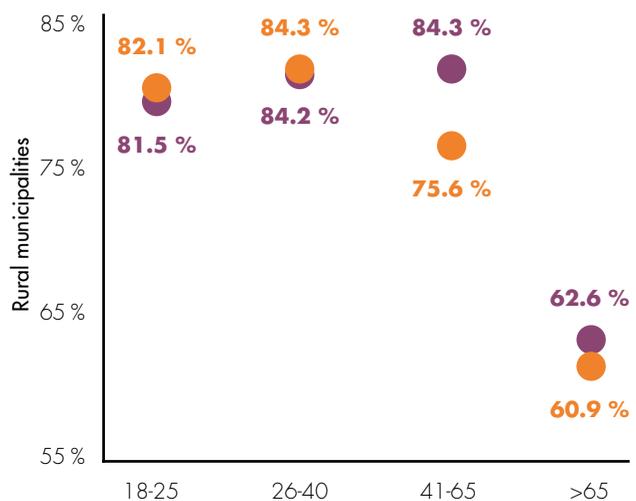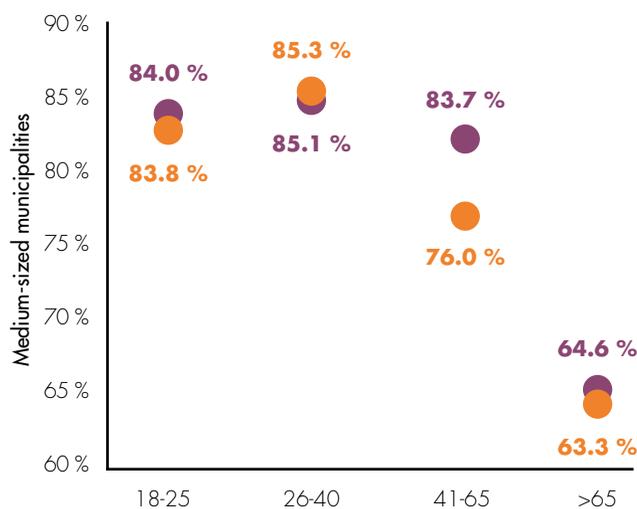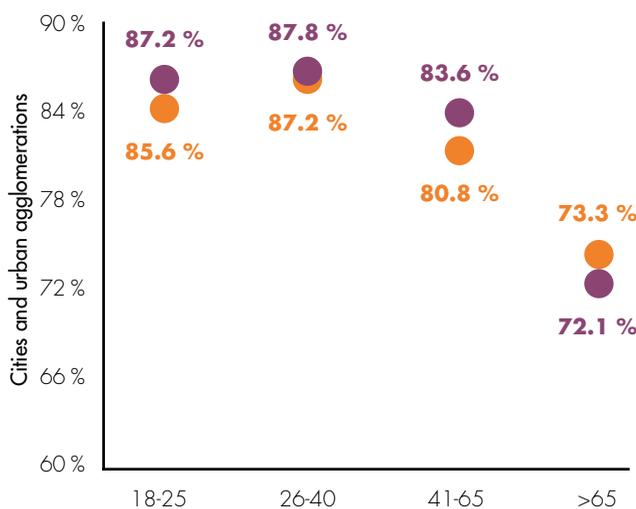
Women ▬
Men ▬

Source: FIR team based on TransUnion data.

Regarding credit, women had less access to these products than men in almost all age groups and levels of rurality (Graph 3). In turn, the youngest age group (18 to 25 years old) had almost the same access indicator to credit products at all levels of rurality, but the gap favoring men is growing as the population ages. Women over 65 years of age in dispersed rural municipalities have the lowest access indicator, followed by the youngest age group.

Graph 3. Credit product access indicator for the four levels of rurality, by gender and age group, 2020

Women ▮
Men ▮
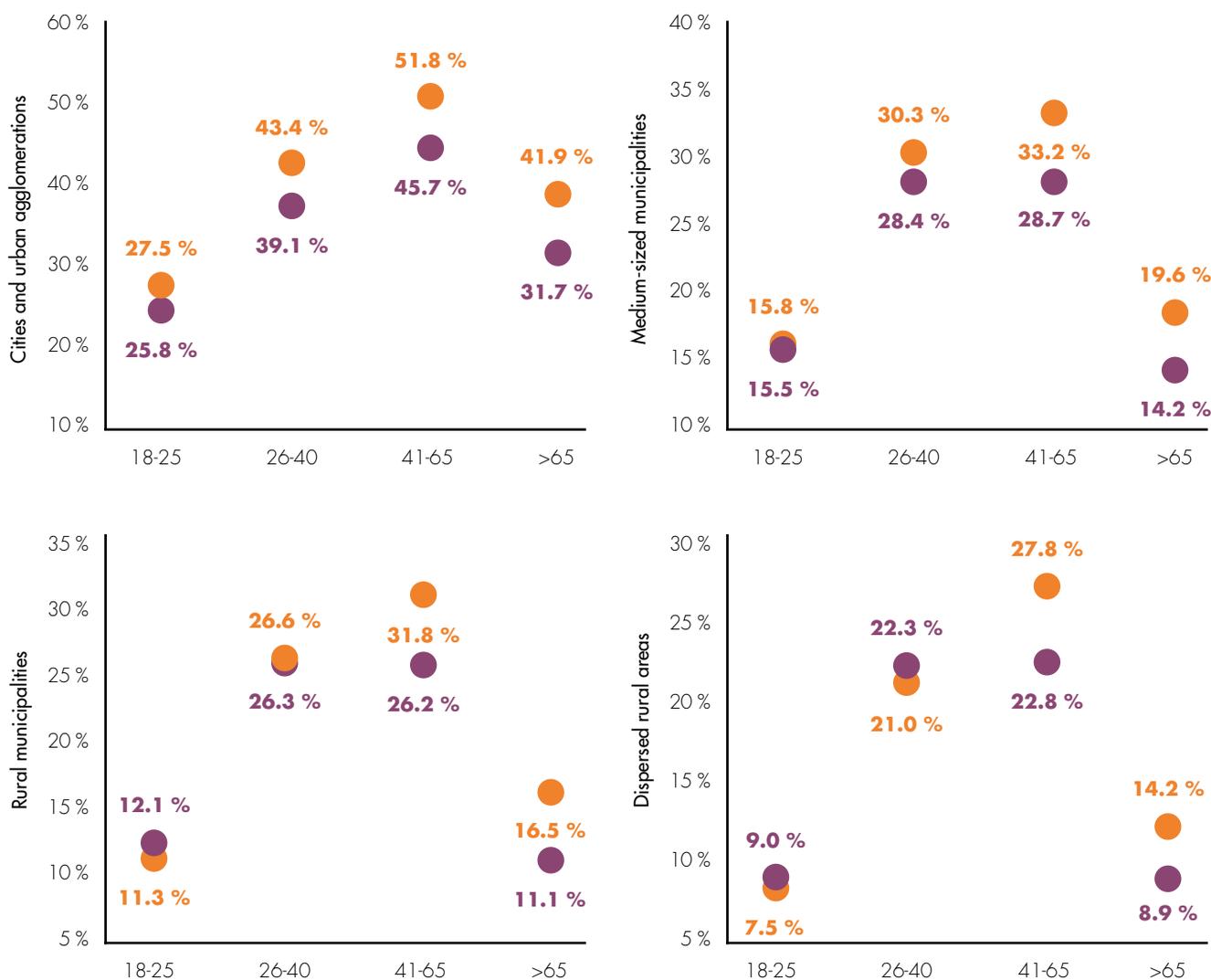
Source: FIR team based on TransUnion data.

04

Physical coverage of the financial system

The general indicators relating to the physical locations for carrying out financial transactions showed an upward trend in 2020. This positive performance has continued for several years, especially due to the correspondents, which are a model that financial institutions are increasingly turning to, given their ease of reaching various areas of Colombia and interacting with digital financial products—for example, in deposit and withdrawal transactions.

Additionally, in the case of correspondents, it is important to take into account that the cash transfer programs were proposed under a mechanism that has often implied the use of correspondents to carry out the respective disbursements, which has gone hand in hand with improving this channel's coverage in most of the municipalities.

In this context, the main indicators of the financial system's physical coverage in Colombia[1] are detailed below. In addition, an analysis is presented regarding the coverage of locations at the municipal level.

---

1.   There are 1,103 municipalities and 19 areas not considered municipalities nationwide.

4.1 Main results

Financial presence

At the national level, there were

7,238
branches in December 2020, with an annual variation of –5.6%.

As for **correspondents**, their numbers increased by 46.1%, reaching

232,202
in December 2020

POS terminals grew by 17.9% compared to last year, with 684,225 devices, whereas **ATMs** saw a reduction of 1.4%, with 16,293 locations.

In total, there were

939,958
physical locations a 23.1% increase compared to 2019.

Density indicators

The **number of phhysical locations** relative to the population increased by

16.3 %
last year

while the same indicator relative to land area rose

18.9 %
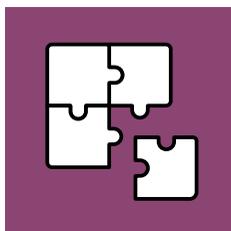**over the same period.**

Regional coverage

Although regional gaps persist, **physical location coverage indicators** improved in all regions of Colombia—and across all levels of rurality—with the greatest growth occurring in rural and dispersed rural areas. Thus,

100 %
of the 1,103 municipalities have at least one correspondent, and

78.6 %
have at least one branch.

An analysis shows that the coverage indicators increased in

94.1 %
of all municipalities;

There were even improvements in most of the rural municipalities (92.3%). In addition, several of the municipalities that showed growth were also those with the lowest coverage indicator.

4.2 Financial presence

Branches

In 2020, branch coverage decreased or remained constant in most of Colombia's municipalities (1,064); there were significant decreases in large cities, while an increase was observed in 3% of rural municipalities. In fact, the number of total branches went from 7,669 at the end of 2019 to 7,238 in December 2020, with an annual variation of –5.6% (a decrease of 431 branches). The number of branches gradually dropped throughout 2020, registering 7,644 offices in March, 7,415 in June, and 7,259 in September.

The greatest decreases in the number of branches occurred in large cities: Bogotá (189), Cali (41), Medellín (35), Barranquilla (19), and Cartagena (16), which are part of the 1,064 municipalities in which branch coverage remained the same or dropped. Likewise, the sole branch in two different municipalities (Bojacá, Cundinamarca and Hatonuevo, La Guajira) closed during 2020, leaving both places without any branch. On the other hand, 51 municipalities registered increases in the number of branches, with 19 of them corresponding to dispersed rural and rural areas; in fact, one had a physical branch for the first time (El Playón, Santander).

Correspondents

Correspondents' coverage showed positive dynamics in 98% of Colombia's municipalities. The total number of these physical locations increased by 46.1%, rising from 158,973 in December 2019 to 232,202 in December 2020. In terms of activity,[2] 68.6% of the total correspondents were active as of December 2020, a decrease from 78.6% in 2019.
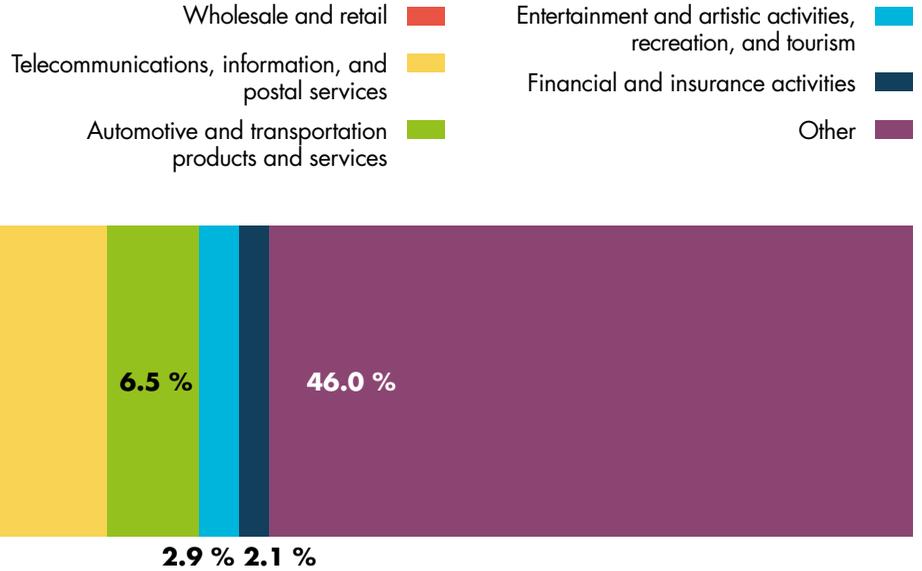
Currently, all municipalities in Colombia have at least one correspondent. Furthermore, 1,091 municipalities registered an increase in the number of correspondents, highlighting the dynamics in large cities with respect to the total number of new correspondents. Likewise, in 116 small municipalities, the number of correspondents increased by 100% or more. In three areas not denominated as municipalities (San Felipe, Guainía; Puerto Colombia, Guainía; and La Chorrera, Amazonas), at least one correspondent was registered, which was not the case in 2019.

Additionally, in 2020, 12.3% of the total correspondents were reported as being self-operated[3] and 87.7% as outsourced. The percentages of self-operated and outsourced correspondents changed slightly from the 2019 figures of 15.6% and 84.4%, respectively. This resulted from a 15.1% increase in the number of self-operated and a 51.8% increase in the number of outsourced correspondents.

Furthermore, the distribution of correspondents by business type shows that 25.4% of correspondents are in the wholesale and retail trade sector; 17% in telecommunication access points; and 6.5% in commercial establishments for automotive and transportation products and services, among other types of businesses (Graph 4.1).

---

2.   The breakdown for active correspondents only includes information for entities overseen by the SFC due to the fact that data for credit unions not overseen by the SFC is not available, and NGOs do not have this channel.

3.   Self-operated correspondents use the corresponding entity's own data transmission systems, while outsourced correspondents make use of a data transmission system contracted with a third party by the entity, usually through a network provided by a commercial establishment. Please note that this breakdown is only available for entities overseen by the SFC.

**Graph 4.1** Distribution of correspondents, by business type

■ Wholesale and retail		■ Entertainment and artistic activities, recreation, and tourism
■ Telecommunications, information, and postal services		■ Financial and insurance activities
■ Automotive and transportation products and services		■ Other

| 25.4 % | 17.0 % | 6.5 % | | | 46.0 % |

2.9 % 2.1 %

Source: FIR team with SFC data.
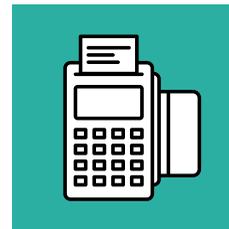
POS terminals and ATMs

As of December 2020, 684,225 POS terminals were registered nationwide—a 17.9% increase compared to last year. The data breakdown by municipality for the two main networks shows that the number of devices was reduced or remained the same in 185 municipalities compared to 2019, while that number increased in 900 municipalities. As for ATMs, the annual variation was −1.4%, with 16,293 throughout Colombia.
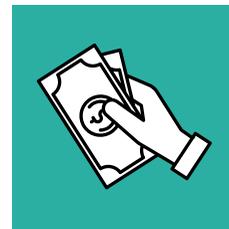
Total physical locations

In light of the above figures, the total number of the financial system's physical channels—including branches, correspondents (banking and other types of entities), ATMs, and POS terminals—reached 939,958 locations, a 23.1% increase compared to 2019.
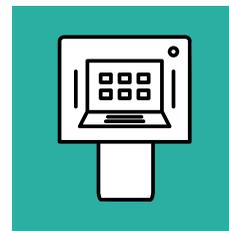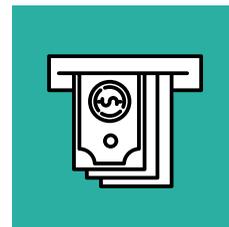
232,202
Correspondents

684,225
POS terminals

7,238
Branches

16,293
ATMS

4.3 Density indicators in financial system coverage

Calculating the density of the system's main channels between 2019 and 2020 with respect to the population revealed that POS terminals and active correspondents improved their indicator (number of locations per 10,000 adults), with the former increasing from 162.8 to 187.9 devices, and the latter increasing from 35 to 43.7 locations. On the contrary, in terms of the number of branches and ATMs, this indicator was slightly lower in 2020 compared to 2019.

Similarly, when analyzing the density relative to Colombia's land area (number of locations per 1,000 km2), there was an increase in active correspondents and POS terminals, while the land area coverage for branches and ATMs lessened.

Despite the reduction in the number of active correspondents over the total, the absolute number of active correspondents increased enough to improve its density. Thus, the indicators for the aggregate of physical channels increased by 16.3% with respect to the adult population, and by 18.9% with respect to Colombia's land area.

Table 4.1. Density indicators with respect to the population (No. of locations per 10,000 adults)

	2019	**2020**	**Diferencia porcentual**
Branches	2.2	2.0	–7.6 %
POS terminals	162.8	187.9	15.4 %
Active correspondents	35.0	43.7	24.7 %
ATMs	4.6	4.5	–3.5 %
Total	**204.6**	**238.0**	**16.3 %**

Source: FIR team with data from SFC and DANE.

Table 4.2. Geographic density indicators (No. of locations per 1,000 km2)

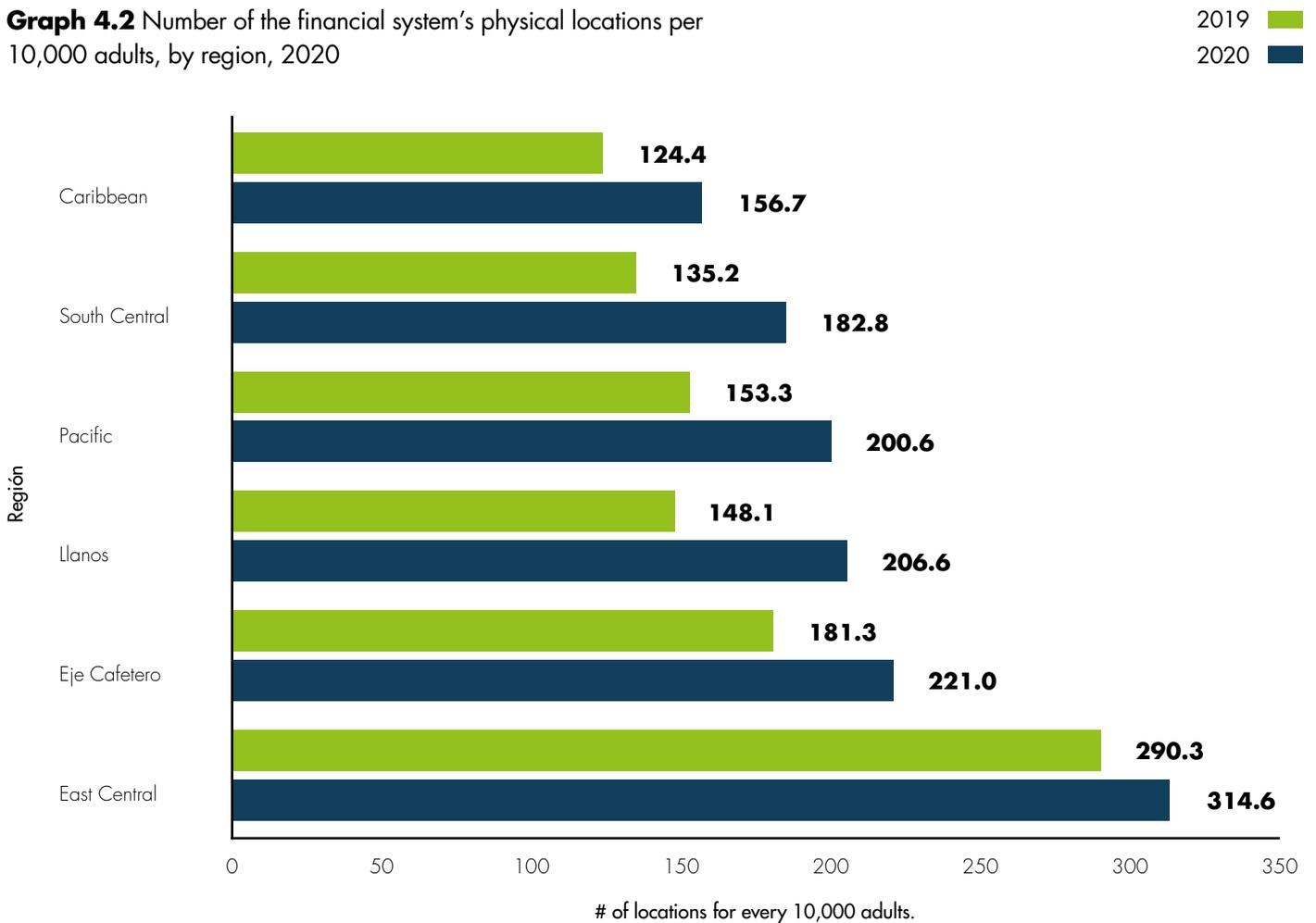|	**2019**	**2020**	**Diferencia porcentual**
Branches	6.7	6.3	–5.6 %
POS terminals	508.1	599.3	17.9 %
Active correspondents	109.3	139.3	27.5 %
ATMs	14.5	14.3	–1.4 %
Total	**638.6**	**759.2**	**18.9 %**

Source: FIR team with data from SFC and DANE.

4.4 Analysis of regional coverage

Although the national totals show positive advances in the density indicators regarding financial system coverage, it is important to analyze regional dynamics to determine if this behavior has been constant throughout Colombia.[4]

Initially, when looking at regions of Colombia, there are marked differences in the density indicators of physical locations by population, with the East Central region significantly surpassing the others. However, all regions registered a significant increase in said indicator, with the greatest increases in the Pacific (30.9%), South Central (35.2%), and Llanos (39.5%) regions.

Graph 4.2 Number of the financial system's physical locations per 10,000 adults, by region, 2020

2019 ■
2020 ■

# of locations for every 10,000 adults.

| Region	2019	2020
Caribbean	124.4	156.7
South Central	135.2	182.8
Pacific	153.3	200.6
Llanos	148.1	206.6
Eje Cafetero	181.3	221.0
East Central	290.3	314.6

Source: FIR team with data from SFC and DANE.

4.   This analysis includes coverage of branches, active correspondents, and POS terminals.

Furthermore, the gaps in financial coverage by levels of rurality remain significant, although there are clear improvements at all levels between 2019 and 2020. In fact, cities and urban agglomerations had the lowest percentage growth (16.1%), compared to medium-sized municipalities (31.3%), rural municipalities (33.8%), and dispersed rural municipalities (32.8%).

The indicators show that 94.1% of the municipalities improved their density indicator in terms of coverage (physical locations per 10,000 adults), while 5.9% worsened or remained the same.
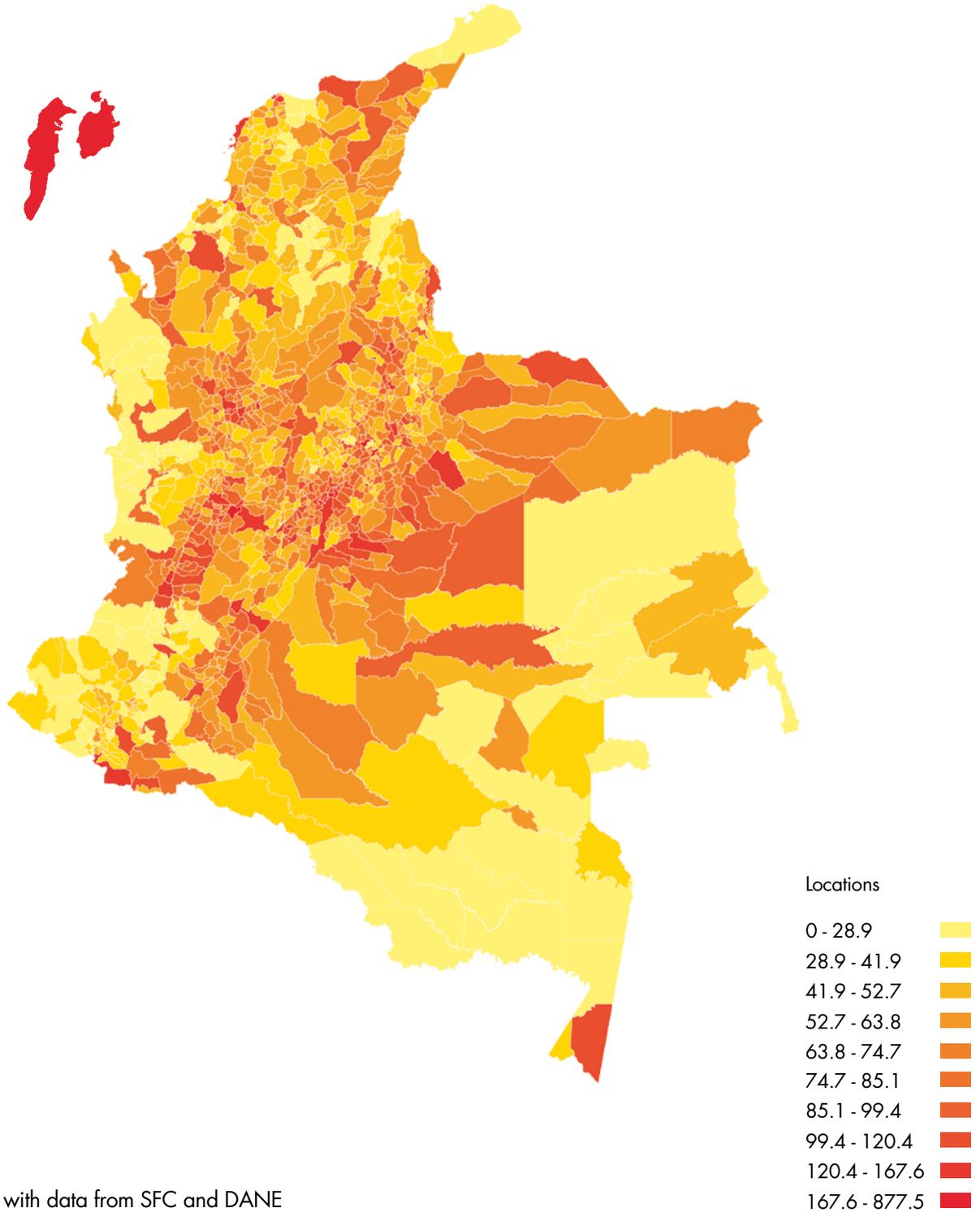
Graph 4.3 Number of the financial system's physical locations per 10,000 adults, by level of rurality

2019 ▮
2020 ▮

# of locations for every 10,000 adults
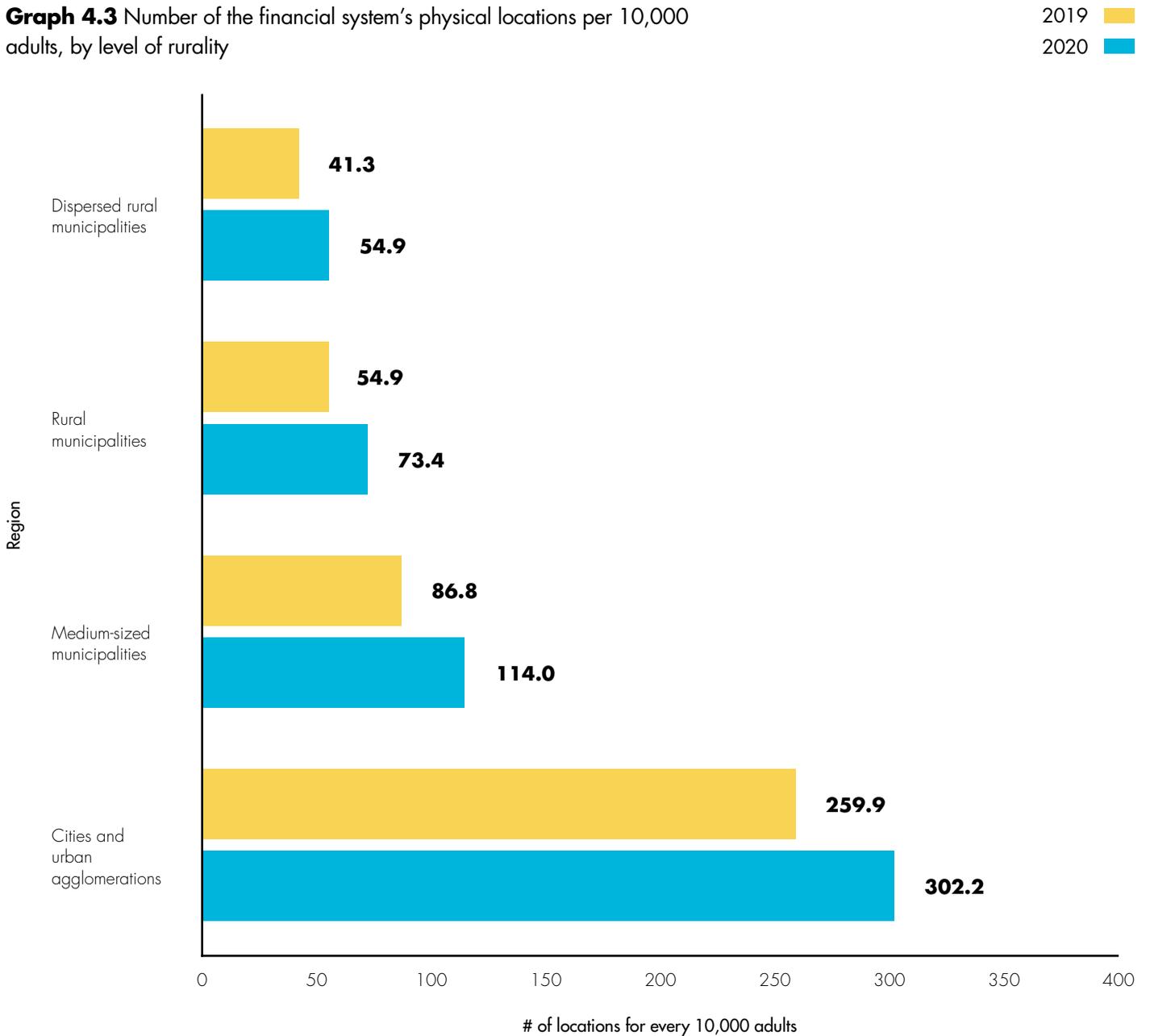
Source: FIR team with data from SFC and DANE.

Thus, Map 4.1 shows the distribution (in deciles) of the municipalities according to the indicator (number of locations per 10,000 inhabitants), with the darkest tones representing the highest indicators.

Map 4.1. Number of the financial system's physical locations per 10,000 adults, by municipality, 2020

Locations

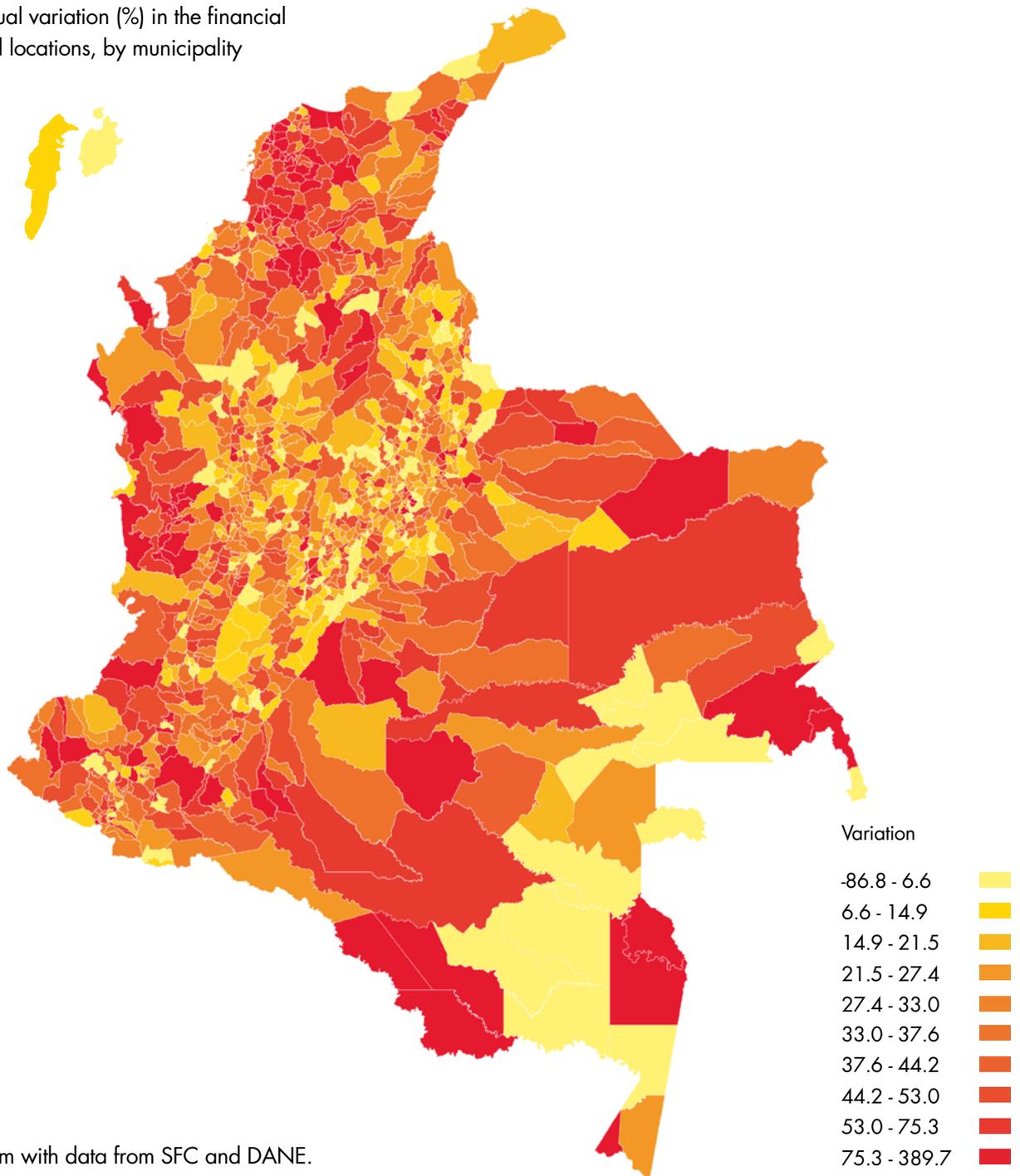|	
0 - 28.9	
28.9 - 41.9	
41.9 - 52.7	
52.7 - 63.8	
63.8 - 74.7	
74.7 - 85.1	
85.1 - 99.4	
99.4 - 120.4	
120.4 - 167.6	
167.6 - 877.5	

Source: FIR team with data from SFC and DANE

Additionally, Map 4.2 shows the annual percentage variations (in deciles) of each municipality's density indicator with respect to the population between 2019 and 2020. In this case, the darker colours represent municipalities that had greater growth, while the brighter colours represent those whose number of physical locations dropped.

The colors on Map 4.1 make it easy to see that several of the municipalities with less coverage are located in the Southeastern and Pacific areas. Furthermore, the municipalities whose indicator decreased are distributed throughout various areas of Colombia, but there seems to be a correlation between fewer locations and less infrastructure in the Southwestern part of Colombia.

Map 4.2. Annual variation (%) in the financial system's physical locations, by municipality

Variation

- -86.8 - 6.6
- 6.6 - 14.9
- 14.9 - 21.5
- 21.5 - 27.4
- 27.4 - 33.0
- 33.0 - 37.6
- 37.6 - 44.2
- 44.2 - 53.0
- 53.0 - 75.3
- 75.3 - 389.7

Source: FIR team with data from SFC and DANE.

When graphing both indicators, although a significant correlation is not identified, classifying the municipalities into two groups (cities and medium-sized municipalities versus and rural and dispersed rural areas) reveals that a significant number of rural municipalities had the most growth; nevertheless, there were more rural than urban municipalities among those that decreased. Moreover, in general, the municipalities with the highest coverage indicators also increased.

Graph 4.4. Number of the financial system's physical locations per 10,000 adults vs. annual variation (%) in locations, by level of rurality

Cities and medium-sized municipalities ▬
Rural areas ▬

Source: FIR team with data from SFC and DANE.
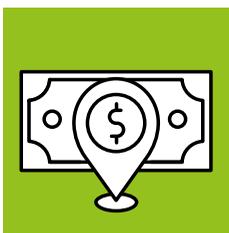
Inset 4.1
The financial system's municipal coverage

In order to examine the financial system's regional coverage according to entity type, the number of branches and correspondents in each municipality was found. Thus, the types of entities were grouped into: i)

banks, financing companies, and financial corporations (grouped in the banks category for this exercise); ii) financial credit unions, overseen by the SFC, or savings and credit unions overseen by the SES; iii) microfinance NGOs and iv) SEDPEs.

In the case of bank branch coverage[5], of the 1,103 municipalities under analysis, 38.7% have only bank branches, while in 14.7%, all three types of entities have offices. Likewise, 14.6% have bank branches and credit union offices, 6.9% have bank branches and NGO offices, and 2.5% only have credit union offices. There are no municipalities that have only NGO offices or offices for NGOs and credit unions; moreover, 21.4% of the municipalities do not have office coverage for any type of entity, which conversely means that 78.6% of the municipalities have at least one office (Table 1).

Table 1. Municipal office coverage, by entity type

	Number of municipalities	**Percentage of total**
Municipalities with only bank branches	427	38.7 %
Municipalities with only credit union offices	28	2.5 %
Municipalities with only NGO offices	0	0.0 %
Municipalities with bank + credit union offices	162	14.7 %
Municipalities with bank + NGO offices	76	6.9 %
Municipalities with only credit union + NGO offices	0	0.0 %
Municipalities with the three types of offices	174	15.8 %
Municipalities without offices	236	21.4 %

Source: FIR team with SFC data.

....

5.   The types of entities that have offices include banks, credit unions, and NGOs (SEDPEs do not have this channel).

Furthermore, an analysis of correspondents[6], recorded in Table 2, shows that 93.7% of municipalities have at least one bank, credit union, or SEDPE correspondent, while 5.4% have banking and credit union correspondents. In addition, 0.6% of the municipalities have only bank and SEDPE correspondents, and 0.4% have only bank correspondents. It is worth noting that there are no municipalities without at least one correspondent, meaning this channel has nationwide coverage.

The analysis was also carried out with a breakdown for rural and dispersed rural municipalities, in order to detail what type of entities are located in these areas. Regarding offices, for example, of the 236 municipalities without offices, 73.7% are in rural or dispersed rural areas; of the 28 that only have credit unions, 78.6% are rural or dispersed rural. As for correspondents, relatively high percentages of banks (only banks or with other entity types) are found in rural or dispersed rural areas (Table 3).

Table 2. Municipal correspondent coverage, by entity type

	Number of municipalities	**Percentage of total**
Municipalities with only bank correspondents	4	0.4 %
Municipalities with only credit union correspondents	0	0.0 %
Municipalities with only SEDPE correspondents	0	0.0 %
Municipalities with bank + credit union correspondents	60	5.4 %
Municipalities with bank + SEDPE correspondents	6	0.5 %
Municipalities with only credit union + SEDPE correspondents	0	0.0 %
Municipalities with the three types of correspondents	1,033	93.7 %
Municipalities without correspondents	-	0.0 %

Source: FIR team with SFC data.

6. The types of entities with the correspondent channel include banks, credit unions, and SEDPEs (NGOs do not have this channel).

Table 3. Municipal correspondent coverage, by entity type and rurality

	Offices		
	Total number of municipalities	**Number of rural and dispersed rural municipalities**	**Rural percentage**
Municipalities with only bank branches	427	308	72.1 %
Municipalities with only credit union offices	28	22	78.6 %
Municipalities with only NGO offices	0	0	n. a.
Municipalities with bank + credit union offices	162	100	61.7 %
Municipalities with bank + NGO offices	76	25	32.9 %
Municipalities with only credit union + NGO offices	0	0	n. a.
Municipalities with all three types of offices	174	31	17.8 %
Municipalities without offices	236	174	73.7 %

	Correspondents		
	Total number of municipalities	**Number of rural and dispersed rural municipalities**	**Rural percentage**
Municipalities with only bank correspondents	4	4	100.0 %
Municipalities with only credit union correspondents	0	0	n. a.
Municipalities with only SEDPE correspondents	0	0	n. a.
Municipalities with bank + credit union correspondents	60	46	76.7 %
Municipalities with bank + SEDPE correspondents	6	6	100.0 %
Municipalities with only credit union + SEDPE correspondents	0	0	n. a.
Municipalities with all three types of correspondents	1,033	604	58.5 %
Municipalities without correspondents	0	0	n. a.

Source: FIR team with data from SFC.

Based on the analyses, some factors affecting financial system coverage in Colombia can be identified by entity type:

01

Although the system's general coverage indicators have improved, especially with regards to correspondents, there are a significant number of municipalities that do not have offices, which may limit their population's access to financial products and services due to differences in the types of transactions and services available in one channel or another. For example, access to credit may be reduced in municipalities that do not have a physical branch.

02

The data shows that the municipalities without an office are mostly rural, which poses a challenge in providing adequate coverage for those areas.

03

In general, some credit unions and NGOs have operational and business models that can be adjusted to the rural population's characteristics and have even been developed through initiatives linked to rural productive activities, so it would be somewhat easier for them to offer better coverage in those areas. For example, 20.9% of savings and credit union offices are located in rural municipalities, a figure that reaches 15.5% in the case of NGOs, compared to 11.9% in the case of banks. In correspondents, the same indicator reaches 43.0% for credit unions not overseen by the SFC.

04

The data shows that banks also have significant coverage in rural areas; in fact, there are few municipalities where the only existing coverage is by other types of entities. In most municipalities, in addition to coverage by credit unions, NGOs, or SEDPE, banks are also present.

4.5 Vulnerability analysis in financial system coverage

An exercise was carried out to determine some of the conditions that generate vulnerable financial system coverage in municipalities. Initially, certain criteria were established that could limit the availability of physical locations and their effective use by the population.

In this sense, three factors were defined: i) the number of active correspondents per 1,000 adult inhabitants of the municipality (given that this is a municipal-level analysis, the indicator could be better understood in areas with a low population); (ii) the percentage of outsourced correspondents in the municipality (for this type of channel, more than one outsourced correspondent may operate in the same physical location on behalf of an entity, which leads to two situations: on the one hand, providing the population with financial services from various entities depends largely on the availability of that location—that is, a high percentage of outsourced correspondents could be associated with the risk of reduced availability of financial services—and, on the other hand, a large number of outsourced correspondents does not necessarily indicate the presence of several physical locations; (iii) the number of branches per 1,000 adult inhabitants (with the understanding that the existence of branches makes it possible to provide services beyond transactions or opening accounts).

Additionally, other characteristics of the municipalities were taken into account, such as their area in square kilometers, population, and mobile phone coverage[7], in order to have more information regarding better financial coverage for categorizing the municipalities. This was done as a way to group the municipalities by means of a k-means[8] grouping algorithm using the described variables. After some initial estimates, it was decided that the data should be distributed among five (5) groups. It is worth clarifying that the algorithm does not create groups made up of the same number of observations; instead, the aim is to create groups with similar observations. In this case, the sizes of each set range between 200 and 275 municipalities.

Graph 4.5 shows the result of the groupings. To create the graph, the averages of each variable in each group were compared with the average number of correspondents per 1,000 inhabitants of each group. In each section of the diagram, the horizontal axis shows the average active correspondents, and the vertical axis shows the other listed indicators.

---

7. Each municipality's scores were established based on mobile phone coverage by type of technology (2G, 3G, HSPA +, HSPA + DC, and LTE) according to the data on mobile coverage by technology, department, and municipality, per provider, and as of 2020, which was provided by the Ministry of Information and Communication Technologies (MinTIC, as per its acronym in Spanish), available on the open data website (https://www.datos.gov.co/Ciencia-Tecnolog-ae-Innovaci-n/Cobntación-m-vil-por- technology-a-department-and-muni / 9mey-c8s8).

8. The objective of this algorithm is to form groups that minimize the distance between each group's observations with respect to a randomly selected centroid. Thus, n groups of observations with similar characteristics are formed. See MacQueen, J. (1967). Some methods of classification and analysis of multivariate observations. Proceedings of 5th Berkeley Symposium on Mathematical Statistics and Probability (pp. 281-297). University of California Press.

Graph 4.5. Averages of selected variables in groups of municipalities

Grouping 1 ■   Grouping 2 ■   Grouping 4 ■
Grouping 3 ■   Grouping 5 ■
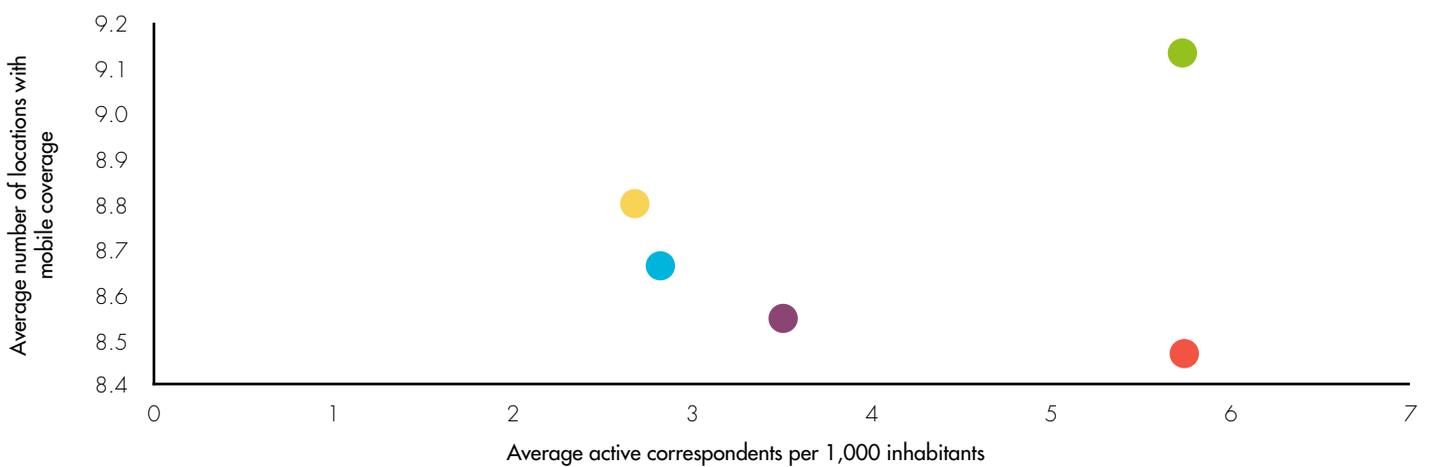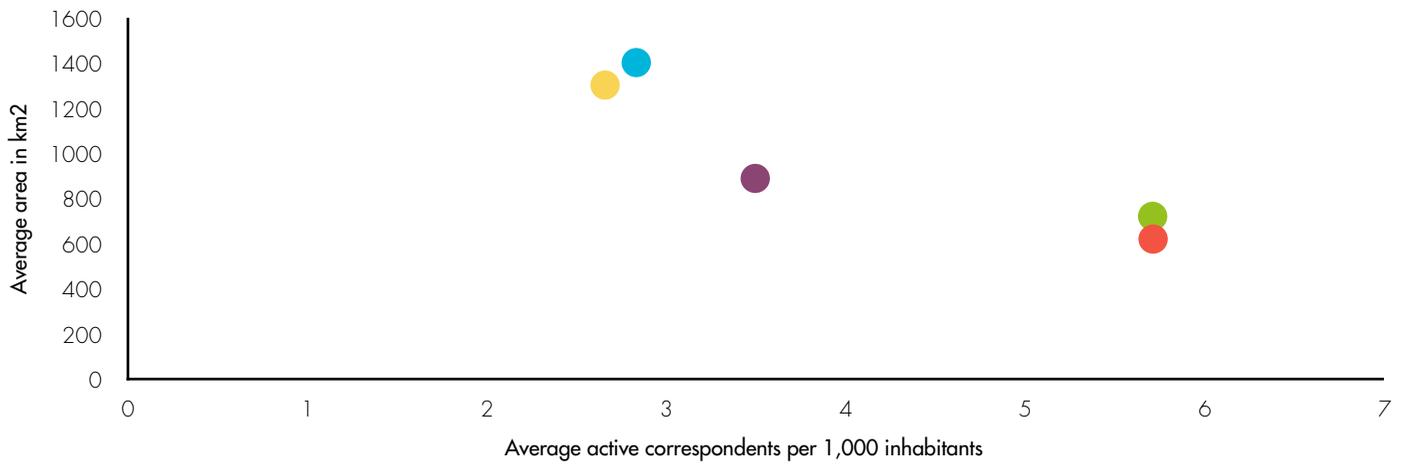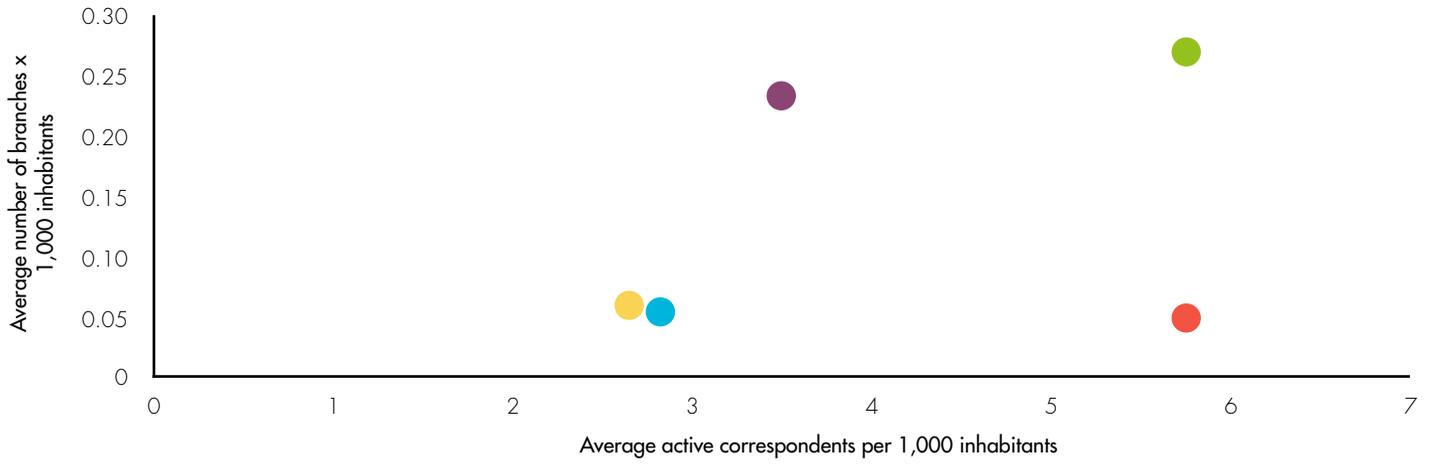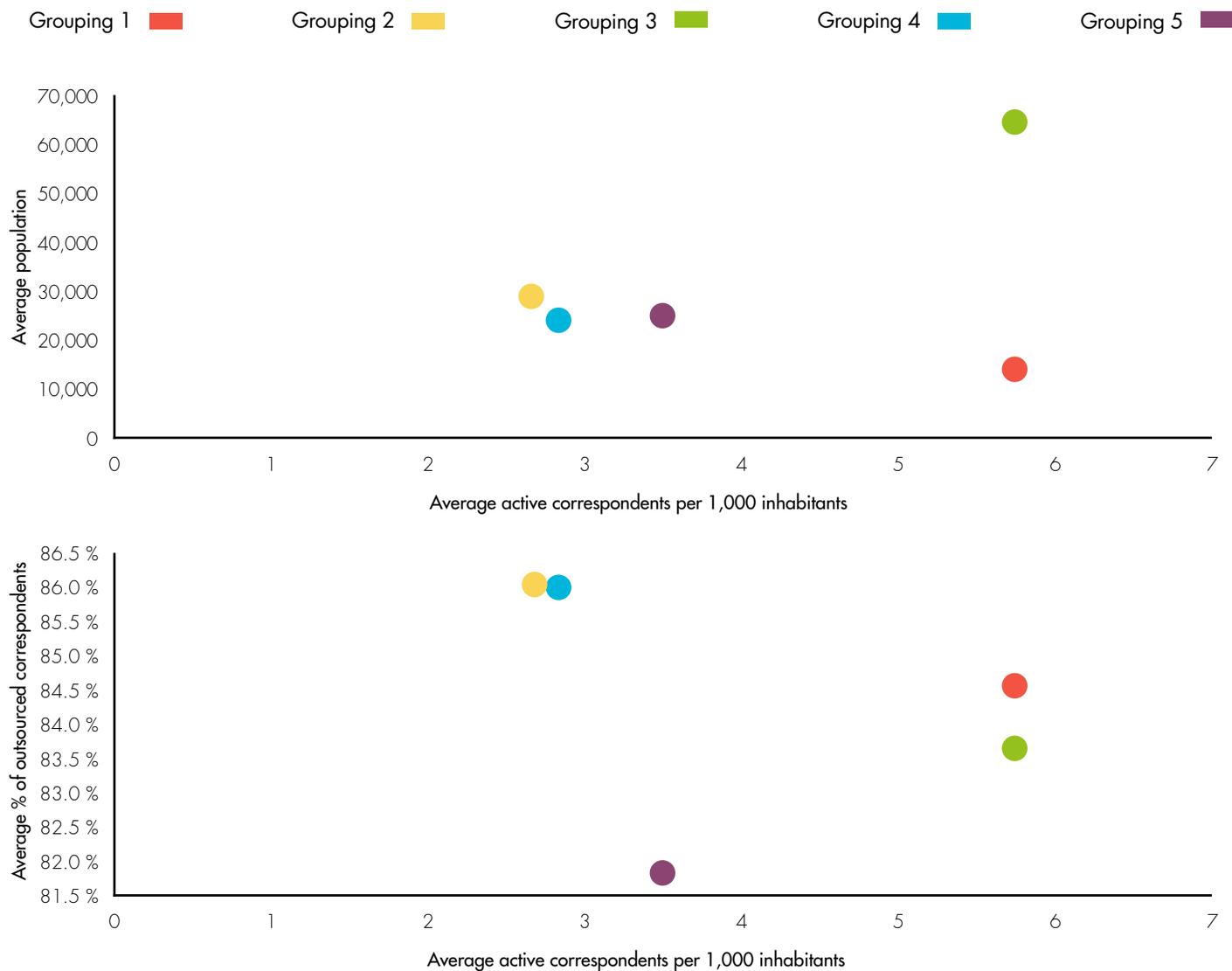
Source: FIR team with data from SFC, DANE, and MinTIC.

Group 1 has an average of 5.7 active correspondents per 1,000 inhabitants, as well as the lowest average number of branches and mobile coverage. In addition, this group is made up of the smallest municipalities both in terms of area and population.

Furthermore, group 3's average number of active correspondents is similar to that of group 1, despite having the greatest average number of branches per 1,000 inhabitants, the largest population average, the best mobile coverage, and fewer outsourced correspondents. Taking these factors into account, it could be considered the least vulnerable group.

On the other hand, groups 2 and 4 are quite similar, with the lowest average number of branches, the largest geographical area, and the highest percentages of outsourced correspondents, which can make them the most vulnerable in terms of financial coverage. The biggest difference between them is in mobile coverage, with group 2 being better than group 4 in this regard.

Group 5 seems to be located towards the middle of the distribution for all variables, although this group has the lowest average percentage of outsourced correspondents. This group of municipalities could be assumed to be in an average situation of vulnerability regarding its financial coverage.

When georeferencing the municipalities according to the proposed grouping, there is no clear trend; however, despite being located in areas throughout Colombia, some concentrations can be identified. For example, group 4 seems to have concentrations in the south, and group 2 has some concentrations around the Pacific and Atlantic coasts. Group 5 seems to have more municipalities in central Colombia (Map 4.3). This shows that areas traditionally affected by less connectivity infrastructure (Caribbean, Pacific, and Southeast) tend to have more vulnerable municipalities.

Map 4.3. Distribution of municipalities grouped by vulnerability of financial coverage


Groupings

1
2
3
4
5
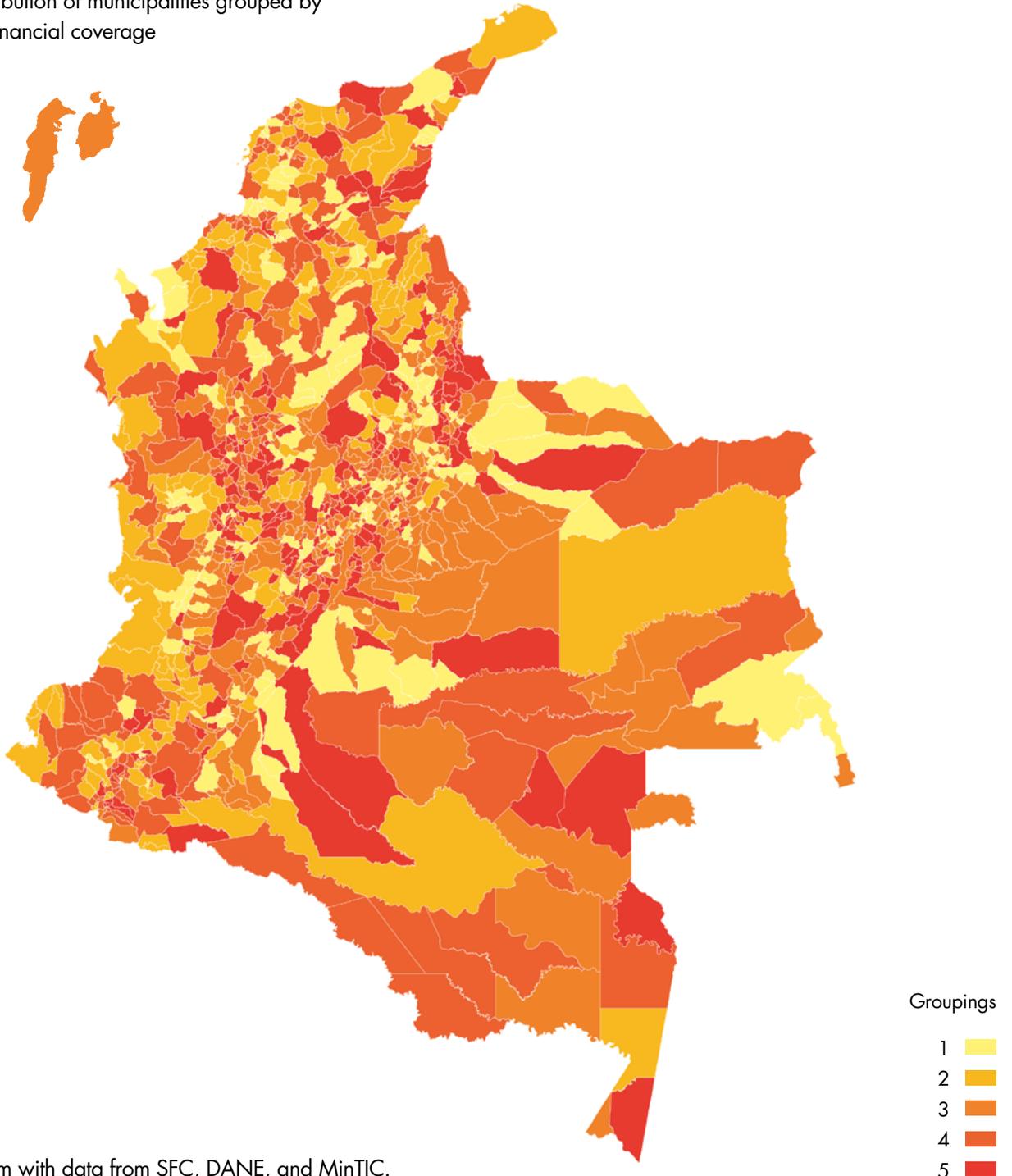
Source: FIR team with data from SFC, DANE, and MinTIC.

This type of exercise can be used to create targeting criteria in order to formulate strategies to improve financial coverage, by encouraging the installation of branches and physical locations for correspondents in certain municipalities, promoting mobile and digital correspondents, and improving mobile phone coverage, according to groups of municipalities' shared characteristics. In subsequent exercises, it would be beneficial to complement the exercise with other factors related to economic activity, transport infrastructure, and spatial variables, among others, as well as test the application of other statistical methodologies that would allow for a more detailed analysis.

Overall, the general results of physical coverage are good, although there are regional peculiarities that should be noted so that the entire population has access to financial products and services. As such, with the issuance of Decree 222 of 2020 and external circulars 042 of 2020 and 002 of 2021, some provisions were established to strengthen the correspondent channel. Some of the main provisions are as follows:
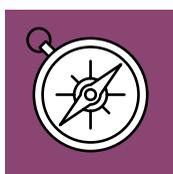
01
Enable the creation of mobile correspondents, which use technological tools through an itinerant operation.

02
Create digital correspondents, whose operation is associated with the development of applications, platforms, and solutions through the internet and mobile data.

03
Establish conditions on correspondent contracts, such as contract availability by the SFC, doing away with prior approval in order to facilitate opening these locations.

04
Encourage entities such as savings and credit unions and multi-purpose credit unions to provide their services through correspondents.

05

Transaction dynamics of the financial system

BANCA DE LAS OPORTUNIDADES

sfc
Superintendencia Financiera
de Colombia

RIF **2020**

In line with the observed trends of increasing access to and usage of digital financial products[1], as well as less coverage of some types of physical locations such as branches and ATMs, an analysis of transactions in the financial system shows that the usage of digital channels[2] is increasingly common and represents a growing fraction of total transactions.

Likewise, 2020 was characterized by a significant growth in the number of digital financial products, which are aimed at promoting financial inclusion. A large part of this growth was due to cash transfer programs, which led to more of these types of products being opened. Likewise, these strategies have encouraged entities that provide financial services to continue developing tools such as mobile applications and electronic deposit products. Additionally, the pandemic accelerated the use of remote means to carry out transactions, which was also driven by the boom in activities such as e-commerce. However, one of today's great challenges is for the products to remain active once opened and be increasingly used to carry out daily transactions.

Next, the evolution of financial system transactions by channel type will be analyzed, detailing digital channels and also including regional analyses. In addition, the dynamics of transactions made by debit and credit cards will be examined.

---

1. This includes electronic deposit products and simplified savings accounts. It is worth noting that, with the issuance of Decree 222 of 2020, these types of products are called small-balance deposit products.
2. For the purposes of this report, digital channels will be understood as those remote channels that make use of a telecommunications tool to carry out transactions, a category that includes:
   • Auto-response: transactions carried out by telephone through IVR (Interactive Voice Response) or with the assistance of an operator from the entity's call center.
   • Internet: transactions that are carried out directly through the entity's website.
   • Mobile telephony: transactions carried out through mobile telephony, either with the use of applications or by associating a telephone number with the financial service.
   • ACH: transactions made through the Automated Clearing House system, which allows for electronic money transfers between financial institutions.
   • Automatic payments: automatic periodic payments authorized by the customer are reported.However, several studies indicate that the correspondent channel could be considered part of the digital financial services ecosystem.
   However, several studies indicate that the correspondent channel could be considered part of the digital financial services ecosystem.

5.1 Main results

Transactions per channel

Between January and December 2020, more than **3.7 billion monetary transactions** were carried out, for a total of

$7,721
quadrillion pesos.

The proportion of transactions carried out through digital channels grew, in both number and monetary amount. For example

42.7 %
of all **monetary transactions** and

66.3 %
of the **total monetary amount** were made through these channels.
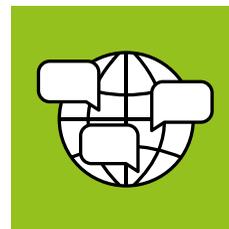
Within this group, a

30.7 %
increase in transactions carried out via internet and a

171.8 %
increase in mobile telephony over the last year stands out.

Digital financial product transactions

Credit and debit cards
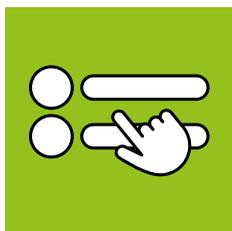
As of December 2020, more than 216 million transactions associated with digital products were carried out for a value of $356 trillion pesos, representing a

141.6 %

increase in the number of transactions and a real increase of

137.1 %

in the monetary amount compared to last year.

Furthermore, as of December 2020, the number of active **credit cards** stood at 14.7 million, decreasing

8.6 %

compared to 2019. The number of **debit cards** increased

9.9 %

compared to the previous year, reaching 36.3 million.

5.2 Transactions by channel type

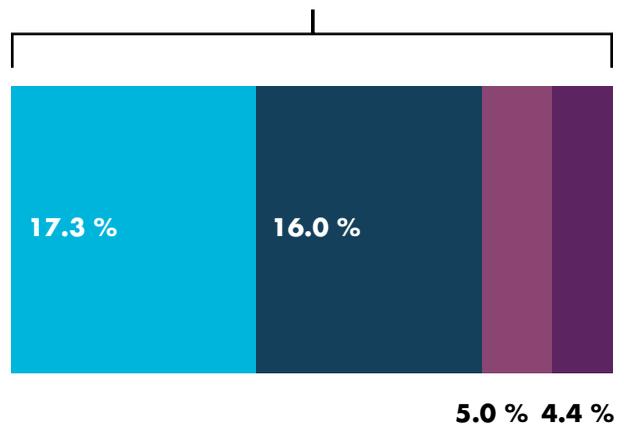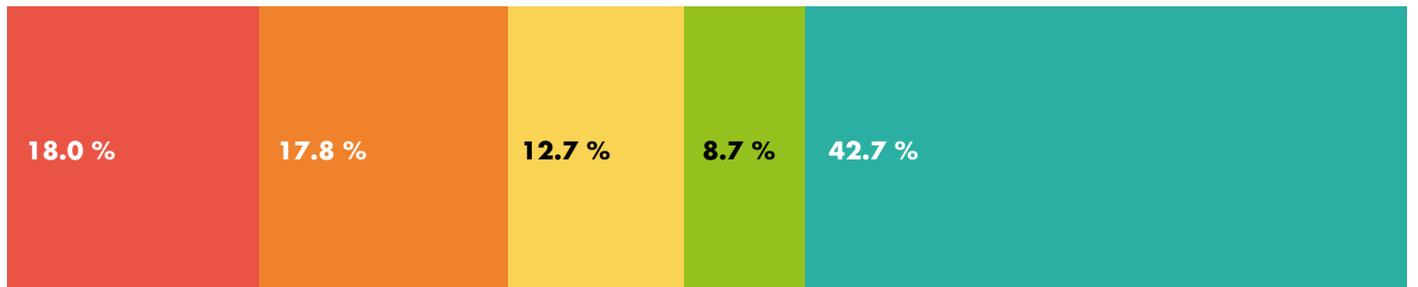The focus on using digital financial services is gaining more and more strength, as shown by the financial system's transaction data. Indeed, as of December 2020, a total of 3.789 billion monetary transactions[3] were carried out for a total of $7.721 quadrillion pesos; of this total, 42.7% of the transactions and 66.3% of their total value corresponded to digital channels. The figure for the number of transactions is 14 percentage points higher—and the total value is 7 pp higher—than those registered in 2019.

Graph 5.1. Share of total transactions, by channel (detail of digital channels), 2020

	ATMs ▭		Branches ▭		Mobile telephony ▭
	POS terminals ▭		Auto Response ▭		ACH ▭
	Banking correspondents ▭		Internet ▭		Automatic debit ▭

18.0 %	17.8 %	12.7 %	8.7 %	42.7 %

17.3 %	16.0 %		

5.0 % 4.4 %
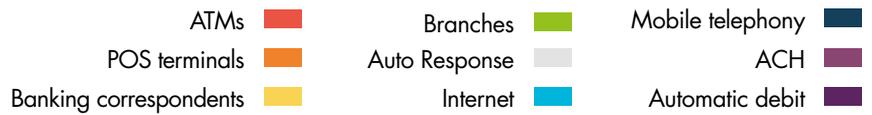
Note: Auto Response represents less than 0.05%
Source: FIR team with SFC data.

....

3.   This refers to all transactions, handling, and money transfers made by the entities' customers and/or users.

Graph 5.2. Share of total transaction value, by channel (detail of digital channels), 2020

|			
ATMs	Branches	Mobile telephony	
POS terminals	Auto Response	ACH	
Banking correspondents	Internet	Automatic debit	
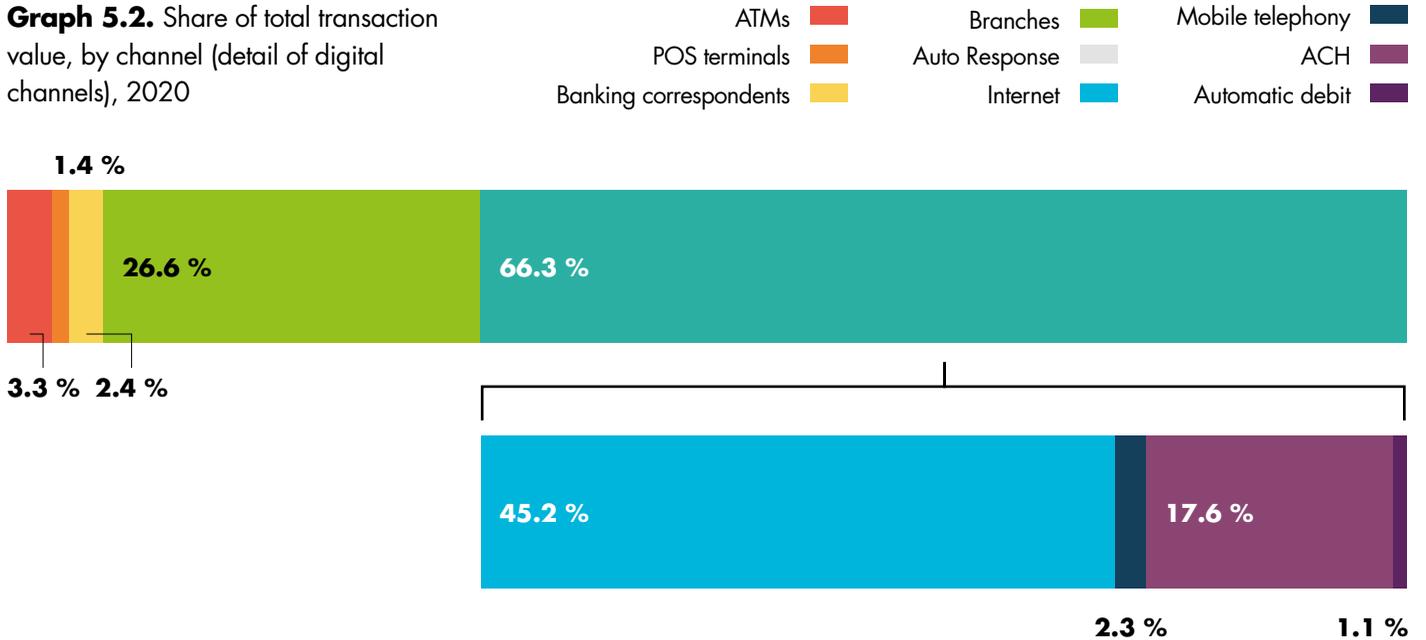
Note: Auto Response represents less than 0.05%
Source: FIR team with SFC data.

An analysis of the data for digital channels shows significant growth of transactions via mobile telephony—with a 171.8% increase in number and a 91.8% increase in actual monetary amount—and via the internet, which grew 30.7% in number and 1.6% in total monetary value compared to 2019. Overall, the total number of transactions via digital channels increased by 62.9%, while in-person transactions decreased by 11.4%. Factors such as mobility restrictions and social distancing measures implemented due to the pandemic—as well as the mas-

sive opening of digital products—help explain this trend. Along with the positive dynamics of digital transactions, the usage of the correspondent channel is worth highlighting. This channel showed an 18.6% increase in the number of monetary transactions and a 19.4% increase in their total value. Its share was 12.7% of the total number of monetary transactions, 1 percentage point higher than last year. This can also be related to the increase in this channel's coverage, which was mentioned in the previous chapter.

**Graph 5.3.** Annual variation (%) in number of transactions, by channel type
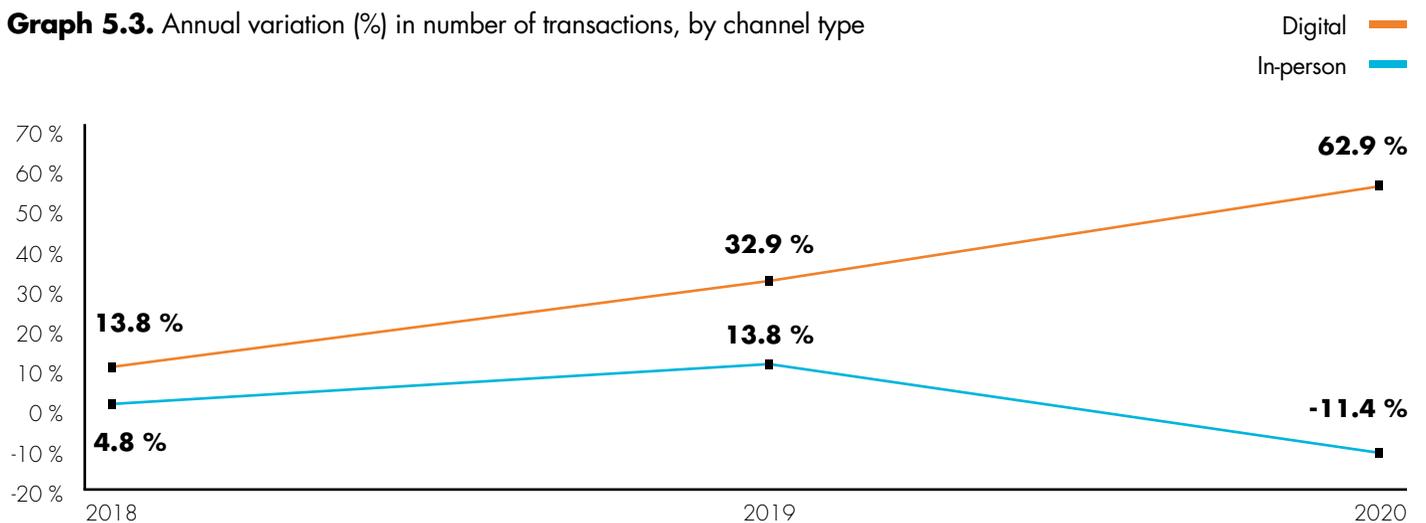
Digital
In-person

Source: FIR team with SFC data.

# 5.3 Transaction dynamics of digital financial products

The greater use of digital channels also reflects the positive dynamics of financial products categorized as small-balance deposit products according to the recently issued regulation (Decree 222 of 2020). In total, during 2020 there were more than 216 million transactions associated with these products, for a value of $35.6 trillion, increasing 141.6% in the number and 137.1% in real value. When looking at the number of transactions, those with the highest share are withdrawals (35.2%), followed by transfers received (26.0%) and payments (22.5%). Meanwhile, as for the total monetary transaction amount, these same items represented 45.4%, 28.9% and 11.6%, respectively. Although withdrawals continue to record the highest percentage of the total number of transactions, their share fell 13.8 percentage points, while transfers rose 9.8 pp and payments remained practically the same.

An analysis of the types of transactions by product type shows that electronic deposit products have a tendency to be used more to receive transfers, make payments, and withdraw money, while transactions with the highest share in simplified savings accounts and digital savings accounts are withdrawals and payments (Table 5.1)

As indicated in chapter one, a large part of these increases has to do with the financial inclusion processes driven by the implementation of Ingreso Solidario—and other programs with similar dynamics at the regional level—in addition to the dynamics of the digital financial products themselves in populations not necessarily in vulnerable situations.
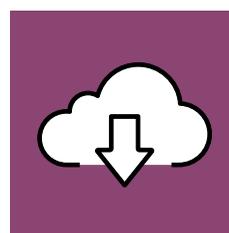
35.2 %
Withdrawals
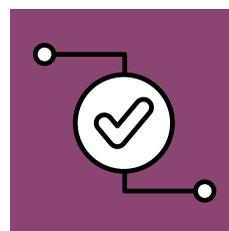
26.0 %
Transfers received
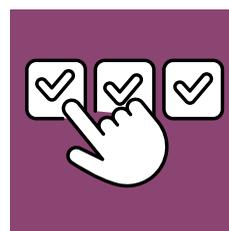
22.5 %
Payments

Table 5.1 Share (%) in number and monetary value of transactions, by product and transaction type, 2020

Product	Transaction type	Number	Monetary Value
Electronic deposit products	Deposits	5.4 %	5.3 %
	Payments	24.2 %	5.9 %
	Withdrawals	23.0 %	33.3 %
	Transfers sent	14.3 %	13.1 %
	Transfers received	33.2 %	42.5 %
Simplified savings accounts	Deposits	4.7 %	4.4 %
	Payments	19.0 %	18.3 %
	Withdrawals	65.8 %	69.4 %
	Transfers sent	3.6 %	2.9 %
	Transfers received	6.8 %	4.9 %
Digital savings accounts	Deposits	0.2 %	0.1 %
	Payments	9.1 %	46.9 %
	Withdrawals	90.6 %	52.8 %
	Transfers sent	0.0 %	0.1 %
	Transfers received	0.1 %	0.2 %

Source: SFC - Form 534. Information from overseen entities.

5.4 Debit and credit card trends

Additionally, the evolution in the number and types of transactions carried out through credit and debit cards is detailed below, with their most frequent use implying less use of cash and greater acceptance of cards in shops. As of December 2020, the number of valid credit cards reached 14.7 million—8.6% lower than that observed in 2019—while debit cards reached 36.3 million, growing 9.9% compared to the last year.
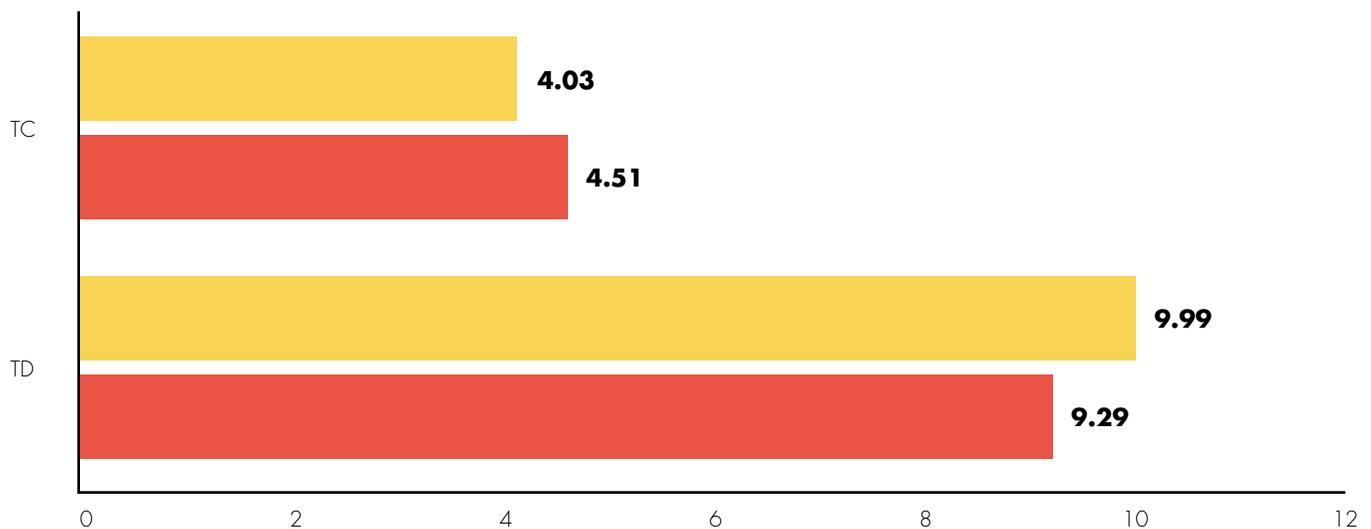
Graph 5.4. Growth indicators for debit and credit cards

2020 ▮
2019 ▮

Source: FIR team with SFC data.

The growth indicator with respect to the adult population is close to a 1 to 1 ratio in debit cards, reaching 9.9 cards for every 10 adults, while only four (4) credit cards are registered for every 10 inhabitants (Graph 5.4).

When listed by transaction type, debit card purchases increased 4.4% compared to 2019, reaching 56.4 million transactions, while cash withdrawals fell 18.1% in the same period, reaching to 56.6 million transactions. Credit cards had declines in both types of transactions (purchases and cash advances), with 22 million purchases in 2020—a figure 19.3% lower than 2019—and 1.6 million cash advances, a 42.0% decrease compared to 2019.

As such, the indicators show a trend towards greater use of debit cards, particularly to make purchases. In turn, both types of cards show a decrease in cash withdrawals or advances, which could be explained by a greater acceptance of payments by debit card, in line with the increase in POS terminals. However, the lower number of credit cards, together with fewer transactions, may be a reflection of the vulnerable economic situation caused by the pandemic, with increased unemployment and less capacity to generate income.

Inset 5.1 Transactions
Transactions, by channel type

As a complement to the analysis of financial system trans-actions in conjunction with coverage, an exercise was carried out with a data sample[4] of the number of transactions per municipality and per channel type, in order to try to determine how the usage of these channels is related to their coverage.

For the analysis, the number of transactions per 1,000 inhabitants was compared with the coverage of physical locations standardized by the same variable for the branch, POS terminal, and (active) correspondent channels. As expected, the relationship between the number of locations and transactions is positive in all cases, but there are certain details worth highlighting in each channel.

Graph 1. Number of locations and number of transactions per 1,000 inhabitants for each municipality

Panel A

$\rho = 0{,}51$

Number of transactions in branches x 1,000 inhabitants

Number of branches x 1000 inhabitants

....
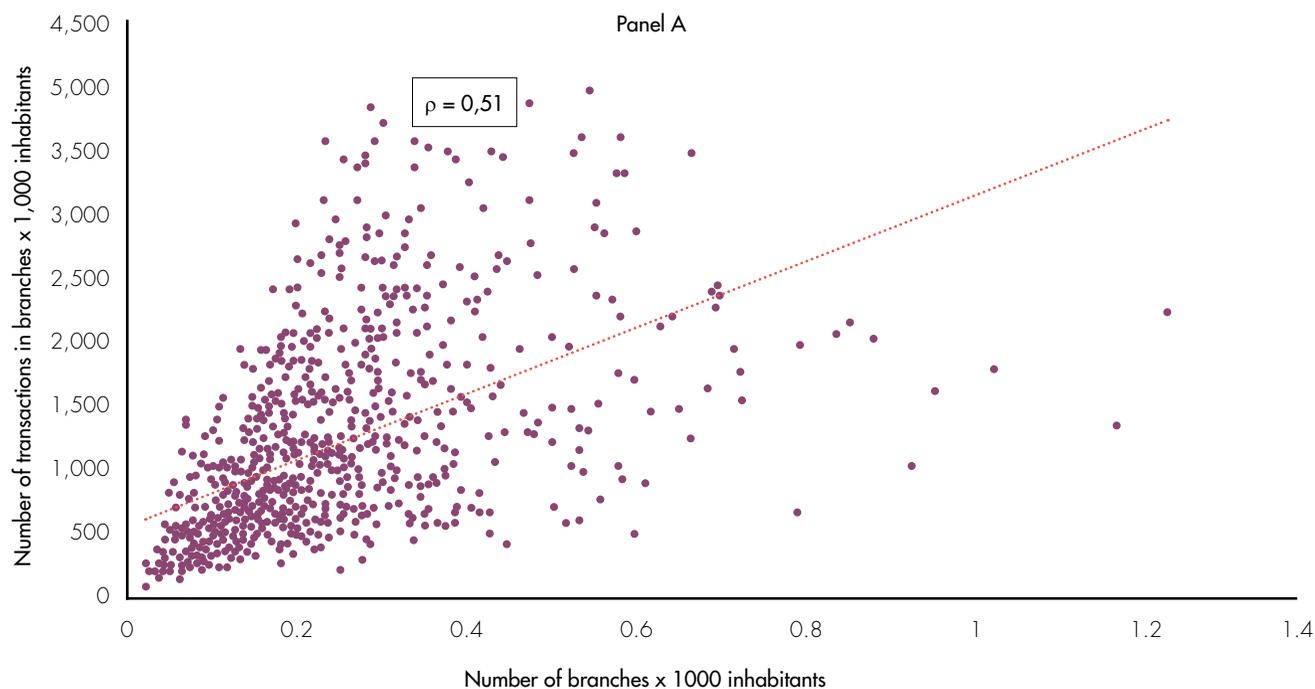
4.   Analysis based on the SFC's weekly report of transactions via in-person channels for the period between September 21 and December 28, 2020. The orders of magnitude are not comparable with the coverage indicators due to the differences in the analysis periods.

Panel B

ρ = 0,29

Number of transactions by correspondents x 1,000 inhabitants

Number of active correspondents x 1,000 inhabitants.

Panel C

ρ = 0,83

Number of transactions per POS terminal x 1,000 inhabitants

Number of POS terminals x 1,000 inhabitants.

Source: FIR team with data from SFC and DANE.
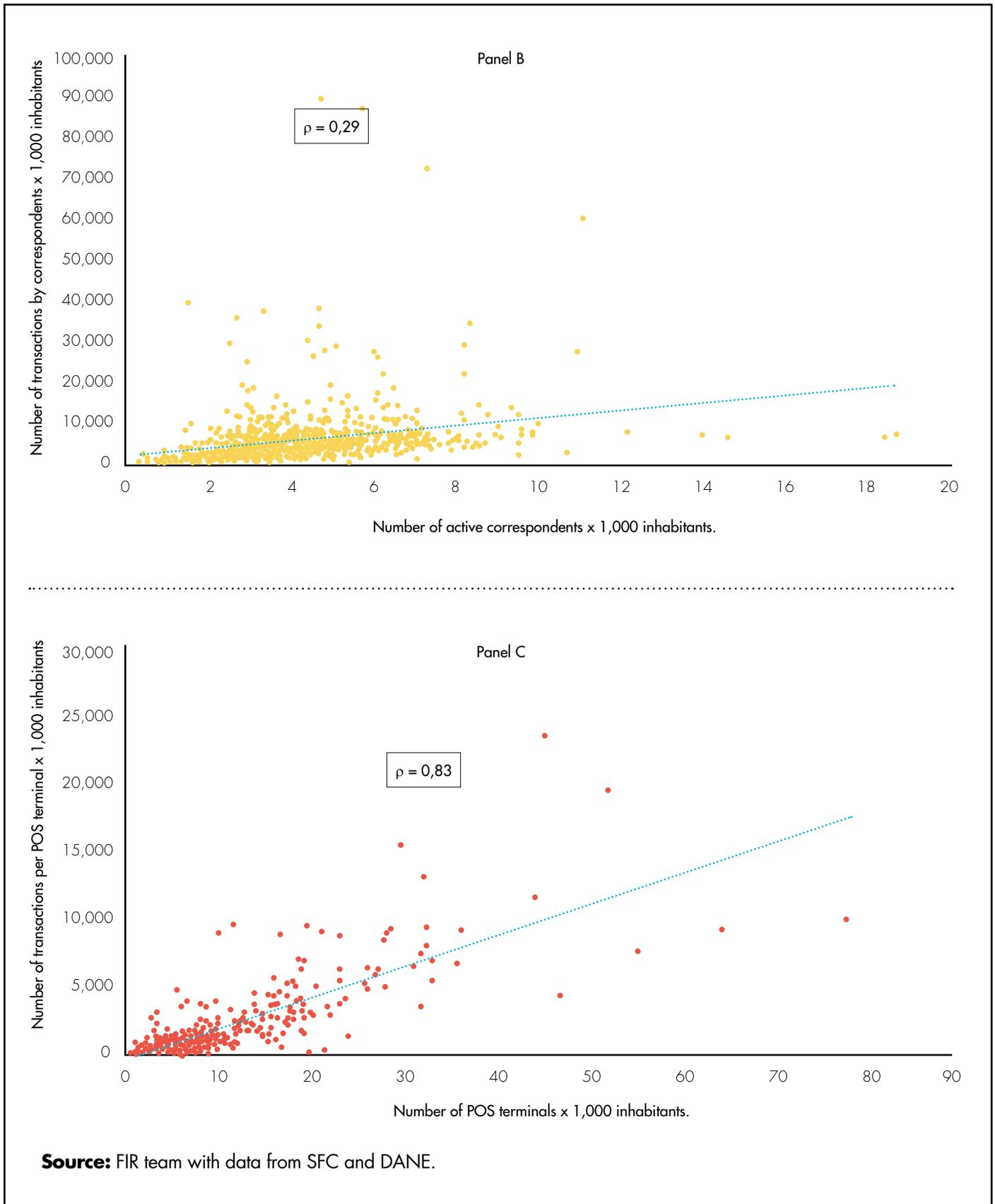
In panel A of Graph 1, which corresponds to branches, although there is a positive correlation, it is relatively low due to the fact that a significant number of municipalities have medium or low coverage regarding branches, but a high number of transactions relative to the population, or vice versa. This may signify a need to adjust the financial system's coverage strategies, aiming to use innovative solutions that take advantage of this potential demand by providing not only basic transactional products, but also other more sophisticated ones. Likewise, it would be worth reviewing the types of transactions, given that these transactions could possibly be carried out more efficiently through a correspondent.

Panel B, corresponding to active correspondents, shows a low correlation. There are a significant number of municipalities that have a low coverage indicator for active correspondents, but high levels of transactions via this channel. In this type of situation, there is a possible need to increase this channel's coverage, given its frequent use.

Finally, panel C corresponds to POS terminals. This shows a positive and high correlation between coverage and transactions in Colombia's municipalities. In general, those municipalities which report a greater number of transactions relative to their population also reflect a greater number of POS terminals.

In summary, the data validates the growing relevance of digital channels in the relationship between banking and financial consumers—a trend that will continue in the coming years due to the accelerated growth of technological solutions. Likewise, the development of digital products is increasingly being prioritized by financial institutions in the current market. Thus, the recently established modifications to the regulatory framework that aim to strengthen the correspondent channel and promote digital products among an increasing number of Colombians are expected to further promote financial inclusion and the expansion of Colombia's payment market.

06

Inclusive insurance

BANCA DE LAS
OPORTUNIDADES

sfc
Superintendencia Financiera
de Colombia

Financial inclusion through insurance aims for more people to have access to tools for managing the risks they face and that using them improves their wellbeing. **During 2020, people and their assets were affected due to a lack of economic activity caused by the pandemic's quarantine periods. Given this situation, the insurance sector faces the challenge of developing affordable products that respond to new types of protection needed for individuals and companies, especially those most vulnerable to this type of unforeseen event.**

Although this chapter's content covers all the products offered by the insurance industry, we have focused the analysis on microinsurance and mass insurance, which led to a change in the information that insurers report to the SFC.[1] Throughout this report, a policy is considered microinsurance if it was designed to be used by the low-income population or smaller businesses and is voluntary, simple, and affordable.[2] Mass insurance refers to mass-marketed policies that meet the requirements of universality, simplicity, and standardization.[3]

Therefore, much of the information presented in this chapter is not comparable with what was presented in previous years, where the focus was on the most common insurance segments. The new format for inclusive insurance allows access, usage, and quality indicators to be implemented for all risks insured by the industry—specifically for microinsurance and mass insurance.[4]

....

1. The new format and its instructions are part of the files attached to the SFC's Circular Letter 009 of 2021. It incorporates the recommendations made in CONPES 4005 and aims to comply with action 2.8 of Annex A of said document.
2. The policy will be affordable if the monthly premium (or monthly equivalent) is less than $20,000 pesos for life and accident insurance, $30,000 pesos for property and agricultural insurance, and $75,000 pesos for health insurance. These ranges were calculated based on the methodology applied by the Micro Insurance Network (MIN) to define low premiums for microinsurance.
3. Under the requirements described in article 2.31.2.2.1 of Decree 2555 of 2010.
4. The format allows three independent groups to be identified: mass microinsurance (policies that meet the requirements to be microinsurance and are simultaneously massive), microinsurance (not massive), and mass insurance (not microinsurance).

6.1 Main results

Penetration and density[5]

Insurance penetration reached

3.0 %

partly as a consequence of the Gross Domestic Product (GDP)'s low growth in 2020. Per capita spending on insurance and premiums issued[6] decreased slightly in real terms.
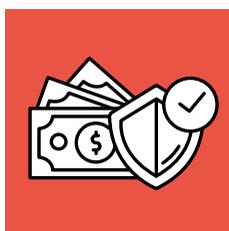
The **microinsurance market** is incipient compared to mass insurance, and it is concentrated among certain risks and insurers. This type of insurance policy represented

2.0 %

of premiums in 2020, whereas

74.8 %

were mass-marketed,

concentrating on group life and personal accident coverage. In 2020, 19 of the 40 insurers considered in this report sold microinsurance, and three of them accounted for 59.3% of the premiums issued in 2020.

The **mass insurance** market is mature and diversified. It represents

31.1 %

of the premiums issued in 2020,

where the main lines of business were mandatory motor vehicle insurance (SOAT, as per its acronym in Spanish) and debtor group life. Of the 40 insurers considered in this report, 27 sold mass insurance, and 50% of all premiums issued in 2020 were concentrated among five (5) of them.

---

5. Insurance sector penetration is calculated as the relationship between total premiums issued and Gross Domestic Product (GDP). Insurance density is estimated as insurance spending per capita.

6. The premiums issued are defined as the sum of premiums directly issued and premiums accepted in co-insurance, not including the cancellations of directly issued premiums and co-insurance.

Coverage and access

The industry has

109,905

physical locations where policies can be issued

the vast majority located in cities and belonging to insurance intermediaries. Many of the insurers in the sample make use of simplified procedures to gather information about the customer, which **facilitate the opening of products remotely.**

Marketing channels
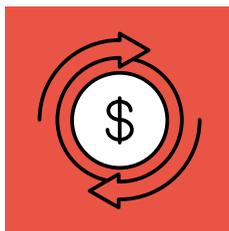
Of the **insurance marketed** in 2020,

22.7 %

used contactless tools such as websites, mobile applications, and call centers.

This type of tool is more commonly used in mass insurance. Using mobile and digital correspondents as well as expanding the lines that can be mass marketed encourages the use of digital media in marketing insurance.
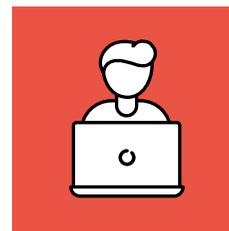
Non-traditional marketing channels are more frequently used in the sale of microinsurance and mass insurance. Insured individuals are those who have most used this type of non-traditional channel

As for microinsurance, a noteworthy trend is the increased sales through networks of other overseen entities and public service companies.

Characteristics of the insured

In 2020,

85.8 %

of those insured were individuals,

which accounts for nearly 92.0% in the case of microinsurance and mass insurance.

Men have greater access to insurance than women; however, this gap narrowed in 2020. es menor en el caso de los seguros masivos y bastante pequeña para microseguros. The gap is smaller in the case of mass insurance and quite small for microinsurance. The use of group policies where an unsupervised third party is the policyholder and registers its users is more frequent in microinsurance.
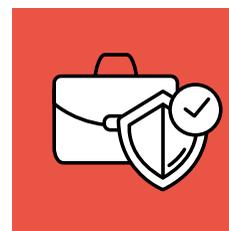
MSMEs represent

52.4 %

of insured legal entities.

The size of the premiums issued to large companies is, on average, 75.1% larger than for MSMEs.

Characteristics of insured risks

The **insurance industry** offers a wide range of coverage, premiums, and insured values

In 2020, the average monthly premium value per insured risk was

$21,524;

for microinsurance,

$4,986

and for mass insurance,

$15,728

In terms of the monthly premium per active policy, the average values were $52,300 for all policies, $16,500 pesos for microinsurance, and $29,950 pesos for mass insurance.
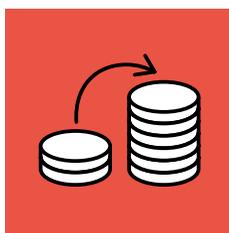
A considerable part of the policies and premiums issued by the industry are mandatory for users, especially in **mass insurance.** In 2020,

58.0 %

of policies and

34.0 %

of premiums issued were associated with policies considered mandatory.

However, the average monthly premium is higher in voluntary and individual policies.
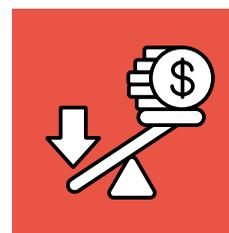
The majority of insured risks are located in cities. The share of insured risks in rural and dispersed rural municipalities

is higher for mass insurance

10.7 %

and microinsurance

8.3 %

than for the industry as a whole

6.4 %

Product quality

The **claims rate** for microinsurance

25.3 %
and mass insurance
37.1 %

is lower than that of all **industry policies (48.1%).** This rate is quite varied between lines of business and insurance types.

Most **claims** are paid to male beneficiaries

38.0 %
followed by large companies (26.3%), women (24.3%), and MSMEs (11.4%).

The share in the value of claims paid to female beneficiaries is higher in the case of microinsurance and mass insurance than for all policies in the industry.

Microinsurance allows beneficiaries to receive their claim payment in fewer days

18.5

but a higher rate of claim **rejection**

13.8 %
and complaints was recorded.

In 2020, the **number of complaints** per 1,000 active policies was higher

in microinsurance

5.16
than for all policies
3.31
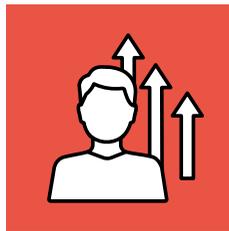
Mass insurance had lower levels of complaints for every 1,000 active policies

2.71
lower rates of claim rejection
10.5 %

and an average of 30.8 days to receive claim payment.

6.2 Density and penetration

In 2020, premiums issued by insurance companies reached $30.5 trillion pesos—$400 billion more than the previous year—registering an actual annual growth of –0.3%. The business lines that contributed the most to the premiums issued in 2020 were health, group life, and civil liability and compliance, while the least dynamic were pension, automobile, unemployment, and personal accident insurance. The penetration of the sector increased to 3%, in part due to the contraction of the GDP in 2020, and the insurance density was $598,875 COP, which represented a real growth of –1.3% compared to 2019 (Graph 6.1).

Graph 6.1. Insurance penetration and density, 2012-2020

Penetration
Density (thousands of pesos)(right axis)
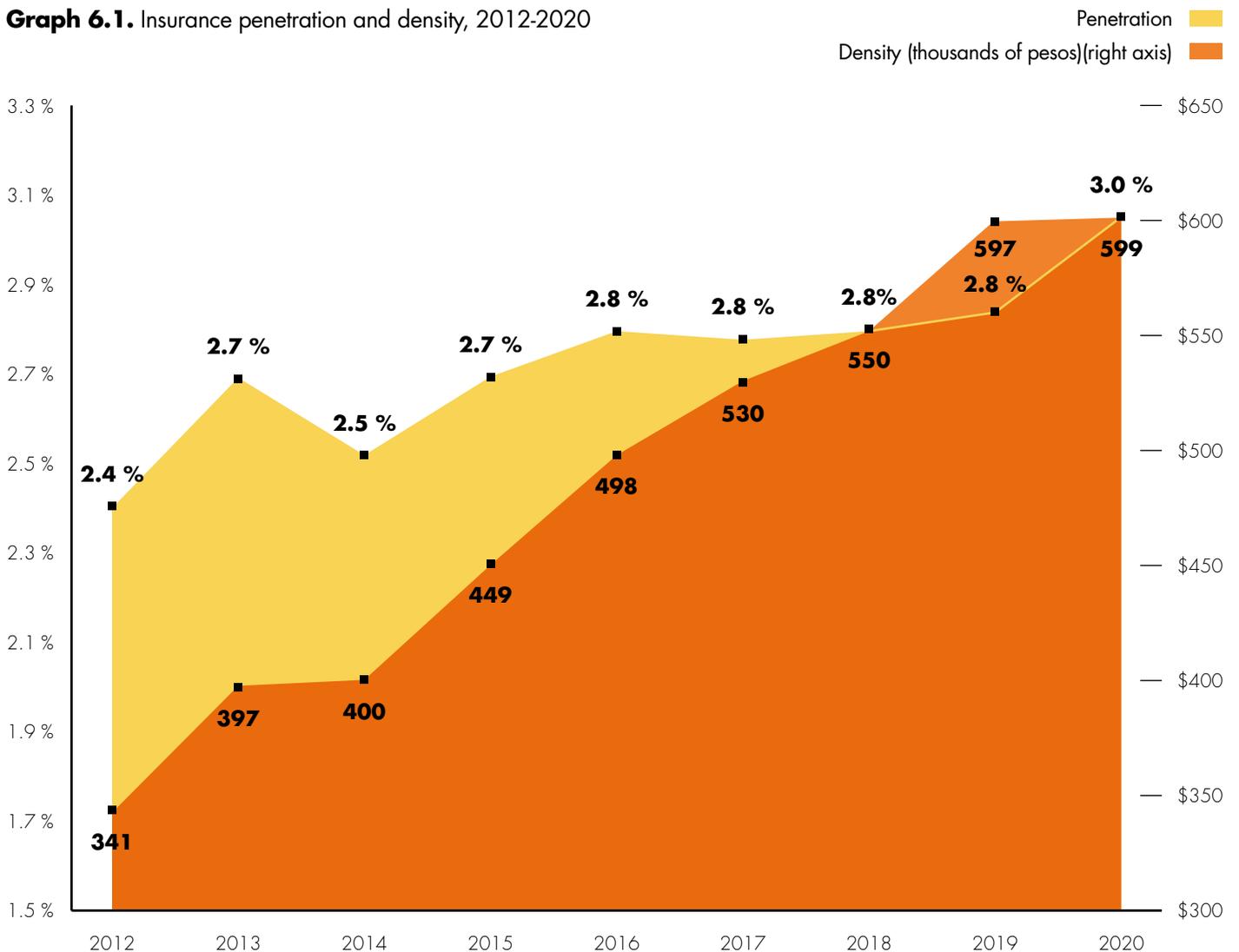
Source: FIR team with SFC data.

The microinsurance market in Colombia is still incipient and represents a large potential market, given the population's income characteristics. In 2020, 2% of premiums issued corresponded to microinsurance ($614 billion pesos), a figure lower than that observed in 2019 (2.4%); furthermore, 60.5% of microinsurance premiums were issued by companies that specialized in life insurance. In 2020, the most frequent business lines in microinsurance were voluntary group life (44.1% of premiums), personal accident (18.6%), and individual life insurance (8.4%). The only microinsurance business lines that showed positive growth last year were voluntary earthquakes and fires, while the unemployment line reported the worst performance (46.8% reduction in premiums issued).

In 2020, 19 of the 40 insurers included in this report sold microinsurance. The insurer with the largest participation in microinsurance in 2020 issued 32.8% of premiums; additionally, 59.3% of all microinsurance premiums were concentrated among the three highest-producing insurers. In 2020, 74.8% of microinsurance was mass-marketed (mass microinsurance), and only 25.2% were not. Therefore, the use of mass channels can strengthen the industry's presence in segments of the population with lower incomes.

Furthermore, the mass insurance market is more mature and diversified than the microinsurance market. Of the premiums issued in 2020, 31.3% corresponded to mass insurance ($9.5 trillion pesos), a higher share than that observed in 2019 (30.2%), showing that in 2020, mass insurance performed better in premiums issued than the rest of the sector's production. Of this mass insurance, 62.5% were sold by companies specialized in non-life insurance (general insurance). In 2020, the most relevant business lines in the mass insurance market were SOAT[7] (28.3% of premiums) and group life insurance for debtors (24.9%). Even though the majority of business lines increased the value of premiums issued in 2020, health, unemployment, and voluntary group life had the greatest reductions in 2020.

Finally, 27 of the 40 insurers included in this report sold mass insurance. None of the insurers with a presence in the mass insurance market sold more than 12% of premiums, and the five insurers with the highest production accounted for 50% of mass insurance premiums.

....

7.   Mandatory traffic accident insurance that covers injuries and death of people involved in traffic accidents. All vehicles circulating in Colombia must have a valid SOAT.

Graph 6.2. Share of premiums issued, by insurance type and its main segments

Microinsurance

Group life - voluntary
Personal accident
Individual life
Other segments

Mass insurance

Mandatory motor vehicle insurance (SOAT)
Group life – debtors
Personal accident
Group life – voluntary
Other segments
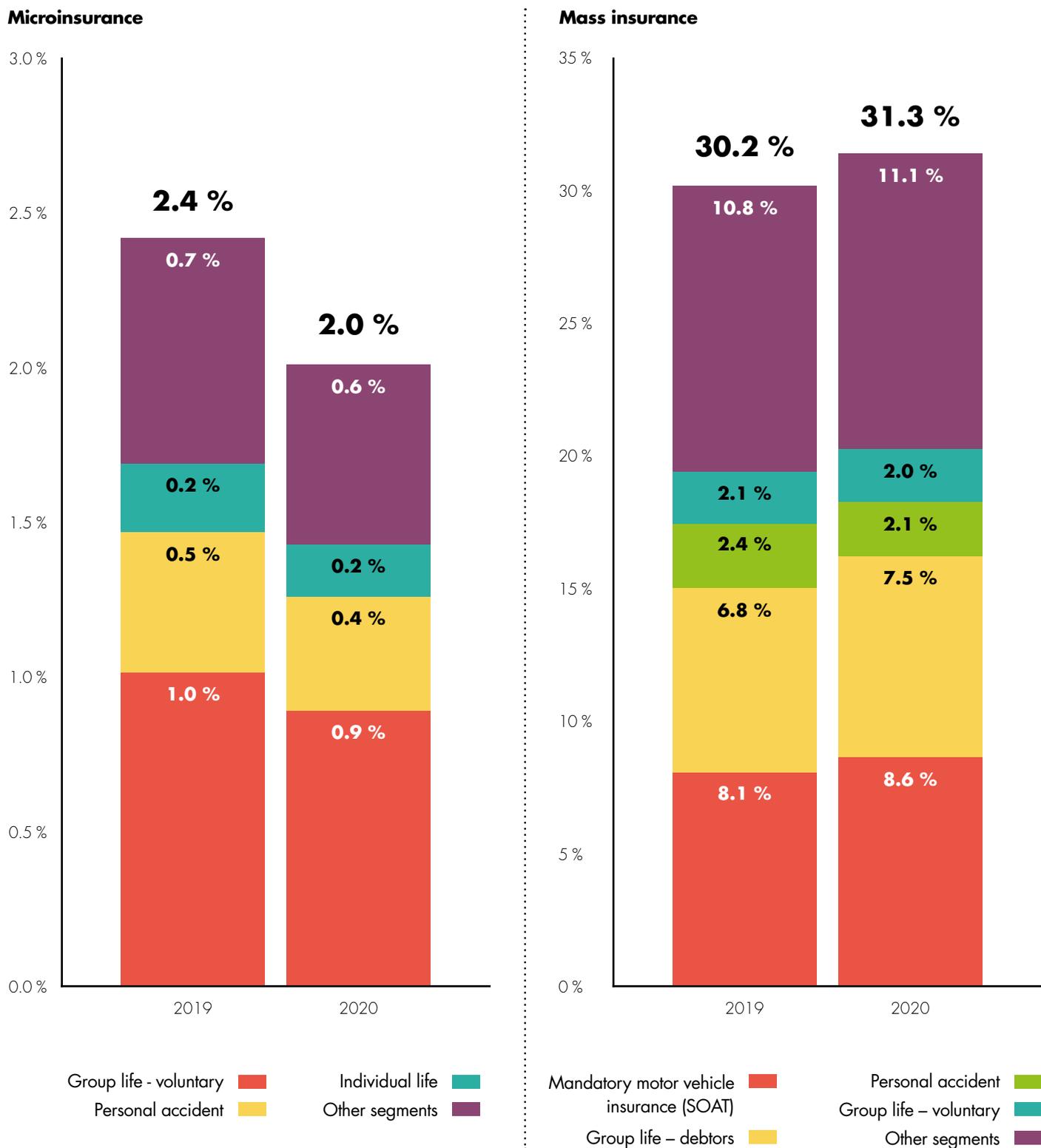
Source: FIR team with SFC data.

6.3 Coverage and access

In 2020, the insurance industry's coverage for purchasing policies reached 109,905 physical locations—4,681 more than those reported for 2019.[8] Of these access points, 72.9% are located in cities, 11.9% in medium-sized municipalities, 9.9% in rural municipalities, and 5.3% in dispersed rural municipalities. The marketing channels with the highest number of access points in 2020 were insurance intermediaries (58.9%), network usage of other entities overseen by the SFC (17.9%), and individual brokers (12.2%). Regarding rural coverage, channels such as individual brokers, network usage, and stores and superstores stood out for having a larger share of their in-person points of sale in rural and dispersed rural municipalities.

Recent amendments to the regulatory framework of the Money Laundering and Financing of Terrorism Risk Management System (SARLAFT, as per its acronym in Spanish) have facilitated access to insurance for individuals with low insured values and premiums. Insurance taken out by natural persons—where the insured value is less than 135 current monthly minimum wages (SMMLV, as per its acronym in Spanish) and the annual premium is less than 6 SMMLV—may be acquired through a simplified procedure to gather information about the customer.[9] This facilitates the process of attracting new customers and encourages the use of digital channels to open products in the sector.

At the end of 2020, 27 of the 40 insurers (67.5%) included in this report made use of simplified procedures for their customers identified as natural persons; additionally, 19 of the 40 insurers (47.5%) reported using the simplified procedure for gathering information about the customer for more than half of its customers identified as natural persons. In some specific cases, the regulations also allow the use of simplified procedures for gathering information about customers identified as legal entities; as a result, 18 of the 40 insurers (45.0%) were able to simplify access for this type of customer

---

8.   The access points described in this section correspond to those reported by 35 insurers. The number of access points was not asked on previous forms, which made it difficult for some insurers to report this variable.

9.   External circular 27 of 2020, paragraph 4.2.2.2.1.4.4.15.

Graph 6.3. Access points for purchasing insurance, by level of rurality and marketing channel

**By level
of rurality**

Cities and urban agglomerations ▮

Medium-sized municipalities ▮

Rural municipalities ▮

Dispersed rural municipalities ▮

72.9 %	11.9 %	9.9 %	5.3 %

**By marketing
channel**

Insurance intermediaries ▮

Network usage ▮

Individual brokers ▮

Solidarity sector ▮

Other channels ▮

Stores and superstores ▮

58.9 %	17.9 %	12.2 %	4.3 %

4.1 % 2.6 %
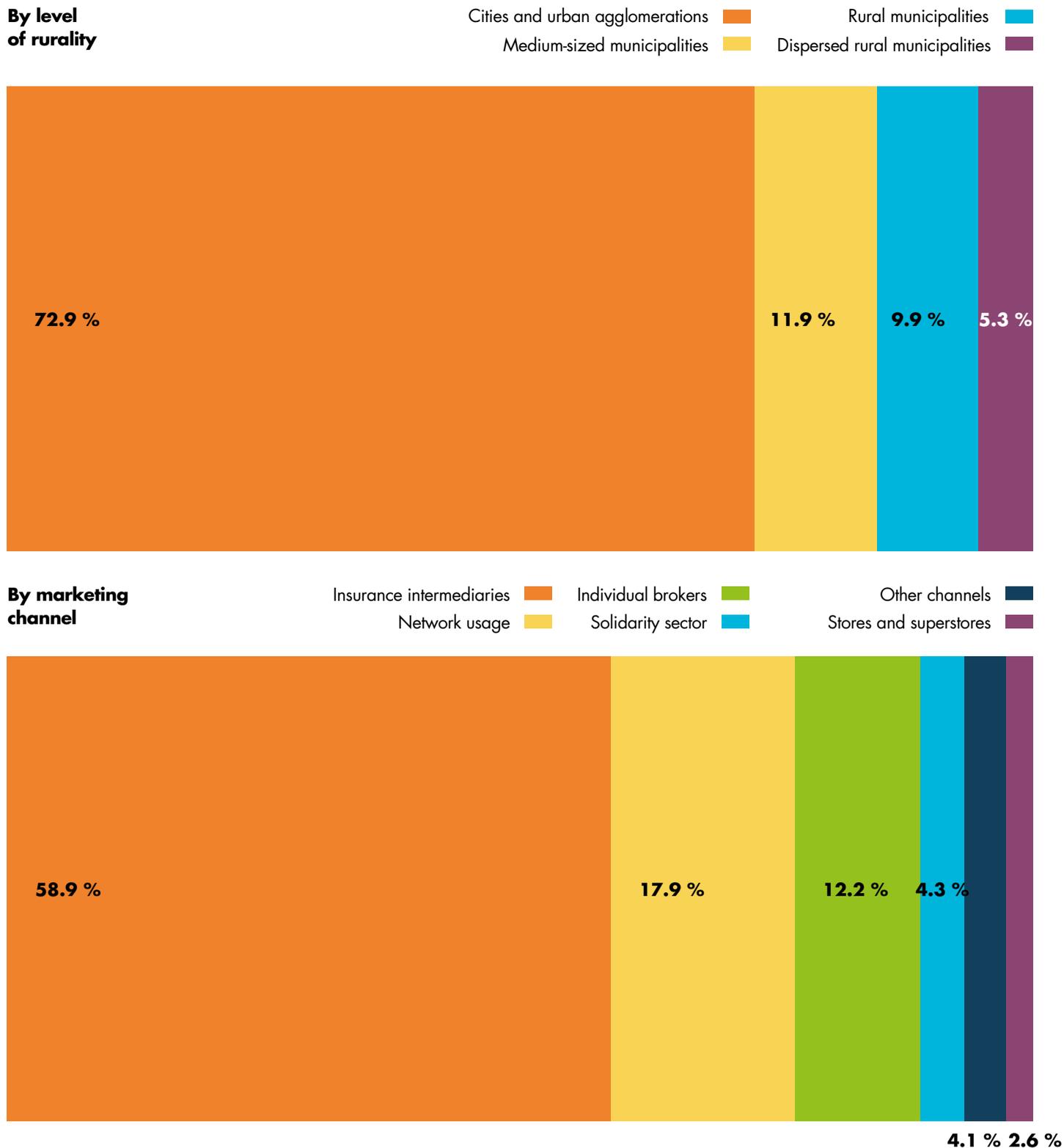
Source: FIR team with SFC data.

6.4 Marketing channels

The pandemic has accelerated the use of remote (non-face-to-face) procedures in insurance marketing and throughout the industry's value chain in general. This is how new technologies have been incorporated to make progress in remote insurance sales through commercial agreements with financial system entities, public service companies, and superstores, among others. These remote and digital channels have been implemented in order to connect with partners' customers easily and with specialized content. The use of the various marketing channels is described below, highlighting the use of remote tools for marketing policies in each case.

In 2020, 22.7% of the insurance policies marketed used remote tools such as websites, mobile applications, and *call centers* a 3.4% increase compared to 2019. In the case of mass insurance, more remote tools were used (25.4% of the premiums issued in 2020); in microinsurance, the use of remote tools is lower than the industry average.[10] Therefore, engaging lower-income consumers via digital tools still proves to be challenging.

Graph 6.4. Share of remote tools in all premiums issued, by insurance type and marketing channel

By insurance type and industry total

2019 ■
2020 ■

---
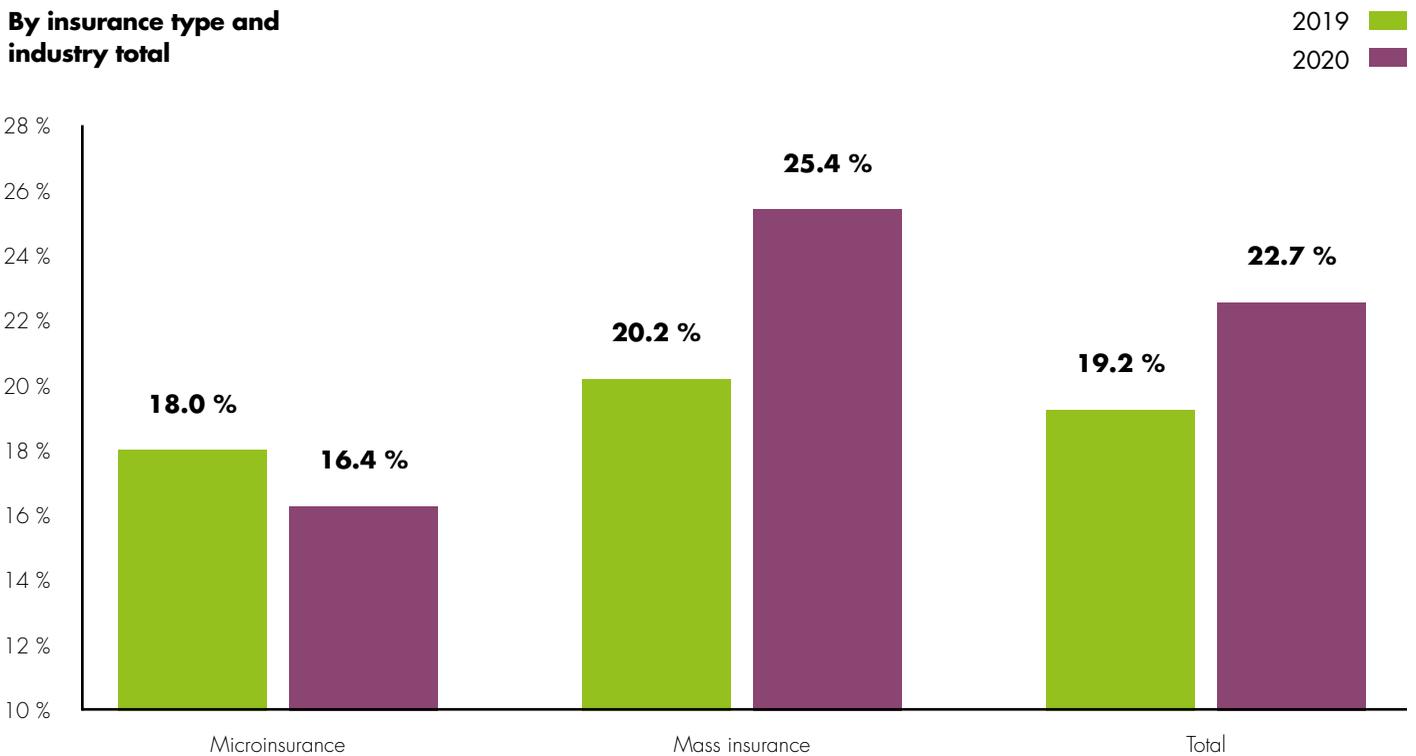
10.   The total share for microinsurance was 16.4%. However, 20.0% of mass microinsurance used remote channels for their sales, while non-mass microinsurance only used 8.3%.

By marketing channel

Channel	Percentage
Microfinance institutions	92.5 %
Other marketing channels	69.3 %
Stores and superstores	59.0 %
Network usage	32.9 %
Public service companies	28.2 %
Insurance intermediaries	21.7 %
Individual brokers	10.3 %
Solidarity sector	6.3 %
Natural person insurance correspondents	0.2 %
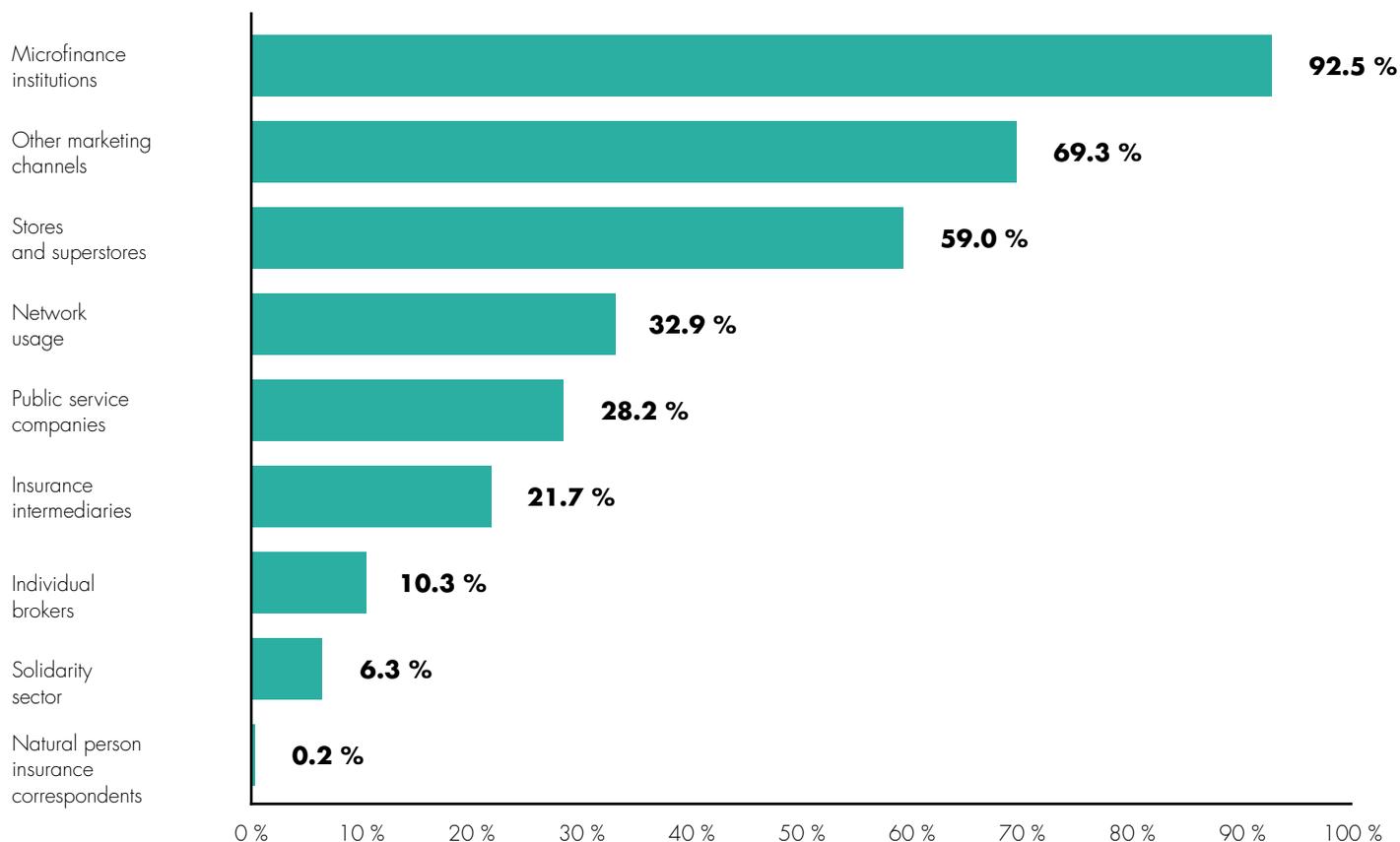
Source: FIR team with SFC data.

The marketing channels that made the greatest use of remote tools to sell insurance were microfinance institutions, stores and superstores, network usage, and public service companies. The scope of these channels was recently expanded, allowing the use of mobile and digital correspondents and expanding the number of lines that could be mass marketed.[11] These adjustments promote the use of digital and innovative tools in all marketing channels, which the industry can implement starting in 2021.

Traditional insurance marketing channels[12] are less frequently used to sell microinsurance and mass insurance than in the industry as a whole. In 2020, insurance intermediaries were the most used marketing channel (62.9% of the value of premiums issued), followed by individual brokers (15.5%), and network usage (15.1%). However, in the case of microinsurance, the most used channel was network usage (33.9% of the value of premiums issued), and non-traditional channels such as public service companies (19.0%) and the solidarity sector (4.5%). In the case of mass insurance, the channels most frequently used in sales were insurance intermediaries (45.6% of the value of premiums issued), network usage (35.1%), individual brokers (9.2%), and stores and superstores (5.5%).

....

11. External circular 02 of 2021, which regulated Decree 222 of 2020.

12. The marketing channels traditionally used by the industry are individual brokers and insurance intermediaries.

Graph 6.5. Share of premiums issued by insurance type and
marketing channel

Total ▮ (red)
Microinsurance ▮ (yellow)
Mass insurance ▮ (dark blue)

Marketing channel	Total	Microinsurance	Mass insurance
Insurance intermediaries	62.9 %	27.8 %	45.6 %
Individual brokers	15.5 %	10.0 %	9.2 %
Network usage	15.1 %	33.9 %	35.1 %
Stores and superstores	2.4 %	1.6 %	5.5 %
Other marketing channels	1.9 %	2.0 %	1.5 %
Solidarity sector	1.5 %	4.5 %	1.5 %
Public service companies	0.6 %	19.0 %	1.4 %
Microfinance institutions	0.1 %	1.2 %	0.1 %
Natural person insurance correspondents	0.1 %		
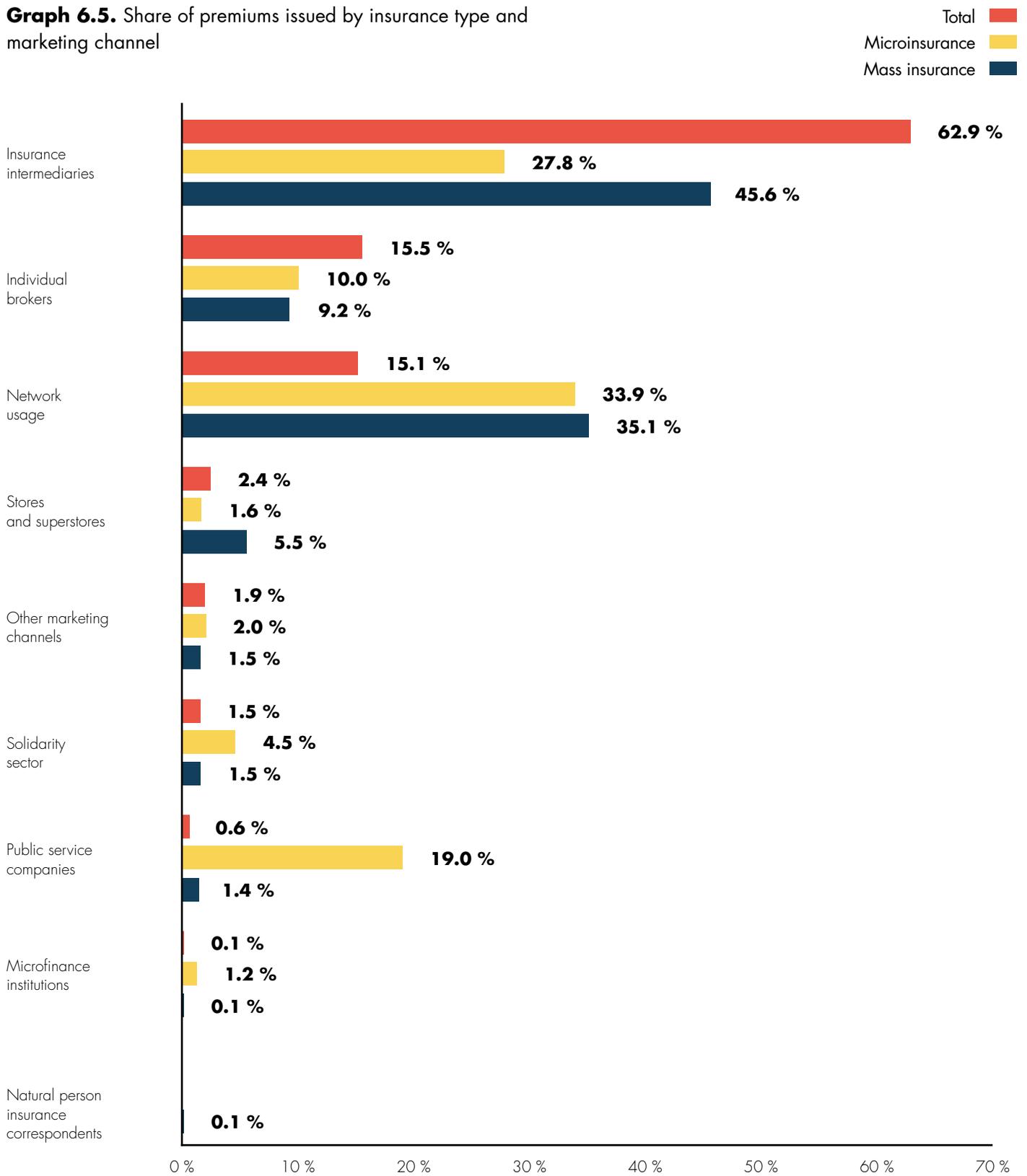
Source: FIR team with SFC data.

Marketing channels were more diversified for natural persons, with less traditional channels used than for legal entities. In 2020, 58.6% of insured individuals used traditional marketing channels, while for legal entities this percentage rose to 81.7%. In the case of microinsurance, 23.9% of individuals obtained their insurance through network usage, 19.8% resorted to public service companies, and 16.5% resorted to entities in the solidarity sector. For mass insurance, 46.6% of insured individuals made use of the network. Therefore, when the insured is a natural person, the use of public service companies 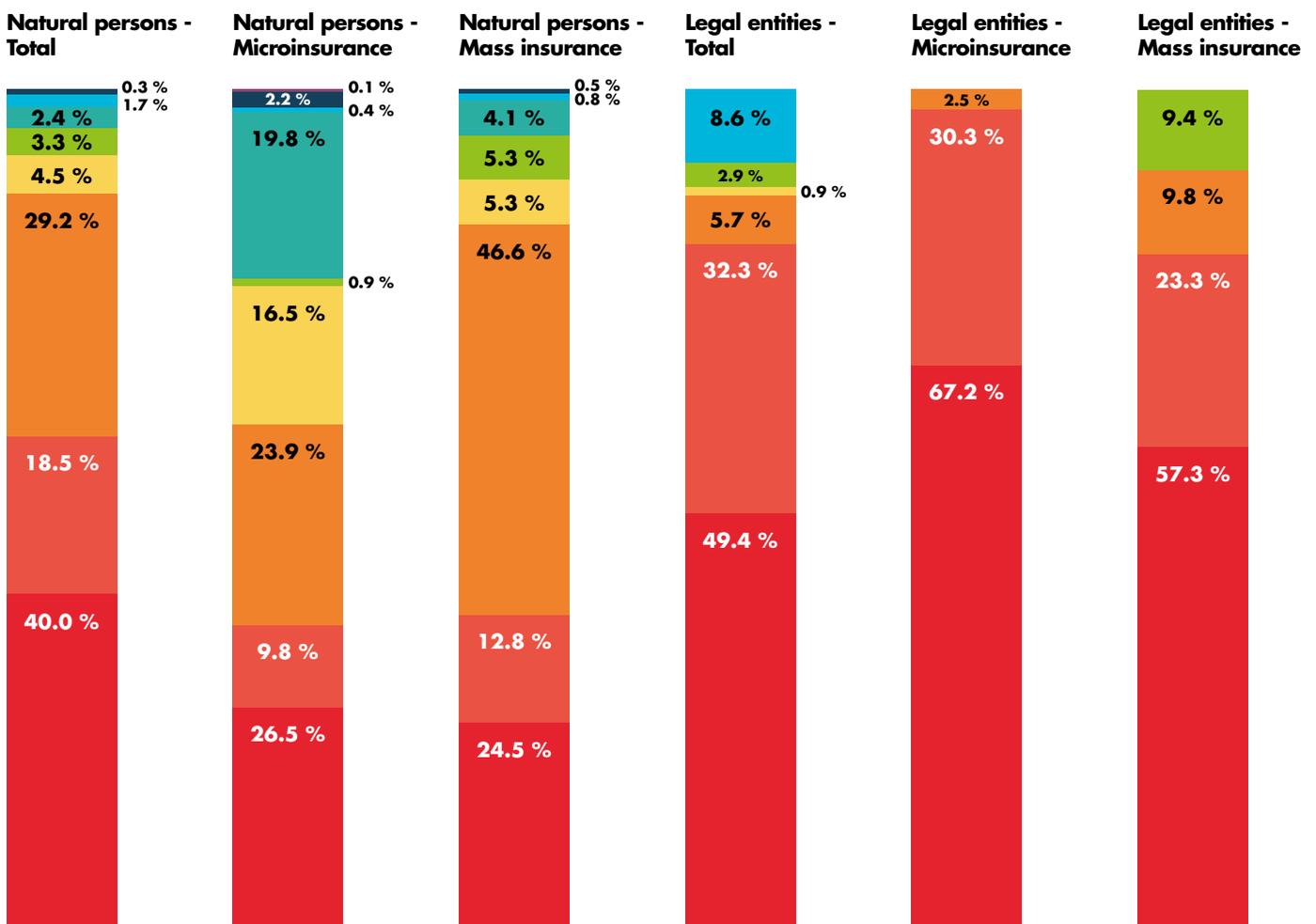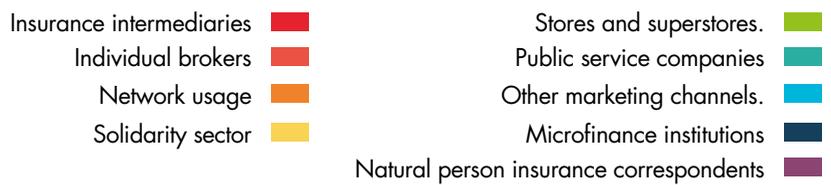and solidarity sector entities to serve the population interested in obtaining microinsurance stands out; in the case of mass insurance, using the network of other overseen entities plays an important role in providing this type of insurance. In the case of insured legal entities, traditional channels were primarily used for all insurance, including microinsurance and mass insurance.

Graph 6.6. Participation of those insured by marketing channel, insurance type, and person (natural and legal)

Insurance intermediaries ■ (red)	Stores and superstores. ■ (green)
Individual brokers ■ (light red)	Public service companies ■ (teal)
Network usage ■ (orange)	Other marketing channels. ■ (light blue)
Solidarity sector ■ (yellow)	Microfinance institutions ■ (dark blue)
	Natural person insurance correspondents ■ (purple)

Natural persons - Total
- 0.3 %
- 1.7 %
- 2.4 %
- 3.3 %
- 4.5 %
- 29.2 %
- 18.5 %
- 40.0 %

Natural persons - Microinsurance
- 2.2 %
- 0.1 %
- 0.4 %
- 19.8 %
- 0.9 %
- 16.5 %
- 23.9 %
- 9.8 %
- 26.5 %

Natural persons - Mass insurance
- 0.5 %
- 0.8 %
- 4.1 %
- 5.3 %
- 5.3 %
- 46.6 %
- 12.8 %
- 24.5 %

Legal entities - Total
- 8.6 %
- 2.9 %
- 0.9 %
- 5.7 %
- 32.3 %
- 49.4 %

Legal entities - Microinsurance
- 2.5 %
- 30.3 %
- 67.2 %

Legal entities - Mass insurance
- 9.4 %
- 9.8 %
- 23.3 %
- 57.3 %

Source: FIR team with SFC data.

6.5 Characteristics of the insured

Of the total insured in 2020, 85.8% are natural persons and 14.2% are legal entities. The number of insured natural persons decreased in 2020, considering that in 2019, legal entities accounted for just 12.8% of all those insured. Moreover, in 2020, microinsurance and mass insurance reported a greater percentage of insured natural persons (92% and 92.8%, respectively) than for the entity's total policies.

As for the premiums issued in 2020, 64% of those insured were natural persons and 36% were legal entities, which explains the higher average value of the premium issued when the insured is a legal entity. In the case of microinsurance, 93.8% of the total premiums were issued to insured natural persons; for mass insurance, the percentage was 80.5%.

Graph 6.7. Share of the insured by insurance type, natural person (by gender), and legal entity (by company size)

Natural Person – Man
Natural Person – Woman
Natural Person – Group
Legal Entity – MSME
Legal Entity – Large company

Total policies

| 27.3 % | 21.7 % | 36.7 % | 7.5 % | 6.8 % |

Mass insurance

| 32.0 % | 26.9 % | 33.9 % | 4.5 % |

2.8 %

Microinsurance

| 22.3% | 21.9 % | 47.8 % | 8.0 % |
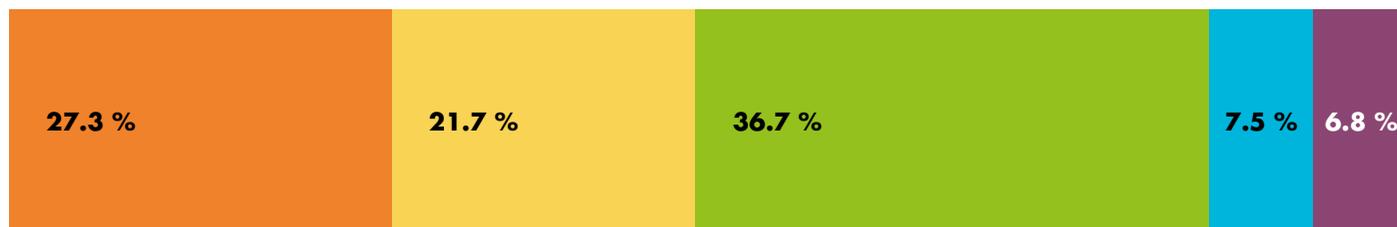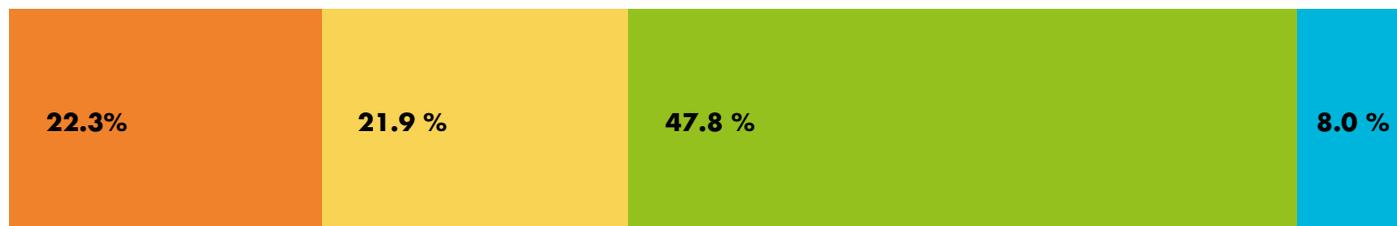
Source: FIR team with SFC data.

Natural persons

In the policies where the insured is a natural person, 42.8% were group policies, where it was not possible to determine the gender of the insured. This share is lower when the insurance is mass-marketed (36.5%). On the other hand, the use of group policies where a third party not overseen by the SFC is the policyholder and signs up its users[13] is more frequent in microinsurance (51.9%).

Of those insured whose gender was identified in 2020, 55.8% were men and 44.2% were women. This 11.5 percentage point access gap by gender[14] is lower than that of 11.8 pp registered in 2019, and higher in general insurance companies (17.1 pp) than in life insurance companies (1.1 pp). The reduction in the gender gap over the last year was also observed in microinsurance and mass insurance, where respective gaps of 1.1 pp and 8.6 pp were registered lower than those reported in 2019 (3.6 pp and 12.1 pp, respectively).

An analysis similar to the one described above was carried out by using premiums issued. When considering the premiums issued to individuals in 2020, 37.3% correspond to group policies where it was not possible to determine the gender of the insured. In this case, the average premium issued is almost 25% lower than the average premium for other natural persons. In the policies where this information was available, the gender gaps are slightly greater than those in Graph 6.8, taking into account that the average premium amount is 3.4% higher for men than for women.
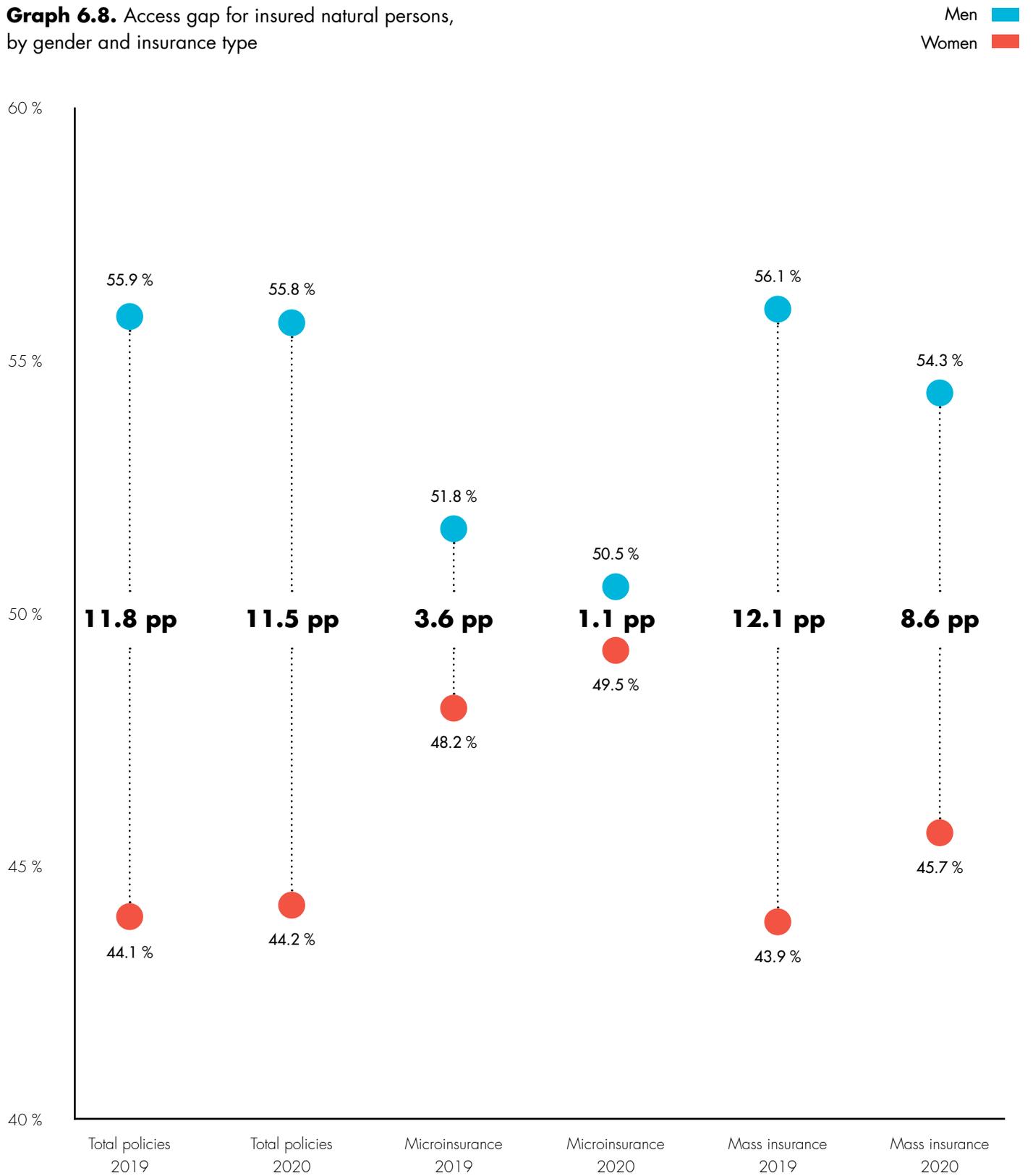
Legal entities

For policies insuring legal entities, MSMEs represented 52.4% of those insured, while large companies accounted for 47.6% in 2020. These percentages are similar to those observed in 2019 (52.9% for MSMEs and 47.1% for large companies).[15] In general insurers, the share of insured MSMEs is higher (59.2%) than that reported by life insurers (50.1%). In addition, MSMEs' share in mass insurance decreased from 74.8% in 2019 to 61.6% in 2020. Using the definition established to identify microinsurance, no large companies participated in this type of policy.

As for the value of the premiums issued to legal entities in 2020, 38.6% corresponds to premiums held by MSMEs. This share is less than that described in the previous paragraph, taking into account that the premiums issued to large companies are on average 75.1% larger than those issued to MSMEs.

---

13. In marketing via group policies where the policyholder receives some type of remuneration, the insurer must take into account the new provisions included in External Circular 40 of 2020.
14. The gender access gap is defined as the difference between the share of insured men and women out of the total number of insured natural persons whose gender was identified.
15. In order to categorize micro, small, medium-sized, and large companies, the definition by sector (manufacturing, services, and trade) and income—found in article 2.2.1.13.2.2 of Decree 1074 of 2015—was used.

Graph 6.8. Access gap for insured natural persons, by gender and insurance type

Men ▬
Women ▬

55.9 %	55.8 %	51.8 %	50.5 %	56.1 %	54.3 %
11.8 pp	**11.5 pp**	**3.6 pp**	**1.1 pp**	**12.1 pp**	**8.6 pp**

55.9 %
55.8 %
51.8 %
50.5 %
49.5 %
56.1 %
54.3 %
48.2 %
45.7 %
44.1 %
44.2 %
43.9 %

60 %
55 %
50 %
45 %
40 %

Total policies 2019
Total policies 2020
Microinsurance 2019
Microinsurance 2020
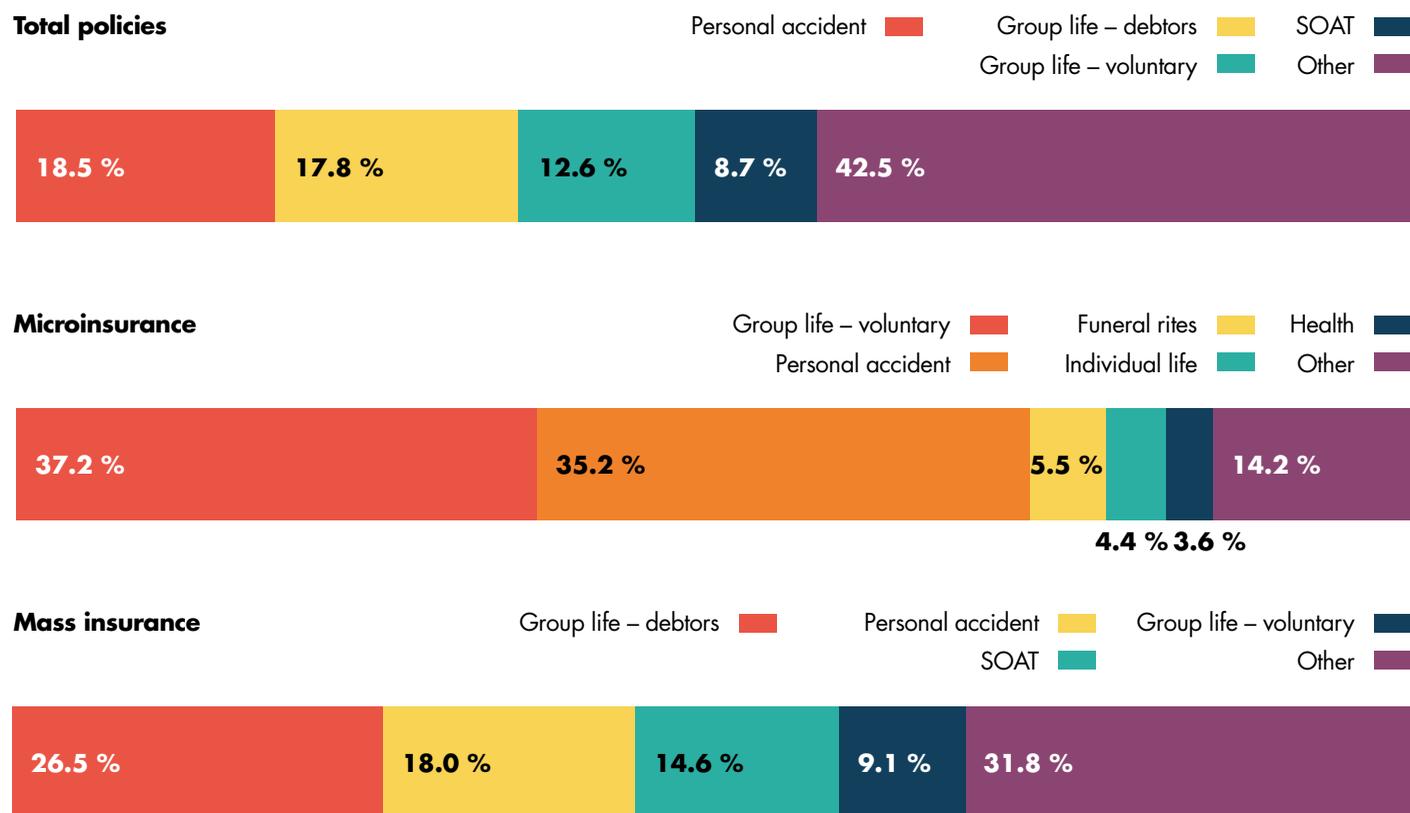Mass insurance 2019
Mass insurance 2020

Source: FIR team with SFC data.

6.6 Characteristics of insured risks[16]

In 2020, the main insured risks were personal accident (18.5% of all insured risks), debtor group life (17.8%), voluntary group life (12.6%), and SOAT (8.7%). In 2020, 10.7% of all insured risks in the industry were microinsurance; within this category, the insured risks were concentrated in voluntary group life coverage (37.2%) and person-al accident (35.2%). Mass insurance represented 52.5% of risks insured by the industry, where the most common coverage is for debtor group life (26.5% of insured risks in mass insurance), personal accident (18%), SOAT (14.6%), and voluntary group life insurance (9.1%).

Graph 6.9. Share of the main insured risks, by segment and insurance type[17]

Total policies

Personal accident ■   Group life – debtors ■   SOAT ■
Group life – voluntary ■   Other ■

18.5 %	17.8 %	12.6 %	8.7 %	42.5 %

Microinsurance

Group life – voluntary ■   Funeral rites ■   Health ■
Personal accident ■   Individual life ■   Other ■

37.2 %	35.2 %	5.5 %		14.2 %

4.4 %   3.6 %

Mass insurance

Group life – debtors ■   Personal accident ■   Group life – voluntary ■
SOAT ■   Other ■

26.5 %	18.0 %	14.6 %	9.1 %	31.8 %

Source: FIR team with SFC data.

16. Corresponds to the number of lives or properties insured, and is categorized into segments or lines of business. Most of the policies offered by insurers contain more than one type of coverage or insured risk.
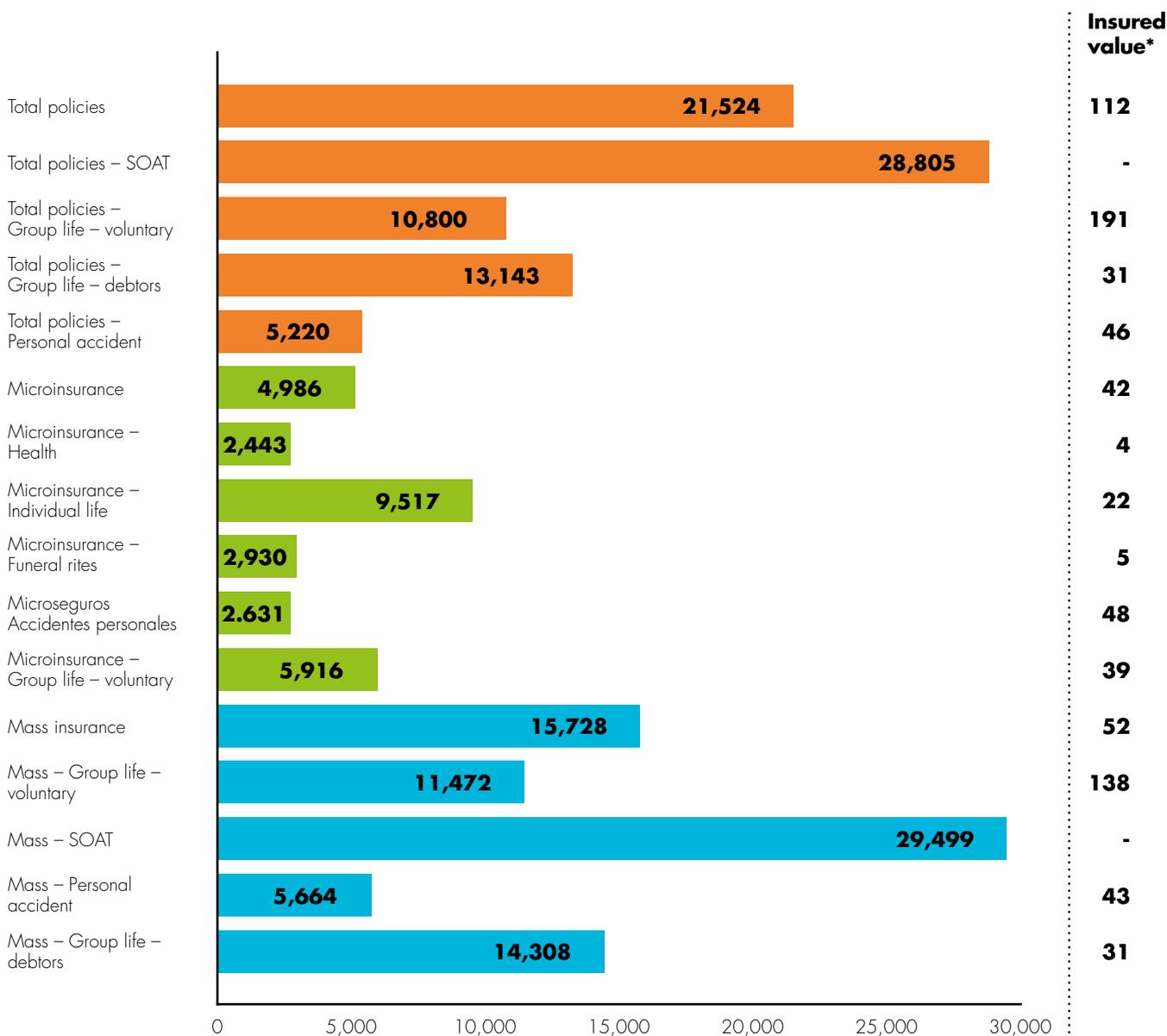
17. The information on the funeral insurance line does not include funeral plans offered by entities other than insurance companies.

The insurance industry offers varied levels of coverage, with a wide range of premiums and insured values. In 2020, the average monthly premium value per insured risk was $21,524 pesos; for microinsurance, $4,986 pesos; and for mass insurance, $15,728 pesos. The average insured value per insured risk was $112 million pesos, with lower values for microinsurance ($42 million) and mass insurance ($52 million). Graph 6.10 contains the monthly premium monetary amount and the insured value, as well as the average value per insured risk for all policies, microinsurance, mass insurance, and their main insured risks.

Graph 6.10. Monthly premium and insured value, average value per insured risk, by insurance type and its main insured risks

Total policies ■ Microinsurance ■
Mass ■

	Monthly premium	Insured value*
Total policies	21,524	112
Total policies – SOAT	28,805	-
Total policies – Group life – voluntary	10,800	191
Total policies – Group life – debtors	13,143	31
Total policies – Personal accident	5,220	46
Microinsurance	4,986	42
Microinsurance – Health	2,443	4
Microinsurance – Individual life	9,517	22
Microinsurance – Funeral rites	2,930	5
Microseguros Accidentes personales	2.631	48
Microinsurance – Group life – voluntary	5,916	39
Mass insurance	15,728	52
Mass – Group life – voluntary	11,472	138
Mass – SOAT	29,499	-
Mass – Personal accident	5,664	43
Mass – Group life – debtors	14,308	31

Note: * V insured corresponds to the average insured value per insured risk in millions of pesos.
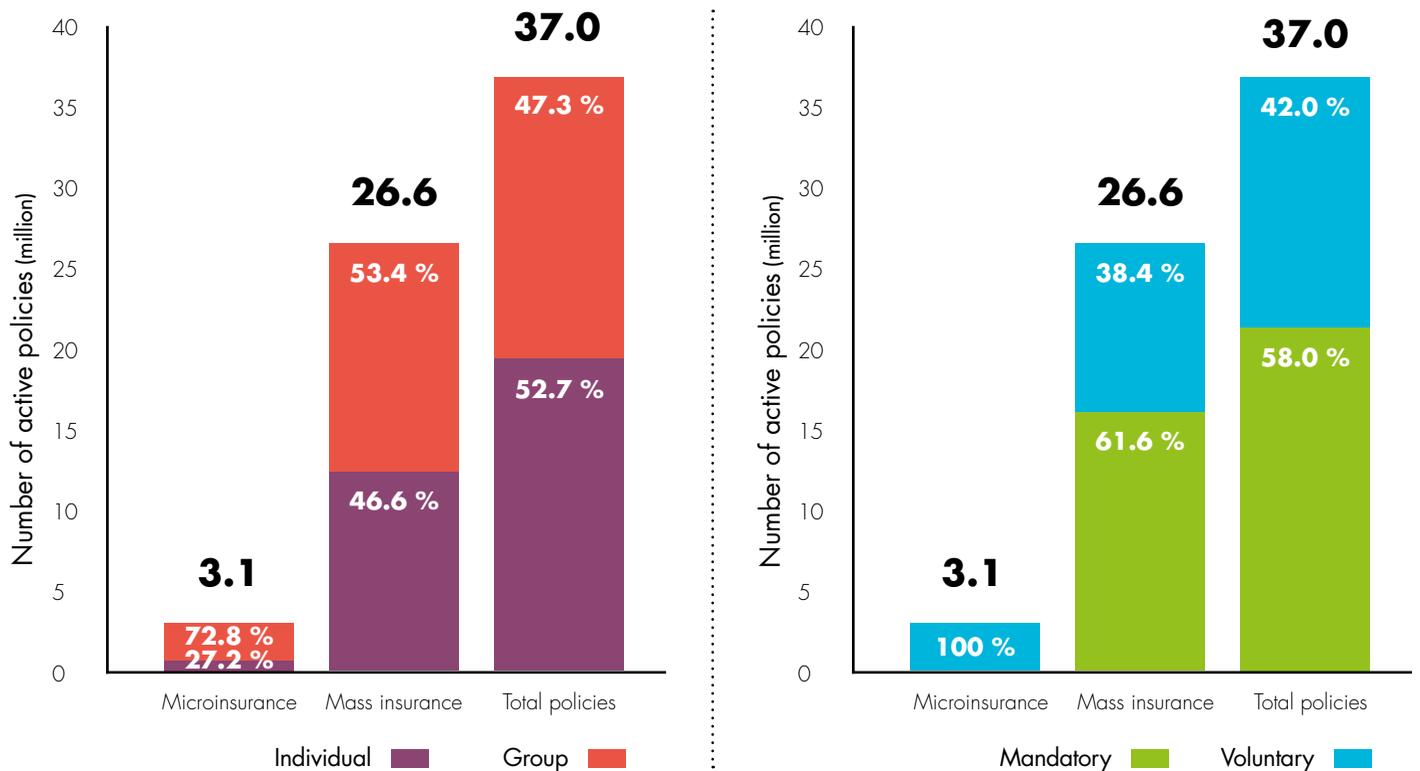**Source:** FIR team with SFC data.

The variety and affordability of coverage also applies to the products offered by the insurance industry. At the end of 2020, the industry had 37 million active policies—463,833 fewer policies than those registered in 2019. The average monthly premium per policy was $52,300 pesos, and the average number of insured risks per policy was 2.4. Specifically, 7.9% of policies were categorized as microinsurance; the average monthly premium per policy was $16,500 pesos, and the average number of insured risks was 3.3 per policy. As for mass insurance, it represented 67% of all currently active policies; the average monthly premium per pol-icy was $29,950 pesos, and the average number of insured risks was 1.9 per policy.

A considerable part of the policies and premiums issued by the industry are mandatory for users.[18] In fact, in 2020, 58% of policies and 34% of premiums issued were associated with policies considered mandatory. In the case of mass in-surance, 61.6% of the policies and 53% of the premiums issued were considered mandatory. It should be noted that, by the definition used in this report, microinsurance policies must be voluntary for the user.

Graph 6.11. Number of active policies in 2020, segmented into individual/group and mandatory/voluntary, by insurance type
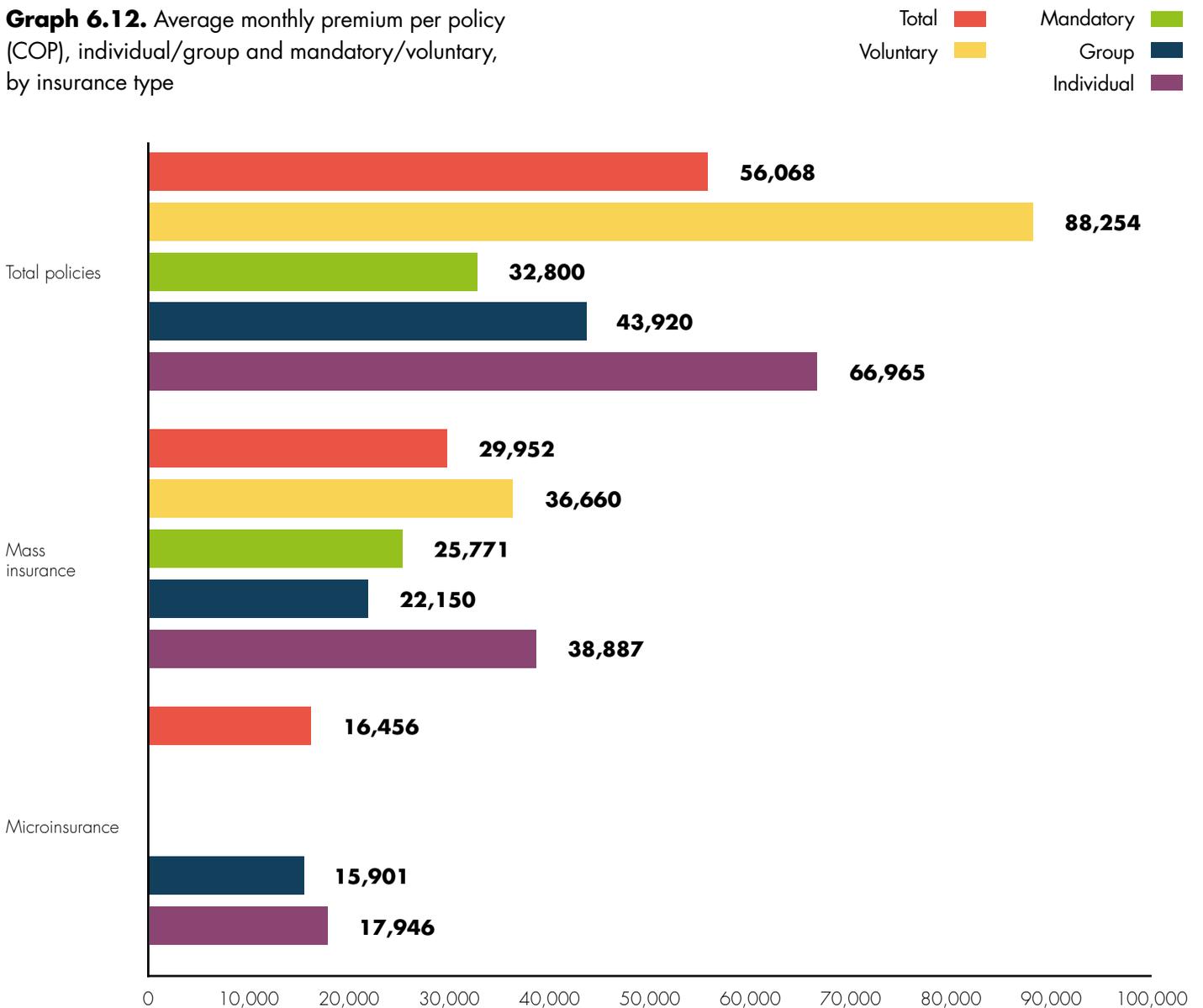

Source: FIR team with SFC data.

18. A policy is considered mandatory if it meets any of these conditions: i) it was acquired to comply with current regulations (as in the case of occupational risk, SOAT, earthquake, or fire policies for real estate mortgaged to overseen entities), ii) it is required by financial entities, both overseen and not overseen, as a condition to access a credit, iii) it was issued as a result of acquiring another product or service that the consumer would not have been able to acquire without insurance (for example, accident insurance for students as a requirement in educational establishments). The rest of the policies are considered voluntary.

An analysis of individual versus group policies (where one policy covers a group of people) determined that 47.3% of the active policies at the end of 2020 were group policies and accounted for 37% of the premiums issued throughout the year. Due to their low average cost and capacity to insure groups of people, group policies are mostly used in microinsurance; in fact, 72.8% of the active policies in 2020 were group policies and represented 70.4% of premiums issued in microinsurance. In the case of mass insurance,

group policies represented 53.4% of the total number and 39.5% of the value of premiums issued in mass insurance.

In terms of the monthly premium per active policy, the average values were $52,300 pesos for all policies, $16,500 pesos for microinsurance, and $29,950 pesos for mass insurance. The average monthly premium per policy is higher when the policies are voluntary and individual—a behavior observed for all of the entity's policies, as well as for microinsurance and mass insurance (Graph 6.12).

Graph 6.12. Average monthly premium per policy (COP), individual/group and mandatory/voluntary, by insurance type

Legend: Total, Voluntary, Mandatory, Group, Individual

Source: FIR team with SFC data.

Finally, the insured risks were analyzed by location, specifically by level of rurality, revealing that 89.3% of the insured risks (property or residence of the insured life) are located in cities; 4.2% in medium-sized municipalities; 5.5% in rural municipalities; and 0.9% in dispersed rural municipalities. This composition does not change significantly for microinsurance or mass insurance. However, the share of insured risks in rural and dispersed rural municipalities is higher for mass insurance (10.7%) and for microinsurance (8.3%) than for the industry as a whole (6.4%).

Graph 6.13. Share of insured risks by level of rurality and insurance type

- Cities and urban agglomerations
- Medium-sized municipalities
- Rural municipalities
- Dispersed rural municipalities

Total policies

89.3 %   5.5 %
                4.2 %   0.9 %

Mass insurance

83.3 %   5.9 %   9.5 %
                        1.2 %

Microinsurance

89.1 %   7.0 %
   2.6 %   1.3 %

Source: FIR team with SFC data.

6.7 Product quality

The claims rate is the fraction of the premiums issued that the insurer uses to pay its policyholders' claims[19]. In 2020, this overall rate for the industry was 48.1%; it was lower in the cases of microinsurance (25.3%) and mass insurance (37.1%). Thus, out of every $100 pesos in premiums issued, the insurance industry spent $48 pesos in policy beneficiaries' claims. This value stood at $25 pesos for policies categorized as microinsurance and $37 for mass insurance, demonstrating fewer claims payments to beneficiaries with these types of policies than the industry average. These results are similar to those reported in 2019 for all industry policies (48.8%) and for mass insurance (36.3%); however, for microinsurance, the claims rate in 2019 (20.5%) was lower than that for 2020.

Graph 6.14. Claims and sales rates, by insurance type

Claims rate ▮
Sales rate ▮
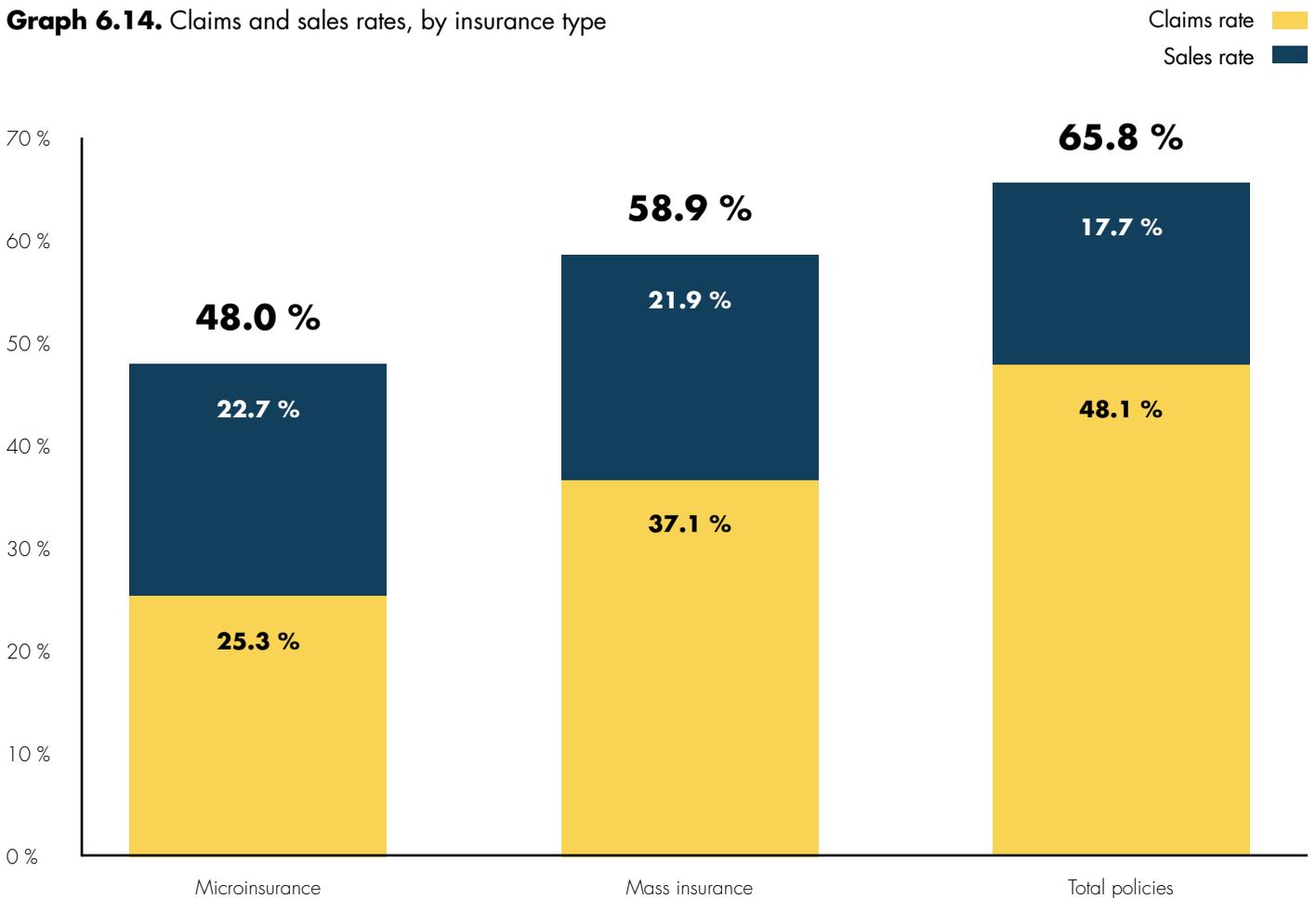
Source: FIR team with SFC data.

....
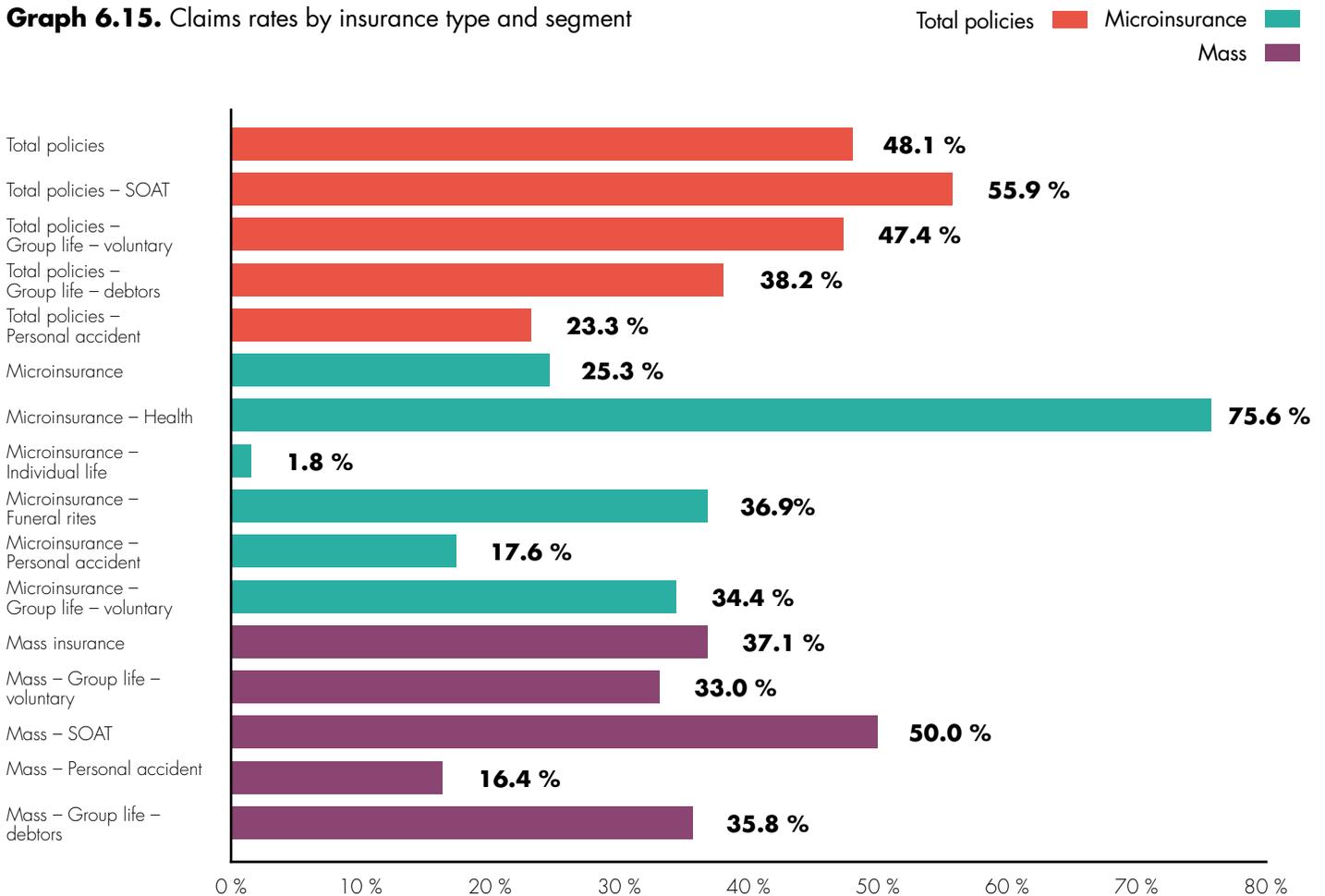
19.   The claims rate described in this chapter was calculated by finding the quotient of settled claims and premiums issued

As explained in this chapter, microinsurance and mass insurance make greater use of non-traditional marketing channels to contact potential customers and issue their policies, so intermediation costs include some type of remuneration to these channels. When adding marketing expenses[20] as a percentage of the premiums issued to the claims rate (Graph 6.14), microinsurance and mass insurance continue to report lower values than that of all industry policies. However, there are no administrative or personnel expenses by insurance type that allow us to affirm that these types of expenses associated with microinsurance or mass insurance are higher than the industry average.

When segmenting the claims rate in the main business lines, differences were observed between segments and insurance type. The greatest differences occurred in microinsurance. For example, those insured made more claims in the health line (claims rate of 75.6%); on the other hand, in individual life policies, customers did not receive a significant value when compared to the premium paid (claims rate of 1.8%). Graph 6.15 also shows that, even for the same segment, such as personal accident, the claims rate is higher for the entity's total policies (23.3%) than for microinsurance (17.6%) or mass insurance (16.4%).

Graph 6.15. Claims rates by insurance type and segment

Total policies ▇ Microinsurance ▇
Mass ▇

Segment	Value
Total policies	48.1 %
Total policies – SOAT	55.9 %
Total policies – Group life – voluntary	47.4 %
Total policies – Group life – debtors	38.2 %
Total policies – Personal accident	23.3 %
Microinsurance	25.3 %
Microinsurance – Health	75.6 %
Microinsurance – Individual life	1.8 %
Microinsurance – Funeral rites	36.9%
Microinsurance – Personal accident	17.6 %
Microinsurance – Group life – voluntary	34.4 %
Mass insurance	37.1 %
Mass – Group life – voluntary	33.0 %
Mass – SOAT	50.0 %
Mass – Personal accident	16.4 %
Mass – Group life – debtors	35.8 %

Source: FIR team with SFC data.

20. The marketing expenses described include the remuneration of dependent and independent intermediaries and remuneration for the use of the network and marketing channels.
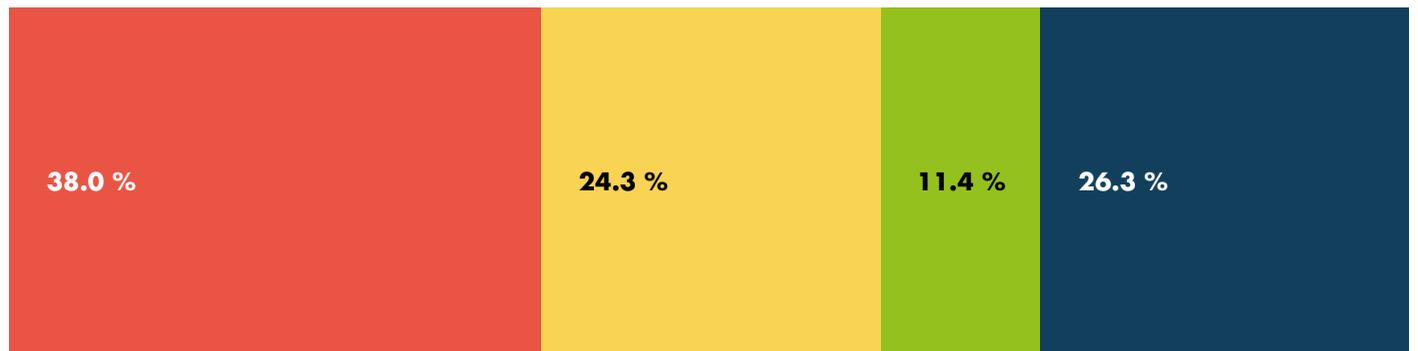
Of the claims paid in 2020, 38.0% went to men, 24.3% to women, 11.4% to MSMEs, and 26.3% to large companies. The share in the value of claims paid to women beneficiaries is higher in the case of microinsurance and mass insurance than for all policies together (Graph 6.16). However, claims paid to female beneficiaries represented 63.8% of claims paid to male beneficiaries—58% in the case of microinsurance and 48.8% of mass insurance.
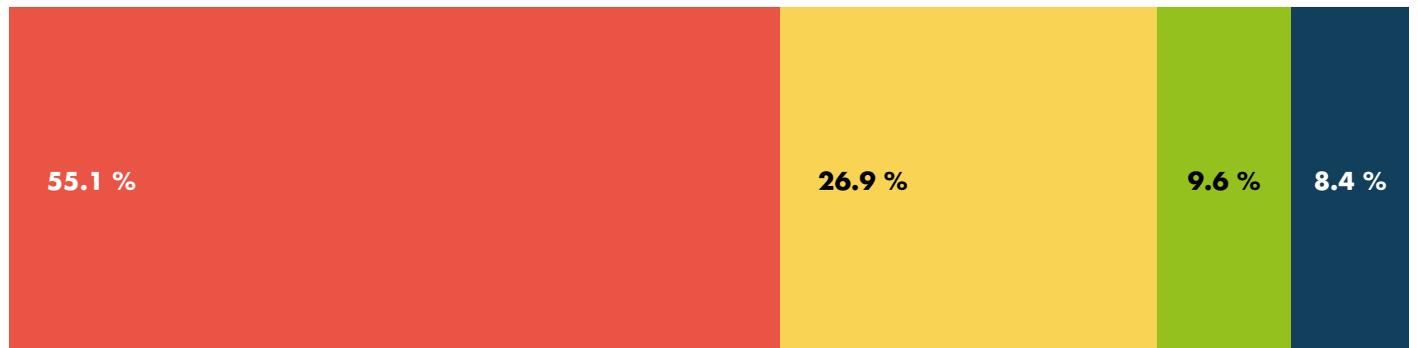
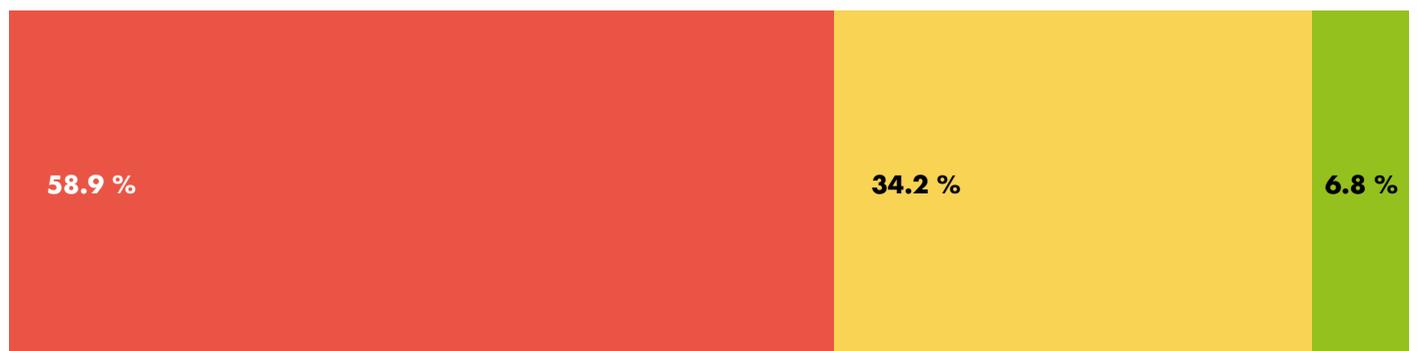**Graph 6.16.** Share in claims by gender and company size, by insurance type

| Men | | MSME | |
| Women | | Large company | |

Total policies

| 38.0 % | 24.3 % | 11.4 % | 26.3 % |

Mass insurance

| 55.1 % | 26.9 % | 9.6 % | 8.4 % |

Microinsurance

| 58.9 % | 34.2 % | 6.8 % |

Source: FIR team with SFC data.

The average monetary amount for claims paid in 2020 was $3.92 million, with an average of $1.70 million for microinsurance and $2.62 million for mass insurance. The claims rejection rate[20] was higher for microinsurance than for all policies together and lower in the case of mass insurance. In addition, the average number of days it took to pay the claim is significantly lower for microinsurance and mass insurance[21].

Finally, the level of user dissatisfaction, measured by the number of complaints per 1,000 active policies, is higher for microinsurance and lower for mass insurance. Part of the growth in complaints associated with microinsurance during 2020 is related to the growth in the rejection rate observed in the period (in 2019 the microinsurance rejection rate was 10.3%, and the number of complaints per 1,000 policies was 3.96).

Table 6.1. Variables associated with claims payments and user satisfaction, by insurance type (2020)

	Average claim	**Claims rejection rate**	**# of average days for claim payment**	**# of complaints per 1,000 active policies**
Total policies	$3,920,729	12.7 %	83.2	3.31
Microinsurance	$1,702,402	13.8 %	18.5	5.16
Mass insurance	$2,617,334	10.5 %	30.8	2.71

Source: FIR team with SFC data.

---

20. Defined as the ratio between rejected claims and filed claims (which is equivalent to the sum of settled and rejected claims).

21. This is likely due to the implementation of simplified claim processes established in the regulations when sales are made through correspondents or via network usage.

Glossary

A

Access to financial services indicator: the percentage of adults who access the financial system. This is calculated as the number of adults with at least one financial product (whether active or not) divided by the size of the adult population.

Active correspondents: correspondents that have carried out operations during the last quarter.

Average number of transactions per adult: the total number of monetary transactions by correspondents divided by the size of the adult population in a certain geographic area.

Average monetary transaction amount per adult: the quotient of the total monetary value of all transactions by banking correspondents and the number of adults in the municipality, department, or country in question.

Average monetary amount per transaction: the total value of transactions divided by the total number of monetary transactions by banking correspondents in a certain geographic area.

B

Banking correspondents: the natural persons or legal entities hired to provide financial services on behalf of a credit institution, under the conditions established in Decree 2672 of 2012.

C

Certificate of Deposit (CD): a security issued by a financial institution to a customer who has deposited money, with the purpose of saving and earning interest over a specific term (from 30 to 720 days, depending on the entity).

Credit institutions: banks, financial corporations, financing companies, and financial credit unions overseen by the Financial Superintendence.

D

Digital savings accounts: demand deposits for those who belong to level 1 of the Social Program Beneficiary Identification System (SISBEN), displaced persons registered in the Single Registry of Displaced Persons, or beneficiaries of aid programs and/or subsidies granted by the Colombian state. Authorized credit institutions and credit unions cannot charge holders for account management or operation. Additionally, up to two (2) cash withdrawals and one balance inquiry made by the customer per month will not incur bank fees. Digital savings accounts have a monthly debit limit of 3 current monthly minimum wages (SMMLV).

E

Electronic deposit products: demand deposits whose holder can be a natural person or legal entity, and that can be activated by cell phone, with an identification number and its date of issue. They are linked to one or more instruments or mechanisms that allow the holder to make payments, transfer funds, or make withdrawals via physical documents or digital means. Electronic deposit products can be categorized as either simplified or ordinary procedure. The main function of electronic deposit products with a simplified opening procedure is to serve as a channel for the distribution of subsidies, where their limit of monthly debits and maximum balance equals 3 SMMLV. If the deposit or account balance exceeds the maximum limit foreseen for the simplified opening procedure—with resources other than those from subsidy programs or benefits granted by the Colombian state—the ordinary opening procedure must be carried out, which additionally includes the process of gathering information about the customer and control of money laundering.

L

Level of activity (%): the number of adults with at least one active financial product divided by the total number of adults with a financial product. A product is considered active when at least one transaction has been carried out in the last six months.

N

Number of monetary operations: the number of monetary transactions, handling, or transfers made by the entities' customers and/or users during a specified period of time.

Number of non-monetary operations: the number of balance inquiries made by the entities' customers during a specified period of time.

M

Monetary transactions: operations carried out by users of banking correspondents, which include: i) collection, payments, and transfer of funds; ii) sending or receiving money orders in Colombian currency within Colombia; iii) cash deposits, withdrawals, and fund transfers that affect such deposits, including electronic deposit products; iv) cash disbursements and payments for active credit operations, as well as the activation of pre-approved credit products; and v) receiving and delivering resources in Colombian currency corresponding to the purchase and sale of foreign currency from exchange operations that can be channeled through the foreign exchange market and from operations of sending and receiving money orders.

O

Outsourced correspondents: correspondents that are connected through data transmission systems and whose administration is contracted with a third party by the over seen entity.

S

Self-operated correspondents: correspondents that are connected through data transmission systems and managed directly by an overseen entity.

Simplified savings accounts: demand deposits for natural persons. Simplified savings accounts can be activated by cell phone, with an identification number and its date of issue. Contrary to digital savings accounts, simplified savings accounts may charge fees for handling, withdrawals,

or transfers. The monthly debit limit of these accounts is 3 times the current monthly minimum wage (SMMLV) and the maximum balance is 8 SMMLV.

Small-balance deposit products: demand deposits whose sole holder is a natural person. Introduced by Decree 222 of 2020, the term groups electronic deposit products, simplified savings accounts, and digital savings accounts into one category. The maximum deposit balance is 8 SMMLV and the maximum accumulated amount of debit operations per month is 8 SMMLV. Authorized credit institutions, SEDPEs, and credit unions may carry out financial activities, and the product's opening procedure must be simplified.

Specialized electronic payment processing company (SEDPE): financial entities overseen by the Financial Superintendence, with flexible regulatory requirements, which can capture public savings with the sole purpose of offering services of payments, wires, transfers, collection, and savings. These operations will be exempt from the bank transaction tax, provided that the withdrawals do not exceed 65 tax value units (UVT, as per the Spanish acronym) per month.

T

Total number of operations: consolidates the number of monetary operations and the number of non-monetary transactions (balance inquiries) made by the entities' customers and/or users during a period of time.

Total monetary amount of operations: value (in millions of Colombian pesos) of all monetary transactions, handling fees, or transfers made by customers or users of the entities during a specified period of time.

U

Usage of financial services indicator: the number of adults with an active product divided by the size of the adult population. A product is considered active when at least one transaction has been carried out in the last six months.

References

+ National Department of Statistics. (2018). National Population and Housing Census – 2018. Bogotá DC, Colombia.

+ Superintendence of Solidarity Economy (2020). Report. Bogotá D.C. Superintendence of Solidarity Economy.

+ Financial Superintendence of Colombia. (2020). Use of financial products and services – Form 534. Bogotá DC, Colombia.

+ Transunion – CIFIN. (2020). Annual financial inclusion report. Bogotá, DC, Colombia: Transunion.

+ Unit for Financial Regulation. (2021). Source: Unit for Financial Regulation website: http://www.urf.gov.co/webcenter/portal/urf.