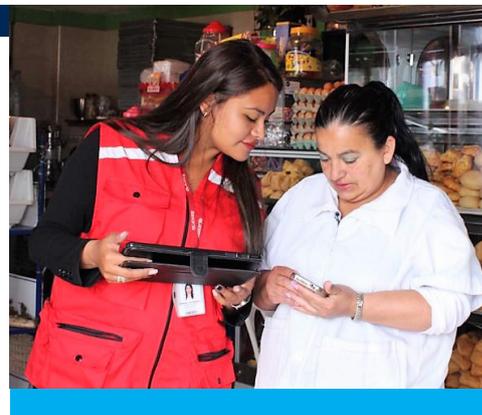


Bancamía Expands Micro Credit in Colombia

With support from IFC investment and advisory services, Bancamía S.A., Colombia's biggest microfinance institution, reaches rural customers with digital financial services.



CLIENT PROFILE

Headquartered in Bogotá, Bancamía S.A. is Colombia's largest microfinance institution. Through its network of 200 branches across the country, it serves approximately 913,977 customers, many in rural areas. More than half of these are low-income women entrepreneurs. Bancamía is the first banking institution in Colombia exclusively focused on providing financial products and services for microenterprises and entrepreneurs.

Bancamía uses a unique approach that emphasizes the relationship between customers and loan officers, who spend significant time on-site with clients to understand their businesses first-hand. Bancamía also makes an effort to reach agricultural businesses, although they are more difficult to reach than urban entrepreneurs. Micro loans make up 98 percent of its portfolio and the average size of these loans is between \$1000-1500.

Bancamía was established in 2008 as a joint venture between two non-profit foundations affiliated with the Women's World Banking and Fundación Microfinanzas BBVA, a non-profit institution that promotes sustainable economic and social development in Latin America through inclusive financial services.

BACKGROUND

Microenterprises are a critical part of Colombia's economy, making up to 95 percent of firms and accounting for more than half of all jobs in the country. Their potential, however, is constrained by limited access to finance, as their financial needs are neither fully understood nor well served by financial institutions.

Developing the microfinance sector is a priority for the Colombian government. The microfinance sector is justifiably seen as key to financial inclusion, create jobs and other economic opportunities for low-income segments of the population.

However, financial institutions are unable to offer financial services to these segments due to inadequately designed products and services, a limited interest in serving them lack of understanding of the market, and inappropriate channels. The small size of transactions, low margins, high costs and perceived higher risks associated with serving clients in rural and remote areas of Colombia are some of the reasons for this trend. Bancamía, however, believed in the potential of digital financial services (DFS) to reach these clients. With over 55 percent of the adult population unbanked and a 123 percent mobile penetration rate (2017), Colombia is well positioned to leverage digital solutions to close the financial access gap.

IFC ROLE

Over the last decade, IFC and Bancamía have built a strong partnership - built on a steady stream of investment and advisory interventions IFC provided a \$ 4 million in senior loans (in 2007 and 2009) and a \$ 10 million investment in equity in 2011. In 2014, IFC subscribed up to \$ 42 million bond purchase, and an additional \$ 20 million senior bond a year later. These funds were used to finance micro-entrepreneurs and low-income segments in frontier regions and smaller municipalities where commercial banks were absent. In addition, IFC's advisory services supported Bancamía's transformation into a regulated financial entity (2009), the expansion of its agent network, and the development of a mobile banking strategy to reach rural low-income customers (since 2013). The latter included an analysis of the competitive and regulatory environment in Colombia, mapping B2B market opportunities, an assessment of Bancamía's internal gaps, and the design of the mobile business strategy along with a pilot implementation plan.

By providing continuous advisory along with investment services, IFC was recognized by Bancamía as a valuable partner in supporting its growth and increasing access to finance for low-income populations and microentrepreneurs in rural areas of Colombia.

IMPACT AND RESULTS

IFC's support helped Bancamía transform from a non-governmental organization into a regulated financial institution. This evolution will enable Bancamía better equipped to reach micro-enterprises, low-income segments, rural populations, and women. Bancamía brought access to finance to remote and under-served regions and small municipalities that lacked financial services.

KEY FACTS

Colombia | Bancamía

913,977
Total Clients



3,485
Employees



200
Branches



USD 403M
Loan Portfolio



USD 1,306
Average Loan



Source: IFC

Bancamía has achieved significant results:

- From 2008-16, Bancamía's micro-loan portfolio grew by 124 percent to reach \$ 381 million. During this period, Bancamía served more than 913,977 customers today (397 percent growth), of which 48 percent are in rural areas.
- Over 70 percent of Bancamía's clients are at the base of the pyramid and in a state of economic vulnerability; 55 percent are women and 20 percent are young people.
- Bancamía's volume of deposits (and others) reached nearly \$ 187 million in 2016.
- From 2013-15, the development of the mobile banking platform and the expansion of Bancamía's agent network from 56 to 8,090 agents helped expand access to finance for low-income customers and improved their quality of life.
- On average, studies show that 42 percent of low-income customers rise out of poverty after their third year with Bancamía. Micro-entrepreneurs have recorded a 19% growth in sales and 29 percent in assets. After two years, 10 percent of clients improve their housing conditions, and after three years 4 percent have improved their education levels.
- As of September 2016, transactions made through mobile banking were 9 percent of all transactions made using alternative channels, representing exponential growth since the launch. (Fundación Microfinanzas BBVA, 2016).

KEY LESSONS

Some of the key lessons of IFC's engagement are:

- Financial institutions focused on microfinance can benefit from holistic approaches that combine advisory and investment services;
- Long-term collaboration with financial institutions triggers steady economic and social development results and impact;
- Digital finance channels are key to ensuring that microfinance services reach remote, rural low-income populations, and help them rise out of poverty.

DIGITAL FINANCIAL SERVICES IN IFC

Digital Financial Services, or DFS, uses technology to provide financial services to customers with limited access to traditional branch-based banking. Technology-enabled financial services enable customers and retail outlets to connect to financial service providers using tools such as mobile phones, payment cards, and online banking.

Globally, over 2 billion people – about 40 percent of the world's adult population – are excluded from financial services. IFC's experience has shown that DFS can dramatically narrow the financial inclusion gap in emerging economies, making it an important tool for reducing poverty.

In support of the World Bank Group's commitment to universal access to finance, IFC is working with its network of partner financial institutions to reach 600 million people by 2020. DFS is at the core of IFC's strategy to achieve this goal.

For more information about IFC's Global DFS Team, visit www.ifc.org/dfs.

