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INSTITUTE FOR MONEY, TECHNOLOGY
& FINANCIAL INCLUSION

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Drama in the payments infrastructure and saturation in financial education: Discussing new avenues of research around financial inclusion in Colombia

In IMTFI's PERSPECTIVES blog series, IMTFI's International Board members and affiliated researchers take on the definition of financial inclusion. This series aims to foster an open dialogue on issues around money, technology, and financial inclusion for the world's poor. Individual contributions reflect contributors' own reflections on recent events based on their research and areas of expertise. The topic of financial inclusion will conclude with a capstone white paper by IMTFI titled "[Mobile Money: The First Decade](#)."

By Maria Elisa Balen, Universidad Nacional de Colombia and Edgar Benítez, Universidad ICESI



We are reporting on the forum entitled "["Opening the Economy": Debates about Financial Inclusion - between Profitability and Over-indebtedness](#)" that took place on May 4th at ICESI University in Cali (Colombia), and the workshop on the following day. These two events, bringing together perspectives from public policy, industry, and academia, sought to motivate new generations of researchers to study the promises, problems, and challenges surrounding financial inclusion developments (for the full program, [click here](#)). Yet they also became a lively space for discussion between the audience and panel participants. We want to highlight three sets of insights pertaining to the conference's opening talks and subsequent panels, pertaining to the pluralization of the notion of financial inclusion, what is at stake in current changes in the payments infrastructure, and the important yet saturated field of financial education.

The pluralized notion of financial inclusions

Being financially included can have different interpretations, and the conference's two opening talks would set the stage for the debate. Carlos Moya gave an overview of the programmatic strategies being followed by different countries across the region that are part of the [Financial Inclusion Initiative for Latin America and the Caribbean \(FILAC\)](#), which he coordinates. Throughout his presentation he stressed the positive impact of having formal access to credit, saving accounts, and insurance for poor communities; in this view, financial inclusion means inclusion into financial formality. Such a perspective was problematized by the second presenter, IMTFI fellow Magdalena Villareal from [CIESAS](#) in México. She pointed out not only how among communities 'financial inclusions' already take place through participation in different circuits and types of debt, but also that what is referred to as the formal financial system also entails different sorts of inclusion depending on the varied negotiation power of particular individuals and populations.

The pluralized notion of financial inclusions, left in the air as an invitation, helps ask not only whether populations are being financially included, but what type of financial inclusion is taking place. The following panels would, in a way, pursue the specification of the financial inclusion taking place when discussing both developments in the country's

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financial infrastructure—marked by the move towards digital payments—and the challenges of financial education in contexts where expensive yet highly available loansharks (known as paga-díarios or gota a gota) can constitute not only pervasive practices but possible interpretive frameworks to use as starting point for trainings and campaigns.

Drama in the payments infrastructure

“You need to learn when to commit suicide.” That was the beginning of the answer given by Hernando Rubio, the charismatic CEO of Movilred, to a student in the audience asking what his so-far successful enterprise could do if/when Facebook starts offering electronic payments. “And then, like the phoenix, be reborn as something new,” he continued. Rubio has been one of the main supporters of Colombia’s recent financial inclusion law and the decree that introduces a new entity –Societies Specialized in Electronic Payments and Deposits—into the regulatory framework of Colombia’s financial system. For Rubio there is no doubt that digital payments are the future not only of cheaper transactions, but also of democratizing credit on the basis of cheaper and more effective ways of knowing customers thanks to the harnessing of electronic data.

“...high operational costs include the hiring of helicopters to move cash in and out of distant municipalities where the lack of telecommunications or even electrical infrastructure makes digital options unavailable...”

The other presenters on his panel on payment infrastructures had similar, though more tempered, views. Andrés Velásquez, from the financial cooperative Confiar, insisted on the importance of using different, complementary means to reach and interact with clients, including

digital payments as well as chatting over coffee. But it was Ricardo Gómez, regional manager of Colombia’s Banco Agrario, who offered a contrastingly different perspective. Owner of the largest and most dispersed physical infrastructure throughout Colombia’s territory, Banco Agrario’s high operational costs include the hiring of helicopters to move cash in and out of distant municipalities where the lack of telecommunications or even electrical infrastructure makes digital options unavailable. If digital is the future, then there is still a long way to go in order to avoid such populations being left behind.

“...If digital is the future, then there is still a long way to go in order to avoid such populations being left behind.”

Whether the time for more traditional financial entities to ‘commit suicide,’ as Rubio would say, is coming soon or not, a historical example came up concerning Banco Agrario itself that brought into relief the importance of alternative payment infrastructures. In the 1990’s, the large chain of drugstores called Drogas la Rebaja, owned by family members of the heads of Cali’s drug cartel, was included in what came to be known as the “(U.S. President) Clinton List.” Being on that list entailed sanctions, including exclusion from the payment networks of U.S.-based Visa and Mastercard. Drogas la Rebaja would turn into a cooperative run by its employees, yet continue to be part of the Clinton List. It was only through Banco Agrario that the largest drugstore chain in the country, with more than 4,000 employees, was able to have bank accounts to continue operating during the decade-long lag between the priorities of the U.S. war on drugs and those of the Colombian government. What this example brought home is that the configuration of payment infrastructures not only entails varied costs, but also can affect sovereignty.

“...the availability of alternative payment infrastructures seems key.”

In sum, if the move towards digital payments seems inevitable and large changes are already taking place in this regard, then the availability of alternative payment infrastructures seems key not only if one seeks to avoid deepening the exclusion of certain populations, but also considering the margin for maneuvering given by different payment infrastructures that are far from neutral or apolitical.

Dispersion and saturation in financial education

The panel on financial education had three different perspectives on the topic, though they shared a basic assumption: people need more financial education in Colombia.

"The pluralized notion of financial inclusions...helps ask not only whether populations are being financially included, but what type of financial inclusion is taking place."

Nidia Garcia, head of the department of Financial and Economic Education at Banco de la República (Colombia's central bank) did a presentation on the main points of the national strategy of economic and financial education (EEF). Based on healthy

financial habits, responsible use of money, and financial capabilities, that strategy represents the first attempt at promoting a unified national framework for financial education. Because the EEF was launched just a month ago, it is too early to have an idea of its reception among institutions, banks, IMFs, and the like. This top-down process will be interesting since financial education is not a new topic among institutions in Colombia like Fundación WWB-Colombia and Fundación Paz y Bien, whose representatives constituted the rest of the panel.

Daniela Konietzko, the director of Fundación WWB-Colombia, a leading microfinance institution with a bank of its own, pointed to some difficulties that they have faced during the last years in their programs. Among them are two that represent an important challenge for any institution interested in promoting financial education. First, time-intensive educational programs have been the most effective ones in terms of developing financial capabilities, yet the fact that poor women have multiple social and economic responsibilities in their homes and micro-businesses makes it harder to develop these kinds of programs for them. Second, since financial education has become so popular among institutions, people have begun to feel that a saturation point has been reached.

"People don't like going to workshops or taking classes; they are tired"- says Alicia, who believes acquiring good financial habits is a collective process of learning-by-doing.

That saturation was also emphasized by Alicia Meneses, who has helped to create and develop the educational model of Fundación Paz y Bien, a grassroots organization. In her view, "People don't like going to workshops or taking classes; they

are tired." In order to avoid this situation, she and her workmates have developed community-based interventions as the key components of their financial education programs. Rather than emphasizing individual capacities and skills—as the former approaches did—Alicia believes that acquiring good financial habits is a collective process of learning-by-doing. In a similar fashion to the Grameen Bank model based on social capital and networks, Fundación Paz y Bien showed us that learning the habit of saving requires collective strategies (i.e. saving clubs) with common purposes.

In sum, what is identified as the continued need for financial education faces a crowded scenario, not only in terms of the multiple activities in which potential beneficiaries such as poor women are engaged, but also in terms of the varied and dispersed financial education initiatives they have been already exposed to, which adds up to a feeling of saturation.

In such a context, is changing financial practices a matter of systematizing the diverse financial education initiatives and evaluating their outcomes in order to move towards a more coordinated approach based on lessons learned, as the central bank seeks to do? Is it a matter of designing strategies that are carefully tailored to the life conditions and motivations of particular populations? Or is it, as the Movilred CEO emphasizes, mainly a matter of making credit cheaper and more available using digital technologies, so that customers on their own will see the benefit and choose the better option? Such were the questions left hanging in the air.

This event was part of two longer term endeavors. On the one hand, this was the first in a series of forums that ICESI University is launching under the title **"Opening the Economy,"** which seek to foster academic reflection about the economy from viewpoints that are not limited to those of mainstream economists. On the other hand, it is part of the process of configuring the Latin American node of the international network of researchers that are part of IMTFI. In the upcoming months, we plan to launch an online platform in which researchers working on social studies of money and finance in Latin America can learn about each other's work, interact, and pursue common research agendas.

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