

Indicators of Financial Coverage in Colombia (March 2017)

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Abstract: This study intends to evaluate the coverage of financial services in the country, through an analysis of the departmental and municipal location of the offices of the different types of credit establishments and banking correspondents, according to the information available to March 2017. It was identified that for each office in the Colombian territory there were 12 banking correspondents. Both types of points of contact were concentrated especially in cities, agglomerations and territorial entities of intermediate rurality. Likewise, it was evidenced that the progress in geographic coverage has occurred through the dispersion of bank correspondents which are found in 243 municipalities (21.66% of the total in Colombia) that do not have financial offices. Despite this, there are still 16 municipalities (1.4%) without any coverage.

Key words: Financial system, financial coverage, credit institutions, banking correspondents, despite, territorial

INTRODUCTION

The Colombian financial market is composed of four infrastructures which intervene in activities of clearing and liquidating financial assets. The first strip shows the trading and registration systems of financial assets. The second corresponds to the systems of clearing and settlement of financial assets in this part the ends of currencies, securities and derivatives are settled. The third part is the high value payment system, administered by the Bank of The Republic, corresponds to the deposit account system (CUD) and is the support of the entire market. This is the settlement of transactions with different financial assets and payment instruments issued by banks. The last part represents the low-value payment systems which:

Their function is to compensate and liquidate the operations carried out through various payment instruments in Colombia, among which are: checks, credits and direct debits of the ACH (low value electronic payments), credit cards and debit, among others (Bank of the Republic, 2012).

Likewise in accordance with Article 1 of Decree 663 of 1992: the financial and insurance system is made up as follows: credit institutions, financial services companies, capitalization companies, insurance companies insurance and reinsurance intermediaries (DALPDLR., 1993).

In order to evaluate the coverage of financial services in the country, an analysis of the departmental and municipal location of the offices of the different types

of credit “Credit institutions are considered to be financial institutions whose main function is to obtain legal resources from the public in deposits, at sight or at the end of the term, to place them again through loans, discounts, advances or other active lending operations” (DALPDLR., 1993). Likewise, BDLO (2014) defines credit institutions as: “Financial institutions monitored by the SFC which include banks, financing companies, financial corporations and financial cooperatives” and banking correspondents, according to the information available to March 2017.

MATERIALS AND METHODS

Based on the departmental and municipal information available in office coverage reports (BDLO., 2017a-c) and bank correspondent “These are individuals or legal entities contracted to provide various financial services on behalf of credit institutions (Title IX of Part 2 of Decree 2555 of 2010, regulated by External Circular 29 of 2013)” (BDLO., 2014, 2017a-c) of the opportunity banking, a thematic and descriptive cartography analysis was carried out, identifying the spatial distribution of the points of contact considered and those departments with the best and worst behaviors.

RESULTS AND DISCUSSION

As of March 2017, there were 5 types of entities with a territorial presence in Colombia that provided some type

of financial service: banks, financing companies, Financial Cooperatives-SFC; SES cooperatives and microcredit NGOs (Table 1). Although, the number of entities with offices is higher than the number of entities with CB, the latter are more numerous and offer greater coverage.

As can be seen in Table 2, the largest number of branches corresponds to banks and SES cooperatives. And for each office in the Colombian territory there were 12 banking correspondents in March 2017.

However, Table 3 presents the distribution by level of rurality. There is a wide asymmetry in the distribution of both offices and Banking Correspondents (CB). When comparing with each 100,000 adults and per 1,000 km², it is identified that rural and rural areas are dispersed with a very significant reduction in the presence of offices and CB. In spite of the above in comparing the number of CBs with offices controlled by inhabitants and area, the lowest ratio is in the intermediate rurality level, since for each office there is only 9 CB, close to the value of the same relation for the dispersed rural pairs.

Regarding the regional distribution, it is evident that 23.08% of the Colombian municipalities (259) do not have any office, 23.89% (268 municipalities) have a maximum of 15 offices per 100,000 adults and 11.14% (125) has more than 40 offices per 100,000 adults (Fig. 1). On the other hand, the CB distribution shows that only 1.4% (16) of the municipalities do not have CB. The 34.8% (390)

have between 100 and 200 CB per 100,000 adults and 21.7% (244) have at least 300 CB per 100,000 adults (Fig. 2).

Table 4 presents the departments with the largest and smallest number of offices and correspondent banks per 100,000 adults and per 1,000 km². Among the elements to be highlighted are find. These results corroborate what is found in CGAP and BDLO (2016):

- Although, Guainia has the highest number of offices per 100,000 inhabitants, it has low levels of coverage when considering surface distribution
- Bogota occupies the first position in coverage considering the number of CB per 100,000 inhabitants and offices and CB per 1.000 km² but with respect to the number of offices per 100.000 inhabitants, is surpassed by Santander, Casanare and Guainia
- Vaupes has very low levels of coverage, regardless of the measure taken
- Vichada, Amazonas, Guainia and Guaviare present deficiencies in the coverage of offices and CB for every 1.000 km²
- The Archipelago of San Andres, Providencia and Santa Catalina has high levels of coverage, regardless of the measure taken
- Risaralda and Atlantico have good indicators of office coverage and CB for every 1.000 km²

Table 1: Number of branches and correspondents by type of entity (March 2017)

Entity type	Definition	Total entities with offices	Total entities with CB
Banks	Financial institution whose main function is to raise funds from the public through sight deposits and term deposits to place them again in the form of loans, discounts, advances or other active lending operations	23	17
Financing companies	Institutions whose main function is to collect funds on a term basis with the primary purpose of carrying out active credit operations to facilitate the commercialization of goods and services and to carry out financial leasing or leasing operations	11	4
Financial Cooperatives-SFC	Cooperative organizations whose main function is to develop financial activities, their legal nature is governed by the provisions of Law 79 of 1988 and are supervised by the Colombian Financial Superintendence	5	1
SES Cooperatives	Cooperatives with savings and credit section whose supervision is in charge of the superintendency of solidary economy	181	3
NGOs	Non-monitored microcredencial non-governmental organizations	18	
Total		238	25

Own elaboration starting from BDLO. (2014, 2016, 2017a-c)

Table 2: Number of branches and correspondents by type of entity (March 2017)

Entity type	Number of offices	Share of total offices (%)	Number of correspondents	Participation of total CB (%)
Banks	6.016	74.9	92.831	94.86
Financing companies	522	6.5	4.871	4.98
Financial Cooperatives-SFC	215	2.7	55	0.06
Cooperativas SES	839	10.4	106	0.11
ONG	444	5.5		
Total	8.036	100	97.863	100

Own elaboration starting from BDLO. (2017a-c)

Table 3: Offices and banking correspondents by level of rurality (March 2017)

Level of rurality	Number of offices	Number of offices per 100,000 adults	Number of offices per 1,000 km ²	Number of correspondents	Number of correspondents per 100,000 adults	Number of correspondents per 1,000 km ²	Relation correspondents /offices per 100,000 adults	Relation correspondents /offices per 1,000 km ²
Cities and agglomerations	5.997	26,82	81,53	77.607	347,04	1.055,04	12,94	12,94
Intermediate	1.171	21,46	10,87	10.625	193,46	98,26	9,02	9,04
Rural	552	16,77	2,49	6.043	181,68	26,97	10,83	10,82
Rural dispersed	316	14,99	0,59	3.588	160,43	5,67	10,70	9,55
Total	8.036	24,19	8,59	97.863	292,85	94,24	12,11	10,97

Own elaboration starting from BDLO. (2017a-c)

Table 4: Departments with larger and smaller number of offices and bank correspondents per 100,000 adults and per 1,000 km² (March 2017)

Values	Number of offices per 100,000 adults	Number of offices per 1,000 km ²	Number of correspondents per 100,000 adults	Number of correspondents per 1,000 km ²
Minors	La Guajira (10, 76), Vaupes (11, 28), Cauca (13, 15), Cordoba (13, 28), Bolivar (14, 35)	Vichada (0,07), Vaupes (0,12), Guaviare (0,21), Guainia (0,25) and Amazonas (0, 36)	Guaviare (76,16), Guainia (80,58), Vaupes (89,27), the Guajira (94,05) and Putumayo (107,57)	Guainia (0,33), Vichada (0,44), Vaupes (0,60), Amazonas (0,81) and Guaviare (0,92)
Greater	Archipiélago of San Andres, Providencia and Santa Catalina (31,25), Bogota, D.C. (32,75), Santander (33,92) Casanare (33,53) and Guainia (33,92)	Risaralda (43,00), Quindio (52,57), Atlantico (105, 67), Archipiélago of San Andres, Providencia and Santa Catalina (386,36) and Bogota, D.C. (1.187, 54)	Meta (345,09), Casanare (346,67), Cundinamarca (350,19), Santander (364,44) and Bogota, D.C. (563,90)	Valle del Cauca (420,42), Risaralda (421,01), Atlantico (1.309,92), Archipiélago of San Andres (1.681,82) and Bogota, D.C. (20.444,86)

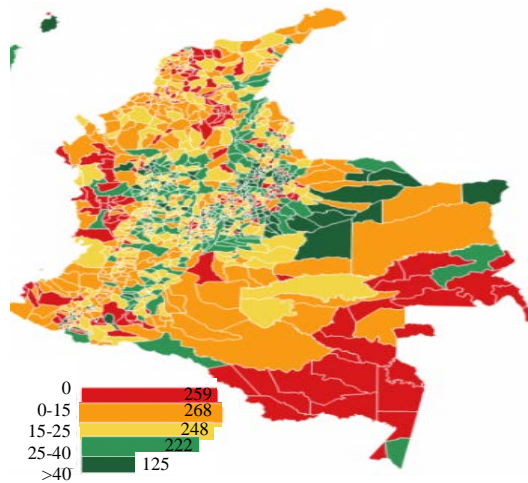


Fig. 1: Number of offices per 100,000 adults

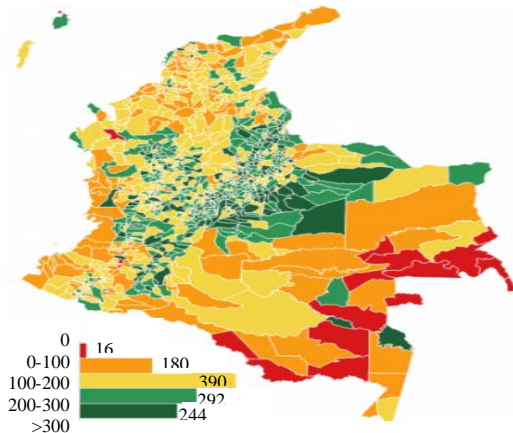


Fig. 2: Number of CB per 100,000 adults (BDLO., 2017a-c)

CONCLUSION

The analysis presented presents the status of the coverage of two financial contact points in the Colombian territory (offices and banking correspondents) to March 2017. Although, the presence of financial institutions has increased in recent years, this given mainly by the banking correspondents which are in 243 municipalities (21.66% of the total in Colombia) that do not have financial offices.

Despite the above, there are still 16 municipalities (1.4%) without any coverage. This should be a subject to be reviewed, since, the lack of financial infrastructure has implications for the institutional control of the territory in the current post-agreement scenario in Colombia and is a control variable for illegal economies (Penaloza and Cubillos-Diaz, 2016).

RECOMMENDATIONS

In future researches, we will find the analysis of the spatial distribution of the offices and CB within some municipalities, being able to calculate indicators of concentration and dominance by km² (Lis-Gutierrez and Macias, 2014; Gutierrez, 2013; Lis-Gutierrez *et al.*, 2017) to carry out a study of the financial viability of the territorial expansion of CBs, CGAP and BDLO (2016).

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