



FINANCIAL INCLUSION REPORT 2021



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Introduction

The Financial Superintendence of Colombia (SFC, as per its acronym in Spanish) and Banca de las Oportunidades are pleased to present the eleventh annual Financial Inclusion Report (FIR). This measures Colombians' access to and usage of financial services, using data on financial institutions. Since its first edition in 2011, this document has become the basis for measuring progress and strengthening public policy in this area.

In the last decade, Colombia has become an international benchmark in terms of financial inclusion. As a result, since 2016, it has held the top position in the Global Microscope, the publication produced by The Economist Intelligence Unit that measures financial inclusion in a group of countries around the world. Efforts to develop channels (such as mobile banking correspondents), implement money transfer schemes through digital alternatives, establish cooperation between public and private entities, regulate simplified processing products, create vigorous financial consumer protection rules, and advance the technological innovation agenda have stood out.

Likewise, from 2015 to 2017, through its Financial and Digital Inclusion Project, the Brookings Institute highlighted Colombia's efforts to measure financial inclusion, in terms of both supply and demand, and the institutional climate for inclusion. Finally, in 2021, as part of its financial system assessment program, the World Bank concluded that Colombia has made continuous progress in financial inclusion with the public sec-

tor's adoption of an ambitious agenda and legal reforms, as well as the private sector's support of these objectives.

Financial inclusion figures confirm this positive assessment. Indeed, the access to financial services indicator at the national level—defined as the percentage of adults who had at least one financial product—rose from **64.6%** in 2011 to **90.5%** at the end of 2021. In other words, more than **13 million** people accessed the financial system for the first time during this period. Significant progress has also been made in usage, which rose to **74.8%**—more than 10 percentage points higher than seven years ago—showing that more and more people with financial products are making effective use of them. Another aspect to highlight is that, since 2015, every municipality in Colombia has at least one access point to the financial system. In 2021, several achievements were made, with **1.5 million** adults accessing or reactivating their products for the first time at some point in the year. The use of small-balance deposit products was highlighted as an affordable, simple, and digital transactional product, which has been adapted to the needs of the financially excluded population. In addition, digital transactions continued their upward trend, with the number of monetary transactions increasing by **38.2%** and the monetary amount of those transactions increasing by **20.8%** in 2021.

Despite this progress, there are still challenges to be addressed, which are documented in this report. One of them is to encourage usage, tak-

ing into account that as of the end of 2021, **5.8 million** adults had a financial product that they did not use. One way to address this is by developing an immediate payment and transfer system with greater degrees of interoperability between providers and channels. On the other hand, approximately 34% of adults have a credit—a lower percentage than those who have access to at least one savings product. This figure decreases as rurality increases, where the percentage of adults with credit is close to 20%. Therefore, it is key to facilitate the development of innovative lending schemes.

The gaps between men and women persist regarding the ownership of financial products, with men having more access. This gap also exists between age groups and rural and urban areas, which demands the task of implementing targeted strategies that aim to equalize access opportunities. In the case of the migrant population, progress has been made in overcoming the barriers to their integration, but strategies must still be developed in order to support their socio-economic integration process.

Finally, the exercises contained in this report also allowed us to identify the most vulnerable municipalities in terms of financial coverage—understood as those with few physical locations, those located far from cities and urban agglomerations, and those where there is low mobile telephony coverage. In the case of insurance, actions must be implemented in order to develop micro-insurance as a tool to protect the lower-income population from unexpected events.

The 2021 report follows a similar structure to the 2020 report and will be divided into six sections. The first chapter presents the access and usage indicators' recent performance. The remaining chapters analyze trends in financial inclusion by gender, in rural areas, and by age group, 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. The databases used to create the 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, Oscar Martínez, Juan Manrique, and Kelly Granados. We would also like to thank the Banca de las Oportunidades team: Daniela Londoño, Alvaro Parga, Camilo Peña, Federico Medina, and Juan Guillermo Valderrama.

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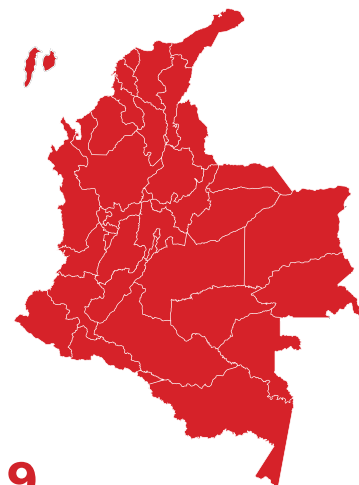
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Banca de las Oportunidades Director

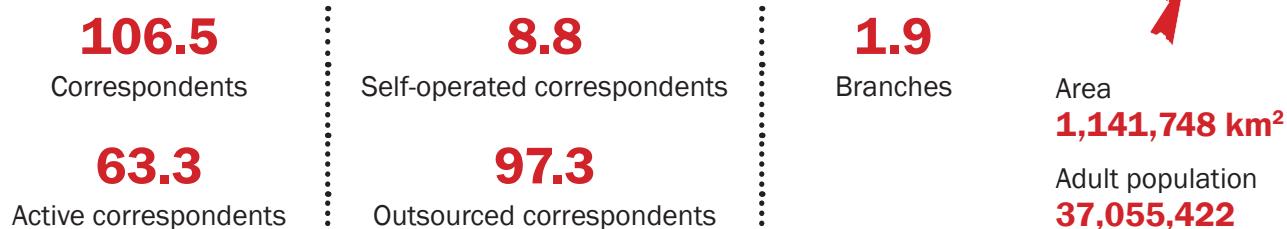
Colombia in figures



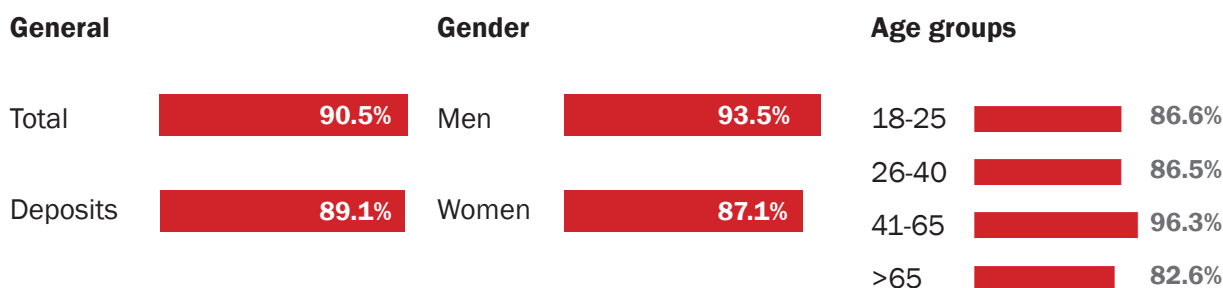
NATIONAL TOTAL



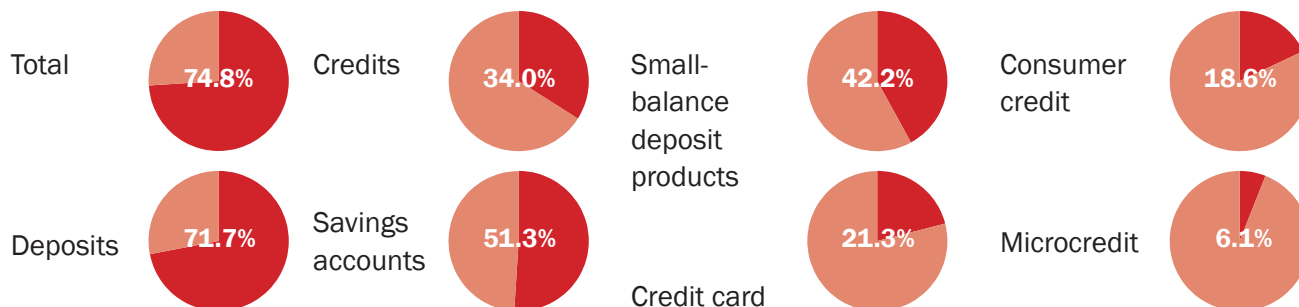
Financial coverage (physical locations per 10,000 adults):



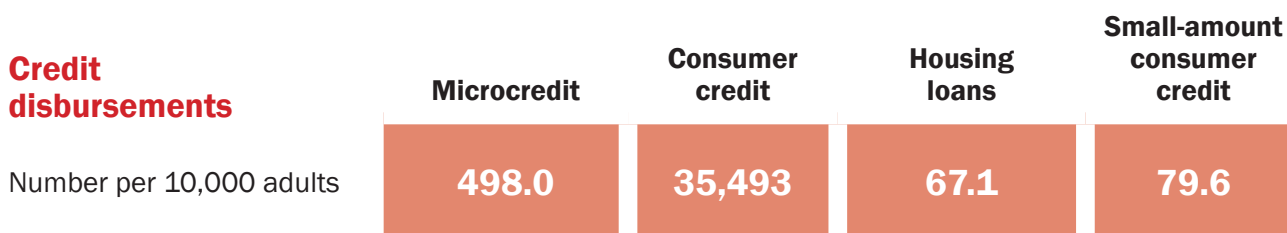
Percentage of adults with financial products



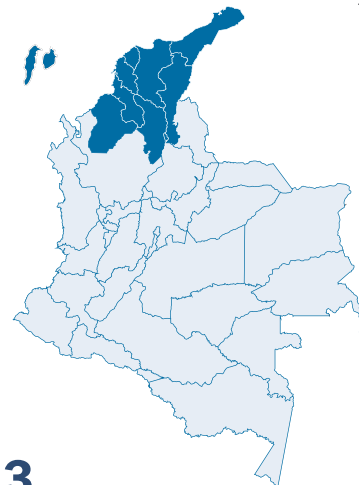
Percentage of adults with active financial products



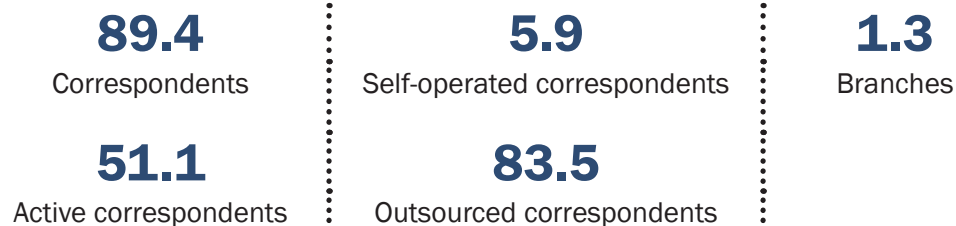
Credit disbursements



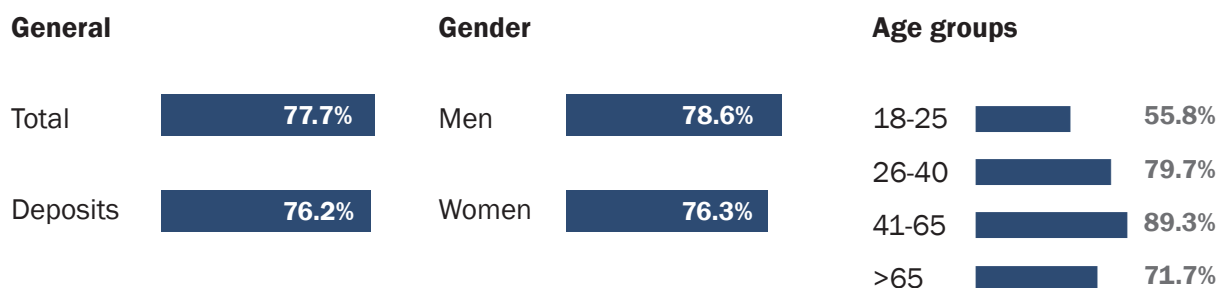
CARIBBEAN Region



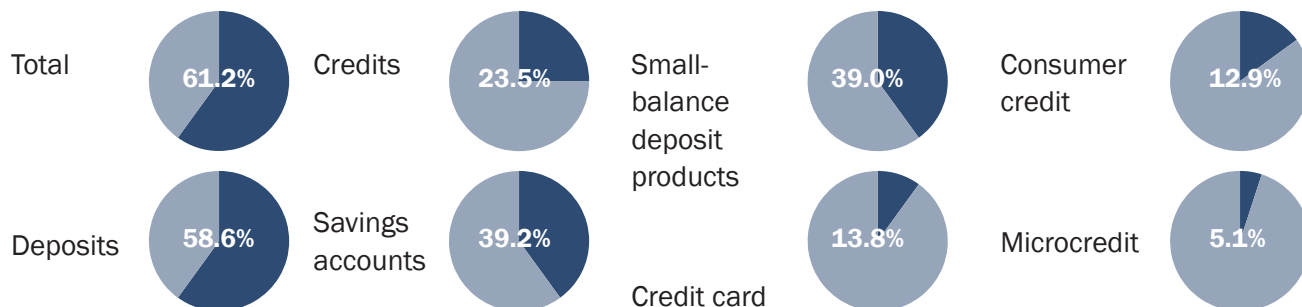
Financial coverage (physical locations per 10,000 adults)



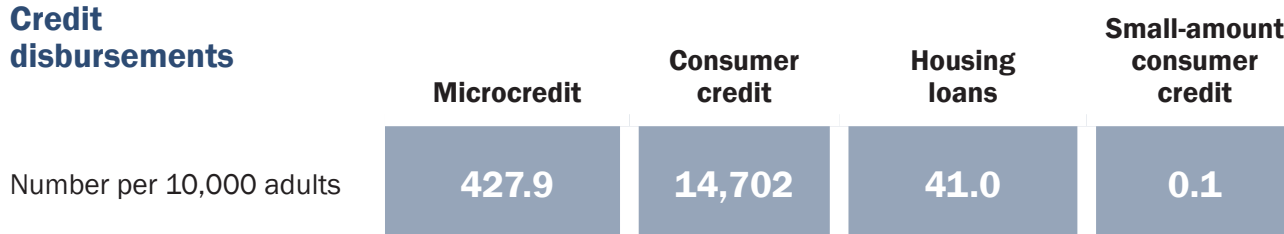
Percentage of adults with financial products



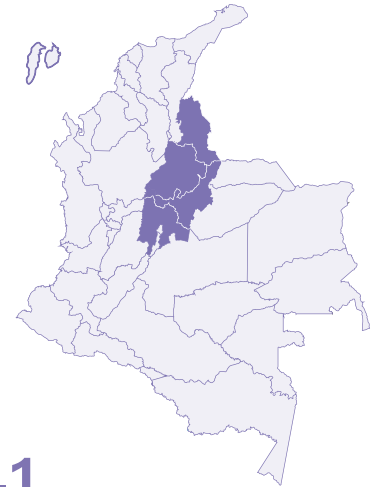
Percentage of adults with active financial products



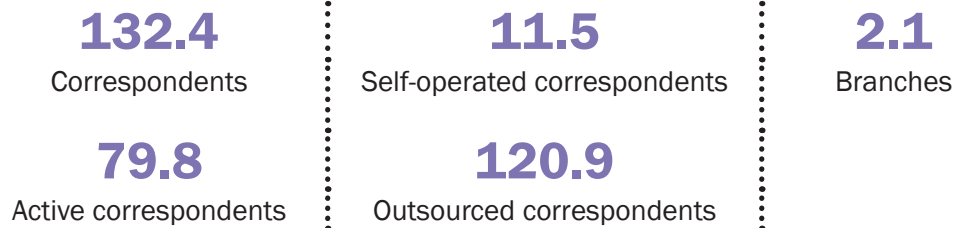
Credit disbursements



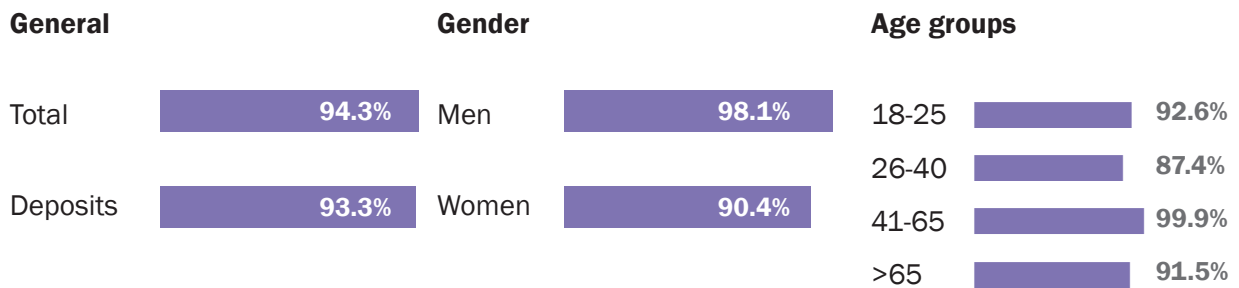
EAST CENTRAL Region



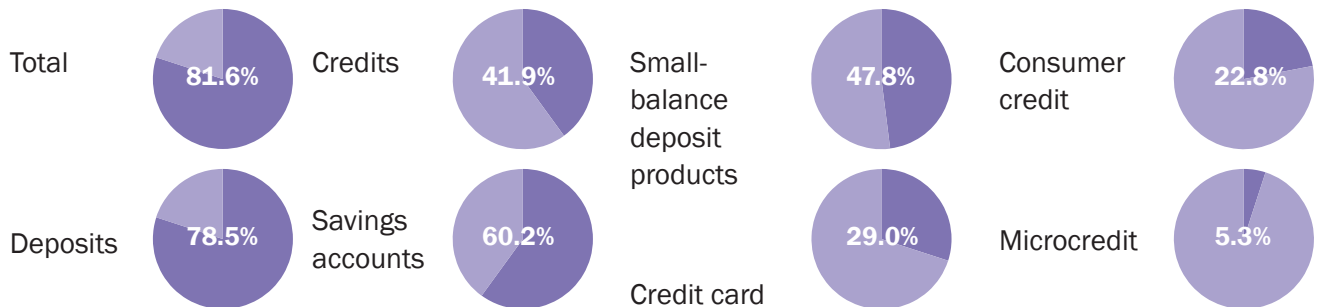
Financial coverage (physical locations per 10,000 adults)



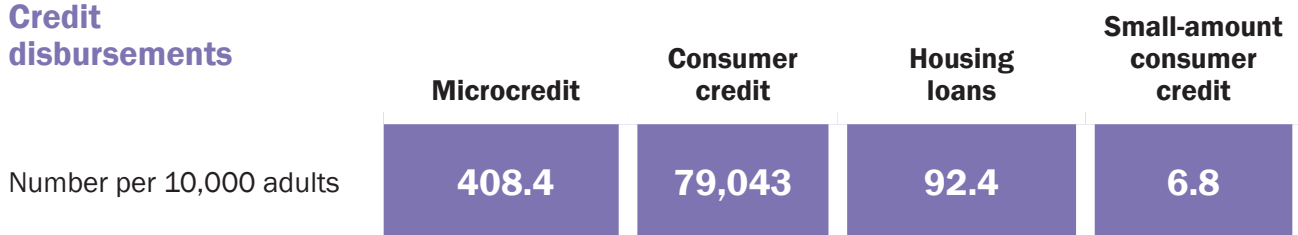
Percentage of adults with financial products



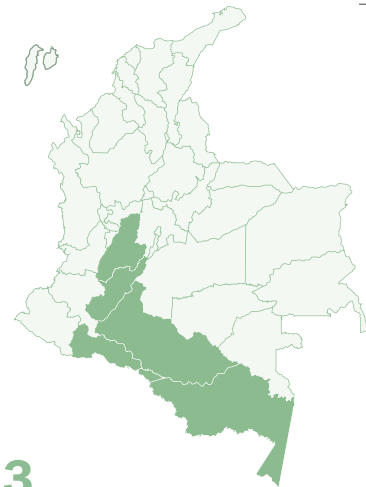
Percentage of adults with active financial products



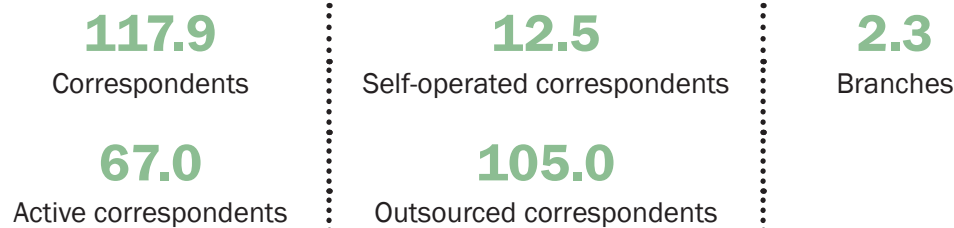
Credit disbursements



SOUTH CENTRAL Region



Financial coverage (physical locations per 10,000 adults)



Percentage of adults with financial products

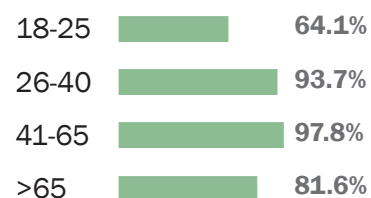
General



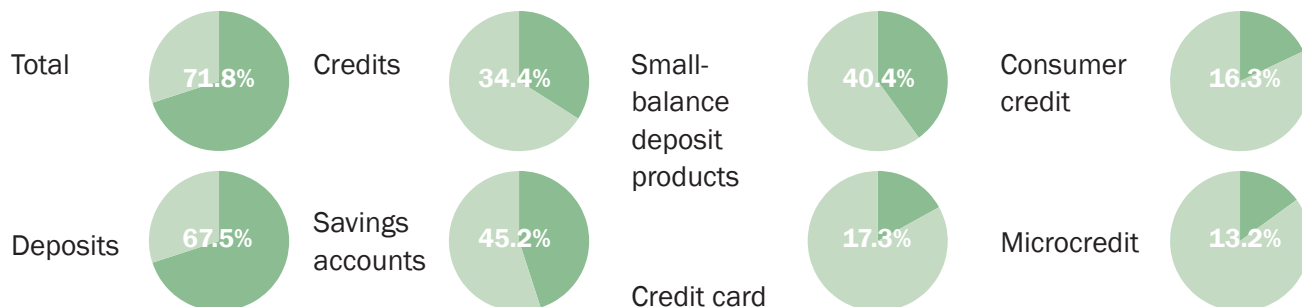
Gender



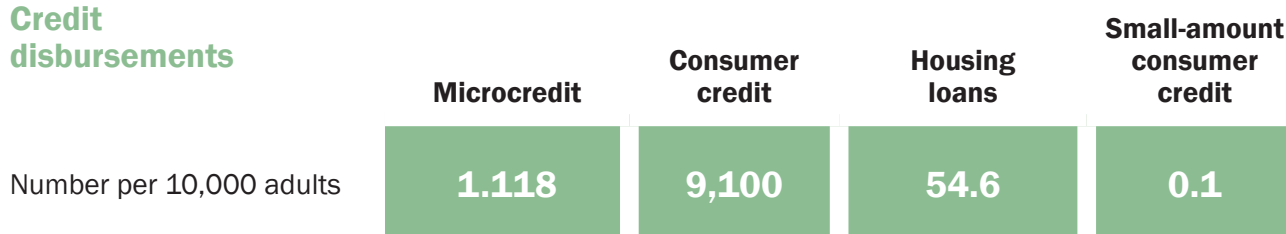
Age groups



Percentage of adults with active financial products



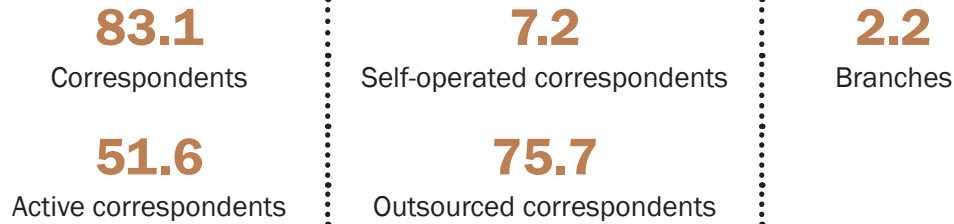
Credit disbursements



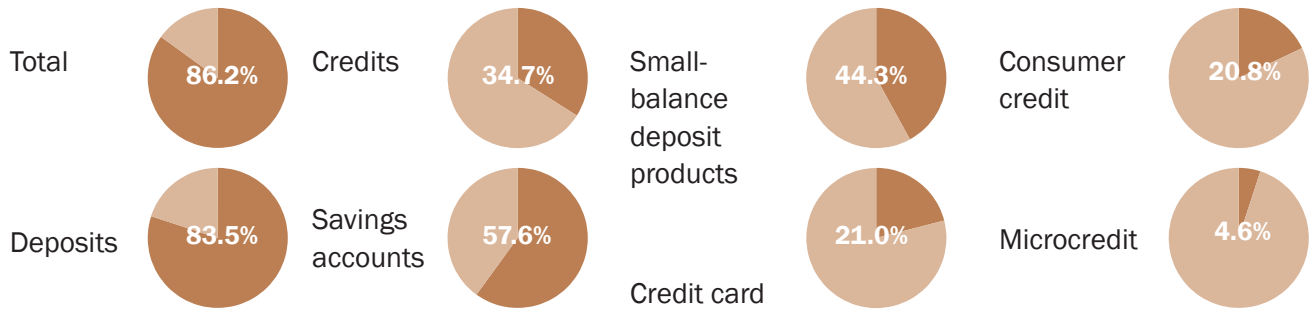
EJE CAFETERO* Region



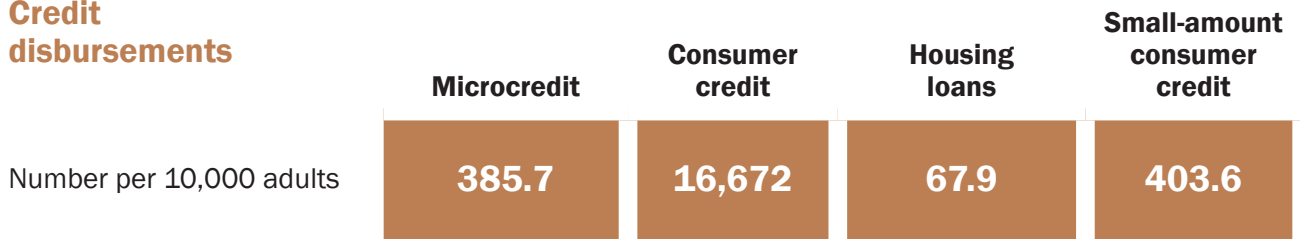
Financial coverage (physical locations per 10,000 adults)



Percentage of adults with active financial products



Credit disbursements

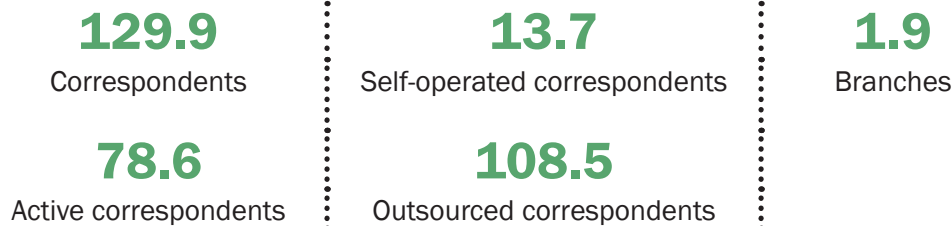


*Access figures under review

LLANO Region



Financial coverage (physical locations per 10,000 adults)



Percentage of adults with financial products

General



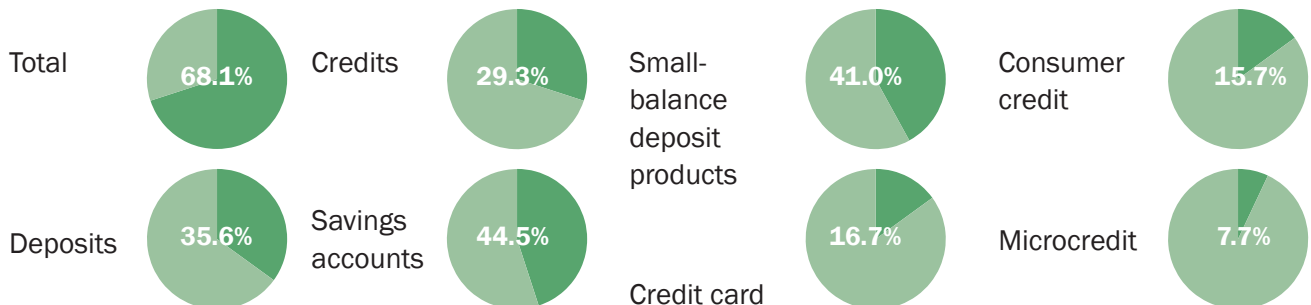
Gender



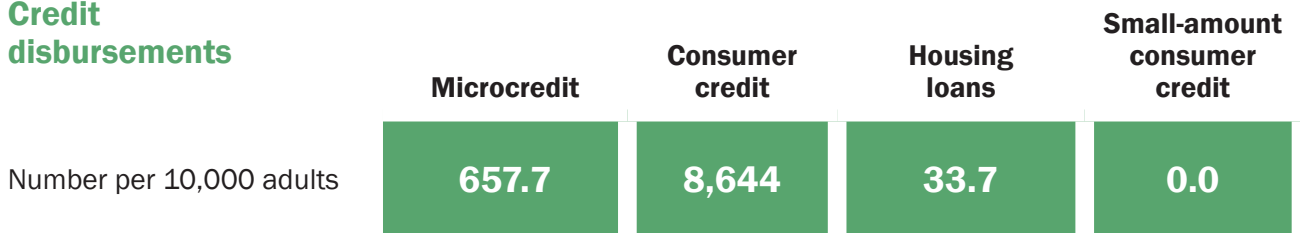
Age groups



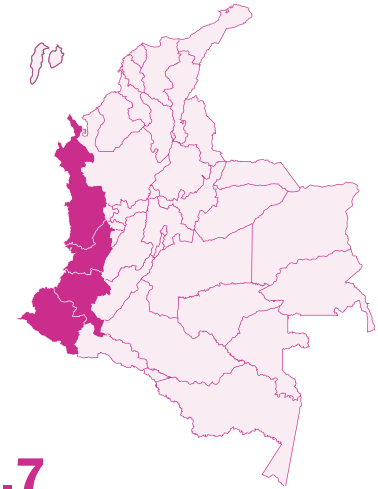
Percentage of adults with active financial products



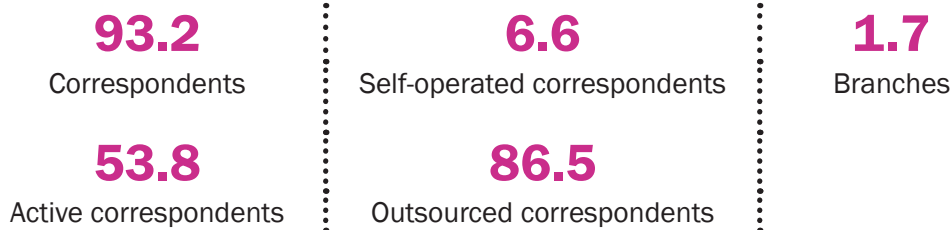
Credit disbursements



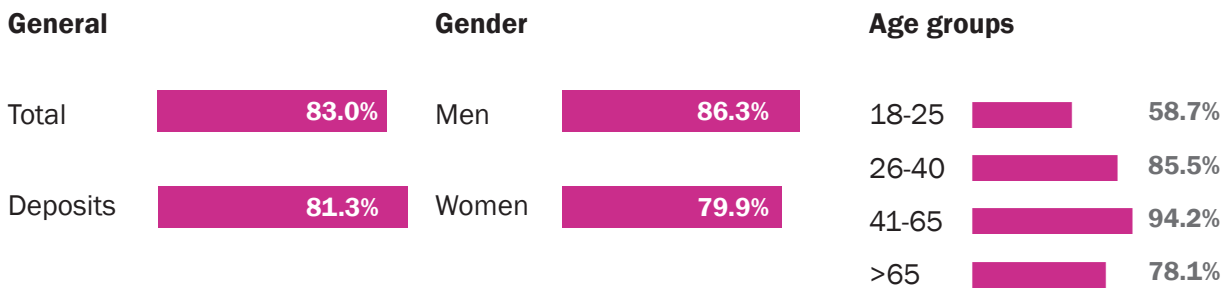
PACIFIC Region



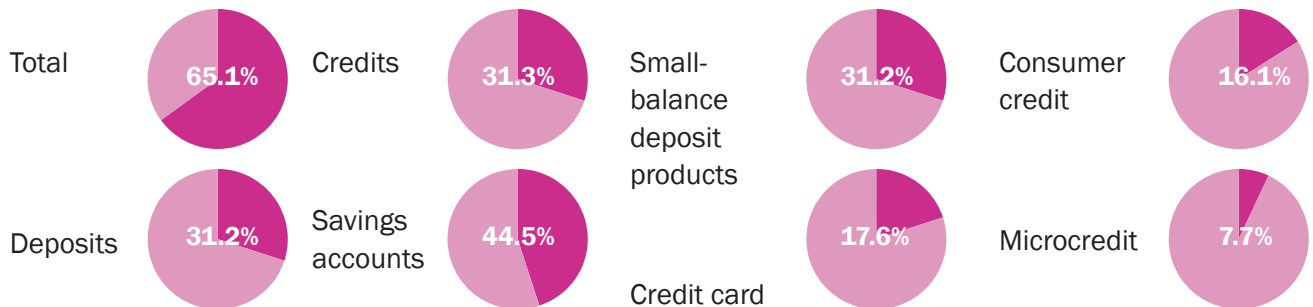
Financial coverage (physical locations per 10,000 adults)



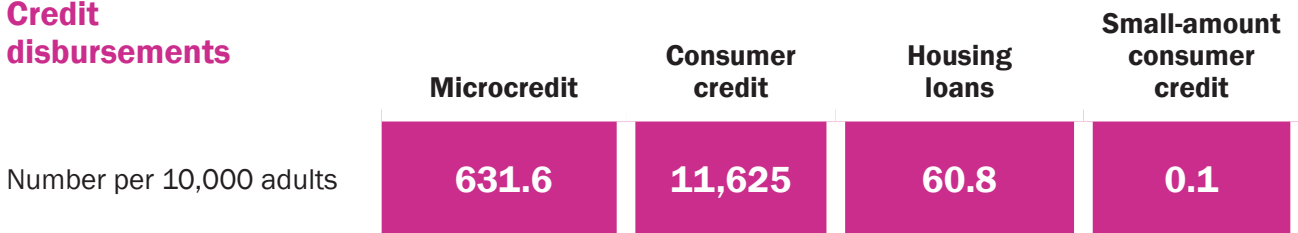
Percentage of adults with financial products



Percentage of adults with active financial products



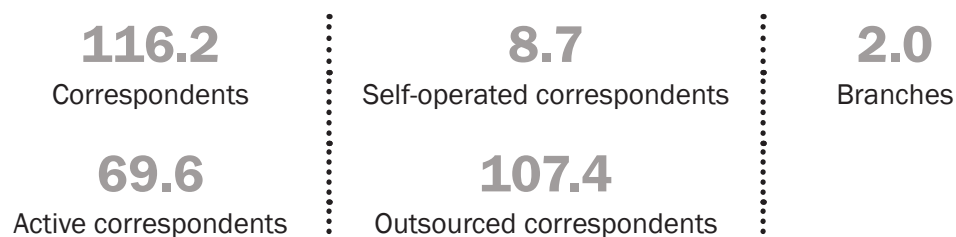
Credit disbursements



CITIES AND URBAN AGGLOMERATIONS*



Financial coverage (physical locations per 10,000 adults)



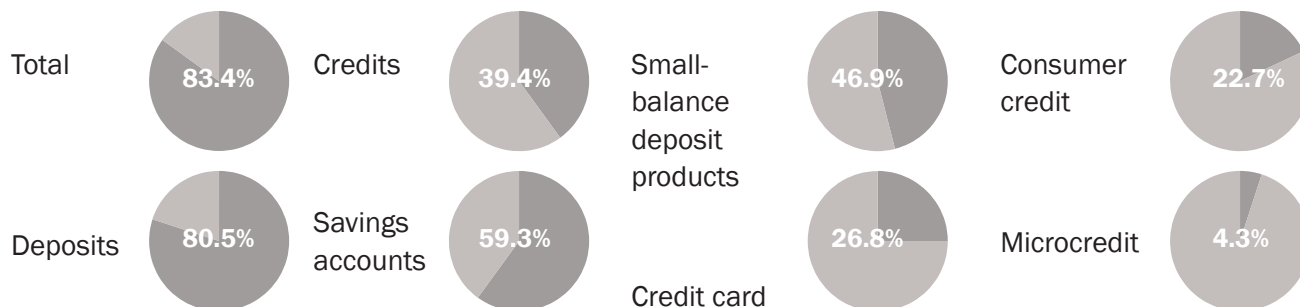
Percentage of adults with financial products

General

Total **98.9%**

Deposits **97.6%**

Percentage of adults with active financial products



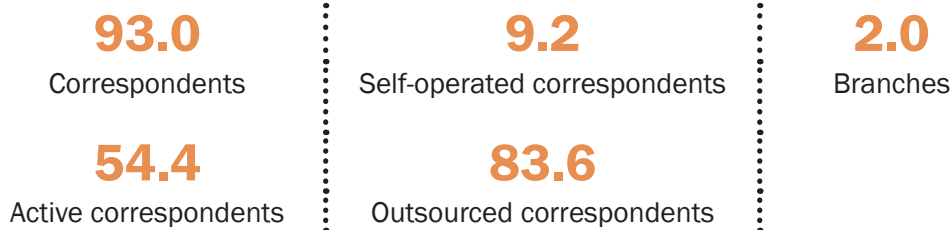
Credit disbursements

	Microcredit	Consumer credit	Housing loans	Small-amount consumer credit
Number per 10,000 adults	421.1	51,653	92.8	118.0

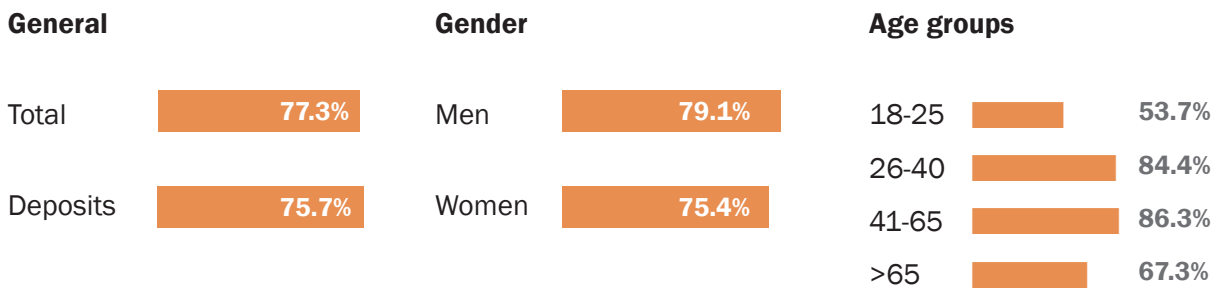
MEDIUM-SIZED MUNICIPALITIES



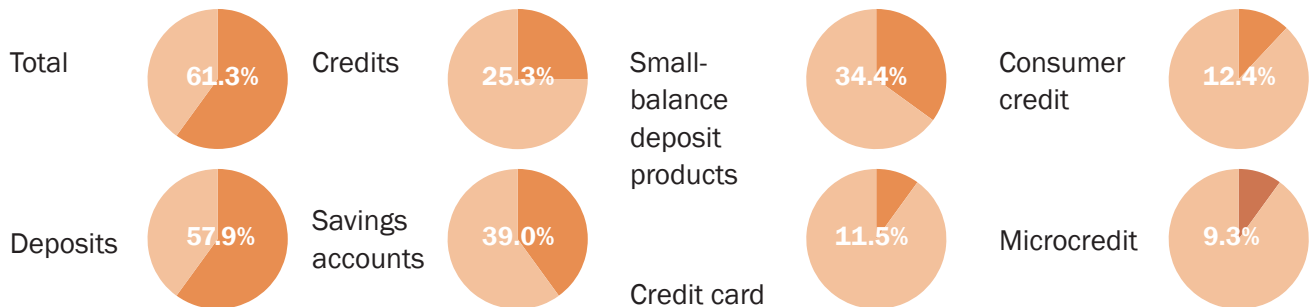
Financial coverage (physical locations per 10,000 adults)



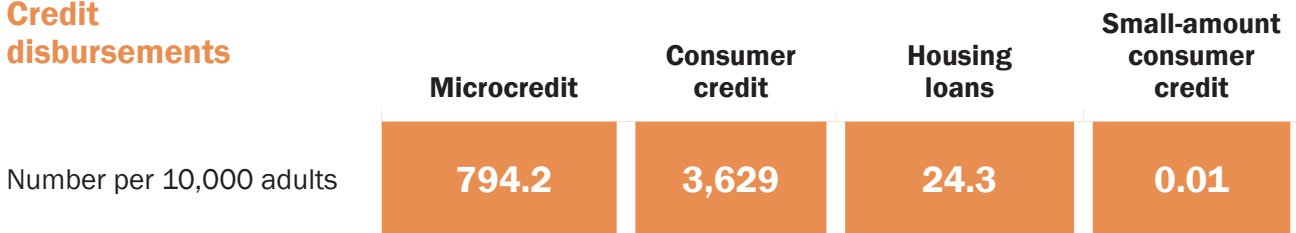
Percentage of adults with financial products



Percentage of adults with active financial products



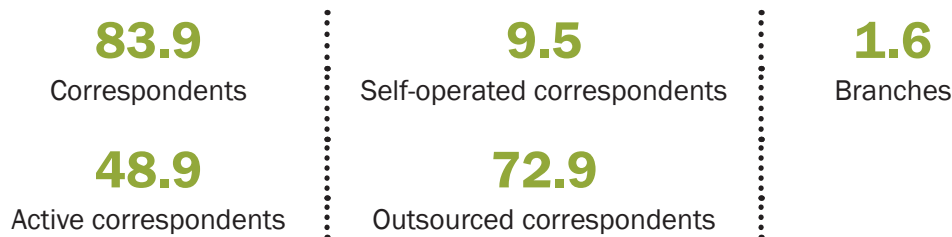
Credit disbursements



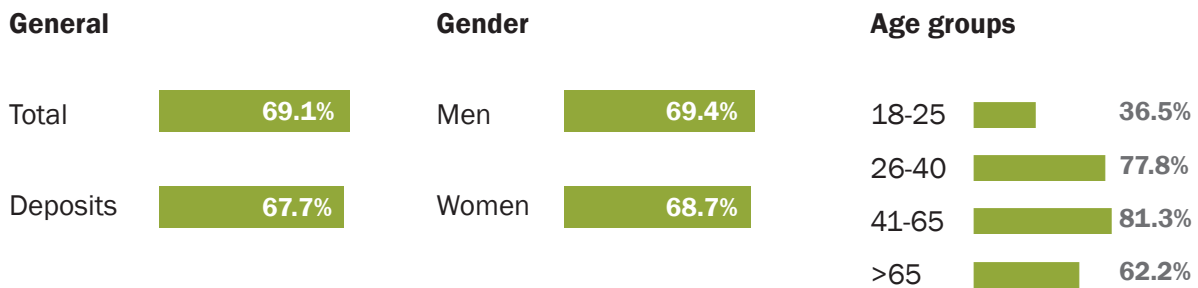
RURAL



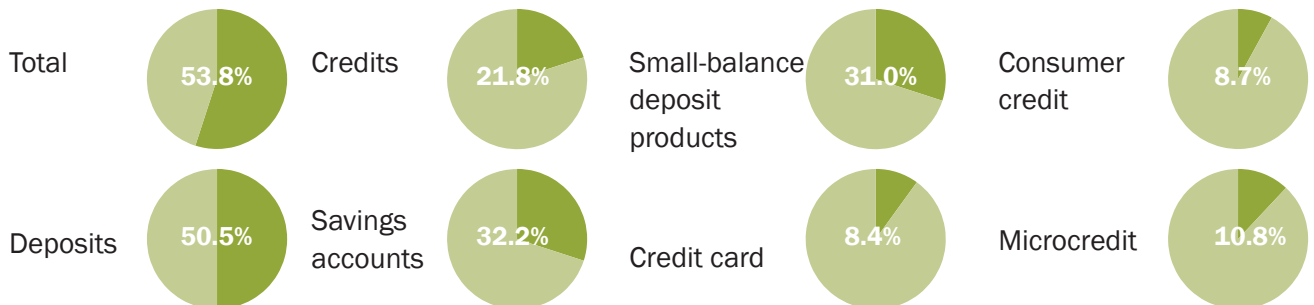
Financial coverage (physical locations per 10,000 adults)



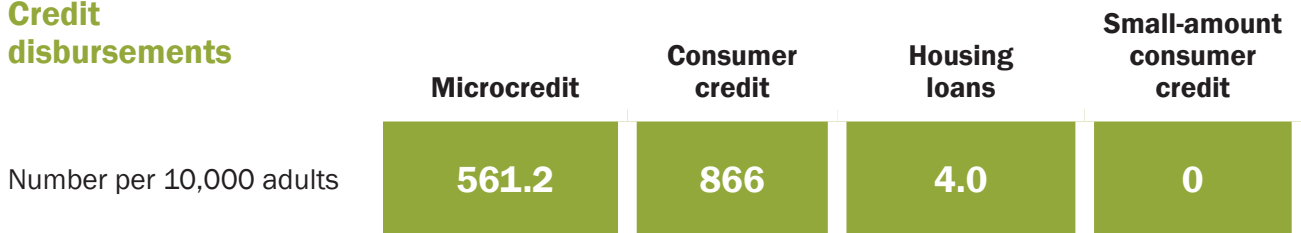
Percentage of adults with financial products



Percentage of adults with active financial products



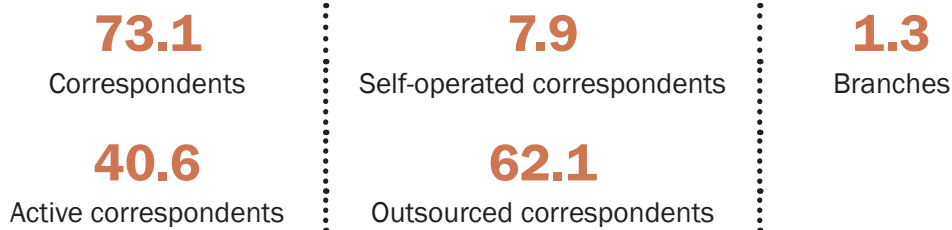
Credit disbursements



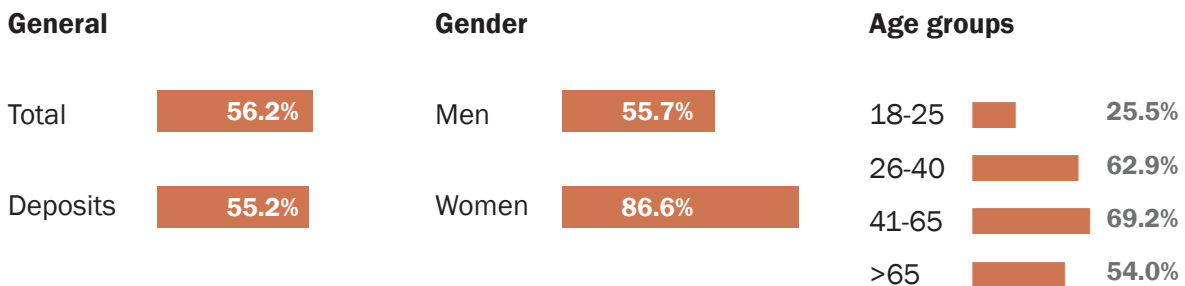
DISPERSED RURAL



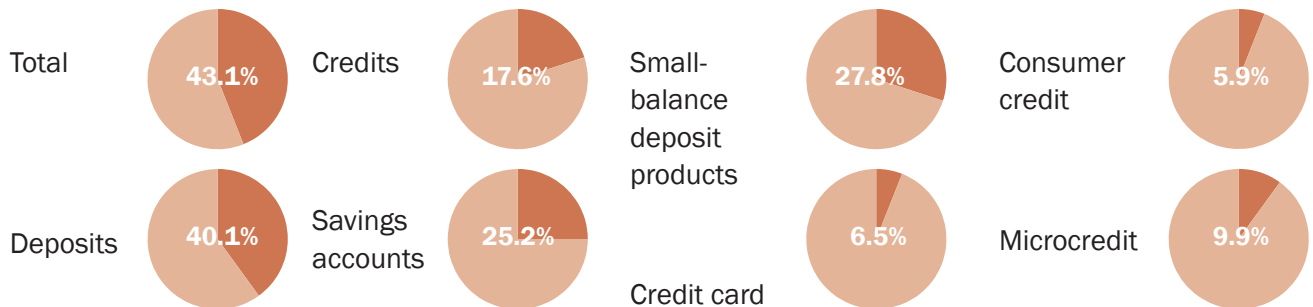
Financial coverage (physical locations per 10,000 adults)



Percentage of adults with financial products



Percentage of adults with active financial products



Credit disbursements

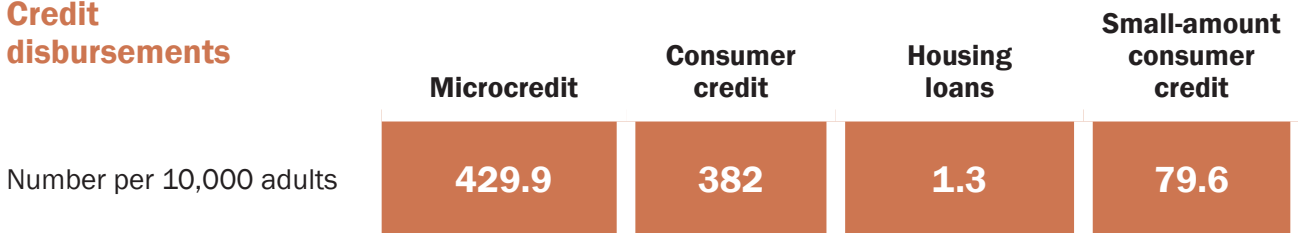


Table of Contents

Introduction	3
Colombia in figures	5

1

**Financial product
access and usage**

19

2

**Financial inclusion,
by level of rurality**

35

3

**Financial
inclusion, by gender
and age group**

47

4

**Physical
coverage of the
financial system**

61

5

**Transaction
dynamics of the
financial system**

79

6

**Inclusive
insurance**

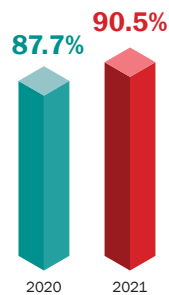
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1

Financial product access and usage



Main results



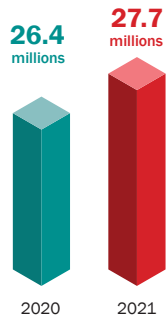
Natural persons

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 **87.8%** at the end of 2020 to **90.5%** in the same period in 2021—an increase of 2.7 percentage points (pp).

1.5 Millions



In 2021, **1.5 million** Colombians acquired financial products for the first time. Thus, **33.5 million** adults had a product with the financial system.



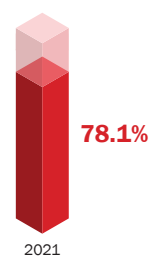
In terms of usage, a similar trend was found. The number of adults with at least one active or current product rose from **26.4 million** to **27.7 million** between 2020 and 2021. As a result, the product usage indicator rose from **72.6%** to **74.8%**, an increase of 2.2 percentage points.

89.1%

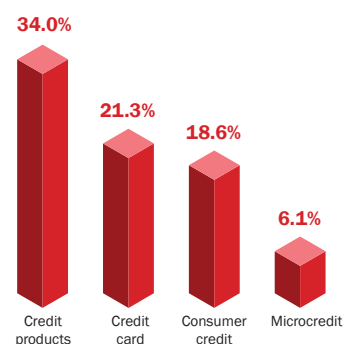


Deposit products played a key role in the access indicator's growth. At the end of 2021, **89.1%** of the adult population had at least one bank liability product—an increase of 3.4 pp compared to the previous year. Small-balance deposit products played a relevant role.

Savings accounts continue to be the product with the highest penetration among Colombians. In December 2021, **28.9 million** adults had at least one such account, corresponding to **78.1%** of Colombia's adult population. However, this product continues to have a high level of inactivity.

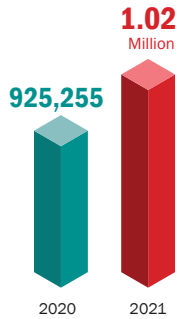


In terms of credit products, the total percentage of adults with at least one of these products reached 34%, 1.1 pp lower than the figure observed the previous year. Credit cards (**21.3%**) and consumer credit (**18.6%**) continued to be the most common among Colombians. The third place was occupied by microcredit, since **6.1%** of Colombian adults had this product in December 2021. As for housing loans, this figure reached **3.3%**.



An analysis of the disbursements made by financial institutions showed that the number of credits disbursed per 100,000 adults increased for all credit types between 2020 and 2021.

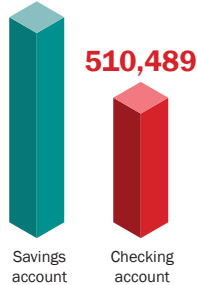




Legal entities

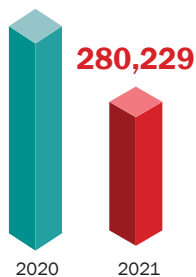
Additionally, **1.02 million** legal entities had a financial product at the end of 2021—an increase of **98,342** compared to the same period in 2020.

734,627



The savings account was the most accessed product by this type of entity (**734,627**), followed by the checking account (**510,489**). However, an analysis showed that the percentage of legal entities that used their checking account (**92.5%**) significantly exceeded that of the savings account (**50.1%**).

284,206



Finally, in terms of credit, the number of legal entities that had at least one banking asset product decreased. In fact, over the last year, this indicator went from 284,206 to 280,229.

Descriptive statistics

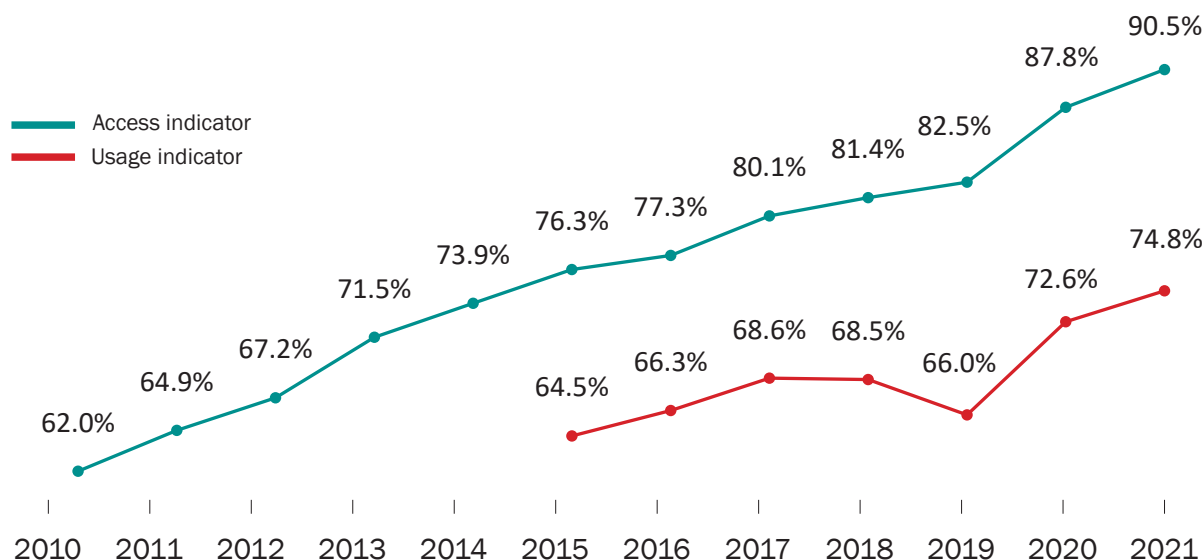
Access to and usage of financial products and services by adults

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 **90.5%** in December 2021.¹ This figure was 2.7 pp higher than the one observed in De-

cember 2020 (**87.8%**). Thus, the indicator maintained the upward trend it has exhibited in recent years (Graph 1.1). Thus, **33.5 million** Colombian adults had at least one financial product by the end of 2021.

Graph 1.1. | Evolution of the access indicator (2010-2020)



Source: FIR team with data from TransUnion and DANE

¹ Since 2019, the calculation of the number of adults with credit does not take into account people with written-off loans. This led to differences in the way the results were measured compared to how results were measured in past periods. Additionally, this year some entities' reports were processed and screened, which made it possible to more accurately record the number of individuals who have these products.

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 establishments and specialized electronic payment processing companies (SEDPEs), overseen by the Financial Superintendence of Colombia; financial credit unions, supervised by the Superintendence of Solidarity Economy; and non-governmental organizations (NGOs) with financial activity.

Likewise, the usage indicator—calculated as the number of adults with an active financial product divided by the size of the adult population—showed a positive trend between 2020 and 2021.² Indeed, **74.8%** of Colombia's adults had at least one active financial product at the close of 2021—2.2 pp more than the figure recorded at the close of 2020. Similarly, the number of adults with at least one active product reached **27,7 million** (Graph 1.2).

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 the Caribbean, Llano, and Pacific regions showed lower levels of access and usage than the national figure. On the other hand, the East Central region of Colombia exceeded this figure (Table 1.1).

Graph 1.2.

Number of adults with at least one active product (millions of adults)

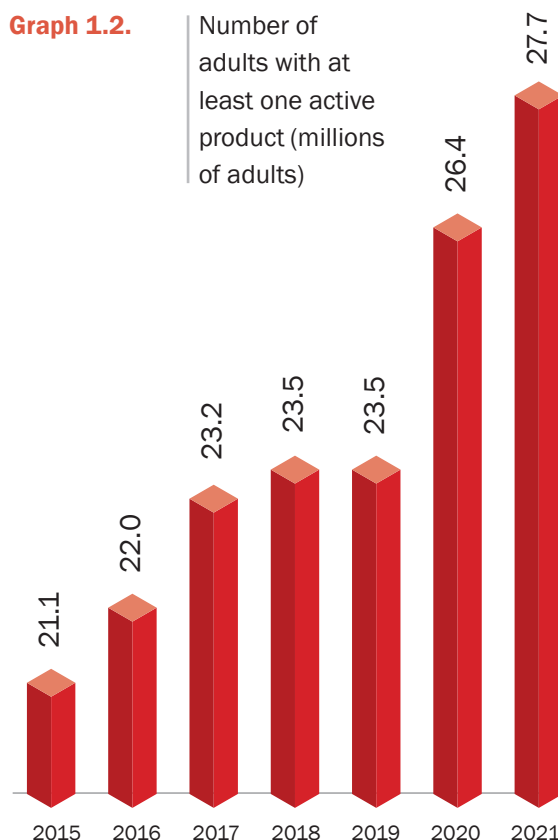


Table 1.1. | Access and usage indicators, by region

Region	dec-20		dec-21	
	Access	Usage	Access	Usage
Caribbean	75.3%	60.5%	77.7%	61.2%
East Central	95.7%	81.4%	94.3%	81.6%
South Central	86.1%	70.6%	88.3%	71.8%
Eje Cafetero	94.7%	79.1%	*	86.2%
Llano	80.2%	66.0%	82.6%	68.1%
Pacific	81.3%	64.3%	83.0%	65.1%
Grand Total	87.8%	72.6%	90.5%	74.8%

*under review

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

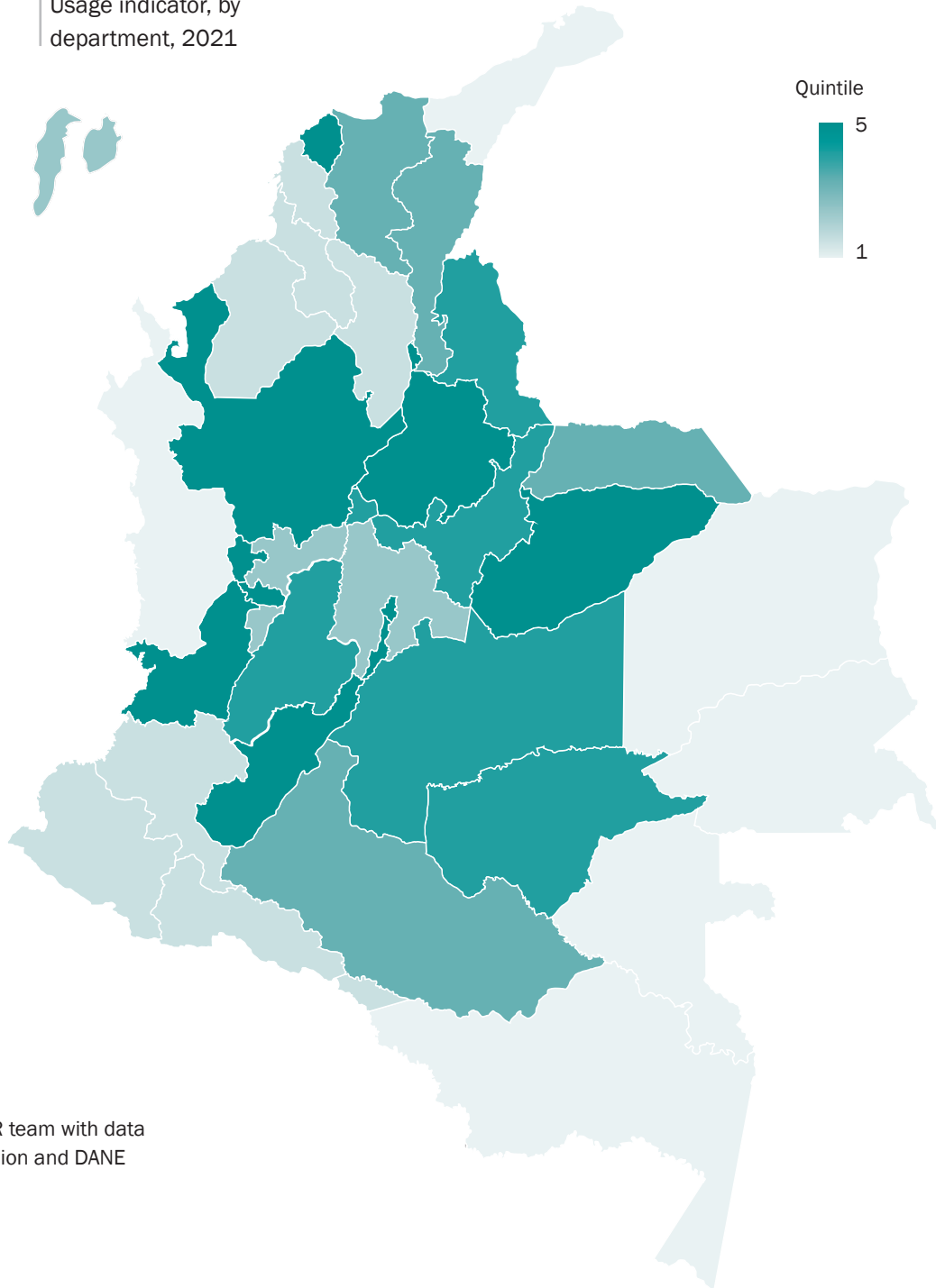
2 A deposit product is considered active when at least one transaction has taken place in the last six months. A credit product is active when the debt is still pending.

Similar results were reported for the usage indicator, with the Andean region's departments showing the highest figures, while those in the

southeastern region of Colombia, La Guajira, and Chocó recorded the lowest performances (Map 1.2).

Map 1.2.

Usage indicator, by department, 2021



Source: FIR team with data from TransUnion and DANE

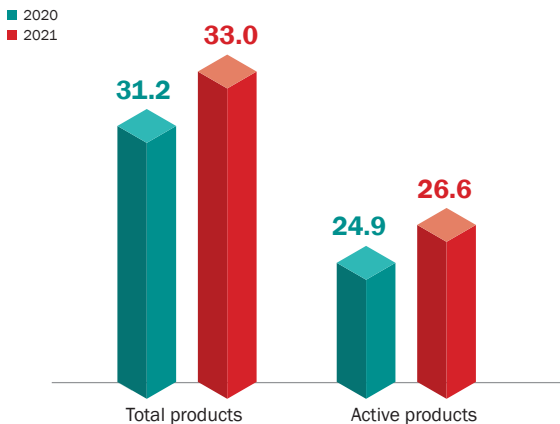
Deposit products

At the end of 2021, 33 million adults had at least one deposit product; of those, **26.6 million** had an active product.³ This means that over the last year, **1.8 million** Colombians opened or reactivated a bank liability product (Graph 1.3).

In 2021, 1 million more adults held at least one savings account than in 2020. This was not observed for the checking account, since the number of adults with this product remained stable at **1.9 million** (Graph 1.4).

The same was not true in terms of usage. On the one hand, the adult population with an active savings account increased from **18 million** in 2020 to **19 million** in 2021. In contrast, the number of adults with an active checking account fell from **1.6 million** to **1.4 million**.

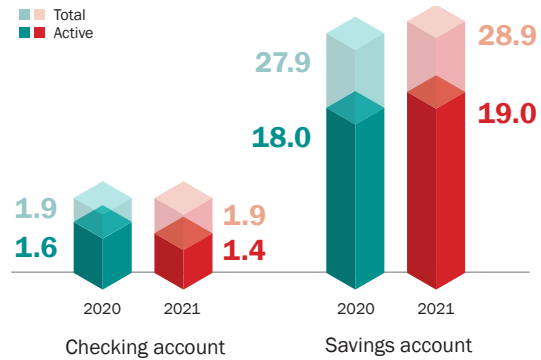
Graph 1.3. Number of adults with at least one deposit product (figures in millions)



Source: FIR team with data from TransUnion

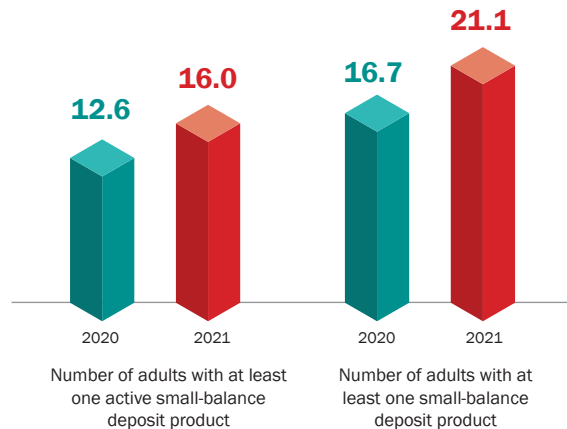
³ Approximately **6.4 million** adults had at least one product but did not use it in the last six months.

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



Source: FIR team with data from TransUnion

Graph 1.5. Number of adults with at least one small-balance deposit product (active and total; figures in millions)



Source: FIR team with data from TransUnion

Finally, in the case of the small-balance deposit product, the number of adults with at least one such product amounted to **21.1 million** in 2021—**4.4 million** more people than in 2020. In addition, 16 million people had an active small-balance deposit product—**3.4 million** more than the previous year's figure. Small-balance deposit products have played a key role in the recent progress made in terms of access to and usage of financial products.

Credit product holdings

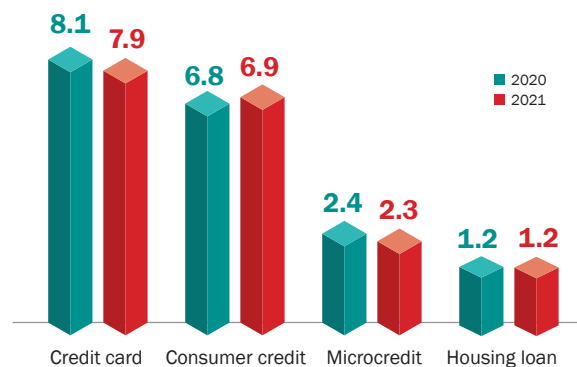
The number of adults with at least one active credit product in Colombia decreased from **12.8 million** in 2020 to **12.6 million** in 2021. Thus, the percentage of adults with at least one banking asset product contracted from **35,1%** to **34,0%** in the last year.

An analysis by product shows that the number of adults with at least one active credit card in Colombia decreased from **8.1 million** to **7.9 million** from 2020 to 2021. A similar trajectory was found for the number of adults with microcredit, which decreased by about 100,000. In contrast, in 2021, **6.9 million** adults had consumer credit, up from **6.8 million** in 2020. The number of adults with a housing loan in Colombia remained stable, at close to **1.2 million** (Graph 1.6).

At the national level, in 2021, 354,931 consumer credits were disbursed for every 100,000 adults, with an average amount of **\$1.1 million** pesos. Likewise, for every 100,000 adults, 4,980

Graph 1.6.

Number of adults with an active credit product (by product; figures in millions)



Source: FIR team with data from TransUnion

microcredit disbursements were made—averaging **\$6 million** pesos each. In addition, 796 small-amount consumer credits—averaging \$931,598 pesos each—were also disbursed. Finally, 671 housing loan disbursements were made for every 100,000 adults, averaging **\$119.6 million** pesos each (Table 1.2). Compared to 2020, these indicators increased for all credit types.

Table 1.2 | Number and monetary amount of disbursements, by credit type (2020-2021)

Product	Indicator	2020	2021
Microcredit	Number of disbursements per 100,000 adults	4,119	4,980
	Average amount per disbursement (\$)	5,588,188	5,976,167
Consumer credit	Number of disbursements per 100,000 adults	294,010	354,931
	Average amount per disbursement (\$)	992,244	1,123,740
Housing loans	Number of disbursements per 100,000 adults	468	671
	Average amount per disbursement (\$)	110,465,610	119,571,242
Small-amount consumer credit	Number of disbursements per 100,000 adults	330	796
	Average amount per disbursement (\$)	581,191	931,598

Source: FIR team with data from TransUnion and DANE

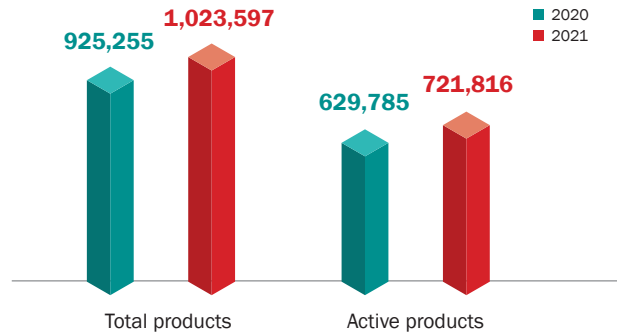
Legal entities

The total number of legal entities with a financial product increased from 925,255 to about **1.02 million** between 2020 and 2021—an increase of 98,342. When analyzing usage, a similar trend was found, with 721,816 legal entities holding at least one active financial product—92,031 more than that observed the previous year (Graph 1.7).

The number of entities with at least one deposit product increased from 898,998 to 998,953 between 2020 and 2021. In particular, the number of legal entities with savings accounts rose from 639,839 to 734,627. Likewise, the number of entities with checking accounts increased from 491,360 to 510,489 (Graph 1.8).

In terms of usage, a similar situation was observed. Legal entities with at least one ac-

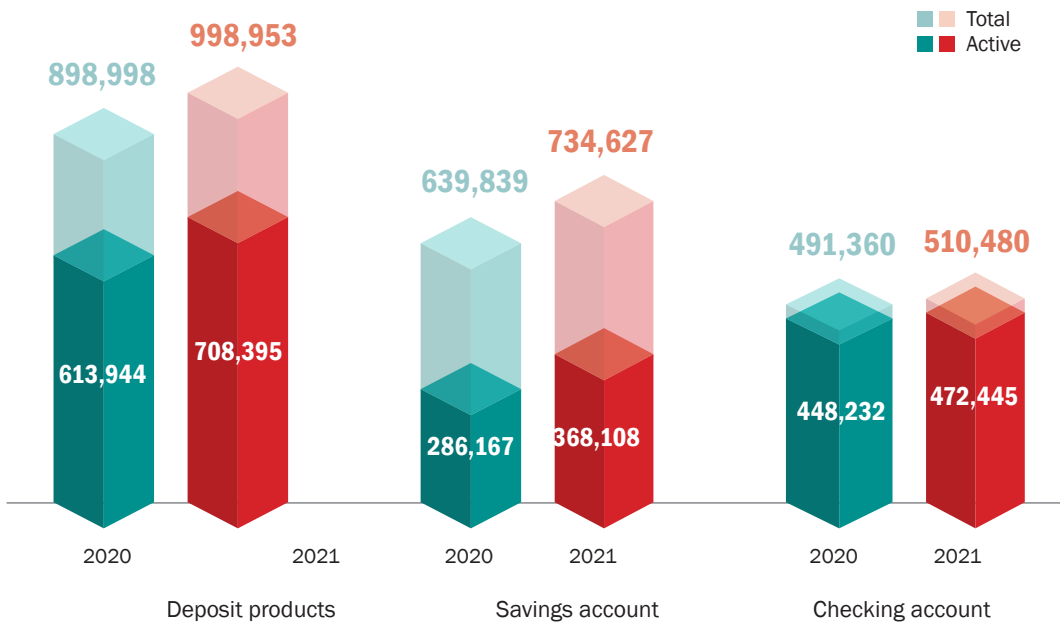
Graph 1.7. | Number of companies with financial products (2020-2021)



Source: FIR team with data from TransUnion

...tive deposit product increased from 613,944 to 708,395. The positive trend in savings accounts played a relevant role in this, as the number of legal entities with this active product rose by 81,941 between 2020 and 2021. A similar result was

Graph 1.8. | Holding and usage of deposit products by legal entities (2020-2021)



Source: FIR team with data from TransUnion

observed in the number of entities with at least one active checking account, which increased by 24,213 in the same period.

Finally, 280,229 legal entities had at least one credit product at the end of 2021—3,977 fewer than in 2020. The most frequently used credit products were commercial credit (211,574) and credit cards (91,910). In addition, 6,514 legal entities had access to microcredit (Table 1.3).

Table 1.3. Number of legal entities with active credits

Product	dec-20	dec-21
At least one credit product	284,206	280,229
Commercial credit	215,104	211,574
Consumer credit	79,638	76,252
Microcredit	11,527	6,514
Credit card	90,185	91,910

Source: FIR team with data from TransUnion.

Inset 1.1. Fintech in Colombia and their role in financial inclusion

The fintech industry has had a significant penetration in the Colombian market. Indeed, according to the most recent information reported by the Inter-American Development Bank (IDB), IDB Invest, and Finnovista, at the end of 2021, there were 279 fintech ventures in Colombia. This figure was the third highest in Latin America—followed closely by Argentina (276)—behind Brazil (771) and Mexico (512).

In order to gain a deeper understanding of the role that these types of companies play in fostering financial inclusion at the national level, an analysis was done of 22 fintechs that reported their financial customers' information to TransUnion's information clearinghouse.

Graph 1.9. Number of natural persons and legal entities with at least one fintech credit product



Source: FIR team with data from TransUnion

Although this sample of firms represents a small percentage of the total number of fintech ventures in Colombia, this exercise provides an initial approximation of their impact regarding access to and usage of financial products. In this regard, it was found that more than 90% of all com-

4 It should be noted that these natural persons also had the possibility of having a financial product with credit institutions, solidarity sector unions, microfinance NGOs, and SEDPEs.

panies that report their information to the credit bureau focus their activity on offering credits. For this reason, we will evaluate the aforementioned companies' impact on the population's access to bank asset products.

The results of this analysis showed that 379,519 adults had at least one credit product with a fintech company⁴ as of December 2021. In the case of legal entities, 1,471 accessed this type of product, indicating that the Colombian fintechs in this sample have focused their services on natural persons (Chart 1.9).

A location analysis of the adults and businesses with at least one financial product with this type of entity found that most were located in Colombia's capital. In addition, seven departments accounted for more than 70% of this population. This clearly shows that fintechs' offer of financial products was specialized in certain regions of the country (Graph 1.10).

As for distribution by level of rurality, cities and urban agglomerations accounted for a large part

Table 1.4. | Number of people who have products with fintechs

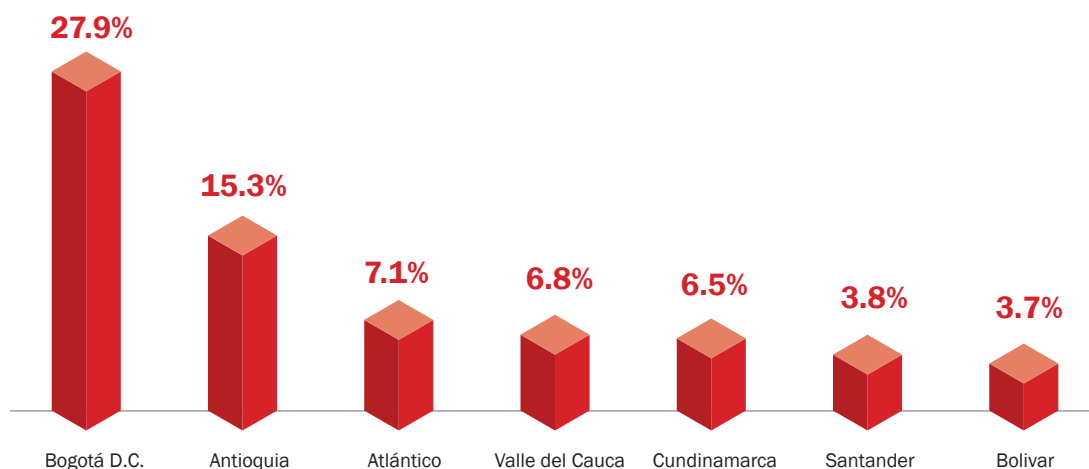
Level of rurality	Adult population
Cities and urban agglomerations	315,084
Medium-sized municipalities	38,902
Rural municipalities	17,405
Dispersed rural municipalities	7,843

↗ Source: FIR team with data from TransUnion

of the total number of customers (315,084), surpassing more than eight times those recorded by medium-sized municipalities. In contrast, rural areas in Colombia had a low penetration of this kind of service, indicating that this group of fintechs is not yet reaching these areas of the country on a massive scale (Table 1.4).

The gender distribution showed that more men (**53.1%**) have a financial product with fintechs than women (**46.5%**). By age group, the group of adults who most accessed fintech financial products

Graph 1.10. | Departments with the highest percentages of fintech customers (natural persons)



↗ Source: FIR team with data from TransUnion

was aged between 26-40 years old (180,329), followed by those between 41 and 65 years old. In contrast, adults over 65 had the lowest access to companies in this segment. This could be due to this age group's lack of digital appropriation (Table 1.5).

This inset corresponds to a subsample of the total number of fintechs in Colombia. As these entities provide more information on the number of customers and products they have in the market, a better picture of their role in financial inclusion will emerge—a reason for which we invite more entities to report information.

Table 1.5. Number of people who have products with fintechs, by age group

Age group	Number of adults
18-25 years old	67,869
26-40 years old	180,329
41-65 years old	114,301
Over 65 years old	17,018

Source: FIR team with data from TransUnion

Inset 1.2.

Financial inclusion of Venezuelan migrants

The economic integration of the migrant population is an opportunity to generate shared economic growth,⁵ with the long-term potential to cover the costs related to the different government actions serving this segment.⁶ In this regard, one of the most important elements in integrating migrants is their access to and usage of formal financial products and services.

Figures from the Financial Superintendence show that in December 2021, financial institutions had 366,380 Venezuelan migrant customers⁷ who held 501,234 financial products.⁸ This figure was **27.7%** higher than what had been achieved at the end of 2020. In other words, on average, 36,000 products were opened in each quarter of 2021.

5 Center for Global Development & Refugees International. (2020). Desde el Desplazamiento hacia el Desarrollo (From Displacement to Development). Case study.

6 World Bank. (2021). Memorias evento Integración social y económica de los migrantes venezolanos en Colombia (Records of the social and economic integration event with Venezuelan migrants in Colombia). Bogotá, Colombia.

7 It should be clarified that the customer figures available from the SFC have a cutoff date as of March 2022, which records 401,789 customers, with 40,630 new customers in the January-March quarter and 5,221 accounts closed in the same period. In this case, the figures as of the December cutoff date were obtained based on these data.

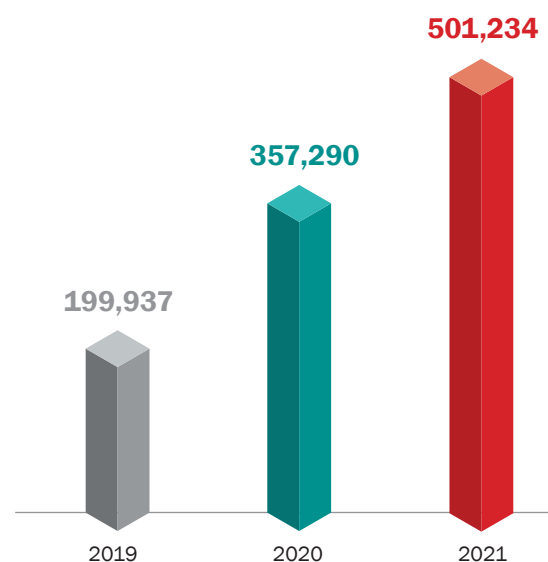
8 It is important to note that both the number of customers and the number of products are reported separately for each entity, which makes it impossible to identify unique customers. Taking this into account, the total number of customers could overestimate cases of people with more than one product and/or with accounts in more than one entity.

By product type, as of December 2021, savings accounts had the largest share of the total (57.8%), followed by small-balance deposit products (21.1%). Credit products (including consumer credit, microcredit, small-amount consumer credit, and credit cards) accounted for 20.0% of the total, with credit cards accounting for the largest share. Furthermore, by type of identification, as of December 2021, 32 products were opened with a temporary protection permit (PPT, as per its acronym in Spanish); by March 2022, this number had reached 1,726 products. The majority of new products acquired have taken place with the special residence permit (PEP, as per its acronym in Spanish) and with a foreigner identification card (CE, as per its acronym in Spanish).

Regarding regional distribution,⁹ the Colombian departments with the highest number of open products are: Bogotá (27.7%), Antioquia (13.5%), Norte de Santander (5.6%), Valle (4.5%), and Cundinamarca (4.3%). In addition, an analysis by entity type shows that 80.2% of the products were offered by banks and 16.5% by specialized electronic payment processing companies (SEDPEs).

This evolution has occurred within the framework of public policies that have provided a favorable environment for financial inclusion. Since the issuance of the Temporary Protection Statute for Venezuelan migrants, coordination between the public and private sectors has been key in over-

Graph 1.11. Number of financial products held by Venezuelan nationals in Colombia



Source: FIR team with SFC data.

coming barriers to accessing the financial system, especially those related to identity validation.

In addition to continuing to facilitate product acquisition processes—while applying the respective regulations on document validation—the upcoming challenges have to do with: (i) knowing the population, its productive potential, and its particular characteristics; (ii) encouraging not only access to but also the continued usage of deposit products; (iii) providing opportunities for access to formal credit instruments, understanding the lack of credit history; and (vi) understanding and taking advantage of the flow of remittance funds as an instrument of inclusion.

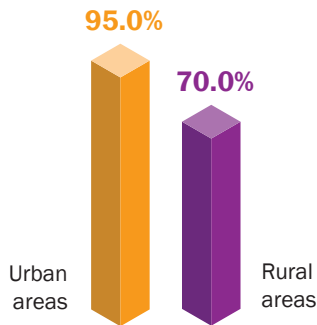
⁹ In about 30% of the products reported, it was not possible to identify the department in which the product was opened, since the process was not done in person, and no information on the product holder's department or municipality was included.

2 Financial inclusion, by level of rurality

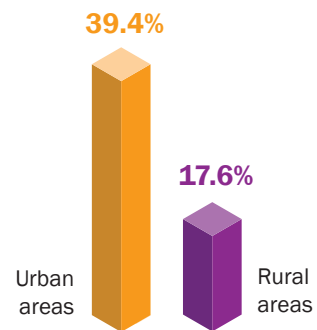


Main results

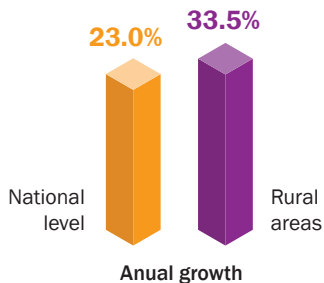
In 2021, an increase in financial product holdings was observed in all levels of rurality except dispersed rural areas. This contributed to widening the product access and usage gap between Colombia's urban and rural areas.



A similar trend was found for deposit products. In large urban centers, more than 95% of adults had at least one bank liability product; however, in the case of rural and dispersed rural areas, the same was true for less than 70% of the population.



In terms of having active credit products, there are large gaps between levels of rurality. For example, approximately **39.4%** of adults living in cities and urban agglomerations had one, while this figure did not exceed **17.6%** in rural and dispersed rural areas.



The twelve-month cumulative number of microcredit disbursements in 2021 increased by 23% at the national level compared to the 2020 figure. On a related note, rural areas had an even greater variation, increasing by **33.5%**.

Descriptive statistics

In 2021, across all levels of rurality, financial product holdings increased compared to 2019.¹ However, there was a slight reduction of 0.6 pp in the dispersed rural segment. The population that lived in cities and urban agglomerations showed the most growth.

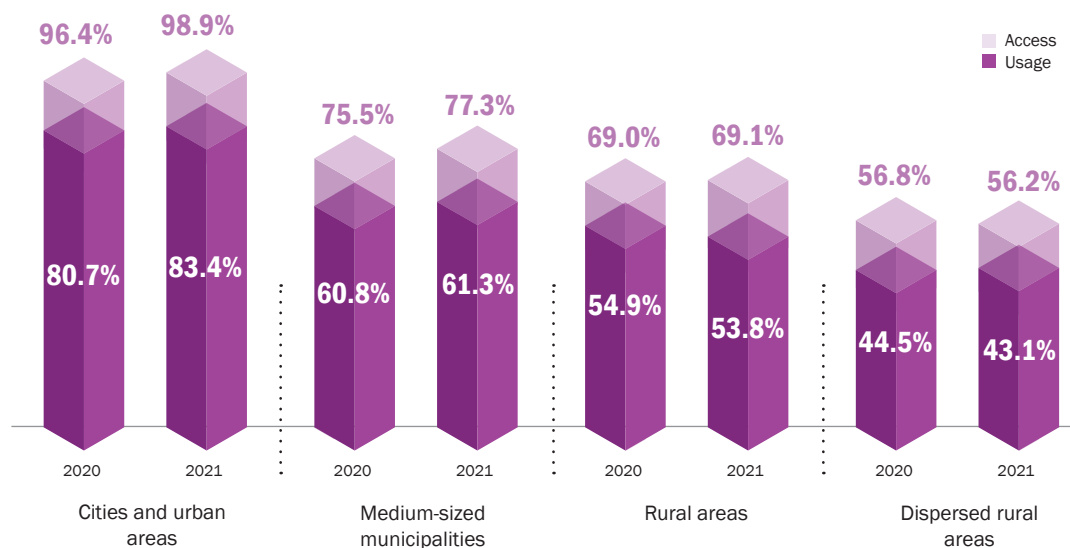
Despite the progress made, access to these products decreases as rurality increases. In fact, the access indicator was equivalent to **98.9%** (**24.6 million** adults) in cities and urban agglomerations; **77.3%** (**4.8 million** adults) in

medium-sized municipalities; **69.1%** (**2.5 million** adults) in rural areas, and **56.2%** (**1.3 million** adults) in dispersed rural areas. A similar trend was observed in the usage indicator (Graph 2.1).

The usage indicator decreased in the rural sector due to a drop of 1.1 pp in rural areas and 1.4 pp in dispersed rural areas. On the other hand, large urban centers had a positive variation of 2.7 pp, as did medium-sized municipalities, where there was a growth of 0.5 pp.

Graph 2.1.

Access and usage indicators for financial products, by level of rurality



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

¹ Small-balance deposit products have grown significantly throughout the country. However, identifying the opening location of this type of product is complex since they were not opened at a physical location, but rather digitally. Thus, it is feasible that the location is associated with the cities where the entities' main branches are located and not necessarily where the person lives. For this reason, the indicators may be overestimated for urban areas and underestimated for rural areas.

Deposit products

Between 2020 and 2021, the holding of deposit products grew for all levels of rurality except the dispersed rural segment (Graph 2.2).² By the end of 2021, **97.6%** of the adult population living in cities and urban agglomerations (**24.3 million**) had at least one deposit product. In medium-sized municipalities, this indicator reached **75.7%** (**4.7 million** adults); in rural areas, **67.7%** (**2.4 million**); and in dispersed rural areas, **55.2%** (**1.2 million**).

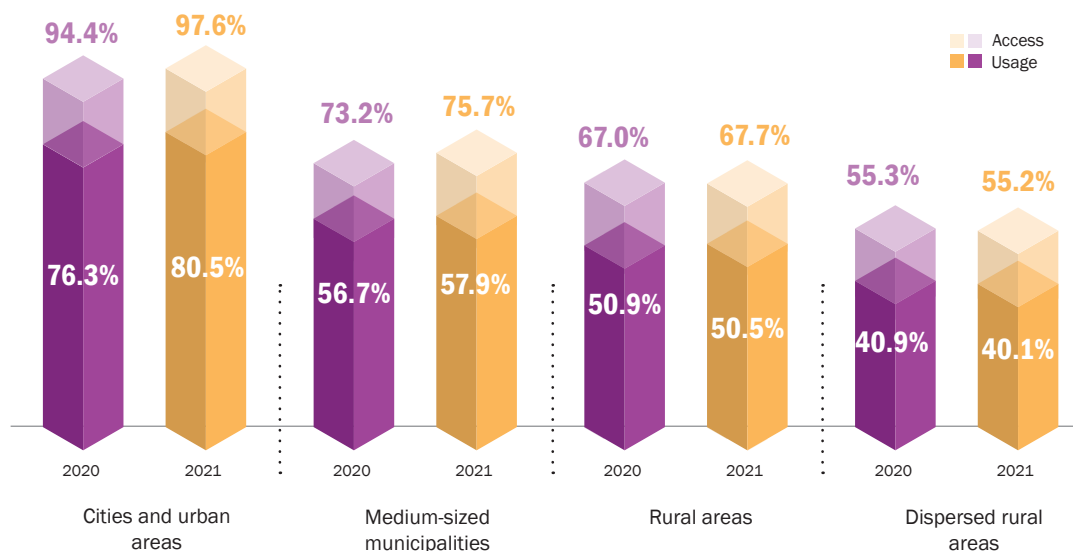
In 2021, the level of use also increased for cities and urban agglomerations (4.2 pp increase) and medium-sized municipalities (1.2 pp increase). In contrast, there was a slight drop in the

use of this type of product in rural (-0.4 pp) and dispersed rural (-0.8 pp) areas.

By product, savings accounts and small-balance deposit products were the products with the highest penetration across all levels of rurality. However, the access and usage indicators in Colombia were higher in cities and medium-sized municipalities than in rural areas.

It is worth noting that the percentage of activity for savings accounts was much lower than that observed for small-balance deposit products and checking accounts. This applied across all levels of rurality (Graph 2.3).

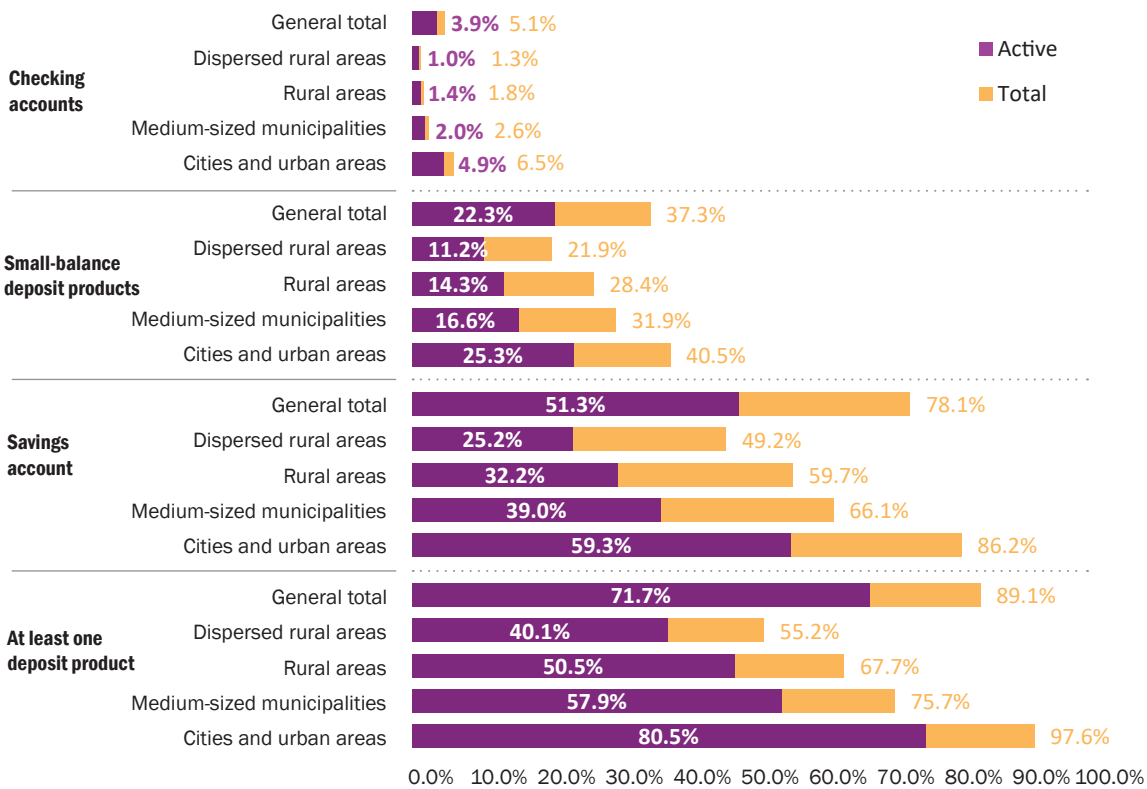
Graph 2.2. | Access and usage indicators for deposit products, by level of rurality



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

² As mentioned above, this difference between growth in rural and urban areas may be influenced by how the location of small-balance deposit products is recorded, especially in deposit products.

Graph 2.3. | Percentage of adults with deposit products, by product type and level of rurality, 2021



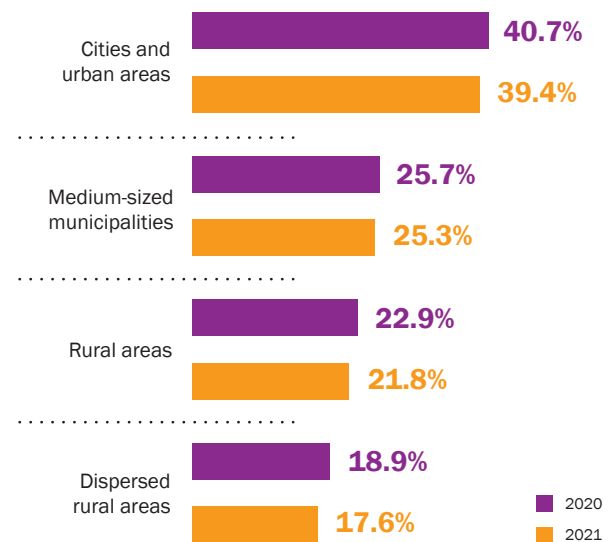
Source: Prepared by FIR team with data from DANE and TransUnion

Credit products

Between 2020 and 2021, the number of active credit products decreased across all levels of rurality. In fact, the largest decreases in the percentage of adults with an active credit occurred in large cities and medium-sized municipalities; in rural and dispersed rural areas, there was a smaller reduction (Graph 2.4). However, the magnitude of the changes was no more than 1.5 pp.

Moreover, the amount of credit products decreased as the level of rurality increased. In fact, in 2021, cities and urban agglomerations showed an access indicator of **39.4%** for credit products, while the figure for dispersed rural areas was **17.6%**.

Graph 2.4. | Percentage of adults with at least one active credit product, by level of rurality



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

As of December 2021, **4.3%** of adults in cities (**1.07 million**) had microcredit, with numbers varying depending on the level of rurality: **9.3%** in medium-sized municipalities (578,113), **10.8%** in rural municipalities (390,182), and **9.9%** in dispersed rural municipalities (223,238). In the latter two categories, the indicator showed a decrease of 0.2 pp compared to 2020; however, it continues to be the credit type with the highest participation in rural municipalities.

Between 2020 and 2021, the average monetary amount for microcredits increased for all levels of rurality. Additionally, the number of recipients increased for all levels of rurality, demonstrating a positive trend for this product over the last year (Table 2.1).

Regarding housing loans, in 2021, **4.4%** of adults in cities and urban agglomerations (**1.1 million**) had this product; **1.2%** in medium-sized municipalities (75,230); **0.7%** in rural municipalities

(25,335); and **0.45%** in dispersed rural municipalities (10,212). Thus, compared to consumer credit and microcredit, housing loans showed the lowest penetration among the Colombian adult population.

As to be expected, there was a higher concentration of disbursements for this type of credit in cities compared to rural areas. However, it should be noted that between 2020 and 2021, the number of recipients increased at all levels of rurality, with growth rates above 20% (Table 2.2). As for the average amount, there was an increase in this amount for all categories. It is worth noting that the lowest average amount was in medium-sized municipalities and dispersed rural areas, which was true in both 2020 and 2021.³

Regarding consumer credit, the percentage of adults with an active product also varies across different levels of rurality. In 2021, **22.7%** of adults in cities (**5.6 million**), **12.4%** of those in

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

Level of rurality	2020		2021	
	Number	Average amount (COP)	Number	Average amount (COP)
Cities and urban agglomerations	879,232	5,777,197	1,050,659	6,066,231
Medium-sized municipalities	388,855	4,819,464	494,368	5,276,725
Rural areas	152,265	5,872,350	203,284	6,619,490
Dispersed rural areas	79,837	6,708,859	97,193	7,214,709
Total	1,500,189	5,588,188	1,845,504	5,976,167

³ Source: Prepared by FIR team with data from DANE, SFC, SES, and microfinance NGOs

³ This pattern could be explained by price differences between urban and rural areas.

Tabla 2.2. | Número y monto promedio de desembolsos de crédito de vivienda por nivel de ruralidad

Level of rurality	2020		2021	
	Number	Average amount (COP)	Number	Average amount (COP)
Cities and urban agglomerations	158,849	112,881,383	231,605	122,245,732
Medium-sized municipalities	10,128	76,677,979	15,155	80,987,923
Rural areas	1,207	82,360,966	1,438	100,876,153
Dispersed rural areas	253	80,348,796	305	93,960,338
Total	170,437	110,465,610	248,503	119,571,242

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

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

Level of rurality	2020		2021	
	Number	Average amount (COP)	Number	Average amount (COP)
Cities and urban agglomerations	104,761,736	949,613	128,862,128	1,074,449
Medium-sized municipalities	1,950,548	2,644,919	2,259,052	3,296,155
Rural areas	268,431	4,693,384	313,688	4,639,130
Dispersed rural areas	94,570	3,624,920	86,321	5,079,418
Total	107,075,285	992,244	131,521,189	1,123,740

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

medium-sized municipalities (769,242), **8.7%** of those in rural areas (316,172), and **5.9%** of those in dispersed rural areas (132,338) reported having consumer credit.

On the other hand, in 2021, the number of disbursements grew—compared to the previous year—at all levels of rurality, with the exception of dispersed rural areas, which showed a drop of **8.7%** in this indicator. Meanwhile, the average amount of disbursements increased in areas of greater urban development and in the dispersed

rural segment, while in rural areas this variable decreased slightly (Table 2.3).

Finally, in 2021, there were 294,911 small-amount consumer credit disbursements in cities and urban agglomerations, for an average amount of \$931,568 pesos. On the other hand, five disbursements were made in medium-sized municipalities, with an average amount of **\$2.7 million** pesos each. One year ago, the concentration was 100% in cities (120,169 disbursements), for an average amount of \$581,191.

Inset 2.1. Distribution of microcredit by amount at the regional and departmental level, 2021

The data reported by the entities that grant microcredit were used to carry out a disaggregated analysis at the regional and departmental levels in order to evaluate the penetration of microcredit disbursements by amount among the population. This comparison was made by categorizing the size of the credits by current monthly minimum wages (SMMLV, as per its acronym in Spanish), with the understanding that this categorization only takes into account credits with a value of up to 25 SMMLV.

At the regional level, with the exception of the Caribbean region, the indicator for the number of disbursements per 1,000 adults was highest in the segment of credits granted between 4 and 10 SMMLV. In this regard, the South Central and Llano regions showed the highest indicators (Table 2.4). On the other hand, in the Caribbean region, the microcredits with the highest penetration were those with a value of 1 to 2 SMMLV.

Additionally, there is a lower indicator for credits of less than 1 SMMLV compared to the rest of the amount ranges. This was observed in all regions of Colombia.

In addition to the above, Map 2.1 illustrates the distribution (by quintiles) of the number of microcredit disbursements between 1 and 2 SMMLV per 1,000 adults, by department. The map shows that Huila, Nariño, Putumayo, Tolima, and Sucre had the highest indicators in this area, while Vichada, San Andrés, and Chocó had the lowest.

In addition, trends varied across departments within a single region; this was especially noticeable in the Central, Southern, Pacific, and Caribbean regions.

In terms of the number of disbursements per 1,000 adults for microcredits between 4 and 10 SMMLV, Huila, Putumayo, Nariño, Boyacá, and Tolima had the highest records. Vichada, Amazonas, and La Guajira showed the lowest penetration of this range of disbursements.

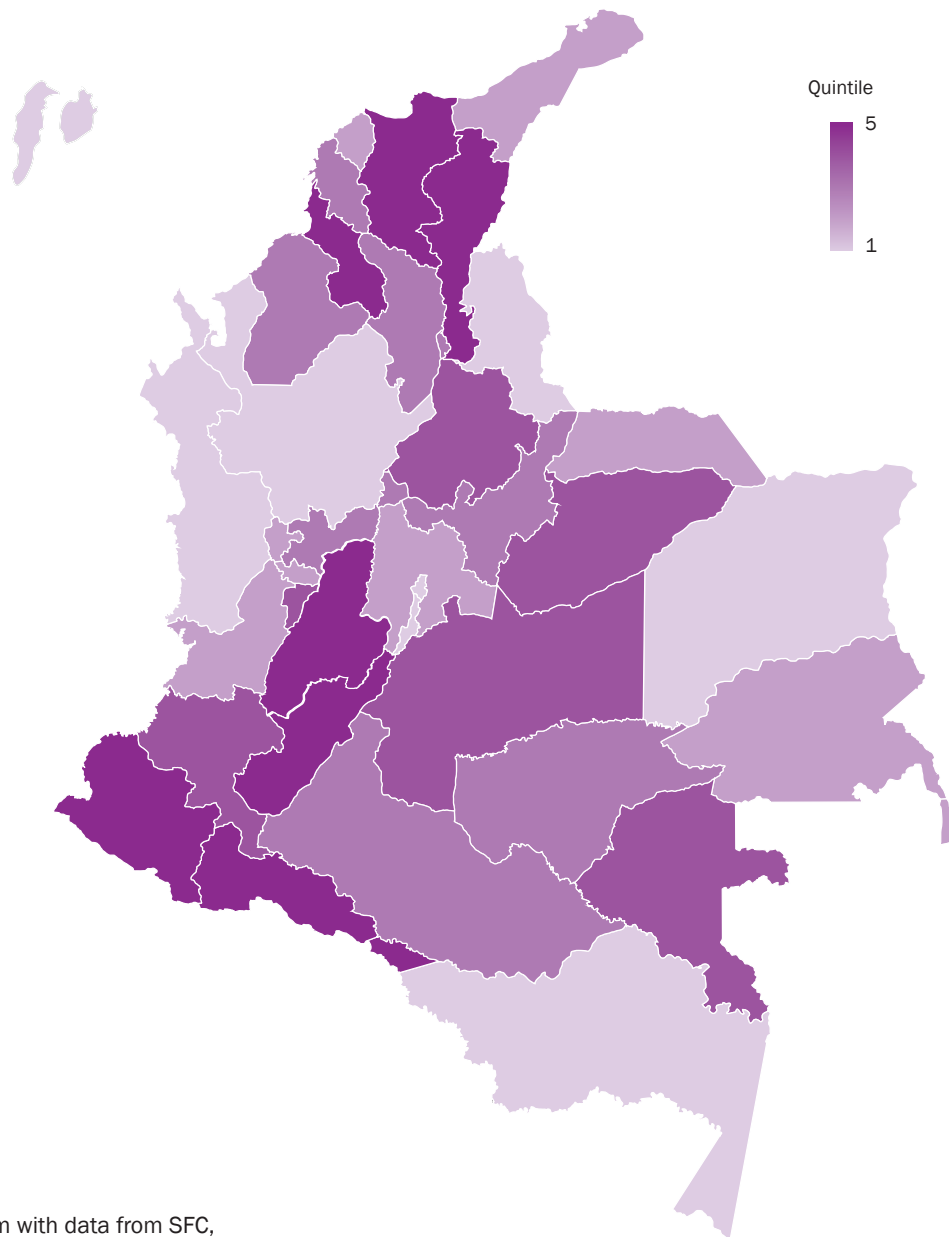
Table 2.4. | Number of disbursements by region, per 1,000 adults, by amount, 2021

Region	Number of microcredit disbursements per 1,000 adults, by region					
	0 to 1 SMMLV	1 to 2 SMMLV	2 to 3 SMMLV	3 to 4 SMMLV	4 to 10 SMMLV	10 to 25 SMMLV
Caribbean	2,6	11,6	8,4	5,0	10,1	4,3
East Central	1,8	5,9	5,8	4,8	12,4	8,0
South Central	5,9	22,4	19,2	15,0	32,7	14,5
Eje Cafetero	2,1	6,1	5,7	4,6	12,3	6,1
Llano	2,4	11,5	10,1	7,8	19,4	12,1
Pacific	4,4	12,2	9,8	7,1	18,2	9,1

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

Map 2.1.

Distribution of the average microcredit disbursement amounts between 1 and 2 SMMLV at the municipal level, 2021



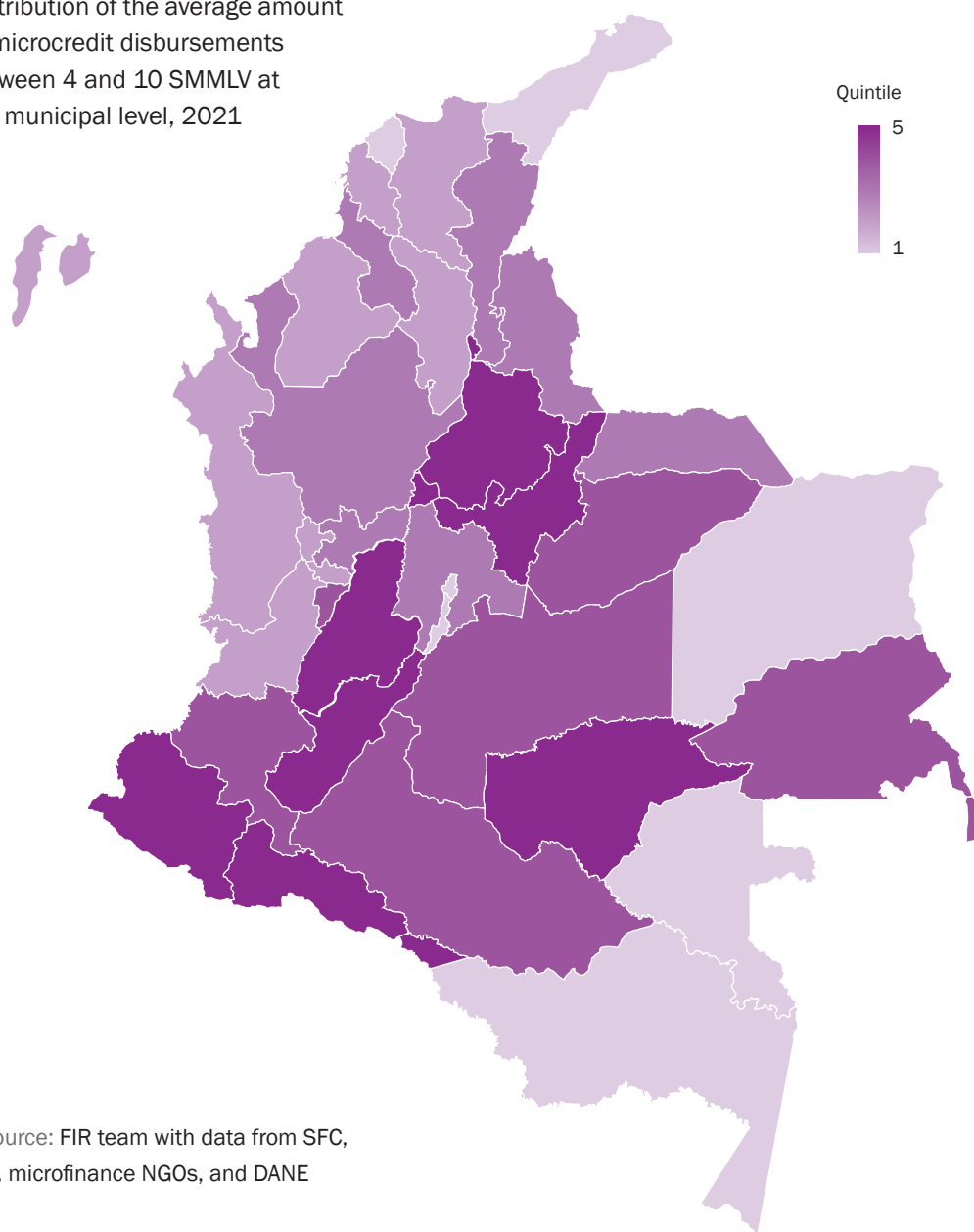
Source: FIR team with data from SFC, SES, microfinance NGOs, and DANE

At the same time, none of the departments in the Caribbean region were located in the highest quintile, which illustrates a low penetration of microcredits in higher amounts (including those between 10 and 25 SMMLV), compared to lower amounts.

Finally, a disaggregation of the data by level of rurality showed that a large percentage of the number of small-amount microcredits (between 0 and 4 SMMLV) granted over the 12-month period were concentrated in private banks in cities and agglomerations, as well as

Map 2.2.

Distribution of the average amount of microcredit disbursements between 4 and 10 SMMLV at the municipal level, 2021



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

in medium-sized municipalities (**72.1%** and **54.5%**, respectively) (Graph 2.5). On the other hand, in rural and dispersed rural areas, the majority of this type of loan were granted by microfinance NGOs and the public bank, accounting for more than 60% of disbursements in both segments. In turn, financing companies played a relevant role in financing the rural and dispersed rural sector, respectively disbursing **16%** and **11%** of all microcredits between 0 and 4 SMMLV.

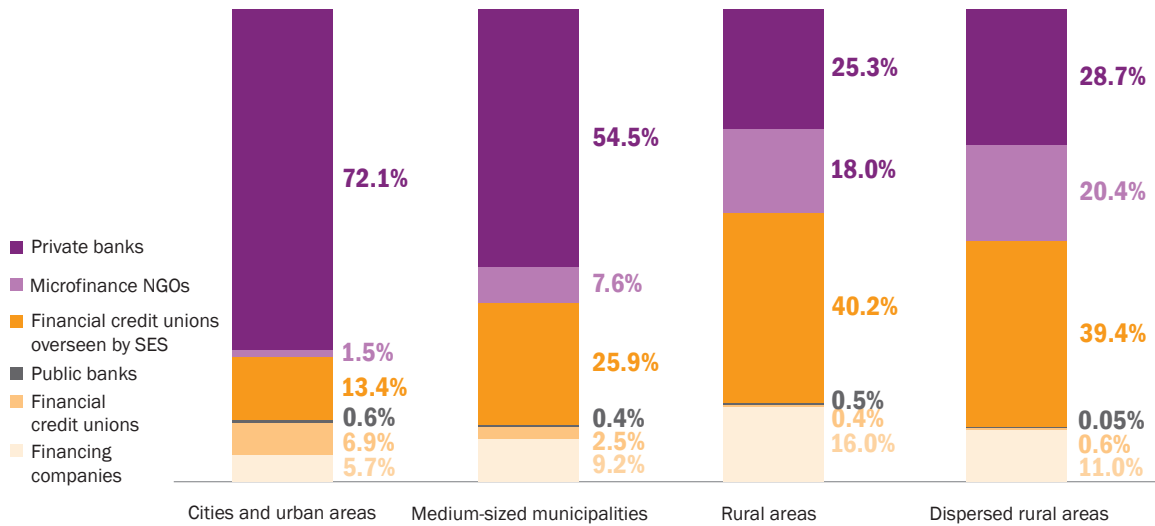
In turn, an analysis of the distribution of the total number of disbursements between 4 and 25 SMMLV during the 12-month period showed that private banks had the largest share in credits granted in cities and urban agglomerations, with a record of **67.6%** (Graph 2.6). In contrast, public banks provided the most disbursements at the other levels of rurality, with a particularly high share in Colombia's dispersed rural areas (**73.3%** of total loans). In addition, financing companies had a lower representation

in this type of credit, compared to microcredits in smaller amounts.

These results show that in rural areas of Colombia, public banks provide a high number of microcredits in larger

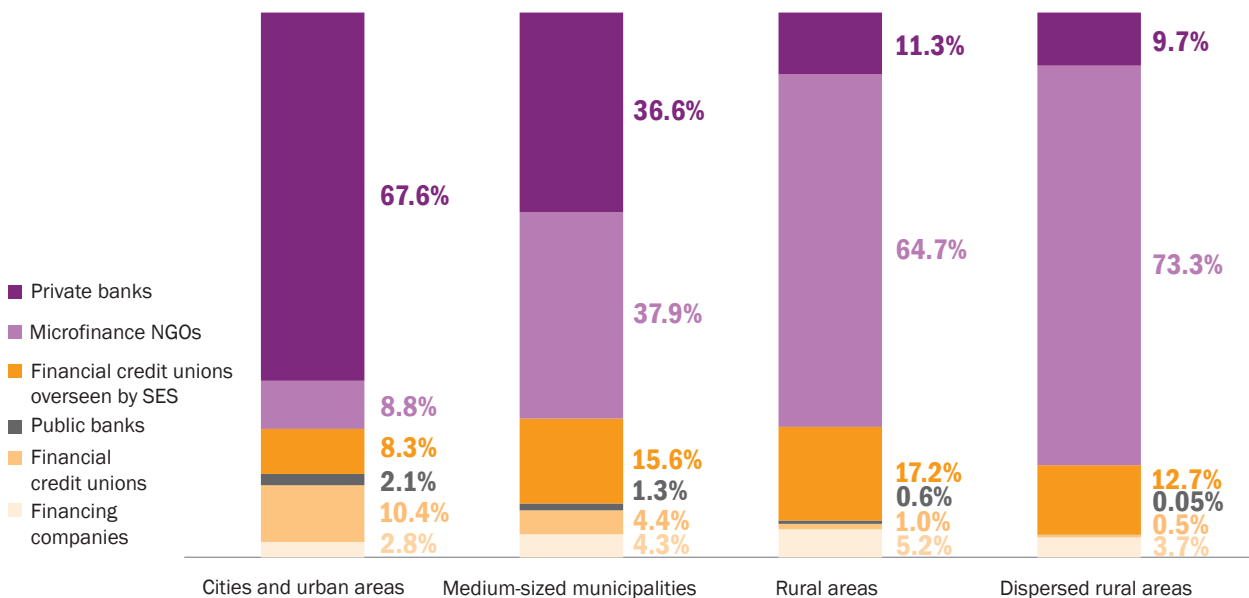
amounts (4 to 25 SMMLV). On the other hand, microcredit NGOs and private banks specialized in this segment have played a more relevant role in disbursing smaller microcredits.

Graph 2.5. Distribution of the number of microcredit disbursements of 0 to 4 SMMLV during the 12-month period, by entity type (levels of rurality; 2021)



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

Graph 2.6. Distribution of the number of microcredit disbursements of 4 to 25 SMMLV during the 12-month period, by entity type (levels of rurality; 2021)



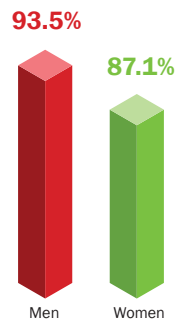
Source: FIR team with data from SFC, SES, microfinance NGOs, and DANE

3

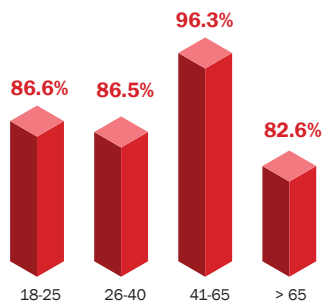
Financial inclusion, by **gender and age group**



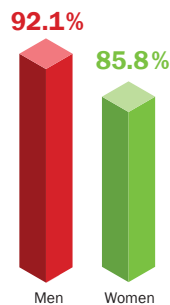
Main results



Adult women and men’s access to financial products increased in 2021, reaching **87.1%** in the case of women and **93.5%** for men. This shows that there is still a gap favoring men.

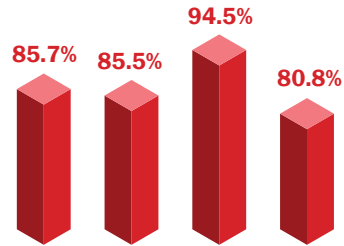


In terms of the access and usage indicators, each age group made progress from 2020 to 2021. The access indicator for adults between 18 and 25 years old rose to **86.6%**; for adults between 26 and 40 years old, the indicator registered at **86.5%**. In the 41 to 65 age group, it amounted to **96.3%**, and for those over 65 years of age, it reached **82.6%**. It should be noted that adults under 25 years of age have shown significant progress in financial inclusion indicators over the last two years.

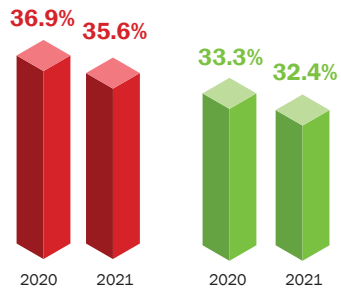


The increase in deposit product holdings among men and women was the main driver of progress in terms of financial inclusion. By the end of 2020, men’s level of access to these products reached **92.1%**—an increase of 3.8 percentage points (pp). Meanwhile, women’s access rate registered at **85.8%**—an increase of 3.2 pp.

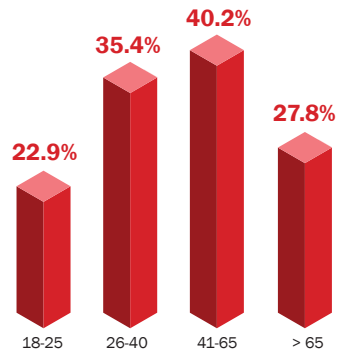
By age group, the highest access indicators for deposit products were registered for adults between 41 and 65 years old (**94.5%**) and 26 to 40 years old (**85.5%**). The group with the lowest access was adults over 65 years of age, reaching a level of **80.8%**.



In 2021, 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 **36.9%**, observed a year ago, to **35.6%**, while for women, it decreased from **33.3%** to **32.4%**. In other words, a gap favoring men remained (3.2 pp).



By age group, there was a decline in the number of credit products for all segments, except for the youngest adults. However, differences remain between age groups. While **22.9%** of adults under 25 years of age and **35.4%** of adults between 26 and 40 years had at least one product, **40.2%** of those between 41 and 65 years of age and **27.8%** of those over 65 years of age had one.



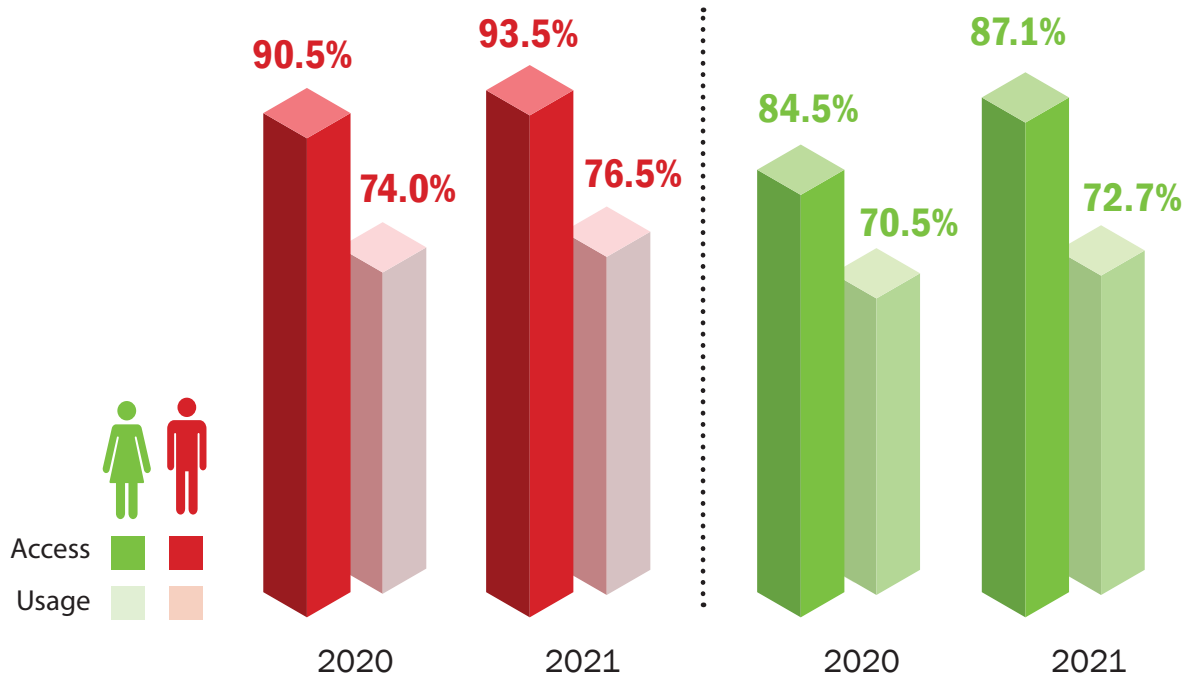
Descriptive statistics

In 2021, both men and women enjoyed an increase in access to financial products. The access indicator for men registered an increase of 3.0 percentage points, with **16.6 million** men having at least one financial product. For women, this indicator rose 2.6 pp, resulting in **16.8 million** women having a product. Despite this progress, the gap in access between men and women

widened from 6.0 pp in 2020 to 6.4 pp in 2021 (Graph 3.1).

An analysis by gender showed a similar trend in terms of financial products' level of usage, with men's usage increasing by 2.5 percentage points and women's by 2.2 pp between 2020 and 2021. Over the last year, the gender gap favored men by 3.8 pp.

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



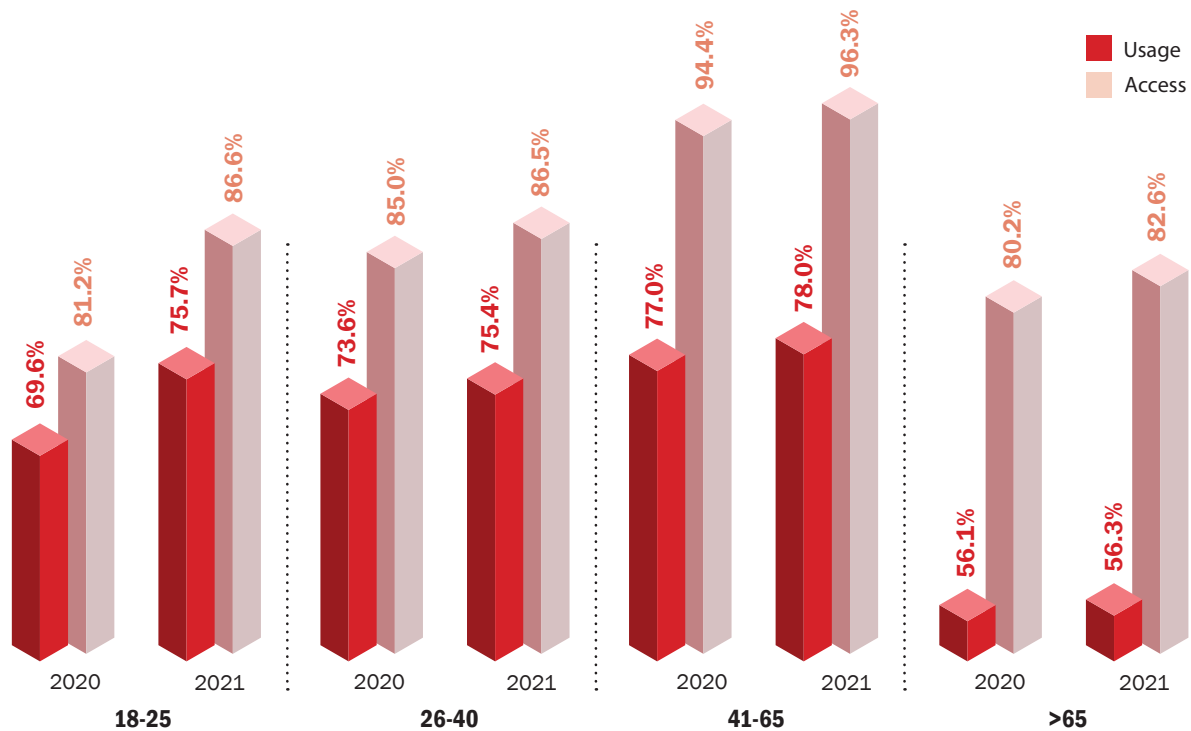
↗ Fuente: Prepared by FIR team with data from DANE and TransUnion

In terms of access for all age groups, progress was indeed made between 2020 and 2021. For example, the youngest adults' 5.4 percentage point increase in product holdings (5.9 million with products) means this group is no longer lagging the furthest behind. However, the two age groups that registered the most access were those between 26 and 40 years old (10.2 million with products) and those between 41 and 65 years

old (13.3 million). Finally, the age group over 65 years old was the least financially included, with just 3.8 million having a product.

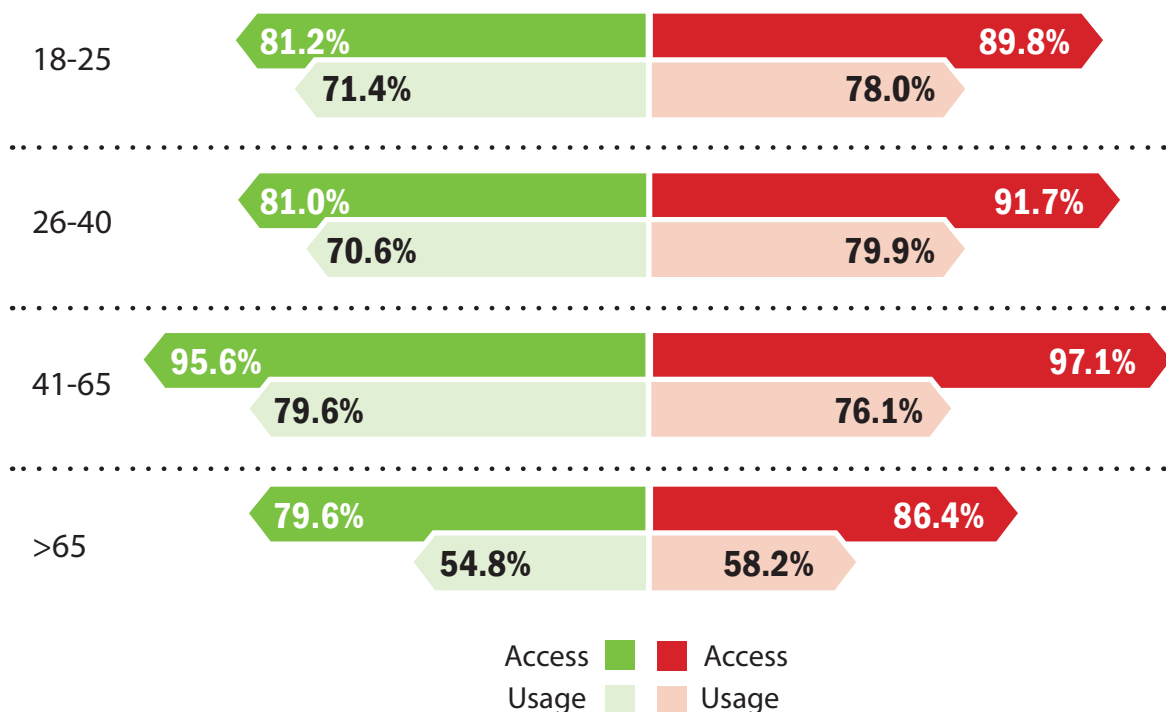
Additionally, individuals between 41 and 65 years of age used their financial products the most, while those over 65 used theirs the least (Graph 3.2). The evolution of the youngest group's indicator stands out, since it showed a growth of 6.1 percentage points between 2020 and 2021.

Graph 3.2. Access and usage indicators for financial products, by age group



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

Graph 3.3. Access and usage indicators for financial products, by gender and age group, 2021



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

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, in 2021, women over 65 replaced women under 25 as the group with the lowest level of access to financial products.

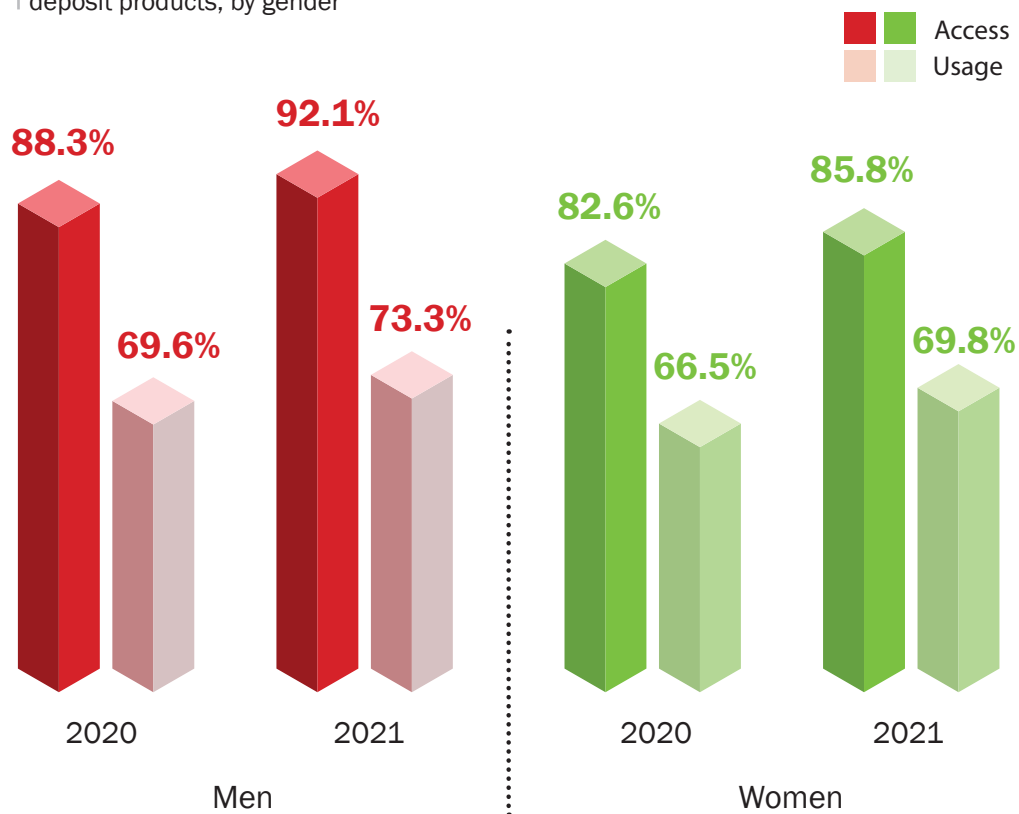
In terms of usage, the indicator for women only surpassed that of men in the 41-to-65-year-old age bracket. Additionally, adults over 65 had the lowest levels of usage for both genders, with women in this age group registering the lowest indicator (Graph 3.3).

Deposit products

In 2021, access to deposit products increased by 3.8 percentage points (**16.4 million**) for men and 2.9 pp (**16.6 million**) for women. This increase was the factor that most affected the access to financial products indicator in general.

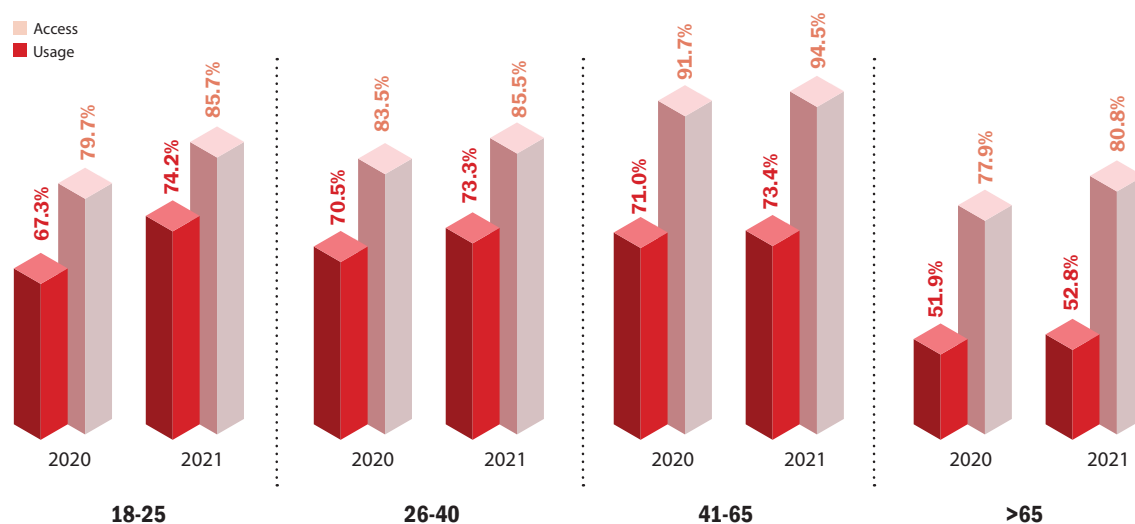
As for the level of use, despite the higher level for both men and women compared to the previous year, the gender gap remained, standing at 3.5 pp (Graph 3.4).

Graph 3.4. Access and usage indicators for deposit products, by gender



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

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



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

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 (**13.1** and **10.1 million** individuals, respectively). Likewise, the over-65-year-old group had the least access to bank liability products, as was the case in 2020 (Graph 3.5).

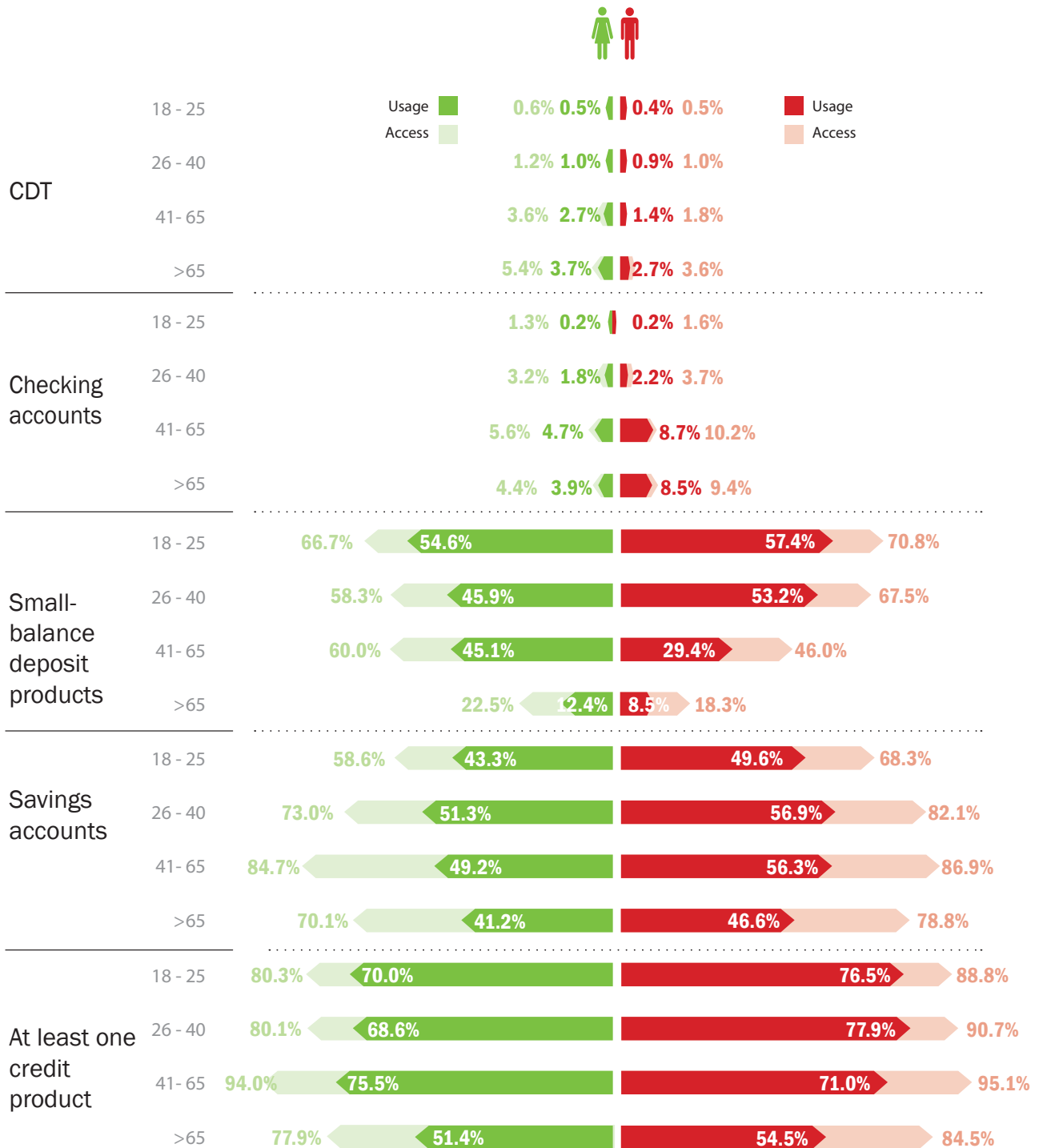
An analysis by gender and age showed that women lagged behind in accessing at least one deposit product, especially in the 26-to-40-year-old age group (10.7 pp) and the 18-to-25-year-old age group (8.5 pp). Similarly, in traditional savings

accounts, the gender gap was greater in these two age groups (Graph 3.6).

It is worth noting that small-balance deposit products were most preferred by younger age groups.¹ Likewise, for adults 41 years of age and older, this product had higher levels of access and usage for women than for men. Checking accounts and certificates of deposit were more likely to be held by older adults. In particular, certificates of deposit were the only bank liability product held by more women than men.

1 One influential factor is that younger groups have a higher degree of digital appropriation than older adults—in particular, people over 65 years of age.

Graph 3.6. Access and usage indicators for deposit products, by gender and age group, per product, 2021



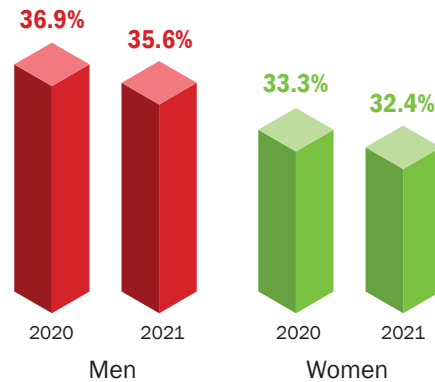
Source: Prepared by FIR team with data from DANE and TransUnion

Credit products

In 2021, men’s and women’s active credit products both decreased—by about 1.3 pp and 0.9 pp, respectively—compared to 2020 (Graph 3.7). In total, **6.32 million** men and **6.25 million** women had an active credit product.

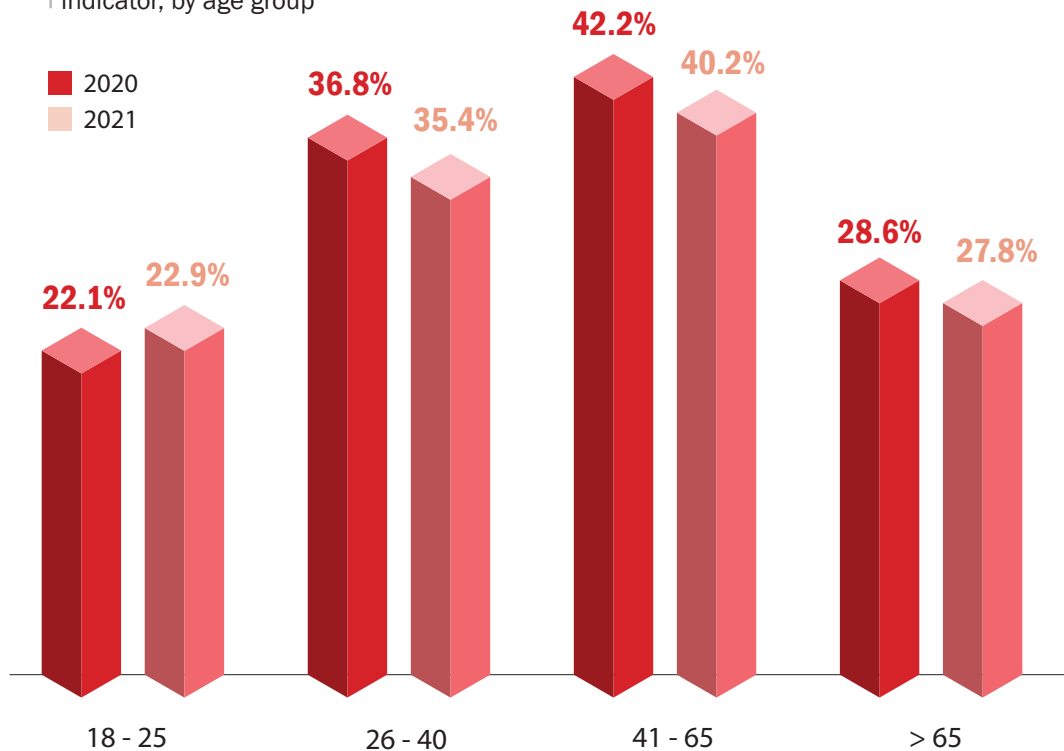
At the same time, all age groups—except for the youngest group—saw a reduction in the number of credit product holdings (Graph 3.8). As of December 2021, **1.6 million** adults between 18 and 25 years of age had at least one credit product, as

Graph 3.7. Credit product access indicator, by gender



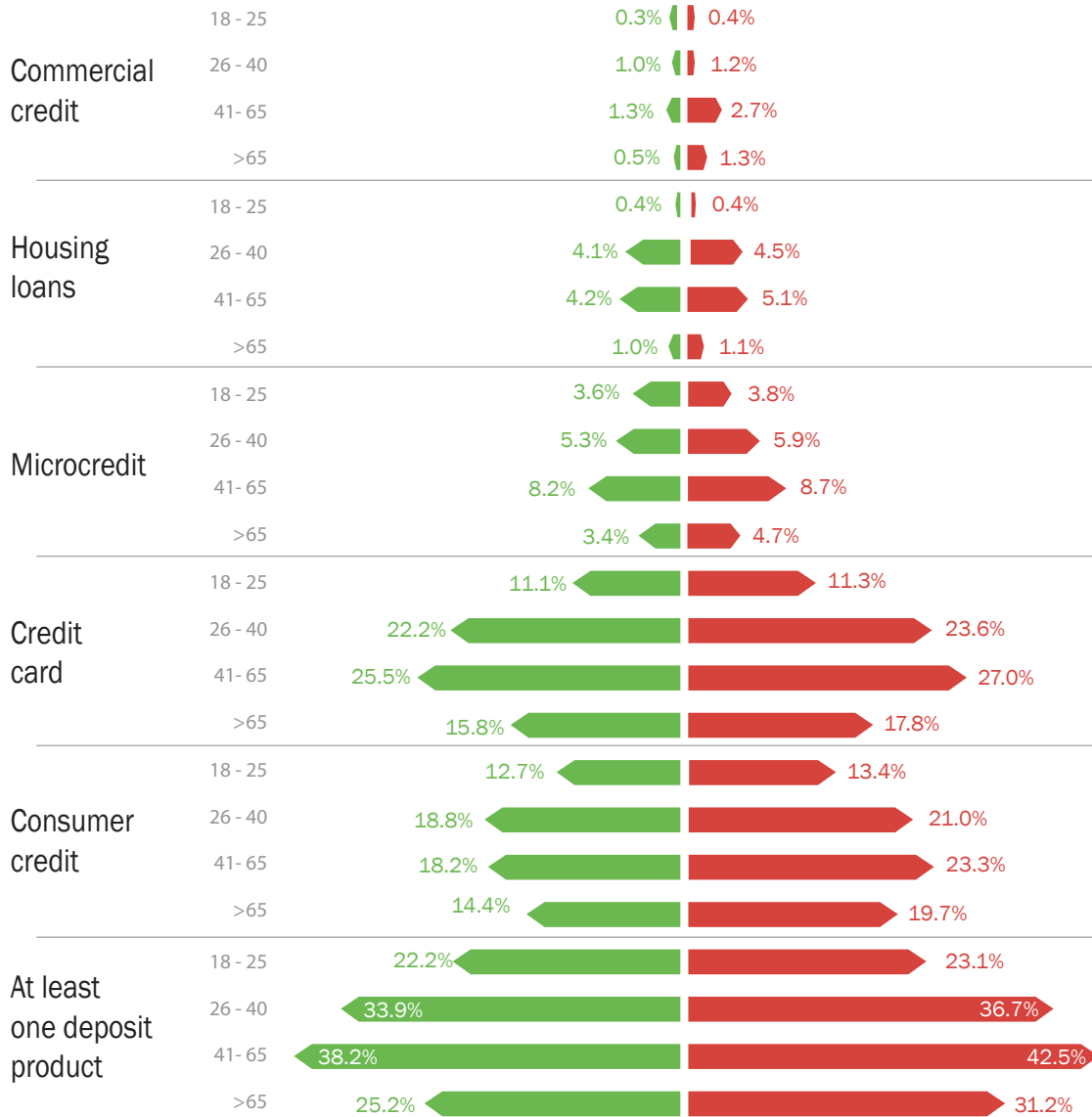
Source: Prepared by FIR team with data from DANE and TransUnion

Graph 3.8. Credit product access indicator, by age group



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

Graph 3.9. Credit product access indicator, by gender and age group, by product type, 2021



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

well as **4.2 million** between 26 and 40 years of age, **5.6 million** between 41 and 65 years of age, and **1.3 million** individuals over 65 years old.

A more disaggregated analysis revealed that the gender gap between those with at least one

active credit product increased among older age groups. The difference was 0.9 percentage points for younger adults and up to 6 pp for those over 65.

By product, consumer credit and credit cards continued to be the most widely held among the different age groups, mainly for adults between 26 and 65 years of age, although credit card holdings increased for adults under 25 years of age. It should be noted that men had greater access than women to all types of credit.

From 2020 to 2021, the number of disbursements for all types of credit increased for both

men and women. In housing and consumer credit, the increases were greater for men; in microcredit and small-amount consumer credit,¹ the increase was greater for women (Table 3.1).

Finally, for all types of credit, the average amount disbursed continues to be higher for men than women.

¹ See inset 3.1

Graph 3.9. | Credit product access indicator, by gender and age group, by product type, 2021

Gender	Type	Indicator	2020	2021	
Women	Microcredit	Number	863,754	1,014,660	
		Average amount (\$)	4,831,802	5,316,691	
	Consumer credit	Number	53,015,764	65,514,067	
		Average amount (\$)	874,918	984,652	
	Housing loans	Number	83,011	123,287	
		Average amount (\$)	101,924,235	110,806,177	
	Small-amount consumer credit	Number	77,340	227,737	
		Average amount (\$)	540,717	865,814	
	Men	Microcredit	Number	622,535	813,499
			Average amount (\$)	6,092,734	6,271,939
Consumer credit		Number	54,059,086	66,006,688	
		Average amount (\$)	1,107,136	1,261,667	
Housing loans		Number	87,425	125,215	
		Average amount (\$)	118,576,398	128,201,971	
Small-amount consumer credit		Number	42,829	67,179	
		Average amount (\$)	654,278	1,154,604	

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

Inset 3.1.

Distribution of small-amount consumer credit, by gender

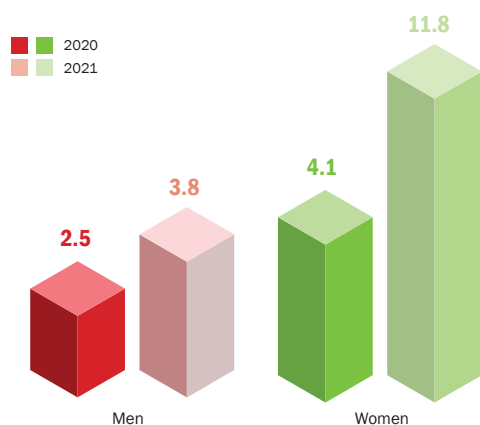
Small-amount consumer credit is a product that aims to ensure that the low-income population with a precarious credit history can access a banking product for the first time. It is worth noting that this type of loan experienced significant growth in terms of disbursements during the last year. In fact, for the 12-month period, the figure rose from 120,169 to 294,916 between 2020 and 2021—an increase of **145.4%** over the last year.

An analysis of the distribution of these loans by gender showed that the indicator for the number of disbursements per 1,000 adults reached 11.8 for women—almost three times the figure reported for men (3.8) (Graph 3.10).

However, men were granted a larger average amount than women. In fact, this value amounted to **\$1.2 million** for men, while it was around \$900,000 for women (Graph 3.11). It should be noted that the average monetary amount grew significantly between 2020 and 2021 for both genders, which may have been connected to the issuance of Decree 222 of 2020 and SFC External Circular 042 of 2020, which raised the ceiling for this type of loan to 6 SMMLV.

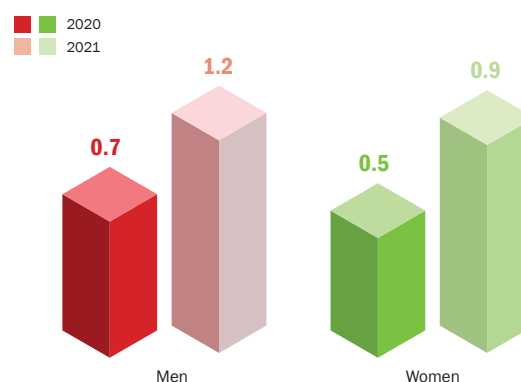
According to the above, it can be concluded that small-amount consumer credit has had a much higher penetration among women. However, on average, a larger monetary amount has been disbursed to men, surpassing the values recorded for women by nearly \$300,000 pesos.

Graph 3.10. Number of small-amount consumer credit disbursements per 1,000 adults over a 12-month period (men vs. women)



Source: FIR team with data from SFC and DANE

Graph 3.11. Evolution of the average amount of small-amount consumer credit disbursements, by gender



Source: FIR team with data from SFC and DANE

4

Physical coverage **financial system**





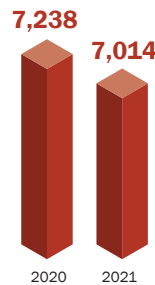
Economic recovery is in full swing and requires an inclusive financial system that provides products and services throughout Colombia—a key factor in reducing the gaps that affect certain population groups.

Although the rise of digitalization and technological tools has improved the financial inclusion of the population previously excluded from the system, connectivity and a presence in the most difficult-to-access areas remain a challenge. Coverage indicators in rural areas have grown significantly, but there are still significant gaps when compared to urban indicators. The coverage of in-person channels is still vital in several areas of Colombia; even in an environment with digital connectivity, not all consumers are willing to carry out transactions using digital channels, due to factors such as distrust or lack of knowledge.

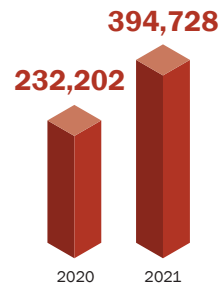
The main indicators of the financial system's physical coverage in Colombia are detailed below, which includes information at the municipal level. In addition, the disaggregated figures are analyzed for rural areas.

Main results

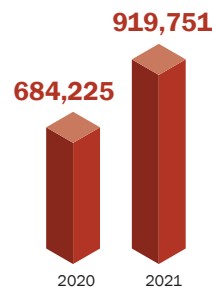
The number of physical branches fell by **3.1%** compared to last year, although the number of municipalities with at least one physical branch rose slightly.



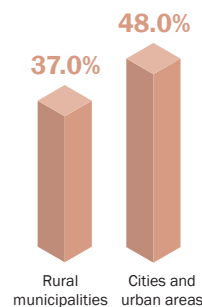
Correspondents continue to lead the way in terms of coverage and improvements in physical coverage. The increase in the total number of correspondents reported is **70%**, strongly driven by outsourced correspondents (with **77%**). This figure takes into account the fact that an outsourced correspondent may provide its services to several financial institutions.



The number of POS terminals reached nearly one million devices, maintaining the growing trend of previous years, while the number of ATMs decreased.



At all levels of rurality, there were improvements in the financial system's coverage, although the indicators continue to be better in the cities. The number of physical locations in rural municipalities grew **37%**; in urban areas and medium-sized municipalities, it increased **48%**.



Financial coverage

Branches

In 2021, physical branches continued a downward trend, in line with the increased use of digital channels. The total number of branches decreased by **3.1%** annually, from 7,238 in December 2020 to 7,014 at the end of 2021.

In 92 municipalities in Colombia, the number of branches decreased, including in large cities such as: Bogotá (62), Medellín (35), Cali (29), Bucaramanga (13), and Barranquilla (8). Likewise, the municipality of Dibulla in La Guajira had a branch in 2020, but no data was recorded in 2021. Another 742 municipalities had no varia-

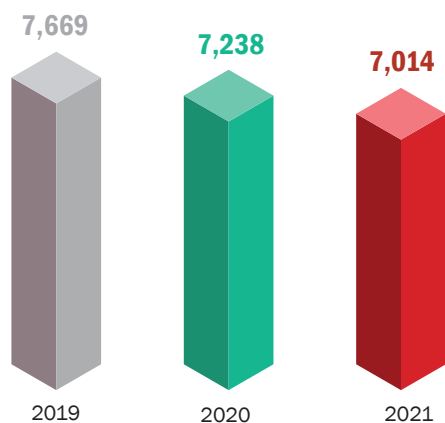
tion in branch coverage, while 36 municipalities presented an increase. In fact, in 2021, branches were opened in three municipalities (Hatonuevo-La Guajira, Cáceres and Buriticá–Antioquia) that did not have a branch in 2020. Of the 36 municipalities in which branch coverage increased, 11 are rural or dispersed rural municipalities, and 11 are in medium-sized municipalities.

Although the total number of branches fell at the national level, more municipalities had at least one branch (869) in 2021 compared to 2020 (867). This means that **78.8%** of municipalities have at least one branch. In particular, **73.4%** of rural or dispersed rural municipalities (469) had at least one branch, while **87.6%** of cities had one.

A calculation of the branch coverage density in 2021 relative to the adult population revealed that the national average is 1.9 branches per 10,000 adults—**4.8%** lower than the figure recorded in 2020. However, 440 municipalities' indicators surpass this number, with most of them corresponding to the rural and dispersed rural categories.

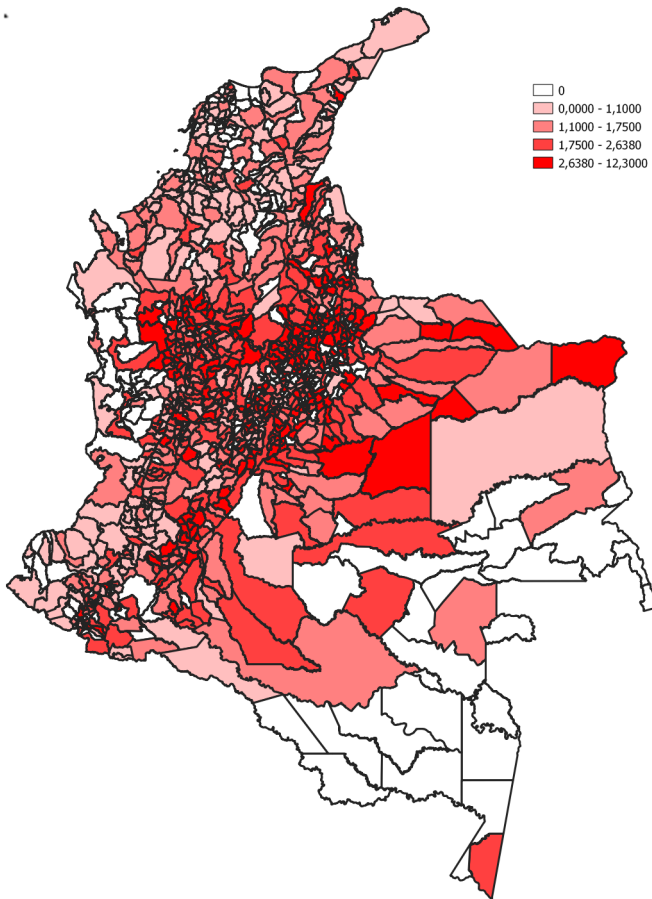
The municipality with the highest number of branches per 10,000 inhabitants is San Juanito (Meta), with 12.3. Bogotá has an indicator of 2.2 branches per 10,000 inhabitants, while Medellín's

Graph 4.1. Evolution of the number of branches—national total, 2019-2021



Source: FIR team based on SFC Form 322 and information reported by financial credit unions overseen by the SES and microfinance NGOs

Map 4.1. Number of branches per 10,000 adults, by municipality, 2021



↗ Source: FIR team based on SFC Form 322 and information reported by financial credit unions overseen by the SES and microfinance NGOs

indicator is 2.3 and Cali's is 2.3. Map 4.1 shows the indicator's spatial distribution.

At the national level, the density indicator went from 6.3 in 2020 to 6.1 branches per 1,000 km²

in 2021—a decrease of **3.1%**. When analyzed by municipality, the capital cities and their surrounding municipalities show the best indicators, due to their relatively small size compared to the number of registered branches. Apart from those with no branches, the municipality with the lowest indicator has 1 branch for more than 65,000 km² (Cumaribo, Vichada), and the one with the highest indicator has 44 branches in 17 km² (Itagüí, Antioquia).

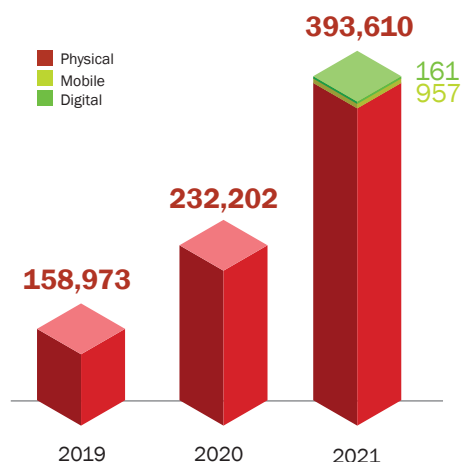
Correspondents

Correspondents continue to increase their presence at the national level, and their coverage has increased with the introduction of mobile and digital correspondents (see inset 4.1). The data as of December 2021 reported 394,728 correspondents—of which 957 are mobile and 161 are digital. This represents a **70%** increase compared to the total number of physical locations recorded the previous year; this is mostly due to the increase in outsourced correspondents.¹ In this case, the same physical location is counted more than once in the aggregate report of outsourced correspondents.²

Coverage through this channel increased in **98%** of Colombia's municipalities, with growth exceeding **100%** in 162 of them. Only two municipalities recorded a reduction in the number of

- 1 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.
- 2 In this regard, some analyses based on a sample of correspondent aggregators have placed the percentage of unique outsourced correspondents close to **36%** and indicate that this phenomenon is more frequent in urban areas (Marulanda Consultores (2020). Country Analysis on CI/CO Networks: COLOMBIA. CGAP).

Graph 4.2. Evolution of the number of correspondents—national total, 2019-2021



Source: FIR team based on SFC Form 534 and information reported by financial credit unions overseen by the SES and microfinance NGOs

correspondents in 2021, while four had the same number of correspondents as in the previous year, maintaining their overall coverage.

However, the correspondents' activity at the national level decreased compared to 2020, which is in line with the trend in recent years. Of the correspondents supervised by the SFC,³ 59.5% were reported with activity in the last three months, compared to the previous year's figure of 68.6%.

Additionally, when broken down by type of correspondent, outsourced correspondents grew 77.7% year-on-year, reaching 361,700 (91.7% of the total), while self-operated correspondents grew 14.9%, reaching 32,699 (8.3% of the total). Outsourced correspondents continue to grow at a higher rate, increasing their share each year. The percentage of outsourced correspondents is higher in cities than in rural municipalities; however, it has been growing in all categories.

Density-to-population indicators calculated for active correspondents showed significant improvement, from 43.7 correspondents per 10,000 inhabitants in 2020 to 63.3 in 2021—an increase

Table 4.1. Number of outsourced correspondents as a percentage of total correspondents, by level of rurality, 2019-2021

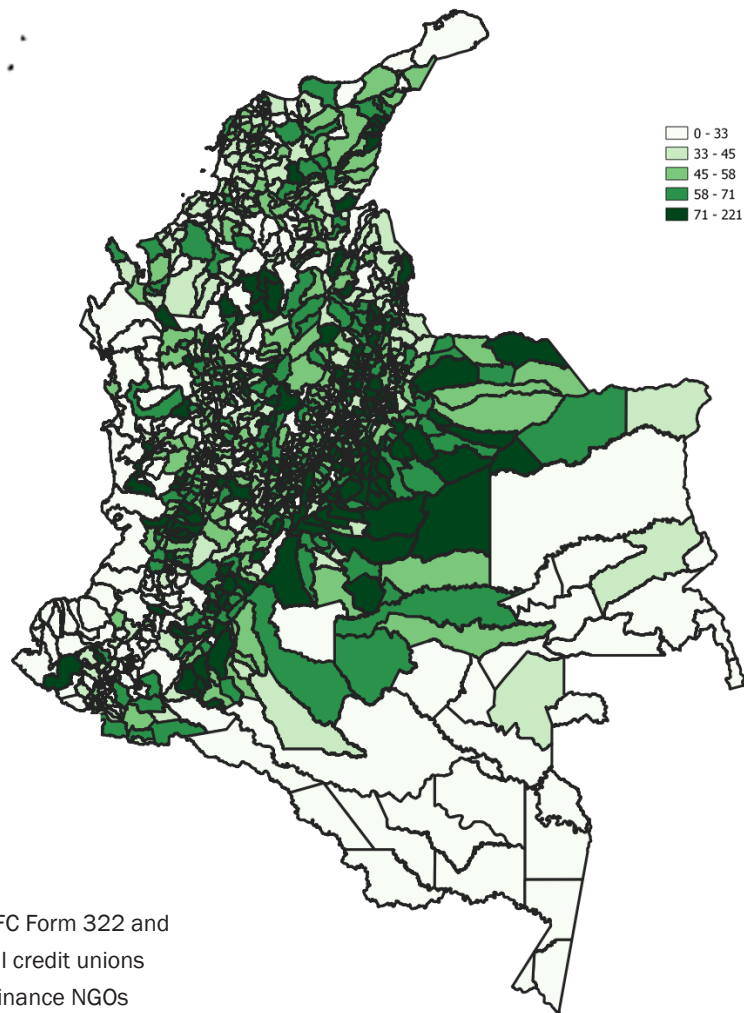
	2019		2020		2021	
	Self-operated	Outsourced	Self-operated	Outsourced	Self-operated	Outsourced
Cities and urban agglomerations	14.1 %	85.9 %	11.0 %	89.0 %	7.5 %	92.5 %
Medium-sized municipalities	19.3 %	80.7 %	15.7 %	84.3 %	9.9 %	90.1 %
Rural areas	21.0 %	79.0 %	16.6 %	83.4 %	11.4 %	88.6 %
Dispersed rural areas	20.2 %	79.8 %	15.2 %	84.8 %	10.9 %	89.1 %

Source: FIR team based on SFC Form 534 and information reported by financial credit unions overseen by the SES and microfinance NGOs

³ 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.

Map 4.2.

Number of active correspondents per 10,000 adults, by municipality, 2021



Source: FIR team based on SFC Form 322 and information reported by financial credit unions overseen by the SES and microfinance NGOs

of **45%**. As for municipalities, 347 of them have an indicator above the national average, reaching more than 220 active correspondents per 10,000 inhabitants in the best cases. The 10 municipalities with the best correspondent coverage relative to their population are: San Juanito and El Calvario (Meta), Chameza and Sabanalarga (Casanare), Palmar (Santander), Sativasur and Santa María (Boyacá), Armenia and Abriaquí (Antioquia), and Santa Rosalía (Vichada). All of them are rural or dispersed rural, except for Palmar.

Looking at the indicator in terms of distribution throughout Colombia, the number of active correspondents reached 205 per 1,000 km²—**47.4%** higher than the previous year. As in the case of branches, the capital cities and their nearby municipalities have the highest indicators for correspondents' physical coverage. Itagüí has the highest indicator—with 1,222 active correspondents for 17 km²—and Taraira, Vaupés has the lowest, with two active correspondents for 6,619 km².

Inset 4.1. Mobile and digital correspondents

Bringing financial system products and services to difficult-to-access and/or low connectivity areas—especially in rural areas—has been one of the greatest challenges to financial inclusion. Indicators still show some lags in rural coverage. In order to mitigate this gap, Decree 222 of 2020 established two channels to facilitate the financial system’s coverage: mobile correspondents and digital correspondents.

Mobile correspondents are service centers that provide financial services and operate on an itinerant basis without the need to have a fixed location (e.g., a commercial establishment) nor an ongoing connection to a data network. Therefore, they can operate offline and report

their operations at the end of the day—an excellent option for areas with limited communication network coverage.

By the end of 2021, there were 957 mobile correspondents, 872 of which were reported as active. At year-end, five financial institutions are using the channel; 770 are self-operated correspondents and 187 are outsourced correspondents.

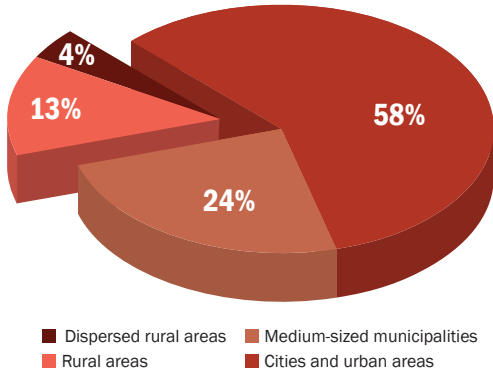
The implementation of these correspondents has been growing at the national level. It is worth noting that in departments where gaps in financial inclusion and coverage have been identified—including Magdalena, Bolívar, Sucre, and Cesar, among others—there are already significant changes.

Table 4.2. Number of municipalities with mobile correspondents, by department, 2021

Department	Number of municipalities with at least one mobile correspondent	Department	Number of municipalities with at least one mobile correspondent
Santander	23	Córdoba	4
Bolívar	13	Nariño	2
Magdalena	12	Quindío	2
Cesar	12	Tolima	1
Boyacá	10	San Andrés, Providencia, and Santa Catalina Archipelago	1
Norte de Santander	9	Chocó	1
Sucre	9	Risaralda	1
Antioquia	7	Caldas	1
Meta	6	Huila	1
Valle del Cauca	5	Cauca	1
Cundinamarca	5	Bogotá, D.C.	1
Atlántico	4		

↗ Source: FIR team based on SFC Form 534

Graph 4.3. | Percentage share of mobile correspondents, by level of rurality, 2021



Source: FIR team based on SFC Form 534

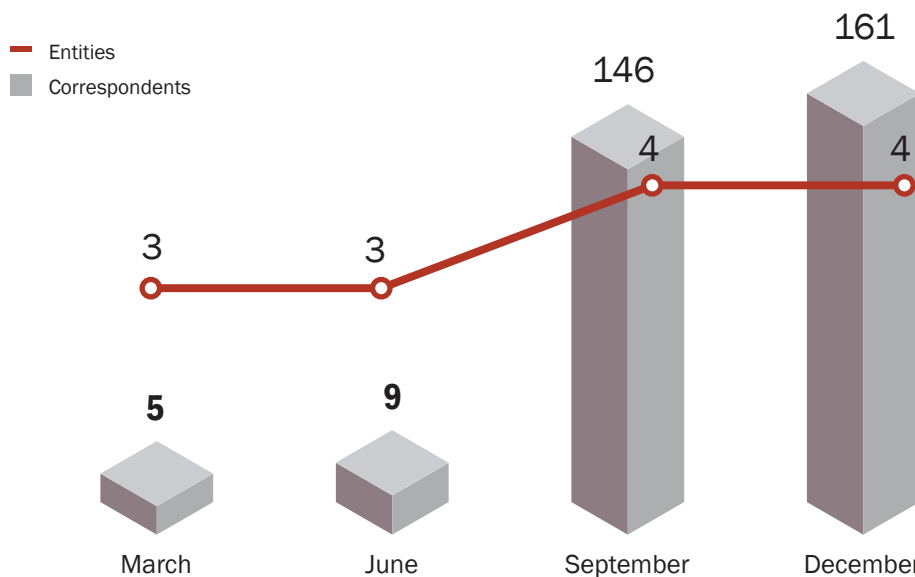
At the department level, although the presence of mobile correspondents may be incipient and/or concentrated in one municipality, several departments already have significant coverage.

In terms of the level of rurality, **58%** of these mobile correspondents are located in urban municipalities and **18%** in rural and dispersed rural areas.

Furthermore, digital correspondents are devices through which a third party provides the financial customer with access to a web or mobile application which connects to the financial institution's network so that the consumer can use its services. This makes its operation entirely digital and facilitates interaction with other tools such as mobile wallets, bank applications, bank websites, etc., allowing financial services to be provided at lower operating costs.

The implementation of this type of device has been growing little by little; in fact, there are already 161 correspondents registered with four financial institutions. Of this total, 133 correspondents were active as of December 2021. In turn, 157 were reported as outsourced and 4 as self-operated.

Graph 4.3. | Percentage share of mobile correspondents, by level of rurality, 2021



Source: FIR team based on SFC Form 534

Although the traditional correspondent channel has made it possible to reach all of Colombia’s municipalities, these new instruments will make it possible to reach the so-called “last mile” and increase coverage in areas far from municipal capitals at lower costs, allowing more and more individuals to easily and securely access the formal financial system.

With the issuance of External Circular 002 of 2021, the Financial Superintendence determined the guidelines under which overseen entities interested in implementing these channels must operate, highlighting

compliance with security standards and the duty to inform financial consumers. In the case of credit unions overseen by the Superintendence of Solidarity Economy, Chapter VIII of Title II of the Basic Accounting and Financial Circular contains instructions for the provision of services through correspondents, including mobile and digital correspondents.

Approximately one year after the authorization and issuance of the conditions for operating the correspondents, entities are showing an increased interest in implementing these channels.

POS terminals

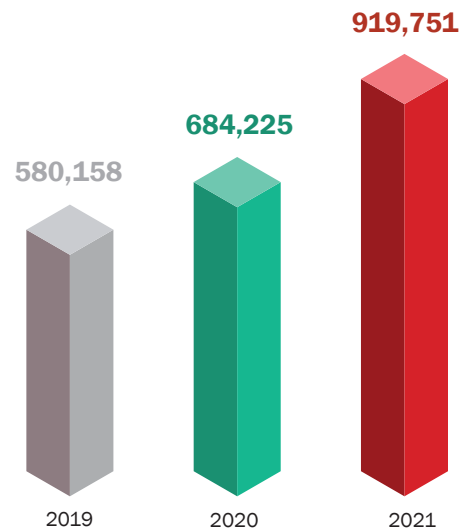
The figures for the end of 2021 show a total of 919,751 throughout Colombia—a **34.4%** increase compared to the previous year. This type of device has become increasingly popular, driven by technology that speeds up its adoption by retailers due to simpler equipment—in terms of size and need for connections—that is portable and has QR and contactless technology, among other advances.

The density-to-population ratio reached 248 devices per 10,000 adults in 2021, which is **32.1%** higher than in 2020. Likewise, in the last year, the number of POS terminals per 1,000 km² increased from 599 to 805.

ATMs

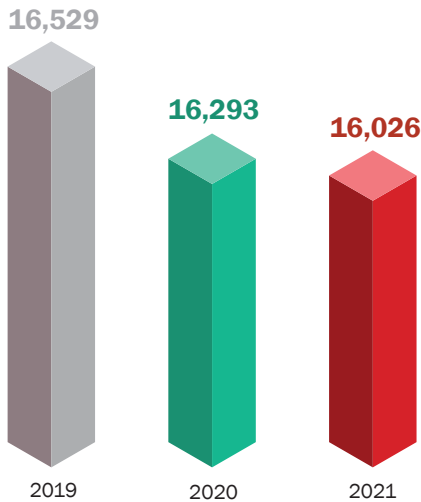
Additionally, the number of ATMs reached 16,026 throughout Colombia, with an annual variation of **-1.6%**. The number of devices per 10,000 adults fell from 4.5 in 2020 to 4.3 in 2021 (a decrease of **3.3%**), while the number of ATMs per 1,000 km² fell from 14.3 to 14 (a decrease of **1.7%**) in the last year.

Graph 4.5. | Number of POS terminals nationwide, 2019-2021



Source: FIR team based on SFC Form 444

Graph 4.6. | Number of ATMs nationwide, 2019-2021



Source: FIR team based on SFC Form 444

Total physical access points

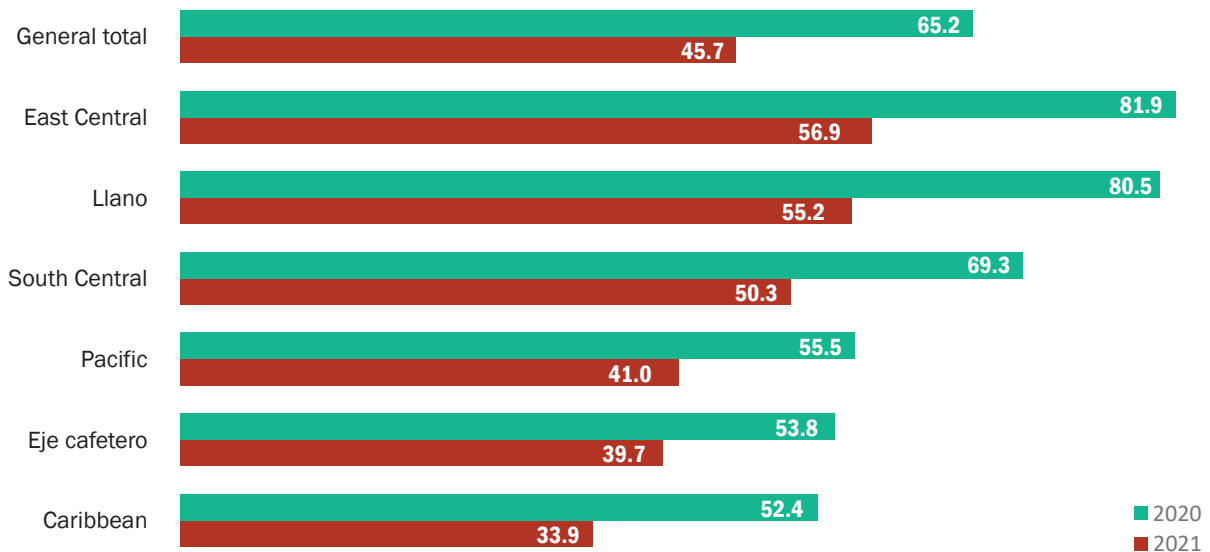
In 2021, the financial system’s various physical locations, including branches, correspondents, ATMs, and POS terminals, totaled 1,337,519—an increase of **42.3%** compared to 2020.

394,728 CORRESPONDENTS	7,014 BRANCHES
919,751 POS TERMINALS	16,026 ATMs

In terms of population, the number of locations per 10,000 adults increased from 258 to 361 in 2021—an increase of **38.8%**—while on average, there are 1.171 points per 1,000 km²—**42.3%** more than in 2020.

For the regional analysis of physical locations, data were taken from active branches and correspondents. The figures show that all regions had significant increases in the density of physical locations per 10,000 inhabitants, especially in the Caribbean and Llanos regions, where

Graph 4.7. | Number of the financial system’s physical locations per 10,000 adults, by region



Source: FIR team with data from SFC and DANE

the number of physical locations increased by **54.4%** and **45.8%**, respectively.

When analyzed by level of rurality, there was a significant increase in the number of physical locations in all areas, especially in cities and urban agglomerations. However, there was also a positive trend in the number of locations in rural and dispersed rural areas, with variations of **35.1%** and **34.4%**, respectively. Thus, the percentage of physical locations located in cities and urban agglomerations represents **74%** of the total, with **14.6%** in medium-sized municipalities, **7.6%** in rural areas, and **3.9%** in dispersed rural areas.

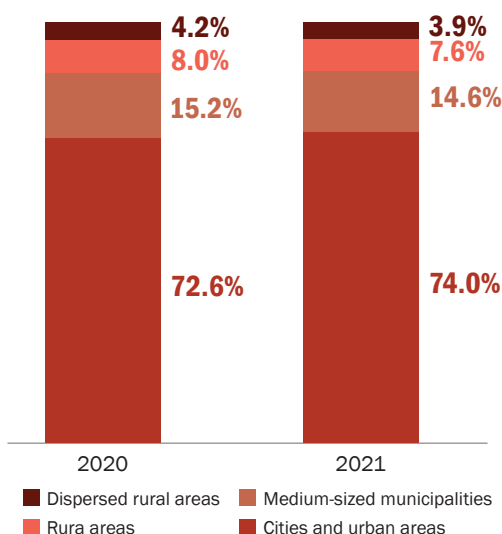
The expansion of physical coverage is reflected in the increased density indicator of locations per inhabitant, which rose at all levels of rurality, with a greater emphasis on cities.

As for the municipal breakdown, compared to the previous year, **89.7%** of the municipalities experienced

an increase or maintained their indicator regarding the number of locations per 10,000 adults; conversely, the indicator decreased for **6.9%** of municipalities. Map 4.3 shows the distribution of annual percentage variations, with the light shades showing the greatest increase and the dark shades showing the greatest decrease in coverage (measured by the density indicator). In this regard, **56%** of the municipalities that improved their indicators are in the rural or dispersed rural categories.

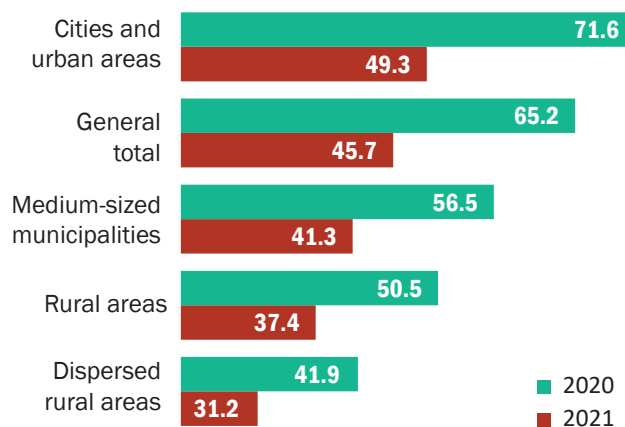
Furthermore, Map 4.4 shows the distribution of municipalities according to the indicator representing the number of physical locations per 10,000 inhabitants. In accordance with the aggregate indicator by rurality, despite significant increases, the greatest challenges in coverage are found in municipalities located in the south-eastern and western regions of Colombia. It should also be noted that a large percentage of these municipalities are rural.

Graph 4.8. Proportion of the financial system's physical locations, by level of rurality, 2020–2021



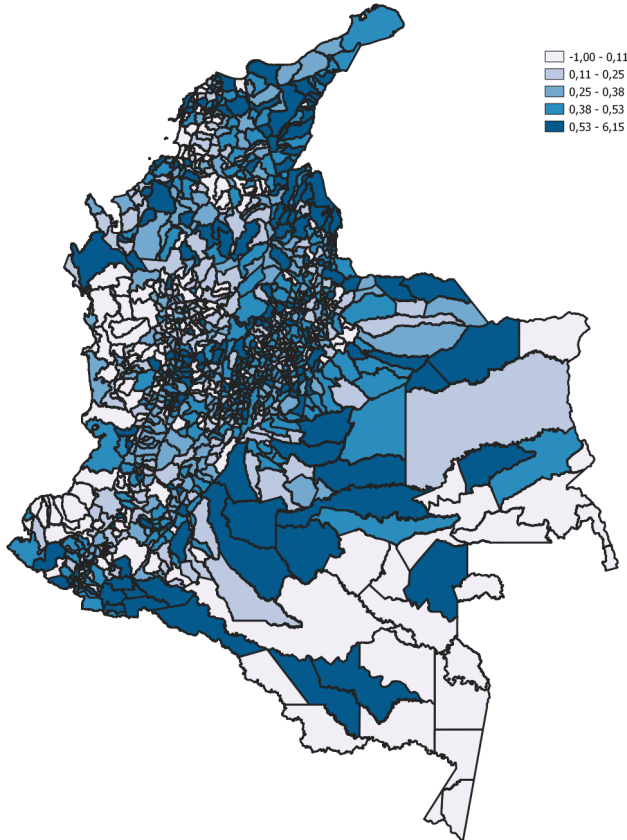
Source: FIR team with data from SFC and DANE.

Graph 4.9. Number of the financial system's physical locations per 10,000 adults, by level of rurality



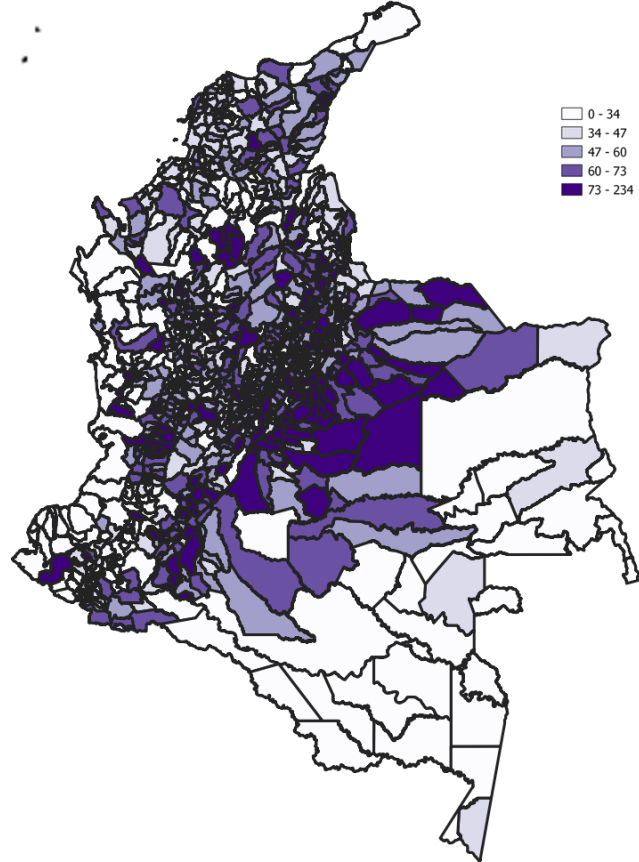
Source: FIR team with data from SFC and DANE

Map 4.3. Annual variation (%) in the financial system's physical locations, by municipality



Source: FIR team with data from SFC and DANE

Map 4.4. Number of the financial system's physical locations per 10,000 adults, by municipality



Source: FIR team with data from SFC and DANE

Inset 4.2. Vulnerability indicator in the financial system's physical coverage

The physical coverage figures continue to grow and most municipalities show notable improvements, but variations between Colombia's different geographic areas and levels of rurality remain. Based on the findings in the 2018 edition (see the report's inset "Vulnerable Financial Coverage") and 2020 edition (see report's inset 4.5) of the Financial Inclusion Report, an exercise was conducted in order to analyze these issues and establish a score

indicating each municipality's degree of vulnerability in the system's physical coverage, some common factors between municipalities with similar levels of vulnerability, and an idea of possible determining factors.

Initially, the set of variables to be analyzed was related to financial system coverage as well as other factors that can be related to vulnerability yet are not direct measures of coverage. The following table shows the variables included:

Table 4.3. | Vulnerability analysis variables in financial coverage, 2021

Related to coverage	Other factors
Branches per 10,000 inhabitants	ICT coverage: Each municipality's scores were established based on mobile phone coverage by type of technology (2G, 3G, HSPA +, HSPA + DC, and LTE) according to each provider's data on mobile coverage by technology, department, and municipality as of 2020, provided by the Ministry of Information and Communication Technology (MinTIC, as per its acronym in Spanish), available on the open data website.
Active correspondents per 10,000 inhabitants (does not include Banco Agrario) ¹	Distance: linear distance (km) from the municipality's center to the respective department's capital center.
Percentage of outsourced correspondents	Municipal value added. Source: DANE.
Rurality	Level of rurality, qualified with numbers between 1 (cities and urban agglomerations) and 4 (dispersed rural municipalities).

- 1 Since the aim was to analyze the impact of private banking, Banco Agrario—a Colombian state-run agriculture development bank—was not included.

An analysis of the main components was carried out using the defined data set. The resulting linear combinations do not correlate with each other due to the variability of the data; as such, the factors were weighted in order to obtain a synthetic indicator that demonstrates the degree of vulnerability in financial coverage.

Two components were obtained using this methodology; the first is for ICT coverage and municipal value added (as a proxy for economic activity) (positive) versus level of rurality and distance from the capital (negative). In the second component, the most significant factors are the density of branches and correspondents (positive), and the percentage of outsourced correspondents (negative). Graph 4.10 shows the distribution of eigenvalues in each component. For example, ICT coverage has a relatively high value in the first component (horizontal axis), indicating that it is significant and its effect is positive;

however, for the second component (vertical axis), its effect is much less significant (close to zero). Taking into account the eigenvalues associated with each variable, the vertical axis can be linked to factors directly related to system coverage and the horizontal axis to “external” phenomena that determine it.

These calculations produced an indicator that reveals financial coverage vulnerability with scores that were standardized to values between 0 and 1, where 0 corresponds to the municipality with the highest vulnerability and 1 to the lowest. Grouping municipalities by levels of rurality reveals that, on average, rural and dispersed rural municipalities have a higher degree of vulnerability, while capital cities registered the best scores—indicating the least vulnerability.

Likewise, plotting the municipal scores grouped by quintiles on a map resulted in the following spatial distribution:

Tabla 4.4. Average synthetic indicator of financial coverage vulnerability, by rurality, 2021

Rurality	Average score Synthetic Vulnerability Indicator
Cities and urban agglomerations	0.50
Medium-sized municipalities	0.39
Rural areas	0.30
Dispersed rural areas	0.23

Source: Prepared by the FIR team

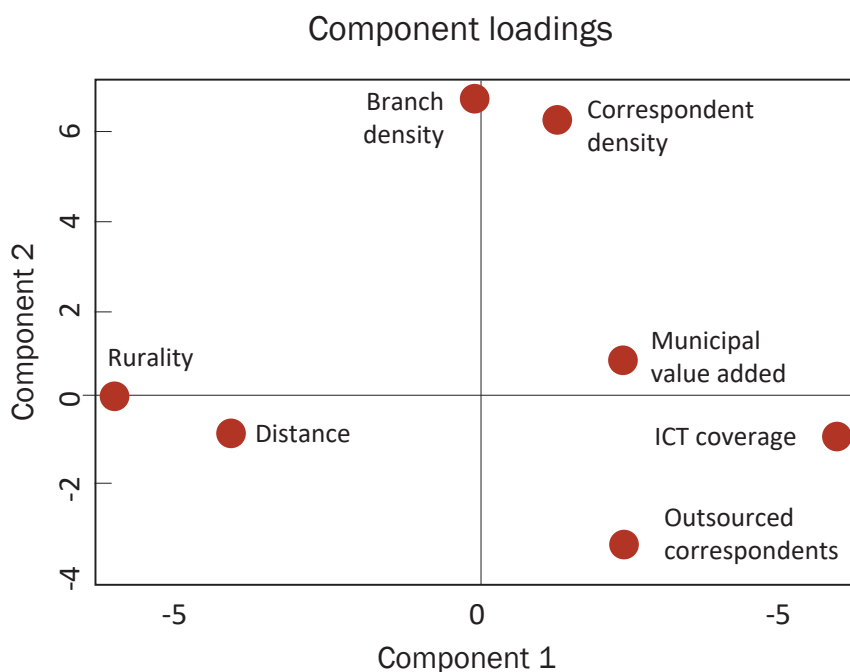
As noted in the eigenvalue graph, the variables “rurality” and “distance” have a significant negative effect, indicating that as rurality and the distance from the capital

increase, the vulnerability score drops, meaning vulnerability increases. The results shown in the map confirm this, given that—similar to the coverage indicators—rural areas and those located on Colombia’s periphery are more vulnerable. This condition includes difficulties in telecommunications coverage and greater distances to travel from the capital cities, which makes it more costly to reach the “last mile.”

In fact, ordering the municipalities by their vulnerability indicator score highlights that, in addition to being rural, those with the lowest scores—i.e., the most vulnerable—are also among the worst rated in the ICT and distance variables.

Finally, when grouped by department, the highest averages of the financial coverage vulnerability indicator are in Bogotá—which has the highest score—followed by Atlántico, San Andrés, Quindío, and Valle. On the other hand, those ranked among the most vulnerable were Vaupés, Vichada, and Guainía:

Graph 4.10. Eigenvalue estimates, by component



Source: Prepared by the FIR team

Table 4.4. | Average synthetic indicator of financial coverage vulnerability, by rurality, 2021

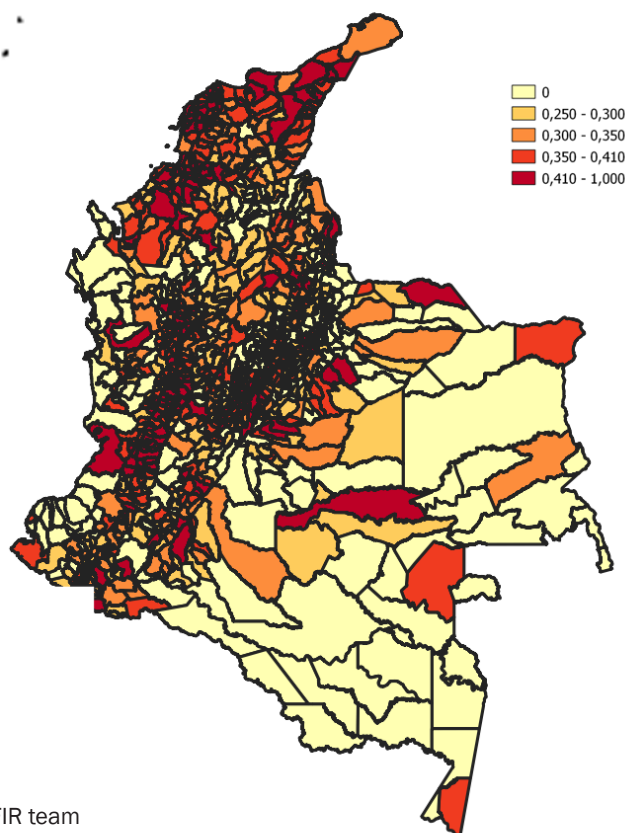
Municipality	Department	Vulnerability score	Vulnerability ranking	Distance ranking	ICT ranking	Rurality
Magüi	Nariño	0.17	1,083	1,024	1,097	Dispersed rural municipalities
Unguía	Chocó	0.17	1,084	1,073	1,080	Dispersed rural municipalities
Bajo Baudó	Chocó	0.16	1,085	1,021	965	Dispersed rural municipalities
Santa Bárbara	Nariño	0.16	1,086	1,075	887	Dispersed rural municipalities
San Jacinto del Cauca	Bolívar	0.16	1,087	1,053	1,060	Dispersed rural municipalities
Coper	Boyacá	0.16	1,088	849	993	Dispersed rural municipalities
La Primavera	Vichada	0.16	1,089	1,096	823	Dispersed rural municipalities
Carurú	Vaupés	0.15	1,090	1,031	1,089	Dispersed rural municipalities
El Charco	Nariño	0.15	1,091	1,085	677	Dispersed rural municipalities
El Carmen	Norte de Santander	0.14	1,092	1,033	1,103	Dispersed rural municipalities
Miraflores	Guaviare	0.14	1,093	1,076	1,098	Dispersed rural municipalities
Carmen del Darién	Chocó	0.14	1,094	1,084	980	Dispersed rural municipalities
Norosí	Bolívar	0.14	1,095	1,092	1,034	Dispersed rural municipalities
Riosucio	Chocó	0.14	1,096	1,098	867	Dispersed rural municipalities
La Macarena	Meta	0.13	1,097	1,052	1,016	Dispersed rural municipalities
Leguízamo	Putumayo	0.12	1,098	1,103	824	Rural municipalities
Mosquera	Nariño	0.12	1,099	1,097	1,029	Dispersed rural municipalities
Juradó	Chocó	0.12	1,100	1,099	1,015	Dispersed rural municipalities
Taraira	Vaupés	0.11	1,101	1,100	1,102	Dispersed rural municipalities
Cumaribo	Vichada	0.07	1,102	1,102	1,090	Dispersed rural municipalities

↗ Fuente: Prepared by FIR team

Table 4.5. Synthetic indicator of vulnerability in financial coverage, municipalities with lowest score in 2021

Department	Average score	Department	Average score	Department	Average score
Bogotá, D.C.	1.00	Magdalena	0.36	Santander	0.31
Atlántico	0.47	Cesar	0.34	Caquetá	0.31
Quindío	0.44	Antioquia	0.34	Casanare	0.30
Archipiélago de San Andrés	0.43	Bolívar	0.33	Amazonas	0.30
Valle del Cauca	0.42	Cauca	0.33	Meta	0.30
La Guajira	0.40	Huila	0.32	Boyacá	0.29
Sucre	0.40	Tolima	0.32	Guaviare	0.28
Risaralda	0.39	Putumayo	0.32	Chocó	0.25
Caldas	0.38	Arauca	0.31	Vaupés	0.21
Córdoba	0.38	Nariño	0.31	Vichada	0.19
Cundinamarca	0.36	Norte de Santander	0.31	Guainía	0.18

Source: Prepared by the FIR team

Map 4.5. Synthetic indicator of financial coverage vulnerability, by municipality

Fuente: Prepared by FIR team

5 Transaction dynamics of the financial system





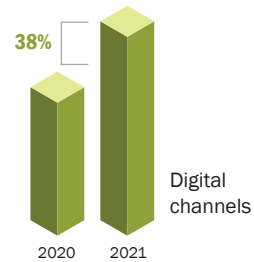
The pandemic accelerated the digitalization processes and led to a change in how users interact with the financial system. Digital products have been appropriated and are already commonly used by many segments of the population, which contributes to the creation of a digital transaction ecosystem.

Transaction figures for the financial system have shown significant growth in digital channels, with mobile and internet banking leading the way. In fact, the population-based indicators show their increased use.

This chapter summarizes the most significant transactional indicators—with an emphasis on digital channels—and details the evolution of transactional financial products (savings accounts and small-balance deposit products).

Main results

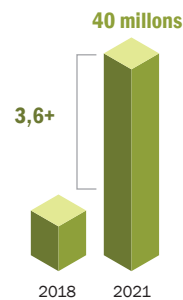
Monetary transactions through digital channels (mobile banking, internet, and audio response) increased **38%** in the last year—the main driver being mobile banking.



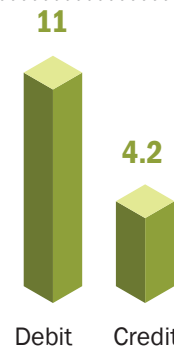
So far in 2021, for every adult who has at least one financial product, about **145** monetary transactions of all types were made. This figure was **22%** higher than in the previous year.



The number of small-balance deposit products now exceeds 40 million—more than **3.6** times the number from 4 years ago. The most frequent transactions related to this product are received transfers (**34%**), withdrawals (**25%**), and sent transfers (**24%**).



The number of debit cards reached **11** for every **10 adults**, and the number of credit cards reached **4.2 cards** per 10 adults.



Transactions by channel type

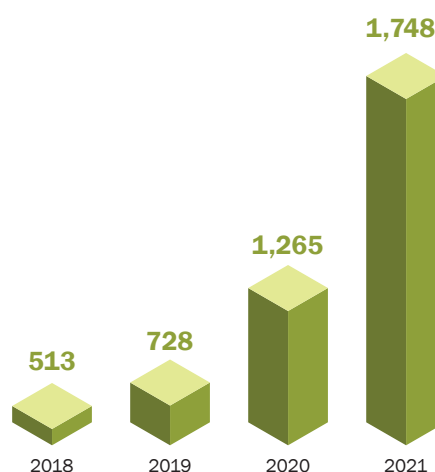
Digital transactional channels¹ continue to grow and are becoming more users' preferred method for carrying out their transactions, although a significant number are still carried out in person.

In 2021, a total of **11.16 billion** transactions were made—**4,895 billion** of which were monetary²—totaling **\$9,198 trillion** pesos. Meanwhile, the number of non-monetary transactions—which are essentially balance inquiries made mostly through mobile and internet banking—reached **6,265 million**.

The number of monetary and non-monetary transactions through the three digital channels corresponded to **70.9%** of all transactions, while the figure for monetary transactions alone was **35.7%**. However, the increase in this last figure has been significant, since before the pandemic this share corresponded to **21.1%**. In terms of the monetary amount of transactions, **48.2%** took place through digital channels, compared to **42%** in 2019.

Digital channels saw an increase of **38.2%** in the number of monetary transactions (**1,748 billion** operations), while non-digital channels increased by **24.5%**, reaching **3,147 billion** transactions.

Figure 5.1. Number of monetary transactions by channel type (millions), 2018-2021)



Source: Prepared by FIR team with data from the Financial Superintendence

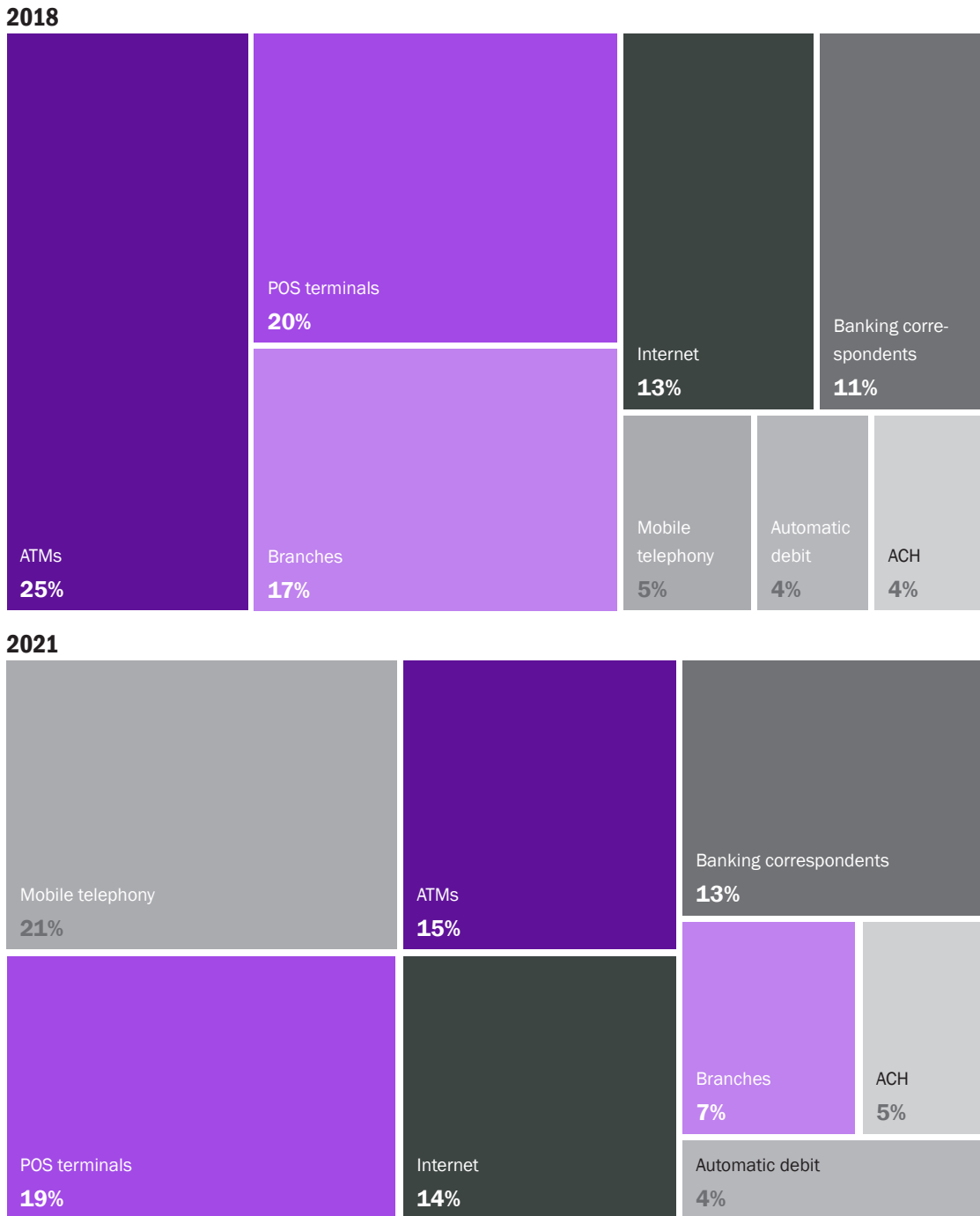
Meanwhile, monetary transactions carried out by mobile telephony led the digital channels—reaching more than **1 billion**, with an annual growth of **71.9%**—while Internet transactions reached **703 million** operations, an increase of **7.2%**. An analysis of the percentages shows an increase in the mobile banking channel, from representing **5%** of transactions four years ago to **21%** this past year.

As for non-digital channels, the greatest increase was observed in POS terminals—which

¹ This category included mobile banking, internet, and audio response transactions.

² This refers to all transactions, handling, and money transfers made by the entities' customers and/or users.

Graph 5.2. | Share of total number of monetary transactions, by channel



Source: Prepared by FIR team with data from the Financial Superintendence

rose **40%** (945 million transactions)—and in correspondents, which increased **36.5%** and recorded 660 million monetary transactions. It is worth not-

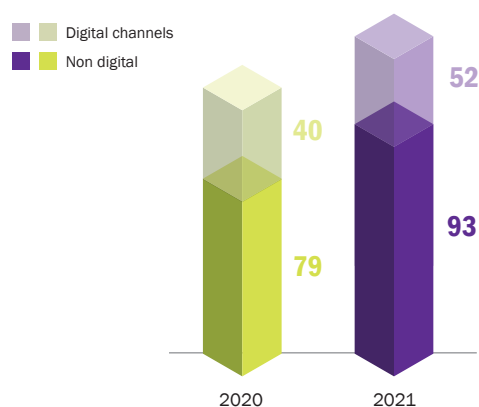
ing that monetary transactions in branches and ATMs continued to grow (**9.1%** and **7.3%**, respectively) after declines in both channels in 2020.

Transactional indicators per adult

An analysis of the relationship between the number of transactions and the number of people with access to the financial system showed that, on average, for every adult who has at least one financial product, there were approximately 145 monetary transactions made (of all types), which represented an increase of **22%** between 2020 and 2021. Of these transactions, almost 52 corresponded to digital channels, while 93 were non-digital—an increase from the previous year's figures of 40 and 79 transactions, respectively.

By transaction type, each product holder made an average of approximately 33 transfers, 25 withdrawals, and 25 payments per year. The least frequent transactions are money orders and deposits, with less than 5 per year.

Graph 5.3. Number of monetary transactions per financial product holder, by channel type, 2020-2021



Source: Prepared by FIR team with data from the Financial Superintendence

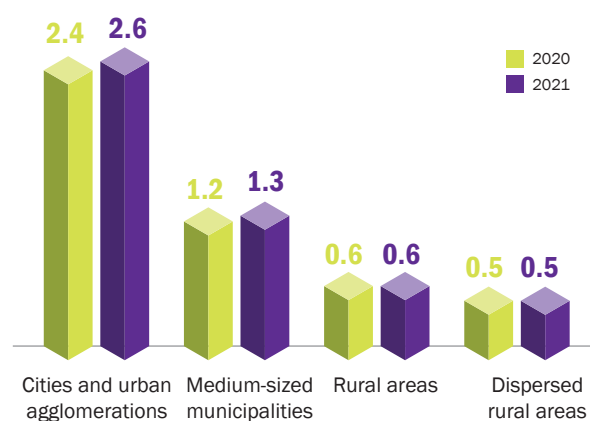
Dynamics of transactional products

By the end of 2021, the total number of savings accounts reached **75 million** (including entities overseen by the SFC and the SES)—nearly **4.5 million** more accounts than in 2020. Of these accounts, **39.2%** of them were active, which shows that there are still challenges in using them.

By level of rurality, between 2020 and 2021, the number of savings accounts increased in cities and urban agglomerations (**6.9%**) as well as in medium-sized municipalities (**7.9%**). In contrast, there was a contraction in the number of such accounts in the rural (**3.4%**) and dispersed rural (**5%**) sectors.

In cities, these variations increased the number of accounts per adult from 2.4 in 2020 to 2.6 in 2021 (Graph 5.4). In the case of medium-sized

Graph 5.4. Savings accounts per adult, by level of rurality, 2020 vs. 2021



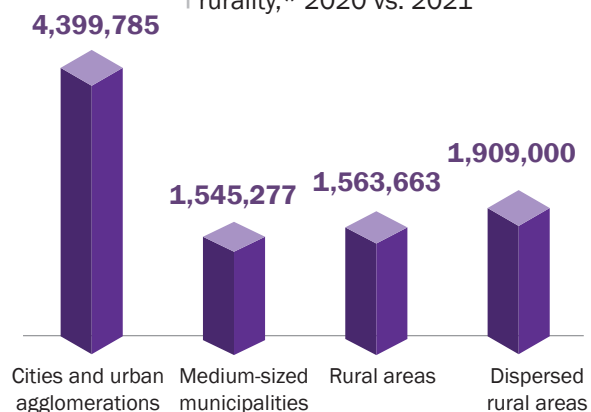
Source: FIR team with data from DANE, SFC, and SES

municipalities, this indicator rose from 1.2 to 2.2 in the same period. On the other hand, in the rural sector, the indicator remained at 0.6, which was the same for the dispersed rural areas, where it remained at 0.5 during the last year.

Regarding the average balance of this product, a wide range was found across the different levels of rurality. For example, the average balance amounted to **\$4.4 million** pesos in cities, **\$1.5 million** in medium-sized municipalities, **\$1.6 million** in rural areas, and **\$1.9 million** in dispersed rural areas (Graph 5.5).

As of December 2021, **40.2 million** small-balance deposit products³ were open. This figure was **45.4%** larger than the **27.6 million** products—including electronic deposits, simplified savings accounts, and digital savings accounts—open at

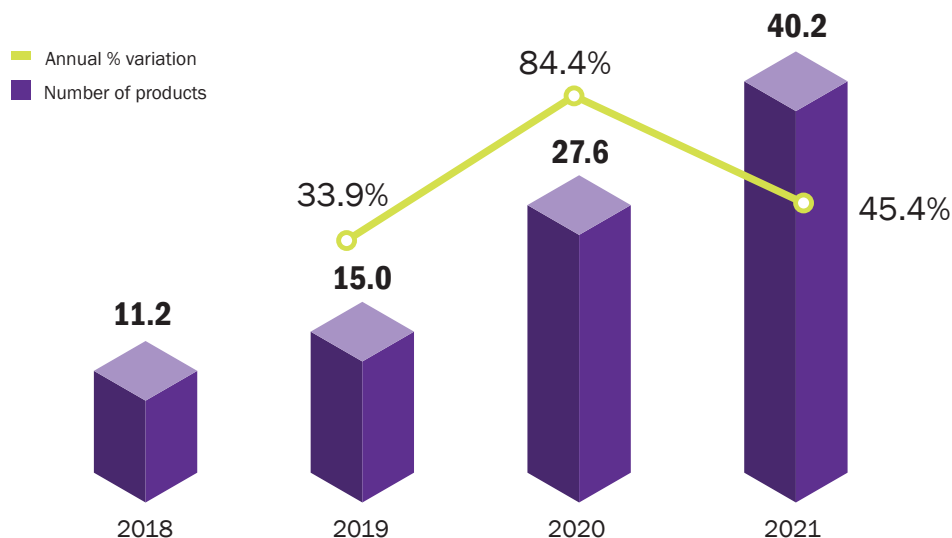
Graph 5.5. Average savings account balance (COP), by level of rurality,* 2020 vs. 2021



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

the end of 2020. The number of small-balance deposit products active in the financial market amounted to **23.8 million**.

Graph 5.6. Number of small-balance deposit products and annual variation (%), 2018-2021



Source: Prepared by FIR team with data from the Financial Superintendence

³ It is worth noting that Decree 222 of 2020 establishes the conditions for small-balance deposit products, which “unify” the products previously known as electronic deposits, simplified savings accounts, and digital savings accounts under a single definition.

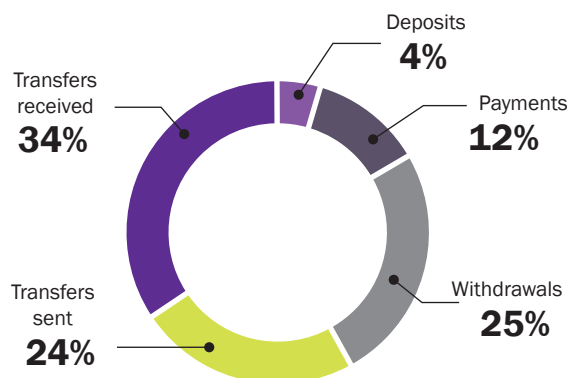
In 2020, government subsidy transfers and mobility restrictions strongly drove the opening of digital products. In 2021, the upward trend has continued thanks to the population's burgeoning understanding of this type of product, with a growing penetration in formal and informal businesses and a high level of use by the youth population. In fact, nearly **60%** of digital products are active, surpassing the percentage for active savings accounts.

Although **80%** of small-balance deposit products are offered by one of two providers, the number of entities offering the product is increasing. Thus, there is a growing need for immediate payment and transfer ecosystems with higher degrees of interoperability between providers and channels.

The data shows that transactions in digital small-balance deposit products have been growing, with received transfers and withdrawals being the most frequent types of transactions. In fact, in 2021, more than **476 million** transactions totaling **\$75 billion pesos**—an average of \$160,000 pesos per transaction—were carried out with small-balance deposit products. Fifty-eight percent of the transactions were transfers (**24%** sent and **34%** received), and **25%** were withdrawals.

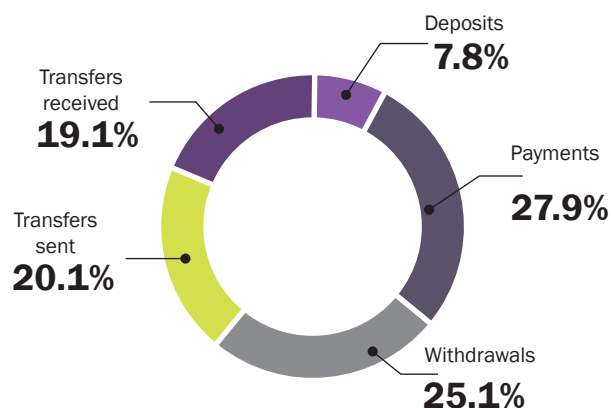
Meanwhile, other transactional deposit products—such as ordinary deposits⁴ and savings accounts—show differences in the type of transaction most performed. For savings accounts, payments correspond to **27.9%** and withdrawals

Graph 5.7. Percentage share for small-balance deposit products, by transaction type, 2021



Source: Prepared by FIR team with data from the Financial Superintendence

Graph 5.8. Percentage share for savings accounts, by transaction type, 2021



Source: Prepared by FIR team with data from the Financial Superintendence

to **25.1%**, while transfers total **39%** (**20.1%** sent and **19.1%** received). In ordinary deposits, **53%** of the transactions were payments and **33%** were transfers (**15%** sent and **18%** received).

⁴ These deposit products are similar to small-balance deposit products but occasionally exceed the transactional and balance limits set forth in the regulations

The figures show a greater trend in the use of small-balance deposit products in transfers to and from other deposit products, which, together with the high percentage of activity and a relatively low average balance, reaffirms the importance of this product in carrying out transactions and promoting inclusion.

It should be noted that received transfers were the most common—a trend that may be due to the aid programs implemented since 2020. As the share of other transactions—such as payments and sent transfers—increases, small-balance deposit products will continue to be positioned as

a tool to facilitate the creation of digital payment ecosystems.

As for types of institutions, in banks, the number of small-amount deposit products corresponds to **34%** of transactional products, savings accounts represent **65%**, and ordinary deposit products account for **1%**. On the other hand, in financing companies, the percentage is **60%** for small-balance deposit products and **40%** for savings accounts. As for the SEDPEs, practically all of their transactional products are small-balance deposit products.

Table 5.1 Number of transactional products and percentage of activity, by entity type, 2021

		Banks	Financing companies	Financial corporations	Financial credit unions (overseen by SFC)	SEDPEs	Savings and credit unions (overseen by SES)	Total products
Ordinary deposit products	Number of products	567,521	4	-	-	15,099	-	582,624
	% activity	63%	50%	-	-	99%	-	64%
Small-balance deposit products	Number of products	37,085,130	831,719	-	1,651	2,291,894	-	40,210,394
	% activity	58%	10%	-	100%	99%	-	59%
Savings accounts	Number of products	70,667,399	545,746	926	964,330	-	2,860,058	75,038,459
	% activity	39%	26%	32%	45%	-	58%	39%
Total products		108,320,050	1,377,469	926	965,981	2,306,993	2,860,058	115,831,477

↗ Source: Prepared by FIR team with data from the Financial Superintendence

Inset 5.1. Penetration dynamics of transactional products, by gender

In order to understand the dynamics of transactional products by gender, an analysis was conducted comparing the degree of penetration of small-balance deposit products and traditional savings accounts. First, of the total number of savings accounts in the market, **53.2%** were held by men and **46.8%** by women.⁵ In addition, the average balance rose for both genders during the last year, although the figure for women was slightly higher (Table 5.2).

Thus, at the end of 2021, the indicator that measures the number of savings accounts per adult is higher among men (2.1) compared to the data shown for women (1.7) (Graph 5.9).

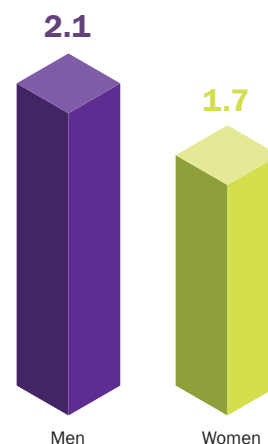
However, an analysis of the data on small-balance deposit products and ordinary deposits revealed several differences. In fact, of the **40 million** small-balance deposit products in the market at the end of 2021, **67.2%** belonged

Table 5.2. Number and average balance of savings accounts, by gender

Gender	Indicator	2020	2021
Women	Number	31,058,886	32,122,386
	Average balance (COP)	1,290,873	1,460,403
Men	Number	33,916,477	36,506,555
	Average balance (COP)	1,287,251	1,434,690

Source: Prepared by FIR team with SFC and SES data

Graph 5.9. Number of savings accounts per adult, by gender, 2021



Source: FIR team with data from SFC and DANE

to women and **32.8%** to men. In contrast, in the case of ordinary deposits (675,000 products), **54%** were held by men and **46%** by women.

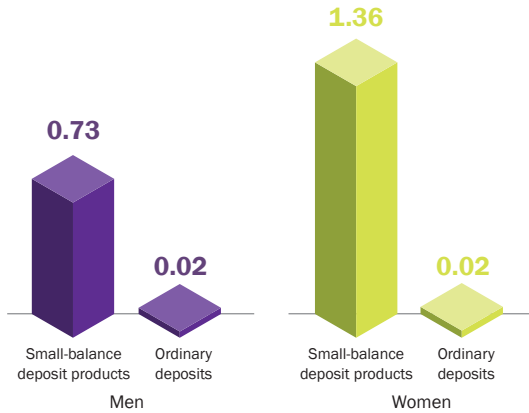
Additionally, regarding the number of ordinary deposit products per adult, both women and men had an indicator of 0.02 (Graph 5.10). On the other hand, the penetration of small-balance deposit products was higher for women, reaching 1.36—almost double the figure for men, which was 0.73.

Regarding this type of product's average balance, women were estimated to have higher values than men for both ordinary and small-balance deposit products. In the case of ordinary products, the difference was close to \$40,000, while in the case of small-balance deposit products, the difference was close to \$10,000.

According to these results, small-balance deposit products have had a significant penetration among women, even surpassing that achieved by more traditional products such as savings accounts.

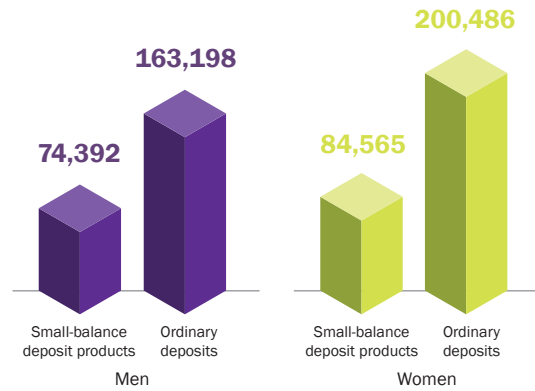
⁵ The total number of savings accounts reached 75 million at the end of 2021. However, the account holders' gender distribution was based on a total of approximately 68 million, given that some accounts may be in the name of legal entities.

Graph 5.10. Number of ordinary deposits and small-balance deposit products per adult, by gender, 2021



Source: FIR team with data from SFC and DANE

Graph 5.11. Average balance of ordinary and small-balance deposit products per adult, by gender, 2021



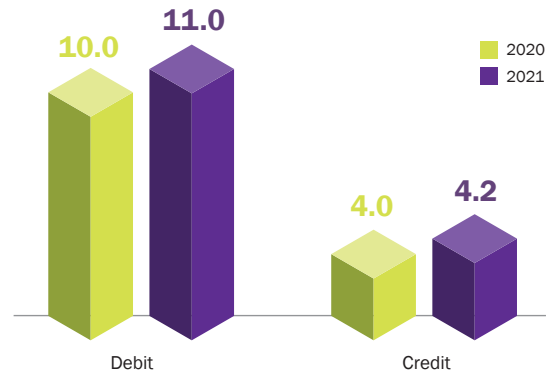
Source: FIR team with data from SFC and DANE

Debit and credit card trends

Another indicator that reveals a downward trend in the use of cash is the use of debit and credit cards. As of December 2021, the growth indicator (number of cards relative to the adult population) reached 11 debit cards per 10 adults, and 4.2 for credit cards per 10 adults. The figures increased **10.2%** for debit cards and **4.5%** for credit cards.

In terms of transactions, out of the total number of the year's transactions, 39.2 purchases or advance transactions are made per credit card holder—a figure **8%** higher than that observed in 2020. Per type of transaction, an average of 37 purchases and 3 advances are made each year per credit card holder.

Graph 5.12. Growth indicators for debit and credit cards (number of cards per 10 adults)



Source: Prepared by FIR team with data from the Financial Superintendence

Inset 5.2

Transactions in rural areas

As discussed in the previous chapter, one of the most important challenges is to ensure that the rural population has the option of accessing and using the financial system's services. To this end, it is important to provide access to the channels and operations that best meet this population's needs, which is why it is essential to analyze the most common types of operations and transactional dynamics in rural areas.

In this regard, an exercise was carried out with the transactions made through correspondents (traditional and mobile) at the municipal level, with data reported to the Financial Superintendence and broken down by transaction type. Overall, in 2021, more than 660 million transactions were carried out through correspondents, amounting to **\$255 billion pesos**.

It should be noted that **72%** of the transactions correspond to cities, and **16.6%** were carried out in medium-sized municipalities. Rural areas accounted for **8%** of operations and dispersed rural areas accounted for **3.3%**; this is in line with the population density at each level of rurality, but it also reflects the need for greater coverage in rural areas.

At the national level, the most common transactions are payments (**43.3%**), withdrawals (**30.2%**), and deposits (**24.8%**). Money orders and transfers have shares of less than **1%**, which shows that these types of operations are not the preferred ones to be made in correspondents.

These percentages change by level of rurality, with a greater tendency towards payments in urban areas; meanwhile, in rural areas, deposits and withdrawals have a larger share. The importance of payments in transactions in urban areas may be associated with the fact that

one of the urban correspondents' objectives is to decongest branches, mainly in terms of collection activity.

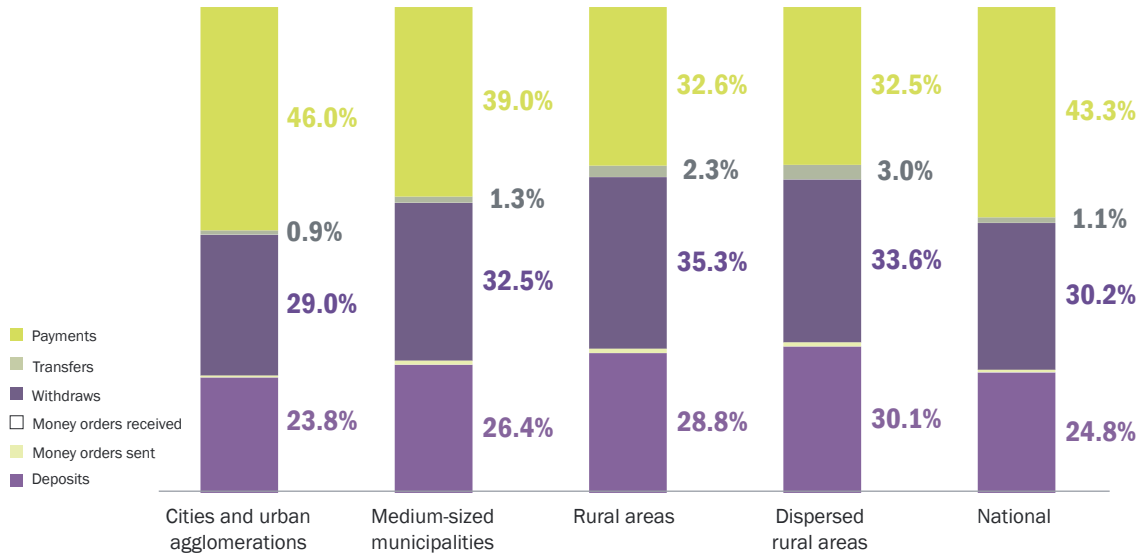
Also, indicators were calculated by taking the number and monetary amount by transaction type and dividing by the number of inhabitants. In the case of deposits, the number of this transaction type was 4.5 per person per year in cities, and 3.0 in dispersed rural municipalities. For withdrawals, these numbers are between 5.5 per person in cities and 3.3 in dispersed rural municipalities; for payments, the differential is wider, reaching 8.8 per person in cities and 3.2 in dispersed rural areas.

A similar trend is seen in the monetary transaction amount per inhabitant, given that not only were fewer transactions made in rural areas, but they were also for a smaller amount than in urban areas. This occurred in all types of operations. However, medium-sized municipalities show a higher average amount per person for deposits and withdrawals.

In addition to the above, if the monetary amounts per transaction are broken down by level of rurality, the trend is the opposite: the greater the rurality, the slightly higher the average monetary amount per transaction. This is true for deposits, withdrawals, and payments.

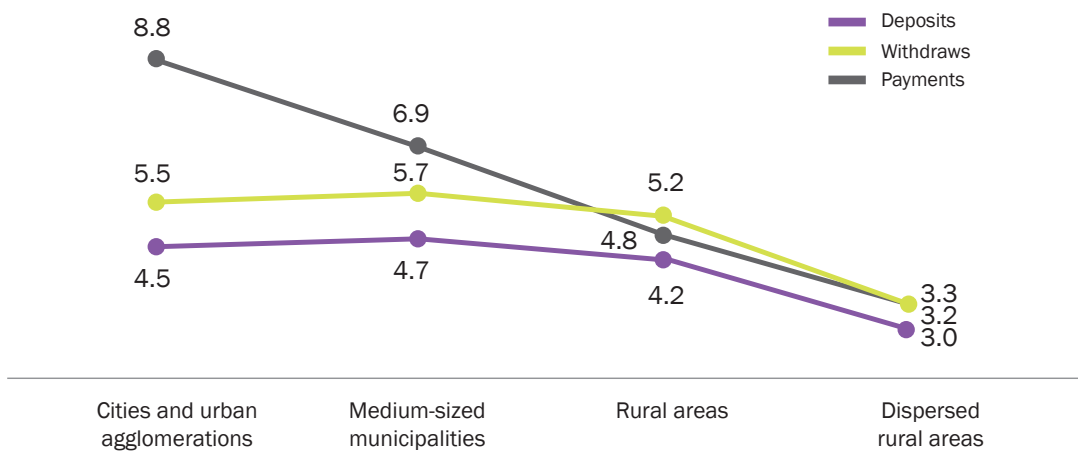
These trends reflect the transaction dynamics in rural areas. Indeed, the data indicate that in rural and dispersed rural municipalities, people tend to make a smaller number of transactions per year and the cumulative amounts per person are smaller, but each of these operations is made for a slightly larger amount than even in urban areas. In other words, on average, users of correspondents in rural areas use them less frequently but move larger amounts of money.

Graph 5.13. | Percentage share by transaction type in correspondents, by level of rurality, 2021



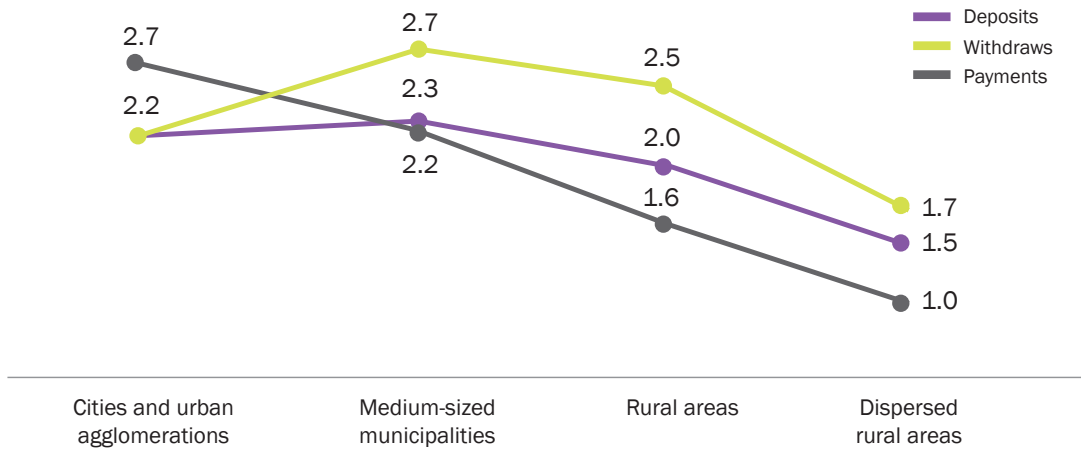
Source: Prepared by FIR team with data from the Financial Superintendence

Graph 5.14. | Number of transactions per adult, per year, by transaction type and level of rurality, 2021



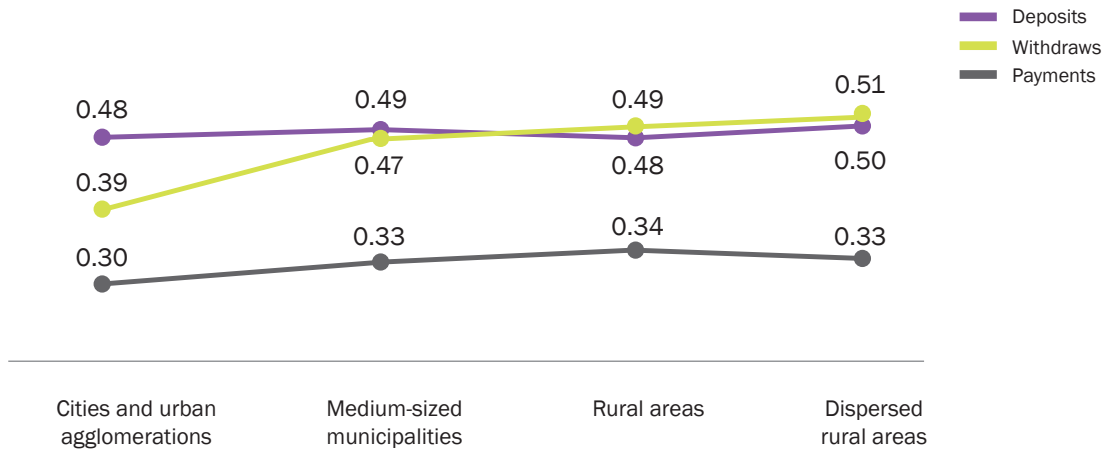
Source: Prepared by FIR team with data from the Financial Superintendence

Graph 5.15. Average monetary transaction amount per adult, per year, by transaction type and level of rurality (millions of pesos per year), 2021



Source: Prepared by FIR team with data from the Financial Superintendence

Graph 5.16. Average monetary amount per transaction per year, by transaction type and level of rurality (millions of pesos), 2021



Source: Prepared by FIR team with data from the Financial Superintendence

6

Inclusive
insurance



Introduction

Financial inclusion through insurance aims for more people to have access to and improve their quality of life through the use of products that protect the value of their assets, their health, and their lives. Special attention should be given to insurance designed to meet the needs of the most vulnerable populations, such as those with low incomes, informal workers, and groups historically underserved by the financial system. The insurance sector faces the challenge of developing affordable products that respond to new types of protection needed for individuals and companies in the face of unforeseen events.

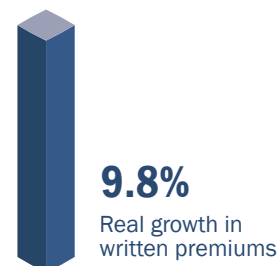
Although this chapter's content covers all the products offered by the insurance industry, we have focused the analysis on microinsurance and mass insurance, based on the form that insurers have used to report financial inclusion information to the SFC since 2021.¹ Throughout this report, a policy is 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

In addition, 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 (designed for families with low incomes and for MSMEs) and mass insurance.⁴ Having these indicators will contribute to the analysis and formulation of policies to improve levels of inclusive insurance in the future.⁵

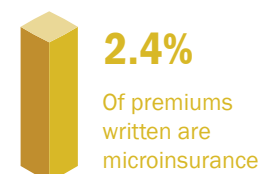
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- 1 The form and its instructions are part of the files attached to the SFC's Circular Letter 07 of 2022.
 - 2 The policy will be affordable if the monthly premium (or monthly equivalent) is less than \$20,000 pesos for life and accident insurance, \$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 Microinsurance Network (MIN) to define low premiums for microinsurance.
 - 3 See Article 2.31.2.2.1 of Decree 2555 of 2010.
 - 4 The form 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).
 - 5 The information contained in the form for each entity can be downloaded from the Banca de las Oportunidades and SFC websites.

Main results

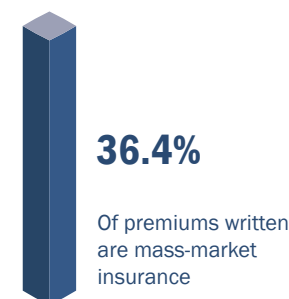
Insurance penetration remained at **3%** in 2021, a year marked by economic reactivation. There was an actual growth of **9.8%** in premiums issued—a figure slightly below the actual Gross Domestic Product (GDP) growth of **10.6%**. Per capita spending on insurance reached **\$692,348 pesos**.



The microinsurance market is incipient compared to mass insurance, and it is concentrated among certain risks and insurers. This type of insurance policy represented **2.4%** of premiums in 2021, whereas **74.8%** were mass-marketed, concentrating on group life and personal accident coverage. Furthermore, **69.3%** of the premiums issued were marketed through group policies, where a third party not overseen by the SFC is the policyholder and signs up its users. In 2021, 22 of the 43 insurers established in Colombia sold microinsurance, three of which accounted for **49.5%** of premiums issued.



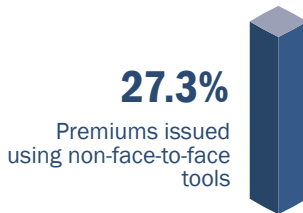
The mass insurance market is mature, diversified, and is continuously expanding. In fact, it represents **36.4%** of the premiums issued in 2021, where the main lines of business were debtor group life and mandatory motor vehicle insurance (SOAT, as per its acronym in Spanish). Of the 43 insurers established in Colombia, 31 sold mass insurance, and **51.7%** of the premiums issued in 2021 were concentrated among five of them. Additionally, seven almost exclusively marketed this type of insurance.



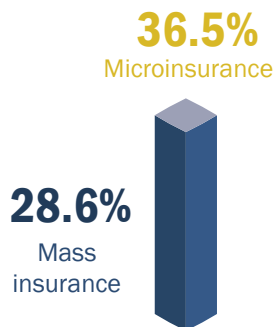


139,369
On-site points

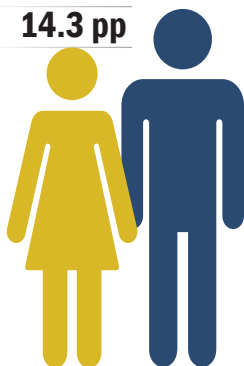
The industry has 139,369 physical locations where policies can be issued—the vast majority located in cities and with a significant presence in the network of other entities overseen by the SFC. Many of the insurers in the sample made use of simplified procedures to gather information about the customer, which facilitated the opening of products remotely, especially in microinsurance and mass insurance.



Of the premiums sold in 2021, **27.3%** used contactless tools such as websites, mobile applications, and call centers. This type of tool is more commonly used in mass insurance.

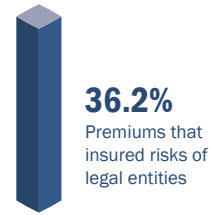


Non-traditional marketing channels—such as the use of the network of entities overseen by the SFC, public utility companies, and stores and superstores—are more widely used in the sale of microinsurance and mass insurance. **36.5%** of microinsurance premiums and **28.6%** of mass insurance premiums were marketed using the network of entities overseen by the SFC—a channel that has been key to maintaining the sector’s presence in rural municipalities.

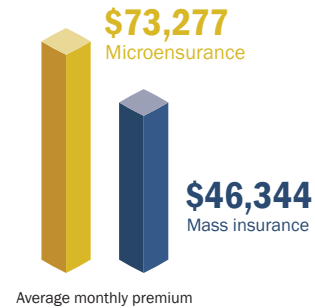


Insured women had less access and a lower claims rate than insured men. The access gap between insured men and women widened in the last year, reaching 14.3 pp at the end of 2021. This difference in access is smaller in the case of mass insurance (12.7 pp) and even smaller for microinsurance (3.0 pp). The claims rate for insured women was 11.8 pp lower than that of insured men—a difference that reached 18.1 pp in microinsurance policies.

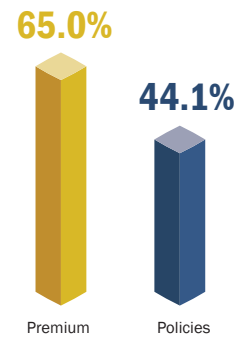
Of the premiums issued, **36.2%** covered policyholders identified as legal entities—approximately one third of which corresponded to MSMEs. A similar claims rate of approximately **48%** was observed for policyholders identified as large companies or MSMEs.



The insurance industry offers a wide range of coverage, premiums, and insured values. In 2021, the average monthly premium value per insured risk was **\$73,277 pesos**; for microinsurance, **\$30,894 pesos**; and for mass insurance, **\$46,344 pesos**. Microinsurance shows higher average insured risks per policy (7.1) than the industry average (2.7).



A considerable part of the policies and premiums issued by the industry are mandatory for users, especially in mass insurance. In fact, in 2021, **44.1%** of mass insurance policies and **65%** of premiums issued were associated with mandatory policies.



The claims rate increased in the last year for all types of insurance, reaching **69.6%** for all industry policies. Microinsurance and mass insurance showed lower claims rates even after adding their intermediation costs. Rates are quite varied across lines of business and types of insurance.

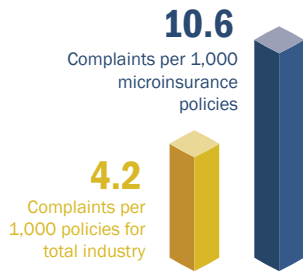


Rejection rates increased in the last year for all types of insurance, reaching **14.2%** of claims. This rate is slightly lower for microinsurance and mass insurance, where the average claim value is lower.





For microinsurance and mass insurance, simplified claims payment processes have been implemented, so that the average number of days it took to pay claims for these policies was lower than for the industry average.



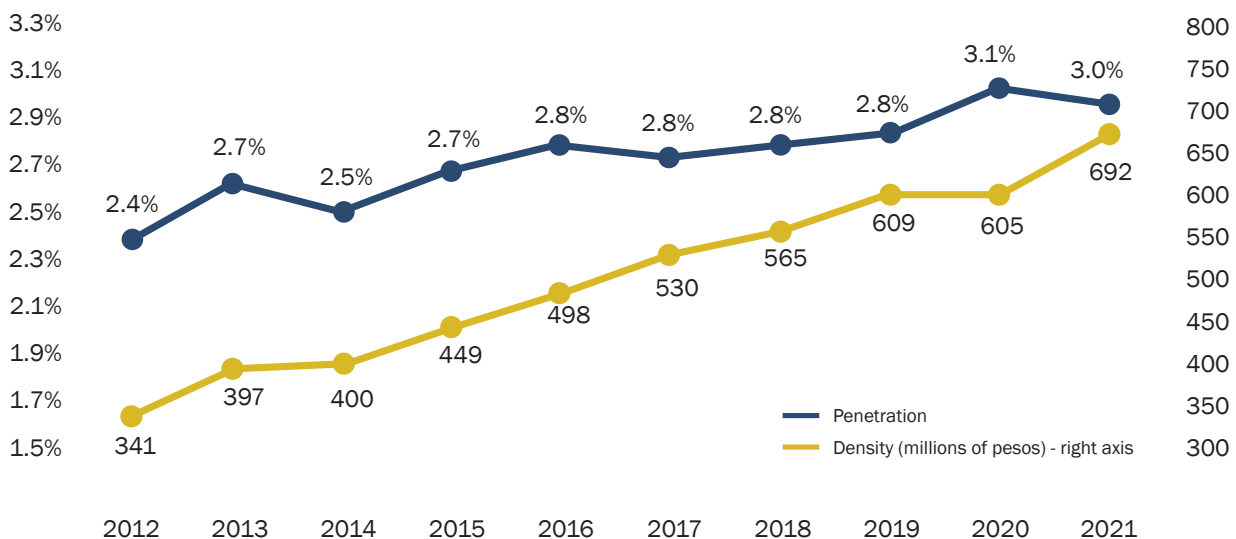
Microinsurance has the highest levels of consumer dissatisfaction, with 10.6 complaints per 1,000 policies—a much higher indicator than that for all industry policies (4.2). The analysis of this issue must take into account the low claims rate in group microinsurance policies (**16.5%**) and their widespread use in this type of insurance (**60.4%** of those insured through microinsurance used group policies).

Density and penetration

In 2021, premiums issued¹ by insurance companies reached **\$35.3 trillion** pesos, which implied an actual growth of **9.8%**—lower than the observed actual GDP growth of **10.6%**. For this reason, sector penetration was marginally reduced to **3%** in 2021.² In turn, the lines of business that contributed most to the growth in premiums issued were Law 100 pensions, occupational risks, group life, compliance, and automobiles, while the least dynamic were pension commutations, periodic economic benefits, and voluntary pensions. On the other hand, the insurance density indicator was **\$692,348 pesos**, which represented a real growth of **8.3%** compared to 2020³ (Graph 6.1).

The microinsurance market is still incipient, concentrated in a few lines of business and insurers. Microinsurance accounted for **2.4%** of premiums issued in 2021 (**\$837 billion** pesos)—a share similar to that observed in 2019 (**2.4%**)—after an atypical year in 2020 when the amount of microinsurance policies granted was reduced (Graph 6.2). General insurance companies have expanded their share in microinsurance, with this type of insurance reaching **46.3%** of the premiums issued in 2021 (compared to **39%** in 2019). In 2021, the most frequent lines of business in microinsurance were voluntary group life (**43.7%**), personal accident (**22.4%**), and individual life in-

Graph 6.1. | Insurance penetration and density, 2012-2021



Source: FIR team with data from SFC and DANE

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.

⁷ Insurance sector penetration is calculated as the relationship between total premiums issued and Gross Domestic Product (GDP).

⁸ Insurance density is estimated as insurance expenditure per capita (estimated population of 51,049,498 in 2021. Source: DANE).

surance (7.2%). Even though these three lines of business account for 73.2% of the premiums issued in microinsurance, other lines of business—such as funeral, health, and agricultural and livestock insurance—showed significant growth in 2021.

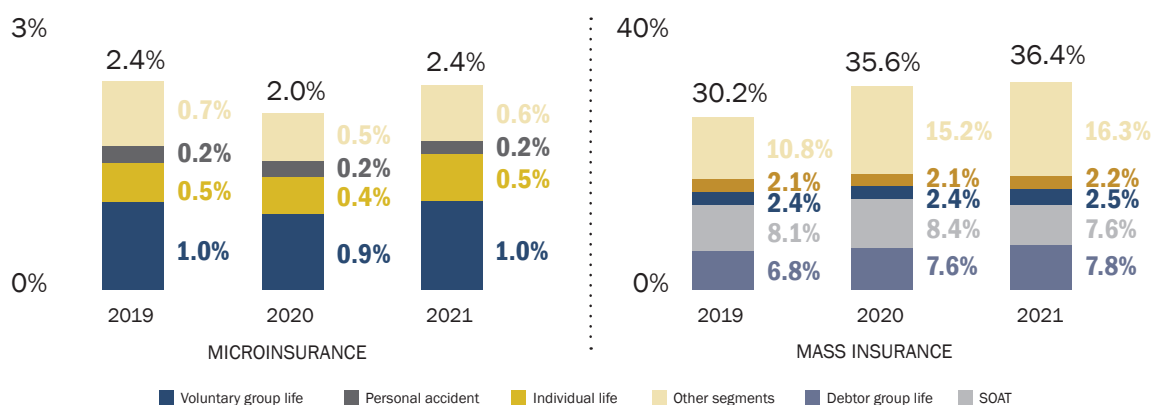
In 2021, 22 of the 43 insurers established in Colombia sold microinsurance. Although the insurer with the largest share of microinsurance in 2021 issued 24.2% of premiums—and the three insurers with the largest production accounted for 49.5% of premiums—there has recently been increased competition from other insurers in this type of insurance.⁹ However, microinsurance is not very significant in terms of insurers’ overall sales. In fact, the insurer with the highest share of issued premiums in this segment only reaches 32.7% (Table 6.1). In 2021, 74.8% of microinsurance was mass-marketed, and only 25.2% was not. In addition, 69.3% of premiums issued are

associated with group policies. Therefore, in order to build the industry’s presence in segments of the population that demand microinsurance, mass marketing channels and group policies have been the most used.

The mass insurance market is mature, diversified, and is continuously expanding, compared to the microinsurance market. In fact, 36.4% of premiums issued in 2021 corresponded to mass insurance (\$12.9 trillion pesos), a higher share than that observed in 2020 (35.6%) and 2019 (30.2%), showing continuous growth in policies marketed through mass channels. In addition, 51.9% of mass insurance was sold by companies specializing in life insurance, which have expanded their share in recent years.

In 2021, the most relevant lines of business in the mass insurance market were mandatory motor vehicle insurance (SOAT)¹⁰ (21.4% of premiums) and group life insurance for debtors (20.8%).

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



Source: FIR team with SFC data

⁹ In 2021, the *Herfindahl* index in the microinsurance market was 1,162—lower than the 1,503 observed in 2020.

Table 6.1. Number of insurers, according to relevance in the marketing of microinsurance and mass insurance

Relevance	% Premiums issued	Microinsurance	Mass Insurance
	Ranges	Number of insurers	
High: almost exclusive	>80%	0	7
Medium high: specialized	33% - 80%	0	7
Medium	10% - 33%	3	12
Marginal	0% - 10%	19	5
No relevance	0%	21	12
Total number of insurers		43	43

↗ Source: FIR team with SFC data

Most lines of business increased the value of premiums issued in 2021, with the exception of debtors' earthquake and fire insurance.

Finally, 31 of the 43 insurers established in Colombia sold mass-market insurance. The five insurers with the highest production accounted for **51.7%** of mass-market insurance premiums.¹¹ There are 7 insurers that almost exclusively market mass insurance (**80%** of their premiums issued), 7 insurers that specialize in marketing this type of insurance (between **33%** and **80%** of premiums issued), and 12 insurers with a non-marginal participation in mass insurance (between **10%** and **33%** of premiums issued).

Coverage and access

In 2021, the insurance industry's coverage for purchasing policies reached 139,369 physical locations.¹² Of these access points, **70.8%** are located in cities, **8.1%** in medium-sized municipalities, **20.7%** in rural municipalities, and **0.4%** in dispersed rural municipalities (Graph 6.3).

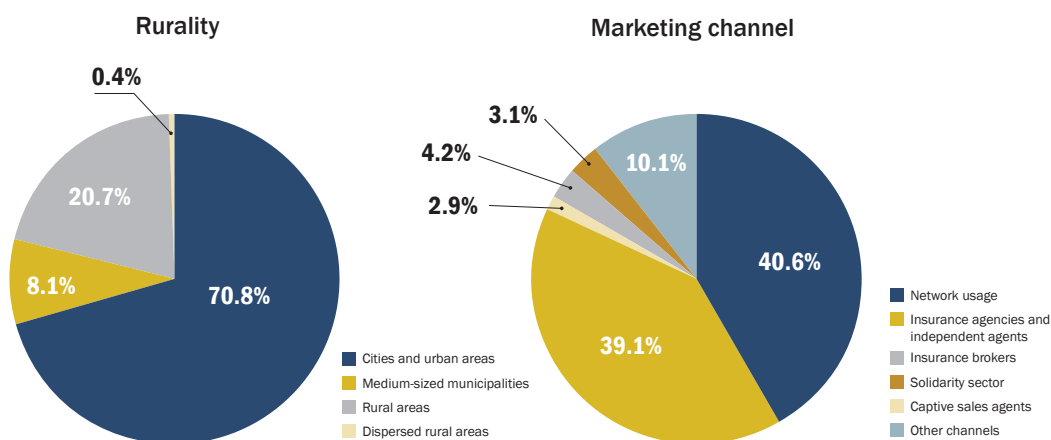
Meanwhile, the marketing channels with the highest number of physical locations in 2021 were those accessed via the network of other entities overseen by the SFC (**40.6%**), and independent agencies and agents (**39.1%**). Regarding rural coverage, the insurance industry's presence is mostly via the network of other entities overseen by the SFC in rural municipalities, and there is little presence in dispersed rural areas (Graph 6.3).

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

11 In addition, there has been increased competition from insurers in this type of insurance over the past year. In 2021, the *Herfindahl* index in the mass insurance market was 941—lower than the index of 1002 in 2020, as well as the one presented by microinsurance.

12 The access points described in this section correspond to those reported by 41 insurers. The number of access points was not asked previously, which made this variable difficult to understand and difficult for some insurers to report this information.

Graph 6.3. Access points for purchasing insurance, by level of rurality and marketing channel Fuente: Equipo RIF con datos de SFC



Source: FIR team with SFC data

In terms of the diversity of products offered, in 2021, the insurance industry had nearly 1,500 commercial products or types of policies available for purchase by financial consumers. Of these products, **14.7%** were microinsurance policies and **28.8%** were mass insurance policies.

In this regard, the relaxation of the regulatory framework of the Money Laundering and Financing of Terrorism Risk Management System (SARLAFT, as per its acronym in Spanish) has facilitated access to insurance by implementing simplified procedures for gathering information about customers. This has encouraged the use of digital channels to open products.¹³

At the end of 2021, simplified procedures for gathering information about customers were widely used in the insurance sector. In 28 out of 42 insurers (**66.7%**), these procedures were used for all natural persons.¹⁴ Additionally, **47.6%** of the insurers reported using these procedures for more than half of the clients identified as natural persons. These procedures are more commonly used in mass insurance and microinsurance than in the rest of the entity’s policies.¹⁵ The regulations also allow the use of simplified procedures to gather information about customers identified as legal entities; as a result, 21 of the 42 insurers (**50%**) were able to simplify access for this type of customer.

¹³ Section 4.2.2.2.1.4.4. of Chapter IV, Title IV, Part I of the Basic Legal Circular of the SFC.

¹⁴ One insurer was excluded from the analysis of procedure implementation for gathering information about customers due to the low quality of the information provided.

¹⁵ 29 of the 31 insurers that offer mass insurance—and 18 of the 22 insurers that offer microinsurance—use simplified procedures to gather information about natural persons.

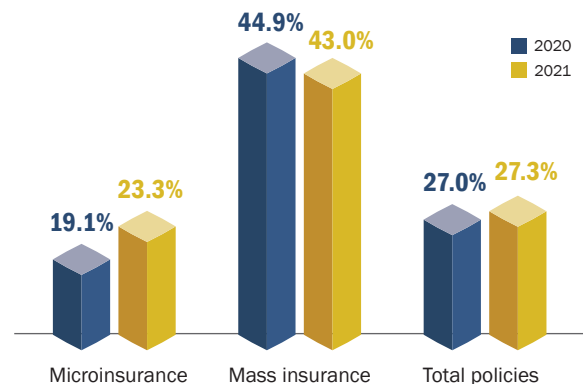
Marketing channels

The industry has encouraged the development of remote channels in order to easily connect with partners' customers easily and share specialized content. In fact, new technology has allowed **27.3%** of insurance marketed in 2021 to use remote tools, such as websites, mobile applications, and call centers (Graph 6.4). In the case of mass insurance, remote tools were more widely used (**43%** in 2021); in microinsurance, the use of remote tools is lower than the industry average.¹⁶ Therefore, the challenge to achieve greater penetration of digital tools among lower-income consumers and small businesses still remains; Colombia's high levels of mobile device usage should be taken advantage of.

The marketing channels that made the greatest use of remote tools to sell insurance were insurance agencies and independent agents, insurance brokers, stores and superstores, network usage, and public utility companies.

In general, traditional marketing channels¹⁷ continue to be the most widely used for insurance sales. In 2021, insurance agencies and independent agents were the most used marketing channel (**29.8 %** of premiums issued), followed by insurance brokers (**26.6 %**), and captive sales

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



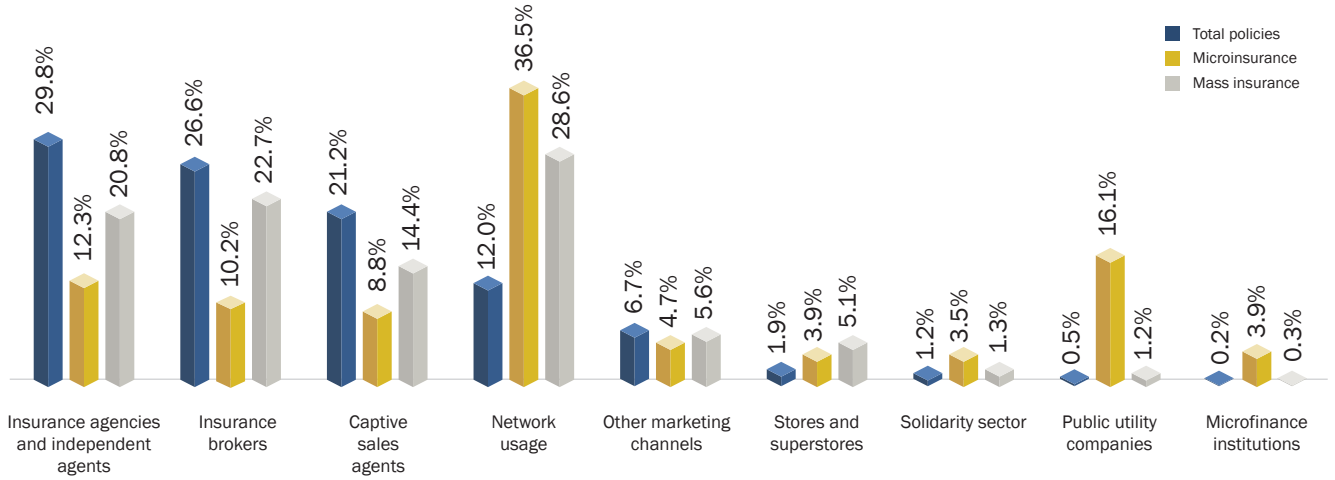
Source: FIR team with SFC data

agents (**21.2 %**) (Graph 6.5). However, in the specific cases of microinsurance and mass insurance, more innovative channels—such as network usage—are used. When analyzing microinsurance, the most employed channels were non-traditional channels such as network usage (**36.5%** of premiums issued) and public utility companies (**16.1%**). For mass insurance, the main channels were network usage (**28.6%** of premiums issued), followed by insurance brokers (**22.7%**), insurance agencies and independent agents (**20.8%**), and captive sales agents (**14.4%**).

¹⁶ The total share for microinsurance was **23.3%**, while it was **24.9%** for mass microinsurance and **18.6%** for non-mass microinsurance. ¹⁷ Los canales de comercialización tradicionalmente usados por la industria son la fuerza de ventas propia, los corredores, agencias y agentes independientes de seguros.

¹⁷ The marketing channels traditionally used by the industry are the captive sales agents, brokers, insurance agencies, and independent insurance agents.

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

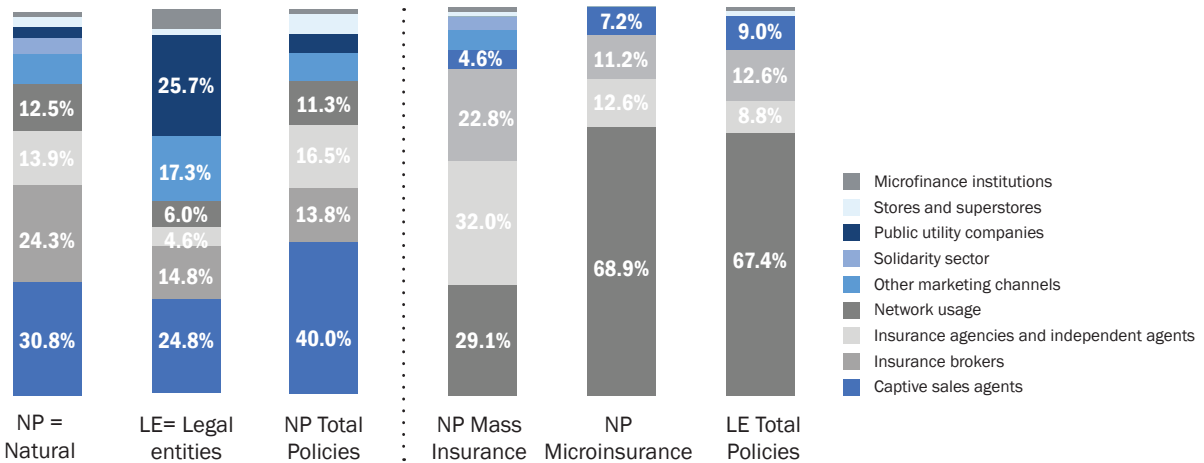


Source: FIR team with SFC data

The use of channels can also be analyzed depending on whether the insured is a natural person or legal entity. Marketing channels were more diversified for natural persons, with less traditional channels used than for legal entities. In fact, **50.7%** of insured natural persons used traditional marketing channels, while for legal entities this percentage rose to **83.9%**.

In the case of microinsurance, **25.7%** of natural persons obtained their insurance through public utility companies, **24.8%** through network usage, and **17.3%** through entities in the solidarity sector. Meanwhile, in the case of mass insurance, **40%** of insured individuals obtained their insurance through network usage.

Graph 6.6. | Share of insured parties, by marketing channel, insurance type, and person (natural and legal)



Source: FIR team with SFC data.

On the other hand, with respect to insured legal entities, both in general and in the case of the microinsurance and mass insurance segments, underwriting is carried out primarily through traditional marketing channels.

Characteristics of the insured

a. Natural persons

In policies where the insured is a natural person, **38.2%** were group policies where it was not possible to determine the gender of the insured party (Graph 6.7). This share is lower for mass-marketed insurance (**33.2%**). On the other hand, the majority of microinsurance policies (**60.4%** of the insured) were group policies where it was not possible to determine the gender of the insured party. In addition, it should be noted that the percentage

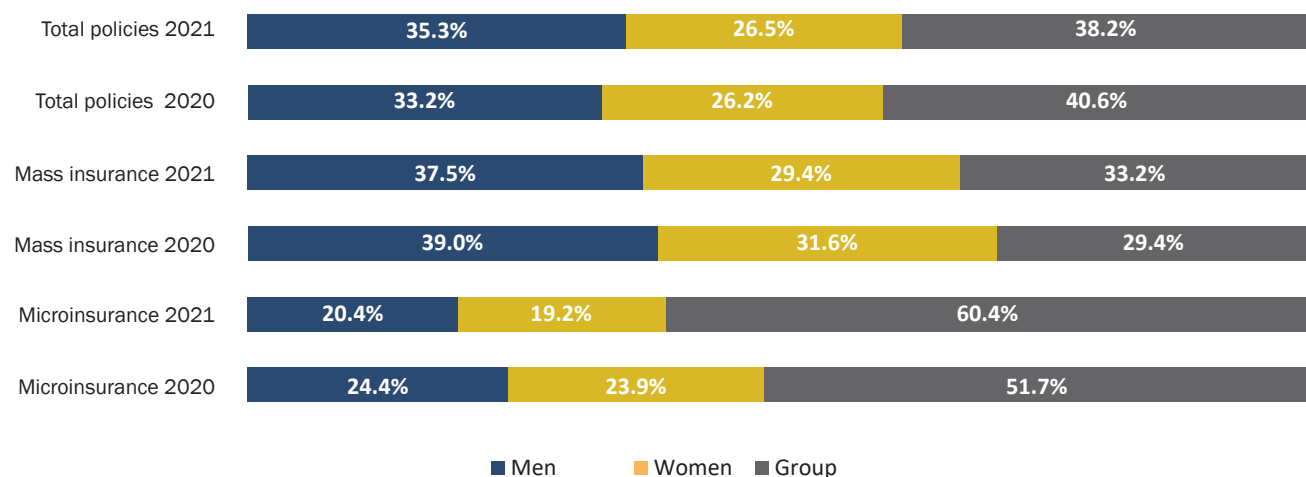
of those insured through group policies for mass and microinsurance increased in the last year.

In the last year, the gender access gap¹⁸ increased by 2 pp in all types of insurance (Graph 6.8). Microinsurance had the smallest difference between the percentage (3.0 pp) of male and female policyholders in 2021. In the case of mass insurance, the gender access gap was 12.1 pp, similar to the general total for all policies (14.3 pp).

b. Legal entities

The number of premiums issued for policies insuring legal entities increased their share last year, rising from **30.9%** in 2020 to **36.2%** in 2021 (Graph 6.9). Large companies increased their share from **18.2%** to **24.1%** in the last year, while the share of insured MSMEs decreased to one third.

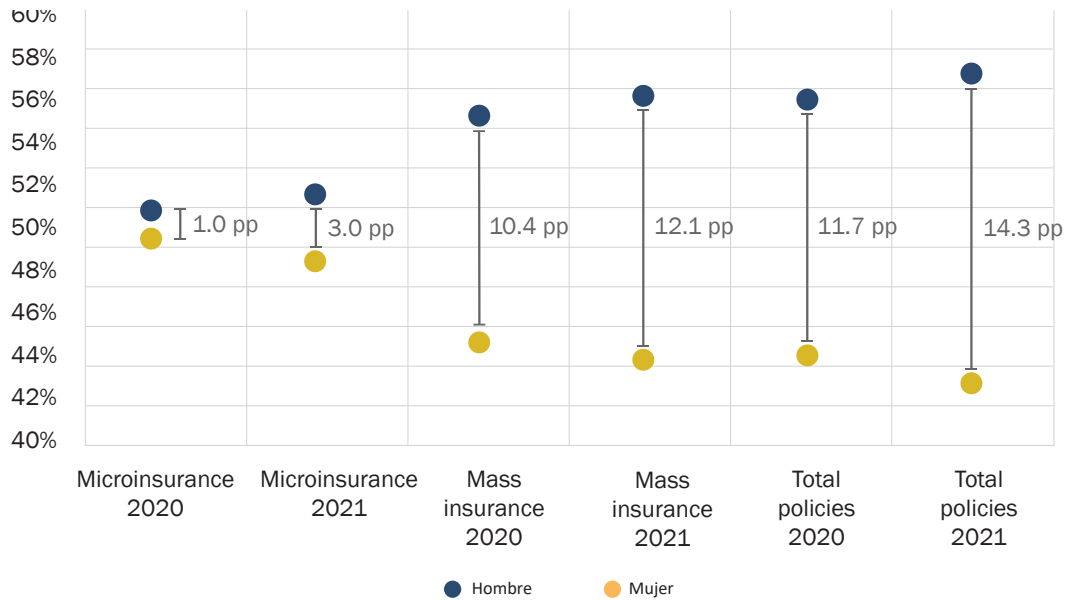
Graph 6.7. | Share of those insured, by type of individual and type of insurance



Source: FIR team with SFC data

¹⁸ The gender access gap is defined as the difference between the share of insured men and women out of the total number of insured individuals whose gender was identified.

Graph 6.8. | Access gap for insured individuals, by gender and insurance type

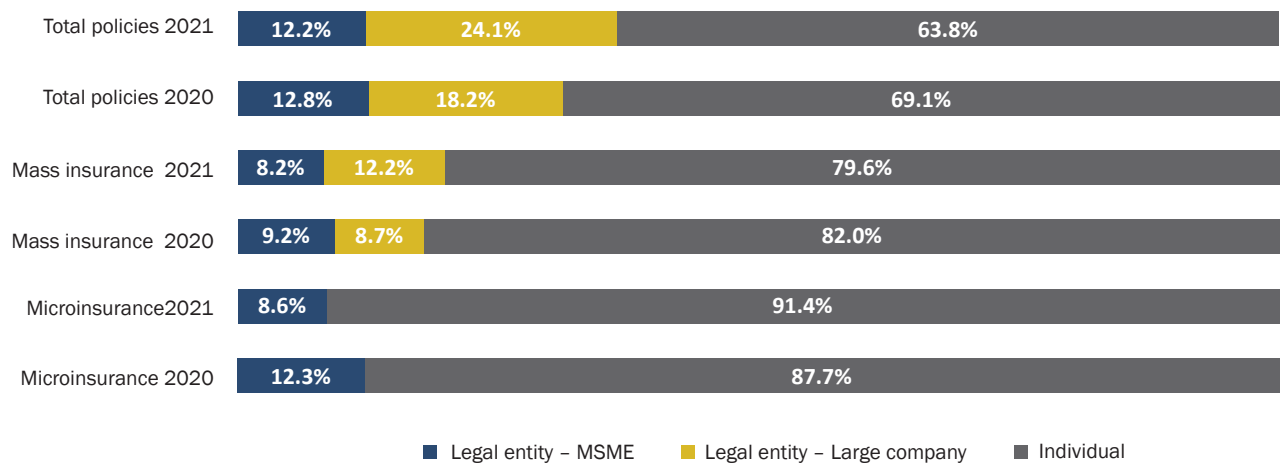


Source: FIR team with SFC data

Mass insurance and microinsurance have not been the most widely used insurance products for MSMEs. Of the **\$4.2 trillion** pesos in premiums issued to MSMEs, only **\$69 billion** corresponded to microinsurance, and **\$1 trillion** to mass insurance. In 2021, **12.2%** of premiums insured

MSMEs; the percentage is lower when specifically referring to mass insurance (**8.2%**) or microinsurance (**8.6%**). In turn, 25 of the 43 insurers included in this report sold policies to MSMEs, while 10 specifically sold microinsurance and 16 sold mass insurance.

Graph 6.9. | Share of premiums issued, by type of insured person and type of insurance



Source: FIR team with SFC data

The above suggests that an increase in the inclusion levels of micro, small, and medium-sized companies in the insurance sector will require simple protection solutions for microinsurance and mass insurance to be further developed based on these types of companies' needs and subsequently marketed through channels accessible by this type of business.

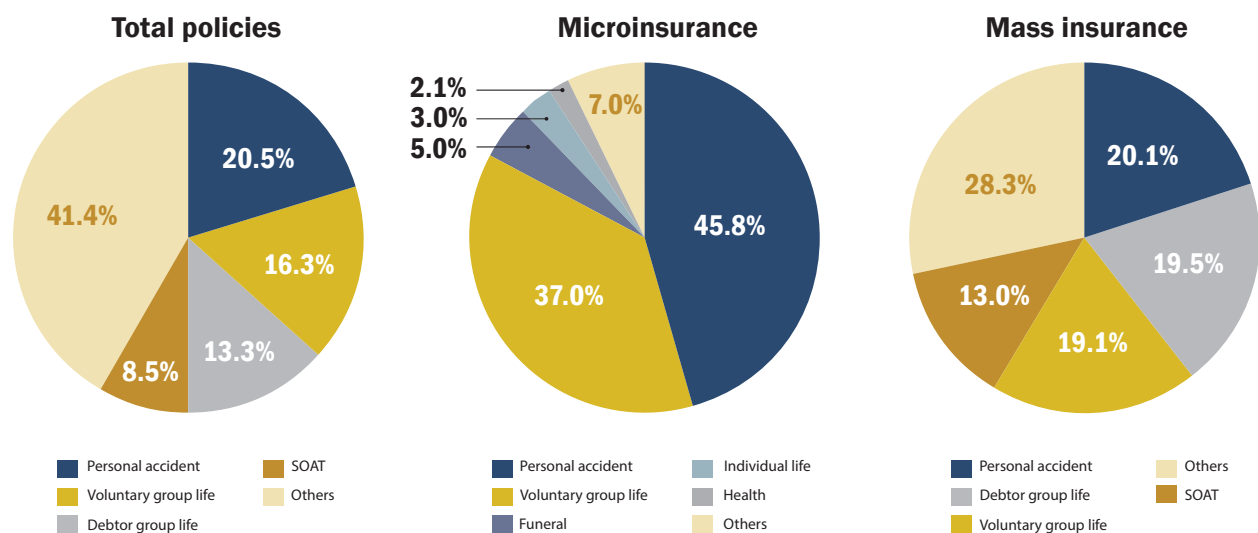
Characteristics of insured risks¹⁹

In 2021, the main insured risks were personal accident (20.5% of all insured risks), voluntary group life (16.3%), debtor group life (13.3%), and SOAT (8.5%) (Graph 6.10). Of the total risks, 14.7% were insured through microinsurance; within this category, the insured risks were concentrated in personal accident (45.8%) and voluntary group

life (37%). Mass insurance represented 56.2% of risks insured by the industry, where the most common coverage is for debtor group life (20.1% of insured risks in mass insurance), personal accident (19%), SOAT (19.1%), and voluntary group life insurance (13%).

The insurance industry offers varied levels of coverage, with a wide range of premiums and insured values. In 2021, the average monthly premium value per insured risk was \$26,877 pesos; for microinsurance, \$4,344 pesos; and for mass insurance, \$17,453 pesos. The average insured value per insured risk amounted to \$154 million for the industry as a whole, \$47 million for microinsurance, and \$78 million for mass insurance (Graph 6.11).

Graph 6.10. | Share of the main insured risks, by segment and insurance type



Source: FIR team with SFC data

¹⁹ This 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.

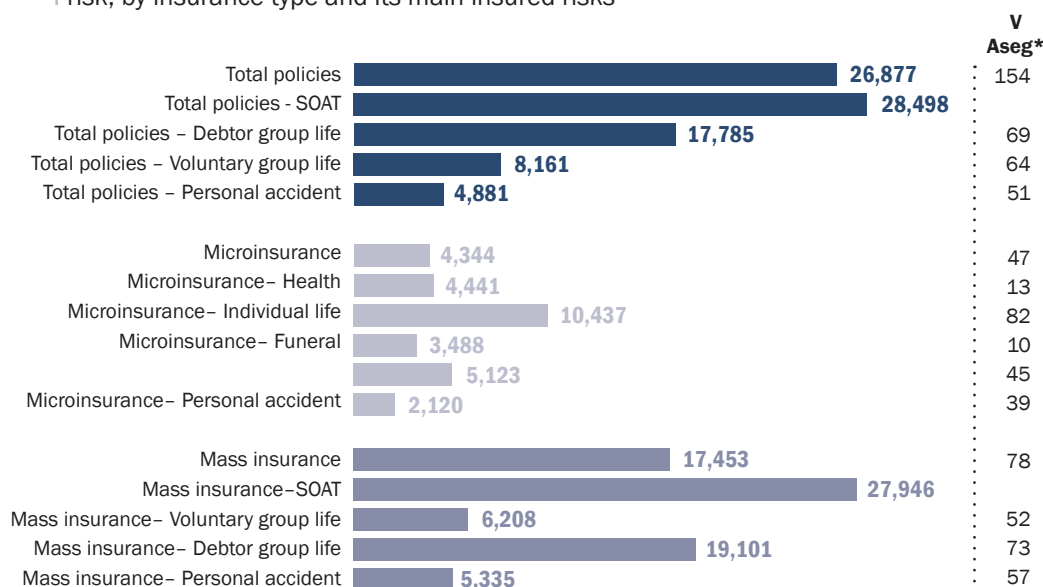
Variety and affordability also apply to the policies offered by the insurance industry. At the end of 2021, there were **40.1 million** policies in force—**1.6 million** more policies than those registered in 2020—**5.6%** of which were microinsurance policies and **57.7%** were mass insurance policies.

In 2021, the average monthly premium per policy was **\$73,277 pesos**, and the average number of insured risks per policy was 2.7 (Graph 6.12). In the case of mass insurance, the average monthly premium per policy was lower (**\$46,344**) and the number of insured risks per policy was the same

as for the total number of policies. Meanwhile, microinsurance showed higher average insured risks per policy (7.1) and lower average monthly premiums per policy (**\$30,894**).

A considerable part of the policies and premiums issued by the industry are mandatory for users.²⁰ In 2021, in the entire insurance sector, **40.7%** of policies and **44.7%** of premiums issued were associated with policies considered mandatory (Graph 6.13). In the case of mass insurance, **44.1%** of the policies and **65%** of the premiums issued were considered mandatory. As for microinsurance, these policies are voluntary for the consumer.

Graph 6.11. Monthly premium and insured value, average value per insured risk, by insurance type and its main insured risks

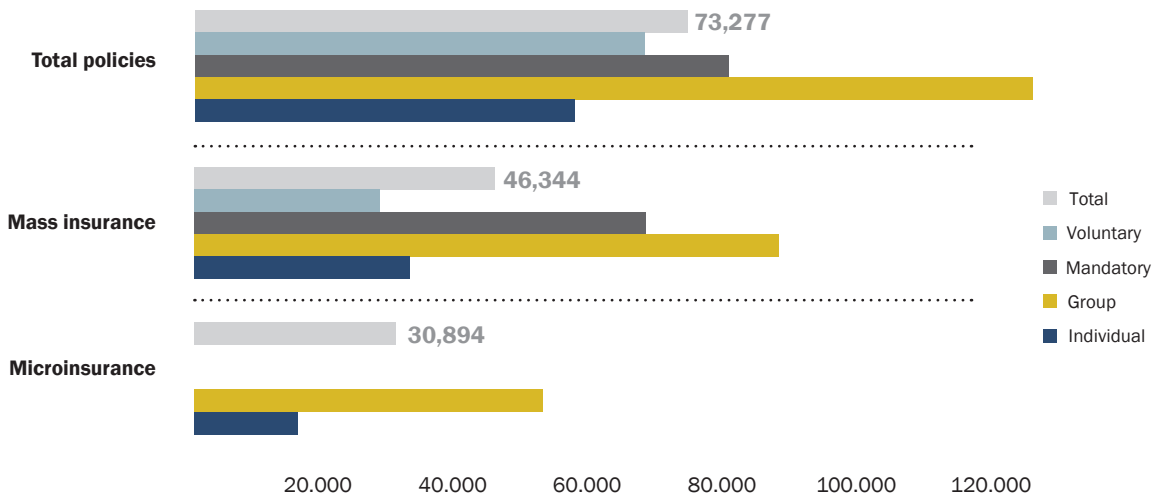


Source: FIR team with SFC data.

* Value insured corresponds to the average insured value per insured risk in millions of pesos.

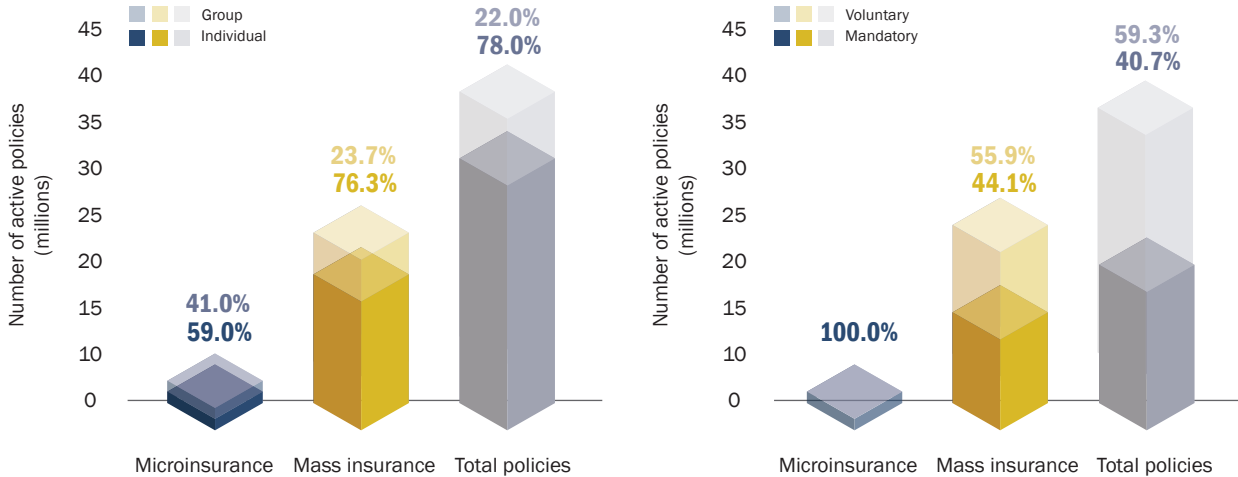
²⁰ A policy is considered mandatory if it meets any of these conditions: i) it was acquired to comply with current regulations (as in the case of occupational risk, SOAT, earthquake, or fire policies for real estate mortgaged to overseen entities), ii) it is required by financial entities, both overseen 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.

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



Source: FIR team with SFC data

Graph 6.13. Number of active policies in 2021, segmented into individual/group and mandatory/voluntary, by insurance type



Source: FIR team with SFC data

An analysis of individual versus group policies (where one policy covers a group of people) determined that **22%** of the policies active at the end of 2021 were group policies, and they accounted for **38%** of the premiums issued throughout the year. Group policies are mostly used in microinsurance;

in 2021, group policies accounted for **41%** of active policies and for **69.3%** of premiums issued. In the case of mass insurance, group policies represented **23.7%** of the total number and **44.9%** of the value of premiums issued in mass insurance.

Finally, the insured risks were analyzed by location, specifically by level of rurality (Graph 6.14), revealing that **83.5%** of the insured risks (property or residence of the insured life) are located in cities; **9.3%** in medium-sized municipalities; **6.2%** in rural municipalities; and **1%** in dispersed rural municipalities. This composition does not change significantly for microinsurance or mass insurance.

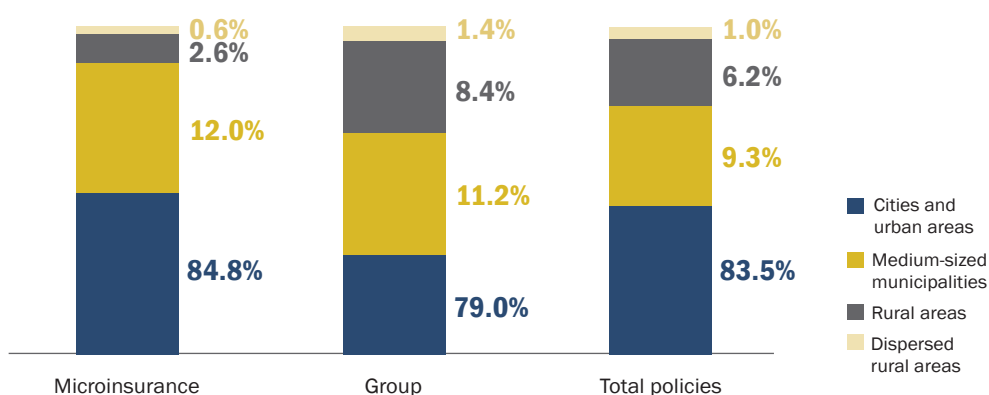
Product quality

The claims rate is the fraction of the premiums issued that the insurer uses to pay its policyholders' claims.²¹ In 2021, the overall claims rate for the insurance industry was **55.3%**—an increase compared to **49.5%** in 2020 (Graph 6.15). Thus, out of every \$100 pesos in premiums issued, the insurance industry spent \$55 pesos in policy beneficiaries' claims.

Despite the fact that in 2021, the growth in claims settled was higher in microinsurance and mass insurance, the claims rates for these types of insurance are still lower than for the industry as a whole. In the case of mass insurance, the claims rate was **47.1%** (8.2 pp lower than the industry rate). The microinsurance rate (**38.7%**) implied lower claims payments to beneficiaries compared to the industry average (**\$17 pesos** less in claims for every **\$100** in premiums).

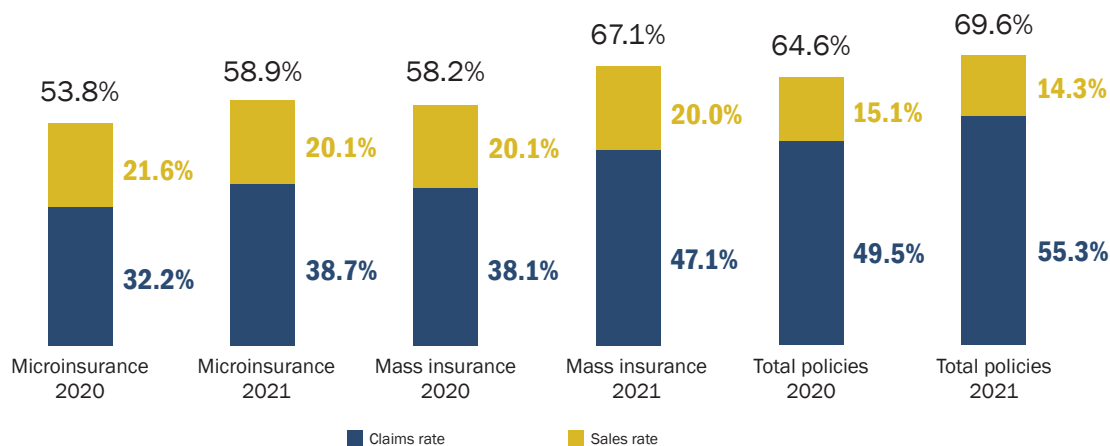
As explained in this chapter, microinsurance and mass insurance make greater use of non-traditional marketing channels to contact potential customers and issue their policies, so intermediation costs include some type of remuneration to these channels. Consequently, for both microinsurance and mass insurance, marketing costs amounted to **20%** of premiums issued—almost 6 pp more than for the industry as a whole. Even

Graph 6.14. | Share of insured risks, by level of rurality and insurance type



↗ Fuente: Equipo RIF con datos de SFC.

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

Graph 6.15. | Claims and sales rates, by insurance type

Source: FIR team with SFC data

when adding marketing expenses²² as a percentage of the premiums issued to the claims rate (Graph 15), microinsurance and mass insurance still continue to report lower percentages than that for all industry policies.²³

When the claims rate was segmented into the main lines of business, differences were observed between the main segments of each type of insurance, with microinsurance showing the lowest rates (Graph 6.16). For example, for the voluntary group life segment, the claims rate was **73%** overall, with lower rates reported for mass insurance (**56.3%**) and microinsurance (**49.1%**). In the personal accident segment, the claims rate was also higher for the entity's policies in general (**22.8%**) than for microinsurance (10.9 %) or mass insurance (**14.1%**).

Segmenting the claims rate by gender revealed that insured women had a lower claims rate than insured men in all types of insurance.²⁴ Overall, in the insurance system, the claims rate was **62.2%** for insured women and **74.1%** for men (a difference of 11.8 pp) (Graph 6.17). In the case of mass insurance, claims rates were lower, with **43.5%** for women and **57.5%** for men (a difference of 14 pp); meanwhile, for microinsurance, rates were reported at **53.8%** for women and **71.9%** for men (a difference of 18.1 pp).

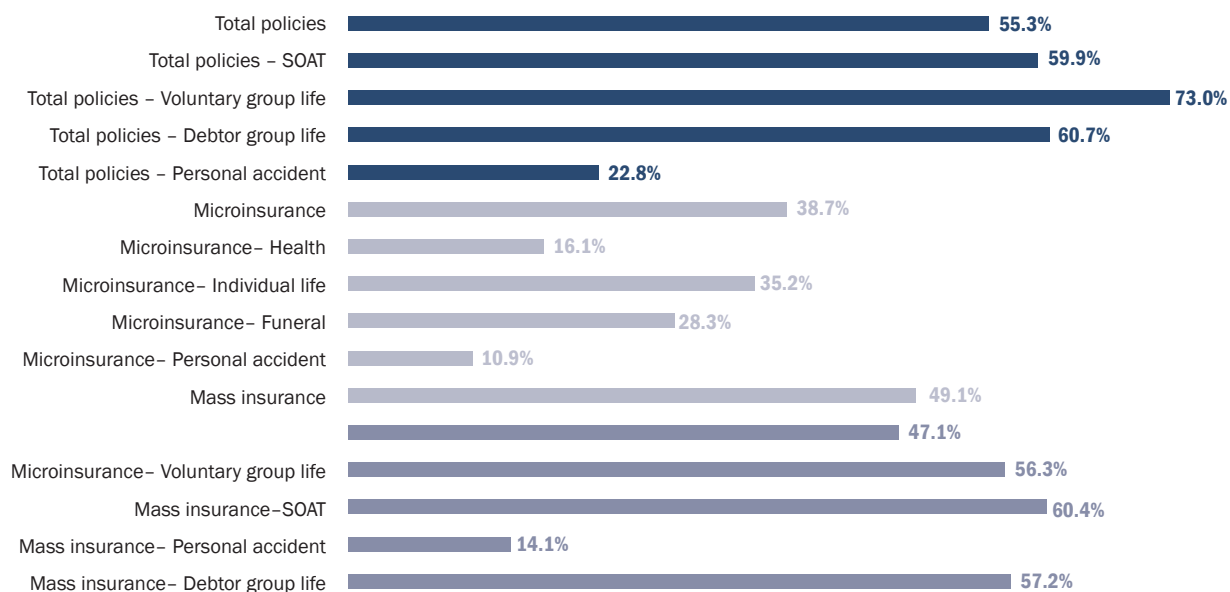
It is worth noting the low claims rate associated with microinsurance and mass group insurance policies, where the insured was an individual whose gender could not be determined by the insurer. Particularly noteworthy is the record of microinsurance, where those insured through

22 The marketing expenses described include the remuneration of dependent and independent intermediaries and remuneration for the use of the network and marketing channels.

23 There are no administrative and personnel expenses by insurance type that allow us to affirm that the technical rate of microinsurance or mass insurance is lower than the industry average.

24 The reporting of premium and claims information, disaggregated between natural persons and legal entities, was carried out based on the insured's category, not the policyholder or beneficiary. Therefore, the claims rate is calculated for those insured according to their characteristics.

Graph 6.16. | Claims rates, by insurance type and main segments



Source: FIR team with SFC data

these group policies accounted for **60.4%** and had a claims rate of **16.5%**.

Regarding insured legal entities, their claims rate was close to **48%**, regardless of the size of the firm. However, a high claims rate was observed in mass insurance in cases where the insured was a large company (**70%**); this also held true for MS-MEs in the microinsurance sector (**66.8%**).

The average paid claim value in 2021 increased for all types of insurance compared to the previous year, reaching **\$5.2 million** pesos for all policies, **\$3 million** for microinsurance, and **\$4.1 million** for mass insurance (Graph 6.18). The

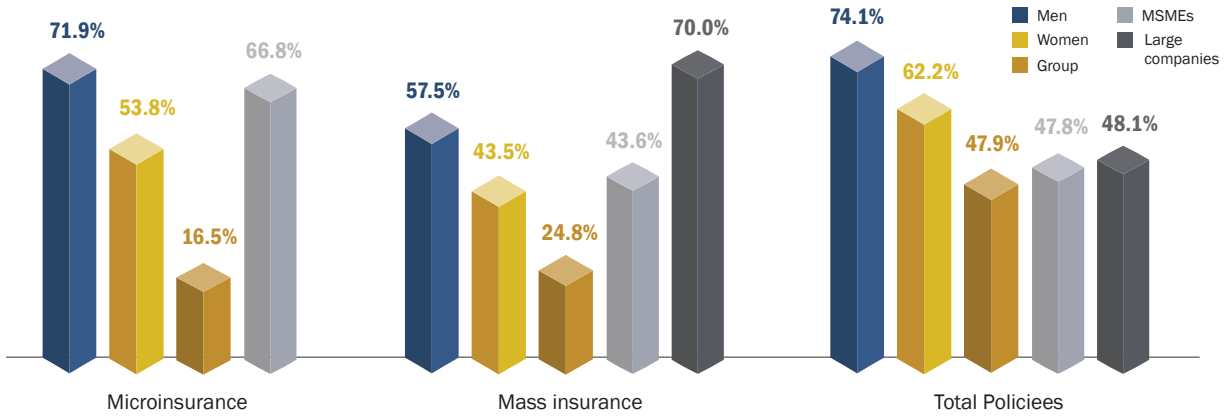
claims rejection rate²⁵ also increased for all types of insurance in the last year, reaching **14.2%** for total policies and slightly lower rates for microinsurance and mass insurance. In addition, the average number of days it took to pay the claim is lower for microinsurance and mass insurance.²⁶

Finally, the level of user dissatisfaction—measured by the number of complaints per 1,000 active policies—decreased over the last year. Microinsurance has the highest levels of consumer dissatisfaction, with 10.6 complaints per 1,000 policies—more than double the indicator for all industry policies (4.2).

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

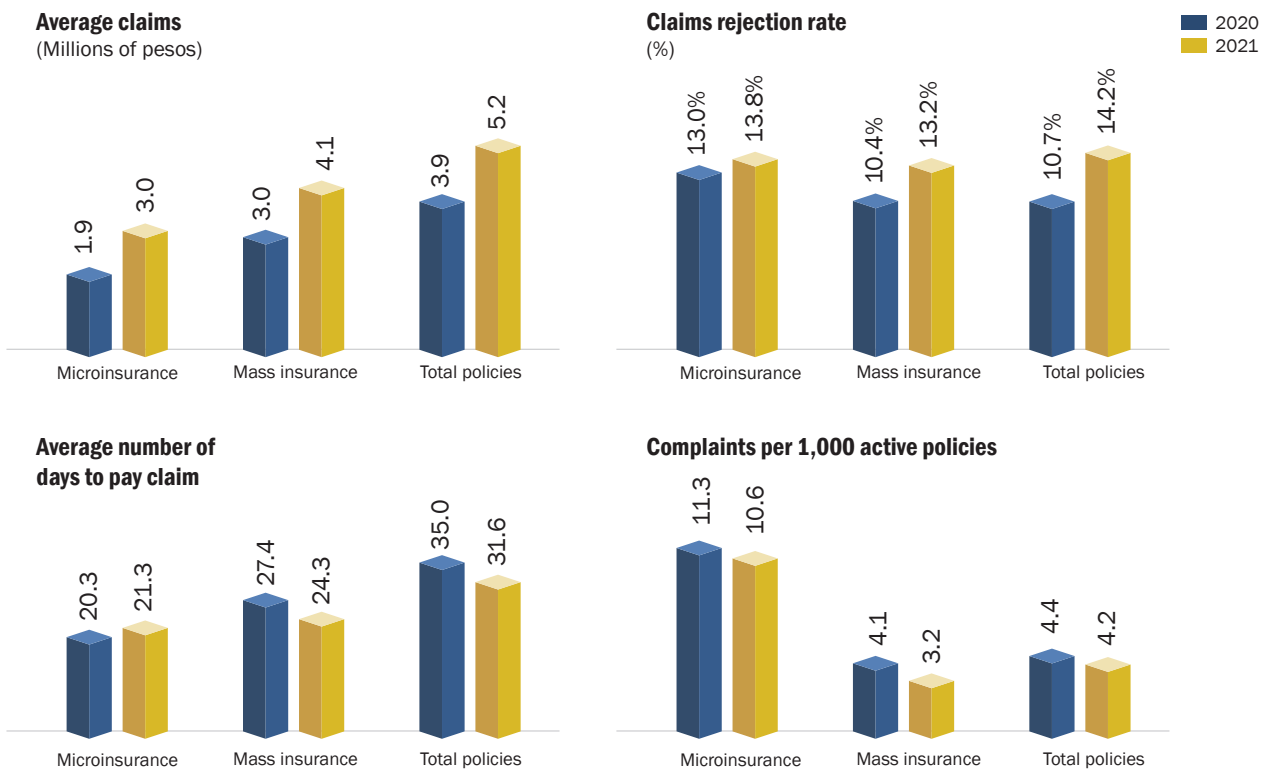
26 This is likely due to the implementation of simplified claim processes established in the regulations when sales are made through correspondents or via network usage.

Graph 6.17. | Claims rates by insurance type and type of person (individuals and legal entities)



Source: FIR team with SFC data

Graph 6.18. | Variables associated with claims payments and user satisfaction, by insurance type



Source: FIR team with SFC data

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 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.

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 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.

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. This period depends on the entity, which can range from 30 days to 720 days.

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

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.

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.

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.

O

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

26 Probablemente, debido a la implementación de procesos simplificados de reclamación establecidos en la normatividad, cuando la comercialización se realiza por corresponsales o uso de red.

S

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

Specialized electronic payment processing company (SE-DPE): 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 monetary amount of operations: Value (in millions of Colombian pesos) of all monetary transactions, handling fees, or transfers made by the entities' customers or users during a specified period of time.

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.

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.

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