



The Chilean experience of a universal access debit card

Juan Pablo Cova – Erika Arraño



Overview

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 - International comparison
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- Summary



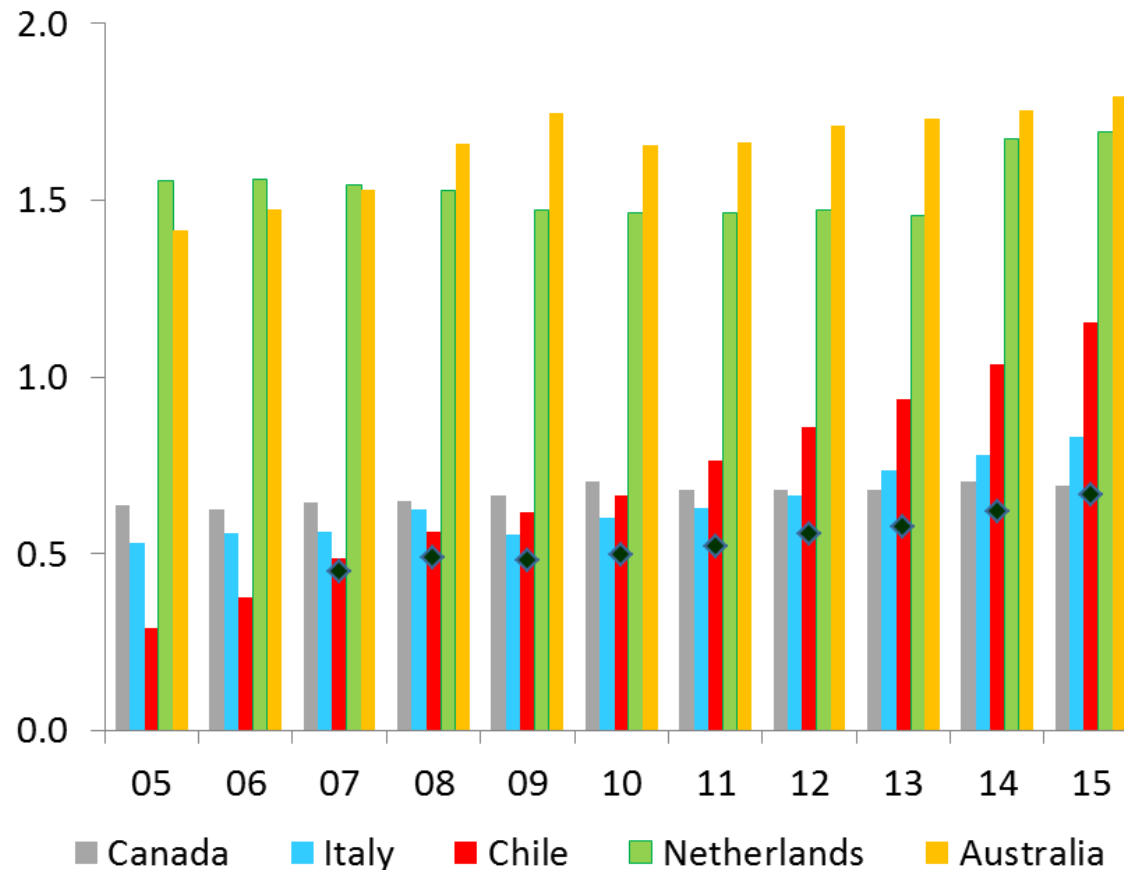
Motivation and objective

- Chile has exhibited significant progress on financial inclusion in recent decades. In fact, nowadays, 98% of Chilean inhabitants over 15 years old have at least one financial product to manage cash, save money or get credit.
- Among these products, one of the most relevant is debit card, with 21 million of cards issued until December 2016, mainly associated to sight deposit account.
- A relevant actor behind this figure (42% share) is BancoEstado, a state owned bank, which considers social inclusion in its mission, with the aim of providing universal access to those with low income or living far from the cities, through a sight deposit account named “CuentaRut”.
- The objective of this presentation is to describe the advances in the access the population has to banking products through CuentaRut.



In the last decade Chile has presented a remarkable growth in the number of per capita debit cards, which can be explained by the creation of the CuentaRut product. This has allowed to shorten gaps with developed economies.

Number of debit cards per inhabitant



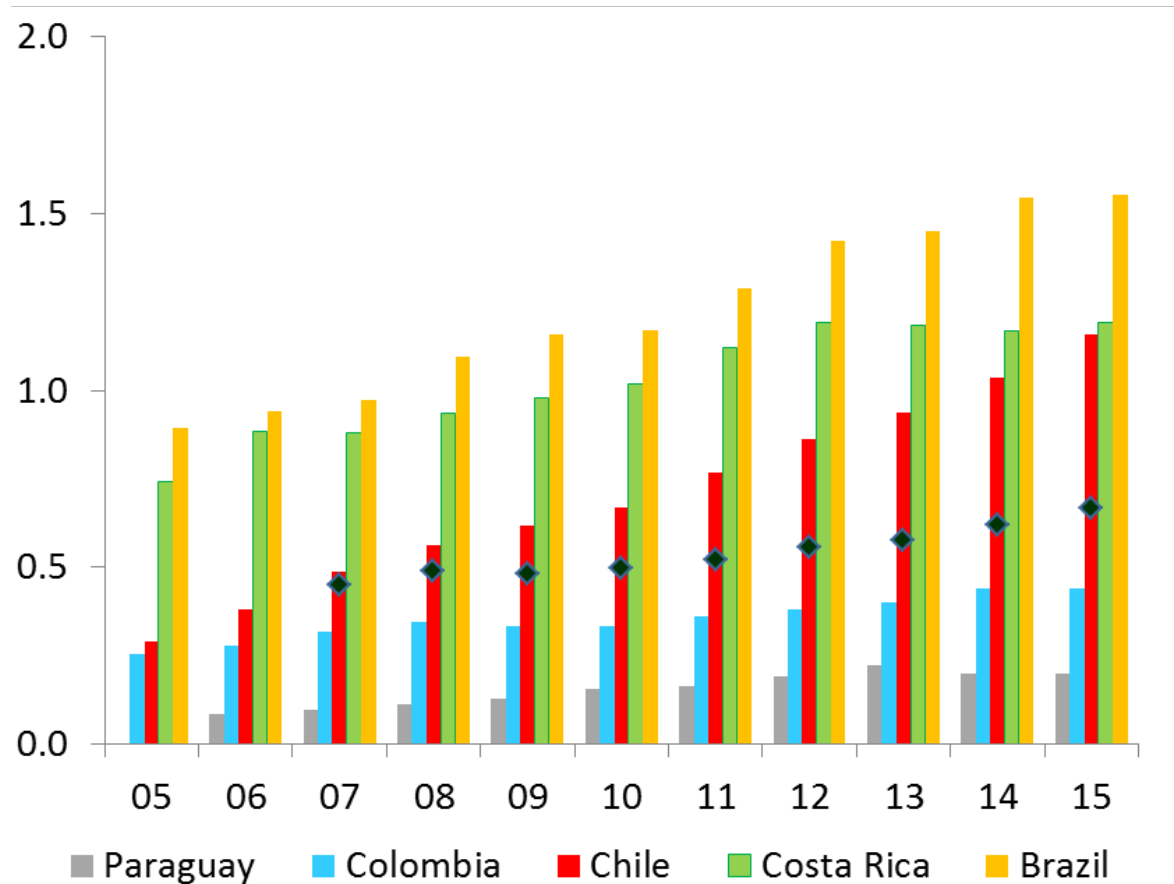
Note: (*) Chile without CuentaRut

Source: BIS/CPSS - "Red Book" -, Superintendency of Bank and Financial Institutions (SBIF) and BancoEstado.



At the same time it places Chile in a privileged position compared to its peers in the region.

Number of debit cards per inhabitant



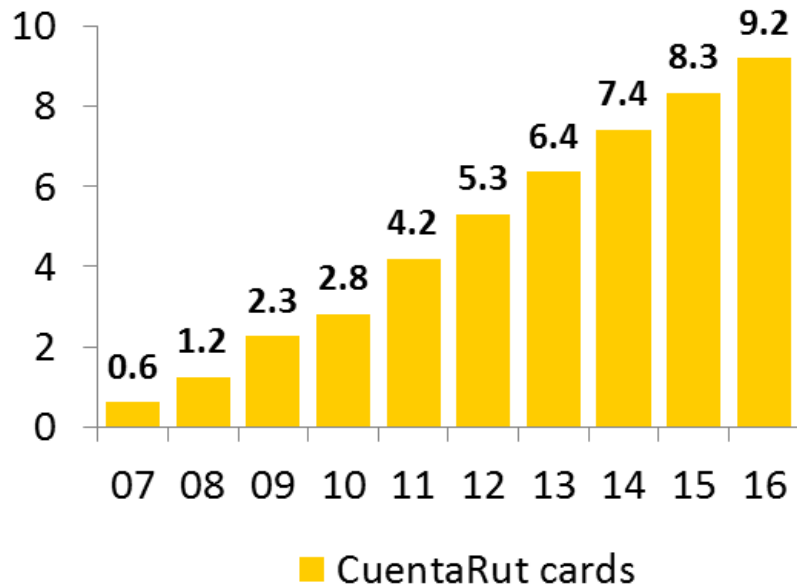
Note: (*) Chile without CuentaRut

Source: CEMLA/World Bank –“Yellow Book”–, SBIF and BancoEstado.

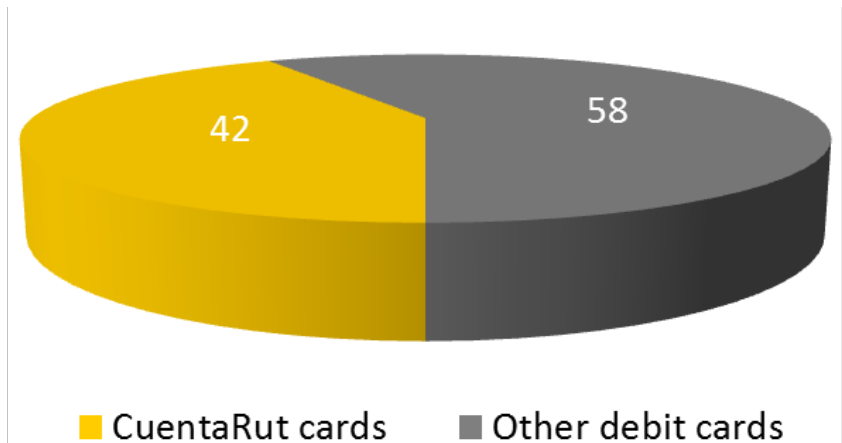


The number of CuentaRut debit cards has grown from 0.6 million in 2007 to 9.2 million in 2016, reaching a 42% share.

Number of CuentaRut cards
(millions of cards)



Market share on 2016
(percent)





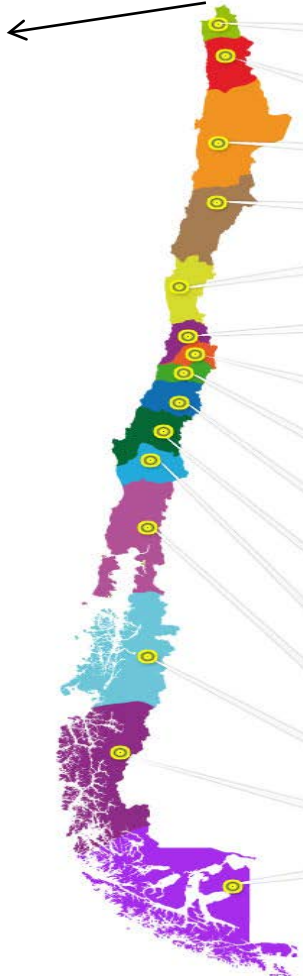
What is CuentaRut?

- CuentaRut is a sight deposit account developed by the state owned bank BancoEstado, aimed for natural persons, launched in 2007.
- Its main characteristic is its widespread presence because the only requirement to get it is to have an Identity Card (ID or Rut in Chile), whether the holder is Chilean or foreign, issued by the Civil Registry and Identification Service of Chile.
- It is available for every woman over 12 years old or men over 14 years old without requiring a minimum income or commercial background. The latter are mandatory to apply for any other banking account.
- It is used to receive wages, pensions, tax returns, social grants, and benefits coming from disaster relief programs. It also allows the payment of services and taxes, shopping using POS, electronic transfers and cash withdrawals.
- Even though it does not have fees or maintenance costs, it has a transactional costs mainly related to cash withdrawal from ATM.



BancoEstado is present in every place in Chile through the CuentaRut, even though Chile is a long and centralized country.

Putre:
Coverage 77%

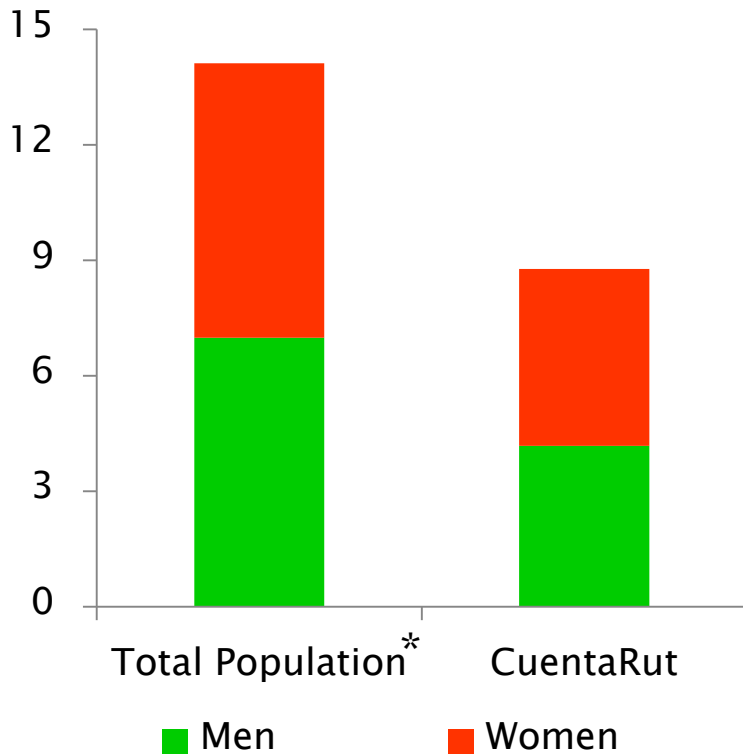


<u>Region:</u>	<u>Number of CuentaRUT:</u>	<u>Population coverage:</u>
XV: Arica	115,473	63%
I: Tarapacá	162,518	64%
II: Antofagasta	304,938	64%
III: Atacama	161,233	68%
IV: Coquimbo	389,917	65%
V: Valparaíso	920,782	64%
RM: Metropolitana	3,505,508	61%
VI: O'Higgins	451,016	63%
VII: Maule	505,310	62%
VIII: Bío-Bío	1,028,279	62%
IX: Araucanía	484,112	63%
XIV: Los Ríos	195,966	62%
X: Los Lagos	410,334	63%
XI Aysén	56,292	68%
XII: Magallanes	82,709	64%
Whole Country	8,774,388	62%

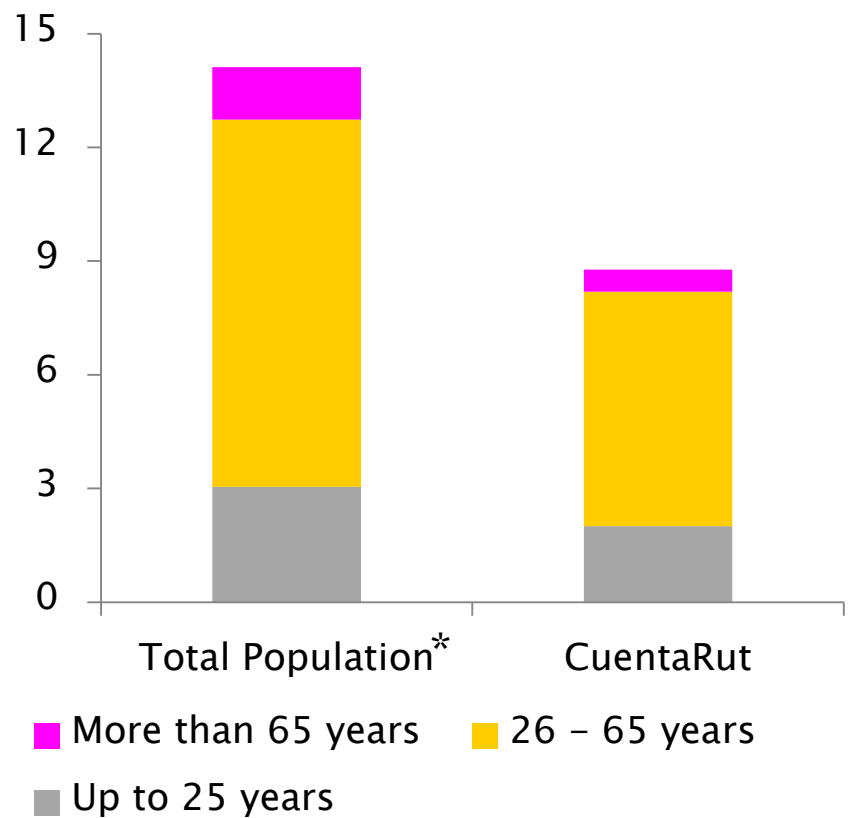


Who are CuentaRut holders?

By gender
(millions)



By age
(millions)



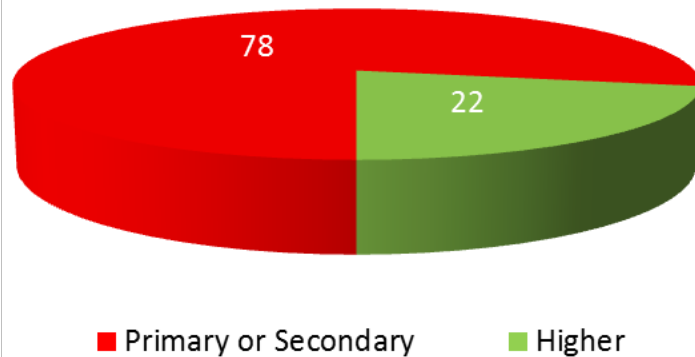
(*) It corresponds to women over 12 years old and men over 14 years old.

Source: BancoEstado and National Statistics Institute. Data of June 2016.

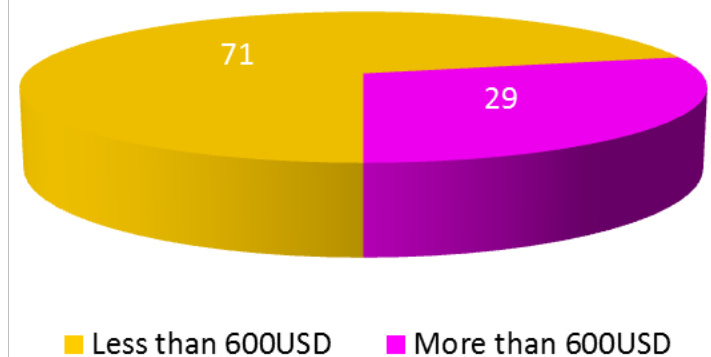


Who are CuentaRut holders?

By educational level
(percent)



By income level
(percent)



Source: BancoEstado. Data of June 2016.

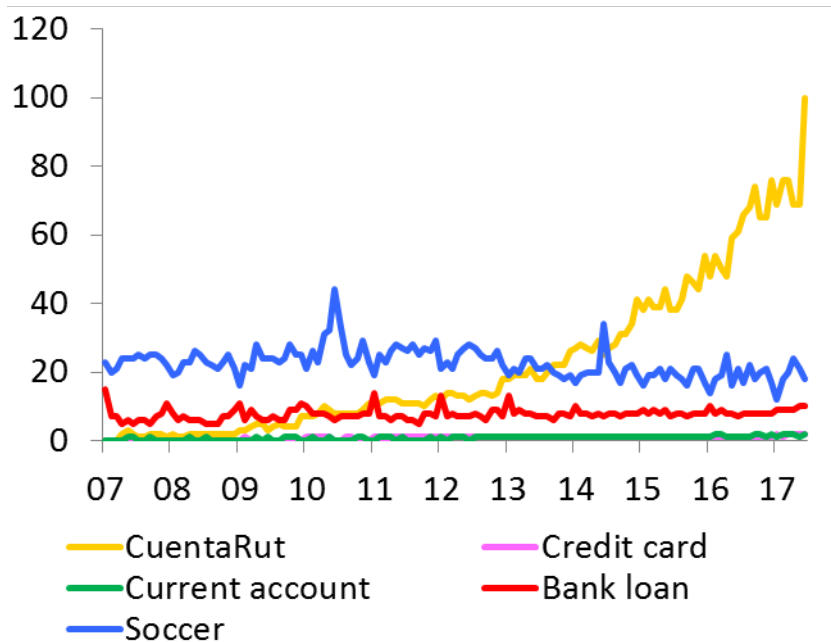
- Immigrant population in Chile has been increasing in recent years. The most efficient and applicable way to access the banking system, is utilizing this product. In fact, almost 60% of foreigners have a CuentaRut on June 2016.



The information from Google Trends shows a growing interest in CuentaRut, greater than other banking products or popular searches like “soccer”. There is a positive correlation between searches and the poorest locations.

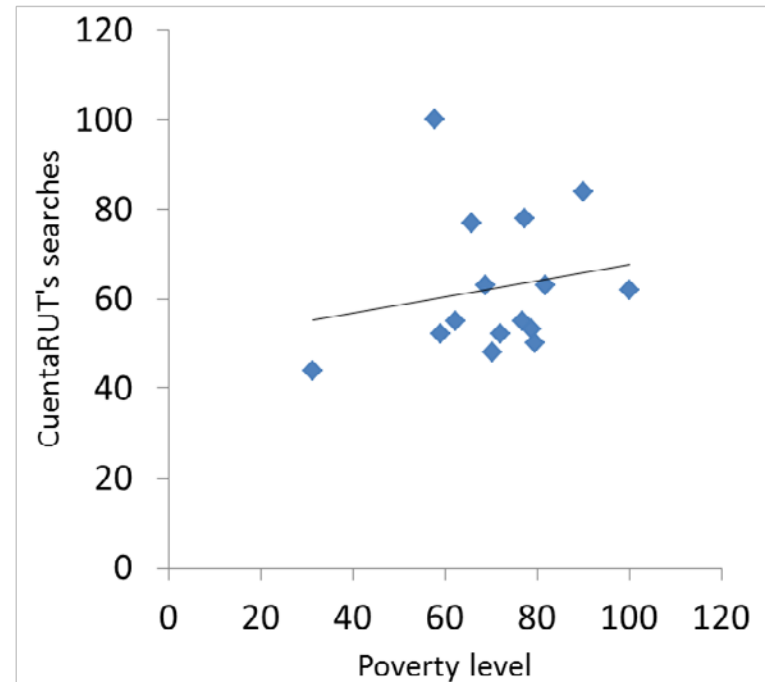
Google searches

(index June 2017 CuentaRut = 100)



CuentaRut's searches and poverty level by region

(region with more searches or poorer = 100)





Summary

- In the last decade, CuentaRut has generated a sustained increase in the number of debit cards in Chile, allowing to exceed the performance of its peers in the region, as well as a number of developed economies.
- Nowadays, more than 9 millions of Chileans have a CuentaRut. The holders are distributed homogeneously throughout the territory, even though Chile is a long and centralized country.
- Behind this phenomenon is BancoEstado, a state owned bank, which has the mission of promoting financial inclusion.
- The absence of requirements to get this product has given access to the financial system to individuals that probably were marginalized before because of their income restriction or an inadequate or incomplete commercial background.
- The access to the financial system allows individuals to normalize consumption, manage risks and invest in education or new business and, therefore, promote the development of nations.



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