



**EUROPEAN
MICROFINANCE WEEK 2014**
DEVELOPING BETTER MARKETS

Local banking and inclusive finance

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Wolfram Hiemann, Consultant, Berlin

- Bank Perkreditan Rakyat (BPR): Local Banks in Indonesia

Hans Dieter Seibel, University of Cologne, Köln

- Local Banking in Germany: From Microfinance to Inclusive Universal Banking

Nguyen Thac Tam, Coop Bank Vietnam, Hanoi

- Cooperative Banking and Inclusive Finance: The People's Credit Funds in Vietnam

Virginie Trachsel, University of Geneva

- Local Banking and Inclusive Finance in Rural and Urban Areas in Mexico



Local banking and inclusive finance

Local banks are a self-reliant variant of microfinance institutions: financial intermediaries which are regulated and supervised by a financial authority and belong to the formal sector. Ownership is private, cooperative by members, by communities or local/national government, by nongovernment organizations or foundations or is replaced by trusteeship. In contrast to most classical microcredit and microfinance institutions they are truly inclusive, serving low-income people and MSMEs, poor and rich, rural, agricultural and urban clients and organizations, thereby contributing to growth and development of local economies and employment generation. The number of developing countries where they exist is limited, but increasing. In this session we discuss some of the contemporary and historical experience of local banks, their future potential for inclusive finance and microfinance and the challenges faced when introducing local banks as a new type of formal sector banking institution and transforming non-regulated institutions into local banks.

Minimum capital requirements of local banks, 2014: some examples

Vietnam (PCFs): 1993: *Dong 100 million*
= \$17,000 in 1993, \$4,640 in 2014

Indonesia (BPR): 1988: \$29,000
\$50,000 to \$500,000, depending on location

Philippines (Rural Banks): 1953: ?
\$115,000 to \$2.3 million, depending on location

India:
\$26.6 million (*draft law, 2014*)