

European Microfinance Week 2014

Local Banking and Inclusive Finance

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Financial inclusion in rural vs. urban areas

Rural Areas:

- Outreach: uneven and slow process
- Not cost efficient to offer wider range of services
- High transaction and opportunity costs
- Linkage of NGO with MFI

Urban Areas:

- Economies of scope and scale more likely
- Commercially oriented MFIs

Impact of remittances on financial inclusion

Remittances as a substitute for microcredit

- Loosen credit constraints
- Impact depends on channel used to remit

Remittances as a complement to microcredit

- Increase indirectly financial inclusion

Remittances and savings

- Increase demand for saving instruments

Household survey 2005-2006, Mexico

Sample: 600 HH

14% of the sample own a bank account

18% receive remittances

Main results:

- Significant decrease of informal credit for remittances receivers
- Non significant change in formal credit takeup rate
- Positive impact of remittances in financial inclusion
- Cash transfer programs have an positive impact on credit takeup rate

Conclusion

- Impact of remittances on microcredit not clear
- Cash transfer programs have an positive impact on credit takeup rate, possibly on financial inclusion
- Remittances through formal channel increase financial inclusion
... AND developed financial systems attract more remittances
- Various studies reveal need for saving facilities in rural areas, especially for remittances receivers