Translation from La República article, “*El poco conocimiento del consumidor es causa de la baja inclusión financiera.”*

Lack of Consumer Awareness Has Prevented Financial Inclusion

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Bogotá, Colombia

In Colombia, one of the topics on which the government and the banking sector have worked most diligently in recent years is financial inclusion.

The results, however, have not been as expected and, according to **Christopher Trepel**, Executive Director of the Consumer Credit Research Institute (CCRI), one of the problems is that segmenting credit users requires access to data associated with their behavior. But, when loans have not been introduced to underserved niches, relevant information is not available.

During the round table "Understanding your Customer with financial difficulties: duty or opportunity?" led by Refinancia and including participants Ana Fernanda Maiguashca, Co-Director of the Banco de la Republica (Colombia’s central bank) and David Salamanca, Director of Financial Regulation for the Ministerio de Hacienda (Colombia’s Ministry of Finance), among others, **Trepel** explained that, according to research done in the U.S., a series of cognitive, attitudinal, and demographic differences have been found to distinguish customers with good credit ratings from those with poorer credit ratings.

"This type of information will lead us to develop products, services, and approaches to better interact with underserved, and often misunderstood, (subprime) consumers,” said the researcher.

He also added that the aim of the research center is to understand how people think and behave with respect to credit, and to provide that knowledge to advocacy groups to support public policies conducive to financial inclusion, among other things.

Kenneth Mendiwelson, Refinancia’s President, asserted that, “We understand that in Colombia there exists a relevant dynamic seeking to provide credit to underserved niches. There are a number of forces that will influence the development of this industry, such as regulation around data protection and financial inclusion policies."

The problem, as expressed by Irene Velandia, member of the telecommunications team at the law firm Brigard & Urrutia, is that at present all access to personal information has legal implications, due the permissions that must first be procured, and that not everyone is interested in making them available. In many cases, individuals do not provide information for fear that it will be used improperly. To **Trepel**, "The greatest danger to those designing public policies is a lack of data. It is critical that government, the private sector, and academic researchers properly apply data generated through this type of research. "

In summary, it is clear that financial inclusion must go hand-in-hand with information about consumers.

Sidebar: Interest rates alienate consumers

According to **Kenneth Mendiwelson**, President of Refinancia, the country’s interest rates allow for risk adjustment to a point, but only allow traditional consumers to enter the financial system. Because of this, some rates create marketplace barriers, "Access to credit in the country is still nil, and it is necessary to strengthen financial inclusion and provide products for each consumer segment," he added. **Trepel** added that between 50% and 60% of the local population has no access to credit within the current system.