

Colombia

Promoting financial development in the context of the Middle-Income Trap

Overview

Between **2011 and 2017**, the economy has grown on average 3.8% annually, while the LAC average is 1.7%

Banking sector overview:

ROE: 11%



Public banks have a

marginal presence

Foreign operations in Central America are increasing

Relatively concentrated banking sector top 5 banks

78% of market share

Partially compliant with Basel II

(roadmap to converge with Basel III in 2018)

NPL ratio: 5%

Financial Access

Tier 1: **10.7%**

branches:

Similar level of bank

24.3 per 100,000 as average of HI economies: 26.4

DiGiX:

53rd (out of 100 countries) Higher position than its peers in LATAM

MIFI: 36th position

Improvements in financial inclusion

(out of 137 countries)

per 100,000 adults

Banking correspondents system

has improved access in rural areas:

11.9%

Colombia covers

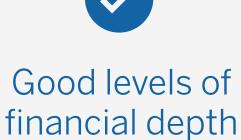
of the fintech market in LATAM

markets: 1.4 listed companies

Low access to capital

per 1,000,000 people

Financial Depth



relative to its peers. Credit to GDP:

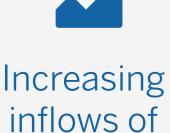
44.5%



they have room for improvement: 39.3% of GDP



11.9%



foreign investment to debt markets NFCs **5.8%**

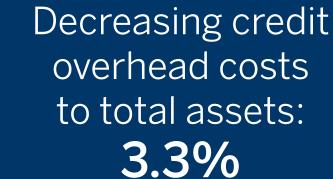
of GDP and

financial firms:

3.8% of GDP

Efficiency and Stability of the Financial System





Institutional factors

Registering property (Average HI: 66 out of 190)

Colombia's indicators are in some cases above average

59_{th}

Ease of doing business

(Average HI: 33 out of 190)

Enforcing contracts

60th

Resolving insolvency

Getting credit

(Average HI: 67 out of 190)

2_{th}

(Average HI: 47 out of 190) 177_{th}

Recommendations Adapt the regulatory framework to the digital transformation of

financial services to facilitate the development of the fintech

small companies Firms could potentially benefit from a larger exposure to capital

markets and debt markets as

alternative sources of financing

Introduce simplified accounts for

ecosystem

Reduce limits to credit depth such

(Average HI: 22 out of 190)

as debit taxes on savings accounts, interest rates caps and direct lending Maintain / accelerate efficiency

improvements

 Create a multipurpose cadastre to reduce the informality of land

registries and protect property rights Reduce bureaucracy involved in the enforcement of contracts to reduce

its high costs and risk

For further details: