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Conditional Transfer and Financial Inclusion Programs: Opportunities and Challenges in Latin America*

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Introduction

In an effort to make disbursements to beneficiaries more efficient, various conditional cash transfer programs (Cctps) in Latin America and the Caribbean (LAC) have been adjusting their payment mechanisms. In the process, the programs have been bringing beneficiaries closer to the formal financial system to varying degrees, in some cases enabling them to gain access to some of the system's products and services.

Evidence has shown that poor households do save and borrow, usually using informal strategies, reflecting a real demand for financial services; their access to such services, however, is limited. The intersection between financial inclusion and conditional cash transfer programs seems to offer a synergy useful for poverty-alleviation goals, not only by increasing current consumption and investment in human capital, but also through asset accumulation, productive investment and risk management (by means of financial services such as deposits, credit and micro-insurance).

To encourage analysis of and research on the design of Cctps that more effectively stimulate this vulnerable population's access to and use of financial services, this paper presents a summary of the state of the art of progress in financial inclusion in Cctps in Latin America. This study is part of an initiative of the Inter-

* The complete document is available at the Capital Project: <www.proyectocapital.org>.

national Development Research Center (IDRC), within the framework of the project of *Social Protection and Economic Empowerment: Conditional Cash Transfer Programs, Financial Inclusion and Information and Communication Technologies*, with support from the Proyecto Capital and the Institute of Peruvian Studies (Instituto de Estudios Peruanos, IEP), and presents the principal results of the review of CCT experiences and their relationship with the financial system, the main challenges encountered and a review of the demand for financial services in Latin America.

Supply of financial services in CCTPs in Latin America and the Caribbean

- There are at least 17 CCT programs in Latin America and the Caribbean[1], and while they vary in type of beneficiaries, targeting methods and criteria, amounts, payment mechanisms and conditions, among other aspects, all are social protection programs whose goal is to reduce poverty and inequality.
- CCTPs in Latin America and the Caribbean serve some 26.8 million families, or approximately 111 million people, meaning that conditional cash transfer programs could be benefiting slightly more than 21 percent of the region's total population.
- From the outset, most CCTPs in the region have had a close relationship with both public and private banking institutions. In some cases, the programs use bank facilities to deliver cash; in other cases, the CCTPs have been reinforced with complementary programs with specific financial inclusion components (savings incentive programs and lending programs). Others have recently begun a process of bringing beneficiaries into the banking system, with a primary goal of making delivery more efficient and a complementary goal of offering beneficiaries access to financial services.
- In general, there are three payment mechanisms for transfers: in cash, with an electronic card, or through a savings account.
- The first form includes direct payments in cash, by check or with vouchers that are delivered in bank offices, where such offices exist, or at official institutions or through events organized for this purpose. It also includes payments made by mail. Although these payments are sometimes made through banks, delivery is not accompanied by any element of financial inclusion. With this payment mechanism, therefore, we can state that *there is no financial inclusion*. At least 13 of the cases analyzed use or used this payment mechanism to deliver transfers. Although some countries have migrated to other forms of payment, this remains the only alternative for delivery money to beneficiaries in very remote areas with no infrastructure.
- The cash, electronic or prepaid card arose from an effort to improve the efficiency of delivery of CCTs. With this me-

1. Nicaragua's CCT program is currently inactive. The programs included in this study are Asignación Universal por Hijo (Argentina), Bono Madre Niño Niña Juana Azurduy and Bono Juancito Pinto (Bolivia), Bolsa Familia (Brazil), Familias en Acción (Colombia), Avancemos (Costa Rica), Chile Solidario (Chile), Bono de Desarrollo Humano (Ecuador), Comunidades Solidarias Rurales (El Salvador), Mi Familia Progresa y Protección y Desarrollo de la Niñez y Adolescencia Trabajadora (Guatemala), Bono de 10.000 (Honduras), PATH (Jamaica), Oportunidades (Mexico), Red de Oportunidades (Panama), Tekoporà (Paraguay), Juntos (Peru), Solidaridad (Dominican Republic) and Asignaciones Familiares (Uruguay).

chanism, the CCTPs deposit the money electronically in the card, and the beneficiaries can withdraw funds at banks, automatic teller machines and, in some cases, retail stores (supermarket or chain stores) or non-bank entities. This category includes all cards that do not have a savings account associated with them, also called prepaid cards or debit cards, or known by local names such as Keycard Cash (Jamaica), Tarjeta Eficaz (Colombia), Tekopora (Paraguay), Tarjeta MIES (Ecuador) and Solidaridad (Dominican Republic). At least nine of the cases studied reported using these cards, and several countries have tried to consolidate this payment mechanism because of its efficiency. With this mechanism, users receive the benefits associated with access to the means of financial payment, but not those associated with financial services, such as deposits, loans or insurance. In this case, *financial inclusion is partly achieved*. For the beneficiaries, these cards become an initial step to access to the sector, and result in reduced time and monetary costs in the payment process; nevertheless, the users remain isolated from financial services.

- Another payment method is the deposit of transfers in a savings account in the program beneficiary's name. This method assumes that the beneficiaries will gain access to financial services offered by the system, especially the possibility of mobilizing deposits, making transfers and wire transfers, and, to a lesser extent, gaining access to credit. Seven cases in the region use this system (not including Costa Rica, where the program canceled the savings account model), with differing degrees of depth in terms of access to the financial sector. This method is associated with *much deeper financial inclusion* than the other payment methods, although it does not necessarily imply that the beneficiaries take full advantage of the services offered.

- In several countries, the use of more than one payment method persists, depending on the possibilities of coverage and service in each case. One estimate based on available information shows that approximately 56 percent of the beneficiary population in Latin America and the Caribbean probably receives payment by means of an electronic card, making this the most widespread method, serving approximately 15 million beneficiaries; about 17 percent still receive cash payments; and savings accounts are available to 28 percent of beneficiaries, a percentage equivalent to about 7.4 million transfer recipients.

- In the CCTPs in Latin America and the Caribbean, two main strategies have been used to include beneficiaries in the formal financial system: i) using savings accounts (sometimes, though not always, associated with magnetic cards) as payment mechanisms, and ii) designing and offering programs aimed specifically at encouraging savings or providing loans to transfer recipients, which we will refer to as complementary programs.

- In the first case, besides deposit services, the savings account generally offers other services, such as insurance; bank, wire or remittance transfers; and even loans, although this is not necessarily explicit. Nevertheless, the literature and evidence suggest that the use of other services tied to savings accounts is limited at best, usually because of a lack of knowledge of their existence and how to use them, or because of the characteristics of the accounts offered.

- The most common financial service in terms of supply is the deposit mechanism: seven of the CCT programs offer the possibility of saving in a formal savings account (Brazil, Colombia, Chile, Ecuador, Guatemala, Mexico and Peru). The supply of financial services is followed by credit, with two cases (Brazil and Ecuador). Similarly, in two cases, Ecuador and Mexico (three if Colombia's Mujeres Ahorradoras en Acción program is included), insurance services are offered, usually health, life or burial micro-insurance. Other financial services offered are bank and wire transfers, in three cases (Colombia, Chile and Mexico), and the possibility of receiving or sending remittances, in two cases (Mexico and Colombia).

- A breakdown by program, however, shows that only seven of the programs, by country, offer at least one financial service as part of their strategy, equivalent to 41 percent of the CCT programs. Financial inclusion, therefore, has not been massively adopted by the programs. Further analysis of this result is needed, however, to understand the dynamic of financial inclusion in the region, associated difficulties and challenges, and the advantages for both the supplying institutions and the demanding population.

- In the second case, because the complementary programs are specifically aimed at encouraging financial inclusion and include a significant financial literacy component, they have more effectively given impetus to inclusion of these households in the formal financial system. In some of these complementary programs, besides the goal of specific financial inclusion (usually savings or loans), other services, such as micro-insurance, are provided. Countries that have complementary financial inclusion programs include Colombia (Mujeres Ahorradoras en Acción and Proyecto de Promoción de la Cultura del Ahorro en Familias en Pobreza), Ecuador (Crédito de Desarrollo Humano), Peru (Programa de Promoción del Ahorro de Familias Beneficiarias de Juntos), Brazil (non-exclusive loans for recipients of Bolsa Familia through urban and rural programs of the Banco del Nordeste de Brasil) and Mexico (Jóvenes con Oportunidades).

- There is currently debate over whether Ecuador's Crédito de Desarrollo Humano program can actually be considered a credit program. Some suggest that it cannot be considered a loan because: i) there is no evaluation process for granting it, ii) conditions are not verified, iii) there is no real study of the productive project to be implemented, and iv) it is actually an advance on the voucher. Those who say it can be considered a credit program base their view on the definition of credit as an inter-temporal allocation of money, which enables households to balance out their income and consumption or acquire goods that would otherwise be inaccessible.

- Besides these programs, Chile is currently working on implementation of a pilot savings program called Programa Ahorro, aimed at recipients of social transfers. The idea is to offer four types of savings accounts as a way of encouraging beneficiaries of the Puente program to save:

i) with fixed monthly incentives, ii) with variable incentives, iii) with a lottery, and iv) with traditional savings accounts. The results of this pilot will shed light on the effectiveness and acceptance of different incentive designs in these complementary financial inclusion programs.

- To adapt to the needs of the beneficiary population, CCTPs that have implemented deposit services usually use low-cost savings accounts, with no maintenance fee and with exemptions in certain montly transaction charges (e.g., withdrawals, consulting balances), although with limitations in some cases (for example, limits on the amount of money saved, use of cards exclusively in account-providing banks, low or inexistent returns, etc.). Similarly, complementary programs are designed with strategies that encourage financial inclusion, such as the use of incentives in savings programs (e.g., Mujeres Ahorradoras en Acción and Proyecto de Promoción de la Cultura del Ahorro en Familias en Pobreza in Colombia, and Promoción del Ahorro en Familias Juntos in Peru) or innovative technologies in credit programs (e.g, Ecuador's Crédito de Desarrollo Humano, which is repaid with money from the transfer).

Demand for financial services among poor households in LAC

- Poor households in Latin America do save and borrow. They mainly save as a strategy for smoothing consumption (preventive savings for emergencies and to buffer against shocks or events that affect their income) and, when possible, to accumulate assets to invest in human capital (education for their children or themselves), home improvements and small businesses. Similarly, when unexpected shocks, such as illness or unemployment, occur and they lack sufficient savings, poor households resort to informal loans, mainly from friends, relatives or informal lenders.

- Poor households' access to financial services, however, is limited at best. Tejerina, Buillon and Damaestri (2006) found that only 14.5 percent of poor households in Latin America and the Caribbean have ties to a formal or semi-formal entity through a savings account or other financial product.

- Access to formal financial services for beneficiaries of social programs appears to be even lower: surveys of mothers benefiting from the Colombia's Familias en Acción CCTP show that the percentage of mothers who save in a formal financial institution does not exceed 3 percent (Maldonado & Urrea, 2010). Duryea and Schargrodsky (2007) found that among the beneficiary households of Argentina's Jefes y Jefas de Hogar program, only about 2 percent of the program's beneficiaries in two cities had savings or checking accounts in formal or semi-formal (cooperative) financial institutions.

- There are several reasons, from the standpoint of both supply of and demand for financial services, which limit the financial inclusion of the poorest people. In the case of CCT recipients, demand-side factors include insufficient income, high transaction and maintenance costs, excessive documentation and paperwork, lack of knowledge, and lack of confidence in the financial system (Maldonado & Moreno-Sánchez, 2010; Samaniego & Tejerina, 2010; Rosen, 2010).

- Despite limitations in access to formal financial services, poor households address their demand for deposit services by using various strategies, including saving cash at home, saving in piggy banks, "bricks and mortar" (construction materials), jewelry and animals (pigs or chickens), or investing in their microenterprises (De los Ríos & Trivelli, 2011; Berumen y Asociados, 2010; Maldonado et al., 2010; Maldonado & Urrea, 2010; Rosen, 2010). In some countries, the poor form savings clubs among neighbors, friends or relatives, which are used to provide revolving loans to members; these clubs include Roscas (Rotating savings and credit associations), self-help groups (in India, Bolivia and Peru), and chains or tandas (in Colombia). In other cases, savings are facilitated by a "collector," who may be a shopkeeper, employer or local moneylender (Maldonado & Moreno-Sánchez, 2010; Alpízar, Svarch & Gonzalez-Vega, 2006; Rutherford, 2000).

- Poor households in Latin America use their savings for multiple purposes (De los Ríos & Trivelli, 2011; Trivelli, Montenegro & Gutiérrez, 2011; Berumen & Asociados, 2010; Maldonado & Moreno-Sánchez, 2010; Maldonado & Urrea, 2010; Samaniego & Tejerina, 2010), such as utility payments (electricity, water or telephone), children's education, expanding or developing new productive enterprises, home purchase or improvement, purchase of durable household goods, paying debts, preventing future emergencies, unexpected expenses, covering health care costs, or anticipating special events.

- When poor households have the opportunity to gain access to financial services and are provided with appropriate financial literacy, they not only lose their fear of the financial sector, but they also recognize advantages, such as keeping their deposits in banks or other formal financial entities (Samaniego & Tejerina, 2010; Zilveti & Fuentes, 2010; Iica, 2009a; Trivelli & Yancari, 2008). Experience also indicates that women who receive social transfers want and are able to save in the formal system and to invest, and they are able to use other financial services, such as microcredit and life insurance (Trivelli, Montenegro & Gutiérrez, 2011; Rosen, 2010; Trivelli & Yancari, 2008).

- Several studies show that CCTs have a positive effect on beneficiaries' savings and investment behavior. Through the cash delivered, conditional transfer programs can contribute to household cash flow, accumulation of preventive savings and even investment (in crops, animals, land or microenterprises) (Trivelli, Montenegro & Gutiérrez, 2011; Soares et al., 2008 in: Rosen, 2010; Francke & Cruzado, 2009; Barrios, Galeano & Sánchez, 2008; Gertler et al, 2006; Adato & Roopnaraine; 2004).

- Similarly, as poor households save, they also borrow to deal with shocks and smooth consumption. Access to formal credit is limited, however, for reasons that include lack of coverage, the borrower's lack of collateral, or a scant supply of credit products adapted to this population's needs. Nevertheless, poor households use various informal strategies to obtain loans[2]. Key strategies include taking loans from friends, relatives and shopkeepers, local moneylenders, or savings and lending groups (e.g., Roscas), putting household goods in pawn as a guarantee. These strategies, which are based on reciprocity or characterized by high costs, are not the exception among poor households in Latin America (Maldonado & Urrea, 2010; Maldonado & Moreno-Sánchez, 2010).

- As with savings, loans among poor households have multiple purposes, including home purchase or improvement, purchase of real estate, acquisition of equipment, supplies for small businesses, purchase of food and other necessities, payment of debts and unexpected expenses; the use of the money varies, however, depending on whether the loan source is formal or informal (Maldonado & Urrea, 2010).

- Theoretically, conditional transfer programs can affect demand for credit ambiguously. In practice, this effect depends on multiple variables, including the amount of the transfer, rates of return on productive investments, interest rates, financial service coverage, and the household's productive alternatives (Svarch, 2009). In Latin America, studies assessing the effects of transfers on formal or informal credit have shown ambiguous results (Maldonado & Tejerina, 2010; Hernández *et ál.*, 2009; Svarch, 2009; Barrios, Galeano & Sánchez, 2008; Adato & Roopnaraine, 2004).

2. Alpizar, Svarch & González-Vega (2006) define households with credit as those that successfully secure a loan, participate in a Rosca or purchase goods or services using credit. Households with formal credit are those that receive a loan from a formal institution such as a bank, cooperative or loan association. Households with informal credit are those that receive loans from informal sources such as friends, relatives or employers. Finally, the authors define households with semi-formal credit as those that receive loans from moneylenders, merchants, shops, input suppliers or similar sources.

Assessments of the process of inclusion in the formal banking and financial system in Cctps in Latin America

- The shift in payment mechanisms, from cash payments to money cards or electronic cards tied to savings accounts, has resulted in benefits for both the programs and the transfer recipients, such as cost reduction, savings in time invested, convenience, security, and independence in the withdrawal and management of funds (Berumen y Asociados, 2010; Maldonado & Urrea, 2010; Maldonado & Moreno-Sánchez, 2010; Samaniego & Tejerina, 2010; Duryea & Schargrodsky, 2007).

- Despite initial difficulties associated with the use of magnetic cards, which occur because households benefiting from the transfers have had little or no contact with the financial system, this payment mechanism results in high user satisfaction and preference (Maldonado & Urrea, 2010; Samaniego & Tejerina, 2010; Duryea & Schargrodsky, 2007; PATH, 2007).

- Linking Cctp beneficiaries with the financial system through savings accounts appears to have a positive effect on the recipients' savings (De los Rios & Trivelli, 2011), although the studies reviewed do not make it possible to attribute increases in savings to incorporation into the banking system in itself; some authors debate whether these increases in savings are the result of desire, capability and ease of saving in the formal financial system, or if they are the result of pressures that the beneficiaries perceive from the programs or bank officials. In some cases, CCT recipients see savings as an imposition or requirement (Berumen y Asociados, 2010; Rosen, 2010). Although some studies indicate that the link with the formal system could be encouraging a shift from informal to formal savings (Maldonado & Tejerina, 2010), others report that both types of savings are maintained (De los Ríos & Trivelli, 2011). This area requires further research.

- The shift to money cards (not linked to savings accounts) does not show a positive effect on savings (Samaniego & Tejerina, 2010; Duryea & Schargrodsky, 2007). Nevertheless, in these studies a direct connection cannot be established between the money card and the users' decision about saving.

- The literature also shows that savings behavior varies depending on whether the beneficiary is only a recipient in a transfer program, where payment is made through deposit in a personal savings account, or whether, besides being part of the CCT program, the recipient is also part of a complementary program that encourages saving, as in the case of Mujeres Ahorradoras en Acción in Colombia or the Promoción al Ahorro de las Familias Juntos program in Peru.

- Some studies have found positive relationships between transfer recipients' ties with financial institutions and the use of credit (De los Rios & Trivelli, 2011; Maldonado & Tejerina, 2010; Samaniego & Tejerina, 2010; Zilveti & Fuentes, 2010; IICA, 2009a). As with savings, inclusion of CCTP beneficiaries in the banking or financial system can affect access to credit in three ways: i) by bringing the beneficiaries into the financial system (prepaid cards), ii) through payment mechanisms accompanied by financial products (savings accounts with or without a magnetic card, which offer credit as well as deposit services), and iii) through specific programs that facilitate access to credit and are designed exclusively for beneficiaries of CCT programs. As with savings, rigorous assessments are needed to determine the effects of inclusion in the financial system on the use of credit by these families.

- Inclusion in the banking and financial system, particularly complementary savings programs in Colombia and Peru, have facilitated the empowerment of women recipients in various ways, including control over the management and use of money, knowledge of the financial system and how it works, self-esteem, a sense of economic citizenship, self-worth and recognition of their contribution to the household, security, better intrafamily relationships, decision-making in the household and the community, and business know-how (Trivelli, Montenegro & Gutiérrez, 2011; De los Rios, 2010; Maldonado & Urrea, 2010; Zilveti & Fuentes, 2010; IICA, 2009b)

Discussion

- Despite their low income levels, the CCTP target population and their families do have a demand for financial services; because of their isolation from the formal financial sector, however, they must often resort to informal services.

- Although informal strategies are timely and have low transaction costs, they are generally risky and may be tied to other non-monetary costs that could become poverty traps for the user.

- Although informal savings mechanisms are strategies adapted to particular conditions, some are not sufficiently liquid or divisible (animals, construction materials) when they are needed to buffer a shock. In addition, they often are not secure, offer no return, and are not protected against inflation (Banerjee & Duflo, 2006).

- Informal loans have at least two disadvantages: i) loans from local informal lenders are characterized by small amounts and high costs (high interest rates), and ii) loans from friends, relatives or neighbors are also small; in addition, because these people usually live in the same community, have the same occupation or live in similar conditions, this method does not cover systemic shocks that affect everyone equally (for example, a drought that affects crops in the region). Because these sources of loans provide limited intermediation (in space, time and natural conditions), their role in allocating economic resources is also limited (Gonzalez-Vega, 2003 in: Svarch, 2009).

- Formal financial services help users avoid these traps, improve the inter-temporal allocation of household consumption, and take advantage of productive opportunities that would otherwise be impossible to implement. As this paper shows, however, poor households' access to formal financial services is limited at best.

- Among the main reasons for low inclusion of the poor in the financial system are, on the supply side, financial entities' low coverage in rural and marginal urban areas, high operating costs, risks associated with transactions (high costs of monitoring and screening for loans, for example), legal instability, and limits on interest rates (Asobancaria, 2009; Marulanda, 2006); on the demand side, reasons include lack of knowledge and distrust of financial institutions, minimum deposit requirements, identity documents, lack of collateral or guarantees (credit), excessive red tape and paperwork, and maintenance and transaction fees (Tejerina & Westley, 2007; Marulanda, 2006).

- One of the main challenges for the formal banking system is to design financial products adequate for these users' needs, which reduce transaction costs in terms of red tape and requirements, and which make the services truly accessible to these populations. Financial literacy efforts are also needed to transparently and effectively reduce doubts and uncertainties about how the financial sector works and how to use its services. These steps are being taken, at different levels, in the modification of payment methods and other efforts to bring people into the banking system, which are being carried out by Cctps in Latin America.

- The strategy of making payments with an electronic card, even without access to savings accounts or other financial services, has proven to provide an initial opening for Cctp beneficiaries to gain access to the financial system and its benefits.

- The main challenge of payment by means of electronic cards is to expand coverage of withdrawal options, especially in small urban centers and rural areas, where banks, automatic teller machines and chain stores are scarce (Maldonado & Urrea, 2010). This makes the potential role of non-bank correspondent entities in meeting this demand even more important.

- In isolated or remote areas, mobile banking or payment by mobile telephone should also be considered. The widespread coverage and penetration of mobile telephony would allow this mechanism to reach nearly the entire beneficiary population.

- One obvious opportunity in payment systems that use prepaid cards (or even mobile telephony) is that they facilitate the transition toward a mechanism with greater inclusion in the financial system, such as the creation of savings accounts for users. The case of Colombia shows how beneficiary mothers who already had electronic cards had little trouble adopting the model of savings accounts with cards (Maldonado & Tejerina, 2010; Maldonado & Urrea, 2010).

- In some cases, beneficiaries have taken advantage of the accounts to store their surplus. If withdrawal of money in an emergency is not easy, however, or if the financial yield offered by the accounts is very low and there are additional charges or commissions for using the service, households are likely to prefer to continue using traditional forms of savings. In remote areas, the cost of transportation (in money and time) to the place where the withdrawal can be made could be prohibitively high. In addition, in some cases, there is still distrust of the financial sector, and beneficiaries will prefer not to leave their money in the bank.

- For these households, any level of savings could require significant effort, and the sacrifice in consumption could have a high opportunity cost. If the benefits of saving in the formal system are not obvious, the households will prefer not to save or will save using other methods. Households will always combine formal and informal alternatives for risk management, which is a high-impact variable for these populations.

- Perhaps the opening of accounts could therefore be seen as an entry into the financial sector for this population group, rather than an end in itself. When beneficiaries find that the service is useful for inter-temporal allocation of their consumption and investment decisions, and when yields are sufficient to cover administrative and transaction costs, there will be demand. The important thing is to ensure that the service is available to these households.

- If the challenge is to increase the CCTP beneficiaries' formal savings, it is necessary to address the factors that affect households' unwillingness to leave their deposits there. This means offering low-cost accounts adapted to the conditions of this population, but the issue of financial literacy is also especially important to ensure that the beneficiaries, who are often illiterate in financial matters, clearly understand the conditions of the savings accounts they are receiving, possibilities for accessing the money, how to use payment mechanisms (including automatic teller machines) appropriately, additional financial services they can use, how much each transaction costs them, and, especially, the existence of regulatory mechanisms and entities that guarantee that they have rights and protection as consumers in the financial sector, and that their distrust may therefore be unfounded.

- Once households have access to the formal financial sector and feel comfortable in it, a natural next step is to explore other services, such as credit or insurance. There is evidence that once access is gained, formal credit may displace informal credit, which tends to be much more expensive, and households may launch productive enterprises (De los Ríos & Trivelli, 2011; Maldonado & Tejerina, 2010; Samaniego & Tejerina, 2010).

- The effects on credit or savings of including CCTP recipients in the formal financial system are not clear. Rigorous studies of these relationships and the variables involved are needed. The use of credit, in particular, will depend not only on access, but also on multiple variables, including rates of return on investments, interest rates and the productive alternatives available.

- Demand for other financial services, such as micro-insurance, is especially relevant among CCTP beneficiary populations (Maldonado & Urrea, 2010). Forms of insurance against death or disability or assistance with funeral expenses play a very important role in this population, for whom shocks could lead to the use of strategies with negative consequences in the long run, such as those that affect the formation of human capital. Several CCTPs, and particularly the financial entities linked to them, have already begun to offer life, disability and funeral insurance to transfer recipients.

- The main challenge for financial entities is to create financial services technologies that are appropriate for this sector of the population, in terms of costs (low costs, including subsidized administrative fees or commissions or exemption from taxes, if they exist), access (designing products that take financial services to the places where users need them) and ease of use (designing training models that demonstrate the advantages of the financial services offered and how they are used). Collins et al. (2009) summarize the critical design principles for financial products aimed at the poor as: reliability, flexibility, convenience and structure. This could also require a careful review of the regulatory framework for financial entities, to reduce the obstacles encountered by the entities in offering these specialized products.

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