INCLUSIÓN FINANCIERA
EN LATINOAMÉRICA
2019
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About ANDE

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce social and environmental benefits. Ultimately, we believe that SGBs can help lift countries out of poverty.

Launched with 34 members in 2009, today ANDE is comprised of 290+ members who collectively operate in over 150 countries.

About MetLife Foundation

At MetLife Foundation, we believe financial health belongs to everyone. We bring together bold solutions, deep financial expertise and meaningful grants to build financial health for people and communities that are underserved and aspire for more. We partner with organizations around the world to create financial health solutions and build stronger communities, engaging MetLife volunteer employees to help drive impact. To date, our financial health work has reached 9.9 million low-income individuals in 42 countries.

To learn more about MetLife Foundation, visit metlife.org.

About the Financial Inclusion Learning Lab

ANDE’s Learning Labs are neutral convening spaces for diverse practitioners to share best practices and new research, discuss hot topics, and learn from one another. The Labs can also offer a venue for joint research or action on key issues.

In partnership with MetLife Foundation, the Central America and Mexico and Brazil ANDE Chapters created a group of organizations in the financial inclusion sector that met during 2018 with the objective of understanding the financial inclusion landscape in Mexico and Brazil, sharing knowledge and experiences among organizations and facilitating collaborative projects that support Small and Growing Businesses that contribute to this sector.

This report collects the most relevant data in both countries that were shared during the Learning Lab meetings, as well as the voices of the experts and a series of case studies from various organizations in Latin America focused on three themes: Necessary infrastructure to improve access to financial services, Financial Education and User-centered design for products and services.
Financial inclusion landscape in Mexico

The data presented here was taken from the presentations made during the Learning Lab and include some of the sources mentioned in this document.

What works in Financial Education?

1) Seizing timely, teachable moments
2) Providing nudges, reminders and setting default choices
3) PCustomization
4) Promoting a fun and social learning experience

In order to address the problem of financial inclusion, the strategy must be:

1) Segmented
2) Geo-referenced
3) Stratified

Mexican families have an average of 7.3 income sources over the course of a year.

The financial instruments most used by low-income families for saving purposes are:

- 64% Keeping money at home, commonly called “under the mattress”
- 35% Savings accounts
- 18% Group money pools
- 10% Giving credit to clients
- 22% Lending to friends and family
- 2% asking someone to keep their money for them

In 2012, between 20 to 35 million people did not have access to financial infrastructure, i.e. the technical means, services and facilities necessary for access to financial products and services.

There are approximately 40,000 correspondents in the country, or 2.8 correspondent banks for every ten thousand adults. At a global scale, the median is 7 correspondent banks per ten thousand adults.

10 Millions adults did not had access to financial infrastructure

and this occurred mainly in low-density, remote locations. This makes it commercially unviable to reach them through current technologies.

Financial education explains only 0.1% of financial behavior variations.
Panorama de la Inclusión Financiera en Brasil

Approximately 35% of women do not have a bank account.

57% of the base of the pyramid population have a bank account. Only 7% of these use the account more than once per month.

27% of low-income adults managed to save in the previous year, but 39% of these kept the money at home.

The number of defaulters across the country reached a record of 61 million in July 2018.

More than 85% of Brazilians have no access to any form of credit.

65% of Brazilians access financial services through correspondent banks. However, the number of access points has reduced over the past 4 years.

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1. BFA, Serie de Diarios Financieros mexicanos (Mexican Financial Journals Series), 2016.
3. Reporte Inclusión Financiera (Marzo 2012), CNBV
Infrastructure required to improve access to financial services

The voice of the experts

Irina Alberro, specialist in Financial Inclusion and Financial Instruments of Social Innovation

Irina Alberro (from consulting firm Henderson Alberro) considers that 2010 was marked by an international wave of alternative banking initiatives. The Mexican legal framework allowed the creation of correspondent banking, its purpose being to increase access points for financial services with a lower-cost operation model than that of bank branches. As a result, the number of banking correspondents has increased sevenfold since late 2010; today, there are more than 40,000 correspondent banks in the country. Additionally, in 2017 the National Banking and Securities Commission created a database with the location of bank branches and correspondent banks in Mexico. This database was georeferenced and gave relevant insights: for example, 87% of adults live four kilometers away or less from a financial services access point. This data provides a clear image of the progress made in developing the necessary infrastructure for financial inclusion, as well as the challenges yet to be overcome.

Gilberto Ribeiro, Partner, Vox Capital

Despite the challenging scenario for financial inclusion, there are some trends in Brazil that suggest fertile ground for new solutions. Thanks to improved telecoms infrastructure, 80.1% of urban households in Brazil now have internet access, creating opportunities for new relationship channels with groups of clients that were previously difficult to serve. Beyond technology, the regulatory environment in the country is going through changes that help to reduce concentration in the banking sector and to allow for more startups in the market. There are efforts to simplify legal structures for financial institutions through the establishment of direct credit societies (SCDs, in Portuguese), peer-to-peer loans (SEPs) and simple credit societies (ESC), facilitating entry of new companies in the market. The Open Banking initiative, which transfers ownership of data to the user and allows different institutions to access it with the user’s consent, and the creation of a positive credit register both give greater transparency about the behavior of a section of the population that is thus far almost invisible to the banks.
CASE STUDY

ViviendAPP: Empowering families from vulnerable sectors to solve their housing needs.
Alejandro Máximo, Operations Manager, Centro de Innovación a la Vivienda (CIV)

For two years the Foundation has been developing the web-based ViviendaApp, jointly with the Interamerican Development Bank and as a result of a project on resilient cities, with housing as a key component of city resiliency. Considering that the population at the base of the pyramid lacks access to the traditional mechanisms of housing acquisition, CIV developed financial models designed specifically for that segment. The application is primarily focused on housing improvement and brings the user close to institutions that offer funding with a social purpose. The initiative responds to the funding needs of the institutions offering funding, as well as to the needs of families that seek low interest rates. Users can get several quotes from different suppliers for materials to improve their dwelling and -if they lack liquidity- the platform will guide them through the financial products and services they can access to fund the project. The application can be used to finance productive housing, i.e. projects that divide a space that was previously shared for dwelling and business purposes. All in all, the project wants to be perceived by families as a way to solve their home improvement and credit access needs; ultimately, the initiative seeks to empower this segment of the population in the decision-making processes regarding their homes. Alejandro Máximo explains: “The project will be piloted in eight municipalities in Estado de México. The app has been available since early 2019, and we hope that, in the next two years, about 15,600 users will download the app and 3,800 loan will be granted.”
CASE STUDY

The mobile wallet that made financial inclusion a reality: the case of Peru
Iván Aguado, Senior Consultant, Nimmök

Nimmök is an international consulting firm specialized in the development of financial inclusion projects for the unbanked population, through digital tools. The firm advised the Peruvian Banking Association on a project that was launched in 2015: a nationwide financial inclusion platform, set up by the main banks of the country, through the Financial Studies Center of Peru. The initiative created the company Pagos de Perú (Peru Payments), which hired an electronic platform to offer mobile wallets. This option allows users to register and open an account with their ID data, and thus enables them to receive deposits or withdraw funds from bank branches, correspondent banks and local shops and withdraw from ATMs. The wallet was designed for financially excluded people living in marginalized areas and allows them to perform cash transfers, buy cell-phone credit and make service payments; it brings unbanked users close to the traditional banks’ services with ease and minimal commissions.

“There are more than 35 banks connected to the platform and transactions can be made between them at no additional cost. Furthermore, the service works on basic cell-phone devices... the platform has more than 400,000 users”.

Nimmök is set to reach two million users in Peru by 2021 and the firm will continue to develop similar projects in Colombia, Panama, and Mexico. One of their main challenges is to adequately adapt the technology to the context of each location.
CASE STUDY

Using technology to expand microcredit to rural areas
Clecio Lima, CEO, Avante

Avante is a Brazilian fintech company focused on microentrepreneurs - people like Esiel, a banana seller in the interior of Maranhão state, who don’t have access to job opportunities away from urban centers and need support to run their own business in order to provide for their families. That’s where Avante comes in, offering credit within two days, as well as other financial solutions that empower microentrepreneurs.

Currently in the growth phase, Avante operates in more than 200 cities across Brazil's interior, locations that are poorly served by traditional financial institutions. Using commercial teams formed by residents of the communities themselves, Avante has already approved more than 500,000 loan applications totalling approximately half a billion Brazilian Reais. The company faces the continuous challenge of scaling up its credit operations while keeping costs low, thereby promoting social impact whilst still being financially viable.

Avante has learnt a lot during its 7 years of operations. Contrary to what many predicted, the microentrepreneurs have proven to be good debtors, only needing an opportunity that is practical, fast and fair. The company treats its workers with the same care as it does its clients, investing to create a fun working environment offering massage and meditation sessions. A happy worker is the secret to achieving efficient results.
Financial Education

The voice of the experts

Juan Navarrete, VP Business and Partnership Development, Fundación Capital

From the perspective of Fundación Capital, financial education has had a very modest impact: heavy investments have been made over decades, in programs that yielded limited results. This has prompted organizations to rethink programs through a different point of view: capacity building.

There are three fundamental elements for capacity building. It is necessary that any capacity-building effort has a clear vision of the objective: which behavior it wishes to change or which financial practice it is trying to promote. Additionally, programs must be adapted to meet the conditions of the environment in which they will be implemented, understanding the infrastructure, geography, and user experience of each context. This is a requisite because capacity building is a necessary condition for a financial health and financial inclusion, but it’s insufficient on its own.

The last element for successful capacity building is understanding that it can be integrated in other actors’ activities. Private financial services providers can also integrate financial education into their business model and benefit from the rapprochement with their customers.

Lauro Gonzalez, Professor at FGV Business School and Coordinator of the Center for Studies in Microfinance and Financial Inclusion at FGV

Almost two thirds of people in Brazil are unfamiliar with basic financial concepts. Despite this, there have been significant improvements in recent years. Primarily, access to formal education has improved substantially, which has positive spillover since it’s much easier to discuss financial education with people who are able to read and do basic math calculations. Additionally, recent research has shown that there were 1,393 initiatives aimed at financial education in the country in 2018. The National Financial Education Strategy (ENEF) – which promotes financial education in secondary schools – is particularly worth mentioning.

It is important to recognize that financial education should not be limited to initiatives aimed at the users of financial services. Banks, fintechs and other companies must be clearer and more precise in explaining the characteristics of products and services provided. They also need to develop communication that is more appropriate to older generations, who often have a more conservative profile and less familiarity with social networks and new technologies. Above all, financial education must be combined with ethical principles guided by the goal of social inclusion and promotion of development.
CASE STUDY

NEO: investing in the financial education of young students in Nuevo León.
Fabiola Armendariz, Financial Education, Citibanamex

NEO is an initiative that coordinates businesses, governments and civil society in Latin America and the Caribbean to improve the employment opportunities of over a million young people. A partnership has been established with Citibanamex, to create a project that aims to guide young people in the Mexican state of Nuevo León away from crime and into the labor market. This through a 20-hour training program that was incorporated in the formal curricula of the National College of Technical Professional Education (CONALEP) and taught throughout the 17 campus. The material features basic information on improving financial culture in young people and includes content from the OECD’s financial literacy index. Overall, the training program prepares young people to make more reasoned financial decisions, acknowledging themselves as the most important asset they could have. The material is designed in such a way that they can clearly perceive its usefulness and includes designing a life plan to boost their employability.

Fabiola Armendariz comments: “We are currently working with our third CONALEP generation. The program has been implemented as part of the curricula of the Entrepreneurship Training subject. We train the teachers and they then present the contents to the students”.

In 2015, the program served 4,550 students; in 2015, it served 4,406; in 2017, it served 5,226 and in 2018 it was expected to reach over 6,000 beneficiaries.
CASE STUDY

A mobile solution for improving financial decision making.
Rafael Vivolo, Managing Partner, Movva

Poupe+, a nudgebot created by the startup Movva (previously called MGov) to improve financial education and reduce indebtedness, sends weekly nudges by SMS containing content and suggested activities. These nudges promote behavioral change through more conscious decision making. MGov has developed a system consisting of thousands of messages, based on content validated by renowned financial institutions, and a proprietary methodology for structuring message sequences.

Movva is in its second year serving Natura, a large cosmetics company, and in the first year of their partnership 10,750 Natura resellers received financial education nudges, with the following results:

- Reduction in the risk of indebtedness by 5% (up to 10% in some groups)
- 95% of resellers confirming that the messages supported them in their financial lives.

The impact was measured using a randomized control trial (RCT). In this cycle, the primary challenge has been maintaining user engagement rates, which can fall by up to 70%. Movva’s biggest learning has been to approach sensitive topics – such as debt repayment and financial health – in a lighthearted and friendly way, and to maintain the ideal message frequency so that the resellers stay engaged.
Infraestructura necesaria para el acceso a servicios financieros

Maure Pessanha, Executive Director, ARTEMISIA

Bancarization of the population does not necessarily lead to use of financial services, much less to healthy use, resulting in a group of citizens that are poorly served by the financial sector. Currently 80% of the population at the base of the pyramid in Brazil has access to mobile technology, yet resistance to making financial transactions online is widespread, primarily due to mistrust of digital channels. The challenge is made more acute by a reduction in the number of correspondent banks, lack of access to credit and low propensity to save. Business large and small must seek to understand the human being behind the user, helping to ensure that solutions address real challenges and take into account relevant preferences and behaviors. According to our experience in accelerating impact businesses, alternatives for changing the current reality include simplifying complex information through technology and creating solutions that build trust, empower users and support more informed choices. Only in this way can we guarantee financial inclusion, with healthy use of financial services, capable of transforming the lives of millions of Brazilians.
CASE STUDY

Guiabolso: a personal finance administration solution for the base of the pyramid in Brazil.

Juan Navarrete, VP Business and Partnership Development, Fundación Capital

Guiabolso, an application developed by a private company in Brazil, was designed for middle-class banking clients with the purpose of providing financial information and credit alternatives. Fundación Capital has the institutional mission of working with impoverished segments of the population, who are excluded from the formal financial system. Thus, when the Foundation heard about Guiabolso, they proposed adjustments targeted to these segments. They then worked on the prototype and piloted it to evaluate its performance, therefore effectively including the most vulnerable segments of the population. Since the application is part of the Bolsa Familia (a government transfer program), Fundación Capital took on the challenge to scale the initiative to cover a greater number of low income so they can achieve financial health. They hope the clients will exhibit more careful credit behavior and they hope to support better-informed decision-making. The app includes resources such as a credit comparison tool to evaluate the alternatives that best adjust to the user’s needs, with real-time market data.

Currently, Guiabolso serves thousands of users in Brazil; additionally, it has been a learning experience that could enable a proposal for the Mexican market.

Juan Navarrete comments: “A key difficulty to overcome is building users’ trust: a person who has never used banking products and services distrusts the financial institutions because they have never considered him or her as a client...The segments we work with need to become empowered in order to lead their own road out of poverty.”
CASE STUDY

Boosting social and environmental entrepreneurs through repayable loans with a percentage over sales.
Rafael Alonso, Manager, VIWALA

New Ventures took on the challenge of supporting small social or environmental impact companies that did not have access to financial services. The company developed New Ventures Capital, which grants loans that are paid back as a percentage of the sales. The loans range from 500,000 to 3M Mexican pesos per loan.
Rafael Alonso shared: “Among the achievements we’ve had with this project, the first one was to get the support of stakeholders such as ANDE… the second one was the first loan we granted on our pilot program, and the third achievement was the consolidation of our team.”
New Ventures boosts small enterprises with loans they might not get through other channels. The project’s impact is measured in total amount loaned and the number of companies participating. Entrepreneurs are previously evaluated by New Venture’s acceleration programs, to ensure they are in the right development phase to successfully face the financial commitment. The companies must have annual sales figures over $1,200,000 Mexican pesos, a solid work team, and an innovative and sustainable business model.
By 2019, New Ventures wants to benefit 20 social or environmental impact companies and include projects relevant for women. Rafael Alonso commented: “Small, growing companies deserve this kind of stimulus because they are the economy’s main engine… we believe that helping entrepreneurs who seek to have a social or environmental impact should be the normal way of doing business.”
CASE STUDY

Financial services designed especially for low-income communities.

Banco Maré (Mare Bank) is a social enterprise that offers basic financial services through a cellphone app. Starting out in the Mare Complex, one of the biggest slums in Rio de Janeiro, from the outset the business has employed people from the local community in order to make sure that its services meet genuine needs of the target population. Understanding that many Mare Complex residents need to juggle running their own business, taking care of children and domestic chores on a daily basis, the Mare Bank app allows them to pay bills, transfer money, buy cellphone credit and make purchases from local commerce. This eliminates the need to visit bank branches in other neighborhoods, which in addition to being time consuming (up to a four-hour round trip), exposes people to the risk of being robbed while carrying large amounts of cash.

The app uses blockchain technology, to add security to the transaction, and a cryptocurrency called “Palafita”, a name that was chosen by the residents themselves, to add an extra layer of easiness since the beneficiary’s don’t have to exchange any kind of tickets or notes, but only virtual information. This has further strengthened their connection to the business. In its first two years, Mare Bank reached a total of 23,000 account holders, and it now plans to expand its services to other cities in Brazil and across Latin America.

8. A decentralized ledger of all transactions across a peer-to-peer network. This technology allows participants can confirm transactions without a need for a central clearing authority. Source: PwC

9. A medium of exchange, such as the US dollar, but is digital and uses encryption techniques to control the creation of monetary units and to verify the transfer of funds. Source: PwC
Este mapeo de actores se desarrolló de manera colaborativa entre los diversos participantes del Laboratorio de Aprendizaje en México. No pretende ser un análisis exhaustivo del sector.
ACKNOWLEDGEMENTS

This report is possible thanks to the support of MetLife Foundation. Through a collaboration with the Foundation, ANDE was able to carry out 8 meetings of the Financial Inclusion Learning Lab in Mexico City and São Paulo under the themes that are discussed throughout the text.
We also held two special discussion events in which we achieved a knowledge exchange between the two countries, and Canada, to present the winning initiatives of the ANDE Latam Catalyst Fund.

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From ANDE’s perspective, we hope that this report will serve as inspiration to develop more and better practices, tools and programs that serve to significantly advance the state of financial inclusion in Latin America.
Financial Inclusion
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