

# Financial Inclusion

#FinanceForChange  
JC3 FLAGSHIP CONFERENCE



Joint Committee  
on Climate Change

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# BBVA at a glance



**€719.7**  
billion in total  
assets

**79.8**  
million customers

**>25**  
countries

**7,254**  
branches

**30,747**  
ATMs

**122,021**  
employees

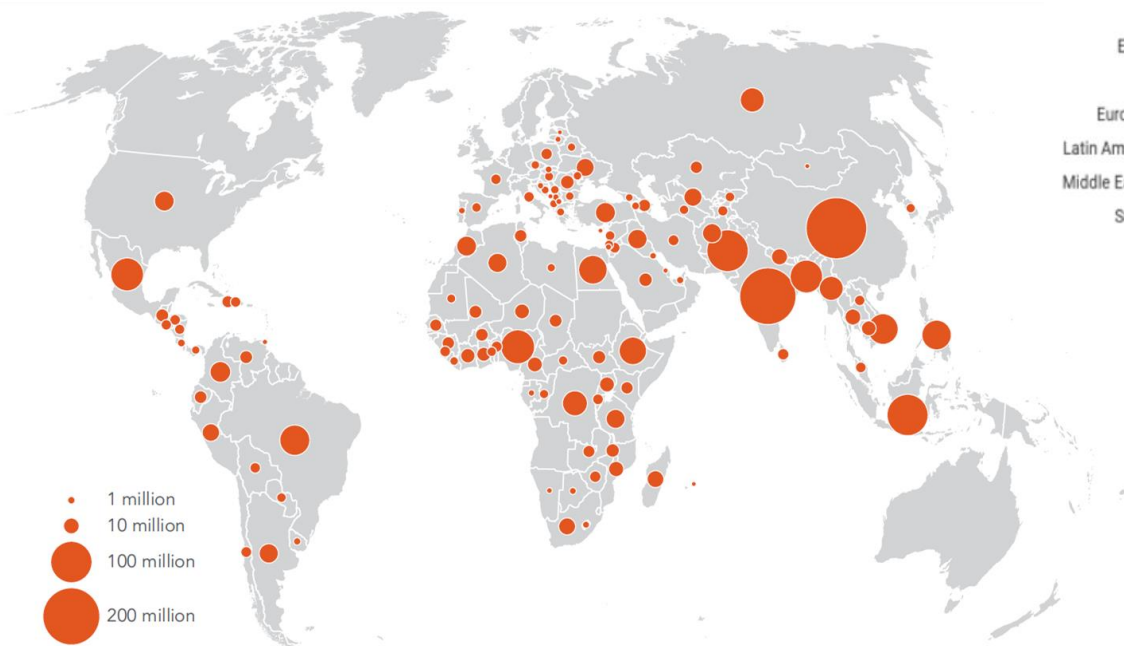
Data at the end of March 2021. Those countries in which BBVA has no legal entity or the volume of activity is not significant, are not included

# 01

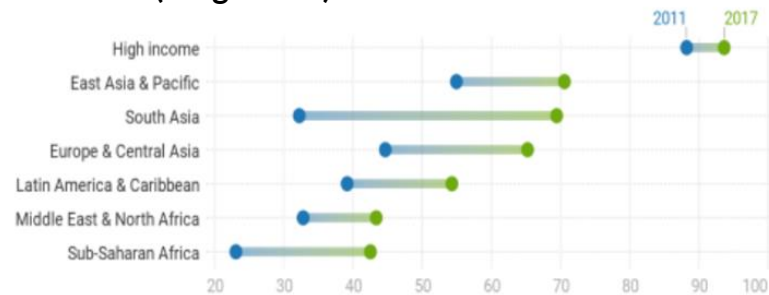
## Defining and sizing financial inclusion

# Financial inclusion in the world (1/2)

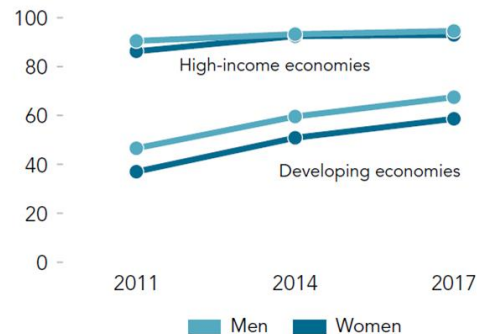
Globally, 1.7 billion adults lack an account  
Adults without an account, 2017



Financial inclusion is increasing  
Accounts (% ages 15+) 2011-2017

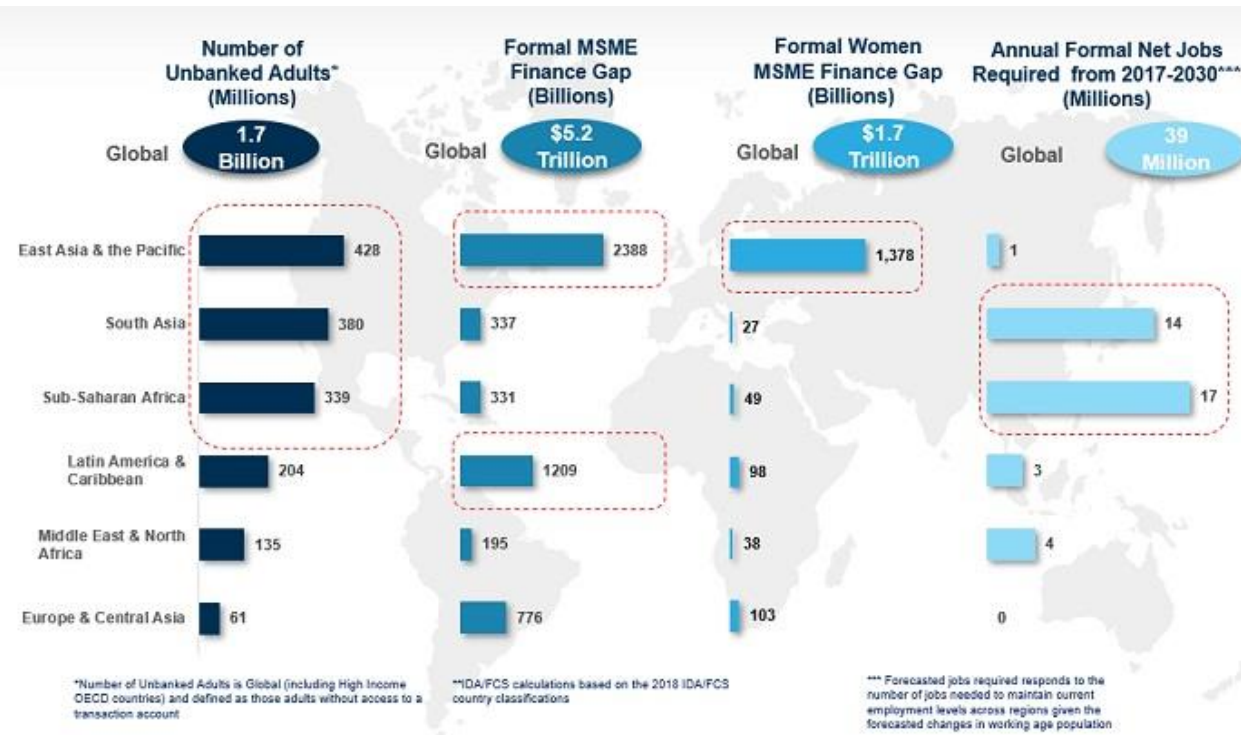


The gender gap persists in developing economies



# Financial inclusion in the world (1/2)

Access to finance is a key constraint to SME growth, it is the second most cited obstacle facing SMEs to grow their businesses in emerging markets and developing countries



The International Finance Corporation (IFC) estimates that 65 million firms, or 40% of formal micro, small and medium enterprises (MSMEs) in developing countries, have an **unmet financing need of \$5.2 trillion every year**, which is equivalent to 1.4 times the current level of the global MSME lending.

# Defining vulnerability

## Vulnerable and/or unequal groups in banks' portfolios

- Low-income customers
- Migrant workers
- Low-income customers in rural areas
- Customers from ethnic minority groups
- Women
- People with mental or physical disabilities
- Elderly people
- Refugees
- Indigenous population
- Customers with primary education
- Microentrepreneurs with low access to credit
- Young adults
- People subject to certain life events (i.e., job loss, divorce, abuse)

## Drivers of vulnerability



Health



Life events



Resilience



Education and capability



Digital and financial access



Culture and demographics

# 02

## Financial inclusion and banking strategy



# Financial inclusion, a cross-cutting area contributing to the UN Sustainable Development Goals agenda



SDGS and business strategy:  
placing “impact first”

From a great map to explain (ex-post) our contribution to the sustainable development....

To a the best framework to use (ex-ante) as an input when defining our business strategy and our value proposition

# Principles for Responsible banking: a unique framework for aligning banks' strategy and practice with the SDGs



230

Signatories

69

Countries

\$60 trillion

Total assets

## 6 PRINCIPLES DRIVING CHANGE, REALIZING IMPACT



Alignment



Impact &  
target setting



Clients &  
customers



Stakeholders

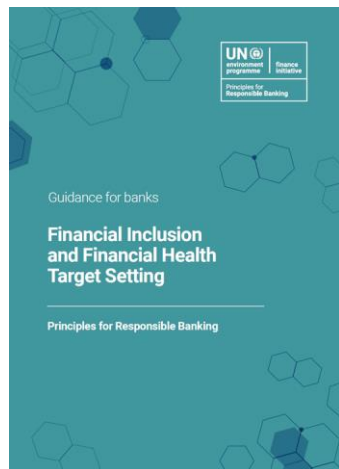


Governance  
& culture



Transparency &  
accountability

# Guidelines for target setting in financial inclusion



## Financial health or financial well-being

### Financial inclusion

- Bank account access
- Digital inclusion
- Multi-channel access
- Effective access

- Day-to-day finances
- Financial resilience
- Future goals
- Confidence, security and control of finances

Financial education and digital skills

## Focusing on vulnerability and equality

### Enablers and inhibitors

Products and services:	Internal processes:	Data analytics:	Partnerships:
New or improved products and services  User centered accessible and inclusive design	Incentives, nudges, credit/risk Policies, colleague training & culture	Improving measurements, risk models and behavior anticipation	Collaboration with NGO's, governments or other enterprises for systemic changes

## Steps for target setting

1. Understand your bank's country context and national policies
2. Set baselines and identity priorities
3. Set SMART targets
4. Determine measures and actions
5. Define key performance indicators

# Illustrative examples for Financial Inclusion

## Defined SMART target

By 2025

- Increase the percentage of bank accounts held by low-income customers by 46% (achieving 30% of the total consumer banking accounts), and business clients that are microentrepreneurs by 40% (achieving 20% of SMEs accounts)
- Raise the use of digital services (actively and consistently used) by 25%
- Increase loan allocation for individuals and microentrepreneurs by 20% each, disbursing USD 300 bn on loans for low-income clients and microentrepreneurs (2020–2025); and substantially decrease the level of over-indebtedness for low-income customers and microentrepreneurs.
- Engage and train 10 million individuals in financial and digital education programmes, in partnership with other institutions across sectors.



Accessibility and  
Inclusion Plan



**Standard  
Bank**

Financial Inclusion  
as a top impact area

## 03

Main actions and challenges  
for banks promoting  
financial inclusion

# 1\_Financial solutions to promote financial inclusion and financial health



## **New products**

Improve or develop new financial solutions targeting and designing for vulnerable customer groups



## **Pricing & access to account**

Define general pricing policy and establish free-of-charge accounts for specific vulnerable groups



## **Digitalization**

Develop digital solutions, easy-to-use digital accounts and digital apps designed in consideration of specific needs



## **Bank correspondents**

Partner with non financial retailers to provide financial services in rural or unattended areas



## **Financial education**

Develop financial and/or digital skills education programmes, financial and digital toolkits



## **Advisory**

Integrate tools and offer financial advisory services to promote financial health and support over-indebted individuals

**Main challenge: pricing models and entry costs generate inequality and do not promote financial inclusion because they tend to charge more and pay less to those who have less**

## 2\_Internal processes



### **Risk policies**

Improve credit and risk policies to mitigate over-indebtedness, avoid discrimination, define appetite risk by vulnerable groups



### **Standards and data**

Define standards and improve data capture to identify/track vulnerable clients



### **Culture and training**

Nurture a culture based on fairness, inclusiveness and respect on Human Rights. Develop training initiatives



### **Compensation**

Improve remuneration strategies and policies to promote financial inclusion and financial health of customers



### **Clear information and accessibility**

Ensure accessibility in all channels, refine consume protection policies and use transparent, clear and responsible comms and marketing



### **Sales protocols**

Define specific sales protocols for vulnerable groups and/or integrate specific actions into standard sales protocols to ensure they are design-for-all

**Main challenges: defining and identifying vulnerable customers and business appetite to embed financial inclusion in mainstream KPIs**

### 3\_Stakeholders engagement and partnerships

- (a) **Collaborate** with NGOs, governments, fintech's or other enterprises and banks **for innovative initiatives and systemic changes**
- (b) Set up **partnerships** with academia, think tanks or global networks **to develop and improve methodologies** to measure financial inclusion and financial health
- (c) **Collective effort** for stewardship and **advocate for public policies** for financial inclusion and financial health



# 04

## Our journey at BBVA

BBVA

Creating Opportunities

# Sustainability, at the core of BBVA's strategy

## OUR PURPOSE

“To bring the age of opportunity to everyone

## A STRATEGIC PRIORITY



Helping our clients transition  
towards a sustainable future



# Renewed push to sustainability in BBVA's strategic plan

Creating opportunities for a greener and more inclusive future for all our stakeholders

Using our role to impact on our clients' behaviors inspired by selected SDGs

## BBVA's mobilization within its 2025 Pledge

GREEN FINANCING  
62%

OTHER SUSTAINABLE  
MOBILIZATION  
15%

FINANCIAL INCLUSION  
AND ENTREPRENEURSHIP  
12%

SOCIAL INFRASTRUCTURES  
AND AGRIBUSINESS  
11%



(\*) Origination until March 21

### Climate Change



#### ENERGY EFFICIENCY

Technologies that reduce energy use

#### CIRCULAR ECONOMY

Recycling, new materials, responsible use of natural resources

#### CO2 REDUCTION

Renewables and other clean energy sources

### Inclusive Growth



#### FINANCIAL INCLUSION

Provide financial services to unbanked population

#### INCLUSIVE INFRASTRUCTURES

Basic services and affordable and sustainable transport

#### SUPPORT FOR ENTREPRENEURS

Economic growth and productive employment

# How we define vulnerable customers at BBVA? (WIP)

## Individuals

Vulnerable customers		Standard income threshold	Amplified income threshold	Financing solutions	Access to account and savings	Financial education	Reinforced transparency/ clear comms
By income	Income (defined by country)	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
By location	Disaster/emergency zones or rural areas	<input checked="" type="checkbox"/>	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
By other vulnerability factors	Age	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Disabilities	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Migrants	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Pensioners and people receiving other benefits	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Refugees	<input checked="" type="checkbox"/>	-	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Unemployed	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Entrepreneurs and microbusiness

Entrepreneurs (up to 3,5 years)

Microbusiness (size defined by country)

# Successful financial inclusion experiences at BBVA

## Bancarization business strategy in Mexico

Reducing our commissions mhas boosted our sales and bancarization



**40%**  
reduction in  
commissions for  
new bank account



**1.2**  
million new digital  
bank accounts

## Digitalization & formalization for SMEs in Mexico

Banca de Barrio



**32.000**  
new clients



**66.000**  
enterprise apps  
downloaded

## Women entrepreneurs in Turkey

### Women Entrepreneur

Garanti BBVA SME Bankings is providing support for Women Entrepreneurs.

**€ 850**  
million loan amount  
provided to  
women  
entrepreneurs by  
the end of 2020

# Our commitment on financial education and financial health

Through the Global Financial Education Plan, BBVA fosters the acquisition of financial knowledge, skills and abilities that allow people to make better financial decisions and thus access new opportunities

91,4 MM

Investment (2008-2020) 91.4 MM

29,2 MM

People (2008-2020) 29.2 MM

15,7 MM  
ADULTS

13,3 MM  
CHILDREN &  
YOUTH

175,8 K  
SME'S

## THREE LINES OF ACTION



**Financial education for society** to promote the acquisition of knowledge, skills and attitudes through the bank's programs and in collaboration with third parties.



**Financial education in customer solutions** integrating financial knowledge, training and skills into the customer experience to facilitate informed decision-making.

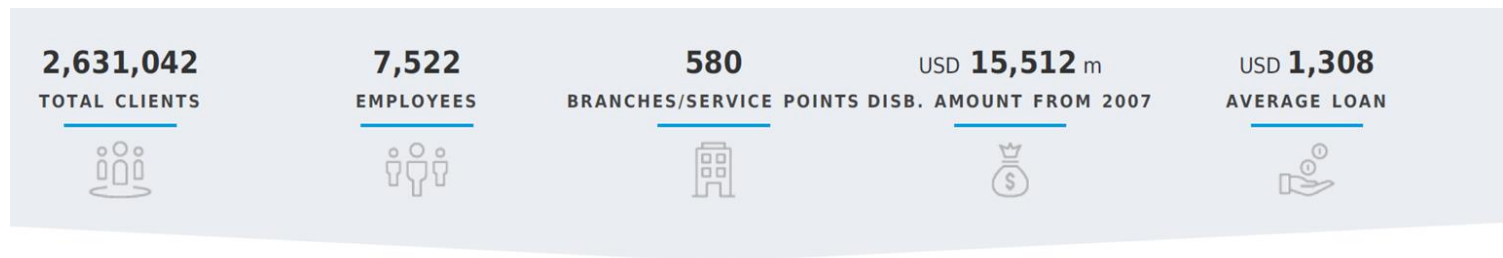


**Promotion of financial education** through the Center for Financial Education and Capability.

# BBVA Microfinance Foundation to support vulnerable entrepreneurs



The leading philanthropic initiative in Latin America, **serving in 2020 over 2.6 million vulnerable entrepreneurs**. Recognized by OECD as the 2nd largest philanthropic institution supporting international financing for development (Colombia, Peru, Dominican Republic, Chile & Panama)



**833,951** Client credits



**60%**  
WOMEN



**32%**  
RURAL



**38%**  
BASIC EDUCATION



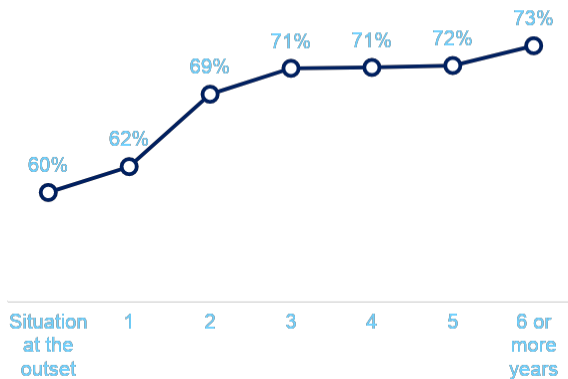
# Impact: measuring what really matters



The longer entrepreneurs remain our clients, the more likely they are to generate income over the poverty line

## Inequality reduction

% of clients above the poverty line by time banking with the institutions (Dec 2015-2020)



## ENTERPRISES



**↑ 12%** Sales

Annual growth rate

**↑ 18%** Earnings

Annual growth rate

**52%** Raise their income

Of clients who took out a loan in 2020, five in ten raised their income since the previous loan

## Indirect impacts

**12%**

of clients generate jobs.

**4%**

of clients improve their education.

**8%**

of clients improve their living conditions.

By their third year with the institution.



**BBVA**

Creating Opportunities

# Q & A