



Financial Capability Building Practices in Mexico

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1. The Financial Inclusion and Policy Landscape in Mexico

Over the past 15 years, Mexico has made significant progress in advancing financial inclusion through key regulatory and support initiatives. Mexico's government has taken steps to regulate new categories of institutions and outlets, including deposit-taking non-bank financial institutions, niche banks, retail outlets, and agents. New policies have contributed to increased channels for electronic payments, easier opening requirements for low-value accounts, more targeted financial consumer protection, and increased data collection to measure progress on financial inclusion.¹ In short, it has been a busy time for financial inclusion in Mexico. In the international community, Mexico has acted as a leader among its peers in financial inclusion forums such as the Alliance for Financial Inclusion (AFI) and the Global Partnership for Financial Inclusion (GPII), among others.

In 2009, financial inclusion became part of the public policy agenda put forth by the Ministry of Finance and the National Banking and Securities Commission (CNBV). Two years later, the President's Office issued a decree establishing the National Financial Inclusion Council—the first of its kind in the world—tasked with developing the financial inclusion policy and guiding strategic efforts on the ground, which it has yet to implement.

Moving government-to-person (and person-to-government) payments to electronic channels has been a central piece of Mexico's recent strategy in the last five years. BANSEFI, the state bank, and other private banks deliver social payments into accounts.² Telecommunications reforms that mandate carrier interoperability and reduce user fees have enabled the provision of mobile financial services by banks and other regulated financial entities in a more competitive environment.³ While financial services outreach has grown in recent years, especially through agents,⁴ growth has been primarily focused on urban and semi-urban areas. Financial reforms by the current administration explicitly prioritize credit—considered a key for economic development. Private and public banks are encouraged and expected to increase lending.

According to the World Bank, only 39 percent of adults age 15+ reported having an account at a formal financial institution (well below the Latin America average of 50 percent).⁵ Among the low-income population, only 29% of the poorest 40% have a formal savings account, a slight increase since the 2011 survey. Both credit and savings uptake remains extremely low. Growth potential for financial services in general is thus considerable, particularly for the base of the pyramid, if constraints, such as the following, can be addressed:

- Insufficient agent outreach and connectivity. Lack of cash-in/cash-out points and connectivity, particularly in rural areas.
- Limited knowledge of low-income consumers. Offering a true value proposition requires better understanding of low-income segments, which few institutions have.
- Unclear market opportunities to serve the poor. More on these below.
- High channel pricing. Agent commissions and mobile telephony prices are high.
- Limited trust in and knowledge of formal financial offerings. Many low-income people distrust banking services and have limited knowledge of products.⁶

2.

Snapshot of Financial Education and Financial Capability-building Efforts in Mexico

Alongside financial inclusion initiatives, financial education efforts in the country have also increased significantly—according to one study, financial education efforts in Mexico increased from 13 initiatives in 2007 to over 53 in 2009.⁷ Since then, the number has grown substantially. Most efforts, however, do not build on what people already know based on their life experience with informal financial tools, nor do they involve client-centered designs. Rather, they derive from what policymakers or providers think financially excluded people should know about financial management, formal financial services, and access channels.

In 2011, a Financial Education Committee was established to coordinate public sector stakeholders involved in financial education. It is chaired by the Ministry of Finance and part of the National Financial Inclusion Council. CONDUSEF (the financial consumer protection agency) and public financial institutions are among its many members. It defines financial education as:

“...a set of knowledge and tools that enable people to acquire skills and change decision-making behaviors with regard to achieving economic goals and understanding their rights and obligations as users or consumers of financial products and services. By allowing people to know and understand the concepts involved in the use of the products offered by formal institutions, financial education is a component that contributes to strengthening and consolidating the process of financial inclusion.”

Note that in referencing “decision-making behaviors,” this definition already gives a nod to the concept of financial capability. For the committee and within the Mexico landscape more broadly, the term “financial education” is often used interchangeably with “financial capability.” However, most of the interventions fall within traditional financial education.

What is measured is participation and number of courses delivered. Public sector players with sizeable financial education programs include CONDUSEF, BANSEFI, and the Interactive Economics Museum (MIDE). Additionally, large financial education programs have been deployed by major private banks—such as BBVA Bancomer, Banamex and Banco Azteca—as well as other players. The most preferred model for financial education efforts of these players is direct information transfer through classroom-based financial education. Sometimes these are supplemented by printed, audiovisual or online materials that include magazines, manuals, apps, games, theater plays. Topics include savings, budgeting, credit, interest rates, and pensions. Many tailor the information to the life cycle of adults and microenterprises and sometimes to children. Few financial education efforts are linked to financial products.

Despite the low demand for such programs among consumers, program providers report high numbers in terms of outreach. The larger players claim to have reached hundreds of thousands of people. Compulsory attendance at financial education events – such as those required by BANSEFI to receive a government transfer – yields high numbers for obvious reasons. Others, such as several MFIs, credit unions (cooperatives), and NGOs, have financial education departments or host specific educational initiatives for their clients and members. Many NGO and credit union initiatives focus on children.

The financial capability landscape in Mexico remains undeveloped despite government and private-led efforts to promote it, primarily through financial education. Nevertheless, some providers are aware of the importance of generating positive behavior change among financial services' users and there are a number of innovative examples. Selected initiatives by a variety of financial service providers and other types of institutions are discussed in more detail below, with some more innovative and promising than others.

3. Key Players in Mexico that Work to Advance Financial Capability

Banks and MFIs

As the lead financial consumer protection agency in Mexico, CONDUSEF has been a public sector leader in financial capability-building efforts, using mass media tools such as its website and monthly magazine to promote financial education. Its platform contains material tailored to various age groups and includes games, courses, tutorials, tips, fliers, guides, videos, stories, product comparisons, simulators, calculators and a magazine called *Proteja su Dinero* (“Protect Your Money”). Additionally, CONDUSEF organizes a yearly “Financial Education Week” which is held in Mexico City and offers conferences, workshops, forums, fairs, roundtables, and a wide variety of activities offered by all types of providers (banks, insurance companies, pension funds, schools, NGOs, MFIs, cooperatives, government agencies, etc.). It also actively encourages financial service providers to offer non-market-related financial education to their clients and the population at large. Impact measurement of its multiple efforts is, however, not conducted.

Financial Service Providers

A number of banks, both public and private, carry out financial education efforts and organize a variety of workshops, courses and events. Some are tailored to specific segments of the population—such as G2P recipients or microentrepreneurs—and many are available online (although this reduces accessibility of the poorest segments). Some are directly offered to the public. These providers report that thousands of people attend their events every year. A tally is kept on the number and type of events and attendees and some apply simple entry and exit assessments that aim to measure post-event learning. Practically none of these initiatives intentionally promote and measure financial capability and behavior, but there is margin for improvement. Given the widespread outreach of the banks described below, efforts to improve the financial capabilities of their clients could have significant impact.

State Bank: BANSEFI

BANSEFI—the state savings bank—has helped bank some of the poorest households in Mexico in the last decade, mainly through account-linked payments of the largest conditional cash transfer program—Prospera. Payments are made on a bimonthly basis to approximately 7 million beneficiaries (over 5 million of whom live in rural areas). The bank is planning to offer these recipients below-market rate credit and insurance products in addition to commitment savings and a basic savings account. Currently, however, rural recipients receive an account-linked card but their accounts are inactive and most payments are made in cash at designated pay points due to the dearth of agent, ATM or POS-equipped retailer presence in rural areas.

BANSEFI is mandated to offer financial education. Its initiative Finanzas Para Todos (“Finance For All”) includes in-person and online training modules and information on savings, credit, interest rates, and other topics. It also provides financial education to millions of Prospera recipients, who participate in group workshops of 60-100 participants each. These consist of a financial education talk that centers on how to control unnecessary spending as the basis for higher savings, using ad hoc budgeting tools. This is followed by an explanation of a product menu tailored for recipients—called Prospera más con BANSEFI (“Prosper more with BANSEFI”)—in which BANSEFI staff explain commitment savings, credit, insurance and non-financial services that are part of the package; and the ways in which the program’s card can be used in ATMs, branches and POS devices.

While BANSEFI’s financial education offerings have been traditional, it is moving to incorporate some behavioral principles. Fundación Capital was recently engaged by Prospera to improve and design specific financial education content linked to the program’s products. In collaboration with *El Colegio de México* (The College of Mexico), Fundación Capital is also designing and coordinating the strategy’s M&E component that will seek to measure progress in financial capability acquisition by recipients. *ideas42*—a behavioral sciences research organization—is also testing mobile reminders with a small set of recipients. If these two behaviorally-informed initiatives succeed, they could become an example of capability-building amongst the lowest-income segments of the Mexican population.

Private Banks: BBVA BANCOMER, BANAMEX & BANCO AZTECA

Three banks were examined in Mexico: BBVA Bancomer and Banamex, the country’s two largest banks, and Banco Azteca, linked to a retail chain specialized in the middle to lower market segments. All have massive outreach with several million customers and all offer a full suite of financial services. Each bank is expanding into un- and underserved segments and is actively engaged in financial education, with some evidence of shifts toward financial capability.

BBVA Bancomer and Banamex operate large traditional financial education programs. BBVA Bancomer’s *Adelante Con Tu Futuro* (“Ahead With Your Future”) involved over 900,000 training sessions in 2014 with more than 300,000 participants. Banamex’s *Saber Cuenta* (“Knowing Counts”) was launched as a corporate social responsibility initiative in 2004 and now includes in-person and online courses, publications, games on personal finance, and information on financial products and the financial system. Banamex also runs a public call-center that provides free, personalized financial counseling.

Though these are mainly passive forms of information sharing, Bancomer took a step toward incorporating behavioral principles in a joint project with IDEO.org and CGAP to use a human-centered design (HCD) approach in product development. The project developed a goal-based savings wallet and another product to encourage the formalization and efficiency of existing informal savings groups. Unfortunately, neither product launched due to operational hurdles and short-term profitability below the bank’s expectations.⁸

Banco Azteca’s recent initiatives move toward entertainment and mass media techniques in a bid to reach more people and make its material more engaging. In 2015 the bank launched a lavish multi-media financial education platform called *Aprende y Crece* (“Learn & Grow”).⁹ It contains a wide array of materials, including telenovelas, comics, videos, apps, games, expert interviews, and printable publications, adapted to work on all devices (computers, tablets, mobile). Many of the programs are displayed in the bank’s branches and on TV. The financial education program also organizes massive events (2,000 to 3,000 people)

to present financial education content through theater, telenovela screenings with analysis sessions moderated by an animator, games, and other entertaining activities.

The banks are all interested in understanding the efficacy of these programs. BBVA recently conducted a behavior change study with a small customer sample of 1,577 people from its financial education program. Over 11 percent of participants reported opening a savings account and 5.5 percent reportedly obtained a credit card, and these respondents overwhelmingly pointed to the workshops as the catalyst for this change. The data indicate increased financial inclusion, but falls short of demonstrating long-term behavior change or active use of the product.

While these efforts are mainly variations on one-way information delivery and none of the banks is measuring programs in relation to value of new business, the banks are beginning to experiment with capability-building efforts built into product delivery, and these are among the most innovative aspects of their financial capability work. BBVA Bancomer recently partnered with Juntos, a behaviorally focused mobile platform (more on Juntos in the main paper, “A Change in Behavior: Innovations in Financial Capability”), to encourage customers to increase their account balances. Juntos creates a SMS-based conversation with customers, using big data analytics to personalize messages. In five months, 28,000 customers were offered the two-way SMS conversation tool, and nearly all accepted it.

Banamex’s Transfer-Saldazo account shows how a bank can integrate product-related capability-building into delivery systems. Saldazo is a transactional account based on a Visa card, with an optional mobile service. It is co-branded with OXXO, the largest convenience store chain in Mexico. The product allows customers to save, check balances, send money to bank and mobile accounts, make payments, buy airtime, and withdraw funds at ATMs. By June 2015, over 2 million Saldazo accounts had been opened, with growth of well over 100,000 customers per month, and transactions at OXXO outlets exceeded 2 million per month. Saldazo uses text messaging and a call center to inform customers, answer queries, collect information and encourage product use. Customers who provide their mobile number receive an SMS after each transaction. Messages encourage account usage and provide tips, such as how to send money or buy airtime. For example, Banamex and OXXO sought to encourage customers to use the Saldazo card at retailers outside OXXO. After a blitz of targeted messaging, card transactions at other retailers increased by 30 percent. Messages are timed and tailored to the customer account lifecycle: new, frequent use, and inactive customers all receive different messages. Tellers are trained to answer questions on the account but the preferred option is to refer customers to the call-center. The Saldazo account brings additional revenue and generates vast amounts of customer information that Banamex and OXXO can leverage.

At Banco Azteca, the most innovative financial capability efforts involve supporting customers to progress from one to multiple products. This progression is enabled by intensive customer data and analysis. Products and sales strategies are designed by customer segment, with an emphasis on life cycle stages (among other segmentation strategies). They appeal to peoples’ needs, aspirations, and fears, and the information and incentives offered are intended to trigger feelings and behaviors that steer people toward certain products.

Banco Azteca also retains a high-touch element, as it trains frontline staff to provide basic capability-building support to customers. Product explanations are provided at the time of purchase and designed to be easy to understand and to resonate with the segments they serve. Customers are taught, among other things, to: use a card, transact at the teller with their fingerprint, pay credit in installments and understand the consequences of non-payment. With these strategies, Banco Azteca has made in-store credit a major on-ramp to financial inclusion, with millions of customers progressing from one to a range of products as they gain knowledge, trust and confidence.

MFIs and Credit Unions

Many microfinance institutions (e.g. Pro Mujer Mexico, FINCA Mexico) and credit unions (e.g. Zongolica, Acreimex) organize financial education activities that are usually generic (e.g. education on the benefits of savings, how interest rates work) and, in some instances, product-specific. Both the German Savings Banks Foundation (SBFIC) and the World Council of Credit Unions (WOCCU), who provide technical assistance to credit unions, have developed in-person financial education programs that include manuals on financial products and games. WOCCU also trains trainers (financial executives) in product-linked delivery of their Semilla Cooperativa (Cooperative Seed) group-guaranteed lending and savings product, offered by a number of credit unions, who in turn train clients in product benefits and use. As is the case with other financial education initiatives, behavior change and permanent financial capability generation are generally not measured, particularly due to the cost of evaluations, which funders are seldom keen to finance.

Pro Mujer Mexico offers traditional group loans to women and has long used group meetings as a venue for developing skills and habits. Over time this has evolved to include workshops and classroom lessons on topics that include health, personal empowerment, and financial education. Clients learn about credit and debt, how they can use credit to improve a business, how to comparison-shop among lenders, and other topics. While Pro Mujer's training is delivered in traditional fashion, it is reinforced through the social network of the group. More recently, Pro Mujer introduced a learning-by-doing element to enable customers to use the ATMs through which it had recently begun disbursing loans. The ATM training started with pamphlets to illustrate functionality and then moved to staff accompanying customers to make their first ATM withdrawals. Customers subsequently reported and demonstrated greater ease with ATMs.

Online Offerings

Kubo.financiero

Kubo.financiero is an online peer-to-peer lender that puts customers through a personal financial diagnostic process in which educational elements are intertwined with applications for credit. Kubo's diagnostic tool uses credit profiles drawn from credit bureaus, and customers who go through it are introduced to the concept of credit bureaus, with which they may not be familiar. Kubo helps applicants visualize their debt load and suggest steps to improve their financial health. Once candidates review Kubo's suggestions, they can apply for credit. For customers not familiar with technology, Kubo offers promoters who can walk applicants through the diagnostic tool using a tablet.

MoneyMenttor

MoneyMenttor is a web- and mobile-based platform that allows users to visualize their financial situation and receive tips on how to improve it. MoneyMenttor provides infographics that visualize a customer's finances, offers advice to help customers cut down spending in certain areas, and suggests financial products. With links to customers' financial data, MoneyMenttor is seeking ways to optimize its wealth of behavioral information. The majority of MoneyMenttor's customers are relatively well-off and tech-savvy. MoneyMenttor plans eventually to introduce its own financial products, acquiring customers through the money management service. After three years, MoneyMenttor reports around 10,000 active customers in any one month.

KIWI

KIWI is an online system that provides structured commitment-savings plans for consumers to purchase goods and services they cannot immediately afford. It has so far focused on health-related services (e.g., cataract surgery, diabetes treatment and dental treatment). KIWI links with health service providers who enroll customers onto the KIWI platform who would not otherwise be able to afford a particular medical treatment. KIWI's value proposition benefits both service providers and customers. KIWI trains service providers (e.g. at their offices and at health clinics), who in turn train customers in how the savings plans work and where they can make deposits. Customers receive a card for making installment payments at a variety of agents/retailers. KIWI sends SMS reminders to customers or alerts if they are falling behind. With KIWI, clinics, doctors and hospitals expand their customer pool and reach lower-income segments, while customers benefit from a savings tool that enables them to accumulate the lump sum they need to receive necessary treatments. Although in early stages (with around 1,500 customers), uptake by both health care providers and customers has reportedly been satisfactory.

Zave App

Zave App is a web- and mobile-based platform that promotes goal-based savings by making saving easy, fun and intuitive, focusing (for now) on travel and experiences such as parachute jumping. Zave App seeks to affect consumer behavior by motivating users to save by setting a goal which they achieve through impulse savings, a rewards program, and reminders. Its focus on short-term savings (rather than long-term) reflects Zave App's understanding of its target market's goals and preferences. Zave App's impulse savings platform lets users save on demand or round up purchases to a pre-selected amount or percentage. After users register and link a card, they set a savings goal. Once the goal has been reached, the user can "break the piggy bank" and use the funds to purchase a trip or an experience through selected providers (e.g. Orbitz, Despegar.com, Priceline) with which Zave App has partnered. Zave App is in the process of developing video tutorials, which they will send via email and also host in the app.

In some instances, Zave App has seen clients modify its program to suit their needs. For example, some clients are creating savings goals for their children or to pay off debts. This has led Zave App to allow clients to cash-out for a flat fee of about USD\$5 per "broken piggy bank" plus 4.4% of the balance. Those clients that have elected this option show a willingness to pay to save.

Information on client behavior is key to the development and growth of Zave App. It plans to monitor behavior change closely and will analyze all key features that impact user behavior with plans to improve the app's relevance and usefulness.

3. What's Going On, What's Exciting, and What Remains a Challenge

The World Bank conducted a Financial Capability Survey in 2013,¹⁰ with support from CONDUSEF and the CNBV, which collected information on financial behavior and financial knowledge among Mexicans. The report concluded that increasing the overall financial capability of Mexicans will require a multi-pronged, multi-stakeholder strategy involving improved design of financial management tools and financial products, targeted financial education to enhance capability, and supportive regulation ensuring adequate consumer protection. The report's recommendations echo our analysis of the financial capability landscape in Mexico.

For CONDUSEF, BANSEFI and other public players, providing financial education/information is either part of their mandate or seen as a duty to the public, though CONDUSEF also encourages private providers to get more involved. For banks, providing financial education is generally addressed under the corporate social responsibility heading, and in some cases results in large-scale efforts like those described here. MFIs, credit unions and NGOs see financial education as a duty to their clients or members and have long experience. However, the most important caution is that throughout the sector classroom-based education and direct information transfer (in person or online) remain the predominant types of intervention.

We are excited about a few of the innovative models we found that have the potential to bring financial capability interventions closer to product use with a focus on changing behaviors. These efforts seek to understand clients better and leverage this information to tailor their products and elicit specific behaviors that benefit both the client and the institution.

Banamex's and OXXO's *Saldazo* account is an example. OXXO's ubiquity and lower-income client base allow the company to play a central role in branchless banking initiatives. The launch of the *Saldazo* product has features we endorse: a strong partnership between a bank and a retail outlet, support to customers who are new to card products, use of behaviorally-informed nudges and reminders through SMS, and continued use of data analytics to refine product offerings. Initiatives like this that involve a financial service provider as a partner may face significant challenges. The bigger the partner, the greater the challenge, but also, the higher the potential for scale and growth. Establishing a balanced and solid partnership takes time, negotiation skills and sufficient funding to see things through.

Online start-ups like Kubo.financiero and MoneyMenttor provide crucial elements that can build financial capability: in this case, diagnosis of a client's financial situation and tailored support or tools for improving it. KIWI and Zave App can potentially improve a client's ability to save towards a concrete objective by removing barriers. Organizations like these are still in their early days and have some ways to go to prove themselves as valuable, scalable and sustainable business propositions to clients and to their partners. While many of these companies do not currently address low-income clients, their tools could potentially be adapted to do so, although resources for market analysis, piloting and re-tooling would probably be needed.

Evaluation of the financial capability landscape in Mexico is frustrated by the lack of systematic evaluation of the results of interventions in terms of financial behavior or product use. We are encouraged to see that financial sector giants, like BBVA Bancomer, and key players in the low-income segments, like Banco Azteca, are beginning to conduct impact measurement or reaching out to experts who can help.

Endnotes

- 1** The Financial Inclusion Reports are prepared by the National Banking & Securities Commission (CNBV) on a yearly basis following indicators developed by the Alliance for Financial Inclusion (AFI) and others.
- 2** The social pension program “65 y más” is an example of a government program that transfers funds into beneficiaries’ accounts held at various banks, issuing a debit card for withdrawal.
- 3** In Mexico, only banks and regulated NBFIs are authorized to offer deposit transactions, not telcos.
- 4** Currently, there are around 16,000 branches (banks, NBFIs, MFIs); over 25,000 agents; 43,000 ATMs and 741,000 POS. CNBV, 2015.
- 5** The World Bank, “The Global Findex Database 2014: Measuring Financial Inclusion around the World,” 2015.
- 6** CGAP and author.
- 7** Ursula Heimann and Sergio Gómez Sainz, “Mapping of Financial Education Initiatives in Mexico,” Sparkassenstiftung für international Kooperation, 2009.
- 8** “Insights into Action: What Human Centered Design Means for Financial Inclusion,” CGAP, 2014.
- 9** Banco Azteca, “Aprende y Crece,” <http://www.aprendeycrece.com>
- 10** “Financial capability in Mexico: Results from a National Survey on Financial Behaviors, Attitudes, and Knowledge,” The World Bank, 2013.

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