

Our clients

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Our clients

The economic recovery has helped our entrepreneurs' reactivation.

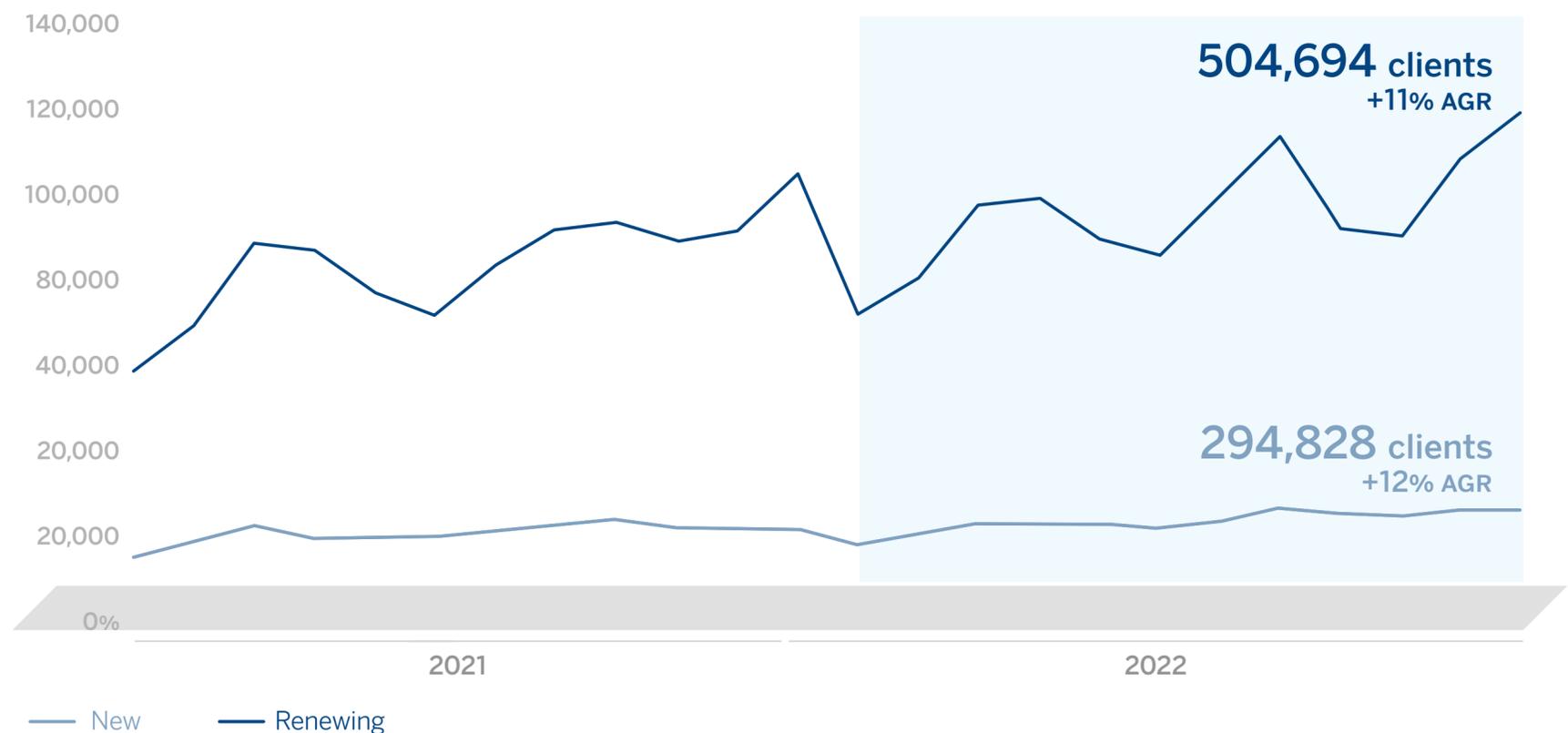
In 2022, 504,608 entrepreneurs renewed their loan and, furthermore, 294,828 new entrepreneurs were served. Despite a difficult environment, and one that differed greatly between countries, the Foundation's entities returned to virtually normal levels of activity, achieving 94% of their performance in 2019.

Our institutions in Colombia, Peru, and Panama posted fast recovery speeds, with services to new entrepreneurs above the volumes for 2019. Fondo Esperanza (Chile) recovered nearly all its activity, while in the Dominican Republic, Banco Adopem, one of the hardest hit by the pandemic because of its high weighting of clients engaged in the retail trade, was close behind.

This activity is an accurate reflection of the particularly resilient client profile of the entrepreneurs we serve.

5 | Entrepreneurs' recovery

Volume of clients served at each date



G-5. N° of entrepreneurs who have taken out a new loan or renewed an existing one, at each date. The total is the annual sum of both. AGR: annual growth rate since 2021,

Annual change in disbursements, by client type.

	New	Renewed
BA (Bancamía)	4%	16%
FC (Financiera Confianza)	12%	8%
AD (Adopem)	31%	5%
FE (Fondo Esperanza)	26%	17%
MS (Microserfin)	-13%	-9%

Entrepreneurs' activity recovered its pre-pandemic dynamic, with around 800,000 entrepreneurs receiving loans



Entrepreneur profile

Socio-demographic profile

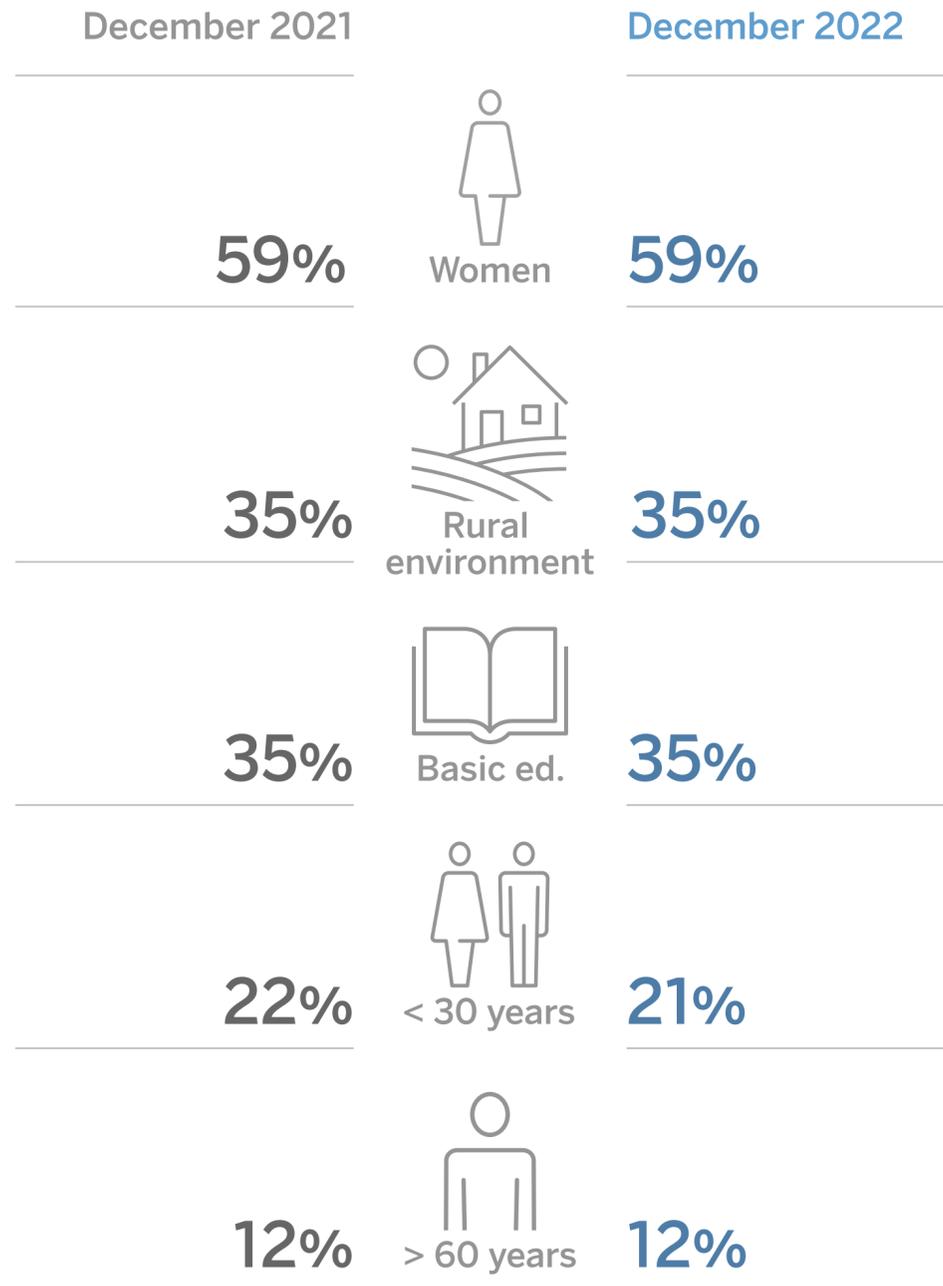
Access to the financial system depends on both social and purely national factors. We continued serving entrepreneurs throughout 2022 in the main segments identified as priority from the social⁵ perspective. Women, people with primary education at best, and those living in the rural environment, have been particularly well represented. This is partly due to the dynamics of the labor market (the access gap is greater for these groups) and access to financial systems.

When we look at the global figures for financial inclusion, the access gaps to the financial system vary by country. The widest gap by gender is in Peru. In Chile, divergences in educational level are greatest, while in Colombia it is income, in the Dominican Republic it is age, and in Panama the biggest disparities depend on income and education.⁶

We should note the change in trend in 2022 from 2021, with the fall in the number of young entrepreneurs served. This is possibly due to the increase in the employment rate, as they tend to have the best trained and more flexible profiles and are thus the first to return to the labor market, especially in a context of economic reactivation.

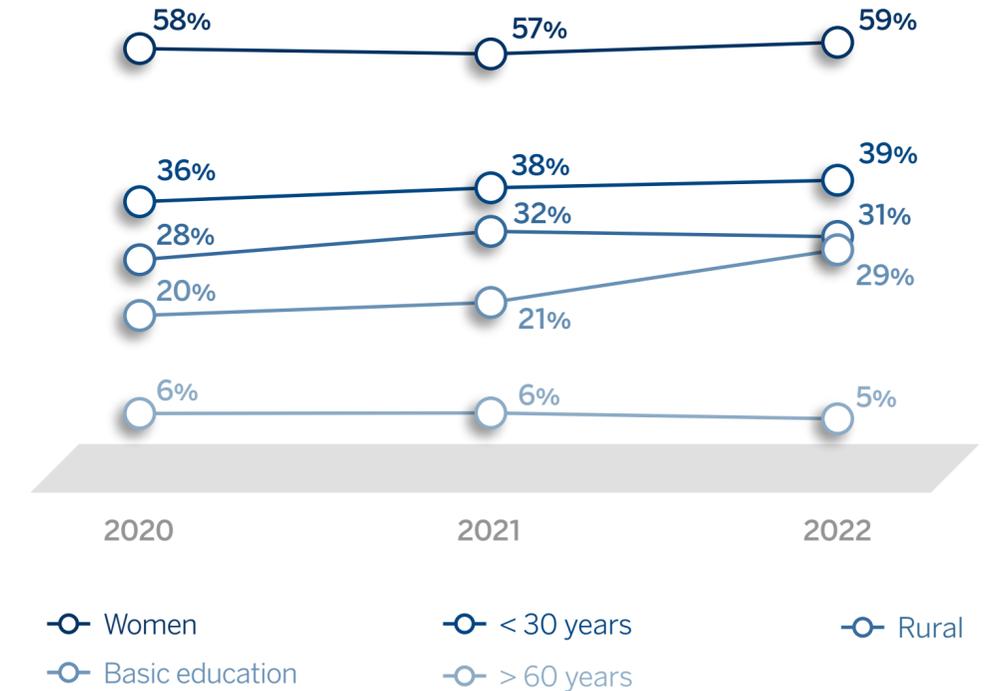
6 | Social vulnerability

Total credit clients



7 | New trends in profiles

Total credit clients



Poverty affects population groups in different ways depending on their social segment. That is why it is crucial to pay attention to the significant inequalities that occur. For example, there is a slight increase in the number of women, if we compare with each of the previous years and women start off from a position of worse poverty, as we will see later in this piece.

5. No significant changes from 2021.

6. Global Findex 2021, The World Bank Group.

G-6. Credit clients current at 12.31.2022.

G-7. New clients (no previous loans) during the year and former clients who renew a loan during the year.



Entrepreneurs' businesses

The clients we serve continue to work predominantly in trade. This sector accounts for 51% of the total businesses, and specifically retail. Even in rural areas 40% of our clients work in trade. Entrepreneurs prefer to operate in flexible areas, where it is relatively easy to swap out their type of business, enabling them to work with low overheads. The sector is characterized by the high rotation of its assets.

Retail trading is preferred by women (as we will see below). One in three retail enterprises operates in the food segment, encompassing not only supermarkets, grocery and general stores, but also specialist outlets, all of them activities with a clear urban profile. However, minority activities in this sector, such as street stalls (4.5% of the whole) and workshops (3%), are generally owned by men. Most workshops are urban.

Farming is the second biggest sector we serve. In 2022, it accounted for 19% of clients, the same as the previous year, 2021. Both stockbreeding and agriculture are segments where men and the rural environment are foremost.

Entrepreneurs in the farming sector need high levels of productive assets. This is particularly true for cereal and other crops and mixed stockbreeding. They tend to sell foodstuffs directly to the end consumer, onward sale or export. On average, their profitability is 33%, compared to other sectors such as production/transformation

or services, which convert 40% and 43% of their sales respectively into surpluses. These are thus the most profitable activities and as a result where most of the non-poor entrepreneurs are to be found.

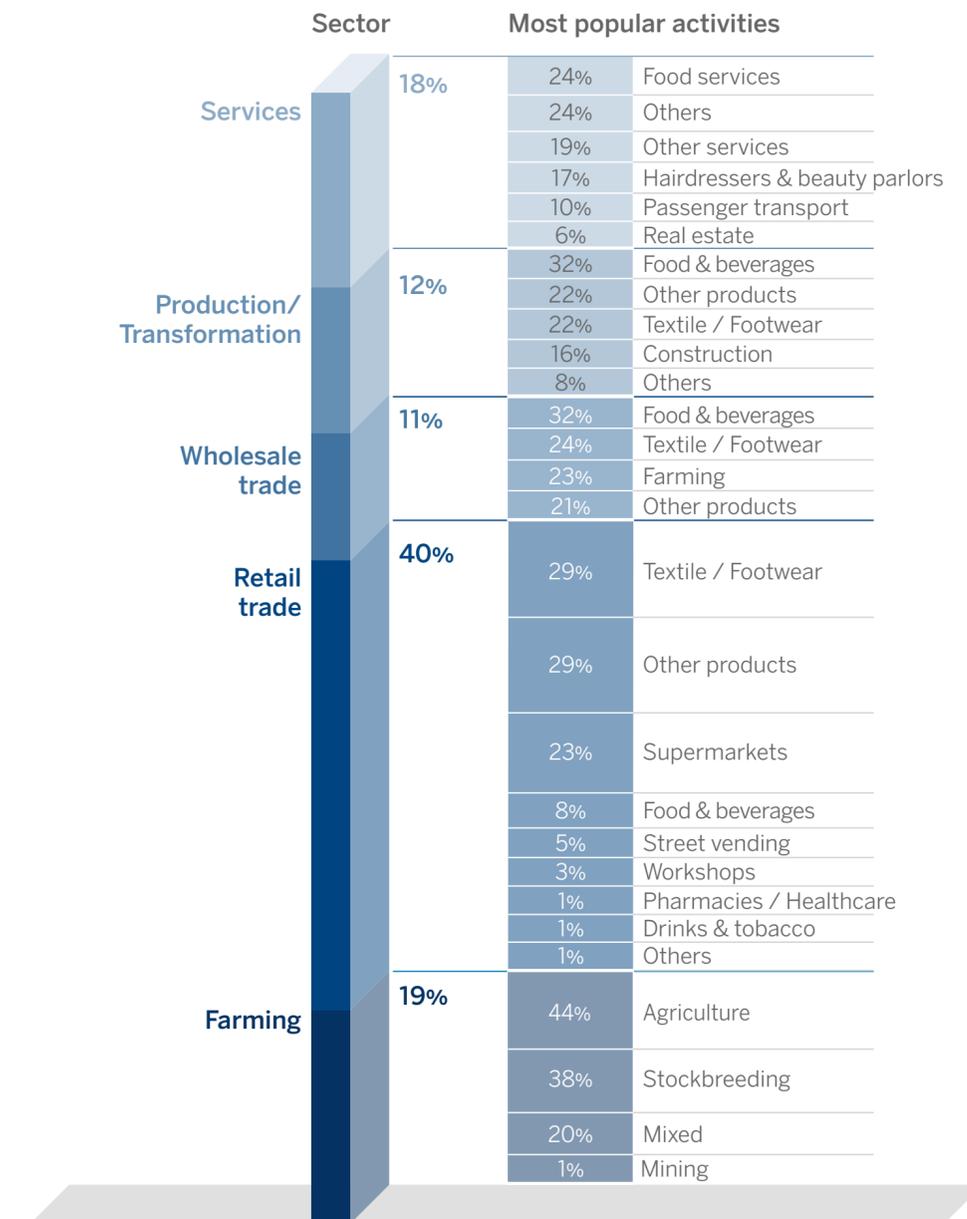
The service sector has been particularly impaired. This was accentuated after the pandemic, although among new entrepreneurs there are signs of green shoots, above all in the restaurant, hairdressing, and beauty parlor segments. In fact, food services are the principal activity, accounting for 24% of the sector, whereas hairdressers and beauty parlors represent 17%.

In the case of beauty services, this activity is basically limited to urban women. Transport of people or merchandise and the "other services" category, which amount to 16% and 19% in this sector respectively, are businesses mostly run by men – almost exclusively so in the case of transportation – and are located mainly in urban settings.

Finally, production/transformation and wholesale trade, with shares of 12% and 11% each, are the least popular sectors among entrepreneurs. Women are in the majority in the food and textile/footwear industries, while men are in construction and other industries, together with those trade activities linked to farming and in wholesale.

8 | Client sectors

Total credit clients



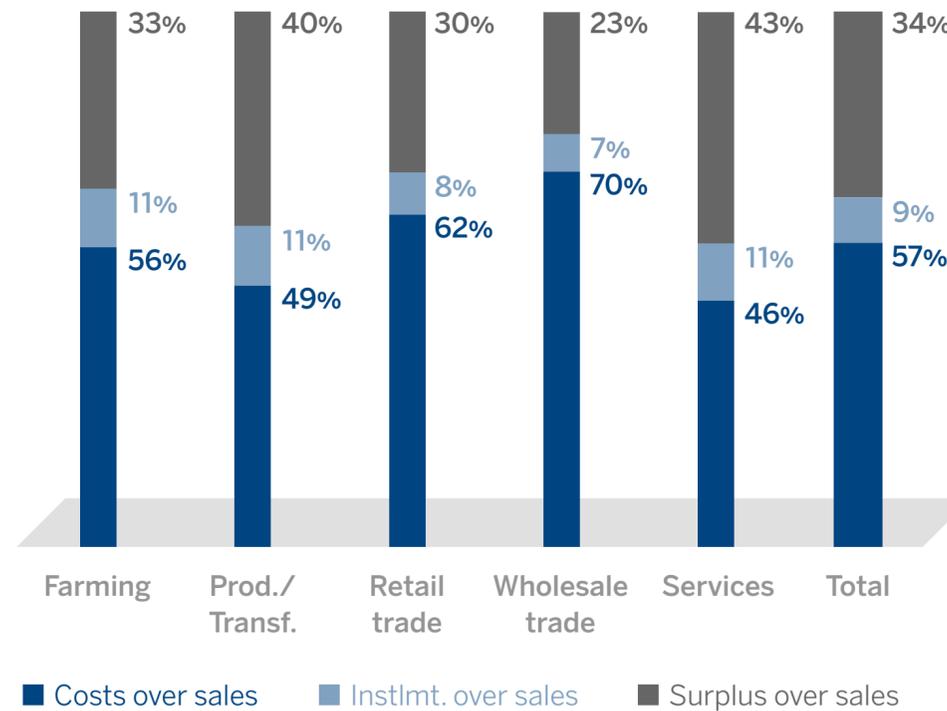
G-8. Clients current at 12.31.2022.



As one would expect, the sectors with the slimmest margins on surpluses are those involving trade. Services tend to have lower overheads (especially after the pandemic, as now people operate out of their homes) and better margins. All activities are reporting lower monthly overhead payments compared to 2019 and 2021, a sign of the efforts being made to streamline cost structures.

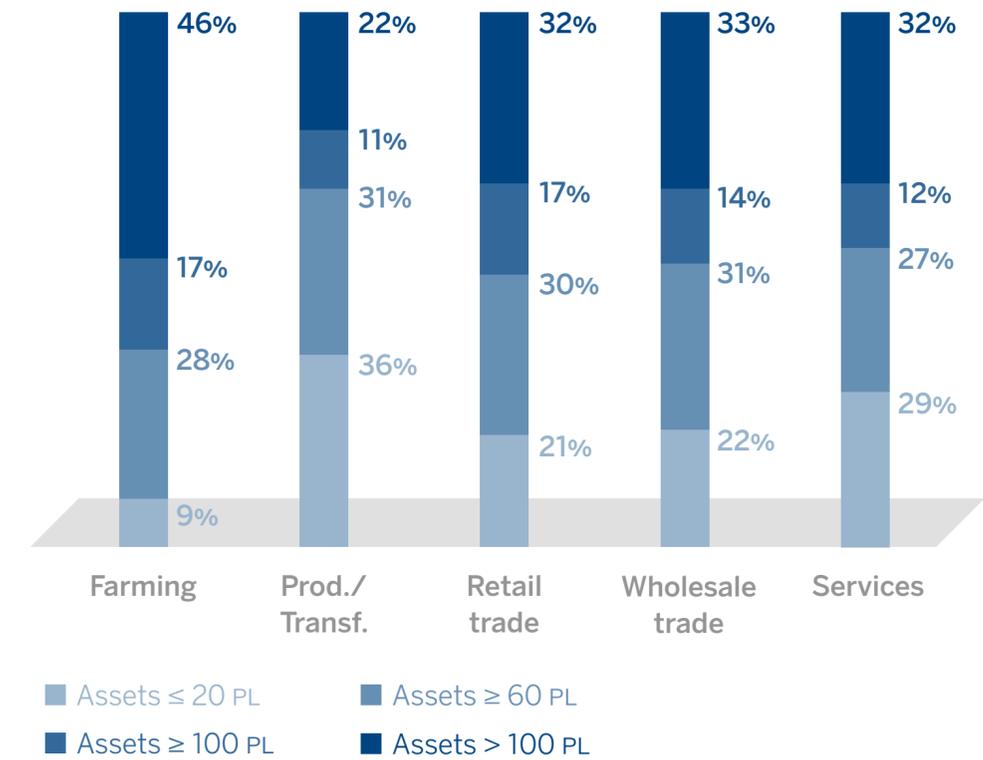
9 | Margins by sector

Total credit clients



10 | Asset levels, by sector

Total credit clients



Trade is the predominant sector, especially retail, chosen by our female clients

BBVAMF: Average assets by segment & sector (USD)

Group	BBVAMF				
	Farming	Wholesale trade	Retail trade	Prod./Transf.	Services
Average Sector Assets	9,703	10,078	9,285	6,620	9,550
- Assets ≤ 20 PL	986	1,090	1,075	935	970
- Assets ≤ 60 PL	2,501	3,411	3,649	3,046	3,285
- Assets ≤ 100 PL	5,267	7,387	7,810	6,798	7,350
- Assets > 100 PL	17,206	23,668	20,418	21,224	23,449

G-9. Clients current at 12.31.2022. Note: % of costs, payment installment and surplus over average sales in each sector. Surplus is after paying the payment installment.

G-10. Clients current at 12.31.2022. Note: The average value of assets is calculated for each of the four brackets and relative to each country's poverty line (PL).



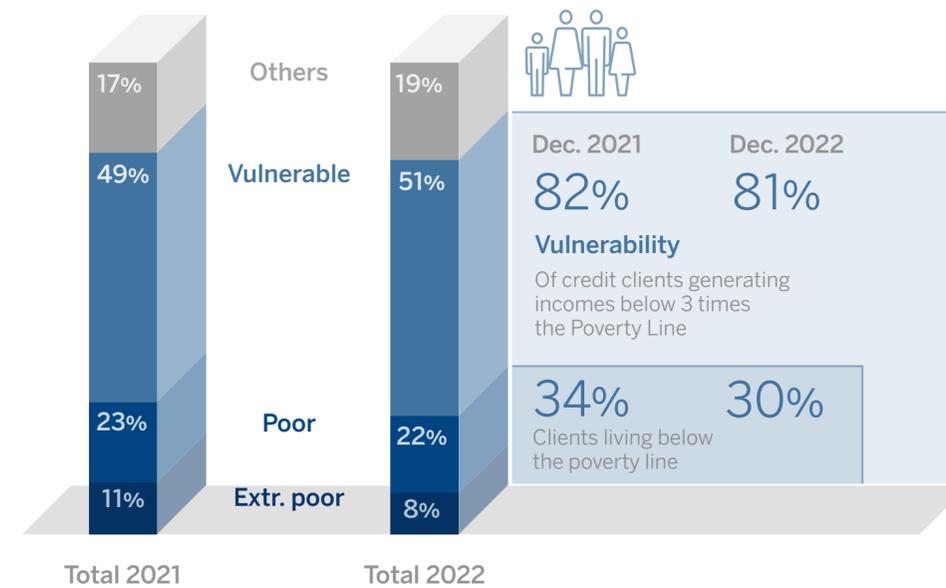
Economic vulnerability

Measuring economic vulnerability enables us to understand the entrepreneur profile served by the Foundation. This measurement is one of our differentiators and means that we can assess the impact and depth of our service. In 2022 over 294,000 new entrepreneurs applied for a loan when they joined us, of whom 84% were in vulnerability (vulnerable, poor and extremely poor), and 39% had incomes below the poverty line (PL).

Of the new clients served in the last three years, on average 85% were in economic vulnerability, while 40% were in poverty (according to BBVAMF's own classification). In the case of the latter, their average monthly income did not exceed USD 100, putting them 20% below the poverty line. In other words, entrepreneurs classified as poor earned an average of USD 3.30 a day, while those in the vulnerable category took home USD 7.20.

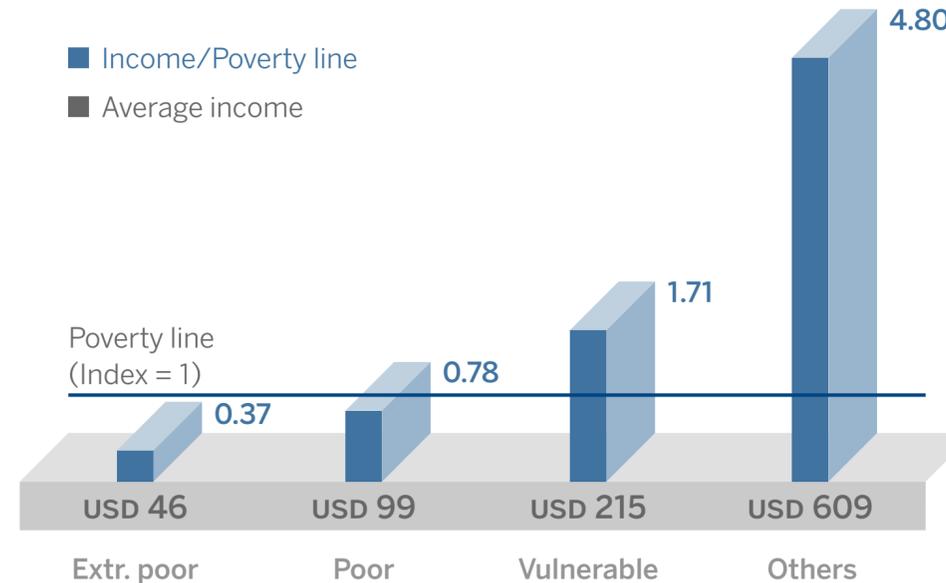
11 | Economic vulnerability

Total credit clients



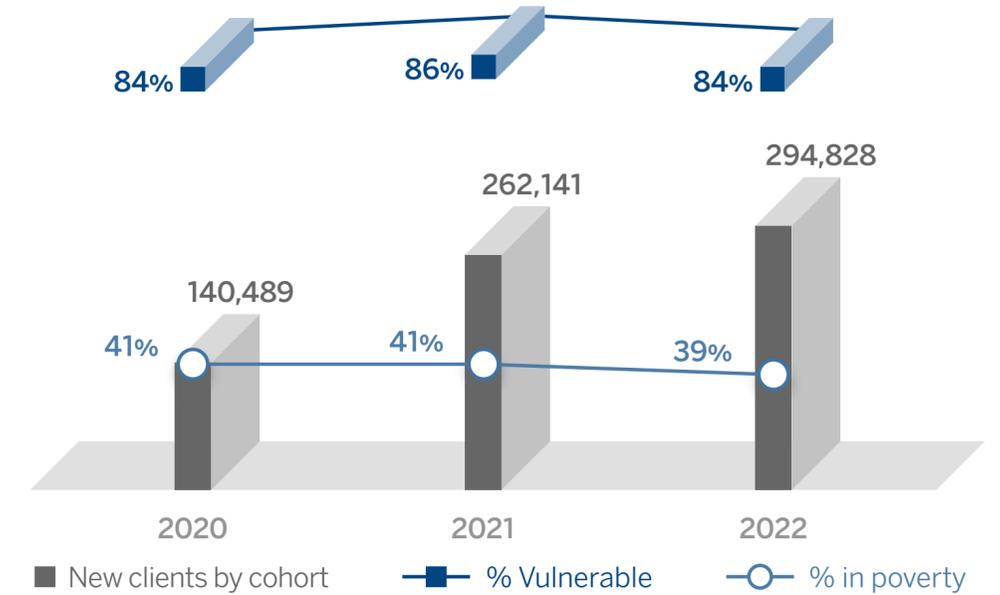
13 | Entrepreneurs' incomes

New credit clients



12 | New entrepreneurs served

New credit clients by year of entry



By 2022, 84% of the Foundation's new entrepreneurs were in economic vulnerability

G-11. According to each country's poverty line. Clients current at 12.31.2022.

G-12. Incoming clients during the year (no previous credits). Vulnerability is the % of clients with incomes lower than three multiples of that country's official poverty line.

G-13. According to each country's official poverty line.



Methodological note

We analyzed entrepreneurs' economic vulnerability according to the contribution made by their business to their households. The capacity of their microenterprises to generate surpluses for each household member, surplus per capita and their income are all analyzed against the benchmark of the cost of a basic food basket (extreme poverty line) and a bigger basket that includes basic services (poverty line).⁷

The methodology for calculating the PL in each country is based on shared precepts. As such, the poverty line is a national reference which allows us to put the information in perspective, compare it across countries and assess performance over time.

BBVAMF Group's economic vulnerability classification:

- **Extremely poor:** when the surplus for each household member (or income) is below their country's extreme poverty line.
- **Poor:** when their income is above the extreme poverty line but below their country's poverty line (represented by the cost of a basic basket of foodstuffs, goods and essential services).
- **Vulnerable:** when their income is over the poverty line, but less than three times their country's poverty line (for more details, see [Methodology Note](#)).
- **Others:** when their income is more than three times their country's poverty line.

Although this is the Group's own classification, it is comparable with the benchmarks used by international bodies such as the United Nations or the World Bank.

On the other hand, relative income is the business surplus divided by each household member relative to the poverty line. This income measures the distance from the PL and this allows us to assess how poor a set of clients is, how much their businesses need to grow in order to overcome their poverty and to what degree they are at risk of falling back into poverty. This indicator is also a gauge of the concentration of poverty in the portfolio.

The relative income of vulnerable clients served in 2022 was 1.7 multiples of the PL, very different from that of clients in the "Others" category, who are a long way above the poverty line (4.8 times the PL), meaning that the likelihood of the former falling into poverty was much greater.

7. The poverty lines vary depending on whether the context is rural or urban in the case of Colombia, Peru, Dominican Republic, and Panama. In Chile they are differentiated by household size.



Household profiles



The Foundation conducts surveys every year to find out more granular detail about the performance of its entrepreneurs so that the information it handles on a regular basis is more nuanced. 6,615 clients were surveyed this year, and the results are presented throughout this report (identified as “entrepreneurs surveyed”).

In 2022 the survey’s aim was to understand entrepreneurs’ resilience and what adaptations they made as a result in their businesses. It also looked at the impact on saving, to analyze the effect on their households.

The fieldwork for the surveys took place between March and July 2022 using the branch networks of all the institutions. A representative set was taken from the client base, and a simple random sample was used, with a confidence level between 95% and 99%, and a margin of error between 2.8% and 5%. Clients in default, employees, and institutional clients were eliminated from the sample. The surveys were conducted by our loan officers in the branch networks.

Household income

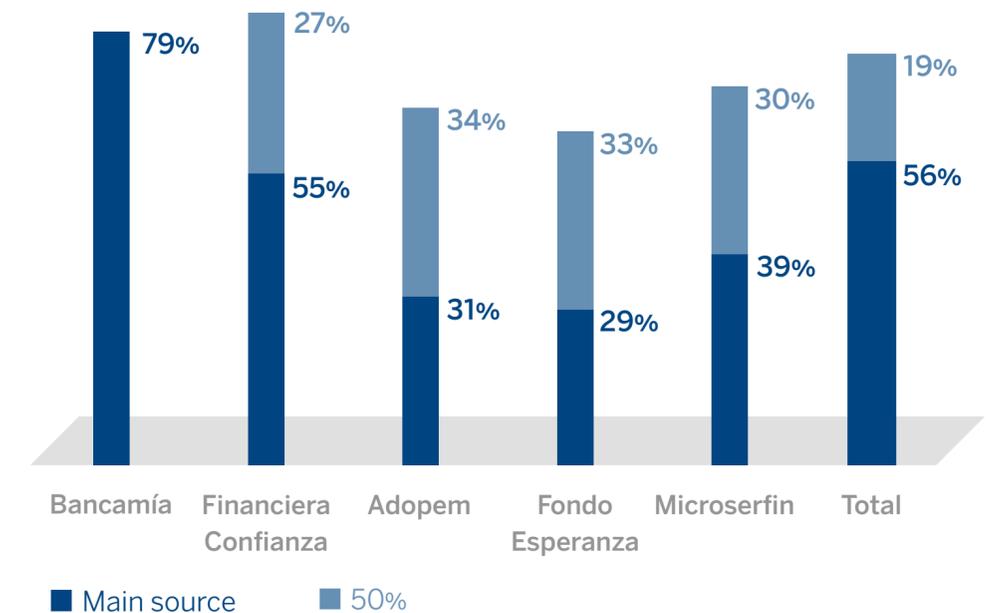
Many people decide to become entrepreneurs because they cannot find a job, so their business becomes the main source of income for the majority. Sometimes they supplement their incomes from their enterprise with revenues from other sources. Their business is the main source of income for 56% of entrepreneurs. For 19% of them, this income is matched by inflows from other activities. Although most businesses have recovered after the sharp drop in 2020, many households are keeping their income diversified as part of their survival strategy.

The results obtained vary significantly by country. In those where there is a higher proportion of women, there is a lower weighting on the business as the main source of income. This is because women tend to see their business as their secondary income source.

Alternative inflows — mainly another family member’s income — are perceived as being more stable. On the other hand, other types of enterprises help to diversify their revenue streams. These strategies tend to be adopted chiefly by younger profiles with lower income levels (the economically vulnerable).

14 | Business as the main source of income

Entrepreneurs surveyed



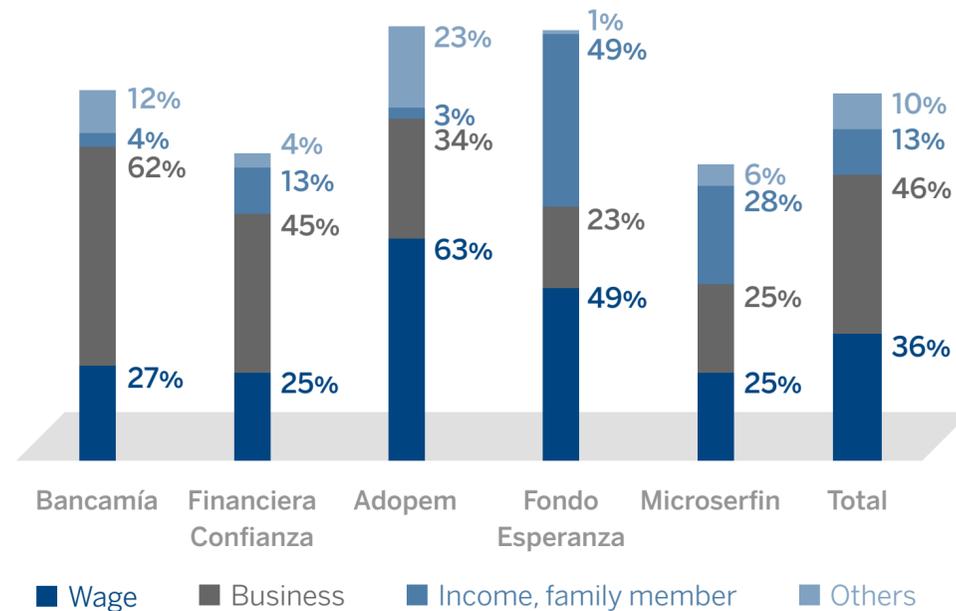
The instability of their business revenue forces entrepreneurs to look for alternative income streams

G-14. An income stream is classified as primary when the business contributes more than half of the household income. 50% of household income is included above, given that this ratio has changed greatly in the last three years. Note that in Colombia the reply option “equivalent to 50%” was removed. The only response options available were “more or less than 50%”, so the answers are not directly comparable with the other countries.



15 | Other sources of household income

Entrepreneurs surveyed



Income source diversification has intensified since the pandemic. Instability of business incomes appears to be forcing entrepreneurs to look for alternative sources for obtaining money. Among these sources is waged work and incomes from other businesses, followed by income from a family member. .

In the countries where the business is not the main source of income (eg. Banco Adopem in the Dominican Republic and Fondo Esperanza in Chile), waged work prevails. In these countries in particular, many clients look to their enterprise for greater income flexibility and a better work/life balance.

In the countries where the dedication to their business is greater, there are other sources of income such as other businesses (eg. Bancamía in Colombia and Financiera Confianza in Peru). Here perhaps the strategy is to diversify risks by having several enterprises.

We should point out that remittances are an important source of funding in the Dominican Republic (23%), a characteristic feature in this country

In Peru and the Dominican Republic, age is a determining factor. The older the entrepreneur, the greater is their dependence on their revenue from their enterprise. This is possibly due to their experience, and the stability that their business offers over time.

In Colombia and Chile, the more stable the business, the greater its contribution to household inflows. As clients’ businesses grow —i.e. they are less economically vulnerable— their dependence on other revenues shrinks, enabling them to live on their productive activity. Eight out of ten entrepreneurs in poverty depended on other inflows, but only six or seven out of ten did so from small businesses. This suggests that enterprises enable them to break the sometimes-vicious circle of economic vulnerability.

46% of entrepreneurs have incomes from other businesses and 35% of them complete their incomes with waged work

G-15. Multiple answers possible. “Others” are remittances or pensions.



Multidimensional poverty

To get a broader vision of poverty, we need to extend the concept of monetary poverty. We have to go deeper into our understanding of the details about the quality of life of entrepreneurs and assess the potential shortfalls they face in their homes. This information will help us create a value offering that allows our entrepreneurs to overcome these structural shortfalls – often associated with the lack of goods and services provision–, and to narrow these gaps.

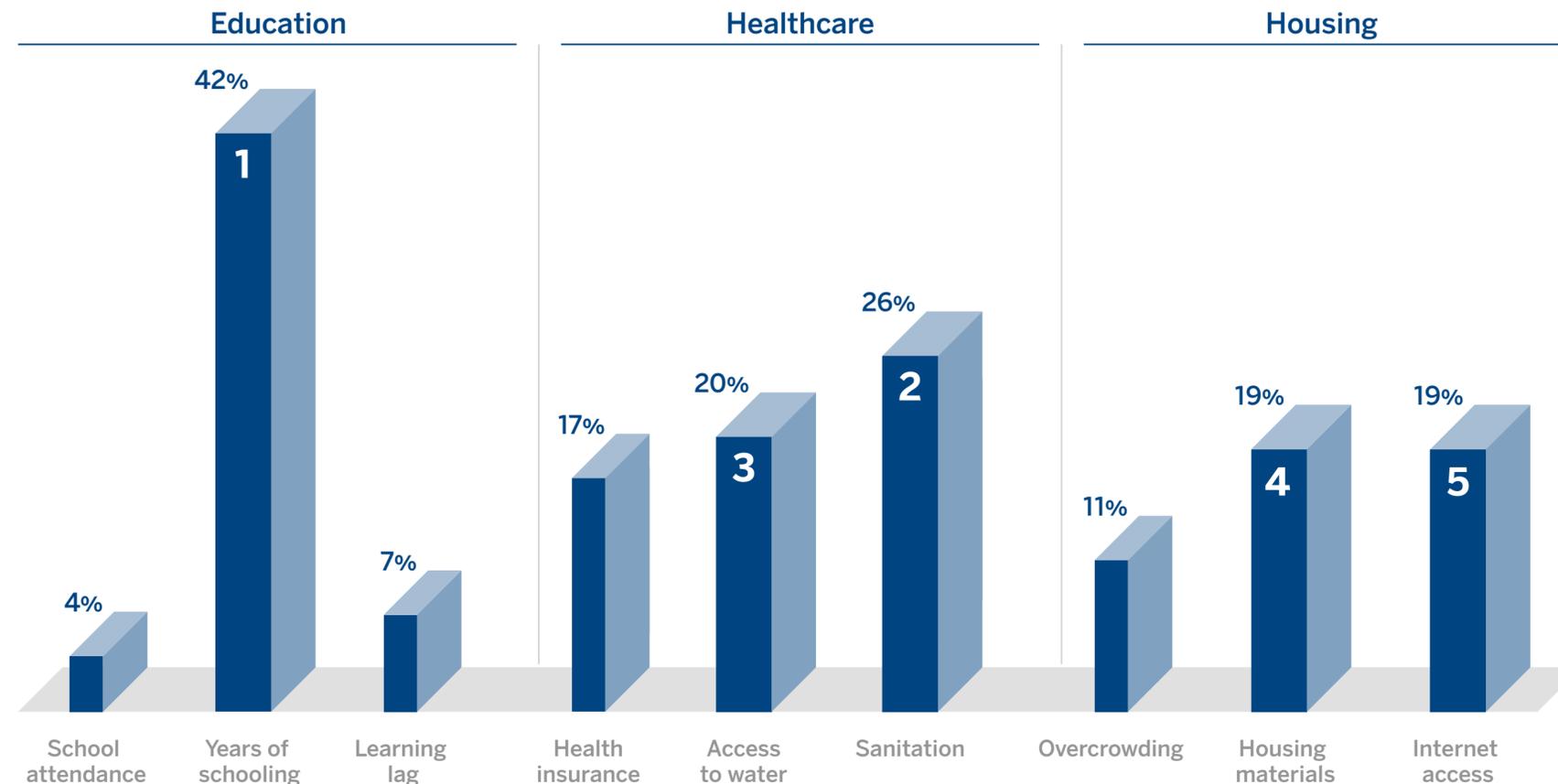
Among the households served by BBVAMF, the key deficiencies relate to the number of years of schooling, sanitation, access to water, housing materials and access to internet. These shortfalls vary considerably between countries. Nevertheless, insufficient schooling is a feature common to all entrepreneurs, and it means that they will be less likely to get employment in the labor market, so their need to be entrepreneurs becomes imperative.

Our traditional measurements have meant that we have catalogued our entrepreneurs using monetary criteria. However, to get a sharper vision, we need to go beyond that threshold and dig deeper into entrepreneurs' quality of life, assessing the potential shortfalls facing their households.

People in poverty generally define it as an experience with simultaneous different deprivations, not merely a lack of income. Multidimensional Poverty Indicators (MPI), based on Alkire-Foster methodology, can provide a broader understanding of the nature of poverty that complements one-dimensional monetary measurements. An MPI

16 | Incidence of deprivations

Percentage of deprived households



reveals who is poor, and in what way, contributing relevant information to identify which people are in poverty, as well as the problems that keep them there.

That is why, using a representative sample, we have created an Internal Multidimensional Poverty Index based on national indicators that we have adapted to the profile of our entrepreneurs.

G-16. Entrepreneurs surveyed in 2021 (Multidimensional Poverty Survey). For more details, see [SDG 2021](#).



The Internal Multidimensional Poverty Index (IMPI) is a poverty measurement that picks up on the multiple shortfalls suffered simultaneously by people in areas such as education and health, among others.

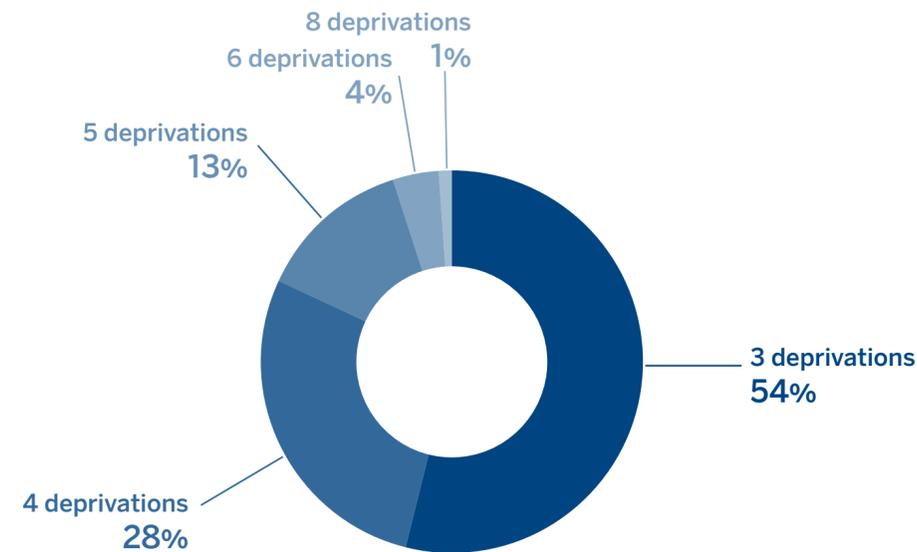
It reveals that the rate of multidimensional poverty (the proportion of people in a population group that is multidimensionally poor) **in the households of our clients is 24%**. Households living in multidimensional poverty have, on average, shortfalls in 41% of the indicators (which equates to 3.7 of the 9 indicators).

Households show higher levels of deprivation in actionable indicators —i.e. that can be changed with specific measures— such as sanitation, housing materials and medical insurance. This has allowed us to start to think about solutions to accompany them as they get ahead (see ['Welfare section'](#)).

The results show that across all our institutions households in poverty generally contain more people, more children and lower household income. Clients of Bancamía, Financiera Confianza and Banco Adopem are also more likely to live in rural areas.

17 | Distribution of poverty intensity

Percentage of households



18 | Internal Multidimensional Poverty Index

Incidence & intensity



Index	Value
IIPM	0.099
Incidence (H, %)	24.2
Intensity (A, %)	41.0

Another important feature of households in vulnerability is the number of contingencies they have to deal with.

Clients were asked whether they had faced any unexpected contingencies in the previous 12 months. The data show that those who suffered a shock tended to experience higher levels of multidimensional poverty. The percentage of households undergoing some kind of shock varied between 37.6% (Bancamía) and 47.7% (Fondo Esperanza). In other words, it is important not only to identify shortfalls but also to track them over time in order to have an effect on them.

If all these shortfalls are mitigated simultaneously, these households are more likely to get ahead.

Short methodological notes

- Entrepreneurs surveyed on the ground (Oct.-Nov. 2021): 9,102 households. .
- Poverty threshold: 33.33%.
- Alkire-Foster methodology.

For more information, see [SPR 2021](#).

Four in every ten households face some kind of shock



G-17 and G-18. Survey conducted in 2021. For more details, see [SPR 2021](#).



Snapshot of the entrepreneurial woman

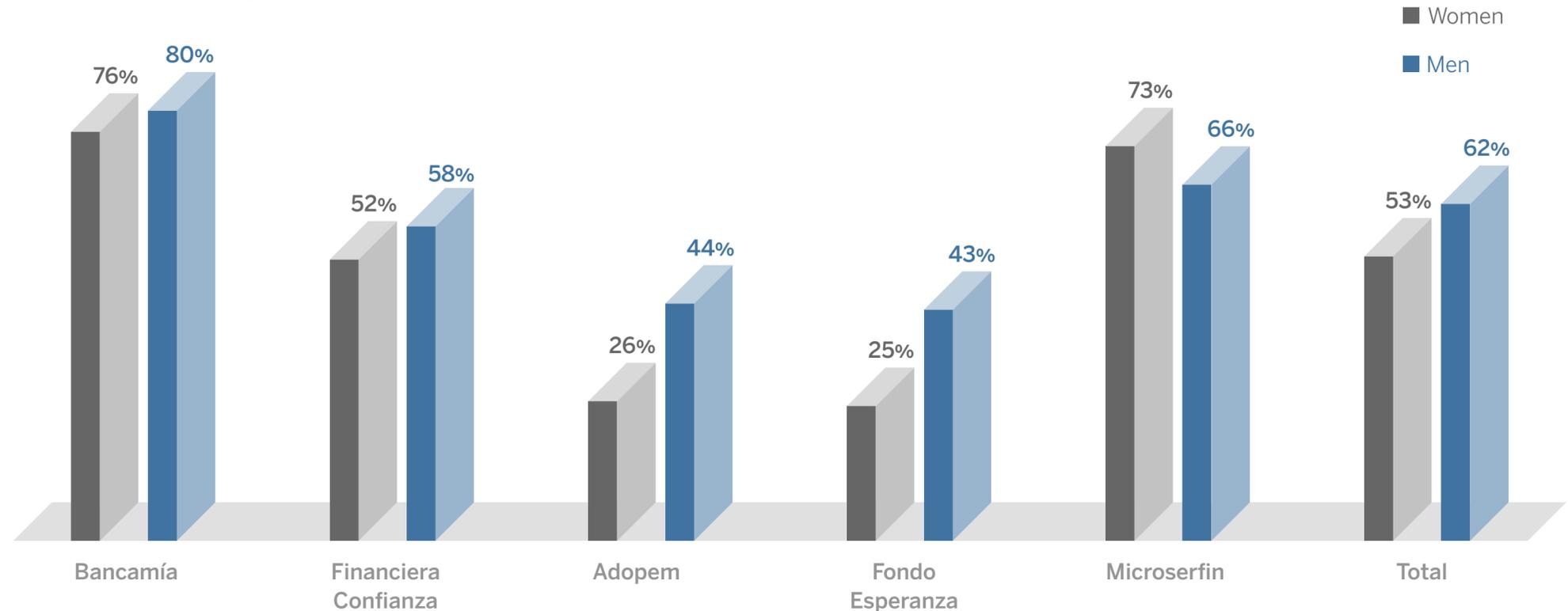
Serving women remains crucial: although the financial inclusion gap has narrowed in recent years, access to the financial system is still more difficult for them. The labor market's exclusion gap persists, so they find themselves compelled to start up enterprises that help them to resolve not only their work status but also the compatibility of looking after their children. This leads to their being over-represented in enterprises that are smaller and less productive. Many women belonging to the most vulnerable segments are excluded from the formal financial system or do not make full use of it, eventually exiting it in many cases.

Furthermore, women are more affected than men when looking for formal jobs (particularly in low-to medium-low income countries) and often find themselves in situations of greater vulnerability.

For half of women entrepreneurs, their business is not their main source of household income (it is for 53% of them, compared to 62% in the case of men). Their other income sources tend to be "income from another family member", which suggests that they tend to assume this position for cultural reasons.

19 | Main sources of income

Entrepreneurs surveyed



We should also point out that stemming from the pandemic and the effects of inflation, many women have been forced to look for new sources of revenue to withstand the economic crisis, not only through third parties, but also as employees in the job market. These alternative sources are probably viewed as being more stable.

Women's enterprises tend to be their secondary income source



Entrepreneurship not only enables them to make money but is also compatible with their domestic responsibilities. This conditions the type of activities chosen by the majority, activities which tend to be flexible, but with low productivity. 48% of women work in retail trade, especially in the areas of textiles and footwear, one of the most affected by the pandemic.

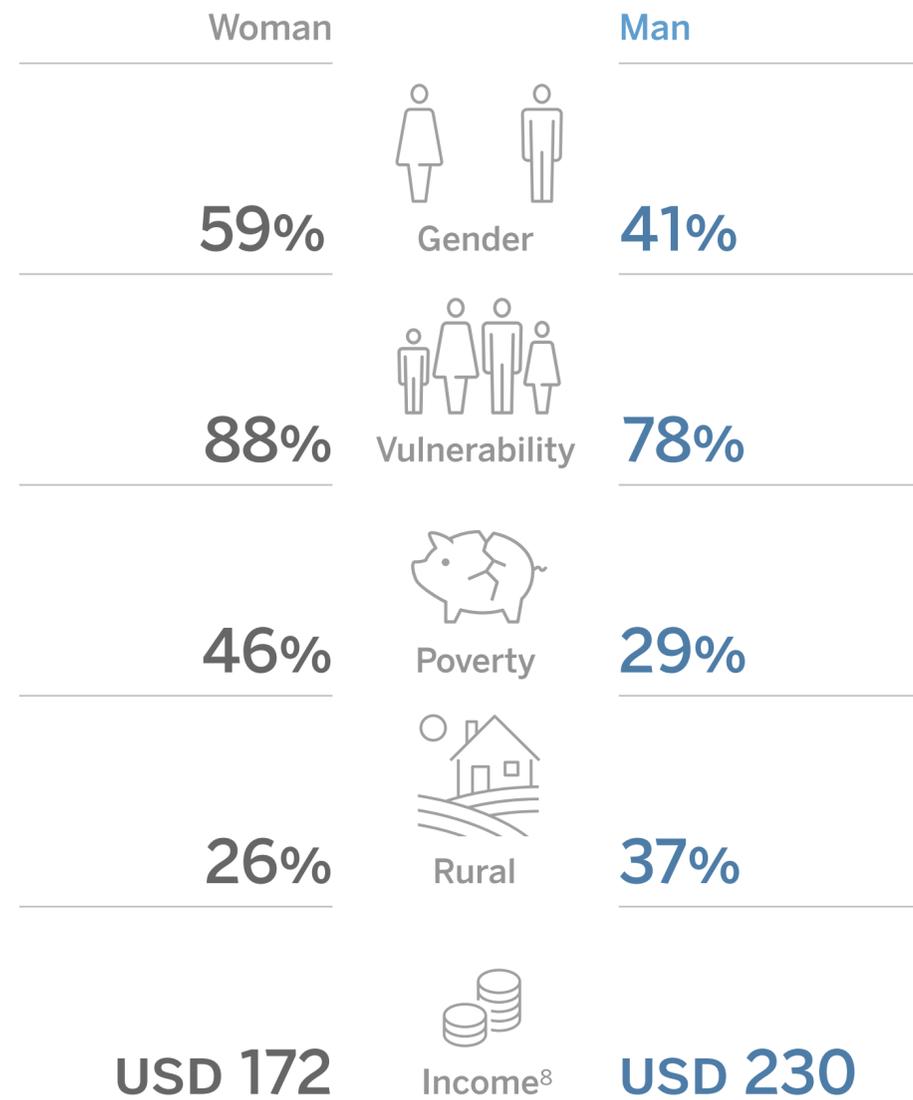
The enterprises of the women we serve have lower revenues on average than men's; as a result their levels of economic vulnerability are higher. Of women served by BBVAMF Group for the first time in 2022, 35% were in poverty, compared to 23% of men.

In addition, we note how age is also a determining factor. In the poor segment, the gap between men and women in income generation (sales) is greater than the gap in the vulnerable group. The younger they are, the more pronounced is this gap. That is, younger women have not been able to consolidate their business because they are spending more time on their family. Among young people, 49% of women are poor, compared to 35% of men. This gap is narrower between older men and women (>60 years old).

It is especially important to design social policies that help with family planning and how to manage their responsibilities while also generating inflows that are sustainable over time.

20 | Profile by gender

New credit clients



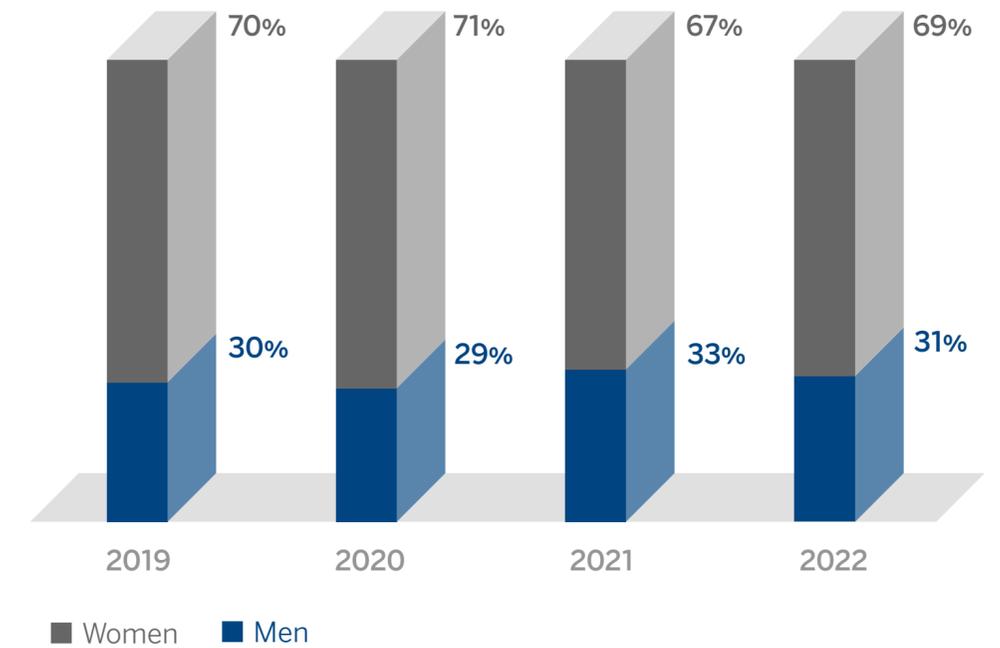
8. Business surplus per household member.

G-20. New clients during the year (no previous loans). Vulnerability is the % of clients with incomes lower than three multiples of their country's official poverty line.

G-21. New clients during the year (no previous loans).

21 | Poverty by gender

New credit clients



In 2022, of all the clients in poverty coming to bank with our institutions, 69% were women. This is because they work in low-productivity sectors and have to juggle working with their household tasks.