

# Developing businesses

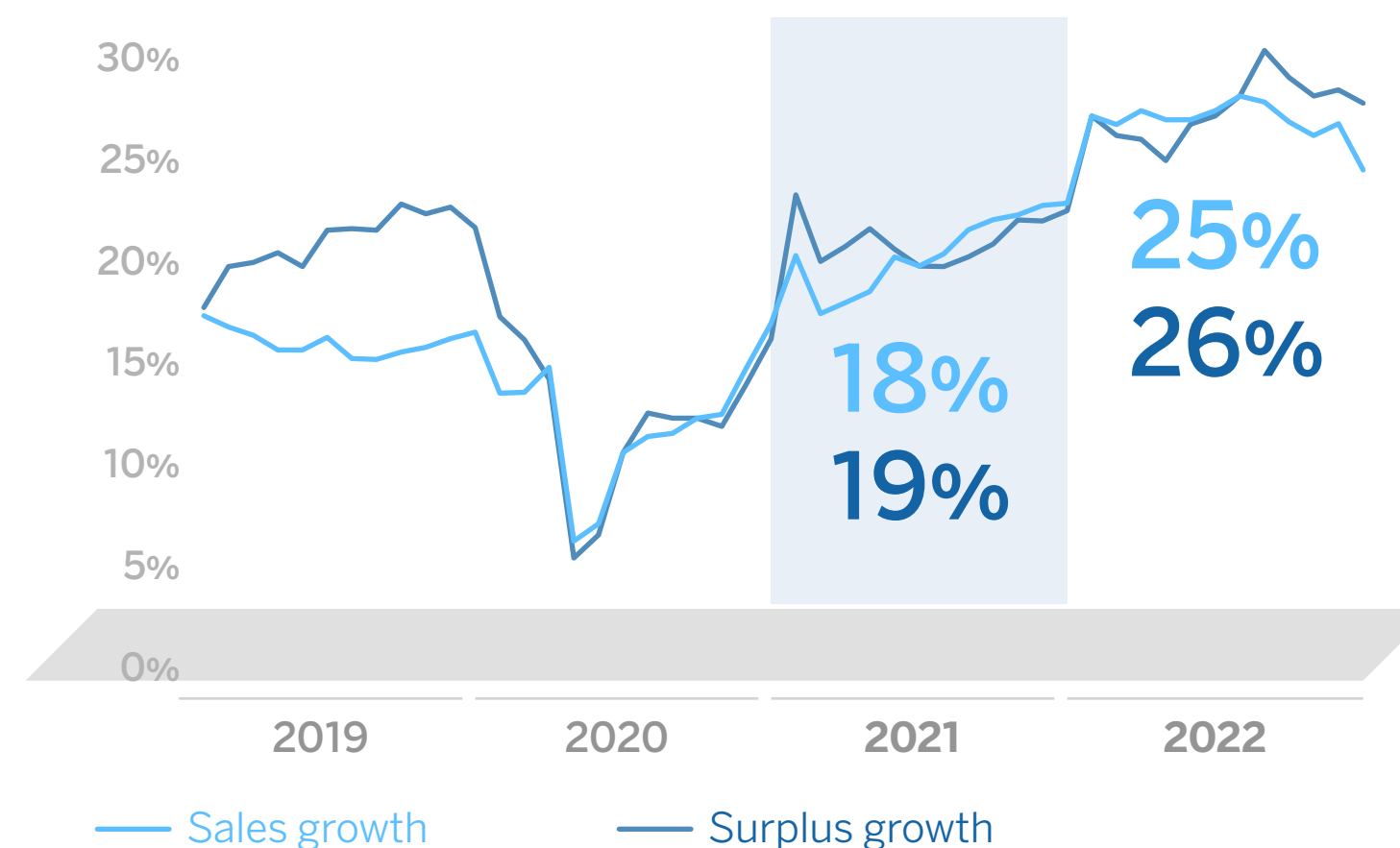
In 2022, after the harsh blow of the pandemic that paralyzed entrepreneurial activity, we noted that activity normalized. Over 700,000 entrepreneurs received a loan through one or other of the BBVAMF group's institutions (12% more than in 2021), of whom over 290,000 were new entrepreneurs.<sup>10</sup>

Results achieved in 2022 showcase excellent business performance with annual growth rates in sales and surpluses of 25% and 26% respectively. This equates to one in two entrepreneurs served in 2022 growing in both variables at the same time.<sup>11</sup> This resilience is partly due to the changes they made in their businesses:

- They raised their online sales to reach more clients;
- They cut their overheads and improved their management of variable expenses by reviewing their supplier relationships; and
- They diversified the business to mitigate risks.

## Growth in sales and surpluses

Entrepreneurs who have renewed a loan every year



Entrepreneurs who have had at least one loan renewal every month. The financial information is compared with the previous period. Compound annual growth rates calculated for each client. The top 5% and the bottom 1% outliers have been excluded.

10. Clients to whom the institutions disbursed credits for the first time.

11. Proportion of entrepreneurs served during the year whose sales and surpluses grew.

12. Entrepreneurs who have had at least one loan renewal every month. The financial information is compared with the previous period. Compound annual growth rates calculated for each client. The top 5% and the bottom 1% outliers have been excluded.

These results have passed through into a higher disposable income and a greater proportion of households enjoying an increase (52% of entrepreneurs raised their relative income, compared to 51% in 2021). These revenue levels mean that after two years banking with one of our institutions, one in four entrepreneurs generates enough income to escape poverty. This is particularly significant, given that 55% of the entrepreneurs served said that their business was their household's main source of income, while for a further 18% their business income was the same as their revenue from other sources.<sup>12</sup>

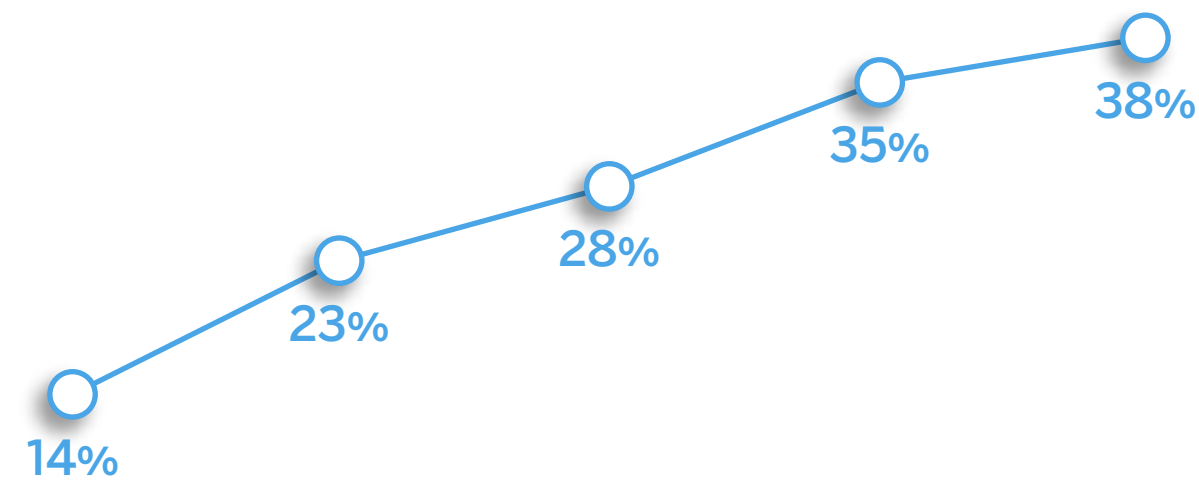
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### Changes in the poverty segment

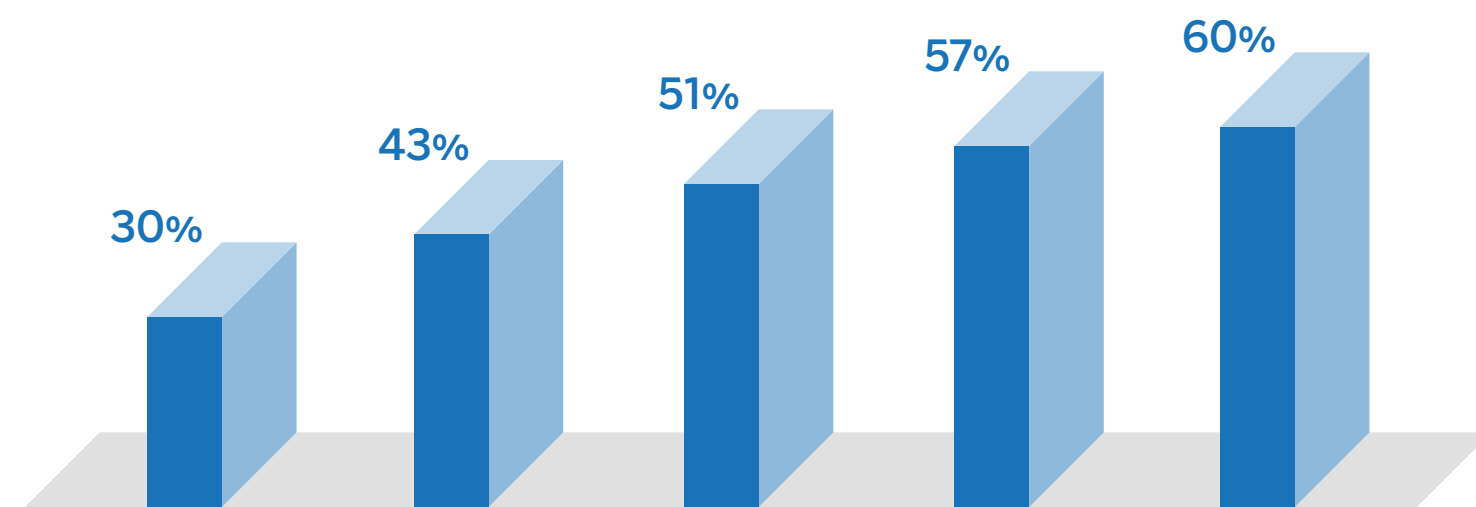
Entrepreneurs renewing a loan

#### Net reduction



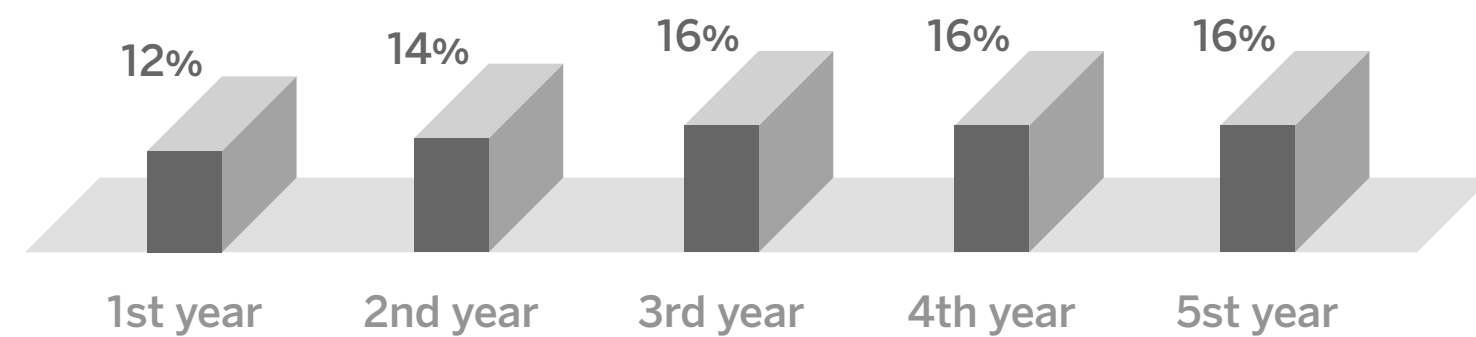
#### Escape from poverty

Poor clients who escape poverty



#### Fall into poverty

Non-poor clients who fall into poverty



In the case of entrepreneurs who have been banking with our institutions for over five years, giving us the opportunity to make a more structural analysis, we see that the crisis has slowed down the long-term improvement, but only a little. An extremely poor client escapes poverty after their third credit, compared to two years ago, pre-pandemic, when they escaped it after only two credits.

So we see that recovering revenue has had a clear consequence: stopping investment in welfare, thus delaying the progress being made in households. Several factors have caused this situation: high inflation (especially in food, which has hit the lowest-income segments particularly hard); difficulties in adjusting to an increasingly digital environment and having to cope with contingencies from the reduction in their savings, and in the social support expected from the State (shortfalls in healthcare, housing, natural disasters, etc.). To alleviate this situation, BBVAMF has set up several initiatives that are aligned with our key strategic drivers:

#### Productivity and environmental resilience.

The development of entrepreneurs affected by climate change needs to be combined with improvements to their productivity using more efficient production methods. That is why we have designed a proposition to improve climate resilience and farming sustainability (the most representative segment in rural areas). The aim is to protect these businesses while managing climate risk at the same time.

Products for women. Acknowledging the barriers facing women, we pay particular attention to them when designing an offering that meets their needs.

Including displaced persons. Displacements between countries continue to be an important aspect of social reality in the regions where the Foundation works, particularly the rise in migration from Venezuela. Migrants, the displaced and refugees are groups facing major challenges, so it is of paramount importance that they can benefit from a formal loan.

Clients renewing a loan in 2022.

- Escape from poverty: Clients in poverty at the outset of their relationship with the institution (classified as extremely poor or poor) who have generated income taking them over the poverty line.
- Fall into poverty: Clients not in poverty at the outset of their relationship with the institution (classified as vulnerable or others) who have generated income below the poverty line.
- Net reduction: Escape from poverty minus Fall into poverty (taking the segment of clients who were poor at the outset).



### Service that is high-touch, responsive, and flexible.

The context in which an entrepreneur lives, with insufficient infrastructure and high travel costs, together with the complex outlook facing them to keep their business going and cover their financial obligations, all require us to focus and adapt, as much as we can, to their surroundings and their needs. That is why we seek to build a relationship banking model that provides:

- A broad network of channels to ensure high-touch service, avoiding travel costs and their having to shutter their business;
- With tools that are responsive and flexible (such as the mobile banking app and geolocation), so that they can receive face-to-face or digital service in situ, that meets their needs.
- Designed, adapted, and constantly being upgraded, to offer them a better service.

We are building a model that is adapted to each household's needs, that combines face-to-face and digital channels (a hybrid model), and where the loan origination is increasingly digital. This will allow us to serve both digital natives and those who are not so comfortable—or not at all—in this medium who need personal advice.





# Productivity and environmental resilience

In 2022 we continued to make progress in defining environmentally sound financial products and services to enable vulnerable people to raise the productivity of their economic activities in order to get better returns without triggering environmental impacts, whilst also mitigating the negative effects of climate change on their businesses.

## Green products



### Green loans

Colombia and Dominican Republic

**4,038** clients

USD 2.99 M



### Climate insurance

Colombia

**19,426** policyholders

**80% growth** between 2021/2022

In the area of **environmental productivity**, by the end of 2022 over 4,000 clients had signed up for green loans. The goals vary: improved energy efficiency (Ecocrédito in Colombia); sustainable infrastructure (Ecovivienda and Crediverde for energy [Colombia]); and farming sustainability (Crediverde Adaptación [Colombia and Dominican Republic], Ganadería Familiar Sostenible, Agromujer and Macadamia [Dominican Republic]).

Turning to **environmental resilience**, we provide tools to analyze and manage the risks linked to climate change, so that they can tackle the effects of adverse environmental phenomena on their businesses. We have launched two initiatives in this area: :

- **Climate resilience:** In 2022 a pilot phase of the environmental and social risk assessment system (SARAS in the Spanish acronym) was rolled out. Its aim was to identify, assess, mitigate, and monitor these risks in the economic activity portfolio of Bancamía entrepreneurs to find out which had the greatest impact on the environment and to help them to decarbonize using our financial products and services offering.

- **Climate vulnerability:** This tool identifies entrepreneurs' exposure to the climate change phenomenon (droughts, floods, cyclones, and rising temperatures) that can affect their productive activities, their sensitivity to climate change and their capacity to adapt. Preparing for this allows us to put together a financial package that is tailored to the realities of each climate (ie. a protocol and emergency loans for earthquakes in Chile). In Bancamía, as required by that country's banking authority, and in compliance with the TCFD (Task Force on Climate-Related Financial Disclosures) model, climate vulnerability heat maps were drawn up based on statistics from a variety of meteorological and climate sources. The clients most exposed to climate risks were identified on these maps using geolocation. This formed the basis of our **climate insurances** policies. These cover losses caused by one-off climate phenomena (*Mi Siembra Protegida* and *Mi Inversión Protegida* (Colombia)).

Banco Adopem has created an indicator, as part of the MEBA (Microfinance for Ecosystem-based Adaptation) project, that measures clients' capacity to adapt to climate changes using good practices and technologies across 17 dimensions.<sup>13</sup>

13. According to the answers to 57 questions covering 17 dimensions, the tool generates a figure between 0 and 5 that is the basis for comparing the client's current situation and progress in their gradual adaptation to ecosystem-based climate change. The calculation for the indicator generates one of the following outcomes: From 0.01 to 2.00 = very little adaptive capacity / From 2.01 to 3.00 = little adaptive capacity / From 3.01 to 4.00 = middling adaptive capacity / From 4.01 to 5.00 = high adaptive capacity.



# Products for women

We continued driving financial products and services in 2022 with a gendered approach, strengthening women's businesses using a range of digitalization interventions. New technologies and internet access are undeniably fundamental to the success of any enterprise. However, in Latin America and the Caribbean there are still 70 million women who use neither internet nor a mobile phone,<sup>14</sup> representing a clear digital divide by gender.

BBVAMF promotes the use of new technologies among women entrepreneurs who are frequently frightened to use them, often do not have the right devices or the necessary skills to get connected, or who cannot afford expensive mobile data plans.

We are also taking part in financial inclusion studies with a gendered and intersectional approach (indigenous, migrant, and rural women).

## Products with a difference

### Peru: 22,000 women in *Emprendiendo Mujer*

A pioneering and innovative credit product in Peru focused on reinforcing its women's self-confidence and entrepreneurial spirit. It was designed in 2021 in partnership with the Ignite project run by CARE Peru and the Mastercard Center for Inclusive Growth to provide an improved proposition to female group lending clients (*Palabra de Mujer*). These women can also access the training programs in financial literacy on the *Lista Express Perú* app. By November 2022, more than 22,000 women had benefited from this product.

## Training

### 770 entrepreneurs in Colombia. Empowerment skills: *Facilitamos su Progreso* platform

Once we understood the importance of using a gendered approach in our clients' financial education, we started to include training material in the empowerment skills module on Bancamía's *Facilitamos su Progreso* platform. Some of these materials, such as "Gender, negotiation and role playing" and "Diversity, equity and inclusion to enjoy a shared world", contribute to narrowing gender gaps.

### [Pilot] *Entrepreneurs in Colombia. Women's leadership*

Bancamía has developed the *Journey Mujer* to formulate a training program that strengthens soft skills and leadership to help women entrepreneurs in their decision-making process and make accessing the financial system less daunting. This program acknowledges women's roles, giving them a new meaning from a productive and entrepreneurial perspective, showing them daily financial realities that involve them in generating wealth and in contributing to society.

14. GSMA data. Mobile Gender Gap Report 2021.



## 75 women clients in Chile. *Despega Mujer* - *Luksic Foundation*

A further 25 women partners of Fondo Esperanza from several townships in the Ñuble region have joined in 2022, bringing the total of those benefiting up to 75. Operating for the third year in a row, the *Despega Mujer* program encompasses upskilling, one-to-one mentoring, and funding of up to USD 2,200. The upskilling sessions include subjects around women and empowerment, techniques to make their business grow, digital tools and marketing, leadership, joining the formal economy, innovation, products and services, applying for public funds and enterprise management.

## TIGO-Microserfin Partnership pilot program

In 2022 Microserfin consolidated its strategic partnership with the telecoms multinational TIGO. Its purpose is to strengthen the productive development of the women microentrepreneurs it serves in urban and rural settings so that they can access skills and training on how to use technology and apply it in their businesses. The pilot program will be rolled out in 2023 with 30 women. Plans are being made to organize training days, sessions on specific subjects and workshops to bring people to digital literacy, strengthen their skills and make the most of technology tools.

**A tu Selección de Confianza,  
¡nadie las para!**

**Crédito Palabra de Mujer**

Convoca a 10 o más amigas emprendedoras como tú,  
obtengan su crédito y juntas alcancen el éxito.  
Contarán con charlas en educación financiera

Infórmate más en [confianza.pe](https://www.confianza.pe)

Financiera **confianza** | Fundación BBVA Microfinanzas

Crédito sujeto a evaluación. Información sobre costos de nuestros productos y servicios, disponible en nuestras oficinas de atención al público, a través de nuestro tarifario, y/o página web [www.confianza.pe](https://www.confianza.pe). La empresa tiene la obligación de difundir información de conformidad con la Ley 28597 y el Reglamento de Gestión de Conducta de Mercado Res. SBS 3274-2017

## Digitalizing a women-only product: *Palabra de Mujer (PDM)*

In 2022, this individual loan with group guarantees was reinforced using the digital *Banca Grupal* app to digitalize the entire credit process, from application, through assessment and finally disbursement. The improvements include electronic purchasing of the product, plus enabling clients to make withdrawals from their place of work or their homes. The self-service function in the *Financiera Confianza* app also went live, meaning that clients can self-evaluate, create their own groups, and invite other women friends to join. This was supported by an advertising campaign raffling off 200 mobile phones. By November 2022, 51,000 disbursements had already been effected across the country.



## 150 Women clients through the Emprendedoras Conectadas hub - Kodea Foundation-Google

The Kodea Foundation has for four years (2019-2022) run the *Emprendedoras Conectadas* program, generating an impact among more than 600 women in Santiago, thanks to support from Google Chile. Of all the women taking part, 70% finished the program and succeeded in setting up their own online store. Results from the subsequent monitoring show that incorporating cross-sector digital skills in their businesses has helped them to increase sales.

In view of the positive results so far, Google.org, Google's philanthropic arm, was approached and the idea of developing the *Emprendedoras Conectadas* hub was pitched to it. This aims to multiply and strengthen the impact of having acquired digital skills to reach 1,500 entrepreneurial women through a program to teach the trainers in social organizations. In addition, since November 2022, a more comprehensive program of face-to-face training has been set in motion for 150 women from Temuco and Concepción. Seed capital will be granted to 400 women entrepreneurs who complete the course: first to the 150 who take part in the training and later to the 250 who join in the next stage.

## Research

In 2021 Bancamía received an award from CAF, (Development Bank of Latin America) for funding *Women's Financial Inclusion and Closing the Gender Gaps in Colombia* research, beating 39 other candidates. Since then, it has been making this *Journey 360 Mujer* research even more robust by including new archetypes of vulnerable and diverse women such as indigenous, Afro descendants, Raizal women (native islanders), and settlers of rural territories, who are the ones facing the greatest challenges to financial inclusion in this country.

Bancamía has also participated in FUNDES-USAID research on gender biases when women entrepreneurs access funding. Its goal is to identify and reduce the gender gap produced by unconscious bias in the credit prospection, selection, assessment, and approval processes. The aim is for a protocol to help to increase the placing of financing products and the amounts disbursed into the hands of women microentrepreneurs, for which purpose surveys have been conducted, with both the supply and demand being analyzed.



Likewise, Microserfin participates in the Plan for the Economic Empowerment of Indigenous Women led by the Panamanian government, the Advisory Committee of Panama's Indigenous Women (CAMIP) and the IDB. This is the country's first public policy for the economic empowerment of indigenous women and represents an innovative proposal for the region. Its goal is for indigenous Panamanian women to enjoy full inclusion and to exercise their socioeconomic rights throughout the country within the next four years. For more information, see <https://www.mingob.gob.pa/plan-de-empoderamiento-economico-de-las-mujeres-indigenas-de-panama-pemip-2025/>



# Inclusion loans for migrants and the displaced

BBVAMF serves migrants as a way of contributing to the country's development with an integrated approach to the social impact, diversity, and inclusion of the most vulnerable groups.

Over the course of 2022, major internal migratory flows and displacements between countries continued to be an important part of the social reality in the areas where the Foundation works. The increase in Venezuelan migration and the resulting refugee crisis\* were particularly strong features. Over six million Venezuelans have emigrated to other Latin American countries, with Colombia the main reception country, at 2.3 million.

Many of these people live in precarious, unsafe working conditions in their host countries, with low wages and no social security. The pandemic has hit them particularly hard, exacerbating their vulnerability further. It is increasingly necessary to identify and empower these segments—frequently invisible to the State—to help them get ahead.

A large proportion of these migrants already had financial experience in their home country. However, when they were forced to migrate, they no longer had access to formal financial services and found it difficult to access them in the host country, often due to the absence of identity

documents or residence permits. However, despite being a group with significant potential for income generation due to their high personal and labor stability and their education and experience, they are currently underserved: only 18% of adult migrants in Colombia have a financial product or service (compared to 88% of the Colombian population<sup>15</sup>).

BBVAMF pays special attention to these groups, supporting them through financial inclusion and productive finance and thus promoting their development and welfare.

During the course of 2022, Bancamía (Colombia), Financiera Confianza (Peru), Fondo Esperanza (Chile) and Microserfin (Panama) served more than 161,381 displaced persons, migrants and refugees through specialized initiatives and programs such as Empropaz (Colombia) and the UNHCR program (Panama). In addition, in the same year, Bancamía and Financiera Confianza conducted supply and demand studies to determine the state of financial inclusion of the migrant population.

## Financial inclusion strategy for the migrant, displaced and refugee population with a gendered approach - IFC (Financiera Confianza and Bancamía).

In order to improve the financial services offered to refugees and migrants, in 2022 studies were developed in conjunction with the International Finance Corporation (IFC) of the World Bank. Deploying focus groups, surveys of the migrant population and analysis of the financial sector supply, the aim was to gauge their access to the financial market and understand what they want, together with the barriers and the business opportunities.

Among the challenges identified are the barriers to verifying their identity due to lack of papers; the absence of a credit history; the non-acceptance of alternative identity documents by insurers (which restricts them from obtaining credit, since they require credit insurance); financial institutions that have not adapted their technology or internal processes; and biases against this group (which are often present among commercial teams when dealing with migrants). Thanks to this study, adjustments have been made to be able to offer loans to this segment.

15. 2022 IFC data. Study of the migrant market in Colombia. Executive summary.

16. Clients current at December 2022, with credit and savings products.



# A high-touch, responsive, simple and flexible service

## A digital process for greater agility

If there is one process par excellence in our institutions, it is that of granting credit, which is why all BBVAMF Group institutions are committed to digitalization. Although priority has been given to this service, our business processes are also on the road to digitization.

Different stages of the credit approval procedure are available in a “self-service” format for our Bancamía clients (Colombia). When clients access their mobile banking facility, they can consult and accept the pre-approved loan offer.

In Peru, during their visits to entrepreneurs, the loan officer can start the paperwork and send it to the signatories —on the Advisor app— so that they can sign it digitally and securely without having to travel to a branch office. Furthermore, the credit application can also be made with mobile banking, to coincide with the round of visits made by the loan officer if the result of the pre-assessment function integrated in the app is positive.

Since 2022 a chatbot has made it possible to make personalized pre-approved credit proposals, bringing down the waiting period between the proposal and the acceptance from the previous average of four months to under two days.

In Dominican Republic the expansion of the document filing (the tool that digitalizes all the documents associated with the loan) to Adopem’s 70 branch offices is expected to be complete in the first few months of 2023, a crucial step for starting to turn the digital lending processes into a model. In FE (Chile), 100% of the applications are already online and over 88% of signatures are electronic.

All the institutions will continue working next year to implement the complete approval process. Including non-clients will be very important to achieve the goals set around increasing the number of clients and of disbursements.

Finally, by using geolocation, vulnerable people have been able to open a digital account in their place of residence and receive monthly grants or other financial products to which they did not have access previously. This tool is key, not only to locate the client very precisely in non-urbanized areas (which are sometimes even invisible to the State), but also for our entities to have high capillarity throughout the country and increase the speed with which products are distributed. During the pandemic it was fundamental for unblocking the delivery of subsidies. It is used now to activate the climate vulnerability maps.

## Our digital service

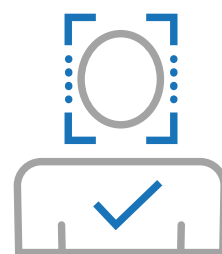
2021		2022
392,000	Digital users	613,813 ↑
29,624	Digital products	104,847 ↑
669	N° onboarded using biometrics	14,994 ↑
€ 85,8 M	Transactions in mobile banking and web channels	€ 112,95 M ↑
4.38%	Digital money transactions	7.64% ↑

8.028 employees	557 offices & express service points	2.820 own correspondents	105.244 transaction points
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## Notable progress in 2022

### Facial biometrics



Clients can log into digital channels using secure identification and upload their documents:

- Financiera Confianza extended this facility to its entire client base during 2022.
- Bancamía was finalizing this development for roll-out in 2023.
- Adopem introduced this in July 2022. Furthermore, the inclusion of biometrics in other critical processes such as voice log-in, change of device and closing accounts is at the final stage of development.

### Electronic signature



This has been incorporated into processes, thus automating the secure mailing of documents to clients so that they can sign them on their own mobile phones.

- The pilot programs tested in 2021 in Financiera Confianza and Fondo Esperanza have evolved into core institutional processes.
- Bancamía clients, thanks to their digital signatures, can receive in their accounts the sum previously pre-approved in one click.
- Microserfin began the pilot phase both for contracts with clients and for internal processes.

### Digital sales



We are working towards having our products and services available in digital format so that clients can sign up for them on their own (“self-service”).

- Insurance policies (BA & AD) and savings accounts with “piggy bank” or “vault” functions (FC) were added to the digital offering in 2022. For more details, see [‘Financial health’](#).

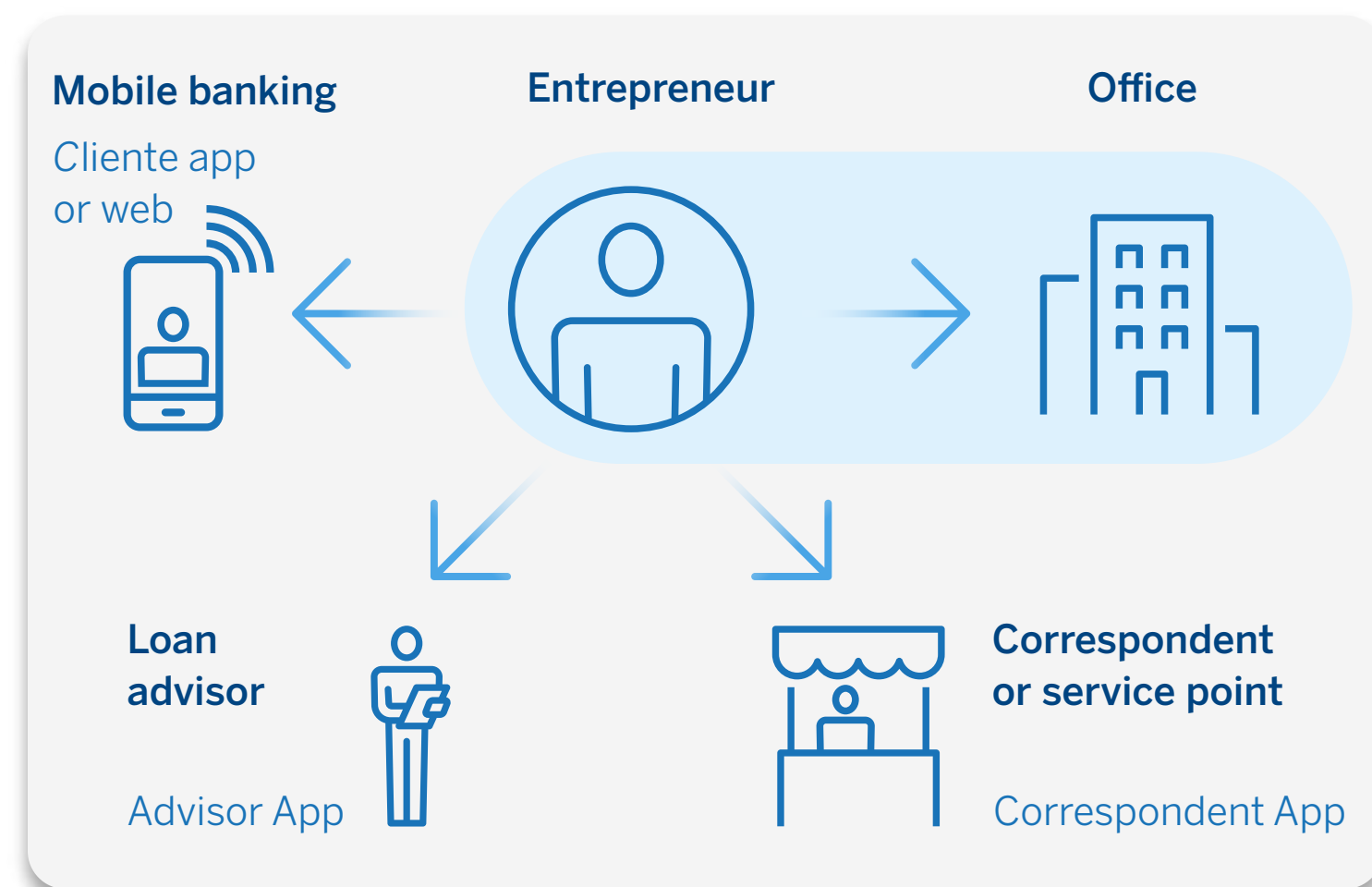




# A multichannel model to be closer to our clients

As well as the above upgrades, there is now a broader network of channels to get even closer and make all the institution's products and services available to our clients, reducing or eliminating their traveling costs. A series of channels have been developed in all the countries in our footprint which range from traditional branch offices and banking agents to mobile banking.

## A broader relationship model



From **1** to **+5** new channels

- **Advisor app:** This has been designed so that officers can provide a service to entrepreneurs in the management of any commercial operation to do with their business, giving them the confidence to know that they can continue with their companies and productive activities without interruptions.
- **Correspondent app:** This app is for correspondent agents (microentrepreneurs who manage a business of reference in the community) so that they can make cash in/cash out operations accessible to entrepreneurs. They can use it as a more convenient way of paying their installments, withdrawing, or paying in funds. It is extremely important to make these kinds of transactions easier for clients since the use of cash continues to be very common among the vulnerable population.
- **Client app and website:** This self-service solution enables them to conduct all their transactions from their devices, thus avoiding the need to travel. It also keeps them informed about their products and services in real time.

## Highlights of progress made in 2022

### Client app

- **Dominican Rep. (AD):** Significant broadening of capabilities in payment of services, as well as purchasing and consultations about insurance.
- **Panama (MS):** Launch of the corporate app and website. The pilot project went live in five offices in November and by December 2022 was available to all clients. It also included a new function for digital payment of quotas thanks to its integration in the *Yappy* platform.
- **Peru (FC):** Functionalities added: reprogramming, credit applications, creating of the Palabra de Mujer (PDM) groups, account closures and the possibility to make referrals.<sup>17</sup>

**To be closer to the client and eliminate their travel costs, all the countries where we operate have developed a series of channels that range from traditional branch offices and banking agents to mobile banking**



<sup>17</sup>. Refer a client from another group.



## Next steps

We need to go further and find innovative ways of making digitalization more palatable to entrepreneurs so that they can improve their business productivity. In fact, it has been shown that those who used digital tools expanded their businesses by 30% and that more than 60% of users believed that these improvements were at least partly due to the digital products they employed.<sup>18</sup> For example, the use of digital currency is still limited and uptake of digital trading platforms, which certainly increased during the pandemic, fell after an initial uptick at the beginning of that period. Over time, many microbusinesses returned to their traditional *modus operandi* (sales by telephone, from their bricks-and-mortar premises, at fairs) once the restrictions on movement were lifted.

BBVAMF's institutions are permanently on the look-out for ways to support their clients, and are already working on several initiatives:

- **The entrepreneurial community:** A proposal for a digital ecosystem for 5,000 female Dominican entrepreneurs has been developed in the Dominican Republic that will be co-financed by IDB Lab over the next three years. This project includes the creation of digital training content on empowerment and leadership, business management and

digital skills, learning how to use digital store displays by practicing with simulators and a social network that boosts female entrepreneurs' networking. This virtual educational platform has been developed with Moodle and ran an initial pilot with over 100 women entrepreneurs to test the sign-up and general operational functions.

- **P2P payment initiatives:** Another mobile banking option is to send money through instant transfers, identifying the recipient by their mobile phone number. *Financiera Confianza* offers this service in Peru, with clients using their PIN, while *Bancamía* has teamed up with *Transfiyá* to provide it in Colombia.
- **Digital support:** Programs such as *Financiera Confianza's* *Esquina Digital* [Digital Corner] kickstart the take-up of digitalization by our clients, helping them to migrate from physical to digital channels. This program guides and teaches them how to use the app and home banking in their own agencies. The aim is two-fold: to prevent bottlenecks in agencies and to improve the service, with a target of reducing in-agency service by 20%.

- **Digitalization of payment systems:** Traceability of payments will enable clients to have better information and greater control over their incomes and expenditures, giving them more mechanisms to improve their financial health. The payment services industry is transforming itself to make processes easier and more convenient. This is being achieved by means of:

- Payment through mobile devices.
- Interoperable payment systems that break ecosystems and enable users to carry out transactions in a simple way between different entities.
- Immediate compensation systems (transfers) that avoid credit cards use and are thus less costly, as these need not be used.

18. *The impact of digital transformation on underserved microbusinesses* (Nov. 2022, CFI).