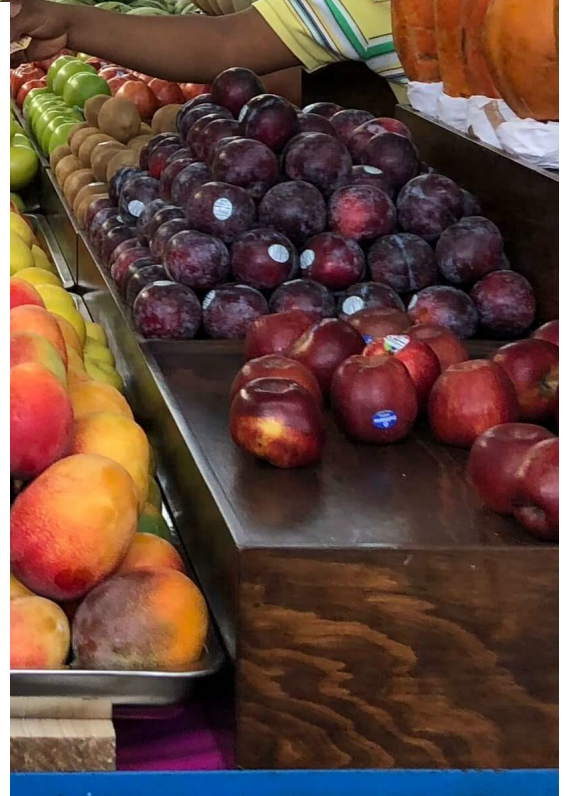




BRIEF

Achieving financial health in Mexico and Chile

“Financial health is achieved when an individual’s daily systems help build the financial resilience to weather shocks, and the ability to pursue financial goals.” Financial Health Network



By Priya Punatar & Yanina Seltzer

The path to financial health

People around the world are continually aiming to improve their financial lives – they do so with whatever tools are available, whether formal or informal, and with whatever knowledge they have gathered. Every day, people work hard to grow their businesses, send their children to school, save, make ends meet, and troubleshoot during tough moments. Ultimately, they aspire for greater financial health and a better life for themselves and their families.



The Financial Health Network, the Center for Financial Inclusion at Accion and Dalberg's Design Impact Group developed a framework of six indicators for financial health in the developing world.

In order to help consumers improve their financial health, financial service providers (FSPs) can design products, tools and services that empower consumers to better understand and manage their finances and encourage them to improve financial habits. Focusing on financial health also has the potential to impact the FSP's bottom-line: Gallup found that when customers feel that their bank looks out for their financial well-being, they are much more likely to be fully engaged with the bank.

However, in order for FSPs to successfully promote financial health, they first need to understand customers' opportunities and obstacles to improving it.

Financial health in Chile and Mexico

Although Mexico and Chile are different markets, underserved consumers face similar problems improving their financial health. People and businesses rely on informal means to manage money, including storing cash in lockboxes and borrowing from family and friends. These methods are familiar and convenient, but they don't provide the guidance, tools, and information people need to better manage their income and expenses, build reserves, and plan for the future.

In Chile, nearly half of the population feels unsure about how they would cover their basic needs for more than a month if they lost their income. Following several financial crises, consumers are hesitant to trust financial institutions, and many see working with banks as a last resort. One business owner in Santiago expressed a sentiment that we heard from many Chileans: "I would prefer to be indebted to my family than to a bank."

We've seen similar patterns in Mexico, where, over the last three years, the percentage of adults who save at financial institutions declined from 15 percent to 10 percent. In an interview,

Azucena, a stay-at-home mom who previously worked as a bank teller, told us that she and her husband prefer to save cash in lockboxes in order to have money at home for unexpected emergencies. When it comes to credit, many people told us that they often hear negative stories about defaults, rather than positive stories about people using credit to improve their lives.



Azucena, a stay at home mom and former bank teller in Mexico

These behaviors indicate that FSPs could do more to better understand their clients' needs and goals, build greater trust, and deliver more valuable products and services.

Accion's approach to increasing consumers' financial health



FSP employees participate in a human-centered design exercise in Chile

For decades, Accion has worked around the world to help FSPs deliver the products that underserved clients need to access, use, and benefit from the formal financial sector. Our hybrid approach combines human-centered design, insights into emerging technologies, and effective business models to create financial services that accelerate social and economic progress.

Over the next 18 months, Accion, in partnership with

MetLife Foundation, will apply this approach with five FSPs in Mexico and Chile. We'll work alongside these institutions to develop viable products and services that reach underserved clients and improve their financial health. This process will include building the business case for customer-centric products; managing organizational change; and designing, testing, and implementing product innovations.

We'll begin by using human-centered design, which links product and service design to customers' needs and lives. By first understanding the challenges that low-income clients face and the goals they want to achieve, FSPs can create products and experiences that are available at the right moments, provide visibility into users' finances, and take into account customers' aspirations. Such products can lead to improved financial health, better decision-making, and more informed financial management.

While considering our clients' needs and their goals, we'll integrate behavioral science to create products and experiences that support healthy financial behaviors and habits. For example, behavioral scientists know that people tend to prioritize the present over the future and put off tasks that feel stressful, like budgeting, saving, and long-term planning. By taking this tendency into account and creating products that balance the management of day-to-day finances with future planning, we can promote clients' financial health.

Ultimately, our understanding of low-income clients' needs, the application of behavioral insights, and our focus on business considerations will inform the creation and deployment of new products that improve underserved clients' financial health and that are sustainable in the market.

Introducing our partners

To qualify for the program, FSPs developed product proposals that addressed low-income client needs using a customer-centric lens; each of their proposed solutions is tailored to improve clients' financial health and advance the organization's strategic business objectives. Our partners will adapt their proposals through several rounds of user research and ongoing support from Accion.

Below is a list of our five partners, their product concepts, and goals for improving the financial health of their customers.

Caja Popular Cerano, Mexico – encourage youth engagement through digital tools

[Caja Popular Cerano](#) is a savings and credit cooperative headquartered in Cerano, Guanajuato, Mexico. It serves more than 100,000 clients across its branches and 3 customer service centers. The Caja is committed to providing specialized savings and loans services to middle- and low-income segments, as well as micro, small and medium enterprises (MSMEs).

Product concept: Caja Popular Cerano's customers are aging, and the institution is interested in attracting a younger clientele. Caja Popular Cerano will design a new product to retain and attract youth clients. The bank currently provides young customers with savings, but has identified the broader suite of products this segment seeks in order to pay for college, open businesses, and plan for the future.

Influence on financial health: Caja Popular Cerano will 'gamify' the banking experience to incentivize younger customers to improve their financial health through better planning and prioritization. It will develop new products and tools that encourage young clients to save more, borrow when needed, plan for their future, and learn how to use financial services responsibly. By cultivating financial health in younger clients, Caja Popular Cerano will help its customers thrive throughout their lives.

Caja Bienestar, Mexico – provide working capital to underserved micro-entrepreneurs

With over 23 years of experience and almost 80,000 active clients, [Caja Bienestar](#) is one of the largest deposit-taking financial institutions in Mexico. Since its inception, Caja Bienestar has offered a variety of low-cost, quality financial services to families and MSMEs. It continues to be one of the most affordable credit options for small businesses and families in Central Mexico.

Product concept: Many micro-entrepreneurs in Mexico lack access to the capital they need to purchase inventory or expand. Using information and recommendations from third-party wholesale suppliers and vendors to assess risk, Caja Bienestar will develop a revolving credit line for MSMEs, providing them with lines of credit at attractive and competitive rates – even if the borrowers lack a credit score. This new MSME lending product will help Caja Bienestar better understand MSMEs generally and ultimately help it make more informed decisions regarding the borrowers' debt, reserves, business inventory, and operations.

Influence on financial health: Micro-entrepreneurs are responsible for much more than just their businesses: their employees and families rely on the business to help them put food on the table, send their children to school, and plan for the future. By providing micro-entrepreneurs with financial and business counseling and the business loans they need to keep products on the shelves and remain competitive, Bienestar will help micro-entrepreneurs and the people who depend on them realize their economic potential.

Destácame, Chile – help users improve their financial health and gain access to formal financial services through a customized digital platform

Destácame is a digital platform that seeks to financially empower individuals by raising their awareness of their own financial data and uses this to improve their access to financial products. Using the platform, a user can generate their 'Destácame Score', an alternative credit score which leverages user payment behavior and credit bureau data. They can also review their credit bureau report free of charge, access discounted options to pay off debt, review credit offers from different entities, and learn tips to build a good financial history through education tools. Destácame operates in Mexico and Chile, has over 1 million registered users, and partners with over 30 FSPs.

Product concept: Destácame's market research shows that many of its users take a short-term view of their financial lives. They feel significant stress over financial well-being, lack the confidence to interact with the formal financial sector and have difficulty identifying how products and services can help them achieve their financial goals. Destácame will revamp and expand its platform to create a fully customized customer experience that allows users to set, visualize, and work toward their financial goals, through tools, advice, and new financial products. Customized nudges, tips, and incentives will be used to spur progress.

Influence on financial health: Destácame's new platform will include a financial health dashboard that clearly assesses the user's financial health and sets a roadmap to help them achieve their long-term plans. The platform will also recommend additional products, services, and tools to help the user pay down debt, generate a credit history, save for school, or meet their goals; these recommendations will evolve along with the user's financial situation. Destácame will also integrate targeted financial knowledge tools, tips, and resources that will help users make timely, informed decisions.

Banigualdad/Organizame partnership, Chile – enable better decision-making for entrepreneurs through an online financial health tool

Banigualdad is a nonprofit foundation that helps low-income micro-entrepreneurs access traditional financial services to enable greater economic mobility in Chile. Banigualdad provides group microloans paired with mentorships and training in basic finance, marketing, sustainability, and business strategy. Today, they have just over 49,000 clients. **Organizame**, a Chilean fintech, has developed an online financial health tool that keeps track of the merchants' sales and expenses and allows the user to issue electronic invoices and tickets to their customers. It captures significant data on merchant income flows; FSPs can use that information to assess credit capacity, enabling larger credit lines at better prices.

Product concept: When entrepreneurs understand their business' cash flows, they can make effective, strategic, and long-term business decisions. Banigualdad and Organizame's joint proposal will integrate improvements to Organizame's online financial management tool for Banigualdad's low-income micro-entrepreneur clients. The two organizations are working to launch a mobile app to digitize business operations, including cash flow management, bill payment, and loan applications. The app will also help consolidate business transactions, send electronic documents, and provide real-time support.

Influence on financial health: The Banigualdad/Organizame solution will provide low-income entrepreneurs better insights into their finances, organize their operations, and help them make more informed decisions. By providing micro-entrepreneurs with a clearer view into their income and expenses, tools to manage their debts, and nudges to help work toward their long-term financial goals, the app will help customers build healthy financial behaviors, grow their businesses, and re-invest in their households.

RedCapital, Chile – connect investors and micro-entrepreneurs through a marketplace platform

In Chile, many micro-entrepreneurs can't meet the requirements to obtain funding or choose not to work with traditional banks. [RedCapital](#), Chile's first crowdfunding platform to exclusively support small and medium enterprises (SMEs), is helping more entrepreneurs get the funding they need. Its platform allows individual investors to lend to SMEs, providing both Chile's mom-and-pop shops with financing to expand, and investors with attractive returns. To date, investors have funded nearly 3,800 projects.

Product concept: Many of the micro-entrepreneurs who apply through RedCapital's platform do not meet the target risk profile. RedCapital will adapt its crowdfunding platform for these smaller applicants in order to provide micro-entrepreneurs with affordable access to capital and business management information. RedCapital plans to use machine learning to control risk and will build entrepreneurs' business acumen through tailored advice to help them to spend, save, borrow, and plan better.

Influence on financial health: RedCapital's product will provide micro-entrepreneurs with the credit they need and insights into their financial situations. The solution will provide underserved micro-entrepreneurs with the formal funding they typically can't receive, allowing them to grow their businesses; moreover, RedCapital's business education will help micro-entrepreneurs manage their financial accounts and plan for the future. RedCapital will personalize and automate messaging and information so that its micro-entrepreneur clients can make more informed decisions about relevant financial services at the right time. This product will help Chile's entrepreneurs achieve their personal and professional goals—whether it is to expand their business or to buy a home for their family.



Next steps for our partners

We'll work alongside our partners to refine their initial concepts into customer-centric, market-ready products and services that help underserved families and small businesses improve their financial health.

Over the next 18 months, Accion and our partners will be working closely with customers, and with the FSP teams responsible for interface, application, operations, marketing and customer engagement to deliver an excellent customer experience. While we will focus on client behavior change, Accion and our partners understand that institutional change management is the real starting point.

For these solutions to promote clients' financial health over the long-term, we will work with our partners to consider the business case for each product and the organizational changes needed to implement them. It's only by combining our unique insights into client needs and our understanding of inclusive business models that our partners will be successful. It's critical to look at longer-term profitability and customer lifetime value to ensure that our partners' new products advance their long-term strategic goals; we'll test customers' willingness to pay for new services throughout their development and adjust product design to increase value to the customer.

These products represent significant new investments that will demand structural support, so we'll also work to ensure that our partners have the right people, processes, and systems in place to launch and sustain the new products, helping with upskilling or capacity building as needed.

To create a financially inclusive world – to provide entrepreneurs with the means of hiring more employees, parents with the ability to save for the future, and communities everywhere with the tools they need to accelerate social and economic progress – we must develop financial products that clients trust, use, and benefit from. We'll work alongside our Mexican and Chilean partners to create new solutions and services that help underserved families and businesses improve their financial health, and that realize the vision of a financially inclusive world. Follow us here as we keep you updated on our progress and process with our partners.



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