

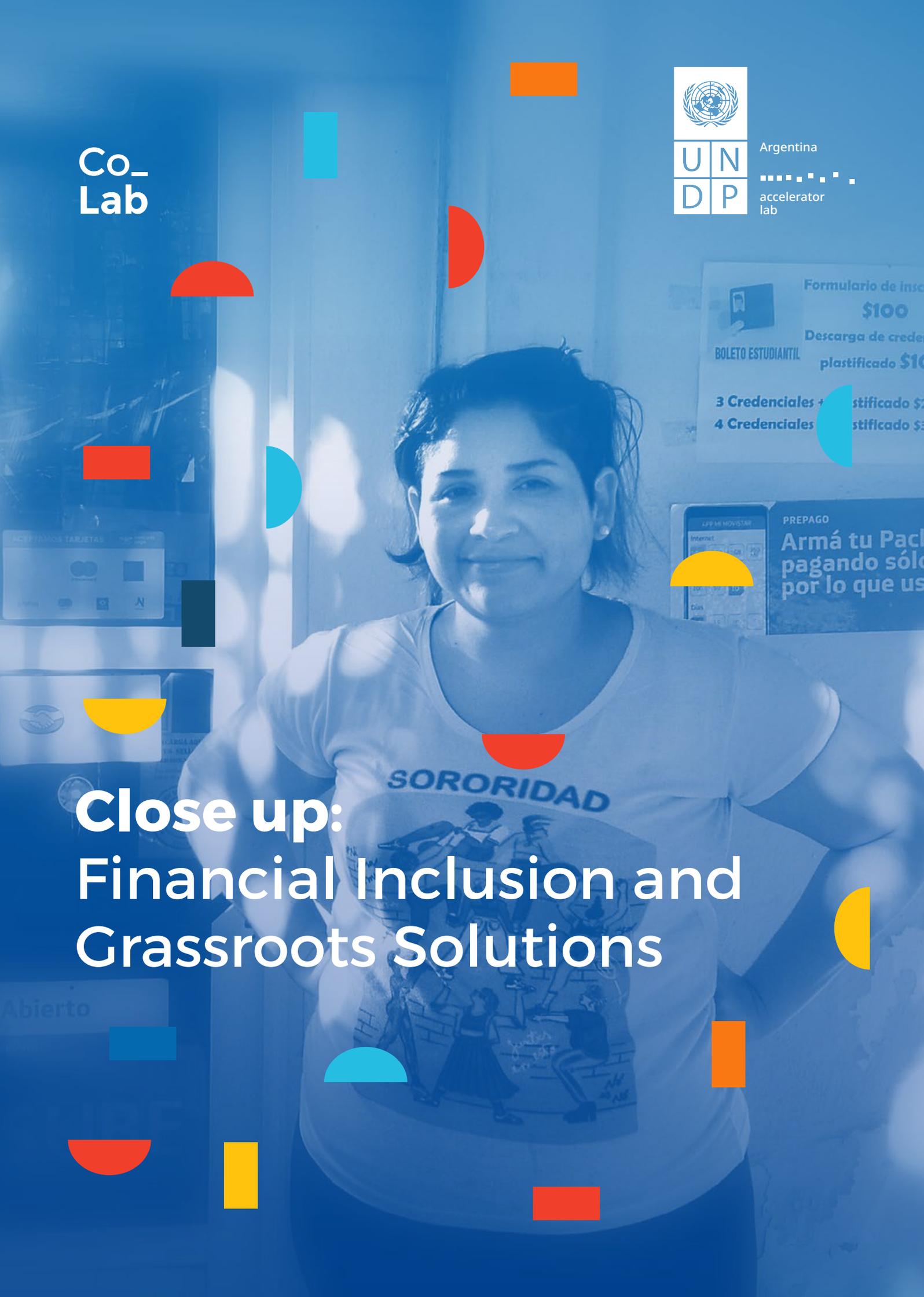
Co_
Lab



Argentina

.....
accelerator
lab

Close up: Financial Inclusion and Grassroots Solutions





Co-building the Accelerator Labs Network together with:



UNDP
Core
Partners

UNDP Argentina. Accelerator Lab

Table of Contents

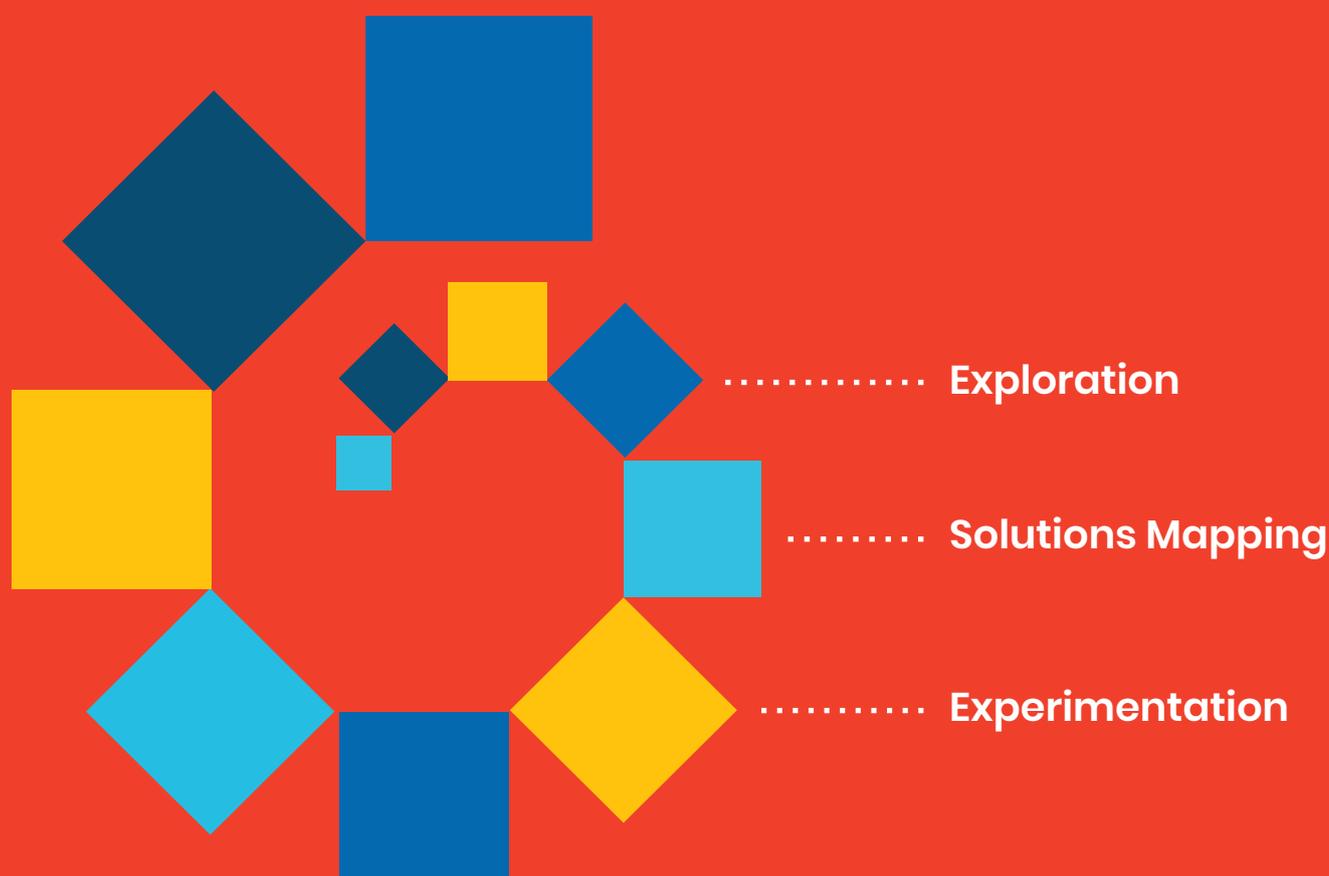
	page
Executive Summary _____	5
1. Introduction _____	10
2. Solutions Mapping and Exploration Methods Strategy _____	14
3. Exploration _____	18
What is the current state of affairs regarding financial inclusion in Argentina?	
Perceptions on the current state of affairs regarding financial inclusion. Key informants' opinion and international lessons	
Different dimensions of financial inclusion. Its challenges according to the opinion of key informants and international lessons	
4. Solutions Mapping _____	35
Systematization of field findings	
Some solutions in focus	
Heading towards experimentation	
5. Experimentation _____	49
Peer effect or individual level features?	
The drivers of financial decisions	
Peer effect: What we want to know	
How we conducted the experiment	
What the evidence shows	
Results of the experiment. Survey results	
Scope, actions and avenues for future experimentation	
Supporting the "first financial step" and taking advantage of the age effect	
6. From Learning to Action _____	65
Portfolio of actions to promote financial inclusion	
6.1 Rapid response in the context of the pandemic: financial solutions during lockdown	
6.2 Financial education in meal centers	
6.3 Identifying and strengthening capabilities	
Partnership with the Financial Inclusion Lab 2020 of the Development Bank of Latin America (CAF)	
Work with the United Nations Volunteers programme (UNV)	
Accelerating solutions	
6.4 Financial inclusion self-assessment	
6.5 The "Con Vos" Network	
6.6 Contributions to the public agenda and a cycle of seminars to promote strategic discussions	
6.7 Interagency project with UNDP Argentina's Gender Area	
7. Lessons _____	75
Trust: along with others	
User experience: How users perceive the solution should not be overlooked	
Living experiences: learning by doing	
Segmentation: adjusting the target	
Infrastructure: closer is easier	
8. References _____	82



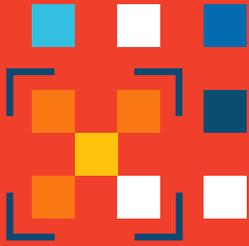
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Executive Summary

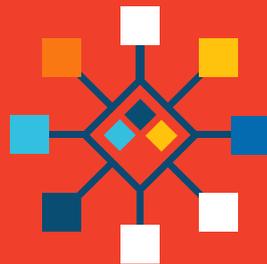
The United Nations Development Programme (UNDP) Accelerator Labs is a new service line offering that seeks to collaborate with people, governments and the private sector to reimagine the concept of development for the 21st century. Their methods consist of short-term work cycles to explore, map solutions and experiment through a portfolio of actions to escalate learnings and accelerate sustainable development. The methods of these labs focus on people as the force for change, and adopt a systemic approach that considers all the stakeholders of our society as key players. It should be clarified that these methods are not intended to disregard the unavoidable responsibility of the State to include those historically left behind, but to contribute to the design and development of public policies that take up and embrace experiences from a “bottom-up” approach.



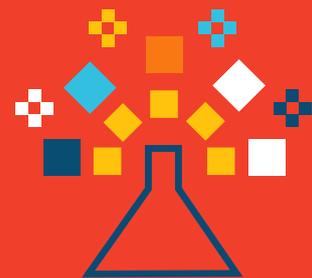
Framed in this approach, we carried out the following actions:



We explored, through interviews with key informants from different sectors, and through fieldwork done in low-income neighborhoods to identify strategic opportunities in terms of financial inclusion. In this regard, we focused on means of payment, savings and digital transition.



We mapped solutions – through a qualitative method strategy– in low-income neighborhoods to identify the strategies and instruments that people implemented to address financial issues in their territories. We recorded a repertoire of practices and their common patterns and, thus, we were able to better understand the needs, assessments, behaviors and preferences of low-income sectors.



We conducted experiments to learn how people consider their peers' opinion in their spending decisions. Through a lab experiment and a survey, we found evidence on diverse factors that lead people to change their minds. Age and education are factors that influence this change, along with their experience with financial products and their peers' opinion.

First Learning Cycle: Financial Inclusion

In the first learning cycle of Co_Lab, UNDP Argentina Accelerator Lab, we addressed financial inclusion –understood as a dimension of social inclusion– aimed at individuals, households, and small and medium-sized enterprises that are traditionally excluded from formal financial services. We identified in financial inclusion an effective strategy to address several Sustainable Development Goals.



Through this work, we would like to share some lessons learned that should be considered when designing public policies, as well as key elements to make them work:

→ See Chapter 7.



Trust

The design of financial instruments for left-behind populations must take trust as an input to their work.



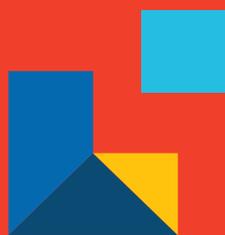
User experience

The success of any financial solution, product or service, whether public or private, is closely related to the first experiences being simple, intuitive and inexpensive.



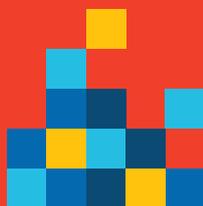
Living experiences

People find more value in learning from practice than in theoretical training, because it can be internalized and applied in their daily lives.



Segmentation

The segment of the target population or audience has to be taken into account to determine solutions suitability. In this sense, a potential solution for a group may not meet the needs of another.

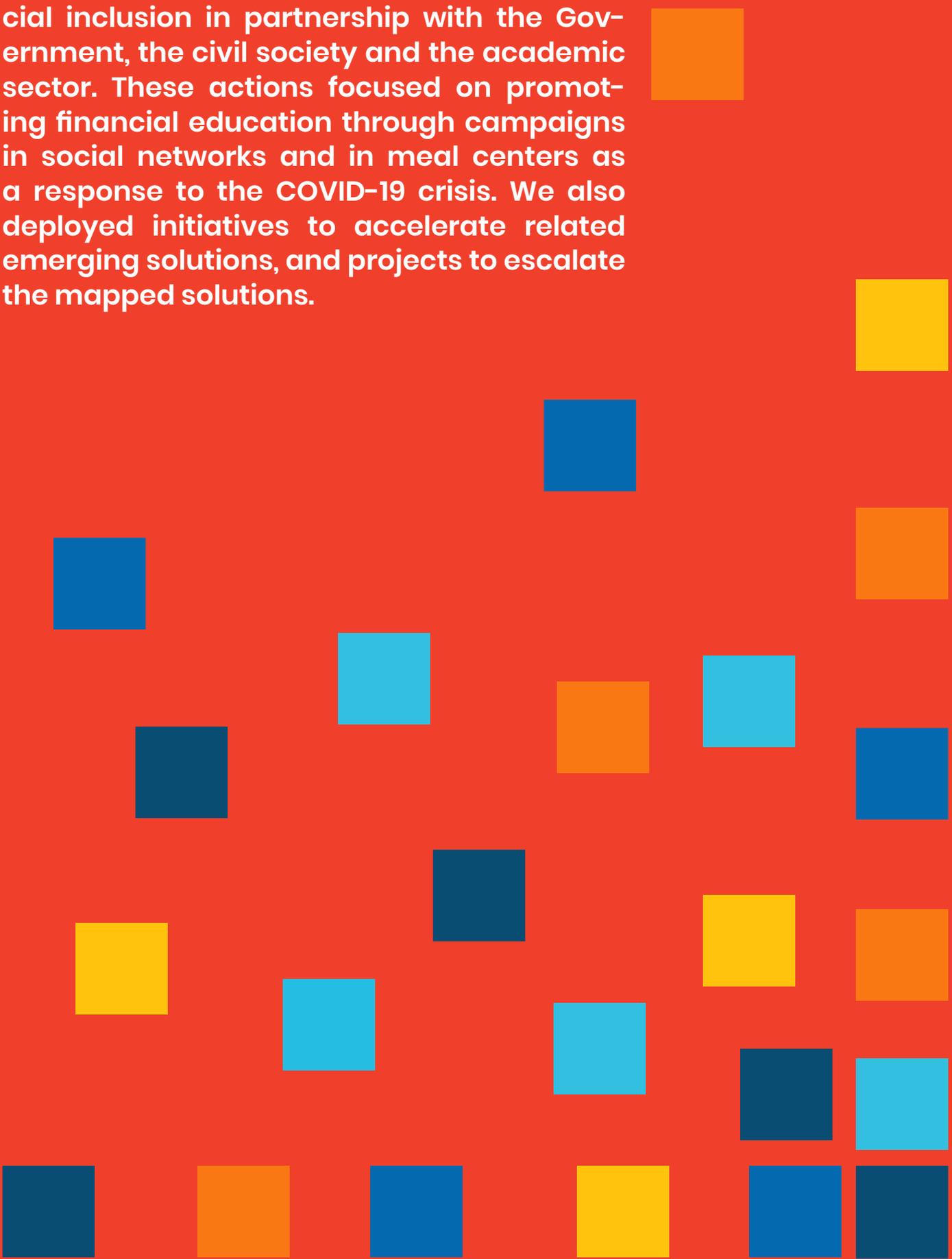


Infrastructure

It is important to consider the actual distance of financial services to low-income neighborhoods, and how to make these services available. In addition, digitalization can allow easy access to financial inclusion in an efficient and cost-effective way.

However, the digital transition is still at an early stage and presents a clear challenge associated with the digital divide. It is crucial to work to bring services closer by promoting the use of tools through support, and reduction of inequalities.

In terms of the portfolio of actions, we introduced different interventions to foster financial inclusion in partnership with the Government, the civil society and the academic sector. These actions focused on promoting financial education through campaigns in social networks and in meal centers as a response to the COVID-19 crisis. We also deployed initiatives to accelerate related emerging solutions, and projects to escalate the mapped solutions.



1.



Introduction

Financial inclusion is a paramount dimension of social inclusion, aimed at individuals, households and small and medium-sized enterprises that are traditionally excluded from formal financial services. When people cannot have access to these tools, they complement or make up for that difficulty with different financial practices and instruments delivered at the local level and informed in social networks.

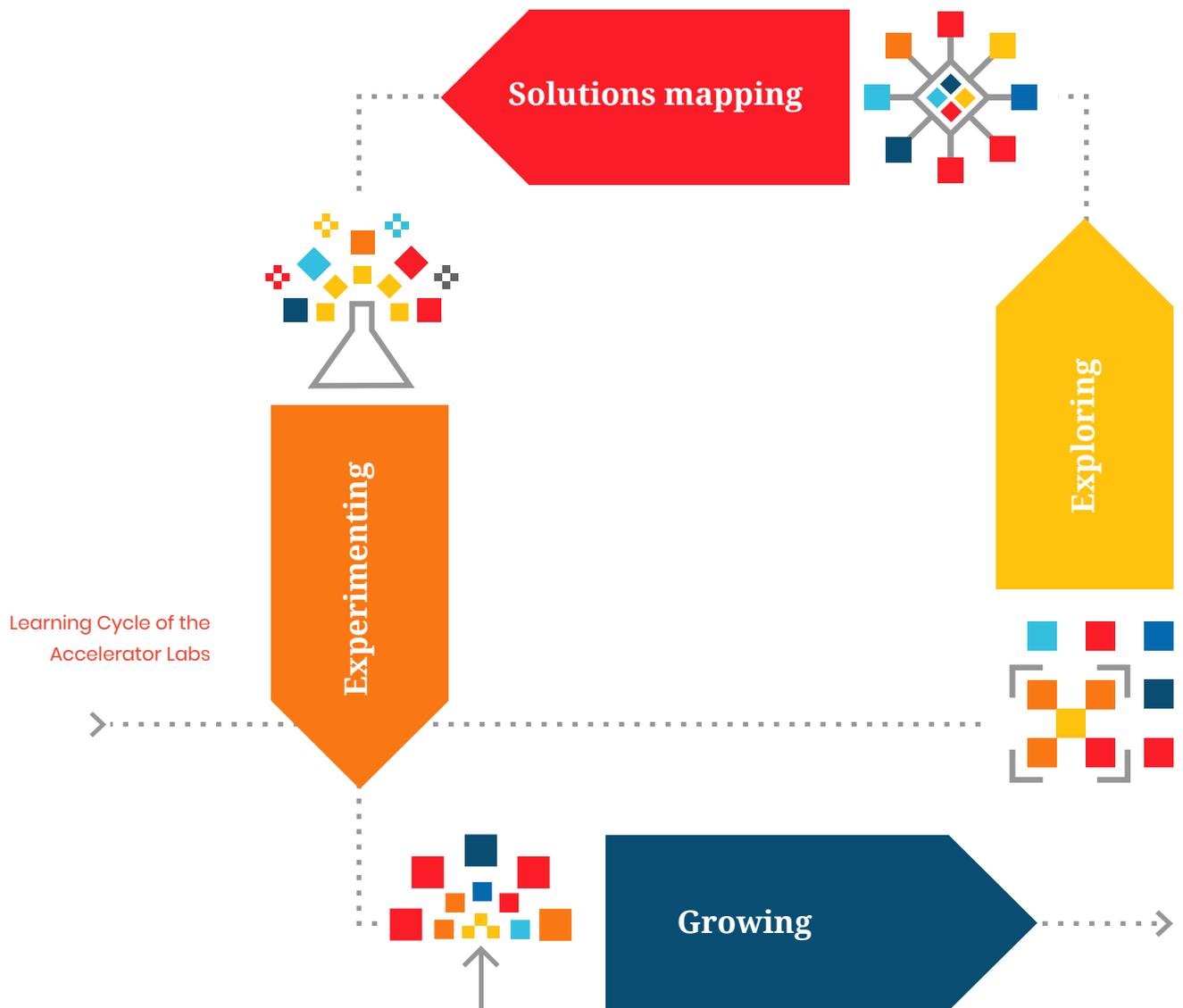
Through Co_Lab, the Accelerator Lab of the United Nations Development Programme (UNDP) in Argentina, we intend to delve deeper into the current reality and emerging challenges associated with the chosen issues, map the solutions that people and groups develop and implement, and experiment with these solutions to understand how and why they work. These three stages –exploration, mapping and experimentation– constitute the learning cycle of the Lab, aiming at providing knowledge about the needs and solutions developed at the grassroots level. In addition, each learning cycle is supported by a portfolio of actions that allow us to make our learning effective and promote sustainable development.

We identified savings, payments and digital transition as strategic challenges.



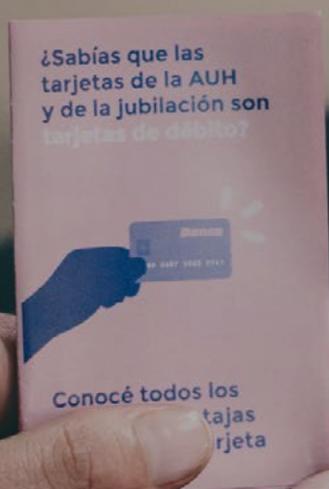
In our learning cycle aimed at financial inclusion –developed before the COVID-19 outbreak–, **we identified savings, payments and digital transition as strategic challenges.** We mapped the solutions developed by individuals suffering from financial exclusion, without disregarding the unavoidable responsibility of the State in fostering the inclusion of historically neglected populations. We also conducted experiments to learn how peer opinion influences people’s spending decisions. Throughout this process, we learned that solutions with growth potential are characterized by trust and a friendly user experience. Plus they acknowledge the importance of living experiences to promote learning, consider the target segment, and work on improving infrastructure and territorial proximity.

The portfolio of actions in financial inclusion, related to the lessons learned in our fieldwork, includes different interventions in partnership with the government, the civil society and the academic sector to promote inclusion and public debate. These actions focused on the development of financial education in social networks and meal centers in response to the COVID-19 crisis, initiatives to accelerate emerging solutions, and alliances to escalate mapped solutions.



The combination of learnings and a portfolio of actions is the cornerstone of our work. Through these findings, we provide evidence on relevant aspects of financial inclusion and its dimensions, as well as on people's preferences and solutions in their territories, that contribute to successful policy advocacy. Below, we provide further details on the learning cycle, the portfolio of actions and how we have come to these conclusions.

These actions focused on the development of financial education in social networks and meal centers in response to the COVID-19 crisis, initiatives to accelerate emerging solutions, and alliances to escalate mapped solutions.



2.



Solutions Mapping and Exploration Methods Strategy

We implemented a qualitative method strategy to explore the financial inclusion issue and map solutions. The purpose of this strategy is understanding the problem and identifying a series of practices used by the players in the territory to manage their finances, either through formal or informal financial institutions or agents, or through self-managed systems.

Our fieldwork was sequential and structured in two stages. In the first stage, we adopted an exploratory approach, which helped us to:



Take a deep dive into the subject.



Define the issue.



Identify the emerging opportunities and challenges.



Set a geographic delimitation.



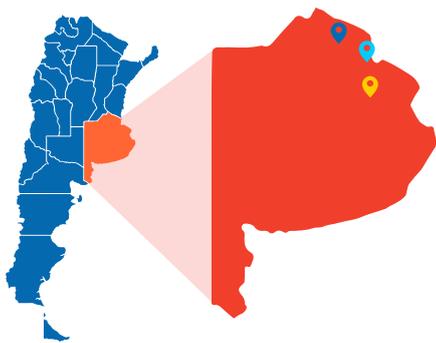
Review the data collection instrument for the second stage.

In this stage, **we conducted 18 open interviews** with key informants from different sectors, such as the public and private sectors, multilateral organizations and the organized civil society. Participants were selected based on their experience in the subject matter.



We also did a **collective intelligence exercise** (a collaborative workshop) with specialists in different development issues from the United Nations Development Programme in Argentina. This exercise consisted of a collaborative workshop focused on detecting the critical dimensions of financial inclusion from the perspective of development experts. This exploratory phase was complemented by an analysis of the related leading academic literature. This approach allowed us to focus on three segments: means of payment, savings and digital transition.

In the second stage of the **fieldwork**, we focused on understanding the needs, assessments, experiences and practices of the people who live in low-income neighborhoods in terms of means of payment, savings and digital transition. Our goal was to **interview persons living in low-income neighborhoods** that fit the profile of social leaders, merchants, and neighbors.



We conducted 13 semi-structured interviews supported by guides with specific guidelines according to the profile of the interviewees. These guides were written with the understanding that finances – more particularly, money– can be a sensitive topic. Although the interviews had axes of inquiry referring to the three selected topics, they were also flexible enough to follow the thread of the conversation or to introduce new topics relevant to the interviewees. At the end, we worked with a playful approach with the purpose of identifying how expenses are distributed in the home economics within households.

Our fieldwork took place in Barrio 20, neighborhood of Villa Lugano, in the City of Buenos Aires, as well as in the municipalities of Almirante Brown and José León Suárez, in the Province of Buenos Aires.

Our fieldwork took place in Barrio 20, neighborhood of Villa Lugano, in the City of Buenos Aires, as well as in the municipalities of Almirante Brown and José León Suárez, in the Province of Buenos Aires. We reached these territories thanks to alliances established with the City Housing Institute (IVC), the Food Security Program and the National University of San Martín, respectively. The fieldwork was interrupted by the social distancing measures established in mid-March 2020 to mitigate the effects of COVID-19.

To analyze the interviews, we used a comparative strategy to seek areas of commonality and divergence, with the aim of identifying patterns and possible solutions that could be tested for their potential to improve the people's quality of life in terms of financial inclusion.

Photo: Co_Lab team during fieldwork at José León Suárez.



The interviews were complemented with **two stages of non-participant observation**. Through this technique, we sought to identify first-hand the behaviors of the players involved and their interpersonal dynamics in situations involving the dimensions of financial inclusion. We carried out the first observation in a communal bank in José León Suárez, located in San Martín District, in the northwestern part of the greater Buenos Aires area. We were able to learn on-site about the daily operations of the organization, and to interview its members. In this locality, we also developed an experiment discussed in a section below.

We carried out the second observation at the San Francisco Solano street market, located in Almirante Brown District, in the southern part of the greater Buenos Aires area. The popular street markets are the nerve centers of the economic life of these sectors, in terms of labor, spending, and sociability. The San Francisco Solano street market has a special importance for the popular economy of the greater Buenos Aires area. There, our goal was to observe, especially, the goods and services exchange process, as well as the means of payment used and the general features of markets.

3.



Exploration

In the exploration stage, our intention was to learn about the different dimensions of the emerging challenges and possibilities of financial inclusion in the country, in light of international trends and practices, without neglecting local peculiarities and experiences. First, we conducted an analysis of macroeconomic aspects related to financial inclusion, and then we presented the information collected through the exploration strategy already described.

We focused especially on the analysis of the interviews with experts and the assessment of data obtained in our fieldwork. We observed certain trends and interviewed socially vulnerable people. The purpose of the exploration is to develop a broader perspective of financial inclusion, which represents its complexity in the simplest possible way and provides a systemic analysis that includes the most relevant players and the issues related to financial inclusion in Argentina.

What is the current state of affairs regarding financial inclusion in Argentina?

Considering the still fragmentary nature of the available data on the population's financial situation and the difficulty of surveying informal practices, we had to resort to different sources that would allow us to reconstruct a comprehensive picture of financial inclusion in Argentina and its related inequalities.

To this end, we worked especially with data from the Global Findex Survey of the World Bank, the Central Bank of the Argentine Republic (BCRA), the Permanent Household Survey (EPH) of the National Statistics and Census Institute (INDEC), the National Financial Inclusion Strategy (ENIF) conducted by the National Ministry of Finance in 2018, and the National Survey on Social Structure of the Research Program on Contemporary Argentine Society (ENES – PISAC).

Photo: Worker at the Mercado del Progreso. Credit: Estrella Herrera under a Creative Commons license.

The World Bank, through the Findex Survey, and the Central Bank of the Argentine Republic (BCRA) have collected information related to financial inclusion in 2017 and 2019, respectively. According to the World Bank, about 48% of the population over 15 years of age in Argentina has access to an account in a financial institution; this differs considerably from the BCRA's analysis, according to which 80% of the adult population would have access to accounts. Considering that the World Bank relies on self-reported data through interviews with a sample of individuals while the BCRA uses total data from the banking offer, the difference in these numbers may indicate that account ownership and account perception are two different variables to be considered; this could indicate a low level of financial education of the adult population.

48%

of the population over 15 years of age in Argentina has access to an account in a financial institution

80%

of the adult population would have access to accounts according to BCRA's analysis.



80%

of the adult population has a debit card

24%

of the banked population uses the money deposited in their accounts to pay through debit cards, credit cards and transfers

On the other hand, according to the BCRA, bank account penetration is largely associated with social policies. For example, as of March 2018, **6.6% of the adult population owned a savings account intended for the payment of social programs, while 17.1% had a pension account, and 24.1% had a salary account.** This represents almost 48% of the adult population with at least one account related to such origins.

As for debit and credit cards, the Financial Inclusion Report conducted by the BCRA reveals a penetration in the adult population of 80% and 38%, respectively in 2018. In the case of credit cards, both bank and non-bank cards are considered. However, ownership does not necessarily imply use. According to the Survey on Measuring the Financial Capabilities in Argentina (EMCAF), conducted in 2017 by the Development Bank of Latin America (CAF) and the BCRA, only 24% of the banked population uses the money deposited in their accounts to pay through debit cards, credit cards and transfers, against 21% who withdraw cash once, and 49% who make withdrawals several times during the month. In this sense, according to the ENIF, the average number of transactions per adult in 2018 amounted to only four wire transfers, 33 ATM withdrawals, 26 debit card payments and 28 credit card payments. This would indicate that having a bank account does not imply a regular use of the different means available to operate. We can observe that the highest number corresponds to withdrawals, which would confirm the larger extension of cash handling over other options.

51%

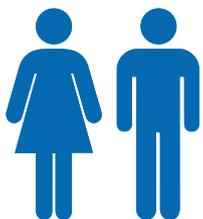
of the adult population had some form of formal financing

According to the ENIF, based on data from the Debtor Center of the BCRA, as of November 2018 more than 17.2 million adults had some credit product in a registered entity. This implies that 51% of the adult population had some form of formal financing. However, the same report indicates a great disparity according to geographic region: while 82% of the adult population of the City of Buenos Aires had some type of registered financial product, this rate dropped to 49% in the Province of Buenos Aires. Analyzed by type of financing, the proportion of debtors out of the total adult population within the formal system was as follows: 32.2% corresponded to bank credit cards; 22% to personal loans; 3.8% to money advances; 1.6% to collateral loans; and 0.8% to mortgages. These percentages are also distributed differentially according to the educational level.

52%

of the poorest decile of the population did not have access to bank accounts

The overall figures, however, hide several inequalities in the access to financial services. The National Survey on Social Structure (ENES), although it was conducted between 2014 and 2015, gathers important information to account for structural factors that, as could be expected, still persist to date. According to an analysis performed by Luzzi and Wilkis (2018) based on that survey, the activity status is an important factor when exploring banking exclusion: 56% of households whose main head of household (HOH) was unemployed did not have any type of account, as opposed to 32% of employed people and 19.3% of inactive people. This last figure once again highlights the weight of social security in banking penetration, insofar as 80% of this universe was made up of households headed by a pensioner or retired person, of which only 15% were excluded from the banking system. The same study shows the impact of formal employment on banking penetration by comparing household income levels: while 52% of the poorest decile of the population (where informality and unemployment are higher) did not have access to bank accounts, only 11.4% of households in the wealthiest decile were in the same situation.



80%

the percentage of the adult population with at least one account is almost identical for women (80.7%) and men (80.1%)

If we observe the geographic distribution of access points to financial services (bank branches, ATMs, self-service terminals and banking correspondents), a disparity between provinces is also evident. For example, according to the Financial Inclusion Report prepared by the BCRA, as of December 2019 the City of Buenos Aires had 22.3 points per 10,000 inhabitants, while there were only 7 in the province of Buenos Aires, 5 in the province of Formosa, and 5.5 in the province of Santiago del Estero. There are also disparities within each province. Thus, while the greater Buenos Aires districts such as Vicente López and San Isidro had 18.3 and 19.2 access points per 10,000 inhabitants, respectively, others, such as Florencio Varela and José C. Paz, had only 3 and 2.3, respectively.

Regarding gender inequalities in access to a bank account, according to data from the Financial Inclusion Report, the percentage of the adult population with at least one account is almost identical for women (80.7%) and men (80.1%). However, if we look at the origin of these accounts, an unequal composition is observed: as of March 2018, 12.4% of women had a savings account for the payment of social programs, against 0.4% of men. As for pension accounts, 20.9% of women had one, against 13.1% of men. But the most revealing fact is that only 19.8% of women had a salary account, compared to 28.7% of

35,9%

of households with no education had at least one card, a percentage that increases as the educational level rises, reaching 71.6% in the case of households whose members had completed university studies

men. This shows how inequalities in access to the formal labor market can also affect banking inclusion.

In terms of credit card ownership, there are also deep inequalities associated with the socioeconomic level. Considering the educational level of the main HOH, the ENES data indicate that only 35.9% of households with no education had at least one card, a percentage that increases as the educational level rises, reaching 71.6% in the case of households whose members had completed university studies. Something similar occurs when looking at the total household income. Within the poorest decile of households, only 20.5% had a credit card, compared to 73.9% of the wealthiest. The study also indicates that 28.5% of the surveyed households had taken some type of credit (excluding the use of cards) in the last 5 years. However, while for the first income decile the percentage was 18.4%, for the last it increased to 38.9%. Although personal loans appeared to be the most frequent in all strata, their weight was much lower among the wealthiest households: 60% for the last decile, against 78% for the first decile.

If we consider the gender of the main HOH, the ENES shows that households in which the main HOH is a woman have a lower participation in the credit card market: 56% have none, compared to 47% of households with a male HOH. The same is true for access to credit. While 25% of the surveyed female-headed households obtained credit, 30% received credit in the case of male-headed households. Likewise, the survey also shows that male-headed households received more collateral loans (8% vs. 6%), mortgages (10% vs. 8%) and microcredits (3% vs. 2%). In addition, they received more loans of various types (6% vs. 4% of households with female main HOHs).

Chances of getting financing services through formal channels differ according to income levels, as shown by several indicators. According to an ongoing research based on the INDEC's Permanent Household Survey (EPH) (Wilkis and Ballesteros, 2020), the percentage of households that had to sell belongings to obtain cash during the third quarter of 2019 was 18% for the first quintile, against 4.4% for the fifth quintile (a difference of 13.7 percentage points). In the fourth quarter of 2014, the percentages were 6.6 and 3.5 respectively (a difference of 3.6 points), while in the last quarter of 2017, they were 9.3 and 3.8 (a difference of 5.5 points). Although an increase is observed in both quintiles up to 2019, the divide widening is explained by the considerable increase of the poorest quintile. The same research records that borrowing from family and friends was 25.8% for the first quintile against 6.6% for the wealthiest during the third quarter of 2019; this has also been increasing in the last few years. These data demonstrate the gap in the need for access to financing services according to the level of household income, but they also give clues about the different breadth and repertoires of such financing.

Perceptions on the current state of affairs regarding financial inclusion

Key informants' opinion and international lessons

To explore the emerging trends of financial inclusion in Argentina and relate them to international experiences, we interviewed 18 key informants from the public and private sectors, as well as academia, the organized civil society and international organizations. These specialists have developed their careers in different areas of financial inclusion; therefore, their contributions provide a systemic view of the topic. In addition, we complemented their expert view with observations made in exploratory visits to low-income neighborhoods.

The interviews showed that there are numerous players at national and local level –with their respective interests and rationales– that have an impact on financial inclusion: the government, traditional banks, private sector companies in general and, recently, fintech companies in particular, civil society organizations, academia and, of course, citizens in general. These players come both from the formal system –whether public, private or civil society– and the informal one: lenders, community-organized groups (e.g., *pasanakus* or communal banks) and even groups with illegal and/or criminal origins.

Both the interviews and fieldwork allowed us to observe that each of the players described above operates with particular rationales and requirements. Generally speaking, in Argentina there is a wide availability of traditional financial services to which the middle to high income sector of society has access. However, the situation is very different in low-income neighborhoods. A large majority of the consulted experts mentioned that **there is a considerable gap between the needs of people left behind and the services offered by the traditional banking sector**. As they pointed out, despite the constant efforts of the different organizations, certain sectors are still almost totally excluded from financial services. There was a broad agreement to point out that one of the main problems contributing to the fact that the low-income sectors remain excluded from the reach of financial services is that, to date, **their financial inclusion does not constitute an economically profitable business for the private sector**.

It should be noted that in low-income neighborhoods and settlements, the most influential players in the field of finance are the governments: national (through ANSES and other agencies), provincial and/or municipal. In addition, and although they do not necessarily work actively for financial inclusion, it is important to take into account the informal players, having great importance in the life of low-income sectors: neighborhood leaders, usurious moneylenders, leaders of social organizations and informal financial agencies.

There is a considerable gap between the needs of people left behind and the services offered by the traditional banking sector.

Both the public sector and the organized civil society have had difficulties in addressing the challenges associated with financial inclusion in low-income neighborhoods.

According to the experts' opinion, **both the public sector and the organized civil society have had difficulties in addressing the challenges associated with financial inclusion in low-income neighborhoods.** From their perspective, this situation is related to the particular complexity of people's income and expenditure matrix. The supply and demand for financial services are affected by their unique actions related to subsistence, both personal and familiar, with contingent events (accidents and medical emergencies, specific milestones associated with the life cycle, such as birthdays, marriages or deaths, etc.), unforeseen events (working tools that break force of nature, etc.) and difficulties in developing production and/or marketing strategies.

Despite these challenges, some organizations have developed innovative strategies to contribute to financial inclusion. For example, in our fieldwork, we gathered information about one of the [Social Integration Branches](#) of Banco Santander. These branches have had a positive impact on financial inclusion in the neighborhoods where they have been located, as they allow unbanked sectors to have access to the formal financial system and, therefore, to electronic means of payment. They also offer savings and investment opportunities, among others. The service users told us that, to a large extent, their success is based on the branches being closed to low-income neighborhoods, and also on the fact that the employees are people that generally come from the same neighborhood where they are located. All this builds confidence in their services. We also observed that the banking services offered in these branches have different characteristics from the traditional ones, and are adapted to local realities. On the contrary, in traditional banks, proximity and personalized service are not usually related to their location. In our fieldwork, we also observed that worse-off people, although they often had bank accounts, did not recognize them as such, but only as a means to receive an income (for example, from assistance policies) and then use the money in their daily lives.

So far, we have addressed in a general way some of the cross-cutting issues within financial inclusion. However, to deepen the analysis, it is important to detail some of the most important dimensions of financial inclusion.

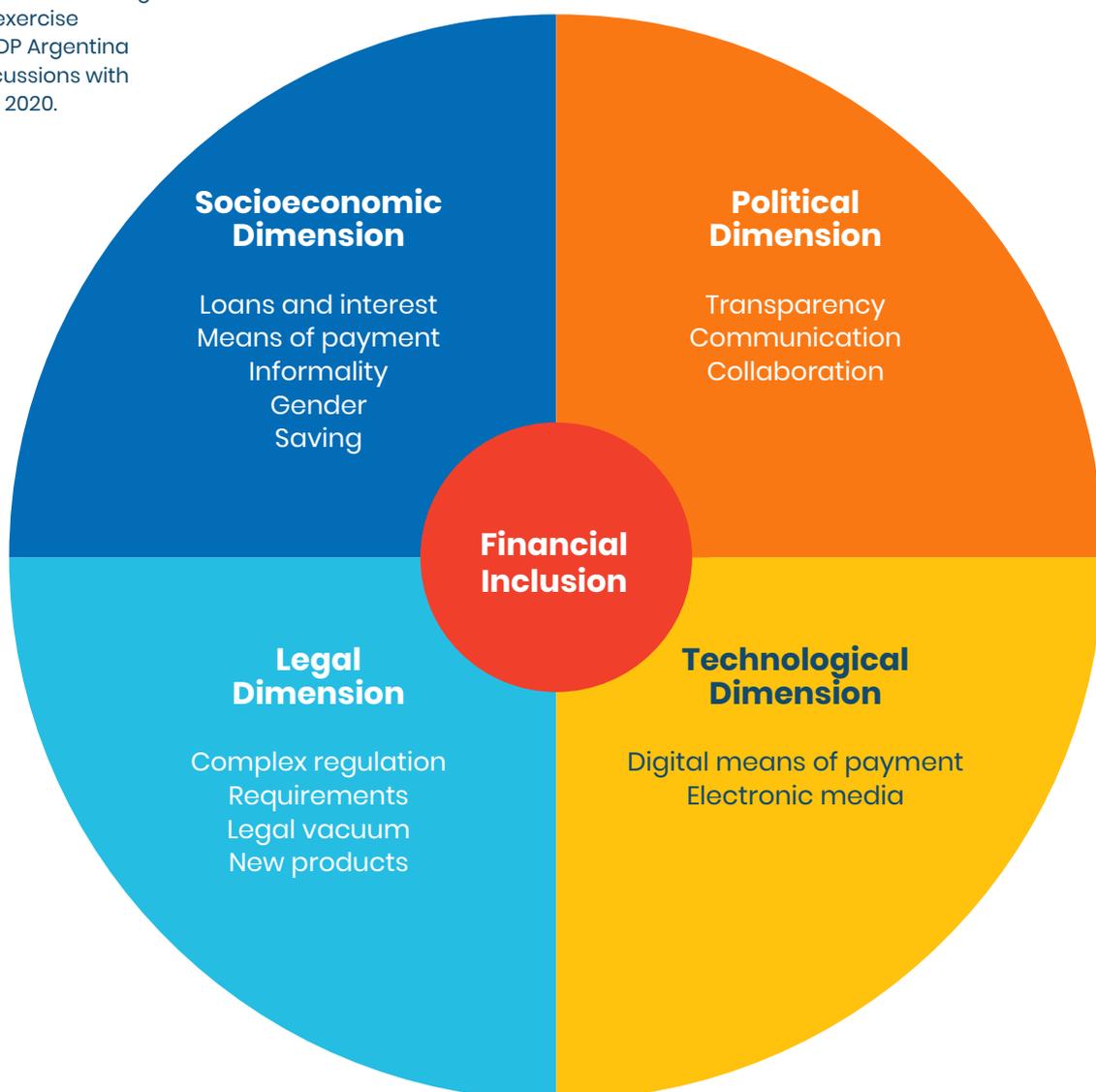
Different dimensions of financial inclusion

Its challenges according to the opinion of key informants and international lessons



Photo and graphic: Dimensions of financial inclusion. Elaboration through collective intelligence exercise developed with the UNDP Argentina office and through discussions with expert people. January 2020.

To understand more thoroughly the dimensions of financial inclusion, we conducted a collective intelligence exercise of the United Nations Development Program (UNDP) in Argentina and compared it with interviews conducted with specialists. The exercise was done with specialists from different areas of the development office, who did not necessarily have specific experience in financial inclusion. The objective was to obtain a pluralistic view of the occurrence from a systemic perspective, and to combine financial inclusion with possible development models. Then, we complemented the results of the exercise with the information gathered during the interviews with the group specialized in financial inclusion (see section “**Solutions Mapping and Exploration Methods Strategy**”). The figure below presents a brief summary of some of the main dimensions of financial inclusion analyzed, including socioeconomic, political, technological and legal dimensions. Within each of these, we highlighted some of the recurring themes that were addressed during both the collective exercise and the interviews with specialists. All the dimensions and themes analyzed in the following paragraphs, therefore, arise from comparing and contrasting the information gathered through both instruments.



Within the socioeconomic dimension, we first focused on analyzing the means of payment, since it is an everyday issue that, if optimized, eliminates daily frictions among people in the exchange of products and/or services (except for bartering practices). For this reason, means of payment are often considered a gateway to financial inclusion.

Means of payment can be used to promote formal financial products and services and, thus, they represent a tool to allow access to financial services. They also help people recognize the importance of these services and increase competitiveness among merchants. In turn, they allow to overcome the barriers between formality and informality. For example, efficient means of payment can ensure:

Means of payment ensure:



Reduced time, risks and costs associated with commuting to withdraw cash.



The possibility of simplifying payments for services and, therefore, potentially reducing crime.



In addition, non-cash means of payment help to create a credit record for accessing other financial products and/or services, such as credit.

According to the experts' opinion, **one of the main problems related to means of payment is the weak and inadequate offer of the formal financial system aimed at lower-income households.** On the demand side, the promotion of traditional electronic payment methods, such as debit and credit cards, fails to reach left behind communities due, in part, to banking exclusion, but also because these methods are not adapted to their needs. These means of payment are often provided as a result of social benefits. Consequently, people do not always recognize or use them as such. Instead, they become simply a means of withdrawing cash. An example of this is the debit cards associated with the Universal Child Allowance (AUH). This problem lies not only in the complexity of using debit and credit cards, and in the scarce banking infrastructure in the areas of residence of worse-off people, but also in the fact that communication and information on this type of financial products are not adapted to these populations. Although this situation is not exclusive to the low-income sectors, in this case, it exacerbates. It is worth mentioning that this problem was pointed out in the specialists' interview answers and it was also observed in our fieldwork.

45%

agreed that performing financial transactions through electronic channels could be difficult and confusing

Moreover, this scenario can also be supported by analyzing the Survey on Measuring the Financial Capabilities in Argentina (EMCAF), conducted in 2017 by the Development Bank of Latin America (CAF) and the BCRA. According to this survey, 45% of respondents at the national level agreed that performing financial transactions through electronic channels could be difficult and confusing, against 33% who said the opposite (the remaining 22% were indifferent to the statement). However, if we consider the replies according to the socioeconomic level, the percentages increased as we went down the scale: 41% of the ABC1 level agreed, while it increased to 55% at the D2/E level.

The experts pointed out some other problems on the supply side as a result of the lack of access to electronic payment services in stores close to low-income neighborhoods. The technologies that enable the use of cards as a means of payment may pose a technological challenge that has not been addressed due to the lack of appropriate education and support to ease their implementation. On the other hand, costs are a clear problem for the introduction of electronic means of payment; from the economic point of view, in low-income neighborhoods, a small margin means a substantial loss of profits; for example, the required operating equipment (postnet or analogues for cell phones) costs, and the fiscal and transaction taxes of the companies providing services.

In our fieldwork, we also observed that often people or businesses in low-income neighborhoods were not aware of commission fees and, consequently, were even more reluctant to use electronic means as they were often surprised by costs they had not taken into account. On the other hand, we also noticed that, if they had problems related with the use of the means of payment, the lack of quick responses in the context of a subsistence economy could discourage or even prevent their use. As a consequence of all of the above, a **great deal of immediate distrust arises in connection with the use of non-cash means of payment.**



Worse-off respondents showed a genuine interest in having mechanisms that would allow them to cope with or mitigate the effects of emergencies or unexpected events, to be more resilient to macroeconomic changes, or to achieve personal or professional goals that would otherwise be beyond their reach

According to the experts we interviewed, savings and loans are more complex operations in the socioeconomic dimension. However, they are quite frequent and relevant in low-income neighborhoods. We decided to delve deeper into **savings** because, in the fieldwork, we found that worse-off respondents showed a genuine interest in having mechanisms that would allow them to cope with or mitigate the effects of emergencies or unexpected events, to be more resilient to macroeconomic changes, or to achieve personal or professional goals that would otherwise be beyond their reach. We also found out many people who had a genuine interest in creating long-term savings strategies, for example, to secure a fund to help them in retirement. Thus, savings, in addition to being a postponement or deprivation of consumption, represent a planning strategy. It should be noted, however, that the savings capacity of the population segment analyzed undoubtedly depends, to a large extent, on changes in the macroeconomics, as the expert opinion emphasized.

In our fieldwork, several people from low-income neighborhoods told us that macroeconomic changes and the multiple shortages they face on a daily basis mean that they often have to use their savings for purposes they had not planned. In other words, we observed that planning the use of money presents specific difficulties, often due to macroeconomic changes and unexpected events, but also, on other occasions, due to the lack of identification or structuring of current expenses. This problem, which is a direct threat to the capability of worse-off people to save, [has been discussed in the international literature](#).

In addition, according to the specialized opinion, in Argentina there is little knowledge of effective savings mechanisms, and this is even worse in the more left behind sectors. Indeed, in our fieldwork, we noted this generalized lack of knowledge of financial mechanisms that could ease savings. A recurring theme mentioned by the group of specialists, that we also observed in the fieldwork, is the behavior of saving in “bricks” to be able to build or continue building houses, which are usually their home and workplace. This is a traditional way of saving in low-income sectors of Argentina.

However, most people interviewed in our fieldwork save by **keeping cash in their own homes**. People understand the risks that this entails, such as theft, or making purchases that, from their point of view, are “unnecessary”. However, an analysis of the literature on financial inclusion shows that this practice cuts across all socioeconomic categories and, although it may have different causes, it is not possible to relate this practice as specific to low-income sectors. According to the EMCAF, **58% of interviewees who reported having saved during the last 12 months at the national level did so at home**. Depending on the socioeconomic level, the percentages corresponding to this form of saving were: 62% for ABC1; 50% for C2; 55% for C3; 63% for D1; and 76% for D2/E. Consequently, it is important to consider that the lack of effective savings practices is a problem at the national level, but that it also hides serious inequalities: while the higher sectors have forms of savings within their reach, such as safety deposit boxes in banks or more sophisticated security systems in their homes, the low-income sectors are more exposed to theft.

On the other hand, **all the worse-off people interviewed recognize the inflation problem**. However, when it comes to creating savings strategies, they do not identify or consider methods that could help them cope with the effects of inflation. At the same time, we detected that there is deep distrust in the formal financial system and a clear lack of knowledge of the possibility of earning interest by depositing savings in this system. As a result, the most common savings mechanisms in the banking system are excluded from the options considered by worse-off people.

One aspect that should be highlighted, transversal to financial inclusion, is **gender asymmetry**. Interviews with people from low-income neighborhoods showed that the distribution of work and financial decisions often stems from the traditional sexual division of labor, where men tend to assume the role of providers having more power when it comes to spending household funds.

58%

of interviewees who reported having saved during the last 12 months at the national level did so at home



men tend to assume the role of providers having more power when it comes to spending household funds.

Women are mainly involved in managing money related to household chores. However, we also found that saving can have a positive impact on gender issues, as it helps women gain confidence and autonomy, and allows them to have more decision-making power in the household. In fact, the EMCAF shows that, analyzed by gender, the rate of people that tend to save at home is somewhat higher for women (61%) than for men (56%).

The technological dimension is related to the **digital transition**, which is gradual and not yet consolidated. We associate it with the use of electronic media, Internet for daily transactions, or new digital services. From the specialized perspective, electronic media offer an opportunity to promote financial inclusion thanks to the national government's social programs and allowances. As described above, these electronic media are mainly used to channel funds. In our fieldwork in low-income neighborhoods, we observed an incipient insertion of applications and social media that enable payments or transactions, despite not being intended for these purposes. For example, Facebook or WhatsApp are often used to enable transactions that are later completed in person through cash or barter.

On the other hand, digital applications oriented to financial services, commonly called fintech, are expanding their influence, mainly among young people. Interviews with experts showed that the fintech sector is unique in that it includes a wide range of financial services, such as means of payment and transfers, financing mechanisms, investments and insurance (insurtech). Several expert opinions agreed that the effective insertion of the digital transition in financial services implies a great opportunity for financial inclusion. However, in our fieldwork we detected that this insertion does not necessarily produce financial inclusion with social inclusion; it can also enable access to services that threaten the economic sustainability of worse-off people (for example, loans with high rates that cannot be paid).

Fintechs can also increase the efficiency of financial operations and contribute to social integration in the formal system, by collecting data that allow the creation of credit records and making informal dynamics transparent. One of the most common solutions in the sector is digital wallets, an instrument that allows sending and receiving money for purchases and payments. There are also more complex solutions. For example, [Mgrana](#), in Brazil, is a company that generates information based on mobility and personal data entered in the cell phone, to enable credit allocation. The use of fintech solutions can entail an opportunity for people to gain experience. However, depending on how these instruments are implemented, they can also reproduce schemes of indebtedness and/or exclusion.

Despite the obvious advantages of the digital transition to enable transactions and reduce costs, in our fieldwork we found many problems restricting its insertion. Although the use of cell phones is widely spread among low-income sectors, it is usually limited to basic functions. Therefore, the need to strengthen digital literacy is an issue to be considered. Many smartphones per person should not

Fintechs can also increase the efficiency of financial operations and contribute to social integration in the formal system, by collecting data that allows the creation of credit records and making informal dynamics transparent. One of the most common solutions in the sector is digital wallets, an instrument that allows sending and receiving money for purchases and payments.



be an indicator of digital transition, especially among the population over 30 years of age. In addition, we noted that the greatest barrier is not necessarily having a cell phone, but the memory capacity needed to install applications, and connectivity, either through data or Wi-Fi.

It is worth mentioning a problem associated with using fintech services, which is related to the intrinsic way in which they operate. During the interviews in low-income neighborhoods –a topic we will address in detail in the coming section–, we observed that many of the informal financial solutions are based on personal trust. Thus, many fintech solutions are impersonal and do not benefit from the trust involved in personal relationships, sometimes crucial in economic activities. This weakness can create distrust or suspicion when it comes to adopting it as an alternative. As with electronic means of payment, the difficulty or delay in solving technical problems (e.g., delay in a digital transaction) contributes to creating great distrust in these solutions. Another important barrier, similar to that of more traditional electronic means of payment, is that many technologies can have a high initial or per-transaction cost, which could represent a major obstacle to their daily use.

The available literature shows that, for research purposes, some of these issues have been studied through experiments that tested new digital products in low-income neighborhoods; for example, [a digital wallet with bitcoin in Barrio 31 neighborhood](#). In this case, the experiment assessed people's behavior when faced with everyday purchases with bitcoin. Among other results, it was confirmed that trust is needed to be able to implement these technologies.

It should be noted that, despite the factors limiting the insertion of these technologies in financial inclusion, at present, there are examples of implementation of blockchain-based financial technologies in Argentina. Community currencies are units of value that complement the official ones. These arise at the local level and seek to build social capital at that scale, while strengthening the bonds of solidarity and trust (Rodríguez Gómez and González Sanz, 2018). The objective of these currencies is, at the same time, to foster community exchanges to the detriment of wealth accumulation or concentration (Orzi, 2017), to value work outside the formal system (Corrons, 2017) and to promote alternative means of payment, outside the traditional financial system. An example that we can highlight in Argentina is [Monedapar](#), a digital currency acting as a local credit system to promote the exchange of goods and services in low-income neighborhoods.

Internationally, there are successful examples of new digital financial services being developed for worse-off people in remote areas, such as [M-Pesa](#) in Kenya or [EthicHub](#) in Mexico. M-Pesa was able to integrate first-generation technology functionalities through the telephone network, allowing transactions, withdrawing money from a network of entities prepared for this purpose, and paying bills or services. EthicHub, on the other hand, is a blockchain-based platform that serves to promote direct investment to small and medium-sized farmers without banking access, in addition to enabling advance sales of their agricultural products.

After briefly establishing the current and emerging state of financial inclusion in Argentina, its dimensions and some of the current problems related to low-income neighborhoods, we will present the solutions mapping strategy. Its goal is to find solutions that people themselves can adopt to cope with, and in many cases solve, financial inclusion related problems in their daily lives.

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4.



Solutions Mapping

Solutions mapping seeks to learn and understand how individuals, groups or organizations find and implement different strategies to solve or address their needs; in this case, their financial needs. Therefore, the populations affected by the problems are interviewed, as they are the real specialists who know the problems better than anyone else.

The grassroots solutions mapped are based on **in-depth knowledge derived from experience**, are socially and culturally anchored, and express creative forms of financial organization. Through this mapping, we seek to:



Provide elements to understand the behaviors and preferences of low-income sectors.



Help design and develop public policies that resume and incorporate some of these experiences.

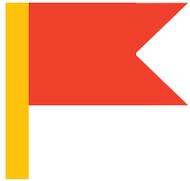
To be examined and included in this section, **the proposed practices did not need to be unique or completely original**. What really matters is that they are available to others and valued and used by users. In addition, they can be taken up in a comprehensive way; some can be applied in a specific way, or they can be used to extract components appreciated by people, processes developed, elements in common, among other aspects.

Through a **qualitative method strategy**, we seek to understand the needs, assessments, experiences, and financial practices of worse-off persons. As mentioned above, data were collected mainly through semi-structured interviews and observations in low-income neighborhoods.

Photo: Peer experiment in José León Suárez, Province of Buenos Aires.

Common features of the solutions

Before moving forward with the systematization of the solutions – linked to payments, savings and digital transition– that promote access to and use of financial services by traditionally worse-off people, we believe it is appropriate to identify and highlight the common features of the mapped populations:



Ownership

Solutions are not imposed, regardless of whether the people who use them have designed them.



Local players

The line between recipient and driver is blurred in many of the solutions found; plus, people can adopt multiple roles (e.g., producers and consumers).



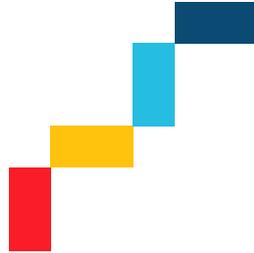
User-friendly experience

Valued solutions involve simple, intuitive and/or understandable interactions for users. This experience should be understood within a combination of individual, social, cultural, historical, contextual, and specific elements of the strategies or instruments implemented.



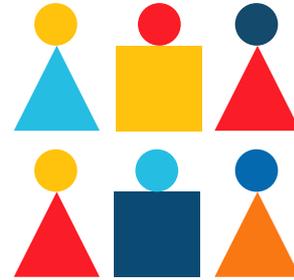
Complementarity

In general, these solutions are not intended to replace others, but are part of a diverse set of tools that people use to address their problems.



Trust, closeness, mutual support and a shared sense of community

These factors are essential to understanding what works and how. Many solutions work with the help of others. Financial capital is often associated with the relationships of the subjects (social capital), and the word given is the endorsement (moral capital). In fact, this explains the preference of low-income sectors when implementing financial strategies, and, at the same time, it shows that traditional financial institutions do not value central elements of these practices, such as neighborly relationships.



Social organization as a means to accelerate local development

When solutions stop working in the private space and include organizational models, the effects can spill over into communities. On the other hand, many social organizations identified depend, to a large extent, on the voluntary work of their members, a key element to understand what works in the field. Volunteering may pose specific challenges – for example, for sustainability or scalability– as some people will understandably expect to be paid for the work done.

In addition, **the promotion of solutions should be considered in terms of the target population segment.** Segmentation may represent different criteria: gender, age, labor market status (formal/informal), socioeconomic level, among others. In this sense, a potential solution for a group may not meet the needs of another group.

Hereafter, we will share the solutions that emerged in our fieldwork.



Payments

Informal intermediation of financial services and digital management

In areas where there is no financial infrastructure (far from banks, ATMs and payment centers), some stores offer digital payment services as an additional offer to their core business (bookstore, pharmacy, among others).

- Users value proximity and trust. The service provider is someone they know.
- The services are offered within their neighborhood and are convenient; they avoid the time and cost associated with travel.
- These services include payments, but they can go beyond the action of paying/collecting (salary, social program, commercial transaction, subsidy, etc.). Payments are closely related to the management and/or digitization of procedures, often public.



Savings

Learning by doing and shared learning; related to experiences that shed light on the composition of expenses

Communal banks as a space for the acquisition/socialization of financial planning learning that is then transferred to the household economy. Although this is not the initial purpose of a communal bank, its members –by managing it– go through a learning process that allows them to recognize their spending structure and try to optimize it (see “The great lesson shared within a communal bank”).

The process of supporting business ventures development in practice allows them to see how others solve problems or apply their knowledge. The lessons do not remain on a theoretical level (accounting, financial, etc.). These experiences can help people recognize, for example, the importance of each expense (including, for example, the pinch of salt used to prepare a meal to be sold) when setting the prices of the products or services to be sold.

- Financial education is not an end in itself, but a means for individuals to better manage household finances, develop a business venture, or achieve an otherwise distant goal.
- Financial education cannot be limited to theoretical expositions or informative material. It is necessary to consider the processes that people go through.
- Closeness and trust are fundamental elements to enable the socialization of learning. Shared spaces where inhibition barriers –not knowing something, having doubts, or making mistakes– are reduced.
- Learning by doing is associated with behavioral changes (good habits, use of better tools, etc.), and can be very rewarding for people.

Interpersonal agreements based on trust and closeness

Communal banks as a space anchored in people’s social capital. Credit is granted to reliable individuals, who are introduced by bank members and who also act as guarantors. Borrowers who are not active members of the space pay a higher interest rate.

Pasanaku: a system in which all participants contribute a certain amount of money every month, and the total amount is systematically drawn among the members.

“The neighbors do a lot of pasanaku, which is like a form of saving, and each time a different neighbor takes it”. – Woman, financial referent of Barrio 20 neighborhood in Villa Lugano

Agreements at work: bosses who offer different temporary collection options. By postponing payment (day, week, fortnight, month), savings are favored, because it avoids the immediate availability of cash.

“Our boss asks us how we want to be paid, by week, by month (...). In the room, there are mothers or fathers who give you the money at that moment, then, maybe you spend it (...) So, (people) prefer to save (...). There is alre-

ady a lot of trust, we know that the money is going to be there and it is untouchable”. – Woman, local referent in Almirante Brown

Agreements within a social organization: referents who keep other people’s money in their homes to avoid spending cash on consumption not privileged by individuals.

Agreements related to housing/ Antichresis: the “tenant” gives a specific amount of money before entering a house that he/she will share with the owner. The landlord must return the same amount once the agreed time period has expired. This is a traditional practice among Bolivian migrants.

- The stability of the amounts over time (non-indexed) in an inflationary context makes these solutions less efficient. However, only a few interviewees recognized this problem, and, despite this, they use them.
- Inflation represents a clear obstacle to savings.
- The agreements are based on trust.



Physical instruments

Use of differentiated boxes/piggy banks that allow separating the money for daily expenses and the money to be saved (generally associated to a specific goal).

“You see up there (a little box), I’m collecting my money. It helps me if it is for a goal”. – Woman, domestic worker in José León Suárez

- One might suppose that, in a world where technological advances prevail, this solution would be obsolete. However, it is still effective (the same inflation issue applies) for people.
- Its value lies in that it helps to distinguish priorities and enable goals that might first seem distant.
- These practices also work to build gender trust. Cash management is reserved for women.

Advance purchase and accumulation of materials for home construction/improvement.

“If I have a few extra pesos, I can buy bricks for a year, or months, and that’s how the economy is done”. – Woman, local referent in Almirante Brown

- Although people associate this strategy with savings, it represents an investment that implies an economic benefit in the future.
- Housing appears as an issue of almost constant concern in the low-income sectors. It is far from being a solved issue, either because of the precariousness of housing or because of the moments in people’s life cycles.

Digital transition

Practical training in the use of technological tools by youth to adults

Young people tend to feel more confident than adults when using cell phones, at least in handling certain basic experiences. Hence, many of them develop extended and informal practices of intergenerational digital education. For example, these trainings can be useful for adopting new functions and/or payment platforms (for example, to pay for transportation), banks or digital wallets, among others.

- Widespread access to cell phones does not imply a high level of confidence in their use, nor overcoming the problems associated with data use at the base of the pyramid.
- A common feature is that young people prove to be more open to adopting and sharing technology. On the other hand, adults may be curious about it for reasons associated with economic convenience, practicality, etc., or they may eventually consider the need to start using it.

- In addition to the interest or curiosity detected, the fear of falling into debt mechanisms in digital platforms is recognized. Several testimonies refer to experiences of older adults in this regard.
- This informal training: i) is first limited to family members or close acquaintances; and ii) promotes confidence in the use of the cell phone and in the digital platforms to be adopted. This trust is associated with the person (a young acquaintance), who has already been operating in the virtual world and identifies actual benefits (better price, good service, or others).
- There are certain neighborhood organizations that pay for Wi-Fi to attract and retain young people, so that they do not spend their time on the street. There, they share their time with people of different ages with whom they could share their knowledge.

Barter and/or commercialization in the digital space, but at scale and with community rationale

Digital platforms (Facebook pages, WhatsApp, etc.) where items to be physically exchanged are traded.

“Some people use a lot of barter for goods, for sneakers, mainly by Facebook. Mostly by cell phone.” – Woman, local referent in Almirante Brown

“We work at the street market, she makes birthday cakes (...). Through Facebook people get to know us, I was able to expand”. – Woman, local referent in San Martín

- There are no fixed roles (a person can be a customer or as a supplier indistinctly).
- In contexts where the possibility of being a fair vendor is a frequent job opportunity, any space that enables exchanges is valued. In popular economy street markets, all kinds of new, used, broken or damaged products are usually sold (clothing, food, electronics, vehicle spare parts, etc.).

- Prices are agreed upon in advance, and this avoids wasting time (for example: going to a street market and not being able to buy anything due to the high cost of the products).
- This type of purchase or exchange, which involves prior communication between both parties, favors trust and a sense of community. Sometimes these are barter transactions.
- Caveats on security; there is no endorsement beyond trust.
- It may have the potential to foster collaborative dynamics in the virtual space and local economies.
- It favors the possibility of developing business ventures.

Some solutions in focus

Juguetería



Ferretería



Dimension: Payments

PROBLEM

Lack of nearby infrastructure for the payment of utilities, with the corresponding costs, time and arrangements (care, etc.) associated with traveling to carry out operations; low level of literacy, confidence and/or security in the use of cell phones for operations related to money management or for running errands.

SOLUTION

Informal intermediation of financial services (and something else)

In many neighborhoods where there is no physical presence of financial services or payment centers, etc., neighbors turn to nearby stores that, as an additional offer to their core business (bookstore, pharmacy, etc.), provide a new service related to the use of digital platforms.

Users value this experience because it avoids the costs and hassles associated with travel, etc. In a way, this offer also narrows the digital divide for people who do not trust the use of cell phones, have low digital literacy or lack connectivity, etc.

In addition, this intermediation not only makes payments easy, but also allows for completing different procedures that are difficult to understand, complex to manage, or involve fulfilling requirements hard to be explained. Some of the procedures developed in these spaces are: applying for the Universal Child Allowance (AUH) or the loading and downloading of the AUH passbook in the ANSES website, applying for the Pregnancy Allowance in ANSES, the Workers Identification Number (CUIL) certificate, the Student Travel Ticket, among others.

Of course, this type of offer is based on trust, and most of the new customers come by recommendation of other neighbors. This service is so necessary in places with less infrastructure that some customers move from other neighborhoods to carry out these operations. The virtual space still appears to be a very distant and hostile environment for worse-off people.

Beyond technical skills, one merchant pointed out that these tasks require a lot of patience and good communication to avoid misunderstandings. She added that these services fee is variable, and it should be agreed in advance depending on the estimated time required to complete the task.

Among other issues, this practice highlights the importance of support for the completion of complex transactions for users.

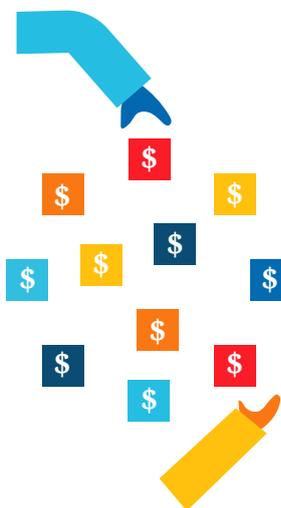
Dimension: Savings

PROBLEM

Vulnerability to macroeconomic changes, emergencies (health problems, etc.) or unforeseen events (job loss, etc.); lack of knowledge, documentation and unclear information about products or alternatives within the financial system; etc.

SOLUTION I

Communal banking: it is a method based on microcredits, according to which a civil society organization brings together a group of people –usually women from low-income neighborhoods, who know each other and get together by bonds of trust– to manage the delivery of credit, savings strategies, and mutual support. The organizations that lend the money usually look for referents in the field and, based on them, create a group of partners. The group members establish a meeting point, draw up a set of rules of coexistence and meet regularly. These women usually adopt different rotating roles. This method promotes different skills and competencies among its members. The credit guarantees undertaken are joint and several guarantees. In our fieldwork, we observed that the communal banks (called *banquitos* –little banks– in the territory) usually have a will to expand.



The great lesson shared within a communal bank in José León Suárez

“Thanks to the banquito, I learned how to manage at home. For example, I take a blank piece of paper and write down my expenses; thus, at the end of the month, I know how much money I paid for cable, telephone and gas services”.– Woman, member of the communal bank in José León Suárez

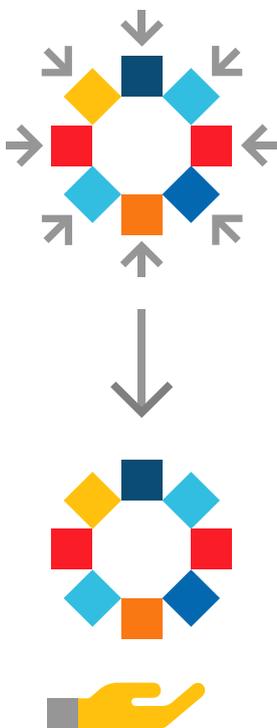
“With this (the communal bank), I learned to reduce expenses. Telephones... I ask myself: Why do I buy three if I need one?” – Woman, member of the communal bank in José León Suárez

After observing a communal bank operation, we asked some of its members what the most important lesson learned had been. Instead of focusing on their income, people talked about their expenses, and told us that the real change had begun by identifying how they had been spending their money.

Before moving on to the lesson shared, it seems important to clarify that we do not intend to evaluate –from the outside– the legitimacy of certain consumption habits over others; their postponement or deprivation refers to the individuals’ own considerations of what creates wellbeing or what they need.

However, although the increase in income could be beyond people's reach –either due to structural or organizational issues– they could stop buying items they did not use (for example: some products that got spoiled because they were not consumed), avoid the temptation of discounts, stop asking for loans to pay debts, among other adjustments.

After recognizing how money was spent in their homes and making small changes in their household economies, the members of the communal bank claimed that they could put aside some money to save, plan and achieve goals that, before, they thought were out of their reach. These testimonies reflected a process that made them proud, and through which they were improving their control over their finances. They also showed how behavioral change occurred as a group, as learning was shared among their colleagues.



SOLUTION II

Pasanaku, a financing and savings system in which a group of people agree on an amount to be given to the group regularly. The members contribute the funds with the agreed frequency, and each of them takes turns to receive the total amount of money collected. The recipient of the amount rotates until, finally, all the members of the group have received the total amount of the contributions. This method is valued by its members because, when their opportunity to receive the collected amount arrives, they can have access to money that otherwise would have been out of their reach.

“Pasanaku (...) above all, its members have to know each other”. –Woman, local referent of Barrio 20 neighborhood in Villa Lugano

“My husband was in a circle organized by his coworkers. They get together, five or six colleagues, or an agreed number of members, and set an amount to contribute every month. They draw lots to see who gets it first (...), and so on (...). Or they take priorities into account, and if issues come up, they renegotiate among themselves. It is mutual support. They want members to be honest, to pay on time and to know their needs”. – Woman, receptionist in José León Suárez



Photo: Fair of the popular economy of Greater Buenos Aires. Credit: Estrella Herrera under a Creative Commons license.

Digital payments in the street market of San Francisco Solano (Greater Buenos Aires): a hypothesis to be confirmed

In San Francisco Solano street market, where most of the workers are street vendors (called *manteros* in Spanish as they use a blanket -*manta*- spread on the floor), all kinds of items are sold: from clothing, footwear and eyeglasses to tools, household items, electronics and knick-knacks. There are stalls that have a seasonal rationale (carnival, beginning of classes, etc.); others offer some kind of production (food, handicrafts), and some buy and resell new or second-hand items, even in poor condition. It can be assumed that there are people who sell their belongings, which they will not be able to recover, and they therefore lose capital, while others market recovered items that have been disposed of. In fact, based on our observation at the street market, sometimes the items in the worst condition can be relatively expensive when compared to others that are marketed in the same place. Poverty is expensive.

In this context, almost all stalls only accept cash. However, we noted two exceptions. What were these stalls like? They sold a specific type of product to which they added value (clothing, bazaar objects, etc. that were personalized with photos, brands or inscriptions); their stalls were in very good condition and had a track record within the street market. In other words, their owners had undergone a process of professionalization over the years. One of them introduced himself with an identification card, a way in which we suppose confidence could be built in other people.

Although a digital payment option was available in these two cases identified at the street market, the contact or relationship between the seller and the consumer still maintains the features of a relationship of closeness.

Therefore, if consumers start experiencing payment practices that they find practical and convenient -alternatives to cash- in more professionalized stalls, they may ask other sellers for these options too. In this way, introducing new payment channels may not take so long. A good starting point would be to work with certain business ventures that are strategic for people's lives (grocers, lumberyards, etc.).

People's financial practices showed the importance of geographic proximity and interpersonal trust, and how living experiences –usually with people who can be consulted without feeling intimidated, etc.– allows for developing processes and learning.



Heading towards experimentation

Our field experience underscored the importance of social networks in people's financial behaviors and strategies. Therefore, we thought it would be appropriate to conduct an experiment that could provide empirical evidence and reveal the extent to which people influence the financial decisions of others, the so-called "peer effect" in related literature. We were interested in learning whether this type of influence represents a significant factor when it comes to the use of money in the low-income sectors. What are the mechanisms to promote changes in people based on their relationship with others?

On the other hand, people's financial practices also showed the importance of geographic proximity and interpersonal trust, and how living experiences –usually with people who can be consulted without feeling intimidated, etc.– allows for developing processes and learning. Within this framework, the solution that refers to the informal intermediation of financial services and the management of digital procedures materializes these aspects and, at the same time, highlights the importance of providing support. Hence, we planned an action to test how this type of intermediation would work in businesses in a different territory than the one in which we mapped the original solution.

Photo: Coffee seller, Buenos Aires.
Credit: Estrella Herrera under Creative Commons license

5.



Experimentation: peer effect or individual level features?

The drivers of financial decisions

This section was carried out with the collaboration of Francisco Olego.

Our goal in financial inclusion is to identify, promote and scale up practices that contribute to the development of individuals and communities.

The solutions mapping showed the importance of peers –neighbors, acquaintances or relatives– in people’s financial behavior. This influence takes place because they coordinate actions with each other, as when they join in communal banks or *pasanakus*; or because the behavior of others affects their own decisions. And why does it affect them? Because we learn and imitate behaviors when other people’s solutions are more efficient; for example, when people see that their acquaintances achieve goals through savings that they would not have been able to achieve otherwise¹. The influence of familiar people valuable in some way (neighbor, friend, relative, among others) results in a long-lasting effect to emulate financial practices. Thus, the importance of proving the influence of peers could lead us to recommend policies involving the promotion of good practices among people in the same community or neighborhood.

In order to better understand this mechanism and, thus, be able to identify solutions that contribute to a higher level of financial inclusion, a lab experiment (i.e. one in which people are not in their everyday environment) was conducted to learn how peer influence affects the way people allocate money. The activity was conducted on March 12, 2020 (a few days before the beginning of lockdown in the face of the COVID-19 outbreak) in José León Suarez district, in San Martín, Province of Buenos Aires, in a nearby community kindergarten, with participants who did not know each other and who were recruited by a person from the same neighborhood. As part of the experiment, a survey was also conducted to find out the individual drivers for the change of opinion in spending decisions. Among these drivers, it was considered the extent to which they were vulnerable to the opinion of their peers on a personal level. Both the experiment and the survey yielded interesting results regarding the peer effect and potential drivers of financial behavior, which are detailed below.

Photo: Peer experiment in José León Suárez, Province of Buenos Aires.

¹ In addition to learning, another causal mechanism through which people can be influenced by their peers is the subsequent utility. For example, when a person buys something that others also buy in order to feel part of a group. In this study, we will not focus on this aspect, but on the peer learning mechanism mentioned in the main text.

The activity took the form of a game in which participants made several financial decisions about hypothetical situations. For example, one situation was: “Carina decides to save money for her children to start studying English, while Marcela saves to buy them a computer. What would you use your money for?” Considering the information on how money was used in these situations, before and after listening to the other participants’ reasons, evaluations were made to determine to what extent peers did or did not influence their decisions, or if, on the contrary, these were considered unrelated to the solution they were trying to find out. Along with the activity, participants completed a questionnaire. This allowed us to estimate the effect of other social and individual drivers on financial behavior. In particular, we sought to assess whether gender, age, socioeconomic level, financial inclusion, preference for risk or for security bring about individual attitudes that lead to changes in financial decisions.

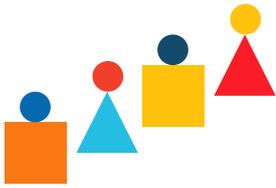
This experimental case study, along with the survey, shed light on the causal mechanism of the peer effect and on the social and individual drivers of financial decisions. The findings reflect these mechanisms and inspire public policy recommendations; however, conclusions may not apply to other cases due to design features. On the one hand, the experiment helped us to conclude that changes in financial decisions are higher when these involve a broader dichotomy (e.g., choosing between spending for pleasure or saving for a worthy purpose), and when participants are more exposed to their peers’ opinion. On the other hand, the observational analysis suggests that both age and financial inclusion and education (measured in this section as the index combining the variables “higher education” and “access to financial products”) are positively related to behavior change involving money management. In other words, older people tend to change their money allocation decisions more frequently than younger people. And the same is true for people with a higher level of financial education and access to financial products.

Peer effect

What we want to know

An experiment and a survey were conducted. In the experiment, the hypothesis we wanted to confirm is whether people change their financial behaviors when they observe the financial behaviors of their peers. The indicator of this influence will be the difference of money allocated in the same situation, before and after exposure to the considerations of the other participants, i.e. before and after treatment. People first decide on their own and, then, they must decide again on the same situation, but this time after having learned about the decisions and reasons of their peers. By observing the behavior of the other participants and listening to the amount of money they allocate to each fictitious subject in the hypothetical situations (see the illustration on page 55), people could review and adjust their own financial decisions.

On the other hand, the survey allowed us to assess a number of considerations that were studied in the past as possible factors affecting financial behavior and that also emerge from solutions mapping. They are as follows:



Socio-economic level

Will people with higher socio-economic status change their money allocation decisions? It could be that –as they manage more money or they have fewer unexpected expenses or different time horizons– they tend to persist in their decisions. Or, on the contrary, they may show a more influential or reflexive behavior when weighing competing arguments that will lead them to change their minds.



Financial inclusion index

This index was designed by combining two variables: financial education and the use of financial services. People with a higher education level and greater access to financial services could have a better understanding of the nature of financial matters. Therefore, they can be more determined in their decisions or, on the contrary, more prone to change according to contrary but valid arguments.



Gender

Different responsibilities and tasks distribution within the household often lead to gender-related differences in money management and, in general, about savings, credit and spending. In low-income sectors, women are often the heads of household: will they be more stable in their decisions, or will they change them as they become more experienced in managing the household economy?



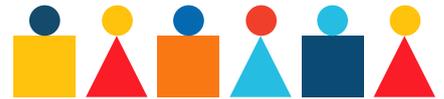
Age

Will older people be more likely to keep their decisions due to their experience or, on the contrary, will they be more sensitive to the opinion of others?



Preference for risk or for security

Do participants with a higher tolerance for risk review their decisions and, when choosing again, might they make a riskier investment and change their initial preferences? On the other hand, are participants with a higher preference for security more conservative and will they uphold their first decision, or will they change it?



Peer consideration

The “observes behaviors” variable refers to sensitivity to the opinions of others: those who report taking into account “other people’s” opinions are expected to be more likely to change their minds.

How we conducted the experiment

Twenty-six people from the municipality of José León Suárez, who did not know each other, participated in the experiment. They were randomly assigned to three groups: two treatment groups (i.e., they will be exposed to the opinions of their peers) and one control group (they will not listen to such opinions). They were also informed about all relevant aspects of the experiment and signed a consent form to confirm their voluntary participation.



Photos: Field experiment. José León Suárez, Province of Buenos Aires. Participants in treatment groups, where people saw each other and could hear the reasons for each other's spending decisions.



The activity consisted of a game in which participants listened to the reading of a hypothetical situation where two people were discussing what to do with their money, for example: “Miguel prefers to save his money to buy more supplies. Jorgelina says it is better to use the money to go out on the weekend (see the complete list of situations used in the table on page 54). They were given one thousand Argentine pesos in play money, which they had to allocate to each of the two people in the story. For this purpose, they could use any combination of money, but they had to allocate the whole amount. Two envelopes were handed out, corresponding to each fictitious character, inside which the money was placed to be deposited in a box. Participants recorded on a form how much money they had allocated and how sure they were of their decision on a scale of one to ten. They were given some limited time to do so and could not interact with the rest of the participants. **In this first round, people allocated the money only considering their personal decision.**

How did we measure the peer effect? As mentioned, we observed if people changed the way they spent their money after learning how others spent theirs. Therefore, immediately after this first round, participants in the treatment groups were encouraged to express the reasons for their choice. That is, they were invited to tell why they had split the money in that way between the two people in the hypothetical situations. The treatment groups differed in how much they were exposed to the arguments of their peers (see illustration on page 55). In treatment group I, participants were allowed to express aloud the reasons why they allocated money to each hypothetical person

(and their spending option). In treatment group II, they were also allowed to express the amount of money allocated for each option. The latter gave more information and allowed people to learn more details about their peers' actions and reasons. In the control group, between rounds, people were simply invited to discuss random topics unrelated to the activity. All three groups were given a maximum time of five minutes for this activity.

Photo: Field experiment. José León Suarez, Province of Buenos Aires. Participants in the control group, where people did not see what their peers were doing, nor did they talk about spending decisions.



In addition, in treatment group I, paper envelopes were handed out to be deposited in a ballot box, while in group II, the box and envelopes used were translucent and allowed seeing the amount of money allocated by each participant. In turn, in the control group, paper envelopes were handed out and also deposited in a ballot box. In sum, the peer effect was different according to the treatment: in group II, it was more explicit than in group I and, as expected, there was no peer effect in the control group. Let's recall that after listening (or not) to the opinion of the others, the same sequence was repeated: distribute play money, ask them to distribute it according to how they chose to spend it on each of the people in the same hypothetical situation and deposit it in the box.

What the evidence shows

Results of the experiment

If people took into consideration their peers' opinion, this behavior could be used in the service of policies that encourage good practices among persons in the same community. While we cannot rule out that people changed their minds for non-peer reasons, there are other relevant findings that could influence actions to achieve higher levels of financial inclusion. We elaborate on these findings below.

The results of the experiment analyze the difference in money allocated by the participants to each of the individuals in the hypothetical situation (the list of which can be seen in the table below). This is the dependent variable or variable of interest. We had two measurements (before and after treatment) to identify peer ef-

fects in the two treatment groups, while, in the control group, we provided a space where the only additional information was what the rest of the participants said.

Participants were exposed to the following five hypothetical situations:

	Hypothetical subject I	Hypothetical subject II
Situation 1	Sergio wants to save the money they earned in February in case something unexpected happens.	Juan says that the wheels of the cart they use to sell chipá (cheese bread) need to be replaced.
Situation 2	Carina chooses to save money for her children to start English classes next year.	Marcela prefers to save money to buy them a computer.
Situation 3	Maria wants to use some money for home repair.	Carlos says that they work a lot, so it is better to use it to go on vacation.
Situation 4	Miguel prefers to save money to buy more food.	Jorgelina says it is better to use the money to go out on the weekend.
Situation 5	Kevin wants to buy the latest sneakers.	Alvaro wants to buy a cell phone with a better camera.

Each situation presents different spending alternatives that can be summarized as: **savings vs. investment, family expenses vs. other family expenses, home repair vs. leisure, investment vs. leisure, and leisure vs. leisure.** Deliberately, some alternatives referred to expenditures of the same group (leisure vs. leisure, such as the example of sneakers vs. cell phone) while others were clearly distinct (such as home repair vs. going on vacation, i.e., investment vs. leisure).

Participants in the experiment reacted differently to their peers' opinions in each hypothetical situation. They proved to be more sensitive to the opinions of others when deciding between obviously competing alternatives, such as saving vs. leisure. Hypothetical situations 3 and 4 involved making more dichotomous decisions (e.g., saving vs. spending on vacation).

The first thing that can be observed in these two situations is that people split the money given to a greater extent. In the first round, they chose to allocate more money for savings and/or productive purposes than for leisure. Also in the first round, in situations where the spending options did not differ much (e.g., leisure vs. recreation) people split the money almost equally between both. On the other hand, in situations where the options were clearly different (savings vs. leisure) people changed more the amount they allocated in the first and second round (i.e., in the difference between before and after the treatment). First participants allocated more money to the

1. 26 people from the same neighborhood, who did not know each other, were randomly assigned to 3 groups.

Treatment group A



Treatment group B



Control group C



2. Every group participant completed an individual written survey.



3. Participants listened to the reading of a hypothetical situation where two people were discussing what to do with their money and were given one thousand Argentine pesos in play money, which they had to allocate to the people in the story.



4. All participants decided how much money to allocate to each story and put it in envelopes inside ballot boxes.



5. Then a different conversation was carried out in each of the groups:

Group A. Participants expressed their reasons for assigning money to the subjects in the hypothetical situation.



Group B. Additionally, they were allowed to mention the amount of money invested in each subject.



Group C. People chatted like a placebo on random topics unrelated to the activity.



6. All participants reassigned money for the same scenario.



Group A. Paper envelopes were handed out to be deposited in a ballot box.



Group B. Envelopes and a translucent ballot box were used that allowed seeing the amount of money assigned by each participant.



Group C. Paper envelopes were handed out to be deposited in a ballot box.

The higher the exposure of people to the opinions of others, the more they vary their decision.

alternative they thought would be expected of them, i.e., those involving saving. However, when asked to review their situation and learn about the replies of the rest of the participants, they seemed to “relax” and changed their money allocation in favor of a higher level of leisure, always as a result of having shared the opinion with their peers.

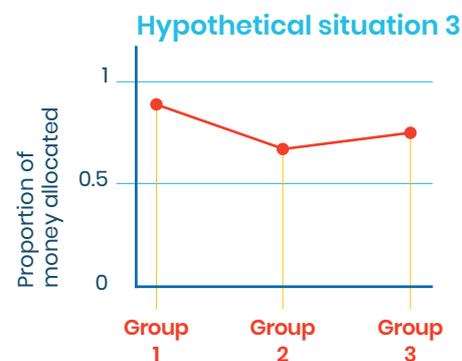
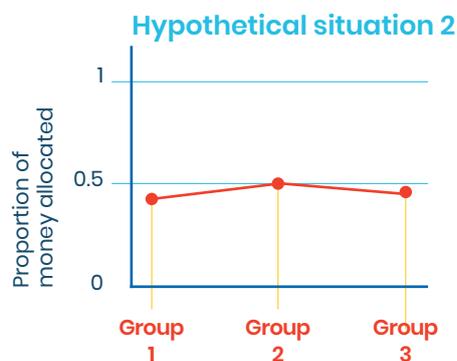
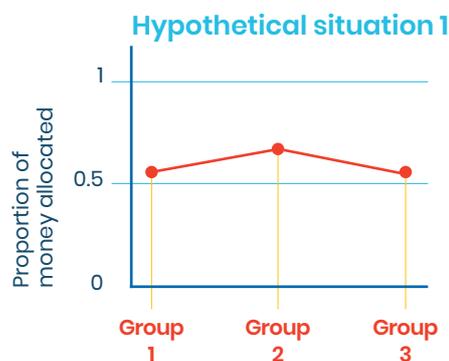
While we observe that people are more or less sensitive to the opinion of others depending on the type of decision, **there are also changes in behavior according to how much they are exposed to the opinions of their peers: the higher the exposure, the more they vary their decision.**

For example, in all five situations, when people have less information about what their peers are doing, on average, there were fewer changes in the amount of money allocated. The group whose participants changed their decisions the most was the one in which they knew more about what their peers were doing and what their peers thought, i.e., the transparent box group relative to the ballot box group. The control group varied less than the higher exposure treatment group, where people talked about their reasons and, in addition, used transparent boxes. However, the change was smaller than in the group where they listened to their peers, but to a lesser extent, because participants did not clarify how much money they allocated and, in addition, they used ballot boxes and envelopes.

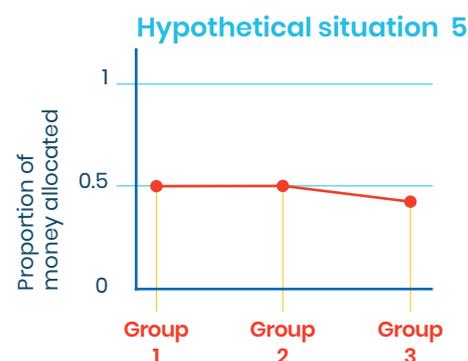
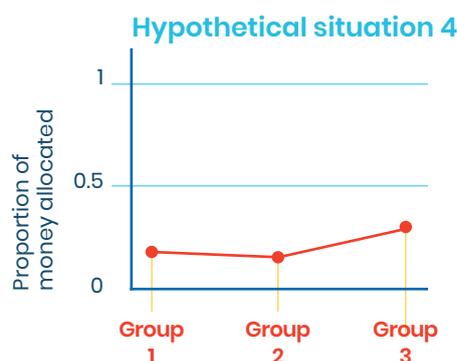
In sum, in the different treatments it is observed that **people change the amount of money they allocate in the first and second rounds, that is, before and after listening to their peers**; especially in the version of the experiment in which people expressed their opinion to a greater extent, i.e., when there is greater exposure to peer effects. This could indicate that people are open to listen to other experiences if they are offered reasons. Although these may not be sufficient, and each person would have “good reasons” for making the corresponding choices, a certain willingness to change his or her mind is also observed.

Finally, when analyzing the difference between the situation before and after treatment, considering both treatments, i.e., groups and hypothetical situations (rounds), as mentioned above, the highest variability is observed in the hypothetical situations involving dichotomous decisions.

The following figure shows this observation: in the hypothetical situations that do not represent dichotomous decisions (scenarios 1, 2 and 5), the money was allocated practically in half (50% for each hypothetical subject) and, besides, the decision was sustained after listening to what the others did. However, for hypothetical situations in which people deliberately opposed different spending choices, there is more variability in the allocation of money. For example, in round 3 (which proposed saving for home repair vs. going on vacation), the treatment group with the transparent box (group 2), i.e., the one most exposed to the peers’ decision, changed its decision in favor of a higher level of spending on leisure goods.



Graphics: Money assignment per hypothetical situation and treatment.



Survey results

In addition to the experiment, a second way to assess the peer effect is to observe how individual level features relate to changes in money distribution decisions. This information was obtained from surveys of participants before and after the experiment. First, different variables were evaluated and a gradual selection (or sequential replacement) technique was implemented, observing which of these had influence and which did not. The analysis was restricted to those variables that better explained the change in the money allocated in the first and second rounds.

In this case, the independent variables used were the participant's age and gender². On the other hand, as explained above, two indexes of socioeconomic level and financial inclusion were constructed. At the same time, the security and risk preference variables, which estimate the participants' risk aversion, were included. Finally, we also chose to include the "observes behaviors" variable, which measures whether people take other people's behavior into consideration in their financial decisions. Let's recall that the variable dependent on interest was constructed from the difference in the money allocated to the fictitious characters in the scenarios before and after treatment.

The results show that, as the age of the participants increases, they are more likely to change their decision to allocate money. In this case, for each year increase in age, that difference in money allocated increases a little (\$3 over 1000). Thus, age is a statistically significant predictor of changing money allocation behaviors. That means

² The principal components technique was used on the basis of the questionnaire provided to the participants.

that older people are more likely to change their minds. Therefore, in this sense, they would be more sensitive to peer influence and this could be considered when segmenting government actions to promote financial inclusion according to the age of the population.

At the same time, we found it very interesting to observe that people with higher levels of financial inclusion, evaluated from the index that combines having financial education and owning financial products and services, also modify their decision. That is, higher values in the financial inclusion index (composed of education and financial access) result in a change of approximately \$134 out of a total of \$1000 in the participants' response. This is relevant because higher financial education along with experience in dealing with financial services would influence people's willingness to examine their decisions. On the other hand, gender, risk aversion, and socioeconomic status did not yield significant results; in other words, we cannot confirm that these factors causally explain the change in money allocation.

Scope, actions and avenues for future experimentation

By means of an experiment and an observational survey analysis, we seek to understand the causal mechanism of the peer effect in a low-income neighborhood of the greater Buenos Aires area, where –through Co_Lab– we carried out different interventions and developed a thorough exploration and solutions mapping. Some consequences of the results of this analysis are highlighted below.

Supporting the “first financial step” and taking advantage of the age effect

The results of the experiment show that the greater the degree of exposure to peer opinion, the greater the change in the allocation of money before and after the treatment, i.e., before and after listening to such opinions. As evidence of this fact, a greater degree of variability in this matter is observed for the transparent box group, while the lowest degree of variability occurs in the ballot box group. This global result was observed in the different hypothetical spending situations.

On the other hand, in the more clearly opposed spending scenarios, on the one hand, people allocated the money more unequally between the two options and, on the other hand, they changed more after listening to their peers. In sum, when exposed to a decision between saving for necessary goods (home repair, buying merchandise) or spending on leisure goods, participants initially allocated a higher proportion to the first option. However, the effect of exposure to their peers' opinion (mainly in the group with more information about what the others had done) led them to “relax” and then made up their minds to allocate a little more money to goods that bring them some degree of pleasure (vacations, weekend outings).

The results of the observational study showed that the financial inclusion index and age explained the change in people's spending decisions. Let's recall that the change was measured as the difference between the amount of money shared between two hypothetical characters before and after they listened to what the rest of the group they interacted with in the experiment was doing. A

Photo: Field experiment.
José León Suarez,
Province of Buenos Aires.



The results of the experiment show that the greater the degree of exposure to peer opinion, the greater the change in the allocation of money before and after the treatment, i.e., before and after listening to such opinions.

priori, we cannot appreciate whether this change is based on how vulnerable they were to the influence of others (and, consequently they would hesitate and follow others' opinions), or on a reflective process that would lead them to review their decisions with further elements. But, in either case, we can use this finding to promote tools to work on the capabilities of people in low-income neighborhoods to get informed about the acquisition and use of financial products, as we suggest below.

The financial inclusion index was one of the variables that explained the change in behaviors. The greater the inclusion, the greater the change in making decisions about money allocations. If having financial products and services, along with financial education, results in greater behavioral change, it is to be expected that people who have gone through a learning process will be better prepared to make financial decisions. This process is not merely informative, since the work done demonstrates the importance of associating information with experiential processes and experiences that allow the materialization of new practices and taking in these contents.

The relevance of learning by doing relates to the findings of the solutions mapping in terms of their usefulness for acquiring new financial habits and tools. In this sense, it is worth noting the opportunity for public policy makers to understand the rationale underlying the financial practices of these persons to better appreciate which instruments are best suited to their needs and habits. On the other hand, it is also advisable to support them to take the step of acquiring information and financial products so that they are more willing to make thoughtful decisions. According to the findings, it would be important to promote the "first financial step" idea and provide support to have access to the "first product", since this would lead to a reinforcement effect allowing the person to independently acquire the following ones. In this sense, it is crucial that people have a positive experience that does not undermine their confidence. In other words, it is important that people understand the usefulness and use of financial services, and that they do not lead to losing resources. To this end, it is crucial that financial instruments offer relatively fair and equitable conditions and avoid disappointments that may discourage future experiences. On the other hand, it should be noted that people often have some financial products, but do not necessarily know about them or how to use them; for example, cards to collect State benefits such as the Universal Child Allowance. Consequently, it is also suggested to pursue financial education strategies to enable and promote their understanding and use.

Age was the second variable that explained the change in spending decisions. The older the people, the greater the change in the amount allocated. This could lead to several different interventions. One possible strategy would be to segment information and actions according to age groups. Another probably preferable strategy would be to promote spaces for interaction among adults and young people to achieve a synergy between complementary knowledge. As the solutions mapping showed, younger people are more proficient with digital tools, while the experiment showed that older people are more likely to change their decisions. Based on this finding, workshops can be created where older people can share

lessons or experiences of a reflective process in terms of financial decisions, and younger people can teach the use of new technologies to the older people who need it.

In short, the experiment allowed us to measure changes in the allocation of money before and after the treatment by experimentally varying the degree of exposure of the participants to the opinion of their peers, while the survey shed light on some personal features that are positively related to changing views.

A possible complementary line of action to this analysis could be assessing the peer effect in other financial decisions other than spending; for example, when taking part in a communal bank. This would allow analyzing the density of the networks of relationships at the neighborhood level, to what extent these networks are connected to people who enable access to informal financial services and, eventually, analyzing the drivers that make people use or not use them. For example, it could be assessed whether trust encourages greater integration in informal networks of financial products. Trust has a security dimension that urges people to choose a financial instrument because they will not be disappointed. A second dimension of trust involves respecting the judgment, expertise or authority of people with whom I empathize since I consider them my peers, either because they are like me or they speak my language, or because I have

Photo: Field experiment.
José León Suarez,
Province of Buenos Aires.





In short, the experiment allowed us to measure changes in the allocation of money before and after the treatment by experimentally varying the degree of exposure of the participants to the opinion of their peers, while the survey shed light on some personal features that are positively related to changing views.

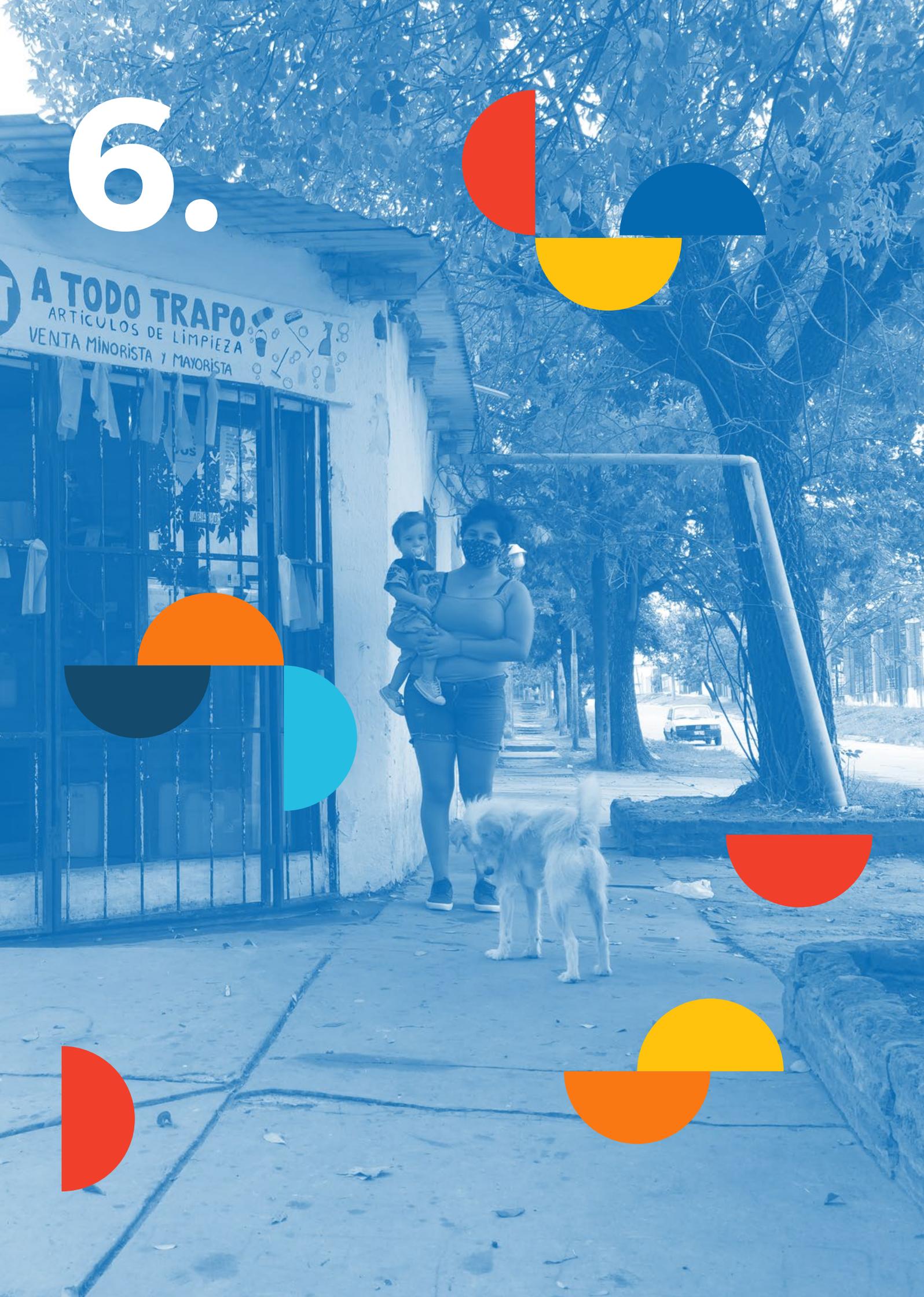
a personal relationship with them. These two dimensions of trust – as security or safeguard, and as influence– operate differently and one does not necessarily lead to the other.

Finally, another topic of interest would be how drivers affect financial decisions according to different payment instruments. For example, an experimental line of work may focus on whether financial decisions are equally volatile or reflexive with different means of payment (physical, electronic or digital). The use of electronic means only to withdraw cash is a challenge for strategies that seek to extend the use of bankarization. That is, having a financial product does not imply its use. In a more general fashion, digital means often go against people’s tendency to feel safer using physical means of savings, such as piggy banks and, in general, to prefer cash.

Photo: Field experiment.
José León Suarez,
Province of Buenos Aires.

6.

A TODO TRAPO
ARTÍCULOS DE LIMPIEZA
VENTA MÍNORISTA Y MAYORISTA



From learning to Action: Portfolio of actions to promote financial inclusion

While doing the financial inclusion learning cycle, we also developed a series of actions in partnership with the government, civil society and academia. Using the tools, methods and lessons learned from the lab, the goal of this set of actions was to promote the financial inclusion of low-income sectors and the related public agenda.

Working with a portfolio of actions is an alternative to the model of designing solutions by elimination. This model, characteristic, for example, of innovation ecosystems, consists of planting many “seeds” to see which one grows. The process unfolds like a funnel through which fewer and fewer solutions pass until one is chosen. These actions unfold as “layers” and are assimilated into the ecosystem of the issue in question, in this case, financial inclusion. The benefits of this approach are: i) it works on existing solutions that are easier to be introduced; ii) it facilitates collaboration with a more diverse and inclusive community of stakeholders; and iii) it allows complex problems to be addressed and understood holistically, making available a critical mass of options.

6.1 Rapid response in the context of the pandemic: financial solutions during lockdown

The pandemic and the measures to prevent it, such as the lockdown established since March 20, 2020, brought new challenges related to the payment chain and the use of financial services.

Therefore, we initiated a series of public actions to deal with these consequences and challenges. First, the #PagaaCuenta (“Pay in Advance”) initiative, which promoted advance payments by electronic or digital means for products and services that would be used at the end of the quarantine lockdown, to avoid cutting off payment chains, particularly for informal workers.

This action was undertaken as part of the measures of the “International Humanitarian Action Network” composed of the United Nations System (UNS), the International Federation of Red Cross and Red Crescent Societies (IFRC) and other humanitarian non-governmental organizations: Adventist Development and Relief Resources Agency (ADRA), Caritas, Red Cross, International Committee for the Development of Peoples (CISP) and Doctors of the World (MdM).

Photo: Field trip as part of the Con Vos experiment in Concepción del Uruguay, Province of Entre Ríos



Images: Digital education campaign #PagaaCuenta

These two campaigns provided explicit information on the use of financial instruments for the unbanked population. The assistance that the federal government established to minimize these consequences involved the distribution of money through electronic or digital means, but many people did not have bank accounts or were not familiar with the use of digital platforms. For this reason, the government created a tool to receive money at ATMs called #puntoefectivo, and we supported its dissemination with a social media campaign.



Images: Digital campaign on the use of financial instruments for the unbanked.

The last campaign focused on raising awareness and explaining the use of banks and digital wallets. In partnership with FONCAP (the Social Capital Fund), we carried out this action to discourage the use of cash in the context of the pandemic and promote the use of these digital tools. One of its benefits included the possibility of collecting the Federal Emergency Income (IFE) established as a result of the social and health crisis.

6.2 Financial education in meal centers

The health and social emergency gave rise to a painful situation, which revealed the higher price that people who do not have enough information on how to operate banking instruments end up paying. In the middle of the lockdown, when banks reopened their doors after being closed for several days, the system collapsed. A multitude of people were exposed to a massive spread of COVID-19, standing in long lines without physical distance to collect their pensions or social handouts. Necessity prevailed over precaution.

In this context, FONCAP proposed to join forces, together with the National Council for the Coordination of Social Policies, the Canteen Care Protocol –activated by COVID-19– to bring financial recommendations to low-income sectors. Together, through 28 training events, we reached more than 250 community meal centers, more than 350 social leaders in the City of Buenos Aires and in 22 municipalities of the Province of Buenos Aires.

In a coordinated fashion, we designed and produced leaflets with simple instructions related to the use of ATMs and debit cards. They include alternatives (places and time schedules) to collect pensions, social handouts and IFE, and some prevention measures for being out in the streets. We also created a sort of “pocket handbook” so that people could carry it in their wallets, together with their cards and

Images: Small pocket handbook on the use of debit cards as part of the financial education campaign in meal centers.





Sacá plata del cajero en cualquier día y horario.

Usá tu tarjeta de débito para comprar sin efectivo.

Podés cobrar tu jubilación, una asignación o el Ingreso Familiar de Emergencia (IFE) con tarjeta de débito en cualquier cajero, cuando quieras y puedas.

La plata queda en tu cuenta. No es necesario retirar el efectivo en la fecha que lo depositan.

Podés pagar con tu tarjeta de débito en cualquier comercio que las acepte.

Está prohibido que te cobren recargos por usar la tarjeta o que te hagan descuentos por pagar en efectivo.

Durante la pandemia es gratis utilizar cualquier cajero de cualquier banco.

Podés extraer efectivo en algunos supermercados y farmacias en el momento de la compra con tu tarjeta de débito.

Si cobrás la AUH o la jubilación mínima, pagando con tu tarjeta te reintegran el IVA (con un tope mensual).

Es más seguro usar tarjeta que efectivo.

Mantené distancia. Evitá tocar la cara en la calle. Usá tapabocas en espacios públicos. Tosé o estornudá en el pliegue del codo. Lavate las manos con agua y jabón contando hasta 20. Cuidado a vos y a los demás.

Argentina Presidencia | Consejo Nacional de Coordinación de Políticas Sociales | FONCAP FINANZAS INCLUSIVAS | Co.Lab Laboratorio de Aceleración PNUD Argentina



Imágenes: Poster and digital campaign on WhatsApp about financial education.

personal documents, a fold-out leaflet (the same size as a card) with all the information necessary to operate ATMs whenever they need it, among other ATM operation instructions.

6.3 Identifying and strengthening capabilities

The purpose of this line of work is to identify ideas that could be promoted within the civil society, and to recognize management capabilities in this area.

Partnership with the Financial Inclusion Lab 2020 of the Development Bank of Latin America (CAF)

At Co_Lab, we joined the support of the Financial Inclusion Lab (LIF) 2020 of the Development Bank of Latin America (CAF) and we are part of the evaluation committee of projects corresponding to Argentina. The objectives of the LIF were: i) to promote innovative technological solutions in the field of financial inclusion that are contributing to mitigate the negative effects of COVID-19 in left behind groups and micro, small and medium-sized enterprises (MSMEs); ii) to scale and replicate the solutions to other countries; iii) to generate investment agreements with the private sector to enhance the chosen ventures; and iv) to strengthen the fintech ecosystem in Latin America.

Work with the United Nations Volunteers programme (UNV)

Solutions Mapping: financial inclusion and socio-economic recovery

Based on our partnership to accelerate the “Territories in action: mapping social organizations facing the crisis” initiative organized by the Observatorio del Conurbano Bonaerense (Observatory of the Greater Buenos Aires Area) –from Universidad Nacional de General Sarmiento, FLACSO Argentina (State and Public Policies, area) and CEUR/CONICET– we advanced in a new instance of mapping solutions for financial inclusion and socioeconomic recovery.

This action consisted in the recruitment of ten young volunteers – from different parts of the country– to act as community mappers of financial inclusion and socioeconomic recovery solutions.

These young people: i) were recruited for standing out as potential agents of change in their communities; ii) received an induction from Co_Lab on the methods of the labs, focusing on solutions mapping; iii) were accompanied on their fieldwork by a team from “Territories in action”; iv) recorded their findings on technical cards; and v) participated in a collective intelligence exercise to share and reflect with all members.

Many of the solutions mapped and recorded in this document were also identified throughout the country; thus, they became patterns that highlight a deep need in the communities. The most prominent case is the informal intermediation of financial services associated with the management of administrative formalities.

Accelerating of solutions

Many of the local issues are common to different cities. Therefore, to explore and promote the acceleration and scale of the digital transition, we collaboratively participated with volunteers from Shaping Horizons, an initiative of the University of Cambridge. The objective was to support the development of a digital program in which teams of young people from different cities assessed local issues associated with financial inclusion. Then, they developed ideas to be implemented digitally. It is based on the concept that the ideas can be effectively developed with the help of innovation tools, mentoring and financial support to enable their implementation and scale.

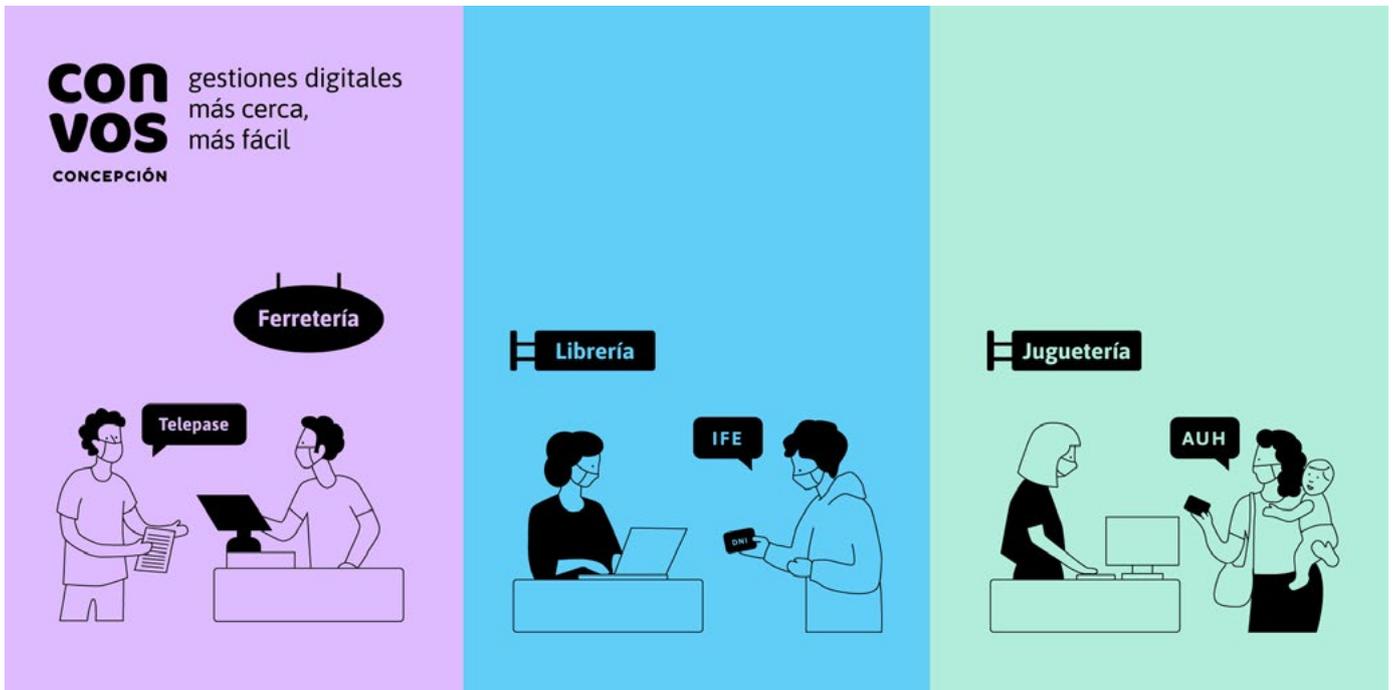
6.4 Financial inclusion self-assessment

With the collaboration of the Local Innovation Network (RIL), we did a collective intelligence exercise with 20 specialists, in order to develop an index to determine the key components of a comprehensive strategy to promote financial inclusion in the municipalities of Argentina, and also to help establish an action plan to advance its implementation and measure progress. Today, this tool allows municipal officials to assess their strategies in different areas of municipal policy and find opportunities for financial inclusion improvement.

6.5 Strategic alliances to test and grow solutions that work: The “Con vos” (With you) Network

Digital transactions in neighborhood stores. Closer, easier

As shown in the mapping in this document and in the UNV mapping exercise, the solutions also showed the pertinence of geographic proximity and interpersonal trust, and how living experiences are important to enable long-term learning. In our fieldwork, we saw that the informal intermediation of financial services and digital transactions materializes these aspects. In partnership with the municipality of Concepción del Uruguay, province of Entre Ríos, we are conducting an action to promote the adoption of these services by stores, and at the same time to experiment on the best tools for the success of this action.



Images: Graphic identity of the Con Vos Network (above). Network merchants in their premises (below).

This activity seeks to promote digital literacy through collaboration among people in the same neighborhood, to develop local markets by improving the management capability of merchants and increasing their sales, and to avoid the gathering of people in offices to take care of their health. Finally, this action has encouraged the municipality to digitize more procedures, thus promoting open government and smart cities from citizenship to government.

This action aims to reach, initially, 31 stores in Concepción del Uruguay district.

6.6 Contributions to the public agenda and a cycle of seminars to promote strategic discussions

To encourage discussions related to the eradication of poverty, the reduction of inequalities and the promotion of resilience to face crises, we organized –in alliance with FONCAP– a series of seminars focusing on creating spaces for exchange and raising awareness of challenges, needs and possible innovative solutions in financial inclusion.

The first seminar dealt with means of payment and the digital divide, while the second addressed innovation in microfinance.

In addition, as a conclusion, we have been invited to participate in conversations with the government and academia. In this sense, it is worth mentioning the participation of Co_Lab members in events in Argentina and the region, organized by institutions such as IDAES, the Mexican College of Sociology, the French Embassy, and the Government of the City of Buenos Aires, among others.

6.7 Interagency project with UNDP Argentina's Gender Area

This project, which we will develop in 2021 in partnership with the Gender Area of UNDP Argentina, is part of an interagency proposal that received the UN COVID-19 Response and Recovery Multi-Partner Trust Fund with UN Women, ILO and ECLAC.

This initiative stems from the need for and importance of working on a survey to identify the needs and problems related to financial inclusion of women from lower-income households. The project seeks to map solutions and advance proposals based on the emerging findings, which may become inputs for the design of socioeconomic recovery strategies in the context of COVID-19. In addition, funds will be channeled to solutions contributed by civil society.

In this way, our intention is to unravel solutions or some components that can improve the quality of life of women and favor their economic autonomy, to promote access to and use of financial services by people who have traditionally been left behind.

Photo: Florist, Buenos Aires.
Credit: Estrella Herrera under Creative Commons license

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Lessons

The Accelerator Lab seeks to identify and test the viability of solutions deployed by people affected by problems with the aim of addressing or solving these problems. In this sense, it is essential to highlight the lessons learned from the learning cycle of the first year of the Co_Lab dedicated to financial inclusion.

Our method takes people as the source of knowledge and does not intend to replace the unavoidable responsibility of the State to provide solutions to include populations historically left behind by the traditional financial system.

The lessons presented below seek to offer elements to consider when designing interventions aimed at improving the financial inclusion of low-income sectors, considering the existence of some sectors that are almost totally excluded from formal financial services, with an increasing indebtedness of households. In addition, financial inclusion in low-income neighborhoods is tied to a particularly complex matrix in terms of supply and demand of products and services, and the income and expenditure structure of worse-off people is very complex.

From exploration, solutions mapping and experimentation, we were able to identify the following aspects that enable financial inclusion.



Trust: along with others

The design of financial instruments for left behind populations must take trust as an input to their work. From the financial solutions implemented by low-income sectors, we can highlight the following aspects:

- Social bonds are crucial to understand people's financial possibilities and preferences. For example, acquaintances can play a key role in obtaining or endorsing a loan, and represent the condition for establishing collaborative dynamics and/or organizational strategies.
- Peers should be considered legitimate role models entitled to promote knowledge or good practices. They have the potential to influence their acquaintances. In addition, spaces that are familiar create comfort in people and facilitate their likeliness to raise doubts or to recognize what they do not know and would like to know, among other advantages.



User experience: How users perceive the solution should not be overlooked

The success of any financial solution, product, or service, whether public or private, depends heavily on the first user experiences being simple, intuitive and inexpensive. The digital transition also brings some new experiences. Therefore, it is important to keep in mind the following considerations:

- There is little room for trial and error when implementing new financial products and services or introducing new financial instruments to worse-off people, as any negative experience associated with using a financial solution may result in a loss of confidence and, therefore, a lost opportunity when promoting financial inclusion.
- When solutions are not adapted to the user, they are used partially. For example, electronic or digital means of payment are often used only to withdraw money, instead of being used as a means of payment. Therefore, they do not fulfill their original purpose and the use of cash could be discouraged. On the other hand, in these cases, the solutions in practice only result in the continued use of cash.
- The widespread use of smartphones does not necessarily mean that users rely on them to perform complex operations, such as those involving cash management.



Living experiences: learning by doing

Mostly, people value learning derived from practice, because, unlike theoretical training, they internalize and apply it in their everyday lives. Living experiences are associated with behavioral changes (incorporation of good habits, use of better tools, etc.), and can be very rewarding for individuals. Hence, the following reflections arise:

- There are certain experiences that, when incorporated, can lead to more complex operations. One should think of cumulative processes, starting from the simplest and most intuitive experiences.
- The administration or management of money represents very abstract tasks. For this reason, it is strategic to think about how such management can be materialized or visualized. As an example, in a communal bank they moved the money from one side of the table to the other, used to congregate its members, to illustrate the debit and credit.

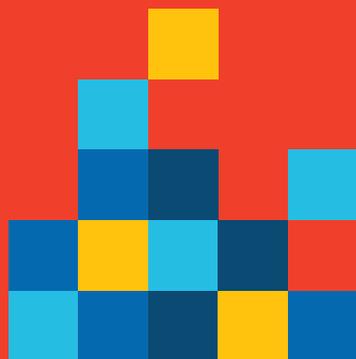
Segmentation: adjusting the target



The pertinence of the solutions must be considered according to the segment of the population or audience to which they are oriented. In this sense, a potential solution for a group may not meet the needs of another.

Especially gender and age considerations, among others, must be considered. For example, the following aspects should be considered:

- To perform a segmentation of the population, it may be useful to assess their access to formal financial services. When people have and use financial services, they are more likely to acquire other products and adopt new financial practices. In other circumstances, people have the products, but do not recognize themselves as users.
- Another segmentation can be sociodemographic. Segmented strategies can be oriented to promote interaction and complementary knowledge. It is evident that young people are more prepared for the transition to the use of digital or platform financial services. Older people have more life experience in their financial decisions. Therefore, a cross-fertilization between these learnings could be promoted through workshops, where the older ones share lessons or experiences of a reflective process in terms of financial decisions, and younger people teach the use of new technologies to the older ones who need it.



Infrastructure: closer is easier

Distances to urban centers represent a major barrier to being able to withdraw money, make payments and apply for loans when neighborhoods lack infrastructure, e.g., ATMs, bank branches or payment centers. In this sense, financial infrastructure could be brought closer to low-income neighborhoods, or access to financial and digital tools and transactions could be facilitated. The work on digital infrastructure involves recognizing the challenges associated with the existing gap and developing solutions tailored to the needs of the low-income population.

Regarding the traditional infrastructure in the neighborhoods, the social branches of banks, served by neighbors, are an alternative in low-income neighborhoods. This modality appears as a gateway to more sophisticated formal financial services, such as credit cards and traditional bank accounts.

In contrast to the traditional offer, the adoption of new financial and digital services by local stores, equipped with computers and Internet access, stands out. In turn, this type of solution boosts local markets, and also decompresses and decentralizes procedures. Moreover, when geographic proximity is combined with other variables, such as peer-to-peer trust, this alternative becomes more meaningful.

People are developing hybrid solutions that combine digital tools and non-virtual transactions. An example of this is the use of social networks or WhatsApp to initiate transactions that are completed in person. However, it should be noted that access to smartphones does not guarantee digital inclusion. Although cell phones in low-income sectors are widespread, their use to promote financial inclusion can often be limited by the age of the device or the space in its memory, and also due to its connectivity to the Internet, either by data or wireless networks.

The solutions that people find have intrinsic value, hence their pertinence to be known. The Labs' working method seeks to explore, map and test them in order to highlight and connect them. The pertinence of these lessons –involving trust, living and user experiences, segmentation and infrastructure– becomes clear when we observe that the solutions that work best for people are those that share several of these elements. Consequently, we stress their importance and suggest that they should be considered in a holistic manner, both for the scale of existing actions and for the creation of new tools that promote financial inclusion and development, contemplating multi-sectoral articulation.

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