### Case Study Overview

<table>
<thead>
<tr>
<th>Case Study Title</th>
<th>Responsible Productive Finance</th>
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</thead>
<tbody>
<tr>
<td>Implemented by</td>
<td>BBVA Microfinance Foundation</td>
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<tr>
<td>Funded by</td>
<td>BBVA</td>
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<tr>
<td>Location</td>
<td>Latin America &amp; The Caribbean</td>
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<tr>
<td>Focus Areas</td>
<td>Financial and/or digital inclusion</td>
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<tr>
<td>Budget</td>
<td>US$ 300 million</td>
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<tr>
<td>Start Date</td>
<td>May 2007</td>
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<tr>
<td>End date</td>
<td>Ongoing</td>
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</tbody>
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**Abstract**

The goal of BBVA Microfinance Foundation (BBVAMF) is to boost sustainable economic and social development of disadvantaged people through *Responsible Productive Finance*, our methodology. Financial inclusion plays a critically important role in reducing poverty as well as ensuring economic and social development around the world, underlining in particular the importance of women’s access to financial opportunities.

The Foundation is a nonprofit institution, created by the BBVA Group in 2007 as part of its corporate social responsibility, focusing on financial inclusion with an initial endowment of €200 million. Its activity is the management and consolidation of a group of 7 sustainable microfinance institutions in 6 countries and the contribution to initiatives that help the development of the microfinance sector. It is based on a strong combination of banking and philanthropy expertise.

The BBVAMF is currently one of the leading philanthropic initiatives in terms of social impact in Latin America: it currently serves 1.8 million customers (low-income entrepreneurs: 83% of total clients are vulnerable of which 35% are classified as poor). 61% of our clients are women. Our 2015 Social Impact Report revealed that 32.5% of the entrepreneurs who were in a situation of poverty when they joined cease to be poor after two years with the Foundation, and three years later, their sales increase by 57%. Since its creation in 2007, the FMBBVA has delivered total loans worth more than 7.9 billion dollars.

The BBVAMF is committed to empower women economically, due to the conviction about the importance of the role of women in the economy and as they are pivotal figures in reducing poverty. Their outstanding potential for entrepreneurship is a driver of prosperity and wellbeing for their families and for the social development of their communities. Giving women the same opportunities to reach their full potential is critical for gender equality (5th SDG) and also meeting a range of sustainable development goals: 1 (no poverty), 2 (zero hunger), 3 (good health and well-being) & 4 (quality education). Women’s financial inclusion contributes to...
problems being addressed

globally, 2 billion adults lack access to financial services, i.e. 38% of adults around the world. In Latin America alone there are 210 million people excluded from the financial system. Gender inequality is present in access to the financial system: in 2014 only 58% of women worldwide had access to a current account, as opposed to 65% of men. In Latin America, 49% of women hold an account while 54% men.

the Foundation has a strong commitment to closing the gender gap in financial inclusion: since 61% of its clients are women, and many of the founding microfinance institutions of our group were previous Women World’s Banks (WWB Colombia y WWB Medellin, and Adopem in Dominican Republic) or were created to target mainly women (Chile).

In the past years, we have seen a significant increase in women-headed households in Latin America (which tend to be a 30% poorer than couple – headed households). Many of them still depend on others for income and 32.7% women have no income. Only 50% women participate in the labor force (compared to 80% men). Women have job market entry barriers (lower education levels, domestic work and childcare, limited mobility and spare time for formal work...). Women usually work in the informal sector, with low income, scarce labor rights and social protection, low stability,...

For many women in Latin America, entrepreneurship appears as the solution to the lack of opportunities in the labor market and as their only source of income. One out of four women is self-employed in low-productivity activities: commerce, food preparation and garment making (which require lower initial capital). Self-employed women are usually rural, poor, old, have low education, are married or widows and combine their entrepreneurship with taking care of family members and home tasks.

Financial inclusion becomes key for entrepreneurship but in Latin America only 49% women are banked. The challenges women face for financial inclusion are:

- **Lower access to formal financial mechanisms**: because of no credit history, incomplete financial statements, limited savings, lower profit records → worst conditions (usually higher interest rates for shorter term loans)
- **Traditionally limited due to a lack of appropriate collateral**: collateral is necessary to secure credit (lenders are no familiar with repayment behavior of individual borrowers). In some countries we find discriminatory property rights (no titles to their land or housing, male co-signing) might prevent women to provide collateral/guarantees).
- **Excessively complicated requirements**: limited mobility and access to networks makes it especially hard for women with unpaid family work. Less financial literacy.
- **Institutional factors**: matrimonial and inheritance laws, cultural practices (legal discrimination to work and earn own income, head a household, choose where to live, receive inheritance conditions access to finance, contracts under their own name)
- Own perceptions that women have more difficult to secure bank loans (anticipation of rejection)
- Caution in the amount of financing and risk they are willing to take on (demand lower amounts and less financial services)

**Approach and Implementation**

The BBVA Microfinance Foundation is committed to targeting poor and vulnerable populations, with 83% of its client base qualified as vulnerable. The BBVA Microfinance Foundation is built on responsible finance principles, strict compliance with legal regulations, good practices, creation of long-term value for all its shareholders and has developed strong partnerships with relevant international and national actors to multiply its social impact.

The BBVA Microfinance Foundation has consolidated a group of sustainable microfinance regulated entities in Latin America in which it holds a majority stake. It keeps its focus on reaching and serving entrepreneurs who face higher barriers when accessing the financial system, through **Responsible Productive Finance** for productive activities. It also provides comprehensive and continuous support to clients through continuous business assessment and financial education.

In addition, the BBVA Microfinance Foundation actively works on the development of the microfinance sector through good corporate governance, human capital training, promoting appropriate regulations and social impact measurement.

What we call **“Responsible Productive Finance”** is the core activity of the Foundation and our financial institutions, where financial products and services are provided to support our clients’ economic activity, pursuing their sustainable economic and social development. The aim of this model is that clients and their economic activities become successful, not only through financial services (credit, savings, insurance, remittances...), but also through comprehensive and continuous support, enhancing their business abilities and financial literacy.

We are focused on creating long-term value for our clients and their growing wealth. Clients are at the center stage. Our credits are given only for entrepreneurial purposes. This model seeks the sustainable development of our customers through the surpluses generated by their businesses. We support just productive activities, because we believe that is the most effective way to generate sustainable wealth in disadvantaged communities.

Responsible Productive Finance means knowing individually our clients, their activities and their household needs, their different cash flows business/home, their profile and type of vulnerability, their family needs and other income-generating activities, the economic viability of their projects, looking for a long-term relationship with an ethical approach. By doing so, we avoid over-indebtedness, which is one of the main threats in the sector today. We recognize the potential that is visible through tangible and intangible attributes such as imagination, commitment, willingness to pay, perseverance, empowerment, sense of responsibility, which are acknowledged and given value.

We also recognize the importance of consumer protection and the need of regulatory environments able to balance financial access with the stability of the financial system.
In addition, the BBVAMF is using technology as a tool for facilitating women’s access to the financial system and for helping ensure that poverty no longer wears a female face. We want to contribute to closing the digital gender gap (200 mill fewer women than men have access to mobiles phones in developing countries and 25% are less likely to be online than men and rely on them to operate. In addition, it seems women prefer human relationship (field staff close enough and technical assistance) Mobility is and will continue to be key to the sector in the future. We are currently working on mobility through omni-channel digital mobility solutions that are completely integrated with the core banking system and the back-office, using four components; the officer, correspondent, entrepreneur and client-care call center.

Results
Since its creation in 2007, the FMBBVA has delivered total loans worth more than 7.9 billion dollars to low-income entrepreneurs. In December 2015 it was serving 1.7 million people, 917,186 had loans. 32.5% of the entrepreneurs who were in a situation of poverty when they joined cease to be poor after two years with the Foundation, and three years later, their sales increase by 57%.

Out of the vulnerable entrepreneurs the BBVAMF supported in 2015 with productive loans 61% were women. 86% of these women were vulnerable (of which 40% are poor or extremely poor), mainly urban, older than 30 years old and less than 50% had primary education. Women progressed faster than the male entrepreneurs: "Women entrepreneurs’ income increases an average of 19.9% as opposed to 11.4% in the case of men, and their assets grow by 31.8% year-on-year compared to 27.4% for men”. While the monthly sales are 23% lower than men and their profit are 25% lower, women allocate 35% more than men to savings.

The BBVAMF’s social measurement system supports the management on its decision making. Every year the BBVA Microfinance Foundation publishes its Social Performance Report “Measuring what really matters” and quarterly reports are produced.

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- Links to additional information:
  - https://www.youtube.com/watch?v=Kg5fH-pvliw
  - https://www.youtube.com/watch?v=ma1zs9sfGHQ

*Disclaimer: The case studies are written by implementing organizations. They do not necessarily reflect the views of the Panel members.*