

The background image shows a silhouette of a person holding the Venezuelan flag high against a sunset sky. The sun is low on the horizon, casting a golden glow over a cityscape with mountains in the distance. A white diagonal line runs from the top left to the bottom right, separating the image into two main sections. The text is overlaid on the right side of the image.

PROVIDING FINANCIAL SERVICES TO FORCIBLY DISPLACED PEOPLE IN ECUADOR

21 NOVEMBER 2023



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Creating Markets, Creating Opportunities

STUDY RATIONALE



The **International Finance Corporation** (IFC) commissioned this study to identify opportunities for fostering financial inclusion for Ecuador's community of **Forcibly Displaced People** (FDPs).



The analysis and perspectives in this report aim to improve the economic integration of migrants and refugees by **generating interest among private financial institutions** in order to improve the provision of financial services to FDP populations.



The report examines how the **private sector can better engage with migrants, refugees and their host communities to promote opportunities for inclusion** and improve access to and use of financial services.

This report is part of a global initiative by the IFC to explore how the private sector can promote financial access and create inclusive economic opportunities for refugees and their host communities.

METHODOLOGICAL STUDY



Desk research, key informant interviews
and a survey of

892 FDP¹



Active participation of
ASOBANCA and UNHCR in
contributing their perspectives
and facilitating the analysis with
timely information.



30 people participated in

5 focus groups



Key informant interviews with
representatives of

16 financial institutions



Assumptions

All individuals in the sample have
regular incomes.

**Estimated figures are not
representative of all PSFs in Ecuador.**

Desk research examined data and
reports from published sources up
to December 2022.

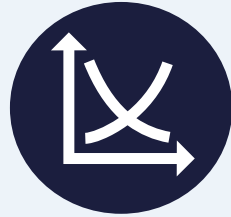
1. The sample is representative of the FDP population in the four main provinces of the country and where at least one member of the household is employed.

2. For the purposes of data analysis, the findings are extrapolated from the market research conducted by A2F.

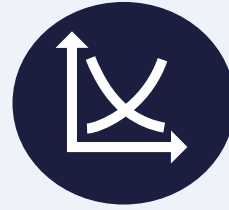
AGENDA



Profile of FDP
community in Ecuador



Analysis of FDP
demand for financial
services



Assessment of the
current supply of
financial products for
FDP



Analysis of the business
case for financial
institutions



Segmentation analysis
of the FDP market



Review of potential
financial products
tailored to FDP



Conclusions and
recommendations for
ecosystem actors

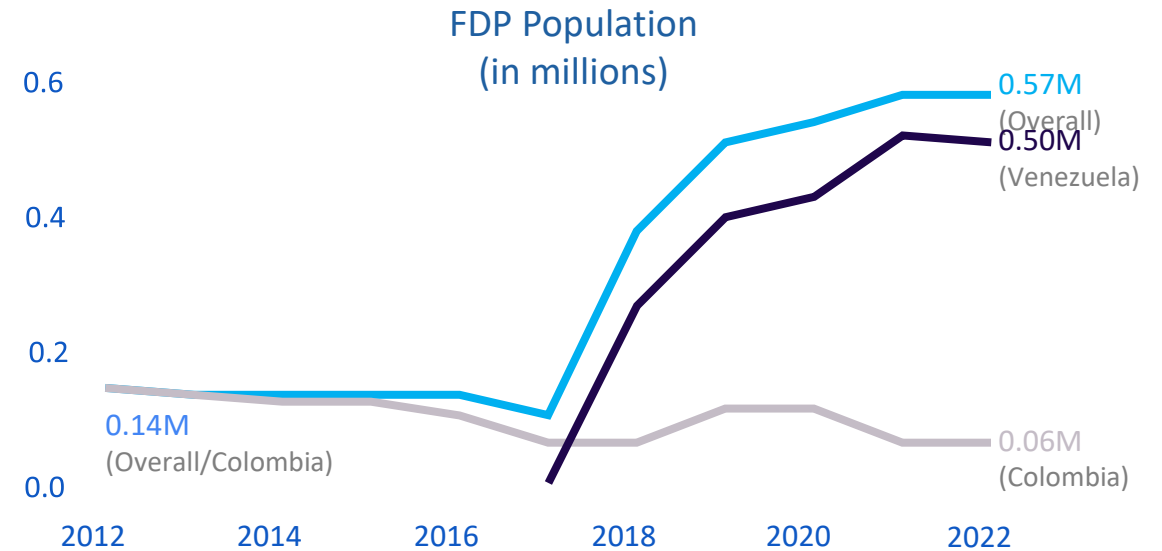
THERE ARE ABOUT 570,000 FDP IN ECUADOR, WITH A RECENT INFLUX DUE TO THE CRISIS IN VENEZUELA



Overview

- There are about **570,000¹** FDP in Ecuador
- The majority of FDP live in urban centers, especially in **Quito** and **Guayaquil**.
- More than 85% of the FDP cited **lack of economic opportunity** as main reason for migration

1. Source: UNHCR Refugee Data Finder (December 2022). Includes all FDPs residing in Ecuador (Refugees, Asylum Seekers, Persons in Need of International Protection). Does not include internally displaced persons.



Source: Own elaboration based on UNHCR refugee data (December 2022).

Main reasons for migrating to Ecuador cited by FDP include:



Lack of Economic Opportunity

86%



Lack of Essential Goods & Services

21%

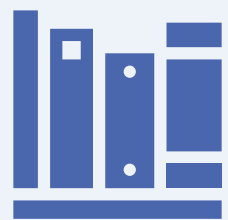


Violence, Persecution, & Human Rights Violations

15%



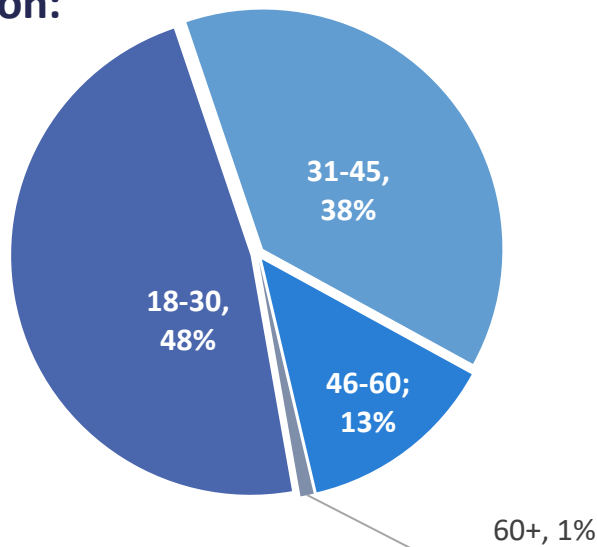
THE MAJORITY OF FDP ARE YOUNG AND HAVE HIGHER EDUCATIONAL ATTAINMENT THAN ECUADORIAN NATIONALS



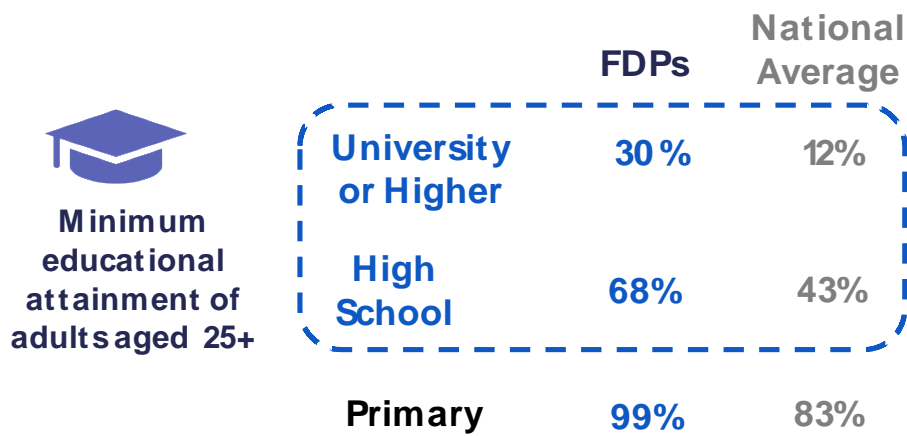
Age, Education & Digital Literacy

- Most FDP (86%) are of **productive age** (18-45)
- Almost 30% FDPs aged 25 and above have a **university degree**
- About 92% own **smart devices** and 89% have **internet access**

Age distribution:

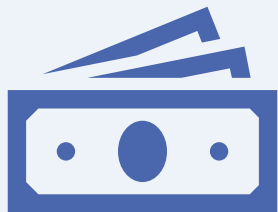


Educational Attainment:



Note: The above figures are extrapolated from market research conducted by A2F.

FDP IN ECUADOR PRIMARILY LIVE IN URBAN CENTRES AND HAVE STRONG TIES TO THE COUNTRY



Income

- **FDP’s median income is \$680**, slightly higher than Ecuadorian nationals’ \$668.
- **40% of salaried FDP individuals have formal jobs**, higher than Ecuadorians’ 31%.

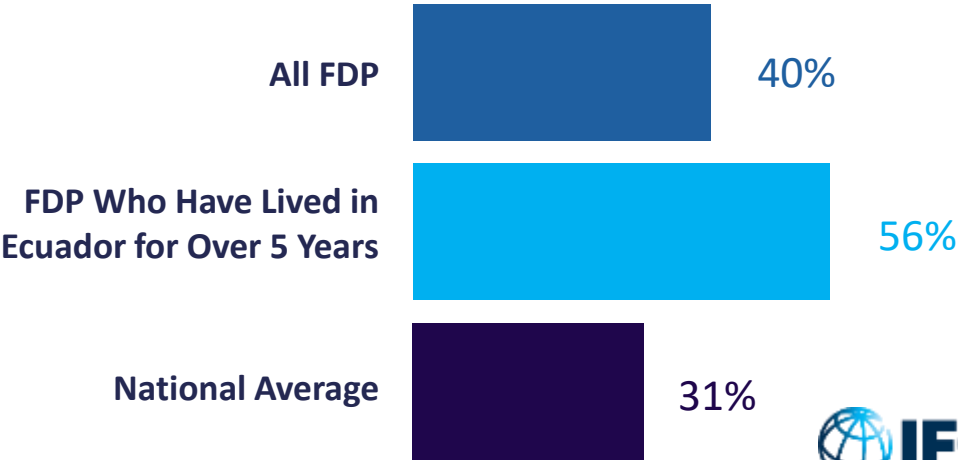
Note: The above figures are extrapolated from market research conducted by A2F..

Assumptions: All individuals in the sample are currently employed so the average earnings of the sampled FDPs are higher than the average earnings of all FDPs currently residing in Ecuador. Estimated figures are not representative of all the PSFs in Ecuador.

Type of Employment:



Share of formal work among Salaried Workers:



82% OF FDP INTEND TO SETTLE IN ECUADOR LONG-TERM



Stability

Close to **two-thirds** of FDPs have regularized status or are in the process of applying.



In-process

An additional estimated **114,000** have **applied for regularization**, and their application is currently being processed.



Regularized

An estimated **180,000¹** FDP have attained a **regularized²** immigration status.



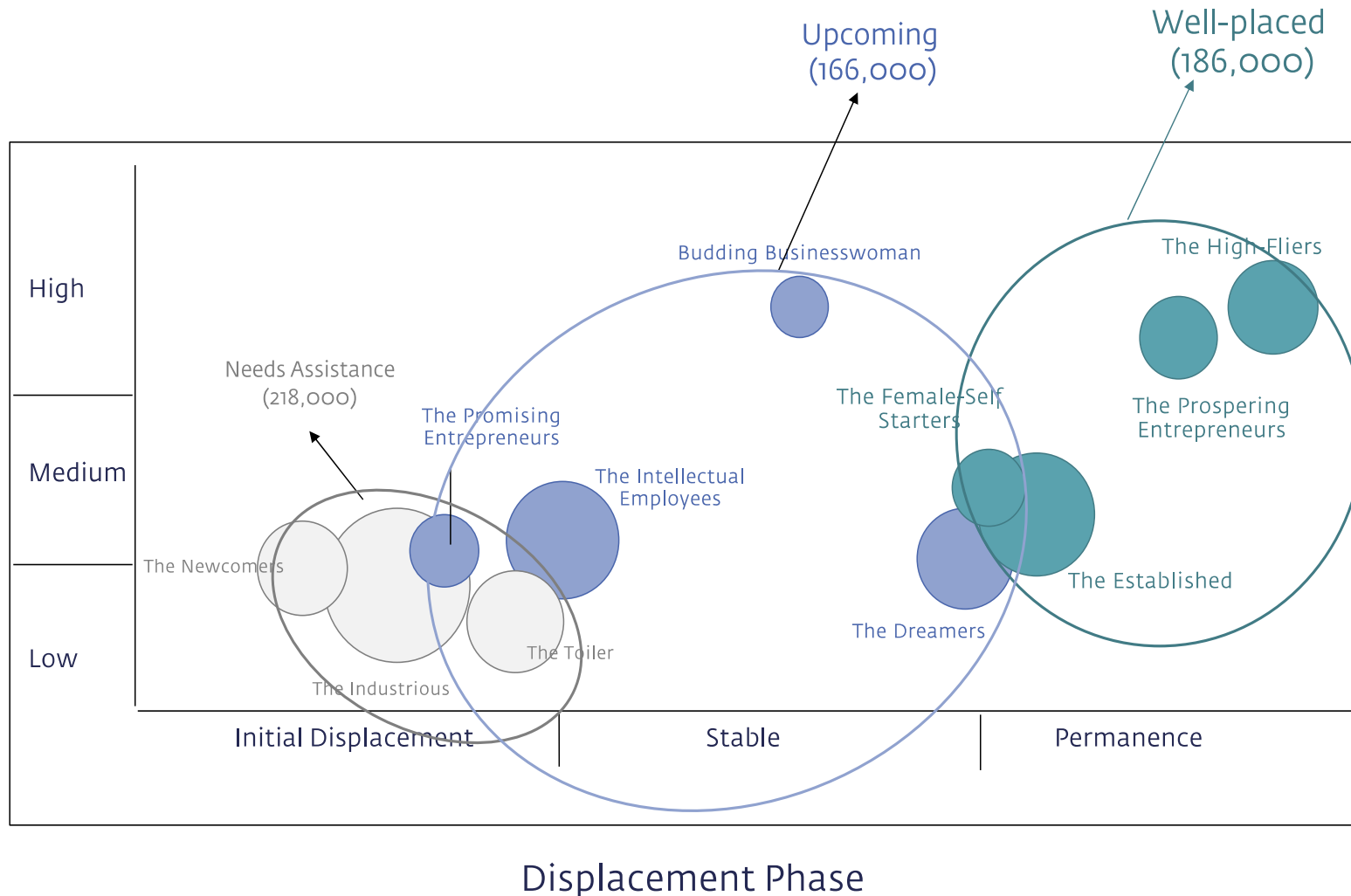
Future Possibility

An **estimated 58,000 plan to apply** for regularized immigration status in the future.

1. The above numbers are extrapolated from the market study conducted by A2F.

2. Regularized immigration status refers to those who have received visas to stay in Ecuador, such as a work visa, student visa, MERCOSUR visa, humanitarian visa, or a temporary exception residence visa (VIRTE) for Venezuelan citizens.

THE MARKET SEGMENTATION YIELDS 11 DIFFERENT INDIVIDUALS WHO CAN BE CLASSIFIED INTO THREE MAIN SEGMENTS



Well-placed

They have favourable socio-economic characteristics and conditions that make them ideal customers.

Upcoming

They have strong potential and/or are on the way to achieving characteristics that will make them good customers.





Need Assistance

They do not yet have the characteristics to be easily served by formal institutions.

The “Well-placed” category is a particularly attractive market segment among FDPs.

FDP MARKET POTENTIAL FOR FINANCIAL INSTITUTIONS IS OVER USD \$2.6B

- The majority of FDP **tend to save** and **own assets**.
- There is a **high demand for productive credit**.
- FDP living in Ecuador have a strong **preference for formal financial products**.
- Most migrants **have experience** using basic financial products.

Product	Current Market Potential among FDP	Current Market Supply by Formal FI
 Loans	USD \$1.40B (Current Requirement)	USD \$126M (Current Portfolio)
 Savings	USD \$675M (Annual)	USD \$183M (Annual)
 Retirement Plan	USD \$327M (Annual)	USD \$13M (Annual)
 Remittances	USD \$239M (Annual)	USD \$20M (Annual)

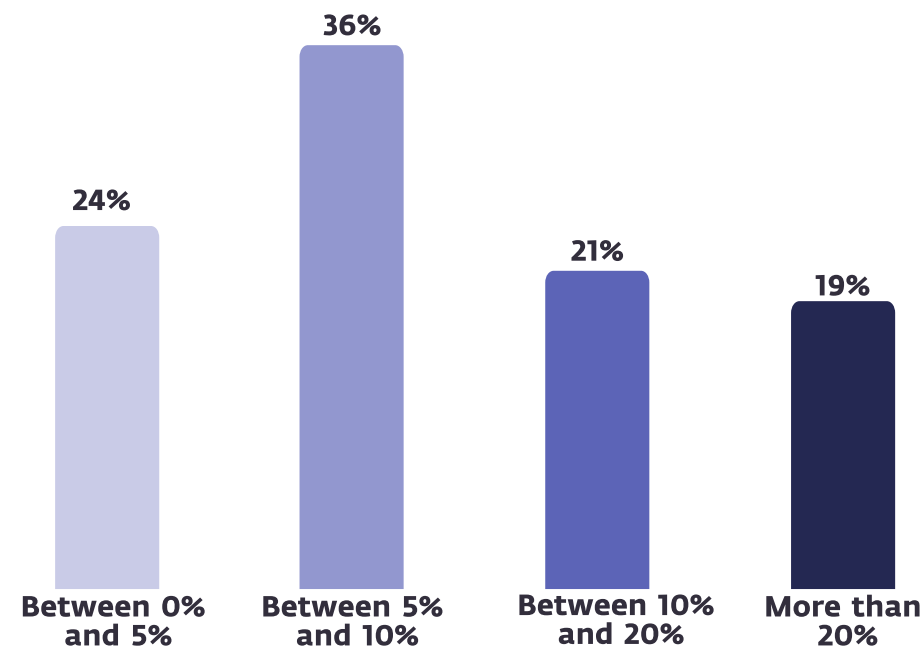
¹ Current market potential among FDP can be defined as the total demand for different financial products and services. This includes demand among FDPs who use formal financial products as well as those who do not.

² The current market potential for loans among FDP was calculated by adding the current requirement (USD \$1.26B) with the loans that are currently being supplied by the formal FIs (USD \$126M) and the loans that are being supplied by informal sources (USD \$10M).

³ Note: The above numbers are extrapolated from the market study conducted by A2F.

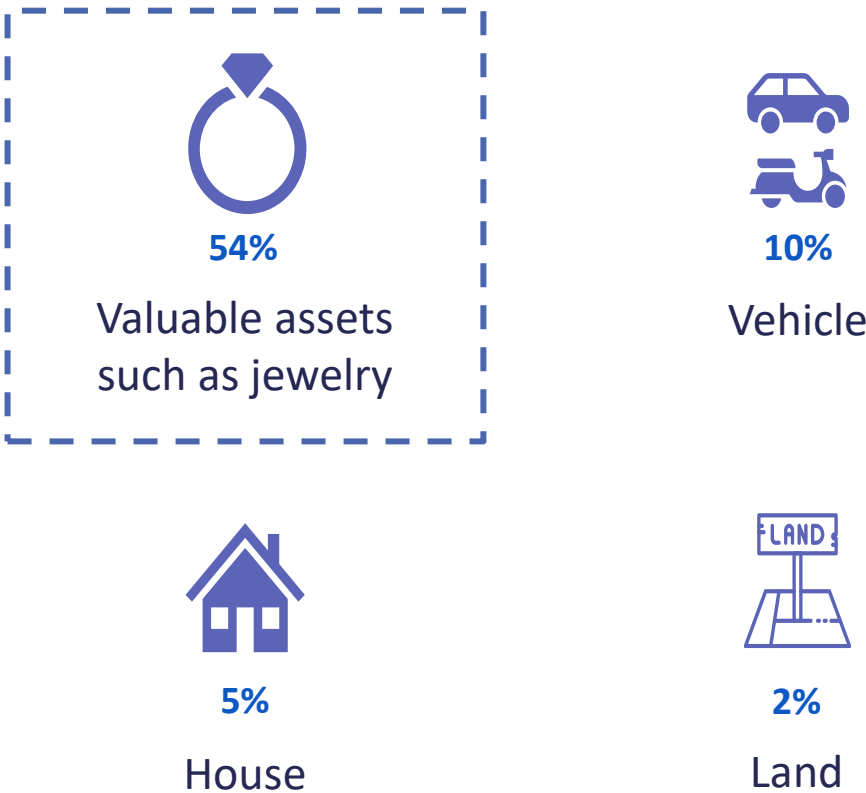
THE FDP ARE SAVING IN CASH AND ASSETS

Savings Rate (in % of income)



Compared to Ecuadorians, a much larger share of FDP has reported savings.

Asset Ownership



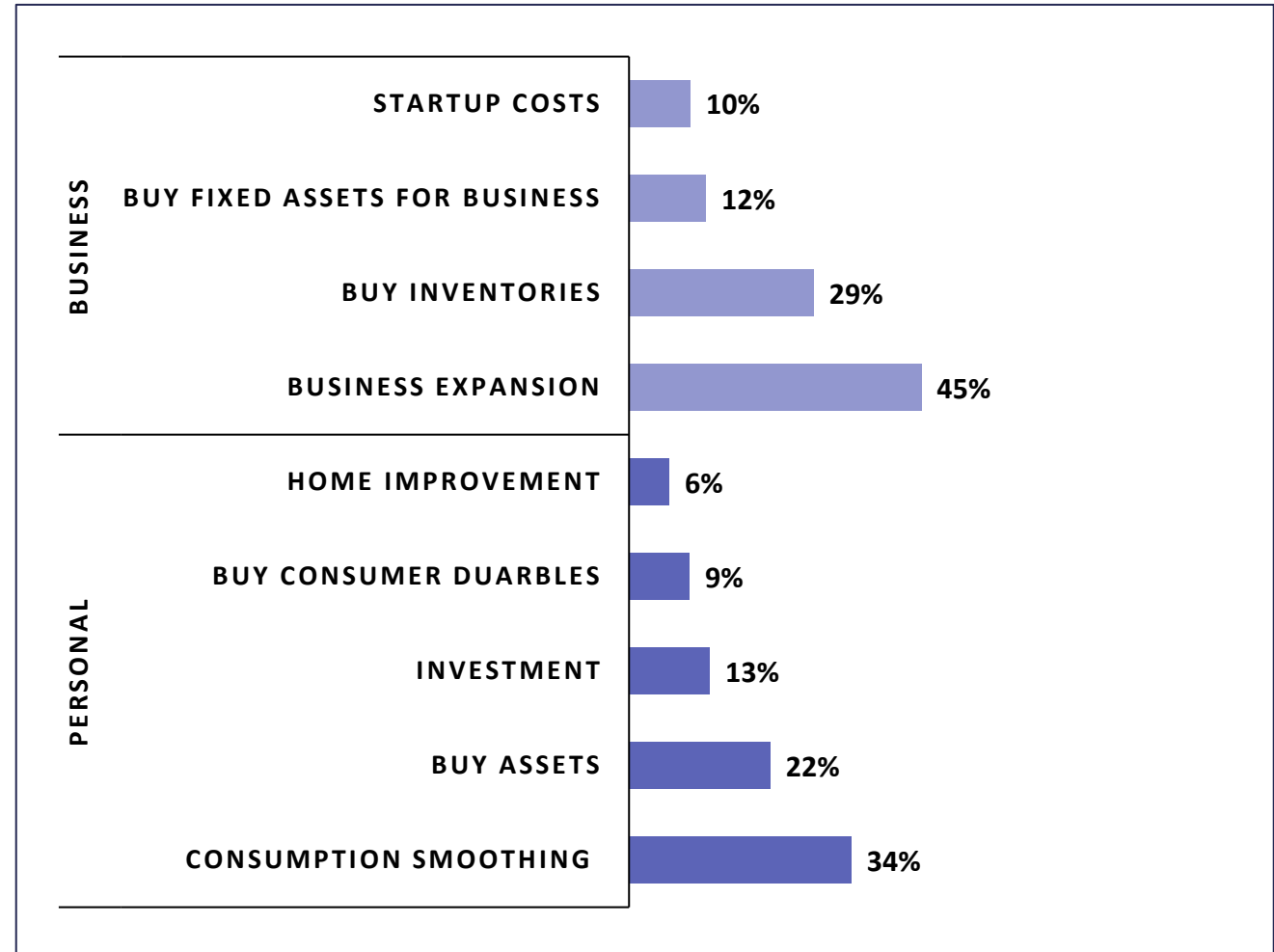
About 60% of FDP report owning some sort of asset in Ecuador.

Note: The above numbers are extrapolated from the market study conducted by A2F.

THE USAGE OF CREDIT AMONG FDP IS LOW...

- Approximately **42,000 FDP (7%)** currently have outstanding loans.
- The average current loan amount is **USD \$3,178**.
- Most loans were taken for business purposes (**51.5%**).
- **126 million** was borrowed from financial institutions and 11 million from informal sources.

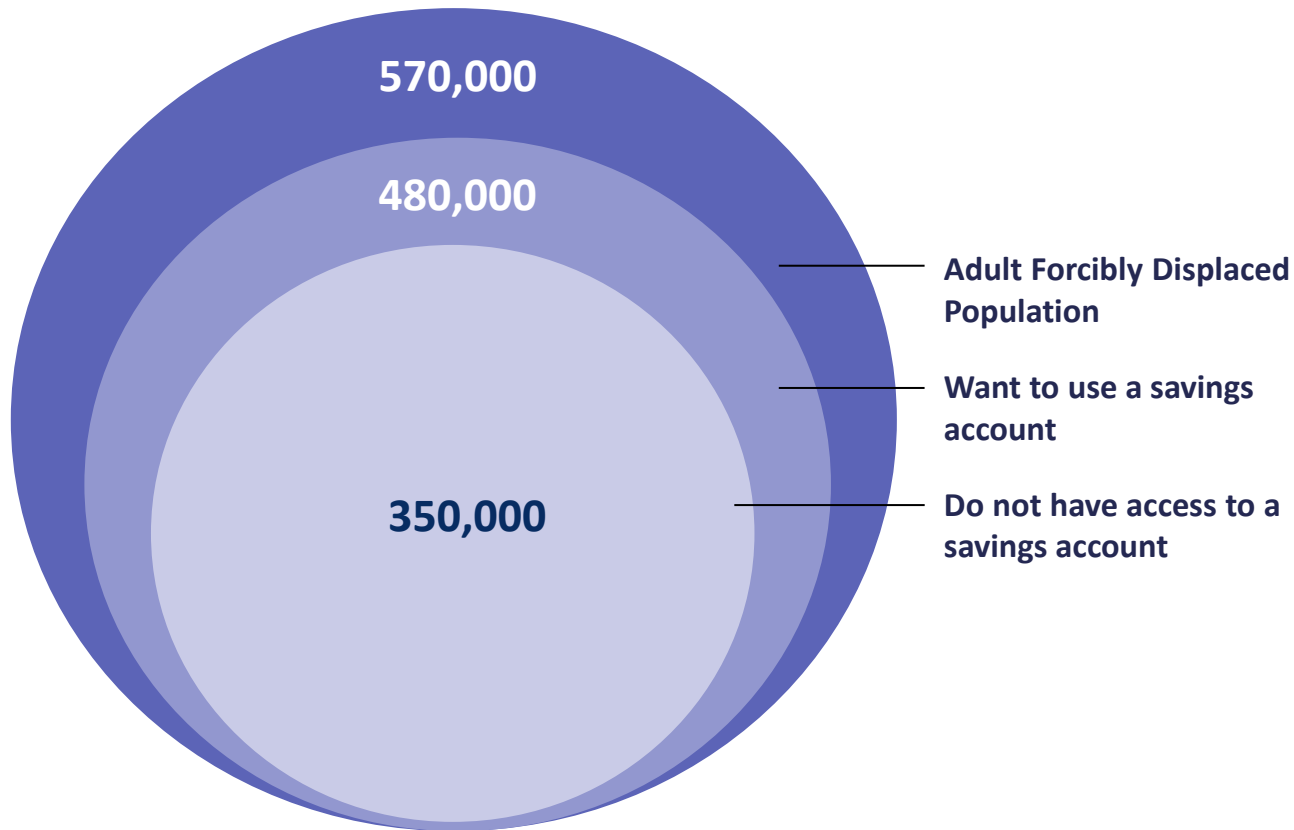
Current Loan Usage



Note: The above figures are extrapolated from market research conducted by A2F.

MORE THAN HALF OF ALL FDP WANT ACCOUNTS WITH FORMAL FIs

Distribution of Savings Account Access and Usage among FDP



- **About 130,000** already have a savings account.
- **About 350,000** do not have access but want an account.
- **About 25% of all salaried FDP** possess a savings account
- **About 58% of regularized FDP** have savings account

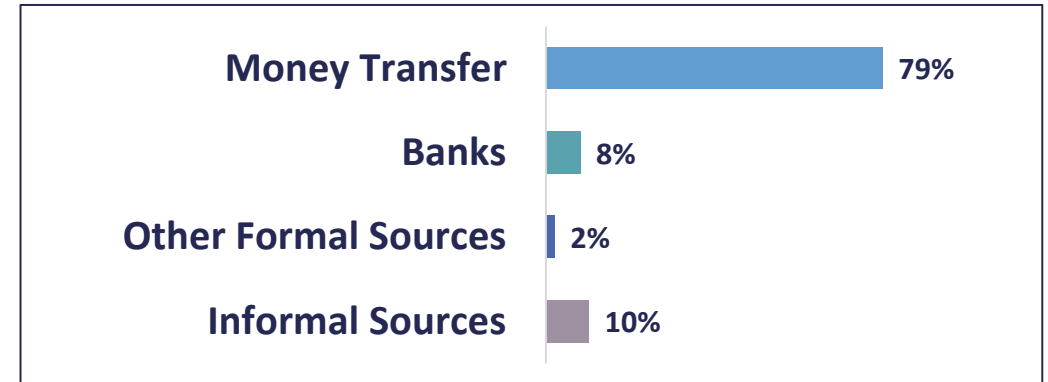
Note: The above numbers are extrapolated from the market study conducted by A2F.

REMITTANCES ARE CURRENTLY THE MOST USED FORMAL FINANCIAL SERVICE

Current Status of Remittances Among FDP

About 342,000 (60%) of FDP currently send remittances back to their home countries.

Mode of Sending Remittances



The average **annual remittance** amount is **USD \$700**



10

Average number of annual remittances sent by FDP in the previous year

\$70

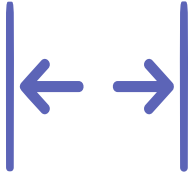
The average size of each transfer

12%

Average share of remittance to average individual income

Note: The above numbers are extrapolated from the market study conducted by A2F.

FDP ARE INTERESTED IN INVESTING IN LONG TERM RETIREMENT PLANS



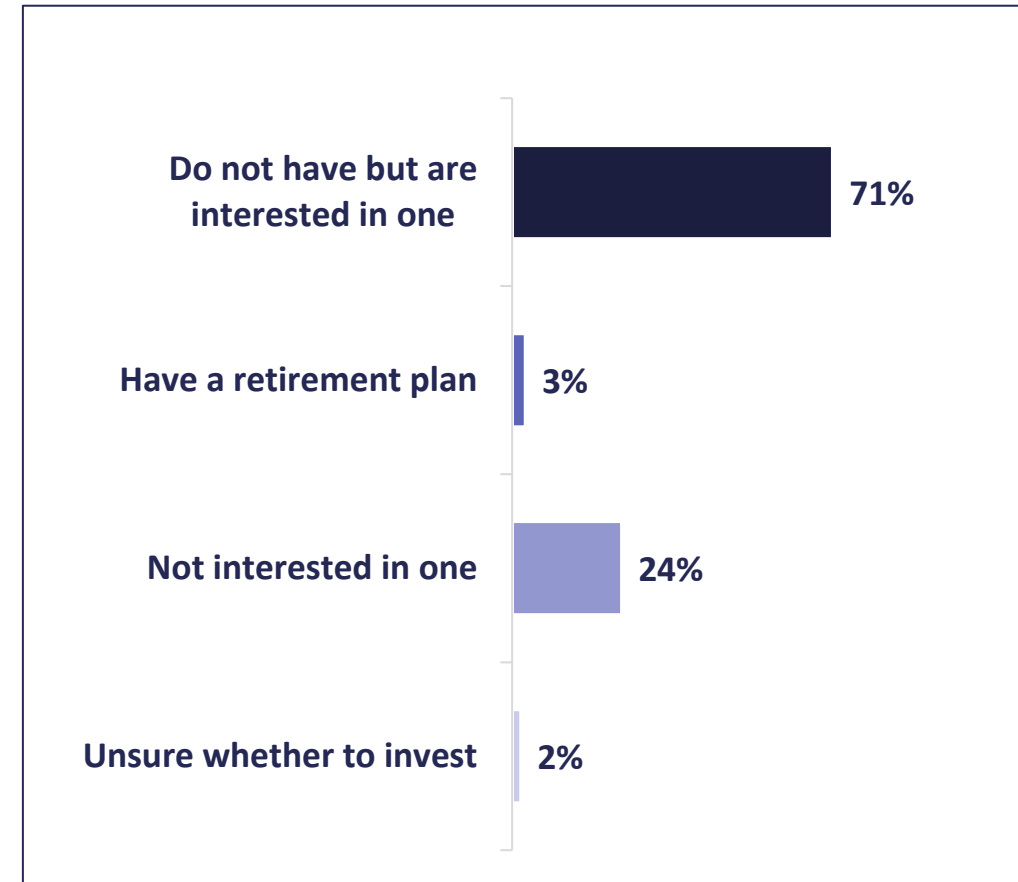
There is a large demand for retirement plans.



This demand could potentially rise further.

- The financial situation of workers may change.
- More and more workers are approaching the optimal retirement age.
- The existence of more taxes induces early retirement.
- Poor health leads to early retirement.

Demand for Retirement Plans



Note: The above numbers are extrapolated from the market study conducted by A2F.

FDP ARE ALSO INTERESTED IN DIGITAL PRODUCTS SUCH AS DEBIT CARDS AND MOBILE BANKING



Debit Cards

- More than **351,000 (60%)** FDP, have a **willingness to use debit cards**.
- Only **76,000 (13%)** currently use debit cards.



Credit Cards

- Approximately **251,000 (44%)** FDP, want to use a credit card.
- Only **17,000 (3%)** of FDP have access to this product.



Online/Mobile Banking

- More than **150,000 (26%)** FDP, are willing to use **online banking**.
- Only **74,000 (8%)** of currently have **access to online/mobile banking**.

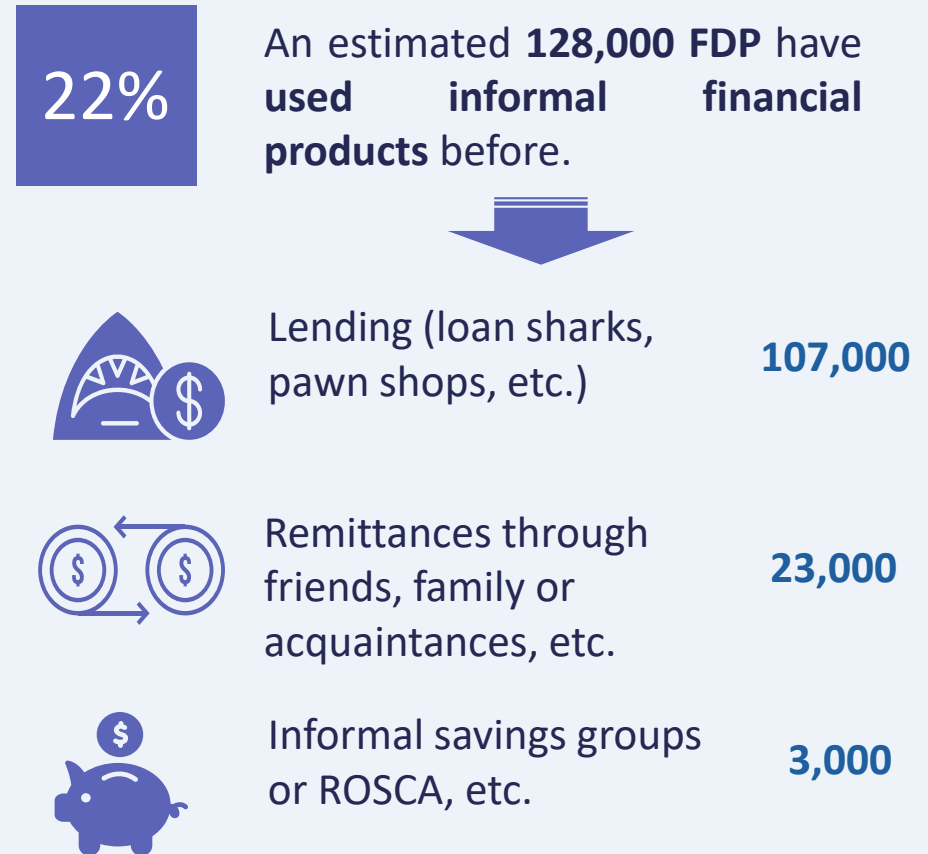
Note: The above numbers are extrapolated from the market study conducted by A2F.

FDP OVERWHELMINGLY PREFER FORMAL FINANCIAL SERVICES

Access to Formal Financial Institutions

- Approximately **180,000 FDP (31.5%)** currently have access to an account with a formal FI in Ecuador.
- Approximately **390,000 (68.5%)** FDP in Ecuador currently **lack access** to an account with a **formal FI**.

Use of Informal Products








Note: The above numbers are extrapolated from the market study conducted by A2F.

THE “WELL-PLACED” SEGMENT IS LIKELY TO BE THE MOST ATTRACTIVE TARGET FOR FINANCIAL INSTITUTIONS, BUT UPCOMING AS WELL

		WELL-PLACED (185,500)	UPCOMING (166,100)	NEEDS ASSISTANCE (218,300)
Persona		<ul style="list-style-type: none"> The High-Fliers (44,900) The Female Self-Starters (30,100) The Established (76,400) The Affluent Business Owners (34,200) 	<ul style="list-style-type: none"> Budding Businesswomen (18,100) The Intellectual Employees (70,300) The Promising Entrepreneurs (26,100) The Dreamers (51,600) 	<ul style="list-style-type: none"> The Industrious (120,600) The Toilers (52,900) The Newcomers (44,900)
Reasons	Stability	<ul style="list-style-type: none"> Have received regularized status, indicating settlement Highly educated Relatively high income 	<ul style="list-style-type: none"> Settling in and have applied for regularization; willingness to settle Highly educated Relatively high income 	<ul style="list-style-type: none"> Either newly arrived or have lived in the country for a long period without regularization Moderately educated Lower income
	Education			
	Income			
Target FIs		<ul style="list-style-type: none"> Banks, Fintech 	<ul style="list-style-type: none"> Microfinance, Fintech, Banks 	<ul style="list-style-type: none"> Microfinance / NGOs

Note: The above numbers are extrapolated from the market study conducted by A2F.

THE UNTAPPED DEMAND FOR FINANCIAL SERVICES OF THE WELL-PLACED SEGMENT IS IN EXCESS OF USD \$1 BILLION

	Savings	Long-term Savings	Loans	Remittances	Insurance*
					
Well-Placed	USD 110.3M	USD 124.8M	USD 250M	USD 96M	USD 707,000
Upcoming	USD 181.8M	USD 90.6M	USD 280M	USD 54M	USD 1.6M
Needs Assistance	USD 163.5M	USD 87.0M	USD 650M	USD 69M	USD 852,000
Subtotal	USD 292.6M	USD 302.4M	USD 1,180M	USD 219M	USD 3.2M
Total	USD 1,996.8M				

*Cost of private health insurance is estimated at USD 59 per member. Number of beneficiaries have been adjusted to include children
Source: <https://www.celag.org/wp-content/uploads/2022/02/2022-02-07-mercado-de-seguros-de-salud-v6.pdf>

INTERNATIONAL EXPERIENCE CAN PROVIDE VALUABLE INSIGHTS ON BUILDING TAILORED FINANCIAL PRODUCTS FOR THE FDP MARKET

Country	Product - Bank	Product Description
Chile	Microcredit and financial advice Galgo (previously Migrante)	Housing and vehicle financing for migrants
Colombia	Microcredit Bancamia & Banco W	Traditional microcredit, including through digital channels
Peru	Microcredit Financiera Confianza	Microcredit covering a wide-range of expenses
El Salvador, Indonesia, Spain	Repatriation / Emergency Insurance Seguros Futuro (El Salvador), Caixa Coop (Spain)	Insurance package for migrants to cover repatriation, disability, medical expenses, unpaid wages, deportation, and physical abuse.



Potential Avenues for Product Innovation in Ecuador
Savings Accounts with streamlined ID requirements
A Credit Product with flexible terms and interest options will be of interest to the FDP
Long-term Savings Products
Digital App based Remittance Products

THE FEEDBACK FROM THE FINANCIAL INSTITUTION SHOWS AN OPEN ATTITUDE TOWARDS FDP

Positive

"We are interested in working with regularized migrants, we consider that the market is attractive despite not currently having specific products for this segment."

"The profile of most of them corresponds to people with a good educational level and with an entrepreneurial spirit."

Neutral

"This sector would be attractive only to large financial institutions because it would help them socially in marketing aspects."

"It is necessary to provide information to FIs about the different groups of migrants in order to serve them sustainably."

Pessimistic

"When applying a credit, a high level of risk is considered due to the potential displacement (mobility) of migrants"

"For the delivery of microcredits, socioeconomic stability is sought, and immigrants do not have it"

ECUADORIAN FIs CURRENT ENGAGEMENT WITH FDP REMAINS LIMITED DESPITE THE STRATEGIC OPPORTUNITY

Common Misconceptions



Unstable



Low Income



Limited Financial Literacy



Limited Product Usage

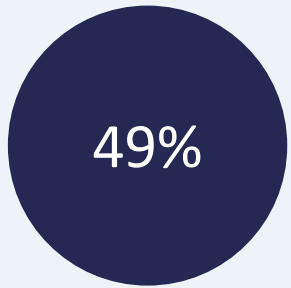


Banco Pichincha is leading the way!

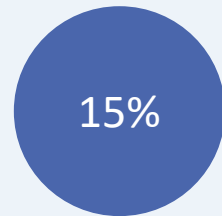
- Since 2019, Banco Pichincha lets migrants use its ATMs without an active account through an NGO agreement.
- Through its CRISFE foundation, it offers financing, training, and regular support to refugee entrepreneurs.
- More than **2,300 start-ups** have been reportedly incubated under the program.

ECUADORIAN FIs CURRENT ENGAGEMENT WITH FDP REMAINS LIMITED DESPITE THE STRATEGIC OPPORTUNITY

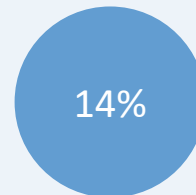
Banco Pichincha was the primary financial service provider among FDP with bank accounts in the survey.



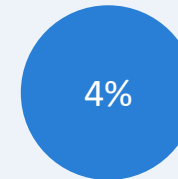
Banco
Pichincha



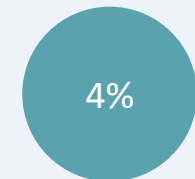
Produbanco



Banco
Guayaquil



Banco
Pacífico



Juventud
Ecuatoriana
Progresista

EXCESSIVE REGULATIONS ARE A MAJOR BARRIER TO FINANCIAL INCLUSION

The current **regulatory framework**, through absolute and in some cases excessive controls, both on interest rates and fees, **does not allow the financial sector to reflect the dynamics of the markets.**



Interest Rate Ceilings

In the country there are legal maximums on interest rates that prevent them from adjusting to the reality of supply and demand. The existence of interest rate ceilings distorts the credit market, promoting financial exclusion, which mainly affects the most vulnerable, including the FDPs.



International Context and Financing

The increase in the interest rate by the US Fed directly affects the cost of funding for Ecuador, as this increases the cost of external financing and limits liquidity. Consequently, it pushes up the lending rate, which is at the ceiling set by the regulator. The situation produces financial exclusion in the country.



Informal Financial Market

Excessive price control regulations on interest rates favor the development of an informal financial market with interest rates above 1200% (Equifax, 2021). PSFs are victims of the informal financial market.

STRUCTURAL BARRIERS ARE ANOTHER IMPORTANT CONSTRAINT

Barriers of exclusion and self-exclusion remain important for the financial inclusion of migrants and refugees in Ecuador. Financial institutions should help migrants and refugees address the challenges with innovative solutions to achieve a higher level of inclusion.



Inadequate Documentation

Lack of acceptable documentation is the most reported barrier to the financial inclusion of FDP from the perspective of FIs.



Employment Verification

Because of the lack of regularized status, most FDP work in the informal sector, this makes processes like employment verification difficult.



Lack of Credit History

As FDP are new to the country, **they lack an established credit history**, this excludes them from most credit products as it becomes difficult to prove credit-worthiness. Interest rate ceilings prevent IFIs from widely offering credit to customers with no track record.

CONCLUSION: THE FDP MARKET IS A STRATEGIC OPPORTUNITY FOR ECUADORIAN FIs



- Close to 82% of **FDP want to settle long-term** in Ecuador. Most live in urban centers.
- FDP currently living in Ecuador **are economically stable and financially prudent**.



- The segment has a particular **need for loans and long-term savings products**.
- While **the opportunity is still underserved**, Banco Pichincha leads the way in serving FDP in Ecuador using programs such as *Sin Fronteras* and *Bono Migrante*.
- **Increasing awareness could lead to a significant increase in engagement** with FDP by the FIs.



- The current **regulatory framework**, through absolute and in some cases excessive controls, both on interest rates and fees, **does not allow the financial sector to reflect the dynamics of the markets**.



- Here's a shorter version: "Engaging with FDP has a strong business case with a market potential of \$675M annually for savings and \$1.40B for loans."

HOW TO MAKE WORKING WITH FDP HAPPEN?

1

Building confidence and ensuring product affordability is fundamental.

2

Learning from international experience can help improve financial inclusion for migrants.

3

FIs should leverage innovative digital technologies to facilitate transactions with FDP.

Potential Areas for IFC Collaboration

Advisory
Support



Upstream



Investment

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Creating Markets, Creating Opportunities

