

# THE ECONOMIC OPPORTUNITY FOR FINANCIAL INCLUSION OF FORCIBLY **DISPLACED PERSONS** BY THE FINANCIAL SECTOR IN BRAZIL



**IFC**

**International  
Finance Corporation**  
WORLD BANK GROUP

*Creating Markets, Creating Opportunities*



February 22<sup>nd</sup>, 2024  
São Paulo

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# Contents

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Motivation and context of the study	3-4
Characteristics of forcibly displaced persons (FDP)	5-11
Financial needs and market segmentation	12-24
Business opportunities for financial institutions (FIs)	25-35
Conclusions and recommendations	36-38

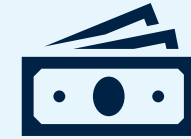
# Motivation of the study



The **International Finance Corporation** (IFC) commissioned the study to identify opportunities to promote the financial inclusion of **Forcibly Displaced Persons (FDP<sup>1</sup>) in Brazil**.



The analysis and perspectives of this study aim to **generate interest and awareness among private financial institutions** to improve institutional strategies that recognize the economic opportunities related to the financial inclusion of refugees and migrants in Brazil.



The study examines **how the private sector can engage with migrants and refugees to promote access to and use of financial services**, illustrating the additional market potential and strategic opportunities for financial institutions.

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

1. For the purpose of this study, FDP include refugees and migrants who have been living in Brazil for more than six months.

# Objectives and methodological approach of the study

Various techniques were used to collect and analyze the data

## Objectives of the study

- ❑ Understand the realities of the population of Forcibly Displaced Persons (FDP).
- ❑ Understand the needs and challenges of FDP in accessing funding.
- ❑ Identify the barriers and opportunities for financial institutions to comply with FDP.
- ❑ Identify the asymmetries between the demand for and supply of financial services and products that serve the FDP community.
- ❑ Determine business opportunities for FIs interested in serving FDP.

## Demand side



1070

Answers to the survey

8



Focus groups  
with 69 participants

28



In-depth interviews via  
WhatsApp

## Supply side

16



Mapped FIs  
through documentary  
research

12

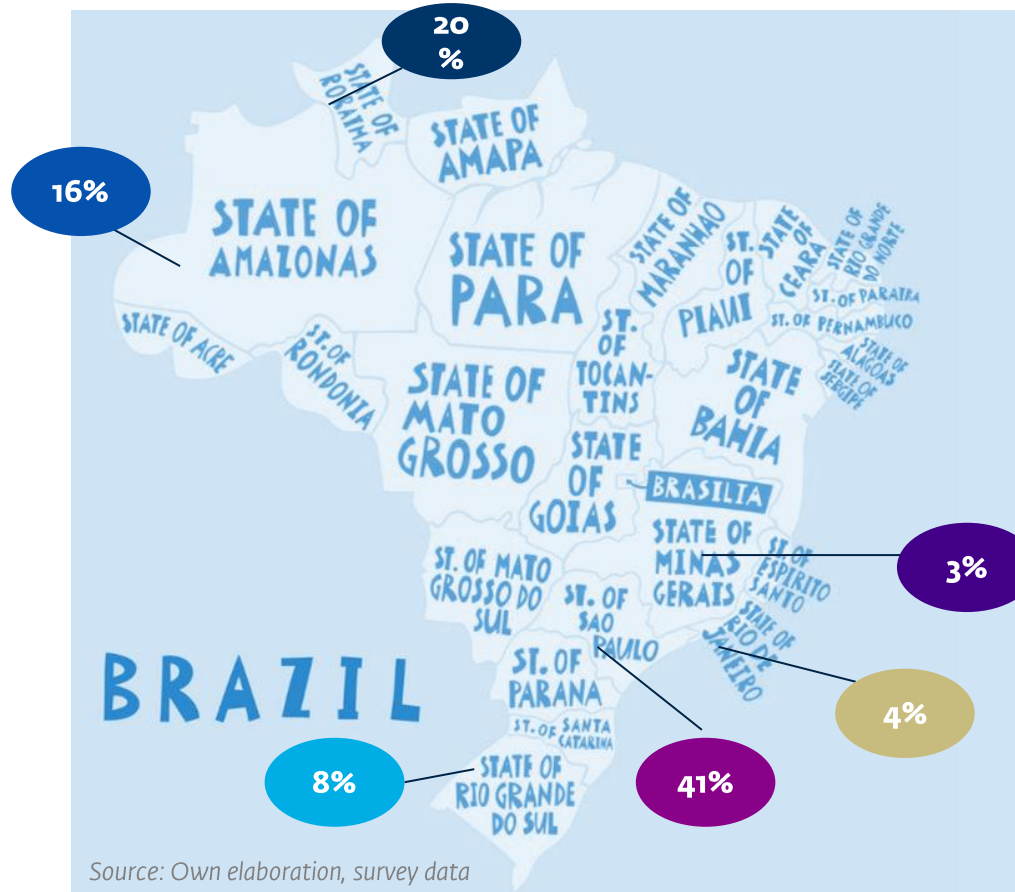


Interviews with FI  
representatives

# Characteristics of the FDP population

# There are around **1.5 million refugees and migrants<sup>1\*</sup>** in Brazil, with a recent influx due to the crisis in Venezuela

## Refugees and migrants settled by most common states, August 2023



- ❑ More than **7.3 million Venezuelans have left their country** in search of international protection and better economic opportunities <sup>2</sup>
- ❑ **Brazil is the third most common destination for Venezuelan migrants**
- ❑ Since January 2017, **more than 560,000 Venezuelans have been registered and documented in Brazil**, as well as 150,000 refugees from other countries <sup>3</sup>
- ❑ By December 2023, **122,700 FDP had moved from Roraima to other states** to find better job opportunities <sup>4</sup>
- ❑ **São Paulo** is the state with the highest concentration of refugees and migrants due to economic opportunities

Sources:

1. OBMigra Consolidated Immigration Data for Brazil 2022- \*The total of 1.5 million immigrants includes FDP and other types of immigrants

2. UNHCR USA 2023 <https://www.unrefugees.org/emergencies/venezuela/>

3. UNHCR 2023 *Populations in need of international protection*

4. IOM 2023 *Report on Assisted Displacement of Venezuelans Jul23 - v4 (iom.int)*

# Brazil's legal framework for refugees and migrants is one of the most advanced in Latin America

Once the asylum application has been submitted, the refugee receives a refugee application protocol, valid for 1 year, renewable annually, and the following Brazilian documents: (Decree 9.277/18; Law 13.455/17):

- ❑ Provisional National Migratory Registration Document (DPRNM) or National Migratory Registration (RNM)
- ❑ Individual Taxpayer Registration (CPF)
- ❑ Work and social security card (CTPS)



These documents allow :

- ✓ **Access to basic services, including financial and health services**
- ✓ **Permission to work**

## Specific regulations for Venezuelan and Haitian refugees

- ❑ In 2018, “*Operação Acolhida*” (*Operation Welcome*) was launched to welcome Venezuelan asylum seekers at the border with Brazil
- ❑ In 2019, the refugee identification process was simplified for Venezuelan asylum seekers
- ❑ In 2012, special regulations for Haitians were passed, recognizing their need for reception and humanitarian protection and in 2021 the same was done for Afghans



# FDP are documented, seek to remain in Brazil and have family and income stability



**99% are documented**

enabling them to access formal employment, public services and financial services

**91% have** temporary or permanent **residence**

**88% intend to stay** in Brazil

**58% have been in Brazil** for at least 2 years

**73% have** reunited **their families**

**58% of those formally employed have been employed** for more than 1 year

**64% of entrepreneurs have had their micro and small business** for more than 1 year and **30% for more than 3** years

Source: Own elaboration, survey data



# FDP are economically active and generate income

**66% of FDP are economically active**

**32% have a regular income** from formal employment.

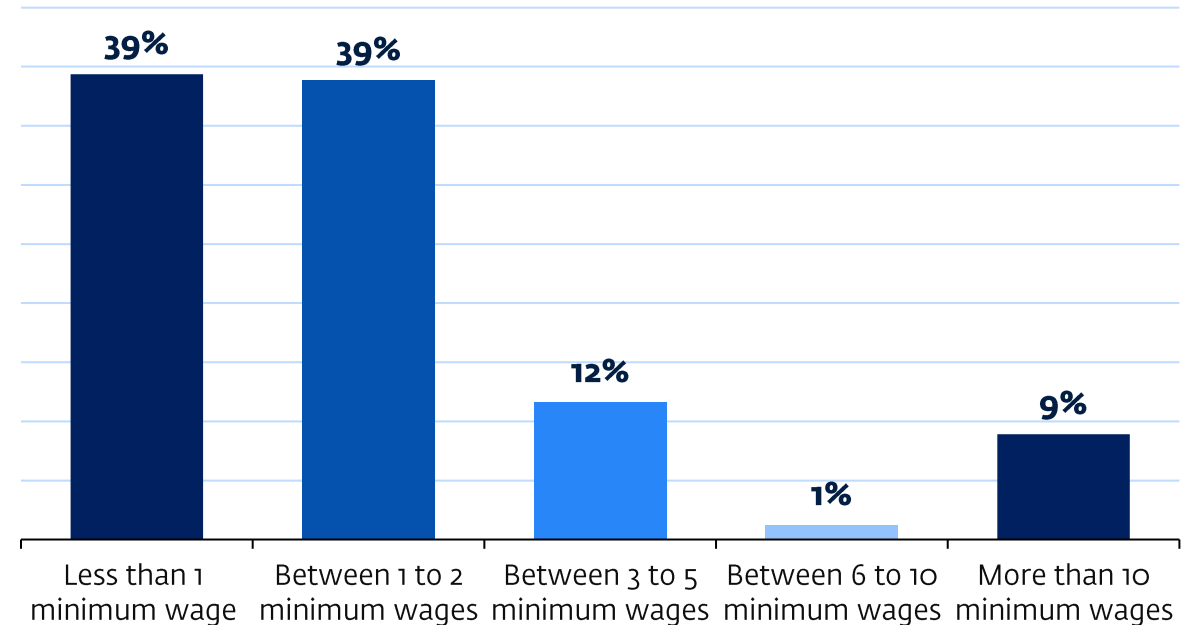
**16% are self-employed** and MEI/micro/small entrepreneurs.

**17% have a formal employment contract**

Source: Own elaboration, survey data; The minimum wage was R\$1,320 in 2023

<sup>1</sup> Result calculated based on survey responses

## FDP income distribution



- ❑ R\$3,700 is what a migrant earns on average per month.
- ❑ 78% of the FDP population earns up to 2 minimum wages.

# The majority of FDP are young, female and have a higher level of education than the average Brazilian citizen

## Key demographic data

**51% of PDFs are under 35**, which indicates substantial potential for workforce development as well as an opportunity to develop relationships with financial service providers.

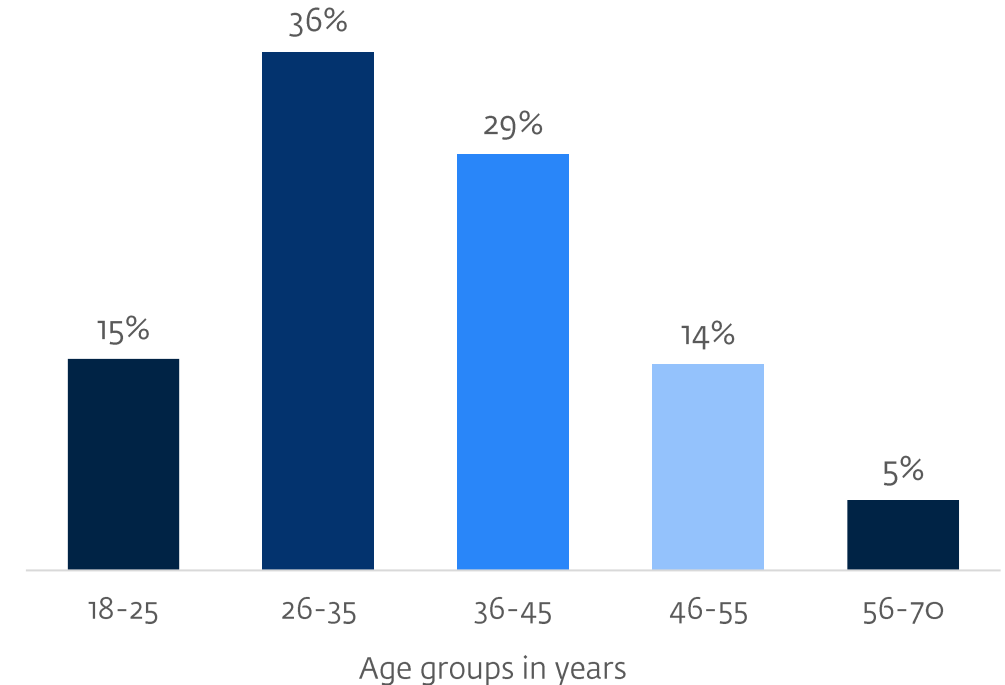
**68% of FDP are women**, which reflects the feminization of displacement in recent years as well as the opportunity to expand banking approaches focused on women.

**36% of FDP are highly<sup>1</sup> educated**, holding a higher education degree, compared to 21% of the Brazilian population.<sup>2</sup> This is an indication of greater familiarity with financial services.

Source: Own elaboration, survey data

1. Including completed undergraduate courses as well as incomplete and completed postgraduate courses.
2. Brazilian population in 2022: 216 million, according to the United Nations, Department of Economic and Social Affairs, Population Division.

## Age distribution among FDP



Source: Own elaboration, survey data

# From myths to reality: Characteristics of FDP in Brazil

## Myths

## Reality



Unattractive market size



Attractive market of **1.3 million adult people** with business opportunities on different levels



FDP is vulnerable



36% of FDP are highly qualified and **32% have a stable and regular income**



FDP has no ties with Brazil



**88% of FDP intend to stay in Brazil**



Most are illegal in the country



**99% are documented** (Brazilian ID, CPF)

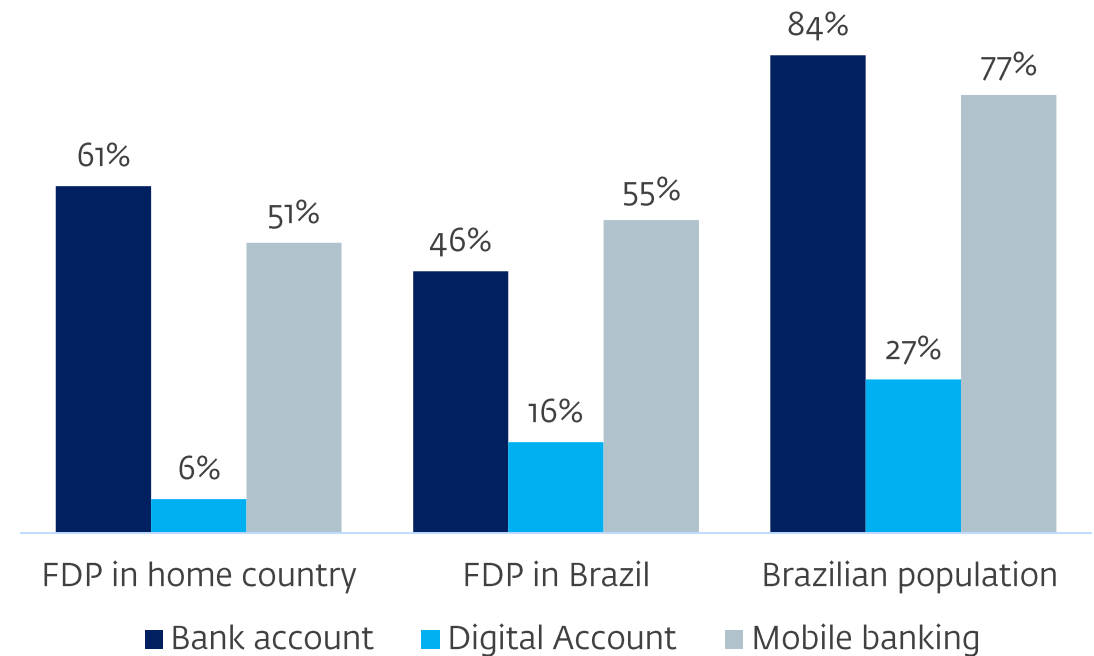
# Financial needs and market segmentation

# Most FDP have access to financial services, but they are still underbanked. A third of the population does not have a bank account.

## Digitalization has facilitated access to basic financial services for FDP

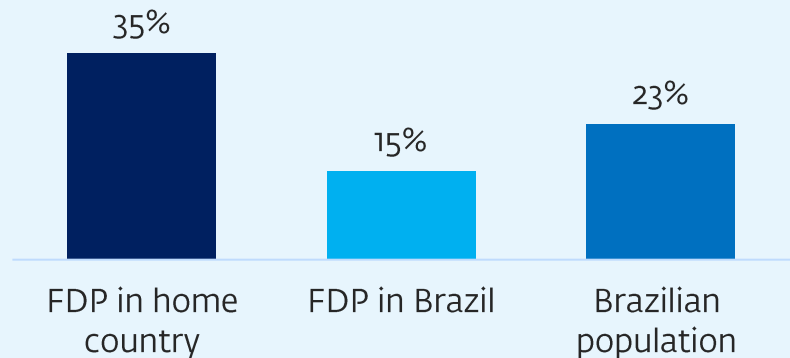
- ❑ **46% of FDP have a bank account in Brazil** that allows them to carry out basic financial transactions.
- ❑ **16% of FDP have a digital account in Brazil** - an increase of 6% who had the same type of account in their country of origin. Even so, the proportion of FDP with a digital account is 11 percentage points lower compared to the Brazilian population.
- ❑ **51% of FDP used digital channels for their financial transactions** in their home country, indicating their familiarity with digital solutions.

## Use of financial services by FDP compared to the Brazilian population

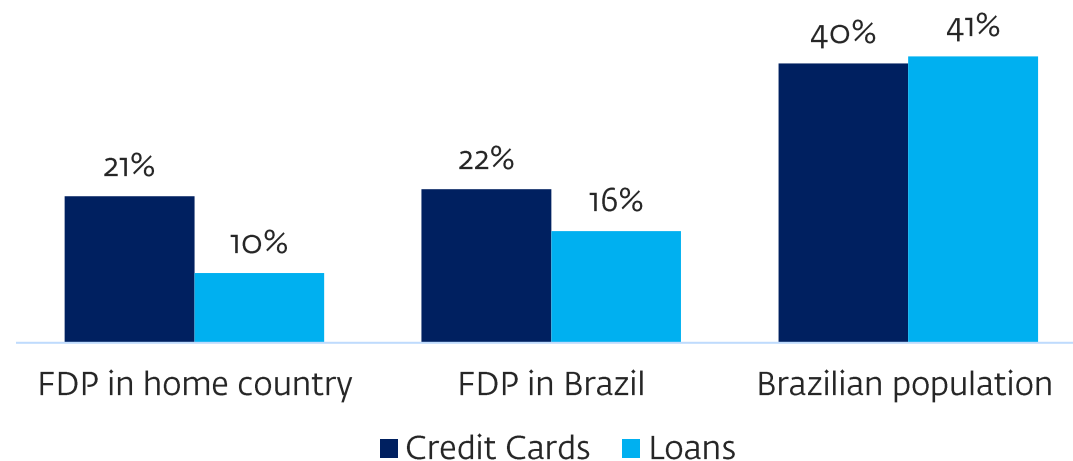


# FDP have experience in using financial products in their country of origin, especially savings, insurance and credit cards

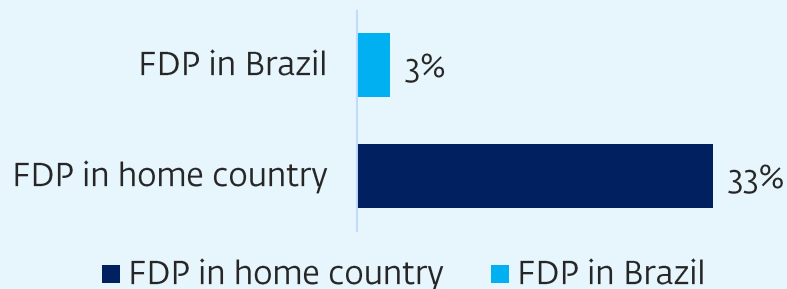
## Access to savings



## Access to credit cards and personal loans


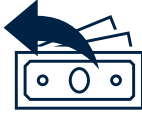














## Access to insurance



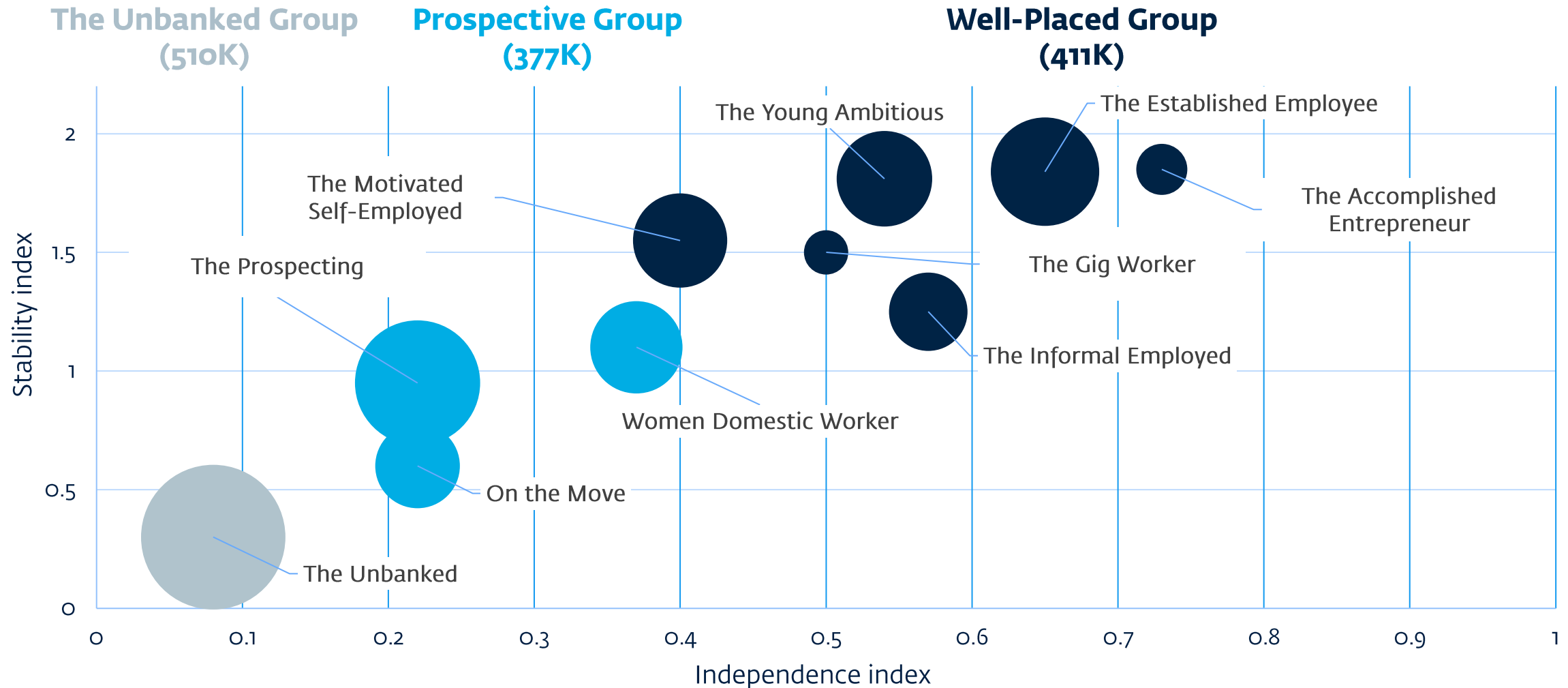
- ❑ The same proportion of FDP that had access to credit cards in their country of origin also do so in Brazil.
- ❑ Access to personal loans increased by 6 percentage points after coming to Brazil.
- ❑ Compared to the Brazilian population, there is a 18 percentage point gap in access to credit cards and a 25 percentage point gap in personal loans.

# The needs of the migrant population differ according to the segment and evolve as they progress through the process of insertion, stabilization and integration

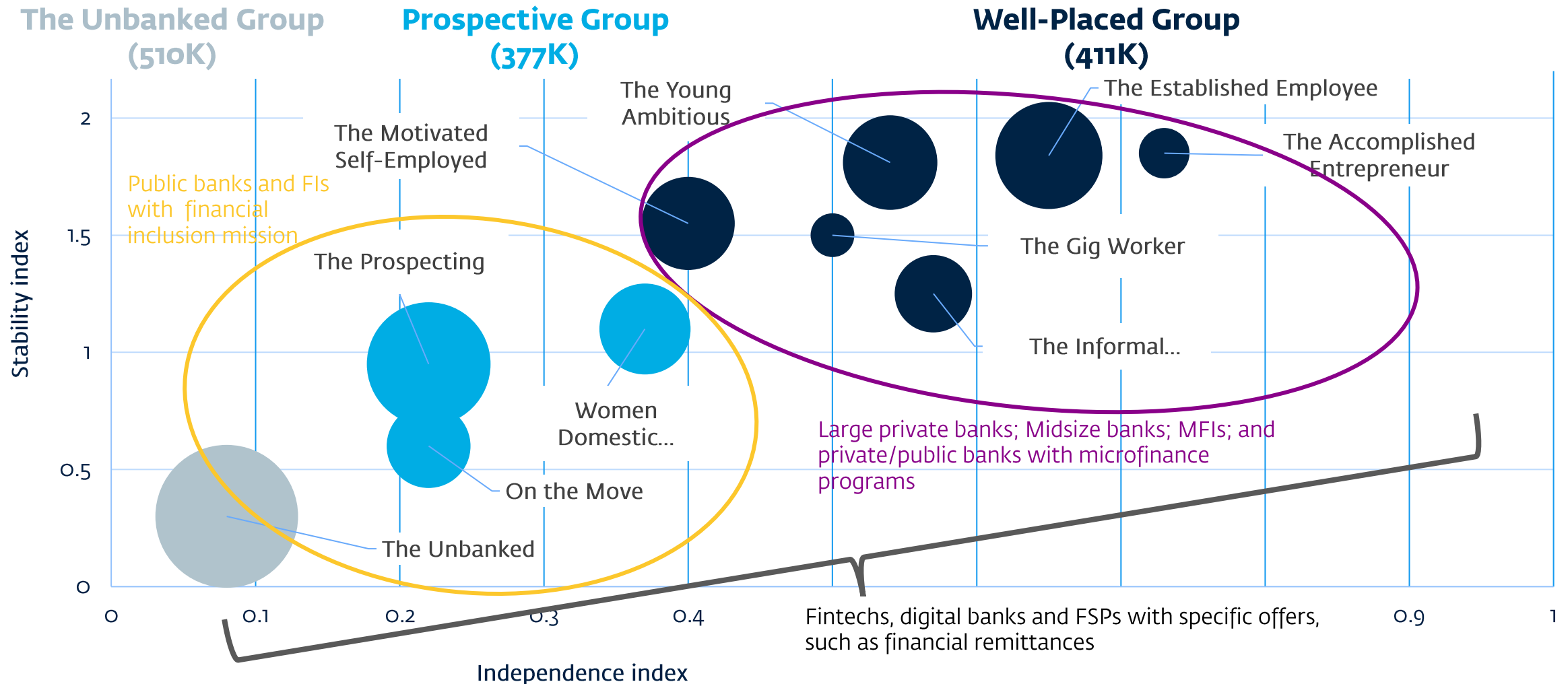
	Phase 1 - Insertion	Phase 2 - Stabilization	Phase 3 - Integration
Financial needs	 Digital account  Financial remittances  Health insurance  Bank account	 Credit card  Business loans  Personal loans  Savings account	 Growth through commercial loans  Housing loans  Car loan  Investment product  Life insurance  Credit card
Non-financial needs	<ul style="list-style-type: none"> <li>□ Employability and training</li> <li>□ Language courses</li> <li>□ Entrepreneurship training</li> </ul>	<ul style="list-style-type: none"> <li>□ Business management, marketing channels, value chains</li> <li>□ Training to increase employability</li> <li>□ Validation of diplomas, job opportunities</li> </ul>	<ul style="list-style-type: none"> <li>□ Consolidation of career and commercial activity</li> <li>□ Long-term life plan</li> </ul>



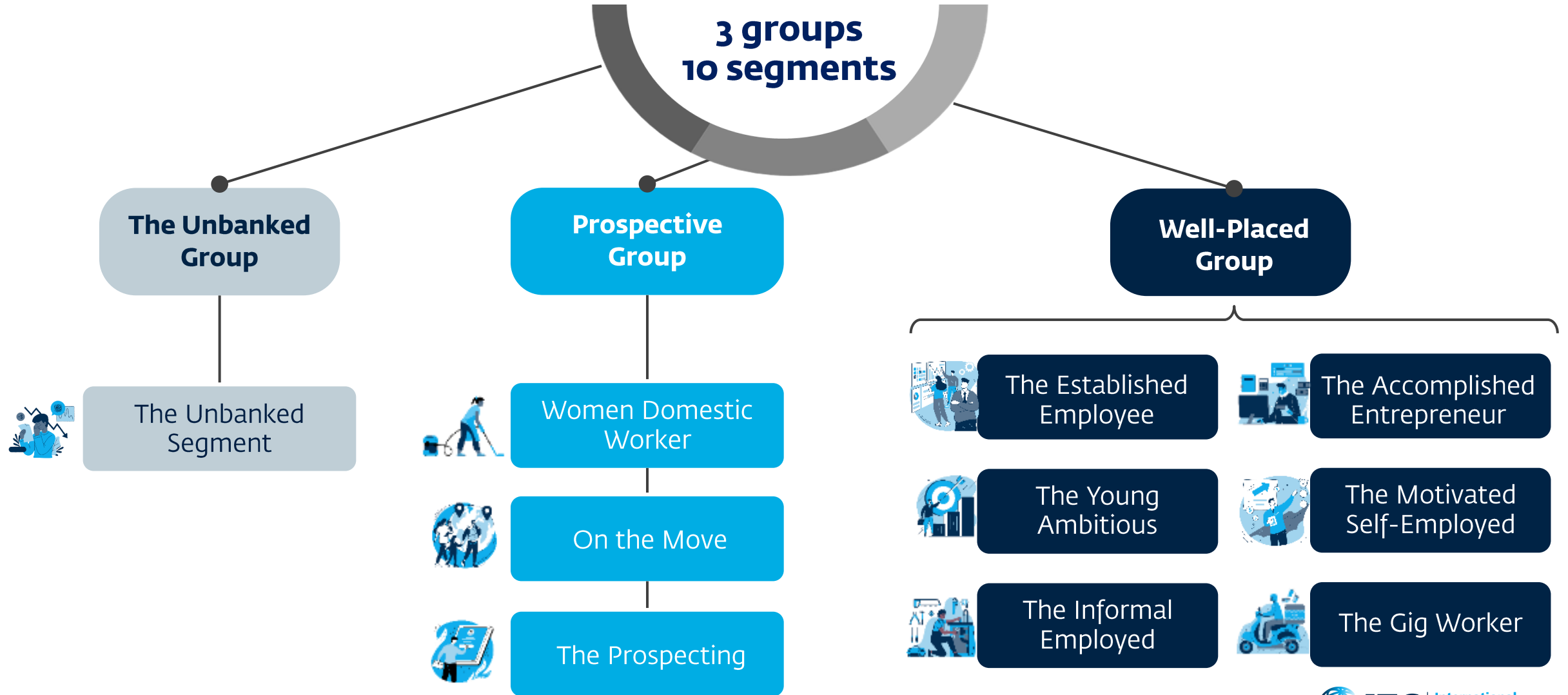
# The segments were grouped based on their level of stability and independence



# The potential for segments and groups of FDP for various financial institutions

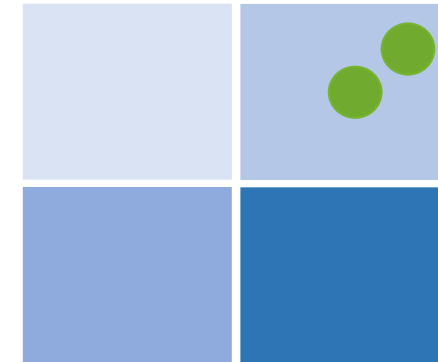


# The potential for segments and groups of FDP for various financial institutions



# Examples of segments:

Stability



Independence

## The Established Employee – 120K



- ❖ 61% men, average age: 37
- ❖ 61% with higher education
- ❖ 74% arrived in Brazil in 2019 or earlier
- ❖ Formal employment with an average income of R\$ 2,744
- ❖ 81% of the ones using financial services have a bank account; 36% have personal loans

**Aspirations:** Maintaining employment with a stable and growing income, purchasing own home. Interested in life insurance, credit and investment products.

## The Young Ambitious – 96K

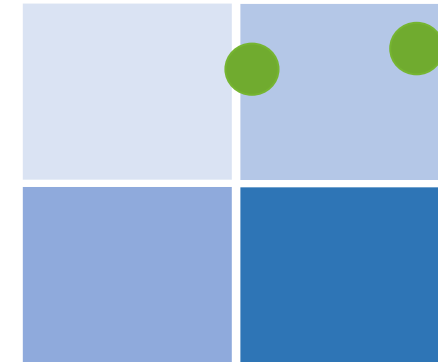


- ❖ 62% women, average age: 34
- ❖ 45% with higher education
- ❖ 57% arrived in Brazil in 2019 or earlier
- ❖ Formal employees with an average income level of R\$2,213
- ❖ 87% of the ones using financial services have a bank account; 28% have personal loans

**Aspirations:** The motivation is to get a better job and pursue a professional career. Interest in credit to satisfy consumption needs.

# Examples of segments:

Stability



Independence

## The Motivated Self-Employed – 83K



- ❖ 69% women, average age: 37;
- ❖ 57% with higher education
- ❖ 53% arrived in Brazil between 2018 and 2020
- ❖ Have companies without a CNPJ; average income level of R\$ 2,122
- ❖ 68% of the ones using financial services have a bank account; only 3% have commercial loans.

**Aspirations:** aim to improve business skills through training to stabilize their economic activity; interested in microcredit opportunities.







## The Accomplished Entrepreneur – 34K



- ❖ 64% men, average age: 45
- ❖ 57% with higher education
- ❖ 53% arrived in Brazil in 2017 or earlier
- ❖ MEI, micro or small business; Average income of R\$ 3,900; 21% earn between R\$ 3,900 and R\$ 13,000
- ❖ 96% of the ones using financial services have a bank account and 65% credit cards; 13% have commercial loans.

**Aspirations:** to grow their company, own their own home, own a car. Interested in life insurance, credit and investment products.




# The Well-Placed Group, due to its favorable characteristics, can be considered "ideal" for receiving various financial services

						
Characteristics	The Established Employee	The Young Ambitious	The Informal Employed	The Accomplished Entrepreneur	The Motivated Self-Employed	The Gig Worker
Products and services demanded by the segment:						
Transactional banking	●	●	●	●	●	●
Personal loans / credit cards	●	●	●	●	●	●
Business loans	<i>Not applicable</i>	<i>Not applicable</i>	<i>Not applicable</i>	●	●	●
Remittances	●	●	●	●	●	●
Savings	●	●	●	●	●	●
Insurance	●	●	●	●	●	●



Source: Own elaboration, survey data

# The Prospective Group can become an "ideal" client, while the Unbanked Group has urgent financial needs

	 Women Domestic Worker	 On the Move	 The Prospecting
Products and services demanded by the segment:			
Banking transactions	●	●	●
Personal loans / credit cards	●	●	●
Business loans	●	Not applicable	Not applicable
Remittances	●	●	●
Savings	●	●	●
Insurance	●	●	●



## The Unbanked

- ❑ Less favorable group due to greater vulnerability (financial instability), but;
- ❑ With more urgent basic financial needs
- ❑ Remittances through informal channels

High

Moderate

Low

Source: Own elaboration, survey data



# Barriers and challenges that make it difficult for Financial Institutions (FIs) to unlock the market potential of FDP

## 1. Lack of knowledge about the FDP market

Market size and geographical distribution

## 2. Lack of information

Insufficient data and information on the characteristics and particularities of the segment

## 3. Internal barriers

- Operational issues
- Unconscious biases and perceptions about FDP
- Lack of convergence with business strategy

## 4. Communication barriers

Cultural differences, including different languages, can interfere with offering financial services, affecting the connection with the target segment and capturing demand.

## FDP are *invisible* to the financial sector:

Despite the progress

- ❑ of the digital financial ecosystem
- ❑ of business models aimed at the low-income market and vulnerable groups
- ❑ in microfinance and focus on women

FIs have not yet explored the FDP segments in their business strategy.

# From a diversified market to a concrete range of products



The FDP market is diverse

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Segmentation of the FDP market based on relevant variables to determine the potential market for the financial sector

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Identification of priority segments that can generate substantial volume and revenue for various FIs

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Identification of the met and unmet needs of these segments

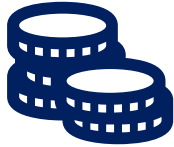
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Identifying barriers and challenges that prevent FIs from meeting refugees and migrants as a more visible segment

# Business opportunities

# A significant amount of money circulates outside the formal financial system



## Informality limits the use of and access to banking products

- ❑ **52% of FDP work informally**, limiting the income they receive through their bank account
- ❑ Only **3%** of micro and small migrant and refugee entrepreneurs have a commercial loan granted by a FI



## Use of informal savings mechanisms

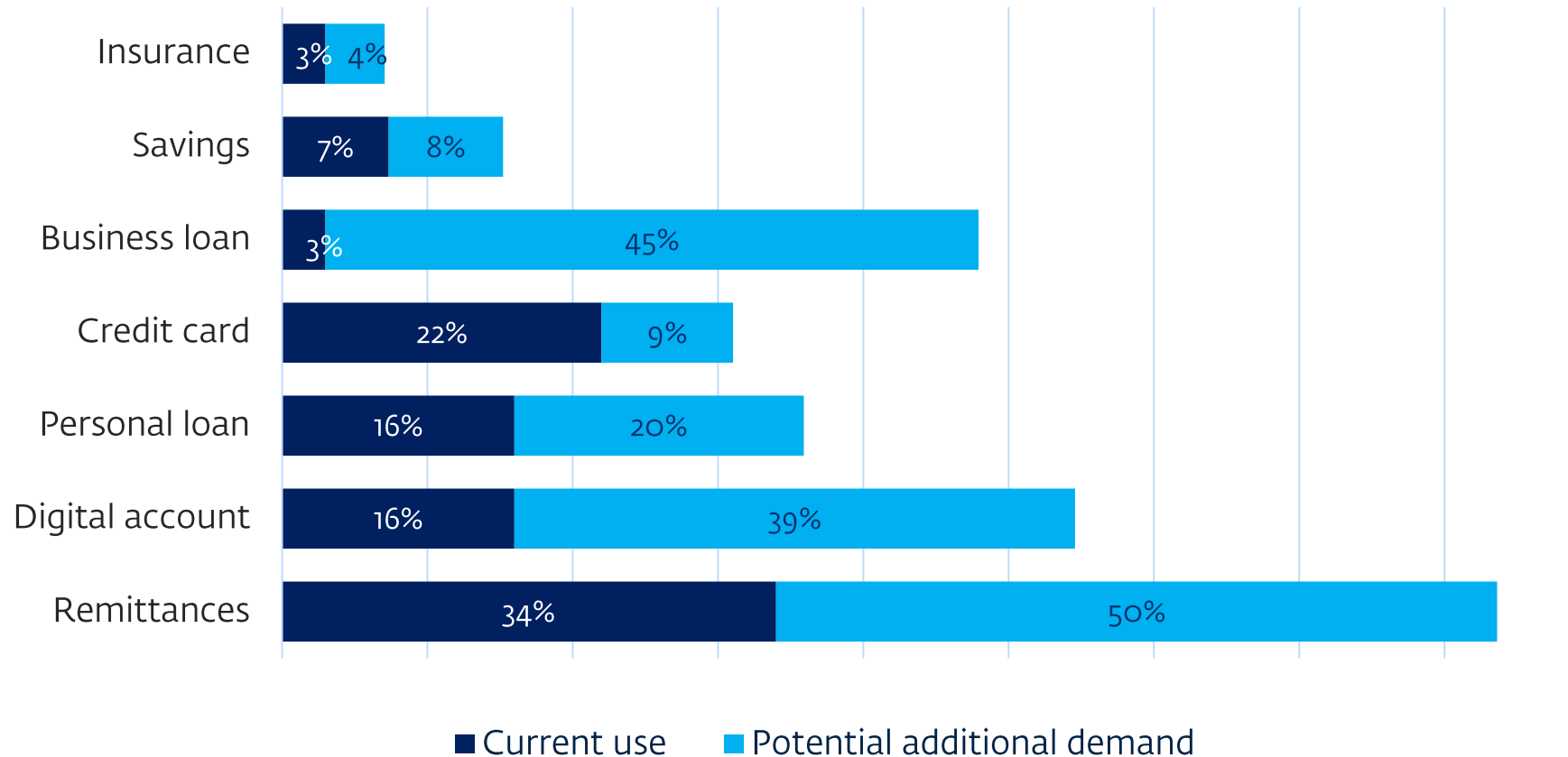
- ❑ **34% of those who save, save at home**
- ❑ **21%** send their savings to family or friends
- ❑ **11%** use it for consumption



## Remittances are mainly made through informal channels

- ❑ **67%** of FDP send money to their home countries on a regular basis
- ❑ However, only **34% of remittances are captured by the financial sector**

# The current offer of financial services and products meets the needs of FDP, but does not capture the potential demand



# We identified five business opportunities and an estimated revenue of R\$ 460 million

Business opportunity	Potential Users	Groups (segments)	Estimated revenue per year
Remittances - developing a business relationship	653,000	Well-Placed Group Prospective Group Unbanked Group	R\$ 74 million
Financial deepening and expanding of digital transactions	514,000	Well-Placed Group Prospective Group Unbanked Group	R\$ 1.9 million
Personal loans and credit cards – unlocking the growing demand	228,000 157,000 Personal loans 71,000 credit cards	Well-Placed Group Prospective Group	R\$ 177 million to R\$ 224 million
Business loans - the untapped market	62,000	Well-Placed Group (Accomplished Entrepreneur, Motivated Self-Employed, Gig Worker)	R\$ 73 million
Banking on women FDP segments	214,000	Women Domestic Worker Female Young Ambitious Female Motivated Self-Employed Female Informally Employed	R\$ 70 million to R\$ 86 million

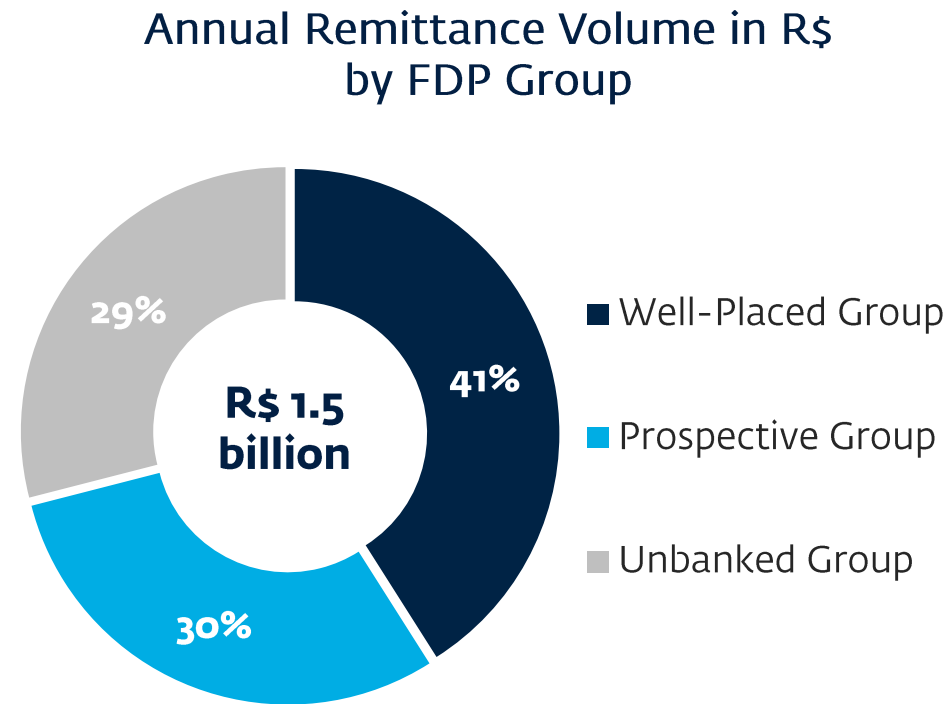
# Remittances - the way to develop a banking relationship with FDP

**67% of FDP send money** home regularly, but only **34% use formal channels**

Potential market  
**653 K clients**

Annual volume  
**R\$ 1.5 billion**

Potential annual revenue  
**R\$ 74 million**



## Linked opportunities

- ☐ Opening digital and conventional accounts.
- ☐ Transactions to transfer the remittance amount from a digital or conventional bank account using Pix or other forms to payment service providers and money transfer operators.



# Financial deepening and expansion of digital transactions

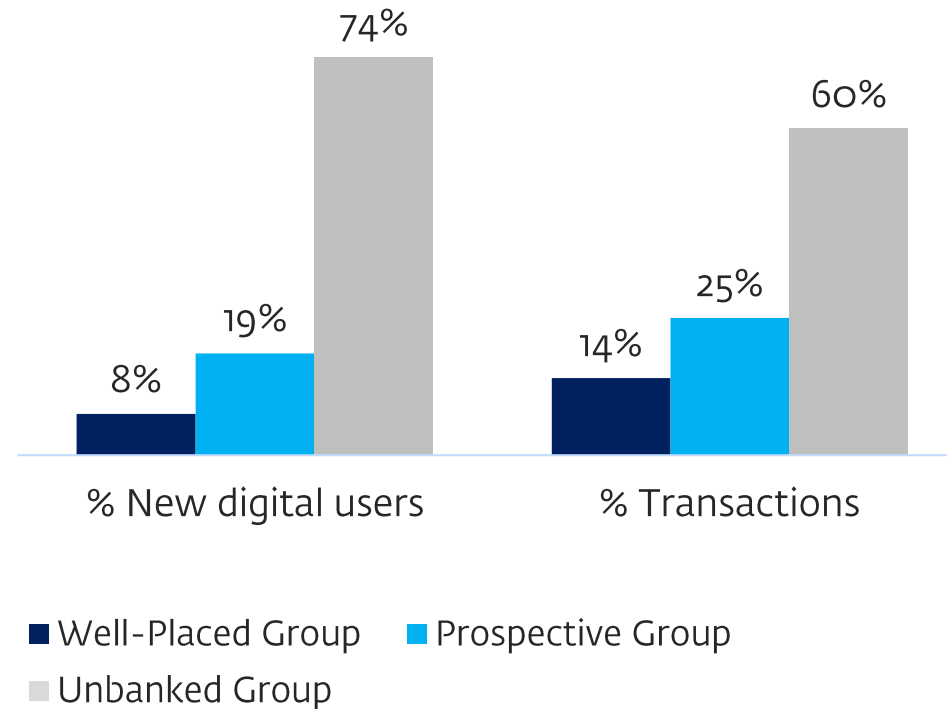
38% of unbanked FDP have a high potential for opening a digital account and transactional services

Potential market  
**514 K clients**  
Digital accounts & banking

Potential # of yearly  
transactions  
**45 million**

Potential annual revenue  
**R\$ 1.9 million**

Potential market to expand and deepen financial transactions



## Linked opportunities

- ❑ Growing use of digital accounts and transactions in all segments.
- ❑ Deepening financial transactions by cross-selling financial products to the Well-Placed and the Prospective Groups.
- ❑ Increased transactions through remittances of all FDP

# Personal loans and credit cards: Covering the growing demand

Although 16% of FDP had access to personal loans and 22% to credit cards, only 15% of applications were successful, indicating high demand and access challenges

Potential market  
**228 K clients**

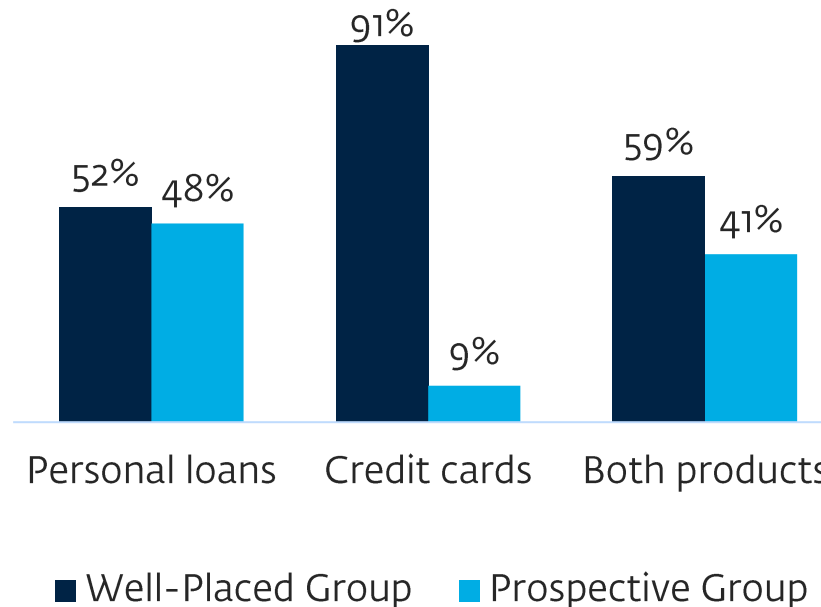
Personal loans 157 K  
Credit cards 71 K

Placement potential  
**R\$ 581 million**

Personal loans: R\$ 471 million  
Credit cards: R\$ 110 million

Potential annual revenue  
**R\$ 177 – 224 million**

Potential market for personal loans and credit cards by FDP Group



## Linked opportunities

- ☐ Personal transactions (bill payments, online shopping, etc.)
- ☐ Savings and investment products
- ☐ Insurance products

# Business loans: the untapped market

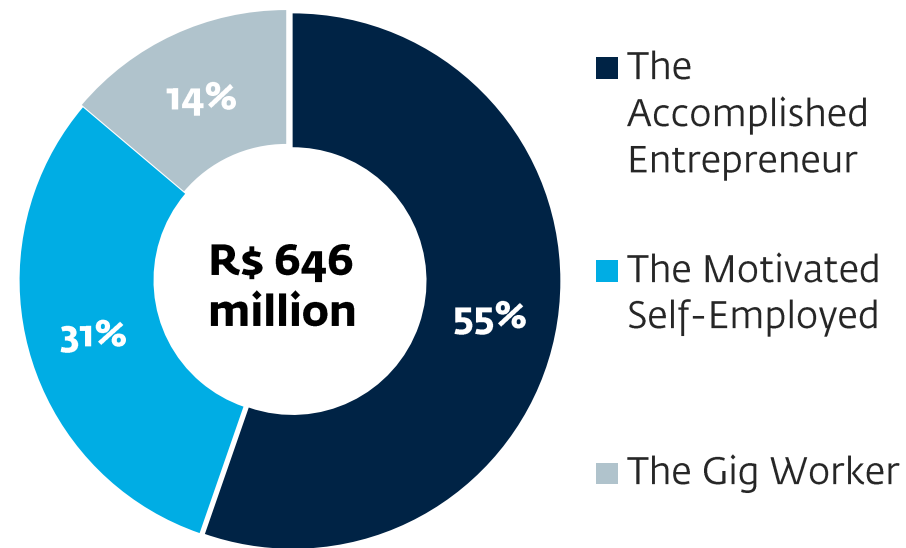
Unmet financing needs are being met by friends and family (12%), loan sharks (3%) and reinvesting their profits (85%). Credit cards and personal loans are used as substitutes for working capital.

Potential market  
**62 K clients**

Potential placement  
**R\$ 646 million**

Potential annual revenue  
**R\$ 73 million**

Loan disbursements by FDP group



## Linked opportunities

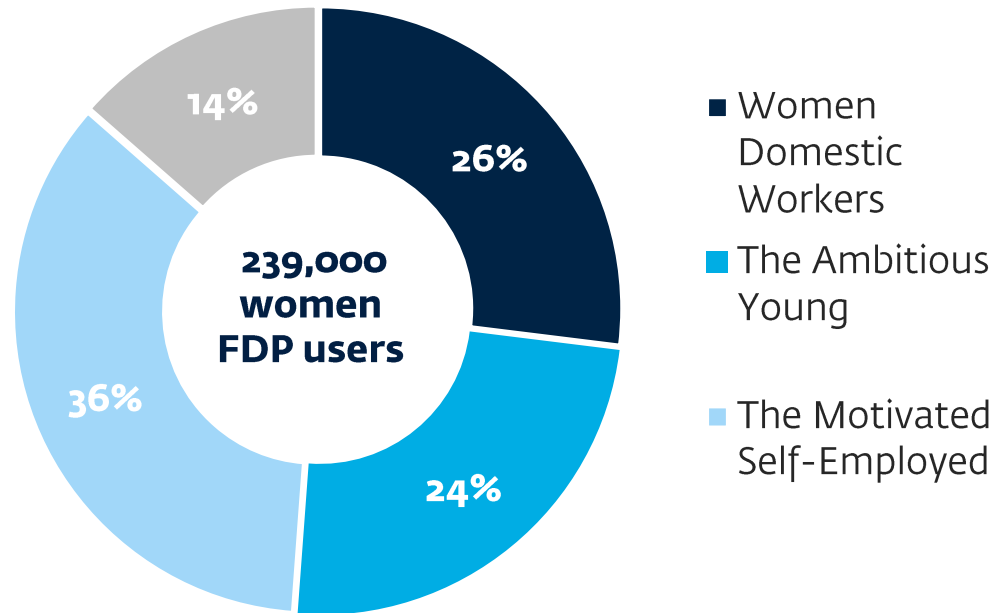
- ❑ Personal and business transactions
- ❑ Personal loans and credit cards
- ❑ Insurance linked to business
- ❑ Non-financial services
- ❑ Other services: payroll, POS

# Banking on the refugee and migrant women segments

Women outnumber men in almost all FDP segments. However, women use fewer financial products and services on average than men, which suggests a potential market for interested FIs

Potential market  
**214 K women clients**  
(using multiple products and services)

Potential annual revenue  
**R\$ 70 – 86 million**



## Linked opportunities

- ❑ Increasing transactional services by promoting digital accounts
- ❑ Promotion of savings, deposit and insurance products
- ❑ Offering high value-added and non-financial services

# The refugee and migrant market is a strategic opportunity for Brazilian FIs

1

## Unmet demand for financial services

- ❑ FDP have not yet been considered a target market for FIs to pursue
- ❑ Few FIs are directly involved with migrants and refugees, while most already serve them unintentionally

2

## There is no need to develop new products, but it is necessary to be aware of business opportunities

- ❑ Leverage current business models and product offerings to meet the needs of FDP
- ❑ Develop a targeted communication strategy to reach the segment

3

## We have identified five business opportunities

- ❑ 1.2 million potential users targeting all FDP segments with digital banking and remittances
- ❑ 500 million potential users targeting specific FDP segments, such as credit cards, personal loans, insurance and commercial loans

# Conclusions and recommendations

# General conclusions

## Demand

- ❑ There is a qualified, concentrated and stable market.
- ❑ The majority of FDP are banked but have unmet financial needs.
- ❑ The different segments of FDP have specific needs and aspirations.

## Offer

- ❑ The current market offer is relevant to the identified needs of the FDP.
- ❑ The existing opportunity is not fully captured due to internal and external barriers.
- ❑ Expanding access to existing products is the first step.

## Opportunities

- ❑ FIs can take advantage of business opportunities by meeting the needs of FDP.
- ❑ Moving forward with action plans is essential to capitalize on the opportunities identified.
- ❑ Various organizations can pursue the opportunities identified.



# Recommendations to improve financial inclusion from PDFs to FIs and the role of the IFC

1

**Internal diagnosis** as a starting point

- Which segments are already your customers
- Identify internal barriers

2

**Taking advantage of existing platforms** and innovative digital technologies to **define the business model and value proposition aimed at FDP.**

3

**Implementing a market entry strategy**

- Targeted communication
- Developing internal awareness
- Definition of targets and performance indicators

## Potential areas for IFC collaboration

Consulting

Upstream

Investment

# THANK YOU FOR YOUR ATTENTION



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