THE ROLE REGULATORS PLAY IN CLOSING THE FINANCIAL INCLUSION GENDER GAP: A CASE STUDY OF MEXICO

CASE STUDY

CONTENTS

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ABOUT THE AFI GENDER INCLUSIVE FINANCE MAPPING PROJECT

54% Around the world, about **740 million women still do not have bank accounts** — representing 54 percent of all unbanked adults, as of 2021.[1]

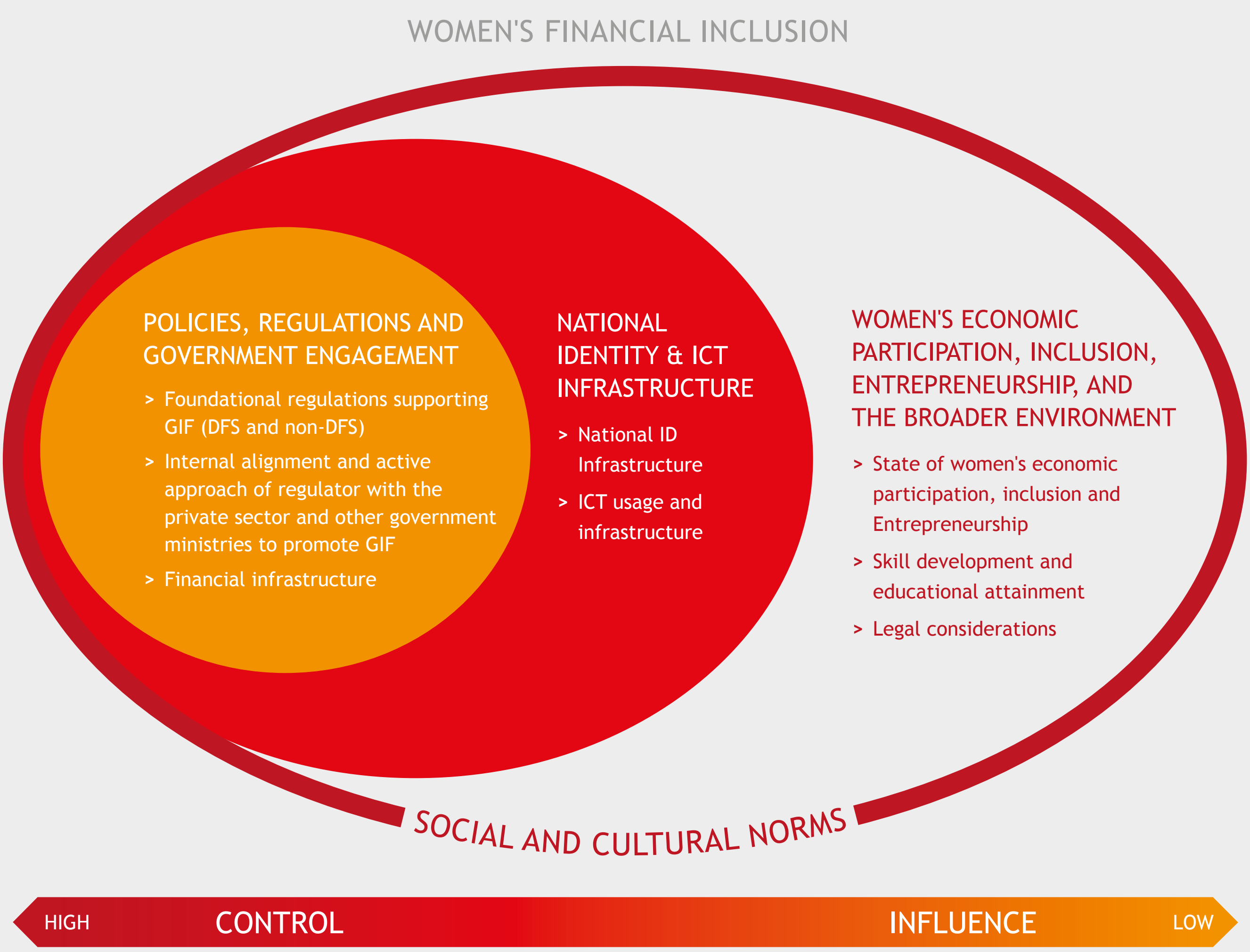
9-6% The efforts to narrow the finance-gender gap have been paying off since 2017, with a **gap reduction of nine percent to six percent in developing and emerging countries.**[2]

It is clear, however, that more must be done to address this persistent financial inclusion gender gap which is more than simply the right thing to do: It also makes good business sense, with estimates suggesting that advancing women's equality could add USD12 trillion to global gross domestic product by 2025. Women-led small and medium enterprises (WSMEs) already make significant contributions to the economies in which they operate, accounting for a third of all SMEs, and a much higher percentage in many countries, and being a segment that has long been recognized as an important engine of growth and job creation but one that suffered from high levels of informality and significant gender gap in access to credit.

1 World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: https://www.worldbank.org/en/publication/globalfindex

2 Ibid.

FIGURE 1: WOMEN'S FINANCIAL INCLUSION ANALYTICAL FRAMEWORK: INFLUENCERS OF INCLUSION AND WHERE REGULATORS CAN HAVE IMPACT



This case study offers an overview of the current state of women's financial inclusion in Mexico. It delves into the specifics of the national financial regulatory environment, highlighting key strategies and initiatives that have contributed to closing Mexico's gender gap in access to finance. The case study also analyses factors influencing women's financial inclusion that are outside the regulator's remit but could be driven forward by developing key partnerships with influential stakeholders.

There is no single reason why women cannot access or use financial services. Rather, it is a complex blend of regulatory factors, suitable products and services, access to education and ID documents, suitable infrastructure available in places where women can use it and products and services that meet their needs, lastly social and cultural barriers play a significant part.

The Alliance for Financial Inclusion (AFI) Financial Inclusion Gender Gap Mapping project is designed to increase understanding about the barriers and enablers of women's financial inclusion (WFI), with the goal of helping financial sector regulators and policy makers identify highly specific and concrete actions that will drive greater inclusion in their countries.

The holistic research breaks new ground by identifying specific factors and areas over which financial regulators have direct influence: policies, regulations, and government engagement to advance WFI. But instead of looking at the financial regulators' landscape in isolation, the research also explores other spheres of influence within the broader context of women's economic participation and inclusion, providing nuanced insight into women's place in society and the economic fabric of their countries. Figure 1 illustrates this interplay, delineating the various factors that can contribute to increased WFI. It highlights the specific role financial regulators can play in advancing progress, as well as the degree to which they can influence other critical factors. The graphic also portrays the overarching impact that social and cultural norms have on the entire WFI ecosystem — and women's equality in general.

Figure 1 shows that many factors fall outside the financial regulators' direct remit. However, they are essential for enabling women's financial inclusion environment—and advancing the regulatory women's financial inclusion agenda. For instance, just because there is a regulatory policy to encourage increased lending to women entrepreneurs, it does not mean there will be a significant uptick in a bank's WSME loan portfolio—unless other changes in financial infrastructure and bank approaches have occurred. The research findings are clear: without aligned and coordinated action across all the spheres of control and influence, progress toward gender parity in financial inclusion will only go so far.

In essence, the project is a call to action for financial regulators on two fronts: are they doing everything within their mandate and sphere of influence to advance progress on women's financial inclusion? And, after addressing all the factors in their sphere of influence, what else can they do outside their direct remit to support the broader WFI ecosystem?

By providing financial sector policy makers and regulators with a deeper knowledge base about specific regulatory solutions that are having an impact — as well as pathways that will advance other drivers of inclusion — these critical stakeholders can enhance the effectiveness of their interventions and maximize their role in closing the financial inclusion gender gap in their nations. In turn, these efforts will contribute to the achievement of the United Nations Sustainable Development Goals (SDGs), specifically SDGs 1 (No poverty), 5 (Gender equality), and 8 (Decent work and economic growth).

Although the case studies are designed to be stand-alone documents, readers may also be interested in reviewing the Project's Landscape Study, which provides a full picture of WFI and Gender Inclusive Finance (GIF) across the AFI network, as well as the summary report, which synthesizes key findings from the research.

EXECUTIVE SUMMARY

As the second-largest economy and population in Latin America, Mexico has the resources and institutions to tackle gender financial inclusion thanks to its national financial inclusion approach. Indeed, in a country of 129 million people, between 25 and 30 million women remain unbanked.[3]

Furthermore, despite a 12-percentage point increase in women's account ownership from 2012 to 2015, progress has stalled, with a gender gap remaining double the global average, at 13 percentage points.[4]

Over the last few years and with the emergence of financial technologies, the financial industry in Mexico has become among the most developed and dynamic in Latin America. However, few institutions focus on excluded or underserved individuals or women, mostly because they might be unaware of the positive business case for targeting women, despite the local evidence that shows women's greater loan repayment rates and lower risk profiles.

The Mexican government has been promoting financial inclusion by developing two National Financial Inclusion Strategies, the first in 2016 and, replacing it, the second in 2020. The implementation of the strategy is the responsibility of the National Council for Financial Inclusion (CONAIF) and the Financial Education Committee (CEF), which are supported by their monitoring groups and public-private sector roundtables. Additionally, the Interinstitutional Committee for Gender Equity in Financial Institutions (CIIGEF) was created to address financial inclusion issues with a gender perspective.

The National Banking and Securities Commission (CNBV) is the regulator of the main financial institutions in charge of saving and financing individuals and companies and plays an integral role in coordinating and advancing women's financial inclusion efforts.

Mexico's Central Bank (Banxico), the CNBV, and the Ministry of Finance and Public Credit (SHCP) have implemented several regulations and initiatives to create an enabling environment for women's financial inclusion through both digital and non-digital services, allowing for simplified and tiered accounts, digitizing government-to-person (G2P) social protection payments, and introducing a national payment system (CoDi), including an innovative FinTech Law in 2018. While the information and communications technology (ICT) infrastructure in Mexico has expanded in the last decade, digital payments have yet to take off by the mass market, which still prefers to operate exclusively in cash, largely due to practicability and lack of trust in the financial system.

Digital financial services (DFS) will be critical to extending access to Mexico's excluded and underbanked individuals, and efforts are supported by the advancements in mobile and smartphone ownership and internet connectivity. The next step will be to expand access points, increasing digital awareness and understanding, and onboarding customers through high- and low-touch methods.

3 Range calculated based on percent of women without an account from INEGI, 2021a and Findex, 2017.

4 National Institute of Statistics, Geography, and Informatics (INEGI). 2021. National Survey of Financial Inclusion (ENIF) 2021. Available at: https://en.www.inegi.org.mx/programas/enif/2021/

LOOKING FORWARD, THE GOVERNMENT AND FINANCIAL REGULATORS REMAIN FOCUSED ON **FOUR KEY PRIORITIES FOR WOMEN'S FINANCIAL INCLUSION:**

1 ENCOURAGING THE PRIVATE SECTOR TO LAUNCH WOMEN-TAILORED PRODUCTS AND SERVICES

2 PROMOTING DIGITAL AND MOBILE-BASED PAYMENTS AND BANKING

3 MEASURING AND ADVOCATING FOR INCREASED WOMEN'S REPRESENTATION IN DECISION-MAKING ROLES IN THE FINANCIAL SECTOR

4 BUILDING A ROBUST FRAMEWORK FOR FINANCIAL SERVICES GENDER DATA

STATUS OF WOMEN'S FINANCIAL INCLUSION IN MEXICO

Financial inclusion is a long-standing social issue in Mexico, with more than half of the country being unbanked, and women, representing 50 percent of the population, facing disproportionately large barriers.

Mexico's national financial access demand-side survey reveals that as of 2021, 43 percent of women and 56 percent of men had a bank account, compared to 2012, when just 30 percent of women had a bank account.

13%

The progress is notable but the gender gap remains significant (13 percentage points in 2021, compared to the global average of Findex data, which is six percentage points), and most women remain unbanked.

The growth in account ownership from 2012 to 2015 is largely attributed to the government's initiatives to digitize government-to-person (G2P) payments, which significantly impact women's account ownership as women represent 80 percent of social protection recipients. However, since then, account opening has slowed while account usage for payments or savings is minimal. Cash remains the predominant form of payment in Mexico, and even those with a bank account prefer to store or save cash at home, with 63 percent of the population reporting saving informally.[5]

There is a lack of alignment between what customers from the poorest socio-economic group want and what financial institutions' products offering provides, preventing further financial inclusion in Mexico. In addition, withdrawing money from a bank branch can be dangerous due to street crime, which can also deter people from using formal financial services.

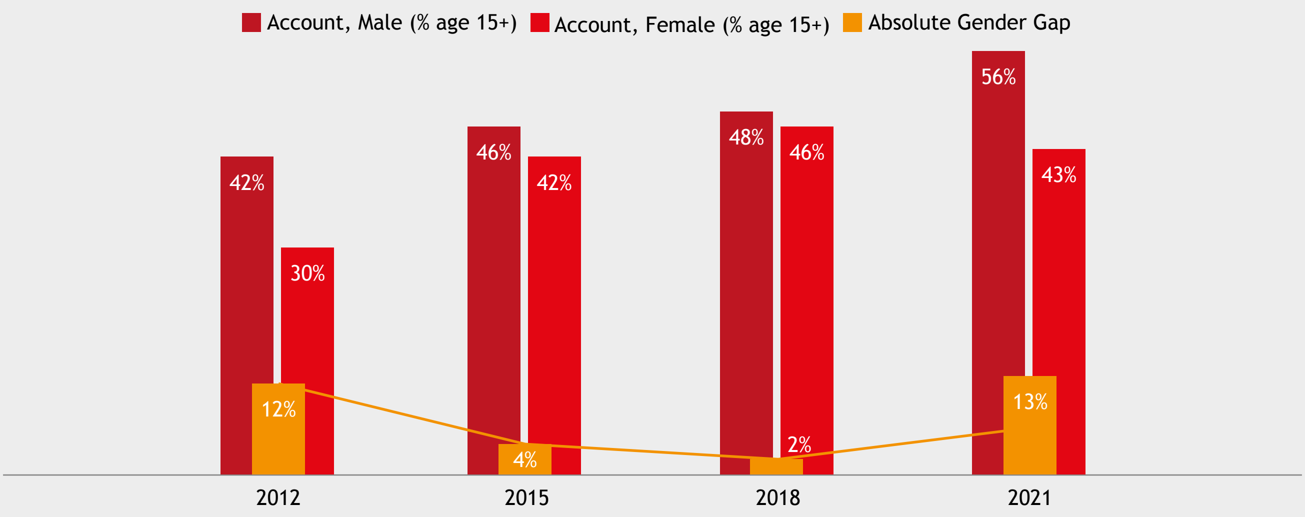
A lack of trust in financial institutions is a widespread issue in Mexico: 37 percent of unbanked Mexican adults report that distrust is the main reason they do not have a bank account[6], mainly due to the perceived (or real) high cost of account maintenance fees and concerns over financial fraud or crime. The National Survey of Financial Inclusion (ENIF) 2021 research survey showed that about 53 to 69 percent of the total population would trust banks on topics ranging from resolving complaints and claims to sharing all the necessary information.[7]

5 Center for Financial Inclusion, 2018 and ENIF, 2018

6 National Institute of Statistics, Geography, and Informatics (INEGI). 2018. National Survey of Financial Inclusion (ENIF) 2018. Available at: https://en.www.inegi.org.mx/programas/enif/2018/

7 National Institute of Statistics, Geography, and Informatics (INEGI). 2021. National Survey of Financial Inclusion (ENIF) 2021. Available at: https://en.www.inegi.org.mx/programas/enif/2021/

FIGURE 2: ACCOUNT OWNERSHIP AND GENDER GAP (FINDEX)



Other demand-side barriers to women's account ownership include low financial literacy, low awareness or familiarity with financial solutions, and insufficient or variable income.

37% Notably, 37 percent of Mexican adults report that they **do not have an account because they do not need one**

The majority (83.5 percent) of households live within the low-middle socio-economic segment (C/D), with 55.3 million people living in poverty and many working informally.[8,9]

Despite an emerging Financial Technology (FinTech) market in Mexico, the country has one of the lowest rates of cashless payments per capita among countries with available data, according to the Center for Global Development. Mobile-based payments overall are also very limited.[10] Ninety percent of daily purchases under 500 pesos (USD25) and 79 percent of purchases over 500 pesos are made in cash (to pay rent, taxes, public services, etc.), even in the capital city.[11] Furthermore, only about a third of the population have heard of Digital Collection (Cobro Digital or CoDi), and only eight percent of those who did had actually used it before. Mobile money has been operational since 2018, yet only four percent of women and seven percent of men have a mobile money account, and similarly, six percent of women and nine percent of men have used a mobile phone to access an account.[12,13]

Digital illiteracy, the lack of trust in DFS, and a strong preference for cash are the predominant reasons for the slow uptake in DFS: 32 percent of those who do not use mobile banking services report they do not trust the service and prefer to use other payment methods like cash and debit cards (through ATM or branch).[14]

Mexico has a large migrant population and, as such, is the third largest recipient of remittances in the world, with women receiving more than 70 percent of remittances.[15,16]

Over 11 million Mexicans living in the United States send back USD33 billion annually.[17] Yet the majority are over-the-counter and cash transactions: 95 percent of remittances from the US to Mexico are sent through money operators (like Western Union) since they are perceived as most convenient, and most remittances are received through money operators (41 percent) or at big-box stores (33 percent), which tend to have steep fees and costs associated.[18] This represents a huge opportunity for digitizing remittances: directing payments to a bank account or e-wallet and encouraging continued use rather than cashing out, which saves on fees associated with receiving remittances and overtime boosts financial health.

Mexico has 48 commercial banks and most of its banking system is controlled by foreign banks (including HSBC, Deutche Bank, Citigroup, Santander, Banco Bilbao Vizcaya Argentaria, and Scotiabank), but several target the middle- to low-income market and provide small group loans to women, including Compartamos Banco, Banco Azteca and Banco Afirme. In addition to commercial banks, the financial system includes a network of popular financial institutions that extend credit to many women across the country.

46% In total, 46 percent of **women have formal credit**, which is higher than the 43 percent with a bank account.[19]

8 National Institute of Statistics, Geography, and Informatics (INEGI). 2018. National Survey of Financial Inclusion (ENIF) 2018. Available at: https://en.www.inegi.org.mx/programas/enif/2018/
9 Women's World Banking. Country Strategies—Mexico. Available at: https://www.womensworldbanking.org/country-strategies-mexico/
10 Acevedo, I., and Székely, M. 2021. The Strange Case of Low Financial Inclusion Using Digital Payment Services in Mexico. Center for Global Development. Ideas to Action. Available at: https://www.cgdev.org/blog/strange-case-low-financial-inclusion-using-digital-payment-services-mexico
11 National Institute of Statistics, Geography, and Informatics (INEGI). 2021. National Survey of Financial Inclusion (ENIF) 2021. Available at: https://en.www.inegi.org.mx/programas/enif/2021/
12 Edelshein, J., Johnson, V., & Pedroza, G. 2021. Designing Digital Payments for Mexican Women Entrepreneurs. 32. Available at: https://www.womensworldbanking.org/wp-content/uploads/2021/06/2021_Designing_Digital_Payments_English.pdf
13 Ibid
14 Ibid
15 Rangel, J. A. 2022. Infographic | Remittances in Mexico Reach a Historic High. Wilson Center. Available at: https://www.wilsoncenter.org/article/infographic-remittances-mexico-reach-historic-high
16 García, G. L. 2022. El 70 % de las remesas empodera a las mujeres. Gaceta UNAM. Available at: https://www.gaceta.unam.mx/el-70-de-las-remesas-empodera-a-las-mujeres/
17 Rangel, J. A. 2022. Infographic | Remittances in Mexico Reach a Historic High. Wilson Center. Available at: https://www.wilsoncenter.org/article/infographic-remittances-mexico-reach-historic-high
18 Ibid
19 National Institute of Statistics, Geography, and Informatics (INEGI). 2021. National Survey of Financial Inclusion (ENIF) 2021. Available at: https://en.www.inegi.org.mx/programas/enif/2021/

3%

There is **only a three-percentage point gender gap in access to credit**, lower than the 13-percentage point account ownership gender gap.[20]

An important part of the credit to women is provided through 153 Popular Savings (SOCAPs) and 44 Loan Cooperatives and Popular Financial Companies (SOFIPOs), both of which also offer savings accounts and are regulated by the CNBV. SOCAPs and SOFIPOs are spread throughout rural areas and target underserved individuals, the majority of whom are women: 60 percent of SOFIPO customers and 54 percent of SOCAP customers.[21] Finance companies, or SOFOMs, are licensed to provide credit but not savings, which also contributes to the accessibility of credit.

While Mexico is advanced in the provision of insurance (and microinsurance) and retirement funds, women lag behind men in the uptake of these products. Mexico introduced microinsurance regulation in 2015, and since then, several institutions have created products tailored to low-income individuals, most commonly life insurance and credit-life insurance.[22]

14% GAP

However, while 39 percent of men have some type of insurance coverage, only 25 percent of women do, and there has been **no increase in recent years.**[23]

18% GAP

The **gender gap is even larger for retirement funds or AFORES** (Administradora de Fondos para el Retiro): only 31 percent of women have an AFORE compared to 49 percent of men.

The gender gap is even larger for retirement funds or AFORES (Administradora de Fondos para el Retiro): only 31 percent of women have an AFORE compared to 49 percent of men. For every 100 pesos a man receives in retirement, a woman only receives 70 pesos.[24,25] This is primarily due to high female unemployment, gender pay gap, and informal employment which are problematic for the growing older persons population. This points to the need for affordable (micro) pensions and retirement products to be adopted by people now for future long-term financial stability.

FINANCIAL INFRASTRUCTURE

In Mexico, eight out of 10 people living in localities or local settlements live within a two-kilometer distance of a branch, ATM, or banking agent. This figure increases to nearly nine out of 10 people in a four-kilometer distance.

Nevertheless, still two out of 10 (two-kilometer distance) or one out of 10 (four-kilometer distance) do not. It is worth mentioning that most localities without coverage are sparsely populated. For instance, more than half of localities without coverage in the two-kilometer radius house less than 150 people, and more than 90 percent less than 1,000 people. This challenging barrier particularly impacts women, as they have less money (therefore less need to use a bank), less time and social mobility (to be able to travel far to a branch), and higher personal security risks.[26]

Similar to bank branches, ATMs are also concentrated around urban areas: there is less than one ATM per 10,000 residents in rural areas compared to more than two ATMs in urban and semi-urban municipalities.[27]

74%

Only 74 percent of the population lives within a two-kilometer radius of the closest ATM (and 13 percent live more than seven kilometers from the closest one), **translating into an average 33-minute travel time to the nearest ATM for the rural population.**[28]

20 Ibid

21 Data2X. 2019. Enabling Women's Financial Inclusion Through Data: The Case of Mexico. Available at: https://data2x.org/wp-content/uploads/2019/08/WFID-Mexico-Case-Study_FINAL.pdf

22 A2ii. Homepage | Access to Insurance Initiative. Available at: https://a2ii.org/en/home

23 National Institute of Statistics, Geography, and Informatics (INEGI). 2021. National Survey of Financial Inclusion (ENIF) 2021. Available at: https://en.www.inegi.org.mx/programas/enif/2021/

24 Arce, R., and Pensado, D. 2021. Financial Inclusion an Opportunity for Women and Fintech. Mexico Business. Available at: https://mexicobusiness.news/professional-services/news/financial-inclusion-opportunity-women-and-fintech

25 Ibid

26 International Monetary Fund. 2019. Mexico: An Opportunity for Financial Inclusion. Available at: https://www.imf.org/en/News/Articles/2019/05/29/sp052919-mexico-an-opportunity-for-financial-inclusion

27 Navis, K., Mukherjee, A., Gelb, A., Castañeda, J. A., Mazari, I., and Torres, L. M. 2020. The Puzzle of Financial Inclusion in Mexico: A Closeable Gap? | Center for Global Development | Ideas to Action. Available at: https://www.cgdev.org/publication/puzzle-financial-inclusion-mexico-closeable-gap

This means it is costly, both in time and money, for individuals in rural areas to get to an access point. The rural population spends more than 50 pesos (USD2.70) on commuting to a branch or ATM, which is unfeasible considering the daily minimum wage of USD6.60.[29]

21% As expected, the 2017 Findex survey in Mexico reveals that 21 percent of **individuals who do not have a bank account say it is because of poor financial infrastructure in their community.**[30]

However the Government of Mexico is actively looking for the industry to expand the number of financial access point. Banco del Bienestar (formerly BANSEFI) is the largest social bank in Mexico and it has recently grown its number of branches by 200 percent in a year. It focuses on serving Mexicans who are traditionally excluded from traditional banking, especially in remote and difficult to access communities.[31]

The agent banking network in Mexico has expanded 27 percent per year since the 2009 agent banking regulation was established, and by 2021 it became the second most used channel. However, the network coverage is less widespread than in other peer countries, and the majority are in supermarkets or big retail chains and therefore tend to be concentrated in urban and semi-urban areas.

Overall, Mexico has five agents per 10,000 adults compared to the global median of seven agents per 10,000 adults.[32,33] Since 2017, SOCAPs and SOFIPOs are also making use of banking agents, so the number of financial institution access points amounts to about 124,745. However, there is generally low awareness of the agent network and the services they provide, and the fees charged are relatively high, especially for low-income individuals.[34]

18% Furthermore, most **agents only offer one or two services out of the 11 they are authorized to provide**, with uneven service offerings even among the same agent network, which confuses customers.[35]

28 National Institute of Statistics, Geography, and Informatics (INEGI). 2021. National Survey of Financial Inclusion (ENIF) 2021. Available at: https://en.www.inegi.org.mx/programas/enif/2021/

29 Alliance for Financial Inclusion. 2020. National Financial Inclusion Strategy – Mexico. National Financial Inclusion Strategy – Mexico. Available at: https://www.afi-global.org/publications/national-financial-inclusion-strategy-mexico/

30 Navis, K., Mukherjee, A., Gelb, A., Castañeda, J. A., Mazari, I., and Torres, L. M. 2020. The Puzzle of Financial Inclusion in Mexico: A Closeable Gap? | Center for Global Development | Ideas to Action. Available at: https://www.cgdev.org/publication/puzzle-financial-inclusion-mexico-closeable-gap

31 Government of Mexico. 30 December 2022. Comunicado 34 / Se consolida Banco del Bienestar entre los 3 bancos más grandes de México. Available at: https://www.gob.mx/bancodelbienestar/prensa/comunicado-34-se-consolida-banco-del-bienestar-entre-los-3-bancos-mas-grandes-de-mexico

32 National Banking and Securities Commission. 2022. Panorama annual De Inclusión Financiera Con Datos al Cierre De 2021. Available at: https://www.cnbv.gob.mx/Inclusi%C3%B3n/Anexos%20Inclusin%20Financiera/Panorama_2022.pdf

33 Government of Mexico. (2022). Calendario CNBV 2022 | Comisión Nacional Bancaria y de Valores | Gobierno | gob.mx. Available at: https://www.gob.mx/cnbv/acciones-y-programas/calendario-cnbv-2022

34 Edelshein, J., Johnson, V., & Pedroza, G. 2021. Designing Digital Payments for Mexican Women Entrepreneurs. 32. Available at: https://www.womensworldbanking.org/wp-content/uploads/2021/06/2021_Designing_Digital_Payments_English.pdf

35 Ibid

ENIF IDENTIFIED THE MAIN REASONS FOR **NOT USING AGENT SERVICES:**

24%	24%	15%	12%
ANOTHER PERSON DOING THE PAPERWORK OR OPERATIONS	PREFERENCE FOR AN ATM/BRANCH	BEING TOO FAR FROM ONE	HIGH COMMISSIONS

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) INFRASTRUCTURE

Mexico is the second-largest mobile market in Latin America, representing a huge opportunity for growth in digital financial services (DFS).

More than 81 percent of women own a mobile phone, which is notable despite a gender gap in mobile phone ownership.[36] Of all mobile phone owners, only half (51 percent) are banked; the remaining market is low-hanging fruit for DFS providers to target.[37] However, DFS providers will need to address low levels of digital literacy, especially among women and rural communities, where a lack of digital savviness coupled with lower financial education restrain DFS expansion.

The coverage and affordability of the internet have improved immensely in the last decade and has resulted in more Mexicans connected to the internet than ever. In 2014, the regulator introduced market reforms to address a highly concentrated market that stifled investment and innovation and resulted in too-high prices.[38] As a result, AT&T entered the market with an aggressive pricing strategy and plans for a major expansion of its 4G network, while Telcel and Movistar have expanded their network coverage. As a result, mobile prices fell by 17 percent between 2014 and 2015 and are now among the cheapest in the region.[39]

71%

Today, **71 percent of women and 73 percent of men use the internet**, which is higher than the AFI upper-middle income country average of 69 percent.

Ninety-five percent of the population is covered by at least a 3G signal and smartphone connections account for 90 percent of all internet connections, with 73 percent of Mexicans owning smartphones.[40] This represents a strong opportunity for DFS to catalyze inclusion, the effects of which would be dependent on the smart product and service design — with intentionality around simple and easy-to-use individuals who are unbanked, low-income, and/or low- digital and financial literacy — and targeted onboarding.

ID INFRASTRUCTURE

Access to identification documents is not a barrier to financial inclusion in Mexico, where 96 percent of all women and 98 percent of all adults are registered.[41]

Mexico will soon have a robust digital ID program: in 2021, the World Bank launched a USD225 million program to assist Mexico with the issuance of digital IDs, creating a Unique Digital Identity Card (CUID).[42]

Collecting biometric data is underway, and systems and institutions are being created to maintain the digital ID system.

As with most digital ID programs, the civil society expresses concerns on the surveillance applications of the program and over the potential exclusion of the most vulnerable if public and private services are conditional on the CUID.[43] However, thoughtful design and widespread implementation can ensure that all are equipped with CUID, and the digital ID would make remote and digital financial services much more convenient, especially for rural communities and for women who wish to have more privacy in their financial transactions.

36 National Institute of Geography, Statistics, and Informatics. 2021c. Encuesta Nacional sobre Disponibilidad y Uso de Tecnologías de la Información en los Hogares (ENDUTIH). Available at: https://www.inegi.org.mx/programas/dutih/2021/

37 National Institute of Statistics, Geography, and Informatics (INEGI). 2021. National Survey of Financial Inclusion (ENIF) 2021. Available at: https://en.www.inegi.org.mx/programas/enif/2021/

38 Global System for Mobile Communications Association. 2016. Country overview: Mexico Mobile driving growth, innovation and opportunity. Available at: https://www.gsma.com/latinamerica/wp-content/uploads/2016/06/report-mexico2016-EN.pdf

39 Ibid

40 GSMA, 2016, Navis et al, 2020, ITU 2018 and INEGI, 2021c

41 Navis, K., Mukherjee, A., Gelb, A., Castañeda, J. A., Mazari, I., and Torres, L. M. 2020. The Puzzle of Financial Inclusion in Mexico: A Closeable Gap? | Center for Global Development | Ideas to Action. Available at: https://www.cgdev.org/publication/puzzle-financial-inclusion-mexico-closeable-gap

42 World Bank. 2022. Development Projects: Mexico National Digital Identity System to Facilitate Inclusion - P172647. World Bank. Available at: https://projects.worldbank.org/en/projects-operations/project-detail/P172647

43 Privacy International. 2021. PI joins civil society in concerns over Mexico's World Bank funded digital ID scheme. Available at: https://privacyinternational.org/advocacy/4623/pi-joins-civil-society-concerns-over-mexicos-world-bank-funded-digital-id-scheme

THE ROLE OF GOVERNMENT AND FINANCIAL REGULATORS IN DRIVING GENDER-INCLUSIVE FINANCE

For decades, Mexico's robust financial system and strong institutions have been focusing on financial inclusion, ensuring the coordination of efforts mainly through a National Council for Financial Inclusion (CONAIF) and National Financial Inclusion Strategies (NFIS).

The country's Central Bank, Bank of Mexico, is the monetary authority and lender of last resort. By constitutional mandate, it is autonomous in its functions and administration. Rather, the National Banking and Securities Commission (CNBV) is the entity responsible for supervising and regulating most of the entities that make up the Mexican financial system, including multi-purpose banking institutions, developing banking institutions, the popular sector (SOFIPOs, SOFINCOs, and SOCAPs), the brokerage and investment sector, and other financial companies including SOFOMs, etc.

The CNBV has been the driver of national financial inclusion efforts since the turn of the century and plays an active role in collecting data and reporting on progress. The CNBV collaborated with the National Institute of Statistics, Geography, and Informatics (INEGI) to launch a National Survey for Financial Inclusion (ENIF), which was first completed in 2012.

The demand-side survey is triennial (2015, 2018, and 2021) and the sex-disaggregated data is used to inform public-sector policy and private-sector opportunities around women's financial inclusion. The results are published in robust reports on the CNBV website.

Businesswoman using digital tablet at the office, Mexico. (FG Trade Latin/iStock)

CONAIF was established in 2011 by the government to coordinate all national financial authorities and formulate, implement, and monitor the National Financial Inclusion Policy. It is a coordinating body that includes senior representatives from all regulatory institutions of the country's financial sector. CONAIF meets twice a year to coordinate policy on financial inclusion, including the activities of the current National Financial Inclusion Policy, and women's financial inclusion is one of its chief objectives. CONAIF also has a Monitoring Group (GSIF) and public-private sector roundtables with actors from the financial sector. Within the NFIS, the possibility of creating working groups for a specific topic is contemplated; however, currently, none has been created since both the GSIF, as well as the GSDI, and the public-private sector roundtables meet periodically to deal with various topics on the implementation of the NFIS.

The 2015 ENIF data was used to inform the design of the 2016 National Policy for Financial Inclusion, which CONAIF created. The Policy named women among the groups underserved by or excluded from the formal financial system but lacked concrete targets. Nevertheless, it was effective at advancing financial literacy, boosting FinTech innovation, and expanding the financial infrastructure, all of which are explained throughout this report.

In 2017, the Financial Education Strategy was also launched[44]; however, it lacked a strategic gender focus and instead highlighted financial education, technological innovation, and the need for developed financial infrastructure in underserved areas.

In 2018, the country elected a new president — Andrés Manuel López Obrador — who leads a government with a clear focus on financial inclusion as one of the biggest enablers in fighting poverty, inequality, and slow economic growth.

The new government created the current 2020-2024 National Financial Inclusion Strategy, which does identify gender gaps and explicitly promotes women's financial inclusion through specific measures, including:[45]

- The design of financial products and services to increase access and usage among excluded and underserved populations, including women.
- The generation of sex-disaggregated data to evaluate financial inclusion efforts, including measuring access and use gaps of target groups such as women and creating stakeholder working groups to improve the quality of reported data.

Encuesta nacional de inclusión financiera: Reporte de resultados

> View here

2016 National Policy for Financial Inclusion

> View here

2020-2024 National Financial Inclusion Strategy

> View here

44 Financial Education Committee. 2017. Estrategia_Nacional_de_Educaci_n_Financiera. Available at: https://www.gob.mx/cms/uploads/attachment/file/254432/Estrategia_Nacional_de_Educaci_n_Financiera.pdf

45 Data2X. 2019. Enabling Women's Financial Inclusion Through Data: The Case of Mexico. Available at: https://data2x.org/wp-content/uploads/2019/08/WFID-Mexico-Case-Study_FINAL.pdf

Other public institutions important to the greater financial ecosystem and the mandate to increase women's financial inclusion include the National Commission for the Retirement Savings System (CONSAR), the Federal Telecommunications Institute (IFETEL), and the National Institute for Women (INMUJERES).

CONSAR is the independent agency in charge of regulating the retirement savings system, which encompasses contributions made by employees and companies during the working life of employees on an individual account called SIEFORE (or pension fund account). CONSAR is responsible for supervising and regulating the Retirement Funds Administrators (AFOREs), which are the companies that administer SIEFOREs. As mentioned, there is a significant gender gap in retirement savings and, thus, a need for CONSAR to take a proactive role in the national women's financial inclusion agenda. CONSAR participates in CONAIF and CIIGEF.

While the CNBV regulates all e-wallets in Mexico, IFETEL is responsible for regulating telecommunications and broadcasting services and, in the past, collaborated to expand the supply of financial services to target areas through mobile telephones, as set out by the 2016 National Financial Inclusion Policy. IFETEL participated in the public-private sector roundtables conducted during the formulation of the NFIS and shared the national information it collects on mobile and internet coverage. However, the DFS development responsibility mainly concerns the CNBV and the Central Bank.

Finally, INMUJERES is the government coordinating agency for gender equality. It partners with INEGI to generate high-quality gender data and with the national development bank, NAFIN, on a loan guarantee fund for banks that lend to women SMEs. INMUJERES is also part of the CIIGEF, described later in the report.

There are several associations within the financial sector with which the CNBV and other public-sector players collaborate to advance the national women's financial inclusion agenda.

The Association of Mexican Banks (ABM) participated in the public-private roundtables hosted during the formulation of the NFIS and is part of the CIIGEF. There is also an association of insurance companies and several non-bank financial associations (including Fintech Mexico, Concamex, and Amsofipo) which also participated in the design of NFIS 2020.

Female baker in her shop, Mexico. (DarioGaona/iStock)

FOUNDATIONAL REGULATIONS THAT ENABLE GENDER-INCLUSIVE FINANCE

Mexico's financial regulators have implemented several regulations and policies that create an enabling environment for women's inclusion and gender-inclusive finance to prosper.

The new government has paid particular attention to implementing regulations that enable DFS, including a new tiered KYC scheme and simplified accounts that can be opened remotely and facilitate mobile payments, and the inclusion of new payment methods like the government payment system CoDi.

DIGITAL FINANCIAL SERVICES REGULATION

In 2009, Mexico passed agent banking regulation, allowing Mexican banks to establish cash-in and cash-out agent banking networks.

The regulation has led to the growth of the agent banking network (to 5.1 agents per 100,000 adults), and today, SOCAPs and SOFIPOs are also deploying agents. However, the laws detail hiring standards that are stricter than other countries, which might discourage smaller shops to become agents since the model used to incorporate smaller stores is through agent managers (such as Red Yastás).[46]

46 Acevedo, I., and Székely, M. 2021. The Strange Case of Low Financial Inclusion Using Digital Payment Services in Mexico | Center for Global Development | Ideas to Action. Available at: https://www.cgdev.org/blog/strange-case-low-financial-inclusion-using-digital-payment-services-mexico

Young Mexica mother learning online. (Fernanda_Reyes/Shutterstock)

Mexico passed mobile banking regulations in 2010, allowing mobile access to existing bank accounts, but it was the 2018 FinTech Law that created the enabling regulatory framework for the expansion of digital wallets (or e-wallets). Mexico was one of the first 10 countries to introduce a FinTech Law to provide clarity to firms operating in the grey area of existing laws and ultimately drive financial inclusion, consumer protection, financial stability, and competition. The law mainly allows for the licensing of two types of FinTech companies: electronic payment institutions (EPIs), which are what other countries call “e-money institutions”, and crowdfunding institutions (IFCs).[47] The law does not provide guidance for other tech-enabled innovations in financial services, such as FinTechs offering balance sheet lending, big tech companies launching financial services, and investment services other than crowdfunding or Central Bank Digital Currencies (CBDC).[48]

Since the law was introduced, **58 companies have been approved or provisionally approved for payment licenses**, a few of which have offerings targeting already banked women.

While the law served as a jumping-off point for the FinTech industry, it is viewed as a beginning rather than an endpoint for Mexican banking regulators’ focus on FinTech. The government is still looking forward to designing policy initiatives to promote innovation and with it, hopefully, improved access and inclusion in the country.[49]

Originally the country followed a bank-led model, which meant an individual needed to have a bank account to open a mobile money account.[50] This was quickly identified as a barrier to financial inclusion and the regulation has since changed with the improvement of the cash-in and cash-out agent network; however, most users in practice are formerly banked and the services have yet to take off with unbanked populations.

In 2019, the Central Bank launched a national payment system for person-to-person (P2P), online and in-shop payments, called Cobro Digital (CoDi). The platform was conceived to reduce the use of cash and to draw people into the financial system by enabling real-time electronic payments via mobile phones. The service is accepted almost everywhere, especially as the rollout is three-years underway. However, to use the payment platform, one must have a smartphone (which 23.5 percent of the population does not have) to scan QR codes and have a bank account.[51] This is double bind: to access the government’s free mobile payments system, one needs to open an account with banks they may not want to join or cannot afford to join in the first place.[52] Participating banks include BBVA Bancomer, Banco Santander, and Citibanamex. As more non-bank e-wallets are approved, they may be integrated with CoDi; however, FinTechs that want to join need an EPI license, a process that is challenging to comply with and can take up to a year.[53]

Experts argue that Mexico’s government should turn to FinTech entrepreneurs to bring true innovation into the financial system rather than relying on banks that have benefitted from high barriers to entry and have a vested interest in maintaining the status quo. In line with this, Banco de México is developing a Central Bank Digital Currency (CBDC) with which a bank account will not be needed to access digital payments.[54]

The 2018 FinTech law paved the way for an open banking system in Mexico and to date, some use cases have been applied. Prometeo is the largest open banking platform in Latin America, connecting 1,010 banking connections in Mexico (with eight participating Mexican Banks) along with nine other countries in the region. The CoDi system functions as a national payment system, and regulated financial institutions can build APIs on top of it, functionalities that will improve in the coming years with the widespread rollout of the system. To innovate solutions for low-income women and unbanked individuals, banks and FinTechs should partner with banks opening their APIs to FinTechs.

47 Staschen, S., and Kerse, M. 2021. Is Mexico’s “Fintech Law” Leading a New Trend in Fintech Regulation? Available at: https://www.cgap.org/blog/mexicos-fintech-law-leading-new-trend-fintech-regulation

48 Ibid

49 Mikula, J. 2022. Mexico Passed A “Fintech Law,” But Regulatory Headaches Remain [Substack newsletter]. Fintech Business Weekly. Available at: https://fintechbusinessweekly.substack.com/p/mexico-passed-a-fintech-law-but-regulatory

50 Woodford, I. 2022. Fintechs fail to make a dent in Mexico as cash remains king. Reuters. Available at: https://www.reuters.com/business/finance/fintechs-fail-make-dent-mexico-cash-remains-king-2022-05-26/

51 National Institute of Geography, Statistics, and Informatics. 2021c. Encuesta Nacional sobre Disponibilidad y Uso de Tecnologías de la Información en los Hogares (ENDUTIH). Available at: https://www.inegi.org.mx/programas/dutih/2021/

52 Woodford, I. 2022. Fintechs fail to make a dent in Mexico as cash remains king. Reuters. Available at: https://www.reuters.com/business/finance/fintechs-fail-make-dent-mexico-cash-remains-king-2022-05-26/

53 Ibid

54 Banco de México. 2021. Informe anual sobre el ejercicio de las atribuciones conferidas por la Ley para la Transparencia y Ordenamiento de los Servicios Financieros. Available at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-anuales-de-cumplimiento-de-la-ley-para-la/%7B673FB877-292B-1DF2-2703-140F9168FDA9%7D.pdf

Globally, **opening deposit accounts often entails several requirements that poor people and women find hard to meet** (including different forms of identification, proof of address and source of income, etc.) and providers find too costly to handle.

As a result, the notion of "simplified" bank accounts can be a powerful tool for financial inclusion.

Mexico's financial regulators recognized this potential and, in 2011, introduced a tiered approach that allows for low-value, low-risk accounts to be opened with flexible account opening requirements. Today, banks, SOCAPs and SOFIPOs offer level 1 accounts, which can be opened remotely and anonymously, requiring no paper record-keeping. With no KYC requirements, level 1 accounts allow deposits up to USD285 per month and up to USD1,110 per month with only basic personal information.[55]

This change has resulted in the creation of financial products accessible to more Mexicans, resulting in a 14 percent increase in deposit account ownership in the first two years (2011 to 2013), 50 percent of which were level 1 accounts.[56] However, level 1 accounts have stopped being promoted within financial institutions due to their limitations. At the end of 2021, only 12,000 active accounts were reported.

On the other hand, level 2 accounts have been widely used and spread by financial institutions to incorporate new clients as well as by the government to disperse subsidies.

With such a robust digital financial services ecosystem, data privacy is essential to guarantee inclusion and trust in the financial system. Mexico's 2010 Federal Law on the Protection of Personal Data held by Private Properties is potent and aligned with the EU's General Data Protection Regulation (GDPR). Financial users own their own data, while frequent accountability and impact assessment frameworks are mandatory, and tech companies must disclose data usage.[57] The e-KYC provision also complies with the aforementioned Federal Law.

TRADITIONAL BANKING REGULATION

Consumer protection is a priority area of the country's financial inclusion strategy, and the National Commission for the Protection of Financial Services (CONDUSEF) has taken measures to ensure gender inclusivity. CONDUSEF collects customer complaints and is responsible for addressing concerns.

In 2016, CONDUSEF started monitoring consumer complaints, including the sex-disaggregated complaints, and ensuring that women understand their rights and have their concerns addressed appropriately.

Mexico's consumer protection law (overseen by the Federal Consumer Protection Agency) is continuously updated to keep up with new market developments. For example, in 2019, the law was amended to forbid the sale of gender-based pricing products, such as pricing women's razors higher than male razors. This law raised a general consciousness around consumer protection in Mexico, but has yet to be adapted and applied by CONDUSEF to the financial sector.[58]

All these institutions are regulated by the CNBV and are instrumental in providing formal financial services to women as well as un- and underserved populations.

The **small and medium enterprise (SME) sector is an important driver of the economy in Mexico**, and despite the lack of a national SME policy, the government explicitly emphasizes the importance of this segment in its National Financial Inclusion Strategies and efforts.

In 2016, the national development bank, NAFIN, which is also a member of the CONAIF monitoring group (GSIF), launched an SME program focused on women, in collaboration with INMUJERES and INADEM,

55 Faz, X., and Diaz, D. 2011. A Bold Move Toward Simplifying AML/CFT: Lessons from Mexico. Available at: https://www.cgap.org/blog/bold-move-toward-simplifying-amlcft-lessons-mexico

56 Faz, X. 2013. Mexico's Tiered KYC: An Update on Market Response. Available at: https://www.cgap.org/blog/mexicos-tiered-kyc-update-market-response

57 Recio, M. 2017. GDPR matchup: Mexico's Federal Data Protection Law Held by Private Parties and its Regulations. Available at: https://iapp.org/news/a/gdpr-matchup-mexicos-federal-data-protection-law-held-by-private-parties-and-its-regulations/

58 Government of Mexico, 2019 and Federal Consumer Attorney, 2019

the Entrepreneur's National Institute. The case for targeting women SMEs was strengthened by an analysis of NAFIN's own sex-disaggregated data and the World Bank Enterprise Survey data that reveals credit gaps for women-owned SMEs (WSMEs).[60]

The program includes a loan guarantee facility. As of 2018, seven participating banks approved more than 11,900 loans to qualifying women entrepreneurs at annual interest rates below the national average.[61] The program worked: 99 percent of the loans went to WSMEs that accessed credit for the first time and less than one percent of the loans required banks to resort to the guarantee over unpaid loans.[62] Beyond financing, INADEM works with the CREA, a national organization focused on entrepreneurship, to provide advisory services to aspiring women entrepreneurs.[63]

Access to formal credit is also facilitated by movable collateral registries, which enable individuals to register alternative assets that can serve as loan collateral and robust credit bureaus that enable individuals to build credit history. Both are important to facilitating women's access to credit, as they typically have fewer assets (especially not land) and need to establish a credit history as they enter the formal economy.

Mexico established the Unique Registry of Guarantees (RUG) in 2019, the current record to establish, protect, and mobilize movable collateral for alternative loan guarantees. RUG was intended to expand MSME access to loans by showing financial service providers (FSPs) the collateral available to small business owners.[64]

But critics point to the lack of investment in technology which slows the platform's ability to adapt to new standards of customer-centricity and leads to poor customer experience and ultimately lower adoption.[65] With investment to improve technology and user-friendliness, RUG could be integral to facilitating access to finance.

Finally, credit ratings in Mexico are handled by three credit rating agencies: "Trans Union de México", "Dun & Bradstreet" (these two form the "Credit Bureau" or "El buro de credito"), and "Circulo de Crédito". The Credit Bureau is a private organization run by Mexican banks. It is a cornerstone of the country's credit system and enables banks and creditors to share the transaction history of borrowers. It was introduced in 2002 with the Law to Regulate Credit Information Corporations, in compliance with the secondary regulation of the FinTech Law on APIs.[66]

59 Bank of Mexico. Legislation of interests. Available at: https://www.banxico.org.mx/marco-normativo/legislacion-interes-disposici.html
60 Data2X. 2019. Enabling Women's Financial Inclusion Through Data: The Case of Mexico. Available at: https://data2x.org/wp-content/uploads/2019/08/WFID-Mexico-Case-Study_FINAL.pdf
61 Ibid
62 Ibid
63 Data2X. 2019. Enabling Women's Financial Inclusion Through Data: The Case of Mexico. Available at: https://data2x.org/wp-content/uploads/2019/08/WFID-Mexico-Case-Study_FINAL.pdf
64 Edelshein, J., Johnson, V., & Pedroza, G. 2021. Designing Digital Payments for Mexican Women Entrepreneurs. 32. Available at: https://www.womensworldbanking.org/wp-content/uploads/2021/06/2021_Designing_Digital_Payments_English.pdf
65 Ibid
66 Bank of Mexico. 2010. Law to regulate credit information corporations. Available at: https://www.banxico.org.mx/regulations-and-supervision/d/%7BD6F9D95D-E31F-97A6-16B1-5FFD29589C0D%7D.pdf

In Mexico, microfinance services are provided by SOFIPOs and SOCAPs which can provide loans and savings, SOFINCOs and SOFOMs, which can only lend, as well as some commercial banks, as previously described. In terms of this sector's regulation, **there are four different laws regulating the different categories of institutions[59]:**

1

LAW OF 1990 THAT REGULATES SERVICES AND OPERATIONS OF MULTIPLE BANKS AND DEVELOPMENT BANKS

2

GENERAL LAW ON AUXILIARY CREDIT ORGANIZATIONS OF 1985 (SUCH AS CREDIT UNIONS), EXCHANGE HOUSES, AND MULTIPLE PURPOSE FINANCIAL COMPANIES (SOFOM)

3

POPULAR SAVINGS AND LOAN LAW FOR POPULAR FINANCIAL COMPANIES (SOFIPO) AND COMMUNITY FINANCIAL COMPANIES

4

LAW ON THE REGULATION OF CREDIT COOPERATIVES OF 1994 (SOCAP)

INTERNAL ALIGNMENT AND ACTIVE PROMOTION OF VIBRANT ECOSYSTEM FOR GENDER-INCLUSIVE FINANCE

Beyond the regulations previously outlined, Mexico's financial regulators coordinate amongst themselves and with the private sector to implement various measures to boost the inclusion of un- and underbanked individuals, especially women.

Mexico's National Council for Financial Inclusion (CONAIF) is the main body that brings together senior representatives and stakeholders notably from banking, insurance, treasury, consumer protection, and the Central Bank. It meets twice a year to coordinate policy on financial inclusion, including the activities of the current National Financial Inclusion Policy, and women's financial inclusion is one of its chief objectives. CONAIF also has a Monitoring Group (GSIF) and public-private sector roundtables with actors from the financial sector. Within the NFIS, the possibility of creating working groups for a specific topic is contemplated; however, currently, none has been created since both the GSIF, as well as the GSDI, and the public-private sector roundtables meet periodically to deal with various topics on the implementation of the NFIS.

It is also imperative that the financial regulators and government players work closely with the private sector through various committee such as the Financial Innovation Group, which was conceived under the 2018 FinTech law to convene financial authorities and the private sector to share ideas and innovate, and several public-private sector roundtables (organized by CONAIF) that have been implemented both for the design and appropriation of the NFIS and subsequently under the NFIS which have focused on inclusion and financial education and highlighted the gender perspective including revealing results from a national financial-sector questionnaire on gender topics.

The country's new Interinstitutional Committee for Gender Equality in Financial Institutions (CIIGEF) will also be instrumental in aligning the sector around women's financial inclusion. It aims to develop proposals and share experiences among financial institutions and the public sector stakeholders to:

- **achieve a better balance** in the representation of women in decision-making positions
- **promote financial educatio**n, access, and usage for women
- **prevent and eradicate discrimination**, harassment, and gender-based violence

In March 2022, 11 institutions united and signed the Public-Private Interinstitutional Coordination and Collaboration Agreement to promote greater inclusion of women in the financial sector and the economy.[67]

The state of women's financial access and usage is well tracked and documented due to the CNBV's focus on collecting, reporting, and using sex-disaggregated data throughout the last decade. The previously mentioned ENIF is the national triennial demand-side survey conducted by the CNBV and INEGI, starting in 2012, with sex-disaggregated data indicators. The survey allows for a clear picture of access to and use of financial products and services throughout Mexico, including looking at the most frequently used form of payment for smaller and larger amounts and payments by type of device in different types of businesses. In 2021, the survey further enhanced to collect detailed mobile-based transactional payment data to reveal more complex transactional behavior.[68]

The National Survey complements the ENIF on Firm Financing (ENAFIN), first launched in 2015, focusing on enterprise demand for financial and banking services and access to financing and other products. The country established a national definition for women-owned enterprise, adopting the International Finance Corporation (IFC) definition, and institutions have worked through challenges in applying this definition, including deferring to legal documents and determining gender by name.[69]

67 Government of Mexico. 2022. Autoridades de las instituciones del sistema financiero instalan Comité de Igualdad de Género. Available at: https://www.gob.mx/cms/uploads/attachment/file/710559/Comunicado_No._18_Comite__de_Igualdad_de_Ge_nero_del_sistema_financiero.pdf

68 National Banking and Securities Commission. 2021. Encuesta Nacional de Inclusión Financiera (ENIF) 2021. Available at: https://www.cnbv.gob.mx/Inclusi%C3%B3n/Anexos%20Inclusin%20Financiera/Libro_Tabulados_ENIF_2021.pdf

69 Data2X. State of Gender Data. Available at: https://data2x.org/state-of-gender-data/

The ENIF surveys and resulting learnings stimulated the CNBV to implement a system for collecting sex-disaggregated supply-side data. Supply-side data can further document gender disparities and prompt investment in more targeted financial products and services for women. Since 2016, Mexican FSPs have been required to report sex-disaggregated data, which is integrated into the CNBV's analysis of the gender gap in financial services and allows for evidence-based policymaking. Since 2018, the CNBV has published quarterly supply-side database indicators, some of which are disaggregated by sex. The CNBV also issues the Panorama of Financial Inclusion annually, which contains a robust analysis of the latest on the gender gap in financial inclusion by unifying supply- and demand-side data.

Indeed, Mexico is globally considered a **leader for its robust collection, reporting, and use of sex-disaggregated data.**

As previously mentioned, Mexico's National Financial Inclusion Strategies are based on data from the ENIF, and the CONAIF applies insights from the demand- and supply-side data into action. As a result of its robust gender data collection, Mexico has been able to create targets for financial inclusion indicators and measure progress on increasing access and usage and closing the gender gap.

Sex-disaggregated data has shed light on the discrepancies in financial literacy and the need for specific attention to women's financial education in order to close the gender gap and increase women's access to and usage of financial services. Low financial literacy is widely recognized as a barrier to financial inclusion, and in 2011, the government established the Financial Education Committee (CEF), which is led by the Ministry of Finance and also includes the CNBV, the Central Bank, the Ministry of Education, and other key players.

The CEF was tasked with writing the country's first National Financial Education Strategy, launched in 2017. In 2020, the update of this strategy is contained in objective 4 of the new National Financial Inclusion Strategy (NFIS). The strategy identifies women as a crucial segment and includes goals for increased financial understanding. The plan calls for the coordination and co-development of initiatives with the private sector and government-run programs and has brought forth several initiatives, including the incorporation of financial education elements into school curricula and national communication campaigns to disseminate information on financial products, services, and channels.[70,71]

70 Alliance for Financial Inclusion. 2016. National Policy for Financial Inclusion. Available at: https://www.gob.mx/cms/uploads/attachment/file/199615/Mexico_s_National_Policy_Financial_Inclusion.pdf

71 Ibid

Mayan family learning to read and write. (Fernanda_Reyes/Shutterstock)

CONDUSEF also mandates FSPs to provide some form of financial education. However, accountability is reportedly limited, and the content is often product-focused, with staff using the opportunity to push loans on recipients rather than educate. In addition, Banco de México also has robust programs in financial education.[72]

Lack of financial literacy remains a barrier to financial inclusion of women, especially those in rural areas and with lesser overall education, as they are less likely to have the time or income to go to a bank or to be active users of a formal account.

The ENIF allows for the tracking of progress on indicators and the 2021 survey reveals very minimal or no increase in the understanding of the time value of money, inflation, risk, and diversification. Still, just one in three Mexicans maintain a budget and only half the population would know where to go in the case of a problem with their financial product or service, which calls on the CONDUSEF to continue advancing or even accelerating its consumer protection efforts.

Mexican citizens' low levels of access to and usage of financial products show that available formal financial services are inadequately addressing the needs, preferences, and constraints of the unbanked and excluded segment.[73] With few exceptions, the banking system remains focused on upper-middle-income customers, with few institutions serving low-income segments with affordable payment services, savings, and insurance products that are easy to access and more options for credit.

Furthermore, digital transformation has largely been viewed by FSPs as an opportunity to serve their existing upper-middle-income clientele rather than designing a model to provide low-cost services to unbanked and low-income individuals. The government has attempted to encourage the private sector to design products and services tailored to women through specific mention in both the 2016 National Financial Inclusion Policy and the 2020 NFIS.

The country's new Interinstitutional Committee for Gender Equality in Financial Institutions (CIIGEF) conducted a survey (Diagnostic of the Incorporation of the Gender Perspective in the Work of Financial Entities in Mexico) with Mexican financial institutions to understand their awareness and pursuit of the women's market, given that the promotion of financial products and services focused on women is a main objective of the Committee.

The survey reveals that 44 percent of Mexican financial institutions consider that women need specific financial products compared to those offered to men; however, only 20 percent of those answered that they have a gendered financial product or service.[74] That is, there seems to be awareness of the need to target women with a differentiated strategy and products and services tailored to their needs, but few institutions have yet to take action.

To promote lending to women, the CNBV issued two amendments to rules for credit institutions, one on 23 July 2021, and another on 27 May 2022. The amendments recognize the lower risk incurred by financial institutions to grant loans to women and, in response, lower preventive reserve requirements to be more aligned with the probability of default and the severity of the loss. The Mexican second-tier development bank, FIRA, also launched three social bonds in the stock market, two focused on credit for women and one focused on financial inclusion.

Formalizing government-to-person payments, either by requiring or incentivizing the disbursement through bank or e-wallet accounts, is globally utilized to facilitate financial inclusion, especially when applied to social protection programs.

Mexico is one of several countries that benefited from a boost in account opening due to the digitization of the government's conditional cash transfer program, Prospera, which served 6.5 million people, 98 percent of whom are women.

In 2013 as part of the National Digital Strategy, Prospera benefits were paid out through Bansefi bank accounts (payments are not made through the Banco del Bienestar), which were provided with a debit or chip card. From 2014 to 2019, the government opened accounts for about four million people (80 percent of which were women) to receive social or cash transfers.[75]

72 Arnold, J., and Venkatesan, J. 2022. Building Women's Financial Capability: A Path Toward Transformation. 33. Available at: https://content.centerforfinancialinclusion.org/wp-content/uploads/sites/2/2021/06/Building-Women%E2%80%99s-Financial-Capability-4-1.pdf

73 Women's World Banking. Country Strategies—Mexico. Available at: https://www.womensworldbanking.org/country-strategies-mexico/

74 Interinstitutional Committee for Gender Equality in Financial Institutions. 2022. Diagnóstico de la incorporación de la perspectiva de género en el quehacer de las entidades financieras en México. Available at: https://www.cnbv.gob.mx/Inclusi%C3%B3n/Anexos%20Inclusin%20Financiera/Diagnostico_Perspectiva_Genero_CIIGEF.pdf?utm_source=estudio&utm_medium=mail&utm_campaign=Genero

75 National Banking and Securities Commission. 2018. Reportes y Estudios de Inclusión Financiera | Comisión Nacional Bancaria y de Valores | Gobierno | gob.mx. Available at: https://www.gob.mx/cnbv/acciones-y-programas/divulgacion-de-inclusion-financiera-26625

Since the initial roll-out, more than 15 commercial banks have been used to disperse social programs. Analysis revealed that 47 percent of adults who received government payments in an account had never had an account before.[76] However, the analysis also revealed that women were not using the accounts because of their immediate need to cash the subsidies; the majority of accounts were not utilized regularly but rather "closed loops".[77] This finding prompted the current government to refocus its efforts on financial services use, and Bansefi is currently piloting financial education and microinsurance initiatives that they hope will help increase account usage, there has also been an increase in pension subsidies for the older persons[78] and scholarships for students.[79,80] To further support a cash-less movement, efforts should be linked with information campaigns and incentives to support recipients to keep money in the bank.

Supported by the 2018 FinTech law, Mexico has emerged as one of Latin America's most important FinTech economies and regional hub.[81] FinTech companies could provide greater access to financial services with increased transparency and lower transaction costs for customers in Mexico, but to date, most of the country's 450 FinTech companies have solutions designed for the banked, metropolitan elite rather than poorer, rural communities where banking infrastructure is most needed.[82] A handful of FinTechs do incorporate a meaningful gender component or are solving barriers to women's financial inclusion, including providing financing for SMEs and individual microloans.[83]

But overall, there is a need for more creative solutions to reach the un- and under-served, including blended online and offline solutions to recruit, onboard, and teach women how to use the service, rather than relying on digital onboarding and interaction.[84] As the regulator of this space, the CNBV will need to continue expanding its regulation to support and direct financial innovation and enable the licensing of qualified digital players to operate as banks.[85]

One of the ways the CNBV promotes financial innovation is through the Regulatory Sandbox by participating in the organization of a 2020 Sandbox Challenge, which was set up through the 2018 FinTech law and implemented with several international sponsors and support organizations. During the Sandbox Challenge, FinTech startups are evaluated from a gender perspective, and the competitive process includes a special price category for those startups whose business models were focused on financial products targeted to women or that were founded or led by women.[86]

The Sandbox allows FinTechs to experiment in the Mexico market for a trial period of up to two years, wherein the company must show tangible evidence of benefits resulting from their launched product and/or service. If they succeed, they will be entitled to file for permanent authorization to operate and organize as a financial technology institution, through which they would face the same regulatory scrutiny and requirements as all market players.[87]

All the efforts previously outlined would be better supported by a national emphasis on gender diversity and inclusion within the banking sector. Global research proves the importance of women's representation in leadership to successfully implement strategies that reach women. Mexico's 2016 National Financial Inclusion Policy states the goal of greater women's representation in decision-making positions. However, there were no targets.

76 International Monetary Fund. 2019. Mexico: An Opportunity for Financial Inclusion. Available at: https://www.imf.org/en/News/Articles/2019/05/29/sp052919-mexico-an-opportunity-for-financial-inclusion

77 Women's World Banking. 2018. Women in Mexico Need More than Digital G2P to Achieve Financial Inclusion. Available at: https://www.womensworldbanking.org/insights-and-impact/women-mexico-digital-g2p-financial-inclusion/

78 Government of Mexico. Pensión para el Bienestar de las Personas Adultas Mayores. Available at: https://www.gob.mx/bienestar/acciones-y-programas/pension-para-el-bienestar-de- las-personas-adultas-mayores-296817

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87 Mikula, 2022 and Lozano, 2020

The current NFIS has among its lines of action the promotion of women in leadership positions in the financial system; in fact, the CIIGEF was created to support this issue at the highest level. In a country where machismo culture still dominates, especially in rural areas, and women remain distrusting of financial institutions, there is a strong need for institutional focus on tackling gender bias and adopting customer service approaches that appeal to women.[88]

One of the **goals of the CIIGEF** is to improve women's representation in managerial positions.

The diagnostic of the incorporation of gender perspectives in the work of financial entities in Mexico revealed that women represent 51 percent of all staff in the financial system but only 26 percent of managers and higher-level positions, but as the committee is new as of this year, progress has yet to be seen.[89] This questionnaire will be applied regularly going forward to measure progress.

WOMEN'S ECONOMIC PARTICIPATION, INCLUSION AND ENTREPRENEURSHIP

Most women in Mexico are literate (94.5 percent, on par with the region) and there is only a one percentage point gender gap overall in tertiary education (bachelor's degree or more).

This trend also seems to be reversing: a higher share of women than men completed at least a bachelor's degree in the 25 to 35 years old age group (31 percent vs. 30 percent, respectively, with men being on par or ahead of women in the older age cohorts).

As mentioned, there has been an increased focus on incorporating financial education and digital literacy programs and topics into the school curricula to form students' habits and good behaviors related to finances from an early age.[90]

Young professionals planning tasks with co-working office, Mexico. (ferrantraite/iStock)

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Women's work is mostly informal and unpaid (household and care work).

48%

The **female labor force participation rate is just 48 percent**, compared to 80 percent for men.

Women are over-represented in the informal sector: 59 percent of women work informally versus 50 percent of men.[91,92] Women perform more than 75 percent of the household duties, such as unpaid housework or childcare, leaving little room for income-generating work.[93] Furthermore, women earning an income make only 49 percent of what men make, which is a sizable income gap.[94] This means that women are economically and time-poor. They must work a triple journey: the first doing care work, the second doing domestic work, and the third in the formal or informal labor market outside homes.

This labor dynamic is largely rooted in traditional gender norms and expectations that restrain young women from pursuing formal employment, in addition to discrimination and harassment within institutions. Mexico's legal system does not severely constrain women, according to the 2021 Women, Business, and the Law report; although the country lacks an equal-pay-for-equal work law, requirements around paid parental leave are unequal and provisions for periods of absence due to childcare in pension benefits.[95]

The informal and unpaid nature of women's work, as well as her constrained income are the main factors contributing to women's overall lower demand for financial services: account uptake of women in the labor force is 43 percent versus 23 percent of those out, and lack of work is a top reason women report for not opening a bank account.[96]

21%

While Mexico is a dynamic market for entrepreneurship, **women own only 21 percent of all formal and informal businesses**, according to the 2021 ENAFIN survey.[97]

Split by sector, women own 24 percent of microenterprises, 20 percent of small enterprises, 9 percent of medium enterprises, and 10 percent of large businesses, comparable to other countries in the region.[98] That being said, the MSME sector is the largest in the country, with about 4.8 million enterprises in total (94 percent of which are microenterprises)[99], generating nearly half the country's gross domestic product (GDP) and employing 37 percent of the workforce, according to INEGI.[100]

Women-owned or -led enterprises tend to be smaller in size, not registered with any relevant authority, and primarily cash-based. As such, they face several barriers to financial access and growth. Many lack access to formal loans due to a lack of a guarantor or endorsement and the inability to prove income through formal records, which means having to resort to more costly and risky forms of informal credit.[101] To serve the WSME market, Mexican FSPs need to design individual lending solutions for women microentrepreneurs that include flexible repayment schedules tailored to their cash flows and provide amounts that are meaningful to their business investment needs. WSME owners remain distrustful of digital finance, citing discomfort with using their mobile devices to manage their finances and aversion to risks, including card cloning, lack of privacy, and other concerns.[102] Institutions will need to address these concerns in addition to providing tailored solutions. Moreover, Mexican women entrepreneurs need non-financial business development and capacity-building services, including coaching, business training, soft skills development, personal leadership, and confidence building.[103]

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SOCIAL AND GENDER NORMS

Mexico's culture is deeply rooted in traditional gender norms that have yet to be broken. Machismo culture perpetuates traditional gender norms in which men are expected to work while women stay home to raise the children, care for elders, and manage the household, especially in rural areas.

This expectation was even reflected in certain laws; for example, before 2020 only mothers could enroll their children in state-run daycare facilities. This law was challenged in the Supreme Court in 2016[104] and in 2020 the Senate modified the social security Law to allow both mothers and fathers access to nurseries.[105] Currently, 28 percent of infants[106] in Instituto Mexicano del Seguro Social (IMSS)[107] day care centers are enrolled by their fathers.[108] While there may not be legal barriers in place that restrict women's full and active participation in society, these norms can be even more detrimental as they are unseen and harder to overcome.

An important element of the machismo culture is gender-based violence (GBV) and discrimination, which undermines women's ability to lift themselves out of poverty and instead leads them to abusive or dangerous living situations.[109] As in many Latin American countries, GBV is widespread in Mexico.

40%

A 2021 national survey reveals that 40 percent of women have suffered verbal or physical abuse from their current or last partner and only one out of every five sought help.[110]

Other data points around femicides, or a man's killing of a woman or a girl on account of her gender, showed a 7.7 percent increase in 2020.[111] And 911 calls due to domestic violence increased by 32 percent from 2019 to 2020 and another 12 percent from 2020 to 2021, to a total of 260,000 per year. At best, these prevailing gender dynamics limit the impact of how women think and behave in their partnerships and households and often prevent them from having access or control of their own money and what it is used for. Financial institutions must be aware of these dynamics and that their customer service staff approach women with compassion and always confidentially. There is an open opportunity to also involve male community leaders, especially in rural areas to challenge some of these norms and to build the capacity of FSP staff to overcome any internal and unconscious biases they may have.

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FUTURE OUTLOOK

Despite stalled progress in the second half of the last decade, the Government of Mexico remains steadfast in its commitment to promote a gender-inclusive financial ecosystem.

Recognizing the supply-side barriers, the CONAIF will continue to mobilize the private sector to design and launch financial products and services tailored to unbanked and underserved women's unique financial dynamics and needs.

Financial institutions should aim to reach low-income customers with tailored solutions while leveraging mobile-based payment products.[112] Bundling with non-traditional products and services like health (micro) insurance and complementary non-financial services can deliver meaningful value to women and build trust over time.

Mexico's financial sector model has historically been bank-led but now needs to encourage more competition and innovation to extend coverage to poorer customers. CoDi is a positive step to promoting a digital economy, but it still requires the use of a smartphone and an account with a formal bank, thus further risking to exclude already vulnerable people. FinTech firms used to be disadvantaged by their inability to take a deposit, relying on banks for this component of their service. This was amended by the 2018 FinTech law, enabling electronic payment fund institutions to receive deposits; in fact, people can have their account directly with the FinTech.[113] As mentioned, the FinTech Law is viewed as a starting point in the regulation of the financial technology sector; the CNBV will continue to promote financial innovation and promote innovative solutions that solve the dynamics underlying the exclusion of women.

Expanding digital channels and in-person touchpoints will be key to serving excluded individuals. FSPs need to expand their access points throughout remote areas to make it easier for individuals to navigate in and out of the cash economy.[114] In-person touchpoints may be necessary to onboard new users, especially where financial literacy and trust remain significant barriers. For example, FSPs can place digital advice associates in branches to help clients download, register, and learn how to use the app, while sales representatives for mobile-based payment platforms can go door-to-door to onboard small merchants.[115]

Broad awareness campaigns will help promote the understanding and adoption of new digital technologies, and high-touch activation campaigns will help build trust in formal financial institutions and their services. There will need to be continued focus on increasing financial literacy, specifically digital knowledge and skills.

Mexico is on track to have one of the most complete gender data frameworks for financial institutions in the world thanks to the CNBV's commitment to collecting and reporting supply- and demand-side sex-disaggregated data. The CNBV will continue focusing on this area as an important way to measure progress, inform policy decisions, and enable the private sector to quantify the market and establish the business case for targeting this segment. To shed important light on the gender dynamics behind mobile-based payments, the CNBV should also consider collecting sex-disaggregated mobile-based payment transactional data.

One of the financial regulator's greatest challenges is achieving effective collaboration and synergy with financial institutions to promote women's financial inclusion. This public sector has addressed this issue through the public-private sector roundtables. And the creation of the new CIIGEF is a great step forward to aligning the public and private sectors on WFI goals and actions.

It is important for Mexico's financial regulators and FSPs to understand deeply rooted social norms and how they restrict women and impact their financial means, autonomy, and preferences. Including INMUJERES (and other entities that work to address women's equality and empowerment, including grassroots organizations and NGOs) in the discussion around financial access and usage will continue to ensure the WFI agenda is considerate of the greater context. While tackling restrictive social and cultural norms is outside of the direct mandate of the regulator, the most conducive financial ecosystem can only be effective up to a point if the wider economic empowerment of women is constrained by society and stops them from reaching their full economic potential.

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ACRONYMS

AFI	Alliance for Financial Inclusion
ABM	Association of Banks of Mexico
AFOREs	Retirement Funds Administrators
AMIS	Mexican Association of Insurance Companies
API	Application Programming Interface
ATM	Automated Teller Machine
CBDC	Central Bank Digital Currency
CEF	Financial Education Committee
CIIGEF	Interinstitutional Committee for Gender Equality in Financial Institutions
CNBV	National Banking and Securities Commission
CONAIF	National Financial Inclusion Council
CONDUSEF	National Commission of the Protection of Financial Services
CONSAR	National Retirement Savings System Commission
CUID	Unique Digital Identity Card
DFS	Digital Financial Service
ENAFIN	ENIF On Firm Financing
ENIF	National Survey for Financial Inclusion
EPI	Electronic Payment Institutions
FinTech	Financial Technology
FSP	Financial Service Provider
G2P	Government-To-Person
GBV	Gender-based violence
GDPR	General Data Protection Regulation
GIF	Gender Inclusive Finance
GSDI	Monitoring, Development and Research Group of the Financial Education Committee
GSIF	Financial Inclusion Monitoring Group
ICT	Information And Communications Technology
IFC	Crowdfunding Institutions
IFETEL	Federal Institute of Telecommunications
IMSS	Instituto Mexicano del Seguro Social
INADEM	Entrepreneur's National Institute
INEGI	National Institute of Statistics, Geography, And Informatics
INMUJERES	National Institute for Women
KYC/e-KYC	Know-Your-Customer/electronic Know-Your-Customer
MSMEs	Micro, Small and Medium Enterprises
MXN	Mexican Peso
NFIS	National Financial Inclusion Strategy
P2P	Peer-To-Peer
RUG	Unique Registry of Guarantees
SDGs	Sustainable Development Goals
SHCP	Ministry of Finance and Public Credit
SIEFORE	Pension Fund
SMEs	Small And Medium Enterprises
SOCAP	Popular Savings
SOFINCO	Community Financial Societies
SOFIPO	Popular Financial Companies
SOFOM	Multiple Purpose Financial Companies
WFI	Women's Financial Inclusion
WSME	Women-Owned or -Led SME

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