Financial Inclusion Report

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BANCO CENTRAL
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About inclusive language in the Spanish version of this report
The Central Bank of Argentina is committed to encouraging the use of a non-discriminatory language that promotes the acceptance of all gender identities. It should be noted that all those who have contributed to this report acknowledge that language influences ideas, feelings, ways of thinking, as well as principles and core values.

Therefore, efforts have been made to avoid sexist and binary language in this report.

Foreword

The Charter of the Central Bank of Argentina (BCRA) establishes that "*the purpose of the Bank is to promote—within the framework of its powers and the policies set by the National Government—(...) economic development with social equality*". It states that the Board is responsible for the following duties, among others: (i) authorizing the opening of branches and other types of offices with a view to expanding the geographical reach of the system; serving the needs of the least developed areas; and promoting widespread access to financial services by users; (ii) regulating the lending policy and steering it through differential minimum reserve requirements or any other appropriate means; and (iii) setting differentiated policies aimed at small- and medium-sized enterprises and regional economies. As regards financial education, the BCRA's Charter states that "the BCRA may carry out research work and promote financial education and activities related to its purpose as set out in this Charter". These objectives and competences are included in the concept of financial inclusion.

Financial inclusion stands for the principle that all individuals can have access to and use financial services provided in a sustainable and responsible manner. Within this framework, the BCRA has adopted a policy to achieve greater financial inclusion so that all the segments of society and micro-, small-, and medium-sized enterprises (MSMEs) may draw on financial services adequately.

The notion of "financial health"—which is becoming increasingly popular—refers to the extent to which individuals, households, companies and communities can easily handle their current financial affairs and feel confident about their financial state in the future. Thus, for individuals, households, companies and communities to have a healthy financial state, they must: 1) have the possibility of controlling day-to-day finances, 2) have the capacity to absorb financial shocks, 3) feel confident about their own financial standing, and 4) manage their finances consistently with their desired, planned future, and be aware of it as well. By fostering the development of financial capability and habits that improve money management and decision making, the BCRA contributes towards a more inclusive and fairer society with better development opportunities, especially for the most vulnerable sectors.

For the purpose of assessing financial inclusion, the BCRA monitors certain variables related to financial inclusion. These metrics are disaggregated by gender, age and location. This enables the BCRA to assess the progress and condition of financial inclusion before making policy decisions.

The outcome and the measures adopted in this regard are released every six months in the Financial Inclusion Report (IIF).

The next issue of the IIF will be published in October 2022.

Autonomous City of Buenos Aires, April 29, 2022.

Contents

Executive Summary

- **Coverage of municipalities with financial access points (PDAs) continued on the rise in 2021 /** Covered municipalities rose from 48.3% in December 2020 to 52.3% in December 2021 (up 4 percentage points (p.p.)), and the population of these municipalities increased by 0.4%, reaching 92.5% of adults. Municipalities with vulnerable population are still the biggest challenge.

- **The financial system and payment service providers (PSPs) continued adding new account holders /** In 2021, 1.2 million natural persons (NPs) were included as bank and/or payment account holders. As a result, 95.3% of the adult population—33.3 million people—accessed an account to make payments, send/receive money, and channel savings and investments.

- **Electronic means of payment (MPEs) gained share as a means of payment among households /** This growth—resulting from the use of technology, the BCRA's regulatory incentives, and the effects of the pandemic—led to a rise in the share of amounts transacted through MPEs in terms of gross domestic product (GDP). In 2021, each adult conducted an average of 9.2 monthly transactions using MPEs, which translated into a year-on-year (y.o.y.) increase of 43%, three times as much as each of the rates of the past four years.

- **Transfers kept on driving growth in the main MPEs /** The change rates of electronic transfers were higher than those of debit and credit cards for the fifth year in a row. Electronic wallets and mobile banking (MB) consolidated themselves as the means chosen to channel transfers. One out of two transfers (bank or non-bank) made in the past twelve months was made using those means. The performance of transfers and debit cards in 2021 was higher compared to that before 2020, which shows that the COVID-19 pandemic brought about a long-lasting change in the use of MPEs.

- **The share of adults with a credit product began to pick up in the second half of 2021** / Financial institutions (FIs) posted a rise of 0.3 p.p. This increase was driven by public banks, which promoted the access of NPs to credit products during the most critical periods.

- **The measures adopted by the BCRA to counteract the adverse impact of the pandemic had a counter-cyclical effect on the stock of financing /** The set of credit instruments offering advantageous financial conditions for NPs and MSMEs, as established by the BCRA in 2020 and 2021, had a positive effect on the stock of financing granted by FIs during that period.

- **Education, a key investment to take care of financial health** / Education is a goal in itself, from which it follows that training in financial skills is a must to promote financial inclusion—providing better conditions for anyone to improve their daily lives and their families' as well.

Table of Indicators | Financial inclusion in Argentina

	Indicator	Latest data	2016	2017	2018	2019	2020	2021
Infrastructure	PDAs	Dec-21 (1)	25,306	26,553	29,050	30,726	44,454	50,270
	PDAs every 10,000 adults	Dec-21 (1)	7.7	8.0	8.6	9.0	12.9	14.4
	Percentage of municipalities with at least one PDA	Dec-21 (1)	39.6%	40.7%	41.4%	41.9%	47.0%	52.3%
Accounts	Percentage of the adult population with at least one account	Dec-21	-	-	-	82.7%	92.9%	95.3%
	Percentage of the adult population with at least one single banking code (CBU)	Dec-21	-	77.9%	80.4%	81.5%	90.7%	91.3%
	Percentage of the of adult population with at least one CBU (women)	Dec-21	-	-	80.7%	85.2%	90.9%	91.8%
	Percentage of the of adult population with at least one CBU (men)	Dec-21	-	-	80.1%	77.6%	90.5%	90.9%
	Percentage of the adult population with at least one single virtual code (CVU)	Dec-21	-	-	-	6.8%	24.0%	46.5%
	Percentage of the of adult population with at least one CVU (women)	Dec-21	-	-	-	5.3%	23.1%	47.2%
	Percentage of the of adult population with at least one CVU (men)	Dec-21	-	-	-	8.4%	25.0%	45.7%
Transactions	Number of payments on debit cards per adult	Dec-21 (2)	1.7	1.9	2.2	2.6	3.0	3.8
	Number of payments on credit cards per adult	Dec-21 (2)	2.1	2.2	2.3	2.4	2.1	2.3
	Number of transfers from CBUs per adult	Dec-21 (2)	0.2	0.2	0.3	0.4	0.8	1.1
	Number of transfers from CVUs per adult	Dec-21 (2)	-	-	-	-	0.1	0.5
	Number of cash withdrawals through ATMs per adult	Dec-21 (2)	2.3	2.6	2.7	3.0	2.7	2.8
Savings	Number of time deposits per 10,000 adults (in ARS/units of purchasing power (UVAs))	Dec-21	759	771	925	841	908	985
	Number of time deposits every 100 account holders (ARS/UVA/USD)	Dec-21	-	-	-	11.0	10.6	11.3
Credit	Percentage of adults with financing from financial institutions	Dec-21	36.0%	37.3%	37.9%	37.0%	35.4%	35.2%
	Percentage of women with financing from financial institutions	Dec-21	34.0%	35.0%	35.8%	35.3%	33.6%	33.4%
	Percentage of men with financing from financial institutions	Dec-21	39.3%	39.7%	40.0%	38.8%	37.3%	37.0%
	Percentage of adults with financing in the broad financial system (BFS)	Dec-21	49.0%	49.9%	50.5%	49.7%	47.8%	50.0%
	Percentage of women with financing in the BFS	Dec-21	45.0%	46.6%	47.3%	46.6%	45.0%	48.1%
	Percentage of men with financing in the BFS	Dec-21	53.2%	53.3%	53.7%	52.7%	50.6%	51.9%

Note:
(1) Including FIs’ PDAs (branches, mobile branches, automated teller machines (ATMs), self-service terminals (TASs) and supplementary agencies of financial services (ACSFs)) and non-FIs’ ATMs.
(2) Monthly average for each year.

Local Context

The economic and health context in the second half of 2021 offered better conditions to expand financial inclusion. The economic activity continued improving in that period, with levels above those existing before the pandemic. Seasonally-adjusted GDP grew 4.6% in the second half of 2021 compared to the first half of the same year.[1] In the same vein, private consumption expanded in the period, and the employment rate continued recovering to reach the highest figure since 2003 in the last quarter of 2021. In turn, real wages increased in the second half of 2021 compared to the first one.[2] Moreover, economic activity recovered against a backdrop of full vaccination schedules and progress in booster shots.

Within this framework, the National Government continued implementing policies aimed at sustainable, inclusive economic growth. As regards financing for households, the "*Ahora 12*" Program was extended until January 31, 2022,[3] and the BCRA increased incentives for financial institutions to continue offering households and merchants favorable credit conditions.[4] Both initiatives sought to facilitate the purchase of durable goods and services, and extended financing terms.[5] By late 2021, the BCRA authorized FIs to hold a maximum prudential percentage of the issue of MSME mutual funds. This measure intended to further the productive development of those companies.[6]

The Credit Line for Productive Investment (LFIP) continued to be the main channel for productive lending for MSMEs under favorable financial conditions.[7] The zero-interest rate credit line (CT0) aimed at persons under a simplified tax regime (RS), which was re-launched in August 2021, had a significant impact on credit to self-employers.[8] From its implementation to December 31, 2021, cumulative disbursements under the LFIP and the CT0 accounted for 32.6% and 1.4% of the stock of financing to the non-financial private sector (SPNF) as of December 2021, respectively.[9]

As for MPEs used by MSMEs, the BCRA amended the term for FIs to pay merchants for their debit card sales—from two to one business day—since July 2021.[10] It should be noted that the term for paying micro and small enterprises, and NPs on credit card sales was reduced to eight business days in June 2021.[11]

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[1] GDP in the first and second half of 2021 is calculated on the basis of the average of the first two quarters and the last two quarters of 2021, respectively, by applying

[2] The salary index and the consumer price index (CPI) at a national level released by the National Institute of Statistics and Censuses (INDEC).

[3] Resolution 753/21 of the Ministry of Productive Development, July 2021.

[4] The BCRA increased the percentage of this financing that could be deducted from minimum cash requirements to 50% from October 2021 to January 31, 2022.

[5] Communication A 7114.

[6] Communication A 7430.

[7] In September 2021, the quota was extended until the end of March 2022. By virtue of Communication A 7369, FIs must allocate at least 7.5% or 1.875% of their deposits from the SPNF—depending on their share of assets in the total assets of the financial system—to the Credit Lines for Productive Investment.

[8] Executive Order 512/21. General Resolution 5058/21 issued by the Federal Administration of Public Revenue (AFIP) provided that CT0s could be applied for until December 31, 2021.

[9] The percentages were calculated on the basis of data extracted from the BCRA's Report on Banks and statistical series.

[10] Agreement between FIs and the BCRA.

[11] Communication A 7305 and BCRA's news.

The implementation of the Payment by Transfer (PCT) scheme was completed last November. This method involves making payments on purchases of goods and services by way of instant transfers (TIs), and mainly operates through: (i) bank or electronic wallets by reading a quick response (QR) code; and (ii) debit and prepaid cards on fixed and mobile point-of-sale (mPOS) devices. PCT's benefits are more appealing to merchants than other MPEs: funds are credited immediately, and the fee charged (which is regulated by the BCRA) cannot exceed 8 per thousand. Also, PCTs are interoperable. This means that users may make QR code payments from a single (bank or electronic) wallet at different stores, and merchants can be paid from different wallets with a single QR code. In the second half of 2021, the number of payments on cards per adult climbed 37%, mainly driven by debit cards.

Technology and connectivity play a key role in financial inclusion, especially among young people, allowing for the remote opening of accounts, electronic payments, and the use of FIs' electronic channels (online banking and MB) and electronic wallets. This way, the development of digital infrastructure is key to boost the use of MPEs. In this sense, residential access to mobile Internet expanded about 7% (slightly over 31 million) in 2021. Residential access to fixed Internet grew by nearly 4% in 2021, reaching around 7.4 million individual clients.[12] In 2021 around 73% of the population in 2021 held smartphones.[13]

However, the increasing use of digital environments by FIs and PSPs caused many users to be exposed to IT risks and cyber attacks, fraud and scams. With a view to mitigating fraud, the BCRA reinforced the guidelines on cyber incident response and recovery:[14] FIs and PSPs offering electronic wallets must adopt mechanisms to detect suspicious or unusual activities. Users are entitled to: (i) immediately agree that their bank or payment accounts be linked to an electronic wallet; and (ii) set usage parameters for electronic wallet services, such as limits to amounts per period and number of transactions.[15]

[12] INDEC, Internet Access.
[13] Smartphone users as share of the population in Argentina from 2015 to 2025. Survey conducted by Statista in July 2020.
[14] Communication A 7266.
[15] Paragraph 8, Communication A 7462 and Communication A 7463.

1. Financial Infrastructure

During the second half of 2021, the number of PDAs in the financial system rose by 5,216, which meant a 13.1% rise *vis-à-vis* December 2020. However, not all of them offer the same number and/or quality of services. The number of PDAs every 10,000 adults reached 14.4 units in December 2021, 11.8% and 60% up against December 2020 and 2019, respectively.

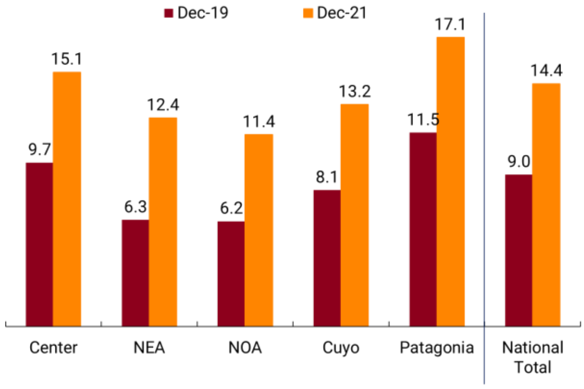
In the past two years, the number of PDAs every 10,000 adults showed positive monthly changes in 79% of the months, all the regions of Argentina exhibiting significant growth. The spread of PDAs is still a challenge in the least developed municipalities and locations of vulnerable population.

Chart 1 | PDAs

Number of PDAs

Type of PDA	Dec-20	Jun-21	Dec-21
Branch	5,275	5,224	5,219
Mobile branch	120	120	120
ATM	17,970	18,252	18,699
Inside branches	13,117	13,248	13,501
Outside branches	4,359	4,447	4,510
Non-bank	494	557	688
TAS	8,424	8,412	8,479
Inside branches	8,374	8,364	8,432
Outside branches	50	48	47
ACSF	12,665	13,046	17,753
TOTAL	**44,454**	**45,054**	**50,270**

PDAs every 10,000 adults



Source | BCRA, networks and INDEC.

Geographical coverage keeps on improving—141 new municipalities with at least one PDA. Municipalities with PDAs thus rose from 48.3% in December 2020 to 52.3% in December 2021 (up 4 p.p.), and the population that lives in covered municipalities increased by 0.4%, reaching 92.5% of adults.

The analysis of the least developed communities is based on the BCRA's regulation on classification of municipalities (six categories or zones from 1 to 6).[16] Each category has specific economic and financial development indices sorted out in descending order. Category 1 comprises municipalities with the best economic and financial indices in Argentina, while category 6 comprises municipalities with the lowest relative figures. When this classification was created in 2012, municipalities under categories 5 and 6 had no PDA at all. As of December 2021, zones 1 and 2 concentrated 7% of municipalities and 75% of the adult population in Argentina, whereas zones 5 and 6 comprised 60% of municipalities and 4% of the adult population.

Taking into account the initial classification of municipalities, the percentage of the population covered by the financial system in the least developed zones (5 and 6) is relatively low compared

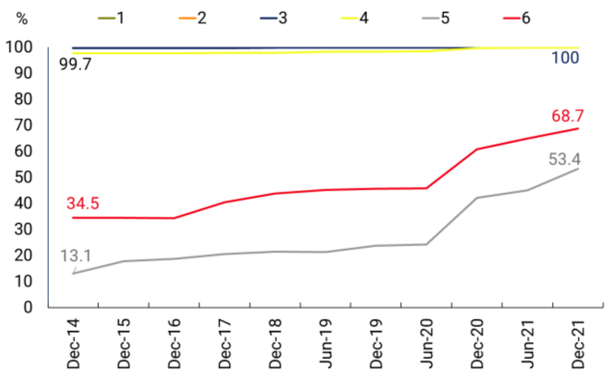
[16] Categories of Municipalities for Financial Institutions. See Note on Methodology for more details.

to the first four zones, though it has exhibited an upward trend in the past few years. Also, when comparing the number of PDAs every 10,000 adults, these zones show the worst performance. The role of public banks continues to be vital as they pursue a social objective rather than a mere economic goal when installing PDAs across the country.[17]

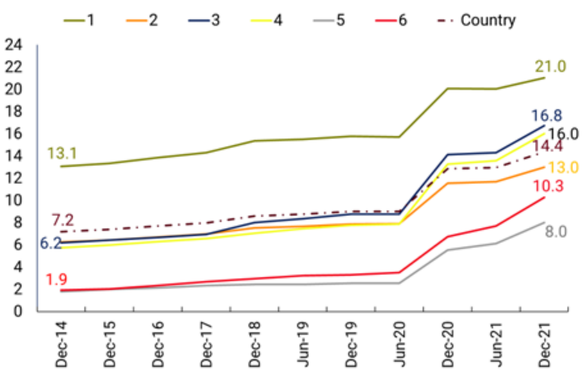
Although households traditionally underserved or excluded from financial services have started to use digital channels, especially during the pandemic, physical infrastructure is still relevant for the most vulnerable sectors. Digital transactions depend on certain factors, such as digital and financial knowledge and skills, and availability of electronic devices and Internet connection, the absence of which hinder the access to and use of financial services especially for the disadvantaged (like older adults).

Chart 2 | Coverage of municipalities by zone

% of adults with PDA coverage



PDAs every 10,000 adults



Source | BCRA, networks and INDEC.

Person-to-person service PDAs. In the second half of 2021, the number of branches in the financial system continued to show a slightly downward trend, which has been observed since 2020.[18] As it was mentioned in the previous IIF, there is a worldwide trend towards a reduction in the number of branches derived from the growth in digital financial services and a cost-cutting strategy carried out by FIs.[19] Despite the net drop in the number of branches, their availability slightly improved across the country: three municipalities with less than 10,000 adults that belong to zones 4 and 5 received their first branch in 2021, public banking prevailing.[20]

Although ACSFs offer a limited number of services and the conditions under which they are provided can hardly be compared to those of branches, there were 5,088 more ACSFs as of December 2021 *vis-à-vis* December 2020, which meant a change of 40.2% y.o.y. However, a very

[17] IIF, November 2020 and IIF, May 2021.
[18] This was driven by the closure of branches with restricted operations which operated inside third-party institutions. Conversely, the number of full-service branches picked up in the second half.
[19] 2020 FAS Trends and Developments, IMF and 2021 FAS Trends and Developments, IMF. See IIF of November 2021 for an international comparison of the number of branches.
[20] Two municipalities were covered by public banks and the other one, by a private bank.

small portion of ACSFs covered municipalities that had no PDAs.[21] These new PDAs led to an improvement in the coverage indicator, which increased from 38.6% of municipalities with at least one ACSF in December 2020 to 43.7% in December 2021.

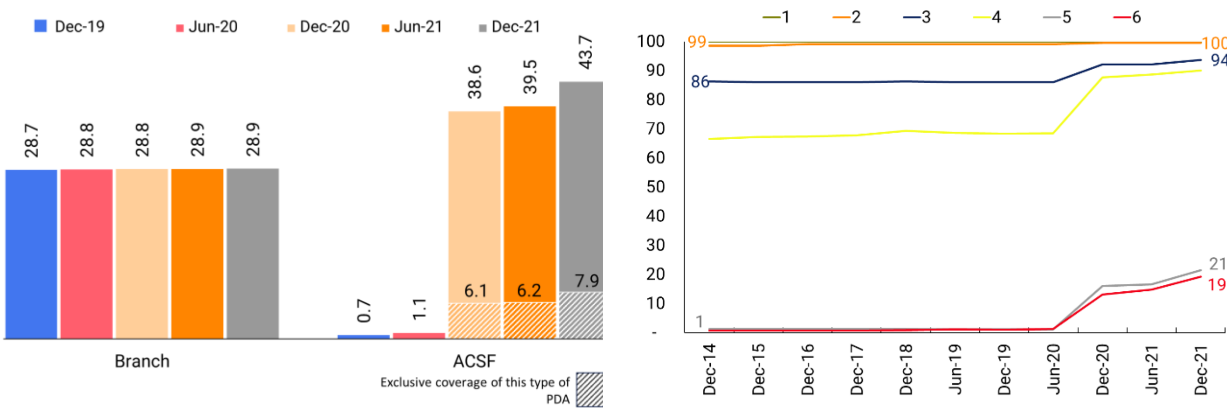
As of December 2021, 7.9% of municipalities was exclusively covered by ACSFs, which could be observed in the increased percentage of vulnerable municipalities with at least one of that kind of PDA. However, it is hard to assess the impact of ACSF networks because they mostly involve non-bank collection companies, and the services they provide usually overlap with those offered by the latter.[22] Apart from this, the role of ACSF networks in saving and lending is reduced when compared to the other channels of the financial system.

When considering municipalities by category, zones 4, 5 and 6 showed some improvement in municipalities with at least one person-to-person service PDA. As it occurs with population, as the category of a municipality decreases, so does the level of coverage with person-to-person service PDA.

Despite the limitations of ACSFs, zones 5 and 6 had about 20% of their municipalities covered with that type of PDA. It should be noted, though, that only 2% of ACSFs were opened in municipalities of disadvantaged zones which had not been reached by the financial system through other PDAs. The remaining 98% of ACSFs were opened in municipalities which already had other types of PDAs. However, the services offered by FIs by way of ACSFs are more limited than branches—where the staff is trained to assist with savings, investment, and credit. ACSFs focus on cash withdrawal and payment of bills and loans, making people from those municipalities travel to other municipalities with a branch for conducting other financial transactions.

Chart 3 | Percentage of municipalities covered with person-to-person service PDAs

By type of PDA | By zone



Note | Exclusive coverage (left chart) means that the percentage of municipalities indicated has no other type of PDA.

Source | BCRA, networks and INDEC.

[21] The total gross increase of ACSFs from December 2020 to December 2021 was 7,068 points, 1.7% (121 ACSFs) of which were municipalities with no PDA as of December 2020.

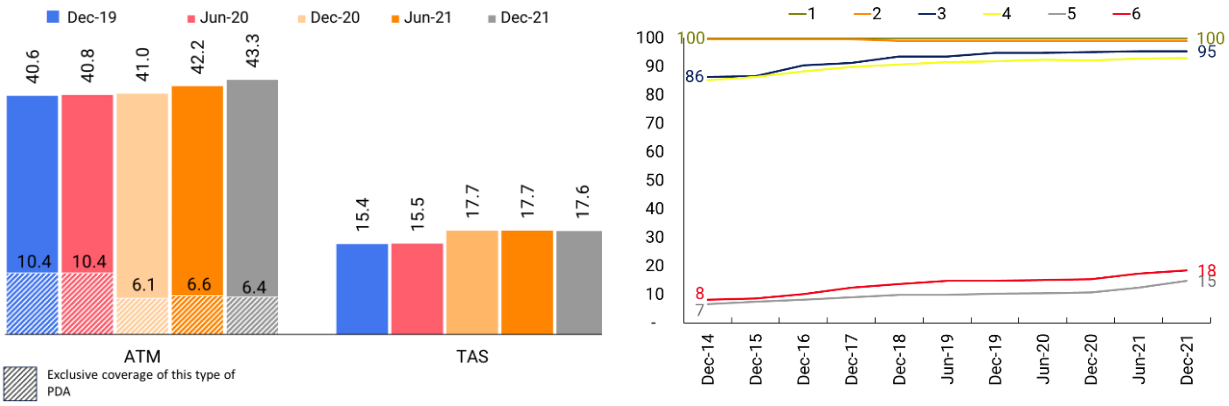
[22] Ninety-nine percent of ACSFs were located inside non-bank collection companies.

Self-service electronic devices. Among electronic devices, the increase in ATMs in 2021 was almost twice as big as that of 2020 (4.1% vs. 2.1%, respectively). With these new devices, the coverage of municipalities rose by 1.1 p.p. and reached 43.3% of the national total in December 2021, 6.4 p.p. of which had an ATM as the only type of PDA. This means that the inhabitants of these municipalities could, for example, withdraw cash, check balances and transfer money. However, they had to travel to other locations to carry out other types of transactions which entailed a person-to-person service.

There are certain limitations to operate ATMs that do not belong to the network of the debit-card issuing FI as they are not available to conduct all types of transactions. It should be noted that every FI is part of an ATM network administrator, and FIs' clients may carry out a wide variety of transactions at any ATM of the network (regardless of the FI to which it belongs).[23] Digital financial services have become interoperable in the past few years. This means that they allow users to make transactions outside the network created by their own financial service provider.[24] However, when a person uses an ATM of another network, they may only withdraw cash and check their balance.

Chart 4 | Percentage of municipalities covered with electronic devices

By type of PDA | By zone



Note | Exclusive coverage (left chart) means that the percentage of municipalities indicated has no other type of PDA.
Source | BCRA, networks and INDEC.

In this context, the number of devices made available by each network at municipality level has been analyzed because account holders operating an ATM network other than that offered in a jurisdiction may access limited services. As of December 2021, only 27% of the 1,533 municipalities with ATMs had more than one network, whereas the other 73% had one or more devices adhered to the same network.[25] This way, the population of that second set is under less favorable conditions as not all of the transactions are available to all account holders.

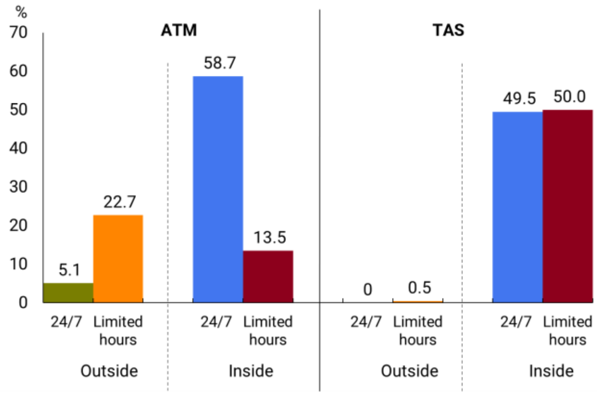
[23] As of December 2021, 96.7% of ATMs belonged to either of two networks.
[24] For example, when the payor of an electronic transfer holds an account at a FI and the payee holds an account at a PSP.
[25] Out of the municipalities with one network only, 533 municipalities had ATMs run by public banks only, whereas 414 municipalities were exclusively served by ATMs from private banks. As for the latter, 142 were covered by privately-owned provincial banks.

Regarding TASs, the number of devices posted an increase of 0.8% in 2021. Given that 99% of TASs are placed inside branches, the level of territorial coverage depends on branches and, therefore, is lower than other types of PDAs.

Sorted out by the level of development of municipalities, the least developed zones exhibited a more progressive evolution in coverage by means of both ATMs and TASs compared to person-to-person service PDAs. This is because ACSFs work on pre-existing collection networks whereas ATMs and TASs mostly require FIs' investment.

Electronic devices may be placed either inside or outside branches. As of December 2021, 72.2% of bank and non-bank ATMs were located inside branches, whereas the remaining 27.8% were placed in locations such as supermarkets, gas stations, and shopping malls. Virtually all TASs were placed inside branches (99.4%). The concentration of electronic devices inside bank branches means that people have to travel to a branch to access the financial services. This situation also encourages the use of other electronic channels, such as online banking and MB, and electronic wallets (bank and non-bank) to make transactions other than cash withdrawals.

Chart 5 | Location and hours of operation of electronic devices



Note | Data as of December 2021. Inside/outside refers to location in respect of branches. As no information on the hours of operation of non-bank ATMs is available, these devices are considered to be of limited hours. "Outside/24/7" devices are placed, for example, in hospitals, police stations and the street.
Source | BCRA and networks.

Inside bank branches, electronic devices may be located in the lobby to accommodate 24-hour walk-insor in the area where the tellers are located which limits transactions to banking hours. In addition, electronic devices outside branches may be installed in public places such as streets, hospitals or police stations—being available 24/7—or in supermarkets and shopping malls—open to the public during working hours. Based on this classification, 63.9% of ATMs (inside or outside branches) were available 24/7 as of December 2021, whereas the remaining 36.1% were restricted to working hours.[26] In turn, 49.5% of TASs were available 24/7, and 50.5% had limited hours of operation.

Operation and geographical distribution of ATMs. As stated in Exhibit 1 of the previous IIF, the

[26] A device's availability depends on the working hours of the bank branch or the store where it is placed.

BCRA issued a stimulus policy: it reduced minimum cash requirements to (1) reduce ATMs' downtime, and (2) extend the network of ATMs in the zones with the poorest relative service indicators and outside branches.[27] Below are the major outcomes from April 2021 (when the regulation was implemented) to December 2021:

(1) The operation rate of more than half of FIs' ATMs in each of those months was equal to or above the 99.5% threshold. This means that more than 50% of ATMs were either working at all times or were out of order for lack of paper or banknotes for less than 24 hours in each month. This allows for a better use of physical infrastructure and facilitates access to and use of financial services. In December 2021, ATMs with high operation rates were spread across 918 municipalities, where 85.2% of the adult population lives.

    Between April and December, ATMs were installed in 92 (+11%) municipalities, 42 of which recorded fewer than 2,000 adults. This represented a minor increase of 1.3 p.p. in the adult population that lives in these municipalities (83.9% vs. 85.2%). The expansion of municipalities with a smooth operation of ATMs had a remarkable effect, particularly, on municipalities with fewer population, where the relative presence of financial infrastructure is usually more reduced.

(2) The amounts of cash withdrawn from ATMs outside FIs' branches rose between April and December 2021. Such increase was higher than that reported for cash withdrawals from ATMs placed inside branches (43% vs. 30%). Although the number of ATMs located either inside or outside branches exhibited a rise, the change observed in the former was higher (2.2% vs. 0.8%). Despite the fact that almost eight out of ten ATMs were placed inside branches, the share of cash withdrawals from those located outside branches slightly increased in line with the goal of the BCRA's regulation.

    The amounts withdrawn from ATMs went up across all zones, with increasing change rates in terms of the level of vulnerability. Between April and December 2021, the most disadvantaged zones (4, 5 and 6) posted a 54% rise in withdrawn amounts, the most developed zone (1) growing by 8%. In addition, the least developed zones (4, 5 and 6) recorded the highest growth rate in the number of ATMs, while zone 1 exhibited the lowest change rate (3.8% vs. 0.7%). This increase was in line with the regulation's goal of encouraging a more beneficial ATM distribution in vulnerable zones.

[27] Exhibit 1 / Regulatory Incentives to Improve Financial Inclusion in Argentina.

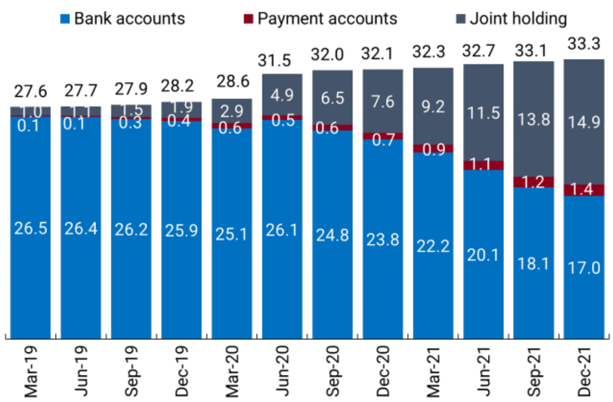
2. Account Holding

FIs and PSPs continued opening new bank and payment accounts in a context in which the digitalization of financial services was following a rising trend. As of December 2021, the number of NP account holders was 1.2 million up against December 2020. This figure plus 3.8 million holders who opened accounts in 2020 stand for 95.3% of the adult population—33.3 million persons—who could make payments, send and receive funds, and channel savings through their accounts. This also meant that the number of account holders rose by 3.8% from December 2020 and by 1.8% from June 2021.

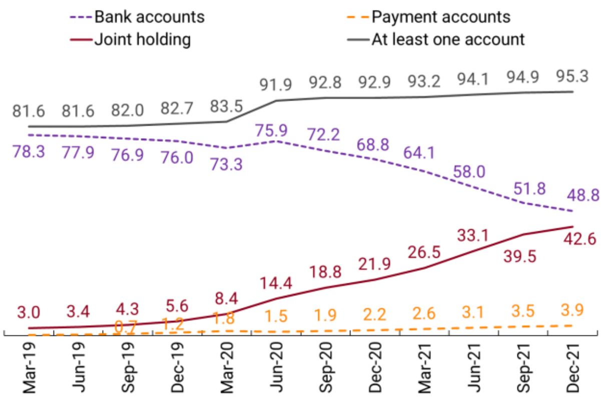
One of the highlights of 2021 was the number of people holding both a bank and a payment account. This figure almost doubled from 7.6 million persons in December 2020 to 14.9 million by the end of 2021.[28] In other words, 42.6% of the adult population held both bank and payment accounts. This shows the paramount importance of an interoperable financial system that is in line with the measures implemented by the BCRA, such as the PCT scheme (see section 3.1). By the end of 2021, 14.9 million people holding both types of accounts stood for 92% of the population with a payment account, and nearly 47% of the people with a bank account.

Chart 6 | Bank and payment account holding

Million persons



Percentage of adult population



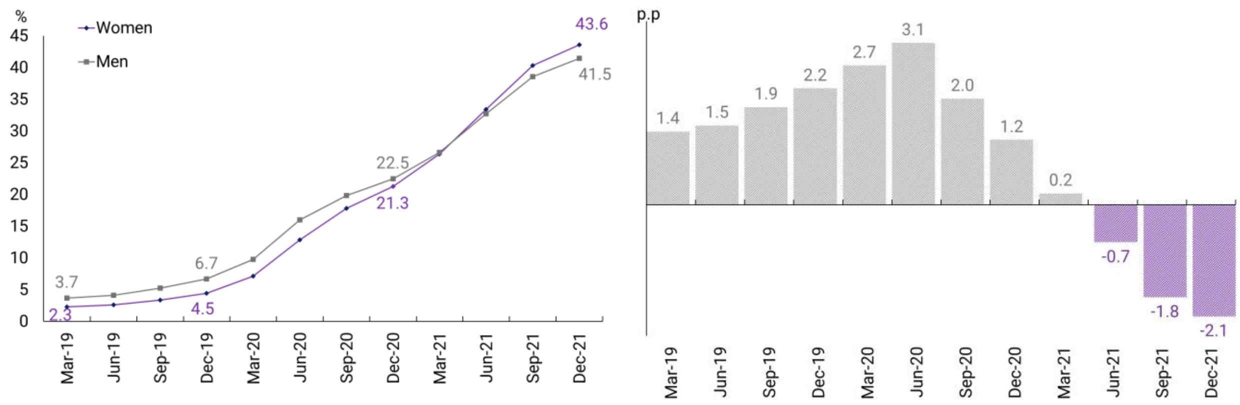
Note | Bank accounts: people who only hold this type of account and do not hold payment accounts; payment accounts: people who only hold payment accounts; joint holding: people who hold both bank and payment accounts; at least one account: people with at least one bank account and/or payment account.
Source | COELSA and INDEC.

Gender gaps. Women's holding of bank accounts has historically been significant as a consequence of their high share in social aid programs, as well as retirement payments and pensions.[29]

[28] This refers to persons that simultaneously hold at least one bank account and one payment account.
[29] See IIF, May 2021, BCRA.

Chart 7 | Joint holding of accounts by account holder's gender

Percentage of adult population of each gender — Gender gap (M-W)



Source | COELSA and INDEC.

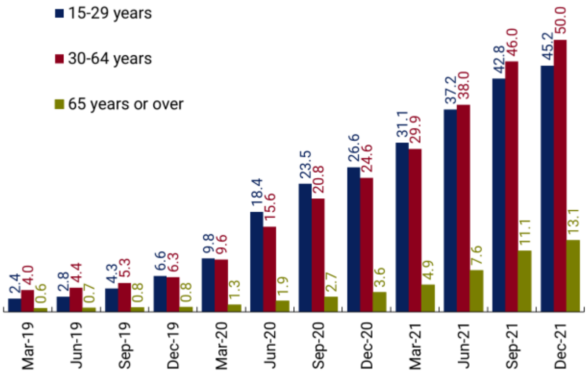
There is a positive gender gap (more men than women) in payment account holding, which is also seen in the joint holding of both types of accounts. However, the gender gap in joint holding began to narrow in June 2020, and turned negative in June 2021. This could be explained by the performance in the labor market, in which the gender gap was bridged (in favor of women) in the same period. This happened in a context where women's employment rate reached the maximum level recorded since 2007.[30] Therefore, virtually half of adult women held both types of accounts as of December 2021, which meant increased access to the formal, broad financial system.

Age group. People holding both types of accounts mostly belong to the middle-aged group. As of December 2021, nearly all the population aged 30-64 held a bank account, and one out of two persons held both types of accounts. Young people continued holding most payment accounts (54.2%), while older adults exhibited the smallest share (13.2%). This difference shows, in part, that the former group uses digital channels more naturally, while the latter should change their habits and acquire knowledge.

However, older adults posted the greatest increase in joint holding in the past six quarters. This age group grew quarterly by 18% in the fourth quarter of 2021, twice more than the rise observed in middle-aged individuals and three times more than young adults. As older adults already held bank accounts full coverage, the growth in joint holding may be explained by an increased number of payment accounts. This may, in turn, result from the ongoing learning process in a context of greater digitalization.

[30] The gap in employment—to the detriment of women—fell by 0.6 p.p. whereas the gap in unemployment—in favor of women—dropped 0.3 p.p. in the fourth quarter of 2020 and of 2021. INDEC. Labor Market. Socioeconomic Rates and Indicators (EPH). Fourth quarter of 2021.

Chart 8 | Joint holding of accounts by age group



Note | Share in the population of each age group.
Source | COELSA and INDEC.

NPs with no account. The COVID-19 pandemic created the need to conduct basic transactions in a remote manner, which in turn led to massive opening of bank and payment accounts. As a result, the population with no bank and/or payment account fell dramatically. In March 2020, only 16.5% of the adult population had no account at all. Such percentage decreased by half (to 8.1%) in the following three months and, by the end of 2021, only 4.7% of the adult population had no account at all.

The increasing digitalization of financial services, the actions taken by the BCRA to encourage their use, and the resulting lower use of cash in households' payment transactions (see section 3.1) call for a closer examination of this group in order to develop policies aiming at their inclusion into the financial system.

There is no significant gender-related difference among those having no access to the financial system. As of December 2021, the share of adult men with no account was slightly above women's (4.9% vs. 4.6%).

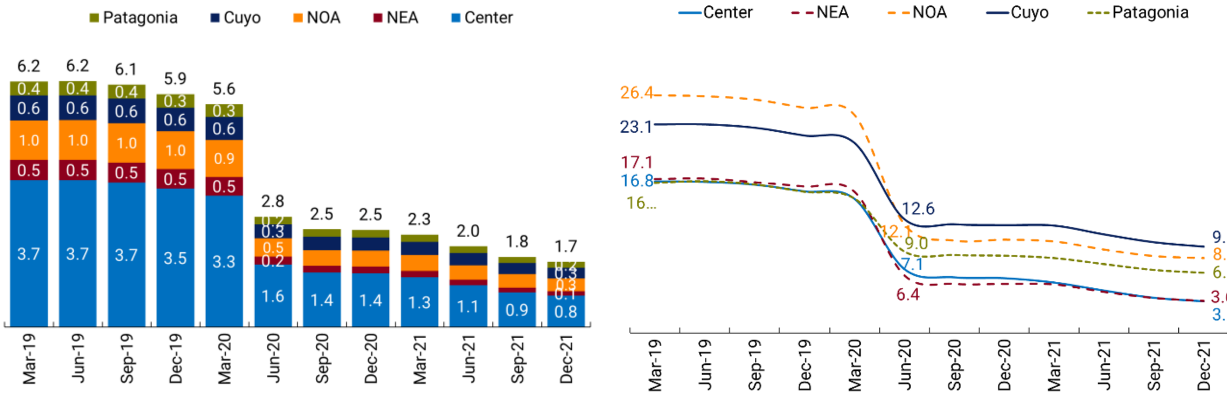
In contrast, the COVID-19 pandemic had a tremendous impact on the percentage of the population with no account across the five regions. The northeastern region (NEA) posted the greatest fall in the population with no account, dropping 60% between March 2020 and December 2021. The population with no account decreased by half in the Center and northwestern (NOA) regions, compared to 40% in Cuyo and Patagonia. In this period, NOA and NEA exhibited the largest increases in bank account holding—20% and 13%, respectively. This might be associated with the opening of bank accounts in the second and third quarter of 2020 for getting the family emergency income (IFE).[31]

[31] IFE I-2020 Bulletin: Beneficiaries' characteristics. According to this bulletin, the unbanked who were paid the first IFE amounted to 4.2 million people. Such estimation is based on the assumption that the beneficiaries who did not specify a payment channel had no bank account. Although a lower number of people (2.8 million) opened an account between March and June 2020, a significant percentage of the figure corresponded to the IFE payment.

Chart 9 | Population with no bank or payment account by region

Million adult persons

Percentage of adult population



Note | Chart on the left: number of adult persons (by region and total) holding no account; chart on the right: percentage of adult population with no account.
Source | COELSA and INDEC.

In December 2021, the Center and NEA regions had the lowest rates of adult population with no account (3.5% and 3.6%, respectively). However, the reasons that lie behind such figures are different: (i) NEA recorded the largest percentage of adult population with a bank account, mainly driven by accounts associated with social aid programs; (ii) conversely, the Center exhibited the largest share of adult population with a payment account and joint holding.

Another reason for the decline in the percentage of the population with no account is that payment accounts were opened in 2020 and 2021 to conduct remote transactions. Payment account holdings more than tripled between March 2020 and December 2021 across all regions. In the first quarter of 2020 there was a high number of bank accounts and a lower number of payment accounts, the opening of the latter prevailed.

Considering people with no account sorted out by age group, the young stood for the largest group. As of December 2021, 19.6% of the population aged 15-29 had no account in the financial system. This could be due to labor market reasons, which show that the employment rate for that age group is lower.[32] A minor improvement was observed in account holding compared to the previous year —4.5 p.p. increase—, whereas their growth was significant compared to December 2019—20.3 p.p. These figures might indicate certain relative autonomy in the labor market: improvements in the past two years have not been the same in the 15-29 age segment.[33]

[32] In the fourth quarter of 2021, the employment rate of women aged 14-29 was 33.6%, and that of women aged 30-64, 65.8%. Among men, the employment rate was 45.3% and 87.4%, respectively. INDEC. Labor Market. Socioeconomic Rates and Indicators (EPH). Fourth quarter of 2021.

[33] In the fourth quarter of 2019, the employment rate of women and men aged 14-29 was 33.1% and 45.2%, respectively, whereas the rate among women and men aged 30-64 was 63.3% and 85.8%. Historical series, Labor Market. Socioeconomic Rates and Indicators (EPH). First quarter of 2017 to fourth quarter of 2021 Table 1.3.

Table 1 | Account holding in terms of the young population by age group and region[34]

Percentage of young people; December 2021

Region	Only bank accounts			Only payment accounts			Joint holding		
	15-19 years	20-24 years	25-29 years	15-19 years	20-24 years	25-29 years	15-19 years	20-24 years	25-29 years
Center	9.3	27.1	31.2	19.0	8.0	3.2	13.1	63.7	69.4
NEA	15.8	47.1	50.4	11.9	3.8	1.6	11.1	49.3	51.7
NOA	14.2	48.4	53.0	11.6	3.4	1.5	10.3	45.5	46.2
Cuyo	7.8	28.3	33.0	20.2	7.2	2.8	12.5	58.6	61.7
Patagonia	8.3	25.0	30.7	19.8	7.6	2.9	12.2	60.5	67.1
TOTAL	10.4	32.1	36.0	17.4	6.8	2.7	12.4	59.1	63.8

Source | COELSA and INDEC.

A vast majority of the adult population under 30 with no account belongs to the 15-19 age group. As of December 2021, 59.8% of people aged 15-19 had no account at all. This rate fell to 2% for the 20-24 age group, while the population belonging to the 25-29 age group had full coverage across nearly all regions.

A significant percentage of teenagers (15-19 years) in most regions had no account. These figures should be examined carefully, as they may reveal that teenagers are committed to studying and do not take part in the labor market actively, like older age groups. Also, teenagers might not need to operate in the financial system because they indirectly derive benefit from the products and services used by their parents.

[34] The 20-24 age group in NEA and the 25-29 age group in the Center, NEA, NOA and Patagonia were slightly over 100% since population projections were based on the 2010 National Census.

3. Electronic Means of Payment and Savings and Investment Methods

3.1. Electronic Means of Payment

The adult population has substantially increased the use of MPEs, whose transactions more than doubled in the past six years. In turn, the amount transacted through MPEs per adult rose by 130% in that period.[35]

This growth, along with the decrease in the total amount of cash withdrawals, made MPEs gain share as a means of payment. The percentage of amounts transacted by households through MPEs in terms of GDP climbed from 29% in the first quarter of 2019 to 59% in the fourth quarter of 2021. This change was driven by several factors:

Factors	Incentives for the use of MPEs
Use of Technology	- Facilitated the use of new electronic channels: electronic wallets, payment buttons and mPOS devices; - Allowed for the modernization of existing electronic channels; - QR payments and contactless cards boosted these channels.
BCRA Regulations	- Creation of PCT as a means of payment; - Reduction of transaction costs and of average time for merchants to receive funds; - Emergence of PSPs; - Development of instruments for interoperability of bank and payment accounts.
COVID-19 Pandemic	- Made the population acquire more knowledge on digital financial services; - Consolidated the digital transformation of FIs; - Consolidated the role of PSPs.

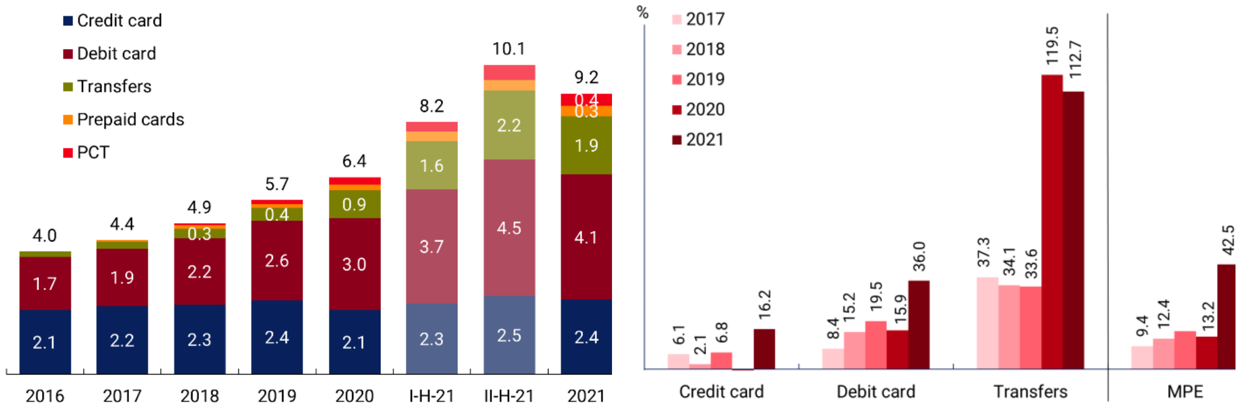
Digital payments play a key role in financial inclusion as they are a gateway to other services, such as savings, investment and credit. FIs and/or PSPs may offer savings, investment and credit products to meet their clients' needs after analyzing transaction patterns.[36]

In 2021, the number of transactions through MPEs per adult recorded the highest y.o.y. change rate (43%) in the past few years. The y.o.y. change rate of each of the three top MPEs—debit cards, credit cards and transfers—remained above the ones observed before COVID-19, which indicates that the pandemic brought about a lasting change in the use of MPEs.

[35] Amounts mentioned throughout the section are expressed at constant prices to January 2019 (CPI, INDEC, January 2019 = 100).
[36] Payment aspects of financial inclusion in the fintech era (April 2020) and Payment aspects of financial inclusion (April 2016). Committee on Payments and Market Infrastructures & World Bank Group.

Chart 10 | Transactions through MPEs per adult

Number of transactions   y.o.y. change rates



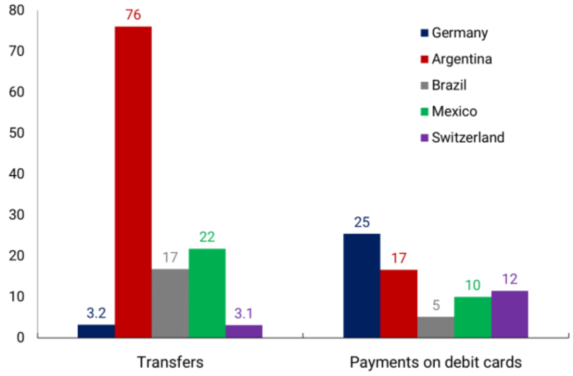
Note | Graph on the left: monthly average of transactions in each period.
Source | BCRA and networks.

In this sense, the share of cash payments in supermarkets fell by 5 p.p. (from 36% in 2017 to 31% in 2021) while payments with debit and credit cards increased by the same quantity (from 59% in 2017 to 64% in 2021).[37] The development of sales at wholesale supermarkets follows a similar path.[38] In turn, the growth in e-commerce also explains the progress made by MPEs. In 2021, nearly 90% of sales were made through an MPE, while purchases increased by 20% and invoicing grew by 14% in constant terms compared to the previous year.[39,40]

This performance is in line with that witnessed in the rest of the world, the digitalization of payments gaining momentum after the COVID-19 pandemic. Transfers grew at a faster pace in developing economies than in developed countries. In the case of the former, except for Brazil, the growth of payments by debit card was similar to that of developed economies. The massive opening of bank accounts for income transfers in developing countries positively affected the use of MPEs. As a result, newly-banked people began to use MPEs for their everyday transactions. Argentina's figures stood out among both developed and developing countries: its transactions recorded a higher growth rate in 2020 and posted one of the highest rates in payment by debit card.

[37] Monthly average of the share in the total for each year.
[38] INDEC. Survey at Retail and Wholesale Supermarkets. Total Sales at Current and Constant Prices, By Group of Items and Jurisdiction.
[39] A rate of 76% was paid by credit card, 7% by debit card; 4% using electronic wallets and 1% through bank transfers.
[40] Argentine Chamber of Electronic Trade (*Cámara Argentina de Comercio Electrónico*). 2021. March 2022. The change in annual turnover in constant terms was calculated on the basis of the average of monthly indices (CPI INDEC January 2019 = 100) for each year.

Chart 11 | International comparison of transactions through MPEs
Expressed as y.o.y. change rates in 2020 (%)



Note | The Bank for International Settlements (BIS) includes single or bulk transfers within/outside the territory, among other transactions, under "Transfers". Such definition of transfer is broader than the one used in the rest of the section. The figures reported by the BIS for Argentina and other countries were used for comparison.
Source | BIS.

Electronic transfers. This concept includes transfers made out of either a bank or a payment account. In 2021, it exhibited the highest y.o.y. change rate among all MPEs in the number of transactions per adult (113%) and the second highest change rate in amounts transacted per adult (41%). This means nearly two monthly transfers per adult. The amount transacted accounted for 61% of the total amount transacted through MPEs.

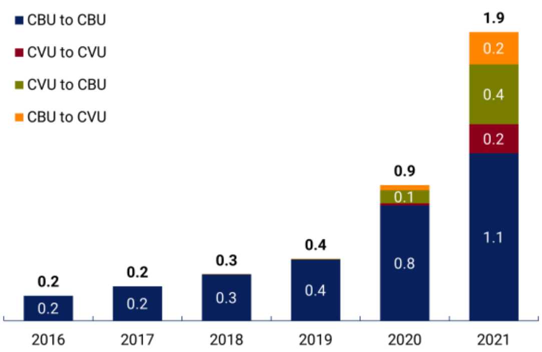
The share of transfers among bank and payment accounts in the total grew significantly:[41] (i) the number of transactions accounted for 32% of total transfers in 2021 compared to 13% in 2020; (ii) their amounts reached 18% in 2021 compared to 9% in 2020. This is mainly explained by the BCRA's regulations, which seek to take advantage of network effects based on the interoperability of bank and payment accounts (see section 2).

As for transfers among bank accounts, the growth of MB transactions stood out. The considerable penetration rate of smartphones—which are estimated to have risen from 57% to 73% in the past five years—[42] and the availability of mobile apps of FIs focused on enhancing users' experience might explain the significant growth rates in MB transactions. In 2021, every adult made on average one out of three transfers among bank accounts through MB, as opposed to one out of five in the preceding twelve months, and one out of seven before the pandemic.

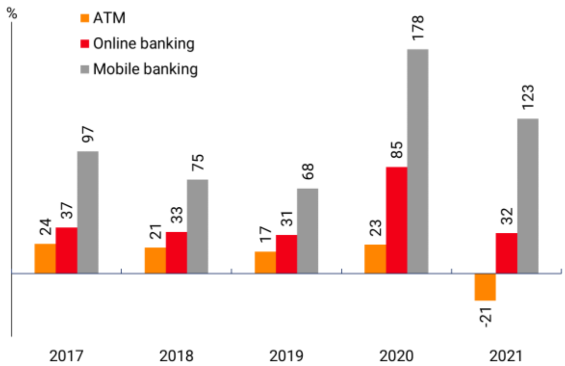
[41] These includes transfers from a bank account (CBU)) to a payment account (CVU) and vice versa.
[42] Smartphone users as share of the population in Argentina from 2015 to 2025. Survey conducted by Statista in July 2020.

Chart 12 | Transfers per adult

Number of transactions



y.o.y. change rates by channel (%)



Note | Graph on the left: monthly average of transactions in each period. Graph on the right: transfers from CBU to CBU of different FIs.
Source | BCRA and INDEC.

Similarly, transfers among payment accounts reached y.o.y. change rates of over four and three digits in terms of number of transactions and amounts transacted per adult, respectively. Such increase relies on the availability of smartphones and the significant rate of payment account holding. Considering all transfers initiated through a mobile phone, one out of two (bank and non-bank) transfers were made on these devices in the past twelve months, while less than one out of three of those transactions were conducted during 2020.[43]

Payments by Transfer (PCTs).[44] This method involves making payments on purchases of goods and services by way of TIs, and mainly operates through: (i) bank or electronic wallets by reading a QR code, and (ii) debit and prepaid cards at POS terminals (fixed and mobile POS solutions).

PCTs became interoperable in November 2021. This means that users may make QR code payments from a single (bank or electronic) wallet at different stores, and merchants can be paid from different wallets with a single QR code. Both types of wallets are linked to a bank account (CBU) or a payment account (CVU), which allows funds to be transferred from users to merchants immediately and irrevocably.

For a merchant, the benefits of PCTs over other MPEs include instant crediting of funds for a fee not exceeding 8 per thousand (which could be over 6% outside this scheme).

The high rate of smartphone users, the significant rate of bank and payment account holding among adults (which mostly involves having an electronic wallet) and the high penetration rate

[43] Assumingly, CVU transfers were made with a mobile phone, and calculation includes transfers from CBU to CBU through MB and those from CVU.
[44] The term PCT is relatively new (late 2020). It is an MPE that drew on the benefits of TIs (instant crediting of funds and 24/7 operation) to be used at stores. While TIs were historically made on a remote basis (e.g., online banking or ATM), PCTs are basically made at a store, in person, using debit cards, QR codes or other credentials.

of QR code acquiring at a national level have paved the way for the development of this type of payment method.

Cards. Debit cards have been the most widely used instrument since 2019 for conducting MPE transactions. This positive performance is due to the fact that a majority of the adult population (nine out of ten adults) holds at least one debit card and that electronic wallets to which a debit card can be linked are increasingly available.

Moreover, the BCRA implemented regulatory incentives that helped this trend to consolidate, namely: (i) the term to credit payments made on debit cards fell from two to one business day,[45] and (ii) the minimum cash requirements based on the use of MPEs linked to sight accounts in pesos held by NPs was reduced.

In 2021, every adult conducted 4.1 payments by debit card per month, on average, which equals nearly half (45%) of MPE transactions. The y.o.y. growth rate has reached a high of 36% since data became available, more than doubling the rate in 2020 (16%), which was affected by the health crisis. In terms of amounts per adult, the y.o.y. growth rate in 2021 also hit a record high (27%) for the series.

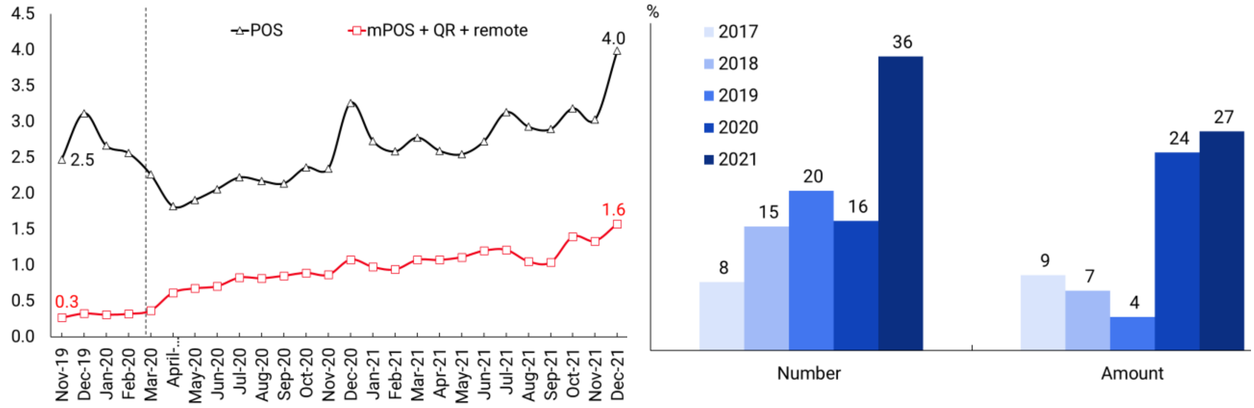
Payments on debit cards through QR codes and mPOS devices, and made remotely increased above payments in person through POS devices, which brings to light the evident progress of digitalization.[46] In 2021, QR code, mPOS device and remote channel payments recorded four transactions every ten payments in person, while the ratio was 3/10 twelve months earlier. However, in-person payments made by debit card accounted for 72% of the total in terms of amount and number, whereas active POS devices rose from 56% to 60% of total devices in the past twelve months.[47]

In a few months of 2021, the number of active POS devices reached pre-pandemic levels, even in a context of increased digitalization. The expanded use of POS devices—844,295 units as of December 2021—might be associated with the gradual recovery in economic activity. In turn, mPOS devices continued on the rise, climbing 38% from December 2020: 3,771,648 units by the end of 2021.[48] The (partial) substitution of in-person payments with remote ones in the first months of the pandemic turned into a rather supplementary trend, both types of payment growing simultaneously.

[45] Law No. 25,065 on Credit Cards established a maximum period of three business days, and the BCRA agreed with banks on shortening the period to two business days.
[46] "Remote" includes transactions made through a payment button, direct debit and phone transactions, among others.
[47] POS devices recording transactions in the month.
[48] An mPOS device is connected to a mobile phone or tablet to validate payment/collection transactions on cards. This allows payments/collections at points of sale.

Chart 13 | Number and amount of transactions on debit cards per adult

Number of transactions per channel | y.o.y. change rates (%)



Note | POS: device at point of sale; mPOS: mobile device at point of sale, QR code: quick response code.
Source | BCRA and INDEC.

Then, payments by credit card recovered in the past year both in terms of the number of transactions and in the amounts transacted per adult (y.o.y. change rate of 16% and 9%, respectively). As the number of people with credit card financing remained unchanged in the same period (see section 4), the increased use of this instrument might be explained by existing holders. Also, the 2021 zero interest rate credit lines and the "*Ahora 12*" programs helped to boost credit card transactions,[49] as was mentioned in the previous IIF. The BCRA reduced the term for paying sales on credit cards as well.[50] Both micro and small companies derived benefit from this measure whereby the term for collecting their sales was reduced within the framework of the Law on Credit Cards.[51]

The performance of credit cards is different from that of the other MPEs. Between 2017 and 2020, both the stock of financing per credit card debtor and the amount of credit card payments per adult declined. This dynamic along with the advance of other MPEs made credit cards lose share in the total for the fifth year in a row both in terms of number and amount per adult.

Finally, in 2021 payments on prepaid cards recorded a y.o.y. change rate of two digits both in number and amount per adult (68% and 51%, respectively). However, the share of prepaid cards in transactions with MPEs in terms of number and amount remained virtually unchanged (4% in number and 1% in amount).

The change in payments on prepaid cards was not in line with the increased number of payment account holders.[52] This might indicate that prepaid cards are payment instruments that are less

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[49] During 2021, 27% more transactions were made through the "*Ahora 12*" program, with invoicing climbing more than 11% in real terms against the total in 2020. This accounted for 10% of credit to the private sector through credit cards in December 2021.
[50] Communication A 7305. News.
[51] Therefore, micro and small stores started to be paid on credit card sales within eight business days instead of ten. The term for medium-sized companies to collect their sales remained at ten business days. For large companies the term set was 18 business days—the average period between the purchase date at a store and the maturity of the statement of the cardholder's credit card.
[52] Prepaid cards may be linked to a payment account.

accepted than other MPEs that emerged in the past few years and that involve a mobile phone, such as transfers from a payment account.

Debits from NPs' sight accounts. As pointed out in Exhibit 1 of the previous IIF, the BCRA established a stimulus policy to encourage the use of MPEs linked to NPs' sight accounts in pesos.[53] The incentive applies when the growth rate in debits compared to the average of the past twelve months exceeds 3%, 4% or 5%, without considering cash withdrawals.[54]

From the implementation of this regulation in April 2021 to December 2021, a monthly average of 19 FIs saw those debits increase above the limits set by the regulation. In these FIs, the amounts debited at constant prices rose between 4% and 12%—an average of 8% between April and December 2021. The total amount of debits at these FIs accounted for 92% of debits from savings accounts of the private sector in December 2021. That share increased by 7 p.p. since April 2021.[55]

The positive outcome of this policy had a favorable effect on the performance of MPEs managed by FIs in the past year. Although other factors beyond this regulation affected this performance as well, the evolution of payments on debit and credit cards and transfers between bank accounts showed y.o.y. rates higher than those observed before the pandemic.

3.2. Savings and Investment Methods

In the previous Financial Inclusion Report, three of the main savings and investment methods for NPs were analyzed: stocks in deposit accounts, time deposits and mutual funds (FCIs). This time, payment accounts have been included in the analysis on resource allocation to liquid account balances (*passive saving*) and to other financial products (*active saving*). The latter involved the transfer of savings account balances by NPs, from their accounts to other financial products..

Active saving involves the choice of a particular savings/investment product with the aim to obtain a greater yield, whereas passive saving is related to keeping balances deposited in a deposit and/or payment account. FIs and PSPs offer active and passive savings methods to the population through different instruments.

Thus, NPs have the possibility of allocating their money to different savings and investment products offered by FIs and PSPs, according to their liquidity goals, term and risk/return ratio. Interoperability between bank and payment accounts favors savings and investment mechanisms in each scheme given that there is a chance to make immediate transfers between different types of accounts. As mentioned in section 3.1, most NPs holding a payment account also hold a bank account.

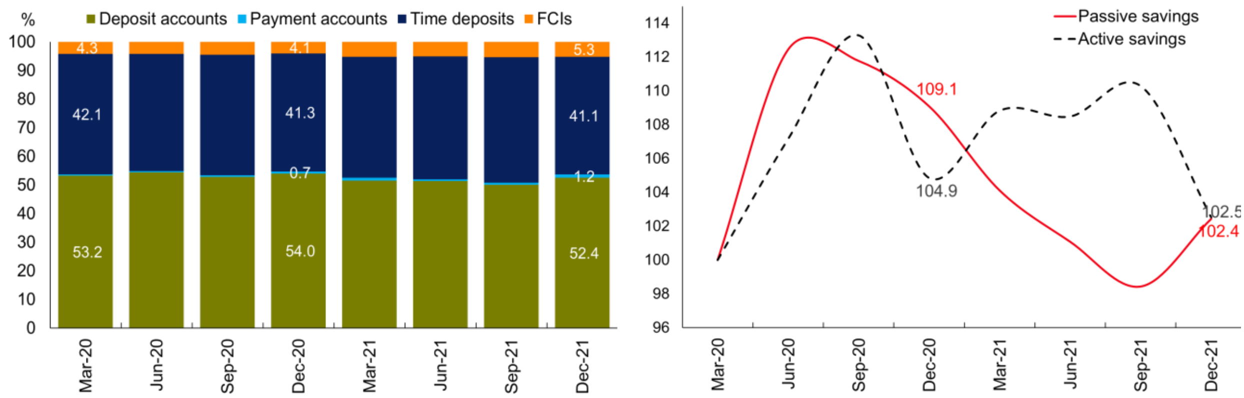
[53] Exhibit 1 / Regulatory Incentives to Improve Financial Inclusion in Argentina.
[54] From a teller, ATM and POS device.
[55] Based on the data available, only debits from savings accounts held by private-sector holders are considered as an estimate of the debits made by NPs. Debits made by private-sector current account holders are excluded as a significant part of those are legal persons.

In the first place, NPs keep on assigning their liquid balances to their deposit and payment accounts rather than to savings/investment products, such as time deposits and FCIs.[56] Once the COVID-19 pandemic had begun, the stock of active savings products at constant prices remained above the starting value and grew more than the value recorded for liquid balances in most months.

Chart 14 | Stocks of NPs' different savings and investment products

Share of stocks by product

Stock at constant prices as of January 2019 (base 100 = March 2020)



Note | It includes deposits in domestic currency and in foreign currency. FCIs: see footnote 58; Payment accounts: stock of PSPs' accounts registered at the BCRA / Time deposits: stock of NPs' principal at month-end; Deposit accounts: monthly average of savings accounts' daily stocks belonging to NPs for the last month of the quarter. / Passive savings = deposit accounts + payment accounts; Active savings = FCI + time deposits.

Source | BCRA and CAFCI.

In addition to making time deposits and FCDs—as a means of drawing on FIs' active savings accounts—payment account holders can apply stocks, totally or in part, to FCDs, provided that PSPs offer this investment product.[57] FCDs, which are part of FCIs, provide immediate liquidity and low volatility. These funds invest in very short-term assets within the financial system.[58] Small investors can have access to this instrument since its floor for underwriting is really low.

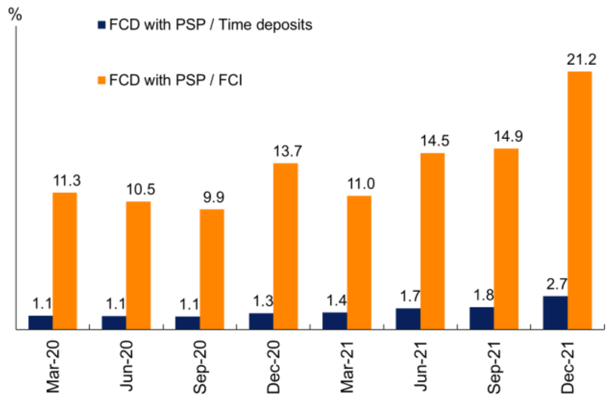
[56] The balance of NPs' FCI equity is calculated on the basis of: (I) the equity balance of NPs' accounts investing in FCIs (Argentine Chamber of Mutual Funds, CAFCI) and (ii) the equity balance of money pools (FCDs) traded by NPs through PSPs. Values for March and June 2020 are estimated for both the series of payment account balance and of FCDs with PSPs.

[57] Item 2.2.2 in Consolidated Text on Payment Service Providers.

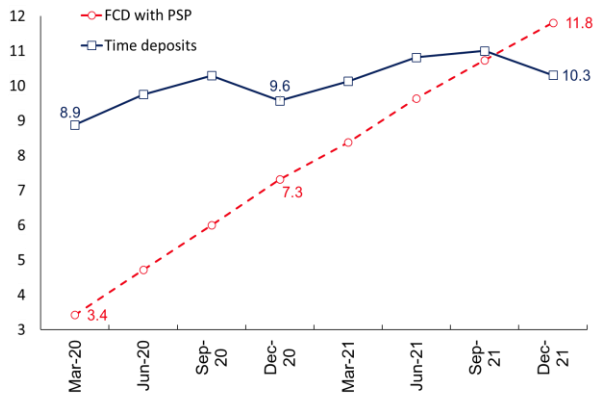
[58] CAFCI. Glossary on Mutual Funds.

Chart 15 | FCIs, FCDs through PSPs and NPs' time deposits

FCD stocks regarding time deposits and FCIs



Number of products per 100 adults



Note | Money market funds (FCDs) in PSPs: payment accounts with investments in FCDs.
Source | BCRA and COELSA.

In December 2021, the stock invested in FCDs by NPs through PSPs reached 21.2% of the stock invested in FCIs and 2.7% of NPs' time deposits. Likewise, the number of payment accounts with investments in FCDs more than tripled with the outbreak of the COVID-19 pandemic. Even though FIs' time deposits are still preferred for saving purposes, FCDs through PSPs were significantly adopted by the adult population.

There is a meaningful difference in the average stocks of both savings products due to the nature of their use: FCDs are mostly used for making very short time transactions whereas time deposits involve longer term and greater amounts. Thus, the average stock of time deposits by product ranged from 34 to 60 times the average stock of FCDs. In turn, the yield of time deposits exceeded the yield reached with FCDs over the last two years.[59]

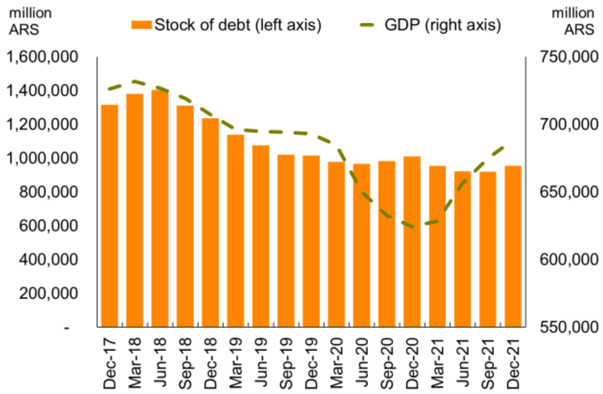
The investment tools that payment accounts offer complement those offered by FIs. On the whole, FCDs channeled through payment accounts are underwritten and paid easily and, in some cases, funds can be used at any time. This enables the users that only have payment accounts to make a wider range of transactions, thus putting them at par with users of bank accounts—a segment that has been operating this way.

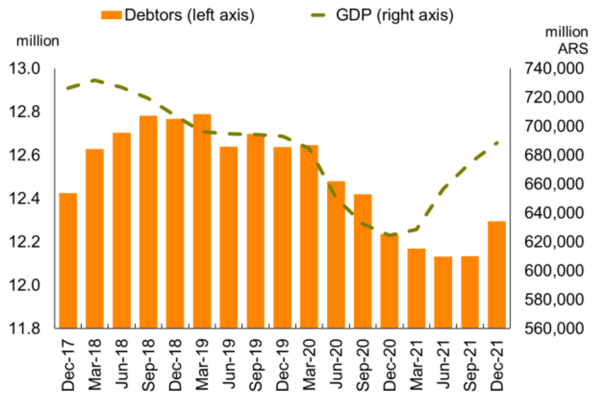
[59] In 2020 and 2021, the average monthly nominal yield for time deposits in domestic currency was about 7.7.p.p. higher than that of FCDs. It should be noted that the nominal yield of a time deposit is known before its maturity, but not that of an FCD.

4. Credit to Natural Persons

With a view to facing the economic impact of the COVID-19 pandemic, the BCRA issued a set of credit instruments with favorable financial conditions for NPs and MSMEs throughout 2020 and 2021. In such period, these measures clearly exerted a countercyclical effect on the stock of financing that FIs granted NPs.[60] However, the analysis of the number of NPs with financing from FIs showed a reduction, whose trend was later reversed by end-2021.

Chart 16 | Financing granted by FIs to NPs and GDP





Note | Stock of debt at constant values to January 2019 and seasonally adjusted GDP moving average of last four quarters, s.a., at constant values to 2004.
Source | BCRA and INDEC.

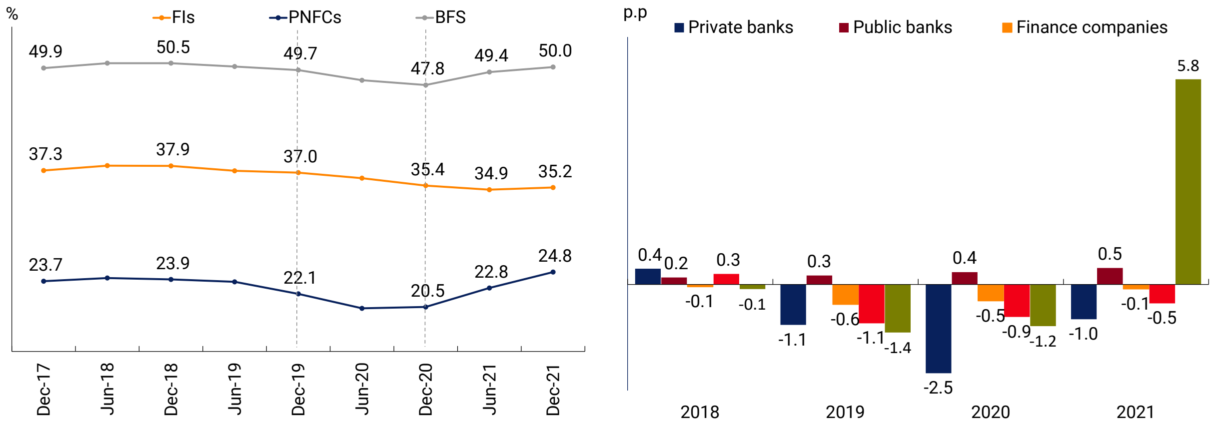
On the contrary, when expanding the analysis of the broad financial system (BFS[61]), an increase in the number of NPs with financing during 2021 was observed. In the second half of 2021, the share of adult population with financing in the BFS recorded a 0.6 p.p. rise, 0.3 p.p. for FIs and 2 p.p. for non-financial credit providers (PNFCs).

The entry of new customers into FIs could be linked to the improvement in activity and employment indicators. However, the rise for PNFCs was mainly boosted by a regulatory change requiring PNFCs to register at the BCRA and to subsequently report any financing granted to the Debtors' Database of the Financial System (CENDEU).[62] Throughout 2021, reporters informed about a significant number of new NPs with financing with different institutional groups, nearly 1.6 million with PNFCs and around 900 thousand with the BFS.

[60] Amounts are expressed at constant prices to January 2019 (CPI, INDEC, January 2019 = 100).
[61] It includes FIs and PNFCs.
[62] Companies must register, provided that they have granted financing for an amount over ARS10 million (Communication A 7146). Mutual associations and cooperatives must register as long as they have granted financing for at least ARS20 million, insomuch as they are credit providers to financial institutions.

Chart 17 | Share of NPs with financing in the adult population

Share of debtors | Year-on-year change by institutional group

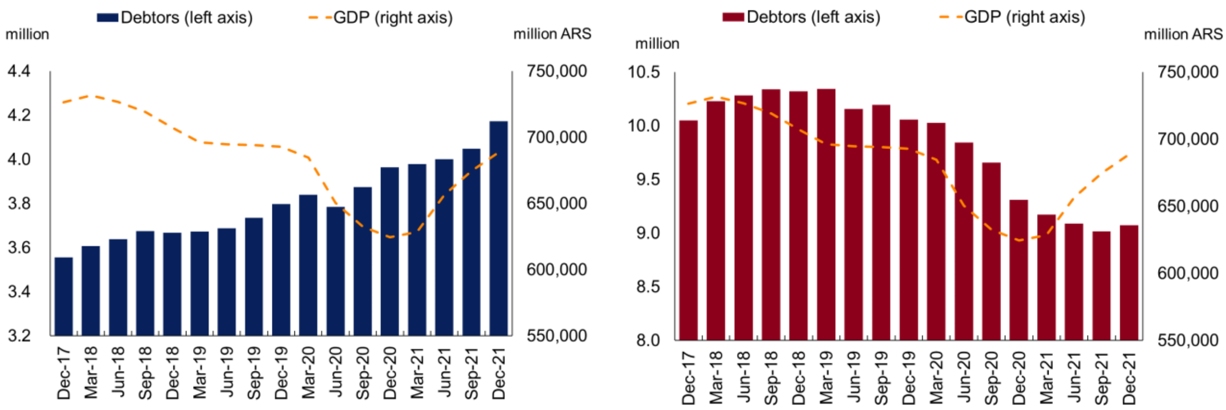


Note | December is considered for the assessment of the year-on-year change by institutional group. ETCNBs: non-bank credit card issuers OPNFCs: other non-financial credit providers
Source | BCRA and INDEC.

Credit providers. As mentioned before, the COVID-19 pandemic affected the number of NPs with financing. The impact lasted for some time, exhibiting reductions in the number of NPs with financing from FIs from March 2020 to June 2021. However, public banks drove most of the inclusion of NPs with financing during the most critical times. In turn, private banks and finance companies recorded a lower number of borrowers.

Chart 18 | Evolution of the number of NPs with debt and GDP

Public banks | Private banks

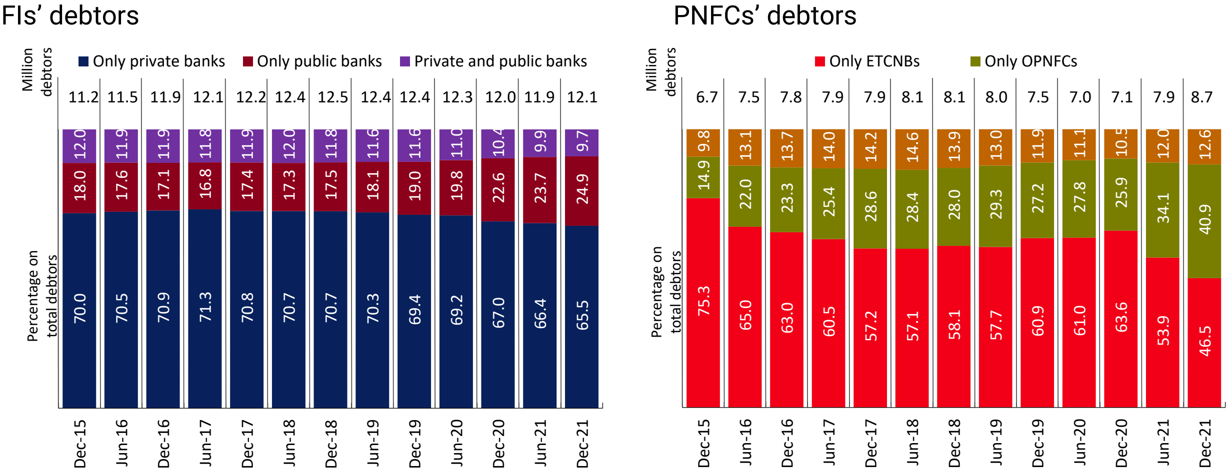


Note | GDP moving average of last four quarters, s.a., at constant values to 2004.
Source | BCRA and INDEC.

In terms of the adult population, the number of debtors in public banks increased from 11.5% in December 2020 to 11.9% in December 2021. This performance stood out among the other institutional groups since it consolidated a slow but sustained trend towards the inclusion of NPs with financing. Likewise, the gap between the number of adult debtors in public and private banks continued shrinking: the former by increasing the number of financings to NPs and the latter by decreasing it (the share of adult population with financing posted a 1 p.p. reduction in 2021). The opposed performance of both groups became more noticeable during the COVID-19 pandemic, when countercyclical policies implemented through credit to NPs (CT0 and MiPyMEs lines[63]) were more actively channeled through public banks rather than in private ones. This further consolidates the social role of public banks.

Besides, most NP debtors as of December 2021 had financing with private banks: (i) 65.5% of bank debtors had financing exclusively granted by private banks; (ii) 24.9%, only by public banks; and (iii) 9.7% by both groups in parallel. Two issues should be considered: (i) the number of reporters to CENDEU: 13 public banks and 42 private ones, and (ii) the territorial coverage and target population: most public banks (either provincial or municipal banks) tend to centralize their actions mainly in certain jurisdictions, whereas private banks mostly operate throughout Argentina. These two issues contribute towards the limited penetration of public banks and explain, in part, the share of debtors who are granted financing only from private banks. However, the evolution of the series highlights the progressive rise of the share of NPs who are granted financing only from public banks.

Chart 19 | Sources of financing



Note | FIs' debtors can record debt with PNFCs and vice versa.
Source | BCRA.

In line with the aforementioned on public banks' territorial coverage, there is a clear difference in the share of debtors with financing only from one institutional group at a regional level. The regions having provincial banks have a higher penetration from public banks. Hence, their share of debtors with financing only from private banks is lower. This way, as of December 2021, the NOA reported the highest share of debtors with financing only from private banks (87.9%), whereas the regions having more provincial banks (NEA, Patagonia and Center) posted more

[63] CT0 was aimed at persons under an RS, while MiPyMEs lines were aimed at micro-, small-, and medium-sized enterprises. It should be noted that NPs can register as MSMEs.

financing from public banks (55.3%, 51.8% and 64.6%, respectively) and, therefore, a lower share of debtors with exclusive financing from private banks.

The number of debtors with non-bank credit card issuers (ETCNBs) went on decreasing during 2021 (-0.5 p.p.) but at a slower pace than in 2020. On the contrary, the number of debtors with OPNFCs exhibited a sharp increase (5.8 p.p.) by virtue of the regulatory change already mentioned. As from the inclusion of new reporters, OPNFCs improved the number of NPs with financing significantly, exceeding public banks' figures and approaching those of ETCNBs.

However, to December 2021, among PNFCs, OPNFCs granted financing to 40.9% of debtors exclusively, whereas ETCNBs reported 46.5% of exclusive debtors. Even though the number of reporting OPNFC exceeded that of ETCNBs thoroughly (234 and 89, respectively, to December 2021), the prevalence of ETCNB financing can be explained by the type of financing they grant, since the credit card is the most used by the Argentine population.

The evolution of the series of debtors by group of banks shows that debtors have moved among them, and that the economic conditions resulting from the COVID-19 pandemic led persons to reduce the types of institutions with whom they take credit. Between December 2019 and December 2021, the group of public banks gained 5.9 p.p. share in total debtors, which was offset by the loss of exclusive debtors from private banks (-3.9 p.p.) and from the group that includes shared clients (-1.9 p.p.).

Apart from these current issues, only a small share of debtors is granted financing from more than one type of provider within each institutional group, both in FIs and PNFCs. This raises the question about whether this performance lies behind the persons' choice or there are costs and harsh conditions for users to hire services with one provider or another (for instance, determined by the type of bank where the salary is credited). The latter case poses a challenge regarding the fact that access to different sources of financing enables users to choose the best credit facilities according to their needs.

In terms of the stock of debt, average stocks per debtor in FIs exceeded four times those of PNFCs. During 2021, private banks, public banks and finance companies reduced their average stock per debtor in real terms (from a 5% to 10% fall). In turn, the stock of ETCNBs in the ensemble of PNFCs grew by 16% but declined by 16% in OPNFCs, which could probably be related to the figures produced by new reporters. The total stock financed by this group was not in line with the growth observed in the number of debtors, which led to an average stock fall per debtor of ARS16.4 thousand in December 2020 and to ARS13.8 thousand a year later. Provided that OPNFCs mainly grant personal loans, their performance caused a 13% decrease of the stock of personal loans from December 2020 to December 2021.

Debtors' gender. During 2021, the percentage change of men and women with financing from FIs was similar to that of 2020. Among this group, public banks increased their number of women debtors rather than men, whereas the reduction in private banks was similar for both genders. In terms of stocks, the average per FIs' debtor decreased more for women throughout 2021, deepening the important gender gap, with men having a significantly higher average stock than women.

As for PNFCs, the increase in the number of women with financing derived from the regulatory change was higher than for men, which reversed the gender gap in this institutional group.

Table 2 | Access to credit by gender

Gender	Institutional group	Share of debtors			Average stock per debtor at constant values		
		Dec-20	Dec-21	p.p. diff.	Dec-20	Dec-21	% diff.
Women	Private banks	24.9	23.9	-1.0	47.7	45.6	-4.4
	Public banks	11.6	12.1	0.6	80.8	72.8	-9.9
	Fin. comp.	1.9	1.8	-0.1	38.3	35.7	-6.8
	FIs	33.6	33.4	-0.2	65.2	60.8	-6.7
	ETCNBs	15.1	14.9	-0.2	14.9	17.5	17.8
	OPNFCs	7.2	13.3	6.1	15.6	11.8	-24.0
	PNFCs	20.1	24.9	4.8	16.8	16.8	0.3
	BFS	**45.0**	**48.1**	**3.0**	**56.9**	**51.4**	**-9.7**
Men	Private banks	29.2	28.2	-1.0	74.0	70.4	-4.9
	Public banks	11.4	11.7	0.4	122.4	115.7	-5.5
	Fin. comp.	2.0	1.9	-0.2	78.3	70.0	-10.6
	FIs	37.3	37.0	-0.3	99.4	93.8	-5.6
	ETCNBs	15.1	14.3	-0.8	17.8	20.4	14.3
	OPNFCs	7.7	13.2	5.5	17.2	15.9	-7.1
	PNFCs	20.7	24.5	3.8	19.4	20.5	5.5
	BFS	**50.6**	**51.9**	**1.3**	**82.7**	**77.3**	**-6.5**

Note | Stocks in thousand ARS.
Source | BCRA and INDEC.

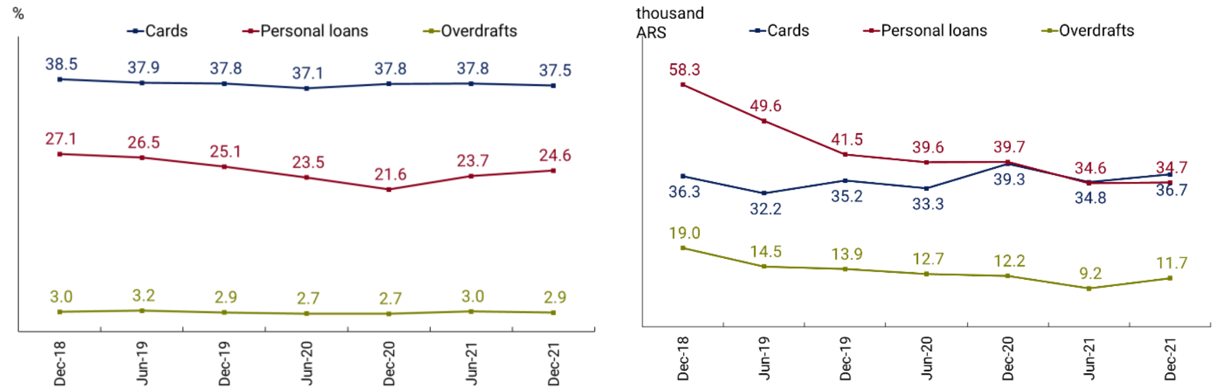
Type of credit assistance. In 2021, credit cards remained at similar values to those of 2020 and were still the type of credit assistance that NPs used the most. CT0 were aimed at self-employed workers and launched by the National Government in response to the health crisis.[64] This credit line, valid until December 2021, was made effective through credit card deposits and helped small taxpayers during the economic recovery. In turn, as a result of the report of a significant number of debtors by OPNFCs', the percentage of the adult population with at least one personal loan rose by 0.9 p.p. in the second half of 2021.

In addition, debt stocks recorded decreases in the three types of assistance (credit cards, personal loans and overdrafts) during 2021. The average stock of assistance with credit cards fell by 7% (against an 11% increase in 2020), whereas personal loans plunged (13% in 2021 against 4% in 2020).

[64] 2021 Zero Interest Rate Credit Lines.

Chart 20 | Funding from the BFS by type of assistance

Percentage of debtors out of the adult population — Average stock per debtor



Source | BCRA and INDEC.

FIs and OPNFCs can grant loans to micro entrepreneurs among other types of assistance. This type of credit assistance contributes to the financial inclusion of the most vulnerable population by providing financing to micro entrepreneurs (which are usually excluded from the financial system) and allowing them to keep (and eventually to improve) their productive and/or business activities. Microcredits involve small amounts of money, with repayment periods in line with borrowers' productive activity and lenient requirements regarding guarantees or collateral.

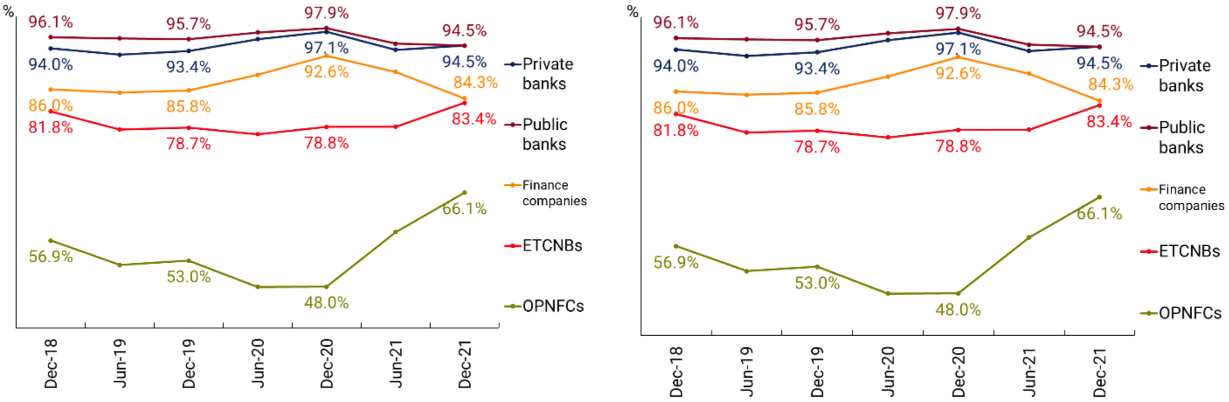
In line with Exhibit 1 of the IIF, second half of 2019, it should be noted that microcredits are not widely spread in Argentina. In December 2021, they reached 56 thousand NPs. These persons were mainly granted financing from public banks (89% of debtors) and from two microcredit institutions (11%) registered as OPNFCs. The total stock of loans reached ARS7,000 million, which represents 0.2% of the total stock of financing granted by the BFS in the same period. Thus, 0.3% of total persons with financing from the BFS had this type of credit assistance with an average stock equal to four minimum wages (SMVMs) of the same period.

Situation of debtors. Between March 2021 and June 2021, the BCRA adopted a relaxation criterion for debtors' classification. The extension of the periods of arrears admitted in each situation had a clear impact on the rate of performing debtors fromFIs, while the effect was not so evident for OPNFCs' debtors.

Once the effectiveness of this measure was over, the percentage of performing FIs' debtors fell and the values rolled backed to the existing ones before the pandemic. As regards PNFCs, the share of performing debtors decreased by 3.3 p.p. in the first nine months of 2020, possibly due to the higher impact of the pandemic on informal workers, which stood for a good part of PNFCs' debtors.[65] Afterwards, the indicator started to show an upward trend, which went hand-in-hand with the economic activity recovery and consolidated with the inclusion of two million debtors reported by an OPNFC with adequate payment capacity. In terms of gender, women exhibited a better repayment performance both to FIs and PNFCs.

[65] See Chart 15 IIF, November 2021.

Chart 21 | Percentage of performing debtors



Source | BCRA.

New financings. As stated in Exhibit 1 of the previous IIF, the BCRA issued a stimulus policy to expand credit to NPs and MSMEs with no financing from FIs in December 2020.[66] This policy is implemented according to previously agreed financings at an interest rate lower than the maximum determined in the regulations on lending interest rates.

As of December 2021, the stock of financing granted to such group of persons by FIs reached ARS43,605 million. Two FIs, a private and a public one, explained two-fifths of this stock as from the implementation of this regulation in April 2021.

The stock in December was 1.5% of the total stock of financing granted by FIs and 9% of the total stock of financing granted by PNFCs, in both cases, to NPs. As of June 2021, the institutions that granted this type of financing centralized 85% of the financial system's accounts in domestic currency, which evidenced the strength of this policy. It is worth mentioning that NPs with no financing from FIs as of December 2020 reached 22.3 million, i.e., 65% of the adult population, out of which 7 million had financing from PNFCs.

[66] Exhibit 1 / Regulatory Incentives to Improve Financial Inclusion in Argentina.

Exhibit 1 / Priorities of the Financial Inclusion Global Agenda

The financial inclusion global agenda[67] has been influenced by the COVID-19 pandemic and the subsequent drive of financial service digitalization. At a global level, the beginning of the pandemic and the isolation stage to reduce the risk of COVID-19 transmission restricted economic activities and changed the societies' behavior, with a greater impact on the most vulnerable segments such as MSMEs, persons of low resources, women and the elderly. This situation speeded up the adoption of digital tools that allowed for the usual performance of essential economic activities.

The G20 global forum observed that the importance of digital financial inclusion, defined as the use of digital financial services to promote financial inclusion,[68] was confirmed in the context of the health crisis. Moreover, it allowed for keeping the provision of basic financial services and support critical areas such as retail payments, income transfers to the most vulnerable sectors, and financing to the most affected segments, contributing towards the economic recovery of NPs and MSMEs.

Thus, according to the G20/OECD-INFE report, access to digital financial services proved to be a key tool of financial resilience,[69] which refers to persons' capability[70] to withstand, face and recover from negative financial impact. Financial inclusion could work as a financial resilience facilitator, since it allows anyone to manage financial resources more safely—making comparisons with informal and non-regulated financial channels—, and to adopt careful savings behavior and have access to credit as well as to insurance products.

Before the COVID-19 pandemic, digital financial inclusion was already considered a priority by the global community as well as MSMEs' finance. MSMEs make up most existing companies in the world (around 90%) and play a key role as regards employment (more than 50%), investment, innovation, and economic growth in global terms.[71] It is then essential to ensure that MSMEs have access to quality financial services, including digital ones.
Therefore, international actors analyzed the impact of the pandemic on MSMEs' financial inclusion and the role of digital financial services and financial literacy to reduce the negative effects.

As for the role of financial inclusion and education, the financial capacities of the MSMEs' management (usually the role of company owners) could have helped to mitigate the impact of

[67] In line with the objectives stated in the action plan of the G20 group in charge of promoting financial inclusion, Global Partnership for Financial Inclusion (GPFI), in which Argentina takes part as an active member. It is made up of G20 member and non-member countries, and other relevant parties (international organizations, such as the World Bank and OECD, called Implementing Partners). The GPFI was established more than 10 years ago, in December 2010.
[68] G20 2020 Financial Inclusion Action Plan. October 2020.
[69] G20/OECD-INFE Report on supporting financial resilience and transformation through digital financial literacy. 2021.
[70] Both natural and legal persons, such as MSMEs.
[71] G20 2020 Financial Inclusion Action Plan. October 2020.

the COVID-19 crisis.[72] The analysis showed that, in some countries, there was a relationship between financial literacy and the fact of being potentially harmed during the pandemic, as well as the chance to access governments' soothing measures. For instance, the possibility for a MSME to go through liquidity problems during the pandemic decreased as the manager's financial knowledge increased. Moreover, MSMEs' heads with a high level of financial literacy had greater possibilities of obtaining loans than MSMEs' heads with a low level of financial literacy. This was evidenced after considering the persons' details and the company's activity.

Table A.1.1 | Policy options to promote digital financial inclusion

Regulatory framework and digital infrastructure	-To promote regulatory flexibility to allow for new suppliers, remote account opening, and higher transaction limits. -To encourage the use of accounts to which the government transfers incentives. -To promote financial inclusion and consumer protection among the digital innovation strategies. -To give priority to digital infrastructure and develop specific strategies for rural areas and faraway populations.
Product design, financial training, and user protection	-To focus on the user's experience, considering the design of the digital product allowing for the vulnerable and unserved population, in particular. -To develop financial capabilities through digital platforms and specific training for groups with limited digital skills. -To promote the use of mechanisms for the protection of financial consumers with a view to building trust and avoid abusive practices. -To tackle scams and online financial fraud risks by launching awareness campaigns on basic knowledge about digital security.
Incentives for the development of MSMEs	-To ease the access of MSMEs to digital economy in order to improve their participation in online markets. -To make progress on the creation of a MSME database and encourage non-discriminatory access for all market players. -To ease the way government funds are channeled through digital financial platforms to small companies.

To support the financial resilience of both individuals and MSMEs, the lessons learned and the most effective policy options have been identified during the last period to promote greater financial inclusion through the use of responsible digital financial services in the current context.

Each country will do their best to assess their policy in light of their characteristics, the development of their financial system, persons' needs—with a focus on the most vulnerable sector—, persons' education and skills to meet the technological challenge as well as IT expansion. Some countries, such as Argentina, will require a greater effort from the State to promote, encourage, create incentives (including economic ones), provide training, and align themselves with these policies.

[72] G20/OECD-INFE report on navigating the storm: MSMEs' financial and digital competencies in COVID-19 times. GPFI. 2021.

Exhibit 2 / Electronic Credit Invoice, a New Financing Tool for MSMEs

MSMEs are a key component of a country's productive scheme and major players for economic growth. In Argentina, there are more than 600,000 employing private companies, 83% of which are micro enterprises, 16.8% are small and medium-sized companies, and 0.2% are big companies.[73] Access to financing is one of the challenges that MSMEs face at a global level.

For MSMEs to rise to the challenge, financial regulation has created specific credit lines for these companies and has introduced new financial technology instruments to dematerialize securities. The Credit Lines for Productive Investment (LFIP) aimed at MSMEs fall under the scope of the former group while electronic checks (ECHEQs) and, more recently, electronic credit invoices for MSMEs (FCEMs) can be found in the latter.

The FCEM is an innovative instrument aimed at revitalizing the financing capacity of MSMEs by uploading an invoice to an electronic platform. This procedure allows them to discount (by collecting in advance the funds from sales of goods or services), transfer, endorse, or deposit FCEMs and to collect them upon maturity.[74] In addition, the BCRA has set incentives to improve the performance of this instrument by lowering the minimum cash requirements of those FIs' that acquire FCEMs[75].

Operation schemes. The regime for the issuance of FCEMs is either compulsory or optional according to the parties taking place in the commercial transaction. An FCEM must be issued whenever a MSME is required to issue an original electronic invoice or receipt for a big company.[76] On the contrary, when a transaction is carried out just between MSMEs, FCEMs are optional. The regime provides for two starting schemes for FCEM management by means of transfer to:

i. a collective depository agent (ADC): it provides access to the stock markets authorized by the National Securities Commission (CNV) for trading.
ii. the system for open transfer (SCA): it provides access to the financial system for endorsement, transfer, discount FCEMs or for collection of payment on online banking. If the MSME chooses this option, it may also use the FCEM for trading at the stock market afterwards.

All these features make FCEM attractive for obtaining instant liquidity, competing with the rest of financing instruments in terms of interest rates. In addition, MSMEs are expected to reduce

[73] The term "employing" stands for companies with at least one employee. It should be noted that there are also MSMEs, such as self-employed workers, whether or not under a simplified tax scheme, which are not employing companies.
[74] Introduced by the Productive Financing Law, Law No 27,440 (2018). It is based on the traditional credit invoice in paper form set out as under Law No. 24,760 (1997), together with Executive Order No. 363/02. The electronic format provides a new incentive to this credit tool. Moreover, factoring—as set forth in the Argentine Civil and Commercial, Section 1421—is the early predecessor of the credit invoice. In the latter, a company—usually a financial institution—purchases a portfolio of receivables from a client who receives, in turn, the amount of the credit in advance. Later on, the purchasing company deals with the collection of the credit invoice.
[75] Communication "A" 7254.
[76] Section 1 of Law No. 27,440.

collection risks derived from these transactions when trading in these markets. As regards FCEMs, they must meet a few requirements on payment terms, parties involved in transactions and taxpayer identification code, CBU or alias of the debtor company's account, among others.[77]

Incentives for parties' compliance. The use schemes of FCEMs as a financing instrument were regulated in order to encourage debtors' payments. Registry under the SCA is a requirement serving as evidence of its veracity in the case a lawsuit is filed for the collection of debts.[78] Thus, FCEM can be considered an executable instrument, which improves incentives for each party and contributes towards reducing transactions' bad debt risks.[79]

In addition, the BCRA created the "Database of MSME Electronic Credit Invoices unpaid upon maturity".[80] This database gathers information on the FCEMs registered in the SCA. Such information must be reported by the FI where the collection account is held on the basis of that informed by the invoice's creditor. FIs are required to report data on invoices cleared in pesos or dollars, and invoices unpaid for any of the following grounds: a) insufficiency of funds in the payment account; b) lack of information on the payment account; c) other reasons, such as ineligible current account holder, closed account, legal proceedings and attachment. Through this service created by the BCRA, investors can check debtor companies' compliance with payment obligations incurred through FCEMs. Thus, the public is provided with further information, making it easier for agents who wish to invest in FCEMs to take informed decisions.

Transactions in figures. Since the implementation of the FCEM in 2018, 215,000 MSMEs have assigned credit invoices to around 1,300 big companies, out of which 50% are employing MSMEs. During 2021, the FCEMs traded in the stock market reached about ARS4,200 million, whereas FCEMs in the SCA in pesos and in foreign currency equaled ARS740,000 million between May and December 2021. FCEMs were traded at around 38% APR and at a 33-day average term, while the APR on direct checks discounted in the stock market reached a higher mean value (41%) with an average maturity term extended to 90 days.[81]

[77] In this case, the company informs its CBU and the number of the related bank account for interbank clearing upon the FCE's maturity (Communication "A" 7219, item 3.5.4.3).
[78] Section 1851 of the Argentine Civil and Commercial Code.
[79] The beneficiary of an FCEM accepted (tacitly or expressly) by the debtor may proceed promptly against the debtor, provided that it is not paid at maturity (Law No. 27,444, Sections 12, 13 and 14). These two features put FCEMs at an advantage from the traditional invoice, which does not give rise to any right of execution, i.e., collection must be claimed in ordinary proceedings.
[80] Communication "A" 7314.
[81] For statistics regarding FCEMs in the stock market, see National Securities Commission.

Exhibit 3 / Education, a Key Investment to Safeguard Financial Health

The BCRA and the promotion of financial literacy. Section 42 of the BCRA's Charter states that "(...) The BCRA may carry out research work and promote financial education and activities on topics of interest related to its purpose as enshrined in this Charter". Accordingly, the BCRA designs and develops educational activities so that different types of publics may take well-informed financial decisions, thus improving well-being at individual and society level.[82]

By fostering the development of financial capability and habits that improve money management and decision making, the BCRA contributes towards a more inclusive and fairer society with better development opportunities, especially for the most vulnerable sectors. Moreover, the BCRA seeks to make financial services and products easier to understand and, in addition, strengthen the spreading and understanding of users' rights.

Education on financial planning and financial skills are the starting point for acquiring habits that improve the quality of life. For that reason, the BCRA carries out the following duties through the Financial Education Management Office:

- It sets the standards on economic and financial know-how and skills.
- It encourages educational and community activities—mainly among the most vulnerable sectors—, adopting a gender-oriented perspective and attending to the protection of financial service users.
- It promotes the analysis and research on financial and economic education programs as well as surveys in cooperation with domestic and international organizations.

BCRA's financial literacy programs. Financial literacy is one of the pillars of the BCRA's policies to encourage greater financial inclusion. During 2020 and 2021, the BCRA implemented three specific programs for its promotion.[83] The first one, Financial Education in the Classroom, is a federal program that reached 2.240 teachers in the provinces of Catamarca, Chaco, San Juan, San Luis, Santa Fe and Neuquén. These teachers gave lessons to more than 150,000 secondary school students a year, with an additional impact on more than 65,000 family members and other citizens of their communities.[84] In 2021, the BCRA provided training, through the Finance Nearby second program, to 814 trainers from Santa Fe, San Juan and Neuquén, who are key agents in organizations that group together and/or provide assistance to various vulnerable groups. The third program, Financial Tools for Women Civil Servants, is a training course on financial literacy of a gender-oriented nature in particular, in which 729 people have already participated.

[82] For further information see the BCRA's webpage.
[83] During 2021, the BCRA has signed agreements with the provinces of Santa Fe, San Juan, Neuquén, Chaco, Formosa and Misiones.
[84] Some teachers of the 2020 and 2021 programs explained the positive impact of financial education in a video.

Monitoring and assessing the programs undertaken. These programs include an optional Survey on Financial Capability at the time of registration. The answers enable the BCRA to infer participants' financial capability as well as their financial health.[85]

The assessment of financial capability is carried out to get information on persons' financial knowledge, attitudes and behavior, a consequence of the education and socialization process in which they are involved. Thus, according to the international methodology used,[86] the assessment gives rise to three partial indicators[87] plus one aggregate indicator on financial capability.[88]

Since acquiring education is an end in itself,[89] financial training is, in turn, a key element to promote financial inclusion as it improves the quality of life of participants and their communities. This shows that it is convenient to further study the connection between financial literacy and financial health.

Compared to other countries that conducted similar surveys,[90] there is a relatively low level of financial capability among adults in Argentina. The score obtained in the assessment carried out in 2017 stood at 11.49 points, below the average for G20 members (12.7), OECD countries (13.7) and also below other economies of Latin America, such as Chile (13.3), Colombia (12.47), Peru (12.42), Mexico (12.1) and Brazil (12.1).[91]

The notion of "financial health" refers to the extent to which individuals, households, and communities can easily handle their current financial affairs and feel confident about the future. Even though there is still no consensus on the definition, notional scope and measurement of a healthy financial state,[92] there is agreement on the fact that it must include: 1) the possibility of controlling day-to-day finances, 2) the capacity to absorb financial shocks, 3) a person's sense of confidence about their own financial standing, and 4) financial management and awareness consistent with the desired, planned future.

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[85] This is done with a view to adjusting programs according to their specific needs.
[86] For further information, see the Survey on Financial Capability in Argentina (2017) and Financial Inclusion Report, first half of 2019.
[87] Financial knowledge index, financial attitude index, and financial behavior index.
[88] The financial capability index is also known as financial literacy score.
[89] Systematic education provides a set of tools for creative and crucial dialog by means of the development of personal skills (getting to know oneself, self-confidence, motivation, empathy, responsibility) and interpersonal skills (communication, negotiation, problem solving). Education aimed at achieving a critical view allows people to develop abilities, values, and life attitudes for individual and social well-being.
[90] It should be noted that it refers to surveys carried out at different times.
[91] The indicator ranges from 1 to 21 points. Data are based on the Survey on Financial Capability in Argentina (2017); OECD (2017), G20/OECD INFE report on adult financial literacy in G20 countries; Survey to Measure Financial Capability in Colombia (2019); Survey to Measure Financial Capability in Perú (2019); OECD/INFE 2020 International Survey of Adult Financial Literacy.
[92] For further information, see the Financial Inclusion Report, second half of 2020.

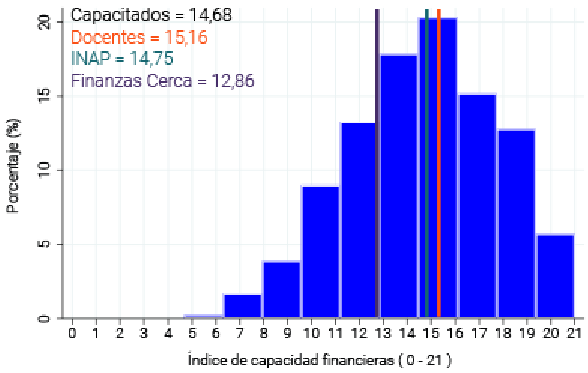
Results obtained. Chart A.3.1 shows the way in which the financial capability index is distributed among the different groups trained by the BCRA at the beginning of the training period. Even though the average index for trained individuals reaches 14.68 points,[93] the figures vary among groups. Teachers post the highest value with an average of 15.16 points, followed by trained State workers[94] (14.75 points), and by trainers for the Finance Nearby program[95] (12.86 points).

The chart also shows the results of the financial health simplified indexes.[96] In this case, the average value of the set is 49.29 points.[97] Once again, teachers lead the ranking list with an average of 51.58 points, followed by State workers and trainers for the Finance Nearby program, who reached average values of 49.82 and 39.48 points, respectively.

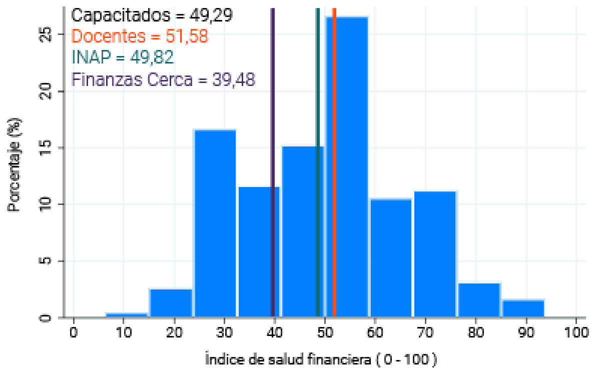
There are differences among trained individuals due to the training programs they have already undertaken and also due to their personal attributes. The latter may be used statistically to show whether such attributes have an effect on the results obtained both in the financial capability index and in the financial health index. These results are shown in Table A.3.1, which summarizes the main estimates.[98]

Chart A.3.1 | Financial capability and financial health indicators

Financial capability



Financial health



Results in Table A.3.1 should be considered to belong to the base group chosen in the regression analysis. Such group consists in a woman who has taken part in the program for teachers, holds a degree from a teachers' training college, lives in the province of Santa Fe, and lives in a household belonging to a third quintile income distribution group according to their total income.

Since the financial capability partial indexes and the aggregate index are originally measured along different ranges, they have been standardized for all of them to be extended to a maximum

[93] The indicator ranges from 1 to 21 points.
[94] Shown as INAP in charts.
[95] Shown as FN trainers in charts.
[96] Caution is recommended when comparing these values with others that have not followed the methodology used at present by the Financial Inclusion Senior Management Office of the BCRA for the answer to 16 questions.
[97] The maximum value for this indicator is 100 points.
[98] Though not shown in the table, we controlled in the regressions the 24 provinces where respondents live and the number of household members sorted out by training groups.

of 100 points. Thus, the table may be more easily understood as the estimate values for variables add up or deduct the value shown (plus or minus sign) depending on the attribute involved.

For instance, column 1—which explains the variable of the standardized index of financial capability and male category (gender)—has an estimate of 3.44 and presents three asterisks.[99] This indicates that male respondents exhibit—over a maximum possible value of a 100-point index—3.44 points more in terms of financial capability vis-à-vis female respondents. This allowed the quantification of the gender gap through the impact of this variable, in particular.[100]

Table A.3.1 | Financial capability and financial health, regressions

	Variable	FINANCIAL CAPABILITY				FINANCIAL HEALTH		
		Capability (1)	Knowledge (2)	Attitude (3)	Behavior (4)	Model 1 (5)	Model 2 (6)	Model 3 (7)
GENDER	Male	3.44 ***	5.15 ***	0.14	3.95 ***	2.82 ***	1.13	1.28
	OSSI	5.67	8.26 *	3.01	5.14	0.03	-2.75	-2.03
HHI QUINTILE	First	-4.82 ***	-8.03 ***	-0.72	-4.61	-6.58 ***	-4.21 **	-4.68 ***
	Second	1.49	2.43	-1.13	2.20	-3.66 **	-4.39 ***	-4.50 ***
	Fourth	4.48 ***	5.25 ***	-2.46	7.73 ***	2.47 **	0.28	-0.30
	Fifth	8.07 ***	6.84 ***	-0.44	13.75 ***	9.40 ***	5.45 ***	4.63 ***
EDUCATION	Unf. high sch.	-7.78 ***	-10.28 ***	-2.54	-8.75 *	-4.36	-0.55	-1.03
	Fin. high sch.	-4.87 **	-1.60	0.79	-10.55 ***	-2.62	-0.24	0.84
	Unf. tertiary educ.	-0.22	0.89	2.37	-2.51	-2.51	-2.41	-1.74
	Unf. university educ.	2.26 *	3.03 **	2.09	1.75	1.96	0.85	1.25
	Fin. university educ.	5.52 ***	8.19 ***	1.73	5.56 ***	4.92 ***	2.21 ***	2.72 ***
	Unf. postgrad. educ.	6.94 ***	11.49 ***	2.39	5.94 **	4.62 **	1.22	2.12
	Fin. postgrad. educ.	5.57 ***	7.84 ***	1.21	6.23 ***	6.63 ***	3.90 ***	4.23 ***
FINANCIAL CAPABILITY	Capability						0.49 ***	
	Knowledge							0.05 ***
	Attitude							-0.01
	Behavior							0.32 ***
	Constant	66.48 ***	71.83 ***	77.37 ***	56.27 ***	49.35 ***	16.79 ***	28.12 ***
	R^2	0.2343	0.2314	0.0321	0.1812	0.2483	0.4044	0.4479
	Comments	1,687	1,687	1,687	1,687	1,687	1,687	1,687

Note | OSSI: Other socio-sexual identities.

Financial capability. The analysis of the first part of the table (columns 1 to 4) shows that the variables related to gender, total household income (HHI), and education level reached are highly significant both in terms of statistics and of impact on indicators of capability, knowledge and financial behavior.[101]

Moreover, some stylized facts are to be pointed out. In the first place, as mentioned before, the analysis exhibits a gender gap between men and women—except for the indicator on attitude—financial knowledge revealing the broadest gap. In the second place, the higher the HHI,[102] the more positive impact is observed in the aggregate index and in the knowledge and behavior indexes, in general terms. According to the aggregate index of financial capability, an individual living in a house under the first quintile reaches 4.82 points less than one under the third quintile, but one

[99] Asterisks indicate, in order from lowest to highest, the level of statistical significance. *, ** and *** indicate significance of 0.1, 0.05 and 0.01, respectively.
[100] Considering that the form gives the chance of reporting a non-binary gender as variable, the table includes individuals who identified themselves as other socio-sexual identities (OSSI) other than female and male.
[101] This is not so for the financial attitude depending variable.
[102] It should be noted that the size of households is also considered.

living under the fifth quintile reaches 8.07 points more. In the third place, the higher the education level reached, the more the indicators' value increases. As for the financial capability index, an individual with an unfinished high school education posts 7.78 points less than one with a finished tertiary education, but an individual with a finished university education presents 5.52 points more.

These results reinforce the need to work from an inclusive gender perspective, to focus on the most economically vulnerable households, and to foster the inclusion of financial education in pre-tertiary/university education with a view to developing essential financial capabilities for financial well-being. Moreover, they prove that working on individuals' financial knowledge and behavior is a must.

The assertion posted in the previous paragraph is still to be validated by looking into the relationship between financial capability and financial health. Columns 5 to 7 in Table A.3.1 show the outcomes of a set of statistical exercises carried out to report on that matter.

Financial health. Column 5 exhibits how the value for the financial health index varies according to individuals' different attributes.[103] In general, the stylized facts for variables related to financial capability are the same, except for those variables on formal education in which the impact is less significant in statistical terms.[104] The values estimated for columns 6 and 7 are particularly relevant for they include the different financial capability indexes presented in the first part of Table A.3.1 as additional explanatory variables. Thus, it is possible to infer the effect that financial capability exerts on financial health at the time of registration.

Again, a number of stylized facts makes the explanation easier. Firstly, the impact of variables associated with capabilities, except for the attitude variable, are highly positive and significant in statistical terms. Secondly, R^2 increases to a great extent showing that financial capability contributes towards explaining an important part of individuals' financial health. Thirdly, the gender gap observed with regard to financial health[105] is reduced to less than half and, to be statistically precise, it becomes insignificant. Fourthly, the gaps for the different income quintiles tend to reduce. Fifthly, the same takes place with gaps related to the different formal education levels. Lastly, knowledge and behavior exert a higher statistical impact than individuals' financial attitudes.

Lessons learned from evidence. The results obtained show that financial literacy matters to achieve the following: improve individuals' self-perceived quality of life; from a social perspective, reduce and do away with differences and inequalities regarding gender, income distribution and access to formal education. In addition to education in general terms as an important vehicle to improve individuals' quality of life, financial literacy is a key investment to improve individuals' financial health.

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[103] It is worth remembering that this index ranges from 0 to 100, so the interpretation of estimates is similar to that of estimates for financial capability.
[104] Even though the trend continues growing, variables are statistically significant where finished university studies and postgraduate courses are involved.
[105] 2.82 points in favor of men compared to women.

Note on Methodology

Data on Population
This Financial Inclusion Report presents indicators that are disaggregated by demographic and geographic variables. These indicators were calculated on population projection data handled by the INDEC of Argentina. Given that the INDEC does not release a series that simultaneously contains all the disaggregations used in this Financial Inclusion Report (gender, age group, and geographical location for each province, district and municipality), different series were used according to the definition of each indicator.

In the case of national and provincial indicators, the series known as “Population by Sex and 5-Year Age Groups across the Country and Provinces. Years 2010-2040” was used. District-level indicators were based on the series known as “Population Estimated as of July 1 of each Calendar Year by Sex”. Finally, as the INDEC does not publish a projection on the number of inhabitants of each municipality over time, it was necessary to build the series for the indicator based on the results of the 2010 National Census (CN2010).

In this Financial Inclusion Report, an “adult” is any person aged 15 and over, following the standard used by the World Bank for its financial inclusion indicators.

Criteria of Division into Zones
In 2012, the BCRA adopted a criterion to classify Argentina into different zones. Under this methodology, municipalities are classified into two groups—according to the 2010 National Census of Population, Households and Housing: one having municipalities with at least one PDA and another with municipalities having no PDAs at all.

For each group, there was a series of indicators: economic potential, users, infrastructure, competition, and market. They were calculated based on certain variables such as: i) companies, exporters and paid employment relationships; ii) population density; iii) the number of social payment beneficiaries; iv) loans, deposits, debits and credits; v) distances from each municipality with no infrastructure to the nearest one with infrastructure. On the basis of these indicators, the index for each municipality was calculated and then classified as follows: 3% for Zone 1, which includes municipalities with the best indicators; and 17%, 30% and 50%, for Zones 2, 3 and 4, respectively. The group of municipalities with no infrastructure was measured by means of the pertinent global index: 50% for Zone 5, and the remaining 50% for Zone 6, which includes municipalities with the lowest indicators.

Regionalization
This Financial Inclusion Report follows the regionalization criterion proposed by the Ministry of Economy and Public Finance (today Ministry of Economy) that sets out five regions, namely:
- NOA region: Salta, Jujuy, Tucumán, Catamarca and Santiago del Estero.
- NEA region: Formosa, Chaco, Misiones and Corrientes.
- New Cuyo: Mendoza, San Juan, San Luis and La Rioja.

- Patagonia: La Pampa, Neuquén, Río Negro, Chubut, Santa Cruz and Tierra del Fuego.
- Center and Buenos Aires: Córdoba, Santa Fe, Entre Ríos, Buenos Aires and the Autonomous City of Buenos Aires.

In this Report, "New Cuyo" is referred to as Cuyo, and "Center and Buenos Aires" as Center.

Debtors' Payment Performance

Financial institutions and PNFCs classify debtors according to debt payment capacity. The BCRA's regulation[106] provides that debtors should be grouped into levels (called "situations") in decreasing order of quality. Situation 1 is the level in which debtors are solvent enough to meet their financial commitments properly (even when reporting payment delays), and Situations 5 and 6 stand for bad debtors.

For computing the rate of performing debtors, the number of debtors (using their taxpayer identification numbers (CUITs)) under Situations 1 and 2 (i.e., those who can honor all their financial commitments) are grouped. However, all the other debtors are considered as non-performing. The indicator counts each person as many times as the number of institutions to which an amount is currently owed, whether financial or non-financial. In accordance with the BCRA's regulation, each debtor is ascribed a situation per creditor to which an amount is owed.

Payment Accounts with Payment Service Providers

As for PSPs operating in COELSA, some of them are recorded in the Registry of Payment Service Providers at the BCRA unlike other providers that have not been registered.[107] In this report, only payment accounts of providers registered as PSPs are counted.

[106] Consolidated Text on Debtor Classification.

[107] Consolidated Text on Payment Service Providers

Abbreviations and Acronyms

ACSF *Agencia complementaria de servicios financieros* (supplementary agency of financial services)
ADC *Agente de depósito colectivo* (collective depositary agent)
ATM Automated teller machine
BCRA *Banco Central de la República Argentina* (Central Bank of Argentina)
BFS Broad financial system
CABA *Ciudad Autónoma de Buenos Aires* (Autonomous City of Buenos Aires)
CBU *Clave bancaria uniforme* (single banking code)
CENDEU *Central de deudores del sistema financiero* (debtors' database of the financial system)
CNV *Comisión Nacional de Valores* (national securities commission)
COELSA *Cámara compensadora electrónica* (automated clearing house)
CPI Consumer price index
CT0 *Créditos a tasa cero* (zero interest rate credit line)
CUIT *Clave única de identificación tributaria* (taxpayer identification number)
CVU *Clave virtual uniforme* (single virtual code)
ETCNB *Emisora de tarjetas de crédito no bancarias* (non-bank credit card issuer)
FAS Financial access survey
FCD *Fondo común de dinero* (money pool)
FCE *Factura de crédito electrónica* (electronic credit invoice)
FCEM *Factura de Crédito Electrónica MiPymes* (electronic credit invoice for MSMEs)
FCI *Fondo común de inversión* (mutual fund)
FI Financial institution
GDP Gross domestic product
Hor. Lim. *Horario limitado* (limited hours)
Hs. Hours
IFE *Ingreso familiar de emergencia* (emergency family bonus)
IIF *Informe de Inclusión Financiera* (Financial Inclusion Report)
IMF International Monetary Fund
INDEC *Instituto Nacional de Estadística y Censos* (National Institute of Statistics and Censuses)
K Thousand
LFIP *Línea de financiamiento para la inversión productiva* (credit line for productive investment)
MB Mobile banking
MPE *Medios de pago electrónicos* (electronic means of payment)
MPOS Mobile device at point of sale
MSME Micro-, small- and medium-sized enterprise
Mun Municipalities
NEA *Noreste argentino* (northeastern region)
NOA *Noroeste argentino* (northwestern region)
NP Natural person
NW Net worth
OPNFC *Otros proveedores no financieros de crédito* (other non-financial credit provider)
PCT *Pagos con transferencia* (payment by transfer)
PDA *Puntos de acceso* (access point)
PF *Plazo fijo* (time deposit)
PNFC *Proveedores no financieros de crédito* (non-financial credit provider)
POS *Dispositivo en punto de venta* (device at point of sale)
PSP Payment service provider
RS *Régimen simplificado para pequeños contribuyentes* (simplified regime for small taxpayers)
SCA *Sistema de circulación abierta* (system for open transfer)
SMVM *Salario mínimo vital y móvil* (minimum wage)
SPNF *Sector privado no financiero* (non-financial private sector)
TAS *Terminal de autoservicio* (self-service terminal)
TO *Texto ordenado* (consolidated text)
UVA *Unidad de valor adquisitivo* (unit of purchasing power)
VAR *Variación* (change)
y.o.y. Year-on-year