



Reach Alliance



Digital Transformation to Advance Financial Inclusion: Breaking Barriers to Access and Equity

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Executive Summary

Case Study Key Details

The New Mexican Dream: Foreign Residents' Financial Inclusion

Over the past 20 years, Mexico has transformed into the final destination for migrants rather than a transit country. Lawful Foreign Residents (LFRs), particularly from Latin America, face systemic barriers to financial inclusion. Despite having legal residency, many struggle to access basic banking services due to two persistent obstacles:

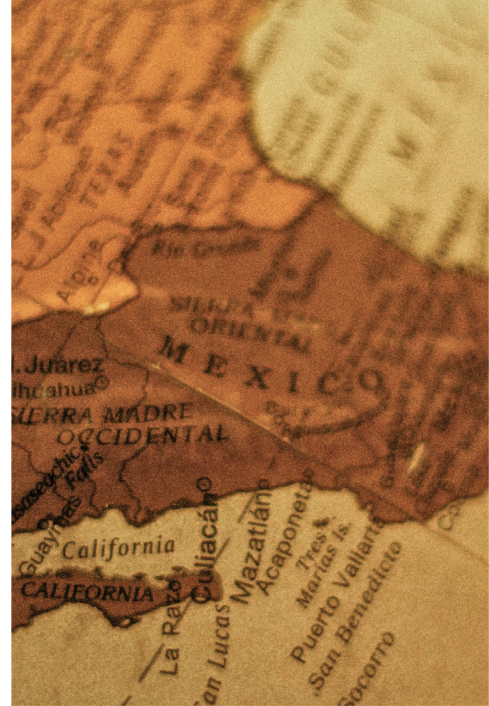
1) limited knowledge among bank personnel about residency documentation; and 2) discriminatory risk-assessment practices that classify migrants as high-risk clients. While Mexico presents an emerging alternative to the traditional "American Dream," these institutional gaps, along with inconsistent procedures and unequal treatment, continue to hinder migrants' economic integration and full participation in the country's financial system.

Expanding Financial Inclusion through Banco del Bienestar: A Case Study of Mexico

Launched in 2019 by the López Obrador administration, Banco del Bienestar (BdB), Mexico's social welfare bank, was created to extend formal financial services to historically excluded populations. By combining government social-transfer programs with conventional banking services, BdB aimed to bring financial access to rural, Indigenous, and low-income communities. Between 2019 and 2024, it expanded rapidly from about 500 to over 3,100 branches. However, despite major advances in access, BdB continues to face persistent digital divides, reliance on cash-based informal economies, low institutional trust, and service gaps that limit regular usage among the populations it seeks to serve.

Cultural Barriers in Banking: Financial Inclusion of Refugees in Mexico

Mexico has established a comprehensive legal framework that guarantees human rights and equality for all individuals, including the right to access financial services. Nevertheless, refugees continue to experience exclusion rooted in institutional practices and social attitudes. Even with valid documentation, many are denied banking access due to discretionary procedures and cultural biases that frame them as high-risk or foreign. Fieldwork conducted in Monterrey and Guadalajara revealed that these barriers stem from both procedural rigidity and deeper cultural resistance within financial institutions. However, emerging collaborations, such as the one between the United Nations Refugee Agency (UNHCR) and Banco Dondé, demonstrate that financial inclusion is attainable when legal clarity, cultural sensitivity, and institutional commitment align to bridge the gap between policy and practice.



Big-picture Value: Overall Significance of Topic for Hard-to-Reach Populations Around the World

Across all cases, formal access is not translated into functional inclusion. Structural and behavioural barriers prevent hard-to-reach populations from benefiting from financial systems.

Coordinated action—combining regulatory alignment, financial literacy, operational training and digital transformation—can help translate formal rights into everyday financial participation, specifically in populations that are forgotten by the private financial sector.



Mapping of Policy Stakeholders

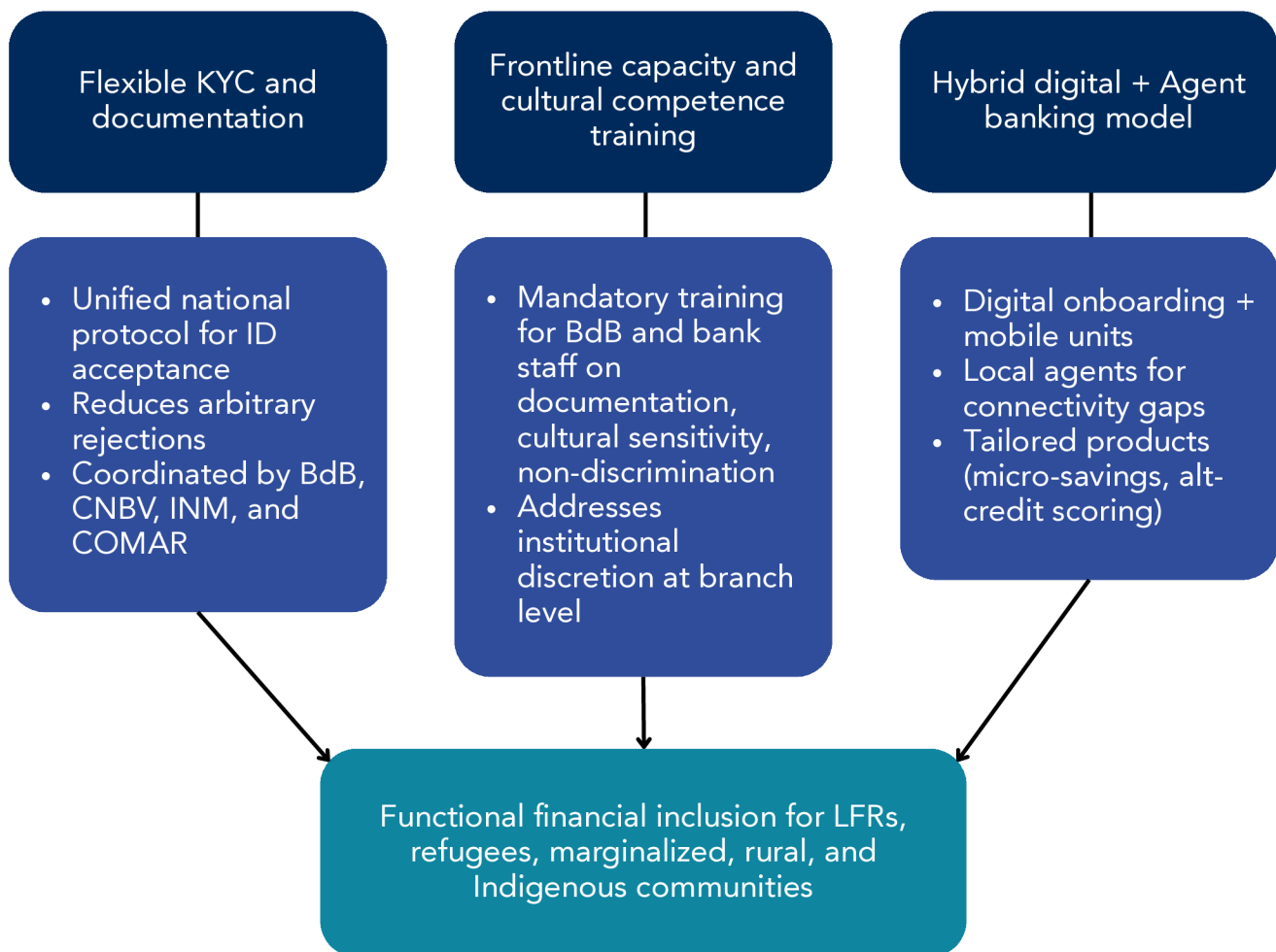
<p>Primary Decision-Makers / Enabling Bodies</p>	<ul style="list-style-type: none"> • Secretaría de Bienestar and Banco del Bienestar (BdB) • CNBV (National Banking and Securities Commission) • SHCP (Ministry of Finance) • CONDUSEF (Financial Consumer Protection) • INM (Mexican Commission for Refugee Assistance) • COMAR (Mexican Commission for Refugee Assistance)
<p>Operational / Implementing Actors</p>	<ul style="list-style-type: none"> • Private banks • Fintechs • NGOs, academia, universities • State and municipal governments (for local adaptation) • Community leaders and Servidores de la Nación • Private sector (e.g. Walmart group)
<p>Funders</p>	<ul style="list-style-type: none"> • Mexican federal government • Foreign direct investment • International organizations (World Bank, Inter-American Development Bank, UNHCR) • Philanthropic foundations
<p>Benefited Communities</p>	<ul style="list-style-type: none"> • Social programs beneficiaries • BdB users • Legal foreign residents • Refugees • Rural and indigenous communities • Low income families

Solutions

Significant Recommendations

Our panel identified three core recommendations that offer the greatest potential to translate for access into functional financial inclusion.

These are explained in the following diagram:





Research Overlaps Informing These Decisions

The three case studies revealed shared structural challenges that informed our joint solutions:

- Documentation barriers: Across both the migrant and refugee studies, strict Know Your Customer (KYC) requirements prevented access, echoing similar administrative challenges in BdB's outreach to rural citizens lacking address proof documentation.
- Institutional and cultural gaps: All cases observed limited awareness and discretion among frontline staff, whether in BdB branches or commercial banks, leading to inconsistent treatment of users coming from vulnerable backgrounds.
- Trust and usage gaps: Despite increased access (BdB case), actual usage remained low due to distrust, lack of digital literacy, and unfamiliarity with formal banking systems, trends also mirrored among migrant and refugee populations.

These overlaps highlighted the need for solutions that are both systemic (policy and institutional reform) and behavioral (training, trust-building, local intermediaries).

Remaining Gaps

- Regulatory alignment: Further analysis is needed on how to align flexible documentation protocols with Anti-Money Laundering and Counter-Financing Terrorism (AML/CFT) compliance standards.
- Data and monitoring: Limited data exists on transaction behaviour among newly included populations; future pilots must include robust monitoring and evaluation frameworks.
- Financial sustainability: The long-term cost-effectiveness of these models remain uncertain, particularly in low-volume rural areas.
- Community engagement models: More evidence is needed on effective methods for building trust and digital literacy within marginalized communities to translate access into consistent usage.

Recommendations Deep Dive

Context and Political Fit

The proposal is strongly supported by Mexico's current political and economic context. It aligns perfectly with BdB's core mission to serve the "hardest-to-reach" and financially excluded, making LFRs and refugees a natural extension of the government's inclusive "moral economy" push.

From an economic perspective, inclusion for these foreign residents is vital as it facilitates secure wage payments, enables safe remittance use, boosts social mobility, and integrates them into the taxation system and Mexican Social Security, positively affecting national GDP.

Crucially, the legal framework is already in place, as Mexican law recognizes documents from INM (Migration) and COMAR (Refugee Commission), such as residency cards and temporary Unique Population Registry Code (CURP), as valid for opening accounts.

Institutional and Operational Feasibility

BdB has the scale needed for this task due to its rapid expansion, providing a strong state presence with thousands of branches that can reach dispersed migrant and refugee communities, particularly in areas private banks do not serve.

However, the operational focus must shift from solely benefit disbursement to broader financial service provision. The primary obstacle is the implementation gap: the lack of knowledge and cultural bias among front-line staff leads to the arbitrary rejection of legitimate documents, despite legal readiness.

To succeed, BdB must address its "dual identity tension" by expanding its limited product range beyond benefit accounts to offer services like savings and credit. Operational precedents exist in Mexico, such as the successful partnership between Banorte and UNHCR's Local Integration Program (PIL), proving that tailored inclusive models are achievable.



Financial Considerations

The financial strategy must balance BdB's sustainability with the long-term potential of this new segment.

While traditional banks see this population as a short-term risk due to a lack of credit history, BdB, with its development mandate, can afford to invest in this segment because formal inclusion guarantees long-term benefits via higher transactionality and financial growth. This requires product innovation, leveraging Fintech methods to assess creditworthiness without relying on traditional credit history.

For BdB's own sustainability, expanding services must be strategically managed to ensure the new segment becomes a net positive by driving regular deposits and usage, thus offsetting the bank's high infrastructure costs.

Stakeholders and Social Dimensions

A partnership-driven approach is essential to overcome non-financial barriers. The most pervasive challenge is subtle discrimination and xenophobia at the branch level, which undermines the legal framework.

Addressing this requires a cultural shift, mandatory staff accountability, and strict anti-discrimination enforcement. BdB must actively work to build institutional trust among populations often excluded, who often prefer the cash-based, informal economy.

Success depends on formal, high-level coordination and MOUs between BdB, INM, COMAR, and Civil Society Organizations (CSOs) like UNHCR. These partners are critical for providing legal aid, on-the-ground support, and trust-building to facilitate a smooth onboarding process.



Prioritization and Technical Assistance for Implementation

The priority is to close the branch-level implementation gap by ensuring frontline staff consistently apply the legal framework that already recognizes INM and COMAR documents for account opening. This requires nationwide training in document verification, customer protocols, and anti-discrimination standards, supported by an internal compliance system that monitors and penalizes wrongful rejections.

At the same time, BdB must prioritize expanding its limited product offering, moving beyond benefit disbursement toward tailored financial services such as basic digital accounts, micro-savings, and credit products based on alternative scoring methods. Finally, high-level institutional coordination must be prioritized through formal MOUs with INM, COMAR, and key CSOs, enabling clear validation procedures, joint case resolution, and community outreach. Together, these actions create the operational, institutional, and product foundations needed for successful inclusion of LFRs and refugees.

BdB will require targeted technical assistance in four core areas. First, capacity-building and change-management support from organizations such as UNHCR, IOM, and specialized CSOs is needed to design anti-discrimination training, standardize document-verification procedures, and provide external compliance monitoring. Second, BdB will benefit from Fintech and multilateral partners (e.g., BID Lab) who can help develop alternative credit-risk models and product innovations suitable for clients lacking traditional credit histories. Third, assistance from UNHCR, INM, COMAR, and the Secretary of the Interior (SEGOB) is essential to structure formal MOUs, establish secure information-sharing protocols, and coordinate service pathways. Finally, community-led organizations can provide support on trust-building, communication, and multilingual outreach, while academic institutions and development banks can assist with monitoring, evaluation, and the development of KPIs to ensure long-term impact and scalability.



Conclusion

All three of the research projects in this brief show that financial inclusion cannot be measured solely through the existence of formal rights or the expansion of banking infrastructure. Research highlights that rigid documentation requirements, extreme discretion, and lack of knowledge on the part of bank staff, digital gaps, and the persistence of prejudices that reproduce discriminatory practices are some of the shared struggles among historically excluded populations such as refugees, foreign residents, rural and indigenous communities, and beneficiaries of social programs. In light of the above, promising solutions require an interdisciplinary approach that combines digital transformation, institutional training, innovation of financial products and mechanisms that allow permanent coordination between the Government, financial institutions, and international and civil society organizations.

Additionally, the key findings demonstrate that financial inclusion of traditionally underserved populations can not be understood only as social policy but as an economic development and social cohesion strategy with benefits for the whole country as well. However, important questions remain for the future. It will be necessary to assess how to reconcile more flexible identification schemes with anti-money laundering obligations, determine the financial sustainability of inclusion models in low-profit contexts, and generate evidence on which strategies are most effective in building trust and encouraging consistent use of financial services. Ultimately, the main challenge is not opening more bank accounts but building institutions capable of transforming formal rights into real opportunities for economic participation for those who have historically been excluded from the financial system.





This work builds on the 2024-25 Reach research reports, "[Expanding Financial Inclusion through Banco del Bienestar: A Case Study of Mexico](#)" by Magdalee Brunache, Gavriella Flores, Elisa Nieto, Bavan Pushpalingam, Iza Sánchez Siller, and Joseph Wong, "[The New Mexican Dream: Foreign Residents' Financial Inclusion](#)" by Ivanna Amor, Renée Gott, Alexa Orozco, Ignacio Ibarra, and "[Cultural Barriers within Banking Entities: Financial Inclusion of Refugees in Mexico](#)" by Ana Paula Ángeles Aguilar, Bárbara Yaileen Guillén Rodríguez, María Julieta Lomelí Lugo, Marcela Sarahí Moreno Palomo, Iran Denisse Ruíz Ramírez, Lena Graciela Suárez Cabrera, Javier Contreras Arreaga. Reach also acknowledges all the impactful partners, community members, and mentors involved in the research.

As part of the "Pathways from Evidence to Action" series, inspired by the African Center for Equitable Development (ACED), the Reach Alliance challenged researchers to identify connections, address gaps, and develop recommendations grounded in their findings. The series comprises thirteen briefing notes developing solutions for urgent climate, public health, and economic challenges and engages practitioners and policymakers in advancing pathways to implementation.