Toward Sustainable Financial Inclusion in Latin America

Latin America and the Caribbean has made significant progress in financial inclusion, driven by digitalization, fintech, and the expansion of credit. Yet broader access has also brought new challenges related to indebtedness, repayment capacity, and people's ability to remain within the financial system. This article examines why the next stage of financial inclusion must prioritize not only reach, but also quality and sustainability, with Development Banking playing an active role.



Over the past 15 years, Latin America has undergone a profound transformation in access to financial products and services. The expansion of financial technology (fintech) companies, digital wallets, and new credit delivery models has enabled millions of people to access accounts, payment instruments, and financing for the first time.

The digital revolution has radically transformed the financial system's ability to reach historically underserved segments. Young people, informal workers, women heads of household, self-employed workers, and residents of areas far from urban centers have been able to enter the system through low-cost, highly scalable digital tools. In many Latin American markets, fintech companies

have become the main entry point into the financial ecosystem.

From a development perspective, this shift has brought substantial benefits. Access to digital payment instruments facilitates economic formalization, improves transaction security, and enables the development of financial histories for populations traditionally invisible to the banking system.

According to World Bank data, the share of people aged 15 and over with access to bank or payment accounts in the region increased from 39.5% to 69.7% between 2011 and 2024. In Argentina, the increase was even more pronounced, from 33.1% to 81.7%. Focusing on the adult population, coverage exceeds 98%.

There is no doubt that this progress represents one of the greatest achievements of the financial inclusion agenda. Indeed, it calls for a reassessment of the agenda's very purpose, at least at the national level. However, greater access should not be confused with successful inclusion. Financial inclusion means enabling people to use financial services in useful, safe, and sustainable ways that improve their economic well-being. Recent data on household indebtedness and the purposes for which credit is used make it urgent to ask whether all financial access constitutes genuine inclusion and whether that inclusion can be sustained over time.

Experience across the region suggests that the answer is not necessarily yes. Household loan delinquency has reached its highest levels in 15 years in two of Latin America's largest economies, with loans more than 90 days past due accounting for 12.7% of outstanding credit in Argentina and 5.6% in Brazil. For both countries, these are the highest levels recorded in the past 15 years.

In many cases, entry into the financial system takes place through very short-term credit products offered without a comprehensive assessment to population groups with unstable incomes, limited financial literacy, or weak links to formal employment. Under these conditions, the promise of inclusion can quickly reverse course, turning financial inclusion into financial exclusion.

This is why, at Banco de la Provincia de Buenos Aires and Provincia Microcréditos (the public bank's financial inclusion and productive development company) we believe that the challenge for the coming years is not simply to expand access, but to build healthy and sustainable financial

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inclusion over the long term, creating genuine opportunities for those who work and produce to grow.

THE ILLUSION OF INCLUSION

One emerging phenomenon in the region might be called 'inclusion followed by exclusion'. The sequence is often the same: someone with no credit history receives an initial offer of digital financing. The process is simple, fast, and almost instantaneous. Yet that person often lacks stable income, experience in managing credit, or adequate tools to assess the loan's total financial cost.

The consequences are particularly evident among young people. A report prepared by Provincia Microcréditos shows that a significant proportion of 18- to 21-year-olds who obtained credit for the first time subsequently fell behind on their payments. Of those in this age group who first accessed financing in 2025, 37.4% later became delinquent. Moreover, credit performance deteriorates more sharply the younger borrowers are when they first enter the market, with particularly high delinquency rates among those who access credit at an early age.

Although these figures refer to a specific market, they reflect dynamics increasingly visible in other Latin American countries: rapid access to credit, limited credit histories, and repayment capacity that does not always keep pace with the expansion of financing. As a result, many people enter the financial system only to be excluded from it for years because their credit histories have deteriorated.

A CHALLENGE THAT EXTENDS BEYOND CREDIT

The discussion should not focus exclusively on delinquency rates. The deeper risk for financial inclusion policies is that the system may create lasting paths of vulnerability. A young person who begins their financial life with missed payments not only faces immediate difficulties but also limits future access to financing for education, housing, entrepreneurship, or productive projects. Credit histories may even be checked by employers during recruitment.

This issue is especially relevant when people gain access to credit before entering the formal labor market. Today, a very significant share of young people struggling to meet their financial obligations have neither formal employment nor stable, documented income. This disconnect between financial and economic inclusion is one of the principal challenges facing the region's development institutions.

FROM MICROFINANCE TO SUSTAINABLE FINANCE FOR DEVELOPMENT

Today's challenges also require a reassessment of some of the approaches that guided financial inclusion strategies in the region for many years. During the early decades of microfinance expansion, much of the debate centered on bringing financial services to individuals and small productive units historically excluded from the system. That objective was essential and helped democratize access to basic financial tools for millions of Latin Americans.

Today, success can no longer be measured solely by the number of new users, accounts opened, or loans disbursed. Experience has shown that access alone does not guarantee inclusion or development. The agenda for the next decade should embrace a broader vision: building sustainable finance for development. This means recognizing that finance should strengthen the economic capabilities of individuals and firms, rather than create vulnerabilities that compromise their future.

The challenge for the coming years is to build healthy, sustainable financial inclusion that creates genuine opportunities for those who work and produce to grow.

Whether for a large company, a self-employed worker, or a small entrepreneur, sustainability rests on common principles: repayment capacity, appropriate debt levels, interest rates compatible with the activity being financed, reasonable refinancing arrangements, and sound credit quality. Repayment capacity, debt sustainability, loan portfolio quality, and the development of positive credit histories must be given as much importance as the expansion of financial coverage.

This approach is especially relevant in Latin America, where large segments of the population face volatile incomes, high levels of labor informality, and limited capacity to absorb economic shocks. In this context, credit can be a powerful instrument for development, but it can also become a source of exclusion.

The future agenda must therefore combine financial innovation, financial education, productive development,



and economic inclusion. The objective is not merely to bring more people into the financial system, but to enable them to build a stable, healthy, and beneficial relationship with it.

The challenge now is to ensure that those entering the financial system can remain in it and benefit from it sustainably.

A NEW AGENDA FOR THE REGION

Latin America has good reasons to celebrate the advances made in financial access. Millions of people now participate in a financial ecosystem from which they were historically excluded. Yet the next stage calls for greater ambition. The challenge is to ensure that those who enter the financial system can remain in it and benefit from it sustainably.

True inclusion does not occur simply when someone obtains a first loan, opens an account, or downloads an application. For inclusion to be meaningful, these tools must effectively improve people's economic opportunities, strengthen their productive capacity, and broaden their prospects for building a better future.

Ultimately, the challenge for Development Banking, regulators, fintech companies, and the region's financial industry as a whole is to move beyond an approach focused exclusively on access toward a vision of sustainable finance for development, in which the quality of inclusion matters as much as its reach. That is the difference between bringing people into the financial system and genuinely generating development.



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