



ALFI:

A bridge for financial education and inclusion in El Salvador.



Learn more about how ALFI, a startup that brings financial education to the rural areas, arrived to El Salvador to stay. In just a few months, thanks to ALFI, more than 1,800 farmers have developed financial skills and, in alliance with several institutions, improved financial products that respond to the needs of the countryside. Without any doubt, ALFI contributes to reducing financial illiteracy and to bringing financial products to the country's most vulnerable population.

Meet ALFI.

How can a country develop its rural regions without investing in the financial literacy of its society? Is it not financial illiteracy that is responsible for the high regional disparities in Latin America?

With these questions in mind, Victor Morales founded *the startup* ALFI in Chile in 2016. ALFI was originally thought of as a board game, with the goal of making it fun to experiment with financial topics. Accompanied by his colleagues Carlos and Andrea, it soon became clear that a digital version of the game could reach many more people. Today, ALFI is a gamified financial literacy, education and inclusion *web platform and app* that connects users with financial products in a massive, free, and digital way.

Quickly, Victor and his team noticed that ALFI met the current needs, that it served a niche. There was a great demand and the good results spoke for themselves. After initiating in Chile, the platform expanded to Peru, Mexico, Bolivia, and Honduras.

Then came Innovatech.

In recent years, ALFI had already worked with excluded populations in rural contexts and the team knew the challenges this entails. To overcome these boundaries and adapt its solution to new needs, a startup usually needs two things: time and money.

The call for the Innovatech program came at the perfect time and ALFI decided to use the Innovatech grant to launch its solution in an important market in Central America: El Salvador. The country seemed to offer optimal conditions to receive a solution like ALFI: a law that made financial education of clients mandatory for financial institutions had just been passed.

ALFI was selected as one of the 12 Innovatech startups. A local representative, Gustavo, was hired and the search for partners for the pilot phase began.

No one interested in financial education?

After an initial euphoria and high expectations that the market in El Salvador had only been waiting for ALFI, a harsh reality hit the startup.

¹ El Salvador's National Financial Education Strategy, promoted by Germany's Sparkassenstiftung

Despite numerous meetings with potential partners and banks, as well as their initial interest, it seemed like no one dared to go for something completely new: a cooperation with an innovative startup. Skepticism won over the question whether people from the rural context would use the digital app. Response and discussion processes within potential partners for ALFI were slow and their positive responses did not reach the startup. The Innovatech team became concerned about ALFI. This was not the way Victor, Andrea, Gustavo, and the rest of the team had imagined.

To brake paradigms: challenge accepted.

But ALFI wouldn't be ALFI if they didn't have many ideas to solve their problem. It needed an event, but not just any event, a big, important one. Said and done. In the blink of an eye, an event was organized, attended by the German Sparkassenstiftung, FIDA, Rural Adelante and members of the ENEF committee¹ (Banco de Fomento Agropecuario, Banco Hipotecario, Bandedal, Defensoría del Consumidor, CONAMYPE, among others), numerous

representatives of El Salvador's financial and development sector, and even the local press. It was a great success. ALFI was officially launched in El Salvador the way it was supposed to. This physical space with the team, to present first-hand its advantages and the great conviction of the founders made the difference: everyone wanted ALFI!

With newly agreed collaborations with IFAD's Rural Adelante program, ADEL Sonsonate, Asociación de Mujeres, among others, the pilot phase could finally begin. ALFI wanted to make up for lost time within the Innovatech program.

Within a very short time, ALFI demonstrated the DNA that an innovative and impactful startup must have—flexibility and ability to react quickly to any challenge.

In collaboration with partners, the platform's contents were adapted to the needs of the rural population of El Salvador. Given that a large part of the rural population has literacy problems and little technical knowledge, ALFI adapted the solution to video format to facilitate the use of the platform. Together with the mentors of the Innovatech program, and solving the weekly goals assigned to them, the new contents of the platform were validated,

and the foundations were laid to create more financial skills among the Salvadoran population.

The first banking cooperation

After ALFI worked directly with the target group, improved their financial literacy for a few weeks and achieved quick successes, the financial institutions finally couldn't resist anymore. ALFI signed its first cooperation with a financial institution in El Salvador: Banco Hipotecario. Important changes were introduced in the business model, a "Whitelabel" was created, and content was integrated into the bank's CRM. Likewise, three monetization models were identified, which allow to connect customers with an appropriate financial product in a playful way, thus guaranteeing better access to financing in rural areas. ALFI has demonstrated how much can be achieved in a short time, a clear success that attracts more interested parties. Soon after, other financial institutions showed their interested and ALFI is already working on the next Whitelabel with SAC Integral.

What is in it for the rural sector?

Financial education is an important foundation for financial inclusion and

poverty reduction. Especially for people in developing countries, knowledge of the impact of basic financial literacy on their daily lives is of great importance for the responsible management of their own income and savings and can prevent them from falling into the trap of over-indebtedness.

In many developing countries, there is a lack of a savings culture and financial decisions are made based on the impulse to consume.

The ALFI solution has been promoted to people who grow vegetables and coffee. The main objective of the strategic partners is for the organizations to learn about the value of savings, the terms of basic financial products and responsible ways of investing money, so that they are able, above all, to improve the standard of living of their members. In a very short time, ALFI users have started considering savings as part of their daily lives and now know how to make better financial decisions.

The case of the Communal Association of Women of Morazán (ACMM)

Founded in 1997, this association is integrated by 23 women engaged in agriculture, greenhouses, and various productive activities. Lack of knowledge in financial management and education limited ACMM's ability to make informed decisions in managing their income, expenses, and savings, resulting in the underutilization of resources and lost opportunities for economic growth. Through ALFI's platform, ACMM received a financial literacy training program tailored to its unique needs and characteristics. Face-to-face workshops complemented the experience, allowing for interactive and enriched learning. Thanks to ALFI, ACMM members acquired solid financial skills, and learned how to efficiently manage their income, expenses and savings. The financial education allowed them to make informed and strategic decisions to grow their businesses and take advantage of investment opportunities.

