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Promoting Financial Empowerment Through Microfinance - the Case of Prospera by Santander

Christian Manuel Weber (39460)

Work project carried out under the supervision of

Paulo Sacadura Cabral Portas (Advisor)

Vitorino Alberto Mello Gomes Oliveira (Co-Advisor)

Abstract:

This thesis examines the potential of Prospera, Santander's microfinancing institution operating in Brazil, to deliver financial empowerment through its activities and expansion. Along the case of Prospera, the Brazilian's microfinancing sector and the strategic choices which paved the growth of Santander's platform and faced challenges are outlined. Three analytical approaches were taken on the competition faced by Prospera, the importance of impact management and the sustainable competitive advantage of Prospera to tackle current challenges faced by the microfinancing institution. Internal interviews with Prospera's founders, customers and external advisors on microfinancing constitute the research body of the thesis, alongside the analysis of the company's reports and desk-based research. Accordingly, recommendations are proposed and evaluated to guide the expansion of Prospera and ultimately increase the impact generated through the platform's operations.

Key words: Financial Empowerment, Microfinance, Sustainable Development Goals, Impact Management and Assessment, Competitive Advantage.

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CASE STUDY

Introduction to Prospera

In August 2023, Alexandre Castelano, Senior Head of Prospera, and Letícia Veiga Pinto, Head of Prospera reflected in Santander Sao Paulo's headquarters on the progress made since their tenure started in "Prospera" – *Santander's Brazilian microfinance institution*. Prospera's journey started over 20 years ago with one clear purpose: "enhancing prosperity by providing financial services and guidance to underserved entrepreneurs".

Since its inception, Prospera developed into a key player in the Brazilian microfinancing sector, becoming the largest private player with a market share of 14%. This fell in line with Santander's redefined focus on sustainability, deciding to bring forward financial empowerment, by helping previously unbanked people access the financial system. This became a core principle of Santander's strategy, having become the global leader for financial inclusion in the banking sector, according to Euromoney, contributing to the eradication of poverty.

As a leading player in global banking, Santander has the potential and influence to drive positive impact in today's complex world being faced by unprecedented global challenges. Hence, the research question investigating how **"Prospera aims to deliver financial empowerment through its microfinancing services in Brazil"** will guide the following narrative outlining the Brazilian's microfinance institution functioning and impact generated.

The redefined strategy of Santander was motivated by the bank's alignment with the *Sustainable Development Goals* of the United Nations and international best practices promoting economic, social, and environmental sustainability in private actors' strategy and governance. These objectives ultimately guided Prospera's evolution and mission, aiming to open the door towards economic growth for individuals, who lack access to traditional banking

services in Brazil. It is exactly here where Alexandre and Letícia knew that Santander could generate significant impact and align with its objectives. Prospera's creation was driven by three objectives, namely:

1. Improving the **access to credit** by facilitating the borrowing process and providing better credit options to Prospera's customers.
2. Providing improved **conditions for local businesses** by improving suppliers-client relationship, financial knowledge, reducing debt and increasing profit.
3. Improving the **quality of life** of concerned communities by boosting income, building financial resilience, economic independence and access to consumption goods and services.

If Letícia and Alexandre were there to help the Santander Group pursue their Financial Empowerment target, they would have to overcome uncertain landscape increase their number of customers. For this expansion to be successful, Letícia and Alexandre needed to consider which factors support Prospera in driving financial empowerment in Northern Brazil. Prospera remained geographically concentrated in the North and Northeastern regions of Brazil, which in turn meant they were missing out on a significant portion of the Brazilian population. In Brazil, 40% of the population lacked access to conventional banking. Additionally, approximately 20% of the Brazilian population, 40 million people, were micro and small entrepreneurs, which meant for Alexandre and Letícia there were still a significant amount of people that were unserved and oftentimes had to resort to loan sharks or family support to tap their demand for credit.

Overcoming times of uncertainty in Brazil

The past 5 years were marked by major adversities, including a changing political landscape in Brazil, a global pandemic, and the ensuing economic crisis which not only impacted the Brazilian economy, but the global financial and economic ecosystem. As a result, much of the achievements the country had made in poverty reduction over the past two decades were most likely wiped out (Lustig & Trasberg 2021). The pandemic also led to an increase in food insecurity, with 60% of Brazilian households not having enough to eat (Lowen 2021). The specific impact of the pandemic on Prospera and its goals are not fully measurable, but it was assumed that the economic difficulties and increased poverty in the country affected the program's ability and outreach to entrepreneurs.

Despite this tumultuous economic and political scene Prospera grew at an unparalleled pace. From 2019 to 2022, Prospera managed to double their customer base alongside the total amount of loans disbursed, from 1 million customers benefiting from \$1.6bn value in loans, to 2.1 million customers with \$3.5bn in loans. Additionally, Prospera increased their number of branches from 80 to 145 in the same period, a growth of little over 80%. With this progress Prospera helped the Santander Group reach its financial empowerment target of 10 million people, 3 years ahead of their established deadline. Consequently, the target was expanded to reach an additional 5 million people from 2023 to 2025. Prospera could play a significant role in helping the Santander Group reach this target.

Exploring the Brazilian Microfinancing market and growth opportunities

Microfinance is no novelty in Brazil, particularly in the Northern and Northeastern Regions. Following the process of price and macro-stabilization by the Brazilian Central Bank in the beginning of the 1990s, several Microfinancing Institutions were created and public funding was allocated towards these initiatives. Over the following 3 decades, the market matured

significantly, under the guiding helm of publicly MFIs, such as Banco do Nordeste and Caixa Econômica Federal, that quickly became market leaders. Primarily under the government of President Lula da Silva, a targeted focus on the expansion of microcredit was made with the additional funding to the Banco Nacional do Desenvolvimento and the creation of the Programa Nacional de Microcrédito Orientado, a program by the Brazilian Finance Ministry to support and fund MFIs (Folha de São Paulo). These efforts were focused in the Northern and Northeastern regions of Brazil as these regions had the highest rates of individuals living under the poverty line according to, with some federative units having rates exceeding 50%, as seen in Figure 1.

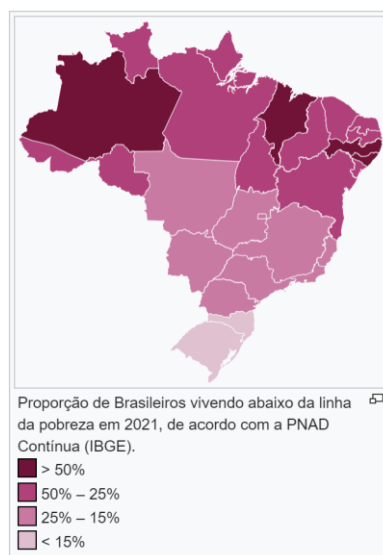


Figure 1

With the maturing of the market, and the proof of concept by the public MFIs, several private players started opening up their own MFIs, such as Santander with Prospera, Banco Itaú and Banco Bradesco, among others. What these private players were able to offer compared to the publicly funded MFIs, was a more personalized offering, adjusting the loan sums to the value required by the borrower. Additionally, private banks could offer adjacent financial services

(e.g., payment systems, current accounts) and advisory services rendered by the respective agents.

The microfinancing market also benefitted from the presence of private MFIs, as this brought more stability to the funds available to borrowers, since they were not dependent on public policy.

Understanding Prospera's business model

Prospera's business model primarily revolves around the provision of microcredit loans to individuals with entrepreneurial ambitions. Prospera provides loans ranging from \$130 to \$16,000 aiming to promote the growth of small businesses. In 2023, Prospera had 790,000 active customers and with an active loan portfolio of \$600 million. 70% of the income created through this platform contributes to the local economy of concerned communities. Prospera's customer base consists of 65% women, with an average age of 40 years, with 60% of their entrepreneurial ventures earning a monthly revenue of 900\$ to 2800\$ and 35% earning less than 900\$. These ventures are primarily active in the trade sector, with only 29% of customers active in the services sector. The main lines of business include food business (e.g. restaurants, bars, snack bars), sewing services, tailors, grocery stores and retail of cosmetics and clothing.

The process starts with Prospera's credit agents visiting the prospective customer, conducts a face-to-face interview, assessing the customer's credit needs and business' objectives. Following this initial meeting, the remaining process is conducted digitally, hence, the documents, signatures, approval and finally disbursement without the necessity of the prospective customer going physically to a Santander branch. The funds are expected to become available to the customers within 48 hours and are typically lent in a group-lending model, where 3 to 5 entrepreneurs provide a loan guarantee through a group repayment pledge. The

base interest rate is of 4%, with discounts being given to groups exclusively composed by women, and individuals who have successfully completed financial education courses in the Avançar+ platform as these groups have, according to Prospera's experience, a lower default rate. Following the completion of each loan cycle, the customers can renew and increase their loans.

Credit agents do not act exclusively as auditors on the viability of the ventures of the prospective customers, but once the loans are disbursed, the agents also take on the role of advisors for the customers. Agents are available for customers for business and financial-related enquiries. Additionally, the credit agents conduct semi-annual visits to the clients to assess the development of the business and viability of disbursing a new loan. Hereby, agents play a crucial role in the well-functioning of Prospera, as their proximity to the customer allows Prospera to build an embedded and deep understanding of customers' needs and profiles.

This business model aimed to be constructed and aligned with the strategy of Santander promoting financial empowerment present in the mission for Prospera. For Letícia and Alexandre it was clear: microfinancing was not only a credit product, but it also represented a gateway for their customers to access the social elevator. This was illustrated through Prospera's solutions and services allowing small entrepreneurs to formalize and professionalize their business, improving their quality of life and financial education. This in turn had positive consequences on their customers' household and urban communities in which they were present.

Demonstrating Prospera's path towards Financial Empowerment through the Assessment of the Platform's Impact

The potential of the platform's objectives to align with the targets set by the SDGs were clear. By focusing on financial empowerment, Santander's strategy through the establishment of Prospera aimed at actively contributing to "promote decent work and economic growth" within society (SDG 8). Indirectly and through different angles, Prospera's activities continuously contributed to poverty alleviation by offering adequate tools for unbanked individuals to reach traditional banking services (SDG 1); to the provision of quality education through the creation of their financial educational program Avançar (SDG 4); gender equality by empowering women which amounted for 65% of their customers' target (SDG 5) and finally, reducing inequalities by bridging the gap for equal economic opportunities for all (SDG 10).

However, despite the Bank's intention to reach these objectives and align with the previously outlined SDG's, the required methodology, decision making processes and strategy were not established to determine how Prospera's activities generated the intended impact. Letícia highlighted this concern as a detrimental factor for the evolution of Prospera. Impact assessment and management were almost inexistant amongst Prospera's methodology and decision-making process since the creation of the Platform. Yet, impact management and measurement are more than essential to evaluate the positive and negative impacts arising from Prospera's decision making processes, from an executive and strategic perspective but also to mitigate potential detrimental consequences and amplify positive effects on people and the environment (Boairdi, 2020). What had been set up for now in terms of impact management and assessment tools was not enough. For the future of Prospera and the pursuit of its expansion ambitions, Leticia recognized that further data had to be generated alongside the establishment of impact assessment tools to drive the potential of Prospera.

2023 marked the year of the first attempt of Prospera to demonstrate the impact delivered by the platform through its activities on concerned stakeholders. Despite more than 20 years of performance, Santander only reflected in 2023 on their impact through the publication of their Social Impact Report. The impact report displays the conclusions drawn on quantitative surveys conducted from 2018 until 2022 with 1350 Prospera customers and 600 micro-entrepreneurs with similar socio-demographic profiles, which weren't using the platform's services. The upcoming observations and conclusions.

Prospera drove a monthly profit increase of \$910,000 for Prospera clients and increased their employee's intake by 40%, in comparison to only 14% increase amongst the base sample of micro-entrepreneurs not benefitting from the platform. The platform boosted negotiation skills for 86% of their clients, led to the formalization of businesses, the separation of business and personal-related money and drove a for improved control of cash flows and better billing targets. In small municipalities counting up to 30 000 inhabitants, credit disbursed by Prospera amounts to 1% of the GDP. Due to Prospera, an increase of \$486 million per year was generated. Such profits contributed to improving life conditions: the ability to close accounts and cover basic expenses grew by 23%, the quality of the family's diet improved by 11% and 13% improved their housing conditions. Letícia and Alexandre knew this meant that the services offered by Prospera were directly promoting women's financial independence and improving the quality of life for these households. In fact, according to Santander's Impact Report analyzing Prospera's impact on its customers, there was a 13 percentage points increase in the reported living quality by Prospera's customers, in comparison to the base sample of microentrepreneurs, and a reported 11 percentage points increase in the quality of the food consumed by the family in comparison to the base sample.

Paths to reach Prospera's objectives: digitalization and financial education

Their mission is to empower individuals who are driven to launch their own business but have not yet succeeded to do so as they are part of poor communities lacking access to traditional financial services. These communities usually face problems such as high operational costs, credit risks and limited customer reach (Santander 2022). However, the microfinancing landscape has been considerably changing, alongside the evolution of Prospera, giving new opportunities and paths for those aiming to gain economic power. The rise of digital transformation has transformed the microfinance sector. By using digital technology, the approval process at microfinance institutions can be accelerated and streamlined from days to seconds (Ruchi 2017). This increase in speed and convenience has simplified the way customers do business and manage their finances.

Digital transformation

The pandemic helped accelerate the digitalization of the Brazilian society, primarily boosting access to banking services and internet penetration. As state-financed Covid-19 relief funding required users to have a bank account, Caixa Econômica Federal released a banking app facilitating account opening and within a short-period of time, millions of Brazilians that were un- and underbanked signed up so they could be eligible to obtain the relief funding (Lillian Higgs 2021). In this timeframe, the number of Brazilian internet users increased by 16 million, an unparalleled jump that is unlikely to be replicated, but that could have a lasting impact on the financial empowerment of those most vulnerable, as it allows people even in the most remote of places to have access to complete banking services and means to access education. Therefore, digitalization trend is a significant driver for growth and was used as a tool to reach Santander's strategic goals. Digitalization gave Prospera the opportunity to explore and grow its impact potential. Knowing that digital transformation drives productivity growth and

provides opportunities for a more competitive market, digital tools could make growth more inclusive (MCTIC 2018). Upgrading their digital product offering was therefore essential to Prospera's long-term success.

To dive deeper into the digital products, services and opportunities for Prospera, internet usage (quantitative and qualitative) was a relevant factor to understand where the population and target group of Prospera was. In 2018, 23% of the Brazilian population aged over 18 had not yet used the internet, according to the Organization for Economic Co-operation and Development (OECD) (MCTIC 2018). They were looking for the issues and reasons that would explain these figures. Around 69% says the reason not using the internet is because they lack computer skills and 48% is not using it because it is too expensive (Statista 2022). This causes Brazil to lag behind in terms of digitalization, microenterprises being particularly responsible for these figures. Those can be explained by socio-demographic characteristics. Society's low-skilled have a harder time accessing the internet and learning how to use it. The population in the North is also one of the disadvantaged groups influencing the low figure (OECD ilibrary 2020).

Additionally, a n increase in the use of phones over the last few years has not only boosted digitalization, but Letícia and Alexandre also saw that this created many opportunities. Especially for their target, the low-income and low-educated populations, this is the easiest way to access the internet (OECD ilibrary 2020).

Letícia and Alexandre defined digitalization as a key role player for the growth of the Prospera platform. Therefore, they placed a total recovery from the pandemic and a new digital expansion at the core of Prospera's growth strategy for 2021. The strategy coordinated various digital initiatives within a coherent framework to boost the digitization process of microfinancing and

training for the digital environment in order to enable economic growth and to gain power. Finally, Prospera's digital finance aims to make an impact in terms of savings reserves, the number of users learning to save and to make knowledge-based financial decisions (Unicef 2015). This aims to have an impact on savings and financial decision-making of Prospera's target group, which work towards Prospera's objectives.

Financial education

As indicated in their mission statement, a key aspect of Prospera is the provision of financial guidance to its customers, which was pursued by establishing their own financial education program. By creating the financial education platform Avançar, Prospera aimed to boost the financial education of its customers and bridge the existing educational gap impeding on micro-entrepreneurs and vulnerable groups to gain financial power. Financial empowerment is pursued here as it can be achieved through the acquisition of financial knowledge and the ability to apply such knowledge in everyday life, leading to improved financial decision-making, and ultimately, improved financial well-being.

Avançar+ catered to the need of improving financial literacy among the Brazilian population, as standardized testing of school age students through the OECD's PISA program had shown in 2015 and 2018 that over 40% of Brazilian students did not reach baseline levels of financial literacy, comparing to the OECD average of 15%. These results were indicative of a larger trend in the population, that underdeveloped financial literacy undermined the readiness to take responsible financial decisions (PISA results 2018).

It was with a clear intention to tackle this problem, that Prospera developed the Avançar+ platform. This platform offers digital content relating to financial education, entrepreneurship and management skills. The content includes free online courses that include a certificate of

completion, Podcasts and news articles about news and tendencies, as well as curated articles from specialists and speakers. Prospera's objective with this content was to help its customers improve their financial literacy, improving their ability to make financial decisions and thus increasing the likelihood of them developing a successful entrepreneurial venture. Apart from the improvement in the customers quality of life, this would also benefit Prospera's operations, as financially literate customers, with developed entrepreneurial and management skills would be less likely to default on a loan.

However, the main issue Prospera had with the platform was engagement. Despite a thorough product offering that could enrich the business and financial knowledge of users lacking these skills, customers seemed to not be using it. One identified possibility for the lack of engagement was simply the lack of knowledge, as customers were not aware of the contents provided on the Avançar+ platform and how these contents could benefit them.

Challenges arising for Prospera

The ambitions of Alexandre and Letícia and future envisioned for Prospera aim to boost the platform's potential beyond expectations and become the largest and most successful microfinance institution of Brazil. However, certain challenges came in the way of this growth potential.

In the North and Northeastern regions of Brazil, Prospera primarily faced competition from Banco do Nordeste and their CrediAmigo lending scheme. Banco do Nordeste was a seasoned player in the Microfinance industry, being active since 1998. As a public entity, that apart from public funding, also received funding from the European Investment Bank worth €200m, the Banco do Nordeste could offer significantly lower interest rates compared to private institutions like Prospera, that needed to ensure their financial self-sustainability. This allowed Banco do Nordeste to charge a monthly interest rate of 2.53% to borrowers, compared to Prospera's

monthly interest rate of 4%. Additionally, President Lula da Silva set as a legislative target of this, the expansion of microcredit programs and the reduction of their interest rates. This meant Santander would not be able to compete in terms of pricing with public microfinancing institutions such as Banco do Nordeste.

Despite this disadvantage Santander managed to continuously grow, in a period where Banco do Nordeste had notoriously lost footing in the market. Prospera gained this advantage as their value proposition did not lie primarily in the provision of the lowest interest rates, but rather in its personalized service approach and in its efficient disbursement of requested funds. Comparing to Banco do Nordeste, Prospera reduced the bureaucracy required to get a credit, and increased the flexibility by having their agents visit the businesses, instead of requiring the entrepreneurs to visit an agency. Additionally, entrepreneurs complained that for the first loans the amount disbursed by the public banks was reduced and that the agents from the public banks were not as available as Prospera's when it came to business-related advice. By disbursing efficiently, the desired funds, with ongoing counselling by the agents, borrowers felt protected and reassured by Prospera.

Nevertheless, Prospera still faced several hurdles before becoming the clear market leader in Brazil. The first ones relate to operational limitations, including: the absence of information regarding the profile of lenders due to the high percentage of borrowers without prior credit history and their lack of financial literacy, which acts as a significant hurdle when assessing the payback ability of borrowers. Additionally, Prospera needed to expand to other regions in Brazil, as they had already reached a significant coverage of the North and Northeastern regions.

For Alexandre and Letícia, the expansion had to focus on the Southeastern region of Brazil. This was the natural choice as it is the economic center of Brazil, with a population of over 80 million people. In terms of density, with almost 78 people/km² the Southeastern region is 11x

denser than the Central-West region and almost twice as dense as the Southern Region. This means that each individual office is able to cover a much larger customer base than any other region. Lastly, despite being the economic center of Brazil, the Southeastern region had the second most people living under the poverty line, with 29.5% of Brazilians in this situation living in Southeast Brazil, lagging behind only the Northeastern region, as can be seen in Figure 2.

This, coupled with the fact that this region was the most populous in Brazil, meant that there was a significant amount of people that could benefit from the offering of Prospera, as the poorest 40% of Brazilians by income level were statistically more likely to be unbanked (Statista).

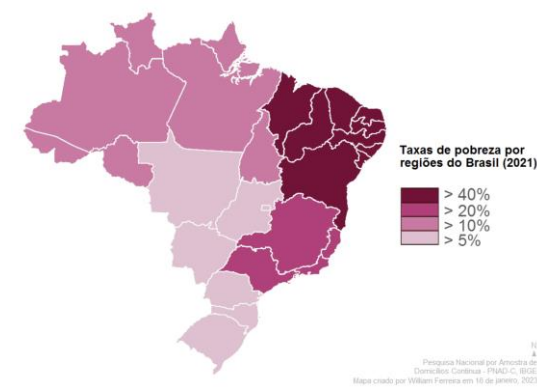


Figure 2

The choice to expand Southeast came with its limitations. Several issues arose, including cultural difference, such as the unfamiliarity of the borrowers in joining a group-lending model. In North and Northeastern Brazil, where microfinancing already has a more solid footing, these practices have already become a common practice widely accepted. In the Southeastern region of Brazil however, this model was not as easily accepted by the customers, which increases the risk for Prospera, as it loses its sole form of guarantee for the loan. Finally, Prospera would expand into regions with already prevalent MFIs, including other private banks, meaning it is

likely to face high competition in a region where it is not an established key player, such as in the North and Northeast regions.

Looking forward: Prospera's expansion

Letícia and Alexandre had started expanding Prospera to become the leading player in Brazilian Microfinancing, but they knew that they had a long road ahead of them and some changes would be required to ensure this growth was sustainable and met Santander's goals. How could Prospera grow to become the largest player in Brazil, knowing Brazil's public banks were likely to receive additional funding from the government? Which tools could be developed to correctly measure and assess Prospera's impact in local communities and businesses? And how could Prospera leverage their competitive advantages and improve their digital marketing strategy to ensure the most underserved entrepreneurs in Brazil could finally tap their credit needs?

The purpose of the subsequent parts will entail of answering these lines of questioning and investigate how Santander promotes financial empowerment by responding to such issues, how it tackles competition and government initiatives, and what expansion strategies are intended to increase its impact.

EVALUATION REPORT

Introduction

As demonstrated in the case study, Prospera represents a key player for Santander to pursue its ambitions to foster long lasting financial empowerment through its operations. Having focused on the Brazilian market allowed the platform to gain a leading position in the sector as a private microfinancing provider. Arising from the ambitious business model of the platform, Prospera built a strategy in which: vulnerable groups, women and unbanked individuals are gaining financial power by accessing financial and banking services, improve their financial management skills and improve their quality of life through the gain of prosperity and business opportunities. However, despite this process and already promising results, there are still challenges that hinder the ability of Prospera to reach its full potential, expand and yield the most significant impact the platform could.

The upcoming questioning was raised following our analysis and reflection on the future of the platform: how could Prospera increase its financial empowerment potential through the education of a new market segment?

This interrogation was raised as a result of the two subsequent significant challenges determined as important factors hindering the growth of the microfinancing platform. First, the major lack of reach from customers and the financial educational platform Avançar as only 1% of current customers were in contact with the platform. Second, Prospera has currently failed to tap into a younger customer base, namely 18-34 years old customers. In order to tackle those challenges, the subsequent evaluation report will outline suggested recommendations and strategies that are advised to be implemented. Prospera's successful expansion in Brazil would ultimately allow

Santander to reach its financial inclusion targets of empowering financially an additional 5 million people by 2025.

Two strategies will be proposed: the first one regards the expansion and improvement of the financial education platform Avançar, the second will present the suggested digital marketing strategy that should be included in Prospera's methodology.

By expanding the potential of the financial education platform Avançar, Prospera aims to boost the financial education of its customers and bridge the existing educational gap impeding on micro-entrepreneurs and vulnerable groups to gain financial power. Financial empowerment is pursued here as it can be achieved through the acquisition of financial knowledge and the ability to apply such knowledge in everyday life, leading to improved financial decision-making, and ultimately, improved financial well-being.

Secondly, by providing a digital marketing strategy, Prospera would enhance its impact on financial empowerment. This, because they will use the digital marketing strategy to target a new market with the aim of also helping younger entrepreneurs in the financial field, hence creating more financial empowerment.

Data collection

To build our argumentation and reasoning, a qualitative research method was selected. From internal and external interviews conducted, to academic and desk-based reach, our data collection methods allowed us to approach and analyze Prospera in a critical manner.

The primary data collection method was reliant on internal interviews, conducted with Prospera's upper management and Santander agents which were directly and indirectly linked to Prospera in order to gain insights on the detailed functioning of the platform. Leticia was our

first point of contact and allowed us to build a deep understanding of Prospera's operations and stakeholders involved and concerned by the effects and impact of the platform. Subsequent interviews were conducted with clients of the Platform which had benefitted from Prospera to launch their businesses in the recent years. To build a strong understanding of the strategy of Santander as an entity and grasp the bank's motivations to foster financial empowerment through its actions, interviews were also conducted with the upper management of Santander.

Our position was privileged as we could access the inner circles of Prospera's functioning's and grasp the challenges currently faced by the institution. Nevertheless, important difficulties arose through this first step of the research. First, quantitative data showcasing, for example, the impact generated by the platform was lacking, not readily available. With more than 22 years of existence, reports relating the clear and detailed impact generated from a socio-economic perspective on concerned communities is essential. Second, due to strict confidentiality rules in the financial sector, Prospera could not the grant access of confidential information to third-parties, and thus, documents that could have brought positive insights into this work had to be withheld from the team.

To overcome this previously mentioned lack of data, our team conducted external interviews with key players in the field of microfinance. This step was crucial to build a deeper understanding of the challenges rising when implementing microfinance institution in such context.

The second data collection implicated analytical academic research on the topics covered in this report as well as desk-based research on Santander's available documentation.

Addressable market

Over the past 30 years, the Brazilian Microfinancing market has noticeably matured, primarily through federal and state-led efforts funding public banks and microfinancing institutions. The largest players continue to be the Caixa Econômica Federal and Banco do Nordeste, but several private banks have entered the playing field and established themselves as significant players, including Santander, Banco Itaú and Bradesco. An advantage private banks have compared to public banks, is that they are not reliant on state and federal funding, that varies depending on public policy. This volatility can be seen in Figure 3, depicting the State-funded microcredit figures between 2008 and 2018. The presence of both public and private MFIs has allowed there to be smoothing of the funds available to the public, particularly in years where public funding decreases.

EXECUÇÃO GERAL			
ANO	VALOR CONCEDIDO R\$	CONTRATOS REALIZADOS	CLIENTES ATENDIDOS
2008	3.028.311.116	1.280.680	1.430.097
2009	3.620.727.053	1.620.656	1.654.186
2010	4.488.115.368	1.966.718	2.071.607
2011	5.761.258.771	2.576.559	2.674.157
2012	8.620.128.679	3.814.781	3.953.406
2013	12.681.328.920	5.713.091	5.664.941
2014	13.767.209.555	5.667.287	5.552.080
2015	12.359.966.047	5.201.992	5.200.781
2016	9.263.808.770	4.699.476	2.514.576
2017	8.644.549.202	4.300.728	2.248.981
2018	10.356.731.697	4.739.929	2.430.934

Figure 3

These public and private Microfinancing initiatives seek to decrease the portion of unbanked and underbanked Brazilians, and despite making significant progress over the past decade, a major portion of the Brazilian population continued to lack access to banking services, approximately 35 million people as of 2021 (Statista 2021). Additionally, 17.7 million people were considered underbanked, which means they had little or no access to additional banking services, besides a bank account (Instituto Locomotiva 2021). When looking at the share of unbanked population by gender, it is noticeable that women are more afflicted than men, with 19.5% of the Brazilian women being unbanked versus 13.6% of men (Statista 2023). This in turn signals that despite the clear progress made, there is still a significant share of the Brazilian

that would benefit from Prospera's offering and that there is still significant room for growth.

According to GEM's study on Entrepreneurship in Brazil in 2019 there was an estimated entrepreneurial population of 54.3 million people, of which an estimated 21.2 million were between the ages of 18 - 34. Given Prospera's average customer age of 40 years, it becomes apparent that Prospera is underserving the younger generation that constitutes a consequential portion of the Brazilian entrepreneurial population, approximately 39%. This lack of representation from the aforementioned age group could be a consequence of an overreliance on word-of-mouth marketing, and the absence of a digital marketing strategy. Word-of-mouth marketing can help generate prospective customers who are already acquainted and trust Prospera's services, however it prevents Prospera from addressing precise groups as it cannot control when, and with whom, the existing customers talk to.

Lastly, GEM's study also indicated that 25.2 million entrepreneurs had the equivalent to, or less than, 9 years of school education. According to the OECD, the PISA testing results from 2015 indicated that Brazilian students' financial literacy was well below the average of the OECD countries that participated in the assessment, with most students performing below the baseline level of proficiency (Figure 4). This indicates that the Brazilian youth could benefit from a program that transmits knowledge and understanding of financial concepts, allowing them to better manage their finances and businesses.

Mean performance in financial literacy				
	Mean score	Range of ranks	Percentage of students	
			Below Level 2	Level 5
OECD avg-10	489		22.3	11.8
B-S-J-G (China)	566	1 - 1	9.4	33.4
Belgium (Flemish)	541	2 - 3	12.0	24.0
Canadian provinces	533	2 - 3	12.7	21.8
Russia	512	4 - 5	10.9	10.5
Netherlands	509	4 - 6	19.2	17.5
Australia	504	5 - 6	19.7	15.4
United States	487	7 - 9	21.6	10.2
Poland	485	7 - 9	20.1	8.0
Italy	483	7 - 9	19.8	6.5
Spain	469	10 - 10	24.7	5.6
Lithuania	449	11 - 12	31.5	3.7
Slovak Republic	445	11 - 12	34.7	6.3
Chile	432	13 - 13	38.1	3.1
Peru	403	14 - 14	48.2	1.2
Brazil	393	15 - 15	53.3	2.6

Source: OECD, PISA 2015 Database, Figure IV.3.3 and Table IV.3.2.

Notes: Partner countries and economies are marked in blue.

"Canadian provinces" refers to the seven provinces in Canada that participated in the PISA 2015 financial literacy assessment: British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island.

B-S-J-G (China) refers to the four PISA-participating China provinces and municipalities: Beijing, Shanghai, Jiangsu and Guangdong.

Countries and economies are ranked in descending order of mean score.

Figure 4 Increasing the engagement of Avançar+

In Teaching Note 3, Avançar+, Prospera's financial education platform, was identified as a sustainable competitive advantage, allowing Prospera to differentiate itself from its competitors in tightly packed market. Additionally, as financial education is part of Santander's larger financial inclusion strategy, Prospera needs to ensure it helps its customers also in this area. Nevertheless, this sustainable competitive advantage is having limited impact for Prospera's customers, as there seems to be limited adherence. User data indicates that only a fraction of Prospera customers is using the freely available content, and after addressing this issue with customers, it became apparent that this hails from a lack of knowledge, more than a lack of willingness of accessing the available content. Prospera users are not acquainted with the available content, that could significantly help improve financial literacy, as well as business and entrepreneurial knowledge. This improvement in Ultimately, having users interacting with this content would benefit Prospera financially as well, as it could help increase loan repayment rates, which in turn would decrease the risks faced by Prospera.

Based on behavioural studies and previous cases, four recommendations were designed that could help increase the adherence and the engagement of the Avançar+ platform, allowing Prospera to further promote financial literacy.

Recommendation 1 - Agents promoting Avançar+:

As mentioned in the Case Study, Prospera agents are the direct point of contact between the bank and the customers, acting in a beginning stage as auditors of the business, and following the disbursement of the microcredit, acting as advisors to the customers. There's a relationship of trust between agents and customers, as shown in the customer interviews. Having agents inform about the contents and endorse the benefits of completing the courses would be a cost-effective and efficient way of spreading the information. Additionally, as agents visit each customer at least semi-annually, all current customers of Prospera would be informed of the contents and the benefits of Prospera within 6 months.

In practice, this measure would exclusively require Prospera to ensure agents are familiar with the contents and benefits of engaging with the content freely available in the Avançar+ platform, and request agents to suggest Avançar+ as a way of improving financial literacy to customers. It is a low-effort strategy, that within 6 months would guarantee the visibility of the platform to 450k customers, and also guarantees the message reaches its target, as it would not be ignored or deleted, unlike text messages and e-mails.

Limitations of this strategy include the slow process that would take up to 6 months to complete and the need to ensure the strategy of all agents regarding Avançar+ is aligned.

Recommendation 2 – Incentives:

Extrinsic motivation, such as incentives and praise, have proven to be highly effective motivators for getting people to perform tasks they were initially not overly motivated to complete (Deci, Koestner, & Ryan 1999). Prospera could offer monetary and non-monetary

incentives for customers who have completed the available courses, ensuring the engagement of users of Avançar+ even after intrinsic motivation diminishes (Baker, et al. 1988). These incentives could consist of interest rate rebates for outstanding loans or randomized periodic give-aways for people who have gone through all the available material.

The impact of the Avançar+ platform on the loan repayment rates is as of December 2023 not measurable with statistically certainty, as it requires statistically significant sample size. This hinders the ability of Prospera of giving interest rate rebates, nevertheless, there are other financial and non-financial incentives Prospera could offer to ensure adherence and engagement to the platform.

Prospera could, for example, make a lottery where the winner is awarded tickets to an event Santander sponsors, such as the Rio Open and L'Étape Brasil, with the prerequisite to being in the lottery being the completion of the financial education courses available in the platform. Randomized give-aways of products or services that could benefit a microbusiness could also be conducted, for users who have completed the courses. These products could be, for example, a one-year offering of an automatic terminal payment.

For this strategy to be successful, Prospera would need to ensure that these incentives were properly promoted and reached a sufficient number of customers. If customers are not aware of the existence of the incentive, it will generate a diminished impact. An additional limitation of this strategy, is the danger of generating engagement of customers not interested in, and willing to, acquiring financial knowledge, and would simply rush through the content to be considered for the lotteries.

Recommendation 3 – influencer marketing:

According to Statista, Brazil has the fifth most social network users in the world, with the number of users expected to continue its growth trajectory reaching 188 million users by 2027. When looking at the penetration rate of social media among internet users by age in Brazil, for

the age group comprising 16 to 34 year olds, the rate is of 92%. Additionally, McKinsey has noted that an influencer marketing strategy does yield a positive Return on Investment, generating particularly a significant increase in engagement if the budget is optimally allocated, which is where most companies do not achieve the desired results (Fine Leung, et al. 2022).

Prospera could benefit from these trends in Brazilian society, using the celebrities from this space, *influencers*, to help spread information about the platform and generate engagement.

This could be generated through *influencer marketing*, the collaboration of Prospera with influencers. A readily applicable option would be to have an influencer promoting Avançar+ and Prospera's offering through their social media channels. However, having expanded partnership could yield significantly better results. As influencers are already accustomed to generating content and to being on camera, this expanded partnership could consist for example, of said influencer appearing, or recording, in the financial education content. This would leverage the trust and proximity that followers of the influencer have, convincing them to engage with the platform. An additional benefit of this strategy would be that Prospera could resort to a diverse set of influencers, which would ensure the maximization of the possible reach of this strategy.

Limitations regarding this strategy include the risk of overshadowing, meaning that partnering with an excessively famous influencer would generate engagement with people who are not interested in acquiring the knowledge, but simply want to see what the influencer has produced, generating only short-term engagement that does not materialize into improved financial knowledge. Lastly, there is an inherent reputational risk in partnering with an influencer, as any controversy said celebrity is involved in, could damage the reputation of Prospera.

Recommendation 4 - Gamification of the platform

Through the gamification of the Avançar+ platform, Prospera can create an entertaining way of transmitting the content that would greatly benefit the customers. Examples of possible models Prospera could implement, include quizzes at the end of each chapter to verify whether the key lessons of each chapter have been transmitted, budgeting simulators to test an individual's capacity to manage a household budget, or investing simulators, for customers to get acquainted with the intricacies of the stock market, without requiring the financial means to do so, and without the possibility of losing their savings. The gamification of the platform, making customers overcome increasingly difficult challenges, can be cognitively stimulating following the successful completion, which in turn acts as a great motivator and incentive. Additionally, this would allow users to view the platform as an interactive and engaging tool, and not as a task at hand.

In regards to its limitations, this recommendation would do little to promote the acquisition of new users, as it is focused on ensuring existing users remain engaged and feel 8 platform. Additionally, depending on the complexity of the mini-games Prospera ends up developing, these could require effort to develop, implement and maintain.

Digital Marketing Strategy

Prospera has historically excelled in leveraging microfinancing to enhance financial empowerment within communities. By providing essential financial tools, the platform has significantly improved the quality of life for vulnerable groups. Now, aiming to expand its reach and impact, Prospera faces a critical challenge: engaging the younger generation, which comprises 39% of Brazil's entrepreneurial demographic. The absence of a digital marketing strategy has been a notable impediment in this pursuit. To effectively engage this key segment, we advocate for the implementation of a digital marketing strategy at Prospera, tailored to resonate with the needs and demands of young entrepreneurs. This strategy should not only focus on addressing immediate market needs but also align with Prospera's overarching mission of financial empowerment. By adopting a “Demand and Needs” oriented approach, Prospera can more precisely target and impact its intended audience.

The integration of this digital marketing strategy into the corporate functions of Santander is essential. For microfinancing institutions like Prospera, which often lack separate marketing departments or dedicated teams, such integration is crucial for maximizing limited resources. Bamako's 2000 study highlights the importance of this integration, especially for organizations with constrained marketing capabilities. To ensure the strategy's success, it is imperative that Prospera actively gathers and analyzes marketing data throughout its implementation. This continuous evaluation will not only refine the strategy but also ensure that it remains in harmony with Prospera's strategic goals, operational capacity, and financial constraints. Through this meticulous approach, Prospera can significantly boost its impact on financial empowerment, effectively reaching and serving a broader and more diverse market.

Prospera's commitment to fostering long-term and sustainable platform utilization is intrinsically tied to the efficacy of its digital marketing strategy. By strategically targeting its audience, Prospera stands to significantly bolster user engagement and cultivate enduring loyalty. This approach is particularly vital as Prospera navigates its transition into a mature market, where merely providing services, as in the past, is insufficient for sustained customer engagement. The evolving market dynamics emphasize the need for a more proactive and nuanced marketing approach. Additionally, the digital marketing strategy is crucial for Prospera as it seeks to expand its customer base. By appealing to a younger demographic, Prospera can tap into new, youthful markets, thereby diversifying its reach and relevance. This strategy is not just about expanding the customer base; it's also about deepening the connection with users, enhancing their engagement and loyalty, and ultimately amplifying Prospera's impact.

Beyond expanding market reach, the digital marketing strategy plays a pivotal role in actualizing tangible change and development in the lives of Prospera's clients. As Wright, Cracknell, Mutesasira, and Hudson (2005) emphasize, an effective digital marketing approach is essential not just for business growth but also for reducing client vulnerability and fostering greater societal inclusion. Through targeted, thoughtful digital marketing, Prospera can significantly enhance its role in empowering individuals and communities, leading to more inclusive and sustainable financial empowerment.

Implementation and steps for the Digital Marketing Strategy application:

Through our research and based on identified challenges, the subsequent recommendation portrays the needed and suggested digital marketing strategy for Prospera based on the application of the Strategic Marketing Framework. This framework was initially developed by TMS and Microsave to provide a required methodology to meet the needs and expectations

from the industry of microfinance institutions to digital marketing requirements. Through the use of this framework, a clear methodology will orientate Prospera in the establishment of the digital marketing strategy and how it relates to their core business activities and purpose aiming to provide financial services to poor and underserved people (Wright, Cracknell, Mutesasira and Hudson 2005). The strategic marketing framework is composed of the following elements: the corporate brand strategy, product strategy and customer service strategy.

The subsequent strategy was based on information gathered through:

- **Market analysis**, which details a full description of the new target group and potential market concerned.
- **Customer analysis**, which tracks the performance of Prospera through customer reach and the customer satisfaction (information from the interviews with customers of Prospera)
- **External Analysis**, which shows the results from an analysis conducted on competitors and substitutes through the application of Porter 5 forces framework/

1. Enhancing the Corporate Brand Strategy

Prospera's identity is intrinsically mirrored in its branding strategy, depicting the company's ethos and the expectations potential customers can hold when opting for its services. This identity is prominently communicated to targeted groups, making the corporate strategy a pivotal component of the overall digital marketing approach. Maintaining consistency between the service offered and its communication plan is therefore crucial for crafting an effective digital marketing strategy. Furthermore, the development and execution of a distinct corporate brand strategy are imperative to distinguish Prospera from its competitors in the market.

In the research results from customer interviews, it appeared that Prospera's brand reputation includes offering credit in an innovative and fast way. Two key elements for the target audience they appeal to. This is also in line for what Prospera aims to be known for, making the overall brand reputation good with current customers. Interviewees perceived competing banks as slower, less customer-oriented, and less supportive, highlighting Prospera's competitive advantage in corporate branding, which in turn fortifies its marketing strategy.

Despite a positive brand reputation, it remains partially unexplored. Currently, the brand is predominantly associated with its credit services, overlooking aspects of Prospera's commitment to social inclusiveness, training programs, and other customer-centric initiatives. This limited use of the corporate brand strategy could lead to an incomplete representation in the digital marketing strategy. Implementing a comprehensive corporate brand strategy is a foundational step for Prospera in developing its digital marketing strategy. It ensures thorough and accurate brand recognition, allowing potential customers to have clear expectations aligned with the company's objectives. This not only builds credibility, which is vital for customer loyalty and retention in the microfinancing sector but also enhances word-of-mouth marketing. Customers can more effectively advocate for Prospera when they fully understand and resonate with what the brand represents.

The development of the corporate brand strategy is related with the positioning of Prospera in the market as previously mentioned. With a well-defined and compelling brand identity, Prospera will stand out from the competition and attract more customers (Dawar and Bagga 2017). To develop the corporate brand strategy, it is essential to consider the unique selling proposition showcased through the competitive advantage of the brand. A thorough analysis of

the competitive analysis provided by Prospera was presented in the VRIO analysis detailed in Teaching Note 3.

The Avançar+ educational program came out as the major sustainable competitive advantage, whilst other resources and capabilities including their technology and innovation, the strategic support from the Santander Group and the impact reputation were evaluated as unused competitive advantages. Prospera has to combine those with the corporate objectives and the stakeholders' priorities. Following from this Prospera can develop a good positioning statement, distinguishing them from the rest of the market and containing a clear message of what they stand for and offer.

After the development of the brand, the implementation and monitoring of the brand is the next step for Prospera. This will include the internal and external brand communication plan. The internal brand communication plan will include the communication of the positioning of the brand towards the employees in order that they believe it and the external will communicate the corporate branding to the customers. Prospera can use many methods for the communication of their branding. Internal workshops and "road shows" need to be in the communication plan towards the employees and other stakeholders within the company. With this, management will address Prospera's branding and positioning to them. To communicate the branding to external stakeholders, Prospera need to provide newsletters where they clarify the identity and information on their objectives of inclusiveness. From the moment the branding is developed and believed within the company, it is ready to be communicated to external stakeholders as Prospera's identity and communication strategy. The corporate branding strategy is a continuously evolving strategy and requires effort from the company itself to use it effectively so that the digital marketing strategy can be properly deployed.

Additionally to the branding of Prospera, they also need to consider the corporate identity and its communication plan for the digital marketing strategy. This involves the culture, history and structure from Prospera and is communicated to the public in the media. The public relations that Prospera should build, involves the intentional and planned effort to establish and maintain mutual understanding between the organization and its public (Wright, Cracknell, Mutesasira and Hudson 2005). The public relations of Prospera will have more than 1 function, it will generate positive institution or platform-related publicity which is more cost- and result effective advertising for them. Next to the platform publicity, public affairs and press relations also generate impact on the corporate communication of Prospera. Press relations will make sure that relevant information for the target audience is placed in the media and public affairs will develop and maintain the relations with the local communities of Prospera. Lastly, Prospera should communicate the corporate identity towards the shareholders and the financial community to develop investor relations. Because corporate communications and public relations can play such an important role, they must be well planned and purposefully conceived to ensure maximum impact and cost-effectiveness for Prospera. Therefore, it is necessary to do a stakeholder analysis. Their corresponding needs will show Prospera how to communicate effectively. Tools that Prospera can use to do this are written published texts such as reports, articles or the company newsletter can be relevant again. For stakeholders such as investors, employees and customers Prospera should use speeches at workshops of success stories from the past and how it created value for that person. Someone who testifies and tells how Prospera and its services caused an increase in the quality of life and how Prospera as a company also offered support in this as a key player. This tool will ensure that the corporate identity gets into the press and media and will reach the target audience.

2. Providing a Product Strategy:

By approaching and improving Prospera's product strategy, they will develop their Platform and its service even better towards the needs of the target market. That is, they will continue to improve and optimize Prospera to also reach the needs of the newer, younger target audience. Its goal is to start designing this in a strategic way so that Prospera's service can be sustainable and effective for this younger target group. Product development and differentiation is a process of continuous and systematic assessment of the needs of the market and its various segments to support product development and innovation that meets those needs in the most feasible and profitable way (Wright, Cracknell, Mutesasira and Hudson 2005). It is an important part of the digital marketing strategy, as it helps to align the product vision with the business objectives and user needs. Kotler (1999) identifies the nine different ways of product development as a part of the marketing strategy. The developments and differentiations are different from each other in terms of new or existing markets and new or existing products. We previous saw that the gamification of Avancar+ would do little to serve new markets and is therefore focused on modifying the current products in the existing markets. This product development is called product modification for Prospera. Next to this, it is important to develop Prospera's services to enter new markets and modify the products to the new types of customers. This already includes offering the digital banking services, such as mobile banking apps, digital wallets, and online financial management tools. But it is recommended to offer products tailored to younger customers, such as:

1. Mentoring program primarily focused on young entrepreneurs with no previous experience or knowledge;
2. Starter credit cards and;
3. Savings accounts with incentives for regular deposits to minimize the entrepreneurial risks for young customers.

The product will be an account for younger people where customers are offered these student loans, starter credit cards and saving possibilities. In order to sell these new services that are tailored to younger customers, Prospera has to approach this in a strategic manner by identifying the new product branding, taglines, USP's, the benefit statement and positioning statement in the new market to address the younger customers. It is important to not get confused with the recommendations on the corporate level, these are recommendations on the new product level for Prospera.

Core Marketing Strategy	Prospera's product development for the new market	Role
Product branding	"Prospera Future Start" account	This name suggests a focus on the future, matching the needs of younger clients that just started their financial journey. It maintains the connection to the parent brand Prospera. The name is catchy and easy to remember. It carries a positive message about the start of financial growth and prosperity.
Tagline	"Empowering Your Tomorrow, Today"	<p>This tagline emphasizes the account's focus on empowering young customers to take control of their financial future, starting today. It communicates a sense of immediacy and action and encourages customers to start planning their future now. It also aligns with the product's goal of providing financial tools (such as mentoring programs, starter credit cards and savings accounts) that allow customers to build a strong financial foundation for their future businesses and plans.</p> <p>4. Limitations: a tagline should always be tested in the target audience because they can interpret it different</p>

Unique Selling Proposition	<p>“Prospera Future Start: Your Gateway to Financial Independence to start your own business. Start your journey with our tailored financial solutions – follow mentoring programs for young entrepreneurs, starter credit cards and saving accounts, designed specifically for the young go-getters. With Prospera Future Start, we’re not just providing accounts; we’re investing in your dreams, fueling your ambitions, and empowering your financial freedom. Start today, prosper tomorrow.”</p>	<p>This USP emphasizes the unique benefits of the “Prospera FutureStart” account, which are tailored financial solutions for younger customers. It communicates the idea that this account is more than just a financial tool; it’s a partner in their journey towards financial independence. Remember, a strong USP should clearly communicate the unique value your product offers, how it solves customers’ problems, and what sets it apart from the competition.</p> <p>5. Limitations: It’s recommended to validate the USP with market research to ensure it resonates with Prospera’s target audience.</p>
Benefit Statement	<p>"Prospera Future Start is designed to facilitate the financial journey of young entrepreneurs. Our customized products – mentoring programs, start-up credit cards and savings accounts - provide the tools necessary to confidently navigate the entrepreneurial world. With Prospera Future Start, you don't just open an account;</p>	<p>This benefit statement highlights the benefits the Prospera Future Start account offers younger customers. It highlights how the account can help them achieve financial independence by providing customized financial solutions that grow with their companies and support their aspirations.</p> <p>6. Limitations: A strong benefit statement should clearly communicate the value of Prospera’s product offered to the customer and how it can improve their lives or solve their problems. It’s always a good idea to validate the benefits</p>

	<p>you kickstart your financial independence. Experience the benefits of financial products that grow with you, understand your needs and support your ambitions. Get started today with Prospera Future Start and build the prosperous future you and your entrepreneurial spirit deserve."</p>	<p>statement with market research to make sure it resonates with Prospera's target audience.</p>
<p>Positioning Statement</p>	<p>"For the ambitious young individuals stepping into the corporate world, Prospera Future Start is the financial partner that grows with you and your business. Unlike traditional banking services, our account offers tailored financial solutions – mentoring programs, starter credit cards, and saving accounts - designed specifically for your unique needs. Prospera Future Start is more than just an account; it's your partner in the journey to build your business. Start today, prosper tomorrow."</p>	<p>This positioning statement clearly defines the target audience (ambitious young individuals), the market category (financial services), the unique value/benefit (tailored financial solutions that grow with you), and differentiation from competitors (more than just an account, a partner in your financial journey).</p> <p>7. Limitations: a strong positioning statement should clearly communicate how Prospera's product fits into the market and why it's a better choice for your target audience compared to its competition. It's always a good idea to validate the positioning statement with market research to ensure it resonates with Prospera's target audience.</p>

Proposing a Pricing Strategy

The pricing strategy for this account also need to be identified. For a microfinancing institution this is different than pricing traditional goods. The reasons for this are because the customer needs and willingness to pay varies, financial services are often bundled with several services together (e.g., savings accounts with credit cards) and most services involve a continuing relationship between the bank and the customer (which poses a challenge to pricing strategy because this relationship will influence the customer's reaction towards it) (Wright, Cracknell, Mutesasira and Hudson 2005). Prospera should base the pricing strategy on a combination of cost based, competition/market based and demand based for the new product "Prospera Future Start" account. It is important to start from the demand-based strategy, where the prices will be based on the value of the product for the target audience. Because Prospera targets financially unstable and disempowered young people who need to be convinced anyway of the value the account will bring them (because they may not yet see the benefits to their own quality of life to promote it), this price will have to be low compared to the competition. Nonetheless, it is extremely important to Prospera that offering the service is not a loss to the organization.

Sales strategy

The sales strategy is the strategic use of push or pull advertisements of the product Prospera will offer. So, it obviously depends on the product "Prospera Future Start" and the younger market Prospera wants to address with it. For this account it is highly recommended to Prospera to go for a pull-based strategy, where advertising and promotion are being used to increase demand. This pulls the customers to demand the product on the basis of advertisements, public relations, sales promotions and direct marketing (Wright, Cracknell, Mutesasira and Hudson 2005). Prospera will need to design an adequate advertising campaign. This will also take corporate identification into account. It is important that the message is clear, linked to Prospera and that the young target audience knows the value of their account offered by Prospera. To

design the advertisement, it should use the ‘AIDA’ concept. This stands for attention, interest, desire and action and represents the steps that the advertisement should cause to the target audience. Prospera’s advertisement can be designed with the AIDA concept as followed:

Attention	“Are you a young entrepreneur starting your journey? Looking for a financial partner that understands your needs?”
Interest	“Introducing Prospera Future Start, a new product by Santander designed just for you. It’s not just an account, it’s a stepping stone to your business dreams.”
Desire	“Imagine having a financial partner that grows with you. Mentoring programs that understand your business ideas and goals, starter credit cards that are tailored for your first big steps, and saving possibilities that prepare you for a prosperous future.”
Action	“Join Prospera Future Start today and let’s shape your business of the future together. Visit our website or download our app to get started.”

Limitations/ risks to the concept: when building an advertisement and using the AIDA concept, it is important to test these advertisement message with the target audience. This makes identifying the needs and wants from the target audience even more important for Prospera. Next to this advertisement, Prospera is going to use different ways of sales promotions. The first one is an ‘activity-based promotion’. Prospera will offer the younger customers 2% premium interest on their savings account for that year if they bring in 4 new customers that are going to use the “Prospera Future Start”. A second sales promotion that Prospera needs to apply is ‘segment focused’ and will offer special promotions for the younger customers where there will be no minimum balance on the account. Both sales promotions will convince and pull the potential customers, provide beneficial conditions on the interest rates/ usage of the account and boost the demand on the new product offer of Prospera.

8. Providing a Customer Service Strategy:

Prospera will highly benefit from an improved customer service approach. A qualitative customer service will: keep customers in the organization, will boost the existing word-of-mouth marketing, can be useful to overcome competitive disadvantages, is one of the most controllable strategies of the total business and will result in an improved efficiency (Wright, Cracknell, Mutesasira and Hudson 2005). The customer service strategy also involves the product delivery and every step should be taken into account for Prospera. The product delivery to the new market with young users will be done by the employees and agents in the organization. Proper training and repeating of its importance are essential to provide good customer service. To optimize this Prospera should consider the subsequent factors:

9. A program of human resource development
10. Teambuilding and its maintenance
11. Staff incentives development and implementation plan

To address the human resource development, Prospera must evaluate the attitude, skills and knowledge for a particular position in the company. After that they should audit the existing staff's competencies in order to compare both. This will lead to an identification of the gap and required and necessary training. The training program for the employees should be implemented and most importantly, be evaluated afterwards. The second factor is the team building that is going to bring a better teamwork and engagement with the employees of Prospera. Market-oriented organizations are invariably run by teams (Wright, Cracknell, Mutesasira and Hudson 2005). A good team objective for Prospera is to get the importance recognized by all the employees that teams need to be fostered and developed and that the ability of every team member is a contribution to that.

The last factor concerns staff incentives development that will positively affect the productivity of Prospera and quality of the customer service. The customer service of Prospera will be a

result of different aspects of the company, such as the employees, the technology, the delivery environment and availability, the delivery systems and the product itself.

Limitations: Performance must be assessed through customer satisfaction analysis involving both existing clients and exiting or past clients. This analysis is aimed at testing performance and identifying opportunities for innovation. And requires both qualitative and quantitative primary research using focus group discussions, mystery shopping and quantitative surveys.

The delivery process development is important to understand and measure for Prospera, to optimize its customer services. For this analysis and improvement of the process, Prospera must go through certain steps. The first one is to identify the performance targets of the new product that they developed in the market. What do they want to reach with the “Prospera Future Start” account? After that they should be aware for signs of stress or malfunctioning of the product, such as queues that are getting too long, increased customer complaints or a decreasing number of customers. The third step will be to look out for quick wins to save processing time or new physical infrastructure. Then Prospera will begin to focus on learning more about the customer and the entire process by monitoring drop-outs and having surveys filled out with feedback. The customers who stay are also a source of information to drive process and product improvement.

Conclusions drawn from the digital marketing strategy proposed

The digital marketing strategy addresses the currently unreached part in the market to offer its services and help towards financial empowerment for them as well. The digital marketing strategy that has been recommended for Prospera to start approaching that younger target group is composed by the corporate brand strategy, product strategy and customer service strategy. internal workshops and roadshows were recommended in combination with newsletters to

customers to communicate Prospera's branding strategy. For corporate branding, Prospera should focus on press relations, public affairs and investor relations.

This is the first important step to create the digital marketing strategy, as it talks more about what the company means and stands for and what a potential customer can expect when they choose the company. This identity of Prospera will be implemented in the communication to the target group, making the corporate strategy an important element in creating a digital marketing strategy.

After that, recommendations for product strategy were formed for Prospera to reach new market with it. The new product development of "Prospera Future Start" account will attract the young entrepreneurs. An appropriate communication plan for this product forms the core of the digital marketing strategy where product branding, tagline, USP, benefit statement and positioning statement of "Prospera Future Start" are identified.

For the sales strategy of this product, Prospera will choose a pull-based strategy for advertising that complies with the AIDA concept. This sales strategy is appropriate for the new target group and approximates the added value they will receive with the "Prospera Future Start" account offered by Prospera. Next to advertising, Prospera will also develop an activity-based promotion and a segment-focused promotion to boost the market demand in the new market they want to cover.

Finally, a customer service strategy and recommendations are developed for Prospera when they are entering the new market. This requires a lot of performance measurements and knowledge about the customers. Something that Prospera really has to focus on when they want to optimize their digital marketing strategy to address the younger customers/ entrepreneurs in the Brazilian market.

Mapping and presentation of recommendations

Through *Figure 5*, the previously mentioned recommendations were gathered and categorized based on two aspects: the extent and level to which the suggested recommendations would increase financial empowerment through their implementation & the efforts required by Prospera to ensure the successful implementation of the recommendations.

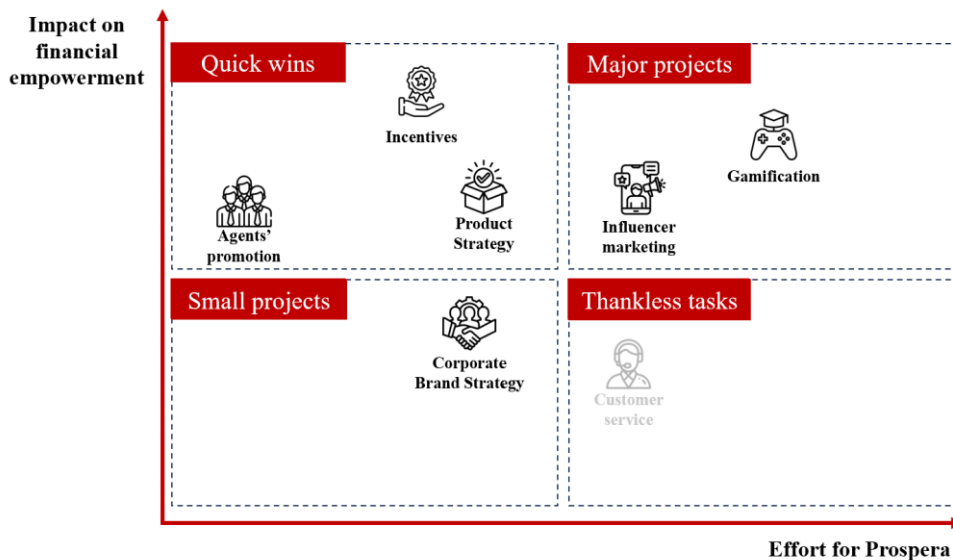


Figure 5

Depending on their position in the matrix, the recommendations were grouped to one of four quadrants – Quick wins, Major Projects, Small Projects and Thankless tasks.

The x-axis 'Effort for Prospera' depicts the effort Prospera needs to exert to successfully address the recommendation, in terms of human and financial resources, as well as investment. By addressing Major Projects, Prospera can ensure substantial and sustainable impact on financial empowerment, however, to put the suggestions into practice could require significant effort. Quick wins are able to generate significant progress in terms of impact, put require significantly less effort and are therefore particularly valuable to Prospera due to their fast implementation. Small projects encompass easily and fast addressable projects, whose impact is however more measured. Thankless tasks could be important to address the future

sustainability of the platform, ensuring a sustained impact generation, but generate less impact at a high effort, and should therefore not get prioritized.

The y-axis ‘Impact on financial empowerment’ indicates the degree to which the referenced actions generate engagement and adherence to the Avançar+ platform or contribute to increasing the reach of its digital marketing campaign allowing Prospera to address its desired demographic.

Conclusion

In sum, this report aimed to show how Prospera – Santander’s Microfinancing Institution in Brazil – managed to contribute to the Group’s financial empowerment goals, helping the Brazilian un- and underbanked population access the conventional banking system, promoting employment and social mobility.

Nevertheless, key challenges were identified that are hindering Prospera’s expansion and ambition to financially empower as many people as possible. Following this identification, a set of recommendations was proposed, addressing issues relating to the Avançar+ platform and Prospera’s digital marketing strategy.

By addressing these issues, Prospera could greatly expand their financial empowerment capabilities, reaching a currently untapped customer base, and launching a new wave of prosperity for the affected people.

TEACHING NOTE - An analysis of the competitive landscape of the Microfinance Market in Southeast Brazil

Teaching Objectives:

This case can be used in courses analyzing microfinancing, business models for sustainability and corporate social responsibility. The goal of this Teaching Note is to analyze the decision-making process that led to the choice of Southeast Brazil as the next region for Prospera to expand to. An analysis of the competitive landscape of the Microfinancing market in the Southeast region of Brazil will be conducted, to understand the analyses conducted by Alexandre and Letícia before deciding on which region to expand to.

This analysis will be conducted by using the Porter's Five Forces Framework, having students understand the key sources of competitive pressure Prospera would face by expanding, concluding with an assessment of the competitive landscape.

Class Discussion:

Following a brief introduction, going through the main points of the Case Study and having an overview on Microfinancing, the instructor can start the class discussion with the following question:

- 1. Why is it relevant for Prospera to expand to other geographic regions within Brazil and why is this of interest for the Santander Group?*

Although Prospera managed to become one of the largest players in the Brazilian Microfinancing sector, at the time of the case its presence was highly concentrated in the Northern and Northeastern regions of Brazil, having saturated most of their organic expansion options in these regions. These regions however, with a population of approximately 71 million people, only represent 35% of the total population. This indicates that there is a significant addressable market that did not have access to Prospera's services, leaving significant room for expansion.

Additionally, the Santander Group had set a goal in 2019, to financially empower 10 million people by 2025, through projects like Prospera, Superdigital and Tuiio. Through these initiatives, the Group was able not only to reach its goal by 2023, but also to set a new one, of empowering an additional 5 million people by 2025. Prospera represents therefore a significant driver, for the Santander Group to meet its financial inclusion targets.

2. Why did Alexandre settle on expanding into Southeast Brazil versus other regions?

The Southeastern region of Brazil is the most populous of the 5 Brazilian regions, having the country's largest metropolises, São Paulo and Rio de Janeiro. With approximately 85 million people, almost 40% of the Brazilian population lives in a region that represents only 11% of the total Brazilian territory. Due to this advantage in population density, each branch could cover considerably more potential customers than other more sparsely populated regions.

Additionally, this region already has an existing network of Santander branches, out of which Prospera's agents could operate out of. This would significantly reduce the required investment in locations compared to regions without existing agencies.

Lastly, despite being Brazil's economic center, Southeast Brazil is the second region with the most people living under the poverty line, with 29.5% of all Brazilians with this predicament living in the Southeast Region.

3. What is the competitive advantage of Prospera comparing to its largest competitor?

Prospera's direct competitors include primarily state-owned banks and Microfinancing Institutions, including Banco do Nordeste and Caixa Econômica Federal. Comparing to its largest competitor, Banco do Nordeste, Prospera is not able to compete from a pricing standpoint, as Banco do Nordeste has access to public funding programs, such as grants from the federal government and loans from the European Investment Bank. Nevertheless, Prospera managed to significantly expand its footing in the market, as its value proposition does not rely on offering the lowest interest rates. Prospera allowed customers to obtain their credit faster, and with less bureaucracy, by having their agents visit a prospective customer and having a fully digital process. This contrasted with Banco do Nordeste, which required customers to physically go to a Banco do Nordeste branch at least twice before disbursing the credit.

Additionally, Prospera made it easier for customers to obtain their required amount of credit, while public banks were reluctant to grant the requested funds to first-time borrowers. Finally, the Prospera agent following the granting of the credit, acts as an advisor to the customer, supporting them with business related inquiries, being readily available and making periodic visits, while customers of Banco do Nordeste complained that following the disbursement of the credit, their contact points were no longer available for further enquiries.

The goal of these questions was to ensure that students were familiar with Prospera's business model and understood the challenges Alexandre and Letícia were facing at the end of the Case Study. Hereafter, the instructor could move to the analysis of the competitive landscape using the Porter's Five Forces Framework.

- 4. Classify to what degree substitute products could be a threat to Prospera in the Southeast region of Brazil. - Starting off with this question will allow the instructor to assess whether the students truly understood what Prospera's product offering and what differentiates it from standardized credit products*

Microcredit products are targetted specifically un- and underbanked entrepreneurs, meaning these entrepreneurs do not have access to conventional banking services, which includes lines of credit. Were it not for microfinancing, these entrepreneurs would have to resort to family and acquaintances, or to loan sharks to raise the desired amount of capital. These sources pose no credible threat as microfinancing alternatives. Family and acquaintances are not as flexible to an entrepreneurs credit needs as Microfinancing Institutions, both in terms of volume of capital and frequency of credit disbursement. With Prospera, customers can request up to 16.000\$, and following the completion of a credit cycle, can request an additional credit. Loan sharks on the other hand, may be available to disburse such credit amounts and with frequency similar to Prospera, however, they charge a significantly higher interest rate, oftentimes up to 20% per month, and resort to predatory tactics if borrowers are unable to repay the loan in the established time.

Therefore, the threat of substitution faced by Prospera is low, as were it not for Microfinancing Institutions, the customers targeted by Prospera would have to resort to the aforementioned sources of credit which possess the referenced caveats.

5. *Classify to what extent the bargaining power of suppliers pose a threat to Prospera.*

How could this pose as a hurdle in the expansion?

Prospera is a fully private Microfinancing Institution, owned by the Santander Group. It relies exclusively on funding from the Santander Group to remain operational, unlike its largest competitors, Banco do Nordeste and Caixa Econômica Federal, who rely on federal and state funding to remain operational. The amount these banks receive in funding, is therefore highly dependent on the policy targets Brazil's current leaders have, and a volatile political landscape results in volatile funding for these institutions. On the contrary, with Santander's redefined focus on sustainability, and the impact Prospera is able to generate towards the Group's targets of financial empowerment, it is unlikely that Santander would cut Prospera's funding.

Therefore, unlike its largest competitors, the bargaining power of the suppliers in Prospera's case is low, as its only source of funding is the Santander Group, whose interest is for Prospera to grow and continue operating as efficiently as possible.

6. *Classify to what extent the customers yield bargaining power and how this could be a hurdle in Prospera's expansion.*

As Prospera addresses a customer base of microentrepreneurs, the concentration of its customer base is inherently low, as there is a significant amount of potential customers, and no individual customer represents a significant share of the total revenue of Prospera. However, as the Brazilian Microfinancing market has significantly matured over the past 30 years, there is a plethora of Microfinancing Institutions customers could resort to, both in the public and private sectors. Additionally, Prospera's competitors offer a fairly standardized product, with the greatest differences originating from the interest rates charged, the additional banking services offered (e.g. payment terminals), or the advisory services offered by agents.

Customers face low substitution costs following the completion of each credit cycle. If they are in a group lending scheme, there would be social pressure by the rest of the group to remain with the same operator. Nevertheless, cultural differences between the Northeast region and the Southeast region, make group-lending schemes unpopular in the Southeast, as they are not as accustomed to these schemes as their counterparts in the North and Northeast.

In conclusion, Prospera's customers yield moderate to high bargaining power, due to the standardized product offering, abundance of Microfinancing Institutions and the negligible switching costs in a market where customers evade entering group-lending schemes.

7. How would you classify the threat of new entrants entering the market?

To become a significant player in the Brazilian Microfinancing Market, a competitor would benefit from being able of achieving economies of scale. Large scale Microfinance Institutions benefit from cost efficiencies as administrative and operational expenses are spread over a large

customer base. Additionally, these scale benefits would also help diversify the risk faced by the Microfinance Institution, since economic downturns can severely impact a borrower's ability to repay a loan. Additionally, there is still a significant portion of the Brazilian population that only has limited access to banking services, if any. This indicates that the Brazilian market can still be fairly attractive to new entrants who have already reached capacity in their domestic markets and are looking to expand to regions already familiar with the product.

In sum, due to the clear benefits stemming from economies of scale, and the significant amount of funding required to become a significant player in the market, the threat of new entrants is moderate. Only large multinational players would have the required capital and experience to enter the market and establish themselves a force to reckon with.

8. Intensity of competitive rivalry

Publicly funded Microfinancing Institutions are a leading force in the Brazilian Microfinancing market. A significant amount of public funding has been allocated to develop the Brazilian Microfinancing market with the goal of promoting employment and the reduction of social inequalities (Presidência da República, 2023). In 2022 \$2.9 billion were disbursed through the Programa Nacional de Microcrédito Orientado (PNMO). Despite these vast amounts of money being transferred, over 90% of the disbursed funds through the PNMO stemmed from the 4 main publicly owned banks operating microcredits, Banco do Nordeste, Caixa Econômica Federal, Banco do Brasil and Banco da Amazônia (Ferreira 2018). This extreme concentration is detrimental from a competitive standpoint, as competitors will act more aggressively to protect their market share.

To complement this, Brazil's current President, Luiz Inácio Lula da Silva, has been a fervent supporter of Microfinancing, having created the Programa Nacional de Microcrédito Orientado in 2005 and continuously promoting and funding these initiatives. As late as September 2023, Lula da Silva announced his intentions to further expand Brazil's Microcredit lines, while also cutting interest rates, indicating that the competition from publicly funded Microfinancing Institutions is likely to remain fierce (Presidência da República 2023). Nevertheless, despite this fierce competition, Prospera benefits that its value proposition differs from the publicly funded banks' not relying on undercutting the interest rates to attract borrowers.

Customer loyalty has been identified as a leading factor in the long-term financial success of a Microfinancing Institution (Craig Churchill 2000). This evidence aligns perfectly with Prospera's value proposition, helping it combat the intensity of the competitive rivalry. By securing a customer's loyalty through the trust-based relationship established with the agent, and adapting to a customer's credit requirements, Prospera ensures customers do not feel the need to search for another credit provider, as they are already satisfied with the offering and have loyalty towards Prospera. However, as Santander is a new-comer to the Southeastern market it has not yet established this trust-based relationship with customers and will require some time to develop a loyal customer base.

In conclusion, the intensity of rivalry faced in the Southeastern Microfinancing market by Prospera is high. Prospera is competing with deep-pocketed incumbents with a high market share, whose funding will continue to grow in the foreseeable future, and as a new-comer to this geographic market, it will take some time for Prospera to benefit from customer loyalty.

9. *Taking the five forces into account, how do you rate the competitive landscape of the Southeast Brazilian Microfinancing Market? What implications and recommendations do you have for Prospera?*

In sum, in the Southeastern Microfinancing Market, Prospera faces:

- | | | |
|------------------------------------|---|------------------|
| - Bargaining Power of Suppliers | – | Low |
| - Threat of Substitutes | – | Low |
| - Barriers to Entry | – | Moderate |
| - Bargaining Power of Customers | – | Moderate to High |
| - Intensity of Competitive Rivalry | – | High |

Despite facing strenuous competition from the incumbent players, with Prospera's differentiated value proposition, the fact that an organic expansion in its current regions is no longer feasible, and the large addressable market in the Southeastern region, expanding to this market is attractive for Prospera.

Additionally, Prospera's primary competitors are reliant on public funding, which is notoriously volatile in a country with a polarizing political landscape, susceptible to significant shifts. The next elections in Brazil are foreseeably in 2026, but if the Lula government were to fall, these Microfinancing Institutions would lose one of their most prominent promoters, leaving a significant competitive vacuum Prospera could benefit from.

A key recommendation that should be derived from the Porter's Five Forces analysis, is that given the intense competitive rivalry in terms of pricing, Prospera should ensure prospective customers are aware of its value proposition. This value proposition consisting of catering to a customers' credit requirements, its fast disbursement of funds and the close relationship between agents and customers offering continuous support, is enough to attract and retain customers. This will allow Prospera to benefit from customer loyalty in the medium- to long-run, ensuring the long-term financial viability of this expansion.

If the expansion is pursued, and the recommendations followed through, it is likely Prospera could play a significant role in helping Santander reach its financial empowerment goals by 2025, ensuring Santander keeps its leadership position as the world's best bank for financial inclusion.

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