

Banking in Brazil and impacts of the pandemic.

Brazil is one of the countries with the highest rate of unbanked in the world, and this rate is due to some factors related to the composition of the Brazilian financial system, mainly due to banking concentration.

With the financial system being commanded mainly by the five largest financial institutions in the country, and the rates reaching 83% in 2019, many individuals chose not to have a bank account due to the lack of identification with the product or service offered, based on the high claims, restricted costs and services despite the high price. There was still the portion of the population that was completely out of the reality of banking due to living in a vulnerable financial situation, not performing formal jobs and receiving services only in cash, causing consumption to reflect on the use of paper money.

However, this reality has been changed, in a pre-pandemic scenario with the launch of some social impact fintechs in the market and during the pandemic with the aid program offered by the Federal Government for families in financially vulnerable situations due to the pandemic.

Brief history

According to data from 2019, 29% of the Brazilian population was composing the rate of unbanked in Brazil. This rate represents a high and alarming number, especially for Brazilian economy, which stopped moving millions of reais a year and encouraged the great costs that exist with the logistics of paper money.

This rate was mainly represented by the banking concentration in the Brazilian financial system, with five large institutions offering standard products and services, without the customization of these for different layers of society, which seek solutions with less costs and simple operations of account movements. Faced with this problem, there were individuals who chose not to be part of the financial system due to lack of identification and another part that for social reasons, such as the lack of minimum access to the financial system for educational reasons, and for living in places that did not provide access to branches and service channels.

Fintechs and a first revolution

This reality began to change when some social impact fintechs appeared, specifically targeting this audience. An example of one of them is the “Banco Maré” that emerged within a community and has the proposal of offering entry to financial system through personalized products and services, such as access to credit, payment of bills through applications and means adaptable to reality consumers.

The entry of these individuals into the financial system through the fintechs was a first contact with the financial system and with operations in digital media.

The pandemic and the change in habits

During the coronavirus pandemic, which brought about social isolation, habits were adjusted to the new reality and a large part of the population was financially vulnerable in the face of the scenario. The Federal Government provided emergency aid, which corresponded to an amount to help people maintain their basic needs during this period. The big issue that was present in accessing this aid is that everything was digitally, from registration to receiving the benefit, through an application and a digital account. This need meant that millions of unbanked people had the need to include themselves in the new reality and that registration of these people represented concrete data for the development of personalized products for each social group in society.

According to surveys, 7 million Brazilians became bankers in the last year, referring to poorest classes in the country. The study pointed out that in 2020, only 1% of Brazilians with a family income of up to R\$ 4,999 BRL declared they were not in a bank, an index that was 6% in 2019.

However, the survey also pointed out that there is still a high rate of low banking, that is, low movement in current accounts corresponding to these individuals, about 79%.

The lower-income population, according to the survey, says they prefer to choose a digital bank, as it does not have fees and offers credit. The rates have also grown since 2019 to the present day.

According to research, we can see the growing trend of digital accounts, which facilitate the entry of the financial system. These are positive trends for the growth of the Brazilian financial system and the development of the economy.