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Latin America Fintech Rankings

WE HAVE LIFT OFF

2022

15TH MAY 2022, VERSION 2

DATA PARTNER

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About Tracxn

Tracxn Technologies Ltd. is a data intelligence platform for private market research, tracking 1.4 million entities through 1,800 feeds categorized across industries, sectors, sub-sectors, geographies, and networks globally.

Tracxn

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Felipe Richard Londoño
Head of Funding and Investor Relationship
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Co-founder
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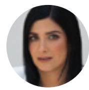

Veronica Crisafulli
Co-founder & CEO
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Interviews conducted during January and February 2022

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0

Introduction

Foreword
We have lift off

Welcome to the second of our regional reports on fintech around the world. For the last two years our annual Global Fintech Rankings have brought you a first of their kind, data-driven guide to the world's leading and emerging fintech cities and countries. In this series we dive deep into specific geographies to understand how fintechs are solving local problems.

WHICH LATIN AMERICA?

From the 42 countries in Latin America and the Caribbean, we have focused on **Argentina, Brazil, Colombia, Chile, Mexico and Peru.** They represent six of the region's seven largest economies and between them account for around 80% of the region's GDP.[1]

This group, which we'll call the **Latam six**, share the problem that makes Latin America such a compelling continent for fintech expansion: access to the three basic financial services of banking, credit and payments is severely limited.

The Latam six also reflect different approaches to tackling the financial inclusion challenge.

In Brazil, one of the world's largest economies, companies

1 World Bank, 2022

can scale quickly and attract global capital because of the size of the domestic market. **Nubank**, for example, the Brazilian neobank, raised $2.3bn[2] on private markets before its $41.5bn IPO late last year.

In comparison Chile, a wealthy country by Latin American standards but with a moderately-sized population, faces its own unique set of financial inclusion challenges as do Colombia and Peru, home to larger populations than Chile but also, lower per-capita GDP rates.

Such a scenario makes banking the unbanked a cross-border affair, according to experts in the field.

"Chilean fintechs simply have to scale to another country in the region in order to attract international investment," as Ángel Sierra, head of the country's fintech association told us. Along with Mexico, the governments of Chile, Colombia and Peru formed the Pacific Alliance a decade ago, and the countries' fintechs often look to expand into each other's territories.

WHY LIFT OFF?

The first thing that strikes you when looking at our country rankings is that apart from Brazil, the Latam six have all fallen in the Index from 2020 to 2021 (Uruguay was the other big Latam riser, thanks to the rapid rise of global payments processor dLocal). So why do we call this report Lift Off?

2 https://www.crunchbase.com/organization/nubank/company_financials

LATIN AMERICA'S FINTECH CITIES

City	Country	2021 Rank	Change from 2020
Sao Paulo	Brazil	4	▼ +1
Montevideo	Uruguay	44	▲ +86
Mexico City	Mexico	48	▼ -27
Bogota	Colombia	74	▼ -34
Buenos Aires	Argentina	76	▼ -34
Santiago	Chile	80	▼ -26
Belo Horizonte	Brazil	103	▼ -34
Lima	Peru	104	▲ +1
Medellin	Colombia	122	▲ +49
Rio de Janeiro	Brazil	125	▼ -68
Curitiba	Brazil	131	▼ -34
Porto Alegre	Brazil	150	▼ -59
Guadalajara	Mexico	174	▼ -22
Monterrey	Mexico	192	▼ -41
Quito	Ecuador	198	new
Florianopolis	Brazil	207	▼ -88
Brasilia	Brazil	217	new
San Juan	Puerto Rico	221	▼ -4
Cali	Colombia	230	new
Mendoza	Argentina	232	▼ -97
Panama City	Panama	239	▼ -26
Caracas	Venezuela	244	new
San José	Costa Rica	251	new
Belize City	Belize	255	▼ -22

Source: findexable

THE FUNDING ENVIRONMENT IS TRANSFORMED COMPARED TO EVEN FIVE YEARS AGO.

Ari Gonzalez-Pella
Mambu

If 2020 was the year when Latin American fintechs really gathered momentum, as Covid-19 catalysed digital payments and banking, 2021 was the year when the region's industry finally received validation from public capital markets:

In the decade to the end of 2020 the combined value of foreign-backed Latin American tech companies debuting on public markets was just $3.5bn, according to Pitchbook. Last year Nubank and dLocal went public with a combined valuation of $44bn.[3]

"The funding environment is transformed compared to even five years ago," says Ari Gonzalez-Pella, Director of Marketing for **Mambu** in Latin America. "Latin America is now on the map."

This lift off, in global standing, paves the way for more capital to flow into the region and help fintechs continue to solve the basic financial inclusion issues that act as a brake on Latin America's economic growth.

3 See pitchbook chart in funding surge piece

DATA AND INCLUSION

Our report is divided into two parts.

In the first part we explore Latin America's funding surge and the structural features which make it so compelling for fintech innovation, through a series of charts and tables.

In the second we explore how fintech companies are delivering on the specific financial inclusion challenges of extending credit and making payments digital.

Executive Summary

PANDEMIC ACCELERATED INCLUSION

Through 18 months of Covid-19 restrictions, fintech innovation brought swathes of Latin America's low-income population into the banking system for the first time. Research from Mastercard suggests 40 million people in the region gained access to the formal financial system, largely via the distribution of stimulus funds that came in the form of bank cards, while Brazil's unbanked population declined 70%.

GLOBAL INVESTORS PILE IN

The share of global fintech funding going to our Latam six countries of Argentina, Brazil, Chile, Colombia, Mexico and Peru more than quintupled from 0.8% in 2017 to 4.7% in 2021, according to data from our partner Tracxn. The number of investment rounds doubled from 62 to 134 over the same period.[4] Major global investors from Softbank to Founders Fund, barely present in the region five years ago, are moving into earlier stage companies as their confidence in the region grows.

4 From tracxn - relevant table in funding surge piece

DATA - KEY TO SOLVING THE CREDIT PROBLEM

Interest rates for borrowing in Argentina and Brazil trail only Madagascar and Zimbabwe as the highest in the world, according to World Bank data for 2020.[5] Bursts of fintech activity in all major Latin American markets are breaking the barriers to lending. Traditionally restrictive bank vetting procedures have given way to fintech analysis of telephone bills, car registration, rental agreements and gig-economy invoices to assess creditworthiness.

5 https://data.worldbank.org/indicator/FR.INR.LEND?-most_recent_value_desc=true - go to all countries and economies table and sort descending

BANKING ON THE BASICS

While fintechs in the US and Europe increasingly focus on Web 3 and decentralised protocols, Latin American fintechs remain focused on the basics of widening access to credit, bringing low-income people into the banking system and making payments digital. An incredible 72% of funding for fintechs in our Latam six countries between 2017 and 2021 went into the three sectors of banking tech, payments and alternative lending, according to Tracxn.[6]

6 See relevant table in funding surge piece

Icons: Noun Project

Executive Summary

BRAZIL LEADS THE REGION BUT FINTECH IS ALIVE ON THE PERIPHERY

Brazil dominates the Latin American fintech sector, out of proportion even to its giant size in the region. It was the only country among our Latam six to rise in the rankings in 2021, reaching a new high of 14. Two-thirds of all fintech funding directed to the Latam six countries between 2017 and 2021 also went to Brazilian companies.[7] But in both Colombia and Chile fintech density, measured as the number of fintechs per capita of the population, is double that of Brazil.[8]

7 See relevant table in funding surge piece

8 Column i https://docs.google.com/spreadsheets/d/1KwjWGmCLXElGUxmx1q-SOcZ0oACY4-4fXuGgOD6bGQno/edit#gid=0

2 LATIN AMERICA'S FINTECH NATIONS

Country	Index position, 2021	Change vs 2020	Fintechs per m people
Argentina	49	▼ -11	1.146
Brazil	14	▲ +5	0.979
Chile	47	▼ -12	2.092
Colombia	45	▼ -5	1.926
Mexico	32	▼ -2	0.706
Peru	62	▼ -7	0.425

3 LEADING FINTECH HUBS IN LATIN AMERICA

City	Country	Iwndex position, 2021	Change vs 2020
Sao Paulo	Brazil	4	▲ +1
Mexico City	Mexico	48	▼ -27
Bogota	Colombia	74	▼ -34
Buenos Aires	Argentina	76	▼ -34
Santiago	Chile	80	▼ -26
Belo Horizonte	Brazil	103	▼ -34
Lima	Peru	104	▲ 1
Medellin	Colombia	122	▲ 49

Source: findexable

OPEN BANKING FROM BELOW

Upstart fintechs from Rebel in Brazil to Clay Technologies in Chile and Juancho te Presta in Colombia, all of whom we profile in this report, routinely scrape transaction histories from the bank accounts of potential borrowers to assess creditworthiness. Governments are belatedly seeking to facilitate activities such as these by requiring banks to make transaction data freely available via easy-to-use APIs. Chile is the most advanced with such 'Open Banking' regulations, similar to those that have fostered a wave of fintech innovation in the UK and elsewhere.

Icons: Noun Project

The Data

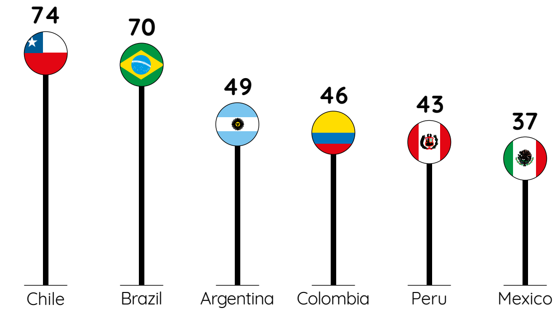
1

Latam Fintech by numbers

By statistics alone, it is easy to see why the fintech sector is taking off across Latin America. The region has long been structurally ripe for a banking revolution, while the pandemic demonstrated exactly how quickly consumer and business behaviour in the region can change.

LOTS OF PHONES, FEWER BANK ACCOUNTS
The Latin America and Caribbean region has among the lowest levels of formal financial inclusion in the world, with up to two thirds of the population lacking access to a bank account, or even a digital wallet, in some countries:

% OF POPULATION (15+) WITH BANK OR MOBILE MONEY ACCOUNT (2017)



Source: World Bank

% INDIVIDUALS USING INTERNET (MOST RECENT YEAR AVAILABLE)

* 2020, ** 2019, ***2017

Source: World Bank

Banks tend to target customers who work for large companies that pay regular salaries into their accounts. That makes it easy for banks to assess their creditworthiness and even, in countries such as Colombia, subtract loan repayments directly from paychecks.

Latin Americans living in the cash economy, meanwhile, have not traditionally been seen as viable customers at all by banks.

But the rapid spread of mobile phones across the region is changing that. Internet-ready smartphones now account for 74%[9] of all mobile connections in the region, up from 50% in July 2016[10], according to GSMA. That makes the region's low income population more visible, as smartphones yield data on their spending. It also positions them as cheaper to access through apps instead of physical bank branches.

STRUCTURAL ISSUES PERSIST

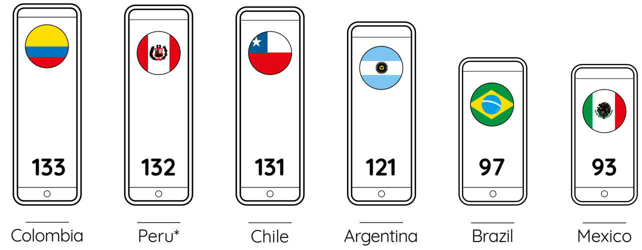
Some banks in the region, like Brazil's Itaú and Banco de Crédito e Inversiones (Bci) in Chile,

9 https://www.gsma.com/mobileeconomy/wp-content/uploads/2021/11/GSMA_ME_LATAM_2021.pdf

10 https://www.gsma.com/latinamerica/wp-content/uploads/2016/09/ME_LATAM_2016_English_Web_Singles_R-1.pdf

6

MOBILE CELLULAR SUBSCRIPTIONS PER 100 PEOPLE (2018*, OR 2020)



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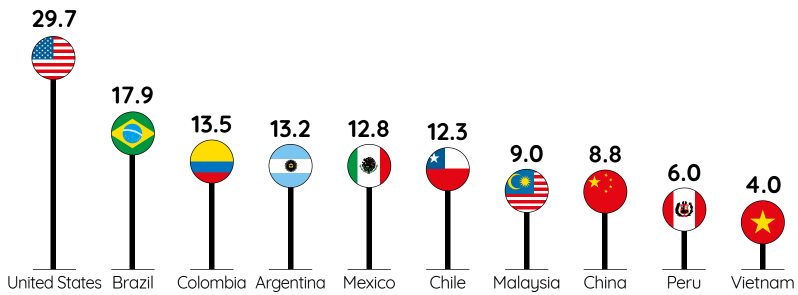
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS, 2020



Source: World Bank

have responded to this opportunity by launching digital products, but structural issues mean the sector struggles to serve these new customers.

Across the region incumbent banks have built out large branch networks which are costly to maintain. In Brazil, for example, there are 18 bank branches per 100,000 adults, well above the global average of 14 and closer to the US than China, or other fast growing east Asian economies that adopted digital banking early.

While that might sound good in theory, it's a false economy in practice - Latam banks charge significant monthly fees for cards, accounts and other services to cover their costs, which discourages those with low incomes from becoming customers. Until now banks also faced little competition, allowing them to set prices for credit. Brazil's top 5 banks, for example, hold 80% of the country's assets, according to the World Bank.[11]

The result is incredibly high interest rates, even for those parts of the economy that traditional banks do serve. After Madagascar and Zimbabwe, Brazilian and Argentinian businesses face the highest official borrowing rates in the world, eight times greater than in the United States - and triple those in India or China.

For consumers, meanwhile, interest rates on credit cards and overdrafts work out to an annualised 300%.[12]

11 https://fred.stlouisfed.org/series/DDOI06BRA156NWDB

12 https://www.riotimesonline.com/brazil-news/brazil/credit-card-interest-rate-nears-300-percent-per-year-in-brazil/?__cf_chl_tk=aqv8mLKeoO76Wx1JfmvjUWrIIFlNkekbnlQ4wGCQUMQ-1644504771-0-gaNycGzNCb0

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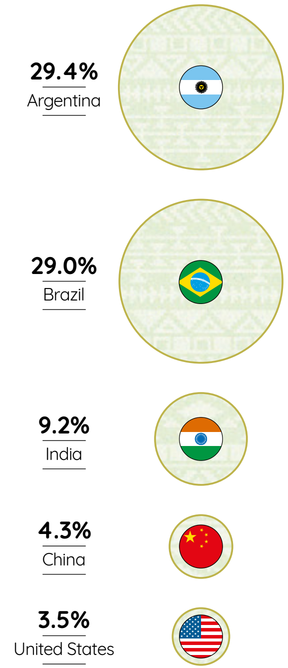
INTEREST RATE FOR LENDING TO PRIVATE SECTOR



Source: pitchbook

FINTECH DOMINATES LATAM TECH

Enter fintech.

Across the region fintechs have sprung up everywhere to address these structural gaps, offering low-cost credit, banking and payment services via digital products. And because banks have traditionally served so few customers, their potential client bases are gigantic. Unsurprisingly as a result fintech has come to dominate the Latin American tech scene.

Of the 21 private tech companies in Latin America valued at $500m or more, eight are fintechs, more than double the number in any other category.[13] Nubank, the Brazilian neobank, and Uruguayan payments platform dLocal, meanwhile, went public in US IPOs last year at valuations of $41bn and $3bn respectively.

13 https://pitchbook.com/news/articles/latin-america-ipo-candidates-vc-2022

HIGHLY VALUED FINTECHS IN LATIN AMERICA JANUARY 2022 ($M)

Source: pitchbook

PANDEMIC PICKS UP PACE

With such a giant unbanked population, markets can quickly transform as the early months of the pandemic in 2020 demonstrated.

Despite the dramatic advances, there is still plenty of room for fintech products – from digital banking to electronic payments – to penetrate further.

10×
growth in Latam unicorns (2019-22)

Source: findexable 2022

10 FINANCIAL INCLUSION AT SCALE DURING THE PANDEMIC

66
million Brazilians
received electronic cash transfers from the government in the first 4 months of the country's coronavoucher scheme

36
million
of those coronavoucher recipients were previously unbanked

-17
percent
in Latin America's entire unbanked population in the first 4 months of Brazil's coronavoucher scheme

11 RUNWAY FOR GROWTH IN FINTECH

11
percent
ecommerce share of retail sales in Latin America, half of the global average

81
percent
of brick-and-mortar retail spending in Latin America in 2018 paid for in cash, compared to 25% in the US and 18% in China

50 %
of banked Latin Americans no sooner receive their wages or government subsidies in a bank account than they immediately withdraw the funds in cash

Source: Mastercard, LABS, emarketer, Americas Market Intelligence

Icons: Noun Project

Latin America's funding surge

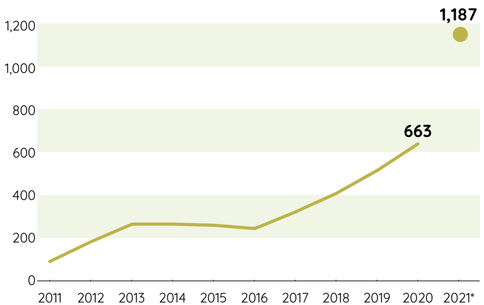
Looking at tech funding in general across Latin America, the past decade has seen a sharp increase in international investment with startling consequences.

2021 saw the birth of nine new Latin American tech unicorns, according to Pitchbook. Crucially two existing unicorns - the Uruguayan payments platform **dLocal** and **Nubank**, the São Paulo based neobank - went public in New York at a combined valuation of $44bn.

That is around ten times the combined value of every exit from a foreign-backed Latin American company in the previous decade, a clear signal to global VCs that investments in Latin American tech can result in lucrative exits.

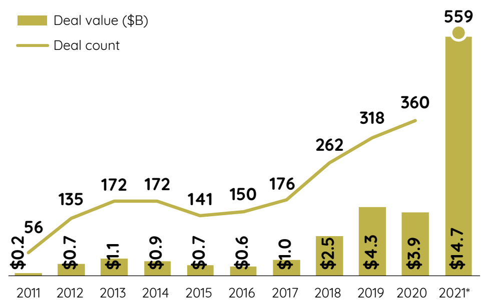
12 FOREIGN VCS PILED INTO LATAM

External VCs investors in Latam

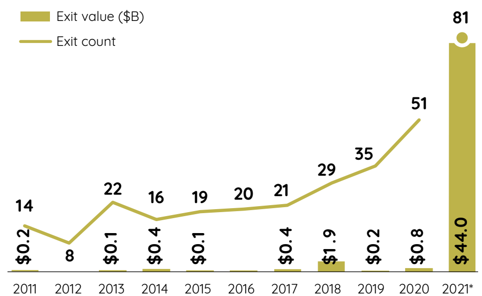


Source: Pitchbook

13 ...DEAL ACTIVITY AND VALUE SOARED



14 ... AND IPOS BY FOREIGN BACKED COMPANIES SURGED



*As of December 17, 2021

THE SOFTBANK EFFECT

SoftBank, the Japanese holding company led by Masayoshi Son, is famous for betting big on tech companies across the world. But Latin America is the only region where it has a dedicated fund, with a remit that requires all investments to be made in a specific geography.

The $5bn SoftBank Latin America fund was groundbreaking when it was launched in 2019. For one it brought an unprecedented amount of firepower to the region, making funding cheques in the tens and hundreds of millions of dollars possible. Second, it focused global attention on the region's burgeoning tech scene.

Key to that fund was Marcelo Claure, a Bolivian entrepreneur and investor given complete control over SoftBank's Latin America operations and allowed to build huge teams across the continent. He cemented SoftBank's role in the region by raising a second Latin America fund last year with $3bn in commitments.

Claure's high profile exit from SoftBank this year therefore came as a surprise to founders across the continent, but most are confident he has already cemented Latin America's place as a global funding destination.

FINTECH CENTRE STAGE

When it comes specifically to fintechs in the Latam six of Argentina, Brazil, Chile, Colombia, Mexico and Peru, the numbers are equally impressive. The deal count and dollar value of funding committed to fintechs in these countries has also soared.

The leading investors are increasingly international in origin, although the Argentinian venture fund **Kaszek Ventures** just edges out Silicon Valley's **Y Combinator** for investments over the past five years.

Nearly three out of every four dollars invested in Latam fintech in the six countries of this report (72%), goes into the three categories of banking, payments and credit, underlining how much fintech innovation in the Latam six remains focused on the basic plumbing of financial inclusion and part of the reason for its transformative potential.

Funding is also highly concentrated geographically, in a manner that is more concerning. More than two thirds of fintech funding flowing into the Latam six between 2017 and 2021 went to the mega market of Brazil, although it only accounts for around 40% of the combined GDP of the six countries.

As a result every other country in the Latam six attracted a smaller share of funding than their GDP would suggest. Peru, in particular, with 5.6% of the combined GDP of the Latam six, received just 0.12% of fintech funding according to Tracxn.

A TALE OF TWO LATIN AMERICAS

When it comes to attracting international funding, Latin America can be divided in two: Brazil, where funding is plentiful thanks to its giant market size, and the rest, where traction is necessary in more than one country before international funders pay real attention.

The difference is summed up neatly by **Ualá** and Nubank, two of the continent's biggest neobanks. São Paulo-based Nubank raised $150m at a valuation of $2.1bn in 2018 when it was still only operating in Brazil. The former, based in Buenos Aires, was only able to raise more than $10m in a single funding round after it had expanded operations into Mexico, the region's second largest economy, in 2019.[14]

This scenario creates a dilemma for founders in the smaller markets in the region. Use limited financing to consolidate in a home market, or try to expand to countries with vastly different regulations in order to attract more capital.

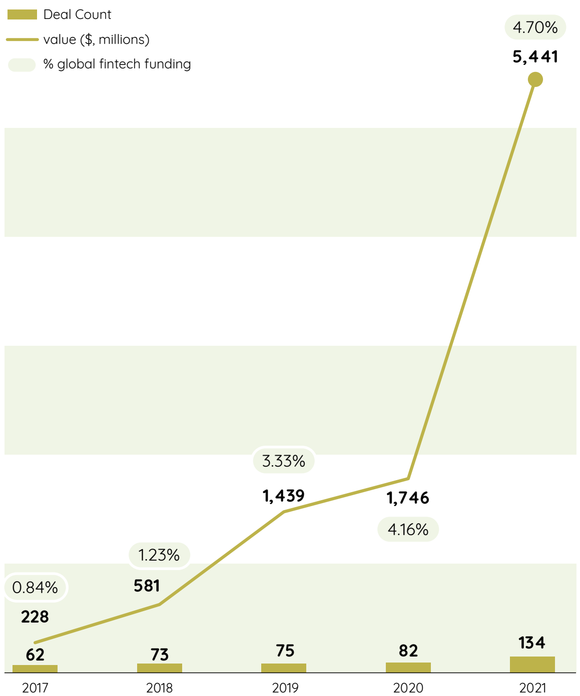
"Fintechs face a giant challenge to raise capital," says Daniela Rocha of Colombia Fintech.

Juancho Te Presta, a Colombian fintech credit provider founded in 2018 and yet to raise Series A funding, has already appointed a head of investor relations, Felipe Richard Londoño, to tackle this issue.

"At the moment the focus has to be on local family offices," he says. "In a year or two if we have expanded beyond Colombia we can start to look at larger funds.

14 All from crunchbase company profiles

15 FINTECH FUNDING ACTIVITY IN THE LATAM SIX SOARS

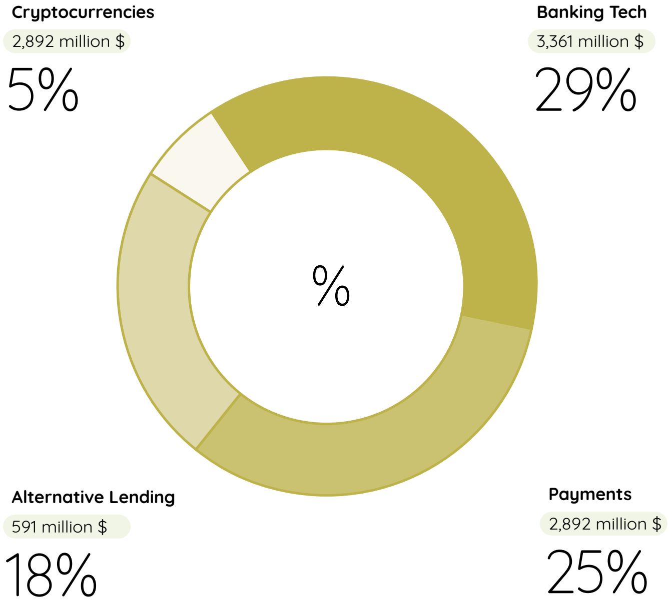


Source: Tracxn

16 AMERICAN EARLY STAGE INVESTORS TARGET THE LATAM SIX

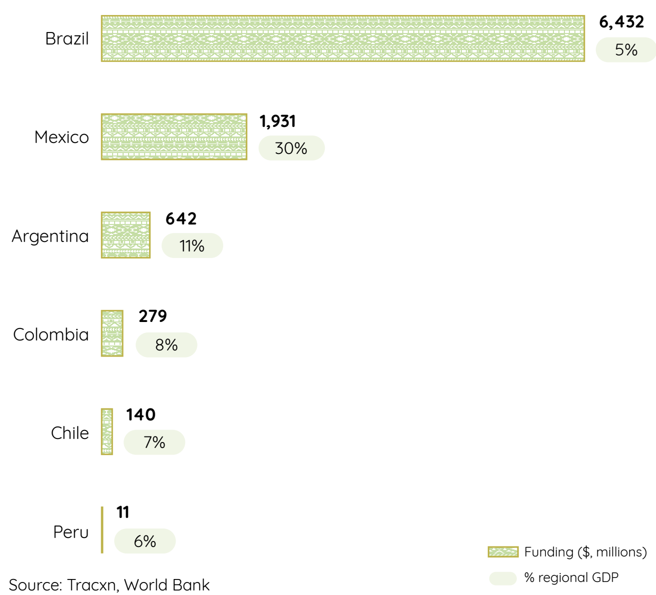
Investor Name	HQ	No. of deals, 2017 to 2021	Biggest investment rounds	Notable Portfolio companies
Kaszek Ventures	Buenos Aires (Argentina)	49	1. Creditas($ 332 M) 2. Bitso($ 312 M) 3. Konfío($253 M)	1. Fintual 2. Z1 3. Chatpay
Y Combinator	Mountain View (United States)	46	1. Fondeadora($29.3 M) 2. Treinta($14.8 M) 3. Facio($ 7.93 M)	1. Fondeadora 2. Nexu 3. Mozper
Monashees	Sao Paulo (Brazil)	34	1. Uala($534 M) 2. Neon($417 M) 3. Addi($ 110 M)	1. Neon 2. Uala 3. BizCapital
QED Investors	Alexandria (United States)	31	1. Creditas($337 M) 2. Nubank($ 260 M) 3. Konfío($ 253 M)	1. Nubank 2. Bitso 3. Creditas
International Finance Corporation	Washington, DC (United States)	22	1. Konfío($ 145 M) 2. Open Co($ 115M) 3. Klar($ 85 M)	1. Creditas 2. Guiabolso 3. Konfío
Ribbit Capital	Palo Alto (United States)	19	1. Nubank($ 950 M) 2. Uala($ 534 M) 3. Guiabolso($ 65 M)	1. Nubank 2. Guiabolso 3. Uala
Quona Capital	Washington, DC (United States)	18	1. Klar($ 142 M) 2. Neon($ 117 M) 3. Addi($ 110 M)	1. Creditas 2. Neon 3. Konfío
Endeavor	New York City (United States)	17	1. Uala($ 500 M) 2. Neon($ 300 M) 3. Addi($ 110 M)	1. Bitso 2. Guiabolso 3. Neon
FJ Labs	New York City (United States)	16	1. Nexu($ 50 M) 2. Xepelin($ 32 M) 3. SWAP($ 25 M)	1. RecargaPay 2. minu 3. Nexu
Canary	Sao Paulo (Brazil)	14	1. idwall($ 53 M) 2. Hash($ 18 M) 3. Gorila Invest($ 8.4 M)	1. idwall 2. Clara 3. SWAP

17 LEADING FINTECH SUBCATEGORIES IN THE LATAM SIX, BY FUNDING 2017 TO 2021



Source: Tracxn

18 FUNDING TO LATAM SIX BY COUNTRY, 2017 TO 2021



Source: Tracxn, World Bank

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Credit

2

Broadening access and lowering costs

Latin America has a credit problem. In fact it has three. First, vast swathes of the population are cut off from credit entirely because they sit outside the banking system. Second, interest rates are among the highest in the world and, finally, those who can access credit are addicted to it.

The combined result creates a heavy drag on the economy, with indebtedness among those that can borrow, and a lending desert for many others. Starved of affordable capital, businesses and individuals cannot fulfil their potential.

"Credit is a systemic problem in Brazil," says Fabiola Emilio, head of capital markets and investor relations at Open Co, a Brazilian fintech lender. "Interest rates are not sustainable, and it becomes impossible for individuals to do something as simple as fixing a car or getting surgery."

EXPANDING CREDIT

In Colombia most bank lending is directed through large employers who may allow banks to garnish employee paychecks to guarantee repayments. Yet the vast majority of jobs in the formal economy are in SMEs, while significant parts of the population work for cash or in the gig economy.

Juancho Te Presta, loosely translated as Juan will lend to you, was set up in Medellin in 2019 by Juan Saldarriaga to offer credit to exactly these groups. It uses data that banks ignore, such as car vehicle registrations, mobile phone bills and invoices from gig economy platforms to assess creditworthiness.

Most applicants come to the company after being denied credit by banks, and it is able to approve 1 in 6 applications, a ratio the company hopes to improve to 1 in 4 this year as it brings more data into its decision-making algorithm.

Two thirds of Juancho te Presta's loans are made to women, of which one third are single women, and a third of those are single mothers. The startup has been female-focused from its founding.

When exploring the idea of an alternative lender Saldarriaga commissioned Experian to study Colombia's existing lending market and found that, controlling for income, women were far more likely to repay loans than men. The company decided to reflect that in interest rates.

"We don't believe in gender equality," says Saldarriaga. "We are openly gender-biased. Women get better terms from us, because they are better at making repayments."

REDUCING INTEREST RATES

In Brazil, access to credit is less of a problem than the high rates that banks charge on overdrafts and credit cards in particular.

Enter **Open Co.** The company allows individuals to consolidate credit card, overdraft and payment by instalment debt into single loans, at much lower interest rates than customers currently face. Like Juancho Te Presta, Open Co uses rich data sets to make credit judgements.

"Banks say high interest rates reflect the level of delinquency, but once we actually analyse the data this isn't the case," says Emilio from Open Co. "Plenty of creditworthy individuals are being denied access to affordable credit because large institutions don't have the technology to access a broad range of data."

The company had lent nearly $405 million to more than 200,000 people by the end of last year.

TRANSFORMING BANKS

Open Co and Juancho Te Presta both finance their lending by selling their loans on to investors – institutions such as Goldman Sachs in Open Co's case, and primarily to individuals for Juancho Te Presta. As a result fintech lenders face a high cost of capital (for example, 18% for Juancho Te Presta), which they have to pass on to borrowers.

In an ideal world more borrowers would be able to benefit from the low interest rates banks should be able to offer, given they fund their lending from customer deposits. Here fintech companies such as **Mambu** have emerged to offer software as a service products to banks that allow them to lend to more borrowers.

In some cases fintechs offer efficiency, simplifying repayment schedules and reporting and allowing banks to reduce costs. However some fintechs also use additional datasets to address creditworthiness from phone bills to car registrations and even an analysis of real estate value based on the borrower's address. This means borrowers that are initially rejected by a bank's internal lending model may be approved by the bank's fintech partner. This expands the pool of borrowers.

For fintechs such as Mambu, plugging

BRAZIL'S CREDIT ADDICTION

52 %
of Brazilians use credit to pay for basic expenses

200 billion $
unsecured consumer credit market of about, of which about 70% is in revolving credit

62 million Brazilians
have overdue accounts or missed payments.

300 %
interest rate on credit cards and overdrafts

Source: Brazilian central bank, Techcrunch Icons: Noun Prc into the huge distributions systems of banks offers wide reach from the outset, without the need to build a consumer brand and win the trust of borrowers. Crucially the model can also be made to work with non-banks, allowing a whole new class of lenders to enter the market in Latin America.

In Peru, for example, Uber has partnered with fintechs to offer loans to its drivers. The company makes credit assessments based on drivers' Uber invoices, and is able to extend money instantly through its existing platform.

Long dependent on uncompetitive banks, Latin Americans are finally seeing a growing variety of avenues to borrow.

OPEN BANKING AND THE HUNT FOR DATA

Latin America's alternative credit market is being driven by data from applicant's addresses to smartphone data, and measures of social trust. The hunt for data requires painstaking investment over time, making it tough to expand to new markets.

To accelerate the growth of alternative lending, governments across the region could begin to harmonise data and make them more easily available. A starting point would be bank transaction history, easily the most valuable information from a creditworthiness perspective.

Across Latin America alternative lenders currently use scraping technology, which allows them to access the bank accounts of loan applicants and download their transaction history, if the loan applicant provides their bank login details.

In the UK and other geographies, government-mandated regulations for so-called 'Open Banking' require banks to share the transaction history of customers with fintechs via easy-to-use APIs, and pressure is growing for Latin American governments to follow suit.

"Open banking would be incredibly helpful in allowing us to make credit assessments," notes Fabiola Emilio from Open Co.

Chile is the furthest advanced with such regulations due to pressure from below, after a cottage industry of scrapers developed in the country in recent years. However fintechs want the regulations to ensure access to bank data is affordable.

"It only makes sense to pay banks to access their API infrastructure if it is less expensive than scraping," says Ángel Sierra, executive director of FinteChile, an industry association.

Digital payments: Inclusion's stepping stone

Cutting the cost of borrowing is one thing, but to really tackle financial inclusion in Latin America means engaging with the hundreds of millions of people who currently have no access to formal credit or banking services at all.

For that we need to focus on neobanks and digital wallets, which have provided a first step into financial services across the continent over the last decade.

Take **Ualá**, the Argentinian neobank, which now has a $2.5bn valuation.[15] When the company launched in 2017, less than half the population had a bank account. By offering prepaid debit cards with no fees it made electronic payments, ecommerce and electronic proof of spending habits available to most of the population. That turns out to be transformative in ways that are not immediately obvious.

ACCESS AND SECURITY

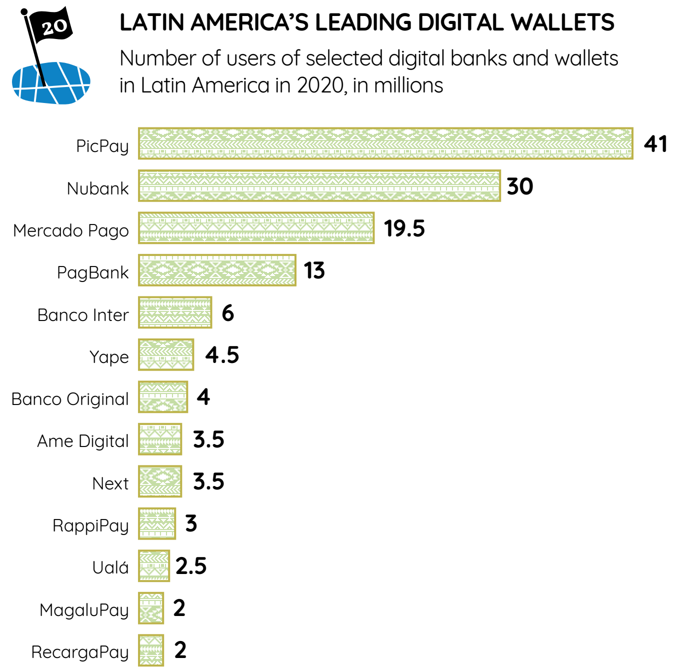
The immediate benefits of a digital wallet or payment form are cost savings and security.

Take **Vita Wallet**, a Chilean startup. In its simplest form, the app is a kind of Transferwise for Latin America, allowing low-cost transfers between the regions' many currencies. In practice it allows for electronic

15 https://www.crunchbase.com/organization/uala

LATIN AMERICA'S LEADING DIGITAL WALLETS

Number of users of selected digital banks and wallets in Latin America in 2020, in millions



Source: statista

remittances by immigrant workers across the continent to be sent at a lower cost than incumbents.

Vita Wallet's home country, Chile, is South America's wealthiest economy after Uruguay in GDP per capita terms, and attracts immigrant workers from across the continent. One of the company's main funders is ABCDIN, a Chilean hardware store chain, which hopes to see Vita Wallet roll out a prepaid debit card that would allow immigrant workers to spend money in its stores.

DATA DRIVEN CHANGE

The less obvious but arguably more transformative impact of digital wallets are the data it generates about the spending habits of individuals, who were previously invisible to the financial system, because they transacted in cash.

Take **PicPay**, the continent's most popular digital wallet. It started out as a way for Brazilians to top up mobile phones electronically instead of at a store. Over time it has attracted a network of vendors who allow its users to pay via PicPay QR codes, and is on course to process $20bn in transactions over the next 12 months.[16]

This means its low-income users now have a clear electronic record of their spending and transfers, which makes it far easier to lend to them. While banks have been slow to respond to this new user group, digital wallet providers are beginning to offer credit to users directly, using the data they hold on their spending habits.

Picpay lent $100 million in its first three months of offering loans last year.[17] Nubank, meanwhile, offers credit cards to users.[18] In Colombia users of the digital wallet **MOVii** can apply for credit through the app, with applications assessed based on the users' MOVii transaction history.

Other digital wallet providers are seeking to expand their services into conventional banking - taking and holding deposits, rather than simply facilitating payments. The logic is that with a purely digital interface, apps can finally bring cheap banking to the mass of Latin Americans.

Vita Wallet, for example, is applying for a banking licence, and hopes to launch a banking product in Chile soon.

"We're looking at a monthly fee of $7, which in Chile, would be cutting the cost of conventional banking by 90%," Zambrano says.

Even if bank accounts do not become universal, as long as digital wallets continue to evolve their offerings to credit and beyond, the huge gap in financial services provision within Latin America will gradually be closed.

16 https://api.mziq.com/mzfilemanager/v2/d/f4269298-97ef-427d-ac29-04f9d6a6054a/f383a402-1d07-06d4-93f6-f35415c02f6a?origin=1
17 https://labsnews.com/en/news/business/brazils-largest-digital-wallet-picpay-reaches-brl-500-million-in-credit/
18 https://nubank.com.br/en/card/

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About findexable

About the Global Partnership Network

OUR GLOBAL PARTNERSHIP NETWORK CONNECTS FINTECH ASSOCIATIONS, FINTECH FIRMS AND ECOSYSTEMS FROM ACROSS THE WORLD.

THE PURPOSE OF THE NETWORK

Our growing global network includes more than 60 members from every corner of the world - proof of the need for connectivity between markets and a platform to highlight and promote fintech innovation around the world.

The Global Partnership Network helps us ensure the Global Fintech Index stays up-to-date, and that we're in touch with industry trends to provide an accurate picture of how fintech is evolving.

THE GLOBAL PARTNERSHIP NETWORK:

- Connects with fintech associations, and stakeholders across the globe
- Engages with fintech ecosystems as a bridge between the Index and fintech firms
- Advocates for open fintech innovation and connectivity between regions

WHO ARE OUR MEMBERS?

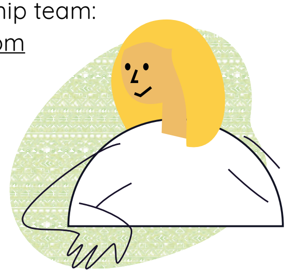
Spanning more than 60 organisations around the world the Network incorporates a wide range of communities and associations that share the same goal - connectivity, support and visibility for the ecosystem. They include:

- National and international fintech associations
- Ecosystem enablers and member organisations
- Technology Partners that enable our rankings and indexation technology
- Data partners that support the accuracy of our fintech index

HOW DO WE ENGAGE WITH PARTNERS?

- Help partners ensure their fintech ecosystem is accurately reflected on the Index
- Provide cross-promotional support for industry events and initiatives
- Collaborate on industry and regional research initiatives. Recent examples include:
  - Africa Fintech Radar with Africa Fintech Network and Cenfri
  - Presentations to Fintech Colombia and Bogota Chamber of Commerce
  - Ecosystem webinar series with WAIFC

To find out more - or to apply to become a member of the network visit our website or contact our partnership team:
benita@findexable.com



Benita Morgan
Head of Global Partnerships

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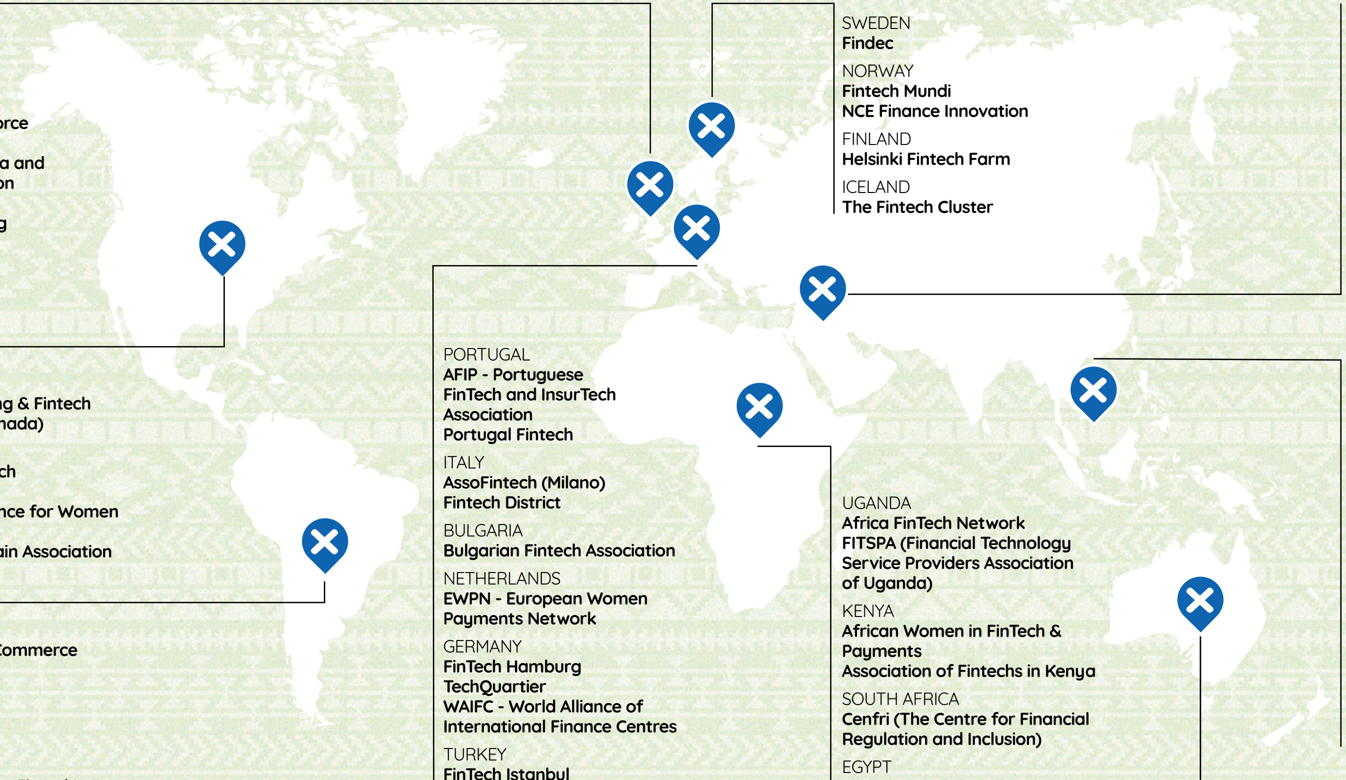

UK
FinTech Scotland
Open Future World
Tech Nation
Global Growth Hub
Transparency Task Force
TalentintheCloud
FDATA - Financial Data and Technology Association
Innovate Finance
Fintech B2B Marketing
DIT
London & Partners

IRELAND
The SMEChain

CANADA
Fintech Cadence
National Crowdfunding & Fintech Association (NCFA Canada)

US
QC - Queen City Fintech
Crunchbase
FAFW - Financial Alliance for Women
Fintech4Good
Government Blockchain Association
SEMrush

COLOMBIA
Bogota Chamber of Commerce
Colombia Fintech

GUATEMALA
Fintech Guatemala

MEXICO
FinTech IberoAmérica
We Fintech (Mujeres en Fintech)

PERU
FinTech Peru - Asociación Fintech del Perú

CHILE
FinteChile

Uruguay
Uruguay Fintech

PORTUGAL
AFIP - Portuguese FinTech and InsurTech Association
Portugal Fintech

ITALY
AssoFintech (Milano)
Fintech District

BULGARIA
Bulgarian Fintech Association

NETHERLANDS
EWPN - European Women Payments Network

GERMANY
FinTech Hamburg
TechQuartier
WAIFC - World Alliance of International Finance Centres

TURKEY
FinTech Istanbul

SWITZERLAND
Swiss Finance + Technology Association (SFTA)
StartupBlink

UKRAINE
Ukrainian Association of FinTech and Innovative Companies (UAFIC)

SWEDEN
Findec

NORWAY
Fintech Mundi
NCE Finance Innovation

FINLAND
Helsinki Fintech Farm

ICELAND
The Fintech Cluster

UGANDA
Africa FinTech Network
FITSPA (Financial Technology Service Providers Association of Uganda)

KENYA
African Women in FinTech & Payments
Association of Fintechs in Kenya

SOUTH AFRICA
Cenfri (The Centre for Financial Regulation and Inclusion)

EGYPT
Egyptian Fintech Association

NIGERIA
Fintech Association of Nigeria

GHANA
Ghana Chamber of Technology

MAURITIUS
Mauritius Africa FinTech Hub

BAHRAIN
Bahrain FinTech Bay

SAUDI ARABIA
Fintech Saudi

ISRAEL
FinTech-Aviv - The Israeli FinTech Association

UAE
MENA Fintech Association (MFTA)

THAILAND
Thai Fintech Association

JAPAN
Tokyo FinTech

INDIA
Digital Lenders Association of India (DLAI)
IAMAI - Internet and Mobile Association of India
IBA - India Blockchain Alliance & Global Women in Blockchain (GWB)
Mumbai Fintech Hub
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MALAYSIA
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NEW ZEALAND
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FinTechNZ

AUSTRALIA
FinTech Australia

A global movement.
A global database of fintech innovation.

Findexable's Global Fintech Index is the global database of fintech innovation.
As a company, findexable maps, tracks, and benchmarks the world's private market fintech firms. And as passionate advocates for fintech - and its potential to accelerate digitalisation - we're on a mission to enable the success of private market fintech firms, no matter their location:

- So investors can find them
- Institutions can buy from them
- And fintech firms can benchmark themselves against peers

In a world beyond the pandemic, the power of fintech to connect communities, keep businesses running, and provide the infrastructure to enable a new generation of digital and tech-powered startup firms means fintech ecosystems are becoming systemically important.

Private market fintech is the engine of the digital economy. But despite its global nature, information on fintech firms is patchy. And comparing them is challenging - making investing in, or buying from them difficult. That's where we come in.

WHAT DO WE DO?

Help you define your market

Through our global fintech database we provide market mapping, market research and analytics tools. We help institutions and investors visualise fintech markets and identify opportunities - and help fintechs understand the competitive landscape and how to position themselves to a global audience of customers and investors.

Benchmark fintech companies & markets

Help institutions, investors and fintechs compare fintech innovation - in country, between regions and competitors. Our Fintech Diversity Radar - launching in October is also redefining benchmarks by scoring fintech innovation based on the diversity and make-up of fintech teams.

Promote innovation. Identify opportunity

We help clients use our platform and our data to identify opportunities and get in front of our global audience and knock down the geographic and emotional barriers to fintech success.

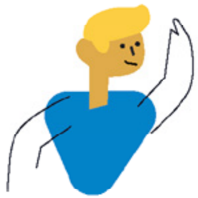
www.findexable.com

See what we're building. Check out the Global Fintech Index and put yourself on the map!

Meet Team findexable

Simon Hardie
CEO & Co-Founder

Denise Gee
Managing Director & Co-Founder



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Findexable produces the world's first real-time fintech index providing insight on fintech activity globally through real-time data gathering and proprietary algorithms to track, rank and benchmark fintech companies in 250+ cities across 80 countries.
https://findexable.com

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