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# The state of financial inclusion post COVID-19 in Latin America and the Caribbean: New opportunities for the payments ecosystem

By Mastercard and Americas Market Intelligence



# Contents

Foreword from Mastercard .....	3
Introduction: Financial inclusion, LatAm, and COVID-19 .....	5
<b>Scope and methodology .....</b>	<b>10</b>
<b>Key research results .....</b>	<b>11</b>
Three years after COVID: What do we know? .....	14
<b>Most Latin Americans have access to basic financial products, but 21% are still excluded.....</b>	<b>14</b>
<b>A long-term impact of COVID-19 is customer sophistication... </b>	<b>16</b>
Digital finance and payments .....	18
<b>Massive cash reduction and the rise of digital payments.....</b>	<b>18</b>
<b>Mobile everything.....</b>	<b>21</b>
Understanding the gaps in Latin America's financial inclusion .....	26
<b>Access to credit: the missing key.....</b>	<b>26</b>
<b>Lack of awareness, education, and UX are lingering barriers ...</b>	<b>29</b>
Understanding the positive impact of Latin America's financial inclusion.....	32
<b>Saving and payments products have the greatest impact .....</b>	<b>32</b>
<b>SMEs and entrepreneurs' acceptance: drivers of financial inclusion .....</b>	<b>35</b>
Lessons for the ecosystem.....	38
About Americas Market Intelligence .....	44
Notes.....	45



# Foreword from Mastercard

Much has been written about financial inclusion and its impact on economies. The merits of financial inclusion are strongly rooted in empowerment when access to financial tools and credit are accessible and become enablers of positive societal and economic outcomes. By empowering individuals to cultivate economic opportunities, financial inclusion can be a powerful agent for sustainable and inclusive growth.

At Mastercard, we understand our business has an important role to play in society and are committed to collaborating with private sector businesses around the world as well as governments, multilaterals, and non-profit organizations to bridge the financial inclusion gap. By empowering people, we empower economies. With our products, our network, know-how, connections, and people, we can deliver solutions that not only make a difference in people's everyday lives, but also advance local economies. As a leader in financial inclusion for more than 15 years, Mastercard has drawn on its role in the payments ecosystem to promote inclusive growth.

As an extension of our findings first published in 2020, this year we set out to answer new questions facing the industry: Has the financial inclusion gap narrowed with the acceleration of technology? How can ecosystem players ensure that financial inclusion not only guarantees access, but also increases financial health and prosperity? We explore these and other factors in this report, which builds on both our lessons learned, insights and experiences gained from our long-term focus on financial inclusion.

Financial inclusion has always been a shared responsibility across countries, sectors, and industries. Today, we must understand how shifting consumer preferences, greater competition, and new technologies are impacting financial inclusion and prosperity in Latin America. According to the latest Findex report, account ownership in the region is up 20 percentage points, from 55% in 2017 to 74% in 2021. This positive momentum is a clear indication that collaboration among ecosystem players has never been more relevant in accelerating the adoption and use of financial solutions across markets.

While this is encouraging, there are still important gaps to address as 26% of adults do not have any type of account in the region and ownership of specific products such as a credit card or loan only reaches certain segments of the population in more urbanized areas. And when we look at financial inclusion with a gender equity lens, we see the gap widened by the pandemic has extended the years it will take to bring financial inclusion to all members of society equally.



With the number of financial institutions almost doubling across our region, the emergence of fintech players, social disbursements being facilitated digitally, and consumers relying on digital forms of payment, financial inclusion has become a foundational pillar for growth across Latin America that cannot be ignored.

When economic growth is inclusive, we expand opportunities for everyone to succeed. Fintechs are offering consumers new digital user experiences, lower fees, access to e-commerce, and digital financial education. In just the last five years digital wallets have democratized access to an account by enabling a multitude of use cases for more than 115 million people. Governments are also embracing digital technologies to deliver payments and better serve their communities—digitizing social disbursements, collections, public transport, and some even venturing to create their own instant payment system.

By leading with a partnership-driven approach, we know the ecosystem can bring meaningful change. One entity on its own cannot solve for all the gaps in society. Financial inclusion is a joint journey marked by small, practical steps that collectively contribute to bigger change for both people and economies. With its technology and data-insights approach, Mastercard continues to co-innovate with the private and public sectors to build a digital economy that works for everyone, everywhere. We invite you to read this report and explore how we can accelerate transformation and value together.





## Introduction: Financial inclusion, LatAm, and COVID-19

Financial inclusion, which has globally been recognized for its contribution to achieving economic growth and equality, can be defined in several ways. Some celebrated examples include:



Global Partnership  
for Financial Inclusion

**"A state in which all working-age adults have effective access to the following financial services provided by formal institutions: credit, savings (defined broadly to include transaction accounts), payment, insurance, and investments."**

**—G20's Global Partnership for Financial Inclusion (GPI)**



**"Individuals and businesses have access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit, and insurance—delivered in a responsible and sustainable way."**

**—World Bank**



**"The importance of access to the formal financial system cannot be overstated. It's the key to opening the door to a better life, for individuals, their families, and the broader community. It's the key to empowering small business owners to hire team members and buy inventory, empowering families to buy their first home, and empowering individuals to do simple, everyday tasks like paying bills securely and conveniently. For Mastercard and other private sector companies, giving more people that access is not only the right thing to do, it's the smart thing to do."**






**—Michael Miebach, CEO, Mastercard**



Access to an account to keep money is commonly used as an indicator to define baseline financial inclusion. According to the World Bank Global Findex database presented in April 2022,<sup>1</sup> worldwide account ownership has reached 76% of the global population, up from 62% in 2014, which means that despite recent improvements, there are still 1.4 billion unbanked people globally.<sup>2</sup>

Digitization has accelerated financial inclusion, and COVID-19 boosted the adoption of digital financial services, with Latin America highlighting this change (see Figure 2 on p. 7). In 2017, Latin America trailed the global average by 13 percentage points in penetration of account ownership (55% vs. 68%). By 2021, according to Global Findex, the region had dramatically closed the gap, reaching 74%, compared to the global average of 76%. This equates to 26% of Latin America’s adult population being unbanked in April 2021.

**FIGURE 1**  
Unbanked adult population gaps, according to Global Findex 2021

Gaps Findex 2021	LatAm	World
 Women	30%	26%
 Men	23%	22%
 Poorest 40%	32%	28%
 Richest 60%	23%	21%
 Unemployed and not seeking work	35%	35%
 Employed or seeking work	23%	23%

The Global Findex is the most comprehensive tool available to measure progress in terms of financial inclusion and the only source of data for comparative analyses between countries at the international level. However, it does not capture some of the nuances and complexities of financial inclusion described in the definitions above (e.g., granular information about local-regional financial service providers or policies, access to more advanced products, including new types of loans such as Buy Now Pay Later or BNPL, and investment products as cryptocurrencies, among others).

Furthermore, financial inclusion incorporates the opening of any account, which spans savings, cards, digital wallets, and even digital accounts, as facilitated by Real-Time Payment (RTP) systems and P2P networks, recent

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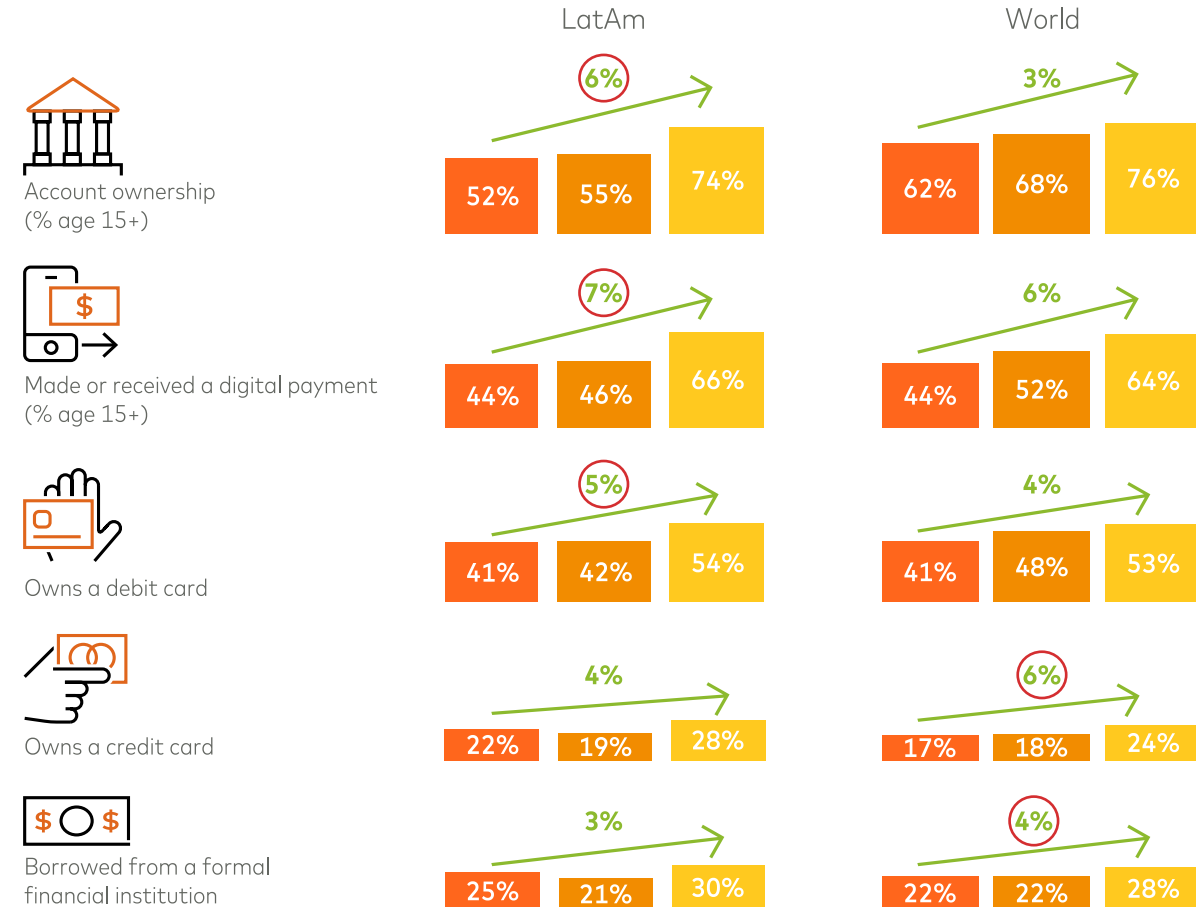


**FIGURE 2**

**World Bank financial inclusion variables and main gaps  
LatAm vs. World**

■ 2014 ■ 2017 ■ 2021

CAGR (2014-2021) ↑ ○ Highest growth



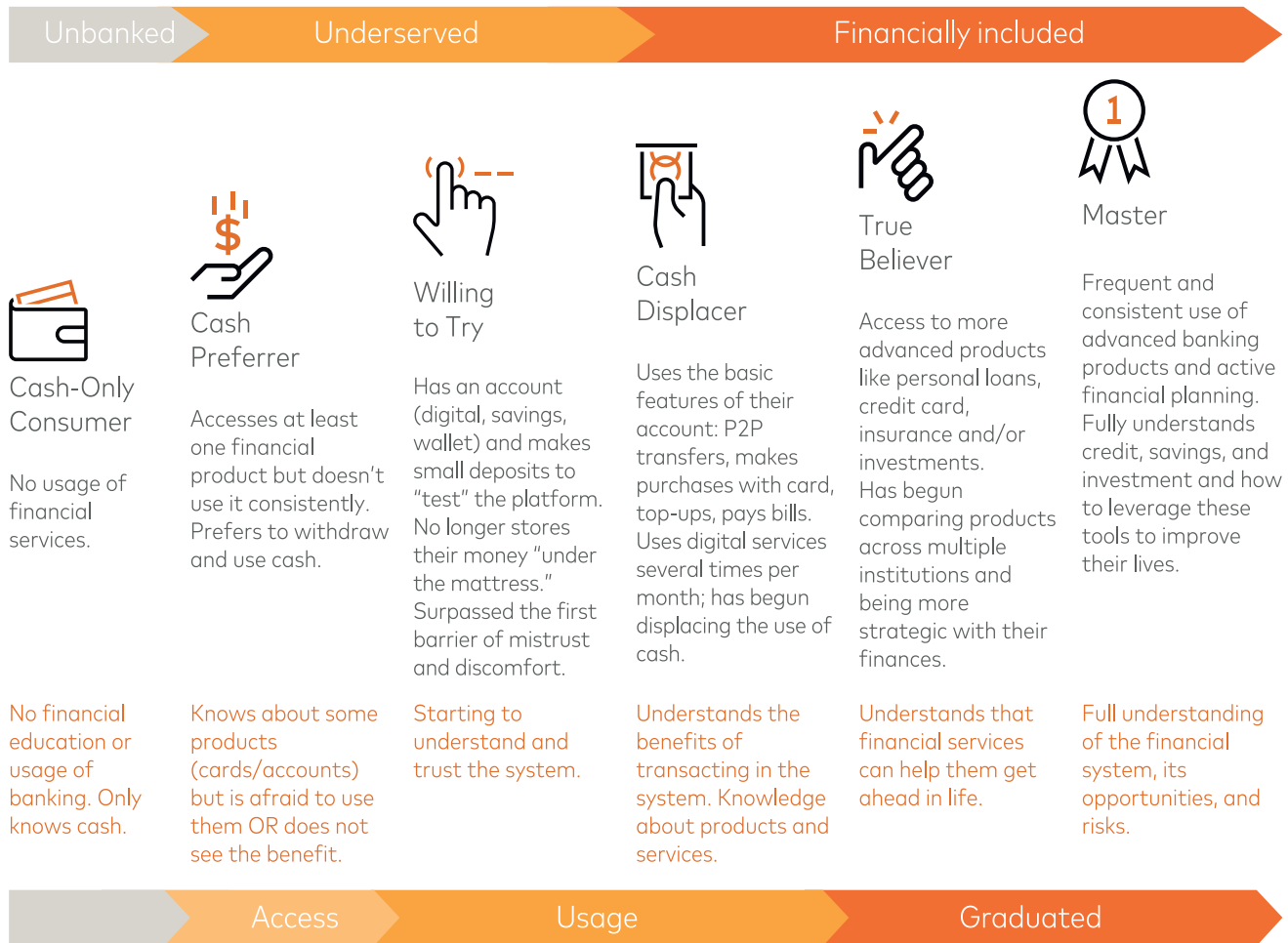
Source: World Bank

trends that are reshaping our understanding of financial inclusion. RTP systems and alternative payment methods are proliferating throughout the region. While Brazil’s PIX is the most prominent example, other instant payment models are emerging in the region: some have followed a Central Bank-led path<sup>3</sup> (Costa Rica, Argentina, and Mexico, each with their own schemes), while others have hosted private P2P networks owned by banks (e.g., Colombia and Peru, now under pressure to become interoperable with the rest of the ecosystem). Independent fintechs—using a combination of debit card rails and bank transfers, such as Central America’s KASH—are also present. The instant payment trend in LatAm is catching up to the global one, which has so far been most successful in Asia, in which money moves quickly, at a low cost, and is accessible to large swaths of the population.



**FIGURE 3**

**A comprehensive approach to financial inclusion**



For these reasons, and because of the significant impact of COVID-19 on digitization and financial inclusion, in 2020, Mastercard partnered with research firm Americas Market Intelligence (AMI) to produce a report studying financial inclusion after the first five months of the pandemic.<sup>4</sup> The report presented a complementary model for understanding financial inclusion, shown in Figure 3 above, that mapped the various levels of financial inclusion and behaviors. The model demonstrates who is considered fully financially included, somewhat financially included, and who remains underserved. Finally, it provides a level of granularity toward understanding the nuances of a financial inclusion journey.<sup>5</sup>

The 2020 study found that just within the first five months of the pandemic, over 40 million consumers became banked for the first time, thanks to government subsidies paid electronically into digital accounts and wallets. Lockdowns encouraged P2P payments, electronic bill pay and e-commerce, and financial service providers of all kinds accelerated their digital innovation.





As the World Bank data in Figure 2 shows, there is evidence that this upward trend in financial inclusion continued well after the pandemic, reaching record highs. But several questions remain around the complexities of financial inclusion in the region, including:

- **Have consumers continued to move up the financial inclusion ladder post-COVID-19?** After the initial progress made due to lockdowns, has there been a backward shift toward traditional habits?
- **To what degree have consumers adopted more sophisticated products beyond a deposit account?** Did COVID-19 and its restrictions generate more “sophistication” in the consumer and the financial products they demanded (e.g., adoption of credit, investment, crypto, and more)?
- **What is the role of cash?** Has there been a resurgence of cash and abandonment of digital financial products acquired during the pandemic?
- **What is the role of P2P payments, offered via private fintech companies or government-sponsored infrastructure?** For example, have real-time payment infrastructures such as PIX in Brazil or closed-loop P2P networks, such as Mercado Pago, PicPay, Nequi, and Yape, also been large contributors to financial inclusion?
- **How does financial inclusion improve well-being?** How can ecosystem players ensure that financial inclusion not only guarantees access, but also increases financial health and prosperity?
- **What financial inclusion gaps or bottlenecks still exist in Latin America?** What success factors should be replicated or deepened to continue building a robust and inclusive digital financial ecosystem?

In this context, in 2023 Mastercard and AMI set out again to quantify and qualify the long-term impact of COVID-19 and digital acceleration on financial inclusion in Latin America and provide related lessons to the payments industry. Our objectives in the present report include:

- Provide an update on the current state of financial inclusion in its multiple dimensions in Latin America
- Identify which financial products, features, and services have been most beneficial to consumers in their financial inclusion journey
- Extract key lessons on achieving improvements in financial inclusion and the quality and value of financial services
- Provide recommendations to all ecosystem players for sustained elevated financial inclusion in Latin America



## Scope and methodology

The markets of study included Argentina, Brazil, Colombia, El Salvador, Guatemala, Mexico, and Peru. Research took place between November 2022 and January 2023 and consisted of a review of data made available by governments and financial institutions, as well as in-depth interviews with 25 financial service providers and online surveys of 2,815 individuals within these seven markets.

AMI conducted national online surveys with consumers from the general population who were 18+ years old. The surveys had equal numbers of each gender (male and female) and had quotas on representative distribution across all income groups and according to capital cities (60%) and rural cities (40%).<sup>6,7</sup> These seven economies represent more than 74% of total GDP in the region and more than 75% of its population.<sup>8</sup>

**TABLE 1**  
Survey sample and interviews

GEOGRAPHY	CONSUMER SURVEY SAMPLE	MARKET INTERVIEWS	COMPANIES INTERVIEWED
Argentina	400	3	  
Brazil	401	5	    
Colombia	402	3	  
El Salvador	403	3	  
Guatemala	401	5	    
Mexico	405	3	  
Peru	403	3	  
Total	2,815	25	



## Key research results

As previously mentioned, financial inclusion is not a singular measurement but rather is multi-dimensional, dependent on access, usage, and value received, among other factors. The definition is also not static. In 2023, many experts define financial inclusion as the ability not only to make payments, but also to make payments digitally and via a mobile device. Digital payments are a cheap and fast gateway to other digital financial services, and they enable access to e-commerce, digital goods, and connectivity to the global economy.

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Our research shows that financial inclusion should ultimately be about empowerment: helping consumers envision the life they want, knowing that this life is possible to achieve, and providing the financial tools needed to make it happen.

Indeed, Rafael Soto, the CEO of MODO, a digital wallet in Argentina, claimed that “digitization of payments is the beginning of financial inclusion. People start to build their relationship with their financial institution through everyday payments, which is followed by more complex products like savings, investment, loans, and insurance.”

Financial inclusion must also be defined as more than access to a simple account. It should include access to other products, such as credit, savings, insurance, investments, and financial planning. Financial inclusion should help people save for the future, ensure their security in times of crisis, and invest in their self-improvement.

Our research shows that financial inclusion should ultimately be about empowerment: helping consumers envision the life they want, knowing that this life is possible to achieve, and providing the financial tools needed to make it happen.

Our analytical framework enables us to measure (and visualize) the progress of financial inclusion and observe how the population moves up or down the financial inclusion ladder. In Figure 4 on page 12, we can observe the upward evolution of financial inclusion between 2020 and 2023.

In 2023, after almost three years of COVID-19 impacts, the updated number of Cash-Only Consumers, or those without a financial account, has decreased dramatically from 45% to only 21%, tantamount to the inclusion of more than 115 million individuals.<sup>9</sup>

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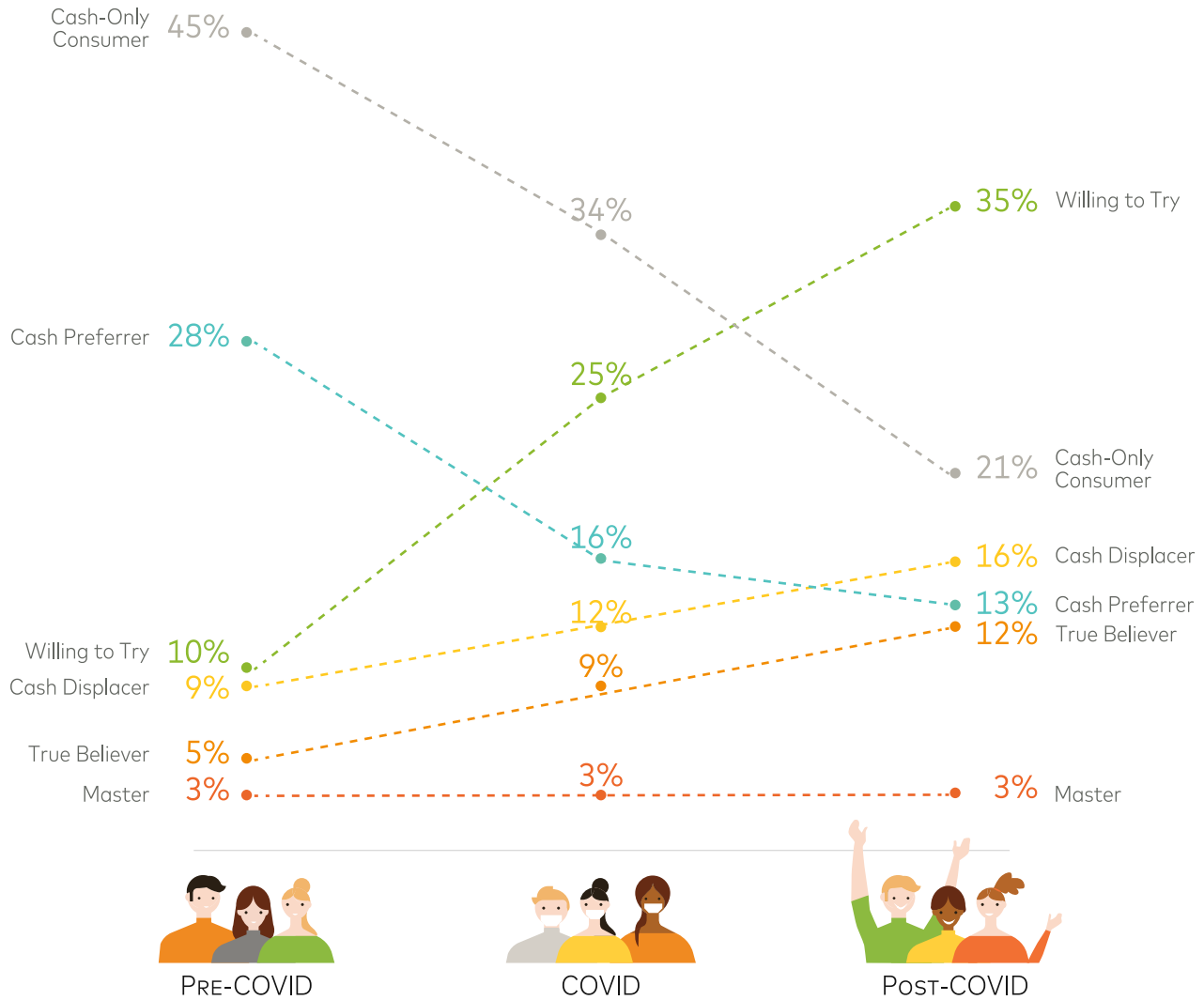
The updated number of Cash-Only Consumers, those without a financial account, has decreased dramatically from 45% to only 21%.

Where did these newly included consumers go? Most of them advanced straight to the “Willing to Try” group, which now represents 35% of adults. In this segment, consumers are “willing to try” various financial services, testing the digital features of their bank, neobank, and wallet accounts, including P2P payments, bill pay, and purchases with a debit card or QR code. If these users have a negative experience with their digital banking platform, or if the products and features do not deliver sufficient value, they could retreat back down the financial inclusion ladder.



**FIGURE 4**

**Evolution of financial inclusion in Latin America**



PRE-COVID



COVID



POST-COVID

**35%**

Willing to Try group increased from 10% to 35%.

**91M**

adults across the region still unbanked.

**100M+**

adults moved up from the Cash-Only Consumer to other categories.

**Majority**

advanced to Willing to Try, evidenced by their testing the digital features of their neobanks and wallets.

**16%**

of adults are in the Cash Displacer group, becoming convinced of the value of digital financial platforms and unlikely to revert back to a cash-based lifestyle.

**1 out 3**

or 31% of adults across the region are financially included at the Cash Displacer, True Believer, or Master levels.



The Cash Preferrer group is distinguished by one of two traits: either a short time in the financial system, or many years in the system marked by negative experiences or misinformation that resulted in fear or distrust, so that they have stuck with cash, even if they have access to an account and a debit or prepaid card. The penetration of this group shrank from 28% to 13%, demonstrating the overall upward mobility of consumers and increased comfort with digital financial products.

COVID's long-term effect on the financial market demonstrates that the fully financially included increased by more than 80%, rising from 17% of adults pre-COVID to 31% in 2023. In other words, one out of three Latin Americans can now be considered fully financially included, represented by the Cash Displacer, True Believer, and Master groups.

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One out of three Latin Americans can now be considered fully financially included, represented by the Cash Displacer, True Believer, and Master groups.

Upward mobility slows as we move up the ladder. The Cash Displacer and True Believer groups both rose by 7 percentage points, signifying the population's increased trust in mobile phones and digital technology to manage their financial lives, and increasing financial literacy and experimentation with credit, investments, crypto, etc. Finally, the Master group—those who have mastered financial services and take full advantage of them to advance their lives—has not grown; all financial inclusion improvement occurred among lower segments, illustrating that progress (understandably) slows with the introduction of more sophisticated financial products.

In short, the region has made impressive strides since 2020: more than 100 million Latin Americans (around 25%) accessed digital financial services for the first time, and of these, 72 million began testing digital transactions for various use cases. All told, 82 million individuals joined the ranks of the fully included, using digital payments more than they use cash.

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In 2023, 91 million Latin Americans still don't have digital accounts and another 200 million are in the early stages of financial inclusion.

And yet, despite these gains, 21% of Latin American adults, or 91 million customers, depend exclusively on cash to manage their financial lives, and remain outside the financial system. Ecosystem players must acknowledge this: While the region has been among the fastest in the world to increase financial inclusion, there is still work to be done to fully democratize access to the digital ecosystem. Right now in 2023, 91 million Latin Americans still don't have digital accounts and another 200 million are in the early stages of financial inclusion.

In the following sections, we'll go further into this analysis, examining the nuances from our surveys of more than 2,800 consumers and 25 interviews conducted with financial services companies that are located throughout Latin America.





## Three years after COVID: What do we know?

### Most Latin Americans have access to basic financial products, but 21% are still excluded

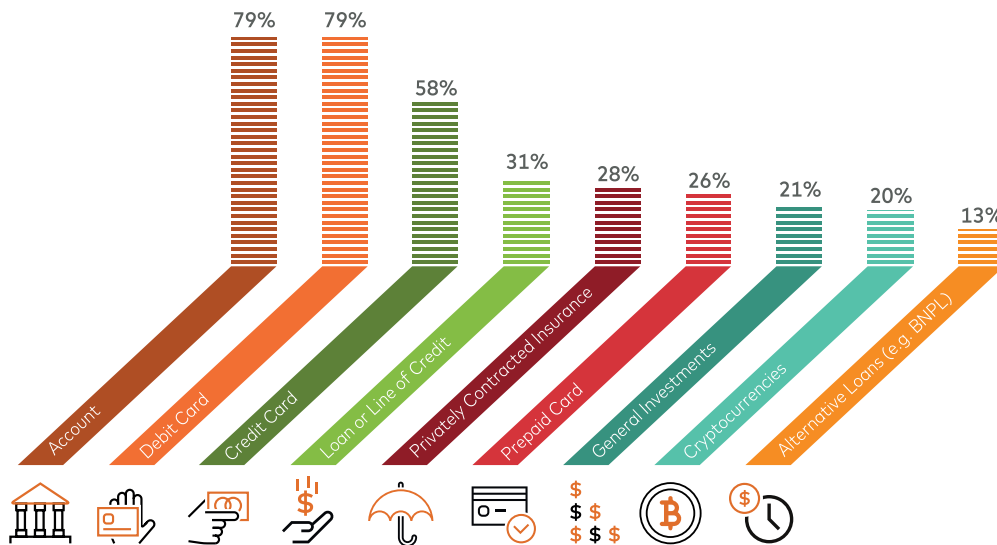
According to our survey results, 79% of adults in the region have a financial account and/or debit card. The flip side of this positive indicator is that 21% do not have one (we call them “Cash-Only Consumers” in our model on p. 8), and therefore do not have a place to save money, to make or to receive digital payments, or to receive wages or financial help.

And among those who do have an account, there is still a gap in achieving more advanced financial inclusion. While currently 58% of Latin Americans own a credit card, only 3 out of 10 of them have access to loans, insurance, or investment products (see Figure 5 on p. 15).



FIGURE 5

Access to specific financial products and services



Source: AMI consumer survey. N= 2,815

Disparities between various segments of the population are also a reality, with certain segments needing special care. Only 59% of low-income respondents in our sample and 40% of those living outside of major cities have an account, compared to the regional average of 79% (see Figure 5 above). These massive disparities demonstrate that the gains in financial inclusion have not been evenly distributed. Other segments also have specific unmet needs. As BBVA's Program Manager in Mexico, Constanza Conde, said, "We must provide elderly generations and groups with disabilities the assistance they deserve depending on their specific needs. Understanding the segment specificities is critical for financial inclusion."

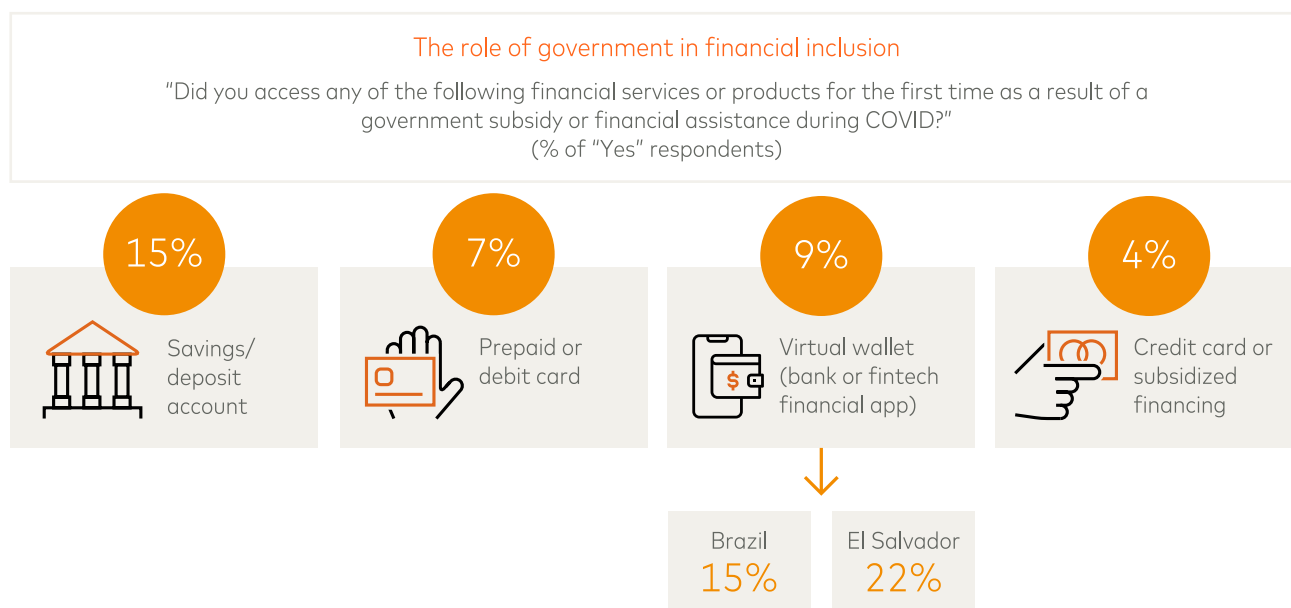
A key lesson of the research is that the role of national governments was hugely instrumental in promoting financial inclusion during and after the pandemic. Based on our 2020 analysis, COVID-19-related social benefits programs helped bank more than 40 million people in Brazil, Colombia, and Argentina alone. In 2023, according to our surveys, we learned that 15% of respondents accessed their first savings/deposit account product and 9% accessed their first digital wallet thanks to government assistance during COVID, with Brazil and El Salvador the leaders in this respect (see Figure 6 on p. 17). As Hernando Rubio (founder & CEO of Movii, Colombia) said, "It was very important for us to pay out the Ingreso Solidario. For many banks, doing this implied too high a cost. For us, it was more like, 'That's the reason we exist': the perfect excuse to offer a quality digital product that encourages people use a digital wallet and not withdraw cash."

A key lesson of the research is that the role of national governments was hugely instrumental in promoting financial inclusion during and after the pandemic.



FIGURE 6

## Government-provided first access to financial services



### A long-term impact of COVID-19 is customer sophistication

COVID-19 was a catalyst for the adoption of all kinds of digital technologies, not just basic account access. According to our surveys, at least 20% of respondents opened their first savings product during the pandemic, and adoption was even higher for more sophisticated products. More than 4 out of 10 accessed products such as credit (45%) or investments (45%) for the first time because of COVID. And seven out of 10 cryptocurrency holders accessed crypto for the first time post-COVID (and 25% did so during 2022 alone).

According to our surveys, at least 20% of respondents opened their first savings product during the pandemic, and adoption was even higher for more sophisticated products.

The pandemic also accelerated digital habits even among those already banked. As MODO's CEO Rafael Soto said, "It educated everyone on becoming digital. Although young people were already early adopters in general, it had a greater influence on adults, since most of them were accustomed to using cash. The pandemic forced them to use digital tools."

These changes have had lasting impact and in fact constitute a cultural shift. Adoption of financial services continued through 2022, even when the pandemic effect was no longer present. When we study specific products such as investments, credit, insurance, cryptocurrencies, and Buy Now Pay Later, there is notable adoption of these products as we get closer to 2022 (+20%), which confirms that consumers continued to climb the financial inclusion ladder as they became more comfortable with digital financial tools and their benefits.

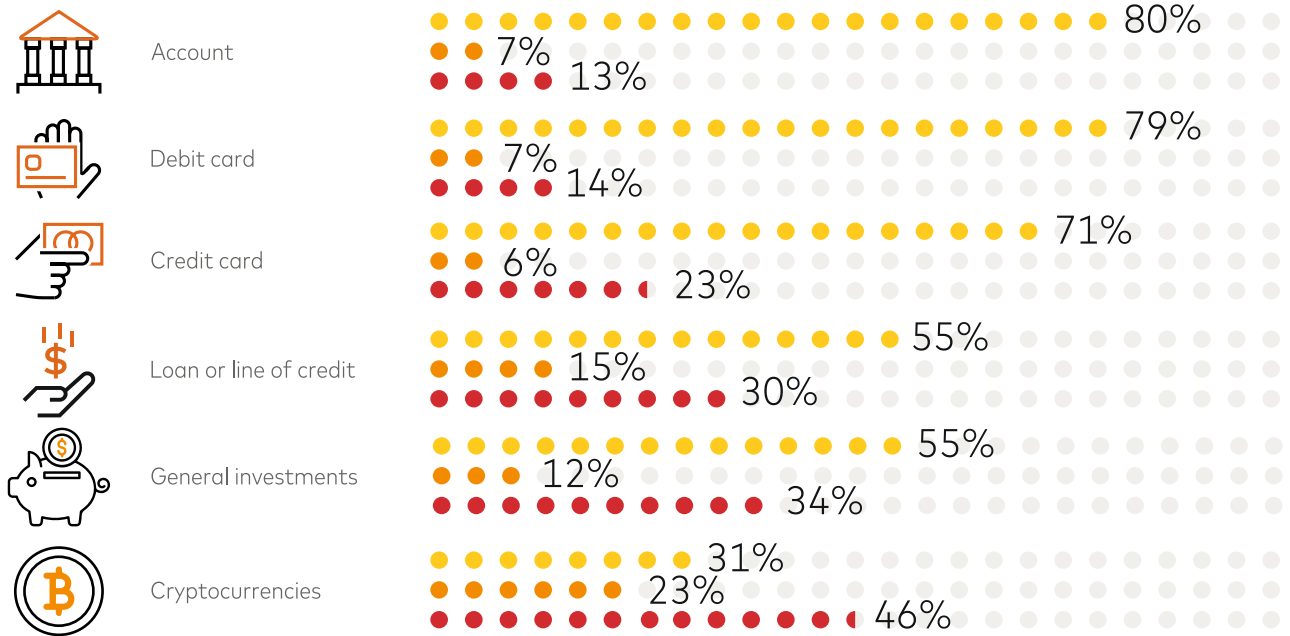




This acceleration was consistent across all demographic segments analyzed (age, gender, geography, and income), and in fact traditionally excluded segments adopted them faster. It is notable that more women than men gained access to financial products (mainly during 2022), and that a large part (44%) of populations aged 18-24 accessed their first savings account after the pandemic.

**FIGURE 7**  
**First access to specific financial products**  
 before, during, and after COVID-19

● Before the COVID-19 pandemic ● In 2020 due to the COVID-19 pandemic ● After the COVID-19 pandemic (2021-2022)



Traditionally excluded segments adopted financial services faster



**51%** of women gained access to credit (mainly during 2022) vs 39% of men



**44%** of the younger population (18-24 years) accessed their first savings account after the pandemic





## Digital finance and payments

### Massive cash reduction and the rise of digital payments

The use of cash for day-to-day expenses decreased after the pandemic in favor of digital payment methods. It happened in all markets, but some remain delayed.

Before COVID-19, 25% of respondents report that they used cash for more than 75% of their monthly expenditures. In 2023, this percentage has fallen to a startling 15%. In addition, before the pandemic, 56% of respondents reported using cash for half or more of their expenses. Today, this number has fallen to 43% (see Figure 8 on p. 19).

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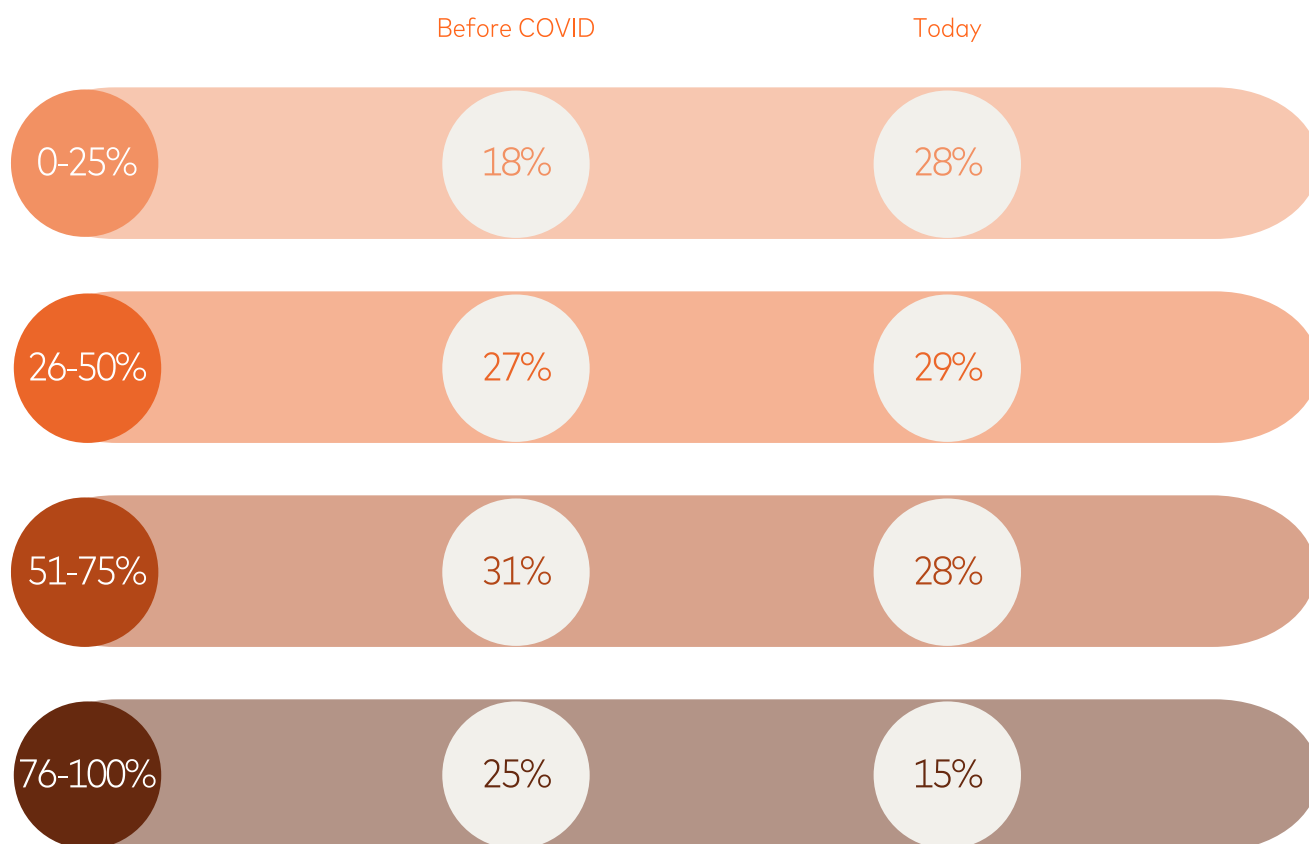
Both men and women reported a similar decline in cash use. However, there are segments that perform worse than the average. These are low-income consumers (52% reported using cash for half or more of their expenses vs less than 41% in other income segments), non-capital-city dwellers (42% vs 38% in capital cities), and younger populations (49% vs less than 45% in older segments). A look at the population using cash for more than half of their monthly expenditures by country shows Argentina with a 20% reduction, while Brazil and Mexico both had significant reductions (-17% for those using cash for more than half of their expenses).<sup>10</sup> Other markets, known for being in earlier phases of digitalization, reduced their cash use less drastically; for example, see El Salvador (5%) and Peru (8%).



FIGURE 8

## Cash usage before and after COVID-19

What percentage of your monthly expenses were in cash before the coronavirus pandemic and now?

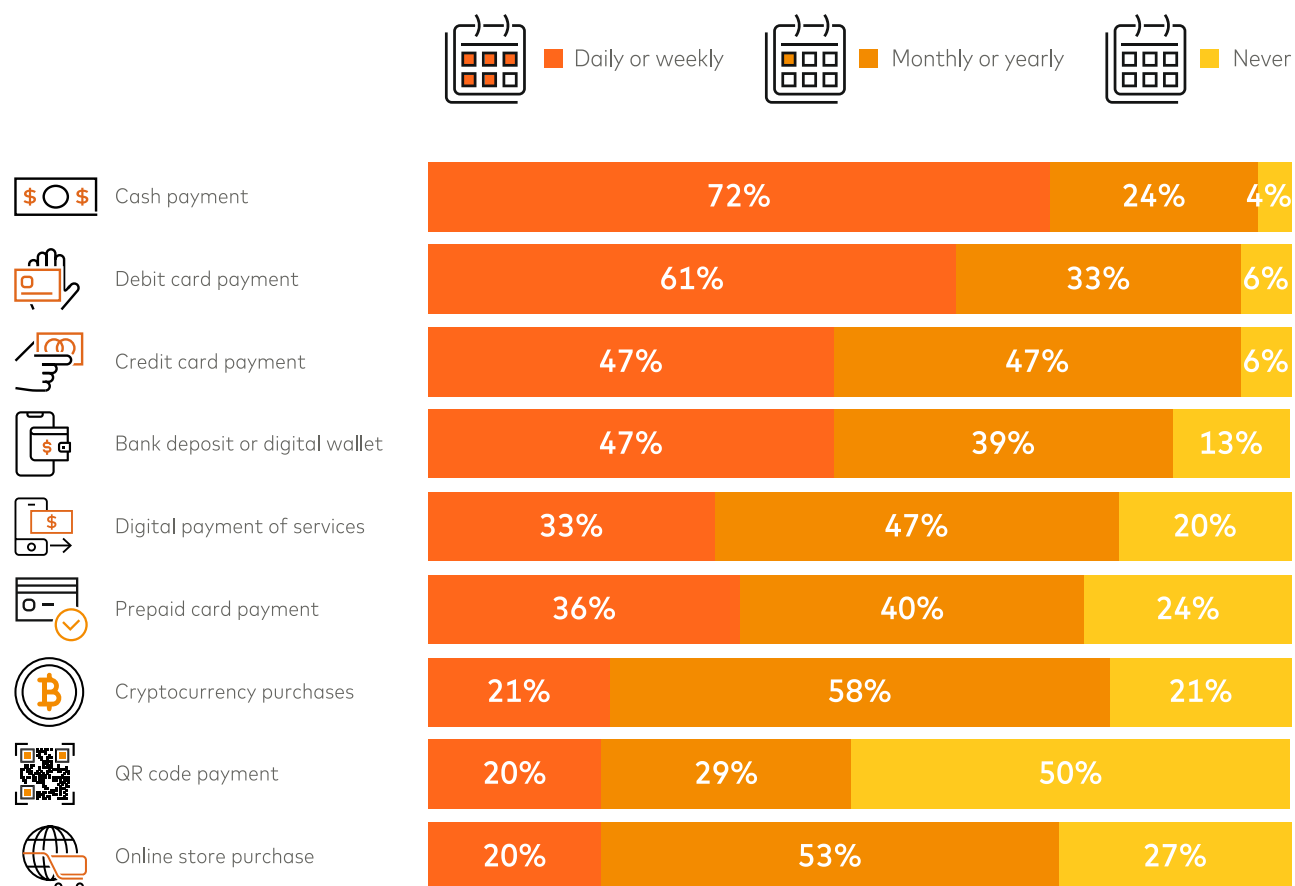


Despite this reduction, cash is still the most used payment method on a daily basis (used daily by almost half of the population). This high prevalence is likely a nod to large gaps in digital payment acceptance by "everyday merchants"—mom-and-pop stores, convenience stores, and public transportation. At the same time, 61% of the population uses debit cards at least weekly (see Figure 9 on page 20), demonstrating an important truth about the digital evolution of finance: that cash is sticky and is co-existing alongside digital payment methods. Credit card and digital wallets are tied in usage, used at least weekly by 47% of respondents.



FIGURE 9

## Frequency of financial transactions with specific products



The difficulties in dethroning cash as the most frequently used payment method are related to two key factors: 1) incentives to change behavior; and 2) cash is often the primary way many people get paid. As Hernando Rubio, Founder & CEO at Movii, Colombia, said, "Many unbanked enter into digital payments because they want to do things with their money that they can't do with cash like, for example, local or international money movements, or e-commerce." In Guatemala, PTC-Banrural Operations Manager Juan Fonseca said that "90% of remittances are still in cash. The need is to generate value and incentives for the people to use digital remittances." When over 50% of the workforce is employed informally,<sup>11</sup> receiving wages in cash, and over \$100 billion received in remittances are paid to Latin Americans in cash annually,<sup>12</sup> digital payments have trouble competing. This highlights the need for digital payment providers to go beyond focusing on consumer adoption and develop use case-specific solutions that create adequate incentives for payers, consumers, and merchants.



Some payment modalities have still room for growth, such as QR codes.

Some payment modalities have still room for growth, such as QR codes. Here, a country-level view is needed. The QR code is the least-used payment method at a regional level, with half of the population stating that they do not use it (50%). But in markets such as Argentina and Brazil, that number falls 29% and 35%, respectively. Notably, these two countries have enabled QR code interoperability, which essentially helps to scale any payment system. Gustavo Milare, Executive Manager of the Payments Methods Directorate at Banco do Brasil, explained, "PIX (the Brazilian Central Bank's real-time payment scheme that utilizes QR codes for purchases) has already helped in the growth of QR codes, and they still have much room to expand." Andrés Rodríguez, Co-Founder of SoyFri, a P2P platform in Guatemala, observed, "When it comes to payments the customer has the power and decides which payment method to use. In our region, cash is by far the preferred medium of payment, which means it still creates more value for the majority of people. We must create new payment methods that create enough value for customers and that will allow for an ingrained habit to be changed."

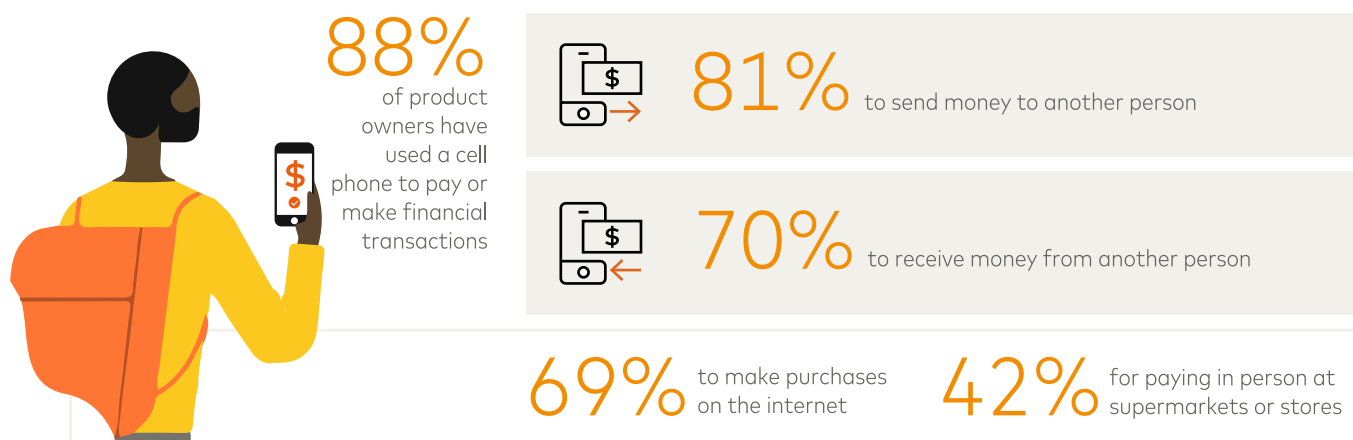
### Mobile everything

As the penetration of smartphones has exceeded 80% in the region, mobile phones have become the new standard for payments, especially for money transfers. Almost nine out of 10 (88%) financial product owners in our sample use their mobile phones to make transactions.

The main use of the mobile phone in financial terms is the movement of money P2P (81% to send, 70% to receive), but also online shopping (69%) and payment for services (68%).

As seen in Figure 10 below, the main use of the mobile phone in financial terms is the movement of money P2P (81% to send, 70% to receive), but also online shopping (69%) and payment for services (68%). However, face-to-face mobile payments in stores are used by less than half (42%).

**FIGURE 10**  
Mobile financial usage



P2P is considered a financial inclusion gateway, but for it to be so, a simple user experience is essential. As MODO's CEO said, "The most important lesson is that consumers have realized that their mobile phones can make things simpler. Today's expectation is to be able to do anything with three clicks. If not, they are unlikely to use it."

This boils down to an essential and simple lesson: in order for people to be completely financially included, it is critical that they have confidence in digital (especially mobile) finance and technologies. Included consumers are fully comfortable using a smartphone, computer, and the internet, while those who are not fully included experience barriers like lack of trust, lack of know-how, and lack of consistent internet connectivity.

Indeed, lack of trust is an ongoing theme in the challenge to obtain full financial and digital inclusion, meaning physical channels are still important. Due to a lack of trust in technology, 25% of survey respondents would prefer to open a bank account in person as opposed to via mobile or using a computer. This preference is particularly strong in Mexico (37%), Argentina (28%), and Guatemala (27%). Women, low-income, and elderly groups also would prefer to open an account in person more often than their counterparts.

Banks and fintechs recognize these facts and agree that the physical channel will remain relevant, especially outside of major cities. As Marcelo Alzamora Schmatz, Product Owner in Financial Inclusion at Yape in Peru, said, "In more distant areas, banking agents are still needed to provide cash-in and cash-out facilities for less digitally inclined clients who are making the transition from cash to mobile wallets." The same goes for PTC-Banrural in Guatemala, where "ATM and agent networks were major disruptors in improving face-to-face usage of financial services."

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A majority (55%) prefer to use the mobile channel to open a new account, which speaks to the need for a fully agile, responsive, and simple mobile experience.

According to the results observed in our study, a majority (55%) prefer to use the mobile channel to open a new account (see more data about account opening channels in Figure 11 on p. 23), which speaks to the need for a fully agile, responsive, and simple mobile experience. It also invites opportunities for companies offering eKYC, identity verification, and account monitoring services to authenticate users to open accounts digitally.

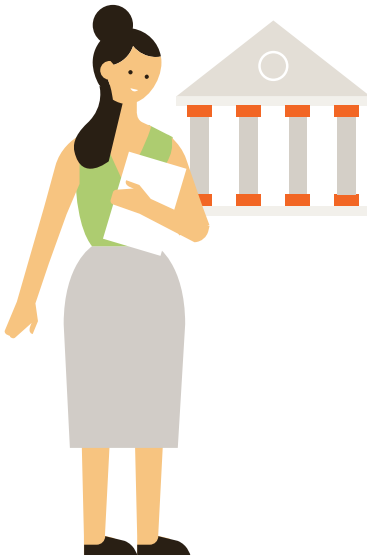


FIGURE 11

## Account opening channel of choice

25%

Prefer to open a bank or virtual account at a bank branch



61%

Feel confident talking to a human being



59%

Don't feel safe about providing their data online

### Main country specifics



Brazil: 79% Prefer to open an account from their cell phones



Argentina: 28%

Guatemala: 27%

Mexico: 37%



Prefer to open an account in person

Considering this momentum, mobile-based P2P payments have been a powerful force for financial inclusion in Latin America. Most fintechs and financial institutions have understood that P2P is a “loss leader,” that is, a necessary investment to attract users, generate loyalty, and eventually monetize their platforms. Nearly every type of player in the ecosystem has experimented with—if not scaled—P2P payments, including traditional banks, neobanks, fintechs, closed-loop P2P apps (digital wallets), retailer apps, and telecoms.

With more than 141 million registered users by December 2022 and about 9 million Brazilians that have opened bank accounts to use it, PIX, the real-time Central Bank (Retail) Payment Systems (CBPS), has been able to digitize payments across the market (more than 70% of which are P2P). Consequently, several countries are attempting to replicate the PIX case using public, central bank-owned payment rails. While promising due to the potential implications for financial inclusion, it also raises concerns about the roles of the operator of a CBPS and the regulator of ecosystem players, consumer protection due to the nature of the CBPS, and fraud and security, not to mention future investments required.



Although it is too early to detect concrete evidence of the drawbacks of CBPS in Latin America, some of their unintended consequences could involve:

- **Consumers**, especially the most vulnerable ones, are more exposed to account takeover (ATO) fraud and have fewer mechanisms for dispute resolution and getting their money back than with cards. To give some context, according to Sift, nearly half of globally surveyed consumers have experienced a fraud attack in the last two years. In 2022, 44% of ATO victims were defrauded up to five times, and ATO attempts increased 131% during that period.
- **Digital banks and fintechs**, key actors in financial inclusion and innovation, typically lose payments fees as a source of revenue, putting at risk their viability during early stages. Emerging fintechs cannot easily replace that revenue loss with lending income, since the large incumbent banks have the advantage of low funding from a massive base of deposits. We are still in the early days of fintechs, but one unintended consequence of CBPS might be fewer fintechs launched and higher market concentration.
- **Central banks** end up having a dual role as regulators and payments competitors, which can lead to conflicts of interest. Most Latin American countries separate the roles of competitor and regulator in industries such as oil and gas, mining, telco, and energy. Even in the financial sector, Central Banks are separate from government-owned banks. The question of whether CBPS should adhere to role separation is on the table (in fact, India has separated the roles: the RBI regulates and the National Payments Corporation of India operates UPI, the largest CBPS in the world).
- **Societies and governments** will be more exposed to a sophisticated global network of cybercriminals that are using RTP networks and CBPS to scam money, launder it across multiple banks and accounts in minutes, and move their illicit proceeds internationally (a problem that will grow when CBPS interconnect internationally). According to *The Economist* (April 11, 2021), financial crime totaled over 6% of global GDP and showcased the ineffectiveness of the global AML system since compliance costs for individual banks are 100 times higher than the amount of laundered lots seized.

So far, there is no evidence that these negative consequences will come to pass in Brazil, but PIX is still in its early stages. While Central Bank initiatives continue to ramp up, private sector efforts to improve money movement are also brewing, and these can deliver powerful results for consumers and merchants in terms of user experience, interoperability, and security.





In conclusion, Latin Americans' relationship with money and finance has dramatically changed since COVID-19, and the primary shifts were their adoption of mobile financial services and their reduction of cash use. This has been achieved via the government paying assistance benefits digitally, the improvement in the user experience of digital financial services, and the implementation of interoperable payment schemes that have made digital payments, especially P2P, easier, faster, cheaper, and more accessible. That said, 21% of Latin America still remains excluded, and the use of more advanced products like credit, investments, insurance, and e-commerce is still underpenetrated. In the next section, we will take a deeper look into these gaps to reveal further opportunities to support inclusion.





## Understanding the gaps in Latin America's financial inclusion

### Access to credit: the missing key

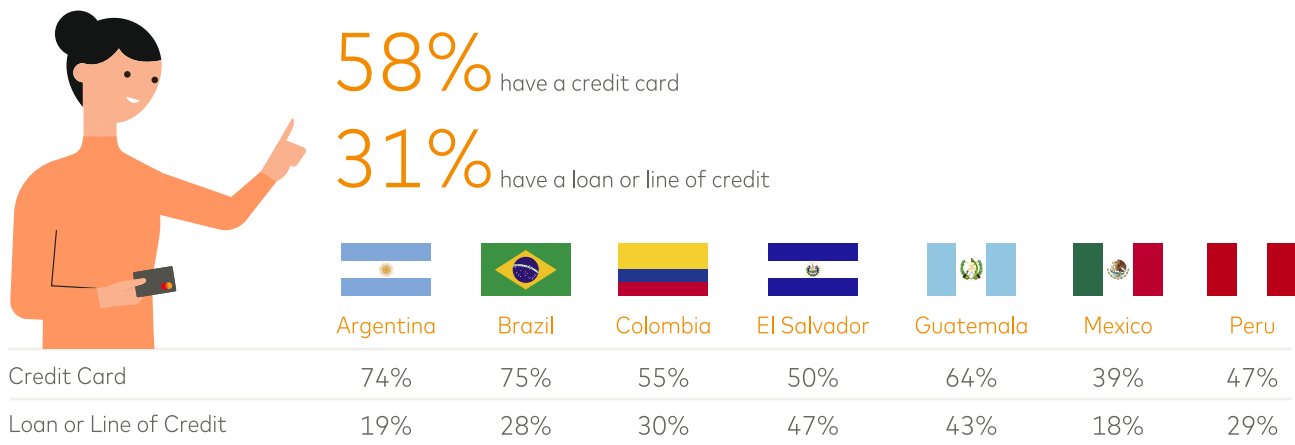
Access to credit is recognized by many as an essential component in financial inclusion because it enables consumers to expand their purchasing power and have financial recourse in the event of an emergency. Several interviewees emphasized that financial inclusion means giving people access to credit regardless of traditional underwriting and assessment of ability to pay, which have closed off many people from credit opportunities.

Amongst our survey respondents, 58% of individuals have access to a credit card, while 31% have access to a loan or line of credit, which is a huge improvement over past years—the World Bank estimated LatAm's credit card penetration at just 19% in 2017. Many factors have contributed to this growth, specifically that neobanks like Nubank and Mercado Pago began to offer credit cards, as well as retailers promoted their cards to their customers in stores.



Nevertheless, in certain cases, credit access rates may be far lower. Argentina and Brazil, for example, have more access to credit cards (74% and 75%, respectively), but less access to loans (19% and 28%, respectively). And this limited access is not due to low interest in having credit cards. In fact, more than half (55%) of those who applied for a credit card or loan at one time were rejected. Overall, 77% of survey respondents have never applied for a financial product, while 42% have been rejected, most frequently from credit card applications.

**FIGURE 12**  
Access to credit and loans



Nevertheless, in certain cases, credit access rates may be far lower. Argentina and Brazil, for example, have more access to credit cards (74% and 75%, respectively), but less access to loans (19% and 28%, respectively).

Brazil has the greatest percentage of declined applications, up to 56%, and this in turn creates demand. Superdigital's CFO, Fabio Fernando Almendros, confirmed that "microcredit contracts and also credit cards are the most demanded products from our customers." For this precise reason, fintechs like Nubank, which issues a free credit card with low requirements, an appealing feature for young people and first-time credit card holders, have had mega success in Brazil, gaining over 40 million customers. This need for credit is also spurring innovation in the Buy Now Pay Later industry, as well as innovations such as PIX Parcelado, in which financial institutions issue small personal loans to consumers who make purchases with PIX transfers. The gap in credit access creates a huge opportunity for innovation, and the industry—along with regulators—must be vigilant about consumer credit protections so that what is being offered is sustainable and leads to financial well-being.

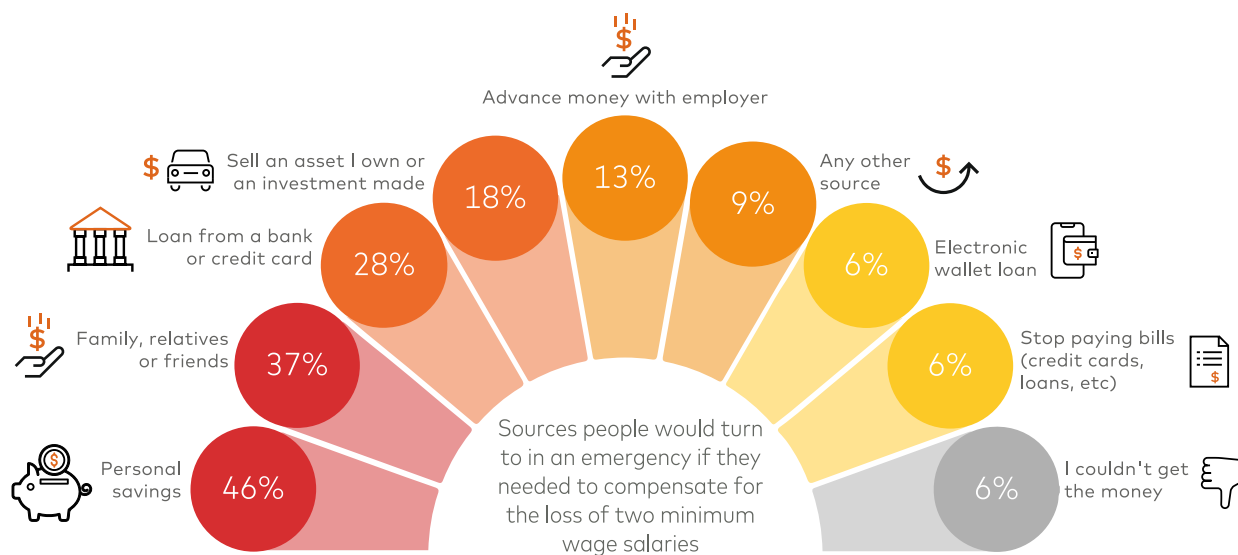
Indeed, access to any kind of loan—which could include informal lenders (loan sharks), pawn shops, and payday lenders—does not necessarily constitute financial inclusion. In Brazil, NEON's Head of Marketing, Samantha Pittzer, said, "For me, financial inclusion is very much related to delivering credit to the final client, and more importantly, to deliver credit in a conscious way so that the client doesn't become over-indebted."



The ability of financial institutions to offer quality credit products is essentially related to their ability to appropriately assess risk, and this is dependent on their access to credit information. Margarita Henao, CEO of Daviplata in Colombia, explained that “the lack of information is one of the two most relevant barriers to financial inclusion, mainly for credit,” emphasizing the need for innovative credit scoring based on behavioral data to help customers improve their credit scores. The most innovative lenders seek to become partners with their customers, actively helping them improve their creditworthiness and work toward their credit goals. Brigitte Brousset, Head of Business Financing at Mercado Crédito, said, “When we lack enough information to provide a loan offer, we explain why, and provide suggestions to help them improve. Telling them what they need to do to enhance their creditworthiness not only provides us with behavioral data on who follows our advice, but also empowers the end user.”

Improving consumers’ creditworthiness is essential in the battle for financial inclusion, because the ability to access credit is directly related to reducing financial vulnerability, especially in times of emergency. During the COVID-19 pandemic, more than 50% of Latin Americans saw an elimination or reduction of their incomes due to lockdowns and economic contraction, creating a true financial emergency for millions of families. In cases like this, the ability to access emergency funding is essential for keeping families out of poverty and maintaining a country’s economic resiliency.

**FIGURE 13**  
Sources to access an emergency fund



Among survey respondents, when asked where people are most likely to turn for emergency funds, personal savings and loans from family and friends emerge as the top two sources (see Figure 13 on p. 28). Credit from a loan or credit card was the number three response. This indicates just how critical the ability to access additional cash flow is in securing a financially viable population.

### Lack of awareness, education, and UX are lingering barriers

Another identified gap in financial inclusion is access to financial education. According to our consumer survey, 84% of respondents believe that access to financial education helps or would help them improve their personal finances (see Figure 14 below), but the majority of Latin Americans have not received any training, guidance, or assistance in the past (less than 50% in any market) on how to manage their money.

84% of respondents believe that access to financial education helps or would help them improve their personal finances, but the majority of Latin Americans have not received any training, guidance, or assistance in the past (less than 50% in any market) on how to manage their money.

These results vary by country. While on average 68% of all respondents said that they never received any financial training, advice, or guidance, this figure rose to 83% among respondents from Argentina.

Up to this point, most of our interviewees highlighted financial education as essential for financial inclusion. This idea was expressed by interviewees from BBVA, Yape, BCP, Opto, Tuyo, Banco do Brasil, Caixa, Superdigital, Ualá, Mercado Pago, and many more. Many of them offer specialized programs in this area.

However, it is unclear what kind of impact financial education has on people's confidence in making financial decisions. Financial education is important, but traditional financial education (access to information) has not been a driver of financial inclusion—it's necessary but not sufficient.<sup>13</sup> Argentina has low levels of education and confidence around personal finances. Curiously, Brazil has much higher levels of education but a similar lack of confidence about making financial decisions.

**FIGURE 14**  
Financial education



84%

Believe that access to financial education helps improve their personal life



68%

Have never received any training, advice or support on personal finances



20%

Don't feel comfortable when making a financial decision



20%

of fully excluded affirm it is because they are not financially literate



One hypothesis is that the financial education provided is not effective or impactful, and the industry is responding. For example, in Brazil, neobank N26 is establishing the notion of *finca*, the idea that financial service providers should help customers understand how to get more value out of their financial products. Saying it is “designed to enhance your relationship with money,” N26 offers a digital account with several “spaces,” allowing users to separate money for different purposes; a card that helps users save; and a blog covering multiple financial topics, including “How a more organized timeline can help you control your spending” and “When is it worth paying in installments or credit card invoices in advance?” This is a nice example of how integrating financial education into its products allows users to “practice” what they are learning with a financial product, which helps to build more capabilities.

Survey data tells us that a lack of accurate information and awareness of financial products is still preventing consumers from entering the financial ecosystem. Cost was cited by 30% of unbanked respondents as the main barrier to opening an account, even when free basic financial services are available in all markets. Consumers are not fully aware of the options available to them. Financial inclusion is therefore not only about offering accessible products, but also about understanding unbanked populations and communicating according to their reality and needs.

The surveys also reveal that women, the elderly, and low-income consumers not only have had less financial education and feel less secure when making financial choices than their counterparts, but these groups also feel less confident that financial education can enhance their financial lives. Bringing confidence and trust to these segments should be a top priority when considering the next evolution of financial inclusion.

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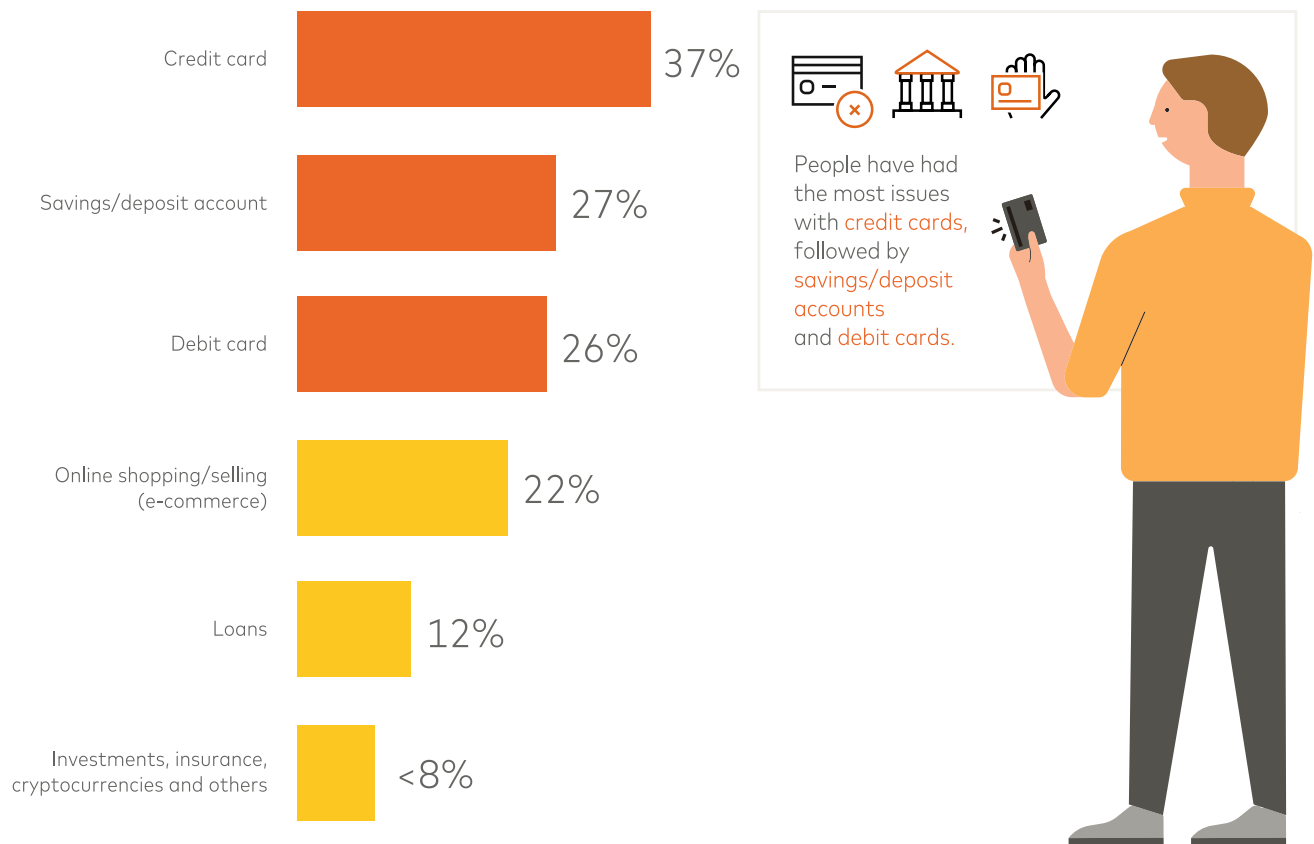
Bringing confidence and trust to these segments (women, the elderly, and low-income consumers) should be a top priority when considering the next evolution of financial inclusion.

Given the underserved’s lack of confidence with technology and financial services in general, user experience is an essential factor to facilitate true financial inclusion. As Tarjeta Máximo’s Co-Founder & CEO Isabel Palao affirmed, “UX is one of the most important features for financial inclusion. The UX has to be simple, fast, and easy to understand.” Fintechs agree with these ideas. Mercado Pago Senior Vice President Andrés Anavi said that “financial education is not only about developing content. It is also critical to design a user experience that facilitates changes in behaviors and habits. Customers judge online credibility by assessing visual design, copywriting, and interactions. This means that UX and design are critical to establish trust. UX should be so simple that individuals are able to navigate the app intuitively.” Lenis Guzmán, Paysend’s Sr. Marketing Manager for the Americas, affirmed that “user experience is the most important for success among an underserved population, and [is] the real opportunity to stand out from competitors.”



A simple digital UX is something all financial services providers are diligently working on, but issues still remain. However, more than a third of survey respondents reported having problems with a financial product, with credit cards being the biggest culprit (37%), followed by accounts and debit cards (see Figure 15 below). Top complaints include fraud, unknown fees being charged, problems accessing the account online, and difficulties making a payment. These problems can be complete dealbreakers for consumers who have a tenuous relationship with financial services or who are trying them for the first time. If a new consumer considers the friction insurmountable, they are likely to abandon formal financial services and revert to cash.

**FIGURE 15**  
Products that users had the most problems with in the past





## Understanding the positive impact of Latin America's financial inclusion

### Saving and payments products have the greatest impact

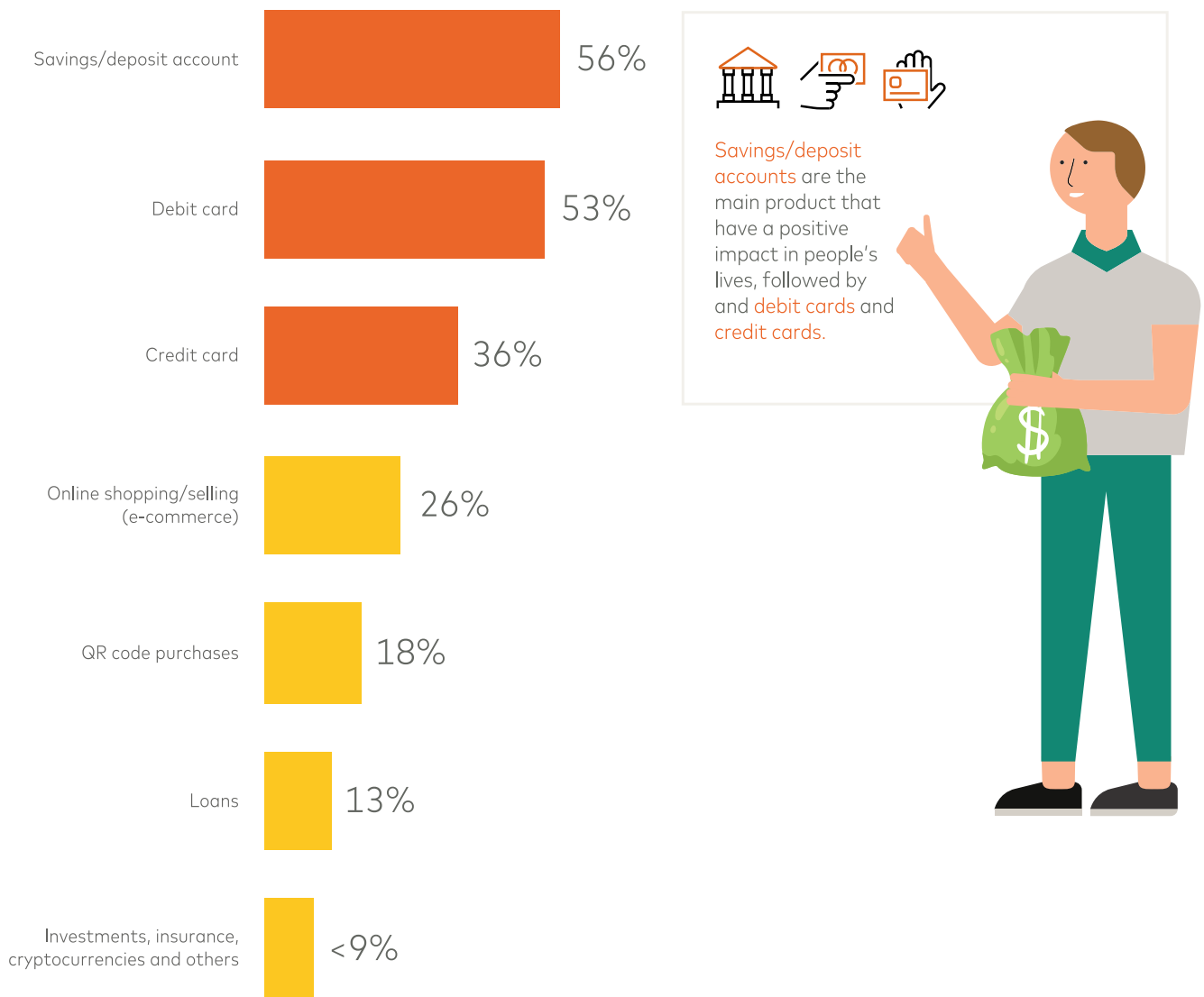
Despite the gaps that still exist in Latin America, consumers report that financial inclusion has had a positive impact on their lives. In particular, savings and payment products have the greatest positive impact. This is because digital accounts and payments enhance convenience, which is found to be the biggest driver for financial well-being and the top perceived benefit of accessing financial services, according to 75% of respondents. This makes sense—with a digital account and payment method, consumers get hours of their week back, no longer having to travel and wait in line at the bank to withdraw cash or pay bills, and they can send or receive money from family members instantly. These results are a welcome validation that the tremendous expansion of access to basic financial products has had a positive impact on users' lives.





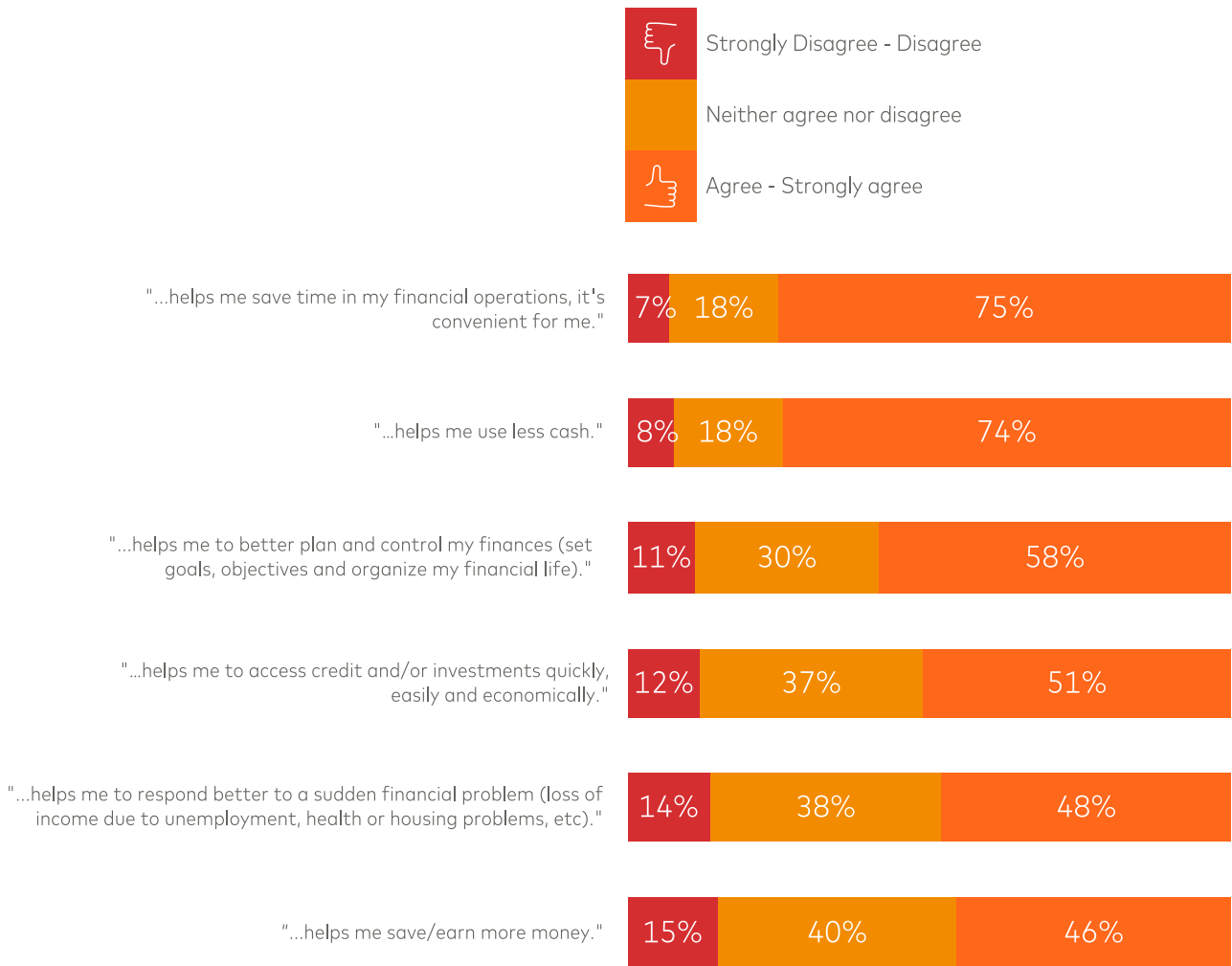
In addition, 74% of respondents agree that financial products help them use less cash, and 58% believe that these products help them better organize their finances. In fact, 51% believe that having access to financial services facilitates faster and better access to credit and investments, and 46% believe they are a tool to make more money (see Figure 17 on page 34).

**FIGURE 16**  
Products that have the greatest positive impact, according to users



**FIGURE 17**

**Agreement with the statement "Having access to digital financial services..."**



Our interviewees emphasized the need for banks to deliver personalized services in order to increase the benefits that customers receive.

To the extent that financial service providers can extend and expand the perception of these benefits, Latin Americans will continue to enjoy being digitally connected, with fast, easy, and seamless access to their money and money movement. Our interviewees emphasized the need for banks to deliver personalized services in order to increase the benefits that customers receive. In fact, some respondents believe that in the future, financial inclusion will be understood as customers receiving the specific service they need at the exact moment they need it. As Marcelo Alzamora Schmatz, Product Owner — Financial Inclusion at Yape in Peru said, "Start thinking of the financially excluded as those who have not yet been offered the product that they need. Everyone needs to use payments: to pay, get paid, sell, etc. Financial inclusion is offering these products according to each individual's reality."



## SMEs and entrepreneurs' acceptance: drivers of financial inclusion

While this study primarily focused on consumers' adoption of financial services, no discussion of financial inclusion can be complete without a discussion of small and medium-sized enterprises (SMEs). Indeed, digital financial products are useless to consumers if they don't have anywhere to use them.

Latin America has a deep tradition of self-employment, considering the constricted size of the formal economy and chronically high levels of unemployment. Among our consumer sample, 19% reported being self-employed or micro-entrepreneurs and 2% said they were owners of a business with staff.

Of these small businesses, 92% reported accepting some kind of digital payment (see Figure 18 on p. 36). This is a massive number, considering that formal payment acceptance among small merchants is notoriously low in Latin America, ranging from 15% to 30% in past AML studies measuring POS terminal penetration of small businesses.

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By far the leading payment method accepted is P2P or bank transfer (82%), followed by online marketplace (33%), while QR code (32%) is in third place.

Innovative digital acceptance models are responsible for this high level of acceptance penetration. By far the leading payment method accepted is P2P or bank transfer (82%), followed by online marketplace (33%) and QR code (32%) in third place. This speaks to the transformational power of money transfers schemes like PIX; payment fintechs Mercado Pago, PicPay, Nequi, Yape, and PLIN; and online platforms that facilitate commerce (Mercado Libre, Instagram, Facebook, etc.)

These numbers are also suggestive of large levels of informality and the use of personal accounts, since the platforms mentioned do not require that the business be formalized. Micro-entrepreneurs most often operate as consumers during economic activity, with a high mix of personal and business finances. The pervasiveness of free (or low cost) P2P transfers has helped massively expand the acceptance footprint.

M-pos (25%) and Paylinks (23%) point to another segment of merchant, slightly more evolved, that has a dedicated digital account for its business and technology provider. Just 20% of entrepreneurs accept payments via a traditional POS terminal, a number that is more in line with typical SME acceptance studies and past reported data.



FIGURE 18




























Acceptance of digital payments and P2P selected companies by SMEs

92% Currently accept any digital payments

82% Currently accept bank transfers

<33% Currently accept any other digital payment method

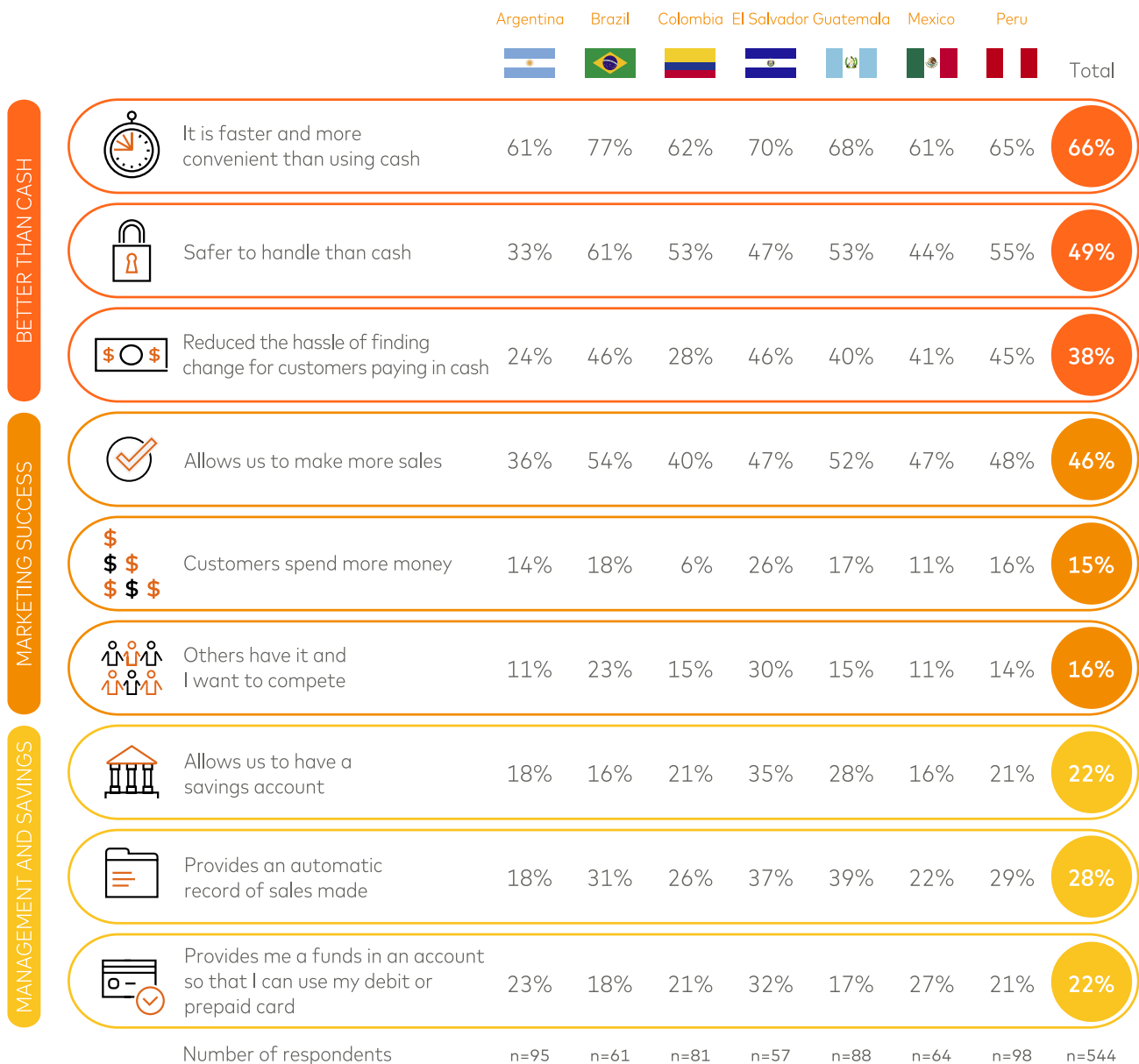


Country	P2P method	Yes	No
 Argentina	 MODO	28%	72%
	 TRANSFERENCIAS 3.0	20%	79%
	 MERCADOPAGO	75%	25%
 Brazil	 PIX	95%	5%
	 PICPAY	45%	55%
 Colombia	 NEQUI	83%	17%
	 DAVIPLATA	55%	44%
	 PSE	49%	50%
	 TRANSFIYA	25%	71%
 El Salvador	 OPTO	4%	91%
 Guatemala	 YOLO BANTRAB	16%	82%
	 SOY FRI	11%	85%
 Mexico	 SPEI	51%	49%
	 CODI	5%	95%
	 PAGA TODO	5%	95%
	 DAPP/PIM	1%	99%
 Peru	 YAPE	83%	17%
	 PLIN	51%	47%
	 TUNKI	19%	76%
	 BIM	12%	83%



Just like consumers, SMEs value the speed and convenience of digital payment over cash. As shown in Figure 19 below, 66% cited this as the top benefit of accepting digital payments. Nearly 50% claim digital payments are safer than handling cash, and 46% report that accepting digital payments helped them make more sales, an important selling point when promoting digital payment acceptance solutions to merchants.<sup>14</sup>

**FIGURE 19**  
Benefits of accepting digital payments, according to SMEs





## Lessons for the ecosystem

As we've seen throughout this diagnosis, Latin America has made tremendous strides in expanding financial inclusion. The main factors in this success have been:

- **The availability of low cost digital accounts and debit cards.** These are the most widely adopted products and the products perceived to add the most value to consumers' lives.
- **Financial products that save consumers' time.** From fast digital onboarding and instant payments, to virtual debit cards and in-app bill pay, newly included consumers deeply appreciate the time savings gained from financial products. Simplicity and UX should continue to be prioritized to deliver on this need.
- **The massification of free P2P payments.** Often the first type of transaction a newly included consumer makes, free and instant P2P has been essential for fast money movement, as well as for introducing consumers to digital financial services and encouraging the later adoption of other products.



- **Government subsidies disbursed digitally.** This development during COVID-19 helped jump-start the financial inclusion acceleration in Latin America by exposing over 40 million people to financial digital services for the first time. Their positive experiences with adopted platforms encouraged ongoing use.
- **Expanding interoperability.** From the launch of PIX to interoperable QR codes, the ability to send and receive payments automatically more widely adds value to the digital payment ecosystem and helps generate much-needed network effects.

At the same time, financial inclusion in the region is still not complete: 21% of consumers are unbanked and in addition, a disproportionately high number of this group are women, low-income consumers, and people living in rural areas. For these populations, the top barriers include:

- The perception that financial services are expensive
- Lack of comfort with smartphones
- Mistrust of technology and/or financial services
- Lack of tailored solutions and incentives. Most say they don't need these.

While most respondents say they don't need tailored solutions or incentives, there are still lingering questions about the quality of financial inclusion being provided. More than 40% of the region still does not have access to credit, which is essential to economic resiliency and upward mobility. Many consumers feel they don't have the tools to make confident financial decisions or understand how to use financial services to better their lives. And finally, user experience is an ongoing challenge, with more than 40% of respondents having experienced problems with their current products.

The market is continuing to innovate along these lines to close the remaining gaps, with the clear understanding that financial inclusion is multi-dimensional, dynamic, and layered. The next steps for the region's financial service providers are to deliver payment experiences that meet the diverse needs of those still excluded, enhance incentives for adoption, and improve the quality and relevance of services being offered.

To this end, AMI identified five specific areas for ecosystem players to focus on to bring more robust financial inclusion to the region.



## 1. Prioritize personalization

Providers can no longer depend on a one-size-fits-all product. With access to basic financial services being nearly satisfied, providers must now deliver tailored solutions to the specific delayed segments. These may



include women, rural inhabitants, small businesses, independent workers, e-commerce sellers, students, heavy users of digital payments who don't evolve to other products, such as credit...the possible segments are endless. In new product development, providers must focus on:

- **Customization:** The offering should be predicated on matching client needs with data intelligence and tailored solutions.
- **Modification:** The offering should be able to modify its characteristics and features in response to different insights and data sources.
- **Adaptation:** The product should be able to adapt its presentation and communication to the customer's degree of understanding (maturity).
- **Supporting growth:** The product should help the customer grow toward and within financial inclusion, becoming a facilitator of financial transactions and aspirations.

To execute these insights, a 360° picture of the user's economic and financial life is required. Open finance, when paired with tools like Personal Finance Management and other features that let consumers control and manage their money more easily, will bring value to this goal. Innovations in this field will bring a competitive advantage, especially to the first movers.



## 2. Center product development on credit

Throughout the pandemic, access to a digital account and free money transfers were the clear drivers of adoption. Now, with these products almost universal, consumers are ready for the next evolution.

Credit enables this by expanding families' purchasing power and enhancing resiliency during crisis. According to our data, 4 out of 10 respondents do not have a credit card and only 31% accessed a loan or line of credit (see Figure 12 on p. 27). Better credit products are needed to guarantee access and the use of credit when needed.

Payment providers must prioritize:

- **Seamlessness and intuitiveness:** It should be free and easy to access credit cards and/or transparent microloans, with more intuitive and digitized point-of-sale financing.
- **Alternative scoring:** This will allow easier access to personal loans, empowered by innovative credit scoring or creative collateral, which can in turn bring down the cost of credit.
- **Contextualization:** Offer the correct credit product for the consumers' position in their journey, depending on contextual, environmental, and situational awareness (e.g., health or education loans).





Additionally, credit opens the door to other financial products. Banks can refuse to open transaction bank accounts for certain groups of people who are considered to be high-risk, such as those with a poor credit history, no credit history at all, unstable employment, or those who cannot provide the documents required by law as proof of their identity and place of residence.



### 3. Reconceptualize financial “education”

Defining “financial education” as simply giving people information on product features is not sufficient. To reach the unbanked and underserved populations in Latin America, it is important to correct the common misconceptions they hold. As is done by neobank N26 (see page 30), integrating financial education into products allows users to “practice” what they are learning as they use a financial product, which helps to build more capabilities. There need to be more relevant solutions directed toward low-income populations, not only informing them of the financial services available to them, but also using non-traditional financial education initiatives.

Payment providers must prioritize:

- **Advice and interaction:** It is important to provide counseling on how to use financial tools to achieve certain outcomes, and to show potential users how financial services connect to life goals by analyzing, forecasting, and advising based on real-time data processing.
- **Digital trust:** Providers can enhance comfort with the mobile phone. Some examples for doing so are:
  - Leverage the in-person channel to provide training
  - Connect financial services with commonly used apps (WhatsApp)
  - Communicate about the security of mobile financial services
  - Continue to simplify the mobile user experience
  - Enhance security
- **Invisible education:** Financial education should be invisible and tailored to each segment’s financial capability. As they create a seamless, gamified experience for digital education, payment providers should discard the idea of traditional courses and workshops.

As Gustavo Milare, Executive Manager of Payment Methods Directorate at Banco do Brasil, said, “Communication is financial education, and it’s a challenge. We must make a greater effort to communicate and reach those who do not yet know all the opportunities of financial systems.” Similarly, Ualá’s VP of Payments, Romina Simonelli, affirmed that “financial education should be invisible, intuitive, and built into our daily lives.”





## 4. Leverage convenience and create incentives

"Convenience" tops the list of reasons cited for adopting and using digital payments. Payment providers should continue to enhance convenience and remove pain from people's daily lives. Different consumer groups experience different pain points—and understanding how financial services can solve these is essential.

Payment providers must prioritize:

- **Time savings:** Focus messages and communication on how bill-pay, remittances, e-commerce, and other digital financial services save time.
- **Ecosystem approach:** Making transactions frictionless, intuitive, and fast is a must. But when possible, solving everything in one place is highly valued.
- **Anti-cyclical products:** Improve the customer's ability to react to an unexpected financial crisis (loss of income due to unemployment, health, or housing).
- **Simple and liquid investment products:** Inflation is a trend worldwide; therefore, a simple investment product that offers liquidity (the ability to use that money at any moment) and possibly a low return could be a great incentive to deepen financial inclusion.



## 5. Private-public collaboration

As we've shown, the role of governments, banks, and fintechs working together was essential during the COVID-19 pandemic. But even when this cooperation helped to democratize access, it couldn't solve specific gaps such as gender or geographical inequality. And the evidence shown in the public sector can help to enhance financial inclusion.

Payment providers must prioritize:

- **Collaboration subsidies:** In markets with high levels of exclusion (Mexico, El Salvador), governments should consider the successful cases of other markets in digitizing subsidies and promoting fintech.
- **Public transportation:** The use of public transportation as an entry point for enhancing usage and developing a cash digitalization process.
- **Proactive financial policies for cash reduction:** The reason for the heavy use of paper money is multi-causal, mainly linked to the high informal economy, distortions generated by tax policies, Central Bank regulations, and the lack of an effective national strategy against cash.



As most interviewees emphasize, any public partnership is beneficial to increasing financial inclusion. Private-public cooperation was critical during the start of COVID, but it slowed as things returned to normal. There is still a lot to do in terms of enhanced financial inclusion in private-public collaboration.

The COVID-19 crisis has shown that the conventional wisdom about the unbanked in Latin America was wrong: Latin Americans can be banked and will change their behavior when given the right incentives. In this case, social payouts and quarantines proved to be catalysts of change. This highlights the importance of a customer-centric approach instead of a product-centric approach.

Much work remains to be done: 91 million Latin Americans still don't have digital accounts and another 200 million are in the early stages of financial inclusion. Today's needs are not the same as tomorrow's, so serving this population will take constant vigilance, experimentation, and new product design. The pandemic has put most Latin Americans in a "Willing to Try" position, providing access for the first time to financial accounts, as well as to more advanced products like personal loans, credit cards, insurance and/or investments. It has also required helping them become more strategic with their finances.

Moving forward, the region will need more specific strategies. Banks and fintechs can innovate around personalization, segment-specific approaches, and the quality of products, while card networks can help drive marketing and communication, improve user experience and security, add value through digital identity tools, tokenization, and other technologies, enhance acceptance through contactless and Tap on Phone, and help educate and motivate regulators. Partnerships between market players and the public sector that are focused on cash reduction and financial education can also be powerful forces.

All of these lessons emphasize the importance of human-centered design and keeping the needs of customers at the forefront of all innovation, product development, and communication. To advance toward the collective goal of widespread financial inclusion and digitization, all ecosystem players must participate. Traditional banks, neobanks/wallets and other fintechs, card networks, large consumer brands, and big tech are all included in this mandate—where challenges and opportunities are plentiful for all.





## About Americas Market Intelligence

Americas Market Intelligence (AMI) is the premier market intelligence firm for Latin America, providing powerful market and competitive intelligence-driven insights for companies to succeed in the region. With a specialization in the payments industry, its expertise includes e-commerce, neobanks and digital wallets, fintech, point-of-sale (POS) and acceptance technology, financial inclusion, cross-border payments, business-to-business (B2B) payments, open banking, and real-time payments. Its customized research reports deliver data-based clarity and granular strategic direction based on expert sourcing.



# Notes

1. See Global Findex Database [here](#).
2. Example of World Bank access to savings question: "An account can be used to save money, to make or to receive payments, or to receive wages or financial help. Do you, either by yourself or together with someone else, currently have an account at a bank or another type of formal financial institution? Yes or no?" See official questionnaire [here](#).
3. From now on: Central Bank (Retail) Payment Systems (CBPS).
4. Mastercard and AMI, *The acceleration of financial inclusion during the COVID-19 pandemic: Bringing hidden opportunities to light*, 2020, see [here](#).
5. Our findings showed that COVID-19-related social benefits programs helped bank more than 40 million people in Brazil, Colombia, and Argentina alone. We also found that 10 million of these moved from being Cash-Only Consumers to Cash Preferrers (has an account but barely use it), while most of them became Willing to Try (25% of adults), as evidenced by their testing of the digital features of their neobanks and wallets.
6. All surveys are representative of total population at 95% confidence level, with +/-5% margin error.
7. No quotas apply for external sample (Guatemala and El Salvador).
8. Chile was not included in this report due to its high indicators of financial inclusion (77% account ownership, according to Global Findex 2021).
9. This is an average of the countries covered. For example, in Brazil we saw more cash displacement, but we are not going into that level of detail in this report.
10. There are several causes for this. For example, according to an Argentinian study (See "Números que hablan," [here](#)) in 2021, 42% of people abandoned cash as a payment method, and 9 of 10 people who adopted specifically QR and virtual wallets declared they will keep using it. In Brazil with PIX, more than 530 million keys have been registered in the Central Bank's Directory of Transactional Account Identifiers over nearly 2 years.
11. ILO, 2020.
12. IADB, 2022.
13. See The Global Findex Database 2021 report, Chapter 3: Financial Well-Being, pages 129-160
14. For more info about this area please review "Incentives for Small Retailers to Climb the Modernization and Digitization Ladder | Blog | FinDev Gateway" [here](#).

