

2023

State of Fintech Latin America Report





Introduction

Now in its third year, the State of Fintech Latin America Report offers a glimpse into the thoughts, plans and priorities of fintech professionals working in the region. Previous years have highlighted the potential of fintechs to address wider societal issues such as financial inclusion, as well as boost traditional sectors such as agriculture, the heart of the Latin American economy.

We conducted our survey in the latter part of the year, a period marked by a slowdown in funding and unprecedented interest rates. These soaring interest rates impacted all of Latin America, with countries such as Colombia, Brazil and Mexico shouldering double digit rates for the entirety of the year to date (up until the point when this year's survey was undertaken).

According to research from Mexican fintech Clara, such high interest represents the principal barrier to funding for 85% of local start-ups, a problem that is further compounded by excessive bureaucracy and paperwork. This situation is indicative of the region and has a significant impact on the fintech sector.

According to this year's data, sustained interest rates have 'significantly' negatively impacted investment in the fintech sector during the last year for **44.5%** of respondents, while **29.5%** believe that 'good companies' will miss out on funding as a result.

This year's findings demonstrate not just the resilience of the fintech sector in Latin America, but also its priorities. Last year when we enquired about Web3 technologies and respondents' plans for the Metaverse, **3.6%** considered the technologies absolutely fundamental to the fintech sector and were already investing and developing Web3 services. This same trend was also reflected in future skills requirements; **16.8%** of respondents believed that Blockchain and decentralized skills would be fundamental.

One year on and small but significant changes have become evident. **10.0%** of respondents describe Web3 technologies as fundamental and are already investing in them, but only **15.8%** believe such skills to be a priority. The latter suggests that recruitment (and implementation at scale) may not be the priority it once was; 71.2% of all respondents are yet to develop any Web3-based proposition.



But where one innovation door closes (slightly), another bursts open. On November 30, 2022, ChatGPT was launched by San Francisco – based OpenAI, an independent research body founded by – amongst others – Elon Musk. By the beginning of the following year – yes, just one month later! – ChatGPT had become the fastest-growing app of all time, according to research from investment bank UBS, and the era of Generative AI was born.

This year's research charts the emergence and impact Generative AI is already exerting on Latin America's fintech sector. **42.5%** of respondents service, and **34.0%** to support research and insights. 27.5% of respondents cite AI (including Generative AI) as the number one skill requirement for the sector.

These trends represent fundamental areas of interest to both our organizations and our respective clients. Fintech Nexus is the world's leading digital media company for fintech; LatAm Intersect PR is a specialist communications firm helping traditional banking and fintech companies position themselves across Latin America.

This report provides a unique insight not only into the issues facing the fintech sector in the region, but the opportunities for collaboration, communication, education and – of course – investment.

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Chapter 1

A Year in Fintech





Chapter 1 - A Year in Fintech

As we enter the third year of the State of Fintech Latin America survey, we continue to see that the **single biggest opportunity for the Latin American fintech sector is banking inclusion**, representing **48.5%** of surveyed respondents. This is a slight decrease from 53.2% in 2022 and could reflect fintech's impact in delivering banking inclusion in the region, nonetheless with a continued acknowledgement that more can be done.



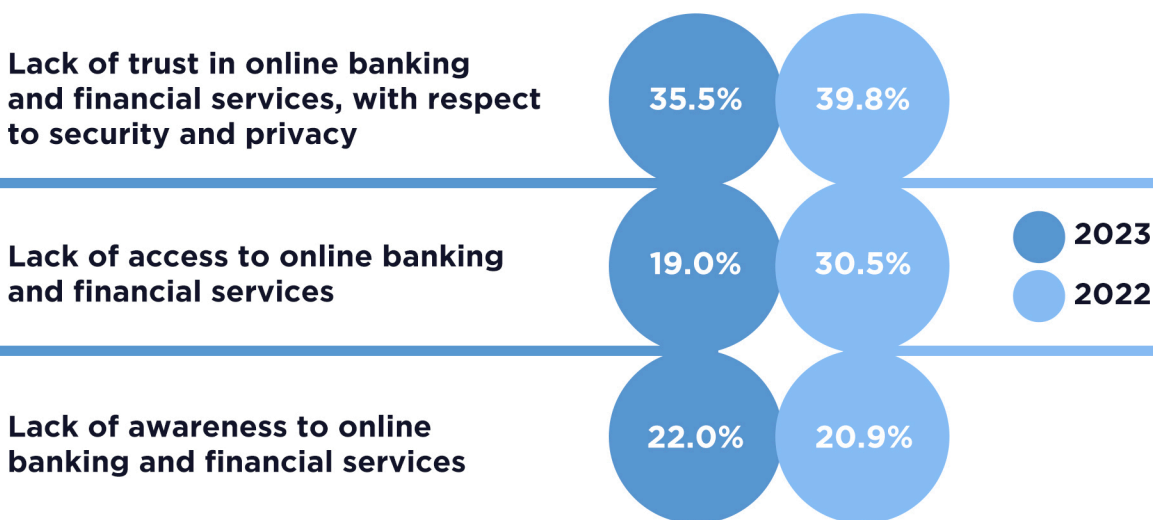
Together with banking inclusion, respondents remain consistent with last year, stating that **government regulation to reduce bank fees and charges for under-represented consumer segments** is likely to be the biggest fintech driver in the region (highlighted by **31.5%** of respondents for consecutive years).

There were, however, some significant shifts between 2022 and 2023. Last year, **fiscal and commercial incentives** (i.e. subsidies and discounts) to encourage online transactions were considered the second biggest fintech driver; this year they dropped to third, **decreasing from 30.6% to 19.0%**. Consequently, **deeper and cheaper smartphone penetration across the region** is now considered the second positive driver, according to **24.0%** of respondents.

2023 - 31.5%	2022 - 31.5%
Government regulation to reduce bank fees and charges for under-represented consumer segments	
2023 - 19.0%	2022 - 30.6%
Fiscal and commercial incentives (i.e. discounts) to encourage online transactions	
2023 - 24%	2022 - 0%
Deeper and cheaper smartphone penetration across the region	

Chapter 1 - A Year in Fintech

Furthermore, although falling from 39.8% in 2022 to **35.5%** this year, the **lack of trust in online banking and financial services**, with respect to security and privacy, continues to be considered the **number one barrier** to achieving widespread fintech adoption in the region. Other notable changes from 2022 to 2023 include the distinction between lack of access and **lack of awareness of online banking and financial services**. In 2022, the former was considered the second highest barrier and has now moved to third, replaced by lack of awareness. This would imply that infrastructure and services are now available, and the critical remaining factor is market education.



Respondents continue to identify **retail** as the **biggest non-financial sector opportunity for fintech** in the region (according to **43.0%** of respondents, up 0.2% since 2022). Moving up from third to second is the services sector (including consulting, advertising, and marketing). Transport and logistics has also increased this year, moving from 4.8% to 10.0% of respondents. This may not be a surprise, especially considering the ongoing growth of the e-commerce market in the region, all of which is dependent on transport and logistics to fulfill sales. Where there are opportunities there is also motivation to make things happen, but this will require a number of conditions to be present. Firstly, the availability of relevant skills. Despite a drop from 42.8% in 2022 to **36.0%** this year, **data analysts** continue to be the **most in-demand profession**.

Secondly, the region must address the **barriers to unlocking fintech's local potential**. In spite of the decrease from 40.6% in 2022 to 4.35% in 2023, survey respondents continue to see the issue of a **supportive regulatory environment as the biggest barrier to potential**. In 2023, the regulatory developments in Mexico covering everything from open banking to digital identity verification provide an example of the importance in reducing such barriers.

Chapter 1 - A Year in Fintech

When it comes to technological developments, last year the jury was still out about the **opportunity of Web3 services for organizations**. This year saw a decrease in respondents from 58.6% to 52.5% describing it as 'too early to tell', though respondents are maintaining an interest. Between 2022 and 2023 there was also an **increase of 11.4%** of respondents identifying **Web3 to be a huge future opportunity with active investing although not yet having any concrete offering**.

Significantly, respondents stating that Web3 services are irrelevant for the present with no plans to invest has decreased from 30.1% to 18.5%.

As for Latin American consumers selecting a bank, respondents continue to consider **friends and family as the main source of information and recommendation (representing 55.0% in 2023, down just 0.2% from 2022)**. A more notable change is in the use of the web as a principal source of information for consumers when selecting a bank; only 7.5% of respondents believe this to be such a source today (down from 10.5% in 2022). Other key sources according to this year's respondents are social media (according to 14.5% of respondents), and bank advertising (12.0%).



Chapter 2

2023 Trends and Insights



Chapter 2 - 2023 Trends and Insights

In addition to observing the main changes between 2022 and 2023, there are also interesting observations from this year's data. This includes an additional level of insight from those respondents not based in Latin America but who work for clients and organizations in the region. For this year's survey, 82.0% of respondents were based in Latin America and the Caribbean, 15.0% in the United States (US) and Canada, and 3.0% in Europe.

For example, while nearly half of all respondents (48.5%) state that banking inclusion is the biggest single opportunity for the Latin American fintech sector, there are notable differences depending on where the respondents are actually based.

63.3% of respondents based in the US and Canada considered this to be so, compared to just 46.3% of those based in Latin America and the Caribbean. Are North American respondents more optimistic - or less realistic! - than their Latin American-based counterparts?

Respondents were also asked whether **high interest rates across Latin America** have had a negative impact on investment, with, collectively, **44.5%** citing this as **absolutely the single biggest factor**.

In spite of the slowdown in investment experienced during the previous year, **52.5%** of respondents consider this **neither good nor bad for the sector** describing it as a 'natural part of the business cycle'. Perhaps this level of optimism and resilience partly explains why Latin America is experiencing investment growth in the second quarter of 2023.

As for technological developments, **52.5% of respondents consider Web3 services too early to tell and are waiting** (including 83.3% of the respondents working in the region but based in Europe).

While 'wait and see' may be the predominant respondent sentiment around Web3, Generative Artificial Intelligence (Generative AI) drew a more definitive response, with **all respondents confirming that their organizations** are actively using this technology across a range of areas from customer services (for 42.5% of respondents), and market insights and research (34.0%), to sales and marketing (32.0%) and risk management (31.0%).

AI applied in organizations (2023)



Chapter 3

Organization and Sector Perspectives



Chapter 3 – Organization and Sector Perspectives

This year’s survey represents respondents working in the following types of organizations: traditional B2C and online-only B2C financial services (retail banking, insurance, and wealth management); traditional B2B and online-only B2B institutions (investment banking and business banking); specialized fintech platforms (payments, money transfers, remittances, lending, investing, wealth management, and digital banking); fintech technology suppliers (development, security, white label lending, banking technology, and Web3); and other service providers (legal, consulting, and accounting).

When it comes to **the biggest single opportunity for the Latin American fintech sector**, **77.8%** of those working in **traditional B2B financial institutions** consider this to be **banking inclusion**; that’s 29.3% higher than the all-respondent mean.

Inevitably, those working in **online-only B2B financial institutions** regard the **biggest opportunity to be digital transformation**, reflecting 50.0% (23.0% higher than the all-respondent mean).

‘Fintech’s biggest opportunity in Latin America’

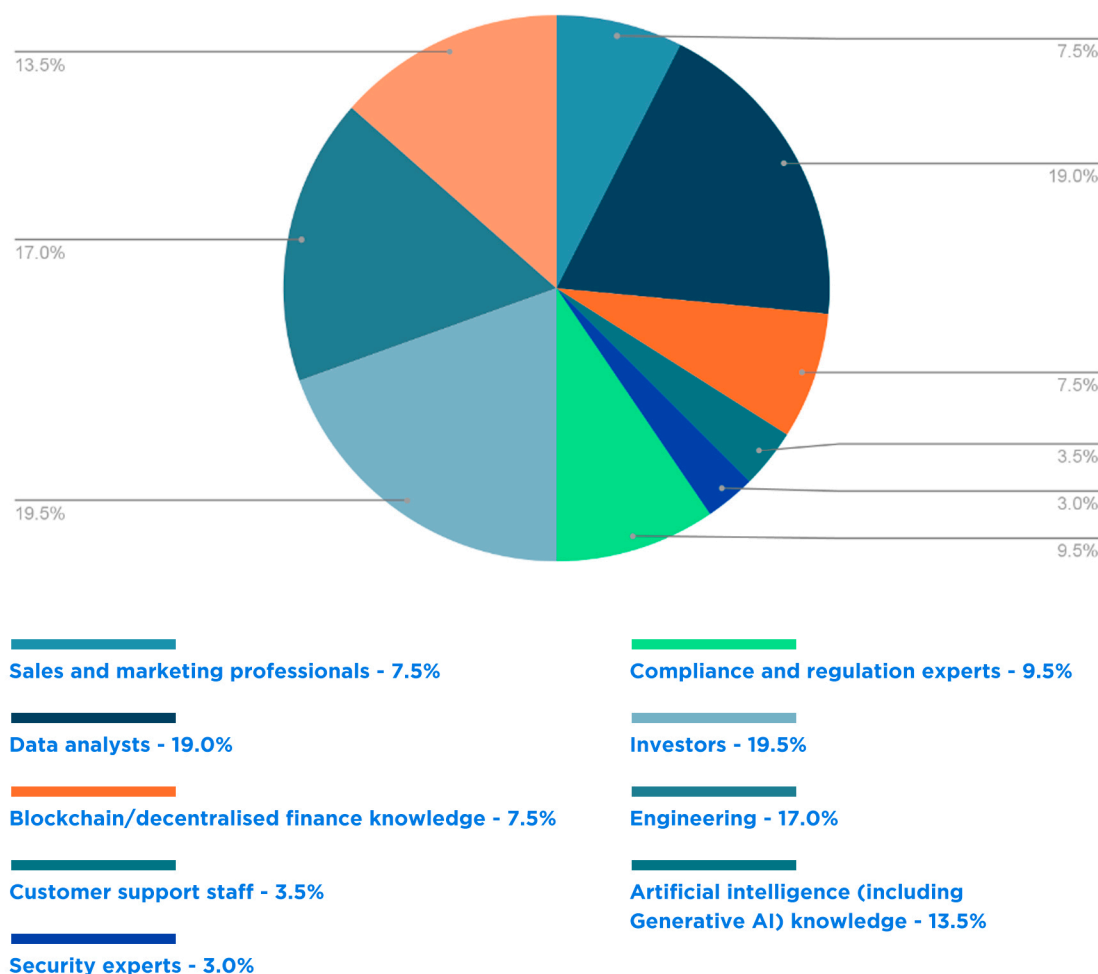
Traditional B2B financial institutions	Banking inclusion	77.8%
Online-only B2B financial institutions	Digital transformation	50.0%

While respondents across **all organizations consider retail as having the biggest ‘non-financial’ opportunity for fintech in Latin America**, agriculture was consistently highlighted as the second biggest opportunity, particularly by respondents working in B2C and online providers.

As for the top skills the fintech sector will require to fulfill its potential in Latin America, five (5) of the seven (7) organizational categories stated **data analysts** as the most sought-after profile (covering respondents from traditional B2C and B2B financial services, online-only B2C and B2B institutions, and specialized fintech platforms).

Specifically, for fintech technology supplier respondents, 37.1% consider AI and Generative AI knowledge to be the top skill.

Chapter 3 – Organization and Sector Perspectives



In terms of **financial inclusion**, **50.0%** of those working in **traditional B2C financial services** view **deeper and cheaper smartphone penetration across the region** as likely to make the biggest positive impact in Latin America. While respondents working in **traditional and online-only B2B institutions, specialized fintech platforms and fintech technology suppliers** concur that **government regulation to reduce bank fees and charges** for under-represented consumer segments is likely to make the biggest positive impact.

Finally, respondents working in **other service providers** revealed that **fiscal and commercial incentives** (i.e. discounts) to encourage online transactions are likely to make the biggest positive impact when it comes to financial inclusion, accounting for **29.7%** of such respondents, compared to an all respondent mean of 19.0%.

Chapter 3 – Organization and Sector Perspectives

Where there are opportunities, there are also barriers, and **fintech adoption** is no exception. Although 34.5% of survey respondents identified the importance of a **supportive regulatory environment**, this priority was not necessarily echoed across all institutions. For those working in traditional B2C financial services, 35.7% cite the availability of suitable staff and talent to be the biggest barrier, while 33.3% of those working in traditional B2B financial services consider the absence of funding for fintech business to be the biggest barrier (10.3% higher than the all-respondent mean).

As for the opportunity for **Web3 services** in Latin America, 71.4% of those working in traditional B2C financial services and 70.3% representing other service providers responded that it is too early to tell and that there is a lot of hype about Web3. Half (50.0%) of the respondents in online-only B2B institutions feel the strongest about the huge future opportunity and are actively investing but with no concrete offering in or for Web3, compared to the all-respondent mean of 19.0%.

When it comes to **fintech adoption** in Latin America from a consumer perspective, all organizations except those working in online-only B2C financial services consider a **lack of trust in online banking and financial services** as the biggest barrier to widespread adoption. For online-only B2C financial services it is a **lack of access to online banking and financial services**. Those working in fintech technology supply are equally divided between lack of trust and lack of access.

Finally, all organizations with the exception of those in traditional B2B institutions consider **friends and family** as continuing to represent the principal source of information for consumers seeking information and recommendations when choosing a bank (**55.0%** for all respondents). Interestingly, for respondents in traditional B2B institutions the principal source is actually considered social media (accounting for **33.3%** of B2B responses).

When it comes to job function, the survey respondents were categorized into the following roles: sales, customer services, communications and marketing, investment and financial management, technology support, and corporate strategy.

Chapter 3 – Organization and Sector Perspectives

From the perspective of job function perspective, all respondents agree that banking inclusion represents the biggest single opportunity for the Latin American fintech sector. Nonetheless, there were some notable differences. For example, those in **communications and marketing** roles essentially saw two opportunities: **banking inclusion (55.6%)** and **digital transformation** of the entire banking sector (**44.4%**). Those in **customer service** were equally divided, with **50.0%** for **banking inclusion** and the remainder selecting **compliance and transparency** across the entire banking sector.

As with the organizational breakdown, those across **all job roles** agree that **retail** is the **non-financial sector that represents the biggest opportunity for fintech in Latin America**. Inevitably, those in communications and marketing roles consider services, such as marketing, consulting, advertising, as the second biggest opportunity, 17.8% higher than the all-respondent mean. For those in **investment and financial management and corporate strategy** job functions, the **agriculture sector** is considered the second biggest opportunity. Responses from professionals in **customer service roles** were divided fairly evenly between **retail, transport and logistics** in terms of non-financial sector opportunity. This is largely explained by the continued strength of e-commerce in the region being wholly dependent on suitable and efficient transportation and logistics.

When it comes to the top skill that fintech will require to fulfill its potential, there is less uniformity, perhaps a reflection of the different roles and priorities. For example, when deciding on the top skill, those in customer service positions were equally split (**50.0%**) between data analysts and customer support staff. Those in **communications and marketing** functions highlighted equally (at 22.2%) the need for sales and marketing professionals, data analysts, engineering and AI knowledge. Less surprisingly, **40.0%** of those working in **technology support** roles consider the top skill to be AI.

As for what could likely make the biggest positive impact in Latin America in terms of **financial inclusion**, there was no clear consensus across the different job functions. Those in **customer service** were divided, with around one half considering this to come from deeper and **cheaper smartphone penetration** across the region and the other believing **government regulation** to reduce bank fees and charges for under-represented consumer segments will drive the same. For those in **sales**, **25.9%** consider fiscal and commercial incentives (i.e. discounts) to encourage online transactions as the biggest positive impact in terms of financial inclusion.

Chapter 3 – Organization and Sector Perspectives

When it comes to **the single biggest barrier to fintech achieving its potential** in Latin America, four (4) of the six (6) job roles coincided with the overall survey results stating that a supportive **regulatory environment** is the top issue. Those working in **customer service** functions were equally divided with **50.0%** citing reticence from established banks to partner to deliver innovative services and the other **50.0%** identifying **security concerns**, such as **data privacy** as the biggest barrier. For those in **corporate strategy** roles, the top issue is **absence of funding for fintech businesses**.

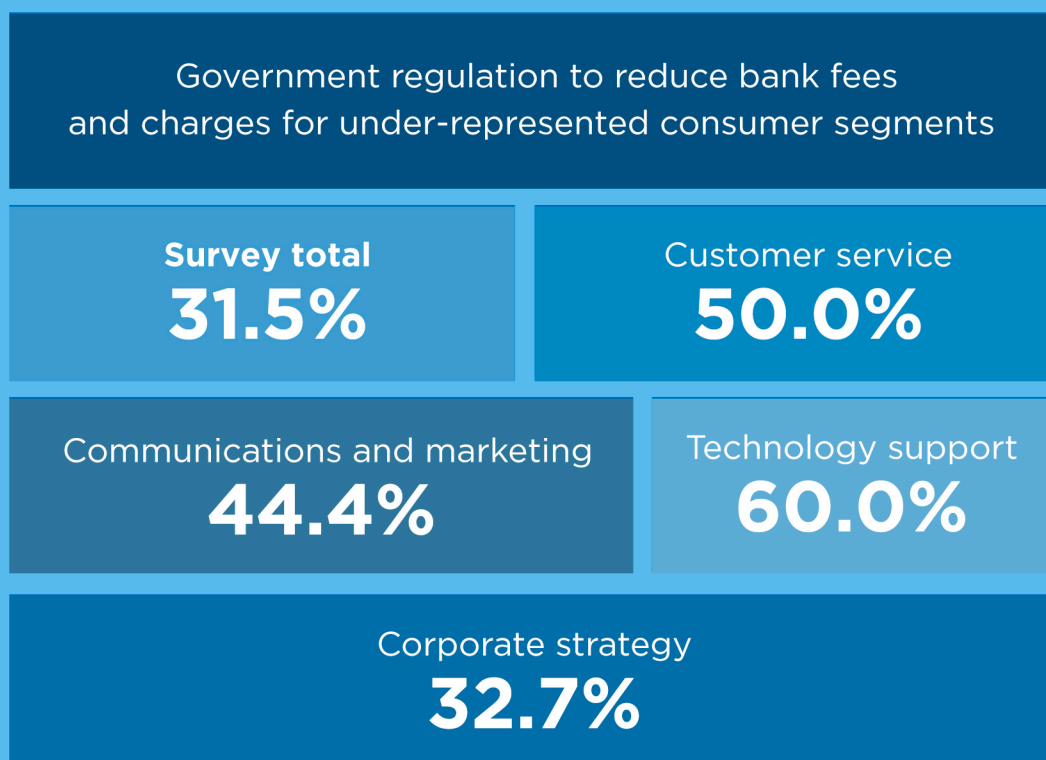
As for opportunities around Web3 services in Latin America, the responses provided another less consistent picture. For those in **investment and financial management roles**, **71.4%** (52.5% higher than the all-respondent mean) consider it too early to tell. Respondents in **customer service and communications and marketing** roles were equally divided between **Web3 as a huge future opportunity** and Web3 as irrelevant for the present.

From a consumer perspective, respondents across all job roles (except, perhaps logically, customer service) consider the **lack of trust** as the biggest barrier to widespread fintech adoption in Latin America. Respondents in **customer service** roles held two distinct views, with half citing the biggest barrier to be **lack of access to online banking and financial services** and the other half suggesting that it's more to do with '(current) satisfaction with traditional financial and banking services'.

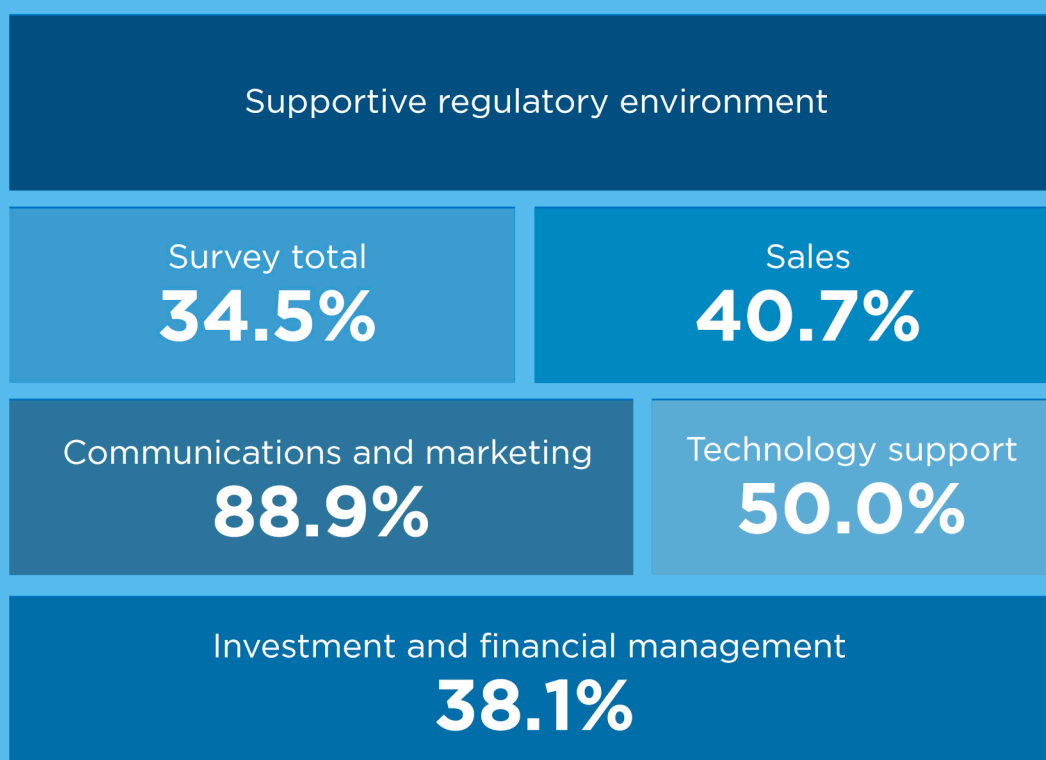
As for selecting a bank from the perspective of Latin American consumers, respondents across all roles consider **friends and family** as the most important source of information and recommendations, especially those in communications and marketing roles (**88.9%** of such respondents).

Interestingly, **21.4%** of respondents in **investment and financial management** job functions actually consider social media to be the second most important source, in comparison to an all-respondent mean of just 14.5%.

What will it take to make a difference to financial inclusion levels in Latin America?



What will it take for the fintech sector to achieve its potential in Latin America?



Chapter 4

AI and Funding



Chapter 4 - AI and Funding

The results of this year’s survey have provided further insight as to the state of fintech in Latin America in light of the region’s changing landscape, directly and indirectly influenced by global developments. As such, the 2023 survey explored the reduction of fintech investment in the region, along with high interest rates, and the impact of AI and generative AI technologies.

Although 34.5% of survey respondents consider a supportive regulatory environment to be the biggest issue when it comes to fintech achieving its potential in Latin America, it is important to highlight the absence of funding for fintech businesses as the second issue, as expressed by 23.0% of respondents. For respondents working in traditional B2B institutions and specialized fintech platforms, as well as those in technology support and corporate strategy roles, this is considered the biggest issue.

Absence of funding biggest issue for	
Organization	Job functions
Specialized fintech platforms	Corporate strategy roles
Traditional B2B institutions	Technology support

Over the last year funding has also been impacted by **high interest rates** across the region, with **44.5%** of all respondents expressing this as being the **single biggest factor impacting funds**. This is especially so for those working in **traditional B2B institutions (77.8%), online-only B2B institutions (50.0%), fintech technology suppliers (57.1%), and other service providers (45.9%)**.

Almost half of those working in traditional B2C (42.9%) and specialized financial services (48.3%) noted that high interest rates have had an initial impact but the market has adjusted. In contrast, 40.0% of respondents from online-only B2C financial services cited there has been zero impact and that solid fintech projects are still being funded, which is 24.0% higher than the survey total.

From the perspective of the different job functions, all (100.0%) respondents working in customer service roles regard high interest rates as having the biggest impact, followed by 52.4% of those in investment and financial management roles and 50.0% for those in technology support roles.

Chapter 4 – AI and Funding

High interest rates across the region – single biggest factor impacting funds

Organization

Traditional B2B institutions

Online-only B2B institutions

Other service providers

Fintech technology suppliers

As mentioned above, high interest rates and a slowdown in investment do not seem to have dampened the spirit of the survey's respondents when considered collectively. However, analyzing the slowdown in investments from the perspective of different job functions and organizations provides some different insights. For example, 50.0% of those in online-only B2B institutions consider it to be a bad thing 'as many good companies are no longer getting funded', a view shared by 40.0% of respondents from technology and support. These figures are significantly higher than the all-respondent mean of 29.5%, with 52.5% believing the downturn to be a 'natural and inevitable' occurrence.

Such distinctions clearly reflect the reality faced by many of the region's start-ups having to downsize their workforce due to the slowdown in investment during the past year.

The other major change that has impacted the region has been the availability and accessibility of generative AI technologies, such as ChatGPT.

Across all respondents there is a fairly uniform division as to how Generative AI is already being applied in the workplace, with a slightly higher usage for customer service (42.5% of such respondents). This is particularly the case for respondents working in traditional B2C financial services (64.3%), and those in technology support (50.0%) and corporate strategy roles (50.9%).

For respondents working in traditional B2B institutions, there is an equal division, with 55.6% already applying Generative AI technology for market insights and research and 55.6% for risk management.

AI applied in organizations (2023)

Most common application for AI in organizations



customer services (42.5%)

Organization

64.3% Traditional B2C financial services

46.1% Specialized fintech platforms

Job function

50.9% Corporate strategy

50.0% Technology support





Conclusion

In conclusion, in spite of the decrease in the number of the unbanked population in Latin America, financial inclusion remains a strong focus for the region.

There has been much anticipation as to the impact that high interest rates would have on funding, however, the positive investments that have occurred in Latin America for Q2 2023 make for an optimistic landscape.

While Web3 appears to be 'on pause' in the region, the most interesting disruption has been the emergence of Generative AI technologies such as ChatGPT. The high adoption rate in the region and positive responses from across the organization type and respondent role suggests that it could be genuinely transformative for the sector.

The key question is: will the continued pressure on funding delay such technology deployments, or actually prove to be a catalyst for them?

About LatAm Intersect PR

LatAm Intersect PR is a public relations firm specializing in corporate and consumer campaigns for clients across the Latin American region.

‘Intersect’ refers to our central tenet: in a world of big data and automation, the ability to connect with people on their terms, to inform and persuade them of a particular point of view through relationships, evidence and discussion is more important to businesses than ever. We help clients leverage their intersections with audiences ranging from customers and employees, to business partners and investors across the region.

www.latamintersectpr.com

About Fintech Nexus

Fintech Nexus is a world-renowned niche media company delivering trusted content to 200,000+ fintech builders, bankers, and investors. Our core publications include: Fintech Nexus News and The Fintech Blueprint.

The organization operates in the center – the ‘nexus’ – of everything that is fintech. We help our subscribers stay informed and our sponsors increase brand awareness and generate business leads.

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