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The new era of financial inclusion in Latin America

How fintechs are driving financial services access and achieving sustainable profitability

By Mastercard and Payments and Commerce Market Intelligence

PCMI Payments & Commerce Market Intelligence

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Introduction

According to the World Bank, financial inclusion means that "individuals and businesses have access to useful and affordable financial products and services that meet their needs."[1] But in practice, it means much more than that. Financial inclusion has the potential to boost economic growth and well-being, helping to reduce poverty levels and promote social progress in a country. It allows an increasing number of people to save and invest their money, offsetting the effects of inflation on their budgets. It also enables people to make and receive online payments, get loans to start new businesses, buy homes, send money to distant relatives, and digitally access wages or financial aid—just to mention a few examples.

That is what Latin Americans have been experiencing in recent years, as a heightened focus on financial inclusion has reshaped the region's economic and social landscape. In 2017, only 55% of the population of Latin America (LatAm) had an account at a financial institution or with a mobile money service provider. By 2021, the level of account ownership had jumped to 74%, according to the latest World Bank Global Findex Database.[2] Currently, PCMI data indicates that the rate has surpassed 80% in several countries in the region. Access to a myriad of other financial services has also been expanding rapidly—from credit lines to investment options and alternative payment methods—which has resulted in comprehensive financial inclusion for the region's underserved or underbanked populations.

LatAm's financial inclusion has been driven by several factors, starting with the high level of support from local authorities for innovations in the financial sector. Many governments across the region have adopted measures to boost competition in the financial industry, including pro-fintech regulations, open banking systems, the payment of subsidies through digital channels, and so on. Others have focused directly on developing cost-effective and seamless digital payment methods, like Pix, the real-time payments platform created by Brazil's central bank.

Improvements in internet and mobile phone penetration have also helped close the financial inclusion gap in LatAm, allowing more people to access financial services online. By the end of 2023, 418 million people in the region (65% of the population) used mobile internet—an increase of 75 million over the last five years.[3] In some countries, such as Brazil, Mexico, Argentina, and Chile, over 80% of the population currently has regular access to the internet (including both fixed and mobile connections).[4] However, progress would not have been as impressive if it weren't for the work of an increasing number of innovative fintechs, which have created a variety of easy-to-use platforms and solutions tailored to the unique needs of the region's population.

Today, LatAm is home to 3,069 fintechs spread across 26 countries, compared to only 703 fintechs in 18 countries in 2017.[5] Many of these new companies have thrived by catering to groups that were previously underserved by traditional banks, such as low-income families and younger people. They also recognize the importance of building trust and having clear, reasonable fee structures. With the help of these companies, millions of Latin Americans have stepped into the spotlight for the first time as online consumers, borrowers, savers, investors, and/or entrepreneurs, creating ripple effects throughout the region's economy. In fact, as this report highlights, nearly half of the surveyed fintech users indicated that fintechs gave them access to financial products that were previously unavailable to them (and in some markets like Brazil, Colombia, and Peru, more than 50% of respondents indicated this).

In this context, Mastercard has commissioned Payments and Commerce Market Intelligence (PCMI) to conduct research addressing three key questions. First, what is the state of financial inclusion efforts in Latin America today? Second, what is the role of fintechs in this process? Third, how can fintechs across the region adapt their strategies to increase profits and grow sustainably as LatAm's financial ecosystem matures?

To answer these questions, PCMI conducted five in-depth interviews with companies from the fintech ecosystem in the region while also carrying out representative surveys in six key markets in Latin America.

Data collection occurred in September 2024 and involved online surveys with consumers in six countries: Argentina, Brazil, Chile, Colombia, Mexico, and Peru. In total, 1,848 people answered the questionnaires (see the Appendix on p. 41 for a profile of respondents). The survey results were then complemented with in-depth desk research and interviews with industry executives.

This report summarizes the findings of this research. The first section explores the current state of financial inclusion in LatAm—identifying which financial services and products are most used and which are having a significant impact on people's lives. The second section examines the role of fintechs in Latin America's new era of financial inclusion. Finally, the third section outlines five strategies that fintechs have successfully used to boost results and profitability in a more mature and increasingly competitive market.

Companies interviewed for this report:

albo galileo Gilgamesh VENTURES inter ualá

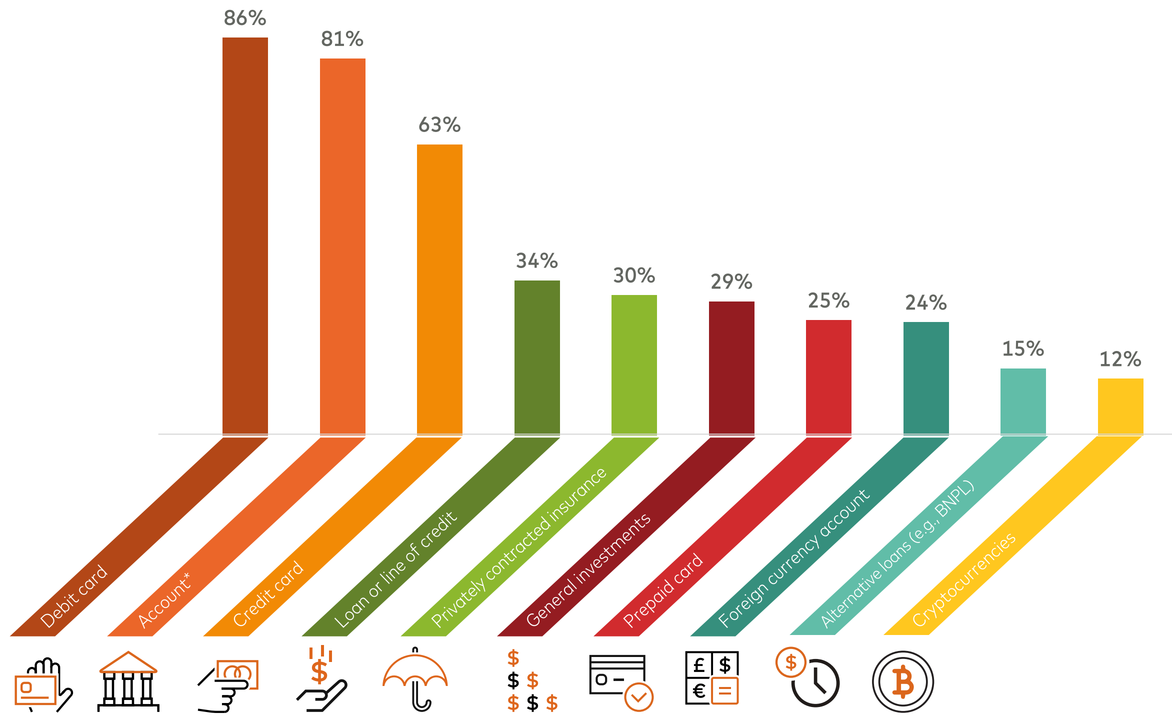
The current state of financial inclusion in LatAm

Debit and credit cards were the financial products most often cited by respondents as having a positive impact on their quality of life.

Although there continues to be a financial inclusion gap in LatAm, the region has made great strides in this area. Eighty-one percent of online respondents in the PCMI/Mastercard LatAm survey reported owning a financial account, whether in a formal financial institution or a digital money account. However, the actual figure may be even higher. This is because 86% claimed to own a debit card, which is typically linked to an account. That said, the connection is not always clear to users, particularly first-time account holders, who may use the cards to spend government subsidies, for instance, without realizing that there is an account behind them. Given that 45% of the LatAm population did not have an account in 2017,[6] it is clear that the region has advanced rapidly in this area.

FIGURE 1

Access to specific financial products and services



*In Argentina and Chile, debit account holders who did not select ownership of "savings accounts" were considered account holders (before including them, the percentage of account holders was 73%). Brazil, Colombia, and Peru have account ownership percentages that are generally higher or about the same as ownership rates for debit accounts.

Question: Do you currently have any of the following financial products?
N=1,848
Source: PCMI

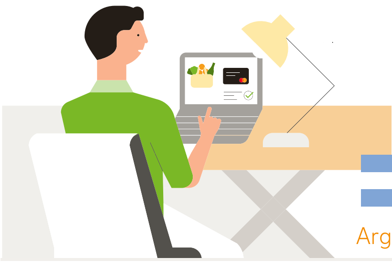
Access to credit is another area where Latin America has made tangible progress recently—and it is one that yields significant social and economic impact (see Figure 1 above). Loans can empower individuals by expanding their purchasing power and investment capacity, while also providing access to funds in the event of emergencies.

About a third of survey respondents reported that they had taken out a loan or accessed a line of credit, although there were some important variations among countries. For instance, the rate was particularly high in Chile (48%) but lower in Argentina (24%).

In addition, 63% of respondents reported owning a credit card, although the percentage also varied significantly among countries, ranging from over 70% in Brazil and Argentina to 53% in Peru and Mexico, respectively (see Table 1 on p. 8).

TABLE 1

Access to credit and loans



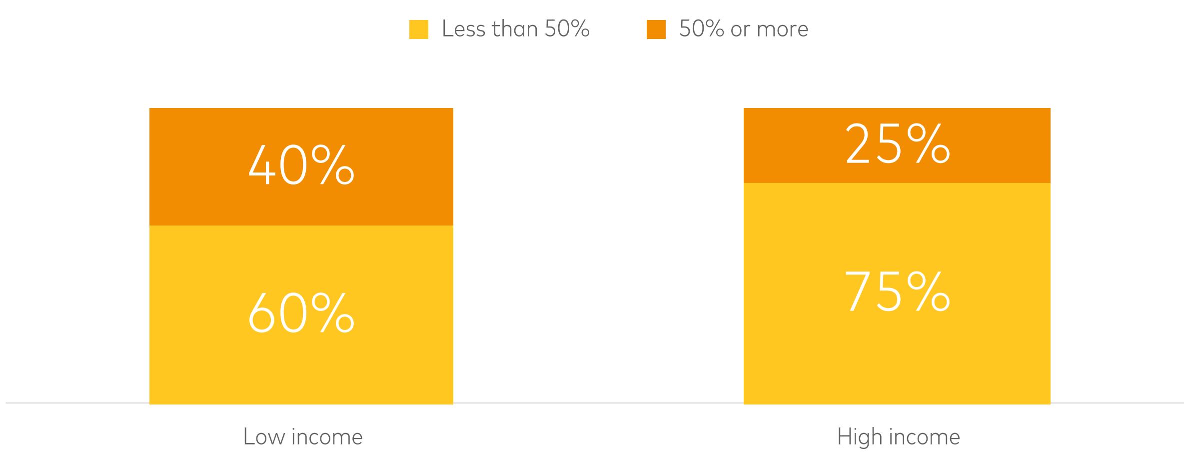
	Argentina	Brazil	Chile	Colombia	Mexico	Peru
Credit card	73%	75%	64%	58%	53%	53%
Loan or line of credit	24%	29%	48%	39%	28%	33%

Question: Do you currently have any of the following financial products?
N=1,848
Source: PCMI

Despite the progress in financial inclusion, cash remains king in Latin America, especially among low-income populations. Four in ten respondents in this group reported that they pay more than half of their monthly expenses in cash, compared to 25% among high-income individuals (see Figure 2 below).

FIGURE 2

% of monthly expenses paid in cash, by income



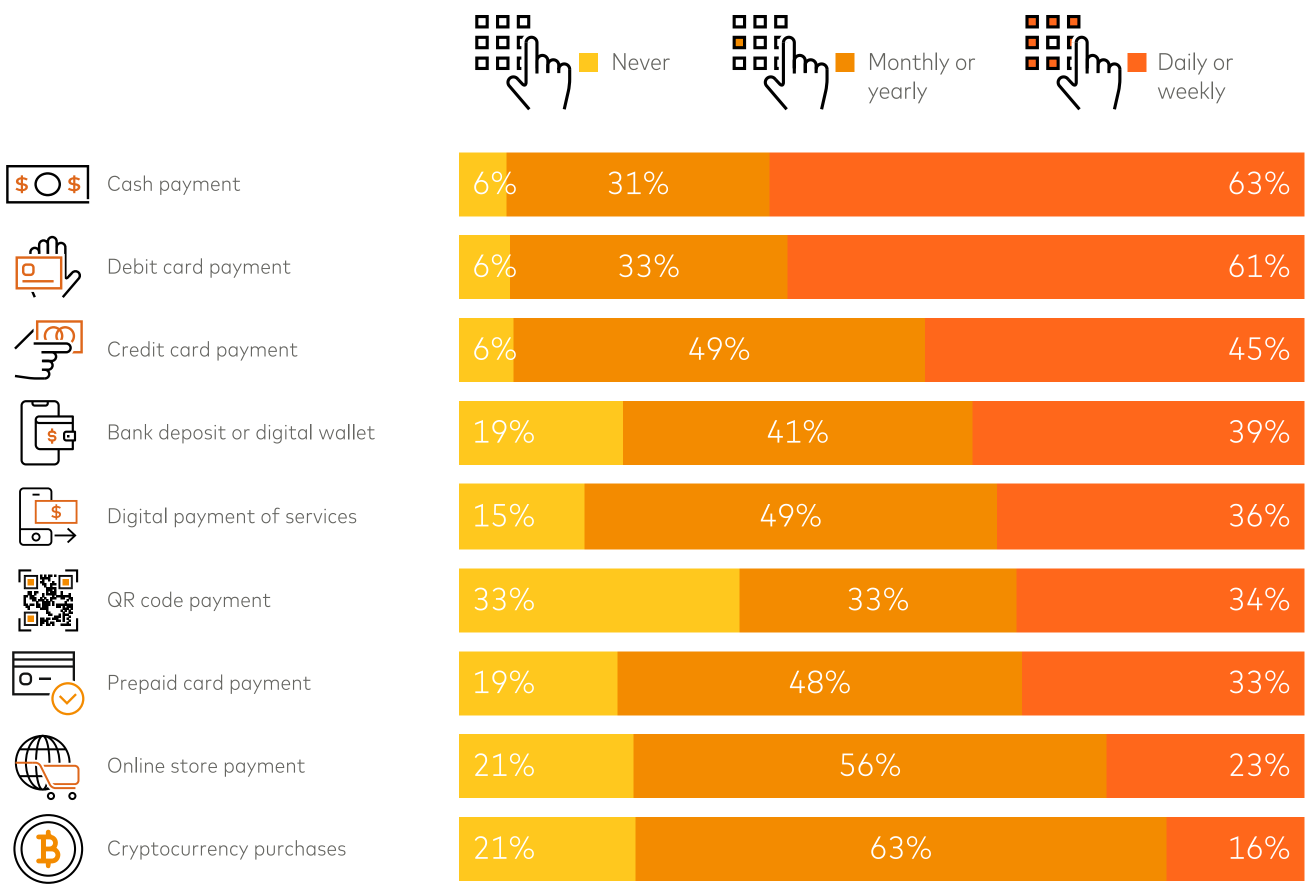
Question: What percentage of your monthly expenses are paid in cash?
N=1,848
Source: PCMI

The frequency of cash use also remains high. Considering all income brackets, 63% of respondents reported making cash payments daily or weekly (see Figure 3 below). The second most frequently used payment method was debit cards, followed by credit cards, demonstrating that despite advances in alternative payment methods, cards still hold a strong value proposition for consumers in the region for several reasons. First, they provide security and convenience for both online and offline purchases. Second, they feature attractive rewards programs and opportunities to build credit history (in the case of credit cards), among other factors.

Considering all income brackets, 63% of respondents reported making cash payments daily or weekly.

FIGURE 3

Frequency of financial transactions with specific products

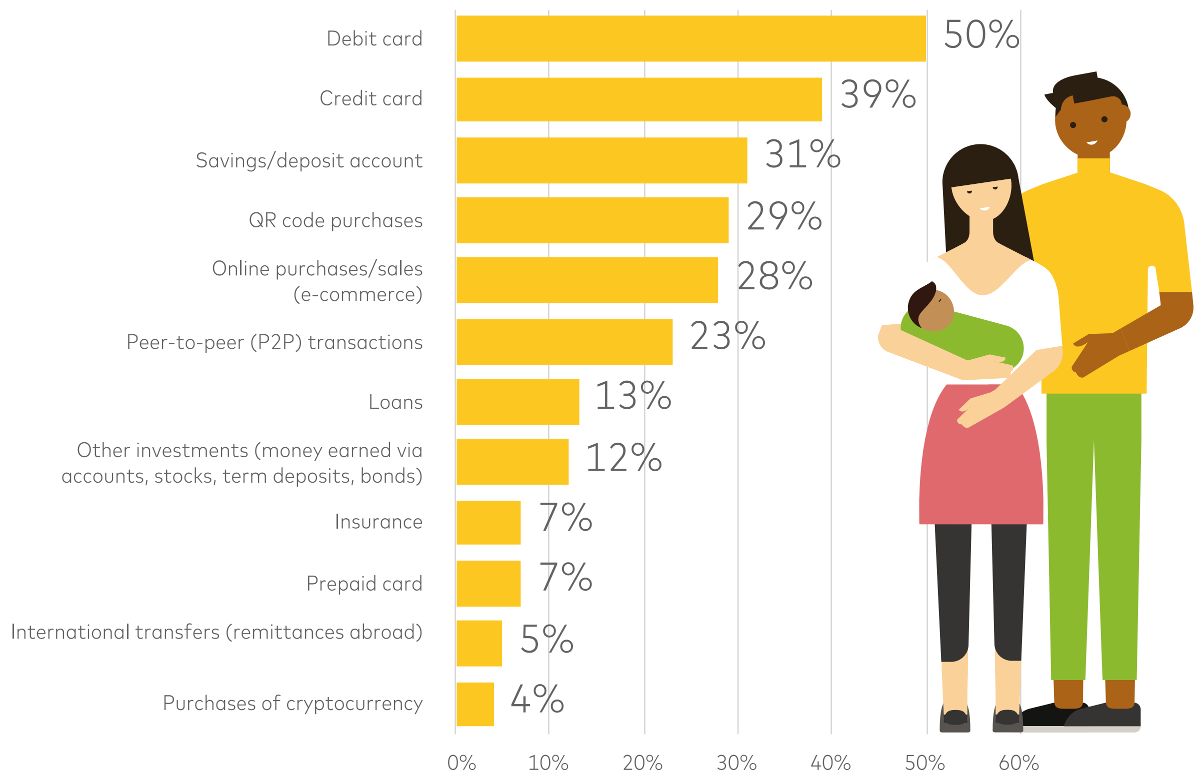


Question: How often do you perform the following financial transactions?
N=1,848
Source: PCMI

Similarly, debit and credit cards were the financial products most often cited by respondents as having a positive impact on their quality of life, with nearly 50% and almost 40% mentioning them, respectively (see Figure 4 below). They were followed by savings/deposit accounts and QR codes, which were both cited by around 30% of survey participants.

FIGURE 4

Financial products that have had a positive impact on consumers' financial quality of life



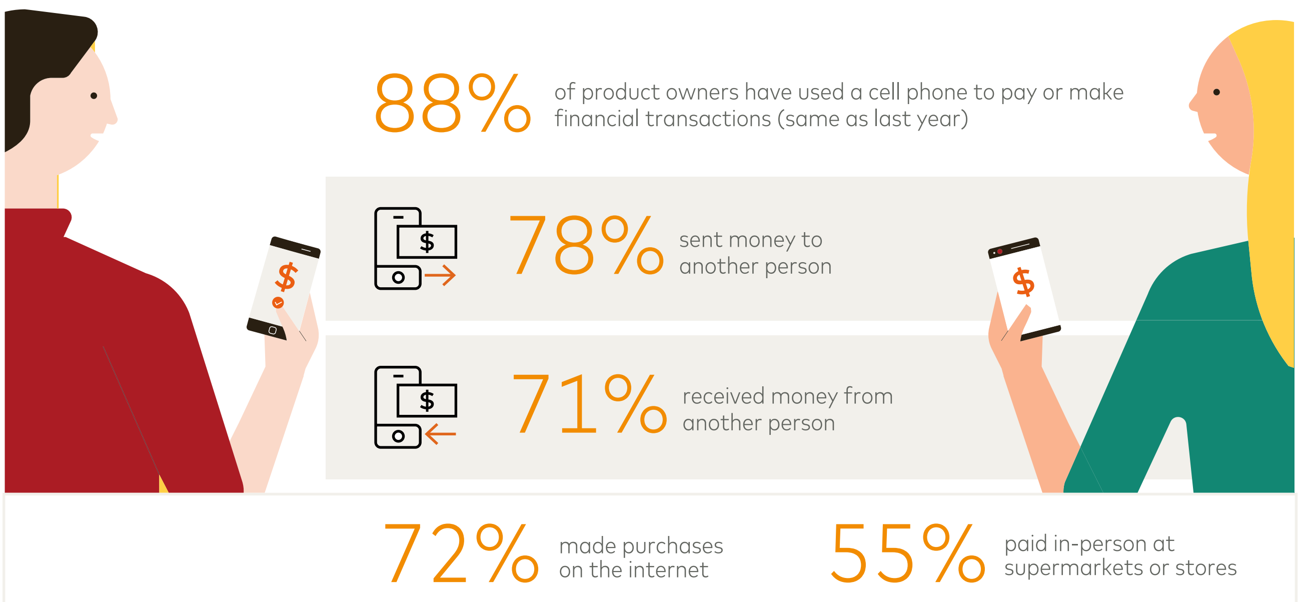
Question: Which digital financial products have had the greatest positive impact on your financial quality of life?
N=1,848
Source: PCMI

As smartphone penetration continues to soar across the region, another key trend is that mobile devices are quickly becoming the go-to method for payments and money transfers. In total, 88% of respondents said they use their phones for financial transactions (see Table 2 on p. 11).

Peer-to-peer (P2P) transfers are the most popular feature among respondents, with 78% sending and 71% receiving money via mobile devices. Phones are also widely used for online shopping (72%) and even in-person purchases (55%), which highlights the degree to which mobile technology is becoming central to people's financial lives.

TABLE 2

Mobile financial usage

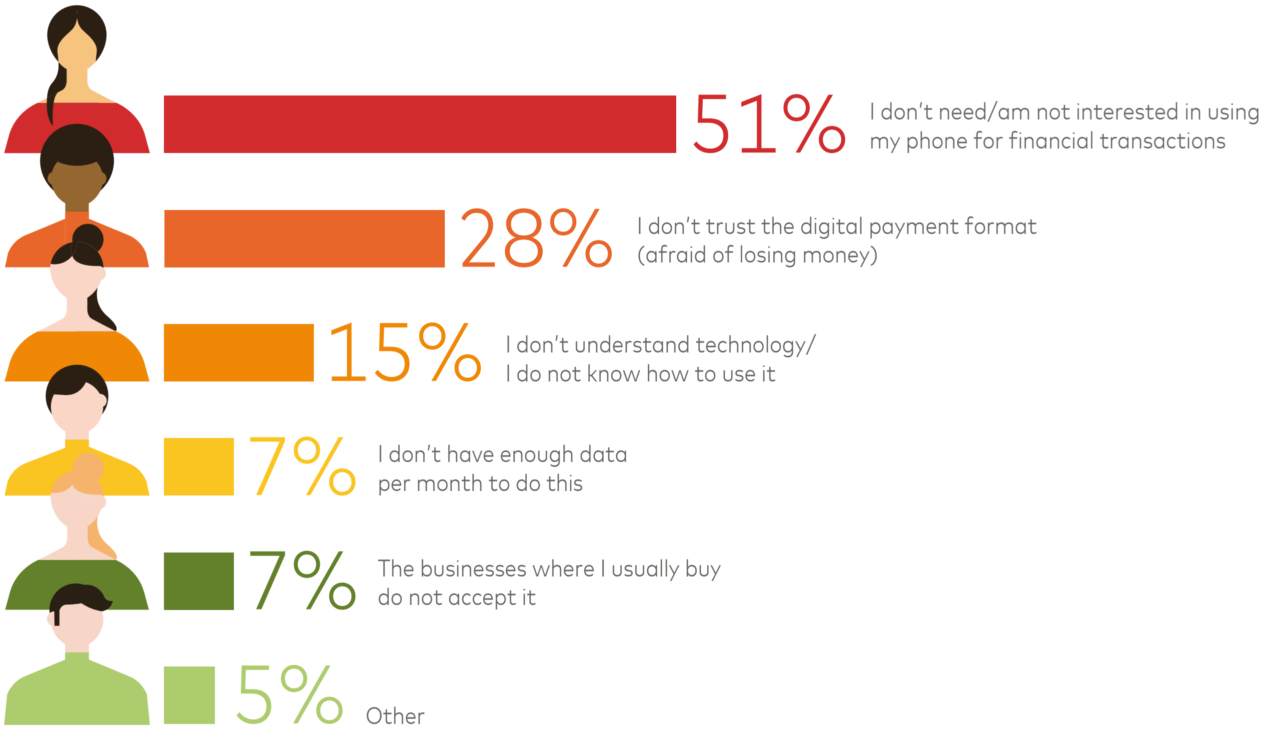


Question: In the last 12 months, have you used a cell phone to pay for services or to send or receive money using a feature such as a digital wallet, other bank application (home banking), or other mobile-based application? N=1,848
Question: What specifically have you used your cell phone for? N=1,584
Source: PCMI

A small group of individuals didn't use their phones for financial transactions in the previous year. Two main reasons for this emerged: distrust of the digital payment format and a lack of understanding of how the technology works (see Figure 5 on p. 12). These reasons provide insight into opportunities to address these concerns, and increase adoption, by building trust and educating people about the tech so they feel more comfortable using their phones for financial tasks.

FIGURE 5

Reasons for not using a cell phone to pay for services, or to send or receive money



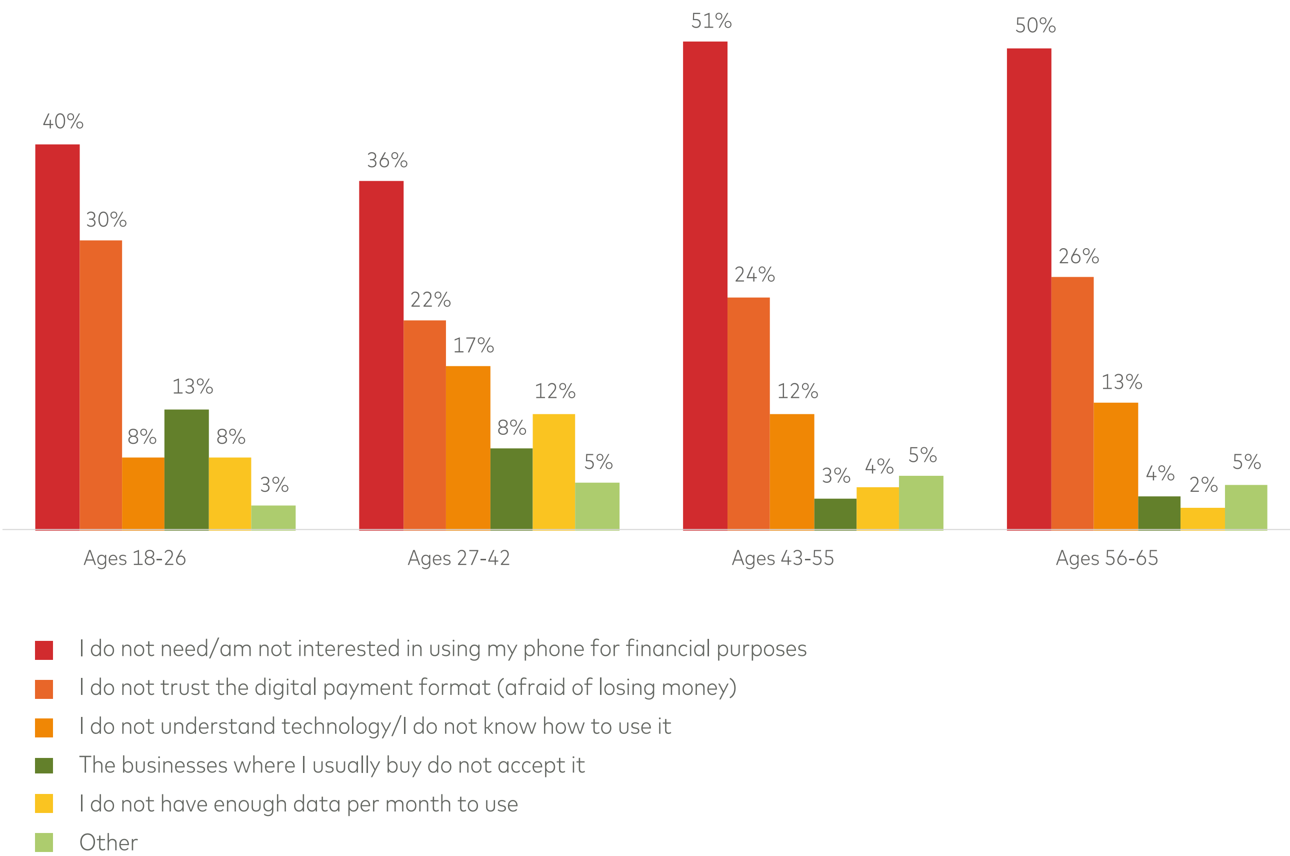
Question: Why did you not use your cell phone to pay for services or to send or receive money using a service such as a virtual wallet or another bank application on your cell phone?
N=264
Source: PCMI

When it comes to digital payment formats, concerns about trust seem to be highest among young consumers (ages 18-26).

Surprisingly, concerns about trust seem to be higher among younger consumers (ages 18–26). In this age group, 30% of respondents said they don't trust digital payment formats, compared to 24% of consumers ages 43–55 and 26% of those ages 56–65 (see Figure 6 on p. 13). On the other hand, only 3% of consumers ages 18–26 reported that the businesses where they usually shop do not accept mobile payments, compared to 5% of consumers in other age groups (27 years or older).

FIGURE 6

Reasons for not using a cell phone to pay for services, or to send or receive money



Question: Why don't you use your cell phone to pay for services or to send or receive money using a service such as a digital wallet or another bank application on your cell phone?
N=264
Source: PCMI

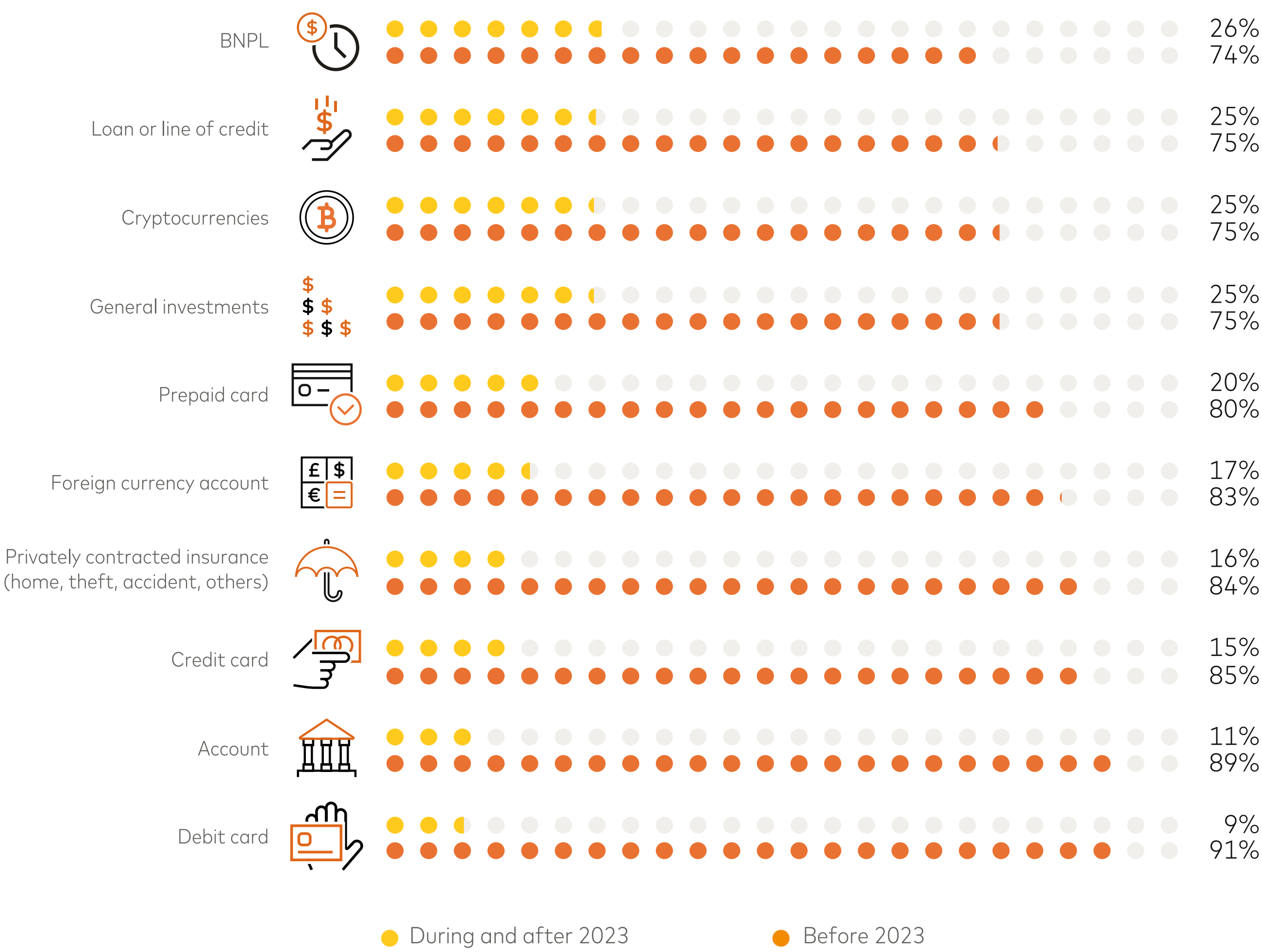
The survey revealed a shift in key financial inclusion trends across LatAm: for some time, the region experienced significant growth in access to foundational financial products, such as savings/debit accounts and cards. Currently, there also seems to be a notable increase in the adoption of emerging financial products, including loans, cryptocurrencies, foreign currency accounts, investment options, and Buy Now Pay Later (BNPL) solutions.

This suggests that as basic financial services become more widespread and LatAm's financial ecosystem matures, the region is entering a second phase of financial inclusion, marked by the expansion of other financial tools.

Interestingly, the rate of individuals accessing some emerging financial products for the first time after 2023 is similar across different age groups (see Figure 8 on p. 15). For instance, 23% of individuals ages 40–65 began trading cryptocurrencies post-2023, compared to 26% of those ages 18–39. As expected, the age-related difference is more significant for foundational financial products. For instance, consumers ages 18–39 are more likely to have first accessed a credit card after 2023 than those aged 40 years or older. The gap in this case is 14 percentage points (23% versus 9%, respectively).

FIGURE 7

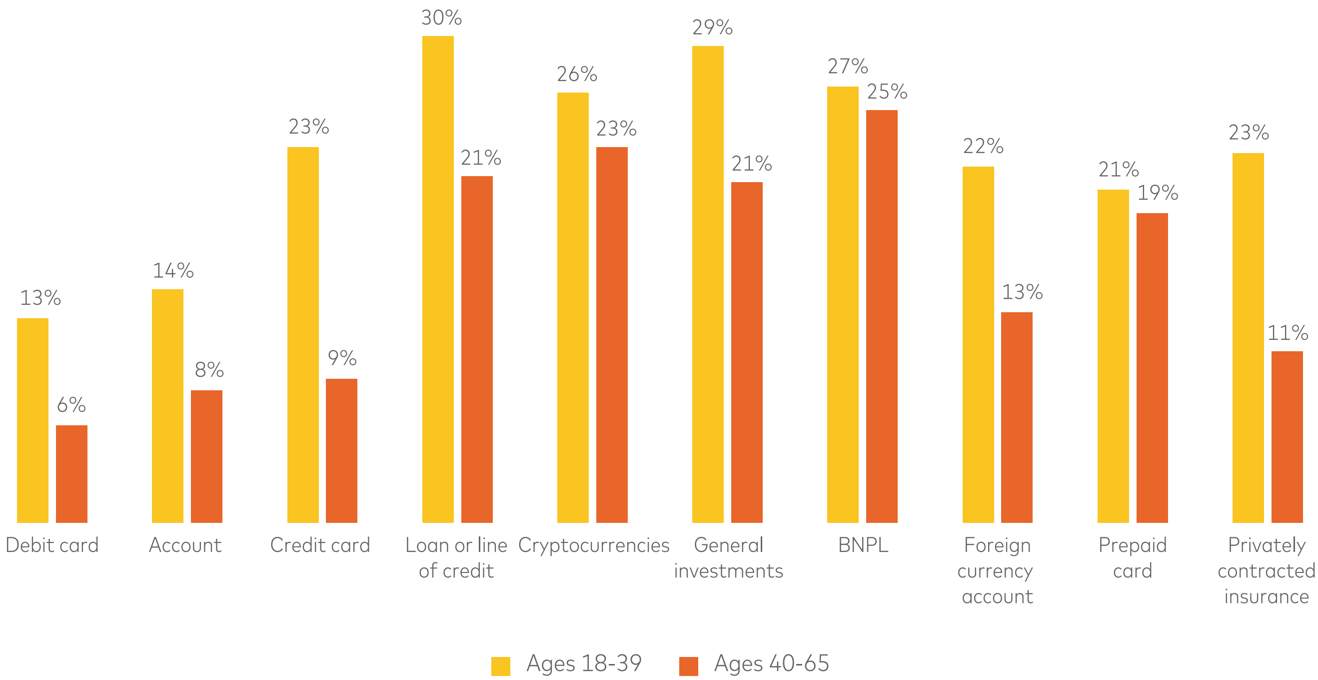
First access to specific financial products



Question: When did you access each of these products for the first time?
N=1,747
Source: PCMI

FIGURE 8

First access to specific financial products (% of product owners that accessed the product after 2023, by age group)



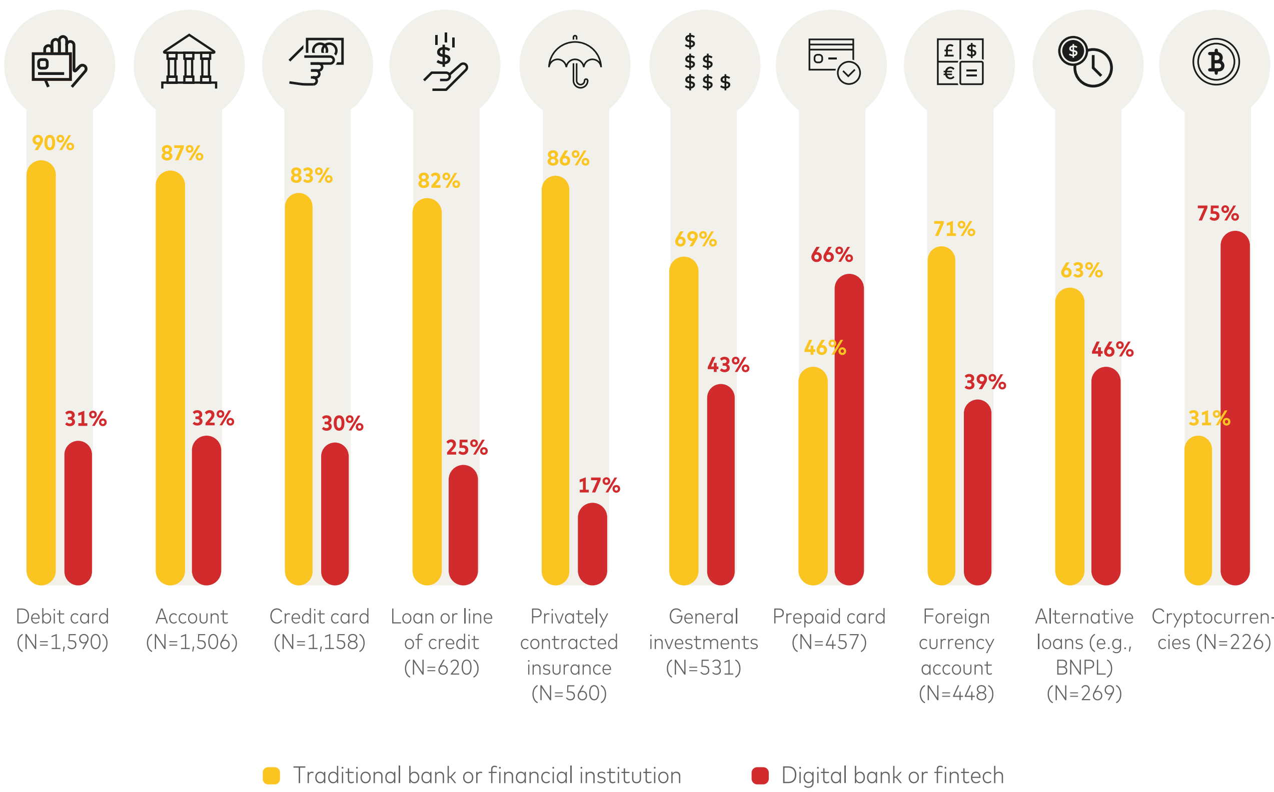
Question: When did you access each of them for the first time?
N=1,747
Source: PCMI

Many of these emerging products are provided by fintechs. For instance, as shown in Figure 9 on p. 16, a relatively large share of respondents reported using fintechs to access cryptocurrencies (75%), prepaid cards (66%), BNPL solutions (46%), investment instruments (43%), and foreign currency accounts (39%).

Overall, younger consumers were more likely than older generations to use fintechs to access financial products, and this trend was consistent across all product categories, including foundational ones. For instance, 50% of respondents ages 18–39 accessed investment instruments through fintechs, compared to around 35% of those ages 40–65. Similarly, 36% of the younger group had a fintech-issued credit card, while only 25% of the older group did. The Argentine neobank Ualá offers a good example of this tendency. "Initially, our main product, a digital wallet, appealed largely to younger and lower-income individuals," recounts Christopher Stromeyer, Ualá's Chief of Staff and Head of Strategy. "However, as we expanded our product offerings, we attracted a broader audience, including more affluent clients who choose us over traditional banks for the better user experience and lower fees. Many of our users have also grown with us, starting as students or entry-level workers, and eventually becoming upper-middle-income earners who engage with our broader ecosystem, including trading and credit products."

FIGURE 9

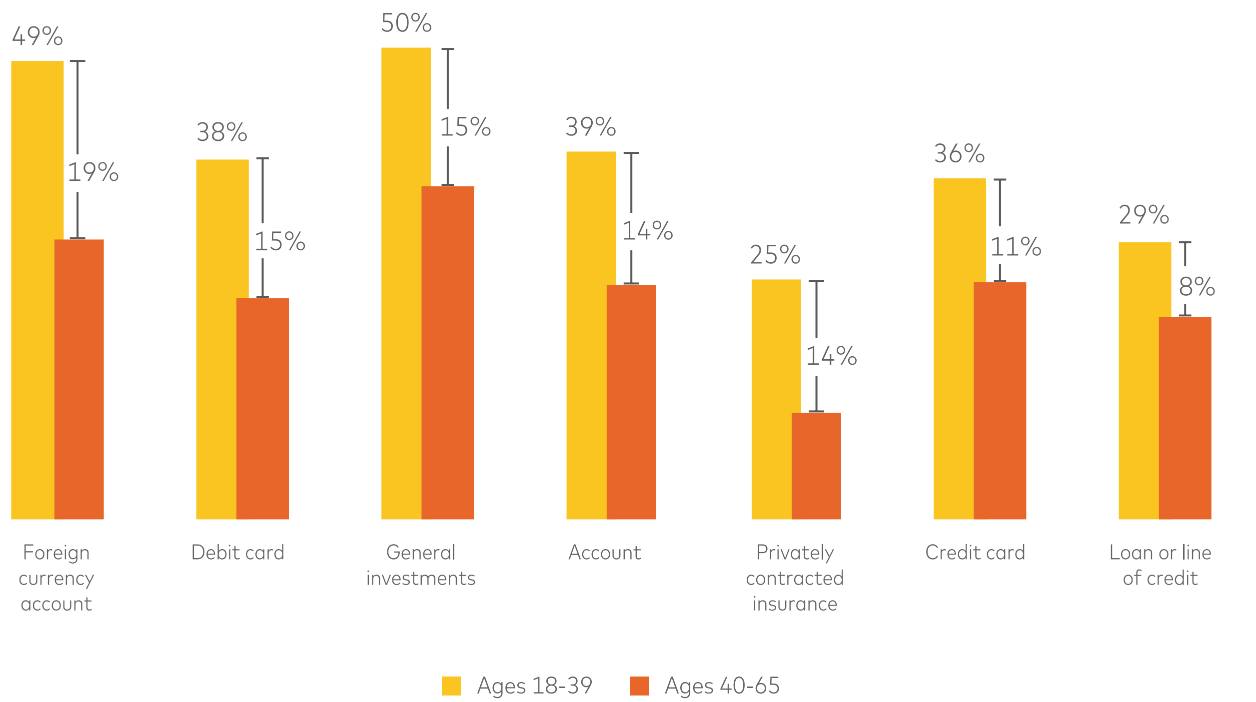
Breakdown by institution type: % of product owners



Question: Do you currently have any of the following financial products? With what type of institutions?
N=1,747
Source: PCMI

FIGURE 10

Financial product ownership in fintechs by age group



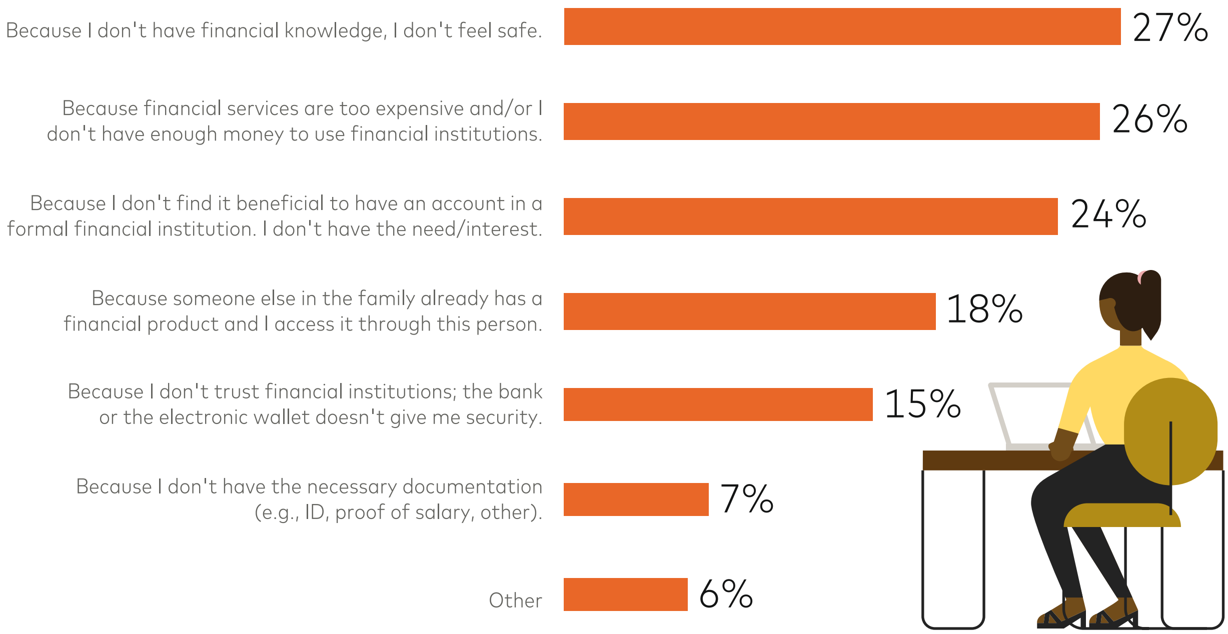
Note: In the graph, for the 40-65 age group, the figure expressed is the difference between that group and the 18-39 age group. Thus, 49% of those aged 18-39 have a foreign currency account obtained from a fintech and 19% less of those aged 40-65 have such an account, i.e. 30%. We did this to show the differences between age groups.
N=1,747
Source: PCMI

Millennials and GenZ are 34% more likely to own financial products in a fintech or digital bank than are older respondents.

Fewer than 6% of respondents said they did not have access to any financial products or services. For this group (see Figure 11 on p. 18), the most frequently cited reasons were related either to trust and lack of knowledge ("I don't have financial knowledge"/"I don't feel safe") or to the costs of the services ("Financial services are too expensive"/"I don't have enough money").

FIGURE 11

Reasons for not having a financial product with a financial institution



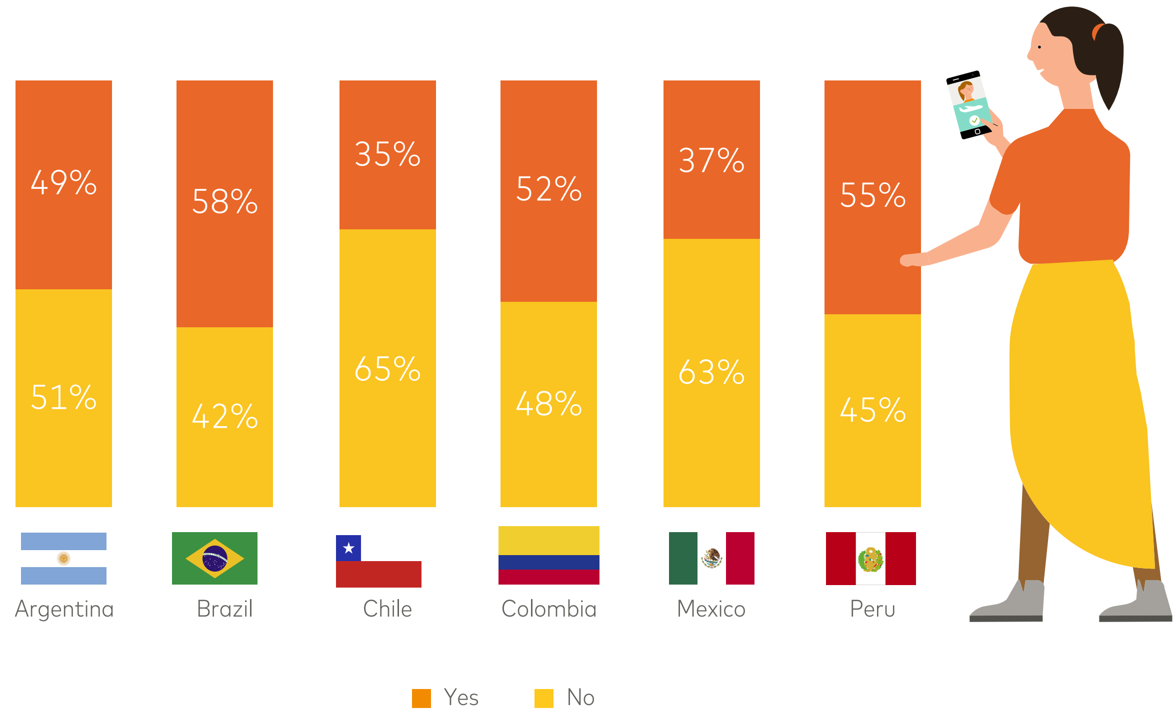
Question: Why do you personally not have a financial product in any financial institution?
N=101
Source: PCMI

Fintech's role in financial inclusion

Fintechs have played a crucial role in driving financial inclusion in Latin America by offering accessible and innovative financial services, particularly to the region's underserved populations. Nearly half of survey respondents claimed that fintechs enabled them to access financial products that were previously unavailable to them. In Brazil, Colombia, and Peru, the rate was even higher: 58%, 52%, and 55%, respectively (see Figure 12 on p. 20).

FIGURE 12

Percentage of fintechs that allowed users access to financial products/services that were previously unavailable (by country)



Question: Have fintechs allowed you to access financial products or services that you were previously unable to obtain?
N=1,848
Source: PCMI

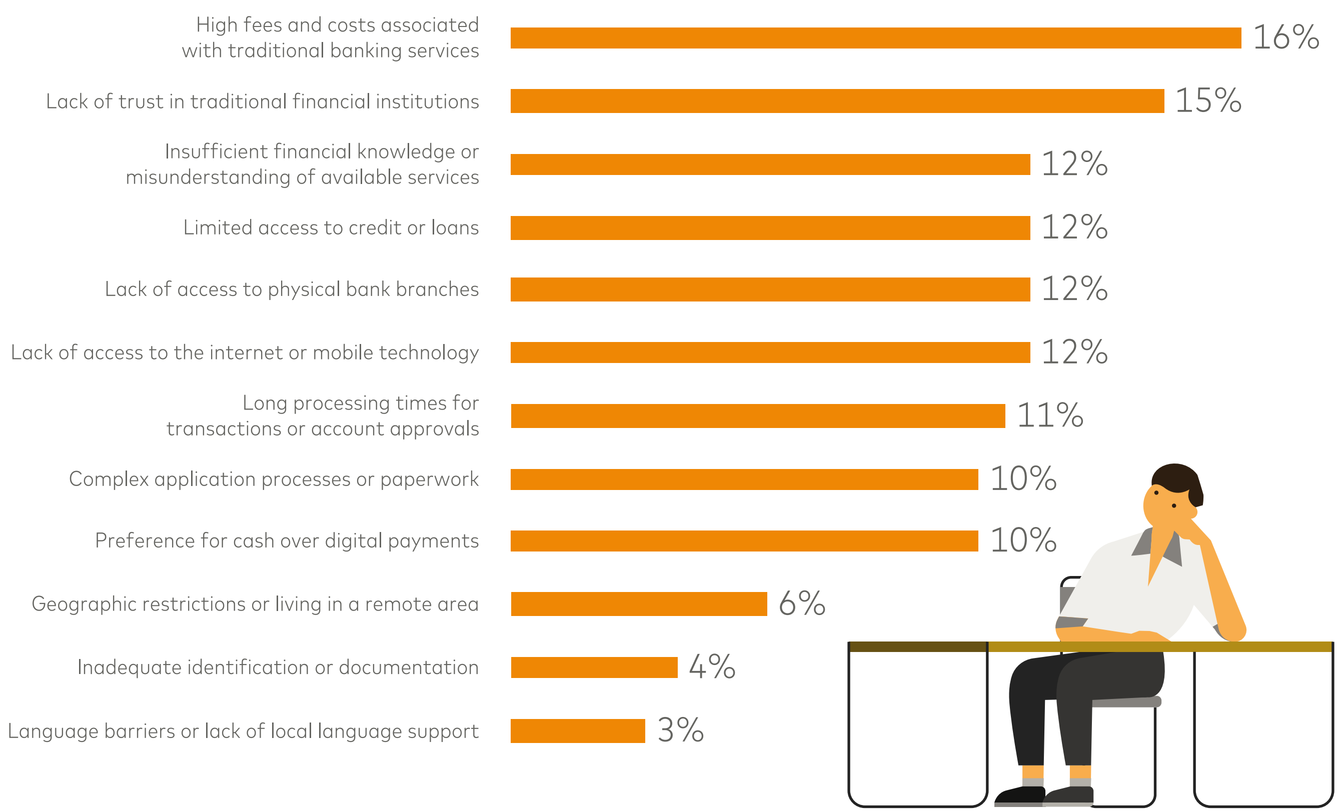
Nearly half of survey respondents claimed that fintechs enabled them to access financial products that were previously unavailable to them. In Brazil, Colombia, and Peru, the rate was even higher: 58%, 52%, and 55%, respectively.

According to respondents, before they used fintech solutions, their main barriers to accessing financial services were high fees and costs associated with traditional banking, as well as a lack of trust (see Figure 13 on p. 21). Some incumbent banks have worked to address these concerns in recent years, particularly through the adoption of digital technologies and other tools to improve the customer experience. They now face a much more crowded market, as the number of fintechs in Latin America has risen by 340% since 2017.[7] Additionally, from the beginning, the region's fintechs have recognized the importance of building trust and having clear, reasonable fee structures.

"Our responsibility in this market is to earn consumers' trust by providing real value, such as credit and tools that genuinely make their financial lives easier," says Tory Jackson, Head of Business Development and Strategy at the financial technology platform Galileo. "Consumers don't care about logos, but they want financial products and services to work seamlessly."

FIGURE 13

Barriers to accessing financial services before using fintech solutions



Question: What barriers, if any, did you face in accessing financial services before using fintech solutions?
N=1,848
Source: PCMI

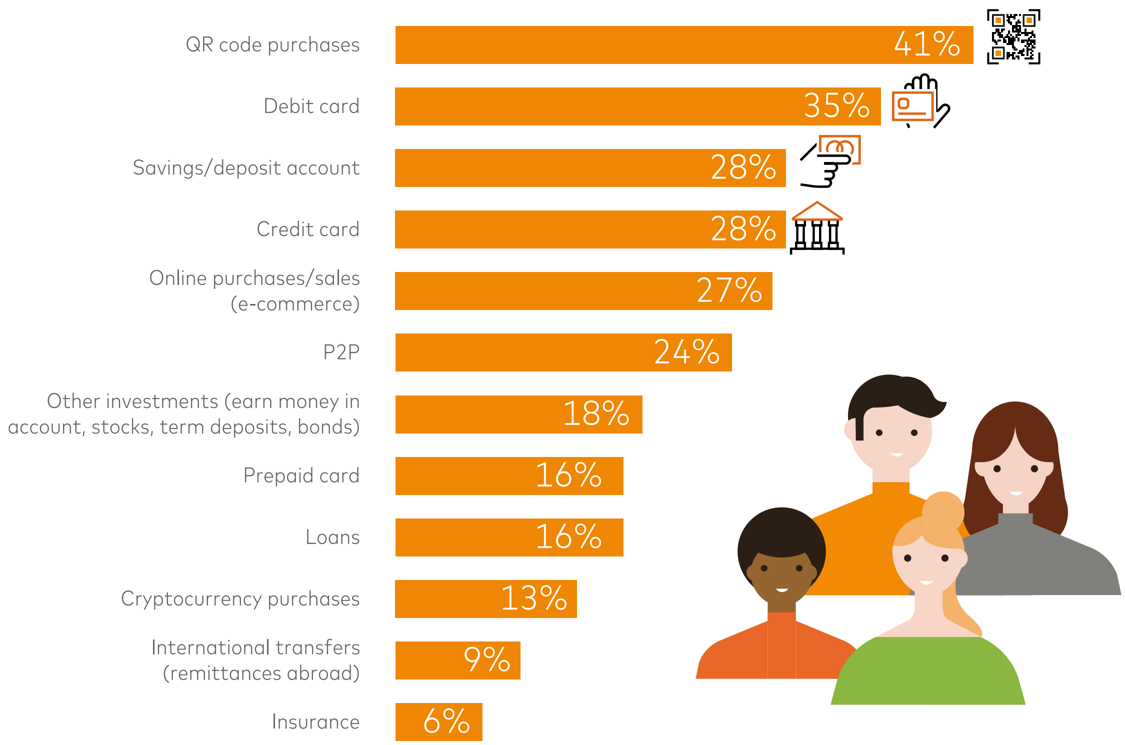
Three-fourths of respondents said that fintechs have helped them rely less on cash, leading to more efficient management of their finances.

As shown in Figure 14 on p. 22, among the financial products that respondents first accessed through a fintech were QR code solutions, mentioned by an average of 41% of respondents. There were notable differences among countries, though. In Argentina and Peru, 63% and 46% of respondents, respectively, reported first accessing QR code solutions through a fintech, while in Mexico the share was only 21% and in Chile, 34%.

Figure 14 also shows that a relatively high share of respondents reported that they first accessed foundational financial products through a fintech: nearly 35% for debit cards, and 28% for both savings/deposit accounts and credit cards. This reinforces the crucial role that fintechs play in Latin America in ensuring access to essential entry-level financial services.

FIGURE 14

Financial services first accessed through a fintech



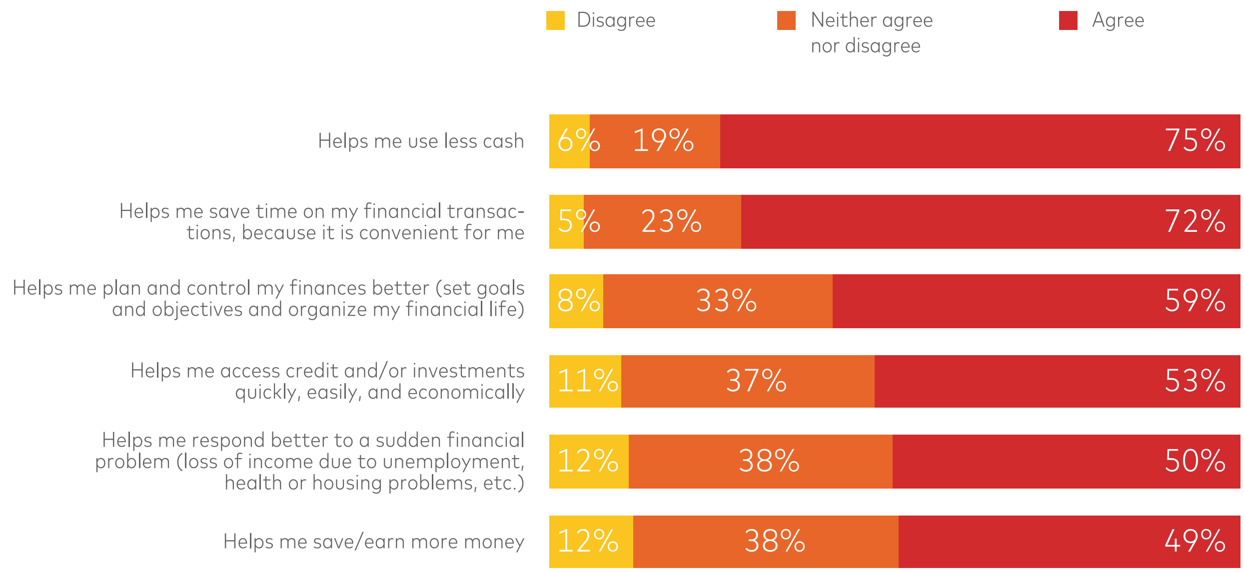
Question: Which of the following financial services did you first access through a fintech company?
N=880
Source: PCMI

The popularity of QR codes is another indication that, despite the persistence of cash use, digital payment methods are steadily gaining ground in LatAm—with fintechs serving as a major driving force behind this movement. Similarly, real-time payment infrastructures have accelerated this digitalization. "In Brazil, for instance, Pix has been a key catalyst for financial inclusion across all segments of society, motivating the opening of a significant number of digital accounts," says Fernando Bacchin, Director of Transactional Products at Brazilian digital bank Inter. "By bringing more customers into the financial ecosystem, Pix has created more opportunities for fintechs than technological challenges," he explains.

In the survey, 75% of respondents said that fintechs have helped them rely less on cash, leading to more efficient management of their finances. Additionally, 72% reported that fintechs have made transactions more convenient, saving them time (see Figure 15 below).

FIGURE 15

Effects of access to digital financial services



Question: How much do you agree with the following statements? "Having access to digital financial services..."
N=1,748
Source: PCMI

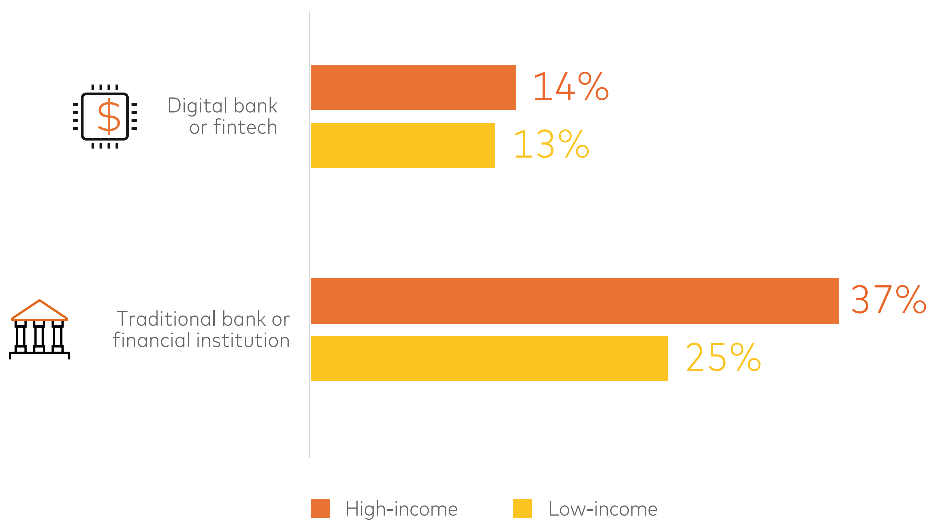
More than 28% of respondents indicate they accessed their first savings/deposit account through a fintech.

By serving lower-income populations, fintechs have also helped promote greater equality in access to financial services. "About 80% to 90% of fintechs in Latin America are helping to improve financial inclusion by offering products that traditional banks often don't provide to low- and middle-income individuals and small businesses," explains Miguel Armaza, co-founder of Gilgamesh Ventures, an early-stage global fintech venture capital fund. "The most impactful area has been access to credit. For instance, in Mexico, fintech Xeppelin provides credit to small and medium enterprises, along with software to help them manage their finances."

Another example is the neobank Albo, also located in Mexico. "Our target audience is under-banked people, who have limited access to traditional banking services but have the potential to thrive with the right financial support," explains Dorothée Mare, Albo's Chief of Staff. "What sets us apart is our full spectrum of products—from debit accounts to credit and crypto. Albo is one of the few fintechs in Mexico that offers an entire ecosystem with comprehensive solutions for both individuals and businesses," says Mare.

FIGURE 16

Financial products by provider type, by income group

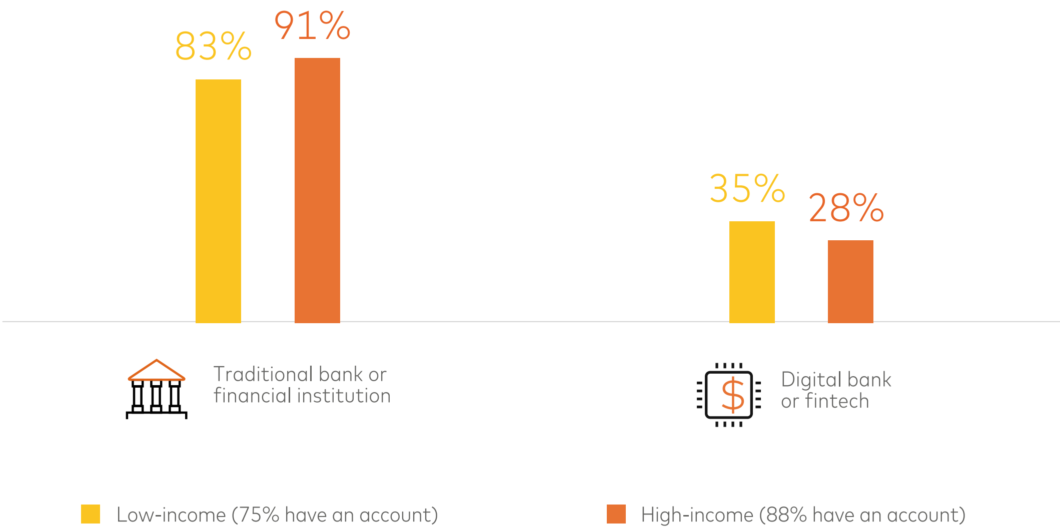


Question: Do you have financial products from these types of financial services providers?
N=1,747
Source: PCMI

Some fintechs have also invested in educational initiatives as part of their efforts to build trust and address security concerns. As result, they have helped to empower low-income and young individuals with the knowledge to confidently engage with financial services (see Figures 17-19 on p. 25).

FIGURE 17

Low-income account owners are more likely to have accounts in digital banks vs. high-income respondents



Question: Do you currently have any of the following financial products?
N=1,343
Source: PCMI

FIGURE 18

Debit card owners by institution type and income level

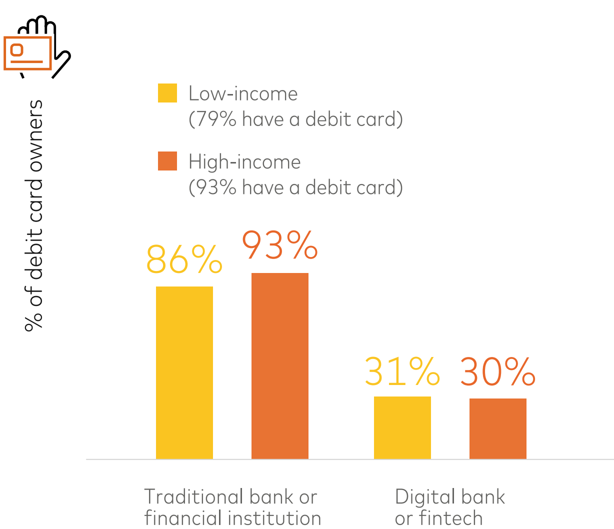
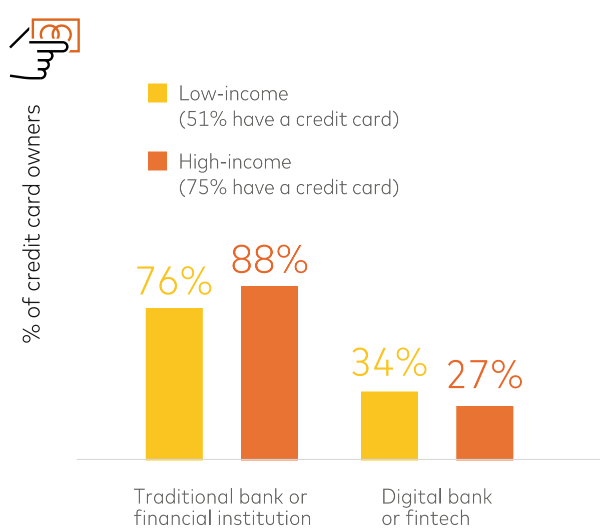


FIGURE 19

Credit card owners by institution type and income level

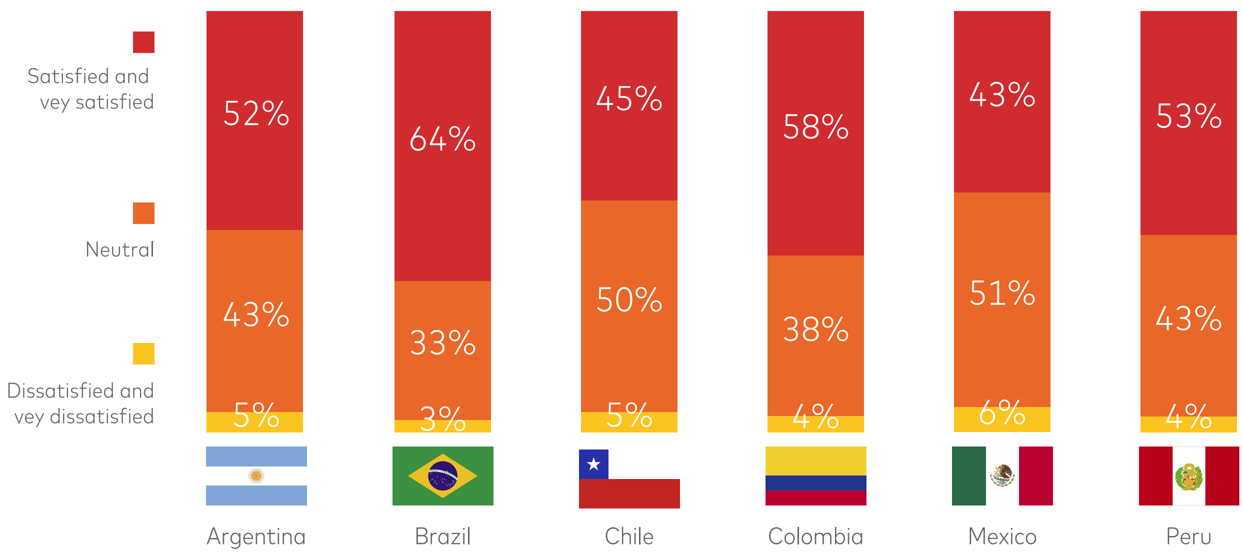


Question: Do you currently have any of the following financial products?
N=1,158; N=1,509
Source: PCMI

In terms of user satisfaction, fintechs seem to be doing a reasonably good job. In all countries surveyed, only 5% of the respondents said they were unsatisfied with the value offered by the fintechs they use, while 52% said they were satisfied or very satisfied with them (see Figure 20 below for results by country).

FIGURE 20

Level of satisfaction with the value provided by fintech services



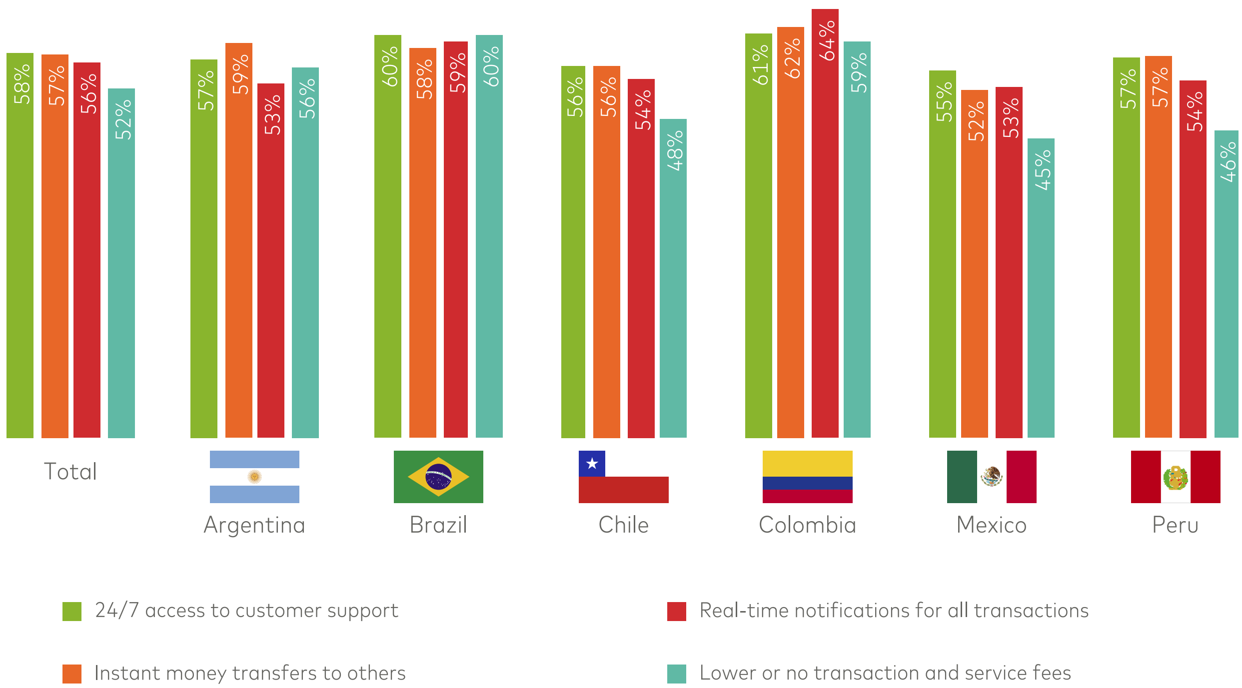
Question: How satisfied are you with the value provided by the fintech services you currently use?
N=1,848
Source: PCMI

The list of most valued fintech features varies across countries (see Figure 21 on p. 27). In Colombia, for instance, the preferred feature is real-time notifications for all transactions, mentioned by 64% of respondents. Argentines prioritize instant money transfers (59%), while in Brazil, the most appreciated features are 24/7 access to customer support and lower or no transaction and service fees (both cited by 60% of respondents).

Only 5% of respondents said they were unsatisfied with the value offered by the fintechs they use, while 52% said they were satisfied or very satisfied.

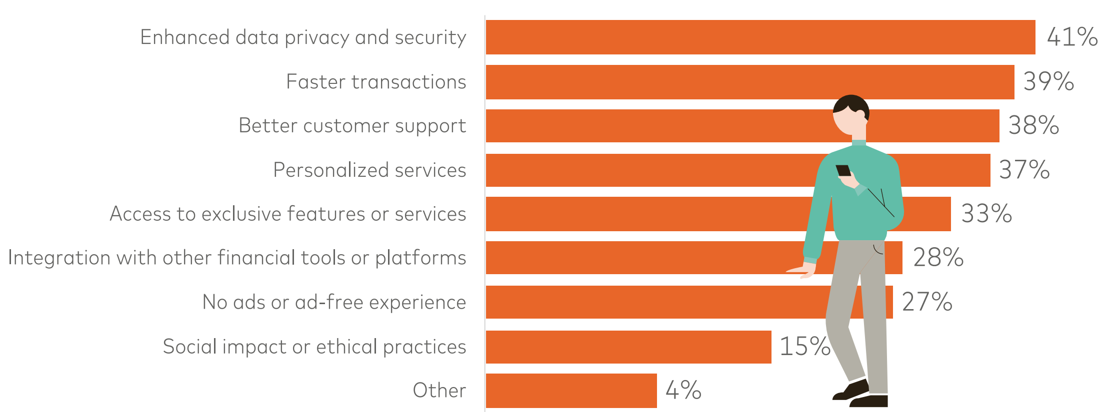
Enhanced data privacy and security is also a feature valued by Latin Americans: over 4 in 10 respondents said this feature would make them more likely to pay for fintech services (see Figure 22 on p. 27).

FIGURE 21
Most valuable features per country



Question: What factors would make you more likely to pay for fintech services?
N=1,848
Source: PCMI

FIGURE 22
Factors that would make consumers more likely to pay for fintech services



Question: What factors would make you more likely to pay for fintech services? (Respondents that are "not sure" or are willing to pay a fee for a fintech service: 57%)
N=1,045
Source: PCMI

Evolving in LatAm's market

Typically, a successful fintech experiences four development phases. As it starts operating, its focus is on building a market presence and adapting to local consumers' preferences. To achieve this, it must make heavy investments in technology and marketing, which often results in negative cash flows. As the company moves into the growth phase, scaling operations becomes its main objective, leading to an increase in customer acquisition costs. In the maturity phase, the fintech's focus shifts from rapid growth to operational efficiency. Its ultimate goal is to reach the fourth stage, which is characterized by sustainable, profitable growth.

On the next page, Figure 23 shows a list of strategies typically adopted by fintechs in each stage, although there are variations on a case-by-case basis.

FIGURE 23

A fintech's journey to profitability

MARKET ENTRY

Acquire customers and burn cash

Strategies

- Launch free or low-cost products that clearly satisfy customer needs
- Invest in client acquisition, including offering rewards, incentives, discounts, and other loyalty benefits
- Onboard partners to help enrich the platform through extended distribution and additional services

GROWTH PHASE

Grow client base and retain customers

Strategies

- Adjust marketing strategies and incentives to promote customer activation and retention
- Broaden product portfolio to expand and diversify client base
- Improve and iterate on products based on customer feedback
- As volumes increase, begin optimizing technology, partnerships and costs to increase efficiency

MATURITY PHASE

Begin to monetize and drive efficiency

Strategies

- Invest in higher margin products (i.e., lending, investments) and product customization according to user personas (i.e., Gen Z, SMEs, gamers, etc.)
- Reduce customer acquisition costs through more targeted marketing, reducing incentives, and optimizing loyalty programs
- Seek economies of scale through international expansion, acquisitions, partnerships, etc.
- Hire professional executive management, replacing or complementing the original founders

SUSTAINABLE PROFITABILITY

Achieve long-term profitability

Strategies

- Iterate on and consolidate high-margin products (i.e., stock market investing, corporate services)
- Strategically refocus value proposition in key markets
- Begin pivoting into new lines of business to create additional revenue streams (i.e., travel, telecom, entertainment/streaming services, etc.), without losing competitive advantage in the core offering
- Prioritize leveraging customer data to improve customer service, product development and internal operations
- Implement AI strategies to further personalize products and services to customers and hyper-fuel growth

Source: PCMI

In Latin America, fintechs started to gain traction in the mid-2010s. Initially, they grew by leveraging two clear market opportunities. First, as previously mentioned, huge segments of LatAm's population—mainly low-income individuals—were underserved by incumbent financial institutions. Second, some traditional banks across the region notoriously struggled with customer experience, so clients were open to testing innovative solutions that offered them more speed and convenience in accessing financial services.

Fintechs introduced new technologies and improved practices in areas such as credit concession (e.g., with alternative credit scoring), remittances, and payment processing.

These early years of LatAm's fintech boom saw a huge surge in investments in this sector. Countries like Brazil, Mexico, and Colombia became key hubs for fintech innovation, attracting substantial venture capital funds with the promise of high returns. Fintechs introduced new technologies and improved practices in areas such as credit concession (by using alternative credit scoring, for example), remittances, and payment processing. Without the burden of large physical infrastructures, they could also charge lower fees or even (as many of them did) offer free services like card issuing or the opening and maintenance of savings or deposit accounts.

Much of fintech's growth during this early phase stemmed from providing essential financial services, such as cards and accounts. Expanding the market presence of these companies required significant investments in marketing and technology. As expected, this led to negative cash flows, with operating costs often supported by venture capital funding. For instance, Nubank, one of the largest fintechs in Brazil (and Latin America), operated at a loss for several years before turning a profit in 2023.[8]

In the last two years, the excitement surrounding increased digitalization has waned. Investors are also becoming more cautious, placing greater emphasis on sustainable growth and profitability. The number of financial startups in LatAm began to increase at a more moderate pace. While the number of fintechs in the region surged by 66% between 2017 and 2018, growth slowed to 22% from 2021 to 2023.

In turn, many fintechs in LatAm have focused on optimizing and streamlining their operations. Many are also paying greater attention to revenue diversification, prioritizing products that offer higher margins and returns, such as lending and investments. The challenge is to accelerate their journey toward profitability without sacrificing their innovative edge. In other words, fintechs seek to maintain high levels of cost efficiency while diversifying their revenue sources by innovating and exploring new products and services.

The fintech fast track to profitability

Fintechs across Latin America are adopting at least five strategies to improve their financial performance, boost profits, and grow sustainably as the region's financial ecosystem matures.

#1: Revenue stream diversification: Innovating in products and services

As the financial inclusion gap narrows, the business opportunity associated with providing underserved populations access to basic financial services is not as robust as it was in the 2010s, but it is still significant. Credit cards, for instance, remain an aspirational financial product (a product that customers aspire to acquire as their income increases) and, according to PCMI data, are the preferred payment method for online purchases in many LatAm countries, including Brazil, Colombia, Chile, and Mexico.

Today there is also growing customer interest in alternative or "emerging" financial services, such as investment instruments, insurance, cryptocurrency, foreign currency accounts, and so on.

Fintechs need to identify which services and products best meet their clients' needs, while also contributing to their own sustainable growth (see Table 3 below for an overall evaluation per country). Simultaneously, they must improve the customer experience for each product category and ensure that their core offerings and related features genuinely add value to consumers. "Becoming multi-product is an effective strategy for achieving profitability, as it allows companies to increase their average revenue per user," observes Miguel Armaza, co-founder of Gilgamesh Ventures, an early-stage global fintech venture capital fund. "This approach is not new, but it remains critical as fintechs mature, enabling them to expand beyond traditional revenue models like transaction fees."

TABLE 3

Impact of financial products and services contributing to increased levels of profitability in each country

	Argentina	Brazil	Chile	Colombia	Mexico	Peru
Digital wallets	High	Medium	Medium	Medium	Medium	Medium
P2P payments	Medium	Medium	Medium	Medium	Low	Medium
Alternative lending	High	High	Medium	High	High	High
Remittance services	High	Medium	Medium	High	High	Medium
Investment platforms	Medium	Medium	High	Medium	Low	Low
Saving tools	Low	High	High	Low	Medium	Low
Credit solutions	Medium	High	High	High	High	Medium
Bill payment platforms	Low	Medium	Medium	Medium	Medium	Medium
Microfinance solutions	Low	Low	Low	Low	Medium	High
Mobile payments	High	Medium	High	Medium	Medium	High
Financial education tools	Medium	High	Medium	Medium	Low	Medium
Digital banking services	Medium	Medium	Medium	Medium	Medium	Medium
Instant payments (Pix)	N/A	High	N/A	N/A	N/A	N/A

Source: PCMI analysis

Many fintechs are already advancing in this direction, integrating a wide range of value-added products and services to their platforms—from financial management and financial education tools to bill payments and microloans. These new services not only add convenience for users, fostering customer loyalty, but also open new potential revenue streams. For instance, Mexican fintech Stori has recently launched a premium credit card for users who, despite having a good credit history, have had limited access to financing at traditional banks. The new card, called Stori Black, offers consumers access to cash-back programs, zero annual fees, and the ability to defer purchases for up to 12 months without interest.[9]

Another example is Kueski, a Mexican fintech that initially focused on microloans, but then expanded its offerings to services such as bill payments and BNPL e-commerce financing. With a solid presence in countries like Argentina, Brazil, and Mexico, Mercado Pago, the financial arm of Mercado Libre, offers users digital wallets, insurance, loans, and investment products, having integrated all these services into its e-commerce ecosystem.

#2: Fine-tuning the value proposition

In some cases, exploring new services and products can be part of a broader strategy to refine a fintech's value proposition. Mercado Pago is a good example of this: it evolved from an internal solution focused on Mercado Libre users into an independent system that, as mentioned, offers its customers a wide range of financial services.

Some fintechs have also increased their focus on the relatively less explored B2B (business-to-business) segment, including a few that had previously concentrated exclusively on the B2C (business-to-consumer) market. For example, even though it originally focused on consumer lending, Brazilian fintech Creditas has expanded into the B2B space by offering its credit scoring and loan management technologies to traditional banks and other financial institutions. For its part, RappiPay, the payment solution of the last-mile B2C delivery service Rappi, now also provides small restaurants and stores with payment processing and financial management tools, which helps them streamline their operations.

"The fintech landscape in Latin America has evolved rapidly," notes Jackson, from Galileo. "As the market consolidates, it is also getting harder for new startups to compete unless they offer something truly disruptive."

The emphasis on operational efficiency will also be critical for fintechs aiming to survive in a more competitive and resource-constrained environment.

Looking ahead, the emphasis on operational efficiency will also be critical for fintechs aiming to survive in a more competitive and resource-constrained environment. Thus, focusing on products and services that produce good returns and divesting, or making significant improvements on poor-performing ones, can also be an efficient strategy.

#3: Seeking partnerships and ecosystem integration

Another key strategy adopted by fintechs is forming partnerships with third-party companies, including financial groups, retailers, marketplace operators, or other tech groups. These alliances allow fintechs to leverage the infrastructure and large customer bases of these partners while providing specific services that complement their offerings. Frequently, the result is not only a boost in fintechs' revenue generation but also an increase in their market presence and credibility.

For instance, Nubank—Brazil's largest online bank, which also has a presence in Mexico and Colombia—has formed strategic partnerships with retailers and e-commerce platforms to integrate its banking services into broader ecosystems. More recently, in partnership with the Mexican company Claro, Nubank launched NuCel—a mobile phone service—in Brazil.[10]

Another example is the Chilean investment management platform Fintual, which has partnered with traditional banks and financial advisors to offer its investment products through their networks. This collaboration has allowed Fintual to reach a broader audience while benefiting from the credibility and infrastructure of established financial institutions.

#4: Implementing data management strategies

In this new context, effective data management has also emerged as a key element in the operations of fintechs across LatAm. Unlike some traditional sectors, fintechs are essentially data-centric, which means they are continuously gathering and analyzing data in real time to deliver personalized financial services to their clients. "They are inherently more agile and tech-driven," points out Jackson.

That is why fintechs' ability to collect, secure, and use data effectively is essential to ensure positive results in the long run. It can help them anticipate consumers' needs, determine the best way to serve them, and improve the customer experience. "Although there are some exceptions, large banks generally have fragmented systems, almost like a collection of systems from different branches and acquired groups. This fragmentation creates challenges for them to integrate and leverage data effectively," says Miguel Armaza, co-founder of Gilgamesh Ventures, an early-stage global fintech venture capital fund. "In contrast, fintechs are built on a unified system, allowing for easier data access and utilization," he explains.

These days, many fintechs in Latin America are maximizing the value of data by leveraging:

- **Big Data and Analytics:** Fintechs use big data technologies to process and analyze large datasets, which is crucial for understanding customer behavior and market trends. For instance, Argentine fintech Ualá employs this technology to understand customer spending habits and financial behavior. By analyzing large datasets, Ualá can then personalize financial recommendations and develop new features to cater to user needs. "We leverage data extensively across our entire ecosystem. It is central to how we operate, from credit scoring using our proprietary UaláScore system to fraud management," notes Christopher Stromeyer, Chief of Staff and Head of Strategy at Ualá. "We also use data for user-targeting, cross-selling, and incentivizing customers to engage with various products. Essentially, data defines how we build our ecosystem and foster growth."

- **Artificial Intelligence and Machine Learning (AI/ML):** These technologies are used for various tasks, including analyzing large datasets, developing credit-scoring models, detecting fraud, and automating decision-making processes. For instance, Konfío, a Mexican fintech focused on providing loans to small- and medium-sized enterprises (SMEs), uses AI and machine learning algorithms to improve the efficiency of its credit scoring. Kueski employs AI/ML to speed up loan approvals, while Nubank also uses the technology for customer service chatbots and for fraud detection.

Another major priority for fintechs is the security of customer data. Among the technologies employed to ensure a high level of security are the following:

- **Encryption and Tokenization:** Encryption is a standard practice that protects sensitive information during transmission and storage, safeguarding it from unauthorized access. In the payments industry, tokenization is one of the most used forms of protection. This technique replaces sensitive data with non-sensitive tokens, reducing data breach risks. Among the fintechs that use tokenization to enhance payment security and reduce fraud risks are Argentina-based Pomelo and Conekta, a Mexican payment processing company. Mercado Pago, also based in Argentina, also employs tokenization to protect credit card information, making it one of the leaders in secure online payments in LatAm.

- **Financial-Grade API (FAPI) Security:** FAPI is a series of best practices and specifications designed to enhance the security of APIs used in the financial sector. It addresses the security and regulatory dynamics created in the context of open banking and financial data sharing. This framework is particularly important for managing consent and ensuring that data sharing complies with regulatory requirements. Belvo, for instance, implements FAPI security standards to ensure secure communications between financial institutions and fintech apps in LatAm, helping companies comply with local open banking regulations.

- **Biometrics and Robotic Process Automation (RPA):** The use of biometric authentication, such as fingerprint and facial recognition, adds an additional layer of security for user access. It has been used by companies like Nubank, Mexican neobank Albo, and Yape, a popular Peruvian mobile payment app developed by Banco de Crédito del Perú (BCP). RPA automates routine tasks, improving efficiency and reducing costs.

Finally, fintechs in Latin America also face a complex regulatory environment, with data privacy laws varying significantly across countries. To comply with these regulations, they have also adopted several strategies:

- **Explicit and Informed Consent:** Companies work to obtain clear consent from customers before collecting and using their data.
- **Data Minimization:** This practice involves collecting only necessary data for specific purposes, aligning with legal requirements and mitigating data breach risks.
- **Regular Audits and Compliance Reviews:** Fintechs conduct audits to ensure ongoing compliance with evolving data privacy laws, identifying and addressing gaps in data management practices.

#5: Leveraging AI technologies

AI technologies have been used by fintechs in other areas aside from data management. For instance, they have allowed companies to automate repetitive tasks, optimizing costs and improving efficiency. One example is Mexican fintech Nexu, which has integrated AI into its car loan processes. By using machine learning algorithms, Nexu streamlines loan approvals, offering customers a faster and more efficient application process.

AI-powered chatbots and virtual assistants have also helped companies with customer service, enhancing user engagement and satisfaction. Brazilian digital bank Inter, for instance, leverages AI-driven virtual assistants to handle basic inquiries, allowing human agents to focus on more complex tasks and improving response times. Albo also has an initiative in this area: "We developed an AI-driven customer service agent called 'Albot,' which answers users' questions about their financial situation and helps them make decisions," says Dorothée Mare, the neobank's Chief of Staff.

AI has been crucial in detecting and preventing fraud, as it can quickly identify changes in operation patterns.

Finally, AI has been crucial in detecting and preventing fraud, as it can quickly identify changes in operation patterns. One example: In Colombia, RappiPay has used machine learning algorithms to identify transaction anomalies that could indicate fraud, enabling the company to take preventive measures quickly.

In all these tasks, companies need to ensure that AI is used ethically. One way to do that is to set up an AI review board of experts from various domains, including legal, privacy, product, and business strategy. The board can assess the potential gains, risks, and ethical implications of AI projects before their implementation.

Conclusion

Fintechs have been a major driving force behind the expansion of financial inclusion in Latin America in the last decade. By catering to populations that were previously underserved by traditional banks, they have contributed to enhancing the financial well-being of millions of Latin Americans, integrating them into the region's burgeoning digital economy. Individuals that until recently were financially excluded now have access to credit, cards, financial accounts, digital payment methods, and more. Additionally, fintechs have increased the competitiveness of the financial sector, leading to improved customer experiences and a race to innovate in products and services.

As LatAm's financial ecosystem continues to evolve, fintechs must adjust their strategies to stay competitive and maximize profits. While they have helped shape the region's financial industry and experienced rapid growth, their next challenge is to secure sustainable long-term profitability. The business opportunities related to facilitating access to entry-level financial products still exist, and their impact on the lives of customers is substantial. Yet there is also growing customer interest in emerging financial services, such as investment instruments, insurance, cryptocurrency, foreign currency accounts, and BNPL.

In an increasingly crowded market, and with a more financially savvy population, fintechs have an opportunity to advance not only by providing basic foundational services but also by offering more personalized, high-value financial solutions for their customers. This shift is beneficial for fintechs and customers alike, as many of these products yield higher margins.

Evidently, ensuring sustainable long-term profitability is not easy. Yet, as more fintechs embark on this journey, the key elements for success are becoming clearer. Managing data effectively and embracing advanced technologies like AI to enhance the customer experience seem to be essential tools on the path toward financial sustainability. Embracing multi-product solutions, seeking alternative revenue sources, and exploring partnerships with retailers, tech groups, or traditional financial institutions can also be effective strategies to gain a competitive edge and maintain long-term profitability.

In this ever-evolving landscape, agility, innovation, and a steadfast commitment to security will be crucial. But so will efforts to maintain cost efficiency and prioritize customer satisfaction. In the dynamic world of fintech, it's those who turn challenges into opportunities that will not just stay afloat, but sail ahead.

About Mastercard

Mastercard is a global technology company in the payments industry. Our mission is to connect and power an inclusive, digital economy that benefits everyone, everywhere by making transactions safe, simple, smart, and accessible. Using secure data and networks, partnerships and passion, our innovations and solutions help individuals, financial institutions, governments, and businesses realize their greatest potential. With connections across more than 210 countries and territories, we are building a sustainable world that unlocks priceless possibilities for all.

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Appendix: Consumer survey demographics

The consumer survey data was collected digitally, which means the demographics of the respondents do not match national level distributions and the numbers informed should not be taken as accurate national-level estimators but used instead as a reference value (selection bias). Trends and comparisons among countries are valid, and insights presented from analyses such as low- vs. high-income respondents are also statistically significant.

FIGURE 24

Distribution of respondents by gender and country

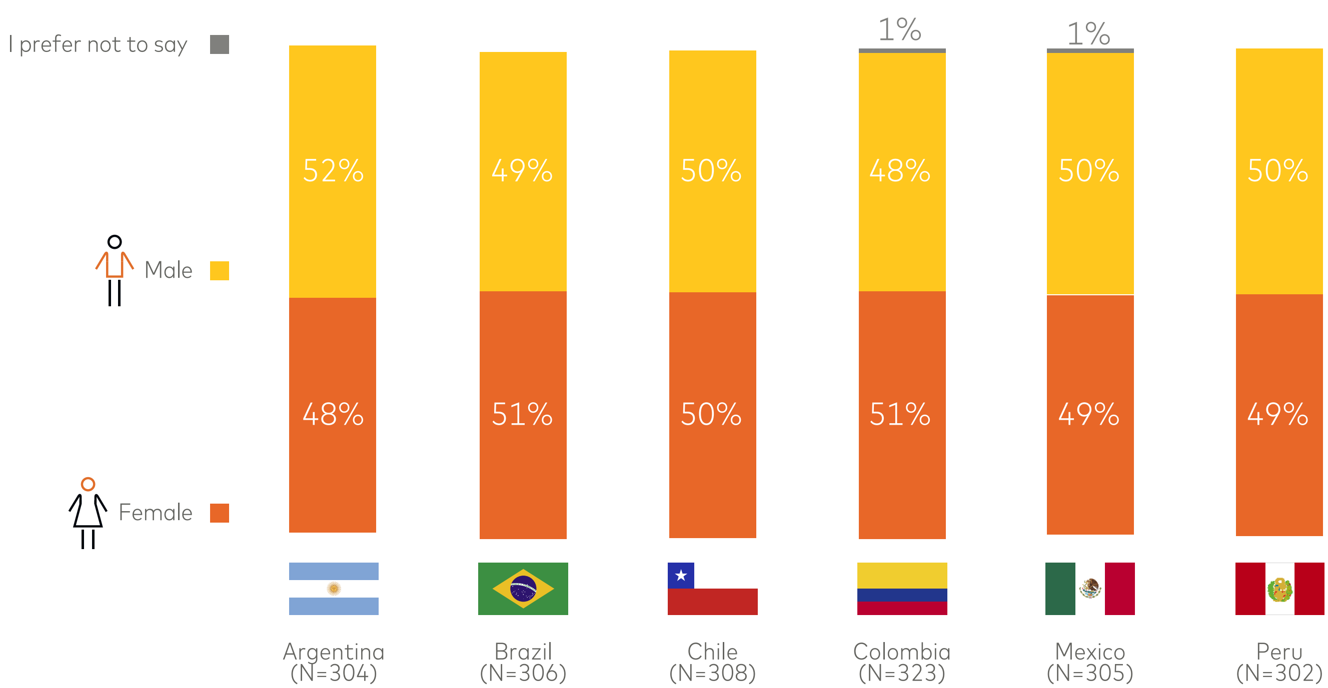

FIGURE 25

Distribution of respondents by age group and country

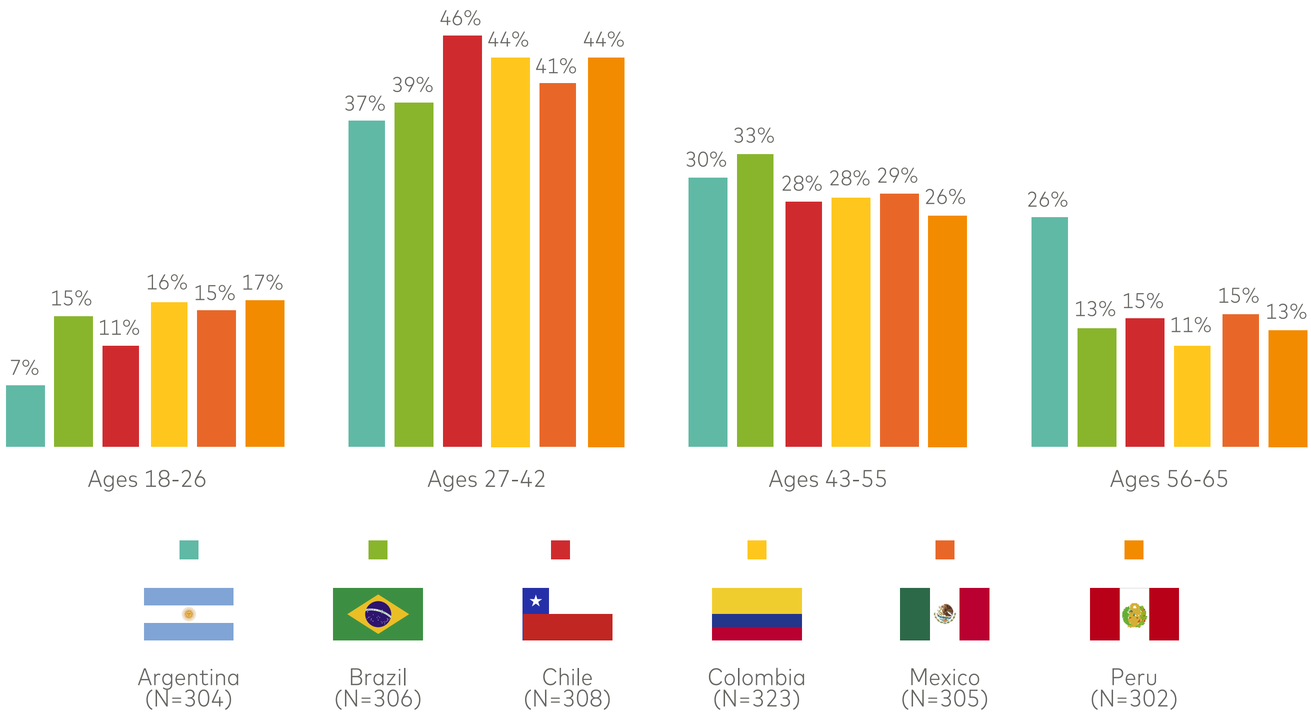

FIGURE 26

Distribution of respondents by area they live in

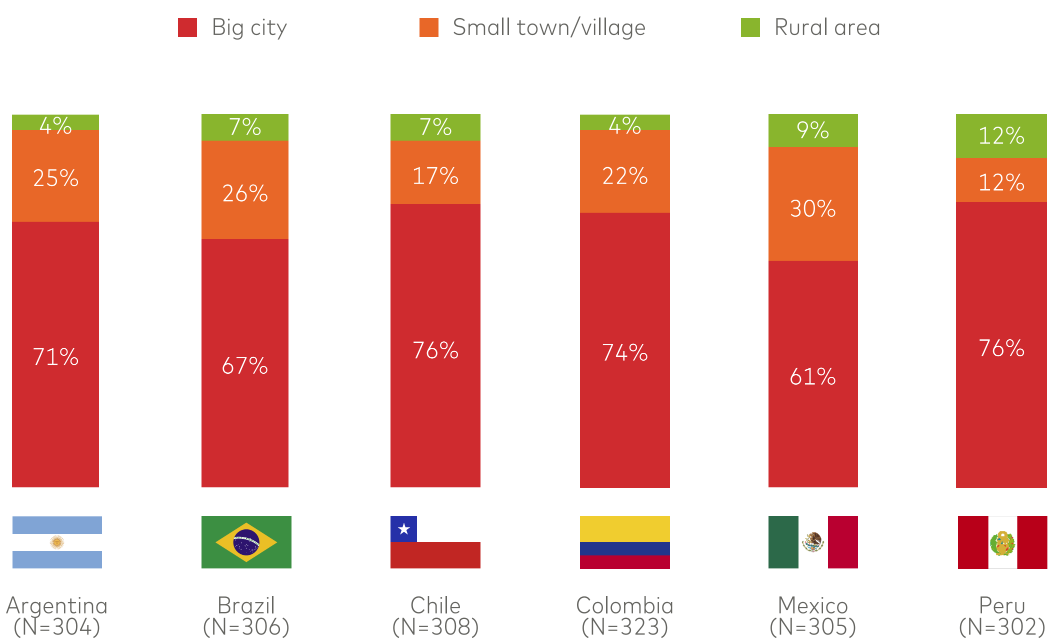

TABLE 4

Socioeconomic class of respondents, by country

	Argentina (N=304)	Brazil (N=306)	Chile (N=308)	Colombia (N=323)	Mexico (N=305)	Peru (N=302)
High income (49%)	**50%**	**47%**	**50%**	**45%**	**50%**	**49%**
	50% ABC1*	13% A	4% AB	2% Estrato 6	21% AB	2% A1
		11% B1	20% C1a	7% Estrato 5	18% C+	9% A2
		24% B2	26% C1b	37% Estrato 4	11% C	12% B1
						26% B2
Low income (51%)	**50%**	**53%**	**50%**	**55%**	**50%**	**51%**
	20% C2	24% C1	14% C2	30% Estrato 3	32% C-	34% C1
	14% C3	21% C2	19% C3	25% Estrato 2	11% D+	8% C2
	12% D1	8% D-E	11% D	0% Estrato 1	6% D	8% D
	4% D2-E		6% E			1% E

Note: Argentina's socioeconomic classification divides the population into high-income ("ABC1") and low-income ("C2," "C3," "D," and "E") groups. Brazil, Chile, Mexico, and Peru follow a similar model based on letter classifications. In these countries, "A," "AB," or "A1" represent the higher income segments, while "D," "DE," or "E" denote the lower income groups. In Colombia, Estrato 6 is the highest income segment and Estrato 1 is the lowest.

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