



# finance future

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FINTECH - FINTECH

**Finance the Future:** Enhancing Financial Access in Latin America through Partnership with Asian Fintech



LatinLeap





The rise of fintech has taken the world by storm, with industry experts citing it as a major catalyst for the Fourth Industrial Revolution<sup>1</sup>. From 2015 to 2019, the adoption of fintech services worldwide rose from 16% to 64%<sup>2</sup>. Investments have also been pouring into the sector, with fintech accounting for nearly half of all venture capital funds in 2018 and investments expected to reach \$310 billion in 2022<sup>3</sup>. The success of fintech can largely be attributed to the sector's focus on enhancing financial access to underbanked populations and underserved areas overlooked by traditional financial systems. Such challenges are particularly pertinent in emerging economies such as Asia and Latin America, and fintech's capacity to uplift their societies proves promising.

**Asia is home to 2,500 fintech startups that are working tirelessly to identify and meet their societies' needs. From formidable tech giants such as Ant Financial to the host of hopeful new companies, fintech startups in Asia have captured billions of users that were previously unbanked and underbanked through the use of consumer technologies such as mobile applications. In Latin America, local fintech startups have been dominating the payments and remittance space and raising the overall financial inclusion scores of the region<sup>4</sup>. However, the region still lags behind in terms of attracting funding and financial market depth and efficiency. To further enhance access to quality financial services in Latin America, the region could benefit greatly from looking towards Asia and embracing local innovative fintech companies. Asia, on the other hand, has much to gain as well from capitalising on Latin America's untapped markets and leveraging them as a platform for their companies to sca**



## Understanding fintech and the **global fintech boom**

Fintech, or financial technology, refers to new technology that seeks to improve and automate the delivery and use of financial services. Fintech encompasses a wide range of services and technologies in various sectors including personal finance, payments and billing, insurtech, remittances, blockchain, capital markets, wealth management, real estate, and regtech.

In 2018, \$128 billion was invested globally into fintech, and the sector is expected to grow at a 25% CAGR to \$310 billion by 2022<sup>5</sup>. Global fintech share prices have also been relatively outperforming the traditional financial services industry, especially since Covid-19<sup>6</sup>. Fintech share prices recovered within four months after the pandemic impacted capital markets, while the traditional financial services industry is still struggling to fully recover<sup>7</sup>.

**The Covid-19 pandemic launched the second wave of fintech as traditional financial institutions sought to partner with emerging technology companies to adapt and evolve to the new climate<sup>8</sup>. Fintech allows traditional institutions to gain access to new markets and products, foster innovation, and enhance efficiency<sup>9</sup>. On the flip side, fintech companies have also been maturing and are seeking to join larger institutions to gain access to new markets, gain industry and regulatory knowledge, extend their client network, or cash out<sup>10</sup>.**

Currently, the fintech markets in the APAC and Americas regions are the largest, commanding around 40% of the global market share each<sup>11</sup>. Fintech's crucial role in digitalising financial services and enhancing financial access to underbanked and unbanked populations in emerging regions has propelled this growth, and it is important for us to understand fintech's challenges and opportunities in these regions as we continue working to promote financial access for all.

<sup>1</sup> <https://wcapital.co.uk/fintech-and-the-fourth-industrial-revolution/>

<sup>2</sup> <https://www.forbes.com/sites/forbesfinancecouncil/2020/04/02/three-factors-driving-the-rise-of-fintech-and-what-the-banking-industry-can-learn-from-them/?sh=3aeab2c4d14>

<sup>3</sup> <https://www.toptal.com/finance/market-research-analysts/fintech-landscape>

<sup>4</sup> <https://www.toptal.com/finance/market-research-analysts/fintech-landscape>

<sup>5</sup> *Ibid.*

<sup>6</sup> <https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/financial-services/deloitte-nl-fsi-fintech-report-1.pdf>

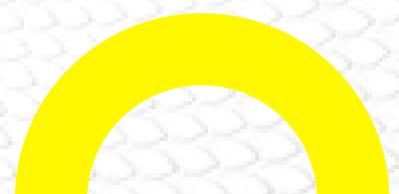
<sup>7</sup> *Ibid.*

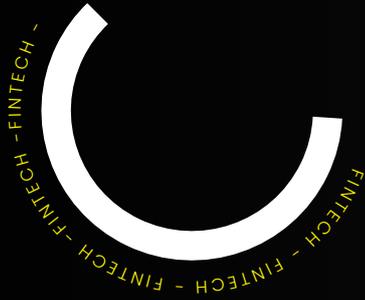
<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*





# Latin America's fintech challenges and opportunities

While fintech in Latin America has been experiencing exponential growth in the past years, the sector continues to grapple with a whole host of challenges. In terms of the global share of fintech companies and funding, Latin America lags behind. South America accounts for less than 2% of fintech companies worldwide<sup>12</sup>. Of this 2%, only 1.5% of companies receive funding<sup>13</sup>. The region accounts for a mere 1% of global fintech funding<sup>14</sup>.

According to the IMF's Financial Development Index, Latin America lags behind emerging Asia in terms of financial development<sup>15</sup>. While huge strides have been made in financial market institutions such as banks, the region continues to perform poorly in terms of financial market depth, inclusion, and efficiency<sup>16</sup>. While many countries have been adopting targeted policies to enhance financial inclusion, barriers such as high service fees continue to limit the availability and accessibility of financial services<sup>17</sup>.

Despite these salient challenges, fintech continues to be on the rise in Latin America and a wealth of opportunities exist for companies willing to take the plunge. Four years ago in 2017, fintech startups in the region secured just under \$236M in venture capital funds<sup>18</sup>. In 2019, the number soared to more than \$1.7 billion across 123 deals<sup>19</sup>.

The fastest growing fintech segments in the region are payments and alternative financing such as lending and crowdfunding<sup>20</sup>. Most startups in Latin America focus on digital payments and remittances (24%), followed by alternative financing platforms (18%), and financial management services for enterprises and consumers (8%)<sup>21</sup>. Distributed ledger technology (DLT) is also an up-and-coming space, as many governments in the region are studying its capacity to enhance financial inclusion<sup>22</sup>. Notable fintech startups across the region include Brazil's Nubank, a neobank with a valuation of more than \$10 billion, Mexico's Konfío, a digital banking startup for SMEs, and Colombia based Valiu, an online remittance platform<sup>23</sup>.

In spite of fintech's exponential growth within Latin America, the region continues to lag behind other regions such as emerging Asia. A gap persists in terms of the advancement and proliferation of fintech services, and Asia continues to dominate the global arena with its groundbreaking developments.

<sup>12</sup> <https://www.pwc.com/sq/en/publications/assets/fintech-startupbootcamp-state-of-fintech-2017.pdf>

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> <https://www.imf.org/-/media/Files/Publications/WP/2019/WPIEA2019071.ashx>

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> <https://pitchbook.com/news/articles/vc-latin-america-swells-fintech-takes-flight>

<sup>19</sup> Ibid.

<sup>20</sup> <https://www.imf.org/-/media/Files/Publications/WP/2019/WPIEA2019071.ashx>

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> <https://latamlist.com/top-fintech-startups-in-latin-america/>, <https://tracxn.com/explore/FinTech-Startups-in-Colombia>







## A comparative glance of **fintech unicorns** in Asia and LATAM

As of January 2021, there are 134 fintech unicorns across the world with a combined valuation of \$1.42 trillion<sup>34</sup>. Of these 134 unicorns, 26 are from Asia Pacific, and 6 are from Latin America<sup>35</sup>.

### ● OVERVIEW OF ASIA'S TOP SELECT FINTECH UNICORNS

| Company       | Valuation (\$B) | Country   | Subsector                       |
|---------------|-----------------|-----------|---------------------------------|
| Ant Financial | 60              | China     | Payment platform                |
| Lufax         | 18.5            | China     | Wealth management               |
| One97         | 16              | India     | Payment platform for ecommerce  |
| JD Finance    | 7               | China     | Investment and funding platform |
| Qudian        | 5.9             | China     | Micro-lending                   |
| OVO           | 3               | Indonesia | Digital payments                |

### ● OVERVIEW OF LATAM'S TOP SELECT FINTECH UNICORNS

| Company  | Valuation (\$B) | Country | Subsector                        |
|----------|-----------------|---------|----------------------------------|
| Nubank   | 25              | Brazil  | Neobank                          |
| Stone    | 24.1            | Brazil  | Payment solutions for ecommerce  |
| Clip     | 2               | Brazil  | Payment solutions for businesses |
| Creditas | 1.8             | Mexico  | Consumer loans                   |
| EBANX    | 1               | Brazil  | Cross-border payments            |
| dLocal   | 1               | Mexico  | Digital payments                 |

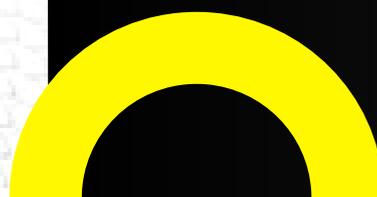
While Asia's booming fintech scene has created a larger quantity of fintech unicorns, of which one is the largest fintech unicorn in the world, a deeper dive into the nature of the fintech scenes in the two regions reveal striking similarities that reflect the common needs and problems of emerging markets.

Many of the top fintech unicorns in both Asia and Latin America center around payments solutions and systems, reflecting the needs of underbanked and unbanked populations. These solutions are enabling are expanding the reach of financial services, as well as the variety and quality of such services to consumers and businesses that remain neglected by traditional financial institutions.

Some other common themes we see are fintech unicorns' capitalisation of mobile technology to offer their services, as well as a focus on microlending and consumer loans. With Asia and LATAM's burgeoning internet penetration rates, fintechs that rely on mobile technology to disseminate their services prove to be gaining traction. Fintech companies that are stepping up to fill the gap in the lending space are also proving to be solving a huge pain point for unbanked and underbanked consumers and businesses.

**These shared similarities prime the two regions to be highly suitable partners in the fintech space.**

<sup>34</sup> <https://fintechlabs.com/the-134-fintech-unicorns-of-the-21st-century-feb-2021-update/>  
<sup>35</sup> Ibid.





## The case for Asia-LATAM fintech collaboration

Separated by geographical distance, language, and cultural barriers, Latin America and Asia present themselves as unlikely partners at first glance. However, a deeper dive into the business landscapes of both regions will reveal uncanny similarities characteristic of emerging markets..

Both regions reflect relatively higher growth rates and greater growth potential compared to developed economies due to the untapped nature of their markets. Asia and Latin America are also experiencing rapidly growing ICT and internet penetration rates that reflect a unique ability to adopt and adapt for innovative tech solutions. GSMA Intelligence estimates mobile internet penetration rates in Latin America to increase from 53% in 2018 to 64% by 2025<sup>36</sup>. Southeast Asia has also seen a rapid growth in its internet penetration rate, from 25% in 2014 to 63% in 2019<sup>37</sup>. Both regions are also witnessing rapidly growing and relatively young populations that are eager to explore innovative ideas and solutions to solve society's problems.

In the fintech space, both Asia and Latin America continue to grapple with challenges to the proliferation of digital banking services such as cybercrime and payment fraud<sup>38</sup>. These challenges are particularly pertinent amidst the Covid-19 pandemic as increased online activity brought about by digital initiatives are exploited by cybercriminals.

Fintech innovation in Asia presents itself as an effective and direct solution to these problems. A host of regtech companies in the region have been on the rise, providing a wide range of anti-money laundering (AML) and authentication solutions to financial institutions to clamp down on cybercrime. Examples include Singapore based fraud detection and AML software company Tookitaki, and multi-factor authentication solutions company Solus Connect.

To tackle fintech's challenges and promote finance for all in Latin America, the region could benefit greatly from embracing innovative solutions from Asia to solve society's most pressing problems. Asian companies, on the other hand, could capitalise on Latin America's blue ocean scenario and the potential to scale given the versatility of their solutions in the market. As we continue to work towards achieving finance for all, the best way forward is through an exchange of knowledge and collaboration.

<sup>36</sup> <https://www.gsma.com/latinamerica/wp-content/uploads/2019/09/Latin-Americas-evolving-digital-landscape.pdf>  
<sup>37</sup> <https://asia.nikkei.com/Business/Business-trends/Southeast-Asia-eclipses-China-as-world-s-mobile-economy-hot-spot>  
<sup>38</sup> <https://www.digipay.guru/blog/fintech-boom-in-latin-america-stats-trends-future/>  
<https://fintechnews.sg/49499/virtual-banking/the-apac-digital-banking-imperative-fraud-detection-customer-conversions/>





## About Latin Leap

Latin Leap is a unique Venture Capital Studio that aims to soft-land purpose-driven tech scale-ups in Latin America. With a focus on tech scale-ups from Asia, Latin Leap provides a full suite of soft-landing services to facilitate expansion in the Latin American region. Latin Leap's viable soft-landing model connects expanding businesses to the relevant corporate, public sector, media, and talent networks in Latin America while helping them navigate regulatory procedures and localize their operations - particularly crucial in the healthcare space, which is intrinsically very local.

Latin Leap is an official in-market consultant for Colombia of Enterprise Singapore and a proud member of the Singapore Venture Capital Association. With strong roots in the Singaporean start-up ecosystem, Latin Leap is in a prime position to serve as a gateway to Latin America for Southeast Asian tech companies looking to set foot in

## Internationalize your business and expand your network with us!

Latin Leap is looking to partner with promising tech scale-ups that are ready to embrace the vibrant Latin American market, as well as fellow investors and venture capital studios that want to participate in the exciting market growth in Asia and Latin America.

Whether you are a tech company seeking to internationalize in the Latin American region, or a venture capital firm looking to expand your network and portfolio of companies, we would love to hear from you! For healthtech start-ups specifically, reach out to us at [accelerate@latinleap.vc](mailto:accelerate@latinleap.vc) and for any other start-ups, reach out to us at [contact@latinleap.vc](mailto:contact@latinleap.vc).



For more information on Latin Leap, visit our website at <https://latinleap.vc/>.