

Digital economy



Banks and other
Financial
Intermediaries

HOW NEW TECHNOLOGIES
ARE TRANSFORMING
FINANCIAL SERVICES
IN LATIN AMERICA AND THE CARIBBEAN

CONTEXT

It is crucial that the financial sector streamlines its digitalization to boost its impact on the region's development based on aspects such as financial inclusion, both from the viewpoint of savings generation and credit dispersion, energy transition, and development of the business fabric.

The sector's digital transformation is being accelerated by the emergence of new digital players that seize emerging technologies such as artificial intelligence, cloud, and biometric authentication to improve financial services and ensure competitive benefits.

Additionally, regulations such as those on Open Banking reduce obstacles to entry by strengthening competitive pressure, requiring financial institutions to be more efficient and digitalize their value proposition to serve new segments and maximize their reach.



"IDB Invest has the opportunity to support and drive credit in the sector to strengthen the productive fabric of MSMEs and accelerate the digital transformation of the financial ecosystem, thus furthering the inclusion and bankability of citizens"

DIGITAL TRANSFORMATION ACCELERATORS IN THE FINANCIAL SECTOR

Investment in new technologies is allowing financial institutions to reduce their operating costs and impact new customer segments, furthering financial inclusion.



APIs

They enable the connection and sharing of data between two systems. Maximum relevance for the development of Open Banking and new business models such as Banking as a Service (BAAS).



AUTOMATION

They make it possible to digitalize the entire value chain of institutions, making their operations more efficient by providing a better and more digital customer service.

BIG DATA / IA / ML



These technologies make it possible to analyze data for a multitude of uses, from better knowing the customer to developing fraud prevention models.

BLOCKCHAIN



It begins to gain traction as a result of its applications, mainly used to make payments more efficiently, quickly, and securely; as well as for identity checks.

CLOUD



It allows institutions to place all their information in scalable, flexible, and fast systems, in addition to reducing their costs, removing the need for physical infrastructure and paying only for the resources used.

Open Banking regulation combined with API technology has encouraged the entry of new players in the financial landscape

Financial Institutions



Fintech

Companies, usually start-ups, which leverage new technologies to provide customers with better products and services with a digital base



Neobanks

Institutions that offer the same or similar financial services as "traditional" banks, but are based on the latest technological advances

Non-financial Institutions



Big-Tech

Large companies operating in various countries and where they have a dominant position.

They have a **large customer base and diversity of data.**

They invest heavily in their **digital transformation and new technologies** to achieve **competitive advantages.**

They start offering **financial services** to develop **new revenue streams.**



Retailers



Telecommunications

SECTOR TRENDS

Technological innovations are shaping industry trends, significantly impacting how financial transactions are conducted, data is managed, and financial services are delivered. Among the main ones, we find:



OPERATIONAL EFFICIENCY

Financial institutions are leveraging the automation of banking processes to reduce operating costs. RPAs (Robotic Process Automation) and OCRs (Optical Character Recognition) are just a few cases of how the value chain of banks is being digitalized.



EMBEDDED FINANCE

The growth and widespread of APIs (Application Programming Interface) are allowing companies in other industries to offer financial services in a non-financial experience, maximizing capillarity and enhancing banking levels.



ESG



The financial system plays two primary roles around sustainability: as an institution per se and, on the other hand, as an activator of projects and initiatives through investment and financing that allow a sustainable economic transition.

INCREASE IN THE SUPPLY OF NON-FINANCIAL SERVICES

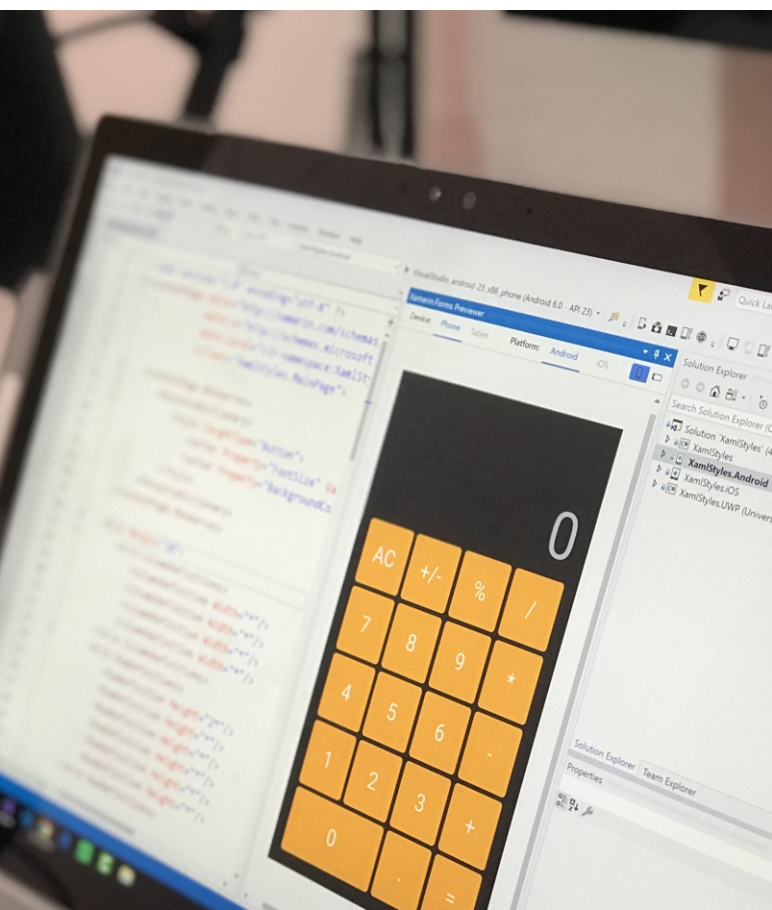


Faced with the increase in competitors on top of an offer of increasingly commoditized value, how can banks stay ahead of the competition to attract and retain customers?

DIGITAL REGULATION



Digital payments, cybersecurity, data, sustainable finance, and Open Banking are some examples of the regulatory advances in the region that aim to protect the consumer and encourage innovation in the new digital environment.



NEW BUSINESS MODELS

The advancement of new technologies and their regulation to further innovation and competition has led to the emergence of new solutions in the financial sector. The perfect example is fintechs, which leverage new technological discoveries to attract customers underserved by traditional banking.

DATA DRIVEN BANKING

Emerging technologies are enabling new models with a strategy based on the standardization of the use and exploitation of data to be able to make business decisions through analysis



“Data driven platform for engagement with customers aimed at financial services”

+120
Million
customers
worldwide

+58
Trillion
customer
transactions
analyzed

+9
Trillion
customer
transactions
analyzed

BANKING AS A SERVICE (BAAS)

Marketing of financial platforms in service format, allowing third-party players to provide banking services through their channels



“Unleashing the power of Open Finance in Latin America”

+150
customers

3 countries
Colombia,
México and Brazil

+60
institutions to
connect with in
Latin America

PAYMENT AS A CHANNEL

Payments are the gateway to the improvement of banking levels. Emerging technologies have enabled innovations in payment methods that are beginning to gain traction against the use of cash



“The democratization of digital payments in Brazil”

+26.000
Million
transactions

+140
Million
users

+13
Trillion
Brazilian reais in
amounts traded



SUCCESS CASE: KONFÍO

IDB Invest has provided a secured credit facility summing up to the MXN equivalent of USD 40 million to a management trust and payment source created specifically for the acquisition of loans awarded to MSMEs and natural persons with business activity originated by Konfío.



Konfío is an online platform that revolutionizes business credit processes in Mexico, making it easier for micro-, small-, and medium-sized enterprises ("MSMEs") to access formal financing using technology, data science, and efficient and digital operations

**US\$ 40
Million**
Amount
awarded

2019
Approval
Date



**"Our mission is to
drive the growth
and productivity of
SMEs in Mexico
through purpose
and data"**

45.000

Credits for
working capital



10.800

People with a
bank account

9.200

Businesses furnished
with a cloud ERP

If you want to know more about how technologies are impacting the financial sector favoring banking, financial inclusion and sustainable economic development in the region, click the link to see the details of the report.

[Follow link](#)