

Latin America Neo Banking Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

The outbreak of the COVID-19 pandemic is expected to create new growth opportunities for the market owing to the rising dependency on online banking services. A myriad of social, political, and economic challenges has become apparent across Latin America in the wake of the pandemic. These challenges are affecting both financial service providers and investors. On the contrary, numerous SMEs relied on neobanks to fulfill their working capital needs during the pandemic, thereby driving the growth of the market.

While fintech, in general, is one of the hottest markets in Latin America's tech ecosystem, neobanks are now gaining attention as potential solutions to large-scale financial exclusion across the region. These fully-mobile banks do not have branch-based distribution models and offer more services than traditional banks. Latin American neobank startups, such as Uala, Nubank, and Albo, are receiving significant foreign investment as they strive to serve the millions of unbanked consumers across Argentina, Brazil, and Mexico, respectively.

Unlike other fintech services, neobanking has higher barriers to entry that make it challenging for startups to operate across borders. For example, regulations for banking licenses vary between countries and can be extremely costly. The high cost of these licenses has generally kept competition low in the banking industry, but the tides are beginning to change as governments reduce regulations to allow more agile competitors to enter the banking sector and bring costs down. This trend could help Latin America finally tackle financial inclusion on a broader scale, and bring a majority of the region's population into the formal economy.

The increasing number of partnerships of banks and organizations to launch neobanks platforms is also accelerating the market growth. Such partnerships are aimed toward providing a better customer experience and enhanced safety and stability. Technological advancements and the notable increase in internet penetration allow financial service providers to offer

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novel digital services to customers. Moreover, the growth in digital wallets has also been driving the demand for online banking platforms.

Latin America Neo Banking Market Trends

Increase in Customer Base helps in Neo Bank growth In Latin America

The top 10 digital banks account for over 90% of all neo bank customers in Latin America. Players from bigger countries such as Brazil and Mexico are expanding into smaller countries and thus capturing a larger share of the market shares. Entities such as Nubank, which have created strategically tailored solutions, have shown that with the right proposition Latin America represents a sizeable market opportunity.

With digital services, the agility to offer an improved customer experience, and enhanced operational efficiency, neo banks drive financial inclusion and showcase almost limitless opportunities, thus attracting large investors around the world including Tencent and Softbank, who are betting on major markets such as Brazil and Argentina

Smart Phone and Internet Penetration Boost the Market

Compared with other economies such as Europe or North America, Latin America and the Caribbean together boast an exceptionally young population of over 650 million inhabitants. In fact, (67%) of the region's population were between 15 and 64 years old and 43% of the adult population were below the age of 35. A young, dynamic generation has primed the region for innovation.

As a result Latin America represents one of the most rapidly evolving global markets when it comes to internet and smartphone penetration. In fact, Internet adoption has risen to almost 72% compared to the worldwide average of 60%, and 70% of the population was estimated to have access to a smartphone at the end of last year according to the GSMA. A digitally native population translates into greater demand for efficient and instant access to digital services.

A young, digitally savvy and demanding population in a region which presents high economic growth potential and ongoing lack of access to financial services makes Latin America a fertile market for new digital banking models. Supported by governments and regulators with fresh initiatives that open up the market, Latin America's banking industry is primed for disruption and appears to be headed towards a promising future.

Latin America Neo Banking Market Competitor Analysis

The Latin America neo banking market is slightly fragmented but in terms of market share few of the major players currently dominate the market. However, with technological advancement and product innovation, mid-size to smaller companies are increasing their market presence by securing new contracts and by tapping new markets. In addition to the success of emerging start-ups, super-app models and platform fintechs created by big tech companies such as Google or Facebook as well as local platforms like Colombia's Rappi are grabbing an increasing share of the market.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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