

# Faster Money Transfers in Latin America:

Insights for success in the digital era

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An industry report by Americas Market Intelligence,  
commissioned by Visa

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**VISA**



Americas  
Market  
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# Foreword

The payments landscape in Latin America is evolving rapidly, with expectations for faster, more convenient solutions that optimize security and the user experience. Payment networks, banks, technology companies, and governments are racing to meet this increasing demand, while providing their closest stakeholders with the tools to enhance the overall payment experience and maximize the speed of money movement. Over the last few years, the region has accepted the value of moving money faster, getting it into the hands of small business, workers, families, and those who need it most. The payments industry and its stakeholders are in broad agreement on the opportunity that faster payments provide. We are now at an inflection point in determining the most viable solutions for faster payments. It's the next generation of thinking; not whether faster payments are best for everyone, but what *kind* of faster payments are best for everyone. We believe the right solutions will have a profound impact on economies and societies across the Latin American region.

In September 2021, Visa concluded commissioned research with Americas Market Intelligence to understand the preferences of consumers and small businesses in receiving payments. Additionally, the analysis explored experiences of merchants and their payment providers to understand the latest opportunities and challenges within the funds disbursement and money transfer ecosystems. These insights have given us visibility into how we can improve the customer experience and methods to provide a smooth, digital experience that meets fast-changing consumer preferences and rising global payments challenges.

Based on the research, we are more confident than ever that there are clear solutions available and a path forward to meet the requirements of consumers and businesses. With Visa Direct, Visa is well-positioned to meet this momentum and complement existing infrastructures across the Latin American region to enable all payment stakeholders to pay and get paid better. Visa Direct provides a fast, secure, and convenient solution for Visa's ecosystem of clients and partners. It enables their customers to send and receive person-to-person payments, funds disbursements, and business-to-business settlements directly in a fast, secure way. Visa Direct is just one of the thousands of ways that Visa is continuing to innovate in the technology and payments space. And as the concept of faster payments continues to evolve, we will keep investing in technologies that make Visa the best way to pay and be paid.



**Breno Andrade**

VP, Visa Direct – Latin America and Caribbean Region



## Executive summary

After eighteen months of pandemic conditions, financial pain in Latin America is widespread and likely to persist in the medium term. Amid this tightening of household and enterprise budgets, fast and efficient disbursements—defined as money transfers between businesses and individuals—are more important than ever. To hasten economic recovery, promote financial digitization, and win stakeholder loyalty, paying institutions must enable faster, more predictable, and more user-powered disbursements across all multiple verticals.

To gather insights into this topic, Americas Market Intelligence (AMI) conducted a study that surveyed 2,000+ consumers, 1,000+ small businesses, and 30 paying institutions across Latin America to understand the state of disbursements in the region, pain points in the disbursement process, and what end users are looking for when receiving funds.

Key findings from this research are as follows:

### Consumers

- **Consumers in Latin America want a swifter, more user-friendly payout process, and are ready for electronic payout methods.** In the past year, 50% of Latin American consumers reported issues with their disbursements, reflecting limits on the choice of payout method and the schedule and speed with which the payout is made. Currently, 35% of disbursements are paid in cash, but only 20% of consumers would choose cash if electronic methods were broadly available and accessible.

- **Faster payments appeal to consumers of all ages and income levels.** As per the study results, 60% of consumers described real-time disbursements as “very attractive” and said they would adopt a real-time payment method if it became available.
- **Some concerns about faster payments remain, stemming from a lack of awareness of faster options and comfort with the status quo.** Approximately 10% of Latin American consumers indicated that they would adopt a wait-and-see approach before agreeing to make a change in how they receive funds.
- **International payment networks can help to win consumer trust.** Consumers indicate that international payment networks are preferred in terms of security, speed, and user experience in comparison with a local automated clearing house (ACH), and 77% said they would use a faster payment method more often if it were backed by a global payments brand.

### Small and Medium Businesses (SMBs)

- **Disbursement delays are a key contributor to cash flow issues.** In the past year, 52% of SMBs suffered cash flow challenges because of money transfer delays. Brazilian SMBs were the most affected, with 60% reporting payout-induced cash flow issues. Disbursements from acquirers and PSPs for card revenues were the leading source of delays.
- **Cost is key for SMB payout decisions, but many enterprises pay more for speed.** More than two-thirds of SMBs cited cost as a priority for choosing a payout provider. Nonetheless,

18% of SMBs reported paying an extra fee in the last year in order to receive funds faster. This suggests that most SMBs are wary of higher fees, but a significant share will pay more when delays would themselves harm the bottom line.

- SMBs seek transparency into their disbursements and finances and desire user-friendly digital tools that will give them greater control over their disbursements. SMBs are more willing to pay a higher fee when they can control when they will receive their funds and gain full visibility into the process.
- **If given the choice, 52% of SMBs would switch to a faster payment method, viewing these methods as a solution for cash flow issues.** Nonetheless, SMBs are wary of new methods, with security as the chief source of concern. International card networks are overwhelmingly viewed as the most secure real-time providers, suggesting that these methods may be key to inspiring confidence from on-the-fence SMBs.

## Paying institutions

- **Local ACH is the dominant disbursement method, but it lacks critical tools for visibility and speed.** Payers across all verticals complained about the lack of a dashboard or other similar tool that can provide full visibility into their disbursements. Most payers do not have the ability to verify that a specific payout was made successfully. Local ACH also lacks the capacity to enable large-scale real-time disbursements across borders. Even in markets with more advanced real-time ACH offerings, such as Brazil, payers do not yet feel comfortable paying out via local real-time networks, owing to the lack of tools for securely managing disbursements, including response codes.
- **Cross-border/regional payers struggle with higher costs and inefficiencies.** Payers making cross-border disbursements complained emphatically about the high cost and poor experience of international wire transfers. Regional platforms with presence across Latin America face additional challenges related to integrating with multiple ACH systems. Cross-border payers expressed a desire for a trusted international player to systematically handle disbursements across Latin America.

- **AMI detects the greatest opportunity to improve the disbursement experience in terms of speed and user experience in cross-border contract work platforms, the gig economy, merchant settlements, and government disbursements,** based on the current level of pain in the payout process and the level of interest and the urgency that payers feel in terms of improving how they make disbursements today.

Today, local ACH dominates in disbursements in Latin America, but for most consumers, the experience of receiving funds is slow, opaque, and misaligned with user preferences. Research reveals that there is significant room for alternative solutions that improve stakeholder control, flexibility and transparency, and the speed with which they make and receive money transfers. A competing solution could fill a number of gaps in the current available offerings, such as:

- Reliable and consistent disbursements in real time
- Fast and user-friendly cross-border disbursements
- Ability to manage disbursements across Latin America through one provider
- Disbursements using a debit card number, alias, or other easy payee credential to make mass disbursements more scalable
- Digital dashboard or platform for payers to manage disbursements
- Digital dashboard or platform for recipients to manage how and when they receive disbursements
- Fraud detection tools to ensure the security of faster payments

International payment networks are well-recognized and highly regarded among consumers, SMBs, and payers for speed, security, and user experience. There is a keen market appetite to try payout solutions from these providers, considering the mediocre payout experience they receive today.



# Introduction

Faster is better.

A decade of digital acceleration in Latin America and across the globe has proven that the fastest and simplest solutions win the hearts and loyalty of end users. Consumers can now order transportation within minutes just by tapping on their phones. E-commerce deliveries take one day, instead of one week or longer. Social media enables communication across the globe in real time.

Sending money has also sped up. Contactless technology has accelerated payments at the POS, and tokenization technology lets consumers check out online in seconds. Opening and funding a bank account has never been faster. And for many purposes, consumers can initiate a funds transfer instantly from their smartphone.

So why does it still take days—or even weeks—to receive money?

Unlike P2B and P2P payments, many B2B payments are still slow, manual, and paper-based. This is true even for disbursements (or payouts)—i.e., money transfers made to a consumer or business for non-wage compensation—which are almost universally low value (under \$2,000) and well tracked in a digital platform. Insurance disbursements can take weeks, while refunds from retailers can take several days. Funds for gig economy earnings or contract work are paid out weekly, bi-weekly, or monthly, even though work is provided in real time. Merchants accepting credit cards may wait up to 30 days to receive their funds from acquirers and in the meantime, pay additional fees to receive funds early.

People and businesses want access to what is theirs, faster. At this particular moment, as the Latin American region struggles to recover from a 6% decline in GDP in 2020 thanks to COVID-19, small businesses are at risk, workers are cobbling together a living from multiple sources of income, and families are pinching their pennies. Receiving money owed quickly and easily has never made more of a direct difference in people's financial well-being.

Slow disbursements are also holding back financial inclusion. Currently, 31% of Latin Americans still do not have a bank or fintech account.<sup>1</sup> An estimated 53% of retail payments are made in cash and a majority of small businesses do not accept electronic payment.<sup>2</sup> To attract consumers and businesses, digital financial services must mimic the benefits of cash: the ability to receive money in the moment and be able to use it immediately. If users' funds are tied up and inaccessible for use, their value to consumers' daily lives becomes nil.

1. AMI analysis based on the World Bank Findex and local public sources

2. AMI analysis based on Economist Intelligence Unit data and local public sources

So what gives?

Essentially, deficiencies in banking infrastructure, a lack of technological tools, low awareness around instant disbursement solutions and a lack of will are holding Latin America back from speeding up payouts. But with consumer and business expectations rising and the gig, marketplace, influencer and other digital platform spaces becoming more competitive, the industry is feeling pressure to change.

For these reasons, the Latin American banking and payments industry needs to invest in faster payout methods so it can ensure end users faster and easier access to their money. This can be accomplished by using bank accounts, debit card rails or through closed-loop ecosystems (or through a combination of all three, depending on the use case), along with user and payer profiles. To fully diagnose this environment and provide strategic recommendations to the industry, Visa partnered with research firm Americas Market Intelligence (AMI). In this comprehensive study, AMI sought to understand the state of disbursements in Latin America, including the preferences and perspectives of consumers, businesses, and paying institutions with respect to disbursements, while also providing actionable insights that help the industry converge around fast disbursements.

As the following research supports, doing so is a key step in promoting financial digitization across the region, providing liquidity to families and businesses, and empowering consumers to maximize their choices and freedom. Being a key ally to consumers in this way positions paying brands to earn lifelong loyalty and user engagement. The following sections of the whitepaper highlight the supporting research and provide recommendations on how to achieve this.

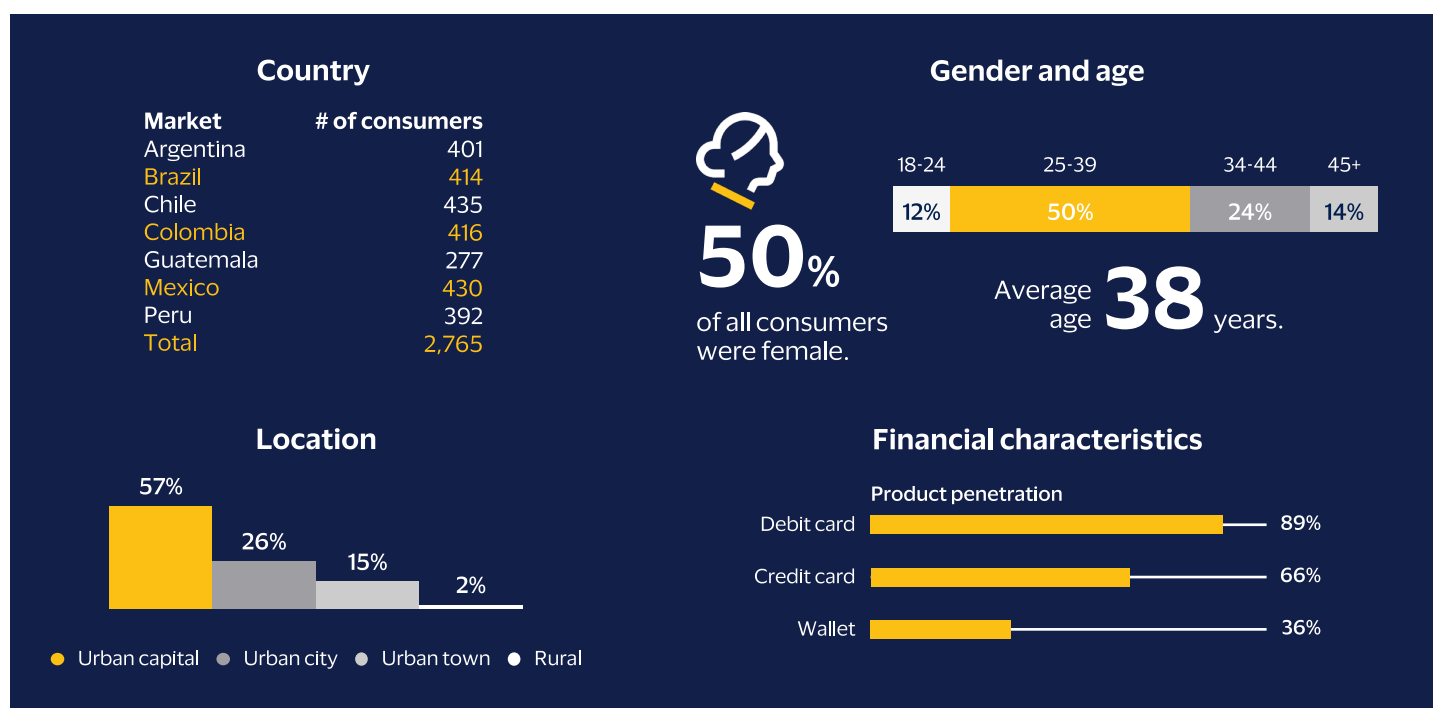
## Research methodology

AMI conducted original research for this report from June to August 2021, covering seven markets in Latin America, including Argentina, Brazil, Chile, Colombia, Guatemala, Mexico, and Peru. The research consisted of three phases:

### 1. Consumer survey

From July 23 to 31, more than 2,700 consumers completed an online survey about their experiences in receiving disbursements over the past year. To qualify for the study, consumers needed to be 18 years or older, own a debit card, and must have received a payout of any kind in the previous 12 months.

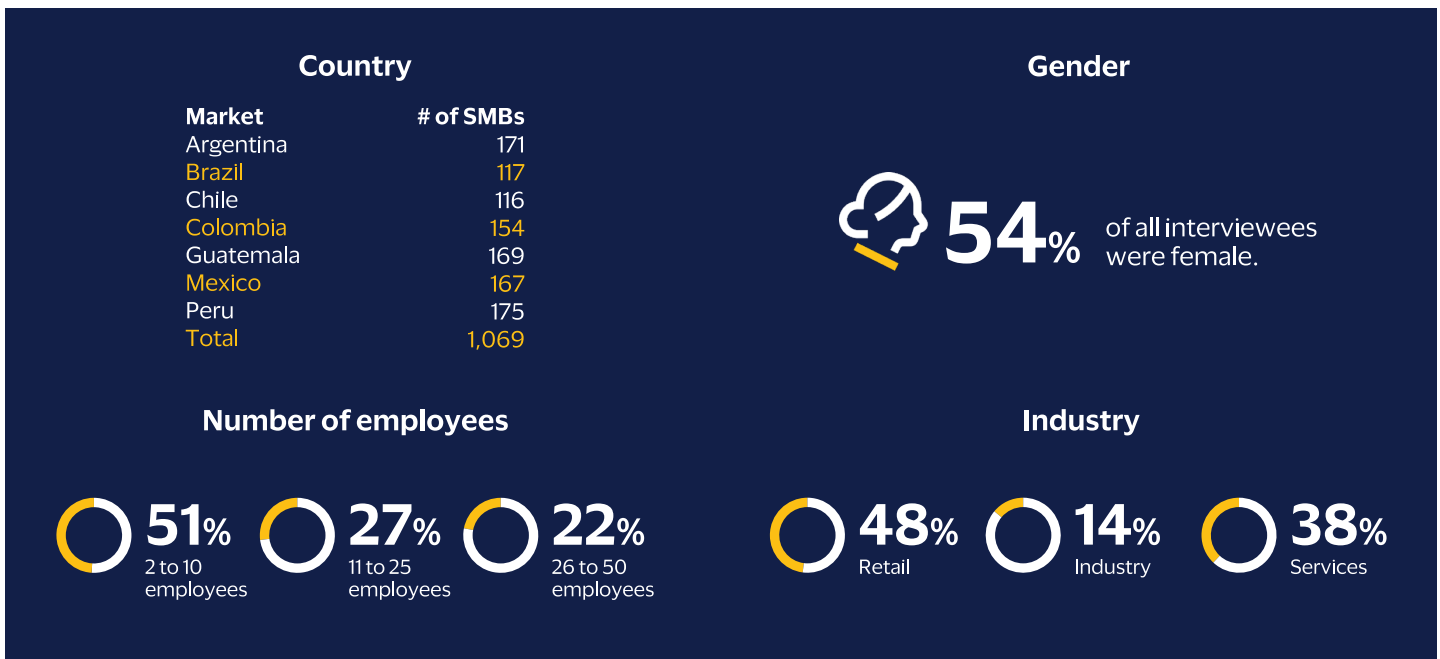
**Table 1. Consumer survey demographic breakdown**



## 2. Small and medium businesses (SMB) survey

From July 28 to August 6, more than 1,000 small and medium business (SMB) executives completed an online survey about their experiences receiving disbursements. To qualify to take the survey, SMBs needed to have between 2 and 50 employees and must have received a disbursement from a credit card processor/acquirer, marketplace, or lender in the previous six months.

**Table 2. SMB survey demographic breakdown**



## 3. Interviews with paying institutions

In July and August, AMI conducted interviews with 30 large paying institutions which make a minimum of 10,000 disbursements monthly to consumers and/or SMBs, in the following verticals:

- Merchant settlement
- Gig economy platforms
- Contract work platforms
- SMB lenders
- Government benefits disbursement
- P2P payments
- Insurance companies
- Retailers
- Marketplaces



# Definitions

## General definitions

- **ACH:** Automated clearing house
- **Disbursements (or payouts, or money transfers):** Disbursements are financial operations in which owed funds are delivered from a sender to a recipient, excluding funds transfers made for salary/payroll and purchases. Money transfers or payouts are also commonly used terms referring to the same concept.

Common use cases include the disbursement of funds to compensate contract workers, insurance and loan disbursements, as well as funds paid to small businesses for sales made on an online marketplace. Detailed use cases can be found below.

In this whitepaper, electronic P2P money transfers, defined as funds transfers from one individual to another, are also included in this category.

- **Electronic payment methods:** Electronic payment methods are tools that permit the exchange of funds online or through another electronic medium. These include both card-present payments, which require physical POS devices, and online payments, such as card-not-present payments and digital wallet transactions. They stand in contrast with traditional payment methods such as cash or checks.
- **Push-to-card payment (or payout):** Instantaneous disbursement in which a paying institution initiates a transfer to a recipient over debit or prepaid card rails using a service provided by an international card network, such as Visa Direct by Visa.
- **Faster payments:** Also known as immediate or instant payments, faster payments are money transfers that arrive in a recipient's bank account or other payment credential and are available for use within 30 minutes of the sender initiating the transaction.<sup>3</sup>

## Consumer specifications

### Consumer income ranges, annual household income, in local currency

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Guatemala
Lower	ARS 0 to 141K	BRL 0 to 30K	CLP 0 to 4mn	COP 0 to 22mn	MXN 0 to 128K	PEN 0 to 20K	GTQ 0 to 46K
Middle	ARS 141K to 1.7mn	BRL 30K to 129K	CLP 4mn to 19mn	COP 22mn to 92mn	MXN 128K to 537K	PEN 20K to 87K	GTQ 46K to 193K
Upper middle	ARS 1.7mn to 2.8mn	BRL 129K to 206K	CLP 19mn to 31mn	COP 92mn to 147mn	MXN 537K to 859K	PEN 87K to 139K	GTQ 193K to 308K
Upper	ARS 2.8mn or more	BRL 206K or more	CLP 31mn or more	COP 147mn or more	MXN 859K or more	PEN 139K or more	GTQ 308K or more

### Consumer payout category definitions

- **Gig economy & contract labor**
  - Compensation for freelancer/independent contractor work (supplying goods or services to another person or company under a contract or within a verbal agreement)
  - Medical trial
  - Compensation for services provided via a gig economy app (payment from an app for activities like ride hailing (i.e., Uber) or delivery (i.e., Rappi))
  - Payment for clicks on digital content you provided or created, such as videos or articles (i.e., YouTube, Twitch, TikTok, blogs)
  - Compensation for participation in an affiliated marketing program (marketing arrangement by which an online company pays commission to an external website for traffic or sales generated from its referrals)

3. Cross-border money transfers may take longer than 30 minutes to arrive

- **Government disbursements**
  - Federal or state tax refund
  - Benefit received from the government as part of a social assistance program
- **Insurance**
  - Funds received from a health insurance claim
  - Funds received from a life insurance claim
  - Funds received from a property insurance claim (home, car, etc.)
- **Investment**
  - Investment dividend
  - Payment for renting out a vacation property
- **Loan disbursement**
  - Personal loan disbursement
- **P2P payment**
  - Personal payment from friends or family using an electronic platform, i.e., online bank transfer or digital wallet
- **Product sale disbursements**
  - Sale of a good or service on a marketplace (such as Mercado Libre, Linio, Juntoz, Magazine Luiza)
  - Compensation for sales within a multilevel marketing program (direct sales company that pays existing distributors a percentage of their recruits' sales, i.e., Herbalife)
- **Retail disbursements**
  - Brand or store incentive (payments received from loyalty programs that are designed to reward customers for engaging further with a product or brand)
  - Refund from a store or other company for returning a purchase, or other reason

## SMB specifications

### SMB categories

- **SMB:** Small and medium businesses are defined as businesses with 2 to 50 employees
- **Micro business:** A business with 2 to 10 employees
- **Small business:** A business with 11 to 25 employees
- **Medium business:** A business with 26 to 50 employees

### SMB payout category definitions

- **Sales via marketplace:** Money earned for sales via an online marketplace, including delivery platforms
- **Disbursement from acquirer/PSP for merchant settlement:** Money earned for purchases paid for with a debit or credit card
- **Loan disbursement:** Receipt of funds for a loan

# Faster payment methods in Latin America

## Categorizing faster payment networks

Throughout this report, we refer to “faster payments,” i.e., payments that are delivered to the recipient and are available for use within 30 minutes of being sent. These are being offered by several different types of players, which are classified in Table 3. It is important to note that some schemes may use a variety of faster payout rails, such as digital wallets, which execute transfers within their own closed-loop ecosystems, as well as local ACH or push-to-card payments for interbank transfers.

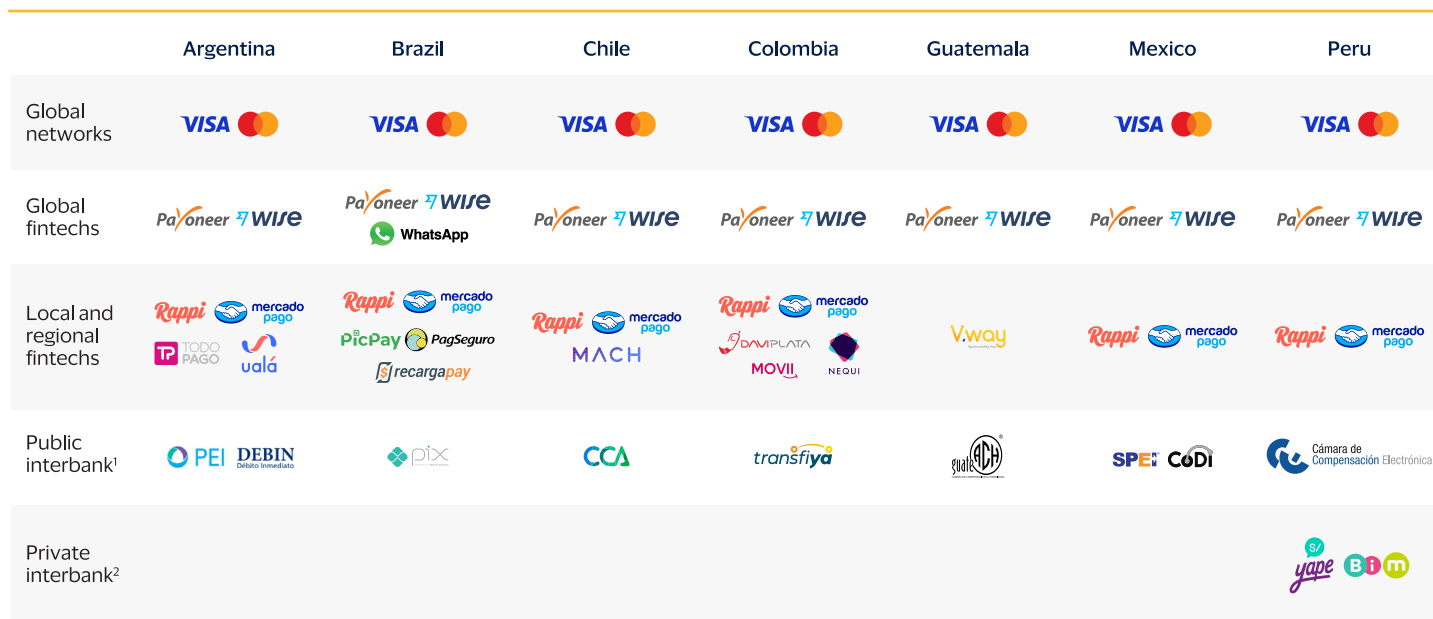
**Table 3. Classes of faster payments networks**

Faster payment schemes	International card network	Global technology companies	Local/regional fintech	Private interbank	Public interbank
Payment rails	Push-to-card	Closed-loop transfers between ecosystem users/ ACH/push-to-card	Closed-loop transfers between ecosystem users/ ACH/push-to-card	Open loop account-to-account transfers via private ACH network	Open loop account-to-account transfers via local ACH
Operating institution(s)	Card network	Global digital wallet, neobank or other fintech company	Local or regional digital wallet, neobank or other fintech company	Consortium of private financial institutions	Central bank or other financial regulator
Cross-border-enabled	Yes	Sometimes	Sometimes	Usually no	Usually no*
Examples	Visa Direct	Payoneer	MercadoPago	BIM (Peru)	PIX (Brazil)

\* Most domestic transfer networks lack cross-border functionalities, but some, such as Brazil's PIX, are developing this capability.

While the options for faster disbursements may appear to be numerous, as the results below will indicate, more than 50% of consumers and SMBs today do not receive electronic disbursements in real time. Instead, they rely on local bank transfers, which take an average of 24 to 48 hours to settle; checks, which take a week or so to arrive to the recipient plus 24 hours or more to clear; and cash.

**Figure 1. Faster payment schemes available in Latin America**



1. Refers to a network operated by a central bank or other financial regulator  
 2. Refers to a consortium of private financial institutions

Note: List not exhaustive

## Report objectives

With these specifications established, the remainder of this report will aim to achieve the following:

1. Provide an analysis of the state of disbursements in Latin America, including the preferences, pain points, and desires of consumers, SMBs, and payers with respect to disbursements
2. Provide evidence that the Latin American region is trending toward a faster, more flexible, improved, and more competitive payout environment
3. Showcase the opportunities for paying institutions and payment enablers to improve disbursements in Latin America and provide recommendations on how to better serve end users with funds disbursements



# Consumer insights

## Disbursements are a part of consumers' daily lives

After more than a year of lockdown conditions due to COVID-19 quarantines, household budgets in Latin America in 2021 are tight. Poverty rates increased by more than 20% in 2020,<sup>4</sup> and per capita income in major Latin American economies is projected to remain below pre-pandemic levels until at least 2023.<sup>5</sup> In this era of financial pain, a steady, predictable flow of income is essential to the well-being of Latin American families, and at the same time, is a luxury that only the formally employed enjoy.

With unemployment levels at near-record highs and the informal economy representing approximately 35% of GDP,<sup>6</sup> other sources of income have taken on renewed importance. Indeed, according to our survey of more than 2,000 consumers across Latin America, 95% of adults in Latin America received at least one disbursement in 2020, and half of them received 10 disbursements or more. Today, in the midst of economic recovery, it is more important than ever that consumers can rely on timely, secure and convenient disbursements to help supplement their household cash flow.

Consumer survey results reflect this reality. Among our respondents, gig economy/contract labor disbursements are the most frequent type across all markets and age brackets, with 44% of consumers receiving compensation from a contract job in the last year. Gig economy apps like Uber and Rappi are a popular means for accessing contract work, disbursing funds to 20% of all contract workers.

4. ECLAC, *Social Panorama of Latin America*, March 2021

5. IMF, *World Economic Outlook*, April 2021

6. The World Bank, International Labour Organization, ILOSTAT database, 2021

Indeed, these and other e-commerce platforms boomed in 2020,<sup>7</sup> while the rest of the economy contracted, creating millions of opportunities for cash-strapped workers. Twenty percent of all consumers reported receiving disbursements from sales via an online marketplace, such as Mercado Libre and Magazine Luiza.

**Figure 2. Disbursement types received by Latin American consumers**

What disbursement types do Latin American consumers receive?



% of consumers, N=2,765

Digital content creation was a notable growth area during the pandemic, with 8% of consumers receiving a payout for engagement with digital content that they created (e.g., YouTube, Twitch, TikTok). Brazil drove this regional growth trend, with more than 10% of Brazilian consumers receiving a payout for digital content creation. Other forms of contract labor include sales within a multilevel marketing company, services provided through a professional contract work platform like Upwork and Workana, and other local contract and seasonal work, including in construction, agriculture, manufacturing, logistics, and the like.

P2P payments were the second most important payout category, prevalent among 27% of the survey sample. In addition to standard debt settlement between individuals, P2P tools can have a significant impact on household income when used for internal family remittances or as implements for informal commerce. Powerful new P2P tools debuted during the pandemic, forming a wave of rapid payment digitization in the region. Pix, the Brazilian Central Bank's real-time payment platform, is one notable example. Since its launch in October 2020, Pix has surpassed 90 million users, nearly half the country's population. After clearing regulatory hurdles, WhatsApp Pay launched in May 2021, also in Brazil. Other markets also saw rapid uptake of P2P apps, led especially by both wallet apps like Mercado Pago and dedicated P2P platforms like Yape in Peru.

Social benefits disbursements were also a vital source of funds in 2020, with 20% of respondents receiving government disbursements. These payouts were especially prevalent in Brazil, Chile, and Guatemala, where pandemic-related social assistance supported incomes for many consumers. Brazil directed as much as 6% of its 2020 GDP to direct household support measures,<sup>8</sup> reaching more than one-fourth of all consumers.

Broken down by income level, disbursements reveal the disparate sources of income drawn on by different socioeconomic classes. A fifth of upper and upper-middle income consumers received disbursements from insurance plans, compared to 8% of middle-income consumers and 4% of low-income consumers. Upper-income consumers were also the leading recipients of investment income and non-wage employment benefits, such as reimbursements and bonuses. P2P payments were the most uniformly distributed disbursement type, with a penetration of 25% to 35% for all income levels.

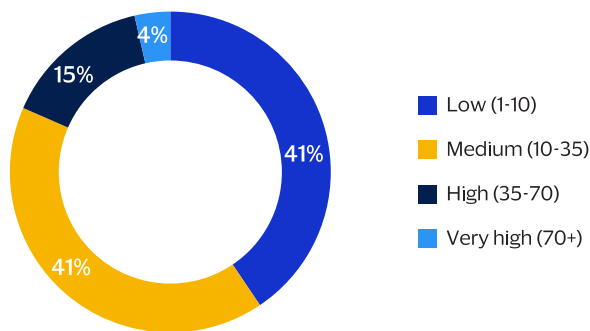
7. Total e-commerce volume (including retail, travel, digital goods, and other services) across Latin America grew 18% in 2020, according to proprietary AMI e-commerce data

8. ECLAC, *Social Panorama of Latin America*, March 2021

The median Latin American consumer received 11 disbursements, across all disbursement types, in the last year. Just a fifth of consumers were high or very high-intensity payout recipients, receiving more than 35 disbursements per year (see Figure 3). These higher-intensity payout consumers tend to be younger and higher-income. Consumers under the age of 40 are also the leading recipients of disbursements originating from digital platforms, including gig economy, P2P, and marketplace sales. These young consumers received an average of 17 disbursements in the last year, or 1.4 per month, reflecting the importance of disbursements as income for working-age adults. In contrast, older consumers are the leading recipients of insurance payments and investment earnings, as well as government disbursements.

**Figure 3. Amount of disbursements received by Latin American consumers**

Number of disbursements received in the last 12 months



N=2,765

With e-commerce driving the growth of gig economy platforms, marketplaces, and P2P apps across Latin America, these digitized payout verticals are also the fastest-growing, meaning that consumers under the age of 40 will continue to receive a steady stream of disbursements in the near term, in both good and bad economic times. It stands to reason that as the sources of alternative income from which consumers earn funds become more digitized and agile, so will the method in which they receive money owed to them.

As the region battles with the impacts of COVID-19, gig economy work, remote work, contract work, the influencer economy, and entrepreneurship are on the rise. According to the ILO, informal jobs have accounted for 70% of employment since mid-2020.<sup>9</sup> These trends have resulted in increasing volumes of non-salary disbursements to consumers across the region that must be delivered successfully, efficiently, and quickly in order for Latin American consumers and households to thrive.

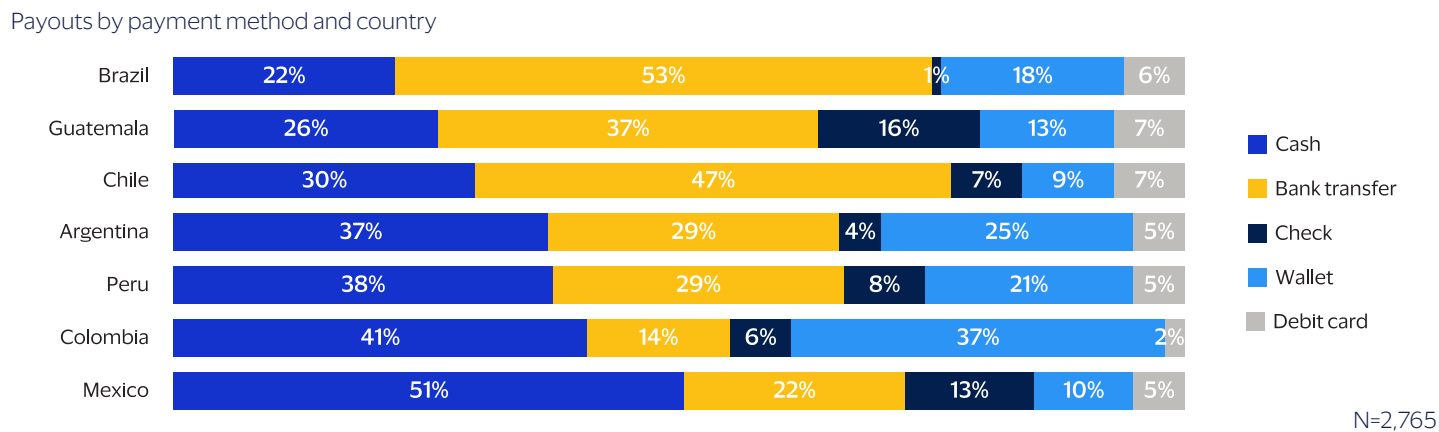
## Cash leads, but electronic methods are gaining ground

As is typical in Latin America, despite the growth of digital platforms being used across the region, cash is the leading payout method, capturing 34% of disbursements. Cash holds the largest share of payout methods in Argentina, Peru, Colombia, and Mexico, reflecting the broader financial characteristics of these markets, all of which have bank account ownership rates of 60% or less, large informal economies, and high cash penetration of retail payments. Cash is prevalent in P2P payments (informal exchange of money between parties), in the gig economy (i.e., Uber or other drivers who collect cash fares), refunds for purchases at retailers, social benefits disbursements, and other verticals (see Figure 4).

In contrast, Chile and Brazil report the highest penetration for bank transfers, reflecting these markets' fast and reliable local ACH systems and higher banking penetration overall. Wallets have the greatest share in Argentina and Colombia, highlighting the success of fintechs in competing with banks. Mercado Pago and PayPal are the leading wallets across four markets, while local wallets PicPay, Nequi, and Yape lead in Brazil, Colombia, and Peru, respectively. Guatemala reported the largest share for checks, reflecting the reliance on paper-based payout methods by traditional paying institutions. Across all markets, payments to debit card, in which consumers provide their debit card numbers instead of bank account numbers to receive payments, have limited penetration so far.

9. International Labour Organization, *Employment and Informality in Latin America and the Caribbean*, September 2021

**Figure 4. Disbursements by payment method**



## Payout options are misaligned with consumer preferences

The prevalence of cash as a payout method, along with the use of checks, is misaligned with the rapid digital growth Latin America experienced in the past year. As Figure 5 shows, more than 50% of consumers reported issues with their disbursements in the last year, with lack of control over the payout method being the top complaint. This demonstrates that swift, frictionless disbursements are a powerful tool for fostering consumer satisfaction and mitigating other operational challenges. As electronic, frictionless payments spread across Latin America, consumers are growing increasingly dissatisfied with slow, opaque disbursements. They want greater control over how their disbursements will be made and when they will arrive. This is demonstrated by the fact that consumers complained the most about insurance disbursements (a notoriously slow, opaque, and under-digitized industry), while they complained the least about P2P payments, arguably the most digitized vertical.

**Figure 5. Percentages of consumers who experienced a pain point in receiving their payments**

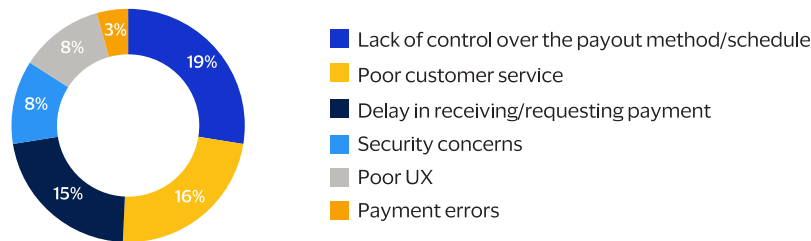


Consumer pain in the payout process is concentrated in the choice of payout method and the schedule and speed with which the payout is made. A fifth of consumers complained about a lack of control over the payout method and schedule, and an additional 15% of consumers reported delays in receiving or requesting payments. Across all ages and income levels, consumers are routinely denied the ability to choose their preferred payout method, and the schedule for their disbursements is often out of sync with their family budgets. In short, consumers want a faster, more user-powered payout experience.



**Figure 6. Pain points experienced in the disbursement process**

Paint points experienced in the payout process

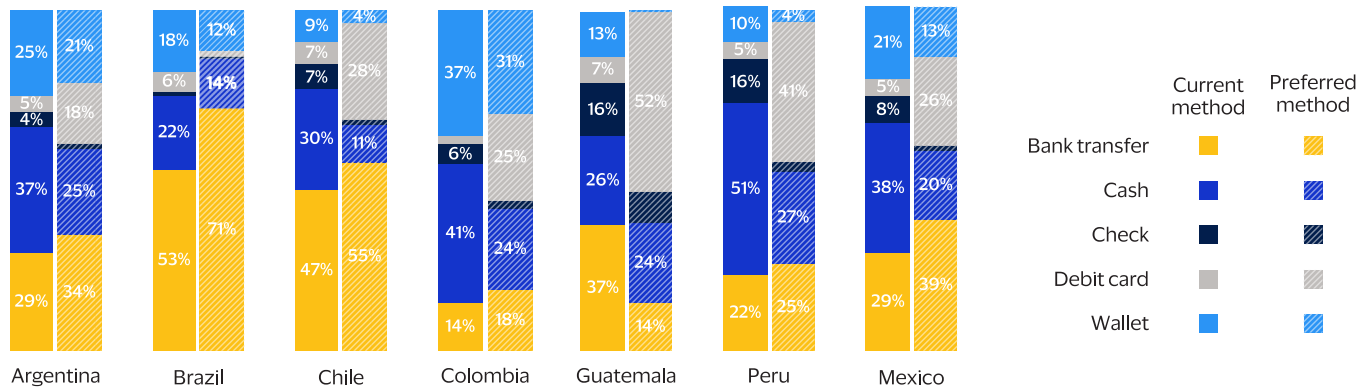


N=2,765

The frustration over a lack of choice in terms of payment method is exemplified by the gap between the methods preferred by consumers and those currently offered by payers. Across all markets and disbursement types, consumers are eager for digital payments and, if offered, would reduce disbursements via cash and checks. This finding has powerful implications for payers: while 35% of disbursements are currently paid in cash, only 20% of consumers prefer cash to receive their funds, demonstrating underserved demand for digital payment methods (see Figure 7).

**Figure 7. Divergence between current and preferred payment methods**

Divergence between current and preferred payout methods



N=2,765

In almost every market, debit card disbursements<sup>10</sup> were the method with the largest discrepancy between availability and preference. In Guatemala and Mexico, disbursements to debit cards would represent the largest single payout category if widely enabled. Among consumers who favor their debit cards for disbursements, 44% said that user experience was their top factor in choosing a payout method, while 32% selected security as their top factor. In other words, these consumers would prefer to enter their debit card information to receive disbursements, feeling that this option is more seamless and secure.

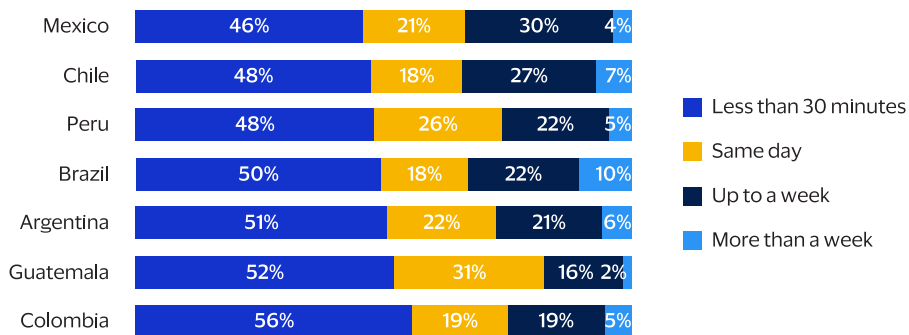
In Brazil, consumers expressed a strong preference for bank transfers, reflecting the efficiency of the bank transfer infrastructure in Brazil and growing enthusiasm for Pix. These results may be skewed, however, due to the hype around Pix at the time of research, since it was launched at the end of 2020 and banks aggressively marketed it to consumers. It is possible that Brazilians' interest in debit cards as a way to receive payments could increase over time. Additionally, payer interviews reveal that relatively few paying institutions have adopted Pix so far for disbursements, adopting a wait-and-see approach as the transfer platform is capacity tested. Until payers are ready to disburse with Pix, payout alternatives providing a similarly smooth experience—but offering more robust security and peace of mind for payers—may be the next best thing.

10. This refers to payments made using a debit card number as a payment credential, rather than the recipient's bank account number

Disbursement speed is also a high priority for payout recipients. With roughly half of all disbursements now made in less than 30 minutes, many consumers are coming to expect speedy disbursements, and they are growing less tolerant of payout delays (see Figure 8).

**Figure 8. Speed of disbursements to Latin American consumers**

Speed of disbursements to consumers, broken down by market



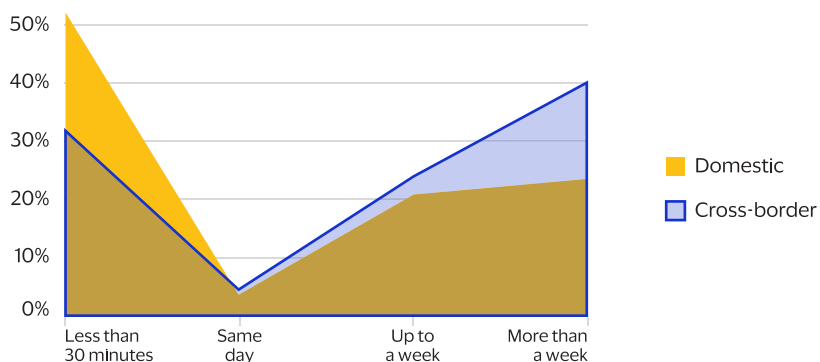
N=2,765

Indeed, delays are a key source of stickiness for cash. Jaded by bureaucratic bank processes and poor customer service, many Latin American families revert to cash as the original, tried-and-true “faster” method: once received, cash can be spent instantly. To compete with cash and advance financial inclusion in disbursements, paying institutions must compete with the convenience and reliability of cash.

A notable challenge in smoothing payout flow is that when delays happen, consumers may struggle to identify the source. For example, an insurance claim may take weeks to be paid, owing to internal approvals and red tape. Even if the payout is then disbursed via a faster method, consumer pain because of the delay will not be entirely alleviated. Bureaucratic streamlining is therefore a vital step for improving consumer satisfaction and loyalty.

Finally, cross-border disbursements are a persistent source of delays and consumer pain, with 40% taking longer than a week to arrive, as shown in Figure 9. International disbursements for contract work and marketplace sales are the fastest cross-border disbursements, but even these lag behind domestic disbursements in speed. Cross-border friction in disbursements is attributable in part to the overly complex and expensive correspondent banking structure of international wire transfers, creating opportunities for payers to enable a seamless, instantaneous payout experience across international borders.

**Figure 9. Cross-border disbursements to consumers vs. domestic**



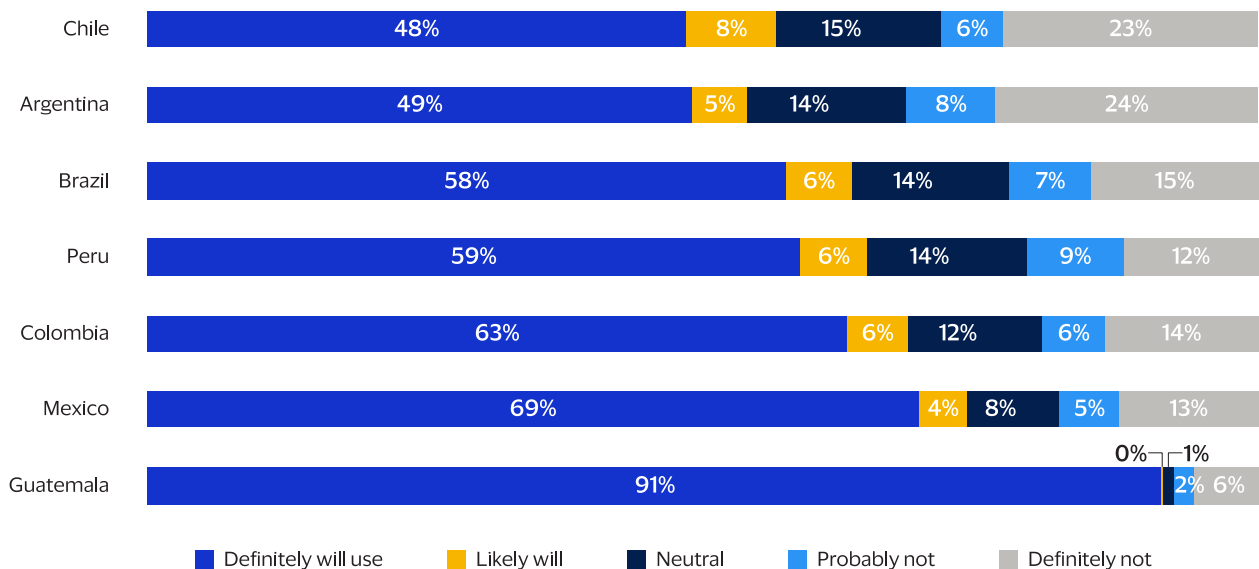
# Broad enthusiasm for faster payment methods, but consumer worries linger

The demand for improved disbursements is so strong in Latin America that 60% of consumers across all ages, incomes, and geographies describe faster disbursements as “very attractive” and would switch from their current payout method to a faster option if it became available.

Guatemalans reported the strongest interest in faster disbursements, with over 90% indicating that they definitely will use faster methods. This reflects Guatemala’s relatively less developed payout market, with paying institutions relying heavily upon cash and checks despite consumer preferences for alternatives. Across the region, young and middle/lower-income consumers are the most passionate about faster disbursements, reflecting the strong demand for speedier payments among working-age adults.

And yet, despite broad enthusiasm for faster disbursements, many Latin American consumers will adopt a wait-and-see approach before agreeing to make a change in how they receive funds, as seen in Figure 10. Ingrained habit is the enemy of new payout methods, and approximately 10% of consumers indicated that they would stick with methods that mostly work, rather than risk complications with new payout methods. About 13% of Brazilian and Chilean consumers expressed satisfaction with their current payout method, making these consumers harder to attract to newly launched platforms. Consumers are much less committed to current payout methods in Peru, Argentina, and Colombia, all markets in which there is a higher use of cash and banking is less entrenched.

**Figure 10. Likelihood of switching to a faster disbursement method**

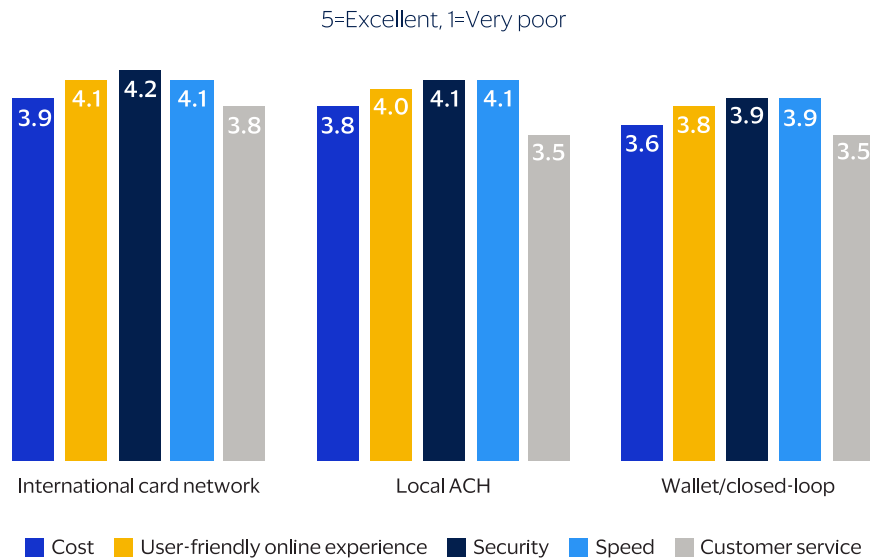


## How to impact a switch?

Trust in faster payout methods is highly dependent on confidence in the underlying payment networks and providers. Figure 11 reveals that disbursement solutions from international card networks (e.g., Visa Direct and Mastercard Send) were given the highest ratings for overall perception by consumers across all markets, tying with local ACH for speed. Local ACH scored relatively highly in security but struggled to compete with card networks in user experience and customer service. Wallet-based faster options scored the lowest in all markets, owing to their overall lower adoption rates and levels of familiarity.

Even more impactful, 77% of consumers said they would be more willing to switch to an instant payment method if it was backed by a global payments network, as opposed to their local bank or digital wallet. Thus, partnerships with international brands to make payouts can assuage consumer worries, especially security and user experience concerns, and lead to greater adoption and greater consumer satisfaction, overall.

**Figure 11. Consumers' perception of faster payment schemes**



N=2,765

## Consumer insights: Final takeaways

In a time of financial hardship, Latin American consumers are more reliant on the gig economy and contract work disbursements than ever, and as a result are more sensitive to delays and friction in the money-transfer process. Disbursements in verticals, including retail refunds, insurance, investments, etc., will also become increasingly prevalent as financial inclusion expands to include a larger portion of the population. Despite flying largely under the radar up to now, consumer disbursements are a payments industry niche that is set to grow rapidly in coming years.

This means that payment brands must foster customer trust and maintain a competitive edge in the post-pandemic economy, and paying institutions must adapt and transform the payout experience to align with consumer preferences. Key findings to support that effort are as follows:

- **Gig economy/contract labor and P2P disbursements are the most common, and the most digitized, payout types**, reaching nearly half of all Latin American consumers. These disbursements are also the most likely to be paid via electronic methods and the least likely to result in consumer frustration. As digitized disbursements reach more and more consumers, payout recipients will come to expect the same experience from other, more traditional payout types.
- **Consumers want a fast, user-powered payout process.** In the past year, 50% of Latin American consumers reported issues with their disbursements, largely concentrated in the choice of a payment method and the schedule and speed with which the payment is made. Persistent payment issues will lead consumers to become loyal to competing payout platforms and methods as the payout landscape improves.
- **Consumers are ready for electronic disbursements, and are willing to reduce their usage of traditional payment methods if possible.** Currently, 35% of disbursements are paid in cash, but only 20% of consumers would choose cash if electronic methods were broadly available and accessible. Disbursements to debit cards were the method with the largest discrepancy between availability and preference.
- **Faster payments appeal to consumers of all ages and income levels, but concerns remain.** Our research found that 60% of consumers described faster disbursements as “very attractive.” However, some 10% of Latin American consumers may adopt a wait-and-see approach before agreeing to make a change in how they receive funds.
- **Consumers indicate that international payment networks are preferred in terms of security, speed, and user experience over local ACH** and these networks are therefore best suited to addressing the pain points that consumers experience when receiving disbursements. Seventy-seven percent of consumers said that they would be more willing to switch to a faster disbursement method if it were backed by a global payments network, as opposed to their local bank.



## SMB insights

In addition to consumers, SMBs are a critical part of the disbursement equation. They are a critical engine of economic activity in Latin America, employing more than 60% of the working population. However, it's painfully clear that the financial position of SMBs has never been more precarious. Amid the COVID-19 shutdown, millions of Latin American SMBs faced steep revenue shortfalls, causing many to shutter. In Mexico, over one million SMBs had closed permanently as of September 2020.<sup>11</sup> In Central America, SMBs were more than twice as likely to close permanently than large firms.<sup>12</sup> As of September 2021, 17% of Latin American SMBs remain closed.<sup>13</sup> In short, Latin American SMBs and the millions of jobs they provide still face a grim outlook.

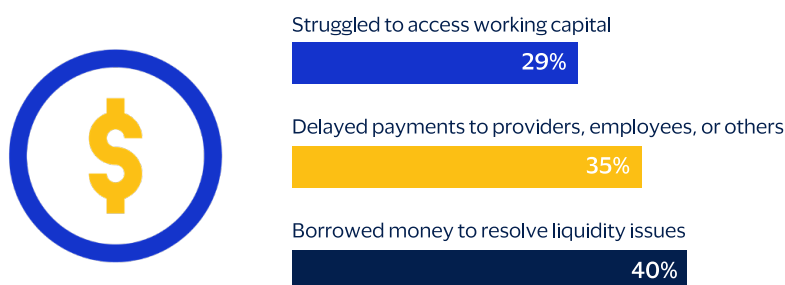
Cash flow is always top of mind for SMB owners. With pandemic lockdowns partially in place in many markets and consumers more homebound than before the pandemic, SMBs are struggling to maintain steady revenue streams. Effective disbursements—receiving money owed to SMBs for sales and approved loans—have a large impact on SMBs' cash flow. This section of the report features survey data from 1,060 SMB owners across seven markets, highlighting the pain points they experience in disbursements and offering a roadmap for improvement. Disbursements assessed here include revenues from sales via an online marketplace, transfers from acquirers or PSPs for revenues from card purchases, and disbursements of loan payments.

### Disbursement delays routinely cause cash flow issues for SMBs

In the last year, 40% of SMBs borrowed money to resolve liquidity issues. Among affected SMBs, 50% experienced cash flow issues at least once a month. One-third of affected businesses experienced issues once every two weeks.

**Figure 12. Liquidity challenges for SMBs**

Reflecting the past year, showing % of SMBs which experienced these challenges



11. INEGI, *Estudio sobre la Demografía de los Negocios*, March 2021

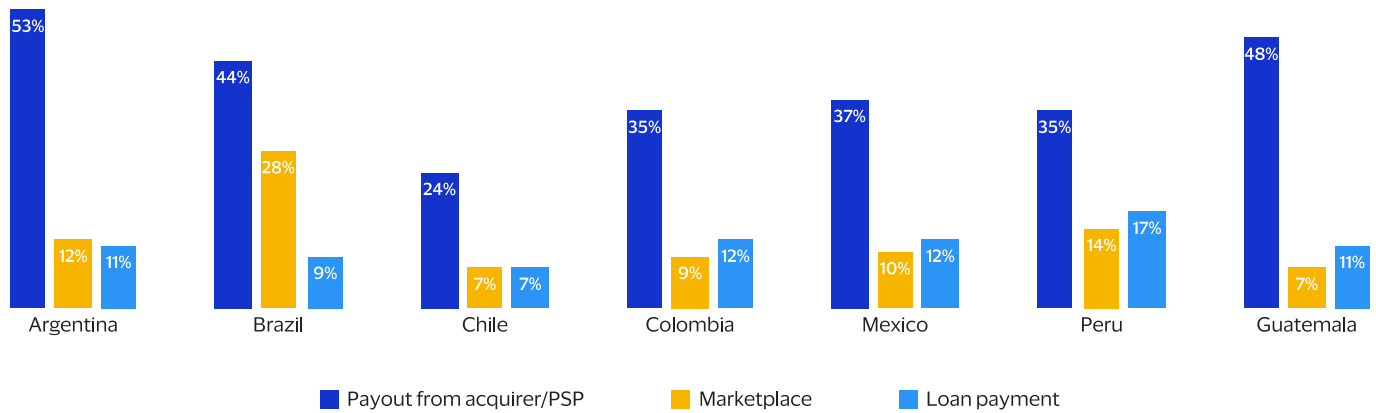
12. UNDP, *Small business, big impacts*, April 2021

13. Facebook, *Global State of Small Business Report*, September 2021

Disbursements are a key contributor to SMB cash flow issues, with 52% of SMBs saying that they suffered cash flow challenges in the last year because of payout delays. Brazilian SMBs were the most affected, with 60% of SMBs reporting payout-induced cash flow issues. Merchant settlement was the leading source of delays, with more than a third of SMBs reporting delayed payment in these disbursements (see Figure 13).

**Figure 13. Percentages of SMBs experiencing cash flow issues as a result of disbursement delays**

% of SMBs that said payout delays caused cash flow problems, displayed by country and payout type



N=1,069, among SMBs that receive each type of payout

Nearly half of disbursements take more than a day to reach the recipient. Disbursements via check were the least likely to arrive within 24 hours, reflecting the speed disadvantage of traditional methods relative to digital methods. Bank transfers and digital wallet disbursements were the most likely to arrive on the same day. Nearly half of digital wallet payouts arrived within 30 minutes, making wallets the clear leader in SMB payout speed and sending a signal to acquirers who are vying with fintech and wallet companies to service SMBs.

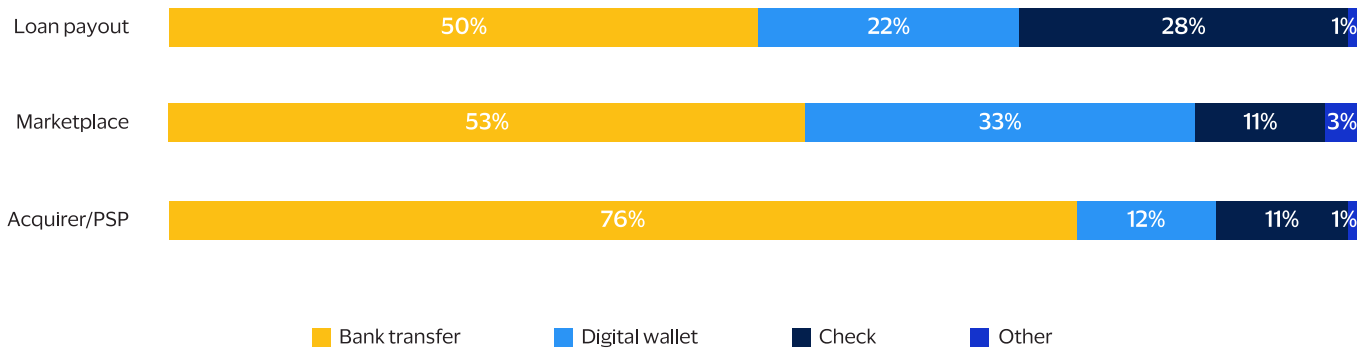
**Figure 14. Speed of SMB disbursements, by method**

	Real time	Same day	Up to a week	Over a week
Bank transfer	36%	33%	27%	4%
Check	28%	27%	38%	8%
Digital wallet	43%	24%	26%	7%

N=1,069

Digital payment uptake varies substantially across disbursement types. Bank transfers represent a majority of disbursements from acquirers/PSPs to SMBs (merchant settlement). Bank transfers also represent the largest share of disbursements of marketplace revenues, though digital wallets capture a third of these disbursements, reflecting the popularity of wallet products hosted by marketplaces themselves, such as Mercado Pago and RappiPay. Checks claim a substantial share of loan disbursements, reflecting this segment's relatively lower rate of digitization and reliance on traditional payout methods (Figure 15).

**Figure 15. Disbursement payment method, by disbursement type**



N=1,069

## Cost is key for SMB payout decisions

Figure 16 reveals that cost is the overwhelming deciding factor for SMBs in choosing a payout method: it was cited by more than two-thirds of enterprises. Most SMBs pay fees to receive funds, though increased competition among payout providers has pushed prices down. On average, disbursements for merchant settlement incur the lowest fees, averaging less than USD\$1 per transaction. Loan disbursements incurred the highest fees, averaging up to USD\$2 per transaction and a percentage rate of up to 4%.

**Figure 16. Factors for selecting a disbursement payment method**

What factors matter in choosing a payment method?

Argentina	Brazil	Chile	Colombia	Guatemala	Mexico	Peru	Factor
71%	81%	74%	69%	64%	75%	76%	Cost of receiving funds
52%	71%	44%	63%	57%	57%	59%	Speed of disbursement
46%	65%	38%	45%	39%	47%	51%	Ability to manage payouts via a digital platform
29%	33%	29%	30%	26%	38%	30%	Quality customer service in case of problems
27%	40%	29%	33%	20%	43%	37%	Security of funds
24%	39%	25%	27%	23%	25%	26%	Ability to receive advance payouts
10%	19%	15%	14%	15%	12%	16%	Ability to choose payout method
9%	19%	10%	15%	10%	15%	12%	Being offered other value-added services, like loans

N=1,069

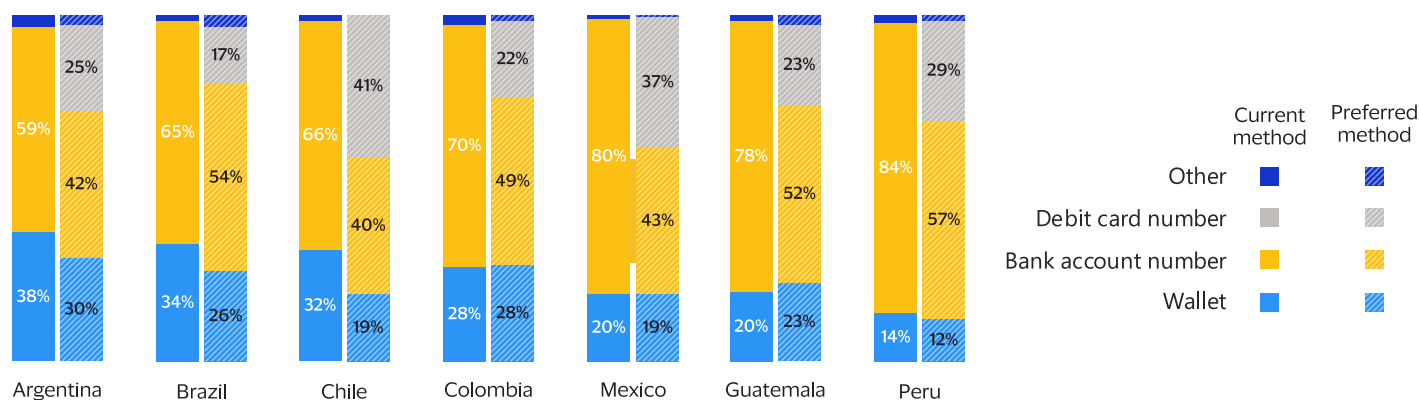
Speed is the next deciding factor for payout decisions, cited by half of all enterprises. Notably, 18% of SMBs reported paying an extra fee to receive funds faster in the last year, reflecting the paramount importance of speed in disbursements to SMBs. Mexican SMBs were most likely to incur an extra fee for advance funds, with 22% of enterprises paying to receive funds faster. Chilean and Brazilian SMBs followed closely behind. Taken together, these findings on SMB cost-consciousness and speed suggest that most SMBs are wary of higher fees for disbursements, but a significant number are willing to pay more for faster disbursements when delays would harm the bottom line.

The third priority for SMBs is the ability to manage disbursements in a user-friendly online platform, ahead of security concerns. This echoes comments from acquirers, who mentioned that SMBs are interested in easy business management tools. Enterprises are seeking better control over their financial operations, and they view digital tools as helpful for that goal. This further suggests that faster payments can gain ground with SMBs, even at a higher cost, if they are able to provide a substantial bang for the extra buck through a transparent, interactive payout experience.

## SMBs favor simpler, smoother payout methods

SMBs are fairly satisfied with the current slate of payout methods, favoring large shares for bank transfers and disbursements to digital wallets. SMBs in Argentina and Colombia expressed the greatest enthusiasm for wallets, indicative of the mature wallet offerings available in these markets. Notably, sizable shares of SMBs across all markets expressed interest in disbursements using a debit card number as the credential, rather than a bank account number. SMBs that receive international disbursements were the most enthusiastic about debit card disbursements, selecting debit nearly 1.5 times more than domestic-only payout recipients (see Figure 17).

**Figure 17. Payment credential used to receive disbursements vs. preferred credential**



N=1,069

This suggests that internationally connected SMBs view card networks as better partners for cross-border commerce than local bank transfer networks. This strong preference for debit should inspire paying institutions to consider enabling disbursements to cards as they become available.

A broad conclusion to be drawn from these findings is that SMBs are relatively less concerned about the payout method used than about the payout experience. SMBs want a solution that will be fast, reliable, and affordable. As such, it falls to financial institutions to educate SMBs and convince them that their solutions are best equipped to satisfy those conditions.

## Cross-border disbursements are a critical pain point, creating room for alternative methods

Nearly half of all SMBs in the region received a payout from abroad in the last year, showcasing the increasing connectedness of SMBs and the need for flexible, versatile payment tools. Survey data reveals that cross-border disbursements are a key source of friction, with more than one-third of SMBs reporting longer delays than for domestic disbursements (see Figure 18).

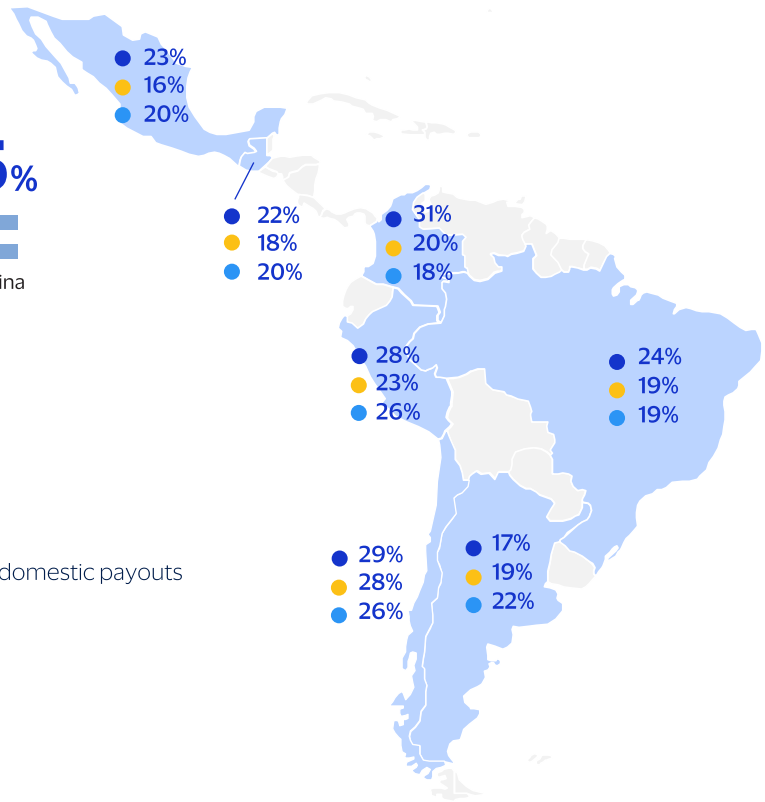
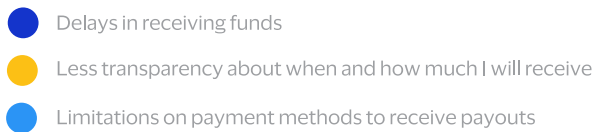


**Figure 18. SMBs and cross-border disbursements**

% of SMBs that report receiving a cross-border payout  
Marketplace payment is the most common use case



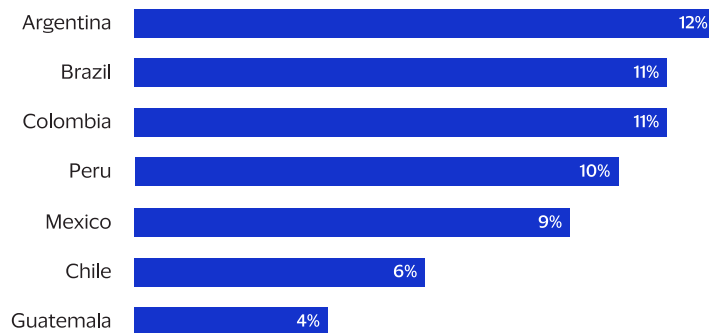
Pain points in receiving international payouts: compared to domestic payouts among SMBs that receive a cross-border payout



An additional 20% of SMBs reported reduced transparency and limitations on the available payout methods for cross-border disbursements. In short, payout tools have not kept pace with the rapid globalization of Latin American commerce, and ample opportunities exist for paying institutions that can leapfrog their competitors and provide a more seamless cross-border experience.

Interestingly, this survey data suggests that cryptocurrency uptake has been hastened by such cross-border payout issues. SMBs that receive international disbursements are two times more likely to receive digital assets than domestic-only SMBs. As seen in Figure 19, Argentine SMBs lead in cryptocurrency usage, reflecting the persistent inflation of the Argentine peso, as well as the country's strict capital controls. Brazilian SMBs follow closely behind, reflecting the country's robust cryptocurrency market, the largest in LAC. International crypto wallets—such as Binance and Coinbase—were the most commonly cited tools for holding and receiving digital assets.

**Figure 19. Usage of cryptocurrency wallets by country**



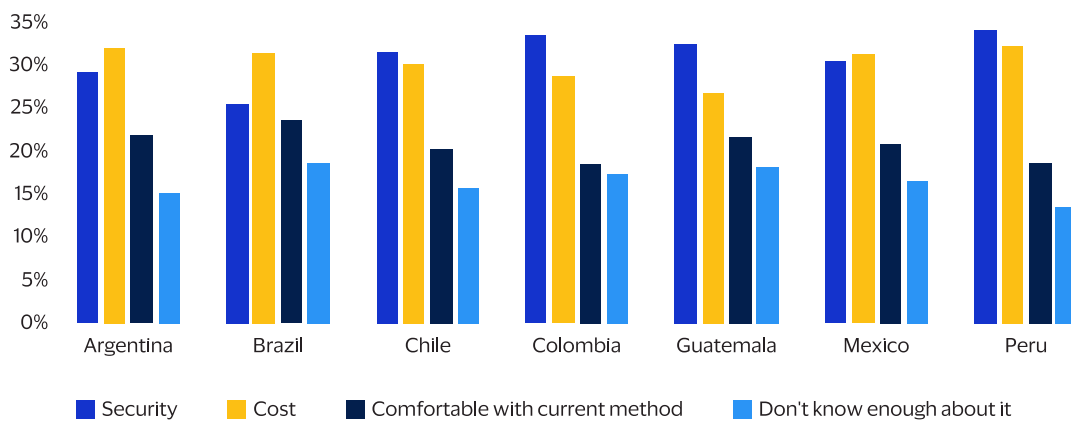
This rising interest in cryptocurrency should send a powerful signal to paying institutions and industry players providing disbursements: when their needs are unmet by traditional payout offerings, SMBs are increasingly willing to seek out non-traditional financial services.

## Faster payments would make SMBs more resilient

Considering the challenges SMBs face in receiving money owed to them, they are eager to adopt faster disbursements, with 52% saying they would switch to a faster payment method if given the choice. The chief benefit cited by SMBs was a boost in cash flow, followed by an improved ability to pay employees and providers more regularly. Facing unprecedented volatility in revenues, SMBs see faster disbursements as a potential antidote.

That said, some SMBs have reservations about faster disbursements, with 25% of SMBs across the region saying they would stick with their current payout setup (see Figure 20). Security concerns are the top barrier to adoption, as many SMBs fear that new technologies will expose them to fraud. This underscores the importance of establishing trust in faster payment brands for the purpose of evangelizing hesitant users.

**Figure 20. Top reasons for not switching to a faster payment method**

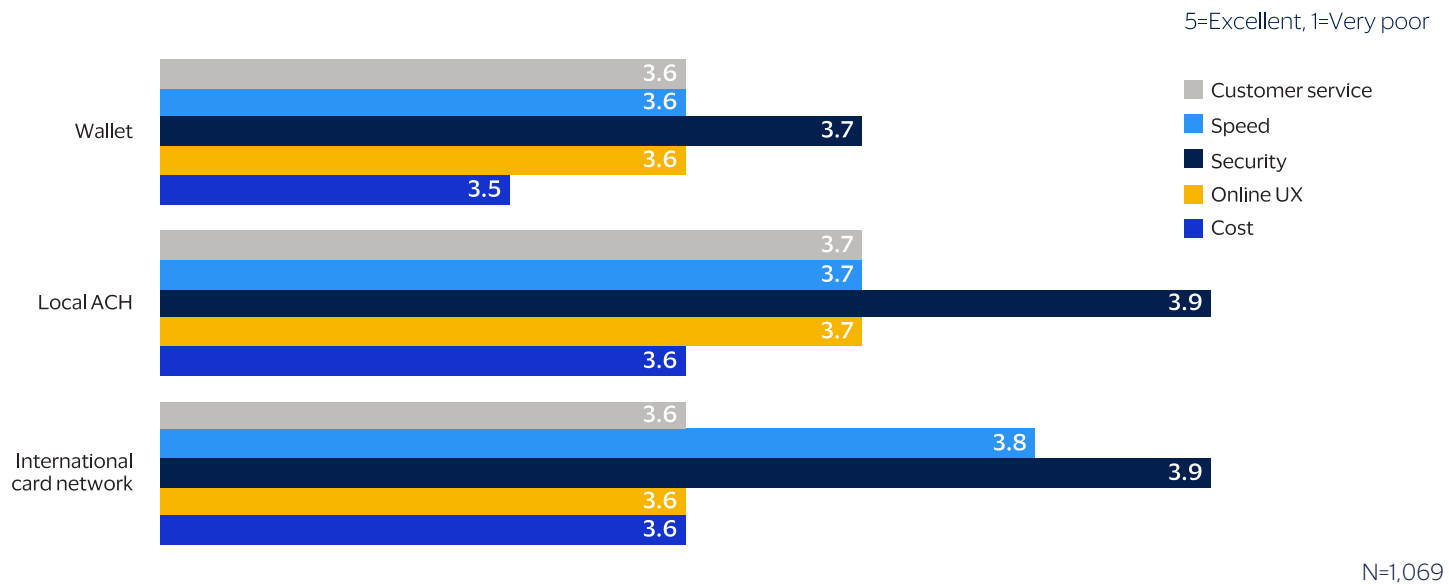


N=567; these respondents are unlikely and on-the-fence real-time payments (RTP) users

Across all markets, SMBs expressed mixed feelings about the available faster payment options, yet SMBs overwhelmingly viewed international card networks as the most secure of the faster providers, followed by local ACH networks (see Figure 21). Wallets were viewed with more skepticism, perhaps owing to the newness of many wallet brands. International card networks also led in speed, though the gap was much smaller. Local ACH networks edged out card networks in customer service, online user experience, and cost.

These findings suggest that local ACH networks can inspire trust among the most enthusiastic faster payout users, but international card networks stand the best chance of convincing wary and on-the-fence SMBs.

**Figure 21. SMB perceptions of faster payment schemes**



## SMB insights: Final takeaways

Amid a sluggish recovery from the pandemic recession, cash flow issues are life-or-death for millions of Latin American SMBs. To foster SMB financial resilience and inclusion, paying institutions must act swiftly to prevent payout delays and enable more proactive financial planning for small enterprises throughout the region. Key findings to support that effort are as follows:

- **Cash flow issues for SMBs result in higher debt loads.** In the past year, 40% of SMBs in Latin America borrowed money to resolve liquidity issues. Among affected SMBs, 50% experienced cash flow issues at least once a month, and a third experienced issues once every two weeks.
- **Payout delays are a key contributor to cash flow issues.** In the past year, 52% of SMBs suffered cash flow challenges because of payout delays. Brazilian SMBs were the most affected, with 60% reporting payout-induced cash flow issues. Disbursements from acquirers and PSPs for card revenues (merchant settlement) were the leading source of delays.
- **Nearly half of disbursements take more than a day to arrive to SMBs, especially through traditional methods.** This time is prolonged for sales made on weekends and on holidays, meaning wait times can quickly escalate up to three to five days or even longer. This is simply not a viable option for small family enterprises living hand-to-mouth and can be a deterrent to the expansion of electronic payment acceptance by this segment.
- **Cost is key for SMB payout decisions, but many enterprises will pay more for speed.** More than two-thirds of SMBs cited cost as a priority for choosing a payout provider. Nonetheless, 18% of SMBs reported paying an extra fee in the last year in order to receive funds faster. This suggests that most SMBs are wary of higher fees, but a significant share will pay more when delays would themselves harm the bottom line.
- **International disbursements are a critical source of pain for SMBs.** More than one-third of SMBs reported longer delays for cross-border disbursements than for domestic disbursements, and an additional 20% reported reduced transparency in the payout process. Consequently, SMBs that receive international disbursements expressed the greatest enthusiasm for disbursements to debit cards, favoring international card networks over local transfer networks.
- **If given the choice, 52% of SMBs would switch to a faster payment method, viewing these methods as a solution for cash flow issues.** Nonetheless, SMBs are wary of new methods, with security as the chief source of concern. International card networks are overwhelmingly viewed as the most secure faster providers, suggesting that these methods may be key to inspiring confidence from on-the-fence SMBs.



## Payer insights

This research reveals that both consumers and small businesses have an appetite to receive payments in real time, but the industry reality is that paying institutions are the ones to ultimately decide how to disburse funds to end users. For this reason, it is essential to understand how payers think about disbursements, what role disbursements play in payers' relationship with their payees, and other priorities payers need to balance alongside disbursements when formulating their overall strategies.

To this end, AMI interviewed 30 private companies across Latin America that make at least 10,000 disbursements per month to consumers and small businesses, across the following verticals:

- Merchant settlement between acquirers/payment service providers and small merchants
- Gig economy platforms (delivery apps, ride-hailing) disbursing funds to service providers (delivery agents, drivers)
- Banks and fintech companies disbursing funds to consumers on behalf of governments for social benefits programs
- Insurance companies disbursing funds for insurance claims to policyholders and third-party claimants
- P2P platforms facilitating the sending of funds between consumers
- Retailers disbursing funds to customers for refunds
- Contract work platforms disbursing funds to service providers who are selling services on their platforms

Across these use cases, local ACH is the dominant payout method, representing well over 50% of total payout volume among interviewees. Other payout methods, such as prepaid cards and cash, are used in circumstances when the recipient does not have a bank account. Check disbursements are common among insurance companies. For cross-border disbursements, international wire transfer is often the only option available, although this is changing with the increasing popularity of international digital wallets, such as Wise, Remitly, and Payoneer.

**Figure 22. Payout methods used by paying institutions**

							
Payer vertical	Acquirers/PSPs	Gig economy	Social benefits	Insurance	P2P platforms	Refunds	Contract work platform
Payout methods used	Local ACH	Local ACH Prepaid card	Cash Local ACH Digital wallet Push to prepaid card	Local ACH International wire Check	Local ACH Push to debit card Digital wallet rails	Push to debit or credit card Cash Gift card	International wire transfer Local ACH Digital wallet

## Drivers of faster payments among payers

The consensus is that these payout methods are mostly adequate for payers' and payees' needs, especially in markets where immediate or one-day local bank transfers are available and reliable, such as Brazil, Mexico, and Chile. Payers report that in most cases, payees receive funds in 48 hours or less and that there is not an urgent perceived need to implement faster payments today. Additionally, disbursements tend to fall toward the end of a long list of priorities of payments-related projects.

However, there is a keen understanding among interviewees that making disbursements in real time will become an important priority going forward, driven by three key factors:

- 1. The growing pervasiveness of real-time pay-ins.** Driven by instant payment schemes such as Pix in Brazil, real-time pay-ins are creating an instant payment expectation among consumers and businesses alike.
- 2. Increasing competition in the platform economy.** Gig economy, marketplaces, contract worker platforms, and payment platforms that serve SMBs are engaged in growing competition to attract and retain workers and businesses. In an increasingly competitive and innovative environment, platforms find themselves in the grip of competition over price, value-added services, and payout speed.
- 3. Faster disbursements as a driver of financial inclusion and digital adoption.** Latin America has undergone massive change since the onset of the pandemic, with banking penetration increasing to 69% across the region and SMBs accepting digital payments at record rates. That said, 31% of the population remains unbanked and retail purchase volume is still more than 70% cash in select markets, highlighting that digital payments still have opportunity to expand. In an increasingly competitive environment, payment enablers—including acquirers, PSPs, neobanks, and digital wallets—are looking to this untapped territory to expand.

Governments are also understanding digital payments channels to be the most efficient way to pay out social benefits funds and, at the same time, start recipients on the path toward financial inclusion. For digital payment methods to be attractive for the underbanked population, however, they must be competitive with cash. For this reason, acquirers, fintechs, and institutions paying out government benefits understand that faster payment is a non-negotiable feature for capturing this customer segment.

The three forces listed below are driving increasing interest in faster disbursements for paying institutions in Latin America and prompting payers to get curious about the payout solutions available to them. Additionally, beyond payout speed, payers experience other pain points with their current payout configurations. These involve user experience, fees, transparency, security, and lack of flexibility. Such pain points are holding paying companies back from optimizing their relationships with their payees, as well as creating internal bottlenecks and inefficiencies. Some of the top pain points that payers cited related to disbursements include:



**Contract professionals working for international employers want to be able to have full control over their money—receive it faster, have greater transparency, and store it in different currencies. Employers want to nurture their talent and make sure they are compensated on time and for the full amount.”**

—OnTop, contract employment management company

### **1. Frequent errors caused by incorrect/inconsistent bank account information**

In most countries, there is no standardized format for bank account numbers and the additional information required to execute a bank transfer (i.e., branch number, account holder ID number, etc.). This means that payers disbursing via bank transfer must manage thousands (or millions) of bank account numbers, all with different formats and requirements from the account-holding institution. This generates a high propensity for mistakes and a high incidence of failed disbursements. To compensate, companies are forced to manually review failed disbursements and correct erroneous information. This drains resources from paying institutions and creates friction between the payer and the payee. Payout methods that increase consistency in payee credentials can help alleviate this costly pain point.

### **2. High cost and inefficiency of cross-border disbursements**

Payers making cross-border disbursements complained emphatically about the high cost and poor experience of international wire transfers, which cost \$30 or more per transaction and can take more than a week to arrive to the recipient. This is a massive pain point for contract employers seeking to attract and retain the best talent, including highly paid software engineers, designers, product owners, and other specialized professionals. These represent a user base that is high-income, highly digitized, and that has high expectations with respect to their compensation.

This payout niche is starting to experiment with advanced payout options, such as storing funds in foreign currency (dollars) and cryptocurrencies. The ability to instantly cash out funds into local currency when needed is a highly relevant feature that these platforms are looking to enable.

### **3. Difficulty onboarding new users**

In the age of digital commerce, platforms are looking to onboard new customers and service providers quickly and with as little friction as possible. Disbursements via ACH require that anyone offering services on a platform (gig economy, marketplace, contract work, multilevel marketing system, SMBs accepting card payments) validate their bank account information as part of the onboarding process. To do this, payers initiate micro-deposits into participants' bank accounts, who then confirm the amount deposited. This serves to validate the participants' identity and ownership of the account where they will get paid. However, because in many markets ACH transfers are not in real time, the onboarding process is extended to several days.

This is unacceptable to the region's top digital platforms, who are looking to rapidly advance their levels of speed, innovation, and ease of onboarding. Faster payments would enable gig economy workers, for example, to begin work within minutes of starting the application process.

This speed and seamlessness is even more important as the average payout amount goes down and the nature of the work is less traditional, i.e., in the influencer economy. TikTokers, YouTubers, and other influencers who get paid for their content are looking for an onboarding experience that is congruent with the speed and agility of the platforms themselves.

#### 4. Lack of tools to efficiently manage disbursements

Payers across all verticals complained about the lack of a dashboard or other similar tool to have full visibility over their disbursements. Most payers do not have the ability to see if a specific payout was made successfully and to check for any errors. This weakens payers' ability to respond to payee complaints, which erodes the relationship between payer and payee.

#### 5. Lack of a regional payout provider

For regional platforms with presence across Latin America, there is a need for market redundancy when seeking a payout provider. Large marketplaces and gig economy platforms with presence in multiple markets create a payout nightmare, requiring integrations with several ACH systems and the use of cross-border disbursements. Payers expressed the desire for a trusted international player with local integrations to systematically handle disbursements across Latin America. They also expressed the desire to enable disbursements across multiple payment methods, including bank accounts, digital wallets (i.e., MercadoPago, Daviplata, Nequi, PicPay, etc.), and cryptocurrency wallets. Redundancy, simplicity, and user experience for their payees are key driving factors among these payers.

#### 6. Local ACH is not sophisticated enough to power instant disbursements across the region

While real-time ACH is available in certain markets (Mexico via SPEI, Brazil via Pix), the capabilities are not robust enough to enable region-wide instant disbursements. All interviewed payers in Brazil mentioned that they did not feel comfortable paying out via Pix because it lacks the more sophisticated tools payers require to securely manage disbursements, including response codes confirming a payout has been received. While ACH payments in Mexico are made in real time through the SPEI platform, interviewees report that the process to "upload" payout instructions via banks' host-to-host service (as opposed to via APIs) is manual and burdensome. In Argentina, Peru and Guatemala, ACH payments are frequently delayed due to bank red tape.

Across the region, interviewees report that local bank transfers are not robust enough to enable faster disbursements on a large scale. This is particularly important for large digital players looking to enable next-generation capabilities such as on-demand disbursements—enabling gig economy workers to get paid instantly as soon as they complete a job, as opposed to on a weekly or bi-monthly basis.



**We don't see enabling daily disbursements via bank transfer. It just doesn't have the level of efficiency and agility we are looking for."**

—Leading regional gig economy platform

# Payer concerns around real-time disbursements

While payers express interest in real-time disbursements in general, they also have valid concerns. The adoption of any new payments scheme inevitably causes friction, and the new solution must be a significant improvement over the status quo to justify such a change. Among interviewees, the main areas of concern around faster disbursements include:

## 1. Fraud

Instant disbursements are especially attractive to fraudsters, since once a disbursement is made, it is difficult to reverse. Faster payments also increase the risk of organized crime, in which kidnappers take a victim hostage and force them to transfer money using a faster payment scheme. The launching of Pix in Brazil brought with it an increase in such criminal behavior, and in August 2021, the Central Bank issued new rules to deter such activity, such as limiting transactions to R\$1,000 (around USD\$200) at night. Within the gig economy and marketplaces, enabling on-demand disbursements would invite similar criminal activity and is a key barrier for digital platforms seeking to enable this capability.

## 2. Price

Price is a top priority for companies that execute a high volume of disbursements per month, including acquirers, gig economy, marketplace platforms, and P2P apps. Currently, disbursements made over ACH rails are free in several markets, or they are low cost, thanks to the high level of monthly volume. Interviewees report that the price of migrating to a faster payout system would need to be comparable in cost to what they are paying now, or else demonstrate tangible enhanced value that would justify that higher cost.

## 3. Value

Similar to the previous point, interviewees reveal that despite the perceived benefit of a faster payout scheme, migrating to a new system involves operational risk that could be a disincentive. Today, disbursements are often on the lower end of payment project priorities, with optimizing pay-ins taking precedent. However, interviewees indicate that this mindset is changing, as faster payments become more of a daily reality throughout Latin America.

Payment providers wanting to accelerate faster disbursements in Latin America should develop concrete, data-based business cases to demonstrate to payers the benefit of faster disbursements from a cost and value perspective. They should also showcase the long-term competitive implications of improving the user experience for end users, improving end user retention, and maximizing internal operational efficiency.





## An industry call to action: Top opportunities for faster payments

These findings demonstrate that payers, consumers, and SMBs are looking for more innovative payout solutions to speed up payout time. They also want to enable real-time visibility into payout status, reduce human error, and enable real-time onboarding. These improvements elevate payees' experience, which in turn supports the payer's standing among its user base. Just as financial services providers across Latin America are in a competition to provide the best user experience to consumers, payers are beginning to experience the same phenomenon with regard to their payees.

Of course, these competitive pressures are felt to varying extents according to vertical. In order for industry players to prioritize improving disbursements in Latin America, AMI mapped select payer verticals according three areas: 1) level of pain currently associated with disbursements as described by payers, consumers and SMBs; 2) the perceived level of enthusiasm in faster disbursements from payees; and 3) the level of enthusiasm of adopting faster payment methods among the paying institutions. These verticals, mapped in Figure 23, reflect those that are most received by consumers and SMBs and that are most initiated by payers. They also reflect the widest possible variety of and payee profiles (from young, mostly digitized gig economy workers, to middle-aged, affluent insurance claimants, to low-income recipients of government assistance). This helps to provide a comprehensive industry analysis.

Based on research results, AMI scored these categories for each payout vertical, assigning a maximum score of five per category: five represents a high opportunity for faster disbursements and a score of one indicates low opportunity for faster disbursements. This analysis is meant to help map and prioritize the opportunity to improve disbursements across Latin America.

**Figure 23. Mapping faster payout opportunities in Latin America**

(Max score of 15=high opportunity for a faster payment solution)

	Level of pain experienced when making payouts	Level of enthusiasm from payers and payees in adopting faster payments	Total opportunity based on demand	What to target when serving this segment?
Contract work	5	4	5	<b>Challenge:</b> Contract workers experience long wait times to receive funds and pay high fees, especially for cross-border transfers <b>Solution:</b> Implement a faster payment solution for cross-border transactions that is integrated across the banking system, to capture cost efficiencies and deliver payments quickly
Gig economy	2	5	4	<b>Challenge:</b> No efficient payment infrastructure to offer daily or on-demand payouts in a secure fashion <b>Solution:</b> Enable gig economy workers to request payouts on demand, offering maximum flexibility
Merchant settlement	2	4	4	<b>Challenge:</b> 1. Unstandardized bank account numbers lead to costly mistakes and the need for manual review; 2. Longtail merchants cannot quickly access funds from card sales. <b>Solution:</b> 1. Enable payouts based on standardized payee account information (standard 16-digit card numbers); 2. facilitate instant or on-demand payouts for longtail merchants.
Government benefits	4	3	4	<b>Challenge:</b> Governments lack efficient, affordable and inclusive payout methods to reach benefit recipients <b>Solution:</b> Unify government benefit payments under a singular pay-to-card disbursement program
Refunds	4	3	3	<b>Challenge:</b> Refunds sometimes take several days to process due to delays by issuers and processors <b>Solution:</b> Provide the option of an instant refund to customers' debit cards, particularly for preferred buyer loyalty programs
P2P	2	3	3	<b>Challenge:</b> Closed-loop P2P apps create fragmentation and prevent P2P payments from scaling <b>Solution:</b> Enable P2P interoperability using open-loop network rails
Insurance	2	2	2	<b>Challenge:</b> Payment is too slow when emergency disbursements are needed <b>Solution:</b> Demand for a solution is currently low, but as it rises, there is opportunity for a faster payment solution that can be pushed to card and across borders seamlessly



Following this methodology, AMI observes that the most urgent opportunity for a faster payout solution lies within the **contract work vertical**, the majority of which are cross-border disbursements that are plagued by high fees (\$30 or more per transaction for international wires) and slow payout times that can extend to a week or more. Recipients receiving cross-border transfers have poor visibility over the status of their payout and uncertainty about the total amount they will receive, owing to transaction fees, fluctuating exchange rates and opaque tax and commission requirements set by banks and regulators. These are critical problems for recipients because contract work disbursements represent payees' monthly household sustenance.

The need to improve disbursements in this vertical will become more urgent as the trend of remote work accelerates globally and more employers in the U.S., Europe, and elsewhere seek to hire talent in Latin America. Contract work platforms trying to retain talent can dramatically improve the experience for employers and payees by enabling faster disbursements over a global payment network that already has cross-border capabilities.

Improvements can also be made in domestic disbursements, especially in markets where real-time ACH is not enabled, and in industries that hire temporary seasonal workers, i.e., in construction and agriculture. These recipients tend to be low-income and unbanked, making payment a challenge. In such cases, bank transfers are not practical, since many banks will not serve customers with this profile and payees are loath to open a bank account for a temporary gig. In such cases, payment to a prepaid card, or a debit card attached to a digital wallet (this is more accessible than a bank account), have been successful solutions and can be enabled by a payment scheme that pays funds to a debit card credential, rather than a bank account.



**Gig economy platforms, marketplaces, and acquirers/PSPs** find themselves in the throes of competitive pressures, all seeking to provide an optimal user experience for sellers on their platforms. Seeking to offer the most innovative and user-friendly experience possible, gig economy platforms are looking to enable disbursements on demand. Similarly, acquirers and PSPs serving long tail merchants understand that for card sales to be attractive to small merchants, receiving funds as soon as a sale is made is of utmost importance.

In these verticals, payers are confronted with the cash flow crunch experienced by both families and businesses post-pandemic. These end user groups tend to be lower income, lead less financially stable lives, and are less enthusiastic about banking services than the average consumer. Facing these circumstances, gig economy platforms and long tail merchant acquirers play a significant role in financial inclusion. Once funds are paid into a digital account, recipients are more likely to use that account and/or attached payment credential like a debit card to make payments.



This logic has been adopted by **governments** that are seeking efficient ways to reach social benefits recipients, the majority of whom are unbanked. A success case in Guatemala reveals the power of faster payment disbursement for financial inclusion purposes. During the COVID-19 pandemic, when bank branches were closed and normal cash disbursement was unavailable, VisaNet enabled push-to-prepaid card payments using Visa Direct, issuing over two million new payment credentials for previously unbanked social benefit recipients. Instant payout to these prepaid cards enabled cardholders to use funds instantly and also introduced recipients to electronic payments for the first time.



**Refunds to shoppers from retailers** are reportedly highly problematic. While refunds pushed to consumers' debit or credit cards should take no more than 48 hours, retailers report that this can take up to a week or longer depending on the issuing bank. Retailers lament this situation, since they are powerless to resolve the issue themselves, and they also have to deal with an upset customer. To avoid this complication, some retailers have resorted to paying refunds using gift cards (not ideal since the customer wants cash and not store credit), and one Mexican retailer has even considered integrating with SPEI (real-time ACH rails) directly to be able to pay refunds via bank transfer.



Most **P2P payments** already take place in real time, since this is the core value proposition of an electronic P2P payment: being able to pay anyone, any time, instantly. P2P payments generally take place over one of three different payments rails: ACH (i.e., Pix in Brazil), debit card rails (WhatsApp Pay in Brazil, Yape in Peru), or over a closed-loop network (i.e., MercadoPago). And while most of these transactions already take place in real time, the pain point cited by P2P platforms is the lack of interoperability between rails.



**The opportunity for real-time payments in Mexico is in P2P payments. This hasn't scaled yet because the market is too fragmented. But here there is a huge opportunity to get people onto one platform and scale digital payments from there."**

—Top payments industry executive in Mexico



In Colombia, for example, several P2P apps (Nequi, Movii, Daviplata) offer instant P2P payment, but these ecosystems cannot transact amongst each other. In Argentina, banks and wallets can transfer money between them using the CVU (universal virtual code, from its Spanish acronym, a standard set by the Central Bank enabling transfer between banks and fintech companies), but these are often delayed or declined due to inefficiencies within individual banks. In Mexico, SPEI offers real-time transfers across all participating banks, but it has not built out a user-friendly interface suitable for social, low-value transactions. As a result, a handful of fintech companies offer P2P payments, but none of them have gained sufficient scale to create the network effect required to make P2P payments truly ubiquitous. These examples demonstrate that one unified network that connects bank accounts, wallet accounts, and debit cards could truly make P2P payments scale throughout the region, opening the door to even wider payment digitization.

While at first blush the **insurance industry** does not seem to value faster payment capabilities, there are niche opportunities. Many insurance disbursements are made at times of personal emergency: a car accident, the death of a loved one, a health emergency. At these critical moments, the last thing claimants wish to do is struggle to receive what is rightfully theirs: their insurance payout. Insurance payers can improve their relationships with clients and overall reputation by speeding up payment to claimants. They themselves identified opportunity for this, particularly in the case of international disbursements for emergencies while traveling abroad. In such circumstances, getting payment right away to a hospital or other healthcare provider can literally be a life-saving opportunity for the policy holder.

# Faster money transfer checklist

These findings reveal the opportunity for tangible improvements to faster money transfer facilitation across Latin America. The data discovered in this research reflects that payers should not rely solely on local ACH for sending funds. ACH limitations are numerous, including:

- Domestic ACH is not real-time enabled, 24/7, in all markets, including Colombia, Chile, Peru and Guatemala. Cross-border payments sent by banks in Latin America are almost never in real time and can take several days to fully settle
- Not a viable option for the unbanked
- Unstandardized bank account numbers lead to costly mistakes when making mass disbursements
- No cross-border functionality
- Lack of user-friendly interfaces and poor user experience. These could mean a lack of transparency around when payment will arrive, fees assessed, inability to access funds over the mobile channel, payment delays, or needing to input a cumbersome amount of data to send a payment.
- Consumers and SMBs have an overall better perception—considering security, speed, and user experience—of payment channels other than ACH, most notably international payment networks with strong brand recognition.

Alternative technologies, such as instant send-to-card faster payments, can improve the above shortcomings. An optimized faster payment solution would instead look like the following:

- All payments settled in real time, both domestically and across borders
- Accessible to the unbanked by enabling instant payment to prepaid cards and digital wallet accounts
- Recipient accounts are identified by standardized 16-digit debit card number, or other standardized alias, to make mass disbursements less prone to error
- Easy to use, mobile-ready user experience, in which users view the status of their payment in real time, understand and fees or taxes being assessed, rapidly resolve disputes and be able to instantly use funds via a debit card
- Offered or backed by an international brand. Survey data shows that when money transfers are facilitated by an international payment brand, end users are more likely to migrate to a faster payout solution

Payers need to be thinking about how to add value into the payments transfer process. It's not enough to pay users on time into a bank account; increasingly, end users are looking for solutions that put their needs first, including choice of payment method and schedule, security, and a user experience that provides efficient payment management. Professional end users, like freelancers and companies, want business management tools and dashboards to help with reconciliation. Developing additional value around disbursements will generate user satisfaction, loyalty, engagement, and financial inclusion. Top priorities for payment companies and payers when considering disbursements should include:

## 1. Maximizing payee choice

Payers must invest in their relationships with payees, and this means maximizing choice. Offering a variety of options including payment to a card, ACH, and others, and giving each of these options equal placement to end users, will help achieve this goal. Providing clear guidance on the fees, transfer times, and other factors is critical to help payees make informed decisions and maximize inclusion of all participants.

## 2. The best user experience wins

Payments must be intuitive, transparent, and easy to manage over multiple channels, especially mobile. Today, most payers do not offer real-time transparency into their funds distribution, and payees cannot easily visualize and manage their payments. Most banks and ACH networks in the region have not built the necessary interfaces. In contrast, international payment networks are well positioned to offer this capability, with their myriad partnerships with fintechs and experience creating flawless user experiences. Both consumers and SMBs associate international card brands with a better user experience over banks.

### 3. Risk and security

Security is top of mind for consumers and SMBs, and fear over security risks is a top factor in resistance to new payment methods. Ensuring security in faster payments is complex, requiring real time authorizations, transaction controls, alias management, and clear liability protocols in the case of reversals or refunds. Most of these capabilities are not yet offered by real-time ACH payment providers.

### 4. Flexibility to support multiple cases

The use cases for disbursements are diverse, ranging from \$1 P2P payments to thousands of dollars for merchant settlement and contractor payouts. They may take place on demand, or on a standard recurring monthly schedule. Users range from migrant workers and immigrants to tech-savvy millennials, from informal merchants to highly sophisticated gig-economy platforms. Enabling both push and pull payments, payment scheduling, business services, and other value-added features is required to meet full market demand.

### 5. Interoperability across the region and globally

As work and commerce transcend borders, seamless global payments will become the norm and expectation. Digital companies by nature operate globally, and traditional businesses, including retailers and SMEs, are increasing their cross-border ties. These need payment partners that can move their money anywhere in the world. Local bank rails do not offer this capability, whereas global payment networks are specialized in this service. Visa Direct is one of the only money sending platforms available that provides fast, seamless, pain-free cross-border payments.

### 6. Reputable global brand

Trust is essential when making payments, especially in high volumes and across international borders. SMEs and consumers both resoundingly prefer over local options a trusted global brand like Visa and Visa Direct to handle their payments. The Visa brand, for example, offers an optimized user experience, speed, and reliability that payers and payees require to best manage their financial lives.

## The future is fast

Latin America is currently experiencing economic pressures in the wake of COVID-19, including low GDP growth, inflation, increasing interest rates, and threats of new lockdown orders. In this context, fast payments are essential to restoring resiliency and growth. Yet, slow, manual payments contribute to restricting the region's rebound. The above insights can help to overcome payments-related hindrances to growth, an opportunity that can help usher Latin America into a faster payment era, in which citizens and businesses receive and move their money instantly, and enable them to spend, save, invest whenever and however they need.

More broadly, the right combination of customer choice, user experience, security, and interoperability in payments helps Latin America compete at a global scale. Faster payments and global connectivity are essential components to the region's long-term growth and prosperity, in an era in which payments and commerce are accelerating at unprecedented speeds. In short, money should be moving as fast as we are, and Latin American payers should look to global payment networks to empower them with this capability.



# About Visa

Visa Inc. (NYSE: V) is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable, and secure payment network—enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of digital commerce on any device, for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network, and scale to reshape the future of commerce.

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# About AMI

[www.americasmi.com](http://www.americasmi.com)

Americas Market Intelligence (AMI) is the premier market intelligence firm for Latin America, providing powerful market and competitive intelligence-driven insights for companies to succeed in the region. With a specialization in the payments industry, its expertise includes e-commerce, cryptocurrency, neobanks and digital wallets, fintech, POS and acceptance technology, financial inclusion, cross-border payments, B2B payments, open banking, and faster payments. Its customized research reports deliver data-based clarity and granular strategic direction based on expert sourcing.

AMI's payments practice is focused on helping financial institutions, merchants, and others navigate the unique payments landscape in Latin America and compete in a rapidly digitizing environment. AMI consultants are recognized thought leaders in verticals such as e-commerce, payments innovation, contactless technology, faster payments, and consumer and payment industry trends.

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