







Financial transformation through Fintech in Mexico

Transformación financiera mediante las Fintech en México

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Abstract




In the year 2024, Fintech in Mexico have experienced significant growth and have established themselves as important players in the country's financial sector, these platforms to carry out financial transactions, manage their personal finances and access alternative banking services; Fintech have expanded their service offering beyond digital payments and transfers, now offering products such as loans, insurance, investments and financial advice, covering a wide range of users' financial needs. This research aims to provide a general overview of the use of Fintech currently in Mexico, as well as regulation, financing, strategies, transformation, and statistical data. The methodology used in the research is mixed because it takes up characteristics of quantitative studies, through data obtained from different and qualitative sources in accordance with the research to be carried out rationally in data theory. Greater investment and financing since Fintech in Mexico has attracted significant investments from both national and foreign capital, this has allowed Fintech companies to expand, improve their technologies and offer better services to their users. It is important to recognize that Fintech in Mexico in 2024 is at a point of maturity and growth, offering a wide variety of digital financial services and contributing to financial inclusion and the modernization of the sector in the country.

Goals	Methodology	Contribution
		

Fintech, Transformation, Finance

Resumen

En el año 2024, las Fintech en México han experimentado un crecimiento significativo y se han consolidado como actores importantes en el sector financiero del país, estas plataformas para realizar transacciones financieras, gestionar sus finanzas personales y acceder a servicios bancarios alternativos; Fintech han ampliado su oferta de servicios más allá de los pagos digitales y las transferencias, ahora ofrecen productos como préstamos, seguros, inversiones y asesoría financiera, abarcando una amplia gama de necesidades financieras de los usuarios. La presente investigación pretende dar un panorama general del uso de las Fintech en la actualidad en México, así como la regulación, financiamiento, estrategias, transformación, datos estadísticos. La metodología que se utiliza en la investigación es mixta debido a que retoma características de los estudios cuantitativos, mediante datos arrojados en diferentes fuentes y cualitativos de acuerdo con la investigación a realizar de manera racional en la teoría de datos. Mayor inversión y financiamiento ya que Fintech en México ha atraído inversiones significativas tanto de capital nacional como extranjero, esto ha permitido a las empresas Fintech expandirse, mejorar sus tecnologías y ofrecer mejores servicios a sus usuarios. Es importante reconocer que las Fintech en México en 2024 están en un punto de madurez y crecimiento, ofreciendo una amplia variedad de servicios financieros digitales y contribuyendo a la inclusión financiera y la modernización del sector en el país.

Objetivos	Metodología	Contribución
		

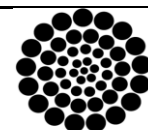
Fintech, transformación, finanzas

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Introduction

In recent decades, the financial sector has undergone a significant revolution around the world, marked by the emergence of financial technologies, known as Fintech. Mexico, no stranger to this transformation, has witnessed a rapid growth in the adoption of technology-based financial services, this research will explore the impact of Fintech in Mexico, highlighting their benefits, challenges and the key role they play in financial inclusion.

In 2018, Mexico implemented a Fintech Law that sought to provide a more specific regulatory framework for these companies, this law establishes requirements and obligations for financial technology institutions, promoting transparency, security and user protection.

Method

The research on Fintech in Mexico as a mixed research is due to the multidisciplinary nature of this topic. The Fintech industry combines aspects of technology, finance, regulation and user behaviour, among others. Therefore, to fully understand its impact and functioning in Mexico, it is necessary to employ mixed research methods that include both quantitative and qualitative approaches.

Exponential growth

Fintech in Mexico has experienced exponential growth in recent years. Start-ups have harnessed technology to offer more efficient, accessible and personalised financial services.

The proliferation of mobile apps, peer-to-peer lending platforms and digital payment services has transformed the way Mexicans manage their finances, and one outstanding achievement of Fintech in Mexico is its contribution to financial inclusion. Traditionally, a large part of the Mexican population has been excluded from the formal financial system.

Fintechs have facilitated access to financial services, allowing previously underserved segments to participate in the formal economy through solutions such as digital accounts, microcredit and affordable insurance.

In Mexico, the regulation of financial institutions, and thus of Fintech, is the responsibility of various government authorities and agencies. The main regulator is the National Banking and Securities Commission (CNBV), which oversees and regulates the activities of financial institutions in the country, including Fintechs.

In addition, the Ministry of Finance and Public Credit (SHCP) plays an important role in the supervision and regulation of Fintechs, particularly with regard to the prevention of money laundering and terrorist financing. The SHCP works together with the CNBV to establish policies and regulations governing the operation of these institutions.

Part of our work is to embrace new technologies and adopt financial education in both academic systems and organisations; Fintech is a new financial service tool that integrates various opportunities for handling money digitally, providing greater security in the handling of money.

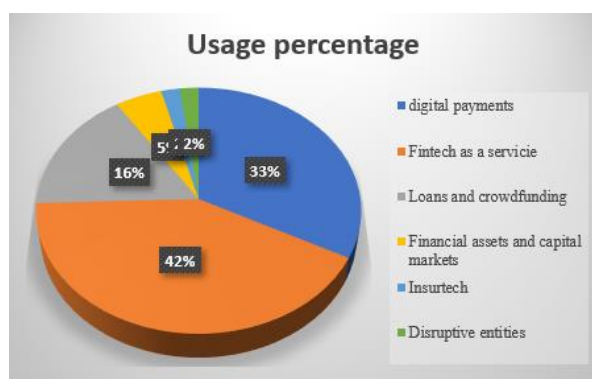
The main entities applying Fintech are Digital payments with 32% which is applied by providing solutions for money transfer and management, as well as acceptance and authorisation of payments on digital platforms and devices; Fintech with its services with 41% applying services and infrastructure for the digitisation and operation of financial entities; loans and crowdfunding with 16%, used in platforms that facilitate online credit to individuals or companies with funds from individual or institutional lenders; financial assets and capital markets with 5%, used on platforms or platform enablers for buying and selling shares, debt, foreign currencies; insurtech with 2%, applying digital tools for savings management, organising expenses, debt restructuring; disruptive entities with 2%, on independent digital banks or created by traditional financial institutions.

Box 1**Table 1**

The use of Fintech

Use of Fintech	Percentage of use
Digital payments	32 %
Fintech as a service	41 %
Loans and crowdfunding	16 %
Financial assets and capital markets	5 %
Insurtech	2 %
Disruptive entities	2 %

Fintech member survey data, NNTDATA

Box 2**Figure 1**

Graphic percentage

Source: Own elaboration

The key elements of how Fintech works are described below:

- **Digitalisation of Services:** Fintechs operate in a digital environment, using online platforms, mobile applications and information technologies to offer financial services. This allows users to access their services remotely, often through mobile devices or computers.
- **Process Automation:** Automation is a central component of how Fintechs operate. By leveraging technology, these firms can automate a variety of processes, from account opening to real-time decision-making based on algorithms and data analytics.
- **Big Data and Predictive Analytics:** Many Fintechs use advanced Big Data analytics and predictive modelling to assess risk, prevent fraud and personalise financial services. The ability to process large amounts of data in real time enables faster and more accurate decision-making.

- **Peer-to-Peer (P2P) platforms:** Some Fintechs operate on peer-to-peer lending or investment models, directly connecting lenders with borrowers or investors with projects. This eliminates the need for traditional intermediaries and can result in lower costs and greater efficiency.

- **Specialised services:** Fintechs often specialise in specific financial services, such as lending, payments, investment management, insurance, crowdfunding, among others. This specialisation allows them to adapt to particular needs and offer more focused solutions.

- **APIs and Collaborations:** Most Fintechs rely on application programming interfaces (APIs) to integrate with other platforms and services. This facilitates collaboration with other financial firms, traditional institutions and technology partners to offer more comprehensive solutions. As Fintechs handle data and offer financial services, they are subject to specific regulations. Collaboration with regulatory authorities is essential, and many Fintechs are actively working to comply with regulations and ensure the safety and security of users.

Compliance and regulation

Given the regulatory complexity in the financial sector, Fintechs must integrate systems to ensure compliance and manage regulatory requirements. Regulation of fintech (financial technology) companies varies by country and region. In many places, financial and regulatory authorities are responsible for overseeing and regulating the activities of fintech companies. Examples of these authorities include:

Mexico: In Mexico, the National Banking and Securities Commission (CNBV) regulates financial activities, including fintechs.

It is important to note that specific regulations may vary by jurisdiction and may change over time as the fintech industry evolves. Governments and financial authorities often adapt their regulatory frameworks to address the challenges and opportunities that arise in this ever-changing sector.

Cloud infrastructure

Many fintechs opt for cloud-based infrastructures to improve flexibility and scalability. This makes it easier to manage resources and adapt to changing business demands. In Mexico, fintech companies also leverage cloud infrastructure to develop, deploy and scale their financial services. The most widely used cloud service providers in the country include:

Amazon Web Services (AWS): AWS is one of the most popular cloud service providers globally and is also used by fintech companies in Mexico. It offers a wide range of services, including computing, storage, databases and security tools.

Microsoft Azure: Microsoft's Azure is another important option for fintech companies in Mexico. It provides cloud services, such as computing, storage, databases and artificial intelligence services, among others.

Google Cloud Platform (GCP): GCP is used by some fintechs to leverage cloud services, such as computing, storage, databases and data analytics tools provided by Google.

IBM Cloud: Some fintechs may opt for IBM's cloud infrastructure, which offers cloud services such as compute, storage and artificial intelligence tools.

The choice of cloud service provider will depend on a number of factors, such as application-specific requirements, business preference and compatibility with local regulations.

In terms of security and compliance in Mexico, fintechs must follow the regulations set by the National Banking and Securities Commission (CNBV) and other competent authorities. This includes the implementation of cybersecurity measures and the protection of users' sensitive financial information.

Monitoring in the context of fintech in Mexico involves the ongoing monitoring and supervision of various operational and security aspects to ensure regulatory compliance, efficiency in the provision of services and the protection of users' financial data.

Some key elements of fintech monitoring in Mexico include:

Box 3

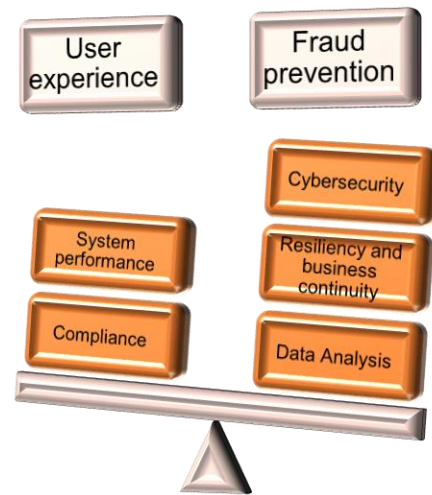


Figure 2
Monitoring

Source: Own elaboration

Some Mexican companies that have integrated Fintech technologies into their business models are as follows:

Box 4

Table 2
Models

COMPANY	PLATFORM	SERVICE
MercadoLibre	Latin America's leading e-commerce platform has expanded its presence in the financial sector.	It offers services such as Mercado Pago, a digital payments platform that facilitates online transactions and user-to-user payments.
Rappi	Home delivery platform, has diversified its services to include Fintech solutions. In addition to food and product deliveries	has incorporated digital payment options and financial services through the application.
Kueski	Mexican Fintech that focuses on online lending. It offers microcredit services quickly and without requiring extensive credit history.	uses Fintech technologies to assess credit risk and streamline approval process

Konfio	Online lending platform for small and medium-sized enterprises (SMEs)	It uses algorithms and data analytics to assess SME credit risk and facilitate access to finance.
Clip	Payments company offering solutions for accepting credit and debit card payments via mobile devices.	useful for small businesses looking for more flexible payment options
Bitso	Cryptocurrency platform that allows users to buy, sell and trade cryptocurrencies such as Bitcoin and Ethereum.	provides custody and settlement services for crypto-assets
Conekta	Financial technology company offering online payment solutions for e-merchants	secure and reliable online transactions through a variety of payment methods
Credijusto	Platform providing finance to SMEs in Mexico	It uses Fintech technologies to streamline the credit assessment process and offer loans tailored to the needs of businesses.

Source: Own elaboration

Here are some statistics and trends that were relevant:

1. Investment in Fintech:

Global investment in Fintech companies has been significant in recent years, with billions of dollars invested in startups and established companies. This investment has contributed to the growth and development of the Fintech ecosystem.

2. Adoption of Fintech Services:

The adoption of Fintech services has seen a steady increase worldwide. Consumers are turning to Fintech apps and platforms to manage their finances, make payments, invest and access more efficient financial services.

3. Growth of Digital Payments:

Digital payments and e-wallets have seen a significant increase. The adoption of mobile payment solutions and other technologies has changed the way people conduct everyday transactions.

4. Lending and Alternative Finance:

Peer-to-peer (P2P) lending platforms and other alternative financing models have gained popularity. These platforms offer alternatives to traditional lending methods and have contributed to financial inclusion.

5. Cryptocurrencies and Blockchain:

Interest in and adoption of cryptocurrencies, as well as the underlying blockchain technology, have continued to grow. Fintech companies are exploring new ways to use these technologies to improve efficiency and security in financial transactions.

6. Regulation and Regulatory Framework:

As Fintechs grow in importance, the regulation and regulatory framework has also evolved. Several countries have implemented or are considering specific regulations to address the challenges and opportunities posed by Fintech.

7. Collaboration between Fintech and traditional banks:

There has been an increase in collaboration between Fintech companies and traditional banks. Rather than seeing them as competitors, many banks are working with Fintech to improve their own services and offer more innovative solutions to customers.

8. Fintech in Emerging Markets:

Fintechs are playing an important role in financial inclusion in emerging markets, where digital solutions can overcome infrastructure limitations and offer financial services to previously unserved segments of the population.

Conclusions

It is important to recognise the good work done by technology developers that has enabled marketing and financial movement in a secure way, thus adapting to the new demand for digital transactions quickly and efficiently; although the distrust of some small businesses still works with cash, offering innovative and accessible solutions for people and businesses that have traditionally had difficulty accessing conventional banking and financial services. Fintechs seek to bring financial inclusion to segments of the population that have been underserved or excluded from the traditional financial system, such as small entrepreneurs, informal workers and low-income people, through technologies such as mobile apps, online platforms and electronic payment systems that simplify and make more accessible a variety of financial services, such as loans, investments, insurance and payments.

Fintechs are using AI and machine learning to improve the accuracy of risk assessment, personalise product offerings and detect fraud. These technologies will continue to evolve, enabling fintechs to offer more efficient and personalised services. Blockchain technology has the potential to transform various aspects of finance, from international payments and transfers to smart contracts and decentralised finance (DeFi). Cryptocurrencies will also continue to play an important role, with increased adoption by financial institutions and users. Fintechs have the potential to enhance financial inclusion, providing financial services to people and businesses that have not traditionally had access to them. This includes everything from microcredit to insurance and financial management tools, open banking allows third-party developers to build applications and services around financial institutions, using APIs. This will foster innovation and competition in the financial sector.

Fintechs will continue to innovate the user experience, using emerging technologies such as augmented reality (AR) and virtual reality (VR) to create more intuitive and engaging user interfaces, so the future of Fintech looks bright, with significant potential to transform the financial sector through innovation and technology.

Mexico is one of the leaders in the Fintech ecosystem in Latin America. According to a report by Finnovista, Mexico is the second largest Fintech ecosystem in the region, after Brazil.

The country has more than 400 Fintech startups, covering a variety of financial services such as payments, lending, personal finance management, and insurance.

In 2018, Mexico passed the Law to Regulate Financial Technology Institutions, known as the 'Fintech Law'. This law establishes a regulatory framework for fintech, providing legal certainty and fostering innovation.

Mexican regulation is considered advanced compared to many other Latin American countries, which has created a safer and more attractive environment for Fintech investments.

Mexican Fintechs have introduced innovative solutions for financial inclusion, such as peer-to-peer (P2P) lending platforms, digital banking services and mobile payment solutions.

The adoption of Fintech services in Mexico is growing rapidly. A survey by Finnovista and Fintech Mexico indicated that more than 70% of Fintechs in the country reported an increase in the number of users over the last year.

Mexico has seen an increase in venture capital investment in Fintech. Companies such as Konfío, Clip and Bitso have attracted significant investment and have established themselves as industry leaders.

Compared to other countries in the region, Mexico stands out for its ability to attract foreign investment in Fintech.

Globally, Mexico is well positioned, but still faces challenges to catch up with global leaders such as the United States, the United Kingdom and China in terms of market size and level of innovation.

However, the rapidly evolving fintech ecosystem in Mexico and regulatory support are creating an environment conducive to closing this gap.

In summary, fintechs in Mexico are well positioned and showing robust growth, benefiting from a favourable regulatory framework and increasing user adoption. Compared to other Latin American countries, Mexico stands out as one of the leaders in the sector, although it still has some way to go to catch up with the major global players.

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