

Low -Income Financial Services Market Sizing and FinTech Assessment

Peru Country Report

Update

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Survey overview

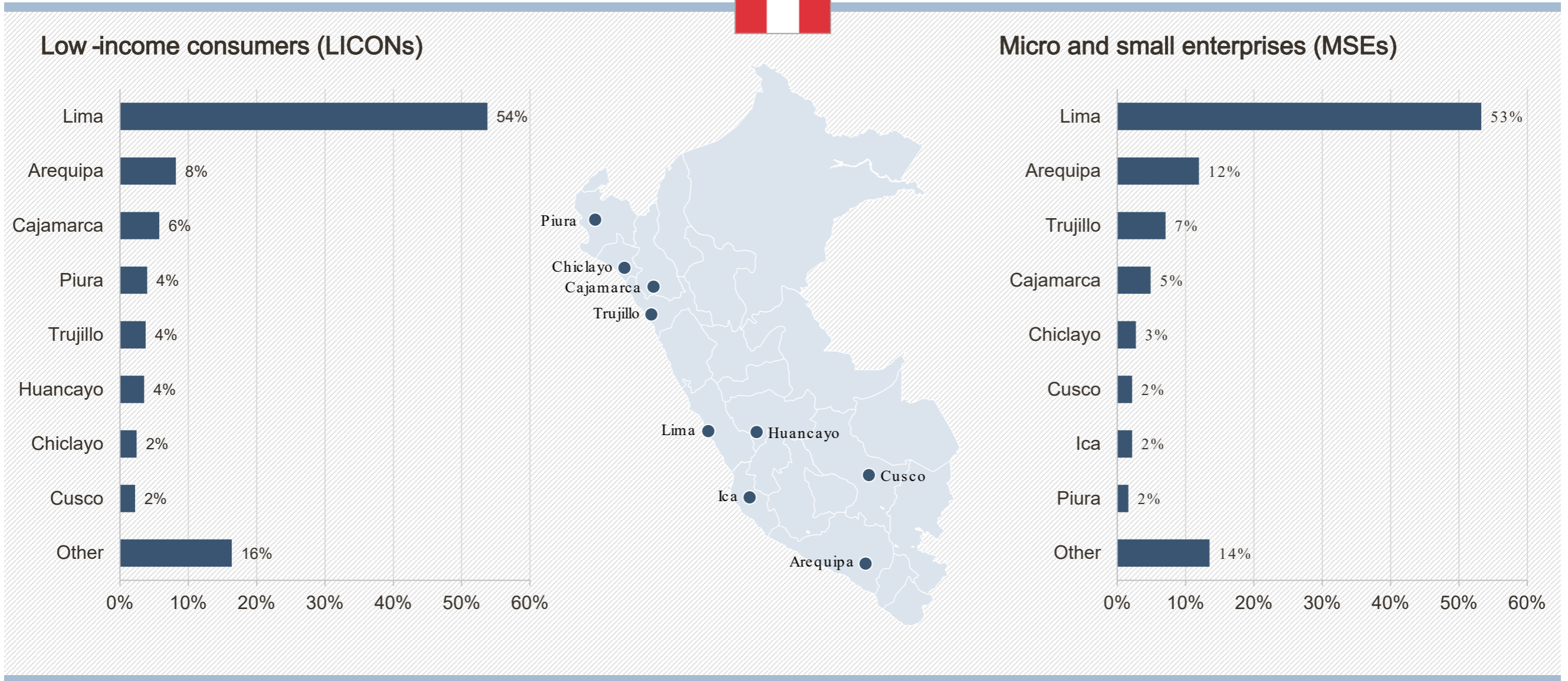
Market sizing highlights

FinTech highlights

Strategic recommendations and outlook

Appendix

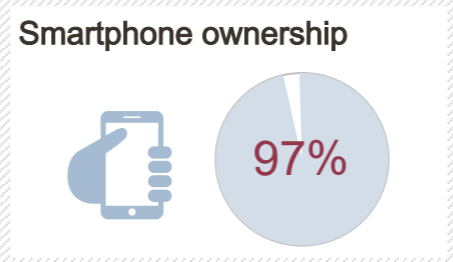
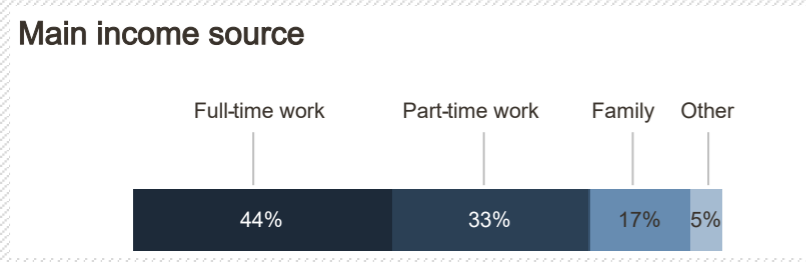
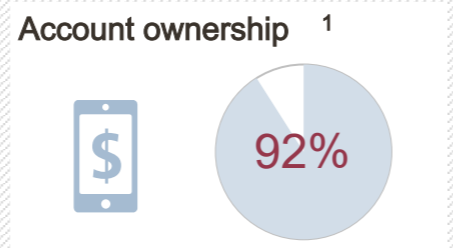
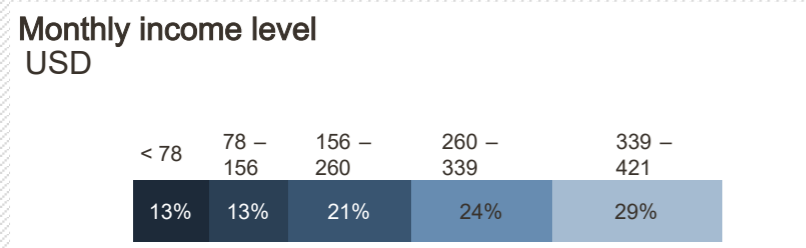
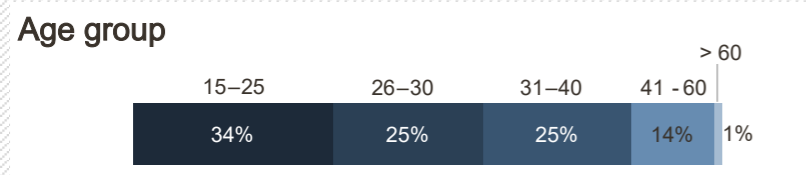
Answer distribution by state



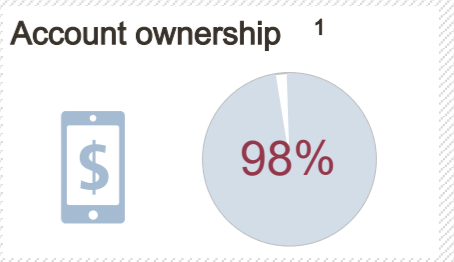
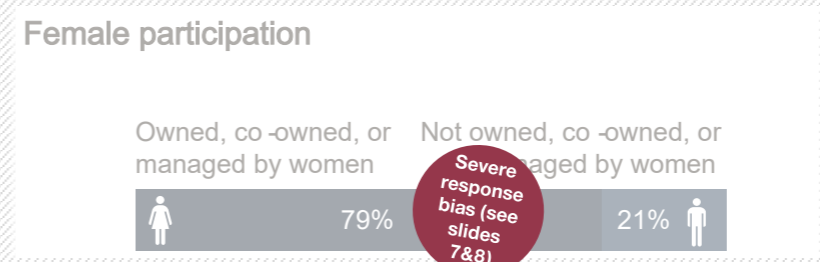
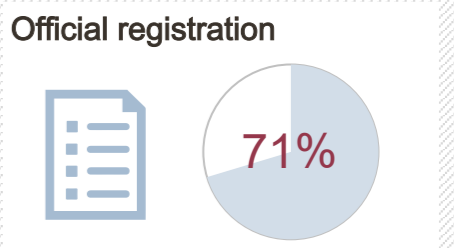
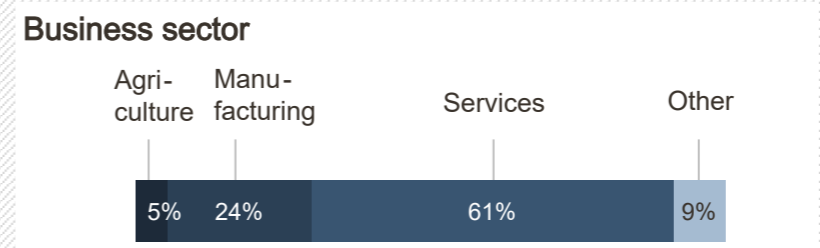
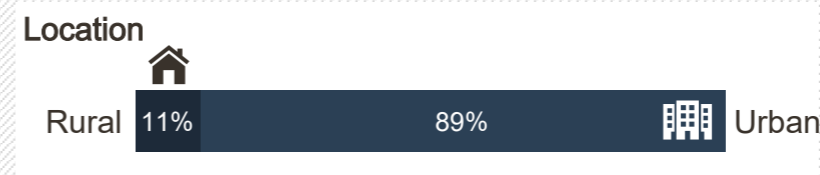
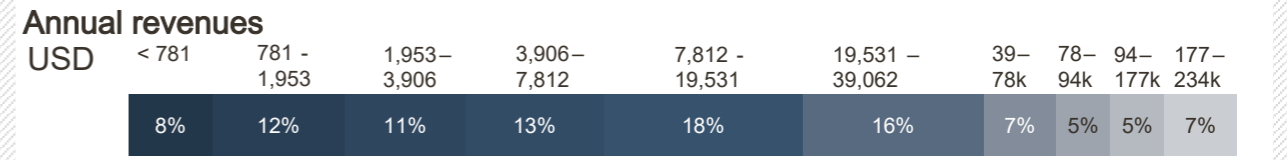
Source: Online survey and face-to-face interviews of Peruvian LICONs and online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 637.

Overview of Peruvian survey respondents

Low-income consumers



Micro and small enterprises



Source: Online survey and face-to-face interviews of Peruvian LICONS and online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 637; FX rates based on three months average (May -July 2021): PEN = 3.84; 1) Account ownership entails bank, mobile money, micro finance, money-circle & other accounts. Differences to 100% due to rounding.




LICONS: Contextualization of survey sample

	Gender		Residence ²		Account ownership	Smartphone ownership		
	Female	Male	Rural	Urban				
External source	50.3%	49.7%	21.9%	78.1%	43%	42%		
	World Bank data		World Bank data		Global Findex Database (2017)	Statista 2019 (Counterpoint Research)		
Sample data	56.6%	43.4%	24.1%	75.9%	91.8%	97.1%		
Evaluation	<input type="checkbox"/>	1	<input type="checkbox"/>		<input type="checkbox"/>	2	<input type="checkbox"/>	3

Source	Monthly income thresholds (USD)													
	Less than 78		More than 78 and up to 156		More than 156 and up to 260		More than 260 and up to 339		More than 339 and up to 421		More than 421		Total	
	Economist data ¹	Sample data	Economist data ¹	Sample data	Economist data ¹	Sample data	Economist data ¹	Sample data	Economist data ¹	Sample data	Economist data ¹	Sample data	Economist data ¹	Sample data
Urban	7.9%	8.4%	14.8%	8.9%	17.2%	14.2%	9.9%	18.1%	7.3%	26.3%	21.5%	0%	78.5%	75.9%
Rural	5.1%	4.6%	6.4%	4.4%	5.4%	6.9%	1.5%	5.8%	1.2%	2.4%	1.8%	0%	21.5%	24.1%
Sum	13.0%	13.0%	21.2%	13.3%	22.6%	21.1%	11.4%	23.9%	8.5%	28.7%	23.3%	0%	100%	100%

Source: Online survey and face-to-face interviews of Peruvian LICONS conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN - USD = 3.84; 1) Economist Intelligence Unit data from GIDD database 2021; 2) Rural consumers: < 10,000 population; Urban consumers: > 10,000 population. Differences to 100% due to rounding.

LICONS: Implications and mitigation measures for sample biases

	 Bias	 Implications	 Mitigation
1 Gender	<ul style="list-style-type: none"> □ 6.3%-points more females in sample than in real distribution 	<ul style="list-style-type: none"> ▪ Necessity to balance gender representation for thorough estimation 	<ul style="list-style-type: none"> □ Model extrapolation based on actual gender split in Peru
2 Account ownership	<ul style="list-style-type: none"> □ 2017 study with much less account owners that in our current study □ Sampling bias towards LICONS holding an account 	<ul style="list-style-type: none"> ▪ Necessity to reduce weight of account owners to avoid estimation errors 	<ul style="list-style-type: none"> □ Introduction of sub-segments for account holders and non-account holders into market model □ Weighting of sub-segments with actual account ownership from secondary sources
3 Smartphone ownership	<ul style="list-style-type: none"> □ 2019 comparison study with significantly lower smartphone ownership than in survey results □ Sampling bias towards LICONS owning a smartphone 	<ul style="list-style-type: none"> ▪ Necessity to reduce weight of smartphone owners to avoid estimation errors 	<ul style="list-style-type: none"> □ Sub-segmentation into account-holders and non-account-holders reduces gap between survey sample and comparison data significantly

Source: Online survey and face-to-face interviews of Peruvian LICONS conducted between June 29 and July 20, 2021, n = 454.




MSEs: Contextualization of survey sample

	Registration		Residence ¹		Female Participation ((Co-) Ownership, management)	
	Yes	No	Rural	Urban	Yes	No
External source	63.1%	36.9%	21.5%	78.5%	56.6%	43.4%
	Peru Ministerio de la Producción		Economist Intelligence Unit (GIDD)		World Bank data	
Sample data	71.2%	28.9%	11.4%	88.6%	78.8%	21.2%
Evaluation	<input type="checkbox"/>	1	<input type="checkbox"/>	2	<input type="checkbox"/>	3

Source	Micro and small enterprise thresholds by number of employees ²						4	
	Micro (1 -5)	Micro (1 -5)	Small (6 -20)	Small (6 -20)	Medium (> 20)	Medium (> 20)	Total	Total
	External source and own estimation ³	Sample data	External source and own estimation ³	Sample data	External source and own estimation ³	Sample data	External source and own estimation ³	Sample data
Urban	77.6%	49.5%	0.9%	39.1%	< 0.1%	na	78.5%	88.6%
Rural	21.2%	4.9%	0.2%	6.5%	< 0.1%	na	21.5%	11.4%
Sum	98.9%	54.4%	1.1%	45.6%	< 0.1%	na	100%	100%

Source: Online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 184; 1) Rural companies: < 10,000 population; Urban companies: > 10,000 population. 2) Differences to 100% due to rounding, 3) Economist Intelligence Unit data from GIDD database 2021 and mathematical extrapolation based on distribution of firms by number of employees. See methodology and concepts presentation for detailed approach. Differences to 100% due to rounding.

MSEs: Implications and mitigation measures for sample biases

	 Bias	 Implications	 Mitigation
1 Registration	<ul style="list-style-type: none"> <input type="checkbox"/> Registered companies overrepresented vs. data by nat. stat. agency <input type="checkbox"/> Sampling bias towards registered firms 	<ul style="list-style-type: none"> ▪ Necessity to reduce sampling bias to avoid estimation errors 	<ul style="list-style-type: none"> <input type="checkbox"/> Form segments for market size estimation based on firm registration <input type="checkbox"/> Weight responses according to the actual distribution of registered/un-registered firms in the country
2 Residence ¹ (Urban/rural)	<ul style="list-style-type: none"> <input type="checkbox"/> Over-representation of urban firms in survey answers compared to population data by the Economist Intelligence Unit 	<ul style="list-style-type: none"> ▪ Necessity to reduce sampling bias to avoid estimation errors 	<ul style="list-style-type: none"> <input type="checkbox"/> Form segments for market size estimation based on residence <input type="checkbox"/> Weight responses by urban/rural participants according to their actual distribution in the country
3 Female participation	<ul style="list-style-type: none"> <input type="checkbox"/> Significant gap between survey result and World Bank comparison data <input type="checkbox"/> Over-representation of firms (co-) led/ owned by women 	<ul style="list-style-type: none"> ▪ Bias in survey analysis ▪ Necessity to reduce sampling bias or to disregard female participating as factor in market sizing 	<ul style="list-style-type: none"> <input type="checkbox"/> Deviation from comparison may stem from misinterpretation of question in survey <input type="checkbox"/> Female participation not considered further in market sizing to avoid potential biases of end results
4 Distribution of micro/ small firms	<ul style="list-style-type: none"> <input type="checkbox"/> Small firms are over-represented in survey sample compared to internal estimations based on data on the number of micro and small firms by the nat. statistical agency 	<ul style="list-style-type: none"> ▪ Necessity to reduce weight of small firms and increase weight of micro ones 	<ul style="list-style-type: none"> <input type="checkbox"/> Form segments for market size estimation based on enterprise size <input type="checkbox"/> Weight responses according to actual distribution of micro and small firms in the country

Source: Online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 184; 1) Rural companies: < 10,000 population; Urban companies: > 10,000 population.

Survey insights: Explorative findings

Low-income consumers

1	Most respondents save for education and movable assets	Almost 40% of participants cite education as their most important savings goal	<table border="1"> <caption>Savings Goals by Gender</caption> <thead> <tr> <th>Goal</th> <th>Female (%)</th> <th>Male (%)</th> </tr> </thead> <tbody> <tr> <td>Education</td> <td>44.2%</td> <td>39.7%</td> </tr> <tr> <td>Movable assets</td> <td>30.7%</td> <td>24.9%</td> </tr> <tr> <td>Real estate</td> <td>15.6%</td> <td>20.9%</td> </tr> <tr> <td>Other</td> <td>9.5%</td> <td>14.5%</td> </tr> </tbody> </table>	Goal	Female (%)	Male (%)	Education	44.2%	39.7%	Movable assets	30.7%	24.9%	Real estate	15.6%	20.9%	Other	9.5%	14.5%			
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Other	9.5%	14.5%																			
2	Most respondents use bank accounts for savings	74% of participants use bank accounts, only 37% store their funds in cash	<table border="1"> <caption>Savings Methods by Gender</caption> <thead> <tr> <th>Method</th> <th>Female (%)</th> <th>Male (%)</th> </tr> </thead> <tbody> <tr> <td>Cash at home</td> <td>37.1%</td> <td>37.1%</td> </tr> <tr> <td>Bank acc.</td> <td>62.9%</td> <td>62.9%</td> </tr> <tr> <td>MFI acc.</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>NM acc.</td> <td>0%</td> <td>0%</td> </tr> </tbody> </table>	Method	Female (%)	Male (%)	Cash at home	37.1%	37.1%	Bank acc.	62.9%	62.9%	MFI acc.	0%	0%	NM acc.	0%	0%			
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NM acc.	0%	0%																			
3	BNPL is most popular with middle-aged respondents	57% of 30–40 year-olds use BNPL, while only 17% of those over 60 do	<table border="1"> <caption>BNPL Usage by Age Group</caption> <thead> <tr> <th>Age Group</th> <th>Female (%)</th> <th>Male (%)</th> </tr> </thead> <tbody> <tr> <td>15 to 25</td> <td>44.4%</td> <td>44.4%</td> </tr> <tr> <td>25 to 30</td> <td>57.1%</td> <td>57.1%</td> </tr> <tr> <td>30 to 40</td> <td>42.9%</td> <td>42.9%</td> </tr> <tr> <td>40 to 50</td> <td>17.0%</td> <td>17.0%</td> </tr> <tr> <td>More than 60 years old</td> <td>17.0%</td> <td>17.0%</td> </tr> </tbody> </table>	Age Group	Female (%)	Male (%)	15 to 25	44.4%	44.4%	25 to 30	57.1%	57.1%	30 to 40	42.9%	42.9%	40 to 50	17.0%	17.0%	More than 60 years old	17.0%	17.0%
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Micro and small enterprises

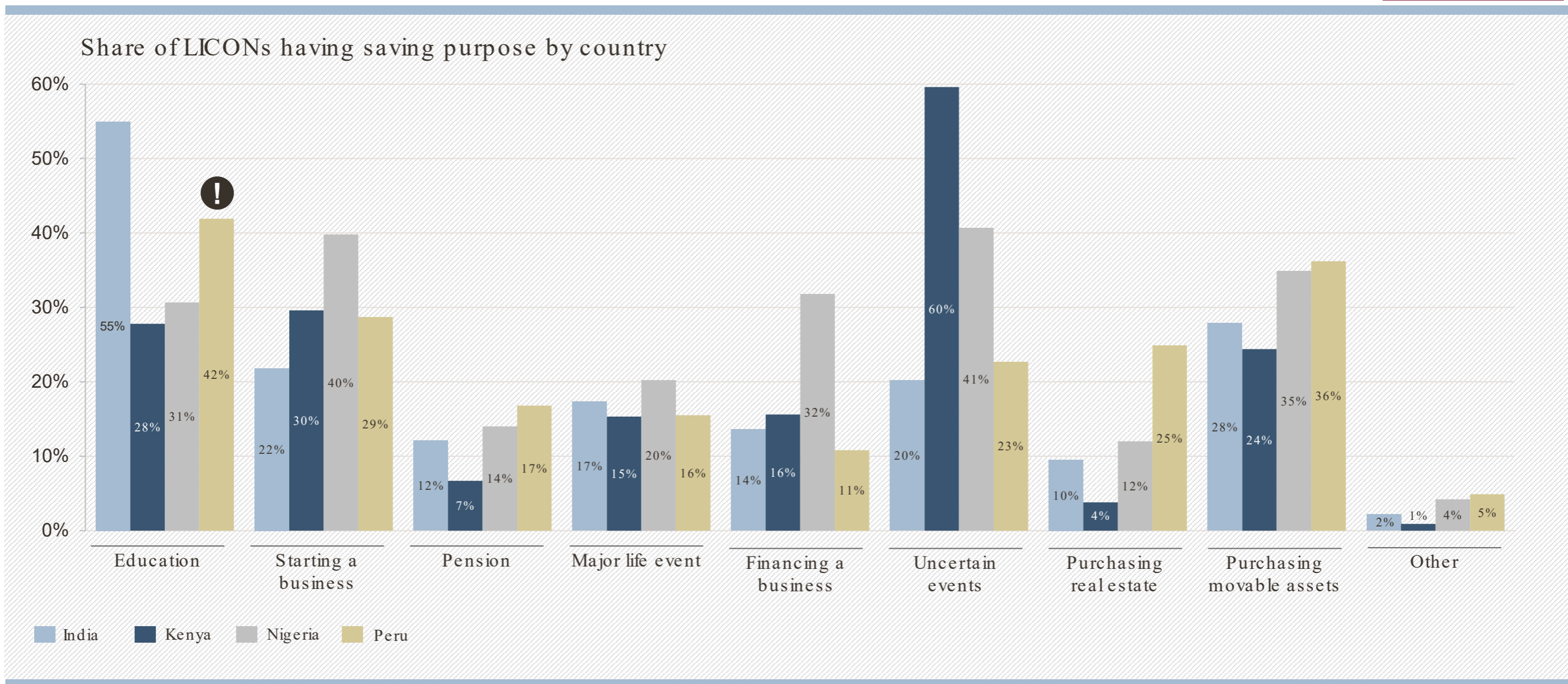
1	MSEs primarily take out loans to expand their business and finance equipment	62% of firms borrow to expand their operations, and 63% do to purchase equipment	<table border="1"> <caption>Reasons for Borrowing</caption> <thead> <tr> <th>Reason</th> <th>Female (%)</th> <th>Male (%)</th> </tr> </thead> <tbody> <tr> <td>Starting the business</td> <td>4.2%</td> <td>5.1%</td> </tr> <tr> <td>Expanding the business</td> <td>65.0%</td> <td>65.0%</td> </tr> <tr> <td>Financing inventory</td> <td>39.5%</td> <td>25.1%</td> </tr> <tr> <td>Financing equipment</td> <td>66.6%</td> <td>65.0%</td> </tr> <tr> <td>Paying staff</td> <td>20.9%</td> <td>43.8%</td> </tr> <tr> <td>Compensating for losses</td> <td>15.2%</td> <td>21.6%</td> </tr> </tbody> </table>	Reason	Female (%)	Male (%)	Starting the business	4.2%	5.1%	Expanding the business	65.0%	65.0%	Financing inventory	39.5%	25.1%	Financing equipment	66.6%	65.0%	Paying staff	20.9%	43.8%	Compensating for losses	15.2%	21.6%
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Compensating for losses	15.2%	21.6%																						
2	Small firms have much higher liquidity than micro ones	Small firms can sustain operations for 3.9 months without operations, while micro firms can only survive 2.9 months	<table border="1"> <caption>Months Sustainable w/o Revenue</caption> <thead> <tr> <th>Micro Firms</th> <th>Small Firms</th> </tr> </thead> <tbody> <tr> <td>2.9</td> <td>3.9</td> </tr> </tbody> </table>	Micro Firms	Small Firms	2.9	3.9																	
Micro Firms	Small Firms																							
2.9	3.9																							
3	Rural firms need to provide collateral much more often than urban firms	A third of urban firms require collateral to lend, but two thirds of rural ones do	<table border="1"> <caption>Collateral Requirements by Location</caption> <thead> <tr> <th>Location</th> <th>Require Collateral (%)</th> <th>Do Not Require Collateral (%)</th> </tr> </thead> <tbody> <tr> <td>Rural</td> <td>66.7%</td> <td>33.3%</td> </tr> <tr> <td>Urban</td> <td>33.7%</td> <td>66.3%</td> </tr> </tbody> </table>	Location	Require Collateral (%)	Do Not Require Collateral (%)	Rural	66.7%	33.3%	Urban	33.7%	66.3%												
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More explorative findings in the appendix



Insights on saving purposes by country for LICONs

Multiple selection allowed Survey insight

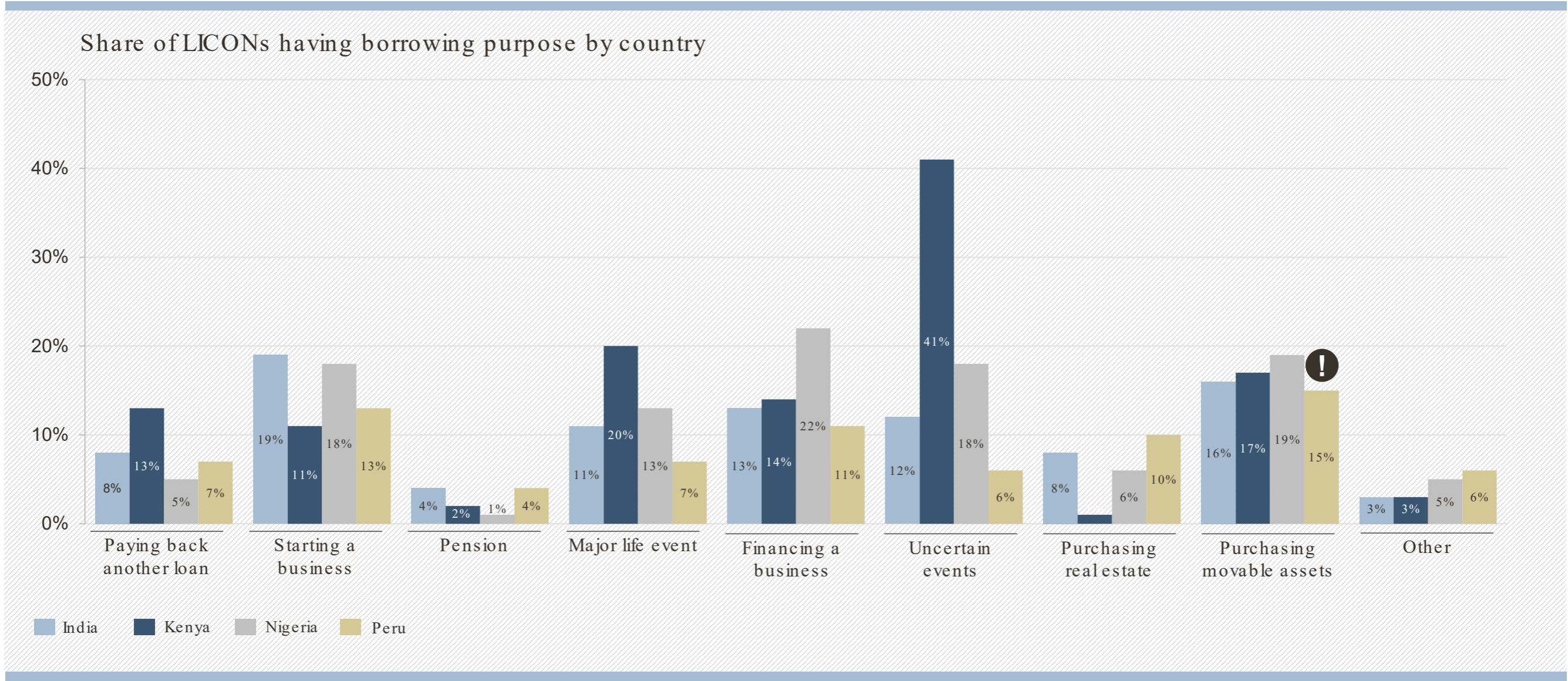


Source: Online survey, phone interviews and/or face-to-face interviews of LICONs between June 29 and July 20, 2021, n = 1826.



Insights on borrowing purposes by country for LICONs

Multiple selection allowed Survey insight

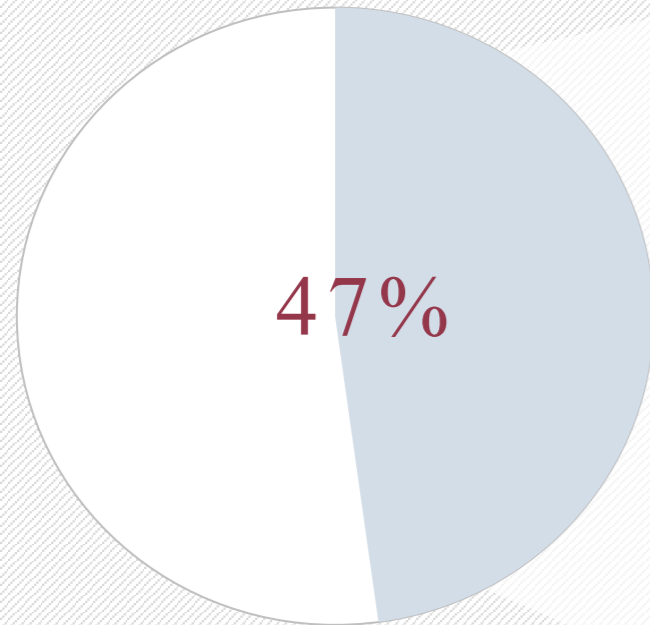


Source: Online survey, phone interviews and/or face-to-face interviews of LICONs between June 29 and July 20, 2021, n = 1826.

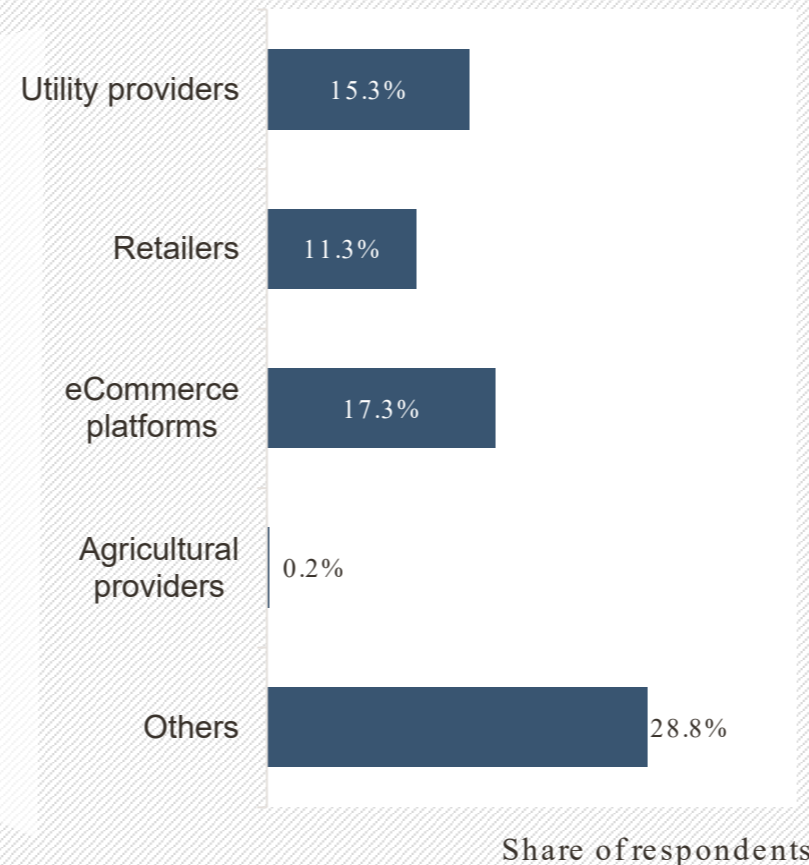
Our survey results demonstrate that eCommerce platforms are most likely to allow buy now pay later services to LICONs

Multiple selection allowed

Share of respondents using BNPL



Providers allowing to pay later ¹



Survey insight

- For 47% respondents who make use of “buy now pay later”, their expenses on BNPL average 33% of their monthly expenses (additional insight)
- Retailers offering BNPL operate mostly in clothing and grocery space
- Among eCommerce platforms offering BNPL are Falabella and Amazon

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; 1) Respondents who don't use BNPL could still indicate providers that allow BNPL.

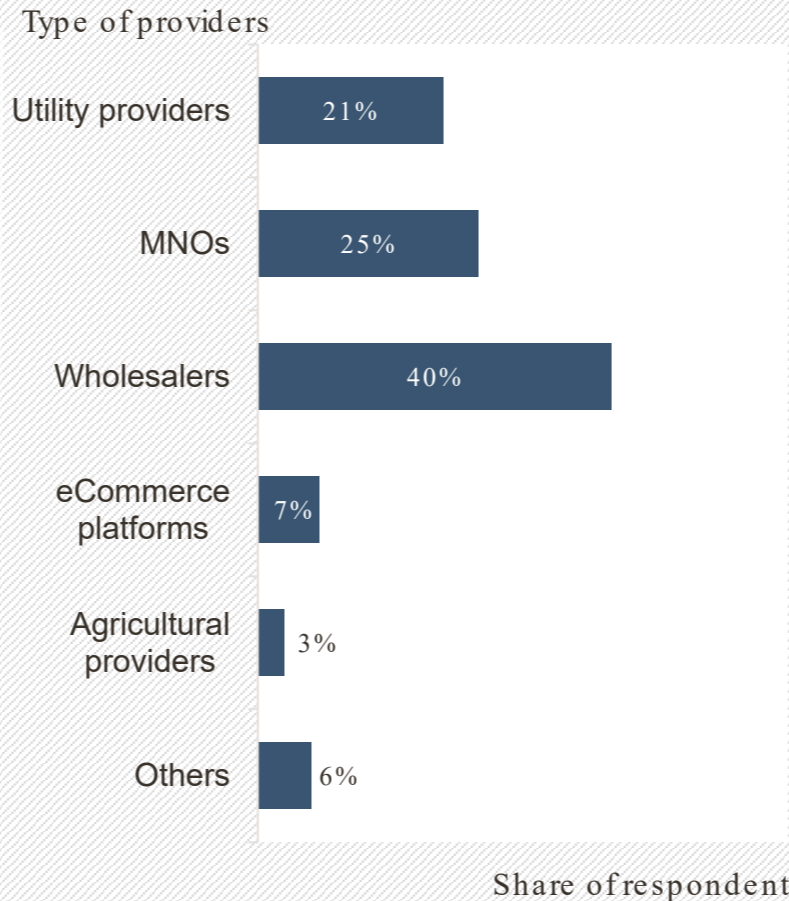
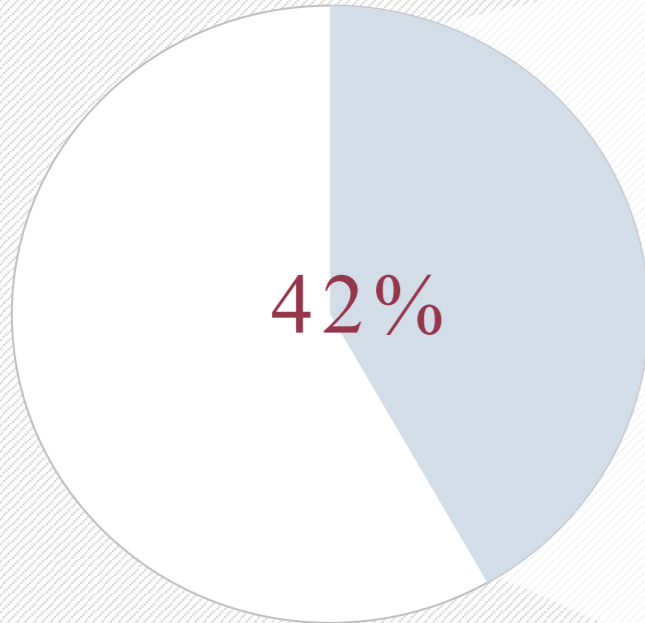
Our survey results demonstrate that wholesalers are most likely to allow buy now pay later services to MSEs

Multiple selection allowed

Survey insight

Share of suppliers allowing BNPL ¹

Type of suppliers allowing BNPL ²



Of the respondents using BNPL, these expenses account for 24% of the overall monthly business expenses.

The respondents especially mentioned wholesalers dealing with raw material and clothes as wholesalers allowing BNPL.

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; 1) Different analysis base for MSEs and LICONS due to different phrasing of the question in surveys. 2) Respondents who don't use BNPL could still indicate providers that allow BNPL. Differences to 100% due to rounding.

Agenda

Survey overview

Market sizing highlights

FinTech highlights

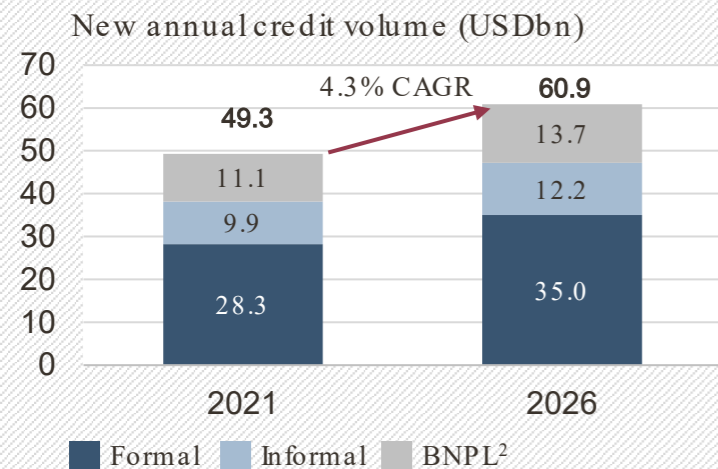
Strategic recommendations and outlook

Appendix

Market sizing summary ¹

Credit

Low-income consumers

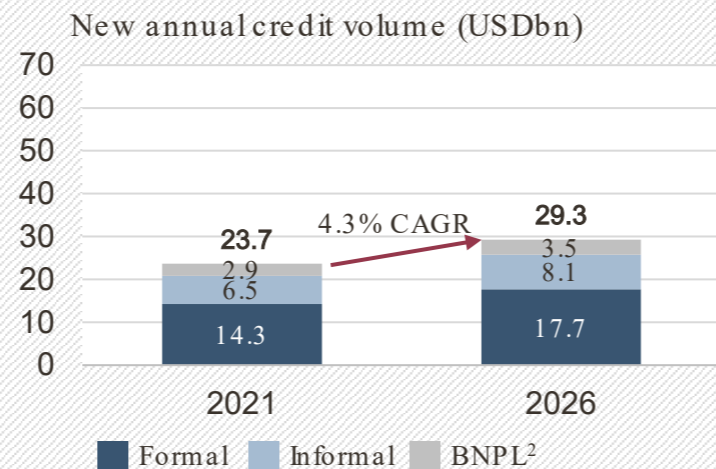


- Overall credit to LICONs will grow by 4.3% p.a.

Unmet credit demand



Micro/small enterprises

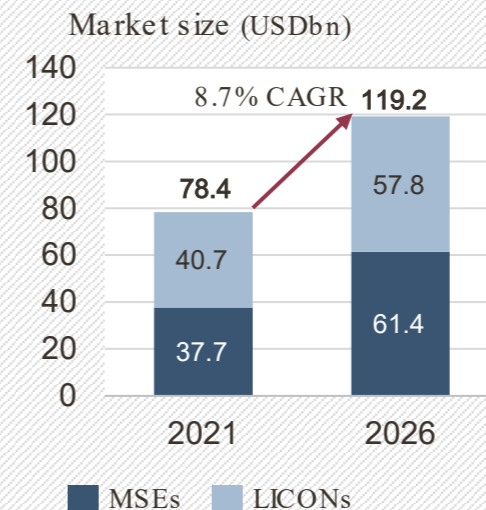


- Credit to MSEs will grow at a similar rate as credits to LICONs but from a smaller base

Unmet credit demand

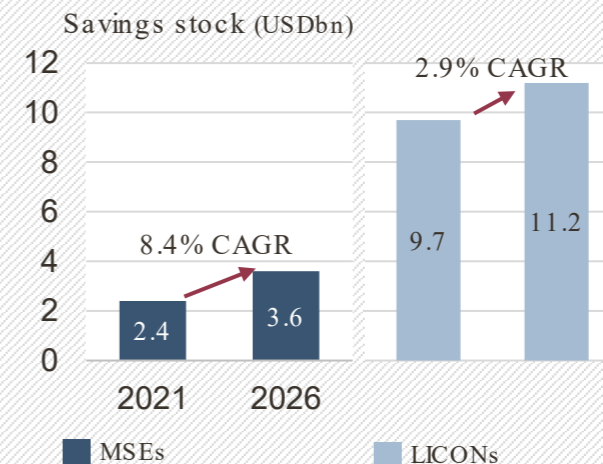


Payments (transaction value)



- LICONs possess a higher share of the overall market, while both categories show a strong growth over the years

Savings



- The LICONs market is significantly larger than the MSE market, while the MSE market shows larger growth rates

Source: Online survey and face-to-face interviews of Peruvian LICONs and online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 637; FX rates based on three months average (May - July 2021): PEN = 3.84; BNPL = Buy now pay later; See slides 67, 69, 73, 75 and 76 in methodology report for extrapolation logic. See slide 16 for growth figures used in extrapolation. 1) See subsequent slide on growth factors and model calculation; 2) BNPL is neither classified as formal nor informal credit as survey respondents did not indicate the formality of BNPL providers.

Underlying growth parameters of market sizing model

Our model uses the sources and parameters below to estimate current and future market sizes.

Credit market

Formal, informal credit and credit demand

- Extrapolation from historic growth in credit volume relative to GDP growth
- Assumption of similar growth of formal, informal credit and credit demand
- Data source: World Bank Indicator FS.AST.DOMS.GD.ZS
- Growth figures used (relative to 2021):

2022	2023	2024	2025	2026
4.31%	8.81%	13.50%	18.39%	23.49%

BNPL

- Extrapolation from share of income spend on BNPL payments
- Assumption that BNPL grows in line with income of LICONs and MSEs
- Income growth modelled on real economic growth (see right column)

Payment market

Overall payment growth

- Extrapolation from figure on global payment growth (6.86%) weighted to Peru's expected GDP growth relative to expected global growth
- Data source: McKinsey's Global Payments Report 2020¹
- Annual growth assumed: **7.43%**

Distribution of payment methods

- Model sizes based on actual distribution of payment methods
- Data source: ACI Worldwide Prime Time Report 2021²
- Figures used:

Cash	Bank transfer	Debit card	Mobile money	Other
96.5%	3.4%	3.4%	3.4%	0.1%

Change in distribution

- Model sizes based on actual distribution of payment methods
- Data source: ACI Worldwide Prime Time Report 2021²
- Figures used (yoy change):

Cash	Bank transfer	Debit card	Mobile money	Other
-0.93%	+16.19%	+16.19%	+16.19%	+47.58%

Savings stock

LICON savings growth

- CAGR of past 5-year development of total savings in Peru
- Data source: World Bank Indicator NYGDS.TOTL.CD
- Growth figures used (relative to 2021):

2022	2023	2024	2025	2026
3.02%	6.13%	9.33%	12.63%	16.03%

MSE savings growth

- Model extrapolation based on burn rate (number of months business can survive without revenue) and thus, directly related to growth of business
- Assumption that growing business will maintain its burn rate but increase its overall savings
- Thus, savings growth modelled on real economic growth (see right column)

Economic growth and FX parameters

Economic growth

- Current GDP given by the World Bank
- Future GDP and real GDP growth derived from World Bank Data
- Data source: World Bank Indicator NY.GDP.MKTP.CD and Trading Economics³
- Figures used (relative to 2021):

2022	2023	2024	2025	2026
5.4%	10.5%	15.3%	19.6%	23.4%

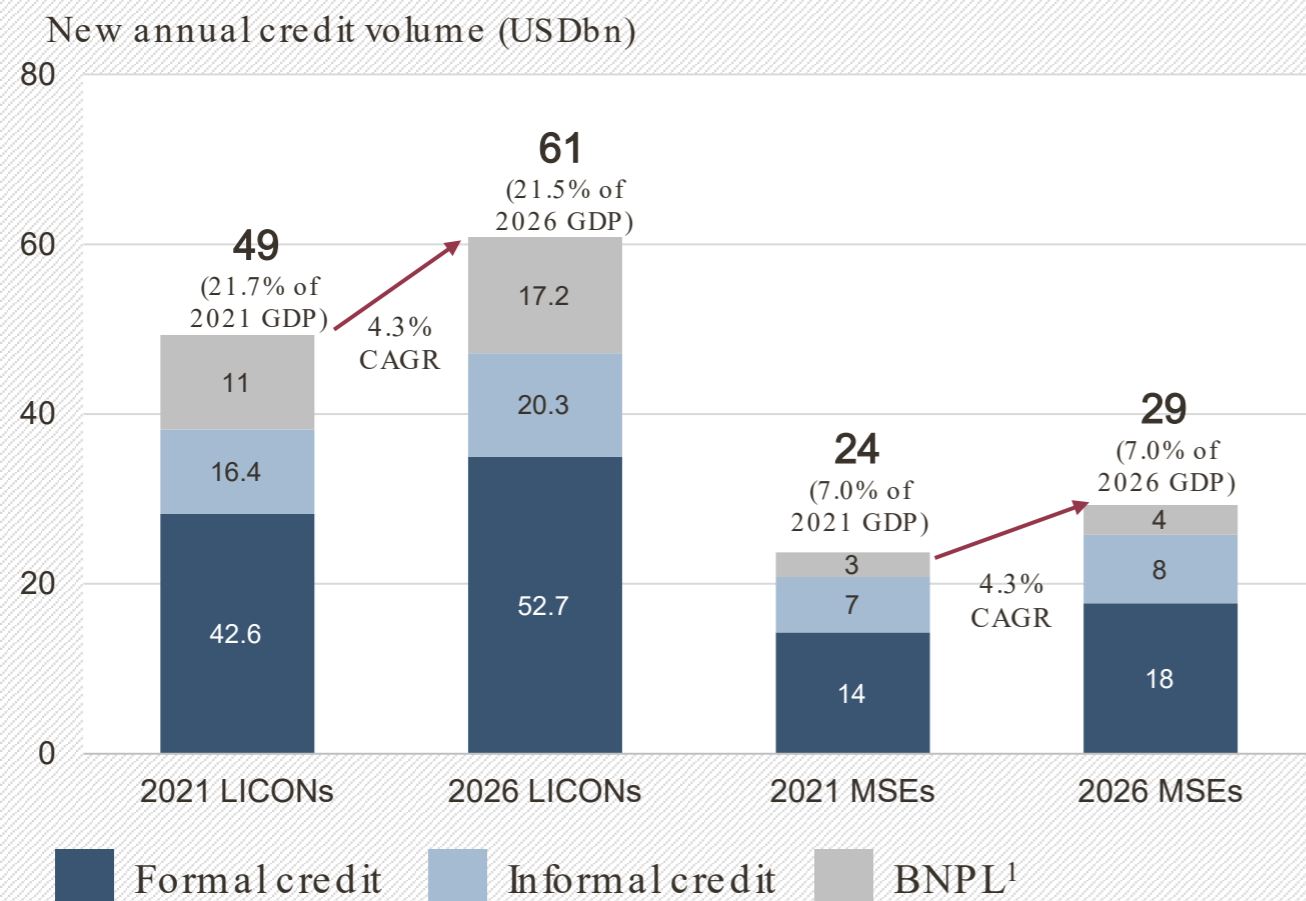
PEN – USD exchange

- Current exchange rate based on three-month average exchange before and during survey period (May – July 2021)
- Data source: XE.com
- Figure used: **1 : 3.84**

Sources: 1) <https://www.mckinsey.com/~media/mckinsey/industries/financial%20services/our%20insights/accelerating%20winds%20of%20change%20in%20global%20payments/2020-mckinsey-global-payments-report-vf.pdf> 2) <https://bankingfrontiers.com/wp-content/uploads/2021/04/2021-Prime-Time-Report.pdf> 3) <https://tradingeconomics.com/peru/gdp>

Credit market sizing summation

Low-income consumers + Micro and small enterprises



Unmet credit demand



Source: Online survey and face-to-face interviews of Peruvian LICONs and online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 637; FX rates based on three months average (May - July 2021): PEN = 3.84; BNPL = Buy now pay later. See slides 67, 69 and 75 n methodology report for extrapolation logic. See slide 16 for growth figures used in extrapolation. 1) BNPL is neither classified as formal nor informal credit as survey respondents did not indicate the formality of BNPL providers.

Market sizing insights

Low-income consumers

1	Urban customers take out much larger formal and informal loans than rural ones	The average loan size for urban clients is about 2x the average size for rural clients	<table border="1"> <caption>Average loan sizes</caption> <thead> <tr> <th>Location</th> <th>Formal Loan</th> <th>Informal Loan</th> </tr> </thead> <tbody> <tr> <td>Rural</td> <td>2,000</td> <td>700</td> </tr> <tr> <td>Urban</td> <td>4,000</td> <td>1,400</td> </tr> </tbody> </table>	Location	Formal Loan	Informal Loan	Rural	2,000	700	Urban	4,000	1,400									
Location	Formal Loan	Informal Loan																			
Rural	2,000	700																			
Urban	4,000	1,400																			
2	Female consumers have higher unmet credit needs than male consumers	~60% of unmet credit needs stem from women and only ~40% from men	<table border="1"> <caption>Unmet credit needs by gender</caption> <thead> <tr> <th>Gender</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Men</td> <td>43.80%</td> </tr> <tr> <td>Women</td> <td>56.20%</td> </tr> </tbody> </table>	Gender	Percentage	Men	43.80%	Women	56.20%												
Gender	Percentage																				
Men	43.80%																				
Women	56.20%																				
3	Formal loan value increases much steeper with higher incomes than the informal value	Consumers owning more than PEN 1,000 (~USD 260)/month take out 4x higher formal loans than those in the lower income groups (only 2x higher informal)	<table border="1"> <caption>Loan values by income group</caption> <thead> <tr> <th>Income Group</th> <th>Formal Loan</th> <th>Informal Loan</th> </tr> </thead> <tbody> <tr> <td>< 300</td> <td>2,000</td> <td>1,000</td> </tr> <tr> <td>300 - 600</td> <td>2,500</td> <td>1,200</td> </tr> <tr> <td>600 - 1,000</td> <td>3,000</td> <td>1,500</td> </tr> <tr> <td>1,000 - 1,500</td> <td>7,000</td> <td>2,000</td> </tr> <tr> <td>1,500 - 1,800</td> <td>7,500</td> <td>2,500</td> </tr> </tbody> </table>	Income Group	Formal Loan	Informal Loan	< 300	2,000	1,000	300 - 600	2,500	1,200	600 - 1,000	3,000	1,500	1,000 - 1,500	7,000	2,000	1,500 - 1,800	7,500	2,500
Income Group	Formal Loan	Informal Loan																			
< 300	2,000	1,000																			
300 - 600	2,500	1,200																			
600 - 1,000	3,000	1,500																			
1,000 - 1,500	7,000	2,000																			
1,500 - 1,800	7,500	2,500																			

Micro and small enterprises

1	Registered firms borrow more often informally than unregistered ones	32% of credit to registered firms is informal but only 15% of credit to unregistered firms is informal	<table border="1"> <caption>Credit distribution by firm type</caption> <thead> <tr> <th>Firm Type</th> <th>Informal</th> <th>Formal</th> </tr> </thead> <tbody> <tr> <td>Not officially registered</td> <td>15%</td> <td>85%</td> </tr> <tr> <td>Officially registered</td> <td>32%</td> <td>68%</td> </tr> </tbody> </table>	Firm Type	Informal	Formal	Not officially registered	15%	85%	Officially registered	32%	68%					
Firm Type	Informal	Formal															
Not officially registered	15%	85%															
Officially registered	32%	68%															
2	Small firms have 1.7x higher unmet credit needs than micro firms	On average, small firms need USD 5.1k additional loans while micro ones only need USD 3k	<table border="1"> <caption>Unmet credit needs by firm size</caption> <thead> <tr> <th>Firm Size</th> <th>Unmet Credit Need (USD)</th> </tr> </thead> <tbody> <tr> <td>Micro</td> <td>3,045</td> </tr> <tr> <td>Small</td> <td>5,100</td> </tr> </tbody> </table>	Firm Size	Unmet Credit Need (USD)	Micro	3,045	Small	5,100								
Firm Size	Unmet Credit Need (USD)																
Micro	3,045																
Small	5,100																
3	Cash continues to dominate the payment market	Cash will stay the most important payment type in Peru, even though its share is projected to decrease by four percentage points over the next five years	<table border="1"> <caption>Cash payment percentage trend</caption> <thead> <tr> <th>Year</th> <th>Cash Payment %</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>84.7%</td> </tr> <tr> <td>2022</td> <td>84.0%</td> </tr> <tr> <td>2023</td> <td>83.3%</td> </tr> <tr> <td>2024</td> <td>82.6%</td> </tr> <tr> <td>2025</td> <td>81.9%</td> </tr> <tr> <td>2026</td> <td>81.3%</td> </tr> </tbody> </table>	Year	Cash Payment %	2021	84.7%	2022	84.0%	2023	83.3%	2024	82.6%	2025	81.9%	2026	81.3%
Year	Cash Payment %																
2021	84.7%																
2022	84.0%																
2023	83.3%																
2024	82.6%																
2025	81.9%																
2026	81.3%																

More trends and detailed analyses in the appendix and the market sizing analyses Excel tool (with dashboards)

The total credit disbursed to low -income consumers in 2021 is estimated at around USD 50bn in 2021

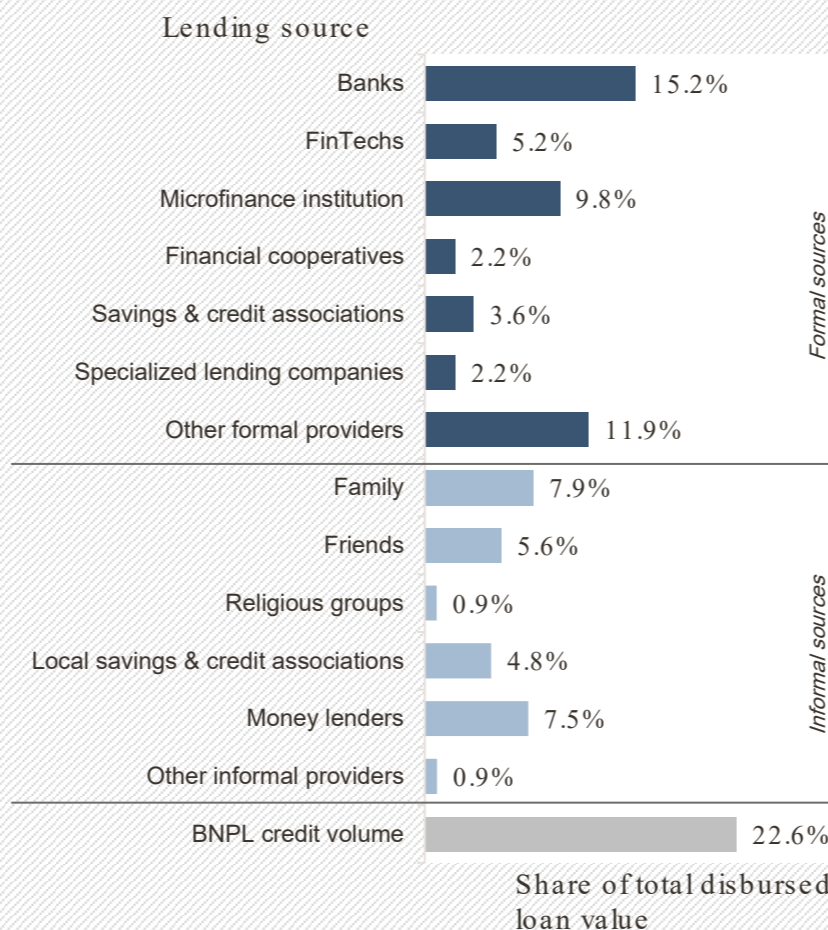
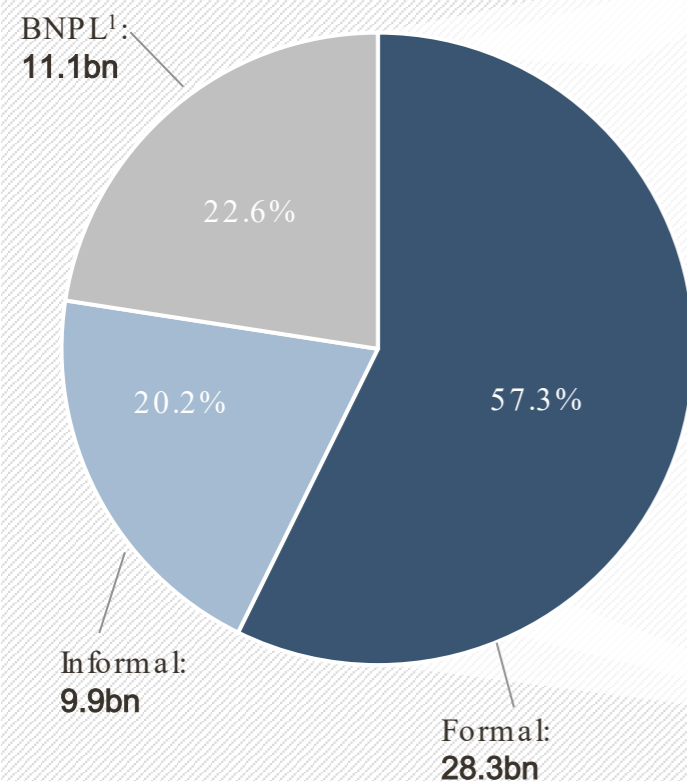
Market sizing

Total low -income consumer credit disbursed in 2021 (in USD)

Credit supply by lending sources

(Distribution of total disbursed loans by credit source)

Total credit market: **49.3bn**

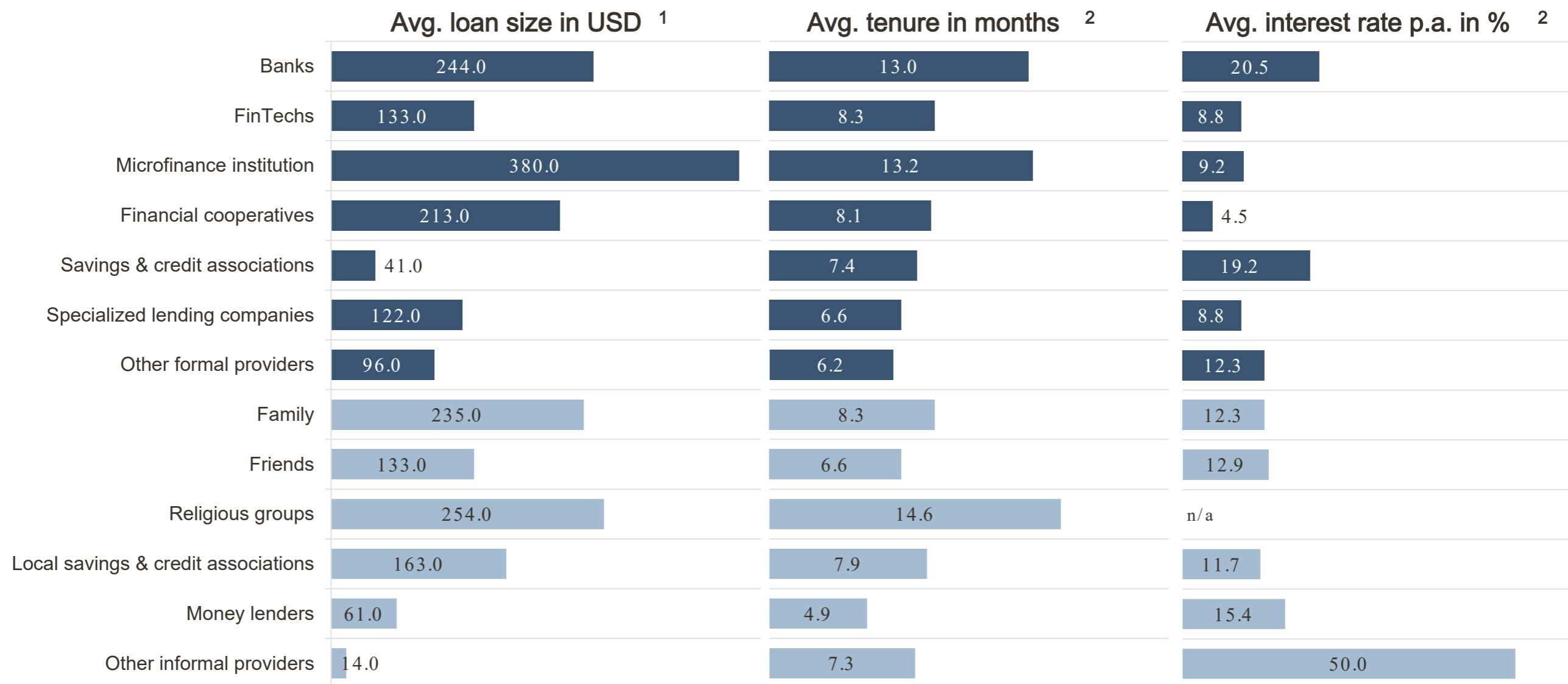


Insights

- Formal lending sources account for more than 1/2 of the overall credit supply
- With USD 12.3bn credit annually, banks and MFIs account for a quarter of total credit supply
- Families are the largest informal lending source and provide more than USD 3.9bn of credit annually

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 453; FX rates based on three months average (May-July 2021): PEN = 3.84. Differences to 100% due to rounding. See slides 67 and 75 in methodology report for extrapolation logic. 1) BNPL is neither classified as formal nor informal credit as survey respondents did not indicate the formality of BNPL providers.

LICONs: Average loan size, tenure and interest rate by credit supplier



Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 453; FX rates based on three months average (May-July 2021): PEN = 3.84; 1) Data based on market sizing data; 2) Data based on survey response data.

LICONs: Market share of credit suppliers by income segments

Monthly income in USD

	< 78	78 - < 156	156 - < 260	260 - < 339	339 - < 421
Banks	61.2%	14.8%	12.7%	16.1%	19.5%
FinTechs	0.0%	0.0%	11.1%	4.6%	11.3%
Microfinance institution	2.3%	4.4%	7.5%	24.9%	13.7%
Financial cooperatives	0.0%	13.3%	0.7%	1.8%	0.0%
Savings & credit associations	3.0%	8.8%	1.8%	5.2%	4.5%
Specialized lending companies	0.0%	4.4%	0.1%	5.5%	2.8%
Other formal providers	1.1%	12.2%	20.2%	6.8%	26.5%
Family	12.4%	12.5%	15.8%	7.5%	4.9%
Friends	0.9%	11.7%	11.4%	7.0%	2.1%
Religious groups	0.0%	1.8%	1.2%	0.9%	1.2%
Local savings & credit associations	0.0%	8.1%	6.9%	6.3%	6.3%
Money lenders	19.0%	8.0%	9.0%	13.4%	4.2%
Other informal providers	0.0%	0.0%	1.7%	0.0%	3.0%

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 453; FX rates based on three months average (May-July 2021); PEN = 3.84;

LICONs: Market sizes by gender and income quintiles

Quintiles		# LICONs	Share of total LICON income ²	Corresponding market size in Bn			Market Sizing
				Credit disbursed 2021 in USD	Payments 2021 in USD	Savings stock 2021 in USD	
1 st Q ¹	Female	2.2	1.8%	1.5	2.5	0.8	
	Male	2.1	1.7%	1.8	0.9	0.2	
	Total	4.3	3.5%	3.3	3.4	1.0	
2 nd Q ¹	Female	3.6	8.70%	4.4	5.9	0.9	
	Male	3.5	8.60%	2.6	3.4	0.6	
	Total	7.1	17.40%	7.0	9.3	1.5	
3 rd Q ¹	Female	3.8	16.5%	7.1	7.6	0.5	
	Male	3.7	16.3%	5.2	5.5	1.3	
	Total	7.5	32.8%	12.3	13.1	1.8	
4 th Q ¹	Female	1.9	12.0%	6.0	2.5	2.3	
	Male	1.9	11.8%	8.6	4.1	0.6	
	Total	3.8	23.8%	14.6	6.6	2.9	
5 th Q ¹	Female	1.4	11.3%	6.9	4.7	0.8	
	Male	1.4	11.2%	5.2	3.6	1.6	
	Total	2.8	22.5%	12.1	8.3	2.4	
Total	Female	12.9	50.3%	25.9	23.2	5.3	
	Male	12.6	49.6%	23.4	17.5	4.3	
	Total	25.5	100%	49.3	40.7	9.6	

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 453; FX rates based on three months average (May-July 2021): PEN = 3.84; See slides 67, 75 and 76 in methodology report for extrapolation logic. 1) 1st Quintile: < 300 PEN, 2nd Quintile: 300-600 PEN, 3rd Quintile: 600-1,000 PEN, 4th Quintile: 1,000-1,300 PEN, 5th Quintile: 1,300-1,600 PEN. 2) Share of each segment's total income from the overall income of all LICONs.

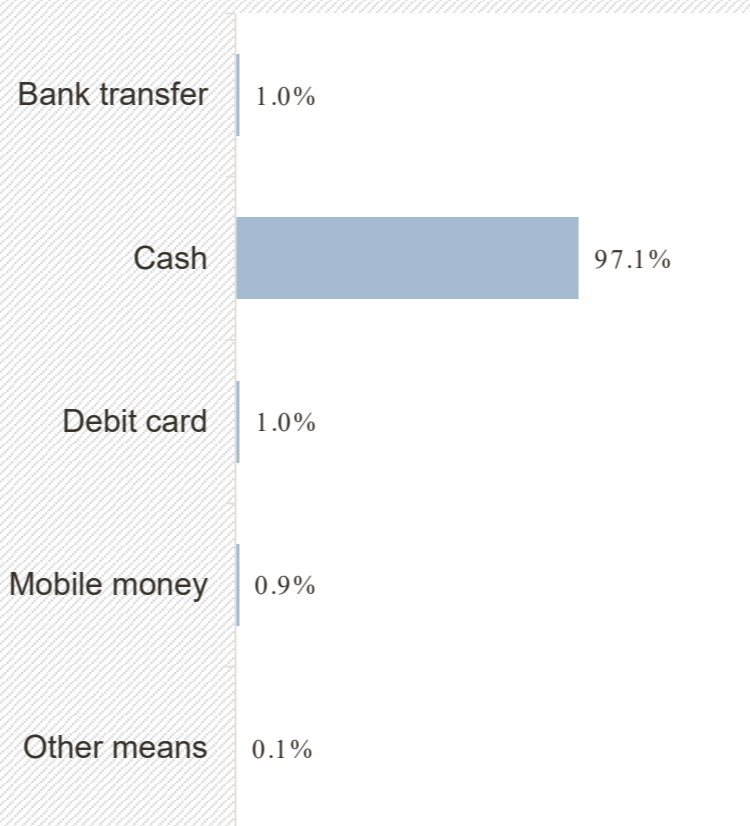
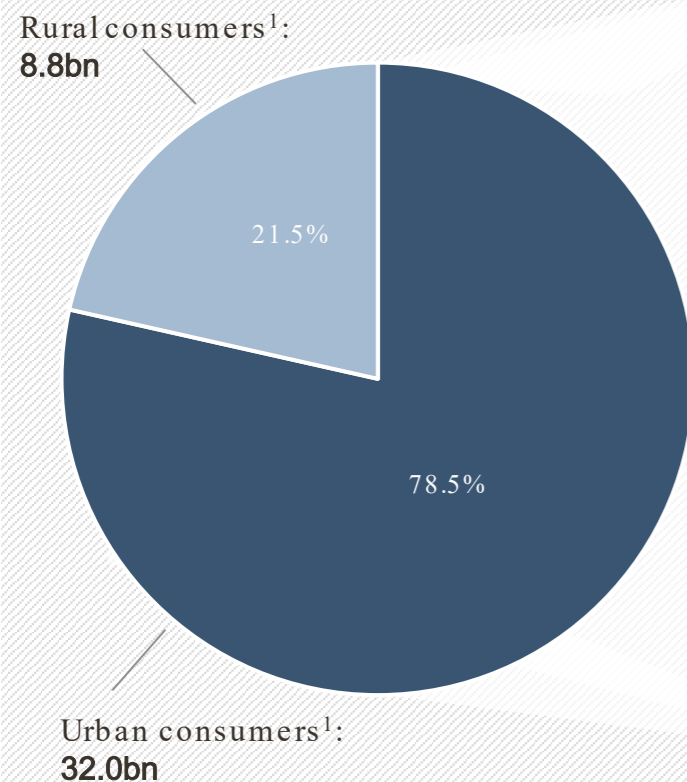
Our market sizing model estimates the value of outgoing LICON payments around USD 40bn

Market sizing

Total consumer payment in 202 (in USD)

Transaction value by payment means

Total payments market: **40.7bn**



Insights

- Cash dominates all payment mechanisms
- Mobile money and debit card transactions account for less than 1% of payment volume

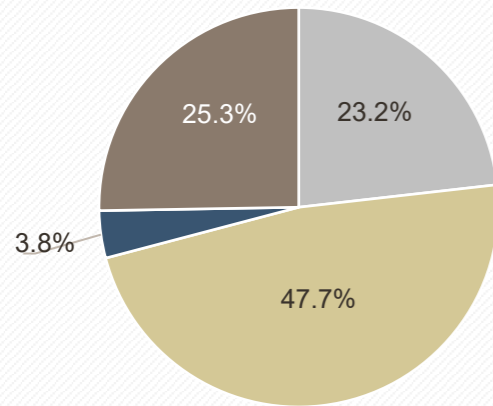
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 453; FX rates based on three months average (May-July 2021): PEN = 3.84; See slides 67 and 76 in methodology report for extrapolation logic. 1) Rural consumers (< 10,000 population): 6,577,673; Urban consumers (> 10,000 population): 19,019,509. Differences to 100% due to rounding.

Overall, low -income consumers in Peru are estimated to have total savings below USD 10bn in 2021

Market sizing

Savings stock by 6.5 million rural consumers ¹ in 2021

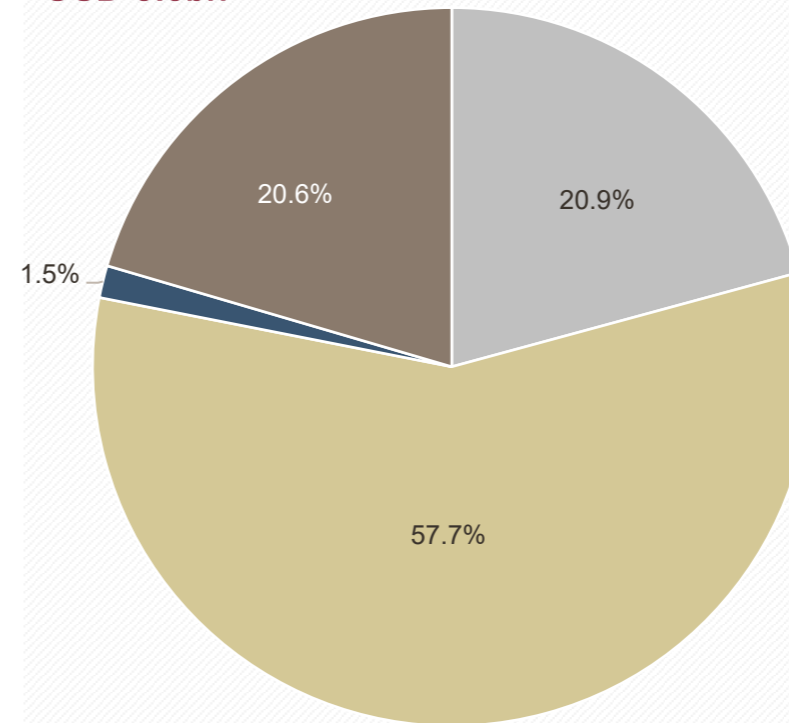
Total savings:
USD 1.4bn



Savings means	Value (in USDbn)
Cash at home	0.34
Bank account	0.68
Micro fin. acc.	0.05
Other	0.37
Money circle acc.	0.01
Gold	0.01
Livestock	0.01
Real estate	0.002
Others	0.34

Savings stock by 19 million urban consumers ¹ in 2021













Total savings:
USD 8.3bn



Savings means	Value (in USDbn)
Cash at home	1.72
Bank account	4.77
Micro fin. Acc.	0.13
Other	1.56
Gold	0.01
Livestock	0.01
Real estate	0.01
Others	1.53













Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 453; FX rates based on three months average (May -July 2021): PEN = 3.84; See slides 67 and 76 in methodology report for extrapolation logic. 1) Rural consumers (< 10,000 population): 6,577,673; Urban consumers (> 10,000 population): 19,019,509. Differences to 100% due to rounding.

Market Sizing

LICONs	Local currency in Bn				USD in Bn ¹				USD per LICON ²			
												
Credit disbursed 2021	39,140	3,626	20,641	189	531	34	51	49	456	711	422	1,923
Formal	18,101	1,523	9,737	108	245	14	24	28	211	299	199	1,099
Informal	15,361	1,615	7,344	38	209	15	18	10	179	317	150	387
BNPL ³	5,678	488	3,560	43	77	5	9	11	66	96	73	437
Female	22,871	1,972	9,076	100	310	18	22	26	554	769	376	2,021
Male	16,269	1,654	11,565	89	221	16	29	23	364	653	466	1,823
Rural	23,706	1,773	5,956	30	321	17	14	8	421	480	249	1,394
Urban	15,434	1,853	14,685	159	210	17	37	41	521	1,321	586	2,071

Source: Online survey, phone interviews and/or face-to-face interviews of LICONs between June 29 and July 20, 2021, n = 1826; See slides 67 and 75 in methodology report for extrapolation logic. 1) FX rates based on three months average (May - July 2021): INR - USD = 73.74; KES - USD = 107.7; NGN = 401.3; PEN - USD = 3.84; 2) LICON population based on data by the World Bank and the Economist Intelligence Unit: India: 1,165,005,479; Kenya: 47,349,211; Nigeria: 121,973,783; Peru: 25,597,182. 3) BNPL is neither classified as formal nor informal credit as survey respondents did not indicate the formality of BNPL providers.





Market Sizing

LICONs	Local currency in Bn				USD in Bn ¹				USD per LICON ²			
												
Payment value 2021	43,753	4,182	22,770	156	593	39	57	41	509	820	465	1,587
Rural	28,302	3,032	12,315	33	384	28	31	9	503	820	515	1533
Urban	15,451	1,150	10,455	123	209	11	26	32	522	820	418	1602
Savings value 2021	14,444	512	6,115	37	196	5	15	10	168	100	125	376
Rural	8,480	310	3,462	5	115	3	9	2	151	84	145	232
Urban	5,964	202	2,653	32	81	2	6	8	201	144	106	417

Source: Online survey, phone interviews and/or face-to-face interviews of LICONs between June 29 and July 20, 2021, n = 1826; See slides 67 and 76 in methodology report for extrapolation logic. 1) FX rates based on three months average (May-July 2021): INR - USD = 73.74; KES - USD = 107.7; NGN = 401.3; PEN - USD = 3.84; 2) LICON population based on data by the World Bank and the Economist Intelligence Unit: India: 1,165,005,479; Kenya: 47,349,211; Nigeria: 121,973,783; Peru: 25,597,182.



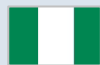


LICONs: Earnings model for the lending market

Market Sizing

LICONs	Total credit disbursed p.a.		Share of total credit market p.a.			Average tenure in months			Credit disbursed p.a. in USD in Bn			Average interest rate			Portfolio size in USD in Bn			Portfolio gross interest income p.a. in USD in Bn		
	Local currency in Bn	USD ¹ in Bn	Formal	Infor - mal	BNPL ²	Formal	Infor - mal	BNPL ²	Formal	Infor - mal	BNPL ²	Formal	Infor - mal	BNPL ²	Formal	Infor - mal	BNPL ²	Formal	Infor - mal	BNPL ²
	39,140	531.6	46.2%	39.2%	14.5%	9.0	10.5	9.0	245.5	208.8	77.3	14.3%	16.7%	14.3%	92.3	90.8	29.0	15.20	13.18	4.13
	3,626	33.7	42.0%	44.5%	13.5%	3.4	4.5	3.4	14.1	15.1	4.5	13.0%	13.4%	13.0%	2.0	2.8	0.6	0.38	0.26	0.08
	20,641	51.3	47.2%	35.6%	17.2%	4.8	4.9	4.8	24.2	18.2	8.9	13.6%	12.7%	13.6%	4.9	3.7	1.8	0.48	0.66	0.24
	189	49.3	57.3%	20.2%	22.6%	10.2	7.9	10.2	28.3	9.9	11.1	17.5%	12.9%	17.5%	12.0	3.3	4.7	0.42	2.11	0.83

Source: Online survey, phone interviews and/or face-to-face interviews of LICONs between June 29 and July 20, 2021, n = 1826; See slides 67, 75 and 77 in methodology report for extrapolation logic. 1) FX rates based on three months average (May-July 2021): INR - USD = 73.74; KES - USD = 107.7; NGN = 401.3; PEN - USD = 3.84; 2) For BNPL same tenure and interest rates than in formal lending assumed; BNPL is neither classified as formal nor informal credit as survey respondents did not indicate the formality of BNPL providers.





Earnings Model: Payment costs

	Specification	Charges for sending/paying specific amounts in USD			Additional information
		USD 1	USD 10	USD 100	
		Min. 0.13	Max. 1% of value being transferred	Max. 1% of value being transferred	Charges are applying for customers using domestic money transfer (DMT.)
	Registered user	-	0.12	0.87	Costs of sending/paying through M-PESA. From 55 million inhabitants in Kenya, 29.1 million have a mobile money subscriptions (52.9%). ¹
	Unregistered user	-	0.49	2.05	
	MNO/MMO USSD	0.078	0.078	0.141	Prices are from PAGA, Kudi, and Firstmonie.
	MNO/MMO mobile app	0.062	0.062	0.125	
		-		-	Tunki (Interbank), PLIN ² and Yape (BCP) offer all transaction services for free and Bim only charges for withdrawing money.

Source: 1) http://www.connectingafrika.com/author.asp?section_id=761&doc_id=762180; 2) Interbank Payment Switch

LICONs: Earnings model for the payments market

Market Sizing

LICONs	Total transaction value p.a.		Transaction value p.a. USD in Bn	Average yield per transaction ¹	Processing yield in USD in Bn	
	Local currency in Bn	USD in Bn			Total	Average value of each individual payment
					Average total payment per month per customer	In USD
					In USD	
	43,753	593	1%	5.93	44.1	1.7
	4,182	39	1.8%	0.68	103.4	6.4
	22,780	57	0.2%	0.11	49.5	4.8
	156	41	-	Majority of transactions are free or have very low costs in Peru	151.5	24.2

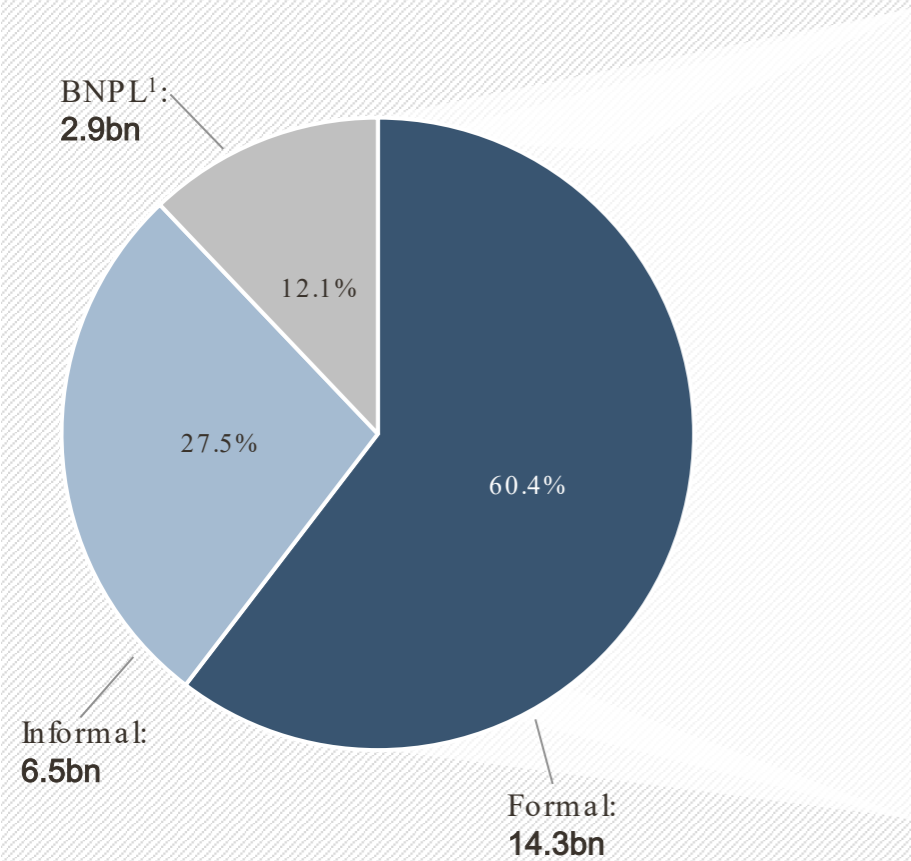
Source: Online survey, phone interviews and/or face-to-face interviews of LICONs between June 29 and July 20, 2021, n = 1826; FX rates based on three months average (May-July 2021): INR - USD = 73.74; KES - USD = 107.7; NGN = 401.3; PEN - USD = 3.84. See slide 77 in methodology report for calculation logic. 1) Derived from payment costs, listed on previous slide.

The total value of all credit disbursed to MSEs is sized around USD 20bn for 2021

Market Sizing

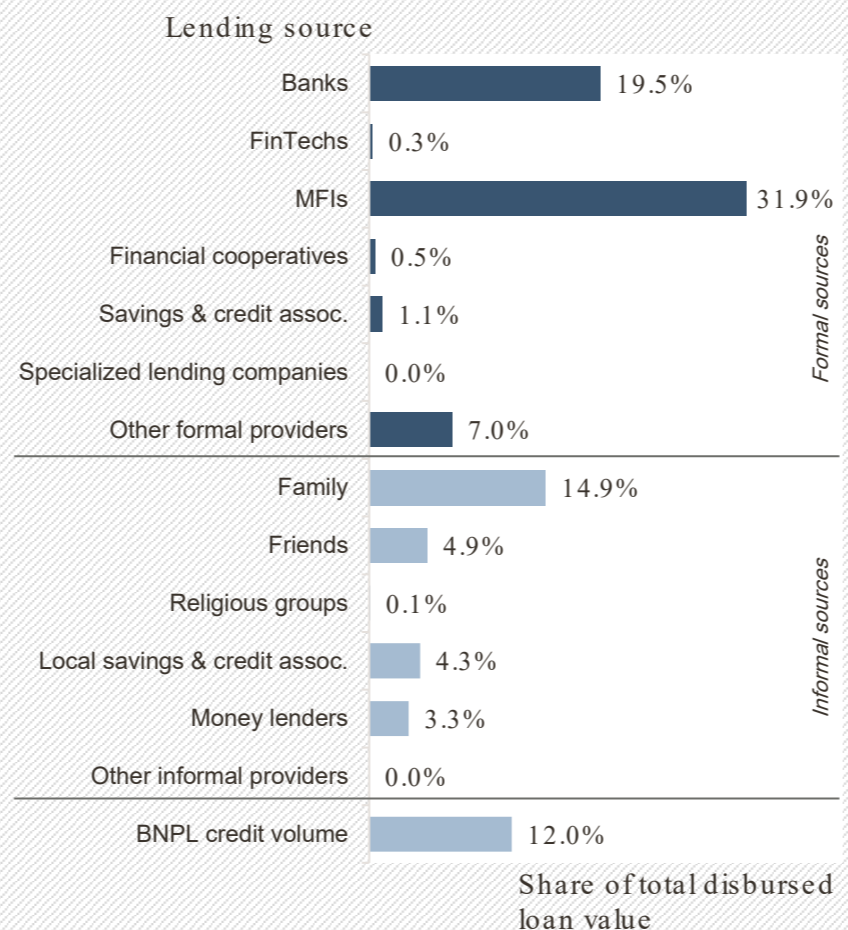
Total credit disbursed to MSEs in 2021 (in USD)

Total credit market: **23.7bn**



Credit supply by lending sources

(Distribution of total disbursed loans by credit source)

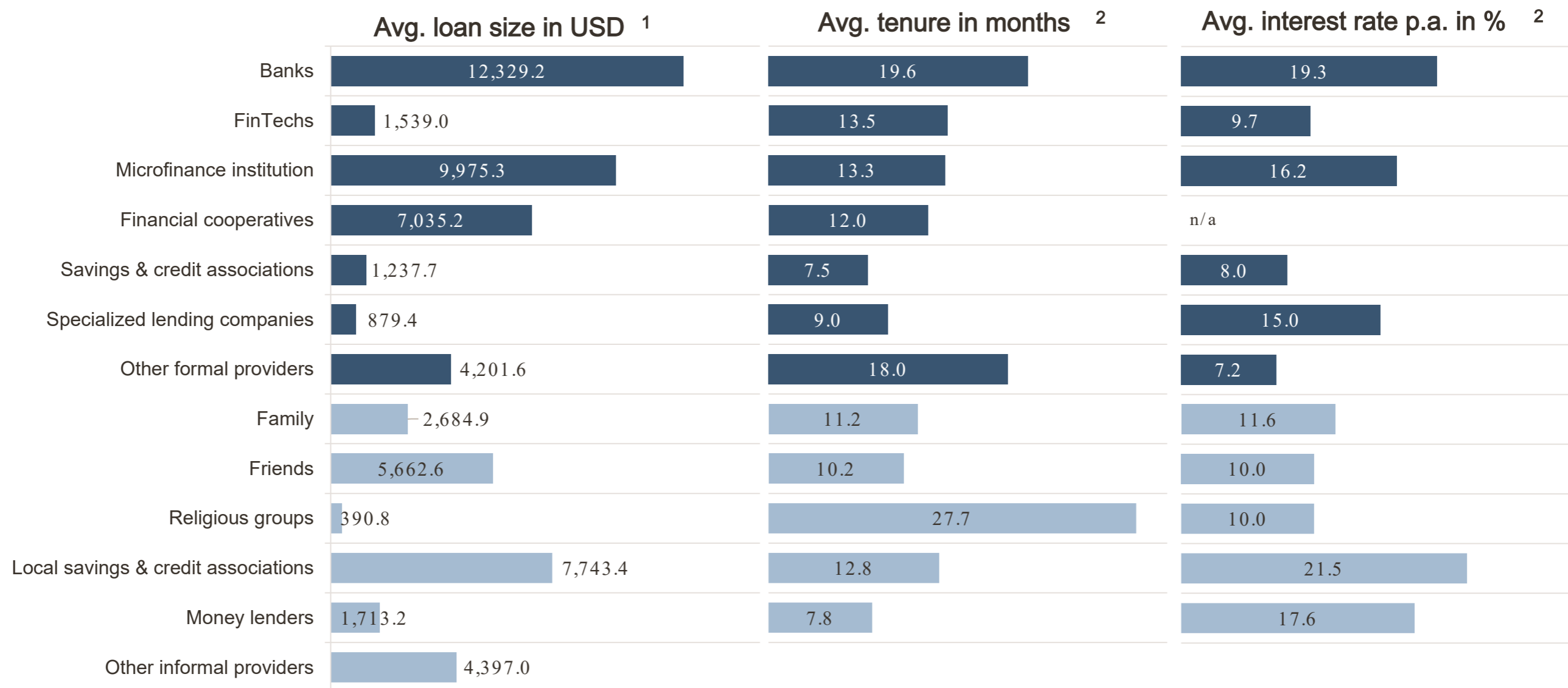


Insights

- Formal lending sources account for 60% of the overall credit supply
- With USD 7.6bn credit annually, MFIs account for about 1/3 of the total credit supply
- Families are the largest informal lending source and provide more than USD 3.5bn of credit annually

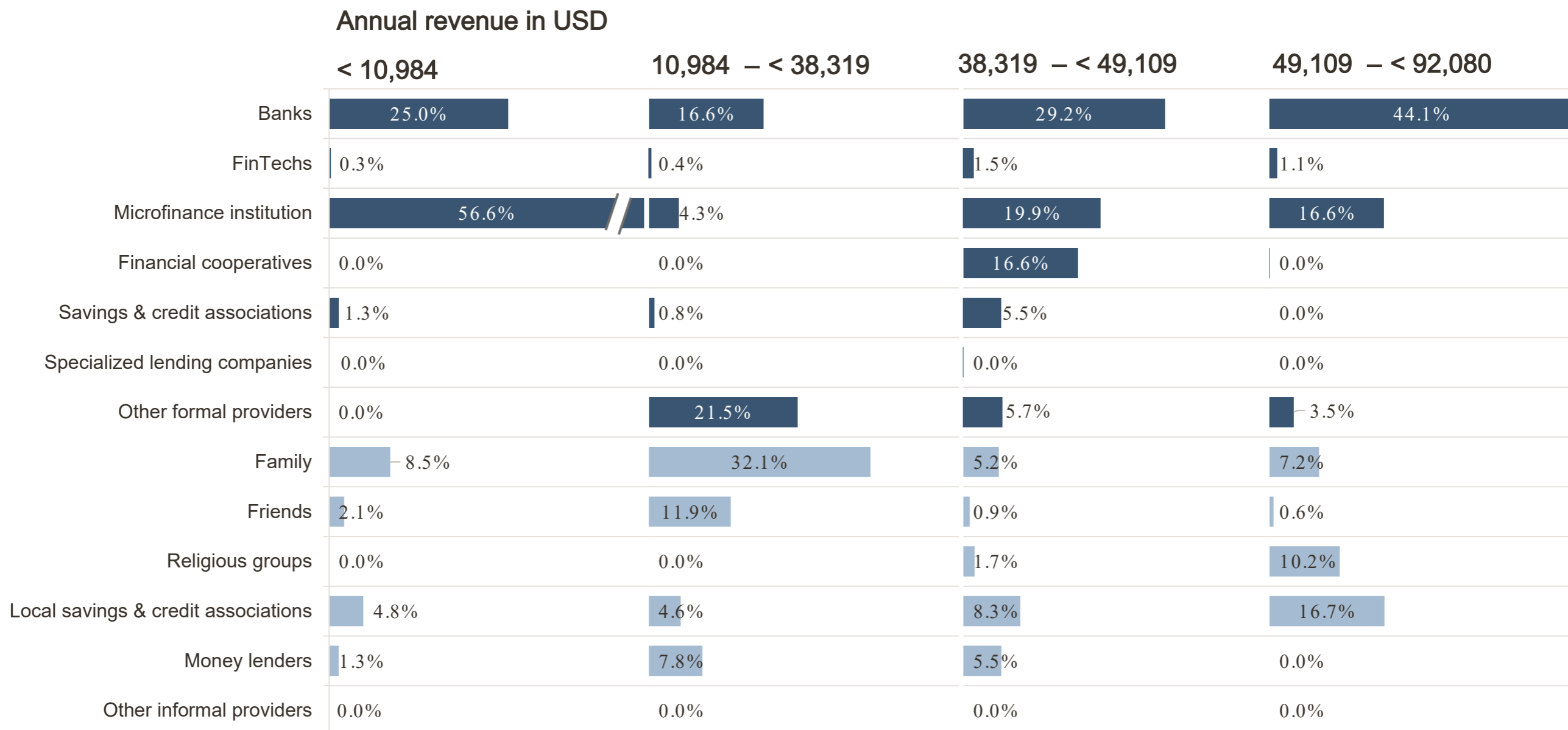
Source: Online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May-July 2021): PEN = 3.84. Differences to 100% due to rounding. See slides 67 and 75 in methodology report for extrapolation logic. 1) BNPL is neither classified as formal nor informal credit as survey respondents did not indicate the formality of BNPL providers.

MSEs: Average loan size, tenure and interest rate by credit supplier



Source: Online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May-July 2021); PEN = 3.84; 1) Data based on market sizing data; 2) Data based on survey response data.

MSEs: Market share of credit suppliers by revenue clusters



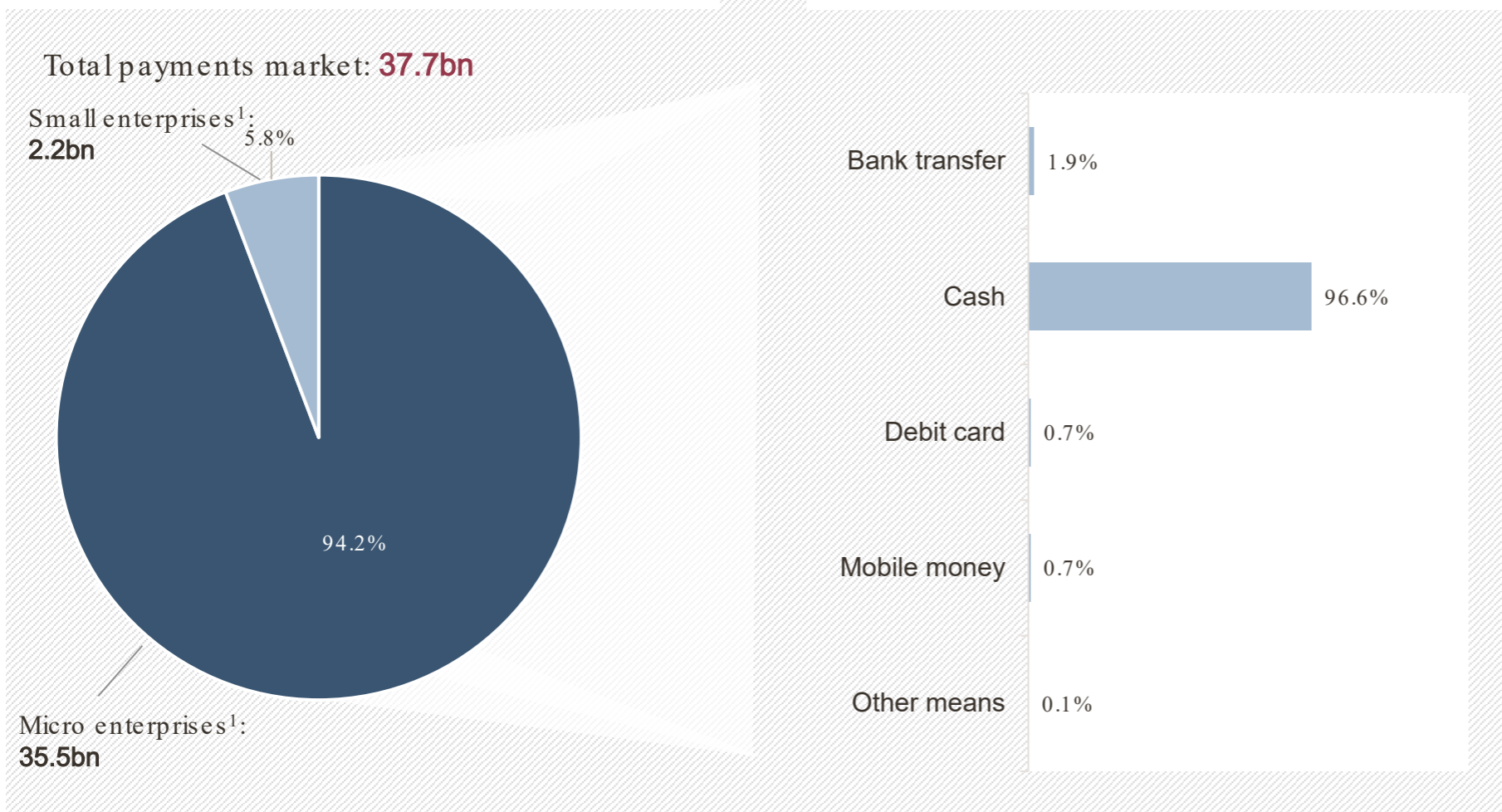
Source: Online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May-July 2021); PEN = 3.84;

Our market sizing model estimates the total annual value of payments made and received by MSEs at roughly USD 35bn

Market sizing

Total MSE payments in 2021 (in USD)

Transaction value by payment means



Insights

- Cash dominates all payment mechanisms
- Micro-enterprise payments exceed those of small ones significantly due to much higher number of firms

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May-July 2021): PEN = 3.84; See slides 67 and 76 in methodology report for extrapolation logic. 1) Micro-enterprises (1 - 5 employees): 2,973,851; Small-enterprises (6 - 10 employees): 34,636. Differences to 100% due to rounding.

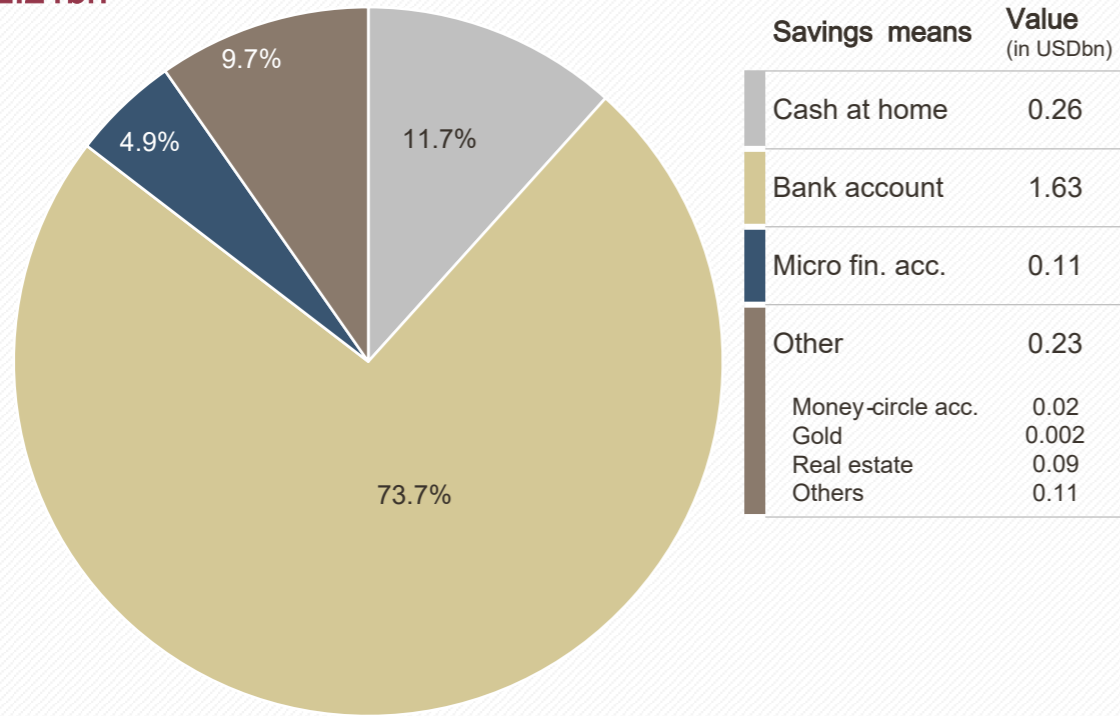


Overall, MSEs in Peru have savings of around USD 2bn in 2021

Market sizing

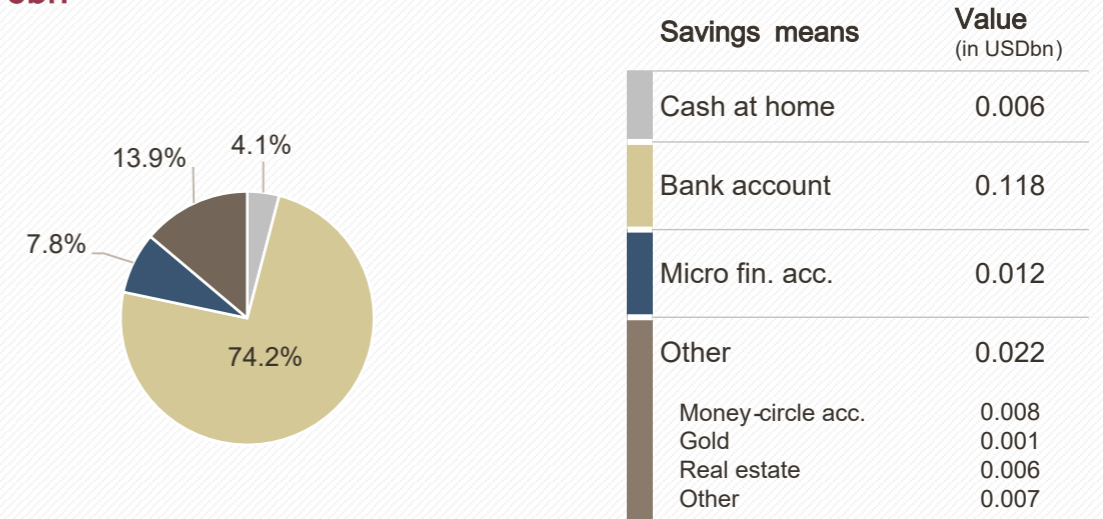
Savings stock by 2.9 million micro enterprises ¹ in 2021

Total savings:
USD 2.21bn



Savings by 35 thousand small enterprises ² in 2021

Total savings:
USD 0.16bn



Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May-July 2021); PEN = 3.84; See slides 67 and 76 in methodology report for extrapolation logic. 1) Micro enterprises: 1 - 5 employees; 2) Small-enterprises: 6 - 20 employees. Differences to 100% due to rounding.

Market sizing overview: Micro and small enterprises

Market Sizing

MSEs	Local currency in Bn				USD in Bn ¹				USD per MSE ²			
Credit disbursed in 2021	13,790	736	13,376	91	187	7	33	24	2,955	923	802	7,895
Formal	6,148	372	3,097	55	83	4	8	14	1,318	470	186	4,769
Informal	4,835	271	4,538	25	66	2	11	7	1,036	340	272	2,175
BNPL ³	2,807	93	5,741	11	38	1	14	3	601	113	344	951
Payment value 2021	47,981	2,768	62,816	145	651	26	157	38	10,281	3,471	3,768	12,551
Micro	46,312	2,701	62,161	137	628	25	155	35	10,183	3,473	3,749	11,923
Small	1,669	67	655	8	23	1	2	3	13,471	3,416	7,313	63,079
Savings value 2021	2,747	68	4,329	9	37	1	11	2	588	85	260	790
Micro	2,649	64	4,277	8	36	1	11	2	582	83	258	746
Small	98	4	52	1	1	< 0.1	< 1	< 1	801	166	577	4,601

Source: Online survey, phone interviews and/or face-to-face interviews of MSEs between June 29 and July 20, 2021, n = 785; See slides 67, 75 and 76 in methodology report for extrapolation logic. 1) FX rates based on three months average (May -July 2021): INR - USD = 73.74; KES - USD = 107.7; NGN = 401.3; PEN - USD = 3.84; 2) Number of MSEs based on country-specific sources: India: 63,318,273; Kenya: 7,406,880; Nigeria: 41,497,332; Peru: 3,008,487. Number in official sources slightly higher because we do not consider medium enterprises in our market sizing model. Differences to 100% due to rounding. 3) BNPL is neither classified as formal nor informal credit as survey respondents did not indicate the formality of BNPL providers.

2.1m MSEs that generate revenue below 11k USD make up about half of the overall revenue share





Market Sizing

	# companies in k	Revenue share ¹	Corresponding market size in USD bn		
			Credit disbursed	Payments	Savings stock
Size of company					
Micro	2,646	96.3%	22.7	35.5	2.2
Small	34.2	3.7%	1.0	2.1	< 0.1
Revenue classes (USD)					
< 10,984	2,110	49.2%	13.7	19.1	1.2
10,984 – < 38,319	536	43.8%	9	16.4	1.0
38,319 – < 49,109	31.1	1.1%	0.9	1.8	< 0.1
49,109 – < 92,080	3.1	6.9%	0.1	0.3	< 0.1

Source: Online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May -July 2021): PEN = 3.84. See slides 67, 75 and 76 in methodology report for extrapolation logic. 1) Share of each segment's total income from the overall income of all MSEs.

MSEs: Earnings model for the credit market





Market Sizing

MSEs	Total credit disbursed p.a.		Share of total credit market			Average tenure in months			Credit disbursed p.a. in USD in Bn			Average interest rate			Portfolio size in USD in Bn			Portfolio gross interest income p.a. in USD in Bn		
	Local currency in Bn	USD ¹ in Bn	Formal	Infor - mal	BNPL ²	Formal	Infor - mal	BNPL ²	Formal	Infor - mal	BNPL ²	Formal	Infor - mal	BNPL ²	Formal	Infor - mal	BNPL ²	Formal	Infor - mal	BNPL ²
	13,790	187.01	44.6%	35.0%	20.4%	15.3	13.6	15.3	83.37	65.57	38.07	12.1%	14.3%	12.1%	53.1	37.1	24.2	6.44	5.32	2.94
	736	6.83	51.0%	36.8%	12.2%	3.9	3.6	3.9	3.48	2.52	0.83	13.4%	15.0%	13.4%	0.6	0.4	0.1	0.08	0.06	0.02
	13,376	33.33	23.1%	33.9%	43%	10.7	9.7	10.7	7.70	11.30	14.33	14.2%	10.0%	14.2%	3.4	4.5	6.4	0.49	0.45	0.9
	91	23.68	60.4%	27.5%	12.0%	17.7	11.1	17.7	14.31	6.52	2.85	17.9%	13.5%	17.9%	10.6	3.0	2.1	1.89	0.41	0.38

Source: Online survey, phone interviews and/or face-to-face interviews of MSEs between June 29 and July 20, 2021, n = 785; See slides 67, 75, 76 and 77 in methodology report for extrapolation logic. 1) FX rates based on three months average (May-July 2021): INR - USD = 73.74; KES - USD = 107.7; NGN = 401.3; PEN - USD = 3.84; 2) For BNPL same tenure and interest rates than in formal lending assumed; BNPL is neither classified as formal nor informal credit as survey respondents did not indicate the formality of BNPL providers.

MSEs: Earnings model for the payments market ¹

Market Sizing

LICONS	Total transaction value p.a.		Transaction value p.a. USD in Bn	Average yield per transaction ²	Processing yield in USD in Bn	
	Local currency in Bn				Total	
	47,981		650.7	1%	6.51	
	2,768		25.7	1.8%	0.45	
	62,816		156.5	0.2%	0.32	
	145		37.6	-	<div style="border: 2px solid red; border-radius: 50%; padding: 5px; display: inline-block;"> Majority of transactions are free or have very low costs in Peru </div>	

Average payment size per month In USD	Average value per payment In USD
644.3	15.0
289.2	6.3
314.0	6.8
1,041.7	65.2

Source: Online survey, phone interviews and/or face-to-face interviews of MSEs between June 29 and July 20, 2021, n = 785; FX rates based on three months average (May-July 2021): INR - USD = 73.74; KES - USD = 107.7; NGN = 401.3; PEN - USD = 3.84. See slide 77 in methodology report for calculation logic. 1) Payments market defined as sum of all outgoing and incoming payments. 2) Derived as average of payment costs to the market; see page 28 for details.

Agenda

Survey overview

Market sizing highlights

FinTech highlights

Strategic recommendations and outlook

Appendix

FinTech landscape overview for Peru (1/2)

In 2017, Peru's **ICT¹ sector** represented **2.6% of the GDP**; Mining is by far the most important business segment



Source: Oxford business group, 2017

In its 2017-18 **Global Competitiveness Index**, the WEF ranked Peru **83rd out of 137** countries in terms of infrastructure for fixed mobile lines and **69th** for mobile subscriptions infrastructure



Source: WEF, 2017

Peru ranked **118 out of 139** countries in terms of its **political and regulatory environment** for ICT development



Source: Digitisation Index by BBVA Research, 2017

As of 2017 there were 61,473 km of **fiber optics**, of which **78% was privately owned**



Source: Oxford business group, 2017

In urban Peru, **54%** of the population **uses the internet**, while in **rural areas** this falls to **14%**. Internet access in rural areas is up, however, from 19.2% in 2013 to 68.7% as of 2016



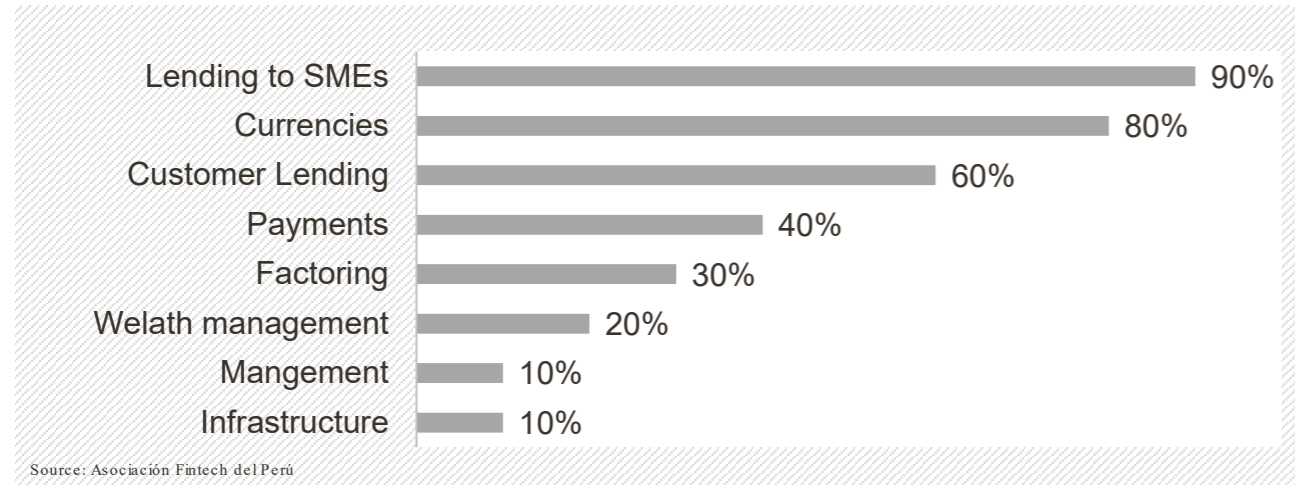
Source: Oxford business group, 2017

Political instability and an unfavorable regulatory environment are the main factors affecting the country's competitiveness in terms of ICT¹ adoption, according to the World Economic Forum (WEF). National broadband plan that seeks to establish Peru's backbone infrastructure by 2021.

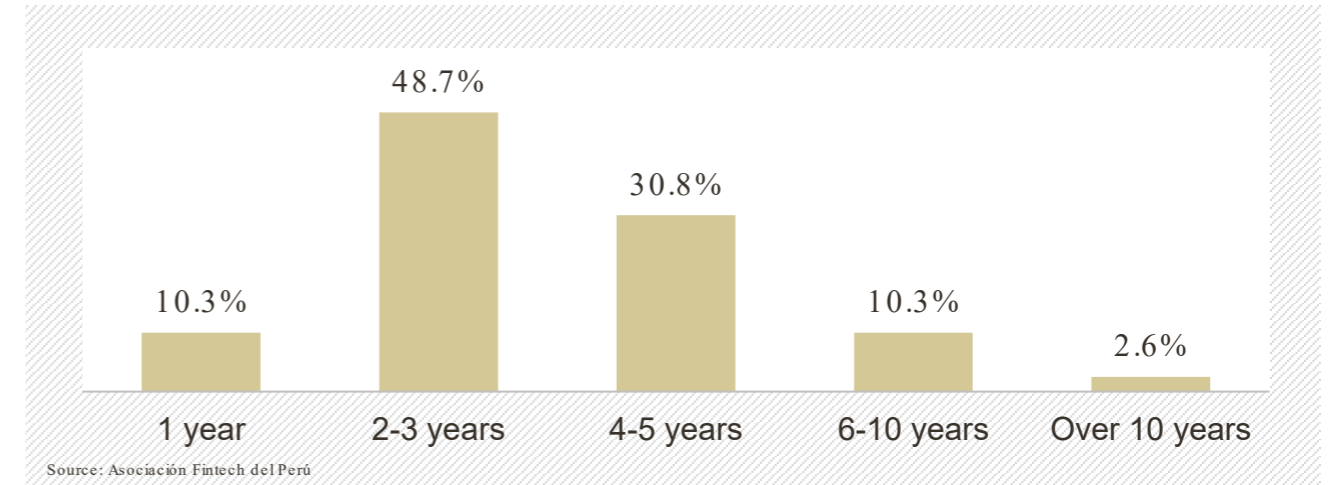


FinTech landscape overview for Peru (2/2)

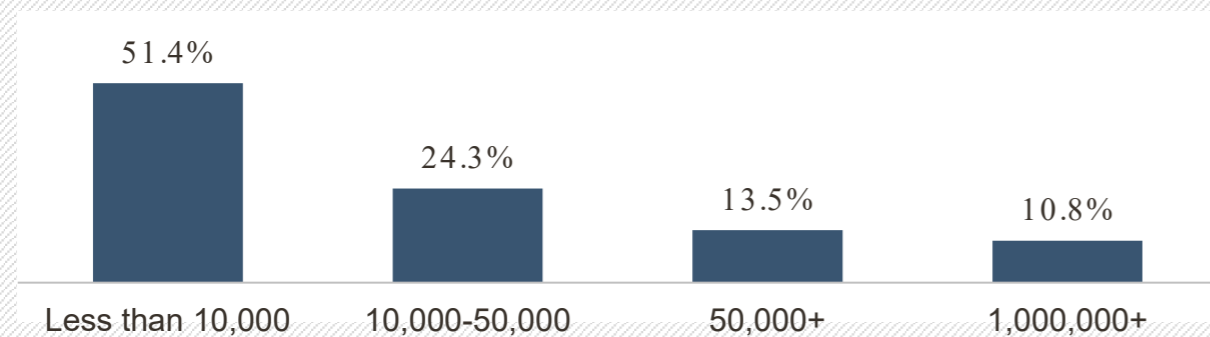
Share of FinTech Start -Ups in Peru, by business segment (June 2020)



Share of FinTech Start -Ups in Peru, by years of operation (June 2020)

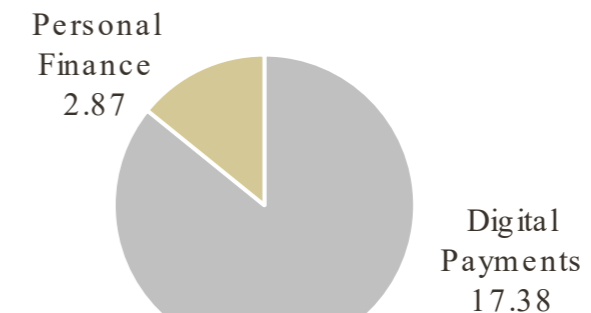


Revenue in Peruvian soles



Distribution of FinTech startups in Peru as of June 2020, by monthly revenue

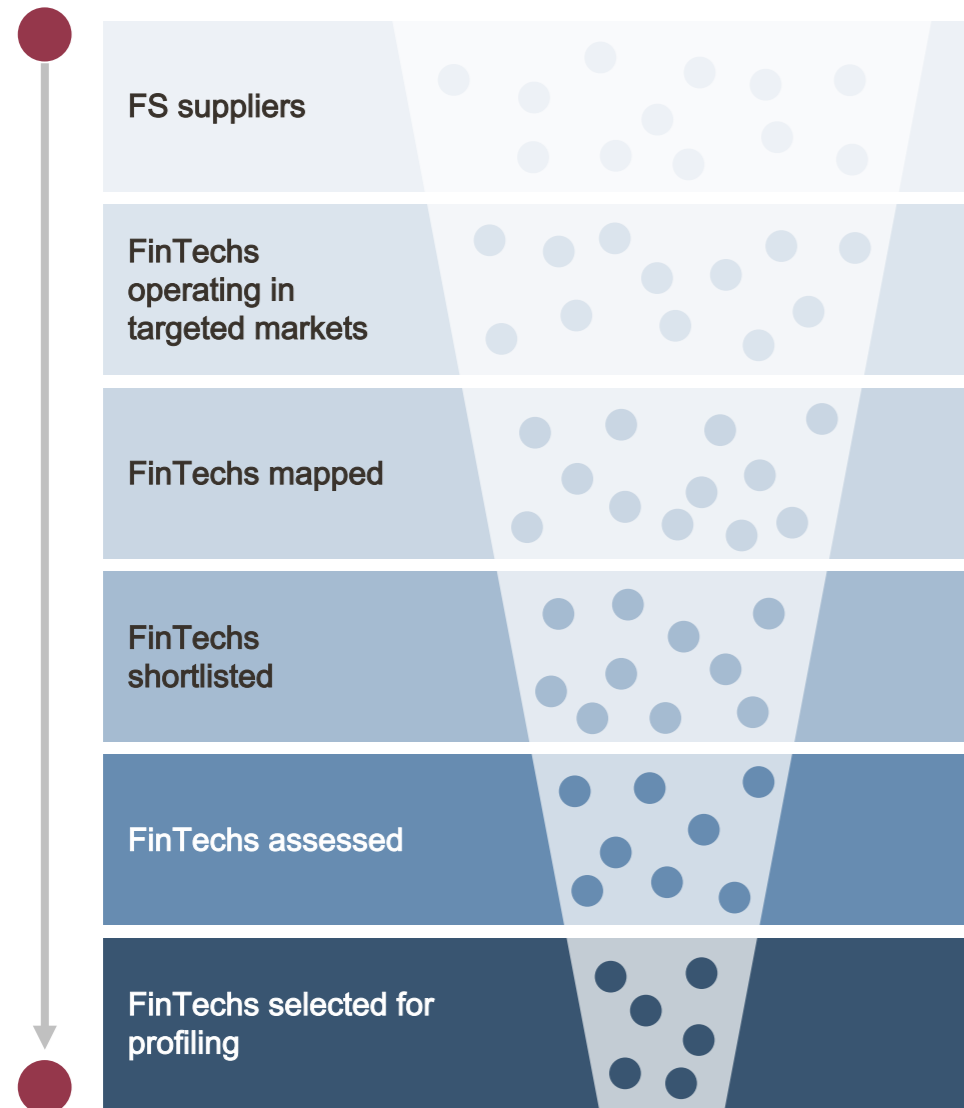
Sources: Asociación Fintech del Perú; Statista Digital Market Outlook.



Number of FinTech users in Peru in 2023, by segment in millions

Fintech shortlisting process

Broad



Shortlist (with MSE offer)

	Mapped	Shortlisted	Business model assessed	Interviewed	Profiled
Lending	19	14	14	2	2
Payments	20	9	9	2	2
Savings	3	1	1	1	1
Digital banking	3	1	1	0	0

**in total
25**

FinTech assessment of MSE reach and MSE -focused offerings (1/2)

Peru

Shortlisted FinTechs	Outreach to underserved MSEs		MSE-specific offering	
	Evaluation	Score	Evaluation	Score
Andy (Latin FinTech)	Only digital channels utilized (website), however, operates with 3 banks can enable medium reach	2	Personal loans for the underbanked, possessing bank accounts at 1 of 3 major banks Business loans for registered businesses with POS	3
Independencia	Only digital channels utilized (website), however uses referral programs that can increase reach, operate in 13 provinces and partner with banks for loan funding	4	Offers personal loans to banked population	3
MiCredit	Operates 12 physical stores in 2 provinces and a website	2	Working capital and fixed asset financing for MSEs Also offers sector specific financing (Agriculture)	5
Monnet	Only digital channels, operates in several Latin American countries	3	Payment platform that enables business to accept payment methods, make large payments	2
BiM	A mobile wallet; possesses +15,000 “agents” across Peru and partnerships with banks	5	Money transfer services (bill payments, top-ups etc.) for consumers. Offers merchants payment, lending services	5
CULQI	Digital presence with API integration	3	Payment solutions for merchants; including those selling offline to accept online payments	4
Ligo	Digital channels, website and application. However, has 4,000+ recharge and withdrawal points signaling reach	2	Electronic wallet offering banking services for customers, withdrawal by PayPal only	2
Pago facil	Digital channel through website; distribute POS by izipay	2	Digital payment acceptance for merchants through POS distribution	3
PayU	Numerous partners (banks, VCs, Shopify etc.) ensuring high reach and global presence	5	Provides payment services enabling businesses to sell online. Caters to large enterprises and SMEs, specifically	4
TasaTop	Digital channel through website and partnerships with various financial institutions	3	Saving and investment platform for customers and financial institutions and those that require financing; offering financial	4
Innova Funding	Digital channel through website	2	Invoice factoring platform connecting SMEs with investors	4
Prestatype	Digital channel through website	2	Working capital loan through real estate collateral through P2P lending platform connected to investors	5

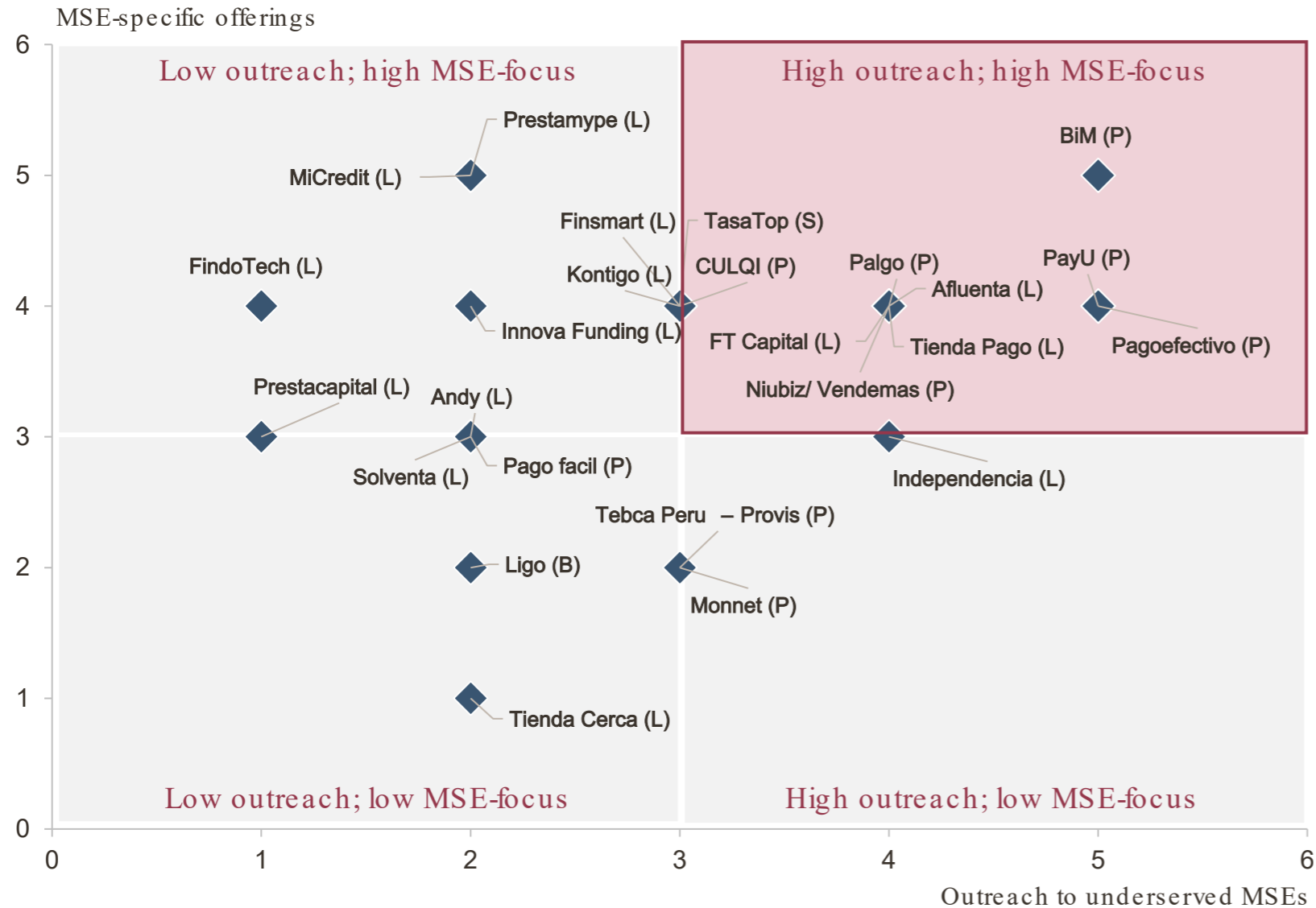
FinTech assessment of MSE reach and MSE -focused offerings (2/2)

Peru

Shortlisted FinTechs	Outreach to underserved MSEs		MSE-specific offering	
	Evaluation	Score	Evaluation	Score
Tienda Pago	Digital channel through application; large partnership network with dealers (Phillip Morris) and payment points (BBVA, Walmart)	4	Provides inventory financing credit lines to small retailers for weekly purchases	4
FindoTech	Digital channels through mobile and web	1	Digital invoice financing platform that connects SMEs with investors	4
Finsmart	Digital channels through mobile and web; provide SMEs with BCP and BBVA FinTechs	3	Digital invoice financing platform that connects SMEs with investors	4
Afluenta	Digital channels through web and app; multiple social and financial innovation awards signaling reach	4	Digital lending marketplace connecting investors with individuals and businesses	4
Tebca Peru – Provis	Digital channels through web and app; accepted in thousands of food and catering establishments	3	Development and implementation of pre-payment programs and issuing and commercializing of cards	2
Pagoefectivo	Digital channels through app and web. +1,000 affiliate stores to purchase from and numerous agencies to collect cash from	5	Enables online businesses to accept cash payments	4
FT Capital	Website used as a digital channel and 9 physical branches across Peru. Partnerships with main banks in Peru (BBVA, BCP)	4	Provides factoring services for SMEs	4
Tienda Cerca	Digital channel through web, partnerships with Scotiabank, Nestle etc.	2	Platform that displays closest wineries through geolocation	1
Prestacapital	Digital channels through web, only valid in Lima	1	Lending platform that connects investors with SMEs (requires property as collateral)	3
Palgo	Digital channels through web and app, numerous affiliate agents and offline payment options	4	Offers unbanked people the option of paying installments through partner businesses	4
Solventa	Digital channels (web and app); loan repayment with BBVA (online, agent and agencies)	2	Personal loans for banked individuals	3
Kontigo	Digital channels through web and app; operate with companies such as BBVA, Afluenta Andy	3	Electronic wallet linked to virtual pre-paid card; enables business, personal and instant loans	4
Niubiz/ Vendemas	Digital channels through web and app; owned by Niubiz	4	Provides merchants with payment acceptance methods and services (e.g. accepting instalment, selling airtime)	4

Source: Simon-Kucher & Partners expert judgement, Company websites 2021

Various shortlisted FinTechs have MSE -specific offerings but struggle with reach



Details of the assessment in the appendix

Assessment criteria

- Outreach
 - # of clients served
 - Partnerships and funding
 - Online and offline channels
- MSE-focus
 - MSME-specific offerings
 - Offering requirements (e.g. collateral)

Insights

- Distribution:
 - 8: High outreach; high MSE-focus
 - 1: High outreach; medium MSE-focus
 - 4: Medium outreach; high MSE-focus
 - 2: Medium outreach; low MSE-focus
 - 4: Low outreach; high MSE-focus
 - 4: Low outreach; medium MSE-focus
 - 2: Low outreach; low MSE-focus

► Diverse selection of FinTechs with high MSE-focus and high outreach

Business model categorization framework

Distribution model



- Direct digital
 - App only
 - Web and App
- Agency-banking driven
- API-driven
- Hybrid form
- Other (non-digital)

Commercial model



- B2B direct monetization
- B2B and B2C direct monetization
- B2B2C Platform (indirect)
 - B2B monetization
 - B2C monetization
 - B2B and B2C monetization

**Business model
categorization
framework**

Value model

- Innovation
- Recombination/Orchestration
- Imitation



Driven by
desk research
and interviews for
shortlisted
FinTechs

Business model categorization

Cluster analyses



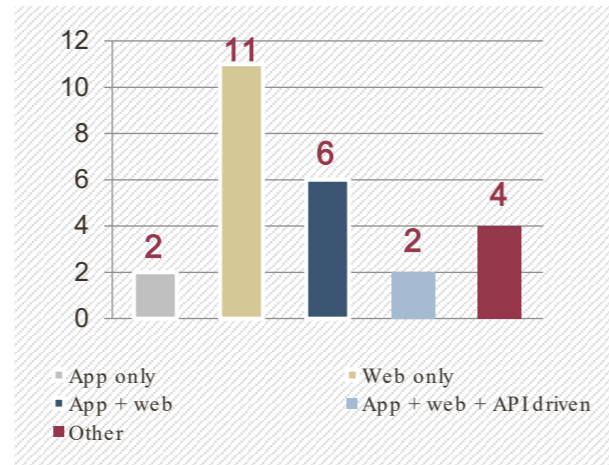
Descriptive analytics

- 25 FinTechs analyzed
- By primary offering:
 - 14 in lending
 - 9 in payments
 - 1 in banking
 - 1 in savings
- Clusters dimensions assessed
 - Distribution (online vs. offline)
 - Commercial (B2B, B2C, direct vs indirect etc.)
 - Value (innovation, recombination, imitation)

Cluster analysis

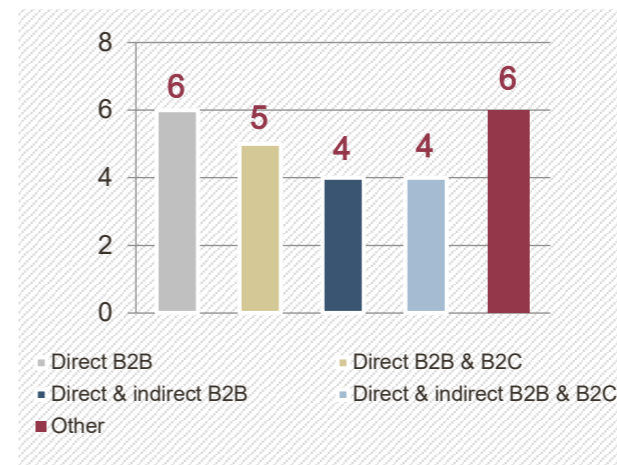
- Research commercial & distribution model for each FinTech
- Determine value model based on research and expertise for each FinTech
- Analyze to find top sub-clusters and cluster combinations

Distribution clusters



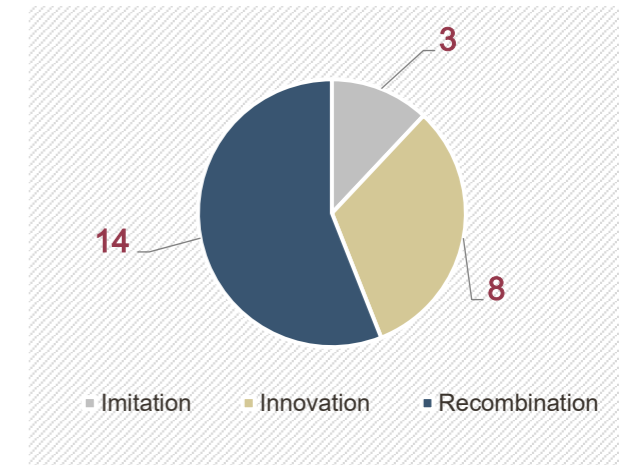
Web only as most common distribution cluster

Commercial clusters



12 out of 25 FinTechs utilize B2B direct monetization

Value clusters



Recombination value model the most common



Top cluster combinations

- Distribution through **web** and a **direct & indirect B2B** commercial model: **3 FinTechs**
 - 5 **different** distribution and commercial cluster combinations: **2 FinTechs**
 - Combinations include web + B2B, app & web & API + B2B, web + B2B2C, web + direct and indirect B2B & B2C, app & web + direct and indirect B2B & B2C
- Variety of combinations indicates market with high level of experimentation

Out of 25 shortlisted FinTechs in Peru, 8 were classified as innovative

	FinTech	Contacted	Innovative	Interview	Estimated revenues
Shortlisted	BiM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
	CULQI		<input type="checkbox"/>		USD 16m
	Tienda Pago		<input type="checkbox"/>		USD 16.3m
	Afluente	<input type="checkbox"/>	<input type="checkbox"/>		USD 17m
	Pagoefectivo		<input type="checkbox"/>		USD 5m - USD 25m
	Tasa Top	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	USD 30m
	Innova Funding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	USD 250k
	Vendemas (Niubiz)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> (Vendemas)	(USD 69m – VisaNet (former name of Niubiz))
	MiCredit				N/A
	Monnet				N/A
	Prestatype	<input type="checkbox"/>		<input type="checkbox"/>	USD 215k
	Ligo				N/A
	Pago facil				N/A
	PayU				USD 186m
	FT Capital				N/A
	Andy (Latin FinTech)				N/A
	FindoTech				N/A
	Finsmart				N/A
	Tebca Peru - Provis				N/A
	Tienda Cerca				N/A
	Prestacapital				N/A
	Palgo				N/A
	Solventa	<input type="checkbox"/>			< USD 5m
	Kontigo				N/A
	Independencia				N/A
CGAP	CrediGob	<input type="checkbox"/>			N/A




Innovation search

Out of 25 shortlisted FinTechs:

- Contacted 8 through CGAP
- 8 FinTechs classified as innovative
- Response from 5 companies → Interviews and profiles

Source: Simon-Kucher & Partners, FinTech decision makers interviews, Company websites, Owler 2021, Zoominfo 2021, Growjo 2021

Innovative FinTech analysis & scoring

Cluster	FinTech	Innovation	Sub-innovation	Innovation logic
Payment enabling lending	 BiM	<ul style="list-style-type: none"> ▪ Wallet 	<ul style="list-style-type: none"> ▪ Interoperable mobile money 	<ul style="list-style-type: none"> ▪ Offers the world’s first fully-interoperable national mobile money platform ▪ Enables banked and unbanked consumers to transfer and receive money through their phone nationally, check account balances and top-up mobile phones
Payment innovator	Culqi	<ul style="list-style-type: none"> ▪ Payment acceptance methods 	<ul style="list-style-type: none"> ▪ Enable offline merchants to accept online payments 	<ul style="list-style-type: none"> ▪ Enables merchants to accept various payment methods from their customers ▪ Operates an API-driven solution that allows clients to incorporate and adapt CULQI’s service onto various platforms
Lending innovator	Tienda Pago	<ul style="list-style-type: none"> ▪ Working capital & business-specific financing 	<ul style="list-style-type: none"> ▪ Credit lines for retailers with token utilization 	<ul style="list-style-type: none"> ▪ Provides inventory financing credit lines to small retailers for weekly purchases ▪ Utilizes the use of tokens to conduct transactions between merchants and distributors ▪ Digital token origination through WhatsApp or mobile app
Lending innovator	Afluenta	<ul style="list-style-type: none"> ▪ Working capital & business-specific financing ▪ Investment 	<ul style="list-style-type: none"> ▪ Auction based lending/ investing platform 	<ul style="list-style-type: none"> ▪ Leading Latin American P2P lending network targeting individuals and SMEs ▪ Auction based lending marketplace with investors bidding on offered interest rates ▪ A digital process for the transfer of funds
Payment innovator	 Pagoefectivo	<ul style="list-style-type: none"> ▪ Payment acceptance methods 	<ul style="list-style-type: none"> ▪ Cash integration into digital channels 	<ul style="list-style-type: none"> ▪ Market leader in Latin America in the provision of eCash and online banking payments ▪ Offers cash payment and collection services for online stores ▪ Allows merchants to offer alternative payment methods at the checkout; facilitating online transactions for the unbanked
Lending innovator	Innova Funding	<ul style="list-style-type: none"> ▪ Factoring 	<ul style="list-style-type: none"> ▪ Digital invoice factoring ▪ P2P auction based factoring platform 	<ul style="list-style-type: none"> ▪ Dedicated to providing factoring services for small and medium-sized companies in Peru through digital auction based factoring platform
Savings innovator	TasaTop	<ul style="list-style-type: none"> ▪ Investment 	<ul style="list-style-type: none"> ▪ P2P investment platform 	<ul style="list-style-type: none"> ▪ Connects investors (individuals) with banks and small companies seeking investments
Payment enabling lending	 Vendemas (Niubiz)	<ul style="list-style-type: none"> ▪ Payment acceptance methods ▪ Working capital & business-specific financing 	<ul style="list-style-type: none"> ▪ Loan access through POS integration ▪ Accept installment payments 	<ul style="list-style-type: none"> ▪ Accepts payments from all debit and credit cards ▪ Access to free medical care ▪ Loan access through POS integration

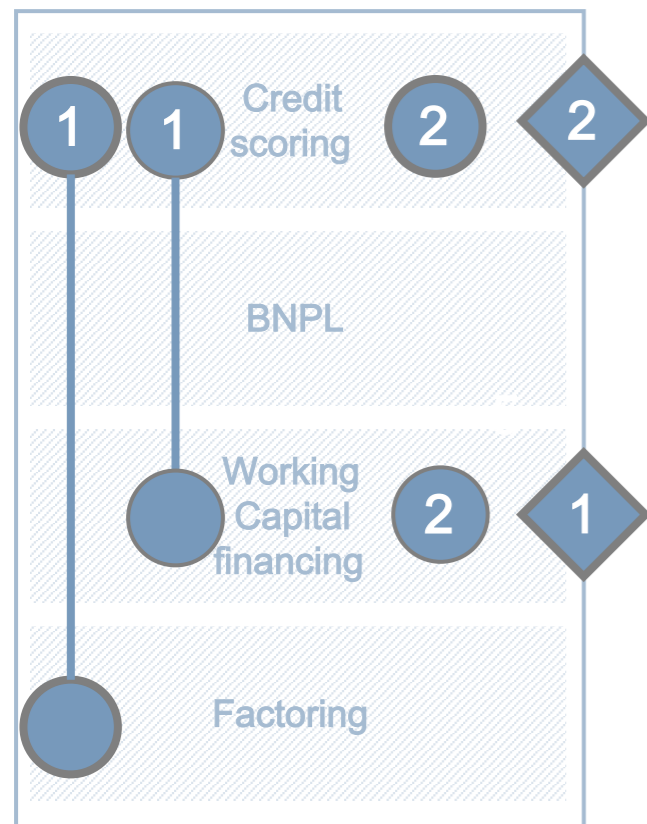
Medal allocation

1- Bim: Fully-interoperable national mobile money platform with high reach
 2- Pagoefectivo: Market leader in Latin America in the provision of eCash and online banking payments
 3- Niubiz (Vendemas): Suite of services stemming from digital payment enablement; relatively high reach
 Sources: Company websites, Simon -Kucher expert judgement, FinTech decision makers interviews

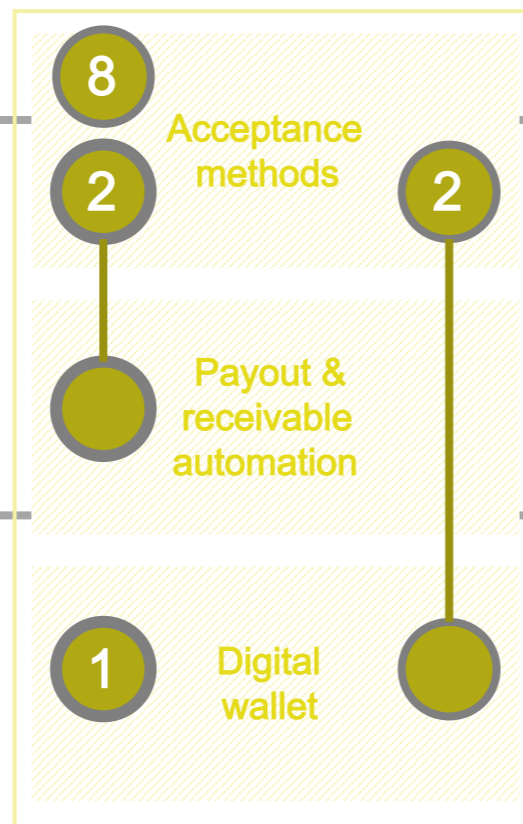
Overview of innovative business models across all countries

We found numerous business models that innovate within and across verticals and simultaneously enable other verticals.

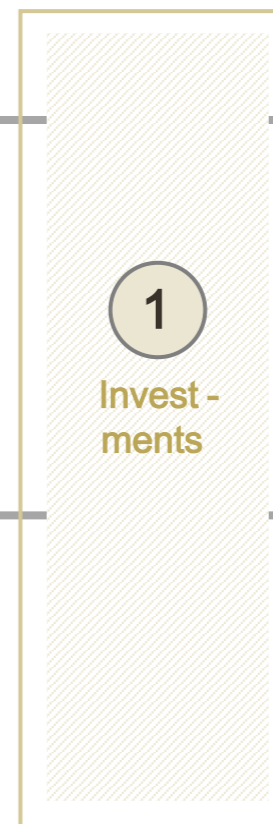
Lending vertical



Payment vertical



Savings vertical



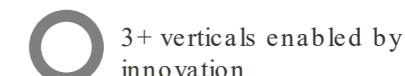
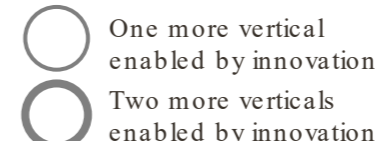
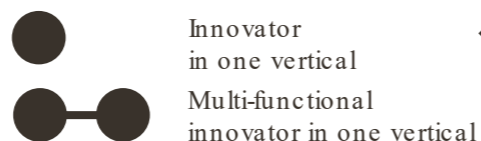
Information vertical



Digit indicates number of businesses with shared characteristics

Shapes indicate number of verticals innovated by business model

Border thickness indicates number of verticals enabled by business model



Overview of innovative business models across all countries

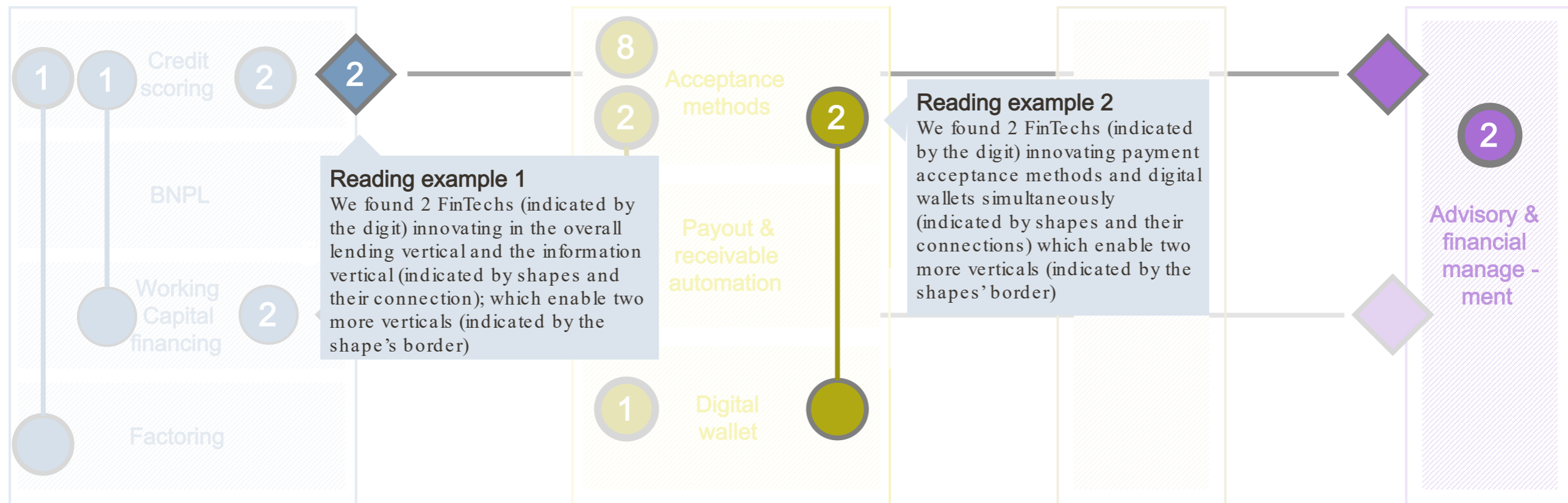
We found numerous business models that innovate within and across verticals and simultaneously enable other verticals.

Lending vertical

Payment vertical

Savings vertical

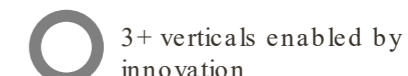
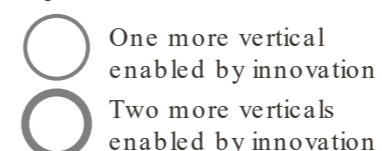
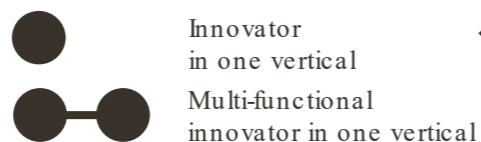
Information vertical












Digit indicates number of businesses with shared characteristics

Shapes indicate number of verticals innovated by business model

Border thickness indicates number of verticals enabled by business model



Examples for the identified innovation types

Innovation logic	FinTech value proposition	Example 1			Example 2		
		Innovation	Company	Enablement	Innovation	Company	Enablement
 Innovator in one vertical	Develops an innovative solution specific to one function in a vertical (e.g. wallet in payments)	Payments <ul style="list-style-type: none"> Payment acceptance methods 	Vendemas (Niubiz)  <ul style="list-style-type: none"> Merchant acquirer, first to market small and cheap mPOS devices in Peru Focus on digital enablement for locally-rooted merchants 	Payments <ul style="list-style-type: none"> Working capital and business-specific financing 	Payments <ul style="list-style-type: none"> Payment acceptance methods 	Pagoefectivo  <ul style="list-style-type: none"> Offers cash payment and collection services for online stores Facilitates online transactions for the unbanked 	Payments <ul style="list-style-type: none"> Payout and receivable automation
 Multi-functional innovator in vertical	Develops innovative solutions across multiple functions in a vertical	Payments <ul style="list-style-type: none"> Payment acceptance methods Digital wallet 	Paytm  <ul style="list-style-type: none"> Full-service mobile money solution that is innovative in both payment acceptance and an interoperable wallet 	Payments <ul style="list-style-type: none"> Payout and receivable automation Savings <ul style="list-style-type: none"> Investments 	Lending <ul style="list-style-type: none"> Factoring Credit scoring 	Innova Funding  <ul style="list-style-type: none"> Innovative in invoice factoring and credit scoring Platform offers online auctions to non-institutional investors with alternative credit scoring as a guideline for investment 	Lending <ul style="list-style-type: none"> Working capital financing Savings <ul style="list-style-type: none"> Investments
 Innovator in 2+ verticals	Develops innovative solutions across two or more verticals	Lending <ul style="list-style-type: none"> Credit scoring Advisory 	Pezesha  <ul style="list-style-type: none"> Innovative business management solution and credit scoring platform Service with unique offerings to individuals and financial institutions 	Payments <ul style="list-style-type: none"> BNPL Working capital financing 	Lending <ul style="list-style-type: none"> Working capital financing Advisory 	Zanifu  <ul style="list-style-type: none"> Innovative working capital and sales management solutions Increases efficiency of both suppliers and retailers across multiple dimensions 	Lending <ul style="list-style-type: none"> Credit scoring BNPL

We've identified three different archetypes of innovators, differentiated by their focus of innovation

Categorization of innovative FinTechs

Market	Innovation / enablement in	Bim	Tienda Pago	Afluenta	Pagoefectivo	Innova -funding	TasaTop	Vendemas by Niubiz
Lending	Credit scoring			Innovation		I		
	BNPL		Enablement					
	Working capital and business -specific financing	E	I	I		E	E	E
	Factoring					I		
Payments	Payment acceptance methods	E			I			I
	Payout & receivable automation	E			E			
	Digital wallet	I						
Savings	Investments			E		E	I	
Information: Advisory and financial management								
Innovation cluster		Payment innovator enabling lending	Lending innovator	Lending innovator	Payment innovator	Lending innovator	Savings innovator enabling lending	Payment innovator enabling lending

Source: Company websites 2021, Simon -Kucher & Partners expert judgement, FinTech decision maker interviews

Out of 25 shortlisted FinTechs in Peru, 5 were interviewed and profiled

	FinTech	Contacted	Innovative	Interview	Estimated revenues
Shortlisted	BiM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
	CULQI		<input type="checkbox"/>		USD 16m
	Tienda Pago		<input type="checkbox"/>		USD 16.3m
	Afluenta	<input type="checkbox"/>	<input type="checkbox"/>		USD 17m
	Pagoeffectivo		<input type="checkbox"/>		USD 5m - USD 25m
	TasaTop	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	USD 30m
	Innova Funding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	USD 250k
	Vendemas (Niubiz)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> (Vendemas)	(USD 69m – VisaNet (former name of Niubiz))
	MiCredit				N/A
	Monnet				N/A
	Prestatype	<input type="checkbox"/>		<input type="checkbox"/>	USD 215k
	Ligo				N/A
	Pago facil				N/A
	PayU				USD 186m
	FT Capital				N/A
	Andy (Latin FinTech)				N/A
	FindoTech				N/A
	Finsmart				N/A
	Tebca Peru - Provis				N/A
	Tienda Cerca				N/A
	Prestacapital				N/A
	Palgo				N/A
	Solventa	<input type="checkbox"/>			< USD 5m
	Kontigo				N/A
	Independencia				N/A
CGAP	CrediGob	<input type="checkbox"/>			N/A

Rating base

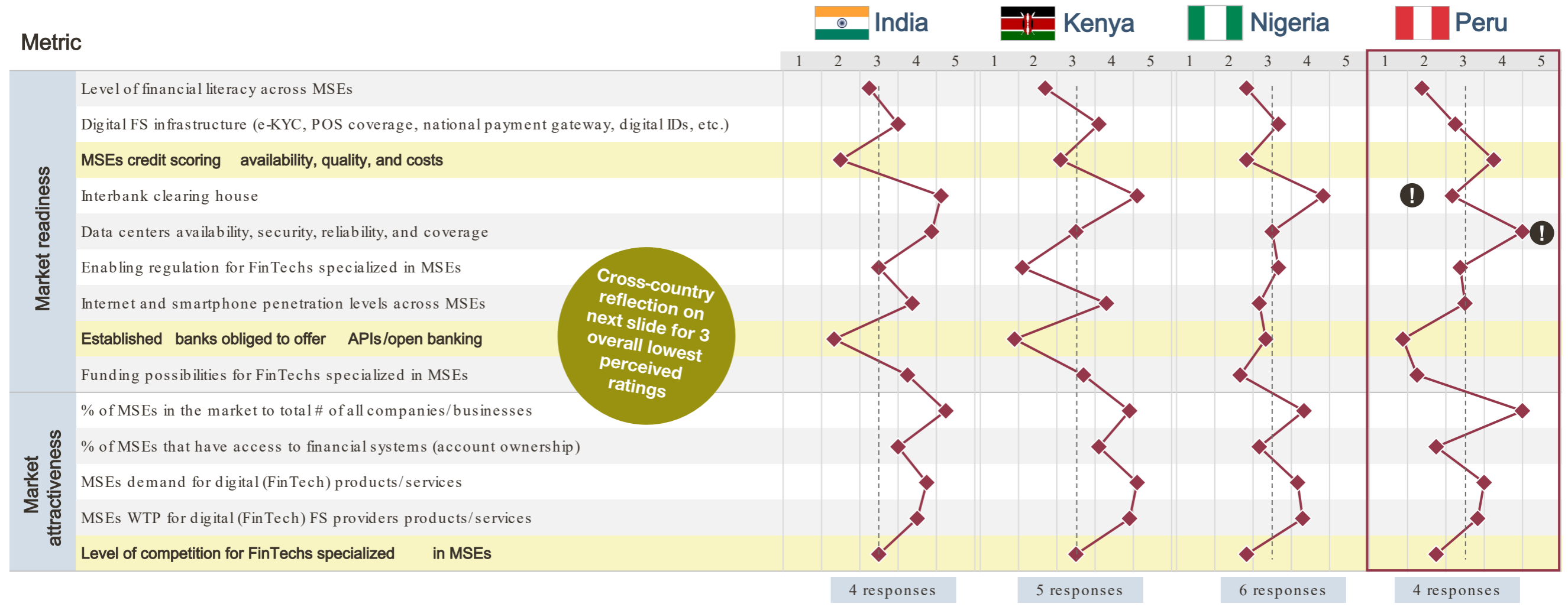
Out of 25 shortlisted FinTechs:

- Contacted 8 through CGAP
- 8 FinTechs classified as innovative
- Response from 5 companies → Interviews and profiles

Sources: Simon-Kucher & Partners, FinTech decision makers interviews, Company websites, Ower 2021, Zoominfo 2021, Growjo 2021

Market readiness and attractiveness - What does it take for FinTechs to grow?

Perceived scoring in the eyes of local FinTech decision makers



- **Low scoring on interbank clearing house** – may trigger innovation space
- **Most advanced rating on infrastructure in terms of data centers** compared to other countries
- **Lowest rated access of MSEs to financial systems** – for further exploration / discussion

Source: Simon-Kucher & Partners – FinTech decision makers interviews

Cross country reflection on lowest perceived ratings

APIs/ Open banking



India

- India stack (Aadhaar, eKYC, eSgn, UPI, DigitalLocker) and OCEN - upcoming – positioned India as a FinTech hub
- 15 of FinTechs shortlisted leverage APIs
- Good foundation for open banking
- Banks not obliged to offer open banking
- Rolling-out open banking needs to be accelerated



Kenya

- Situation is nowhere near to India stack; M-PESA's closed ecosystem may challenge it
- 8 of FinTechs shortlisted leverage APIs
- Although discussed in the parliament in the presence of many parties incl. FinTechs; open banking is still not rolled-out
- FinTechs like Tala, believe APIs & open banking “aren't high on the regulators' list of priorities”



Nigeria

- No national API stack is available
- API FinTechs are trying to bridge part of the gap; like Okra & Mono that offer access to financial data
- 11 of FinTechs shortlisted leverage APIs
- A regulatory framework for open banking was issued in Feb. 2021 with plans to roll-out common banking API standards by Feb. 2022



Peru

- Peru would be considered far behind on APIs and open banking when compared to the other 3 markets
- The FinTech association is exerting efforts to push for open APIs platform
- 3 of FinTechs shortlisted leverage APIs
- Most FinTechs interviewed do not see signs of efforts by the regulator to address or mandate open banking

Credit scoring

- Credit bureau data is accessible
- Scoring quality and reflection on the real credit worthiness of the borrower remains a challenge
- FinTechs leverage scoring of the MSEs owners when business's one isn't sufficient
- Notable FinTechs like PayU fear expanding further in the lending space due to lack of good credit scoring; esp. on the MSEs side

- Most if not all credit scoring assessments for the informal are based on M-PESA provided data
- Data is mostly available on the consumers side not the MSEs one
- Three credit reference bureaus exist in Kenya²
- For the unbanked, an M-PESA account is a prerequisite for borrowing from FinTechs

- The informal sector can't be easily captured; as also no other exhaustive alternative takes place that could be similar to M-PESA in Kenya
- Difficult to serve MSEs due to credit scoring availability & quality
- 3 licensed credit bureaus in Nigeria; together they formed the Credit Bureau Association of Nigeria

- Credit bureaus have enough information about formal banked MSEs
- Very difficult to serve the informal sector given the absence of an exhaustive alternative data source like M-PESA in Kenya

Level of competition

- Largest # of FinTechs when compared to all other 4 countries; est. +1500 FinTechs
- The National Payment corporation of India limited the share of overall volume of transactions to 30%¹ per player
- Competition in the MSEs space is lower than in the consumers' one
- Competition is perceived to be slightly stronger in payments than in lending

- Around 300 registered FinTechs in Kenya
- M-PESA dominates the MM space – 98% market share³; being enabler & competitor led to a very confusing situation
- No figures available; yet vast majority of registered FinTechs are very small ones
- Very low competition in the MSEs space; an expert claims that <2% of registered FinTechs have clear MSEs propositions

- It is estimated that there are 250 FinTechs in Nigeria⁴
- >40% of FinTechs operate in payments; while <15% focus on SMEs lending
- Most experts interviewed believe that competition is still very weak when it comes to serving MSEs

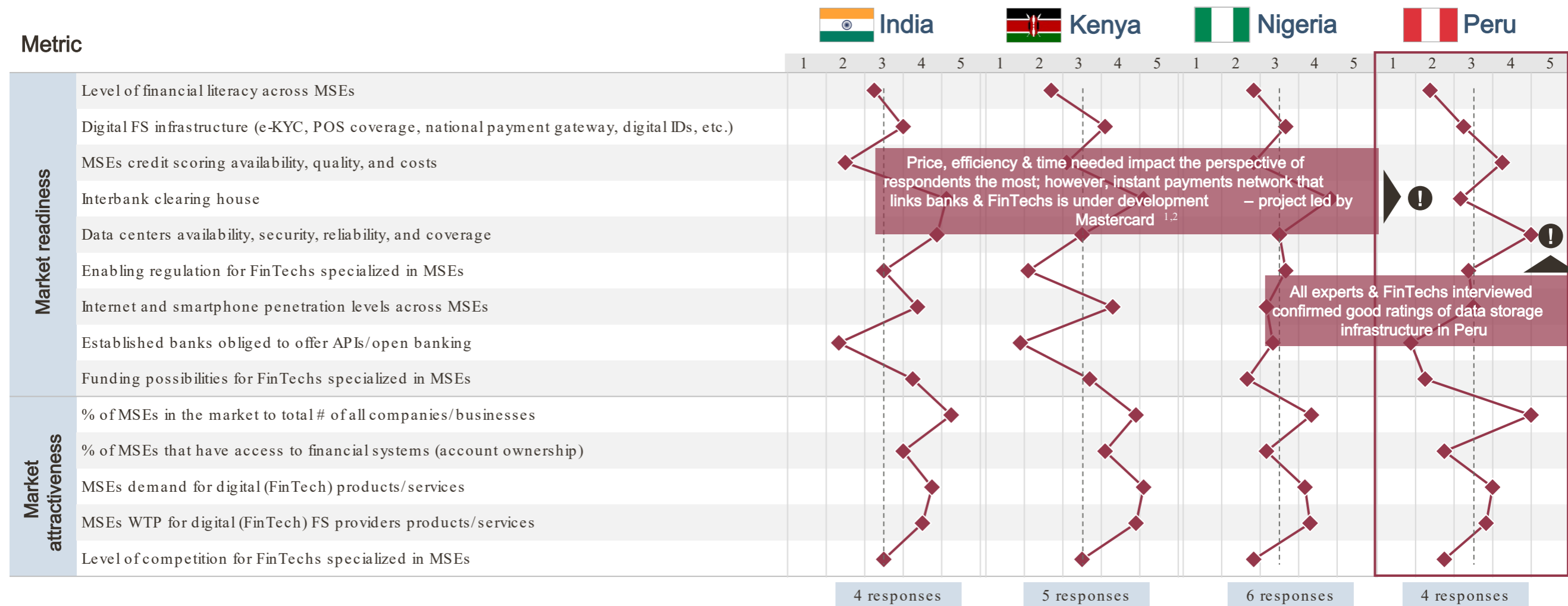
- Around 120 FinTechs exist in Peru⁵
- All interviewed FinTechs and experts asserted that competition is still very low between FinTechs; especially on the MSEs side
- Informal FS providers are the main competitors for FinTechs

Source: India, Kenya, Nigeria & Peru Simon -Kucher Country reports; 1) Source: <https://economictimes.indiatimes.com/tech/technology/npci-enforces-new-market-share-rules-on-upi-for-google-pay-phonepe-paytm-others/articleshow/81701508.cms?from=mdr>; 2) Source: <https://www.centralbank.go.ke/wp-content/uploads/2016/06/Directory-ofLicenced-Credit-Reference-Bureaus.pdf>; 3) Source: <https://www.itnewsafrika.com/2020/07/m-pesa-is-close-to-a-99-market-share-in-kenya>; 4) Source: <https://thefintechtimes.com/an-overview-of-nigeria-and-the-potential-for-fintech/>; 5) <https://techcrunch.com/2020/02/12/peru-startup-scene-is-ready-for-more/>

Market readiness and attractiveness

Specific comments

- What does it take for FinTechs to grow?



Source: Simon-Kucher & Partners – FinTech decision makers interviews 1) Source: <https://www.americanbanker.com/payments/news/peru-plans-instant-payments-network-that-links-fintechs-mobile-bank-accounts> ; 2) Source: <https://www.finextra.com/pressarticle/86264/mastercard-and-aci-worldwide-to-provide-real-time-payments-plumbing-in-peru>

Market readiness and attractiveness

– What does it take for FinTechs to grow?

Scoring details

Metric	Scoring					Scoring rationale/comments ¹
	1	2	3	4	5	
Market readiness		◆				Financial education is needed for MSEs to understand and appreciate products
	Digital FS infrastructure (e-KYC, POS coverage, national payment gateway, digital IDs, etc.)			◆		Coverage is growing and accelerating with COVID. There are significant issues with mobile networks
	MSEs credit scoring availability, quality, and costs				◆	Credit bureaus have good information for formal companies and individuals. However, there are many companies that are informal, and others that have no credit history
	Interbank clearing house			◆		Interbank clearing system is controlled by the same banks and is inefficient
	Data centers availability, security, reliability, and coverage				◆	The main cloud providers are present in Peru, and many FinTechs utilize them
	Enabling regulation for FinTechs specialized in MSEs			◆		There is no regulation that is specific to FinTechs; only exists for crowd-lending, but moving in the right direction
	Internet and smartphone penetration levels across MSEs			◆		Smartphone penetration is high; but not readily available due to poor network
	Established banks obliged to offer APIs/open banking	◆				No law exists to oblige banks to open their APIs.
	Funding possibilities for FinTechs specialized in MSEs		◆			The FinTech market is still small and limited, but investors have started funding over the last few years. The capital market is not developed like in Brazil or Mexico.
Market attractiveness	% of MSEs in the market to total # of all companies/businesses				◆	>99.5%; the majority of companies in Peru are MSEs
	% of MSEs that have access to financial systems (account ownership)		◆			The MSE segment is underbanked; with a minority having access to FS
	MSEs demand for digital (FinTech) products/services			◆		Currently demand is not high; but potentially can significantly increase with more awareness
	MSEs WTP for digital (FinTech) FS providers products/services				◆	Once MSEs comprehend the benefits, the WTP will be very high
	Level of competition for FinTechs specialized in MSEs		◆			There are a few Fintechs in Peru that are focused on MSEs; around 5 FinTechs.

- From a market readiness perspective, **FinTech funding, availability of APIs/open banking, and the interbank clearing house** are lagging
- Furthermore, cloud providers are readily available, whereas regulation is moving in the right direction but currently only exists for crowd-lending
- Market is showing demand-driven signs of attractiveness; WTP² for FinTech product/services is relatively high, and there is low competition in this segment

Source: Simon-Kucher & Partners - FinTech decision makers interviews 1) For further comments, please refer to appendix. 2) Willingness-to-pay.



Stock/Sergey Niven

Source: Simon-Kucher & Partners - FinTech decision makers interviews 1) Based on information gathered during FinTech expert interviews. 2) Source: Prestatype interview; 3) Source: <https://www.smeffinanceforum.org/data-sites/msme-finance-gap>; 4) Source: President of the Fintech Association of Peru interview

□ Banks are less focused on targeting MSEs

- High interest rates reflect hesitation to take formal loans; only ~6%¹ of MSMEs have loans in the bank
- Banks are focused on providing factoring services for large companies to benefit from larger ticket sizes

□ Access to convenient lending is scarce for MSMEs; USD 8.2bn finance gap – 24% of financing needs²

- ~90%³ of SMEs in Latin America do not receive any type of financing and struggle to find financial advice
- Unsecured lending is uncommon; most lenders require some form of collateral, predominantly real estate

□ Certain FinTechs benefit from the current regulatory landscape

- No banking license is required to issue loans; a specific crowd-funding regulation was released in 2021
- Investing in invoices is considered safe due to the Peruvian law taking a strong stance to reduce default rates

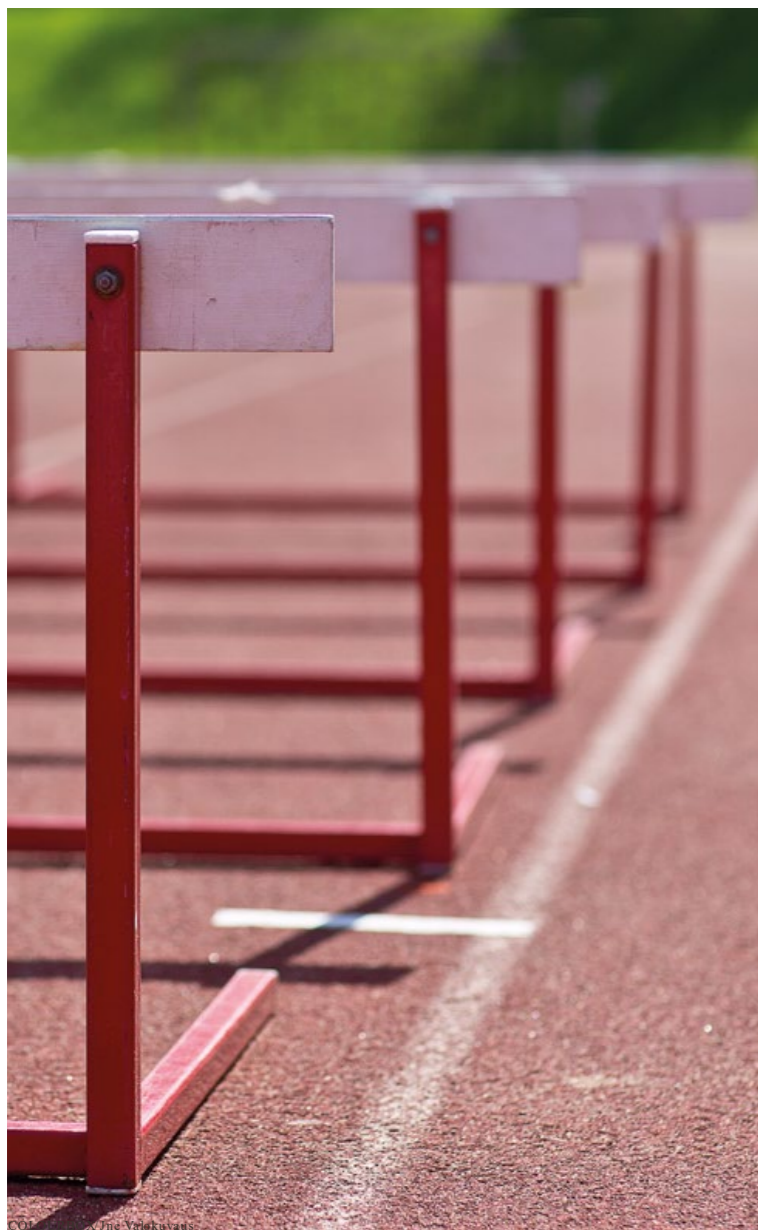
□ Economic turmoil accelerated due to the COVID -19 crisis and political instability

- COVID-19 has hindered the digitization of credit scoring for FinTechs and lending to MSEs due to risks of default
- Currency fluctuation and political instability have led many to convert savings to USD and transfer around USD 14bn abroad

□ Ongoing government efforts to battle economic downturn

- The Peruvian Congress approved free access to pension funds in 2020 to ease the effects of the COVID-19 pandemic
- The Business Emergency Program was created to help MSMEs face the challenges of their economic revitalization

Peru challenges



□ Low level of regulation for FinTechs is perceived ambiguous

- We've heard opposing statements about regulation: Some interview partners mentioned the absence of exhaustive FinTech-focused regulation hinders growth, others stated that this under-regulation means more entrepreneurial flexibility

□ An expensive and inefficient infrastructure restrains payment efficiency levels

- Slow and expensive interbank transfers mean an inefficient payments infrastructure inhibits the growth of FinTechs
- High costs affiliated with sending money to rural areas (cash transportation); leading to severe challenges for FinTechs targeting the unbanked segment

□ Scaling up throughout the value chain is very challenging for Peruvian FinTechs

- Banks and FinTechs don't collaborate enough, and the absence of APIs and Open-banking hinders market benefits from a stronger integration
- FinTechs find it difficult to acquire rural-based low-income customers and MSEs due to low tech and financial literacy; not to mention the poor internet penetration levels in rural areas even when compares to other LATAM markets^{1,2}

□ Early-stage investment environment for FinTechs

- There are only three major investment funds in Peru, and access to funds remains one of the main struggles for FinTechs to flourish
- Political instability and the COVID-19 pandemic's economic impact are leaving their scars on the business environment, including FinTechs

Agenda

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Market sizing highlights

FinTech highlights

Strategic recommendations and outlook

Appendix

Strategic recommendations along three dimensions

Regulations & infrastructure

- FinTechs should **co-voice their infrastructure needs** to accelerate developing elements such as an efficient interbank clearing system and digital KYC as well as an open-banking system to facilitate the process of developing Bank-FinTechs connections
- FinTechs should collaborate with the **regulator** towards identifying a solution that enables them to work as **deposit taking institutions** given the current situation of them being closely tied to banks' predatory interest rates

Product development

- **We estimated that cash** makes up **97%** of all payments which still gives **room for payment FinTech growth** in all industry verticals
- As equipment financing is a borrowing reason behind **34% of total MSE credit volumes**, there would be an opportunity to providing innovative leasing solutions tailored to MSEs
- 55% of MSEs surveyed use **digital financial tracking applications**, reflecting an interesting finding that could be further used as a springboard to develop more digital FS solutions
- We estimate that **BNPL** accounts for 23% / 12% out of the total lending volume for LICONS / MSEs, representing a clear business opportunity for FinTechs in that space
- Further innovation and product development efforts are needed to capture the low-income market; therefore **further collaboration between FinTechs and Financial & Non-financial institutions** is necessary to create customer centric and market relevant offerings for the LICONS and MSEs

Awareness for FinTech services

- One of the major challenges is **low financial literacy**, i.e. **investments in the education** would pay off in growing the customer base in the long-term
- Feature **FinTech success stories** and their growth in Peru across local and international media channels to attract international investors

As additional perspectives for recommendations we'd recommend to zoom into segments:
LICONS in rural areas, family -dependent/part -time workers etc.

Survey overview

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Appendix

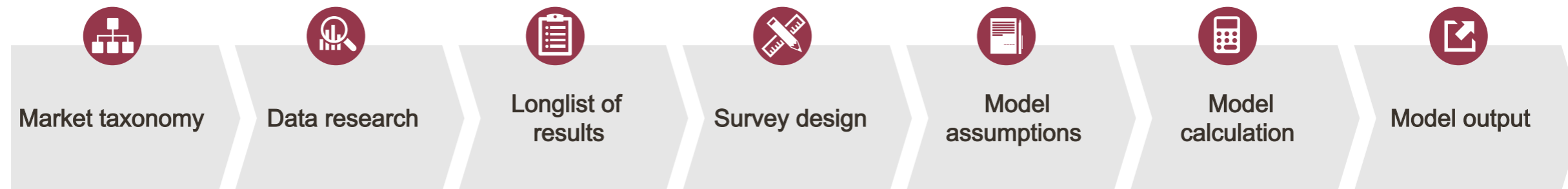
- **Concepts and methodology**
- Survey highlights
- Market sizing highlights
- FinTech highlights

2 Modeling process: We followed a comprehensive approach to develop our market sizing model

For details see concept and methodology report

Prerequisites for model building

Core model building



What we

did

Identified and defined key concepts for market sizing (e.g., size and thresholds for the low-income population)

Conducted desk research to gather existing data on country demographics, financial inclusion, and market sizing

Created longlist of results for the market-sizing exercise and mapped ways to derive results

Designed low-income consumer and MSE survey and revised questions with CGAP and country experts

Created longlist of assumptions that guide development of the market-sizing model

Combined survey results, country demographic data and secondary input to market-sizing model

Developed comprehensive sizing tool to expand the initial model and segment results by a multitude of criteria

integrated

Desk research, country experts, SK expertise, CGAP objectives, WBG taxonomy, working sessions

Country experts, SK expertise, desk research, CGAP objectives

Desk research, country experts, SK expertise, CGAP objectives

SK expertise, country experts, deliberations with CGAP and market research agency reach

SK expertise on market-sizing models, country experts, initial insights from survey

Survey results, country demographic data, additional data sets, SK expertise on model building

Model calculation, SK expertise

delivered

Definition and detailed description of individuals and firms surveyed

Extensive collection of data input for later model calibration and calculation

Longlist of market sizing results

Survey design, testing, collection, and results analysis

Longlist of model assumptions

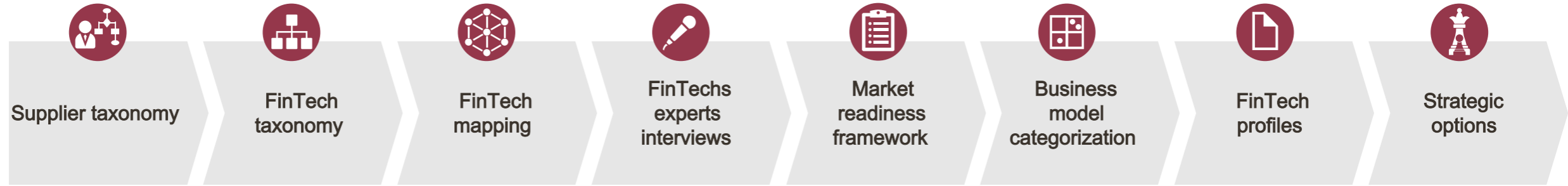
Comprehensive market-sizing model for all countries surveyed

Excel-based market-sizing and segmentation tool

3 Supply side: FinTech assessment process

For details see concept and methodology report

From taxonomy to profiling and strategic options



What we

did	Identified key current and potential supplier groups	Identified purpose - fit FinTech verticals and definitions	Mapped FinTechs across targeted markets and develop shortlisting criteria	Designed and conducted expert interviews to understand the local market context and FinTechs offerings	Designed the FW and evaluated market readiness for each country across multiple metrics	Designed business model categorization to identify FinTech clusters across value, distribution & commercial models	Developed one - page profiles for 5 - 7 FinTechs in targeted markets	Recommended tactics that develops the market further enable FinTechs to capture low -income market demand
integrated	Desk research, country experts, SK expertise, CGAP objectives	WBG taxonomy, FinTech definitions, country experts, SK expertise, CGAP objectives	FinTech verticals, desk research, country experts, SK expertise	Shortlisted FinTechs, SK network & expertise, FinTechs experts, local FinTech associations, CGAP experts network	SK expertise, Interviewed FinTechs decision makers local market expertise	FinTech interviews, FinTech mapping output, Desk research, SK expertise	Demand and FinTech survey results, experts interviews, FinTech interviews selection criteria	Fintech assessment results, SK expertise, global best practices, Global & local trends
delivered	Holistic one -page supplier taxonomy fitting the low - income market	Purpose -fit FinTech definition and selected FinTech verticals	Longlists of FinTechs across targeted markets	Interview design, results and key new market insights	Market readiness evaluation for each country	Business model classification & clusters	5-7 one-page Fintech profiles	List of market -specific recommendations

Survey overview

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FinTech highlights

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Appendix

- Concepts and methodology
- **Survey highlights**
- Market sizing highlights
- FinTech highlights

Overall macroeconomic snapshot



33.35m (2021)

Population

Source: World Bank

USD 6,977.70 (2019)

GDP per capita

Source: World Bank

23.74m

Bankable population

Source: World Bank GlobalFindex

15.3% in 2021 (6% in 2020)

Unemployment

Source: World Bank

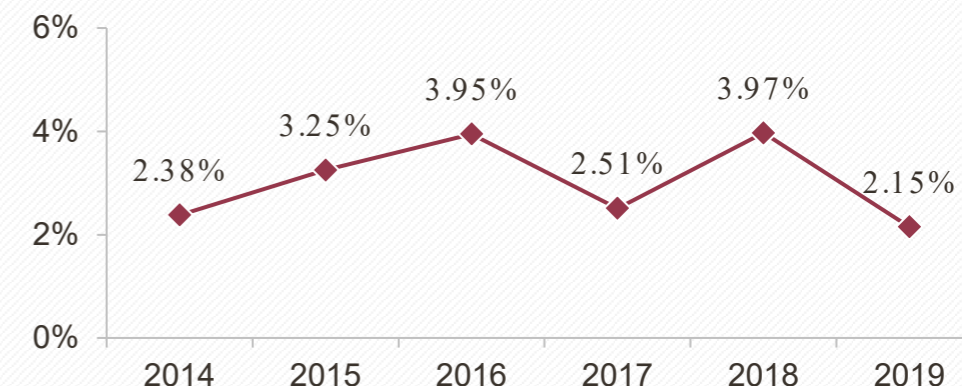
Lima

Capital city

Spanish

Official language

GDP growth (%), 2014 –2019



Source: World Bank

Top 5 exports

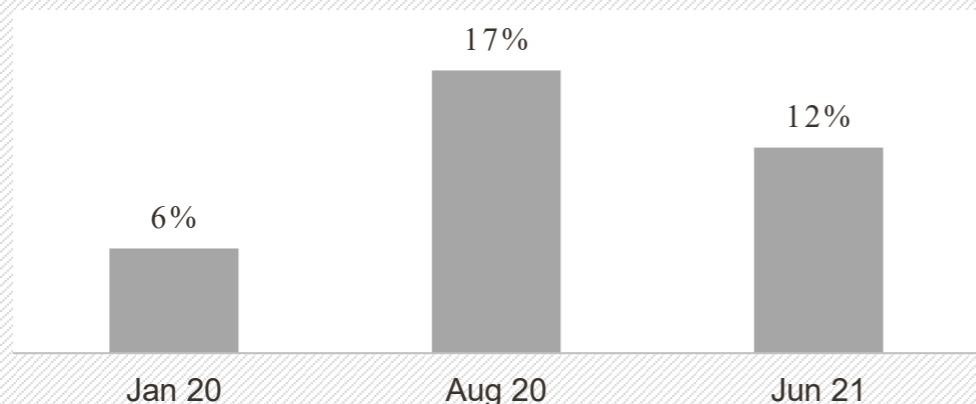
1. Copper ore: USD 12.2 billion
2. Gold: USD 6.8 billion
3. Refined petroleum: USD 2.2 billion
4. Zinc ore: USD 1.65 billion
5. Refined copper: USD 1.6 billion

146
FinTechs
in Peru as
of 2019

The Peruvian MSEs consider the COVID -19 pandemic to be the greatest growth blocker, as the main export sources of the country were shut

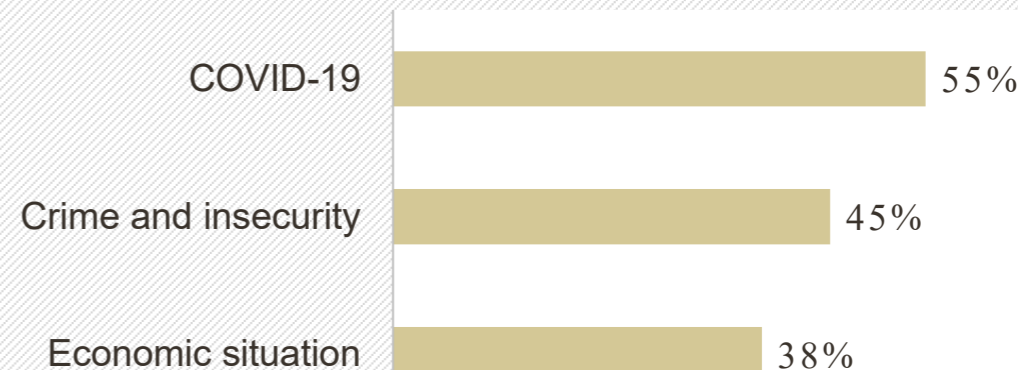
Revenue drops ultimately trickle down to MSEs and low-income consumers, spurring an increased need for funding.

Unemployment rate during the COVID -19 crisis



Sources: INEI

Most important problems affecting Peru according to public opinion in 2021



Sources: INEI



In April 2020, the GDP fell by more than 40% on a year-to-year basis, while over the period January to June 2020 on a yearly comparison shrunk by 13.1%.

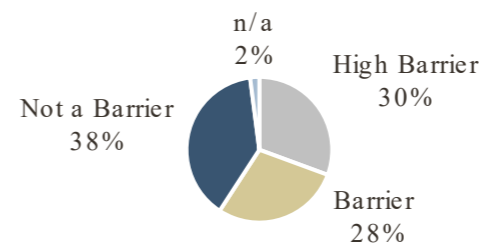
Mining represents 60% of the country's exports, and production was drastically scaled back because of the COVID-19 restrictions.

Between March and May, more than 2.3 million people lost their jobs in the Lima Metropolitan region – close to half of the region's overall workforce

Sources: S&P Global

COVID-19 as the biggest barrier to growth of MSMEs

Percentage of respondents (MSMEs)



Sources: Asia Pacific Foundation of Canada

A significant portion of the survey population (43%) said they were seeking funding at the time of the survey. Moreover, close to half (46%) of the participants cited financing and access to funds as one of the top three barriers for their business.

Coronavirus's influence on the economy

Barriers of growth and credit supply for MSMEs

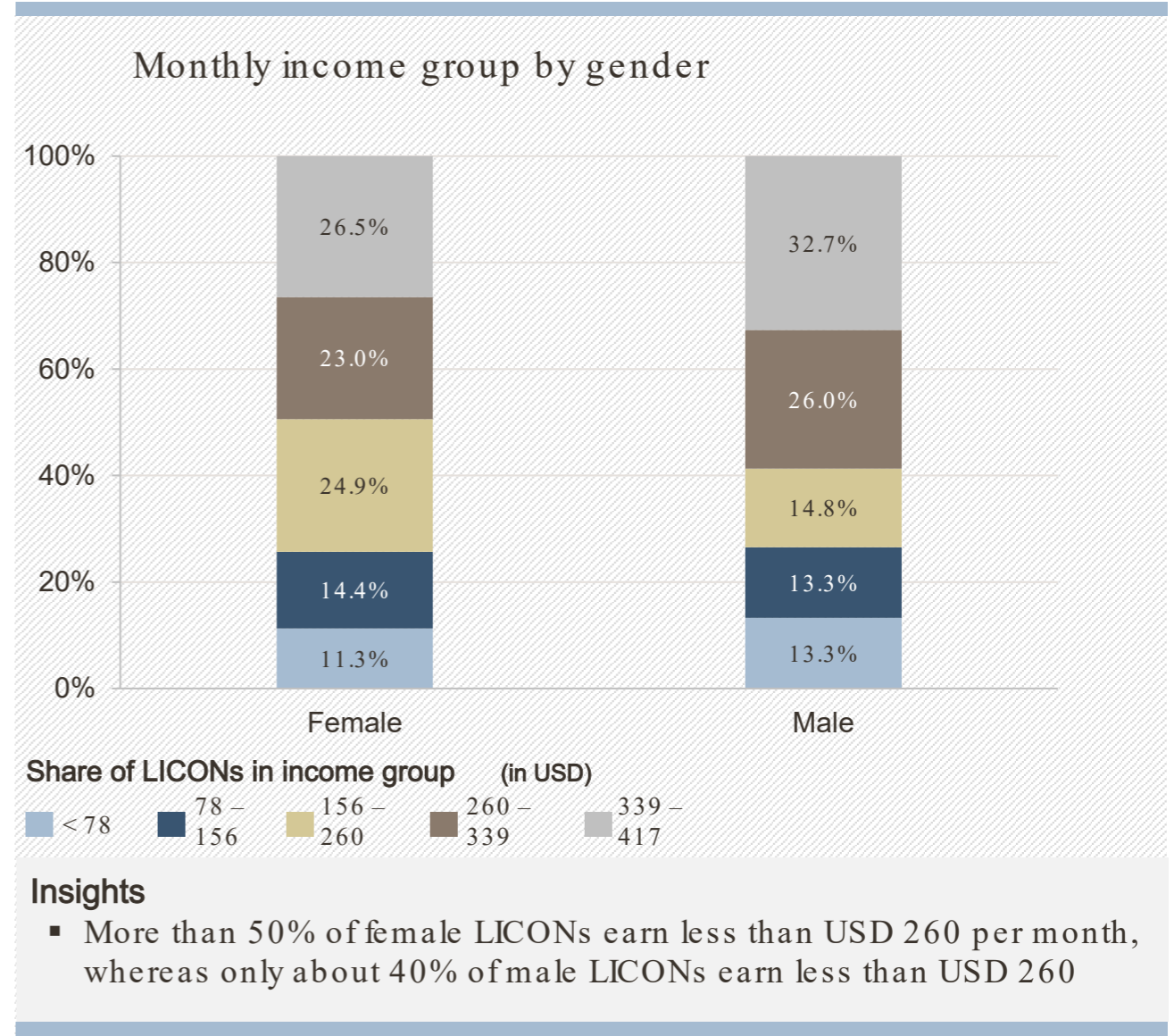
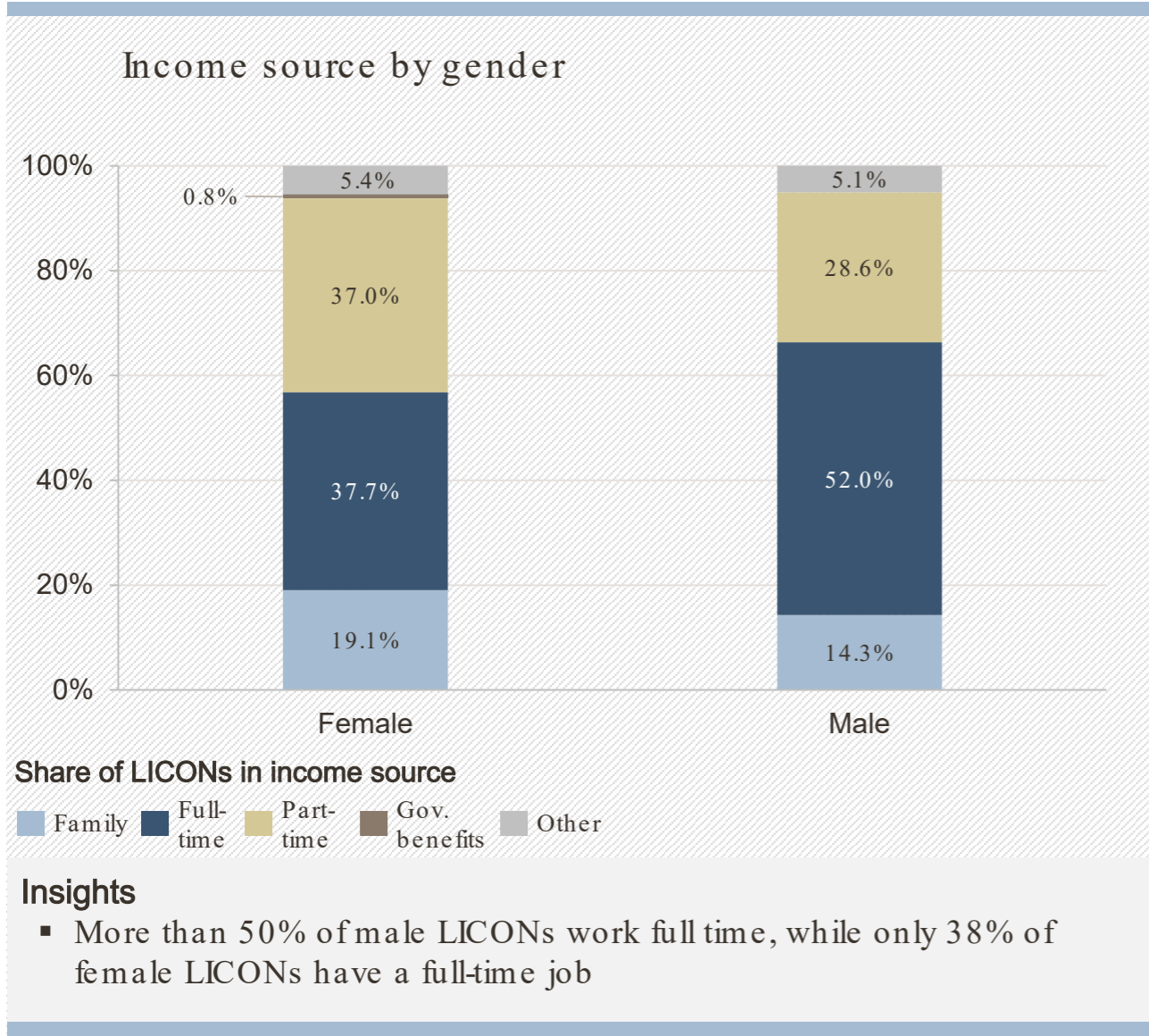
Sources: INEI; CPI; S&P Global; Asia Pacific Foundation of Canada. Differences to 100% due to rounding.



Our survey results indicate that female LICONs work part time and earn less than male LICONs

more often

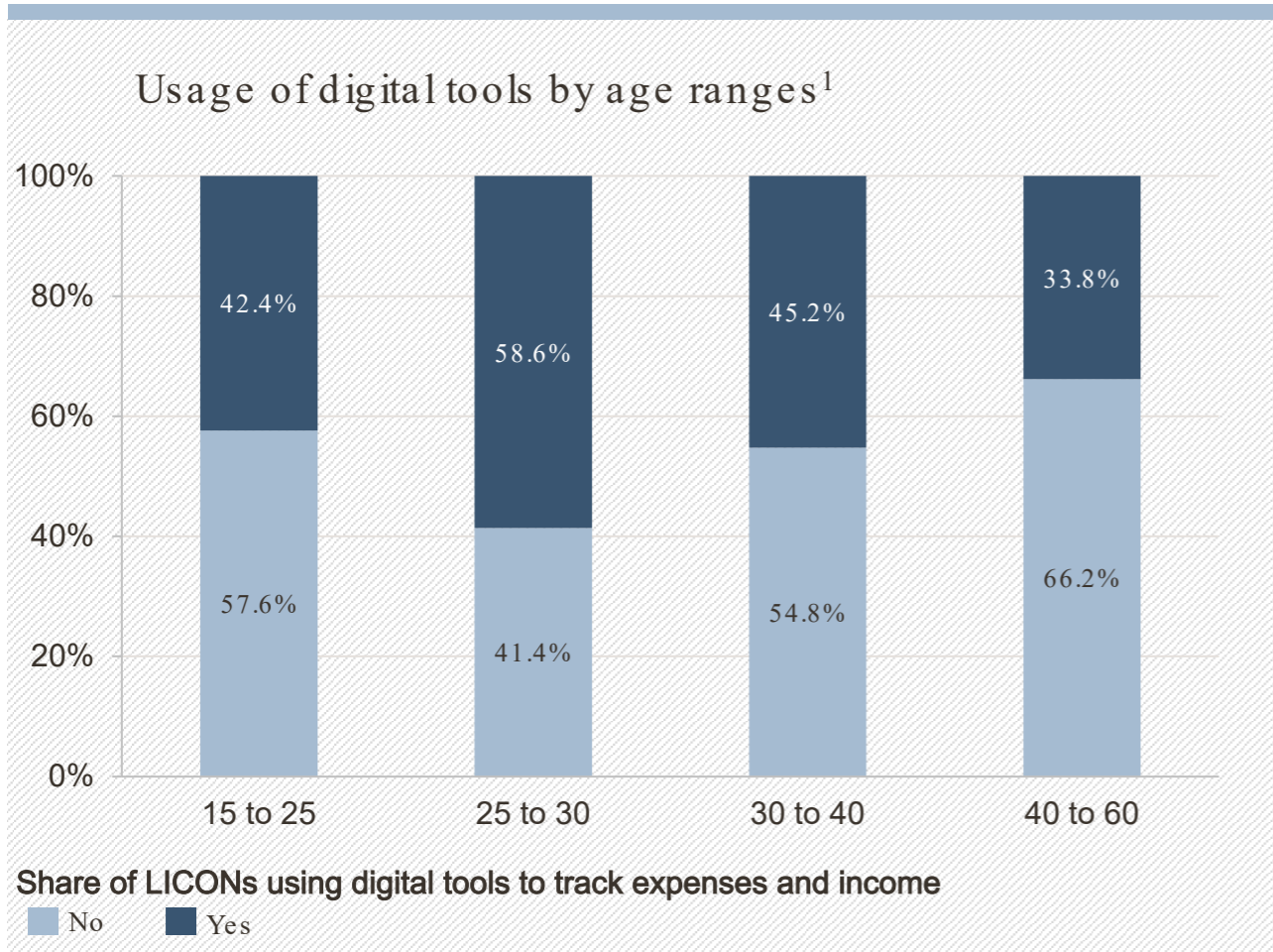
Survey insight



Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84. Differences to 100% due to rounding.

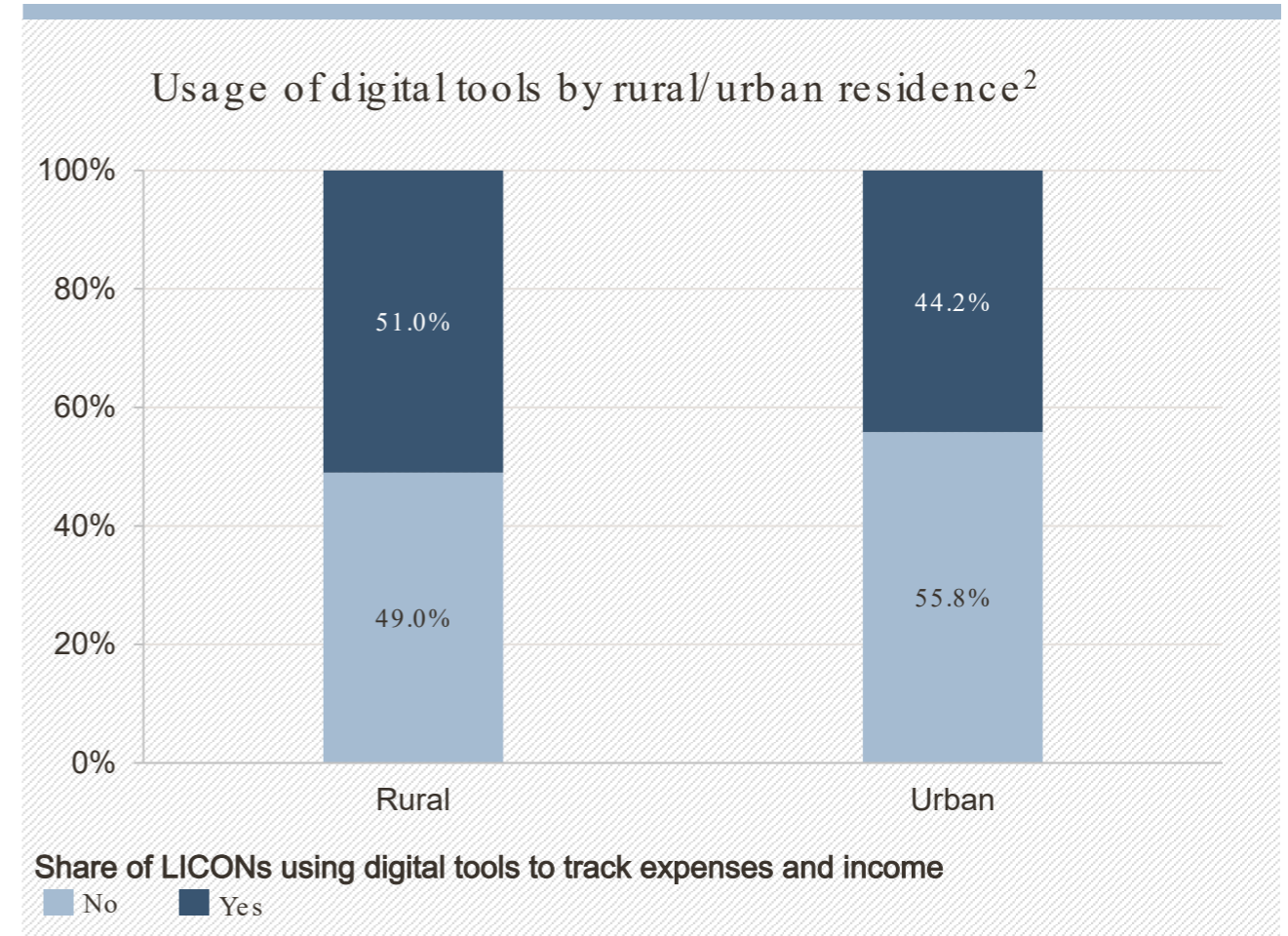
Our survey results point out that older people are less likely than younger ones to use digital applications which track expenses and income

Survey insight



Insights

- On average, 50% of people aged 15–40 use digital applications to track their expenses and income, but only 25% of people older than 40 do too



Insights

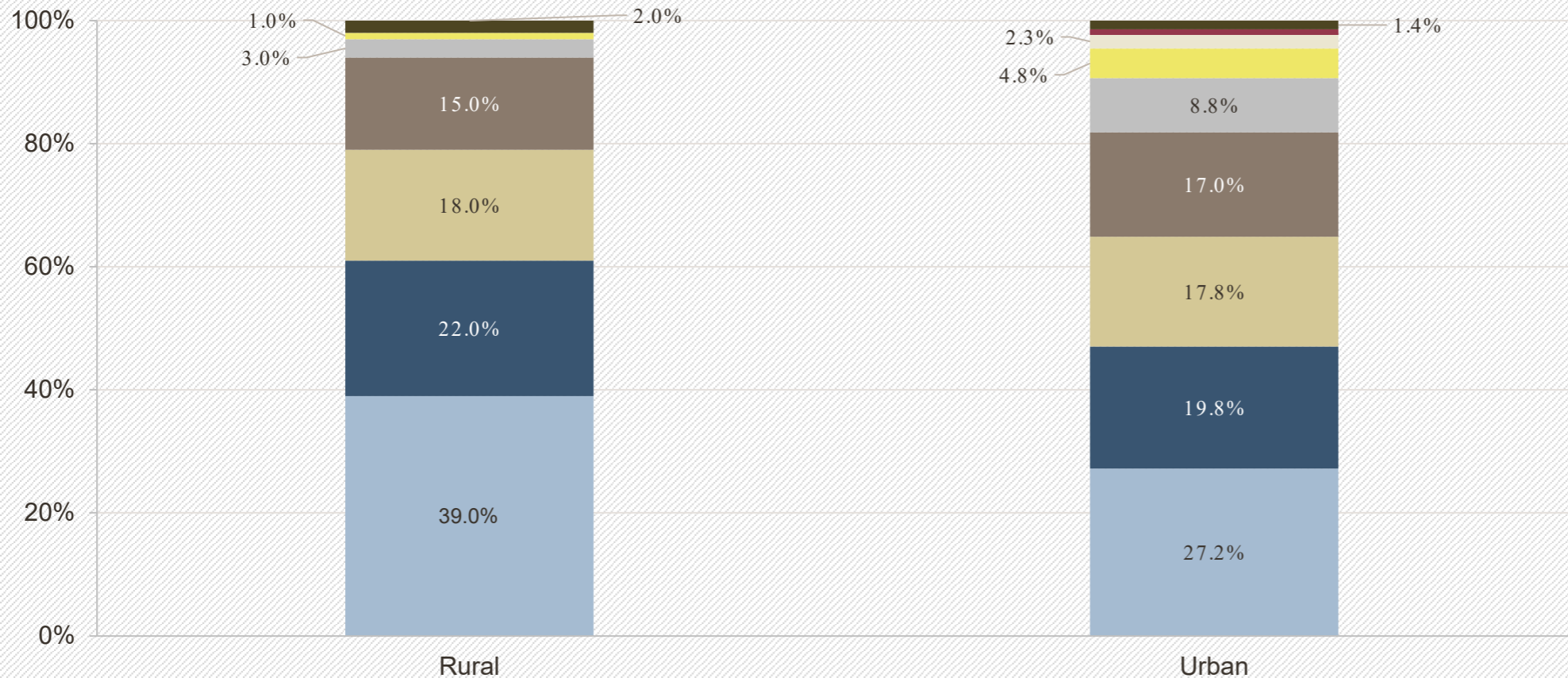
- Rural LICONs are more likely to use digital tools to track expenses and income than urban LICONs

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84; 1) More than 60 years old taken out because only 1 respondent in sample; 2) Rural consumers: < 10,000 population; Urban consumers: > 10,000 population.

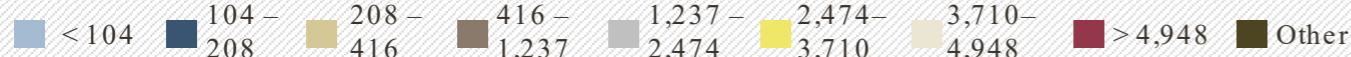
Our survey results show that rural residents have fewer total savings than urban residents

Survey insight

Total savings ranges by rural/urban residence¹



Share of LICONs in saving range (in USD)



Insights

- About 60% of rural LICONs have less than USD 208 in total savings
- In contrast, only 47% of urban LICONs have less than USD 208 in total savings
- Less than 6% of rural LICONs have more than USD 1,237 in total savings
- About 8% of urban LICONs have more than USD 2,474 in total savings

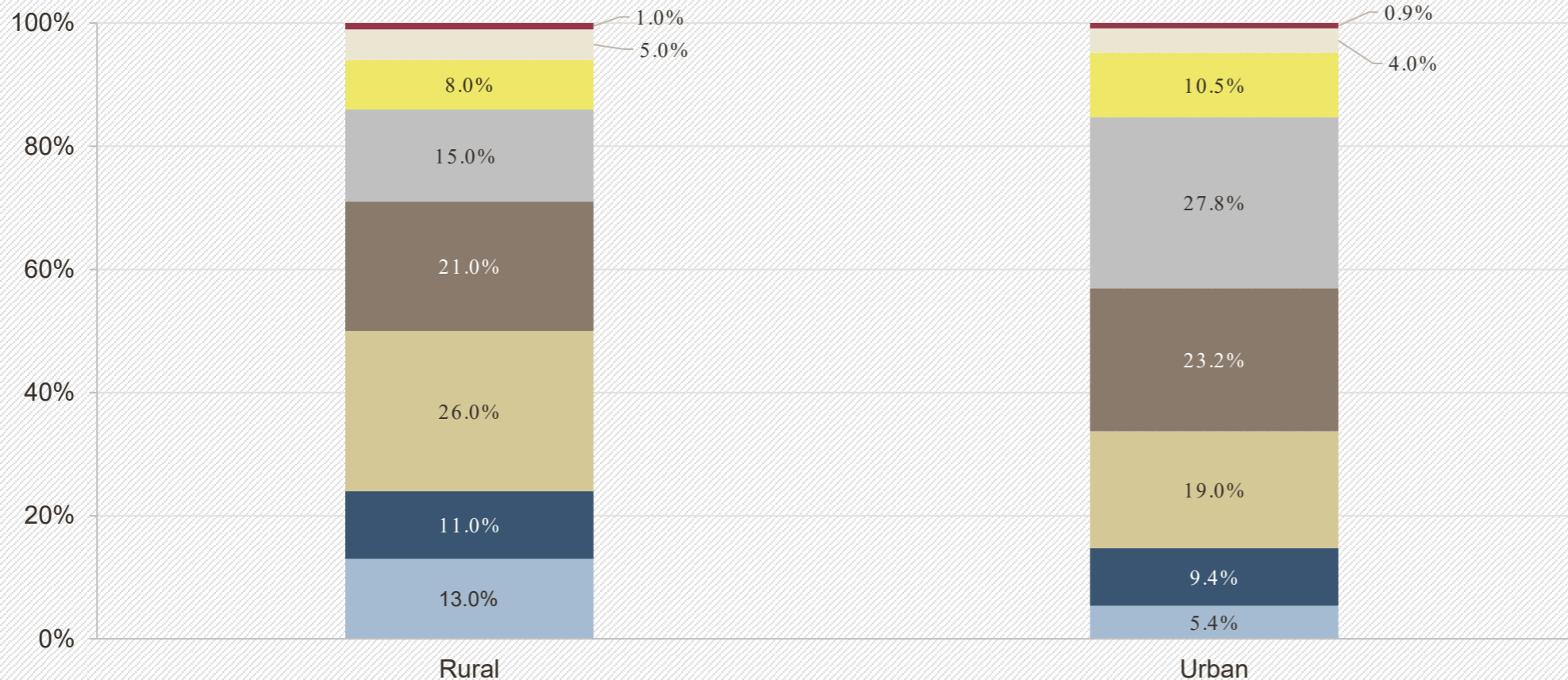
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84; 1) Rural consumers: < 10,000 population; Urban consumers: > 10,000 population. Differences to 100% due to rounding.



Our survey results demonstrate that urban LICONs spend more money than rural LICONs

Survey insight

Total expenses ranges by rural/urban residence¹



Share of LICONs in expense range (in USD)



Insights

- About 50% of rural LICONs spend less than USD 84 per month
- In contrast, only 33% of urban LICONs spend less than USD 84 per month
- Less than 30% of rural LICONs spend more than USD 169 per month
- However, about 43% of urban LICONs spend more than USD 169 per month

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84; 1) Rural consumers: < 10,000 population; Urban consumers: > 10,000 population. Differences to 100% due to rounding.

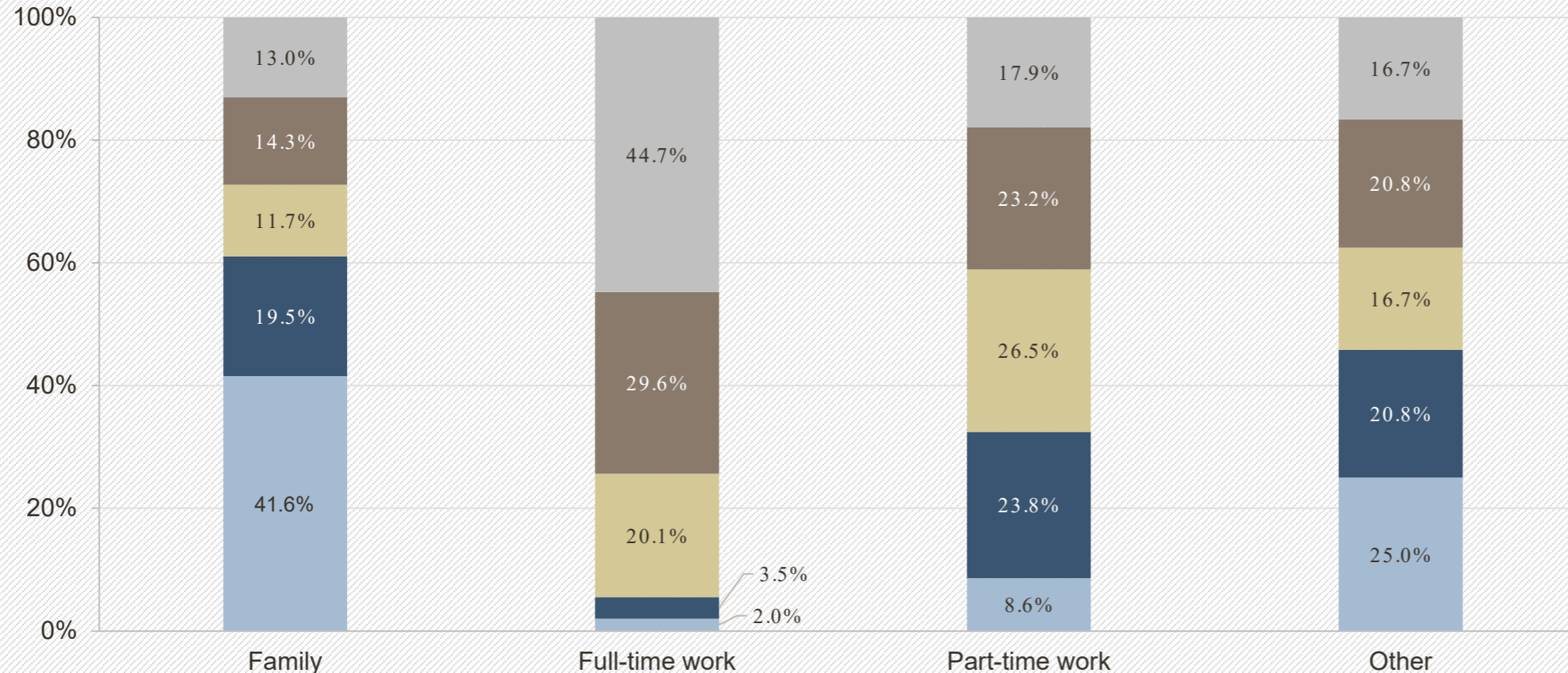


Our survey results reveal that LICONs relying on family or part-time work earn significantly less than full-time workers

-time work

Survey insight

Monthly income group by income source



Share of LICONs in income group (in USD)



Insights

- Almost 75% of respondents working full-time earn more than USD 260
- In contrast, less than 30% of respondents relying on family income and only 40% of respondents working part time earn more than USD 260

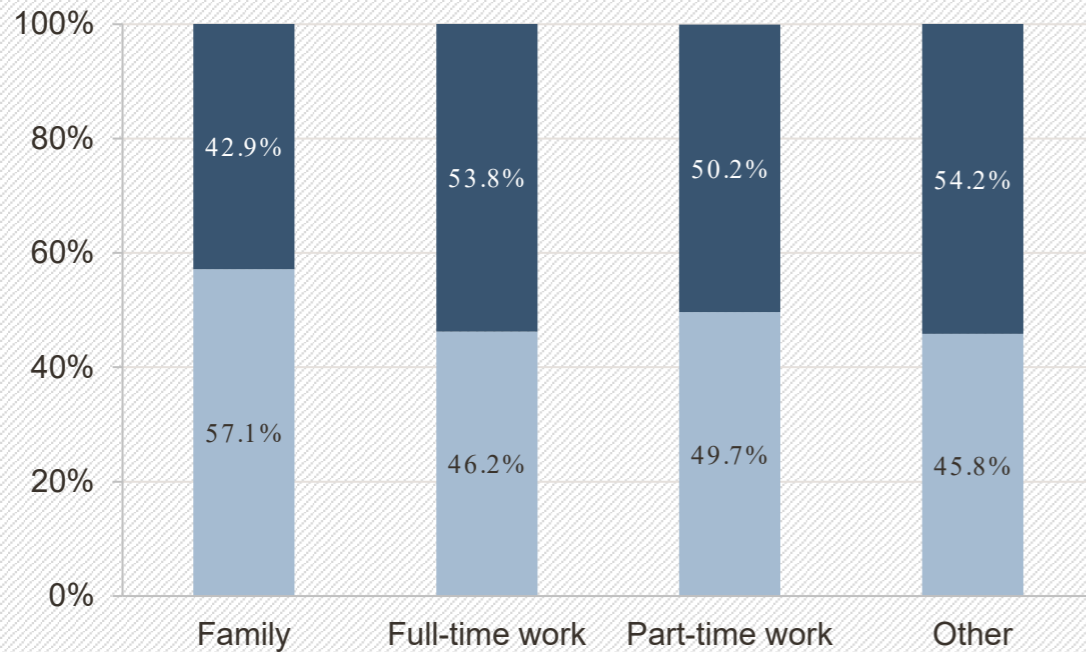
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84; 1) Income source government benefits taken out due to very low n. Differences to 100% due to rounding.



Our survey results suggest a correlation between LICON's income source and their usage of formal or informal credit

Survey insight

Usage of formal credit in past 12 months by income source



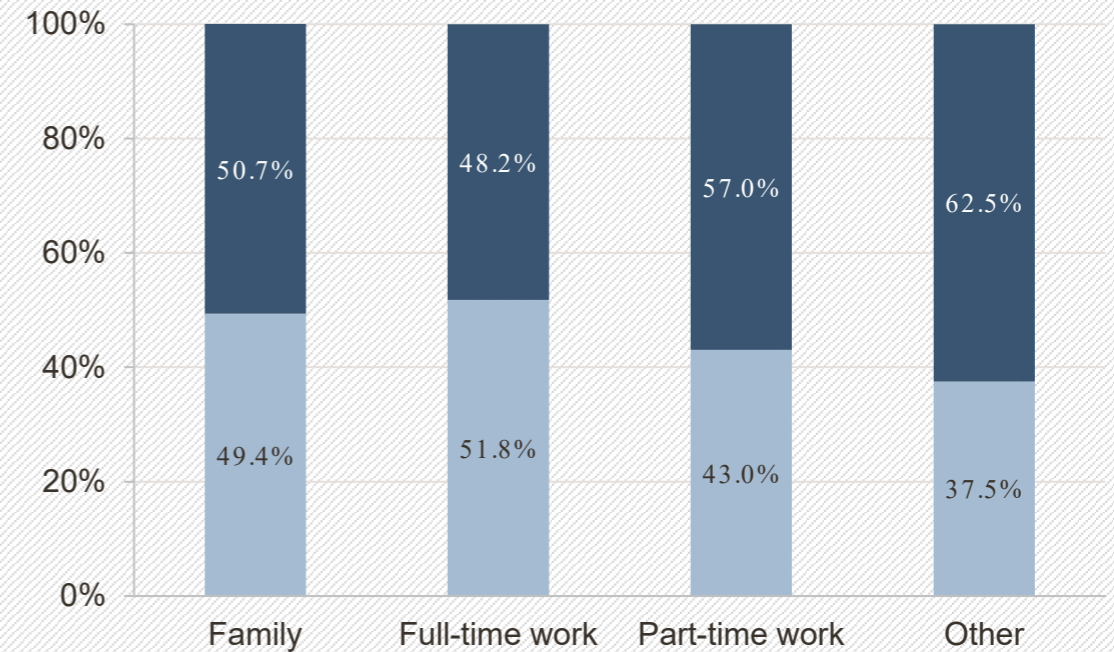
Share of LICONs taken out at least 1 formal loan in the past 12 months

■ No ■ Yes

Insights

- LICONs relying on family income or part-time work are less likely to take out a formal loan than LICONs working full time

Usage of informal credit in past 12 months by income source



Share of LICONs taken out at least 1 informal loan in the past 12 months

■ No ■ Yes

Insights

- LICONs relying on family income or part-time work are more likely to take out an informal loan than LICONs working full time

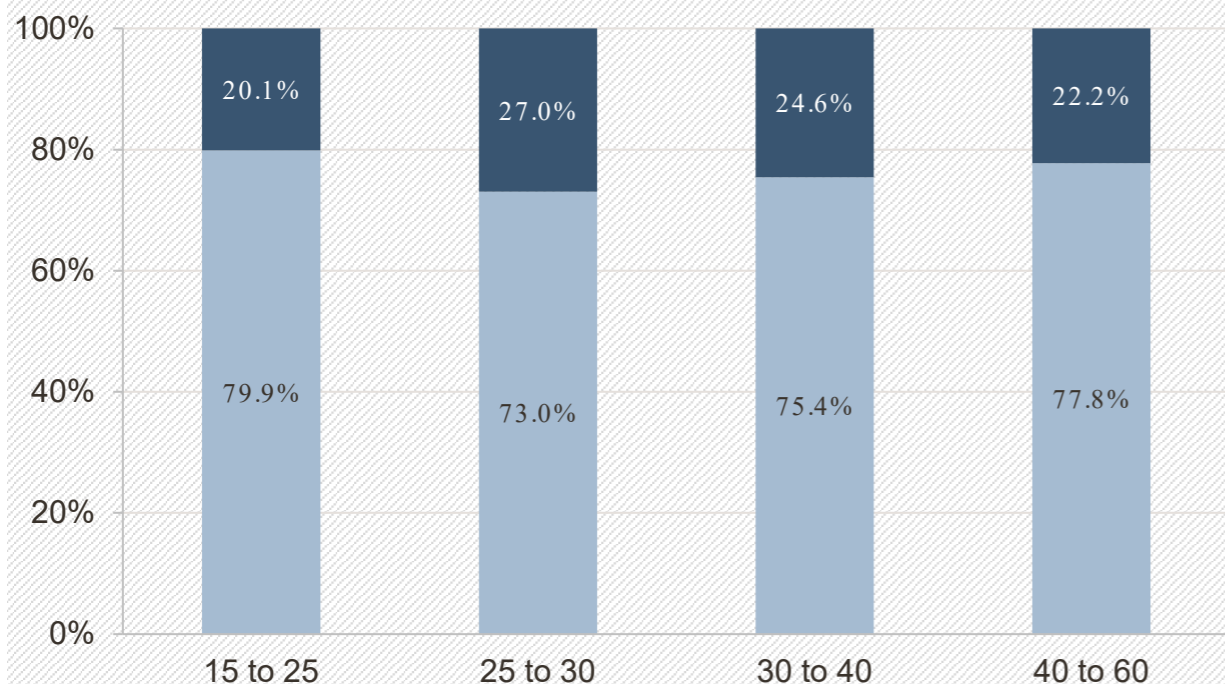
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84; 1) Income source government benefits taken out due to very low n. Differences to 100% due to rounding.



Our survey results show modest usage of mobile money USSD services

Survey insight

Usage of mobile money USSD by age ranges¹



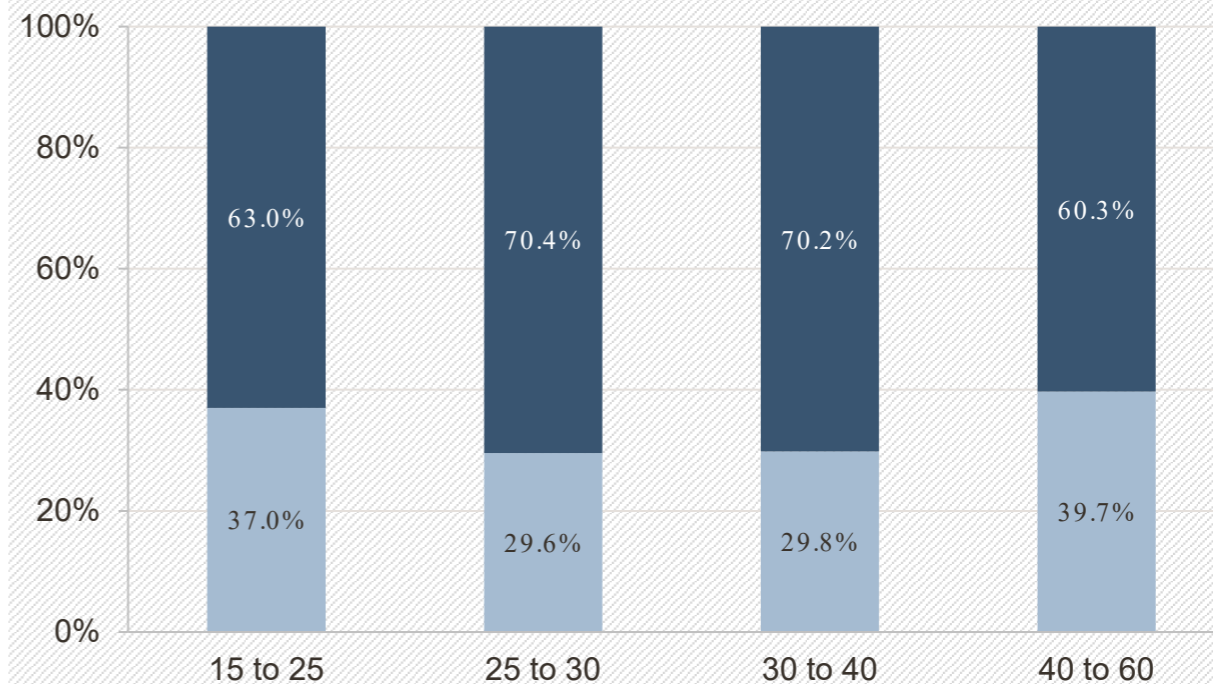
Share of LICONs using MM USSD

■ No ■ Yes

Insights

- Across all age ranges, less than 1/3 indicate using MM USSD

Usage of a mobile money app by age ranges¹



Share of LICONs using a MM app

■ No ■ Yes

Insights

- Across all age ranges, more than 60% indicate using MM apps
- LICONs between 25 and 40 (~70.4%) are most likely to use MM apps

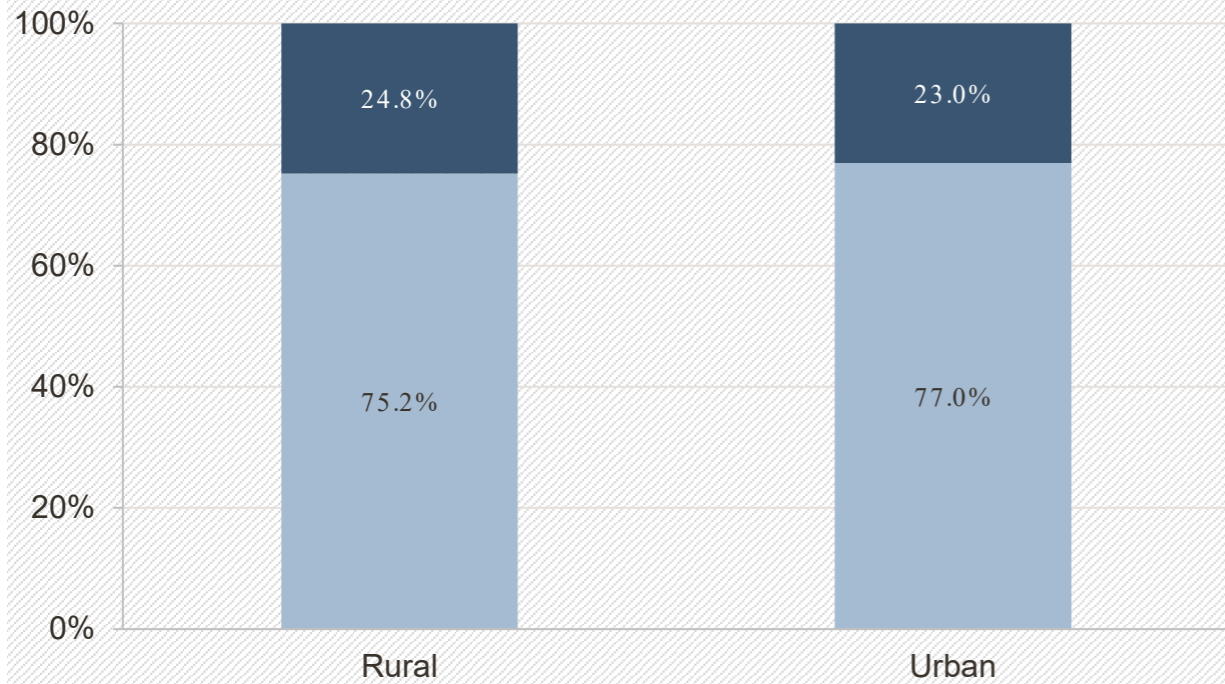
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; 1) Over-60-year-olds taken out due to small sample size answering this question. Differences to 100% due to rounding. USSD services currently only provided by Banco de la Nación.



Our survey results show that the share of LICONs using mobile money USSD and apps is almost equal across rural and urban residents

Survey insight

Usage of mobile money/banking USSD by rural/urban residence^{1,2}



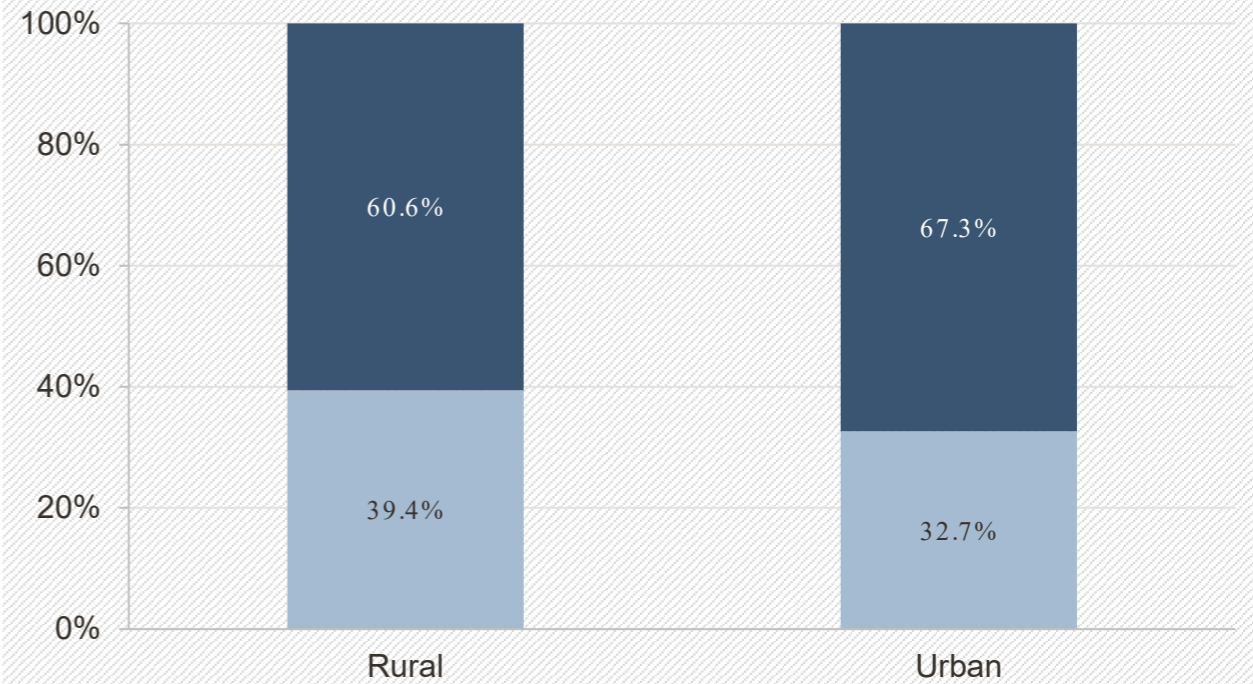
Share of LICONs using MM USSD

■ No ■ Yes

Insights

- 1/4 of rural and urban residents make use of MM USSD

Usage of a mobile money/banking app by rural/urban residence^{1,2}



Share of LICONs using a MM app

■ No ■ Yes

Insights

- About 2/3 of rural and urban residents indicate using MM apps

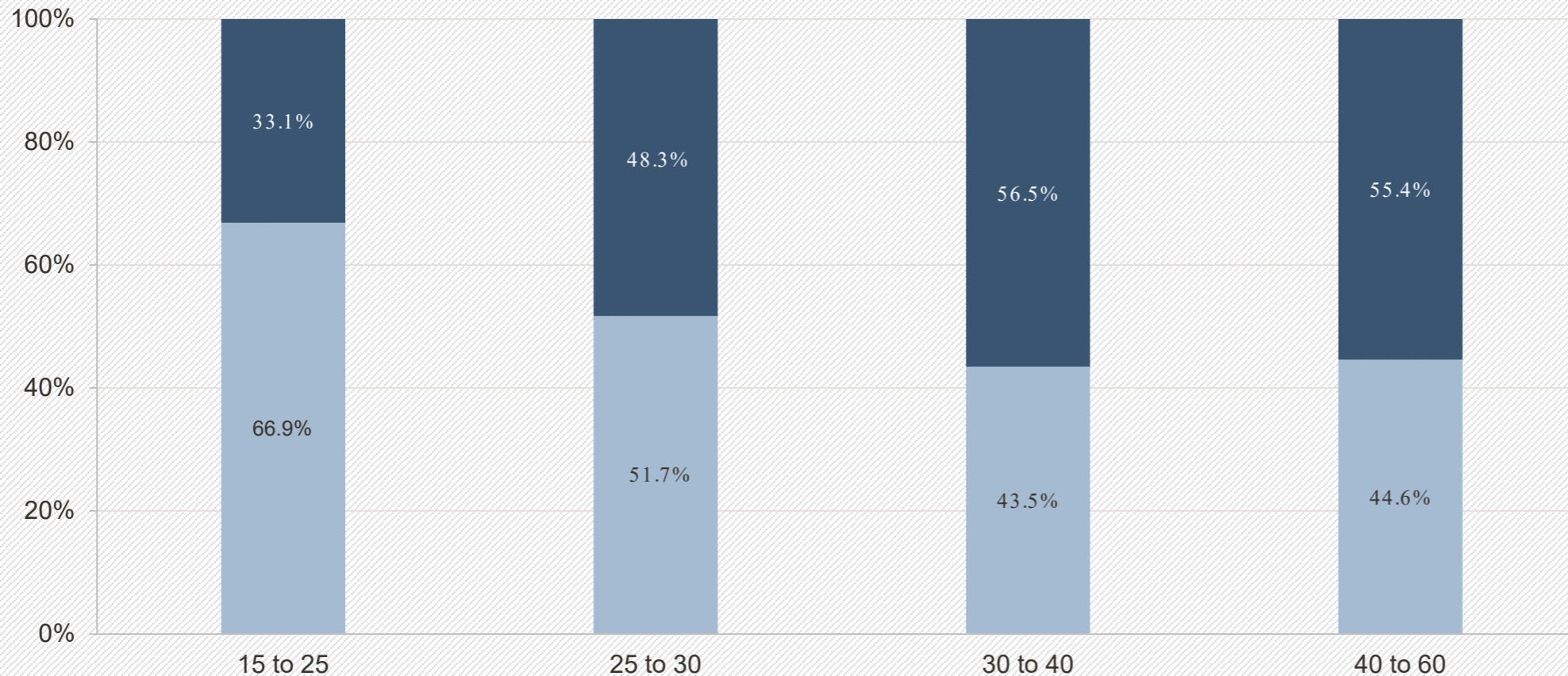
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; 1) Rural consumers: < 10,000 population; Urban consumers: > 10,000 population. 2) Respondents may refer to *banca celular* here, USSD services that are run by Peruvian banks.



Our survey results indicate that LICONs aged between 30 and 60 are most likely to use buy now pay later services

Survey insight

Usage of BNPL by age ranges¹



Share of LICONs making use of BNPL

■ No ■ Yes

Insights

- With almost 60%, LICONs between 30 and 40 are most likely to use BNPL
- Only 1/3 of LICONs between 15 to 25 use BNPL services
- Less than 20% of LICONs older than 60 state they use BNPL

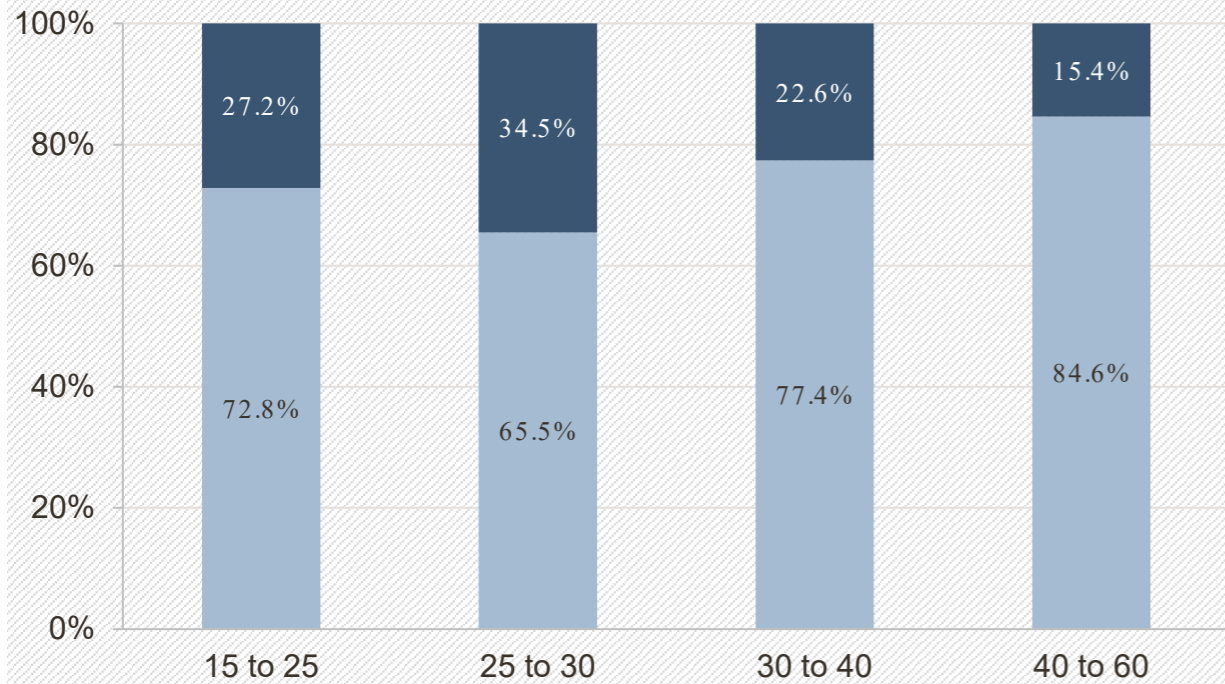
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84; 1) More than 60 years old taken out because only 1 respondent in sample .



Our survey results show that in less than 35% of all cases collateral is required across all age ranges and income groups

Survey insight

Requirement of collateral by age ranges¹



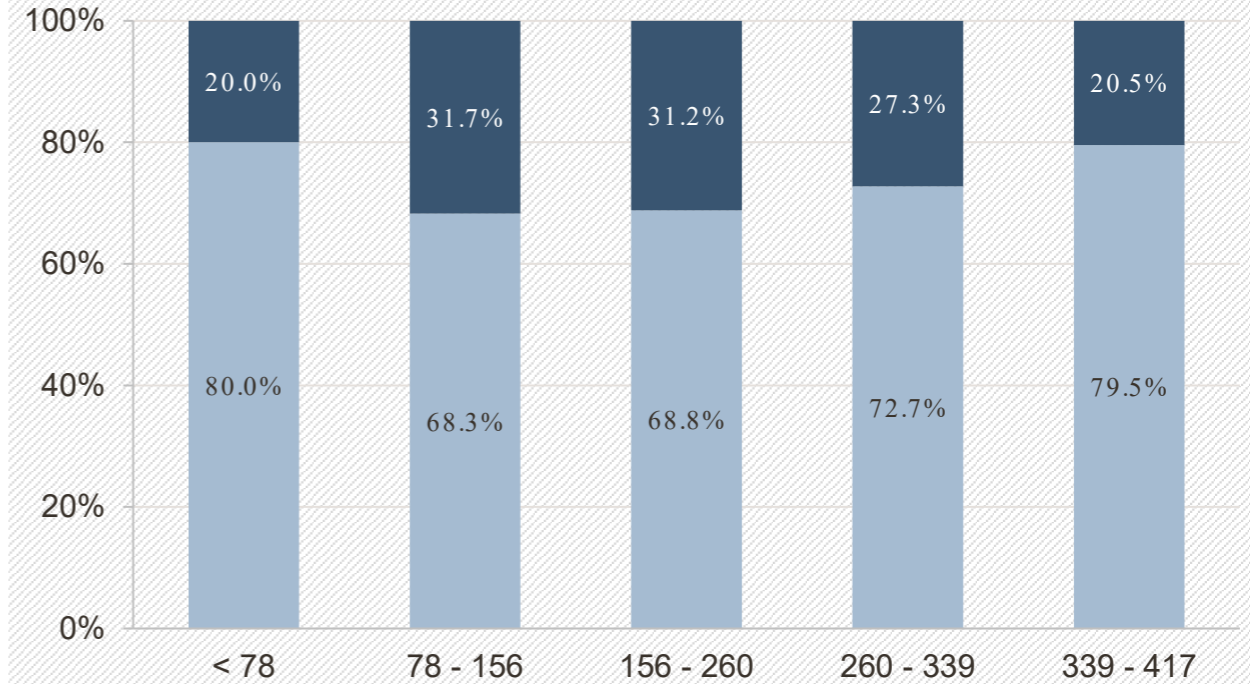
Share of LICONs required to provide a collateral

■ No ■ Yes

Insights

- LICONs between 15 and 30 are more likely to provide collateral than older ones

Requirement of collateral by monthly income group in USD



Share of LICONs required to provide a collateral

■ No ■ Yes

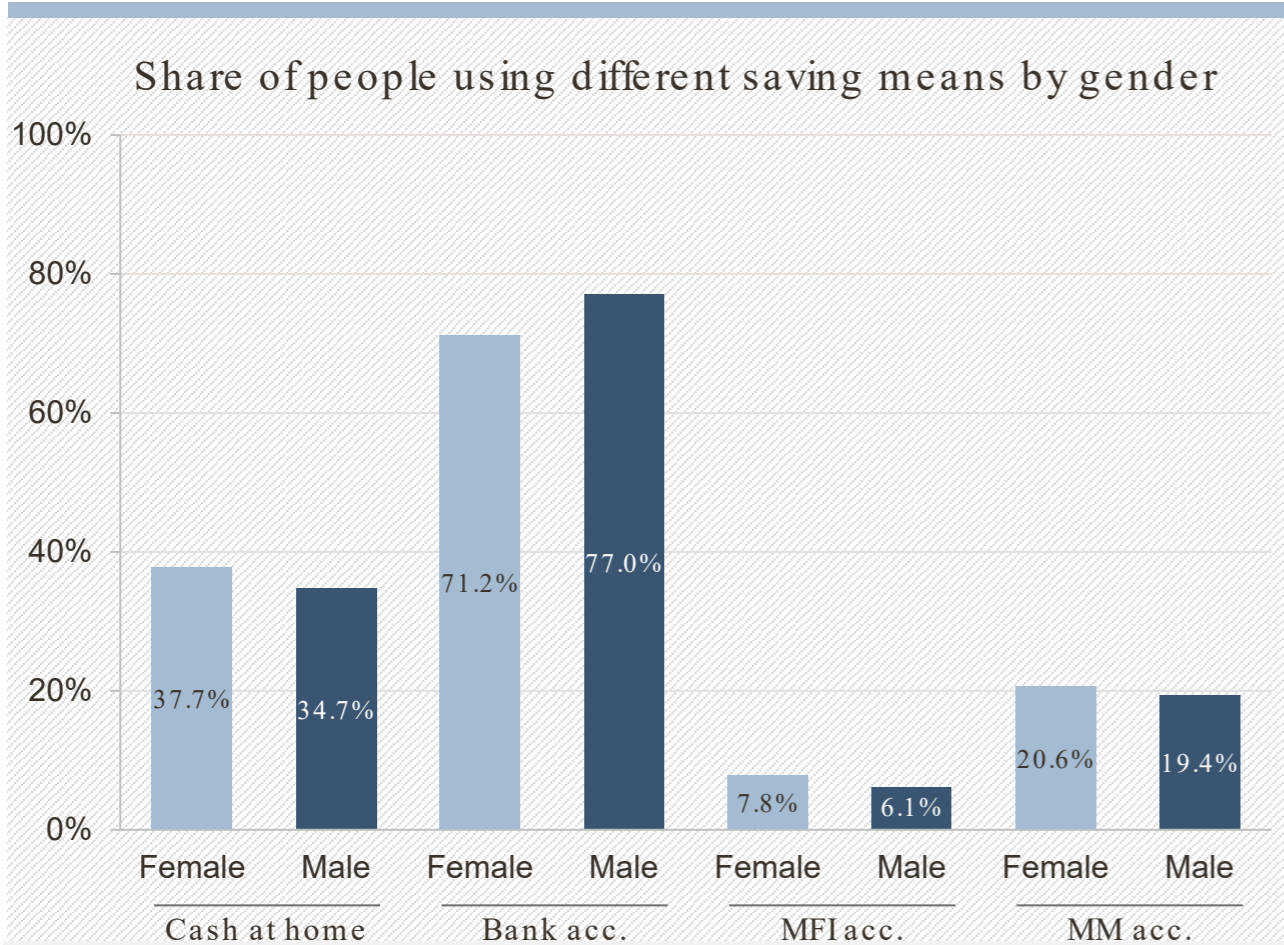
Insights

- LICONs earning between USD 78 and USD 260 are slightly more likely asked to provide collateral

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84; 1) More than 60 years old taken out because only 1 respondent in sample.

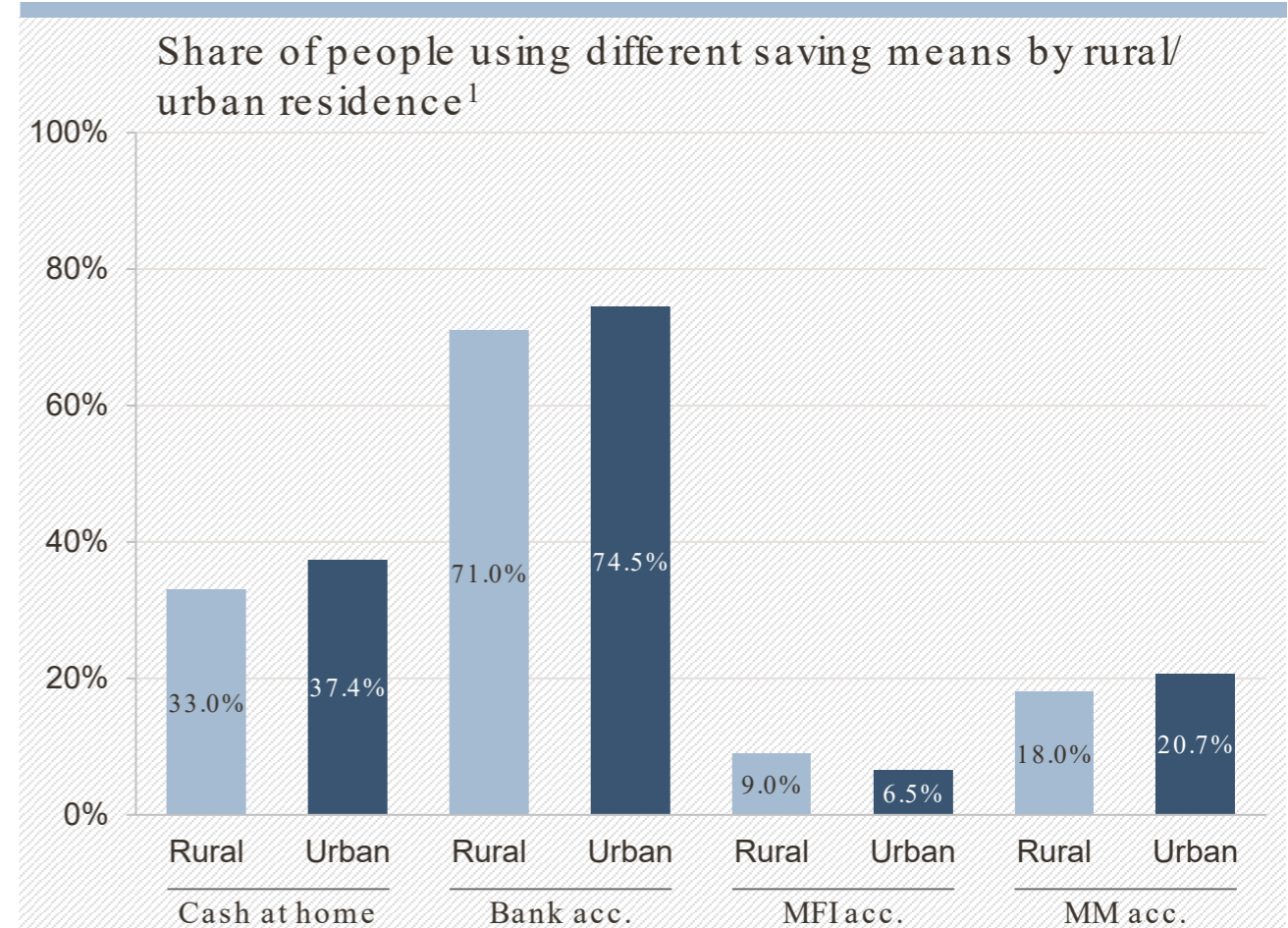
Our survey results point out that male and urban LICONs are slightly more likely to use a bank account to save money

Multiple selection allowed Survey insight



Insights

- For both male and female LICON groups, bank accounts were the primary means for saving, followed by cash at home, MM accounts and MFI accounts respectively
- Differences by gender in savings means, were most pronounced in the bank account category



Insights

- For both rural and urban LICON groups, bank accounts were the primary means for saving, followed by cash at home, MM accounts and MFI accounts

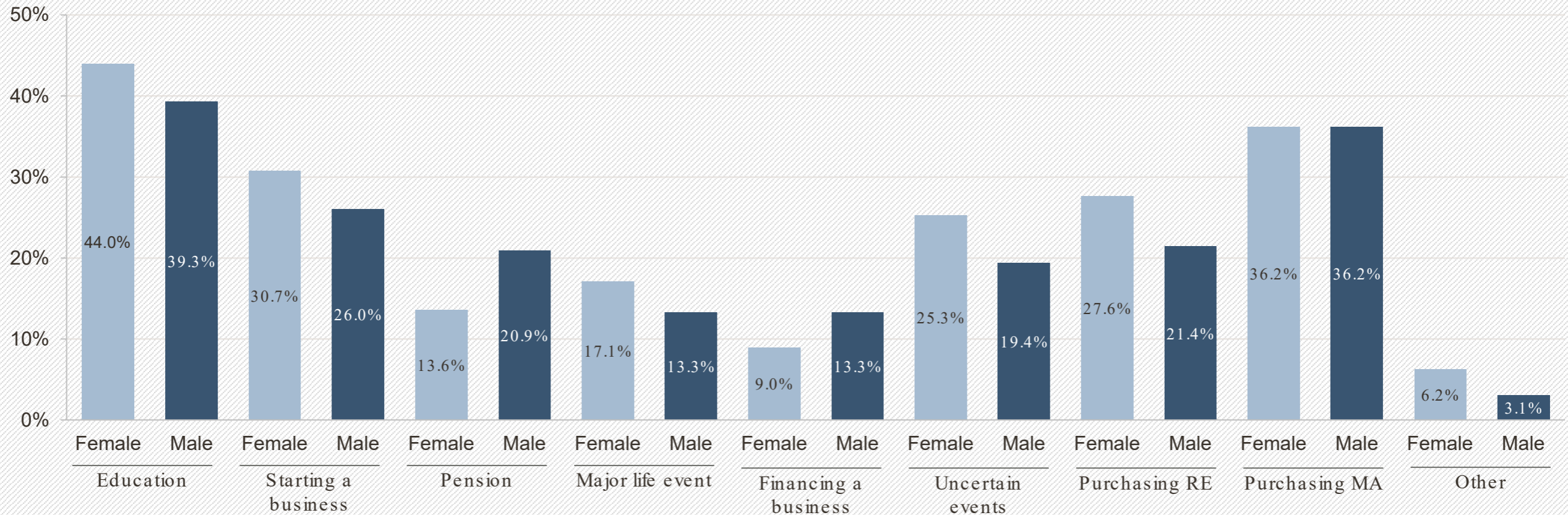
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; 1) Rural consumers: < 10,000 population; Urban consumers: > 10,000 population.



Our survey results reveal that education is the most prevalent saving purpose for female and male LICONs

Multiple selection allowed Survey insight

Share of LICONs having saving purpose by gender



Insights

- About 40% of LICONs indicate that they are saving for education or buying movable assets
- ¼ of female LICONs save for uncertain events and to purchase real estate, whereas only 1/5 of male LICONs save for uncertain events and to purchase real estate

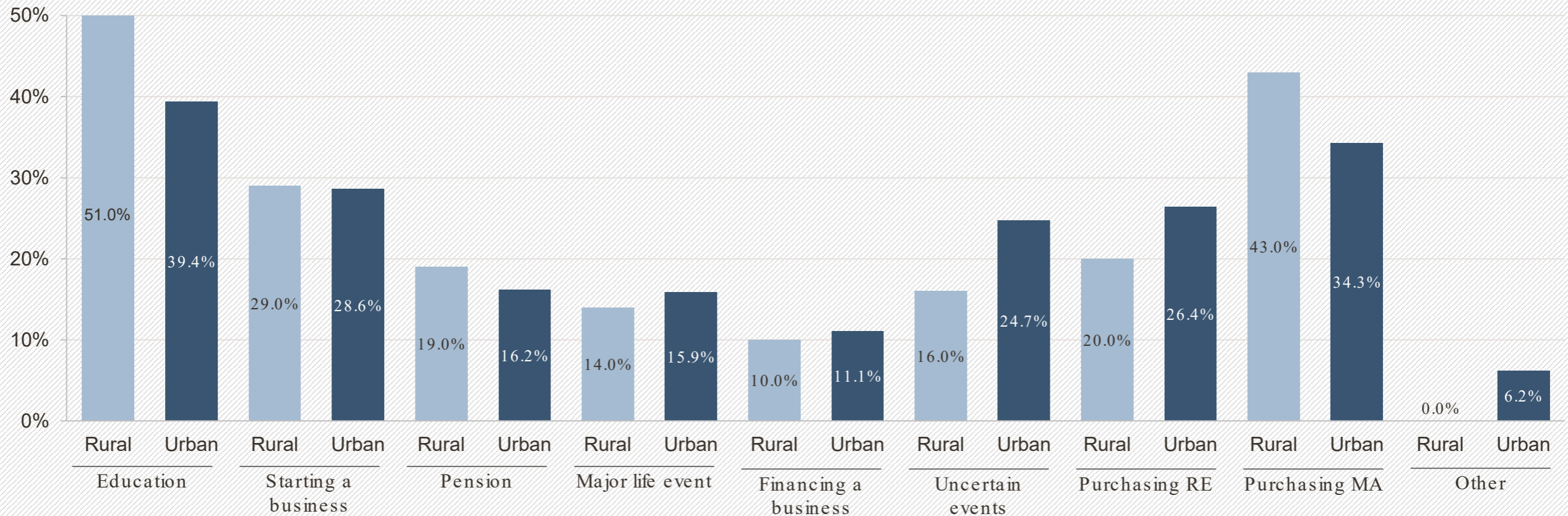
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454.



Our survey results illustrate that saving for education is particularly prevalent across rural LICONs

Multiple selection allowed Survey insight

Share of LICONs having saving purpose by rural/urban residence¹



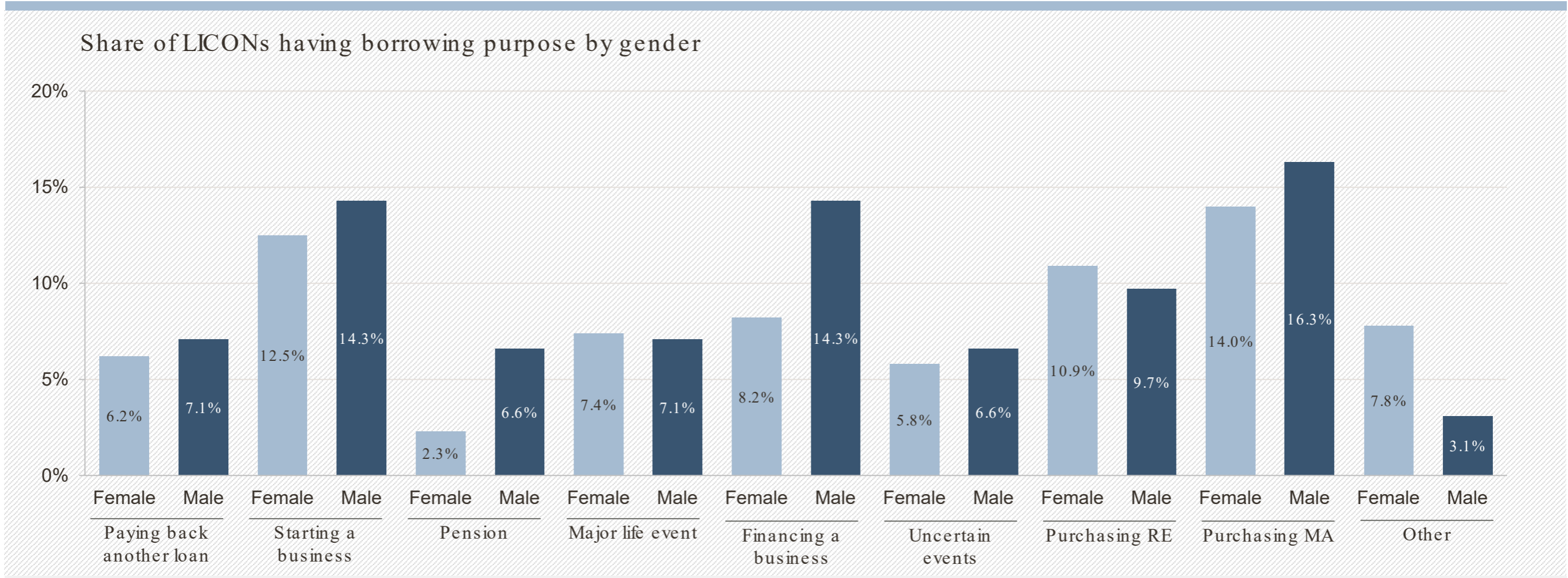
Insights

- More than 50% of rural LICONs and almost 40% of urban LICONs indicate that they are saving for education
- Less than 20% of rural and urban LICONs are saving for their pension or for major life events or to finance a business

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; 1) Rural consumers: < 10,000 population; Urban consumers: > 10,000 population.

Our survey results outline that purchasing movable assets is the most prevalent borrowing reasons for female and male LICONs

Multiple selection allowed Survey insight

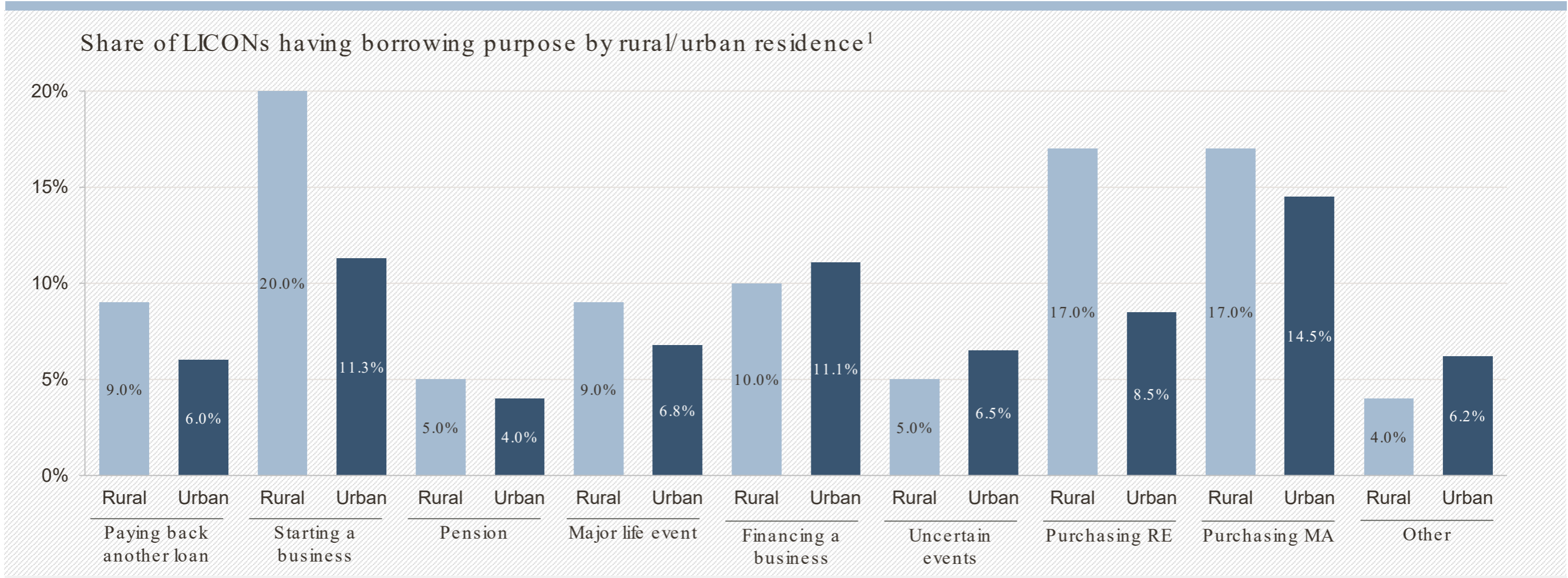


- Insights**
- About 13% of female LICONs and 15% of male LICONs indicate that they are borrowing money to start a business or buy movable assets
 - Only 2% of female LICONs and 7% of male LICONs have taken out a loan because of retirement

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454.

Our survey results outline that taking out a loan for starting a business is especially prevailing across rural LICONs

Multiple selection allowed Survey insight



Insights

- 20% of rural LICONs and 11% of urban LICONs indicate that they are borrowing money to start a business
- 17% of rural LICONs have taken out a loan to purchase real estate or movable assets

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; 1) Rural consumers: < 10,000 population; Urban consumers: > 10,000 population.

Loans, provided by local savings & credit associations, taken out by LICONs earning USD 339 - 421, have the highest average loan tenure with 36 months

Average loan tenure in months

Survey data

Loan provider	Monthly income range				
	< 78	> 78 – 156	> 156 – 260	> 260 – 339	> 339 – 421
Banks	21.0	10.6	10.7	12.8	11.9
FinTechs	-	-	9.2	7.5	5.5
MFIs	4.5	20.3	11.7	9.4	14.8
Financial cooperatives	-	5.5	12.0	6.8	4.5
Savings & credit associations	9.0	5.5	9.7	9.3	5.0
Specialized lending companies	-	2.0	18.0	9.0	2.0
Other formal providers	3.3	3.6	8.7	3.6	3.4
Family	-	-	2.0	9.0	-
Friends	8.0	7.4	8.0	7.9	9.8
Religious organizations	3.7	4.2	6.5	6.5	10.3
Local savings & credit assoc.	-	4.5	14.0	10.0	36.0
Money lenders	-	5.3	6.4	8.1	9.5
Other informal providers	-	-	2.0	-	10.0

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 453; FX rates based on three months average (May-July 2021): PEN = 3.84.

The average interest rate is the highest for tenures of 24 months taken out by LICONs with a monthly income of USD 339

– 48 months,
– 421

Average interest rate

Survey insight

Tenure in months \ Monthly income range (USD)	1 – 3	> 3 – 6	> 6 – 12	> 12 – 24	> 24 – 48	> 48
< 78	18.3%	10.0%	8.0%	20.0%	5.0%	-
78 - 156	15.0%	6.8%	17.6%	-	30.0%	-
156 - 260	23.5%	15.8%	5.9%	35.7%	20.0%	-
260 - 339	17.3%	15.0%	10.3%	26.7%	36.0%	25.0%
339 - 421	12.9%	10.2%	21.4%	17.3%	59.0%	2.0%

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 453; FX rates based on three months average (May-July 2021); PEN = 3.84.

Our survey sample illustrates that about 2/3 of LICONs earning less than USD 78 per month, have less than USD 104 in savings

Survey insight

Income ranges (USD)	Total savings									Total
	< 104	> 104 – 208	> 208 – 417	> 417 – 1,237	> 1,237 – 2,474	> 2,474 – 3,711	> 2,474 – 4,948	> 4,948 – 7,552	> 7,552	
< 78	64.4%	8.5%	8.5%	1.7%	0.0%	1.7%	1.7%	1.7%	11.9%	100%
78 – 156	50.0%	28.3%	5.0%	13.3%	0.0%	3.3%	0.0%	0.0%	0.00%	100%
156 – 260	34.7%	26.3%	21.1%	11.6%	2.1%	1.1%	0.0%	0.0%	3.2%	100%
260 – 339	17.6%	24.1%	22.2%	21.3%	13.0%	1.9%	0.0%	0.0%	0.0%	100%
339 – 417	11.5%	15.4%	20.8%	22.3%	13.8%	9.2%	4.6%	1.5%	0.8%	100%
Total	29.9%	20.6%	17.5%	15.9%	7.5%	4.0%	1.6%	0.7%	2.4%	100%

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021); PEN = 3.84.

Our survey sample illustrates that about 2/3 of LICONs earning less than USD 78 per month, spend less than USD 42 per month

Survey insight

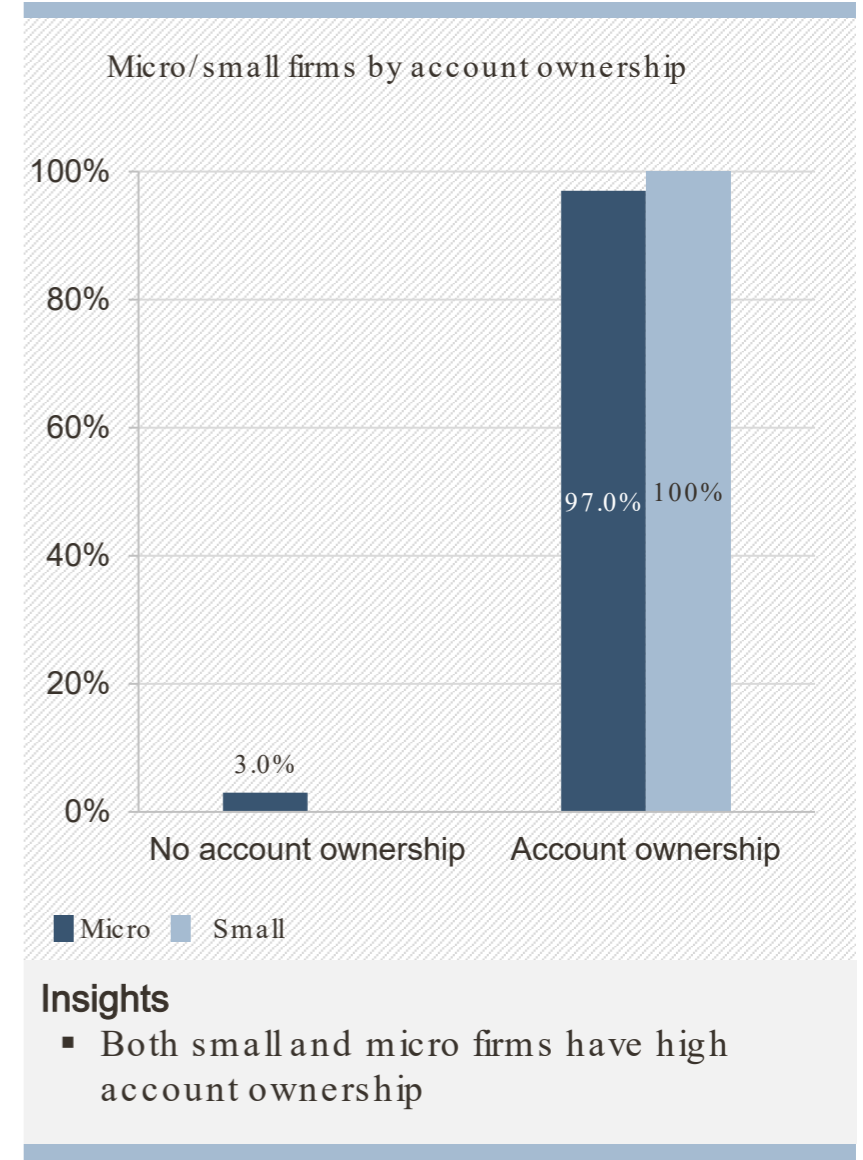
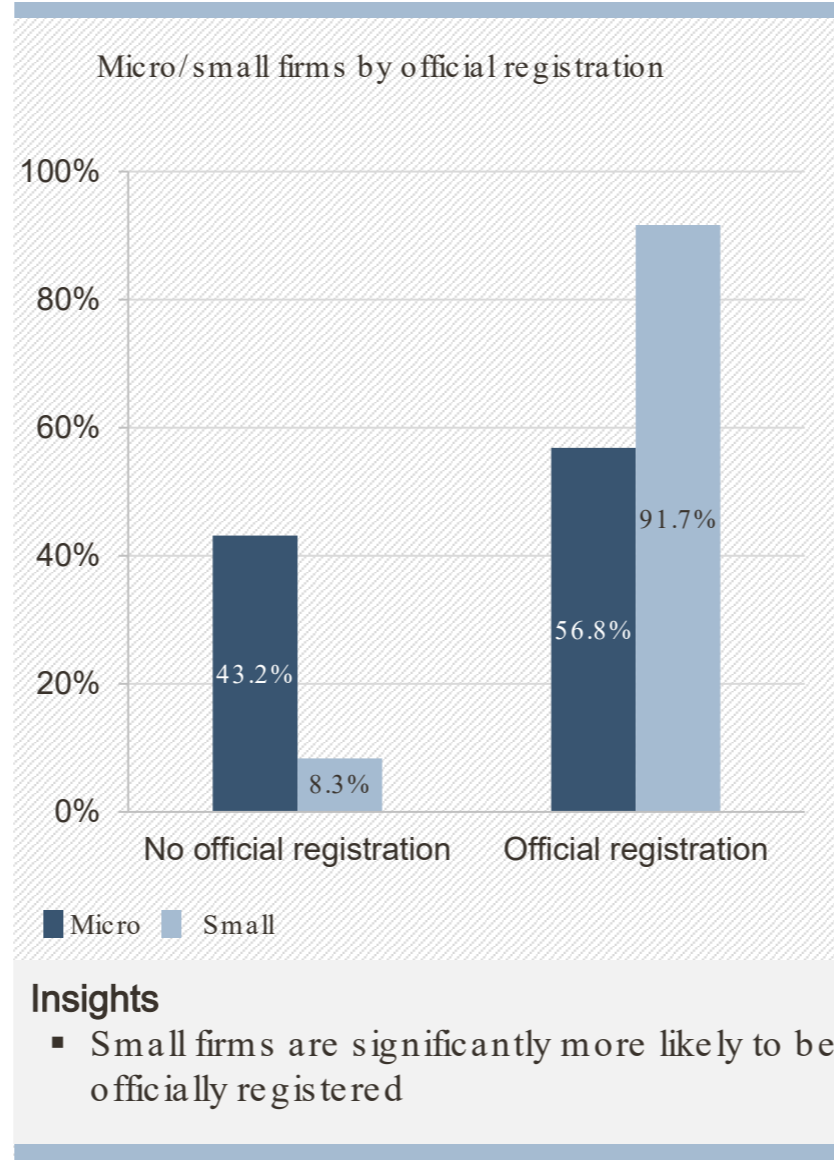
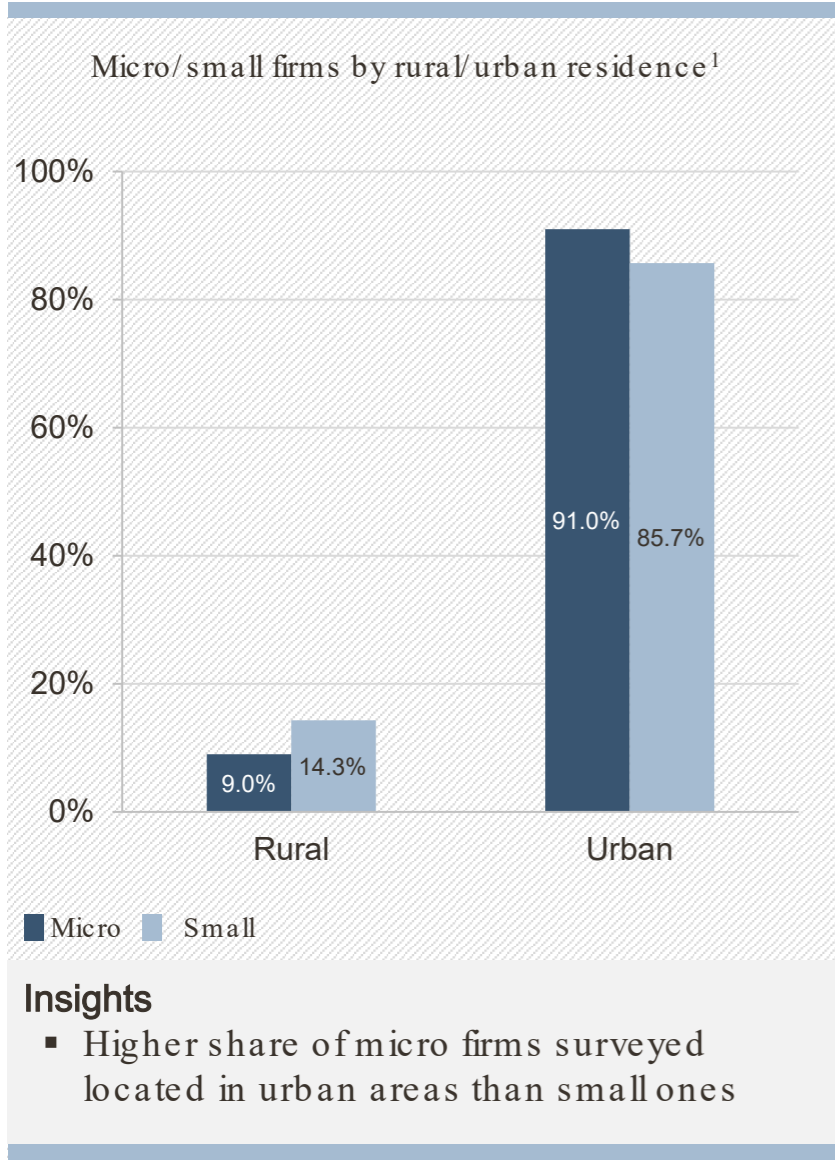
Income ranges (USD)	Monthly expenses								Total
	< 21	> 21 – 42	> 42 – 83	> 83 – 169	> 169 – 260	> 260 – 339	> 339 – 417	> 417	
< 78	39.0%	23.7%	23.7%	5.1%	3.4%	1.7%	1.7%	1.7%	100%
78 – 156	8.3%	18.3%	33.3%	25.0%	10.0%	3.3%	1.7%	0.0%	100%
156 – 260	5.3%	11.6%	24.2%	26.3%	21.1%	10.5%	1.1%	0.0%	100%
260 – 339	0.9%	2.8%	19.4%	35.2%	35.2%	1.9%	4.6%	0.0%	100%
339 – 417	0.8%	3.1%	12.3%	15.4%	36.2%	21.5%	7.7%	3.1%	100%
Total	7.7%	9.5%	20.8%	22.3%	25.0%	9.5%	4.0%	1.1%	100%

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021); PEN = 3.84.



Small firms are more likely to be officially registered and hold an account than micro ones

Survey insight



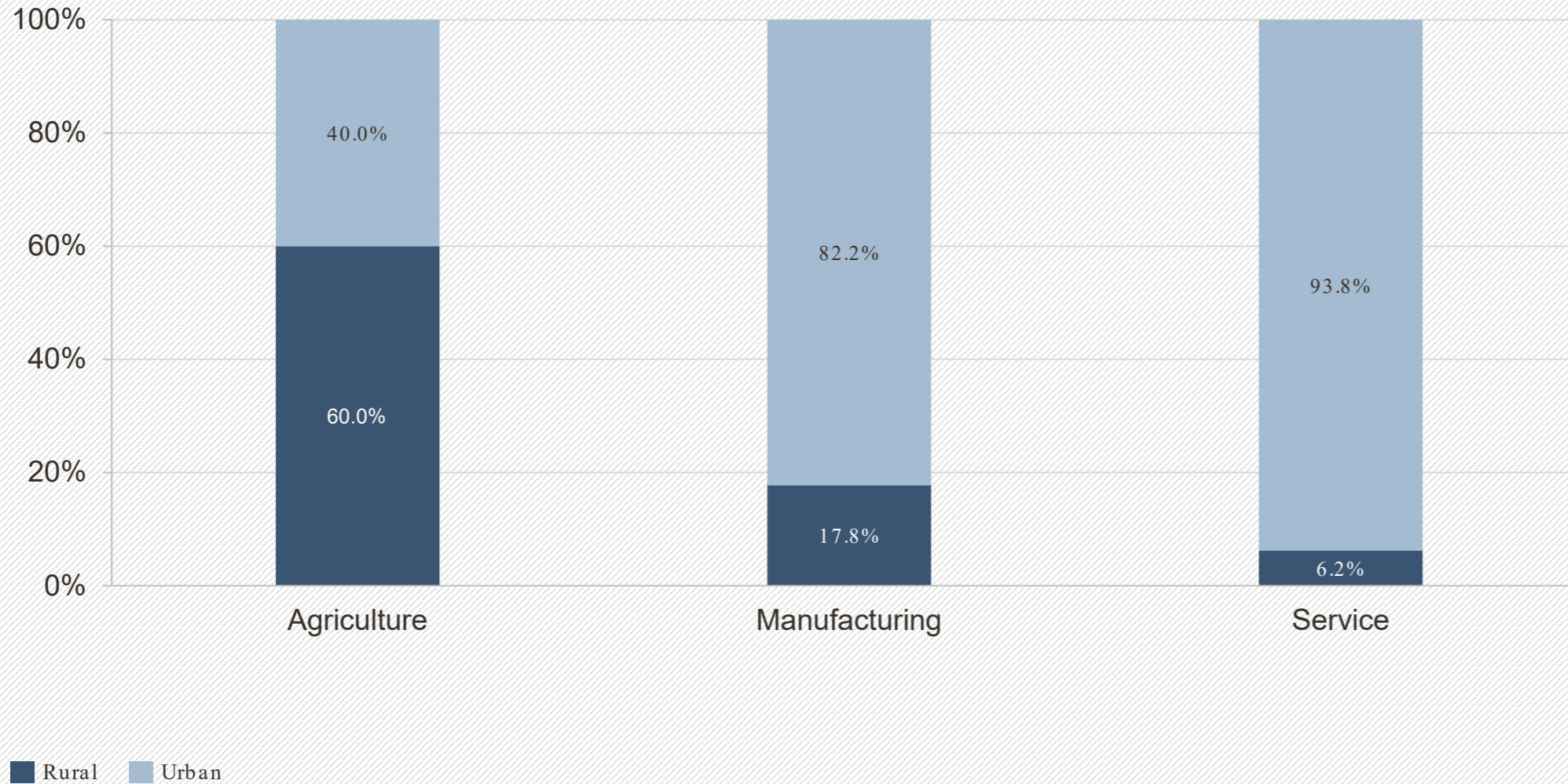
Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; 1) Rural companies: < 10,000 population; Urban companies: > 10,000 population.



Overall, the vast majority of responding Peruvian MSEs are located in urban areas

Survey insight

Business sectors distributed according to rural/urban residence¹



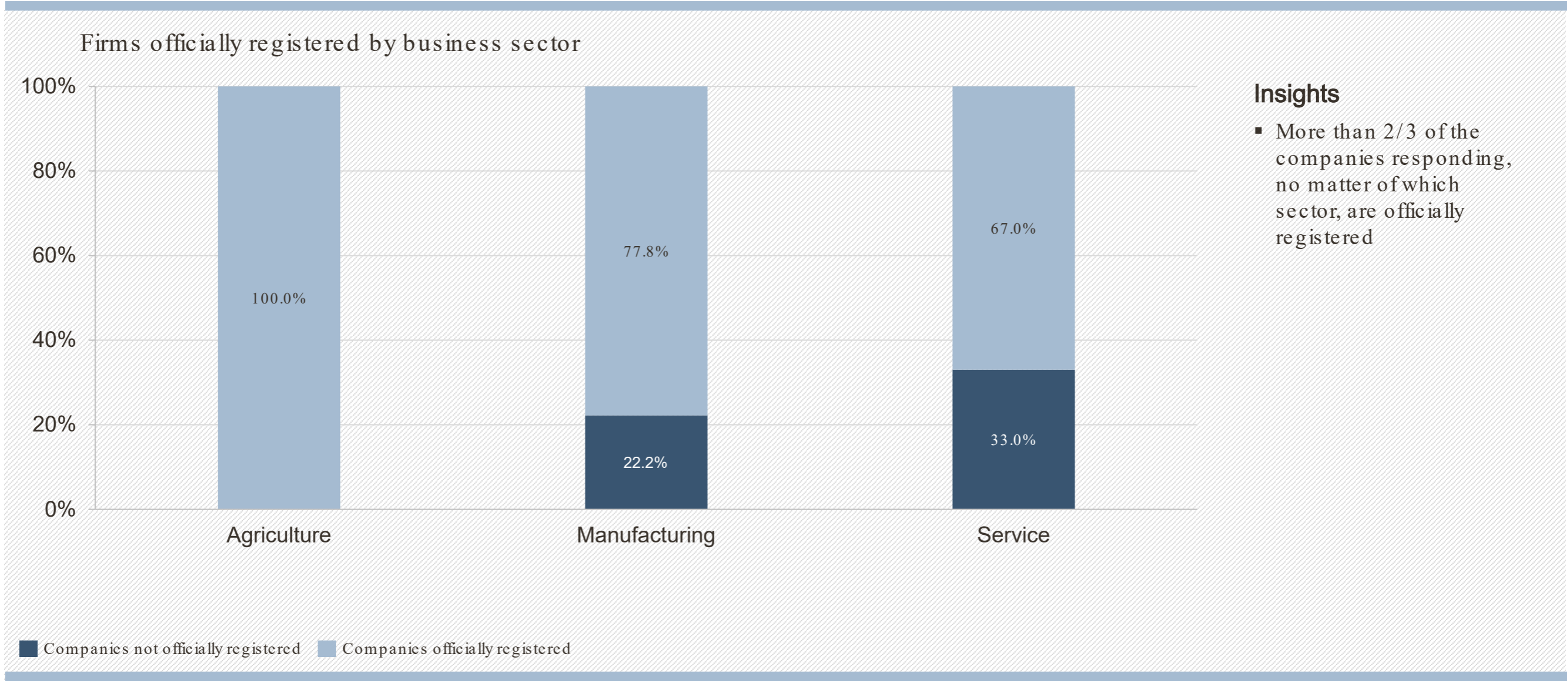
Insights

- Agricultural businesses, due to their nature, are more likely to be located in rural areas
- The vast majority of manufacturing and service MSEs are located in urban areas

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; 1) Rural companies: < 10,000 population; Urban companies: > 10,000 population.

All responding Peruvian agricultural businesses are officially registered

Survey insight



Insights

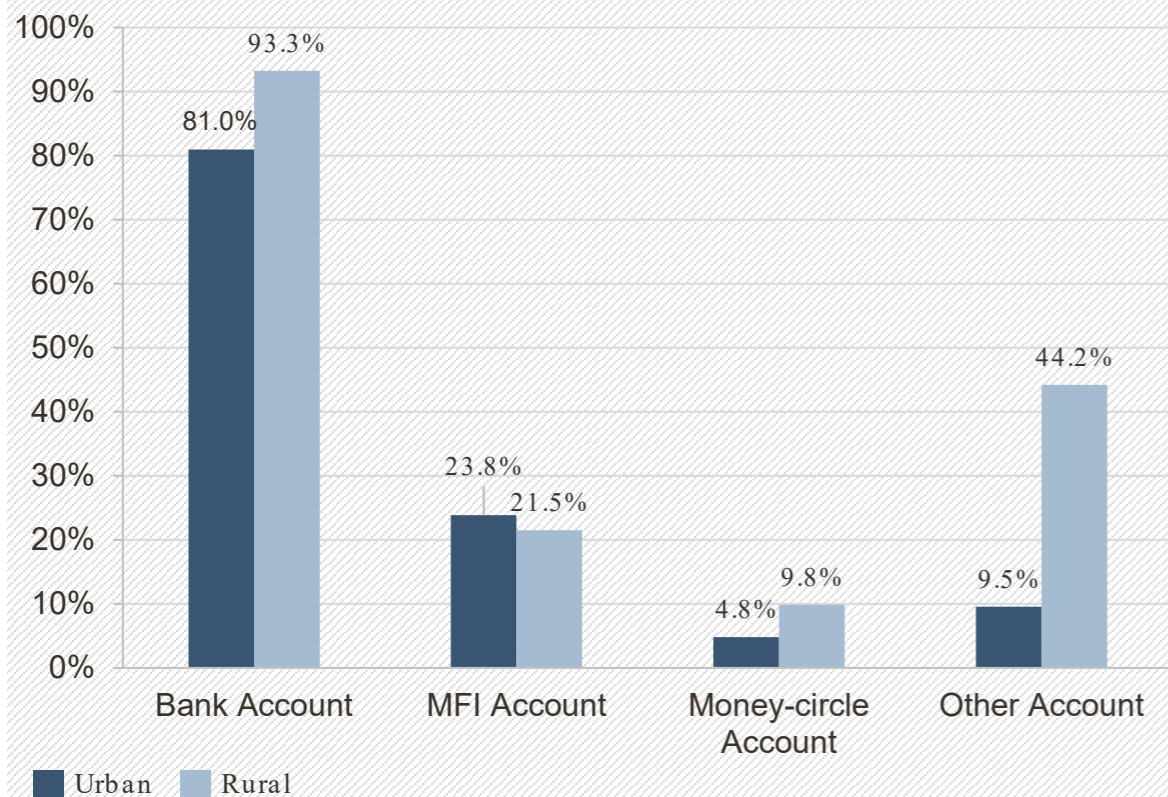
- More than 2/3 of the companies responding, no matter of which sector, are officially registered

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184.

Bank accounts are the most popular types of account with surveyed MSEs

Multiple selection allowed Survey insight

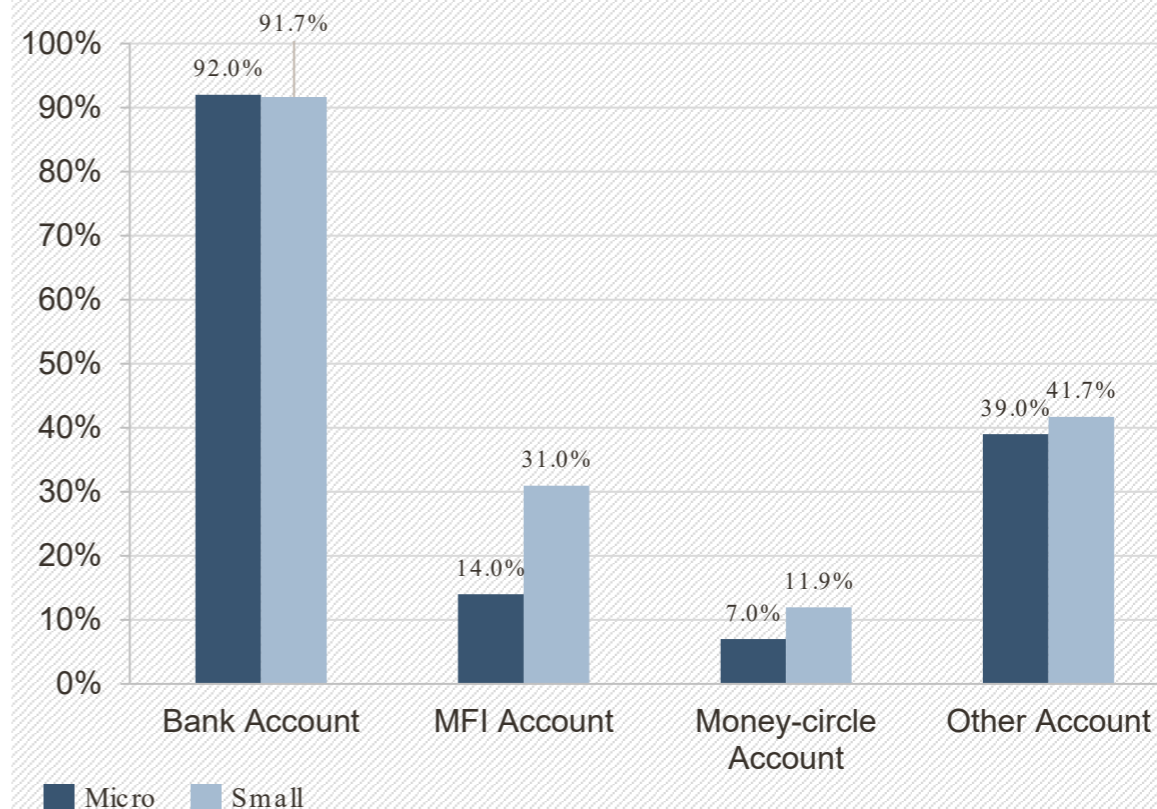
Share of account ownerships by urban/rural residence¹



Insights

- High ownership of bank accounts among urban and rural MSEs
- Overall, lower account ownership among rural MSEs than urban

Share of account ownerships by business size



Insights

- High ownership of bank accounts among micro and small MSEs
- Overall, higher account ownership among small MSEs than micro ones

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; 1) Rural companies: < 10,000 population; Urban companies: > 10,000 population.



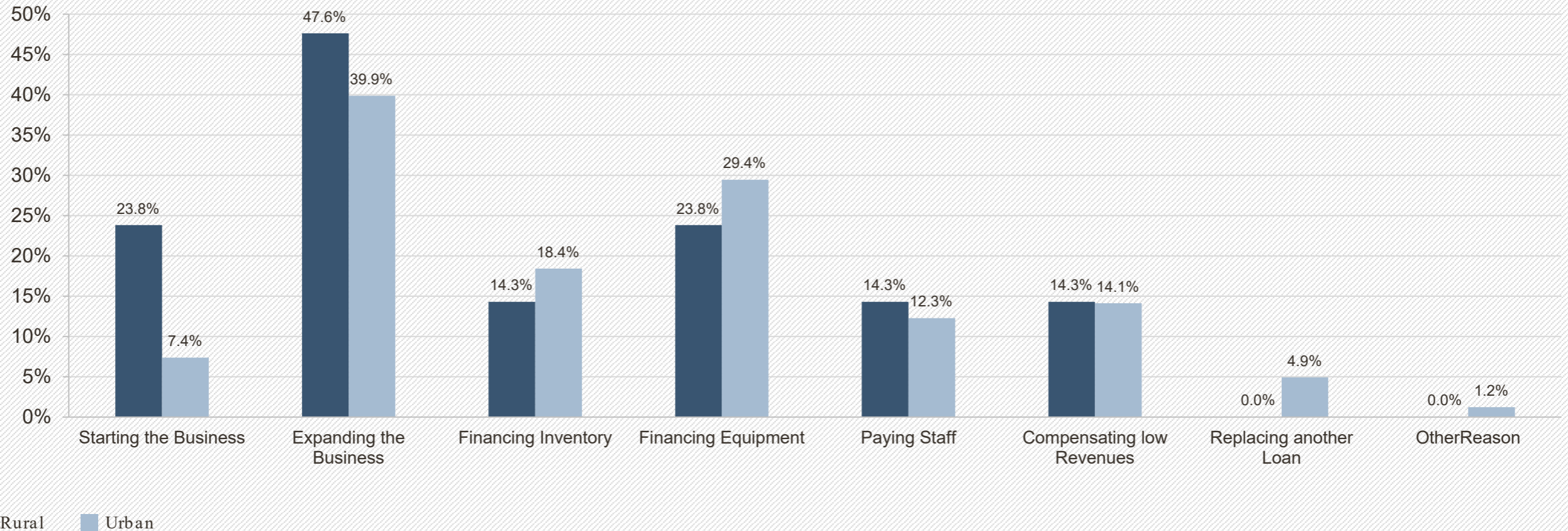
Business expansion is the most important reason for rural to take out loans

and urban MSEs

Multiple selection allowed

Survey insight

Reasons to borrow by rural/urban residence of firm¹



Insights

- Higher proportion of rural firms borrowing to initiate and expand operations
- Urban firms more likely to borrow to retain current operations

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; 1) Rural companies: < 10,000 population; Urban companies: > 10,000 population.

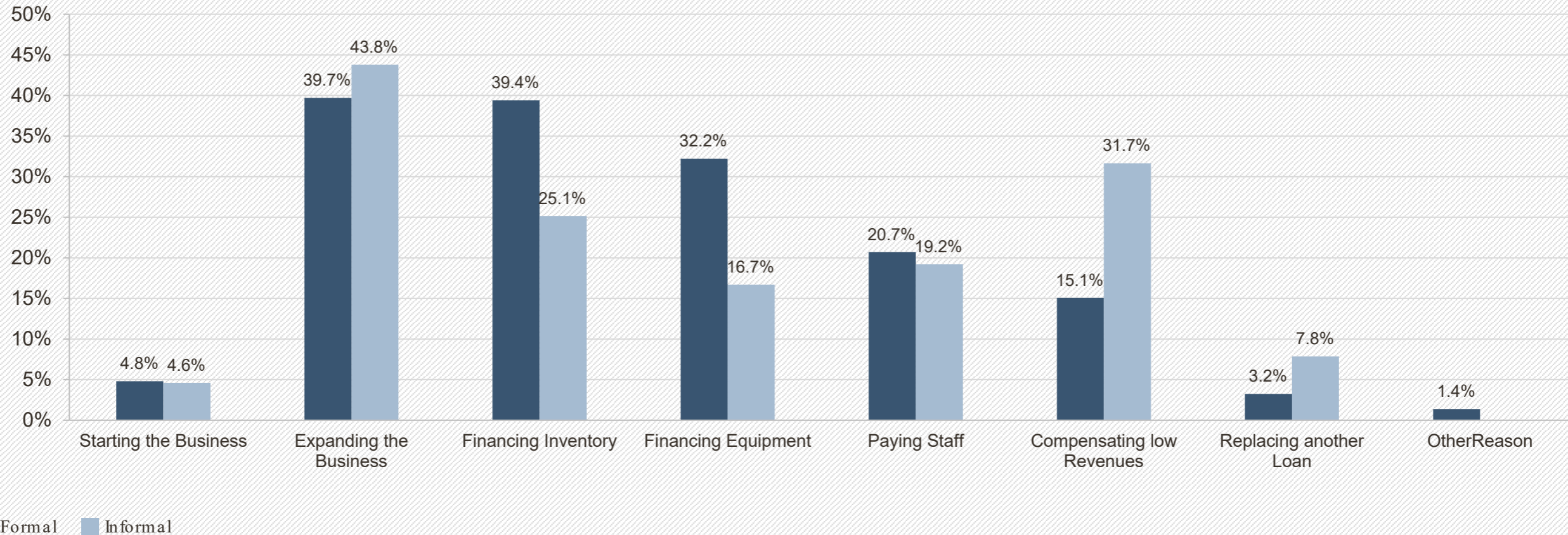


Business expansion and financing equipment are the most important reasons for formal and informal MSEs to take out loans

Multiple selection allowed

Survey insight

Reasons to borrow by type of company registration



Insights

- Higher proportion of formal firms borrowing to retain and expand operations
- Informal firms more likely to borrow to compensate revenue losses

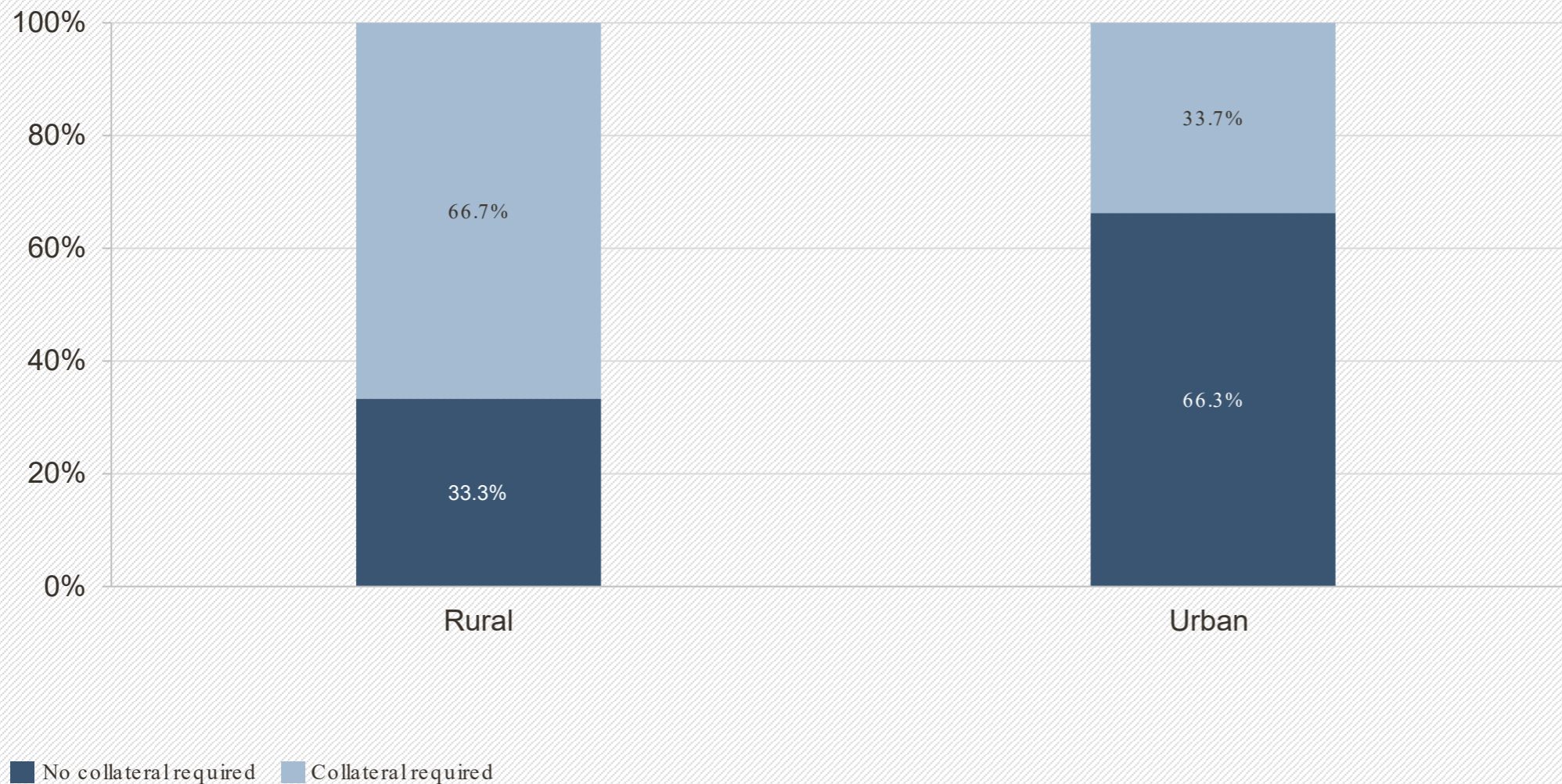
Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184.



Surveyed MSEs differ greatly in whether they need to provide collateral when taking out a loan

Survey insight

Firms required to provide collateral when taking loans by rural/urban residence¹



Insights

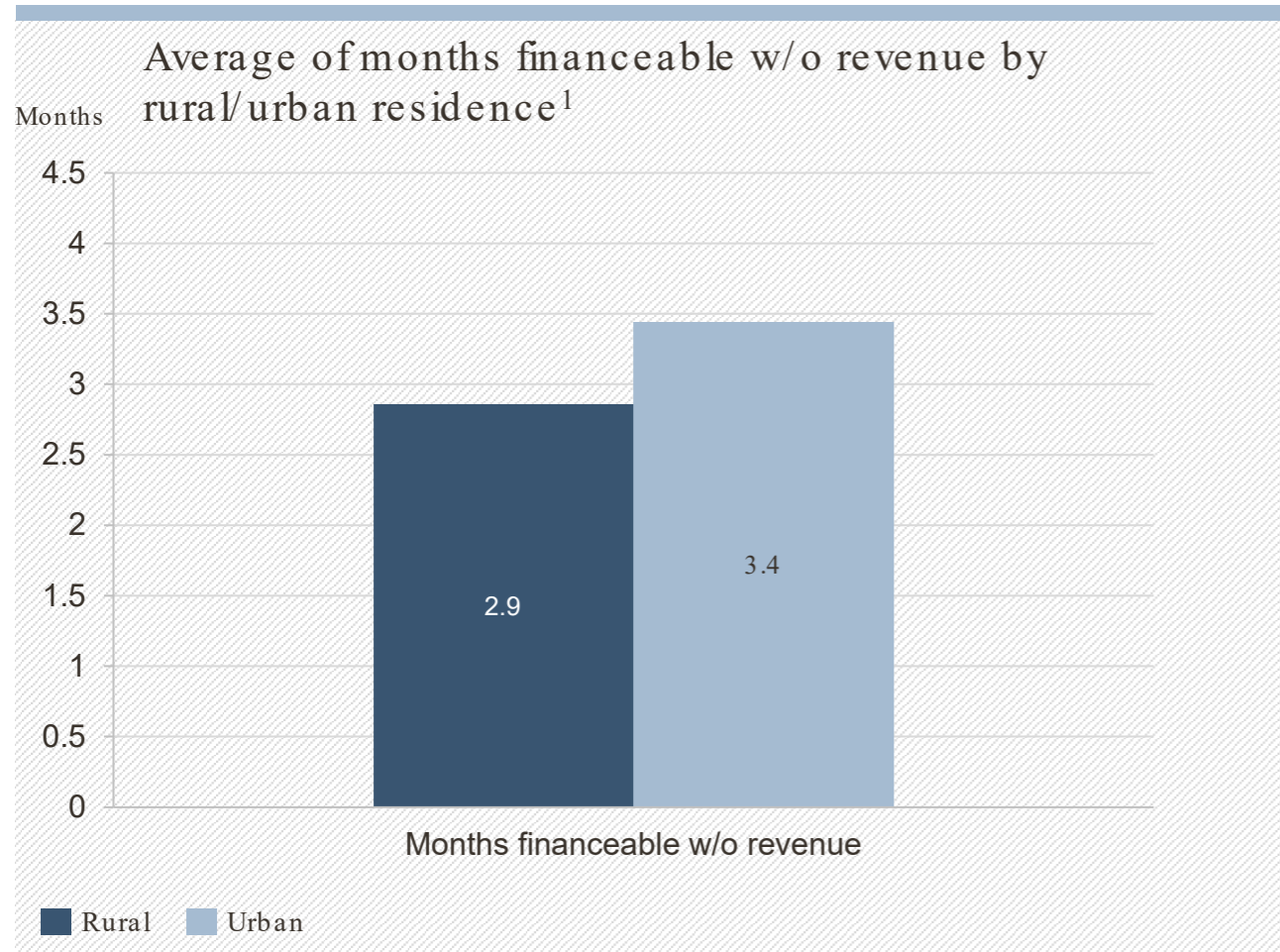
- High probability of rural MSEs to provide collateral for their loans
- Only 1/3 of urban MSEs are required to present some form of collateral

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; 1) Rural companies: < 10,000 population; Urban companies: > 10,000 population.

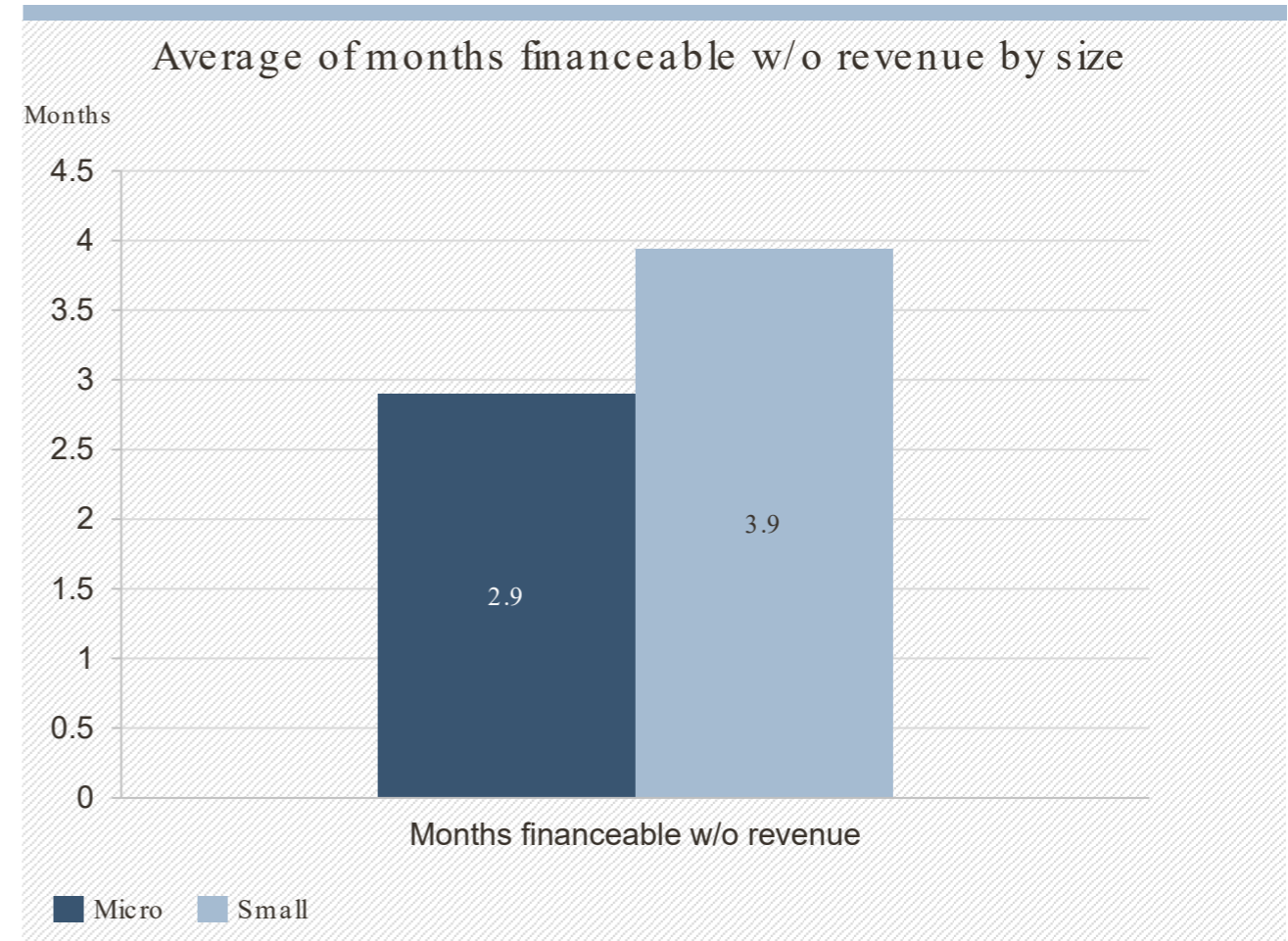


Urban and small companies surveyed in Peru can finance their business w/o revenue for a longer period than their peers

Survey insight



Insights
Urban companies can finance their business slightly longer than rural MSEs.



Insights
Small companies are able to survive without revenues for 1 more month compared to micro companies.

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; 1) Rural companies: < 10,000 population; Urban companies: > 10,000 population.

The average interest rate is the highest for tenures of 6 – 12 months, taken out by MSEs with a monthly revenue of USD 10k – 38k

Average interest rate

Survey data

Tenure in months \ Monthly revenue range (USD)	1 – 3	> 3 – 6	> 6 – 12	> 12 – 24	> 24 – 48	> 48
< 10,984	11.5%	8.5%	12.8%	12%	20%	15%
10,984 – < 38,319	26.9%	22.5%	27.3%	6.4%	23.5%	13.3%
38,319 – < 49,109	10%	18.6%	12.9%	16.2%	18%	-
49,109 – < 92,080	-	10%	15.4%	15.1%	20.2%	16.5%

Source: Online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May -July 2021): PEN = 3.84.

Loans, provided by religious org., taken out by MSEs generating a revenue between 49k and 92k USD, have the highest average loan tenure with 72 months

Average loan tenure in months

Survey data

Loan provider	Monthly revenue range (USD)			
	< 10,984	> 10,984 – < 38,319	> 38,319 – < 49,109	> 49,109 – < 92,080
Banks	17.67	22.81	14.94	22.33
FinTechs	2.00	4.50	9.50	19.93
MFIs	9.90	6.125	13.14	18.50
Financial cooperatives	-	18.00	9.00	9.00
Savings & credit associations	4.50	9.00	9.00	-
Specialized lending companies	-	9.00	9.00	-
Other formal providers		72.00	22.50	7.50
Family	23.22	10.00	4.58	10.30
Friends	17.00	6.85	7.00	12.50
Religious organizations	-	-	5.50	72.00
Local savings & credit assoc.	6.00	12.10	14.86	13.14
Money lenders	7.50	8.50	4.50	
Other informal providers	-	-	-	-

Source: Online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May -July 2021): PEN = 3.84.

Survey overview

Market sizing highlights

FinTech highlights

Strategic recommendations and outlook

Appendix

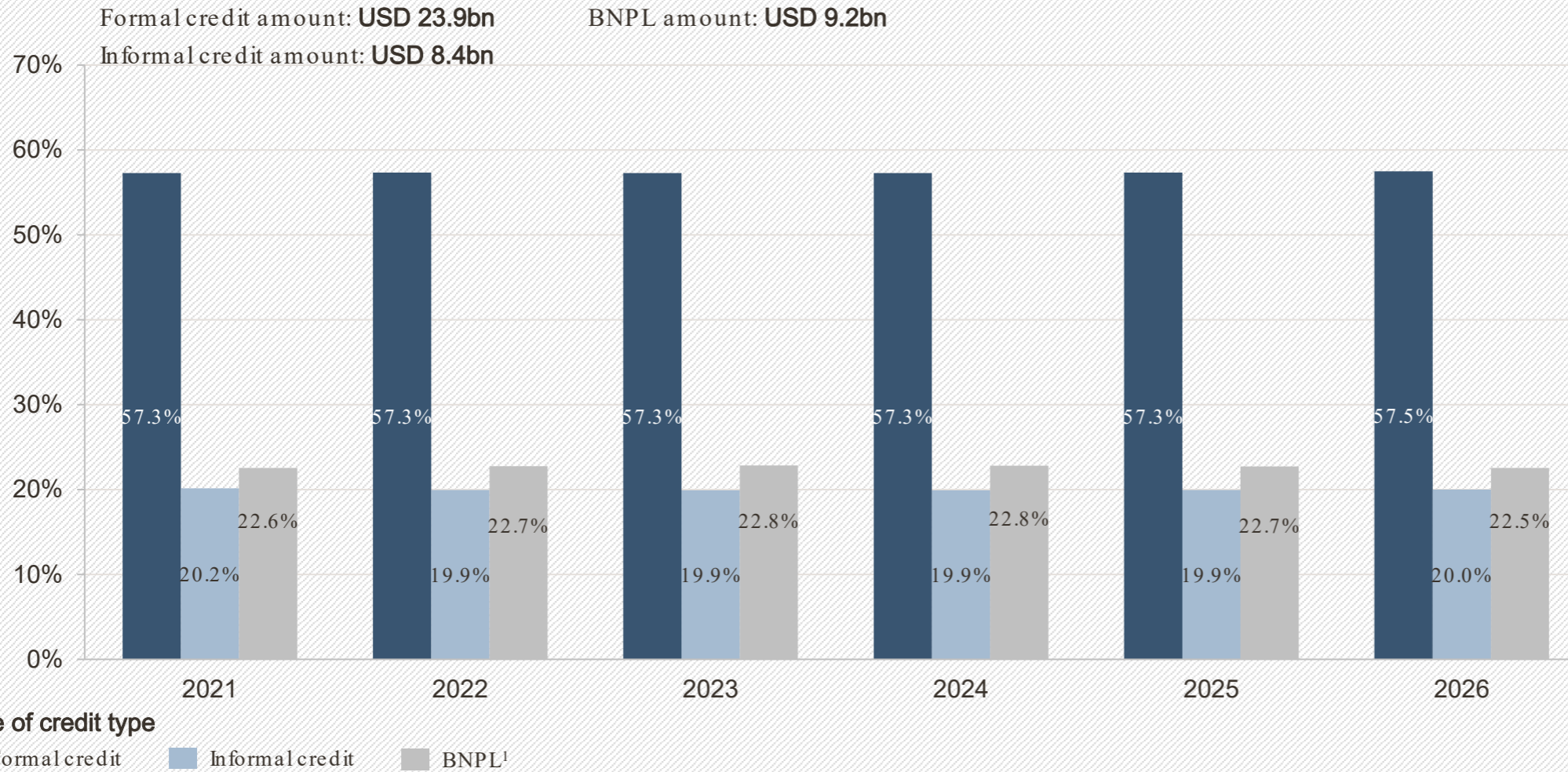
- Concepts and methodology
- Survey highlights
- **Market sizing highlights**
- FinTech highlights



Our model estimates that formal credit is almost three times as large as informal credit for LICONs

Market sizing

Share of LICONs credit amount by lending type



Insights

- Relative share of the different credit means will remain stable
- Formal credit is estimated to show a slight increase while informal credit decreases

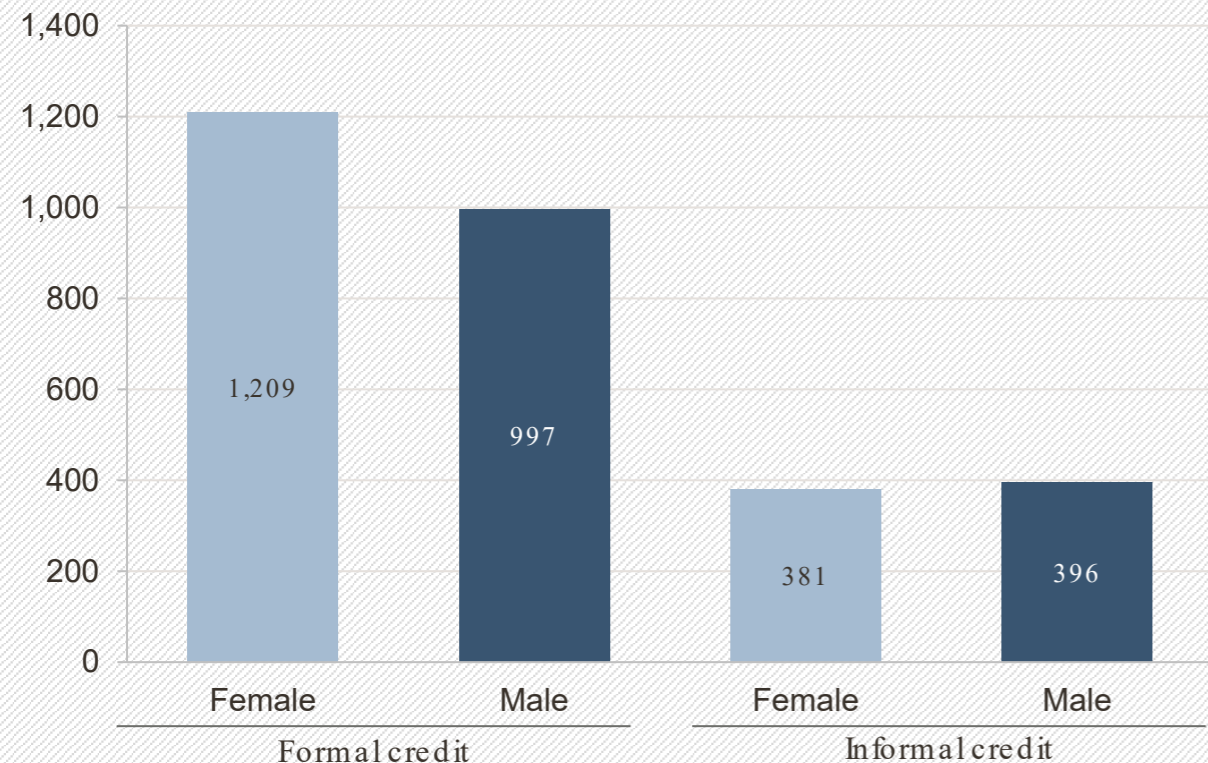
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84; Percentages not adding up to 100% because of BNPL category. Differences to 100% due to rounding. See slides 67, 69 and 75 in methodology report for extrapolation logic. See slide 16 for growth figures used in extrapolation 1) BNPL is neither classified as formal nor informal credit as survey respondents did not indicate the formality of BNPL providers.

Our market sizing model indicates that, on average, urban LICONs take out significantly larger loans than rural LICONs

Market sizing

Average value of formal and informal credit by gender in USD

Average credit value in USD

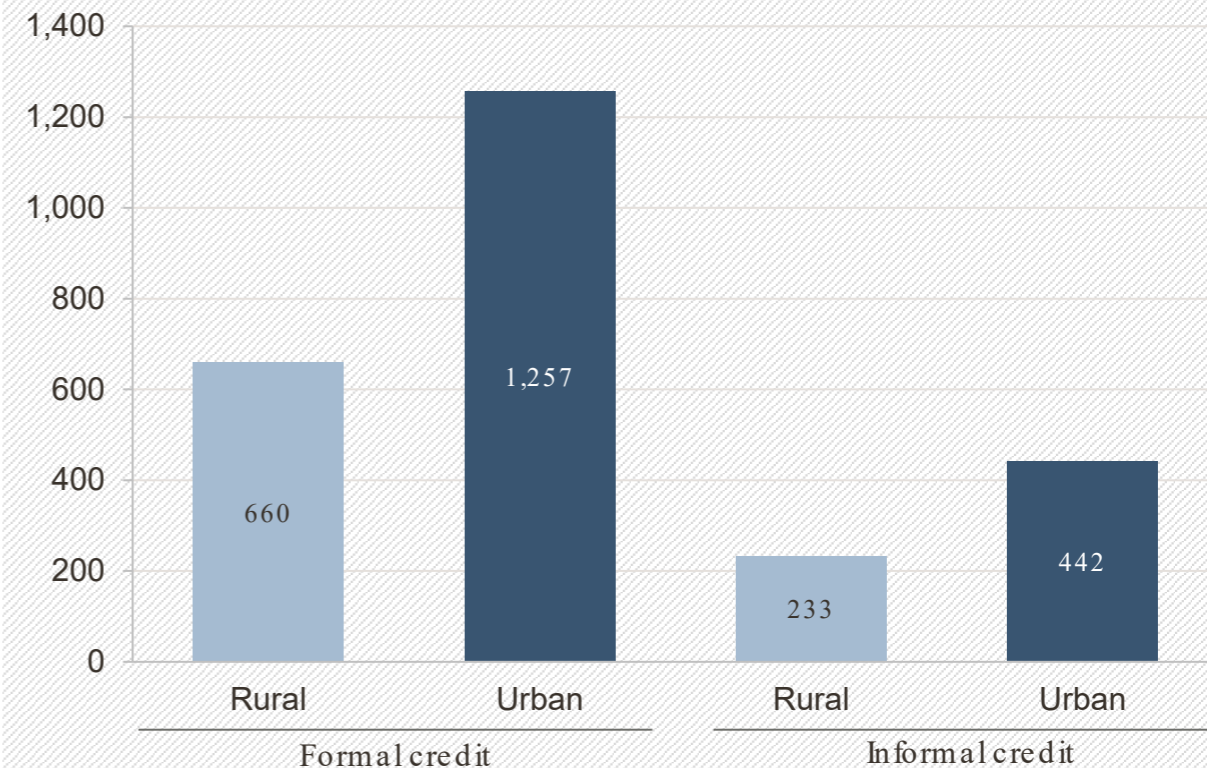


Insights

- On average, female consumers take out slightly larger formal loans than male consumers but about the same size of informal loans

Average value of formal and informal credit by rural/ urban residence in USD¹

Average credit value in USD



Insights

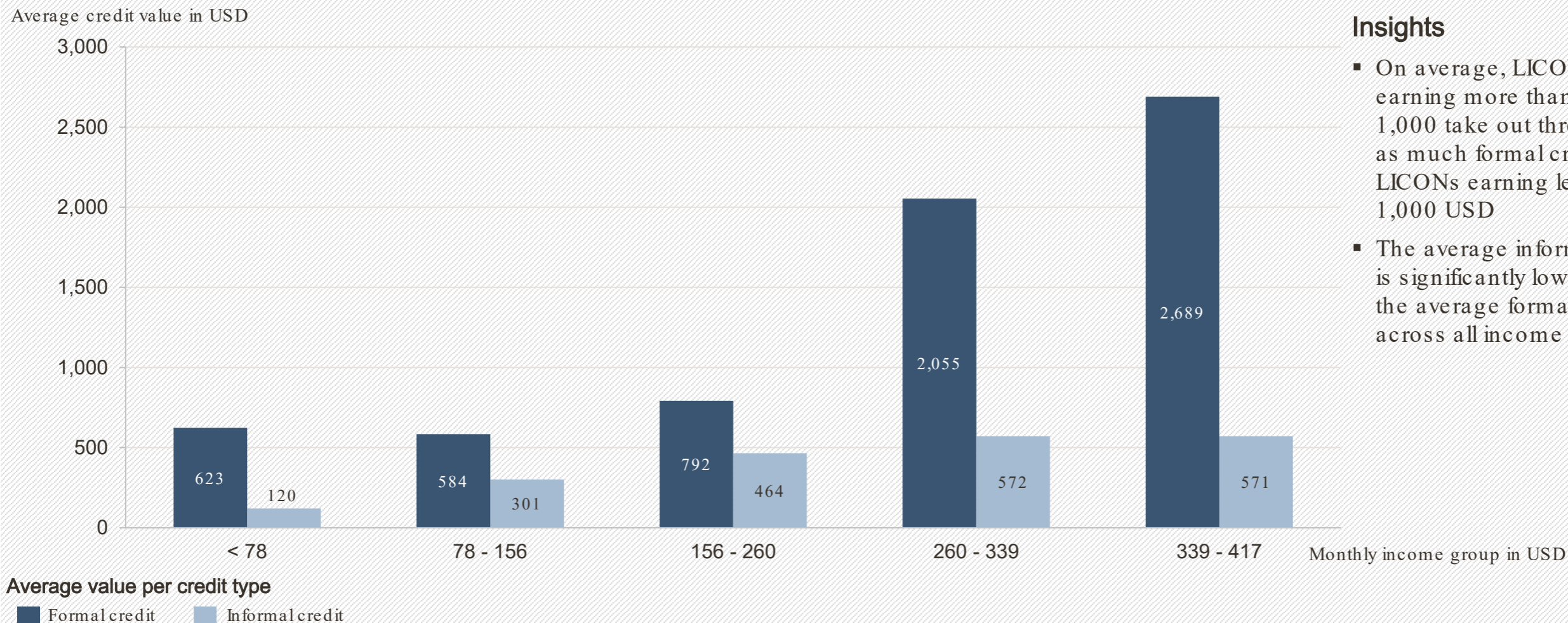
- Urban LICONs take out formal loans that are almost twice as large as those taken out by rural LICONs

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84; See slide 75 in methodology report for extrapolation logic. 1) Rural consumers: < 10,000 population; Urban consumers: > 10,000 population.

Our market sizing model estimates that people in higher income groups take out considerably larger loans

Market sizing

Average value of formal and informal credit by monthly income group in USD



Insights

- On average, LICONs earning more than USD 1,000 take out three times as much formal credit than LICONs earning less than 1,000 USD
- The average informal credit is significantly lower than the average formal credit across all income groups

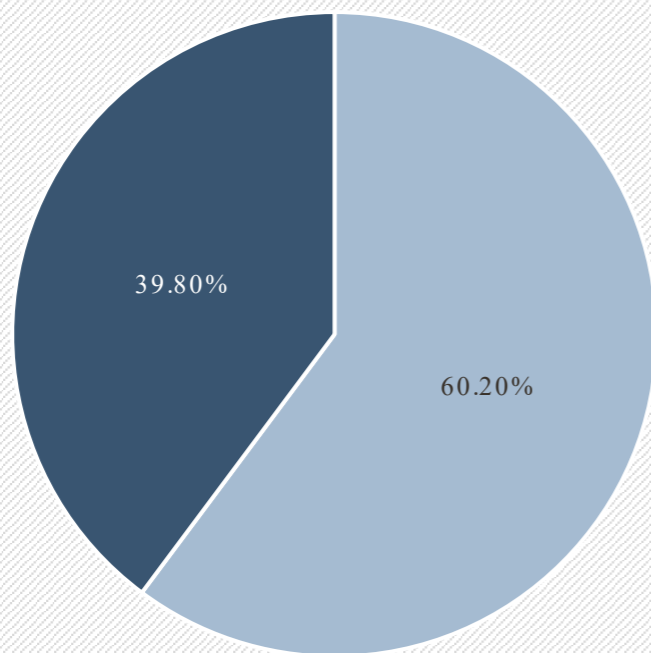
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021); PEN = 3.84. See slide 75 in methodology report for extrapolation logic

Our model suggests that female consumers have significantly higher unmet credit needs than male consumers

Market sizing

Distribution of unmet credit needs by gender

Total unmet credit market: **USD 5.2bn**



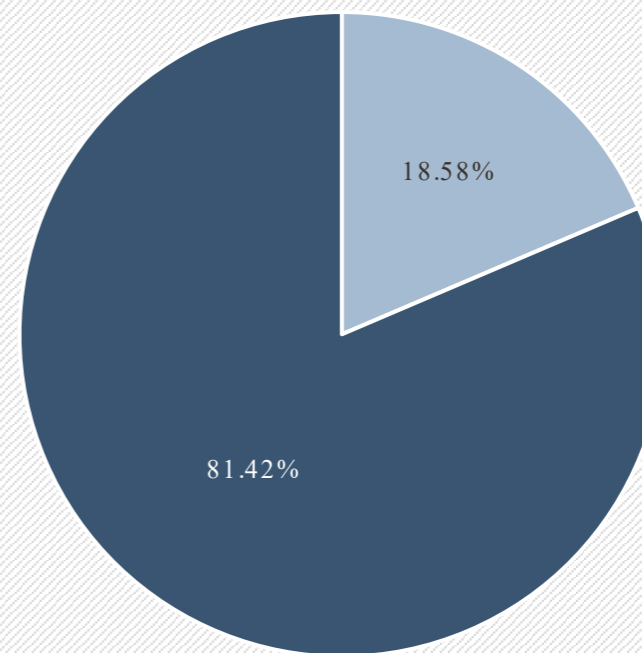
Unmet credit needs
■ Female ■ Male

Insights

- Female unmet credit needs make up almost 2/3 of the total unmet credit market

Distribution of unmet credit needs by rural/urban residence¹

Total unmet credit market: **USD 5.2bn**



Unmet credit needs
■ Rural ■ Urban

Insights

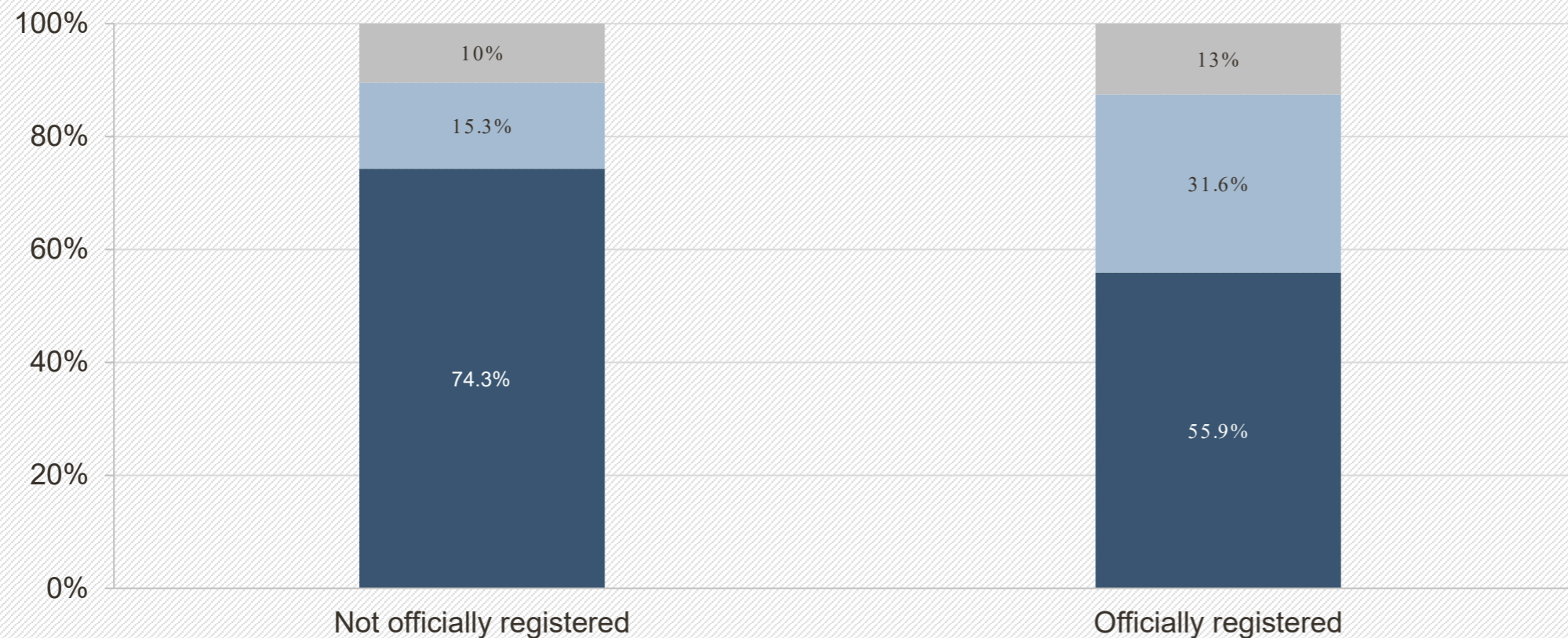
- Urban consumers' unmet credit needs are four times higher than rural consumers' needs

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84; See slide 76 in methodology report for extrapolation logic. 1) Rural consumers: < 10,000 population; Urban consumers: > 10,000 population.

We estimate registered companies will use informal credit sources to a much higher extent than nonregistered firms

Market sizing

Proportion of formal and informal credit of the total credit value disbursed in past 12 months by official registration



Insights

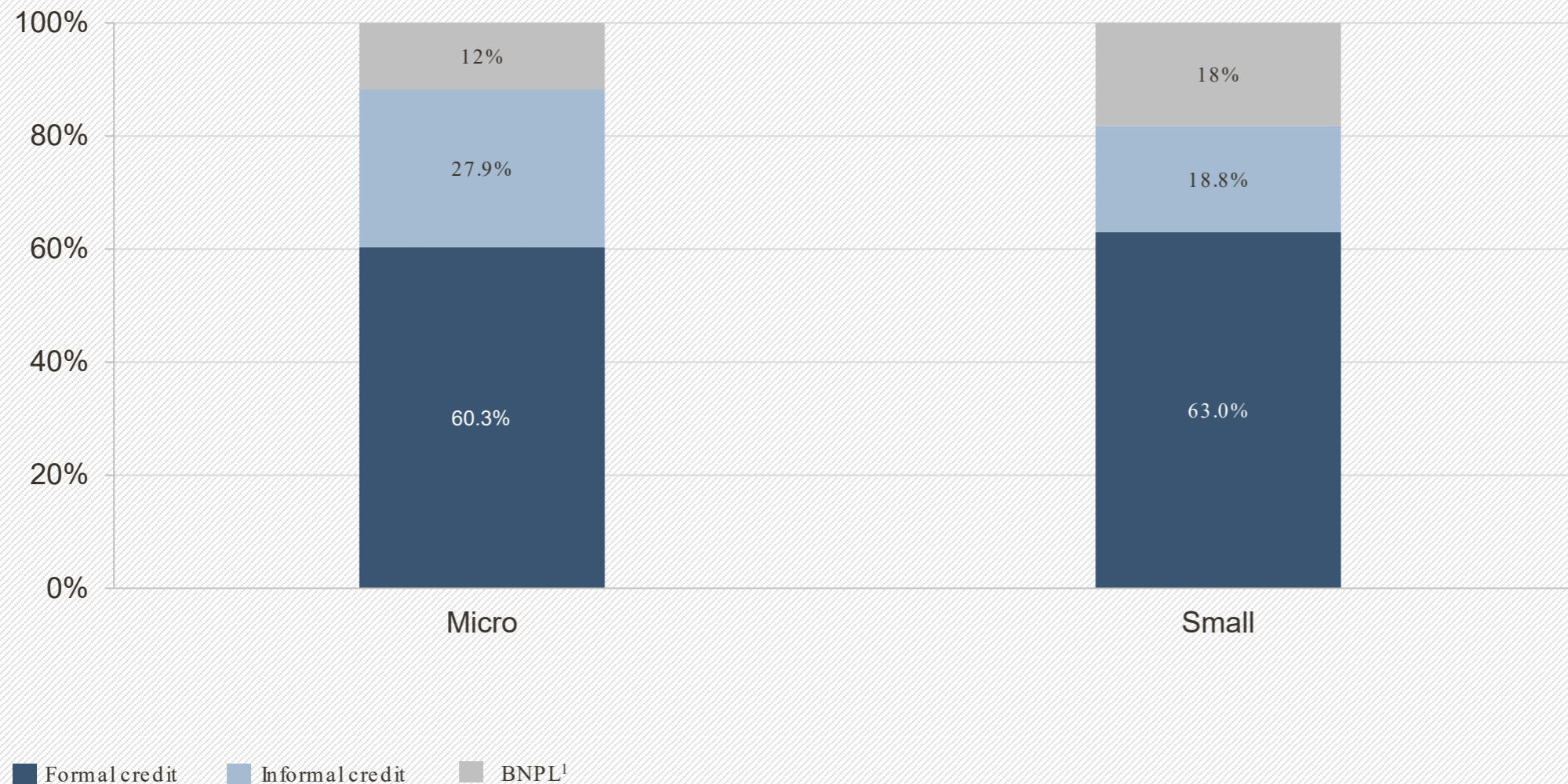
- Despite lack of registration, only 25% of informal companies' loans are not provided by formal lenders
- More than 40% of registered firms' loans are provided by non-formal lenders

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184. Differences to 100% due to rounding. 1) BNPL is neither classified as formal nor informal credit as survey respondents did not indicate the formality of BNPL providers.

Our model predicts that small firms rely much more on formal credit than micro firms

Market sizing

Proportion of formal and informal credit of the total credit value disbursed in past 12 months by business size



Insights

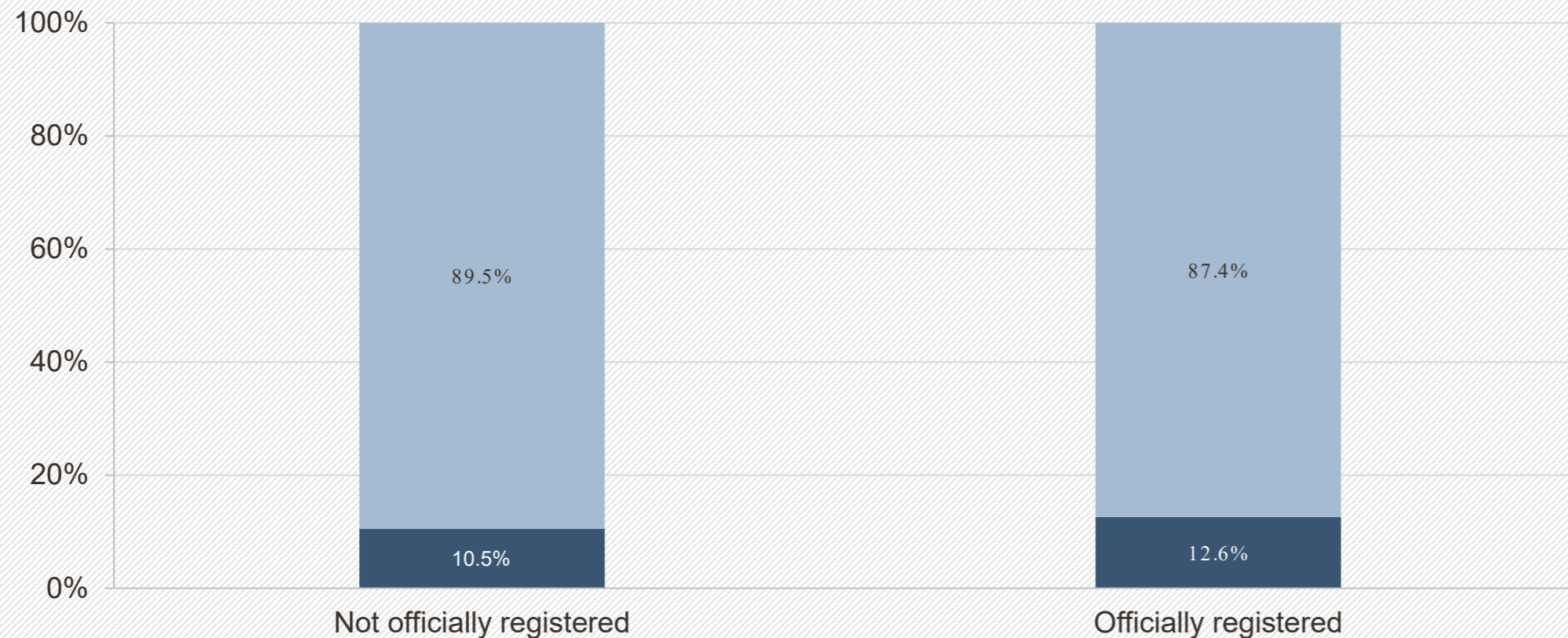
- About 60% of the overall lending amount to micro firms is covered by formal lenders
- Small firms borrow at lower probability from informal lenders

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184. Differences to 100% due to rounding. 1) BNPL is neither classified as formal nor informal credit as survey respondents did not indicate the formality of BNPL providers.

We estimate unregistered firms to make less use of BNPL than registered ones

Market sizing

Proportion of BNPL (buy now, pay later) credit value by official registration



Insights

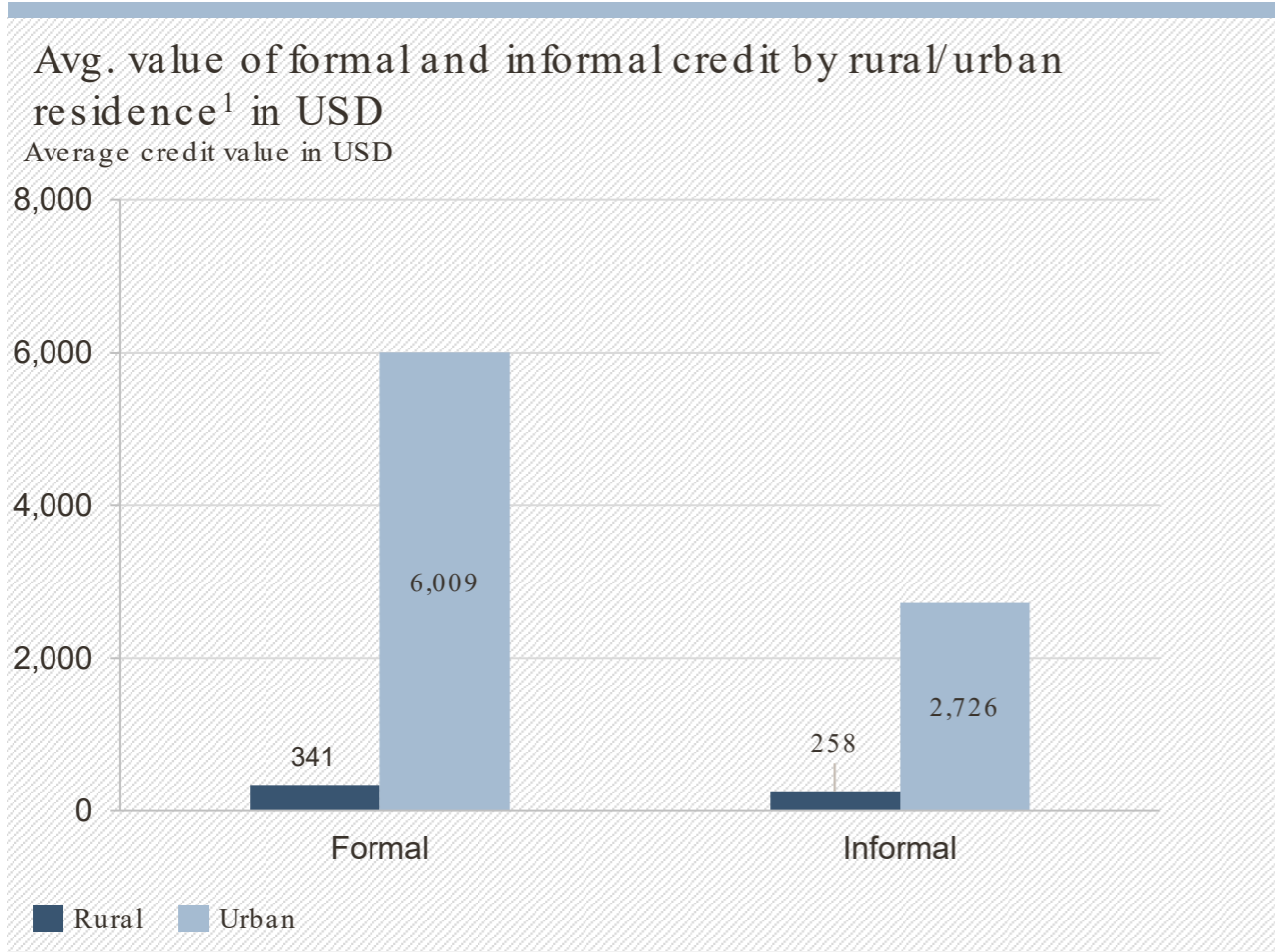
- BNPL constitutes 12.6% of credit volume to registered firms but only 10.5% of credit volume to unregistered ones

■ Share of BNPL of total credit amount ■ Other credit means

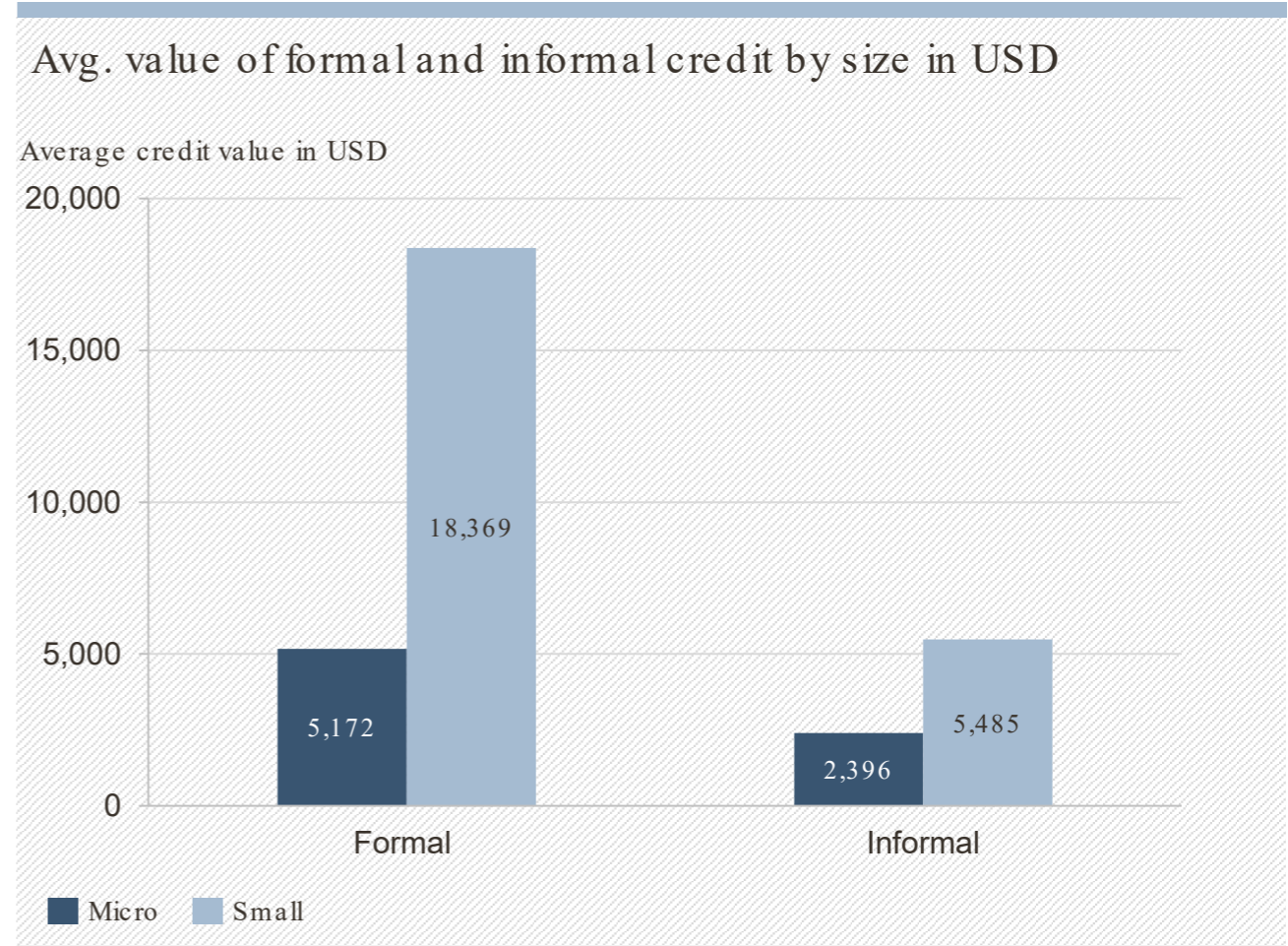
Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184.

Our model suggests that urban and small companies take out formal and informal credits with much higher average values than rural and micro firms

Market sizing



Insights
The credit amount in urban areas is a high multiple of that in rural ones

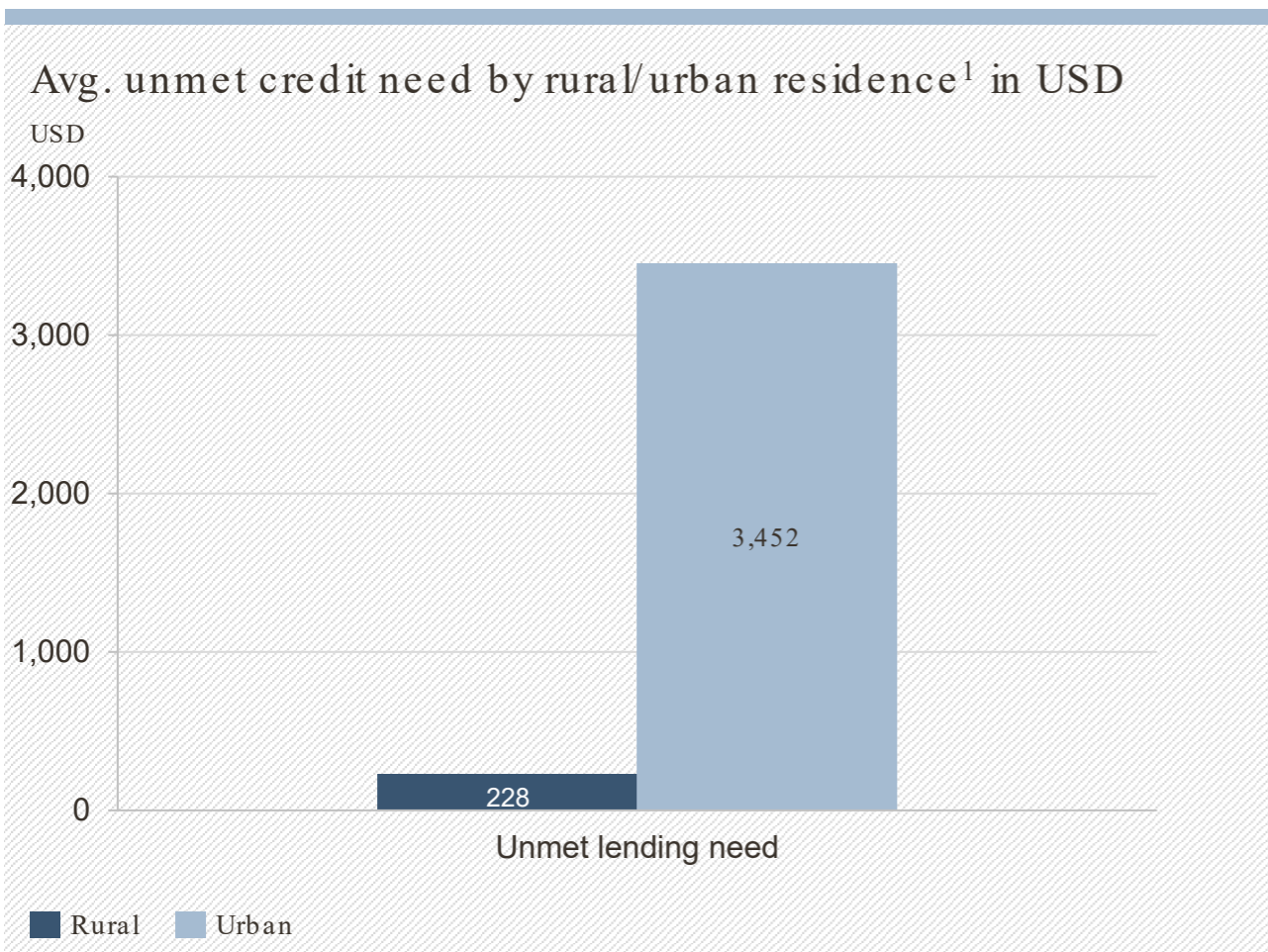


Insights
Small companies will have a much higher average credit value than micro companies, with a similar distribution among different credit means

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184. FX rates based on three months average (May-July 2021); PEN = 3.84; See slide 75 in methodology report for extrapolation logic. 1) Rural companies: < 10,000 population; Urban companies: > 10,000 population.

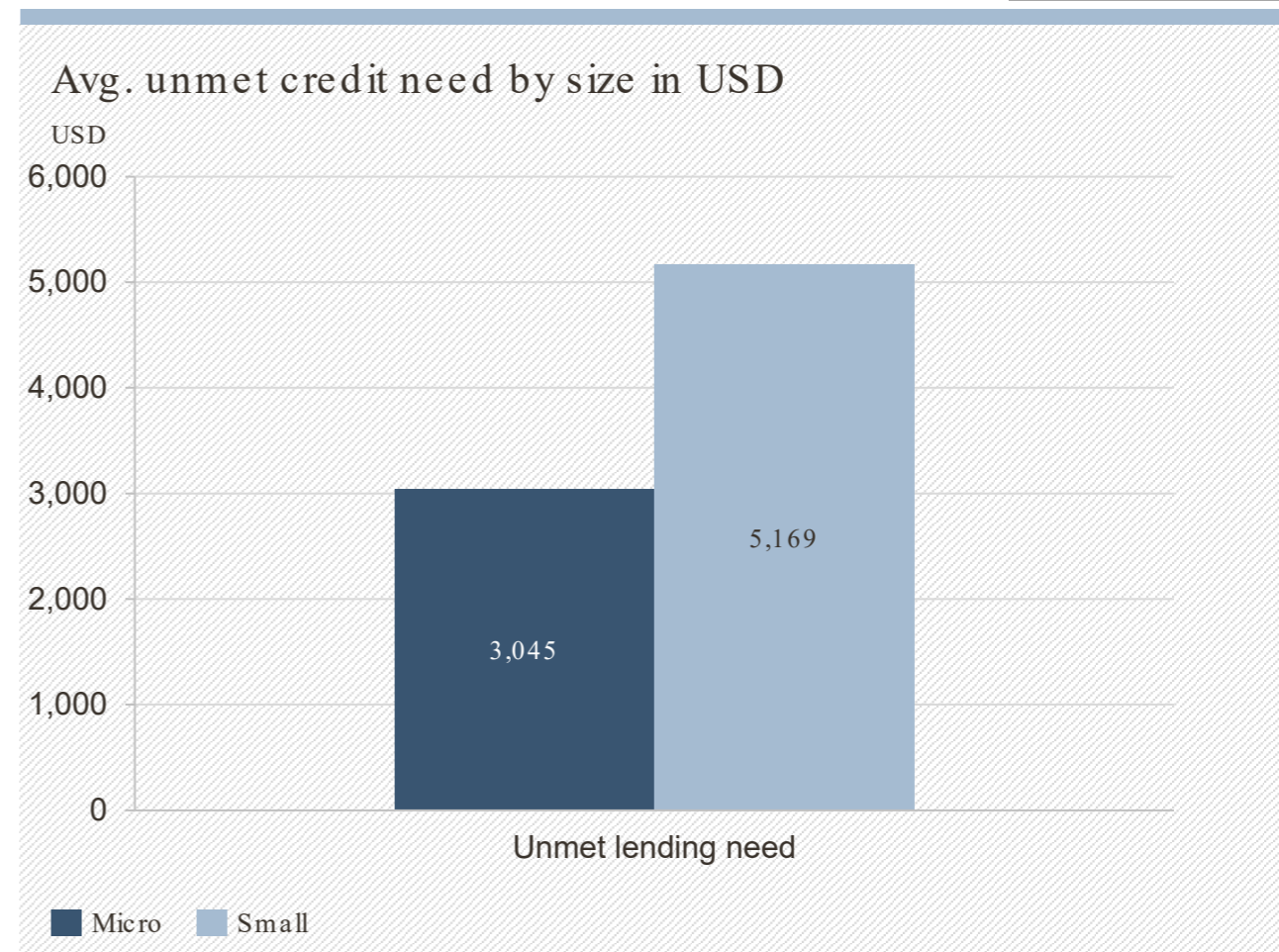
Small and urban companies in Peru have a much higher unmet credit need than micro and rural companies according to our model

Market sizing



Insights

Urban companies have a more than an order of magnitude higher unmet credit need than rural companies



Insights

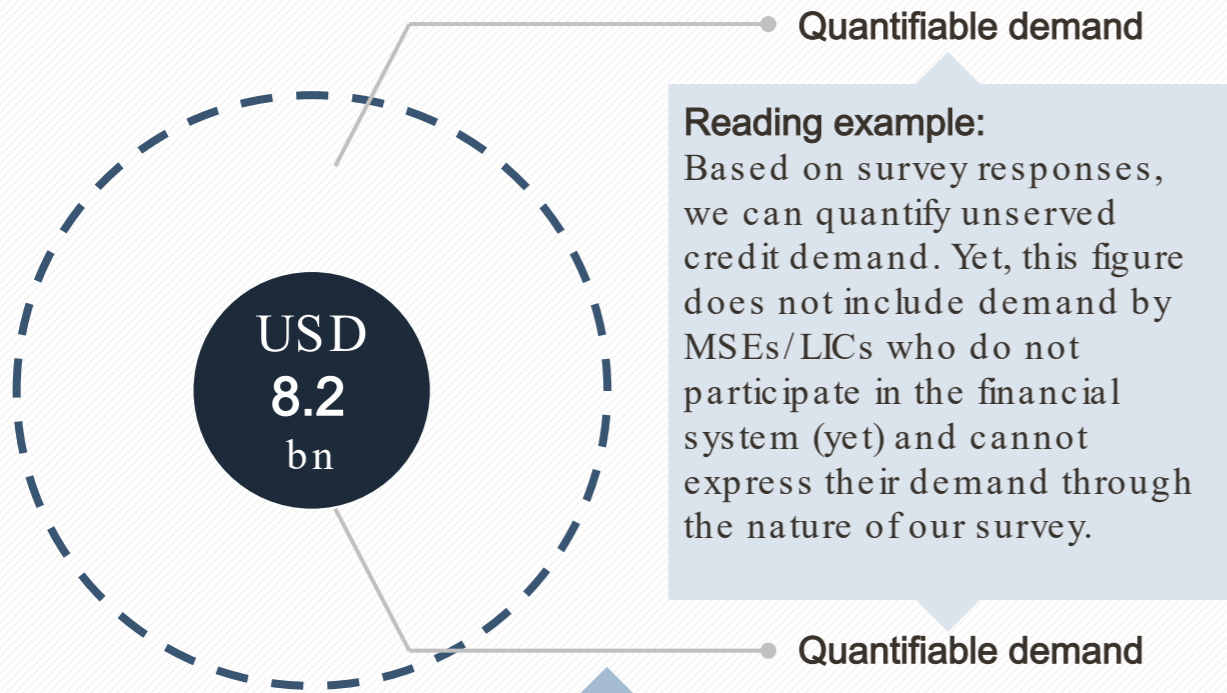
The unmet credit need of small companies exceeds the unmet needs of micro companies by more than 50%

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May-July 2021); PEN = 3.84; See slide 76 in methodology report for extrapolation logic. 1) Rural companies: < 10,000 population; Urban companies: > 10,000 population.

Peruvian MSEs and LICONs have at least USD 13.4bn of demand for credit currently not served by market players

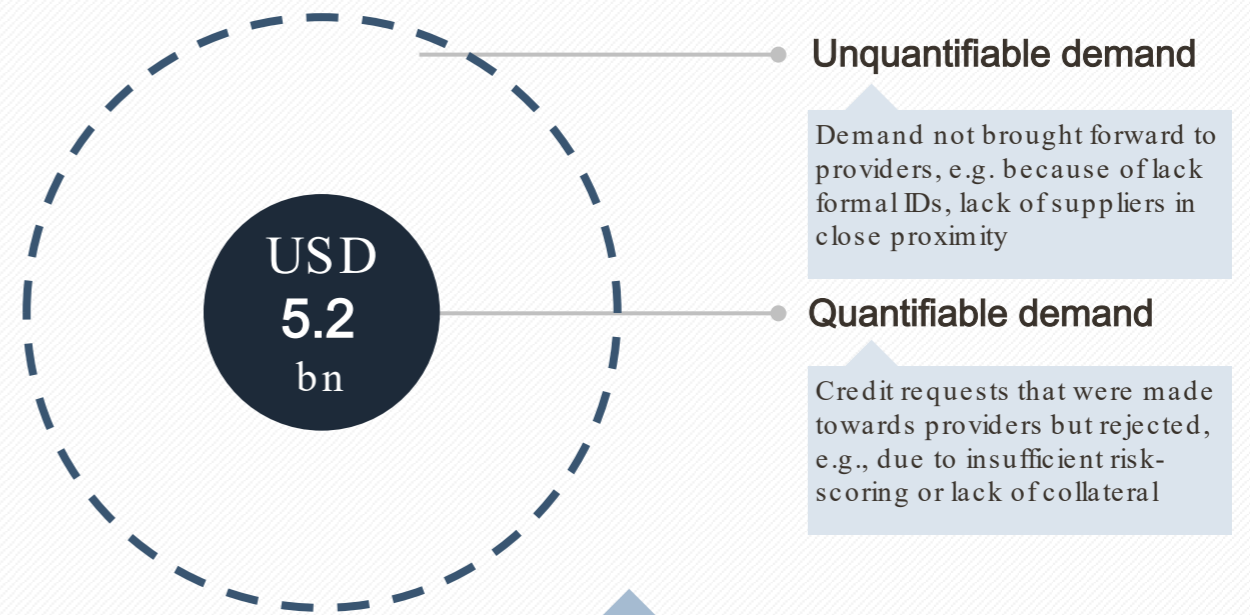
Market sizing

Unserved credit demand by MSEs



Directly measurable unserved demand adds up to ~25.8% of credit taken out by MSEs in 2021

Unserved credit demand by LICONs



Directly measurable unserved demand adds up to ~10.4% of credit taken out by LICONs in 2021

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 453; FX rates based on three months average (May-July 2021): PEN = 3.84. See slide 76 in methodology report for extrapolation logic.

Loans taken by MSEs generating revenues below USD 11k with a tenure of 6 – 24 months make up the largest share of overall loan values

Loan value in USD in Bn

Market sizing

Tenure in months \ Monthly revenue range	1 – 3	> 3 – 6	> 6 – 12	> 12 – 24	> 24 – 48	> 48
< 10,984	0.57	2.85	4.56	4.56	-	1.14
10,984 – < 38,319	1.71	1.95	2.19	1.71	0.97	0.49
38,319 – < 49,109	0.08	0.15	0.26	0.36	0.03	-
49,109 – < 92,080	< 0.01	0.03	0.03	0.05	0.025	0.01

Source: Online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May -July 2021): PEN = 3.84.

MSEs with a revenue below USD 11k that want to take out loans with a tenure between 6 and 24 months, have the highest unserved loan value

Unmet loan value in USD in Bn

Market sizing

Tenure in months \ Monthly revenue range	1 – 3	> 3 – 6	> 6 – 12	> 12 – 24	> 24 – 48	> 48
< 10,984	0.26	1.3	2.08	2.08	-	0.52
10,984 – < 38,319	0.35	0.4	0.45	0.35	0.2	0.1
38,319 – < 49,109	0.01	0.03	0.04	0.06	< 0.01	-
49,109 – < 92,080	< 0.01	0.01	0.01	0.01	0.003	< 0.01

Source: Online survey and phone interviews of Peruvian MSEs conducted between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May -July 2021): PEN = 3.84.

Loans taken by LICONs earning between USD 260 – 339 with a tenure of 6 - 12 months make up the largest share of overall loan values

Loan value in USD in Bn

Market sizing + survey analysis

Tenure in months \ Monthly income range (USD)	1 – 3	> 3 – 6	> 6 – 12	> 12 – 24	> 24 – 48	> 48
< 78	0.6	0.2	0.7	0.9	1.4	5.8
78 - 156	0.7	0.5	1.0	0.3	0.4	-
156 - 260	1.0	1.9	2.6	2.9	0.1	-
260 - 339	1.2	2.1	7.8	2.5	2.1	1.7
339 - 421	1.1	3.5	6.6	4.0	1.0	0.4

Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 453; FX rates based on three months average (May-July 2021); PEN = 3.84.

LICONs earning between USD 78 and USD 156 that want to take out loans with a tenure up to 6 months, have the highest unserved loan value

Unmet loan value in USD in Bn

Market sizing + survey analysis

Tenure in months \ Monthly income range (USD)	1 – 3	> 3 – 6	> 6 – 12	> 12 – 24	> 24 – 48	> 48
< 78	0.17	0.07	0.10	0.04	0.04	0.02
78 - 156	0.54	0.54	0.45	0.09	0.05	-
156 - 260	0.35	0.28	0.47	0.17	0.03	-
260 - 339	0.18	0.14	0.25	0.06	0.04	0.01
339 - 421	0.21	0.25	0.33	0.20	0.07	0.03

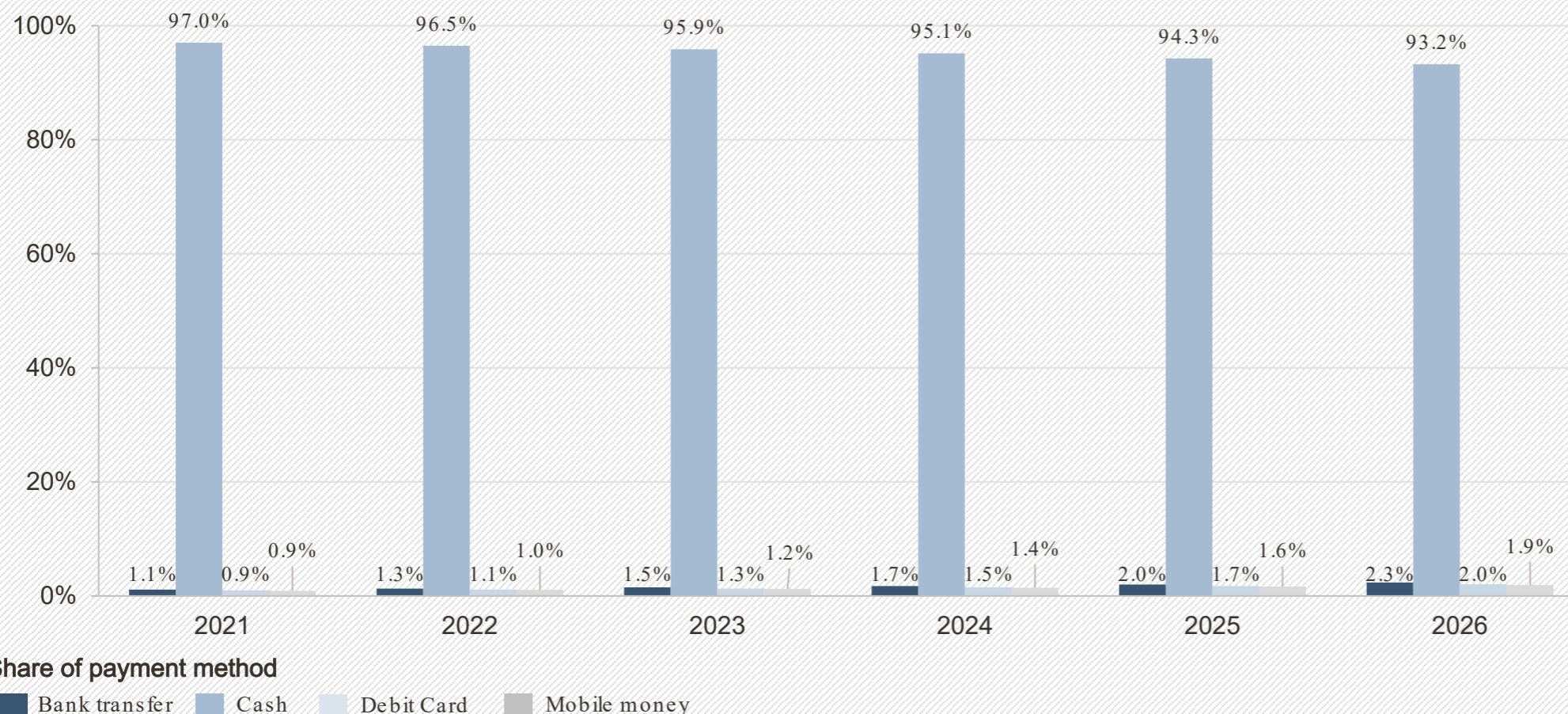
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 453; FX rates based on three months average (May -July 2021); PEN = 3.84.

Our model estimates that cash will remain the most prevalent payment type for Peruvian LICONs, even though its share will decrease by 4 percentage points

Market sizing

Share of LICONs payments by payment type

Total payments market 2021: USD 40.7bn



Insights

- The share of bank transfer, debit card, and mobile money payments will increase at least by 1%-point over the next five years, mainly driven by new demand from urban customers

80% of all payment value conducted by urban customers

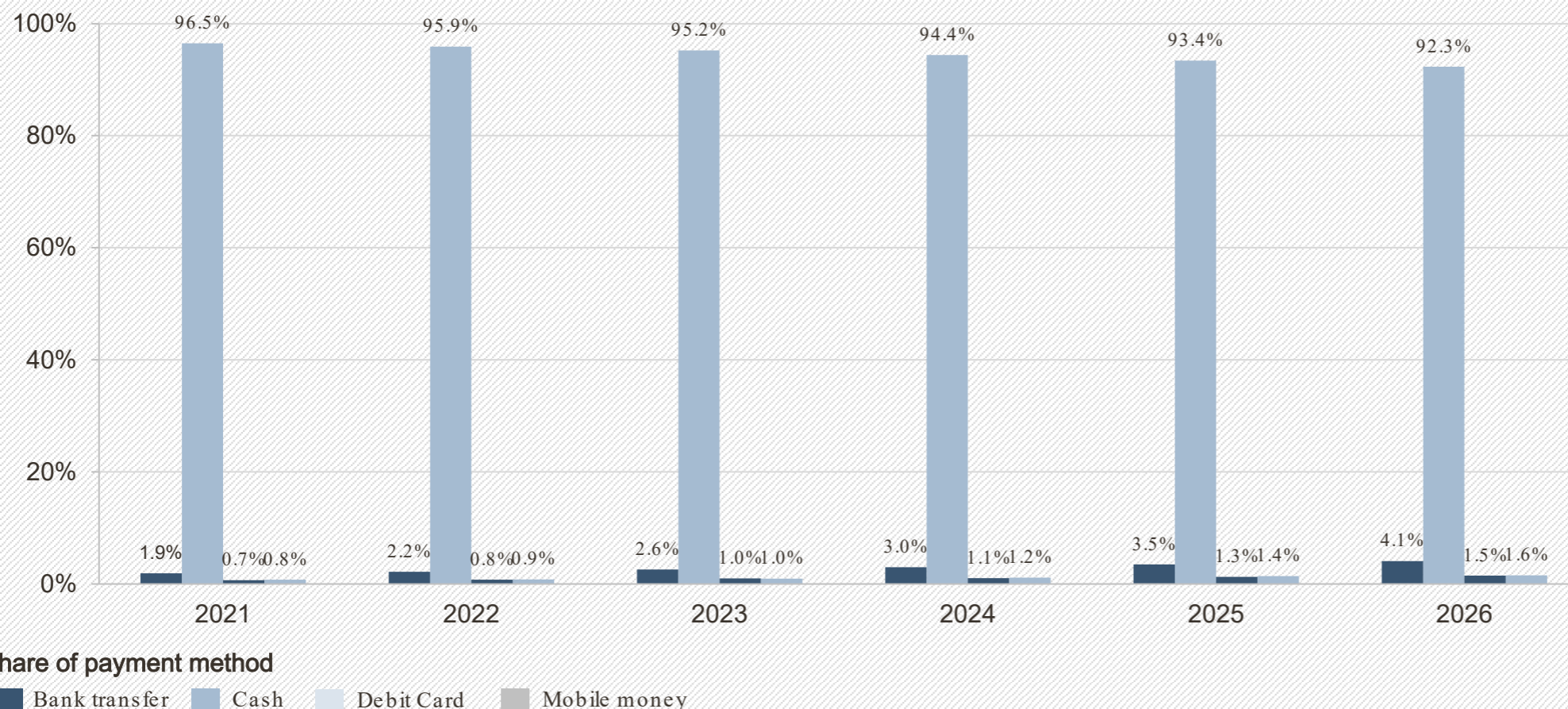
Source: Online survey and face-to-face interviews of Peruvian LICONs conducted between June 29 and July 20, 2021, n = 454; FX rates based on three months average (May-July 2021): PEN = 3.84; Percentages not adding up to 100% because of "Other" category.

Cash will stay the most important payment type for MSEs in Peru, even though its share will decrease by 4% -points over the next five years

Market sizing

Share of MSE payments by payment type

Total payments market 2021: USD 37.7bn



Insights

- The share of cash payments will reduce slightly over the coming years but will retain its dominance
- Bank transfer and mobile money to compensate for a majority of diminished cash payments

Source: Online and phone interviews of Peruvian MSEs between June 29 and July 20, 2021, n = 184; FX rates based on three months average (May-July 2021); PEN = 3.84; Percentages not adding up to 100% because of "Other" category.

1 Demand side: Low income consumer survey

Part zero – Demographics and core segmentation

- What is your gender?
- How old are you?
- Where do you live?
- How many people live in your city/village?
- What is your primary source of income?

Part one – Descriptive variables

- How much is your total monthly income in Indian Rupees/ Kenyan Shilling/ Nigerian Naira / Peruvian Soles?
- Do you have an account with any of these providers?
- Do you own a smartphone?
- What types of mobile money applications do you use?

Part two – Savings market

- What is the total amount of savings you currently possess in Indian Rupees/ Kenyan Shilling/ Nigerian Naira / Peruvian Soles?
- On average, how much of your total income do you save per month?
- Which of the following do you use to save money?
- How much of your savings have you stored in these ways (the options selected in the previous question)? (Allocate 100 points)
- What is your main purpose for saving money?

Part two – Payments market

- How high are your typical monthly expenses in Indian Rupees/ Kenyan Shilling/ Nigerian Naira / Peruvian Soles? (including utilities and rent)
- Which of the following do you use to make payments?
- How many outgoing payments do you make per week?
- Which of the following ways do you receive payments? (including your main source of income, e.g., salary, government subsidy, family support)
- Do you use any digital applications to track your expenses and income?


1 Demand side: Low income consumer survey



Part two – Lending market

- Do you buy things that you pay for later?
- Which providers allow you to buy now and pay later?
- How much do repayments for these "buy now pay later expenses" account to your total monthly expenses?
- During the past 12 months, have you received any karzas (loans) that you need to pay back? (including family, friends, social networks, money circles, and banks)
- In general, where do you receive money that you need to pay back from any of these sources?
- In general, where do you receive money that you need to pay back from any of these types of people or organizations?
- How many loans do you apply for each year? (Considering all lenders selected in the previous question)
- How much money have you borrowed in the last 12 months? (in Indian Rupees/ Kenyan Shilling/ Nigerian Naira / Peruvian Soles)
- When you ask to borrow money, do you usually get as much as you need/ask for/apply for?
- Why are your loan applications rejected?
- What is your average loan size in Indian Rupees/ Kenyan Shilling/ Nigerian Naira / Peruvian Soles?
- Do you have to pay interest, fees or any other additional amount on top of what you borrowed?
- If yes, how much interest or what fees do you pay per every 100 borrowed Indian Rupees/ Kenyan Shilling/ Nigerian Naira / Peruvian Soles?
- How frequently did you need to pay your interest or additional amount inserted in the previous question?
- On average, how much time do you have to pay your loan back?
- Were you required to provide an asset as guarantee (collateral) against your borrowed amount?
- If yes, please select all that apply
- Did you have to get someone to guarantee you (pay back the money you borrowed) in case you didn't pay back your borrowed money (loan)?
- What were the reasons behind taking out loans ?
- How much debt do you think your colleagues/ friends currently have?

1 Demand side: Micro and small enterprises survey



Part zero - Demographics and core segmentation

- What is your occupation within the firm?
- What is your gender?
- How old are you?
- Where do you live?
- How many people live in your city/village?
- How many women own, co-own, or help manage your business?
- What sector does your business operate in?
- What is the nature of your business? e.g., restaurants, food retailer, non-food retailer, furniture manufacturing, education, tailor, construction
- Is your company officially registered?

Part one - Descriptive variables

- In addition to yourself, what is the highest number of full-time employees your business has ever employed over the past five years?
- In addition to yourself and your full-time employees, what is the highest number of seasonal or part-time employees your business has ever employed over the past five years?
- How many female employees does your business currently employ?
- How much is your business' annual revenues in Indian Rupees/ Kenyan Shilling/ Nigerian Naira / Peruvian Soles?
- How long has your business been operating?
- What is the value of all physical assets your business owns? (machinery, vehicles, etc.)
- What type of physical assets does your business own? (machinery, vehicles, etc.)
- Do you have an account with any of these providers?

Part two – Savings market

- Which of the following methods do you use to save money?
- How much of your savings have you stored in these ways (the options selected in the previous question)? (Allocate 100 points)
- How many months could you finance your business without revenues?

1 Demand side: Micro and small enterprises survey



Part two – Payments market

- How high are your typical monthly expenses for your business in Indian Rupees/ Kenyan Shilling/ Nigerian Naira / Peruvian Soles? (incl. rent, utilities salaries, taxes, and gov. bills)
- How many outgoing payments do you execute per week?
- Which of the following methods do you use to make payments?
- How many incoming payments do you receive per week?
- Which of the following methods do you receive payments through?
- Do you use any digital applications to track your expenses and income?

Part two – Lending market

- Which of the following methods do you use to pay your suppliers?
- How many suppliers do you work with?
- How many of your suppliers allow you to pay later?
- Which suppliers allow you to buy now and pay later?
- What share of your monthly expenses goes toward paying suppliers which allow you to pay later?
- Over the past 12 months, have you received any karzias (loans) that you need to pay back? (to help you run your business? Due to being short on money? Or because you want to expand your business or do any other business related activities?)
- In general, where do you receive money that you need to pay back from any of these types of organizations?
- In general, where do you receive money that you need to pay back from any of these types of sources?
- How many loans do you apply for each year? (Considering all lenders selected in the previous question)
- How much money did you borrow in the past 12 months? (in Indian Rupees/ Kenyan Shilling/ Nigerian Naira / Peruvian Soles)
- When you ask to borrow money for your business, do you usually get as much as you need/ask for/apply for?
- Why are your loan applications rejected?
- What is your average loan size in Indian Rupees/ Kenyan Shilling/ Nigerian Naira / Peruvian Soles?
- Do you have to pay interest, fees, or any other additional amount on top of what you borrowed?
- If yes, how much per every 100 in Indian Rupees/ Kenyan Shilling/ Nigerian Naira / Peruvian Soles borrowed?
- How frequently did you need to pay your interest or additional amount you mentioned in the previous question?
- On average, how much time do you have to pay your loan back?
- Were you required to provide an asset as guarantee (collateral) against your borrowed amount?
- If yes, please select all that apply
- Did you have to get someone to guarantee you (pay back the money you borrowed) in case you didn't pay back your borrowed money (loan)?
- What were the reasons behind taking loans ?
- How much debt do you think businesses similar to yours currently have?

Financial sector taxonomy explained

Entity	Definition	Country specific examples			
		Kenya	India	Peru	Nigeria
Banks	Full service institutional banks	National Bank of Kenya, Kenya Commercial Bank, Equity Bank Kenya	HDFC Bank, State Bank of India, ICICI Bank	Banco de Credito del Peru (BCP), Interbank, Scotiabank, BBVA Continental, Banco de la Nación	First Bank Nigeria Plc, Access Bank Nigeria Plc, Guaranty Trust Bank Plc
FinTechs	Technology-based provider for financial services, often but not always specialized on digital channels (i.e. App- and Web-based business model)	PesaPal, Abacus, Jambo Pay	Lendingkart, Instantmojo, Bridge2capital, DMI Finance	Tiendacerca, agroinvesting, Andy	Flutterwave, PayStack, Interswitch
Mobile network operator (MNO)	Mobile network companies often provide financial services to customers without requiring a bank account	M-PESA, Airtel Kenya, Telkom Kenya	Jio, Airtel, Vi	Bitel, Claro, Telefonica, Entel	MTN, Globacom, Airtel
Microfinance institution	Organizations that provide loans to low-income clients, including micro-companies and the self-employed, who traditionally lack access to mainstream sources of finance from Banking Institutions	Faulu Kenya, Uwezo Microfinance Bank Limited	Equitas Small Finance, ESAF Microfinance and Investments, Fusion Microfinance Pvt	Cajas municipales, Rurales, Edpymes, e.g. Caja Piura, Caja Arequipa, Financiera Confianza	Abatete Microfinance Bank Limited, Abigi Microfinance Bank Limited, ACE Microfinance Bank Limited
Financial cooperatives	An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise	SACCOs	Saraswat bank, NABARD	Cooperativa Pacifico, Cooperativa Abaco	National Cooperative Financing Agency of Nigeria
Savings and credit associations	Formal money circles that are managed by a 3 rd party	Chamas such as chamasoft ¹ , Aturi Africa	Chit-Funds such as Shriram Chits, Mysore Sales International and Margadarsi Chit Funds	Grupo de Ahorro y Crédito, Juntas, Panderos	VSLA, SILC
Specialized lending companies	Companies that offer credit services as their core offering	Housing finance companies, factoring firms for prepayment on receivables or leasing firms			
Money lenders	Informal lenders that do not operate within the financial sector	Pawn shops, loan sharks, etc.			
Big Techs	Technology companies that, due to their high traction, offer credit services as a complementary offering	Facebook, Google, Apple, WeChat			
Family Friends Religious groups	Family, friends and religious groups are often the first choice for credit provision before seeking other entities	-			
Local savings and credit associations	Informal money circles that are managed by its members	Chamas or similar groups among family, friends, or neighbours	Chitfunds or similar groups among family, friends, or neighbors	Juntas or similar groups among family, friends, or neighbors	Esusu, Ajo, Adaji or similar groups among family, friends, or neighbors
Utility providers	Utility providers, wholesalers, retailers, ecommerce platforms, and agricultural providers that sell their goods and services on credit terms are considered Non-Financial-Sector credit providers	Water, electricity, etc.			
Wholesalers		Sellers and distributors of machinery, of inventory, raw materials, etc.			
Retailers		Food, clothing, street stalls and market vendors			
eCommerce platforms/online shopping		Mydawa.com, Phone place Kenya	Amazon, Flipkart	Mercado Libre, Lumingo, Linio	Jumia, Konga, Jiji
Agricultural providers		Seeds, fertilizer, pesticide suppliers			

Source: Simon-Kucher & Partners 1) Caveat: wrong example cited (Chamasoft is a Software for chamas, not a savings association itself)

Survey overview

Market sizing highlights

FinTech highlights

Strategic recommendations and outlook

Appendix

- Concepts and methodology
- Survey highlights
- Market sizing highlights
- **FinTech highlights**

Primary research highlights

FinTech and interviewee



Miguel Arce
Commercial manager




Laure Schlesinger
Cofounder and COO



Iván Castañeda
CEO



Maria Cuya, CEO
Alfredo Espinosa, CTO



Dante Leon
CEO

FinTech highlights

- Provides payment and money transfer services for individuals and MSEs

- Working capital loans for micro, small, and medium-sized companies
- 500+ loans disbursed

- Provides pockets, online payment, and QR code services and loans for SMEs
- Loan disbursement in 48 hours
- Promotes acceptance of digital payments

- Factoring platform that connects SMEs with investors
- Convert invoices to legal, sellable paper

- Marketplace of savings & investments
- Avg. ticket size of USD 20K
- 2 main products; fixed deposits & direct lending

Interview highlights

- "It is quite expensive to send money to rural areas."
- "Due to political problems, entities are worried about their own issues right now"
- "New alliance will be announced next month (a cooperation with Facebook was agreed on a few years ago)"

- "We are now switching our business model. We are beginning a balance sheet model; natural progression and now we are working with SPV (special purpose vehicle), and we are launching an investment fund for factoring"
- "In Peru, you don't need a banking license to loan. We are just registered as a loan house"
- "The average loan size USD 20,000. Our loans begin at USD 6,000, and our biggest loan is USD 150,000"

- "Strategy: targeting clients that are at the base of the pyramid: MSEs and entrepreneurs"
- "Thanks to the way our solution is designed, you only need your national ID card. That's it. No tax ID or any other documents are required. The signup process is super fast, and you can start selling immediately"
- "We processed 500 million transactions this month"

- "We do factoring, but it's different than banking factoring. We are an open factoring. We allow the same market to control the discount % and open the market to everyone"
- "We have alliances with investors' companies, not just the individuals"
- "We provide companies with a service that converts their invoices to a legal paper. They can then sell the legal paper, and for that; we charge a fee"

- "In Peru, people take from 4-6 days to find the best product for savings & investments; the low financial education in the country is a problem; in addition to, the low digitalization of companies looking for working capital/ raising capital through the internet"
- "Our challenge next years; will be to connect 100% all digital; even with small tickets USD 100"

Market readiness - What does it take for FinTechs to start -up and grow?

Peru – Tasa Top

	Metric	Explanation	Scoring					Scoring rationale/ comments (if available/ possible)
			1	2	3	4	5	
Market readiness	Level of financial literacy across MSEs	1=Very low financial literacy; 5=Very high financial literacy		x				I don't think the knowledge is high
	Digital FS infrastructure (e-KYC, POS coverage, national payment gateway, digital IDs...etc.)	1= Poor and offline KYC, 5=efficient and digital KYC			x			
	MSEs credit scoring availability, quality and costs	1=no scoring, 2=scoring available, 3 -5= quality, accuracy and accessibility of the scoring				x		
	Interbank clearing house	1=Very inefficient, 5= Very efficient			x	x		
	Data storage infrastructure availability, security, reliability and coverage	1= Very poor; 5=Very strong					x	
	Enabling regulation for FinTechs specialized in MSEs	1= No specific regulations; 5= Very encouraging, specific and transparent regulations in place		x				No strong regulations at the moment; however, no regulations is sometimes good because it gives use flexibility
	Internet and smartphone penetration levels across MSEs	1= <25%; 3= 70%; 5= >90%				x		
	Established banks obliged to offer APIs / Open Banking	1= Not applied , 2 -4= degree of application, 5= Fully applied/integrated	x	x				
	Funding possibilities for FinTechs specialized in MSEs	1=Limited, handful # of investors, 5=Available, mature investors ecosystem		x				The culture of investment from private funds is not as in the United stated or Mexico, but we are getting there
Market attractiveness	% of MSEs in the market to total # of all companies/ businesses	1= <25%; 2= 50%; 3= 75%; 4= 85%; 5= >95%				x		
	% of MSEs that have access to financial systems (account ownership)	1= <5%; 3= 50%; 5= >80%			x			
	MSEs demand for digital (FinTech) products/ services	1= Very low; 5=Very high					x	
	MSEs WTP for digital (FinTech) FS providers products/ services	1= Very low; 5=Very high			x			
	Level of competition for FinTechs specialized in MSEs	1= Very low; 5=Very high		x				We definitely need more FinTechs and their offerings

Market readiness - What does it take for FinTechs to start -up and grow?

Peru – Niubiz (Vendemas)

Metric	Explanation	Scoring					Scoring rationale/ comments (if available/ possible)	
		1	2	3	4	5		
Market readiness	Level of financial literacy across MSEs	1=Very low financial literacy; 5=Very high financial literacy						
	Digital FS infrastructure (e-KYC, POS coverage, national payment gateway, digital IDs...etc.)	1= Poor and offline KYC, 5=efficient and digital KYC						
	MSEs credit scoring availability, quality and costs	1=no scoring, 2=scoring available, 3-5= quality, accuracy and accessibility of the scoring						
	Interbank clearing house	1=Very inefficient, 5= Very efficient						
	Data storage infrastructure availability, security, reliability and coverage	1= Very poor; 5=Very strong						
	Enabling regulation for FinTechs specialized in MSEs	1= No specific regulations; 5= Very encouraging, specific and transparent regulations in place						
	Internet and smartphone penetration levels across MSEs	1= <25%; 3= 70%; 5= >90%						
	Established banks obliged to offer APIs / Open Banking	1= Not applied , 2-4= degree of application, 5= Fully applied/integrated						
	Funding possibilities for FinTechs specialized in MSEs	1=Limited , handful # of investors, 5=Available, mature investors ecosystem						
Market attractiveness	% of MSEs in the market to total # of all companies/ businesses	1= <25%; 2= 50%; 3= 75%; 4= 85%; 5= >95%						
	% of MSEs that have access to financial systems (account ownership)	1= <5%; 3= 50%; 5= >80%						
	MSEs demand for digital (FinTech) products/ services	1= Very low; 5=Very high						
	MSEs WTP for digital (FinTech) FS providers products/ services	1= Very low; 5=Very high						
	Level of competition for FinTechs specialized in MSEs	1= Very low; 5=Very high						

Source: Simon-Kucher & Partners FinTech decision maker interviews

Market readiness - What does it take for FinTechs to start -up and grow?

Peru – Innova Funding

	Metric	Explanation	Scoring					Scoring rationale/ comments (if available/ possible)
			1	2	3	4	5	
Market readiness	Level of financial literacy across MSEs	1=Very low financial literacy; 5=Very high financial literacy	X	X				Lack of understanding of how products work. Education is required and should be done by the government
	Digital FS infrastructure (e-KYC, POS coverage, national payment gateway, digital IDs...etc.)	1= Poor and offline KYC, 5=efficient and digital KYC	X					Very poor. There are customers who do not have mobile signal for a week. Poor mobile network. Lima is very developed, however, the case is very different outside of Lima
	MSEs credit scoring availability, quality and costs	1=no scoring, 2=scoring available, 3-5= quality, accuracy and accessibility of the scoring				X		There is some credit scoring availability. InnovaFunding generates own data that compliments existing data
	Interbank clearing house	1=Very inefficient, 5= Very efficient	X	X				Interbank clearing controlled by the same banks. No open banking; to connect with them an alliance is needed. Costly and inefficient
	Data storage infrastructure availability, security, reliability and coverage	1= Very poor; 5=Very strong				X		Main cloud providers are present, there are no issues
	Enabling regulation for FinTechs specialized in MSEs	1= No specific regulations; 5= Very encouraging, specific and transparent regulations in place			X	X		Government doesn't regulates depending on every business, Specific regulation for crowd-funding has started,
	Internet and smartphone penetration levels across MSEs	1= <25%; 3= 70%; 5= >90%		X				Around 50%; everyone has it; issues with network due to speed etc.
	Established banks obliged to offer APIs / Open Banking	1= Not applied , 2-4= degree of application, 5= Fully applied/integrated	X					Doesn't exist, banks have stated that they will implement this, but that hasn't occurred yet
	Funding possibilities for FinTechs specialized in MSEs	1=Limited, handful # of investors, 5=Available, mature investors ecosystem		X				Last 3 years, investors starting to invest. Still a small market, there aren't many angel investors, etc. unlike like Mexico or Brazil
Market attractiveness	% of MSEs in the market to total # of all companies/ businesses	1= <25%; 2= 50%; 3= 75%; 4= 85%; 5= >95%					X	~95%. Almost every company is small or medium; there are few big companies
	% of MSEs that have access to financial systems (account ownership)	1= <5%; 3= 50%; 5= >80%		X				< 20% have access to financial systems
	MSEs demand for digital (FinTech) products/ services	1= Very low; 5=Very high			X			Current demand is very low, but potentially demand can be very high. Small businesses are becoming more aware of tools etc.
	MSEs WTP for digital (FinTech) FS providers products/ services	1= Very low; 5=Very high				X		Once they know the benefit, the WTP can be very high. The potential is very high and they have no problem paying
	Level of competition for FinTechs specialized in MSEs	1= Very low; 5=Very high		X				There are 3, 4, 5 FinTechs focusing on small businesses; very low


Source: Simon-Kucher & Partners FinTech decision maker interviews

Market readiness - What does it take for FinTechs to start -up and grow?

Peru – Prestamtype

	Metric	Explanation	Scoring					Scoring rationale/ comments (if available/ possible)
			1	2	3	4	5	
Market readiness	Level of financial literacy across MSEs	1=Very low financial literacy; 5=Very high financial literacy		X				Financial education is needed
	Digital FS infrastructure (e-KYC, POS coverage, national payment gateway, digital IDs...etc.)	1= Poor and offline KYC, 5=efficient and digital KYC			X			Coverage is growing, acceleration with COVID. See the example of Yape, in corner shops and in markets (mercados) it is now very common to pay with Yape.
	MSEs credit scoring availability, quality and costs	1=no scoring, 2=scoring available, 3 -5= quality, accuracy and accessibility of the scoring				X		Credit bureaus have good information for formal companies and individuals. However, 75% of business don't have any credit history and almost 50% of businesses are informal.
	Interbank clearing house	1=Very inefficient, 5= Very efficient						N/A
	Data storage infrastructure availability, security, reliability and coverage	1= Very poor; 5=Very strong					X	Lots of startups use Amazon Web Services, some banks use Microsoft cloud storage.
	Enabling regulation for FinTechs specialized in MSEs	1= No specific regulations; 5= Very encouraging, specific and transparent regulations in place		X				Only exists for crowd lending
	Internet and smartphone penetration levels across MSEs	1= <25%; 3= 70%; 5= >90%						N/A..
	Established banks obliged to offer APIs / Open Banking	1= Not applied , 2 -4= degree of application, 5= Fully applied/integrated		X				No law exists to oblige banks to open their APIs.
	Funding possibilities for FinTechs specialized in MSEs	1=Limited , handful # of investors, 5=Available, mature investors ecosystem		X				Still very limited. The capital market is not developed like in Brazil or Mexico.
Market attractiveness	% of MSEs in the market to total # of all companies/ businesses	1= <25%; 2= 50%; 3= 75%; 4= 85%; 5= >95%					X	>99.5% -See study: Las MIPYME en cifras
	% of MSEs that have access to financial systems (account ownership)	1= <5%; 3= 50%; 5= >80%	X					< 5% -See study: Las MIPYME en cifras
	MSEs demand for digital (FinTech) products/ services	1= Very low; 5=Very high		X				A lot of MSEs don't know about FinTechs.
	MSEs WTP for digital (FinTech) FS providers products/ services	1= Very low; 5=Very high						N/A
	Level of competition for FinTechs specialized in MSEs	1= Very low; 5=Very high		X				Few FinTechs in Peru focus on MSEs.


FinTech profile: Peru – Innova Funding




Lending Savings Payments D. Banking


Current Low - income market fit Low Medium High

 Year founded 2015

 HQ Lima, Peru 

Markets ▪ Peru



 # of employees 13  # of customers 600 firms


 Key people Alfredo Espinosa, Co-founder
Maria Cuya, Co-founder

 Revenues USD 250k (profit 2020) **Funding** USD 150k

Overview	A platform that helps MSEs obtain immediate liquidity through an innovative system which connects the MSE with investors – individuals and firms - who purchase invoices at a discount rate for their invoices in an online auction monitored by Innova Funding	
Target customers	B2C	B2B
	Formal MSEs with credit invoices that need immediate monetization	
Value proposition	<ul style="list-style-type: none"> Online auction platform that connects investors with MSEs that need cash flow Follows an open factoring model, with the discount rate determined by an auction Proprietary algorithm to credit-score invoice payers 	Featured solution <ul style="list-style-type: none"> Undergoing the process of transforming an invoice to a legal document that can be sold (responsibility for ownership transfer) Billing process is fully integrated Borrowers are charged Sol 30/ invoice (USD 7.3) Monetization is mainly on the investor side; charges a fixed 15% out of each operation's profit margin
Notable Partners & investors	<ul style="list-style-type: none"> N/A 	Further highlights <ul style="list-style-type: none"> Recently won recognition for financial factoring education for low-income consumers and SMEs in rural areas
Barriers & opportunities in the low - income market	Barriers <ul style="list-style-type: none"> Challenging to acquire and enlist new customers due to lack of knowledge of factoring mechanisms Opportunities <ul style="list-style-type: none"> An opportunity lies in the education initiatives for the target segment, because the factoring process is easier and faster than banks; it is only a matter of getting the customer to use the service once to establish a lasting relationship 	

Source: Simon-Kucher & Partners research, FinTech decision makers interview, Company website


FinTech profile: Peru – Bim





Lending
Savings
Payments
D. Banking

Current Low - income market fit




 **Year founded** 2015


 **HQ** Lima, Peru 


Markets ▪ Peru



 **# of employees** N/A

 **# of customers** 1.4m

 **Key people** Miguel Arce Commercial manager

 **Revenues** N/A **Funding** N/A

Overview

A mobile wallet that allows its users to save, send & receive money at no cost; in addition to online & offline bill payments & purchases; incl. cell services & loans.

Target customers



Consumers & businesses

Value proposition

- Increase financial inclusion of unbanked segment in Peru
- Offer payment and lending services to individuals and merchants

Featured solution

- Store and instantly send money through Bim mobile wallet
- 1% withdrawal fee up to PEN 500 and PEN 5 up to PEN 999
- Pay for purchases, loans and services
- Withdraw money through Bim account
- Recharge cell-phone
- Enables merchants to act as payment aggregators; accept phone recharges etc.
- Merchants get paid on commission basis

Notable Partners & investors

- MasterCard
- Western Union
- Banks (including Banco del Nacion, Banco de Credito)

Further highlights

- Cooperation with Banco del Nacion allows citizens to register using their national ID
- BIM e-wallets can be topped from BN CDNI
- Process more than 2m transactions/ month
- Average transaction value is PEN 300

Barriers & opportunities in the low - income market

Barriers

- Challenge to maintain MSE offerings free of charge
- Process of sending money to rural areas is costly

Opportunities

- Expand the network by integrating with banks and other FinTechs
- Offer beyond banking services to strengthen customer loyalty and establish an ecosystem play

Source: Simon-Kucher & Partners research, FinTech decision makers interview, Company website

FinTech profile: Peru – Vendemas (owned by niubiz)

Lending | **Savings** | **Payments** | **D. Banking**

Current Low - income market fit

Low | Medium | High

Year founded 2017

HQ Lima, Peru

Markets ▪ Peru

of employees +300 | **# of customers** 350k (250k Vendemas)


Key people Diego Conroy CEO, niubiz | Ivan Castañeda CEO, Vendemas

Revenues N/A | **Funding** N/A

Overview	Spinoff of Visa and Banks to expand acceptance of cards via MPOS, digital links, mostly focused on payment acceptance.	
Target customers	B2C	B2C & B2B
Value proposition	<ul style="list-style-type: none"> Focus on and develop market entry solutions for MSEs Offer broad-range of services, covering marketing, speed-to-market, and e-commerce solutions Assist MSEs with payments and lending 	Featured solution <ul style="list-style-type: none"> Offer multiple payment channels to customers (e.g. payment link through email/ social networks) Lending services for MSE’s working capital needs Top-ups to enable payment of services such as cellular directly to merchants Enable clients to collect money digitally through national ID (DNI number)
Notable Partners & investors	<ul style="list-style-type: none"> License with Pago Efectivo (Buy Now Pay Later) Visa, MasterCard Interbank (Open banking) 	Further highlights <ul style="list-style-type: none"> Expecting 500k customers by the end of the year and > 1m next year Customers can open Interbank accounts through Vendemas in under 12 seconds
Barriers & opportunities in the low - income market	Barriers <ul style="list-style-type: none"> Lack of financial and technological literacy and trust within low-income customer segment Opportunities <ul style="list-style-type: none"> Despite the lack of financial literacy, the willingness to experiment new technologies is rising Launching an awareness campaign on the ease and benefits of the products, starting with the Vendemas website / app will enable Vendemas to bridge the trust and literacy gap 	

Source: Simon-Kucher & Partners research, FinTech decision makers interview, Company website


FinTech profile: Peru – Prestamype



Lending Savings Payments D. Banking

Current Low - income market fit

Year founded 2017

HQ Lima, Peru 

Markets ▪ Peru

of employees 55 # of customers 900 MSEs

Key people Laure Schlesinger Co-Founder & COO
Carlos Ferreyros CEO

Revenues USD 215k for 2020 Funding USD 500k

Overview

Prestamype is a leading Fintech in Peru focused primarily on providing loans to micro and small companies (MSEs) in addition to other financial services such as factoring and online currency exchange

Target customers



MSEs

Value proposition

- Providing liquidity for businesses' day-to-day operations through factoring
- Offering competitive rates and flexible payment terms
- Financing businesses through a home equity loan
- Connecting micro and small entrepreneurs who need a loan with investors

Featured solutions

- **Home equity loans:** Working capital loan with a real estate collateral
- P2P model with introduction of Special Purpose Vehicle for funding
- Investors responsible for 10% of loan funding starting 2022
- Plan to launch unsecured lending
- **Average loan size:** USD 20,000
- Avg. fee in P2P lending; 9%

Notable Partners & investors

- Ingap ventures
- Angel ventures

Further highlights

- **+9K clients** on their **currency exchange** platform, 30-40 MSEs for factoring and **900 MSEs for lending** services
- Forecast revenues > USD 1m for 2021

Barriers & opportunities in the low - income market

Barriers


- Lack of sufficient collaboration between banks and FinTechs

Opportunities

- Launching unsecured lending would accelerate traction, but must be limited to microloans in the pilot phase to minimize risk and gauge NPL levels for such product

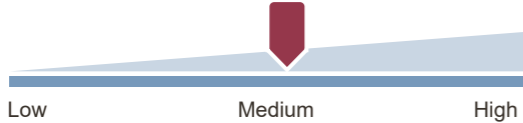
Source: Simon-Kucher & Partners research, FinTech decision makers interview. Company website

FinTech profile: Peru – TasaTop




Lending
Savings
Payments
D. Banking

Current Low - income market fit



Year founded 2017

HQ Lima, Peru 

Markets

- Peru
- Mexico

of employees N/A **# of customers** 10,500

Key people Dante Leon Co-founder & CEO

Revenues USD 30m **Funding** N/A

<p>Overview</p> <p>TasaTop is a Peruvian FinTech acting as a digital broker for savings and investments through an online marketplace connecting individuals and MSEs with financial institutions</p>	
<p>Target customers</p> <div style="display: flex; justify-content: space-around; margin-bottom: 5px;"> B2C B2B B2C & B2B </div> <p>Individuals for savings products and MSEs and financial institutions for lending products</p>	
<p>Value proposition</p> <ul style="list-style-type: none"> Auction based fixed-deposit model, allowing financial institutions and companies requiring funds to bid on individuals' saving deposits rates Offers the best possible returns on deposits by consolidating returns from multiple sources not limited to banks 	<p>Featured solution</p> <ul style="list-style-type: none"> 17 institutions competing for the best deposit rate to win investors Fixed deposits rates range from 1% to 13% depending on the institution The investment carries no fee on the depositor's side The beneficiary institution is charged a percentage fee on the deposit taken
<p>Notable Partners & investors</p> <ul style="list-style-type: none"> Financiera Credinka Financial Proempresa Maynas Municipal Box Centro Rural Box La Cumbre Cooperative 	<p>Further highlights</p> <ul style="list-style-type: none"> Average ticket is USD 20,000
<p>Barriers & opportunities in the low - income market</p> <p>Barriers</p> <ul style="list-style-type: none"> Open banking is not integrated in the infrastructure to connect small tickets Many investors and depositors are more inclined to move their funds outside of Peru due to political turbulence <p>Opportunities</p> <ul style="list-style-type: none"> Targeting smaller ticket sizes by offering appealing financial products, such as digital juntas, will significantly widen the customer base and overcome the segment transferring their savings abroad 	

Source: Simon-Kucher & Partners research, FinTech decision makers interview, Company website



Thank you!

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