Key Factors in the Development of the Fintech Market in Peru

TREO Talk Paper

Anibal Galarreta  
Central Reserve Bank of Peru  
anibal.galarreta@bcrp.gob.pe

Martin Santana  
ESAN University  
msantana@esan.edu.pe

Abstract

The fintech market has been further developed in North America, Europe, and Asia than in Latin America. However, rapid growth is projected across much Latin America as there has been a significant demand for innovative financial technologies, products and services over the past years. Prior research on fintech has described numerous economic and technological determinants of fintech growth in major economies (Claessens et al., 2018; Haddad and Hornuf, 2018). However, to date there has been little empirical evidence to support these factors in emerging markets (IDB, 2018). In this study, we draw on previous research to investigate a number of key factors driving the development of fintech in the Peruvian market.

An online survey was used to capture expert opinions on the potential development of the fintech ecosystem in Peru. 61 experts were recruited from five major interest groups: financial institutions, regulators and supervisors, fintech companies, fintech associations, and academic researchers.

Expert panel ratings revealed that the six factors affecting the development of the fintech market (the research model) received an average rating of 4 or above on a Likert-scale of 1-to-7. There was no significant difference in expert panel ratings. The experts’ average ratings for the determining factors were: (i) Financial Market Characteristics (6.19), regarding user expectations and conditions for the financial services industry; (ii) Technology Infrastructure (6.18), associated to the use of emerging technologies that enable the digitalization of financial services; (iii) Fintech Characteristics (6.12), referring to the innovative product or service offerings; (iv) Associations and Promoting (5.83), relating to organizations that facilitate the development of the fintech market; (v) Financial System Conditions (5.37), associated to competition conditions in the financial sector; and (vi) Industry Regulation (4.87), referring to a regulatory environment that encourages fintech innovation and growth. Expert judgment has shown that financial market characteristics, use of innovative financial technologies and fintech services and products are more important than conditions for the provision of financial services and supervisory and regulatory issues of fintech activities. These results coincide with those of previous studies focusing on the determinants of the global fintech industry (Lee and Shin, 2018).

The present study contributes to the literature on the development of the fintech market and provides guidance for emerging economies. Moreover, it calls for a more comprehensive view of the determinants, potential benefits and risks of the fintech ecosystem in developing countries.

References


