

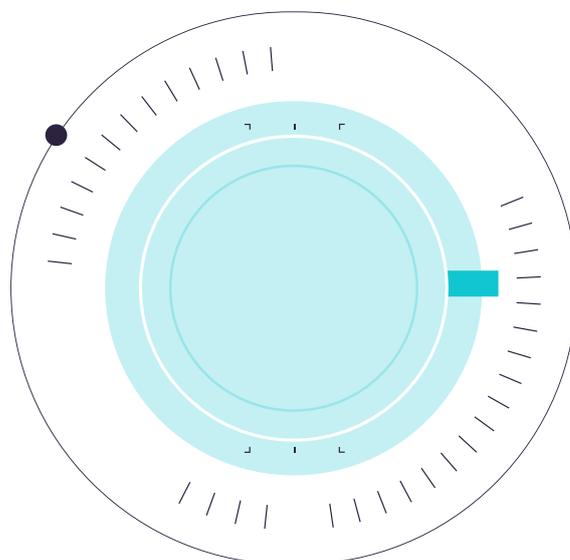
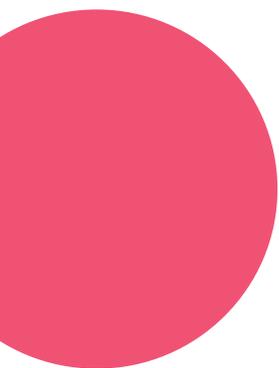
Payments in Latin America

With growing preference for alternative payment methods, the region is an attractive market for global merchants.



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Executive summary

This whitepaper will help you if you are:

A merchant who either operates in Latin America or is looking to expand your business into Latin America.

This whitepaper explains:

Consumer payment habits in Latin America. Through a commissioned survey conducted by Sapio Research in April 2022 with 3,000 consumers (1,000 in Peru, 1,000 in Chile and 1,000 in Brazil), this study reports on:

- A market overview, which includes:
 - High and growing smartphone adoption
 - Large unbanked population, which varies per country.
- A region overview of consumer payment trends, including:
 - Change in consumer payment habits due to cost of living
 - Traditional payments usage: credit and debit cards
 - Alternative Payment Methods (APMs) growth: eCash, digital wallets and bank transfers
 - Consumer attitude around security and online shopping
 - Specific trends and opportunities in each of the countries:
 - Peru
 - Chile
 - Brazil

Introduction to Latin America



Introduction to Latin America

Like the rest of the world, Latin America has seen the rise of eCommerce accelerated by the pandemic and subsequent lockdown measures. Our [Lost in Transaction](#) survey shows that 74% of respondents agreed that their payment habits have changed permanently since the start of the pandemic.

This has been followed by increasing use of alternative payment methods (APMs), such as eCash, digital wallets, and bank transfers.

With such momentum in the region, it's an exciting time for consumers and merchants. Access to the internet and eCommerce through mobile phones – [smartphone adoption reached 72% in 2020 and is forecast to be nearer 81% in 2025](#) – and different ways to pay are driving greater choice and inclusivity for consumers. At the same time, merchants can look to a region that might have seemed prohibitive in the past due to a lack of local knowledge and partnering opportunities, as well as payment hurdles and difficulties of cross-border transactions.

Latin American countries' increased digitalization ([260.2 million digital shoppers in 2022](#)), support of instant payments ([such as Pix in Brazil](#)), and population keen to adopt APMs (63% had used a digital or mobile wallet, eCash, or crypto in the last month) has made this a market with huge potential.

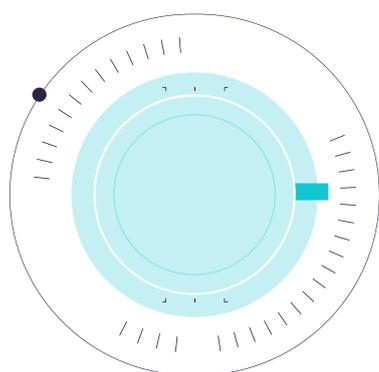
eCash equals inclusion

Although many differences – demographics, banking environments and regulations, payment preferences, and so on – clearly exist from one Latin American country to another, there are some common characteristics.

There's a general tendency towards an informal economy with a big unbanked population – [45% according to the World Bank](#) – and a preference for cash over debit or credit cards. This is largely driven by the turbulent economic climate over the last decade, access to credit, an air of mistrust of the economic system, and high fees and interest rates of debit and credit cards.

In this environment, alternative payment options such as eCash are drivers of financial inclusion. There are numerous benefits to the consumer: they avoid high fees, they conveniently pay in their neighbourhood merchants, no need to go through complex application processes, there are no credit checks, and they don't have to share a load of sensitive information online (more on this later). From pretty much every angle, it's just a better overall experience for the cash-preferred customers.

So there's no surprise that the use of eCash in Latin America is on the rise. Results show that 20% of respondents use eCash more frequently than they did a year ago, with 17% saying they use it about the same amount compared to a year ago. Our survey – which also gathered responses from 8,000 consumers across the UK, US, Canada, Germany, Austria, Bulgaria, and Italy – highlighted more use of eCash in Latin America: 15% said they used eCash in the last month compared to 9% across Europe and North America.



Security tops consumers' list of concerns

Alternative payments methods such as eCash, Pix, and QR-code-based services have been increasingly popular over the last couple of years in Latin America. While convenience, simplicity, and speed are good reasons for their uptake, it also highlights a real concern around security of financial information.

In our survey, 45% of consumers said security is the most important factor when choosing how to pay for an online purchase. Further, 66% don't feel comfortable entering financial details online and 78% are more comfortable using a payment method that doesn't require them to share their details with merchants.

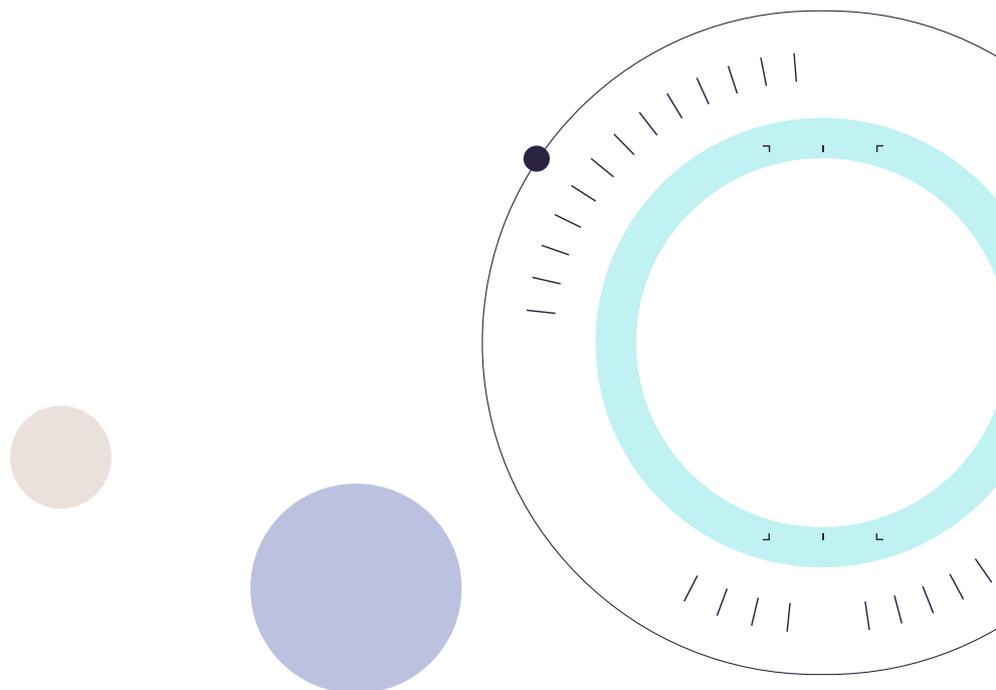
Payments methods such as eCash give people access to eCommerce in a way that makes them feel secure, without having to enter their financial or personal details online. Of the Latin American consumers in our survey, 38% said they don't know enough about eCash, while 21% said they'd use it in the next 2 years if it becomes more widely available. So the key to wider acceptance and uptake is at least in part about understanding alternative payment options as well as how they work. With greater awareness, combined with increasing smartphone adoption (81% by 2025, as mentioned above), eCash is likely to become a more everyday payment choice across the region.

Cost of living, credit, and crypto: other trends across Latin America

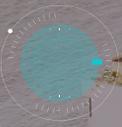
The cost of living has had a significant impact on Latin American consumers' choice of payment method for online purchases, with 63% saying they've changed the way they use certain payment methods, compared to 36% in Europe and 39% in North America.

This seems to show a willingness to adapt payment habits to circumstances. Whether that's trying to avoid high fees or interest rates – of those who have said they've changed their habits, 63% are avoiding using pay-by-installment plans. Or opting for a method that doesn't involve credit – 58% are using their debit cards more often, while 45% are using direct bank transfers more regularly. The digital wallet has also seen fast adoption: 35% of consumers say they use them more often as a result of the rising cost of living. And 27% are using eCash more often for the same reason.

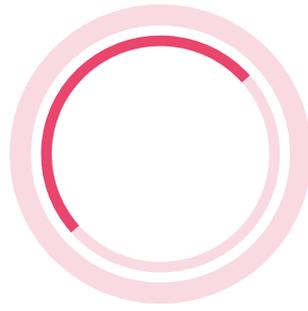
Crypto is starting to gain traction as a payment method, with 8% using it more frequently compared to a year ago. When we look at the wider picture, this figure is almost identical to responses from the other regions surveyed, with 7% in Europe using crypto more than they did a year ago, and 9% in North America.



Supporting a large unbanked population and with alternative payment methods (APMs) already trusted by many consumers, Peru presents a rich opportunity for merchants.



Peru



Peru

A healthy appetite for eCommerce and eCash

With a historically low credit card adoption, Peru is a country fairly advanced in terms of digital payments. Consumers are familiar with the different APMs available and seem increasingly comfortable using them. And, as online shopping has risen – [eCommerce rose 28% in 2021](#) – APM uptake has accelerated.

A population of 33.8 million people, it's a largely cash-driven society that has a relatively high unbanked population compared to some other regions in Latin America – [57% unbanked compared to Brazil's 30% and Chile's 26%](#). Smartphone adoption, [now at 62%](#), is growing and expected to reach [70% by 2025](#).

APMs have been around for some time. Peru has had peer-to-peer (P2P) payments in the form of Yape from Banco de Crédito del Perú (BCP), the largest bank in Peru, since 2016 – and subsequently opened up to unbanked individuals in 2020. Consumers are also accustomed to [QR code services, which have been encouraged by the Peruvian Central Bank](#). eCash and bank transfers are popular – and, as we'll see from our survey of 1,000 consumers in Peru in April 2022, there's appetite for greater use.

eCash is a winner

The results of our survey bear out the fact that many people rely primarily on cash, a trend that's related to the levels of financial inclusion in the country and consumers' access to financial products and services through traditional banks. Our Lost in Transaction data shows that 66% of consumers in Peru think that cash is the most reliable form of payment, and 76% would be worried if they could no longer access cash.

Among respondents, 22% said they used eCash such as PagoEfectivo in the past month when paying for online purchases, nearly double the amount that used mobile wallets (12%). Our survey – which also gathered responses from consumers across North America and Europe, the Middle East and Africa (EMEA) – shows that this number is double the eCash usage recorded among North American consumers (11%), and more than double compared to respondents in EMEA (9%).

Further, 42% indicate that they use eCash more frequently or about the same amount compared to a year ago – and 67% say that if it were easy, they'd prefer to pay for online transactions in cash. Most significantly, 67% reckon they'd make online transactions more often if they could easily pay in cash, which suggests merchants making eCash options more widely available would be welcomed by the consumer and potentially drive greater eCommerce transactions.

Bank transfers have seen a distinct boost

Peruvians are also increasingly using bank transfer as a payment method, taking advantage of the speed, security, and affordability that this option provides. In our survey, 56% of consumers say they use bank transfers more frequently or about the same amount as they did a year ago. And, of the 67% of consumers who have changed their choice of payment method for online purchases due to the rising cost of living, 43% are using direct bank transfers more often – second only to debit card payments, which 54% said they’re using more often. This could in part be related to avoiding transaction fees, as well as increased availability of bank transfer options from merchants.

Finding the right balance

In the security versus convenience debate, consumers welcome some hurdles in the name of security, but not to the point of inconvenience. Only 19% would accept as many security measures as necessary, even if it makes online payments less convenient. While 45% of respondents would like to keep the current balance between security and convenience, which may include a second verification step such as a code received by text, a phone call, or similar.

Security-consciousness drives payment choices

When talking about security of personal information, however, there’s a definite air of concern. Our data shows that 46% of consumers consider security the most important factor when choosing how to pay for an online purchase. And they don’t mind having to go through extra steps to ensure their transactions are secure – 76% feel anxious when they’re not asked to provide any security information, like a password, when making an online payment.

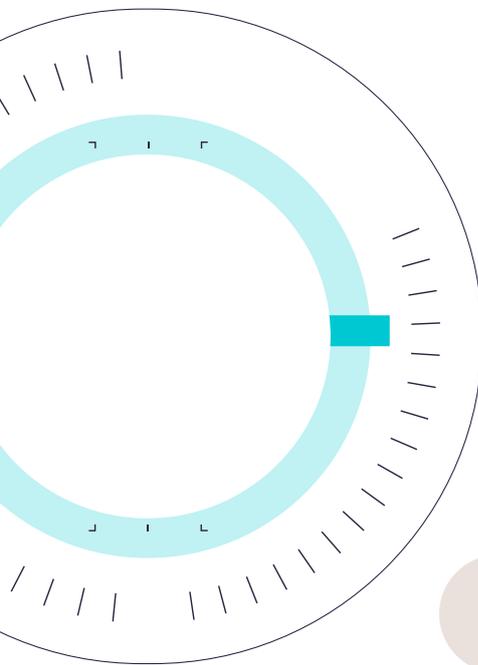
But there’s some hesitation around disclosing financial information: 43% prefer using payment methods that don’t require them to share their details online and 69% don’t feel comfortable entering their financial data online. A significant 82% feel more comfortable using a payment method that doesn’t require them to share their financial details with merchants when they shop online.

Peruvians’ stance when it comes to security is clearly reflected in their increasing use of eCash and bank transfers. These payment methods directly address consumers’ concerns around safety and don’t require sensitive financial information to be shared online or with third parties.

Market maturity with potential

As our Lost in Transaction survey results indicate, the market for APMS is relatively mature in Peru in comparison to the rest of Latin America, with consumers finding digital payment methods attractive for a number of reasons, not least their security and accessibility. There’s also scope for growth as mobile adoption rises, and as a result of consumers’ willingness to use options such as eCash if it were more widely available.

In a nutshell, Peru presents interesting country dynamics with a significant opportunity for merchants that have the right payment methods in place – ones that are inclusive, convenient, affordable, and secure.



A leader in Latin America when it comes to financial inclusion, the big banked population of Chile use their debit cards more than ever. But as eCommerce continues to increase, alternative payments methods (APMs) are gaining traction.



chile

Chile

Growth, inclusion and new ways to pay

Sporting a buoyant economy, Chile is proving to be a growing market on many fronts. It experienced a [gross domestic product \(GDP\) rise of 11.7% in 2021](#) and saw a significant boost in eCommerce, [with first quarter 2021 online sales increasing by 196%](#). Smartphone adoption was [70% in 2020 and is forecast to be 81% in 2025](#), figures very close to those for Latin America as a whole.

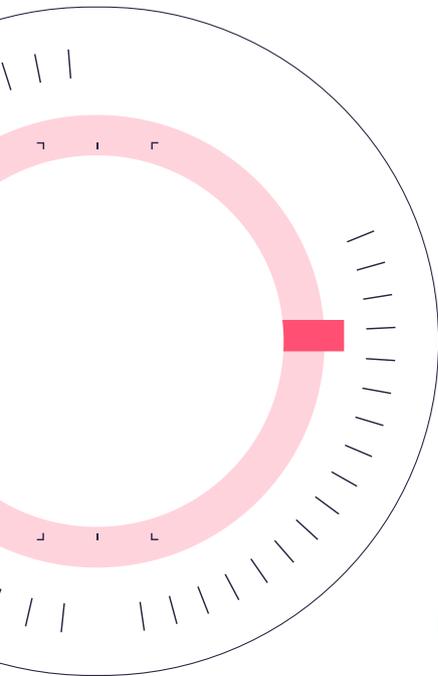
The country has the highest banked population in Latin American – [74% of the population of 19.4 million people have a bank account](#), in comparison to a [Latin American average of 49%](#). This is due in large part to the Chilean government's financial inclusion initiatives and banks working hard to make financial services easier for people to access. For example, BancoEstado offers basic savings accounts and debit cards for individuals who don't qualify for traditional current accounts. It's also thanks to the lower cost of bank accounts compared to other countries in Latin America. But while the number of banked citizens is high, cash remains important. And, as we'll see, digital wallet uptake is rising, and consumers have also significantly increased their use of bank transfers.

Contactless payments hit record use and debit card popularity is stronger than ever

With widespread banking access, debit cards have historically been a favourite. This is a trend highlighted in our April 2022 survey of 1,000 Chilean consumers, which also covered Brazil, Peru and respondents across North America and Europe, the Middle East and Africa (EMEA). Of the individuals surveyed in Chile, a massive 82% said they've used a debit card in the past month when paying for online purchases. This is compared to 69% for Latin America as a whole, 54% for EMEA, and 60% for North America. The only other country with such high debit card use is the UK, at 82% also.

Given initiatives to encourage financial inclusion and adoption of traditional banking services with access to debit cards, it's not surprising that debit card use has risen. Of respondents, 65% say that they use debit cards more frequently than they did a year ago. This number is also significantly higher than the Latin America average of 51%. Further, 22% of Chileans say they use debit cards about the same amount as they did a year ago.

The responses around contactless payments tells a similar story: 91% have used contactless payments in store via a debit card or credit card in the last month. This is 10% higher than the figure for Latin America, as well as being much higher than North America, where the corresponding number is 67%.





The APMs that are gaining ground

Of the alternative payments options available, digital wallets and bank transfers are being used more often now compared to a year ago. Among respondents, 24% say they've used a digital wallet in the past month when paying for online purchases. And 20% use the payment method more frequently – with a further 17% saying they use it about the same as they did a year ago.

For bank transfers, 41% of survey respondents said they used this payment method in the past month – making it the most popular APM and the third-most popular payment method only after debit cards and credit cards. Furthermore, 61% said they use bank transfers either more frequently or about the same amount compared to a year ago.

Chileans are still very considerate of cash, however, with 63% agreeing that cash is the most reliable form of payment, and 71% saying they'd be worried if they could no longer access cash. Chileans are also exploring eCash, with 14% having used it in the past month for online purchases, and 34% having either used it more or about the same amount compared to a year ago.

Online banking, security and trust

Responses to questions about online and neobanks versus traditional banks show a significant appetite for digital banking, but with some reservations. For example, 61% of Chileans say they'd use an online bank but worry about how to deposit cash into it. This compared to 54% for Latin America as a whole, 44% for the North America, and 43% for EMEA.

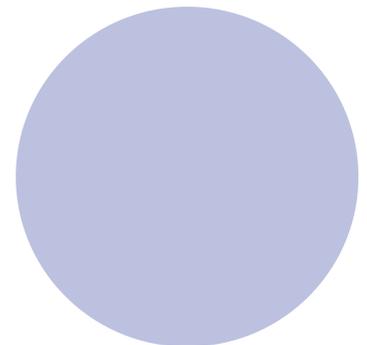
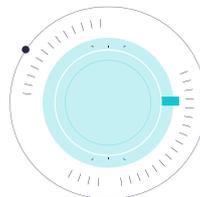
There are further differences around trust: 56% say they'd use an online or neobank, but don't fully trust them with their personal data. In North America, 43% of respondents say the same, and in EMEA just 38%.

The stance on security of online payments is largely in line with Latin America responses on the whole – 64% don't feel comfortable entering financial data online, and 75% are more worried about online payment fraud today compared to 12 months ago.

Looking beyond the debit card

Chile traditionally has a large banked population and the enduring popularity of debit cards, which has only increased over the pandemic, as our Lost in Transaction survey results show.

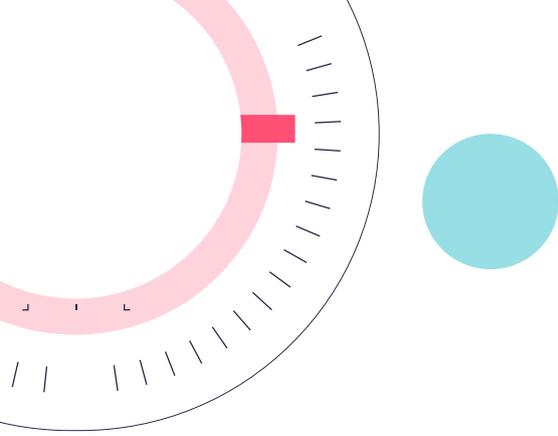
Consumers' uptake of digital wallets and the significant increase in the use of bank transfers indicate a willingness among the population to explore new ways to pay. This, coupled with the growth of eCommerce as well as the growing economy, make Chile an interesting market for merchants.



With booming eCommerce, high smartphone adoption, and the Central Bank driving initiatives to promote financial inclusion, payment methods such as instant bank transfer Pix are seeing huge uptake.



Brazil



Brazil

eCommerce opportunity in a progressive APM market

eCommerce is flourishing in Brazil. It accounts for the largest slice of the market in Latin America, [generating 30 percent of eCommerce revenue in the region in 2021](#). Smartphone adoption is high too. In 2020, it stood at [84 percent](#) compared to the Latin America average of [72 percent](#). [And it's forecast to grow to 88 percent by 2025](#). Transactions through mobile devices make up a big portion of Brazil's eCommerce sales, with [US\\$18 billion](#) generated in 2020 – estimated to nearly double to [US\\$34 billion](#) by 2024.

The banked population is substantial compared to the rest of the region. [A little over 70 percent](#) of the 215.3 million people in Brazil have a bank account, making it the third-most banked country in Latin America. It's notable that alternative payments methods (APMs) are actively promoted by the Central Bank of Brazil, which has been the case since the 1990s when it launched Boleto Bancário, a bank ticket or barcode system. This approach has helped drive inclusion and ensure people who don't have access to financial products such as debit cards, credit cards and bank accounts are able to make financial transactions with ease. Bank transfers are an increasingly attractive APM for Brazilians, offering convenience and security of transactions.

Traditional payments remain popular...

In April 2022, we conducted a Lost in Transaction survey of 1,000 consumers in Brazil, also covering Chile, Peru and respondents across North America and Europe, the Middle East and Africa (EMEA). The responses showed a strong and increasing use of credit cards in Brazil, with 67% of people saying they'd used a credit card for online purchases in the last month. This is significantly higher than the Latin America average of 54% in answer to the same question, as well as higher than debit card use in the past month at 57%.

Additionally, 47% use credit cards more frequently now compared to a year ago – also higher than the Latin America total (36%), Peru (31%), and Chile (29%). This could in part be due to the availability of instalment options through credit cards, and the long tradition of this type of payment in Brazil. The buy-now, pay later concept – relatively new in EMEA and North America – has been established in the consumer mind for decades here, and has a big impact on people's choice of payment method. In addition, many credit card providers in Brazil offer loyalty schemes that have historically been popular, with consumers accruing points that they can then spend on air travel.

...But APMs are fast on the rise with Pix instant payments paving the way

While the more traditional methods such as credit and debit cards continue to dominate, the promotion and adoption of simpler, more inclusive options is rising. As we've mentioned already, the Central Bank has proven progressive over the years in facilitating APMs, and continues to do so. At the end of 2020, it launched [Pix](#) – a type of instant bank transfer – which has seen exceptional uptake in a short space of time. In 2021, [58.4 million people received money and more than 53 million people sent money using Pix](#).

This is echoed in our survey results. When asked which payment methods they'd used in the past month to pay for online purchases, 42% said they'd used a bank transfer. This is highest figure for bank transfers of the Latin American countries we surveyed – 32% for Peru and 41% for Chile – and a lot higher than North America at 19%.

Further, 34% of consumers said they use bank transfers more frequently now than a year ago, and 28% use bank transfers about the same amount compared to this time last year. This makes it the most popular APM overall – coming in above digital wallets at 31%. And, again, third only to debit cards at 40% and credit cards at 47%.

APMs have also seen a boost in uptake due to the rising cost of living. Of the 61% who said they'd changed their choice of payment method for online purchases as a result, 46% said they used bank transfers more frequently, followed by digital wallets at 43% and eCash at 29%. In this context, we can surmise that the changes in consumers' payments habits are due to the lower costs associated with these APMs.



Security is a significant driver of online transaction behaviour

On the whole, Brazilians' outlook on security is in line with responses across Latin America, with 47% citing security as the most important concern when choosing how to pay for online purchases. Sharing personal and financial information is also a sticking point: 64% don't feel comfortable entering their financial data online. And consumers' perceptions regarding the levels of risk in transacting online is acute and growing, with 76% being more worried about online payment fraud today than they were a year ago.

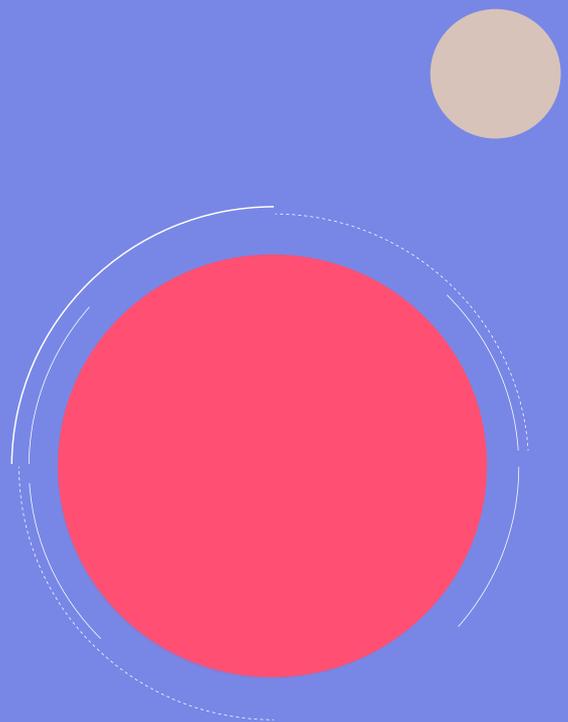
That being said, there's no overwhelming call to increase security measures: 41% of respondents in Brazil would be happy to keep the current balance between security and convenience. And just 23% say they'd accept as many security measures as necessary, even if it involves additional steps – only slightly higher than the Latin America total of 21%, Chile at 20% and Peru at 19%.

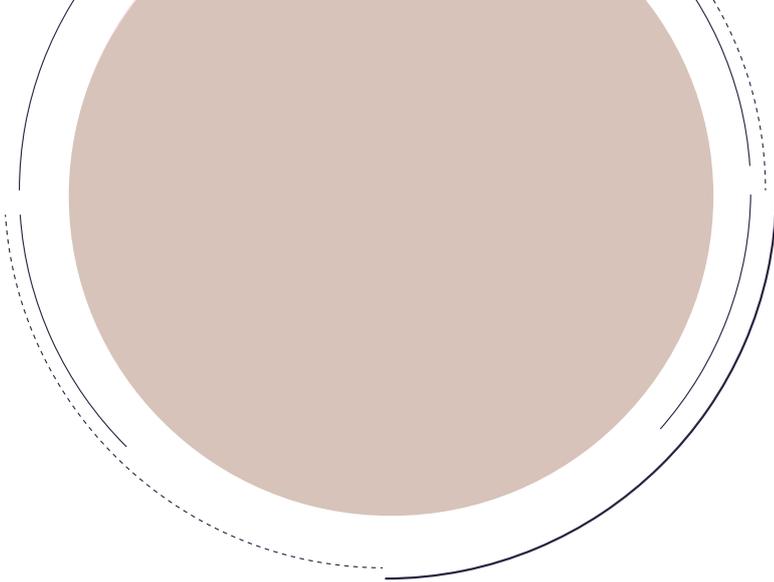
A good year for Pix as eCommerce continues to rise

While credit cards remain extremely popular, there's an established and enthusiastic use of APMs, supported by the Central Bank through the introduction of new ways to pay like Pix.

Payments methods such as bank transfers are being increasingly used due to their simplicity, low cost, and convenience, but also because of their security – a factor that's highlighted in our survey as being important to consumers when it comes to online payments. With Brazil's extensive and rapidly growing eCommerce market, providing options for payments methods that tick all these boxes should be a priority for merchants.

Conclusion:
**One region and millions
of potential customers**





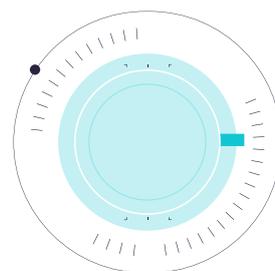
One connection unlocks payments in Latin America

What once might have seemed a difficult and complex market to enter now presents a rich opportunity for businesses outside Latin America, especially online merchants with virtual deliverables. And it really can be as simple as choosing the right provider with a well-established presence ‘on the ground’ and the regulatory requirements in place to get instant access to local payment networks.

No need to have a legal entity in each country

If you’re a merchant, for instance, partnering with Paysafe means you don’t have to establish a legal business entity in each country you want to sell into: our solution integrates currencies and payments in one place. We also provide expert local knowledge and partnerships, an extensive banking network and collection points, a range of payment channels, and real-time capabilities.

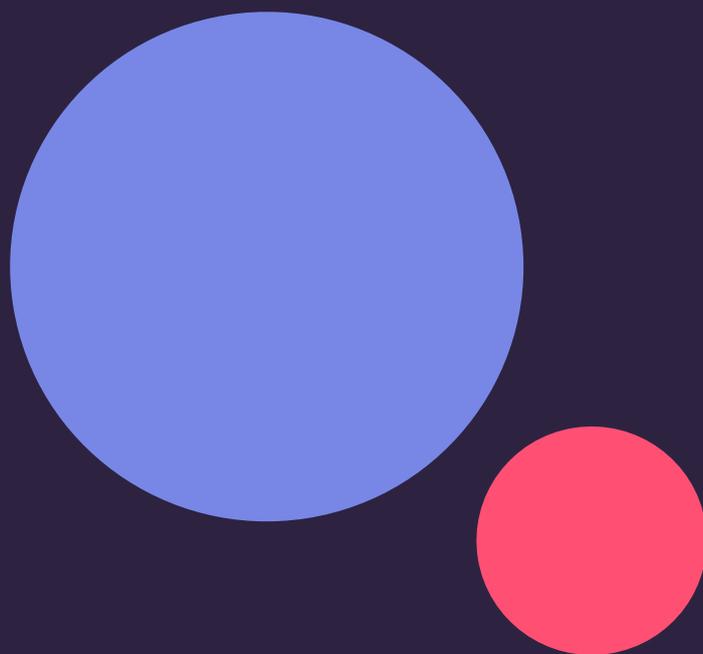
One connection is all it takes to open up access to multiple payments methods across multiple markets and reach millions of potential customers in Latin America.



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About Paysafe Limited

Paysafe Limited (“Paysafe”) (NYSE: PSFE) (PSFE.WS) is a leading specialized payments platform. Its core purpose is to enable businesses and consumers to connect and transact seamlessly through industry-leading capabilities in payment processing, digital wallet, and online cash solutions. With over 20 years of online payment experience, an annualized transactional volume of over U.S. \$120 billion in 2021, and approximately 3,500 employees located in 10+ countries, Paysafe connects businesses and consumers across 100 payment types in over 40 currencies around the world. Delivered through an integrated platform, Paysafe solutions are geared toward mobile-initiated transactions, real-time analytics and the convergence between brick-and-mortar and online payments. Further information is available at www.paysafe.com.



Plug into
Paysafe 