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Farmers’ and academia’s views”

Agri FinTechs and financial inclusion: the role of digital tools in Latin America

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Abstract

Since the term ‘FinTech’ was coined in the early 1990s, financial technologies and their applications to different sectors have dramatically evolved. In the agricultural sector, where financial suppliers often face high transaction costs, information asymmetry, and principal-agent problems, FinTechs can play an important role in improving the quality and scope of financial services, creating a more diverse financial landscape and ultimately extending financial inclusion to rural populations. In this study, we explore different types of digital innovations implemented by Agri FinTechs to promote financial inclusion in Latin America. Within a mixed-method approach, we compiled a database of 49 Latin American FinTechs and identified five types of business models using cluster analysis based on common products and services. Corresponding with these business models, we reviewed eight case studies from pioneering FinTechs in Brazil, Chile, and Colombia to compare their processes, systems, and organisational approaches to increasing the efficiency of financial transactions, improving market opportunities, and promoting financial inclusion. Our results suggest there are 5 clusters of Agri FinTechs in the region: (i) large-scale creditors, (ii) consumer-oriented marketplaces, (iii) farmer-oriented marketplaces, (iv) value-oriented crowd funders, and (v) agri-digital insiders. Furthermore, the study shows that the Agri FinTech landscape in the region is highly heterogeneous and that business models are designed around 6 digital products: credit provision, online marketplaces, insurance provision, digital payments, crowdfunding, and matching services. Within these products, FinTechs focus on different segments of farmers and have contrasting popularity among users. Our results further suggest that while FinTechs have the potential to increase financial inclusion, they could also exacerbate the financial gap in many regions as the rural population often lacks training with digital tools.

Keywords: Agricultural Finance, finTech, Latin America, Mixed-method research