



TITLE: The Business Year unites key players behind the Mexican digital payment movement

SF: TBY hosts *Breaking the Cash Ceiling: Digital Payment Systems in Mexico* in partnership with Carnet.

Mexico City, June 12, 2020—With traditional ways of doing business undergoing a huge transformation due to the pandemic, companies across the world have had to turn to e-commerce and digital payments to be able to stay afloat in the new context. In Mexico, however, this poses a big challenge for SMEs as a large percentage of the population does not have access to financial services and relies heavily on cash.

To discuss these challenges and the role of digital payment systems in the reactivation of the Mexican economy, TBY partnered with the Mexican card network Carnet for a digital roundtable to reunite key experts and representatives from the companies revolutionizing the digital payment market in Mexico. Panelists included Alejandro Morales, General Manager of Prosa; David Geisen, General Director of Mercado Libre Mexico; Adolfo Babatz, Founder and CEO of Clip; and Federico Gomez, General Manager for Brazil and Mexico at PayPal.

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Mexico and Brazil are the two biggest markets for digital payment solutions and fintech in Latam, and despite the similarities between the two markets, Mexico continues to lag behind Brazil. During the conference, Alejandro Morales emphasized that while Mexico has 7.1 million economic units, only 1.275 million use digital payment systems. “Mexico is behind other LATAM countries in this segment which is incredible given the size of the country,” agreed Federico Gomez.

There are two structural conditions that need to be addressed in Mexico to close the gaps in the financial market. “The first is inequality that we have in Mexico and second is informality,” said Morales, adding that “all companies need to be formalized, and since informal companies do not have access to financial products, their employees also cannot access service offerings from banks.” Morales concluded that all countries that are close to having a cashless economy have two things in common: high internet penetration and smartphone penetration rates. Prosa, one of the largest electronic transaction services company in the region, is working to solve these two issues through Glints, a market place that allows financial institutions along with fintechs to better connect with companies looking for solutions.

During the roundtable, experts also concluded that another way to increase the competitiveness of the digital payment market is through higher efficiency. “The Mexican payment system is one of the most inefficient in the world in terms of cost and accessibility,” said Adolfo Babatz. These drawbacks have put Mexico behind countries that have a smaller GDP. “The answer to this issue is competition as the banking system is chronically hampered by the lack of competition,” Babatz explained. “Few banks tend to dominate the segments that we all work in and that is why Mexico does not have more financial solutions to offer.” He added that he decided to create Clip after realizing the huge potential in the sector and the growth of PayPal and Square in the US.

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While it is important to take advantage of best practices in other markets, it is equally important to adapt them in line with local demands. Babatz said “it is not just about bringing what worked in China and bringing it to Mexico but about figuring out how we can most efficiently use these solutions here.” He shared with the panel that Mexico is one of the markets with the highest potential for PayPal. “The growth we are seeing in online payments is nothing short of incredible,” he added.

David Geisen concluded his participation in the panel by emphasizing on democratizing commerce. “Almost every Mexican has a smart phone and it is one of the best ways to promote financial inclusion,” shared David. Mercado Libre plans to bank the unbanked through Mercado Pago. “With Mercado Credit we also want to help SMEs digitalize their business models by offering credit based on their historical behavior on platform instead of requiring large amounts of paperwork”, he said. “We have a large presence in Mexico and our offering very different to what traditional banks offer.”

Breaking the Cash Ceiling: Digital Payment Systems in Mexico is part of a series of digital events hosted by TBY, a global media platform that specializes in promoting investment in emerging markets, to keep its C-level audience well informed and up to date during times of change.

TBY is present in over 35 countries. It conducts hundreds of interviews a week with top decision makers in the Middle East, Latin America, Central and Southeast Asia, Africa, and Europe. *The Business Year: Mexico 2020* will be distributed extensively, both domestically and globally, and will reach an even larger audience via TBY’s powerful network of digital platforms. All interviews and content will be also available on the key business information platforms: Bloomberg Terminal,

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