

The Current Situation and Future Perspectives of Fintech in Peru: An Exploratory Research

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Abstract

Peru is one of the economy with a high degree of informality, especially in the financial sector. It is interesting to be able to explore the possibilities that can arise in the financial field with the existence and operation of Fintech firms in Peru. Although, currently, there exists some Fintech working in Peru, there is not enough statistical information as to conduct a quantitative research of the econometric style. In addition, the research about Fintech is yet incipient and unstructured.

Thus, though this exploratory research, the task of collecting primary information was intended in order to analyze and explain the current and the feasible future of Fintech firms in Peru. The method used in this research was; firstly, the application of unstructured in-depth interviews to financial system, Central Bank of Reserve of Peru, main Peruvian bank and Fintech operators to understand Fintech's current situation from the regulatory framework perspective, the competitive environment they affront and the market conditions in which they are operating. Secondly, with all the collected information analyzed, the final objective of this research was reached: to better understand where Fintech are right now and how they operate in Peru, with in turns could help to understand the kind of regulation could be needed. This is the first of a series of research authors are committed to because of the nature of the topic and the relevance it has for the development of Peru: the financial inclusion.

The main conclusions of the research are: first, there is room for Fintech in Peru; Fintech can help to improve financial inclusion. Second, Fintech are operating in areas such as person to person lending, crowdfunding, factoring, and exchange rate online houses. Peruvian Fintech claim they operate fulfilling specific laws according to their model of business. Nevertheless, there is no a global rule that regulates Fintech's operations. Third, up to day, the behavior of the Peruvian financial system authority (Superintendence of Banking, Insurance and Pension Funds – SBS) is a kind of “laissez-faire” to Fintech firms in terms of the regulation, while analyzing the phenomenon from two perspectives: first, the academic and, second, the regulatory point of view. From the academic perspective, SBS is trying to understand what the Fintech is doing in the Peruvian market in order to build up an applied definition that could be used here. On the other hand, from the regulatory perspective, SBS understands that, after reviewing international experiences, there are three ways of facing the phenomenon: the first option is to restrict Fintech operations; the second option is to be more flexible with

Fintech firms, having a neutral behavior; and, the third option is to encourage and enhance Fintech firms. So, at the time this paper is written, SBS haven't gotten a final position and it has to be defined in the near future.

Literature Review

According to the Inter-American Development Bank Report (IDB) about Fintech in Latin America (Latam), based on a survey of 393 ventures and secondary information in 18 Latam countries, as of May 2017, there are several facts that should be considered. Thus, about 703 Fintech were identified in 15 Latam countries. Brazil, Mexico, Argentina and Chile are the countries with the largest number of operating Fintech. Thus, these countries account for around 90% of Fintech activities in the region. Peru is within the countries that cover 10% (IDB, 2017). This indicates the incipient operation of the Fintech in Peru.

In addition, it requires a longer time to analyze the evolution of Fintech in Latam since 60.1% of Fintech began to operate between 2012 to 2014 (IDB, 2017). This could explain why in Peru there is no specific regulation for Fintech yet. However, according to fintech's managers and regulators that were interviewed in Peru, Fintech already comply with all applicable regulations in general terms; although, there is a sense that there are regulatory gaps over which Peruvian regulators should work to avoid problems with at the end could affect not only investors and debtors but also the business per se.

As in other cases, Fintech's focus is on serving the market segments not served by traditional financial institutions, which are unbanked people and micro, small and medium enterprises. Around 41.3% of Fintech show this goal in their mission (IDB, 2017). In this research, based on interviews with Peruvian Fintech, it is verified that this is the target market for them. Following with this concept, in Latam countries, 49% of the population does not have access to formal financial services (IDB, 2017). In the case of Peru, two ratios are used as indicators of financial inclusion. Thus, as of June 2017, the ratio of loans to GDP was 39.7% while the ratio of deposits to GDP was 37.9%, showing not only an improvement in financial inclusion over a 5-year period, but also representing an opportunity for Fintech (SBS, 2017). So, it depicts a scenario where Fintech could play an important role for financial inclusion in the region and specifically in Peru. Moreover, in Latam, Fintech serve specifically two market segments: consumers (54.4%) and businesses (45.6%). In relation to businesses, it is important to mention that 52.5% of Fintech serve small and medium companies, 24.4% serve companies in the financial system, and 23.1% have serve other types of corporate entities (IDB, 2017). In the case of customer services, 53.4% of Fintech serve clients who have already incorporated into the traditional financial system while 46.6% are unbanked or precariously banked consumers (IDB, 2017)

In terms of Fintech's preferred technologies in Latam, it can be observed that 21.2% use Big Data analysis, 18.6% developed and use mobile cellular applications, while 16.4% use an application programming interface and virtual banking platforms (IDB, 2017).

By the side of the operations, Fintech in Latam are diverse, concentrating their operations in alternative financing (25.6%) and offering payment solutions (25.2%). Another increasing segments Fintech are working on are the related to business finance management (13.2%) and personal finance management (9.8%) (IDB, 2017). Within alternative financing, loans represent 54.4% of this kind Fintech's operations, 36.1% are collective financing operations

and 9.4% are factoring operations. Thus, these types of Fintech represent 25.6% of the new Fintech ventures (IDB, 2017).

The IDB report also revealed that 45.6% of Fintech believe that the current regulation is adequate and there is no need for specific regulations. On the other hand, 21.3% of Fintech believe that the current regulation is excessive and 27.2% state that there is no specific regulation (IDB, 2017). In general, the Fintech in Latam operate locally within a country, and only 19.6% of them indicated they operate in more than one country (IDB, 2017). The experience of regulation is basically local, and that situation raises the question of whether a homogenization of regulation in the region is needed. Perhaps the answer to this question depends on the different economic blocks there exists in the region such as the Pacific Alliance, where Peru participates and is analyzing the possibility of harmonized regulations in this matter. If that is the way, then, the regulation of Mexico could become a reference to be considered.

Regarding the size of the Fintech in Latam, 34.4% are companies that have between one to five employees, 21.9% have between six to ten employees and 19.1% have between one to twenty-five employees (IDB, 2017).

Finally, Finnovista published the advances of Fintech in each Latam country. Thus, according to the report as of May 2017, it was found that, in Peru, there were 47 Fintech startups. From this population, 24% were concentrated on online loans and 21% on payments and remittance services. Only 9% were concentrated on collective financing (Finnovista, 2017). According to Finnovista, online financing services would indicate the lack of depth in the financial sector in Peru (Finnovista, 20107).

Methodology

This research uses the exploratory methodology based on in-depth interviews with financial system regulators (SBS and Central Bank of Reserve of Peru – BCR), some Fintech (The Peruvian Association of Fintech, Solven, Prestamype) and a traditional bank (Banco de Credito del Peru – BCP) for which a questionnaire was formulated with questions related to the operation of the Fintech, the possibilities regulation and the perspective of the agents about the future evolution of the businesses in the short, medium and long term. In addition, some third-party information was collected through an exhaustive review of documentation from different sources. The main limitation is related to the lack of rigorous quantitative and credible information due to the fact that Fintech is a relative new kind of business in Peru.

Is There Room for Fintech in Peru?

In this section, information related to the financial services that Peruvians have access and their experience and perceptions about saving and financing operations they are involved in is presented. For this purpose, the information is collected from the Peru's Superintendence of Banking, Insurance and AFP (SBS) that carried out a national level survey in 2016 with a sample of 6,565 Peruvians between the ages of 18 and 70 (SBS, 2017).

Thus, 64% of Peruvians have a high aversion to risk while 18% have a low aversion to risk. It should be noted that, at the rural level, 24% of the population has a low aversion to risk while

their urban peers have 16%, it is an indication of targeting for Fintech on financing in this area of Peru. In Lima, the main place of financing, 75% of the population has a high aversion to risk while only 11% has a low aversion to risk (SBS, 2017).

At a country level, 63% of the population has a low intertemporal preference, while 14% do not indicate their preference. This could reflect a lack of knowledge about the benefits of financing. In rural areas, 52% of the population has a low intertemporal preference while in urban areas this type of intertemporal preference is 66% (SBS, 2017). The impatience in rural areas could be a symptom of the short-term lacks that are most recurrent in these areas. In Lima, 69% of the population has a low intertemporal preference (SBS, 2017). These figures would indicate that Peruvians have a greater preference for short-term financial services instead of medium and long-term ones.

In relation to the knowledge of the financial services using internet and mobile phones as means, 31% and 26% of the national population declared to know these two services, respectively. At the rural level, these percentages are around 5%, while at the urban level the percentages are 38% and 33%, respectively (SBS, 2017). This may be a consequence of not only the existing infrastructure gap in the access to communications technology between urban and rural areas, but also to the disclosure gap of these types of services between these areas.

Regarding the service channels, the gaps in access to banking services such as ATMs are important. Thus, for a rural resident it takes an average of 105 minutes to access an ATM while for an urban dweller it takes 18 minutes. In terms of time and cost to access the offices of banks, 59% of the rural inhabitants said that the costs to be attended in an office are high while 13% of the urban population affirms that the costs are high (SBS, 2017).

With respect to savings, whether in the form of goods or money through the financial system and outside the system, at the national level, 66% of the population has voluntary or compulsory savings while 46% have only voluntary savings. These percentages at urban level are 65% and 40%, respectively. At the rural level the percentages are 72% and 68%, respectively. Despite these levels of savings, at the national level, 68% of the population saves outside the financial system; at urban and rural levels these figures are 59% and 92%, respectively (SBS, 2017). This is a sign that there is a potential for the inclusion of Peruvians in the financial system, not only at the rural level, but also at the urban level. That potential in Lima reaches 47% of the population.

Regarding future savings, 50% of the national population said that saving in a financial institution would cause more expenses for them in the future, while 14% indicated that these higher expenses would correspond to savings outside the financial system. These figures are similar in urban and rural areas (SBS, 2017). This perception of Peruvians related to the costs of savings can be a variable that could be highlighted by the Fintech.

According to the SBS, taking the year 2014 as the base year for the analysis of financing, at the national level, 30% of the population requested some type of financing inside or outside the financial system; this percentage is similar to both urban and rural areas. From that total, 37% of the loan requests were demanded exclusively in the financial system while 52% were requested outside the financial system. At the rural and urban levels, 58% and 50% of the requests were demanded outside the financial system (SBS, 2017). This indicates the potential that Fintech could have for alternative financing to the financial system. Regarding

the demand for financing outside the financial system, at the national, rural and urban levels, the requirement for financing from friends and family members was 65%, 62% and 67%, respectively (SBS, 2017). From a positive point of view, requesting credit from family or friends increases the probability of repaying the debt due to a reputation issue because of the the closest ties. For Fintech, this may constitute information that would reinforce the perception that facilitating financing would have a relatively high probability of risk.

The expenses financing in a business is the second important reason for demanding loans, at national, rural and urban level, being the percentages 23%, 20% and 24%, respectively. On the other hand, the main reason for requesting financing is for covering emergencies (34%) at national levels. This information could be used by Fintech to focus on this market segment. In terms of the main reasons for making the decision about where to apply for financing at the national level, the report reveals that people look for not very expensive sources (51%), that represents a fast and timely process (35%), and that not too many documents are requested (19%) (SBS, 2017). These three variables should be used by the Fintech as a differentiator with respect to traditional financial institutions.

Zlegler et al (2017) said that the Fintech market in Peru during 2016 was around USD 9.9 million, implying a growth rate of 3,417% compared to 2015 were the total transactions amounted USD 276 thousand. This growth was explained basically by person-to-person loans for around USD 9.1 million and crowdfunding for USD 73 thousand. Although, as Facundo Turconi said, some Fintech that use their own resources to grant loans, have a loss rate of 15% representing unrecovered loans with a high collection cost (Diario Gestión, 2018). In some cases, as mentioned by the risk central Sentinel, the default rate reaches the 30% because some Fintech granted loans to fraudulent customers (Diario Gestión, 2018). This would be an explanation of why the annual effective cost rate increased during 2017 up to 14.47% from a 5.9% that was applicable during 2016 (Diario Gestión, 2018). On the other hand, it is needed to point out that when Fintech use investors funds for granting loans, they are more rigorous in their policies and evaluation processes of granting loans (Diario Gestión, 2018).

Currently in Peru, Fintech are not supervised by the SBS, however to operate they require a registration in an SBS to prevent money laundering and terrorism financing. In contrast, firms offering savings accounts, such as banks or savings banks, require authorization through a licensing process, where they must meet a series of requirements, mainly the minimum capital to operate, in addition to the compliance with technical requirements (Diario Gestión , 2018).

INTERVIEWS WITH THE MARKET ACTORS

Central Bank of Reserve of Peru

According to information from the BCR, there are currently 45 Fintech in Peru, of which about 20 are registered with the Fintech Association of Peru. The main operations are focused on crowdfunding and payment mechanisms. For the BCRP, the size, its presence and the number of operations are still small, lacking of reliable statistics in this regard. Definitely, the potential that is observed in Fintech is the one linked to the concept of financial inclusion. However, it is necessary to bear in mind that, unlike developed countries, Fintech in Peru is not a competitor of banks but of the informal ones that offer financial services at exorbitant costs.

Regarding interest rates, something important that the BCR highlights is the fact that, although these can be high compared to what is offered by the banking system, they are considerably lower than those of informal loans. Additionally, it is also recognized that Fintech are transparent in terms of the costs and fees charged to their clients. However, there are not enough and reliable statistics to be able to make a deeper and more relevant analysis. Therefore, in order to know more about the business processes, the BCR has decided to conduct a survey about Fintech, for which it has coordinated with the Peruvian Association of Fintech so that this survey is applied to as many companies as possible, and it is hoped that, after obtaining the information, it will be available to the market not at the individual level but in an aggregate manner.

Regarding the regulation, the BCR indicates that all regulations arise from a market failure depending on the line of business. Fintech currently must meet the legal standards applicable to the line of business to which they are dedicated. Thus, for example, those that are dedicated to factoring must comply with the corresponding regulations as well as with tax regulations and money laundering laws. What the BCR considers is that it is necessary to know the issues that could be relevant to the Fintech sector and that could affect them as a whole, such as fraud for instance. Thus, the discussion in the market is not currently centered on regulation per se, but on how the government can promote this type of business by protecting all market players. What the BCR wants is to generate a general regulation and not a case-by-case one. The main difficulty that is going through for regulatory purposes is the diversity of businesses within which Fintech operate. In this sense, the risks that arise in each case must be analyzed, from which a set of general rules of conduct applicable as a framework to all Fintech must arise.

Peruvian Superintendence of Banking, Insurance and Private Pension Funds Administrators

SBS is evaluating what type of regulation to adopt, one possibility is that regulation takes as a reference the way in which Fintech operates and gives rules in that context. Another possibility is that they apply a tougher regulation that seeks consumer protection and with this the Fintech would have less possibilities of offering services that have an important innovation component. Another possibility is that they would wait for Fintech to mature in order to regulate them, because they may consider that regulation of a new business may impose costs that hinder its operation.

As to now, the behavior of the Peruvian financial system authority (Superintendence of Banking, Insurance and Pension Funds – SBS) is a kind of “laissez-faire” to Fintech firms in terms of the regulation, while analyzing the phenomenon from two perspectives: first, the academic and, second, the regulatory point of view. From the academic perspective, SBS is trying to understand what the Fintech is doing in the Peruvian market in order to build up an applied definition that could be used here. On the other hand, from the regulatory perspective, SBS understands that, after reviewing international experiences, there are three ways of facing the phenomenon: the first option is to restrict Fintech operations; the second option is to be more flexible with Fintech firms, having a neutral behavior; and, the last option is to encourage and enhance Fintech firms. So, at the time this paper is written, SBS haven't gotten a final decision and it has to defined in the near future.

Peruvian Association of Fintech

According to the Peruvian Association of Fintech, financial inclusion is the main driver for the development of this type of business. The Fintech seek to reach niches not served by traditional banks, taking advantage of the low level of financial inclusion. Accompany this development, the process of technological innovation that allows improvement on the way the organization approaches customers. Thus, Fintech are non-traditional business models that make them different from banks. The solutions applied by the Fintech are more on the client's side and not so much around the development of the product. Many Fintech were born as competitors of banks, however today they give services to banks with which they take synergies advantages for the good service. The Fintech are more agile, simpler and solve many times problems that no one is facing. The simple and friendly technology is perhaps a radical difference with banks.

The Fintech have a possibly longer gestation time than other start-ups because there is a reputation issue to be taken care of. Additionally, although it is true that in Peru there is no a Fintech Law, each business model must comply with specific laws designed to regulate the type of business they perform. Thus, for example, the Fintech that work on electronic factoring must comply with the Factoring Law and the Negotiable Invoice Law. In this way, each Fintech is complying with the regulations applicable to its area of influence. On the other hand, through the Peruvian Association of Fintech, there are approximations to the BCR and SBS with the purpose of making them known how these companies operate. Moreover, Innova Funding, a Fintech dedicated to electronic factoring, has been invited to attend an international meeting with financial regulators of Latin America convened by the IDB in May in order to make the Fintech way of operating transparent and analyze and review its operations and processes. For its part, the BCR is conducting a survey on the current status of Fintech in Peru, for which the Association is helping to raise relevant information. This would indicate that regulators are on the right track, to propose a Fintech regulation that responds to the characteristics and nature of the business.

To conclude, it is known that there are around 45 Fintech in Peru, of which almost half operate locally and a third has already disappeared without knowing if they have really left the market or have been transformed or converted into another organization. Of the total of Fintech, 25 belong to the Peruvian Association of Fintech and 23 of these operate regularly.

Solven Fintech

Solven connects people who need a loan with financial institutions and investment funds, allowing them to originate completely online. A commission is charged to the financier for the amount disbursed. Solven works hand in hand with financial institutions and the most innovative investment funds. Through its platform it offers products, with completely digital processes. Solven is fully connected online with financial institutions, so they are the ones who evaluate applicants with up to 1,200 variables that Solven relieves in the process. Another important characteristic is that the credits granted through Solven are granted without guarantee.

On the funding side, Solven does not perform any type of fund raising in particular. With the banks connected to Solven, those are the ones that issue credits on their balance sheets through the digital channel. From that point of view, the interest rate is determined by the financial institutions, just as they are the ones that manage the collection.

For Solven, Fintech are taking advantages due to the lack of non-traditional financial services. From this point of view, some Fintech are replacing services of banks and competing with them, while others are collaborating with each other, as is the case of Solven. Due to the characteristics of Solven, the regulation would not affect it or its impact would be minimal, basically due to the business model adopted by this Fintech. Solven works as an online distribution channel for financial institutions and investment funds, for this reason they are not regulated. All the products that are hired belongs to entities that are supervised and will be reported to the corresponding authority by the issuers (even before the risk centers). The Fintech that would have more complication could be the P2P, that is, those who issue credit in their balance, although it is expected that the regulation does not harm them at all, since lending is a legal operation for anyone.

Finally, although they generate a lot of data which is analyzed, Solven's business model does not require the application of technologies different from those currently used. However, at some point Blockchain will surely be used to record transactions.

Prestapyme Fintech

Prestapyme is a Fintech that relates people who are looking for a loan with investors interested in lending their capital directly. For the fulfillment of this purpose, Prestapyme evaluates the profiles of the entrepreneurs, prepares the loan contract with mortgage guarantee, carries out the loan management and the follow-up until the rescinding of the mortgage. Therefore, it does not perform financial intermediation. The loan contracts are for a period of 12, 18 or 24 months, without a minimum cancellation period in accordance with the Consumer Code (Law No. 29571) and may be renewed at the end of the period. Its average annual effective cost rate (TCEA) is 34%. The Prestapyme's TCEA includes the interest rate and all the expenses related to the loan, including the mortgage. By way of comparison, the average annual interest rate (TEA, which does not include expenses) of the financial system for loans to microenterprises in Peru is 44% (January 2017). On the other hand, the interest rate for the investor is fixed in the loan contract with the entrepreneur for the whole period. This can vary between 15% and 20% per year, depending on the interaction of the loan offer and the demand for them. Currently the rate is 20% per year. The minimum amount of a loan is 30,000 soles. A loan can be made between two or three investors. On the tax side, as a natural person, the profits from the loans are subject to the 5% income tax; that is, if the annual interest rate is 20%, after taxes, this would be 19%. Additionally, Prestapyme charges an 8% commission on average over the total amount of the loan, which includes the process of evaluation, selection, contact with investors, preparation of the legal contract, notary and registry expenses, monitoring of payments, among others. The monthly fees that already include this commission and the TCEA include all costs, there is no additional expense.

For the evaluation of the potential debtor, the legal analysis of the guarantee documentation and its value is performed, which includes a physical verification of the asset, as well as the financial analysis of the entrepreneur and his business. Each entrepreneur is analyzed individually, seeking greater security for the investor in terms of investment coverage and liquidity. Unlike other options, the loans are guaranteed by easily executed real estate guarantees in the event of default by the borrower. In this case, Prestapyme is responsible for executing the guarantee within an average period of three months, during which the interest continues to run. The process of risk assessment in Prestapyme begins with the analysis of

the profile of the entrepreneur as the first filter (here the legal area intervenes). Then, there is a meeting with the entrepreneur and the qualitative analysis of it is carried out. To give investors a greater security and as a sign of seriousness, Prestamype is committed to the process of collection and execution of the guarantee at the cost of the Fintech. In the same way, Prestamype pays the appraisal and the loan is limited up to 40% of the aforementioned appraisal.

As Prestamype only provides legal and financial advisory services and does not perform financial intermediation, it is not subject to the regulation applied to the financial system. However, Prestamype is officially recognized by the SBS as a company dedicated to collective or participatory financing, so it must inform to the Financial Intelligence Unit (UIF) for the prevention of money laundering and terrorist financing. In general, Prestamype is regulated by the Peruvian legal framework since it is a formally incorporated company in Peru.

Although Prestamype grants loans with mortgage guarantee, which is similar to the way banks operate, it differs from the latter due to the simplicity and agility for the approval of the operation. This difference occurs not only because banks are subject to very harsh regulations but also because in many cases they respond to uncompetitive bureaucratic structures. Moreover, many times banks approach Fintech to learn how to make things simpler.

For Prestamype, a Fintech Law is not necessary because they do not take funds from the public in the form of deposits; in the worst case, investors place their money in a trust; in the others, surplus agents are directly related to deficit agents (with Fintech being a catalyst for the relationship), or investors are investment funds. In addition, each Fintech complies with the legal norms that concern it, and the birth of a new general law could introduce serious limitations to the business model, which would affect the ability to expand the business. For instance, already the Fintech does not have exemption from VAT, which is a tax to which banks are not subject to. For example, Prestamype analyzes potential entrepreneurs, and after meeting the requirements, upload the profile to the website where investors can make a decision about who they will finance. Unfortunately, not all the process is digital because at present the mortgage registration is a manual operation that takes place in a notary. If there is a Fintech Law in Peru in the future, Prestamype indicates, this should be a promoter law that supports the business model and that avoids abuses and frauds that could destroy the business. A law that controls the business is not needed.

Kambista Fintech

The profit of the exchange rate houses is in the spread, which is the difference between the purchase price and the sale price. The proposal of the digital exchange rate houses is that someone can transfer and change dollars from the comfort of a computer with a better price. However, banks also offer this service online but with higher exchange rates; the spread difference is on average 2.5% in banks, while that difference in purchase and sale in digital houses is 0.4% or 0.5% and in the street exchange in 0.3% (Escalante, 2017). On the other hand, the physical exchange rate houses must be registered in the SBS, a registry that is managed by the UIF to avoid money laundering and terrorism financing. This obligation must also be satisfied by the online exchange rate houses.

In this way, through the Kambista website, someone can register and change what they want in a quick bank transfer. Thus, in 10 minutes the amount changed in soles or dollars will be

taken into account, with exchange rates more similar to those of the money changers in the street. In this business model, the profit of the company is in buying cheap and selling expensive. According to Escalante (2017), Kambista's expectations in 2017 have been exceeded: his profit grows 30% each month. The business model lies in scalability, because the digital platform manages operations throughout the country. A physical change rate house is limited to the place it occupies.

Kambista is a formal company registered by the SBS, which won funding from the state program Startup Peru and has been a finalist in one of the editions of Business Creativity in the financial services category. Kambista performs operations in minutes with clients that have accounts in the BCP or Interbank. In its first year of operations, Kambista has raised 250 thousand soles from private investors and plans to access a second round of investment of 500 thousand dollars next year in order to expand to other countries. Argentina is the most interesting country, apart from Mexico and Chile (Escalante, 2017).

Banco de Credito del Peru (BCP) – Traditional Bank

The BCP was interviewed basically for four reasons: firstly, it is a bank of Peruvian capital, secondly, it is the largest and most important bank in Peru (34% participation on direct loans and 33% in deposits), thirdly, due to the degree of innovation introduced in the market despite to be a traditional and conservative bank (BCP LAB), and finally for the fact that its new CEO (Gianfranco Ferrari) is one of the main promoters of changes in the bank.

The BCP has recently presented its "figital" proposal to the market, a hybrid model between the physical and digital agencies. This model is, according to Garcia (2018), a proposal that goes beyond being an agency model (which was the case of Interbank, another bank of Peruvian capital). According to the BCP, as they announce it, it is to improve the satisfaction of their clients through the testing of new initiatives that can be replicated in their network or other channels. Some time ago, BCP innovated with the introduction of BCP agents, which in part brought the bank's operations closer to its customers through the affiliation of small stores, businesses or pharmacies where customers can perform certain transactions that would be regularly carried out at the bank's offices. The new business proposal, according to the BCP, has the virtue of being able to change configuration quickly, since it is prepared for any type of test. The agency is the scenario, the new thing is that in the same agency there is the backstage where the elements of future scenarios are prepared. It also has a room for focus in the same office. The main objective of this agency is multichannel, that is to say, the interaction of tests of the digital world and self-service, also serving for education and demonstration of the benefits of digitalization and the use of remote channels. In this scenario, the BCP is betting on getting to know its customers better, looking for the solutions and improvements that would be expected in the physical room of the BCP.

Ferrari recognizes that digital transformation is only a means to achieve a higher objective, which will not be achieved if there is no transformation in the way of thinking and interacting, that is why the BCP is promoting this digital transformation along with a change in culture of the organization that prioritizes customer satisfaction (Gestión, 2018). Ferrari recognizes that, on the one hand, banks have not been sensitive or adequately understood what people need and have often remained only on the transactional side, which has affected the possibility of further increasing financial inclusion. On the other hand, the issue of costs has also made it impossible for lower income segments to see a nearby alternative in the banks (Gestión, 2018). In the latter case, digitization is the way to reduce costs and bring the

bank closer to these segments. Within the projects of digitization of the BCP, Ferrari indicates that the main ones are to reach the objective that 75% of the openings of savings accounts are by auto-generation in a BCP kiosk; continue promoting the Yape product (transfer of money between accounts without knowing the numbers of these, via cell phone number); promoting the product Instant Money, which is a credit online (through the BCP website) of amounts up to 500 soles for four to six months; and continue to expand the use of Mobile Banking through the bank's application (Gestión, 2018).

On the issue of Fintech, Ferrari recognizes that they have an advantage over banks, being new organizations while banks use very old systems; for this reason, BCP is investing in technology to build an architecture more similar to Fintech than traditional banks (Gestión, 2018). Ferrari recognizes that the value of Fintech lies in their creativity, agility and flexibility and does not recognize them as competitors but as potential collaborators, with whom they can work together. In this sense, a BCP official interviewed for this research confirmed what Ferrari indicated, in the sense of both the transformation that is happening in the bank and in the appreciation about Fintech. In addition to being customers of banks, Fintech are strategic partners with which alliances can be established to accelerate projects that, by themselves, the bank could take a long time to execute, while, by the characteristics of Fintech, these same projects can be executed with greater speed and with the same level of security. Finally, the BCP has realized that the client that deals with digital platforms has a better feeling and a greater degree of satisfaction. However, a limitation for this process to grow is the education of clients towards these platforms, since there is still a significant proportion of clients that prefer to make physical transactions. On the other hand, digital platforms offer an alternative of lowering cost of operation than traditional offices, offering a possibility of expanding bank operation to other market segments.

Conclusions

The conclusions about Fintech can be divided from the point of view of the operations, regulation and the perspectives that Fintech have on their future evolution. By the side of the Fintech operations, the various Fintech that operate in Peru claim to comply with specific regulations according to what the model of business of each one is. Fintech has a proactive attitude in order to strengthen its operations as a guild, in this regard there exists the Peruvian Association of Fintech. Individually they approach the regulatory agencies to investigate ex ante if any specific norm must comply with or propose any norm that is necessary for its operation. By the side of regulation, regulatory agencies are making proposals on an individual basis and then carry out a series of working meetings to define whether they converge towards a transversal regulation on the Fintech or if they issue independent regulations. It is expected that in the short and medium term, the regulatory agencies issue the corresponding regulation on Fintech's operations. Finally, with respect to the perspectives of Fintech in the future, Fintech will be a mean by which financial inclusion can be realized. The infrastructure of networks and telecommunications in rural areas will be enhanced with new investments by private operators. The opinion is that the increasing access to the internet and telecommunications is considered a basic need in the future. This platform will allow Fintech services to reach more Peruvians.

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