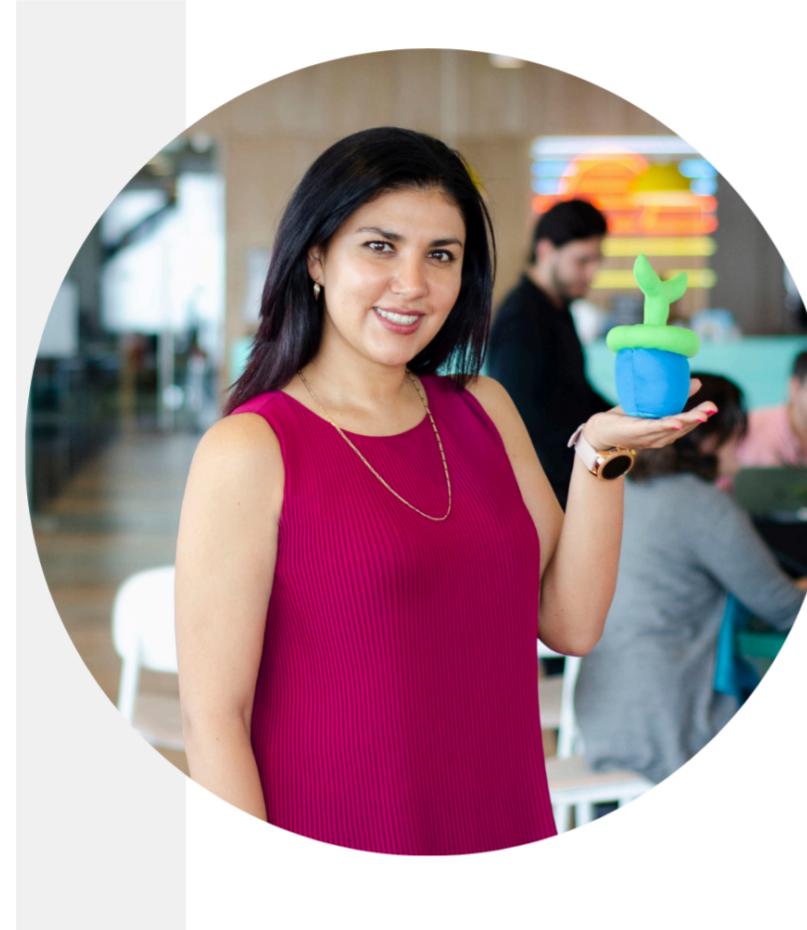


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How BNPL is paving the way for financial inclusion and consumer trust in Mexico

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THE FINANCIAL REVOLUTIONIST

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With the Mexican [market size predicted to reach \\$26.89 billion by 2030](#), 'buy now pay later' (BNPL) providers have flipped traditional banking on its head, helping unbanked consumers enter the formal and digital economy, while improving consumer access to innovative financial products.

Most BNPL firms offer a range of credit products, but the crown jewel is undoubtedly short-term consumer financing paid off in bite-sized installments, with alternative payment options available when needed. Encouraging adoption boils down to creating a simple, transparent and fair product that's easy to use. Kueski, Mexico's leading BNPL provider, has distributed more than 19 million credit loans through Kueski Pay — an extraordinary feat considering that [70% of Mexicans don't have access to a credit card](#) and more than 50% of the country is unbanked.

BNPL platforms are working tirelessly to earn credibility among skeptical Mexican consumers. The country has one of the lowest rates of banking penetration in Latin America and legacy financial institutions have developed a reputation for being untrustworthy. Past risky behaviors and weak property rights enforcement contributed to the [financial system's collapse in 1996-7](#) and put an estimated 1.75 million people in debtor relief programs.

Mistrust is also the product of current banking policies and behaviors. Ordinary people feel like banks are inflexible and not incentivized to serve their needs. Even with Mexico's cash-based [informal economy, accounting for 29.4% of its GDP](#) and [54.8% of employment](#), these businesses and workers don't typically qualify for loans and credit products because of insufficient or variable income, cash-based payments and non-existent credit histories.

How BNPL is driving financial inclusion

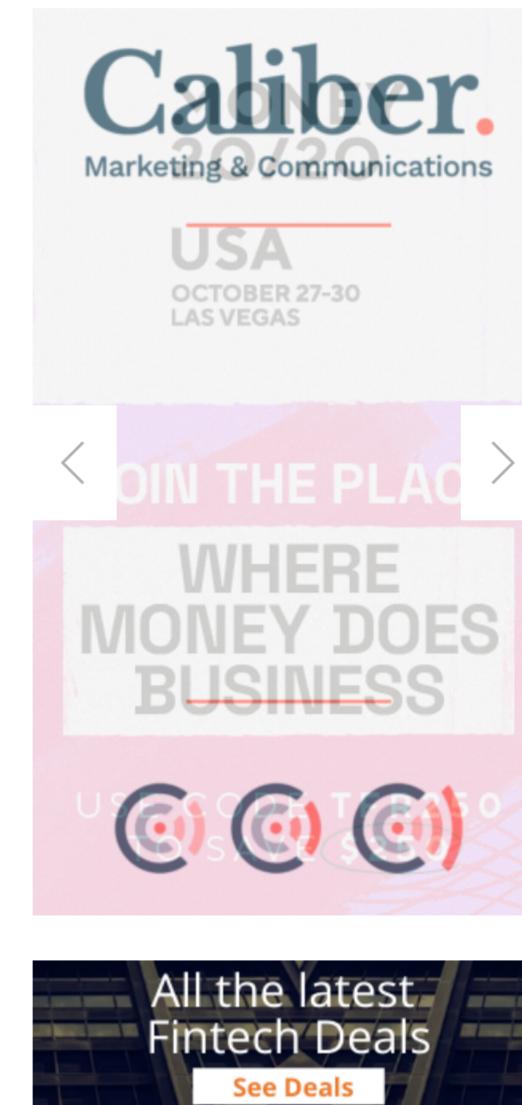
Over the years, BNPL firms have built considerable goodwill by expanding consumer access to financial goods and services. While traditional banks rely on credit history to assess risk, BNPLs employ machine learning (ML) and artificial intelligence (AI) models to analyze alternative data like transactional history, social media activity, utility payments and purchasing patterns to determine creditworthiness and predict the likelihood of default.

Examining a wider range of factors paints a more accurate financial picture of a consumer's repayment capability. With this information, BNPLs make knowledgeable underwriting decisions for consumers who may not have otherwise qualified through traditional means. In doing so, BNPLs have gained a reputation for helping consumers establish credit histories and increasing their access to financial services.

AI-Driven BNPL solutions

ML and AI models help these platforms maintain robust security and fraud protocols that safeguard consumer interests, including multilayered underwriting and security processes. AI models can identify unusual patterns in transaction data that may flag fraudulent activity. Similarly, advanced ML algorithms, such as biometric verification and device fingerprinting, help confirm the identity of the individual carrying out the transaction.

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Consumers have responded well to the advanced security measures employed by BNPLs. [With credit card fraud rampant in Mexico](#), customers with credit cards prefer to use BNPL solutions as a secure credit option.

How BNPL impacts consumer trust

Having a great financial product with great security features is only half the battle in a market like Mexico, where financial literacy is key to winning consumer trust. For many consumers, BNPL is the first financial service with which they interact, so being transparent, upfront and keeping the language simple about the product, the approval process and payment plans is crucially important.

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Offering incentives for timely payments such as reduced fees, discounts, cash-back or loyalty points can also encourage responsible borrowing behavior. And when all else fails, personalized

financial advice, with additional support through payment breaks or deferrals in case of financial hardship offer BNPL providers additional levers to keep customers loyal.

The rise of BNPL providers marks a pivotal shift in Mexico's financial landscape. By leveraging ML and AI models to power a much-needed service, BNPL providers are not only providing access to credit for those previously excluded, but also fostering trust through enhanced security measures and transparent practices.

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