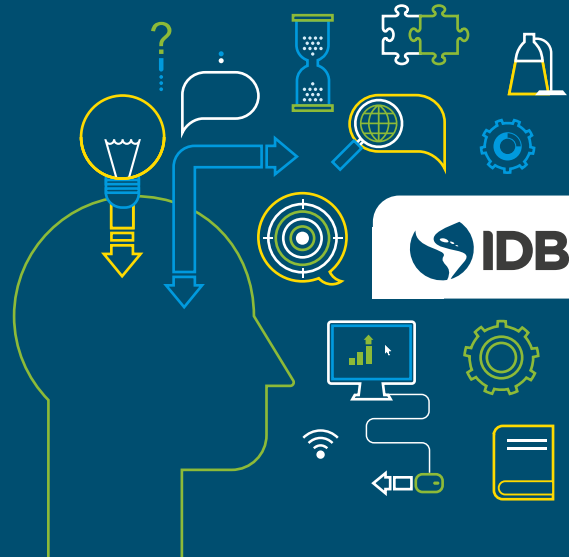


How Can Digital Payments Drive Financial Inclusion in Latin America and the Caribbean?

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Between 2021 and 2024, the share of consumers in Latin America and the Caribbean using digital wallets rose from 2% to 10% for receiving wages, and from 7% to 18% for making purchases.



Consumers with higher socioeconomic status, higher education, younger age, non-indigenous background, and urban residence have adopted digital payments more rapidly. Similarly, larger firms, exporters, and those located in capital cities have transitioned faster than their counterparts.



Consumers mainly fail to adopt digital payments due to technological, economic, informational, and behavioral barriers.



CONTEXT

Participating in the financial system and the broader economy increasingly depends on consumers' ability to transact digitally. Sending and receiving money through online channels is becoming essential for receiving wages, financial services, and online shopping. Even face-to-face transactions increasingly rely on digital payments, reducing the usability of cash across the board. For both consumers and firms, the inability to conduct online transactions represents a significant barrier to full economic participation. Yet, one in five consumers in Latin America and the Caribbean rely only on cash. Disadvantaged groups and countries face particular challenges in transitioning to digital transactions.



PROJECT

The study analyzes digital payment adoption patterns among consumers and firms in the region in the aftermath of the COVID-19 pandemic. It leverages recent regional survey data at the individual and firm level to examine adoption trends, gaps in access and usage, barriers to digitalization, and policy measures that promote inclusion. Available data provides insights into payment habits, account usage, digital wallet penetration, and reported obstacles to adopting digital payment methods. The study gives special attention to vulnerable populations and small businesses facing structural disadvantages. It also considers the role of nonbank providers such as fintechs and e-commerce platforms in expanding access to digital financial services, while acknowledging emerging challenges related to trust, cybersecurity, and equitable access.



RESULTS

Between 2021 and 2024, the share of consumers using digital wallets rose from 2% to 10% for receiving wages and from 7% to 18% for making purchases. Use of digital payments for in-person shopping increased from 11.8% to 30.8%, and for online shopping from 37.7% to 48%. Consumers in eight surveyed countries identified speed and convenience (75%), reduced cash use (74%), and better financial planning (58%) as the main benefits. For firms, the leading advantages were speed and convenience (66%), greater security (49%), and facilitating more sales (46%).

Key Concept

DIGITAL PAYMENTS



Transactions completed using electronic systems such as mobile apps, digital wallets, or online banking platforms.

Despite overall growth, adoption remains uneven across countries and demographic segments. Cross-country differences reflect variation in infrastructure, internet access, regulation, and consumer preferences. Within countries, consumers with higher socioeconomic status, education, younger age, non-indigenous background, and urban residence reported significantly higher adoption rates at the 95% confidence level between 2022 and 2024. Similarly, larger firms, exporters, and those in capital cities adopted digital payments at significantly higher rates.

Top consumer barriers include lack of need or interest (51%), lack of trust (28%), and lack of knowledge (15%). On the firm side, micro and small enterprises—which make up most businesses in the region—face challenges related to limited access to affordable networks and payment hardware, lack of awareness, high upfront costs, stringent regulation, and non-standardized systems.

Data from Mexico, where digital payment use is below the regional average, highlights similar patterns. Consumers most often cited preference for in-person payments (53%), lack of interest or need (15%), and lack of knowledge (13%).

Firms reported lack of necessity (57%), small business size (27%), and limited knowledge of available options (6%). Both groups also cited distrust of payment methods, which, along with lack of information, was associated with a 5–10 percentage point decrease in online payment use.



POLICY IMPLICATIONS

The rapid growth of digital payments in Latin America and the Caribbean has created new opportunities for financial inclusion, but it has also exposed persistent gaps that threaten to leave vulnerable groups behind. Unequal access to digital infrastructure, low financial literacy, and limited trust in digital systems can reinforce existing inequalities and prevent consumers and firms from fully participating in an increasingly digital economy. Policymakers therefore face the challenge of fostering conditions that enable broader adoption while ensuring security, accessibility, and fairness.

This research underscores the importance of governments taking proactive steps to reduce the technological, economic, informational, and behavioral barriers that impede digital payment adoption. Technological access can be improved by investing in infrastructure and connectivity in underserved areas. Costs can be lowered by promoting private-sector competition through open access to infrastructure or by recalibrating regulatory frameworks to strike a balance between safety and innovation. Governments can leverage positive spillovers by initiating programs that encourage early adoption, creating momentum among consumers and firms. To address informational gaps, practical approaches such as hands-on learning experiences or gamified financial literacy tools linked to digital payment products can

Key Concept

BEHAVIORAL BARRIERS



Psychological or cultural factors that hinder adoption, including habits, resistance to change, and concerns over privacy and security.

build familiarity and confidence. Finally, improving trust requires a combination of strategies, including strengthening security standards through competitive markets, considering the adoption of public or private payment platforms based on user preferences, and integrating trust-building measures into educational programs.

Key Concept

FINANCIAL LITERACY

The ability to understand and effectively use financial products, including digital tools.


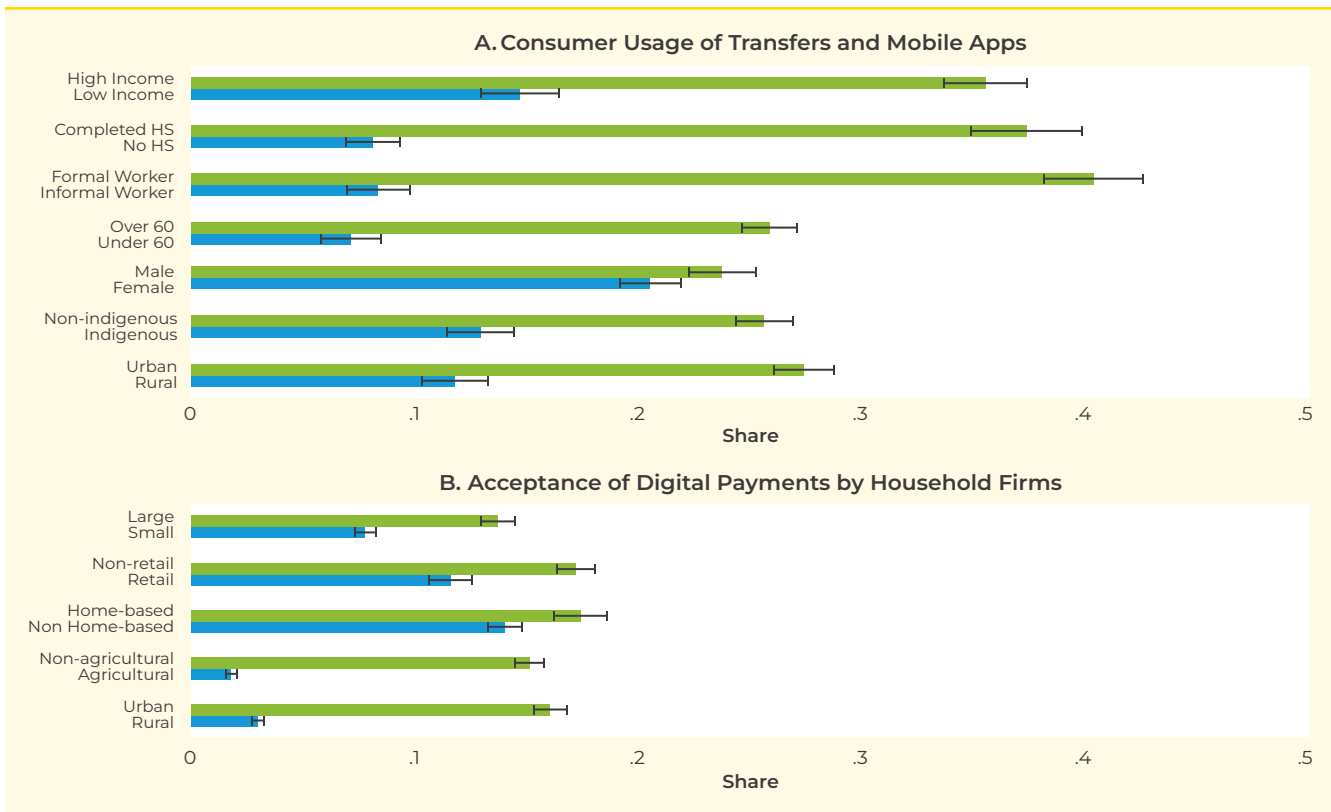


FIGURE 1. Characteristics Correlated with Digital Payment Adoption in Mexican Consumers and Firms



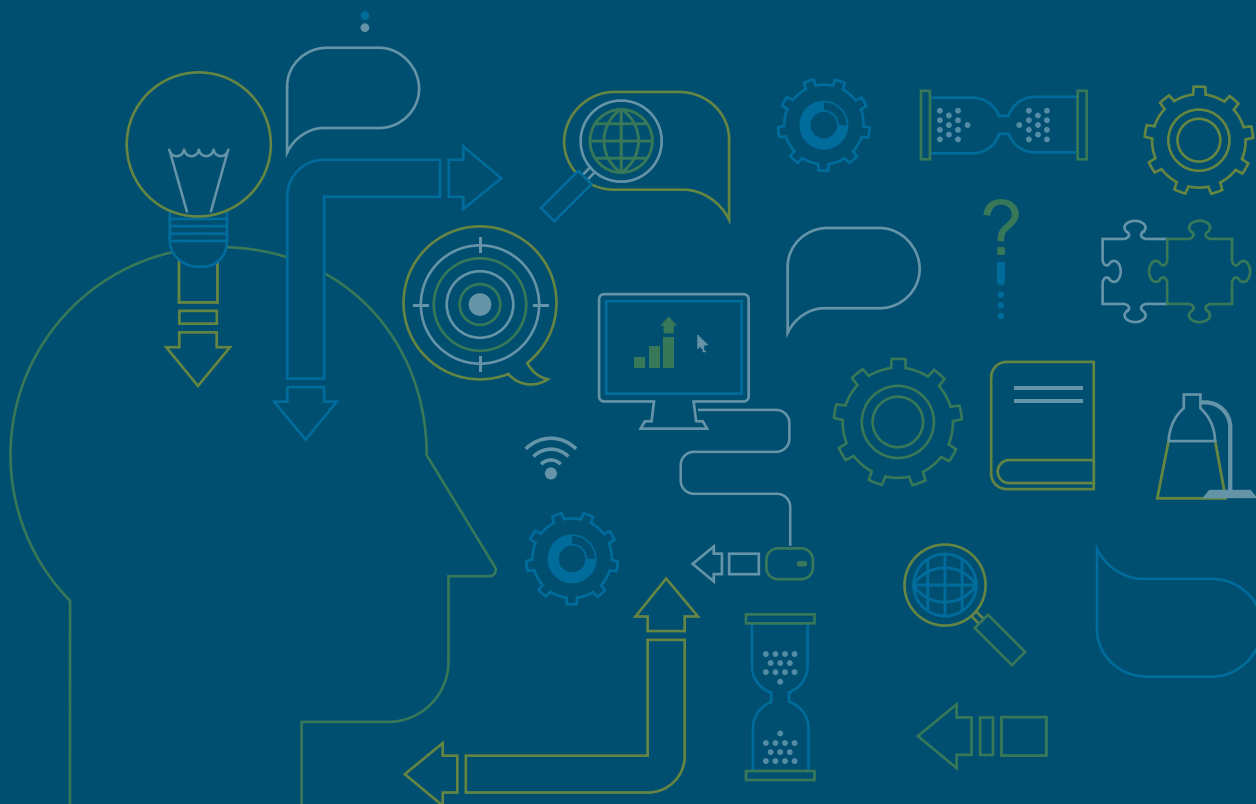
Note: Based on data from Mexico’s Encuesta Nacional de Inclusión Financiera (ENIF) 2024 and Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH) 2022. Panel A shows the share of each subgroup that made a payment using a transfer or mobile app in the three months prior to the survey. Panel B shows the share of household firms that accept transfers, direct deposits, or mobile payments. High-income individuals are those above the median; formal workers are those with access to healthcare plans through employment; under 60 refers to individuals aged 18–59; and rural areas are those with a population of under 15,000. The ENIF sample consists of 13,502 individuals responding on behalf of their households. Estimates were weighted using nationally representative individual weights. Large firms are those within the top three deciles of expenditure in the past trimester; non-retail household firms are non-agricultural industrial or service firms; and rural areas are those with fewer than 2,500 people. The ENIGH sample consists of 41,110 household firms. Estimates were weighted using individual weights for firm owner. Ranges are 95% confidence intervals.

FULL STUDY

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