

# **FEASIBILITY STUDY FOR AKIBA TO OFFER ITS PRODUCT TO LOW- INCOME EMPLOYEES IN COLOMBIA**

August 31, 2021

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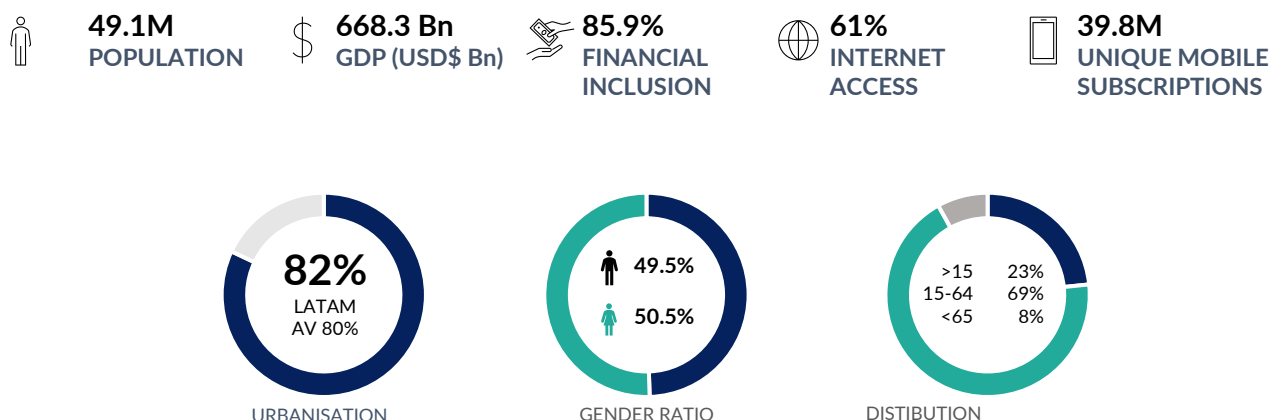
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# 1. Desk Review

## 1.1. Overview of the Country



Colombia is the third largest country in Latin America by population (49.1M) and the fourth largest economy (GDP of USD 668.2 billion). It is divided into 32 departments and a capital district. (Central Intelligence Agency, 2020) **The minimum wage is \$260 per month.**

Out of the total population, **50.5% are women**, of which 42% are between the ages of 25 and 54 years old, while 16.4% are between 15 and 25. The percentage of **urban population is 81.4%**, and grows at an annual urbanization rate of 1.22% (annual exchange rate 2015-20 est.) The urbanization of the country is on par with the Latin American average (80%), but below those of countries on the southern cone (Argentina, Chile, and Uruguay) which is 90%.

The capital of the country is Bogota, which is the most populated city in Colombia with 11 million inhabitants. Other important cities and their number of inhabitants are Medellin (4 million), Cali (2.8), Barranquilla (2.3); Bucaramanga (1.3) and Cartagena (1.1).

### **Colombia's economy is growing slowly**

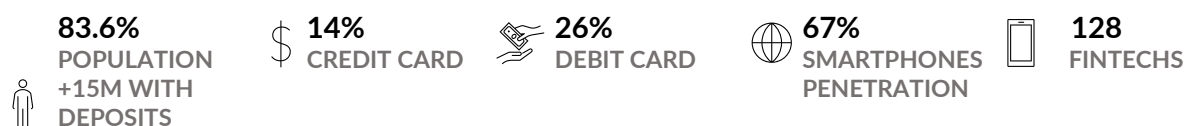
Colombia's economy relies heavily on energy and mining exports, making it vulnerable to fluctuations in commodity prices. Colombia is the fourth largest oil producer in Latin America and the fourth largest coal producer in the world, the third largest exporter of coffee and the second largest exporter of cut flowers. Colombia's economic development is hampered by inadequate infrastructure, poverty, drug trafficking and an uncertain security situation, as well as dependence on primary products (goods that have little added value due to processing or labour inputs).

Colombia is characterized by conservative macroeconomic and fiscal management, which has led to uninterrupted growth economy since 2000. However, the country's productivity is low due to a large infrastructure gap, low labour productivity, low trade integration and barriers to domestic competition. Exports are concentrated in non-renewable commodities (particularly oil), increasing the economy's exposure to price shocks. Finally, (Group, 2020) **Colombia is one of the countries with the highest income inequality and informality of the labour market** in Latin America.

After slowing by 1.4% in 2017, economic growth accelerated by **3.3% in 2019**, driven by robust private consumption and stronger investment. Growth was on track to accelerate further in 2020, but the COVID-19 pandemic hit the economy hard, causing a very deep recession. A contraction of **7.2% is expected with an**(Portfolio, 2020) uptick in growth by 2021-2022, provided the pandemic is short-lived.



### 1.1.1. Financial Services Penetration and Financial Inclusion



#### Access to formal financial services has grown

As of June 2020, **31 million adults had at least** one formal financial product, an increase of around 1.6 million in the last half, reaching **85. 9%**. Additionally, **2.3 million adults** that were inactive last December **used financial products**, pushing the usage indicator to reach **71.6%**. 730,000 beneficiaries activated their products or opened one for the first time. At the same time, many people, in response to the situation caused by COVID-19, began to make more use of their current products or opened new ones. (National Planning Department, 2020, p. 3)

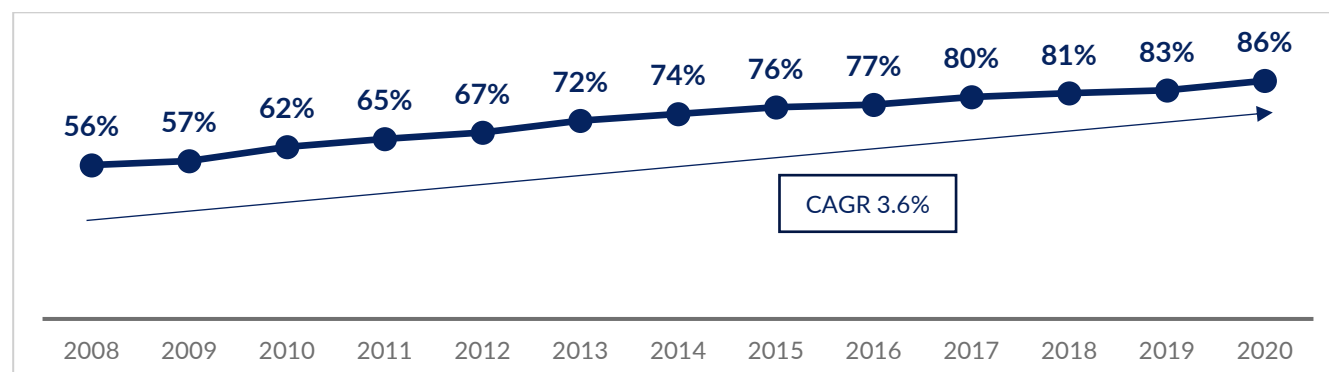


Figure 1 Financial Product Access Indicator (2008-2020)

#### There is a considerable population with limited access to financial services

Only 45% of Colombians over the age of 15 have a bank account, according to World Bank data. (World Bank). When it comes to businesses, even though micro, small and medium-sized enterprises (MSMEs) account for 96% of Colombian enterprises, less than 30% have access to credit. (Aliatu, 2020) As a result, there is a great opportunity for fintechs to thrive in the country.

#### High penetration of smartphones and the Internet

Seven out of ten (67%) Colombians used smartphones by 2020 and that figure is expected to increase to 76% by 2025, by GSMA data. Internet penetration at the end of 2019 stood at more than 61%, nearly 10 percentage points higher than the global average at the time (Euromonitor, 2020). In addition, it stands out that 9% of the Colombian population has used the cell phone or internet to access an account or received some digital payment, and that 15.2% have received digital government transfers. (World Bank, s.f.) These figures are close to or above the Latin American average. Indicators have continued to improve over the past three years.

#### Impact of COVID-19 on the adoption of financial services

The National Government's money transfer programs 'Solidarity Income' and 'VAT Compensation' played a key role in increasing indicators of access and use of financial products. In the first half of 2020, 730,000 beneficiaries activated products or opened one for the first time.

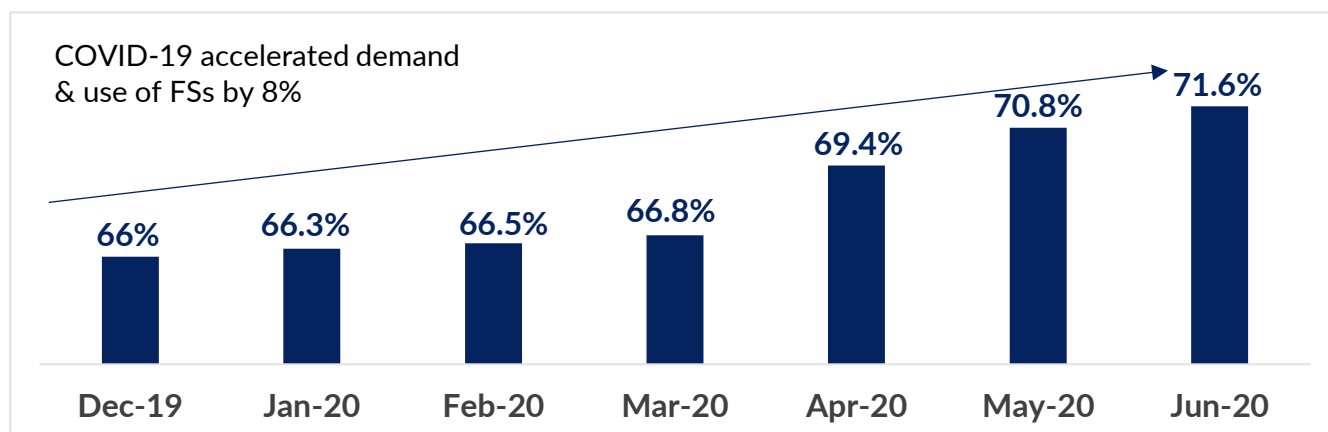


Figure 2 Use of financial products (1st Sem. 2020)

These programs and income aids took place in the context of the COVID-19 pandemic. The government deployed monetary transfers to vulnerable families to alleviate financial difficulties and ensure continuity of economic activity. These money transfers emerged as the key mechanism through which people entered the formal financial system.

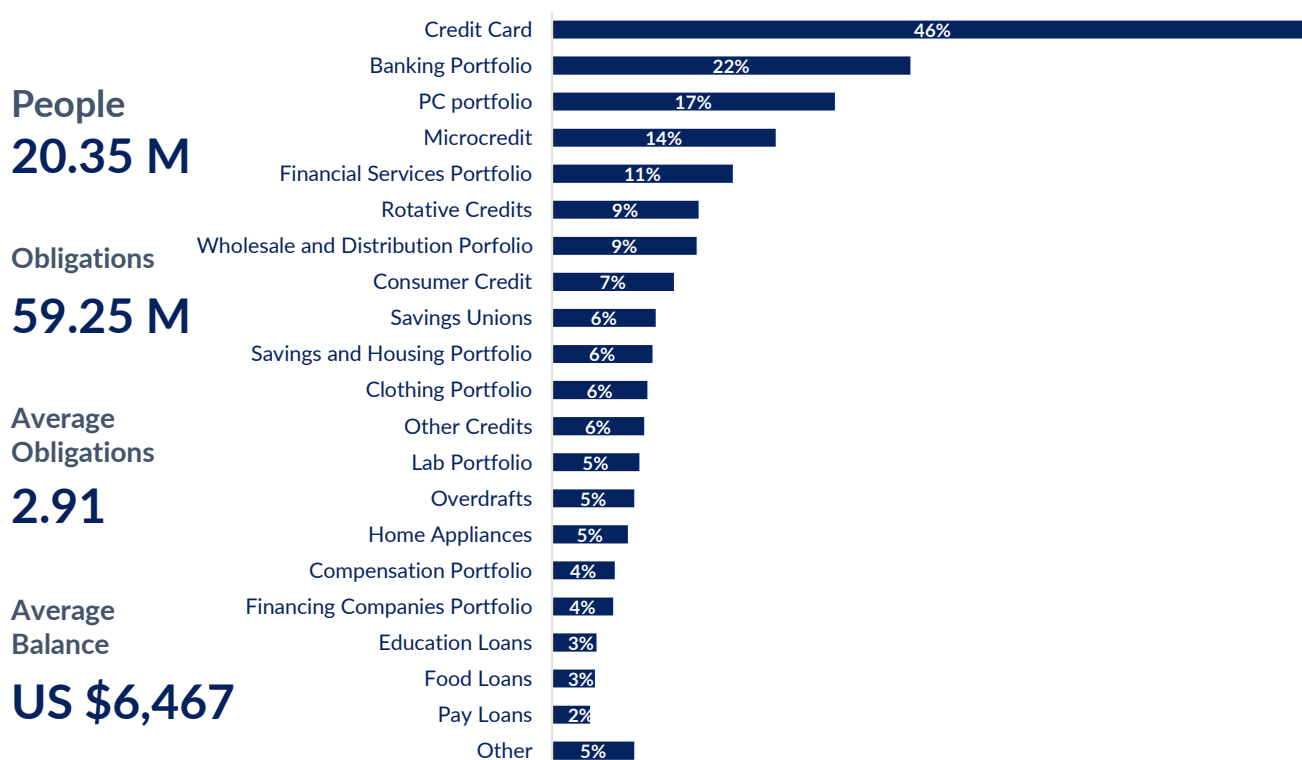
The total amount disbursed through these financial aid programs reached USD \$84.4M in mid-2020. During the second quarter of that year, the country's formal financial system had 1.4 million new participants, including 880,000 beneficiaries of the 'Solidarity Revenue' program and 600,000 through the financial support programs of regional governments and district and municipal authorities.

This situation has made it clear that promoting participation in the banking system can be used as a crucial tool for countries such as Colombia to accelerate their pace of economic development. Giving people access to digital financial products and services has the potential to play an important role in poverty reduction.

Digital finance and fintech actors **such as Daviplata, Nequi, T-paga, Rappi Pay, and Movii** are building on the boom in demand for their services in recent years. These changes in the digital financial landscape are expected to create a significant expansion in the usage of financial services among lower-income people, including low-income workers.

### 1.1.1.1. Types of Credit Products

#### Active Credit Portfolio as of May 2019



#### Low-Amount

Figure 3 Portfolio of Asset Credits as of May 2019

in the Colombian financial system other than low-amount consumer credit, with a maximum of 4 minimum monthly legal wages (SMLMV). (Ministry of Finance and Public Credit, 2020)

The characteristics of the low-amount consumer credit are:

- It may be a revolving credit line.
- It cannot be offered through a credit card system.
- The entity defines the frequency of payment.
- The entity defines the maximum disbursement period.

Entities offering low-amount consumer credit shall report and timely update debtor information in the risk databases of chosen in accordance with Law 1266 of 2008 and Articles 8 and 12. (Ministry of Finance and Public Credit, 2020)

Some additional considerations for granting a low-amount consumer credit:

- The entity must have a process of granting and monitoring.
- It shall apply control to over-indebtedness considering debtor balances with the financial sector and with other sectors.
- They shall report on debtors to the risk plants.

#### Ordinary and Consumer Credit

Consumer credits are loans lent by a financial institution for the acquisition of goods or services. That is, it considers loans intended for common household purchases, such as the purchase of a car, furniture, travel, or any other unforeseen expenses.

### **Microcredit**

Microcredit in Colombia is the set of productively targeted credit operations that are lent to micro-enterprises and whose individual amount does not exceed 120 current legal minimum monthly wages (SMMLV). Micro-enterprises are defined as those up to ten (10) workers and assets less than 501 minimum monthly legal wages.

#### **1.1.1.2. Types of Savings Products**

##### **Savings Account**

Offered by banks, credit unions and small lenders. These accounts are generally intended to serve as a transaction account.

There are three types of accounts available:

- **Transactional:** This is an account in which the bank expects the holder to make frequent transactions with the deposited money. Transactions include depositing and withdrawing cash, using the debit card to pay for purchases, and having money transferred electronically to the account. Unless the bank determines otherwise, savings accounts generally have cost or fee associated with them. Fees may be charged when using an ATM or for using the debit card abroad.
- **Investment:** These are accounts designed with the aim of receiving savings through interest payments. The most well-known accounts in this category are CDT's (Certificate of Deposit to Term) and AFC accounts (or SCP, Savings for Construction Promotion)
- **Scheduled Savings Accounts:** These are accounts that allow savings with a one-off goal. They are typically useful for saving to buy a home, where it is usually accounted for directly from the payroll account, similar to direct discount loan operation, an amount of monthly money that is subsequently deposited into the scheduled savings account. The main difference with a transactional savings account is that there may be additional restrictions on the scheduled savings account, especially related to the amount and conditions of withdrawal.

Banks / Savings Account	Interest Rate (%)	Minimum Opening Amount (USD\$)
Bancamía	1% - 3%	5.6
Av Villas Bank	1% - 2.4%	0
Bancolombia	0.05%	0
Bank of Bogota	0.1% - 2.3%	28
Banco W	1% - 3.2%	2.8
Davivienda	0.1%	0
Bancoomeva	0.05% - 1.35%	14
BBVA	0.4% - 1%	84
Multibank	1.375%	1
Falabella Bank	0.01%	0
Bancompartir	2% -4.5%	5.6
Financial Juriscoop	2% - 5.65%	7
Itaú Bank	0.01% - 0.1%	NT

Figure 4 Savings Accounts Comparison | 2021

### Current Account

The main difference between current account and savings account is that the current account is a checking account as a tool to carry out banking operations. However, the current account will not generate interests on the remaining balance in the account.

They serve to obtain funding through post-dated checks in some establishments that allow it, which is a common practice in Colombia. A checking account can then be used to finance purchases, using it as a savings alternative to achieve financial objectives rather than the use of credit cards. Checking overdraft occurs when the account may have an additional balance or the ability to write a bad check; that is, you have a credit line that allows accounts to be overdrawn to continue their operation. This credit line is called an overdraft limit. For example, you can make a purchase of \$10 USD, when the account has \$9, the \$1 is the overdraft limit.

### Savings Account - Simplified Procedure (CATS)

It is a product intended for savings that can be activated from any cell phone, which has competitive cost aimed at facilitating the access of more people to the financial system. They usually have no handling fee or associated debit card, and transactions are made through a cell phone. They can only be opened by natural people (a.i.e. no MSMEs) and are individual. The person can only make withdrawals during the calendar month equivalent to three SMMLV salaries (approximately \$800 USD). Their monthly balance cannot exceed eight SMMLV (approximately \$2,100 USD)

It does not involve a debit card, and to make withdrawals, an electronic key is assigned that can be used in ATMs or bank branches. Through the cell phone or electronic banking, users can make payments, transfers and check their balance. It generates profitability over the amount deposited. The main providers of CATS are Bancolombia (Nequi and *Ahorro a la Mano*), Davivienda (Daviplata in alliance with RappiPay), Movii, Grupo Aval (operated mainly by Aval Digital Labs and Banco AV Villas with Aval Transfer solutions and dale! App). Nequi generates a basic return of 0.1% Annual Cash on the average account balance.

### Electronic Deposit

Credit institutions and Specialized in Deposits and Electronic Payments Companies (SEDPE) can offer this product, which is similar to CATS in the sense that it is designed to transact, but not to save, so does not generate profitability on the deposit value. Some other differences are:

- The electronic deposit allows a maximum balance of 3 SMMLV (approx. USD\$800) and debits made in the month cannot exceed this same value.
- It can be used for both legal person and natural person, while CATS are only for natural persons.
- The electronic deposit may be closed or suspended unilaterally. e.g., Movii closes the deposit if you do not have a balance in more than 3 months. In the last semester it has been quite accessed and used to channel resources from aid programs and /or subsidies granted by the Colombian State. The players of Electronic Deposits are Movii and TPaga.

#### 1.1.1.3. Access to and Use of Financial Services

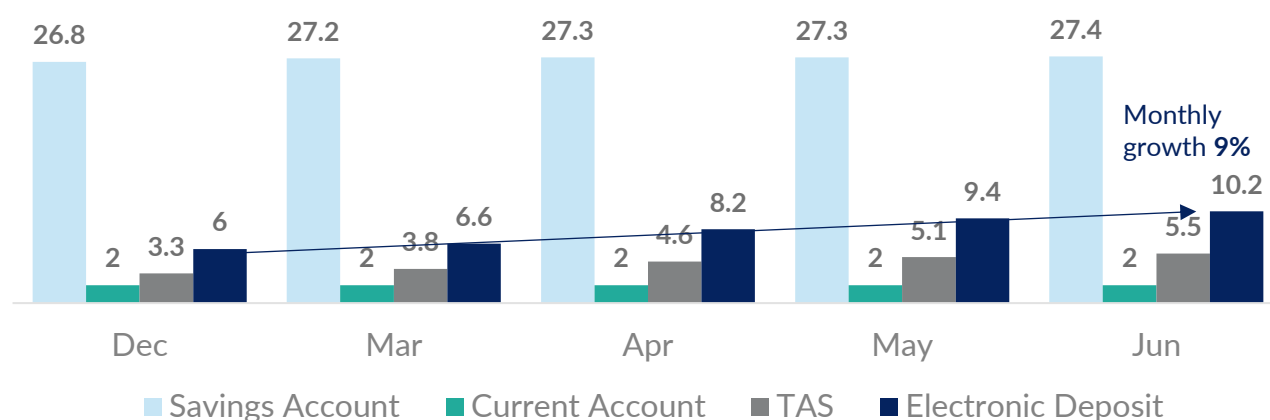


Figure 5 Number of deposit products

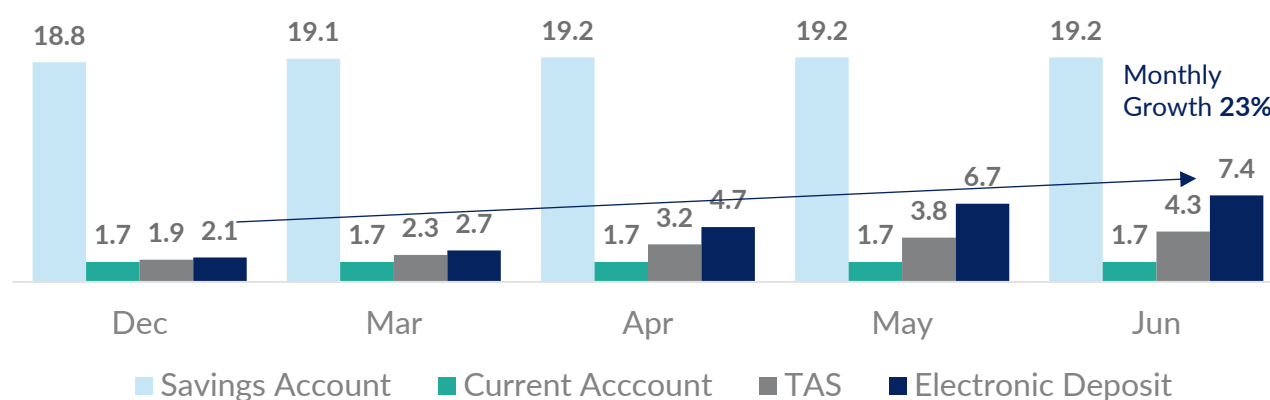


Figure 6 Number of adults with deposit products

### Digital financial services Increased access to deposit products

As of June 2020, 83.6% of the country's adult population had at least one deposit product (30.1 M). Disaggregated information by product type (Figure 5 and 6), it is noted that the traditional savings account was the most common product, but digital products had the highest growth during the first half of the year. This is mainly due to government transfers. (National Planning Department, 2020, p. 12)

The traditional savings account, although it is the most used account, had an increase of 403 thousand people. On the other hand, active electronic deposits increased by 5.3 million and the simplified paperwork account by 2.4 million. In contrast to the number of people with new deposit products (4.2 million), we see that nearly 1.1 million inactive products in December are now active. This points to a change in the behavior of Colombians and highlights the openness that begins to be given to the adoption of new technologies. (National Planning Department, 2020, p. 13)

According to the Financial Inclusion Demand Study in its second take on 2017, which is the most recent, the savings account stands out for the security it provides and opens mainly deucedly (69%) "At the employer's suggestion" being the main reason for its opening. (Financial Superintendency of Colombia, 2018, p. 7)

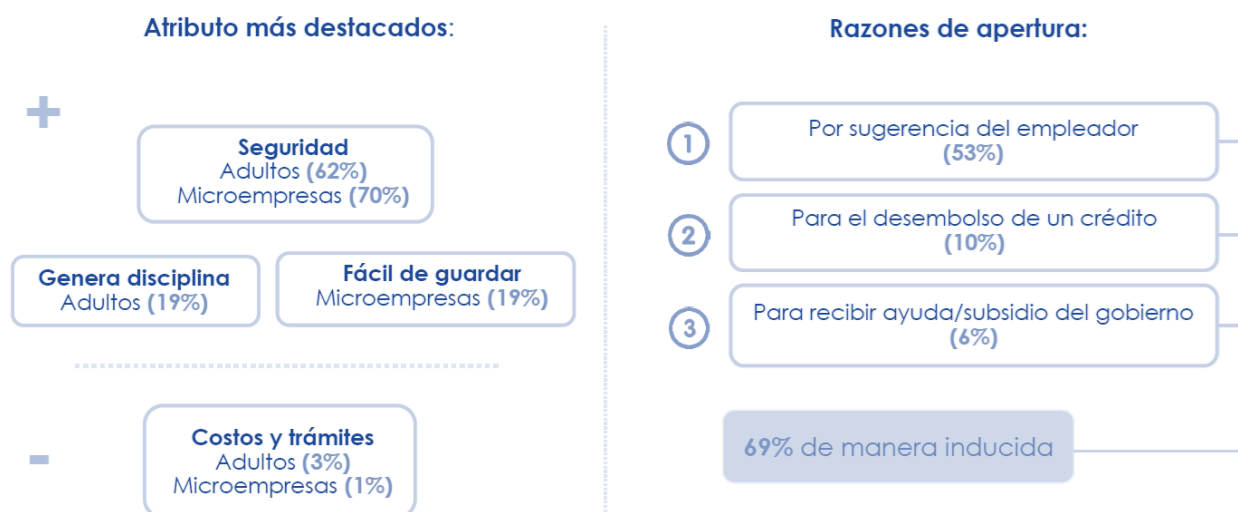


Figure 7 Attributes and reasons for opening savings accounts

Adults who do not have a savings account argue that it is because they do not need it (36%), being one of the reasons for self-exclusion that generates the greatest contribution (44%) reasons for not having this type of product. (Financial Superintendency of Colombia, 2018, p. 8)

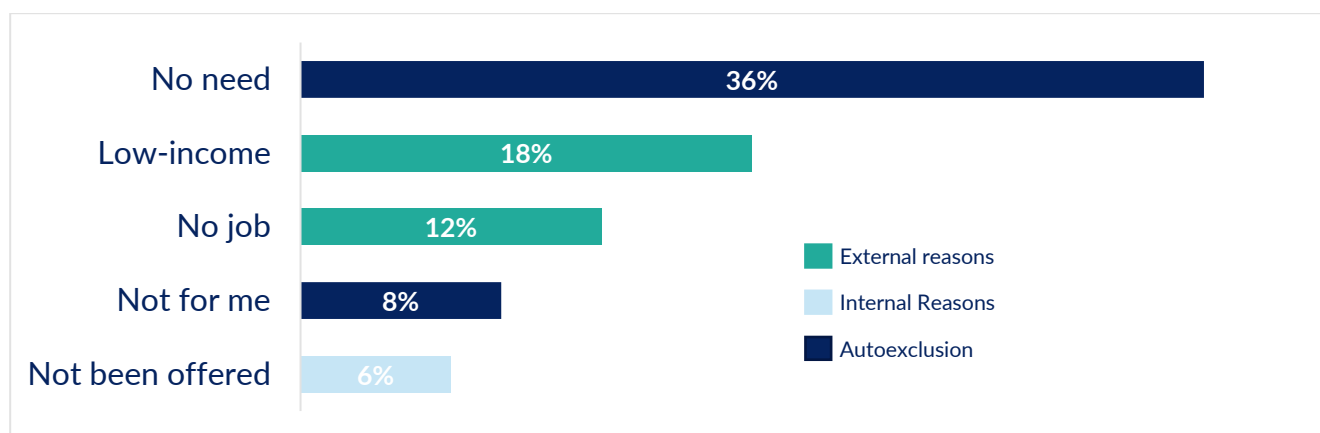


Figure 8 Reasons not to have a savings account

### Credit

At the end of 2019, there were 20.4 million people with at least one active credit. As of June 2020, the portfolio decreased to 19 million (reduction of 7%)

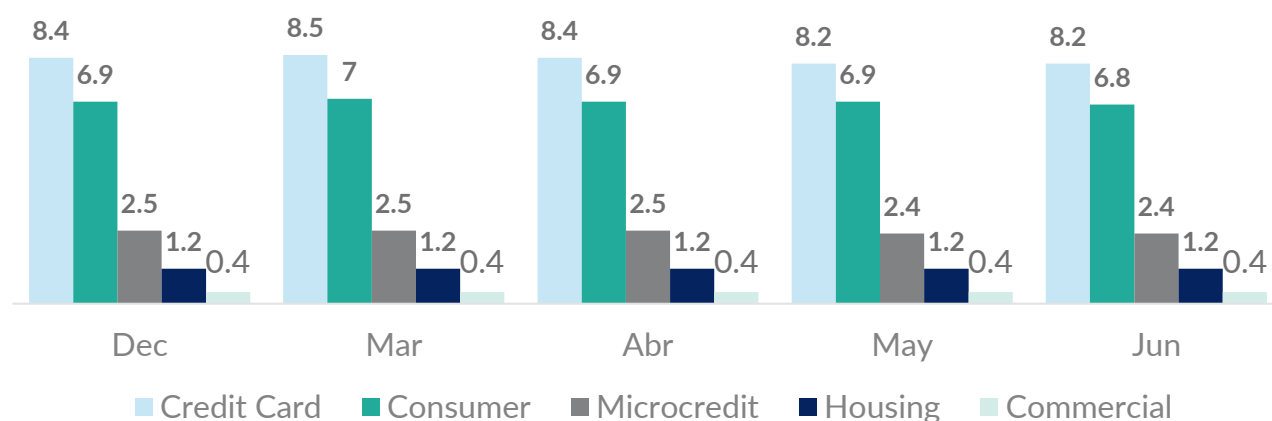


Figure 9 Number of adults with credit products per product

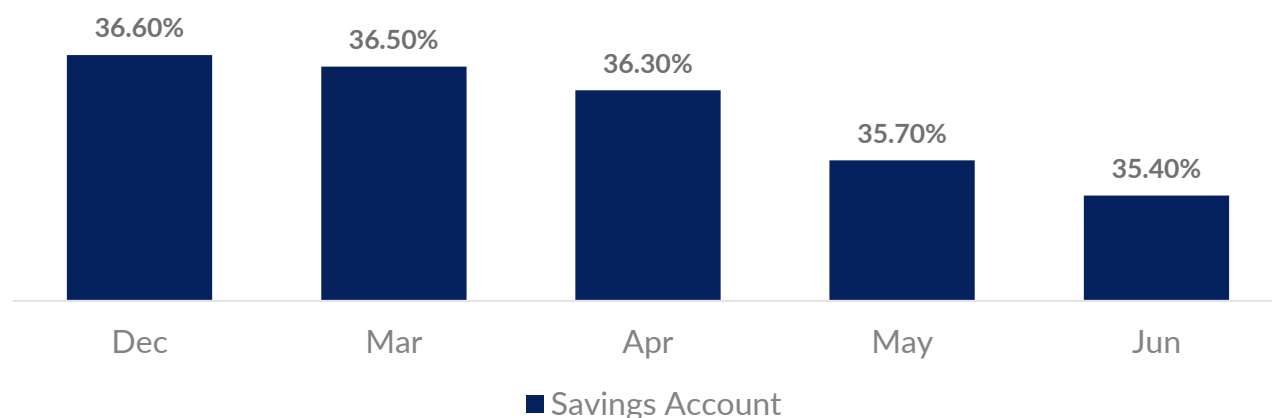


Figure 10 Percentage of adults with a credit product

The exclusion of credit products is even greater than for deposit products and self-exclusion remains the predominant sign of reasons for not having such products.



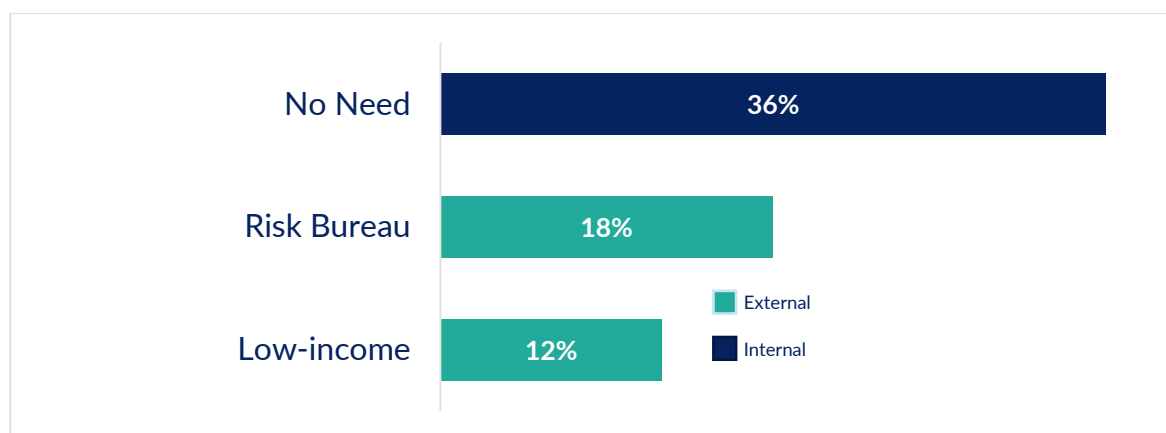


Figure 11 Reasons not to have credit products

There is a positive correlation between well-being and access to formal financial services.

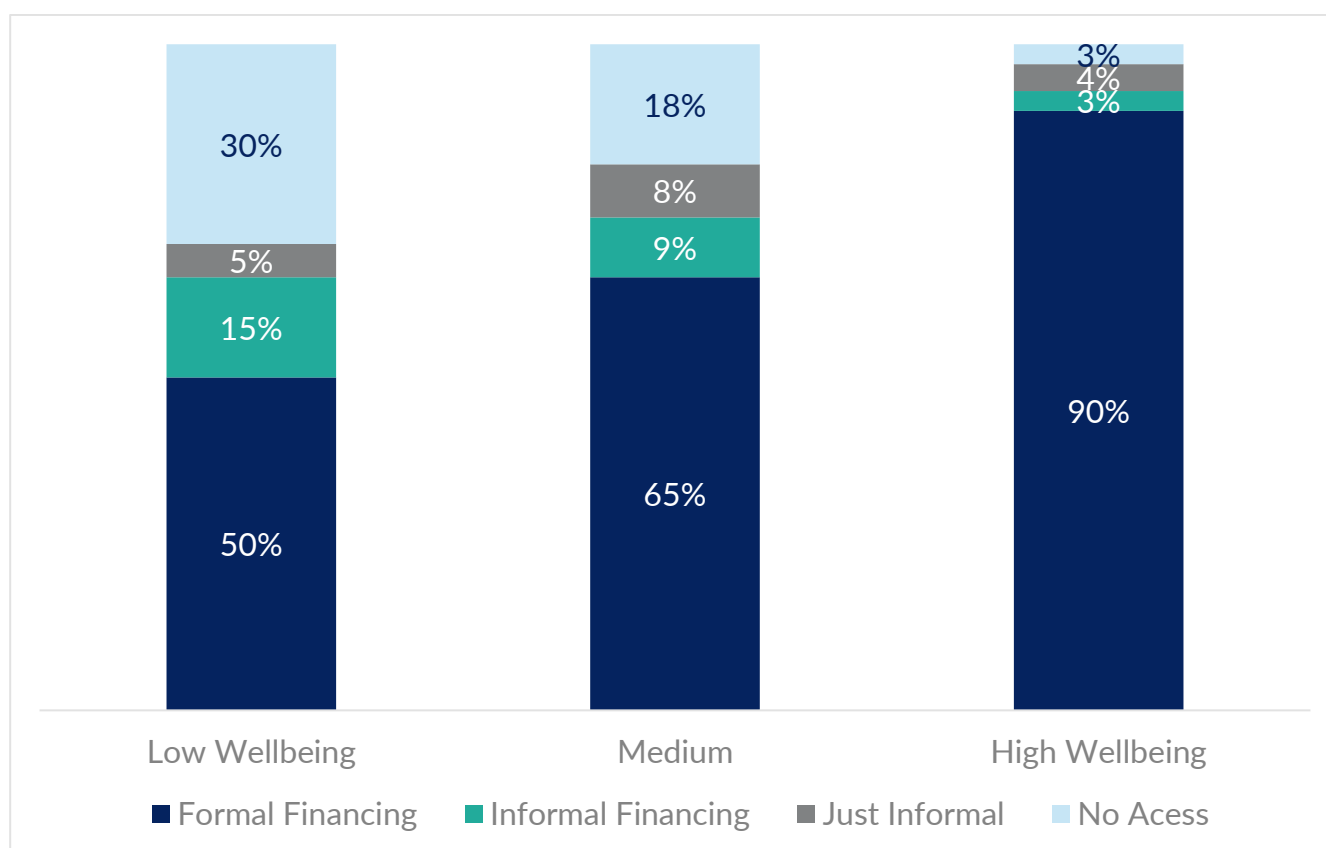


Figure 12 Welfare and access to financial services

#### 1.1.1.4. Access and use of financial services by rurality categories

The National Planning Department considers criteria such as rurality within the city system, population density and population relationship at the headwaters with the population not in them, to establish rurality categories. These serve as a particularly good basis for focusing and differentiating policies in social order from property, providing public services for the population and the type of agricultural and aquaculture production projects, and not agricultural for rural areas. (National Planning Department, 2014, p. 11) The categories rarely change and are the following four: (World Bank, 2020)

##### 1) Cities and agglomerations

Figure below presents the municipalities and agglomerations identified in the City System. For the establishment of the Rurality Categories, each of the municipalities was analyzed, with the aim of determining whether they exhibit urban or rural behaviors. As of the above, 6 were excluded from the 18 city system agglomerations. These were the agglomerations of Rionegro, Tuluá, Tunja, Girardot, Sogamoso and Duitama (from 13 to 18), for these cases only the most important municipality (node) was included, as shown in Table 2. In addition, department capitals that do not have a population at the headwaters of more than 100 thousand inhabitants were excluded. The municipalities considered in the Category of Cities and Agglomerations for 2014 are 117, which have a total rural population of approximately 2 million and their area covers 6.4%. (National Planning Department, 2014, p. 7)

Nodo	Aglomeración
1. Bogotá	Bogotá, Bojacá, Cajicá, Chía, Cogua, Cota, Facatativá, Funza, Gachancipá, La Calera, Madrid, Mosquera, Nemocón, Sesquilé, Sibaté, Soacha, Sopó, Sutatausa, Tabio, Tausa, Tocancipá y Zipaquirá
2. Medellín	Barbosa, Bello, Caldas, Copacabana, Envigado, Girardota, Itagüí, La Estrella, Medellín, Sabaneta
3. Cali	Cali, candelaria, Florida, Jamundí, Pradera, Vijes, Yumbo, en Cauca: Padilla, Puerto Tejada, Villa Rica
4. Barranquilla	Baranoa, Barranquilla, Galapa, Malambo, Palmar de Varela, Polonuevo, Ponedera, Puerto Colombia, Sabanagrande, Sabanalarga, San Cristóbal (Bolívar), Santo Tomás, Sitionuevo, Soledad, Tubará, Usiacurí
5. Cartagena	Arjona, Cartagena, Clemencia, Santa Rosa, Turbaco, Turbaná, Villanueva
6. Bucaramanga	Bucaramanga, Floridablanca, Girón, Piedecuesta
7. Cúcuta	Cúcuta, Los Patios, San Cayetano, Villa del Rosario
8. Pereira	Dosquebradas, Pereira, Santa Rosa del Cabal
9. Villavicencio	Villavicencio, Restrepo
10. Manizales	Manizales, Villamaría
11. Armenia	Armenia, Calarcá, Circasia, La Tebaida
12. Pasto	Nariño, Pasto
Municipios con función subregional	Guadalajara de Buga, San Andrés de Tumaco, Fusagasugá, Maicao, Ciénaga, Ocaña, Ipiales, Caucasia, Turbo, Pamplona, San Gil, Puerto Asís, Honda y Málaga

Fuente: DNP (2014).

Figure 13 Cities and agglomerations and municipalities with subregional function. Total inclusion of municipalities

Nodo	Aglomeración
13. Rionegro	El Carmen de Viboral, Guarne, La Ceja, Marinilla, Rionegro
14. Tuluá	Andalucía, Tuluá
15. Tunja	Chivatá, Cómbita, Motavita, Oicatá, Tunja
16. Girardot	Flandes, Girardot, Ricaurte
17. Sogamoso	Busbanzá, Corrales, Firavitoba, Iza, Monguí, Nobsa, Sogamoso, Tibasosa, Tópaga
18. Duitama	Cerinza, Duitama

Fuente: DNP (2014).

Figure 14 Illustration List of Cities and Agglomerations. Inclusion of node only

## 2) Intermediate

They are those municipalities that have a regional importance and with access to various goods and services. They are characterized by having between 25 thousand and 100 thousand inhabitants at the headwaters or that, despite having smaller headers, have high population density (more than 10 inhabitants/km<sup>2</sup>) This group consists of 314 municipalities, associated with a rural population of approximately 3.4 million and the area corresponds to 8.9% of the national total

Desagregación	Población en cabecera	Densidad	Porcentaje de la población reside en zona resto	Número de municipios
1	Entre 25 y 100 mil	Más de 10 hab/km <sup>2</sup>		63
2	Menos de 25 mil	Más de 50 hab/km <sup>2</sup>	Menos de 70%	216
3	Menos de 25 mil	Más de 100 hab/km <sup>2</sup>	Más del 70%	35

Fuente: DDRS-DNP en el marco de la Misión para la Transformación del Campo

Figure 15 Classification Criteria. Intermediate Municipalities

### 3) Rural

It corresponds to municipalities that have smaller headers (less than 25 thousand inhabitants) and have intermediate population densities (between 10 hab/km<sup>2</sup> and 100 hab/km<sup>2</sup>). In total there are 373 municipalities with rural population of approximately 5.5 million and the municipal area is 19. 8%.

Desagregación	Población en cabecera	Densidad	Porcentaje de la población reside en zona resto	Número de municipios
1	Entre 25 y 100 mil	Entre 0 y 10 hab/km <sup>2</sup>		3
2	Menos de 25 mil	Entre 10 y 50 hab/km <sup>2</sup>	Menos del 70%	279
3	Menos de 25 mil	Entre 50 y 100 hab/km <sup>2</sup>	Más del 70%	9

Fuente: DDRS-DNP en el marco de la Misión para la Transformación del Campo

Figure 16 Classification Criteria. Rural Municipalities

### 4) Rural scattered

They are those municipalities and Non-Municipalized Areas (ANMs) that have small headers and low population density (less than 50 hab/km<sup>2</sup>). 318 territories are considered in this category and are associated with a rural population of approximately 3. 7 million and the area is 64. 9% of the national total.

Desagregación	Población en cabecera	Densidad	Porcentaje de la población reside en zona resto	Número de municipios y ANM
1	Menos de 25 mil	Entre 0 y 10 hab/km <sup>2</sup>	Menos del 70%	54
2	Menos de 25 mil	Entre 0 y 50 hab/km <sup>2</sup>	Más del 70%	264

Fuente: DDRS-DNP en el marco de la Misión para la Transformación del Campo

Figure 17 Classification Criteria. Municipalities and Areas Not Municipalized Rural Scattered

117 municipalities belong to the category of Cities and agglomerations, 314 to Intermediate, 373 to Rural and 318 to Rural scattered.

Categoría	Número de Municipios y ANM	Población Cabecera	Población Resto	Población Rural	Población Total
Ciudades y aglomeraciones	117	28.529.930	2.088.360	2.088.360	30.618.290
Intermedios	314	4.644.221	3.337.839	3.337.839	7.982.060
Rural	373	2.291.912	3.110.823	5.402.735	5.402.735
Rural disperso	318	893.205	2.765.497	3.658.702	3.658.702
Total general	1.122	36.359.268	11.302.519	14.487.636	47.661.787
Porcentaje de la población		76,3%	23,7%	30,4%	

Fuente: DDRS-DNP en el marco de la Misión para la Transformación del Campo

Figure 18 Results of the Rurality Classification. 2014

The indicator of access to financial services increased in all categories of rurality. In this way, the access indicator in rural areas was increased by 2.8 pp compared to December 2019 and stood at 63.8% (the goal of the PND is to reach 68%). Despite progress, there is a gap of 36.8 pp among scattered urban and rural municipalities.

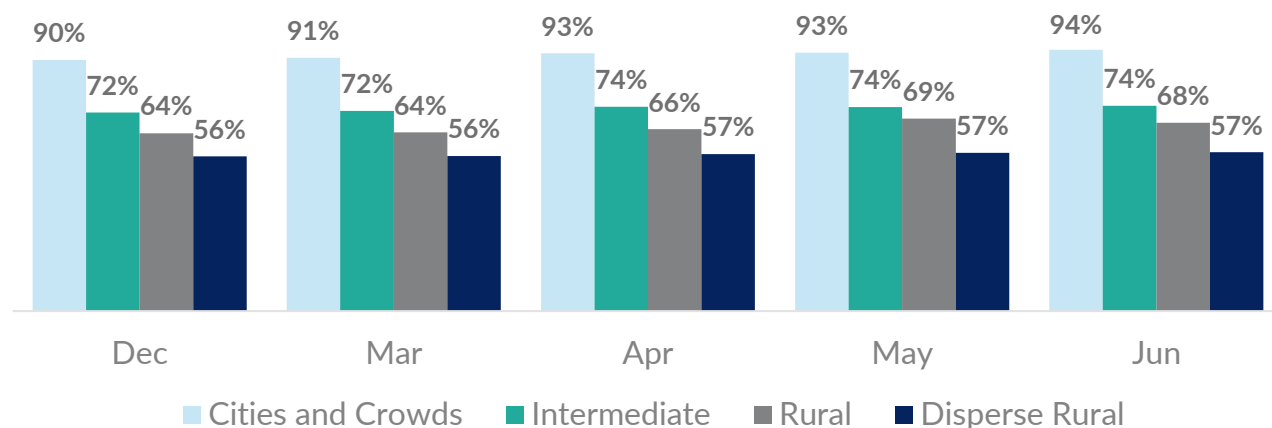


Figure 19 Access indicator by rurality categories (%)

On the other hand, usage indicator showed a similar trend, being 79.1% in cities and agglomerations, 60.2% in intermediate municipalities, 55.0% in rural municipalities and 46.3% in scattered rural municipalities.

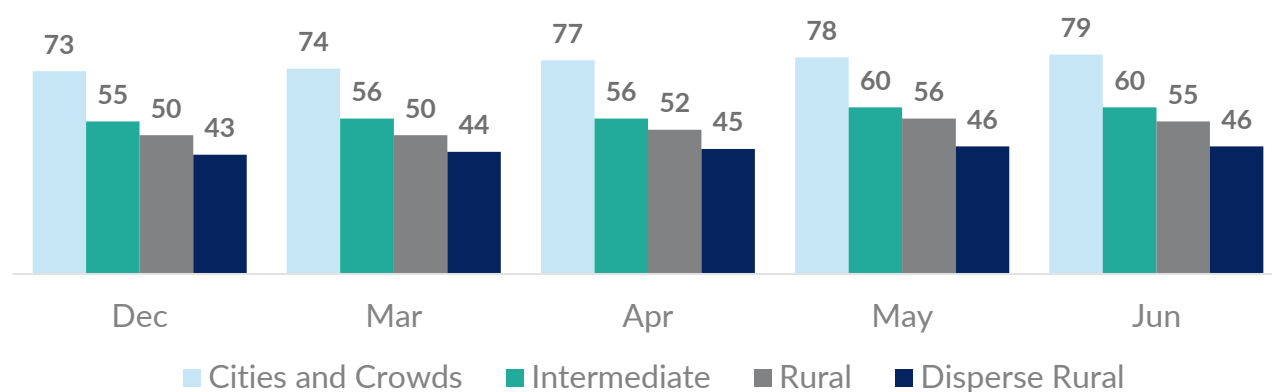


Figure 20 Usage indicator by rurality categories (%)

### 1.1.1.5. Access and usage of financial services by region

Access to and use of financial services has increased by an average of 5% in all regions.

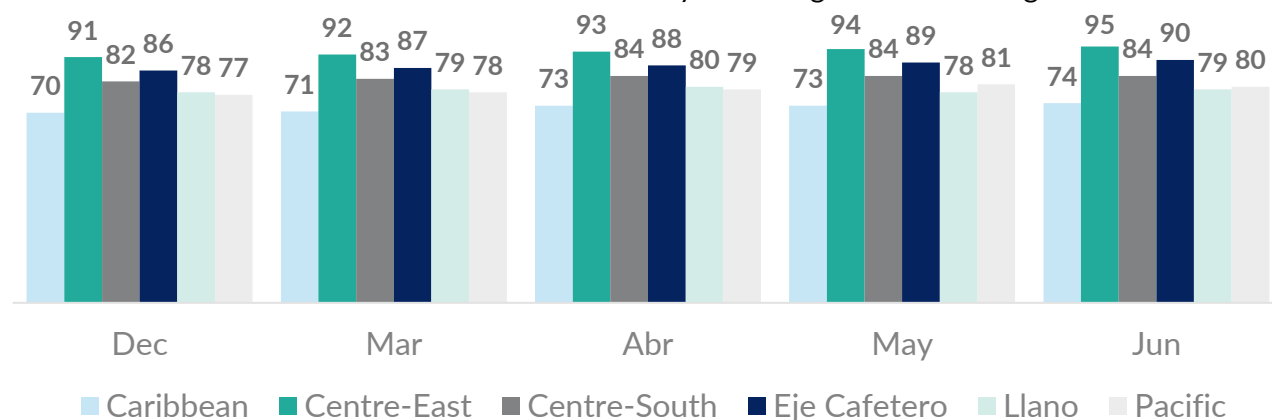


Figure 21 Indicator of access to financial products by region (%)

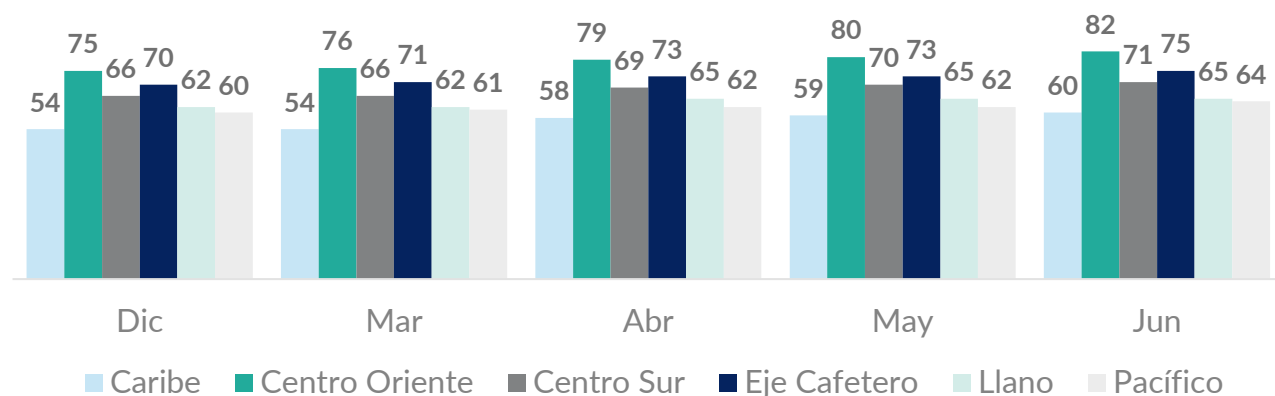


Figure 22 Usage Indicator of financial products by region (%)

### 1.1.1.6. Access to and usage of age in financial services

In terms of access and usage of financial products by age, it is identified that all age ranges showed an increase in terms of product tenure, a date for which people between the ages of 40 and 64 recorded the highest indicator of access (94.5%), followed by people between 25 and 39 (84.2%), those over 65 (80.9%) and people between 18 and 24 (73%)

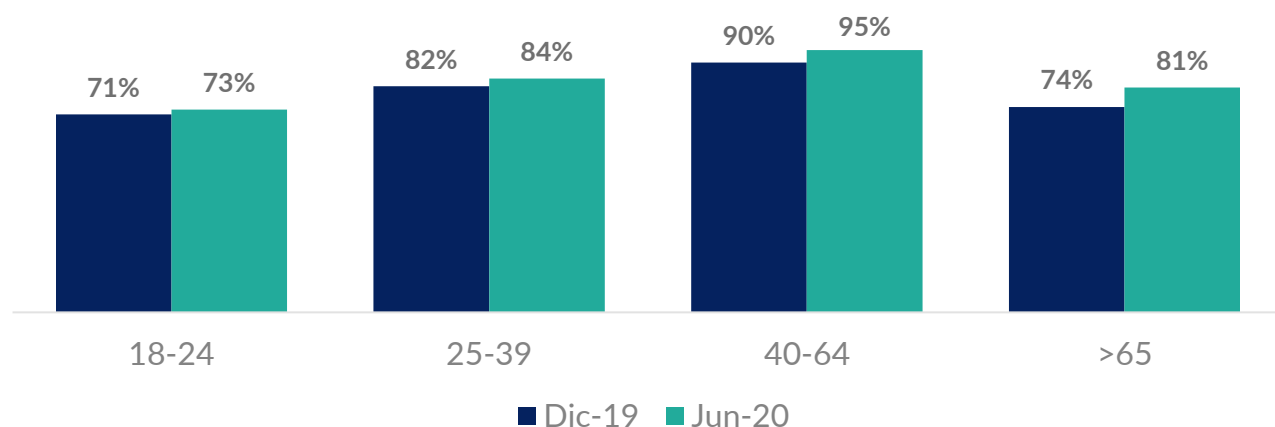


Figure 23 Product access indicator by age range (%)

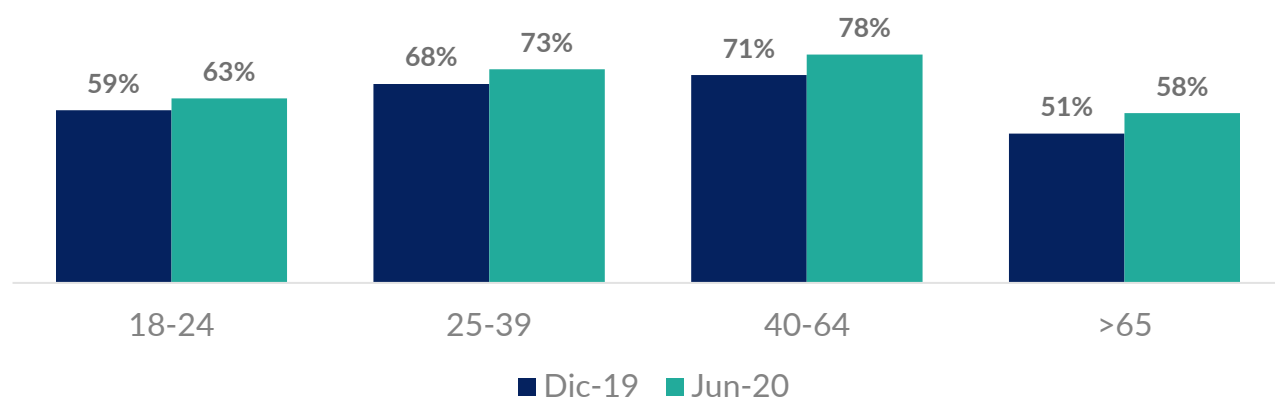
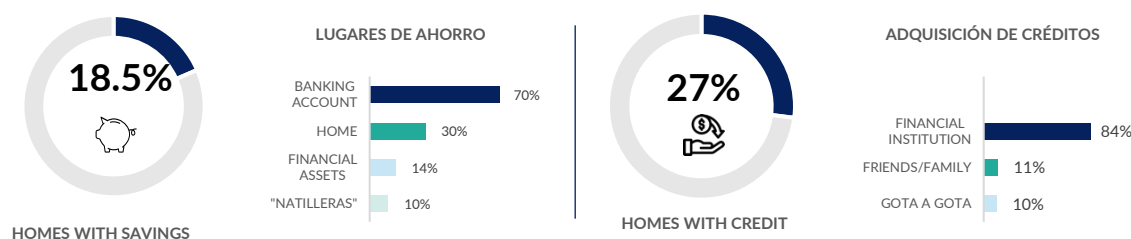


Figure 24 Indicator of use of financial products by age range (%)

### 1.1.1.7 Current challenges in the use of financial services



Savings are mainly used to finance consumption (40%); cover emergencies (33%) and pay for education (10.5%). Credits, on the other hand, are used to finance consumption (28.3%), buy, or improve housing (18%), pay other obligations (15%) and attend to emergencies or unforeseen events (14%).

According to WWB (World Bank, s.f.), gross savings as percentage of GDP is 15.7%. Colombia is some points below the regional average of 17%, indicating that Colombians' savings could develop better.

### 1.1.2. Employee Demographics

For statistical purposes, as well as for zoning the labour market, Colombia is divided into 4 large regions that bring together the departments of Colombia plus the capital Bogota as follows: (DANE National Administrative Department of Statistics, 2020)

1. Caribbean Region: Atlántico, Bolívar, Cesar, Córdoba, Sucre, Magdalena, La Guajira.
2. Eastern Region: Norte de Santander, Santander, Boyacá, Cundinamarca, Meta.
3. Central Region: Caldas, Risaralda, Quindío, Tolima, Huila, Caquetá, Antioquia.
4. Pacific Region: Chocó, Cauca, Nariño, Valle.
5. Bogotá D.C.

#### **Population in Colombia - about 21.3 million people**

As of November 2020, the unemployment rate was 13.3%, which meant an increase of 4 percentage points compared to the same month of the previous year (9.3%). The overall participation rate stood at 61.4%, a 2.3% reduction compared to November 2019 (63.7%). Finally, the occupancy rate was 53.2%, with a decrease of 4.6 percentage points compared to the same month of 2019 (57.8%), as shown in illustration 25. (DANE National Administrative Department of Statistics, 2020)

In November 2020, the unemployment rate for the total of 13 cities and metropolitan areas was 15.4%, an increase of 5% over November 2019 (10.4%). The overall participation rate stood at 64.3%, a reduction of 2.1 percentage points compared to November 2019 (66.4%). Meanwhile, the occupancy rate was 54.4%, a decrease of 5.1 percentage points compared to the same month in 2019 (59.5%) (DANE National Administrative Department of Statistics, 2020)



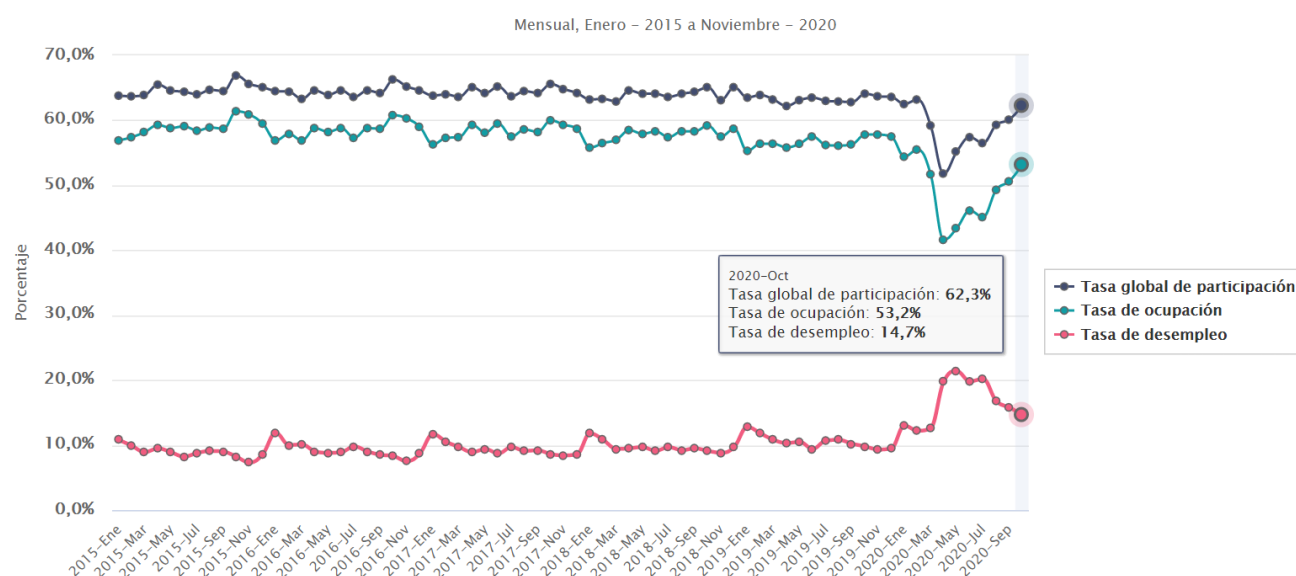


Figure 25 Historical Occupancy Indicators. Source: DANE

Occupancy and unemployment rates, calculated by the National Administrative Department of Statistics (DANE), are indicators of the evolution over time of the proportion of people who, being of working age, are occupied (occupancy rate) and the proportion of people who, having the intention to work, cannot be employed (unemployment rate).

- **Percentage of PET (working age population):** Shows the percentage ratio between the number of people who make up the working-age population, compared to the total population.
- **Overall participation rate (TGP):** this is the percentage ratio between the economically active population and the working-age population. This indicator reflects the pressure of the working-age population on the labor market.
- **Unemployment Rate (TD):** This is the percentage ratio between the number of people looking for work (DS), and the number of people in the workforce (PEA).
- **Occupancy Rate (TO):** This is the percentage ratio between the occupied population (OC) and the number of people in the working-age population (PET).

By the end of 2020, the economically active population was 22.5%, the economically inactive population was 17.3%, and the working-age population was 39.9%.

### 1.1.2.1. Segmentation of the Occupied Population

Due to COVID-19, the variation between October 2019 and October 2020 was 1.5 million fewer jobs. This change was most marked among women, who lost 1.3 million jobs and particularly between those of 25 and 54 years (Figure 26). With DANE data.

Sexo y Rangos de Edad		Total Nacional	
		Octubre 2020	Octubre 2019
Población Ocupada		21.3	22.813
TOTAL	10 – 24 años	3.3	3.6
	25 – 54 años	14.3	15.4
	+55 años	3.6	3.8
	<b>Total Hombres</b>	12.8	13.2
HOMBRES	10 – 24 años	2.1	2.1
	25 – 54 años	8.5	8.7
	+55 años	2.3	2.3
	<b>Total Mujeres</b>	8.4	9.6
MUJERES	10 – 24 años	1.2	1.4
	25 – 54 años	5.9	6.7
	+55 años	1.3	1.5

Figure 26 Population occupied by sex and age ranges (2019-2020) (millions)

Rama de actividad	Total Nacional		
	Octubre 2020	Octubre 2019	%
<b>Población ocupada</b>	<b>21.3</b>	<b>22.8</b>	<b>10.8%</b>
Administración pública, defensa, educación, salud	2.3	2.5	7.0%
Alojamiento y servicios de comida	1.5	1.7	18.9%
Comercio y reparación de vehículos	4.0	4.2	5.8%
Actividades profesionales, científicas, técnicas y servicios administrativos	1.2	1.4	9.0%
Actividades artísticas, entrenamiento, recreación y otras actividades	1.9	2.1	17.1%
Agricultura, ganadería, caza, silvicultura y pesca	3.6	3.8	11.8%
Industrias manufactureras	2.5	2.7	1.1%
Actividades financieras y de seguros	0.2	0.3	6.9%
Construcción	1.5	1.5	1.3%
Actividades inmobiliarias	0.3	0.3	7.1%
Transporte y almacenamiento	1.5	1.5	1.5%
Información y comunicaciones	0.3	0.3	1.7%
Suministro de electricidad, gas, agua y gestión de desechos	0.4	0.3	10.8%

Figure 27 Population occupied according to branch of economic activity (millions)

14.5 million (68% of the occupied population) of people work in companies with fewer than 10 employees. From these, the sector with the highest concentration is hospitality (lodging and food), while 6.8 million works in companies with more than 10 employees. The most concentrated sector is that of the public administration, with 2 million workers. (Figure 28)



Actividad y tamaño de empresa		Total Nacional	
		Octubre 2020	Octubre 2019
Población Ocupada		21.3	22.813
EEMPRESAS HASTA 10 PERSONAS	<b>Total empresas hasta 10 personas</b>	<b>14.5</b>	<b>15.2</b>
	Administración pública y defensa, educación y atención de la salud	0.3	0.4
	Alojamiento y servicios de comida	1.3	1.4
	Información y comunicaciones	0.1	0.1
	Suministro de electricidad, gas, agua y gestión de desechos^	0.2	0.0
EEMPRESAS HASTA +10 PERSONAS	<b>Total empresas +10 persnas</b>	<b>6.8</b>	<b>7.7</b>
	Administración pública y defensa, educación y atención de la salud	2.0	2.1
	Alojamiento y servicios de comida	0.2	0.3
	Información y comunicaciones	0.2	0.2
	Suministro de electricidad, gas, agua y gestión de desechos	0.2	0.2

Figure 28 Population occupied by company size and branch of activity (millions)

From the lost jobs during the COVID-19 impacted period, the most affected were private employees, that lost 1 million jobs. Public sector jobs increased by 100%.

Posición ocupacional	Total Nacional		
	Octubre 2020	Octubre 2019	%
Población ocupada	<b>21.3</b>	<b>22.8</b>	<b>10.8%</b>
Empleado particular	7.9	8.9	37.0%
Trabajador sin remuneración	0.8	1.0	3.6%
Patrón o empleador	0.7	0.8	3.3%
Trabajador por cuenta propia	9.6	9.7	45.2%
Empleado doméstico	0.6	0.7	2.9%
Jornalero o peón	0.8	0.9	3.8%
Empleado del gobierno	0.9	0.8	4.2%

Figure 29 Population occupied by occupational position (millions)

23 cities and metropolitan areas (A.M.) account for 52% of jobs in Colombia. The city with the most workers is Bogota, with 3.8 million workers (18% of total jobs).

23 ciudades y A.M.	Poblaciones					
	Ocupados		Desocupados		Inactivos	
	Octubre 2020	Octubre 2019	Octubre 2020	Octubre 2019	Octubre 2020	Octubre 2019
Total 23 ciudades y A.M.	11.2	12.1	2.3	1.4	7.6	7.2
Bogotá D.C.	3.8	4.3	0.8	0.5	2.3	2.1
Medellín A.M.	1.8	1.8	0.3	0.2	1.1	1.2
Cali A.M.	1.2	1.2	0.3	0.2	0.7	0.7
Barranquilla A.M.	0.8	0.9	0.1	0.1	0.6	0.5
Bucaramanga A.M.	0.5	0.6	0.1	0.1	0.3	0.3
Resto 23 ciudades y A.M.	3.0	3.3	0.6	0.4	2.5	2.4

Figure 30 Occupied, unemployed and inactive population by region

### 1.1.3. Impact of COVID-19 in Colombia

#### ***It had a significant impact in a prosperous economy***

The first case of Covid-19 in Colombia was confirmed on March 6, 2020. Following expert advice and mega trends in other countries, as of March 24, all non-essential businesses and schools were closed, with restrictions on domestic and international flights. Quarantine was initially intended to be a 19-day measure but was expanded several times to cover a much longer period. This involved the total closure of various economic sectors.

While restrictions had been lifted in many cities by December 2020, a national order to stay home is still enforced today. Executive orders to implement isolation have been declared several times as the number of COVID-19 cases continued to increase, and the economy reopened - on a limited basis - in April gradually progressed. It should be noted that Colombia's "preventive isolation" was never as strict as quarantines implemented in other countries, with 46 exceptions that allowed people to leave home for various activities.

Colombia closed its schools on March 16, and it is estimated that 1.6 million jobs were lost in that month alone. Although the number of cases has not been as extreme since then, job losses are significant, with a resulting impact on spending power. As of December 29, 2020, 1.6 million cases of COVID-19 and 42 thousand related deaths were reported. Since the beginning of the quarantine, Colombian banks have focused mainly on exploring new forms of payment and product development that respond to the new normal, through strategies such as the extension of loan conditions, fee recalculations and grace periods.

The country's lending institutions are now working to redefine their lending policies, restrict disbursements and contain increases in non-performing loans, as well as redefine strategies for the high possibility of delinquent debt. While the country's card lenders are expected to continue to generate options that ease the burden on their pressured borrowers, the help offered to borrowers is also expected to be less generous over the coming months.

#### ***COVID-19 changed consumer habits and behaviors***

The need to reduce physical contact with others to safeguard health has sensitized Colombians to a wider range of non-cash payment options. To support this, there were two main initiatives: evolution of digital payment methods and the implementation of digital channels. The acceleration of digital payment and banking methods have given many Colombian consumers online access to their funds, as well as allowed them to manage their accounts remotely.

The COVID-19 pandemic has been a crucial factor in making people more willing to adopt new technologies, especially among population segments that are not always familiar with emerging technologies. It remains to be seen whether the new enthusiasm for virtual payment methods among the Colombian population will go beyond the period of health contingency. According to analysts, the psychology behind fear of cash on the basis that it is unsafe has the potential to drive widespread adoption of virtual payment systems, and turn the situation caused by COVID-19 into a positive effect by driving a turning point in digital finance.

#### ***The COVID-19 pandemic encourages increased informal financial activity***

One of the least favorable impacts of the pandemic on the Colombian financial services sector is that it has boosted the demand for informal credit called "Gota a Gota", which is a Colombian term equivalent to "Loan sharks", it translates to "Drop to Drop" because of their frequent repayment nature (sometimes daily) that, due its high cost, it often turns into a financial "leak". This format is a popular way in which

informal loans are provided by individuals in a quick way. In recent years Gota a Gota saw a decline as people acquired formal credit mechanisms (due to job growth, the economy at large and greater supply of formal financial services). However, the impact of the pandemic on Colombia's economy and disruptions to the incomes of many households led to a revival of Gota a Gota's informal credit. This is a very worrying sign and has the potential to be particularly devastating to the personal lives and finances of borrowers as the use of extortion and violence are not uncommon in the event of a delay or default. Economic analysts have consistently shown that the amount of money that has spread through informal credit, mainly agreements under the Gota a Gota system, amounts to **more than \$1.3 Bn**. Studies by the Colombian government indicate that 8% of the country's population has resorted to informal credit at some point in their lives. Worryingly, research suggests that the number of people prepared to get gout-rid of credit in times of financial hardship is growing. However, there is currently no definitive data on the exact levels of this potentially harmful type of economic activity.

### ***Akiba can pick up a part of the market***

Non-essential consumption and spending is likely to remain a low priority, with savings more likely to be on the agenda, and spending is likely to focus heavily on the essentials and loans needed to help meet basic needs. Akiba offers both products and meets the needs of this target market.

Looking beyond 2021, and towards a gradual recovery for the Colombian economy, the recovery in employment levels, the revival of international trade and the reopening of the travel and tourism, hospitality, and leisure sectors, as well as entertainment, are expected to support a robust and comprehensive recovery for the national economy. At this point, digital financial players can be expected to benefit from changing consumer behaviors that have seen the value and volume of transactions increase.

## 1.2. Market Sizing

Two market perspectives will be analyzed for the purposes of this study. First, the size of the current market explaining the entities, balances and estimates of debtors and savers. Secondly, the total potential market or "total addressable market" considering the country's demographics and optimistic scenarios of both employee fund penetration, release, and payroll advances. After these two perspectives, an estimate of the size of the target market will be offered considering the most relevant desirable attributes resulting from the segmentation of the currently occupied population. It should be noted that this definition is preliminary, the final one is intended at the end of this feasibility study, however, it will serve to guide qualitative research, interviews of key informants, selection of partners and other products of the feasibility study.

### 1.2.1. Current Market Size - Payroll Credit and Advances

The current existing market per balance is estimated at USD \$22Bn, of which 10% corresponds to employee funds. This balance is being placed by 12,823 entities, of which 40 are monitored financial institutions (banks and some cooperatives) that account for 71% of the balance. The average balance of banks is USD \$7mil, against \$3.2mil of employee funds.

Entity type	Entities	\$ Balance (USD \$Bn)	• Debtors(M)	Average balance (USD \$)	Observations	Share
Monitored Entities (Main)	40	\$15.47	2.18	\$7,096.33	-37 out of 40 entities made disbursements of Libranza in 2020 for \$USD 9.5B-Balance portfolio to Aug'20- Last debtor data: TransUnion Report 2018 (+7. 2% CAGR)	71%
Employee Funds	1,365	\$2.30	0.71	\$3,239.44	-Using average savings amount per saver	10%
Rest of the Solidarity Sector	2,130	\$4.21	1.50	\$2,806.67	-Est (CAGR 7.0%)	19%
Rest at RONEOL	9,288					0
<b>Total Current Market</b>	<b>12,823</b>	<b>\$21.98</b>	<b>4.39</b>	<b>\$5,006.83</b>		<b>100%</b>

Figure 31 Calculating the size of the current market

Considering that the average weighted interest rate of banks is 12.83% and that of employee funds is 12.6%, the size of the market in revenue can be calculated at USD \$1.98 Bn and \$0.29 Bn respectively.

## 1.2.2. Current Market Size - Payroll Savings or Discount

The savings market is estimated at USD \$90.5Bn. Of this balance, 95% are concentrated in banks and other monitored entities. Employee funds account for 3% of the total balance and 5% of savers.

Entity type	Entities	\$ Balance (USD \$Bn)	• Saver(M)	Average balance (USD \$)	Observations	Share
Monitored Entities (Main)	40	\$86.27	14.53	\$5,937.37	-We found no information - payroll accounts. -We estimate 64% of the balance and accounts correspond to payroll (employer-induced opening and credit disbursement)-Occupied population 21.2 million / total adult savings accounts 27.4 million	95%
Employee Funds	1,365	\$2.30	1.00	\$2,300.00	Using average savings amount per saver	3%
Rest of solidarity sector (non-FE)	2,130	\$1.89	2.70	\$700.00	Coops, COACs and Mutualists	2%
<b>Total Current Market</b>	<b>3,535</b>	<b>\$90.46</b>	<b>18.23</b>	<b>\$4,962.15</b>		<b>100%</b>

Figure 32 Figure the size of the current market - Savings

## 1.2.3. Current Market Size - Employee Funds

USD \$K	2016	2017	2019 is	Estimated growth (%)
ENTITIES	1555	1484	1365	-8.0%
Employees	16161	15492	14218	-8.2%
Associated	1,031,733	1,034,879	1,080,000	4.5%
Debtors	680870	679502	710000	4.5%
Savers	1033506	1040061	1,080,000	4.5%
Active	\$ 2,086,774	\$ 2,250,314	\$ 2,996,000	33.1%
GROSS PORTFOLIO	\$ 1,646,935	\$ 1,802,081	\$ 2,212,000	22.7%
CONSUMER PORTFOLIO	\$ 1,476,317	\$ 1,572,865	\$ 1,930,644	22.7%
HOUSING PORTFOLIO	\$ 157,392	\$ 171,716	\$ 210,777	22.7%
MICROCREDIT PORTFOLIO	\$ 312	\$ 282	\$ 347	22.7%
COMMERCIAL PORTFOLIO	\$ 13,042	\$ 11,959	\$ 14,679	22.7%
VENCITY PORTFOLIO	\$ 44,231	\$ 45,258	\$ 55,553	22.7%
AVERAGE BALANCE - CREDIT	\$ 2	\$ 3	\$ 3	17.5%
AVERAGE BALANCE - SAVINGS	\$ 1	\$ 1	\$ 2	105.9%
Liabilities	\$ 1,424,504	\$ 1,541,780	\$ 1,668,710	8.2%
Deposits	\$ 871,740	\$ 937,761	\$ 1,730,400	84.5%

Figure 33 Estimated illustration of the status of Employee Funds at the end of 2019 - (based on CAGR 2014-2017)

## 1.2.4. Total Market Potential - Employee Funds

The current market size penetration rate of 1.08 million associated with 2020 funds relative to the market potential described by the 8.8 million private employees represents 12.5%. (Newspaper Week, 2020)

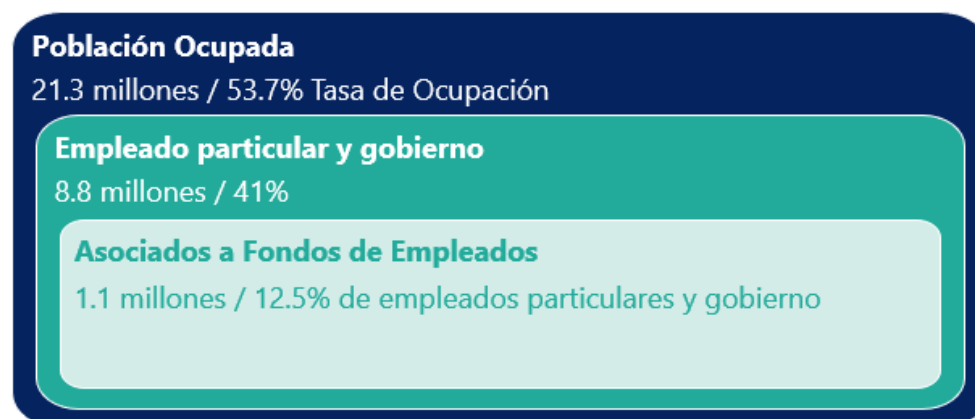


Figure 34 Potential Savers of Employee Funds

## 1.2.5. Total Market Potential - Libranza Credit with Employee Funds

The current market size is considered to be the 710,000 employees who have a debt with their employee funds. That is, employee funds have a penetration of 25% with an estimate of 2.82 million employees who might be interested in credit; 710,000 of the 2.82 million employees (25%) account for an 8% penetration of total private employees and government. For the purposes of this exercise, the rest of the occupational positions are despised.

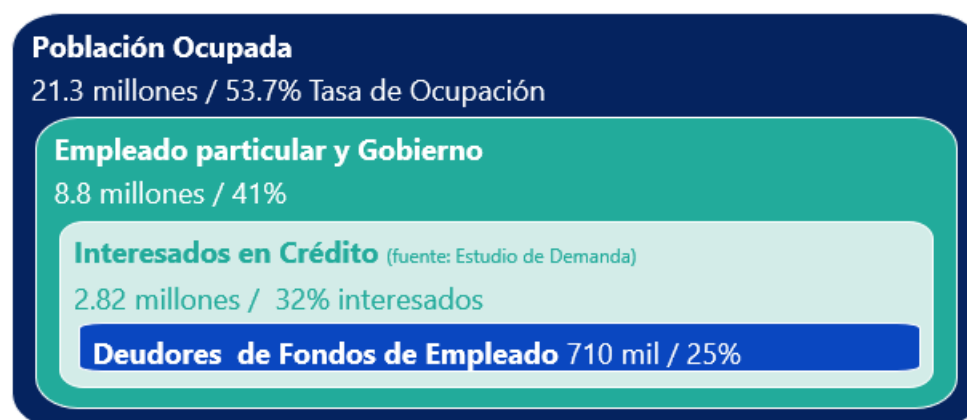


Figure 35 Illustration Calculation of the pounding TAM

## 1.2.6. Target Foundation Market

Considering the occupied population and socio-demographic employee shares we identify an estimated **target market of 2.8 million employees** where the following attributes that are considered the most desirable to converge.

- **Type of Companies:** Companies of more than 10 people who in number of employees represent 6.8 million people throughout Colombia and represent 32% of the occupied population.
- **Occupational positions:** Private employees and government employees whose employment linkage is related to the solutions that Akiba currently offers. These employees total 8.8 million of the total number occupied in Colombia being 41.3% of the total.
- **Base Contribution Income:** The Base Contribution Income (IBC) by minimum wage ranges (SM) (Figure 33) shows an especially important composition by workers who accrue between 1 and 2 SM (more than 75%) followed by the next category (between 2 and 4 SM) with a 15% stake. Throughout the period 2017-2019, there are no substantial changes in composition. (Fasecolda, 2017). **The minimum wage is \$260 per month.**

The market value of those 2.8 million employees represents a balance of **USD \$9.12 Bn** considering the average credit balance of USD \$3,239 currently owed by employee fund debtors which in turn represents annual financial income of **USD \$1.15 Bn** considering the Interest rate of employee funds which is 12.68% effective annually.

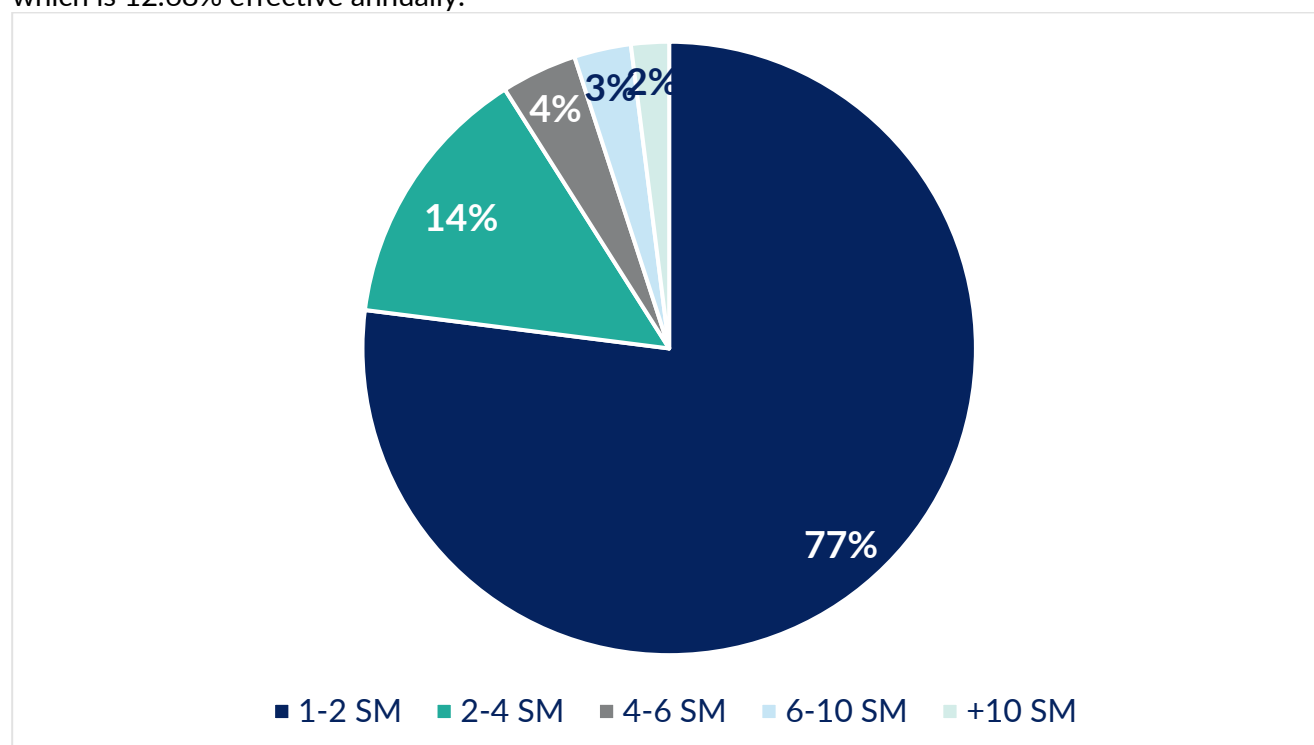


Figure 36 Composition of the number of formals per IBC range (%)

## 1.3. Country-Specific and Regulatory Features

### 1.3.1. Regulators

In Colombia, the entities that regulate the financial sector are the Bank of the Republic, the Banking Superintendency, the Ministry of Finance, and the Financial Guarantee Fund (Fogafin).

The **Bank of the Republic** is an independent entity of the government, which is primarily responsible for maintaining price stability, through the management of monetary policy instruments (liquidity and interest rates), foreign exchange and credit. It defines the rules related to the foreign exchange market, through rules of intervention.

Moreover, **the Issuer** regulates credit activity between banks through temporary liquidity operations (expansion repos) and the absorption of excess market liquidity (contraction repos). Likewise, the Bank of the Republic is the only issuer of the legal currency, manages the country's international reserves and coordinates the payment and clearing system.

For its part, **the Financial Superintendency** oversees financial activity, ensuring public confidence in the system and ensuring that the entities that make up the financial system have the economic strength and liquidity necessary to meet their obligations.

The **Ministry of Finance and Public Credit** defines, coordinates, regulates and implements the country's economic policy, ensuring the effective administration of public finances and promoting the economic and social development of the country. The Directorate-General for Budget, the Directorate of Treasury and Public Credit and the Attorney General's Office are in charge.

Finally, **Fogafin** manages deposit insurance and acts as an independent agent in the recovery or liquidation of institutions. In addition, it protects the trust of depositors, strengthening the assets of financial institutions, providing liquidity to financial assets and assets received in payment. Likewise, it organizes and develops the deposit insurance system and buys the obligations of financial institutions in liquidation.

There is also the Superintendency of Solidarity (Supersolidaria), which is a decentralized, technical body, attached to the Ministry of Finance and Public Credit, with legal personship, administrative autonomy and assets that aims to monitor the financial activity of cooperatives and on the savings and credit services of employee funds and mutual associations and, in general, the use or investment of the resources collected by the partners by the organizations of the solidarity economy. The Supersolidaria oversees:

- a) Specialized and/or multi-active cooperatives engaged in financial activity
- b) Specialized cooperatives that do not engage in financial activity,
- c) Employee Funds
- d) Mutual Associations
- e) Cooperative public administrations
- f) Partner cooperatives,
- g) The Auxiliary Institutions of Cooperatives
- h) Pre-operatives
- i) Economic bodies
- j) Second- and third-degree integration agencies
- k) Unnominated organisms

### 1.3.2. Usury Rate - Colombian Sector Differentiator



The usury rate is a limit that the law imposes on any loan of money, or any instalment sale. No person or entity may lend money above this interest rate, in accordance with Article 305 of the Penal Code. Currently, only Colombia and Chile have a usury rate by law. The Financial Superintendency of Colombia is the entity responsible for calculating and certifying by resolution the current bank interest rate for credit rates: 1) consumption and ordinary; (2) microcredits, and 3) low-amount consumption with financial and accounting information provided by credit institutions, and their calculation is made on a monthly, quarterly and annual basis, respectively. (Bank of the Republic | Colombia, 2020)

The usury rate sometimes prevents the penetration of financial services especially at the base of the pyramid as this limit makes it impossible for lenders to maneuver in a profitable way and serve profiles considered "high risk". This assumption also applies to micro-enterprises where and in both cases the situation has worsened due to the situation of the health and economic emergency that produced COVID-19 and where collateral have played a relevant role as a tool to support lending credits during the current situation and in the support of companies.

As revealed by an assessment that was made to the National Guarantee Fund in Colombia, where according to the research this Guarantee Fund had the second most relevant growth on the continent in supporting small and medium-sized enterprises with guarantees in credits.

This result of collateral credits was given "among the funds that already had significant dynamics during 2019, with an increase of 129%, compared to Mexico that had 60% and Argentina with 23%; Colombia was surpassed only by Chile." this indicates that sometimes (Money Magazine, 2020) only equity support and obvious ability to pay affect the decision of financial institutions to grant formal credit to the cap generated by the maximum usury rate.

### **Usury rate as of February 2021**

- 26.31% E.A. for regular and consumer credit
- 32.42% E.A. for low-amount credits
- 37.72% E.A. for microcredit

It is considered usury to receive or collect, directly or indirectly, in exchange for loan of money or for the sale of goods or services through financing systems or in instalments, utility or advantage that exceeds in half of the current banking interest that for the corresponding period are being charged by the banks, according to certification of the Financial Superintendency, whatever the form used to record the transaction, hide or disguise it. (Superintendency of Industry and Commerce, s.f.)

In accordance with the provisions of the law, where an interest rate is charged and exceeds the limits set considering all interest rates, whether remuneration, moratoriums or both as concerned. In such cases, the consumer may request the immediate repayment of the sums which he has paid for the respective interest and a sum equal to the sum paid in excess in favor of the consumer by way of penalty. (Superintendency of Industry and Commerce, s.f.)

Any provider or merchant who enters service delivery contracts through financing systems should check monthly whether the interest rate it is charging its debtors is within the legal limits for the corresponding period. If, in compliance with that obligation, you conclude that the agreed interest rate is above the legal maximum allowed by law, it must be reduced it to that limit. On the contrary, if the legal maximum limit in the following period is again higher than the initially agreed rate, the initially agreed fee may be settled and charged for that period.

The Superintendency of Industry and Commerce is the competent authority to verify any consumer relationship in which a good or service is purchased, and its payment is made through instalments, fees,

monthly payments or instalments, and an interest is charged directly or indirectly. The Superintendency in use of its powers may verify the interest charged so that it does not exceed the maximum legal interest allowed, and if an interest greater than the permitted legal interest has been agreed, it may impose financial penalties. (Superintendency of Industry and Commerce, s.f.)

### 1.3.3. Unemployment fund as An Alternative to Savings

Cessation aid in Colombia works like an unemployment insurance; is a social benefit regulated through Article 249 of the Substantive Labor Code in which every employer is obliged to pay his workers an aid to be used in case of cessation the employment continuity (or unemployment). This aid is equivalent to one month's salary for each year of services and proportionately for fraction of a year. (Ministry of Labour)

Its main objective is to provide the worker with resources that constitute aid during periods of unemployment, although it can also be withdrawn while the employment relationship is active. The Ministry of Labor, by Decree 1562 of 2019, made a compilation of the events in which the early withdrawal of cessations can be carried out being these: Financing of housing (acquisition and remodeling), termination of the employment contract, employer replacement, provision of military service, studies of higher education, purchase of shares owned by the State and transfer of cessations.

This benefit must not be settled or entered for those workers who receive integral wages, since it is included in the 30% that must be granted to them as a benefit factor. This Integral Salary in Colombia in 2021 is USD \$3,321, a figure corresponding to the sum of 10 monthly minimum wages, plus a 30% benefit burden equivalent to three minimum wages, according to Law 50 of 1990 and article 132 of the Substantive Labor Code (CST)

The cessation aid must be paid annually, in the period from 1 January to 31 December of each year. Once this settlement has been carried out, they must be deposited in the cessation fund chosen by the worker by 14 February of the following year. Considering the above, the profits generated from this fund interest should be paid directly to the worker. In the other events, payment must be made directly to the school or entities where the worker requested the provision of services for home acquisition, etc. (Update | Accounting and Tax Depth Research, 2021)

Section 104 of Law 50 of 1990 provides that at the event in which the employer lends a home loan to the worker, he may, upon his authorization, request the guarantee fund to retain the agreed value.

The cessation aids are deposited directly the Pension and Cessation Management Funds (AFPs) which are supervised by the Financial Superintendency of Colombia and aggregated in the Colombian Association of Pension fund and Cessation Management Funds, ASOFONDOS (non-profit) representing the activity of AFPs in Colombia.

#### **AFPs**

AFPs are private financial institutions that aim to provide efficient management of Colombians' obligatory, voluntary and retirement pension funds through savings plans that give them benefits.

In Colombia, there are 4 authorized AFPs:

- a) Protección S.A.
- b) Porvenir S.A.

- c) Colfondos Pensions and Cesantías
- d) Old Mutual

AFPs offer three main services:

- **Obligatory Pension:** Payments obtained by the members to the General Pension System. It is obtained when the worker gets affiliated to a Pension and Cessation Management Fund. This payment is financed by the obligatory contributions made by workers during their working life.
- **Retirement:** It is an obligatory social benefit to be settled annually by the employer on behalf the employee. Its equivalent to one month of work per year worked and is deposited to the Pension Fund where the worker is affiliated.
- **Voluntary Pension:** Refers to voluntary savings. Whose payment is periodic allowing to invest capital safely and productively.

#### Fondo de Cesantías

Fondo	Portafolio de Largo Plazo		Portafolio de Corto Plazo		Comisión por retiros parciales. (3)
	Rentabilidad neta para el periodo de 31 DE OCTUBRE DE 2018 AL 31 DE OCTUBRE DE 2020	Comisión de administración anual. (2)	Rentabilidad neta para el periodo del 31 DE JULIO AL 31 DE OCTUBRE DE 2020 (1)	Comisión de administración anual. (2)	
Colfondos	6.42%	3%	1.54%	1%	0.80%
Skandia	6.45%	3%	1.32%	1%	0.80%
Protección	5.30%	3%	2.78%	1%	0.80%
Porvenir	5.73%	3%	2.06%	1%	0.80%
Promedio ponderado (4)	5.83%	3%	2.27%	1%	0.80%
Rentabilidad mínima obligatoria	2.93%		0.82%		

Figure 37 Profitability Retirement Funds

In total, Pensions and Cessation Management Funds manage USD \$89 Bn, of which 88% correspond to obligatory pensions, 6.5% to voluntary savings and 5% to Cessation Aid.

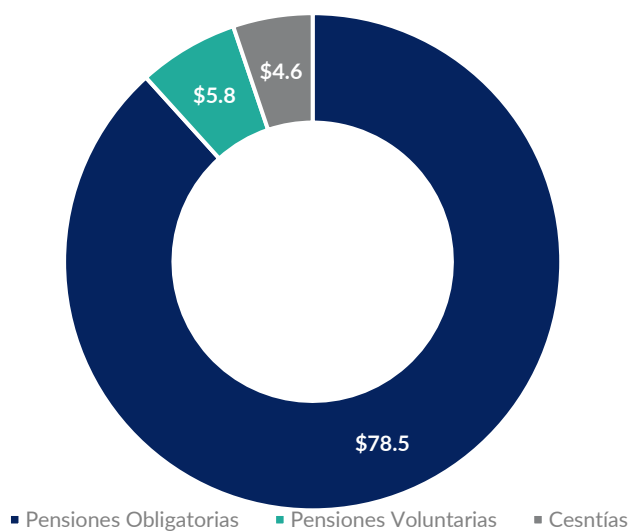


Figure 38 Funds administered by AFPs (USD \$Bn)

### 1.3.4. Mutual Investment Funds

Mutual funds or mutual investment funds are investment instruments, which gather contributions with the purpose of investing in different securities. By grouping the capital of different people, it is possible to access advantageous conditions and greater profitability for the participants. It is managed by a Management Company that manages different securities, such as: stocks, corporate and public bonds, real estate assets, international securities, other investment funds, mortgage letters, etc. This portfolio is defined in the Mutual Fund contract, in this way the investor will make the decision to participate in accordance with the preferences that participants have. (Rankia, 2020) Among the requirements must comply with having an Organic Act, Statutes and Regulations approved by the Financial Superintendency of Colombia.

### 1.3.5. Financing Pre-cooperatives

Financing Pre-cooperatives are regulated in Colombia by Decree 1333 of 1989, they are charitable companies of a transitional nature with a limited duration (five years) except for all others that make up the solidarity economy that are of indefinite duration. Its purpose is to organize the production, exploitation, marketing and distribution of goods on cooperative property basis, to develop training, training and training processes to partners and to carry out evolutionary processes towards the formation of the cooperative, which is five years and once elapsed, must be transformed into cooperative, since it is supposed to be sufficient ripening and growing time as a company. (Superintendency of Solidarity Economics, 2002)

### 1.3.6. Active Rate Comparison

Weighted average active rate of Payroll loans (in Colombia are called Libranza Loans) with banks is 12.83%. The effective rate of employee funds 12.68% annual cash. "There are two credit profiles: for social care loans, rates can be even 0.5% (6.61%EA), while for consumer loans they range from 1.2% per month (15.38%EA)".

With regard to the interest rates that are handled, loans through funds are competitive with banks, on average employee funds have lower loan rates than banks. In the case of housing, a fund can work with rates of 9% or 10% annual cash, and for consumption on average rates of 12% or 13% effective per year. This makes them very comfortable compared to some banks that have values close to 32%.

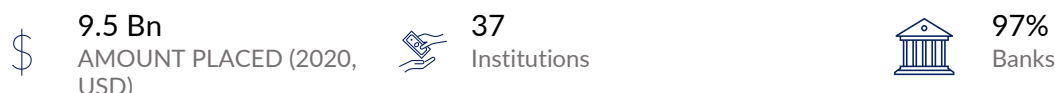
### 1.3.7. Passive Interest Rate Comparison

Savings accounts offer interest rates between 0.5% and 3.7%. While on the other hand, Certificates of Term Deposit (CDTs) generally offer a higher return. Taking as a reference the 90-day CDT, offers around 1.5% and 3.8%.

Entity	Minimum Amount (USD \$)	90 days
BBVA Colombia	283.3	1.45%
Banco Caja Social	141.6	1.50%
GNB Sudameris Bank	141.6	1.50%
Bancolombia	283.3	1.56%
Finandina	28.3	1.60%
Banagrario	127.5	1.69%
By Villas	141.6	1.70%
Davivienda Bank	141.6	1.80%
Bank of Bogota	28.3	1.99%
Banco Popular	283.3	2.00%
Bank of the West	283.3	2.04%
Itaú, Banco Corpbanca	283.3	2.15%
Spins & Finance C.F.	141.6	2.20%
Bancoomeva	2,832.9	2.25%
Trust Financial Cooperative	124.4	2.35%
Falabella Bank	141.6	2.65%
Antioquia Financial Cooperative	99.2	2.85%
JFK Financial Cooperative	160.6	2.94%
Bancamía S.A.	14.2	3.25%
Financial Juriscoop C.F.	28.3	3.30%
Colpatria Bank, Scotiabank	141.6	3.45%
Coltefinanciera	70.8	3.50%
Financial Cotrafa	99.2	3.60%
Banco W S.A.	283.3	3.64%
Oicolombia	28.3	3.70%
Banco Mundo Mujer S.A.	141.6	3.75%
C.A. Credifinanciera CF	70.8	3.97%
Banco Pichincha S. To	141.6	4.25%
Bancompartir S.A.	14.2	4.62%

Figure 39 Comparison of Passive Rates

## 1.4. Payroll Loans and Advanced Dynamics



### 1.4.1. Definitions and Main Aspects

#### *Definition of Libranza*

"Libranza" in Colombia is the authorization given by the employee or pensioner to his employer or paying entity; to make a discount on their salary or pension, in order that operating entities can serve the employee or pensioner with the products, goods and services. Therefore, any individual which can be employed, pensioned or services contractor, which is affiliated to a cooperative, pre-cooperative, association, mutual or an employee fund; may acquire financial products and services, or goods and services accredited with his salary, his social benefits, or his pension.

The main sales arguments for this product are user does not need a co-operator or guarantor, automatic payroll discount and preferential interest rate.

Payroll loans or Libranza loans are generally presented in two modalities: (a) as free-investment consumer credits, i.e., disbursement for any use or destination, and b) as portfolio acquisition loan that is usually a debt consolidation and rate profit-making mechanism.

#### *Authorized Establishments for Libranza*

In addition to the credit establishments monitored by the Financial Superintendency of Colombia, the self-employed assets formed in the development of a commercial trust contract, commercial companies, cooperatives, pre-cooperatives, clearing banks, employee funds, development, and development institutes (Infis) and mutual companies or associations.

#### *Conditions for Libranza*

- Express and irrevocable authorization by the beneficiary to the paying entity.
- Under no circumstances does the interest rate for the products and services subject to release exceed the legally permitted maximum rate (usury rate)
- It is done as long as the employee or pensioner does not receive less than fifty percent 50% of the net of his salary or pension.

Deductions or withholdings made by the paying employer or entity, which are intended for direct release or discount operations, shall be exempted from the restriction referred to in the second number of Article 149 of the Substantive Labor Code.

The Libranza discount can be made as long as the worker does not receive less than 50% of the salary after the law discounts. To do this, financial institutions ask the company or employer for an employment certificate indicating the employee's borrowing capacity for payroll discounts, as once the law and release discounts have been made, the worker must receive no less than 50% of the salary.

**Note:** in the event of non-payment the salary can be seized while the pension is not.

#### *Debtors' Rights*

- Choose free of charge and at no cost any operating entity to carry out free trades, as well as the one through which the payment of your payroll, fees or pension is made.
- Voluntarily request that discounted resources be allocated to a savings and construction promotion account (AFC) or another of the same nature.
- Under no circumstances, your employer or paying entity will charge any administration fee, commission, or sum for making the discount or money transfer.
- Be protected by applicable consumer protection rules.
- Take unemployment insurance in case of acquisition or rental of housing, the compensation of which may be received by the operating entity in case of non-compliance.

### ***Obligations of Libranza operators***

- Consider the applicant's repayment capacity.
- Take responsibility for evaluating with the employer the amount of the direct discount composed of the agreed capital and interest rate.
- Provision of your periodic credit statement
- Report the subscription to banks of financial, credit, commercial and service information, in accordance with the provisions of the law.
- Do not include values other than capital and interest and the collection of debtor life insurance within the library, where it exists.
- I will pay only for the capital actually provided, not including the value of contributions, the value of additional services or the money for mutual funds.

### ***Employers' Obligations***

- Directly rotate resources to the release operating entity in the name of the beneficiary.
- Do not unreasonably refuse to enter into the agreement between operator and beneficiary. However, such a subscription may be denied after the beneficiary's discount capacity has been assessed.
- Make the wages and transfer these fees to the operating entities within three (3) working days of the payment to the employee, contractor, affiliate, associate, or pensioner.
- Verify that the operating or administrative entity is registered in the Single National Register of Operator Entities of Libranza (only for entities not supervised by the Superfinanciera)
- Pay as a financial penalty twice the total value discounted for the Libranza loan, in case of charging or deducting administration fee or commission for making the discount or the transfer of the resources.
- Be jointly and severally liable for the payment of the obligation acquired by the beneficiary of the credit if he did not make the rebates for reasons attributable to him.
- Be responsible for the values no longer discounted in case you do not know the order of rotation and for the damages that are attributable to you for your carelessness.

### ***Registration of Operating Entities***

The Libranza Operating Entities will request from the Chamber of Commerce the electronic annotations of their registration, updating, renewal or voluntary cancellation through the electronic service provided for this purpose on the website of the Single Business and Social Registry (RUES). For the use of the platform, the library operators must first create a user account that will allow to validate their access to the service, as well as verify the identity of the subject who performs the transaction.

Under the decree established by the Ministry of Public Finance and Credit, the fee to be paid in favour of the Chamber of Commerce, for the Single National Register of Libranza Operators, is as follows:

- For new registrations and renewal: \$45,000 (1.25 UVT). ->USD \$12



- For mutations (modification and cancellation): \$12,300 (0.34 UVT) -> USD \$3.5

Among the general requirements for electronic entry in RUNEOL is attaching digital copy of the certificate of validity of the contract with financial, credit and service information bureaus, where the obligation to report the information is established, in compliance with the provisions of Article 5 of Law 1527 of 2012. Therefore, Employee Funds in compliance with these requirements in order to be able to make release credits must also report such information.

The Chambers of Commerce shall verify the validity of the certification issued by the financial, credit, commercial and service information data banks, where the obligation to report the information of the release operations to such entities is credited. (Ministry of Trade Industry and Tourism, 2016)

The firm sanctions imposed by the Superintendency, to the operators of Libranza or direct discount, must be reported by them to the corresponding Chamber of Commerce in order to be published in RUNEOL.

### ***Funding of Libranza operators***

- Through resources provided by its shareholders or partners.
- Credits obtained in the financial system.
- Resources from specific mandates with third parties for the acquisition of invoices, up to an amount equivalent to 10% of the company's assets in the financial statement; the interim period of the last calendar day of the immediately previous month.
- Resources from portfolio sales to legally authorized anchors in the capital market.
- Cooperatives, employee funds and mutual associations, with regular contributions from their partners.

### ***Libranza Surveillance***

The financial consumer protection credit is monitored by the Superintendency of Industry and Commerce. If the lending entity is additionally monitored by the Financial Superintendency, then it is the latter responsible for defending the financial consumer.

The Single National Register of Direct Discount and Libranza Operating Entities (RUNEOL) is the electronic annotation made by chambers of commerce in a virtual manner, in order to allow anyone to consult the registration of operating entities and library administrators that meet the requirements established by law and who have been assigned a unique code of recognition at the national level. Unless it is a credit establishment subject to surveillance by the Colombian Financial Superintendency; the paying employer or entity is required to verify, in all cases, that the operating entity is registered with RUNEOL.

Legal Organization	Amount	Participation
Cooperative	6007	46.8%
Simplified Share Company (SAS)	3011	23.5%
Employee Funds	1690	13.2%
Limited Company	477	3.7%
Corporation	430	3.4%
Gremial Pensioners' Partner	316	2.5%
Compensation institutions	174	1.4%
Mutual Society	162	1.3%
Autonomous Trust Funds	129	1.0%
Insurance companies	114	0.9%

Financial cooperatives	65	0.5%
Banking establishments	40	0.3%
Unions	16	0.1%
Trust companies	15	0.1%
State Industrial and Commercial Company	14	0.1%
Investment Fund	14	0.1%
Work Association Company	6	0.0%
Other	143	1.1%
<b>Total</b>	<b>12,823</b>	

Figure 40 There are currently almost 13,000 legal organizations with active registration with RONEOL: the largest participation by organizations being Cooperatives, SAS and Employee Funds. (RONEOL, 2021).

In 2020, 500 new legal organizations were registered, with SAS leading the creation with 224 new organizations. However, also within the Top are Cooperatives and Employee Funds.

NOMBRE ORGANIZACION JURIDICA	20201	20202	20203	20204	20205	20206	20207	20208	20209	202010	202011	202012	Total 2020	Part. %
Sociedad por Acciones Simplificada	3	16	25	5	5	8	47	29	19	25	24	18	224	44,8%
Cooperativa	3	3	10	0	4	6	42	18	15	19	14	8	142	28,4%
Fondo de Empleados	2	0	6	1	0	5	19	8	7	9	4	5	66	13,2%
Sociedad Anónima	2	1	0	0	0	0	8	4	0	1	1	0	17	3,4%
Sociedad Limitada	0	0	0	0	1	0	3	4	1	2	4	0	15	3,0%
Asociación Gremial de Pensionados	0	1	0	0	0	0	2	0	1	1	0	1	6	1,2%
Compañía de Seguros	0	0	1	0	0	0	2	0	2	0	0	0	5	1,0%
Patrimonio Autónomo	0	0	1	0	0	2	1	1	0	0	0	0	5	1,0%
Empresa Unipersonal	0	0	1	0	0	0	1	1	0	1	0	0	4	0,8%
Sociedad Mutua	0	0	0	0	0	0	2	1	0	0	0	0	3	0,6%
Cajas de Compensacion	0	0	0	0	0	0	0	0	1	1	0	0	2	0,4%
Instituto de Fomento y Desarrollo	0	0	0	0	1	0	1	0	0	0	0	0	2	0,4%
Sociedad en Comandita por Acciones	0	1	0	0	0	0	1	0	0	0	0	0	2	0,4%
Sociedades fiduciarias	0	1	0	0	0	0	1	0	0	0	0	0	2	0,4%
Clubes sociales de oficiales, suboficiales y agentes de la Fuerza Pública	0	0	0	0	0	0	0	0	0	1	0	0	1	0,2%
Compañías de financiamiento comercial	1	0	0	0	0	0	0	0	0	0	0	0	1	0,2%
Cooperativas financieras	0	0	0	0	0	0	0	0	1	0	0	0	1	0,2%
Empresa Industrial y Comercial del Estado	0	1	0	0	0	0	0	0	0	0	0	0	1	0,2%
Fondo Mutuo De Inversión	0	0	0	0	0	1	0	0	0	0	0	0	1	0,2%
Empresa Asociativa de Trabajo	0	0	0	0	0	0	0	0	0	0	0	0	0	0,0%
Establecimientos bancarios	0	0	0	0	0	0	0	0	0	0	0	0	0	0,0%
Fondo Rotatorio	0	0	0	0	0	0	0	0	0	0	0	0	0	0,0%
Sindicato	0	0	0	0	0	0	0	0	0	0	0	0	0	0,0%
Sociedad Colectiva	0	0	0	0	0	0	0	0	0	0	0	0	0	0,0%
Sociedad Comisionista de Bolsa	0	0	0	0	0	0	0	0	0	0	0	0	0	0,0%
Sociedad en Comandita Simple	0	0	0	0	0	0	0	0	0	0	0	0	0	0,0%
	11	24	44	6	11	22	130	66	47	60	47	32	500	100,0%

Figure 41 New Legal Organizations Registered in 2020

## 1.4.2. Top Players - Libranza

Average Libranza portfolio balance per debtor have grown in recent years at Q2 2018 was seen at \$6,190 and by Q2 2019 grew \$6,190. Similarly, the average disbursement has been growing in Q1 2018 was seen at USD \$5,170 and by Q4 2020 it looks at USD \$12,091.(TransUnion, 2019, p. 2)(TransUnion, 2018, p. 3)

## Resumen para crédito de libranza

MÉTRICAS PARA CRÉDITO DE LIBRANZA	2018-II	T-T Cambio	A-A Cambio
Número de Créditos	2.5 M	0.5%	7.6%
Saldo Total	43.3 B	5.0%	18.1%
Saldo Promedio	17.2 M	4.5%	9.7%
Número de Consumidores	1.9 M	-0.3%	7.2%
Número de Originaciones	465,451	17.6%	14.6%
Desembolso Promedio	18.4 M	7.9%	21.5%
Tasa de Mora (30+) por Créditos	2.69%	0.01 pp	0.05 pp
Tasa de Mora (30+) por Saldos	2.25%	0.01 pp	0.09 pp

Figure 42 Libranza Q2 2018 Summary - TransUnion

Libranza credits excluding housing recipients have an average ticket of \$43 million; the rest of the destination is free investment. The size of the Libranza market in the formal financial sector, i.e., that monitored by the financial superintendency, has a balance of USD \$15.4 Bn in 20 financial institutions. (Financial Superintendency of Colombia, 2020)(Risk Cycle Magazine, 2020)

Criterios	Bancolombia	Banco de Bogotá	BBVA	Banco Av. Villa
Tasa Efectiva Anual		T. Mínima:	T. Mínima:	T. Mínima:
	T. Mínima: 8,86%	14,44%	21,80%	20,05%
	T. Máxima: 24,04%	T. Máxima: 19,00%	T. Máxima: 22,05%	T. Máxima: 21,25%
Plazos	Entre 72 y 96 meses	Entre 72 y 120 meses.	Entre 6 meses a 10 años	Entre 6 a 96 meses
Monto Mínimo del Préstamo	\$1.000.000	\$500.000	\$600.000	\$500.000

Figure 43 Comparative conditions of Libranza

ENTIDAD	Saldo Cartera	Indicador de Mora
1 BANCO POPULAR	11.972.955	2,95%
2 BBVA COLOMBIA	11.207.695	2,07%
3 DAVIVIENDA	6.034.698	0,38%
4 BANCO GNB SUDAMERIS	5.015.692	1,19%
5 BANCO DE BOGOTA	4.717.535	3,68%
6 AV VILLAS	3.846.364	0,96%
7 BANCOLOMBIA	3.221.115	2,10%
8 BANCO DE OCCIDENTE	2.378.278	2,26%
9 ITAU	1.459.465	3,57%
10 BANCO PICHINCHA	1.190.117	4,70%
11 BANCO CAJA SOCIAL	1.150.823	3,55%
12 CREDIFINANCIERA	871.287	1,83%
13 BANAGRARIO	779.262	3,77%
14 FIN JURISCOOP	584.366	0,63%
15 COLPATRIA	492.117	2,43%
16 COTRAFA	301.190	5,53%
17 GIROS Y FINANZAS	214.209	2,34%
18 CONFIAR	159.241	0,96%
19 DANN REGIONAL	151.610	2,93%
20 BANCOOMEVA	140.493	4,22%

Figure 44 Balance and Portfolio Quality Libranza Financial Sector / August 2020

### **Banco Popular - PrestaYa**

PrestaYa is the most emblematic product of Banco Popular and positioned as a brand that has dominated the Libranza Credit in the entities monitored for more than 15 years. Although Banco Popular has not been considered by being the most efficient or innovative bank, it has found in the loan of freedom with PrestaYa a niche where it has become very effective with deep alliances with payers mainly with Pensioners, Police, Military Forces and Teachers. For some years the process associated with this product was the only ISO 9001 certified. Product definition states that cover companies with a minimum of 50 employees and assets over \$28,000.

### **Davivienda - Libranza Credit**

Colombia's second largest bank has significant digital presence and the best portfolio quality. It offers great agility in the process synchronizing the process with Davivienda Mobile App and Daviplata.

### **BBVA - Libranza Credit**

BBVA is a global bank and that entered Colombia as the result of the acquisition of other banks. It does not have a large share of assets considering in regards the entire Colombian financial system, it is the 2nd or 3rd after Banco Popular in the balance of Libranza. It inherits many of the features of ease, accessibility and efficiency that characterize BBVA. It offers Libranza loans from USD \$172, onwards and terms from 6 months to 10 years.

### **GNB Sudameris**

It has an offer according to the market average. With an Interest a rate of 22.7% E.A. / 1.72% M.V. only differentiator is perceived in a slightly larger amount of up to USD \$84.3mil. It emphasizes in its value offer that it can make disbursements without requiring a bank account, but non-financial costs are incurred by credit study, disbursement in effect or by electronic transfer.

### **Bayport**

Financial institution with an international presence to more than 600,000 clients worldwide through more than 500 branches and supported by more than 7,500 employees offering consumer credits and

transactional banking in other countries. In Colombia entered in 2011 and specializes in Libranza Credits for public sector employees and pensioners. More than 65,000 active clients and a portfolio of more than \$202 million. It claims to be flexible with respect to ratings in risk centrals. Term up to 10 years and rates between 15.94% and 21.7% E.A. Amounts from USD \$288 – USD \$288 thousand.

### 1.4.3. Top Players - Advances

The Banking and Financial Institutions Association of Colombia (Asobancaria) assured that already "65% of the agressed entities that offer payroll accounts in their portfolio has the option to advance a certain amount of money associated with paying the salary. This service operates under the rotary credit mode, in which the user must have a payroll account associated with the bank in which they wish to request the service". In addition, there are monthly incomes equal to or greater than a minimum wage.

The service offered by the entities changes its name according to the bank and in the case of BBVA, Banco de Bogotá and Banco Davivienda is called Adelanto de Nómina; Bancolombia, Income Advance; Av Villas Bank, Payroll Advance, and Scotiabank Colpatría, Salary Advance. On average, banks enable quotas that are between \$28 and \$280, which usually have no interest rate charge, however, there is a management fee that varies according to the bank. Payroll advance can be requested by users through the mobile applications of banks or on their web portals. In case customers come to have doubts, some banks offer step-by-step on websites or by user service lines.

Nombre del producto	Monto promedio	Creación	# Usuarios	Cuota de administración	Cupo	Tasa de interés
<b>Banco AV Villas</b> ● Anticipo de nómina	5.000 al mes \$256.932	28% E.A.				
- Más de cinco años	No	-20% del salario del cliente				
<b>BBVA</b> ● Adelanto de nómina	N/A	N/A				
- 2016	No			\$10.500 + IVA	Hasta \$1 millón	
<b>Bancolombia</b> ● Adelanto de ingreso	120.000 \$150.000	\$8.700 + IVA				
- 2017	No	Hasta \$1 millón				
<b>Banco de Bogotá</b> ● Adelanto de nómina	20.000 \$280.000	\$9.600 + IVA				
- 2013	No	\$100.000 - \$800.000				
<b>DAVIVIENDA</b> ● Adelanto de nómina	N/A	\$9.600				
- N/A	No	Hasta \$1 millón				
<b>Scotiabank®   COLPATRIA</b> ● Adelanto de salario	132.000 \$292.000	\$9.800				
- 2009	No	Hasta \$1,5 millones				

Figure 45 Some banks that offer payroll advances. Source: The Republic

Available information shows that handling fee or management charged by banks is between \$2.4 to 2.9 and the average amount is \$67.00

The Fintech sector also offers this service. One of the options is "Advance avanza tu pago", a service that has a system of advance payment for the days already worked with the aim of providing money to more

than 80% of Colombians. According to their own Investigation, this is the population that does not have access to financial products given its low economic conditions.

On the market is also another start-up called Fintech Panacash, a financial company that offers three types of advances: the first for \$41.00, another for \$70.00 and the highest for \$111.00, each advance is defined by people's borrowing capacity. This option gives easy-to-use features and is that the process can be done from the cell phone, without the need to lengthen the paperwork, this is done through the application that is available in PlayStore.

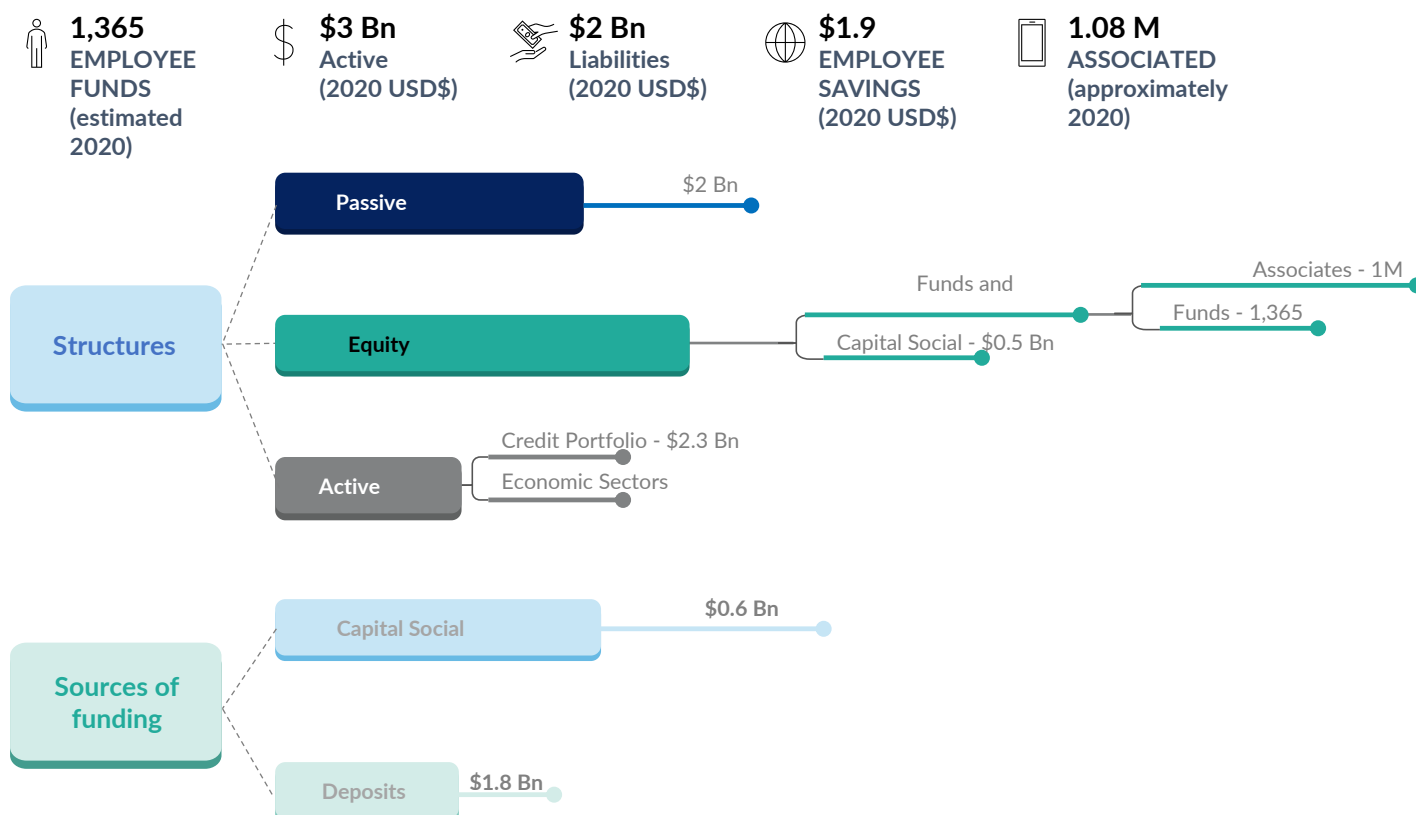
To provide early-stage credits, this platform has US\$1.5 million available and plans to expand its capital next year to US\$7 million and \$10 million if it achieves the expected results.

From the banks side, BBVA is one of those that supports advance of wages, as it is a free destination quota that allows people to advance a percentage of the payroll payment, from BBVA mobile.

## 1.5. Employee Fund Dynamics

### 1.5.1. General

*There are about 1,365 employee funds with 1.08 million associates representing 12.5% of total private employees*



All of the data of this section was sourced from: (Analfe, 2020)

Employee funds are a financial solution with a number of benefits. While they handle credits at very beneficial rates, the system works through resources from their partners' savings and contributions, so they require employees to rotate part of their payroll monthly and credit possibilities depend on collective savings.

Its main feature is that they are directly linked to a company. They are closed, non-profit organizations belonging to the solidarity sector, regulated by Decree 1482 of 1989, Law 1391 of 2010 and other rules applicable to their status as a private enterprise.

In accordance with current legal definition, Employee Funds are private, non-profit associative companies consisting of dependent workers, associate workers or public servants. Like any solidarity entity, it is characterized by being organized as a company, which contemplates in its social object, the exercise of a socioeconomic activity aimed at meeting the needs of its partners and the development of works of the community. To ensure their social purpose, Employee Funds need to develop efficient business management to meet the needs of their partners, with efficient and competitive services, while maintaining in all cases the balance in their social, economic and financial results.

### Employee funds perform a dual function

The Employees Fund simultaneously fulfil the task of associating a group of people with common needs and by the fact that, as those needs are met, Employees Funds bring about social progress; they must also be very business-skilled, being the only way to build long-term added value. Hence the capacity of the management and management group to achieve the balance between the social and business, constituting the secret of the social management of solidarity, the reason for existing of these organizations.



Figure 46 Dynamics of Employee funds

According to figures from Supersolidaria (Superintendency of Solidarity Economy), as of December 2019, **1,365** employee funds reported financial information, with about 1.1 million associates and assets around USD \$3 Bn. (Supersolidaria, 2018) **The largest asset of employee funds is in the credit portfolio with USD \$2.27 Bn.** Also registered a total liability of \$2 Bn. The major component of this figure is the **deposits or savings of the associates, USD\$1.8 Bn** (Money Magazine, 2020)

The portfolio of funds is supported by Libranza where that portfolio has a roughly delinquency of 2.5% (below the average portfolio delinquency in the financial sector of 8%)

### The Superintendency of the Solidarity Economy is the institutional body responsible for regulating Employee Funds

"Employee funds are regulated by Decree 1481 of 1989, which determines the nature, characteristics, constitution, internal regimes, liability and sanctions, and measures are issued for their promotion. This decree provided them with an adequate legal framework for their development, in order to promote the linkage of workers to these social economy associative enterprises and to ensure the State's support for them."

### The Supersolidaria establishes three categories of supervision according to its size

The Supersolidaria establishes three categories of supervision according to the volume of assets that employee funds report. These categories are Basic, Intermediate, and Full (or 1, 2, and 3).



Year	IPC	Financial Information Reported by Employee Funds	Full	Intermediate		Basic
			EQUAL OR GREATER THAN	GREATER THAN	LESS THAN	FROM ZERO TO
2019	3.80	2019	USD \$4.3 M	USD \$1.2M	USD \$4.3M	USD \$1.2M

There are 153 top-tier funds that handle assets over \$4.3 million. Another 188 second-tier funds handle assets between \$1.2 million and \$4.3 million. And more than 1,000 third-tier funds have assets under \$1.2 million (there are small business funds).

In 2016, there were 83 full-tier funds, up from 2020, to 153, indicating that median funds are growing through the linkage of new partners, or the dissolution and reconstitution of other funds.

The information available at DANE is as of December 2018 and reports total assets, portfolio, deposits and other areas, as well as annual growth of funds.

### Main sectors of savings funds (USD \$M)

#### PANORAMA DEL SECTOR

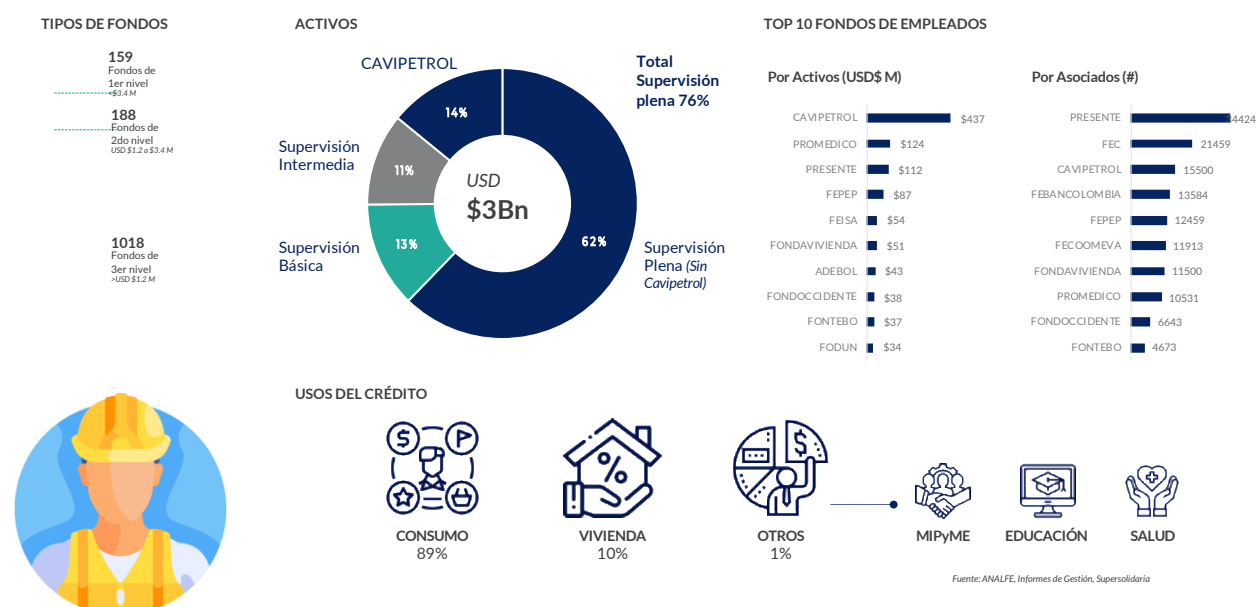


Figure 47 Industry overview, own elaboration

The services and mining and energy sectors account for more than 50% of assets. However, mining and energy include Cavi petrol, which accounts for 14% of total assets.

Sector	Active	Liabilities	Heritage	Assets %	Liabilities %	Equity%
Mining and energy	\$633	\$494	\$139	21%	24%	16%
Industry	\$263	\$178	\$85	9%	9%	10%
Financial	\$359	\$274	\$84	12%	13%	10%
Transport	\$62	\$31	\$31	2%	1%	4%

<b>Services</b>	\$1,090	\$741	\$348	37%	35%	40%
<b>Construction</b>	\$79	\$52	\$27	3%	3%	3%
<b>Communications</b>	\$99	\$71	\$28	3%	3%	3%
<b>Trade</b>	\$285	\$190	\$95	10%	9%	11%
<b>Agricultural</b>	\$90	\$60	\$30	3%	3%	4%
	<b>\$2,961</b>	<b>\$2,092</b>	<b>\$869</b>			

Figure 48 Sectors where Employee Funds operate, figures in USD \$M

## 1.5.2. Sustainability of Employee Funds

Employee funds are pressured by a socioeconomic system that targets a future characterized by global and local entities. In order to remain in place, funds will need to design partnerships that implement alternative models to grow based on technological and social innovation.

The employee funds are characterized by the space that they create across sectors, the products and services they provide, the management, administrative and operational team, and the management of results. For this reason, the strategic approach aims to create spaces, relationships and revitalizing the resources that partners place at the service of the organization for the fulfilment of its social mission. On the road to sustainability, employee funds focus on different strategic areas:

### **Savings mobilizers**

Deposits as a source of primary resources. They need to gain the trust of partners and have authorizations of legal origin.

### **Social Capital**

Social capital is the basis for funding for individual and collective social initiatives. They structure the self-management model. Addressing funds towards sustainability.

### **Creating social value**

Employee funds are part of the business ecosystem. They become visible as a social welfare support and as a visible and useful model for local development. Its recognition is clearly given in the national development plan, which is an openness for public policymaking.

### **Scale economics**

There are spaces conducive to networking. Inward as a community that has common purposes, and outwards as a dynamic for institutional and sectoral strengthening.

### **Integration**

Employee funds revitalize the strategic partnership, starting with the companies where their partners are linked to their workforce. They also form higher-grade institutions that contribute to the pursuit of common purposes, both economic and social. They facilitate strategic alliances and vertical and horizontal integration to be more competitive.

### **Strength**

Employee funds and their structures are links in the value chain. Apprehension of good economic and social practices, and technological transfer. It facilitates the integration processes from the union entity, which, like ANALFE, represents them and induces them to knowledge and solidity. Employee funds as a whole reflect financial structures, which finance the creation of strategic assets to serve partners. Its financial structures pave the way for strengthening and sustaining itself in the long term

### ***Model and development***

Employee funds are a business and social model, have an identity and are part of Colombia's solidarity economy. They promote the inclusion and constitution of responsible communities, from families that are linked to work in different companies.

**In this sense, employee funds are constantly looking to link new companies and partners.** This, for example, allowed FEDEAA to grow from 70 to +1680 in a year. And some funds are pushing for regulation to allow funds to link partners that are not directly related or contracted by a particular company, allowing to increase efficiency and use of economies of scale.

### 1.5.3. Current Status and Growth

**The number of employee funds has been reduced. Number of associates also**

The information available at DANE is updated as of December 2018 and reports total assets, portfolio, deposits and other areas, as well as annual growth of funds.

	Level 1, 2 and 3	Cavipetrol	Total 2018	Cavipetrol %
Active	\$2,470	\$431	\$2,901	15%
Credit Portfolio	\$1,885	\$337	\$2,222	15%
Passive	\$1,694	\$354	\$2,049	17%
Deposits	\$1,364	\$316	\$1,680	19%
Heritage	\$775	\$77	\$852	9%
Capital social	\$498	\$43	\$541	8%
Number of Associates	1,029,347	15,768	1,045,115	2%

Figure 49 Employee Fund Figures as of December 2018

One of the main reasons for the decreasing number of employee funds is voluntary settlement and reconstitution as new funds. This is intended to grow and aim for long-term sustainability.

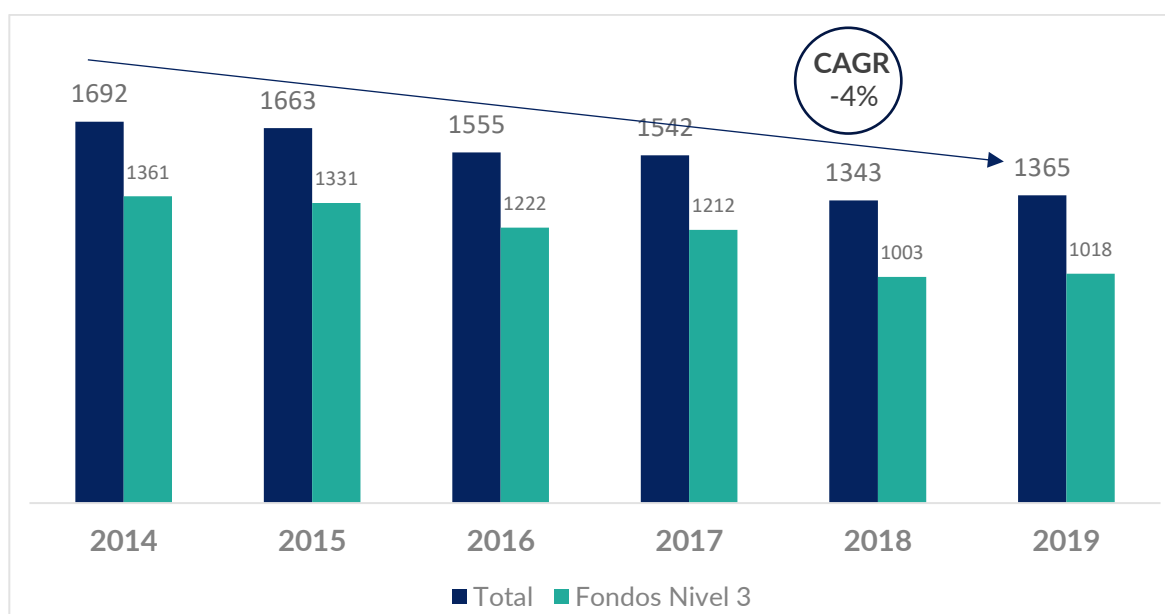


Figure 50 Employee Fund Growth as of 2018. Source: ANALFE 2020

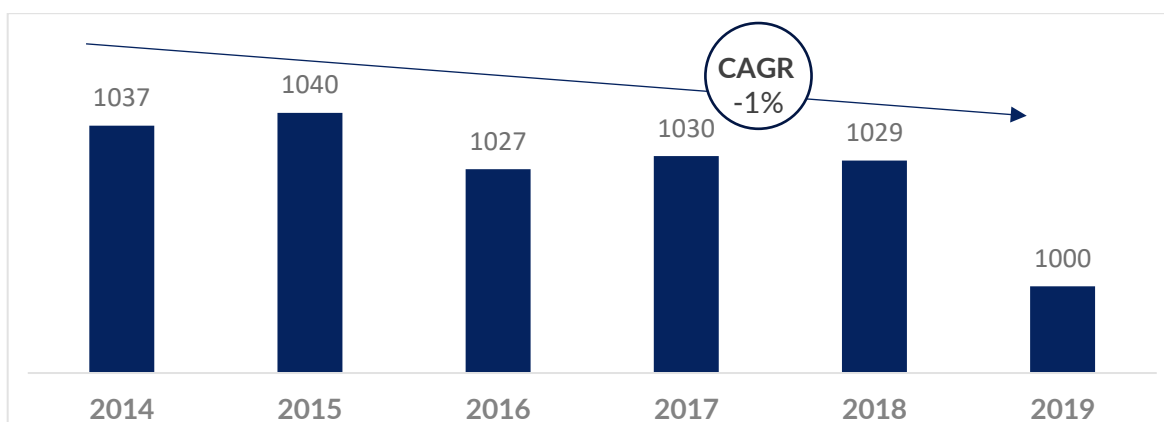


Figure 51 Number of associates to total employee funds. Source: ANALFE

**However, assets and liabilities have a disproportionate increase**

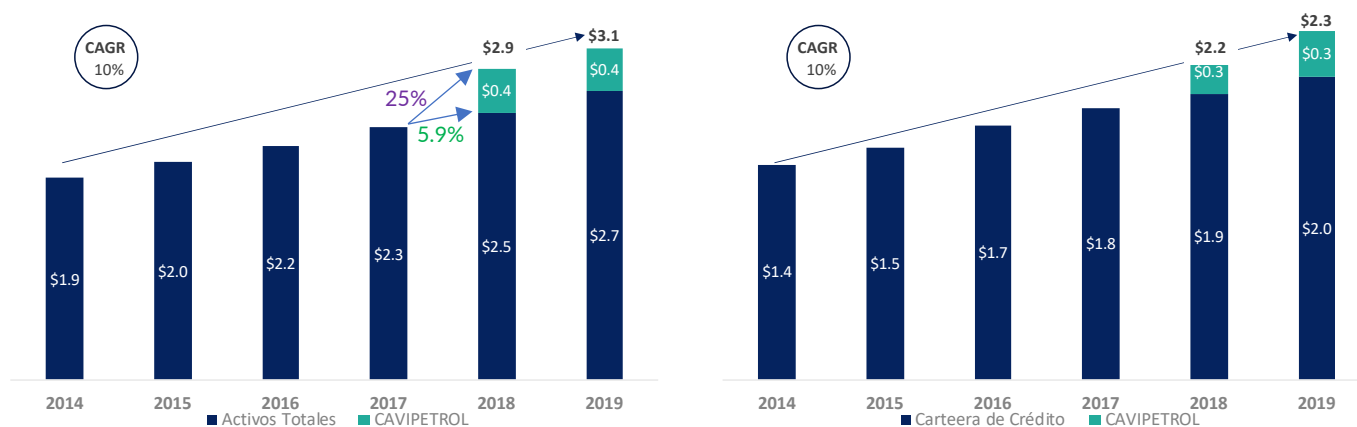


Figure 52 Annual Asset Growth and Credit Portfolio considering CAVIPETROL (USD \$M). ANALFE source, own elaboration

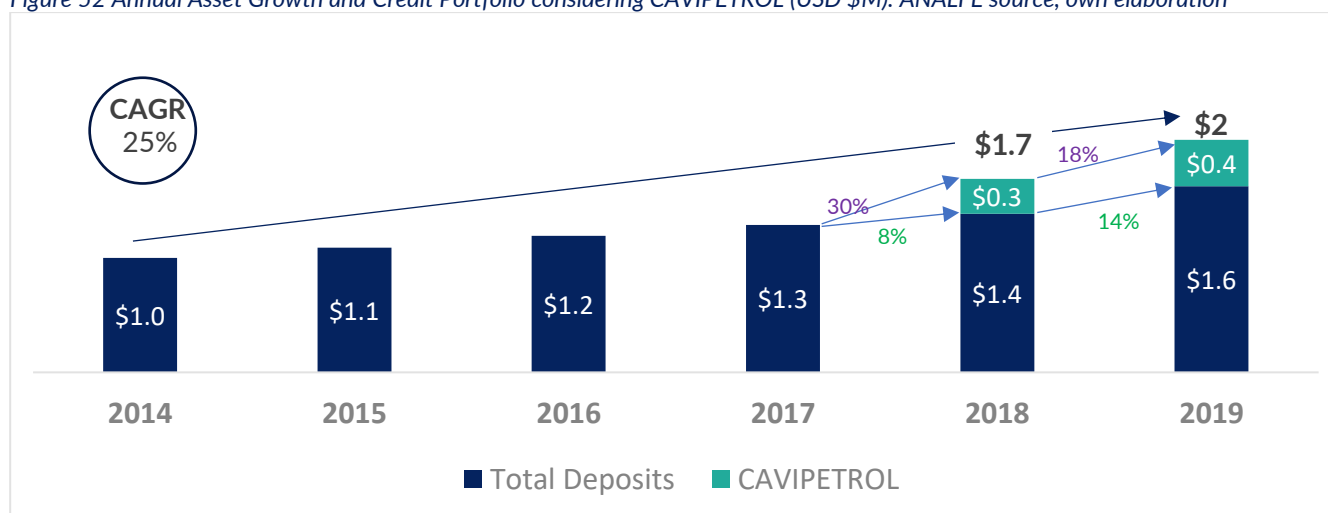


Figure 53 Growth of deposits considering CAVIPETROL (USD \$M). ANALFE source, own elaboration

CAVIPETROL accounts for 13% of assets and the total credit portfolio and 25% of employee fund deposits, due to disproportionate growth since 2018. Excluding this fund, relative asset growth is 5.9%, (5.1% of the credit portfolio) and 8% of deposits between 2017 and 2018.

#### 1.5.4. Geographical Distribution of Employee Funds

Analyzing the distribution of Employee Funds in 28 departments in Colombia, it is identified that Bogota, Antioquia and Valle concentrate 65.3% of all 1,365 funds registered for the 2020 term and the share of those same departments in total assets is 83.7% which is equivalent to USD \$2.4 Bn.

Department	Number of Entities			Share in Total Assets		
	Full	Intermediate	Basic	Full	Intermediate	Basic
Bogotá	75	93	344	42,0%	6,3%	4,2%
Antioquia	25	32	141	13,7%	2,2%	1,6%
Valle	23	22	137	11,0%	1,5%	1,2%
Cundinamarca	8	8	64	2,0%	0,6%	0,8%
Caldas	3	2	53	0,5%	0,1%	0,5%
Santander	4	3	41	1,4%	0,2%	0,4%
Atlántico	6	6	35	2,4%	0,4%	0,3%
Nariño		2	32	0,0%	0,2%	0,4%
Risaralda	2	3	27	0,4%	0,2%	0,2%
Tolima			23	0,0%	0,0%	0,2%
Norte De Santander	2	2	18	0,4%	0,1%	0,2%
Cauca	1		20	0,2%	0,0%	0,3%
Bolívar	3	5	11	0,8%	0,3%	0,1%
Boyacá		1	17	0,0%	0,1%	0,1%
Huila	1	3	14	0,2%	0,1%	0,1%
Quindío	2	3	8	0,4%	0,1%	0,1%
Meta	1		7	0,4%	0,0%	0,1%
Magdalena		1	5	0,0%	0,1%	0,1%
Sucre		1	4	0,0%	0,0%	0,0%
Cordoba			4	0,0%	0,0%	0,0%
Cesar	2		2	0,3%	0,0%	0,0%
La Guajira			3	0,0%	0,0%	0,1%
Caquetá			2	0,0%	0,0%	0,0%
Casanare			2	0,0%	0,0%	0,0%
Chocó			2	0,0%	0,0%	0,0%
Guaviare	1		1	0,2%	0,0%	0,0%
Amazonas			1	0,0%	0,0%	0,0%
Guainía		1		0,0%	0,0%	0,0%
<b>TOTAL</b>	<b>159</b>	<b>188</b>	<b>1.018</b>	<b>76,4%</b>	<b>12,6%</b>	<b>11,0%</b>

Figure 54 Geographical distribution of employee funds

Only the 123 Full Category funds located in Bogota, Antioquia and Valle account for 66.7% of the total Assets of all Employee Funds with an amount equivalent to USD \$2.0 Bn.

## 1.5.5. Digital Transformation of Employee Funds

### ***Employee funds are at an early stage of digitization***

Research conducted in 2019 by Dell Technologies places Colombia (generally) as the fifth most digitally mature country on a list of 40 countries surveyed. However, most financial institutions lag behind on these issues. Although the Employee Funds are not found in this study, we notice a particular lag on digitization issues

To measure the maturity of digitization of employee funds, a benchmark was performed following an SDF selection methodology of each category and compared to each other.

We find that similar to other financial institutions such as cooperatives or microfinance institutions, SDF are at an **early** stage where the focus is on providing **access (channels)** with a view to impacting their top line while meeting social development goals.

Digitization and digital transformation are topics that are talked about a lot, conversations revolve around the evolution of the customer experience to one based on the digital. This is particularly true in Tier 1 supervisory level funds. Tier 2 or intermediate funds are also interested in expanding their associate reach and interactions through digital means, although they face challenges such as levels of investment and not knowing digital transformation processes. For Tier 3 funds, the level of interest depends more on the number of partners served; for example, FONDEMA, which has 580 partners, allows associates to review statements online, while some with fewer than 50 partners have made no digital efforts at all.

### ***Main trends***

Traditionally one of **the main pain points of** employee fund users is the **lack of access to timely information** (how much they have, how much they owe, account statements, withholding certificates, etc.). So, the adaptation of this type of information by digital means is becoming a key differentiator that seeks to solve. Most funds, regardless of their level and size, seek timely response to their partners.

The main trend of transformation through Fintech As A Service companies (technological platforms that offer solutions to financial institutions periodic quota digitization capabilities), which offer *white label solutions* where funds can assemble and adapt their core processes.

A stopper in institutions is the existing and available technological infrastructure. There is a lag in data management, computer security, and funds typically operate with CBSs with little expandability. Another relevant trend is technological robustness, but it is generally limited to increasing CORE capabilities and, to a lesser extent, incorporating systems such as ERPs or SAP.

CAVIPETROL, for example, is in the process of selecting and updating your Core system.

Transactional Webs and Apps are the first focus on the digital routes of employee funds.

**FECSA**, a reference in the sector, has started with the adaptation of various white label solutions that promote access to the background and aim to digitize the user experience.

Some of the entities that are taking a strategic role in the transformation of the sector are organizations such as Ruta N and Red Conecta, which operate as innovation centers or laboratories that generate solutions for financial inclusion. Another common trend in this regard is technical advice and technology

transfer of funds networks (ANALFE) and other non-governmental organizations, focused on advancing financial inclusion.

Three of the most relevant identified solutions in the sector are: OPA SAS, Bantotal and Momentum, which offer different solutions for microfinance institutions, cooperatives and savings funds. No particularly designed solutions for savings funds were identified.

## 1.6 Starting a business in Colombia

### 1.6.1. General

We recommend constituting a Sociedad por Acciones Simplificada (in English "Simplified Stocks Society or SAS and start operations on a lean start-up scenario where an Initial virtual office and then a co-working or all-included private office spaces in top locations should be taken into consideration. On this scenario dealing with construction permits, getting electricity and registering property will be covered in an all-in-one bill.



Figure 55: Starting a Business in Colombia – Score, World Bank Doing Business Colombia 2020

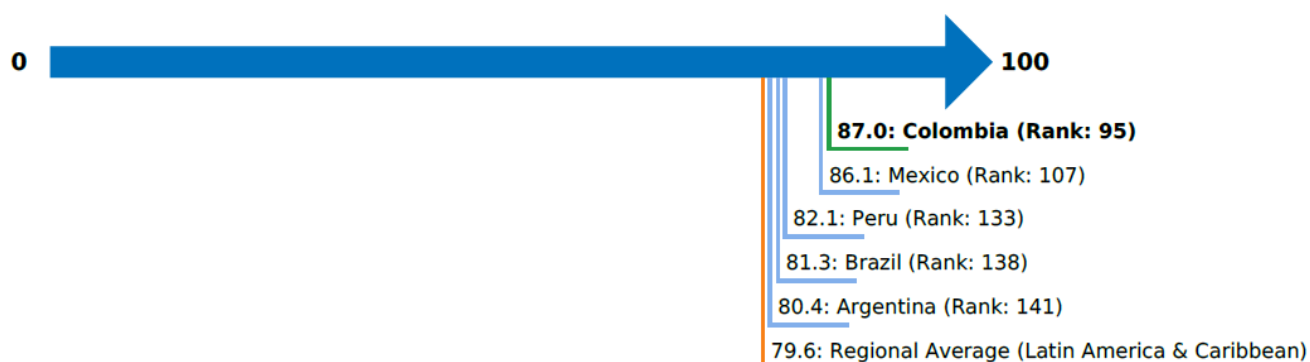


Figure 56: Starting a Business in Colombia and comparator economies – Ranking and Score, World Bank Doing Business Colombia.

The ranking of economies on the ease of starting a business is determined by sorting their scores for starting a business. These scores are the simple average of the scores for each of the component indicators (World Bank Group, 2020)

### 1.6.2. Costs derived to start the operation

Starting a Business in Colombia requires 7 main procedures all require between 1 to 6 days to complete some of them could be simultaneous with previous procedure and only the first "1. Register with the Registry of Commerce and obtain a Colombian taxpayer ID (RUT - Registro Único Tributario)" has associated costs the rest of them have no charge associated to it.



**Commerce Registry and obtaining a taxpayer ID (Process):** Application needs to be submitted to the Bogotá Chamber of Commerce. The SAS is incorporated by the parties (or by a lawyer) through a private document that is submitted to the Chamber of Commerce since Akiba will not bring in any real-estate property which would require to have a public deed. At the end of the process, a Business certificate (*Matrícula*) and a Taxpayer's ID (RUT) from the Tax Authorities are provided.

#### Commerce Registry and obtain a taxpayer ID (Costs):

Concept	COP	Estimated USD
0.7% of Capital registration tax (assuming starting Capital = USD 100k)	\$ 2.660.000	\$ 700,00
Company registration fee	\$ 1.129.000	\$ 297,11
Business establishment fee	\$ 139.000	\$ 36,58
Document registration fixed fee	\$ 43.000	\$ 11,32
Registration form	\$ 5.800	\$ 1,53
Certificate of existence and legal representation	\$ 5.800	\$ 1,53
Registration fee per book	\$ 14.400	\$ 3,79
<b>TOTAL</b>		<b>\$ 1.051,84</b>

### 1.6.3. Costs derived for ongoing operation

#### Staffing:

Position	Type	Headcount	Base salary* (USD)	Social & legal factor	Total Cost (USD)
Country Manager	FTE	1	\$ 4.500	1,3	\$ 5.850
Programmers	FTE	3	\$ 1.800	1,48	\$ 7.992
Sellers	FTE	2	\$ 2.000	1,48	\$ 5.920
Accounting	Vendor	1	\$ 1.000	NA	\$ 1.000
Legal (on demand)	Vendor	1	\$ 1.500	NA	\$ 1.500
<b>TOTAL</b>					<b>\$ 22.262</b>

\*Base Salary per month and per person)

**Stage 1 - Virtual Office - First semester:** Smart way to build Akiba's presence fast. Virtual offices are available to represent the business professionally with the possibility to choose address with mail forwarding and call answering services available. It's the ideal solution to use of a private office to work, meet clients or have interviews. Especially handy in Covid times when most of the teammates are on WFH scenarios.

#### Benefits:

- A prestigious business address
- Use the address on all company documents.
- Handle incoming mail
- Local phone number and live professional receptionist to answer calls in Akiba's name
- Use private office space for up to 5 days per month for free to work, meet clients or have interviews.
- One employee can use the community room up to 2 hours per day

<b>Virtual Office offers</b>	<b>COP</b>	<b>Estimated USD</b>
Regus Virtual Standard	\$ 326.000	\$ 85,79
Regus Virtual Plus	\$ 558.000	\$ 146,84
<b>Average</b>		<b>\$ 116,32</b>

**Stage 2 - Private Office Space or Coworking - Second Semester:** these are effective and efficient low-operating-cost alternatives to traditional leased offices. Minimal upfront capital expenditure and inclusive, low monthly fees provide cost certainty and continuous savings. All the essentials would be taken care of – from the furniture to reception team. All the utilities, security, cleaning, and secure technology are sorted, leaving so hired staff would be focused business core.

<b>Physical Office Space offers</b>	<b>COP</b>	<b>Estimated USD</b>
WeWork Coworking membership - 5 employees	\$ 3.000.000	\$ 789,47
We Work Team private office Internal - 4 employees	\$ 3.560.000	\$ 936,84
WeWork Team private office Window - 6 employees	\$ 8.170.000	\$ 2.150,00
<b>Average</b>		<b>\$ 1.292,11</b>

### 1.6.3. Taxes

This topic records the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, as well as the administrative burden of paying taxes and contributions and complying with post filing procedures (VAT refund and tax audit) detailed in the following tables:

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax and contribution rate (% of profit)
Corporate income tax	1.0	online	97.5	33%	taxable profit	21.07
Municipal tax	1.0	online		0.01104	turnover	19.52
Social security contributions	1.0	online	87.0	0.12	gross salaries	14.12
Financial transactions tax	1.0			0.004	withdrawals from bank account	9.45
Payroll tax	0.0	online and jointly		0.04	gross salaries	4.51
Real estate tax	1.0			0.01	assessed real estate value	1.48
Urban Boundary Tax	1.0			0.026	Project budget	0.79
Vehicle tax	1.0			0.025		0.26
Welfare security system	0.0	online and jointly		0.085	gross salaries	0.00
Value added tax (VAT)	1.0	online	71.0	0.19	value added	0.00
Stamp duty	1.0					0.00
Fuel tax	1.0			0.06	consumption value	0.00
Labor risk insurance	0.0	online and jointly		0.00522	gross salaries	0.00
Employee contributions	0.0			8% - 10%		0.00
Totals	10		256			71.2

Figure 57: Paying Taxes in Colombia (World Bank Group, 2020)

	Answer	Score
<b>Postfiling Index (0-100)</b>		<b>48.2</b>
<b>VAT refunds</b>		
Does VAT exist?	Yes	
Does a VAT refund process exist per the case study?	No	
Restrictions on VAT refund process	Restricted to international traders	
Percentage of cases exposed to a VAT audit (%)	Not applicable	
Is there a mandatory carry forward period?	No	
Time to comply with VAT refund (hours)	No VAT refund per case study scenario	0.0
Time to obtain VAT refund (weeks)	No VAT refund per case study scenario	0.0
<b>Corporate income tax audits</b>		
Does corporate income tax exist?	Yes	
Percentage of cases exposed to a corporate income tax audit (%)	0% - 24%	
Time to comply with a corporate income tax correction (hours)	5.5	92.7
Time to complete a corporate income tax correction (weeks)	No tax audit per case study scenario	100

Figure 58: Paying Taxes in Colombia – Measure of Quality (World Bank Group, 2020)

The estimated hours for VAT refer to the time it takes to process and declare all VAT and sales taxes applicable. In a similar way the hours for Social Security include all the hours required to process labor taxes and more generally workforce-related mandatory contributions.

The post filing index is the average of the scores on time to comply with VAT refund, time to obtain a VAT refund, time to comply with a corporate income tax correction and time to complete a corporate income tax correction.

## 1.7 Conclusions of Desk Review

### *Akiba can capture a significant part of the market*

Non-essential consumption and spending is likely to remain a low priority, with savings more likely to be on the agenda, and spending is likely to focus heavily on the essentials and loans needed to help meet basic needs. Akiba offers both products and meets the needs of this target market.

Looking beyond 2021, and towards a gradual recovery for the Colombian economy, the recovery in employment levels, the revival of international trade and the reopening of the travel and tourism, hospitality and leisure sectors, as well as entertainment, are expected to support a robust and comprehensive recovery for the national economy. At this point, digital financial players can be expected to benefit from changing consumer behaviors that have seen the value and volume of transactions increase.

Considering the occupied population and socio-demographic employee shares we identify an **estimated target market of 2.8 million employees** where the attributes of Akiba's target market converge. It should also be noted that 77% of formal employees have reported perceptions of less than two minimum wages.

The market value of those 2.8 million employees represents a balance of **USD \$9.12 Bn** considering the average credit balance of USD \$3,239 currently owed by employee fund debtors which in turn

represents annual financial income of USD **\$1.15 Bn** considering the effective rate of employee funds which is 12.68% effective annually.

Finally, Akiba's proposal meets the needs of the Funds in terms of their digital transformation, as mentioned, funds are seeking to provide channels of access and transparency to their partners through Fintech-as-a-service solutions.

## 2. Competitive Landscape

## 2.1 Ecosystem

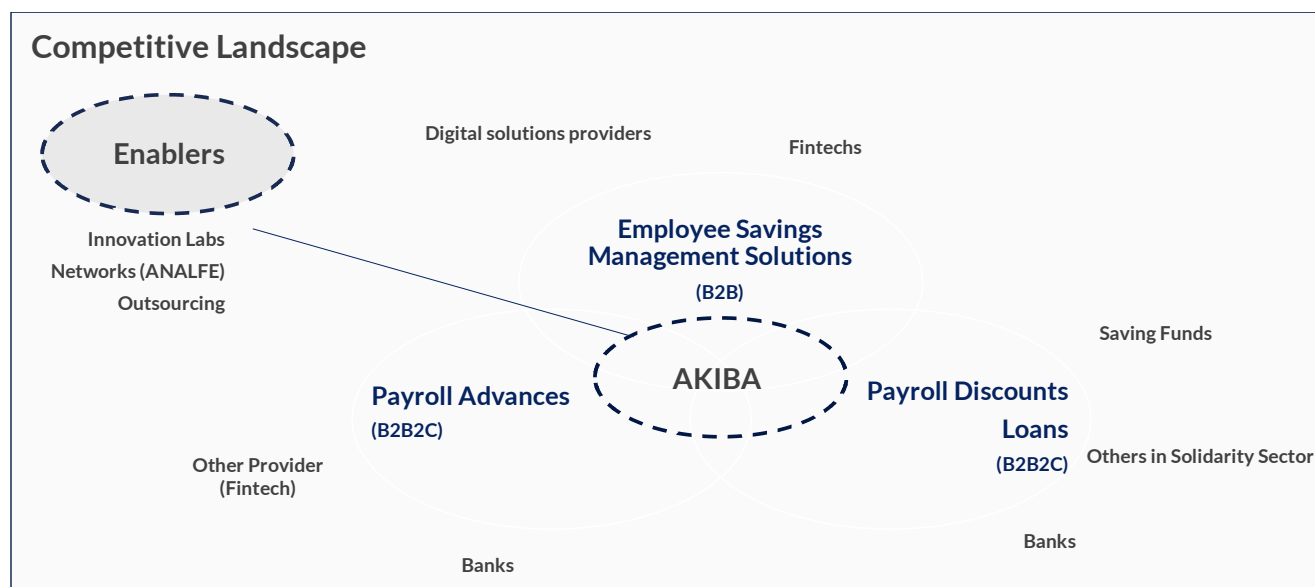


Figure 59 Competitive landscape framework

This document identifies existing key players in the Colombian market that have value propositions similar to those that Akiba aims to offer to enter that market. These players were identified following the framework shown in Figure 1, which is organized, following the three product types that Akiba could initially offer:

1. **Employee Savings Fund Management:** Software and Fintech-as-a-Service providers that currently offer digital solutions for Employee Funds to connect with their associates by providing digital channels (both transactional and informative), provided that Akiba could become a partner in the digital transformation of these entities, by also providing its App product as the channel for associates to engage with their fund.
2. **Salary On Demand** considers fintech and other financial Institutions that offers both similar value proposition as Akiba does. It is worth mentioning that an Identical Salary On Demand value proposition was not found; therefore, some other offers such as less than 30-day Salary on Demand were considered and compared. This category was prioritized in this study since currently Salary On Demand is the entry level solution for most of the current customers therefore Mystery Shopper exercises with different level of deepness were conducted as well.
3. **Payroll discount loans** considers fintech and other financial Institutions that offer these solutions. Fintech players were prioritized since they represent more direct competition in this category.

The document is organized such that firstly, an overview of the fintech landscape is presented, followed by the key players in each of the categories. A summary table is presented at the end to compare the different advantages and weaknesses of each of the select players.

### 2.1.1 Fintech Landscape

Colombia's Fintech ecosystem has shown sustained growth over the past two years. While 77 FinTech were identified in 2016, the figure grew to 124 in 2017 and currently, the number reaches 218, although this figure varies according to the source, (KoreFusion, 2020) identifies 167.

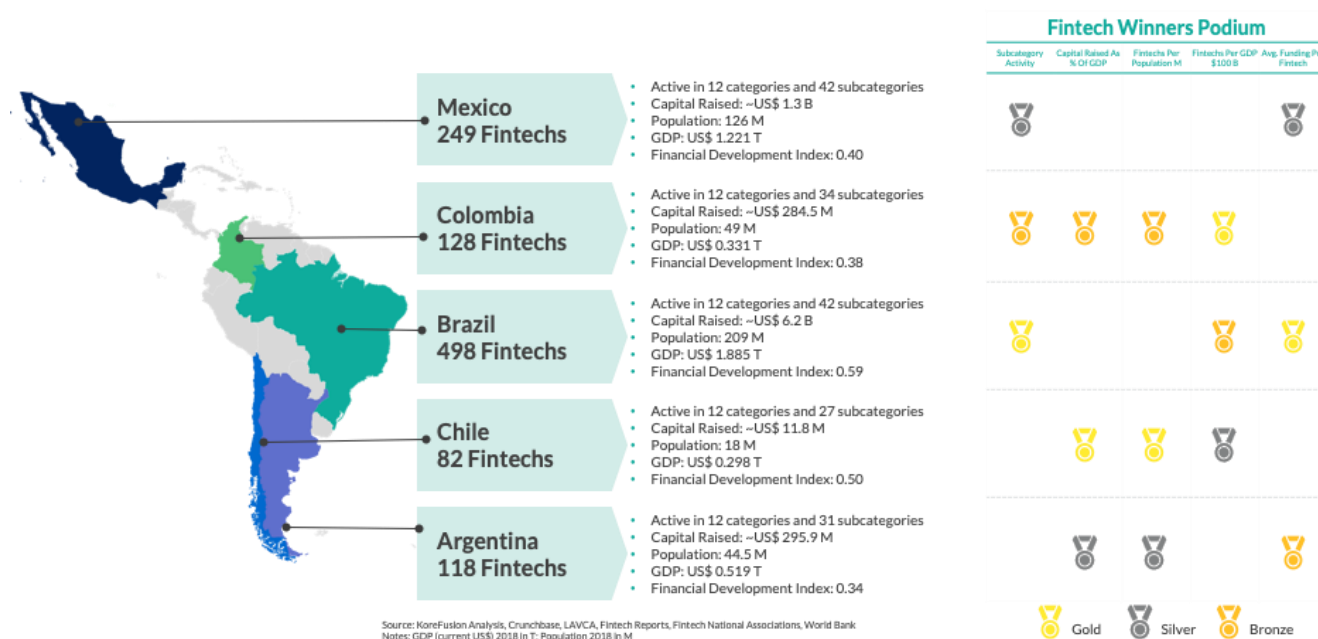


Figure 60 Regional Fintech Landscape

Colombia has a thriving fintech landscape and has the most fintech per GDP USD \$100bn in the region, but also a significant number per population, showing important activity in every category and subcategory.

In the first quarter of 2017, Colombia Fintech is launched, an Association of companies whose purpose is to create a proactive ecosystem for the development of Fintech businesses in the country, through dialogue, relationships, and collaboration with all relevant actors of the financial system and contribute to its growth and competitiveness. (Colombia Fintech, 2020)

The organizations associated with Colombia Fintech have been working on a National Fintech Policy that is designed to go beyond the Fintech Law approved in Mexico and that would allow Colombia to consolidate itself as the third most important Fintech hub in Latin America, (Colombia Fintech, 2020) and it is an inter-institutional coordination so that the government, the financial system and the fintech ecosystem can align themselves around four objectives: how to develop new alternative financing mechanisms, how to digitize 100% the payment system in government, commerce and people, how to modernize the infrastructure and connectivity of financial entities, and the creation of a framework of legal flexibility and experimentation in the financial system.

Within the Fintech segments, the one with the highest growth is undoubtedly digital credit for natural persons. The main attributes that this Fintech segment seeks are better user experience, broad coverage, agility in the process of allocating resources, and lower financial costs. This coupled with a fully electronic bonding, credit origination and issuance of guarantees. In Colombia there are already more than 25 companies that have been developing digital credit. (Colombia Fintech, 2020)

## 2.1.2 Fintech Categories



The (KoreFusion, 2020) report identifies 12 categories and 45 subcategories according to the activities carried out by FinTech. Colombian FinTech participate in all categories and in 34 subcategories. According to this classification, the categories of Business Lending, Receivables Financing and AR Solutions, have a high potential for development. On the other hand, categories such as Consumer Lending and wallets have developed rapidly due to high demand.

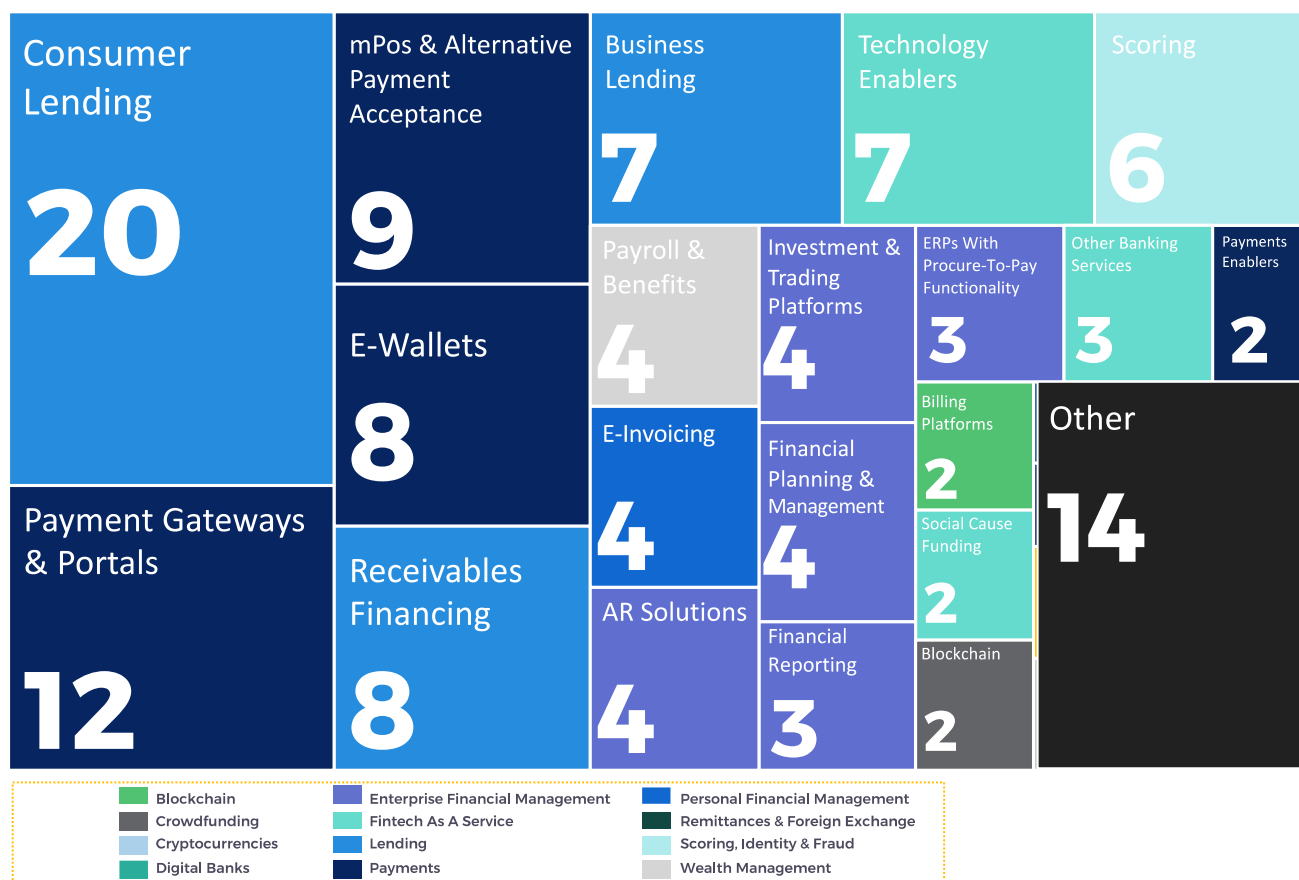


Figure 61 Fintech subcategories in Colombia

According to Finnovista data (Finnovista, 2019), Colombia is consolidated as the third Fintech ecosystem in Latin America with a net growth of 45% in a year and a half and 78 new Fintech startups, this driven by the rise of the **Business Technologies for Financial Institutions (ETFI) segments**, category where Akiba competes according to Finnovista's classification, Wealth Management, Trading and Capital Markets, Loans and Personal Finance Management.

In this context, Colombia is among the main Fintech ecosystems in the region, with a variety of actors working to strengthen it and leading different innovation initiatives.



Figure 62: Major Fintech competing in the categories Enterprise Technologies for Financial Institutions (Fintech as a Service according to KoreFusion) and Enterprise Financial Management (same name according to KoreFusion)

From the 20 fintechs that are identified in the KoreFusion report in the subcategory of Consumer lending, all of them have headquarters in Colombia. In fact, 23 of the 167 of the originally identified are foreign, coming mainly from Europe, USA and Mexico, but these players focus mainly on the payment's ecosystem, not representing a barrier for Akiba to capture the market it aims to.

## 2.2 Salary On Demand Competitors

Competitor Type	Fintech Category	Fintech Subcategory	Company Name
Fintech	Lending	Consumer Lending	Advance
			Linxe
			Panacash
			Avanzo
Banks	N.A.	N.A.	Bancolombia
			Davivienda
Total			6

According to an article note written by Diario La República, recently, Fintechs are betting on creating opportunities that allow companies to make Salary on Demand to their employees, with low costs and comfortable interest rates for the average worker. According to their poll these would be some of the main players in the "Salary On Demand". (Diario La República, 2020)

### FINTECH DEDICADAS A GENERAR PRÉSTAMOS QUE LUEGO SON DESCONTADOS DIRECTAMENTE DE LA NÓMINA DEL EMPLEADO

■ Desde ■ Hasta

**Advance**

\*El monto adelantado depende de los días trabajados

**AVANZO**  
créditos al instante

Desde \$300.000  
Hasta \$800.000

**pañacash**

Desde \$150.000  
Hasta \$400.000



**84,5%**  
de los empleados no tiene acceso a productos financieros por las bajas remuneraciones laborales



**80%**  
de los colombianos gana en promedio dos salarios mínimos mensuales legales vigentes o menos

### ALGUNOS BANCOS TAMBIÉN OFRECEN ESTOS BENEFICIOS:



Fuente: Sondeo LR / Gráfico: LR-ER

Figure 63 Top players in the Salary On Demand span

## 2.2.1 Main Players

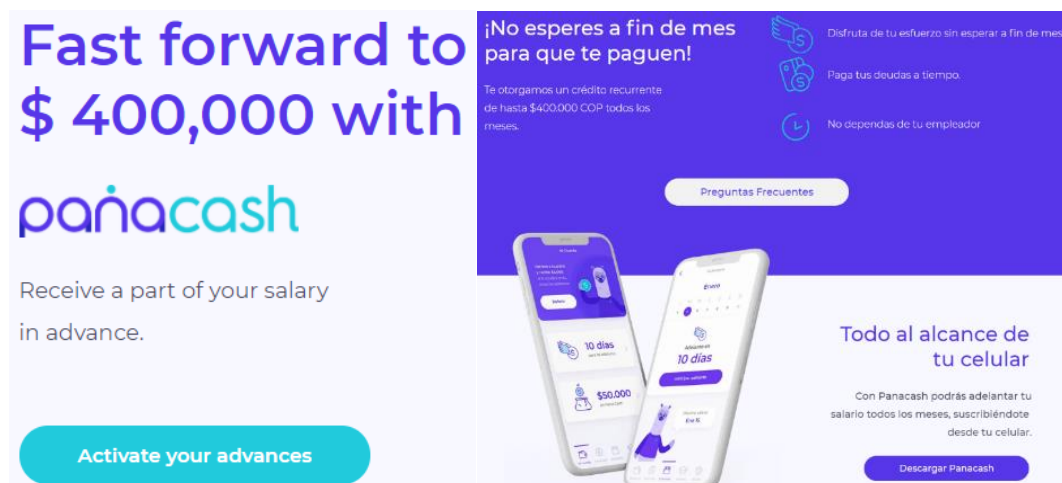
### 2.2.1.1 Panacash

#### Overview

<b>Solution / Brand:</b>		Category: Payroll & benefits
<b>Company:</b>	Pana   PANA COLOMBIA S.A.S.	Nit: 901357425 - 8
<b>Website:</b>	<a href="https://panacash.co/">https://panacash.co/</a>	T&C: <a href="https://panacash.co/terminos-condiciones/">https://panacash.co/terminos-condiciones/</a>

Panacash was constituted in early 2020 and was released to the public in July 2020, during strong confinement measures. According to Country Manager the first phase, will run until mid-2021 and Panacash expects to lend USD \$ 2 million in Salary on Demand, of which \$ 500 million have been disbursed as of December 2020. (Revista Semana, 2020)

Users can access up to COP \$400 thousand although all communication and experience regarding Panacash's value offer on their website wording circumvents around a Salary On Demand it is an Employee Nano Loan for up to 30 days. That means that as a regular loan profit come from an interest rate and has an Insurance fee in case of death; at this point a similar offer that any bank would have, nonetheless Panacash's offer is not a direct payroll discount which means Agreement with the employer is not required.



The graphic is a promotional banner for Panacash's 'Salary On Demand' service. It features a light blue background with a dark blue header. The main headline reads 'Fast forward to \$ 400,000 with panacash'. Below this, it says 'Receive a part of your salary in advance.' and includes a button 'Activate your advances'. On the right side, there is a dark blue box with white text that says '¡No esperes a fin de mes para que te paguen!' and lists three benefits: 'Disfruta de tu esfuerzo sin esperar a fin de mes.', 'Paga tus deudas a tiempo.', and 'No dependas de tu empleador.' Below this box is a button 'Preguntas Frecuentes'. In the center, there are two smartphones displaying the Panacash app interface, showing a '10 días' (10 days) loan period and a '\$50,000' amount. To the right of the phones, it says 'Todo al alcance de tu celular' and 'Con Panacash podrás adelantar tu salario todos los meses, suscribiéndote desde tu celular.' with a button 'Descargar Panacash'.

Figure 64 Panacash's Salary On Demand Value Offer

This constitutes some advantages and disadvantages, as an advantage there is a wider coverage of population that can use this solution and without an employer in the equation it is an open circuit offer also more discrete straight forward value proposition for the employee. On the other side, because of not being a direct discount offer, Panacash's business model incurs in greater risks and therefore has to mitigate with other revenue streams, that is why Panacash charges a guarantor fee. This allows Panacash to assign a security bail that will cover the obligation in case of non-payment. The applicant contracts this service from an allied guarantor company automatically from the platform when completing the

account creation process. The first month the guarantor fee is equivalent to 20% of the salary on demand amount and the following months remains 6%.

The screenshots show the 'Rates of your advance' screen for three different advance amounts: \$150,000, \$250,000, and \$400,000. Each screen displays the monthly cost of the service, broken down into Advancement, Interest, Subscription, Endorsement, VAT, and the Total to Pay. The interest is 1.9% per month, and the subscription is \$10,000 per month. The endorsement is 6% of the advance amount. The VAT is 19% of the total to pay. The total to pay is the sum of the advancement, interest, subscription, endorsement, and VAT.

Amount (\$COP)	\$150,000	\$250,000	\$400,000
Amount (\$ USD)	\$42	\$70	\$112
Interest (1.9%)	\$0.80	\$1.33	\$2.13
Subscription (\$ COP)	\$10,000	\$15,000	\$20,000
Subscription (\$ USD)	\$2.80	\$4.20	\$5.60
Guarantee (6%)	\$2.52	\$4.20	\$6.72
VAT (19%)	\$0.53	\$0.80	\$1.06
Total to Pay (\$ USD)	\$48.65	\$80.53	\$127.51

Figure 65: Panacash's offer for First Disbursement - Salary on Demand

Amount (\$COP)	\$150,000	\$250,000	\$400,000
Amount (\$ USD)	\$42	\$70	\$112
Interest (1.9%)	\$0.80	\$1.33	\$2.13
Subscription (\$ COP)	\$10,000	\$15,000	\$20,000
Subscription (\$ USD)	\$2.80	\$4.20	\$5.60
Guarantee (6%)	\$2.52	\$4.20	\$6.72
VAT (19%)	\$0.53	\$0.80	\$1.06
Total to Pay (\$ USD)	\$48.65	\$80.53	\$127.51

Figure 66: Panacash's offer for Second Disbursement (and beyond) - Salary on Demand

An important attribute in their value proposition is security, which is constantly displayed in the website wording, as well as in the solution's terms and conditions. The Sales channel is android app only, this means the user must download the app to create a credit application.

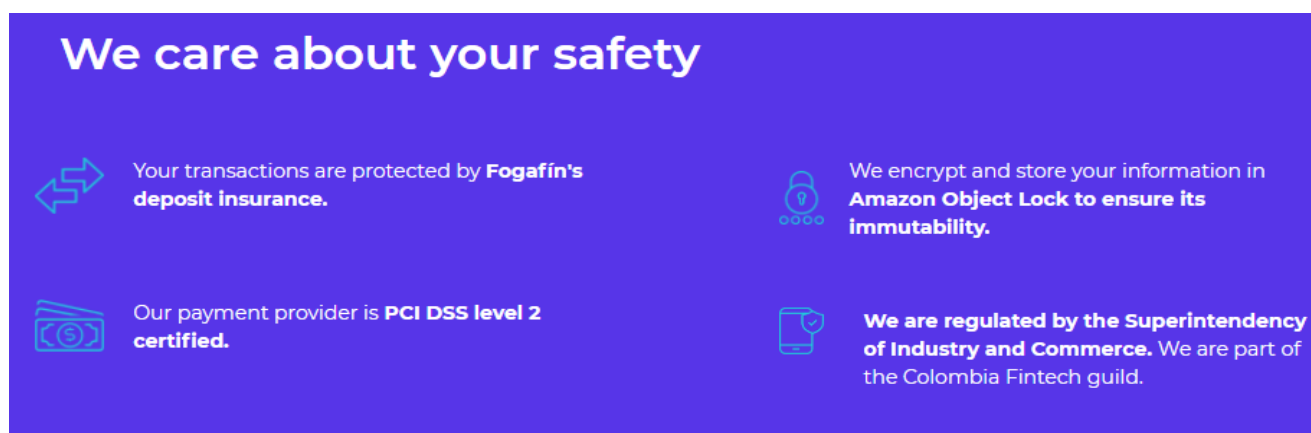
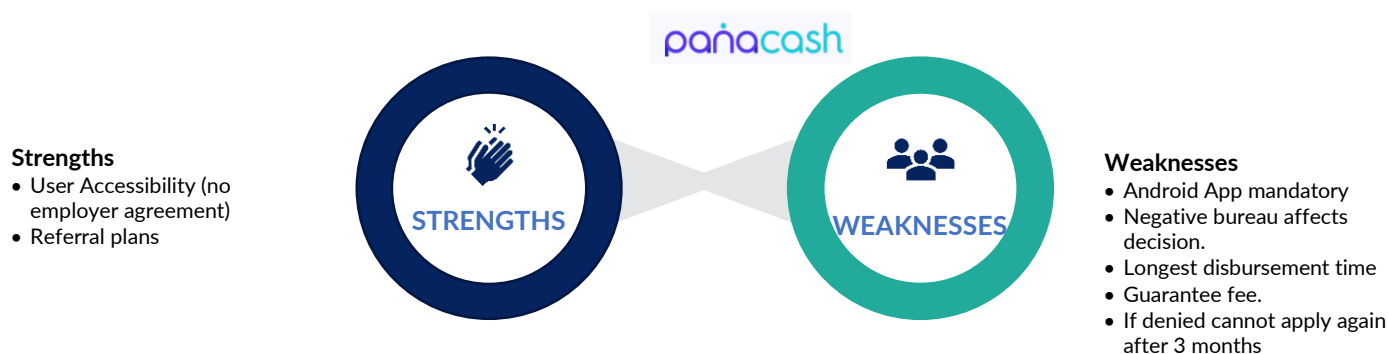


Figure 67: Panacash Security value proposition

A mystery shopper analysis was done to Panacash where an Android phone was used to download the device app and create a loan application; the same app is used to manage the current loans as well. There are very concrete options to create a loan application 3 available loan amounts and 3 duration terms. Panacash has made an alliance with Powwi to create an electronic deposit account to both receive and repay the loan. Applicant fills a simple loan application with basic info (marital status, birthdate, occupation, academic level, etc.) plus a bureau inquiry, applicant can have an immediate response to the loan application. During the mystery shopper analysis, the loan application we created was denied, it did not explain denial cause or showed other loan condition; analysis showed that applicant cannot apply again for 3 months.


### S/W Analysis





## 2.2.1.2 Advance

### Overview

Solution / Brand:		Category: Payroll & benefits
Company:	Advance   Advance Your Pay Colombia SAS	Nit: 901.378.555-7
Website:	<a href="https://adelantatupago.com/">https://adelantatupago.com/</a>	T&C: N/D

Advance is a Fintech specialized In Salary On Demand. Through a system of advance payment only for the days already worked and then is deducted directly from the payment of the payroll. It aims to provide money to 84.5% of people who, according to their own study, do not have access to financial products because of their low economic conditions.

The Salary On Demand fee depends on the agreement with the employer. There is no clear information regarding this fee as the company does not share it in their website nor even in the mystery shopper analysis that were attempted for both an employee shopper and employer shopper. Non the less, the Advance's value proposition is that this fee has the same cost an ATM fee which in the case of Colombia is around USD \$0.81 - USD \$1.35.

# Now you have the power over your salary!

Advance your accumulated salary instantly. You decide when to receive your money, without having to wait for payroll

Start now!

I am a company



## If you worked it, you already earned it

Advance the salary of the days that you have already worked, and use it for what you need.

Figure 68 : Advance's Pay per worked salary value proposition.

Despite of this low-price structure being competitive, for users the "pay per worked day" model adds some sort of confusion to the value proposition as the employee has to make some calculations to verify the available amount he could advance as it involves a percentage of the salary and also the proportion of the worked days. Also more important is that his needs not necessarily match the payroll cutoff days.



### Inclusive financial solution

available to all employees! We give them the power over their salary, avoiding credits, stress and contributing to their financial health.



### Reduces stress

to handle payments between payroll cycles, increasing employee satisfaction, their work productivity and the retention of talents in your company.



### An easy to use system

for both employees and companies. Our integration with payroll software allows total automation of processes, creating a complete and online system that allows you to reduce any operational effort of your team.

Figure 69: Payroll systems total automation offer

Advance's current business model requires high volume on transactions considering low fees and also low advance amount.

## S/W Analysis

### Strengths

- Low cost
- Offers financial advisory.



### Weaknesses

- Low amount (% worked days)

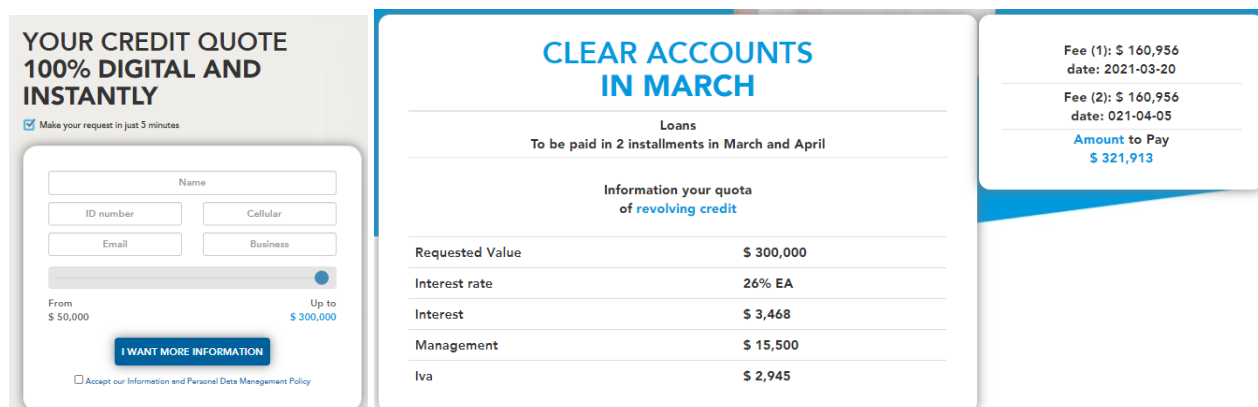


### 2.2.1.3 Avanzo

#### Overview

<b>Solution / Brand:</b>		Category: Lending / Consumer Lending
<b>Company:</b>	Avanzo   VICTORIA INVERSIONES S.A.S.	Nit: 901.116.431-9
<b>Website:</b>	<a href="https://avanzo.co/landing/fb25052020">https://avanzo.co/landing/fb25052020</a>	T&C: Not available

Avanzo is the elder Fintech on the competitor landscape; their actual value offer is a direct payroll discount Salary On Demand and often highlights that is a revolving credit limit so recurrence is expected and motivated along their customer communications. Even though their offer is not conditioned to a percentage of the salary amount, Avanzo's Salary On Demand is the second lowest loan amount as they lend from USD \$14 to USD \$83. As most of the loans the interests rate is variable according to the maximum legal.







Information your quota of revolving credit	
Requested Value	\$ 300,000
Interest rate	26% EA
Interest	\$ 3,468
Management	\$ 15,500
Iva	\$ 2,945

Fee (1): \$ 160,956	date: 2021-03-20
Fee (2): \$ 160,956	date: 021-04-05
<b>Amount to Pay \$ 321,913</b>	

Figure 70: Avanzo's employee standard offer

The standard loan term 2 fortnightly payments as mentioned in their website; but during mystery shopper analysis it was identified that this might change depending the Employee Agreement terms where a maximum 4 instalments condition was found for a current employer.

Grupo GP and Avanzo Instant Credits have entered into a business agreement to provide their best collaborators with the possibility of being able to access Avanzo's revolving credit product.

Product characteristics:

- Amount to request from \$ 50,000 to \$ 300,000.
- Maximum payment of 2 installments.
- Automatic payroll discount.

Your credit is waiting for you!

Request your disbursement here!

ID number :

Cell phone number :




PLASTIGOMA and Avanzo Credits Instantly, have entered into a business agreement to provide their best collaborators with the possibility of accessing Avanzo's revolving credit product.

Product characteristics:

- Amount to request from \$ 50,000 to \$ 300,000.
- Maximum payment of 4 installments.
- Automatic payroll discount.

Your credit is waiting for you!

Request your disbursement here!

ID number :

Figure 71: Figure 11: Avanzo's employee custom offer

## S/W Analysis

### Strengths

- Longest in Colombia
- Offers revolving credit line
- No insurance fees



### Weaknesses

- Low maximum amount

## Customers Analysis

According to Avanzo's website they have held agreement with 60+ companies; this was Investigated during Mystery Shopper attempting to log In and apply for a Payroll-Backed Loan as a company employee for the 60+ companies listed on their website. Non the less there is no evidence this are Active Agreements or current Employers using the platform.




Figure 72 Avanzo's customers by industry

There is a variety of Industries on Avanzo's customer composition, but their presence appears to be a bit more concentrated on BPO contact centers (14%), Temporary personnel administration and Payroll outsourcing companies (11%) also followed by Security and Cleaning companies all 4 of them characterized to be a Low-Income employee Industries usually on a price per head business model.

### 2.2.1.4 Linxe

#### Overview

<b>Solution / Brand:</b>	 Linxe Plataforma Financiera	Category: Lending / Consumer Lending
<b>Company:</b>	Linxe   FIRMUS S.A.S.	Nit: 901260610-6
<b>Website:</b>	<a href="https://www.linxe.com/">https://www.linxe.com/</a>	T&C: Not available

Linxe is the only Fintech that offers both Salary on Demand and long term Payroll-Backed Loan, therefore Linxe would eventually compete with Akiba on both products. Along with Advance; Linxe has the only real Salary On Demand solution In the Fintech market.

Linxe Salary On Demand offer goes from USD \$41 to USD \$140 and depends on the percentage of the monthly salary of the employee. According to the online quote done during the mystery shopper analysis, the Salary On Demand amount could vary from 13% to 18% of the salary.

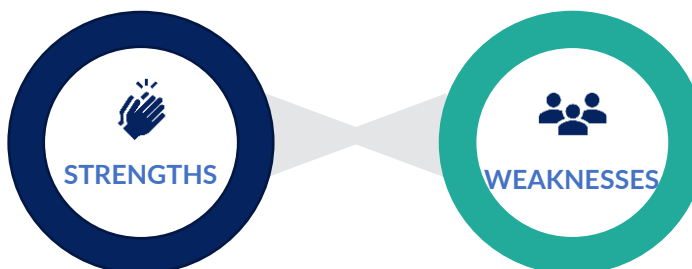


Figure 73: Linxe's Salary On Demand per Salary amount offer

#### S/W Analysis

##### Strengths

- Only fintech that offers both advances and loans.



##### Weaknesses

- High Tech fee (only one that charges this concept)
- No Financial Education offers

#### Customers Analysis

According to Linxe's website they have held agreement with 140+ employers; this was investigated during Mystery Shopper attempting to log in and apply for a Salary On Demand as a company employee for the 140+ companies listed on their website. Non the less, there is no evidence this are Active Agreements or current Employers using the platform.

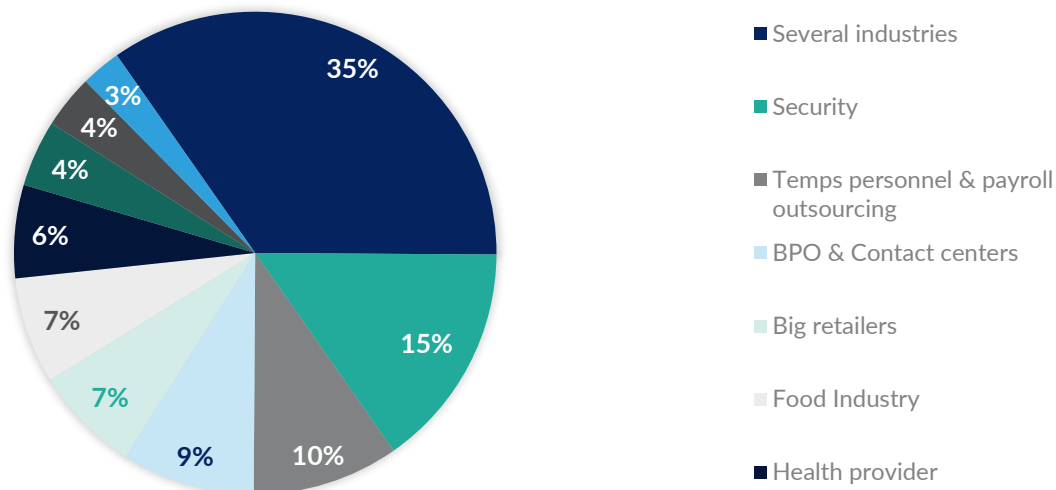







Figure 74 Linxe's customers by sector

There is a variety of Industries on Linxe's customer composition, but their presence appears to be a bit more concentrated on Security (15%), Temporary personnel administration and Payroll outsourcing companies (10%) also followed by BPO & Contact Centers (9%). Particularly interesting the presence on two key industries:

- With Big Retailers (7%) where appears to be some of the most recognized companies chain stores such as Almacenes Éxito (40,000+ employees), Cencosud, Alkosto and Sodimac- Corona.
- Also, in the Food & Beverage Industry (7%) where some of the most recognized Food Processing and manufacturers like Postobon, Colombina, Quala, Incauca and Bimbo appear on the list.

## 2.2.2 Salary On Demand value proposition comparative analysis

<div>      </div>						
OVERVIEW	Feature \ Competitor	Panacash	Advance	Avanzo	Linxe	Akiba
	Company type	Fintech	Fintech	Fintech	Fintech	Fintech
	Product type	Employee Nano loan	Salary on Demand (% worked wage)	Employee Nano loan	Salary on Demand	Salary on Demand
	Founded / Time in Colombia	21/Jan/20	18/Mar/20	04/Sep/17	28/Feb/19	Switzerland: 2015 / Mexico: 2016 / Peru: 2020 Colombia: Not yet
	Offices	Medellín / CO Quito / EC (C-level)	Bogota / CO	Bogota / CO	Bogota / CO	Mexico / MX Peru / PE
	Funding (Crunchbase)	500,000	Not Available	Not Available	1,000,000	Founders-only
	Serie	Pre-Seed	Not Available	Not Available	Pre-Seed	Profitable
	Affiliated to Colombia fintech	Yes	Yes	No	Yes	No
	Payroll Direct Discount (Libranza)	No	Yes	Yes	Yes	Yes
	Main attributes on their Value Proposition	-Up to COP 400K -No co-signer or company approval- Recurrence	-100% digital -Low cost (as low as an ATM withdrawal)- Privacy (no need to ask employer)	-Paperless -100% digital	-Speed -100% digital -Security	Employers -No cost -No responsibility on employee debt Employees: -Client-centric -Intuitive -Avoids over-indebtedness
	Covers risk on employee layoffs or outstanding balance after severance	Yes	Not Available	Not Available	Yes	Yes
SET UP	Employees (Linkedin)	9	11	6	2	13
	Deployment Type	Device App (Android only)	Web	Web	Web	Web / Mobile app
	Requires agreement with employer / payer	No	Yes	Yes	Yes	Yes
	Subscription and/or Management Fee (to worker)	\$10,000 - \$20,000 (depends on employer agreement)	\$ 0	\$ 15,500	\$28,000 tech usage fee (optional)	\$ 0
	Subscription and/or Management Fee (to employer)	\$ 0	\$ 0	Not Available	\$ 0	\$ 0
	Subscription and/or Management Fee terms & conditions	Only when there is an active operation	Not Available	Not Available	Not Available	Only when there is an active operation
	Subscription Special Offer	1st Month Free	Not Available	Not Available	Not Available	1st Month Free
	Credit Assessment	Yes	No	Yes	No	No
	Credit Assessment duration	24 hours	Not Available	24 hours	Not Available	Not applies
	Credit Assessment cost	\$ 0	Not Available	Not Available	\$ 0	\$ 0
	Bureau check	Yes/ 1st time	No	No	Yes	No
	Negative bureau report affects decision?	Yes	No	No	No	No
	Platform set up time (hours)	N/A	24	Not Available	Not Available	48
	Revolving Credit line option (Y/N)	No	No	Yes	N/A	Yes

	Feature \ Competitor	Panacash	Advance	Avanzo	Linxe	Akiba
USAGE	Rate E.A (max)	Maximum legal	Not Available	Maximum legal	Not Available	Advance fee applies
	Rate E.A (min)	Not Available	Not Available	Not Available	Not Available	Advance fee applies
	Interest rate special offer	1st Month Free	Not Available	No	Not Available	Advance fee applies
	Advance Fee	Not Available	USD \$0.80 - \$1.4 (According to website)	Not Available	USD \$3.3 (According to Mystery Shopper analysis)	MX USD \$1.71 or 4.9% amount + VAT PE USD \$3.11
	Amount (min) COP	\$ 50,000	Not Available	\$ 50,000	\$ 150,000	Not applicable
	Amount (min) USD	14 USD	Not Available	14 USD	41 USD	In Mexico: 12.58 USD In Peru: 10.6 USD
	Amount (max) COP	\$ 300,000	Depends on worked days	\$ 300,000	\$ 500,000	Not applicable
	Amount (max) USD	83 USD	Depends on worked days	N/A	140 USD	In Mexico: 30% salary In Peru: 260 USD or 30% salary
	Guarantee fee	6%	No	\$ 0	\$ 0	\$ 0
	Guarantee fee special offer	1st month - 20%	Not Available	N/A	Not Available	No
	Insurance	Yes	Not Available	No	Not Available	No
	Insurance Fee	N/A	Not Available	\$ 0	Not Available	No
	Insurance Fee Special Offer	N/A	Not Available	No	Not Available	No
	Requires co-signer	No	No	No	No	No
	Referral Plan	Yes, COP \$3,000 rebate on next Salary	No	Yes, COP \$10,000 per referral (max. 5)	No	No
	Active Operations (max per month)	2	1	No limit (depends on outstanding balance)	Not Available	Not Available
	Disbursement Time	48 hours	24 hours	Not Available	Next labour day + Bank's transaction time	Next labour day + Bank's transaction time
	Other fees / rates	N/A	N/A	N/A	N/A	N/A
REPAYMENT	Automatic Debit (Libranza)	No	Yes	Yes	Yes	Yes
	Payment platform	Yes	No	No	No	No
	Point of Sales payment	Via Baloto	No	No	No	No
	Negative Reporting to Credit Bureaus	At 90 days arrears	Not Available	Not Available	Yes	No (in Mexico)
	Term (min)	10 days	Payday	Payday	Payday	Payday
	Term (max)	20 days	Payday	forthrightly (4) (depends on employer agreement)	30 days	30 days
SERVICE	Financial Education Content	Yes	Yes	Yes	No	Yes
	Specialized Financial Advisory	No	Yes (financial planning module)	No	No	Yes
	Support / Customer Service Line	Yes	Yes	Yes	Yes	Yes

## 2.3 Payroll-Backed Loans

Competitor Type	Fintech Category	Fintech Subcategory	Company Name
-----------------	------------------	---------------------	--------------

Fintechs	Lending	Consumer Lending	Linxe
			Avanzo
			Prestagente
Financial Institutions (non-banks)	N.A.	N.A.	Bayport
Banks	N.A.	N.A.	Banco Popular
			GNB Sudameris
			Bancolombia
			Davivienda
			BBVA
			Banco de Bogotá
Total			6

## 2.3.1 Main Players

### 2.3.1.1 Linxe

Solution/Category:   Company  Website		Categories: Payroll & Benefits
	Linxe   FIRMUS S.A.S.	Nit: 901260610-6
	<a href="https://www.linxe.com/">https://www.linxe.com/</a>	T&C: Not available

As mentioned above, Linxe offers a wider range of solutions from the Salary On Demand covers the USD \$42 to USD \$140 amount range and continues the offer on Payroll-Backed Loan from USD \$140 up to USD \$417 on a longer term being that from 6 months to 10 months.

On the digital and customer experience side, Linxe's credit assessment has an immediate response time and is the only Fintech that offers up to 3 preapproved loan options on their digital web onboarding which allows the customer to select the most appropriate and allows Linxe to counteroffer credit applications that not meet their Internal policies without denying them.

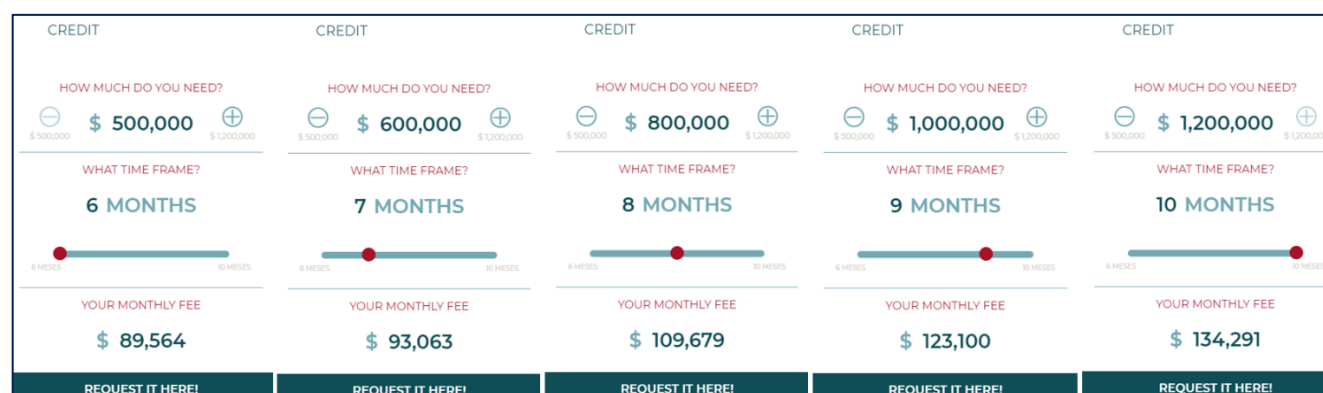


Figure 75: Linxe's Payroll-Backed Loan per amount & term offer

Linxe charges a rather unique Fee in the Fintech ecosystem which is the Tech fee. This means Linxe charges this fee so the user can leverage a paperless 100% digital process. Non the less, the user can avoid this tech fee but no longer be 100% digital. Terms and Conditions do not fully state what would be the changes on the process. This Tech fee can be charged in advance and deducted from disbursed amount.

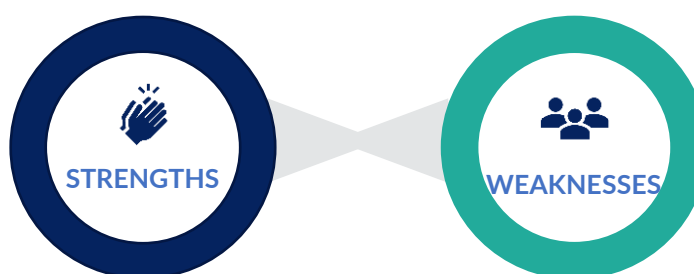
According to Linxe's web page, is not fully stated the value of Interest fee, but according to some Images and fee simulators, Linxe uses both the maximum legal Interest fee and a minimum up to 15.35% (as per Internal calculations); this suggest Linxe is able to assign interest rates according to risk profile. Using this same technique, we Identified that Insurance fee cost around 2% to 3% of the amount of the instalment.

Mystery shopper analysis also showed that additional to Salary On Demand and Payroll-Backed Loans, Linxe offers broad employee financials solutions Including multipurpose insurance and micro investments. This offer is not showed on Linxe's website but was shared by Linxe's COO.

### S/W Analysis

#### Strengths

- 3 loan options to make transaction feasible.




#### Weaknesses

- High Tech fee (only one that charges this concept)
- No Financial Education offers.
- Smaller loan amount compared to banks.



### 2.3.1.2 Bayport Colombia

<b>Solution / Brand:</b>		Category: Payroll & Benefits
<b>Company:</b>	Bayport   BAYPORT COLOMBIA S.A.	Nit: 900.189.642-5
<b>Website:</b>	<a href="https://www.bayportcolombia.com/">https://www.bayportcolombia.com/</a>	T&C: Not available

#### Overview

Bayport Is a niche financial Institution specialized on Payroll-backed loans for government employees and pensioners in Colombia and have presence in 7 countries In Africa. In Latam have presence In Colombia and Mexico. According to their website they have been In Colombia since 2011 but according to Commerce Chamber It was constituted in 2007 which might suggest that they started the operation via the acquisition of another Financial Institution and then changed the brand.

**Tenemos una amplia presencia internacional:**



**2 países en América Latina**

**7 países en África**

En Bayport atendemos a más de **600.000** clientes a nivel mundial a través de más de **500 sucursales** y apoyados por más de **7.500 empleados**.

Figure 76: Bayport's presence in the world

Bayport Is the non-bank financial Institution that leads the presence among Payroll & Benefits solutions, has strong presence in media and usually Is the first non-bank Institution that led online searches for the term "Libranza", but payment advancement options do not exist within their value proposition.



Docentes



Empleados



Pensionados



Policías



Fuerzas Armadas

Figure 77: Bayport Target market



Figure 78: Bayport's Value Proposition

Even though their value proposition targets to serve 5 main types of subjects, the mystery shopper analysis showed that they are specially targeting pensioners.

Bayport currently operate on a traditional sales channel with 15+ physical offices; do not have web onboarding channel but Information can be requested through a web form and a sales rep will contact the user. Bayport currently report 500+ FTEs.

Figure 79 shows a screenshot of Bayport's online inquiry channel, titled "Request your Credit". The form asks users to enter their information so an advisor can contact them during the day. The form includes the following fields and validation messages:

- Name:** \* This field is required
- ID number:** \* This field is required
- Confirm your email:** \* This field is required
- City:** \* This field is required, \* Minimum of 10 authorized characters
- Cellular:** \* This field is required
- Surname:** \* This field is required, \* Invalid email
- E-mail:** \* This field is required
- Department:** Please select, \* This field is required, \* Minimum of 7 authorized characters
- Phone:** \* This field is required
- Company where you work:** Please select

Figure 79: Bayport's online Inquiry channel

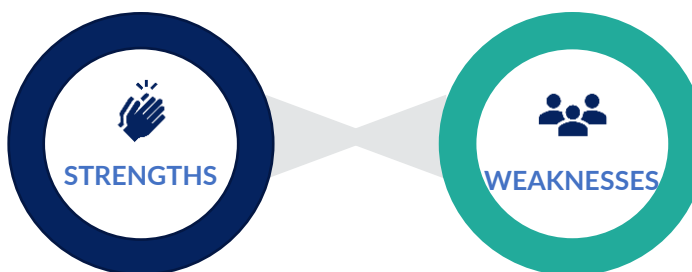
Findings during mystery shopper analysis also showed that they took 2 days to respond an inquiry and they do not give much Information unless the inquirer is a government employee or pensioner. Reviewing their terms and conditions, Bayport stands out for its high fees; the most relevant is a management fee that is worth 10% of the loan amount and covers the Credit Assessment fee, this rather high fee can be charged on the instalments or by a single payment deducted from disbursement. Bayport also charges a disbursement fee, if the disbursement goes via Check or Cash withdrawal in the branch office the value is USD \$10 and if It goes via a Wire Transfer the value Is USD \$2.7.

The loan amount policy goes from USD \$278 to USD 28,000; the minimum amount is larger than FinTech's threshold and the maximum amount is lower than banks so basically Bayport's amount policy positions Bayport as the offer between online lenders and banks.

### S/W Analysis

#### Strengths

- Payroll loan expertise
- Consolidated financial position.



#### Weaknesses

- High fees (specially management & credit assessment)
- Narrow base of target customers

### 2.3.1.3 GNB Sudameris

#### Overview

They have presence in South America with subsidiaries Banco GNB Peru and Banco GNB Paraguay. In Colombia GNB is multipurpose bank is rather small bank considering total assets value but ranks 4° on the Payroll-Backed Loans on the banking system (USD \$1.4 Bn) which suggest the level of specialty on this product as is the first product they offer on their personal loan portfolio, non the less payment advancement options are not existent on their website.

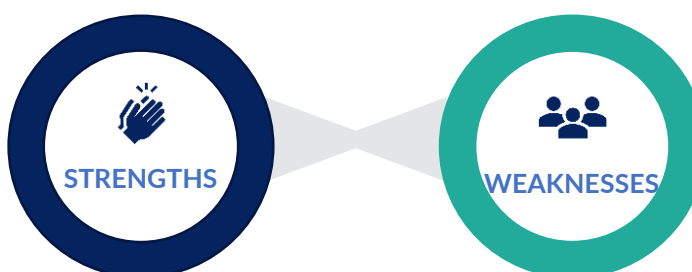
In Colombia they claim to own one of the largest points of attention network, non the less as they are a small bank their offices network rather small (only 50+ offices) but with their own ATM network called Servibanca with more than 2,600 ATMs they are also as a low amount payment system (a.i.e remittance, public transport cards top up, micro insurance, utility bills). Some cooperatives and Employee funds like Cavipetrol are part of this low payment system network. For instance, Cavipetrol (the largest employee fund in Colombia) and GNB Sudameris and have a cobranded Visa debit card.

GNB's Payroll-Backed Loan offer has the larger loan amount up to USD \$85,000 and one of the largest loan terms up to 10 years.

### S/W Analysis

#### Strengths

- Broader max and min loan amount
- Strong tele payroll loan operation
- Partnership with solidarity entities on low amount payments



#### Weaknesses

- Higher credit assessment fee among banks
- Small office network

### 2.3.1.4 Banco Popular

#### Overview

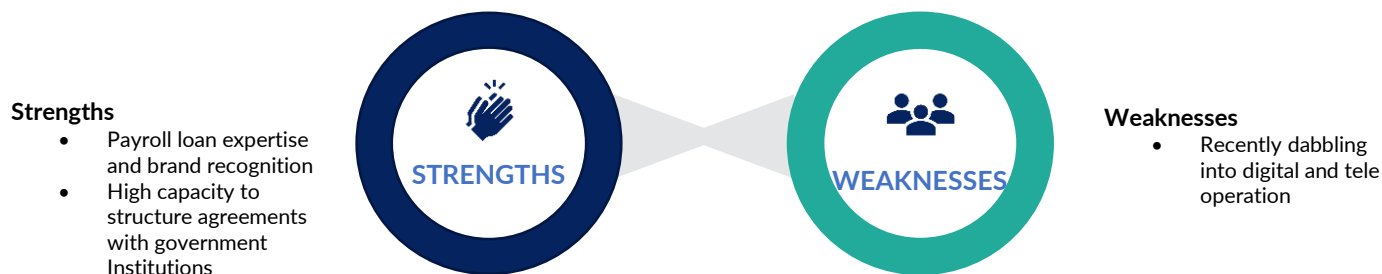
Banco Popular was founded 1950 as a social purpose bank and had its first office in 1951; during the next years about 50 subsidiaries are created to complement the Bank's social work by 1970's bank becomes state owned and the loan portfolio increased and Banco Popular consolidated itself as the state bank par excellence. At this same time, the Popular Legal Service was created to provide free advice and consultations to people with limited economic resources.

In the 1990s, Banco Popular was consolidated with its Prestayá product, a payroll loan focused on offering its clients the possibility of obtaining resources in a simple way, making the Bank a leader in the financial sector in this product and since then has been the most emblematic product and dominating brand for Libranza.

In 1996 Banco Popular is privatized and during privatization Aval Group was born, conformed by: Banco de Bogotá, Banco de Occidente and Banco AV Villas. Currently, the Bank has offices in 29 of the 32 departments of Colombia and 193 offices nationwide.

Although Banco Popular has not been considered by being the most efficient or innovative bank, it has found in the loan of freedom with PrestaYa a niche where it has become amazingly effective with deep alliances with payers mainly with Pensioners, Police, Military Forces and Teachers. For some years the process associated with this product was the only ISO 9001 certified. Product definition states that covers companies with a minimum of 50 employees and assets over \$28,000.

### S/W Analysis



### 2.3.1.5 Bancolombia

#### Overview

In 1998 it was formally born as Bancolombia after the merger of two major banks on one hand Banco Industrial Colombiano, founded on 1945 and Banco de Colombia, the biggest state-owned bank founded by 1875 by that time the recently born Bancolombia became largest asset bank in the country.

Currently Bancolombia is the bank division of Grupo Bancolombia the most important financial group in Colombia with more than 14 million clients on the multicountry operation (Colombia, Central America and Caribbean)

Bancolombia (bank) in 2018 achieved more than 11 million clients in Colombia, which represent 20% of the Colombian banking market, thus being the largest bank in Colombia by number of clients and has been a pioneer in the financial system. In 1996 opened the first website in Colombia dedicated to providing non-face-to-face financial services, called People Virtual branch.

By 1999, the bank created the Enterprise virtual branch which led to the first Internet payment system in Colombia; a year later, in 2000, the first virtual credit card was introduced in the Colombian market through its network, called E-Card MasterCard created for payments and virtual purchases made through the internet. Bancolombia is also "powering" two of the main providers of CATS which are Nequi and Ahorro a la Mano; this is a clear signal of Bancolombia's innovation and digital capacity.

In 2018 and nine years after its entry into the Dow Jones Global Sustainability Index, the Bancolombia Group ranked first among financial institutions in the world. HQ is in the city of Medellín; however, it has a presence in 98% of the country's municipalities through more than 11,000 Bancolombia banking correspondents.

Bancolombia's payroll loan product definition is almost identical to Banco Popular's; even though Bancolombia has far more customers and payroll accounts than other banks it only ranks as 7th on the Libranza Loan balance, the main reason is that Bancolombia is not specialized on the product, nonetheless has the biggest potential to turn payroll saving accounts into payroll loans.

#### S/W Analysis



## 2.3.2 Payroll-Backed Loans Comparative Analysis



	Feature \ Competitor	Linxe Crédito	Bayport Financial	GNB Sudameris	Banco Popular	Bancolombia	Akiba
OVERVIEW	Company type	Fintech	Financial No Bank	Bank	Bank	Bank	Fintech
	Product type	Payroll-Backed (Libranza)	Payroll-Backed (Libranza)	Payroll-Backed (Libranza)	Payroll-Backed (Libranza)	Payroll-Backed (Libranza)	Salary on Demand
	Founded / Time in Colombia	28/Feb/19	2011 (web site) Constituted 2007	1920	1951	1875	Switzerland: 2015 / Mexico: 2016 / Peru: 2020 Colombia: Not yet
	Offices	Bogota / CO	Operative: Bogotá / CO HQ: South Africa	HQ: Bogota Subs: Peru & Paraguay	Bogota / CO	Bogota / CO	Mexico / MX Peru / PE
	Funding (Crunchbase)	1,000,000	263,000,000	N/A	N/A	N/A	Founders-Only
	Serie	Pre-Seed	Private Equity	Private Equity	N/A	N/A	Profitable
	Affiliated to Colombia fintech	Yes	No	No	No	No	No
	Payroll Direct Discount (Libranza)	Yes	Yes	Yes	Yes	Yes	Yes
	Main attributes on their Value Proposition	-Fast -100% Digital -Security -3 Credit Options	-Payroll-Backed Loans specialists for pensioners and public sector	-Minimal documentation and agile response time. -Access to large amounts without guarantee -Competitive fees.	-Can be used freely -Payroll discount -Minimum documentation -15 min evaluation	No collateral Free destination	Employers -No cost -No responsibility on employee debt Employees: -Speed -Competitive rate -Reduces financial stress
	Covers risk on employee layoffs or outstanding balance after severance	Yes	Not Available	Yes	Not Available	Not Available	Yes
SET UP	Employees (LinkedIn)	2	95 (in Colombia) 541 FTE (according to the Chamber of Commerce)	157	793 (LinkedIn)	10,000	13
	Deployment Type	Web	Web + Sales rep	Web + Telelibranza advisor + branch	Web + branch	Web + branch	Web / Mobile app
	Requires agreement with employer / payer	Yes	Yes	Yes	Yes	Yes	Yes
	Subscription and/or Management Fee (to worker)	\$28,000 tech usage fee (optional)	10% of loan value	0	0	0	\$ 0
	Subscription and/or Management Fee (to employer)	\$ 0	Not Available	Not Available	No	No	\$ 0
	Subscription and/or Management Fee terms & conditions	-User can avoid tech fee but will not be 100% digital. -Fee charged in advance and deducted from disbursed amount	-Single value for Credit Assessment and mgmt. fee. -Instalments or deducted or single payment deducted from disbursement	N/A (as it's not a revolving credit line)	No	No	No (this has been removed)
	Subscription Special Offer	Not Available	No	No	Not Available	Not Available	No
	Credit Assessment	Yes	Yes	Yes	99,000	99,000	No
	Credit Assessment duration	Immediate	Not Available	Not Available	15 min	15 min	Not applicable
	Credit Assessment cost	\$ 0	Yes (included in management fee)	\$ 136,850	0	0	\$ 0
	Bureau check	Yes	Yes	Yes	0	0	No
	Negative bureau report affects decision?	No	No	Yes	Yes	Yes	No
	Platform set up time (hours)	Not Available	Not Available	Not Available	Not Available	Not Available	48
	Revolving Credit line option (Y/N)	No	Not Available	No	No	No	Yes

	Feature \ Competitor	Panacash	Advance	Linxe Anticipo	Banco Popular	Bancolombia	Akiba
USAGE	Rate E.A (max)	Maximum legal	Not Available	22.70%	Maximum Legal	Maximum Legal	Not present in Colombia yet
	Rate E.A (min)	15.35%	Not Available	According to customer profile	35.96%	28.04%	Not present in Colombia yet
	Interest rate special offer	Not Available	Not Available	Not Available	Not available	Not available	Not present in Colombia yet
	Advance Fee	N/A	N/A	N/A	N/A	N/A	N/A
	Amount (mín) COP	\$ 500,000	\$ 1,000,000	Not Available	\$ 1,000,000	\$ 1,000,000	
	Amount (mín) USD	\$139	\$240	Not Available	\$ 280	\$ 280	In Mexico 100 USD
	Amount (max) COP	\$ 1,500,000	\$ 100,000,000	\$ 300,000,000	Debt capacity	Debt capacity	
	Amount (max) USD	\$420	\$27,800	\$83,000	Debt capacity	Debt capacity	In Mexico, up to 2 months salary
	Guarantee fee	\$ 0	Not Available	\$ 0	\$ 0	\$ 0	\$ 0
	Guarantee fee special offer	Not Available	No	No	0	0	No
	Insurance	Yes	Yes	Yes	Yes	Yes	No
	Insurance Fee	2% - 3% of instalment	Not Available	Not Available	Variable	Variable	No
	Insurance Fee Special Offer	Not Available	Not Available	Yes (only mentions are less than their other loans)	Not Available	Not Available	Not available
	Requires co-signer	No	No	No	No	No	No
	Referral Plan	No	No	No	No	No	No
	Active Operations (max per month)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
	Disbursement Time	Next labour day + Bank's transaction time	Next labour day + Bank's transaction time	Not Available	Next labour day + Bank's transaction time	Next labour day + Bank's transaction time	Depending on client's bank same day or Next labour day
	Other fees / rates	Not Available	Check / Cash: \$35 mil Wire: \$10 mil	Check / Cash: \$47 mil Wire: \$44 mil	Not Available	Not Available	N/A
REPAYMENT	Automatic Debit (Libranza)	Yes	Yes	Yes	Yes	Yes	Yes
	Payment platform	No	No	Yes	Yes	Yes	No
	Point of Sales payment	No	Yes (branch)	Yes	Yes	Yes	No
	Negative Reporting to Credit Bureaus	Yes	Yes	Yes	Yes	Yes	Yes
	Term (min)	6 months	6 months	Not Available	Not Available	72 months	6 months
	Term (max)	10 months	120 months	120 months	96 months	96 months	18 months
SERVICE	Financial Education Content	No	Partial (Financial welfare Blog)	No	No	No	Yes
	Specialized Financial Advisory	No	No	No	No	No	Yes
	Support / Customer Service Line	Yes	Yes	Yes	Yes	Yes	Yes


## 2.4 Employee Savings Fund Management

In this category we identify players who are providing tailor-made services to financial institutions with a focus on the solidarity sector. These players provide the Funds with solutions that help them improve the relationship with their partners, expand their channels of care and improve the experience by accessing the fund's products and services.

Although none of these have a proposal identical to Akiba's, all of these through their customizable solutions can play the same role in digital transformation.

### 2.4.1 Main Players

#### 2.4.1.1 Dibanka

<b>Solution:</b>		Category: Enterprise financial management / Payroll & Benefits
<b>Company:</b>	Dibanka   Dibanka S.A.S	Nit: 901383028 – 7
<b>Website:</b>	<a href="https://dibanka.co/">https://dibanka.co/</a>	T&C: Not available

A solution that allows companies and non-financial organizations, in the public and private sectors, to offer and regulate credit services and similar to their employees and pensioners through their technology platform. Its value offering is based on simple, intuitive and easy-to-use self-management to ensure well-being and promotes people's financial health. In addition to automating the process of freeing inside the company, which they call **e-libranza (electronic payroll discount)**

For businesses	For employees and pensioners
Automation of the credit drawer process for all employees and pensioners, while centralizing and improving the quality of information, in an era of zero paper, digital transformation and without implementation costs.	Management of credits by draft from a single tool in a simple, intuitive and easy way, from the tranquility of home; without additional expenses in procedures and with access to a portfolio of more than 260 financial partners that meet the needs of each user.

Figure 80: Dibanka Customer Solutions



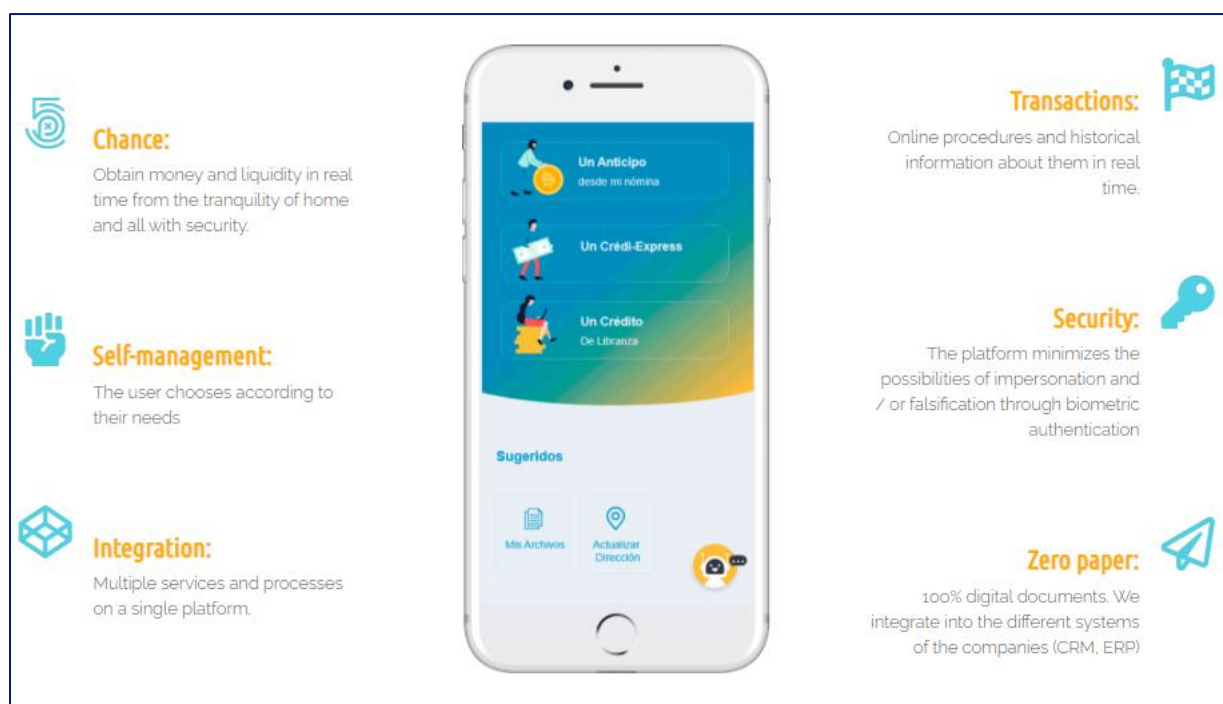


Figure 81 Value Offer Dibanka

They point out that the different systems of organizations (CRM, ERP) are integrated so that through their **web platform employees** and / or pensioners can access and process credits for release quickly and timely with a portfolio of more than 240 financial institutions by comparing the time options and rates available in the market in an agile and centralized way.

The only success story they show is that of CASUR (National Police Retirement Salary Box) digitizing the services of 104,000 users, however, CASUR's complaints have been identified as they indicate that since implementation affiliates do not have access to credit products for problems that financial institutions have with the Dibanka platform. Dibanka's experience and capabilities as well as alleged irregularities in the process of acquiring and implementing the Dibanka platform in CASUR have been called into question. (Caicedo, 2020)

### 2.4.1.2 Shareppy International

Shareppy is specialized in solutions for the Solidarity financial sector. Helps cooperatives and employee funds to meet the needs of their clients, bringing them closer to them using technology. Shareppy is based in Santander, Colombia, founded in 2008. Currently has +20 employees. Unknown funding.

#### Overview

- Shareppy International aims to cover part of Latin America focusing on Microfinance, credit unions and rather small Financial Services Providers
- Particular focus in offering solutions for digital transformation for the solidarity sector in Colombia
- Point of interest for Akiba: they offer digital channels, making use of mobile technology and self-service of financial operations and processes to bring associates closer to financial entities
- Customized software according to FSPs needs

#### Key Products

Smart road	Portfolio Mgmt.	Mobile Branch	Paperless	Others
Offers more than 20 modules that meet multiple needs at each stage of the credit process. Used for customer onboarding	Allows to obtain better channels for the management of the portfolio, achieving the minimization in operating costs and increasing the rates of portfolio recovery.	An app that works through smart mobile devices, through a transactional validator, the app sends information to the CBS to perform the transactions offered by cashiers	This is a set of software components that help to digitize the different processes of the company	Biometrics Datacentre Central research

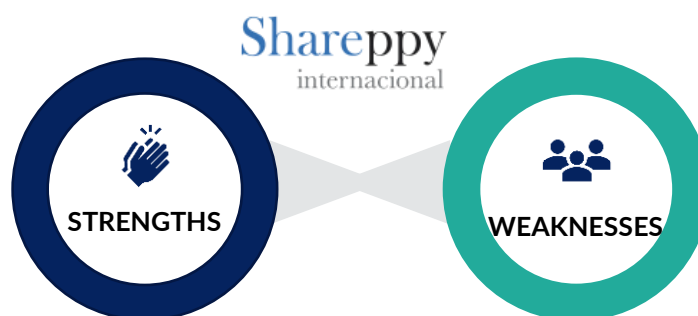
#### Mobile Branch – Key Value Proposition

Mobile Branch is a tool that allows money collections and execution of transactions from associates/customers, providing an agency-like mobile environment. It allows the financial institution to provide their services from a mobile device.

#### S/W analysis

##### Strengths

- Customizable
- Focused on Colombia Solidarity Sector
- Client traction / sustained growth
- Proven solution with some years of experience in the region
- Pay per user pricing model (flexible)



##### Weaknesses

- Poor responsiveness to clients
- Unclear pricing models, mainly due to desired flexibility

### 2.4.1.3 OPA S.A.S.

OPA SAS primarily targets financial entities in the Solidarity Sector, but also microcredits, compensation associations and other FSPs.

OPA SAS has headquarters in Medellin, Colombia and was founded in 1995. Currently has almost a hundred employees and an unknown funding.

## Overview

- The company uses cloud computing technology to offer their services
- OPA aims to provide their target FSPs with mobile apps to provide customized service to associates
- Usually collaborates with 'enablers' such as innovation labs to create new products

## Key Products



## OPA MOVIL – Key Value Proposition

Set of services designed so that the services integrated and offered by each entity such as credits, savings, contributions, novelties and affiliations, are available to associates, using state-of-the-art technology and virtual mechanisms to access the management of their different products in a controlled, safe and fully managed way, thus allowing the client to deliver an innovative tool that increases their positive perception towards the company and its services.

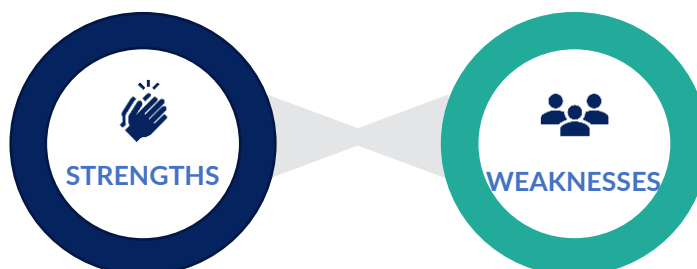
The app provides the possibility to access information about credits, savings, contributions and news notifications; also, access to statement where associates have the opportunity to know the balances, fees, follow-ups and details of all their products.

The app provides several modules: mobile branch (decentralized virtual agent that offers access to entities' services); transactions (transfers between accounts and credit repayment from savings); certificates (affiliation certificates creation,

## S/W analysis

### Strengths

- Strategic clients/alliances – long-standing relationships
- Focused in becoming Employee Funds key partners in digital journey.
- Offer a comprehensive set of tools aimed to digitize external and internal processes.
- Innovative and agile (innovation labs)
- Strong track-record in the market



### Weaknesses

- Low brand awareness
- Unclear positioning
- Cost disadvantage
- Product-centred strategy

### 2.4.1.4 Expinn

Consulting and integration of IT solutions and services for financial sector entities, Software Manufacturing, Financial Software Web is a software developed for Microcredit and Solidarity entities, Biometric and IFRS Opening Balance

#### Overview

Aiming, by 2025, to become a key partner of the solidarity sector, known for its enterprise management solutions.

#### Key Products

Financial App	Financial Cloud	Financial Software	Software Factory	Biometrics
Allows associates to access their financial information online and perform credit operations based on the products offered by the entity, apply for credit, check statements, latest movements and update their data.	Allows process and business management from and where you are located, easily, quickly, and securely, without having to install anything on a computer.	Solution organized in 18 modules that allows the growth of its customers to the extent of their needs, 'Recaudos Masivos', controls agreements with pay, cut-off dates, generation, shipping, loading of nominating discounts to affiliated entities	It is an alternative that allows our customers to maintain their information systems	Solutions integrated into access control, identification, payments, and credit operations capabilities

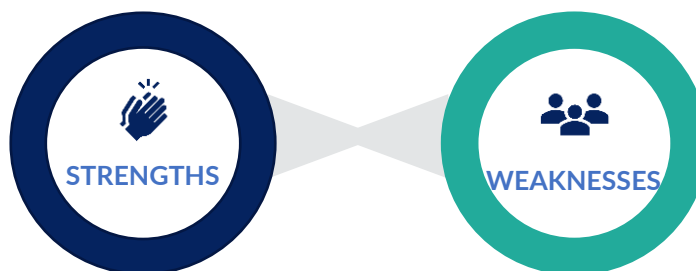
#### Financial App – Key Value Proposition

Mobile Branch is a tool that allows money collections and execution of transactions from associates/customers, providing an agency-like mobile environment. It allows the financial institution to provide their services from a mobile device.

## S/W analysis

### Strengths

- Focused on Colombia Solidarity Sector
- Client traction / sustained growth
- Highly integrable with existing IT infrastructure
- Agile and flexible
- IT / Software expertise



### Weaknesses

- Products not clearly differentiated.
- Low brand awareness
- Unclear positioning
- Broad competitive set
- Emerging new entrants

## 2.4.1.5 Linux

Financial software focused specifically on the Employees Funds and Cooperatives.

### Key Products

#### Credit Factory

Application that allows structuring end-to-end credit processes. Native tool that generates traceability and remote access to the selling processes. Possible to integrate with 3rd parties through APIs

#### Integrations

Certified payment gateway. Allows online payment acceptance, contracting new products, and transfer between accounts. Also sets infrastructure to create Debit Card agreements with other parties

#### Savings

Centralizes saving operations, giving associates the possibility of managing savings through a web application, which is integrated online with the PSE payment button. Manage all types of savings, with different types of rate rates in the collection.

#### Software Factory

It manages agreements with insurance companies, hypermarkets, gyms, and other businesses, controlling billing cycles, reconciliation and facilitating the payments of its associates. Implement the management of aid, to administer the social funds and exercise control of the budgeted items and the execution.

#### Accounting & Treasury

ERP, treasury, AP & AR functionalities to manage back-office processes

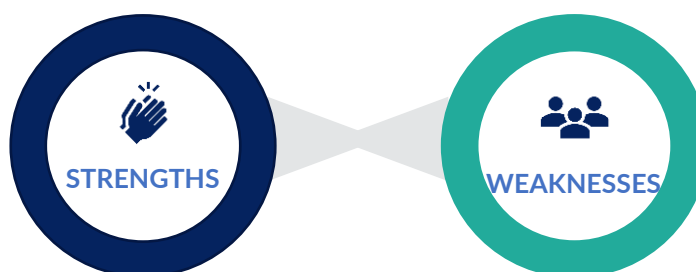
### Linux Platform – Key Value Proposition

Comprised of 50+ apps that are bought per modules. the first layer the user interface (access channels); where customers, suppliers & officials review or capture the information of each business process. The second layer is the data services that transport data between the database and the user access channels. the third layer is represented in a native tool (workflow) that supports the definition and execution of each of the tasks that the user or the system must execute to perform its functions and ensure sequentially, standardized and logically the execution of the client's business processes. the fourth layer corresponds to the physical structure of storage and management of the data that are a vital part of the customer's information system and that support decision-making by the user and by the program.

## S/W analysis

### Strengths

- Focused on Colombia Solidarity Sector
- Specific product for savings management
- High market penetration
- Highly customisable
- Robust and clear data flows



### Weaknesses

- Expensive
- Poor customer service
- Poor customer experience
- Complex technology

## 2.4.2 Payroll-Backed Loans Comparative Analysis

	Feature \ Competitor	Dibanka	Shareppy	OPA S.A.S	Expinn	Linux	Akiba
OVERVIEW	Company type	Fintech	SAAS	SAAS	Fintech	Fintech	Fintech
	Product type	Loan management platform	Banking Software	Banking Software	Banking Software	Modular Platform	Loan & Savings platform for Employee Funds and Cooperatives
	Founded / Time in Colombia	2020	2008	1995	2015	1990	2016
	Offices	Bogota / CO	Santander / CO	Medellín / CO	Medellín / CO	Bogota / CO	Mexico City /MX
	Funding (Crunchbase)	N/A	N/A	N/A	N/A	N/A	Founders-only
	Funding Round	Seed	N/A	N/A	N/A	N/A	Profitable
	Affiliated to Colombia fintech	Yes	No	No	No	No	N/A
	Key Market	Employers / Non-financial Institutions	-Solidarity Sector	-Microfinance Institutions	Financial Institutions	Employee Funds	Employee Funds
	Key Product	Loan management platform for employees	Mobile Branch for Employee funds & Cooperatives	Customer facing channels	Financial software for microcredits	Savings management. ERP, Treasury, AP & AR mgmt.	Akiba Platform (Employee Cooperative-as-a service)
	Number of Clients	150+	35	100+	+30	+200	N/A
	Employees (LinkedIn)	10	20+	195	90	10,000	10+
	Deployment Type	Cloud	On Premise / Cloud	Cloud	Cloud	Web + branch	Cloud (Web+iOS+Android)

## 2.5 Conclusion of Competitive Landscape

Colombia provides a thriving landscape for foreign fintechs, especially if they have previous experience serving in similar markets. Particularly, the Colombian Fintech Payroll-Backed Loans market is not yet mature nor consolidated; although there are already some competitors, a dominant player was not identified, meaning that Akiba can still leverage a second-mover advantage and capture a significant part of the addressable market.

Linxe and Akiba would be the only Salary-on-Demand and Payroll-Backed loans offerings, providing hint that Akiba will not face entry barriers in this regard.

On the other hand, the Payroll-discount loan (Libranza loan) is a niche market as the biggest banks do not necessarily have an equivalent market share in this product as it would be expected from their market size. It was identified that the Payroll-discount loan market is predominantly dominated by those players that have an increased ability to generate partnerships with employers and other payee Institutions.

In contrast to key players outlined across the document, Akiba's offering is more accessible and cost-effective, meaning that it has an interesting competitive advantage to capture the payroll loan market. In addition, existing Non-Fintech digital offerings, non-financial offerings, value-add services, and financial education offerings are rather poor: even strong players like Banco Popular, GNB Sudameris and Bayport completely ignore these features, but focus instead on their ability to generate partnerships with other organizations. Thus, we conclude that the offering provided by these players is partnership-centric, as opposed to being end-user-centric.

Salary on Demand is not top of mind of financial institutions, as these providers do not focus on covering emergencies or immediate needs; Payroll-discount minimum loan amount is nearly the same for all analysed financial institutions (USD \$ 280) and despite these FSPs are already having employer agreements, we did not find Salary on Demand on their value proposition or product portfolio. This evidence suggest that formal Financial Institutions are not interested on addressing the low-amount and short-term tickets.

Finally, players serving in the Fintech-as-a-Service category, especially those focusing on the Colombian Solidarity Economy offer a comprehensive offering that includes tools to provide digital channels to associates, but also, added-value offerings that complement the customer experience ecosystem for their current associates, and this is aligned to their digital transformation journey. However, the market is far from hitting a glass ceiling, Akiba's proposition that includes an off-the-shelf solution has an opportunity in serving the many employee funds that are only starting their digitisation journey, especially the smaller and medium ones.

# **3. Key Informant Interviews**



Considering the findings in the first two deliverables -being those the Desk Review Report & the Competitive Landscape- the consulting team found it relevant to switch and take a general-to-particular approach to proceed with the Feasibility Study. Therefore, conducting a round of Key Informant Interviews was found appropriate to understand the Employee Funds dynamic and seek to provide channels of access and transparency to their partners through Fintech-as-a-service solutions.

In the Desk Review Report, the team found that Temporary Services Companies (or in Colombian Spanish *Empresas de Servicios Temporales-EST*) represent a relevant outsourced workforce since they employ a significant headcount of low-income employees; hence, we identified that ESTs could be relevant partners to recruit and therefore to interview as part of the KII.

Also, in that sense, it was found relevant to approach regulators, industry associations, employee savings funds, among other actors to confirm the competitive and regulatory landscape.

According to the above, key informants were identified in eight categories: Employers, Employee Funds, Regulators, Associations, Partners, Ecosystem Enabler and Fintech. The following sections cover the methodology, opportunities, challenges and finally, conclusions & recommendations as to the result of the Key Informant Interviews conducted to those eight categories of organizations.

## Methods

This project relied on multiple research methods. First, we conducted a literature review focused on understanding the behavior of the Colombian competitive ecosystem. Next, we analyzed publicly available data from sources to construct a contextual picture of Colombia's employee loan practices and Employee Funds dynamics. To test the consumer-friendliness of Akiba and confirm the hypotheses formed during our research, the team interviewed thirteen key informants, including three people who hold senior Human Resources positions, two fintech experts, four Employee Fund managers, and three enablers/potential partners. We analyzed the transcripts from these interviews to identify key themes and tested these themes as we continued to conduct interviews.

For each of the interviews, the consultants designed the necessary questionnaires and research tools. In parallel, we created a list of possible interviewees. We contacted over 25 people relevant to the Feasibility Study, aiming to formalize at least ten interviews. For this report, we conducted thirteen interviews, meaning a rate of success above the pre-established standard. Interviews consisted of one-hour time slots and were executed through Zoom in a semi-structured fashion, taking as a starting point the research tools. We recorded every interview with the interviewee's permission.

## 3.2. Key Informant Interviews

Thirteen key informant interviews were conducted to gain a deep understanding of the dynamics of the competitive ecosystem and corroborate the hypotheses formed during the desk research (Please refer to Annex 1 for questionnaires).

**Table 1 Key Informant Interviewees**

KEY INFORMANT INTERVIEWS			
KII	Number of Interviews	Name	Position
HR and/or Senior Managers	3	Microsoft <sup>1</sup>	HR Manager
		Mindray	HR Manager
		AbInBev – Bavaria	Trade Marketing Supervisor
Employee Funds	3	ICESI	General Manager
		Foncomercio	General Manager
		FE Avanza	General Manager
Regulators	1	SuperFinanciera	Innovation Director
Temporary Services Companies	2	Asertempo	Commercial Director
		Adecco	Loyalty & Retention Coordinator
Associations	2	ColombiaFintech	Managing Director
		FENALCO (National Commerce Federation)	Guild managers for several industries
Fintech	1	Referencia Fintech	General Secretary and Legal affairs head (former employee fund manager)
Ecosystem Enablers	1	RutaN	Business Developer

### 3.2.1 Key Findings

<sup>1</sup> Despite being known as a company that typically offers high wages to associates, Microsoft also has a significant base of low-income outsourced employees. The interview was conducted to mainly understand such dynamic.

Results of interviews indicate a significant potential for Akiba's value proposition due to its focus on typically underserved populations, the agility it promises, and the digital interface to interact with customers. Moreover, the proposal fits the latent demand of medium and small-sized Employee Funds currently increasing their digitization.

Insights derived from the interviews, and the opportunities they mean to Akiba are listed in Table 2. Similarly, challenges and mitigations strategies identified from the interviews are listed in Table 3.

**Table 2 Insights & Opportunities derived from the KIIs**

Insight	Opportunities for Akiba
1. Employee Funds are moving ahead on their digitization process	a. Akiba can become a key partner in digitization journey providing new channels and technology to manage back-office processes
2. Employee Funds are expanding through two critical strategies (organic growth & inorganic growth)	b. Akiba can help Employee Funds in increasing employee engagement, supporting organic growth
3. Employee Funds look to expand credit portfolio	c. Akiba's platform can support Employee Funds core business processes, helping in increasing efficiency and sales
4. Competition in providing solutions for Employee Funds is reduced	d. There is a market gap that Akiba can fill with an appealing value proposition
5. There is a limited financing offering for low-income employees	e. Akiba's value proposition is focused on a market segment that is still not significantly served by other competitors in Colombia
6. There is a high growth potential for lending fintechs in Colombia	f. Akiba can leverage its platform as a stand-alone competitor to provide the under-served markets with new financial services offerings more adequate to their needs
7. Innovation ecosystem focused on increasing digital money adoption	g. Akiba's overall value proposition goes in line with current national trends, which focus on expanding technology platforms to increase financial inclusion

**Table 3 Challenges & mitigation strategies derived from the KII**

Challenges	Mitigation Strategies
1. Cap on lending rates limit pricing range	a. Identification of facilities and incentives to lenders that serve low-income & excluded segments
2. Unclear regulation creates grey areas for fintechs to operate	b. Lobby with Fintech Associations, decision-makers and ecosystem influencers
3. Reluctancy and limitations in digitization and digital initiatives investment	c. Communicate accessible value proposition with a clear understanding of the benefits
4. Operational load derived from managing employees' benefits	d. Communicate to Employers existing reputation, credibility and track gained in Mexican & Peruvian markets

### 3.2.1.1. Opportunities

***Digitization is critical for Employee Funds to interact with Associates, burst process efficiency and decrease the administrative load.***

Employee funds, regardless of their size, are actively seeking ways to digitize. Before the pandemic, the funds were in a comfortable situation in which interaction and management were predominantly done through the companies served. This situation inhibited the timely development of digital initiatives. However, COVID changed the behavior of associates. Now they demand service channels that do not require physical presence, access to agile credit with less paperwork, and information on their financial status in real-time.<sup>2</sup>

*“There is an immense necessity for the digitization of the Solidarity Entities. This wasn't so imminent before, but the pandemic accelerated this trend and now is critical”*  
–Regulator

Although the bigger funds have access to funding and are already implementing digital initiatives, mid and small-sized funds are also actively searching for ways to expand their reach. However, mid and small-sized funds face challenges in obtaining the necessary funding, so they also look for cost-efficient solutions that solve their digital needs.<sup>3</sup>

*“To obtain an extract of your balance you have to send an email to the administrative manager, and when he has time he generates it, it's more a favour than a service”*  
–Manager, Employees Fund

Currently, the focus of digitization centers on three action lines:

#### a. Channels (Front-office)

In general, the funds identify a growing need for digital channels that allow interaction with associates; that is, Automated means of communication to enable associates to review their account statements, download documents, ballots and records, and mainly carry out transactions such as credit payments and credit applications.

<sup>2</sup> Quote on the right: “Hay una inmensa necesidad de que las entidades Solidarias se digitalicen, no se había hecho inminente, pero la pandemia aceleró esta tendencia y ahora es crítico”

<sup>3</sup> Quote on the right: “un estado de cuenta se tiene que mandar un correo al gerente administrativo y cuando tenga tiempo este se lo genera... hoy más que un servicio es un favor”

## Box 1 Example of an Employees Fund Digital

**Digital Route –**

**Short Term Initiatives:** (1) Paperless promissory notes & electronic forms. (2) Transactional app to request credits and check balances.

**Mid Term Initiatives:** (3) electronic invoice (4) electronic payroll

**Long Term Initiatives:** (5) Digital Management of Payroll-based loans

**b. Core Processes Efficiency**

We identified that the business processes are highly manual and time-consuming. In fact, one of our interviewees mentions that they take over five business days to process a credit request. This is primarily due to the formats, and letters employees send to the fund with previous authorization from the employer. After, the risk analysis and paperwork are also performed manually. It would be highly valued to find solutions that allow funds to streamline their business processes, eliminate redundancies and eliminate paperwork.

**c. Backoffice efficiency**

Significant pain points are identified, particularly in accounting, reporting and other internal processes, which are still highly manual and susceptible to human mistakes. Fintech-As-A-Service providers have identified opportunities that aid the funds in simplifying back-office processes with a subscription-based business model.

***The current market offering focused on the Solidarity Sector is limited.***

Employee Funds are not satisfied with the current technology solution offering as they perceive that it does not truly solve their needs. The current offering is On-Premises and is not Fund-specific, requiring further customization that ultimately increases costs.

Furthermore, constant normative changes (taxes and regulations updated by SuperSociedades) also incur expenses to update the technological platforms and comply with the law. Key interviewees mention that these mandatory changes usually consume the available technology budget.

**Box 2 About FE Avanza****FE Avanza**

FE Avanza is the Employee Fund of Sanofi Group, a company focused on pharmaceuticals and health products.

Currently they have 980 associates and are under Medium supervision. Their agility in processing credit requests has provided a growth rate of 14% annually, so now they are expecting to be in the Full regulation in the next two years.

They offer social networks, mail, and a call center as channels to interact with customers, but transactions are done with formats that can be downloaded from the website and require authorization from the parent company.

Major pain points lie in the Backoffice processes where they face difficulties & bottle necks in accounting and reporting.

**Two key strategies to Increase the reach & penetration in the companies they serve.**

Employee funds constantly search for ways to increase the products and services they offer to their associates and expand their impact on society. To do so, expanding the reach of the fund and acquiring a greater associates base is compulsory. With this goal in mind, two essential practices were identified that aid funds in increasing associates base: Mergers and grouping smaller companies/organizations outside the original employer.

With the Merger and Acquisition strategy, funds with a reduced number of associates, but with similar business lines, merge and consolidate a new fund that takes advantage of a stronger financial position to invest in technology, accountability, processes, and human resources, that are leveraged to boost efficiency, providing better and more accessible products and services to associates, impacting ultimately in the bottom-line revenue.

On the other hand, by looking to integrate new companies, the target is to bring onboard smaller businesses that currently do not benefit their employees. Hence, employee funds increase the associates base, which translates to increased savings and loans, impacting the top-line revenue.

Ultimately, a critical concern for funds to capture growth is directly related to the penetration rate within each of the companies they have as affiliates. Currently, a benchmark is 60%, meaning that 6 in every ten employees are affiliate to the Fund. However, some Funds face difficulties enrolling employees or growing beyond 60%.

**Employee Funds main product is credit. Key differentiators are value-added services.**

Employee funds generally arise from the high demand for accessible credit products. For example, one of the interviewees mentions that his Fund originated due to an increased number of employees requesting credits based on salary from the company. An opportunity was identified to satisfy the need through a financial institution.<sup>4</sup>

<sup>4</sup> Quote on the left: "La esencia es la misma en cuanto a las soluciones de Crédito y Ahorro, pero los servicios si son diferenciales. La parte de los beneficios si puede tener un factor de consideración sectorial por ejemplo regalos"

*"The essence of the Funds is the same as for the Credit and Savings products, but the additional services are differential. The benefits delivered to the associates are a factor of sectorial consideration, such as gifts"*  
-Regulator

Employee funds generally grant credits 50-60% below commercial banking, making these credits a more attractive product for employees. However, credits are identified as a commodity. To remain competitive, the funds have found it necessary to integrate value-added products and services. Generally, value-added services are discounts and coupons. It is identified that employees value all those additional ones that release some financial burden or allow access to generally expensive benefits at a fraction of the price.

### **Finance Offering for low-income employees is limited.**

Despite being formal employees who receive monthly or bi-weekly salaries, low-income employees face challenges covering their financial needs. These needs commonly range from Educational loans to study English or continue with higher education (for self or children), mortgages, and the need for loans to cover other debts, consolidate debts or refinancing.<sup>5</sup>

Exclusion for low income is attributed mainly to the low value that these segments represent and the perception that employees have of high interest rate in non-salary backed loans, branch opening hours, and requisites to be eligible for a loan, waiting times, and amounts that they have access to.<sup>6</sup>

On the other hand, there is a higher exclusion perception regarding low-amount loans to face emergencies or unexpected expenses during a pay cycle. To meet such challenges, employees recur to friends and family for loans, and in some cases, to informal mechanisms such as *gota-a-gota*. However, Key Informants point out that if there were access to a service that provided quick responses, employees would prefer to use them. That means, in the case of Akiba, if employees had access to a mobile application that allowed them to request a loan, be instantaneously approved, and repay through salary, employees would prefer to use it.

Akiba also holds an opportunity in the savings space with its financial education and savings digitization solutions. The savings value offer is nearly a commodity, so Akiba can compete with service differentiation.<sup>7</sup>

*"Their employment contract should make them suitable for a bank loan, however, banks do not serve unbanked or people without a co-debtor"*  
-Regulator

*"What is innovative about Fintechs is that they offer a diversity of channels and provide a differentiated type of attention, more personalized, giving the possibility of customization when offering these segments specific products"*  
-Association

*"In Colombia it is difficult to save due to the hidden costs that saving accounts imply, also, the interest rate that savings generate are very low"*  
-Employees Fund

### **Lending is a dominant fintech category in Colombia due to the high potential that underserved markets represent**

<sup>5</sup> Quote on the right: "el contrato laboral los hace aptos para el banco sin embargo los bancos no atienden personas no bancarizadas o personas sin codeudor"

<sup>6</sup> Quote on the right: "Lo innovador de las Fintech es que ofrecen diversidad de canales y brindan otro tipo de atención, más personalizada que dan la posibilidad de customización al llegar con servicios específicos para estos segmentos"

<sup>7</sup> Quote on the right: "En Colombia es muy difícil ahorrar porque hay costos ocultos para las cuentas, además de que la tasa de interés que se genera es muy baja"



By the end of 2020, ColombiaFintech had 322 associated fintechs. Digital lending category represents +30% of the associates and this is due to growing demand of financial services that Colombians are showing, and incumbents are not fulfilling; Digital Lenders have a high potential growth<sup>8</sup>.

The Colombian ecosystem is not perceived as a blue ocean; however, opportunities arise for niche-focused fintechs aiming to provide services to underbanked populations. Among these, a growing trend has been identified in digital lenders focusing on offering salary-on-demand to formal employees and those who work as self-employees receiving daily fees<sup>9</sup>.

Agreements with employers are not required to succeed in the ground, many successful fintechs have developed a personalized attention scheme that has proven to be a competitive advantage.

There is a growing number of fintechs focusing on formal employees, retired and government employees due to the perceived opportunity and lower risk that these segments possess. As a high-demand category, Lending fintechs have working tables that different organizations, such as ColombiaFintech, promote.

#### Box 4 ColombiaFintech

##### *ColombiaFintech*

Colombia Fintech is a Colombia's Fintech companies association, created in December 2016, with the common goal of creating a dynamic ecosystem for Fintech businesses in this country. Today, it has more than 320 associated companies and affiliates and supports essential entities of the financial sector and the national government. It has established itself as the representative guild of the technology and financial innovation industry in Colombia and one of the most active Fintech communities in Latin America in just one year. ColombiaFintech offers benefits to their associates:

- Weekly DIGEST
- Access to Colombia Fintech social networks
- Participate on the Worktables to discuss Fintech ecosystem
- Networking and brand positioning

<sup>8</sup> According to one of our interviewees, Akiba would be considered a Digital Lending Fintech, despite also having Fintech-As-A-Service and Financial Education features.

<sup>9</sup> There is a significant contractor and freelance base that provide paid services that are also susceptible to acquiring this service



## Target Market, Underbanked

*"I consider that Banks serve secure 'territories', in this case, employees that have an employment contract. These secure segments are a natural target for both fintechs and incumbents; however, banks disregard riskier people who are sometimes served by the Solidarity Sector, but under tougher circumstances."*  
 –Expert Interviewee

Despite the lower risk that low-income employees represent, they are typically excluded from traditional banking, and this is due probably to the low market value that incumbents perceive. Therefore, a growing number of fintech profiles are profiling more and more clients regardless of credit history or score. Fintech, going beyond technology, provides the capacity to serve non-traditional markets, always focusing on specific niches or specific financial needs.<sup>10</sup>

Colombia offers a proper and constant nourishing ecosystem for both local and foreign fintechs. On the other hand, regulators are neutral towards Foreign Fintechs entering the Colombian market. It is known that the market opportunity is appealing as there is a big un(der)served population, and they look to increase the offering towards consumers.

## Innovation ecosystem focused in increasing digital money

### adoption

The regulatory ecosystem is currently focusing on increasing financial inclusion through innovation. The Superintendency has presently two groups focused on achieving the objective: Financial Innovation and Sustainable Financing. On the other hand, despite high indicators of financial inclusion in Colombia, indicators of cash use remain high. A diagnosis is that there has not been a significant penetration of digital payments. The pandemic allowed access to deposit products to be improved; however, a substantial percentage of those users only used these mechanisms to access government subsidies but continued to withdraw the money and use cash.

In this sense, a growing penetration of Fintech is identified as they are helping to increase the use of digital payments, but there is still a lack of digital products. The Financial Innovation team has worked hard to understand the barriers and participate in regulatory conversations.

Recently, Decree 1234 of 2020 gives the legal framework to the regulatory Sandbox regarding the constitution of Financial Innovation companies; The Sandbox provides a basis for Fintech companies to test their value proposition and provides an opportunity to adapt and mature their business model to the Colombian market. After about two years, they can acquire a license.

<sup>10</sup> Quote on the left: "Considero que los bancos siempre van a territorios seguros, en este caso, empleados con un contrato fijo. Estos contratos seguros son el target natural para fintechs y los bancos de siempre. Los bancos evitan gente de alto riesgo que a veces los atiende el Sector Solidario, pero con condiciones más duras "

## Opportunities with established financial institutions lie in advancing the digital non-bank correspondents.

Box 5 Decree 222, February 2020

### Article 2.36.9.1.1. Services provided through correspondents

Decree 222 of 2020 regulates digital correspondence that allows alliances or third parties. Where it goes further, it does not have to be a physical position, and it can be a digital platform that can offer digital products.

Interviews identify significant opportunities for challenger FPSs, such as a Fintech, in the digital non-bank correspondent model. Technological improvements and regulation yield new means of interaction between customers and incumbent financial institutions through outsourcing agreements.

In this model, non-financial commercial establishments that offer essential financial services under the name of a financial services provider become access points to the formal financial system. This business model makes it sustainable for banks to focus on low-income clients with a cost-efficient access channel.

The key difference to other financial channels such as in-store branches or kiosks is that, in the digital banking correspondent business model, the financial services are provided by the fintech's platform itself, not by the bank's employees or machines. This business model makes it sustainable for incumbents to focus on low-income clients with cost-efficient access channels.

## Employers are constantly looking for mechanisms to increase employees' satisfaction

*"The main objections to entering into a partnership between a company and a Fund have to do with reputational issues, managers are very concerned about the Fund's vigilance and reputation"*

-Employer

The employers we interviewed indicate that they are interested and active in offering different mechanisms to improve their employees' work environment. Among them are monetary benefits, discounts in establishments, among others. In the same way, it happens with the employers dedicated to payroll outsourcing: they seek to increase employee retention through mechanisms that go beyond the monetary salary.<sup>11</sup>

One of the interviewees mentioned having contact with a provider of payroll advances, indicating an openness to increase the offer for their employees. Furthermore, they noted seeking in a supplier a nature that complies with ethical standards as a global corporation. They are looking for companies that aim for sustainability, formal and transparent; suppliers must have a good reputation in their market.

We identified that employees have openness to working with Funds due to the value they can add to the company and the maximum benefit towards employees. Although the interviewed employers

<sup>11</sup> Quote on the left: "Las principales objeciones para entrar en una alianza entre una empresa y un fondo tienen que ver con aspectos reputacionales, a los gerentes les preocupa la vigilancia del fondo y su reputación"

*“Traditionally, associates prefer a Fund for the works they carry out or choose organizations with social responsibility. Millennials are more interested in the emotional salary and social aspects than the salary itself”*

*-Employees Fund*

indicate that they do not have their Fund, nor do they have an alliance with a fund, they suggest that there are four critical criteria to evaluate a possible partnership:<sup>12</sup>

- Credibility must be a formal and reputable fund.
- Other companies of the sector must be involved. This provides credibility and nurtures confidence.
- Must provide a complete package of benefits (end-of-the-year bonus, discounts, presents, others).
- Accessible interest rates in both savings and credit.

### 3.2.1.2. Challenges

#### Official interest rates limit threshold Akiba could charge to clients

Due to the purpose of the digital loan business, aimed at generating profit derived of a loan during the term granted to the debtor, the offering companies cannot exceed the maximum legal limit of interests in their operations, following civil and legal regulations. That is, the interest rate may be the one agreed by the parties, provided that they do not exceed the legal ceiling certified by the SFC on current and default interest for ordinary and consumer loans.<sup>13</sup>

*“Fintech companies must have wiggle room to debate interest rates and other issues. Fintechs are entities that could abuse these grey areas for their benefit or, on the other extreme, not apply any interest rate at all at the cost and detriment of their efficiency*

*-Regulator*

Although digital providers are obligated to meet the maximum legal interest, unclarity remains as the provision of the technology fee is charged. According to some interpretations, the technology fee should be considered and understood as an element of the interest rate, limiting the threshold that digital providers can charge to their clients. There is no clarity on whether the use of technological platforms should or should not compute directly on the interest rate; This can be critical since it can be determined if a Fintech charges the usury rate.<sup>15</sup>

*“There is a differentiated interest rate to benefit low-income or bottom of the pyramid segments, but there is not a specialized regulation that affects digital lenders, that creates uncertainty”*

*-Regulator*

Legal insecurity and permissibility are identified for digital service providers as they may or may not incur usury due to the improper methodological application in the construction of decisions.

#### Unclear regulation creates grey areas for fintechs to operate, however they might be turned into a greenfield to grow

<sup>12</sup> Quote on the left: “Tradicionalmente, los asociados prefieren un fondo que trabaje en el rubro que ellos trabajan o escogen organizaciones con responsabilidad social. A los Millenials les interesa más el salario emocional y los aspectos sociales que el salario por sí mismo”

<sup>13</sup> “The remunerative interest will respond to market requirements, as long as the Board of Directors of the Banco de la República does not establish limits”, SFC, Concepto Radicado No. 2001033040-2

<sup>14</sup> Quote on the right: “las Fintech deben tener espacio para debatir estos temas ya que existen entidades que pueden abusar de esos grises y para su propio beneficio o no aplicar nada en detrimento de su eficiencia”

<sup>15</sup> Quote on the right: “para perfiles de bajos ingresos / base de la pirámide se tienen la diferenciación de tasas de usura de cara a riesgos diferencias, pero no hay una regulación especializada que afecte a los créditos digitales, eso crea una incertidumbre”

*"We believe that there should be a differential credit for technology and that is why ColombiaFintech is promoting good practices for good confidence in the market."*

*-Association*

Online lending activities do not have the control and surveillance of the SFC. The reason is that the granting of credit can be carried out by people other than the supervised institutions because it is not an exclusive activity of said regulated entities. "As long as it is conducted with its own resources and its exercise does not compromise the management or use of public resources.

There is no unique digital credit legislation in Colombia. Associations and key players in the ecosystem, such as ColombiaFintech, are there to lobby and push for determinations and/or modifications on the single digital credit circular to bring greater legal and operational certainty that allows the promotion and credibility of Fintech. Industry associations, such as ColombiaFintech promote best international practices. For this reason, ColombiaFintech has initiatives such as "Guarantee Seal" which seeks to establish trust standards as a kind of self-regulation; This seeks to have regulatory initiatives that come from an industry agenda rather than an imposed agenda.

### **Reluctancy and limitations in digitization and digital initiatives investment**

*"I still see room for improvement in technological platforms. Take Linx, for instance; there are complaints about high costs and low customer support"*  
*-General Manager, Employees Fund*

Despite the needs that the pandemic has made evident, the Employee Funds are, for the most part, in a digital lag derived predominantly from the lack of investment in technology. This lack of investment is due to various factors:<sup>16</sup>

- a) Lack of a digital strategy that makes the business case clear, allowing the distribution of resources, already limited, in high-impact initiatives.
- b) Lack of a clear digital path with priority initiatives
- c) The resources available are used to carry out necessary changes in the regulation. To comply with the changes, the Funds carry out support updates, but they do not improve internal processes or for the client.
- d) Lack of a diversity of digital solutions that are truly cost-effective and scalable based on existing infrastructure. Cloud-based and not on-premises.

One of the interviewees indicated having stopped his digital initiatives due to pandemic, even knowing that they were necessary for the continuity of the business and aware that from now on, they will be a requirement of the associates, particularly digital channels.

Regarding the level of satisfaction Employee Funds currently have with their tech platforms, general managers sense that constant changes in regulations consume tech budgets. What is left is not necessarily invested in commercial innovation but instead in supporting expenses for compliance purposes.

### **Market Saturation in solutions serving the Employee Funds**

<sup>16</sup> Quote on the left: "Yo veo campo para mejora en las plataformas digitales. Por ejemplo, Linx donde hay quejas porque tienen costos altos y no dan soporte a los usuarios"

Although there is not an accurate number of possible competitors, there are perceptions that only a low amount of fintechs offer focused/specialized platform services to Employee Funds and Cooperatives. These players have captured a reticent market to invest, but that have identified a need and are covering it with out-of-the-box digital solutions. Some companies have worked agreements with the Solidarity Sector to serve formal employees, retired, and other associates.

### **Operational load derived from managing employees' benefits**

*"Today it is not done because it is expensive, and it requires a lot of procedures and controls. We do not look for these options because of the complexity they imply"*  
 –HR Manager

Even though there is a constant search to increase the value proposition for its employees, in general, it is identified that companies do not have a high priority approaching payroll advance providers or savings managers. A perception that the management of a supplier of this nature would add complexity and operational load to human resources activities lingers.<sup>1718</sup>

On the other hand, employers are not perceived as interested in solving employees' financial needs as part of their salary, so usually, collaborators receive stipends, commissions, and pre-arranged benefits packages. There is no other support apart from validation letters or certifications per request to Access loans in banking entities. However, this perception could change if direct advantages towards the employer are made clear.

17 If a strategic partner is found, the criteria for evaluating suppliers would be the same as for evaluating employee funds.

18 Quote on the left: "Hoy por hoy no se hace porque es dispendioso, requiere mucho trámite y controles. No creo que esté permitido por la complejidad"

### 3.3. Conclusions & Recommendations

Taking these opportunities and challenges into account, we turn now to a discussion of recommendations that naturally emerge from these research findings. These recommendations focus on strengthening Akiba's value proposition to compete in the Colombian Market.

Colombia shows excellent potential for Akiba's value proposition to thrive in all three of the analyzed business lines (as Fund's digital transformation partner, as a tool to increase Employer's value proposition towards employees, and as a standalone payroll-based loan fintech). Akiba faces, however, challenges that may limit pricing range and ease of generating bottom-line revenue. FSPs and experts alike believe the current loan offering in Colombia could be improved and that Akiba and other foreign fintech could take a role in increasing access to financial services to un(der)served populations, including low-income employees. Furthermore, Funds & Employers identify that Akiba could be a key differentiator in the offering they are currently delivering to employees and would be significantly interested in including Akiba's solution into their portfolio. To enhance Akiba's value proposition in Colombia, the consultants make the following recommendations:

#### Understand commercial market (Funds & Employers) needs:

- Assess and segment Funds' digitization level and generate differentiated offerings, taking advantage of the modularity Akiba already has.
- Analyze and conduct deep dives into the needs and constraints of Employee Funds and FSPs that currently provide financial services to employees. Create a map of their user experience to have a clear vision of processes, risks, barriers, and the current situation.
- Adapt value proposition and execution processes to meet FSPs' financial needs to reduce risks and accurately serve their associates.

#### Seize opportunity with employee funds:

- Leverage current omnichannel experience that Akiba offers to become a key partner of the Funds in their digital transformation
- Customize Akiba's platform to meet Fund's accountability, reporting and other back-office, and compliance needs to add value
- Automate Fund's back-office / front – office processes in a modular & out-of-the-box solution
- Incorporate in pitch and value proposition flexibility, as that Funds value and demand flexible and accessible digital solutions that fit their evolving needs.
- Benchmark current digital solutions for Employees Funds costs/prices and pricing models and adapt Akiba to compete with such prices.
- Integrate value-added services (discounts, coupons, others) Fund's already offer to associates into Akiba's platform
- Adapt to local regulatory framework.

#### Build relationships with ColombiaFintech and other associations:

- Leverage ColombiaFintech' s labour and advances to maximize efficiency whilst being compliant with interest rates regulations.
- Build reputation and position Akiba through the benefits of becoming a ColombiaFintech' s associate.
- Participate in the Negotiation and Discussion tables that the Ecosystem provides to take part in decision making.

**Leverage potential partnerships identified by KIIs:**

- Contact and pitch with Adecco & Asertempo, as an immediate partnership opportunity was identified during KIIs. These players are interested in having Akiba in their benefits portfolio.
- Explore relationships forged with Foncomercio and ICESI. These players are interested in Akiba's accessible and modular digital solution.

**Communicate HR Value Proposition:**

- Include in marketing approaches and sales pitches messages tailored to transmit that Akiba does not increase operational work to employers or HR departments.
- Communicate to Employers existing reputation and credibility gained in Mexican & Peruvian markets to differentiate from other competitors. HR departments will value knowing about Akiba's regional expansion and success cases (i.e., Sura, Bimbo, EY, Marinela)

## 4. Qualitative Research



Considering the findings in the first three deliverables -the Desk Review Report, the Competitive Landscape, and the Key Informant Interviews Report- the consulting team engaged with low-income formal employees to better assess the value proposition of loans based on payroll as savings deducted from salary. Therefore, conducting a round of in-depth interviews was appropriate to understand the demand-side needs, gaps and pain points.

This document presents the findings of such interviews structured in three key areas: first, we describe the general perceptions discovered towards loan and savings current practices. Then we describe the three primary personas that we identified, a description of their general needs, and key aspects of their financial behavior. Finally, the document presents a list of key findings related to the particular behavior of the Colombian market.

## **Methods**

For this piece of Qualitative research, we conducted a series of interviews oriented to test the consumer-friendliness of Akiba and understand the demand-side needs. The team interviewed twelve low-income formal employees. We selected interviewees considering several factors that include income, location, job position, gender, and age. We analyzed the transcripts from these interviews to identify key themes and tested these themes as we continued to conduct interviews.

For the interviews, the consultants designed a general questionnaire. Interviews consisted of one-hour time slots and were executed through Zoom in a semi-structured fashion, taking as a starting point the research tools. We recorded every interview with the interviewee's permission.

Due to the restrictions in having face to face interactions, it was impossible to perform user testing with potential end-users. However, in-depth interviews provided insights from members of Employee's Savings Funds that could eventually use the Akiba product. Feedback from HR departments in companies interested in using the product was also collected. Furthermore, the questionnaire included questions on the apps employees currently use and what they like about it and what not; it was also asked: what the motivations are to use savings and loans. Finally, we had a question about what the perception would be of what the perception of a product like Akiba would be.

## 4.2. Demand-side Qualitative Research

Low-income formal employees in Colombia have financial needs that differentiate from other underbanked populations in the sense that formal employees usually receive a paycheck through digital means in a periodical fashion. The pandemic has accelerated dispersion of salaries through digital and has affected financial behavior. Openness to new digital tools and resources, as well as digital finance transaction frequency and amount, vary depending on the employee's age, life-stage, and sector.<sup>19</sup> This section examines perceptions of cash versus digital payments, three main personas that emerged in this research, and main motivations for digital payment adoption.

### Box 6 Characteristics of low-income employees in the sample

**Among our sample, every participant had a mobile phone, and 95% had smartphones.** Every interviewee who has a smartphone uses at least Facebook and WhatsApp. Still, the use of more advanced apps increases depending on a number of factors (i.e., autonomy using technology, access to the internet, digital literacy). The most advanced users are familiar with traditional mobile banking, mobile-based spreadsheets, and meeting applications, but less so with financial apps from alternative providers.

**Every participant receives wages through digital means and are familiar with mobile banking.** Low-income employees receive their salary through an account, but extra income is usually received in cash. Independently of income, the most advanced technology users are used to making transactions through mobile banking, paying bills and other expenses online, and avoiding cash; they also practised this behaviour before the pandemic. Less technology-familiar interviewees adopted mobile banking during the pandemic as a medium for taking care of themselves and continue making transactions. However, cash is still preferred.

**Low-income employees receive under three minimum wages a month.** 40% receive under US\$ 540, 40% of participants receive US\$ 540-\$800 in wages, and only 40% of interviewees had a higher income, but having their input was essential to have a point of contrast. Minimum wage in Colombia is USD\$ 270

**Participants fell into one of three different payment behaviours: Debtors, Savers, and Financially Sophisticated.** Although employees with a higher income are more inclined to use a mix of financial mechanisms, the income level was not the best predictor of saving versus using loans to face emergencies or make planned purchases.

<sup>19</sup> Employees are more inclined to use digital money when they already have a bank account, which is required to access mobile money, and a card. Access to financial tools such as savings, loans and insurances are more common amongst those who already hold a bank account.

### 4.2.1. Perceptions of financial needs

The use of financial tools among low-income formal employees is intended for three primary purposes: saving income, making payments, and requesting extra money (credits, loans). Employees often conduct these transactions with different institutions or organizations. They will not solve everything in one place, but they choose the most comfortable for the situation. The decision responds to four factors: temporary nature of the needs they seek to solve (whether immediate, mid or long term), degree of institutionalism required in the given circumstances, costs & fees associated, and geographical context.

For most low-income employees in Colombia, savings and loans are part of a professional and personal lifestyle. The following findings reveal employees' perceptions of savings and payroll-based loans regardless of the mix in which they use them:

- Ideally, savings focus on attaining mid-term objectives and spending on personal/family consumption but can be spent responding to emergencies.
- Loans are a tool to grow. Mainly, payroll-based loans are suitable for achieving long-term objectives such as purchasing a house.
- When unplanned expenses occur -outside payroll cycles and surpass discretionary<sup>20</sup> income- the preference is to obtain extra money immediately and at the lowest possible cost; therefore, the first choice is family & friends. Loans with well-established institutions are also preferred, but they are not always accessible.

**Table 4 Understanding Colombian Employees' financial needs**

	Saving Accounts	Payroll-Based Loans
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Financial autonomy</li> <li>• Earn interest on savings</li> <li>• Automatic discounts from salary</li> </ul>	<ul style="list-style-type: none"> <li>• Emergencies</li> <li>• Cheaper than other credits</li> <li>• Access to high amounts of money</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Difficult to reach saving goals</li> <li>• Fixed in time</li> <li>• Expensive</li> <li>• Inaccessible in emergencies</li> </ul>	<ul style="list-style-type: none"> <li>• Many requisites</li> <li>• Expensive</li> <li>• Time-costly</li> </ul>
<b>Fears</b>	<ul style="list-style-type: none"> <li>• Hidden fees on savings (resulting in negative returns on savings)</li> <li>• Fraud / IF steals the money</li> </ul>	<ul style="list-style-type: none"> <li>• Over-indebted</li> <li>• Loan rejection</li> <li>• Credit history will be affected.</li> <li>• Fraud / non recognized payments (even in case of loans people suggest non reputed institutions' money management might get them in trouble)</li> </ul>
<b>Myths</b>	<ul style="list-style-type: none"> <li>• Only rich people can save</li> <li>• You don't earn anything from savings, you end up paying instead</li> </ul>	<ul style="list-style-type: none"> <li>• "You pay double the amount lent"</li> <li>• "It takes a lifetime to repay"</li> <li>• They give you 1 peso, but charge you 4</li> </ul>

Source: Qualitative interviews performed until June 2<sup>nd</sup> under the context of this project

When additional money is required not covered by monthly disposable income, employees' resort to different mechanisms according to the amount needed:

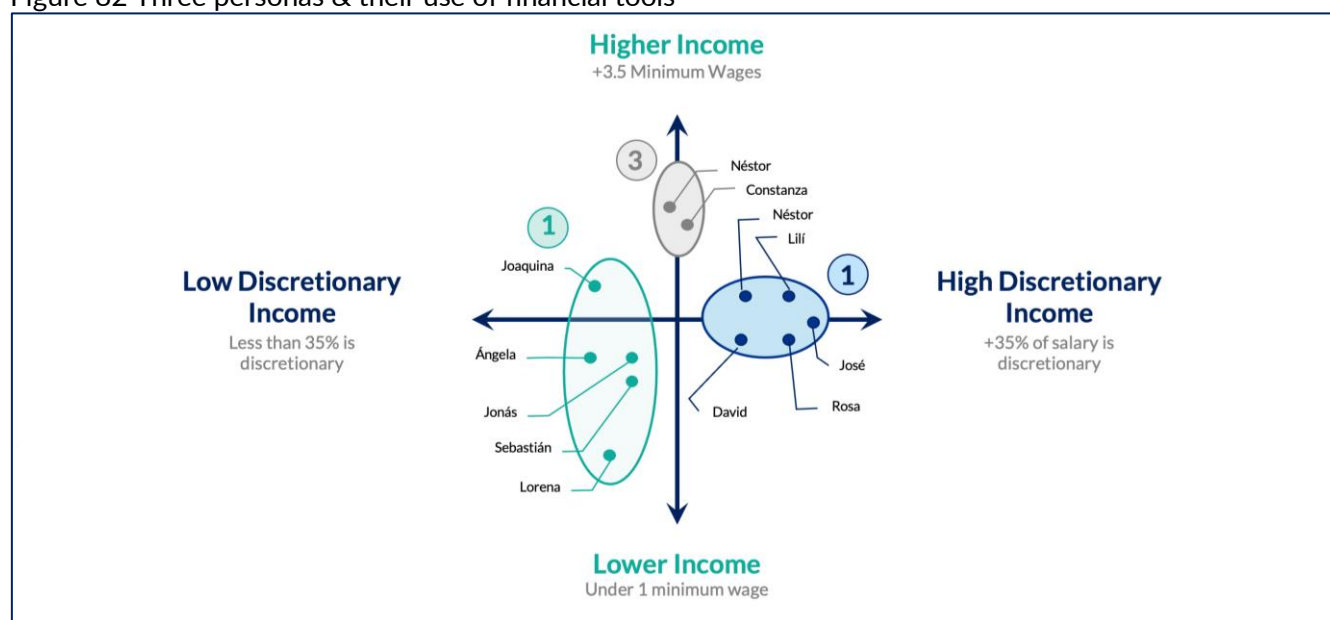
<sup>20</sup> We are defining Discretionary Income as the amount of money that is left to spend after having covered basic expenses, rent, fees, and loans repayments.

- **Low amount:** (> 500 thousand COP / > US \$ 130) Family and Friends, looking for the least possible interest and the greatest immediacy. Some employees indicate that they would consider acquiring a loan from a Fintech<sup>21</sup>
- **Medium amount:** (500,000 to 10M COP / US \$ 130 - US \$ 2,650) Informal mechanisms such as family funds or ROSCA (Known as Chains in Colombia).<sup>22</sup>
- **High amount:** (+ 10M COP / + US \$ 2,650) Banks or other formal institutions.

### 4.2.2. Three personas

As part of our analysis, we considered where employees fall along two key axes: (1) range of discretionary income (2) the level income taking minimum wages as standard. Using these variables, we noticed three clusters: Debtor, Savers & Financially Sophisticated. We saw that the financial ecosystem played an out-sized influence on digital payment comfort and adoption in each of these clusters. Figure 1.

Figure 82 Three personas & their use of financial tools



Source: Author's analysis. Names were changed to maintain interviewees privacy.

Each of the identified personas shows a particular behavior towards access, adoption, and use of digital payments and needs. There are different needs that platforms will need to cover in their value proposition to appeal to each of these personas.

Table 5 Three Personas and use of financial services

 Debtors	 Financially Sophisticated	 Savers
------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------

<sup>21</sup> None of the interviewees indicated to have heard or know about a fintech value proposition.

<sup>22</sup> ROSCA is a Rotating Savings & Credit Associations. A chain, or Cadena in Spanish, is a mechanism in which a group of family, friends or co-workers create a periodical savings system (monthly, weekly or biweekly) according to members' possibilities. The members define, first, the amount to save; second, the periodicity; and third, the dates on which they will deliver the money. The number of times money is raised in a chain is equal to the number of participating people. The group agrees at the beginning on which date each member will receive the money. This is also a loan mechanism for the first person receiving the 'chain', as they can collect group's money and repay with the established periodicity.

<p>Debtors are employees that receive a monthly salary, albeit below the Colombian average. They value the stability that receiving a monthly wage provides; however, it provides a limited ability to respond to emergencies as it is reduced. As primary providers in their households, debtors like managing their money in "Pockets"<sup>23</sup> -similar to envelopes- generally using mobile banking. The ability to save is limited by other expenses and decreased during the pandemic. Debtors predominantly recur to friends and family for loans as they perceive banks and other financial institutions as expensive.</p>	<p>Financially sophisticated employees have a higher income in comparison to the rest of personas, but also have a high discretionary income. They can save between 20-25% of income and do it in different buckets using different financial tools such as insurance and pensions for long-term objectives, fixed-term investments for mid/short term objectives and prefer to leave some money in account for emergencies/unexpected exp's. Also, they can use loans for different purposes but use them according to amount needed, requisites, costs and time to obtain it. They use them as an extra tool to finance expenses and avoid 'misfitting cash flow'. A good knowledge of the financial offer available provides them the ability to swift between different mechanisms according to their needs.</p>	<p>Savers are employees with a high discretionary income in proportion to basic expenses and have greater ability to plan costs, save money, and respond to emergencies. As disposable income remains low compared to the Colombian average, they are very aware of the fees they pay and are very careful about the mechanisms they use to finance. Consequently, they prefer cash and save money at home; however, they recognize that the Solidarity Sector (Cooperatives) has a cost-friendly offering for savings but limited access when emergencies occur. Savers put aside money with mid-term goals such as affording vacations, purchasing clothes or investing in home improvements. When savings are not enough to cover emergencies, they have access to solvent family/friends who can lend money quickly and no costs.</p>
<p><b>Key attributes:</b></p> <ul style="list-style-type: none"> <li>• Used to mobile banking</li> <li>• Limited access to credit</li> <li>• Value ability to save and have earnings through interest, but feel limited by long terms</li> <li>• Face unexpected expenses often, solve them with friends &amp; family when possible</li> <li>• Face difficulties in covering banking requisites</li> <li>• Know Employee Funds, but don't recognize them as a helpful financial tool</li> </ul>	<p><b>Key attributes:</b></p> <ul style="list-style-type: none"> <li>• Used to financial tools such as long-term savings, loans, and insurance</li> <li>• Know the banking offering in Colombia and like to compare before making decisions</li> <li>• Acknowledge benefits that working for a large enterprise provides</li> <li>• Uses Technology for banking transactions</li> <li>• Takes opportunities in both credits and savings</li> </ul>	<p><b>Key attributes:</b></p> <ul style="list-style-type: none"> <li>• Distrust in formal financial services / High-cost perception</li> <li>• Avoid paying fees / worry about paying hidden fees</li> <li>• Value immediate access to money</li> <li>• Familiar with Employee Funds and Cooperatives, like them to save money</li> </ul>

<sup>23</sup> "Pockets" are the tool Colombian FSPs use to allow their customers to separate the money they have in their accounts into different spaces or buckets for different purposes.

## Box 7 Angela

Angela works as an assistant in a Medical Supplies company. She has worked there for three years and acknowledges that she has grown professionally and her income. *"I have a better income now, that's true, but I haven't had the chance to enjoy it as expenses are now bigger too".*

During the pandemic, close relatives lost their job or saw their salaries reduced, putting extra pressure on Angela as the primary provider in her household and reducing her ability to save. *"I used to save 10 or 15% of my salary, the Pockets that bank provided in the mobile app were very convenient, but now, what I used to save now I use it to pay for the household expenses."*

Expenses that cannot wait are mainly food, service bills and the credit card balance. However, buying clothing, leisure, personal care, and savings can wait. *"I like saving in my current account. The bank has 'Financial Pockets' to separate the money, I receive my salary in the main pocket, and I can separate it from there at no cost."*

Angela has different goals and different mechanisms and has looked for the best tool to keep her money. She values saving products that not only provide a reasonable interest rate but also offer value-added services and that are tailored to her needs. *"I save for different activities or purposes; I like to say this amount is for X and this one for Y so that I can organise myself better. I used to take my money to a Cooperative, but you had to do much paperwork to take the money out. For travelling, it was ok because the money is there, but they start giving you interest only after three months. Hence, it was no good for something immediate or if you needed to withdraw earlier; in that case, you end up giving some money away instead of them paying you. [...] What I kind of liked but not so, was the coupons, but sometimes they were for taking kids to the park or for buying electro domestics; I don't need any of those, discounts in a hotel or restaurants would fit me better".*

Despite receiving a monthly salary and having an active savings account, she found it difficult to access a loan or a credit line. *"It was very complicated; I literally went to five banks, and I was rejected because I had never had a loan. I finally got a loan from a Cooperative and started my history from there, but now I don't like banks apart from the account where I receive my salary."*

<sup>24</sup> Quotes translation: (1) -Sí señor, ahora gano más, pero no lo disfruto, mis gastos son cada vez mayores (2) -Guardaba entre el 10 y el 15% de una en los bolsillos financieros, me convenía, pero ahora lo que estaría ahorrando después de la pandemia ahora lo necesito para los gastos. (3) -Me gusta ahorrar en mi cuenta. el banco tiene el bolsillo financiero porque recibes el ingreso salarial y lo ingresas ahí y no tiene costo, me llega ahí y de una lo separo. (4) -Ahorro para diferentes actividades y fines. Me gusta establecer para X o para Y, así me organizo mejor. en el banco con los Bolsillos me conviene para separar y priorizar mis ahorros, pero antes llevaba mi dinero a una cooperativa, pero era mucho papeleo para retirar el dinero. para un viaje me gusta porque como es a largo plazo el dinero está ahí y da interés después de tres meses, pero si lo necesitas de una, te quita la plata en lugar de darte

### 4.2.3. Key Findings from Primary Interviews

For low-income formal employees, receiving a regular salary provides them with security and room for planning. However, a low income nudges a behavior where they seek to increase efficiency in their expenses, look for better saving products and, if necessary, immediate and low-cost loans. All personas in our sample noted a preference in savings as a tool to attain objectives and as the best way to respond to emergencies. However, some also pointed out that the current financial situation and income volatility could hinder their ability to save and push them to turn to loans and credits.

Our sample consistently reported several factors that could influence the design of the value proposition that Akiba will offer in Colombia. To facilitate this, employees are looking for services that develop transaction trust and confidence, increase digital capabilities, and respond to challenges as they occur.<sup>25</sup>

#### **Employees are aware and concerned about the fees FIs charge.**

When employees are faced with an emergency, immediacy in access to money plays a crucial role. In the case of Savings, employees prefer savings at sight or saving at home because fixed-term savings limit access to cash. In addition, the need to dip into your savings is frequent. Those interviewed with more slack in their income indicate having a segmented organization of their savings, allowing them to have different pockets for different situations.

*"Banks generate more expenses than what the savings yield in interests, discount for account handling, this and that, I don't trust it and I don't like it"*

-Juana

#### **Immediacy in accessing funds is paramount.**

When employees are faced with an emergency, immediacy in access to money plays a crucial role. In the case of Savings, employees prefer savings at sight or saving at home because fixed-term savings limit access to cash. In addition, the need to dip into your savings is frequent. Those interviewed with more slack in their income indicate having a segmented organization of their savings, allowing them to have different pockets for different situations.

*"It was not easy to withdraw the money from the Fund, I had to go and do the paperwork, and I needed approval from my employer"*

-Nestor

*"I give my money to my mother because she won't let me spend it"*

-Angela

In the case of loans, those who do not have available savings or need an amount higher than that saved resort to the financial instrument capable of delivering the money quickly and with the least possible obstacles. Generally, the first option is family & friends with economic ease; however, informal lenders are used since they do not have them. We identify a gap in the financial offering covering this need. It is also identified that employees do not feel suitable to apply for formal loans because their reduced income does not seem attractive to financial institutions or banks, whilst Libranza is lengthy in time. The Solidarity sector is more flexible but slow and with much paperwork; It is not generally recognized as a mechanism for dealing with emergencies or financial stress.

*"I ask my family because they don't charge me interest, but also, because it is fast, they trust me and know I will repay as soon as I get back on my feet"*

-Rosa

#### **Lack of knowledge of the financial offer in addition to the banking one**

<sup>25</sup> Quotes translation: (1) Los bancos generan más gastos que realmente el ahorro, el descuento por el manejo, el no sé qué, y me genera desconfianza y no me gusta eso. (2) No fue nada fácil retirar el dinero del fondo, tuve que ir y hacer mucho papeleo y necesitaba pedir permiso a mi jefe (3) Le doy dinero a mi mamá para que me lo guarde, es muy correcta y no me lo deja gastar (4) Recurro a mis familiares porque no me cobran nada, ni interés ni nada, pero también porque es de una, confían y les pago en cuanto puedo



Interviewees indicate, in general, not knowing formal financing options beyond traditional banks. Although formal employees know that there is access to credit that can be backed by payroll, there is also the perception that the options available are difficult to access and expensive.

On the other hand, knowledge of salary advance options is limited, both in banks and other FSPs. For this type of loans, informal mechanisms such as family and friends are normally used. The interviewees indicated that they are open to learning about new options, especially if access is immediate and through platforms such as cell phones.<sup>26</sup>

### ***Trust in Banks, despite of interest. Preferable to ask a loan from a reputable institution.***

Interviewees indicate distrust in digital platforms. This skepticism derives from the uncertainty of the supplier's reputation, the lack of a personal counterpart and the lack of adequate customer service.

To increase trust in this type of platform, the interviewees indicated that they should know beforehand (having heard about it in reputable media or by recommendation from acquaintances).

### ***Automatic discounts and quick access to funds are drivers of adoption***

Interviewees point out the value in automatic discounts from payroll as it is difficult to manage money once it is in their account and very easy to spend. Furthermore, a significant portion of interviewees indicated to be used to automatic discounts as they have had this dynamic in the past or currently. Employees who are not discounted from payroll show an openness to this mechanism and highlight the easiness to manage long-term savings. Nonetheless is highly expected not to have any bureaucratic hurdles to access their own savings.

However, interviewees also highlighted that access to savings in the short term is paramount, as they are often exposed to unforeseen expenses and emergencies. They would not have any other way of

*"Loans online do not generate confidence in me instead of those on the internet. I prefer a bank because as there are good people, there are people who want to steal."*

*-Lorena*

*"You would have to know the platform very well, you should take advice, look at the interests very well, you are not going to get into something without knowing"*

*-Juan*

*"Customer service is the most important thing, Rappi for example was nefarious, for the money back they took and did not tell one what had really happened"*

*-Johanna*

*"I would like to save from my income thinking about my future... I have a pension I know that when I get the age, I will have to subsist but I would like something extra"*

*-Sergio*

*"I Save to have that flow of cash, to respond to emergencies"*

*-Juana*

*"I've never been encouraged to take out a loan from a bank, it's scary to go into debt; that's why I've never gone. At this time, I have no debts, nor have I been reported"*

*-Rosa*

<sup>26</sup> Quotes translation: (1) Prestamos por internet no me generan confianza en vez de esas de internet prefiero un banco, porque como hay gente buena hay gente que se presta para robar (2) - Tendría que conocer muy bien la plataforma, debería asesorarse, mirar muy bien los intereses, no se va a meter en algo sin conocer. (3) El servicio al cliente es lo más importante, Rappi por ejemplo me fue nefasto, para la devolución del dinero se tardaron y no le decían a uno qué había pasado realmente. (4) Me gustaría ahorrar desde mis ingresos pensando en mi futuro... Tengo pensión sé que cuando llegue la edad tendré con que subsistir, pero quisiera algo adicional. (5) Ahorro para tener ese flujito de caja, para responder a emergencias



covering it and would like to use their savings without the burden of paperwork.<sup>27</sup>

### 4.3. Conclusions of the Qualitative Study

With few exceptions, the Colombian financial system remains focused on upper-middle-income customers. Financial services providers have primarily seen digital transformation as an opportunity to better serve their existing upper-middle-income clientele—not as a way to reach customer segments that appear to be higher-risk or of low value, such as low-income employees. Akiba can take a series of activities to capture the opportunity and, as customer research shows, catch the insight to adjust its value proposition better to serve the low-income employee's market.

Despite there was no user testing due to the pandemic situation, it was possible gathered the following feedback from employees on Akiba features.

Overall, it was identified that every interviewee from our sample is used to and has adopted digital channels to make banking transactions. This trend is noticeable because, despite the segment where typically digital adoption remains low, we noticed that the Colombian market is experiencing a shift primarily nurtured by the delivery of government subsidies during the Pandemic through SEDPEs, wallets and other mobile personal finance solutions.

Interviewees indicated that they are typically skeptical and reluctant to use and adopt new technologies, particularly those that come from non-traditional players as they consider them unreliable, difficult to use and create uncertainty for them. However, the pandemic situation "lowered the guard" of Colombians, increasing awareness and trust in digital solutions, meaning that some of the toughest paradigms in Colombian populations are being challenged by fintech players. From these findings, we can predict that the Akiba app holds a significant potential to be adopted and used frequently by low-income employees.

We identify an exciting opportunity for Akiba to hit the ground-running in the Colombian market. Akiba holds experience and reputable background in the personal finance, financial education, and financial stress mitigation spaces. All three spaces were identified as gaps during the qualitative research. This qualitative study showed Akiba could cover significant gaps in the employees' financial needs. However, to be successful and win in the market, Akiba will have to focus on building awareness of its product and trust to assure adoption and warrantee immediacy.

Finally, we also identified that low-income employees face pain points in both access to savings products and in access to credit products, mainly caused by traditional players not designing their products with this particular segment in mind. Hence, we can predict that the target segment will adopt and use frequently the Akiba product, and it will prove to be a tool that will derive in a behavioral change, driving employees to increase their savings and resilience to financial shocks, as well as ease their access to credit.

Although there was no user testing due to the pandemic situation, in terms of user experience, the study we conducted yields key findings regarding features and aspects that the Akiba product must have in order to secure adoption: We identified that employees like the idea of having visibility on their balances

<sup>27</sup> Quote translation: (1) Nunca me he animado en solicitar un préstamo a un banco, me da miedo endeudarme; por eso nunca he ido. En este momento no tengo deudas, ni he estado reportada

and speediness of Akiba (as they do not have it in the Employee Savings Funds and lending options available to them); employees prefer to have access to coupons and discounts (a feature that Akiba already has in Mexico); being able to request a loan and withdraw savings without the paperwork that they currently have. Also, it was noticed that a tool that is offered through their employer is trustworthy in their view, hence there will be a need to offer the Akiba product through channels employees are familiar with already.

We identify the following as crucial User Experience recommendations:

**Focus on building key partnerships (See Section 5) to open Quick Win markets amongst final users.**

Users require services from reputable institutions. Starting to provide the Akiba platform through the partners identified during this study will provide entrance to a niche market, in which employees will recognize Akiba as a trusted provider. These markets will become early adopters and promoters of Akiba, being a derived opportunity to capture through loyalty & rewards programs.

**Focus on the immediacy of funds dispersion for low-amount credits.**

The most valuable attribute of a low-income employee credit is the velocity in which they can access the funds. By leveraging the existing Akiba platform, and adequate communication, make sure that Akiba has as central value added the velocity in which users can use their funds.

**Be transparent about costs and total amounts to be repaid.**

Clear communications and no hidden fees are trust-builders and assure adoption. Users will value and benefit from knowing upfront under which terms, for how long, and how much it will cost to have a loan. This provides security, the ability to plan payments and avoid a bad experience with digital financial services.

**Be transparent about saving fees, terms, and when employees can have access to their savings.**

Be clear about the fees Akiba will take on top of savings, the taxes to be paid and the final earning that the employee will have through the platform. Provide comparisons against other players to show where Akiba stands in the price range. Also, provide clear communication of when will funds be available, and what to do if funds are to be withdrawn earlier. Aim to simplify early withdrawal processes and be transparent on earning so employees will be aware of total amounts to be expected.

**Design products focused on specific emergencies/use cases.**

Akiba can offer differentiated and tailored products by use case or emergency to capture the market that typically relies on family and friends. Akiba has the advantage of immediacy by being present through a cell phone, so its focus may be to position itself at the top of mind of the target through the development of innovative products that are adapted to this type of needs.

**Offer coupons & discounts vouchers as value-added services.**

Coupons & Discounts vouchers are vital differentiators that competitors use to add value to their customers. Akiba must provide this offering to capture the market. However, an identified key pain point is that there is no differentiation on the target segment. Akiba could provide differentiated benefits depending on the type of customer (i.e., Discounts in travel & restaurants for young women with no children, coupons for groceries to family heads).

# 5. Partner Selection

## 5. Partner Selection

### 4.1 Introduction

Considering the findings on Desk Review Report & Competitive Landscape the consulting team found that Temporary Services Companies (or in Colombian Spanish Empresas de Servicios Temporales-EST) represent a relevant outsourced workforce since they employ a significant headcount of low-income employees; hence, we identified that ESTs could be relevant partners to recruit.

According to the above, partner assessment and recruitment was defined into three categories: Employee Funds, Ecosystem Enablers and Temporary Services Companies. The following sections cover the methodology, opportunities, challenges and finally, conclusions & recommendations as to the result of the Partner Recruitment and Selection conducted to those three categories of organizations.

#### **Methods**

As explained previously we analyzed publicly available data from sources to construct a contextual picture of Colombia's Employee Funds dynamics. To test the consumer-friendliness of Akiba and confirm the hypotheses formed during our research, the team interviewed four Employee Fund managers, and three ecosystem enablers and two Temporary Services Companies. We analyzed the transcripts from these interviews to identify key topics.

These efforts served two purposes: first as Key Informant Interviews for these relevant set of players and second, as potential partner scouting.

After these first round of Interviews took place, we identified key stakeholders within the organizations as a networking exercise; after that we presented Akiba's value proposition, explored opportunities and how Akiba could fulfil some of their needs and finally sensed the Intention to dabble into a possible partnership if Akiba decides to start offering its solution to Colombian employees.

## 4.2 Partner scouting meetings

Five partner scouting and selection meetings were held as spin off sessions from the Key Informant Interviews.

**Table 6 Partner scouting meetings**

KEY INFORMANT INTERVIEWS			
Meeting	Number of Meetings	Name	Position
Employee Funds Demo Session	1	ICESI	General Manager
		Fonjaveriana	General Manager
		Felafrancol	General Manager
		FedeJohnson	General Manager
		FE Avanza	General Manager
Employee Fund	1	Foncomercio (National Commerce Federation employee fund for merchants)	General Manager
Temporary Services Companies	2	Asertempo	Commercial Director
		Adecco	Loyalty & Retention Coordinator
Associations	2	RutaN	Business Developer
		FENALCO (National Commerce Federation)	Guild and commercial deputy director

## 4.2.1 Ecosystem Enablers potential partnerships

### FENALCO | National Commerce Federation

The Federation was created in 1945 by a group of merchants; historical and economic events marked the birth of what we now know as the National Commerce Federation (Fenalco). This is how before and today Fenalco's mission is to work for the good of the nation and the development of commerce. For this, it seeks social justice, fights to strengthen democratic institutions, and promotes union solidarity, efficiency, and modernization of Colombian entrepreneurs. It promotes the intellectual, economic, and social development of all the people linked to the union, and it is a forum for discussion on the country's problems.

Fenalco permanently works to give merchants the tools and take the necessary steps so that they can exercise their profession in a favorable environment, seeking that this exercise results in greater economic and social well-being for the country and currently is the most important guild in Colombia with more than 10 thousand companies affiliated and divided into 18 main industries or sectors.

Fenalco operates multiple partnerships with several institutions and includes them on their guild solutions portfolio; amongst Fenalco's solutions to merchants we can find gift vouchers, credit lines to both merchants and consumers, comarketing events, merchants bureau, collections agency, merchants employee fund (Foncomercio), socioeconomic studies, training between others. Akiba should be prepared to pay a referral fee or commission in this alliance.

The consulting team had the opportunity to discuss opportunities with the Guild and Commercial Deputy Director for Bogotá and explored opportunities on how to offer Akiba's solutions to the 10k+ companies on Fenalco's data base; two of the discussed opportunities were:

1. **Promote Akiba's Salary on Demand and Payroll-Backed Loans:** Guild managers can refer Akiba solutions to Fenalco's affiliated companies. These companies as employers can implement Akiba solutions; in this sense Fenalco could serve as a lead generation engine for Akiba.
2. **Digitize Foncomercio platform:** Akiba could reach Fenalco's affiliate companies as employers through the Commerce Employee Fund (Foncomercio); Akiba would digitize fund's operation and every new employer added to Foncomercio will be served by Akiba.

#### Partnership Activities

- Co-sell activities between Akiba's reps and Fenalco's guild managers
- Create comarketing campaigns to amplify Akiba's contents on Fenalco's social media.
- Co-created events to show affiliates' impacts on financial stress on staff turnover and productivity.
- Use Fenalco's Educational platform and schedule include Akiba's financial education topics for affiliates' employees.
- Promote Foncomercio Success Story among Fenalco's affiliates data base.

#### Next steps

- Co-create a solutions portfolio that meets both guild Fenalco's interest to offer innovative solutions to its affiliates and Akiba's interests.
- Generate a partnership and/or referral agreements where terms, conditions and fees are explained.
- Generate a co-marketing and co-sell schedule.

## 4.2.2 Employee Funds potential partnerships

As explained on the Employee funds Key Informants interviews; regardless of their size, funds are actively seeking ways to digitize; they demand service channels that do not require physical presence, access to agile credit with less paperwork, and information on their financial status in real-time. Akiba can generate partnerships with funds focusing of digitization on three action lines: Channels (Front-office), Core Processes Efficiency and Backoffice efficiency.

Two employee funds (Fe Avanza and Foncomercio) showed interest on building and early adopters' partnership so Akiba can digitize their processes on a special early adopter fee that can serve as a Proof of Concept for Akiba to custom Its value proposition to Colombian market have a couple of customer success stories that work as a steppingstone for Akiba expansion in the country.

**Fe Avanza fund opportunity:** Fe Avanza has made some investments to digitize their back end but sounded interested on Akiba app front office solution to reach their 1,000 affiliates on the pharmaceutical sector employees.

Next steps:

- In-depth gap analysis on their front office value proposition
- Contract negotiation
- Adapt and implement Akiba app to digitize Fe Avanza operation

**Foncomercio fund opportunity:** digitize front, middle and back operation to reach their 160 affiliates and "relaunch" Foncomercio offer to reach Fenalco's 10k+ affiliated companies to Fenalco and it's about 90,000 employee potential market.

Next steps:

- In-depth gap analysis on their front, middle and back-office value proposition
- Contract negotiation
- Adapt and implement Akiba app to digitize Foncomercio's operation

## 4.2.3 Temporary Services Companies potential partnerships

Temporary Services Companies hold an important workforce headcount and a sell-through strategy with them may be a good approach to impact high volume on low-income employees. The Colombian Association of Temporary Services Companies - ACOSSET, is a non-profit guild, in charge of promoting the use and development of Temporary Services Companies (EST) and reports that by the end of 2020 its constituents employed 309,917 temporary workers. (Portafolio, 2021)

### Adecco Colombia

Adecco Group is a leading human talent management consultancy with a presence in more than 60 countries and more than 5,000 offices, 32,000 employees they claim to engage 700,000 people and 100,000 clients worldwide daily.

Adecco Colombia is the local Adecco group subsidiary and has these 6 main solutions in their portfolio: Temporary personnel services, outsourcing, headhunting, payroll management, HR consulting and

training. In Colombia, Adecco has 36 branches located in 11 cities, 700+ employees who serve more than 1,500 national and multinational companies.

Nonetheless the broad solutions portfolio, Adecco Colombia revenue stream comes 90%+ from Temporary personnel services and claim to have more than 100 thousand employees under the temporary personal selection model with more than a thousand companies In Colombia which makes one of the top 10 companies in Colombia on the direct and indirect employment creation ranking. This could also be confirmed as Employer Key Informant Interviews revealed that two of the interviews ran had the temporary services contract with Adecco and had the payroll management for one of them.

Adecco also mentioned they are eager to increase their partnership and alliances roster which in Colombia is not as broad as apparently in other geographies and an alliance with an innovative fintech might sound appealing in their services portfolio.

During partner recruiting session Adecco found Akiba solution interesting and could serve as a value-added service to their current offer with these two opportunities:

1. **Implement Akiba's Salary on Demand and Payroll-Backed Loans on Adecco's Temporary Employees base:** Adecco could use Akiba's solutions to its temporary services employee's base and show this platform as a differentiator to current employers as a benefit that temporary employees are receiving.

Next steps:

- In-depth gap analysis on their front office value proposition
- Contract negotiation
- Adapt and implement Akiba app to digitize Adecco's operation.

2. **Offer Akiba's Salary on Demand and Payroll-Backed Loans on Adecco's Payroll management customers database:** Offer Akiba solution to Payroll management employers as a value-added solution to their employees base which Implementation would be directly managed between Adecco and Akiba; since Adecco is already processing payroll and managing the files the implementation with each company would be fairly easy.

Next steps

- Co-create a solutions portfolio that meet both Adecco's interest to offer innovative solutions to its affiliates and Akiba's Interests.
- Generate a partnership and/or referral agreements where terms, conditions and fees are explained.
- Generate a co-marketing and co-sell schedule.



## Asertempo

Same as Adecco, Asertempo claims to have a broad HR solutions portfolio, but of course on a much smaller scale.

Asertempo is currently working on alliances strategy to show a broader services portfolio permanently seeking alliances; for example, on Savings and Credit solutions Asertempo is reaching Cooperatives and Employee Funds; for Insurance solutions is currently working with insurance brokers for health and funeral policies mainly.

Asertempo states that the main advantage of alliances is that it allows to show more benefits within the portfolio. Referral fee or commission is not sought or expected with these alliances, as for Asertempo the real appeal is that customers value that Temporary Services Companies have benefits in the emotional salary and shows that the TSC cares for their people.

These are the two opportunities discovered during recruiting session:

1. **Implement Akiba's Salary on Demand and Payroll-Backed Loans on Asertempo's Temporary Employees base:** Asertempo could use Akiba's solutions to its temporary services employee's base and show this platform as a differentiator to current employers as a benefit that temporary employees are receiving.

Next steps:

- In-depth gap analysis on their front office value proposition
- Contract negotiation
- Adapt and implement Akiba app to digitize Asertempo's operation.

2. **Offer Akiba's Salary on Demand and Payroll-Backed Loans on Asertempo's Payroll management customers database:** Offer Akiba solution to Payroll management employers as a value-added solution to their employees base which Implementation would be directly managed between Asertempo and Akiba; since Asertempo is already processing payroll and managing the files the implementation with each company would be fairly easy.

Next steps

- Co-create a solutions portfolio that meet both Asertempo's interest to offer innovative solutions to its affiliates and Akiba's Interests.
- Generate a partnership agreement where terms and conditions are explained (no fees required on this partnership)
- Generate a co-marketing and co-sell schedule.

## 4.3 Conclusions of the Partner Selection

Employee funds, Temporary Services Companies and Ecosystem enablers are open and interested on introducing financial solutions on their services portfolios.

The ideal partner would be Adecco, as it is the leader in this industry in Colombia with more than 100k+ low-income employees

As a third choice would be worth as well building a relationship with Fenalco and its employee fund Foncomercio as they have relevant insight of different companies on different industries and may help Akiba to customize its value proposition for the Colombian market and go along with a reputed institution to start opening doors in Colombian market with their 10k+ affiliated companies.

However, at this time due to the situation regarding recent social, politic, and economic instability in Colombia that increases short term uncertainty (and will be described in greater detail in section 6. Final Thoughts & Conclusions); the team considers that Akiba should put in hold the decision to proceed until H1 2022. Therefore no formal negotiations have been reached.

The team identified that potential partners are keen on building an alliance, but a greater readiness state is required on Akiba's side as not to generate false expectations and drive potential partners to proceed with written agreements when Akiba is ready.

## 6. Final Thoughts & Conclusions

## Final Thoughts & Conclusions

***The usury rate as a limit imposed on any loan; represents a tough barrier.***

Usury rate sometimes prevents the penetration of financial services at the base of the pyramid as it embodies difficulties for lenders maneuverability in a profitable way to serve "high risk" populations.

This particularity makes that Akiba Payroll backed loans solutions would only be feasible if implements mechanisms to control income, funding and risks costs such as:

1. **Income:** Akiba complies with the "low-amount consumer loan" category, representing the higher maximum interest rate in the market that a lender could charge. (See 1.1.1.1. Types of Credit Products on Colombia)
2. **Funding Costs:** Akiba seeks funding at a much lower cost than it currently does, so gross margin spread between interest rate and funding rate still makes Akiba operation profitable on a more regulated market.
3. **Risk cost:** implement one of the guarantees systems available to Fintech companies to mitigate risk and make the operation profitable. This system could operate with different institutions such as guarantors' funds and underwriters that can cover a portion of the risk for defaulted customers in exchange for a fee charged to the end consumer.

Akiba Salary on Demand solutions, which is the current offering in Mexico & Peru, represents an excellent opportunity that can be captured if Akiba successfully adapts its value proposition (as stated on the Key Informant Interviews & Qualitative Analysis) and builds adequate partnerships (as displayed on the Partners Selection section).

***Recent social, politic, and economic instability in Colombia arises short term uncertainty.***

During the last 10 years Colombia was recognized a stable economy with no major decreases nor increases in productivity; with very prudent economic policy from a moderated right political doctrine that has kept on the average on the economic indicators perspective in the region. Recently joined the OECD so most of the public policy mechanisms are fined tuned and its well-known highly regulated and healthy financial Industry became a very appealing spot for foreign direct Investment.

Nonetheless pandemic has brought a difficult fiscal outlook; according to the Ministry of Finance, for this year the fiscal deficit is expected to be about COP \$94.6 billion and the resources needed for next year would be at least COP \$20 billion this required a structural reform to advance towards the recovery of the economy and fiscal consolidation (Revista Semana, 2021). However, the withdrawal of the tax reform because of political pressure. Despite this bill was withdrawn this Intention denoted what for many actors was a "lack of empathy from the government" considering the situation and detonated severe social unrest and blockades that the country until now suffers. This could hinder the operating environment and delay the path of recovery of the economy, growth, and investment in the country. (Santa María, 2021)

Still the economy registered a strong rebound since the second half of 2020, but the social protests and the imposition of new confinements in April and May will delay a more lasting recovery until the second half of 2021, driven by private consumption and investment mainly. (Portafolio, 2021)

On May 19th, 2021, the rating firm Standard & Poor's (S&P) lowered the credit rating of Colombian debt denominated in foreign currency from BBB- with a negative outlook to BB + with a stable outlook. This

decision is a strong wake-up call, although it still does not imply that the country has lost its investment grade yet. In the short term, there will be a negative reaction from the markets, which will translate into a depreciation of the peso and an increase in interest rates. (Santa María, 2021).

Even though economic perspectives for 2022 are still positive, due to the current situation, we consider premature to enter into the Colombian market in 2021 and suggest monitoring closely the evolution of events to reassess the decision to dabble and invest in the Colombian market in the short term.

# Annex 1

## Avanzo's key customers

PLASTIGOMA		COBRANZA NACIONAL DE CRÉDITOS LTDA	Marka Group Colombia	FPC Arquitectos	
BTP	ZALT			Digitex Internacional SAS	
Grupo GP	Bayton Group	ECONTACT COL S.A.S	U.D.C.A	Contactamos SAS	Digitex ZF SAS
Alianza Operador Alia S.A.S.	uno27 - Estrategia en Ventas	EMERGIA COSTUMER CARE	Expreso Brasilia	Hightech Software	The Power Clean S.A.S.
CivilTech	ACCEDO	Transportes MC SAS	Outsourcing y Temporales	Central Parking System	Salesland
UBITS	TELEDISCA SAS	Evedisa	JT Contrataciones	Geekcore	Grupo GEI S.A.S
ATLAS	ASER ASEO	Recaudo Bogotá S.A.S	Servi-Oportunos	Grin	A&B Gourmet
Hapag Lloyd	Soluciones BPO	Extel Contact Center S.A.S	Su Temporal	Digitex Servicio BPO & O SAS	Totalteam S.A.S.
Aecsa S.A	Temporales 1A		Gente Oportuna		
Grupo Phoenix	Be Better SAS				
Cámara de Comercio Pereira	Ajustadores Públicos				
Tempolider S.A.S.	Integra SA				
Servicompetentes SAS	Orinoco	Serfinanza			
Entelco	Netcol	IGS Integral Group Solution			
Vigilistas	Impulso temporal				
	Avanzo	Rekursivos Serviayuda			

Figure 83: Avanzo's customer list

## Linxe's key customers

JIRO S.A. INTER RAPIDISIMO S.A. CARBONES DEL CERREJON LIMITED ARQUITECTURA Y CONCRETO COLOMBIANA DE COMERCIO S.A CONSORCIO EXPRESS S.A.S UNE EPM TELECOMUNICACIONES SA	FIRMUS MEDIMAS EPS SAS MEDICAL TALENTO HUMANO FORTOX S.A AEROSAN S.A.S G4S SECURE SOLUTIONS COLOMBIA S.A.	DELTEC S.A. DAVITA S.A.S SEGURIDAD ATLAS LTDA EPS Y MEDICINA PREPAGADA SURAMERICANA S.A ALMACENES EXITO S.A HITSS COLOMBIA SAS
EXPERTIS COLOMBIA S.A.S CENTRO MEDICO IMBARCO DE CALI S.A OUTSOURCING SERVICIOS INFORMATICOS SA OUTSOURCIN COMPAÑIA DE VIGILANCIA PPH LIMITADA DAH AYUDA TEMPORAL S.A MANPOWER DE COLOMBIA LTDA	TELEPERFORMANCE COLOMBIA S.A.S VENTAS Y SERVICIOS S.A PSCR INGENIERIA S.A.S IGH FLAVOURS & TECHNOLOGY SAS ARCOS DORADOS COLOMBIA ALMACENES FLAMINCO S.A	SOS COLOMBIA HOLDING S.A.S DISTRIBUIDORA NISSAN SA SOPORTE LOGICO LTDA EMTELCO SA JERONIMO MARTINS COLOMBIA SAS ASEAR S.A. E.S.P UNION EMERESADIAL S.A
INTERCONTINENTAL DE SEGURIDAD LIMITADA EXTRAS S.A HONOR SERVICIOS DE SEGURIDAD LTDA SEGURIDAD ONCOR LTDA SEMPEITEK DE COLOMBIA SA EXELA SERVICIOS TEMPORALES SA LTDA COLOMBIA S.A.S	INVERSIONES Y OPERACIONES COMERCIALES DEL SUR SA GASEOSAS POSADA TOBON S.A ALPINA PRODUCTOS ALIMENTICIOS SA TELECENTER PANAMERICANA LTDA UNO A ASEO INTEGRADO SA ECOPETROL SA	ACERIAS PAZ DEL RIO S.A COLOMBIAN OUTSOURCING SOLUTIONS SOCIEDAD POR ACCIONES SIMPLI PROSERVIS EMPRESA DE SERVICIOS TEMPORALES S.A.S. COLVISEG COLOMBIANA DE VIGILANCIA Y SEGURIDAD LIMITADA T&S TEMSERVICE S.A.S SEGURIDAD EL PENTAGONO COLOMBIANO LTDA. SEPECOL LTDA ANDINA DE SEGURIDAD DEL VALLE LTDA
WINNER GROUP S.A COLOMBIANA DE SERVICIOS LOGISTICOS SAS SEGURITEC LTDA EDEC S.A. NOTINET SAS A TIEMPO S.A. S	MANUFACTURAS ELIOT S.A.S MADECENTRO COLOMBIA S.A.S SKANDIA PENSIONES Y CESANTIAS S.A SKANDIA SEGURO DE VIDA S.A SKANDIA FIDUCIARIA S.A SKANDIA VALORES S.A	SKANDIA HOLDING DE COLOMBIA S.A. SKANDIA PLANEACION FINANCIERA S.A AVIDESA MAC POLLO SA REMEO MEDICAL SERVICES EULEN COLOMBIA S.A MERCADERIA S.A.S SODIMAC COLOMBIA S.A
POLLOS SAVICOL S.A SEGURIDAD RECORD DE COLOMBIA LIMITADA COMPAÑIA DE VIGILANCIA Y SEGURIDAD PRIVADA ANUBIS LTDA FRESENIUS MEDICAL CARE ANDINA ORGANIZACION TERPEL SA ATENTO COLOMBIA S.A	CREPES Y WAFFLES S.A TEMPORIZAR SERVICIOS TEMPORALES SAS SEGURIDAD ACROPOLIS LIMITADA RECUPERAR S.A.S G4S TECHNOLOGY COLOMBIA S.A ENECON S.A.S COTECMAR	BIMBO DE COLOMBIA S.A. LADOLISA LABORES DOTACIONES INDUSTRIALES SAS SEGURIDAD EUROVIC DE COLOMBIA LTDA INTERGLOBAL SEGURIDAD Y VIGILANCIA LTDA NASES DEL CARIBE SA SOLINCENIA SAS
POLLOS EL BUCANERO SA COMPAÑIA COMERCIAL E INDUSTRIAL LA SABANA AVESCO S.A.S PLASTITEC S.A COLOMBINA S.A INCAUCA S.A.S ESTRATEGIAS CONTACT CENTER COLOMBIA QUALA S.A	OCUPAR TEMPORALES SA ATIEMPO SERVICIOS SAS COMPAÑIA DE MEDICINA PREPAGADA COLSANITAS SA INSTITUTO DE DIAGNOSTICO MEDICO IDIME S.A AMERICAS BUSINESS PROCESS SERVICES SA CORPORACION COLOMBIANA DE INVESTIGACION AGROPECUARIA AGROSAVIA IBM DE COLOMBIA & CIA S.C.A.	CENCUSOL COLOMBIA SA LISTOS S.A.S GESTICA GESTION Y OPERACION DE LA COSTA S.A.S MULTIENLACE SAS TIEMPOS SA RECAUDO BOGOTA ACCIONES Y SERVICIOS S.A.S
OUTSOURCING Y TEMPORALES S.A.S SUMMAR PROCESOS S.A.S SERFACIA SA VISION TOTAL SAS QUICK HELP S.A.S SOCIEDAD DE OBJETO UNICO CONCESIONARIA ESTE ES MI BUS S.A.S PROMOTORA DE CAFE COLOMBIA SA		

Figure 84: Linxe's customer list

## Annex 2

## Employee Fund Questionnaire

### Introduction

1. Tell us about [Fund XXX]?
2. Associates / Main Employers (quantities)
3. How does the Employee Funds sector work in Colombia?
4. How do you join the fund from far away locations?

### General Questions

5. What do employers request to improve the well-being of their employees?
6. Do you see a sectoral difference between employers?
7. What is the dynamics like in the Employee Funds market?
8. Is there competition between funds to attract employer partners?
9. Is there a preference from employers for selecting a specific fund? (e.g., economic sector)
10. What differentiators exist?

### Attention to Employees' Financial Needs

11. What is [Fund xxx]'s value proposition for its partners and employers?
12. Financial Needs of Associate Employees
13. How do you solve them today?
14. What financial benefits does [Fund XXX] offer?
15. What salary ranks do partners have?
16. What non-financial benefits do employees have access to? (classes, recreation centers, discounts...)
17. Have employees commented on any needs that are not being covered?

### Operation & digitization

18. Are you currently on a digital transformation project? At what stage?
19. What are the main transformation initiatives that have been envisaged?
20. How digital are your processes?
21. Which platform do you use?
22. What are the main operational challenges that have been identified?
23. Are any of these initiatives related to omnichannel?

### Alliances & Partnerships

24. Do you currently work with allies? For what? For Digital Transformation?



25. Who are the main allies?
26. Are there benefits to working with allies? which?
27. Is there any interest in building alliances to strengthen your digital offering?
28. Do you work with a supplier or ally to complement your digital offering?

## **Fintech Associations Questionnaire**

### **Introduction**

1. Tell us about Colombia Fintech?: Colombia Fintech is a GREMI (non-profit entity).
  - a. Partners / Main companies (quantities):
  - b. Most relevant Fintech sectors/segments:
  - c. Fintech contribution/union practices
2. What lobbying work is Colombiafintech doing right now? What are the priorities:
3. How does Colombiafintech contribute to innovation and digital transformation in care with financial products for workers?
4. Is there a practice or artboard in the guild/association that promotes?
  - a. Financial inclusion in low-income formal employees?
  - b. Financial education to low-income formal employees?
  - c. Automating payroll management or managing employee funds?

### **Identification to Fintech needs in segments**

5. What is the dynamics of the Fintech ecosystem like when it comes to payroll advance loans and payroll loans in Colombia?
6. Is there competition between Fintech to attract Employers for such solutions?
7. Is there competition between Fintech to raise Employee Funds for such solutions?
8. Do you think the financial needs of formal workers are well served by financial institutions/cooperatives/employee funds?
9. Have you identified from Colombiafintech any need for employers to improve the financial well-being of their employees?
10. Have there been any rapprochement between Colombiafintech and Analfe or Employee Fund Supersociedades?
11. What legislation should a Fintech comply with to operate Early Wage and Payroll Credit?
12. Is there a history of expansion success of a Mexican Fintech in Colombia?

13. What are the successful drivers for expanding a foreign Fintech in Colombia?
14. Understanding how early pay solutions operate, how would you think it should be adapted to better meet the needs of the Colombian market?

## Employers Questionnaire

### Introduction

1. What does XX do?
2. Do you use any outsourcing services/temporary services company?
3. Do you work with a payroll processing company?
4. How much salary do Microsoft workers have? Or what average salary do you have at Microsoft?

### Attention to employees' financial needs

5. What do you think are the financial needs of Microsoft contributors?
  - a. In FTEs:
  - b. In vendors:
6. How does Microsoft solve those needs today?
7. What financial benefits does Microsoft offer?
  - a. Do you offer payroll advance? No
  - b. Do you offer direct credit?
8. Do you have a payroll advance agreement with any entity?
  - a. Yes, which ones?
  - b. What were the criteria for an agreement with these entities?
9. Do you have a pawning agreement with any entity?
  - a. Yes, which ones?
  - b. No, why?
  - c. What were the criteria for an agreement with these entities?

### Relationship with Employees Funds

10. Does Microsoft have or have you had an employee fund?
  - a. Is its own or agreement with an external fund?
11. What proportion of workers is associated with the fund?
12. How is the dynamic for evaluating whether you work with an Employee Fund?
13. What is the value proposition of the Funds for their partners and employers?
  - a. Do you have any specific preference or requirement to be able to establish an agreement with a specific fund?

- b. Which differentiators do you value most in an Employee Fund?**
  - I. Better portions of savings earnings**
  - II. Low interest rates for credits**
  - III. Excellent personalized service**
- 14. What reasons would you find to NOT hire an early wage service or payroll loan?**
- 15. What would be the decision-making aspects of evaluating an offer for an early wage service or payroll loan?**

## Expert Questionnaire

### Introduction

1. Tell us about your experience:
2. How does the Employee Funds sector work in Colombia?
  - a. Do employers who wish to offer Employee Fund benefits to their employees or would they prefer to set up a new fund or join an existing one? Why?
  - b. What is the main challenge of managing an EF in Colombia?
  - c. What is the main operational and technological challenge when managing EF in Colombia?
3. What is the governance of a fund like?
  - a. Is there a meeting of partners?
  - b. How do they interact with each other?

### General Questions

4. What do you think are the financial benefits that formal employees value the most in Colombia?
5. What did employers ask the Employees Fund to improve the well-being of their employees?
  - a. Do you see a sectoral difference between employers?
6. What is the dynamics like in the Employee Funds market?
  - a. Is there competition between funds to attract employer partners?
  - b. Is there a preference from employers for selecting a specific fund? (e.g., economic sector)
  - c. What differentiators exist?

### Vigilance and supervision of superintendency to entities that make payroll advances and freed

7. What is the role of the SuperSotiedades entities that make payroll advances and releases in difference within reach of SuperFinanciera, SuperSolidaria and the SIC?
8. Would Akiba be monitored or supervised by which superintendency for Akiba's regarding their Salary on Demand & Credit products?

### Compliance with the maximum usury rate

9. Have we identified that certain players who between commissions and interest rates may be exceeding the maximum allowed rate? What could they rely on to be able to do this without violating regulations?
10. What strategies can be used to be able to have income without exceeding the maximum allowed rate?

## Annex 3

### *Demand-Side Research Questionnaire*

Hello \_\_\_\_, we are Rodrigo and Jaime, consultants conducting a study on access and use of financial services. We hope that you and your family are doing well during the pandemic. Thank you very much for participating with us.

Can we record the conversation? This to avoid getting distracted taking notes. The approximate duration of the interview is half an hour.

#### Introduction

1. What do you do for a living? How long have you been doing this activity?
2. Do you have a cell phone? Is it a smartphone?
3. Do you use any financial applications?
4. Which one / Which ones?
5. What use do you give it?
6. What do you like most about them?
7. What do you like least about them?
8. Could you give us a range of your monthly income?

#### Saving Habits

9. How do you organize your income? Are there expenses that you consider central? Which?
10. Are there expenses you think can wait? Why? Which?
11. Do you save any money? Why yes? Why not?
12. How often? What percentage of salary do you save?
13. Where do you usually save?
14. Saving from payroll
15. Would you be interested in saving by going straight off your salary for a year?
16. What percentage do you think you could save this way?
17. What would you like to save for?

#### Credits & Loans

18. Have there ever been any occasions when you have resorted to borrowing money? was it a financial institution, or was it with a family member/friend?
19. Tell us about your experience.
20. For low-amount emergencies, where would you currently ask for a loan? Where would you like to ask for a loan?
21. Have you ever requested to be paid in advance to face an emergency?
22. Would you use a formal non-bank company (e.g., a Fintech) to solve a financial need?
23. Have you used any payroll-based loans? For what? / Why not?
24. How would you like to be able to solve financial emergencies?
25. What mechanisms would you like to use?
26. By ranges of amounts you need, where would you go? (high, medium, low)

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