The Algorithm of Progress

Applied AI, Financial Inclusion, and the Changing Landscape of Regional Development

Artificial intelligence is transforming access to financial services in Latin America and the Caribbean, from credit assessment and fraud prevention to digital customer service. Yet while adoption is advancing rapidly, gaps persist in investment, capabilities, and infrastructure needed to develop this technology within the region. This article examines that landscape and explores the role Development Banking can play in promoting AI that is more inclusive, sustainable, and suited to regional realities.

> *We all use AI whenever we pay with our phones. Few of us ask who built it and who captures the value.*



Imagine Cristóbal, a market vendor in Cusco, Peru, or in any number of other cities across Latin America and the Caribbean. He had never set foot in a bank, but a year ago he applied for his first loan on his phone. Within minutes, without a guarantor or paperwork, the loan was approved. No loan officer had reviewed his credit record: an algorithm had analyzed his sales, payments, and digital behavior. What would have sounded like science fiction a decade ago now happens thousands of times a day across Latin America.

> *61% of fintech firms now work alongside traditional banks, although 49% of these partnerships are still perceived as distant or lacking depth.*

Artificial intelligence (AI) is already part of the region's everyday financial landscape: it approves loans, detects fraud, and assists customers through chat at any hour. The question facing Development Banking is no longer whether this technology will change access to finance, but who is building it and who ultimately benefits.

FROM BANK BRANCHES TO MOBILE PHONES

The scale of the change is evident in the figures. According to the Inter-American Development Bank (IDB) and Finnovista,

the region had 703 *fintech* companies in 2017; today there are more than 3,000, an increase of 340%, driven by widespread *smartphone* adoption and the need to reach millions of people without bank accounts.

The ecosystem is not just growing; it is maturing. Already, 61% of *fintech* firms work with traditional banks, yet 49% consider these partnerships weak or superficial. Development Banking can help bridge the gap between innovation and effective inclusion.

HOW IS AI BEING USED IN PRACTICE?

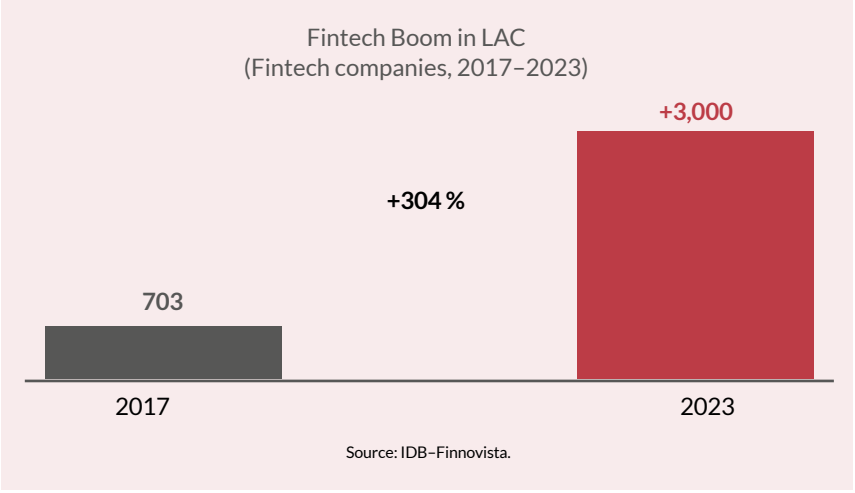
In the region's banking sector, AI is being applied primarily in three areas. First, it supports lending decisions for applicants with no credit history by using alternative data, such as sales records and utility payments. Second, it helps detect fraud in real time, an increasingly important function as financial transactions shifts from bank counters to digital channels. Third, AI-powered assistants provide customer support in multiple languages around the clock, reaching communities where traditional bank branches are unlikely to operate.

MAPPING THE REGION'S STRENGTHS

The Latin American AI Index (ILIA 2025), prepared by ECLAC and Chile's National Center for Artificial Intelligence (Cenia), with support from the IDB, CAF, and OAS, assesses 19 countries in terms of AI readiness, adoption, and governance. It reveals a mosaic of different strengths rather than a race with one winner.

Chile brings expertise in data governance; Brazil and Mexico bring scale and investment; and Colombia, Peru, and Argentina are making significant advances in digital microfinance. No country has all the answers, a clear indication that AI development in the region is still at an early stage.

Figure n.º 1. The *Fintech* Boom in Latin America and the Caribbean (2017–2023)



Source: IDB–Finnovista.

THE GREAT PARADOX: USING AI EXTENSIVELY, BUILDING LITTLE OF IT

Here is the figure that should most concern, and mobilize, Development Banking. According to ECLAC, Latin America and the Caribbean account for 14% of global visits to AI solutions: the region is an enthusiastic user of this technology. Yet its investment in developing AI represents just 1.56% of global AI spending.

It is like being a store's best customer without ever owning a stake in the business. The region consumes technology designed elsewhere, while the real sources of power—data, models, and patents—remain concentrated beyond its borders.

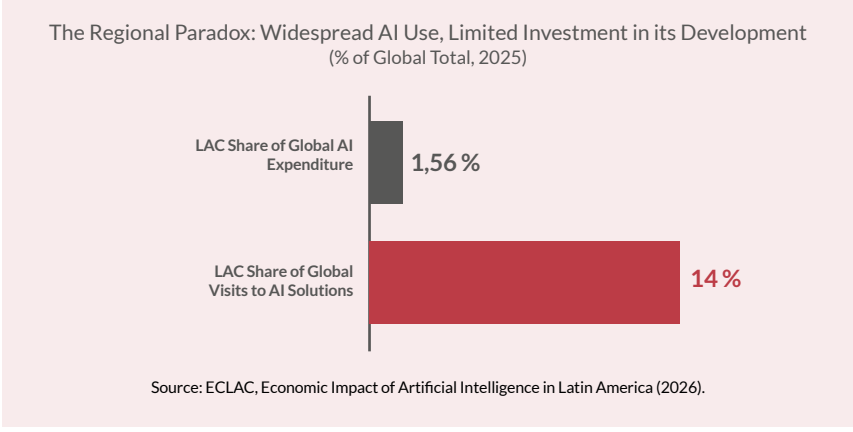
> *LAC consumes technology designed elsewhere, while the real sources of power (data, models, and patents) remain concentrated beyond its borders.*

Table n.º 1. Overview of National Strengths in the LAC AI Ecosystem

Country / group	Notable strength in the AI ecosystem
Chile	Home to Cenia and co-developer of the Latin American AI Index (ILIA); a leader in data governance.
Brazil	Regional leader in Open Finance and the Pix instant payments system, providing a foundation for new AI applications.
Mexico	Together with Brazil, accounts for a large share of regional *fintech* investment and Open Finance adoption.
Colombia, Peru, Argentina	Ecosistemas *fintech* en consolidación, con foco en *scoring* crediticio alternativo y microfinanzas digitales.
19 LAC countries	Covered by ILIA 2025 and assessed across three dimensions: enabling factors, research/adoption, and governance.

Source: Prepared by ALIDE based on ECLAC–Cenia, ILIA 2025, and IDB–Finnovista.

Figure n.º 2. The Gap Between AI Use and Investment in Latin America, 2025



Source: ECLAC, Economic Impact of Artificial Intelligence in Latin America (2026).

AN EXPERT PERSPECTIVE

To understand what this means in practice, we spoke with an economist specializing in digital financial inclusion who has advised Development Banking institutions across the region. The following interview is an illustrative reconstruction based on the ECLAC and IDB findings cited in this article, designed to translate a technical debate into the practical choices institutions face every day.

WHY SHOULD A DEVELOPMENT BANK CARE ABOUT THE 'PARADOX' IDENTIFIED BY ECLAC?

Because if we are only users of AI, we depend on rules and prices set by others. A development bank that finances the purchase of technology from abroad without strengthening local capabilities is helping perpetuate that dependence rather than overcome it.



WHAT IS THE SPECIFIC RISK FOR SOMEONE LIKE CRISTÓBAL, THE MARKET VENDOR IN YOUR EXAMPLE?

An algorithm trained on data from another country, with a different economic reality, could assess that person's creditworthiness incorrectly. Unless the region participates in designing these models, we risk automating exclusion instead of addressing it.

WHAT, THEN, SHOULD DEVELOPMENT BANKING DO DIFFERENTLY?

Three priorities: invest in local data infrastructure rather than simply purchasing software licenses; ensure that credit models are audited using local data; and provide technical assistance to SMEs and microfinance institutions, which currently have limited capacity to fully harness the potential of AI.

IF YOU HAD TO SUM UP THIS MOMENT IN ONE SENTENCE, WHAT WOULD IT BE?

There is still time for us to become not only consumers of artificial intelligence, but also its architects. Yet that window of opportunity will not remain open forever.

THREE PRIORITIES FOR DEVELOPMENT BANKING

Against this backdrop, ALIDE and its member institutions have at least three concrete priorities:

- Finance regional data and computing infrastructure rather than merely purchasing applications already developed elsewhere.
- Deepen partnerships between fintech firms and traditional institutions, which nearly half of



the sector is still weak, through co-financing and guarantee instruments.

- Provide technical support for business process engineering in SMEs and microfinance institutions, closing the capability gaps that currently limit broader AI adoption.

ALIDE and its member institutions have three specific priorities:

- *Finance regional data and computing infrastructure.*
- *Deepen partnerships between fintech firms and traditional institutions.*
- *Support business process engineering in SMEs and microfinance institutions.*

“The true measure of progress will not be how much AI the region uses, but how much of that artificial intelligence it can design, finance, and govern for itself.”

The algorithm of progress is not written in code alone. It is shaped by the investment, regulatory, and cooperation decisions Development Banking makes in the years ahead, so that the next Cristobal does not merely use artificial intelligence but also has a say in how it is built.



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1 Hugo Alejandro Beltrán Alejos is an economist with a master’s degree in computer science, an international consultant, speaker on data management and governance, and a business school lecturer. His work connects data strategy and artificial intelligence with the digital transformation of organizations and financial institutions in Latin America.