Latin American Startups

Startups Latinoamericanas

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RESUMEN
Es necesario conocer el estado de las startups. El objetivo general fue determinar la situación de las Startups latinoamericanas. Metodología, en esta investigación se han seleccionado 25 documentos, realizados en el período 2016 - 2021; incluyendo: artículos científicos, artículos de revisión e información de sitios web de organizaciones reconocidas. Las palabras clave utilizadas en las búsquedas fueron: latinoamericanas y startups. Resultados, el Banco Nubank de Brasil y Rappi de Colombia son las empresas unicorns, que están creciendo en América Latina de manera sostenida y logrando posicionarse, recibiendo más financiamiento internacional. Además, se observan startups de otros países de la región, las cuales muestran un crecimiento significativo y son reconocidas en nuevos mercados. En conclusión, la situación de las Startups latinoamericanas es: las startups Fintech están revolucionando la industria financiera en toda América Latina, las startups latinoamericanas tuvieron acuerdos récord de capital riesgo en 2020 y el Banco Nubank de Brasil y Rappi de Colombia son las empresas unicorns.

Palabras clave: Latinoamericano, startups, financiación.

ABSTRACT
It is necessary to know the state of the startups. The general objective was determinate the situation of the Latin American Startups. Methodology, in this research, 25 documents have been selected, carried out in the period 2016 - 2021; including: scientific articles, review articles and information from websites of recognized organizations. The keywords used in the searches were: Latin American and startups. Results, the Nubank Bank of Brazil and Rappi of Colombia are the unicorns companies, which are growing in Latin America in a sustained way and achieving a position, receiving more international financing. In addition, startups from other countries in the region are observed, which show significant growth and are recognized in new markets. Conclusions, the situation of the Latin American Startups are: Fintech startups are revolutionizing the financial industry across Latin America, Latin American Startups Had Record Venture Capital Deals in 2020 and the Nubank Bank of Brazil and Rappi of Colombia are the unicorns companies.

Keywords: Latin American, startups, financing.

1 INTRODUCTION
Latin America faces problems with the lack or flight of science professionals, infrastructure, institutional frameworks, and funding of the science and technology sector. Private–public partnerships and foreign investment sometimes create bottlenecks in innovation because of the withholding of information by one party (Soh, 2019).

There are 20 countries that officially belong to the “Latin American region”. Almost 640 million people live in these 20 countries over 7.5 million squared miles - 13% of the world’s surface area. Although Spanish and Portuguese are the predominant languages, there are over 800 different languages that are spoken across the region (González, 2017).

Latin America’s startup scene has grown in recent years, attracting foreign funds that once considered it a tech backwater with few companies with enough potential worthy of investments Fieser (2021).
In Latin America, the issue is not whether or not entrepreneurs are up to the challenge, as they have proven their resilience time and time again, but whether investors are willing to make the most of the moment (Mitchell, 2021).

The findings show that women entrepreneurs, but also men, seeking start-up financing and alternatives are a viable source of employment and economic sustainability to mitigate the effects of increasing levels of unemployment worldwide (Kuschel, Lepeley, Espinosa and Gutiérrez, 2017).

Latin America has increasingly been receiving attention from both startups and tech giants. Earlier this month Facebook announced it had named the city of Bogota as home to its most recent startup hub (Castro, 2019).

There is little specific Latin American knowledge that has been incorporated to help reducing this failure rate, most of the entrepreneurial models have been developed for economies with advanced entrepreneurial ecosystems such has Silicon Valley, with economies and cultures that differ from developing economies, there is a lack of data and research on this topic (Liberona, Kumaresan, Valenzuela, Rojas & Ferro, 2019).

Companies that have benefited from VC range from household names like Google, Apple, Facebook and Amazon to Latin American success stories such as MercadoLibre, Netshoes, Globant and Open English (Taylor, 2017).

These proposed research directions represent fertile areas of investigation, particularly for South America, owing to the relative newness of accelerators in the region (Isabelle & Del Sarto, 2020).

This study’s findings suggest that the COO (Country-of-Origin) affects the startups in the first moments of their internationalization process, however the COO influences decreases as the startups develop, interact and exploit the new markets (Pestana, 2020).

Some of these are state-driven initiatives, like the pioneering Start-up Chile, which was followed by Start-up Brasil, StartUp Perú, Ruta N of Colombia, the National Institute of the Entrepreneur in Mexico, and the IncuBAte program in Argentina. Notable private accelerators in the region include 500 Startups, Startup Bootcamp, Wayra (of Telefónica), and BlueBox Ventures (IESE Business School and Wayra, 2020).

Within Latin America, some of the actors in this investment sector include Brazil’s Monashees and Valor Capital, Argentina’s Kaszek Ventures, Peru and Mexico’s Angel Ventures and Mexico’s ALLVP, MITA Ventures and Ignia (Lustig, 2019).

This may change. In the last few years, several Latin American countries have been advancing their start-up programs for companies near and far. The countries creating startup programs are offering
grants for companies in the science and technology fields. Different programs are available in many countries, including: Chile, Brazil, Argentina, Columbia, Venezuela, Peru, and Ecuador (Silver, 2016).

Mexico is the fintech capital of Latin America with 158 startups dedicated to the sector. He is followed by Brazil (with 130 startups) and Colombia (with almost 80) (Gavasa, 2018).

Brazil was the first point of entry for investors from Silicon Valley, and it remains the epicentre for the region, but Argentina, Colombia, Mexico and Peru are also hotbeds of tech entrepreneurship (Baker, 2018).

In addition to the direct provision of financing through Innovate (including Startup Peru), the government of Peru has provided three years of financing for angel investor networks (Black, 2020).

In Latin America, there is significant progress in the creation and financing of startups.

2 METHODOLOGY

The research presents a qualitative-interpretative design, of a documentary type, which specified the selection procedure and the data recording (Barrero y Rosero, 2018).

In this research, 25 documents have been selected, carried out in the period 2016 - 2021; including: scientific articles, review articles and information from websites of recognized organizations. The keywords used in the searches were: Latin American and startups.

For the selection of the documents, the following criteria were used: the year of publication, belonging to the research and being a reliable source. After reading each document, the data was entered into the bibliographic matrix, which is used to catalog the documents according to categories, which are presented in Figure 1.

Table 1. Bibliographic matrix

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Objectives</th>
<th>Conclusions</th>
</tr>
</thead>
</table>

Source: Adapted from Barrero & Rosero (2018).

3 RESULTS

Fintech startups are revolutionizing the financial industry across Latin America. These startups are some of the first providers of financial technology in the region and through their cross-border efforts, they are helping both consumers and companies monitor their finances, make payments, and receive loans (Legros, 2020).
The 12 Latin American finalists of the global MIT Inclusive Innovation Challenge are “reinventing the future of work in Latin America,” according to the MIT Initiative on the Digital Economy (Somers, 2018).
Figure 3. Latin American Startups Had Record Venture Capital Deals in 2020

Source: Fieser (2021)

Table 2. The five action areas of direct policies to promote start-ups

<table>
<thead>
<tr>
<th>Gap</th>
<th>Policy action</th>
<th>Types of programmes/actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding gap</td>
<td>Closing funding gaps</td>
<td>Seed-capital programmes and borrowing for start-ups, as well as incentives for the financial</td>
</tr>
<tr>
<td></td>
<td></td>
<td>sector to work with start-ups, such as the promotion of venture capital, angel investors,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>etc. In recent years, countries have also introduced actions to support crowdfunding.</td>
</tr>
<tr>
<td>Information asymmetry</td>
<td>Facilitating linkages and providing</td>
<td>Support services for start-ups. In recent years, platforms, mentoring networks and</td>
</tr>
<tr>
<td></td>
<td>services</td>
<td>collaborative workspaces have grown in number. They operate alongside traditional</td>
</tr>
<tr>
<td></td>
<td></td>
<td>intermediary institutions like incubators and accelerators. New platforms to facilitate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>linkages between large firms and start-ups have also emerged.</td>
</tr>
<tr>
<td>Absence of demand</td>
<td>Creating markets</td>
<td>The inclusion of start-ups in public procurement programmes and initiatives that challenge</td>
</tr>
<tr>
<td></td>
<td></td>
<td>start-ups to provide innovative solutions.</td>
</tr>
<tr>
<td>Little tradition</td>
<td>Transforming mindsets</td>
<td>Actions to raise awareness about start-ups (including prizes and events).</td>
</tr>
<tr>
<td>for business and innovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal and administrative</td>
<td>Reforming legal frameworks</td>
<td>Legal and administrative reforms to suit the needs of start-ups, such as easier procedures</td>
</tr>
<tr>
<td>barriers</td>
<td></td>
<td>for starting and winding up a business.</td>
</tr>
</tbody>
</table>

Source: (OECD, 2016)

<table>
<thead>
<tr>
<th>Profession</th>
<th>Asian</th>
<th>DNR</th>
<th>Latin</th>
<th>Native American</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesswoman</td>
<td>0</td>
<td>11</td>
<td>16</td>
<td>2</td>
<td>29</td>
</tr>
<tr>
<td>Designer</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Developer</td>
<td>0</td>
<td>5</td>
<td>7</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Industry expert</td>
<td>1</td>
<td>10</td>
<td>30</td>
<td>1</td>
<td>42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1</td>
<td>30</td>
<td>56</td>
<td>3</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Roper, Mendoza & Lau (2020).

In Table 3, the fifty-six participants were Latin, one Asian and three native American.
This momentum has held strong in 2021: as of March, the region has seen nearly $1.3B in equity funding year-to-date. Top deals include a $400M Series G to challenger bank Nubank in January and a $205M Series F to express delivery service Loggi in March (both companies are based in Brazil) (CB Insights, 2021).
The Nubank Bank of Brazil and Rappi of Colombia are the unicorns companies, which are growing in Latin America in a sustained way and achieving a position, receiving more international financing. In addition, startups from other countries in the region are observed, which show significant growth and are recognized in new markets.

4 CONCLUSIONS

The situation of the Latin American Startups are: Fintech startups are revolutionizing the financial industry across Latin America, Latin American Startups Had Record Venture Capital Deals in 2020 and the Nubank Bank of Brazil and Rappi of Colombia are the unicorns companies.
BIBLIOGRAPHIC REFERENCES


2003


