

# Fintech in 2019?

The world is witnessing a boom in financial sector. Since the beginning of the 21st century, fintech has evolved at a revolutionary pace. It currently describes a series of financial activities, like cash transfers, depositing a check your smartphone, bypassing a bank branch to use for credit, raising cash for a business start-up, or managing your investments, usually without the help of an individual and this document is an attempt to unfold some of the facts.

## Fintech's Expanding Horizons

In many ways fintech has created an impact on traditional banking, financial advice and products. A drastic change as financial products and services that for once were depended on branches, salesmen and desktops have pivoted towards mobiles. Oscar, an online insurance start-up, received \$165 million in funding in March 2018. Such significant funding rounds are not unusual and occur globally for fintech start-ups.

The financial decisions have become simpler with “New technologies” like machine learning/artificial intelligence, predictive behavioral analytics and data-driven marketing. Learning apps will influence the habits of users, but will also involve in learning games to make their automatic, unconscious spending and saving decisions better.

Fintech is also a keen adaptor of automated customer service technology, utilizing chatbots to and AI interfaces to assist customers with basic task and also keep down staffing costs. Fintech is also being leveraged to fight fraud by leveraging information about payment history to flag transactions that are outside the norm.

## Fintech Landscape

According to CB Insights, in 2016 the Fintech start-ups received a funding of \$17.4 billion and were believed to exceed the allocated funding by 2017. Furthermore, the CB Insights counted 26 fintech unicorns globally valued at \$83.8 billion. The main producer of Fintech start-ups is North America besides Asia who is relatively close second. During the first quarter of 2018, the Fintech funding hot a new high globally, because of a substantial uptick in deals in North America, which may cross the United States in Fintech deals. Funding activity in Europe was at a five-quarter low in Q1 2018 but surged back in Q2. <sup>1</sup>

---

<sup>1</sup> <https://uk.reuters.com/article/us-fintech-unicorns/fintech-unicorns-swell-to-22-but-q1-fundraising-drops-idUKKBN17S1YN>



Some of the most active areas of fintech innovation include or revolve around the following areas:<sup>2</sup>

- **Cryptocurrency and digital cash**
- **Blockchain technology**, including Ethereum, a distributed ledger technology (DLT) that maintain records on a network of computers, but has no central ledger.
- **Smart contracts**, which utilize computer programs (often utilizing the blockchain) to automatically execute contracts between buyers and sellers.
- **Open banking**, a concept that leans on the blockchain and posits that third-parties should have access to bank data to build applications that create a connected network of financial institutions and third-party providers. An example is the all-in-one money management tool Mint.
- **Insurtech**, which seeks to use technology to simplify and streamline the insurance industry.
- **Regtech**, which seeks to help financial service firms meet industry compliance rules, especially those covering Anti-Money Laundering and Know Your Customer protocols which fight fraud.
- **Robo-advisors**, such as Betterment, utilize algorithms to automate investment advice to lower its cost and increase accessibility.

---

<sup>2</sup> <https://espeo.eu/blog/top-8-fintech-trends-to-take-over-the-world-in-2019/>

- **Unbanked/underbanked**, services that seek to serve disadvantaged or low-income individuals who are ignored or underserved by traditional banks or mainstream financial services companies.
- **Cybersecurity**, given the proliferation of cybercrime and the decentralized storage of data, cybersecurity and fintech are intertwined. Considering the level of threats about privacy in this digital age, greater security is one of the top priorities for modern age Fintech companies. A report by CBI Insight showcased that in 2017 the financial services industry experienced more cybersecurity incidents as compare to previous years. The financial service industry is moving towards biometric technologies to tackle and prevent cybersecurity incidents (hacking and fraud).

### Five Fintech trends that are transforming financial Services:<sup>3</sup>

With introduction of other innovative and exciting fintech to the market, once a star of the market - the cryptocurrencies found it difficult to maintain its reputation. Voice interfaces and Artificial intelligence are gradually making their mark, while emerging markets are producing smart and simple financial solutions at an impressive scale.

#### What banking and payment app users think of biometric authentication



**86%** say that biometric authentication makes logging in to apps easier



**84%** think that biometric authentication is faster than logging in with a password



**42%** wouldn't use a banking app without biometric authentication



**74%** use banking apps more often because logins are faster



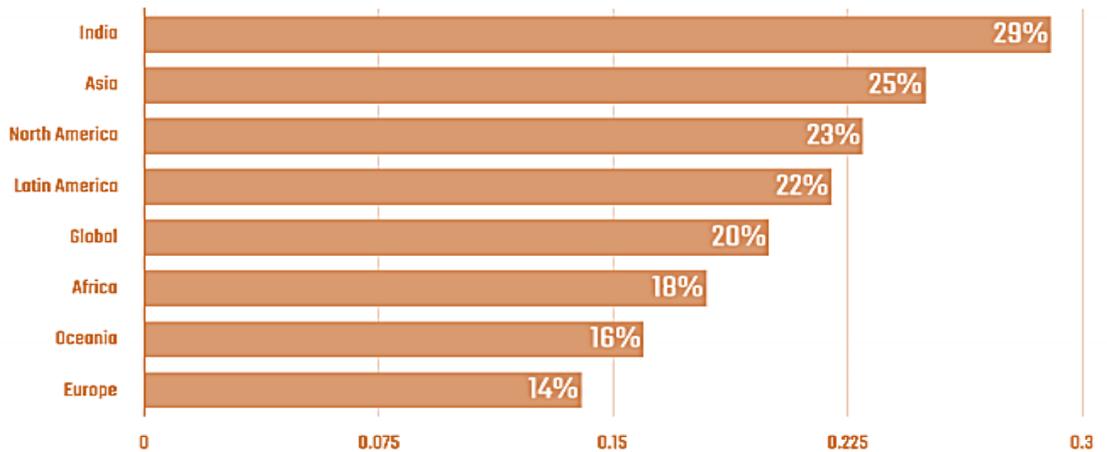
**79%** agree that mobile apps with biometric authentication are more secure

**“Biometric technologies perfectly meet the public’s expectation for state-of-the-art security when making a payment.”**

Mark Barnett, President of Mastercard UK

<sup>3</sup> <https://www.cnbc.com/advertorial/2018/06/01/5-fintech-trends-that-are-transforming-financial-services.html>

## Expected Annual RoI on FinTech Investments



### 1. Artificial intelligence for voice:

Artificial intelligence (A.I.) will continue its domination but in a different way. In future more and more businesses will be using A.I. technology to develop new commerce interfaces, with the number of companies looking into voice set to increase.

The consumers are becoming a custom to digital assistance and more and more people are willing for utilization in the home. Call centers are an example of where voice will excel, with bots being able to offer help and direct calls more quickly and easily.

Voice assistants are also being developed to handle banking functions. OCBC Bank recently partnered with Google to launch the first A.I.-powered voice banking in Singapore. This allows customers to start conversations about bank services which include calculating mortgage loan amounts, planning future savings, receiving the latest finance market updates and searching for nearby branches or ATMs.

The impact of A.I is evident as reported in the Global Fin Tech Report 2017. 30% of big players in financial institutions are investing in artificial intelligence. According to a report by “Econsultancy and Adobe”, 60% of the financial services organization will be using AI.

### 2. Text interfaces are still a big thing:

Text continues to be the key for most of the users, and this is where the conversational commerce has been successful in stamping its authority. In previous year Kasisto, created conversational artificial intelligence platform (KAI Banking), in partnership with Mastercard to introduce virtual assistants and smart bots on every-day messaging services, starting with Facebook’s 1 billion users.

Customers will be able to access their accounts with a virtual bot and ask all sorts of questions including analysis of spending, review balances and purchase history. The end result is an easy, natural, conversational interaction with your bank account, where results to questions like, “how much money did I spend at Starbucks this week?” can be quickly quantified.

**“This bot enables entirely new experiences to consumers with human-like conversations that are personal and contextual. We’re powering conversational commerce, anytime, anywhere — just as consumers have come to expect.”**

- Zor Gorelov, CEO and co-founder, Kasisto

### 3. Collaboration is the new innovation:

The crimping pressure of innovation on big banks to innovate, and start-ups struggle to guide and court new customers, a collaboration between the two is a win-win for both.

Mastercard's Start Path works directly with later-stage start-ups and brings them through a core six-month program to enable them to scale. The program has already helped some stellar products - smartphones converted to secure contactless payment terminals from Mobeewave, a bank in your pocket for online payments with Revolut, and payments within social networks from PayKey.

### 4. Blockchain: Beyond bitcoin

The much talked about technology responsible for the establishment of bitcoin and other cryptocurrencies, the blockchain is a distributed, open ledger that can record payments or other transactions between two parties quickly and in a verifiable and permanent way.

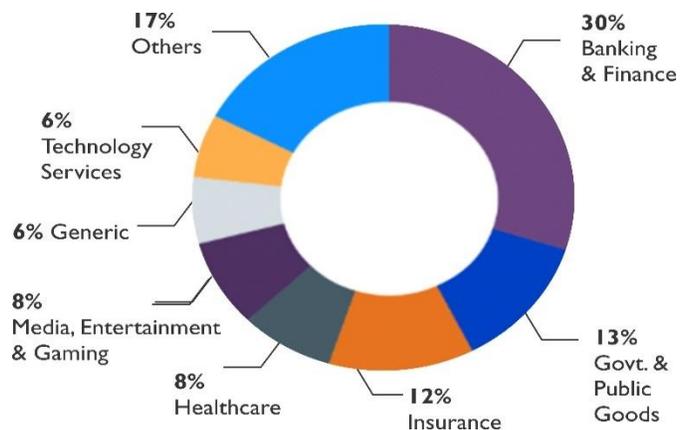
A pilot test was conducted by several banks in Asia and a prototype of blockchain technology was tested to transfer cross border funds within seconds between Thailand and Singapore. Thakorn Piyapan, stated: "Technology-based transaction helps enhance their subsidiaries' financial liquidity toward greater flexibility and efficiency." We will undoubtedly see the use of blockchain continue to grow in the future.

Considering the importance of blockchain financial services industry was the first to use blockchain technology with spending \$1.7 billion each year on this technology. Financial institutions are interested in the blockchain because of the security and transparency the technology provides. Moreover, smart contracts can automate payments and other financial operations.

**Amy Neale, VP and senior business leader at Mastercard, explains that collaboration helps Mastercard as much as the start-ups themselves. "It's really three-fold. We want to stay close to what's happening in the market and by vetting over 2,000 start-ups every year, we learn. Secondly, we find opportunities to build together by piloting and working across the business to bring products to market. And thirdly, and most importantly, it's about opening up the Mastercard ecosystem to deliver the best available products and solutions for our customers."**

**Across virtually all sectors collaboration is emerging as the most important way to deliver new customer-focused technology quickly, and we should see the appetite for this continue to develop in 2018.**

**The banking and finance industry has the largest number of identified DLT use cases**



Source: [2017 Global Blockchain Benchmarking Study](#)

According to an IBM study, about 65% of banks are expected to use blockchain technology by 2019. Some 90 % of major North American and European banks are exploring the blockchain for payments.

Banks and financial organizations started exploring the blockchain not so long ago. But considering the interest they show and the solutions this technology offers, we can expect the blockchain to make a big impact on FinTech.

## 5. Financial inclusion

In the obsessed world with the traditional fintech hubs, the emerging markets of London, Singapore and San Francisco are the points where some exciting and innovative things are happening.

In Nigeria, consumers generally dubious when it comes to e-commerce, and reluctant to pay for things online. Nigerian tech start-up NetPlus (a Mastercard Start Path start-up) developed a solution with Mastercard that builds trust and empowers the consumer, the e-retailer as well as the delivery service by providing a simple and secure digital payment system.

Consumers can pre-authorize the payment when placing their order, the e-retailer feel confident of payment and dispatches the goods through a delivery service who can authorize the release of the payment via an app upon successful receipt. A simple, clean solution that builds trust for both retailer and consumer.

## 6. Financial services are going mobile:

According to a survey conducted by Bloomberg Capital, revealed that 57 percent of the American were of the view that there will be a complete change within in their lifetimes to current financial institutions, and a 70% believe that Fintech solutions are improving their financial health.

In current area the financial services are going mobile and the mobile technology is creating an impact on financial services besides lots of other industries.<sup>4</sup>

# Financial Services and Mobile Technology

**45%**  
of banking customers  
use mobile payments  
because they're  
convenient

By 2022, **88%** of all  
banking interactions  
will be mobile



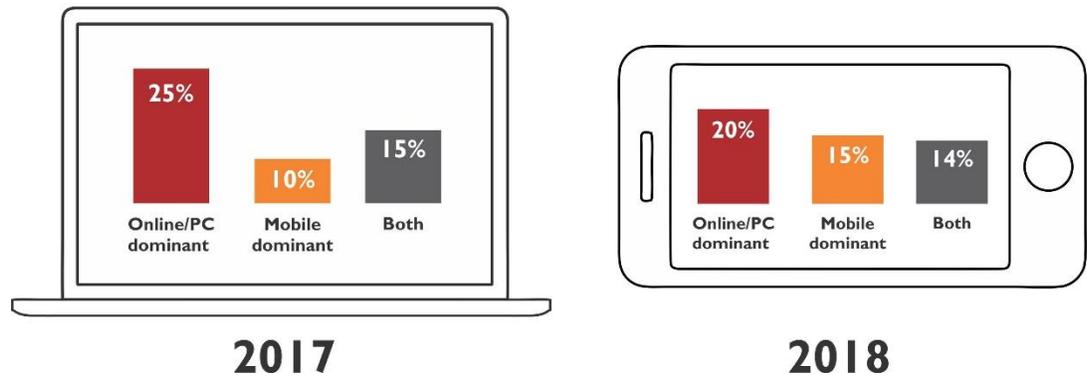
Mobile accessibility is one  
of the most important  
features for **60%** of  
banking customers  
in the US

Banking interactions  
on laptops and desktops  
will decrease by **63%**  
between 2017 and 2022

<sup>4</sup> <https://rubygarage.org/blog/biggest-fintech-trends-for-2018>

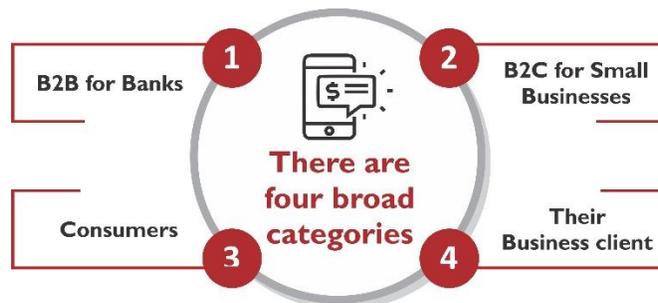
## Customer channel behavior trends

Smartphone banking is on the rise



### Fintech Users

Trends toward mobile banking, increased information, data and more accurate analytics and decentralization of access will create opportunities for all four groups to interact in heretofore unprecedented ways.



### Conclusion:

The innovation in fintech is creating an impact on the financial sector by increasing efficiency, effectiveness and accuracy. The pace at which the fintech is evolving, the future holds exciting prospect for the financial sector and innovation to be unfolded in a matter of time.