3 Ways In Tech Is Changing The Financial Industry



September 6, 2021 5 min read

This story originally appeared on ValueWalk

If an industry has proven itself to be as antifragile as it is innovative, it is the fintech sector. According to EY, the fintech sector doubles in adoption every two years, and the last year, in particular, has tested its resilience.

Q2 2021 hedge fund letters, conferences and more

Despite the global pandemic, the industry grew even more robust and demonstrated its ability to adapt and innovate in challenging situations.

In many ways, the fintech sector is a testament to how much technology has changed the world. Especially in terms of the global economy. Here is a fresh look at some of the ways that this is happening.

1. Democratizing Investing

One of the hallmarks of the global investing world was the high barrier to entry that it has held for decades. In the past, an everyday person that did not have a lot of money to invest was shut out of the market as most stockbrokers had a minimum investment requirement.

This type of environment fostered exclusivity and inequality within the financial world. But this is now changing thanks to fintech. With apps like Robinhood and various blockchain projects, people can invest with fewer entry barriers and more access to the market than ever before.

For example, many crypto projects have very low or no minimum investment requirements. People can invest as low as a few cents into projects, many of whom have gone on to offer several times in return, an example of this being the GameStop saga of early 2021.

All that is needed, in most cases, is access to the internet and some spare change, and everyone from professionals to college students can create an investment portfolio and begin to make money. In a sense, thanks to the DeFi revolution, everyone can be an investor.

But with this financial revolution, there are also plenty of

risks associated with cryptocurrencies. To a large extent, the industry is unregulated when compared to traditional finance. As a result, a plethora of scam coins and meme coins have sprung up.

2. Revolutionizing Remittances

For as long as the financial world has existed, one fundamental problem has existed alongside it; remitting money from one place to another, especially across international borders.

People who have moved abroad for better opportunities often remit money back home to family and friends. Most remittance services are notoriously slow at completing transactions and charge significant fees.

This issue is being addressed head-on and solved via the blockchain. According to a report by blockchain analytics company Chainalysis, in 2020, “Roughly $562 million worth of cryptocurrency was transferred directly from overseas addresses to ones based in Africa in retail-sized payments.”

An excellent example of this is El Salvador. The country recently announced that they had made bitcoin legal tender as a mechanism to combat cross-border remittance feeds and the increase in the U.S. M2 money supply.

3. Reinventing Banking

Commercial banks are now offering more fintech-adjacent options for their customers. Deloitte surveyed 1,280 senior executives and found that in the Americas, 47% of respondents agree that digital assets will play a very important role in the custody of assets for organizations.

That’s why it may come as no surprise to hear that PayPal, JPMorgan and plenty of other large institutions have entered the digital assets space. Many countries are also looking to create blockchain-based versions of their native currencies.

In short, trends like decentralized finance (DeFi), non-fungible tokens (NFTs) are paving the way for a new way for the world to become its own bank. This space is changing at an accelerating rate, and legacy financial giants are still playing catch up to remain relevant.

Here are some ways the crypto industry impacts global payments, remittances, rewards, and lending that are reinventing the bank industry.

- MinePlex: A mobile crypto bank with its own liquid token. The MinePlex ecosystem has an online marketplace platform, where a unique commodity staking tool operates.
- Yield: Earn between 8% to 20.5% APY on a select range of cryptocurrencies. They have $312,415,303 in assets under management.
- BlockFi: Backed by Winklevoss Capital, Morgan Creek Capital Management, and Galaxy Digital, allows users to earn up to 7.5% APY on a limited selection of cryptocurrencies. The company also partnered with Visa and launched a crypto rewards credit card whereby people can earn interest from purchases in bitcoin.
- Lolli: A Chrome extension that gives you bitcoin when you shop online at its 1,000 merchants. Lolli is only available in the U.S.
- OpenSea: A peer-to-peer marketplace for non-fungible tokens (NFTs) and rare digital collectibles.

So far, a lot still has to change. These days, customers expect their banks and other financial institutions to offer them access to the world of crypto. And those that do choose to act late may get left behind by their competitors.

In 2020, PayPal announced that it would begin supporting crypto transactions after its competitors, like CashApp, did so for years. The message is clear at this point that fintech innovation is here to stay.

The world we live in is more financially connected and inclusive than ever before, and we have fintech to thank.

https://www.entrepreneur.com/article/383865