4 Key Opportunities to Leverage in Fintech and Beyond

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The pandemic has transformed the way people live and businesses operate. While many industries had to adjust their processes to adapt to a new normal, some thrived thanks to their digital model. A great example of one that thrived is financial technology, or fintech, which uses technology to deliver banking and financial services.

Fintech was a growth space prior to the pandemic, with growth in take-up of services from the sector jumping from 16% in 2015, to 64% in 2019. While fintech players were not immune to the impact of Covid-19, they were generally able to recover more quickly due to their agile model and their increased use of digital channels.

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Key factors driving growth in fintech

Given the trend toward digitalization, let’s accept that fintech is here to stay. With this in mind, let’s talk more about the rise of this space and some of the exciting opportunities that lie ahead in this sector.

1. Accessibility to an underserved market

One of the main reasons for the massive growth in fintech adoption is that the sector managed to tap underserved markets that traditional banks often overlook. These include people who do not have bank accounts or smaller businesses with lower profit margins. Many fintech companies have appealed to these segments by providing easier access to banking services, including money transfers and micro-loans.

2. Increased contactless payments

Contactless payments surged during the pandemic as personal hygiene safety became a top concern. Quarantines, lockdowns and social distancing rules also led to the rise of e-commerce, telemedicine and remote working, which all pushed online payments further.

You can expect these contactless methods to be part of the new normal due to their convenience. In fact, businesses are now exploring more diversified payment options like QR codes and voice-activated payments to respond to changing consumer behavior.

3. Technological advancements

Of course, given that technology constitutes the core of fintech, technological advancements have also been a significant industry driver. Artificial intelligence (AI), machine learning (ML) and cloud computing are technologies that have driven fintech development and will continue to in the next decade.

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Future opportunities for fintech

companies

Fintech has been growing impressively in the past few years. However, given how broad this space is, it is essential to focus on the key opportunities that show the most potential. Some of these in my opinion are:

1. Embedded finance

Embedded finance refers to integrating financial services or tools into a non-financial company's offerings. Embedded finance also helps streamline the buying journey and eliminate purchase barriers, creating a more seamless customer experience. Some examples of embedded finance include online stores offering loans or "buy now pay later" (BNPL) options within their website or app.

Given the growing demand for embedded finance, fintech players are starting to offer banking as a service (BaaS) solutions. While you can quickly deliver these services through APIs, you need to build a strong risk and compliance strategy as an embedded finance partner for businesses.

2. Artificial intelligence (AI)

The fintech sector is known to handle large volumes of data, making AI technologies valuable for collecting and storing such information. Depending on your needs, you can capitalize on different AI applications to help your operations. For example, analyzing user behavior allows you to provide personalized financial services or advice to suit each client's needs.

Alternatively, AI algorithms can help you make predictions to drive intelligent business decisions. One example is making predictions for risk assessment, which allows you to detect potential fraud in transactions and minimize the likelihood of human error.

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3. Sustainable finance

With the growing emphasis on environmental protection due to climate change, sustainable or green finance is another big opportunity you can embrace. The banking sector has been actively implementing environmental, social and governance (ESG) initiatives – and now, fintech players are catching up.

Specifically, companies in the industry are seeking ways to incorporate sustainability into their operations, whether through increasing climate-friendly investments or carbon emission reduction. This way, they can encourage individuals to be more conscious of their environmental impact and act.

4. Decentralized finance

The concept of decentralized finance, or DeFi, gained traction in the fintech space due to the popularity of cryptocurrencies and blockchain. DeFi refers to an emerging technology that uses a distributed ledger to manage financial transactions, removing the need for intermediaries. Fintech has already begun incorporating DeFi into interfaces, so we can expect this to occupy a more significant role in the future.

Fintech is undoubtedly here to stay, as demonstrated by its massive growth and resilience during the pandemic. In today’s digital age, consumers seek convenience and security – and fintech is helping to bridge that gap in financial services. So, moving forward, I think we can expect more innovation in the space to deliver accessible solutions to more underserved audiences.

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