How Fintech Innovations Are Making Payments More Efficient

Smart entrepreneurs can tap into its various facets to build successful businesses.

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By using innovation to make exchanges more efficient, secure and convenient, fintech — or financial technology — sits advantaeously at the intersection of two cornerstones of human enterprise. And over the past few years, there has been a marked increase in the amount of investment channelled into the growing sector, resulting in several new concepts that are ready to disrupt longstanding ways of doing business. Whether you're an entrepreneur, investor or consumer, here are a few of the most important trends to watch out for:

1. Alternate Credit

Many small businesses find it difficult to access loans from traditional financial institutions because they are deemed as being less profitable and higher-risk. Fintech solutions have been implemented to fill that niche by facilitating peer-to-peer lending with lower interest rates and better terms overall for both parties.

Even though the loans are usually in smaller amounts, they satisfy an important need when lacking funds for small but crucial expenses. In addition, due to the fact that they are

usually issued in cryptocurrecy, which is less regulated, the interest rates are significantly lower.

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2. Blockchain

Blockchain has become such a buzzword nowadays that it’s used to describe everything from cryptocurrencies like Bitcoin and Ethereum to other unrelated industry trends. Nonetheless, it is one of fintech’s most pivotal innovations. Additional security via distributed ledger and removal of third-party validation make it a very attractive option, even though cryptocurrencies are still being adopted at a slow pace.

3. Security

As long as money has been changing hands in business, there have always been people looking to steal that money. And with overreliance on internet transactions, securing payment transfers has become a crucial area of fintech innovation. Companies that offer point-of-sale services now use state of the art VPN and firewalls to keep customer data safe from malware attacks. Meanwhile, companies that keep customer credit card data online have begun to implement advanced systems that are resistant to brute force attacks and other hacker exploits. It’s also worth noting that with Europe’s introduction of the GDPR and other worldwide regulations regarding how companies use customer data, privacy is an equally crucial concern.

4. AI-based Advisory

Having a financial advisor has long been a privilege of the very wealthy. Most firms that offer such services have high benchmarks for their clientele, and accompanying fees wouldn’t

be worth it when dealing with small amounts of money. But take heart. As Payment Savvy CEO Chad Deatherage explains, “AI is beginning to disrupt that by combining complex algorithms and machine learning to develop ‘robots’ capable of giving top-notch, timely financial advice without the high costs.”

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5. Smart Contracts

One of the issues with financial transactions has always been the element of trust. With smart contracts based in blockchain technology, specific parameters can be coded into a contract, which will then self-execute and make whatever transactions are necessary to conclude the contract without the intervention of either party. Such a “trustless” system, as proponents like to call it, will encourage people to do business across the world without worrying about the enforcement of the terms of their agreements. It’ll also cushion the effects of an uncertain business environment as a result of regulations and other factors.

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