



 **APUINSIGHTS**
Product of APU Commercial Information Services LLC

FINTECH DISRUPTION IN BANKING

APU is a knowledge-based consultancy company providing research and analysis, data, technical and business advice and services, sought by business leaders and strategists, to help them capture tomorrow's opportunities, today.

APU delivers market research reports covering markets, industries, countries, companies and technologies.

By continuously updating our desk research, and leveraging market research publications from leading institutes and consultancies worldwide, we provide relevant, current and credible research, critical to the success of your business.

Our clients use our insights, critical analysis, statistics and forecasts to help make strategic business decisions and grow their organizations. Our approach combines deep insight into the dynamics of industries and markets to help clients build more capable organizations and sustain lasting results.

Global Business Intelligence

Trends and forecasts for 18 global industries and over 1200 industry subsectors in up to 60 economies.

Our subscription services for data, news, analysis and forecasts, help clients understand how the world is changing and how that creates opportunities to be seized and risks to be mitigated and managed.



FINTECH DISRUPTION IN BANKING

The business landscape in banking sector has dramatically changed in recent years. The financial market authorities have strengthened banking sector regulation after the financial crisis of 2007-2008, introducing new or enhancing existing standards. Besides, innovations and development of information and financial technologies (FinTech) have increased the necessity to look for more innovative solutions also in banking.

THE TERM “FINTECH”
REFERRED TO THE

“Financial Services Technology Consortium”.

“FINTECH” IS NOW A NOUN
RELATED TO COMPANIES THAT
USES MODERN INNOVATIVE
TECHNOLOGIES TO ENABLE
PROVISION OF FINANCIAL SERVICES.

The term “FinTech” referred to the “Financial Services Technology Consortium”. “FinTech” is now a noun related to companies that uses modern innovative technologies to enable provision of financial services. Moreover, FinTech is seen as a new market that integrates finance and technology and replaces traditional financial structures with new technology-based procedures. FinTech has become an essential part of banking, and nowadays banks have begun to compete beyond financial services that face growing competition from non-financial organizations. As a result, traditional banks have begun to lose some of their market share. FinTech development has a significant effect on banks as many banking products are information-based and can therefore be bought from various financial services providers.¹

On the other hand, modern techniques of data analysis and ITs enable numerous financial services to be individualized digitally. In the field of easily standardizable, less knowledge-intensive products / services such as payments, easy savings product, current account, and consumer credit among others, increased potential threat to the banking industry can be recognized. However, timely collaboration with FinTech firms can assist banks generate new opportunities.

The reaction of banks to development of FinTech companies worldwide is different: banks start up programs to incubate FinTech companies, set up venture funds to finance FinTech companies, establish cooperation as partners; some banks have acquired FinTech companies or launched own FinTech subsidiaries.

¹ Románova, I. and Kudinska, M., 2016. Banking and Fintech: A Challenge or Opportunity? Contemporary Studies in Economic and Financial Analysis, Vol. 98), Emerald Group Publishing Limited, pp. 21-35. Retrieved from: <https://www.emerald.com/insight/content/doi/10.1108/S1569-375920160000098002/full/html>



FinTech companies can be classified in two groups: companies providing services complimentary to bank services (potential partnership with banks can be expected) and companies providing services traditionally covered by banks (FinTech as competitors, cooperation is possible). Closer collaboration with FinTech providers would enable banks to use comparative advantages of FinTech companies as extremely standardized and low-cost financial services, relatively lower risk of financial services / products risk, technology-oriented customer behavior, etc.

On one hand, FinTech's development is an extra challenge for banks; on the other hand, this challenge can be turned into an opportunity that will support further growth of banks. It is therefore essential for banks to start collaboration with FinTech firms, particularly in the business fields where FinTech companies provide services complimentary to bank services. While the hi-tech giants like Apple and Amazon are already entering the Fintech world, along with new players with a high rate of innovation, traditional banks often struggle to keep up due to regulatory rigidity and their own inner structures.

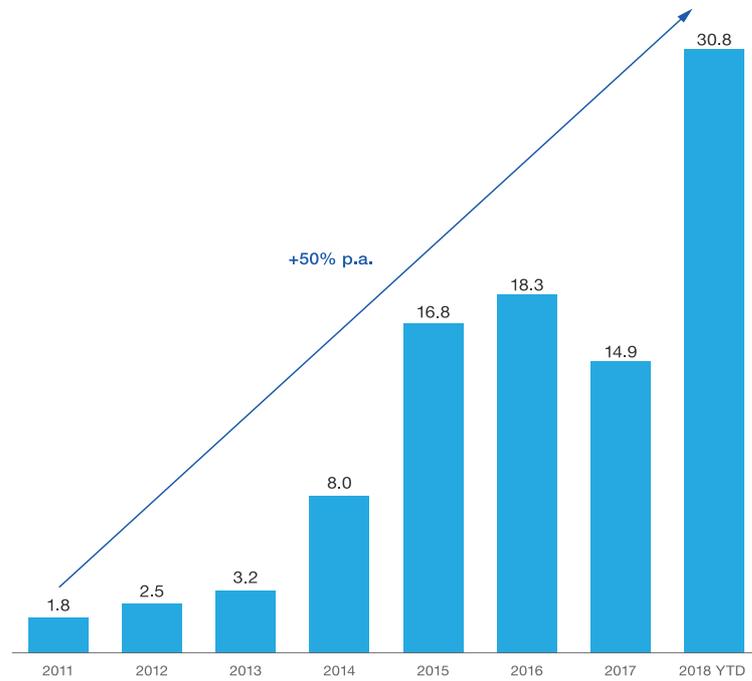


**Nearly 80% of
financial
institutions**

HAVE ENTERED INTO
FINTECH PARTNERSHIPS.

Global venture capital investment in fintechs

\$ billion



McKinsey&Company | Source: CB Insights; McKinsey analysis

To drive this trend, it is an increasingly strong orientation of consumers and companies to turn towards this type of financial instruments. During 2018, Fintech's global market activity gained momentum as the geographic diversity and reach of fintech investment continued to expand.

Financial institutions are engaging with fintech start-ups either as investors or through strategic partnerships. Nearly 80 percent of financial institutions have entered into fintech partnerships. Meanwhile, global venture capital (VC) fintech investment in 2018 has already reached \$30.8 billion, up from \$1.8 billion in 2011.²

FinTech businesses often focus on just one service, but they cover all fields of finance: from payments to loans, from insurance (InsurTech) to banking and asset management, to the use of technological tools to support adjustment processes, compliance, regulations, laws and reporting (RegTech).

² McKinsey, 2018. Synergy and disruption: Ten trends shaping fintech. Retrieved from: <https://www.mckinsey.com/industries/financial-services/our-insights/synergy-and-disruption-ten-trends-shaping-fintech>



There is no doubt that that the technology applied to finance has improved the services provided to clients, deeply changing the interaction with money and at the same moment making businesses more efficient. Given the speed with which the panorama of technology and services is changing, forecasts of future developments are not simple.³

Technological innovation will profoundly change the financial market structure and only by fully understanding the digital innovations will it be possible to survive and compete with the new business models. Therefore, to transform the digital transformation into a competitive advantage, traditional financial institutions and Fintech startups need new experts. In this context, a lot of Fintech companies are looking for young talents. However, it should be mentioned that the experience isn't so important, it's about the willingness to learn, the passion to make a difference and the desire to build the future.

³ N.p., 2019. The Implementation of FinTech in Banking Sector. Retrieved from: APU INSIGHTS WEBSITE



