

The Future of FinTech and Digital Banking in a Post Covid-19 World



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Executive Summary

As the Coronavirus pandemic continues to create uncertainty, on a number of fronts, a lot of fintech companies are under stress. It is already becoming difficult to access funding, particularly for some early-stage ventures, due to the fact that the majority of investors concentrated on established fintechs with clear business models.

Moreover, recent cuts in interest rates and the economic recession have dramatically changed many business sector assumptions. However, as the wider economy moves from reacting to recovery, coronavirus can offer new opportunities for some businesses.

While we cannot foresee what form post-crisis prospects will take, we do believe that fintech, a sector steeped in technology development, is likely to create new and innovative solutions. In this context, the aim of this research is to provide an in-depth analysis regarding the impact of Covid-19 on the global FinTech industry.



Key Findings

From the research that we have conducted, we highlight the most important findings regarding the impact of coronavirus on the Fintech industry:

- **The rise in demand for digital banking software could provide FinTechs with a necessary increase at a time when other funding may not be a choice.**
- **Fintech companies in the retail brokerage space documented some of the highest usage figures early in the Covid-19 cycle as market volatility was at an ever-high level.**
- **Fintech funding jumps back in Q2'20 but deal activity continues to decline.**
- **Asia was the only region in the Q2'20 without a rebound in dollar funding.**
- **North America, Europe, South America, Africa, and Australia all have seen a rise in quarter-over-quarter fintech funding, while funding to Asian companies dropped by 37 percent to reach USD 1.6 billion.**
- **There are 66 Fintech unicorns supported by venture capital (VC) worth a combined USD 248 billion.**
- **The total volume of contactless payments will increase markedly as the pandemic continues.**



Study Scope

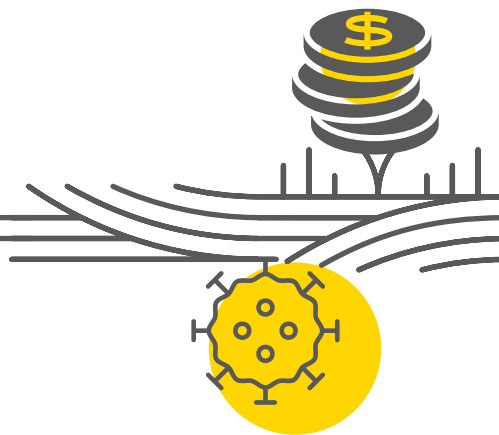
The scope of this e-book is to provide a study framework to get a deeper understanding of Covid-19 implications in the financial technology industry and its vertical lines. Its purpose is to raise awareness of the post-pandemic impact and highlight the innovative approach of Fintechs to ensure business survival. This paper can also be a valuable insight for companies experiencing similar challenges in the financial sector, and help key people identify improvement areas for a sustainable recovery.



Structure of the E-book

The remainder of the research is organized as follows:

- **The first chapter** provides an overview regarding the global FinTech industry. More precisely, this chapter gives the definition of the term “FinTech” whilst it presents data regarding the activity in the Fintech industry such as deals and investments.
- **Moving along to the second chapter**, we provide an analysis of the consequences of the Covid-19 on the global FinTech industry as well as its ecosystem, that it includes payments, online banking, lending and insurance, among others.
- **The third chapter** offers a comprehensive analysis of how the FinTech companies are responding to the Coronavirus crisis. In addition, we represent the sectors of the FinTech industry that are going to benefit from the current situation. Moreover, top initiatives by the FinTech firms are analyzed in this specific section.
- **Finally, the fourth chapter** discusses the future opportunities for the FinTech industry and offers useful recommendations that should be taken into consideration by policymakers.



Note on Research Process & Methodology

Our audience uses our valuable insights and trends analysis to make well-informed strategic decisions and grow their business. Our methodology is different from the traditional market of research reports. We put equal emphasis on qualitative and quantifiable data when we examine technological breakthroughs in a particular sector. This means that by showcasing growth figures, it cannot be a panacea to jump to conclusive points without demonstrating first the impact of current Covid-19 challenges and industry limitations. After reviewing the available literature, we have gathered the key points through a 'problem-fix' analysis to help readers explore potential recovery scenarios.



Introduction

The pandemic crisis has caused significant distress in the global economy, with severe consequences in the distribution of goods and services, and business investment. During the latest decades, finance has experienced more complex risks resulting from the rapid technological breakthrough, while striving to find creative ways to take advantage of the current situation and improve their value proposition.

Fintech companies have been significantly affected by Covid-19, despite their digital positioning in the market. This arises from the belief that several of these firms rely on investor funding, which has dwindled significantly as the pandemic began. Probably, few start-up firms have sufficient money in hand or even credit lines during the current crisis. The most decisive recover, though, has been the fruitful collaboration between financial institutions and banks to overcome operational challenges, maintain a steady customer base and ensure recovery during times of uncertainty.

Conclusion

While much attention has been paid to the effect of Covid-19 on traditional financial institutions, a substantial affect is also felt on the fintech marketplace. This is best demonstrated by the delays in funding, the decrease in the establishment of new fintech companies and the decrease in revenues of most organizations already in business.

Fintech companies are in many ways more vulnerable than their legacy banking counterparts, despite being better placed for the digital transformation that takes place in the financial sector. In contrast to traditional banking organizations, the majority of fintech companies existed less than a decade ago, with only a few demonstrating operational profitability.

Fintech companies have in most cases depended heavily on investor funding that is far from ensured in the near or intermediate future, particularly as profits have fallen due to the outbreak of the pandemic. Not unexpectedly, fintech and legacy financial institutions, the largest and most capitalized, also decided to respond well to adversity. Not only have these organizations been furthest along the path of digital transformation, they have also been able to react fast to consumer needs. They are ultimately also the most prepared for financial crises. On the other hand, mid-sized Fintech firms and legacy regional banks are witnessing the worst of both worlds. These companies enjoyed the economic growth before the coronavirus crisis, but did not have the cultural values to see the risks of complacency. ⁴⁴

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