Hexaview

FinTech: Capitalizing on Technology Investment

Trends driving the technological adoption

Introduction

The Covid-19 pandemic has really caused enormous issues and disruption for many organizations, on the other hand, it also drove explosive growth in the fintech industry as consumer banking and spending patterns shifted and established financial services firms realized they needed to digitize more than ever.

As a result, investment in worldwide fintech increased to a record $98 billion in the first half of 2021, up from $87.1 billion in the second half of 2020. Additionally, there has been a surge in the recognition of fintech companies as "unicorns," with more than 150 fintech companies worldwide now meeting the requirement of being valued at least $1 billion.

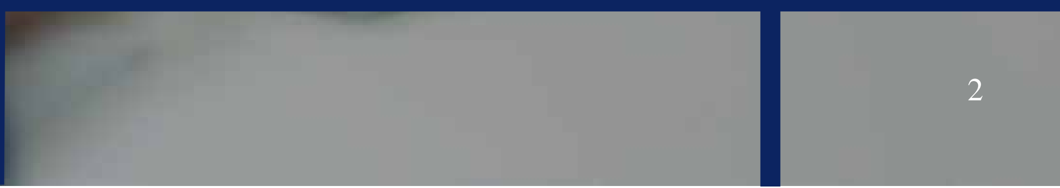
While fintechs like Revolut, Starling, and Monzo have gained widespread recognition in Europe, the US has seen remarkable success with companies like Robinhood, Stripe, and Chime competing with more established and traditional financial institutions. In fact, according to EY, 64%* of consumers have used one or more fintech platforms, demonstrating the fierce competition these businesses face for dominance in the banking industry.

Fintechs are providing considerable value to consumers and businesses alike and have changed how some interact with financial services. They are frequently perceived as being more inventive and adaptable than more traditional financial services firms.

Although many fintechs have found success, these businesses nonetheless frequently encounter a variety of difficulties, including those related to installing the appropriate technology, competing for new clients, or scaling the business.

**Sources: KPMG, Intersystem Creative Data Technology.*

Worldwide fintech increased to $98 billion in H1 of 2021, up from $87.1 billion in H2 of 2020



Priorities in Technology for the Post-Covid Era

Data concerns were cited by an overwhelming 81%* of Fintechs as their main technical challenge, with 41%* finding it difficult to use data for analytics, machine learning, and artificial intelligence, and 40%* having trouble connecting to customers' applications, data, or legacy systems.

Building more inclusive and effective financial services and fostering economic growth are both made possible by the ongoing digitization of money and financial services. Countries should seize these chances and put policies in place that promote innovation and adoption in safe financial practices. The distinctions between financial firms and the financial sector are becoming hazier due to technological advancements. Market outcomes are being profoundly shaped by new infrastructures, providers, products, business models, and market structures.

However, despite difficulties, fintech companies have their sights firmly fixed on the future, and as a result, they are defining clear technical goals to adjust to the shifting environment. Enhancing security is more than a third (34%)* of fintechs' top technical objective for the coming year. Security is a crucial factor for adopting new financial products and services for consumers, companies, and banks alike.

> Given that data is widely regarded as the lifeblood of any organization, these challenges could have significant ramifications for fintechs, ranging from impeding their ability to deliver the products and services their customers require to affecting their ability to comply with regulations.

Updating IT infrastructure (30%)* and improving customer experience (27%)*, which in some ways go hand in hand as customers seek more intuitive, personalized, and digital products, are also at the top of the list of objectives for the upcoming year.

Only a quarter of fintech companies (25%)* claim that adding new features or services is their main priority, indicating that they are more concerned with nailing the fundamentals before looking into new directions.

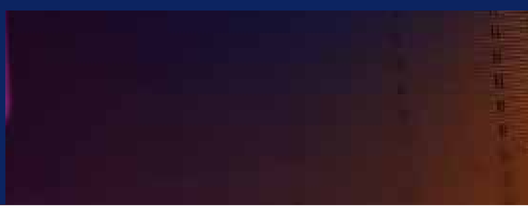
**Sources: KPMG, Intersystem Creative Data Technology.*

Top 3 biggest technical challenges

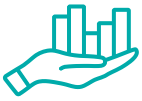
81%
data

40%
security

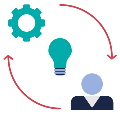
40%
cloud support / multi-cloud deployment & administration



Capitalising on technology investment



52%
improve scalability and reliability



48%
increase agility

47%
enable better integration with customers & third parties

Choosing the Right Technology

Fintechs must first resolve concerns with their current IT infrastructure, especially considering the data challenges being faced, in order to make the best use of the new technology adoption.

The fact that almost all Fintechs (91%)* intend to make investments in new technology over the next 12 months is encouraging. Some of these investments will enable them to address their priorities, such as enhancing security and customer experience and focusing on overcoming their current data challenges. For instance, more than half (51%)* anticipate making investments in the cloud, 48%* in data management, and 45%* in implementing AI and ML.

42%* of respondents named data fabric technology investment as a potential future technology investment. Fintechs will be able to integrate their data silos and have a uniform, accurate, real-time view of their enterprise data assets by implementing this new architectural approach.

Additionally, B2B Fintechs that sell their solutions to enterprise financial services organizations will be able to do so by using a data fabric to build a dynamic, bi-directional gateway between their applications and the production applications, legacy systems, and data silos of their enterprise clients. This method will assist those Fintechs in ensuring that their solutions can be swiftly and readily incorporated into the environments of their clients, which is advantageous for Fintechs wishing to work with banks in particular.

In the end, the deployment of data fabric technology will enable both B2C and B2B Fintechs to better satisfy customer demand, enhance agility, and improve competitiveness. For more than half (55%)* of respondents, this is the primary incentive for introducing new technology. However, many Fintechs find it challenging to deploy new technologies. The biggest obstacles were found to be a lack of internal knowledge or skills (51%)*, as well as a lack of flexibility in their current environment (54%)*.

> Fintechs need to consider solutions that will address these issues while still utilizing their current infrastructure. This strategy would avoid complications and the need to completely replace their current infrastructure by allowing old applications, data, and data management systems to stay in place.

**Sources: KPMG, Intersystem Creative Data Technology.*

Cloud computing and fintech

It is surprising that just 39%* of fintech companies offer a cloud-based managed service that is accessible in several public clouds when considering the sorts of applications. A big problem for 30%* of respondents was finding cloud help, probably as a result of internal knowledge and skill gaps, particularly in the areas of security, cost control, data localization, and the integration of different services.

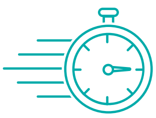
Only 23%* of companies provide hybrid applications (cloud Plus on-premises). This hybrid approach, along with service decoupling in bounded contexts, clear end-points contracts, standardization, and domain-driven design will help Fintechs to make sure their offering is more appealing to incumbent banks, as the majority of Fintechs want to collaborate with traditional banks in some way.

It is now much simpler for Fintechs to leverage data management technology while supporting numerous deployment settings, including hybrid and multi-cloud, thanks to the technology that many current data management platforms now have built into their apps and solutions from the ground up.

This method of using the cloud will also aid Fintechs in achieving important objectives for investing in new technology, such as enhancing scalability and dependability (52%)* and boosting agility (48%)*.

Fintechs could work with banks to

Improve customer experience and engagement



Increase agility / speed to market

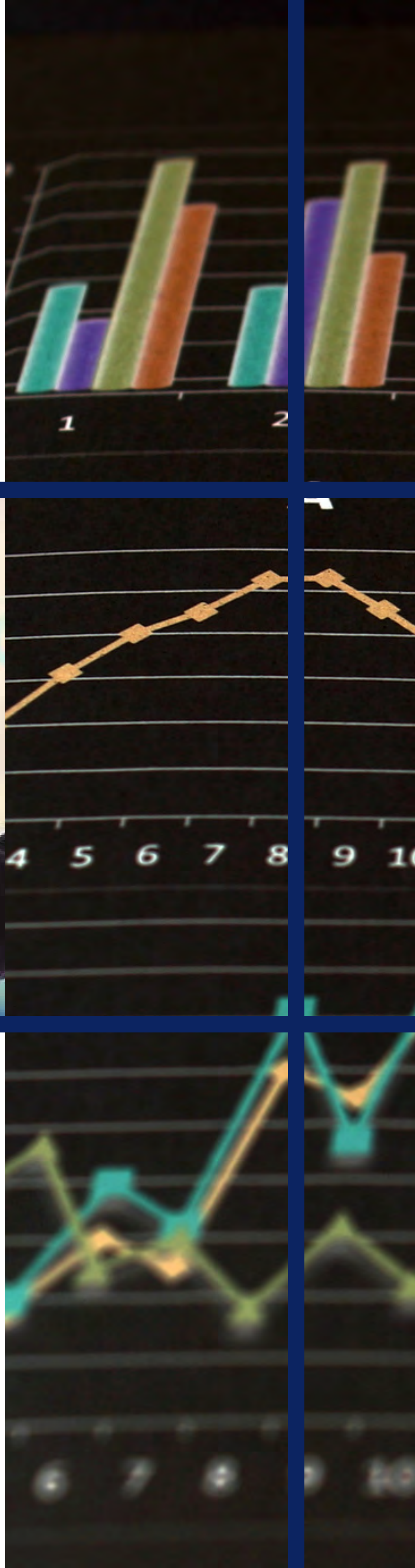
Achieve improved customer analytics

Operating jointly in the financial services industry

In terms of how fintechs want to collaborate with banks, more than a third (34%)* believe they should offer banks a SaaS lease on their applications. By delivering technology into the market that can enable new ideas and opportunities, 61%* of fintechs expect their company to have a beneficial impact on the finance sector, whether they choose to partner with banks or not. While 50% of respondents think banks can benefit from the connections since they can concentrate on their key points of difference and expertise.

Although fintechs are frequently linked with upending the status quo, there is a 50/50 divide in how they believe their impact on the market will be felt, with 50%* anticipating increased competition and 50%* predicting increased collaboration.

**Sources: KPMG, Intersystem Creative Data Technology.*



Summary

Investment in Fintechs is growing, as is the number of Fintechs in existence. These entities, with their innovative solutions, have begun to provide significant value for both the businesses and consumers they serve. However, as the research shows, they still have many substantial technical challenges to overcome, including issues with data, cloud support, and inflexibility in their current infrastructure, which if not addressed could stall their progress.

About Hexaview

A digital transformation firm focused on providing Technology Consulting, Development Centre, and Captive as a Service with an innovative approach and latest technology. With financial and technology insights, Hexaview Technologies endeavors to provide secure, optimal, and quality solutions to your unique business requirements. Hexaview thrives on the principle of trust and integrity. and values the relationships and commits to the promises. Hexaview believes in fulfilling commitments with the best possible solution, leaving no stone unturned in providing exemplary service. Hexaview is here to see you reach and surpass every goal!

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*All the data used in this report is based on a secondary research.

Headquarters (USA)

#7, Quaker Dr., East Brunswick, NJ, 08816
+1 (646) 403-4525

Development Office: Noida (INDIA)

B-21, Sector 58, Noida (Near Delhi), UP-201301
+91 9818693788