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How Fintech Is Evolving In 2021



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Money

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On the one hand, the Covid-19 pandemic has paralyzed much of our day-to-day lives, with billions experiencing its health effects directly or indirectly. Businesses have suffered, with one estimate this past fall showing that **up to 60%** of temporary closures could be permanent.

On the other hand, things are looking up. The predicted recession is turning out [not to be as bad](#) as previously estimated, and last year's innovations are coming to fruition. This year is paving the way to a brighter future, and fintech is at the forefront. Here are some of the key areas in which fintech is evolving right now.

Digital Banks

For [14.2 million U.S. citizens](#), digital banking is their only form of money management. That's around 6% of the adult population. While this might seem like a small number, if we consider that only a couple of years ago, fully digital banks were just a dream, this is quite significant.

While we may be a few years off a totally digital environment yet, the trend is growing. We will continue to see this rise, but alongside it, digital banks are adding new fees in order to continue to provide and develop their services, such as [Monzo's cash withdrawal fee](#) introduced last year.

The Digitization Of Brick-And-Mortar Banks

As digital banks continue to rise, we are also seeing more brick-and-mortar branches close their doors forever. This is not a new trend in the world of finance; however, the Covid-19 crisis crystallized thinking on this matter.

In 2020, U.K. banking giant TSB [announced](#) the closure of over 160 branches, and the Allied Irish Banks [told](#) of plans to cut their workforce by 1,500. And this year, Germany's Commerzbank [announced](#) it will close more than 340 branches in the next few years. And these are just some of the stats. Meanwhile, investment in digital continues to grow, with [34%](#) of banks offering fully digital processes.

Cryptocurrencies

According to Edelman, trust in cryptocurrencies **is rising**, and the same applies to a number of digital finance tools. In February, bitcoin surpassed \$57,000 per coin. Ethereum, the world's second, rose to over \$2,000. And the world of crypto shows no signs of slowing down. Electric automobile maker Tesla recently bought **\$1.5 billion** in bitcoin, while interest from institutional investors and the payments industry increases.

AI And ML Use

AI (artificial intelligence) and ML (machine learning) are growing as trends across many industries. Fintech is no exception. The value of AI technology in the industry is estimated to grow by **23.37%** (CAGR), reaching \$22.6 billion within the next four years.

The latest AI/ML tools target various areas within fintech, aiding in fraud detection, process optimization, credit scoring and even customer service. We are seeing a growing normalization of these technologies and greater integration into a number of practices.

Lending

The way people borrow is changing in a big way. Digital lending facilities, such as online banks, are growing, and so are P2P (peer-to-peer) lending platforms, which offer an alternative to traditional bank loans. This trend will continue to grow, and I expect we will see an increased level of personalization in the services offered to suit a new generation of clients.

Accessible Finance And Financial Literacy

For far too long, the financial sphere has been incomprehensible to a

large portion of the world's population. With the trend in autonomous finance growing, there is an added drive to ensure financial service providers are making their offerings understandable to their clients. And this is starting from a young age with programs to teach financial literacy. However, this is not limited to young people. Financial service providers should, and mostly are, working to make their services clear.

Payments

In the U.K. in 2020, it is estimated that almost **90% of card** payments were contactless. Meanwhile, worldwide data by Deloitte shows that **18%** of financial service providers launched contactless payment methods, while 41% increased the limits on such payments. The pandemic has obviously influenced this trend, accelerating it exponentially.

Current estimates suggest that by 2025 the contactless payments market will be worth up to **\$18 billion**, compared to \$10 billion in 2020. As the payments industry evolves, I expect we will continue to see innovations in the systems we use to pay. Think wearable payment technology and more mobile apps.

An Exciting Time For Fintech

There's no doubt that fintech is still on the rise. As people seek new ways of convenience, alternatives to current systems and safer alternatives for their precious data, the world of fintech will continue to evolve. In spite of the challenges, or perhaps even because of them, we are driven to progress and strive for a better future.

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