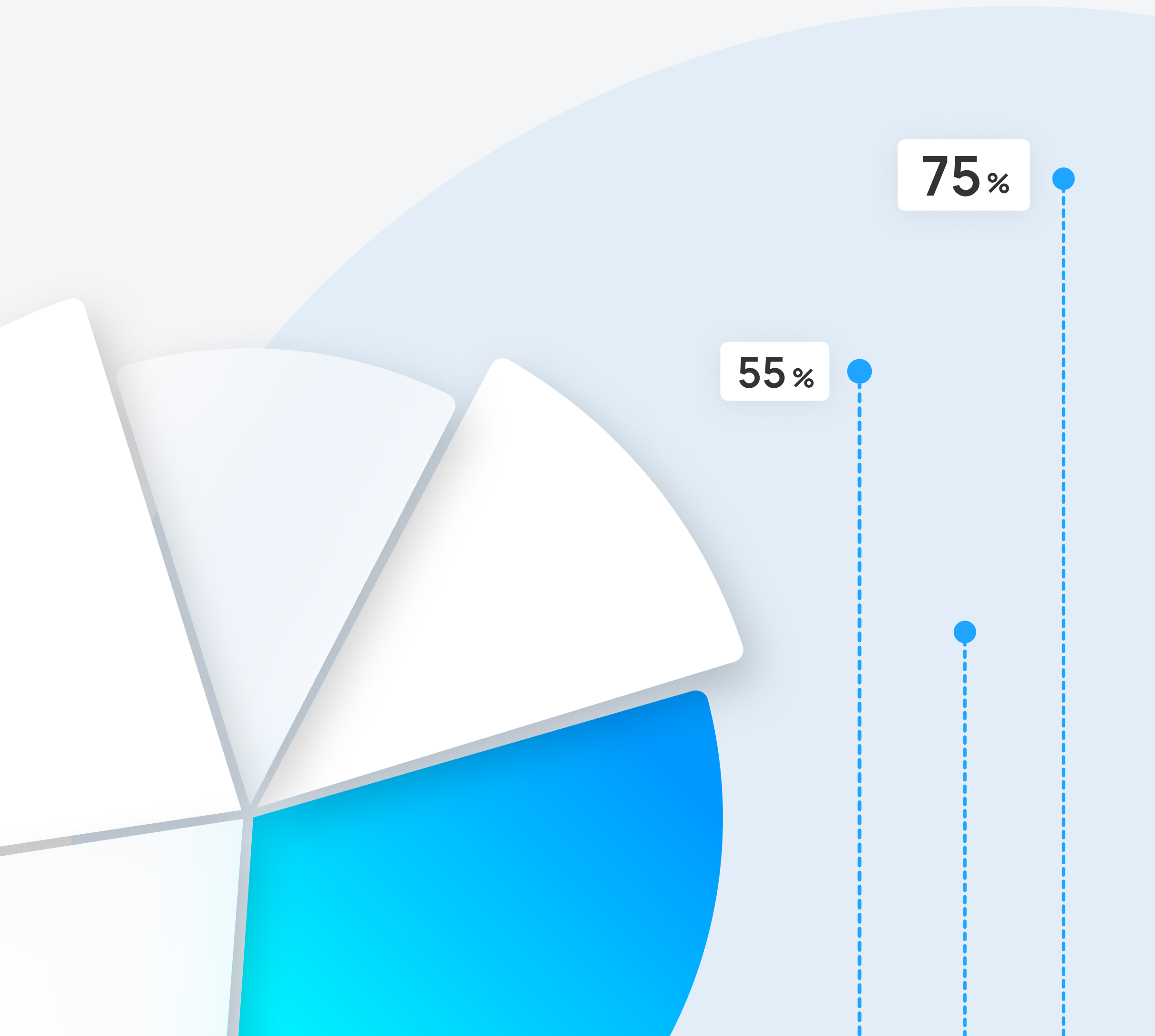


2024 Fintech Industry Report: Overview and Growth Predictions



Summary

The purpose of this report is to provide a comprehensive overview of the key findings and predictions for the fintech industry in 2024 and further. This report aims to present the current state of the industry, identify emerging opportunities, explore technological advancements, discuss regulatory impacts, and make future predictions.

Key Topics:

01

State of the Industry

Analysing the current trends, funding patterns, and geographical distribution of fintech

02

Emerging Opportunities

Highlighting new market opportunities in areas such as AI, embedded finance, and cross-border payments

03

Technological Advancements

Exploring the role of modern technologies like generative AI and blockchain in fintech development

04

Regulatory Impacts

Assessing the impact of recent and upcoming regulatory changes on the fintech landscape

05

Future Predictions

Providing insights into the anticipated developments and strategic recommendations for stakeholders



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Introduction

In this report Transferty's experts are outlining the scope and significance of the fintech industry, emphasising its rapid evolution and impact on global financial markets, based on the internal data and analytics from the reliable sources. The report aims to provide a detailed analysis of current trends and future directions to inform strategic decision-making.

The report covers a wide range of topics within the fintech industry, including:

Global trends

Among the main global trends are:

Examining overall fintech funding, investment trends, and market dynamics

01

Sector-Specific Insights

Detailed analysis of the sectors:

payments, insurtech, regtech, cybersec, wealthtech, and blockchain/crypto

02

Regional Analyses

Insights into the fintech ecosystems of major regions including the both Americas, EMEA, and APAC

03

Future Predictions

Projections for the fintech industry's growth, emerging technologies, and evolving regulatory landscape

04

Methodology

The analysis presented in this report is based on data collected from reputable sources, including the internal payment data from Transferty experts, and various industry reports.



The methodology involves:

01

Data Collection

Gathering quantitative data on fintech funding, deal sizes, and regional investment patterns

02

Qualitative Analysis

Assessing trends, opportunities, and challenges through expert opinions and market analysis

03

Comparative Analysis

Comparing data across different time periods and regions to identify significant changes and trends

04

Forecasting

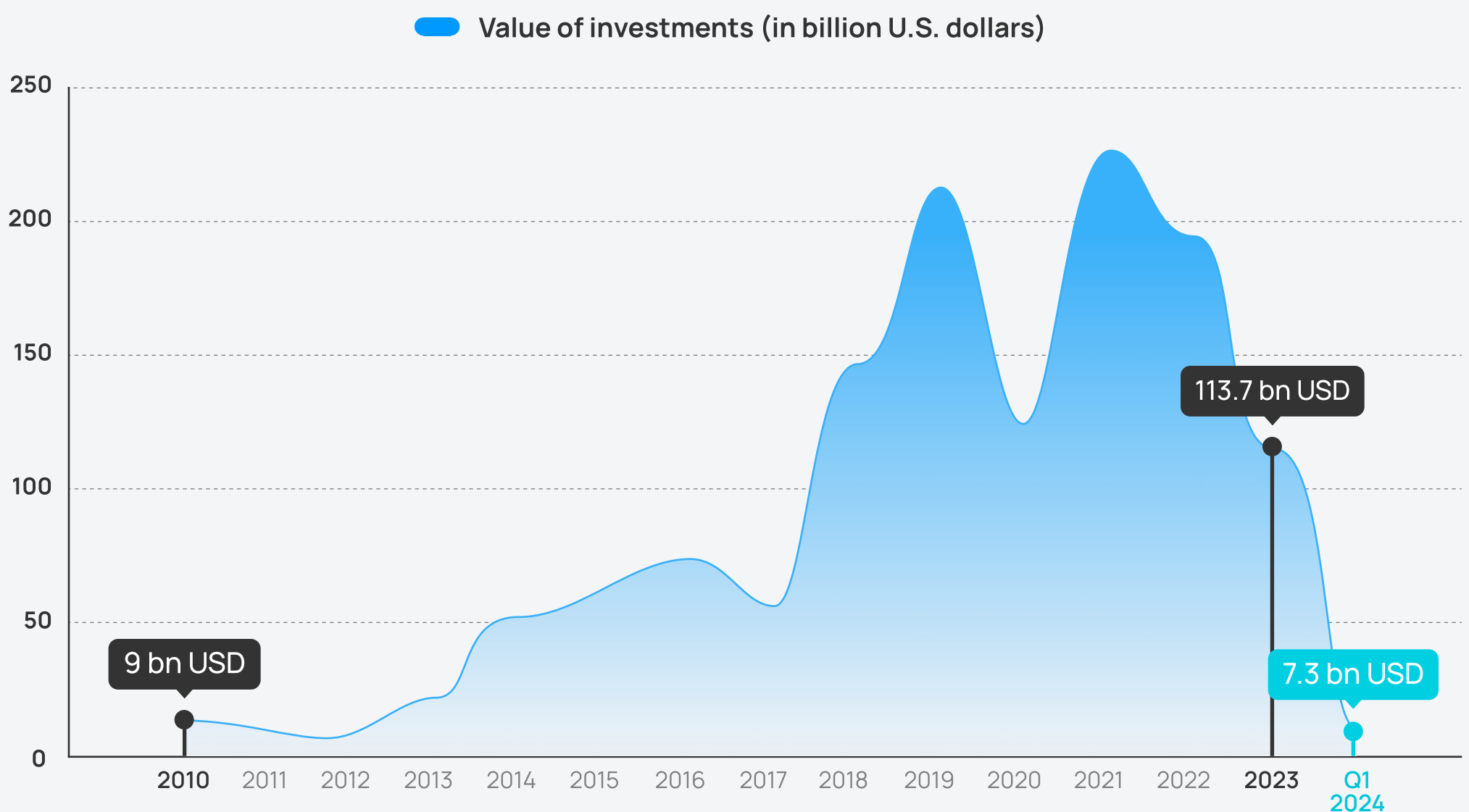
Utilising statistical models and expert insights to predict future trends and opportunities in the fintech industry

Chapter 1: State of the Industry

1.1 Global Fintech Funding

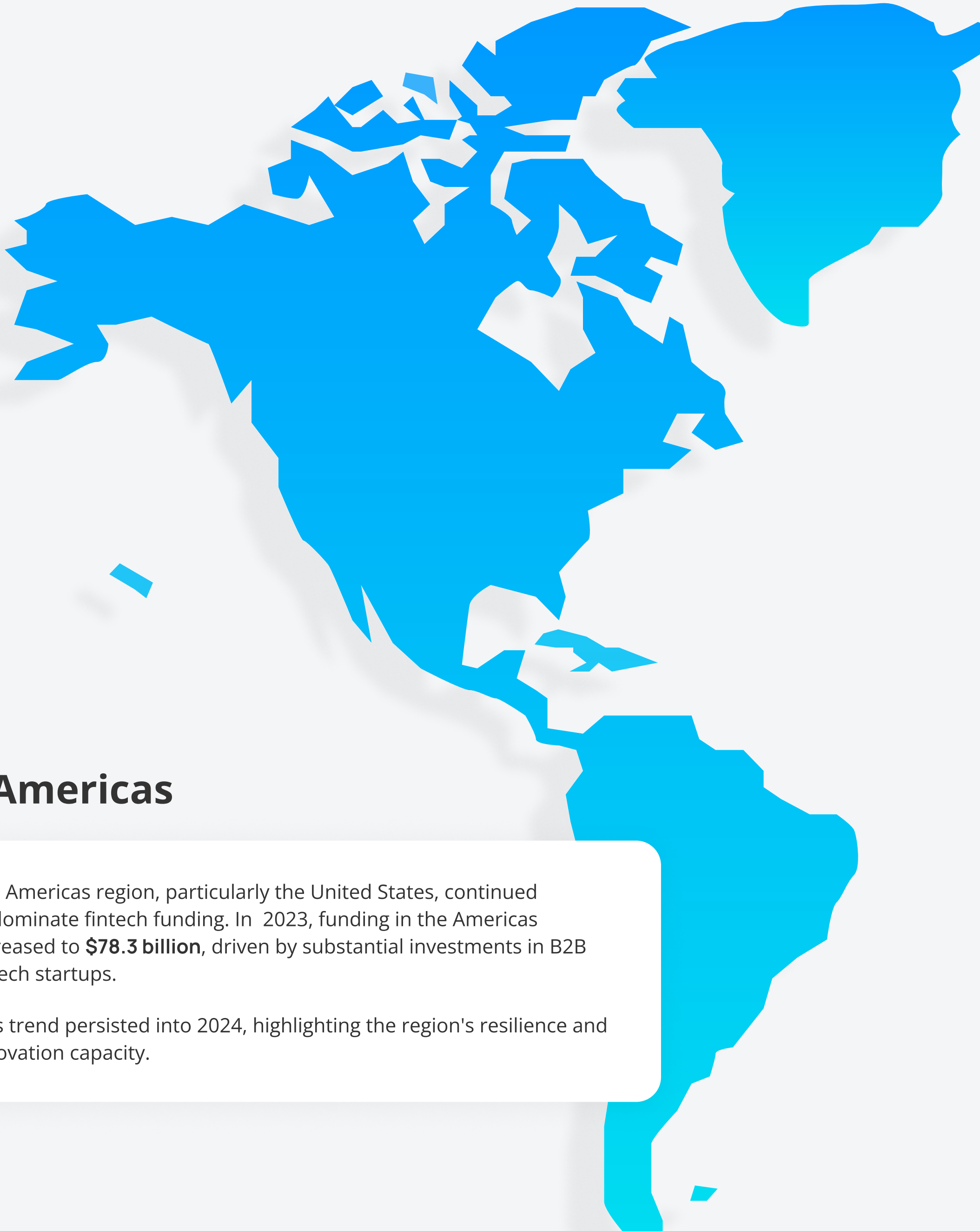
Global investments in fintech companies surged from 2010 to 2019, peaking at \$216.8 billion. In 2020, investments fell below \$125 billion but rebounded to over \$225 billion in 2021. The downward trend resumed in 2022 and continued into 2023, with funding dropping to \$113.7 billion. Q1 2024 saw further declines, with total funding reaching \$7.3 billion, the lowest level since Q3 2017, indicating a period of normalisation following the explosive growth of previous years.

Global Fintech Investment Volume from 2010 to 2024



1.2 Regional Insights

Let's go through the regional specificities of Fintech industry, discovering the main trends in the following geo: Americas, EMEA, APAC:



Americas

The Americas region, particularly the United States, continued to dominate fintech funding. In 2023, funding in the Americas increased to **\$78.3 billion**, driven by substantial investments in B2B fintech startups.

This trend persisted into 2024, highlighting the region's resilience and innovation capacity.



 **EMEA**

The EMEA region faced significant challenges, with funding dropping **\$24.5 billion** in 2023.

Economic uncertainties and regulatory changes contributed to this decline. However, the region remains a critical hub for fintech innovation, particularly in the regtech and insurtech sectors.



 **APAC**

The APAC region saw a decline in funding to **\$10.8 billion** in 2023.

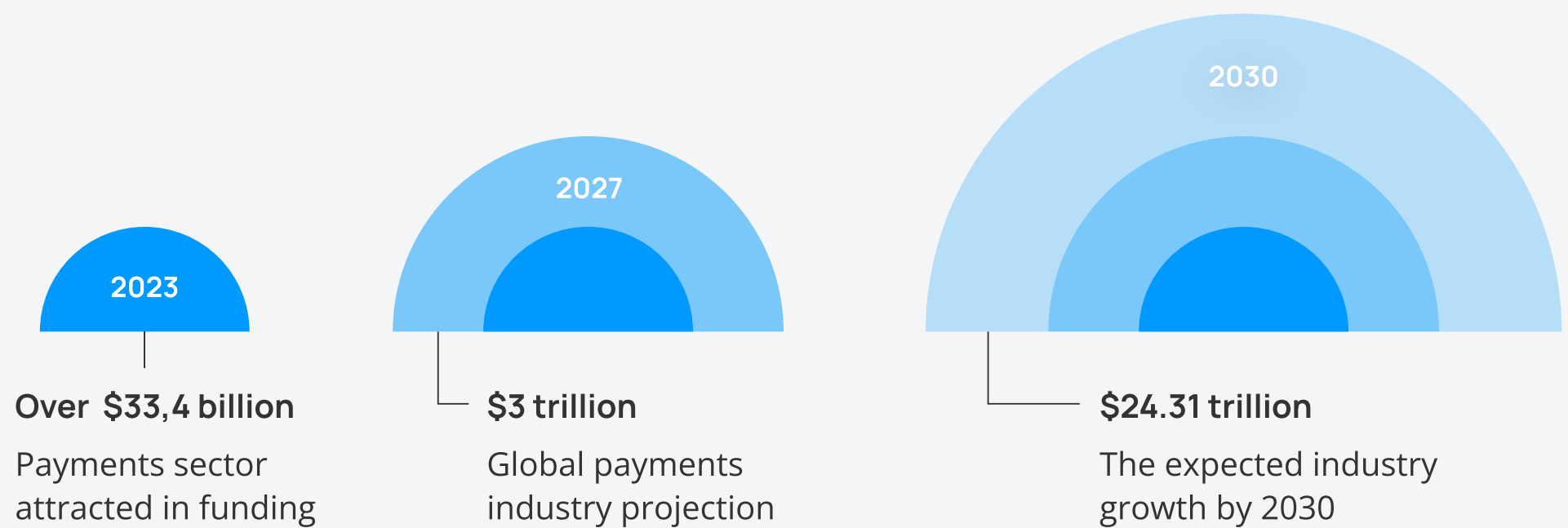
The focus in this region has shifted towards more mature markets and core financial services, with notable growth in digital payments and blockchain technology.

Chapter 2: Sector-Specific Insights

2.1 Payments Sector

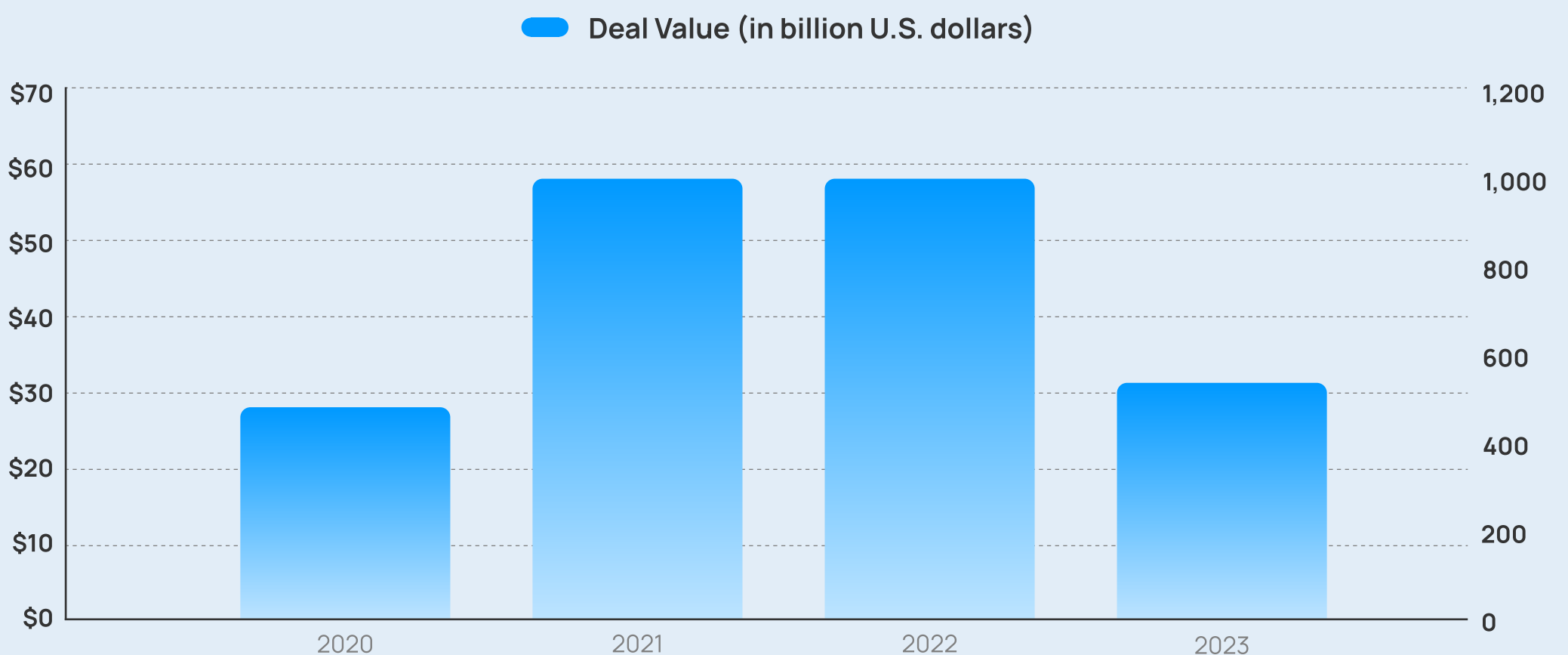
The payments sector has demonstrated remarkable resilience and growth despite global economic uncertainties. In 2023, the sector attracted over \$33,4 billion in funding, underscoring its critical role in the fintech landscape. The global payments industry is expected to exceed \$3 trillion by 2027.

This growth is fueled by increased adoption of digital payments and a decline in cash usage. The market is expected to grow to \$24.31 trillion by 2030, with a compound annual growth rate (CAGR) of 15.2%



Drivers

- ★ Adoption of digital payments
- ★ Decline in cash usage



Resilience and Growth

The payments sector remains a cornerstone of the fintech industry, showing robust growth driven by increasing adoption of digital and instant payment solutions. Countries like India and Brazil have been at the forefront, with India's Unified Payments Interface (UPI) seeing a tenfold increase in digital transactions over five years. This trend highlights the sector's adaptability and its pivotal role in transitioning from cash-based to digital economies.

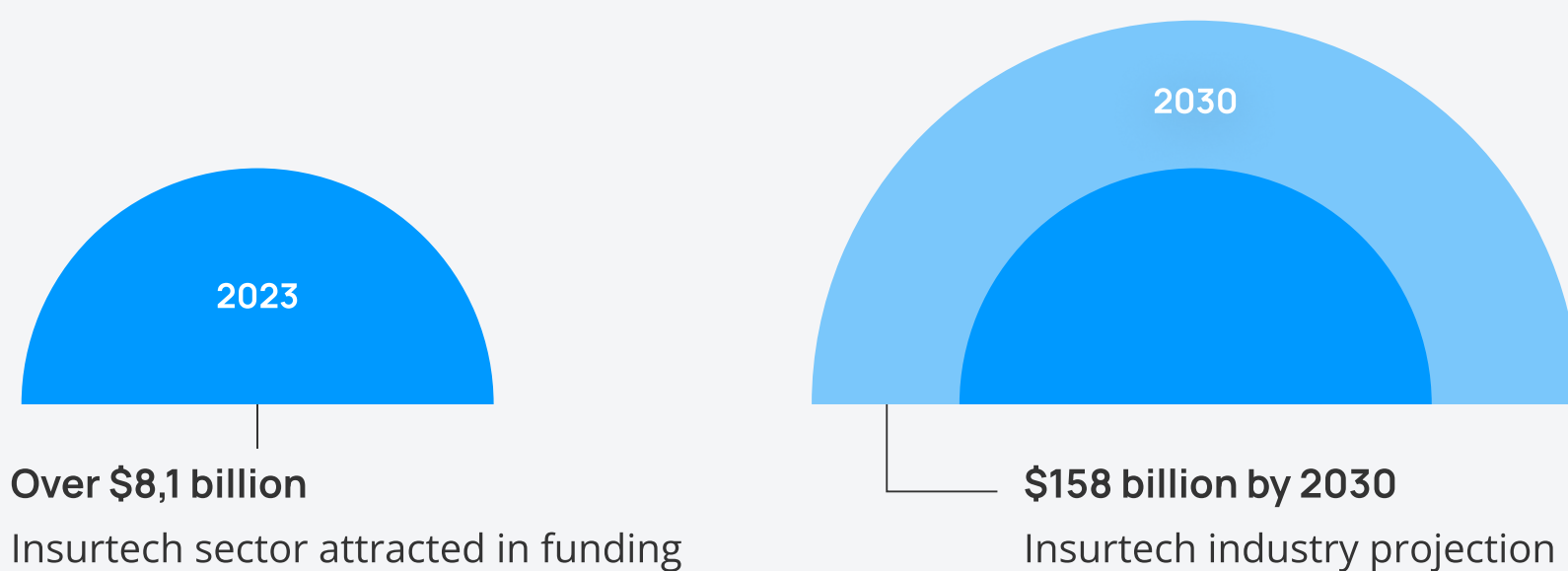
Impact of Digital and Instant Payments

The rise of digital wallets and instant payments has influenced the payments landscape. Technologies such as real-time payment systems have enhanced transaction speed and efficiency, contributing to the sector's growth.

The increasing consumer preference for digital payment methods over traditional cash transactions has driven this transformation, supported by innovations in payment infrastructure and regulatory support.

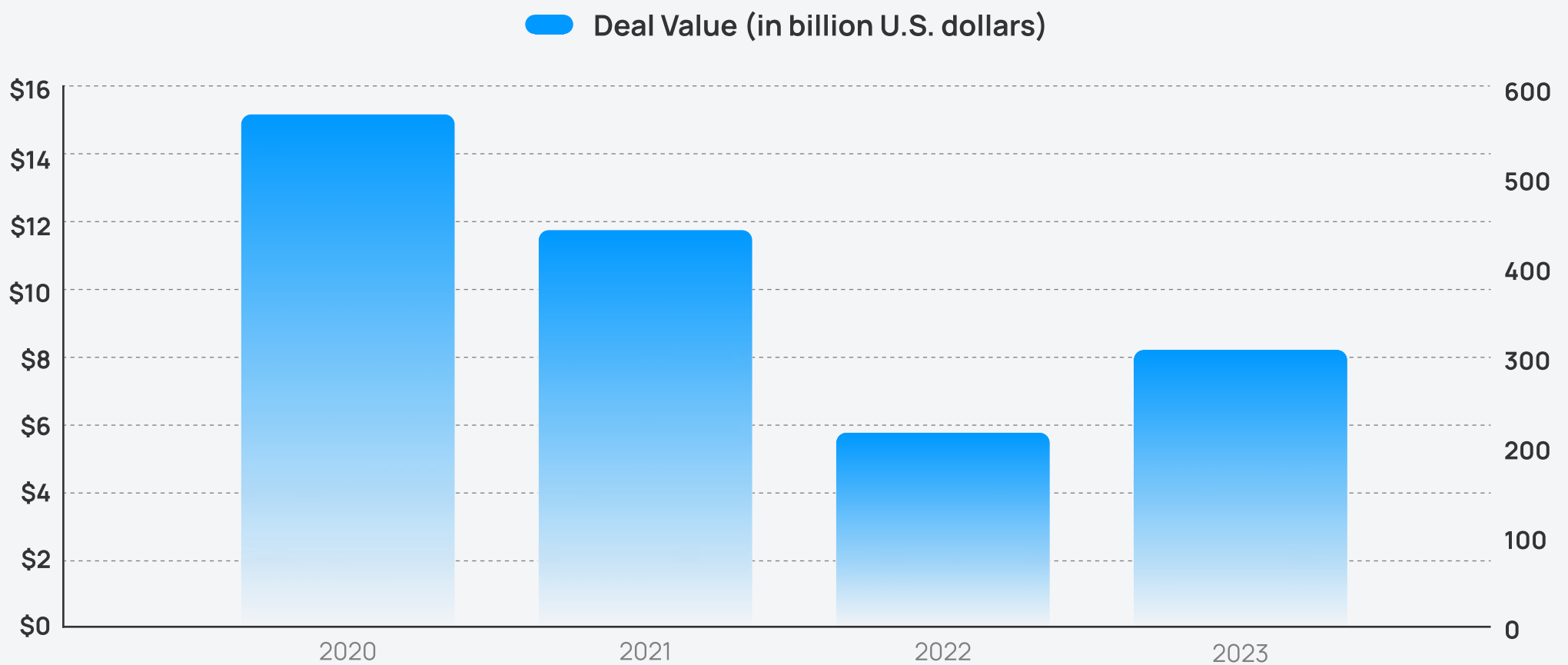
2.2 Insurtech

The insurtech sector has seen a resurgence in funding, reflecting its importance in modernising the insurance industry. In Q1 2024, global insurtech funding fell below the billion-dollar mark, amounting to \$912.3 million. This represents a 17.3% decrease from the previous quarter, marking the lowest funding level in four years. The insurtech industry is expected to reach \$158 billion by 2030.



Drivers

- ✦ The demand for digital and automated insurance solutions
- ✦ Rising customer expectations for personalised and efficient services
- ✦ The growing need for cost optimisation and fee reduction
- ✦ The demand on higher operational efficiency within the industry



Focus on Upgrading Legacy Systems

The primary driver for investments in insurtech has been the need to upgrade outdated systems and improve efficiency. Private equity firms and corporate investors are leading the charge, investing heavily in technologies that can streamline operations and enhance customer experience.

Role of Private Equity and Corporate Investors

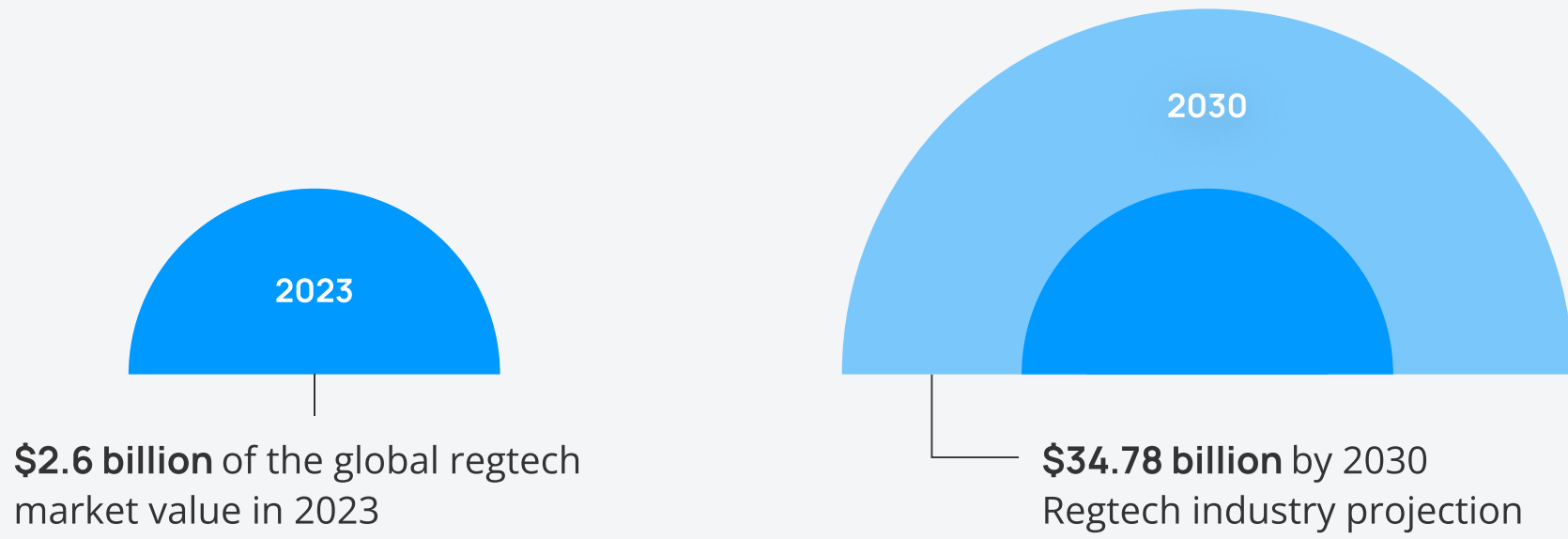
Private equity and corporate investors have played a crucial role in the growth of the insurtech sector. Their investments have been pivotal in driving innovation and enabling the sector to adopt advanced technologies such as artificial intelligence (AI) and machine learning (ML) to improve risk assessment and claims processing.

2.3 Regtech

Regtech, or regulatory technology, has been pivotal in helping financial institutions comply with regulations more efficiently.

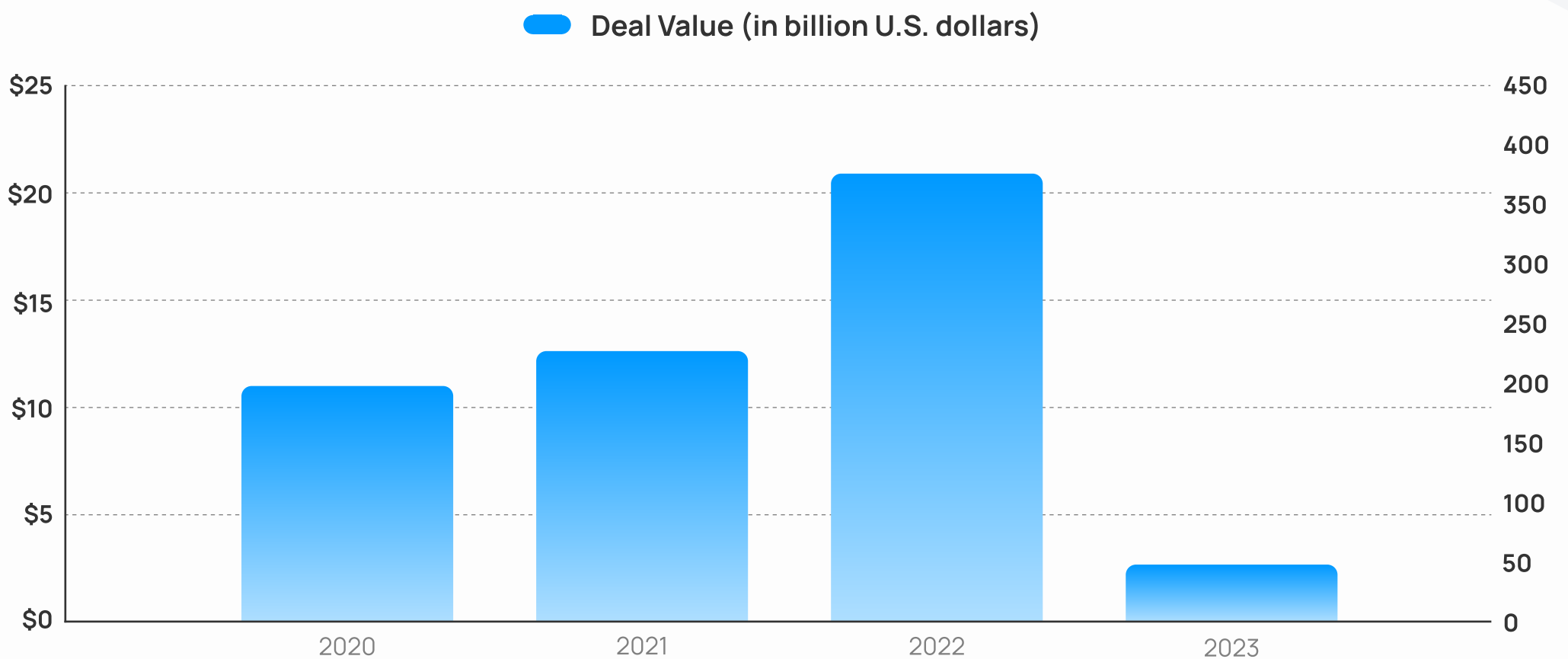
The sector has seen a slowdown in funding after reaching record highs in 2022, but it remains a vital part of the fintech ecosystem. In 2023, the global regtech market was valued at \$2.6 billion and is expected to grow at a compound annual growth rate (CAGR) of over 18.38%, reaching around \$34.78 billion by 2030.

This surge is attributed to increased funding rounds and heightened product innovation within the sector. The number of regtech transactions has seen consistent growth. In Q3 2023 alone, regtech deal activity reached \$229 million, doubling from the previous quarter, showcasing a robust investment landscape.



Drivers

- * The adoption of new technologies to automate compliance and reduce operational costs
- * The need for efficient regulatory reporting and risk management solutions



Application of ML for Compliance

ML has become integral to regtech solutions, particularly in areas like Anti-Money Laundering (AML) and Know Your Customer (KYC) compliance. These technologies help financial institutions detect suspicious activities more accurately and efficiently, reducing the risk of financial crimes.

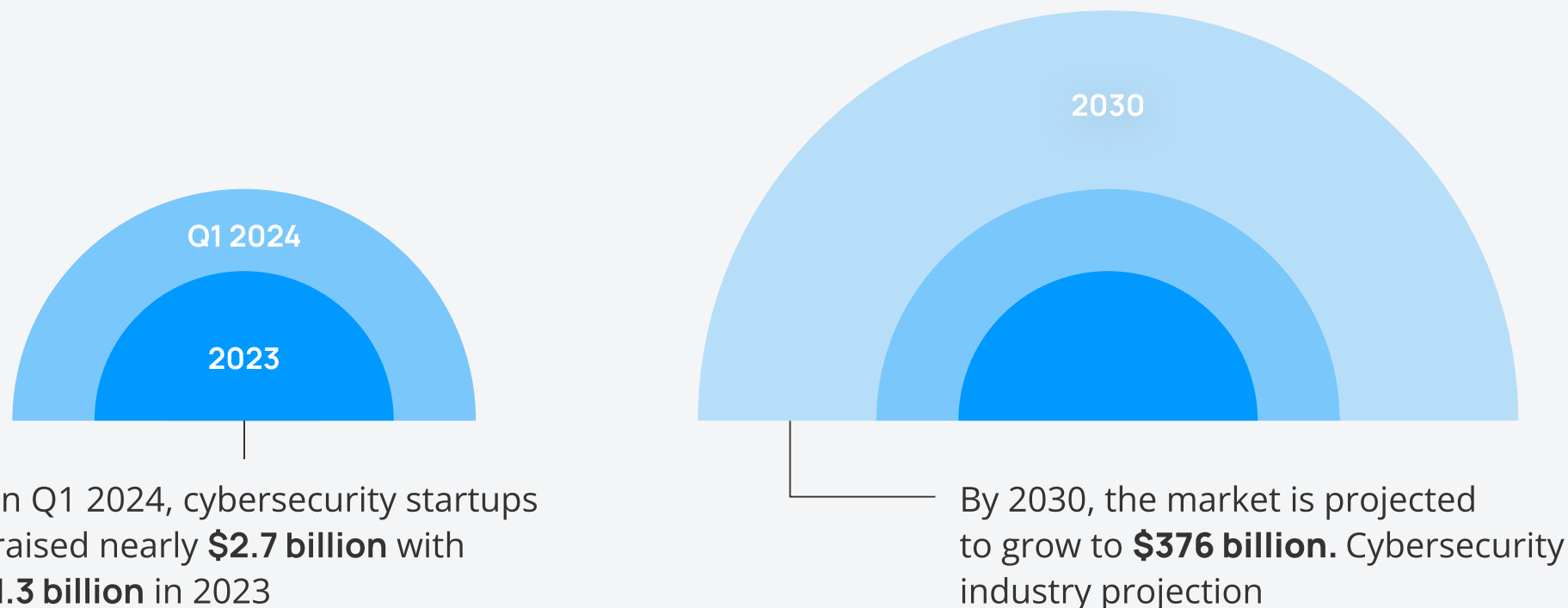
Future Outlook and Regulatory Impacts

The regtech sector is poised for growth as regulations become more complex and stringent. The adoption of ML is expected to increase, providing more sophisticated tools for compliance and risk management. Regulatory changes, such as the EU's PSD3 and SEC's scrutiny in the US, will shape the future landscape of regtech.

2.4 Cybersecurity

Cybersecurity remains a critical concern for fintech companies, with funding levels remaining strong and significant investments being made in AI-based security solutions.

The global cybersecurity market, valued at \$173.5 billion in 2022, is expected to reach \$266.2 billion by 2027, growing at a compound annual growth rate (CAGR) of 10.4% from 2022 to 2027. The total investment amount was 20% lower compared to Q1 2023, indicating a shift towards smaller, more strategic investments.



Drivers

- * Increased Cybercrime
- * Technological Advancements

Importance of AI-Based Security Solutions

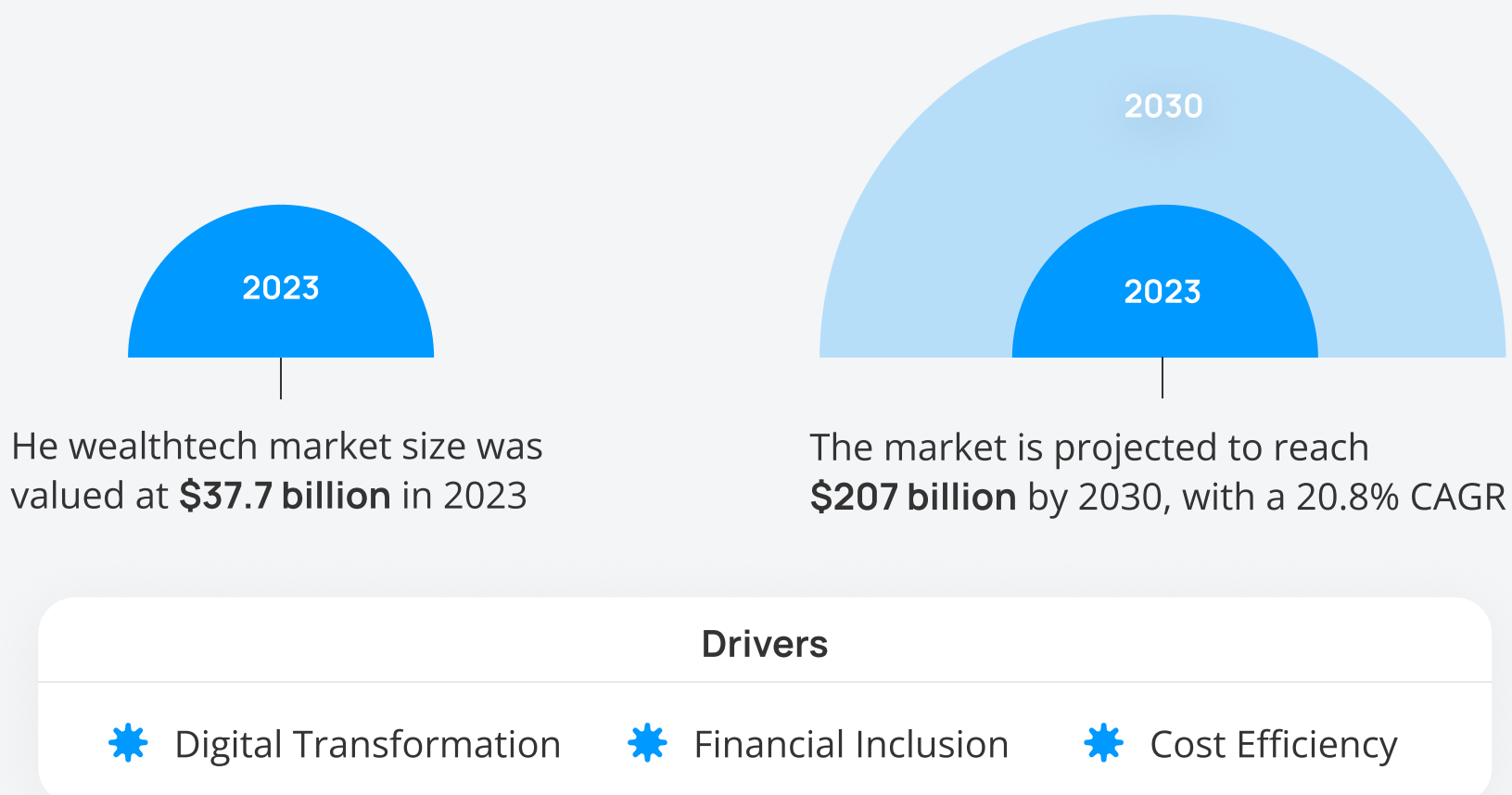
AI-based solutions are becoming increasingly important in cybersecurity, offering advanced threat detection and response capabilities. These technologies help organisations stay ahead of emerging threats by identifying and mitigating risks in real-time.

Emerging Threats and Technological Responses

The cybersecurity landscape is continually evolving, with new threats emerging regularly. Fintech companies are investing in advanced security technologies to protect against these threats, including AI-driven automation and blockchain for secure transactions.

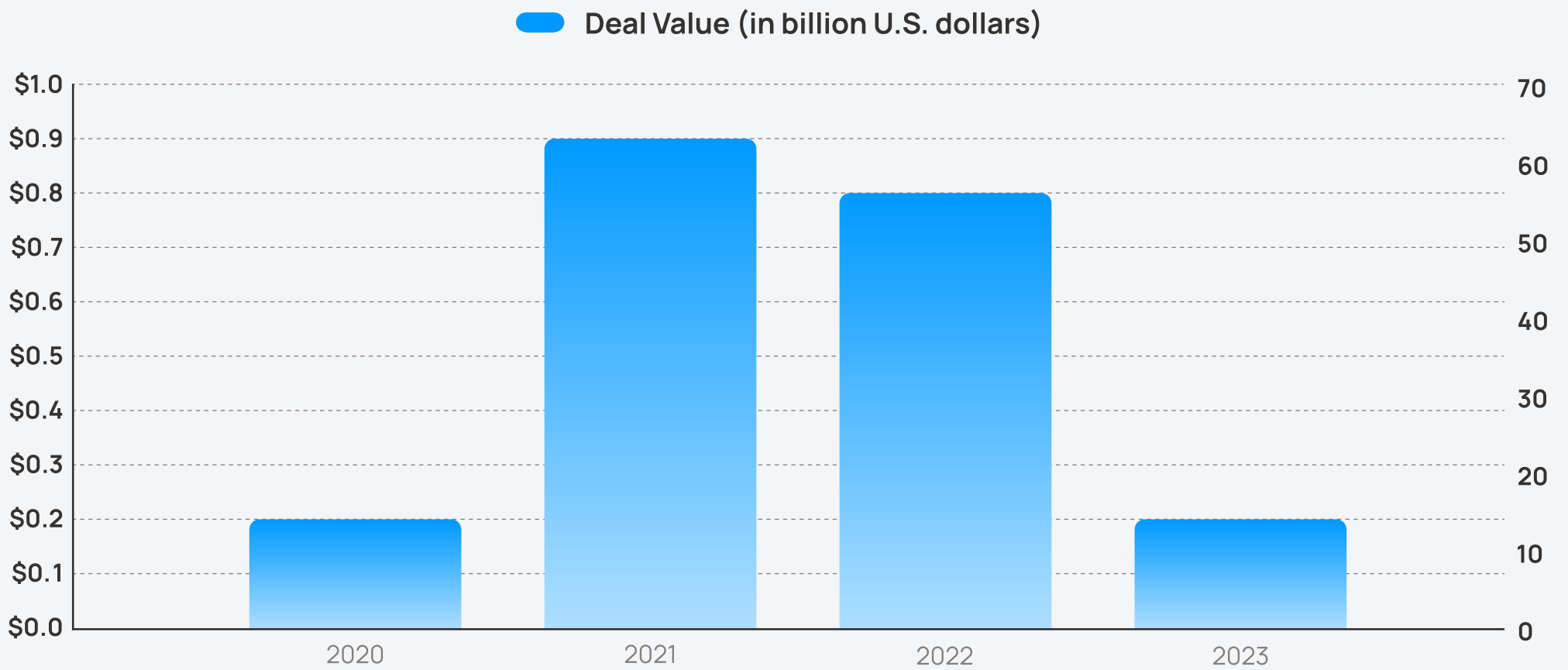
2.5 Wealthtech

Wealthtech, the intersection of wealth management and technology, has seen limited investment but continues to attract interest. The wealthtech market is projected to reach \$66.2 billion in 2024, growing at a compound annual growth rate (CAGR) of 20.8% to \$207 billion by 2030. In 2023, global wealthtech deal activity totaled 33 deals, investment value significantly decreased to approximately \$200 million in 2023, a steep drop from \$800 million in 2022.



Future Opportunities and Market Challenges

While investment in wealthtech has been limited, the sector holds significant potential for growth. The adoption of advanced technologies can help address market challenges, such as regulatory compliance and customer engagement, providing new opportunities for innovation and expansion.

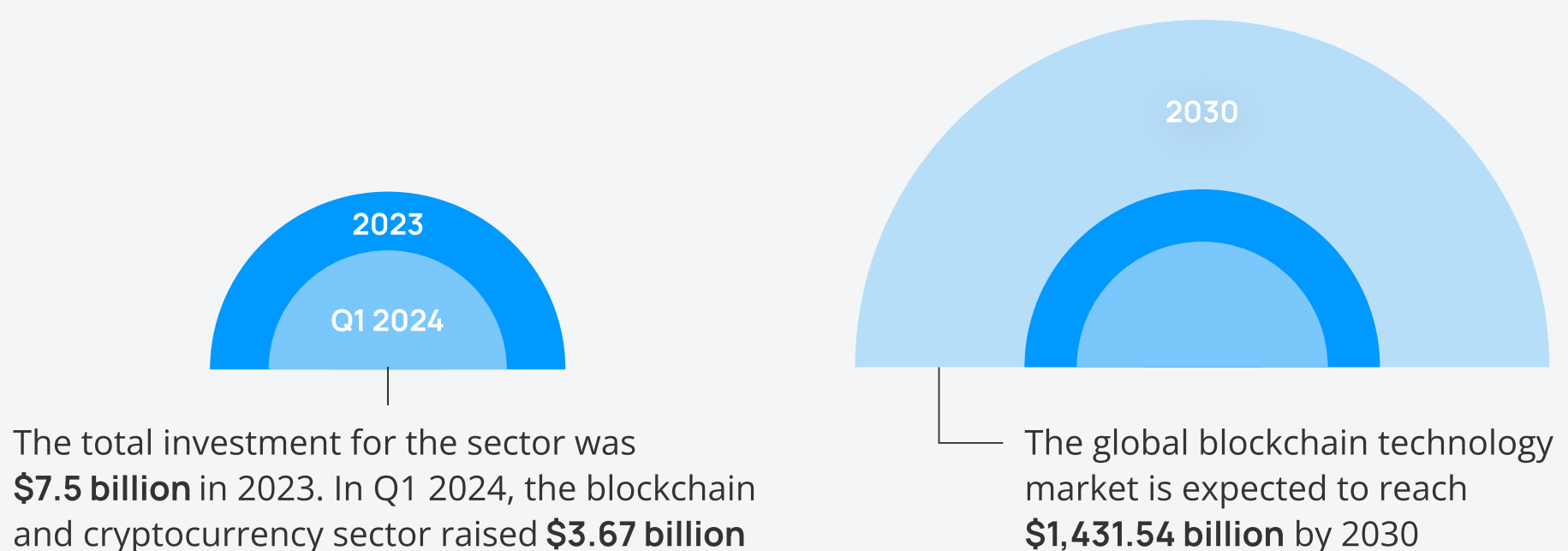


2.6 Blockchain/Cryptocurrency

Blockchain and cryptocurrency sectors have faced significant funding declines, but they remain critical components of the fintech landscape due to their potential for innovation in areas like ESG and supply chain traceability.

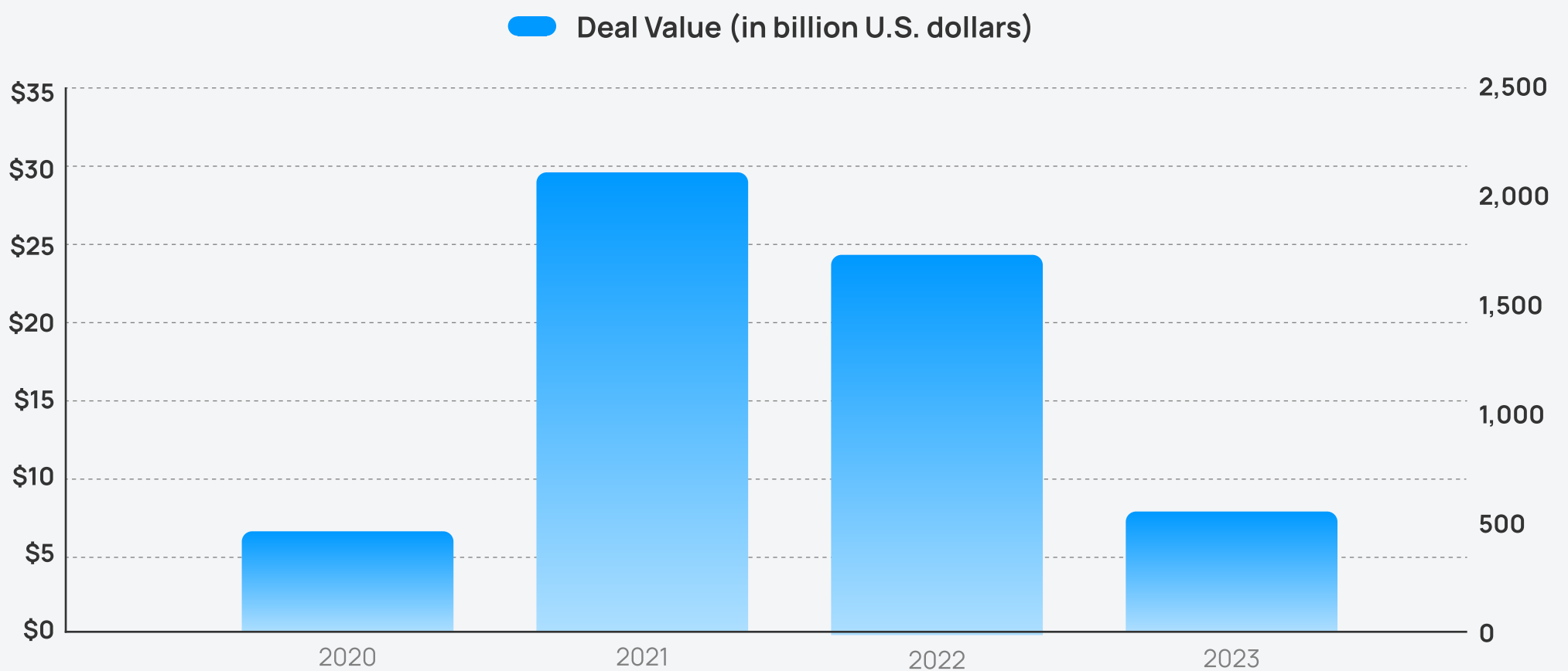
In Q1 2024, the blockchain and cryptocurrency sector saw a substantial influx of investments, with \$3.67 billion raised. This marks a significant increase from the same period of the previous year, driven by strong investor confidence and a focus on early-stage investments.

Early-stage investments are particularly notable, with \$1.02 billion raised in April alone. Seed fundraising remains dominant, comprising over 51% of total fundraising rounds.



Drivers

- ✦ Technological Advancements
- ✦ Institutional Adoption



Focus on ESG and Supply Chain Traceability

Blockchain technology is increasingly being used to enhance environmental, social, and governance (ESG) efforts and improve supply chain traceability. These applications demonstrate blockchain's potential beyond cryptocurrencies, offering solutions for transparency and accountability in various industries.

Regulatory Impacts and Future Outlook

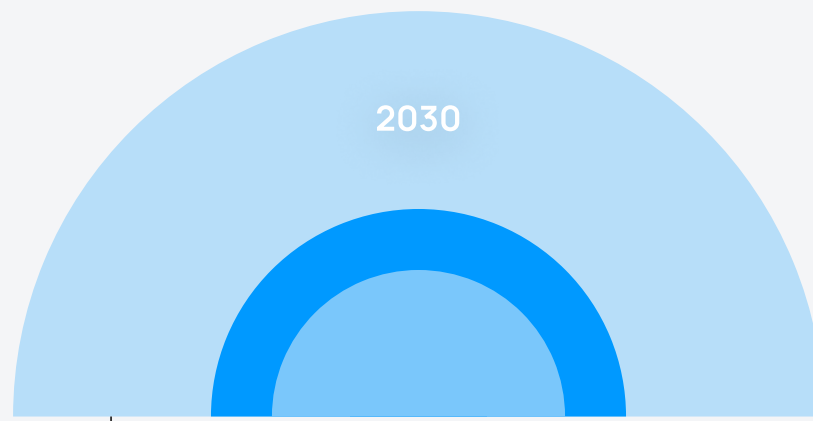
Regulatory developments will play a significant role in shaping the future of blockchain and cryptocurrency. New regulations aimed at ensuring security and compliance will drive innovation, while also posing challenges for the sector.

2.7 iGaming

The iGaming sector, encompassing online gambling and betting, is experiencing dynamic changes driven by technological advancements and evolving consumer preferences. In 2024, the iGaming sector has witnessed a strong influx of investments. The total funding raised by iGaming startups reached \$2.3 billion. Early-stage investments are particularly notable, with \$780 million raised in the first quarter of 2024 alone, comprising 34% of the total funding rounds. This reflects a strong investor confidence in the growth potential of iGaming technologies and platforms.



\$2.3 billion iGaming startups raised in funding in Q1 2024, compared to **\$2.9 billion** in 2023

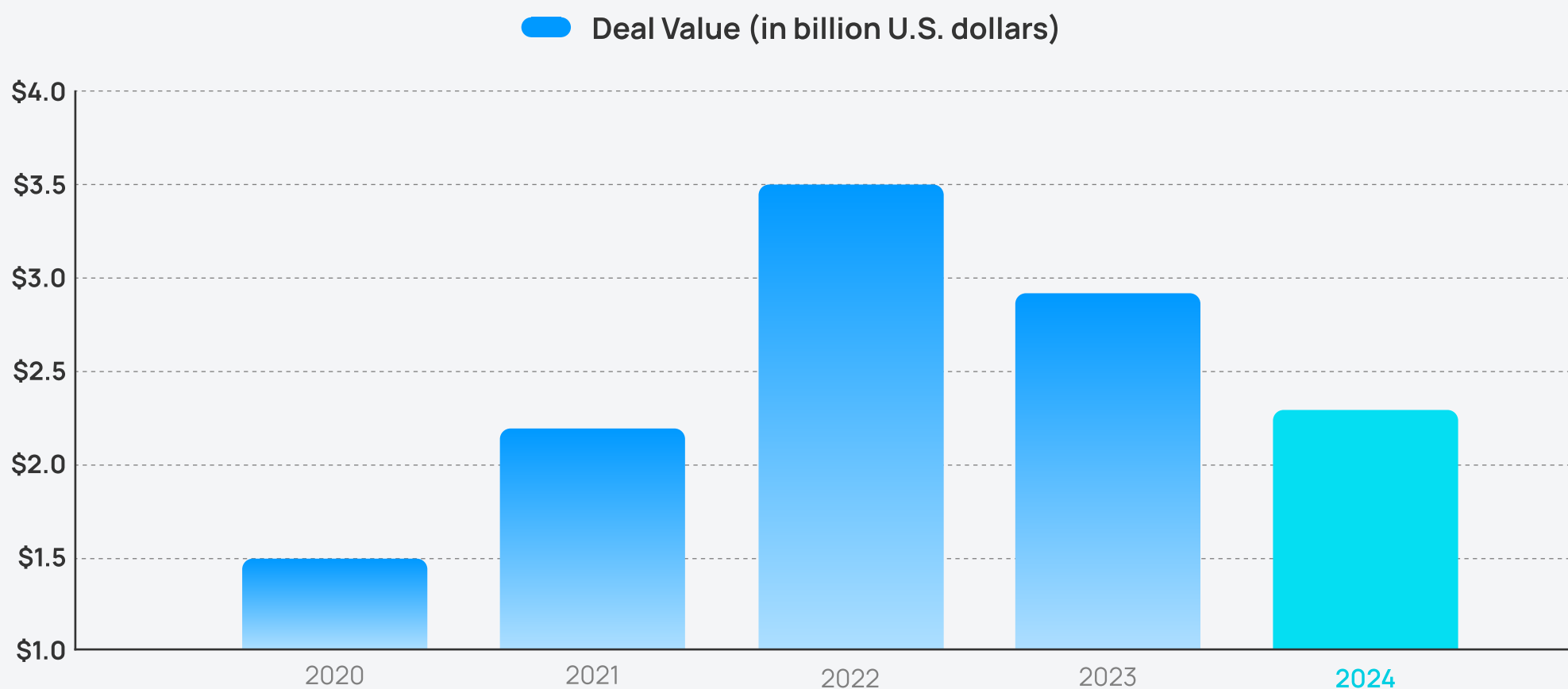


The market is projected to reach **\$153.57 billion** by 2030, with a CAGR of 11.7% from 2023 to 2030

Drivers

- ★ Technological Advancements
- ★ Market Expansion
- ★ Compliance adherence
- ★ Payment Innovations
- ★ Regulatory Changes
- ★ Customer Engagement

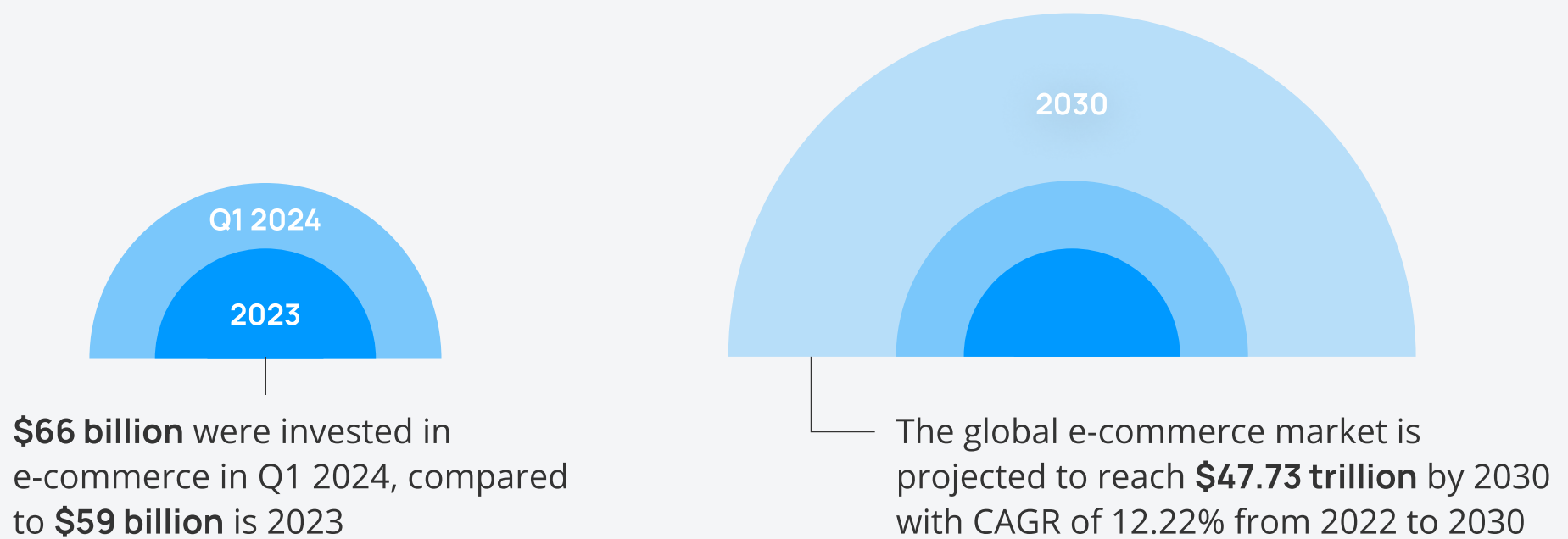
Here are the key trends for the iGaming industry in 2024



- ★ **Mobile Gaming:** The popularity of mobile gaming is surging, with more players using smartphones and tablets to access iGaming platforms. Mobile-optimised games and apps are becoming standard, providing enhanced user experiences and expanding the market reach.
- ★ **Biometric Authentication:** The implementation of biometric authentication methods, such as fingerprint and facial recognition, is increasing. These technologies enhance security and streamline the user experience, making it easier for players to access their accounts securely.
- ★ **Stricter Regulations:** The iGaming industry is seeing a shift towards stricter regulations globally. Regions like LATAM and Southeast Asia are tightening their regulatory frameworks to enhance security and transparency. This trend requires iGaming operators to adapt their compliance strategies to meet new legal standards.

2.8 E-commerce

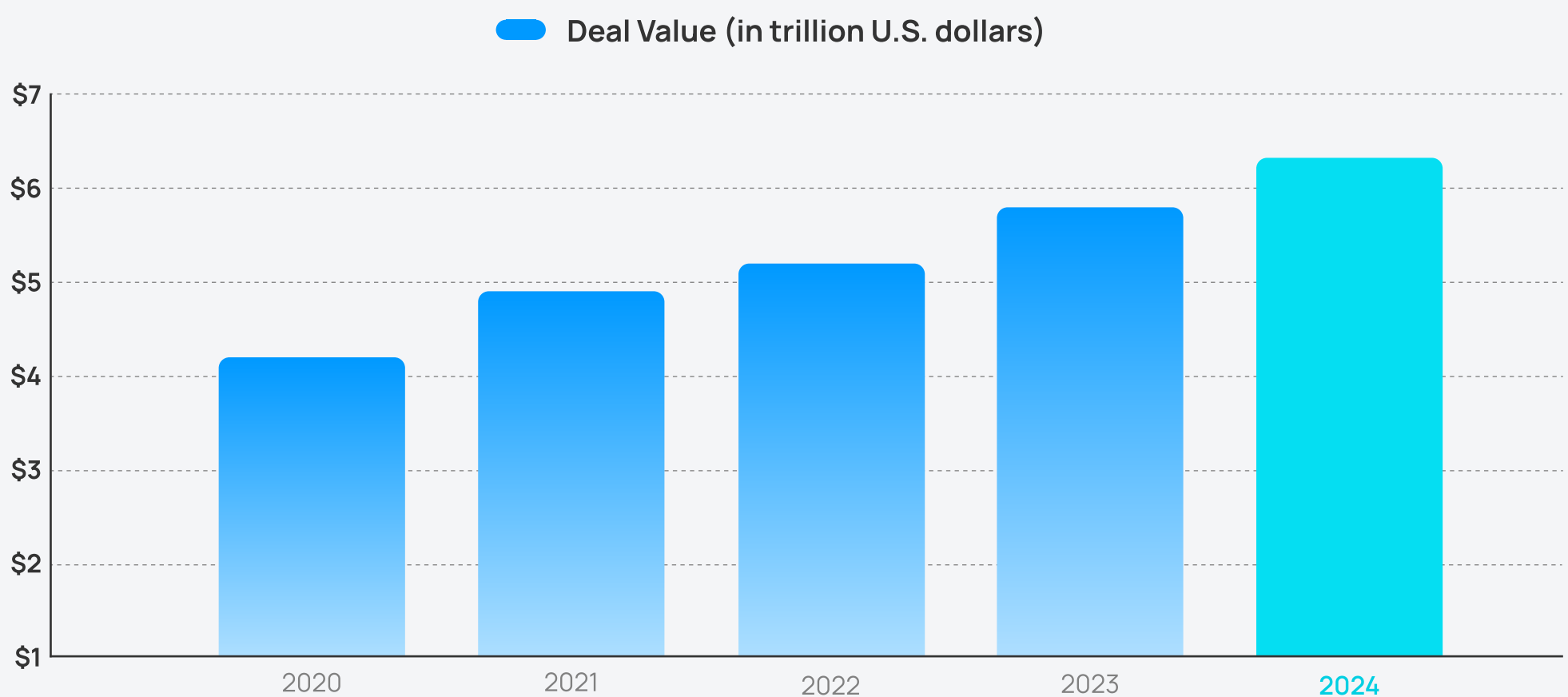
The e-commerce sector continues to be a major driver of digital payments, with various payment methods preferred by consumers depending on the region and type of purchase. In 2024, the e-commerce sector has seen impressive funding levels. The first quarter of 2024 alone saw \$66 billion in global venture funding, a 6% increase from the previous quarter. This funding supports a range of innovations and expansions in e-commerce platforms, technologies, and services.



Drivers

- * Mobile Commerce
- * Cross-Border E-commerce
- * Payment Innovations
- * Personalization and AI

The investments in E-commerce sector from 2020 to 2024



- ✦ **Cross-Border E-commerce:** The growth of cross-border e-commerce is driving the need for versatile payment methods that can handle multiple currencies and regions. Digital wallets and BNPL services are particularly well-suited to meet this demand.
- ✦ **Subscription Services:** The rise of subscription-based e-commerce models requires reliable recurring payment methods. Credit cards and digital wallets are commonly used for these transactions due to their ability to handle recurring billing efficiently.
- ✦ **Sustainability and Ethical Shopping:** Consumers are increasingly considering sustainability in their purchasing decisions. E-commerce platforms are responding by offering eco-friendly payment options and promoting responsible consumption.

2.9 Central Bank Digital Currencies

Central Bank Digital Currencies (CBDCs) are emerging as a significant trend in the global financial landscape, offering potential benefits such as increased financial inclusion, reduced transaction costs, and enhanced payment efficiency. In 2024, 130 countries are exploring CBDCs, representing 98% of global GDP. Notably, 64 countries are in the advanced phases of CBDC development, including launch, pilot, or development stages.

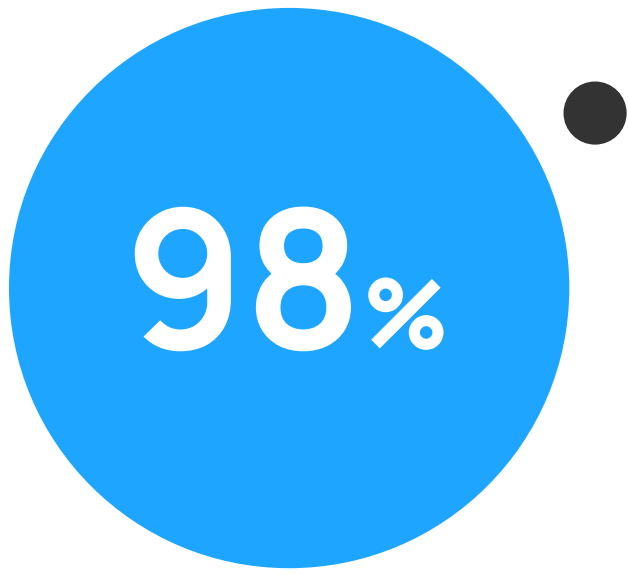
The European Central Bank (ECB) has entered a two-year preparation phase for the digital euro, aiming to finalise a rulebook and conduct extensive testing. China's digital yuan (e-CNY) is the largest CBDC pilot, with 260 million wallets across 25 cities and expanding cross-border applications.

Retail and Wholesale CBDCs

Countries are exploring both retail and wholesale CBDCs to enhance payment systems. Retail CBDCs are designed for general public use, while wholesale CBDCs are for financial institutions to improve interbank settlements.

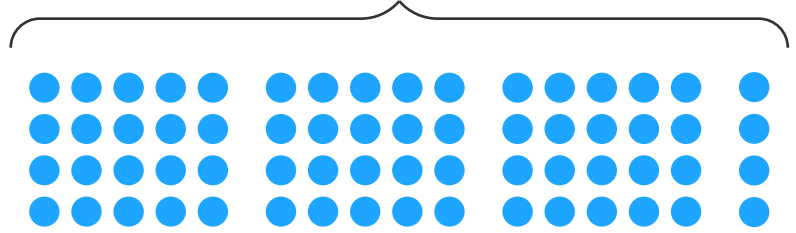
Benefits and Challenges

CBDCs can improve financial inclusion, enhance the efficiency of payment systems, and reduce the costs associated with cash handling. However, challenges include ensuring cybersecurity, managing operational risks, and developing robust regulatory frameworks.



In Q1 2024, **130 countries** are exploring CBDCs, representing **98%** of global GDP

64



Notably, **64 countries** are in the advanced phases of CBDC development

260

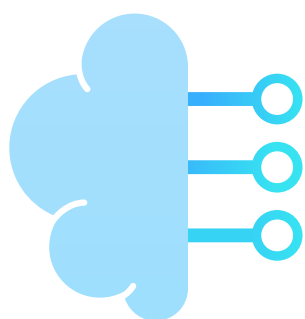
 million wallets

China's digital yuan (**e-CNY**) is the largest CBDC pilot, with **260 million wallets** across **25 cities** and expanding cross-border applications

Chapter 3: Emerging Opportunities

Payment trends to keep an eye

Here are the main trends of Fintech interested parties should consider and implement:



AI and Generative AI



Embedded Finance



Cross-Border Payments

3.1 AI and Generative AI

AI and generative AI are expected to drive significant advancements in the fintech industry, offering transformative potential in various areas.

Applications of AI in Fintech

AI is being used to improve loan underwriting, assist investors with analytics, and enhance operational efficiency. These applications help financial institutions provide better services while reducing costs and mitigating risks.

Potential and Future Impact on the Industry

The potential of AI in fintech is vast, with future applications likely to include more personalised financial services, enhanced fraud detection, and improved regulatory compliance. As AI technology continues to evolve, its impact on the fintech industry is expected to grow, driving innovation and creating new opportunities for growth.

3.2 Embedded Finance

Embedded finance is rapidly growing, integrating financial services into non-financial platforms and offering new market opportunities.

Growth and Integration

Embedded finance involves integrating financial services, such as payments and lending, into non-financial platforms like e-commerce websites and social media. This integration allows companies to offer seamless financial services directly within their platforms, enhancing customer experience and creating new revenue streams.

Market Opportunities and Strategic Benefits

The growth of embedded finance presents significant market opportunities for fintech companies. By partnering with non-financial firms, fintech companies can reach new customer segments and expand their service offerings. This trend is particularly pronounced in emerging markets, where embedded finance can drive financial inclusion and innovation.

3.3 Cross-Border Payments

Cross-border payments are experiencing rapid growth and innovation, particularly in the area of low-value transactions.

Expansion and Innovation

Low-value cross-border payments are growing rapidly, presenting high-margin opportunities despite smaller transaction sizes. Innovations in real-time payments and digital wallets are driving this growth, making cross-border transactions faster, cheaper, and more accessible.

Technological Advancements and Market Potential

Technological advancements in payment infrastructure, such as blockchain and AI, are enhancing the efficiency and security of cross-border payments. These technologies are helping to reduce costs and improve the speed of transactions, making cross-border payments more attractive for businesses and consumers alike. The market potential for cross-border payments is vast, with opportunities to tap into underserved markets and provide more inclusive financial services.

Chapter 4: Technological Advancements

4.1 Technology Modernisation

Modernising Tech Stacks to Microservices-Based, Cloud-Native Platforms:

The fintech industry is increasingly adopting microservices-based, cloud-native platforms to enhance agility, scalability, and resilience. These modern tech stacks allow fintech firms to develop, deploy, and manage applications more efficiently.

Among the main benefits:

Agility and Speed

Microservices architecture enables quicker development cycles, allowing firms to respond rapidly to market changes and customer needs. Cloud-native platforms facilitate continuous integration and delivery (CI/CD), reducing the time to market for new features and services.

Resilience

Microservices and cloud-native platforms enhance system reliability and fault tolerance. By isolating services, a failure in one component does not affect the entire system, improving overall uptime and service continuity.

Scalability

Cloud-native solutions offer unparalleled scalability, enabling firms to handle growing transaction volumes and user bases without compromising performance.

Challenges:

- ✦ **Complexity:** Transitioning from monolithic systems to microservices-based architectures can be complex and resource-intensive. It requires significant changes in development processes and tools, as well as retraining staff.
- ✦ **Security:** While cloud platforms offer robust security features, they also introduce new vulnerabilities. Ensuring data protection and compliance in a distributed environment is critical.
- ✦ **Cost Management:** While cloud services can be cost-effective, managing and optimising cloud expenditures can be challenging, especially with the dynamic nature of usage-based pricing models.

Strategic Recommendations:

Adopt Agile Methodologies

Embrace agile development practices to leverage the full benefits of microservices and cloud-native platforms. Continuous integration and continuous delivery (CI/CD) pipelines are essential.

Invest in Security

Implement comprehensive security measures, including encryption, identity and access management (IAM). And regular security audits to protect sensitive data and maintain compliance.

Monitor and Optimise Costs

Utilise cloud management tools to monitor usage and optimise costs. Implementing cost governance practices can help manage cloud expenditures effectively.

4.2 Fraud Prevention

Fraud prevention is a key to keep the business highly-efficient and guarantee the reliability of your solutions. Here are some of the vital strategies and technologies to overcome fraud:

Strategies and Technological Solutions for Fraud Detection and Prevention:



Multimodal Biometric Security

Implementing biometric security measures, such as facial recognition and fingerprint scanning, adds an additional layer of protection.

These technologies are difficult to replicate, making it harder for fraudsters to bypass security protocols.



Collaboration with Nonfinancial Institutions

Banks and fintech companies are increasingly collaborating with nonfinancial institutions to enhance fraud prevention.

By sharing data and insights, these collaborations help create a more comprehensive approach to detecting and preventing fraud.

Chapter 5: Regulatory & Market Impacts

5.1 Regulatory Changes

Impact of New Regulations like PSD3 and SEC Scrutiny on Fintech Strategies

Regulatory changes are significantly impacting fintech strategies worldwide. New regulations, such as the EU's Payment Services Directive 3 (PSD3) and increased scrutiny by the U.S. Securities and Exchange Commission (SEC), are influencing the operational and compliance landscapes for fintech companies.

PSD3:

- ✦ **Enhanced Security and Transparency:** PSD3 introduces stricter security requirements and greater transparency in payment services, aiming to protect consumers and enhance trust in digital payments.
- ✦ **Open Banking:** PSD3 promotes open banking initiatives, encouraging the sharing of financial data between institutions to foster competition and innovation.
- ✦ **Compliance Requirements:** Fintech firms must invest in compliance infrastructure to meet the new regulatory standards, which can be resource-intensive but necessary for market access.

SEC Scrutiny:

- ✦ **Cryptocurrency Regulations:** The SEC's increased scrutiny of cryptocurrencies is leading to more stringent regulatory requirements for crypto exchanges and related fintech services.
- ✦ **Market Stability:** These regulations aim to enhance market stability and protect investors, but they also require fintech firms to implement robust compliance frameworks.

Global Coordination and Regulatory Sandboxes:

- ✦ **Regulatory Sandboxes:** Many countries are adopting regulatory sandboxes to allow fintech startups to test innovative solutions in a controlled environment. These sandboxes help balance innovation with consumer protection.
- ✦ **International Cooperation:** Global coordination among regulatory bodies is essential to address cross-border financial services and maintain a level playing field for fintech companies operating internationally.



5.2 Economic Conditions

Influence of various factors on Fintech Investment:

Economic conditions, particularly elevated interest rates and declining inflation, play a critical role in shaping fintech investment and market dynamics.

Interest Rates:



Elevated Rates

Higher interest rates can increase borrowing costs for consumers and businesses, potentially slowing down investment in fintech ventures. However, they also present opportunities for fintech firms specialising in lending and interest-bearing products.



Net Interest Income

For fintech firms engaged in lending, elevated interest rates can enhance net interest income, boosting profitability.

Declining Inflation:



Market Stability

Lower inflation rates contribute to economic stability, encouraging investment and consumer spending. This stability can create a favourable environment for fintech innovation and growth.



Cost Management

Declining inflation can help fintech firms manage operational costs more effectively, improving overall financial performance.

Market Conditions and Strategic Responses:



Adaptive Strategies

Fintech firms must adopt adaptive strategies to stay competitive in the changing economy. This includes diversifying revenue streams, optimising cost structures, and leveraging technological advancements to enhance efficiency.



Investment in Innovation

Continued investment in innovation is crucial to staying competitive. Firms should focus on developing new products and services that address the consumer needs and market conditions.

Chapter 6: Most Preferred Payment Methods Globally in 2024

As the global payment landscape continues to evolve, certain payment methods have emerged as favourites among consumers. This chapter explores the most preferred payment methods worldwide, highlighting regional differences and key trends for 2024.

6.1 Global Overview

Digital Wallets

Digital wallets, such as Apple Pay, Google Pay, and PayPal, are the most popular payment methods globally. They are used extensively for online banking, in-app payments, and even in-person transactions. In 2023, digital wallets accounted for 50% of global digital transactions and are projected to reach 61% by 2027 due to their convenience, security, and integration with other services.

Credit Cards

Credit cards remain a significant payment method, used for 22% of global transactions. Despite a slight decline in market share for e-commerce, the volume of credit card transactions is expected to grow due to their integration into digital wallets and continued preference for recurring payments and subscriptions.

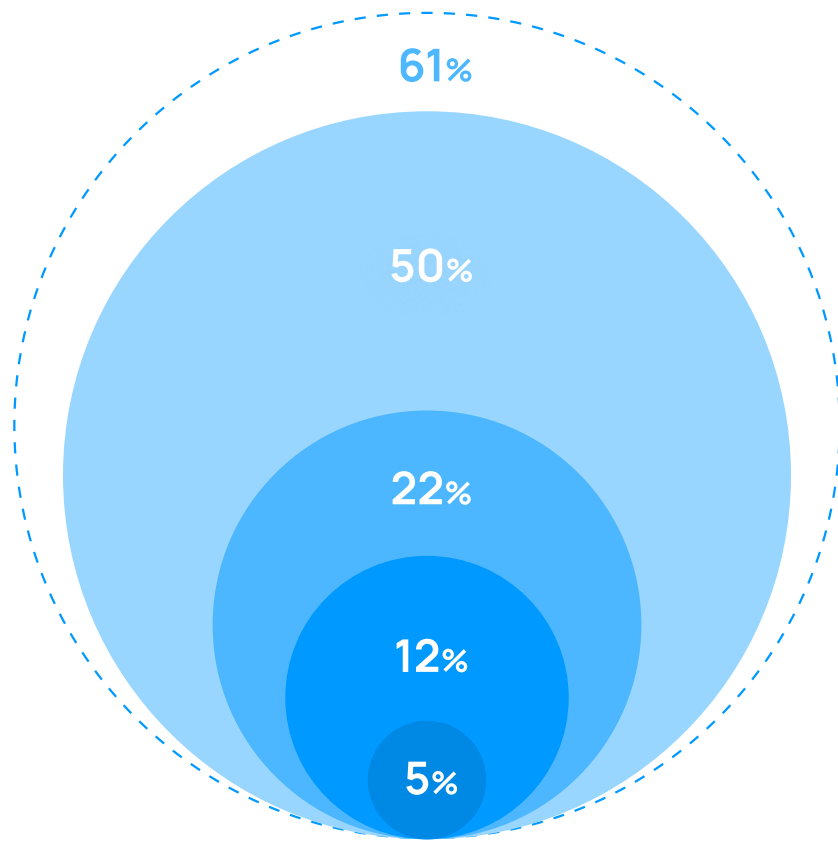
Debit Cards

Debit cards are used for 12% of global online purchases. While their share is expected to decline slightly, they remain a crucial payment method, especially in markets where consumers prefer direct access to funds.

Buy Now, Pay Later (BNPL)

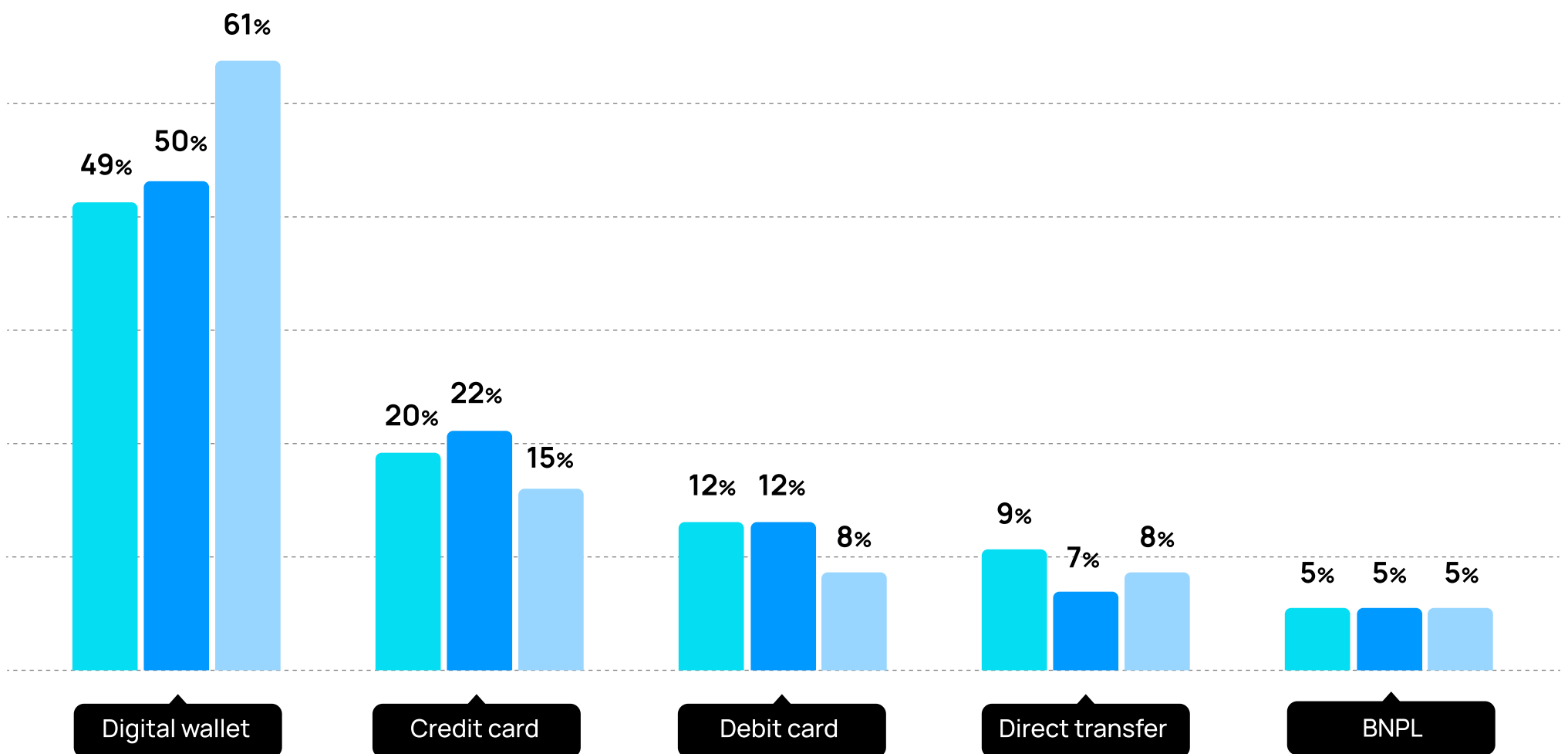
BNPL services account for 5% of global digital transactions and are particularly popular in sectors like retail, online shopping, and even some service industries. This method is expected to grow significantly, reaching a global market value of \$160.7 billion by 2032 as more consumers, especially younger ones, opt for flexible payment options.





- **Digital Wallets** in 2023 accounted for 50% of global transactions and projected to reach 61% by 2027
- **Credit Cards** are used for 22% of global transactions
- **Debit Cards** are used for 12% of global online purchases
- **BNPL** account for 5% of global transactions

2022 2023 2027*



6.2 Regional Trends

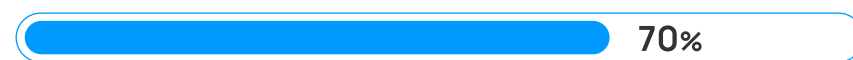
Asia-Pacific (APAC)

APAC leads the world in digital wallet adoption, with 70% of online transactions using this method. In countries like China, digital wallets are used for 82% of online payments. The region also sees significant use of real-time payment systems like India's UPI and Brazil's Pix. Credit card usage remains significant, particularly in countries like Japan and South Korea, where they account for 23% of online transactions. Debit card usage in APAC varies by country. In markets like India and Indonesia, debit cards are essential for online transactions, making up around 17% of the payment methods used.



APAC

Digital wallets



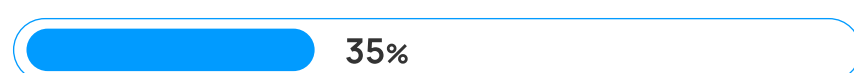
70% of digital wallet payments

Latin America (LATAM)

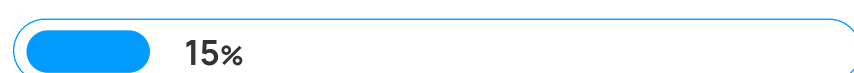
LATAM shows a diverse payment landscape with high usage of credit cards (35%) for online transactions. A2A payments, inspired by Brazil's Pix system, are gaining traction. Cash remains significant for POS transactions but is gradually being overtaken by digital methods. Debit cards are also widely used, especially in Argentina and Colombia, where they account for around 15% of online transactions.

LATAM

Credit cards



Debit cards



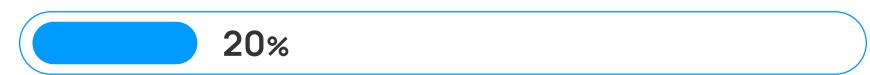
Middle East & Africa (MEA)

The MEA region sees a mix of payment methods, with debit cards and digital wallets being prevalent. In countries like Saudi Arabia, debit cards account for 33% of online transactions, while digital wallets and BNPL services are on the rise. Credit card usage in the MEA region is growing, especially in the UAE and South Africa, where they account for about 20% of online transactions.

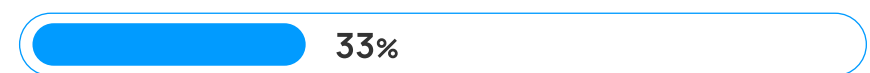


MEA

Credit cards



Debit cards

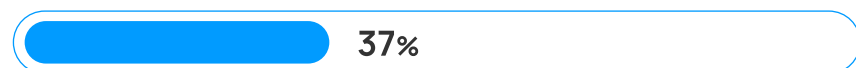


North America

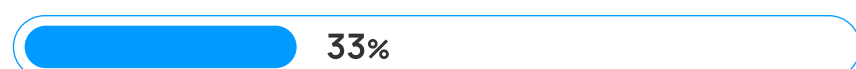
Digital wallets have surpassed credit cards as the preferred online payment method, accounting for 37% of transactions in 2023. Credit cards follow closely with 33%, while debit cards and BNPL services account for 18% and 5%, respectively.

NORTH AMERICA

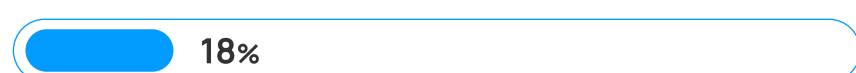
Digital wallets



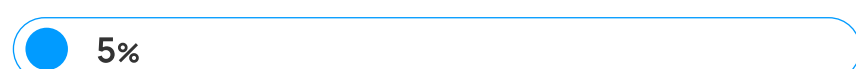
Credit cards



Debit cards



BNPL



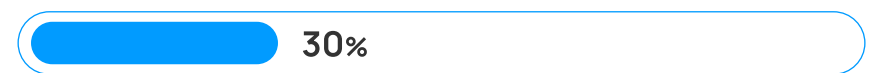
Europe

Digital wallets are the leading e-commerce payment method, used for 30% of online transactions. Credit cards and account-to-account (A2A) transfers are also popular, especially in markets like Germany and the Netherlands. Cash remains relevant for POS transactions but is steadily declining. Credit card usage varies across Europe, with higher adoption in countries like the UK and France, where they account for around 25% of online transactions. Debit cards are commonly used in Northern European countries, such as Sweden and the Netherlands, where they account for approximately 20% of online transactions.

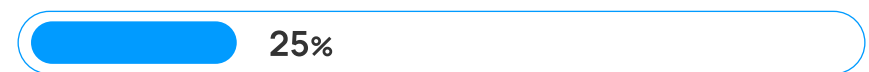


EUROPE

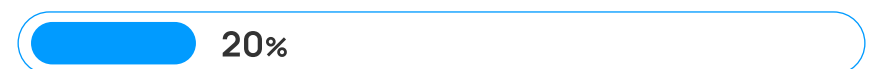
Digital wallets



Credit cards



Debit cards



A2A are popular, especially in markets like Germany and the Netherlands

6.3 Key Trends

Real-Time Payments (RTP)

RTP systems are gaining momentum globally, driven by their speed and efficiency. By 2027, RTP is expected to account for 28% of all electronic payments worldwide. Leading RTP systems include Thailand's PromptPay, Spain's Bizum, and Australia's NPP.

Prepaid Cards

Prepaid cards are becoming more popular, particularly in markets focused on financial inclusion. These cards are used for a variety of purposes, including payroll and government benefits, and are expected to surpass \$1 trillion in global transaction value.

Cash on Delivery

Although declining, cash on delivery remains relevant in certain regions like Vietnam, where it accounts for 17% of online transactions. This method is gradually being replaced by more secure and convenient digital payments.

Chapter 7: Future Predictions & Recommendations

In this chapter, we delve into the primary future predictions for the Fintech industry over the next several years. We will examine various emerging trends, technologies, and innovations that are expected to change the sector.

Additionally, we will provide detailed insights and practical tips on how businesses can adapt to these changes. This includes strategies for integrating new technologies, staying ahead of market shifts, and leveraging advancements to enhance operational efficiency and customer experience.

7.1 Future Predictions

Short-Term Predictions:

- ✦ **Continued Growth in Digital Payments:** The demand for digital and instant payments is expected to keep rising, driven by consumer preference for contactless transactions and the proliferation of e-commerce. Digital wallets and real-time payment solutions will see significant adoption globally.
- ✦ **Increased Adoption of Machine learning:** Machine learning will continue to transform the fintech landscape. In the short term, we will see enhanced applications in fraud detection, risk assessment, and customer service automation. Generative AI, in particular, will be utilised for creating more personalised financial products and services.
- ✦ **Regulatory Adjustments:** With new regulations like PSD3 in the EU and ongoing scrutiny from bodies like the SEC in the US, fintech firms will need to rapidly adapt to ensure compliance. Regulatory sandboxes will play a crucial role in testing and refining innovative solutions.

Long-Term Predictions:

- ✦ **Expansion of Embedded Finance:** Over the next five to ten years, embedded finance will become widespread across various industries. Non-financial companies will increasingly integrate financial services into their platforms, offering seamless experiences to their customers.
- ✦ **Blockchain and Decentralised Finance (DeFi):** Blockchain technology and DeFi will gain more traction as they offer transparency, security, and efficiency. These technologies will change areas like cross-border payments, supply chain finance, and digital identity verification.
- ✦ **Global Fintech Consolidation:** The fintech industry will see further consolidation with more mergers and acquisitions, particularly among payments and insurtech companies. Larger players will absorb innovative startups to enhance their technological capabilities and market reach.
- ✦ **Sustainability and ESG Integration:** Sustainability will become a core focus, with fintech companies developing solutions that support Environmental, Social, and Governance (ESG) criteria. Blockchain will play a significant role in enhancing transparency and accountability in ESG reporting.

Key Trends and Expected Developments:

AI and Automation

Continued advancements in AI will lead to more sophisticated automation in financial services, reducing operational costs and enhancing customer experiences.

Cybersecurity Enhancements

As cyber threats become more sophisticated, the fintech industry will invest heavily in advanced cybersecurity measures, including AI-driven security protocols.

Customer-Centric Innovations

Fintech companies will increasingly focus on customer-centric innovations, offering tailored financial products and services that meet individual needs and preferences.

7.2 Strategic Recommendations

For Investors:

- ✦ **Focus on Automation:** Invest in fintech companies that are leveraging automation to streamline operations and enhance customer experiences. These technologies are critical for future growth and competitive advantage.
- ✦ **Support Sustainable Innovations:** Allocate resources to startups that are integrating sustainability into their business models. Solutions that address ESG criteria will be in high demand.

For Fintech Companies:

- ✦ **Embrace Regulatory Compliance:** Stay ahead of regulatory changes by investing in robust compliance frameworks. Utilise regulatory sandboxes to test and refine new solutions.
- ✦ **Leverage Embedded Finance:** Explore partnerships with non-financial firms to integrate financial services into various platforms. This will help expand market reach and enhance customer engagement.
- ✦ **Invest in Cybersecurity:** Prioritise investments in advanced cybersecurity technologies to protect against evolving threats and ensure the integrity of financial transactions.

For Traditional Financial Institutions:

- ✦ **Collaborate with Fintechs:** Form strategic partnerships with fintech companies to innovate and enhance service offerings. This collaboration can help traditional banks stay competitive and meet the evolving demands of customers.
- ✦ **Modernise Technology Infrastructure:** Invest in modernising tech stacks to microservices-based, cloud-native platforms. This will improve agility, scalability, and resilience.

Conclusion

Summary of Key Insights:

- ✦ The fintech industry is poised for significant transformation, driven by advancements in technology, evolving regulatory landscapes, and changing consumer preferences.
- ✦ Key sectors like payments, insurtech, regtech, and cybersecurity are showing robust growth and innovation.
- ✦ Emerging technologies such as AI, blockchain, and embedded finance offer substantial opportunities for future growth.

Final Thoughts on the Future of Fintech

The fintech industry is at a pivotal moment, with the potential to reshape global financial markets fundamentally. Stakeholders must navigate a complex landscape of technological advancements, regulatory changes, and economic conditions to capitalise on new opportunities. By focusing on innovation, compliance, and customer-centric solutions, fintech firms can drive sustainable growth and remain competitive in the dynamic financial ecosystem.

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