DH | RESEARCH

Fintech trends for 2022: new development vectors

Payments in a metaverse, the next big thing to replace big data, the importance of tokenizing real-world assets for the global economy — experts from Digital Horizon share their vision for fintech in the near future.

#SALMANQADIR

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Introduction

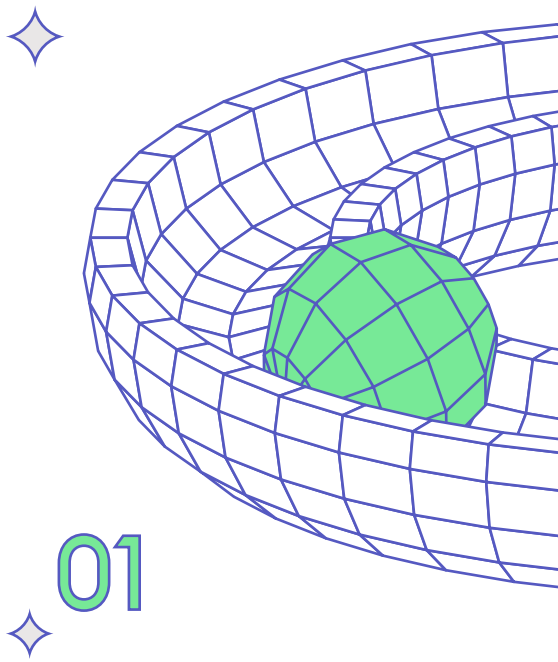
Venture investors shape the future by voting in favor of developing certain technologies with their capital.

Until recently, there weren't many surprises: at any given moment, we could imagine what would happen in the next three, five, or even ten years. For example, last year, the Digital Horizon team talked about trends which developed at an accelerated rate because of the pandemic but, at the same time, were linear and quite predictable. Today, embedded finance, a synergy of financial and insurance products, low-code and no-code services, direct account-to-account payments, and other technological solutions are already making their way into commercial operation.

But 2021 was different. It became the year of a major qualitative shift in the global economy and set new development vectors for the fintech market. And we all saw how the ongoing pandemic and increased social pressure have significantly expanded the possibilities and areas of application for fintech solutions.

When working on this report, Digital Horizon experts understood how difficult it is to predict the future today. Nevertheless, we have selected the seven most fundamental trends, in our opinion, and worked out two possible scenarios of how each may unfold.

We are expecting an optimistic scenario.



Democratization of private assets

01

What is going on?

While stock exchanges are seeing an influx of mass investors, the shortage of promising assets becomes more acute: many tech companies are delaying IPOs. Only 23% of founders of fast-growth businesses are planning to go public in the next 1-3 years, and just 3% in the next 12 months. Founders are not happy with the valuations based on traditional business metrics, such as EBITDA, which do not reflect the real growth potential of the companies. At the same time, businesses are in dire need of funding.

Until recently, only institutional investors could afford and profit off of high-growth assets, such as shares of private companies or alternative lending. But the situation is changing. Technologies are entering the private asset market, making it more transparent and opening up new opportunities for highly profitable investments.

What will happen next?

Scenario 1

Regulators will restrict access to mass investors. The private asset market will be open to only a few qualified investors capable of analyzing fast-growing companies.

Scenario 2

Regulators will be able to find a balance between retail investors' interest in high-return assets and concern for people's financial safety. Retail investors will have more opportunities, and companies will have access to massive capital.

Limitations

Regulation

In many countries, the legislation restricts the activities of retail investors and transactions with digital assets.

Opacity in financial markets

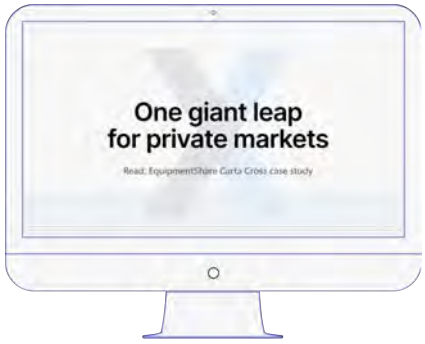
Private-business investments are highly profitable, but there is little public information about such companies. And besides, what's available is often not credible. Private businesses are more difficult to analyze.

Liquidity of new instruments

It is unclear whether platforms will be able to turn shares of private companies into competitive assets and to which extent.

Use cases

Marketplaces for shares of private companies



There are evolving platforms for finding specific stocks in the secondary market. These marketplaces solve the biggest problem of private companies entering the market — finding sellers, who are usually early investors or holders of employee stock options.

Carta

The California-based company specializes in maintaining shareholder registers. In 2021, it launched the Carta X marketplace, where you can buy shares in startups not yet listed on a public exchange.

EquityBee

Many companies offer stock buyback options to employees as an additional reward. EquityBee helps you find buyers for these options.

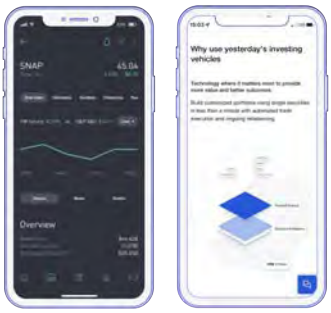
Vauban

The platform provides the necessary infrastructure to create small venture capital funds — legal framework, investor onboarding, reporting, etc.

Moonfare

The German fintech platform simplifies investments in leading private equity funds and private companies for retail investors. It already manages more than €1 billion.

Money management tools



Before, high-end financial consulting and money management were only available to people with million-dollar capital and above. Today, the market is democratizing: technology makes professional financial services more accessible to audiences writing smaller checks.

Atom Finance

This comprehensive investment research platform provides professional resources and tools for both institutional and private investors.

Vise

This platform transforms personalized recommendations from financial advisors into customized portfolios with intelligent automation for evolving client needs.

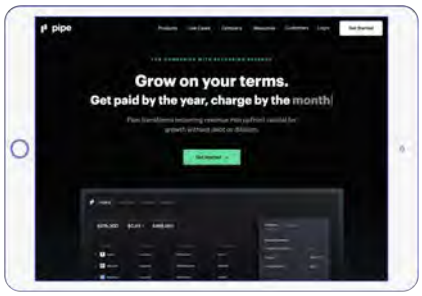
"One-window" investments

We can see platforms for one-stop investing in alternative asset classes: venture capital, art, real estate, legal disputes, urgent business loans, etc.

Yieldstreet

The alternative investment platform provides access to multiple asset classes with a minimum check of $500.

Funding new business models



Fintech companies like Pipe allow investors to fund fast-growing SaaS developers based on their ongoing subscription-backed profits. Businesses no longer need to sell deeply discounted annual plans to raise funds for development. Instead, they can attract investor funds based on existing annual contracts.

Pipe

The platform has turned recurring subscription income into a new asset class for investment. For entrepreneurs, this translates to additional funding to expand the business — without loans or capital dilution.

Capchase

The company offers investments in businesses based on recurring revenue, as well as expenses, such as litigation. Capchase operates in the US, UK, and European markets.

Uptopy

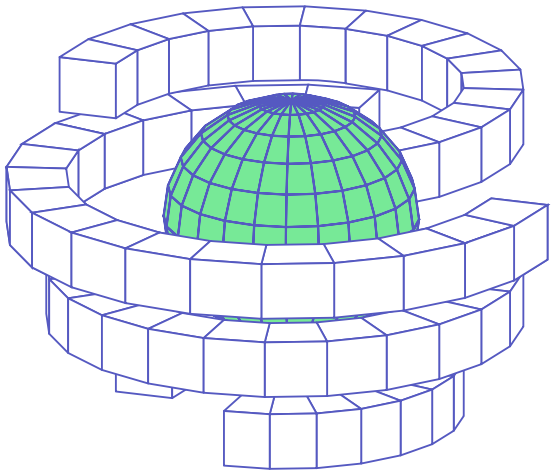
The British fintech company finances annual subscription contracts at a 5-15% discount. Companies are scored based on payment data and user analytics from Stripe, Braintree, Chargify, Google Analytics, and Mixpanel.

Requr

The Dutch company analyzes SaaS banking, accounting, and billing statements and provides financing based on annual subscriptions with recurring monthly revenue of €20,000 and up.

Ritmo

The Spanish fintech company finances ecommerce marketing campaigns by analyzing sales data. The refund date varies depending on the merchant's sales.



Products for the solo-entrepreneurs

What is going on?

The pandemic has accelerated changes in the labor market: full-time employment is being replaced by part-time employment, and the number of freelancers is steadily growing. According to Gartner, 32% of companies are replacing full-time employees with temporary staff. Also, the number of digital platforms that match clients and contractors has increased 5.5x in the past decade — from 142 to 770.

The rise of the solo-entrepreneur economy not only allows people to choose who to work with but also generates a higher income: in the US, 65% of freelancers earn more than when working for an employer.

At the same time, self-employed workers face similar problems as small and medium-sized businesses — for example, raising funds to equip the workplace or working capital to fulfill orders. Additionally, contractors must take care of health and social insurance on their own. As a result, the new type of employment requires new fintech solutions.

What will happen next?

Scenario 1

The trend will continue to develop but stay niche. The number of neobanks for freelancers, alternative loan products, and closed ecosystems on the market will increase. Platforms will retain performers by providing funding based on their own data on completed orders — just like marketplaces retain sellers today.

Scenario 2

The principles developing in the product niche for the self-employed will be carried over to the mainstream market. In this case, traditional scoring and decision-making approaches might be completely revised, and the market for financial products will expand significantly.

Limitations

Regulation of new forms of employment

Many countries are only drafting legislation to regulate the relationship between independent contractors and client companies.

The need to rebuild business processes

Not all companies know how to work with freelancers in terms of document management, taxation, pricing for project services, etc.

Regulation of alternative payments

Donations and other types of alternative payments still remain in the regulatory gray zone. It’s essential to decide how to carry out AML checks and determine the line between a donation (gift) and income for taxation.

Lack of investment in new scoring models

Investors are reluctant towards credit technologies since model training will burn a portion of the funds.

Use cases

Niche fintech

Such products allow freelancers to open and maintain bank accounts, issue bank cards, and make payments. But that's not it: for example, they can also automate document flow, which is important when working with corporate clients.

ANNA Money

The British neobank for small businesses and the self-employed offers cash and settlement services, built-in accounting support, automated tax calculation, and other services.

Able

The solution allows freelancers and creators to manage financial flows, including tax calculating, invoicing, payments, and more.

Apibank

The company has developed a platform for the self-employed, which fully automates interactions between corporate clients and independent contractors and reduces tax risks.

Tinkoff Bank

At the end of 2021, Tinkoff acquired the platform Jump Finance. The fintech service for automating settlements and interacting with freelancers will join the bank's ecosystem.

Oxygen

The main focus of this neobank is advanced banking for the growing creator niche. Its subscription-based offers include account management, savings accounts, Netflix/ Peloton subscription reimbursements, insurance products, and more.

Transaction-focused scoring for the gig economy

Tech platforms understand their users better than banks and insurance companies. Aggregators and marketplaces are more vigorous in offering credit and insurance products to independent contractors who use these platforms to find clients.

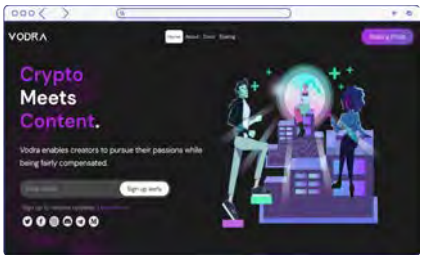
Bankuish

The solution makes it easy for gig workers and freelancers to access affordable credit by turning their marketplace reputation into a credit score. Bankuish offers its services in Brazil and Mexico.

Yandex Bank

In 2022 the financial division of Russian search engine "Yandex" plans to issue loans to self-employed persons using data from other services of the corporation.

Payment instruments



There are developments in terms of donations, platform-specific internal currencies for freelancers, and other new “gray zone” payment instruments.

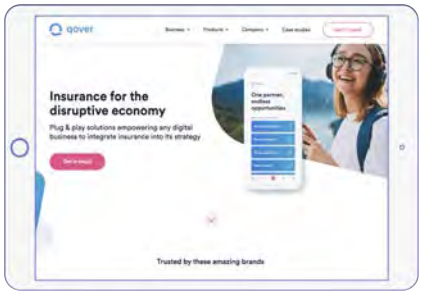
Patreon

One of the most popular platforms for creators is considering issuing its own tokens or cryptocurrency to access content.

Vodra

This decentralized platform plans to issue its own tokens, which will allow audiences to reward creators directly.

Risk management



A growing number of fintech companies are helping independent contractors achieve greater financial stability. For example, they offer freelancers an equivalent of a paycheck advance or specialized types of insurance.

SteadyPay

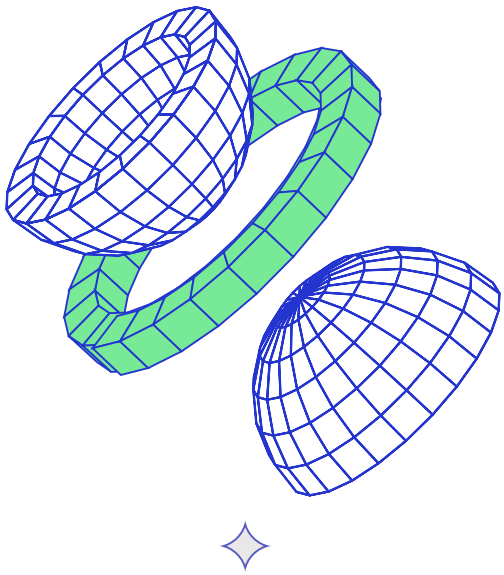
The company helps freelancers and individuals with unstable income to stabilize financial flows. Users pay a small weekly subscription, and if their income drops below average, the service will provide an interest-free loan.

Jove

The service embeds insurance products into platforms and applications for drivers, couriers, freelancers, and independent consultants.

Qover

The fintech company offers contractors third-party liability insurance, also covering general accidents, traffic accidents, and loss of income.



Fintech for open ecosystems

What is going on?

2021 changed the standard for retail payments. All major players have integrated Buy Now, Pay Later (BNPL), created their own payment instruments, and added operations with digital assets — where permitted by law. Some upgraded on their own, while others established partnerships and acquired complementary products. As a result, the competitive focus has shifted from individual product features to data, speed, and ease of embedding.

In such conditions, open ecosystems have become a new distribution channel that helps independent players stand up against marketplaces and other types of centralized platforms. With the help of embedded finance, companies can implement more complex user scenarios, exchange the data they collect, and, as a result, reduce the time-to-market.

> Last year, Digital Horizon predicted the development of account-to-account payments. This trend will continue as part of the evolution of open ecosystems.

What will happen next?

Scenario 1

Independent players will refuse to team up to build open ecosystems and share data. In this case, the gap between leaders among closed ecosystems and marketplaces will continue to grow rapidly: corporations will look for partners among corporations.

Scenario 2

The development of open ecosystems will increase market fragmentation. For example, instead of one bank for all occasions, users will choose a separate bank/application for shopping, education, travel, large purchases, etc.

Limitations

Different approach to using data

Sometimes, participants of open ecosystems can’t agree on a general policy for using the data they collect.

Legal restrictions

According to regulatory requirements, some data must be anonymized before the transfer, and some data mustn’t be transferred at all.

User reluctance to share data

Companies are required to offer users a choice of which data can be collected from sites or applications and analyzed.

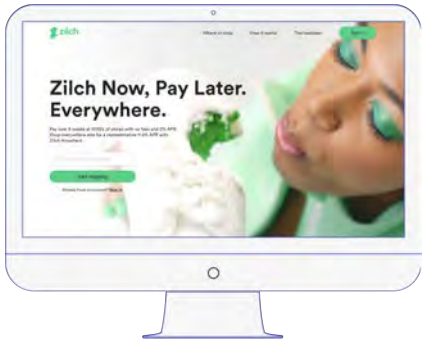
Duplicate solutions

Corporations often start with using third-party products and then create their own solutions, refusing to cooperate with fintech companies.

Use cases

Buy Now Pay Later 2.0

Leaders of the installment payment plan segment are building ecosystems that accumulate data not only on user purchases but also on interactions with various brands, activity on social media, etc.



Klarna

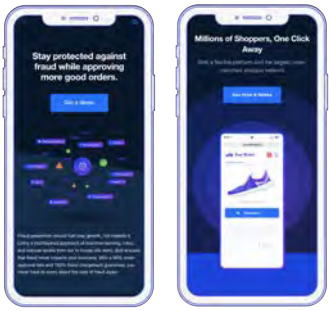
The BNPL market leader is building a shopping search engine. In 2021, Klarna obtained a banking license and acquired several startups in the fields of influencer marketing, customer communication, and even travel. Also, the company has partnered with Stripe, the world's largest fintech company.

Zilch

The British BNPL service allows any Mastercard-linked merchant to embed split payments.

Universal checkout services

Convenient checkouts improve user experience and increase conversion rates. They act as one-key solutions: a user creates an account once and then automatically uses it in thousands of online stores.



Whenthen

The British no-code checkout service provides a simple editor for creating and automating rules for processing payments and payout.

Bolt

This universal checkout service is used by more than 10 million people. Bolt speeds up the order process on the site, reduces the number of abandoned carts, and raises conversion by 30-40%.

Primer

The British startup is building a no-code, easy-to-integrate checkout that allows merchants to consolidate different payment instruments.

Embedded investments

Tech products for stock market investments are also being transformed to have embedded functionality and be part of almost any ecosystem.

Alpaca

The company specializes in embedded investment products: API for opening and managing brokerage accounts, trading securities and cryptocurrencies, and collecting and analyzing data on the stock market.

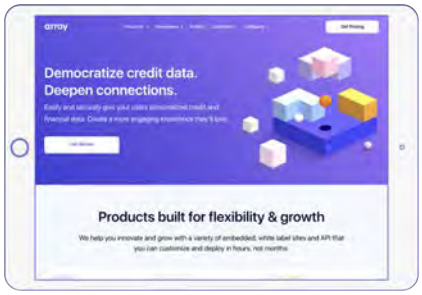
Drive Wealth

The platform offers embedded investment products with convenient onboarding, well thought out user verification, consulting services, etc.

WealthKernel

The British API platform simplifies the launch of investment applications by embedding ready-made digital services: depository services, onboarding and KYC, API for trading, etc.

Fintech-based ecosystems



In 2021, fintech companies did not shy away from partnerships and/or acquisitions. As a result, the market received a complete infrastructure, the basis for new open ecosystems in different areas — from e-commerce to metaverses. This infrastructure already integrates data from checkouts, user identification systems, and embedded financial products, as well as data management tools.

Array

The platform offers built-in lending solutions, secure user identification, and an automated engine for personalized offers.

Sivo

This fintech company operates on the Debt-as-a-Service model, providing companies with borrowed funds and the ability to lend to end-users.

SilverFlow

Thanks to the platform, payment providers can connect directly to card networks, instantly add new features, have real-time insight into transaction fees, etc.

Token

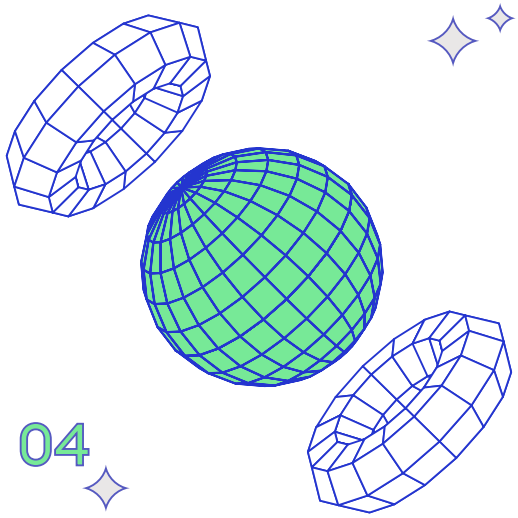
This platform specializes in account-to-account payments and sells open banking. It connects over 3,000 European banks by API.

Security in open ecosystems

There are new solutions that take into account the specifics of open banking technologies, whereas traditional anti-fraud systems are not always suitable for such cases. For example, in 2021, there were phishing scams where cyberthieves used text message links to obtain the victims' login credentials for their bank accounts. Then, using payment initiation service providers (PISPs), they transferred funds to other accounts. New services take into account the bottlenecks of open ecosystems.

Volt

The company launched Circuit Breaker, an anti-fraud solution for open banking.
It allows merchants to block suspicious transactions and create blacklists based on set criteria, such as the bank, device, or email that the user is paying from.



Post-big data era

What is going on?

The world has accumulated large volumes of big data, yet it's difficult to draw conclusions from it. In some cases, information is poor-quality, highly diversified, and unrepresentative. In other cases, there is not enough high-quality data. The third category has misinterpreted information. Additionally, collecting, storing, and processing big data consumes a lot of energy and many other resources to meet stringent regulatory requirements. As a result, the use of data becomes less efficient.

The current situation has led to a more selective approach to collecting, processing, and storing data, as well as an increased demand for specialists who can search for information on specific scenarios and predict their development.

What will happen next?

Scenario 1

Specialization in data processing will intensify. Instead of buying huge amounts of raw data, client companies will buy already identified signals relevant for a certain scenario — for example, signals that a person started traveling outside their neighborhood or downgraded in terms of stores where they make purchases. At the same time, computational techniques that increase data confidentiality will find wider adoption.

Scenario 2

An entity will hold a monopoly on big data — a centralized data storage and processing system with information about everything and everyone, like Skynet.

Limitations

Death of cookies and other identifiers

Large ecosystems like Apple do not want to share data, so they restrict access to it.

Cybersecurity

Any information exchange requires secure channels.

Regulation

Legal requirements limit companies' ability to work with data.

Use cases

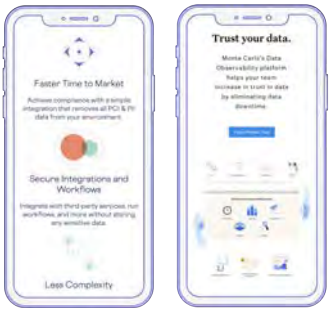
Synthetic data

Synthetic data reflects patterns but does not contain personal information. The method is used when there is not enough available data for modeling. In this case, real information is anonymized and used to create additional, synthetic data.

Synthesized

The platform can generate the required volumes of anonymous data from generative models in just a few minutes while reducing the risks associated with poor-quality information.

Data audit



The new generation of data processing technology helps to track and automate operations with incorrect information — for example, duplicate records or broken panels. Such products increase the quality and credibility of the information companies collect.

Monte Carlo

This is a low-code solution for monitoring data that does not leave the customer's environment. The platform allows you to automatically identify changes that could negatively affect your business.

DataRobot

The platform's algorithms help banks meet challenges, ranging from fraud detection and prevention to customer retention and credit risk management.

Skyflow

This solution helps fintech companies meet compliance requirements. Skyflow automatically migrates all sensitive data from the customer environment to its own secure storage.

Quantexa

The platform selects meaningful data and processes it contextually, which helps to uncover hidden risks and find new opportunities in customer relationships.

Specialization in data processing

Targeted search and data processing can improve the business models of specialized fintech solutions. For example, to predict SaaS product sales, you need to score SaaS companies based on their cash flows.

Marshmallow

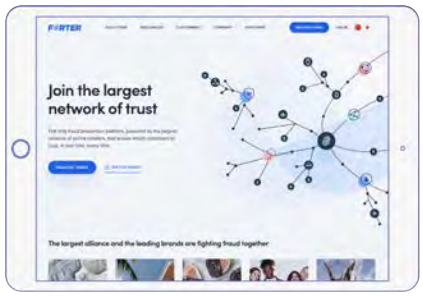
The UK insurtech company uses a variety of national and international data to manage auto insurance risks. This allows them to offer favorable conditions to expats and citizens whose credit ratings took a hit, for example, after changing addresses.

Cuvva

The company uses Smart Pricing technology, powered by data from mobile operators, to analyze driving habits and adjust insurance policy prices based on the results.

Information security

Fraudulent transactions are rare events, so quantitative methods are not suitable for their analysis. More accurate, specialized data allows you to create solutions to prevent a specific type of fraud.



Cytrio

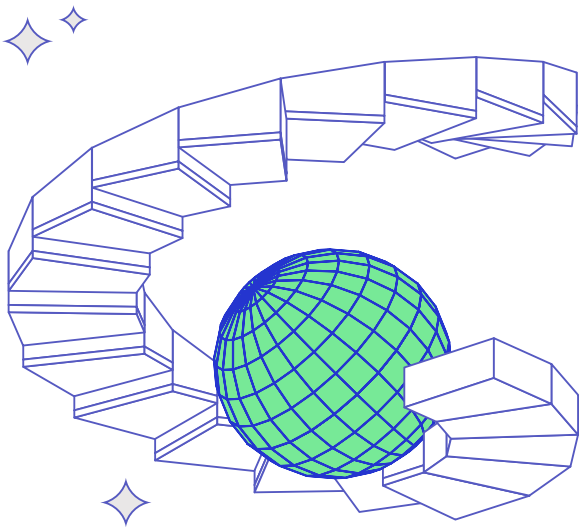
With the solution, businesses can enable customers to manage their personal data and protect it from unauthorized access.

Forter

This is a platform for preventing fraud and improving customer experience in ecommerce.

Signifyd

The solution protects online sellers from fraudulent activities and increases conversion. It is powered by data on transactions and user behavior from thousands of online stores across 100+ countries.



Tokenization of real-world assets

05

What is going on?

To overcome the crisis caused by the COVID-19 pandemic and accelerate the transition towards greener production, the real sectors of the world economy need additional funding. However, regulatory requirements for banks' capital adequacy to support risks impose restrictions on what traditional financial institutions can do. As a result, the real sector is forced to look for opportunities to attract funding from institutional and retail investors.

Digital industries can count on increased investments due to democratizing access to private assets, whereas the real sector will have to solve a more fundamental task — securitization of existing assets. In other words, they need to restructure illiquid assets into tradable securities through tokenization (digitization).

The digitization of ownership and copyright creates new asset classes that can be sold, bought, and divided. At the same time, DLT (distributed ledger technology) gives real-time access to verified, up-to-date information to all parties to the transaction. Thus, the securitization of assets increases the transparency and security of the processes associated with raising funds. It also reduces manual transactions.

Digitization can apply to transactions with any asset in the real world — For example, mortgages, corporate liabilities, trade finance, and green assets.

What will happen next?

Scenario 1

Asset tokenization will become deeply integrated with other business processes, which will allow companies to develop a reliable infrastructure for non-standard use cases. This infrastructure will be used to create new financial products.

Scenario 2

Products based on tokenized assets will continue to exist exclusively in alternative finance and be quite expensive. Market participants with a higher risk appetite will benefit from the development of the trend.

Limitations

Local regulation

Specific jurisdictions largely affect how fast asset tokenization can develop. In some countries like Switzerland, the legislation is more open to digitizing assets, while other countries are strongly against it.

Lack of investor interest

Securitization of real-world assets reduces investment risks but does not allow for scaling profits as quickly as, for example, investing in SaaS.

Mistrust

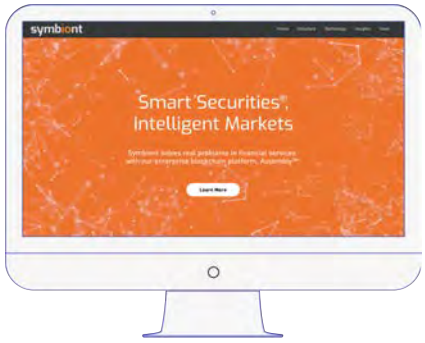
Investors are yet to grasp the specifics of new asset classes and find ways to maximize profits.

High maintenance cost

At this stage, distributed infrastructure is quite expensive to use.

Token issuance platforms

This trend brought about the most common class of fintech companies. Such DLT solutions allow you to digitize any rights or obligations of the company.



Ivno

The British startup offers software for tokenizing assets on the Corda blockchain. In 2021, it was acquired by the American corporation R3.

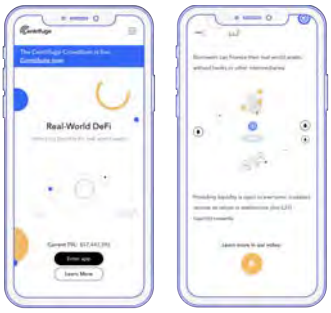
Untangled Finance

The platform tokenizes high-yield alternative loans for small and medium-sized businesses, short-term working capital, receivables for supply chain financing, and green bonds.

Symbiont

The universal DLT platform provides the infrastructure for issuing asset-backed securities through loans.

End-to-end solutions for operations with tokenized assets



This refers to a complex format in which platforms not only issue tokenized assets but also provide services for interacting with them to all parties involved.

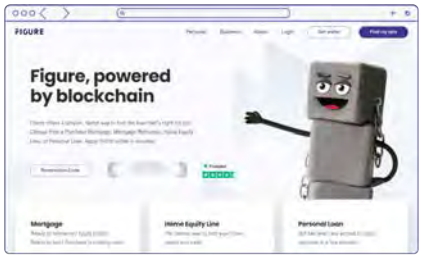
Centrifugue

The platform links assets, such as invoices, real estate, and royalties, to a decentralized infrastructure. Borrowers can finance real assets without involving banks or other intermediaries.

Sygnum

The Swiss bank for digital assets carries out customer transactions on the blockchain and provides secure and interoperable storage for tokens. The bank also tokenized its own shares.

New infrastructure for institutional investors



Distributed platforms simplify the infrastructure for securities transactions by replacing fragmented databases and using self-executing smart contracts.

Figure

The company uses blockchain to automatically record and exchange data on mortgages and real estate secured loans.

Wilmington Trust

The company uses blockchain to log mortgage documents that underpin the issue of mortgage-backed securities.

Industry solutions

These are platforms for tokenizing and servicing assets for certain industries, such as supply chain finance.

Liquid Mortgage

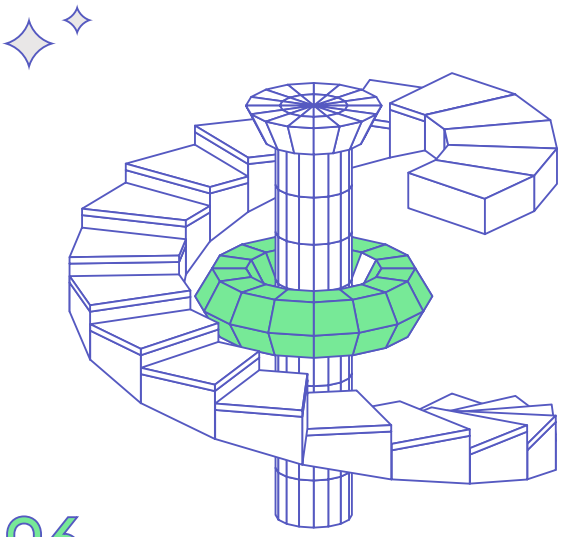
It's a digital asset platform that supports document integration and data synchronization by streamlining loan documentation, as well as payment and transaction information.

Atomyze

The Swiss blockchain platform supports tokenization of all types of commodities. In 2020, Nornickel became the first industrial company to issue tokens on Atomyze

Factorin

A Russian distributed platform for supply chain financing, Factorin, tokenizes receivables and helps control assets.



Payments in metaverses

06

What is going on?

A metaverse is a multi-environment that connects the offline and online worlds and is distributed among different applications. It offers more personalized user experiences and extensive opportunities for customizing interfaces. Currently, we don’t know a lot about metaverses from Meta (formerly Facebook), Microsoft, or other companies. But we can envision what their fintech layer might be.

In a metaverse, consumption occurs in real-time and is not limited to a single platform. For example, content created on Patreon can be used in the Roblox metaverse. But this requires a new infrastructure for digital assets and payments, whose basis has already been laid by open ecosystems.

Additionally, digital reputation will become more important as every action or process in the metaverse is digitized.

What will happen next?

Scenario 1

Metaverses will evolve in a centralized manner, influenced by big tech companies and regulators. Users' ability to manage data and content will be controlled by creators of the metaverse.

Scenario 2

Metaverses will evolve in a decentralized manner, according to the principles of Web 3.0. Users will have more opportunities to manage data and content.

Limitations

Efficiency

The development of metaverses requires the growth of computing power and rapid technological development.

ESG agenda

Commitments to achieving ESG sustainability goals can limit the increase of technological capacities.

Regulatory requirements

Some countries will possibly restrict metaverses to protect user interests and competition in the economy.

Use cases

Financial services embedded at user request

Currently, online sellers determine what kind of installment plan or insurance to integrate and where. In metaverses, users will want to make their own rules right from their digital wallets. For example, they can define a specific category of goods that will be offered with split payment on different platforms.

Zip

The BNPL service Zip has built its installments into Microsoft Edge. Offers appear every time a user lands on the checkout page for any purchase between $35 and $1,000.

Infrastructure for storing and exchanging different types of digital assets

Metaverse companies will have their own digital assets. Users will need to store and regularly exchange them, just like with any traditional currency in a bank account. This will be possible after wallets become interoperable, i.e., start supporting valid interactions with different types of assets. Fintech companies will have to develop the technical and legal frameworks for such solutions.

Fireblocks

The company develops secure infrastructures for storing and transferring cryptocurrencies and digital assets for crypto exchanges, payment companies, banks, hedge funds, and other financial institutions.

Prime Trust

The platform makes it easy to buy and sell alternative assets. It offers the infrastructure for issuing tokenized securities for the secondary market and for trading them.

Finoa

The German platform allows institutional investors and companies to safely store over 175 types of digital assets.

Scoring and reputation management

The economy of metaverses will be more transparent: it will be possible to digitize and measure more processes in both B2B and B2C. Reputation data, including data related to the ESG agenda, will become more important. This will reshape credit scoring models and drive the growth of reputation management tools.

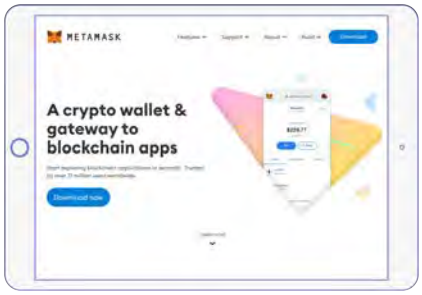
Roll

Blockchain infrastructure for issuing social money. The Roll network mints branded digital tokens unique to creators' online presence, allowing them to own, control and coordinate the value they create across platforms.

Karat

A business expense card with limits based on social stats and cashflow.

Data management for user identification



With the development of metaverses, there will be more options and more complex scenarios for the use of identification technologies. Banks and fintech companies have long established themselves as identity operators and will develop their competence. However, metaverses require more flexibility and quicker response to changes, so user identification will be led by fintech companies.

MetaMask

In addition to standard functions, the MetaMask digital wallet can be used to identify users in decentralized applications built on the Ethereum blockchain.

Phantom

The service turns any internet browser into a digital wallet for the Solana blockchain and allows you to interact with applications running on this platform.

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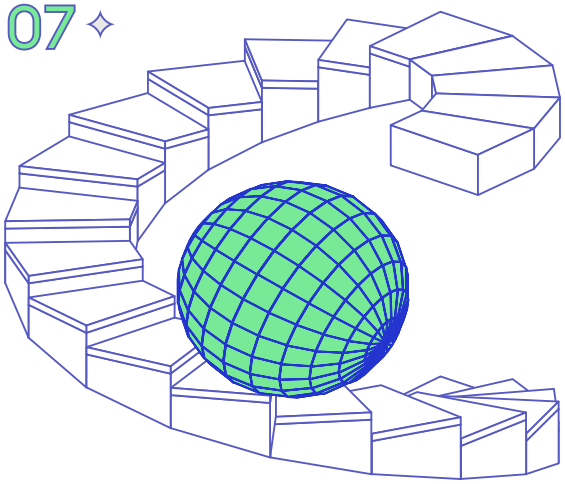


Green fintech

What is going on?

The ESG agenda — especially the climate agenda — is more relevant than ever. According to the UN, global carbon emissions will rise 16% by 2030 compared to levels in 2010. This will lead to a 2.7°C temperature increase by the end of the century, rather than 1.5°C, as established in the Paris Agreement. In response to the acceleration of climate change, governments are adopting programs to achieve carbon neutrality, manufacturing is changing gear, and financial institutions and retail investors are becoming increasingly supportive of green projects.

Kearney's research showed that 25% of users are willing to switch to banks with higher ESG priorities. It has become important for people to place their funds in green, eco-friendly banks: 40% of the respondents want to be sure that the bank does not invest their savings in companies that pollute the environment. The fintech industry is promptly responding to this request.

What will happen next?

Scenario 1

Green fintech will become mainstream in the next three to five years. Regulators and society will demand that ESG resilience parameters become an integral part of scoring and lending models, i.e., directly influencing financing decisions. Investors will support the new fintech direction.

Scenario 2

Green fintech will remain a feature within open ecosystems. The ESG agenda will focus on more fundamental issues like reducing energy consumption, ensuring responsible consumption, and switching to renewable energy sources.

Limitations

Market opacity

At this stage, it is impossible to track the actual results of ESG products and whether companies stick to their commitments.

Investment size

Creating financial ESG products is expensive.

Conservative thinking

Not everyone is ready to give up investments in oil and gas and other industries or, for example, energy-intensive mining.

Sensitivity to reputational risks

Due to market opacity, if some participants are caught lying, it can undermine the credibility of the entire ESG segment of fintech.

Disappointment in investment appeal

The ESG business may fall short of investor expectations, causing a decline in funding.

Use cases

ESG reporting

A growing number of platforms are helping users choose greener products and services and reduce their personal carbon footprint. Such calculators often become an additional option within banking or BNPL applications.

Bunq

The Danish neobank invites users to achieve personal carbon neutrality in just two years: the company plants a tree for every €100 spent.

Meniga

In addition to data management tools, the company offers banks an embedded carbon calculator.

Automated carbon neutralization

Fintech companies are building carbon deductions into their payment solutions. After every transaction, a portion of the funds is automatically sent to ESG causes.

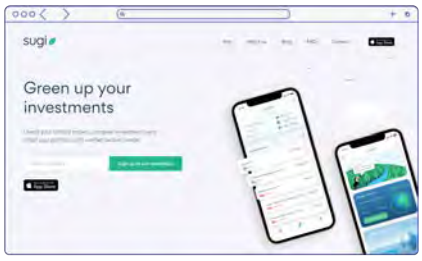
Stripe

Stripe Climate is a tool that allows B2B customers to set up automatic contributions to companies that are committed to reducing their carbon footprint.

Amplify

The Irish service donates 2% of every affiliate transaction to a user-selected climate change campaign.

Green investments



There is rapid development of platforms offering ESG investments, as well as alternative B2B lending for this sector.

Sugi

The British ecofintech company connects to 80 investment platforms through open banking and shows investors how companies in their portfolio contribute to global warming.

Shoal

A new green neobank from Standard Chartered and Starling Bank is going to use funds from clients' savings accounts to invest in only environmentally-friendly and sustainable projects.

Atelier

The British real estate finance service sets the loan rate based on the ESG sustainability of the developer-led project.