

THE GLOBAL TRENDS OF FINTECH

Fintech extends beyond the familiar mobile apps we use daily. It is a diverse range of instruments, including cryptocurrency exchanges, peer-to-peer lending platforms, and many other helpful solutions. Through analyzing the global fintech market, this article aims to identify key trends and discover best practices which Belarusian fintech companies can apply to achieve success.

McKinsey research [1] shows data, that as of July 2023, publicly traded fintech enterprises had \$550 billion of market capitalization, which is two times more than in 2019. In addition, during this 5-year period, there were more than 272 fintech companies valued more than \$1 billion, with a total capitalization of \$936 billion, which is seven times more than 39 firms valued at more than \$1 billion five years ago.

Another report, prepared by a Silicon Valley bank [2], analyzes the performance of fintech companies with mixed sources of investment. This kind of companies have experienced a significant slowdown in revenue growth, with their median year-over-year growth rate dropping significantly from 39% in 2022 to just 20% in 2023. This could be attributed to the calm in the mortgage industry, changes in auto loans market and overall cautious economic environment.

As for blockchain and crypto, SVB suggests some insights as well. More than \$80 billion of global venture capital has been invested in blockchain and crypto startups since 2017. More than 85% of those \$80 billion were invested in the last three years. And even falls of several famous companies and blockchain projects including FTX, Terra and Celsius haven't greatly impacted the public image of the digital assets space.

At the same time, fintech companies focused on Artificial Intelligence (AI) raised a respectable \$12.1 billion in investments. This continued interest shows the growing recognition of AI's potential to revolutionize financial services, like fraud detection or personalized financial products. It's important to note that this figure might underestimate the true picture, as many established financial institutions and fintech players may be integrating AI through internal investments or partnerships, bypassing venture capital funding altogether. At the same time, the use of AI and machine learning technologies is governed by a growing maze of overlapping legislative and regulatory initiatives, from data privacy, consumer protection and cybersecurity to new and developing AI-specific regulations, many of which have extraterritorial effect. This makes using AI lawfully increasingly challenging for businesses.

The World Economic Forum report [3] highlights the vital role fintech plays in promoting a more inclusive financial system through various initiatives and innovations, including the following:

1. It facilitates financial inclusion by providing services to underserved populations, including lower-income individuals and residents of remote areas in developing economies.

2. Fintech companies are actively applying new technologies, such as data analytics and machine learning, in order to develop environmental, social, and governance-oriented products that align with various sustainable development goals.

3. Fintech companies are also playing a significant role in promoting diversity by ensuring gender representation in leadership roles. By using digital platforms, women can access capital, engage in crowdfunding and manage their finances with greater ease.

Another important survey in this report shows the most relevant topics for fintech industry development in the next five years: artificial intelligence, embedded finance, blockchain, Big Data and cloud solutions.

Fintech's disruptive power largely stems from its ability to innovate and differentiate. Mostly unburdened by legacy systems and processes, fintech companies can leverage emerging technologies with greater agility, anticipating and solving customer needs. Additionally, their customer-centric and collaborative approach often involves cross-functional teams driving innovation.

Based on researched reports, analytics and best practices, here are some tips that can be given to Belarusian fintech companies:

1. Ensure a strong and stable core business with a proven market fit before expansion. Prioritize strengthening the core before pursuing rapid growth.

2. Look for mergers and acquisitions (M&A) strategically and establish mutually beneficial partnerships with a value-sharing approach, rather than simply focusing on M&A as a response to a low-valuation environment.

3. Prioritize agility, foster a culture of innovation and attract talent that aligns with corporate mission and goals.

4. Focus on data-driven decision-making over chasing trends. Conduct thorough market research and analysis before committing resources to untested ventures.

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