

The 6 most important fintech and online banking trends of 2022

In the last few years, there has been a massive increase in the number of FinTech startups and online banking businesses. The COVID-19 pandemic poured fuel on an already burning fire, accelerating this trend and making traditional financial institutions feel the pressure. This is largely due to the advancements in technology that have made it easier for FinTech businesses to function.

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In 2022, we can expect more growth in this industry as more people shift towards digital banking services. In this post, we'll look at some of the most exciting FinTech and online banking trends in 2022 and what they mean for business owners and entrepreneurs.

What we saw in 2021

The first two years of the pandemic saw huge businesses collapse and small startups skyrocket. Those that made it were the ones that were quick to recognise and adapt to the new trends imposed by lockdown measures and fear of the coronavirus. For example, food delivery startups popped up everywhere and some big corporations also branched out into this market, gathering a huge customer base in the process.

In the financial space, 2021 was a ground-breaking year for the financial technology sector. We saw the rise of embedded financial services, super apps and the massive expansion of online-only banks, the likes of Monzo,

Revolut, Wise and HelloBank, among many others. In the cryptocurrency scene, many *big crypto exchanges* also became even bigger, and several new ones popped up in different places.

We also saw an increase in the use of artificial intelligence throughout the financial and banking industry, with innovations stemming from robo advisors that help everyday people make better investment decisions to AI-powered chatbots that streamline *customer identity verification* and provide a more personalised banking experience.

However, the hottest trend we saw in 2021 was the adoption of BNPL or buy-now-pay-later across many online retail giants like Amazon—whose earnings are forecast to grow at an *exceptional rate of 26.35% per year*—eBay, and Alibaba using platforms like Zip (previously quadpay).

What to expect in 2022

The first half of 2022 saw the continuing trends of 2021, and in H2, we can expect these trends to continue and grow even further. This includes the continued rise of online-only banks, the expansion of embedded financial services, and more. It will also likely be one of the best years for blockchain technology adoption across the board.

Let's look at each of the most important trends to look out for in H2, 2022.

#1 More payment flexibility through Buy-Now-Pay-Later or BNPL

BNPL is quickly becoming one of the most popular payment methods available, and we can expect even more businesses to adopt it in H2 2022. This is because it offers customers a more flexible way to pay for their purchases, which was something of a lifeline during the first two years of the pandemic, but is now becoming the norm.

Even traditional financial institutions are in on the action, with banks like JP Morgan Chase and Goldman Sachs offering their own BNPL products. This trend is here to stay and will only grow in H2, so if you're a business owner, it's something you need to be prepared for.

With BNPL, customers can split their payments into smaller instalments over time rather than paying for their purchase in one go. This makes it more affordable for people to make big purchases, and less likely they'll default on their payments.

BNPL is convenient for customers, but it's also good for business owners as it can lead to increased sales and higher customer retention rates.

If you're not already offering BNPL as a payment option, you should consider doing so. It's estimated that, by 2026, roughly 25% of all online retail sales will be paid for using some sort of BNPL service, and most of these purchases will come from Millennials or Gen-Zs.

#2 Decentralised crowdfunding will continue to help businesses grow

Decentralised crowdfunding is a type of funding that allows entrepreneurs to raise money for their business projects from many people, or backers, using a blockchain-based platform. It's a more democratic way to fund projects as it doesn't rely on the support of a few wealthy investors.

This type of crowdfunding has grown in popularity in recent years, and we can expect to see even more businesses turn to it in H2 2022. This is because it offers several advantages over traditional fundraising methods, such as venture capital or loans.

Some of the benefits of decentralised crowdfunding include:

- It's open to anyone with an internet connection, which means that

businesses can reach a global audience of potential backers.

- The use of smart contracts means that *funding terms are transparent and fair*.
- Decentralised platforms are often more efficient and faster than traditional methods of fundraising.

2021 saw the global crowdfunding market increase to over US\$ 13B. This value is projected to double by 2027, signalling increased investor confidence and *startup participation*. Some of the biggest traditional crowdfunding platforms are migrating to decentralised crowdfunding, and many more *blockchain-native platforms* are constantly emerging.

One of the world's biggest crowdfunding platforms, Kickstarter, is already studying how to shift the entire platform to a blockchain-based protocol to make the whole backing and rewarding process more transparent and trustworthy. In fact, the migration takes trust out of the equation through decentralisation and the use of smart contracts.

If you're launching a startup in the second half of 2022 and are thinking of ways to fund your project quickly and safely and without losing equity, decentralised crowdfunding is an excellent choice to consider.

#3 More banks will offer embedded financial services

Embedded financial services are any type of financial product offered by a non-financial institution, such as a retail company, an online platform or simply a technology provider instead of a bank or other traditional financial institution. These services include, among other things, personal and *business credit cards*, loans, *payment processing* and *insurance*. The top trend mentioned at the beginning of this list, BNPL services, is, in fact, a type of embedded financial service.

Most of us have already used embedded finance. Those who don't think

they have probably haven't realized it simply because these services are integrated seamlessly into different platforms we all use every day. Some examples of embedded finance include :

- Buy now, pay later (BNPL) services offered by retail companies such as Afterpay, Affirm, and Zip.
- In-app payments processed by companies such as Apple, Google or Amazon.
- Micro-insurance products offered by HealthTech firms such as HD, a D2C healthcare marketplace.

Many companies are using these services to empower ten-year-olds to make in-game purchases on their favourite game apps, representing an internet risk to kids and their parents' finances, but an opportunity for online businesses. The trend of offering financial services by non-financial institutions started a few years ago, but it has accelerated in the past year or two and is expected to grow even more in 2022. The trend is fueled by traditional banks losing their monopoly over financial services and being forced to compete with the likes of big tech firms, retail companies and other non-traditional players.

#4 Increase in banking on underdeveloped countries

The past year has seen a significant increase in the number of people using mobile banking apps and other digital banking services in developing countries. This trend is expected to continue in 2022 as more and more people in these countries gain access to smartphones and the internet.

Underbanking has been a major problem in many developing African and South American nations, as traditional banks have been unwilling or unable to serve most of the population. This has led to a situation where only a small minority of people have access to formal banking services,

while the majority are forced to rely on informal methods such as moneylenders and peer-to-peer lending platforms.

Online banking platforms have emerged as a promising alternative for small business owners, entrepreneurs and everyday people to manage their money more efficiently and cost-effectively, so we expect this trend to continue in the coming year.

#5 Decentralised Finance and blockchain solutions are rising

The past year has seen a significant increase in the number of financial institutions and startups exploring blockchain technology and decentralised finance (DeFi) solutions. DeFi is a new way of providing financial services on blockchains like Ethereum. By using smart contracts, DeFi platforms can offer a wide range of trustless, transparent, and often automated financial products and services. Additionally, they're more secure because they're not reliant on centralised infrastructure that can be hacked or manipulated.

The DeFi industry's market cap value declined 9% early in 2022, but it quickly rebounded and has been growing ever since. Most analysts predict 2022 will surpass the total value locked into smart contracts in 2021, which peaked at roughly \$250B.

As mentioned earlier, decentralised crowdfunding is one of the major trends this year, but it's not the only way blockchain impacts finance. This trend is expected to continue in 2022 as more and more companies explore the potential of DeFi to disrupt traditional finance.

#6 The banking industry is going green

Last but not least, an important and encouraging trend to look out for this 2022 is that more and more banks and financial institutions (both online-

only and brick & mortar) are committing to tackle climate change and embrace sustainable business models. At the moment, many large companies like Deutsche Bank, HSBC and Bank of America have pledged to reach zero emissions before 2050.

With both businesses and local governments embracing sustainability in their supply chain management, this is an important trend that business owners need to look out for. Part of the sustainability commitments signed by some of these organisations, which include banks and other financial institutions, involve not doing business with non-sustainable companies, potentially limiting access to funding and other financial services.

The bottom line

The six trends we've outlined are just a few of the most important ones to look out for in 2022. As a business owner or entrepreneur, it's important to stay up-to-date with these trends to make the most of the opportunities they present. They provide an interesting snapshot of the current state of online banking and financial technology, and we can expect to see even more exciting developments in the coming year.

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