



Transforming transactions: How the Fintech landscape is developing across the globe

The take



The global Fintech ecosystem continues to expand and diversify in the face of macroeconomic challenges.

From consumers' heightened digital expectations driving Fintech adoption to open banking and banking as a service creating immersive and embedded financial experiences, it's not difficult to spot evidence of Fintech innovation and progress in markets around the world.

While each region has differences in terms of maturity and consumer preference, there remains a common throughline: partnerships. Collaboration between banks, payment networks and Fintechs continues to unlock new value and growth opportunities – arguably even more so during periods of economic uncertainty. It's important for market stakeholders to learn from consumer and Fintech perspectives around the world and consider how those insights can be applied to their home markets.

Collaboration
between banks,
payment networks
and Fintechs
continues to
unlock new value
and growth
opportunities.

Key findings: Asia



Digital payment maturity means greater comfort with emerging financial experiences for consumers.

In Asia, 96% percent of consumer respondents had used at least one digital payment service in the past 90 days, up from 94% in 2022. This high level of digital payment adoption has laid a foundation for uptake of emerging financial experiences at a level that outmatches the rest of the world. Consider that, in the past 90 days, 21% of consumers in Asia had bought, traded or sold cryptocurrencies (12% Latin America, 10% North America, 7% Europe); 32% had used a connected commerce purchase experience (15% Latin America, 12% North America, 8% Europe); and 46% had made a biometric payment (32% Latin America, 17% North America, 19% Europe).

As digital-first consumers in Asia become accustomed to making digital payments, they become primed to engage in new, immersive financial experiences.

96%
of consumer
respondents in
Asia **had used at
least one digital
payment service in
the past 90 days.**

Consumers in Asia place the strongest emphasis on ESG and DEI commitments when selecting which digital payment service provider to use.

Fintechs targeting consumers in Asia should place high priority on demonstrating their commitments to environmental, social and governance (ESG) and diversity, equity and inclusion (DEI) factors. In particular, our research shows consumers in this region place above-average emphasis on commitments to social and environmental issues as well as diversity and inclusion.

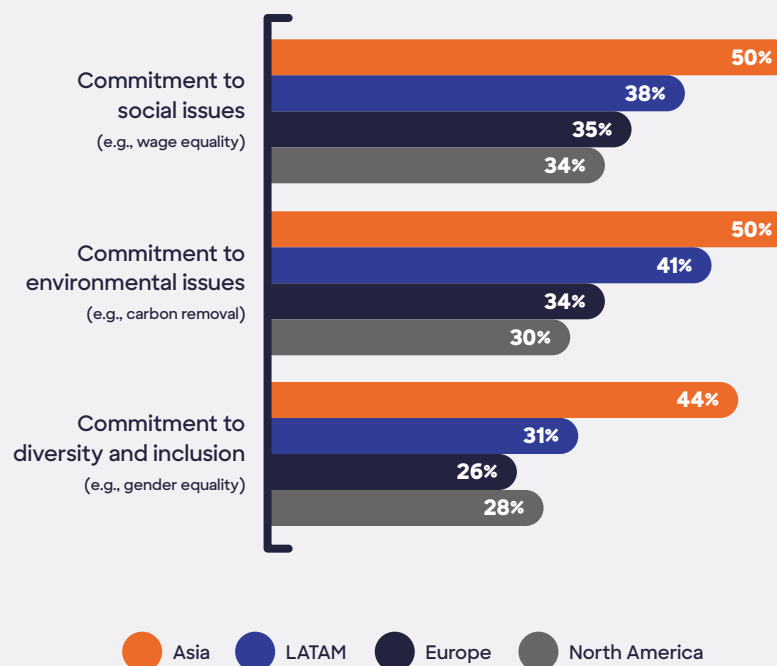
58%

of venture capitalists, who are increasingly prioritizing this area, **indicate DEI and ESG initiatives are important criteria** when considering making an investment.

Given the highly competitive nature of B2C Fintech in Asia, prioritizing initiatives such as wage equality, carbon removal and gender equality may help Fintechs generate goodwill with prospective users.

While demonstrating a commitment to ESG and DEI factors is important for any Fintech provider, those targeting consumers in Asia should ensure it is a central part of their messaging and positioning to win over new users.

Consumers in Asia lead in selecting providers based on Fintech commitments



Q. Which of the following would impact your decision to use a digital payment service from one provider over another?
Base: All respondents (n=5,004).
Source: S&P Global Market Intelligence custom Fintech survey commissioned by Discover Global Network, 2023.

Key findings: Europe



Open banking is top of mind for the European Fintech ecosystem.

The regulatory-driven rollout of open banking in Europe has helped to generate strong interest among Fintechs, with 82% of Fintechs in the region indicating that open banking and open finance use cases are relevant to their business, up from 76% in 2022. European consumers show strong appetite as well, with 62% expressing interest in making payments to a business directly from their bank account. This level of interest is one reason why 58% of UK-based venture capitalists believe open banking has significant growth opportunity over the next five years, compared to 31% of US-based venture capitalists.

The regulator-driven rollout of open banking in Europe has positioned it as a vibrant area of activity for consumers and Fintechs, helping to drive positive sentiments with Fintech investors.

82%
of Fintechs in the region **indicate that open banking and open finance use cases are relevant to their business.**



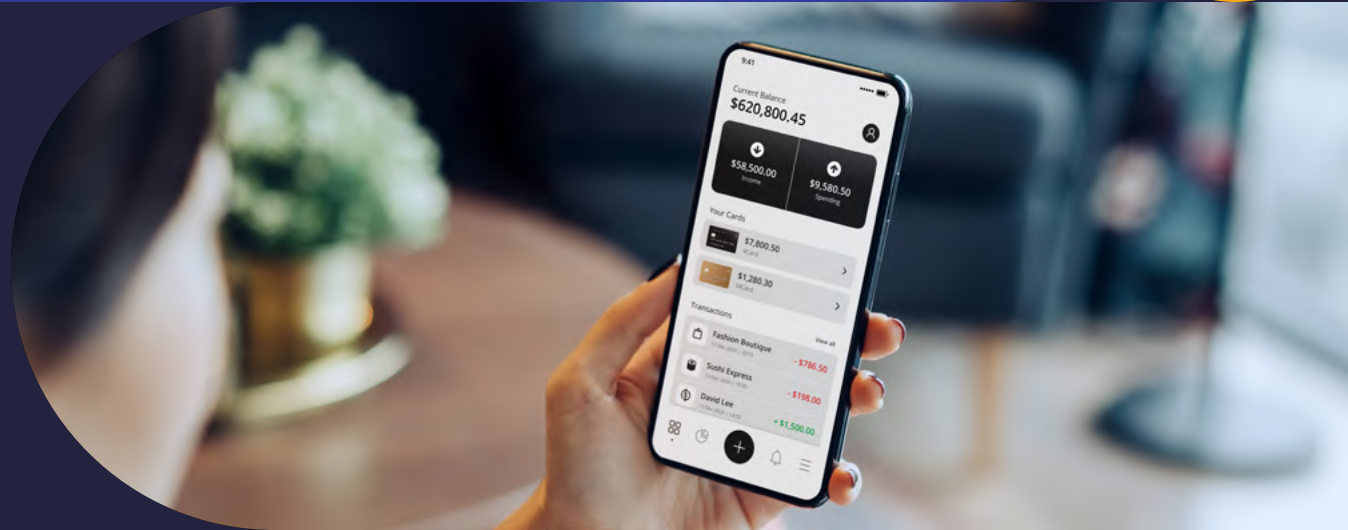
European Fintechs place growing emphasis on payment networks and infrastructure-oriented partnerships.

In Europe, 94% of Fintechs that rely on payment networks report that their reliance has significantly (43%) or somewhat (51%) increased as a result of the current economic environment. Infrastructure-oriented partnerships are increasingly top of mind, in part a result of the complexity of the current regulatory and compliance landscape. In fact, 35% of Fintechs in the region say they could benefit from technology/core infrastructure development support from a partner, up from 27% from 2022. Payment network partnerships can also be a way to appeal to investors; consider that nearly two-thirds (65%) of UK-based venture capitalists indicate that it is critical for Fintechs to build strong partnerships with payment networks.

The growing appetite for technology and infrastructure-oriented partnerships signals an expanding collaboration opportunity for European Fintechs and payment networks, especially in areas such as digital identity, open banking and contactless payments.

35%
of Fintechs in the region **say they could benefit from technology/core infrastructure development support** from a partner.

Key findings: North America



North American Fintechs show growing interest in open banking.

Nearly half (49%) of Fintechs headquartered in North America report that open banking and open finance use cases are highly relevant to their business, up from 39% in 2022. The strongest demand is in the US, where 53% of Fintechs indicate high relevance, up from 44% in 2022.

The top three open banking and open finance use cases that North American Fintechs are interested in pursuing are account-based payments, transaction monitoring and new account opening (e.g., onboarding process automation). Investors are gravitating to this trend as well, with 69% of US-based venture capitalists indicating that open banking and open finance have significant transformative potential for the Fintech landscape over the next five years.

As evidenced by the rapid uptake of real-time payments in Brazil, these systems could add significant value for consumers in Latin America while increasing efficiency in the overall financial system.

53%

of Fintechs in the US indicate that open banking and open finance use cases are highly relevant to their business.

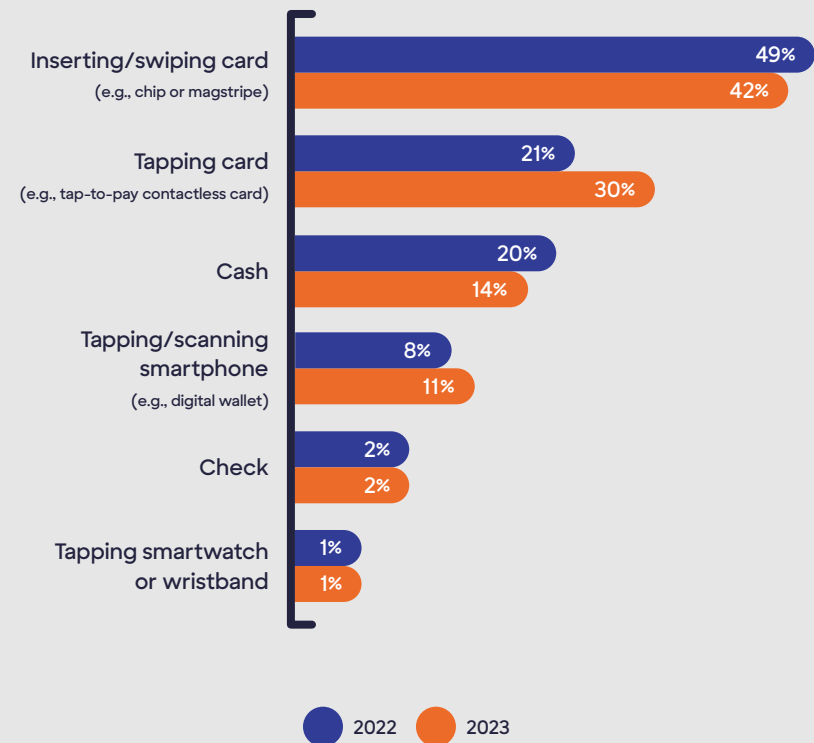
Consumers in the US show a growing preference for contactless payments.

Contactless continues to gain ground in the US, with in-person preference for using contactless cards growing to 30% (up 9 percentage points year over year), digital wallets increasing to 11% (up 3 percentage points year over year) and smartwatches/wristbands flat at 1%. Overall, 42% of US consumers prefer a contactless form factor, putting it on par with inserting/swiping a card. Conversely, preference for using cash has fallen to 14% (down 6 percentage points year over year), underscoring the potential for contactless to drive cash displacement.

42% of US consumers **prefer a contactless form factor**, putting it on par with inserting or swiping a card.

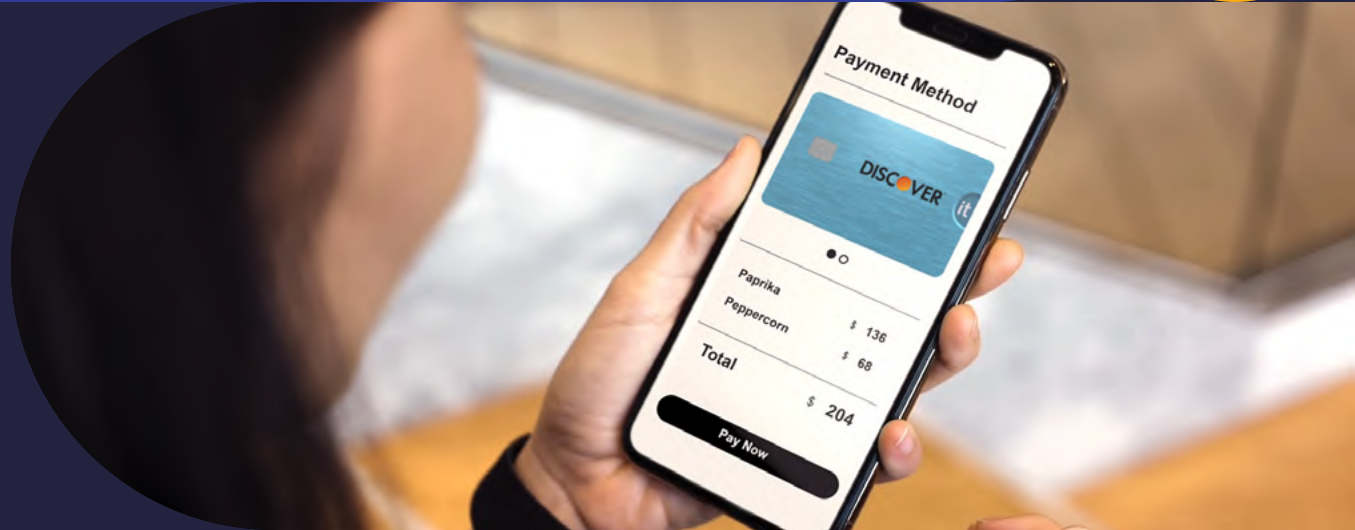
Growing consumer preference for contactless payments results in cash displacement, leading to net-new opportunities for Fintechs and incumbents to work together to grow transaction volume.

How US consumers prefer to make in-person payments



Q. When given the choice, how do you prefer to make in-person payments to a business (e.g., in a store)?
Base: All respondents (n=5,004).
Source: S&P Global Market Intelligence custom Fintech survey commissioned by Discover Global Network, 2023.

Key findings: Latin America



Banking as a service is primed for takeoff in Latin America.

Over half (62%) of Fintechs in the region indicate that embedded finance/banking as a service is highly relevant to their business, compared to 41% in Asia, 33% in Europe and 44% in North America. There is strong appetite to partner around this opportunity, considering that 82% of LatAm-headquartered Fintechs that see relevance in embedded finance/banking as a service are very interested in partnering with a payment network to jointly develop solutions in those areas (68% Asia, 55% Europe, 56% North America). Strong demand for digital banking among consumers is driving increased emphasis on embedded finance, with 65% of consumers in Brazil preferring to use a digital-first bank (e.g., app or online banking only).

The digitization of banking in Latin America creates numerous opportunities for incumbents and Fintechs to partner throughout the region while simultaneously helping to drive financial inclusion by broadening access to banking services.

62%

of Fintechs in the region **indicate that embedded finance/banking as a service is highly relevant to their business.**

Consumers in Latin America show the strongest appetite for instant payments.

Instant payment experiences are in demand in Latin America, with consumers in the region expressing above-average interest in all instant payments use cases featured in our survey.

In fact, consumers in Latin America lead all other regions in their interest in having wages instantly deposited to their account after a shift/workday (92% interested), paying bills and having them post to their account in real time (92% interested), receiving payouts from businesses in real time (94% interested) and transferring funds to another person internationally in real time (85% interested).

As evidenced by the rapid uptake of real-time payments in Brazil, these systems could add significant value for consumers in Latin America while increasing efficiency in the overall financial system.



Methodology

- 451 Research and Discover Global Network Consumer and Fintech Vendor Global Survey, 2023
- Fielded Q1-Q2 2023
- 5,939 total respondents
- Markets surveyed were Brazil, Canada, China/Hong Kong, Germany, India, Mexico, Singapore, the UK and the US

Source: S&P Global Market Intelligence Global Fintech Vendor*, Consumer** and Venture Capitalist*** surveys, commissioned by Discover Global Network, Q1-Q2 2023

*n=852 Fintech vendor respondents in VP, C-suite and founder roles, headquartered in Brazil, Canada, China/Hong Kong, Germany, India, Mexico, Singapore, the UK and the US

**n=5,004 consumer respondents in Brazil, Canada, China/Hong Kong, Germany, India, Mexico, Singapore, the UK and the US

***n=83 venture capitalist respondents in director and partner roles, based in Canada, the UK and the US