Top 5 technologies that will transform the Fintech sector

March 1, 2021
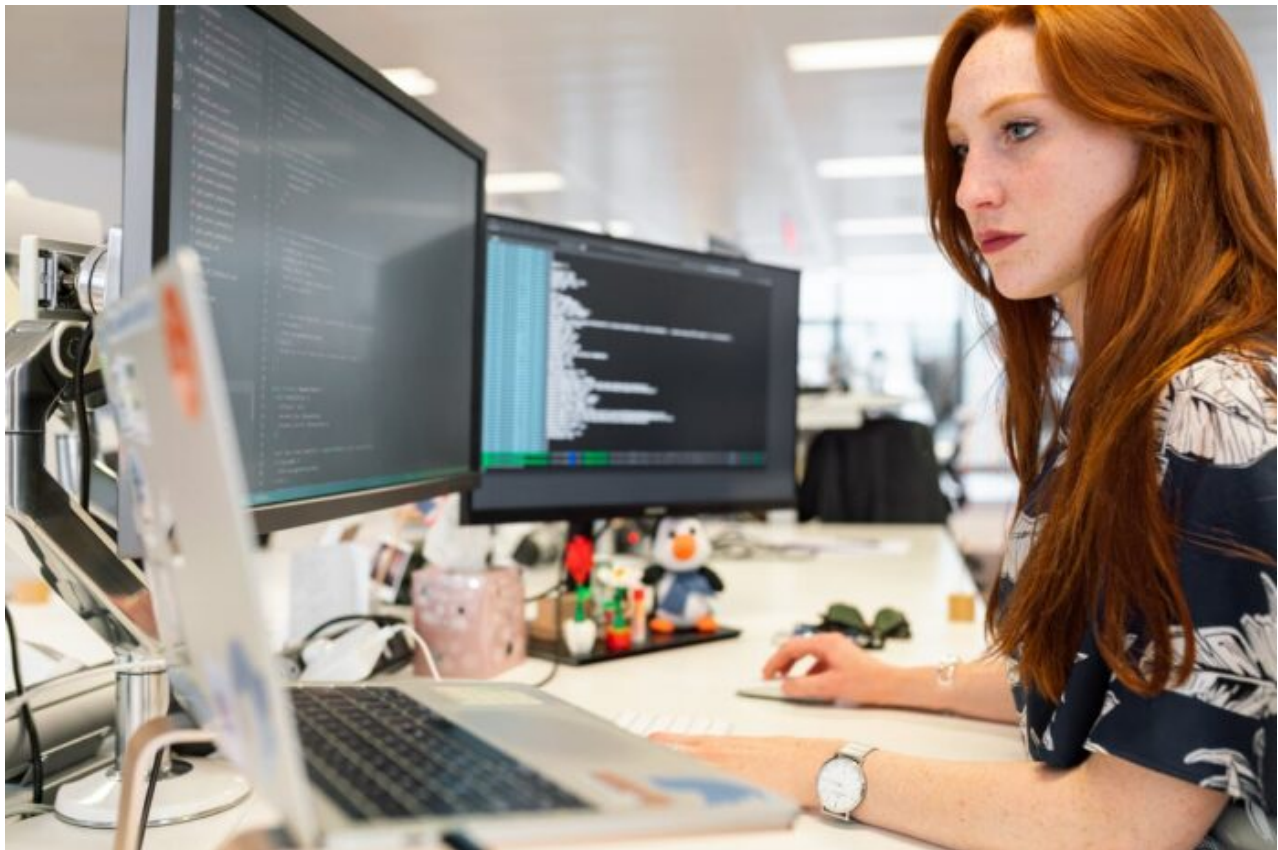
By Anil Sinha

As remote operations and contactless procedures are becoming the new normal, the Fintech sector has been experiencing a rising hunger towards moving to a 100% digital implementation of nearly all financial products and services. It has also accelerated the demand for must-have innovations and technologies that provide seamless and personalised banking experiences to its customers, as well as guarantee a near-flawless execution in managing fraud activities.

Moreover, the pandemic outbreak has also evolved the consumer behaviour patterns and expectations, which forces the institutions to embrace and leverage technology that not only nurtures but also strengthens a customer-centric approach.

A recent survey by Lightico in March 2020 found that 82% of customers were concerned about visiting their branch in person and that 63% of those polled were now more willing to try digital applications. As these shifts are expected to be long-lasting, organizations are now investing in new tools and technologies to speed up their business endeavours and be a step ahead from their competitors.

Here are the top five technologies that will allow the Fintech industry to enhance productivity and efficiency in automating the solutions.

Artificial Intelligence (AI) and Machine Learning (ML)

AI or ML has undoubtedly disrupted today's Fintech world. On one hand, AI plays a key role in providing a tailored approach to a customer, on the other hand, it helps to identify customers' ability to repay or intention of fraud. However, the role of Data & Analytics in AI technology continues to grow manyfold. There is a lot of data already available publicly for analysis.

As AI performs better when there is a lot of data available, this data is also constantly increasing and eventually making AI integration more powerful. In the near future, 5G is expected to bring more people to the internet ecosystem and will help to surge mobile payments and other digital banking services. This means AI can leverage the maximum benefit of the increasing data.

API Platforms

API platforms have evolved a lot in the past couple of years, and it is still expected to grow at a faster pace. Open banking and the use of APIs have already enabled partnership with financial companies to create new opportunities for revenue growth, cost reduction, and better user experience. **It will further open up new possibilities and easier collaboration with non-financial institutions as well, to discover better products for the end consumers. For example, a person's payment behaviour to a telecom company can provide an input in his/her credit score data. Such partnerships with different players can unfold unlimited opportunities to make life easier and better.**

Regtech or regulatory technology is also expected to function based on APIs, which will further make the overall auditing process more transparent and robust.

User Interface (Chatbot)

User conversation space is undergoing a transforming stage for the past few years, while 'Bot' is not a new buzzword for today but it is still at a very nascent stage. These bots (chat/voice) will get matured over time and be more effective in solving user problems due to the progress made in natural language processing and speech recognition. These bots are expected to be

available 24/7 and can help to serve customers query/complaint/feedback effectively and timely. This would provide a better user experience and also reduce the cost of operation for the organisation.

Blockchain

In the past couple of years, Blockchain has been proven to provide a secure, reliable, transparent, and completely automated solution. This technology has been used in various projects across the world, and also executed in different types of industries. Blockchain may still take some more time to become a common technology to be used in all the sectors, but once it is implemented it could be a game-changer. Financial institutions are using it for smart contracts, digital payments, trade settlements, etc.

This would completely change and improve the way financial operations are happening today. Blockchain helps to reduce cost and build trust in the system. For the credit space, Blockchain can play a much wider role in making the credit score more transparent, consistent, and globally valid.

Cyber Security

The threat of cybersecurity is expected to increase exponentially day-by-day and numerous innovations will happen in this area. During the product development stage, continuous focus on cybersecurity will help to make the product safe and secured at a higher level. Security testing as a vertical, will also experience an increase in demand. The Fintech industry deals with lots of data and it is expected that continuous innovation will become a phenomenon, to advance the Data Privacy and Security framework.

While each of these technologies has the potential to impact the financial sector, it is also one of the most critical sectors which always have more room to improve and advance its solutions. As the industry continuously aims to cater to the fast-changing consumer landscape and support one's financial well-being, innovation and technology-led changes will be the key aspects to achieve those desired results.