

10 predictions around fintech

By [Dominique Collett](#)

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This time last year, none of us had any idea of the whole new world that was on its way. One that would include global lockdowns, Zoombombing, covidiot, closed borders and quarantining.



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The fintech environment was obviously affected by the pandemic. We reviewed our predictions of January 2020 and some of them did come to pass. Bitcoin for instance went parabolic during 2020 hitting all-time highs and it continues to rise, fall and rise daily.

Payments came into focus and adoption during the pandemic has been rapid, as consumers avoided touching cash or point of sale devices and as ecommerce increased dramatically. The pandemic also increased interest in smart and digital insurance as consumers avoided meeting their brokers, while enjoying turning-off insurance when it wasn't needed, and fintech partnerships continued to grow during the year.

Last year we predicted partnerships between banks, insurers and fintechs. We saw a couple of notable events. The [joint venture](#) between Capitec and Easy Equities. The game changer in the payments space was [Vodacom partnering with Alipay](#), although recent regulatory developments in China around fintech could hamstring these efforts. [Standard Bank bought a share in Tradesafe](#), a digital escrow services provider. [Outsurance and Shoprite partnered to offer funeral and life insurance](#) to the retailer's customers. Telkom Business partnered with fintech startup, Fundrr, to offer [loans to businesses wanting to grow](#).

Here are our predictions for the local fintech landscape this year.

1. Cryptocurrencies

Cryptocurrencies have reached a tipping point gaining strong traction. We believe we will continue to see an explosion this year. The case for cryptocurrency adoption in emerging markets remains strong. The world's largest blockchain investor, Digital Currency Group (DCG) acquired SA-founded Luno last year, as a launch platform into emerging and other markets, and Luno now has over six-million users on its platform.



2. Digital payments

Last year was an inflection point for payments globally. Contactless and online payments came to the fore. There used to be nervousness around online payments, but consumers are embracing ecommerce.

Oltio was bought by Ukheshe which plans to make QR payments ubiquitous. Also FNB Pay allows consumers to pay via phone at any terminal.

We should see mass adoption of QR, contactless and mobile payments. Mobile network operators like MTN and Vodacom, which have had many fits and starts in mobile payments, are coming back aggressively and this might be the year they can mainstream payments on their platforms by partnering with fintechs. Consumers want mobile payment mechanisms as they don't want to touch cash.

With a rise in digital payments, there is increased concern around online fraud. Payment providers will therefore be looking for identity authentication solutions, which positions businesses like Entersekt well in both local and international markets.

3. Growth of digital platforms

With people being confined to their homes and not buying new insurance via brokers, they now want to buy and have their policies serviced online. This was already a developing trend and 2020 was the tipping point.

Twenty-twenty was a stellar year for Outvest, Franc and Easy Equities. In fact, the pandemic and lockdown were a boon for Easy Equities, bumping new account openings from 300 per day to 2,000. It's counter-intuitive - you would think that when people have lost money, they wouldn't want to save but it forced people to start thinking about having a financial safety net and how to protect against future financial shocks. We therefore also saw more interest in robo-advisors.

There was also massive uptake at Discovery Bank and TymeBank. Covid made people think about their future, they were stuck at home and they began experimenting with fintech platforms to shop around when they couldn't see their broker or go into a branch. In 2021 this trend will continue with further growth of robo-advisors, digital banking and digital investment platforms.

4. Fintechs vs the incumbents

Who's going to win or is there space for everyone in fintech? We will see agile incumbents competing with the rising

fintechs and insurtechs.

The new entrants in banking, Tyme and Discovery; in insurance Naked and Pineapple, and in online investments Outvest, Franc and Easy Equities, will continue to gain traction. Some of the incumbents will change to compete, and those that can't will become irrelevant. Incumbents like FNB and Capitec are poised to become formidable players to compete digitally with Tyme and Discovery. Insurers like Outsurance have focused and improved digital capabilities substantially.

5. Behavioural science tech

Covid has forced people to look after their health and there is much more urgent attention on managing health. This will play into financial services.

Guidepost, which offers diabetes coaching, works with health insurers and helps members change their lifestyle to reduce risk. The Discovery/Vitality premise is centred on this. There is more recognition that if a member does healthier things (financially or physically) they reduce risk and therefore deserve better or cheaper offerings. FNB has moved aggressively into this space and has reworked eBucks to reward improved behaviour by introducing a wellness offering.

Using these alternative sources of data to price risk is going to go mainstream. We'll see startups that will introduce behaviour-based products or they will develop algorithms and programmes that can be sold to insurers.

6. Low-cost health coverage

Because consumers are under pressure, but want to look after their health, we will see more low-cost health platforms like Oyi which offers a medical savings card, and others which will offer low-cost medical savings accounts or low-cost insurance plans.

7. Growth of B2B players

We will see the growth of B2B players such as Root which enable alternative financial services businesses. These are the businesses in the background that enable retailers and mobile network operators to move into financial services by providing an integration layer.

In addition, financial services players have been forced to examine their cost structures. They have wanted to quickly adjust their business models during the pandemic to do administration better or to manage policies better. It's not a sexy area of fintech, but a lot of money is being invested in the B2B players locally and internationally.

8. Financial inclusion

People have had severe financial knocks. We've had to pay more attention to the vulnerable and those with no safety net. SA's middle class is under intense strain so the financial services players are going to need to widen their focus. You'll see more impact funding (funding that generates a beneficial social impact in addition to a financial return) and more product development. Ukheshe is making real progress in this area.

9. Rise of the gig economy

Because of Covid-19, many have lost jobs or they need side gigs to get by. There's a much deeper appreciation now for side hustles. Financial services traditionally view those with stable employment as the best risks. Now, there's a change in mindset. A big trend in Europe is specialist insurtechs that score gig economy workers, such as those who have a job by day and work as an Uber driver at night. No one locally is doing this (yet) and financial services providers need to look to develop products for this market. Entrepreneurs will no doubt start exploring this white space and we think we will see more start-ups enter this space. Oysterpay in SA, will advance money to even hourly workers.

10. Regulation

The SA government's Intergovernmental Fintech Working Group (IFWG) is doing good work on cryptocurrency, digital banks, digital payments and open loop systems. I expect they will continue to produce favourable regulatory frameworks. We need to keep an eye on international regulatory movements to understand how South Africa may view fintech regulation going forward.



FSCA takes first steps in the regulation of crypto assets

Desiree Reddy 24 Nov 2020



Fintech continues to be an exciting space, despite the massive setbacks in the global economy during 2020. Successful fintechs address opportunities and this space will be one to watch as the world moves towards more convenient money systems.

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