Fintech focuses on innovation

The fintech development space is an intriguing one, that comes with a plethora of challenges and barriers to entry such as massive funding, a prolonged development cycle, and countless unforeseen hurdles. Despite this, the past five years have seen emerging technologies increasingly affecting incumbent businesses and their clients.

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The impact of technology on the world over the past two decades has been unsurpassed, with countless industries being disrupted by technological advances and developments. This impact has become prevalent in the established financial sector.

“There is a huge focus of innovation in the fintech space globally,” says Daniel Templeman, CFO, Traderoot, a South African-based fintech software company.

“According to a recent report by KPMG, global fintech investment in the first half of 2021 reached a record $98bn, up from $87.1bn over the same period in 2020. Given that the global fintech market is already valued at around $5.5tn with an expected CAGR growth of 23.58%, it is no surprise that investors are so bullish about the space.”

Over the past few years, several “disruptors” have entered the finance sector, including online banks, streamlined payment gateways, and alternative investment engines.

These disruptors have come in the form of innovative start-ups such as Revolut and MAMBU in Europe, and Bettr Finance in South Africa, or have emerged from established corporates entering the finance sector, such as Discovery Bank and Vodapay.

As a result, incumbent banks and payment providers are finding the competition becoming more innovative, aggressive and diverse, so they, in turn, are looking to innovate and grow.

Fintech land grab

"All of these factors are contributing to a land grab in the fintech sector, where venture capitalists, investment banks, private equity and other institutional investors are ploughing money into financial technology," says Traderoot CEO, Jan Ludik.

"Similarly the incumbents and challenger corporates are investing in upscaling their fintech development teams to keep up with the rate of innovation."

"It's interesting seeing the amount of money being sunk into fintech projects and start-ups," adds Ludik.

"Fintech investors appear to be solely on the hunt for the golden egg when they should really be turning their attention (and their investment) to the goose that produces that golden egg.

"Through licensing or managed service solutions, modules, software and APIs, operators or fintechs are able to achieve their business objectives in record time and at a fraction of the cost."

These operators span from national payments systems to acquiring banks, aggregators, payment service providers (TPPPs) and payments gateways.

Currently Traderoot is looking to set up a Banking-as-a-Service platform in the UK and European territories initially and is inviting multiple regional fintech disruptors to join the BaaS platform on a "build-operate-transfer" (BOT) model instead of creating their own platform on a traditional alliance bank model from the start.

This will allow for a substantially lower investment requirement and reduced capital risk in the setup and initial burn. Once the new fintech operator becomes successful, they may then easily transfer the platform to their own ICT teams if they so wish.