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STATE OF **MOBILE FINANCE IN 2021**

Growth Trends, Global and Regional Perspective, and Vertical Deep Dive.

Insights from

Kredivo VISA Razorpay intuit mint

Current Robinhood LuLu International Exchange

What's Inside

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Introduction

The mobile finance industry experienced a pandemic-induced surge in adoption in 2020. Many more users than usual shifted to digital modes of payment, financial transactions and banking. The spikes in transaction volumes of mobile banking and trading apps meant that the industry was able to weather the challenges brought on by COVID-19, while paving the way for permanent changes in user behavior. This is evident from the over 4.3 billion downloads of finance apps between September 2019 and August 2020. There is a real change in user mindset and a renewed interest in improving financial outcomes amid the economic uncertainty brought on by the pandemic.

Mobile banking and finance apps rank third after social media and weather apps among the most used smartphone applications. 46% of users increased mobile banking app usage in the last year alone and nine out of ten users preferred to use the app rather than visit a bank branch. Unsurprisingly, millennials are driving the change with close to 68% users of this demographic reporting to switch to purely digital banking, moving away from physical wallets.

The emerging markets are driving global growth.
Low market saturation, large pool of unbanked users and demographic factors are among the catalysts of this change. Mobile finance, especially fintech, is seen less as a disruptor in these markets, and more as fulfilling a need that most traditional banks don't address. Consumers are increasingly using mobile phones to carry out transactions to comply with social distancing requirements. Overall growth in the industry, and particularly in investment apps, led to a 88% growth in average sessions per day between January and June 2020.

In this ebook, we're going to look at interesting trends emerging out of the larger mobile finance ecosystem and within sub-segments like banking, payment, lending and investment. We willl also focus on global, regional and metric level trends covering active usage (daily active users and monthly active users), session time and new user growth, to help you understand the complete picture.

How to navigate the ebook?
You can check the metrics level quarter wise and year-on-year trends, global and regional perspectives, sub-segment deep dive, insights and actionable strategies from top global brands by clicking on the navigation guide and you will be taken directly to the selected section.

So, without further ado, let's get right to it

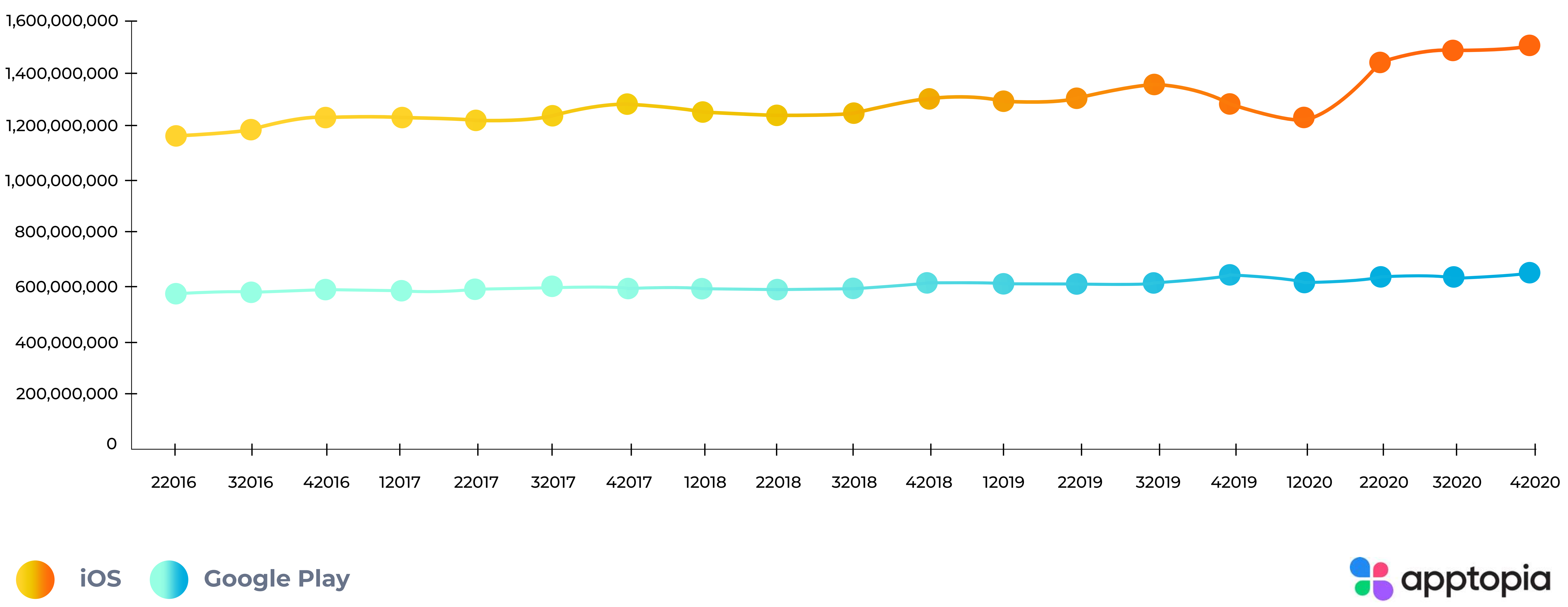
Source: Citi study

2020 Quarter 4 benchmark for mobile finance apps

In Quarter 4, 2020, downloads of finance apps hit a record high with a 15.2% year-on-year growth.

As you can see from the trend, the number of downloads through Google Play has been significantly higher than through iOS.

Finance category downloads

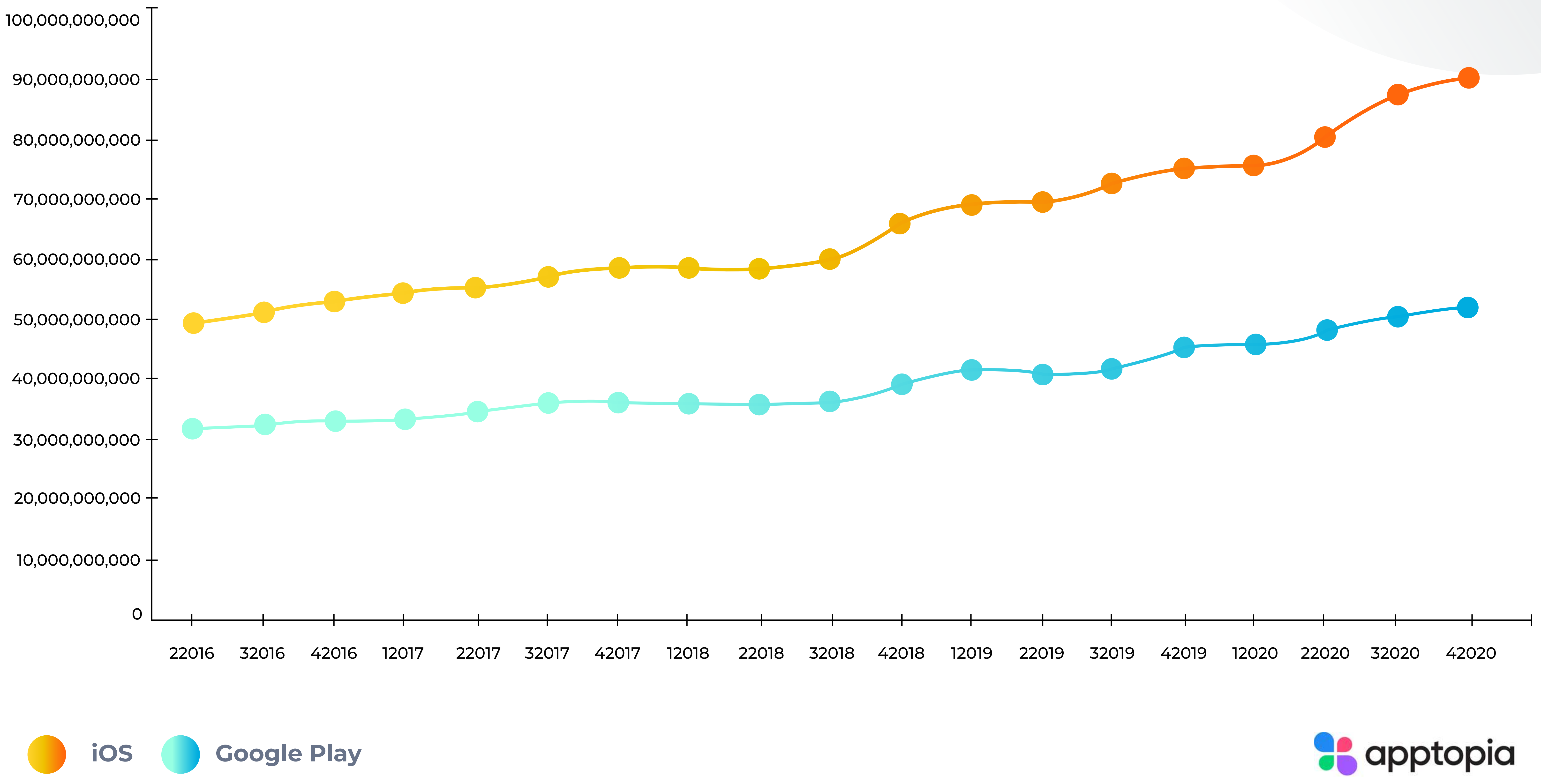


During the same quarter, the sessions for finance apps also saw a healthy increase, as evident from the year-on-year growth rate of 20%.

Another interesting trend is that while Google Play has more downloads, iOS has more retained users who are using the apps more. This is reflected in the higher sessions, which essentially translate to app launches.

Not only have sessions and installs increased significantly in 2020, but the time that users are spending on finance apps is also on the rise. In essence, customers are using finance apps now more than ever.

Finance category app sessions



The average weekly time spent in-app has increased to 57 minutes[1] for finance apps. To put things into perspective, this number is 65 minutes for retail and ecommerce apps, 67 minutes for entertainment apps and 80 minutes for music apps.

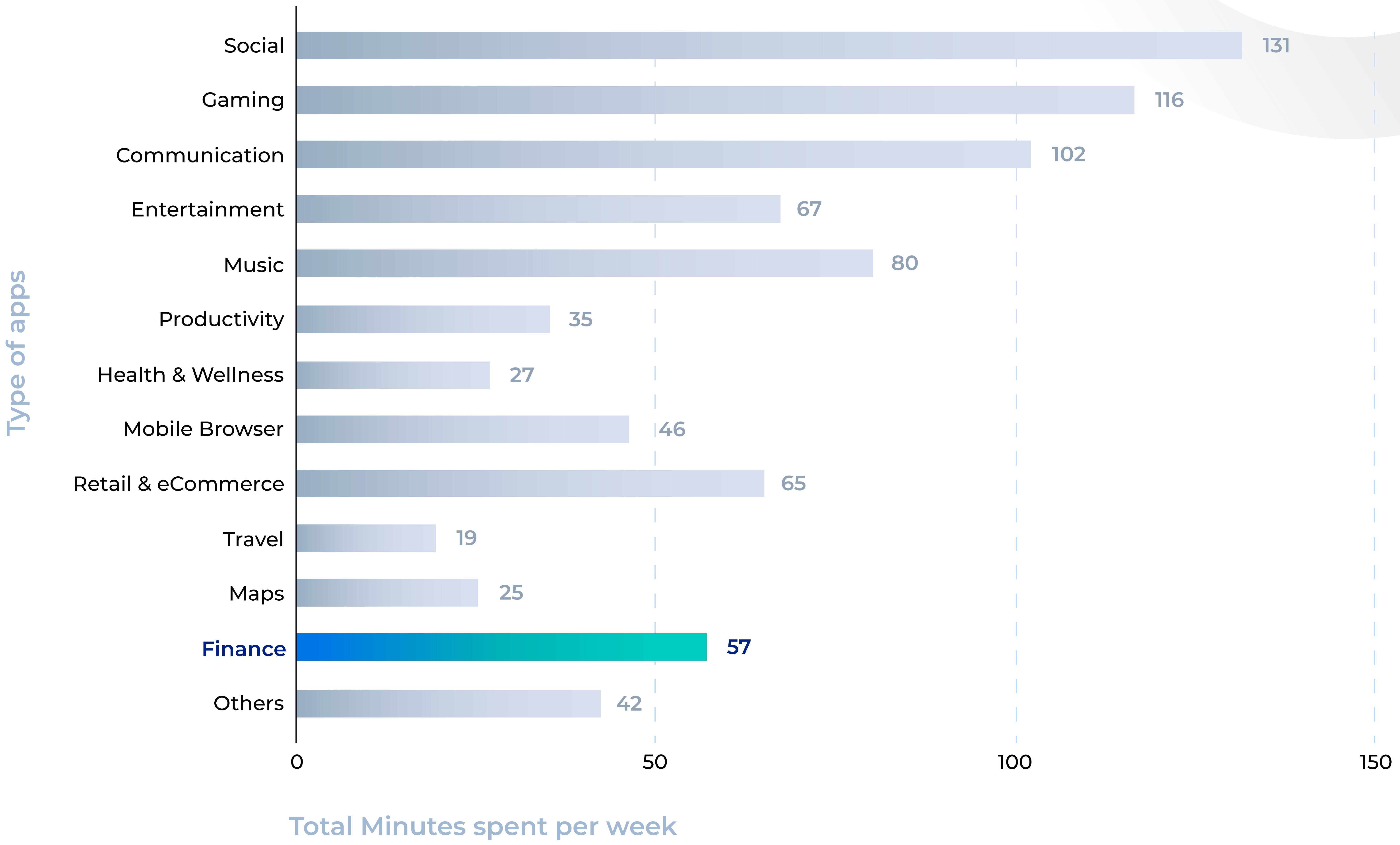
Social, gaming and communication apps steal the show with 131 minutes, 116 minutes and 102 minutes spent in-app respectively.

The increase in time spent in-app can be attributed to the overall rise in smartphone usage which went up by 10 minutes[2] per day during the pandemic compared to pre-COVID trends. Specifically, the time spent on personal finance apps grew by 63%[3], the highest growth observed during the pandemic.

Among all the demographic cohorts contributing to the growth of time spent in-app for the finance category, Gen Z led the charge with a 102%[4] increase, doubling their usual duration.

While the time spent in-app increased for day trading, crypto trading and mobile trading apps, the rise in session duration for food stamp management apps such as Fresh EBT (152%5 jump during the pandemic) further reflects the financial hardship brought on by the pandemic.

Average weekly time spent in-app



1 Simform's study to demystify smartphone usage and behavior

2 3 4 5
The Pandemic Year in Mobile Apps report conducted by Global Wireless Solutions

Dr. Paul Carter

Founder and CEO, Global Wireless Solutions

> When the Coronavirus took hold, smartphones became further cemented as a link between isolated consumers and the world at large. Their usage is thus increasingly becoming an accurate reflection of human behavior on the whole. We expect that sustained consumer mobile behavior changes will have a lasting effect on how consumers engage with businesses over the long term, and will be a major aspect in establishing what normal looks like now.

Global and regional benchmark for mobile finance growth

Now that we have looked at the growth of finance apps in terms of downloads, sessions and time spent in-app, let us consider global trends to get a big picture view of the performance of the mobile finance landscape.

It is impossible to overlook e-commerce while trying to understand overall trends. More than 25%[6] of consumers make weekly purchases on e-commerce portals through their mobile devices, making the vertical a key contributor to the mobile finance ecosystem, driving most payments.

Further driving growth in the mobile finance segment is the fintech sub-vertical which has observed a 72%[7] rise in usage across Europe. This sharp spike is most likely a reflection of the gradual adaptation to an increasingly digital post-pandemic life.

However, to say that the surge in adoption was unexpected would be untrue, as fintech and finance apps have seen a steady growth in the region even in the months and years preceding the pandemic.

7 deVere Group research   *6 Ecommerce Foundation research*

In fact, numbers from 2018 reveal that 72%[8] of users in the UK were already availing online banking, with 48%[9] relying on mobile banking. A shift in adoption of mobile finance and banking was a long time coming, with the pandemic only acting as a propeller.

The global mobile wallet and payments technology market is poised to reach $138.4[10] billion by 2023 at a compound annual growth rate (CAGR) of 31.1%[11], which is further evidence corroborating the future growth of the vertical.

Another interesting trend emerging from the US, UK and continental Europe is the drastic increase in average gold purchase per customer. Britain-based gold-purchasing app, Glint Pay reported a mammoth 718%[12] increase in users from March to April 2020. The security of gold as a commodity explains the rush in investment, especially during the pandemic-fueled economic turbulence.

Banking apps in Asia and the Middle East have reported a similar uptick in adoption and usage as their European and North American counterparts.

In 2020, India observed a 37.6% growth in the rate of adoption of mobile payments compared to 81.1% for China, the world leader in mobile payments. The country reported over 90% adoption rate in mobile payments. The country reported over 90% adoption rate in urban areas and close to 50% in rural areas. Applications such as Pinduoduo, which have been built keeping in mind tier-III and IV demands, have been prime drivers of this growth.

James Green

Divisional Manager of Europe, deVere Group

> The world has changed. The measures we're now all taking to help the fight against coronavirus are affecting the way we interact, live, work and take care of our finances. A new era has already begun, with digitalization and new technologies driving the shift.

Jason Cozens

Founder and CEO, Glint Pay

> Sales are going through the roof. We are breaking a record everyday. The average gold purchase per customer has increased to £2,739 from £1,373. Customers can acquire as little as 1 cent to more than $1 million worth of gold and use it to buy anything from a cup of coffee to a car. Gold is the ultimate form of money.

8,9 *UK Finance report* **12** *MarketWatch coverage* *Source: eMarketer*

With improvement in payment acceptance infrastructure and development of payment systems like the National Electronic Fund Transfer (NEFT) and mobile banking, digital payments are expected to go up from $28 trillion in FY20 to $95 trillion in FY25.

Philippines based Rizal Commercial Banking Corporation (RCBC) logged a 259%[13] increase in new sign-ups for its online banking service in the first three days of enhanced community quarantine. With a daily average of 1,116 new enrollments, RCBC more than doubled its average daily enrollment.

Alethia Tan

Head of Growth, Kredivo

At Kredivo, our priority is to help our users maintain their purchasing power with access to credit at a very low cost. From a user behavioral point of view, it is interesting to note the receptiveness to new payment and alternative lending methods like buy now pay later, across all age groups.

Lito Villanueva

Executive Vice President and Chief Innovation and Inclusion Officer RCBC

The online and mobile banking facilities of RCBC are a ready and viable alternative for clients to access the company's services during this extraordinary time. Our customers can now bank from home using our digital channels which offer free fund transfers through InstaPay and PESONet. We also have a 'send cash' function to send money to beneficiaries who do not have bank accounts.

In India, the fintech sector has seen consistent and record growth in 2020. The spike can be attributed to the increase in captive audience as a result of the mandatory state-imposed social distancing to combat the pandemic. With physical stores shut in the lockdown, adoption improved in not just metros but also smaller towns as users turned to digital platforms for seeking loans and making financial transactions.

App-based payments reached close to 210 million transactions in September 2020 bringing in close to $10,000. Internet-banking stood at 280 million transactions raking in $4.6 million.

Source: India Trend Book Report, 2021 by the Indian Private Equity and Venture Capital Association (IVCA) and Ernst & Young.

13 *Fintech News Singapore coverage*

Source: Reserve Bank of India

This payment behavior is expected to shift further as more users opt for card payments instead of cash. In fact, it is expected that over 65 billion transactions worth $270.7 billion will move from cash to cards and digital payments by 2023, increasing to $856.6 billion by 2030.

With digital payments recording a new high, UPI* transactions crossed the 200 crore mark in October 2020. It peaked at 221 crore transactions worth $53 billion in November, 2020.

India's largest independent mobile POS merchant acquirer and network provider, Mswipe, observed contactless payments go up from 13% of total transactions in January, 2020 to about 30% in December, 2020.

Manish Patel

Founder and CEO, Mswipe

While it was the 2016 demonetization that sparked the initial take-off of digital payments in India, the government's efforts over a period of time have kept the momentum going. The Covid-19 pandemic has fuelled tremendous and large-scale adoption of digital payments and digital commerce in India – right from metros to even tier 4 and 5 cities.

Jennifer Borchardt

Vice President,
Omnichannel Experience & Strategy,
Wealth Management
U.S. Bank

As we design and build our experiences, leveraging a library of code, design patterns and components that are used primarily in consumer digital experiences, and applying them to team member experience has been very powerful. If team members have a good experience, they can in-turn provide a better experience for customers.

It is of vital importance for banks to uphold UX standards and utilize reusable components across breakpoints to provide a consistent and user-friendly experience to customers and prospects, especially given the growth in adoption.

One of the biggest banking institutions in the United States, U.S. Bank realized that by focusing on consistency in design, content, and interaction, they are able to improve brand perception and build trust among customers. A clear and consistent brand value proposition across channels can help a good brand become better.

Source: Accenture report

Source: digital.gov.in

**UPI or Unified Payments Interface is an instant real-time payment system developed by National Payments Corporation of India facilitating inter-bank transactions*

Adeeb Ahamed

MD, LuLu Financial Holdings

> The world has changed. The measures we're now all taking to help the fight against coronavirus are affecting the way we interact, live, work and take care of our finances. A new era has already begun, with digitalization and new technologies driving the shift.

Remittances and payments firm LuLu International Exchange has reported a spike in users sending money through its app, Lulu Money. With 15,000[14] downloads in 10 days, it would be an understatement to say that the app has seen a surge in adoption.

Japan and South Korea observed a phenomenal 85%[15] growth in time spent in-app for finance apps from December 2019 to March 2020.

According to World Bank estimates, plans to digitize government payments have led to a massive surge in digital banking in Russia and Ukraine.

In the US, 60%[16] of millennials, 54%[17] of GenX and 56%[18] of baby boomers either already use or plan to switch to digital-only banking, citing convenience and lower fees as the main drivers for adoption.

A significant proportion of the users in Turkey and Argentina have opened an account for digital transactions. Despite having a higher ratio of unbanked users, these countries have surpassed the global average in terms of time spent in-app.

14 *ArabianBusiness coverage*

15 *Report by Liftoff*

16,17,18 *Study by Finder*

In-app time global comparison for mobile finance apps

One of the key trends emerging globally is that countries with established banking infrastructure report less time spent in-app. This correlation can be pinned down to the fact that users carry out most of their banking activities using a desktop or by visiting the local branch.

The opposite trend is observed for apps targeting unbanked segments in markets with developing banking infrastructure. This is owing to the nature of communications in the financial literacy approach that leads to users spending more time in-app, interacting and learning.

Mobile trading apps, including those that enable consumers to trade in cryptocurrencies, accounted for 35%[19] of time spent by all consumers on finance apps during the pandemic year.

With apps like Starling Bank, Revolut and Monzo tapping into a market ready for new ways of banking, a major share of the growth in finance apps can be attributed to fintech brands which are growing at a faster rate compared to traditional banking.

Highly digital markets such as South Korea, China and Japan are observing considerably longer sessions in fintech apps as well as more sessions overall.

Other statistics published on Statista indicate that in countries affected early on by the pandemic, there was a significant uplift in average use of finance apps starting from the first quarter of 2020. Japan paved the way reporting 55%[20] growth in sessions, followed by South Korea at 35%[21] and China at 20%[22]. However there have been outliers like the US reporting 20%[23] growth despite being hit by the pandemic later on.

In continental Europe, countries such as Italy and Germany have observed growth rates of around 15%[24] whereas adoption of finance apps has been conservative and usage stable in France and Spain.

19 *The Pandemic Year in Mobile Apps report conducted by Global Wireless Solutions*

20,21,22,23,24 *Statista study on growth in average weekly usage of finance apps during COVID-19*

Deep dive into performance across finance sub-segments

Now that we have looked at time spent in-app for finance apps globally, let us dive a little deeper into sub-segments in this category and study their performance in the last quarter of 2020, heading into 2021.

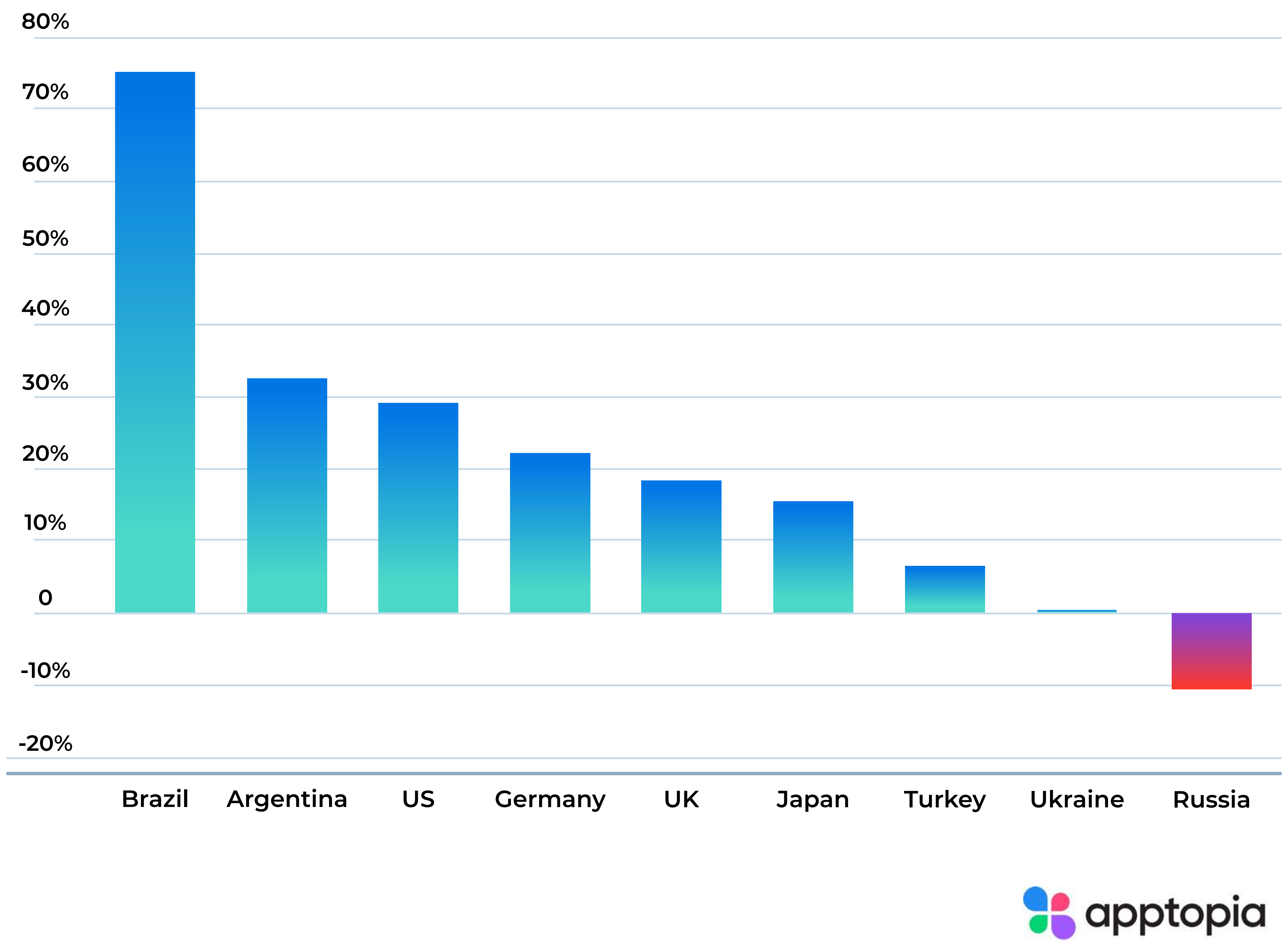
For this purpose, we will be looking at verticals such as payment, investment and trading, alternative lending and banking.

Click to Navigate

Download trends for payment apps

A vast majority of markets have observed growth in new installs of payment maps. Apart from the pandemic propelling this behavior, the switch to digital payments is driven by the ease of access and speed of transfer.

Payment app downloads - YoY percentage gains in 2020



As you can see, emerging market countries of South America such as Brazil and Argentina lead the way in terms of year-on-year growth in downloads for payment apps. They are closely followed by the US, Germany, UK and Japan.

Data collected by Visa suggests that e-commerce in South America has peaked, in turn spurring the download of payment apps. The unprecedented pace of e-commerce adoption was triggered by the pandemic and subsequent closure of physical stores. What was once a low penetration market due to a large unbanked segment, logistical issues and distrust in online payment, is now one of the most valued regions for e-commerce.

In fact, as many as 13 million[25] people across the region made an online transaction for the first time with retail e-commerce growing by 36.7%[26] to $85 billion[27]. Argentina and Brazil saw 79%[28] and 35%[29] growth in e-commerce respectively.

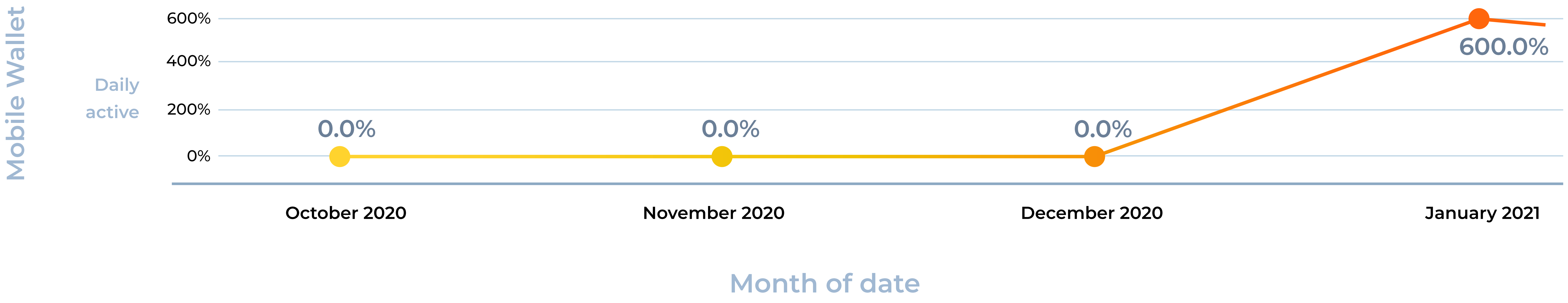
While the overall e-commerce growth numbers in South America dwarf in comparison to Asia-Pacific's $2.4 trillion[30], North America's $750 billion[31] and Western Europe's $500 billion[32], to say the region has made progress would be an understatement.

25,26,27,28,29 *Statista report*

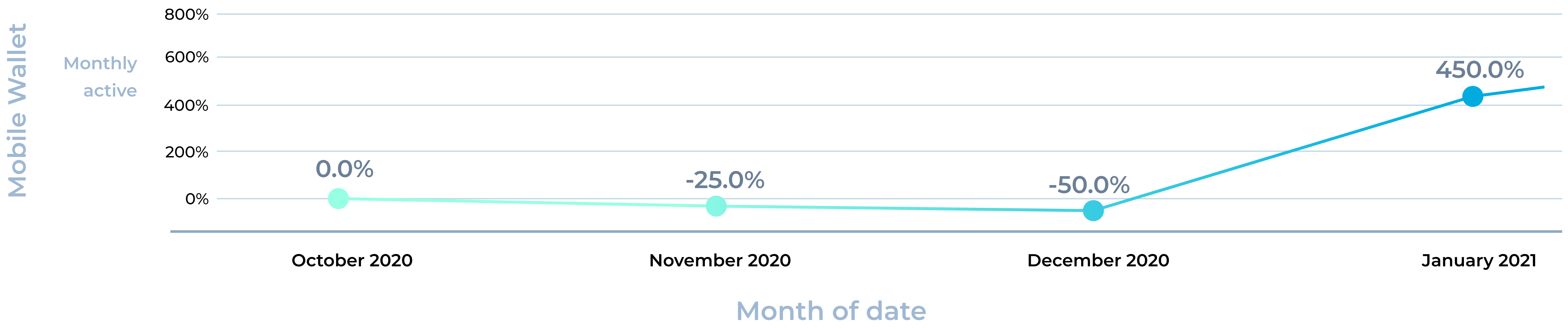
30,31,32 *Oxford Business Group*

Usage trends for payment apps

As evident from the monthly active user trends for payment apps, the growth rate in the last quarter of 2020 leading upto 2021 had risen and hovered around 600% compared to previous months heading into January 2021.



The daily active user trends showcase the same spike in growth with a 450% rise in active users moving into 2021.



Global year-on-year user session growth for payment apps

Contrary to popular belief that worldwide remittances would reduce due to the pandemic induced economic uncertainty, apps like Remitly, which enables person-to-person international money transfers, have enjoyed steady uptick in sessions.

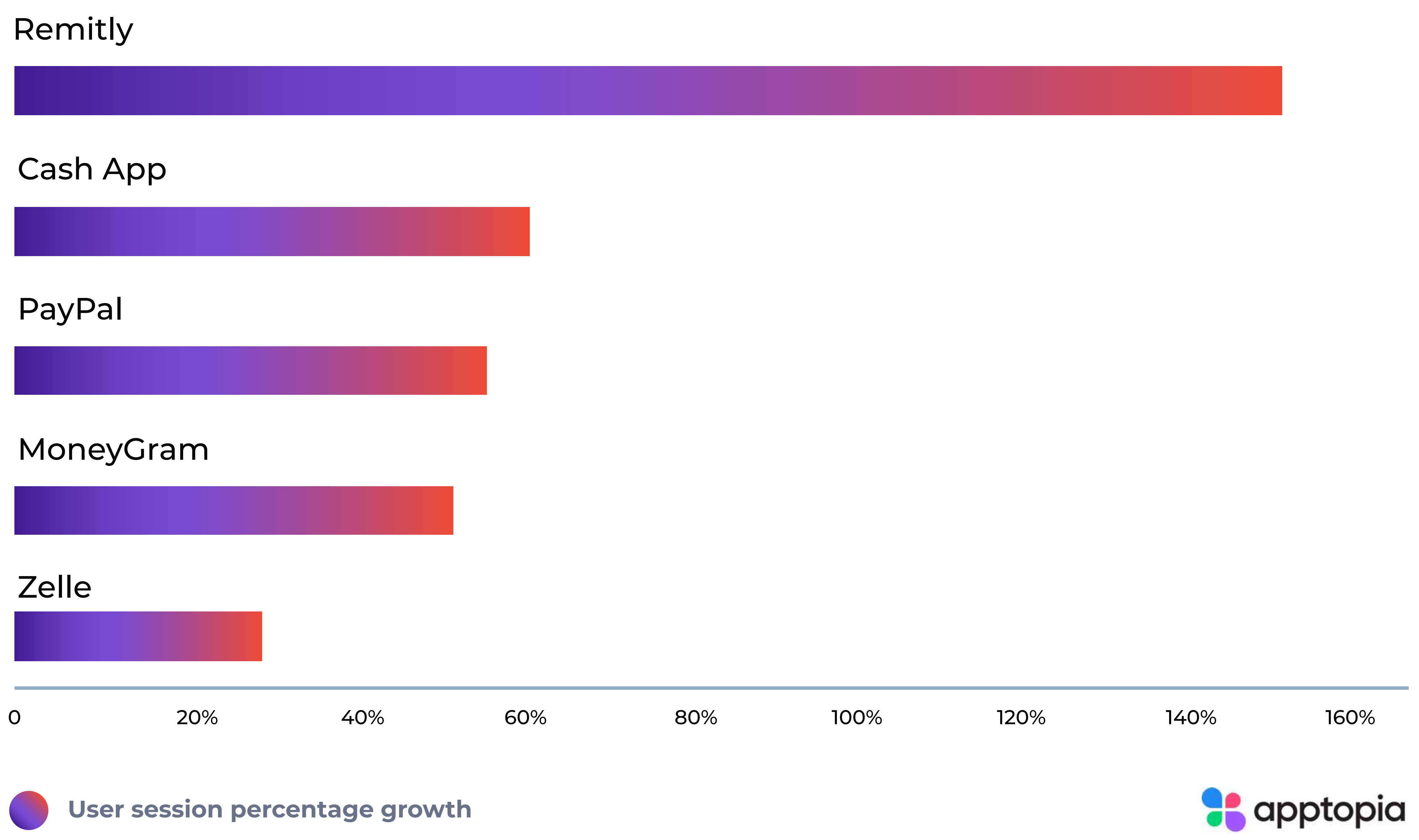
The ease of use and cost-effectiveness of these apps have accelerated adoption and digital remittances albeit observing a dip for a short duration.

Here is the trend for fast growing payment apps across geographies, measured by year-on-year percentage gain in Quarter 4 of 2020:

Remitly tops the chart in terms of year-on-year session growth followed by Cash App (providing services in the UK and US). International remittance apps like PayPal and MoneyGram and the US based Zelle have also witnessed steady growth.

Fastest growing payment apps

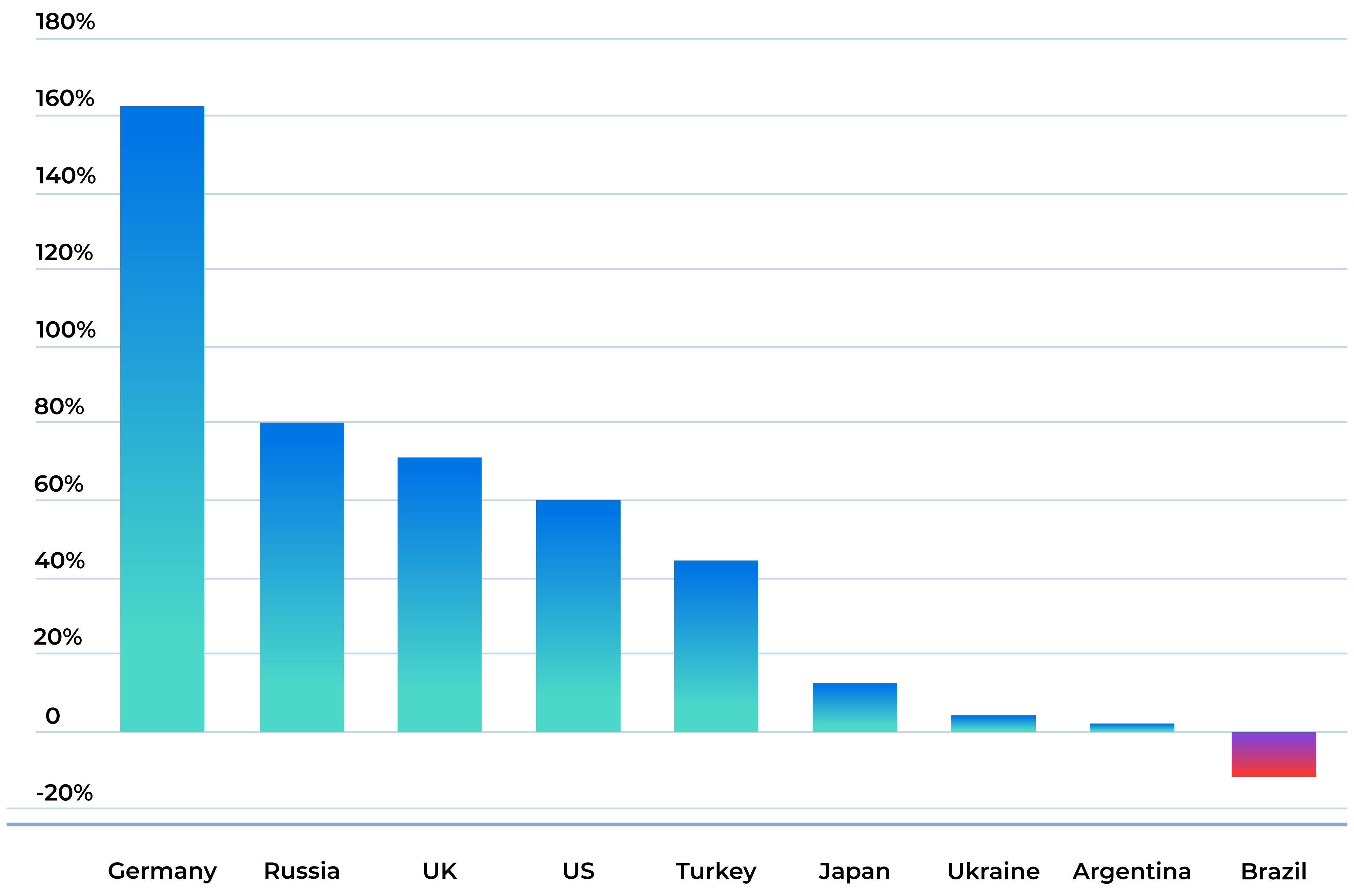
YoY user session growth, Q4, Worldwide



Download trends for investment apps

Major spikes can be observed in the year-on-year growth among investment apps across Germany, Russia, UK and the US.

Investing app downloads - YoY percentage gains in 2020

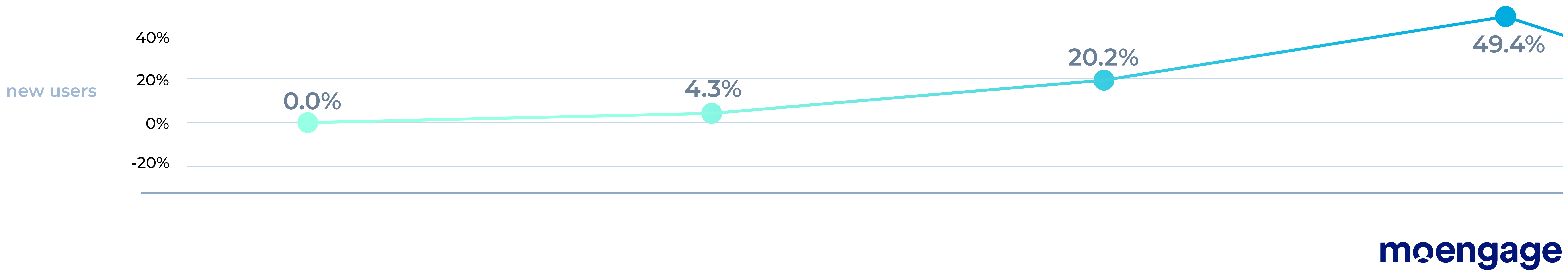


Occupying the number one spot on Apptopia's fastest growing finance verticals list, investment apps have left even casual and hyper-casual gaming apps lagging behind.

Events such as the GameStop short squeeze initiated by WallStreetBets subreddit have further contributed to the surge in the usage of retail investing apps in the US and other geographies.

Growth in new users and time spent in-app for investment apps

In addition to the growth in downloads, new users and global app sessions have also risen consistently over spring and summer of 2020 leading up to the holiday period and well into 2021:



Users across all generations increased the time spent on finance and trading apps, with Gen Z spending nearly 127%[33] more time in-app to track investments.

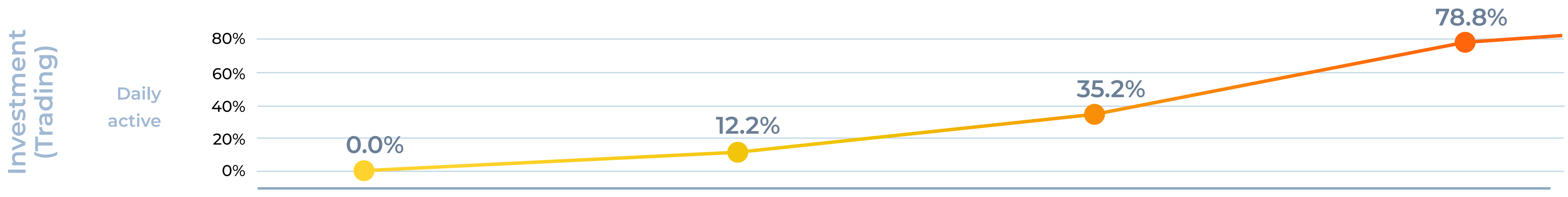
Time spent in-app on trading apps such as Robinhood, which have no commission fees, increased by 183%[34] in the pandemic year. Power users spent 28%[35] of the total minutes on finance apps primarily on Robinhood and Square's Cash App.

33,34,35 *The Pandemic Year in Mobile Apps report conducted by Global Wireless Solutions*

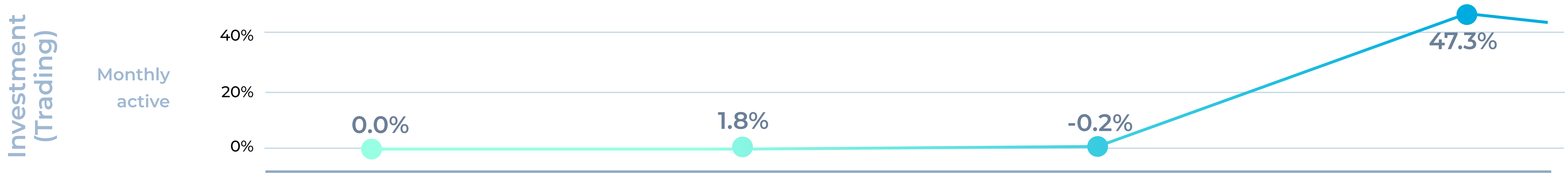
Usage trends for investment apps

With economic uncertainty looming large, one interesting trend across the investment landscape is the renewed interest in managing personal finances. Investment apps are observing increasing daily and monthly usage as consumers diligently pursue day trading and crypto trading.

This is further corroborated by the growth in daily active users for apps in the investment vertical. The metric grew by 78.8% compared to the previous months of Q4 2020 heading into 2021.



The trend for monthly active users is similar with a growth rate of 47.3% in January 2021.



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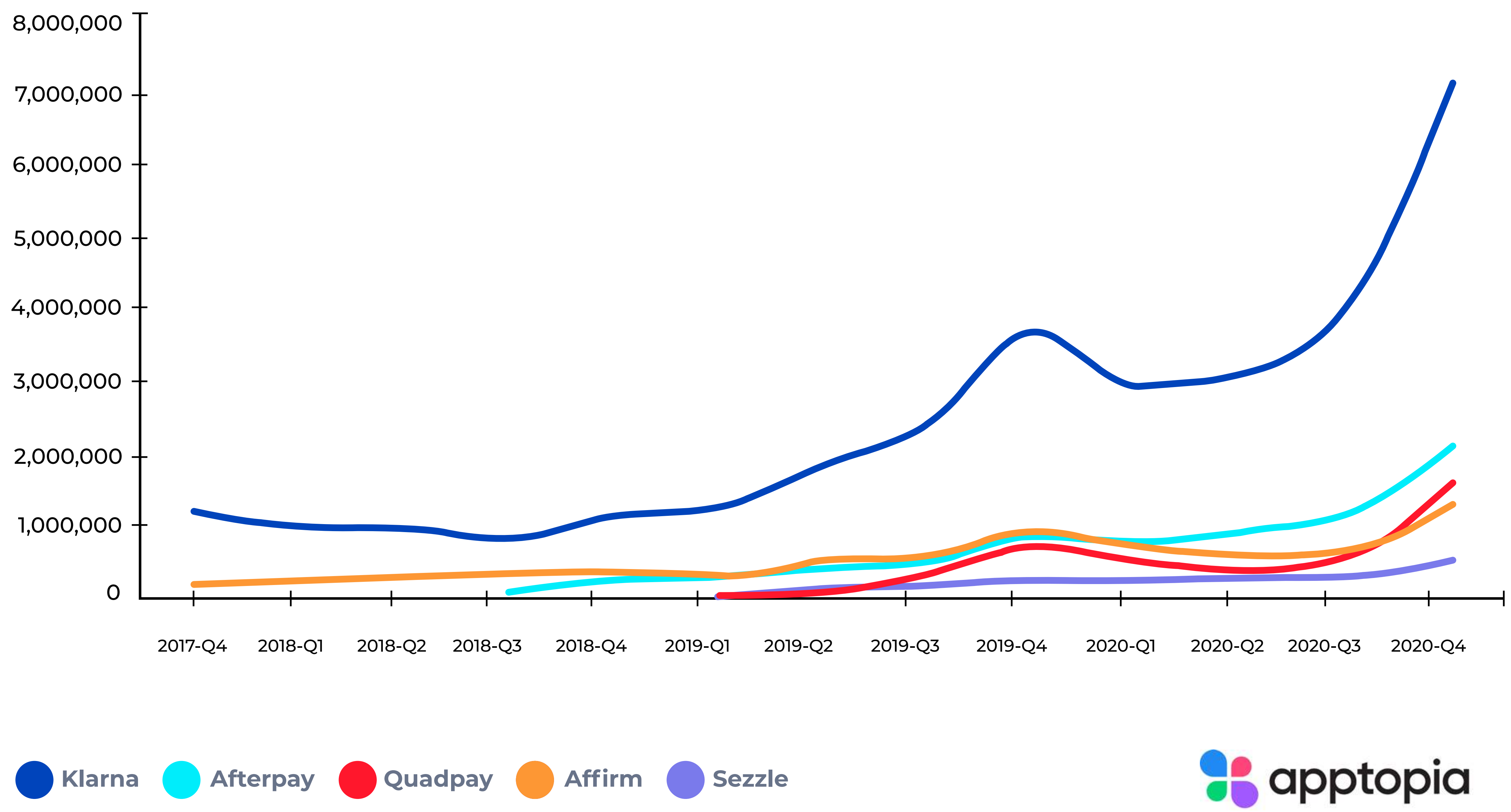
New user growth trends for alternative lending apps (buy now pay later)

The growth surge in the number of users opting for loans via fintech lending apps and neobanks shows that there is a convincing case in favor of loans going mobile.

In fact, the estimated growth rate for fintech lending in 2020 is 9.1%[36]. The market is poised to reach $291.4 billion[37] in transaction value in 2021 and is expected to rise to $396.8 billion[38] by 2024.



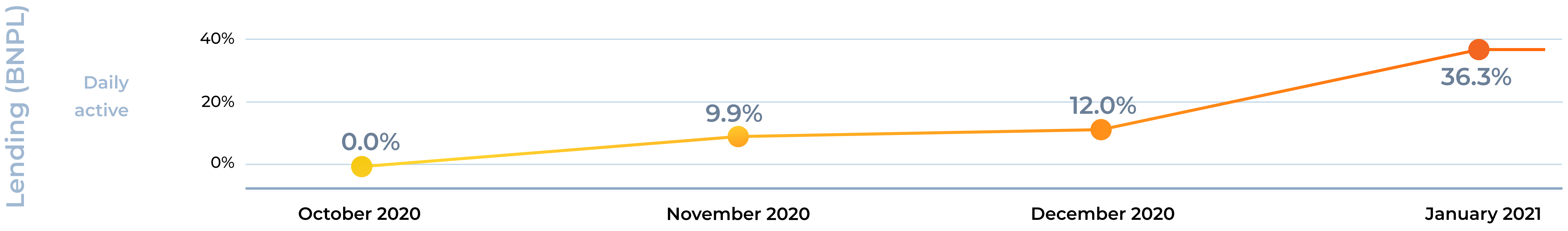
Downloads of top 'buy now pay later' apps have seen a year-on-year increase in Quarter 4, 2020 (the holiday quarter). Klarna has emerged as the vertical leader, followed by Afterpay, Quadpay, Affirm and Sezzle.

This growth is driven by low interest rates, less predatory terms compared to traditional credit card companies, and lending decisions independent of credit score leading to faster adoption of digital installment plan apps among younger consumers.

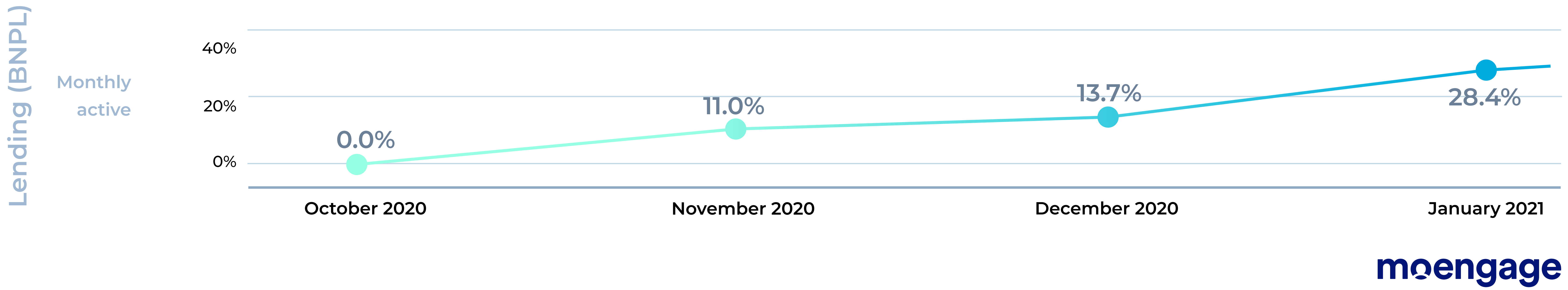
36,37,38 *Business Matters coverage*

App usage trends for alternative lending apps

The daily active users for alternative lending apps grew by 36.3% in January 2021. This is a further indication of growth in this vertical.



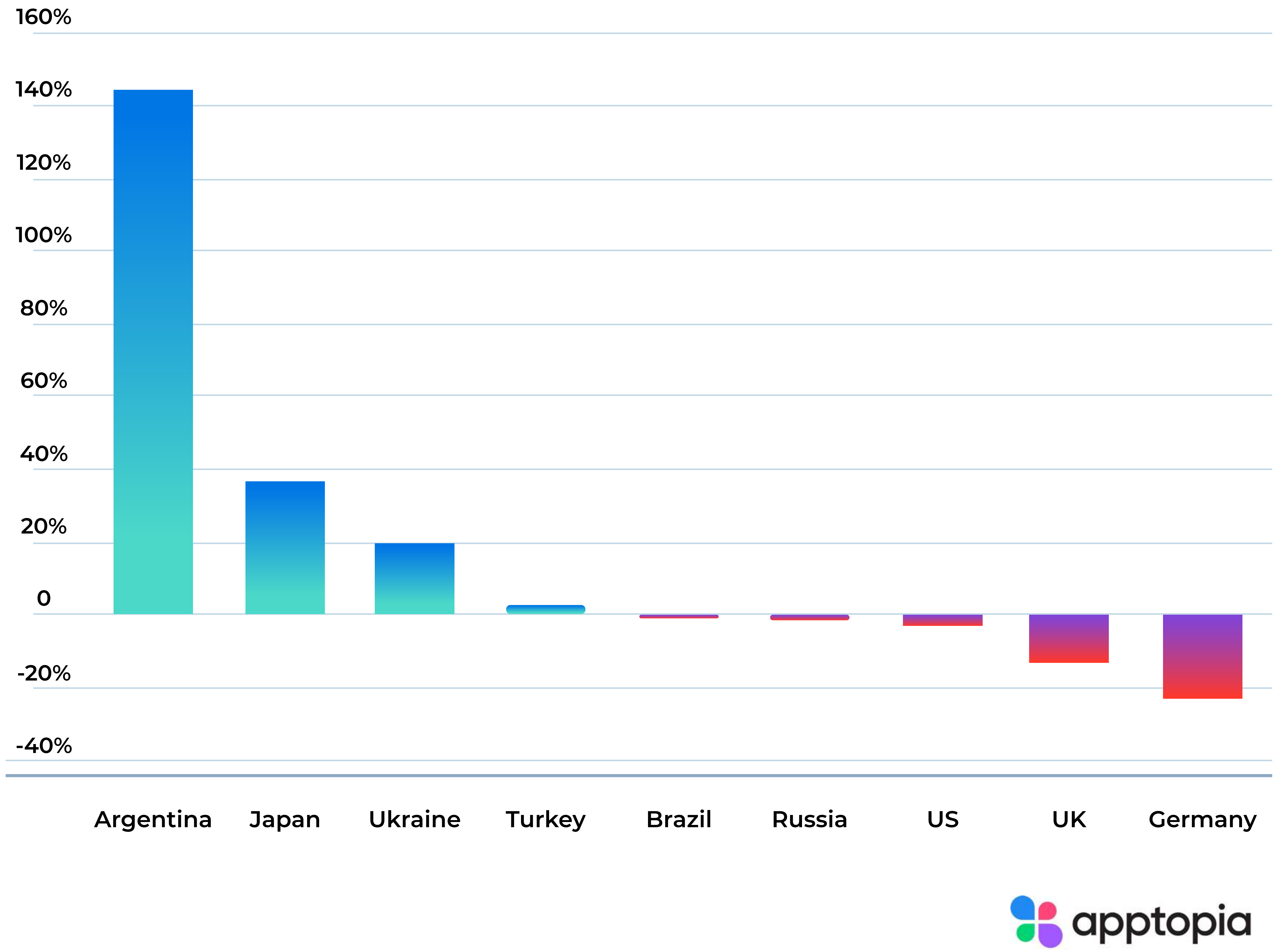
The monthly active user trends reveal a similar story with 28.4% growth in January 2021 compared to the previous months in the last quarter of 2020.



Download trends for banking apps

The performance of banking apps correlated with the growth spikes observed in other finance apps, starting in the first half of 2020 and continuing to improve through the year and well into 2021.

Banking app downloads - YoY percentage gains in 2020

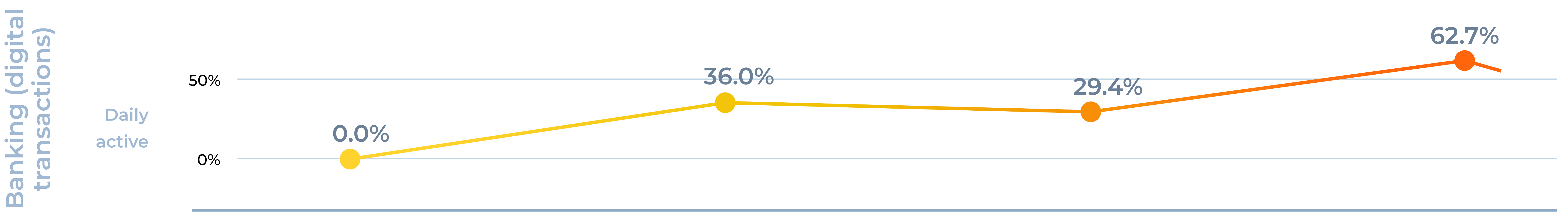


Among the countries for which we analyzed banking app download trends, Argentina has emerged as the leader. However, this was a low growth area for most advanced economies except Japan. In fact, UK, US and Germany observed a year-on-year drop in installs in 2020 and heading into 2021.

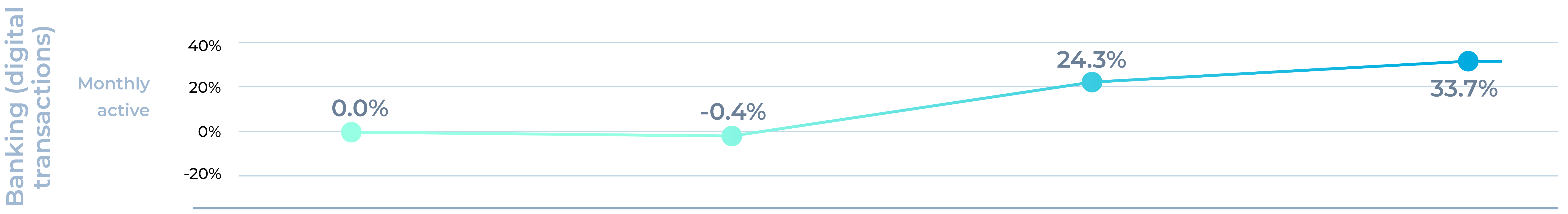
Banking, unlike the other finance sub-segments analyzed in this ebook, is largely populated with traditional players who are yet to fully invest in mobile. This could be the reason that banking apps have not grown as much as the others.

Usage trends for banking apps

Among users who have installed banking apps, the daily active usage numbers dipped slightly in December 2020 but picked up significantly with 62.7% growth going into 2021.



The monthly active usage grew by 33.7% going into January 2021.



Emergent trends in the mobile finance ecosystem

To say things have changed in the mobile finance landscape would be a huge understatement. With growth being observed across the board, from various sub-segments throughout the world, the finance vertical is poised to undergo a massive transformation. From open banking and usage of blockchains to secure transactions, all the way to the fantastic rise of RegTech, here are some of the winds of change that are here to stay:

Click to Navigate

Open Banking as the connecting link between banks and fintech

Open Banking aims to bring together banks and fintech companies by enabling data networking across financial institutions. Building on Second Payment Services Directive (PSD2), Open Banking allows banks to release data in a secure and standardized form, enabling easier information sharing between authorized organizations online. It also allows control of users' financial information by third-party applications using APIs to share data.

Open Banking is expected to generate $43.15 billion by 2026 growing at a CAGR of 24.4% from 2019 to 2026. Financial institutions, fintechs, community banks and credit unions could all benefit from mutual data sharing, in turn providing customers with a consolidated view of their financial holdings.

It is thus easy to see how Open Banking products and services can promote better financial decision making, lower debt and improve long-term wealth generation, benefiting not just institutions but also consumers from underserved communities.

Source: Allied Market Research

Growth of digital-only banks boosted by millennial and Gen Z demand

One of the biggest trends to emerge in the recent past is the consistent growth of digital-only banks. Among the key reasons for adoption, apart from the pandemic, is the convenience of not having to deal with long queues and excruciating paperwork. The ease of accessing banking services through a mobile app further explains the growing popularity of digital-only banks.

Mobile banking isn't entirely a new trend but the entry of established banks into the space, pushed by fintech, has moved the needle significantly. New generation financial institutions are the prime drivers with brands like Ally, Revolut, Monzo, Monese, among others, continuing to generate ripples in the financial world.

The new age digital-only banks are pulling away from legacy banking institutions. They enjoy the additional advantage of flexibility and ability to offer innovative products at lower rates. In fact, consumer visits to banks are expected to drop by 36% and mobile transactions are expected to rise by 121% by 2022.

The segment driving growth is the younger and internet-savvy customer base looking for simpler ways to manage their finances. Branch visits are expected to dip from six times a year to two visits by 2022 among millennials aged 18 to 24 years. As a matter of fact, branch traffic isn't the only metric expected to fall. With mobile devices becoming the primary mode of access, desktop banking is also reported to decrease by 63% in 2022.

Source: CACI research

Millennials and Gen Z in the U.S. are expected to inherit $68 trillion from their baby boomer parents by 2030. With one of the biggest wealth transfers in history, this generation in the U.S. will experience a five-fold increase in their wealth. As a result, their contribution to business revenues is expected to increase from $15.7 to $27 billion in the next four years.

Millennials and Gen Z generally display a deep-seated aversion to traditional financial institutions. With financial security being more crucial in the post-pandemic economically turbulent times than ever, the stage is set for mobile-only fintechs and digital-only banks to target this pool by making investment, buying stocks and getting loans and credit cards easier.

In fact, more than 90 million millennials will soon be in what Goldman Sachs calls their "prime spending years." Millennials have overtaken the baby boomers to become the largest generational cohort in America. Together, they spend $1.4 trillion annually.

Rise and rise of RegTech in financial services

Regulatory oversight is extremely crucial for the financial sector and businesses invest a lot to ensure that no breach occurs.

It therefore comes as no surprise that RegTech or regulatory technology has emerged as one of the biggest innovations poised to reshape the regulatory landscape.

In a broader sense, RegTech encompasses all technology and/or software developed to resolve regulatory challenges, understand requirements, and help businesses adhere to compliance norms. It can range from automated workflows to machine learning, natural language processing (NLP), and blockchain to replace outdated and manual procedures.

RegTech simplifies the compliance process while also adhering to standard laws and regulations. Regtech solutions can be classified into five broad categories, viz., identity management, regulatory reporting, transaction monitoring, risk management and compliance software.

With the help of RegTech, financial institutions can:

- Drastically reduce cost of compliance and administrative overheads
- Simplify and standardize compliance processes
- Create sustainable and scalable solutions for business growth
- Leverage advanced data analysis to better examine regulatory information
- Link control and risk frameworks seamlessly
- Provide positive customer experience driven by robust fraud detection
- Increase market stability by protecting financial health
- Improve governance and enhance regulatory reporting

How does RegTech work?

In a nutshell, RegTech leverages automation, big data and machine learning to handle massive volumes of regulatory requirements. The automated solutions are programmed to analyze, learn and identify patterns amidst large data pools to pinpoint problems and reveal fraud.

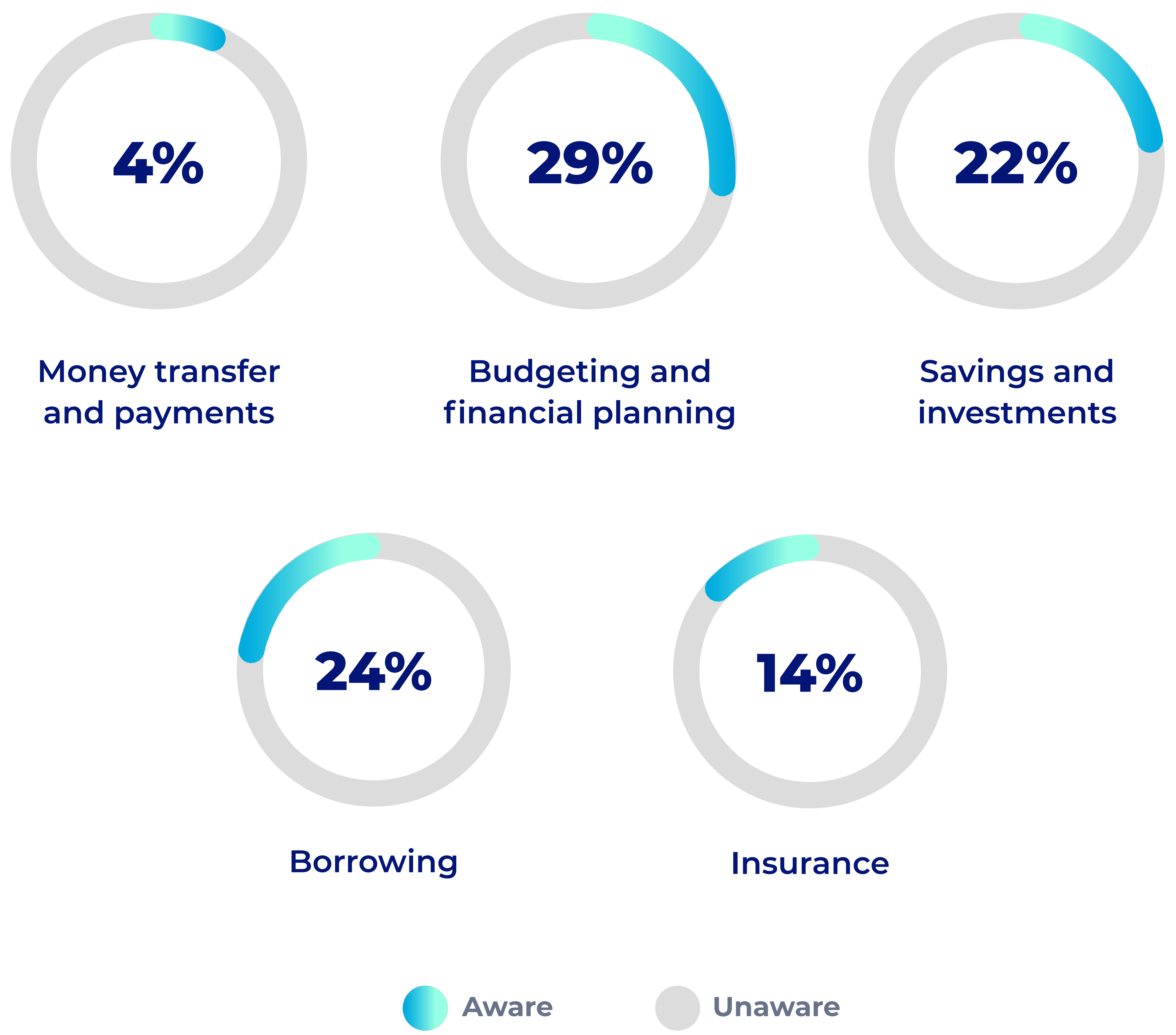
Driving financial inclusion and financial literacy for unbanked and underserved segments

Close to 1.7* billion people across the globe, predominantly from developing nations, have no access to banking facilities. Interestingly, these regions have higher use of mobile devices, presenting a lucrative market to fintech and digital-only banks. Improving financial inclusion is one of the key trends heading into the future with fintech brands across geographies working on providing easier, faster and convenient financial services to the unbanked segment.

In addition to financial inclusion, financial literacy is going to play a key role in further adoption of fintech services. People who understand money are immensely valuable to the fintech ecosystem.

Fintech brands are addressing the challenge of financial literacy by building solutions directly into the mobile app, helping customers understand how to manage money wisely, save better and invest to earn profits. For fintech companies, investing in financial literacy programs is directly linked to increasing long-term loyalty in customers.

As the image below shows, there's still a lot to be done



Source: EY Global FinTech Adoption Index 2019

*World Bank Reports

Leveraging Big Data to drive actionable insights, optimize product and prevent fraud

The application of Big Data in fraud detection and product experience optimization has emerged as a prominent trend in 2021.

Financial institutions gather huge volumes of data, a large chunk of which is unstructured. The only structured data available is drawn from loan application forms, tax documents and bank statements. Big Data helps in the accurate and quicker extraction of information from various sources and speeds up data processing, thereby providing actionable insights. This, in turn, helps in identifying opportunities, optimizing products, identifying important trends, recognizing potential risks and making better decisions.

Data collection and analytics capabilities embedded within financial products have made it easier than ever to identify inconsistencies commonly associated with fraud and identity theft. In case multiple payments are being made from one location while the app shows another location, the financial institution can lock the customer's account until the payments are verified. The ability of apps to send messages and notifications is a big advantage for resolving potential fraud issues easily and quickly.

Crucial role of RPA, Blockchain, AI and Machine Learning in transforming the finance ecosystem

Robotic process automation or RPA is being increasingly used to automate onboarding, run security checks, process credit cards and mortgages among other backend processes. Its role in financial services is expected to grow further with RPA being applied to improve execution and organizational efficiencies, cut costs and automate manual tasks, thereby freeing employees to focus on customer service.

Blockchain technology continues to transform the finance industry by enabling safe and secure transactions. In fact, as many as 48% of banking representatives believe that Blockchain will have an even bigger role to play in the future. The philosophy of decentralizing finance by focusing on minimizing centralized procedures ensures end-to-end security of stored data with minimum risk.

While fintech apps continue to utilize AI for sophisticated chatbots, fraud prevention tools to verify authenticity of KYC documents and identify potential theft, improving accuracy and personalization of financial services, banks around the globe are looking to incorporate AI into their operations. This hardly comes as a surprise considering that AI is expected to reduce 22% of a bank's operational expenses by 2030, translating to almost $1 trillion of savings.

One of the key areas in which fintechs are using AI and machine learning is autonomous finance solutions. This algorithmically evaluates available options and assists users to leverage the most advantageous one, such as making the right investment decision or getting favorable interest rates on loans. With roots in software-based financial planning, viz,. setting retirement goals, autonomous finance has evolved into automatic saving applications and credit card debt management solutions.

Source: Business Insider Intelligence report, Autonomous research

Using voice as biometric data to authorize payments

While mobile banking and finance are becoming increasingly popular, there is a barrage of security concerns to be addressed.

One of the easiest and proven ways to guarantee users' financial security and instill confidence is biometrics. However, with concerts around physical contact in the post-pandemic world, the popularity of biometric sensors is expected to fall.
Despite the overall growth in the use of biometrics for identity verification, contactless solutions seem to be the future. One of the better alternatives is AI-powered voice assistants which have evolved to accommodate functionalities beyond weather forecasts and playing music.

Voice assistants currently serve as automated customer support agents providing basic assistance like balance queries, replying to client questions, setting up recurring payments, categorizing calls and directing customers to the right place. Additionally, they can also be used as biometric data to authorize payments, which is referred to as voice payments.

With consumers becoming more comfortable with this type of banking, the potential of voice payments is limitless, from rerouting funds between accounts to sending money to friends via platform apps like Venmo, Square Cash or PayPal.

Insights from leading brands in the mobile finance ecosystem

Top brands and vertical leaders across geographies like Southeast Asia, North America, and India have observed an increase in adoption of mobile finance, the emergence of new banking solutions (viz. community banking), and have been leveraging influencer marketing among other initiatives to drive usage, engagement, and retention while continuing to improve the financial outcomes.

Here's a look at some of the insights:

VISA

Visa sees massive opportunity for fintech with 20X opportunity in new payment flows; observes value adds in community banking and identifies gamification as a growth lever of the future;

$60 billion of venture investment has been pumped into fintech in the last few years and the segment has been reporting around $185 trillion in new payment flows (compared to Visa's $9 trillion). With a 20X opportunity in new payment flows, there is an enormous scope for fintechs to individually target trillions in payment volume.

There is a rise in specialists in the space. Community banks such as CapWay, First Boulevard, OneUnited Bank and Urban One focus on the Black and African American community. The surge in popularity of digital banking platforms like Daylight, focused on serving the LGBTQ community, and Oxygen, focused on serving freelancers, further underline the demand for these online-only banks, catering to a particular demographic or population, with the potential to become a full service bank.

Community and challenger banks are adding real value by offering differentiated services like paying account holders a day or two earlier, which is of immense value to those living paycheck-to-paycheck. An example is the way the US-based challenger bank Current does direct deposits up to two days ahead of pay day. The ability for neobanks to provide offerings such as ‘every dollar you spend, one dollar goes to reduce your carbon footprint’ will be the differentiator in being top of the wallet.

AJ Shanley

Head of North America, Visa

"We really see two trends driving everything.

One is the unbundling and re-bundling of services, where a company starts with very differentiated offerings and gradually incorporates traditional banking offerings.

The second is the proliferation of banking as a service. Everything is just one API away. This essentially means fintechs can experiment quickly without having to build everything from scratch and instead tap into APIs to get to market faster.

One of the most interesting and innovative trends in customer retention is the growing popularity and demand for gamification, which crypto currency brands like BlockFi have nailed. BlockFi offers users bitcoin packs for every dollar they spend on credit cards, keeping them engaged and getting them to return to the app. Companies like Fold and PrizePool which gamify spending are doing great; with PrizePool observing a 75% growth in monthly active usage in Q4 of 2020 going into 2021. Fold observed a 310% growth in daily active usage, 53% growth in monthly active usage, and a 220% increase in downloads. The aim here is to retain users through gamification and incentives, especially since saving can be a boring pursuit.

Source: Apptopia

Fintech has held its own during the economic uncertainty brought on by the pandemic and is growing at a tremendous rate. One of the ways we measure growth and future growth is payment credentials. With about 4 billion credentials in the market with wallets alone, and fintech representing another billion credentials, leaders in the space can work with banks to mutually accelerate each other's growth.

Kredivo

Kredivo observes increasing receptiveness to digital payments across all age groups post-pandemic; aims to leverage data analytics and partnerships to better serve customers.

In Indonesia, the role of financial services is to help customers navigate the unexpected situation created by the pandemic. There has been a significant shift in user behavior as apparent in the sharp increase in digital adoption.

As users switch to digital, they have access to a vast amount of information which needs to be validated. Providing them with the right information at the right time and on the right channel is the key to meaningful engagement and encouraging product usage.

A 2020 deep study conducted by Kredivio in association with the Indonesian research firm, Katadata, revealed that the frequency of online purchases is comparable across all age groups. This is contrary to the popular notion that millennials drive digital payments.

Being a buy now pay later platform, the kind of media, content, and channels that Kredivo uses to engage different age groups varies. In fact, there are differences even within the same age demographic. Data analytics backed insights play a crucial role in determining how to engage users. For example, while targeting baby boomers, it is imperative to understand their financial preference and incentivize purchase intent by ensuring the right information is being conveyed.

The key to successful partnerships lies in accessing untapped markets which are currently the focus segments for fintech. The partnerships ultimately will help consumers by providing innovative technology, more personalized experiences and an ecosystem where they get what they want.

Alethia Tan

Head of Growth, Kredivo

> In terms of upcoming trends, we expect to see more partnerships across industries with lines between traditional banking and fintech blurring. The main goal of collaboration between companies is to offer new and innovative features for users given their increasing familiarity, receptiveness and trust in digital banking.

Current

Current prioritizes improving financial outcomes of unbanked segments and focus communities; observes accelerated adoption of mobile-only banking and leverages influencer marketing as an acquisition channel.

For around half of Current's customers, the mobile-only challenger bank is where they opened their first account. Offline banking is a foreign concept to them, akin to sending a fax. This just underlines the rapid adoption of technology among users.

Influencer marketing has become a proven way of acquiring customers. Current's experience has been that it works especially well if you can tap into the vitality of the process and get more people talking about and using your app.

As a part of its relevant and on-brand communication strategy, Current works in niches to be as relevant as possible for all the communities they serve across the country. The company reaches out to users through a number of influencers and partners with influencers of varying follower counts, ranging from 50,000 to over a million.

Adam Hadi

Vice President of Marketing, Current

> The pandemic has acted as an accelerant to the user behavior shift which we were already seeing in some form. This behavior, however, has become primary and much faster. We've also gained more trust and see that for customers, having a mobile-only bank as their primary financial institution is more normal now than it was even a year ago.

One example is a video series run by Current called 'The Hustle', aimed at documenting and showcasing inspirational entrepreneurs, content creators, photographers and visual artists from the black community. The episodes feature initiatives such as:

- **Souls In Focus, a visual artist collective co-founded by two artists from Brooklyn, New York, to tell stories through and for the black community.**
- **Byas & Leon, an independent clothing store in Brooklyn started by Rony Byas and Harvey Leon in January 2019. The store is committed to crafting ethical and sustainable fashion while supporting other black-owned brands in their store.**
- **Whose Your Landlord (WYL), a community-based real estate company educating renters about their rights, resolving eviction disputes and ensuring that everyone is informed**

Through these episodes, Current is communicating its core objective of improving financial outcomes for people and their communities. Current leverages the influencer's credibility and relatability to showcase the brand's purpose and build trust among existing and new users.

Similarly, brands like ThriveCash, which offers financial products for students and young professionals, and Step, a teen banking service, are driving great value through their influencer marketing campaigns.

Finding the right customers, being focused on the main offering despite distractions (to make different things for different folks), leveraging endorsement from community leaders and honest communication of brand value and purpose are the primary growth drivers for Current.

Influx of new users and the growing demand for localization

One of the biggest payment solution providers, Razorpay, has reported how businesses are gravitating towards digital payments.

The fintech brand has a great opportunity with first-time digital users, essentially allowing for building a digital brand presence.

Razorpay has reported that more than half of the new businesses opting for digital payments hail from tier-II and tier-III cities and are more comfortable in their vernacular languages. Localization seems to be the most viable solution in such a scenario.

Vedanarayanan Vedantham

SME & Startup Business Head, Razorpay

> Almost 30% of new businesses coming onboard the digital ecosystem are moving over from traditional brick and mortar setups. We observed a 3X increase in scale in 2020; in 2021, so far, we are seeing a 50% higher momentum.

Successful growth strategies from leading mobile finance brands

Building a product that people love to use is especially difficult when the intended demographic doesn't prioritize the service you are providing. To put things into context, let us assume that your service offering is retirement planning and your intended audience is the millennial population.

With 83% of millennials unsure about ever retiring due to financial insecurity, your service isn't going to see much adoption. In fact, approximately one-third of millennials have withdrawn funds from their retirement accounts to cope with post-pandemic financial impact in 2020 alone.

Building a successful mobile finance app that guarantees regular usage therefore requires an innate understanding of the dynamics of user acquisition and growth. Here are some actionable strategies and real-world use cases from top global financial institutions that you can emulate

Click to Navigate

Referral programs and pre-launch promotion

Fine-tune product design according to users

Reduce CAC through incentive program and UX optimization

Source: Bankrate survey

Referral programs and pre-launch promotion to boost product adoption and usage

For financial institutions, building trust is everything. This doesn't happen overnight. Since it is users' financial information at stake, hurrying things isn't a good idea. The leaders in this space work cautiously - first building a base layer of services and gradually adding more as they earn the trust of customers.

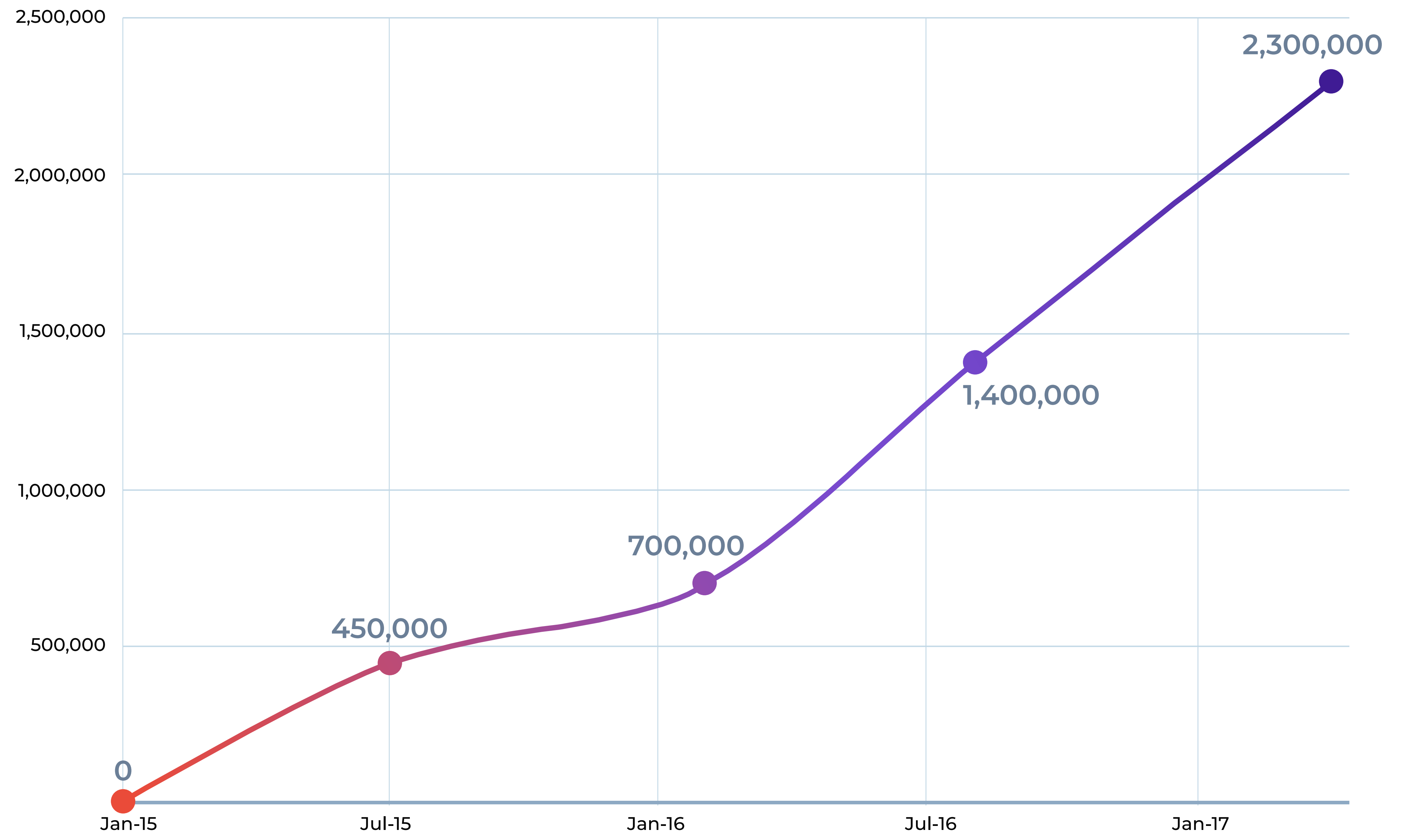
Developing content that showcases authority and builds credibility is crucial to gain the trust of prospective users. The seeds of future success are sown way before the actual product launch. Hence, extensive promotion is required to build a brand perception and generate social proof among your target demographic.

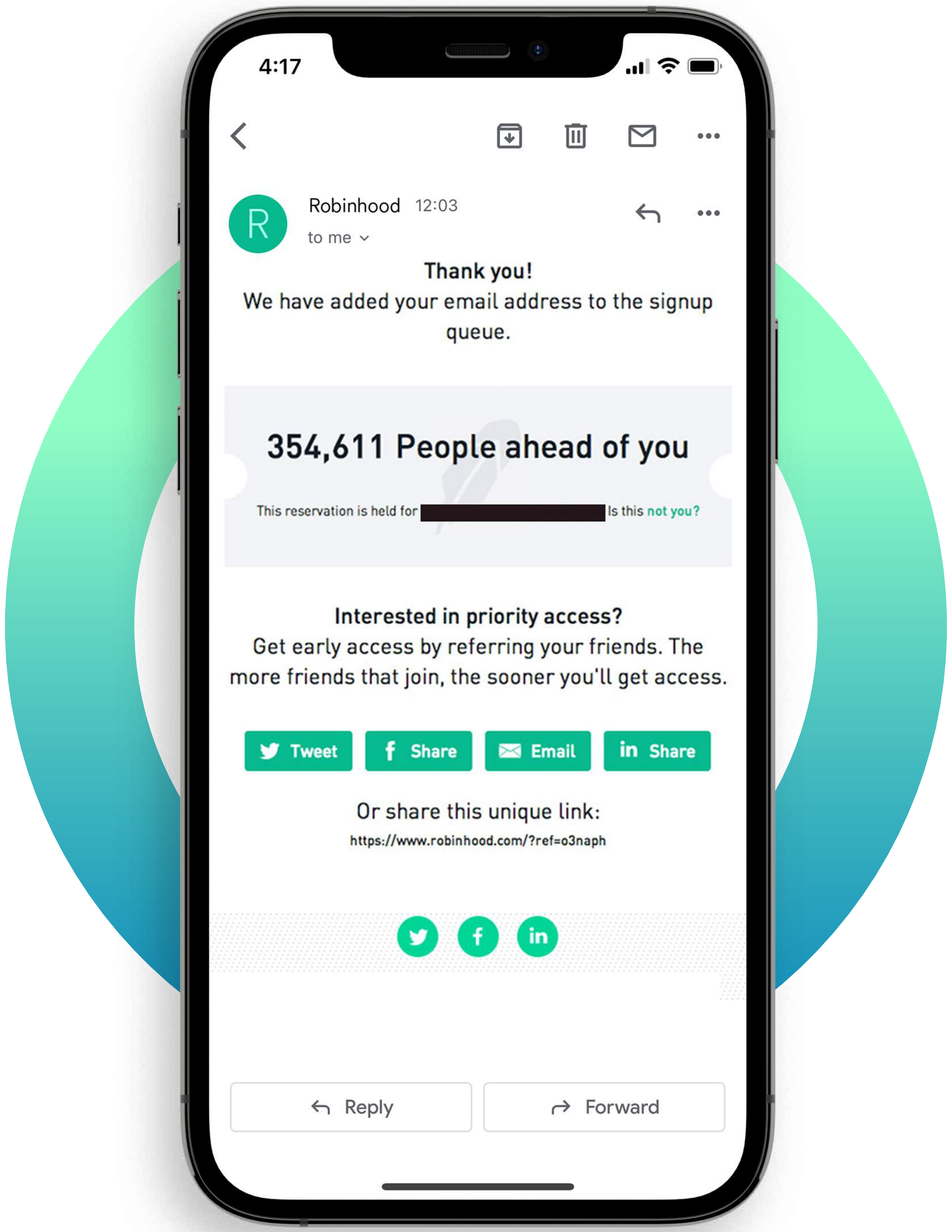
Robinhood

Let's look at how Robinhood leveraged priority referral programs to build a pipeline of 1 million users before launch.

Robinhood is undoubtedly one of the fastest growing apps in not just the investment and trading space but in the entire mobile finance ecosystem. Boasting more than 13 million active users, with 3 million onboarded in just the first four months of 2020, the scale of growth is immense. In contrast, E-trade, Morgan Stanley's electronic trading arm, which has been around since 1982, reported just 5 million active users in 2020.

Robinhood user growth





Apart from the value proposition of free trading, the key growth driver for Robinhood was its brilliantly set up referral program which attracted a significantly higher number of users than usual.

Users who joined Robinhood's waitlist were offered the opportunity to jump several spots ahead in the queue by inviting a friend to join. The more people a user referred, the faster s/he moved up the waitlist. A simple cutting the queue acted as a beneficial growth lever.

The no-commission-fees trading app played to the innate psychology of moving ahead in a queue by creating a priority referral program. Leveraging the human desire to jump up in a long waitlist enabled Robinhood to create product evangelists among their users. What followed next was unprecedented growth.

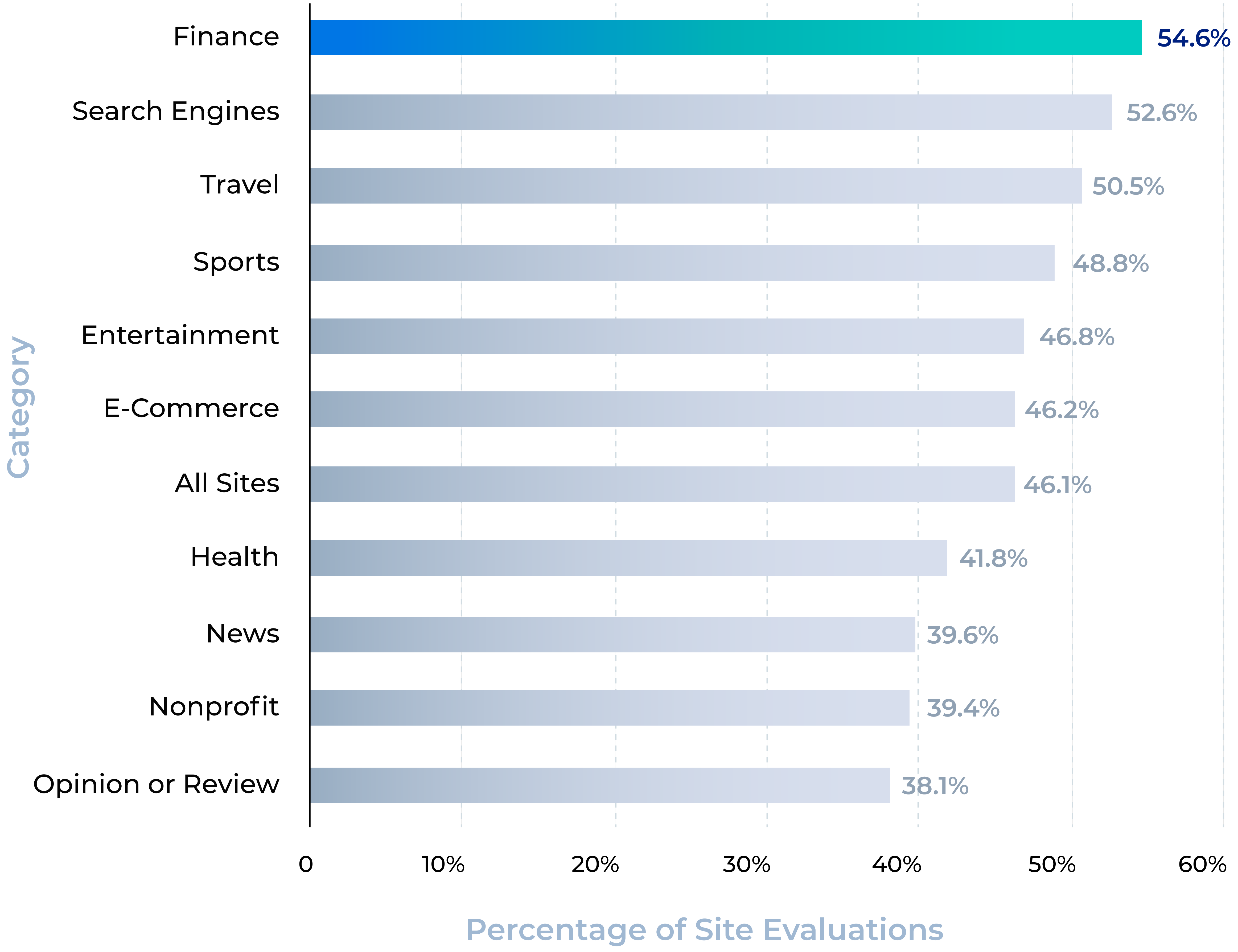
Fine-tune product design according to your user demographic

In the mobile finance and fintech space, product design can build or erase credibility and trust. If you undersell, you don't convey enough whereas providing too much information leads to hesitation.

Finance management apps make many data entry demands on users - self-authentication, validation of social security, syncing accounts with cards etc. Designing apps in this space thus has unique challenges as well as scope to build world class solutions.

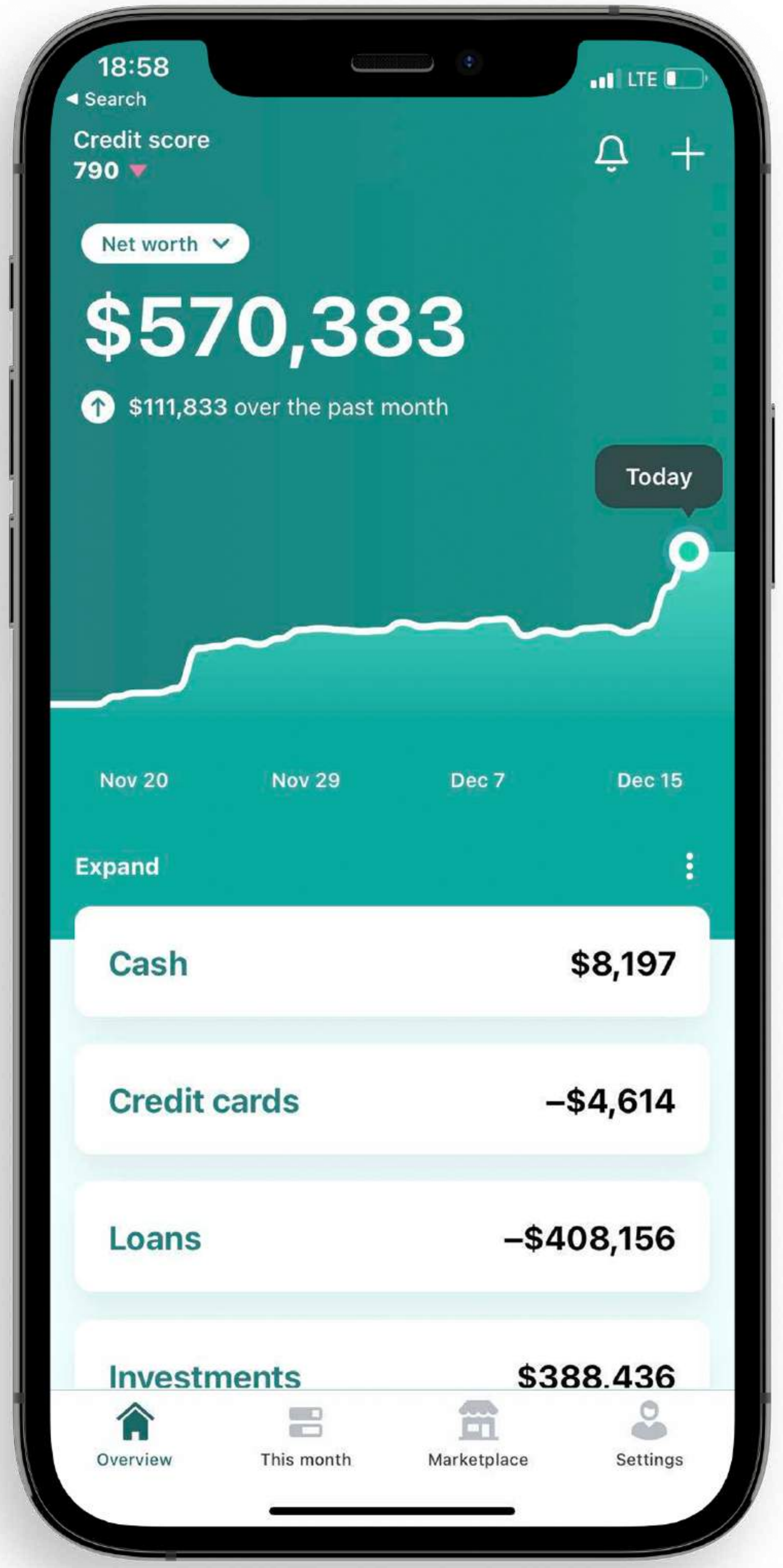
A sign-in page with broken elements and outdated design breeds distrust among users. There is empirical evidence to back this claim. Research conducted by Stanford's BJ Fogg revealed that design was the make or break factor when it came to credibility and trustworthiness of a website. In fact, design was mentioned in close to half of all survey responses, far more than any other factor. Vertical wise drill down revealed design as the most important consideration for the finance category, beating search engines, travel and sports among others.

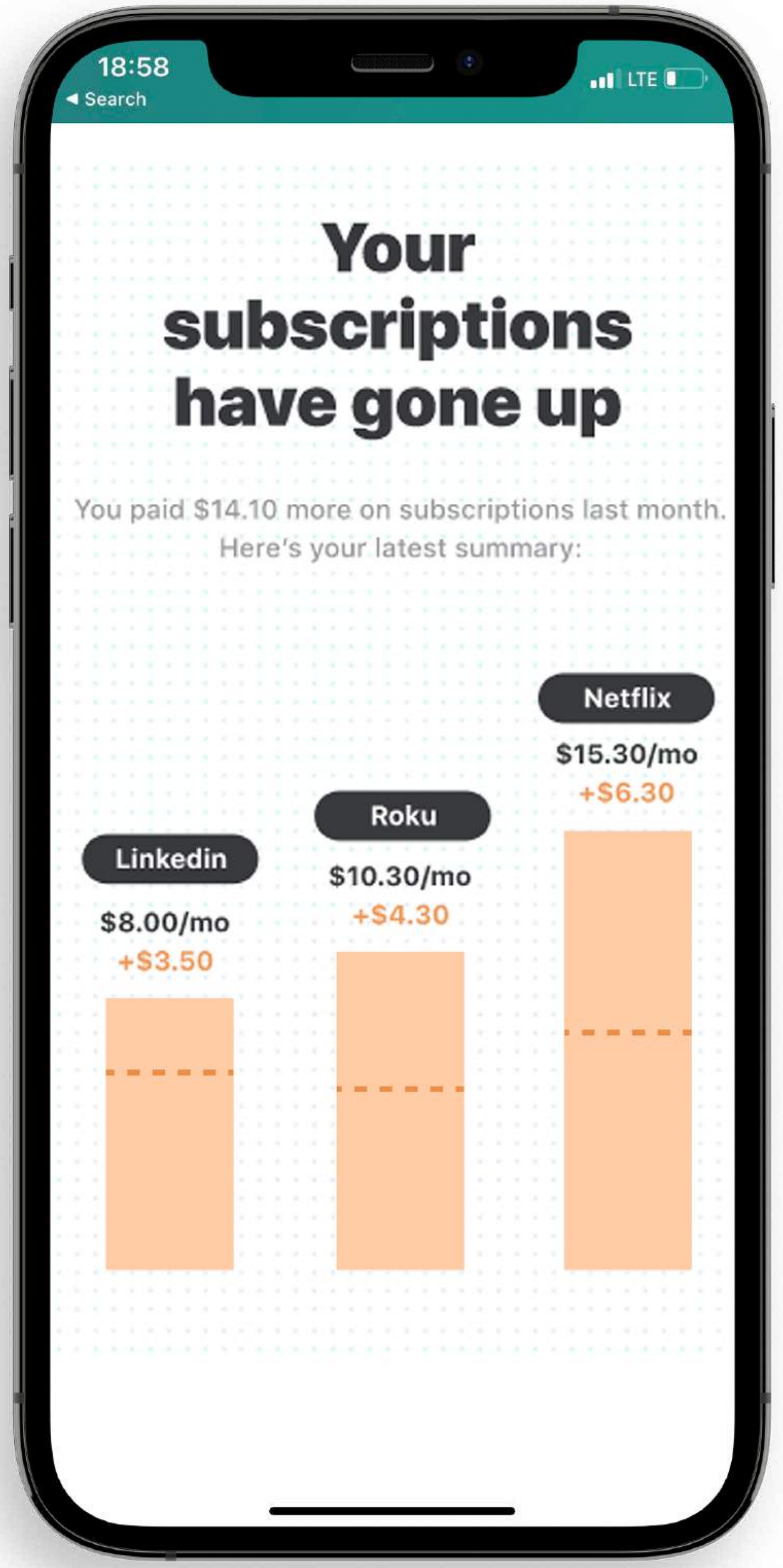
Percentage of comments related to design look



The team at Mint tailored gradient, airbrushing and the colors used on their app (green and orange) to improve credibility from a visual design perspective.

Green and orange, being complementary colors, provided a strong sense of contrast between data points and other fields and led to easier and seamless navigation, helping building trust. This use case proves the importance of color grading on a financial product's credibility and ability to command trust.





Reducing acquisition costs through a combination of well planned incentive programs and UX optimization

acorns

The American fintech brand Acorns paid just $4.50 as CAC (customer acquisition cost) per customer in Australia in 2017.

In contrast, renowned robo-advisor brand Lending Club shelled out $200 as CAC in the same year. In fact, the average CAC for UK-based robo-advisor brands was around $234.

It is worth finding out how Acorns accomplished the feat of paying a staggering 50X less CAC than its competitors.

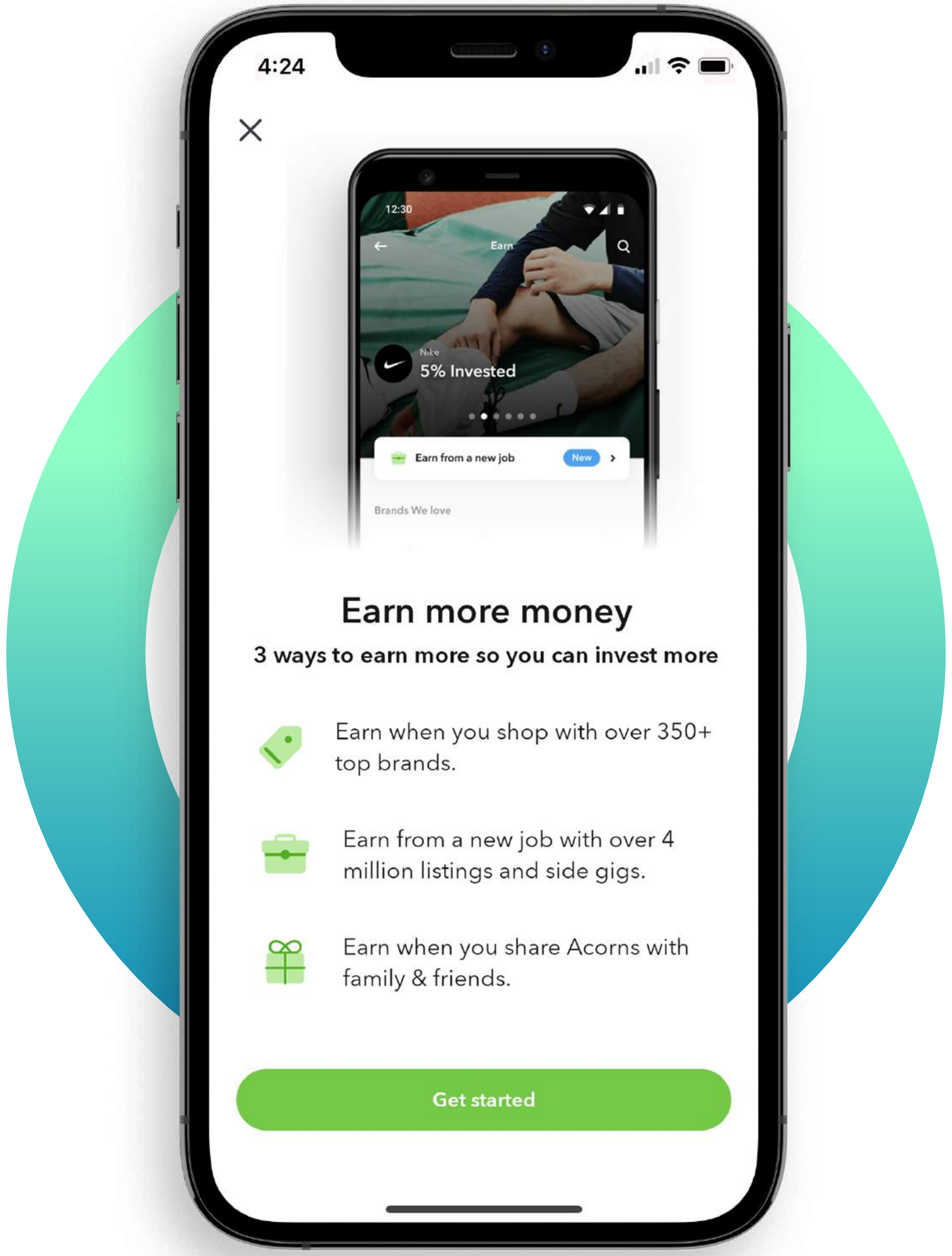
Acorns tapped into social sharing by providing strong incentives. It optimized the process by making sharing easy and ensuring that payouts corresponded to actually active new users.

Specific steps that Acorns took include:

- Offering an incentive of $5 per new referral. The incentive amount gets deposited in the referrer's Acorns account, ready to be used.
- UX optimization to make referrals easy. While referral is an after thought for a lot of companies, Acorns worked hard on perfecting the process through repeated tweaks.

Research shows that eliminating new page load for referrals increases chances of referral by 4 times. Acorns followed this logic.

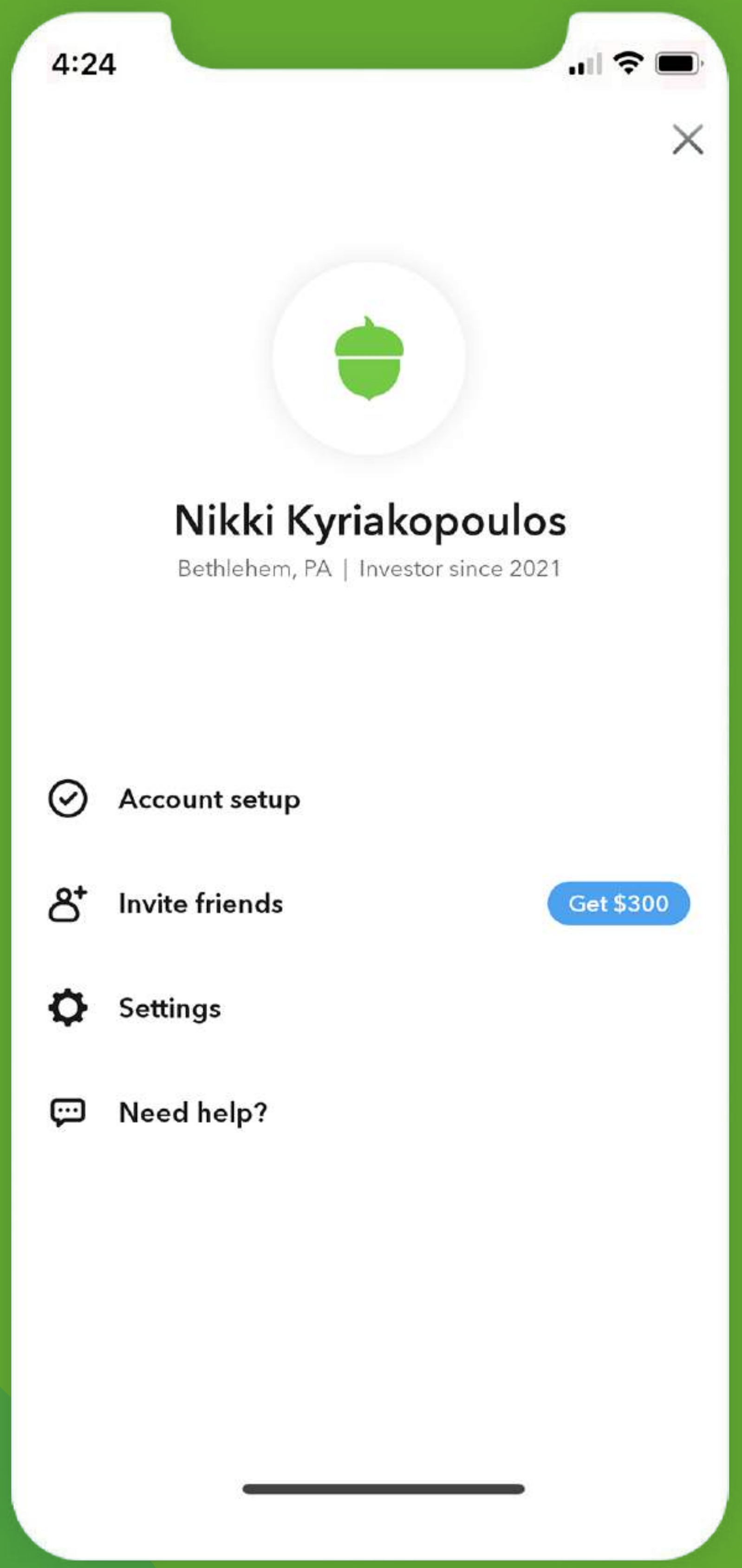
Source: Business Insider, CM Direct

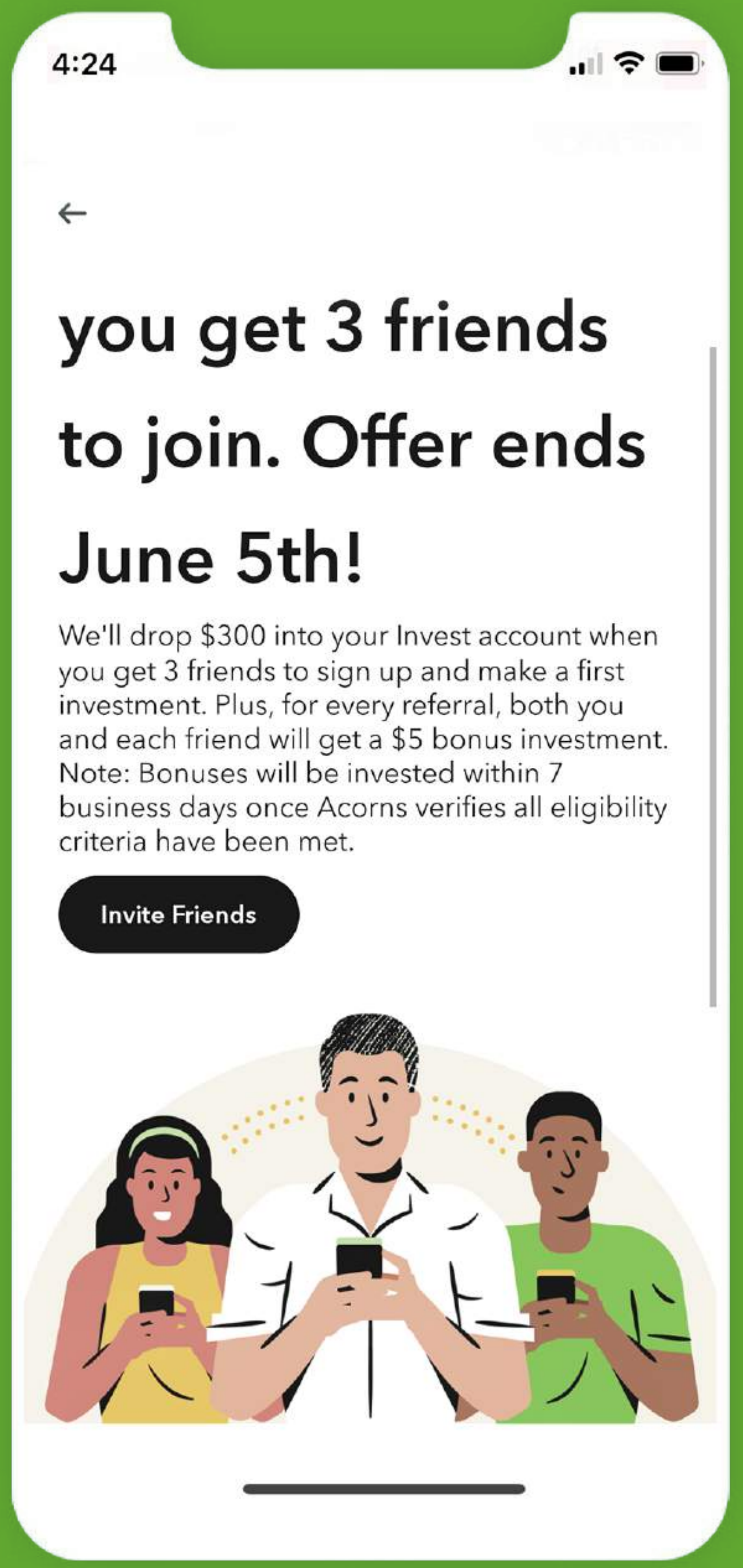


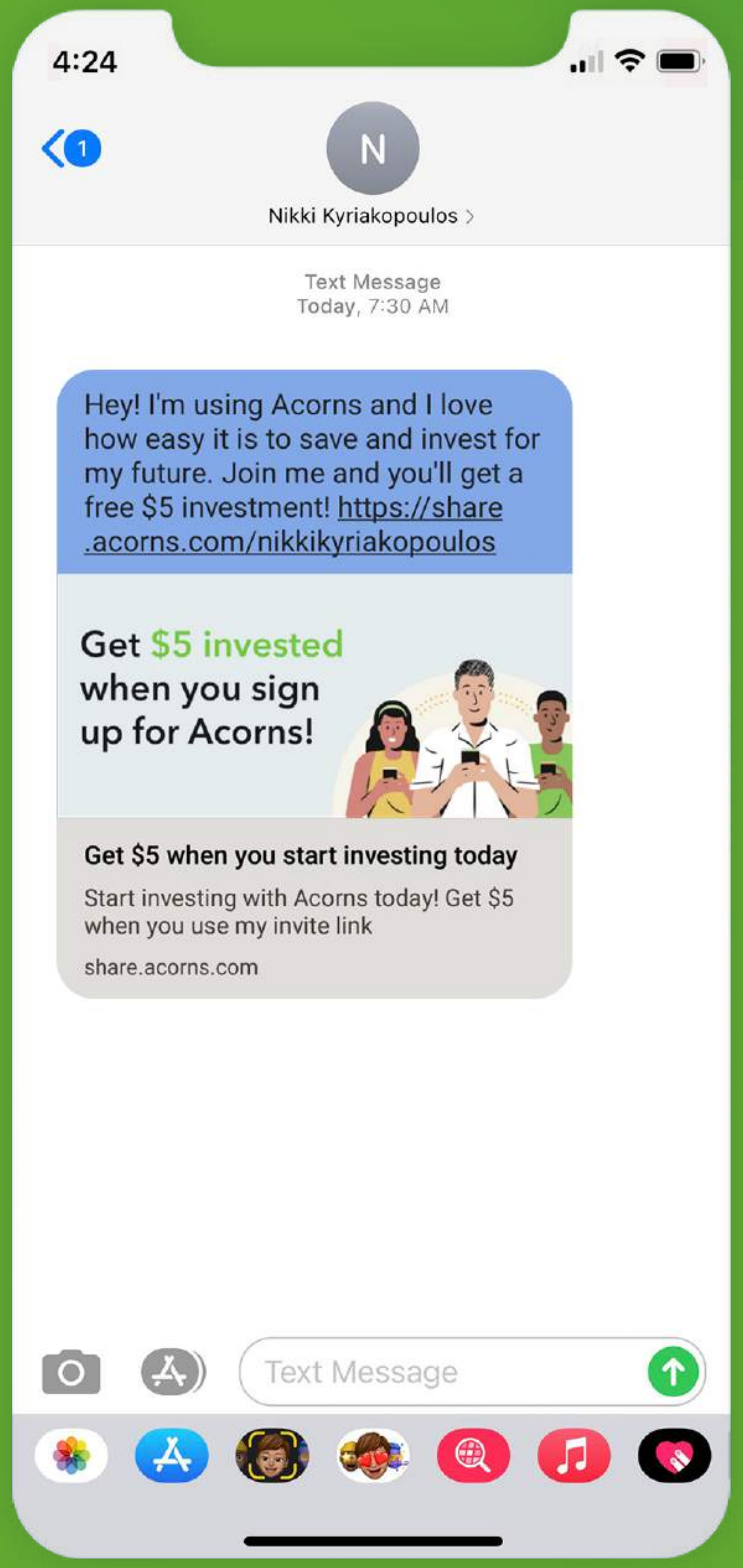
Click to Navigate

Upon landing on Acorns' referral screen, a user is greeted with several inline options to share the referral code, eliminating the need for separate landing pages, copying and pasting information, or figuring out referral codes.

Once the user clicks on 'send message', the next screen is populated with an auto-filled text message including the unique referral link.







Similarly, clicking on the option to share via twitter brings the user back to a screen with an auto-filled tweet containing the referral link.This relatively small idea in optimization, of making referrals easier, made all the difference.

In addition, Acorns ensures that the referral incentive is triggered only when the referred user starts depositing money, instead of incentivizing everyone who signs up.

This not only saves money but also increases activity and time spent in-app.

Conclusion

The development in the mobile banking, fintech and financial services ecosystem is driven by the demand for better facilities, access to financial information, transparency, easier and faster transactions, secure authentication, and meaningful support throughout the customer lifecycle.

As evident from the usage, download, session and new user growth trends, it is clear that mobile finance as an industry is picking up momentum. While the pandemic acted as an accelerant to this process, earning user trust is going to be of vital importance to ensure consistent growth in the future. Building systems that offer transparent and seamless experiences, data security and privacy and alignment with latest technology, all threaded together by user demand, will be the prime mover in this space.
There has been tremendous growth in this sector in the last five years - nearly half of the global population and 70% of millennials (key growth drivers) were using mobile banking apps by 2016 to check balances and carry out financial transactions.

Fast forward to 2019 and 87% of banks (with assets between $50 million to $50 billion) were providing users with mobile apps. To help understand future scope and potential, estimates suggest that the number of mobile users will reach 7 billion in 2021; 3 billion of these are likely to register on mobile finance apps.

With rapid adoption of mobile finance, it is critical for financial organizations to consider these emerging trends while charting a product map for transactions and money management. The focus for brands in this space, especially those offering personal financial management services, ought to be on changing user preferences rather than tactics that might have worked in the past.
From the global, regional and metrics level trends analyzed in this ebook, it is clear that the insights shared by global brands and their successful growth strategies are far from being a flash in the pan. Rather, they are emerging as the new normal for products that users would love to use.

Source:
Insights from NielsenIQ
Federal Reserve research
ABA Banking Journal 2019
GSMA Intelligence
Juniper research

About MoEngage

MoEngage is an intelligent customer engagement platform offering AI-powered customer journey orchestration, personalization capabilities and in-built analytics.

Fortune 500 brands and Enterprises across 35+ countries along with internet-first brands use MoEngage to orchestrate efficient customer engagement.

The recent Gartner Magic Quadrant 2020 named MoEngage as the Leader under Mobile Marketing Platforms. MoEngage has also been identified as a Strong Performer in Forrester Wave Mobile Engagement Automation 2020 report.

To learn more about omnichannel customer engagement with MoEngage, visit our website: www.moengage.com

About Apptopia

Apptopia provides competitive intelligence for the mobile app economy.

Apptopia was founded on the belief that the mobile app community requires transparency to level the playing field and make way for innovation and industry advancements.

To learn more about mobile intelligence with Apptopia, visit the website: www.apptopia.com

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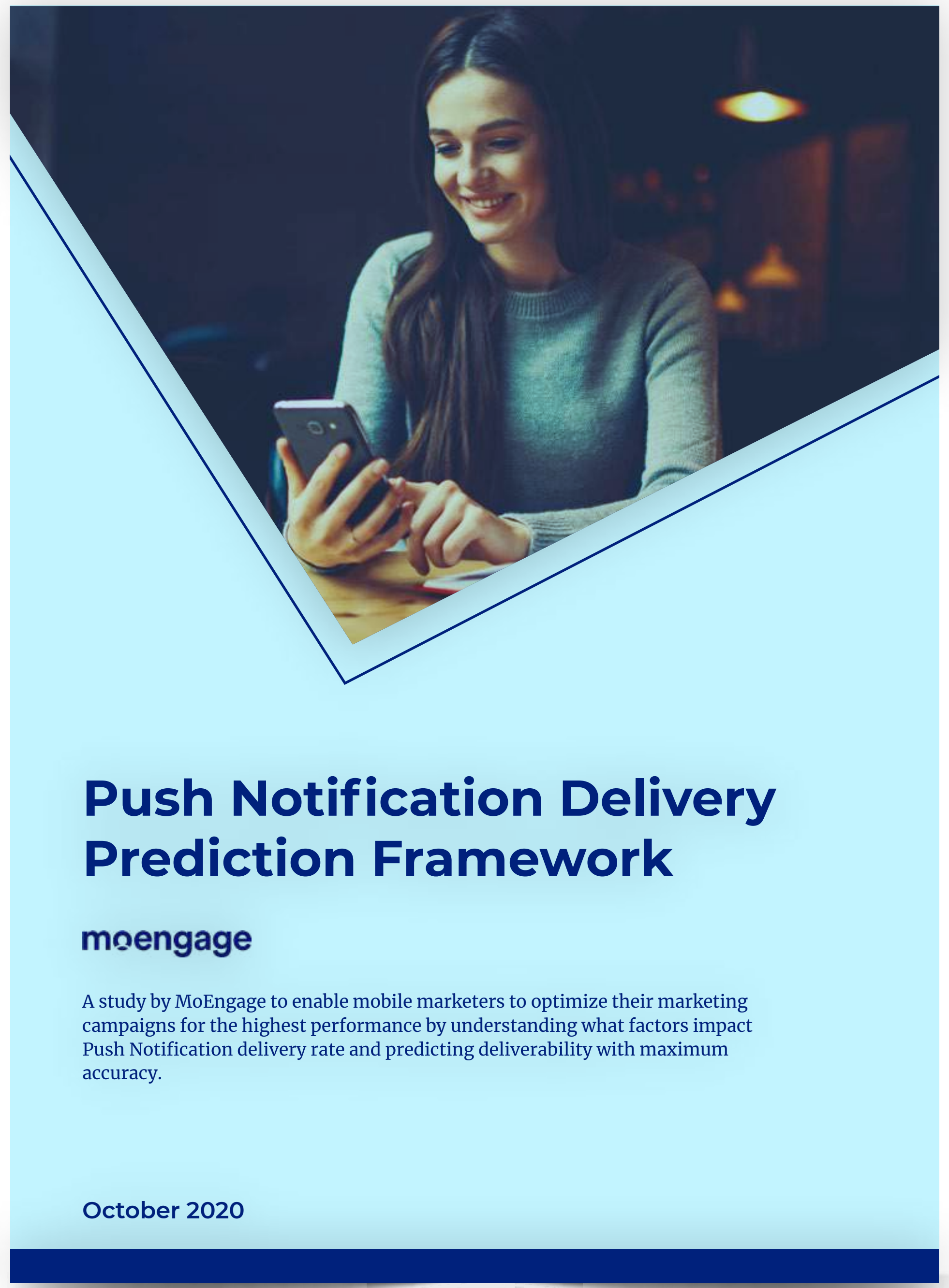

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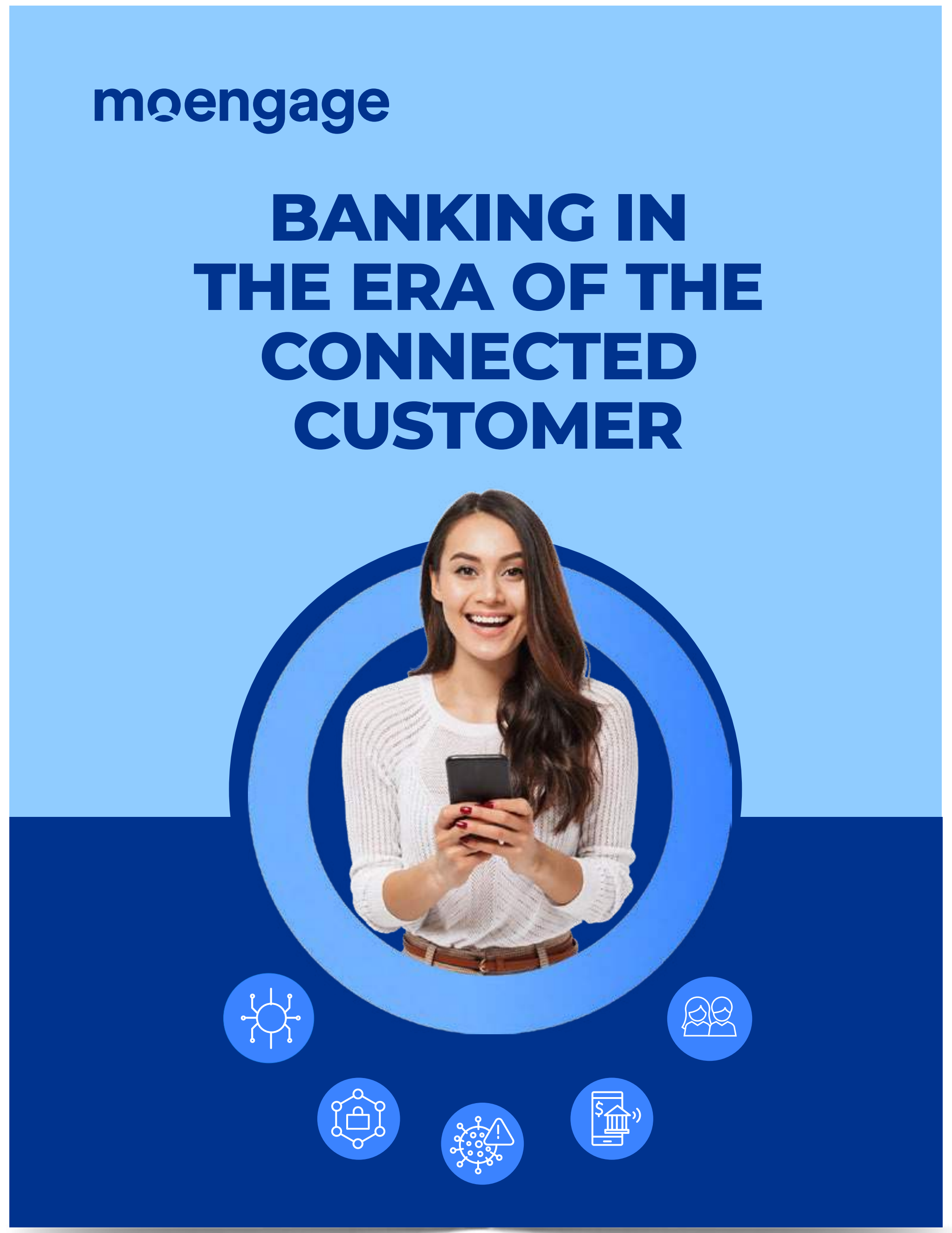

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