

# Bring it on, 2022: Fintechs brace for trends that will make or break them

Article

**What we've noticed:** Insider Intelligence's **Fintech Trends to Watch in 2022 [report](#)** has identified the top factors that will reshape industry dynamics in 2022.

**Which 2021 developments will become a springboard for what's ahead?** Fintech startups attracted a record number of users and funds in 2021, marking a turning point for fintech.

In response, incumbent financial institutions (FIs) accelerated their digital transformation initiatives, and Big Tech companies threw their hats into the finserv ring.

Meanwhile, use of fintech tools became widespread among consumers, fueling a retail trading frenzy and a boom in the adoption of more cutting-edge products like crypto.

**What does this mean for 2022?** Here's a look at the top trends that will impact fintechs in the coming year:

- **The fintech funding boom will usher in a new era of digital offerings.** Fintechs will use their funding to improve the financial health of neglected customer segments and bring more customers into the fold. For example, we anticipate greater focus on the needs of hourly and salaried workers from fintechs like **Origin** and **CloudPay** which offer in-demand services such as earned wage access.
- **Big tech will make big moves in banking and insurance.** Big Tech's "on ramp" to financial services will be embedded finance—the inclusion of financial products and services in the customer journeys of nonfinancial companies. **In 2021, VCs allocated \$4.25 billion in embedded finance investments, almost three times the amount of 2020 funding,** according to PitchBook. And while payments is the most mature area of embedded finance (see **Apple Pay** and **Google Pay**), we expect banking and insurance to become the next battlegrounds for embedded finance.
- **Hyperpersonalization will catch on in banking and wealth management.** One-size-fits-all financial services exclude too many customers. By delivering highly targeted experiences, providers stand to benefit from higher customer satisfaction, growth, and loyalty. In wealth management, we expect segment-specific providers to enter the market in swaths, such as those that target the aspiring mass affluent.
- **Digital brokers will hunt for new revenue sources as the day trading frenzy dies down.** Already, the number of aggregate shares traded fell 14% quarter over quarter in Q3, per DriveWealth. This trend will accelerate further in 2022. For instance, we see players looking for novel ways to benefit from crypto, such as offering more coins or adding crypto wallets.
- **Crypto adoption will go mainstream, while DeFi faces its first major hurdle.** We expect crypto use will become widespread as FIs, social media platforms, and gaming developers enter the market. For example, financial software vendors such as **Temenos** and **FIS** have

already unveiled crypto products for their bank clients. But we also see DeFi facing increased regulatory scrutiny: The SEC has made clear that it intends to rein in lending and DeFi platforms. This could send overambitious crypto startups back to the drawing board.

**Factors Informing Financial Institutions' Blockchain and Cryptocurrency Strategies According to Financial Executives Worldwide, by Level of Importance, Aug 2021**

*% of respondents in each group*

	<b>Most important</b>	<b>Important but not most important</b>	<b>Total</b>
Strength and weakness of current internal infrastructure	8.0%	17.6%	25.6%
The need to retain and attract customers	9.2%	15.2%	24.4%
Potential for better data security	7.6%	15.6%	23.2%
Access to experts with blockchain knowledge	7.6%	15.2%	22.8%
Potential for greater operational efficiencies	10.8%	10.8%	21.6%
Potential for greater profits	8.0%	13.6%	21.6%
Current regulatory structure	6.8%	14.8%	21.6%
Risk of new business model disruptions	6.0%	15.6%	21.6%
Potential for capturing real-time reference data	5.6%	15.2%	20.8%
Current decision-making impeded by misinformation	5.2%	14.8%	20.0%
Desire to enter new market or regain lost market share	4.0%	14.8%	18.8%
Risk of adopting technologies that are not well understood	6.4%	11.2%	17.6%
Evidence that blockchain can handle the volume in real-time	6.8%	9.6%	16.4%
Buy-in of organization leaders	8.0%	8.0%	16.0%

*Source: PYMNTS.com, "Cryptocurrency, Blockchain and Global Business: Assessing the Potential for Multinational Companies and Financial Institutions" in collaboration with Circle, Aug 11, 2021*

269644

[InsiderIntelligence.com](https://insiderintelligence.com)