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## Emerging FinTech market: types and features of new financial technologies

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### Abstract

FinTech is a new and very ambitious tendency. P2P-crediting, E-wallets, Bitcoins, mPOS-acquiring, T-commerce, mobile banks – all of them refer to financial technologies that are changing our life. People can obtain any credits through special services on the Internet from other users without participation of banks, pay by credit card with mobile devices, and get information about expenses and incomes according to the card anywhere in the world. Users do not need to go to banks anymore and to spend their time for credit arrangements, currency exchange; to look for ATMs to remove cash. Purchases on the Internet can be paid not only in rubles, but also in new digital currency. FinTech projects are preferred not only by users but also by young entrepreneurs and investors.

*Keywords:* financial technologies, FinTech, investment, start-up, innovations;

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### 1. Introduction

The FinTech is a new concept for Russian market as well as for the whole world. That is why there is no clear and consisted definition of FinTech but there are many ideas about this issue. According to the Internet references FinTech is financial technologies which provide various financial services. It is connected to information technologies and focuses on growing of operation efficiency in a financial sector.

### 2. Development of FinTech

Before examining the main types of FinTech the establishment of FinTech which was started by Silicon Valley should be explained. There have been created many IT projects which later answered for a sort of “accelerator” to modern financial technologies. Nowadays it is London that is known as the capital of FinTech because of the number of fintech innovations and its investment flow. There are four main factors determined to encourage the development of FinTech in Great Britain: intensive infrastructure, literate legal framework, verifiable tax system and investment support in the country.

As has been noted above, FinTech was engendered in the USA and Europe earlier than in Russia. It came to domestic market only in 2008 when cellular operators took part in the development of mobile payments. Today Russian market of FinTech is still in arrears of foreign markets but it has an active growth.

Nowadays, there are many new words that we hear every day; most of them become more and more popular. Equiering, P2P, bitcoins, online banking, e-wallets and other specific terms have become so clear and ordinary that we start using them in our everyday life. For the first time they may seem to be unknown but if we get some more information about them we will understand them at once.

## *2.1 Types and features*

To start with P2P-lending it should be announced that “P2P” abbreviation stands as “peer-to-peer” or “person-to-person”. This term means that there are only two participants (in most cases they are real men) in the process of loan granting without any intermediary agents such as banks and credit institutions. There are special web sites where a user can be a borrower as well as a lender. The biggest part of provided credits within such services belongs to not assured private loans. However, sometimes the involvement of companies (legal bodies) is also possible.

In case of P2P lending risk is higher because it is impossible to check the real credit history of a borrower in most cases and to make his loan scoring. Correspondingly, interest rates for these credits will be relatively overstated. Thus, creditors prefer to lend many small loans to many loaners to decrease their non-repayment risks.

Another very popular financial technology is E-wallet or electronic wallet which allows paying for any goods and services through the Internet. For developing this concept there is an official law which runs up the maximum size of possible sum of money in your E-wallet – from 100,000 rubles to 400,000 rubles. Now it is multiplied by four. The Russian market of E-wallets has 6 players who get more active positions – five of them are domestic service (Webmoney Transfer, Yandex.Money, QIWI, RBK Money, Dengi@mail.ru), the last one is a foreign one (International money-transfer system PayPal).

Apart from E-wallets allowing controlling the purse strings online, there was created completely numerical P2P currency – Bitcoin. It is intended to be a substitute for cash when you do shopping in the Internet. Unlike other types of e-money which is kept on bank deposits and transferred with the aid of different payment systems, bitcoins are used outright between clients without any intermediary agents. That is why bitcoins have become a real direct rival for native currencies.

Today paying by credit cards for shopping is an everyday occurrence. Nevertheless, shops have to set up special POS-terminals to make transactions with credit cards. At small shops, stands, kiosks it is difficult to provide such terminals, that is why there is a necessity of cash all the time to buy any products. To solve this problem there is a new technology – Mobile Point of Sale, or for short mPOS terminal.

The terminal is represented like a computer device which you have to connect with your mobile phone or tablet computer and it allows doing cashless transfers by your credit card. It is especially valuable for small and portable businesses, sole traders. For example, delivery agents of any products or documents can use this technology device to get refund for delivery on site. It is very convenient for a company as well as for clients because they do not need to withdraw money before making the order. By dint of mPOS terminals of any firms are able to increase their profitability, for that reason its demand is very high on the market. By the way, investment analysts also mark the active growth of these devices. For example, according to Smart Insights research the number of mPOS terminals will exceed the number of POS terminals and will have achieved 52 m pieces by 2018 [2].

The leader of this field in Russia is LifePay. The project has got more than 6 thousand users for a half year. During 2013 the total sum of money of all transactions which were made by the mPOS readers was more than \$1m. The most successful mPOS companies on the world market are Square, SumUp, iZettle, mPowa.

Regarding smart phones and tablet computers usage for doing any financial transactions, it stands to mention another concept – T-commerce – which is directly concerned with modern gadgets. It stands for tablet-commerce. This term was coined by specialists from Silicon Valley due to the fact of beginning of “mobile” era in economy. Steady growth on mobiles and tablets market is registered all over the world, so it is a fertile ground for t-commerce evolution.

Furthermore, mobile banking is also developing. According to The Economist and NY Times, the next generation of banks, which has only mobile version (e.g. Simple, Moven), wins from traditional banks because of the new customer generation. There is a similar trend in Russia. Mobile banking has some advantages: the work place is where the customer is; client can look over his balance of account; he has an access to his personal manager, revenues and expenses analytics.

## 2.2 The Periodic Table of FinTech

Due to fast FinTech market growth there is a need of its classification. One American research company, CB Insights, which deals with venture capitalists and investors data bases and presents daily the information has created the Periodic Table of FinTech.

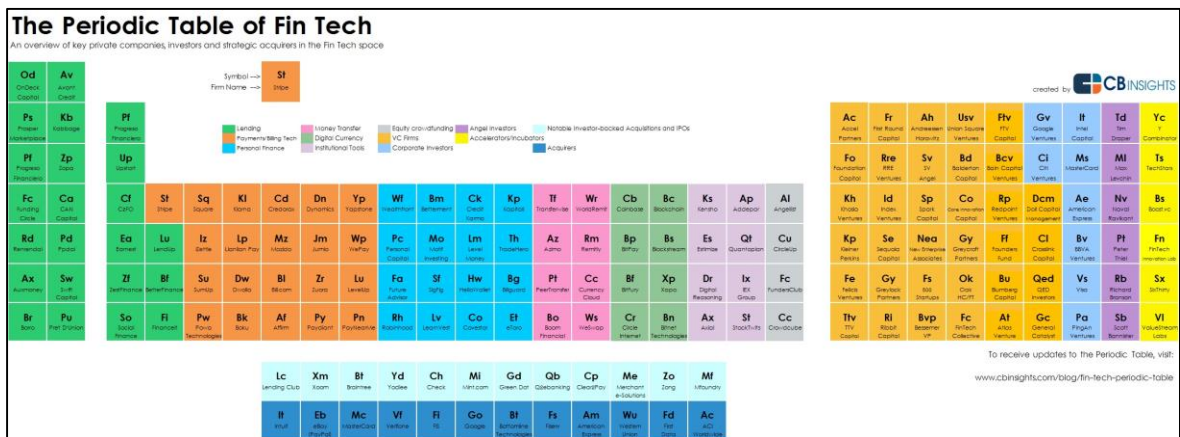


Fig. 1 The Periodic Table of FinTech

The Periodic Table (fig.1) is a resource that helps to illuminate the key players in Fin Tech ecosystem. The 177 companies, investors and acquirers on the table are pulled from analysis using CB Insights data around financial health, company momentum, investor quality and M&A/IPO activity [1].

The Table will not be the same in a few times because new players constantly come to this market. Many of them become new leaders so fast that they force strong competitors out of the market. In general the Table focuses on seven different types of organizations. they are the following:

1. Lending. Private lending companies, P2P-lending, lending platforms using machines learning technologies and algorithms to assess creditworthiness.
2. Payments or Billing Tech. Payments processing, bill preparing.
3. Personal Finance or Asset Management that help in managing personals bills, accounts, credits, investments.
4. Money Transfer or Remittance. P2P-platforms to transfer money between clients across countries.
5. Digital currency. Software in the digital currency sphere.

6. Institutional tools providing tools to banks, hedge funds, mutual funds or other institutional investors.

7. Equity crowdfunding - platforms for providing monetary contribution for projects or companies.

There are also some other groups of companies: venture capital firms, corporate investors, angel investors, accelerators (incubators), FinTech acquirers and notable exists (companies that have been acquired or gone to the public in last 5 years).

### **3. Conclusion**

To sum up, it should be stressed that FinTech market is very active and attractive for start-ups as well as for investors. Every day there are new leaders and newcomers that shake up the market and make competitors to create innovative and effective products. Even if FinTech fails to take over the world: its emergence is changing the face of finance.

### **Acknowledgements**

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