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HOW FINTECH ECOSYSTEMS DEMOCRATISE THE FINANCIAL LANDSCAPE

Fintech ecosystems are playing a critical role in the financial technology landscape by improving democratic collaboration to technological advancement

WRITTEN BY: DERIN CAG

What is a fintech ecosystem? In the most basic sense, it can be described as a collaborative network of systems or organisations working together to support the overall growth of the industry.

In finance, this usually means developing new technologies and products to make it easier for people to transform the industry and shape the future.

Beyond technology, fintech ecosystems can also encompass everything from regulation and education to banking and investment. It's a democratic process of networking that helps accelerate development and improve the financial landscape around the world.

THE STRENGTHS OF FINTECH ECOSYSTEMS

Democratic collaboration

One of the key benefits of a robust fintech ecosystem is the ability to drive innovation. By working together, organisations can share knowledge and ideas and develop new products more quickly and efficiently than they could independently.



“Fintech ecosystems that are purpose-built offer members a jumpstart in the industry and quickly distinguish the early movers”

KIM MINOR
SENIOR VICE PRESIDENT
OF GLOBAL MARKETING
AT PROVENIR





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“The pace of innovation is fast, and ecosystems are the critical ingredient to successfully tackling well-worn topics”

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This collaborative approach also helps reduce the risk associated with innovation, as organisations can spread the cost and responsibility for testing new ideas across the network.

"The regulator here in the UK remains incredibly collaborative with fintechs and the wider financial services industry and strives to strike a balance between fostering innovation and keeping consumers safe," said Olivia Minnock, Editor at FinTech Alliance. "It's here that the term 'ecosystem' is most important – regulating something like BNPL or cryptocurrency is not a two or even three-way conversation, but involves a matrix of parties feeding back and forth, including government, regulator, fintechs, traditional institutions, merchants and of course the customers at the centre of it all."



“It takes the creation of ecosystems around different sectors within fintech in order to effect transformational change”



NELSON CHU
FOUNDER AND CEO OF PERCENT

Financial inclusion

Another benefit of a robust fintech ecosystem is the ability to promote financial inclusion. By making it easier for people to access banking and investment services, ecosystems can help bridge the gap between the haves and have-nots.

"The need to incentivise, cultivate, and scale innovative companies meeting the unique financial needs of different demographics was a significant factor in the West Virginia Legislature's unanimous passage of the state's regulatory fintech sandbox," said Sarah Biller, Co-Founder at FinTech Sandbox. "West Virginia's regulatory fintech sandbox is certainly a useful tool in my work to expand the state's fintech ecosystem and build and scale companies meeting the needs of rural Appalachians."

Technological advancement

When two or more great minds work together, the potential for technological progress increases. Fintech ecosystems provide the perfect environment for technological development, and as a result, the industry is constantly evolving and innovating.

"Fintechs have played an important role in expanding the technology choices available to advisors and wealth management firms. Tools introduced by the fintechs have also helped push the digital agenda forward, leading to the refinement of the usability and interactive aspects of the tools available to advisors," said Nitin Seth, CEO at Incedo Inc.

Startup acceleration

Fintech ecosystems are also great for companies at their early stage, as they provide a nurturing environment to help them grow and develop. By connecting startups with established

organisations, ecosystems help advise and expose new technologies and products to the market more quickly.

According to Kim Minor, Senior Vice President of Global Marketing at Provenir, "Fintech ecosystems that are purpose-built offer members a jumpstart in the industry and quickly distinguish the early movers. The pace of innovation is fast, and ecosystems are the critical ingredient to successfully tackling well-worn topics like digital-first and instant gratification, and yet to be named new industry leaders."

Machine to machine ecosystems

In addition to people based ecosystems, machine to machine ecosystems also play a role in the fintech landscape. These are networks of devices that interact with one another, whether fully automated or requiring some human input.

"In the B2B world, there are any number of different fintech solutions designed to solve very specific problems, such as streamlining the capture of supplier invoices or matching them with purchase orders, routing invoices for approvals, scheduling payments, and



automating the reconciliation of the receivable on the supplier side," said Vijay Ramnathan, President of MineralTree.

Additional examples of machine-based ecosystems included; the internet of things (IoT), artificial intelligence (AI), machine learning (ML), robotics, or the combination of any of these.

Other advantages and disadvantages

The following are some of the advantages of fintech ecosystems; strategic partnerships, increased access to capital, enhanced support, and more. There are also other strengths not mentioned above, such as the ability to develop new products and services more quickly, among others.

"It takes the creation of ecosystems around different sectors within fintech in order to effect transformational change within the overall financial technology industry," stated Nelson Chu, Founder and CEO of Percent. "It is rare for a single company to cause the incumbents to make a move but when enough of a groundswell of companies emerge around a specific sector or purpose, you see banks and traditional financial technology companies react."

Nevertheless, there could also be disadvantages and risks associated with fintech ecosystems, such as the risk of market saturation. Additionally, ecosystems could also lead to monopolies and complacency. Understanding and abiding by laws and regulations are critical before entering or creating an ecosystem to mitigate potential risks.

Different hubs are appearing worldwide, all with their own focus. Such ecosystems are helping develop a strong sense of community and help businesses grow. London is an excellent example of a city with a thriving fintech ecosystem, thanks to its

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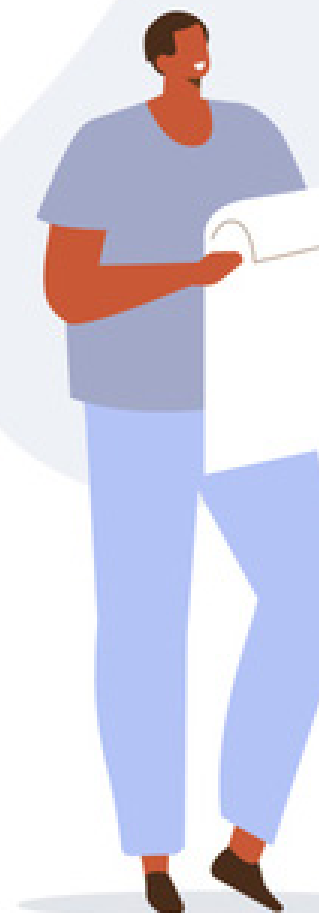
NITIN SETH
CEO AT INCEDO INC

well-established financial sector and strong startup culture.

According to Pat Larkin, Director at Mass Fintech Hub, another example is the state of Massachusetts, which "identified fintech as a priority sector in statewide economic development plans, placing it alongside cybersecurity, robotics, and AI as verticals where our state can be a global leader." He continued, "Through the Mass Fintech Hub partnership, we are able to engage and energise a broad cross-section of stakeholders to address critical issues that will help promote growth within our state, unifying partners from the private sector, academia, and government."

It's time for a collaboration reboot

Fintech ecosystems are changing the financial landscape. They offer a collaborative environment



where organisations can share knowledge and ideas, promote financial inclusion, and develop new technologies. As the industry constantly evolves and innovates, ecosystems will continue to play a role in its development.

In conclusion, fintech ecosystems are essential because they democratise the financial landscape. Ecosystems are present in different hubs worldwide, each with its own focus. As fintech evolves, so too will the role of ecosystems within it. ●

