

STATISTA REPORT 2017

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excerpt

# FinTech

- 
- Market size & segments
  - Business & revenue models
  - Consumer views
  - Blockchain technology
  - Case study: Ant Financial
  - Company profiles: Venmo, Stripe, OnDeck, Lending Club, Prosper, SoFi, Betterment, Wealthfront
  - List of U.S. FinTech start-ups & banks in FinTech area

# Management Summary (1/2)

The global FinTech market is huge: according to estimates from the Statista Digital Market Outlook the transaction value of the global FinTech markets has reached US\$2.6 trillion in 2016 and will continue to grow to almost US\$7 trillion in 2021.

Digital Payments is the biggest segment with US\$2.2 trillion transaction value in 2016, leaving Business and Personal Finance far behind. By 2021 however, Personal Finance will have grown significantly as more people, especially in developing regions like China, will adopt the new technology to gain access to a financial service system previously barred to them due to their lower income.

This also leads to China being expected to be the biggest FinTech market from 2017 on with a transaction value of nearly US\$3 trillion before the U.S. with US\$2 trillion in 2021.

## The Authors



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Dev worked in various sectors, such as Digital Marketing, FinTech, Insurance and Consumer Goods after completing his studies in New Zealand and London. Ksenia studied Finance in Hamburg and Engineering Management in Russia and joined Statista after several years in consulting.

Combined they have over 10 years experience as analysts.

We wish you a valuable and insightful reading experience.

Various parties are supporting the growth of this promising market, and in 2016 the global FinTech companies were able to attract US\$25 billion in funding deals from thousands of investors.

FinTech business models evolve mainly around reducing transaction costs significantly and thus potentially provide financial advantages to all involved parties. They also lower entry barriers, e.g. in the Wealth Management market where a lot of offers do not require a minimum investment or only a low one or in the CrowdFunding space where people now can get funding that they were not able to get before.

Still, most people in the U.S. and Germany do not know what the term "FinTech" is or means, but a high share of people use widespread services like internet payment providers. The biggest barrier to adopt some of the new technologies like Mobile Payments are fear of fraud and the worry about data security.

# Management Summary (2/2)

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Financial technology currently looks very promising when bundled with e-Commerce, as Alibaba's financial products have demonstrated recently. The largest FinTech investment deal in 2016 was secured by Alibaba affiliate Ant Financial, which raised US\$4.5 billion and has been valued by investors at US\$60 billion.

Key segments of the FinTech market are:

- › Blockchain technology developing crypto-currencies and instant transaction solutions
- › Mobile payments rapidly changing the payment instrument landscape
- › P2P lending improving small business and private financing and operating at a lower cost than traditional lenders, i.e. banks
- › Wealth and portfolio management for personal investors with portfolios of all sizes

Major players in the industry, along with Ant Financial in China are U.S. headquartered companies like Robo-Advisors Betterment and Wealthfront, payment providers Venmo and Stripe, and various lenders and loan marketplaces like OnDeck, Prosper, Lending Club and SoFi.

The revenue migration from traditional banking institutions to FinTech companies currently remains on a modest level, as young companies are still gaining momentum and growing their customer base. Nevertheless, FinTech expansion is now supported by major U.S. banks that have made a strategic decision to incorporate FinTech solutions into their business model as well.

# FinTech disruptors challenge traditional banks

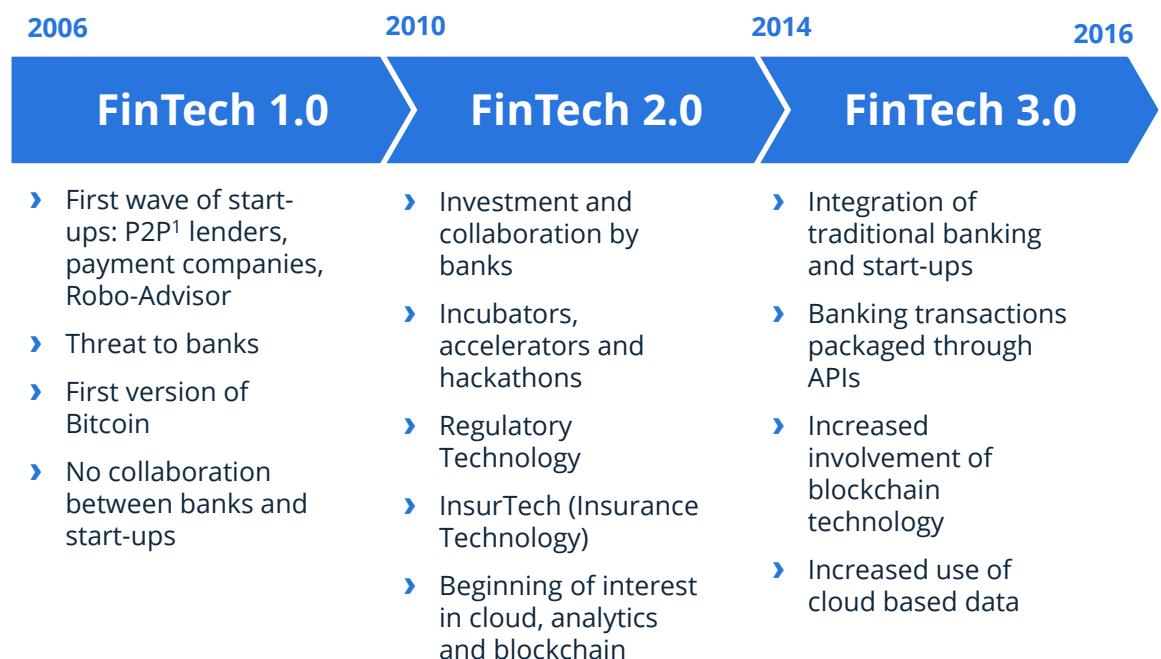
Banking has traditionally been one of the sectors most resistant to technological disruption. Over the years, the industry had built a robust business model aided by favourable regulations and a general consumer inertia against switching providers. However, the financial crisis of 2008 triggered a sudden upsurge in FinTech start-ups across the world. Public anger at the established banking system, stringent regulations imposed on lending in the post crisis period and complacency by banks, created a conducive environment for FinTech growth.

The term FinTech essentially refers to the disruption caused by the use of technology in the financial services industry. Technology focused start-ups are now beginning to offer the products and services that were only provided by banks in the past. The last decade has witnessed the rise of various start-ups that have laid down a strong challenge to the major global banks in various areas including payments, lending, wealth management and retail banking. Moreover, large technology and e-Commerce companies such as Google, Amazon, Facebook, Apple and Alibaba (GAFAA) are also leveraging their massive reach, technological capabilities and the ability to deliver exceptional customer experience, to break into the FinTech industry.

We consider three major segments within the FinTech market:

- › Digital Payments
- › Business Finance
- › Personal Finance

## *Evolution of FinTech*



# Digital Payments transaction value will reach US\$4,644bn in 2021

## *Digital Payments (1/2)*

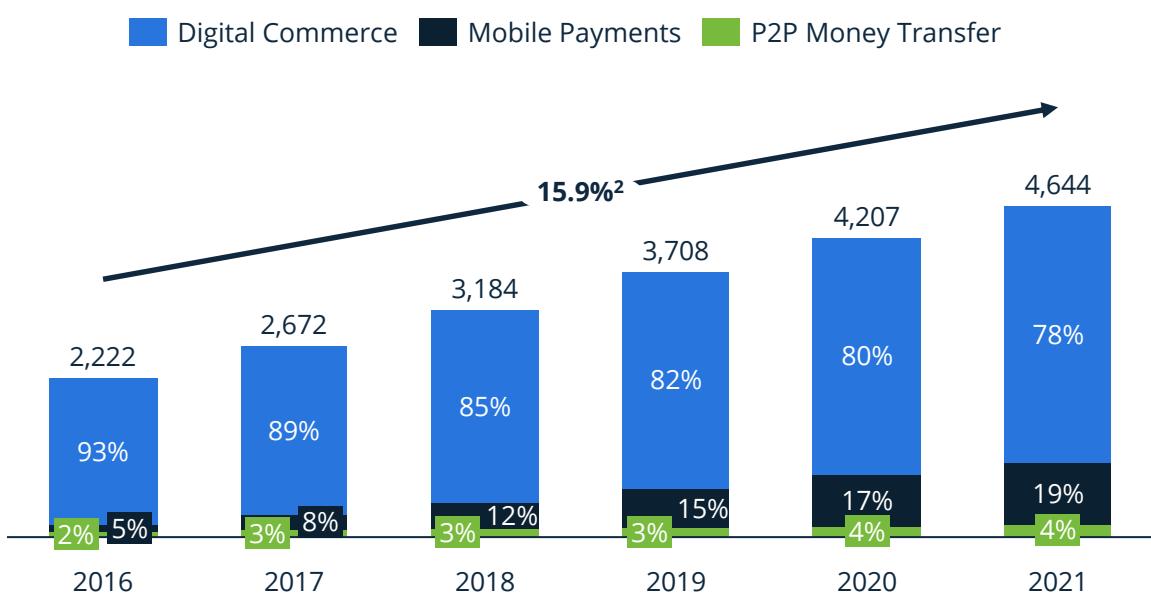
Digital Payments include payments for consumer products and services which are made over the internet, mobile payments at Point-of-Sale (POS) via smartphone applications as well as cross-border Peer-to-Peer transfers between private users.

The following are not included in this segment: transactions between businesses (Business-to-Business payments), bank transfers initiated online (that are not in connection with products and services purchased online), and payment transactions at the Point-of-Sale where mobile card readers (terminals) are used.

Within the Digital Payments segment three types of transactions can be differentiated:

- › Digital Commerce: Consumer transactions made via the Internet which are directly related to online shopping for products and services. Online transactions can be made via various payment methods (credit cards, direct debit, invoice, or online payment providers, such as PayPal and AliPay).
- › Mobile Payments: Includes transactions at Point-of-Sale that are processed via smartphone applications (so-called "mobile wallets"). Well-known providers of mobile wallets are ApplePay and Samsung Pay. The payment in this case is made by a contactless interaction of the smartphone app with a suitable payment terminal belonging to the merchant.
- › P2P Money Transfers: Peer-to-Peer (P2P) money transfers are defined as money transfers made over the Internet between private individuals. Cross-border payments and remittances are the most relevant segments for the FinTech market.

## *Global<sup>1</sup> transaction value in billion US\$*



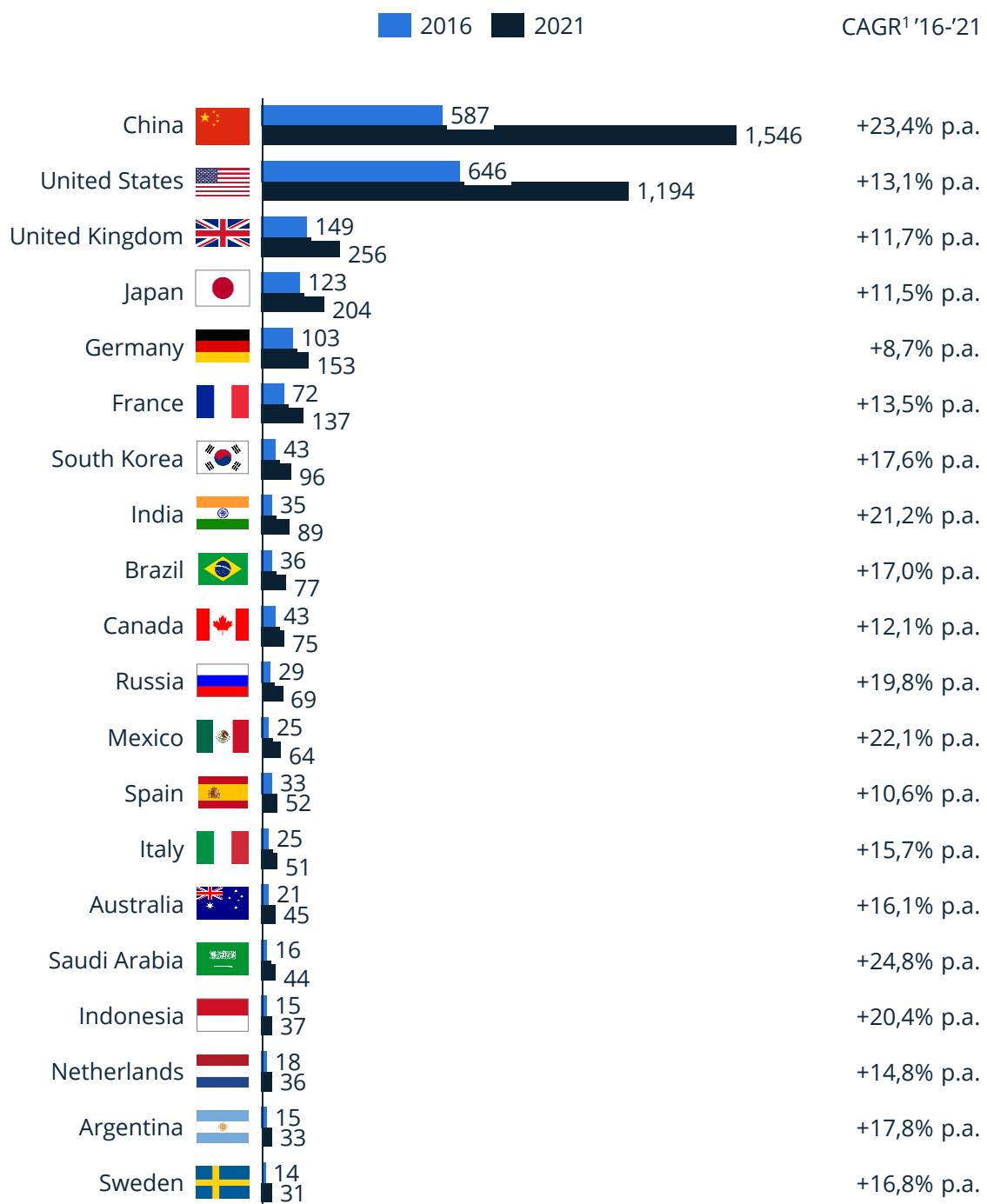
1: Only includes countries listed in the Digital Market Outlook 2: CAGR: Compound Annual Growth Rate/ average growth rate per year

Source: Statista Digital Market Outlook 2016

# By 2021 China leads in Digital Payments transaction value

## Digital Payments (2/2)

### Top 20 countries: transaction value in billion US\$



1: CAGR: Compound Annual Growth Rate/ average growth rate per year  
Source: Statista Digital Market Outlook 2016

# Business Finance segment mainly focus on SMEs<sup>1</sup> and freelancers

## Business Finance (1/3)

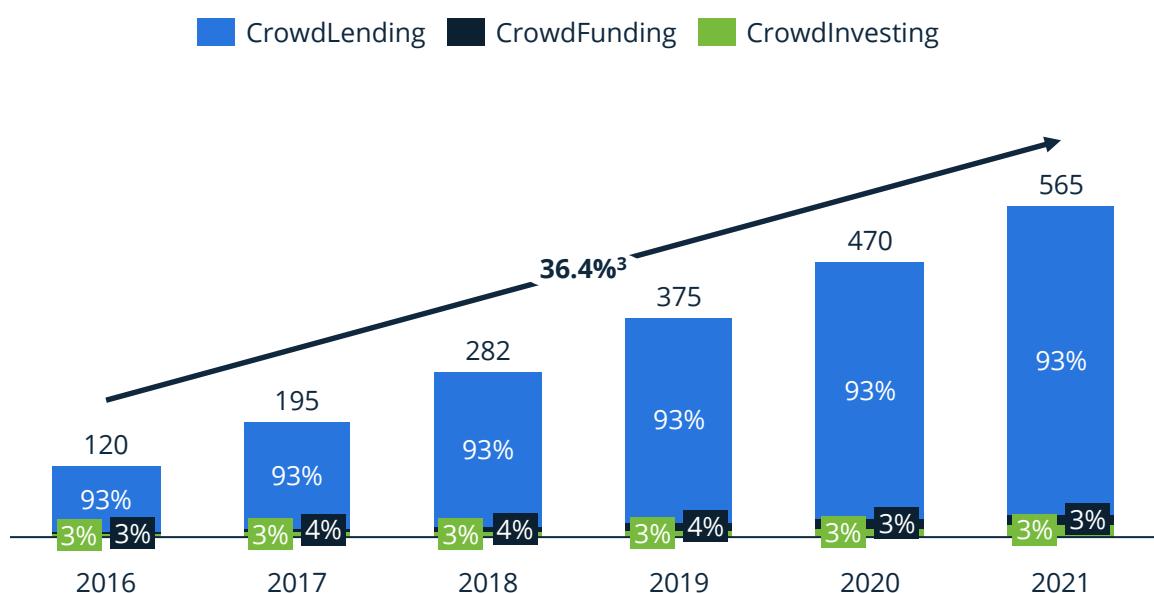
The Business Finance segment refers to digital financial services for business customers. In view of processing complexity, this market is normally focused on small- and medium-sized enterprises (SMEs) and freelancers. Bank-independent credit allocation for SMEs through private or institutional investors via online platforms (CrowdLending) is included.

Also included are CrowdInvesting models, which focus particularly on start-ups exchanging investment for company shares ("equity-based"), and CrowdFunding solutions that are used for non-monetary compensation, for example, product launches, music, art & film financing ("reward-based").

Bank financing is not considered, neither are any financial aspects that reach beyond the scope of small and medium-sized enterprises or donation-based crowdfunding models.

CrowdLending Platforms (also: lending-based crowdfunding) enable small and medium-sized enterprises to get loans from single or multiple private and institutional investors via an online brokering platform. On credit platforms, businesses can obtain small loans up to a set maximum value. As a rule, financing requests are analyzed by the provider via an internal scoring system and are checked against additional minimum requirements such as turnover. Subsequently these financing requests can be invested in by private and institutional investors at an appropriate interest rate determined by the credit rating of the company.

## Global<sup>2</sup> transaction value in billion US\$



1: small- and medium-sized enterprises 2: Only includes countries listed in the Digital Market Outlook

3: CAGR: Compound Annual Growth Rate/ average growth rate per year

Source: Statista Digital Market Outlook 2016

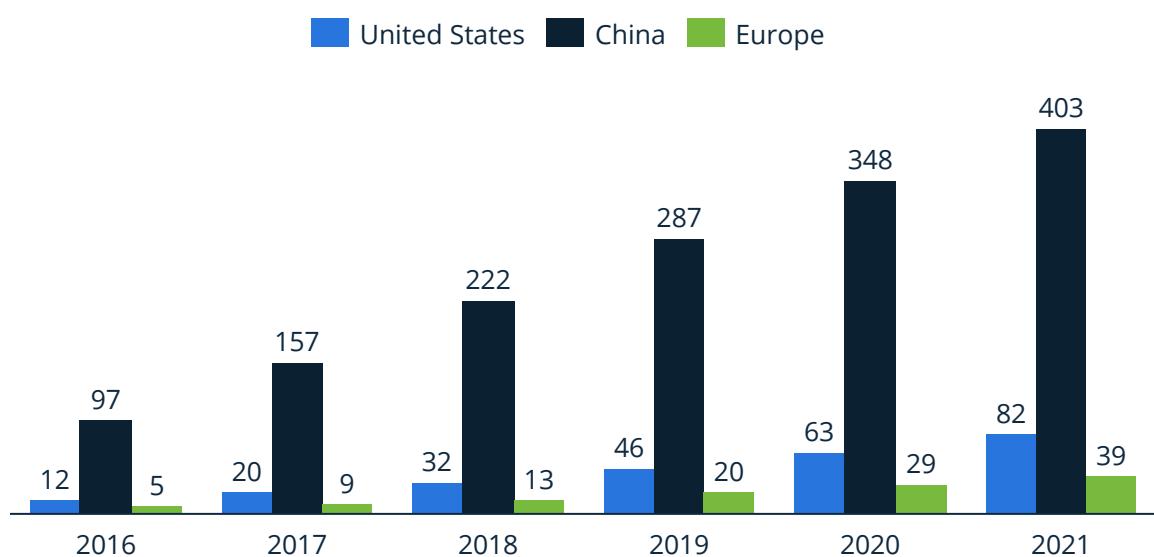
# China is by far the biggest market for Business Finance

## *Business Finance (2/3)*

CrowdFunding (also: reward-based crowdfunding) is a financing form independent from financial institutions, location of the campaign creator or investor. Reward-based crowdfunding campaigns can be initiated for a wide range of different purposes such as product launches, art- and film-financing, scientific research etc. Usually there is a financing goal defined by funding volume and time to reach this goal for every campaign. The campaign creator publishes engaging content (e.g. videos, text) that explains the goal and motivation of the fundraising. Almost everyone can participate as an investor (prerequisite is only a valid payment account).

The term CrowdInvesting (also: equity crowdfunding) defines a variety of transactions where an unspecified number of investors come together in order to invest in a well-defined purpose. The following segment exclusively considers "equity-based crowdfunding"; investments in equity shares or profit-related returns (for example, royalties or convertible loans). CrowdFunding has become a popular financing option for startups and is considered as part of venture capital financing. Well-known platforms in this area are EquityNet, CrowdCube and Seedrs.

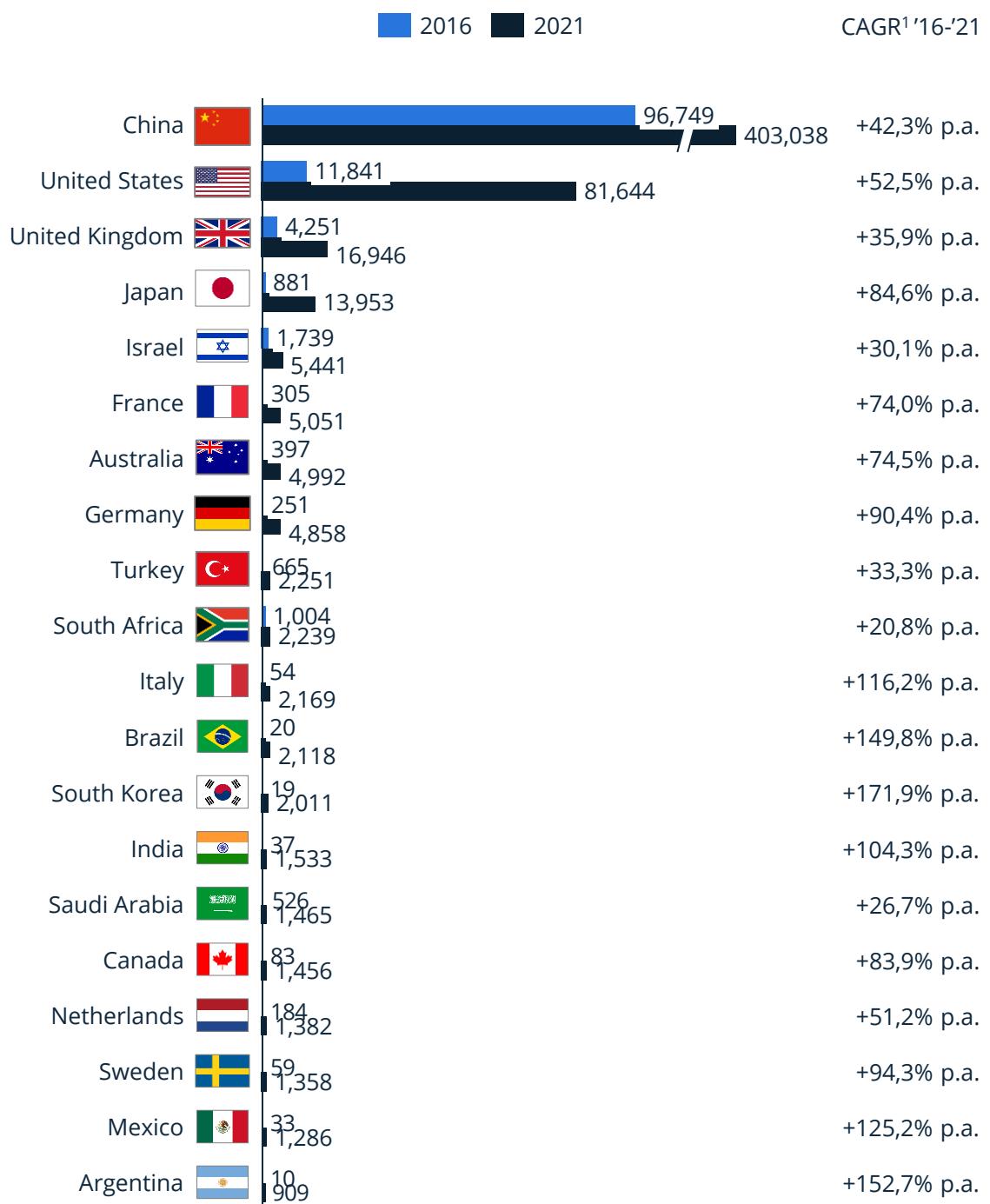
### *Regional split: transaction value in billion US\$*



# U.S. as second biggest market not even ¼ of Chinas size in 2021

## Business Finance (3/3)

### Top 20 countries: transaction value in million US\$



1: CAGR: Compound Annual Growth Rate/ average growth rate per year  
Source: Statista Digital Market Outlook 2016

# Personal Finance focuses on lending and investment services

## *Personal Finance (1/5)*

Bank-independent distribution of credit between private borrowers and private or institutional investors via online marketplaces (so-called online Peer-to-Peer lending platforms) are included in the Personal Finance segment. Automated investment services (Robo-Advisors) that enable private investors to align their investment strategy or portfolio using automated recommendations are also included.

Online marketplaces for classic bank loans or online brokers without automated or recommendation-based advisory roles are not included in the Personal Finance market.

Marketplace Lending platforms offer private users the option to place requests for loans in an online marketplace to find private investors who would invest at an appropriate interest rate. Portals such as Lending Club, Zopa, auxmoney and Prosper apply a credit score and list the financial requests by intended purpose before fixing a lending rate. One or more investors can then serve the credit request. Although banks act in co-operation alongside the platform providers, the lending is done, in principle, without direct exposure, risk audits or the formal requirements normally associated with credit lending. This is attractive for many users because the processes are expedited, there is less demanded in terms of the borrower's creditworthiness and the conditions are often more flexible than with traditional bank loans. Users are defined in this case as active borrowers on an online platform; applicants or investors who are only partially recorded as users are not included. The amount of outstanding, short-term installments or consumer loans recognized during the applicable year is used as a benchmark.

The Robo-Advisors segment contains private asset management providers who offer automated online portfolios in which private investors can choose investment volumes depending on their scope and private appetite for risk. Providers such as Wealthfront, Schwab Intelligent Portfolios and Betterment allow private and/or institutional investors to invest their money (starting at very small amounts) in pre-existing portfolios which are automatically managed by individually configured algorithms. The advantage of these services lie in the passive role of the investor, who may not want or cannot afford, ongoing, personal monitoring of their portfolio development. Such automated investment services allow for the possibility of reaching attractive returns with low starting capital and without specific investment know-how, which stands in contrast to classic investments offered by traditional banks.

Marketplace Lending grows by almost 40% CAGR<sup>1</sup> from 2016 to 2021, reaching a total global<sup>2</sup> transaction value of US\$689bn. China is expected to be the biggest market with US\$445bn in 2021, followed by the U.S. with almost US\$200bn. In all other countries Marketplace Lending is not expected to be very big. The biggest growth driver is the growing number of users as average transaction values grow only by 5% CAGR<sup>1</sup> from 2016 to 2021.

Robo-Advisors are expected to reach US\$1064bn assets under management in 2021 which is more than 50% average growth rate per year. Similar to Marketplace Lending the U.S. and China are the biggest markets with US\$510bn and US\$468bn assets under management respectively. As users grow with 75% CAGR<sup>1</sup> from 2016 to 2021 they drive the growth, while the average amount of assets under management shrinks by almost 13% average growth per year. This is due to the fact that early adopters are mostly high net worth individuals with a technical affinity, while mass market adoption especially in China and other lower-income countries drives down average investment sizes.

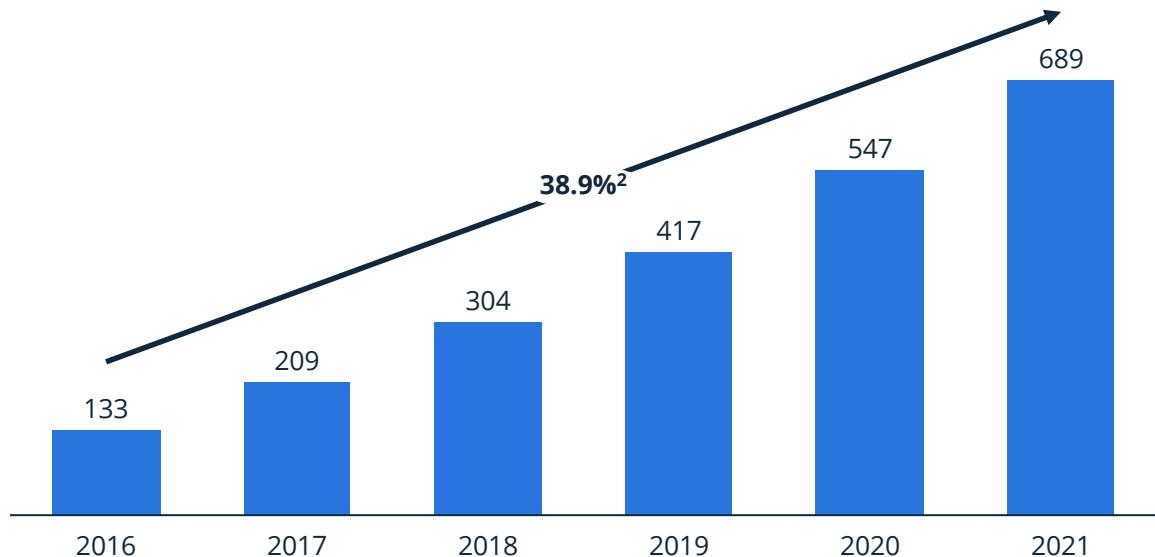
1: Compound Annual Growth Rate/ average growth rate per year 2: Only includes countries listed in the Digital Market Outlook

Source: Statista Digital Market Outlook 2016

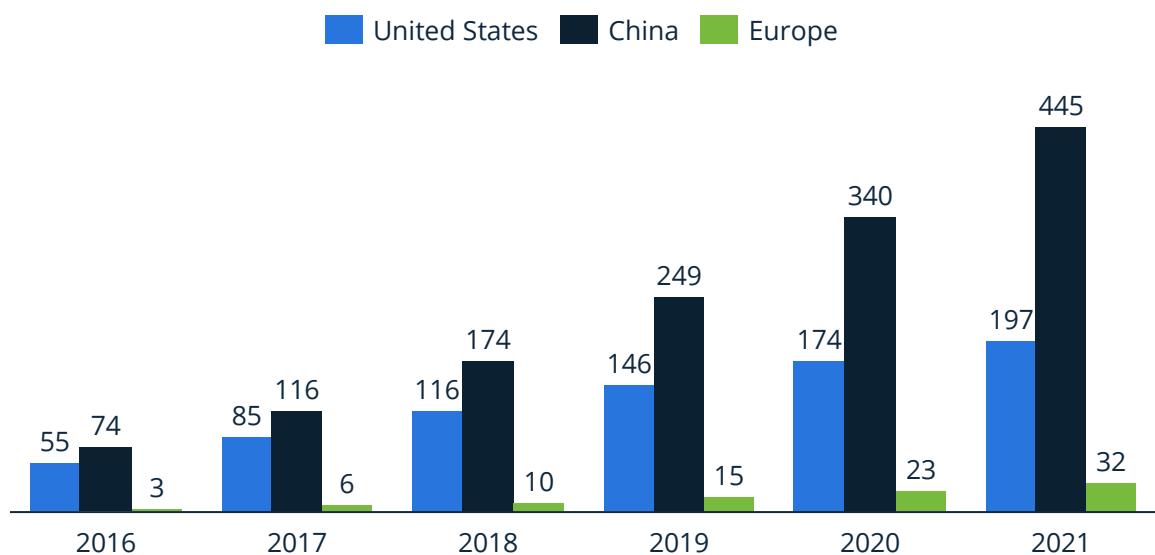
# Marketplace Lending: China outpaces the U.S. in transaction value

## Personal Finance (2/5) – Marketplace Lending

Marketplace Lending: global<sup>1</sup> transaction value in billion US\$



Marketplace Lending: transaction value in billion US\$



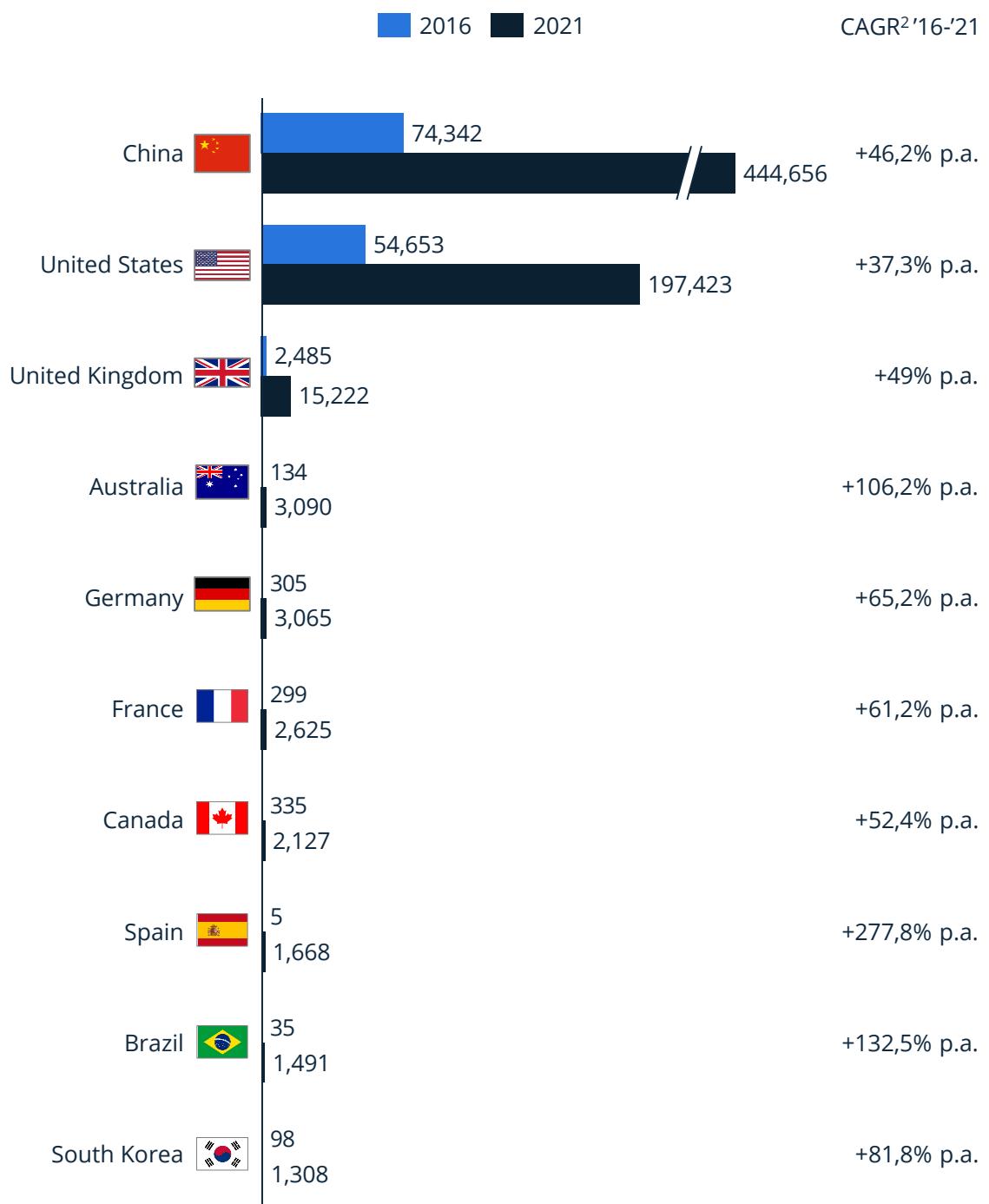
1: Only includes countries listed in the Digital Market Outlook 2: CAGR: Compound Annual Growth Rate/ average growth rate per year

Source: Statista Digital Market Outlook 2016

# China and the U.S. are biggest players in Marketplace Lending

## Personal Finance (3/5) – Marketplace Lending

ML<sup>1</sup> top 10 countries: transaction value in million US\$

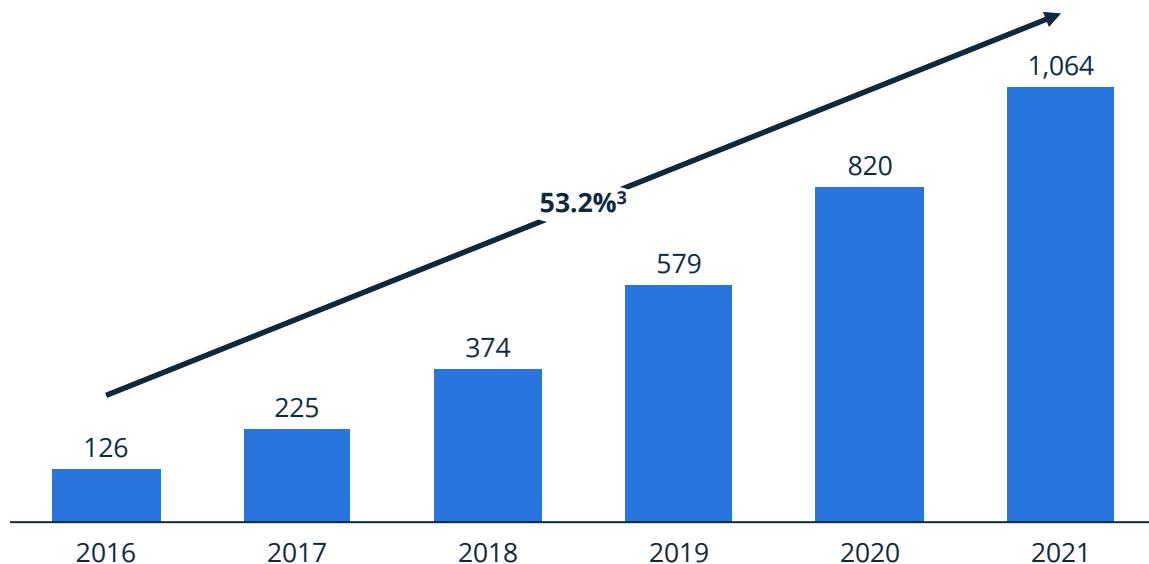


1: Marketplace Lending 2: CAGR: Compound Annual Growth Rate/ average growth rate per year  
Source: Statista Digital Market Outlook 2016

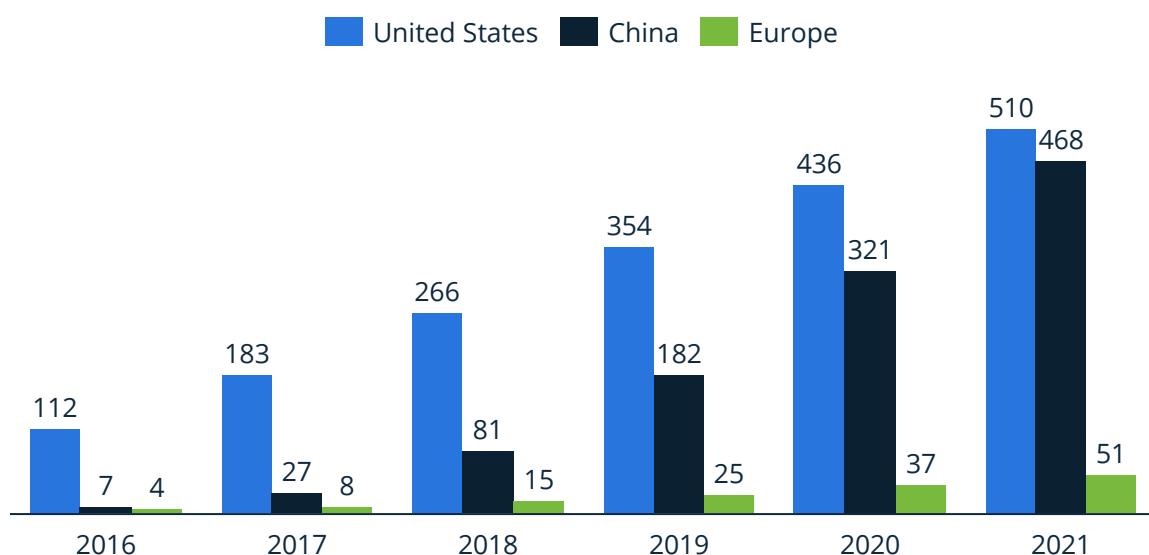
# Europe lags far behind in Robo-Advisory business

## Personal Finance (4/5) – Robo-Advisors

*Robo-Advisors: global<sup>1</sup> total AUM<sup>2</sup> in billion US\$*



*Robo-Advisors: total AUM<sup>2</sup> in billion US\$*



1: Only includes countries listed in the Digital Market Outlook 2: Assets under management

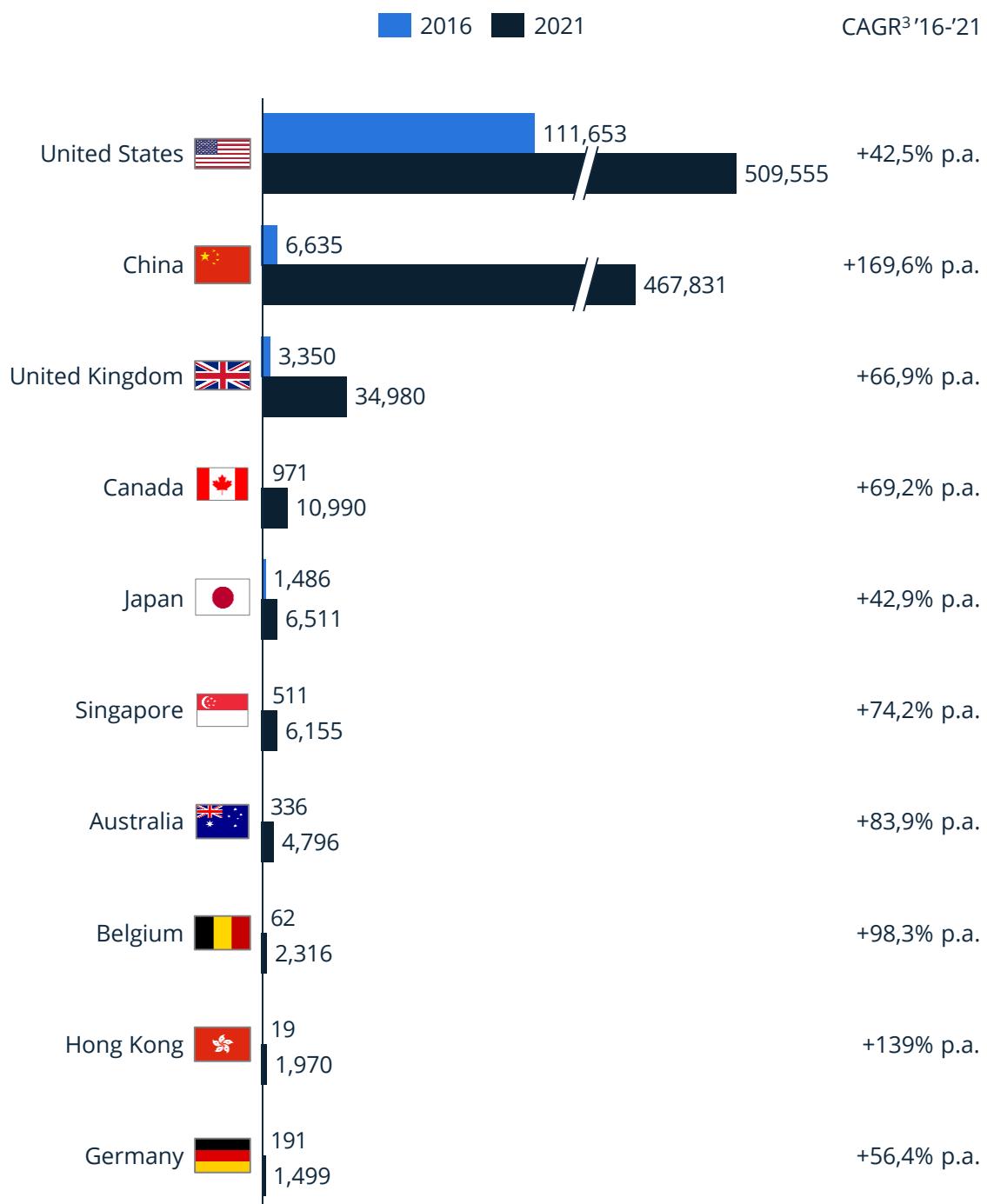
3: CAGR: Compound Annual Growth Rate/ average growth rate per year

Source: Statista Digital Market Outlook 2016

# Despite China's growth U.S. still leading in Robo-Advisors in 2021

## Personal Finance (5/5) – Robo-Advisors

RA<sup>1</sup> top 10 countries: total AUM<sup>2</sup> in million US\$



1: Robo-Advisors 2: Assets under management 3: CAGR: Compound Annual Growth Rate/ average growth rate per year

Source: Statista Digital Market Outlook 2016

# Most prominent FinTech players can be found in Digital Payments

## Digital Payments – representative key players



## Business Finance – representative key players



## Personal Finance – representative key players



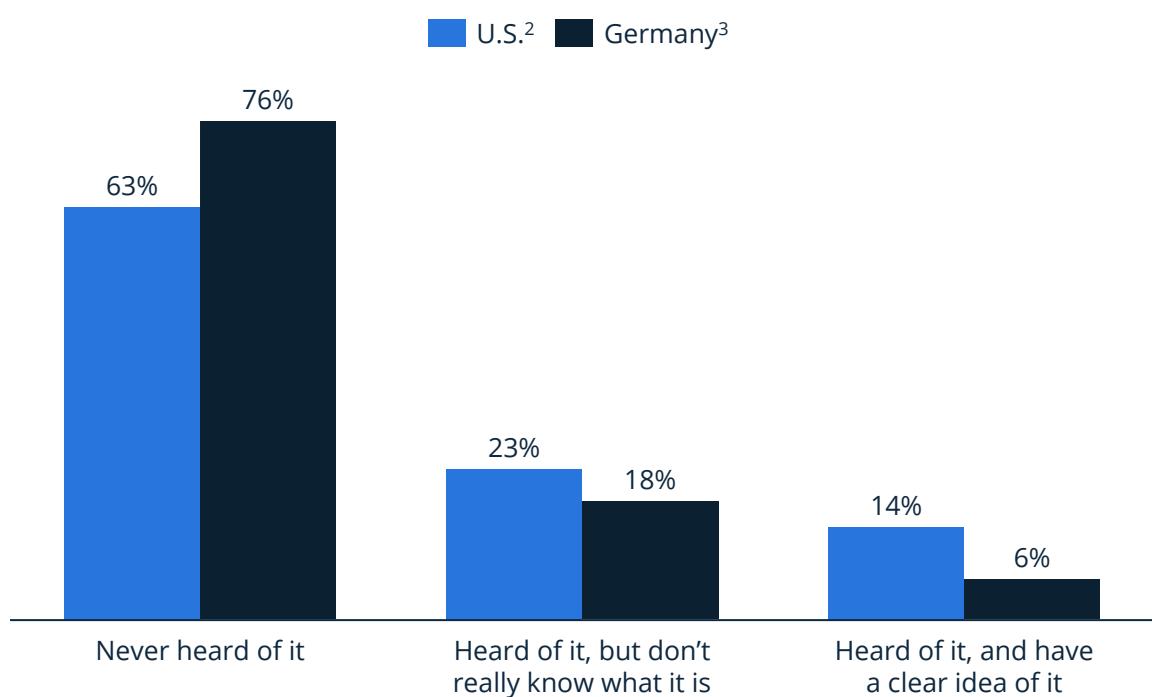
# Awareness of FinTech is low in the U.S., but even lower in Germany

An online Statista-Survey from 2016 with 1,003 people in the U.S. and 1,004 people in Germany, shows that almost two thirds of U.S. citizens have not heard of the term FinTech before and only 14% have a clear idea of what it is. In Germany this difference is even more pronounced with only 6% having a clear idea of it and 76% that have never heard of FinTech.

Although a lot of people have not heard of the term "FinTech" before, a lot more know services and companies providing FinTech services. 91% of respondents in the U.S. are familiar with Internet payment services like PayPal and 82% with Mobile Payment services like Apple Pay. Other FinTech areas like CrowdFunding and -Lending, stock portfolio management or digital insurance management services are less known. In Germany the difference between familiarity of internet payment services and other FinTech services is even more pronounced. While 92% are familiar with internet payment services, all other FinTech products and services are known to less than 64%.

Another interesting difference between the U.S. and Germany is the usage of internet payment services. While almost the same number of respondents are familiar with these services, 64% of Germans use them but only 53% of Americans. This is even more surprising as the usage of other FinTech products in Germany is well below 10%, while some of them are more commonly used in the U.S., like internet and smartphone banks (44%), investment management via smartphone or internet (34%) or Mobile Payments (21%).

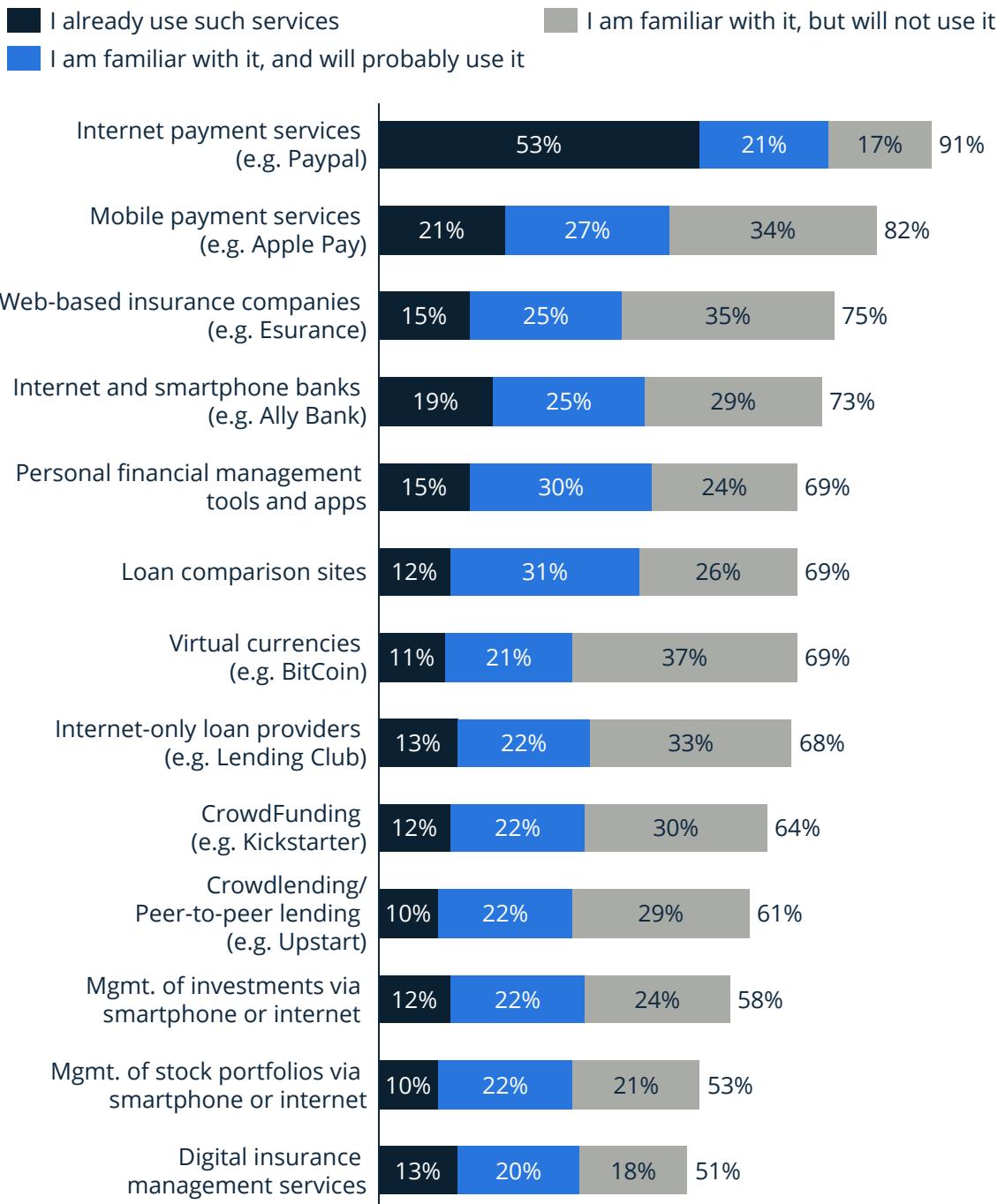
## *Awareness of the term "FinTech" in the U.S. vs Germany<sup>1</sup>*



1. Question: Have you ever heard of so-called FinTechs before? 2: N=1,003 3: N=1,004  
Source: Statista-Survey FinTech in the U.S. (September 2016) and in Germany (June 2016)

# Almost a quarter of Americans use Mobile Payment services

## Familiarity with FinTech products and services in the U.S.<sup>1</sup>

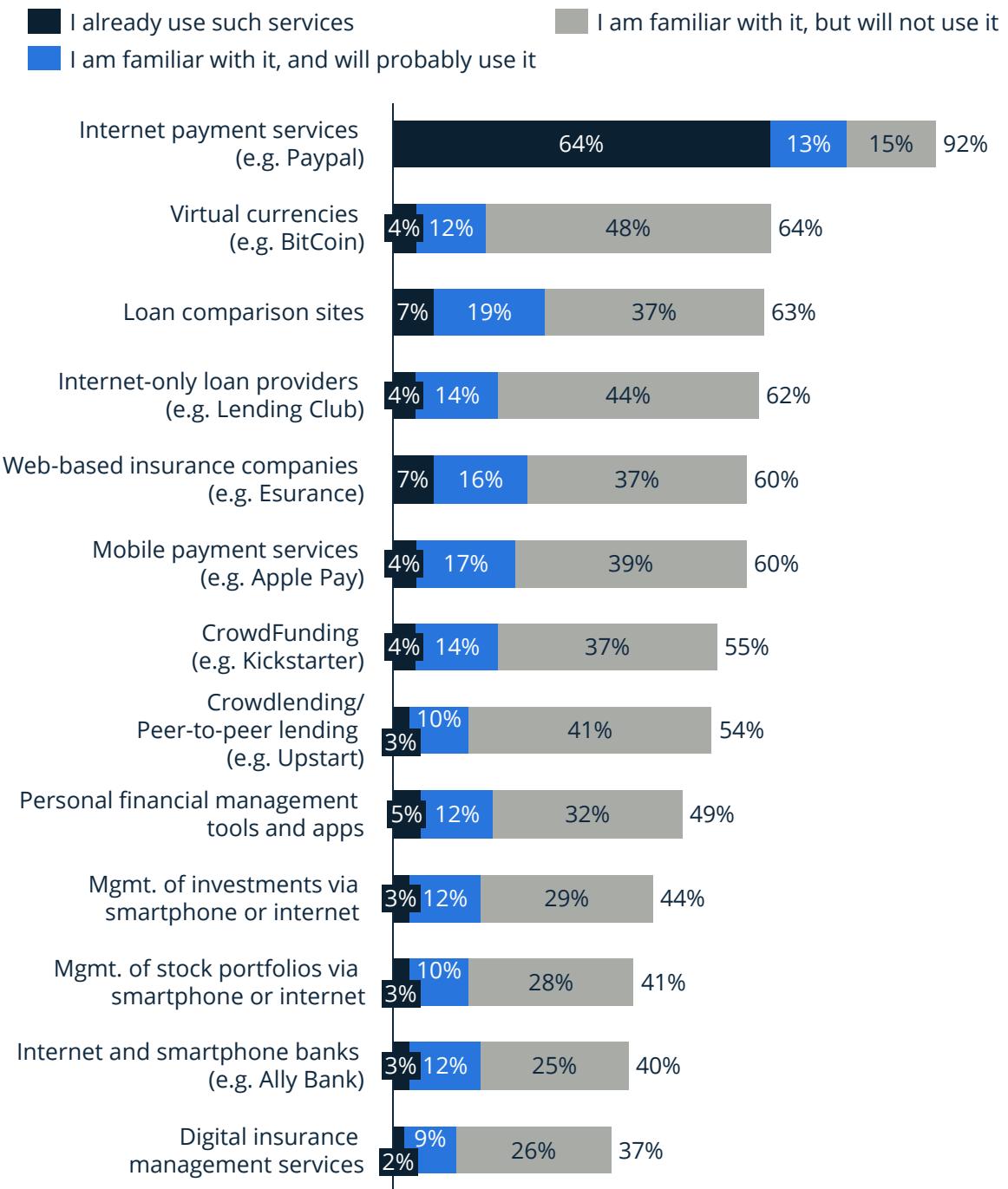


1: Question: Which of these products or services of an alternate provider (i.e. fintechs) are you familiar with?, N=1,003

Source: Statista-Survey FinTech in the U.S. (September 2016)

# In Germany, only internet payment services are widely used

## Familiarity with FinTech products and services in Germany<sup>1</sup>



1: Question: Which of these products or services of an alternate provider (i.e. fintechs) are you familiar with?, N=1,004

Source: Statista-Survey FinTech in Germany (June 2016)

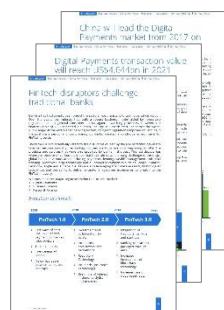
# FINTECH

## Statista Report 2017

FinTech has become an important issue in the financial industry – more and more start-ups are being founded and also big banks increasingly use FinTech products. Most innovations are still driven by the USA, but China is expected to take the lead in 2017.

Find out how big FinTech is, what business models it involves, what consumers think about it and who the big players in the market are.

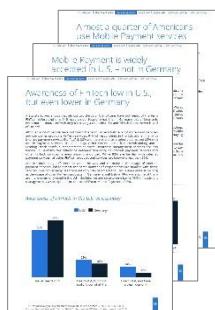
### Market size



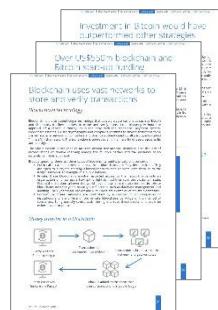
### Business models



### Consumer perspective



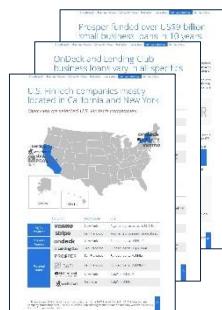
### Blockchain



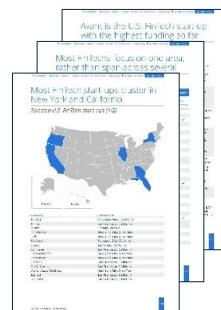
### Case study: Ant Financial



### Company profiles



### List of US start-ups & banks in the area of FinTech



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Any more questions?  
Get in touch with us quickly and easily. We are happy to help!

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