Increased use of digital channels opens door to a bright 2021 for U.S. fintech, according to S&P Global Market Intelligence's annual Fintech Market Report

NEW YORK, Feb. 10, 2021 /PRNewswire/ -- Last year's favorable market conditions for companies in the U.S. financial technology (fintech) sector are likely to continue throughout 2021, according to S&P Global Market Intelligence's annual Fintech Market Report. The new report concludes that the fintech sector not only weathered the storm of the COVID-19 pandemic in 2020, but many subsectors benefited from it, due to an increased use of digital channels by consumers.

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Published by S&P Global Market Intelligence's Financial Institutions Group (FIG) Research team, this report spotlights the current state of digital distribution and fintech. The report found that changes in consumer behavior driven by the COVID-19 pandemic led to favorable conditions for the fintech sector. This included surges in demand for digital insurance brokers, mobile banking, and more. Coupled with an ample supply of venture capital and the potential for more IPOs and mergers, the positive trajectory for the sector is expected to remain.

"By now, the fintech sector is probably on everyone's radar, but the extent to which customers continue to use digital channels after the pandemic passes remains to be seen," said **Thomas Mason, Senior Research Analyst for FIG at S&P Global Market Intelligence**. "At the very least, the pandemic has put a spotlight on both the strengths and weaknesses of digital distribution, offering a stress test of the scalability and fault tolerance of these systems. We expect increased digital adoption and the one-stop-shop model to be key themes in 2021, as well as robust IPO and M&A activity in the space."

Key highlights from the report include:

- **Digital investing:** The economic impact of COVID-19 provided a clear windfall to online brokers as U.S. retail investors that already had accounts traded much more heavily, and first-time investors jumped into the action. Charles Schwab, E*TRADE and TD Ameritrade together boosted new accounts in 2020 by 316% in the first quarter and 197% in the second quarter.
- **Digital lending:** The pandemic has been the most significant shock to the non-bank digital lending industry in the past 10 years. Origination volume in the first three quarters of 2020 declined 36% year-over-year across a core group of companies focused on personal lending, small and medium-sized enterprises lending, and student lending.
- **Insurtech:** The insurtech space has been largely unfazed by the pandemic, with many startups still able to grow rapidly, secure venture capital and go public. The creation of insurtech companies that both sell and underwrite policies (a.k.a. full stack) accelerated in 2020, with five property and casualty companies either forming a carrier or announcing the acquisition of one, up from three in 2019 and one in 2018.
- **Mobile banking:** Customers have increasingly turned to their mobile bank apps for basic banking services since the outbreak of COVID-19, forcing institutions to rapidly adjust digital strategies to fill gaps in their offerings. S&P Global Market Intelligence's 2020 U.S. mobile banking survey found that nearly 58% of respondents indicated that they visited branches less frequently after the COVID-19 outbreak began in the U.S. Overall, 44% of respondents to the survey

indicated that they leaned on their mobile banking apps more frequently as a result of the pandemic.
- **Mobile payments:** The COVID-19 pandemic has boosted mobile payment adoption in the U.S. and led to record growth among multiple nonbank payment providers. Square's Cash App saw funds stored in-app grow from $945 million to $1.3 billion in the month of April. PayPal saw net new active accounts nearly double from 3.9 million to 7.4 million in the same month. Both businesses experienced significant growth in users and transaction activity in the months following the initiation of the pandemic.

To request a copy of the 2021 Fintech Market Report, please contact pressinquiries.mi@spglobal.com.

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