

2020 FINTECH REPORT

The Fintech Effect

Spotlight on COVID-19

Welcome to The Fintech Effect, a new Plaid research series designed to provide unique insights and analysis about fintech's impact around the world. This first report highlights the impact that COVID-19 has had on fintech adoption and use.

The COVID-19 pandemic created major financial challenges for many: over 14 million Americans lost their jobs¹, 43% of US adults reported one member of their household had a reduction in income², and, in general, people were not able to manage their financial lives as they had in the past, as banks were forced to temporarily close their doors.

In the face of these challenges, digital financial tools (fintech) provided a way for people to regain some financial control and to make money management easier. For this survey, we sought to quantify the impact that COVID-19 is having on fintech adoption, and also to understand how people are managing their financial lives in the face of COVID-19-related challenges.

What is Plaid?

Plaid connects people to the digital services they want to use. Plaid powers more than 3,000 fintech services, and connects with more than 11,000 financial institutions.

What is fintech?

Fintech is the intersection of financial services and technology³. It can refer to a broad range of startup companies and technology within traditional financial institutions to the apps people use everyday to manage their money, such as peer-to-peer payment apps like Venmo and investment apps like Betterment

¹ Pew Research Center, "Unemployment rose higher in three months of COVID-19 than it did in two years of the Great Recession"

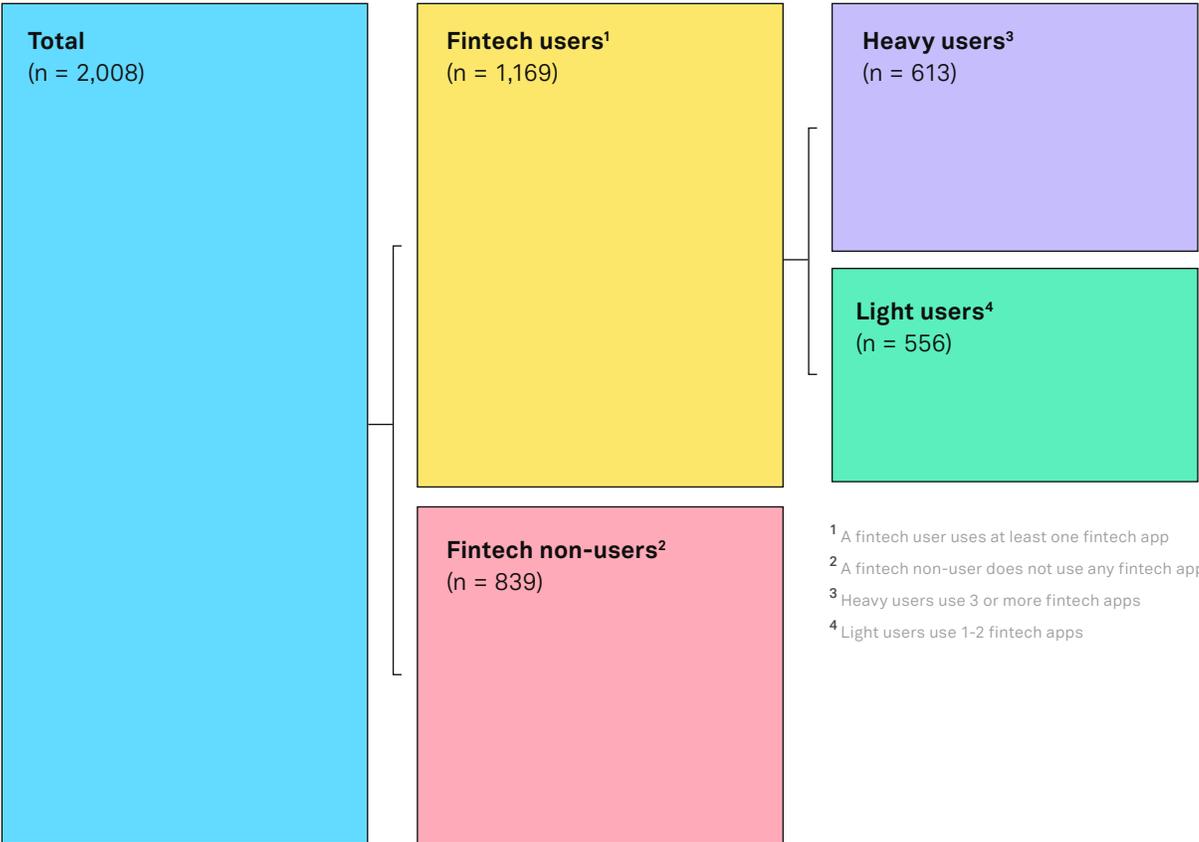
² Pew Research Center, "About Half of Lower-Income Americans Report Household Job or Wage Loss Due to COVID-19"

³ PwC, "What is Fintech?"

This survey was conducted online within the United States by The Harris Poll on behalf of Plaid from July 16-27, 2020, among 2,008 adults ages 18 and older.

In addition to the key populations outlined below, results were analyzed by age, gender, region, urbanicity, ethnicity, income, assets, employment, marital, and parental status. Data were also evaluated by events such as a respondent’s financial history and personal experience with COVID-19.

The data have been weighted to reflect the composition of the U.S. population. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated.



PG 005

1 Fintech adoption is accelerating amid the global COVID-19 pandemic

The majority of Americans used fintech before the pandemic, but COVID-19 accelerated adoption – during the pandemic, people used more fintech apps, more frequently and for more financial tasks.

More than half of Americans use digital tools to manage their money. **59%** of Americans use more apps to manage money now than before COVID-19.

PG 009

2 Fintech has been a lifeline for a majority of Americans during COVID-19

Consumers overwhelmingly turned to fintech for their essential financial needs, providing a critical resource during a time of economic stress.

69% found Fintech to be a lifeline during COVID-19, and more than half say they could not have kept up with their finances during COVID-19 if it weren't for digital apps, products and services.

PG 012

3 Most people view fintech as their “new normal” for managing money

People are forming new digital habits as a result of COVID-19 and the survey suggests those changes will become a “new normal” for most.

73% of surveyed people said they plan to continue managing the majority of their finances digitally, viewing fintech as the “new normal.”

80% of Americans say they can now manage their money entirely without a bank branch, instead favoring contactless digital solutions.

1 Fintech adoption is accelerating amid the global COVID-19 pandemic.

The majority of Americans used fintech before the pandemic, but COVID-19 accelerated adoption. During the pandemic, people used more fintech apps, more frequently and for more financial tasks.



“I use more apps and digital tools to manage my money now than I did before COVID-19.”

— **59% of Americans agree**

66% of fintech users agree

48% of non-users agree

73% of heavy users agree

59% of light users agree

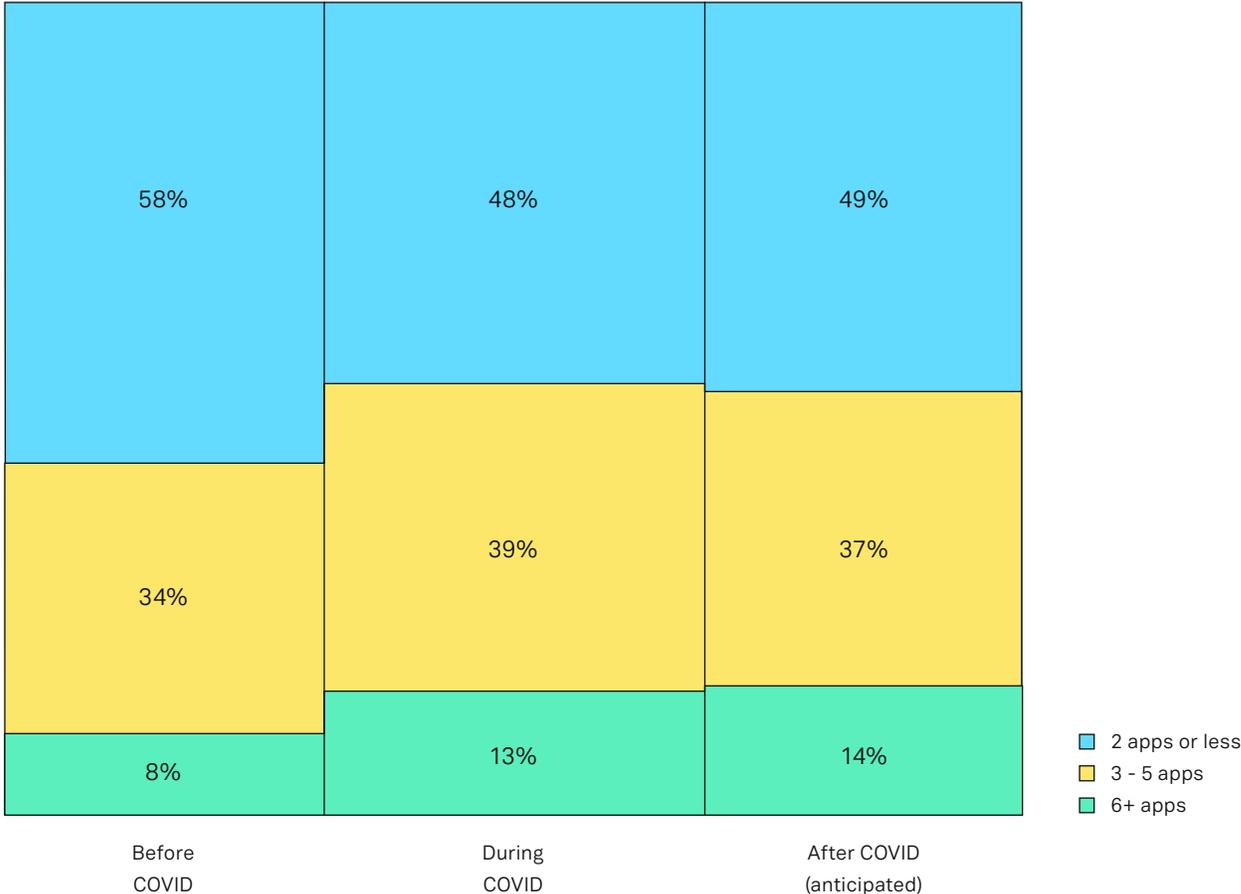


Two-thirds also say they plan to use fintech more often for at least one financial task, from budgeting and saving to investing and paying off debts, as a result of the pandemic (**66%**).



Nearly 30% of Americans are focused on building an emergency fund using fintech.

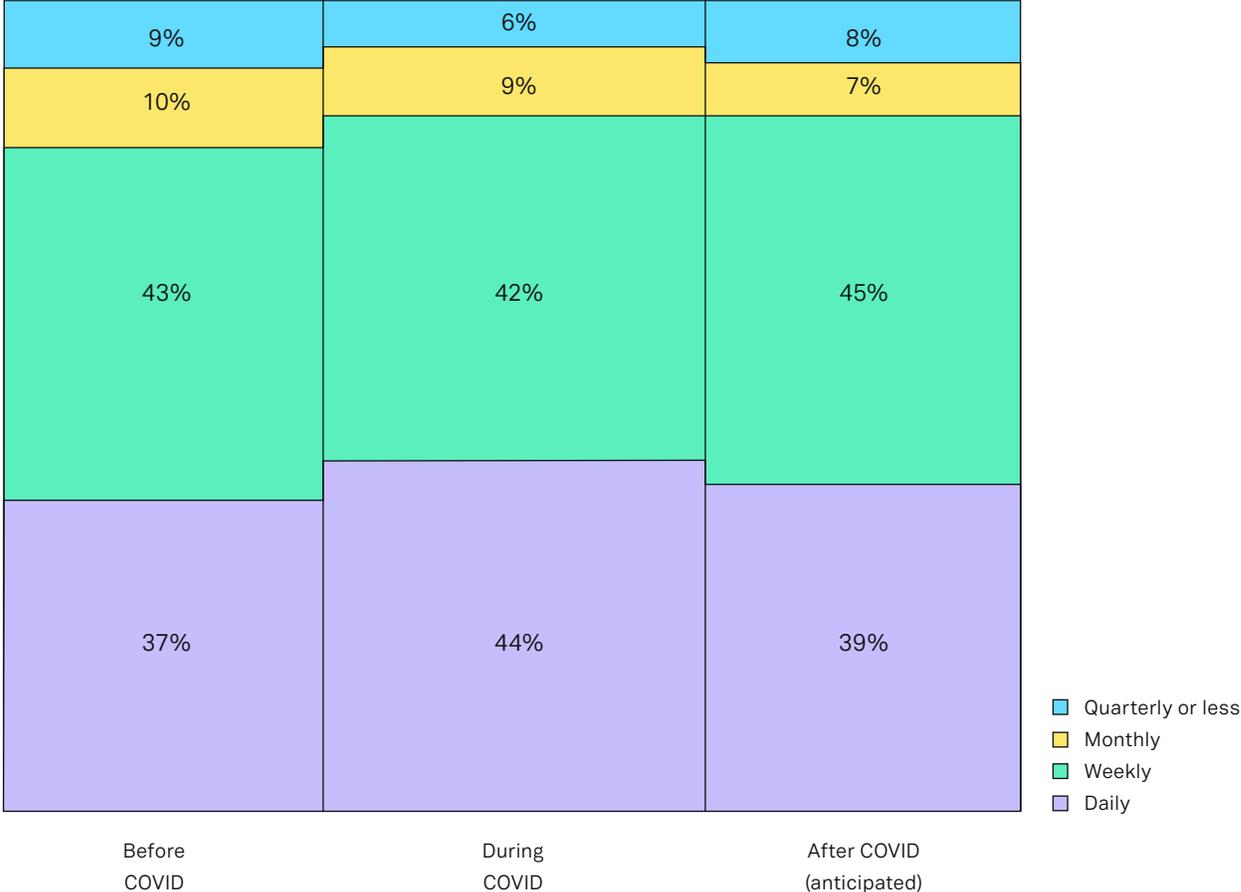
Number of digital apps used to manage money



Users are relying on more apps during COVID

People planning to use three or more apps to manage their money grew to over **50%** post-COVID. The percentage of people who expect to rely on six or more apps alone **nearly doubled** from before to after COVID, jumping from **8 to 14%**. Median app number rose from **2.0 to 3.0**.

Frequency of using digital apps to manage money



Daily use is on the rise

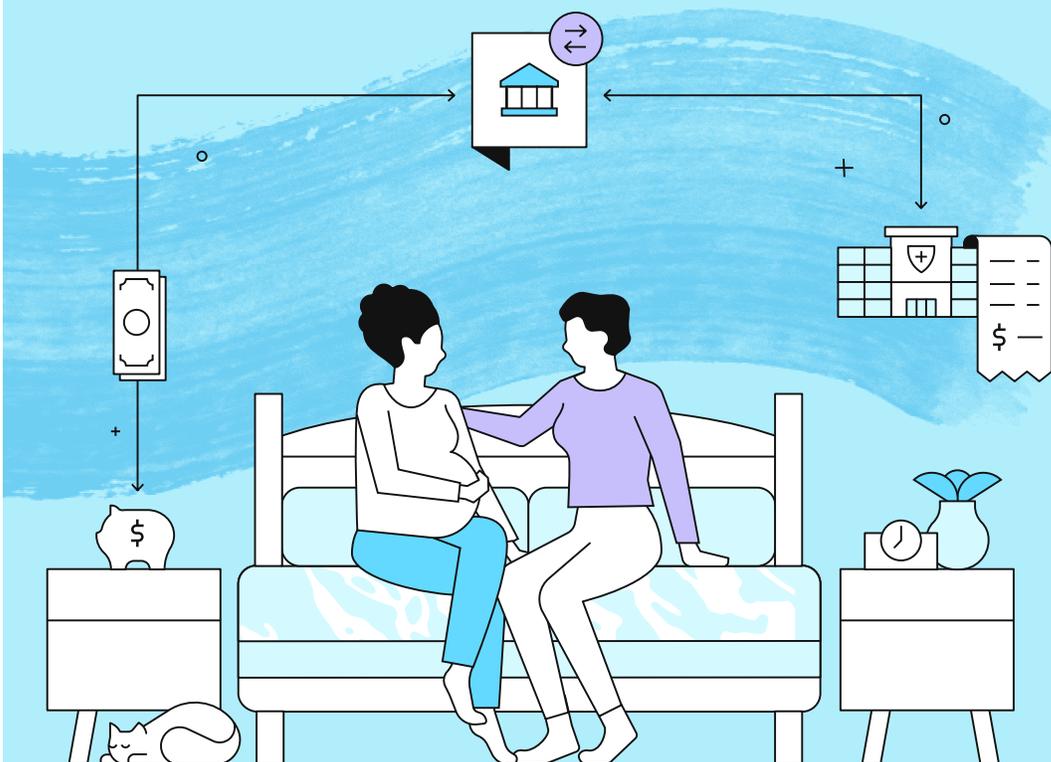


Reliance on fintech for everyday financial needs, like banking, saving, and paying friends, grew the most as a result of COVID-19, when bank branches were shuttered and cash was deemed a potential mode of transmission. Beyond basic money management, **30%** or more of respondents cited that due to COVID-19 they’re relying on fintech more for more complex financial management, such as investing, checking or improving one’s credit profile, and paying off student loans and personal debt.

2

For a majority of Americans, fintech has been a “lifeline” during the pandemic.

69% of Americans found fintech to be a lifeline during COVID-19. **More than half** say they could not have kept up with their finances during COVID-19 if not for digital apps, products and services.



“I can manage my money without going into a bank branch.”

— **80% of Americans agree**

87% of fintech users agree

70% of non-users agree



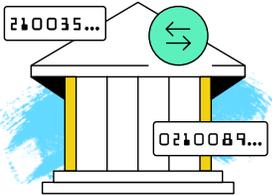
When consumers faced COVID-19 financial challenges, over half of Americans (**52%**) turned to fintech to help navigate.



Those who are married and/or have kids are more likely to say they use **5+ Fintech apps** before, during and after COVID and also manage a higher proportion of their finances digitally during all 3 phases.



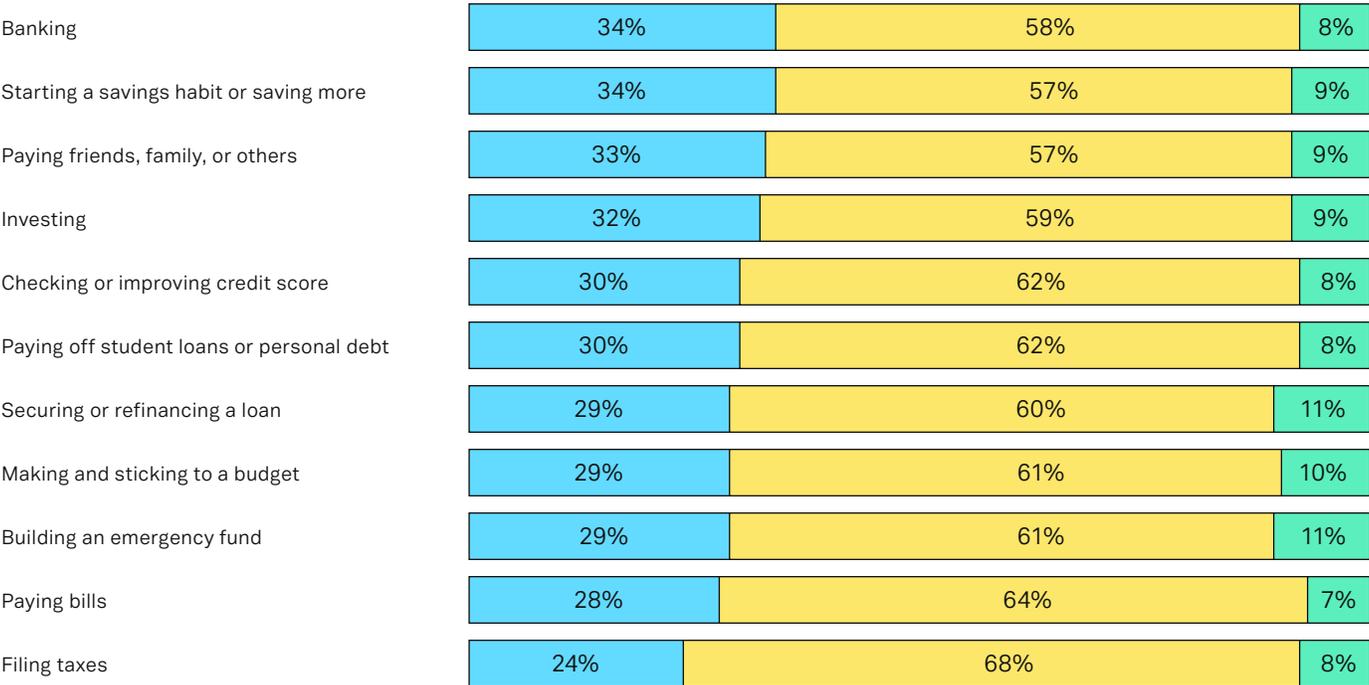
Parents use Fintech more during COVID for every financial task queried compared to non-parents.



Increasingly, Americans are using technology for more financial tasks

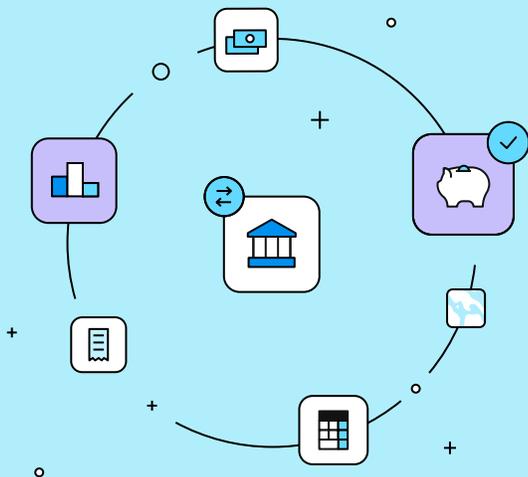
In comparison to other respondents, those who use online-only banking are more likely to say they use fintech more often for a variety of financial tasks due to COVID-19, especially **banking** (56%), **checking or improving one’s credit profile** (50%), **saving more** (49%), **filing taxes** (46%), and **building an emergency fund** (44%).

“I use digital apps, products and services for this task ■ more ■ the same ■ less due to COVID-19.”



3 Most people view fintech as the “new normal” for managing money.

People are forming new digital habits as a result of COVID-19. Our survey suggests those changes will have long-lasting effects on how people manage their money.



“After COVID-19,
using fintech to
manage money will
be the new normal.”

— **73% of Americans agree**

81% of fintech users agree

63% of non-users agree

84% of heavy users agree

77% of light users agree



The **vast majority** of Americans believe technology-driven financial services companies will innovate faster than traditional ones (**76%, 83% fintech users**).



Ultimately, **more than half** say they could never go back to a world of bank branches and paper statements (**56%, 64% fintech users**).



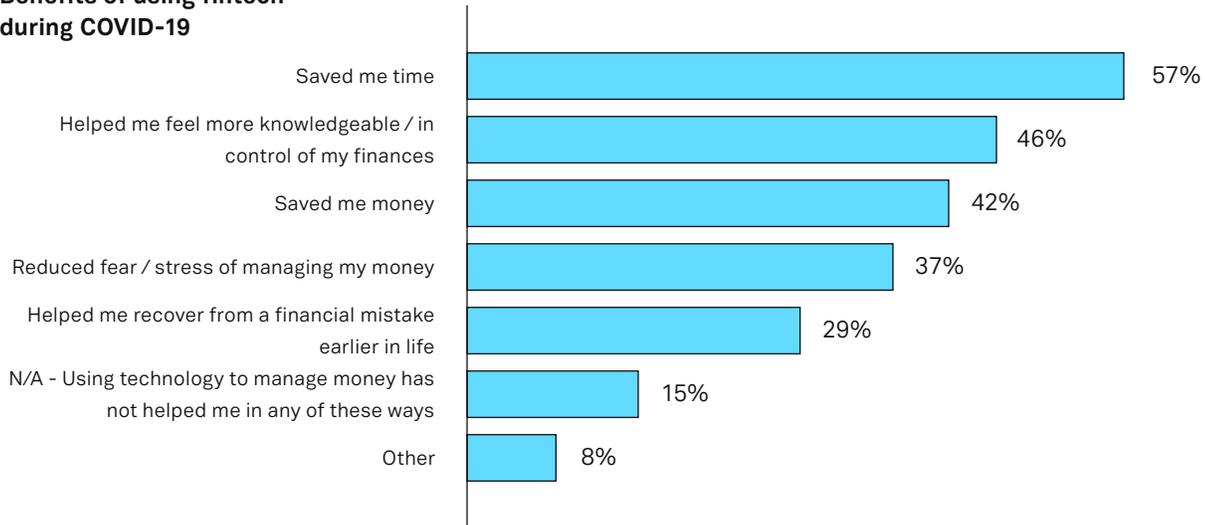
Furthermore, **73%** of Americans say they feel safer managing their money with technology after COVID-19.



Fintech begets fintech

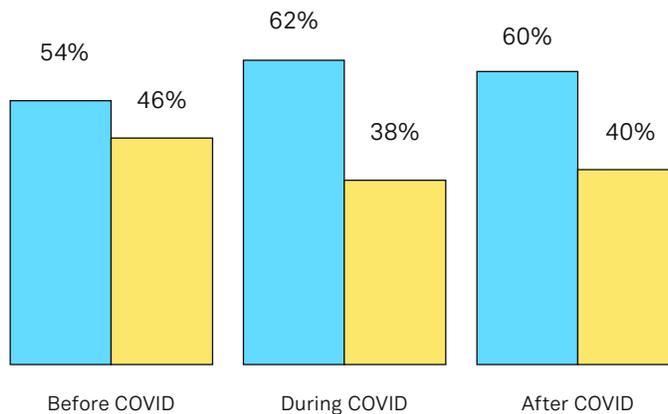
Those who used fintech during COVID found that it saved them time (57%), saved them money (42%), and reduced the stress or fear of managing their money (37%). These benefits could mean long-term shifts in personal financial management. Most Americans, (73%), view fintech as the “new normal,” and (67%) plan to continue managing the majority of their finances digitally after COVID.

Benefits of using fintech during COVID-19



Proportions of finances managed digitally vs. offline

■ Managed digitally
 ■ Managed offline



As the COVID-19 pandemic presents new financial challenges, people are adopting fintech apps and services at a higher rate to help them navigate a broad range of financial needs. Not only did adoption increase as a result of the pandemic, but consumers view these new digital habits as their new normal, representing a major shift in consumer behavior.

As we look ahead to a post-COVID future, there are several important implications for the industry:



Fintech became the new normal by delivering tangible benefits to consumers

When the financial stress of COVID-19 set in, consumers turned to fintech and viewed it as a critical financial lifeline. It was expected that people would look for alternative ways to manage their finances, but it is the tangible benefit that people are realizing that is making fintech the new normal for many.



Fintech as the new normal means higher consumer expectations

The newfound reliance on fintech isn't a fleeting trend: survey respondents indicated that digital money management will continue to be their preferred method after the pandemic. Many capabilities that seemed cutting edge prior to the pandemic, like the ability to manage one's finances via mobile apps, are quickly becoming commonplace. Moving forward, more companies can incorporate fintech to adapt to meet these new consumer expectations.



The financial services industry will evolve faster as a result of COVID-19

A large number of traditional financial processes are still paper-based, which will be an increasing point of friction with consumers who have now experienced better and expect more. While fintech companies created many of the "lifeline" apps and services during the global pandemic, traditional institutions have also provided new digital tools in the face of COVID-19. Now, both will be challenged to push innovation further and evolve to meet changing consumer expectations.