# Technology Trends That Will Shape the Lending Business in 2021

After a tumultuous year because of the Covid-19 pandemic, the disease is gradually being controlled with the presence of a vaccine, the economy is forecasted to soon recover. In that context, the consumer lending market is forecasted to have the opportunity to grow again in 2021

Modern analysts compare the situation in the IT industry with changes in the weather. Likewise, in money lending software, long-term, well-predictable trends are combined with rapidly emerging spontaneous impulses. The main trends of 2021 are interconnected with each other. Some of them will become a continuation of pre-existing trends, others will strengthen or weaken their effect.

Picture 1 of Technology Trends That Will Shape the Lending Business in 2021

## 1. Redefining the digital agenda from cutting costs to finding revenue

Research has confirmed a direct correlation between the level of digital maturity and the profitability of banks. What's more, the performance gap between tech leaders and banks lagging behind in the digital race is widening. However, even digital leaders in the banking market have potential compared to tech companies. In addition to building more cost-effective and lower-cost business models, they must find ways to make money in a low-interest market.

## 2. Only the best among neobanks will be able to convert clients into profit

While the leaders among the traditional players are expected to see tangible revenue growth, the emerging market players will have to demonstrate that they are capable of earning from the clients they attract. For example, more than 18 million accounts have been opened in UK neobanks. Most of them, however, are low-balance second accounts, and two-thirds of their holders do not close their main accounts with other banks.

## 3. For medium-sized banks, M&A is becoming more and more relevant

There have been many mergers in the payments segment. This is a natural market reaction to industry trends when payments become instant, invisible and free, and economies of scale and integration with banking systems become critical. A similar trend manifests itself in the brokerage business in the US market, influenced by the reduction in commissions by neo-players.

## 4. Open banking transforms privacy policy and data collection

The development of Open Banking technologies around the world is leading to a discussion about the rights to disseminate data about bank customers. Customers gain control over how their data is disseminated. In these circumstances, banks must show that they can not only be trusted with aggregated customer information, but that they can create additional value by using this data to care for the financial well-being of the customer.

By providing the data, customers can receive car insurance at reduced rates or, for example, an installment plan when buying a washing machine. The exchange of data will also form the basis of the resulting business models. For example, for calculating and selecting a mortgage loan.

## Output:

Banks are beginning to sacrifice fee and commission income to build more trusting relationships with customers. Banks' fee and commission income continues to decline in the long term. Fintech companies and other market players are using artificial intelligence to reduce the number of bad decisions that cause customers to overpay.

The time has come to carefully monitor the quality of loans. This trend is increasing against the backdrop of the end of favorable macroeconomic conditions at the global level.

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