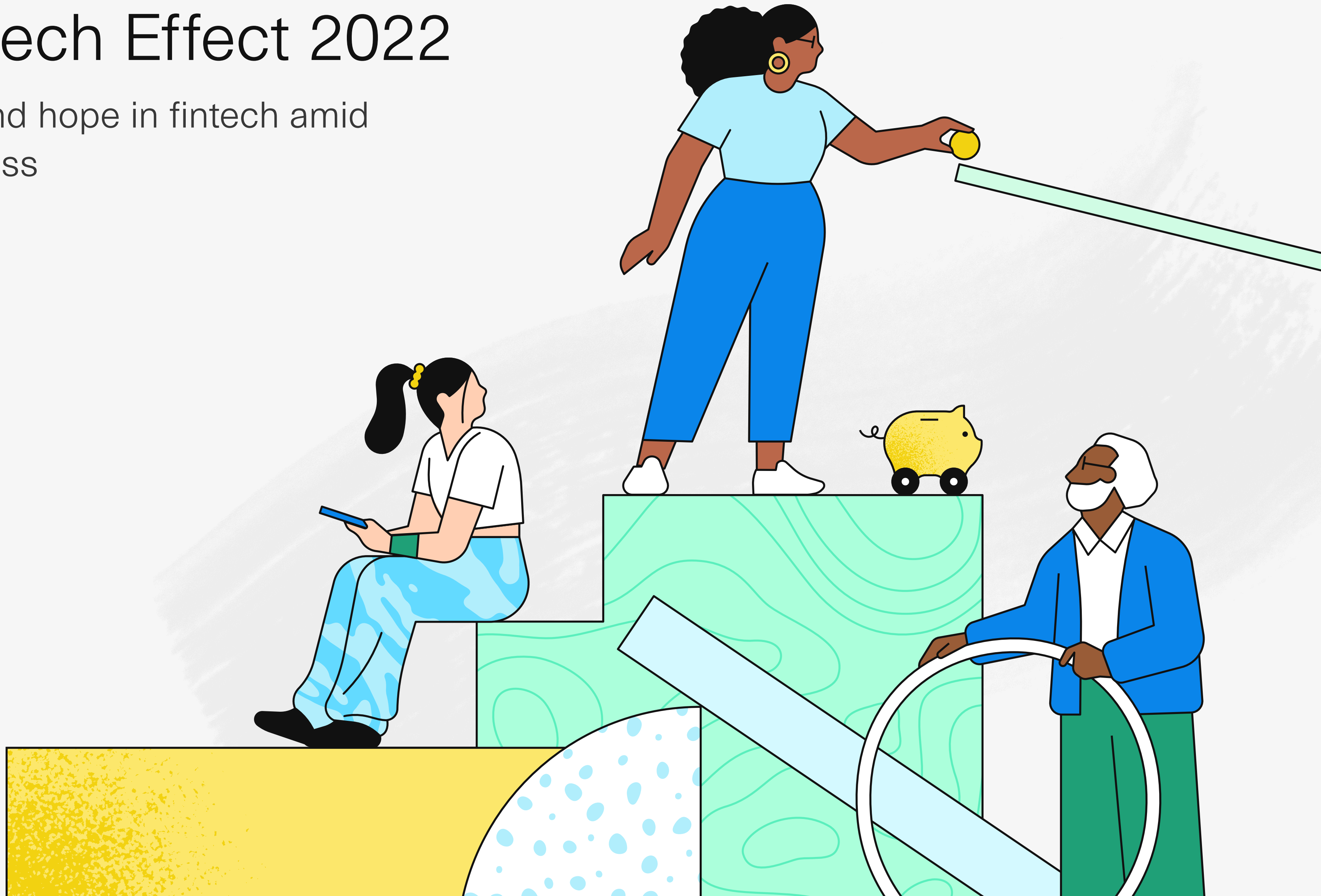
PLAID × The Harris Poll

AN EXECUTIVE BRIEFING

The Fintech Effect 2022

Consumers find hope in fintech amid economic stress



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With fintech adoption at 80% in 2022 (up from 58% in 2020), it's clear that consumers continue to find value in managing their finances digitally. As consumers' expectations and usage patterns evolve, digital finance businesses must strive to continually understand and meet their needs.

Plaid's third annual Fintech Effect report examines trends in US consumers' usage of and attitudes about digital finance tools. The report is based on The Harris Poll's original research, conducted between June and July of 2022, representing 2,000 participants across a range of demographics. Some of the report's key findings include:

1. **Fintech offers hope amid economic stress:** While over half of consumers (53%) say their financial stress has increased over the past year, 64% say economic factors are making them more reliant on fintech tools.

2. **Consumers expect trustworthy, convenient, and secure experiences:** The majority of consumers want the same things: control over where their data is shared, apps they can access instantly, and apps that use identity verification.

3. **Fintech meets needs based on financial realities:** Consumers turn to payment apps (73% adoption) and payroll advance tools (19%) to meet short-term needs. Once those obligations are met, budgeting (17%) and investing (31%) are the next steps to financial wellness. Users with budgeting and investment apps tend to be highly engaged with fintech, typically having more fintech apps and/or checking them more frequently.

Key takeaways

- Fintech use remains high as the world reopens
- Economic stress impacts financial priorities and fintech use
- Impact remains high as usage varies

95%!!

of Americans say they feel some degree of financial stress

Fintech offers hope amid economic stress

Fintech adoption reached 80% in 2022, a significant jump from 58% in 2020. This figure is slightly lower than in 2021 (88%), but the dip is likely attributable to Baby Boomers, whose year-over-year adoption declined from 79% to 54%.

Economic stress is creeping up, with 53% of Americans saying their financial anxiety has increased in the past year. The top financial concerns consumers cite are day-to-day challenges: cost of living, gas prices, and recession fears. At the same time, 77% of consumers agree that accessing their finances from anywhere is helping them navigate a challenging economy. In addition, 64% of consumers say economic factors are making them more reliant on fintech to manage their money.

For digital finance organizations, this means creating valuable experiences to help consumers navigate a challenging economy is critical. Fortunately, consumers are clear on what they expect from digital finance applications.

Key takeaways

- Building consumer trust begins with privacy
- Time and money savings are core to providing real value
- Consumers want great digital experiences that are both convenient and secure

76%

of Americans say they have more trust in financial companies when they clearly convey their privacy practices

BOTH BANKS AND FINTECHS

Consumers expect trust, convenience, and security

#1. Consumers want to trust their fintech apps

It's critical for consumers to trust the fintech tools they adopt. Building consumer trust means promoting:

- **Control:** 83% of consumers prefer having direct control over where their data is shared, rather than letting a company decide. As 75% want to connect their bank accounts to fintech tools, there is an appetite for sharing data, as long as the consumer dictates where.
- **Transparency:** 76% of consumers have more trust in financial companies when they clearly share their privacy practices and 82% want to know who is responsible for managing their data. This further supports that consumers are seeking an active role in how their data is managed.
- **Engagement:** Finally, 76% agree that the more they use digital tools to manage their money, the more they trust them. Thus, creating high-value experiences that bring consumers back to an app could encourage a positive cycle of increased trust and engagement.

#2. Convenience can make or break sign-ups

Another major concern for consumers is convenience, which can create drop-offs at the onboarding phase. The majority of users (76%) are more likely to sign up for an app they can access instantly. Plus, 58% of consumers have abandoned an app sign-up process because it was too complicated. This figure is higher for budgeting (70%) and investment (66%) app users.

How a tool fits into a consumer's suite matters as well, with 35% saying compatibility has the greatest impact on choosing a new tool. For digital finance organizations, this means investing in a smooth onboarding process and integrations with other tools can help boost sign-ups.

#3. But convenience can't come at the cost of security

That said, consumers are willing to take security measures to prevent fraud, even if it slows down their sign-up process. Many consumers (80%) prefer applications that verify their users and their identities over apps that don't. Additionally, 70% of consumers feel safer using a digital finance product when they need to provide a driver's license or some identifying information.

Consumers also shared that convenience and security are the top two factors impacting their decision to adopt new tools. Finding the balance between a secure experience and a convenient one is key to attracting new customers.

Key takeaways

- Consumers with immediate needs turn to payments and payroll advance tools
- Savings and budgeting help consumers find security in the medium-term
- Investing can unlock long-term benefits

Fintech meets needs based on financial realities

As consumers grapple with their individual financial challenges, they turn to fintech.

Short-term needs: payment tools and liquidity

Payment services are the most commonly used digital finance tool, with 73% of consumers using them and 46% of consumers keeping a balance in payment apps like Venmo.

Other short-term solutions include payroll advance tools, which 19% of consumers use to manage liquidity. Surprisingly, these services are more popular with consumers who have slightly higher incomes: 21% of those making between $50K and $100K and 20% of those making over $100K report using these tools. Meanwhile, only 12% of those making under $50K use these services.

This data suggests two things: payment tools are the largest gateway into fintech and higher-income consumers aren’t immune to liquidity challenges.

Medium-term needs: Saving and budgeting

About a third of respondents are concerned about saving, but higher-income consumers are more likely to name it a priority. Thirty percent of those making under $50K consider savings a priority, compared to 39% of those making $50–100K and 41% of those making over $100K. This demonstrates that shorter-term needs can impede consumers’ ability to adopt healthy financial habits, even when they know how important they are.

When compared to payment services adoption, budgeting has much lower usage, at 17%. But consumers who use budgeting tools are highly engaged: with 64% of them using digital finance apps daily. These users also have an average of 5.65 finance apps, more than any other use case.

This suggests that budgeters are more likely to be highly engaged with managing their finances digitally, or are at least more willing to try new digital finance apps.

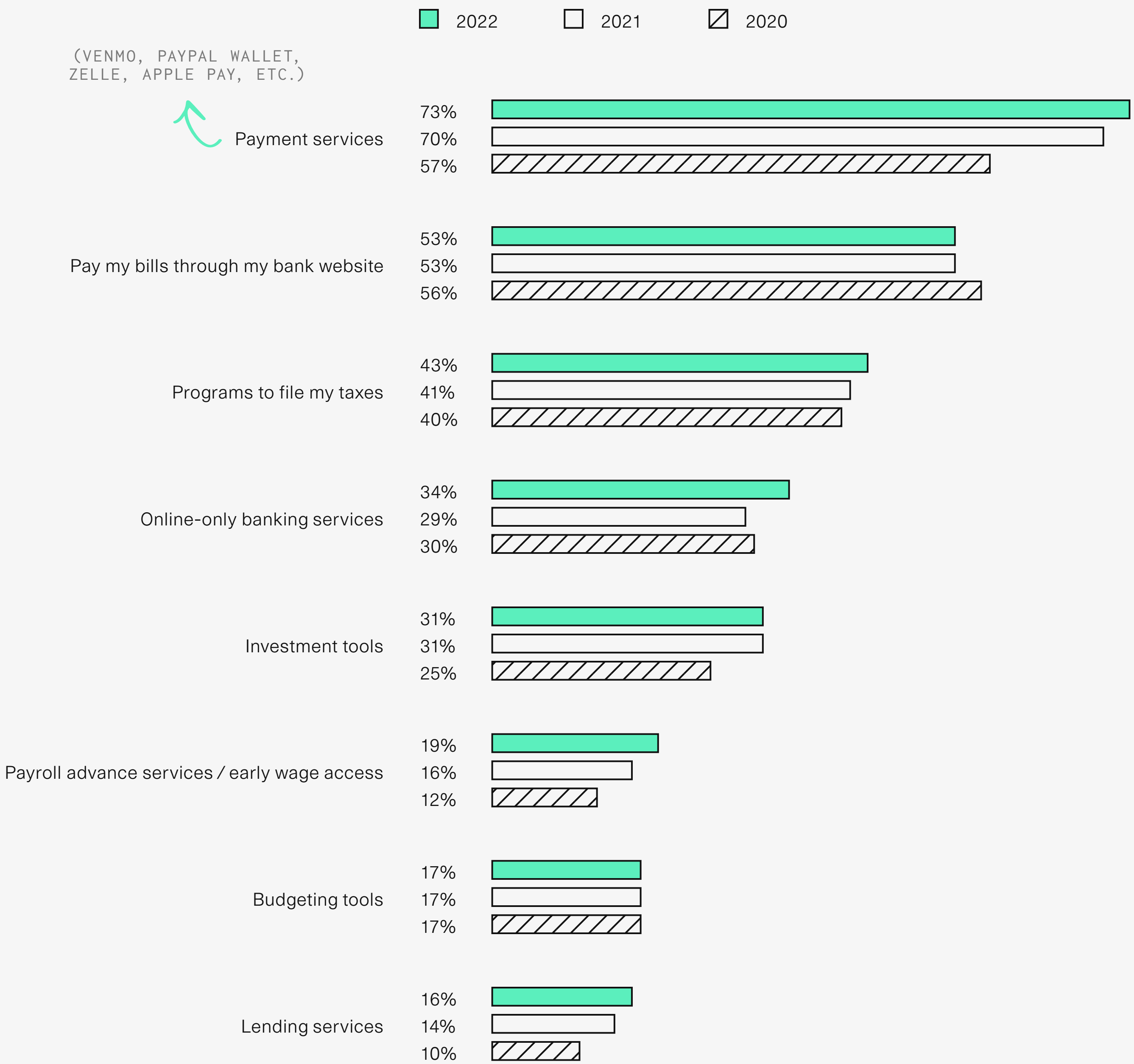
Long-term needs: Investing

Finally, 31% of consumers reportedly have investing apps and 53% of those users did not invest before using apps to do so. These consumers also appear highly engaged, with 61% of them checking their apps daily and another 31% checking weekly. Additionally, over half of investment app users (58%) cite setting aside more for investments as their number one financial goal for 2022.

Investment apps seem to be lowering the barrier to investing for many consumers and fostering more engaged fintech users.

As consumers adopt more medium- and long-term financial habits, they become more engaged with their finances. But to reach this point, consumers first have to move through the hurdles of shorter-term needs, which limit their ability to focus on building wealth.

Fintech use cases on the rise for American consumers



Fintech offers continued value to consumers, especially as they navigate a difficult economy. As such, consumers are increasingly clear on what they want from their digital finance tools: trust, security, and convenience. Digital finance organizations can better deliver value to consumers by designing experiences around these pillars.

Additionally, fintech has an opportunity to help consumers move towards financial wellness by helping them tackle their financial realities. One of the biggest challenges for consumers is moving past their short-term needs. Without this, consumers are effectively unable to work towards longer-term needs with budgeting and investing. Those who do use fintech to budget and invest are highly engaged. Thus, helping consumers move beyond their day-to-day needs can not only help increase fintech adoption but also promote overall financial wellness.

Learn more about helping consumers connect financial applications on plaid.com.

Plaid powers the digital finance solutions that enable millions of people to live healthier financial lives. Trusted by 6,000+ of the world's leading companies and connected to 12,000+ financial institutions across the US, Canada, UK, and Europe, Plaid's mission is to unlock financial freedom for everyone.

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