How PFM Is Growing and Banks Should Get on Board

Managing your finances can feel a lot like exercising – you know you should be doing it, it is only efficient if you do it regularly and you can see the positive effects better in the long-run. There is however one distinctive difference. Unlike exercising, due to technology advancements in the recent years, the amount of time and effort that users have to invest into managing their finances has decreased significantly.

So how can we characterize the PFM feature and its growth in the FinTech industry?

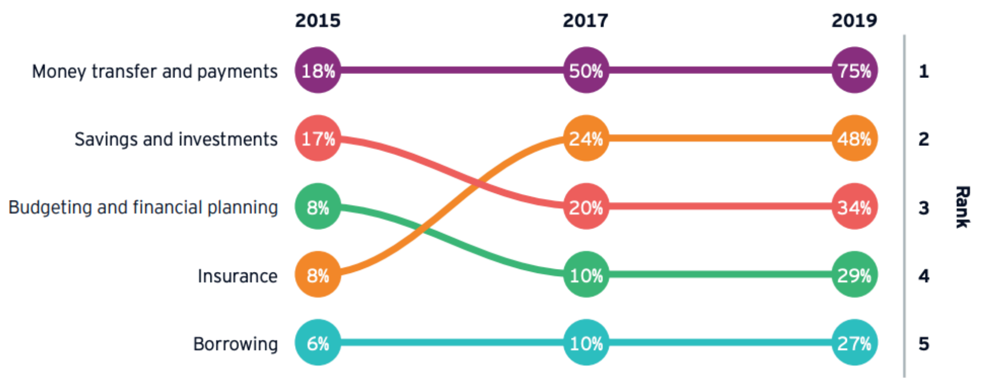
In the Name of Rapid Growth

In 2017, a Celent report showed very low adoption levels by users for the PFM feature. The 10-12% adoption rate only reassured financial institutions that PFM was not a priority for their users yet.

But in the last three years the **Global Fintech Adoption Index** has managed to skyrocket, hitting its all-time high in 2019.

And even though the adoption of budgeting and financial planning solutions was knocked down a rank by the adoption of insurance services, the figure has still almost tripled from 10% in 2017 to 29% in 2019. This suggests that the users' demand for clear oversight over their finances is rapidly increasing.

Comparison of FinTech categories ranked by adoption rate from 2015 – 2019:



It also meant that the incumbent banks needed to start playing their part in helping clients to get hold of their finances and better their spending habits.

Two Pillars Supporting the PFM Implementation

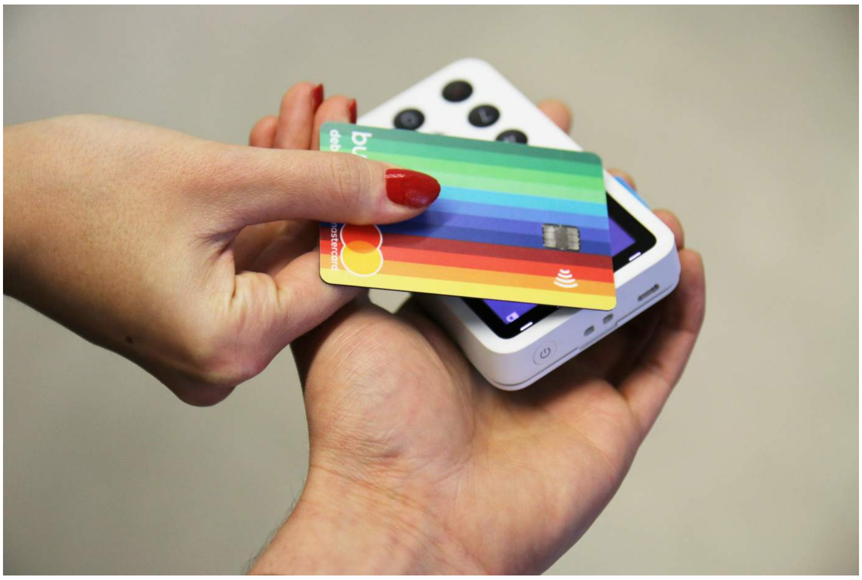
In a nutshell, the successful implementation of PFM is supported by two main pillars. The first one is the **in-app functionality**. The digital renovation of banking and the design trend of mobile first means that everything is a few finger-taps away. The banks should strive for a software that enables a UX that is clean, straight-forward and hassle-free.

The second pillar is the **users' transactional data**. Even though this is the glue that holds PFM together, it is often overlooked or undervalued. This is also the reason why great ambitions of PFM implementation sometimes fail to be executed.

Banks need to understand that the added value for their users stems from understanding their payment data. One of the results of not thoroughly understanding customers' data is payments ending in the wrong category.

This is where TapiX, our REST API solution, can help banks change their approach. With AI-powered algorithms, the solution reaches and maintains high data accuracy and scalability and delivers that back to the banks.

One Challenger's Bank Spin at PFM



And the financial institutions did start to put in the work to innovate and create ubiquitous solutions with us. Let's have a closer look at one of our partner bank's efforts to provide these services to their clients – bunq.

Last year in October, the European challenger bank announced a number of updates, including a new feature called Insights. As the name reveals, Insights help you stay on top of your spending by tracking your daily transactions and automatically categorizing these payments.

This functionality was enabled due to the integration of TapiX. The collaboration between bunq and TapiX has been very rewarding, as the challenger had proven that banks could provide exceptional services when they possess meaningfully enriched transactional data. In their words, *the idea of collaboration is a key part of the bunq philosophy*.

Bunq understands that visualizing customer's spending is only the first step during which users can determine what categories they spend the most money on and afterwards identify where savings could be made. Studies have shown that simply seeing what people spend on can help them save up to 10%.

Based on the transactional data and user's spending trends, the bank then takes an extra step by providing a prediction of client's future balance, so they can know right away at a glance how much they will be able to spend on a certain day.