

DIGITAL

ECOSYSTEM DIGEST

February 2023

FINTECH MARKET

IN GEORGIA - STRUCTURE

AND MAIN TRENDS



INTRODUCTION

Fintech or financial technology market is a rapidly developing industry in the world. It implies the provision of financial services through the internet and modern technologies. This industry is at the initial stage of development on the Georgian market as well.

Currently, the "Georgian Fintech Association" operates in Georgia, which as of 2022 United 21 fintech companies. According to the estimates of the association, about 50 companies operate in the local market. There is also a tendency of international players to be interested in the market, including "Paysera Georgia", which is a partner of Lithuanian fintech company Paysera and the first digital bank licensed by the National Bank of Georgia. Also, "United Payment" - Turkey's largest FaaS (Fintech as a Service) company is preparing to enter Georgia.

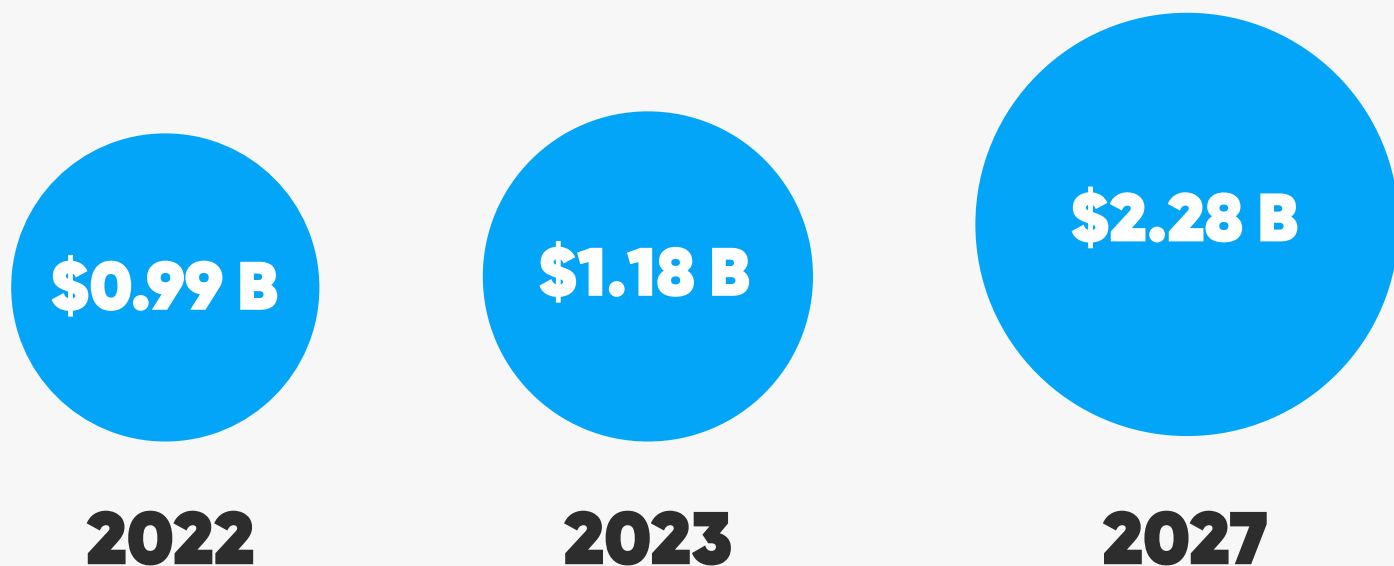
The appearance of fintech services on the Georgian market has made it urgent to have analytics on the topic. This type of information is scarce at the moment.

The presented report is intended to show a broad picture of the local fintech market to readers and includes the following key components:

- Fintech market size evaluations;
- Discussion of trends that directly or indirectly affect the development of the fintech market;
- Analysis of funding of local fintech startups based on projects supported by the Georgia's Innovation and Technology Agency.

FINTECH MARKET IN GEORGIA

Fintech payments market volume and forecasts (billion. USD)



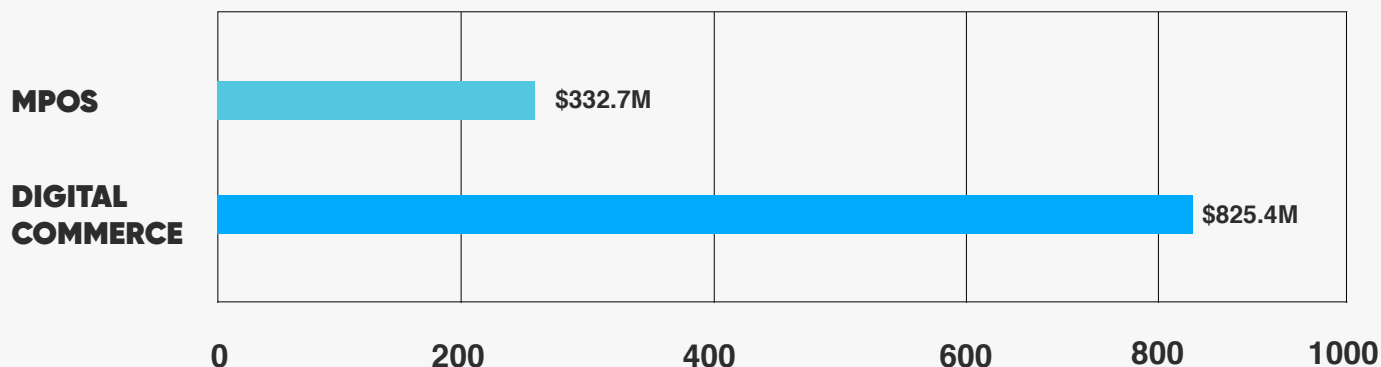
*Market volume is determined based on digital payments. These include customer payments via the internet and mPOS payments. B2B transactions and terminal payments are not provided.

Georgian fintech market by 2023 18.6% increase in payments is expected.

Statista estimates that in terms of digital payments in 2023, the fintech market in Georgia will exceed the US \$ 1 billion figure, and until 2027 it will exceed US \$ 2 billion dollars. However, it should be noted here that the fintech market, in addition to payments, includes many other different services, the assessment of the market volumes of which is still problematic.

FINTECH MARKET IN GEORGIA

The main segments of the fintech payments market and their forecast volume by 2023 (mln. USD)



There are two main segments of the fintech payments market in Georgia - digital commerce and mPOS payments, both of which are characterized by rapid growth rates (14.9% and 28.9% growth rate forecast for 2023, respectively). Out of which, the digital commerce includes all types of customer online payments for products and services, while mPOS is a relatively specific category for e-wallet payments.

mPOS payments* volume on fintech market

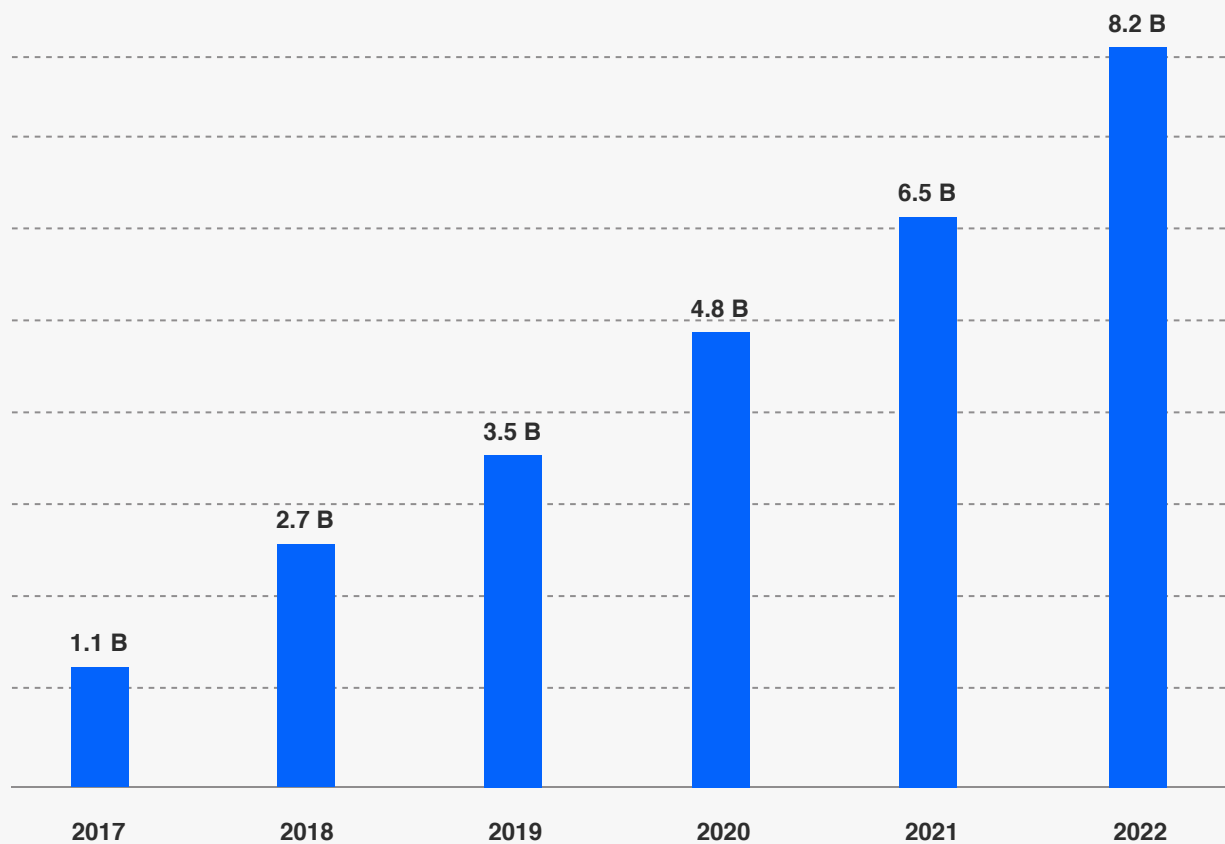


* Includes e-wallet payments (e.g. ApplePay, Google Pay). Does not foresee payments made via physical card.

FACILITATING THE GROWTH OF GEORGIA'S FINTECH MARKET TRENDS

The positive trends that show the frequency of use of internet and technology by the population or business in financial activities are important for the growth of the provision of fintech services.

Dynamics of financial transactions carried out via the internet (bln. GEL)



In Georgia, in 2022 online:

114,805,555 OPERATIONS CONDUCTED

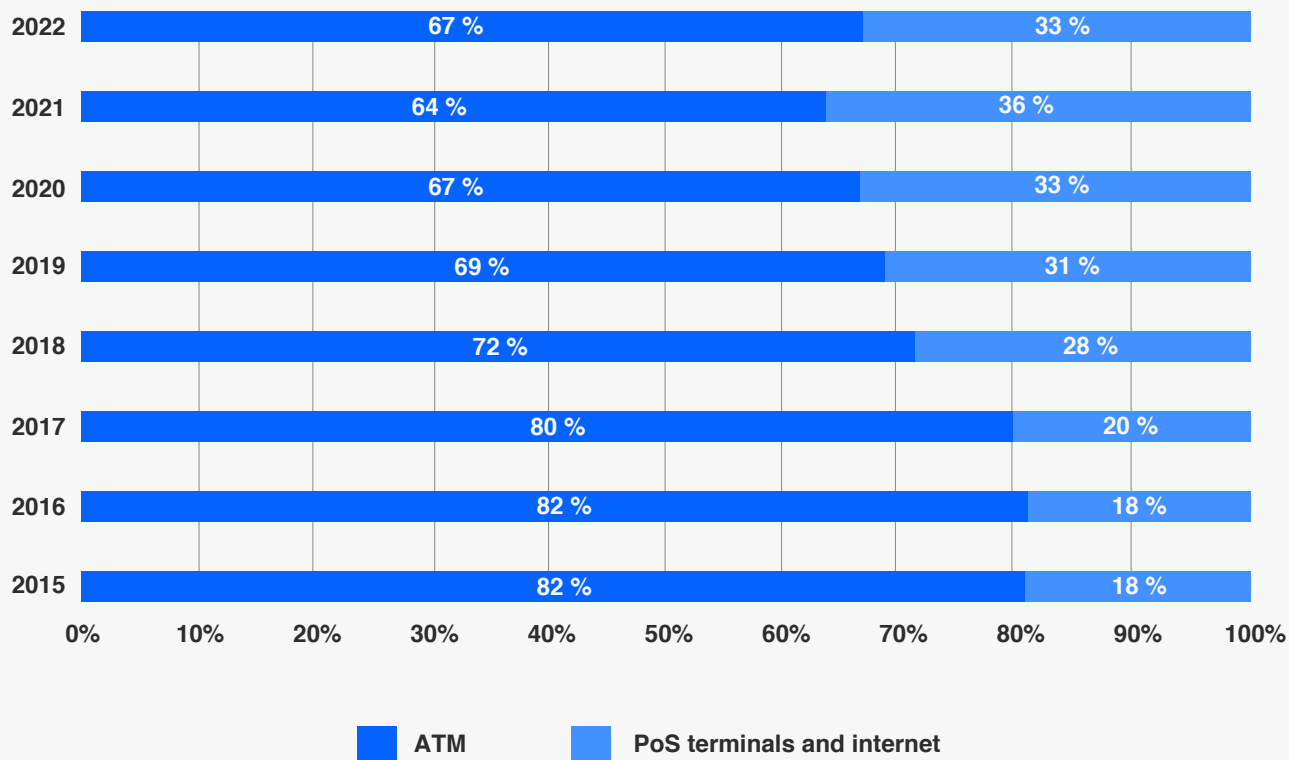
+16.4% in relation to previous year

8,157,961,000 GEL TRANSFERRED

+25.6% in relation to previous year

FACILITATING THE GROWTH OF GEORGIA'S FINTECH MARKET TRENDS

Share of volumes of transactions with payment cards: ATM vs POS-terminals & internet



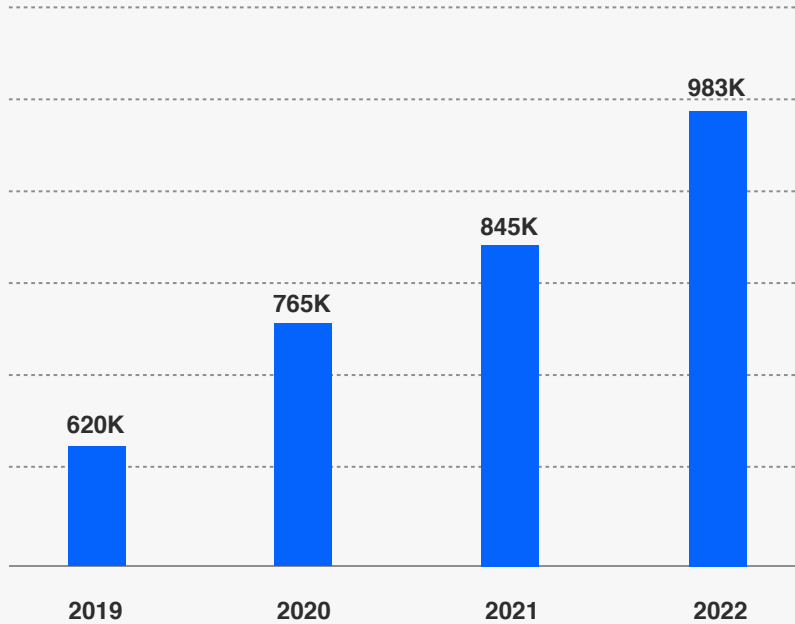
*Includes transactions carried out within the country via payment cards issued by resident issuers. Does not include non-card transactions, including direct bank transfers.

A large part of the volume of card transactions still falls on the ATM, but its share is reduced

The growth rate of the volume and number of transactions made via PoS terminals and the internet significantly exceeds the growth rate of transactions made from ATMs. As a result, the share of ATMs is gradually decreasing and the scope of fintech tools to be distributed is expanding.

FACILITATING THE GROWTH OF GEORGIA'S FINTECH MARKET TRENDS

Local internet banking users* (thousand people)



*Those who have used internet banking for the last 3 months.

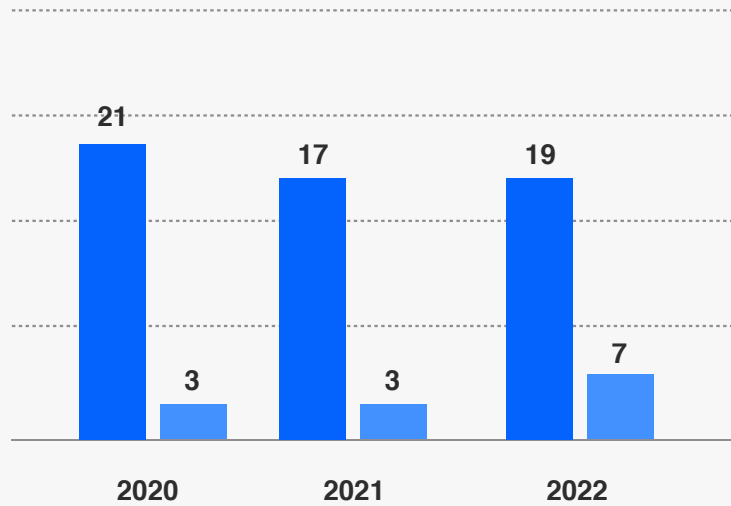
Every fourth internet user uses internet banking



The number of internet banking users in Georgia is approaching 1 million and by 2022 it was 41.3% of internet users.

FINANCING OF FINTECH STARTUPS IN GEORGIA

Number of participating and winning startups in GITA startup co-financing competition 2020-2022



The GITA startup co-financing grant was awarded to seven fintech startups in 2022

In total, in 2018-2022, 17 startups related to fintech markets were financed within nine rounds of co-financing program (100 000 or 150 000 GEL). For fintech startups, 2022 turned out to be especially successful.

Also, 4 companies associated with fintech market are the winners of the innovation co-financing grant (650 000 GEL).

Innovation co-grant recipient fintech companies

PAYZE

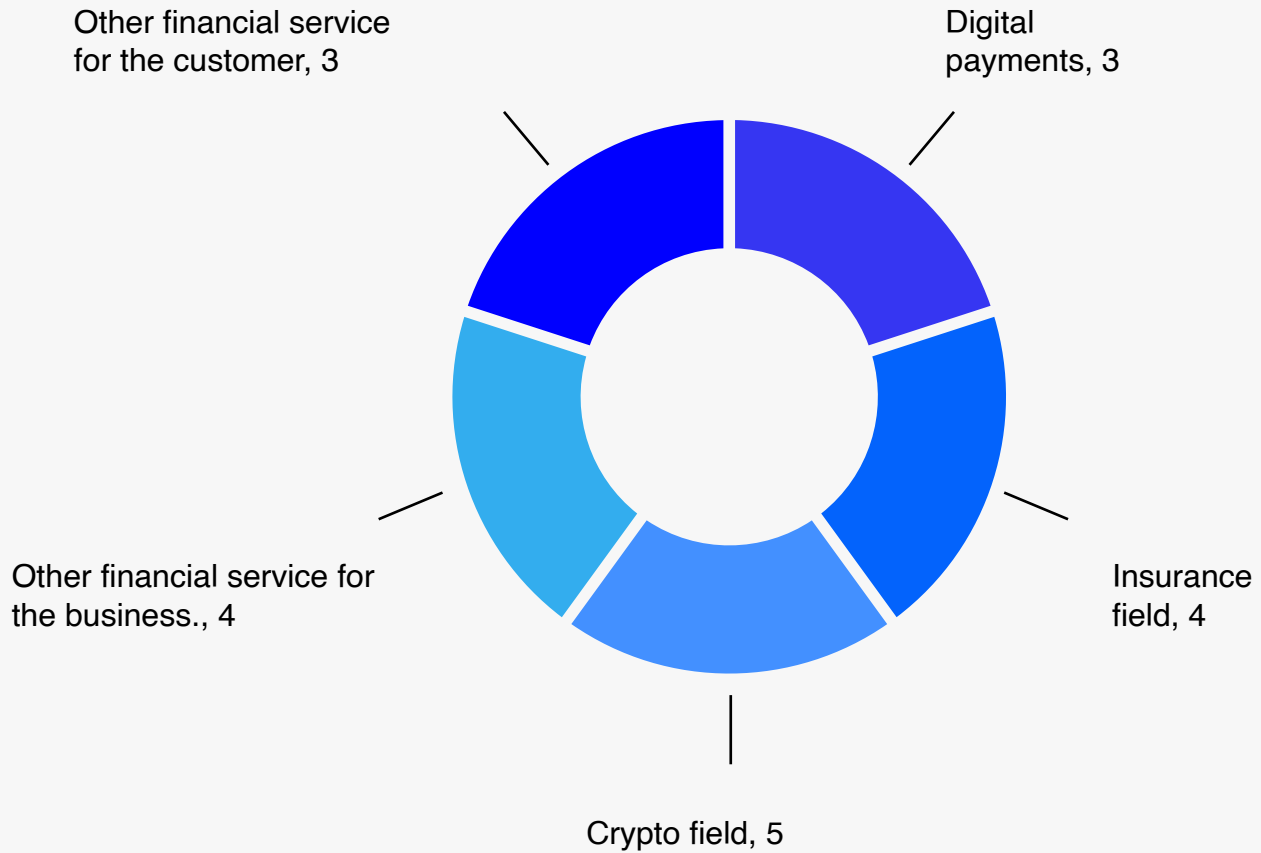
Kvalifika 

 **KERNEL**

 **CRYPTX**

FINANCING OF FINTECH STARTUPS IN GEORGIA

Winning fintech startups according to directions, 2018-2022



* Includes GITA startup co-financing winning projects.

Winning startups with an active platform

Payments and crypto field

PAYZE

JustPay

CityPay.io

Bitnet

AM.BRY

Insurance and other financial services

Ganage

SkanySolutions

Data Mind

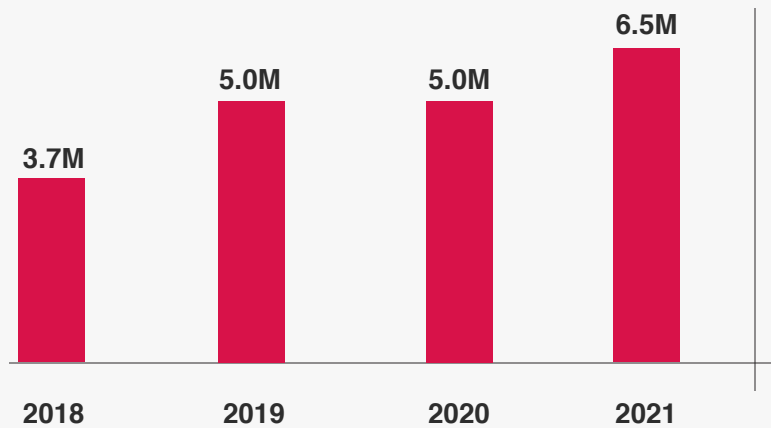
wrapstocks.

Ranko

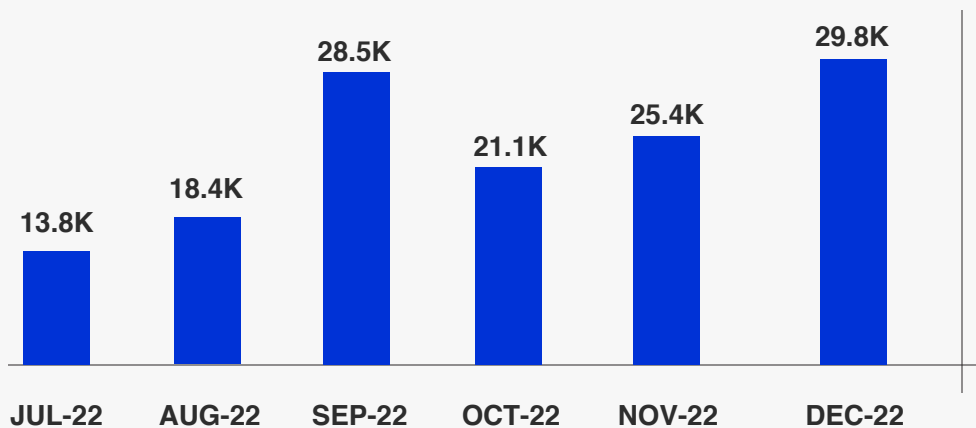
LOCAL EXAMPLES OF THE GROWTH OF FINTECH COMPANIES

Despite the initial stage of development of the industry, there are already examples when in a short time, fintech companies report noticeable growth in financial or non-financial terms.

Dynamics of income from main activities (mln. GEL)



Number of transactions (thousand)



Number of businesses involved in Citypay.io (July-December, 2022)

181 → 468

SUMMARY

In recent years, the fintech market has started to develop in many different directions in Georgia. However, it remains difficult to perceive it as a single ecosystem.

The industry is growing, but is still young and faces challenges such as: scarcity of market information, difficulties in attracting investments, lack of a number of legislative norms, etc.

Regular editions of Digital Ecosystem Digest will periodically return to the topic of the fintech market and offer an analysis of specific directions or problems in this industry.

WHAT IS DIGITAL ECOSYSTEM DIGEST?

Digital Ecosystem Digest is a monthly electronic research report issued by the BTU Centers for entrepreneurship and research initiative.

The report reviews current technological and innovative trends in various sectors of the digital economy of Georgia and covers topics such as: startups in digital business, e-commerce markets, digital platforms (B2B, B2C or C2C), Fintech technologies, etc.

The purpose of the report is both to consolidate existing information and to generate new practical knowledge about the digital economy. Research report of each month will be co-authored by different researchers.

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