

Meta Commerce with Metaverse

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Abstract:-

What is Metaverse?

Prior to discussing the Metaverse's potential to penetrate the core sectors including finance, one must get a basic understanding of what the Metaverse is. "Meta" means beyond, so the metaverse basically promises a universe that is beyond the real world as we know it today. The Metaverse can be understood as an innovative way for people to interact with emerging technologies. These evolving concepts have led to the creation of a digital economy, known as the Metaverse, where goods and services can be created and acquired virtually.

In simple words, a metaverse is a network of 3D virtual worlds focused on social connection. In futurism and science fiction, the term is often described as a hypothetical iteration of the Internet as a single, universal virtual world that is facilitated using virtual and augmented reality (VR and AR) headsets.

As per Facebook founder Marc "The metaverse is the next evolution of social connection, 3D spaces in the metaverse will let you socialize, learn, collaborate, and play in ways that go beyond what we can imagine."

Once this virtual world of the Metaverse comes into being, this should work like a replica of the real world and the users in Metaverse should interact, react, and transact like real-world humans, although this is happening in the hypothetical world of the Metaverse. The user actions in Metaverse are expected to generate humongous datasets related to user behavior, lifestyle, and tractions data.

Typical offerings in Metaverse could be a shopping mall, gaming, education, news and media, concerts, events and fashion shows, social interaction, entertainment, advertisement, etc., etc. All these services would need users to spend, and this could give birth to another push in the fintech payments and fintech lending industry with the evolution of a newer model that need to be explored to get the Metaverse commerce into action.

Keywords:- Metaverse, Fintech, Defi, Banking, Payments, Credit, Neo-banks, AR, VR.

I. INTRODUCTION

It Seems the Metaverse will be able to offer much more comprehensive and endless opportunities for many core industries like education, online gaming, tourism, etc. It is also expected to become an important digital platform for both personal and business interactions, including finance.

Users and businesses will transact on a real-time basis to use any of the available services that are offered inside the Metaverse. This will lead to an ongoing requirement of enabling payments and credit transactions to fulfill such services that will fuel economic growth in the Metaverse.

In fact, the financial data management and the methods of managing financial transactions provided within Metaverse should be equal to real life and will be the most important indicator of making the Metaverse as indispensable as real life. The metaverse is expected to grow rapidly to a \$ 679 billion industry by 2030, as per a report by IT research firm Everest Group.

As of August 2021, Korea Times noted that brokerages and banks in Korea have already begun to create active virtual environments for their clients in Metaverse. Other leading players of the global Metaverse in the Finance market are Bank of America, BNP Paribas, National Bank of Kuwait, Kookmin Bank, Shinhan Bank, IBK Investment & Securities, NH Investment & Securities, Mogo and Inc.

These players can offer the following full-scale financial services for these users whether it is a service providers or retail consumers.

- Enabling core banking in Metaverse or Meta-banks
- Connecting with existing banking infrastructure (legacy and neo-banks)
- Payment gateways integrations for issuers, acquirers, and authorizers
- Credit enablement for both B2B and B2C users
- Investment to support shops setup
- Insurance
- Financial Risk infrastructure to mitigate risks, frauds, and compliance based on Central bank guidelines

II. METAVERSE SHOPPING EXPERIENCE

From setting up a Metaverse shop to running a business or end user behavior with a series of actions to avail a service inside Metaverse, there are ongoing transactions happening inside Metaverse based on each user’s action, these actions will generate tons and tons of data sets that can be utilized and fed into AI / ML models to enhance the service inside Metaverse and provide enhanced service to all type of users.

Metaverse provides access to its users to access a range of services and an attractive window-shopping experience where a user may get pampered with the offers and get attracted to the services, this will lead to user behavior data being tracked based on user actions analyzed for better user experience along with easy access to finance to gain access to the services inside Metaverse. These users should have access to their existing banking infrastructure that supports in-Metaverse transaction

III. METAVERSE AND ENTREPRENEURSHIP

Setting up shops inside Metaverse may need some initial investment and basic infrastructure to provide service on an ongoing basis, this may lead an entrepreneur to look out for investment inside Metaverses, this investment may be required for the initial CAPEX as well as for the ongoing basis. While initial equity funding can happen with the help of investors, the investors can also offer this invested amount to retail investors / Metaverse users based on their past transaction history in Metaverse, this will allow retail investors to participate and buy retail equity with small returns.

IV. METAVERSE AND DATA-DRIVEN CREDIT ENABLEMENT

Metaverse shop owners and end users will transact on a day-to-day basis to provide and consume services that are available inside Metaverse, this will allow user data to be generated and available for audit and analytics purposes. This data will become the engine to further financial inclusion and growth inside Metaverse, e.g., the recurring user behavior may qualify the user for cashback that can be credited to the user’s wallet or even allow the user to avail credit inside Metaverse based on the payment history. A similar credit box can be made available to the shop owners that will allow shop owners to fuel growth and sustainability inside Metaverse, this credit box can be based on a number of factors such as the number of users accessing the shop services, the number of users paying for the shop services, user rating, cash flow trends and projections along with other risk assessment criteria as specified for credit underwriting. Based on specified criteria, that can be applied to the user’s credit box, credit can be made available to the users for specific purposes.

V. PRACTICAL APPLICATION OF FINANCIAL SERVICE

One of the popular applications of the financial model in Metaverse is leveraging DeFi protocols, As per Brad Yasar, CEO of EQIFI, “DeFi will be an integral part of the economies that will fuel metaverses. EQIFI will pioneer bringing the services people need while enjoying the metaverse. Without a banking and defi partner, metaverses need to provide those services themselves. I expect all metaverses to acquire ecosystem partners that will offer services in the metaverse to fuel and support their growth.” A very good example can be using, DeFi to enable contracts between lenders and borrowers in the Metaverse. Also, Defi can enable secure access to the borrower’s personal and financial documents required by the lender for underwriting and funding.

VI. SWOT ANALYSIS

Strength	<ul style="list-style-type: none"> • First mover advantage – New products and services by the banks and fintech of the Metaverse can help them to get a bigger market share due to first mover advantage. • Wide geographic presence – Metaverse is available over the internet across geographies. Metaverse service providers, banks, and fintech that are willing to expand their service offerings globally can scale up very easily and provide services to a wider customer base.
Weakness	<p>Adaption of Metaverse ecosystems itself is the biggest weakness, we have seen during COVID how the EdTech space took a high growth trajectory but post covid the pattern has almost reversed and these EdTech are struggling to survive. And we really need to answer the following questions?</p> <ul style="list-style-type: none"> • Does society really need a shared virtual environment? • What are its practical applications in consideration of associated costs and benefits? • Can it improve human relationships?
Opportunity	<p>Enabling credit to the customers, both retail and SMEs will increase the consumption in Metaverse, thereby fueling the growth and consumption of products and services in Metaverse, this will also stabilize the market in Metaverse along with improving healthy competition.</p>

Threat	<ul style="list-style-type: none"> • Government regulations can prevent specific usage of Metaverse and its financial framework, which can limit growth and related innovations, similar to what is happening in the mobile commerce • Cybersecurity-related incidents are a major threat to the growth of such digital ecosystems, issues such as hacking and impersonation can pose a real danger to the user of Metaverse.
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VII. CONCLUSION

In this paper, I have studied options to fuel the growth of Metaverse and its service offering to the fullest potential, and how business services would need financial inclusion options to fuel the future growth of Metaverse's businesses. Also, how the existing financial infrastructure usage and compliances can be leveraged to enable financial inclusion and enhance the service offering inside Metaverse.

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