

FinancialQuotient

What is fintech?

Ruth Tan and Zhang Weiqi

WHAT DOES IT MEAN?

Financial technology or “fintech” describes financial services using innovative technology.

Examples include Internet money transfer services provided by banks, financial services offered by start-ups at a lower cost through the Internet, and alternative payment channels provided by technology companies.

To count as “fintech”, there is no firm rule on the relative weighting of technology and financial services. As long as a service has both components, regardless of whether it is more technology-oriented or financial services-oriented, it can be termed “fintech”.

WHY IS IT IMPORTANT?

Fintech affects almost all areas of financial services, including borrowing/lending, payment and transfer, fund raising, trading, insurance and risk management. New technologies, such as blockchain, have presented opportunities to deal with money more efficiently at a lower cost, while big data and artificial intelligence have enabled the use of more targeted and customised solutions. Simply put, blockchain is a way to maintain a database without a central authority.

Global investments in fintech start-ups are said to have increased by 10 per cent, given the underlying belief that fintech will change the way we live and do business.

To better understand fintech innovations, international financial authorities such as the Monetary Authority of Singapore have launched sandboxes – experimental schemes relaxing regulatory requirements for new fintech players – to facilitate interaction between regulators, financial institutions and start-ups.

IF YOU WANT TO USE THE TERM, JUST SAY:

To improve customer experiences, banks are collaborating with fintech start-ups to develop new business models.

• Ruth Tan is Associate Professor and Zhang Weiqi is Visiting Fellow. Both are from the Department of Finance at the National University of Singapore (NUS) Business School.

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