



**HARVARD**

Office of the Vice Provost for Advances in Learning



# MODULE 1 UNIT 1

## Video 1 Transcript

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LAUREN COHEN: China has been a global leader in both the innovation and implementation of financial technology. And amongst financial technology, two of the biggest areas have been in payments and in lending. And so we're honored today to have the CFO of the Lexin Group, Craig Zeng, to talk a little about those two.

Craig has a background in both technology and finance. And he's going to tell us how he uses that background to chart forward the path for Lexin, this new entrant into the financial landscape. So with that, Craig, we're happy to hear what you have to say.

### **Why is China at the forefront of FinTech and consumer lending?**

CRAIG ZENG: I think three main reasons. The first is the size. China have a huge market for the consumer lending area. The total size is about 1.1 trillion US dollars, in 2020, as projected. And that's about the GDP of Mexico, and it's with a double-digit growth, so it's a huge market. The second is data availability. China has been pretty organized society and we have all kinds of data being available and be ready for people to use. That will help this industry to develop. The third is the infrastructure; the key thing there is the mobile payments. China has the biggest penetration of mobile payments – that enabling the think tank to be developed in China. Mobile payments actually just like a highway in the think tank areas, will help lots of things being developed on top of that.

### **How has LexinFintech looked to enter the highly competitive online payment market?**

ZENG: When we look at that, we found very good niche market, it's niche, but it's not that small, actually. We find the people will be called educated young adults, which means people receiving three or four years college education. Those are the best population in the society. They being young, and they need financial help. They invest three to four years of their young time in education, and not really to earn money. So, their financial situation is not as good as their peers, starting work from the high school graduation. But they have bright future.

And the second is, we find the new methodology to evaluating those people. Used to be the banks, the traditional financial institute evaluating people based on their assets. But we evaluating those people based on their profile, based on their future. Because we have much more data today than the old time, when the traditional financial institutes, credit bureaus to evaluating people. So we find the way we can evaluating them better.

The third is, we find those people as being a high-growth market, they being have a high growth. Their income in China, after their college graduation, is about over 20% a year, year-over-year, so before they're 30 years old. So this represented a huge market and untapped by the traditional financial institute.

### **What challenges face FinTech firms that provide online payment platforms?**

ZENG: I think three things; the first one is the customer. The customer demand is changing and they asking for more and more. They asking for new technology, they ask for high efficiency, and they ask for low price. And this has always been the key challenge for the people. But other than that, for this industry, we also see the regulations. Regulations play a



big role in this market. And the third, we have deal with the traditional financial institute. The relationship with the traditional financial institute is very important in this market because they basically had the deep pocket, they have the money we need to serve this market.

### **How are these challenges being addressed by companies?**

ZENG: Those challenges being addressed by— first invest in the new technology. To me, the customers demand to solve those new problems being having in this area is by invest in new technology. Today we see lots of new technology related to this area. We see the big data, we see the AI, we see the blockchain. All those things, people been talking in lots of different areas. But the place, the people really been using that is in think tank. And we see lots of developed in those areas already, and we see more actually coming into that.

Just give you one example. Like, lots of communication we had with our customer, has been using talk robots, which is AI, like talk to people. You won't tell who's talking to you, it's people, or it's machine. But that's lots of advantage, not only efficiency, but also the feeling, people's feeling. Because those people been very polite, not people, but this AI.

Regarding the regulations, I think one simple answer there is “be ready for change”. This is a new area. The regulator is not experienced as well, so they have to setting rules, but they have to change rules.

### **What major opportunities are available for the growth of LexinFintech?**

ZENG: We see two directions, actually. First is our customer cohort, those people are those ones most accept the new technologies. And they demand for that. They want the new technology. They want the new technology changing their life. How can you do that? Financial – it's only a start. You have lots of other things you can do, based on technologies. Through technology, using technology to serve them, to make their life better. And the second part is, the ways we developed of evaluating people. Where we're based on people's profile, based on people's growth pattern to predict what they need, and what kind of service they will need the most. So, this methodology actually had a lot of potential, you can imagine.

### **Which major disruptors and competitor products worry you the most?**

ZENG: Actually, I don't worry too much about my competitors. This is a big market, and this is a fast-changing market. Every day, I'm being worried about what my customer want. This is the most important thing we've been thinking, you know, what customer need, and what new technology customer will like? Tomorrow, what they want? So we've been looking ahead of what they've been thinking. So, customers' needs, the changing of customer needs will be always the most important challenge in front of us. And that's what will be worry us the most.

### **What does the future hold for online payment systems and their adoption globally?**

ZENG: For the future holds, we think, what we've been dealing with, is not like, one region. We've been dealing with human nature. We do believe this methodology can be applied to anywhere in the world. This first been developed in China because this is a place where traditional service will be not covered. Then we see more opportunity there and it's big enough for us to testing new things. And to develop a new model. So you can copy a matured or a very high potential business model in US. Where will be first? That will be the place have



more opportunity. That could be like, I can think about south-east Asia, maybe the first place will be adopt similar business model.

