

Master in Innovation Management

Friday, 17th March 2023, 6 PM (CET)

Module IV: Fintech. When Finance and Technology Combine Their Forces.

- What Is Fintech? What Are The Most Popular Technologies in The International Financial Markets?

SPEAKER



Claudia Tarabù
University Researcher



Welcome to the fourth lesson of the Master In Innovation Management of Ascheri Academy.





Module IV: Fintech. When Finance and Technologies Combine Their Forces.



A Brief History of Fintech

While **fintech** seems like a recent series of technological breakthroughs, the basic concept has existed for some time. Early credit cards in the 1950s generally represent the first **fintech products** available to the public. They eliminated the need for consumers to carry physical currency in their day-to-day lives.



What Exactly Is Fintech?



FinTech (or Financial Technology) is a term that refers to **software, mobile applications, and other technologies created to improve and automate traditional forms of finance for businesses and consumers.** FinTech can include everything from straightforward mobile payment apps to complex blockchain networks housing encrypted transactions.



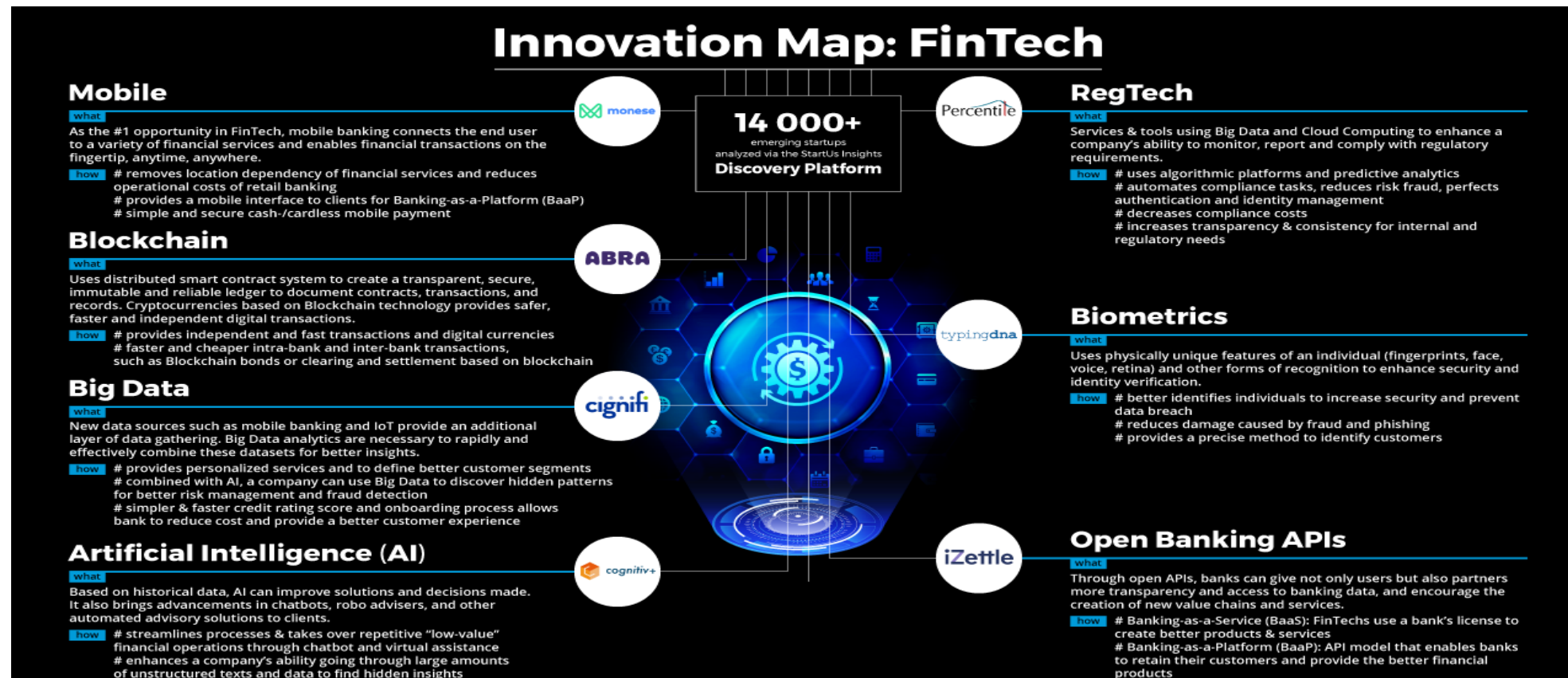
Some Types of Fintech Services

The term “**Fintech Company**” describes any business that uses **technology to modify, enhance, or automate** financial services for **businesses or consumers**. Some examples include:

- mobile banking;
- peer-to-peer payments;
- automated portfolio managers;
- development and trading of cryptocurrencies;
- e-wallets;
- digital money;
- mobile payments;
- crowdfunding platforms;
- peer-to-peer lending;
- payment gateways;
- digital loans.



Fintech Enabling Technologies



(Source: StartUs Insights)



Other Fintech Enabling Technologies

Other technological enablers of Fintech are:

- Robotic Process Automation (RPA);
- Cloud Computing;
- Internet of Things (IoT);
- Software-as-a-Service (SaaS);
- 5G-6G;
- Digital Twins;
- Metaverse;
- Virtual Reality (VR);
- Augmented Reality (AR).





Let's watch this explanatory video 📺





Raising Funds from Fintech Investors

FinTech investors tend to be very knowledgeable about the industry and are **usually willing to take on more risk than traditional investors**. This is because they understand the potential of the technology and are confident in the companies ability to execute their plans. As a result, tech companies often receive more favorable terms from investors, such as higher valuations and less onerous terms. Moreover, FinTech investors are typically more patient than traditional investors and **are willing to give companies time to grow and scale**. This is because they understand that it takes time for new technologies to be adopted by consumers and businesses. As a result, they are often more forgiving of early mistakes and are more likely to stick with a company for the long term. Finally, there is **a strong alignment between the interests of FinTech investors and the companies they invest in**. Both parties are motivated by the same thing: the success of the company. This alignment of interests creates a strong relationship between the two parties and can lead to better outcomes for both.





Wealth Management with Fintech. Roboadvisors



In the fintech industry, robo advisors are automated solutions based on **Artificial Intelligence (AI)** and **Machine Learning (ML)** technologies as well as algorithms that help with financial management. A growing interest in stock trading and other types of investment lead to robo advisors becoming one of the key trends among wealthtech apps, which are focused on helping people with finance management and investing. It is estimated that the size of **assets managed by automated investment advisors is going to reach \$4.6 trillion by 2023**. While many retail investors don't have a minimum balance required by personal wealth managers, digital tools like robo advisors present an affordable way to get regular personalized investment advice, thanks to recent advancements in AI algorithms.



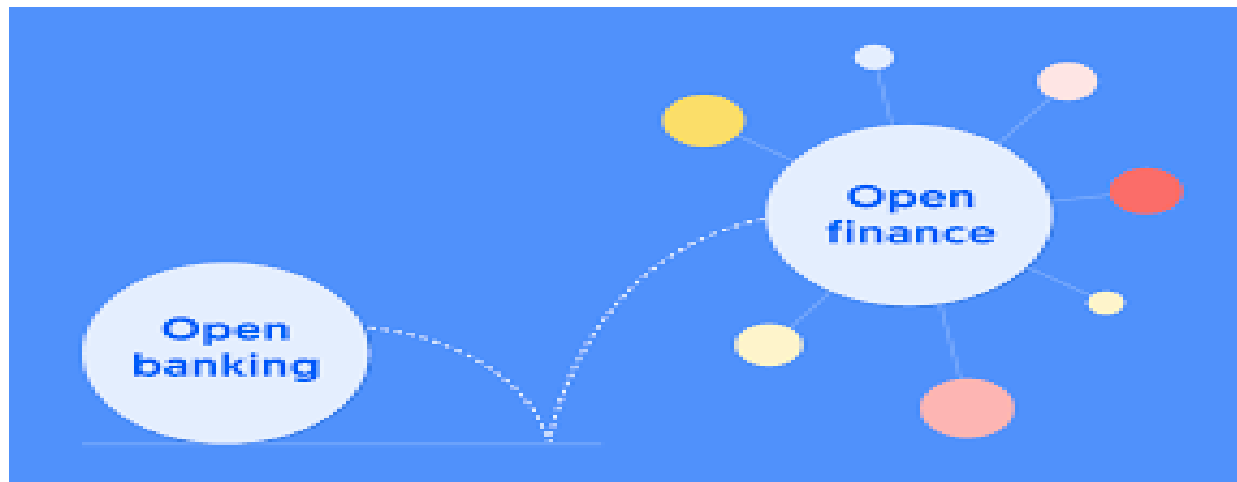
Fintech Is Reshaping Banking and Payments Industries

The very simplicity that underlies **banking products** and processes for savings, lending, and business services renders the sector ripe for disruption. The majority of financial sector executives (73%) perceive consumer banking as the one most likely to be disrupted by FinTech. New entrants see opportunity in disaggregating the components of traditional banking and offering targeted solutions with better servicing to both retail consumers and businesses.

The disruption of the traditional payments ecosystem has been rapid and impactful. **FinTechs** have grasped an opportunity to leverage their technological capabilities and customer centricity to expand into **payments**. In the midst of this disruption, a whole new subsection of digital players has emerged: **PayTechs**.



Shifting from Open Banking to Open Finance through Fintech



Open Finance is the next step of Open Banking. While Open Banking enables account information (AIS) and payment initiation (PIS) services, Open Finance will encompass more financial products and services, not just banking. Open Finance works on a much larger scale than Open Banking. It could allow authorized third-party service providers to access a wider range of customer data from various accounts, including savings, pensions, investments, insurances, mortgages and more. This data could be used to create and offer more personalized financial products and services.

Decentralized Finance

“Decentralized Finance (DeFi) is a new financial paradigm that leverages distributed ledger technologies to offer services such as lending, investing, or exchanging cryptoassets without relying on a traditional centralized intermediary.

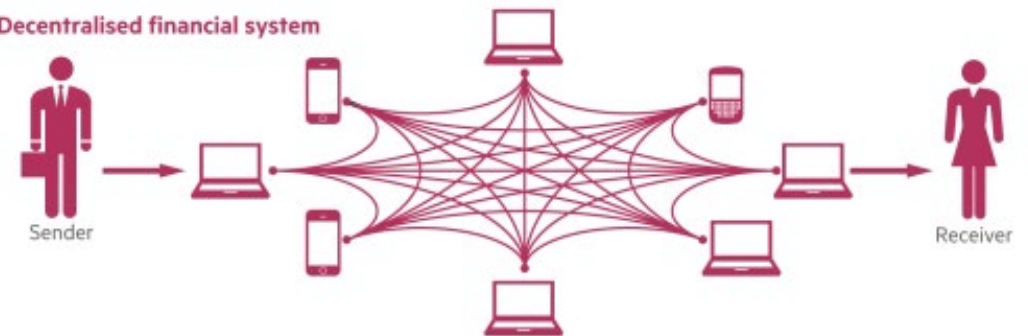
It can be defined then as a competitive, contestable, composable and non-custodial financial ecosystem built on technology that does not require a central organisation to operate.” (Bank for International Settlements)

How decentralised finance works

Traditional financial system



Decentralised financial system



(Source: Financial Times)

Fintech: A Catalyst for Financial Inclusion



Fintech can also improve financial inclusion by making banking more accessible. There is still a large percentage of the world population without access to banks (approximately 1.7 billion people, according to the World Bank and the latest Findex Report), but with the ability to use a smartphone. Application-based smartphone solutions are helping unbanked people by **providing them with first-time access to a range of digital products**, like instant loans, money transfers, bill payments, high-yield investments, and savings.



Let's watch this enlightening video 



Successful Cases of Fintech Companies



Paypal Holdings Inc. (NASDAQ:PYPL)
The company offers a wide range of financial services and products, including online payments, mobile payments, and credit products.
Market Cap \$ 96,8 billion



Stripe Inc.
The technological company allows businesses and individuals to accept and make payments over the Internet.
Estimated Valuation of \$ 74 billion



Block Inc. (NYSE:SQ)
Block, Inc. is a leading American fintech company. The flagship product is the Cash app, which allows users to send and receive money without having to use a bank account.
Market Cap \$ 39,36 billion

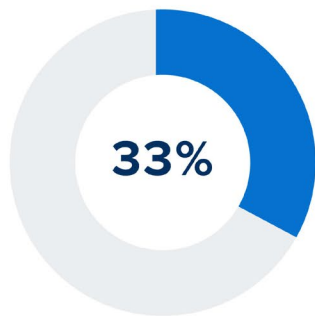


Revolut is a British fintech company that offers users a mobile app to manage their finances. The app permits to track expenditures, set goals, and make payments.
Estimated Valuation of \$33 billion

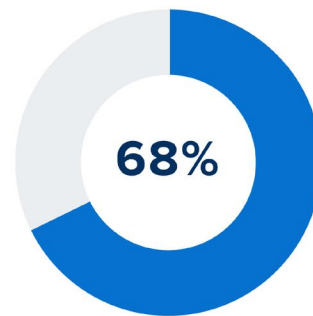




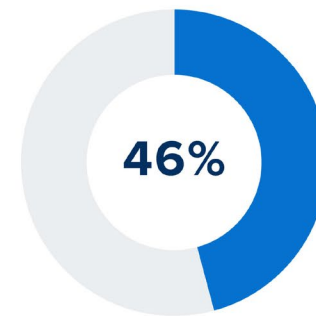
Top Reasons Consumers Use Fintech



Consumer adopters turn to someone other than their main first bank



Consumers would consider a non-financial services company for financial services



Consumer adopters are willing to share their bank data with other organizations

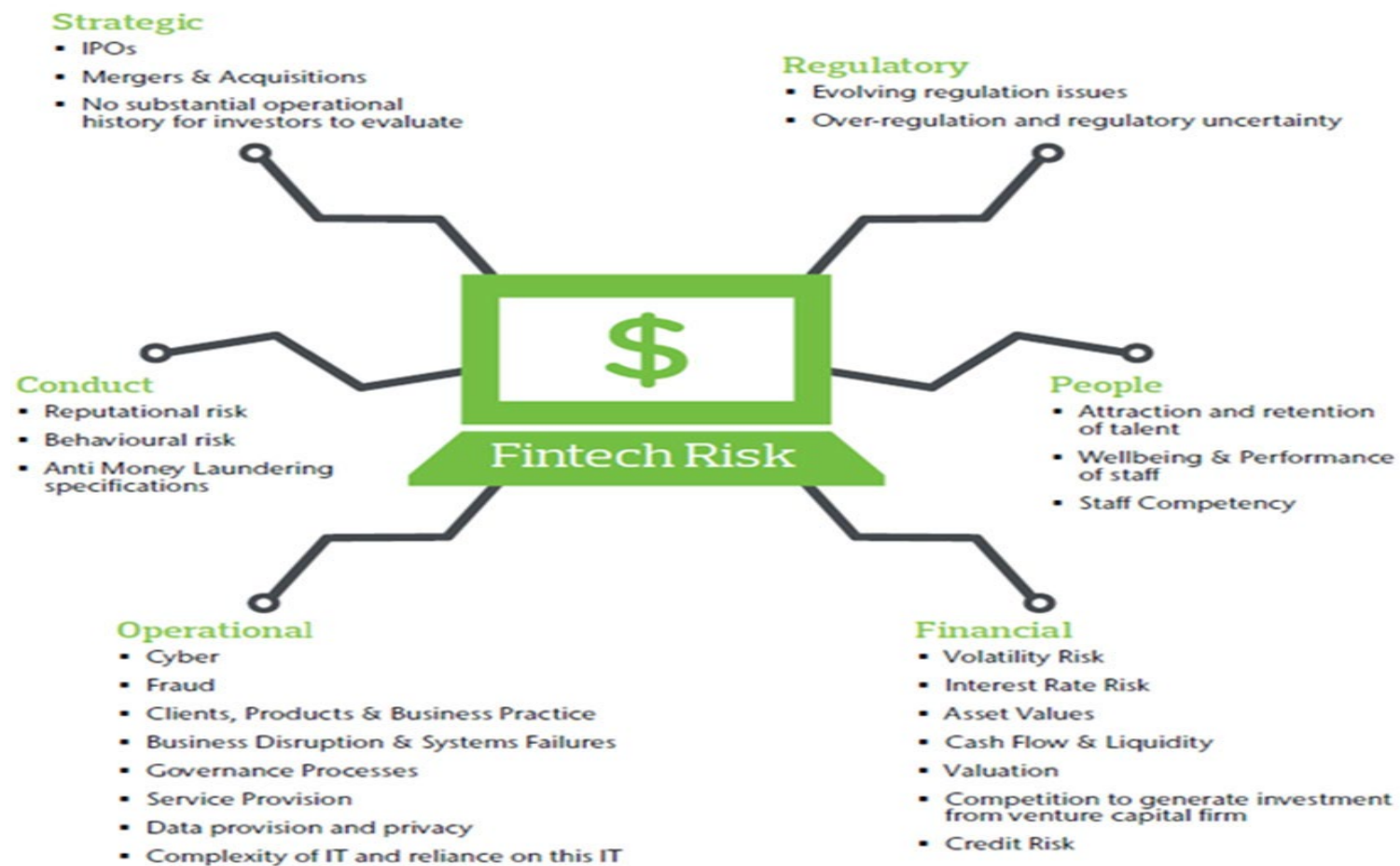
(Source: EY «Global Fintech Adoption Index 2019»)



Overall Benefits of Fintech

- **Customer service and revenue:** fintech enhances the quality of traditional financial services, by optimizing efficiency and boosting productivity;
- **Improved security:** fintech introduces latest security solutions like biometric data, tokenization and data encryption;
- **Convenience:** fintech entails the adeptness and convenience of transactions;
- **Valuable advice:** many technological advancements are developed to get valuable information on investments;
- **High rate of approval:** fintech increases accessibility to finance and speeds up the approval rate;
- **Upgraded payment systems:** with fintech, modalities of payment are quickly ameliorated;
- **Further service scope:** fintech allows companies to use innovative technology to broaden their reach and area of service;
- **Cost reduction:** fintech is the most cost-effective option for consumers and businesses alike. It help to save money because there are no hidden fees.







Let's reflect by watching this video 🎥





Wrap-up

Module IV:

- A Brief History of Fintech;
- What Exactly Is Fintech?;
- Some Types of Fintech Services;
- Fintech Enabling Technologies;
- Other Fintech Enabling Technologies;
- Raising Funds from Fintech Investors;
- Wealth Management with Fintech. Roboadvisors;
- Fintech is Reshaping Banking and Payments Industries;
- Shifting from Open Banking to Open Finance through Fintech;

- Decentralized Finance;
- Fintech: A Catalyst for Financial Inclusion;
- Successful Cases of Fintech Companies;
- Top Reasons Consumers Use Fintech;
- Overall Benefits of Fintech;
- Fintech Risks.



Bibliography

Journal Articles:

Gai, K., Qiu, M., & Sun, X. (2018). A survey on FinTech. *Journal of Network and Computer Applications*, 103, 262–273. <https://doi.org/10.1016/j.inca.2017.10.011>

Goldstein, I., Jiang, W., & Karolyi, G. A. (2019). To FinTech and Beyond. *The Review of Financial Studies*, 32(5), 1647–1661. <https://doi.org/10.1093/rfs/hhz025>

Navaretti, G. B., Calzolari, G., Mansilla-Fernandez, J. M., & Pozzolo, A. F. (2018). Fintech and Banking. Friends or Foes? *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3099337>

Nicoletti, B. (2017). *The Future of FinTech*. Cham: Springer International Publishing. <https://doi.org/10.1007/9783-319-51415-4>

Preeker, T., & De Giovanni, P. (2018). Coordinating innovation projects with high tech suppliers through contracts. *Research Policy*, 47(6), 1161–1172. <https://doi.org/10.1016/j.respol.2018.04.003>

Puschmann, T. (2017). Fintech. *Business & Information Systems Engineering*, 59(1), 69–76. <https://doi.org/10.1007/s12599-017-0464-6>

Romagnoli, S., Tarabu', C., Maleki Vishkaei, B., & De Giovanni, P. (2023). The Impact of Digital Technologies and Sustainable Practices on Circular Supply Chain Management. *Logistics*, 7(1), 1. <https://doi.org/10.3390/logistics7010001>

Sammarco, G., Ruzza, D., Maleki Vishkaei, B., & De Giovanni, P. (2022). The Impact of Digital Technologies on Company Restoration Time Following the COVID-19 Pandemic. *Sustainability*, 14(22), 15266. <https://doi.org/10.3390/su142215266>

Schueffel, P. (2016). Taming the Beast: A Scientific Definition of Fintech. *Journal of Innovation Management*, 4(4), 32–54. https://doi.org/10.24840/2183-0606_004.004_0004

Son, Y., Kwon, H. E., Tayi, G. K., & Oh, W. (2020). Impact of customers' digital banking adoption on hidden defection: A combined analytical–empirical approach. *Journal of Operations Management*, 66(4), 418–440. <https://doi.org/10.1002/joom.1066>



Books:

Alt R., Huch S. (2023) *Fintech Dictionary: Terminology for the Digitalized Financial World*. Springer

De Giovanni P. (2021) *Blockchain Technology Applications in Businesses and Organizations*. IGI Global

De Giovanni P. (2022) *Dynamic Quality Models And Games In Digital Supply Chains*. Springer

De Giovanni P., Folgiero P. (2023) *Strategies for the circular economy. Circular districts and networks*. Routledge

Omarini, A. (2019). *Banks and banking: Digital transformation and the hype of fintech. Business impact, new frameworks and managerial implications*. McGraw Hill.

Pedersen N. (2020) *Financial Technology: Case Studies in Fintech Innovation*. Kogan Page

Schena C.M., Tanda A. (2019) *FinTech, BigTech and Banks: Digitalisation and Its Impact on Banking Business Models*. Palgrave Macmillan

Sironi, P. (2021). *Banks and Fintech on Platform Economies: Contextual and Conscious Banking*. John Wiley & Sons Inc.



Websites:

https://blog.osservatori.net/it_it/fintech-significato

https://finance.swiss/en/innovation/?pk_medium=paid&pk_source=googleads&pk_campaign=FinanceInnovation

<https://fintechmagazine.com/>

<https://fintechnews.ch/>

<https://futurelearn.com>

<https://pll.harvard.edu/catalog/free>

<https://www.classcentral.com/subject/innovation>

<https://www.consob.it/web/area-pubblica/sezione-fintech>

<https://www.fintechdistrict.com/>

<https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/leadership-and-innovation>

<https://www.vernier.com>

Many thanks for
your attention.
See you at the
next lesson 😊