

# FinTech

## Case Study 1. Reshaping the Banking and Payments Industry

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## Learning outcomes

- ▶ Investigate how traditional financial institutions have adapted to FinTech inspired changes
- ▶ Analyze how countries are adapting to changes in payment methods

## Overview

1. **Read and engage: Responding to disruption**
2. Read and engage: Innovative payment methods in Europe
3. Academic reading
4. Takeaway

## Read and engage: Responding to disruption

- ▶ We have examined how FinTech challenge traditional institutions:
  - ▶ Provide mobile and technology-based solutions for payment processing
  - ▶ Through this technological disruption, companies are able to offer **cheaper** and **quicker** solutions than traditional financial institutions
- ▶ How traditional companies are adapting to the changes?
  - ▶ **Case study 1: A pathway for Scotiabank's innovation**

# Case study 1

- ▶ **Case study 1: A pathway for Scotiabank's innovation**
- ▶ **Scotiabank: Canadian-based multinational bank**
  - ▶ The bank realized the failures in:
    - ▶ Its ability to process information quickly
    - ▶ Its ability to provide loans to small businesses
  - ▶ To address this issue, Scotiabank enter into a partnership with **Kabbage**
    - ▶ Kabbage: A FinTech startup based in United States
- ▶ When reading the case study, consider the following:
  - ▶ What are the success factors in the Scotiabank–Kabbage partnership?
  - ▶ Under what circumstances is the same model applicable? When will the Scotiabank–Kabbage model not work?
  - ▶ Under what circumstances should Scotiabank seek further FinTech partnerships?

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## Read and engage: Innovative payment methods in Europe

- ▶ Challenges to the future of payment system posed by FinTech firms
  - ▶ How payments are traditionally made using credit cards
  - ▶ How mobile network operators, technology manufacturers, and internet giants are looking to change the payment process
  - ▶ How these competing interests will alter the future of banking
- ▶ Case study 2: SIX payment services

## Case study 2

- ▶ Case study 2: SIX payment services
- ▶ SIX: A digital payments company based in Switzerland
  - ▶ The case examines how SIX is looking to transform payment processing via digitization throughout the European Union
- ▶ When reading the case study, consider the following:
  - ▶ Why is the European payment system vulnerable to disruption?
  - ▶ What are the challenges faced by SIX Payment Services?
  - ▶ What steps should the head of strategy take to ensure the future growth of the company?
  - ▶ What would success look like for a company like SIX, and what do you think are its chances of achieving it?



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## Academic reading

- ▶ **Fintech, regulatory arbitrage, and the rise of shadow banks (2018 JFE)**
  - ▶ How regulatory differences and technological advantages contributed to the growth among online "fintech" lenders
- ▶ **Can FinTech reduce disparities in access to finance? Evidence from the Paycheck Protection Program (2022 JFE)**
  - ▶ Does fintech successfully serve small businesses poorly served by banks?
- ▶ **The rise of finance companies and FinTech lenders in small business lending (2022 RFS)**
  - ▶ The substitution effect between fintech and banks

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## Takeaway

- ▶ Roles of FinTech players in the banking and payments industry
- ▶ Video 1-4
  - ▶ Impact of FinTech on the way you pay for things
  - ▶ How the online payment revolution has maximized efficiency by taking the person out of personal finance
  - ▶ How it has disrupted traditional financial institutions
  - ▶ Why China is so far ahead of the rest of the world when it comes to mobile payments
  - ▶ Where the next round of innovation will come from