



Fintech is Changing the Way People Live

The Advantages and Disadvantages that Fintech Brings for Ordinary People

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Abstract. The sustained and rapid development of financial technology is inseparable from serving the whole society. This paper will take Australia as the data provider to discuss how financial technology has changed ordinary people's way of life. Especially during the Covid-19 period, financial technology still provides convenience for people to face unprecedented challenges. Although financial technology has brought some security challenges, the government is also actively introducing new policies, laws, and regulations cooperating with the industry to improve financial technology, and then providing the public with a safer and more reliable service experience.

Keywords: FinTech · alternative lifestyle · security challenges

1 Introduction

A decade ago, financial technology (FinTech) was a word that barely caught people's attention, but now it has become an alternative lifestyle. FinTech refers to integrating finance and technology through new technologies to improve and automate the delivery and use of financial services to provide consumers with faster, higher-quality, and lower-cost services.

The mobile Internet revolution has promoted the explosive innovation of financial technology, and financial activities supported by FinTech have penetrated daily life. In recent years, in terms of financial technology, people no longer only think of professional and complex blockchains and cryptocurrencies but also think of online loans, mobile payments and intelligent investment services.

Technological innovation in finance has brought both convenience and challenges, and the issue of privacy leakage has attracted more attention than ever before. Users' information needs more stringent information security protection from service providers and needs the government to improve and issue relevant laws and regulations to fill the loopholes exposed by the development of information technology.

This study will discuss how fintech affects the daily lives of ordinary people, especially in Covid-19, and analyse the challenges it will bring.

2 The Convenience of Fintech for Modern Life

2.1 Online Loan and Grants

Internet lending platform has another more familiar name, peer-to-peer (P2P) lending. It collects a large amount of private financing, and the lender can obtain fast and flexible nonmortgage loans through the point-to-point loan platform (Fig. 1).

The P2P market is expanding rapidly, which global market scale has reached \$67.93 billion in 2019 [1], and the size of its global lending market is predicted to be expanding until 2027, and the small business loans keep the most tremendous demand for loans (Fig. 2).

Since traditional banks' complex and time-consuming approval process for loan services, more and more small enterprises turn their loan demand to online loan platforms. For small businesses, this is more attractive than traditional banks. Small businesses may only need to borrow for 1–2 months to ease the pressure of capital turnover. However, this short-term flexible loan application method is not readily accepted by traditional banks. In addition, the financial and auditing systems of small companies are not as

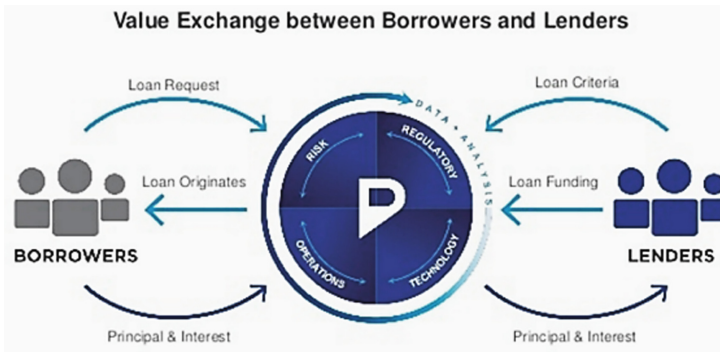


Fig. 1. How P2P lending works

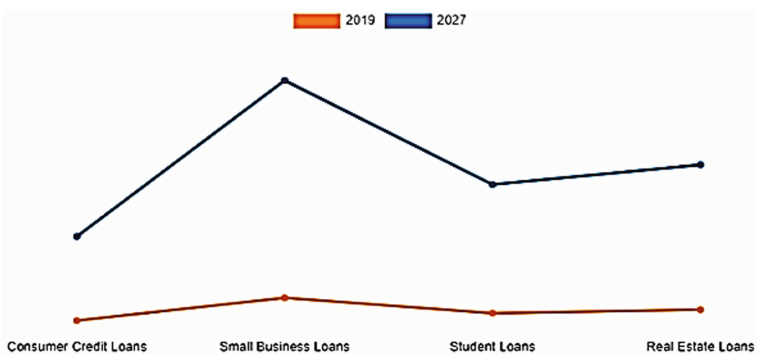


Fig. 2. P2P market by end-user.

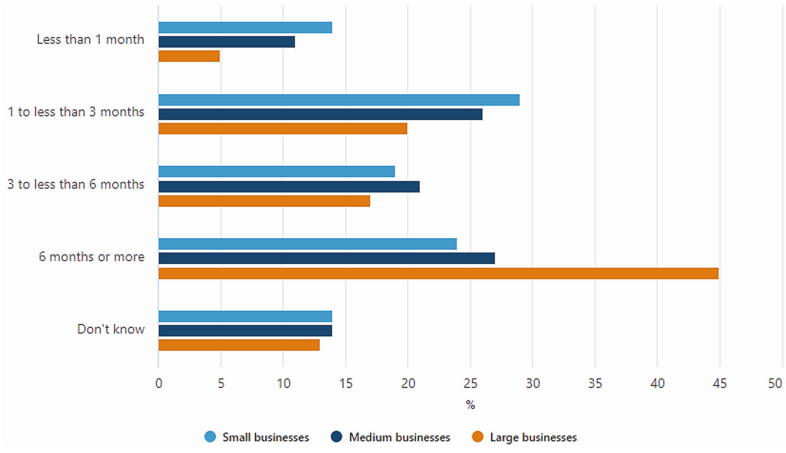


Fig. 3. The length of time that the cash currently held can maintain operation in May 2021.

stringent as those of large companies. Therefore, it is difficult for banks to use conventional review procedures for evaluation, which leads to excessively long approval times and efficiently delays the best investment opportunities for companies.

Alternatively, small businesses can apply for loans after a simple qualification examination on the online lending platform, and the vast majority of loans can arrive within 24 h to meet the urgent needs of borrowers.

During Covid-19, home isolation and travel restriction almost cut off the financial source of retail stores and the catering industry. However, these operators still had to pay rent even in the case of meagre income—some small business owners who invest by borrowing need to continue to bear the repayment pressure. In Australia (according to Fig. 3), small businesses are now still plagued by the economic pressure brought about by the epidemic. Only 24% of small business owners have the flexible capital to continue to operate for more than six months. In the absence of a stable income, loans are an effective way for small businesses to maintain their operations, and efficient verification and approval by P2P can help them solve their urgent problems.

Thus, in addition to online loans, the government also opens online applications for grants. For instance, the government of New South Wales in Australia has launched “Assistance Finder”, an online tool to facilitate applicants to select the most suitable financial support policies [2]. Applicants only need to answer the survey questions truthfully, and the results will automatically match the current most appropriate government assistance policy to provide operators with “contactless” financial support. Therefore, both urban and remote areas could avoid the distance restriction caused by the covid-19, and then get timely government or unofficial support through the network platform.

2.2 Third-Party Payment - Mobile Payment

Third-party payment, as the most widely used financial technology, has penetrated the world. Consumers can pay online or put their mobile devices close to POS devices to



Fig. 4. The convenience of mobile payment.

make inductive payment in physical stores. When paying, consumers are required to verify their identity through a password or intelligent identification.

Traditional payment methods also use IT technology. People can pay through unique cards issued by financial institutions. However, a person usually transacts business in more than one financial institution, which makes them have several bank cards simultaneously. Alternatively, some mobile payment applications, such as Apple Pay and Google Pay, can help users add multiple cards to the e-wallet at the same time (Fig. 4). They only need to display a unique barcode to the merchant through a portable electronic device to complete the payment, which improves the security and convenience of the payment [3].

Moreover, third-party payments are not limited to local currencies. When people use Visa or Master Card in other countries or regions, they can still enjoy real-time exchange rate payment via e-Wallet. Consequently, the third-party payment simplifies the payment method but improves the convenience and security of traditional payment.

Currently, more Australian consumers are embracing the idea of a cashless future than ever before. Since covid-19 is difficult to disappear completely in a short time, which urges people to use contactless mobile payment instead of traditional card or cash payment to protect their health and safety. Through Fig. 5, the sharp decline of cash withdrawal in 2020 also reflects the covid-19 promotes the acceptance of mobile payment by the whole society.

2.3 Online Shopping

As one of the financial technology products, online shopping is a new and popular way of life, especially in young families. Online shopping can be carried out anytime, anywhere without restrictions. Shopping websites usually display detailed product information in the form of text and video so that consumers can quickly place orders after comparison.

Because of the blockade, covid-19 has dramatically encouraged people to start shopping online. Take Australia as an example; more and more middle-aged and older people choose online shopping. They realize that cosmetics, fashion, and other light goods can be purchased online and daily fresh; home gardening products can be purchased online—online shopping [4]. According to Fig. 6, these two categories have been in the top two of online shopping sales growth in 2020.

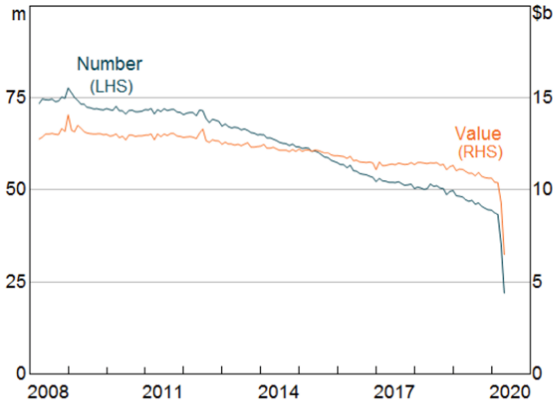


Fig. 5. ATM cash withdrawal.

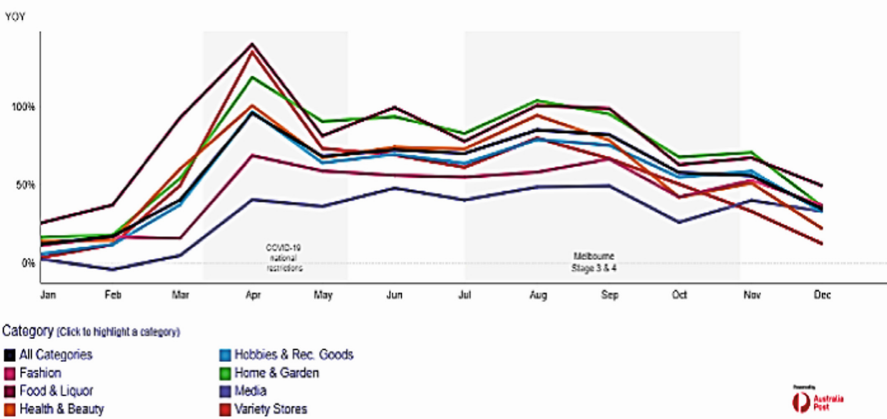


Fig. 6. Growth in online shopping in Australia.

Although home isolation blocks the revenue of physical stores, the increase of online orders (including takeout food) reduces the loss of small business operators to a certain extent. Moreover, data from Australia Post shows that there will be 1.36 million new users in 2020 alone, and the number of adult users has increased from 78% to 83% (2019–2020), resulting in total online consumption of US\$50.46 billion [4]. People are accepting the convenience of financial technology.

2.4 Robo-Advisor

With the pressure of superannuation transferring from government to individual, more and more people seek financial planning help. However, professional financial advisers are usually expensive, and a Statement of Advice (SOA) will cost thousands of Australian dollars. Indeed, Robo-advising may seem like a panacea to the scores of people who need advice but may not be able to afford traditional advice and services. Usually, its

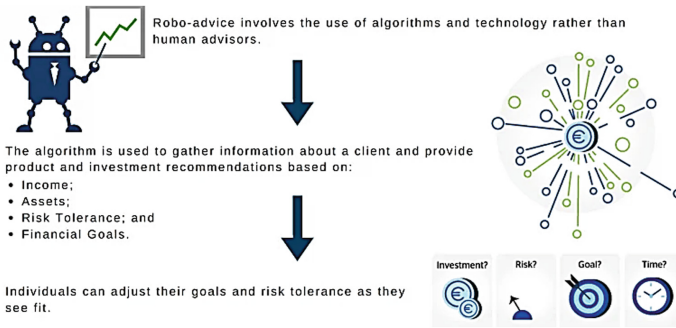


Fig. 7. How does robo-advice work?

management fee is less than 1% and has no minimum quota, therefore, the low-income consumers are currently the main clients of robot consultants [5].

In addition, this kind of digital financial service can be provided 24/7. People only need to screen according to their specific needs, such as duration, risk preference, and income, and then they can get several corresponding conventional asset allocations and financial planning (Fig. 7).

During the covid-19, the Robo-Advisor market was still active, and the service volume of all providers and platforms increased by 3.1% on average [7]. This is mainly because the Robo-Advisor can provide long-term good investment advice, avoid the risk brought by any bias. Alternatively, people are gradually abandoning the idea that “little money is not worth planning”, it is more apparent than ever that blockades make people increasingly inclined to manage their financial interests for future resilience. Furthermore, the distance limits encourage people to seek financial planning services online, and Robo-Advisor meets customer demand for accessible investment advice.

3 Existing Main Challenges

3.1 Laws and Regulations are Faultiness

P2P is a fast-growing lending platform, and some people will participate as investors (borrowers) to obtain high return (Fig. 1). Due to the loose censorship of P2P for borrowers, lenders are likely to face the situation that borrowers do not pay back. Although the government requires the FinTech platform to be registered in the Australian Securities and Investments Commission (ASIC) and have an Australian Financial Services (AFS) licence, the government will not protect investors’ funds [8]. This means that investors cannot seek government protection if fraud or a platform error results in their lost money.

3.2 Online Fraud

P2P greatly enhances the convenience and flexibility of e-business, on the other hand, that aggravates the risk and security threatening of investment. For example, as a lender, when they remit money to the fraudster through the Internet, the money can arrive at the

specific account immediately. The money may be transferred through dozens of banks, and the bank information and personal contact information can be forged, which may cause serious consequences that cannot be traced.

In addition, as people spend more time online during the covid-19, the reporting and loss of some scams have increased. In 2020, fraud losses in Australia was as high as a \$851 million, of which investment fraud reached \$328 million [9].

3.3 Information Leakage

When using third-party payment applications, users need to sign an authorized privacy agreement. While such agreements usually only have ‘agree’ or ‘disagree and sign out’ options, consumers do not choose what information is allowed to be tracked and shared by carriers. In addition, if people encounter a phishing website when shopping online, criminals will obtain consumers’ personal information and specific information about payment methods. Moreover, by 2020, the global average loss caused by information leakage is as high as 3.86 million U.S. dollars. Due to the impact of Covid-19 on online life, work and study, the possibility of information leakage may increase by 70% [10].

3.4 Lack of Personalized Service

Although Robo-Advisor can provide customers with investment solutions for reference, they can only communicate with customers through words and can not explain relevant suggestions face-to-face. Without Strong information exchange, it is difficult to build trust with customers. However, the financial services industry itself lacks the trust of customers, and the lack of communication may further reduce the quality of its services, thus affecting the investment results.

Moreover, Robo-Advisor can not provide tailor-made investment suggestions like professional financial advisor, and can not make positive adjustments in time according to market changes, so that the main customer group of Robo-Advisor, low-income investors, may bear more losses.

4 Changes

In order to protect the interests of the general public, the Australian government has constantly updated the regulatory framework of the FinTech industry. Even though Australian Consumer Law cannot be fully adapted to the regulation of financial services and products, consumers can reasonably safeguard their rights by complaining to ASIC (ASIC Act).

In addition, the Australian government has worked with 13 major players, such as ANZ, Commonwealth, and NAB, to develop a New Payments Platform (NPP), which will create a more secure and efficiency mobile payment environment for ordinary people [11]. The Reserve Bank of Australia is also closely reviewing the regulatory framework for payment methods, including any functional gaps in retail payment systems and their resilience to disruption.

Recently, the Australian government is also working to implement the recommendations of the Royal Commission, strengthening the authority of ASIC, and the Financial Adviser Standards and Ethics Authority (FASEA) also imposes higher professional and ethical requirements on those working in the financial services industry [12]. Thereby, improve and rectify the financial sector and improve the industry's ethos, and then restore consumer trust in the financial services sector.

Besides, FinTech Australia cooperates with enterprises to launch the financial technology talent market to ensure the introduction and employment of talents under covid-19. Since the strong human resources have promoted the practical application of fintech in different fields, helping more retail consumers to obtain more efficient, cheaper, and higher-quality financial service products.

With the continuous supplement of laws and regulations, the activities of financial technology companies are increasingly restricted. Therefore, ASIC launched Fintech Sandboxes to provide reasonable exemptions and assistance for Fintech companies [13]. For instance, the amendments would allow eligible fintech enterprises to experiment with new innovative and beneficial services from the initial 12 to 24 months without a license [13]. This series of reforms help Fintech companies control the regulatory system, and promote the continuous innovation of Fintech.

5 Conclusion

Financial technology has changed the experience of traditional business and has redefined financial services. Covid-19 has made people more aware of the value of financial technology, and the government is also actively supporting the financial technology industry to meet current and future challenges. In conclusion, this paper speculates that financial technology will balance innovation and regulation, and then provide more secure and comprehensive services for modern society in the future.

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