

Publication: The Business Times, p 11  
Date: 2 January 2017  
Headline: Incorporating fintech into our lives



A digital wallet is a blanket term encompassing technologies that facilitate payments. Based on encryption software, it acts as an upgraded replacement for your traditional leather wallet.  
FILE PHOTO

# Incorporating fintech into our lives

Three ways to do so include using digital wallets and mobile payments, participating in P2P investments and crowdfunding websites. BY AARON ER

**W**ANT a secure, lighter and a more convenient wallet that facilitates faster transactions at no cost? Fancy esoteric micro-investment opportunities?

Need access to funding for your business idea beyond the banking loans? Look no further, for fintech is here to the rescue.

Fintech is a word fused from finance and technology to describe the emerging era of financial services leveraging on technology to disrupt traditional finance.

It describes the integration of financial services and technology.

Popular examples include Kickstarter, a crowdfunding platform; Bitcoin, a cryptocurrency; and Square, a mobile point of sale system.

According to KPMG and CB Insights, global investments in fintech companies totalled US\$19.1 billion in 2015, more than double that of 2014.

Fintech is seeing accelerated growth in the startup sector as well. McKinsey estimated the number of fintech startups today at greater than 2,000, from 800 in April 2015.

Singapore rivals other major fintech centres such as Silicon Valley, London and New York in terms of startup activity and innovation.

But it lags its peers with respect to the firms' access to capital. As of writing, Singapore is ranked globally as the top country in which the phrase "fintech" is the most popular, according to Google Trends.

The Monetary Authority of Singapore (MAS) is leading Singapore's efforts in developing our fintech capabilities, through forming partnerships with polytechnics to develop the local talent pipeline, establishing a fintech Innovation Lab named Looking Glass@MAS, and organising the inaugural Singapore Fintech Festival in November 2016 to put Singapore on the global fintech stage.

To pursue such fintech initiatives and innovation, MAS is committing some S\$225 million over the next few years.

A strong focus on the customer has been the primary driving force for innovation in financial services.

The competition between traditional finance and fintech ultimately forces both parties to evolve—benefiting retail consumers like you and I by providing us with more choices that are more aligned with our needs.

There are three tangible ways to incorporate fintech into our lives.

■ **Digital wallets, mobile payments:** A digital wallet is a blanket term encompassing technologies that facilitate payments.

Based on encryption software, it acts as an upgraded replacement for your traditional leather wallet.

The leader in this arena is Apple Pay which was released in Singapore earlier this year, and is currently the most popular choice among Singaporeans according to the *Singapore Business Review*.

Users of Apple Pay have to first add their debit or credit cards to the Wallet app by taking a picture of their physical cards.

After this, users can pay simply by tapping their phone against the near field communication (NFC) contactless reader, just like an EZ-Link card, while placing their finger on the phone's fingerprint sensor.

When we pay using physical credit cards, though there are many security measures in place, fraudsters are continually improving their methods to capture credit card data for unauthorised transactions.

Digital wallets, being relatively newer technology, are able to add another layer of complexity and security to guard against credit card fraud as they utilise a tokenisation process that allow consumers to conduct a payment without transmitting actual account numbers.

Although digital wallets are highly encrypted, the safest vaults are only as safe as their weakest link.

One must still adopt safety procedures for devices such as installing applications only from trusted sources, and password-protected devices and digital wallets.

■ **Peer-to-peer investments and loans:** One opportunity that fintech has uncovered is making peer-to-peer (P2P) lending and borrowing viable.

Online matching platforms such as MoolahSense and CapitalMatch have now bridged small and medium-sized enterprises (SMEs) with retail investors. Retail investors are now able to directly loan money to companies listed on the platform.

The returns on these platforms can be as high as up to 25 per cent a year. However, loans to SMEs can be risky. Individuals have to do their due diligence and diversify their investments.

■ **Crowdfunding websites:** Crowdfunding platforms also provide an alternative financing solution.

By simply signing up for an account and filling out the project details, these platforms allow companies as well as people to share with others their intended product or idea.

If the project is deemed worthy, it will be listed on the platform which in turn allows those interested to invest in or even donate their money to the project.

This platform would seem like a dream to many aspiring entrepreneurs—but what is the catch?

People who receive donations to push out their projects are not legally bound to deliver.

There are people who abuse this platform by absconding with the "donated" money.

Although there are no legal implications for the absconded party, repeated incidents would shatter the trust in the community and adversely affect future funding of projects.

Crowdfunding is huge business and nothing to be scoffed at.

As at mid-December 2016, the total amount pledged on Kickstarter, a top crowdfunding platform, has gone above US\$2.7 billion, and more than 115,000 projects have been successfully funded.

Disrupting the traditional finance industry comes with its fair share of obstacles.

A major issue is cyber security.

An article in *Financial Times* reported that the number of cyber attacks on UK finance groups had risen to 75 in 2016, compared with 27 in 2015.

Research by market research firm Juniper Research also suggests that cybercrime will cost businesses over US\$2 trillion by 2019—almost four times the estimated cost of breaches in 2015.

Regulation is also a key issue that fintech is grappling with.

Fintech is evolving at a far greater pace as compared to regulatory frameworks. Regulators are faced with a conundrum: Strict regulation stifles innovation, while relaxed regulation increases the chances of customer exploitation.

Nevertheless, there is a significant shift towards fintech in the upcoming years. As a nation, Singapore needs people to keep abreast of the changes brought about by fintech, and to make the best of it.

■ The writer is a student with Singapore Management University's Lee Kong Chian School of Business and a student trainer in the Citi-SMU Financial Literacy Programme for Young Adults.

Jointly launched by Citi Singapore and SMU in April 2012, the programme is Singapore's first structured financial literacy programme for young adults. It aims to equip those aged 17 to 30 with essential personal finance knowledge and skills to give them a firm foundation in managing their money, and a financial headstart early in their working lives.

Source: The Business Times @ Singapore Press Holdings Limited. Permission required for reproduction