

Teaching users about real world of finance



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When Facebook rebranded its parent company Meta last year, there was a buzz about the reason. Facebook chief executive Mark Zuckerberg noted: "I want to anchor our work and identity on what we're building towards."

While gaming in the new world of extended reality tends to blur the boundary between real and virtual, technology's move towards the metaverse opened up a new conversation in the financial services industry that has been catalysed by growth with applications of fintech in various industries.

Business as usual in traditional bricks-and-mortar banks has been disrupted in at least three ways, so the metaverse offers a triple threat to address these.

First, the pandemic has catapulted into cyberspace all traditional banking clients who were nudged to use online and mobile services. A 2020 survey by SMU Institute of Service Excellence found that more older Singaporeans were adopting mobile and Internet banking and fewer were visiting branches.

Banks are now looking at the metaverse for virtual real estate to replicate the positive banking experience to retain loyal customers. The virtual Onyx Lounge from JP Morgan in Decentraland, a blockchain-based virtual lounge, is the first foray by a United States bank into the metaverse.

Second, the emergence of digital-only banks with fewer legacy issues and lower costs of operations has posed significant challenges to traditional ways of doing business, including customer acquisition.

These banks can offer services and new products at a much lower price point, which empowers financial inclusion

particularly for young, tech-savvy prospective banking clients. The final advantage of traditional banks is the physical institution, which offers an element of trust. The metaverse provides a virtually real property that can replicate the physical presence of the financial institution in cyberspace.

This might also help to build trust through multiple smaller transactions, which offer an incremental way of reducing the fear factor among older generations to use digital or virtual services, such as meeting customer service officers for loan processing or clarification.

This customer-centricity in the metaverse might decrease customer acquisition costs and help bridge geographical boundaries.

The question is: What is in it for the man or woman in the street? First, unlike other areas, bad financial decisions early in life might be detrimental to one's future well-being. The metaverse provides a way of training both future bankers as well as individuals on better decision-making.

Second, lowering the cost of service and standardising service, as a virtual banking establishment, might increase customer experience for financial services. A 2021 survey conducted by the Citi-Foundation SMU Financial Literacy Programme found evidence that financial inclusion among young adults reduces impediments to banking like access to branches and documentation requirements.

Finally, the advantage of the metaverse is that it helps people, particularly young adults, to dream of a better future. They are not restricted by constraints of whether they can achieve the dream or not; everyone has the same opportunity for success.

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