



# Contemporary Issues in Finance - Lecture 2

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**Lesson Title:** Financial  
Technology Disruption

**Instructor:** Dr. Mary Githinji



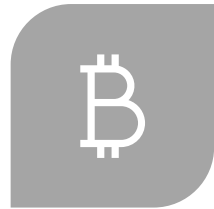
## Lesson overview

FinTech is transforming traditional banking, payment systems, lending, investment management, and insurance. It presents opportunities, risks, presents regulatory challenges, and impacts businesses, consumers, and policymakers. It's both a catalyst for financial inclusion and a source of systemic risk.

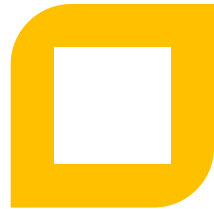
# Lesson Objectives



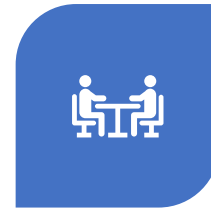
TO INTRODUCE STUDENTS TO THE CONCEPT OF FINTECH DISRUPTION IN THE FINANCIAL ECOSYSTEM.



TO EXAMINE THE TECHNOLOGICAL INNOVATIONS AND ANALYZE THE IMPACT OF FINTECH DISRUPTION



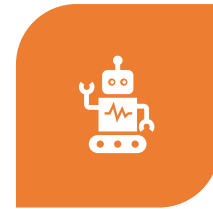
TO EXPLORE REGULATORY AND COMPLIANCE CHALLENGES .



TO DISCUSS THE OPPORTUNITIES AND RISKS FINTECH PRESENTS.



TO EVALUATE CASE STUDIES OF FINTECH.



TO ENCOURAGE CRITICAL THINKING ABOUT THE FUTURE OF FINANCE .

# Learning Outcomes

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By the end of this session, learner will be able to:



**Define and contextualize FinTech disruption.**



**Critically evaluate the drivers of FinTech disruption.**



**Analyze the impact of FinTech innovations.**



**Examine the risks and challenges associated with FinTech disruption.**



**Assess case studies of FinTech firms.**



**Debate the ethical and social implications of FinTech disruption.**



**Propose informed strategies and policy recommendations .**

# Introduction

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FinTech, the integration of technology in financial services, is revolutionizing the industry by delivering innovative products and services, challenging traditional institutions, requiring regulatory adaptation, and offering greater choice and efficiency.

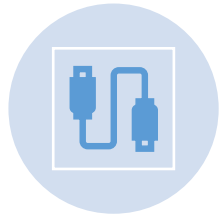
# FinTech Evolution Timeline



FINTECH 1.0 (1866–1967):  
EARLY ELECTRONIC  
FINANCIAL  
INFRASTRUCTURE  
DEVELOPMENT



FINTECH 2.0 (1967–2008):  
DIGITALIZATION AND  
EXPANSION OF ELECTRONIC  
BANKING



FINTECH 3.0 (2008–  
PRESENT): DISRUPTION  
THROUGH MOBILE APPS  
AND BLOCKCHAIN  
INNOVATION



# A Brief History of FinTech

- **FinTech 1.0 (1866–1967): The Early Infrastructure Phase**
  - The invention of the telegraph (1866) and later the transatlantic cable marked the beginning of electronic financial communication.
  - The introduction of Fedwire in 1918 (in the U.S.) allowed electronic transfer of funds.
  - In the 1950s and 60s, credit cards (e.g., Diners Club, American Express) revolutionized consumer payments.

# A Brief History of FinTech

- **FinTech 2.0 (1967–2008): Digitalization of Finance**
  - The first **ATM (1967, Barclays, London)** began modern electronic banking.
  - The 1970s saw the growth of **NASDAQ** and electronic trading platforms.
  - In the 1980s and 90s, **online banking** and **electronic payment systems**
  - This period also marked the rise of **financial globalization** with SWIFT, Bloomberg terminals, and computerized risk management.

# A Brief History of FinTech

## **FinTech 3.0 (2008–Present): Disruption and Democratization**

- The 2008 global financial crisis
- Smartphones and mobile apps
- Blockchain and cryptocurrencies (Bitcoin, 2009)
- Today, FinTech is expanding into artificial intelligence, open banking, RegTech, InsurTech, and green finance

# Question?

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What could have  
fueled the fintech  
disruptions?



# Drivers of FinTech Disruption

**Several interrelated factors have fueled FinTech's rise:**

- Technological advancements
- Changing consumer preferences
- Financial inclusion goals
- Regulatory pressure and gaps
- Venture capital investment

# Drivers of FinTech Disruption

## Technological Advancements

- Cloud Computing
- Artificial Intelligence (AI) and Machine Learning
- Blockchain and Distributed Ledger Technology (DLT)
- Big Data Analytics



# Drivers of FinTech Disruption

## Changing Consumer Preferences

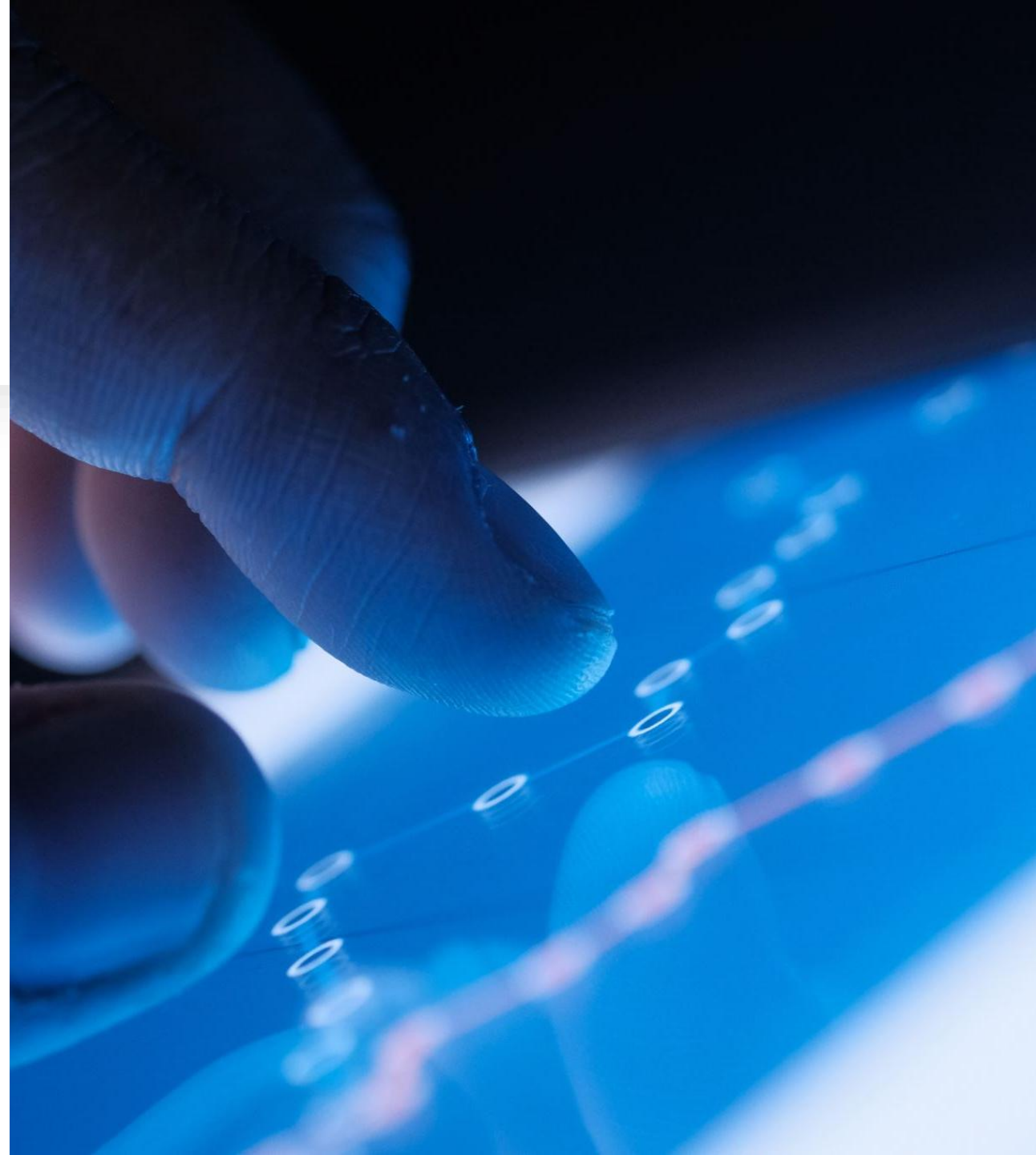
- Consumers expect 24/7 digital access, instant payments, low fees, and seamless user experiences.
- The rise of mobile-first banking apps, digital wallets, and peer-to-peer platforms reflects this shift.
- Convenience, speed, and user control are valued more than loyalty to traditional institutions.



# Drivers of FinTech Disruption

## Financial Inclusion Goals

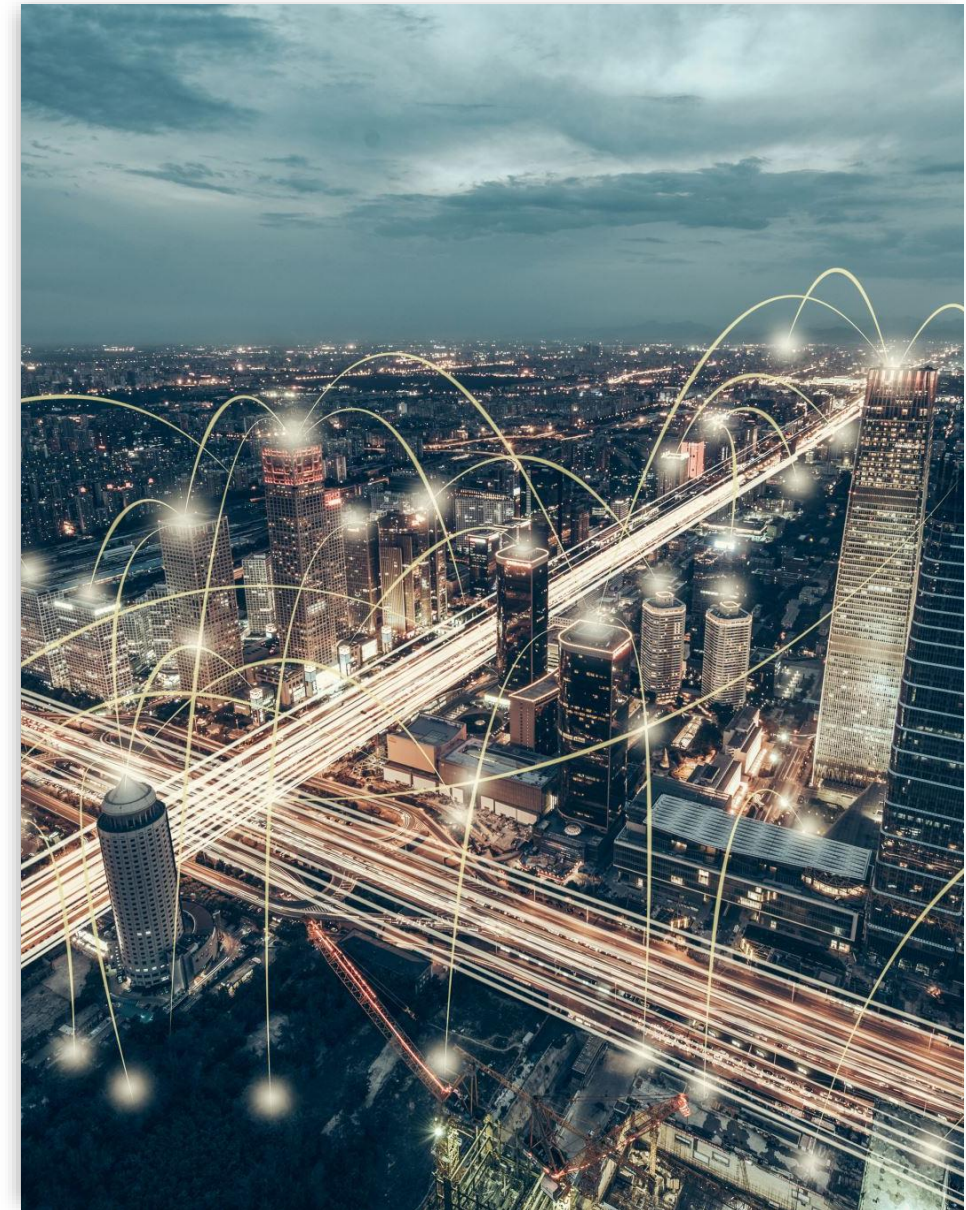
- About 1.4 billion adults globally remain unbanked (World Bank, 2022).
- FinTech addresses this gap through mobile money , micro-lending platforms, and biometric authentication for rural areas.
- Digital finance reduces barriers, empowering marginalized groups.



# Drivers of FinTech Disruption

## Regulatory Pressure and Gaps

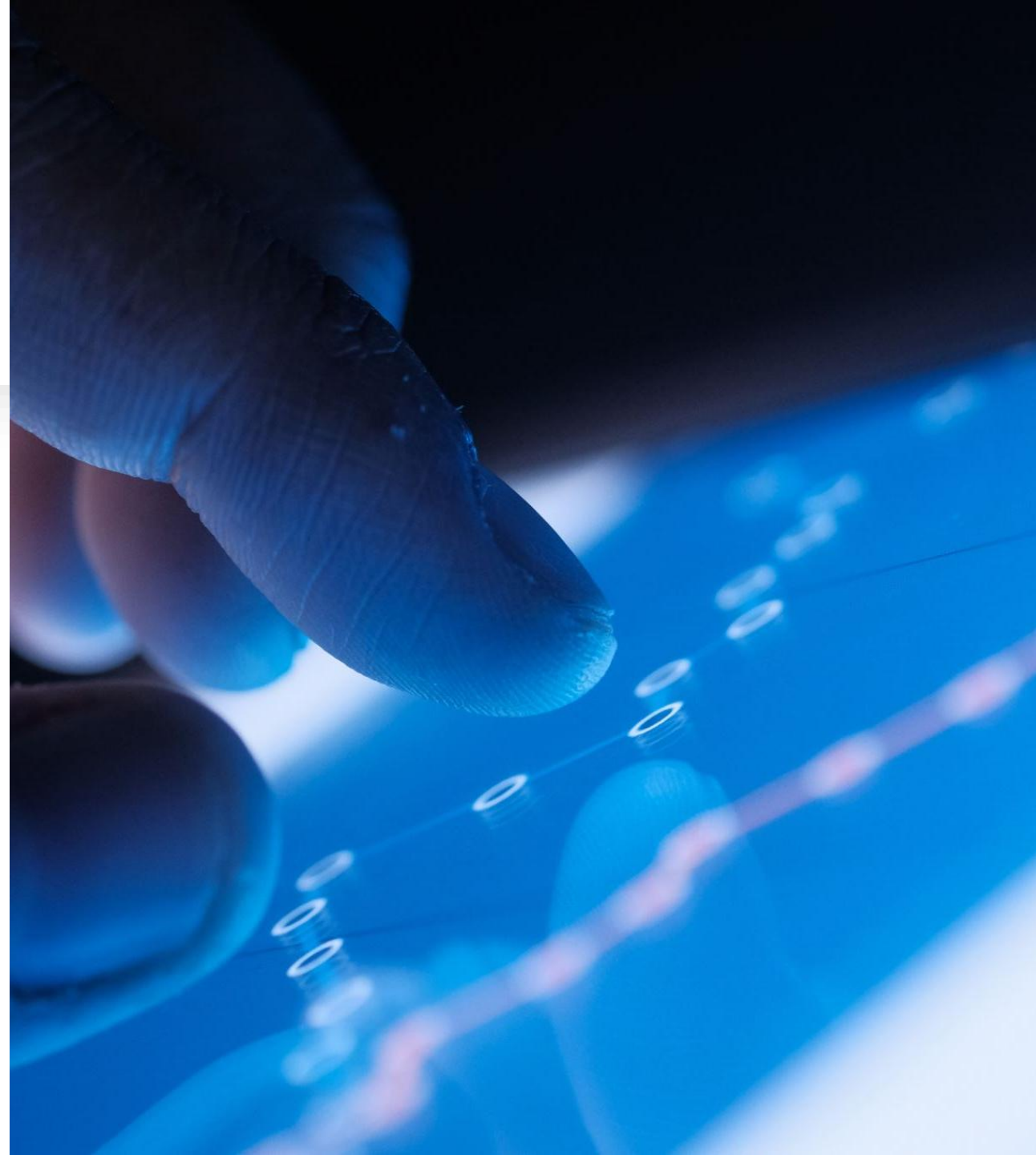
- Post-2008 crisis, stricter rules increased the costs for traditional banks.
- FinTech startups exploited regulatory gray areas to innovate faster.
- However, regulators are catching up through sandboxes to balance innovation with consumer protection.



# Drivers of FinTech Disruption

## Venture Capital Investment

- Global VC investment in FinTech
- Investors are drawn by scalable business models,
- This influx fuels rapid innovation, global expansion, and increased competition between startups and incumbents.



# Question?

“Think about your own daily life. In what ways do you already use financial technology without necessarily calling it ‘FinTech’?”



# Domains of FinTech Disruption

Payments and  
Money  
Transfers

Lending and  
Credit

Wealth and  
Asset  
Management

Insurance  
(InsurTech)

Capital Raising

# Domains of FinTech Disruption



**Payments and Money Transfers**



Digital Wallets (Apple Pay, Google Pay, Alipay)



Mobile Money Systems (M-Pesa).



Cross-Border Remittances via Blockchain.

# Domains of FinTech Disruption



## Lending and Credit

**Peer-to-Peer (P2P) Lending Platforms**  
**Credit Scoring through Alternative Data**

# Domains of FinTech Disruption

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Wealth and  
Asset  
Management

## **Robo-Advisors**

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## **Tokenization of Assets**

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# Domains of FinTech Disruption

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**Insurance  
(InsurTech)**

**Usage-Based Insurance  
(UBI) Powered by IoT**

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**AI-Driven Claims  
Processing**

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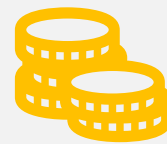
# Domains of FinTech Disruption



**Capital Raising**



**Crowdfunding Platforms.**



**ICOs and STOs:**

**Initial Coin Offerings (ICOs)  
Security Token Offerings (STOs).**

# Domains of FinTech Disruption



**Blockchain and  
Decentralized Finance (DeFi)**



**Smart Contracts.**



**Decentralized Exchanges  
(DEXs) and Lending Pools.**

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# Opportunities Presented by FinTech



**Financial  
Inclusion**



**Efficiency  
Gains.**



**Innovation.**



**Consumer  
Empowerment.**



**Global  
Integration.**

# Risks and Challenges

Regulatory arbitrage

Cybersecurity threats.

Consumer protection.

Market volatility.

Systemic risk.

# Regulatory and Policy Responses



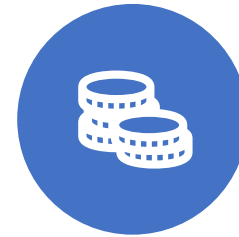
**SANDBOXES.**



**GLOBAL  
COORDINATION.**



**DATA PRIVACY  
FRAMEWORKS.**



**CRYPTO  
REGULATION.**



**BALANCING  
INNOVATION AND  
STABILITY.**

# Implications for Stakeholders



**BANKS.**



**INVESTORS.**



**CONSUMERS.**

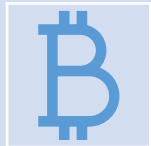


**POLICY MAKERS.**

# Case Studies



**M-Pesa (Kenya):** Mobile money revolution enabling millions of previously unbanked individuals to transact securely.



**Ant Group (China):** Expansion of mobile payments and credit services, highlighting scale but also regulatory pushback.

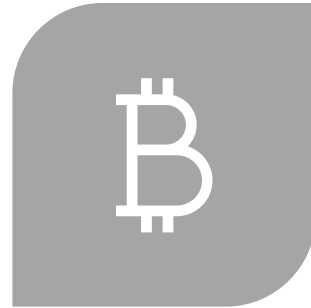


**Robinhood (USA):** Democratizing access to stock trading, while raising concerns on speculative behavior.

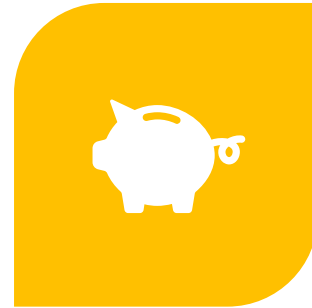
# The Future of FinTech



GROWTH OF CENTRAL BANK  
DIGITAL CURRENCIES (CBDCS).



EXPANSION OF AI-DRIVEN FINANCE  
FOR PREDICTIVE ANALYTICS AND  
FRAUD DETECTION.



RISING IMPORTANCE OF GREEN  
FINTECH, ALIGNING DIGITAL  
FINANCE WITH ESG GOALS.



INCREASING COLLABORATION  
BETWEEN TRADITIONAL BANKS  
AND FINTECH STARTUPS.

# Conclusion

FinTech disruption represents both an unprecedented opportunity and a complex challenge for the financial sector. While it has the potential to democratize finance and enhance efficiency, it also introduces risks that require vigilant management. For postgraduate students and practitioners alike, understanding the dual nature of FinTech disruption is essential for navigating the future of finance.

# References

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# Thank you

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