

## **Chapter 5 Recommendation and Conclusion**

### **5.1 Responding to Changes: Coming Together for the Common Good**

The speed of technological advances means that falling to keep up with the market will lead in revenue and customer loss, or even being driven out of the industry. The questionnaire survey also highlights the growing importance of partnership, benefits and challenges facing in the Fintech era.

#### **5.1.1 Strategies and Mindsets: Partnering to Innovate**

How to innovate strategies and mindsets of Fintech companies and financial institutions? Chinese financial institutions mostly expect to strengthen thought internal efforts and through partnership with Fintech companies. Fintech acquisition is the third option cited. However, the high cost of acquisition and follow-up training and management of talents has deterred financial institutions. It means that financial institutions are more cautious about acquiring Fintech companies, and tend to strengthen internal innovation and cooperation.

#### **5.1.2 Resource allocation: Focusing on Key Technologies.**

Chinese financial institutions are dedicated to investing in emerging technologies. Chinese financial institutions are willing to allocate almost a third of annual turnover to Fintech-related projects, more than double the level of their global peers. Despite the investment enthusiasm, financial institutions will need a more thorough approach to assess innovative technologies (PwC, 2017). Focusing on emerging technologies globally will be necessary to fully understand the potential for description. The more invest in resource allocation come with higher expected return. Annual expected investment return rate of China's Fintech projects was higher than that of other countries and regions in the world, which was 20% higher than the global level (PwC 2016).

Therefore, it is also important to invest resources in key technologies and focus on management investment expectations. Through a questionnaire survey of financial institutions' preferences for key technologies in this paper, respondents tended to invest in the first three items are big data analysis, artificial intelligence, and public cloud Infrastructure. Thereby, resource allocation focusing on above key technologies is an inevitable trend for financial institution further development.

In addition, the pursuit of emerging technology by financial institutions needs to keep up with the pace of financial technology companies. At present, financial institutions are focusing on upgrading the financial system to improve compatibility with big data, information systems and mobile technology. Many financial institutions still remain in the stage of data integration and management to provide digital customer service experience. However, Fintech company has been focusing on updating the cutting-edge technology, the relevant solutions provided by them not only aims to improve the quality of customer service, also help to improve efficiency, reduce cost, to strengthen the security, make the process more agile.

### **5.1.3 Action Plan: Multiple Solutions to Collaborate**

Collaboration is the general trend of financial technology. The business relationship between Chinese financial institutions and Fintech companies is mainly based on the “purchase of financial technology company services” to improve operations and services (PwC, 2017). Judging from the subjective strategy, they are willing to strengthen collaboration in the next three to five years. The cooperation modes between financial institutions and financial technology companies can be diversified. Apart from establishing partnerships, financial institutions can also provide services to Fintech companies, and even financial institutions can establish related venture capital funds to fuel the latter, or establish related projects to incubate Fintech companies. The key is to choose a win-win a mode that suits both parties.

However, from the tactical level, there are several challenges faced by financial institutions and Fintech companies in cooperation with each other. The security of information technology and the uncertainty of supervision are the common challenges shared by both parties (CAITC, 2018b).

In addition, from a financial institution's point of view, the compatibility of information technology systems is a big challenge when they work together. For Fintech companies, the difference in business models between the two sides is also a problem. It can be seen that although the cooperation between the two parties obtain a subjective wish, the process still needs further adjustment.

### **5.3 Conclusion**

The financial services industry is facing an unprecedented challenge brought about by Fintech development. Fintech reshapes the relationship between business and consumers by changing the way, time, and supply of financial services and products. Future success depends on financial institutions to improve the customer experience and ability to meet changing customer demand, this requires financial institutions to both strengthen the internal R&D and actively seek cooperation with Fintech companies.

The information about China's Fintech applied to the financial industry is scattered and ambiguous, which makes data integration challenging. Therefore, paying attention to the trends related to the development of the industry, technology and start-up companies is necessary. In order to cope with the ever-changing environment, many traditional financial institutions have tried to explore Fintech through various ways such as joint venture and cooperation with Fintech companies or strengthening independent research. No matter what method financial institutions applied, Fintech cannot be ignored.

The main impact from Fintech is the emergence of new financial services business models, which will pose challenges for supervisors and market participants. Financial services companies

should no longer attempt to control all aspects of the value chain and customer experience through traditional business models. Instead, the core areas of Fintech development can be approached through using the trust relationship with customers and extensive access to customer data. For many traditional financial institutions, this approach requires a fundamental shift in identity and goals. The new form of Fintech will require companies to move from a single dimension of product promotion to a customer-centric model, where financial service providers are service enablers, help clients get advice and interact with all relevant participants through multiple channels.

The technological revolution in financial services is under way, but the impact on current banking players and financial system is not as well defined. Fintech disruption has the potential to shrink the role and relevance of today's financial institutions, and simultaneously help them create better, faster, cheaper services that make them an even more essential part of everyday life for institutions and individuals. Embracing openness and collaboration, and making smart investments is a good place to start.