



# FINTECH AND CRYPTOCURRENCY

how are they affecting traditional banking and how  
reliable are they as a form of money management?

**EXECUTIVE  
NETWORK  
GROUP**





# FINTECH AND TRADITIONAL BANKING

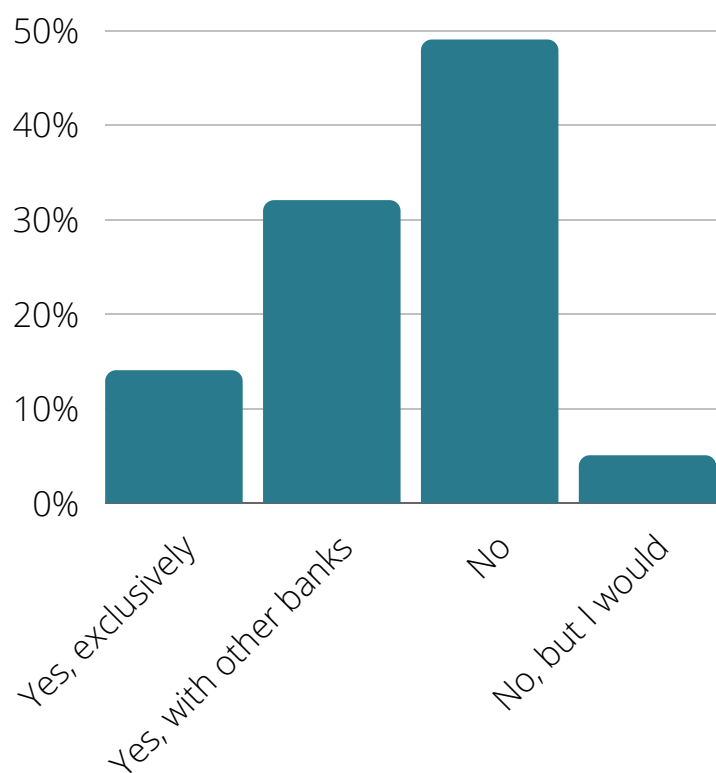
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Technology in financial services has been around for a long time, such as credit cards and cash machines and it has grown astronomically since then. In 1997, online banking was launched by Sumitomo bank, and by 2010, most major banks offered online banking services. 80% of Brits use some form of online banking. There are numerous benefits to using online banking, from alerts, notifications, transfers, and keeping track of your banking activity at the touch of a button.

A lot of money is already electronic, with online banking reducing the need for physical currency and cash being used less every year, particularly with the implications of the Covid-19 pandemic. People are more dubious to use cash as it can carry bacteria, but electronic currency is also more convenient. With the touch of a button, you can make a transaction online or send money to somebody else within seconds, instead of a lengthy process of cashing a cheque or visiting your bank branch to make a bank transfer. It's no secret that e-banking is an increasing industry and it's easy to understand why. Online-only banks can often offer lower fees or none at all and higher interest rates. They don't have physical branches which instantly eradicates the overhead costs – this does, however, come with the downside for those that prefer to talk to somebody in person.

There are so many more ways to pay for things in the modern-day, rather than using traditional banking or even online banking. Retailers use services such as Klarna or Clearpay to allow consumers a buy-now-pay-later option, PayPal is a common service used to pay for items or services and even to send money quickly and easily to others. E-commerce has seen an incredible increase, shopping online became the only option as the pandemic forced shops to close their doors for a considerable amount of time. The convenience (and lack of other options) of shopping and banking online has only decreased the demand.

Poll Question:  
Do you bank with any  
online-only banks? (e.g.  
Monzo/Starling etc.)



The poll results show that more than half of banking customers don't use online-only banks at all, with the other 46% using online-only banks whether alongside traditional banks or not. With banks now offering online services, there isn't necessarily a need for online-only banks for consumers, but for all the aforementioned factors, running a bank online rather than in a traditional bank setting can reduce costs tremendously.





PayPal is arguably one of the most popular online payment systems worldwide, previously a subsidiary of eBay, that allows its users to store money, send and request payments and pay for goods and services online. Not only does PayPal offer a simple solution to online payments, but they also offer credit, debit, and credit cards for regular users. A separate bank account is still needed for regular users to add and withdraw funds, which essentially reinforces the need for traditional banking for regular users.

With PayPal offering various banking solutions, some may consider using the platform as an alternative to their usual bank account, which can benefit those with a bad credit report, as PayPal can offer a pre-paid card.

So in terms of money management, how reliable are these methods of banking?

With cryptocurrency being so volatile in terms of its value, it can never be an assured method of money management, over the last couple of weeks the value of Bitcoin has fluctuated massively following Elon Musk's involvement. Initially stating that the vehicle manufacturing giant Tesla would accept Bitcoin as a form of payment, the cryptocurrency value skyrocketed but following environmental concerns related to mining it, Musk backed out and Tesla no longer accepts this method of payment. Within a week, the value of Bitcoin decreased by around a third.





Because of the lack of stability associated with virtual currency, it can't be described as a reliable option for money management but with the right knowledge and understanding of how and when the market can change, many people have seen a huge return after investing in cryptocurrency in the last few years with lifechanging amounts of money, but on the other hand, many have also lost substantial amounts of money and the risks associated with blockchain technology are too significant to ignore.

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## SUMMARY

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To surmise, fintech is disrupting traditional banking in ways that could never have been imagined years ago, in many positive ways as we evolve into a more technological world. The benefits of online banking services only increase for consumers and by adapting to advanced methods of providing banking solutions, traditional banks can evolve and offer a more personalised approach in comparison to online-only banks. Cryptocurrency offers an innovative approach to financial investment but lacks stability so it is not a recommended method of money management.

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