

# Research on the Development of Financial Technology

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**Abstract:** *With the rapid development of information technology, the era of financial technology with science and technology as the carrier and finance as the core has come. With the rapid development of financial technology, a large number of industries using financial technology, such as P2P, mobile payment, are also growing very fast. This paper attempts to put forward some views on the development and future trend of financial technology from the perspective of the definition of financial technology and the difference from Internet finance.*

**Keywords:** Financial technology; Internet finance; technology finance; future trends

## 1. Introduction

CB insights, a data provider, released research showing that venture capital backed financial technology companies raised a record \$39.57 billion from global investors in 2018, an increase of 120% over the previous year. The funds were raised through 1707 transactions, up from 1480 in 2017, the study said. Among them, ant financial services's \$14 billion financing accounted for 35% of the total scale of financial technology financing last year.

At the second session of the 13th National People's Congress, the government work report clearly pointed out that in 2019, we should build an industrial Internet platform, expand "intelligence +" and empower the transformation and upgrading of the manufacturing industry. It is easy to see from the new instructions of the government work report that "intelligence +" has begun to take over the Internet plus, and become a new driving force for the transformation of traditional industries in the future. "The continuous deepening of big data, artificial intelligence, blockchain and other technologies has brought more important empowerment to our financial industry, especially the financial supply side." Huang Runzhong, chairman of financial one account and Secretary General of small and medium-sized banking alliance, believes that big data has become an underlying technology in the financial industry, and the in-depth development of artificial intelligence, blockchain and cloud computing is the 2.0 version of financial technology.

In view of the current development needs of financial technology in China, it is necessary to study the subject of financial technology.

## 2. The Origin and Definition of Financial Technology

Financial technology, translated into English, is the abbreviation of financial technology, which was proposed by Zhao Yao (Deputy Secretary General of financial innovation and Internet Financial Law Research Center of China University of political science and law) in 2011. At present,

there is no unified definition of financial technology. There are mainly the following definitions: first, according to the definition of the Financial Stability Board (FSB), financial technology mainly refers to the emerging business models and new technologies driven by emerging cutting-edge technologies such as big data, blockchain, cloud computing and artificial intelligence, which have a significant impact on the financial market and financial service business supply Technology application, new product service, etc. The second is represented by Wikipedia in the United States: financial technology is an economic industry composed of companies that use practical technology to improve the efficiency of financial services. Financial technology companies are usually created to disintermediate or to improve the informatization of financial services. The third view, represented by PricewaterhouseCoopers, holds that financial technology refers to the dynamic integration of financial services and technology industry, and that technological start-ups and market newcomers innovate the products and services provided by traditional financial services. Although there are different views, I think they all have one thing in common, that is, they all think that financial technology is an innovative financial product and business service model based on Internet technology.

## 3. Internet Finance and Financial Technology

Also related to the Internet, financial technology and Internet finance are related to the cross integration of Finance and Internet technology, and many scholars have compared the two. Li Wenhong and Jiang zeshen (2017) believe that "financial technology" is not only related to but also different from the concept of "Internet finance" in China. From the perspective of similarity, both of them embody the integration of Finance and science and technology, and they are the generalization of providing, optimizing and innovating financial services by using various new technologies. From the perspective of differences, "financial technology" emphasizes the auxiliary, supporting and optimizing role of new technology in financial business, and its application still needs to follow the internal laws of financial business, and comply with the existing laws and regulatory requirements [1].

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By definition, Internet Finance (itfin) is an organic combination of Internet technology and financial functions. Relying on big data and cloud computing, it forms a functional financial format and its service system on the open Internet platform, including the financial market system, financial service system, financial organization system, financial product system and Internet financial supervision system based on the network platform. And it has the financial model different from the traditional finance, such as inclusive finance, platform finance, information finance and fragment finance. Wei Qin and Zhong bin (2019) believe that Internet finance is actually an infrastructure rather than a financial intermediary. Whether it is a payment platform, an information platform or a crowdfunding platform, it is essentially an infrastructure to support the allocation of financial resources and carry out financial business activities [2]. By comparing definitions, we can find that in the common ground of Internet integration, financial technology pays more attention to scientific and technological innovation and has a wider range.

From the perspective of practical application, Internet finance is actually a channel expansion, which is to realize the convenience of business model through the Internet channel, and to use the Internet as a channel to provide financial services. For example, the most typical representative of Internet finance is peer-to-peer. P2P loan refers to the micro credit transaction between individuals, which needs the help of professional network platform to help both sides establish the lending relationship and complete the relevant transaction procedures. In fact, this is to change the usual loan business from offline channel to online channel. It can be seen that the focus of Internet finance lies in the Internet. Financial technology is the innovation of technology, which is reflected in the innovation of credit intermediary, information collection, risk pricing, decision-making and investment. Taking P2P as an example, P2P can use big data to accurately depict users' investment risk preferences, design personalized insurance schemes and pricing for users, use artificial intelligence to do asset allocation, and use technology to eliminate market arbitrage. It can be seen that the focus of financial technology is technological change, which is to use a series of technologies such as big data, artificial intelligence, and blockchain to serve financial institutions.

From the comparative analysis of the above two angles, we can see that both rely on Internet technology, but Internet finance pays more attention to the mode. In fact, traditional finance has moved from offline to online, while financial technology pays more attention to technology, which is subversive and pioneering.

#### 4. Technology Finance and Financial Technology

Chen Delin (2017) proposed that technology finance (techfin) refers to companies that start with technology and set foot in the financial field [3]. Zhu Xinghua (2018) believes that the goal of science and technology finance is to guide the allocation of financial resources and support the development of the real economy through financial service technology innovation, while the goal of financial

technology is to use scientific and technological means to improve financial products, meet the precise needs of customers and improve the overall efficiency of financial resource flow [4].

Through comparison, we can find that science and technology finance uses financial means to improve the development of science and technology, especially the development of science and technology companies, focusing on providing financing for science and technology companies. Debt financing, equity financing. Leasing and so on, in the form of joint loans, venture private investment and so on. Financial technology focuses on science and technology, big data, cloud computing, artificial intelligence, intelligent algorithms, machine learning, blockchain and so on to provide financial services and improve financial efficiency.

#### 5. The development status and problems of financial technology

At present, big data, cloud computing, artificial intelligence blockchain and other technologies have made breakthrough progress, from the theoretical stage to the application stage, and the formed commercial model in turn further promotes the continuous development of financial technology. As the core of modern economy, finance has always been the focus of national attention. The state has also been issuing documents to encourage the development of financial technology and support financial enterprises to further explore the development and application of high and new technology in their related fields. It can be said that the state has an encouraging attitude towards financial technology and has also given a loose regulatory environment, which has effectively promoted the prosperity and development of financial technology. But in the rapid development and loose regulatory environment, many corresponding problems also emerge.

##### (1) Information security risks exist in financial technology

Shu hang, Zhang Gaoyu and Zhao Houbao (2019) put forward that financial technology promotes the development of Inclusive Finance, but it is followed by the frequent occurrence of information security [5]. Now is the era of big data, enterprises have a large number of user data in their hands. Some enterprises do not have perfect means to protect information data or weak awareness of protection, which will lead to information leakage or the use of user data to exchange with others. All kinds of false information and phishing websites have a great impact on the society.

##### (2) Leading to the improvement of overall risk

Wang Huihui and Li Hongchang (2017) believe that while improving the availability of financial services, it reduces the credit threshold of customers and is easy to attract more high-risk customers [6]. For example, P2P platform does not strictly examine the qualification of customers who initiate financing, underestimates the risk of the project, and lacks the corresponding monitoring mechanism and means.

### (3) There is no unified standard for financial technology supervision

Due to the short history of the development of financial technology, different countries have different degrees of development. The level of supervision over financial technology is also different. Due to the rapid technological update of financial technology, it is easy to have drawbacks without corresponding laws and regulations.

## 6. The Future Development Trend of Financial Technology

Wang Hao (2019) proposed that financial technology is the integration of Finance and science and technology. In the final analysis, it is science and technology that serves finance and drives financial innovation with science and technology [7]. Xi Jinping, general secretary of the CPC Central Committee, stressed that the integrated application of block chain technology played an important role in new technological innovation and industrial transformation. We should take blockchain as an important breakthrough for independent innovation of core technology, clarify the main direction, increase investment, strive to conquer a number of key core technologies, and accelerate the innovation and development of blockchain technology and industry. Huang Yusong (2017) believes that blockchain technology, as the underlying technology of information processing, once fully applied, will have a significant impact on credit reference, trade settlement, currency issuance and currency circulation, and greatly improve the operation and management efficiency of financial institutions [8]. It can be predicted that in the future, with the development of high and new technologies such as blockchain, financial technology will develop more rapidly, the progress of science and technology will promote the improvement of efficiency, mature technology will promote financial innovation, and improve the security and coverage of financial products and services.

Financial globalization is the trend of today's world economic development. Shu hang, Zhang Gaoyu and Zhao Houbao (2019) believe that China should also strengthen cooperation with other countries, strengthen international regulatory coordination, so as to promote the healthy development of financial technology in various countries, and actively cooperate with international economic regulatory organizations in information exchange, risk prevention and control [9].

## 7. Conclusion

Liu Jiabin (2019) pointed out that with the rapid development of science and technology and integration into the financial field, various scientific and technological means and big data analysis have made financial services more efficient. Financial technology is sweeping the world. In recent years, the global output value of financial technology industry has exceeded 20 billion US dollars, and shows an upward trend year by year [10]. More and more people are trying to digitize financial products and services. This trend has a profound impact on the traditional financial industry. Zhao Hongli (2017) pointed out: in the process of sustainable development of financial technology, scientific

and technological innovation belongs to the primary productivity, and it is also the main reason for the great success of the whole financial technology [11]. Financial technology does not simply combine technology with finance, but pushes financial innovation to a new level of development.

Through the comparative analysis of financial technology, Internet Finance and technology finance, this paper summarizes the relationship and difference among them, and puts forward the analysis summary and suggestions on the development status, existing problems and future development trend of financial technology, but the shortcomings are theoretical analysis and lack of relevant empirical analysis. In the follow-up research, we can use empirical analysis to further in-depth study.

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## Author Profile



**Yuan Li** received the bachelor degree in accounting in Huaiyin Institute of Technology in 2018. From 2019 to the present, he studies in Xi'an University of Electronic Science and Technology, majoring in Finance.