

Economy

Fintech can close financial gap

Barbados and other countries should immediately “foster cutting-edge financial technology” as part of efforts to improve their financial sectors.

International Monetary Fund (IMF) managing director Christine Lagarde made the recommendation recently while delivering the 32nd World Traders’ Tacitus Lecture in London.

Speaking on the topic *The Financial Sector: Redefining A Broader Sense Of Purpose*, Lagarde said this meant “creating fintech products that are substantially cheaper and more accessible. It means serving customers and communities in new and better ways. It also means

rethinking the economics of the financial industry itself”.

“In the United States (US), for example, the unit cost of financial intermediation has remained largely unchanged over the past century, while income from finance has risen and fallen with the value of financial assets. That suggests a significant amount of rent extraction,” she said.

“The fintech response is to increase competition, reduce inefficiencies, and provide better value for money to individuals and small businesses. In doing so, fintech can help drive an ‘inclusion revolution.’”

The IMF boss also pointed out “in Kenya and China, mobile payment

systems have brought millions of previously ‘unbanked’ people into the financial system”.

Also, “in Latvia, Brazil, and elsewhere, peer-to-peer lending has opened up new sources of credit for small businesses. Around the world, blockchain enables faster and cheaper transactions – from trading securities to sending money to relatives abroad. And this is just the beginning”.

Lagarde reminded the audience 1.5 million adults in the United Kingdom were still without bank accounts, and about 33 million US households are under-banked or unbanked – and those numbers are multiplied in emerging and developing countries.



Christine Lagarde
(Internet image)

“So there is a huge opportunity to boost financial inclusion which – as we know – leads to stronger growth and higher employment. This in turn requires vibrant digital ecosystems, such as London – which is home to the biggest cluster of fintech start-ups in Europe,” she said.

However, she stressed “fintech cannot do it alone”.
(SC)