Financial history

Fintech found its feet after the 2008 financial crisis, which saw government regulations ramp up for big banks and opportunities arise for companies willing and able to store, handle and analyze big data. With banks focused on customer and data security over convenience in pursuing new tech avenues, the result was a massive market opening for fintech companies.

Financial institutions pointed to their security and the special relationship that exists between banks and their clients, while fintech startups prioritized quick and effortless mobile interactions. But so far there’s no clear-cut winner – could both sides work to come out on top, instead?

Finding a balance

According to Forbes, 2016 marked a significant shift toward cooperation rather than competition for fintech and traditional banks. A number of high-profile partnerships emerged between the two camps as both saw value in what the other had to offer. For example, tapping fintech solutions gave banks the ability to be innovative and improve services – such as providing access to mobile investment and account tools – without the need for massive spending.

Moving forward

While fintech startups and banking institutions occupy the same space, they aren’t necessarily natural-born competitors. The services offered by finance disruptions are relevant and intuitive but don’t eliminate the necessity and familiarity consumers have for traditional banking services.
What does all this mean for banks and other financial institutions? The advancements and enhancements created by the fintech industry have a level of viability that has forced traditional banks to take notice and try to catch up to be sure, but they still have certain inherent advantages that should continue to help them provide more for their customers. Consumers today, however, want the best of both these worlds, so banking institutions should “lean in” and embrace the trend.

For banks that have the available staff and capital, it may be worth building in-house fintech solutions such as streamlined mobile apps or online lending platforms that can meet evolving customer expectations. Another option? Leverage the expertise of fintech startups with profitable partnerships — banks gain the benefit of agile, web-native solutions while financial technology firms enjoy the name recognition and longer reach afforded by large-scale network links.

Some fintech startups will remain independent; some banks will avoid collaboration. Ultimately, however, partnerships are more profitable for fintech and banks alike — it’s no easy truce, but both sides stand to gain.

For questions, please contact your Key Relationship Manager.