



St Catherine's British School Model United Nations | 2024

Forum: Economic and Financial Committee (GA2)

Topic: Addressing the role of financial technology (fintech) in enhancing financial inclusion, expanding access to banking services, and promoting inclusive economic growth.

Student Officer: Dimitris Hargitt

Position: Co-Chair

PERSONAL INTRODUCTION

Dear delegates,

My name is Dimitris Hargitt, and I will be serving as your co-chair in SCMUN 2024. I am a 10th Grade student from CGS. By the time of the conference, I will have participated in MUN for more than 2 years, with this one being my 12th conference.

MUN is an extracurricular activity that focuses on communication, collaboration and problem-solving in a unique way. It has been a core part of my life ever since I began participating. I genuinely hope that through this conference, you can learn more about diplomacy and further develop your interest in MUN.

The topic of this study guide focuses on financial inclusion through fintech, a truly important topic in the context of today's interconnected world. This study guide is aimed to provide you with a concrete level of knowledge needed in the conference, such as key terms, possible solutions, and generally, background information. If you have any questions, feel free to contact me through my email: jiahrgtt@gmail.com.

I hope to see you all at the conference.

Sincerely,

Dimitris Hargitt



TOPIC INTRODUCTION

Economic development has been the backbone of society for virtually all time in history. Nowadays, at a time when technological advancement seems unstoppable, the issue of maintaining economic growth while enhancing financial inclusion and ensuring people's access to economic services cannot be more relevant.

It is important to take advantage of any opportunities and resources in order to achieve global economic development. One example is the incorporation of fintech (financial technology). Fintech refers to the technological innovation in the design and delivery of financial services and products, and it became prominent in the late 1990s and early 2000s.

Fintech is virtually any technology that has the ability to alter the conventional methods of delivering financial services. It is now playing a role in all sectors of the economy, facilitating services more efficiently than how they were traditionally. Examples of fintech include customer services, banking, international transactions, and many more. In just 30 years, fintech has emerged as a key player in the global economy - it allowed for the creation of multinational companies like Amazon, caused the surge in popularity of cryptocurrencies, and streamlined peer-to-peer payment services such as Venmo and CashApp, etc.

It is important to take fintech into account when it comes to enhancing financial inclusion and promoting inclusive economic growth, as fintech can have a huge impact on the global economy. If applied well, fintech can provide financial services with increased efficiency, improved security, better customer experience as well as enhanced transparency. Therefore, It is imperative that this topic is consciously and strategically addressed to ensure that fintech can be suitably and properly implemented across the economy.

DEFINITION OF KEY TERMS



Financial Technology (Fintech)

“Fintech is a new financial industry that applies technology to improve financial activities.” This means that any technology which is applied to economics and especially finance is considered fintech. Some examples of fintech are stock-trading apps, credit and banking systems, digital transaction services, and online stores like Amazon.¹

Financial Inclusion

“Financial inclusion refers to making financial products and services accessible and affordable to all individuals and businesses, regardless of their personal net worth or company size.” This means that all people should be equally able to enjoy the benefits of financial services.²

Economic Activity

“Economic activity includes any types of actions that involve financial elements. It is a process that leads to the manufacture of a good or the provision of a service. Economic activity ranges from an everyday client shopping and buying their groceries, to multi-billion company acquisitions. This is a broader term referring to almost all the activities that will be discussed³.

Cryptocurrency

“Cryptocurrency refers to virtual currency that is used in the place of a fiat currency (a government-issued currency that is not backed by a physical commodity, and is managed in a decentralised manner (without any intermediaries being responsible for them), through algorithms and cryptography” It is important to note that they are by

¹ Grant, Mitchell. “Financial Inclusion: Definition, Examples, and Why It’s Important.” Investopedia, Investopedia, 24 July 2023, www.investopedia.com/terms/f/financial-inclusion.asp.

² Schueffel, Patrick. “Taming the beast: A scientific definition of Fintech.” Journal of Innovation Management, vol. 4, no. 4, 2017, pp. 32–54, https://doi.org/10.24840/2183-0606_004.004_0004.

³ Eurostat. “Glossary: Economic Activity.” European Commission, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Economic_activity.



their nature not manageable by governments or individuals. The most popular cryptocurrency as of now is Bitcoin.⁴

BACKGROUND INFORMATION

The use of fintech can be truly beneficial for both its users and its adopters. The uses spread through various fields, and provide innovative solutions for many of the problems faced in those fields.

Historical background

Fintech 1.0 (1866-1967)

This was an era where fintech laid its foundation for globalised financial services. It was primarily about infrastructure. The significant events during this era include the first transatlantic cable (1866) and the Fedwire in the USA (1918), the first electronic fund transfer system. Towards the end of this era, credit cards were introduced in the 1950s, which eased the burden of carrying cash.

Fintech 2.0 (1967-2008)

This era is largely characterised by the transition to digitalised financing. It was led by traditional financial institutions. The start of this era was marked by the installation of the first automated teller machine (ATM) in 1967. In the 1970s, NASDAQ, the world's first digital stock exchange was founded. Society For Worldwide Interbank Telecommunications (SWIFT), a communication protocol which facilitates the large volume of cross-border payments, was established. In the 1980s, the world was introduced to online banking, which flourished through the 1990s with the global popularisation of the Internet.

This era effectively marked the beginning of the rapid evolution of the fintech industry, where, starting from the late 1990s and early 2000s, new fintech applications have been constantly emerging.

⁴ Reserve Bank of Australia. "Cryptocurrencies Explained."
<https://www.rba.gov.au/education/resources/explainers/cryptocurrencies.html>.



In 2008, this phase of fintech was brought to an end due to the global financial crisis. However, this would eventually prompt innovation in the fintech industry in the next several years, which would have the power to revolutionise the global economy.

Fintech 3.0 (2008-2018)

This is an era where financial processes would rapidly digitise and computer power would begin to play a much bigger role than ever before. Smartphone adoption meant that mobile devices became the primary means by which people access financial services. 2011 saw the introduction of Google Wallet, followed by Apple Pay in 2014.

One of the defining inventions during this era was cryptocurrency and blockchain, which was proposed by a person or persons named Satoshi Nakamoto in 2008, a time when there was a lot of distrust towards the traditional banking system. This subsequently led to the boom of different cryptocurrencies, such as Ethereum.

This was an era of the start-up. There was an appetite for innovation amongst investors and consumers, which in turn caused an array of new products and services to be presented to the world. It made many financial services such as banking a lot easier than they were before, which was an important milestone in the development of fintech.

Fintech 4.0 (2018-present)

While some may argue that this phase is simply an extension of fintech 3.0, the past few years of technological advancements have undoubtedly brought fintech to a new height. This is an era of technologies which can be considered to be “disruptive” of the traditional processes.

Blockchain technologies continue to popularise and develop, challenging traditional banks. Lately, machine Learning and Artificial Intelligence (AI), one of the four key areas of fintech, will likely revolutionise the way the economy works. AI-powered chatbots and virtual assistants enable fintech companies to provide personalised advice and aid customers in making crucial financial decisions. AI can help drive insights for data analytics, performance measurement, forecasting, customer servicing and more. It is increasingly looking like it will define the future of the fintech industry.

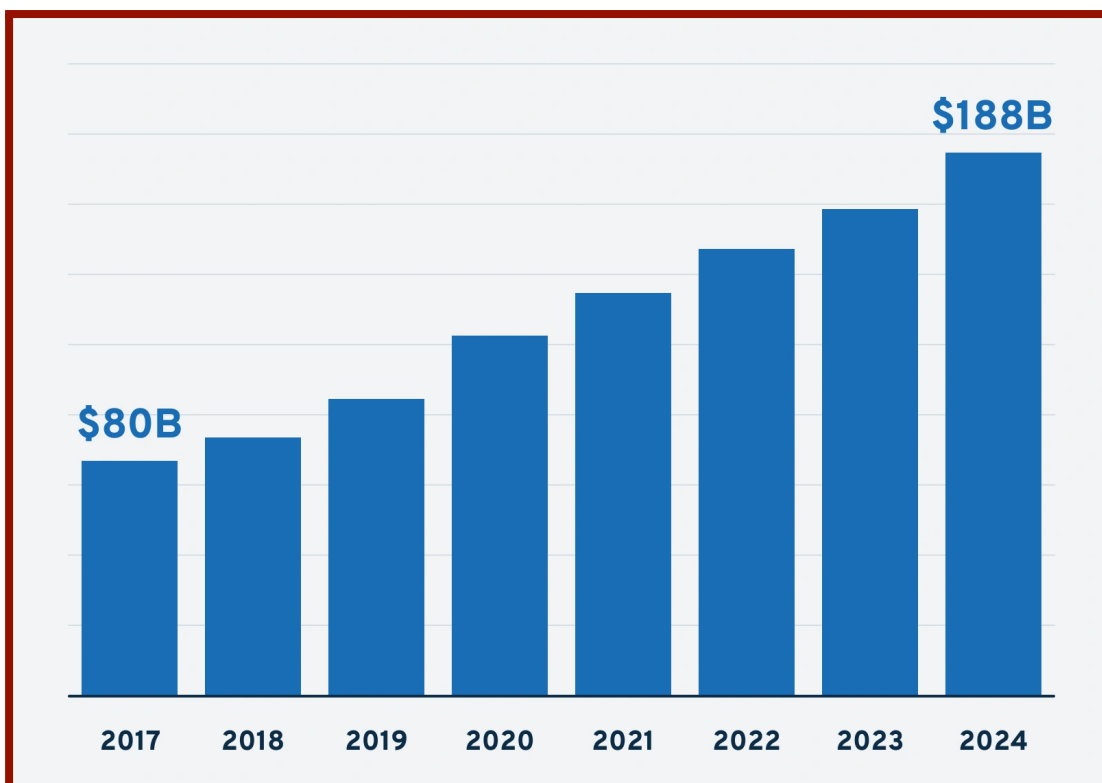


Fig 1: Fintech sector revenue worldwide has been rapidly on the rise since Fintech 4.0⁵

Benefits of Fintech

Ease of access

A clear benefit of fintech is the enormous ease of access it provides. Through fintech, people who live in areas far away from major cities can participate in economic activities just as easily as anyone else. For example, sending money to someone in the past was a tedious task which had to be carried out through mail. Eventually, wire transferring was introduced in 1871, as one of the first forms of fintech, speeding up the process. Then came the Internet and online money transfer, which allowed people to transact in seconds. This is just one example showing how fintech can make financial services more accessible. As fintech keeps developing, almost all services will be possible through simply an electronic device, allowing people to access them at home, without having to travel to specific locations.

Increased volume of economic activity

⁵ Howarth, Josh. "The Beginners Guide to Fintech." *Exploding Topics*, Exploding Topics, 28 Mar. 2022, explodingtopics.com/blog/fintech-guide.



The speed of the process doesn't just provide benefits for clients, but it also allows the volume of economic activity to increase. Faster speeds of accomplishing the services directly lead to more frequent activity, resulting in more total volume. The aforementioned benefit of accessibility is another factor of increased volume, since more people are actively using the services enabled by fintech.

User personalisation

Computer programs have, many times, incredible abilities to tailor to customers. For example, the personalised ads that are presented to many when surfing the web are often based on activities made by the user, and adapted to fit their interests. Personalisation can make it easier for users to find the services they want. This leads to an overall improvement in the experience of the customers, as it allows for smoother onboarding processes and intuitive interfaces.

Decentralisation

The web can be used in alignment with fintech to further provide benefits to customers using computer algorithms. Computer systems have some incredible methods used to ensure security regarding their communication, referred to as cryptography. Cryptography can be effectively used to create decentralised currencies known as cryptocurrencies. These currencies, which are encrypted with advanced algorithms, have high levels of security, resulting in high customer certainty regarding transactions using them. Cryptocurrencies can also – with enough demand – create huge new markets, which lead to financial growth. This can potentially create a decentralised economy - one which is based on inclusive and balanced participation from users, and the decrease in the involvement of intermediaries like banks.

User protection and safety of personal data

Additionally, companies can leverage technology to provide a more secure and transparent platform for financial services, ensuring that consumers have control over their personal data and maintain the right to access, deletion, and transparency of their data.

One way in which user protection is achieved is encryption. It makes it more difficult for hackers to access or steal sensitive information. In addition, biometric authentication



and two-factor authentication significantly reduce the risk of unauthorised users accessing the platform. This makes it much more secure for users to access financial services, compared with the traditional ways of getting them.

Challenges Surrounding Fintech

There are, many times, concerns and challenges that can become issues in the application of fintech. Careful consideration and balanced judgement are important for the proper usage of fintech. Below are a few examples of such challenges faced in the fintech industry.

Disruption of traditional banking

Many times, the traditional banking markets can constitute the backbone of economies, especially developing ones. The benefits of fintech-based services can attract customers from traditional banking services, thus reducing their power and causing discrepancies between existing frameworks, which puts pressure on traditional banks to reevaluate their service structures. Also, splitting the duties of major traditional banks may create management difficulties, tax loopholes and even reduced total taxations from the banking companies themselves.⁶⁷

Data theft

Online financial services, if not designed properly, can bring larger risks of personal data being hacked. There have been many instances where large amounts of customers' private data were stolen through a fintech service. These events pose significant threats to the running of fintech services, especially when the stolen data is being used for malicious purposes. This can demotivate customers from using fintech.⁸

Loopholes

⁶ Capgemini Research Institute. "World Retail Banking Report 2022." https://www.capgemini.com/wp-content/uploads/2023/04/WRBR-2022-Report_web.pdf

⁷ Business Insider. "Groundbreaking Fintech Innovations: Threat for Banks or Opportunity of a Lifetime?" <https://www.businessinsider.in/Groundbreaking-fintech-Innovations-Threat-for-banks-or-opportunity-of-a-lifetime/articleshow/61682406.cms>

⁸ Villasenor, John. "Ensuring Cybersecurity in Fintech: Key Trends and Solutions." Forbes, <https://www.forbes.com/sites/johnvillasenor/2016/08/25/ensuring-cybersecurity-in-fintech-key-trends-and-solutions/?sh=6f56a7a135fd>



Many times, the decentralisation provided by blockchain technologies can be harmful towards certain policies. These technologies can help move money “under the radar”, creating possible tax evasion loopholes, money laundering opportunities, illegal money transfers, and more.

Economic disparity

This rapid development in the area of fintech may result in increased economic disparity between less and more economically developed countries (LEDCs & MEDCs). Since access to the internet in many LEDCs is highly limited, so are these new financial opportunities and services. This means that many people would still be unable to be able to enjoy the convenience of fintech. A disparity can also manifest in smaller communities, such as between more affluent and less affluent citizens of a region.

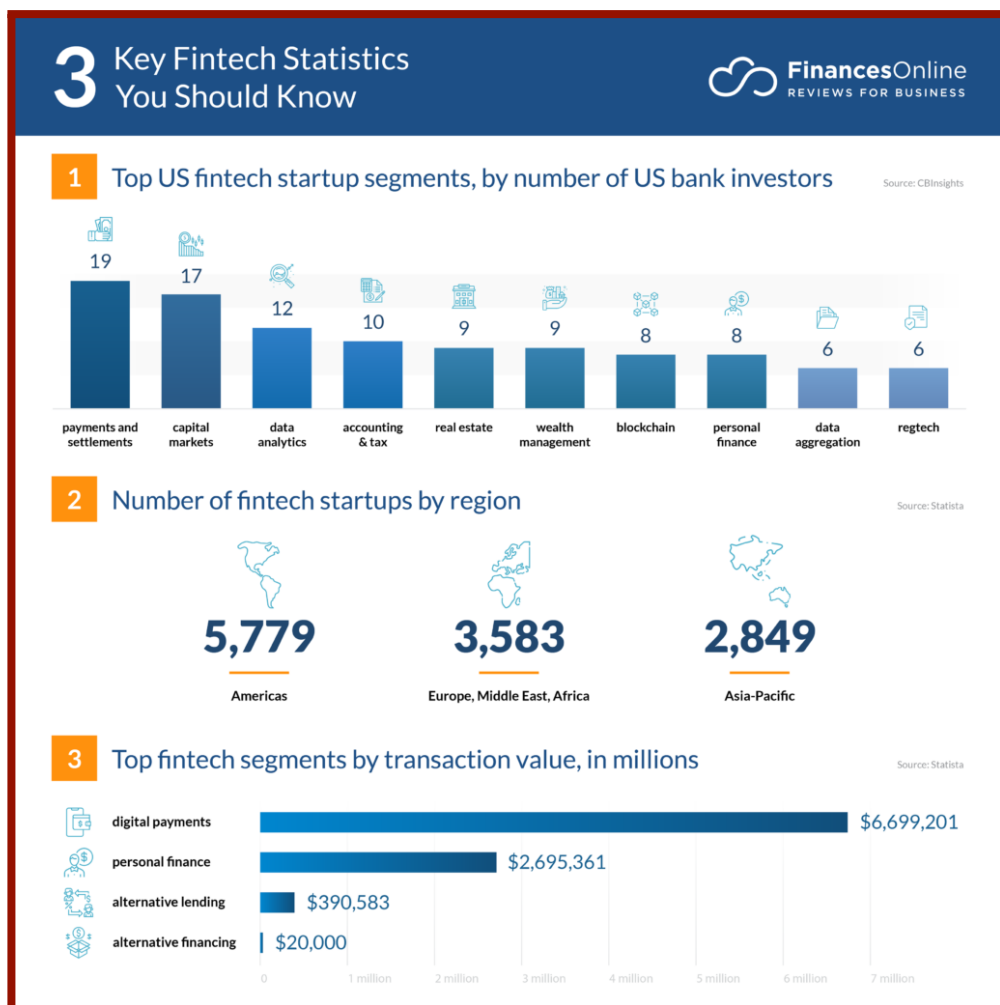


Fig 2: Various statistics concerning fintech⁹

⁹ Eira, Astrid. “81 Key Fintech Statistics 2023: Market Share & Data Analysis.” FinancesOnline, 16 Dec. 2023, <https://financesonline.com/fintech-statistics/>



Case Studies

Indicina

Indicina is a revolutionary fintech startup that was formed in 2018 and is based in Lagos, Nigeria. It is a credit agency formed in 2018 that uses advanced machine learning technology to build effective decision-making tools that can obtain unique customer data for providing loans. It allows credit providers like banks, Monetary Financial Institutions (MFIs), and businesses to make better decisions when it comes to lending. Its mission is to bridge the credit gap in Africa by making it easy for credit providers to offer loans, hence making them more accessible for creditworthy borrowers.

Through technology, Indicina provides features on its platform that give lenders real-time credit information, financial analytics tools, and other digital setups they need to make a risk assessment on unsecured loans (loans that don't require collateral). This allows the lenders to make smarter credit decisions. Currently, Indicina serves about 100 customers, including banks and non-bank lenders, and has helped process ~~N~~ \$3 Billion, and disburse ~~N~~ \$700 million in loans across two countries¹⁰.

Indicina's solution brings several impacts, including:

- Increased financial inclusion: By leveraging data and technology, Indicina's solution allows banks to digitise their processes, enabling them to reach more customers, especially those in rural areas or with limited access to traditional financial services.
- Expansion in Africa: The continent of Africa consists of mostly LEDCs, and many of them lack technologies that can improve the accessibility of the financial sector. The company, which recently raised \$3 million, will be able to expand its footprint across the continent.
- Reduced default: Indicina's technology helps banks integrate new data sources and improve overall lending choices, leading to fewer chances of having borrowers who are unable to repay their loans.

¹⁰ About » Indicina, indicina.co/about-us/. Accessed 27 Dec. 2023.



St Catherine's British School Model United Nations | 2024

Overall, Indicina's credit assessment solution can be considered transformative, especially in the context of Africa, as it provides lenders that are situated there with technology that is otherwise inaccessible to them.

Adyen

Adyen is a fintech company based in the Netherlands that was formed in 2006. With over 3000 employees of 115 nationalities, this €700 Billion platform has led the way in using technology to provide payment services, promoting financial inclusion, and fostering equitable economic growth¹¹. The company's platform lets businesses accept, process, and settle payments in a much more efficient way, as its technology enables businesses to accept payments with different methods all in one platform, empowering individuals and businesses alike.

This technology allows individuals - especially those in underserved areas - to access safe and convenient payment processing services. Hence, Adyen has significantly improved financial inclusion. Real-time payment processing is made possible by these services, which provide a good alternative to conventional banking services. In addition, Adyen provides risk management, revenue optimisation, authentication, and customer behaviour insights services, which enhance the businesses' payment setup. Thus, by using technology, Adyen has democratised access to banking services and allowed people to engage in the global economy on their own terms.

The company's efforts and commitment to equitable economic expansion have contributed to the emergence of a more open and accessible financial ecosystem, where individuals and businesses can leverage better solutions to access capital, engage in inclusive payment, and participate in a larger array of financial activities. This has further contributed to Adyen's aim of promoting equitable economic growth.

In conclusion, Adyen's innovative approach to payment processing in the fintech sector has been instrumental in enhancing financial inclusion, expanding access to banking services, and promoting inclusive economic growth. The company's commitment to applying technology for the benefit of individuals and businesses has set a new

¹¹ Adyen | Engineered for ambition - Adyen, <https://www.adyen.com>. Accessed 28 December 2023.



standard for the industry, demonstrating the transformative potential of fintech solutions built on blockchain foundations.

TIMELINE OF EVENTS

Date of the Event	Event
1866	The first successful transatlantic telegraph cable was built
1871	The first form of fintech: Western Union introduces the safe transferring of funds using telegraph lines in the USA
July 1967	First ATM (Automatic Teller Machine)
1984	Telephone banking gained commercial availability for the first time in the UK ¹²
11 August 1994	NetMarket was founded, signifying the first secure retail transaction ¹³
16 July 1995	Launch of Amazon, a US-based service that has become the largest online store
December 1998	Paypal was founded. It would become one of the most successful fintech companies in the world

¹² EC1 Partners. "A Brief History of Fintech." <https://ec1partners.com/blog/fintech-a-brief-history/#>

¹³ CNET. "E-commerce turns 10." https://web.archive.org/web/20141029085654/http://news.cnet.com/E-commerce-turns-10/2100-1023_3-5304683.html



2006	Adyen was founded. It provided a platform for more efficient end-to-end payment processing
15 September 2008	The banking crisis of 2008, which can be considered the beginning of modern fintech, developed due to the increased mistrust in traditional banking
3 January 2009	The launch of Bitcoin, a large step in the decentralisation of banking ¹⁴
2018	Indicina was founded - a revolutionary company that provides a platform which gives lenders unique customer data

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

United Kingdom (UK)

The UK is considered by many as one of the fintech capitals of the world. There has been large-scale fintech adoption both by corporations and by policy-makers. The Financial Conduct Authority (FCA) in the UK has implemented regulatory frameworks that promote innovation in the financial sector. Frameworks such as regulatory sandboxes have been set up to allow fintech companies to test their products and services in a controlled environment. The UK has been a pioneer in promoting open banking, which in turn creates an environment that allows consumers to safely share

¹⁴ The Telegraph. "History of Banking: Early Coins to Contactless." <https://www.telegraph.co.uk/sponsored/finance/your-bank/10912973/history-banking-early-coins-contactless.html>



their financial data with third-party providers. This fosters competition and encourages the development of new and innovative fintech financial services.¹⁵

Lithuania

Lithuania has emerged as a prominent player in the field of fintech, showcasing a proactive approach to innovating and developing financial technology. The country has strategically positioned itself as a European hub for fintech companies, fostering a conducive environment for startups and established players alike. The Bank of Lithuania (Lietuvos bankas), the country's central bank, has been a key driver in this initiative, implementing progressive regulatory frameworks to attract fintech businesses. One example is the Memorandum of Understanding (MoU), which confirmed the National Fintech Guidelines. Lithuania's dedication to adopting cutting-edge technologies, coupled with its commitment to providing a secure and supportive ecosystem, has made it an attractive destination for fintech ventures.¹⁶

United States of America (USA)

The USA is another hotspot for innovation. It has some of the strongest government support and policies about fintech. The U.S. government has implemented policies to encourage financial inclusion and technological advancement in finance. Examples of initiatives include the Office of Financial Innovation and Transformation (FIT), started within the US Department of the Treasury. It aims to modernise financial systems and enhance efficiency through the integration of emerging technologies. The Financial Conduct Authority (FCA) has also implemented regulatory sandboxes, innovation pathways, as well as early and high growth oversight schemes to help fintech firms foster innovation.

Singapore

¹⁵ UK Government. "UK Fintech: On the Cutting Edge." [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/502995/UK_fintech - On the cutting edge - Full Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/502995/UK_fintech_-_On_the_cutting_edge_-_Full_Report.pdf)

¹⁶ Invest Lithuania. "Fintech Report 2022-2023." <https://investlithuania.com/wp-content/uploads/LT-Fintech-report-2022-2023.pdf>



Singapore has rapidly emerged as a global fintech hub, showcasing significant progress in the financial technology sector. The government's proactive approach and supportive regulatory environment have been instrumental in encouraging innovation and attracting fintech companies to set foot in the country. Initiatives such as the Monetary Authority of Singapore's (MAS) FinTech Regulatory Sandbox provide a controlled space for experimentation, enabling companies to test their solutions in real-world conditions while maintaining regulatory compliance. Singapore also hosts some of the world's largest fintech festivals, which attract thousands of participants, showcasing the latest trends and innovations in the fintech sector. Singapore has more than 1300 fintech firms, with \$4.1 billion spent on fintech investment in 2022¹⁷.

World Economic Forum (WEF)

The World Economic Forum (WEF) is an international organisation where global leaders, business executives, and financial experts gather to discuss and collaborate on global financial issues. It has been actively involved in fostering discussions and initiatives related to fintech. It has organised sessions and working groups at its various events, bringing together leaders, policymakers, and experts to explore the impact of technology on the financial industry.

The WEF has addressed various aspects of fintech, including digital transformation, regulatory challenges, cybersecurity, and financial inclusion. Through its platforms, the WEF encourages the exchange of ideas and best practices among global stakeholders. This collaborative approach aims to shape policies and frameworks that support the responsible research and deployment of fintech innovations.

Additionally, the WEF publishes reports and insights on fintech trends and challenges, contributing to a better understanding of the industry's implications for the global economy. Overall, the WEF plays a role in shaping the discourse around fintech and promoting dialogue that influences the direction of technological advancements in finance on a global scale.

¹⁷ *Fintech and Innovation* - Monetary Authority of Singapore, www.mas.gov.sg/development/fintech. Accessed 28 Dec. 2023.



RELEVANT UN TREATIES, CONVENTIONS AND RESOLUTIONS

UNCITRAL Model Law on Electronic Transferable Records (MLETR) - 2017

The UNCITRAL Model Law on Electronic Transferable Records (MLETR) of 2017 is a crucial international legal framework designed by the United Nations Commission on International Trade Law to facilitate the secure and legally recognised use of electronic transferable records in cross-border transactions. The MLETR encourages the digitalisation of financial records by setting precise guidelines and standards, guaranteeing that electronic records are given the same legal standing and security as conventional paper records. Through the alignment of legal frameworks with the technological achievements of the digital era, this programme promotes worldwide harmonisation and efficiency in international trade and finance.

United Nations Economist Network (UNEN) Policy Brief - 2023

The United Nations Economist Network (UNEN) published a policy brief March 2023, with the title "Fintech and digital finance for financial inclusion". It is a comprehensive study of fintech. In the document, it explored the opportunities for fintech, trends and patterns in its evolution, types of fintech, as well as lessons for scaling up fintech and digital financing opportunities. It also provided a range of statistics concerning fintech, and analysed the link between fintech and financial inclusion. The policy brief aimed to provide policymakers with a better outlook on the fintech industry and assist in formulating better policies concerning fintech.

The Policy Brief:

https://www.un.org/sites/un2.un.org/files/fintech4_14_march_2023.pdf

Fintech for Sustainable Development workshop - 2021

The goal of the Fintech for Sustainable Development workshop is to enhance financial institutions' understanding of the strategic role that fintech may play in addressing the financing obstacles associated with the sustainable development agenda. It sought to explore the potential of fintech, for example improving financial inclusion of low-income citizens, fostering innovation, promoting sustainable industrialisation in the



Middle East and North Africa, and building resilient infrastructure (e.g. energy). The workshop aimed to showcase the types of technologies available in the market, as well as provide participants with best practices on fintech in their market.

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

Kenya - M-Pesa Mobile banking

The introduction of the mobile banking application and payment platform M-Pesa in 2007 was an important effort by Kenya to improve financial inclusion. It allows users to perform various financial transactions using their mobile phones, offering a convenient and accessible way to manage money. This has enabled financial inclusion by allowing members of Kenyan society to access formal banking, and has further reduced crime.¹⁸

However, the lack of competition in the Kenyan fintech and banking market has resulted in M-Pesa being criticised for its monopolistic tendencies, as it resulted in it imposing high costs on users, including many that were not affluent. Despite this, M-Pesa remains widely used throughout Kenya and several other countries in Africa, allowing users to deposit and withdraw money, pay bills, and even access microloans, showcasing its transformative impact on financial access in regions where traditional banking infrastructure is limited.¹⁹

Kiva Microfunds

Kiva is a non-profit organisation founded in 2005 which is focused on "expanding financial access to help underserved communities thrive"²⁰. It is the world's first online lending platform, and its technology focuses on peer-to-peer lending. The platform aims to facilitate microloans for individuals who may not qualify for traditional loans, fostering entrepreneurship and community development. Through its website, lenders can browse profiles of individuals seeking loans, learn about their business plans, and

¹⁸ Mutiga, Murithi. "Kenya's Banking Revolution Lights a Fire." *The New York Times*, The New York Times, 20 Jan. 2014, www.nytimes.com/2014/01/21/opinion/kenyas-banking-revolution-lights-a-fire.html.

¹⁹ *Fighting Poverty, Profitably: Transforming the Economics of Payments To Build Sustainable, Inclusive Financial Systems*, docs.gatesfoundation.org/Documents/Fighting_Poverty_Profitably_Full_Report.pdf. Accessed 1 Jan. 2024.

²⁰ "About." *Kiva*, www.kiva.org/about. Accessed 1 Jan. 2024.



choose projects aligned with their values and interests. This platform has been particularly beneficial for borrowers in developing countries, where access to formal financial institutions is limited. This microfinance approach, however, has drawn criticism, since it can impose excessive interest rates on its field partners, which raises moral questions regarding responsible lending. This exposes potential borrowers to becoming trapped in debt cycles. Despite this, Kiva's impact is visible in empowering underserved communities and providing individuals with a means to improve their livelihoods.²¹

Bitcoin

Bitcoin, released in January 2009, is the first cryptocurrency, and one of the most influential fintechs to date. The idea of bitcoin is to allow for faster, more efficient, and more secure transfer of money, without the presence of middlemen like banks. It has been crucial in introducing decentralised digital currencies, allowing for borderless and inclusive financial transactions. Bitcoin is more commonly used in regions with relatively unstable domestic currencies, as an alternative investment and store of value. For example, in 2021, El Salvador, a country located in Central America, recognised bitcoin as a legal tender of the country, making it a currency that can be used to purchase goods and services, as well as to pay debt.

There are inevitably certain concerns that come with legalising bitcoin. It essentially allows for moving large sums of money across borders without the banks being aware, creating potential for illicit money transfers and laundering.

Wealthfront Robo-Advisor

Wealthfront's Robo-Advisor, established in 2011, has effectively democratised investment management through the use of advanced algorithms to offer automated financial planning services. Wealthfront's features, which include diverse investment portfolios and tax-efficient strategies, have opened up professional wealth management to a wider range of individuals. Due to the platform's low costs and creative use of

²¹ Yunus, Muhammad (2007). *Creating a World Without Poverty: Social Business and the Future of Capitalism*. New York: PublicAffairs. p. 320. ISBN 978-1-58648-667-9.



technology, traditional financial advising models have been upended, promoting financial inclusion and drawing a broad user base that includes people who are not often able to access these services. The robo-advisor model encounters difficulties in establishing a balance between automation and customised guidance; yet, Wealthfront's influence highlights the revolutionary potential of technology in democratising and automating access to high-end financial services at reasonable prices for a wider spectrum of investors.

UK - Fintech Growth Fund

The FinTech Growth Fund (FGF), launched in 2023, is the first specialist investment fund of its kind to invest growth-stage capital in UK fintechs. Its primary objective is to support the development of the UK fintech ecosystem and enable the fintech companies to scale and grow. The fund is backed by Mastercard, Barclays and the London Stock Exchange Group, and is being advised by UK investment bank Peel Hunt.

Although the fund is still new, it marks a rare commitment to a fund specifically focused on fintech, backed by big industry players. The creation of the FGF is very important, as 2023 has been a period of turbulence for the fintech industry, due to rising inflation, and the valuation of several UK fintech companies has dropped sharply in recent months. This fund will serve as a pillar for supporting fintech companies of all sizes in the UK.

POSSIBLE SOLUTIONS

Requirements on digital safety

A major concern both for users of fintech and businesses is safety. There have been countless instances of data being stolen from even some of the largest companies worldwide. These instances not only affect the clients' eagerness to adapt to new technologies, but the companies' as well.

Because of this, it is important to ensure that there are minimal events like these. This can be accomplished by establishing and regularly updating regulations to mitigate security risks associated with fintech. Due to the nature of technological development,



these regulations will have to be frequently revised in order to ensure that protection against data theft is appropriate for the risks. If not done properly, this could disincentivise businesses to adopt fintech.

In order to systematically implement requirements on digital safety, the United Nations can send officials to interested member states to investigate the current safety levels of the fintech services in the country. This can allow governments to come up with comprehensive sets of regulations more easily. The regulations should include, for example, requirements for the fintech companies' data protection, as well as sanctions in case of a violation. If this solution is implemented correctly, it can significantly improve the user experience of using fintech services, and hence largely enhance their popularity in the member states, promoting economic growth.

Incentives for small and medium-sized businesses

Comprehensive sets of incentives can be put out in an effort to resolve many financial sector companies' reluctance to fintech adoption due to the often high perceived costs. Governments can create incentives that provide financial help, development guidance, and support programmes, as well as use tax reductions to facilitate the process. The incentives can also include cooperation between the central bank and companies, where the bank sends customised support teams to the companies in order to work out fintech solutions and their adoption. Sector-specific programmes can be developed by industry associations, which can share infrastructure and lower maintenance costs. Furthermore, digital literacy can be improved by educational activities aimed at improving capacity. In addition, the government can promote the creation of platforms for information sharing. This all-encompassing strategy seeks to remove financial obstacles, creating an atmosphere that is favourable for companies to widely adopt fintech.

Implementation in governmental agencies and departments

The framework should include the integration and adoption of fintech across government entities, in order to establish the stage for wider implementation. Adopting blockchain, AI analytics, and digital verification is crucial for departments that specialise



in economics and finance. Apart from that, a targeted approach for all the other non-financial institutions can include identifying opportunities for feasible fintech integration, as fintech optimises spending and increases transparency. An example of this can be the robo-advisor, where the technology can provide high-quality financial analysis to various governmental agencies. The goal is to establish a networked government environment that promotes effectiveness and cooperation. This strategy enhances financial inclusion and economic growth in addition to enhancing international operations, such as the safety of sharing information across borders. Digital payment methods help government transactions and encourage financial inclusion. By having the government embrace fintech, a stronger national digital infrastructure is established that benefits the economy and hence the individuals as a whole.

Require major economic entities to implement fintech

Although this solution may contradict the principle of minimal government involvement in the operation of the companies, having a law which necessitates that significant businesses embrace pertinent fintechs in order to avert future economic challenges may be an effective measure. The member states' legislators can ensure that fintech is adopted by economic entities by enacting laws that establish standards for different sectors. Periodic audits can be used to ensure compliance, and non-compliance can be penalised. The adoption of fintech reduces the risk of companies declining and becoming bankrupt during crises by fostering security and agility. By increasing access to financial services, this model not only protects against interruptions but also promotes inclusive economic growth. The newly created digital financial services reach underprivileged groups, promoting economic progress and inclusivity.

BIBLIOGRAPHY

"About." *Kiva*, www.kiva.org/about. Accessed 1 Jan. 2024.

Adyen | Engineered for ambition - Adyen, <https://www.adyen.com>. Accessed 28 December 2023.



About » Indicina, indicina.co/about-us/. Accessed 27 Dec. 2023.

Business Insider. "Groundbreaking Fintech Innovations: Threat for Banks or Opportunity of a Lifetime?"

<https://www.businessinsider.in/Groundbreaking-fintech-Innovations-Threat-for-banks-or-opportunity-of-a-lifetime/articleshow/61682406.cms>

Capgemini Research Institute. "World Retail Banking Report 2022."

https://www.capgemini.com/wp-content/uploads/2023/04/WRBR-2022-Report_web.pdf

CNET. "E-commerce turns 10."

https://web.archive.org/web/20141029085654/http://news.cnet.com/E-commerce-turns-10/2100-1023_3-5304683.html

EC1 Partners. "A Brief History of Fintech."

<https://ec1partners.com/blog/fintech-a-brief-history/#>

Eira, Astrid. "81 Key Fintech Statistics 2023: Market Share & Data Analysis."

FinancesOnline, 16 Dec. 2023, <https://financesonline.com/fintech-statistics/>

Eurostat. "Glossary: Economic Activity." European Commission,

https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Economic_activity.

Fighting Poverty, Profitably: Transforming the Economics of Payments To Build Sustainable, Inclusive Financial Systems, docs.gatesfoundation.org/Documents/FightingPovertyProfitablyFullReport.pdf. Accessed 1 Jan. 2024.

GDS Link. "7 Benefits of Fintech for Consumers."

<https://www.gdslink.com/en/7-benefits-of-fintech-for-consumers>

Grant, Mitchell. "Financial Inclusion: Definition, Examples, and Why It's Important."

Investopedia, Investopedia, 24 July 2023,

www.investopedia.com/terms/f/financial-inclusion.asp.



St Catherine's British School Model United Nations | 2024

Higgins, S. (2016). "Regulatory Sandboxes: A New Paradigm for Fintech Innovation?" *Journal of Financial Regulation and Compliance*, 24(3), 262-275

Invest Lithuania. "Fintech Report 2022-2023."

<https://investlithuania.com/wp-content/uploads/LT-Fintech-report-2022-2023.pdf>

Mutiga, Murithi. "Kenya's Banking Revolution Lights a Fire." *The New York Times*, The New York Times, 20 Jan. 2014,

www.nytimes.com/2014/01/21/opinion/kenyas-banking-revolution-lights-a-fire.html.

Rasool, Mohammed (3 November 2020). "Iran Is Pivoting to Bitcoin". Vice.

Reserve Bank of Australia. "Cryptocurrencies Explained."

<https://www.rba.gov.au/education/resources/explainers/cryptocurrencies.html>.

Schueffel, Patrick. "Taming the beast: A scientific definition of Fintech." *Journal of Innovation Management*, vol. 4, no. 4, 2017, pp. 32–54,

https://doi.org/10.24840/2183-0606_004.004_0004.

Sun Yin, Hao Hua; Langenheldt, Klaus; Harlev, Mikkel; Mukkamala, Raghava Rao; Vatrapu, Ravi (2 January 2019). "Regulating Cryptocurrencies: A Supervised Machine Learning Approach to De-Anonymizing the Bitcoin Blockchain". *Journal of Management Information Systems*. 36 (1): 65. doi:10.1080/07421222.2018.1550550. ISSN 0742-1222. S2CID 132398387.

The Telegraph. "History of Banking: Early Coins to Contactless."

<https://www.telegraph.co.uk/sponsored/finance/your-bank/10912973/history-banking-early-coins-contactless.html>

UK Government. "UK Fintech: On the Cutting Edge."

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/502995/UK_fintech_-_On_the_cutting_edge_-_Full_Report.pdf

Villasenor, John. "Ensuring Cybersecurity in Fintech: Key Trends and Solutions." *Forbes*,

<https://www.forbes.com/sites/johnvillasenor/2016/08/25/ensuring-cybersecurity-in-fintech-key-trends-and-solutions/?sh=6f56a7a135fd>



St Catherine's British School Model United Nations | 2024

Yunus, Muhammad (2007). *Creating a World Without Poverty: Social Business and the Future of Capitalism*. New York: PublicAffairs. p. 320. ISBN 978-1-58648-667-9.