

Society, financial sector and bank business models

WRR report on financialization

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Agenda

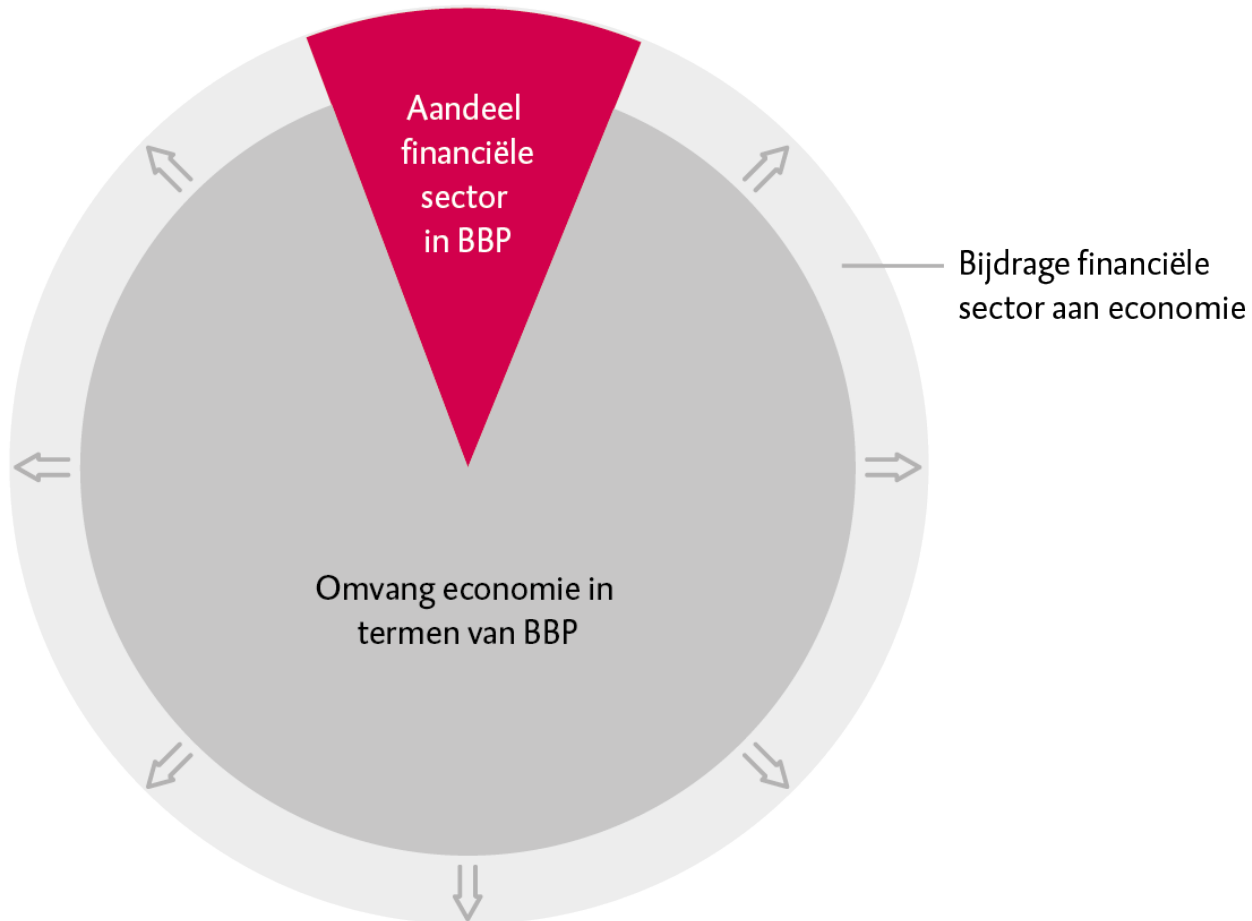
- Society and financial sector intertwined
- Abstract notions... financial economy needs anchors in real economy
- Challenges voor business model banks

WRR study on financialization

Important conclusion WRR study:

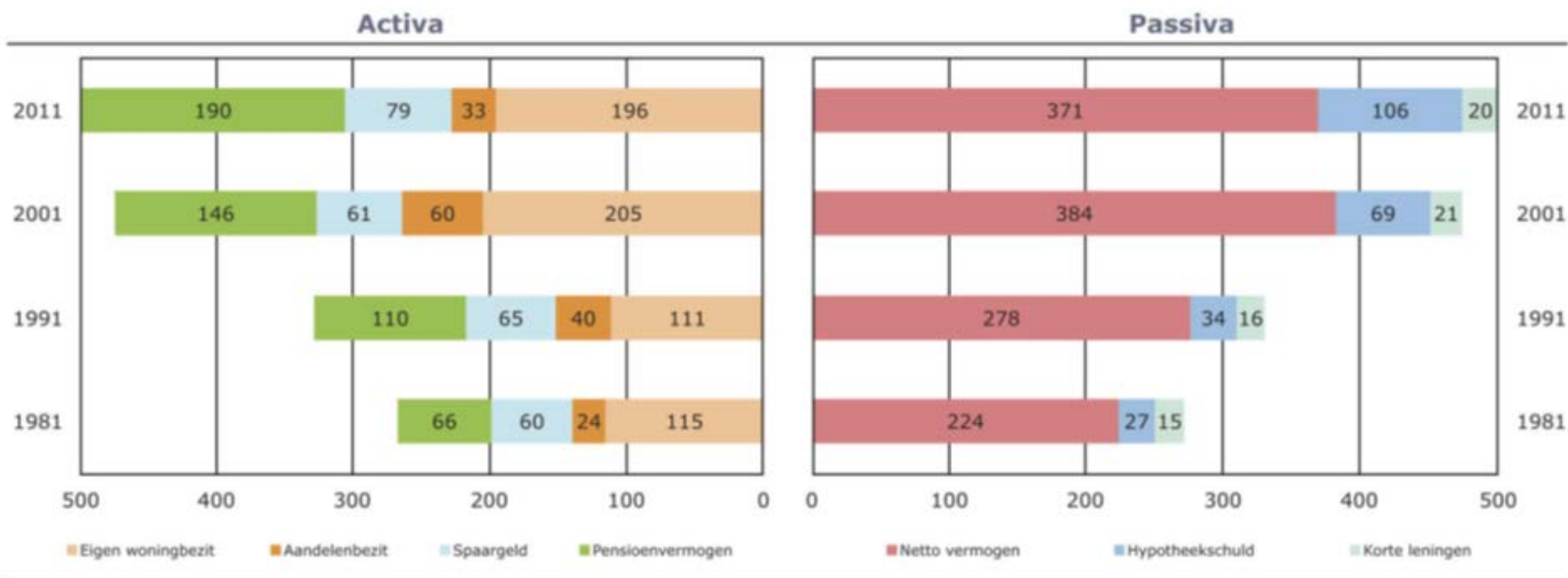
Society and social-economic policy in particular created circumstances for financial sector to mushroom.....

Financial sector vis-a-vis real economy



Dutch economy has long balance sheet...

Samenstelling van vermogens en verplichtingen van huishoudens 1981-2011 (% van bbp)



Bron SER 2013

Threefold approach

- Strengthen society.....
- More robust financial sector
- Deal with public policy and political process

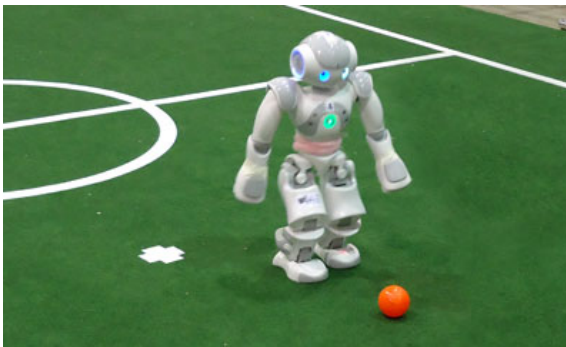
Triple challenges for financial sector

- Financial stability
- Dealing with society...
 - Trust important, what role to play?
- Finding sustainable business models and dealing with disruptive forces – fintech



My message: all three are problematic because of imbalance between real and financial economy...

Technological revolution in banking...



Business models going forward: Ongoing effort to understand ICT revolution (e.g. World Economic Forum, 2015-16)

Received guidance from thought leaders across global financial institutions



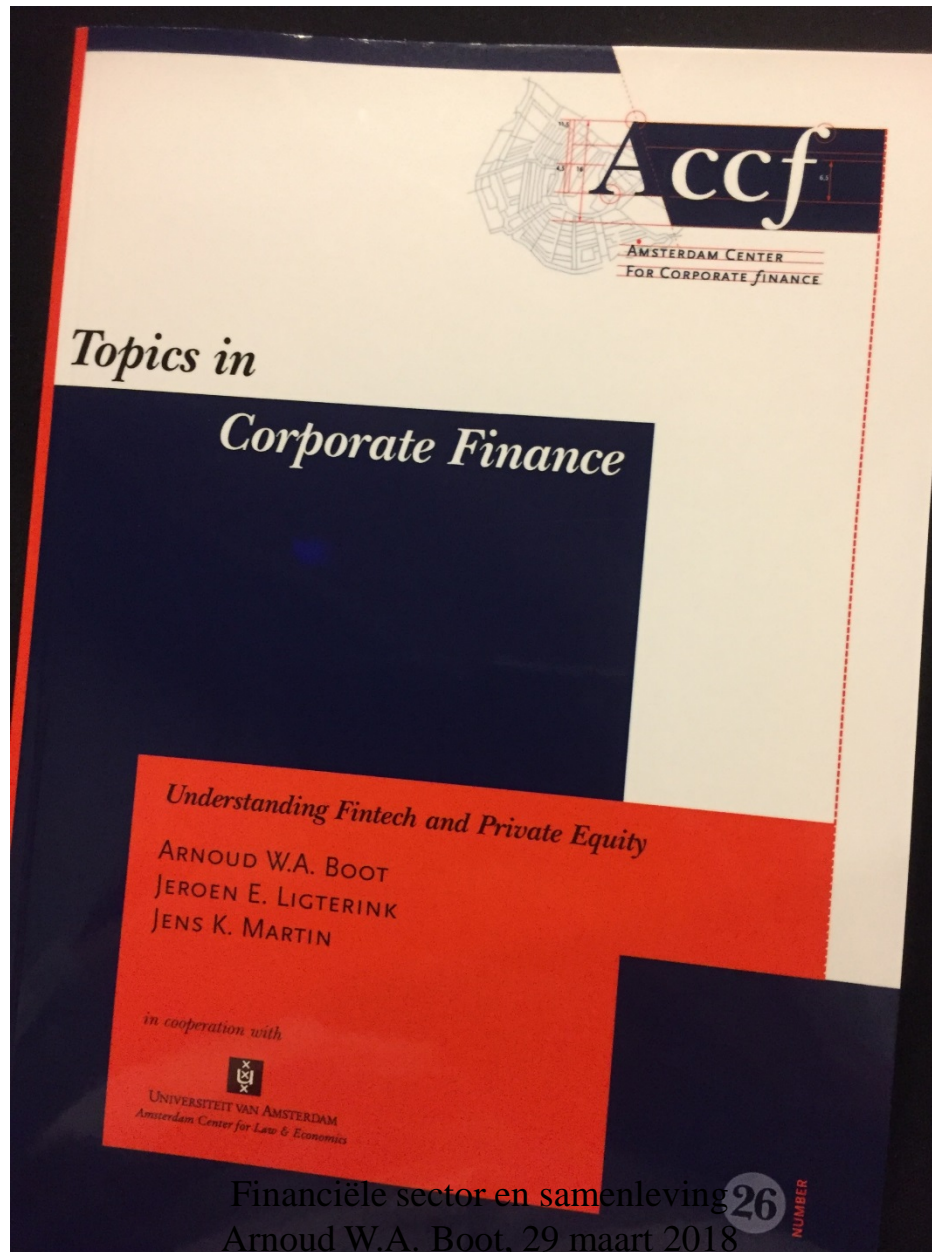
Conducted interviews and solicited input from subject matter experts



Engaged leaders in academia, government and regulation



See also: www.acle.nl



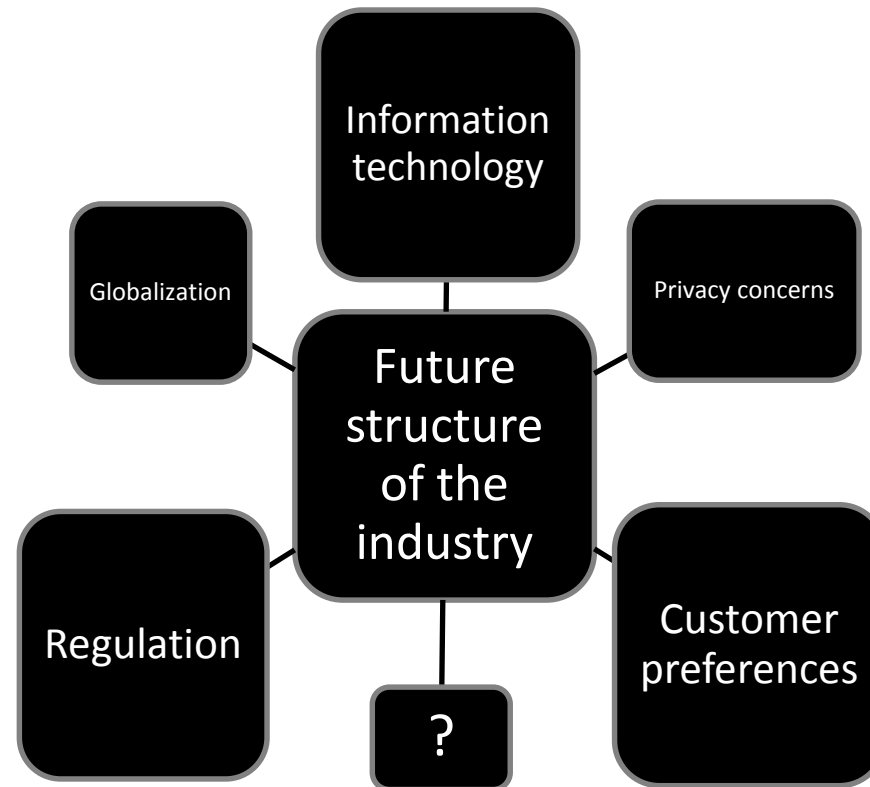
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The future: key questions

- What are the main drivers of change in the financial services industry?
- How has information technology reshaped the financial services industry?
- What sorts of initiatives are changing the financial services landscape?

Change Drivers in Financial Services Industry

- Public regulation, technology and customer preferences are the most fundamental and disruptive forces
- But there are others, e.g. privacy concerns



Information Technology

- Distribution channels, payment systems and more generally the way services are provided are all affected by information technology
 - Payments area most obvious... but much more...
 - How to connect to customers?

Questions:

- Who controls customer interface?
- Big data (mining) superior?
- Yes/no collaborate with new entrants?

Customer Preferences

- The rise of social media and the desired immediacy of consumer gratification will have implications...
 - Customers desire empowerment and more control over their finances
 - Social media will play a key role in the facilitation of the process by which customers are engaged
- Building trust and empowerment will be paramount
 - To be successful, banks will need a better understanding of their customers and to tailor product offers accordingly

Initiatives that are changing the landscape

- Major changes are evident in distribution systems and the way financial institutions interact with their clientele
- There are new disruptive players on the periphery with business models that challenge existing practices and institutions
 - Financial transactions and record keeping services of banks are being coveted by technology firms and payment specialists like Google, Apple, Paypal, etc.
 - Disaggregation of the value chain could follow from online platforms becoming the preferred customer interface

Initiatives that are changing the landscape-2

- Financial services platform might act as a market place where people interact directly...
 - The P-2-P lending platform would reduce search costs
 - New specialized lenders that implements sophisticated algorithms based on Big Data analyses have come up
 - The growing availability of inexpensive information allows for public certification of creditworthiness, similar to trustworthiness scores on eBay
 - Big Data may also facilitate crowdfunding
- These could (partially) replace relationship lenders

Are Banks Doomed?