

Press release

CFS survey: financial centre Frankfurt should play a greater role in business with fintechs

Digitalization among the top issues in the financial industry

FRANKFURT, 25 January 2016. A large majority of the German financial industry (80%) believe the financial centre Frankfurt should play a greater role in business with fintech companies, even if this means utilizing public funding. This was revealed in a recent study by the Center for Financial Studies of financial institutes and service providers in Germany. For two thirds of the decision-makers from the German financial industry (67%), digitalization is among the top issues with regard to new investment.

“A significant portion of the respondents are in favor of funding fintech firms. It will be interesting to observe whether the financial centre Frankfurt can keep pace with Berlin in this respect,” notes Professor Jan Pieter Krahen, Director of the Center for Financial Studies and Academic Head of the survey.

Almost half the respondents (47%) advocate a stronger commitment in every case, a further 28% specifically in cultivating networks with the classic financial industry, and 5% in strengthening international networks. 12% of the survey respondents said the financial centre Frankfurt should not play a greater role.

Companies specializing in financial technology, or fintechs for short, are attracting more and more attention in the financial industry. Some of them are working in partnership with established financial institutions in order to offer their services efficiently while minimizing costs. On the other hand, fintechs are in competition with the banks and putting them under pressure in their traditional markets by offering low-cost, alternative solutions. Established companies such as Facebook or Google can change the financial industry, especially if they become active in areas that have largely been the preserve of the banks up to now, such as payment processing and lending. Many fintechs are currently in the start-up phase and it remains to be seen how successfully their business models will develop in the future.

On the question of whether regulations in Germany represent a barrier to innovation in financial technologies, opinions of the financial institutions and service providers are evenly split. For 46% of the respondents, Germany’s regulations do not represent a barrier; for 43%, they do.

Cooperation creates a win-win situation

On the question of how to deal with fintech companies, a majority of those who responded to the question are in favor of cooperating (39%). Almost half the service providers (46%) and a third of the financial institutions (31%) prefer this approach. In addition, a quarter of the surveyed financial institutions (26%) are developing corresponding products themselves. This plays more of a minor role for the service providers (8%).

In terms of goals, half the respondents said they hope digitalization will enable them to achieve cost benefits (50%) and develop new products and services (51%). Additional goals include protecting market share from new competitors (44%) and appealing to young, tech-savvy customers, although the last point is more important to financial institutions (40%) than service providers (20%).

The results are based on a quarterly management survey of around 400 companies in the German financial sector.

The Center for Financial Studies (CFS) conducts independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Monetary Policy and Financial Stability, Household Finance and Retail Banking to Corporate Finance and Financial Markets. CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In providing a platform for research and policy advice, CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.

We would like to thank Frankfurt Main Finance e.V. for financially supporting the project.

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