

# **The Real Impact of FinTech: Evidence from Mobile Payment Technology**

## **Abstract**

We utilize the introduction of a mobile payment technology by the largest bank in Singapore in 2017 to study how mobile payment technology reshapes economic activities and stimulates business creation. After the introduction, business-to-consumer industries witnessed a higher growth rate of business creation by 8.9% per month relative to business-to-business industries, with the effect driven by small firms and more pronounced among industries with a higher cash handling cost. Underlying this pattern is consumers' strong adoption of mobile payment and reduction in ATM cash withdrawals in the post-shock period. The reduced transaction cost also increases consumers' spending capacity, which justifies the business growth. Interestingly, part of the increased consumer demand shows up as credit card spending. The pattern of changes is consistent with the bank's response to the technological change: it reduces ATM machines and allows more credit card opening and higher credit limit. We develop a model that captures the interaction of the consumers, merchants, and banks to rationalize the responses and extend the empirical evidence to understand the key structural parameters that drive the effects of mobile payment technology.

Keywords: FinTech, Mobile payment, Cash, Credit card, Real effect, Small business, Business creation, Entrepreneurship, Consumption, Banking, Digital economy, Transaction cost, Inclusive growth

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