Financial Technology

I am interested in finance because it is my major and has always been fascinating to me. Basically, finance is either the management of large amounts of money or it is a term used when providing funding for a person or business. It has especially evolved in tandem with technology as there are many ways for people to obtain loans online and manage their finances online as well.

I like finance because it is part of the backbone of every single company. If a company understands their finances correctly and knows how to take out a loan the right way, then the company will have a better chance of doing better and prospering. As stated before, Finance is my major so I am very drawn to it and want to do something related to it in the future, and I know that understanding how technology impacts it will further my knowledge.

Technology has allowed small companies and people to bypass the big banks and get a loan from a crowd of people in order to obtain a better rate than the bank. It is also a lot easier to get not only a better rate, but to qualify for the loan, as many small companies are unable to get started due to bad credit and thus refusal from the bank. According to Lending Tree, “In November of 2014, one large P2P site offered a fixed rate of 6.03 percent for its most creditworthy borrowers and 26.06 percent for its least, with 33 other tiers in between. Another big player has a wider range: from 6.73 percent to 35.36 percent. These scales reflect what individual lenders demand for a given borrower profile to offset their risk” (Lending Tree). This rate is significantly different than some rates people and business can get from a bank. It is generally much cheaper, and the rate may change due to the economic environment, which allows consumers to shop around for the best Peer to Peer lending company to find the best deal.
It used to be that people only got a loan from the bank and if they were denied, then they most likely would not have another choice. Now, people can look to peer to peer lending to help start up their business and get additional capital for a cheaper rate. Also, this technology as stated before allows borrowers with not so good credit to obtain a loan, often at a higher rate than a person with good credit. This allows more companies to be started and more people to have their financing needs fulfilled.

I believe that in the future peer to peer lending will be even more common and more people and companies will be able to take out more amounts of capital at even cheaper rates. I think that this could be a strong alternative to banks, and more people will be drawn to this type of lending process. Also, there will be numerous phone applications (more than there are today) that enable customers to shop for loans on their phone and to streamline the processes. In turn, more people will be using peer to peer lending.

Works Cited