CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
OCTOBER 2024 SEMESTER

COURSE CODE	:	**EIB12003**
COURSE NAME	:	**INTRODUCTION TO FINANCIAL TECHNOLOGY**
PROGRAMME NAME	:	**BACHELOR IN FINANCIAL TECHNOLOGY (HONS)**
DATE	:	**6 FEBRUARY 2025**
TIME	:	**2.00 PM – 5.00 PM**
DURATION	:	**3 HOURS**

INSTRUCTIONS TO CANDIDATES

1. **Please CAREFULLY read the instructions given in the question paper.**
2. **This question paper has information printed on both sides of the paper.**
3. This question paper consists of **FIVE (5) Questions.**
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**

THERE ARE SIX (6) PAGES OF QUESTIONS, INCLUDING THIS PAGE.

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INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1

Birdie Malaysia is a major player in the fintech space within the ASEAN region, boasting at least 549 fintech companies. This ranks Malaysia third in the region, following Indonesia with 785 fintechs and Singapore with 1,600.

The fintech sector in Malaysia is diverse, with payments leading at 22 percent, followed by lending and e-wallets, each at 13 percent. Other notable segments include remittances, insurtech, and wealthtech, each holding a nine percent share. Key fintech companies based or founded in Malaysia include Jirnexu Sdn Bhd, MoneyMatch and PolicyStreet.

In the realm of Islamic fintech, Malaysia mirrors its global dominance in Islamic finance. Alongside other key economies within the Organisation of Islamic Cooperation (OIC), Malaysia, together with ASEAN and Gulf Cooperation Council (GCC) nations, dominates the global Islamic fintech market.

The top six players in this market, accounting for 85 per cent of transaction volume and assets under management, include Saudi Arabia, Iran, Malaysia, the UAE, Indonesia and Kuwait, according to the Global Islamic Fintech (GIFT) Report 2023/2024.

The rapid development of Malaysia's fintech sector is largely due to proactive government support. In 2015, the Securities Commission Malaysia (SC) launched the Alliance of Fintech Community (aFINity) to enhance the fintech ecosystem. That same year, CrowdPlus, the country's first equity crowdfunding platform, was established to help startups and small and medium enterprises (SMEs) access alternative funding.

In 2016, Bank Negara Malaysia (BNM) – the country's central bank – formed the Financial Technology Enabler Group (FTEG) to create a regulatory framework that supports the adoption of new technologies in the financial services sector. The central bank launched a regulatory sandbox later that year, enabling fintech innovations to be tested in a controlled environment.

The Covid-19 pandemic accelerated the adoption of fintech and digital services in Malaysia, mirroring global trends. In 2020, compared to the previous year, the transaction volume for online banking, e-wallets and QR code payments surged by 49 per cent, 131 per cent, and 164 per cent, respectively.

By 2021, Malaysia had achieved a 50 per cent adult adoption rate for QR payments, the highest in Southeast Asia. With nearly 97 per cent of the population having internet access, the country saw strong growth in online banking and e-wallet usage. From 2021 to 2022, online

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banking usage increased by 7.2 per cent, while e-wallet adoption grew by 5.5 per cent. Additionally, contactless transactions at physical premises accounted for 68.9 per cent of all transactions in 2022, up from 64.6 per cent the previous year.

While Malaysia is currently an upper-middle-income economy, the country has ambitious long-term goals. The Shared Prosperity Vision 2030 (Wawasan Kemakmuran Bersama 2030) aims to transform Malaysia into a nation that achieves sustainable growth with fair and equitable distribution across income groups, ethnicities, regions, and supply chains.

The government underscores its commitment to these goals by strengthening political stability, enhancing national prosperity, and ensuring unity among the rakyat (people), all while celebrating the nation's ethnic and cultural diversity.As Malaysia strives to become a high-income economy, the fintech sector will play a crucial role in driving the nation forward.

Source: Richie Santosdiaz (August 13, 2024), "*Malaysia's Fintech Boom: A Growing Force in Southeast Asia*" retrieved from https://thefintechtimes.com/fintech-landscape-of-malaysia/.

With reference to the abovementioned case, answer all the following questions.

(a) Explain government initiatives driving fintech growth. (4 marks)

(b) Discuss any **FOUR (4)** factors of financial technology growth in Malaysia. (8 marks)

(c) Your startup is launching a digital wallet in a developing economy. Discuss **FOUR (4)** major challenges you might face and propose strategies to overcome them. (8 marks)

[Total Marks: 20 Marks]

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Question 2

(a) The financial services industry around the world has been transformed by technology-enabled financial services known as fintech. This disruptive technology is reshaping financial products, business models, markets and even the concept of money itself offering new ways to collect and use data, create new investment assets, and extend innovative services. The ongoing digitization of financial services and money creates opportunities to build more inclusive and efficient financial services and promote economic development.

Explain **THREE (3)** principles behind the Regulatory Sandbox by Bank Negara Malaysia to facilitate innovation in financial services. Use examples from Malaysian markets to support your explanation.

(10 marks)

(b) Compare and contrast traditional banking systems and fintech-based payment systems in terms of speed, security, and cost-efficiency.

(10 marks)

[Total Marks: 20 Marks]

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Question 3

At the Security Comission's Synergy & Crowdfunding Forum 2015 on June 11, chairman Datuk Ranjit Ajit Singh announced that six registered companies had been given approval to raise funds via equity crowdfunding.

"The six are Alix Global, Ata Plus, Crowdonomic, Eureeca, PitchIN and Propellar Crowd +. They were selected after being narrowed down from a pool of 27 applicants that underwent a rigorous assessment process. The companies should be operational by the end of the year," he said.

Ranjit said the equity crowdfunding framework (ECF) is an important milestone for inclusivity in the Malaysian capital market. "For capital markets to be inclusive, small and medium enterprises (SMEs) and start-ups must be able to obtain market-based financing. Hence, it is timely to further widen access through innovation in financial technologies such as equity crowdfunding platforms."

Source: TheEdgeMalaysia.com

(a) Briefly describe the key features of three crowdfunding models: donation-based, reward-based, and equity-based.

(6 marks)

(b) Illustrate with an example how a small business can use crowdfunding to raise capital.

(14 marks)

[Total Marks: 20 Marks]

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Question 4

(a) A financial services firm has a large dataset of customer transactions. Discuss **FIVE (5)** advantages of big data analytics that can help the firm improve efficiency.

(10 marks)

(b) Analyze the impact of using AI-based robo-advisors on the financial decision-making process. Identify **FIVE (5)** potential risks and benefits for users.

(10 marks)

[Total Mark: 20 Marks]

Question 5

(a) Discuss **THREE (3)** authentication methods for a mobile banking application. Use examples from mobile banking applications in Malaysia to support your explanation.

(10 marks)

(b) Define Insurtech and explain its role in transforming the insurance industry.

(4 marks)

(c) Discuss **TWO (2)** key technologies commonly used in Insurtech and briefly describe their purposes.

(6 marks)

[Total Mark: 20 Marks]

END OF EXAMINATION PAPER

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