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Fintech and financial markets: new research directions

Arman Eshraghi^{a,b}, Andrew Urquhart^c and Qingwei Wang^a

^aCardiff Business School, Cardiff University, Cardiff, UK; ^bJudge Business School, Cambridge University, Cambridge, England;

^cBirmingham Business School, University of Birmingham, Birmingham, UK

ABSTRACT

This Special Issue brings together papers that offer a diverse view of fintech's evolving role in financial markets, institutions, and the real economy. Collectively, the studies show that fintech innovations generate significant benefits while also introducing new sources of risk, including volatility spillovers and systemic interconnectedness. Several contributions emphasise the importance of behavioural factors, financial literacy, routines, and organizational culture in shaping fintech adoption, investor behaviour, and banks' responses to competition. Other papers highlight the real economic impact of fintech, including its predictive power for equity returns, its role in reducing the cost of capital, facilitating M&A activity and its stabilising effects during crises. The SI also advances our understanding of fintech entrepreneurship, documenting how human capital, founder characteristics, and business models influence innovation and firm performance. We conclude by offering possible future research directions.

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1. Introduction

In this editorial, we summarize the themes emerging from papers published in the 2025 'Fintech and Financial Markets' Special Issue and discuss the implications of their findings. We also offer some thoughts on research gaps and opportunities for future work at the intersection of fintech and financial markets.

Some of the papers in this Special Issue were featured at the Cardiff Fintech Conference, an annual event hosted by Cardiff Business School bringing together leading researchers, practitioners, and policymakers to explore the latest developments in financial technology. The inaugural conference was held on 12 October 2022, featuring keynote speeches by Professor Lin William Cong (Cornell University), alongside parallel sessions with over 40 paper presentations from international scholars. Building on the success of the first event, the 2023 conference welcomed over 100 delegates from institutions across the globe and 55 academic papers. 3 papers presented in this conference were accepted for this Special Issue after a double-blind review process. The conference keynote speakers were Bruno Biais (HEC Paris), Alberto Rossi (Georgetown University), Raghavendra Rau (University of Cambridge), and Wei Xiong (Princeton University).

2. Articles in the special issue

Some of the papers in this Special Issue focus on cryptocurrencies – an important and still growing area of the fintech literature. For example, Patra and Gupta (2025) examine the impact of trading volume on the volatility of two leading cryptocurrencies, Bitcoin and Ethereum. Their empirical approach accommodates structural breaks and fat-tailed distributions that are stylized features in digital asset returns. Testing the validity of a key theory, the Mixture of Distribution Hypothesis (MDH), the authors find that volume alone cannot explain volatility, which rejects the MDH. In contrast, volume helps predict future volatility, especially when fat-tailed

distributions are considered in modelling the innovations. These results have important implications for risk management of traders and investors.

Recently, Manahov and Li (2025) explore the impact of an increasingly relevant shock beyond macroeconomic events: the hacker attacks in digital markets. Unlike the first paper, which focuses on the micro-level mechanisms within cryptocurrency markets, this paper investigates broader impacts on the real economy. Specifically, it investigates the volatility spillover effects of major cryptocurrency heists on the energy markets. Using a DCC-GARCH model, they uncover significant volatility spillovers from mainstream cryptocurrencies like Bitcoin and Ethereum to specialized energy tokens, such as Power Ledger Token and Energy Web Token, in the 120 days following the most prominent crypto heists. Their analysis suggests that these security breaches trigger investor panic trading and herding, reducing market quality, as evidenced by increased illiquidity and wider spreads. However, they find no significant volatility spillover effects between cryptocurrencies and listed energy company stocks, suggesting that traditional energy markets are insulated from crypto market shocks, although the effects may emerge as energy token adoption grows.

While shocks to digital assets are important, the strength of the broader financial system depends critically on the health of systematically important Fintech firms. Anwer et al. (2025) address the unexplored gap in the literature: the systemic risk dynamics of the Fintech sector itself. They assess the bankruptcy risk contagion among a network of systemically important US FinTech firms. In particular, the paper examines the default risk, measured by distance-to-default (DTD). Employing a time-varying parameter vector auto-regression approach, the authors find intensified interconnectedness and systemic risk during stressful times like the Covid-19 pandemic and recent US bank failures. The study identifies payment technology giants MasterCard and Visa as the primary transmitters of systemic risk, underscoring their central role in the fintech network. Taken together, Anwer et al. (2025) and Manahov and Li (2025) demonstrate that risks in FinTech can spread across both digital assets and the fintech companies. These findings highlight the need for better monitoring and regulation.

Another common thread in the Special Issue revolves around financial behaviour at the intersection of financial technologies. For example, Freibauer et al. (2024) examine how trading apps affect investment behavior over time. Specifically, they study German Neobroker users in comparison with general online-broker users. They find that the former are 'significantly younger, more risk tolerant, more likely to buy derivatives and gain a higher annual return (non-risk-adjusted) than general investors.' Another interesting finding of this study is that the financial literacy of Neobroker users increases over time, but so does their risk tolerance. More research is needed in this respect to examine the risk-adjusted performance of investors conditional on platform usage.

Another paper examining financial behaviour in a similar vein is Duxbury, Hudson, and Marsh (2025). The authors examine the early adoption of contactless payment cards in the UK, focusing on the role of financial literacy and habitual behaviour. Using survey data from a period when contactless payments were emerging but not yet universal, they uniquely identify groups of individuals without contactless cards. The results show that higher financial literacy and a greater tendency toward routine behaviours are positively associated with contactless card ownership. Employing propensity score matching, the authors address selection bias and endogeneity concerns, confirming the robustness of their findings. Both Duxbury, Hudson, and Marsh (2025) and Freibauer et al. (2024) offer valuable behavioural insights for policymakers, banks and trading platforms.

Speaking of banks again from a behavioural angle, Nguyen (2025) investigates how organizational culture within bank holding companies influences liquidity creation under heightened banking competition. The findings show that banks with more robust cultures reduce liquidity creation as competitive pressures intensify. However, the study finds that this negative effect is weaker for institutions with stronger risk-absorbing capacity, including larger, more profitable, better-capitalized, and more diversified banks, as well as those with higher dividend payout and deposit ratios. A detailed decomposition of liquidity creation reveals that robust bank culture is associated with reduced liquidity generation through both on-balance-sheet assets and off-balance-sheet activities. Overall, Nguyen (2025) highlights how internal culture shapes banks' responses to competitive environments.

Moving the focus from banks to equity markets, Guo et al. (2024) develop a novel Financial Technology Index using text analysis of articles from *The New York Times* to examine the relationship between financial technology and stock market performance. The results show that the FinTech Index has strong predictive power for excess returns in the US stock market, especially during economic downturns. Compared with traditional

macroeconomic indicators, their index provides considerable incremental information. The analysis of Guo et al. (2024) is extended to sector-level and international markets, confirming the index's broad relevance and robustness. Out-of-sample tests further demonstrate its forecasting accuracy, highlighting its potential value for investors seeking enhanced returns.

Another theme explored in the Special Issue focuses on business ventures in the age of financial technology. For example, Farè, Meoli, and Vismara (2024) examine the role of Science, Technology, Engineering, and Mathematics (STEM) education in the creation of new fintech ventures. Using longitudinal data from around 150 countries between 2005 and 2022, the study provides novel evidence that higher shares of STEM graduates are associated with greater fintech venture formation. By decomposing fintech into its financial and technological components, Farè, Meoli, and Vismara (2024) show that the STEM – fintech link is weaker in countries with more developed traditional finance and information technology sectors. Overall, the findings highlight the importance of STEM human capital in fostering fintech entrepreneurship, particularly in less mature financial and technological environments.

In a related vein, Hornuf and Mattusch (2025) examine the performance and innovation of fintech startups using a hand-collected dataset of around 900 German fintech firms founded between 2000 and 2021. The study analyses firm failure, funding success, and innovation outcomes. Results show that founders with business education and entrepreneurial experience are more successful in securing funding, while teams with STEM backgrounds generate more patents – which is related to the findings of Farè, Meoli, and Vismara (2024). Early third-party endorsements and international partnerships significantly enhance firm survival. The authors also document that business-to-business and technology-provider fintechs perform better, whereas firms competing directly with banks tend to be less successful and less innovative, offering implications for investors and policymakers.

And related to the above two papers is the study by Yang et al. (2025). The authors use machine learning to investigate what types of information presented in equity crowdfunding campaigns are most diagnostic for predicting success. The work draws upon signalling theory and information cue theory to examine how different cues influence investor decisions in the online equity crowdfunding environment. Yang et al. (2025) find that quantitative information cues (such as financial metrics or hard data) are generally more predictive of funding success than complex qualitative content. Investors appear to rely more on structured numerical signals, possibly due to lower cognitive processing demands than extracting value from rich text or visual cues.

Taking a more macro view, Girardone et al. (2024) examine how FinTech credit influences firms' cost of capital and capital structure using data on around 3,500 non-financial firms across 38 OECD countries from 2015 to 2021. Their results show that greater FinTech credit availability significantly reduces the cost of debt and equity (and more so for cost of debt than equity), leading to economically meaningful declines in overall cost of capital and leverage. The effects are strongest for firms with stakeholder-oriented governance, operating in concentrated banking markets and innovative industries. Difference-in-differences analysis around the Covid-19 shock confirms that these benefits persist during periods of heightened uncertainty, highlighting the stabilising role of FinTech credit in crises.

Similarly investigating the macro implications of financial technology, Gao, Tan, and Duan (2024) show that fintech development has a positive impact on corporate ESG performance. The authors examine fintech development across Chinese cities and show how this development improves the ESG performance of Chinese firms through three channels: (1) promoting green innovation, (2) mitigating financial mismatch, and (3) reducing environmental uncertainty. And, finally, Ren et al. (2026) similarly focus on Chinese listed firms and show that firms in cities with greater fintech adoption engage in more M&A activity, especially non-state-owned, smaller and high-tech firms. In other words, fintech facilitates M&A by easing financial constraints, reducing information asymmetry, and enhancing supply chain stability. The authors also provide evidence for fintech promoting green deals, larger transactions, and stronger long-term performance, but not short-term gains.

Taken together, the papers in this Special Issue provide a broad and nuanced perspective on how fintech is reshaping financial markets, institutions, and behaviour. A recurring theme is that fintech innovations create substantial opportunities while also introducing new sources of risk: contributions focusing on cryptocurrencies and fintech firms document volatility transmission, systemic interconnectedness, and contagion during periods of stress, reinforcing the case for enhanced monitoring and regulation. Several papers also show that

fintech adoption and use are closely linked to behavioural factors, financial literacy, routines, and organizational culture, with important implications for investor behaviour, payment choices, and banks' liquidity provision. Other studies highlight the real economic relevance of fintech, demonstrating its predictive content for equity returns, its role in lowering firms' cost of capital, and its capacity to support financial resilience in times of crisis. Finally, the Special Issue deepens our understanding of fintech entrepreneurship by showing how human capital, founder characteristics, and business models shape innovation, survival, and growth. Overall, the collection portrays fintech as a powerful but context-dependent force, whose effects are shaped by behaviour, institutions, and market structure.

3. Future research directions

In this section, we propose some ideas for future research at the intersection of financial technology and financial markets. Areas that were touched upon in passing across some of the papers discussed above are clearly deserving of more attention.

Looking ahead, an important avenue for future research concerns the interaction between fintech innovation and regulation across jurisdictions and over time. While several papers in this Special Issue document risk transmission, systemic interconnectedness, and stabilising effects during crises, much less is known about how different regulatory frameworks shape these outcomes. Comparative studies examining how fintech firms, digital assets, and platform-based intermediaries respond to regulatory interventions – such as sandboxes, capital requirements, data governance rules, or consumer protection policies – would be particularly valuable. In addition, future work could explore the long-run consequences of fintech adoption for market structure, competition, and financial inclusion, especially in emerging economies where institutional constraints differ markedly from those in advanced markets.

A second promising direction lies in deepening our understanding of the micro-level mechanisms through which fintech affects decision-making, firm behaviour, and welfare. The papers in this issue highlight behavioural factors, human capital, and organizational culture, but many questions remain open. Future research could examine the risk-adjusted performance and learning dynamics of fintech users across platforms, the role of artificial intelligence and algorithmic decision-making in shaping financial outcomes, and the distributional effects of fintech across households and firms. There is also scope for richer data and methods – such as field experiments, granular transaction-level data, and machine-learning approaches – to better identify causal effects and to assess when fintech enhances efficiency, resilience, and innovation, and when it amplifies risk and inequality.

Finally, there remain clear research gaps regarding data availability, measurement, and the integration of fintech with the broader financial ecosystem. Many fintech activities – particularly in decentralized finance, algorithmic lending, and platform-based intermediation – remain only partially observable, limiting our ability to assess their true scale, risks, and social impact. More work is needed to develop consistent measures of fintech adoption, intensity, and technological sophistication that can be compared across countries and over time. In addition, relatively little is known about how fintech interacts with traditional financial institutions at the organizational and strategic level, including issues of talent flows, governance, cyber risk, and operational resilience. Addressing these gaps would help move the literature beyond case-specific findings toward a more integrated understanding of fintech as part of the financial system rather than a stand-alone sector.

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Data availability statement

This is an editorial article and contains no original empirical research in itself. Data are available within the article or its supplementary materials.

Notes on contributors

Arman Eshraghi is Professor of Finance and Financial Technology at City University of Macau, Honorary Professor of Finance at Cardiff University and a Visiting Fellow at Cambridge Endowment for Research in Finance at Cambridge University.

Andrew Urquhart is Professor of Finance and Financial Technology and Head of the Department of Finance at Birmingham Business School, University of Birmingham.

Qingwei Wang is Professor of Finance and Head of the Finance Section at Cardiff Business School, Cardiff University.

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