Level 27, Tower 1
International Towers
100 Barangaroo Ave
Sydney NSW 2000

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Committee Secretariat
Select Committee on Productivity in Australia
PO Box 6100
Parliament House
Canberra ACT 2600

By email: productivity.sen@aph.gov.au

Dear Secretary,

SUBMISSION TO THE SENATE SELECT COMMITTEE ON PRODUCTIVITY IN AUSTRALIA

Introduction

FinTech Australia welcomes the opportunity to provide a submission to this inquiry.

This submission's recommendations focus on items (c) to (k) of the Terms of Reference, where FinTech Australia or its members have direct expertise and experience.

About FinTech Australia

FinTech Australia is the peak industry body representing the Australian fintech sector, with a membership of more than 400 companies and startups nationwide. Our members span the full breadth of the fintech ecosystem, including payments, consumer and business lending, artificial intelligence, wealthtech, regtech, neobanking, open banking, cryptocurrency, blockchain, DeFi, and Web3. The fintech industry delivers a wide range of business-to-business and business-to-consumer financial products and services that support the smooth operation of the Australian economy.

Our vision is to position Australia as one of the world's leading markets for fintech innovation and investment. This submission has been compiled by FinTech Australia and its members in an effort to advance public debate and drive cultural, policy and regulatory change toward realising this vision, for the benefit of the Australian public.

FinTech Australia would like to recognise the support of our policy partners, who assist in the development of our submissions:

- Allens;
- Ashurst
- DLA Piper;
- Gadens;
- King & Wood Mallesons; and
- K&L Gates.

Submission

Context

Fintech is not merely a discrete sector of the economy. Rather, it provides foundational digital and financial infrastructure that underpins competition, innovation and productivity across a wide range of industries. The performance of the fintech ecosystem therefore has economy-wide implications,

influencing how efficiently consumers, businesses and governments transact, allocate capital and manage risk.

Australia's productivity slowdown is occurring at a time when digital and data-driven technologies are fundamentally reshaping how economic value is created and delivered. As the Committee's discussion paper notes, productivity growth has been weak for an extended period and is increasingly difficult to capture using traditional measurement frameworks.

FinTech Australia submits that this apparent disconnect reflects not a lack of productivity-enhancing technology, but constraints on its deployment, diffusion and coordination, shaped by a range of institutional, regulatory and policy factors. We believe that:

- many productivity gains can be achieved through reduced friction, rather than higher labour intensity;
- competition and market entry are essential drivers of sustained productivity growth; and
- fragmented regulatory frameworks, where they are inconsistent, overlapping or duplicative, operate as a productivity tax on innovation and scaling.

FinTech Australia endorses the recent observation of the International Monetary Fund that:

> *"The stagnation of productivity reflects several structural factors, including the slow pace of adoption of new technologies, fading business dynamism, and inefficiency in capital reallocation. This has left a gap between Australian firms and the global frontier."*[1]

Item c. The current position and opportunities to gain productivity growth

One of Australia's greatest productivity opportunities lies in reducing transaction, compliance and coordination costs across the economy.

An instructive example is the Consumer Data Right (CDR) – a foundational, productivity-enabling digital infrastructure with the potential to:

- reduce search and switching costs for consumers and businesses across a range of financial products;
- improve capital allocation through data-driven lending and refinancing;
- support SME cash-flow management and investment; and
- enable automation of financial decision-making and reporting.

So far, the CDR has not yet fully realised its productivity potential. To date, CDR policy implementation has focused primarily on developing and meeting detailed regulatory and compliance requirements, rather than on achieving the benefits associated with this important microeconomic reform. There remains significant scope to enhance the CDR's impact by reducing compliance costs, optimising policy settings and increasing uptake by consumers and businesses. FinTech Australia is actively working with Treasury, the Data Standards Body and Government to support these objectives and unlock the CDR's productivity benefits.

The CDR is illustrative of how, across the economy, fintech can contribute to productivity growth by reducing friction, improving information flows and enabling more efficient coordination between participants. Examples include:

- automating payments-related services;
- enabling faster, more accurate risk assessment;
- supporting technology diffusion to SMEs that lack in-house capability; and
- improving the efficiency of government service delivery.

Taken together, these mechanisms help to offset the weakened capital investment identified in the discussion paper by improving the efficiency with which capital is allocated and deployed.

[1] IMF, Australia: Staff Report for the 2025 Article IV Consultation (21 January 2026) p 23.

The extent to which these productivity opportunities are realised, however, depends on policy settings that support adoption, scaling and diffusion. Other structural barriers affecting these settings are addressed in Item d below.

Recommendations

1. Productivity policy should prioritise microeconomic reforms which reduce friction in business activities and improve the diffusion of technology.
2. The Consumer Data Right should be recognised as a core productivity infrastructure, with a clear strategy focused on driving increased business and consumer uptake, and supporting further use cases.

Item d. Conflicts of interest and structural barriers to sustainable growth

Structural barriers to entry and scaling do not simply reduce competitive intensity; they can also lock in less productive business models and postpone the adoption of more efficient technologies. This matters for productivity because it slows the rate at which efficiency-enhancing business models are adopted across the economy, particularly in services-dominated sectors. In financial services, productivity-dampening barriers that limit competition, market entry and scaling include:

- concentration of market power in key financial services across a small number of incumbent firms;
- control of essential infrastructure by incumbent firms;
- regulatory settings that unintentionally favour large firms with the capacity to fund large compliance teams; and
- fragmented oversight across multiple regulators.

Structural barriers to sustainable productivity growth are also evident in the way financial services markets are organised, particularly in the interaction between established institutions and newer fintech providers. In practice, larger institutions often perform multiple roles within the financial system, including as providers of essential infrastructure and services to fintechs, while also participating in related downstream markets.

This market configuration can give rise to tensions in access and coordination, particularly where decisions about infrastructure access, onboarding processes or commercial terms are made through bilateral arrangements. In such circumstances, fintechs may face challenges in relation to:

- access to bank accounts, payment services or settlement infrastructure;
- the timeliness and consistency of onboarding processes, pricing or risk settings; and
- the ability to integrate with existing systems in a way that supports efficient scaling.

Where these frictions arise, they can have broader productivity implications by constraining entry and scaling, reducing competitive pressure, and slowing the diffusion of more efficient business models and technologies across the economy.

Recommendations

1. Access to essential financial and data infrastructure should be proportionate and technology-agnostic.
2. Regulatory design should include consideration of whether new rules may unintentionally entrench or reduce structural advantages for incumbents.

Item e. The efficacy of federal competition law

Competition is a necessary condition for productivity growth, but competition law alone is insufficient in markets where participants depend on access to shared infrastructure.

Fintech has demonstrably increased competition by:

- lowering switching costs between banks and reducing the stickiness of bank customers;
- enabling new digital business models; and
- challenging vertically integrated business models.

However, competition outcomes are weakened where some firms lack practical access to:

- payment rails;
- interoperable data-sharing frameworks such as the CDR; and
- digital identity and verification systems.

FinTech Australia supports a renewed focus by Government on financial sector competition, noting that the last major, economy-wide review of the financial system – the Financial System Inquiry – pre-dated the introduction of open banking and many fintech-driven innovations that have meaningfully altered the financial services landscape.

FinTech Australia is concerned that debanking remains an ongoing issue for some fintechs, particularly those operating in emerging or innovative areas. While risk management is legitimate, unexplained or disproportionate withdrawal of banking services can:

- prevent otherwise viable fintechs from operating;
- discourage investment and innovation; and
- entrench the market position of incumbents.

From a productivity perspective, debanking is not merely an operational issue for individual firms. It can suppress competition and slow the entry of new, more efficient services that would reduce costs and improve outcomes across the economy. In productivity terms, this delays the replacement of higher-cost processes with more efficient alternatives and reduces the competitive pressure needed to drive economy-wide efficiency gains.

Recommendations

1. Competition policy should be complemented by infrastructure access settings that enable entry and scaling.
2. A root-and-branch review of Australia's financial system should be undertaken;
3. The Committee should consider whether data and payments infrastructure constraints are limiting productivity-enhancing competition.
4. Debanking should be recognised as a competition and productivity issue, not solely a prudential or risk matter.
5. Greater transparency, consistency and accountability should be encouraged in large institutions' decisions to restrict or withdraw access to essential banking services, particularly where such access is critical for fintechs to enter the Australian market or scale.

Item f. Opportunities for the states and territories to drive growth

States and territories have a particularly important role to play in translating fintech capability into measurable productivity gains, including through government procurement.

FinTech Australia has consistently observed that existing federal and state procurement frameworks:

- tend to favour large, established vendors;
- impose administrative and compliance requirements that scale poorly for smaller firms; and
- limit the participation of fintechs, even where they offer more efficient, lower-cost or higher-quality solutions.

This represents a missed productivity opportunity. Smaller fintechs are often well placed to deliver:

- digital payments and reconciliation tools;
- compliance and reporting automation;
- data verification and identity services; and
- efficiency improvements in grants, licensing and service delivery.

Reducing barriers within procurement frameworks for smaller fintechs would not only support competition but also reduce the cost and complexity of delivering government services.

Recommendations

1. States and territories should be encouraged to adopt SME-developed solutions, including fintech solutions, as part of public-sector productivity reform.

2. State-based pilot programs and modular procurement approaches should be used to demonstrate real-world productivity gains from fintech adoption and enable smaller fintechs to participate in government service delivery.
3. Federal and state governments should review procurement frameworks with a view to lowering barriers to SMEs, including fintech providers.
4. Procurement processes should place greater emphasis on outcomes, efficiency and value for money, rather than organisational scale.

Item g. The impact of regulatory tax burdens on productivity growth

Fragmented and overlapping regulation can operate as an implicit tax on economic activity, diverting resources away from productive investment and reducing overall productivity. FinTech Australia has a variety of members who specialise in offering regulatory technology (regtech) which help alleviate these pressures.

In the context of data and digital finance, fintechs also face significant overlapping obligations across:

- the CDR;
- the Privacy Act and CDR Privacy Safeguards;
- payments regulation;
- scams and AML/CTF frameworks; and
- emerging AI obligations.

Regulatory burden interacts with market structure in important ways. Where compliance costs are high and access to infrastructure is constrained, the cumulative effect is to reinforce the advantage of large incumbents, widening what has been described elsewhere as a “compliance moat”.

This dynamic reduces competition, slows innovation and ultimately weakens productivity growth.

Recommendations

1. The regulatory impact analysis accompanying future financial sector reforms should explicitly:
    A. Assess the cumulative productivity impacts, not regime-by-regime costs.
    B. Consider whether cumulative compliance burdens disproportionately advantage incumbents and suppress competition by making the entry of new firms into markets impracticable.
2. Greater emphasis should be placed on the coordination and sequencing of regulatory reforms.
3. Outcomes-based, technology-neutral regulation should be preferred to minimise compliance burdens.

Item h. The impact and opportunity of technology

Productivity gains from technology depend on the deployment and use of technology, not simply its availability. In a services-dominated economy such as Australia’s, many of the most material productivity improvements arise from incremental efficiency gains embedded across day-to-day business processes, rather than from discrete technological breakthroughs. Financial and data technologies play a critical role in this context by reducing friction, improving coordination and enabling faster, more informed decision-making across the economy.

In financial services, these technologies underpin improvements that flow well beyond the sector itself. More efficient payments, lending, identity verification and compliance processes reduce costs and delays for households and businesses, support better capital allocation, and lower the administrative burden associated with economic activity. These effects are particularly important for SMEs, which often lack the scale or internal capability to invest in bespoke technology solutions and therefore rely on fintech providers to access productivity-enhancing tools.

From a productivity perspective, the benefits of technology adoption are often cumulative and system-wide. Once deployed, digital financial infrastructure can support ongoing efficiency gains

through automation, interoperability and data reuse, allowing productivity improvements to compound over time rather than being realised as one-off gains.

Financial technologies:

- automate manual processes;
- reduce error and fraud;
- enable real-time data flows; and
- support better decision-making across the economy.

However, these gains are often under-counted in conventional productivity metrics because they manifest as time savings, quality improvements and risk reduction, rather than as increases in measured output or labour intensity.

Artificial intelligence is a particularly prominent example of these dynamics, illustrating both the scale of the productivity opportunity presented by new technologies and the importance of policy settings that support safe adoption and diffusion (see below subsection).

Recommendations

1. Digital financial and data infrastructure should be treated as foundational productivity infrastructure.
2. Technology policy should prioritise interoperability and scaling, rather than focusing solely on development or early-stage innovation.

Artificial intelligence, deployment certainty and productivity growth

Artificial intelligence represents one of the most significant near-term opportunities to lift productivity across Australia's economy, particularly in services-dominated sectors where automation, data analysis and decision support can materially reduce cost and operational friction. In financial services, fintech firms are already embedding AI into fraud detection, identity verification, credit assessment, regulatory compliance, customer support and operational automation.

However, the productivity benefits of AI will depend less on the availability of the technology itself and more on the policy and regulatory conditions that enable its safe deployment and scaling. Regulatory uncertainty – particularly regarding how existing obligations apply across the AI supply chain – can delay investment decisions and slow the adoption of productivity-enhancing tools, especially for SMEs operating in highly regulated environments.

From a productivity standpoint, delayed or uneven AI adoption risks entrenching existing inefficiencies and widening the gap between frontier firms and the broader economy. Conversely, clear, proportionate and outcomes-focused policy settings can accelerate diffusion, allowing productivity gains to flow more quickly through financial services and into downstream sectors that rely on them.

FinTech Australia has previously supported a gap-analysis-first approach to AI regulation, consistent with the Productivity Commission's recent findings on digital and emerging technologies, rather than the introduction of broad, economy-wide AI-specific regulation. Complementing this with targeted investment in assurance capability, testing environments, and government procurement pilots would help translate AI capability into measurable productivity improvements while maintaining trust and safety.

Recommendations

1. Prioritise regulatory certainty to support the safe deployment and scaling of AI, recognising that productivity gains depend on adoption and diffusion, not simply technological capability.
2. Adopt a gap-analysis-first approach to AI regulation, consistent with the Productivity Commission's recent recommendations, rather than introducing broad, economy-wide AI-related obligations that may delay investment, uptake and the realisation of productivity benefits.

3. Ensure AI policy settings are proportionate, outcomes-focused and technology-neutral, particularly for SMEs and fintechs operating in highly regulated sectors, to avoid unnecessary compliance burdens that suppress productivity gains.

Item i. Priority opportunities in the market and non-market sectors

Some of the largest untapped productivity opportunities lie in non-market sectors, including health, aged care, education and public administration. These sectors account for a growing share of employment and public expenditure, yet have experienced persistently weak measured productivity growth, in part because service delivery remains administratively intensive and reliant on fragmented legacy systems.

Financial and data technologies have the potential to deliver meaningful productivity gains in these sectors by reducing administrative friction and improving coordination between agencies, service providers and end users. In practice, fintech solutions can:

- reduce administrative and payment processing costs associated with funding flows, claims and reimbursements;
- improve verification, eligibility assessment and claims management through better use of data; and
- enhance transparency, traceability and accountability in public spending.

These improvements can free up staff time for frontline service delivery, reduce error and leakage, and improve the timeliness and reliability of services. Importantly, some of these gains accrue as cost avoidance, time savings and quality improvements, rather than as increases in measured output, which helps explain why non-market sector productivity has been both weak and difficult to measure, as noted in the Committee's discussion paper.

Government procurement plays a critical role in determining whether these productivity opportunities are realised. Procurement frameworks that favour large, integrated vendors or require bespoke, end-to-end solutions can limit the adoption of innovative, modular fintech services that are often well suited to addressing specific administrative inefficiencies. Conversely, procurement approaches that support pilots, modular contracting and outcome-based assessment can enable governments to test and scale fintech-enabled solutions more rapidly, supporting productivity improvements while managing risk.

Targeted use of fintech in non-market sectors therefore represents an opportunity not only to improve service delivery outcomes, but also to demonstrate how digital financial and data infrastructure can support productivity gains in parts of the economy where traditional productivity levers have been difficult to apply.

Recommendations

1. Productivity strategies should explicitly incorporate financial and data infrastructure reform as a lever for improving efficiency and service quality in non-market sectors.
2. Governments should support pilot programs and targeted procurements that demonstrate fintech-enabled productivity gains in public service delivery, with a focus on scalability and reuse across agencies.
3. Procurement frameworks should enable modular, outcome-based adoption of fintech solutions, particularly where they reduce administrative burden and improve coordination.
4. Productivity measurement frameworks should be improved to better reflect administrative efficiency, time savings and service quality improvements in non-market sectors.

Item j. Australia's competitiveness and benchmarking against similar nations

Australia competes internationally for fintech investment, talent and the development of scalable digital business models. In this context, competitiveness is shaped not only by the quality of innovation capability, but by the broader policy, regulatory and market environment in which firms operate. International experience indicates that jurisdictions which offer regulatory clarity,

proportionate tax and compliance settings, and credible pathways for scaling are more likely to attract and retain mobile, productivity-enhancing investment.

Australia's relative competitiveness has weakened in recent years, reflecting a combination of factors. Policy uncertainty around the direction and sequencing of major reforms – such as the Consumer Data Right, payments regulation and broader data-sharing frameworks – can delay investment and slow the deployment of new technologies. In addition, comparatively high tax and regulatory burdens, when combined with the relatively small size of the domestic market, can reduce the expected return on investment for overseas firms. In some cases, this means that international fintechs and technology providers do not perceive sufficient upside to justify the regulatory and commercial risk of entering or scaling in Australia, particularly when alternative jurisdictions offer larger markets or more predictable policy settings. This has productivity implications, as reduced entry and scaling by innovative firms slows the diffusion of efficiency-enhancing technologies across the economy.

Comparable jurisdictions have sought to address these challenges by focusing on innovation-facilitating infrastructure, rather than relying solely on market size or financial incentives. This includes the use of regulatory sandboxes, coordinated testing environments and clearer regulatory pathways that allow new technologies and business models to be trialled and scaled within existing frameworks. Such approaches can reduce uncertainty, shorten time-to-market and improve the attractiveness of a jurisdiction for globally mobile firms, even where domestic markets are relatively small.

In this context, recent consideration of reforms such as the enhanced regulatory sandbox review are welcome. If designed and implemented effectively, enhanced sandbox arrangements can help lower the cost and risk of experimentation, support regulatory learning, and provide clearer pathways from testing to full market participation. Over time, this type of infrastructure can contribute to improved productivity and competitiveness by accelerating the deployment and diffusion of new technologies across the economy.

Maintaining and improving Australia's international competitiveness will therefore require a focus on policy coherence, proportionality and implementation certainty, alongside a clear understanding of how Australia compares to peer jurisdictions. Fintech policy should be viewed as an integral component of Australia's broader productivity and competitiveness agenda, given the sector's role in enabling efficiency, competition and innovation across the economy.

Recommendations

1. The regulatory impact analysis accompanying proposed financial sector reforms should identify how the proposed regulations compare against their counterparts in comparable jurisdictions, with a focus on their implications for economic competitiveness.
2. Clear, time-bound and coordinated reform roadmaps should be created for major digital and financial system reforms such as the Consumer Data Right to reduce uncertainty and support long-term investment decisions.
3. Innovation-facilitating mechanisms, including regulatory sandboxes and testing environments, should be strengthened and integrated into the broader regulatory architecture to support safe experimentation and faster scaling.
4. Fintech policy should be explicitly integrated into national productivity and competitiveness strategies, recognising its role in enabling economy-wide efficiency gains.

Item k. Any other related matters

FinTech Australia encourages the Committee to consider applying a system-wide productivity lens to economic reform, recognising that short-term compliance costs may precede longer-term productivity gains.

Research and Development Tax Incentive (RDTI) and productivity

Australia's productivity performance is closely linked to the strength of its innovation pipeline and the ability of firms to translate research and development into deployable, productivity-enhancing

solutions. FinTech Australia has submitted elsewhere that the Research and Development Tax Incentive (RDTI) remains a central mechanism for crowding-in private investment in innovation, but that its effectiveness for software-led and compliance-embedded R&D – particularly in regulated sectors such as fintech – has diminished over time.

Current RDTI guidance and administrative practice do not adequately reflect how R&D is undertaken in modern digital firms, where innovation is typically iterative, data-driven and embedded within live products, rather than confined to discrete, laboratory-style activities. This misalignment creates uncertainty, raises transaction costs and discourages sustained investment in productivity-enhancing capability, particularly among early-stage and scaling firms operating under already significant regulatory burden.

From a productivity perspective, this has economy-wide implications. Where firms are deterred from undertaking or locating R&D in Australia, the diffusion of new technologies slows, spillover benefits are reduced, and productivity gains that would otherwise flow to consumers, small businesses and government are delayed or foregone. In this sense, RDTI design directly influences not only innovation intensity, but also the speed at which productivity-enhancing technologies are deployed across the economy.

FinTech Australia therefore submits that reworking the RDTI to provide greater clarity, stability and accessibility for software-based and compliance-driven R&D would support higher levels of onshore innovation, strengthen capital formation, and contribute to sustained productivity growth.

Recommendations

1. Rework the RDTI to better reflect modern, software-led and data-driven R&D, including innovation that is iterative, embedded in live products, and undertaken within regulated environments.
2. Provide greater certainty and clarity in RDTI guidance and administration, particularly for fintechs and other digital firms whose R&D activities are closely integrated with compliance, security and risk management requirements.
3. Reduce administrative complexity and transaction costs associated with RDTI claims, especially for early-stage and scaling firms, to ensure the incentive supports sustained investment in productivity-enhancing capability.

Conclusion

Australia's productivity challenge is structural and long-running. FinTech Australia's previous submissions demonstrate that fintech has a sustained and credible role to play in lifting productivity by reducing friction, increasing competition and enabling better use of data and technology across the economy.

With coordinated policy settings and a focus on deployment rather than compliance alone, FinTech Australia is optimistic that fintech can continue to make a meaningful and growing contribution to improving Australia's productivity, economic competitiveness and living standards.

FinTech Australia appreciates the opportunity to contribute to this inquiry.

Yours sincerely,

Rehan D'Almeida
CEO
FinTech Australia