Chapter 4
Understanding the Impact of FinTechs on Service Innovation on the Future Sustainability of Global Business

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ABSTRACT

The availability of FinTechs has greatly proliferated in recent years, and this has caused an uptick in FinTech research in the finance field. Despite the recent surge in popularity of FinTech, there is still a severe lack of research on FinTech companies, particularly through the sociotechnical lens or the relation between the users or stakeholders associated with FinTechs and FinTech technology itself. This chapter aimed to fill this void by examining the world of FinTech and innovation in the financial services industry through a socio-technical lens by examining secondary data, such as reports from consulting firms. This provides a better understanding of the social, technological, and organisational actors involved in the development of FinTech ecosystems, in addition to the dynamics of the evolution of FinTech ecosystems and their outcomes as a result of service innovation.

INTRODUCTION

The availability of FinTechs has greatly proliferated in recent years, and this has caused an uptick in FinTech research in the finance field (Zavolokina et al., 2016a, 2016b; Nicoletti, 2017; Alt et al., 2018; Haddad & Hornuf, 2019). FinTechs refer to financial technologies that intend to deliver a financial solution, attracting the growing interest of sustainable businesses. The UK has emerged as the world's dominant innovation force driven by technology. A 2019 report by the UK Department for International Trade claims that the estimated worth of the global FinTech market is over $35bn, making the UK a global leader in FinTech for business start-ups (Helm et al., 2019). Even after such dramatic growth,

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academic research concerning FinTechs is lacking (Gimpel et al., 2018). The purpose of this paper is to understand the dynamics of establishing a FinTech start-up with the intention of emphasising the interaction between technology and the innovative services provided by such start-ups.

An analysis of the ecosystem of FinTechs, including the interplay of multiple elements, is crucial in order to understand the dynamics of FinTechs. Start-ups, governments, financial institutions, technology developers, and traditional financial institutions all fall into this category (Lee & Shin, 2018). A viable theory in providing insight about the role of FinTech innovations is the socio-technical system theory (STS). FinTechs (social dimensions of organisations) are investigated to see how they impact organisations (technical dimensions of organisations) (Durkin et al., 2015). The application of STS might also provide a framework for identifying additional financial services companies and new users of financial systems. Additionally, this offers the tools to recognise the co-creation of value between the start-up and its clients.

This chapter aims to explore various aspects of FinTech ecosystems from various angles. The first thing to look at is how FinTechs and their actors are classified. Additionally, actors in this space also influence FinTechs. Furthermore, it is important to note that service innovation and STS (Service Technology Solutions) are essential to facilitating FinTech comprehension. This goal is to be achieved through secondary analysis of FinTech literature and reports. Sources of evidence, including independent research studies, archives of FinTech, and reports from large consulting firms, will also be utilised in order to validate the data.

LITERATURE REVIEW

FinTechs

The use of technology to deliver a financial solution is known as "FinTech" (Puschmann, 2017). FinTech is a technology-based financial product and/or service that is developed with new technology (Leong et al., 2017). Fintechs promise to reshape the industry by cutting costs and increasing the quality of service delivery. As such, FinTech businesses have to design business models that are both reasonably priced and highly cost-effective (Lee & Shin, 2018). There are a number of financial solutions offered by FinTechs such as cryptocurrency-based payment services, financing, and loans, insurance, and customer interaction (Skan et al., 2016; Alt et al., 2018).

During the global financial crisis, confidence in the banking system took a significant hit. A series of breakdowns occurred in the financial sector's processes and operations (Olanrewaju, 2016). This all came to a head during the crisis, which was followed by a surge in regulation related to greater transparency in financial institutions and more robust protections for consumers (Alt & Puschmann, 2012). Despite tougher regulations after the crisis, there are some initiatives that lower entry barriers for new FinTech companies (Puschmann, 2017). The creation of FinTech in 2008 and new developments in mobile devices, changing customer behaviour, and the development of e-finance all occurred simultaneously (Alt & Puschmann, 2012; Lee & Shin, 2018). Customer mobility coupled with the availability of digital financial services empowers customers to manage their finances anywhere and anytime (Alt et al., 2018).

In particular, the investment sector has grown in prominence in the years since. That is equivalent to US $22.3 billion of new investment in global FinTech in 2015, according to Skan et al. (2016). The authors go on to state that a large rise in FinTech start-ups is attributed to a low barrier to entry, vast

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