Chapter 11

The Nexus Between FinTech Adoption and Financial Inclusion

Marouane Moufakkir
University Ibn Tofail, Kenitra, Morocco

Qmichchou Mohammed
University Ibn Tofail, Kenitra, Morocco

ABSTRACT

Notwithstanding the increase of using and adopting FinTech all over the world by users who prefer managing their lives through digital channels, including financial and banking services, a large number of customers are still using the classic financial services, or even ignore the existence of such financial technologies. The aim of this chapter is to underline the concept of FinTech, a technological innovation in the financial field. Indeed, several theories and models has tried to explained the factors of adopting an innovation. Besides the theoretical framework of innovation, FinTech has to pass through different business models to attain the maturity as a successful pure player actor. Accordingly, the overall purpose of this paper is to provide an overview of the financial technologies use evolution, as a business model, and to highlight how FinTech contribute to enhance the financial and social inclusion, by providing convenient and accurate digital financial services (DFS) to the excluded population.

INTRODUCTION

“The new does not come out of the old, but appears next to the old, competes with it until he ruins it” (Schumpeter, 1951, p. 40). The current use of the Internet and information and communication technologies (ICT), especially with the fast-paced expansion of technological innovations, makes us realize that we are only at the beginning of the digital transformation journey. Indeed, every aspect of human’s life has been radically changed, thanks to the information technologies (IT) revolution and web 2.0 tools: from transportation and education, to travelling and communication. Technology has transformed

While these upheavals are facilitated by new players, online marketplaces and distributors, Fintech, IT companies and innovating start-ups, are becoming a serious threat for the traditional financial providers such as banks, finance companies, microfinance institutions, and insurance companies (IFC, 2017). As a result of their innovative financial services and potentially disrupting impacts on the financial and banking industry (Ferreira et al, 2015), it is predicted that Fintech players will have a lasting and enduring effects on the financial sector (Heap & Pollari, 2015). Besides the fact that Fintech has covered many financial needs (money transfer, digital payment, insurance, borrowing, etc), it leading to the merge of new, innovative and agile solutions to data, security, easy access to financial and banking services, reliability and convenience (Deloitte, 2016).

In fact, Fintech is not the only channel whereby financial inclusion can be enhanced. Indeed, there is alternative delivery channel (ADC) that can be any channel providing numerous financial and banking services apart from brick-and-mortar bank branch. Conforming to Alternate Delivery Channels for Financial Inclusion report (2016), “ADCs include Automated Teller Machines, agents, mobile phone banking, online banking, call centers, limited service branches, and roving staff such as susu collectors or mobile vans” (Abrams, Carraro & Ahmed, 2016, p.2). Still, mobile money in emerging markets, especially Sub-Saharan Africa is widely used by poor population enabling them to have access to financial transactions, since there are 122 million active accounts on the Sub-Saharan Africa region (The Mobile Economy Sub-Saharan Africa report, 2018).

Still, Fintech deserves more attention while some researches consider Fintech as a phenomenon with an essential shift. For example, Kauffman & Ma, have discussed the ongoing “global Fintech revolution” (Kauffman and Ma, 2015, p.261) as well as Mackenzie who wrote an article on innovators in financial service “The Fintech revolution” (Mackenzie, 2015, p.50). According to IFC (2017), by adjusting a single link of the financial industry value chain, Fintech players can provide a bank-beating solution that can connect to the rest of the financial ecosystem. In other words, delivering financial services directly to users’ mobile or related devices instead of using the traditional banking system through bank branches. Those services are delivered via proprietary communication lines by utilizing encoded Internet transmissions, or using cloud computing over data centers (IFC, 2017).

Nowadays, the relevance of digital financial services (DFS) and Fintech is increasing all around the world as a bridge that can help to enhance the financial inclusion and reduce the poverty. In fact, “Countries are demanding deeper access to financial markets, and the World Bank Group will focus on delivering Fintech solutions that enhance financial services, mitigate risks, and achieve stable, inclusive economic growth” (World Bank Group President Jim Yong Kim, The Bali Fintech Agenda, 2018).

Many studies have discussed the Fintech evolution and their impact on financial traditional system. Whereas significant researches have been published in academic journals about Fintech and the new opportunities provided, the interlink review between Fintech and financial inclusion remains missing and insufficient. Reviewing existing literature affords an opportunity for a better understanding of the existing state of the research, as well as outlines the research area evolution. In one hand, the overall purpose of this chapter is to understand, analyze and summarize findings related to Fintech and financial inclusion. On the other hand, the increase of Fintech adoption, as a financial technological innovation, can be an opportunity for a better financial inclusion and financial system stability. Firstly, a theoretical framework linked to innovation adoption seems to be necessary to place the concept of Fintech within
15 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:  
www.igi-global.com/chapter/the-nexus-between-fintech-adopt-and-financial-inclusion/271970

Related Content

Impact of the Global Financial Crisis on the IT Sector: The Case of Greece
www.irma-international.org/article/impact-of-the-global-financial-crisis-on-the-it-sector/287909

Cloud TV: A Techno-Economic Approach in the Emerging Era of the Internet of Things
www.irma-international.org/article/cloud-tv/261858

Microfinance from LDCS to DCS: Are Socio-Economic Differences Important?
www.irma-international.org/chapter/microfinance-ldcs-dcs/46335

Islamic Banking in Pakistan: Emergence, Growth, and Prospects
Muhammad Bilal Zafar and Ahmad Azam Sulaiman (2020). *Growth and Emerging Prospects of International Islamic Banking* (pp. 61-77).  
www.irma-international.org/chapter/islamic-banking-in-pakistan/249032

Economic Development and Its Impact on Turkish Banking Sector
www.irma-international.org/chapter/economic-development-and-its-impact-on-turkish-banking-sector/127795