

Book Review:

THE FINTECH BOOK: THE FINANCIAL TECHNOLOGY HANDBOOK FOR INVESTORS, ENTREPRENEURS AND VISIONARIES

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Title:	“The FINTECH Book: The Financial Technology Handbook for Investors, Entrepreneurs and Visionaries”
Authors/Editors:	Susanne Chishti and Janos Barberis
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Reading rating:	8 (1 = very difficult; 10 = very easy)
Overall rating:	3 (1 = average; 4 = outstanding)

BACKGROUND

Susanne and Janos are both FinTech enthusiasts. Susanne is the CEO of FINTECH Circle, while Janos is a millennial in FinTech and recognized as a top-35 global FinTech leader. FinTech’s tremendous growth has hastened the need for comprehensive literature on the subject, so investors, entrepreneurs and visionaries can understand the phenomenon. Thus, they decided to involve the global FinTech community as contributors to this book, in order to cover global issues and perspectives. There are 86 authors from 20 countries who contributed to the book; the majority of them have strong expertise in many fields, and almost half of them are entrepreneurs working in FinTech start-ups. This book covers various topics such as FinTech hubs, emerging markets and social impacts, FinTech solutions, cryptocurrencies and blockchains. However, not all the chapters will be reviewed. This review will focus on topics relating to emerging markets and FinTech’s solutions to provide an overview

of FinTech in developing countries and Small and Medium Enterprises (SMEs).

FinTech OVERVIEW

Rebecca Menat¹ defines FinTech as a new wave of companies which change the way people pay, send money, borrow, lend and invest. Currently, London is the leading FinTech hub, followed by New York, Paris, Hong Kong and Singapore. The financial crisis, which decreased people’s trust in banks, has prompted financial innovations. FinTech emerged to provide new financial services at lower costs through mobile platforms and apps. Specifically, FinTech companies offer trust, transparency and technology (p.10). Through innovations such as peer-to-peer lending and crowdfunding, FinTech provides people with easier access to loans and widens the opportunities for investment. For example, peer-to-peer lending such as the Lending Club has created disintermediation to credit, connected buyers and sellers through

¹ Director of Communications of the Assets – a contributor to the book

marketplaces, and has raised almost \$900 million from an IPO in 2014 (p.10). Equity investments were once limited to wealthy individuals, but now FinTech has made them more accessible to all. Through crowdfunding startups such as Kickstarter, Indiegogo and Crowdfunder, people can invest in many projects.

In Indonesia, FinTech startups such as Halo Money and Modalku collaborate with banks and regulators to provide more efficient financial services. There are a couple of reasons why FinTech has grown tremendously in the last couple of years. First, the millennials are very familiar with the Internet and they are used to finding simple and fast solutions to their problems through the use of technology. FinTech fulfills their needs in the context of financial services. Second, the widespread use of the Internet, social media and smartphones has driven the idea to conduct transactions online. Third, Big Data has enabled the usage and utilization of data in large volumes, with the variety and velocity that supports the implementation of FinTech (Modalku, 2016).

Currency Cloud (2015) projected that FinTech will grow mostly in Asia, followed by Africa, North America, Latin America and Europe in the next two years. In terms of developing countries, their lack of infrastructure opens up more opportunities for innovations that would not succeed in an over-banked economy such as is found in the Western world. In Bangladesh, bKash provides mass-market mobile financial services that sends payments quickly and easily (Total Payments, 2014). FinTech's development in developing countries can have a very significant impact, by not only making their services more convenient, but also by building infrastructure and providing financial inclusion for millions of people in the real economy (p.11). The first section of the book provides a good fundamental concept of FinTech, and also serves as a stepping-stone to the more specific topics in the book. This section has a good flow and is thus able to provide a good understanding, even to those readers who are new to this topic.

EMERGING MARKETS AND SOCIAL IMPACT

According to Groupe Speciale Mobile Association (GSMA) (2015), worldwide Internet and mobile phone penetration has increased substantially, and now covers 40% of the population (internet), and 50% for mobile phones. However, around 2.5 billion adults are still excluded from the formal financial systems (Global Partnership for Financial Inclusion (GPII), 2014). Francisco Mere Palafox² explains the cause of this phenomenon using the case of Mexico.

Mexico is ranked 1st for poverty level and 2nd for income inequality among the Organisation for Economic Co-operation and Development (OECD) countries (OECD, 2011). This has created a divide in the financial services available. Palafox emphasizes that FinTech and mobile banking can help to overcome discrimination by providing a friendly platform for communication between clients and financial providers, as well as decreasing transaction costs. Through a digital account making process, people can perform transactions online, and save them on their devices, which will empower people to manage their financial needs and improve their financial condition. Nevertheless, Palafox also emphasizes that the development and implementation of FinTech alone is not enough. This needs to be supported by a friendly and enabling regulatory environment, to bridge the gaps between the people, the financial divide and the technology; one of the solutions is through education.

Cesar Richardson³ discusses how education can help the unbanked reach financial inclusion. Mobile Money Services (MMS) needs to reach the bottom of the economic pyramid to maximize its socio-economic impact in emerging markets. A large segment of the population in emerging markets does not have easy access to banking, transportation, and electricity. Thus, mobile money can be the

² CEO and Founder of Bankaool – a contributor to the book

³ VP Sales and Operations of Strands Americas – a contributor to the book

solution. However, these people are usually unaware of such developments and lack information regarding the available technology. Therefore, below-the-line marketing campaigns can be utilized to increase awareness and educate them. This can include visiting villages, plantations, and districts to educate people through workshops about financial literacy, financial services and mobile money.

Richardson emphasizes that through the combination of digital money management; smartphone technology and strategies to educate the population, these will help revolutionize the delivery of financial products to the unbanked. This may not only create business opportunities but also help millions of people improve their quality of life in the developing countries. This section of the book has provided real-world cases of how FinTech can provide financial inclusion in the emerging markets, and also the importance of education to bridge the gap between people and technology. Therefore, this section of the book is a good reference for readers who are looking for examples of, and solutions from, FinTech's work in developing countries from the technology aspect, but also from the social aspect, such as in education.

FinTech SOLUTIONS FOR SMEs

In Australia, SMEs are a critical part of the economy, making up 97% of businesses and employing 47% of the workforce. The government launched an AU\$60 million Start-up Victoria initiative to develop and support FinTech. SMEs can face many problems, such as with their cash flow, and also opportunities such as expansion. FinTech provide solutions for both problems. Boomerango is a budgeting and cash flow management tool, which is integrated with banks, credit cards and loan accounts, and sorts spending and cash flow based on categories, helps with budgeting and bill payment reminders.

In terms of providing loans for expansion, Moula is a startup that provides an alternative lending platform for Australian SMEs. It provides a data-driven lending platform based on the SME's transaction data and corporate profile.

Moreover, for the SMEs, when the business is not well known, they have no reputation and need to gain the trust of potential customers. Escrow options will leverage customers' trust, allowing them to pay once they receive their goods.

Commonly, people who run SMEs have multiple roles. Thus, the adoption of technology, especially FinTech, needs to suit simpler business processes, enabling a shorter learning curve. Luke Hally⁴ emphasizes that FinTech, in the SMEs' context, mainly revolutionizes the payment process through a smoother and user friendlier transaction, which eventually will contribute to a stronger economy. In contrast to the previous section, this section of the book explains FinTech's solutions from a business perspective. It explains how FinTech can be beneficial not only for the businesses, but also their suppliers and customers. Thus, this section is a great reference for SMEs, and readers who are considering building their startups.

CONCLUSION ABOUT THE BOOK

Throughout this book, the contributors have emphasized how FinTech can be an innovative solution for many financial services. Overall, this book has provided an integrated approach in looking at the concepts, success stories and problems that may occur despite the promise that the innovation offers. This book challenges the readers to grasp the opportunities and challenges of FinTech from different perspectives. It also increases the reader's awareness of FinTech's rapid development and its impact on society.

The complexities of the current regulatory environment will undoubtedly pose significant challenges for financial institutions. Moreover, regulators continue to expect management to implement robust oversight, compliance and risk management standards. Many of FinTech's innovations are being brought to markets outside the regulated finance services industry. Therefore, there are key challenges that need to be anticipated, such as trust, security, privacy, the nature of the financial industry as a highly regulated environment, and also pressures to compete for customers and profitability while

also raising concerns about the increase in risk management, and financial stability. The proposed solutions are to strengthen governance and culture, improve data quality for risk data aggregation and risk reporting, merge cyber security and consumer data privacy, and manage the complexities of cross-border regulatory changes (Klynveld Peat Marwick Goerdeler (KPMG), 2015).

This book is recommended to FinTech enthusiasts, entrepreneurs, regulators, and also scholars who are interested in this field. This book is not too technical, and thus is also suitable for those with no prior knowledge of FinTech. Moreover, this book allows readers to expand their networks as each of the contributors have been formally recognized with their own section at the end of the book, where readers can connect with both their LinkedIn and Twitter accounts. To conclude, through this book, its readers will gain insights on how to embrace the opportunities and challenges in order to support FinTech's development for the betterment of society and the economy. Nevertheless, as FinTech continues to grow and develop rapidly, it is recommended that regular updated versions of this book are provided to cover the latest issues and trends.

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