

Chapter 7

Managerial Challenges Under FinTech: Evidence From Zimbabwean Commercial Banks

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ABSTRACT

FinTech has become an increasingly important phenomenon around the world in recent times. This is substantiated by a growing interest from researchers, academicians, and policymakers. While the adoption of FinTech appears to be widely regarded as a strategic priority for financial institutions worldwide, the empirical evidence on the managerial challenges under FinTech is very scant, especially from the perspective of developing countries. With this in mind, this chapter aims at providing empirical evidence on the managerial challenges emanating from FinTech within the context of Zimbabwean commercial banks. The study establishes seven challenges, namely, customer retention, regulatory compliance, technology risk, increased competition, cyber-attacks, the inadequacy of IT employees, and system downtimes. The recommendations to deal with these challenges are proffered and the suggestions for further study are captured.

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INTRODUCTION

During the past three decades, the financial sectors of both developed and developing countries have witnessed a paradigm shift whereby the Information and Communication Technology (ICT) is driving digital transformation (Zhao, Tsai, & Wang, 2019). This has led to the manifestation of the concept of FinTech which is widely accepted as a game-changer in the financial sector. FinTech as a phenomenon has pressured the management of financial institutions to relentlessly pursue digital transformation more aggressively than before (Kotarba, 2016). In fact, new business models are being adopted by strategic managers of financial institutions as a response to FinTech. This is not surprising given that strategic managers must constantly monitor the changes in technology so that they can keep abreast of technological advancement. Accordingly, it appears that the future of the financial institutions of the 21st century is based on the adoption of FinTech. It is necessary to note that FinTech is an abbreviation of finance technology.

In light of the above, according to Gomber, Kauffman, Parker, & Weber (2018), FinTech refers to an integration of finance technologies. The technologies include robo-advice, crowdfunding, mobile payments, social trading, cryptocurrency, blockchain, and insurance just to mention a few. In light of recent developments in FinTech, it is becoming extremely hard to ignore the existence of the managerial challenges related to the adoption of FinTech. Admittedly, it is salient to observe that mobile payments, as a form of FinTech service, are growing at an exponential rate since they provide more accessibility of payment services (Kim, Choi, Park, & Yeon, 2016). Moreover, the banks are embracing social media which is forcing the management of banks to adopt new operation procedures (Hennig-Thurau, Hofacker, & Bloching, 2013). Therefore, managers are confronted with a plethora of challenges under FinTech.

The disruptive market innovations are now increasingly transforming the financial sectors of many countries. Technological innovations in the finance sector can lead to operational efficiency, controlling risks, and lowering the costs of transactions. (Zhao et al., 2019). This means that FinTech is the need of the hour. The banks are experimenting with FinTech through digitalizing and modernizing their systems and processes. Technological advancement has spurred distinct financial innovations that have transformed many banking services, products, organizational structures, and production processes. For instance, technological advancement has easily facilitated the shift from human judgment towards automation of consumer data. Nonetheless, FinTech is posing unique managerial challenges for banks, microfinance institutions, finance companies, and insurance institutions.

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