FinTech for Good: unveiling social value creation in the fintech sector

Authors: Federico Bartolomucci, Politecnico di Milano
Andrea Petrolati, Fintech District, Milano
Mario Calderini, Politecnico di Milano
Veronica Chiodo, Politecnico di Milano

Purpose of the paper – Even though many practitioners allude to the concept of FinTech for Good, little attention has been dedicated by academic research to this specific category of social value-oriented FinTech. The study explores the untapped potential of FinTech for Good to generate social value in the financial sector. The study investigates how technological innovations can generate impacts when put at the service of marginalized groups in different geographical and economical contexts and which is the role played by the technology in the value creation process.
Design/methodology/approach – We built, for the first time, a database of FinTech for Good organizations through a multi-step sample construction exercise. Firstly, we identified a general population of 13,330 FinTech organizations through three main data sources (Fintastico, Crunchbase, screening of the portfolio of investing funds active in the field). We then proceeded to identify FinTech for Good organizations by applying deductive content analysis (Elo and Kyngas, 2008) to each FinTech actor identified in the previous stage of our sample construction. To do so we adopted the definitions of social impact (Brest and Born, 2013; Vanclay, 2003) and impact entrepreneurship (Billis, 2010; Evers, 2005; Liu and Kio, 2012) as filtering lenses to code mission and activities of each FinTech and identify those impact-seeking organizations aiming to optimise their financial returns within a social impact mission (i.e. FinTech for Good) (Freireich and Fulton, 2009). Our analyses resulted in a final sample of 292 FinTech for Good organizations. To identify and investigate the FinTech for Good social value creation mechanisms, organizations in the dataset have been clustered according to five variables (impact dimension, business function, market reference, innovation technology, geolocation, type of beneficiaries).
Key Results – The analysis allowed to outline six FintechforGood archetypes based on what social impact they create, the geographies and beneficiaries in which they operate and the characteristics of their business model. The study identified several tech-enable social value creation processes, in which the intrinsic value produced by technology by overcoming the financial market's failures (information asymmetry, transaction costs and risk exposure) coupled with the intentionality to address a social issue, allows to generate social value (e.g. financial inclusion, financial literacy, access to investments).
Value – The research represents a first empirical effort to frame the concept of FintechforGood, offers a sound interpretation of this emerging concept and in-depth examination of its characteristics thanks to the analysis of an extensive dataset. The paper represents a novel contribution in the fields of finance, TechforGood and social entrepreneurship and enriches the research on Fintech by focusing on their potential to generate social value alongside financial ones. It sheds light on the use of technology as a leverage to generate social value in the financial sector and identifies the impact generated by these enterprises and the mechanism activating the social value creation.
The research paves the path for a new research stream at the crossroad between the fields of TechforGood and Social Impact finance.

Keywords: Financial integration, Microfinance, Financial development, Agency costs.