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The mainstream media view of the Fintech Revolution

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Abstract

International mainstream media have presented fintech as revolutionary and a threat to the traditional banking industry. This article explores how that image is constructed. Designed to expand access to the banking system, fintechs should follow social responsibility parameters and fill a market gap left by banks. We chose to analyze the media for its character as a barometer of perception and understanding of specific logics (LOK, 2010). We analyzed articles from the New York Times and the Financial Times for 24 months. The articles showed that the media, when dealing with fintech, uses expressions such as "threat", "competition", "disruption", "revolution," and, with much less emphasis, social consequences. Our analysis found an ambiguous discourse of market rationalization in an attempt to align practices with Corporate Social Responsibility (CSR) in an industry under construction.

Keywords: Fintech. Financial Sector. Technology. Media. CSR.

Introduction

The view of fintech as something capable of "revolutionizing the world" is common nowadays. Acronym for financial technology, fintechs were designed to fill a gap that banks could not do, both in the inclusion of users on the margins of the financial system and in reducing interest rates, fees, and charges costs for regular customers. In this article, we investigate the origins of this vision.

By reducing operational costs, fintechs have also been identified as an instrument of financial inclusion, contributing to an increase of 18 percentage points since 2011 in the participation of adults with a bank account, from 51% to 69% registered in 2017 (CASTILLA-RUBIO, ZADEK and ROBINS, 2016; DEMIRGÜÇ-KUNT *et al.*, 2018).

Under different adjectives, this relatively new industry finds legitimacy in the media discourse. In many journalistic articles, we found that fintechs are associated with exaggerated terms - like disruption, revolution, boom, hype, and threat - in an ambiguous discourse that seeks to align market rationalization and corporate social responsibility (CSR) practices in an attempt to legitimize an industry under construction (HERZIG and MOON, 2013).

This discourse, combined with the rapid evolution of financial technology platforms, has attracted the attention of the national and international financial community, both for its positive and negative aspects. In principle, the positive aspects emphasize cost reduction and increased access, while the negative aspects are related to the accelerated pace of change that makes the function of monetary authorities and central banks more challenging (BASEL COMMITTEE, 2017).

The media has great power to influence people's opinions and set the agenda for public priorities (WANTA, GOLAN, and LEE, 2004). Our goal is to describe how the international mainstream media constructs the social image of fintech. As Herzig and Moon (2013, p. 1870), "We use the concepts of corporate social responsibility (CSR), which refers to the responses of companies to the expectations of society and CSI (corporate irresponsibility)".

Our analysis is based on a sample of factual news and reports from newspaper websites. We focused on two major international newspapers, the New York Times (NYT) and Financial Times (FT), chosen because of their importance in the media industry and influence on global public opinion, especially in Europe and the United States. In the first search, we looked up the expression "fintech" in the specific period - from January 1st, 2016, to December 31st, 2017. That brought us 102 results in NYT and 935 in FT. By applying filters, we reached a sample size of 272 units (192 FT's and 80 NYT's) in total.

In the next sections, we will discuss concepts of CSR, CSI and their relation with the financial market, fintechs, and media. Then, we present methods, results, analysis, and final considerations.

CSR, financial market, and fintech

Among many approaches to CSR found in the literature by Gond and Moon (2011) is the expectation that companies are responsible, can compensate for negative externalities, and contribute to social welfare. All of these seem to have been incorporated into the story told by the media to build images of organizations.

Over time, the financial sector has learned to take steps to defend its public image, avoiding being considered a "dirty industry" (STANLEY *et al.*, 2014). However, the sector's trajectory is long and fraught with attitudes that have tarnished its reputation. Edelman (2012) found that banking and financial services are the least trusted industries when it comes to "doing the right thing." The bad reputation seems to have been exacerbated by the US subprime mortgage defaults in 2007.

Stanley *et al.* (2014) show how the media is capable of damaging the image of the banking sector. Through a rhetorical analysis of their discourse, the authors identify three main arguments behind the stigmatization of investment banks: "Bankers are morally contaminated because their wealth is excessive; because their wealth is not earned and because they are selfish." (STANLEY *et al.*, 2014, p. 271). Roulet (2015) discusses the diffusion of this stigma in the financial industry.

Fintechs, CSR, and media - what is the rationality behind this relationship?

The way the media is treating the CSR aspects related to fintechs is a concern in this study. As the topic is still in its infancy, there are no known studies relating the three fields. In our search in the Web of Science database, considering the last ten years (since fintech began to be discussed in academic circles), we found a study (ZAVOLOKINA *et al.*, 2016) that provides a comprehensive review of the topics covered by the media when reporting on fintech, but none was found linking CSR, fintech and media.

The study by Zavolokina *et al.* (2016) presented a broad list of topics that emerged from the analysis of media articles about fintechs in the period 2010 to 2015. From 2014 to 2015, the topic of disruption gained momentum: fintech was reported as a "major disruptor" of the banking sector by affecting traditional ways of dealing with money. Likewise, the topic of regulation, which emerged in 2013, was discussed together with the role of the regulator, possibilities for adaptation, and impacts of fintechs on the general financial system.

According to Herzig and Moon (2013), different rationalities can be identified when analyzing the CSR discourse constructed by the media when referring to the traditional financial market:

> 1) the market rationalization, which is the fit between CSR, business strategy, and markets; 2) moralization and ethical leadership as vital for responsible business conduct; 3) the reconceptualization and professionalization of CSR and business people to increase responsible business and prevent CSI, and 4) political economy

> restructuring as vital for controlling CSI and fostering CSR. Some of them can be found in fintech academic and practitioner's literature. (HERZIG and MOON, 2013, p. 1871)

Market rationality can also be identified in the speech of Yoon *et al.* (2016), who identified a crucial role of fintech in facilitating access to users, in addition to reducing costs and improving management and services.

All of these arguments are also associated with CSI. For example, for market rationality, CSI is seen as a result of a "failure to integrate CSR" rather than a systemic feature of the financial sector, its leaders, managers, or capitalism (HERZIG and MOON, 2013, p .1873). Following this logic, some studies have warned about the negative effects of fintech on society. Yoon *et al.* (2016) report a survey carried out by Venture Scanner in 2015, showing that 1,141 fintech companies in 53 countries around the world were running new businesses that affect existing and traditional areas of finance. Among them, the study mentions personal and corporate banking, payments, asset management, remittances, and insurance (YOON *et al.*, 2016).

In conclusion, the relationship between fintechs, CSR, and the media is complex and still evolving. Market rationality seems to be the most dominant in current discourse, but there are also concerns about the possible negative effects of fintech on society. More research is needed to understand better this relationship and its implications for the future of the financial sector.

Methods and data collection

To conduct our content analysis, we collected a sample of news articles and reports from newspaper websites. Our goal was to understand how fintechs are presented to the public since, in this type of media, the content should be, in principle, free of bias and prejudice, even though all media coverage has its ideological bias. We focused on two major international newspapers: The New York Times (NYT) and the Financial Times (FT).

We chose these outlets based on their importance in the media industry and their influence on global public opinion, especially in Europe and the United States. According to the Pew Research Center, the NYT is one of the three highest-circulation daily newspapers in the United States (along with The Wall Street Journal and The Washington Post). The FT is also a global leader, one of the leading financial and business news outlets with over 130 years of history.

The choice for their digital versions follows a trend identified by Painter, Kristiansen, and Schäfer (2018), which has drastically changed media scenarios since 1990, with the internet causing a strong decline in the advertising-financed business model for printed newspapers across the world.

According to the 2022 Annual Report filed with the Securities and Exchange Commission, the NYT has approximately 11 million paid subscriptions in 225 countries and territories, of which 8.8 million are for digital products (SEC, 2022). Of the FT's nearly 29 million readers, more than 22 million consume the British daily's content online (MGR, 2022).

In the first search, we looked for the expression "fintech" during a specific period - from January 1, 2016, to December 31, 2017, a period not covered by Zavolokina *et al.* (2016). This brought us 102 results in the NYT and 935 in the FT. In the first selection, we eliminated repeated and irrelevant articles.

We considered irrelevant notes and very small articles in which, if the term "fintech" were removed, it would not make a difference for the context and the construction of the narrative, e.g., mentioned as an example, among others. We also eliminated very specific business news involving only one or two companies, such as those in which one company bought another or launched a new product or service. Such a filter eliminated 530 articles from the FT and 12 from the NYT.

In the next step, we identified, reading each of the articles, that the expressions "threat", "competition", "revolution", "disruption", "boom," and "hype" were the most frequent. The term investment was also taken into consideration - although individual transactions were not our focus - as some stories of this type proved to be significant in giving an idea of the fintech universe. Many of these remaining articles were opinion pieces that we considered to be of less interest for the article unless an expert, influencer, or other person who could shed light on the subject and had signed it wrote them. Finally, when discarding the majority of opinion articles, our sample reached 272 (192 FT's and 80 NYT's) in total. All these articles were then downloaded for a more detailed analysis, and after this step, we were able to classify them as follows in Table 1:

Table 1. Themes incidence on the sample

	New York Times		Financial Times	
	Nº	%	Nº	%
Investment	40	50%	83	43%
Regulation	11	14%	12	6%
Digital Coin	10	13%	22	11%
Threaten	3	4%	27	14%
Competition	3	4%	15	8%
Revolution	3	4%	9	5%
Security/Crime	3	4%	4	2%
Disruption	2	3%	8	4%
Boom	2	3%	6	3%
Social	2	3%	3	2%
Hype	1	1%	3	2%
Total	80	100%	192	100%

Source: Research and elaboration by authors.

Analysis and results

In our analysis, we found that the predominant approach related to fintech is about investing and creating a business field. This is an expected approach in a media outlet like the Financial Times, which is produced for a select business and financial audience, but it is surprising to find it in The New York Times, which is supposed to be aimed at a more diverse audience.

Below, we present some excerpts from articles that demonstrate how topics are presented to the public and allow us to get an idea of the main themes and recurring expressions that we found in our analysis.

Investments – “A group of global finance leaders is calling on regulators, startups, and industry incumbents to embark on landmark collaborations that they say will reduce the chances of the financial technology boom imploding. The group, convened by the organizers of the World Economic Forum at Davos, argues in a position paper published on Tuesday that there is an “urgent need” to do more to ensure the rapid growth of fintech does not become a risk to “systemic stability” (Laura Noonan – FINANCIAL TIMES: Finance leaders call for collaboration on fintech development – April 19, 2016). Link: https://www.ft.com/content/0e992e84-056d-11e6-a70d-4e39ac32c284. Accessed on: Oct 29, 2023.

CSR aligned with market rationality is used to demand measures from public authorities that preserve private businesses under the argument of investment potential.

Threaten – “The traditional boundaries of what industry I’m in are fading away,” says Ashok Vaswani, head of Barclays UK”. (Martin Arnold – FINANCIAL TIMES: How finance is being taken over by tech - January 17, 2017). Link: https://www.ft.com/content/2f6f5ba4-dc97-11e6-86ac-f253db7791c6. Accessed on: Oct. 31, 2023.

The media discourse is contradictory, hiding the reality of the traditional banking system: faced with a new competitor, there is a repositioning movement that may (or may not) include the adoption of socially responsible attitudes within the parameters of CSR, aligned with the rationality of the market.

Competition – “(…) Orchard began by offering institutional investors an automated service to analyze the loans and buy them from different online lenders. (…) Nevertheless, in July, SEC (Securities and Exchange Commission) officials told Orchard that they would consider loans being traded as securities, potentially imposing a tougher level of oversight. (Randall Smith. NEW YORK TIMES – Behind the Scenes at Orchard Platform, a Struggle to Innovate – May 29, 2017). Link: https://www.nytimes.com/2017/05/29/business/dealbook/fintech-start-up-orchard-platform-wall-street.html.

The service level improvement seems evident in these examples. What the media do not say is whether costs will also increase. This behavior could be analyzed as CSI, which is a product of a failure to integrate CSR into market operations.

Revolution – (…) "Fintech," of course, is short for financial technology, a catchall for a near-revolution of new technologies aimed at upending parts of the financial world, including payments, wealth management, lending, insurance, and currency". (NEW YORK TIMES - Fintech Firms Are Taking on the Big Banks, but Can They Win? April 6, 2016). Link: https://www.nytimes.com/2016/04/07/business/dealbook/fintech-firms-are-taking-on-the-big-banks-but-can-they-win.html. Accessed on: Oct. 31, 2023.

Dressed in the cloak of the CSR model, the "revolutionary" image appears to provide a new solution for financial inclusion, expanding access to financial products to people who have been previously excluded. However, it is known that facilitating access to credit for the excluded, without them having the financial sustainability to pay back, can make their lives more difficult instead of improving them. Market rationality does not seem to be strong enough to withstand the real consequences of financial practices.

Disruption – "Americans in their 20s and early 30s, analysts say, offer a glimpse of tomorrow's banking market. 'Their relationship with the financial system is very different – it's an electronic one, on their smartphones', said Mark Zandi, chief economist at Moody's Analytics. 'That can and will be very disruptive to the banking System" (Steve Lohr - THE NEW YORK TIMES: As more pay by smartphone, banks scramble to keep up – January 18, 2016). Link: https://www.nytimes.com/2016/01/19/technology/upstarts-are-leading-the-fintech-movement-and-banks-take-heed.html. Accessed on: Oct. 31, 2023.

From a CSR perspective, if this type of "disruption" can be positive, there are also deleterious effects on the general financial system that could be predictable and avoided by adopting public policies that protect vulnerable parts of society. Again, the media is presenting only one side of the coin, applying CSR discourse aligned with market rationality. The CSI is being omitted.

Boom – "The rise of online consumer loans in China has spawned a thriving black market in stolen user data. Virtually non-existent in the country five years ago, consumer lending through websites and mobile apps has expanded rapidly over the past 18 months amid a proliferation of fintech startups that use big data to assess credit risk. Two such companies […] have completed initial public offerings in New York since October, capitalizing on investor enthusiasm for fintech. Their share prices have suffered in recent weeks, however, after Chinese authorities launched a crackdown on the industry. Chinese regulators last week suspended issuance of licenses for new online lenders". Gabriel Wildau|Yizhen Jia – FINANCIAL TIMES: China fintech lending boom fuels risks of data theft – November 29, 2017). Link: https://www.ft.com/content/2d2f6012-d4dc-11e7-8c9a-d9c0a5c8d5c9. Accessed on: Oct. 31, 2023

The use of the expression "boom" highlights the strong growth of the fintech market, pushing into the background the damage caused by speculation and information asymmetries, not in accordance with the postulates of CSR.

Hype – "… Since the start of the year, skeptics have been asking whether the "fintech" bubble is bursting. Critics to argue that the potential for digital upstarts to disrupt the financial services industry seriously has been greatly exaggerated have pounced on a crisis at Lending Club, the biggest online lender in the US. Shares in many of the biggest peer-to-peer or 'marketplace' lenders have been hit by a corrosive combination of rising borrower defaults and shrinking investor appetite for their loans as well as concerns about governance lapses and a looming regulatory clampdown". (Martin Arnold – FINANCIAL TIMES: Five reasons why fintech has substance as well as hype – June 20, 2016). Link: https://www.ft.com/content/32ce4bfe-33a8-11e6-bda0-04585c31b153. Accessed on: Oct. 31, 2023.

The expression "hype" seems to have a negative connotation, as it is often contrasted with "reality" (ZAVOLOKINA *et al.*, 2016). In this excerpt, we can see how the media's position carries an ambiguous discourse. It is not aligned with the restructuring of the political economy as vital to controlling the ISC and promoting CSR, as one would assume. In the speech above, we see what Herzig and Moon (2013) call market rationalization. The justification for the practice is built on the expectation that "corrections" are necessary to keep the business on track. This guarantee is the market's message that companies respect society.

Social/Labour market – "For decades, Walmart has taken heat for how it treats its workforce, including low wages and creating unpredictable schedules. Now, the giant retailer is trying to ease some of its workers financial strain, allowing them to receive wages before their next payday (using) an app to access a portion of wages for hours they have already worked" (Michael Corkery – NEW YORK TIMES: Walmart Will Let Its 1.4 Million Workers Take Their Pay Before Payday"– December 13, 2017). Link: https://www.nytimes.com/2017/12/13/business/walmart-workers-pay-advances.html. Accessed on: Oct. 31, 2023

The social approach is an exception in traditional media coverage of fintech. We found just five articles dealing with topics such as the type of professional the fintech industry is looking for or accusations about workplace culture that reflect a broader discussion about the treatment of women in Silicon Valley technology startups. In the excerpt above, the media approach focuses on a CSR discourse of moralization and ethical leadership (HERZIG and MOON, 2013) by highlighting the employer's moral or ethical imperatives.

Final considerations

The results of this study suggest that the media is primarily presenting fintech as an investment opportunity and an emerging business field with some perceived risks. It also suggests that the traditional financial industry sees fintechs as a threat, although it recognizes their potential as a source of innovation.

The editorial approach emphasizes innovation, technological development, future profit prospects, and issues related to regulation and fraud risks. However, little – or almost nothing – is explored in terms of social impacts, except some focus on unemployment, the most visible aspect of the adoption of new technologies.

If CSR can be understood as a product of the wave of professionalization and managerial discretion (GOND and MOON, 2011), the media discourse leads us to assume that, with the “boom”, the new fintech sector wants to have a good assessment of its behavior, finding in the media an ally to promote positive effects. Thus, the media seems to mimic the rationality of the traditional financial market regarding CSR. According to this idea, CSR would be achieved as progress and financial sustainability are achieved. In this way, sustainable development would avoid unintentional CSI.

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Authors' contribution

Rocha, J.: investigation - Fintechs object conceptualization – methodology - data curation, formal analysis – writing; Christopoulos, T. P.: Conceptualization of theoretical lens (CSR) - supervision - reviewing and editing.

Data availability

The authors declare that data supporting the research are contained in the article and/or supplementary material.

Conflict of interest

The authors declare that there is no conflict of interest.

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