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How is FinTech helping digital entrepreneurs in developing communities?

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FinTech is playing an important role in helping digital entrepreneurs tap into growth opportunities in Indonesia's developing communities, according to UNSW Business School research

Today, Indonesia is the world's fourth most populous nation and the world's 10th largest economy in purchasing power parity. In a developing country like Indonesia, digital entrepreneurship can have immense societal implications, according to Dr **Carmen Leong**, Senior Lecturer at UNSW Business School.

Dr Leong examines this hypothesis in a recent study: [The emancipatory potential of digital entrepreneurship: A study of financial technology-driven inclusive growth](#), alongside Dr **Felix Tan**, Senior Lecturer at UNSW Business School, and others. Specifically, the authors examine the impact of financial technology companies (FinTechs) on communities in Indonesia. Both Dr Leong and Dr Tan have been working on United Nations Sustainable Development Goals-related research for several years and say they are passionate about how technology can empower marginalised communities.

In the paper, the authors present a process model of "emancipatory digital entrepreneurship". Their research comprised two rounds of in-person visits to Jakarta, in which they interviewed digital entrepreneurs, empowered merchants/individuals and government representatives and associations. They examine several case studies, including iGrow, an Indonesian online crowdfunding platform for agricultural entrepreneurs, farmers and landowners, and Xendit, a leading payment gateway for Indonesia.

By doing so, the authors illustrate how entrepreneurs' constraints may be removed or mitigated through the 'emancipatory endeavours' of three types of digital enablers: the digital provider, the digital aggregator, and the digital facilitator.

IGROW CREATES A COMPLETE FARMING SUPPLY CHAIN

In many developing countries, the demand for high-quality agricultural food increases every day. Research by the United Nations has shown that crop yields need to double within 40 years to keep up with world population growth. At the same time, the global impact of farming on the environment is a significant concern. With a rapidly growing global population and the increasingly apparent environmental effects of agriculture, it is evident that new ways are needed to create scalable and efficient farming industries.

Enter iGrow – an Indonesian P2P lending marketplace that connects farmers, landowners, investors and crop buyers to create a complete farming supply chain. The aim of iGrow is simple: to improve the three factors involved in human stability, including food, energy and water.

"To me, the iGrow case is interesting. It applies the innovative crowdfunding model in a traditional industry in an agrarian economy. By linking the agrarian entrepreneurs, farmers, landowners and

investors with an online platform, we have seen how long-standing issues, including the farmers' unstable income source and the deserted lands of owners, can be resolved efficiently," explained Dr Leong.

In the paper, the authors explain how iGrow has become an emancipatory endeavour by allowing farmers to "break free of the societal norms that cast them as unreliable debtors, by transforming the perception of farmers from subsistence labourers to business owners who subsequently can acquire capital".

Additionally, iGrow has allowed farmers to bring back organic farming techniques to their communities by breaking up the existing farming practices, and sharing and disseminating knowledge and expertise with landowners and other farmers on sustainable farming. "In iGrow's case, the farmers are provided with training on farming best practices. In other tech start-ups, the founder would develop the skills (including digital skills) of the staff and community leaders," said Dr Leong.

XENDIT PROVIDES INCLUSIVE AND FLEXIBLE FINANCIAL TRANSACTIONS

In the paper, the authors note that entrepreneurs in Indonesia who run microbusinesses (particularly women who do not have a credit history or any property ownership) face inherent challenges in accessing institutionalised banking, networks and financial services. In response to the limitations of conventional means of transacting with financial institutions, founder and CEO of Xendit, Moses Lo, a graduate from UNSW Business School, established the P2P payment platform based on the WhatsApp instant messenger in 2014.

Through automation and its integration with an already widely adopted instant messaging platform like WhatsApp, Xendit has allowed small business owners and entrepreneurs to "break free" from ineffective business practices restricting their ability to conduct business and access financial services. In addition, Xendit has also enabled microbusinesses to break up the existing rules of the transaction by creating and encouraging more affordable and more flexible services for receiving and sending money.

WIDER IMPLICATIONS

The findings show that emancipation can be achieved through the facilitation of microbusinesses in developing countries, which tend to be confronted by institutionalised constraints in the form of restrictive societal norms, business practices and industry rules.

The paper also points out that while achieving social and commercial purposes is crucial for many new start-ups today, it is hard to survive on good purpose alone. To sustain this, Dr Leong said entrepreneurs must ensure they are economically sustainable. While innovation in the FinTech sector has been studied before, very rarely has it been applied to businesses and growth opportunities in developing communities such as those examined in the paper, she said.

"At a high level, our study reminds us that knowing the local contexts and constraints of your future customers are the key. It is also important for us in the Australian education sector to realise the importance of introducing social entrepreneurship to our students," she said.

But there are potential unintended consequences of tech-facilitated developments. The study underscores the need for policymakers to be contextually sensitive so that IT-based development initiatives and policies can be better designed in developing countries.

"Though in this specific case, we celebrate as we see how technology can help to empower (emancipate) the marginalised, but at the same time, we raise the questions of whether that means real freedom or development for the community if they are dependent on someone external to assist them. We like to see these communities being able to develop skills/knowledge over time to go beyond those dependencies," concluded Dr Leong.

Dr Carmen Leong is a Senior Lecturer at UNSW Business School, whose research interests include digitally-enabled strategic transformation in organisations and digital empowerment in social studies. Dr Felix Tan is a Senior Lecturer at UNSW Business School and the founder of UNSW UNOVA, which helps organisations navigate the process of digital transformation through research and development. Dr Tan's interests include digital platforms and ecosystems, enterprise systems and digital transformation.

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