The emergence of embedded finance in corporate South Africa

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ABSTRACT

This study explored the burgeoning phenomenon of embedded finance (EmFi) within the South African financial services sector, examining whether it is a disruptive force or merely an evolutionary progression in service delivery. Grounded in Christensen's disruptive innovation theory and supplemented by a comprehensive review of both local and global EmFi implementations, the paper aims to dissect the impact of EmFi on consumer access to financial services, evaluate its benefits and challenges, and project its future implications for the industry.

Qualitative interviews with industry experts were conducted to assess how EmFi is reshaping consumer interactions with financial services, the operational and strategic benefits it offers to businesses, and the potential challenges it poses, including regulatory hurdles and data security concerns. The study further investigated EmFi's capacity to disrupt traditional banking models and induce a paradigm shift towards more inclusive, efficient, and customer-centric financial services.

Findings indicate that EmFi significantly enhances consumer access to financial services, embedding banking, loans, and investment products into everyday digital platforms, thereby democratizing financial access. While EmFi presents clear benefits in terms of convenience and personalized service delivery, it also introduces challenges such as regulatory ambiguity and increased data privacy risks. The future impact of EmFi on the financial services industry suggests a potential hybrid future where traditional institutions and fintech innovations collaborate more closely under a redefined regulatory framework.

It was concluded that, currently, EmFi represents an evolutionary step designed to enhance the delivery of financial services. However, it possesses the latent potential to become a disruptive force. Traditional banks that fail to keep pace with technological advancements, update legacy systems, and foster open partnerships with fintech's and third parties may find themselves at risk of disruption. EmFi stands at a crossroads, with its trajectory dependent on the strategic responses of the banking sector to these emerging challenges and opportunities. Recommendations for future research underscore the importance of continuous exploration into EmFi's evolving role in promoting financial inclusion, adapting regulatory frameworks, and reshaping the competitive landscape.

KEYWORDS

Embedded finance, disruption, financial services, corporate South Africa

DECLARATION

I, Asma Latiff , declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the field of Digital Business at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Name: Asma Latiff Signature: [signature]

Signed at …Johannesburg………

On the …27th…. day of …. February…. 2024….

DEDICATION

This work is dedicated as a token of appreciation to the Almighty, for guiding me through the darkest times and enlightening my path towards the pursuit of knowledge. To my late father, whose memory serves as an eternal source of inspiration and strength, guiding me to persevere in my endeavors: your wisdom continues to light my way.

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EmFi	Embedded finance
API	Application program interface
BNPL	Buy now, pay later
BAAS	Banking as a service
FSP	Financial services provider
DFS	Digital financial services
SLR	Systematic literature review
FICA	Financial Intelligence Centre Act
KYC	Know your customer

CHAPTER 1: INTRODUCTION

1.1 Purpose of the Study

The purpose of this study is to determine whether the emerging trend of EmFi can be considered a disruption or evolution of the traditional financial services sector in South Africa.

1.2 Background of the Study

Throughout modern history, banking has played a significant role in driving economic growth and progress, positively contributing to the gross domestic product of countries worldwide, spanning from early civilization to the various industrial revolutions (Iluba & Phiri, 2021).

The use of banks has been the most popular method of saving and facilitating payments. As a result of this, having a bank account was typically required to be defined as part of the 'financially included' (Iluba & Phiri, 2021). The rise of digital payment platforms that use technology to provide fast and efficient payment solutions has been driven by the growing demand for such services globally. This has become known as financial technology or "fintech" which uses technology to improve the delivery of financial services (Iluba & Phiri, 2021).

Fintech is not a new concept, as the integration of financial and technological systems has existed for centuries (Arner et al., 2016). The term fintech, coined in 2014, is merely a modern term for a longstanding relationship (Arner et al., 2015). According to Arner et al. (2015), fintech can be divided into different periods which show the change in how customers have interacted with money over time.

Fintech 1.0 (1886 – 1967) was the period during which the switch from analogue to digital technology occurred with the backdrop of globalization and the increasing requirement for payments and financial services to be commensurately connected with the trade dynamics unfolding. With the introduction of the first transatlantic cable in (1866), the global transfer of data was enabled and resulted in the first automatic teller machine (ATM) by Barclays Bank in 1967, which was the first electronic fund transfer using telegraph and morse code. This, together with the other key technological advancements of this era, was the bedrock upon which today's foreign exchange market, worth USD 5.4 trillion, was built and continues to trade (Arner et al., 2015).

Fintech 2.0 (1967 – 2008) saw the onset of digital financial services as a consequence of many macroeconomic forces. It was during this period that mobile phones and the internet arose, and the US Dollar became the reserve global currency, resulting in electronic transactions becoming the norm throughout the world. While it is still not directly linked to the crash resulting in "Black Monday", it was the first time that the markets began using automated trading programs to buy and sell in the open market without any human intervention**.** It was also during this period that a deeper focus on the regulation of financial services began to unfold (Arner et al., 2015).

In Fintech 3.0 (2008 – 2021), the 2008 financial crises triggered various events throughout the world and perhaps one of the most significant impacts was on the global financial services industry, where regulatory scrutiny and a break down in trust from society at large forced financial services into a peculiar position (Arner et al., 2016). This period saw the seedlings of the idea and implementation of the democratization and decentralization of financial services with the emergence of Blockchain in 2009, application programming interfaces (APIs) and the introductions of smartphone technology (Arner et al., 2016).

Fintech 3.5 - the future (2021 onwards), Fintech 3.0 was a result of the 2008 financial crisis and came to be primarily from the 'Western' world. However, the technologies developed during this period are now being adopted not as reactive measures to first-world market conditions but as a means for growth in lower-income countries across Asia and Africa. Coupled with the rapid maturation of available technologies and the demonstrable evidence of the power of the 'platform economy', this era is showing a plethora of start-ups that provide alternatives to traditional financial services through ubiquitous technologies. While fintech 3.5's concept is relatively similar to fintech 3.0's, its purpose is considerably different (Arner et al., 2016). It aims to offer fast, accessible, affordable, and user-friendly IT and financial services to a significant proportion of the population that has been omitted from traditional financial services (Arner et al., 2016).

The progression of fintech through time shows innovation mainly in the areas of credit cards, ATM machines, stock trading, online banking and, more recently, crypto (Lipa Payments, 2022) Further transformations in core banking have occurred due to the development of cloud technologies, open banking, and the democratization of APIs. Fintechs can now access bank systems using APIs and develop new services on top of the regulated infrastructure of banks (Brodsky & Oakes, 2017).

1.3 Research Problem

The concept of EmFi can be traced back to the rise of fintech and the increasing digitization of financial services (Arner et al., 2015). As fintech companies began to offer new and innovative financial products and services, they also began to explore new distribution channels (Eleish, 2017). The emergence of EmFi appears to be a deliberate strategy of expansion by the booming fintech sector, leading financial service providers (FSPs) to streamline their technology stacks, modularize their consumption through APIs, and venture into the BaaS (Banking as a Service) space. At the same time, non-FSPs are incorporating financial services into their platforms, as observed by Hensen and Kötting (2022).

The method by which financial services products are consumed has rapidly changed over the past decade. While there has been much research on the effect that digitization and digitalization have had on financial services, there is limited research on the role of EmFi. The increased integration of technology and financial services by entities traditionally not part of the financial sector within corporate South Africa is a new phenomenon that needs attention as there is limited understanding of its implications. EmFi is a departure from how consumers traditionally access financial services.

This study aimed to investigate the nature of EmFi in corporate South Africa, with a focus on its impact on traditional financial services. Specifically, the research examined whether EmFi represents a disruptive force that will fundamentally alter the industry, or if it is simply a manifestation of the ongoing evolution of financial services.

1.4 Research Objectives

The overarching objective of this study was to assess whether EmFi can be considered a disruption to financial services or is simply an improvement in the delivery of services. The sub-objectives were:

1. To assess how EmFi is changing the way consumers access financial services.
2. To evaluate the benefits and challenges of embedded finance for consumers and businesses.
3. To investigate the impact that EmFi will have on the financial services industry in the future.

1.5 Significance of the Study

The rationale for studying EmFi lies in the significant impact EmFi has on the financial services industry. With the convergence of technology and finance, EmFi has emerged as a new paradigm that is changing the way financial services are delivered. It has the potential to disrupt traditional financial services by providing new ways to access financial products and services, offering a more seamless and integrated customer experience.

Furthermore, the emergence of EmFi in South Africa presents an opportunity to explore how it is being utilized and adopted in the local context. Understanding the nature of EmFi and its impact on the financial services industry in South Africa is crucial in identifying potential opportunities and challenges that come with this new paradigm. This study aimed to contribute to the literature on EmFi by providing insights into its adoption and utilization.

1.6 Delimitations of the Study

This research paper aimed to explore the concepts of disruption and evolution within the context of the digital age, with a specific focus on South Africa. The study had a narrow industry focus on specific sectors within the EmFi ecosystem in South Africa, namely, payments, lending, and insurance within the financial services industry. To gather data, this research relied on interviews conducted with specific professionals working in banking and fintech in South Africa who have experience using or developing EmFi solutions. The methodology employed in this study was qualitative, utilizing one-on-one interviews as the primary means of data collection, without incorporating any quantitative statistics.

1.7 Definitions of Terms

- **Application program interface:** API is a documented set of connecting points that grant an application to interact with another system (Brodsky & Oakes, 2017).
- **Digitalization:** Digitalization entails the fundamental reshaping and restructuring of processes and systems, transitioning them from primarily analogue and physical-based formats to predominantly digital-focused formats (Armstrong & Lee, 2021).
- **Digitization:** Digitization refers to the technical procedure of converting something into a digital format (Armstrong & Lee, 2021).
- **Embedded finance:** EmFi can be defined as financial products embedding into non-financial services, platforms, or customer journeys (Dresner et al., 2022).
- **Financial service providers:** Organizations that offer a range of financial products and services, including banking, insurance, investments, and more, to individuals and businesses (Asmundson, 2011).
- **Financial technology:** Fintech, short for financial technology, refers to the application of modern technology to deliver innovative financial products and services (Arner et al., 2015).
- **Open banking:** This is a collaborative framework wherein banking data is exchanged through APIs among multiple independent entities, thereby enabling the provision of advanced functionalities within the market (Brodsky & Oakes, 2017).

1.8 Assumptions

The future of financial services lies in increased integration into digital platforms and ecosystems. This trend is driven by consumer demand for seamless and convenient financial services, which will fuel the growth of EmFi. The success of EmFi hinges on effective collaboration and partnerships among traditional financial institutions, non-financial institutions, non-financial technologies, and fintech companies. As EmFi emerges, it presents new opportunities for financial inclusion and access to credit in underserved markets.

Moreover, EmFi has the potential to reduce costs and enhance efficiency within the financial services sector. However, the adoption of EmFi necessitates significant investments in technology infrastructure and robust security measures. The development of open banking and API standards will further accelerate the growth of EmFi. To successfully navigate the landscape of EmFi, new approaches to risk management and compliance in financial services are required.

1.9 Chapter Outline

Chapter 1 provided an overview of EmFi, explained the research questions and objectives, and outlined the research problem and rationale.

Chapter 2 presents the literature review and provides a complete analysis of the existing literature related to EmFi, as well as the use cases and the advantages and disadvantages of EmFi. Lastly, the disruption innovation theory (Christensen, 1997) as the theoretical framework is unpacked as well as how this was applied to create the conceptual framework.

Chapter 3 outlines the methodology and describes the qualitative research design, methods, and procedures used in the study. It explains the research approach, data collection methods, sampling techniques, and data analysis procedures.

Chapter 4 presents the main findings of the study based on the data analysis. It discusses the results in coded per theme in relation to each research question.

Chapter 5 integrates insights from the data analysis with the theoretical and empirical discussions from the literature review in Chapter 2.

Chapter 6 concludes the paper and summarizes the research on EmFi, its main findings, and its contributions to the EmFi research field. It also discusses suggestions for future studies on EmFi.

CHAPTER 2: LITERATURE REVIEW

2.1 Systematic Literature Review

EmFi is a growing field both in scholarly research and practical application, necessitating a systematic literature review (SLR) to build a fundamental understanding and identify key insights into the phenomena under study, with a particular emphasis on the South African context. The findings from this SLR are elaborated upon in this section.

2.2 Methods Employed in the Literature Review

Fink (2005) defines an SLR as a systematic, explicit, comprehensive, and reproducible method for identifying, evaluating, and synthesizing the existing body of work produced by researchers, scholars, and practitioners. The methodology for this SLR was guided by the framework proposed by Okoli and Schabram (2010) which outlines an eight-step process for conducting an SLR, including defining the review's purpose, literature search and selection, quality assessment, data extraction, and synthesis, culminating in the writing of the review. To ensure a comprehensive approach, this study also incorporates recommendations by Petticrew and Roberts (2006) on including a broad range of research designs and by Papaioannou et al. (2016) on the selection of databases and keywords, reflecting the evolving nature of EmFi.

2.2.1 Initial Selection of Keywords and Articles

The literature review commenced with an initial search based on a set of articles relevant to EmFi, utilizing major electronic databases such as Emerald Insight, Sage, Scopus, and JSTOR, accessed through the University of Witwatersrand's library (Papaioannou et al., 2016). The selection of databases and keywords was informed by the dynamic landscape of EmFi, ensuring the inclusion of the most current and relevant literature (Papaioannou et al., 2016)

2.2.2 First Round: Article Selection

The initial search yielded 25 articles, with selection criteria focused on ensuring the material's relevance and quality, including full-text availability, peer-reviewed status, journal article format, and a publication date within the last five years. This approach aligns with Gough et al.'s (2017) emphasis on transparency and replicability in the article selection process for SLRs.

2.2.3 Second Round: Abstract Review and Duplicate Removal

After the removal of three duplicates, the search resulted in 19 articles. Titles and abstracts were reviewed to ensure alignment with the study's scope, employing the PRISMA framework as suggested by Moher et al. (2009) for a systematic and reproducible article screening process.

2.2.4 Third Round: In-depth Review

Following the set exclusion criteria, 9 articles underwent a detailed review for relevance. This process was enhanced by incorporating (Higgins et al., 2011) guidelines for assessing the risk of bias, ensuring the inclusion of high-quality studies in the review.

2.2.5 Fourth Round: Literature Synthesis

A thematic analysis approach, as proposed by Braun and Clarke (2006), facilitated a systematic analysis of the 5 selected articles. This method allowed for the identification, analysis, and reporting of themes within the data, offering deep insights into the benefits and potential risks of EmFi in developing economies. The SLR excluded white papers and corporate papers.

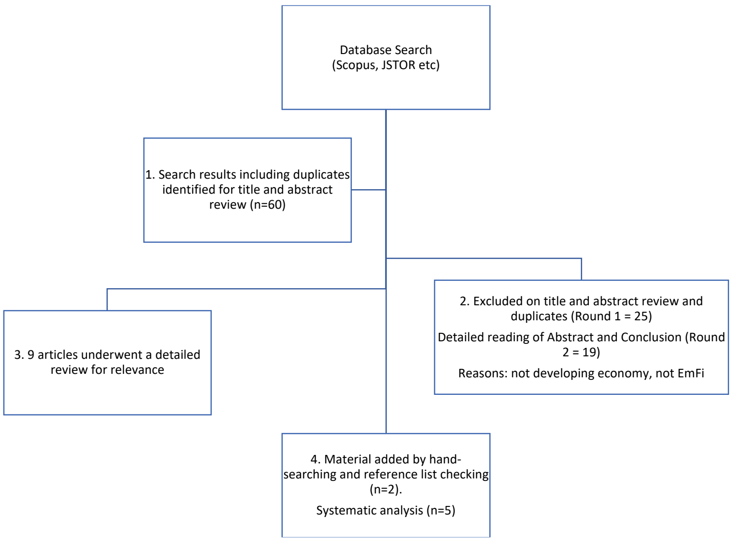

Figure 1 Systematic Literature Review (Researchers own creation)

2.3 Introduction

The rise of EmFi can be attributed to a combination of factors, including the transformation of fintech (Fintech 1.0 to Fintech 3.5), which has altered the way consumers interact with financial services, and the shift in consumer behavior from the pre-industrial period to the current digital era (Society 1.0 to Society 3.0). These fundamental changes in commerce, merchant and consumer behavior, and technology have provided ample opportunities to embed finance in non-financial customer experiences, leading to significant growth in EmFi (Dresner et al., 2022). These concepts are further expanded on below to explain the emergence of EmFi today.

This chapter addresses the limited academic literature on EmFi by conducting a comprehensive review. EmFi is a nascent sub-category of financial services with few scholarly articles and empirical studies exploring its potential. The review examines different definitions of EmFi and its disruptive or evolutionary nature.

Despite industry claims, there remains a significant gap in rigorous empirical research on EmFi's actual impact. This study contributes to the ongoing discourse by investigating EmFi's real-world effects, utilizing the disruptive innovation theory as a guiding framework. By analyzing academic journals, white papers, and industry articles, the research explores EmFi's use cases, enablers, architecture, and its advantages and disadvantages, thereby enhancing our understanding of its implications for the financial services industry.

2.4 Embedded Finance: A Historical Perspective

The evolution of consumer behavior can be traced back to the different stages of human society, from the pre-industrial era to the digital age (Armstrong & Lee, 2021).

Society 1.0: This is characterized by the agricultural revolution, where consumers had limited access to goods and services. Most of the goods were produced and consumed locally, and there were limited channels for distribution and exchange. Consumer behavior was mainly driven by necessity and availability (Armstrong & Lee, 2021).

Society 2.0: This is characterized by the Industrial Revolution, when mass production and mass consumption became the norm. The emergence of factories, transportation infrastructure, and the expansion of trade and commerce led to increased availability of goods and services, and consumer behavior shifted towards mass consumption and brand loyalty (Armstrong & Lee, 2021).

Society 3.0: This is characterized by the rise of the service economy, when consumer behavior shifted towards personalization, convenience, and experience. Consumers became more discerning, seeking out products and services that cater to their individual needs and preferences (Armstrong & Lee, 2021).

Society 4.0: This is characterized by the digital revolution and the rise of the internet. Consumer behavior has undergone a significant transformation. Consumers have access to an unprecedented amount of information and can easily compare products and services online. E-commerce, social media, and mobile devices have transformed the way consumers interact with businesses, and consumer behavior has become more dynamic and fluid (Armstrong & Lee, 2021).

The evolution of consumer behavior reflects changes in the economy, technology, and consumer values and preferences. Consumers are now more digitally connected and expect seamless and convenient experiences in all aspects of their lives, including financial services. This has led to the emergence of EmFi to meet these evolving consumer demands (Dresner et al., 2022).

The idea of EmFi may be predicated by the role that digitization and digitalization has played in the augmentation of human behavior and how it has become manifest in every sphere of human life. This change is certainly not a moment in time or every few years. Rather, the shifts in consumer behavior are continuous and rapid. The effect of this is that consumers – in their personal capacities as well as in their capacity as decision makers in firms – have been pushed into digital residency. As this residency begins showing traits of permanence, they are transitioning away from consuming products and services in the traditional brick-and-mortar format (Haselwood, 2022). These behavioural changes have shifted their expectations of financial services (Hensen & Kötting, 2022).

As demand dynamics change, firms continually adjust their delivery channels to meet customer needs. A notable shift in this regard is the transition from independent delivery or sales channels to supplying products and services directly to customers at the point of consumption (Hensen & Kötting, 2022). Consequently, consumers are increasingly becoming accustomed to the convenience of having embedded payments, lending, insurance and other financial services into their day-to-day applications or platforms (Harris et al., 2022a).

The integration of products and services is increasingly noticeable in the financial services sector, as FSPs are now delivering financial products and/or services that are embedded within non-financial products (Hensen & Kötting, 2022). Dresner et al. (2022), therefore, defined EmFi as financial products being embedded into non-financial services, platforms, or customer journeys. Put differently, EmFi occurs when non-financial organizations integrate financial services into their offering (Ozili, 2022b).

Harris (2021) calls out the emergence of EmFi in a different categorization of the evolution of fintech. In his depiction of the evolution of fintech, he categorizes the idea of "embedding finance" in a Fintech 2.0 realm, with the highlights of this era being the launching of Stripe and Square: the launching of the iPhone (presumably in inference to this as a catalyst to mobile banking) and then tailing of this era with e-commerce (Harris, 2021). Seemingly, however, EmFi is not a new phenomenon, and the idea has existed where non-financial companies offer financial services such as private-label credit cards, car rental insurance and many more, which was an opportunity for banks to create more channels for them to reach end users (Dresner et al., 2022).

If EmFi were to be plotted against a similar timeline, it would look like this:

EmFi 1.0: Perhaps the most familiar (and earliest) form of EmFi within a South African context could be the 'lay-by' system where consumers were given the ability to pay for their goods and services in instalments on an interest-free basis and collection of the good takes place once it has been paid in full.

EmFi 2.0: Over time, as the concept of integrating finance into goods and services became more established among businesses and consumers, a more effective approach to this emerged in the form of "store cards". The first store cards recorded can be traced to the “charge-plate” system which originated around the 1920s (Frankel, 2021).

<u>EmFi 3.0 (2022 – Current):</u> The current trajectory of EmFi 3.0, as detailed in figure 2 below, can be viewed as the fundamental building blocks. During this phase, there was a notable integration of insurance services within loan products. Perhaps the payment environment was the sub-sector that can be considered the largest contributor to the proliferation of EmFi: the idea of paying for a product or service in the same application that the customer is buying a product or service from, without needing to navigate to other applications or channels to complete payment (Ozili, 2022b). Perhaps the most famous example of this is Uber and its embedded payment capability for its e-hailing service. The next generation of EmFi is beginning to demonstrate the power of the integration between financial products and the digital interfaces that consumers use daily or frequently for ordinary consumption (Dresner et al., 2022). For example, instead of going to a bank for a loan, a customer can use services like PayFlex (a BNPL service) to obtain financing when purchasing a range of goods or services.

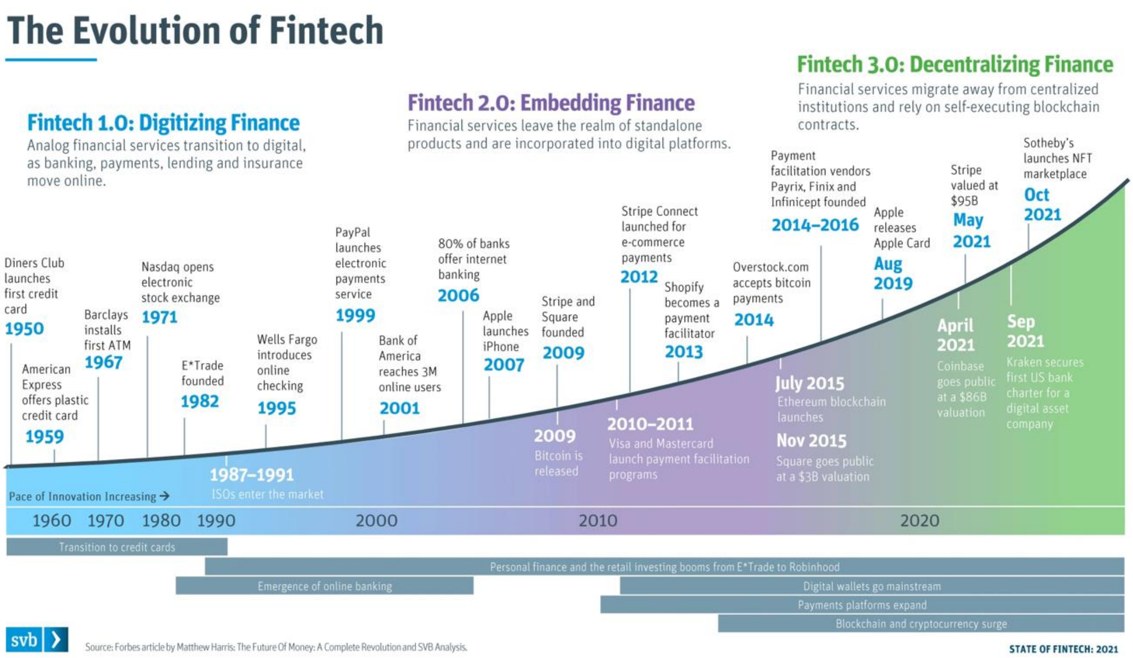

Figure 2: The evolution of fintech (Harris, 2021, p. 2).

2.5 Empirical Literature Review on Embedded Finance

2.5.1 Definition of EmFi

EmFi is the provision of financial products and services by non-financial companies, seamlessly integrated into the consumer's existing experience (Sullivan, 2022). It involves deep integration of financial services into platforms, going beyond partnerships and aiming for seamless transactions within the customer experience (Harris et al., 2022). Successful EmFi solutions prioritize accessibility and convenience, offering relevant financial options to customers (Sullivan, 2022).

EmFi is not a novel idea and has been discussed using various terms for almost 25 years (Mitra, 2023). However, it wasn't until 2019 that it gained widespread attention and became a 'buzzword'.

2.5.2 Advantages and Challenges of EmFi

EmFi offers many advantages for both customers and businesses (Ozili, 2022b). Integrating financial services directly into non-financial platforms enhances customer experience by providing convenient availability of an extensive array of financial products and services (Jacobson, 2023). Customers can access loans, insurance, payment programs, and other financial offerings seamlessly within the platforms they already use, eliminating the need to navigate between multiple applications or websites (Dresner et al., 2022).

Additionally, EmFi plays a significant role in expanding customer bases and exploring new revenue streams for businesses (Frankel, 2021). By leveraging the integration of financial services, companies can attract and retain customers, drive customer loyalty, and increase their overall profitability (Jacobson, 2023). The ability to offer financial solutions within their platforms allows businesses to create additional value for their customers, making the platform more comprehensive and increasing customer engagement (Ozili, 2022b).

EmFi also has the potential to democratize access to financial services, particularly for underserved populations (OpenPayd, 2023). Making financial services accessible within non-financial platforms addresses the challenge of financial inclusion and expands financial access to those who have traditionally been underserved or unbanked (Ozili, 2022b). This inclusivity helps bridge the gap and empowers individuals and businesses that previously had limited access to financial services.

Furthermore, EmFi enables personalized and customized financial solutions based on user data and behavior (Dresner et al., 2022). By leveraging the data available within the platform, EmFi providers can offer targeted recommendations, tailored offerings, and more relevant financial services (Anastasiou & Teboul, 2020). This personalized approach enhances the user experience and provides users with solutions that align with their specific needs and preferences (Treacy, 2021).

However, it is essential to consider the potential drawbacks of EmFi. Data privacy and security concerns arise as financial information is shared across platforms. Robust security measures and data protection protocols are crucial to safeguard user information and prevent unauthorized access. Additionally, relying heavily on a single platform for financial services can limit user choices and competition, potentially leading to a fragmented user experience (Ozili, 2022b). Users may have limited exposure to alternative providers and products if they primarily rely on EmFi solutions. The following table summarizes a few of the advantages and challenges on EmFi.

Table 1: Advantages and Disadvantages of EmFi (Researcher's own creation)

Advantages	**Disadvantages**
Enhanced Convenience: EmFi integrates financial services seamlessly into non-financial platforms, offering customers a convenient and streamlined experience. Users can access a wide range of financial products and services without leaving the platform they are already using (Harris et al., 2022).	Data Privacy and Security Concerns: The integration of financial services within non-financial platforms raises concerns about data privacy and security. Sharing financial information with multiple platforms increases the risk of data breaches or unauthorized access. Robust security measures and data protection protocols are crucial to address these concerns (Ozili, 2022).

Improved Access to Financial Services: EmFi can expand access to financial services, especially for underserved populations. By integrating financial tools into existing platforms, it becomes easier for individuals and businesses to access banking, lending, insurance, and other financial services, often with simplified onboarding and reduced barriers to entry (Ozili, 2022).	Limited Choices and Competition: While EmFi offers convenience, it can limit users' choices and competition in the financial market. If users primarily rely on a single platform for financial services, they may have limited exposure to alternative providers and products, potentially reducing market competition and innovation (Harris et al., 2022).
Customized and Personalized Solutions: EmFi allows for tailored and personalized financial offerings based on user data and behavior. This enables users to receive targeted recommendations, personalized offers, and more relevant financial services that align with their specific needs and preferences (Treacy,2021).	Dependency on Platform Providers: Users relying heavily on embedded finance may become highly dependent on the platform providers. If the platform experiences technical issues or discontinues the financial services, users may face disruptions and challenges in managing their finances (Goyal et al.,2023).
Seamless User Experience: EmFi provides a seamless user experience by eliminating the need to switch between different platforms or applications. Users can perform financial transactions and access financial information within the context of their existing digital environment, saving time and effort (Lazarov, 2022).	Fragmented User Experience: Despite the convenience of EmFi, the user experience can become fragmented when dealing with multiple financial services across different platforms. Users may need to navigate through various interfaces, features, and terms, leading to potential confusion or difficulties in managing their overall financial picture (Krijnsen et al., 2023).

2.5.3 Technological Enablers

EmFi relies on several key players and technologies that facilitate the integration of financial services into non-financial platforms or applications (Harris et al., 2022). These technology enablers are instrumental in driving the adoption and implementation of EmFi. Fintech companies play a significant role in advancing EmFi (Zalan & Toufaily, 2017). They are at the forefront of developing innovative technologies, platforms, and services that enable seamless integration of financial capabilities into non-financial applications. With their expertise and solutions, fintech companies contribute to the growth and adoption of EmFi by providing the necessary infrastructure, tools, and interfaces (Frankel, 2021).

Another crucial technology enabler for EmFi is the presence of balance sheet providers, which are licensed or chartered financial institutions (Dresner et al., 2022). These entities play a vital role in manufacturing financial products, handling risk and compliance, and providing funding for lending and deposit services (Harris et al., 2022). In some cases, balance sheet providers collaborate directly with technology providers to develop comprehensive EmFi solutions for distributors. Their involvement ensures the availability of financial resources and regulatory compliance within EmFi ecosystems (Dresner et al., 2022). Established payment processors, networks, and EmFi enable seamless transactions and ensure interoperability across different platforms and financial institutions. By providing a reliable and robust payment infrastructure, payment processors and infrastructure facilitate the smooth flow of financial transactions within the EmFi ecosystem (Dresner et al., 2022).

2.5.4 APIs

The integration of financial services into non-financial platforms is made possible using APIs (Goyal et al., 2023). APIs act as intermediaries between software applications, facilitating seamless communication and interaction between them (Ozili, 2022a). In the context of EmFi, APIs enable non-financial companies to offer financial services directly to their customers within these companies' existing platforms.

APIs play a crucial role in the modularization of banking systems and the concept of 'Banking as a Service' (BaaS) (Harris et al., 2022). They allow financial services to be broken down into discrete functions and capabilities, making it easier for non-financial companies to integrate specific financial services into their platforms without the need to build the entire infrastructure from scratch (Ozili, 2022b). This modular approach enables greater flexibility and customization, allowing businesses to tailor financial services to their specific customer needs.

2.5.5 Data and Analytics

Data analytics and artificial intelligence (AI) technologies are essential for the success of EmFi. Advanced analytics and AI enable real-time data processing, risk assessment, and personalized financial services (Dresner et al., 2022). By harnessing the power of data and AI, EmFi providers can offer insights, automation, and personalized experiences to users, enhancing the integration of EmFi and improving the overall customer experience (Harris et al., 2022b).

2.5.6 Open Banking and Collaboration

As depicted in figure 3 below, Open Banking and Banking as a Service (Baas) are core elements of EmFi. Open banking has played a crucial role in paving the way for the integration of financial services into non-bank companies' products, providing greater convenience to customers (Hensen & Kötting, 2022). Open banking initiatives encourage banks to share customer data securely with trusted third-party providers, enabling the development of innovative financial services and enhancing the customer experience. Collaboration between traditional financial institutions, fintech companies, and non-financial platform providers is seen as essential to effectively leverage the opportunities presented by EmFi, this collaboration can be seen in figure 2, where retail banks are seen as providers and fintech companies as enablers (Lazarov, 2022). By partnering with fintech companies and leveraging their expertise, traditional financial institutions can tap into innovative solutions and accelerate their adoption of EmFi.

Figure 3: Embedded Finance Model (Lazarov, 2022, p.1)

2.6 Embedded Finance Insights

Over the past two decades, the EmFi market has experienced steady growth, showcasing substantial potential for rapid expansion within the financial sector (Mitra, 2023). Simon Torrance, a business model transformation expert, further fueled the excitement in 2020 by predicting that embedded finance would have a global worth of US$7.2 trillion by 2030 (Treacy, 2021). In their 2022 report, Bain, and Company state that in 2021, financial services embedded into e-commerce and other software platforms accounted for nearly 5% of all financial transactions in the United States, with an expectation to grow to over 10% by 2026, reaching $7 trillion. The global embedded finance market was valued at $66.8 billion in 2022 and is projected to reach $622.9 billion by 2032, growing at a compound annual growth rate (CAGR) of 25.4% from 2023 to 2032 (Mordor Intelligence, 2023).

Furthermore, the transaction value of EmFi is expected to increase from $2.6 trillion to $7 trillion by 2026, indicating significant growth in the adoption of EmFi solutions across various sectors, particularly in retail and e-commerce platforms (Forbes, 2023). The embedded finance payments market is anticipated to reach $1.91 trillion by 2029, attributed to advancements in technology and increasing consumer expectations for convenient and customized financial services (Business Insider, 2023). The annual growth rate of the global EmFi industry is expected to be 39.4%, reaching approximately $267.53 billion in 2023, highlighting the rapid expansion of the sector (Mordor Intelligence, 2023).

2.7 Disruption or Evolution?

The financial services industry has been profoundly transformed by the emergence of fintech, causing significant disruptions worldwide. This dynamic landscape presents numerous uncertainties across various nations and regions (Zalan & Toufaily, 2017).

The term “disruptive” is frequently used to describe new ventures that aim to transform existing markets with ground-breaking concepts. However, not all ideas gaining popularity and bearing the “disruptive” label truly qualify as disruptive (Myerson, 2019). To unpack the research question further, the definitions of disruption and evolution in a financial services context must be explored.

Disruption refers to a transformative change in an industry or market caused by the introduction of new technologies, business models, or innovative approaches that fundamentally alter the existing competitive landscape and traditional value chains. Disruptive innovations often challenge established companies and traditional practices, creating new markets or reshaping existing ones (Christensen et al., 2015).

Evolution of financial services or sustaining innovations is defined by Christensen (2015), as improvements made to existing products or services that cater to the needs of established customers in a particular market. These innovations aim to enhance the performance, features, or functionalities of the existing offerings, providing incremental value to customers and sustaining the competitive position of incumbent firms (Christensen, 1997). According to Christensen, sustaining innovations typically result in evolutionary progress and are driven by the desire to meet the demands of current customers, improve product performance, or capture additional market share. They are often characterized by incremental changes and gradual improvements, with a focus on optimizing existing processes and technologies.

Sustaining innovations are primarily aimed at serving the needs of mainstream customers and are generally driven by the incumbent firms dominating the market. These innovations help sustain the existing business models and competitive advantages of established companies, allowing them to maintain their position and respond to customer preferences without significantly disrupting the market (Christensen, 2006). In contrast to disruptive innovations, which challenge established market leaders and introduce new approaches, sustaining innovations work within the existing market framework and serve to enhance and evolve the current offerings to better meet customer demands (Danneels, 2004).

Ozili (2022) mentioned that EmFi has the capacity to disrupt traditional banking by enabling non-financial companies to integrate financial services directly into their platforms. By leveraging APIs to connect with both fintech firms and banks, these companies can offer financial services to their customers. This marks a significant departure from the conventional models of both fintech and traditional banking.

The integration of banking products into the platform of a non-financial company carries substantial implications for the established banking industry as well as the fintech sector (Ozili, 2022b). Goyal et al. (2023) support this claim and add that EmFi possesses the capability to bring about disruption in the conventional financial services industry, opening avenues for competition, expansion, and innovation. Hensen and Kötting (2022) mention that banks will start to lose profits if they do not actively participate in the EmFi journey.

The proposition of this paper is that certain EmFi solutions will disrupt financial services.

2.8 Illustrations of EmFi solutions

This paper will delve into three distinct categories of EmFi and explore their impact on financial services. The categories under examination are embedded payments, embedded insurance, and embedded lending.

Within each of these categories, three specific South African use cases were analyzed in this research to assess the disruptive potential of these EmFi solutions in the financial industry. An overview of the existing EmFi industry in South Africa can be seen in figure 4.

Figure 4: EmFi landscape In South Africa (Researcher's own creation)

2.8.1 Embedded Payments

Previously, consumers needed physical cards or had to manually make an electronic funds transfer to a payment recipient. However, with the onset of embedded payments, the universe of payments is fundamentally changing:

- Mastercard Click to Pay: This allows the user to store their Mastercard card details in an application on either a smartphone, tablet, or PC. Should the user need to make a payment, they simply look for the Mastercard Click to Pay icon and select it. They do not need to submit card details. (Mastercard, 2024)
- Stitch: This is a payments service provider that is pioneering open banking in South Africa, providing a single API built on direct integrations with multiple banks and networks across South Africa (Stitch, 2024).
- SnapScan: This is a QR code-based payment service utilizing the camera on the user's phone with their bank card linked to the app (SnapScan, 2024).
- Zapper: This service is almost identical to SnapScan. Zapper and SnapScan compete with each other for market share, although SnapScan has increased their product offering to provide payment processing services as well as physical acquiring devices or point of sale machines.
- Ozow, SD Instant Eft, PayFast Instant EFT: These are "pay by bank" solutions which can be integrated into a business system for immediate cash transfers between bank accounts (Ozow, 2024).
- Masterpass, Apple Pay, Samsung Pay, G-Pay: These are *"digital identity wallet(s) for online transactions to minimize passwords and storing names, addresses and credit card information with countless stores."* (Weidman, 2019, p. 2)
- Walletdoc is a secure web- and/or mobile-based bill payment platform. Walletdoc will notify the user when a bill arrives, remind them when the bill is due, remember account and reference numbers, and electronically store bills and proofs of payment (Walletdoc, 2024).
- Tradesafe: This is a digital escrow service that protects buyers and sellers. The buyer's funds are held in escrow until the seller delivers the goods or fulfils their obligations (Tradesafe, 2024).

2.8.2 Embedded Insurance

Previously, to mitigate the risk of having to pay off a loan from the estate upon death or be left with the debt in the event of disability or retrenchment, consumers would take out stand-alone long term insurance products. With the onset of EmFi, insurance products are now embedded within loan products. VodaSure is used as an example of a case study of embedded insurance in this study.

VodaSure is an embedded insurance use case in South Africa offered by Vodacom, a leading mobile network operator. VodaSure provides insurance coverage for mobile devices against theft, accidental damage, and loss. Customers can opt for insurance coverage at the point of device purchase or during their subscription process with Vodacom. The insurance premium is integrated into the customer's monthly bill or prepaid balance. In case of an incident, customers can file a claim with VodaSure for repair, replacement, or reimbursement. VodaSure showcases how mobile network operators in South Africa are integrating insurance services into their offerings to provide customers with convenient and comprehensive protection for their mobile devices (Vodacom, 2022).

Some other examples of embedded insurance in South Africa include:

- Standard Bank Insurance, Absa Insurance (Bancassurance): This embedded insurance model has been successfully implemented into South African banking for many years now. This is where insurance companies sell their life insurance products or short-term insurance products to banking clients. Typically, the insurance is embedded into the loan premium so that the client has an “all-in” cost. Instead of having to take out independent credit life insurance for a loan, the banks and client’s risk is mitigated through embedding the credit life insurance in the loan product.
- Capital Legacy: The Legacy Protection Plan was the first *“integrated insurance solution”* with a South African Will. The product works by integrating life insurance to cover the cost of one’s estate duty and fees as part of the overall cost of the will and estate winding-up services (Capital Legacy, 2024).
- Travel insurance: Consumers purchase travel tickets with a particular credit card, a particular airline, or a particular travel agency, and receive embedded

insurance in the purchase. The client is covered for certain events such as bag loss, sickness, repatriation costs, and changed airline flights.

2.8.3 Embedded Lending

Previously, consumers needed separate credit facilities to go and buy goods and services, either in the form of an overdraft, revolving loan, or credit card. With the onset of EmFi, consumers can now get unsecured lending in the flow of the actual purchase of their goods and services without having to consume stand-alone loan products.

PayFlex can be used as an example of a case study presented as embedded lending. PayFlex is a groundbreaking payment platform in South Africa that offers a unique and flexible way for customers to make purchases. Users can split their payments into four instalments, paying only the first upfront and receiving their products immediately. The remaining balance can be paid over six weeks with no extra fees or interest charges.

PayFlex is compatible with South African banks and most international credit cards, ensuring accessibility. The platform prioritizes user experience, security, and financial transparency. By integrating PayFlex into their checkout process, businesses can attract more customers and boost sales. In summary, PayFlex provides a transparent and convenient payment solution, empowering users to manage their finances effectively and enjoy flexible payments (Payflex, 2023).

Another example of buy-now-pay-later in the South African context is PayJustNow. Some other EmFi solutions on offer in South Africa include:

- Merchant Capital is one of the pioneers in the alternative lending space in South Africa with their Cash Advance product. Different to a conventional loan that has fixed repayments via a debit order monthly, the split payment processing capability that Merchant Capital deploys is embedded in the POS (point of sale) device, where it collects the repayment of the loan as a percentage of every card swipe. It is a pay as you earn model i.e. if the client does not trade, they do not pay back the loan (Merchant Capital, 2024). Vodalend offers a similar solution to merchants that have a VodaPay Kwika or Max device (Vodacom, 2024)

- Nomanini could be categorized as a scaled open banking platform. It allows banks to provide banking services to a mass client base and pervasive points of representation through FMCG networks. It also facilitates trade finance based on the data inputted to through the platform (Nomanini, 2024)
- Mobicred is an online shopping credit facility. Users have a single line of credit for all their online shopping activities, and it is integrated into the checkout process of most online retailers in South Africa (Mobicred, 2024)
- Vodalend, Momo from MTN: Mobile money is something that has been around for a while. It originally started as simple financial transactions that allowed mobile phone users to store, send and receive money using their mobile phone. Actual value in and out of the network is facilitated through physical cash networks like retailers, mobile money agents or bank transfers (Notini, 2023). With the pervasive adoption of mobile money, mobile network operators have started expanding into broader and deeper financial services where users are now able to not only store, transfer, and cash out value but also pay their bills (MTN, 2024). Mobile network operators with this as their foundation are expanding into full-on financial services and the provision of credit with embedded credit life insurance in these loans (Vodacom, 2024)

2.9 Analytical Framework

2.9.1 Theoretical Framework

The research objectives and question for this study were carefully created, considering the utilization of multiple theoretical frameworks. The aim was to identify a foundational theoretical framework that would serve as the starting point for constructing a conceptual framework that aligns with the research requirements. The selection of the most appropriate framework was a critical step in the research process, as it established the foundation for the study.

Several frameworks were identified and played a significant role in the decision-making process to ultimately determine the chosen conceptual framework:

- Disruption innovation theory (Christensen & Raynor, 2003b)
- Diffusion of innovation theory (Rogers, 1983)

- Technology acceptance model (TAM) (Davis, 1987)

These theories have gained prominence in academic literature and were specifically chosen for their relevance to the research question regarding the impact of EmFi on financial services. These theories provide valuable insights into understanding the dynamics and implications of EmFi on the financial services sector. While each theory has its unique concepts and perspectives, they all contribute to understanding the complex interplay between technology and its impact on various dimensions such as market dynamics, organizational strategies, user behavior, and societal change. However, the primary theoretical framework selected to shape the conceptual framework was the disruption innovation theory (Christensen & Raynor, 2003b). The following paragraphs provide a concise overview of each theory considered by the researcher and explain why they were not selected for the study.

The diffusion of innovation theory (Rogers, 1983) primarily focuses on the process of how innovations spread and are adopted within a population. While it provides valuable insights into the adoption patterns and factors influencing the acceptance of innovations (Robinson, 2009), it does not directly address the disruptive nature of innovative technologies – in this case, EmFi in the financial services industry. The theory is more centered on the diffusion process rather than explicitly exploring the disruptive effects of an innovation on existing systems.

The technology adoption theory (Davis, 1987) focuses on the process of how individuals or organizations accept and adopt new technologies. It examines elements such as perceived usefulness, ease of use, and social influence in the adoption decision (Davis, 1987). It is valuable for understanding the adoption dynamics of innovations, however, it does not directly address the disruptive nature of EmFi or its potential to transform the financial services industry.

In summary, these theories were not chosen because they lacked direct relevance to the research question on EmFi. The selected theory detailed below provided a more comprehensive understanding of the dynamics, implications, and potential disruptions or evolution of financial services associated with EmFi in South Africa.

2.9.1.1 The Disruption Theory

In 1997, Clayton Christensen released his renowned book, *The Innovator's Dilemma*, where he introduced the concept of "disruptive innovation" to describe a new type of competition (Denning, 2016). The theory of disruptive innovation (Christensen, 1997) has gained significant traction and has been extensively researched and debated in academia (Yu & Hang, 2010). However, the abundance of literature on disruptive innovation, along with the diverse interpretations of the term, has contributed to its widespread ambiguity, misapplication, and prevalence (Christensen et al., 2013, 2015, 2018; Dan & Chieh, 2008; Denning, 2016; Eleish, 2017; Raynor, 2011; Solanki & Sujee L, 2022; Yu & Hang, 2010).

The disruptive innovation theory explains how new technologies or business models can disrupt established markets and industries (Christensen & Raynor, 2003a). According to Christensen (2006), disruptive innovations are characterized by their ability to create new markets or transform existing markets by providing simpler, more affordable, or more convenient alternatives to traditional products or services. This study employed the theory of disruptive innovation as a theoretical framework to address the research question concerning whether EmFi represents a disruptive force or an evolution within the realm of financial services.

2.9.1.2 Evolution of the Disruptive Innovation Theory

The disruption innovation theory was advanced by Christensen (1997) but was based on a series of previous innovation studies, as depicted in figure 5 below (Yu & Hang, 2010). An important predecessor of the disruptive innovation theory is the concept of technological innovation introduced by Joseph Schumpeter in the 1940s. Schumpeter focused on the role of innovation in driving economic growth and proposed the idea of "creative destruction", whereby new technologies and innovations replace older ones, leading to the transformation of industries and the economy as a whole (Dan & Chieh, 2008; Eleish, 2017; Yu & Hang, 2010).

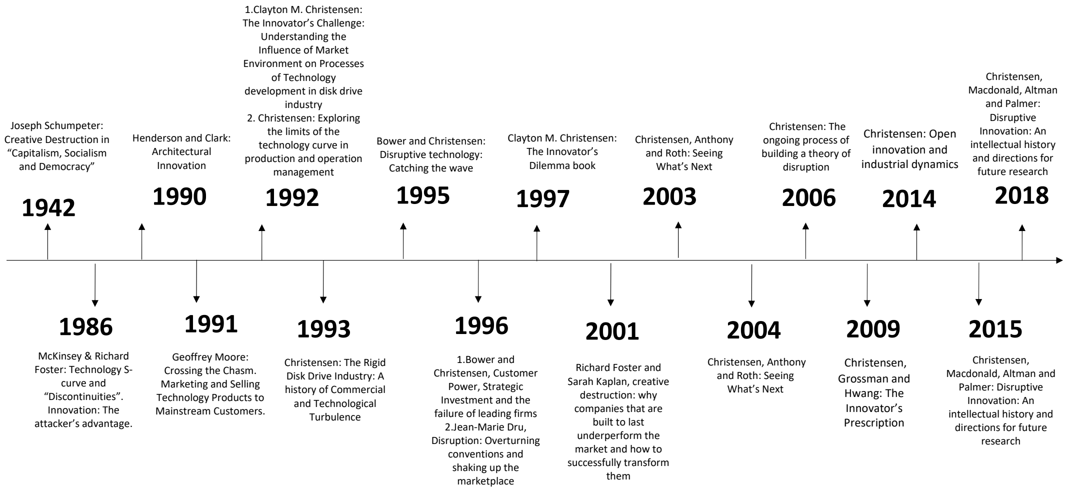

Figure 5: Innovation theory timeline (adapted from Yu & Hang, 2010)

Christensen (1997) highlights the challenges faced by incumbent companies in responding to disruptive innovations and why they eventually fail. Established companies often prioritize their existing customers and business models, making it difficult to adapt to disruptive changes and embrace new opportunities. This is known as the "innovator's dilemma" (Christensen, 1997).

"The resources, processes, and priorities that an organisation acquires and develops for its initial success become sea anchors when it attempts to change course."
(Christensen et al., 2013, p. 13)

In 1997, Christensen coined the term "disruptive technologies", emphasizing their capacity to disrupt established superior technologies within a market. However, in 2003, he expanded the concept to "disruptive innovation", which included business models, products, and services. This shift recognized that technologies alone are not always disruptive or sustaining, with business models playing a crucial role in driving disruption (Christensen & Raynor, 2003b). The theory of disruption clearly makes a distinction between disruptive and sustaining innovations (Christensen & Raynor, 2003a). Christensen and Raynor (2003) explain the predicament that senior executives face around the decision to either stick with the status quo and the current customer base and solutions or to undertake a drastic business transformation (Christensen et al., 2015).

Christensen (2003) distinguishes between sustaining innovations (incremental and radical), which improve existing products or services in established markets, and disruptive innovations (low-end and new markets), which create entirely new markets or disrupt existing markets (Christensen & Raynor, 2003a). Figure 6 illustrates the different innovation type.

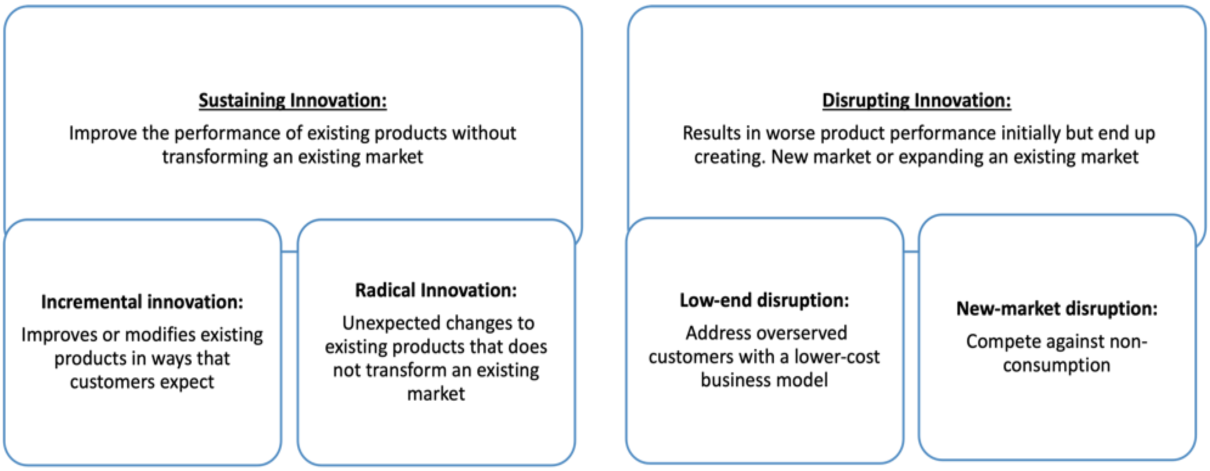

Figure 6: Innovation types and definitions (adapted from Christensen & Raynor, 2003a; Eleish, 2017)

Sustaining innovations aim to improve established products and services in existing markets, targeting mainstream customers. They bring better performance through incremental or radical improvements without significantly transforming the market (Christensen & Raynor, 2003a). Alternatively, disruptive innovations do not focus on serving existing customers in established markets. Instead, they introduce products and services that may initially be inferior but are simpler, more convenient, and affordable (Christensen, 1997).

It is important to distinguish between sustaining and disruptive innovation, as breakthrough innovations that enhance existing products are not considered disruptive. Disruptive innovation transforms expensive and complex offerings into more accessible options for a wider range of customers (Christensen, 2006). To summarize, disruptive innovations involve the creation of new markets through the introduction of novel features or the provision of simpler and more affordable products to customers in the lower segment of an existing market. Over time, these innovations are refined to cater to the needs of mainstream consumers, often at a reduced price (Christensen et al., 2015).

2.9.1.3 Definition of Disruptive Innovation

To further explore the concept of disruptive innovation, Christensen and Raynor (2003) expanded upon the theory by distinguishing between two types: low-end disruption and new-market disruption. Low-end disruption aims at the lower end of an established market, which is initially considered unappealing or neglected by existing industry players (Christensen, 1997).

“Low-end disruptions are those that attack the least-profitable and most overserved customers at the low end of the original value network.”
(Christensen & Raynor, 2003, p. 2)

On the other hand, new-market disruptive innovations target new customer bases, presenting long-term industry change. They may initially have lower functional performance but offer new benefits. These innovations are difficult to identify but have significant potential. They create markets where none existed before and convert non-consumers into consumers (Christensen & Raynor, 2003a).

“New-market disruptions compete with ‘nonconsumption’ because new-market disruptive products are so much more affordable to own and simpler to use that they enable a whole new population to begin owning and using the product, and to do so in a more convenient setting.”
(Christensen & Raynor, 2003b, p.16)

New-market disruption poses the challenge of overcoming non-consumption and tapping into untapped markets. These innovations enable individuals to accomplish tasks that previously required expertise, while being more affordable. With new-market disruption, two common patterns emerge: introducing simple and affordable products that enhance accessibility for customers with limited resources, and helping customers achieve their existing goals more efficiently without requiring behavior change (Christensen & Raynor, 2003a).

To expand on these concepts further, the disruptive innovation model by Christensen and Raynor (2003) illustrates two paths: product performance and customer demand.

Product performance, represented by red lines in the figure below, shows how a product improves and develops over time, while customer demand, represented by blue lines in the figure below, represents willingness to pay for that performance (Christensen et al., 2015b. Performance refers to key criteria influencing customer purchasing decisions (Christensen & Raynor, 2003b).

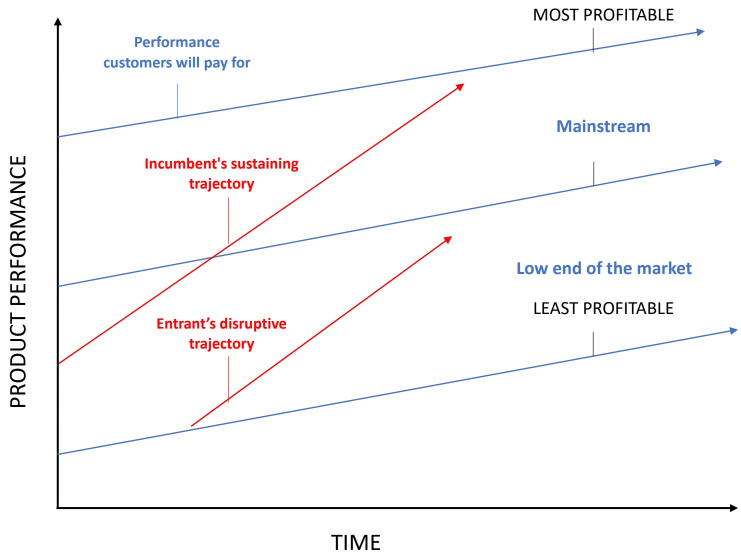

Figure 7: Disruption innovation model (adapted from Christensen et al., 2015)

2.9.1.4 Critical Evaluation of the Disruption Innovation Theory

The first evaluation is around the definition of disruptive innovation, as this poses an ongoing challenge as it remains relative and lacks clear criteria for precise determination (Adner, 2002; Christensen & Raynor, 2003a; Danneels, 2004; Eleish, 2017; Schmidt & Druehl, 2008; Solanki & Sujee L, 2022; Yu & Hang, 2010).

"What might be disruptive to one business can be considered as sustaining to another depending on whether the innovation is consistent with the company's business model."

(Christensen & Raynor, 2003, p. 13)

This ambiguity complicates practical application and scholarly research. Debates among scholars have centered on the definition and scope of disruptive technology. While some support Christensen's views, others offer alternative perspectives. Adner

(2002) suggests that the diminishing marginal utility of performance improvements, along with new value propositions and affordable prices, drives the shift towards disruptive innovation. However, critics like Danneels (2004) argue for a more precise and consistent definition.

Tellis (2006) highlights the difficulty of distinguishing underperforming technologies from those with initially inferior performance that eventually become disruptive. As an example, Dell can be considered. The introduction of the internet and e-commerce was considered a sustaining innovation for Dell because it aligned with their existing direct-to-consumer model. However, for companies like IBM, Compaq, HP, and department stores, the same innovation was disruptive, fundamentally altering their traditional business models (Christensen & Raynor, 2003a). The impact of an innovation varies depending on the specific context and the existing business models of different companies (Eleish, 2017; Yu & Hang, 2010).

The second evaluation is how Christensen (2015) characterized disruptive innovations. Christensen (2015) reaffirmed that disruptive innovations are characterized by being both lower priced and lower performing compared to established products when initially introduced to the market. However, some researchers, such as Yu and Hang (2010), have criticized Christensen for overlooking other dimensions of disruption beyond the low price/low performance aspect (Yu & Hang, 2010).

One significant contribution to the discussion came from Govindarajan and Kopalle (2006) who expanded the concept of disruptive innovation beyond its traditional definition. They introduced the notion of high-end disruption, which involves innovations that have low performance but high price. A prime example they cited was mobile phones, which initially targeted corporate executives valuing convenience and portability, despite their relatively high cost. In contrast, conventional landline phones were favored by mainstream and budget-conscious customers due to their affordability and superior reliability and coverage. Nevertheless, as mobile phone technology advanced in terms of performance and affordability, it gradually disrupted the entrenched dominance of landlines, attracting the interest of mainstream customers. (Govindarajan & Kopalle, 2006).

The third evaluation is around the difficulty in pinpointing when an innovation reaches a disruptive stage (Danneels, 2004). The question is whether it is possible to classify an innovation as disruptive beforehand (ex-ante) or whether it becomes disruptive when it displaces the incumbent successfully (ex-post). Scholars have criticized Christensen for selectively choosing case studies that support his theory of disruptive innovation while disregarding instances where disruptive innovations failed to displace incumbents. This critique highlights the relativity of the concept (Christensen, 2006; Danneels, 2004; Eleish, 2017; Govindarajan & Kopalle, 2006; Yu & Hang, 2010). Christensen later acknowledged that the theory is defined ex-post based on historical accounts, noting that disruptive innovations often do displace incumbents. However, researchers have continued to question the theory's ability to predict which innovations and firms will emerge as disruptive and the outcome for incumbents in existing markets (Adner, 2002; Danneels, 2004; Eleish, 2017; Govindarajan & Kopalle, 2006; Schmidt & Druehl, 2008; Tellis, 2006).

In response, Christensen argued against the notion that the outcome of disruptive innovation is guaranteed. He emphasized that disruption is a gradual process that can take decades to fully replace incumbents, and it does not necessarily lead to a winner-takes-all dynamic (Christensen, 2006). Later research supported this claim, demonstrating that disruptive innovation can open new markets and penetrate the lower end of existing markets without displacing incumbents (Eleish, 2017; Schmidt & Druehl, 2008; Yu & Hang, 2010)

2.9.1.5 Bohnsack and Pinkse Framework

According to Christensen's theory of disruptive innovation, a disruptive product may initially seem less advanced than existing products in the market. The challenge for companies introducing such products is to effectively position them to attract early adopters, initiate a process of continuous improvements, gain gradual acceptance, and eventually compete with established rivals (Armstrong & Lee, 2021).

Scholars suggest that the initial underperformance of a disruptive technology can be overcome through business model innovation (Bohnsack & Pinkse, 2017). An inferior technology can still succeed if combined with an inventive business model, which can outperform a superior technology with a less effective business model. To appeal to mainstream customers, firms can reconfigure the value proposition, a crucial part of the business model, to better engage with customers. By doing so, a company can change customer perceptions of established attributes, particularly while the technology is still improving (Bohnsack & Pinkse, 2017).

"Disruptive technologies have the potential to reinvent a product by introducing new attributes that could become a key source of competitive advantage. Yet, initially, only customers on the fringe tend to value such new attributes. Breaking into the mainstream remains a challenge, because these technologies seem to underperform on more established attributes mainstream customers currently value most. Disruption occurs only when these customers also make the switch to the new technology. This happens when product performance on established attributes has improved to an acceptable level, and mainstream customers have also started to value the new attributes. However, this could be a lengthy process." (Bohnsack & Pinkse, 2017, p.2)

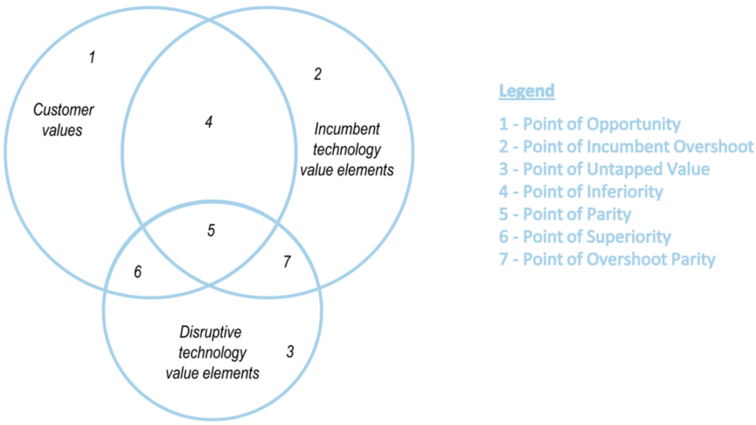

Figure 8: Elements of value proposition configuration (Bohnsack & Pinkse, 2017, p. 5)

In marketing, a value proposition refers to the promise of value that a company offers to its customers. It is extensively studied in the field, and firms can use it as a means of differentiation by providing offerings that deliver more value or solve problems better than similar competitors (Bohnsack & Pinkse, 2017). A value proposition is seen as a bundle of value elements, and customers assess these elements against the best available alternative during their purchase decision process. By improving the underperforming elements compared to the best alternative, a company can enhance a weak value proposition (Bohnsack & Pinkse, 2017).

Value elements can be classified into three types:

- Points of parity, where an element offers the same performance as the best alternative.
- Points of difference, where an element provides either superior or inferior performance compared to the best alternative.
- Points of contention, where there is disagreement about an element being superior or inferior.

To create a superior value proposition, a firm needs to carefully assess all value elements. The ideal strategy for designing a value proposition involves emphasizing all the superior value elements that customers appreciate, and that set the company apart from its competition. By focusing on this strategic sweet spot, a firm can intuitively craft a compelling and competitive value proposition (Bohnsack & Pinkse, 2017).

Disruptive technology faces challenges as its unique advantages initially appeal to a small group of niche customers. Over time, its circle of value elements expands, but it still struggles to attract mainstream customers due to perceived points of inferiority. Technological improvement can help, but reconfiguring the value proposition is a faster solution (Bohnsack & Pinkse, 2017).

To demonstrate value proposition reconfiguration, the below list introduces seven value proposition classes. Each class represents different aspects of customer values and potential for improvement in both disruptive and incumbent technologies (Bohnsack & Pinkse, 2017). These are:

1. Points of opportunity: These are customer-valued attributes that are currently not available in the market, offering an opportunity for disruptors to gain a competitive advantage if they can provide them.
2. Points of incumbent overshoot: These attributes are present in incumbent value propositions but not valued by customers. Disruptors can ignore them, as they can lead to excessive prices and create space for disruptive innovation.

3. Points of untapped value: Disruptors possess capabilities or potential value elements that customers don't yet realize they value. Creating awareness and appreciation among customers can turn these into points of superiority.
4. Points of inferiority: These are attributes valued by customers and offered by incumbents but lacking in the disruptor's value proposition. Overcoming these deficiencies is essential for successful market penetration, which can be achieved through technology improvement or business model reconfiguration.
5. Points of parity: These attributes are valued by customers and satisfied by both incumbents and disruptors.
6. Points of superiority: Disruptors excel in meeting valued customer needs that incumbents fail to address. These form the core of the disruptor's value proposition and market entry strategy.
7. Points of overshoot parity: Both incumbents and disruptors offer attributes that customers don't value. Disruptors should minimize this zone to maintain cost advantages.

In essence, understanding and effectively addressing these value attributes are crucial for disruptors to succeed and challenge established players in the market.

2.9.2 Conceptual Framework

The literature on disruptive innovation is abundant and presents conflicting views, emphasizing the challenges of defining the concept. There is no clear consensus on its definition. However, to address the research problem of whether EmFi is a disruption or evolution of financial services, this research used Christensen's definition of disruptive innovation as well as the below five concepts raised by Christensen in identifying disruptive technologies to form part of the conceptual framework.

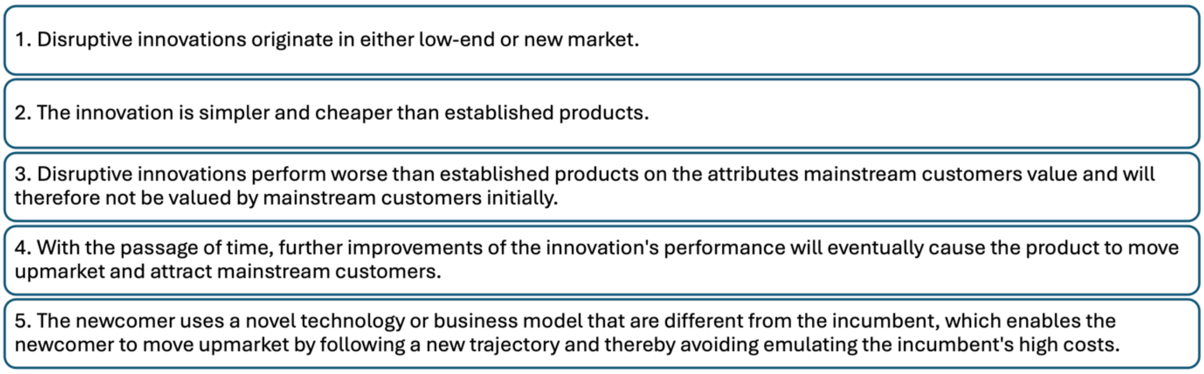

Figure 9: Five key concepts of disruptive innovations (adapted from Christensen, 2015)

Christensen defined "disruptive innovation" as a process by which a new product, service, or technology initially enters the market in a lower-performance or lower-cost segment and gradually improves over time to eventually disrupt and replace existing products or services in the market (Christensen et al., 2015). In summary, Christensen highlights that there are key concepts to note when classifying possible disruptive innovations, which were noteworthy for the conceptual framework of this paper. These are shown in figure 9 below.

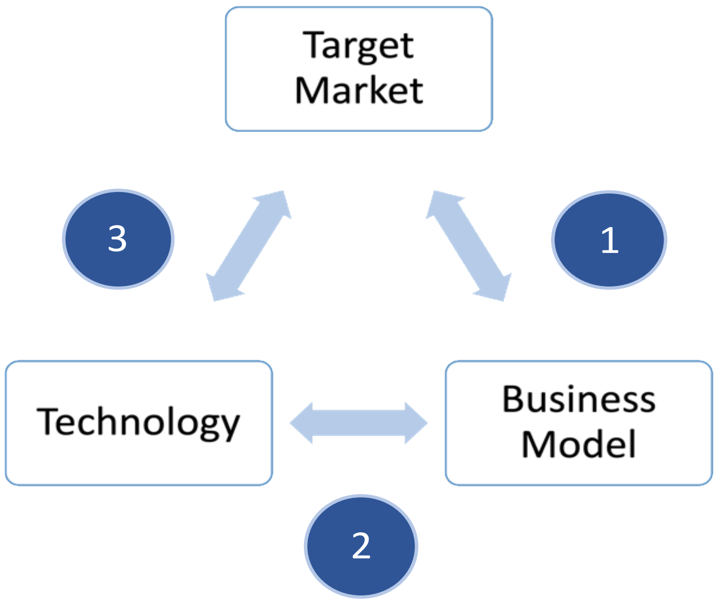

Figure 10: Comprehensive Model for understanding disruptive innovation in EmFi solutions (adapted from Eleish, 2017)

By integrating Christensen's theory as well as certain elements from Bohnsack's and Pinkse’s (2017) framework with insights on EmFi, a comprehensive model was constructed and utilized to analyze the disruptive nature of EmFi innovations. To evaluate disruptive innovations in the field of EmFi, three critical factors were identified and examined from Christensen’s theory: 1) the target market for EmFi solutions, 2) the divergence in business models from incumbent financial service providers, and 3) the enabling technology that drives the disruption. In addition to this, Bohnsack’s and Pinkse’s (2017) points of parity, points of superiority and points of inferiority were also looked at. Through this framework, the disruptive potential of an EmFi solution was assessed and understood.

2.9.2.1 Target Market Analysis

The objective of the target market anaylsis was to determine the specific market segments the EmFi solutions are targeting and identify potential disrupters. The rationale for the target market is that the disruption theory suggests that disruptors often target underserved or overlooked market segments, challenging incumbents in the process. Therefore, the method that was followed was to clarify the target customers of the EmFi solutions discussed in Chapter 2 and assess whether they serve niche segments or address previously unmet customer needs. In addition, the points of parity (1) from Bohnsack’s and Pinkse’s (2017) framework were analyzed to see which attributes are valued by customers and satisfied by both incumbents and disruptors.

2.9.2.2 Business Model Analysis

The objective of the business model analysis was to understand how EmFi solutions differentiate themselves from traditional financial services by creating value and addressing outdated problems through their unique business models. The rationale behind this is that differentiated business models are key indicators of disruptive innovations in EmFi. By adopting innovative business models, these companies can effectively serve niche segments that incumbents may overlook. This was done following a method that focuses on assessing the value proposition, delivery model, and revenue model of EmFi solutions to determine if they align with Christensen's characteristics of disruptive innovations, such as simplicity, convenience, and cost-effectiveness. In addition, the points of superiority (2) from Bohnsack's and Pinkse's (2017) framework were analyzed to see which customer needs are being addressed by the disruptor that incumbents fail to address.

2.9.2.3 Technology Analysis

The objective of the technology anaylsis was to investigate the technological components used by EmFi companies, as technology plays a vital role in empowering disruptors to challenge incumbents and enter mainstream markets. The rationale for this is based on Christensen's theory, where technology acts as a critical enabler, allowing disruptors to initiate their journey at the market's lower end and progressively ascend, disrupting established norms and capturing market share.

The method that was followed to investigate the technology component was to identify and outline the essential technological components utilized by EmFi solutions and evaluate how these technologies address industry challenges and facilitate innovation within the financial services sector. In addition, the points of inferiority by Bohnsack and Pinkse (2017) were analyzed to see which attributes are valued by customers and offered by incumbents but lacking in the disruptor's value proposition. Overcoming these deficiencies is essential for successful market penetration, which can be achieved through technology improvement or business model reconfiguration.

2.10 Conclusion of Literature Review

In conclusion, this literature review focused on examining the concept of EmFi and its potential as a disruptive force or an evolutionary development in the financial services industry. By utilizing the disruptive innovation theory and Bohnsack and Pinkse (2017) as theoretical frameworks, this study aimed to bridge the gap between theory and practice and provide an evidence-based assessment of EmFi's disruptive potential. The application of these frameworks allows for a comprehensive analysis of the different dimensions of EmFi, including its definitions, enablers, use cases, and advantages and disadvantages. Overall, this literature review contributes to the understanding of EmFi by consolidating existing knowledge from journal papers, white papers, and industry articles.

This paper offers several propositions:

1. Certain EmFi solutions will disrupt financial services, whereas other solutions will be a mere evolution.
2. The advent of EmFi is transforming consumer access to financial services by integrating these services directly into non-financial platforms, thereby making financial activities more seamless, convenient, and accessible.
3. EmFi presents a range of potential benefits and challenges for both consumers and businesses. These include enhanced accessibility and convenience on the consumer side, and potential for revenue diversification for businesses, balanced by the challenges of regulatory compliance, data privacy, and technical implementation.
4. The future of the financial services industry is likely to be impacted by the proliferation of EmFi by changes to traditional banking models, the competitive landscape and customer expectations in the sector.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter presents the research methodology employed in the study, outlining the chosen research paradigm, design, and strategy. It discusses the selection of the research participants and the methods used for data collection and sampling. The chapter then delves into an exploration of the data analysis process, specifically focusing on the qualitative data and its direct alignment with the study's conceptual framework, encompassing themes, relationships, and concepts. An evaluation and justification of the selected research methods are provided, followed by an exploration of ethical considerations throughout the research process, data analysis, and reporting of the findings.

To ensure a systematic and rigorous investigation of EmFi within the South African financial landscape, the research onion framework developed by Saunders (1997) was utilized. This framework consists of six layers that guide the research process, from research philosophy to data analysis. By incorporating the research onion approach, the study aimed to ensure a comprehensive understanding of EmFi.

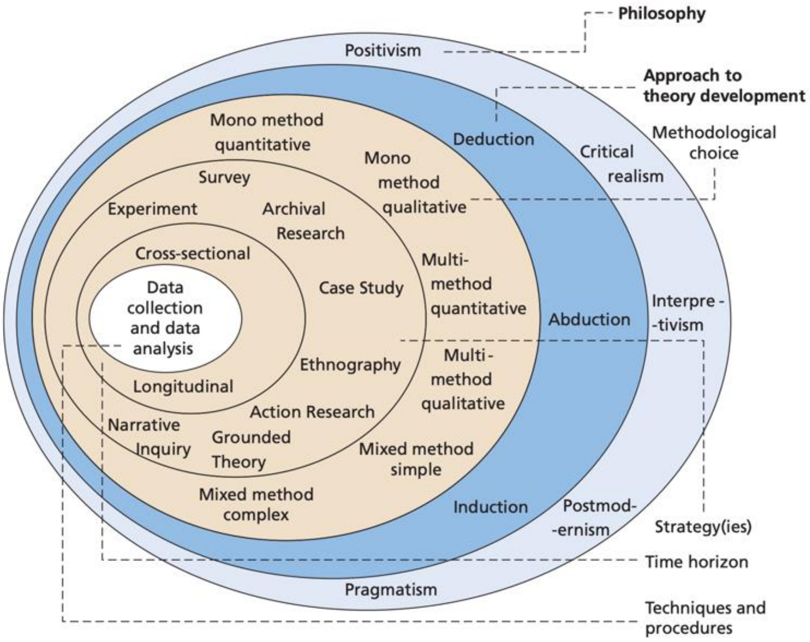

Figure 11: Research onion (Saunders et al., 2019, p. 8)

The research design used for this study was qualitative, focusing on interviews with industry experts. These interviews were designed to gather valuable insights and perspectives on the impact and implications of EmFi. The selection of industry experts was based on their expertise and involvement in EmFi solutions within South Africa as well as to determine whether EmFi is a disruption or evolution of financial services.

3.1 Research Approach

Research philosophy encompasses beliefs about the nature of reality and knowledge acquisition in research. It includes two main ideologies: ontology and epistemology.

Ontology focuses on understanding the nature of reality and its impact on society. It distinguishes between objective reality and subjective perceptions. The three ontological positions are objectivism, which examines social phenomena and their varied meanings; constructivism, which emphasizes that people create social phenomena; and pragmatism, which utilizes theories to find practical solutions (Bhattacherjee, 2012)

Epistemology is concerned with finding knowledge that can be proven. It includes positivism, which uses testable research questions and generally accepted knowledge; critical realism, which employs new research methods to understand reality; and interpretivism, which interprets people's actions and considers cultural context (Bhattacherjee, 2012).

Understanding these philosophies aids researchers in shaping their perception of reality, choosing appropriate research methods, and recognizing the impact of values and opinions on their work (Saunders et al., 2019). A qualitative research methodology was utilized in this study, aligning with an interpretivist paradigm, to address the research questions identified in chapter one. Interpretivism is an epistemological view that highlights the importance of understanding and interpreting human actions, meanings, and experiences. It recognizes the subjective nature of social phenomena and emphasizes the role of interpretation, context, and cultural understanding in generating knowledge. Interpretivists argue that social phenomena cannot be fully understood using purely objective or quantitative methods and instead support qualitative approaches that capture the meanings and perspectives of individuals involved (Wahyuni, 2012).

The qualitative method often faces criticism (Creswell & Creswell, 2018), however, the adoption of a qualitative interpretivist approach for this study is justified for several reasons. Firstly, as Walsham (1995) mentioned, interpretivist research is particularly suitable when the researcher lacks a pre-existing understanding of the subject matter. Given the limited theoretical foundation and knowledge in EmFi, an interpretivist paradigm is more appropriate (Walsham, 1995).

Secondly, the impact of EmFi on financial services is yet to be determined. While some assumptions may have been made about this relationship, an interpretivist paradigm allows for a deeper understanding by exploring the intricate dynamics and nuances of the impact of EmFi on financial services (Walsham, 1995).

Lastly, interpretivist research enables the gathering of insights into the phenomena of interest by examining the perspectives and behaviors of the human participants involved (Saunders et al., 2019; Walsham, 1995). By understanding the social and behavioral aspects from the viewpoint of these human participants, valuable insights can be uncovered that contribute to a richer understanding of the phenomena being studied.

3.2 Research Design

Bhattacherjee (2012) mentions that research studies can utilize different methods, such as qualitative, quantitative, or mixed methods. Qualitative research focuses on words and descriptions to explore meaning, while quantitative research relies on measurements and statistics (Bhattacherjee, 2012). For this study, the qualitative case study approach was used. Creswell (2003) states that this approach involves conducting an in-depth exploration of a program, event, activity, process, or individuals within a specific context (Creswell, 2003). A case study involves the examination of real-world conditions and enables the collection of data from various sources, thus addressing existing issues and scenarios (Creswell & Creswell, 2018).

Firstly, this approach is suitable when there is limited existing knowledge in the study and aims to provide a comprehensive understanding of the phenomena. Secondly, as the concept of EmFi is still evolving and there is limited existing knowledge, a qualitative approach allows for deeper exploration, comprehensive understanding, and capturing of rich contextual data. By adopting a case study strategy and employing qualitative data analysis, the relationship between EmFi and FSPs within a specific context could be examined, and valuable contextual data could be collected (Bhattacherjee, 2012). Qualitative methods provide the flexibility to explore diverse perspectives and gain a deeper understanding of the complexities surrounding EmFi. This approach allows for adaptability and openness to emerging insights (Creswell & Creswell, 2018).

3.3 Data Collection Methods

In this qualitative study, data was collected using semi-structured interviews. This was to provide an opportunity to gather detailed contextual information about the subject of interest and develop theoretical contributions (Oates, 2006). The interviews were conversational in nature and were done through Microsoft Teams, with senior managers from banks and fintech's (Creswell & Creswell, 2018).

The choice of this data collection method was based on desired interview outcomes and practical considerations, including the availability and scheduling constraints of the participants (Bhattacherjee, 2012; Creswell & Creswell, 2018). Semi-structured interviews allow for flexibility in addressing key themes while accommodating adjustments based on issues raised by the interviewees (Oates, 2006). Open-ended questions were utilized to gather comprehensive information on the topic (Bhattacherjee, 2012). Creswell, (2018) mentions that one-on-one interviews create a more comfortable environment for participants to express their thoughts candidly, hence the decision to not use focus groups (Creswell & Creswell, 2018).

As per the disruption theory and the conceptual framework applied in this paper, participants from fintech's and banks were interviewed in order to gather insights to comprehensively compare the business models, target markets and use of technology in each organization in order to determine the impact of EmFi solutions on financial services.

3.4 Population and Sample

3.4.1 Population

The target population for this study comprised managers within fintech's and local banks who hold direct responsibilities in innovation and digitalization and have used or built EmFi solutions. The age range of the participants spanned from 30 to 59 years, ensuring a diverse representation of entry-level managers to executive-level managers. The participant pool consisted of both females and males from diverse demographic backgrounds.

3.4.2 Sample

In this study, a purposive sampling method was employed to select participants. This sampling approach offers several advantages as it allows for the intentional selection of individuals who possess specific knowledge and expertise relevant to the phenomenon under investigation (Creswell & Creswell, 2018). Additionally, participant availability and willingness played a crucial role in the selection process (Kavuri & Milne, 2018). By using this method, participants were provided with an opportunity to reflect on their experiences and express their opinions effectively (Wahyuni, 2012). Based on the research question and objectives of this paper, the following sampling criteria were utilized:

- Participants were employed at a bank and fintech for more than six months.
- They were within the middle to senior management level to ensure the most exposure to strategy, business model and target market strategies.

Table 2: Participants' job titles and industries

Participant	Title
1	Product manager, fintech, lending
2	Product owner, fintech, lending
3	Product manager, fintech, insurance
4	Product owner, fintech, insurance
5	Product manager, fintech, payments
6	Product owner, fintech, payments
7	Product manager, local bank, lending
8	Product owner, local bank, lending
9	Product manager, local bank, payments
10	Product owner, local bank, payments
11	Product manager, local bank, insurance
12	Product owner, local bank, insurance
13	Product manager, insurance

3.5 The Research Instrument

The research instrument consisted of a comprehensive set of 17 questions (Appendix B). The interview process was divided into five distinct parts to ensure a systematic approach. The initial part was focused on establishing an introduction to the participants, aiming to gain insights into their roles within the organization and their backgrounds. The second part of the interview was more generic to set the scene and get a view of the participants' understanding of EmFi.

The subsequent three sections of the interview were to delve into the factors outlined in the conceptual framework, namely the target market, business model, and technology. These sections aimed to uncover and comprehend the specific aspects related to each factor and their relevance to the research topic. Additionally, the interview also explored the participants' understanding of EmFi solutions and their impact on FSPs. This exploration provided valuable insights into the practical implications and effects of EmFi solutions within the industry.

3.6 Procedure for Data Collection

The data collection procedure for this research paper involved qualitative semi-structured interviews with fintech's and a local bank. The process began with recruiting participants from these organizations through direct communication. Requests for participation were sent directly to the participants' emails. Participants were provided with detailed information about the research and asked to review and sign informed consent forms.

The interviews were conducted using online platforms such as Microsoft Teams, allowing for remote communication. The interviews followed a semi-structured format, combining pre-determined questions with the flexibility to explore additional topics. One-on-one interviews were conducted to create a comfortable environment for participants to share their insights openly (Creswell & Creswell, 2018). The sessions were recorded, and detailed field notes were taken to capture non-verbal cues and contextual information from the participants. The audio recordings were transcribed and anonymized for analysis. All collected data was stored securely and treated with confidentiality. This data collection procedure aimed to gather valuable insights to assist in ultimately answering the research question.

3.7 Data Analysis Strategies and Interpretation

Once the interviews were completed and the data collected, the data was prepared to be analyzed. The responses provided by the participants underwent deductive thematic analysis, which involves organizing recurring ideas related to the same concept to extract meaningful insights (Creswell & Creswell, 2018). This analytical method is recognized for generating reliable findings (Creswell & Creswell, 2018). It also offers flexibility in identifying patterns. However, there is a potential risk of inconsistent theme derivation due to the flexibility of thematic analysis.

To ensure consistency, the themes were identified deductively based on the constructs established in the literature review chapter. The analysis process followed guidelines outlined by Creswell and Creswell (2018). The recorded interview sessions were transcribed verbatim. The next step was to identify the main ideas and key concepts. Thereafter, coding took place. Initial codes were generated using keywords related to the constructs identified in the literature. Additional codes were created iteratively, while redundant codes were merged.

Creswell and Creswell (2018) state that coding is the process where data is grouped into categories depicted by a label. Coding can be done manually or by using software. Additionally, patterns within the themes can be identified to draw conclusions. These findings are presented and extensively discussed in the forthcoming chapters of the research paper. Creswell and Creswell (2018) state that these themes are where most of the main findings and conclusions are likely to be drawn from.

3.8 Limitations of the Study

Qualitative research has some limitations that should be acknowledged. Firstly, it focuses on understanding the perspectives and experiences of a small group of participants, which limits its generalizability to different contexts or larger populations. The subjectivity and interpretation inherent in the interpretivist approach mean that the findings of a study can be influenced by the subjective interpretations and perspectives of both the researcher and the participants. Furthermore, participants in qualitative interviews may exhibit bias by providing responses aligned with their organization's interests or industry positions, and they may withhold or omit information due to confidentiality concerns or personal preferences.

Time constraints can also be a challenge, as conducting one-on-one interviews with industry experts requires significant time and resources, potentially limiting the number of participants and posing scheduling difficulties. Additionally, while a study may include industry experts from specific sectors, it might not capture the full range of perspectives within the broader industry, lacking insights from stakeholders such as regulators, customers, or industry associations.

Finally, it is also important to recognize that the researcher may have biases, beliefs, and interpretations that can influence the selection of questions, data analysis, and interpretation of the findings.

3.9 Transferability and Dependability

3.9.1 **Transferability**

Transferability, distinct from generalizability, refers to the ability to apply research findings in different contexts (Oates, 2006). To achieve this, the researcher must provide rich and detailed information, including abundant descriptions, to facilitate the application of the research in various settings, contexts, and times (Oates, 2006). In this study, thorough and comprehensive descriptions have been included and are included in the following chapters to offer detailed accounts and contextual information about the phenomena.

3.9.2. Credibility

The researcher's confidence in the validity of their research findings is crucial (Oates, 2006). To ensure this, the researcher engaged with participants on multiple occasions and continued data collection until saturation was reached. If saturation had not been achieved, further research would have been conducted. All instruments and research designs are available to anyone who intends to replicate this study or delve into the topic in more detail.

3.9.3 Dependability

This refers to the process of ensuring consistency and reliability of the research results (Oates, 2006). Oates (2006) suggests that maintaining an audit trail involves documenting each step of the research process in a detailed and systematic manner. In this study, an audit trail was maintained to demonstrate the connection between various elements, including the themes derived from the literature review and conceptual framework, the research instrument, analysis procedures, presentation of research outcomes, as well as the contributions and limitations of the study.

3.9.4 Reliability

In qualitative research, reliability refers to the stability and consistency of the research process and findings Creswell & Creswell, 2018). In this study, techniques were employed to clearly document the methods used. An audit trail of all decision-making processes was documented, and transcripts as well as codes were checked to ensure they did not contain errors.

3.9.5 Validity

Validity in qualitative research refers to the extent to which the study accurately captures and represents the phenomenon under investigation (Creswell & Creswell, 2018). In this research, validity strategies ensured authenticity. These strategies included triangulation of data sources, prolonged engagement, member checking, self-reflection, and rich descriptions to enhance the credibility and authenticity of the findings (Creswell & Creswell, 2018).

3.10 Ethical Considerations

In conducting this study, several ethical considerations were addressed. First, participants' consent was obtained verbally and through written communication, ensuring they fully understood the purpose of the study, their role in it, and any potential risks or benefits involved. They were given the freedom to withdraw from the study at any time without facing any negative consequences. Second, the confidentiality and privacy of participants were safeguarded by ensuring that their personal information and responses remain confidential and accessible only to the researcher. Third, all participants were treated with respect, acknowledging their autonomy and individual rights. They were given the opportunity to make informed decisions regarding their participation, and their voices were valued and heard. Fourth, transparency was maintained throughout the study, with clear explanations provided to participants regarding the study's purpose, methodology, and potential outcomes. Finally, it is important to note that no data was collected until ethics clearance was obtained, ensuring that the study was conducted in compliance with ethical guidelines and regulations.

CHAPTER 4 PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents the key findings of a qualitative study that investigated whether EmFi constitutes a disruption in financial services or merely represents an enhancement in service delivery. Building upon the theoretical framework established in the previous chapter, this research utilized a purposive sampling strategy to select thirteen participants with deep knowledge and experience in the domain for semi-structured interviews. This approach ensured the inclusion of individuals directly involved in the innovation and digitalization of financial services through the use or development of EmFi solutions, including FinTech and local bank managers.

To maintain consistency in data analysis, the study adopted a deductive thematic approach, with predefined codes derived from the constructs identified in the literature review. The primary data source were verbatim transcriptions of the interviews. Iterative coding within ATLAS.ti software facilitated the identification of initial codes based on the pre-defined constructs. Redundant codes were merged throughout the process, ultimately revealing thematic patterns within the data. These patterns provided the foundation for drawing insightful conclusions and deepening the understanding of EmFi's impact on financial services.

4.2 Profile of the Participants

The participants in this study consisted of managers from fintech companies and local banks, all of whom played a direct role in innovation and digitalization efforts, including the use or development of EmFi solutions. Predominantly occupying middle to senior management positions, with a significant majority having over four years of experience in their respective fields, these individuals are well-versed in strategic planning, business modeling, and targeting market strategies, ensuring a rich depth of insight and experience relevant to the study's focus.

Table 3: Profile of the participants

Participant	Position	Role	Experience
1	Senior manager, insurance	Overseeing underwriting, claims processing, and customer service	15 years
2	Senior manager, insurance fintech	Development and implementation of innovative insurance solutions	5 years
3	Senior product manager, payments	Development and management of payment solutions	10+ years
4	Digital proposition manager / head of micro investment platform	Management of clients on a micro investment platform	9 years
5	Head of BNPL	Building an embedded finance solution	10 years
6	Head of personal lending	Looking after personal lending products	2 years
7	Solution owner	Deliver business and technology solutions, to improve client experience	8 years
8	Senior SME	Design solutions for customers	12 years
9	Product lead, fintech	Managing the lending product, building new product	4 years
10	Head of commercial debit, cheque, and prepaid card	Looking after the issuing business (debit, cheque, and prepaid card)	26 years
11	Product manager, credit card	Develop and enhance the credit card products	6 years
12	Solution owner	End to end management of the product	2 years
13	Head of business enablement, payments	Strategic enablement of risk operations and product	10 years

4.3 Outcomes from Thematic Analysis

4.3.1 Objective 1: To assess how EmFi is changing the way consumers access financial services.

EmFi is transforming consumer access to financial services by embedding financial products and services within non-financial platforms and businesses. This shift is altering the conventional banking framework, providing consumers with unparalleled ease, accessibility, and personalized management of their finances. Thematic analysis identified several critical aspects through which embedded finance is modifying consumer access to financial services, including seamless integration, personalized solutions, increased accessibility, enhanced convenience, and financial inclusion. The codes used to form these themes are shown in table 4.

Table 4: Codes and themes that emerged for research objective 1.

Codes	Themes
• Simplifying transactions within existing platforms • Enabling instant access to financial services wherever and whenever needed • Delivering financial services within relevant moments • Creating a network of interconnected financial services for enhanced user experience	Seamless integration
• Tailored solutions to meet individual needs • Contextual relevance • Simplifying the process and tailoring services to personal needs • Seamless customization • Personalized solutions seamlessly into non-financial platforms	Personalized solutions
• Technology-driven solutions, enhancing accessibility • Providing services through technological platforms • Instant access to insurance services when customers need them • Increased reach of payment solutions	Increased accessibility
• Integrating into non-financial platforms • Customer-centric insurance products • Financials services in places such as retail shops • Financing integrated directly into the purchase journey • Integrating insurance into various customer touchpoints	Enhanced convenience

• Facilitating access to a broader demographic • Targeting previously neglected market segments • Broadening the accessibility of payment solutions • Providing essential financial support to marginalized businesses • Access to financial services for market segment in rural areas	Financial inclusion

Seamless Integration

One theme identified from the data analysis is the seamless integration of embedded financial solutions into consumers' daily routines. Participant feedback highlighted that embedded finance integrates financial services into the platforms and activities consumers already engage with regularly. This integration removes the necessity for distinct financial transactions, offering a more cohesive user experience.

Participant 1 explained how EmFi is changing the way consumers access financial services whereby life insurance products are embedded in loans.

> *"Our unique selling point is that we are an insurance division of a bank, so we distribute our product within the banking channels. Example: for every loan sold, we sell a credit life insurance product embedded in the loan."* (Participant 1)

Participant 1 went further and described how they understand EmFi and how it seamlessly integrates financial services.

> *"Embedded finance to me, means the ability to embed insurance products into other products. For example, in our instance, embedding credit life insurance into a loan product so the customer doesn't need to provide us with an insurance application separately."* (Participant 1)

In concurrence, Participant 3 added that EmFi expands the reach of payment solutions by integrating them into non-financial platforms, making payments more convenient and accessible to consumers.

> *"I think embedded finance has a substantial impact on financial services, particularly in payments. It extends the reach of payment solutions by*

> *integrating them into various non-financial platforms, making payments more convenient and accessible to consumers. It also creates new revenue streams for the bank through partnerships."* (Participant 3)

Similarly, Participant 2 indicated that EmFi has led to insurance offerings integrating into various industries and platforms, thereby changing how consumers access financial services.

> *"Embedded finance has a profound impact on financial services, including insurance. It enables us to reach a wider audience by integrating insurance offerings into various industries and platforms, making it easier for customers to access and purchase insurance as part of their daily interactions."* (Participant 2)

Shopping, online or in-store, has been revolutionized by embedded finance. Obtaining finance for a purchase is no longer a separate transaction; now, buying and paying are smoothly intertwined for a unified experience. This was suggested by participant 6.

> *"The way I think about embedded finance is that the financing solution is embedded in another process. So, another process like any other lifestyle processes a customer might take part in, for example, shopping, whether it be online or in a store, etcetera. Obtaining the finance for that purchase isn't a separate event. It takes place in a completely integrated and seamless manner."* (Participant 6)

This was supported by Participant 5, who highlighted that obtaining credit has become a natural part of the shopping experience, where one can obtain credit at the point of transaction, offering a smooth and convenient way to pay for your purchases.

> *"So, I think the pain point that we are looking to eradicate is this idea that you can have inflight credit, or you can obtain credit at the point of your transaction, rather than you going to get credit somewhere else. That's really the biggest pain point that we're trying to solve."* (Participant 5)

Expressing the same views, Participant 9 revealed how they are evolving from a money transfer service to a financial companion for their customers.

> *"…. it's really around how do we help our customers' journey that may have started off as just sending money from one person to the next. Now, using solutions that can help them to pay for school fees, help them to kind of manage the day-to-day transactions, liquidity part of their daily usage. So that's kind of how we've positioned it."* (Participant 9)

Participant 5 provided an example of how EmFi has changed the way consumers access financial services by saying:

> *"Previously, if you wanted to have an insurance product as an example, you would go to an insurer and buy an insurance product that would cover your debt to a bank in the event of death. So, credit life insurance as an example, embedded finance, which basically means when I take out my loan product, my credit life insurance is embedded within my loan product. So, it's a case of it does what it says – it's embedding financial products in other goods and services."* (Participant 5)

In the same way, Participant 12 further explained how APIs enable smooth communication and data exchange between the non-financial platform and the EmFi provider.

> *"So, I think especially with the APIs, I think those ones are pretty great because you're able to basically create such a seamless integration that give your customer… all you're seeing is that I'm getting from point A to Z, but you're not seeing the multiple touch points happening in the backend."* (Participant 12)

Offering financial services directly integrated with daily activities makes service convenient and relevant. This was stated by Participant 10:

> *"For me, embedded finance is about a unique selling point and for me, it's about entrenching the customer via you know that cradle to grave strategy, get them on board, seamlessly."* (Participant 10)

Participant 2 further emphasized that the way consumers access financial services has now changed because businesses now partner with non-financial platforms and integrate insurance offerings seamlessly into their customer journeys.

> *"Our business model involves partnering with non-financial platforms and integrating our insurance offerings seamlessly into their customer journeys. What sets us apart from traditional insurers is our ability to seamlessly integrate insurance into various industries and customer touchpoints, providing a more convenient and accessible insurance experience."* (Participant 2)

Personalized Solutions

Thematic analysis further revealed that embedding financial services into diverse non-financial platforms allows consumers to obtain financial solutions customized to their unique needs and preferences. This personalization improves the overall user experience by ensuring that financial offerings are relevant and specifically tailored to each consumer.

The opinion of Participant 2 suggested that EmFi has transformed the accessibility of financial services for consumers by offering tailored, personalized solutions to meet their individual needs.

> *"Yes, our solution addresses specific pain points in the insurance industry by simplifying the insurance purchase process, offering customized coverage options, and providing instant access to insurance services when customers need them compared to having to apply through the traditional insurance companies and following long processes, sometimes not even being able to get cover because of your risk profile." (*Participant 2)

Buy now pay later solutions are changing how consumers access financial services by addressing key pain points of traditional loans by offering more convenient, and personalized financing options. These sentiments were expressed by Participant 8:

> *"I think definitely, because what you would find when a customer's applying for your normal traditional loan, the process is much longer as well as sometimes they might be application forms that is not involved with a buy now pay later*

solution. It's a very simple process that the customer will follow in order to get access to finance as well as it allows the customer to pay for an item at the point of sale of less value over a certain period of time, which currently, I think the personal loans offering traditionally doesn't solve for that need for a customer." (Participant 8)

Echoing other participants, Participant 6 emphasized that they offer EmFi products that aim to solve for personal needs.

"Embedded finance definitely solves major needs just because there's like various amounts of products that we offer customers today. There's definitely a need for lending services. We offer products that assist customers in meeting the individual goals. And this is like a massive gap in the market." (Participant 6)

Mirroring the theme of enhanced personalization, Participant 4 offered the example of embedding insurance directly with home loans, simplifying the process and tailoring coverage to individual needs

"For example, in insurance, if you take out a home loan, you could have an embedded insurance product as part of the loan. Embedded finance should not be one-dimensional. Often people see credit life as life insurance. I see it as more than just life insurance but should reduce the overall risk of the customer to the credit provider so hopefully the customer can get a better interest rate." (Participant 4)

Participant 2 also added that EmFi has altered the accessibility of financial services for consumers, making it possible to offer tailored, personalized solutions seamlessly into non-financial platforms.

"Our solution has a unique selling point in offering real-time risk assessment and personalized insurance recommendations, setting us apart from traditional providers. Our business model involves partnering with non-financial platforms and integrating personalized insurance offerings seamlessly into their customer journeys." (Participant 2)

Increased Accessibility

In assessing how EmFi is changing the way consumers access financial services, sentiments from participants suggested that increased accessibility is one of the ways in which EmFi is revolutionizing the financial services sector. Findings from this study indicated that EmFi expands access to financial services for a broader range of consumers.

According to Participant 1, EmFi increases access to financial services for a wider range of consumers.

> *"Embedded finance has the potential to expand the reach of financial services, including insurance, making our services more accessible to a broader audience."* (Participant 1)

Participant 8 also emphasized how EmFi enhances accessibility of financial services by highlighting that fintechs have improved accessibility of financial solutions to the customer.

> *"I definitely think technology plays an important role in disruptive innovations, because you would see that a lot of your fintech companies, you know, they come up with these fast solutions in terms of delivering something that's accessible to the customer in a quick, simple format"* (Participant 8)

Providing more detailed insights, Participant 8 explained how fintechs have enhanced the accessibility of financial products in a manner that traditional financial offerings cannot achieve.

> *"There's a lot of opportunity to leverage off some of the work that's offered by fintechs. And really bring that into the bigger scope of a product offering. Because what you would find is that you want to launch something quickly, whereas in your traditional ways of financial services, because of prioritization and system limitations, etc. It may take very long to launch a product out to the customer as opposed to using and leveraging of the work that a fintech company would have already done"* (Participant 8)

Expressing the same sentiment, Participant 12 indicated that financial services providers leverage solutions offered by fintechs to improve services and adopt technology-driven solutions, enhancing accessibility.

> *"I think brands should be doing what they know best, right? You're finding a lot of fintechs coming in with great solutions that are agile, you know, and the quite disruptive and its things that if a traditional bank would do it probably would take them longer to deliver, right? So, because your fintechs do not have the legacy systems and everything they are able to deliver things a bit quicker, and to provide the solution right now to the customer."* (Participant 12)

Offering more insights, Participant 7 added that:

> *"Providing services through technological platforms helps increase accessibility and convenience for customers, addressing pain points such as feeling embarrassed to apply for a loan in person."* (Participant 7)

EmFi simplifies the purchase of financial services such as insurance by providing instant access to insurance services when customers need them. These views were expressed by Participant 2.

> *"Yes, our solution addresses specific pain points in the insurance industry by simplifying the insurance purchase process, offering customized coverage options, and providing instant access to insurance services when customers need them compared to having to apply through the traditional insurance companies and following long processes, sometimes not even being able to get cover because of your risk profile."* (Participant 2)

The increased reach of payment solutions was put forward by Participant 3 who indicated that EmFi meant that payment solutions have been integrated into various non-financial platforms, thereby making them more accessible to consumers.

> *"I think embedded finance has a substantial impact on financial services, particularly in payments. It extends the reach of payment solutions by integrating them into various non-financial platforms, making payments more convenient and accessible to consumers."* (Participant 3)

Building on their earlier statements, Participant 1 and Participant 8 further expressed opinions that highlighted how EmFi has essentially changed the accessibility of financial services.

> *"Our unique selling point is that we are an insurance division of a bank, distributing products within banking channels, increasing accessibility to insurance products for customers."* (Participant 1)

> *"So, I think your embedded finance is very similar to that because it provides access to your different markets that you have whilst, you know, reducing your customer acquisition and your servicing costs as well."* (Participant 8)

Enhanced Convenience

Findings from this study also revealed that EmFi is changing the way consumers access financial services by enhancing convenience. With embedded financial solutions, consumers can now access a wide range of financial products and services seamlessly within the platforms they already use daily. This convenience eliminates the need to switch between multiple apps or websites, making financial transactions more efficient and user-friendly.

Participant 3 highlighted that EmFi enhances convenience by integrating into non-financial platforms, making payments more convenient and accessible to consumers.

> *"I think embedded finance has a substantial impact on financial services, particularly in payments. It extends the reach of payment solutions by integrating them into various non-financial platforms, making payments more convenient and accessible to consumers."* (Participant 3)

Adding to that, Participant 2 highlighted how disruptive innovation from EmFi has enhanced convenience.

> *"Disruptive innovation in insurance involves introducing new, more efficient, and customer-centric insurance products or distribution methods that can transform the industry by offering better value, convenience, or affordability compared to traditional insurance models."* (Participant 2)

In concurrence, Participant 10 offered insights that suggested that with EmFi, customers can now get financial services in places such as retail shops. This, according to the participants, brings convenience to the consumer.

> *"With the store card example, you can see that department store have the daily exposure to the client face to face, which makes it more convenient to sell to the client and it is more convenient for the client as well to take their product because when a client is already in the shop, instead of making a separate trip to the bank, it's more accessible and convenient to pick up another product which is the credit card from the same store which will make it easier for them."* (Participant 10)

Participant 4 further reiterated sentiments that suggested that convenience comes from the fact that consumers do not have to go to a bank and go through compliance processes.

> *"The last one has to do with not wanting to sit in a branch and follow all compliance with KYC and FICA."* (Participant 4)

Consistent with sentiments from the previous participants, Participant 8 talked about how simple and convenient buy now pay later solutions are where consumers do not have to through arduous application processes.

> *"I think definitely, because what you would find when a customer's applying for your normal traditional loan, the process is much longer as well as sometimes they might be application forms that's not involved with a buy now pay later solution. It's a very simple process that the customer will follow in order to get access to finance as well as it allows the customer to pay for an item of less value over a certain period of time."* (Participant 8)

In complete agreement with Participant 4 and Participant 8, Participant 7 also mentioned that EmFi simplifies access to financial services without the need to visit a branch or sign lots of papers.

> *"There's also not a lot of information that the customer needs to provide to us on our digital channels because we already have that information. Reviewing*

the agreement and contract is also quite simple for them, and digitally signing that contract is also something that makes a better user experience, and, you know, getting those funds as quickly as within a couple of minutes, obviously, you know, makes it a much better process. And then you'd sit in the branch and sign every single page. That's a part of the process, which our digital solutions help simplify." (Participant 7)

Participant 7 continued explaining and added that buy now pay later products bring convenience to customers in that they provide simple, quick application processes integrated directly into the purchase journey, providing immediate access to funds.

"I think getting immediate access to funds as well is something that customers want. They don't want to have to wait a couple of hours because generally when a customer does need a loan, they need it now and not later. And hence why, you know, providing it through these different technological platforms helps us do that." (Participant 7)

Adding to insights provided earlier, Participant 2 reiterated that with EmFi, convenience emanates from seamlessly integrating insurance into various customer touchpoints.

"What sets us apart from traditional insurers is our ability to seamlessly integrate insurance into various industries and customer touchpoints, providing a more convenient and accessible insurance experience." (Participant 2)

The same opinions were also articulated by Participant 6 who highlighted that EmFi will improve the ability to quickly adapt and understand customer preferences, ultimately leading to better customer experience.

"I think that they're able to provide a better user experience just in that way. We can make changes quickly and we can understand what customers like and don't like." (Participant 6)

Financial Inclusion

Exploring how EmFi is changing the way consumers access financial services, one of the themes that emerged was increased financial inclusion. By seamlessly integrating financial services into familiar platforms used by diverse populations, EmFi has the power to bridge the gap between traditional financial institutions and previously sidelined consumers. EmFi initiatives are promoting financial inclusion by reaching underserved populations and offering services to individuals who may have limited access to traditional banking services.

Participant 1 explained that leveraging partnerships with non-financial companies extends the accessibility of financial services such as insurance to a wider audience. This broadens the reach of financial products beyond traditional banking channels, thus promoting inclusivity.

> *"Embedded finance has the potential to expand the reach of financial services, including insurance. It allows us to offer our insurance products through partnerships with non-financial companies, making our services more accessible to a broader audience."* (Participant 1)

In confirmation, Participant 8 added that embedded financial services allow the targeting of customers in different market segments.

> *"So, I think ease of delivering products to the customer because if you're embedding and you're providing an embedded finance solution on financial services, then I think you're able to target across different markets of customers."* (Participant 8)

In line with Participant 1 and Participant 8, Participant 5 also highlighted that by leveraging technology, EmFi can now access new and diverse markets.

> *"So, I think that the technology that we are deploying will allow the bank to do more things. And enter markets that we wouldn't have ordinarily."* (Participant 5)

EmFi enables financial inclusion by revolutionizing the landscape of financial services, particularly insurance, by facilitating access to a broader demographic. These views were expressed by Participant 2.

> *"Embedded finance has a profound impact on financial services, including insurance. It enables us to reach a wider audience by integrating insurance*

> *offerings into various industries and platforms, making it easier for customers to access and purchase insurance as part of their daily interactions."* (Participant 2)

Participant 4 also highlighted how EmFi has allowed the targeting of previously neglected market segments.

> *"Our micro-investment platform target market is the South African consumer. We realized that there is underserviced part of the market where majority of South Africa does not have access to financial institutions."* (Participant 4)

In congruence with previous participants, sentiments from Participant 3 suggested that EmFi enhances financial inclusion by broadening the accessibility of payment solutions.

> *"I think embedded finance has a substantial impact on financial services, particularly in payments. It extends the reach of payment solutions by integrating them into various non-financial platforms, making payments more convenient and accessible to consumers."* (Participant 3)

By catering for small businesses, embedded financial services can directly address the needs of underserved entrepreneurs who often lack access to traditional banking services. This targeted approach contributes to financial inclusion by providing essential financial support to marginalized businesses. This was suggested by Participant 9 who said:

> *"So, we focus a lot of our business on small businesses that are just kind of you know, kind of taking things from one day to the next. Like literally your vendors on the side of the road kind of thing."* (Participant 9)

Consolidating the previous sentiments, Participant 9 added that embedded financial services are all about providing financial services to customers who are typically overlooked by large banks due to cost considerations.

> *"So, I think for me, it's a something as simple as putting financial solutions in the hands of customers that wouldn't ordinarily be serviced by the big banks and purely because it's a cost thing."* (Participant 9)

Describing their target market, Participant 6 suggested that EmFi allows them to target various market segments, from low-income to higher-income segments.

> *"So, in all my roles, including my current lending role, I've always had a retail customer focus. So, I guess that one is key. And the retail focus does span you know, all the way from very low income to higher income spaces."* (Participant 6)

Participant 7 also highlighted how EmFi enables market segments that are in rural areas to access financial services.

> *"I think it is critical because if you had to look at providing solutions to a market, a market segment, for example, that does not have easy access, and I'll use a bank as an example, easy access to a branch. But if you provide solutions for example, in a digital app and that market segment that is in a rural area, you know, is able to transact by a device, for example, do their banking, access USSD etc, you know, via the solutions that we provide, you know, through this disruptive innovation."* (Participant 7)

4.3.2 Objective 2: To evaluate the benefits and challenges of EmFi for consumers and businesses.

This study's assessment of the advantages and obstacles of EmFi for both consumers and businesses revealed that the benefits encompass streamlined product offerings and opportunities for innovation. However, it also identified challenges, such as navigating partnerships and integrations, along with regulatory and compliance concerns. Table 5 shows the codes that led to these themes.

Table 5: Codes and themes that emerged for research objective 2.

Codes	**Themes**
• Streamlining the process for customers to quickly access multiple financial products through a single platform • Streamlining the payment process • Offering financial services directly within existing products and services • Providing financial services directly within the context of their activity	Simplified product offerings

• Addressing the pain point of accessing credit seamlessly during transactions	
• Leveraging technologies and offering more accessible and cost-effective financial solutions • Fostering innovation by enabling the adoption of technologies such as artificial intelligence • Embracing technology and collaborating with fintech companies unlock opportunities to innovate	Innovation opportunities
• Complexity in integration with traditional banking systems • Difficulty in incorporating new innovative solutions seamlessly into existing infrastructures. • Legacy systems and outdated infrastructure • Conflicting priorities and conflicting business models • Revenue sharing	Managing partnerships and integrations
• Unregulated financial services • Governance • Internal compliance protocols • Uneven regulatory playing field • Navigating regulatory requirements with operating with banking partners	Compliance with regulations

Simplified Product Offerings

Thematic analysis further showed that EmFi solutions offer benefits for both businesses and customers by simplifying product offerings, improving operational efficiency, and providing access to a wider range of financial services. Consumers can access financial services seamlessly within their existing interactions, reducing the need for separate transactions.

Participant 7 clearly illustrated how EmFi solutions simplify product offerings by streamlining the process for customers to quickly access multiple financial products through a single platform. This swift access to funds enhances the overall customer experience, distinguishing embedded financial solutions from traditional service providers.

> *"A simple input of income and expenses provides you with an outcome not just across one product but multiple products, which again, I think is something that also differentiates us from other service providers. And again, providing a suite of products provides a better customer experience. There's also not a lot of*

information that the customer needs to provide to us on our digital channels because we already have that information. Reviewing the agreement and contract is also quite simple for them and digitally signing that contract is also something that makes a better user experience and you know getting those funds as quickly as within a couple of minutes, obviously, you know, makes it a much better process." (Participant 7)

Participant 1 explained that for every loan sold by the bank, a credit life insurance product is automatically included within the loan offering, reducing the need for separate marketing and sales efforts for insurance products. This approach enhances convenience for customers and increases efficiency for the bank, illustrating how embedded financial solutions simplify product offerings within existing channels.

"Our unique selling point is that we are an insurance division of a bank, so we distribute our product within the banking channels. Example: for every loan sold, we sell a credit life insurance product embedded in the loan." (Participant 1)

Participant 1 went further and described how embedding credit life insurance into loan products means that customers no longer need to go through a separate application process for insurance, which simplifies the way products are offered.

"Embedded finance to me, means the ability to embed insurance products into other products. For example, okay, in our instance, embedding credit life insurance into a loan product so the customer doesn't need to provide us with insurance application separately." (Participant 1)

In consensus, Participant 3 added that embedded financial solutions simplify product offerings by streamlining the payment process, increasing accessibility for consumers, and creating new revenue opportunities for banks and financial institutions through strategic partnerships.

"I think embedded finance has a substantial impact on financial services, particularly in payments. It extends the reach of payment solutions by integrating them into various non-financial platforms, making payments more

convenient and accessible to consumers. It also creates new revenue streams for the bank through partnerships." (Participant 3)

Similarly, Participant 2 indicated that EmFi streamlines the customer journey by allowing businesses to offer insurance products directly within their existing products or services, eliminating the need for customers to seek out separate insurance providers.

> *"Embedded finance has a profound impact on financial services, including insurance. It enables us to reach a wider audience by integrating insurance offerings into various industries and platforms, making it easier for customers to access and purchase insurance as part of their daily interactions."* (Participant 2)

Sentiments from Participant 6 suggested that instead of customers having to engage in a separate transaction or visit a bank or financial institution for financing, they can get financing directly within the context of their activity. As a result, customers can access financing effortlessly, leading to a more seamless and enjoyable experience.

> *"The way I think about embedded finance is that the financing solution is embedded in another process. So, another process like any other lifestyle processes a customer might take part in, for example, shopping, whether it be online or in a store, etcetera. Obtaining the finance for that purchase isn't a separate event. It takes place in a completely integrated and seamless manner."* (Participant 6)

These opinions were echoed by Participant 5 who emphasized that EmFi solutions simplify product offerings by addressing the pain point of accessing credit seamlessly during transactions. Instead of customers having to seek credit from external sources, such as banks, EmFi solutions allow for in-the-moment credit decisions, integrated directly into the purchasing process.

> *"So, I think the pain point that we are looking to eradicate is this idea that you can have inflight credit, or you can obtain credit at the point of your transaction, rather than you going to get credit somewhere else. That's really the biggest pain point that we're trying to solve."* (Participant 5)

Expressing the same sentiments, Participant 9 explained that a customer's journey might begin with a simple task like sending money to someone else. With EmFi solutions, they can access additional services seamlessly, such as paying for school fees or managing everyday transactions.

> *"…. it's really around how do we help our customers' journey that may have started off as just sending money from one person to the next. Now using solutions that can help them to pay for school fees, help them to kind of manage the day-to-day transactions, liquidity part of their daily usage. So that's kind of how we've positioned it."* (Participant 9)

To obtain credit life insurance, one would typically need to approach an insurer and purchase a policy separately from obtaining a loan from a bank. However, with EmFi, the insurance product is integrated into the loan product itself to simplify the product offering.

> *"Previously, if you wanted to have an insurance product as an example, you would go to an insurer and buy an insurance product that would cover your debt to a bank in the event of death. So, credit life insurance as an example, embedded finance, which basically means when I take out my loan product, my credit life insurance is embedded within my loan product. So, it's a case of it does what it says – it's embedding financial products in other goods and services."* (Participant 5)

In the same way, Participant 12 indicated that EmFI solutions can simplify product offerings through the use of APIs where they can achieve seamless point-to-point connections without burdening the customer with technical complexities.

> *"So, I think especially with the APIs, I think those ones are pretty great because you're able to basically create such a seamless integration that give your customer all you're seeing is that I'm getting from point A to Z, but you're not seeing the multiple touch points happening in the backend."* (Participant 12)

Innovation Opportunities

Furthermore, the data analysis also suggested that embracing technology and collaboration with fintech companies through EmFi opens up opportunities for traditional financial service providers to innovate and offer new products.

Participant 1 highlighted that EmFi fuels innovation by embracing technology.

> *"Technology enables us to streamline internal processes and improve our ability to underwrite risks accurately. It also helps us manage claims efficiently and enhance customer service."* (Participant 1)

Participant 1 also added that EmFi presents significant innovation opportunities for the financial services industry. The participant suggested that, by leveraging technologies, insurance providers can offer more accessible and cost-effective solutions, attracting new players into the market and fundamentally changing the landscape of insurance.

> *"Disruptive innovation in insurance involves introducing new technologies, processes, or business models that have the potential to reshape the insurance industry by making it more efficient, cost-effective, or customer-centric or fundamentally changing the way in which clients are insured. A good example of this would be cell captive technologies that allows more insurance providers to enter the market at a lower cost to entry."* (Participant 1)

Echoing similar views, Participant 12 added that EmFi, particularly through APIs, unlocks innovation by enabling seamless financial experiences.

> *"I think they do because the solutions are created from a user perspective, make sure that there are no disruptions and they are no multiple handoffs, so I think especially with the APIs, I think those ones are pretty great because you're able to basically create such a seamless integration that give your customer all you're seeing is that I'm getting from point A to Z, but you're not seeing the multiple touch points. happening in the backend. So, 100% thing that you know, they do, enhance that user experience."* (Participant 12)

In support of the sentiment above, Participant 2 stated that EmFi fosters innovation by enabling the adoption of technologies such as artificial intelligence, and digital platforms to create innovative insurance products.

> *"Absolutely, technology plays a pivotal role in disruptive innovations within the insurance space. It enables us to leverage data analytics, artificial intelligence, and digital platforms to create innovative insurance products, streamline underwriting processes, and enhance the overall customer experience."* (Participant 2)

Emphasizing how technology enhances innovative EmFi solutions, Participant 8 stated that technology makes financial services more accessible and convenient for everyone, which drives innovation within the industry.

> *"So, I definitely think technology plays an important role in disruptive innovations, because you would see that a lot of your fintech companies, you know, they come up with these fast solutions in terms of delivering something that's accessible. To the customer in a quick, simple format. So definitely."* (Participant 8)

Further emphasizing the role of adopting technology in EmFi solutions Participant 4 mentioned how new innovative technology can be implemented to change the way customers consume financial services.

> *"Brought to the market by startups or by incumbents that don't get bogged down by what happened in the past by legacy systems and products or value chains. They use new innovative technology, implementation, and processes to change how people engage, interact and consume products and services."* (Participant 4)

Participant 5 pointed out how the technology that they are adopting will allow the bank to use innovative EmFi solutions to capture new markets.

> *"Now imagine a universe where you've got third-party payments enabled in a personal loan. So, the customer actually doesn't receive one cent of that money. He comes through, he applies for loan, but he doesn't get the money.*

We settle the supplier directly. So, I think that the technology that we are deploying will allow the bank to do more things. And enter markets that we wouldn't have ordinarily." (Participant 5)

Participant 3 was of the opinion that, by embracing technology and collaborating with fintech companies through EmFi, traditional financial service providers can unlock exciting opportunities to innovate and offer new, personalized payment services.

> *"I think we can indeed leverage solutions offered by fintechs to stay competitive. Fintech collaborations can help us adopt innovative technologies and provide customers with more convenient and efficient payment services."* (Participant 3)

Managing Partnerships and Integrations

Analysis of the data also indicated that businesses face challenges with EmFi, particularly in managing partnerships and integrations. Feedback from participants highlighted difficulties in handling revenue sharing among partners. Additionally, the integration of systems and business models was identified as a source of challenges.

Participant 5 explained that managing partnerships and integrations presents its own set of challenges, especially when considering technological advancements such as buy now pay later within EmFi. This particular technology poses a unique hurdle due to its complexity in integration with traditional banking systems.

> *"And then the last challenge that I will put out is technology. This is a very unique type of technology that manages Buy now pay later when embedded finance and it's quite difficult to integrate this into legacy banking systems."* (Participant 5)

In support of prior sentiments, Participant 3 reiterated the difficulty in incorporating new innovative solutions seamlessly into existing infrastructures, highlighting the intricacies involved in navigating the intersection of technology and financial services.

> *"To overcome these challenges, we've gradually modernized our technology infrastructure, streamlined processes, and collaborated with fintech partners to stay competitive, but these legacy systems and hurdles will always be an issue*

with a big bank like ours. So, I guess it's learning to work around them and see how we can best leverage what we have." (Participant 3)

Similarly, Participant 2 pointed out that the challenge lies in overcoming the constraints imposed by legacy systems, where we are hindered by outdated infrastructure. According to the participants, they are faced with the burdensome task of retroactively testing every aspect, a process that is typically time-consuming.

"And then the second one really is to, to not have legacy hold us back. So, we can develop new stuff without having to retrospectively back test everything, you know, which takes six months with the testing so that every little system in the value chain is like, you know, 100%." (Participant 2)

Expressing similar views, Participant 12 added that navigating partnerships and integrations presents a challenge, particularly when there is misalignment in the systems which necessitate significant groundwork to achieve objectives effectively.

"The challenge is always going to be there especially if the systems are not aligned or up to par. So, there's a lot of legwork that needs to be done in order for you to then achieve the stated objectives." (Participant 12)

In highlighting challenges around integrating business models, Participant 4 gave an example of a micro investment platform where initially the business model aligned with their corporate partner's vision, anticipating expansion. However, the details of the business model were not fully grasped by internal stakeholders, who also had competing priorities to manage. According to the participant, this lack of understanding and conflicting priorities complicated the process of managing partnerships and integrations effectively.

"Totally. I mean, if the platform had to go and get sort of third-party finance, you know, like venture capital finance, the business model would have been very different. Right? But there's pros and cons to all of that. So, the business model made sense to the corporate at the time, because we're going to be this acquisition and, you know, the platform that then unfortunately, the business model wasn't fully understood across the across the internal stakeholders. They've also got other priorities." (Participant 4)

The same participant added that, in the context of managing partnerships and integrations, the challenge lies in the difficulty of aligning with corporate entities. The participant explained that despite having amassed a significant number of customers, they face obstacles in persuading corporations to incorporate their offerings into their existing systems.

> *"So, while we've developed 360,000 customers, w'ree battling to get our corporate partner as a corporate to integrate these into their products into their client engagement. So, we've got Salesforce, for instance, they're so focused on implementing Salesforce in the traditional way, through the traditional channels that I keep on going, guys, let us push our data into Salesforce that can give you propensity, modelling."* (Participant 4)

Shifting the focus to challenges in revenue sharing, Participant 4 lamented that despite generating significant revenue through leads and sales, such as with lifestyle protection products, the allocation of this revenue back into their platform is often overlooked.

> *"The long-term soft value that we were bringing to the business sometimes doesn't get valued appropriately. And the revenue share doesn't get shared back into the organ or into the platform. So, while we might produce a lead, and sure, they bought the lifestyle protect, and let's create R20 000 worth of new business value. They don't allocate that a portion of that R20 000 we just seen as a cost centre. So that's been the challenge, to get through that."* (Participant 4)

Aligning on commissions is another challenge associated with managing partnerships and integrations in EmFi, particularly in the loan space. Attractive rates are vital for customer acquisition. However, EmFi platforms often collaborate with other financial institutions to underwrite loans, which involves negotiating commission agreements. These agreements determine the platform's share of the interest charged. The challenge emanates from striking a balance where the combined platform fee and lender's commission still offer competitive rates to customers. Expressing these sentiments, Participant 12 said:

"I think it is also aligning on commissions, right? Because if you truly want to be competitive in the loan space, you are not trying to price up to the point where customers say, 'I'd rather go to my competitor'. But that means you are potentially losing out on some revenue there because you're not charging to what you can from a max perspective. So, you've already lost that margin already, right?" (Participant 12)

Continuing with the explanation, Participant 12 further stated that challenges associated with managing partnerships and integrations in EmFi also lie in finding the balance between offering attractive loan rates and generating enough revenue to share with partners that underwrite the loans while remaining profitable.

"But then you now need to go share that revenue with someone else so and the platform a third party might feel as if you know, you're going to be making X amount and they're not fairly compensated for all of that. So, I think those become some of the challenges where sometimes you more often than not, you end up not even proceeding because you also can't forego a lot of the profit, but you're also supposed to share it. So, trying to create the balance there. So, I would say that is one of the challenges." (Participant 12)

Compliance with Regulations

One of the challenges highlighted by participants in this study is the issue of compliance with regulations. Integrating financial services into non-financial platforms may raise regulatory challenges for businesses in terms of compliance and risk management.

Participant 5 lamented that buy now pay later services operate in a regulatory gray area, raising questions about whether they should adhere to the same standards set by laws like the National Credit Act. According to the participant, this uncertainty poses a significant challenge for businesses, as they must navigate differing regulatory landscapes and determine how to ensure compliance.

"So, the challenge like for example, in a normal National Credit Act regulated product, you have to verify income, you have to do an affordability assessment, you have to make sure your credit cost multiple is disclosed what the total cost

of credit is. The National Credit Act sets out clear parameters of what a lending product needs to look like. But buy now pay later is not regulated. And so, the starting point of the argument is okay, then does it fall in the ambit of the National Credit Act? And do you have to actually follow National Credit Act rules? So, that's a major challenge." (Participant 5)

Expressing similar views, Participant 8 also mentioned that the lack of regulation for buy now pay later services presents a notable obstacle to the business.

"Currently at the moment, I think some of the challenges or the blockers we are having is from a credit perspective, so buy now pay later is currently not regulated within SA. So that for now is just a business challenge that we have." (Participant 8)

Participant 3 also added that compliance remains one of their biggest challenges as a traditional bank trying to implement business models to cater for EmFi.

"Implementing our business model in a traditional bank comes with challenges related to legacy systems, compliance, and internal processes." (Participant 3)

Further underlining the regulatory challenges, Participant 13 stated that the likes of the Payment Association of South Africa (PASA) now require real-time verification of every transaction recipient, a departure from the previous batch processing method. These dynamics, according to the participant, highlight the complexity of adapting to regulatory shifts within the EmFi landscape.

"It's only so because it's an interplay with regulation. It's an interplay with inter banks. As things changed, our world changes. So, if I use for example, the grey-listing – so for most of the bank, a grey-listing was okay, life goes on. For us all of a sudden, not just new rails, but old rails as well. The financial crime team are saying, nope, we want you to verify each transaction in real-time as to who is getting that money. So, we prefer if we could have done that in a batch processing" (Participant 13)

Participant 13 went on and added that that it is not solely a challenge within the banking sector but extends beyond that, where there is a mandate for financial entities to track and monitor every transaction originating within the country's borders before it is transferred elsewhere.

> *"So not even a banking space. But country regulation says we want you guys to see every transaction that begins in our country before it moves out."* (Participant 13)

Participant 5 highlighted that one of the challenges that they face is the lack of regulations specific to the buy now pay later product offering.

> *"Yeah, there's a few challenges, right? As a bank, the largest challenge we face is regulatory. There's no regulation for buy now pay later. So, it's not a clear-cut methodology that we can apply and say, ah, it's regulated credit you have to do 12345."* (Participant 5)

Underscoring regulatory and compliance challenges, Participant 6 suggested that the governance layer, which may include rules, regulations, and internal compliance protocols, limits the company's flexibility in implementing certain financial services seamlessly within other businesses or platforms.

> *"Again, I would say sometimes it's our governance layer that hinders us from doing exactly what we want to do."* (Participant 6)

Emphasizing their point, Participant 6 elaborated further, noting that while fintechs and traditional banks share similar capabilities, traditional banks often face stricter regulatory scrutiny and are held to higher standards, both externally and internally. They implied that this creates an uneven playing field.

> *"I don't think there's anything necessarily that a fintech can do that we couldn't do if we really wanted to. However, I think the governance and regulatory environment is maybe where I would say things are different. And it's not necessarily that the regulation applies differently, but just in a banking environment. I do feel like we are held to different standards, sometimes actually held to different standards, and sometimes based on our own view of how we need to run our businesses, we hold ourselves to a higher standard.*

And I think that can then impose challenges that fintechs don't experience." (Participant 6)

Building on their previous contributions, Participant 6 added that while governance is necessary, it often causes delays.

"So, one is like, you know, the systems that we have and then also the governance around what we do makes things take very long, and we need the governance but fintechs can move much faster." (Participant 6)

Participant 2 also acknowledged that regulatory compliance and data privacy are significant challenges in EmFi.

"Yes, definitely I think when it comes to regulatory compliance and data privacy, but we have overcome these challenges by working closely with regulators and implementing robust security measures." (Participant 2)

Participant 7 also added that one of the significant challenges lies in navigating regulatory requirements and securing approvals, particularly in terms of operating with banking partners.

"So, I suppose that is probably the challenge regulators as well like in terms of the approvals and how they want us to operate with the banking partners. I suppose that's our biggest challenge if you think about it. In terms of like everything else, riding off the platform using the tech getting the customers those are the quick wins, those are ticks, but regulatory, and funding partner. are very big challenges, very difficult." (Participant 7)

4.3.3 Objective 3: To investigate the impact that EmFi will have on the financial services industry in the future.

The impact of EmFi on the financial services industry in the future is expected to be profound, leading to significant transformations across various aspects of the industry. Findings from this study revealed that the future impact of EmFi on the financial services industry include the disruption of traditional models, enhanced customer experiences, the emergence of new revenue streams, expanded market horizons, and increased opportunities for partnerships and collaborations. Table 6 shows the codes that led to these themes.

Table 6: Codes and themes that emerged for research objective 3

Codes	Themes
• Obscuring the gap between financial and non-financial sectors • Leveraging technology to offer lower-cost, more accessible, and personalized financial solutions within non-financial platforms • Collaboration between diverse players • Fostering innovation and expanding the financial services landscape	Disruption of traditional models
• Tailored solutions to meet individual needs • Contextual relevance • Simplifying the process and tailoring services to personal needs • Catering to evolving customer needs • Improving how customers interact with financial services.	Enhanced customer experience
• Targeting diverse markets and generating income through transactions and partnerships • Disrupting, expanding, and creating innovative financial services which brings new revenue streams • Collaborating with platform providers to share transaction fees or subscription models • Leveraging existing platform user bases and distribution channels. • Improved operational efficiency	New revenue streams and market expansion
• Shared value creation • Development of innovative solutions and expand market reach • Innovative collaborations • Agile solutions that can be swiftly integrated into existing platforms • Increased distribution channels	Partnerships and collaborations

Disruption of Traditional Models

A notable result from the thematic analysis is the potential of EmFi to overturn conventional financial models. The findings suggest that EmFi could blur the distinctions between financial and non-financial sectors, posing a significant challenge to traditional entities and compelling them to adopt innovative strategies to remain competitive.

Participant 13 indicated that the impact that EmFi will have on the financial services industry in the future will be the disruption of traditional models.

> *"Will it be a disruption to banks and their current structure? Yes. Because in that sense, if you've embedded your offering as a value chain, quite far from you know, the banking environment, it detracts from a bank being able to own you end to end."* (Participant 13)

In concurrence, Participant 3 pointed out that EmFi is likely to disrupt traditional financial services models by obscuring the gap between financial and non-financial sectors.

> *"I think embedded finance has a substantial impact on financial services, particularly in payments. It extends the reach of payment solutions by integrating them into various non-financial platforms, making payments more convenient and accessible to consumers. It also creates new revenue streams for the bank through partnerships. So, I guess if we as a bank are not careful, it could definitely be disruptive*." (Participant 3)

Views from Participant 4 suggested that EmFi will disrupt traditional financial services models by bringing together different financial products and services into a single offering (instead of separate entities), creating synergy and value beyond what traditional financial companies can achieve.

> *"I do think embedded finance can be a disruptor. When you start combining different individual products in the value chain that is disruptive because we can do as a group what standalone companies can't do easily."* (Participant 4)

Participant 7 added that EmFi presents significant challenges to the financial service industry given the predicted future consumer trends where the younger generation will demand innovative financial solutions to their financial needs.

“I think it poses a huge risk to the financial service industry, especially, if you have to consider Gen Z And millennials who are looking for, you know, simple, easy technology-driven solutions, and they want to do it at their convenience rather than through traditional banking solutions, which is going by the branch or via a specific banks app or online banking.” (Participant 7)

In parallel with views from prior participants, perspectives from Participant 8 suggested that the emergence of EmFi, driven by customer demand for simplicity, could disrupt the traditional financial services industry. By responding to these changing customer needs, embedded solutions will fundamentally shift how financial services are delivered and monetized.

“I think it could be a disruption and I think if we look at how the market is changing, and from customer needs as well, customers are looking for the simple solutions, these embedded solutions, the whole thing about wanting to do things easier. And I think also it creates new business models for like financial institutions. It creates new revenue streams for them as well.” (Participant 8)

Also highlighting that EmFi will most likely disrupt traditional financial services models was Participant 9, who said:

“I do think that there’s room for disruption, especially when it comes to financial services of platforms that are already… so, I mean, you take your Apples and your Google's platforms that people already work on WhatsApp, etc. And there's room to disrupt it. So, it's just being held back by regulation today.” (Participant 9)

In addition, Participant 9 expressed that EmFi will disrupt the financial services sector by bringing affordable, accessible finance to traditionally underserved customers. Fintechs will play a crucial role in this disruption by leveraging technology to offer lower-cost, more accessible, and personalized financial solutions within non-financial platforms.

“So, I think for me, it's a something as simple as putting financial solutions in the hands of customers that wouldn't ordinarily be served by the big banks and

> *purely because it's a cost thing. So yeah, I think in terms of this, the fintechs have the role that these kinds of disruptions play is that it gets financial services into the hands of customers that wouldn't ordinarily be served by traditional larger banks, and that's purely because of cost."* (Participant 9).

Views from Participant 1 suggested that by integrating financial products like insurance into various industries, EmFi challenges the conventional methods of distribution and accessibility, ultimately reshaping how these services are delivered and consumed.

> *"So, for me, embedded finance has the potential to expand the reach of financial services, including insurance. It allows us to offer our insurance products through partnerships with non-financial companies, making our services more accessible to a broader audience."* (Participant 1)

Participant 11 indicated EmFi is gradually disrupting traditional financial services. As an example, the participant highlighted how department stores, through store cards, are leveraging their direct customer interactions to offer financial products conveniently. This trend, according to the participant, indicates a shift in how financial services are delivered, posing a challenge to traditional banking models.

> *"I think embedded finance is slowly eating into the pie of financial services, and it should not be underestimated. With the store card example, you can see that department store have the daily exposure to the client face to face, which makes it more convenient to sell to the client and for the client it is more convenient."* (Participant 11)

However, Participant 5 expressed a different viewpoint. The participant emphasized that instead of viewing EmFi as a disruptive innovation, it should be seen as an evolutionary leap in how financial services are delivered. According to the participant, this evolution is not necessarily disruptive but rather a natural progression in the way in which financial services are provided.

> *"I think the largest impact that it will have been it will augment our delivery channel. Currently, we deliver products as financial services independently of each other within its own independent delivery channels. So, I think the impact*

that embedded finance is going to have will be this augmentation of delivery channel. So, for me it's important that I categorize this and say that I don't believe it is disruptive innovation. I believe it is an evolution of financial services." (Participant 5)

Participant 5 went on to explain that, in their opinion, disruptive innovation involves radically reimagining the way a specific product or industry operates, often resulting in the displacement of existing market leaders. Giving the example of Uber, the participant pointed out that this transformation typically leads to the complete reshaping of an industry or product.

"For me, a disruptive innovation would take a particular product and/or a particular industry and completely reimagine the manner in which things are done. That leads to the cannibalization of a previous market incumbent. So, the classic example that people use is Uber. When Uber came and retold or rewrote the rules of what the taxi industry is, or how Apple rewrote the rules of what communication music, photography actually is, so it's completely rewriting the rules of a particular market segment. Or sector of the economy." (Participant 5)

Enhanced Customer Experience

Further analysis revealed that the integration of financial services into everyday activities will result in a more seamless and personalized customer experience. Consumers will have easier access to a wide range of financial products and services, leading to increased satisfaction and loyalty.

Participant 1 indicated that the impact of EmFi will be improved customer experience through expansion of financial services to a wider customer base.

"Embedded finance has the potential to expand the reach of financial services, including insurance. It allows us to offer our insurance products through partnerships with non-financial companies. This collaboration can enhance efficiency and customer experience." (Participant 1)

In line with Participant 1, views from Participant 11 suggested that by integrating financial services into everyday retail experiences, such as department stores, customers benefit from seamless transactions and personalized service, ultimately enhancing their overall experience.

> *"I think embedded finance is slowly eating into the pie of financial services, and it should not be underestimated. With the store card example, you can see that department store have the daily exposure to the client face to face, which makes it more convenient to sell to the client and for the client it is more convenient."* (Participant 11)

Participant 2 also highlighted that incorporating insurance products across different sectors and platforms will simplify the process for customers to obtain and buy insurance as a routine part of their daily engagements, thereby enhancing the customer experience.

> *"Embedded finance has a profound impact on financial services, including insurance. It enables us to reach a wider audience by integrating insurance offerings into various industries and platforms, making it easier for customers to access and purchase insurance as part of their daily interactions."* (Participant 2)

Further emphasizing enhanced customer experience, Participant 3 suggested that EmFi will challenge conventional practices and offer enhanced solutions that cater to evolving customer needs, ultimately driving a more streamlined and improved customer experience.

> *"For me, disruptive innovations are transformative changes or innovations that have the potential to significantly reshape the financial industry. These innovations introduce new technologies, business models, or customer experiences that challenge established norms."* (Participant 3)

In unison with preceding sentiments, Participant 4 added that EmFi, when viewed through the lens of customer experience, has the potential to greatly improve how customers interact with financial services.

> *"Embedded finance, if applied correctly from a customer experience lens, can enhance customer experience as well as outcomes of customer and in doing so creates value for the shareholder."* (Participant 4)

Participant 8 highlighted that EmFi will enhance customer experience by facilitating the ease of delivering products to customers through EmFi solutions.

> *"I think ease of delivering products to the customer because if you're embedding and you're providing an embedded finance solution on financial services, then I think you're able to target across different markets of customers. I think it could be a disruption and I think if we look at how the market is changing, and from customer needs as well, customers are looking for the simple solutions, these embedded solutions, the whole thing about wanting to do things easier."* (Participant 8)

The same views were expressed by Participant 6 who highlighted that EmFi will improve the ability to quickly adapt and understand customer preferences, ultimately leading to better customer satisfaction.

> *"I think that they're able to provide a better user experience just in that way. We can make changes quickly we can understand what customers like and don't like."* (Participant 6)

Participant 12 also suggested that EmFi will improve customer experience.

> *"I think you're also creating a competitive edge, and it's differentiated because now you're delivering the service, not in the same way. And that speaks to just customer experience enhancing that and making sure that the customer's experience with the bank is a bit more enjoyable and seamless."* (Participant 12)

New Revenue Streams and Market expansion

In order to investigate the impact that EmFi will have on the financial services industry in the future, participants were asked what impact they think EmFi has on financial services. Their perspectives suggested that financial institutions and businesses can leverage EmFi to create new revenue streams by offering financial products and services in non-traditional settings. This diversification of revenue sources can drive growth and profitability.

Participant 3 indicated that EmFi creates new revenue opportunities for financial institutions through partnerships with non-financial platforms. This enhances payment experiences, drives market expansion, and generates additional income streams for banks.

> *"I think embedded finance has a substantial impact on financial services, particularly in payments. It extends the reach of payment solutions by integrating them into various non-financial platforms, making payments more convenient and accessible to consumers. It also creates new revenue streams for the bank through partnerships."* (Participant 3)

Participant 12 concurred with Participant 3 by emphasizing that EmFi creates opportunities for market expansion and revenue streams.

> *"I think so. I think it's, it's you basically coming up with a new revenue stream you are showing up with a customer is you're basically not saying I'm sitting back and waiting for you know. Traditionally, customers to come to you but you show up with them. Also, I guess from a revenue perspective is, you know, finding a new market, finding new people that you wouldn't have found because they wouldn't necessarily page to the banks or, you know, your traditional brick and mortar, but if you find them there, you will find it. You're basically then generating a new revenue stream."* (Participant 12)

In line with Participant 3 and Participant 12, Participant 5 also highlighted that by leveraging technology, EmFi can now access new and diverse markets.

> *"So, I think that the technology that we are deploying will allow the bank to do more things. And enter markets that we wouldn't have ordinarily."* (Participant 5)

Participant 1 explained that EmFi gives insurance companies the opportunity to tap into new customer bases and markets that they may not have reached otherwise. This expansion of reach leads to new revenue streams and market opportunities for the insurance provider, ultimately driving growth and profitability.

> *"Embedded finance has the potential to expand the reach of financial services, including insurance. It allows us to offer our insurance products through partnerships with non-financial companies, making our services more accessible to a broader audience."* (Participant 1)

Participant 2 added that by embedding insurance offerings into various platforms, businesses can generate new revenue streams by reaching a wider audience that may not traditionally engage with financial services.

> *"Embedded finance has a profound impact on financial services, including insurance. It enables us to reach a wider audience by integrating insurance offerings into various industries and platforms, making it easier for customers to access and purchase insurance as part of their daily interactions."* (Participant 2)

Participant 8 accurately captured the crux of how EmFi disrupts, expands, and creates new revenue streams for financial services. By focusing on ease of delivery, targeting diverse markets, and generating income through transactions and partnerships.

> *"So, I think ease of delivering products to the customer because if you're embedding and you're providing an embedded finance solution on financial services, then I think you're able to target across different markets of customers. I think it could be a disruption and I think if we look at how the market is changing, and from customer needs as well, customers are looking for the simple solutions, these embedded solutions, the whole thing about wanting to do things easier. And I think also it creates new business models for like financial institutions. It creates new revenue streams for them as well."* (Participant 8)

Participant 4 also stated that EmFi allows them to integrate financial services seamlessly into everyday interactions of their target market. This generates new revenue streams by tapping into previously untapped market segments.

Our platform's target market is the South African consumer. Realized that there is under-serviced part of the market where majority of SA does not have access to financial institutions. Our target is to go into market to try and change South Africa's savings culture but within that try and understand how to monetize. (Participant 4)

Partnerships and Collaborations

The future of EmFi is likely to involve increased partnerships and collaborations between traditional financial institutions, fintech companies, and non-financial businesses. According to findings from thematic analysis, these collaborations will facilitate the development of innovative solutions and expand market reach.

Sentiments from Participant 6 indicated that EmFi is likely to lead the fostering of innovative partnerships and collaborations within the financial services sector, particularly with fintech companies.

> *"But I think there is definitely room for partnership acquisition, some way of working with the fintechs that already exists either that already provide the service or that assist financial services providers to provide an innovative finance service to get a faster, to get in a more innovative manner. I definitely think there's opportunity there."* (Participant 6)

Underscoring the transformative potential of EmFi in fostering cooperation between traditional players and fintech innovators to deliver better solutions to customers, Participant 2 said:

> *"Yes, fintech solutions can be leveraged by traditional FSPs to improve their services. For instance, FSPs can collaborate with fintech companies like ours to offer innovative insurance products, expand their digital presence, and provide customers with a broader range of financial services."* (Participant 2)

According to Participant 1, EmFi's impact on the financial services industry will manifest through innovative collaborations, particularly in the realm of insurance.

> *"Embedded finance has the potential to expand the reach of financial services, including insurance. It allows us to offer our insurance products through*

> *partnerships with non-financial companies, making our services more accessible to a broader audience."* (Participant 1)

Participant 1 also added that this would entail fostering partnerships with non-financial entities to extend insurance product offerings to a broader audience.

> *"Traditional financial service providers, including insurance companies, can explore collaboration opportunities with fintech companies to improve their services and adopt technology-driven solutions. This collaboration can enhance efficiency and customer experience. It allows us as traditional insurers to also innovate and bring more products to market because our legacy systems just cannot manage certain developments."* (Participant 1)

Participant 3 indicated that EmFi will alter the future of the financial services industry by encouraging innovative collaborations. This cooperative approach, according to the participant, will cultivate mutual benefits, allowing companies to stay competitive while fostering innovation and expanding financial inclusion.

> *"I think we can indeed leverage solutions offered by fintechs to stay competitive. Fintech collaborations can help us adopt innovative technologies and provide customers with more convenient and efficient payment services. I think we can also help fintech with payment rails, banking license and to get over some of the regulatory barriers they face."* (Participant 3)

Further underlining the transformative potential of EmFi in the promotion of partnerships, Participant 12 added that by collaborating with fintechs, traditional financial institutions can tap into innovative technologies and solutions without needing to fundamentally change their existing core services and products.

> *"Then you can still be a financial institution and, you know, offer your core services and products without changing because if you think about the financial institutions, we really do offer the same products right across the quadrant, it basically leveraging fintechs will enable you to then reach not only a new market, but to deliver new services. So, there is room for us to work together. I don't think it's a competition. But it's more about collaborations and more of partnerships. I think the two can benefit from each other because even with the*

fintechs, they don't have the resources and the financial muscle you know." (Participant 12)

Sentiments from Participant 5 suggest that partnering between fintechs and traditional financial service providers enables greater agility in product development and quicker time-to-market.

> *"So, partnering with fintechs definitely allows us to be a lot more agile, bring product to market faster. There's less code contention. There are more sophisticated and agile code methodologies. Yeah, so I believe that we can leverage fintech solutions."* (Participant 5)

Participant 7 suggested that EmFi, demonstrated by collaborations such as traditional banks' integration of Apple Pay into their mobile app, has a profound impact on financial services. According to the participant, this enhances user experiences while expanding access to financial services.

> *"Yes, I think so. Definitely. And the one that comes to mind, top of mind, at least, is the partnership that we have. So, the Bank has with Apple Pay so Apple Pay is a fintech solution provided by Apple. And it's something that so many consumers use today. So, as an organization, one of the things that we leveraged off and obviously not to lose out in terms of our consumers now using Apple Pay, we've integrated it, into our mobile app. So that is one of the solutions I can think of, and that you know, in general financial services providers can leverage off."* (Participant 7)

In the context of traditional banking systems burdened by legacy infrastructure, fintechs offer agile solutions that can be swiftly integrated into existing platforms. According to Participant 8, this synergetic relationship demonstrates how EmFi, through innovative collaborations, reshapes the financial services landscape, driving efficiency, and accessibility for consumers.

> *"So, in your traditional banking system, a lot of the systems are legacy, right? And with the fintechs coming up, now, you will see that they are able to then build a solution very quick and take something out to market. So, there's a lot of opportunity to leverage off some of the work that's offered by fintechs. And*

really bring that into the bigger scope of a product offering. Because what you would find is that you want to launch something quickly, whereas in your traditional ways of financial services, because of prioritization and system limitations, etc. It may take very long to launch a product out to the customer as opposed to using and leveraging of the work that a FinTech company would have already done." (Participant 8)

Views from Participant 13 suggested that EmFi encourages innovative collaborations between traditional banks and fintechs, thereby reshaping revenue models in financial services. According to the participant, initially, fintechs relied on banks for infrastructure. However, as the industry evolves, there's a growing emphasis on identifying mutually beneficial revenue opportunities and collaboration points.

"I think currently, or where financial services find themselves is that because fintechs needed them at a payment rail or at a banking license perspective. We kind of knew that it's to some extent, we get some sort of revenue from those models. I think as we progress and look at where do we really make money, what are fintechs willing to pay for, what are they willing to collaborate on?" (Participant 13)

4.4 Summary of the Findings

This chapter has presented a comprehensive analysis of interviews with thirteen professionals from the fintech and banking sectors in South Africa, focusing on how EmFi changes consumer access to financial services, benefits and challenges for consumers and businesses, and its future impact on the industry. Key findings highlight a general awareness of EmFi though adoption levels vary. Legacy systems within traditional banks were identified as significant barriers or accelerators for introducing new financial offerings. The research underscores the critical need for modernization in these institutions to leverage EmFi effectively, suggesting a pivotal moment for the industry in embracing technological advancements to meet evolving consumer demands and enhance financial service delivery.

CHAPTER 5 DISCUSSION OF FINDINGS

5.1 Introduction

Chapter 5 synthesizes the investigation's findings with the initial research objectives to thoroughly examine EmFi’s role within the financial services sector. This chapter revisits the study's foundational aims and methodically integrates empirical evidence with theoretical insights to address each research question. Through a structured narrative, it offers a detailed analysis of EmFi as either a disruptive force or an evolutionary enhancement, underpinned by qualitative data. The objective-specific discussions elucidate EmFi's implications for the financial industry, culminating in direct answers to the posed research questions. Conclusively, Chapter 5 not only highlights the study's contributions to understanding EmFi's impact but also sets the stage for future explorations, encapsulating the chapter's pivotal role in bridging research inquiries with comprehensive insights.

5.2 Literature Aligned with Findings

From the analysis in Chapter 4 and well as research done in Chapter 2, EmFi can be summarized to refer to the integration of financial services within non-financial apps, websites, or business processes. This approach allows companies to offer financial products directly to their customers without needing to redirect them to third-party providers. Below are key characteristics of EmFi that align with research and insights from interviewees.

EmFi represents a transformative approach in integrating financial services directly into the user journey of non-financial platforms, offering a seamless experience that aligns with the primary service or product without disruption. This integration is pivotal for enhancing user experience by minimizing friction during transactions and providing financial services contextually, often without necessitating a departure from the primary platform or app. EmFi significantly broadens accessibility to financial services, embedding them into everyday applications and platforms, thereby reaching an audience that traditional channels might not. This approach is detailed by Dresner et al. (2022), who highlight the seamless integration, and Sullivan (2022), who focuses on the increased accessibility it provides.

Moreover, EmFi allows for the customization and personalization of financial products, tailoring them to the specific needs of users based on insightful data regarding their behaviors and preferences, as discussed by Dresner et al. (2022) again. This customization is part of what enables non-financial companies to diversify their offerings, adding value to their core products or services while creating new revenue streams through the provision of financial services, a diversification strategy discussed by Harris et al. (2022). Data utilization plays a crucial role in EmFi, with companies leveraging platform-collected data to offer relevant financial services and products, manage risk, and personalize offerings, according to Goyal et al. (2023). However, regulatory compliance emerges as a significant challenge, necessitating navigation through and adherence to financial regulations and standards across jurisdictions, often through partnerships with licensed institutions or fintechs, as outlined by Capgemini (2020).

The technology-driven nature of EmFi, powered by fintech innovations, APIs, and SaaS platforms, facilitates the seamless integration of these financial services into various applications and services, a development discussed by Brodsky & Oakes (2017). Scalability is another inherent advantage, allowing solutions to grow with the platform and accommodate an increasing number of transactions and users without substantial additional costs, as Jacobson (2023) notes. Security and privacy are paramount in EmFi, requiring robust measures to protect financial data and transactions and adherence to privacy regulations, given the sensitive nature of the data involved. Ozili (2022b) emphasizes the critical importance of these considerations in the context of EmFi. Through these various dimensions, EmFi is shaping a new paradigm in how financial services are delivered and experienced, marking a significant shift in the intersection between finance and technology.

5.3 Is EmFi a Disruption to Financial Services?

This section aims to address the research question through the application of the integrated model presented in section 2.9.2 (Figure 8). By leveraging this framework, arguments were constructed that critically assess the extent of disruption caused by EmFi by first looking at each objective in detail.

5.3.1 Objective 1: To assess how EmFi is changing the way consumers access financial services.

EmFi has been instrumental in democratizing access to financial services. By embedding these services within non-financial consumer platforms, it has opened avenues for underserved markets to engage with financial products seamlessly (Participant 1; Participant 3). This integration has significant implications for financial inclusion, providing a bridge for consumers previously excluded from traditional financial systems (Sullivan, 2022; OpenPayd, 2023).

The integration of financial services into everyday consumer platforms offers a seamless experience, reducing friction in financial transactions and enhancing user satisfaction. This consumer-centric approach not only simplifies transactions but also fosters a more intuitive interaction with financial products (Jacobson, 2023; Harris et al., 2022). The emergence of EmFi has sparked a wave of innovation within the financial sector, encouraging both new entrants and established entities to rethink and refine their offerings (Participant 2). This competitive environment is conducive to the development of more tailored, efficient, and user-friendly financial products and services (Frankel, 2021).

Conversely, the rapid ascent of EmFi is not without its challenges. The proliferation of financial services across various platforms escalates the risks associated with data privacy and security. The potential for data breaches or misuse poses significant concerns, necessitating robust safeguards to protect consumer information (Ozili, 2022b). An over-reliance on digital platforms for accessing financial services may marginalize individuals without access to necessary technology or internet services, potentially widening the gap between the digitally enabled and those on the periphery of the digital economy (Ozili, 2022b). The dynamic and evolving nature of EmFi presents a complex landscape for regulators, posing challenges in ensuring adequate consumer protection and maintaining financial stability within this burgeoning ecosystem (Ozili, 2022b).

5.3.2 Objective 2: To evaluate the benefits and challenges of EmFi for consumers and businesses.

EmFi streamlines the process for consumers to access multiple financial products, enhancing operational efficiency and user experience (Anthemis, 2019). This seamless integration facilitates quick access to funds, distinguishing embedded financial solutions from traditional models (Participant 7; Participant 5). The adoption of EmFi technologies fosters innovation, enabling traditional financial service providers to offer new, personalized products (Dresner et al., 2022). By embracing technology and collaborating with fintech companies, EmFi opens up new avenues for innovation (Participant 1; Participant 12).

The integration of EmFi solutions poses significant challenges, particularly when aligning with traditional banking systems and navigating revenue sharing among partners. These complexities can hinder the seamless incorporation of innovative solutions into existing infrastructures (Participant 5; Participant 3). Navigating the regulatory landscape presents a formidable challenge for EmFi initiatives. Ensuring compliance amidst a regulatory grey area, especially for services like buy now pay later, demands meticulous attention to evolving standards (Participant 5; Participant 8).

The synthesis of findings from thematic analysis underscores the nature of EmFi. On one hand, EmFi offers substantial benefits by simplifying product offerings and fostering innovation, which enhances consumer access to financial services and encourages business growth (Ozili, 2022b). On the other hand, the challenges associated with partnerships, integrations, and regulatory compliance highlight the complexities involved in adopting and implementing EmFi solutions.

5.3.3 Objective 3: To investigate the impact that EmFi will have on the financial services industry in the future.

Literature commonly highlights the potential of EmFi to significantly increase financial inclusion. By embedding financial services within non-financial digital platforms, EmFi can reach underserved or unbanked populations, offering them access to financial products and services previously unavailable to them. This democratization of financial services is poised to drive economic growth and reduce inequality (Ozili, 2020).

EmFi encourages innovation within the financial sector by necessitating the development of new products, services, and business models. This innovation drives efficiency, as financial services become more integrated into consumers' daily lives, making transactions seamless and more user-friendly (Bower & Christensen, 1995). The literature suggests that EmFi leads to improved customer experiences through personalized financial offerings, better data utilization, and a focus on user-centric design. This could increase customer satisfaction and loyalty, benefiting the financial services industry as a whole (KPMG, 2019).

A significant concern highlighted in the literature is the complexity of regulatory compliance for EmFi solutions. The novel nature of EmFi poses challenges to existing regulatory frameworks, potentially hindering innovation and imposing burdensome requirements on providers (Buchak et al., 2018). With the increase in data sharing and integration required by EmFi, there is a heightened risk of data breaches and privacy concerns.

The literature emphasizes the need for robust cybersecurity measures and data protection protocols to mitigate these risks (Dresner et al., 2022). While the potential for disruption is often seen as a positive force for innovation, literature also points out the challenges it poses to existing financial institutions. Banks and traditional financial service providers may struggle to compete with agile fintech companies, leading to potential market destabilization and job losses within these legacy institutions (Philippon, 2016).

5.4 Conceptual Framework

In chapter 2, a conceptual framework grounded in Christensen's disruptive innovation theory was introduced, complemented by Bohnsack’s and Pinkse’s (2017) analytical framework, to explore the emergence and impact of EmFi in the South African financial sector. This framework is pivotal in identifying the nuanced dynamics between EmFi solutions and traditional financial services, providing a lens through which to assess whether EmFi constitutes a disruptive innovation or an evolutionary adaptation within the financial landscape (Christensen et al., 2015).

Christensen and Raynor (2003a) illustrate how low-end disruptions target the most overserved and least profitable customers, suggesting that EmFi can significantly broaden financial inclusion by targeting underserved market segments. This notion supports the argument that EmFi can democratize financial services, making them accessible to previously unbanked or underserved populations (Christensen & Raynor, 2003a).

According to Christensen and Raynor (2003a), new-market disruptions create markets where none existed, converting non-consumers into consumers. EmFi embodies this by integrating financial services into non-financial platforms, offering more affordable and simpler solutions that enable new populations to access financial services (Christensen & Raynor, 2003b). The disruptive innovation model by Christensen et al. (2015) suggests that product improvements over time can significantly enhance customer experience. EmFi leverages this by providing seamless, integrated financial services, improving operational efficiency and customer satisfaction (Christensen et al., 2015).

The complexity of integrating financial services into non-traditional platforms introduces significant regulatory challenges. This concern is highlighted by the critical evaluation of disruptive innovation theory, which emphasizes the ongoing challenges in defining and regulating disruptive innovations (Adner, 2002; Christensen & Raynor, 2003a). The risk of market fragmentation is underscored by the debate on the definition and scope of disruptive technology. What might be disruptive in one context could be considered sustaining in another, suggesting that EmFi's impact could vary widely across different segments of the financial industry (Christensen & Raynor, 2003a; Danneels, 2004).

The reliance on technology for delivering EmFi solutions poses risks of system failures or security breaches. This dependency is a critical concern, as outlined by the discussion on technology's role in disruptive innovation, where enabling technologies drive the disruption but also introduce vulnerabilities (Bohnsack & Pinkse, 2017).

5.4.1 Target Market Analysis

The objective of the target market analysis was to dissect the market segments that EmFi solutions aim to serve, with an emphasis on identifying potential disruptors within this domain. Applying Christensen's theory, the characteristics of EmFi solutions' target customers were examined, revealing a strategic focus on underserved or completely overlooked segments by incumbent financial institutions. This aligns with the disruptive innovation theory's premise that disruption often originates from catering to niches that incumbents have marginalized or ignored. Through this lens, the analysis confirmed that EmFi solutions, by addressing these niche segments and fulfilling previously unmet customer needs, exhibit signs of potential disruptors (Bower & Christensen, 1995). Furthermore, the evaluation of points of parity, as conceptualized by Bohnsack and Pinkse (2017), showcases that EmFi solutions competently satisfy customer attributes valued equally by both incumbents and emerging disruptors, underscoring the competitive parity within the sector.

5.4.2 Business Model Analysis

In assessing the unique value propositions of EmFi solutions, the analysis aimed to unearth how these entities differentiate themselves from traditional financial services. By scrutinizing their business models, a clear deviation was identified towards simplicity, convenience, and cost-effectiveness, hallmarks of Christensen's disruptive innovation characteristics (Christensen et al., 2015). This differentiation is particularly evident in the solutions' ability to address customer needs unmet by incumbent players, highlighting their superior value proposition. The findings underscore the strategic innovation in business models adopted by EmFi companies, which not only capture niche market segments but also position them as formidable challengers to established financial institutions.

5.4.3 Technology Analysis

The technological underpinnings of EmFi companies play a crucial role in their ability to disrupt the traditional financial ecosystem. Investigation into the technological components employed by these companies revealed a strategic deployment of advanced digital solutions to overcome deficiencies in incumbent offerings. This technological empowerment facilitates the disruption of established market norms and enables EmFi solutions to ascend in the market, capturing significant share by redefining customer expectations and service delivery (Christensen et al., 2015). The analysis of points of inferiority further illuminated the gaps that EmFi solutions successfully bridge, overcoming barriers to market entry and penetration through continuous innovation and business model reconfiguration.

The application of the conceptual framework to the analysis of EmFi in South Africa has illuminated its disruptive potential within the financial services industry. By targeting underserved market segments, innovating around business models, and leveraging technology, EmFi solutions are evolving the financial landscape but does have a potential to disrupt financial services as well.

5.5 Conclusion

EmFi is currently an evolutionary advancement in financial services, enhancing access, convenience, and personalization for consumers. However, it holds the potential to disrupt traditional banking if these institutions do not adapt by updating legacy systems and embracing partnerships with fintech’s and third parties.

CHAPTER 6 CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

Chapter 6 serves as the conclusive segment of the exploration into EmFi. This chapter addresses each objective and proposition systematically integrating empirical evidence with theoretical insights to answer the posed research questions. Through a structured narrative, it revisits the overarching goal to discern whether EmFi represents a disruptive innovation or merely an enhancement in service delivery within the financial sector. By synthesizing the outcomes against each research objective, the chapter elucidates EmFi's nuanced impact, delineates the conditions under which disruption may occur, and highlights the strategic implications for stakeholders. This integration not only encapsulates the study's contributions but also paves the way for future inquiries into the evolving dynamics of EmFi.

6.2 Conclusion Regarding Research Questions

6.2.1 Objective 1: To assess how EmFi is changing the way consumers access financial services.

The insights into the transformative impact of EmFi on consumer access to financial services highlight the dual-edged nature of innovation, where the benefits of enhanced accessibility and user experience must be balanced against the imperative to address data security, inclusion, and regulatory compliance. Given the discussion of findings in chapter 5, proposition 1 – the advent of EmFi is transforming consumer access to financial services by integrating these services directly into non-financial platforms, thereby making financial activities more seamless, convenient, and accessible – can be deemed true.

6.2.2 Objective 2: To evaluate the benefits and challenges of EmFi for consumers and businesses.

Given the evidence presented in chapter 5, the proposition regarding the benefits and challenges of EmFi for consumers and businesses can be deemed true. However, it is crucial to acknowledge that, while the benefits of EmFi can significantly enhance consumer experience and drive business innovation, the challenges require strategic management and regulatory foresight. Therefore, the successful implementation of

EmFi hinges on balancing these benefits and challenges with a focus on innovative solutions, partnership management, and regulation.

6.2.3 Objective 3: To investigate the impact that EmFi will have on the financial services industry in the future.

The literature presents a balanced view of the future impact of EmFi on the financial services industry. While the benefits highlight the transformative potential of EmFi in promoting financial inclusion, driving innovation, and enhancing customer experiences, the drawbacks underscore the challenges related to regulatory compliance, data privacy, and the disruption of traditional banking models. To navigate these challenges and capitalize on the opportunities, the literature suggests a collaborative approach among fintech companies, traditional financial institutions, regulators, and policymakers to foster an ecosystem that supports innovation while ensuring consumer protection and financial stability. Therefore, the proposition that the future of the financial services industry is likely to be impacted by the proliferation of EmFi by changes to traditional banking models, the competitive landscape and customer expectations in the sector, can be deemed true.

The primary aim of this study was to ascertain if EmFi constitutes a disruptive force or simply acts as an improvement in the delivery of services. The evidence gathered and analyzed within this research suggests that, **as of now**, **EmFi has not fully realized its disruptive potential.** However, it undeniably possesses the capacity to be disruptive. There are specific segments within the financial services sector that are particularly susceptible to disruption, especially if the entities within these sectors do not proactively seek partnerships and other collaborative opportunities.

6.3 Recommendations and Suggestions for Further Research

The exploration of EmFi within South Africa has unveiled its significant potential to disrupt traditional financial systems and foster a more inclusive economic landscape. However, this study also identifies areas requiring deeper investigation to fully understand EmFi's capabilities and limitations. The following are recommendations for future research avenues, incorporating insights from the findings and the broader literature (Christensen, 2015; Bower & Christensen, 1995):

- Regulatory frameworks and EmFi evolution: A detailed analysis of how existing and evolving regulatory policies impact EmFi development and implementation in South Africa is crucial. Future research should assess the balance between innovation facilitation and risk mitigation, exploring the global best practices that could inform local regulatory adjustments (Ozili, 2022a).
- Consumer adoption patterns: Understanding the factors influencing consumer adoption of EmFi services is vital. Investigating the psychological, socio-economic, and cultural determinants of adoption will provide insights into how EmFi can better serve diverse populations, addressing gaps in traditional financial inclusion strategies.
- Technological innovation and security: As EmFi is heavily reliant on technological advancements, further research should focus on the implications of emerging technologies like blockchain and AI on the security, efficiency, and accessibility of financial services. This includes examining the potential cybersecurity threats and privacy concerns associated with these technologies.
- Economic impacts of EmFi: Comprehensive studies on the macro and microeconomic impacts of EmFi, including its role in job creation, financial inclusion, and GDP growth, are needed. Such research would offer valuable insights into the broader economic benefits and challenges of integrating EmFi solutions within the South African economy.
- Sustainability of business models: An in-depth analysis of the sustainability and scalability of business models within the EmFi sector is recommended. This research could explore how EmFi startups can maintain competitive advantages in the face of regulatory changes and evolving market demands.
- Cross-cultural and international comparisons: Given the global nature of financial innovation, comparative studies between South Africa's EmFi ecosystem and those of other countries can yield valuable lessons on fostering innovation, enhancing financial inclusion, and navigating the challenges unique to different regulatory and economic contexts.
- Financial inclusion: Further research is needed to ascertain whether EmFi actually increases financial inclusion in South Africa or widens product adoption of the already financially included.

6.4 Limitations

This qualitative investigation into EmFi provides valuable insights into its potential impact on the financial services sector. However, the study's design and methodology inherently carry certain limitations.

As with many qualitative studies, the scope of data collection was limited to a select number of industry experts and stakeholders. While efforts were made to ensure a diverse range of perspectives, the relatively small sample size may not capture the full spectrum of opinions and experiences within the broader financial services industry. This limitation could affect the generalizability of the findings.

The interpretive nature of qualitative research means that findings are subject to the researcher's perspectives and biases, even with rigorous analysis protocols. Although measures were taken to mitigate these biases, they cannot be entirely eliminated, potentially influencing the analysis and interpretation of the data.

The rapid evolution of technology and regulatory landscapes means that the findings of this study are contextual to the current state of the financial services industry and EmFi's development. As such, the conclusions drawn may have limited applicability in the future as the sector continues to evolve. Given that this study focuses on the South African financial services sector, the findings may not be directly applicable to other regions with different economic, regulatory, and cultural contexts. The specific challenges and opportunities of EmFi identified in this study are influenced by the unique South African market, which may differ significantly from other global markets.

The qualitative focus of the study precludes the inclusion of quantitative data, which could provide additional dimensions of analysis, such as statistical significance and broader trends within the population. The absence of quantitative analysis means that certain patterns and relationships may not be fully explored.

6.5 Conclusion

This paper has presented a comprehensive exploration of EmFi within the South African financial landscape, guided by a conceptual framework anchored in the theories of disruptive innovation. Through a detailed examination of EmFi's target markets, business models, and technological underpinnings, its potential to not only disrupt but also to significantly evolve the traditional financial services sector has been uncovered.

Findings indicate that EmFi solutions are strategically positioned to serve underserved and overlooked market segments, addressing previously unmet customer needs, and challenging the status quo of incumbent financial institutions. This is emblematic of the disruptive potential of EmFi, as it aligns with Christensen's theory of disruptive innovation by offering simpler, more convenient, and cost-effective financial services.

Moreover, the unique business models of EmFi companies, characterized by their agility and customer-centric approaches, further underscore their capability to redefine the financial services landscape. The technological infrastructure of EmFi has been identified as a critical enabler, allowing these solutions to bridge gaps left by traditional institutions. This aspect not only facilitates a wider reach and inclusion but also enhances the efficacy and efficiency of financial services delivery, thereby contributing to the increase in adoption of a wider range of financial products and services in South Africa.

This study contributes to the academic discourse on financial innovation and disruption, offering insights into the mechanisms through which EmFi can transform financial services delivery. It also provides practical implications for stakeholders across the financial ecosystem, including policymakers, traditional financial institutions, and emerging EmFi companies, urging a revaluation of strategic priorities in the face of evolving financial technologies. However, the journey of EmFi is not without its challenges and uncertainties. Regulatory frameworks, cybersecurity, and the sustainability of business models in a competitive landscape are areas that require further attention and strategic planning. Therefore, future research should focus on addressing these challenges, exploring the long-term impact of EmFi on financial inclusivity, and analyzing its role in fostering a more resilient and inclusive financial ecosystem.

In conclusion, EmFi stands at the cusp of significantly transforming the South African financial sector. By leveraging disruptive innovation, EmFi has the potential to enhance financial access, improve service delivery, and foster economic growth. It calls for a collaborative approach among all stakeholders to harness its full potential, ensuring that the benefits of financial innovation are equitably distributed across society.

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Appendix A: Consistency Table

#	OBJECTIVE	#PROP	PROP	DATA COLLECTION	DATA ANALYSIS
1	To assess whether EmFi can be considered a disruption to financial services or is it simply an improvement in the delivery of services.	1	The proposition for this paper is that certain EmFi solutions will disrupt financial services whereas other solutions will be a mere evolution.	Interviews	Thematic
A	To assess how EmFi is changing the way consumers access financial services			Interview	Thematic
B	To evaluate the benefits and challenges of embedded finance for consumers and businesses.			Interview	Thematic
C	To investigate the impact that EmFi will have on the financial services industry in the future.			Interview	Thematic

Appendix B: Interview Guide

INTERVIEW QUESTION	OBJECTIVE
PART 1: DEMOGRAPHIC	
1) What is your current position? (analyst, junior, senior manager)	
2) What does your role entail?	
3) How long have you been within the organization?	
PART 2: GENERAL	
4) What do you understand by the term embedded finance?	A, B, C (Ozili, 2022b)
5) What do you understand by the term disruptive innovations?	A, B, C (Christensen et al., 2015b)
6) Do you think technology plays an important role in disruptive innovations?	1
7) What impact do you think embedded finance has on financial services?	C
8) Do you think FSPs can leverage off some of the solutions offered by fintech's?	C
PART THREE: TARGET MARKET	
9) Can you please describe your target market for your EmFi solution?	A,B,C (Christensen, 2006)
10) Does your solution address specific pain points or solve a problem?	A
11) Do you have a USP (unique selling point)?	A, C
PART 3 BUSINESS MODEL	
12) Could you provide an overview of your business model?	A (Christensen, 1997)
13) Would you be able to disclose key revenue streams for your business?	A
14) Have you faced any challenges in implementing and refining your business model? How did you overcome them?	A, B
15) Are there any unique aspects of your business model that differentiate you from traditional financial services providers?	1
PART 4 TECHNOLOGY	
16) What technologies or digital platforms do you leverage to deliver your fintech solution?	1 (Christensen, 1997)
17) How do these technologies enable your company to provide a better user experience or solve industry challenges?	1, A, B

Appendix C: Participant Information Sheet

Masters Research Report: The emergence of Embedded Finance in corporate South Africa

Dear Sir/Madam

You have received an invitation to participate in this research investigation. Prior to making a decision about your participation, it is important that you thoroughly review the following details. They will provide an explanation of the research's purpose and outline your expected involvement. Please take the time to read the information attentively.

Background and Overview of the Study

Asma Latiff is undertaking a research study as part of their Master of Management program in Digital Business at Wits Business School. The primary objective of this research is to investigate the impact of Embedded Finance on financial services organizations and its transformative role in the traditional banking and financial sector. The study will involve conducting interviews with employees who are directly involved in the implementation and management of Embedded Finance solutions. These interviews aim to gather valuable insights into the challenges, opportunities, and best practices associated with this emerging field. The interviews will consist of open-ended questions and discussions covering various topics, such as the organization's experiences with implementing Embedded Finance solutions, observed benefits and drawbacks, and their perspectives on the future of Embedded Finance. All collected information will be used strictly for academic purposes and will be treated with the highest level of confidentiality. To ensure privacy and confidentiality, the identities of the interviewees and organizations will be anonymized in the final research paper.

Deciding whether to participate

Participation in this research study is completely voluntary. If you choose to be involved, you will be required to provide your consent by signing a form indicating your agreement to participate. You retain the right to withdraw from the study at any time, without having to provide a reason for doing so. Participating in this interview poses no risk, and we kindly request that you allocate some time from your schedule for the interview. It is important to note that there is no monetary compensation associated with participating in this study.

Confidentiality

The information obtained during the interview will be treated with the utmost confidentiality. Any identifying details will be removed from the data when presenting the research findings in the final report, and they will not be included in any other publications. All data collected during the research will be securely stored in electronic format. It may be utilized for subsequent research and analysis purposes.

If you have any questions about this research, feel free to contact me or my supervisor on the details listed below. If you have any concerns or complaints about the ethical procedures of this research study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), telephone +27(0) 11 717 1408, email hrecnon-medical@wits.ac.za.

Yours sincerely,

Asma Latiff

Contact for Further Information

If you require any further information regarding this study, please feel free to contact my supervisor or myself.

Researcher: Asma Latiff 708234@students.wits.ac.za, 0795099474

Supervisor: Dr Jacques Totowa jacques.totowa@wits.ac.za, 0733511364

Appendix D: Consent Form

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Please Tick the box to confirm the below:

Consent	Yes	No
I hereby confirm that I have carefully reviewed the provided information sheet, comprehended the details of the study, and sought clarification by asking any necessary questions.		
I acknowledge that my involvement in this study is voluntary and that I will not receive any financial compensation for my participation.		
I consent to the recording of the interview taking place.		
I am aware that the researcher will maintain my anonymity in any reports using the information gathered from this interview, ensuring the confidentiality of my participation in this study.		

.... (signature)

.... (name)

....(date)