The balance between FinTech innovations and regulatory compliance in South Africa

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ABSTRACT

Financial Technology (FinTech) is an emerging trend that is transforming the financial industry by introducing innovative ways for businesses and customers to engage in transactions. This study explores the balance between FinTech innovations and regulatory compliance in South Africa, a country with one of the most mature financial systems in the world. Despite the absence of specific FinTech regulations, FinTech companies in South Africa are required to adhere to the same stringent regulations as traditional financial institutions.

For this study, fifteen subject matter experts (SMEs) were interviewed to address the research objectives. The objectives were met through a thematic analysis of the in-depth, open-ended interviews.

Using Institutional Entrepreneurship Theory, this study examines the roles of internal and external stakeholders and their influence on regulatory development and implementation. The findings underscore the importance of proactive collaboration between industry stakeholders and regulators in designing policies that are both effective and conducive to innovation. The study highlights the regulatory gaps and emphasises the need for clearer guidelines to ensure sustainable growth in the FinTech sector.

While regulations present challenges for FinTech organisations, this research concludes that regulation is crucial for promoting good innovation. However, for regulation to foster growth, it must be crafted in a way that supports flexibility and adaptability, rather than restricting innovation.

KEYWORDS

South Africa, FinTech, Regulatory Compliance, Innovation, Technology, Financial Technology, SARB, Mobile Money, Financial Inclusion, Payments

DECLARATION

I, Karusha Naidoo, declare that the research report titled ***The balance between FinTech innovations and regulatory compliance in South Africa*** is my work, except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree Master of Business Administration (MBA) at Wits Business School, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Name: Karusha Naidoo

Signature:

Signed at: Midrand

Date: 19 June 2025

DEDICATION

To my son, Dhian Naidoo, whose presence in my life is my greatest source of inspiration and motivation. This research report is a testament to you—to show you that no matter how challenging the path may seem or how distant the goal may appear, nothing is beyond your reach. You can achieve anything you set your heart and mind to. Always remember, the possibilities for you are limitless and I will be with you every step of the way.

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Thank you, God, for blessing me with the strength, health, and resilience to endure one of the hardest challenges of my life.

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My sincere thanks go to the participants of this research, whose generosity in sharing their time and experiences made this study possible. Without their willingness to contribute, this work would not have been completed.

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LIST OF ACRONYMS

Acronym	Description
AI	Artificial Intelligence
AML	Anti-Money Laundering
COVID-19	Coronavirus Disease
EFT	Electronic Funds Transfer
FinTech	Financial Technology
FSCA	Financial Services Conduct Authority
GSM	Global System for Mobile Communication
IFWG	Intergovernmental FinTech Working Group
IT	Information Technology
KYC	Know Your Customer
NPS	National Payment System
NQF	National Qualifications Framework
PASA	Payments Association of South Africa
P2P	Peer-to-peer
RegTech	Regulatory Technology
SA	South Africa
SADC	Southern African Development Community
SARB	South African Reserve Bank (central bank)
SME	Small and Medium Enterprises
US	United States

CHAPTER 1: INTRODUCTION

1.1 Statement of Purpose

This qualitative research study aims to explore how South African financial technology (FinTech) companies balance innovation with regulatory compliance. This study investigates whether regulatory frameworks hinder innovation, the challenges faced, and risks encountered in navigating compliance.

1.2 Background of the Study

1.2.1 Overview of the South African FinTech Industry

FinTech is reshaping financial services worldwide, offering new ways for consumers and businesses to transact (Intergovernmental Fintech Working Group (IFWG), 2019). In South Africa, FinTech has become a major disruptor, with both banks and non-banks launching platforms to enable money transfers (Geral et al., 2019; Go-Globe South Africa, 2024).

FinTech boosts efficiency, reduces costs, enables real-time transactions, and provides personalised services based on customer behaviour (Intergovernmental Fintech Working Group (IFWG), 2019; McKinsey & Company, 2022). FinTech solutions can be up to 80% cheaper than traditional banks, offering higher interest rates on savings and almost six time lower on remittance costs (McKinsey & Company, 2022).

Growth in financial services across Africa has not been uniformed, the largest market value is concentrated in South Africa (Go-Globe South Africa, 2024; McKinsey & Company, 2022). Since South Africa has the more mature financial system and digital maturity they are likely to be more innovative across advanced financial services such as regulatory technology (RegTech) which encompasses anti-money laundering (AML) and know your customer (KYC) compliance (McKinsey & Company, 2022).

South Africa represents 40 per cent of Africa's FinTech revenue, a study in May 2023 shows that 89 per cent of its population rely exclusively on digital banking (Go-Globe South Africa, 2024). The number of digital payment users is expected to reach 37.42

million by 2027, while the digital assets market is projected to grow by 29.3 per cent in 2024 (Go-Globe South Africa, 2024).

1.2.2 Overview of the South African FinTech Regulatory Environment

Government regulation significantly influences FinTech growth in South Africa, either fostering or hindering innovation (Go-Globe South Africa, 2024). Regulatory bodies like the South African Reserve Bank (SARB) and the Financial Sector Conduct Authority (FSCA) oversee the financial sector, including FinTech (Go-Globe South Africa, 2024). The SARB regulates the payment system under the National Payment System (NPS) Act 1998, with the Payment Association of South Africa (PASA) supervising participation by banks and non-banks (Geral et al., 2019).

Although there are no specific FinTech regulations yet, companies are expected to align with existing laws (Bernstein & Ramjee, 2024; Geral et al., 2019). As the legal and regulatory framework for artificial intelligence (AI) in South Africa is still developing (Mashishi, 2023), FinTech firms must navigate innovation while complying with these regulations (Geral et al., 2019).

As South Africa’s FinTech landscape continues to evolve, balancing innovation with regulatory compliance is crucial. While this presents challenges, it also offers opportunities for FinTech companies to shape the future of finance in the country.

1.3 Problem Statement

Lack of FinTech specific regulation introduces significant uncertainty, as companies are compelled to interpret and apply existing regulations that may not fully capture the complexities and risks inherent in digital technologies. The potential for non-compliance poses serious risks, including financial penalties and the erosion of consumer protection (Frank, 2024). Furthermore, this non-compliance could prompt the introduction of more restrictive regulations, which might hinder innovation and stifle the growth of the FinTech sector (Frank, 2024).

This study examines the balance between fostering FinTech innovations and ensuring regulatory compliance in South Africa. This study investigates how FinTech companies can maximise their potential within a regulatory landscape that currently lacks a dedicated FinTech legislation. This study also examines the risks of non-compliance and explores policy recommendations for maintaining an effective balance between innovation and compliance.

1.4 Research Objectives

This study aims to explore how South Africa FinTech companies navigate the regulatory landscape with respect to innovations. This study aims to achieve the following objectives:

i. Determine if the existing regulatory compliance frameworks place a hindrance on good innovation.
ii. Determine the common risks associated with non-compliance and their implications on business operations and growth.
iii. Determine how FinTech organisations mitigate risks within the existing regulatory landscape.

1.5 Rationale of the Study

This study aims to expand the knowledge base in financial services, focusing on innovation and regulatory compliance. Despite the FinTech sectors disruptive impact, there’s a gap in understanding its broader implications (Elia et al., 2023). While Cele and Mlitwa (2024), examined the impact of FinTech on the South African financial services sector, recent challenges in navigating regulatory complexities remain underexplored. Akhtar (2023) conducted an evaluation of South Africa’s regulatory framework across payment systems, lending, and cryptocurrency, concluding that the current regulations are robust, forward-looking, and generally supportive of innovation.

An industrial case study in the field of banking and software development was conducted (Elahidoost et al., 2024). This case study highlighted that translating regulations into functional fintech system requirements is ad-hoc and relies heavily on individual legal expertise (Elahidoost et al., 2024). This study was applied to the broad industrial context and not limited to South Africa.

The Fintech innovation and regulatory debate has been and ongoing topic of research due to the ever-going growth within the industry. There have been several recent publications some within the South African context. However, there remains a gap in the literature regarding how these regulatory frameworks are applied in practice when confronted with the realities of fintech innovation. The practical interaction between regulatory intent and the operational challenges faced by fintech firms has not yet been thoroughly explored within the South African context, highlighting the need for further investigation.

This research aims to provide policy recommendations that will enable FinTech companies to remain competitive, minimise risk and achieve growth. It explores lessons from past implementations and identifies ways to maximise potential while navigating the current regulatory landscape.

1.6 Delimitations of the Study

The purpose of this study is to gain insight into the current challenges that are faced by South Africa's FinTech companies regarding innovation. The following delimitations have been identified as part of the study:

i. South Africa has been identified as the market of interest for the study; therefore, all other African markets will be excluded.
ii. Stakeholders in South African financial services have been identified and limited to risk and compliance, technology and product development professionals and excludes stakeholders from government regulatory bodies.
iii. The interview sample is limited to 15 participants.

1.7 Assumptions

The following assumptions have been identified:

i. The chosen participants do possess and articulate their perspectives and experiences on implementing FinTech innovations whilst complying to regulatory requirements. With the knowledge of risk and compliance, technology and product development, respondents will be equipped to provide their perspective and experiences.
ii. Respondents' perspectives do relate to technological adoption in South Africa FinTech environment or other similar FinTech environments. This study is carried out in South Africa; thus, knowledge or experience outside of the South African market is not deemed valuable.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter presents a comprehensive literature review that underpins the research problem, offering an overview of FinTech and highlighting innovation as a key driver of industry growth. It examines the role of compliance in promoting this growth and how compliance has been used to encourage innovation in various studies. Additionally, it examines how various studies have leveraged compliance to stimulate innovation and reviews the theoretical frameworks relevant to this research.

2.2 Empirical Literature Review

2.2.1 The Phenomenon of FinTech

Digital technologies have disrupted the financial industry, leading to the rise of FinTech (Elia et al., 2023), which gained momentum after the 2008 global financial crisis and transformed the business models of financial institutions (Pu et al., 2021; Treu, 2022). Goo and Heo (2020), defines FinTech as using technology to reshape traditional financial services. Nobel Laureate and U.S. economist Milton Friedman predicted that the internet would challenge traditional monetary systems, leading to digital currencies and enabling anonymous payments (Pu et al., 2021).

FinTech encompasses various applications like digital payments and blockchain technology, and it’s more than just a technological trend (Samonte & Navarro, 2024; Treu, 2022). Treu (2022) further emphasises that FinTech is a transformative force reshaping financial services. While it has not replaced traditional financial services, FinTech has addressed many challenges in accessibility, especially during crisis like the COVID-19 pandemic (Anifa et al., 2022).

FinTech introduces innovative technologies and business models, disrupting traditional banking while also creating new opportunities for collaboration and enhancing customer experiences (Elia et al., 2023). Imerman and Fabozzi (2020) categorises FinTech into “verticals”, which are key financial service areas impacted by new technologies, and “horizontals”, referring to the emerging technologies driving these changes.

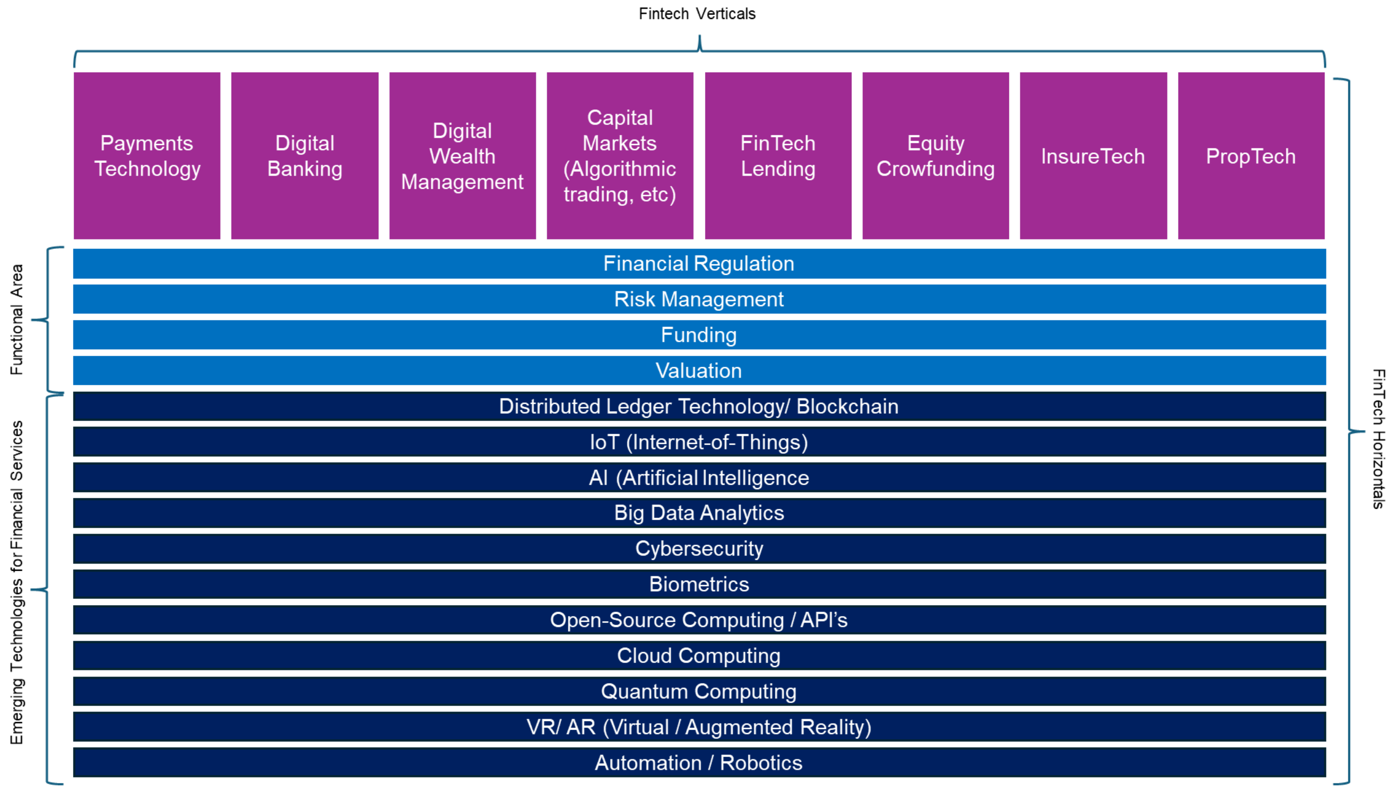

Figure 1: Fintech Ecosystem, Source: (Imerman & Fabozzi, 2020)

2.2.2 Innovation as an Enabler

According to Anagnostopoulos (2018) and Anifa et al. (2022), the global adoption of FinTech is accelerating due its disruptive nature, with innovation driving the digital transformation of the financial industry. Recent key FinTech innovations include digital payments, peer-to-peer (P2P) lending, robo-advisory services, blockchain technology, cryptocurrencies and RegTech solutions (Anifa et al., 2022)

According to Samonte and Navarro (2024), AI is a primary driver of FinTech innovation. From *Figure 1*, AI is one of the emerging technologies reshaping financial services (Imerman & Fabozzi, 2020). AI has the potential to revolutionise FinTech by enhancing efficiency, improving customer experiences and driving innovation (Cao et al., 2020; Samonte & Navarro, 2024).

However, integrating AI into FinTech presents challenges (Cao et al., 2020). The rapid advancement of AI technologies is outpacing the development of regulatory frameworks, leading to uncertainties regarding compliance and the legal implications of AI-driven decisions (Allen, 2024; Cao et al., 2020; Rizvi et al., 2018). These uncertainties have raised global regulatory concerns, as existing rules for traditional financial institutions are not sufficient to address FinTech complexities (Rizvi et al., 2018). Several other authors share the same concern (Adriana & Dhewantoa, 2018; Das & Ali, 2020).

2.2.3 The Link between Innovation and Compliance in FinTech

Despite the benefits of FinTech innovations, several challenges and risks persist (Anifa et al., 2022; Cao et al., 2020), including cybersecurity threats, regulatory compliance issues and market volatility (Anifa et al., 2022). The regulatory landscape shifted significantly after the 2008 global financial crisis, which was widely attributed to a lax regulatory environment (Rizvi et al., 2018). Consequently, financial regulators have become more cautious, proactively developing policies to prevent another crisis (Rizvi et al., 2018).

Regulatory compliance helps FinTech firms to mitigate systematic risk from innovation (Akpukorji et al., 2024). Traditional regulatory models, which often rely on clear product definitions, struggle to keep up with FinTech industries ability to blur these lines (Allen, 2024). Navigating FinTech complexities (Akpukorji et al., 2024; Cao et al., 2020), could results in either overregulation that stifles innovation or under-regulation that leaves significant risks unchecked (Allen, 2024; Rizvi et al., 2018).

In South Africa, FinTech regulation remains largely uncharted (Kelly-Louw, 2024). Older FinTech innovations, such as electronic funds transfer (EFT) and mobile money, are still not governed by specific legislation (Kelly-Louw, 2024). Regulatory approaches vary across African countries, with some adopting a "wait and see" stance and others implementing FinTech regulatory sandboxes (Kelly-Louw, 2024). South African FinTech companies face constraints from complex financial regulations which are not specifically tailored to the FinTech sector’s unique needs as illustrated in *Table 1* (Intergovernmental Fintech Working Group (IFWG), 2019).

Table 1: South Africa Current Regulation

SA Regulation requirements and licensing	Payments	Lending	Deposits	InsureTech	Investment	Advisory	Capital Raising
Financial Advisory and Intermediary Services Act (FAIS)	X	X	X	X	X	X	X
National Payments System Act	X						
Banks Act	X	X	X				
Applicable Regulation Requirements and Licensing							
National Credit Act		X					
Insurance Act				X			
Financial Market Act					X		X
Companies Act, 2008 **Protection of Personal Information Act, 2013 (POPI)** **Financial Intelligence Act, 2001 (FICA)** **Amendment Bill** **FAFT recommendations**	X	X	X	X	X	X	X

Source: (Intergovernmental Fintech Working Group (IFWG), 2019)

According to Moosa (2018), it is imperative to balance regulatory frameworks to foster innovation while protecting the financial system from risks. The debate often focuses on whether there is too much regulation or too little regulation, but the quality of regulation is frequently overlooked (Moosa, 2018). Moosa (2018) also outlines the characteristics in *table 2* of effective good regulation versus those that lead to inefficiencies and unintended consequences which is characterised as bad regulation.

Table 2: Good Regulation versus Bad Regulation

Good Regulation	Bad Regulation
Clear, easy to understand and simple to comply with	Overly complex, difficult to interpret and challenging to comply with
Adaptable to market conditions and technological advancements	Rigid or inflexible to adapt to market changes and can hinder innovation
Enforceable with clear monitoring mechanisms and imposing penalties for violations	Difficult to enforce or lack clear enforcement mechanisms
Positively balances the benefits against the costs	Can lead to unintended consequences such as market distortions, regulatory arbitrage or barriers to access to financial services

Source: (Moosa, 2018)

Regulatory reforms are necessary to encourage financial innovation, as seen in Singapore's approach to managing FinTech risks through institutional enhancements and reforms (Lin, 2019). These reforms include: (1) establishing a FinTech innovation group; (2) implementing a regulatory for testing ideas; (3) leveraging RegTech for risk management and compliance; and (4) fostering a supportive FinTech ecosystem (Lin, 2019). Several authors also support the need for such reforms to bridge the gap between innovation and regulatory compliance (Adeoye et al., 2024; Elia et al., 2023; Fáykiss et al., 2018; Treu, 2022).

However McCallum and Aziakpono (2023), warns that without the right conditions, such reforms can have negative outcomes. This is evident in South Africa, where the Intergovernmental FinTech Working Group (IFWG) launched a regulatory sandbox in 2020, but lack of resources has limited its impact (McCallum & Aziakpono, 2023).

Table 3: Systematic Literature Review

Author	Aim / Objective	Theories	Data Analysis
Anifa et al. (2022)	The aim is to deepen the understanding of FinTech innovations in payments and financing, and to examine how regulatory frameworks play a crucial role in maintaining a fair ecosystem.	Innovation Diffusion and Disruptive Theory	Systematic Review (Quantitative)

Kurum (2023)	This study focuses on RegTech solutions and their impact on compliance and financial crime prevention.	Game Theory	Qualitative data from various sources including small sample of survey participants
Lin (2019)	This paper provides a critical analysis of how Singapore has managed the regulation and development of its FinTech sector.	Trilemma Mode	Systematic Review (Quantitative)
Wang et al. (2022)	Investigates recent advancements in technology as they relate to the FinTech industry.	Technology innovation system (TIS)	Quantitative research methodology - SPSS
Jarvis and Han (2021)	Investigates how FinTech innovations are transforming the financial service providers, and challenging traditional business models and infrastructures.	Institutional theory	Systematic Review (Quantitative)
Akpukorji et al. (2024)	Examines the goals of regulation, methods of ensuring compliance, enforcement approaches, and how innovation influences the evolution of the FinTech sector.	1. Principal agent theory 2. Theory of Regulation 3. Institutional Theory	Systematic Review (Quantitative)
Burdon and Sorour (2020)	Analyses how the compliance culture within UK financial institutions is influenced by the broader institutional context and evolving perceptions of legitimacy.	Institutional theory	Qualitative
van den Broek and van Veenstra (2018)	Examines the governance challenges associated with big data collaborations, particularly focusing on how organisations can balance regulatory compliance with innovation.	Information Systems (IS) and Organisational Theory	Systematic Review (Quantitative)

2.3 Theoretical Framework

Different researchers adopted different theories to offer key insights into the relationship between innovation and regulatory compliance within the FinTech landscape as summarised in *Table 3*. In this study, in line with Burdon and Sorour (2020); Greenwood and Suddaby (2006), the institutional entrepreneurship theory is adopted , mainly due to its ability to explain how organisations conform to external regulatory pressures.

2.3.1 Institutional Theory

Institutional theory emphasises the need for legitimacy, achieved by aligning with accepted norms and values (Meyer & Rowan, 1977). This theory is useful for understanding how FinTech firms navigate regulatory compliance. In FinTech, the balance between innovation and regulation is influenced by coercion (regulatory enforcements), mimetic processes (imitating peers), and normative actions (developing a compliance culture) (Burdon & Sorour, 2020; DiMaggio & Powell, 1983).

However institutional theory has been critiqued for focusing on stability over change (Burdon & Sorour, 2020; Greenwood & Suddaby, 2006). Greenwood and Suddaby (2006), illustrated how the Big Five accounting firms used their power and influence to shape regulatory standards to their advantage thus deviating from norms to enhance their legitimacy, further reiterating that the complexities of power dynamics are often missed with the traditional institutional theory.

Greenwood and Suddaby (2006), introduces institutional entrepreneurship theory, which highlights the role of actors in initiating change. These “institutional entrepreneurs” can create new structures and transform existing ones to foster innovation (Battilana et al., 2009; Garud et al., 2007). This theory can better explain how FinTech companies navigate the complexities of innovation and regulatory compliance.

2.4 Research Propositions

Based on the literature and the objectives of this study, the following research propositions are used to guide the study:

i. **Proposition 1:** Existing regulatory compliance frameworks applicable to the South Africa FinTech sector hinder good innovation by imposing constraints and complexities that slow down / prevent innovation activities.
ii. **Proposition 2:** The operational disruptions caused by non-compliance incidents, such as regulatory investigations can lead to increased costs and hinder business growth.
iii. **Proposition 3:** South African FinTech companies are actively engaging in various strategies to navigate the existing regulatory landscape to mitigate risk and foster innovation.

2.5 Conclusion

FinTech has disrupted the financial services industry, growing rapidly growth since the 2008 financial crisis. It has transformed traditional business models through technology, with AI being a significant disruptor. However, the swift advancements of AI technologies have led to regulatory and legal uncertainties.

In South Africa, regulators struggle to keep pace with these developments, creating a regulatory environment filled with uncertainty. There is a concern that regulation could stifle good innovation, even though reforms could help bridge the gap between innovation and regulatory compliance. Progress in South Africa is hindered by a lack of resources.

Institutional entrepreneurship theory may help to explain how FinTech companies navigate the balance between innovation and regulatory compliance, ensuring that compliance efforts do not hinder good innovation.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology that is used to address the three research propositions identified in the literature review.

3.2 Research Design

This study adopts a qualitative research method to address the research objectives and evaluate the proposed hypotheses. A qualitative approach was selected, as Pu et al. (2021) suggest that this method provides more accurate insights into the interactions between banking and financial technology, avoiding the potential pitfalls of relying solely on statistical analysis. The literature review, which focused on document analysis, highlighted the need for interviews, as there is limited research on experiences of FinTech professionals balancing innovation and regulatory compliance.

3.3 Data Collection Methods

Participants were invited to take part in one-on-one interviews, either virtually or in person. A letter outlining the study's purpose and objectives *(Appendix A)* was sent to request a meeting. Upon acceptance, a meeting was scheduled based on the participant's availability. Before the interviews begin, participants signed a consent form *(Appendix B)* explaining measures to ensure their anonymity.

Data were collected through open-ended interviews with professionals involved in financial services innovation in South Africa. This method allows for in-depth probing to uncover additional insights. During the interviews, notes were taken, and audio was recorded. Interviews were conducted either virtually via Microsoft Teams or in person at the participant's place of business, guided by a structured interview guide *(Appendix C)* with room for probing questions.

3.3.1 Population

This study focused on senior management and above professionals within South Africa's financial services industry. Participants were based anywhere in the country, as geographic location did not affect the study's outcomes.

3.3.2 Sampling and Sampling Method

The sample consists of 15 participants from the South Africa FinTech industry. Purposive sampling was used, selecting individuals based on specific criteria, combined with snowball sampling, where participants were referred by others within the researcher's network.

The sample in question consists of the following:

i. **Risk and Compliance Professionals:** Individuals in financial services who have been extensively involved in implementing digital technologies.
ii. **Information Technology and Data Specialists:** IT and data experts in financial services and have been involved in implementing digital technologies.
iii. **Legal Experts:** Legal professionals in financial services who have participated in projects requiring the implementation of digital technologies.
iv. **Senior or Executive Leadership:** Leaders in financial services responsible for executing and delivering FinTech innovations or digital transformations.

3.4 Research Instrument

The research utilised an in-depth open ended interview guide as detailed in *Appendix C*.

The interview guide has five focus areas:

i. **Introduction**: Establishes context and includes preliminary questions to set the scene.

ii. **Regulatory Compliance and Innovation** : Aims to understand whether existing regulatory compliance frameworks hinders innovation in the FinTech sector.

iii. **Risks Associated with Non-Compliance:** Identifies common risks linked to non-compliance.

iv. **Navigating Regulatory Landscapes**: Explores how organisations navigate the regulatory landscape to mitigate risk and maintain compliance whilst fostering innovation.

v. **Future implementations** – An open- ended section designed to gain additional insights relevant to the research objectives.

3.5 Data Analysis Strategies

A qualitative research method was chosen to explore the balance between FinTech innovations and regulatory compliance. Interviews were transcribed and coded into themes using a qualitative management software called Atlas.ti.

An inductive approach was applied to develop themes, providing a deeper understanding of the data (Thomas, 2003). The coding process enhances insights by reflecting on the transcripts (Weston et al., 2001). Since qualitative research is flexible, data collection and analysis followed an iterative rather than a linear process (Busetto et al., 2020).

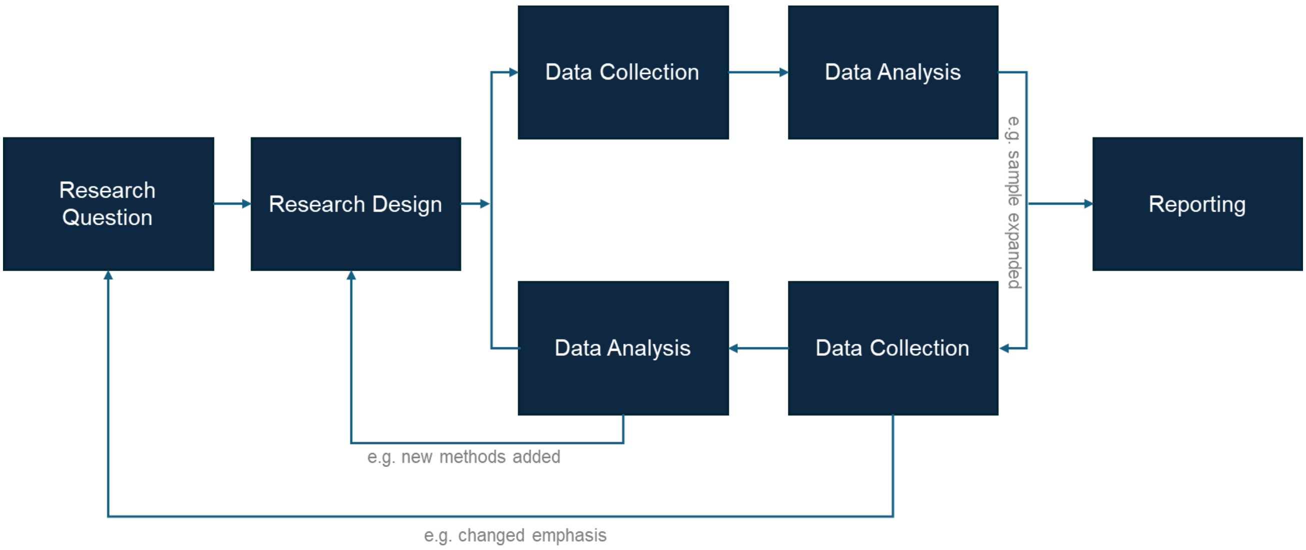

Figure 2: Iterative Research Process, Source: (Busetto et al., 2020)

The iterative process continues until no new (relevant) information or saturation has been reached (Busetto et al., 2020).

3.6 Limitations

The following limitations have been identified as part of the study:

i. It is the responsibility of the researcher to interpret interview findings, who may be susceptible to personal biases
ii. Participants may exhibit biases in their responses to questions.
iii. The quality of the research hingers on the researcher's ability to ask effective follow-up questions.
iv. Expanding the research to other industries could provide a deeper understanding of innovation and compliance.

3.7 Quality Assurance

3.7.1 External Validity (or Transferability)

The researcher ensured transferability by documenting all necessary information required for the study.

3.7.2 Internal Validity (or Credibility)

Data credibility was ensured by providing full transcripts, voice recordings and Atlas.ti outputs for transparency between data, findings and interpretations (Weston et al., 2001). A few participants have reviewed and verify the findings to enhance credibility. An interview guide ensured consistency across all interviews, and the sample represented all relevant stakeholders for a comprehensive view of perspectives.

3.7.3 Reliability (or Dependability)

Dependability was achieved by using a reliable qualitative tool, Atlas.ti to analyse and interpret key themes from transcripts and recordings, helping to minimise researcher bias.

3.8 Ethical Considerations

Ethics approval was sought from the University of the Witwatersrand Ethics Committee, and data collection only began after clearance. Participants reviewed the overview of the study *(Appendix A)* and provided written consent *(Appendix B)* before interviews start. The researcher ensured participants, and their organisations remained anonymous, with all records securely stored. Participants have the option to withdraw from the study at any time.

CHAPTER 4: RESEARCH FINDINGS

4.1 Introduction

This chapter presents the findings corresponding to the propositions outlined in Chapter 2. The results presented are from the analysis of the in-depth open-ended interviews. The findings were analysed and integrated using a thematic analysis approach. The findings are presented using quotes, which are analysed individually or collectively to illustrate the themes that emerged from the interviews.

4.2 Demographics

FinTech and financial services professionals were purposively selected and recruited as participants for interviews, with focus on individuals with expertise in Risk and Compliance; Information Technology and Data Specialists; Legal Experts, and Senior or Executive Leadership.

All the participants deemed to possess the requisite knowledge and experience based on their tenure, expertise and professional background. The participants aged between 31 and 46+ *(See Table 4),* were chosen for their diverse experience in the FinTech and financial services industry. The interviews were conducted either face to face or online via Microsoft Teams, ensuring flexibility and accessibility.

The participants possessed postgraduate qualifications either at an honours level (NQF level 8) or master's level (NQF level 9). These participants have experience in the development, implementation or strategic advancement of digital technologies and products.

Table 4: Characteristics of Participants

Characteristics	n = 15
Age Group (years)	
25-30	*0 (0%)*
31-45	*11 (73%)*
46+	*4 (27%)*
Highest Level of Education	
NQF Level 8	*6 (40%)*
NQF Level 9	*9 (60%)*
Work Experience (years)	
0-9	*1 (7%)*
10-15	*1 (7%)*
16-20	*7 (47%)*
21-25	*2 (14%)*
26-30	*3 (20%)*
31-40	*1 (7%)*
Field of Expertise	
Risk and Compliance	*3 (20%)*
Information Technology and Data Specialists	*4 (27%)*
Legal Experts	*4 (27%)*
Senior or Executive Leadership	*4 (27%)*

4.3 Presentation of Findings

This study examined the balance between FinTech innovation and regulatory compliance in South Africa, exploring whether existing regulatory compliance frameworks fosters or hinders innovation, This study focused on senior management experiences and addressed regulatory barriers, risks of non-compliance and FinTech strategies to navigate the existing regulatory landscape.

During the analysis of the data collected through interviews, several themes were identified, which are subsequently aligned with the three research objectives and propositions of this study and are discussed in detail in subsequent sub sections.

Table 5: Emergent Themes Summary

Research Objectives	Research Proposition	Research Themes
1. Determine if the existing regulatory compliance frameworks place a hindrance on good innovation.	**Proposition 1:** Existing regulatory compliance frameworks applicable to the South Africa FinTech sector hinder good innovation by imposing constraints and complexities that slow down / prevent innovation activities.	**Theme 1: Regulation and Innovation** i. Regulation is behind the curve ii. Regulation doesn't enable fast innovation iii. Regulation is not supportive of the entire FinTech ecosystem iv. Legacy / geriatric mindset hinders innovation v. Regulation is pro traditional banking vi. Regulation is positioned to foster good innovation **Theme 2: Challenges in SA regulatory excellence:** i. South African regulatory landscape is of a high standard ii. Generic / not fit for purpose regulation **Theme 3: Cost of compliance** **Theme 4: Knowledge gaps across regulators and organisations** i. Regulator lacks knowledge and understanding ii. Organisations lack knowledge and understanding
2. Determine the common risks associated with non-compliance and their implications on business operations and growth.	**Proposition 2:** The operational disruptions caused by non-compliance incidents, such as regulatory investigations which can lead to increased costs and hinder business growth.	**Theme 5: Critical business and technology risks** i. Reputational and conduct risks ii. AML and fraud risks **Theme 6: Excessive risk aversion and compliance** i. Deeply risk adverse ii. Knowledge gaps and uncertainty

3. Determine how FinTech organisations mitigate risks within the existing regulatory landscape.	**Proposition 3:** South African FinTech companies are actively engaging in various strategies to navigate the existing regulatory landscape to mitigate risk and foster innovation.	**Theme 7: Proactive regulatory engagement and education** i. Proactive engagement with regulators ii. Education needed for regulators iii. Education needed for organisations **Theme 8: Collaborative and adaptive regulatory strategies** i. Collaborative and eco-system-based approaches ii. Tailored and adaptive regulatory strategies **Theme 9: Transformational mindset and technology integration** i. Cultural and organisational mindset shifts ii. Young blood iii. Leveraging technology and innovation

4.3.1 Regulatory Frameworks and FinTech Innovation

The themes in this section address the first proposition of this study, which proposes that regulatory frameworks in South Africa FinTechs may hinder good innovation by imposing constraints and complexities that either slow down or hinder innovation.

4.3.1.1 Theme 1: Regulation and Innovation

One of the key themes that emerged in this study is the negative perception around regulation in South Africa, where it is perceived, that regulation is behind the curve, therefore does not enable fast innovation. At the same time, there is a positive perception that regulation is well-positioned to encourage meaningful innovation. This theme encapsulates how regulatory frameworks fail to keep pace with technological advancements and innovation. Based on this theme, six important areas are discussed:

i. Regulation is behind the curve
ii. Regulation does not enable fast innovation
iii. Legacy / geriatric mindset hinders innovation
iv. Regulation is pro traditional banking
v. Regulation is positioned to foster good innovation

Regulation is behind the curve

Nine out of fifteen participants mentioned that regulation is behind the curve. They highlighted the significant lag in regulatory frameworks relative to the fast-paced evolution of FinTech. Regulations are often reactive rather than proactive, struggling to keep up with advancements in technology and market dynamics. Participant 8 shared the following view:

> *"We are so used to South Africa being the number one and sometimes number two economy in the continent, therefore innovation tends to start here, not end here. And for some reason, South Africa is lagging behind when it comes to FinTech".* **– Participant 8**

Two participants mentioned the continuous effort of trying to catch up with emerging trends:

> *"Legacy frameworks and regulation that's not on par with the technology that's there, because government and regulators will always play catch up to what's happening in the world".* **– Participant 7**

> *"They're just busy, they're catching up".* **– Participant 9**

Participant 9 highlights that the South African regulator is busy trying to catch up that they don't have enough capacity to focus on evolving the current regulation. The slow pace of evolution and lack of fit of regulatory frameworks means that FinTechs must navigate outdated laws that do not align with modern business models. Participant 9 shared the following view:

"So, if you think about regulations, regulations are usually, you know, backwards looking. So, what has happened in the past. And that's what you are trying to regulate, you know, so therefore they're never really quite catch up with innovation, new business models etc.". **– Participant 9**

"The other thing is typically regulation under the banking licenses are not really fit for purpose for these sort of products". **– Participant 9**

Another participant shared the following:

"If you look at our national payment systems (NPS) act for example, even before we bring FinTechs into the payment streams, that act does little to foster innovation amongst your traditional payment service providers using traditional methods of making their offering available". **– Participant 15**

Regulation does not enable fast innovation

Majority of the participants highlighted that regulation does not enable fast innovation. Current regulation creates significant obstacles for FinTech startups. Slow licensing processes, rigid compliance requirements and risk-adverse regulatory frameworks contribute to delays and uncertainty, making it difficult for FinTechs to disrupt the industry. Participant 1 shared the following view:

"I think that the licensing is very expensive, very expensive in different angles, in time, in money. And of course, licensing comes with regulatory compliance, So now that's not enabling small or medium enterprises, even the large one's struggle". **– Participant 1**

"First and foremost, we need to comply with what regulations are. But then that then slows down innovation within the organisation because you then want to tick all the boxes before we can even go live with products". **– Participant 3**

Participant 3 highlighted that the industry's inherently risk-averse nature means that even the desire to comply with regulations can significantly slow down innovation. This could lead to overregulation which was highlighted by several participants. Participant 6 shared the following view:

> *"You overregulate when you need to double check everything, you know, then you're siphoning innovations".* **– Participant 6**

Another participant shared similar view:

> *"…that's why it doesn't foster. It actually reduces how quickly we can go to market".* **– Participant 8**

Legacy / geriatric mindset hinders innovation

Participants highlighted how entrenched traditional thinking, and an aging leadership structure create obstacles to FinTech innovation. Rather than a skills gap, the challenge lies in a generational divide, where decision-makers may lack the agility and openness needed to embrace digital transformation. Participant 10 shared the following views:

> *"I think a generational challenge that we sit with today first, rather than a skills issues, there's tremendous skill, you know, in the industry".* **– Participant 10**

Two participants shared the following views:

> *"I think the average age at the regulator be like 60 years , you know, and those guys have been working at the regulator for the past 25-35 years. They do things this way. They don't move with the time, and they don't apply themselves broadly".* **– Participant 5**

> *"Stakeholders in government are normally between the age group of 45 to 65 if not older. Those stakeholders are not tech savvy. And when you talk about FinTech, you talk about a 19-year-old, 22year old straight out of varsity. So, there's a big gap".* **– Participant 7**

They highlighted the strong adherence to legacy approaches and thinking, often driven by long tenure professionals and regulators who are not well-versed in emerging technologies and slows the industry's ability to adapt to change.

Regulation is pro-traditional banking

Several participants made mention that existing regulatory frameworks and practices are predominantly aligned with traditional banking models, which creates barriers for innovation and limits the growth of non-traditional financial players such as FinTechs. Eight out of the fifteen participants made mention that regulations are designed for the traditional banking landscape and due to the lack of FinTech specific regulations this may hinder growth as its not fit for purpose. Participant 15 shared the following:

> *"So, if you're a FinTech offering deposits, we're going to regulate you the same way we regulate a traditional bank that offers deposits, right? So, where you know the approach that's been taken is you must find a way to fit within the existing regulatory framework and make that work. And I think the biggest challenge with that is the existing regulatory framework is designed to mitigate the risks that are associated with traditional providers".* – **Participant 15**

The following extract is made by one participant:

> *"Most regulators prefer large banks, tier 1 banks to be offering these products due to trust, compliance etc.".* **– Participant 9**

Participant 9 makes mention that banks operate under a different regulatory regime, therefore FinTechs don't have to go under the same level of compliance. This means in South Africa for a FinTech to operate they would need to partner with a bank. The reliance of partner / sponsor bank models, further constrains FinTechs by operating under the oversight of established banks. This was highlighted by another participant who shared the following:

> *"What we cannot do in South Africa, specifically FinTechs that I worked with, we couldn't do something without formal approval of partnering with a bank".* **– Participant 7**

The following extract is made by two participants:

> *"So, I think it's past practices has been we don't own our own licenses in South Africa, we play by the book of the license holder, and how it has shaped it is we have come up with a very watered, less aggressive proposition that does not acquire customers".* **– Participant 5**

"In my view, is that the South African industries are for traditional banking so whatever innovation that you bring within the FinTech space, you need to satisfy the central bank as to how you will maintain the integrity of the financial system, right? So, if anything that you want to do does not really tick the boxes of the central bank, chances are it will be blocked. And if you want to participate, you will need to participate with sponsor banks". **– Participant 3**

Regulation is positioned to foster good innovation

Six out of the fifteen participants made mention that regulation doesn't foster fast innovation but is positioned to foster good innovation. Whilst three out of the fifteen believe that even through current regulation is behind the curve it is still positioned to foster good innovation. Highlighting the potential of regulatory frameworks to actively support and promote innovation while maintaining a balance between fostering growth and ensuring accountability. Two participants shared the following views:

"In South Africa, seems like our regulator is pro regulation and pro innovation, I say pro innovation because of the regulatory sandboxes that they've created to allow people to come in and test things". **– Participant 3**

"I think our regulator has been progressive enough to be the one who has created sandbox environments on blockchain, on crypto assets, and they've come up with the regulation or regulatory guidelines on how to implement this regulation". **– Participant 5**

Participant 5 makes mention that unlike other markets who outright ban blockchain, crypto etc. the regulator opted to work creativity with the industry. Participant 4 highlighted the small and medium enterprise (SME) FinTech grant initiative which was introduced by South African regulators to support the development of the FinTech industry.

"So, I do think the South African landscape was a lot more encouraging of it, and I think that's one of the reasons why there was a fair amount of investments coming in the past few years. And I think still till today". **- Participant 4**

Participant 13 who is in a senior leadership / executive position shares the similar view that the regulators are supportive and encouraging of innovation:

> *"…a huge amount of support from the regulator, so my view is the regulator is generally supportive, therefore encourage innovation and is not an obstacle to innovation".* **– Participant 13**

> *"They're doing a lot of work to try and stay at the forefront of developments with AI, bitcoin, blockchain, all of those type of things, so almost from a philosophical point of view, they understand that they need to understand these new development world".* **– Participant 13**

This participant makes mention that the regulator has taken a proactive stance. Participant 1 states that although the regulator has taken a proactive stance they are still behind. Participant 1 shares the following view:

> *"…are quite proactive in terms of how they improve their current regulation or legislation compared to the rest of the world, obviously you know, catching up".*
> **– Participant 1**

Another extract is made by one participant:

> *""…but South Africa, I think is in a good space, I mean the SARB".*
> **– Participant 6**

4.3.1.2 Theme 2: Challenges in South African Regulatory Excellence

Participants highlighted the South African regulatory landscape has a strong foundation and has a world-renowned banking system. However, regulations may not also be fit for purpose which may hinder the growth of the FinTech industry. Based on this theme two key areas are discussed:

i. South Africa regulatory landscape is of a high standard
ii. Generic / not fit for purpose regulation

South Africa regulatory landscape is of a high standard

Several participants highlighted the strength and resilience of South Africa's regulatory landscape which has contributed to the stability of its financial sector. Participant 5 highlighted that the South African banking landscape is so sophisticated that it was largely untouched by the 2008 banking crisis.

> *"The South African banking environment was largely untouched".*
> **– Participant 5**

Several participants made mentioned that South African's banking system is leading within the continent, Participant 1 shared the following view:

> *"If you look at the overall regulatory landscape compared to the rest of the world, I think South Africa is potentially one of, you know, the leading countries in the continent".* **– Participant 1**

Regulation is generic and not fit for purpose

Some participants highlighted the inadequacies of the regulatory frameworks that fail to align to specific needs and dynamics of rapidly evolving industries like FinTech. Generic, broad-stroke regulations are characterised by a lack of deep knowledge and understanding of both the regulation and the FinTech industry. Regulators often adopt a "copy-paste" approach from other jurisdictions or sectors without tailoring to local contexts or industry specifics. Participant 3 shared their views as follows:

> *"We try to copy too much what the Americans are doing, right? And sometimes, I think we copy too quickly without understanding the implications of those regulations would be in those markets where they've been copied since then".*
> **– Participant 3**

The following extract is made by one participant who is in a senior leadership / executive position:

> *"The lack of depth of knowledge, you know, to a large extent, you know, drives a generic layer of compliance across all products".* **– Participant 10**

This participant believes that organisations face a major challenge where there is lack of deep knowledge of specific business units and organisations therefore implement a centralised approach irrespective of business unit specifics to try cut costs. Consequently, compliance becomes a mere tick box exercise, prioritising procedural completion over genuine understanding and effective implementation. This was highlighted by another participant on the rigid regulatory mindsets and uniform enforcement practices hindering innovation by failing to account for the nuances and complexities of emerging technologies and business models. See extract below:

> *"…is more of a black and white, do this or don't do this. The challenge I have with that is, once you start having black and white, you cannot do, and you kill innovation".* **– Participant 5**

4.3.1.3 Theme 3: Cost of Compliance

Some participants highlighted the financial burden that compliance imposes on FinTech organisations. Key areas include the high licensing fees, stringent capital adequacy requirements and costly regulatory adherence create substantial challenges, not only for startups and smaller players in the industry but also for large established organisations. Participant 5 shared the following views:

> *"Cost of compliance becomes a hindrance to many people. You know, in my example…So, we solution out of 100 customers, that's a total base with solution for 1% and we apply that solution broadly to the 100% and then the cost of compliance becomes significant".* **– Participant 5**

Another participant shared the following view:

> *"Compliance itself can be expensive".* **Participant 2**

Participant 2 highlighted that stringent compliance requirements associated with certain licenses drive up service costs for customers. If these costs cannot be transferred to the customer, businesses may struggle to remain viable, ultimately leading to closure. Additionally, infrastructure costs required to meet regulatory expectations further strain resources, limiting innovation and deterring innovation. Participant 1 shared the following view:

"Some of these regulations, is not just about issuing the regulations, then you know people must go comply, but sometimes also entails the industry having beef up the infrastructure and be it technology or whatever it is, and most companies might not have budget for it". **– Participant 1**

The high cost of compliance not only hinders the ability of FinTech organisations to operate efficiently but also stifles growth within the sector.

4.3.1.4 Theme 4: Knowledge Gaps Across Regulators and Organisations

Participants mentioned a critical issue of knowledge deficits among both regulators and organisations, leading to inefficiencies, misinterpretations and barriers to innovation. There is lack of deep understanding within the FinTech industry, both in terms of regulatory frameworks and technological advancements. Based on this theme, two important areas are discussed:

i. Regulator lacks knowledge and understanding
ii. Organisations lack knowledge and understanding

Regulator lacks knowledge and understanding

Nine out of the fifteen participants highlighted that there is a lack of deep understanding by the regulator about the FinTech industry. Regulators struggling to keep up with emerging technologies, resulting in rigid enforcement that stifles innovation rather than enabling it. Participant 1 shared the following views:

"…we assume that the regulators are supposed to know anything but everything rather, but I don't think even they have, like, a full understanding or comprehension of what the FinTech offers". **– Participant 1**

"…sometimes the rigidness comes from a lack of understanding".

- Participant 1

Another participant shared the similar views:

> *"…what I've learnt is that the regulators don't understand what we're doing first and foremost".* **– Participant 7**

Participant 7 mentions that since the regulator lacks understanding it is important to engage them for their buy in. Even if the understanding is there, other challenges may persist. Participant 8 shared their views as follows:

> *"When you talk to the regulators themselves, they can see the intelligence of why this innovation is necessary and why this innovation has the ability to enhance financial inclusion, but they are always sort of paralysed by the fear of risks that come with innovation".* **– Participant 8**

Several participants mentioned the absence of technical expertise and industry-specific knowledge within regulatory bodies contributes to regulatory misalignment, where regulation do not adequately reflect the needs of the evolving FinTech landscape. Participant 3 shared the following view:

> *"…how do you drive regulation for something that you don't understand. These people that are drafting the AI regulations probably don't even understand how AI works. They probably never coded in their entire life, are they able to talk to those?".* – **Participant 3**

Another participant shared similar views:

> *"So, for example, like crypto, for instance, they can't differentiate between the different types of coins or the mining aspect from generating the coin to create this type of mining instrument. And I think that's also a challenge, because then you get these generic sorts of regulations, which aren't helpful".*
> **– Participant 4**

Organisations lack knowledge and understanding

Whilst only three out of the fifteen participants highlighted that there is a lack of understanding from the organisation's perspective. These participants mentioned the internal mindsets resistant to change, coupled with inadequate appreciation for compliance, hinder business from growth opportunities. Participant 9 shared the following view:

> *"It is internally, this is the bigger risk – the bigger blockage is internal and its mindset".* **– Participant 9**

> *"…you find that the regulator (business compliance) team are the ones that go and engage the regulators, but maybe without really understanding the business, right?".* **– Participant 3**

Another participant shared the similar views:

> *"…lack of depth of knowledge is a big, big issue in terms of operationalising or implementing of compliance and understanding".* **– Participant 10**

Participant 9 also highlights that a lack of understanding can lead to misinterpretation, further compounding compliance challenges and increasing the risk of costly errors and operational inefficiencies. Participant 9 shared the following views:

"So, you know if you think about the FinTechs there, the target is usually a specific need and want to try and get scale, and sometimes their interpretation of regulations, especially given the return, not necessarily, for that product offering or channel or volume of frequency, sometimes then causes issues". **– Participant 9**

4.3.2 Non-Compliance Risks Disrupt Operations and Growth

The themes in this section address the second proposition of this study, which proposes that operational disruptions caused by non-compliance of risk can lead to increased costs and hinder business growth.

4.3.2.1 Theme 5: Critical business and Technology Risks

The participants highlighted critical challenges, where majority of these challenges were linked to business risks that businesses face when navigating compliance and regulatory frameworks. Based on this theme, two important areas of risk were highlighted and are discussed:

i. Reputational damage and conduct risk
ii. AML and fraud risk

Reputational damage and conduct risk

Eleven out of the fifteen participants identified key risks such as reputational damage caused by unethical practices or bad innovation. Participant 5 shared the following view:

> *"Non-compliance means your name is spluttered across media everywhere and all that. And then getting to work with partners becomes a problem, and getting funding, because most of these FinTech entities are always raising capital, so getting funding becomes a challenge".* **- Participant 5**

> *"I've seen innovation where the idea is great, but execution is not, and then you sort of have reputational damage".* **– Participant 12**

Another extract by one participant:

> *"…but ultimately coming down to some kind of loss commercially and or otherwise for individuals at personal level or entity level".* **– Participant 14**

AML and fraud risk

Participants focused on specific risks associated with AML and fraud. Participant 1 shared the following views:

> *"I definitely think that the AML landscape is one that will and fraud as well, is one that will just heighten if it's not properly regulated".* **– Participant 1**

> *"If a mobile money provider or FinTech does not do basic AML checks upon registration, you're not complying, because then you open up the entire*

business for fraud and anti-money laundering as a specific use case". **– Participant 7**

This participant mentions that compliance is needed to mitigate these risks as these risks is hindering growth in the industry. Another participant also mentions that money laundering and terrorism finance are key risks and shares the following views:

"…it's impacting it from the inability to grow, right? Because I think if those risks were not big, I think a lot of more FinTechs would probably been getting even bigger than the traditional banks". **– Participant 3**

4.3.2.2 Theme 6: Excessive Risk Aversion and Compliance

The participants highlighted risks that arise from deep risk aversion, over-compliance and regulatory knowledge gaps within the FinTech ecosystem. Based on this theme, two important areas of risk were highlighted and are discussed:

i. Deeply risk adverse
ii. Knowledge gaps and uncertainty

Deeply risk adverse

Six out of the fifteen participants highlighted a deeply risk – adverse culture among the industry which is driven by fear of fines and regulatory penalties often leads organisations to adopt ultra-conservative approaches that limit innovation and operational flexibility. Participant 2 shared the following views:

"I think South Africa is also very risk adverse, because you know, I say they're coming with regulations that are highly banking inherited or inclined". **– Participant 2**

"What we have is we've taken our global system for mobile communications (GSM) practices into FinTech, and it's been ultra conservative, because we've been hit with fines in several markets, everybody's afraid of fines". **– Participant 5**

Another participant shared the similar view:

> *"The financial services are extremely risk adverse, and so we've had to literally beef up our risk function, right? Because if we don't do that, then we literally are so open to penalties and sanctions from the regulator and all of that".* **– Participant 8**

Participant 8 further emphasised that if an organisation is unwilling to assume the associated risks, it will ultimately halt the launch of a specific product.

Knowledge gaps and uncertainty

Some of the participants highlighted the risks associated with lack of understanding of the regulatory landscape. A lack of understanding can have dire consequences, particularly for FinTech startups or new entrants. Participant 2 shared the following views:

> *"…because you didn't interpret the regulation rightly, and that can be costly. So, to me the one learning is we need to ensure that we have the right interpretation of the regulation".* **– Participant 2**

This participant noted that misunderstanding regulatory or compliance requirements, even with the intention of being compliant, can cost businesses millions of dollars. This participant further emphasised the importance of ensuring a clear and accurate understanding of regulatory and compliance perspectives among all stakeholders involved, in the development and operation of a product or platform. A similar view is shared by participant 10:

> *"The biggest risk is, in my opinion, at least the lack of understand of A compliance and B, you know, the business model".* **– Participant 10**

> *"…a risk person might not necessarily be well equipped or have the necessary experience to be able to interpret regulation, it's in its entirety, so we could potentially miss you know, certain regulatory requirements and find ourselves getting breachers".* **– Participant 1**

These participants have mentioned that there are risks associated with a lack of understanding within the organisations. Participant 1 further mentions that a lack of understanding means that stakeholders are unable to adequately challenge one another. A similar view is shared by participant 4:

> *"…the other risk is people doing things and not really sure where the boundary is, so you don't know what you are crossing. And then you do this amazing innovation, like you create this amazing product, or you do this amazing add on, and you spend possibly, hundreds or thousands, maybe even millions, and then a month later , it becomes illegal".* **– Participant 4**

4.3.3 South Africa FinTech Organisations Navigating Regulation

The themes in this section address the third proposition of this study, which proposes that South African FinTech companies are actively engaging in various strategies to navigate the existing regulatory landscape to mitigate risk and foster innovation.

4.3.3.1 Theme 7: Proactive Regulatory Engagement and Education

Participants highlighted the need for FinTech organisations to actively engage with regulators and enhance education efforts both within regulatory bodies and their own organisations. Based on this theme, three important areas were highlighted and are discussed:

i. Proactive engagement with regulators
ii. Education needed for regulators
iii. Education needed for organisations

Proactive engagement with regulators

Twelve out of the fifteen participants mentioned a proactive approach to regulatory engagement is essential for fostering collaboration, ensuring compliance and influencing policies that support innovation. Participant 1 shared the following views:

"From a strategic perspective, I would prioritise in terms of us, you know, being at the forefront with the regulators, especially feeding into whatever regulation that they are wanting to put forward". **– Participant 1**

Another participant shared the following:

"I've seen a couple of organisations that have built a relation with the regulator. These organisations have been very good at building internal structures that pick at what the external guys are doing, and then looking at supposedly loopholes in the regulation and then proactively seeking like-minded stakeholders in the industry to help canvas support from the regulator". **– Participant 5**

Participant 5 highlights working jointly can be beneficial to both parties to ensure alignment with regulatory frameworks. Participant 11 shared the following views:

"…working hand in hand with the regulators". **– Participant 11**

"…but if you have a situation where the regulator says yes or no and the answer is no, then you have to go lobby, because then it's not about you, it's about the fact that it says an explicit no for the particular question. And if you happen to have an alternative view, then it's important to engage and then work with the regulators to just know more". **- Participant 14**

Another participant shared similar views:

"…but even if we not allowed looking at the regulation, we still have an avenue to actually motivate for these things with regulators, and they usually would approve these things". **– Participant 8**

Several participants highlighted that the regulators are approachable and quite open and ongoing dialogue helps create mutually beneficial solutions.

Education needed for regulators

Participants highlighted that regulators must develop a deep understanding of emerging technologies, FinTech business models and market dynamics. Participant 3 shared the following views:

> *"We need to get the regulators to understand our business model. I'll even go as far as saying we probably need to invite the regulators on trips to our markets so they can see the impact that FinTech has in those countries".*
>
> **– Participant 3**

Two other participants shared the similar view:

> *"I don't think it would be a bad idea for a regulator to go sit with a FinTech guy and say, hey, what exactly do you do? Let me understand it".* **– Participant 4**
>
> *"If a regulator knows this is what our strategy is, businesses launch their strategies for a period of five years right…we need to engage the regulator quite aggressively because we know what we want".* **– Participant 8**

Participant 8 highlighted that when regulators are informed about an organisation's strategy in advance, it facilitates smoother engagements, enabling timely product launches. By proactively communicating long-term plans, organisations can introduce innovative products more efficiently, as regulators would have already considered these developments years ahead of their official launch. Several participants also highlighted the need for test environments to help drive education and buy in among regulators. Participant 14 shared the following views:

> *"…sandboxes in which they can operate are things like that, those could be constructs that regulators can facilitate which would actually stimulate innovation, right?".-* **Participant 14**

Another participant shared similar views:

> *"Regulatory sandboxes are probably the sure way to make sure that regulators catch-up with innovation".* **– Participant 8**

Education needed for organisations

Participants highlighted that it is equally important for organisations to educate themselves on regulatory requirements and compliance best practices. A lack of internal understanding can lead to costly missteps and missed opportunities for growth. Participant 2 shared the following views:

> *"…ensure that everyone in the organisation, but I would use the word everyone in quotes to say everyone who is concerned on a particular product, particular platform, understands what's required as far as compliance is concerned".* **– Participant 2**

Another participant shared the following view:

> *"So, if you're in FinTech, you need to have your finger on that to make sure that if a change is announced, you understand it and you can prepare for it from an implementation perspective".* **– Participant 15**

They mentioned that both a deep technical and compliance knowledge is crucial for driving innovation while maintaining regulatory adherence. Participant 11 shared the following views:

> *"…just understanding what innovation really means, a little bit of education, education around the type of tech".* **– Participant 11**

> *"…continuous renewal and exposing yourself to innovation and change and tech, is you know, absolute non-negotiable".* **– Participant 10**

Participant 9 emphasised that internal understanding is critical, as innovations are often halted within the organisation before even reaching the regulator. Participant 9 shared the following views:

> *"…you've got an internal, we've never done that, we don't understand that we don't want to do that, if I get my head around it. Therefore, if you don't have then that drive and sponsorships, it gets killed even before it goes to the external regulators".* **– Participant 9**

4.3.3.2 Theme 8: Collaborative and Adaptive Regulatory Strategies

Several participants highlighted that FinTech organisations can navigate regulatory challenges by leveraging collaboration, advocating for tailored regulatory strategies and drawing insights from both local and global markets. Based on this theme, two important areas were highlighted and are discussed:

i. Collaborative and eco-system-based approaches
ii. Tailored and adaptive regulatory strategies

Collaborative and eco-system-based approaches

Participants mentioned that collaboration among stakeholders both internal and external is critical to drive growth within the industry. Participant 3 shared the following views:

> *"…industry bodies should be a good network to use to engage the regulators".* **– Participant 3**
>
> *"I do think that it's necessary for organisations to be in contact with the policy makers and regulators, because again, they put this out, they're not involved in the day-to-day implementation. It's only right for someone to say, hey guys like this isn't working because of this".* **– Participant 4**

Several participants make mention of industry-wide partnerships, including FinTech associations and public-private collaborations, play a crucial role in shaping regulatory policies that foster innovation while ensuring compliance. Participant 7 shared the following views regarding telecommunication organisations:

> *"They need to partner more with government, with regulator to drive the type of technology. Specifically, from this, I see that the government has got policies in place to drive the fourth industrial revolution, but they are not positioned correctly or not partnered with a FinTech or technology companies that enable this innovation".* **– Participant 7**

Another participant shared the following views:

> *"…a strong network of stakeholders within the industry with whom you will interact on a regular basis, so the availability, or the accessibility to sound boarding into the network or service providers in the industry that is availed".*
>
> **– Participant 10**

Tailored and adaptive regulatory strategies

Participants highlighted a one-size fits all regulatory approach often stifles innovation Making tailored and flexible frameworks is essential for FinTech success. Participant 6 shared the following views:

> *"I'm not saying that we don't need the regulation, but we need the regulation in a way that doesn't stifle innovation".* **– Participant 6**
>
> *"So, if the regulation can be a bit more enabling, you can find that even large enterprises that don't necessarily want to play with as banks can still sustainably invest into the financial services ecosystem".* **– Participant 2**

Another participant shared the following views:

> *"I've seen in a crucial time; innovation took place because it was needed. Regulations were relaxed and we not seeing the same there after".* **– Participant 12**

Participant 12 recalls the COVID-19 pandemic as a period of significant innovation, driven by market demand and facilitated by relaxed regulatory requirements. Several participants emphasised that innovation should be allowed to progress first, with regulation following afterward. Participant 3 shared the following views:

> *"Allow the tech to work and then regulate, because if you want to regulate first, then people can't think outside the box. Think outside the box, understand what to do and then regulate".* **– Participant 3**
>
> *"…see, learn and regulate, whereby this approach is enforcing that before you regulate. Leave room to fail fast".* **– Participant 2**

*"I would prefer a scenario where you lead with innovation and then you bring in compliance to say, how could we push the compliance or regulatory envelope to make sure that now we are operating within the realms of the law?"***.**

– Participant 5

"You should interpret the product, or look at the product, right and then try and make the legislation work with the product, right?". **– Participant 6**

4.3.3.3 Theme 9: Transformation Mindset and Technology Integration

Participants highlighted the importance of mindset, talent and technology in fostering innovation and compliance within the FinTech ecosystem. Based on this theme, three important areas were highlighted and are discussed:

i. Cultural and organisational mindset shifts
ii. Young blood
iii. Leveraging technology and innovation

Cultural and organisational mindset shifts

Participants highlighted a barrier to innovation is the compliance mindset within organisations. Several participants emphasised the need for compliance professionals to adopt a business or innovative mindset who is not afraid to take calculated risks. Participant 1 shared the following views:

"From a compliance perspective, obviously you don't want to be too open minded that you then also, you know lack or fail to, you know, to mitigate risks. But I think compliance has to have, I dare say, a business or innovative mindset". **– Participant 1**

"I think it's a mindset I see, I'll use my example of a small FinTech, our risk and compliance executive was pro-business, So he's a guy who would understand what you want to do and you'd understand where you are breaking the law, and

he come in and tell you how to do it in a way that you minimise your risk". – **Participant 5**

Another participant shared the following views:

"It is the appreciation that compliance actually plays a meaningful role in terms of business enablement, as opposed to compliance being a wide brush that brushes across the entire group of businesses". **– Participant 10**

Several participants emphasised the need for businesses to embrace a healthy risk culture, ensuring that compliance is not viewed as an obstacle but rather an enabler of sustainable growth. The shift from rigid to more agile friendly approaches keeping the client at the centre of decision making is driven by the organisational culture. Participant 13 shared the following views regarding compliance and organisational change:

"I think its lesser strategy than simply instilling a culture that the two are at odds with each other at making change and innovating and doing the right thing for your clients". **– Participant 13**

Another participant shared the following:

"…if you don't foster that culture, people will just be too afraid to take risks". **– Participant 6**

Young Blood

To modernise thinking among compliance professionals, FinTech organisations and regulators must attract young dynamic talent. Several participants highlighted the need to bring in individuals who can challenge the traditional ways of thinking and inject fresh perspectives into regulatory and business frameworks. Participant 5 shared the following views:

"…recruit a maverick, I'm going to recruit somebody who image a guy like Elon Musk right? Imagine if Elon Musk was in risk and compliance, you know because you want somebody who understands the business, yeah, and who

understands the regulation and then you can push the regulation boundary as close as possible into the business environment". **– Participant 5**

"I think as a younger lawyer, as a younger compliance person, you more like, you aren't tainted. You haven't been hard coded, You know, you don't have that level of like , sort of the rigid thinking, yeah…….. generally, if you're younger, you have the ability to think differently". **– Participant 6**

Another participant shared the following views:

"…because maybe if we're actually being led by young, innovative people, that will then probably change the story, because people then will be able to think outside the box". **– Participant 3**

Leveraging technology and innovation

Participants highlighted the need for automation and simplification in compliance processes to reduce complexities and operation inefficiencies. Additionally, leveraging technology to fight financial crime, protect consumers and address financial inclusions challenges was seen as essential for fostering a secure and accessible FinTech ecosystem. Participant 11 shared the following views:

"I think you know education is necessary, because sometime innovation is such, it's just a word, right? Are we really implementing that? And sometimes it's just simplification of a very complicated process that just makes our lives easier or moving the robotic manual processes, and that is innovation". **– Participant 11**

Another participant shared the following views:

"…more automation and simplification of the KYC process". **– Participant 12**

Participant 12 highlights that a key compliance area for FinTech organisations is the KYC process, and if more automation and simplification can be done using AI then a lot of the compliance issues could be resolved. Such innovations could also help drive further financial inclusion. Participant 3 shared the following views:

“So, in such innovations, if they were to come in, I think they could actually even help a lot of financial inclusion”. **– Participant 3**

“…there’s a lot of cash that’s running around in our country, yeah, that, how do we bring it into the system...So how does the money get integrated into the system so that then we are able to fight financial crimes? But if the innovation was around that, I think it would help us a lot as a country”. **– Participant 3**

Another participant shared the following views:

“…how do we protect the vulnerable, and AI can easily help us do that”. **– Participant 1**

4.4 Discussion of Findings

4.4.1 Regulatory Frameworks and FinTech Innovation

The first research objective explored whether the existing regulatory compliance frameworks in South Africa hinder good innovation within the FinTech industry. The finding suggests a complex relationship between regulation and innovation with both positive and negative views. The findings suggest that innovation is influenced not only by regulatory frameworks but also by the proactive role organisations play in fostering innovation within the industry.

Theme 1 highlighted the contradictory role of regulation in fostering or hindering innovation. While some aspects of regulation are positioned to support FinTech innovation such as progressive sandbox initiatives other regulatory constraints hinder the industry. Regulation is often behind the curve as its mainly backward looking and lags behind technologies and modern business models. This lack of agility creates a regulatory environment where FinTechs must navigate outdated policies slowing down their ability to develop and launch innovative solutions. A legacy or geriatric mindset among regulators and stakeholders further enhances these issues as long tenure and resistance to change hinders regulatory agility. Furthermore, the dominance of traditional banks in shaping regulations reinforces barriers to entry for FinTechs, requiring them to operate through partner banking models, further restricting their ability to innovate independently.

Theme 2 further highlighted the mix perception of the regulatory landscape in South Africa. On one hand, South Africa’s financial regulatory framework is regarded as one of the most stable and advanced in Africa that remained resilient even during the financial crisis. On the other hand, this strong foundation and global recognition has resulted in the implementation of regulation which is often generic and not fit for purpose. Thus, resulting in failing to address the specific needs of FinTech businesses leading to a tick-box approach rather than industry specific tailored regulation.

Theme 3 highlighted the cost of compliance as a significant barrier for FinTech startups. Licensing fees, capital adequacy requirements and ongoing compliance costs can sometimes exceed potential revenues forcing businesses to either pass the costs onto consumers or exit the market entirely. This creates an uneven playing field where only well-funded FinTech organisations can afford to navigate regulatory complexities limiting innovation within the industry.

Theme 4 highlighted the critical knowledge gaps among both the regulators and FinTech organisations. Regulators often lack the technical expertise to fully understand FinTech business models, emerging technologies, and the implications of their regulatory decisions. This disconnects leads to rigid, overly cautious policies that fail to accommodate innovative solutions, increasing regulatory uncertainty. Similarly, organisations themselves struggle with regulatory understanding resulting in misinterpretation of compliance requirements, costly errors and operational inefficiencies. Many FinTech businesses lack deep business specific or industry knowledge which further complicates their ability to innovate within the exiting framework.

The findings indicate a complex relationship between regulation and innovation, echoing what recent literature suggests. On the one hand, regulatory frameworks in South Africa are seen as robust and forward looking (Akhtar, 2023; Fáykiss et al., 2018). However, the findings also reflect the view of practical application of regulation may unintentionally create uncertainties or compliance burdens. This is consistent with international literature, which highlights that while principles-based regulation allows for flexibility, it often leaves fintechs exposed to interpretative challenges and regulatory ambiguity (Allen, 2024; Zetzsche et al., 2018).

Furthermore, the findings confirm that innovation is not solely dependent on regulation itself but is significantly shaped by the proactive capabilities of Fintech organisations, their internal governance and their ability to engage constructively with regulators (Anagnostopoulos, 2018).

4.4.2 Non-compliance of risks disrupt operations and growth

The second research objective explored the common risks associated with non-compliance and their implications on FinTech businesses. Regulatory breaches whether intentional or inadvertent can trigger severe consequences, including financial penalties, operational disruptions and reputational damage.

Theme 5 identified pressing risks such as reputational and conduct risk which can deter investment and erode customer trust. Furthermore, AML and fraud risks present a major challenge as financial crime remains a persistent threat within the FinTech industry. The findings highlighted the importance of regulatory adherence in safeguarding business integrity and maintaining customer and investor confidence.

Theme 6 highlighted that organisations are often excessively risk-averse which is driven by a fear of regulatory penalties. This deeply conservative stance can lead to overcompliance. Such practices not only increase operational costs but also hinders the launch of new products and services, as businesses becomes more focused on compliance requirements rather than market opportunities. A key challenge contributing to this issue is the presence of knowledge gaps and uncertainty within both regulatory bodies and FinTech organisations. Many businesses struggle to interpret complex regulatory requirements, leading to costly missteps or unnecessary compliance burdens. Similarly, regulators may lack the necessary industry-specific knowledge and understanding to provide clear and adaptive regulatory guidance, further exacerbating uncertainty and non-compliance.

The findings confirm that regulatory breaches, whether intentional or not can result in significant consequences such as financial penalties, operational disruptions, reputational harms and loss of customer trust. This is strongly supported in the literature, which emphasises that non-compliance exposes Fintech firms to both direct regulatory sanctions and indirect commercial risks (Anagnostopoulos, 2018).

Similarly, Cao et al. (2020) argue that FinTech technologies introduce novel risks thereby making regulatory oversight more complex and increasing operational compliance risks. The reputational risk identified in the findings echoes Anifa et al. (2022) argument that maintaining consumer confidence requires FinTech firms to proactively strengthen internal compliance and governance structures. Rizvi et al. (2018) further reinforce that emerging markets, such as South Africa and Pakistan often face limitations that exacerbate the risks of non-compliance. These findings confirm the literature's consensus that non-compliance can generate multi-dimensional risks, requiring both robust regulatory oversights and strong internal compliance capabilities within FinTech firms.

4.4.3 South Africa FinTech Organisations Navigating Regulation

The third research objective explored how FinTech organisations mitigate risks within the existing regulatory landscape. The findings indicate that South African FinTech organisations are actively employing various strategies to navigate the existing regulatory landscape which is not fit for purpose while fostering innovation. The regulatory landscape presents both challenges and opportunities.

Theme 7 highlighted a key strategy employed by FinTech organisations is direct and proactive engagement with regulators. Establishing strong relationships with regulatory bodies allows FinTechs to influence regulatory frameworks, address compliance uncertainties and ensure that emerging FinTech innovations are not hindered by rigid or outdated regulations. The findings also suggest that education plays a critical role in mitigating regulatory risks. Both FinTech organisations and regulatory bodies require ongoing education to bridge the knowledge gaps ensuring that compliance frameworks are better aligned with technological advancements.

Training regulators on FinTech business models and emerging technologies helps create a more supportive regulatory environment. While FinTech organisations must also prioritise internal compliance education to enhance their ability to interpret and have the agility to adapt to regulatory changes.

The findings for theme 8 highlighted that FinTech organisations are increasingly adopting collaborative approaches to navigate the regulatory landscape. By leveraging industry networks and regulatory sandboxes, FinTechs can test and refine their solutions while working closely with regulators to develop fit for purpose policies. FinTech organisations would like to see more adaptive regulatory strategies being implemented, to enable tailored regulatory frameworks that address the risk and opportunities presented by digital financial services. Key findings indicate that participants would prefer allowing technology to develop before implementing regulation therefore creating a more enabling environment for FinTech growth.

Another factor in the findings for mitigating regulatory risks was around the shift in organisational culture towards a more innovative driven and compliance appreciative mindset. Additionally, the need for “Young Blood” in both FinTech companies and regulatory institutions was emphasised. Theme 9 noted that younger, tech-savvy professionals bring fresh perspectives, challenging legacy regulatory and compliance thinking and more likely to drive innovation-friendly compliance models. Modernising compliance processes by integrating automation and AI further enables FinTechs to efficiently manage regulatory requirements. Integrating technology particularly in regulatory compliance can enable FinTechs to meet regulatory requirements without stifling innovation and help drive financial inclusion.

The concept of institutional entrepreneurship (Battilana et al., 2009; Garud et al., 2007) further supports the findings, suggesting that FinTech firms should actively engage regulators, shape norms and lobby for regulatory reforms that better accommodate innovation, rather than merely responding to existing rules. This process creates opportunities for co-creation of regulation and innovation, particularly in an emerging market like South Africa.

International experience also informs these findings. Drawing from Asia, Adriana and Dhewantoa (2018) emphasise that successful FinTech ecosystems in countries like India, Singapore and China demonstrate that regulatory models, such as flexible licensing and collaborative sandbox environments, supports firm abilities to both comply and innovate simultaneously. However, there remains a gap in the literature regarding whether incorporating a younger, tech-savvy regulatory perspective may be necessary to further advance innovation-friendly compliance models. These findings strongly align with the literature that FinTech firms in South Africa must proactively mitigate risks through collaborative regulator engagement and institutional entrepreneurship to thrive in a regulatory environment that is still evolving.

4.5 Conclusion

The balance between innovation and regulatory compliance within the FinTech industry was explored through themes that emerged using the thematic analysis approach. While most participants had a positive outlook indicating that regulatory compliance is positioned to foster innovation, they also outlined the hindrances. Many noted that the existing regulatory landscape is not adequately designed for FinTechs, presenting challenges and barriers that impede growth and adaptability within the industry.

The identified risks associated with non-compliance align with Proposition 2, highlighting that reputational damage, conduct risk, AML, and fraud can significantly hinder business growth, potentially leading to market exit. In response, organisations may adopt excessive regulatory measures, becoming overly risk-averse to mitigate fines and penalties. However, this heightened caution can inadvertently drive-up operational costs, creating inefficiencies and stifling agility within the business.

Education and deep industry knowledge have emerged as critical themes, emphasising the need for both regulators and organisations to stay up to date. Beyond regulatory awareness, businesses must cultivate a strong understanding of their industry, technology, and compliance requirements to navigate the evolving landscape effectively. A key strategy for mitigating risks while fostering innovation is proactive engagement and collaboration with regulators. This approach ensures that regulations remain fit for purpose, striking a balance between compliance and the flexibility needed to drive innovation.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the key conclusions drawn from the study and provides recommendations based on the findings. Outlining practical policy recommendations for regulators, organisations and users to foster a more enabling environment for innovation while maintaining regulatory integrity.

5.2 Summary of Findings

This study highlights that the absence of FinTech-specific regulations in South Africa presents significant challenges due to regulatory uncertainty. FinTech organisations are compelled to operate within existing regulatory frameworks designed primarily for traditional financial services, which may not adequately address the complexities of digital technologies. This gap in the regulatory landscape creates compliance difficulties, as emerging FinTech innovations often lack clear guidance and tailored oversight.

This regulatory ambiguity heightens the risk of misinterpretation and non-compliance, leaving FinTechs vulnerable to financial penalties and reputational harm. Furthermore, the lack of clear regulatory guidance can weaken consumer protection, deter potential investors, and hinder industry growth. Addressing these challenges requires a strong emphasis on education from both regulatory bodies and FinTech organisations, as insufficient knowledge and understanding exacerbate compliance risks and impede innovation within the sector.

Additionally, the study highlights that South Africa is well positioned to foster growth within the FinTech industry, supported by its strong banking sector and proactive regulatory initiatives. This is evident in the establishment of sandbox environments that enable the controlled testing of innovations under regulatory oversight. South Africa has also emerged as a leader in its progressive stance on cryptocurrencies and bitcoin. However, their need to be globally the best has had some pitfalls, as regulations have often been implemented without adequate adaptation to local market conditions, making them less fit for purpose.

The study emphasised the need for proactive engagement between industry stakeholders and regulators to design fit-for-purpose policies. Ultimately, addressing the regulatory gaps through clearer guidelines. This supports the core principles of Institutional Entrepreneurship theory, highlighting the critical role of collaboration in driving sustainable growth within the FinTech ecosystem.

Although regulations have presented challenges and constraints for FinTech organisations, the study highlights that regulation is essential for fostering good innovation. However, it must be implemented in a manner that supports growth and adaptability rather than stifling innovation.

5.3 Policy Recommendations

Based on the findings of this study, several policy recommendations are proposed to enhance the balance between fostering innovation and adherence to regulatory compliance. Policy recommendations are tailored to key stakeholders including FinTech users, traditional financial institutions, government regulatory bodies and FinTech organisations.

5.3.1 Recommendations for FinTech Users

Government regulatory bodies and FinTech organisations should work together to develop consumer protection programs aimed at enhancing digital financial literacy. It is essential for consumers to remain informed about the risks associated with digital platforms and be equipped with the necessary knowledge to safeguard themselves against cybersecurity threats and data breaches. Awareness campaigns should emphasise consumer rights, data privacy, and fraud prevention, ensuring individuals understand the protective measures they can implement to mitigate potential risks when engaging with FinTech services.

5.3.2 Recommendations for Traditional Financial Institutions (Banks)

Banks should form strategic partnerships with FinTech organisations to harness technological advancements and enhance their digital service offerings. Effective collaboration between banks, FinTechs, and regulators is crucial in developing a shared fraud intelligence database, which can help combat financial crime while also driving financial inclusion by addressing the needs of the unbanked population.

5.3.3 Recommendations for Government Regulatory Bodies

Regulators should implement tailored FinTech regulations that address digital domestic and international payments, blockchain technology, and AI-driven financial services. Regulatory sandboxes should provide clear pathways for transitioning pilot projects into fully operational solutions, ensuring that regulatory frameworks evolve in tandem with innovation. Additionally, regulators must invest in ongoing technical training to stay informed on emerging FinTech trends, enabling them to craft informed, future-proof policies.

Regulators should adopt a “see, learn, then regulate” approach, particularly when dealing with emerging technologies. This strategy allows for a deeper understanding of innovations before imposing regulations, ensuring that policies are informed, adaptable, and conducive to fostering growth while maintaining compliance.

5.3.4 Recommendations for FinTech Organisations

FinTech organisations should take a proactive approach in engaging with regulators to help shape policies that balance innovation and compliance. Employing compliance and legal experts with a strategic, business-oriented mindset can enable more effective navigation of complex regulations. Rather than treating compliance as a mere checkbox exercise, it should be embedded within business models from the outset to mitigate regulatory risks and ensure long-term sustainability.

5.4 Future Research

Based on the findings of this study, the following areas were identified for future research:

i. Future research should address the effectiveness of regulatory sandboxes in fostering FinTech innovation. Focusing on the transition from pilot phase to full-scale operations.
ii. Explore the extent to which existing FinTech regulations either support or hinder financial inclusion, particular for unbanked foreign nationals. A focus on digital identity verification and cross-border payment regulations would be valuable.
iii. Investigate how emerging technologies such as AI and blockchain can enhance regulatory compliance and mitigate financial crime risks.
iv. Expand the scope of research to include the Southern African Development Community (SADC) region to gain a broader understanding of FinTech regulation and innovation beyond South Africa.
v. Expand the research to incorporate perspectives from regulatory bodies to gain a more comprehensive understanding of the regulatory landscape and its impact on FinTech innovations.
vi. Future research should address in detail whether young, innovative mindset is needed to advance compliance models.

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Appendix A: Participant Information Sheet

Participant Information Sheet

Dear Sir / Madam

My name is Karusha Naidoo, and I am a master's student in Business Administration at the University of Witwatersrand, Johannesburg. For my research project, supervised by Dr Euphemia Godspower-Akpomiemie, I am examining the balance between FinTech innovations and regulatory compliance in South Africa. The study explores whether existing regulatory frameworks hinder FinTech innovation, the challenges and risks of compliance, and the relationship between innovation and current legislation, with a focus on potential AI and data use regulations.

I invite you to participate in an interview for this project, where we'll discuss your experiences with digital technologies in the financial services industry and how regulatory compliance has impacted their implementation. The interview will take about 60 minutes. With your consent, I would like to record the session using a digital device, whether in person or via Microsoft Teams or Zoom. The recording will be stored securely on Google Drive, accessible only to me for reference and analysis, and will be deleted after one year.

Participating in the study is entirely voluntary, with no cost or benefits. You can choose not to participate or withdraw at any time if you feel uncomfortable. The researcher will ensure that the interview remains confidential, with all information securely stored. Your responses will be anonymized in the research report, represented as a number like "participant 001," ensuring no personal identifiable information or organisation name is shared.

If you have any concerns, complaints, or questions at any point during the research, please contact me using the details below. The final report will be available on the University of Witwatersrand library website. For ethical queries, you can contact the University of Human Research Ethics Committee (non-medical) on their landline at +27 (0) 11 717 1408 or email hrecnon-medical@wits.ac.za

Kindly,

Karusha Naidoo

Researching student: Karusha, 329500@students.wits.ac.za, +27 (0) 73 494 6620

Supervisor: Dr Euphemia Godspower-Akpomiemie,
euphemia.godspowerakpomiemie@wits.ac.za, +27 (0)11 717 3287

Appendix B: Consent Form

The balance between FinTech innovations and regulatory compliance in the context of South Africa

A research report by Karusha Naidoo

I, ………………………………………………….. agree to participate in the research project. The research has been explained to me, and I understand what my participation will involve. I agree to the following:

(Please circle the appropriate options below).

I agree that my participation will remain anonymous.	YES / NO
I agree that the researcher may use anonymous quotes in his / her research report.	YES / NO
I agree that the researcher may take notes during the interview.	YES / NO
I agree that the information that I provide may be used anonymously after this project has ended, for academic purposes by other researchers, subject to their own ethics clearance being obtained	YES / NO

……………………………………………….. (Name of participant)

……………………………………………….. (Signature of participant)

……………………………………………….. (Date)

……………………………………………….. (Name of researcher)

……………………………………………….. (Signature of researcher)

……………………………………………….. (Date)

Appendix C: Interview Guide

Focus Area	Questions
Introduction	1. Age Bracket: 25-30, 30-45, 45+ 2. Level of education 3. Years of work experience 4. Field of expertise 5. Could you describe your experience in the financial services industry, particularly in the areas of risk and compliance, technology, and product development?
Regulatory compliance and Innovation	**Objective:** to understand whether existing regulatory compliance frameworks hinder innovation in the FinTech sector 1. How does South Africa's current regulatory landscape impact the ability to foster innovation in the FinTech industry? 2. What are the key regulatory challenges and opportunities faced by the FinTech industry, and how do these impact innovation efforts? Could you provide specific examples? 3. How have regulatory requirements, such as data protection laws and the regulatory sandbox, influenced your organisation's strategy and digital transformation? 4. Which regulations do you find most restrictive for innovation in FinTech, and what impact do these have on your organisation's ability to innovate?
Risks associated with non-compliance	**Objective:** to identify common risks associated with non-compliance 5. What are the most significant risks associated with non-compliance in the FinTech industry in South Africa, and how do these risks impact the industry? 6. How does your organisation assess the risk of non-compliance, and what are the primary factors considered in this assessment? 7. How do you perceive the relationship between regulatory compliance and risk management within your organisation, and how does this relationship influence your strategic decisions?
Navigating regulatory landscapes	**Objective:** to explore how FinTech organisations navigate the regulatory landscape to mitigate risk and maintain compliance whilst fostering innovation

	8. What strategies does your organisation employ to navigate the regulatory landscape in South Africa, and how do these strategies help maximise your potential in the FinTech market? 9. What lessons have been learned from past implementations of regulatory compliance strategies, and can you provide examples of how these experiences have shaped your current practices? 10. How are regulators in South Africa adapting to rapid advancements in FinTech, and what implications do these adaptations have for future regulatory frameworks, including upcoming AI legislation? **Institutional Entrepreneurship framework** 11. How does your organisation use internal and external networks, including relationships with regulators, policymakers, and other stakeholders, to influence or adapt to regulatory changes? 12. Can you provide examples of initiatives or collaborations your organisation has undertaken to promote regulatory changes or innovation within the sector? 13. What are your long-term strategies for balancing compliance with institutional change, especially in an evolving regulatory landscape?
Future implementations	14. What policy recommendations can be made to improve the regulatory environment for FinTech while ensuring effective consumer protection? 15. What do you think needs to be done differently to ensure regulatory compliance fosters good innovation?