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The future of Fintech in the context of the Japanese main bank system

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Abstract

This chapter contemplates the future of Fintech in the context of the Japanese main bank system with the focus on the non-technical side of Fintech. It first explores the recent development and the current state of Fintech and examines it from the viewpoints of technology and banking for having balanced ideas. It then reviews relevant frameworks, including the theory of diffusion of innovations, as its research foundation of this study. To envisage how Fintech will be incorporated into the Japanese banking sector, it revisits the main bank system and identifies the intrinsic connection between the banking system and the existing collectivistic values as the influential attributes of the theoretical framework. A qualitative meta-synthesis shows that Fintech is likely to replace banking processes and products that are remote from the Japanese shared ways of thinking, while the MBS nature of relationship banking will remain in existence. The grounded element of the findings suggests that Japan's strength is based on its collectivist culture, and Fintech will blend into the MBS over the course of its future development. This chapter concludes that Fintech is a supporting tool compatible with the core competencies of Japanese wealth creation, including the MBS, which supports Japanese business operations spanning worldwide.

Keywords: Collectivism, diffusion of innovations, Japanese style management, LME-CME, relationship lending

1.0 Introduction

Financial technology, often abbreviated as Fintech, FinTech, or fintech ("Fintech" hereafter), has become the buzzword used in and beyond financial circles since the last decade. Fintech may refer to new services, products, processes, and business models. Zavolokina, Dolata, and Schwabe (2016) carried out a study to find how the terminology *Fintech* is used in scientific journals and empirical materials, including prominent newspapers and research firms' working papers. Their study found 38 different definitions, including the application of IT in finance, start-ups, services, technologies, and companies in the financial sector as the top five meanings. The semantic field of the terminology seems to have been expanding as Fintech is rapidly developing and growing.

Many commentators appear to describe Fintech as a disruptive force against traditional financial institutions (Sironi, 2016). In the US, Waupsh (2017, pp. 2-3) warns that community banking, which relies too heavily on physical proximity, has no future without the appropriate adoption of Fintech to have data proximity, which replaces physical intimacy. In Japan, advocating a change of mindset, Shirota (2016) writes that the Japanese need a Fintech service to encourage non-deposit investment products, departing from traditional saving with a bank. However, the aforementioned study (Zavolokina, Dolata, and Schwabe, 2016) reports that, in terms of linguistic connotations, *Fintech* is used for 13 different language functions, including combining IT and finance, disrupting, creating or changing services, creating competition, and reducing costs as the top five purposes. Their study suggests that it is too hasty to place a rigid definition of Fintech. This chapter follows the general usage of the terminology, not limiting it, for inclusive research. It is no doubt that Fintech has made and will make significant changes to the finance industry across the countries including Japan (Ministry of Economy, Trade and Industry, 2018). Fintech may be viewed as part

of the whole technological development, which includes artificial intelligence (“AI”) and robotics. Skinner (2018) even perceives the significance of the Fintech age as the revolution of humanity. Skinner (2018) argues that the history of humanity can be categorized into four ages: The first age came into existence with the creation of shared beliefs. It took place about seven million years ago in Africa, where the first traceable mankind formed tribes, each of which had shared beliefs that bound members. The second age emerged as a result of the invention of money about 7,500 to 10,000 years ago. In this stage, money and religion became the key elements of social order and structure. The third age is the era of the industrial revolution in the 18th and the 19th centuries. The emergence of steam power played an important role in this period. The fourth age is present: the network age. As seen across developed countries, the banking sector has been using computer technologies for many years before Fintech came into existence relatively recently. Even so, Fintech may be distinguished from the incumbent technologies because Fintech is different: It functions in tandem with the network available to anyone with the minimum system requirements. The network has become a popular channel for various purposes, including buying or selling goods and sending or receiving money. The development of network technology may be as revolutionary as the invention of money, according to Skinner.

The aim of this chapter is to envisage the future of Fintech in the context of the Japanese main bank system (“MBS”). For this aim, it focuses on the compatibility between the non-technical side of Fintech and the pertinent elements of the MBS. It first explores the recent development and the current state of Fintech. It then reviews relevant frameworks, including the theory of diffusion of innovations, as its research foundation of this study. To contemplate how Fintech will be incorporated into the Japanese banking sector, it revisits the Japanese MBS and identifies the intrinsic connection between the banking system and the existing collectivistic values as the influential attributes of the theoretical framework. A qualitative meta-synthesis (Finlayson and Dixon, 2008; Walsh and Downe, 2005) shows that Fintech is likely to replace banking processes and products that are remote from the Japanese shared ways of thinking, while the MBS nature of relationship banking will remain in existence. This chapter concludes that Fintech is a supporting tool compatible with the core competencies of Japanese wealth creation, including the MBS, which supports Japanese business operations spanning worldwide.

2.0 An overview of Fintech

There can be many ways to describe the world of Fintech, which is relatively new and continuously evolving. One approach is to review its chronological development. Yoshitaka Kitao (2018), CEO of SBI Holdings, outlines the revolution of Fintech in three phases, namely, Fintech 1.0, 1.5, and 2.0, which have taken place over the past 20 years. Well known by the success of PayPal founded in 1998, the advent of Fintech 1.0 refers to “the provision of new solutions for the full range of financial services” (Kitao, 2018; p. 2), going beyond the digitization of traditional financial services. Fintech 1.5 includes artificial intelligence (“AI”), big data applications, the Internet of Things (“IoT”), and robotics, all of which started to attract attention in 2012 - 2013 (Kitao, 2018). With those various component technologies, Fintech 1.5 is considered an evolved form of Fintech 1.0. Fintech 2.0 has a different dimension from Fintech 1.5 in that it centers round blockchain technology (Kitao, 2018; p. 4). Blockchain can be differentiated from the World Wide Web, though both of them are internet based (Kitao, 2018).

Fintech companies may be classified by category. Gallego (2015) categorizes successful Fintech companies into the following five: Sioux, Guerrilla, Samurai, Double Agent, and Invaders from Outer Space. This classification may sound rather informal and may not be exhaustive, but it is adopted by practitioners (Hitachi Consulting, 2017) for its usefulness to understand the various categories of Fintech firms.

According to Gallego, (1) Sioux firms serve customers, in which banks are not interested, 2) Guerrilla identifies inefficiencies in traditional banking processes and offers better services, (3) Samurai competes directly with banks, offering the same or similar services, (4) Double Agent is built on the existing banks' infrastructure, and (5) Invader offers a disruptive product or service that will potentially transform the financial industry. The first category of Sioux includes crowdfunding and peer-to-peer ("P2P") lending, exemplified by Zopa in the UK. Sioux may be viewed as a pioneer, especially from a customer viewpoint since P2P lending started serving those who did not have access to traditional services offered by incumbent banks. The Guerrilla type is typically observable in the field of foreign currency exchange ("FX"). European FX companies, such as TransferWise and Kantox, offer an online P2P marketplace to connect buyers and sellers. Matched customers can exchange their currencies without going through the traditional FX process provided by a bank or a broker. Samurai companies can be identified in the sector of private banking for wealth management. This type offers financial advice and/or manages investments with less or minimal human intervention than traditional services. Robo-advisors, such as Wealthfront in the USA and Nutmeg in the UK, fall under this category. Double Agent firms offer new services built on incumbent banks' infrastructure, including traditional technology and customer proximity. Many well-known Fintech companies, such as PayPal and Apple Pay, are categorized under this category. Finally, bitcoin and its underlying technology, blockchain, are considered the invader type. According to Gallego (2015), Fintech under this category may transform the financial industry but is highly likely to fail to do so. These five categories appear more comprehensive than the stereotype view of Fintech as a disruptive force against banks.

Type	Description
RegTech	Regulatory technology emerged from the marriage of technology and regulation to cope with regulatory challenges. Existent with varying degrees of success.
InsurTech	Insurance though technology. Launched first in Germany in 2010.
WealthTech	A segment of Fintech that focuses on increasing wealth.
Roboadvice	Automated advice about investment, using software algorithms.
Lending	P2P lending to match those who need money and who wish to invest.
SME finance	A type of P2P lending fostering traditional SME financing such as invoice financing.
Financial inclusion	Offering a settlement means to more than four billion people, who were previously unbanked, primarily in Africa.
Blockchain distributed ledgers	A new technology under development requiring agreement on infrastructure and other key areas. Potentially important for the future.
Digital identity	A future area also requiring agreement on infrastructure and other key areas.
Analytics	Various types of data analysis, including machine learning and AI for better credit risk modeling, cross-sell ratios and so forth.
Cybersecurity	An important area for security that comes with the issue of social engineering.
Biometrics	Evolved due to the emergence of smartphones with a camera and a touch screen.
Payments	Well known by mobile wallets, mobile payments, digital currencies, and payment infrastructure.
Neobanking	New bank start-ups that aim to offer a better digital experience than traditional banks.
Platforms, markets and cloud	New financial marketplaces exemplified by Uber and Airbnb.

Table 1: Fintech by product type (abridged from Skinner, 2018, pp. 130-138)

Another way of describing Fintech is to examine Fintech companies by service type. Skinner (2018) offers a comprehensive discussion over the wave of Fintech as shown in Table 1.

The summary shows the various types of Fintech services, some of which have already succeeded, and others of which are under development for the future. In a sense, their service functions render nothing newer than traditional services. However, Fintech is advantageous in that their products are based on the network, which offers a high level of customer proximity. Skinner (2018, p. 165) reports that mobile money accounts in sub-Saharan Africa exceeded \$250 million in 2016, expanded roughly five times in the last five years. Another strength is that Fintech incorporates technology as much as possible to eliminate manual elements of banking processes. These features have made them, in simple terms, fast and convenient.

3.0 Different viewpoints of Fintech

The future of Fintech may be determined by negotiation between the field of technology and the sector of finance. Skinner (2018) writes that there is a chasm between the two parties. This gap is best explained by the question of which it is, Fintech or Techfin. The technology innovators tend to view Fintech as “taking financial processes and applying technology (Skinner, 2018; p. 141). On the other hand, banking professionals generally regard “taking technology to work with financial processes as Techfin” (Skinner, 2018). This chapter refers to them as the T-view and the B-view, respectively. Because Fintech is the marriage of the two sectors with different views, the future of it hinges on how negotiations turn out. Perhaps Gallego’s five categories, examined earlier, can be the classification of outcomes resulted from different views and approaches thus far.

The literature suggests that T-view innovators tend to see financial institutions as “dinosaur incumbent” (Skinner, 2018, p. 141) or similar. On some level, the T-view is necessary for thinking outside the box to go beyond the norms set in banking. However, innovators who have professional experience gained in the banking world seem blended with the B-view. Martin Walker (2017) writes a review *Seven Signs of Over-Hyped Fintech*, offering a set of warnings based on his experiences, including the role of the blockchain lead at the big-name banks in investment banking. The first three signs (Walker, 2017) read as follows: (1) “The technology claims to solve a problem that did not exist before and was actually created by the nature of the new technology”, (2) “a small part of the functionality of an existing system is implemented using the new technology and is claimed as a great success”, and (3) “no thought has been given to the costs and complexities of integrating the new technology with existing infrastructure”. These warnings appear to convey the current reality of Fintech that it does not replace the whole realm of banking, though it has great potential for future development.

Speaking of “the box”, the UK first adopted the framework of “regulatory sandbox” in 2015, intended to foster and promote the development of Fintech with the minimum level of regulatory constraints (Financial Conduct Authority, 2015/2019; Magnuson, 2018). Australia and several other countries then followed suit (Thomas, 2018). In 2018, Japan implemented a similar framework under the Act of Special Measures for Productivity Improvement (Ministry of Economy, Trade and Industry, 2018). The Act consists of provisions for the project-based scheme of Japan’s regulatory sandbox, tax breaks through the scheme, and various supporting measures for SMEs to make capital investments for productivity improvement (Ministry of Economy, Trade and Industry, 2018). These novel frameworks are helping Fintech startups to grow in loosened regulatory environments. At the same time, the regulatory issue appears to remain in contention worldwide. A Bloomberg article writes of Fintech companies’ missteps: “LendingClub Corp., a peer-to-peer lender whose founder was ousted after an internal review uncovered conflicts of interest and abuses involving loan sales” (Robinson and Verhage, 2017/2018). In China, P2P lending grew

exponentially in the last decade. However, by 2018, thousands of the lending websites were shut or failed because “a lack of regulation created an opening for scams, leading to a government crackdown” (Robinson and Verhage, 2017/2018). Robinson and Verhage (2017/2018) quote a comment made by the New York State Department of Financial Services (2018): “Toddlers play in sandboxes. Adults play by the rules.” It points out the complexity of the banking world surrounding the incubator created for nurturing “toddlers” and testing their services. Many appear to support the preceding remark: One of Walker’s seven warnings, mentioned earlier, reads “The technology is new and original but the creators are incapable of explaining how it would be any better at solving real-world problems than existing technology” (Walker, 2017). This candid comment indicates that technology innovators generally do not have expert knowledge about banking, and perhaps vice versa. While innovative ideas lead to future developments, professional expertise should not be underestimated. Driven by the T-view, Skinner (2018, pp. 184-208) writes a book chapter about the fall of banks, throwing the question: “Can banks change their control freak cultures?” However, the reality is that banks are obliged to have controlling measures to comply with the regulations, which are established by the bank supervisor with their aims to ensure banks’ sound operations and to protect banks’ customers against any possible financial crimes, to list a few. “Adults play by the rules” to satisfy their adult responsibilities, though the professionalism may appear to be “control freak cultures”. The nature of adult responsibilities will not change, no matter how Fintech evolves. Perhaps an example from another industry can help to understand. Liker and Morgan (2006, p. 9) quote an interview result solicited from the automobile sector: “As one Toyota Vice President explained: Computer technology does not change the way we work” but “helps us do what we do faster”. This quote explains the fact that technology is used to fulfill the adult responsibility of making cars. At least at present, humans use the tool of technology, which functions as built, programmed, or structured by humans for business purposes.

4.0 Theoretical foundation

The preceding section suggests the importance of knowing about the Japanese banking sector and its purposes for the aim of envisaging the future of Japan’s Fintech. There is a widely supported theory entitled *diffusion of innovations* (“DOI”) (Rogers, 2003) suitable for the research aim. While DOI is originated in the field of communication studies, the theory is frequently used across academic disciplines (Vänninen et al., 2009). This chapter adopts prevailing concepts, including time-honored theories supported by current literature. Rogers (2003; p. 1) observes “Many innovations require a lengthy period of many years from the time when they become available to the time when they are widely adopted”. Many Fintech products can be in an early stage of their “diffusion”, which may be defined as “the process in which an innovation is communicated through certain channels over time among the members of a social system” (Rogers, 2003; p. 5). DOI offers the following five attributes of innovations: (1) relative advantage, (2) compatibility, (3) complexity, (4) trialability, and (5) observability. *Relative advantage* is “the degree to which an innovation is perceived as better than the idea it supersedes”, *compatibility* is “the degree to which an innovation is perceived as being consistent with the existing values, past experiences, and needs of potential adopters”, *complexity* is “the degree to which an innovation is perceived as difficult to understand and use”, *trialability* is “the degree to which an innovation may be experimented with on a limited basis”, and *observability* is “the degree to which the results of an innovation are visible to others” (Rogers, 2003; pp. 15-16). With these attributes, one can analyze various innovations. For example, the success of PayPal can be explainable as follows: PayPal exhibits a high level of relative advantage in pricing and convenience over traditional money wiring. PayPal’s system is compatible with incumbent banks (in particular bank accounts) and email programs. PayPal is relatively easy to use, and so on. Each of the DOI attributes can be a substantial research theme. For the sake of brevity, this chapter focuses on the attribute of compatibility, which appears most suitable and effective, among others, for its aim.

Japan has a unique banking system, which is often referred to as the main bank system (“MBS”) at the business practice level (Aoki and Patrick, 1994; Hirota, 2009). To tailor the DOI attribute to the research aim, the concept of compatibility may be rephrased as the degree to which Fintech is perceived as being consistent with the existing values, past experiences, and need of the MBS. The MBS is considered “an intense manifestation of relationship banking” (Aoki and Patrick, 1994, xxi). Relationship banking in the context of the MBS differs from that of the English-speaking countries (Kitamura, 2018). The concept of a main bank (“MB”) is best understood as “a financial institution that keeps money flowing to a group of industrial concerns” (Miyashita and Russell, 1994, p. 43). The point here is not to assert that an MB exists exclusively for it but that the MB functions takes it into account. “A group of industrial concerns” can be explained in many different ways. One effective approach is to position it within a pattern of wealth creation. In the field of political economy, Hall and Soskice (2001) discuss the typology of capitalism, proposing two types of political economies: liberal market economies (“LMEs”) and coordinated market economies (“CMEs”). Australia, Canada, Ireland, New Zealand, the UK, and the USA are typically LMEs, and the CMEs include Japan, and certain continental European and Scandinavian countries (Hall and Soskice, 2001; p. 20). In LMEs, “firms coordinate their activities primarily via hierarchies and competitive market arrangements”, and “market relationships are characterized by the arm’s-length exchange of goods or services in a context of competition and formal contracting” (Hall and Soskice, 2001; p. 8). As for CME, Hall and Soskice (2001) write “In contrast to LMEs, where the equilibrium outcomes of firm behavior are usually given by demand and supply conditions in competitive markets, the equilibria on which firms coordinate in CMEs are more often the result of strategic interaction among firms and other actors”. This “strategic interaction” is nothing but “a group of industrial concerns”. On the other hand, arm’s-length principle (“ALP”) characterizes the LME paradigm. Based on the literature, this chapter refers to the market-based system of external financing as the arm’s-length system (“ALS”) as opposed to the MBS. The idea here is not to propose that there only exist the two rigid types but to describe the discussion approach. It is also not to suggest one system is better than the other but is a matter of preference or some sort of compatibility; neither is inferior to the other. Both systems fulfil the “adult responsibilities” in the respective societies.

Another important element in the DOI attribute of compatibility is the “existing values”. It is widely discussed as national culture, which consists of a set of regionally shared ways of thinking, in cultural studies. Geert Hofstede (1980) pioneered research into this field and coined the concept *cultural dimension* (Holden, 2014). Since then, Schwartz (1992), Trompenaars and Hampden-Turner (1997), and the Project GLOBE (House et al., 2004) have carried out similar research with the same aim to substantiate the cultural constructs as two extremes of a linear scale for capturing the regionally shared ways of thinking (“cultural values”) observable between them. All these works (the “major projects”) commonly report some form of individualism and its opposite, often referred to as collectivism (“I/C”), as the grounded extremes of cultural patterns (Steers, Sanchez-Runde and Nardon, 2010). Other distinct pairs of extremes include different perspectives of time orientation, which is reported similarly as short-termism (Jacobs, 1991) or the time span for reciprocity (Sako, 1992) even from outside cultural studies. This chapter focuses on I/C for consistency.

5.0 Discussion

The preceding section has described the Japanese society’s preference as “a group of industrial concerns” or “strategic interaction among firms and other actors”. The literature offers clues to the question of what drives such societal preferences observable at the business practice level. Sako (1992, p. 10) refers to the driver as goodwill trust, which can be found at the individual level:

“What underpins heavy mutual dependence as an acceptable, even preferred, state of affairs is the existence of ‘goodwill trust’. ‘Goodwill trust’ is a sure feeling that trading partners possess a moral commitment to maintaining a trading relationship. It may manifest itself in not taking unfair advantage of one’s circumstances (for which shared principles of fairness exist) and in offering preferential treatment or help whenever the need arises.”

Goodwill trust is a “sure feeling”, which is a cultural value, as it is generally, not absolutely, a shared way of thinking beyond the corporate boundaries among the Japanese individuals that Sako interviewed during her research. Abegglen (2006, p. 13) explicates how goodwill trust influences the business practice level in Japan:

“Apart from the inherent interest in companies so long-lived, we can take all these time-tested survivors to be testimony to the fact that the *kaisha*, and not simply family-owned ones, are communities with the objective of perpetuating themselves. These are not simple collections of physical assets to be bargained over, bought and sold. These are social organizations that seek a long life on behalf of the well-being of all of their members.”

Goodwill trust forms the objective of perpetuating the collective as reported in the major projects in cultural studies. This cultural value under the construct of collectivism is occasionally expressed as strength, for example, in the following newspaper quote (Drucker, 2005):

“Suppose that we have a gathering of Westerners and Japanese. When asked what one does, a Westerner usually answers, ‘an accountant’ while a Japanese would most probably say ‘[I am working for] Toyota’. Introducing not one’s profession, but one’s organization shows that each individual member of a Japanese organization has a kind of family consciousness. Here lies the greatest strength of Japan.”

Kameda (2013, p. 12) observes “These words aptly describe Japan’s collectivist culture”. This observation echoes Sako’s goodwill trust and Abegglen’s business objective. This chapter regards collectivistic cultural values as societal characters that come with strength and weakness.

Goodwill trust is perhaps in continued existence, considering today’s MBS, in which the majority of the Japanese large firms have retained the same relationship banks (Hirota, 2009) since the wartime period around 1939 (Teranishi, 1994, p. 51). Goodwill trust can even be traced back to the early Tokugawa period of seventeenth century (Scher, 1997, p. 9). Supported by collectivism, the MBs have existed for a group of industrial concerns to varying degrees over time, despite the striking fact that there is no legally binding contract to have an MB relationship between the firm and the MB (Miyashita and Russell, 1994; Learmount, 2002). This chapter refers to the intrinsic connection between regionally unique systems and shared ways of thinking as *culturally driven*. It uses *cultureless* to refer to specificities irrelevant to national cultures. Kitamura (2019) offers a three-level framework entitled Arm’s-Length Business Relation (“ABR”) and Obligational Business Relation (“OBR”) that illustrates the intrinsic connection between the levels. Figure 1 shows the framework tailored to this chapter. ABR-OBR is a theoretical field, where various theories can operate in harmony.

ABR-OBR is quoted because it helps to visualize the concept of compatibility between Fintech and the existing values. The framework has two extreme ends of a continuum at each level to capture not only variants of the social realities but also changes of businesses as they shift between the extremes. None of the actors, including individuals with cultural values, are static. ABR-OBR captures the dynamics of all

actors that make strategic decisions according to the market conditions, which include cultureless practicalities. Assuming that all the presuppositions stand, to talk of future Fintech in the context of the MBS is to investigate how compatible Fintech is with Japanese cultural values that coexist with the MBS.

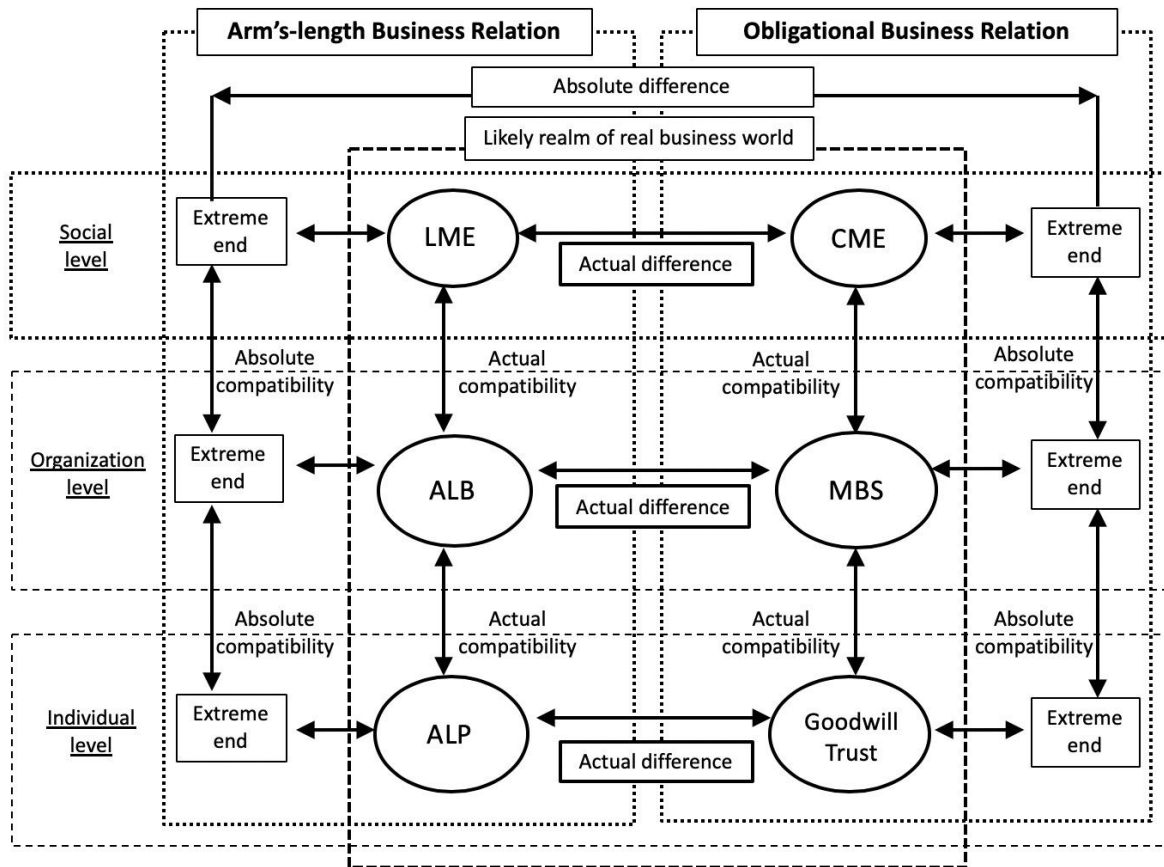


Figure 1: ABR-OBR Model (based on Kitamura, 2019, p. 43)

According to Shirota (2016) with Nomura Research Institute (“NRI”), the Japanese Fintech world consists of three groups of industry players, namely, banks, newcomers from another industry, and new start-ups. While each of the players appear to fall under Gallego’s five categories aforementioned, NRI’s three types can be borrowed for a simple presentation. Shirota (2016) categorizes the banks’ activities into four: (1) accounting and ledger services, (2) lending, (3) wealth management, and (4) money transfer and settlement. Among these categories, the second and fourth categories have both newcomers and start-ups already operating: for example, Aeon and Recruit from another industry and Crowdfund and Origami from the start-up sector (Shirota, 2016). As for the first and third categories, Shirota (2016) introduces some start-ups and no newcomers. A qualitative meta-synthesis of all the findings suggest that, in Japan, Fintech has started growing and replacing cultureless banking products. For instance, the aggregate settlement amount made through Rakuten card already exceeded four trillion yen, and Aeon has more than 25 million card members (Shirota, 2016). The settlement of monetary transaction is observable and uniform across the world, which is generally interpreted as cultureless. On the other hand, no data appears to show that a Fintech company has become an MB for a major Japanese company. A newcomer or start-up may become an MB in the future eventually. However, they are probably unlikely to dominate the MBS, unless they form or become part of a CME community with the objective of perpetuating itself. These conjectures, supported by the literature works, suggest that Japanese Fintech will likely to evolve and

replace cultureless products, while the incumbent banks embrace Fintech products and possibly assimilate Fintech entities for future development.

6.0 Concluding remarks

This study's findings suggest that the wave of Fintech will permeate various cultureless areas of the Japanese banking industry over the course of its future development. At the same time, the findings show that the MBS nature of relationship banking will remain in existence, as the MBS has a reasonable level of compatibility with the regionally shared ways of thinking. While negotiations between technology companies and banks will determine the future state of Fintech in Japan, the grounded findings suggest that a balanced view and collaboration between the technology and banking sectors can be important for future advancement of it.

This chapter has examined the Japanese MBS. The findings indicate that Japanese cultural values and the MBS have a mutually nurturing relationship for continued existence. Cultural values may result in a positive or negative consequence. As for the positive side, this chapter has reviewed family consciousness (Drucker, 2005), and the *kaisha* as communities with the objective of perpetuating themselves (Abegglen, 2006), as Japanese strength. This statement is not to assert that this type of Japanese strength represents all Japanese companies, but it is to revisit Japanese society. Yoshino and Ito (2018) with KPMG reports on their big-picture view that the Japanese multinationals generally gain more than 50% of their consolidated revenues overseas. This fact means that the Japanese overseas operations have become important more than ever in the history of Japanese business. The MBS can be viewed as part of the whole CME of Japanese business, and it is Japan's financing arm that financially supports Japanese multinationals' operations worldwide. Fintech is likely to evolve in the Japanese finance industry, preserving Japanese strength in Japan and on a global basis.

The findings suggest that each society has its character (de Geus, 2002), which can be expressed for example as LME and CME, or individualistic and collectivistic. Neither is inferior to the other, as the regional practices suit the respective societies. This research supports the existence of various dichotomies with two extreme ends and consequently the idea that the world is not homogeneous. The idea implies that, possibly, Fintech may not develop in the same way across countries. This chapter has examined various classifications of Fintech operations outside Japan. Many of them may suit Japanese Fintech, but some others may not be applicable or usable as-is due to the difference in the existing values between Japan and other countries. Perhaps incorporating foreign specificities begins with knowing self and finding what suits self. In any case, the development of Fintech probably entails experiments that can generate positive or negative results. All results can be considered lessons for the future. Japan once experimented hedge fund activism originated in the West. Buchanan, Chai and Deakin (2014) report on the Japanese firms' reaction to hedge fund activism in Japan. Their findings read "Confrontational shareholder activism of the kind practiced by American and British hedge funds in Japan during the 2000s failed to gain acceptance from Japanese investors and managers or to alter the internal focus of corporate governance practices in Japanese firms" (Buchanan, Chai and Deakin, 2014; p. 296). This quote is borrowed not to reject Fintech but to highlight the cross-national difference potentially applicable to the development of Fintech. The best approach outside Japan does not always mean best for Japan. Their evidence supports not only the preceding idea but also the ABR-OBR model quoted in this chapter. The evidence should not be interpreted as black and white as the real world is not binary, but it can be seen as general guidance that the existing values cannot be underestimated.

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