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“Master Thesis U.S.E.”

The Effect of cultural distance on the internationalization process of FinTech companies

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Abstract:

During recent decades, digital services have markedly influenced people's lives as well as the world economy. Although financial services were the slowest industry in terms of digitalization, nevertheless, the emergence of fintech firms led to the rising of severe challenges to traditional banking and financial services. This study aims to investigate the internationalization of fintech companies and the effect of the cultural differences on the location choice process. To do so, this study was based on a multiple-case analysis and samples selected from CFTE's top unicorn fintech firms. The author proved that fintech firms, in contrast to other digital companies, tend to internationalize following the Uppsala school of thought model, which means that they begin their internationalization process within culturally closer countries. Furthermore, it was proved that fintech firms follow an incremental cultural distance sequence in their internationalization plan. In addition, this study focused more on the development level of home base countries. It investigated whether or not the development level of home countries has a relationship with the location choice based on cultural distance. Despite previous literature claiming that firms from developing countries tend to expand internationally from more culturally distant and developed countries, this study proved that fintech firms from developing countries are the exception to this claim.

JEL-Codes: *F20; Z10; C38*

Keywords: *Culture; Cultural distance; Internationalization process; FinTech firms; Uppsala Model; Eclectic Paradigm; OLI Framework; Born Globals*

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1. Introduction

Since the emergence of the internationalization phenomenon, there has been debate regarding which strategy is the right and the most efficient one an enterprise must adopt (Quer et al., 2007) to ensure high-profit returns and productivity (Gollnhofer & Turkina, 2015). Some literature introduced different models for the internationalization of firms, whether the traditional theory (Brouthers, Geisser & Rothlauf, 2016), which suggests incremental expansion, or the born-global approach, which introduces the rapid globalization (McDougall, Shane, and Oviatt 1994; Moen and Servais 2002; Oviatt and McDougall 1995; Rennie, 1993). In this way, several criteria were found to influence the international expansion of firms, and cultural distance is one of the most popular and challenging ones among them. Investigations show three main internationalization models: the Uppsala model, the eclectic paradigm, and INVs or born-globals. The main difference between these theories can be the graduality of expansion in geographical or operational aspects.

Despite the considerable quantity of study on cultural distance and firm internationalization on the one hand and the paradox in results in impacts of cultural distance in the internationalization process, the author felt that a more accurate and deeper evaluation in this field is required. For instance, empirical evidence illustrates companies in different industries and from various regions - developed or developing countries - tend to internationalize to culturally distant markets. Other evidence shows the opposite results. There were several reasons to choose the fintech industry as the case study in this thesis. First of all, rather than the interest in this sector, different challenges were observed regarding the international expansion of fintech firms compared to other digital firms. For instance, customer acquisition, product adaptation, trust generation, and regulation issues are a number of frequent challenges mentioned in Mesaros and Forsback's (2019) research. Second, this study will fill the gaps in the previous literature and imitate some of their limitations. Lastly, since the fintech industry is a relatively new and rising sector, the author discovered that it was an understudied area in cultural distance research and appears valuable for the future.

The advent of digital technology and the industrial revolutions 3.0 and 4.0 in the recent decade and the current pandemic crisis have motivated service companies to propose online services to increase the speed of services and productivity. For example, FinTech Companies, online banking, and online financial services have been introduced during this digital revolution. Since financial service companies have always been a slower industry among the

others in using digital technology, the rise of Fintech Companies has led to their motivation for rapid changes. Fintech Companies have been more considered by industry and academics both recent years. According to Brouthers et al. (2016), digital firms might not follow traditional internationalization theories. In other words, they tend to a rapid growth internationally. However, Mesaros (2019) proved that fintech firms do not follow the international expansion model of other digital firms. So, the main question is why it happened within the fintech firms? The financial nature of FinTech, on the one hand, and their digital nature made this dual behavior, i.e., they tend to grow internationally so fast but not far from their mainland. This approach is observed because of the heavy regulation in this industry to prevent financial fraud and money laundering behaviors (Pwc, 2017; Capgemini, 2017). Also, due to the financial characteristics of Fintech Industries, Building trust is the most substantial challenge for fintech firms to penetrate a market, which means customers tend to trust national companies more, and it is clear that lower cultural distance is an accelerator for trust-building for the foreigners.

Undoubtedly, previous literature had several limitations in its investigations. For example, Masaros (2019) investigated a limited amount of case companies, i.e., four companies, in which all cases were chosen from a continent and even specific cultural regions, i.e., Nordic culture cluster according to Simcha Ronen and Oded Shenkar's (2013) "world culture map." This study diversified our case companies in different financial sectors, such as pay tech, crypto, infrastructure, open banking, and insurance. In addition, case companies are listed from five continents around the world.

This study will find the internationalization pattern of FinTech companies by considering their cultures. As a result, in this study, the researcher is going to investigate and compare the internationalization process of the top fintech companies, in terms of their market valuation, in different culture clusters according to Simcha Ronen and Oded Shenkar's (2013) "world culture map" to find the relationship between cultural distance and internationalization pattern of fintech firms. Therefore, the fundamental research question is:

How can the cultural distance between home and host countries affect the internationalization process in FinTech firms?

To answer the question, the author will employ theoretical insights from theories about the internationalization process of digital firms as well as born globals. Specifically, he will

concentrate on cultural distance theories and their effects on the internationalization process for fintech companies.

Therefore, the critical step of this research is to investigate the impact of cultural distance on the pattern of international expansion of FinTech companies. The researcher test whether companies are more likely to expand their operations to countries with cultural characteristics like those of the home country after analyzing internationalization patterns of the world's largest FinTech companies over the last five years (2016-2021) using a database providing detailed information on the location and activities of top Fintech firms listed in appendix1.

2. Literature Review

This section will present previous literature on digital firms' internationalization, specifically fintech companies. Moreover, the author will draw studies on culture and cultural distance definitions. After that, previous research on cultural distance and its impact on internationalization will be reviewed.

2.1. Internationalization theories

2.1.1. Uppsala Model

Johanson and Vahlne (1977) first presented the Uppsala Model for the process of companies' internationalization. After that, they developed their model several times to make it more useful in conducting empirical studies. The model was created based on the assumption of the lack of knowledge about foreign markets. Therefore, it was suggested that firms should take sequential steps to expand internationally. Moreover, they found that firms begin their internationalization process from nearby markets and then expand to a more distant market. Uppsala model emphasizes the target market knowledge and stresses experimental learning despite objective knowledge. Therefore, sequential expansion leads to reducing the possible cost or damages.

2.1.2. The Eclectic Paradigm or OLI Framework

The eclectic paradigm is one of the primary theories created by John Dunning. In this theory, he focused on three main advantages, i.e., Ownership, Location, and Internalization (known as the OLI framework), that every organization must possess in the target market to expand their business (Dunning, 1980). For engaging in FDI in a specific market, firms need to look at all mentioned factors otherwise. Ownership refers to a resource the company owns that gives it a competitive advantage in the foreign market. Also, there can be certain disadvantages for companies venturing overseas, including foreign language restrictions, cultural restrictions, and a lack of understanding of the customer needs. Location factors refer to geographical conditions, availability of cheaper raw materials, or low wages skilled workforce. Finally, internalization refers to the prospect of deriving an advantage from outsourcing some of the value chain activities performed by the company.

2.1.3. Born Globals

Oviatt et al. (1994) found an incongruency in the internationalization process of INVs (international new ventures), which are international from inception, and traditional expected characteristics of multinational firms. This led to the creation of a novel framework that explains this phenomenon by integrating IB, strategic management theory, and entrepreneurship.

Knight et al. (2004), confirming with other researchers (e.g., Autio et al., 2000; Knight and Cavusgil, 1996; Oviatt and McDougall, 1994; Rennie, 1993), defined born globals as the firms that tend to internationalize from or near their founding. In contrast to the Uppsala model in which firms gradually expand their operations in the international market, born globals tend to rapidly develop in the global market.

2.2. Internationalization of FinTech Companies

Research in services and service companies will enable managers to understand how services' special nature may alter the manufacturing sector's investment patterns. Despite the importance of analyzing the service sector, research on the globalization of services is noticeably lacking (Boddewyn, Halbrich, & Perry, 1986; Clark & Rajaratnam, 1999; Coviello & Martin, 1999; Ekeledo & Sivakumar, 2004). According to the world bank database, significant growth has been observed since the mid-90s for services, and now services are responsible for more than 70% of total global output. Firms confront various crucial considerations throughout the internationalization process, such as where and how much to spend and how to organize and administer the foreign business to maximize advantages while reducing risks and losses. (Marano, Arregle, Hitt, Spadafora, & van Essen, 2016; Dunning & Lundan, 2008).

Financial services can be obtained from the financial services industry. This economy sector comprises many financial institutions, including insurance organizations, real estate agents, investment businesses, financing companies, lenders, and banks (Investopedia, 2021). According to the International Monetary Fund (IMF), finance and development, financial services are defined as the mechanisms by which consumers or businesses receive financial commodities. The main segments of the financial services industry, in general, include banking services, investment services, insurance services, and tax and accounting services.

Since the beginning of the 21st century, the emergence of new technologies in the employment of industry 4.0, machine learning, artificial intelligence, and other financial services have led to the advent of a wide range of financial service applications in the digital area. Furthermore, the recent pandemic and its problematic restrictions forced companies to digitalize their businesses as fast as possible. Moreover, according to the World Bank, in 2017, more than 3.4 billion people were frequently using the internet and online worldwide, increasing to around 5 billion during the last five years. This motivated companies to take this route to decrease operational costs and increase their productivity and market share. Although financial services have been one of the slowest industries in digitalization, during the past years, this has changed with the advent of FinTech (financial technology) firms that disrupt their traditional competitors (The Economist, 2019).

Fintech businesses and digital firms carry out company activities and client relationships digitally. As aforementioned, Brouthers et al. (2016) noted a significant difference between the internationalization processes of digital organizations such as Fintech firms and traditional internationalization theories. Some scholar believes that the traditional models are no longer connected to the internationalization process of INVs and born globals (Oviatt & McDougall, 1994; Moen, 2002; Moen & Servais, 2002). At the same time, some others believe that they follow the traditional models but go faster (Loustarinen & Gabrielsson, 2006; Coviello & Munro, 1997). In general, companies that follow the traditional internationalization theory tend to start expanding internationally after growing in their own home country. In contrast, digital firms tend to firstly internationalize faster than non-digitals and secondly acquire necessary resources by entering countries far away from their local market (Gabrielsson & Pelkonen, 2008; Ojala, Ever, Rialp, 2018). As a result, Studies have illustrated that digital companies are more willing to be born globals (Kudina et al., 2008).

2.3. Culture and Cultural Distance

First, Kroeber and Kluckhohn (1952) noted the vagueness of the concept of culture, which has a multifold definition. Then, Geert Hofstede (1984) introduced culture as “the collective programming of the mind”, which has been known as the most common definition of culture. He found it possible to measure the culture using five dimensions: power distance, individualism, masculinity, uncertainty avoidance, and Time orientation.

The difference in cultural values between two countries remains the most used type of distance in international business (Beugelsdijk & Mudambi, 2013; Shenkar, Luo, & Yehekel, 2008; ihanyi et al., 2005), possibly because cultural values are so crucial in shaping individual and organizational behaviors (Hofstede, 2001; House, Hanges, Javidan, & Dorfman, 2004; Schwartz, 1994; Kirkman, Lowe, & Gibson, 2006).

The cultural distance between two countries indicates the disparities in particular values, customs, and behavior regulations between them (Shenkar, 2001). These distinctions raise the liability of foreignness or the challenges an investment business must overcome when seeking to expand its operations in a new nation. However, as Shenkar (2012) pointed out, cultural distance does not reflect many of the subtleties of in-country variations that a business experiences while operating in foreign markets.

2.4. Cultural Distance and internationalization process

As aforementioned, theoretically, as Johanson & Vahlne (1977) and Beckerman (1956) pointed out, cultural distance is the most critical consideration in the internationalization process. In the traditional theory view, firms expand from culturally close countries and move gradually to more distant countries after improving their international experience.

Previous studies investigated the effect of cultural distance on the different determinants of firms' internationalization. For instance, regarding the effect of cultural distance on location choice, Zheng et al. (2012) and Jiang et al. (2014) pointed out that more cultural differences lead to higher transaction and information costs, respectively.

3. Theoretical Framework

3.1. Uppsala Vs Born Globals

Following the above mentioned, there are several models for the internationalization of firms in various industries. For instance, The Uppsala model proposes that organizations seem to follow an upward sequence from their establishment location to countries with greater “psychic distance” (Johansson & Vahlne, 1977; Shenkar, 2001). Moreover, because of different grades of cultural distance, a higher cost and risk can threaten firms that tend to expand beyond their home region (Osegowitsch & Sammartino, 2008). It is not new that firms tend to penetrate countries with the same language or similar cultures. (Caves, 1996; Flores & Aguilera, 2007). In addition, According to theories of international operations, the more cultural and ethical dissimilarity between countries leads to more difficulty for firms to operate and respond to local demand (Goerzen & Beamish, 2003).

This is true, but evidence illustrates that FinTech firms tend to expand their operations internationally as fast as possible, i.e., they empirically follow digital firms’ internationalization method, known as the born global theory. Obviously, there are many barriers for the firms to be able to enter foreign countries. These entry barriers are expected to decrease the speed of the market penetration (Flensburg and Lai, 2020; Galenianos and Gavazza, 2020; Li et al., 2020). Vahlne and Johanson (2017) found that the administrative barriers are the most difficult, and other researchers believed financial and technological regulation is more important. By the way, Genta, D., & Neubert, M. (2021) believe that the companies’ network (political or technological) can be avoided all these barriers. As a result, due to the strict technological and financial requirements and regulations in this industry and needing to gain governmental or international licenses and permissions on the one hand, and the market trust as a crucial criterion of penetration of these case companies on the other, managers in fintech companies prefer to penetrate countries that have fewer linguistic and cultural challenges in order to be able to benefit more from their networks. Therefore, In this case, Fintech firms are expected to follow the sequence pattern of the Uppsala model.

H1: Based on the Uppsala school of thought, finTech firms are likely to begin their international expansion within their cultural clusters or to culturally close areas.

3.2. Eclectic Paradigm (OLI Framework) VS Uppsala

From the OLI framework aspect, firms process their decision-making based on various criteria, i.e., ownership, location, and internalization advantages. Furthermore, growth opportunities and cost advantages, which define as the economic decision (Dunning, 1980; Dunning & Lundan, 2008; Hymer, 1976), and from the behavioral point of view, which is also known as the capability process-based approach (Barkema & Drogendijk, 2007; Johanson & Vahlne, 1977, 1990, 2009). Regarding firms' evolution, we empirically found a dual behavior among fintech firms from different regions that can reflect their cultural and institutional characteristics. On the one hand, it is found that fintech firms in developed countries concentrate more on developed markets, which are culturally closer than others as their location, network, and resource advantages due to their digitalization level, competitive landscape, and growth level of e-commerce. On the other hand, Increasing the global competition in different industries has led companies from developed countries to have more motivation to expand into emerging markets with a higher amount of cultural distance to be able to benefit more in a dynamic market (Boston Consulting Group [BCG], 2014; Gubbi, Aulakh, Ray, Sarkar, & Chittoor, 2010; Guillén & García-Canal, 2009; Luo & Tung, 2007). Nevertheless, it seems that penetrating a developing country is more costly and challenging for digital industries due to a lower level of digital infrastructure and social knowledge and behaviors. In addition, every company tends to begin its internationalization process with lower risk and cost conditions. For example, a considerable proportion of fintech firms that started their businesses in a large and developed country, such as the United States, either have no desire to globalize at all or expand in the host country with a lower cultural distance. Also, this industry has no locational advantages in terms of reaching cheap raw materials or low wages skilled labor force. At the same time, it can be possible to support services in a market from another country. For example, there are uncountable fintech and digital companies in the world that have their online support team in India and other countries with skilled labor forces with low wages standards. Therefore, it is expected that fintech firms in developed countries will follow a gradual and incremental model based on the Uppsala school of thought.

In contrast, Empirical evidence shows that firms from developing countries tend to expand their operations in culturally distant developed countries to gain more economical and experimental benefits (Morschett, Schramm-Klein, & Zentes, 2015), which can surpass the risks and costs challenges. Overall, mixed results were observed in the other empirical evidence about the relationship between the cultural distance and location choice. A study found a

negative effect (Holburn & Zelner, 2010), while others found a significant positive relation (Delios, Gaur, and Makino, 2008). Beugelsdijk, S. et al. (2018) found that the effect of cultural distance on location choice is negative and becomes more negative over time. Therefore, it is necessary to consider this group of countries more deeply in research.

Overall, as the second hypothesis, finding a different model of firms' location preferences in developed and developing countries is expected. This means that fintech firms from developed countries are expected to follow the sequential model of Uppsala for the internationalization plan. In contrast, fintech firms from developing countries prefer to gain economic and experimental advantages. Hence, we test the second hypothesis as below:

H2a: Fintech firms from developed countries tend to follow the Uppsala sequence (gradual expansion approach) from their home country to more cultural distance countries

H2b: Fintech firms from developing countries tend to expand internationally to the more cultural distant market

4. Methodology

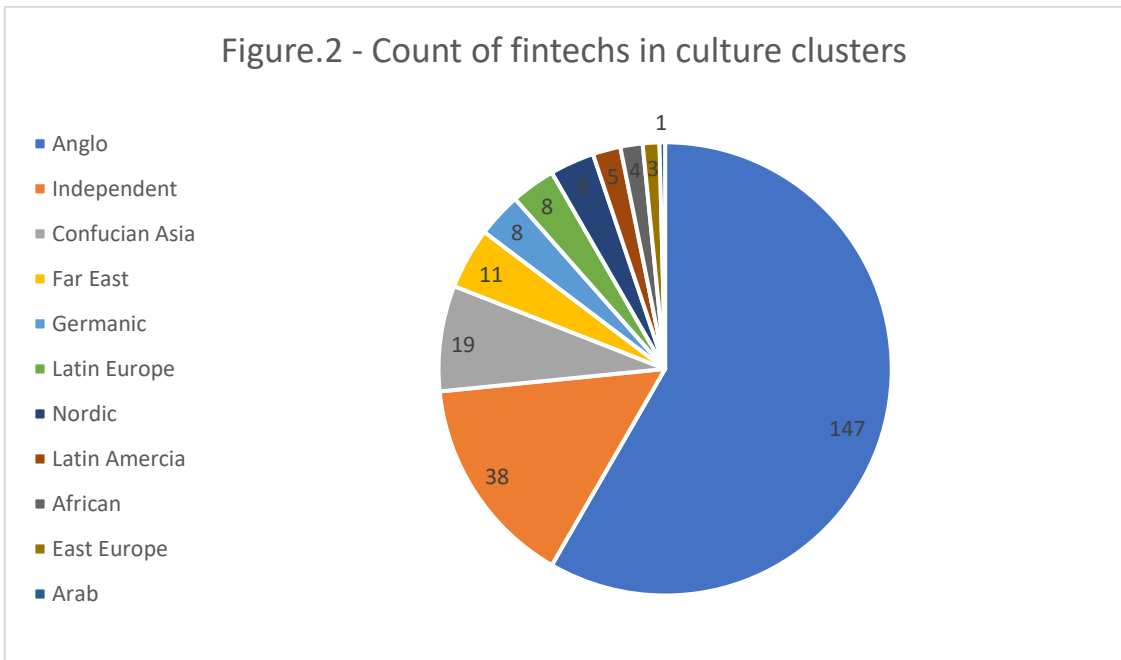
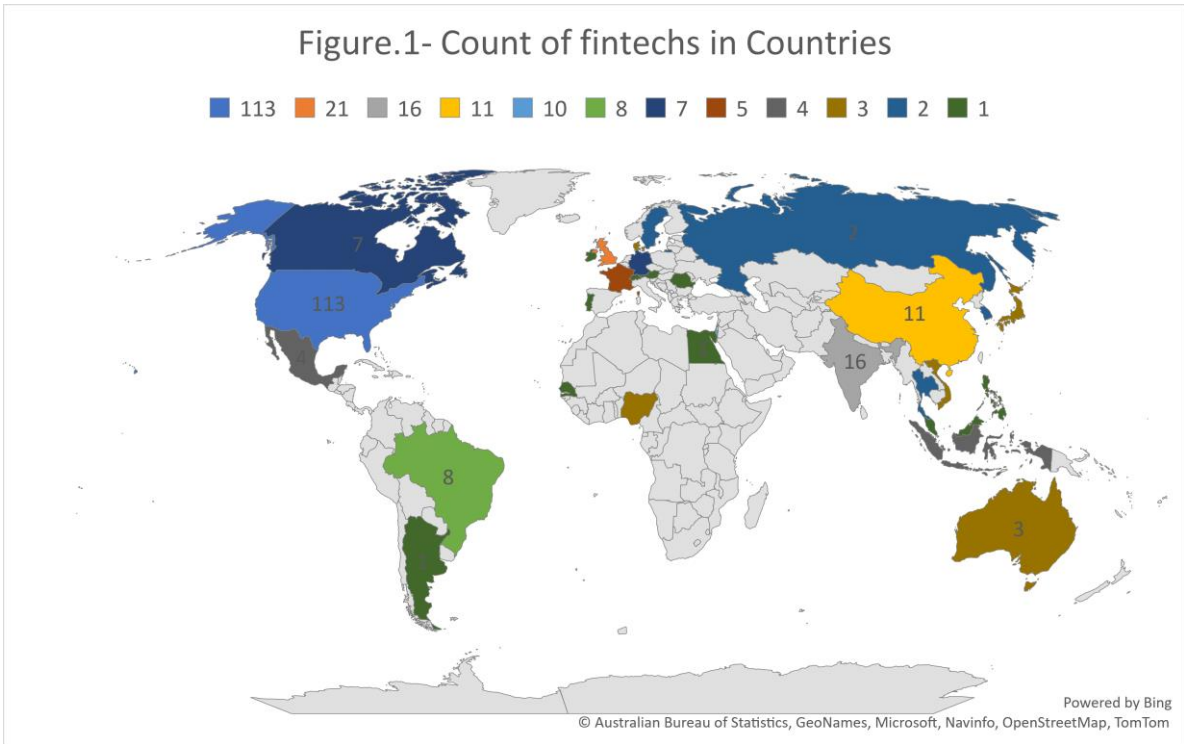
This section explains the method applied in this study and how the samples were selected. Furthermore, the research strategy and data collection will describe. Finally, the collected data will be analyzed and interpreted.

4.1. Research Strategy, sample selection, and description of sample

In this study, a qualitative approach using a multiple-case method, including the top unicorn fintech companies issued by CFTE (appendix 1), has been applied. According to the mentioned list (appendix 1), updated in January 2022, the top fintech unicorns are situated in 37 different countries, five continents of the world, and from 10 out of 11 world culture clusters, enabling us to make generalizations outside the case companies.

As mentioned above, selected samples are “Unicorn” fintech firms. For the first time, Unicorn firms were introduced by Aileen lee (2013), the founder of Cowboy Ventures, to describe a privately held company with a value of at least 1\$ billion. Based on this definition, there are more than 1,000 unicorn companies in the world till 2022, and every day new companies add to this club. According to the CFTE report, samples were collected among 37 countries worldwide. The United States, the UK, and India were at the top of the list in terms of the number of companies, with 113 (44.84%), 21 (8.33%), and 16 (6.35%), respectively. Figure.1 shows the number of fintech firms in each country in the mentioned list. In addition, regarding the cultural aspect of the main company, 147 companies (58.33%) were from Anglo, and 38 companies (15.08%) were from the independent cluster, including Brazil, Japan, Austria, Israel, and India. Moreover, 19 fintech firms (7.54%) from Confucian Asia. The proportion of cultural clusters is illustrated in figure 2.

There are several lists of top fintech companies published by various organizations. However, the CFTE report was chosen because it was more updated and accurate in terms of the quantitative index than companies’ annual reports. Moreover, due to the fast-growing nature of these firms and this industry, the author took the news and announcements of companies before June 2022 into account.



4.2. Variable structure

4.2.1. Variables in Hypothesis #1:

the cultural distance between the home base country of firms and the first target country for internationalization (FIRSTCD) is the independent variable, and the cluster of the first chosen country in the internationalization process (FIRSTINT) is the dependent variable. Also, the firm size (SIZE), i.e., the number of employees, was considered as the control variable.

Chilliah et al. (2010) found that the firm size is positively and significantly correlated with a firm internationalization. It means small firms have more effort in terms of resources, whether financial or managerial resources. Due to the technological sector of fintech companies, most fintech firms don't need to increase the number of employees for their operations. Therefore, the researcher also measured the size of the firms by their market valuation (MRKVAL), which is mentioned in appendix 2. Also, the firms with the higher market valuation can easily reach financial resources than the lower valued companies. Furthermore, the host countries' GDP Per Capita (GDPPC) indicator was considered as the other variable that should be controlled. Obviously, due to the financial nature of fintech firms, they tend to penetrate wealthier countries. Thus it is expected that the GDP per capita of the first targeted countries would affect the dependent variable. Lastly, the Sector of the companies is a variable usually controlled in studies. By the way, this variable had already been controlled by choosing Fintech firms as service companies with present financial services. Figure.3 shows the summary of the variables of the first hypothesis. Also, figure.4 illustrates the distribution of first location choices of sample firms. Finally, AVGCD25 was defined as the second to fifth cultural distance average.

```
. summarize FIRSTINTC FIRSTCD ISIZE IGDPPC IMRKVAL
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Variable	Obs	Mean	Std. Dev.	Min	Max
FIRSTINTC	118	4.389831	2.914842	1	11
FIRSTCD	118	1.067797	1.723289	0	6
ISIZE	118	2.974319	.6428683	1.69897	5.052309
IGDPPC	118	4.423822	.5103872	3.179839	4.939115
IMRKVAL	118	9.615562	.6568356	9	11.65469

Figure.3 – the summary of samples (H1)

```
. tabulate FIRSTINTC
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1st cluster	Freq.	Percent	Cum.
African	5	4.24	4.24
Anglo	51	43.22	47.46
Confucian Asia	13	11.02	58.47
East Europe	2	1.69	60.17
Far East	13	11.02	71.19
Germanic	10	8.47	79.66
Latin America	8	6.78	86.44
Latin Europe	6	5.08	91.53
Near East	1	0.85	92.37
Nordic	9	7.63	100.00
Total	118	100.00	

Figure.4 – distribution of first internationalization choice (H1)

4.2.2. Variables in Hypothesis #2:

In this hypothesis, the author would like to measure the effect of the development level of home countries on the cultural distance of the first target country. Therefore, the cultural distance of the first internationalization choice is considered as the dependent variable (FIRSTCD) and the development condition of countries as the independent variable (DEV). The researcher coded developed countries as 1 and developing countries as 0. Moreover, he controlled for the number of employees of the sampled firms (SIZE), their market valuation of them (MRKVAL), and the GDP Per Capita index (GDPPC), as was discussed before.

4.3. Data Collection

To be able to examine the impact of cultural distance on the internationalization process of fintech Companies, data collected from secondary data, including the companies' websites, Annual reports of different years, interviews and published news, and any other notes and updates related to their global expansion posted by the best business, economics, and finance news websites.

In the first step, several basic information had to be collected from data sources. Firstly, the researcher needed to collect data about each company's background. For instance, each firm's establishment country, which indicates the home country's culture cluster, and the number of countries they operate in today, gave us helpful information to understand the current internationalization status. Secondly, to understand the history of the internationalization process, the author found and considered the first countries they entered outside of their home country. Furthermore, they were ranked in terms of the entry date to understand each firm's internationalization timeline.

From the primary data collected, the author found that 102 out of 252 sample companies (40.47%) intended their services exclusively for the domestic market. In other words, they have not operated any services for the international market till now. Figure.3 shows the final selected samples in this study and the distribution in cultural clusters. It is necessary to mention that a country is considered a "host country" if people can register as a customer with their ID card or any identity documents. This can be because of the regulatory restrictions or being in a large market like the united states with many potential customers and less motivation to expand internationally. Therefore, it was decided to eliminate these companies from the study samples. Moreover, 32 out of the other sample companies, around 70% from the blockchain and

cryptocurrency sector, had no data regarding their first specific countries to enter. This was because of several fundamental reasons. First, in the blockchain and cryptocurrency industry, with the exception of a few countries, there have been fewer legal restrictions on firms and customers for activity in this sector compared to the others. However, it should be noted that these rules are updated day by day, and more rigorous and restrictive laws are imposed on both companies and customers. Second, there were no data regarding the internationalization process of 10 firms in any data sources. Due to the time frame restriction, it was impossible to have physical or online interviews with them. As a result, the final sample list includes 118 fintech companies, which can be found in appendix 2. For independent countries, Filippaios and Rama (2011) suggested that the independent countries should take the maximum cultural distance (in this case, 7). However, it seems illogical because an independent nation such as Brazil has more similarities to countries of the Latin America clusters than the other clusters. Therefore, it was decided to take independent countries with similar amounts of the nearest clusters, i.e., Japan takes number 2, Austria and India take number 3, Israel takes number 5, and Brazil takes number 7 (in case the main company is established in Anglo cluster countries).

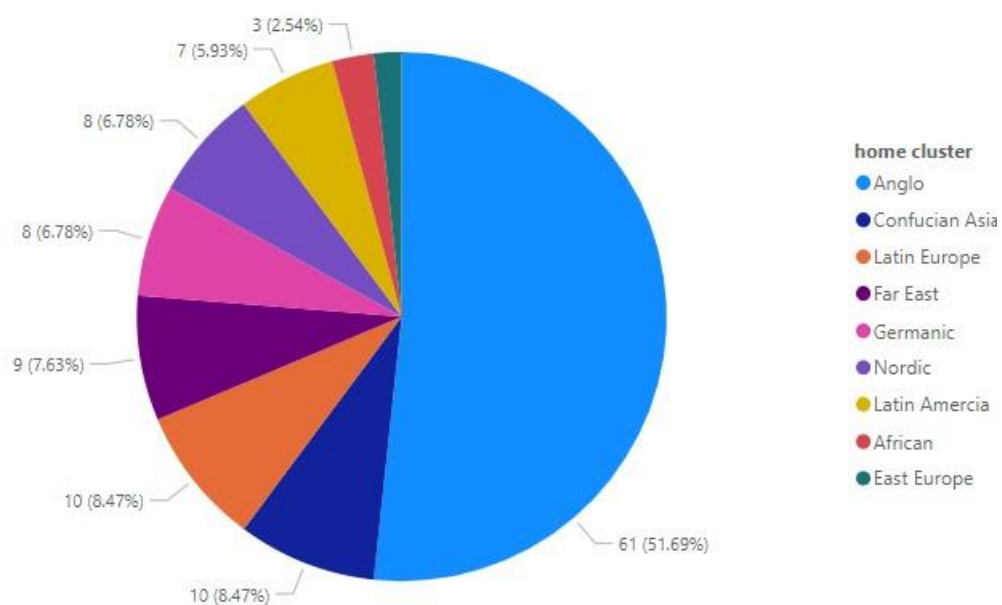


Figure5. distribution of sampled firms in different cultural clusters

The sampled firms are active in the various financial sectors, including accounting, blockchain and cryptocurrency, BNPL (Buy Now Pay Later), challenger bank, infrastructure, insurance technology, payment technology, open banking, regulatory technology, and wealth

technology. Table 1 describes the categories according to the products and services presented by sample companies.

In the next step, the author used the world culture map introduced by Simcha Ronen and Oded Shenkar (2013) to group different Cultural clusters. According to Ronen and Shenkar’s final pie chart (figure.6), it can be easily distinguished between low-distance (similar) cultures from others. They clustered countries based on four dimensions of their similarities, i.e., geography, religion, wealth (GDP-PPP), and language. The first mapping took place in 1985, and finally, they introduced the updated culture cluster map in 2013.

Mentioned four dimensions in this method are useful and enabled us to measure the cultural distance between the parent and the host country. According to Renon and Shenkar (2013), 96 countries were divided into 11 cultural clusters and five independent countries.

Table1. Description of categories	
Category	Description
Accounting	Indicates involvement of fintech in finance accounting software, tax return software, reporting, tax advisory system, and workflow automation software.
blockchain and cryptocurrency	Indicates involvement of fintech in a digital financial platform of cryptocurrencies, exchange services, and secure infrastructure for moving, storing, and issuing digital assets.
BNPL	Indicates involvement of fintech in digital lending platforms and consumer finance.
challenger bank	Indicates fintech companies challenge traditional banks by virtual banking in payment, spend management solutions, credit cards, cashback reward programs, digital banking, and personal loans.
infrastructure	Indicates involvement of fintech in online financial services, including mobile payment, online shopping, and international money transfer. Also, focus on other financial services such as RPA, automation tools, procurement platforms, and trade technology platforms.
insurance technology	Indicates involvement of fintech in digital insurance platforms
payment technology	Indicates involvement of fintech exclusively in online payment systems
open banking	Indicates involvement of fintech in e-commerce, e-payment, and various financial technology and services
regulatory technology	Indicates involvement of fintech in online identity verification
wealth technology	Indicates involvement of fintech in wealth management, capitalization table management, digital asset investment platform, and personal finance.

According to the method used in Filippaios and Rama (2011), when a firm in Anglo clusters is investigated, all firms established in this cluster take the value of 1. Also, target countries take increasing values from 1 to 7 in accord with the cluster distance from the

investigated clusters. For example, after taking the value of 1 for target countries in the Anglo cluster, countries in the “African” and “Confucian Asia” take the value of 2. For the clusters of the “Far East” and “Germanic,” the value of 3 is assigned. In the same way, for the other clusters, Nordic and Arab countries are taken the value of 4, 5 for Latin Europe and the Near East, and 6 for East Europe and Latin America. Similarly, the researcher did the same method for firms from another cultural cluster. For instance, for a fintech firm from the Germanic cluster, after taking the value of 1 for the main company, the value of 2 is assumed for target countries from Nordic or African countries, and so on.

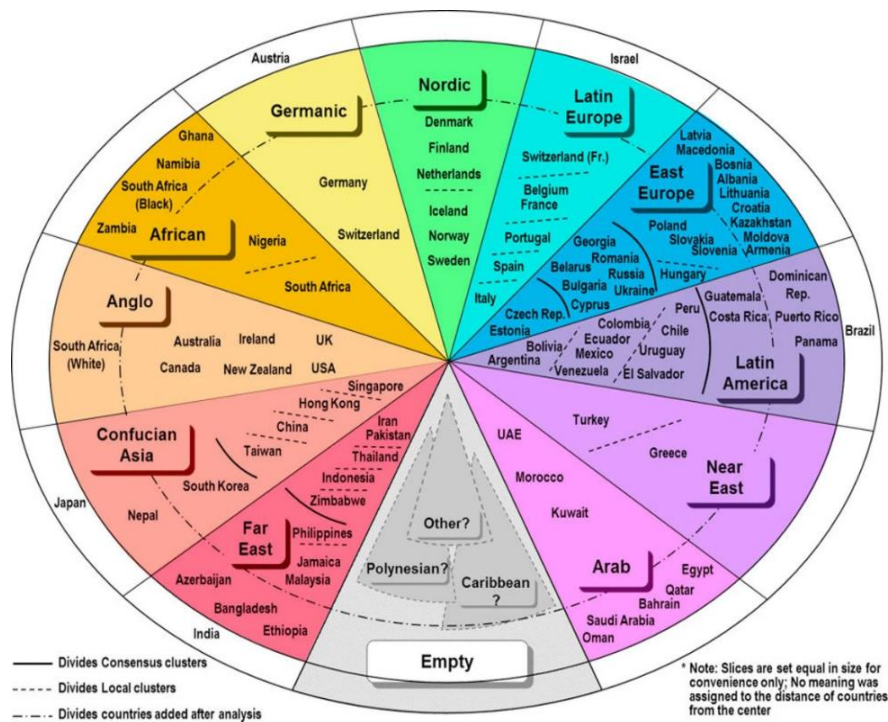


Figure 6. pie chart of Global culture clusters (Ronen, S. Shenkar, O,2013.)

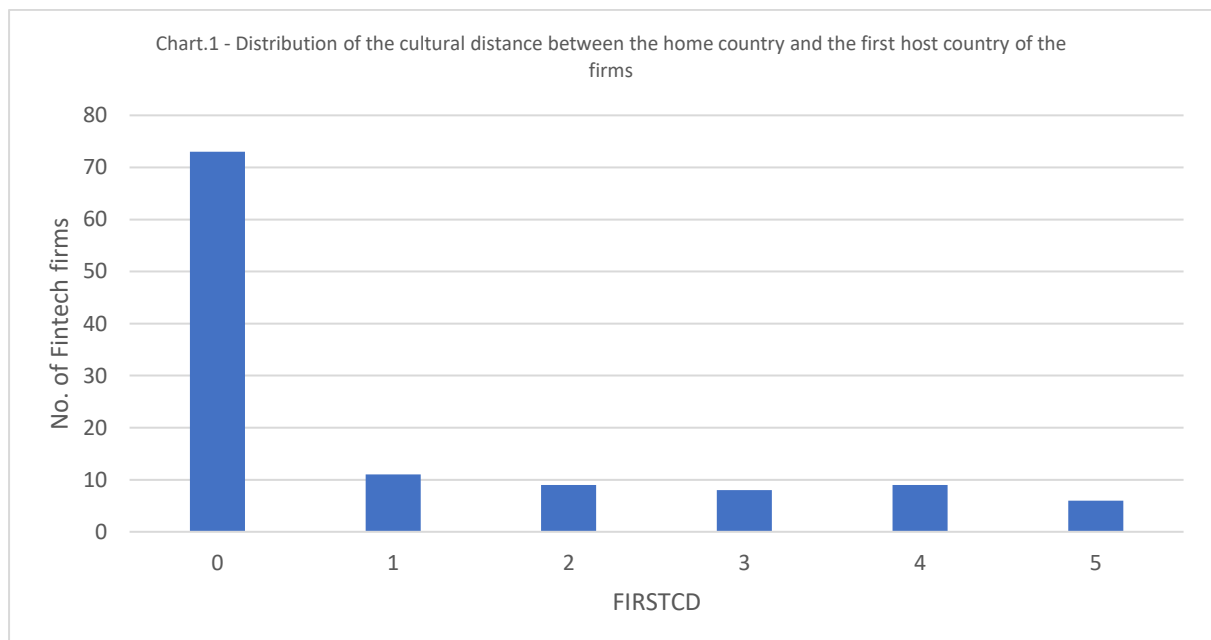
4.4. Data Analysis, Results, and Interpretation

4.4.1. Hypothesis #1

In accord with the traditional theory and the Uppsala School of Thought, which suggests incremental expansion on the one hand, and our first hypothesis on the other, in the first step, the researcher would like to test whether the fintech firms are likely to begin their expansion within their cultural clusters or to culturally close areas. This effectively means that the cultural distance negatively affects the first internationalization choice. In other words, closeness has a positive effect. Thus, the test should be done for the assumption of a negative effect of the cultural closeness of target firms on the first internationalization probability as our null

hypothesis, which will be discussed later in this study. Therefore, the negative effect of cultural closeness on the likelihood of choosing a cluster for the first location should be rejected. This signal us to understand to what extent the cultural distance influences management decision for internationalization. Table.2 shows the cultural distance distribution between the main company's home country and their first target location in the internationalization process. As described, the updated culture clusters map of Ronen and Shenkar (2013) was used to measure the cultural distance between the two countries. According to the results, It is clear that most fintech companies (approximately 62%) began their international expansion process within their cultural clusters (FIRSTCD=0). Chart.1 visualizes the distribution of the results achieved in table 2. Also, the grand average distribution of cultural distance is approximately 1.067, which presents, on average, a few cultural distances between the firm’s home base and the first internationalization location. Although These results support the first hypothesis, a statistical test should be done to control other influential variables.

Table.2 - Distribution of the cultural distance between the home country and the first host country of the firms															
FIRSTCD	0		1		2		3		4		5		6		AVG
No. and % of firms	73	61.86%	11	9.32%	9	7.63%	8	6.78%	9	7.63%	6	5.08%	2	1.69%	1.067



In the next pace, the researcher measured the cultural distance between the home base country and the second to the fifth country. After that, he calculated all firms' average distances

for the 2nd to 5th countries. Appendix 3 illustrates the average distances for sample firms. As mentioned, the value of 1 was taken for all firms regardless of their home base countries. Then the value of other targeted countries was measured based on Ronen and Shenkar's (2013) mapping clusters. Finally, the author could calculate the cultural distance between the home country and the first to the fifth country separately.

In the next step, the author used a "paired t-test" to measure the internalization trend in sample firms. This test enables us to compare the means of two datasets, i.e., the first cultural distance (FIRSTCD) and (AVGCD25). In this test, the author has to eliminate the companies that internationalize in just one other country. Therefore eight companies, i.e., Avant, Monzo, AvidXchange, Pipe, MX technology, and the bank of London, were eliminated from the sample list. Figure.7 shows the result of our comparison test in STATA. Results illustrate that the mean cultural distance was statistically significantly different between the measures groups ($t = -3.6154$ w/ $df = 109$, $p = .0005$) at a significance level of 0.05. A 95% confidence interval for the actual difference in population means resulted in the interval of (-0.919, -0.268). Based on these results, the average cultural distance of 2nd to 5th countries is significantly higher than the first cultural distance, proving the incremental expansion theory of the Uppsala school of thought for the sampled firms.

```
. ttest FIRSTCD == AVGCD25
```

Paired t test

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Interval]	
FIRSTCD	110	1.145455	.1678179	1.760089	.8128448	1.478064
AVGCD25	110	1.739545	.1327839	1.392649	1.476372	2.002719
diff	110	-.5940909	.1643245	1.72345	-.9197768	-.268405

mean(diff) = mean(FIRSTCD - AVGCD25) t = -3.6154
 Ho: mean(diff) = 0 degrees of freedom = 109
 Ha: mean(diff) < 0 Ha: mean(diff) != 0 Ha: mean(diff) > 0
 Pr(T < t) = 0.0002 Pr(|T| > |t|) = 0.0005 Pr(T > t) = 0.9998

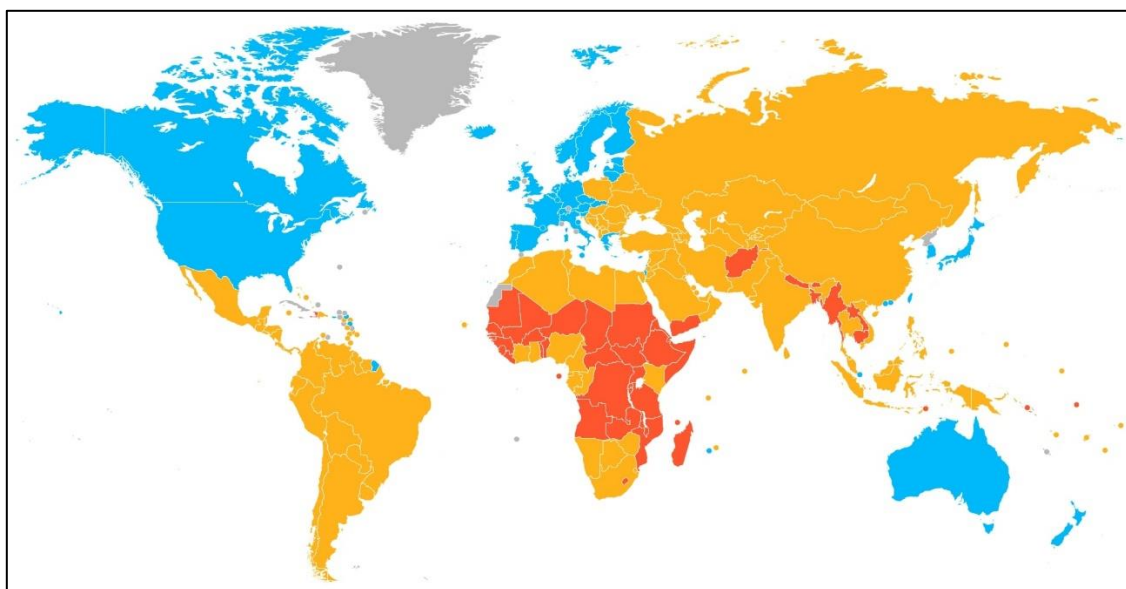
Figure.7 - Paired t-test between 1st CD and Avg 2nd-5th CD (all sample Countries)

4.4.2. Hypothesis #2

In the second Hypothesis, the researcher assumed that fintech firms in developed countries tend to follow traditional international theory, which introduced an incremental expansion from fewer distance cultural areas to the countries with a higher cultural distance. Also, fintech firms

in developing countries tend to have an internationalization process regardless of the home base country's cultural distance and the target market's culture. To do so, sample companies were grouped in developed and developing countries. Figure.8 shows the world map depicting nation categories according to the issued report of IMF (International Monetary Fund) and the UN (United Nations), updated in 2022. This categorization method depicts "developed" nations in blue and "developing" countries in yellow. To test the second hypothesis, a fintech company from Senegal (Wave) was eliminated, which had been defined as an undeveloped country in the mentioned sources (therefore, the total number of samples in this test will be 117). Then the calculated cultural distance for the first internationalization has been divided into two groups. Table.3 and Chart.2 show the distribution of developed and developing countries in terms of the cultural distance of their first internationalization.

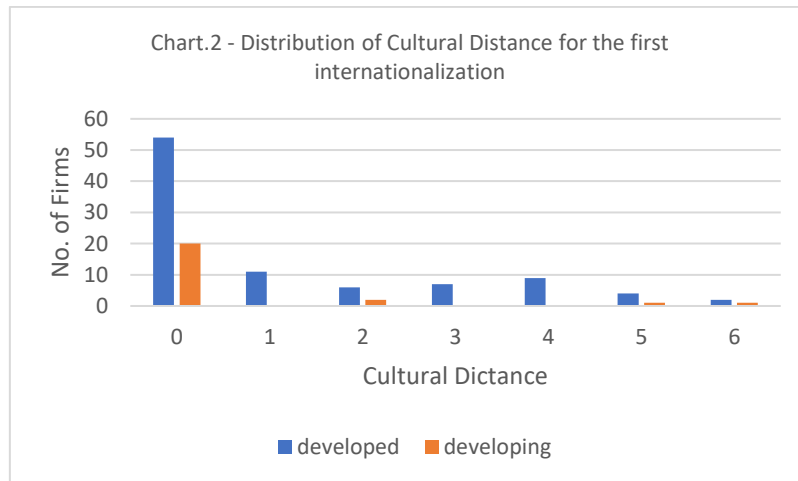
Overall, as seen in the following table and chart, many companies in developed and developing countries are in the first cultural distance group, i.e., the group of firms that internationalize within similar cultural clusters. Nevertheless, it is needed to have a statistical test to be able to show significant statistical proof. As aforementioned, according to the second hypothesis, the author expected to have a negative effect on the development of countries on the cultural distance of the first internationalization choice.



Developed countries █ Developing countries █ Undeveloped countries █ Data unavailable █
 Figure.8 - World map showing country classifications as per development

	No. of Firms	0		1		2		3		4		5		6		Weighted Average
developed	92	54	58.70%	11	11.96%	6	6.52%	7	7.61%	9	9.78%	4	4.35%	2	2.17%	1.21
developing	24	20	83.33%	0	0.00%	2	8.33%	0	0.00%	0	0.00%	1	4.17%	1	4.17%	0.625

Table.3 – Distribution of Cultural Distance for the first internationalization



In this test, The author would like to explain how the development of countries influences the cultural distance between the home base and the first country. As a result, as aforementioned, FIRSTCD was considered the dependent variable and DEV as the independent variable. In addition, the author finds SIZE, MRKVAL, and GDPPC as the control variables. It is expected that the development of the countries has a negative relation with the cultural distance.

The ANCOVA test is the figure.9 illustrate that the effect of the development of a home base on the first location choice is statistically significant ($F=4.64$ w/, $p = .0334$) at a significance level of 0.05. moreover, the t-test in this figure illustrates the individual and significant relationship between development and cultural distance.

Second, paired t-test was conducted on the groups of developed and developing countries to determine if a higher cultural distance can be observed from the average cultural distance of the second to fifth countries compared to the cultural distance of the first country. Figure.10 shows that the mean cultural distance was statistically significantly different between the two groups for developed countries ($t = -3.2807$ w/ $df=86$, $p = .0015$) at a significance level of 0.05. A 95% confidence interval for the true difference in population means resulted in the interval of $(-3.466, -.034)$. Based on these results, the average cultural distance of 2nd to 5th countries is significantly higher than the first cultural distance.

. anova FIRSTCD DEV c.LSIZE c.LGDPPC c.LMRKVAL

Number of obs = 117 R-squared = 0.0644
 Root MSE = 1.69796 Adj R-squared = 0.0310

Source	Partial SS	df	MS	F	Prob>F
Model	22.243534	4	5.5608834	1.93	0.1105
DEV	13.379227	1	13.379227	4.64	0.0334
LSIZE	2.5614423	1	2.5614423	0.89	0.3479
LGDPCC	7.0272297	1	7.0272297	2.44	0.1213
LMRKVAL	5.4809942	1	5.4809942	1.90	0.1707
Residual	322.90177	112	2.8830515		
Total	345.1453	116	2.9753905		

. regress FIRSTCD i.DEV LSIZE LGDPCC LMRKVAL

Source	SS	df	MS	Number of obs =	117
Model	22.2435336	4	5.56088341	F(4, 112)	= 1.93
Residual	322.901765	112	2.88305148	Prob > F	= 0.1105
Total	345.145299	116	2.97539051	R-squared	= 0.0644
				Adj R-squared	= 0.0310
				Root MSE	= 1.698

FIRSTCD	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
1.DEV	.9575566	.4445034	2.15	0.033	.07683 1.838283
LSIZE	.3464949	.3676044	0.94	0.348	-.3818661 1.074856
LGDPCC	-.5516569	.3533484	-1.56	0.121	-1.251771 .1484577
LMRKVAL	-.4838774	.3509392	-1.38	0.171	-1.179219 .2114636
_cons	6.40067	2.845106	2.25	0.026	.7634567 12.03788

Figure.9 – ANCOVA test and Regression test between the development of Homebase countries and the first cultural distance

. ttest stdis == disavg25

Paired t test

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Interval]
stdis	87	1.287356	.1899	1.77127	.9098475 1.664865
disavg25	87	1.950345	.1385094	1.29193	1.674997 2.225692
diff	87	-.6629885	.2020856	1.884929	-1.064721 -.2612556

mean(diff) = mean(stdis - disavg25) t = -3.2807
 Ho: mean(diff) = 0 degrees of freedom = 86

Ha: mean(diff) < 0 Ha: mean(diff) != 0 Ha: mean(diff) > 0
 Pr(T < t) = 0.0007 Pr(|T| > |t|) = 0.0015 Pr(T > t) = 0.9993

Figure.10 – Paired t-test between 1st CD and Avg 2nd-5th CD (Developed Countries)

Likewise, a similar result has been collected for the developing countries. As can be seen in the figure.11, mean cultural distance was statistically significantly different between the two

groups for developing countries ($t = -2.0852$ w/ $df=21$, $p = .0494$) at a significance level of 0.05. therefore, the developing countries have seen an incremental cultural distance between the first and average of the 2nd to 5th.

```
. ttest stdis == disavg25
```

Paired t test

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Interval]	
stdis	22	.6818182	.3566703	1.672932	-.0599183	1.423555
disavg25	22	.985	.3238164	1.518833	.311587	1.658413
diff	22	-.3031818	.145396	.6819676	-.6055493	-.0008143

mean(diff) = mean(stdis - disavg25) t = -2.0852
 Ho: mean(diff) = 0 degrees of freedom = 21

Ha: mean(diff) < 0 Ha: mean(diff) != 0 Ha: mean(diff) > 0
 Pr(T < t) = 0.0247 Pr(|T| > |t|) = 0.0494 Pr(T > t) = 0.9753

Figure.11 – Paired t-test between 1st CD and Avg 2nd-5th CD (Developing Countries)

5. Discussion and Conclusion

In this part, the author discusses the main findings and concludes this study. Moreover, the limitations of this study and recommendations for future research will be addressed.

Cultural distance and its impacts on firms' cross-border expansion are among the most attractive topics in international business literature. On the other hand, due to the technological nature and complicated behavior of the fintech firms, studies on this novel industry need to expand more.

Based on the sample selected from the top value unicorn fintech companies reported by CFTE in January 2022, it was attempted to understand the internationalization pattern of fintech companies across cultural clusters. The researcher found that regulatory limitations and high demand in the domestic market lead to a decrease in the motivation of firms in terms of international expansion activities. Therefore, a large number of eliminated companies from our sample list were from the United States (57 out of 102 companies), which has rigorous economic laws and high domestic demand.

This study shows fintech companies' tendency to expand their services and goods internationally to countries with more similar cultural criteria. According to the statistical results, two out of three fintech firms begin their global expansion from a similar culture country to decrease the risk and cost of operation. The findings also suggest that the cultural distance between the main companies and the first entered country negatively affects the first location choice. Then, employing the paired t-test proved an incremental expansion trend in the cultural distance.

In addition, paired t-test for both developed and developing countries show an incremental trend in the culturally distant countries that the firm has chosen. In other words, a significant proportion of sample firms from developed or developing countries begin their internationalization process from culturally closer countries and then penetrate higher culturally distant countries. Therefore, the second part of the second hypothesis is not proved. Although firms in developing countries have a motivation to follow the OLI framework to be able to benefit by expanding their operations in culturally distant developed countries, whether economic or experimental (Morschett, Schramm-Klein, & Zentes, 2015), probably the barriers to entry into new markets lead to the disadvantages outweighing the mentioned benefits. For example, entering a culturally distant market needs to change and adapt the services in accord

with the local customer needs with more expenditure and risk. Therefore, there is required to have more capital for these adaptations. Furthermore, as mentioned before, the financial service industry has tightly regulated, and every fintech firm must meet a multitude of certificates and licenses of each country. Thus it is logical to choose lower culturally distance countries to benefit from their networks and cultural similarities. Other barriers like geographic concerns or market competition can be a reason for developing country firms. As a result, it is logical to find that fintech firms in developing countries, as well as fintech of developed countries, prefer closer cultures to begin their internationalization process in the Uppsala school of thought to be able to reduce their operational risk and cost.

Due to the samples selected from the top unicorn fintech firms, we can count them as the most successful fintech companies in the world. As a result, we can consider the internationalization pattern of these firms as a successful pattern on average. Consequently, the results of this study can recommend managers and the decision-maker of fintech firms find their best target market to be able to expand internationally.

This study, like other scientific studies, has some limitations. This study's first and most major limitation is that we focus on cultural distance while different dimensions such as regulatory barriers or other Fintech challenges (e.g., trust) (Mesaros,2019) can influence Fintech's internationalization. Also, because of the fundamental nature of rapid changes in these types of firms, we assume fixed conditions for all the companies. Any possible changes in future corporate reports will not positively or negatively affect our data. The number of samples, even very high, can be a limitation in this study. For example, many fintech companies in our samples were established and grew in the united states and 2-3 other countries. In contrast, there were no companies from the Arab cluster and a few companies from near Europe or African clusters. Thus there is a need for further research to concentrate more on the internationalization process of these clusters. Last but not least, due to the recent pandemic, the world observed a rocket growth of fintech firms. Also, in some cases, global restrictions made it difficult for newcomers to establish their licenses and permissions. Therefore, we could consider this an influential criterion that must be researched.

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Appendices

Appendix.1 - CFTE – Top FinTech Unicorns 2021 Review (Updated January 2022) :

<https://courses.cfte.education/wp-content/uploads/2022/01/Top-Fintech-Unicorns-in-2022.pdf>

Appendix.2 - Final Sample List

	Name	Market Valuation (USD)	Sector	Country	Founded
1	visa	451,534,455,204	paytech	united states	1976
2	MasterCard	359,900,995,070	paytech	united states	1979
3	ant financial	312,000,000,000	challenger bank	china	2014
4	tencent	237,089,852,173	regtech	china	1998
5	PayPal	225,022,598,619	paytech	united states	1998
6	intuit	163,874,282,200	accounting	united states	1983
7	stripe	95,000,000,000	paytech	Ireland	2009
8	Fiserv	72,275,586,898	open banking	united states	1984
9	Adyen	72,239,857,829	paytech	Netherlands	2006
10	block	68,467,133,929	paytech	united states	2009
11	coinbase	51,052,986,338	blockchain and cryptocurrency	united states	2012
12	nubank	41,500,000,000	challenger bank	brazil	2013
13	aspire	39,600,000,000	challenger bank	Singapore	2017
14	gojek	35,000,000,000	paytech	indonesia	2010
15	revolut	33,000,000,000	challenger bank	UK	2015
16	klarna	31,000,000,000	paytech	sweden	2005
17	Paytm	25,000,000,000	infrastructure	India	2010
18	FTX	25,000,000,000	block chain and cryptocurrency	hongkong	2019
19	grab	24,466,728,457	infrastructure	Malaysia	2012
20	UIPath	21,280,897,982	infrastructure	romania	2005
21	Chechout.com	15,000,000,000	paytech	UK	2012
22	Xero	13,705,783,827	infrastructure	Newzealand	2006
23	plaid	13,500,000,000	open banking	united states	2013
24	lufax	13,370,294,007	Wealth tech	china	2011
25	wise	9,166,955,843	paytech	UK	2011
26	rapyd	8,750,000,000	paytech	Israel	2016
27	tipalti	8,300,000,000	open banking	Israel	2010
28	Gemini	7,100,000,000	blockchain and cryptocurrency	united states	2014
29	Carta	6,900,000,000	Wealth tech	united states	2012
30	Avant	6,500,000,000	challenger bank	united states	2012
31	mollie	6,500,000,000	paytech	Netherlands	2004
32	airwallex	5,500,000,000	challenger bank	Australia	2015
33	mambu	5,500,000,000	challenger bank	Germany	2011
34	deel	5,500,000,000	infrastructure	united states	2018
35	trade republic	5,300,000,000	challenger bank	Germany	2015

36	quintoAndar	5,100,000,000	Wealth tech	brazil	2012
37	ZEPZ	5,000,000,000	paytech	UK	2010
38	pleo	4,700,000,000	paytech	Denmark	2015
39	Monzo	4,500,000,000	challenger bank	UK	2015
40	marqeta	4,300,000,000	paytech	united states	2010
41	dataminr	4,100,000,000	infrastructure	united states	2009
42	Kraken	4,000,000,000	blockchain and cryptocurrency	united states	2011
43	wealthsimple	4,000,000,000	Wealth tech	Canada	2014
44	icapital network	4,000,000,000	Wealth tech	united states	2013
45	falconX	3,750,000,000	blockchain and cryptocurrency	united states	2018
46	papaya global	3,700,000,000	infrastructure	Israel	2016
47	flywire	3,558,120,961	paytech	united states	2011
48	N26	3,500,000,000	challenger bank	Germany	2013
49	Payoneer	3,300,000,000	paytech	Israel	2005
50	liquid	3,200,000,000	blockchain and cryptocurrency	japan	2014
51	spoton	3,150,000,000	paytech	united states	2017
52	High radius	3,100,000,000	infrastructure	united states	2006
53	circle	3,000,000,000	paytech	united states	2013
54	wefox	3,000,000,000	insurtech	germany	2014
55	BGL group	3,000,000,000	insurtech	uk	1992
56	pine labs	3,000,000,000	paytech	India	1998
57	drivewealth	2,850,000,000	Wealth tech	united states	
58	tradeshift	2,700,000,000	infrastructure	Denmark	2009
59	uala	2,450,000,000	paytech	Argentina	2016
60	lemonade	2,402,854,768	insurtech	united states	2015
61	Paxos	2,400,000,000	blockchain and cryptocurrency	united states	2013
62	izettle	2,200,000,000	paytech	Sweden	2010
63	bitso	2,200,000,000	blockchain and cryptocurrency	Mexico	2014
64	fireblocks	2,200,000,000	blockchain and cryptocurrency	Israel	2018
65	addepar	2,170,000,000	Wealth tech	united states	2009
66	Tinkoff	2,150,000,000	challenger bank	Russia	2006
67	avidxchange	2,000,000,000	paytech	united states	2000
68	clearbanc	2,000,000,000	Wealth tech	Canada	2015
69	pipe	2,000,000,000	challenger bank	united states	2019
70	bought by many	2,000,000,000	insurtech	UK	2012
71	EBANX	2,000,000,000	paytech	brazil	2012
72	chipper cash	2,000,000,000	paytech	united states	2018
73	MX technologies	1,900,000,000	open banking	united states	2010
74	bunq	1,900,000,000	challenger bank	netherlads	2013
75	CFGFI	1,850,000,000	accounting	united states	2000
76	trulioo	1,750,000,000	regtech	canada	2011
77	creditas	1,750,000,000	BNPL	brazil	2012

78	wave	1,700,000,000	infrastructure	Senegal	2017
79	zip co	1,698,588,194	BNPL	Australia	2013
80	alan	1,690,000,000	insurtech	france	2016
81	solarisbank	1,650,000,000	infrastructure	Germany	2016
82	enfusion	1,500,000,000	Wealth tech	united states	1997
83	remitlet	1,500,000,000	paytech	UK	2011
84	opay	1,500,000,000	paytech	Nigeria	2018
85	TrueMoney	1,500,000,000	paytech	Thailand	2003
86	ascend money	1,500,000,000	open banking	united states	2014
87	zeta	1,450,000,000	challenger bank	India	2015
88	scalable capital	1,400,000,000	Wealth tech	Germany	2014
89	chargebee technologies	1,400,000,000	infrastructure	India	2011
90	FWD	1,400,000,000	insurtech	hongkong	2013
91	signifyd	1,340,000,000	infrastructure	united states	2011
92	Enova	1,329,589,225	challenger bank	united states	2004
93	feedzai	1,300,000,000	infrastructure	portugal	2011
94	bitpanda	1,200,000,000	Wealth tech	Austria	2014
95	floqast	1,200,000,000	accounting	united states	2013
96	zigo	1,100,000,000	insurtech	UK	2015
97	the bank of London	1,100,000,000	paytech	UK	2021
98	radius payment solutions	1,070,000,000	paytech	UK	1990
99	truelayer	1,000,000,000	open banking	UK	2016
100	Freshbooks	1,000,000,000	accounting	Canada	2003
101	pacaso	1,000,000,000	Wealth tech	united states	2020
102	ivalua	1,000,000,000	infrastructure	united states	2000
103	flutterwave	1,000,000,000	paytech	Nigeria	2016
104	shift technology	1,000,000,000	insurtech	France	2013
105	PPRO	1,000,000,000	paytech	UK	2006
106	Welab	1,000,000,000	challenger bank	china	2013
107	raisin	1,000,000,000	challenger bank	Germany	2013
108	lunar	1,000,000,000	challenger bank	Denmark	2015
109	earnix	1,000,000,000	insurtech	israel	2001
110	Vnlife	1,000,000,000	infrastructure	Vietnam	2007
111	Nium	1,000,000,000	paytech	Singapore	2014
112	Matrixport	1,000,000,000	blockchain and cryptocurrency	Singapore	2019
113	xendit	1,000,000,000	paytech	Indonesia	2014
114	sumup	1,000,000,000	paytech	united states	2012
115	saltpay	1,000,000,000	paytech	UK	2019
116	thought machine	1,000,000,000	infrastructure	united states	2014
117	Lydia	1,000,000,000	challenger bank	France	2013
118	Clara	1,000,000,000	challenger bank	Mexico	2020

Appendix.3 - Cultural Distance calculation process.

Appendix.3 – Cultural Distance calculation process

	Name	Country	DEV	home cluster	1st country			2nd country			3rd country			4th country			5th country			Cultural Distance					AVE25
					Name	cluster	#	Name	cluster	#	Name	cluster	#	Name	cluster	#	Name	cluster	#	1 st	2 nd	3 rd	4 th	5 th	
1	visa	united states	developed	Anglo	canada	Anglo	1	UK	Anglo	1	france	Latin Europe	5	japan	Confucian Asia	2	spain	Latin Europe	5	0	0	4	1	4	2.25
2	mastercard	united states	developed	Anglo	canada	Anglo	1	UK	Anglo	1	europa	Nordic	4	japan	Confucian Asia	3			-	0	0	3	2	.	1.67
3	ant financial	china	developing	Confucian Asia	hongkong	Confucian Asia	1	philippines	Far East	2	india	Far East	2	southeast asia	Far East	2	singapore	Confucian Asia	1	0	1	1	1	0	0.75
4	tencent	china	developing	Confucian Asia	hongkong	Confucian Asia	1	singapore	confucian Asia	1	malaysia-southeast	Far East	2	japan	Confucian Asia	1	usa	Anglo	2	0	0	1	0	1	0.50
5	paypal	united states	developed	Anglo	europa	Anglo	1	singapore	confucian Asia	2	germany	Germanic	3	ireland	Anglo	1	shanghai	Confucian Asia	2	0	1	2	0	1	1.00
6	intuit	united states	developed	Anglo	uk	Anglo	1	singapore	confucian Asia	2	canada	Anglo	1	india	Far East	3			-	0	1	0	2	.	1.00
7	stripe	ireland	developed	Anglo	europa	Anglo	1	australia	Anglo	1	singapore	Confucian Asia	2	more countries in europa	east Europe	6	cuba	Latin America	6	0	0	1	5	5	2.75
8	fiserv	united states	developed	Anglo	canada	Anglo	1	europa	Germanic-Nordic-latin	4	china	Confucian Asia	2			-			-	0	3	1	.	.	2.00
9	adyen	netherlads	developed	Nordic	USA-UK	Anglo	1	Brazil	Latin America	4	sing-hngkng-aus-nz	Confucian Asia	5	japan-india-africa	Confucian Asia	5	UAE	Arab	6	0	3	4	4	5	4.00
10	block	united states	developed	Anglo	canada	Anglo	1	austria	anglo	1	uk	anglo	1	ireland	Anglo	1	japan	Confucian Asia	2	0	0	0	0	1	0.25
11	coinbase	united states	developed	Anglo	canada	Anglo	1	singapore	confucian Asia	2	india	Far East	3	mexico	latin America	7			-	0	1	2	6	.	3.00
12	nubank	brazil	developing	Latin Amercia	mexico	Latin America	1	colombia	Latin America	1	argentina	Latin America	1			-			-	0	0	0	.	.	0.00
13	aspire	singapore	developed	Confucian Asia	indonesia	Confucian Asia	1	thailand	Far East	2	vietnam	Far East	2			-			-	0	1	1	.	.	1.00
14	gojek	indonesia	developing	Far East	india	Far East	1	vietnam	Far East	1	thailand	Far East	1	singapore	Confucian Asia	2	philippines	far east	1	0	0	0	1	0	0.25
15	revolut	UK	developed	Anglo	lithuania	East Europe	6	24 European countries	Germanic-Nordic	4	USA and Japan	Anglo	1	Bel, Den, Fin, Ger, Ice, Lich, Lux, Ned, Spn, Swd	Nordic-Germanic-latin Europe	4			-	5	3	0	3	.	2.00
16	klarna	sweden	developed	Nordic	nor-fin-den	Nordic	1	germany-netherlands	Germanic-Nordic	1	austria	Germanic	2	USA	Anglo	4	australia	Anglo	4	0	0	1	3	3	1.75
17	paytm	india	developing	Far East	canada	Anglo	3	japan	confucian Asia	2	usa	anglo	3			-			-	2	1	2	.	.	1.50
18	FTX	hongkong	developed	Confucian Asia	USA	Anglo	2	Turkey	Near East	5	japan	Confucian Asia	1			-			-	1	4	0	.	.	2.00
19	grab	malaysia	developing	Far East	philippines	Far East	1	singapore	confucian Asia	2	thailand	Far East	1	vietnam	Far East	1	indonesia	far east	1	0	1	0	0	0	0.25
20	UIPath	romania	developing	East Europe	UK	Anglo	6	india	Far East	6	france	Latin Europe	2	singapore	Confucian Asia	7	japan	Confucian Asia	7	5	5	1	6	6	4.50
21	Chechout.com	UK	developed	Anglo	usa	Anglo	1	uae	Arab	4	france	Latin Europe	5	europa	latin europa - Nordic	4	singapore	Confucian Asia	2	0	3	4	3	1	2.75
22	xero	Newzealand	developed	Anglo	australia	Anglo	1	UK	Anglo	1	USA	Anglo	1	canada	Anglo	1	singapore	Confucian Asia	2	0	0	0	0	1	0.25
23	plaid	united states	developed	Anglo	canada	Anglo	1	uk	Anglo	1	france	Latin Europe	5	spain	Latin Europe	5	ireland	Anglo	1	0	0	4	4	0	2.00
24	lufax	china	developing	Confucian Asia	hongkong	Confucian Asia	1	singapore	confucian Asia	1	indonesia	Far East	2			-			-	0	0	1	.	.	0.50

Appendix.3 – Cultural Distance calculation process

25	wise	uk	developed	Anglo	USA	Anglo	1	singapore	confucian Asia	2	japan	Confucian Asia	2	austrlia	anglo	1			-	0	1	1	0	.	0.67
26	rapyd	israel	developed	Latin Europe	singapore	Confucian Asia	6	Brazil	Latin America	3	UK	anglo	5	mexico	latin America	3	south korea	Confucian Asia	6	5	2	4	2	5	3.25
27	tipalti	israel	developed	Latin Europe	usa	Anglo	5	uk	Anglo	5	canada	Anglo	5			-			-	4	4	4	.	.	4.00
28	Gemini	united states	developed	Anglo	canada	Anglo	1	uk	Anglo	1	south korea	Confucian Asia	2	hong kong	Confucian Asia	2	singapore	Confucian Asia	2	0	0	1	1	1	0.75
29	carta	united states	developed	Anglo	canada	Anglo	1	brazil	Latin America	6	singapore	Confucian Asia	2			-			-	0	5	1	.	.	3.00
31	mollie	netherlads	developed	Nordic	belgium	Latin Europe	2	germany	germanic	2	france	Latin Europe	2	portugal	latin europe	2	uk-eu	anglo	4	1	1	1	1	3	1.50
32	airwallex	australia	developed	Anglo	hongkong	Confucian Asia	2	china	confucian Asia	2	singapore-malaysia	Confucian Asia	2	uk	Anglo	1	usa	Anglo	1	1	1	1	0	0	0.50
33	deel	united states	developed	Anglo	netherlands	Nordic	4	canada	Anglo	1	mexico	Latin America	6			-			-	3	0	5	.	.	2.50
34	mambu	germany	developed	Germanic	switzerland	Germanic	1	brazil	Latin America	5	singapore	Confucian Asia	4	uk	Anglo	3	sweden	Nordic	2	0	4	3	2	1	2.50
35	trade republic	germany	developed	Germanic	austria	Germanic	1	france	Latin Europe	3	spain	Latin Europe	3			-			-	0	2	2	.	.	2.00
36	quintoAndar	brazil	developing	Latin Amercia	argentina	Latin America	1	ecuador	Latin America	1	panama	Latin America	1	peru	latin america	1	mexico	Latin America	1	0	0	0	0	0	0.00
37	ZEPZ	uk	developed	Anglo	sweden	Nordic	4	iraland	Anglo	1	uk	Anglo	1			-			-	3	0	0	.	.	0.00
38	pleo	denmark	developed	Nordic	uk	Anglo	4	germany	germanic	2	sweden	Nordic	1	spain	latin europe	2	ireland	Anglo	4	3	1	0	1	3	1.25
40	marqeta	united states	developed	Anglo	canada	Anglo	1	france	Latin Europe	5	switzerland	Germanic	3	spain	Latin Europe	5	australia	Anglo	1	0	4	2	4	0	2.50
41	dataminr	united states	developed	Anglo	uk	Anglo	1	australia	Anglo	1	ireland	Anglo	1			-			-	0	0	0	.	.	0.00
42	kraken	united states	developed	Anglo	canada	Anglo	1	japan	confucian Asia	2	europa	Latin Europe	5			-			-	0	1	4	.	.	2.50
43	wealthsimple	canada	developed	Anglo	usa	Anglo	1	uk	Anglo	1			-			-			-	0	0	.	.	.	0.00
44	icapital network	united states	developed	Anglo	switzerland	Germanic	3	portugal	Latin Europe	5	uk	Anglo	1	singapore	Confucian Asia	2			-	2	4	0	1	.	1.67
45	falconX	united states	developed	Anglo	india	Far East	3	malta	latin europe	5			-			-			-	2	4	.	.	.	4.00
46	papaya global	israel	developed	Latin Europe	usa	Anglo	5	uk	Anglo	5	ukrain	east europe	2	singapore	Confucian Asia	6	australia	Anglo	5	4	4	1	5	4	3.50
47	flywire	united states	developed	Anglo	uk	Anglo	1	china	confucian Asia	2	japan	Confucian Asia	2	singapore	Confucian Asia	2	australia	Anglo	1	0	1	1	1	0	0.75
48	N26	germany	developed	Germanic	austria	Germanic	1	fr-spn-it-grc-irl=slv	Latin Europe-East Europe	3	bel-est-fin-ltv-lith-lux-ned-por-slv	East Europe-Latin Europe-Nordic	3	usa - withdraw from us	Anglo	3	den-nor-pol-swd	Nordic	2	0	2	2	2	1	1.75
49	payoneer	israel	developed	Latin Europe	philippines	Far East	7	india	Far East	7	france	Latin Europe	1	japan	Confucian Asia	6	uk-eu	Anglo	5	6	6	0	5	4	3.75
50	liquid	japan	developed	Confucian Asia	singapore	Confucian Asia	1	vietnam	Far East	2			-			-			-	0	1	.	.	.	1.00
51	spoton	united states	developed	Anglo	mexico	Latin America	6	poland	East Europe	6			-			-			-	5	5	.	.	.	5.00
52	highradius	united states	developed	Anglo	india	Far East	3	uk	Anglo	1	netherlands	Nordic	4	germany	Germanic	3	france	Latin Europe	5	2	0	3	2	4	2.25
53	circle	united states	developed	Anglo	uk	Anglo	1	europa	Germanic-Nordic-latin	4	china	Confucian Asia	2			-			-	0	3	1	.	.	2.00

Appendix.3 – Cultural Distance calculation process

54	BGL group	uk	developed	Anglo	france	Latin Europe	5	netherlands	Nordic	4	canada	Anglo	1			-			-	4	3	0	.	.	1.50
55	wefox	germany	developed	Germanic	austria	Germanic	1	switzerland	Germanic	1	poland	East Europe	4	italy	Latin Europe	3	france	Latin Europe	3	0	0	3	2	2	1.75
56	pine labs	india	developing	Far East	malaysia	Far East	1	singapore	confucian Asia	2	south east asia	Far East	1	uae	Arab	3			-	0	1	0	2	.	1.00
57	drivewealth	united states	developed	Anglo	nigeria	African	2	india	Far East	3	brazil	Latin America	6	europa	Germanic-Nordic-Latin Europe	4	thailand	far east	3	1	2	5	3	2	3.00
58	tradeshift	denmark	developed	Nordic	usa	Anglo	4	china	confucian Asia	5	uk	Anglo	4	japan	Confucian Asia	5	france	Latin Europe	2	3	4	3	4	1	3.00
59	uala	argentina	developing	Latin Amercia	mexico	Latin America	1	colombia	Latin America	1			-			-			-	0	0	.	.	.	0.00
60	lemonade	united states	developed	Anglo	netherlands	Nordic	4	france	Latin Europe	5	germany	Germanic	3			-			-	3	4	2	.	.	3.00
61	paxos	united states	developed	Anglo	singapore	Confucian Asia	2	uk	anglo	1			-			-			-	1	0	.	.	.	0.00
62	izettle	sweden	developed	Nordic	fin-den-nor	Nordic	1	uk	Anglo	4	germany	Germanic	2	spain	Latin Europe	2	brazil-mexico	Latin America	4	0	3	1	1	3	2.00
63	fireblocks	israel	developed	Latin Europe	singapore	Confucian Asia	6	hongkong	confucian Asia	6	germany	Germanic	3	france	Latin Europe	1	switzerland	Germanic	3	5	5	2	0	2	2.25
64	bitso	mexico	developing	Latin Amercia	mexico	Latin America	1	argentina	Latin America	1	brazil	Latin America	1	colombia	latin America	1	el salvador	Latin America	1	0	0	0	0	0	0.00
65	addepar	united states	developed	Anglo	canada	Anglo	1	uk	Anglo	1			-			-			-	0	0	.	.	.	0.00
66	Tinkoff	russia	developing	East Europe	singapore	Confucian Asia	7	philippines	Far East	6			-			-			-	6	5	.	.	.	5.00
68	clearbanc	canada	developed	Anglo	usa	Anglo	1	uk	Anglo	1	netherlands	Nordic	4			-			-	0	0	3	.	.	1.50
70	bought by many	uk	developed	Anglo	sweden	Nordic	4	usa	Anglo	1			-			-			-	3	0	.	.	.	0.00
71	chipper cash	united states	developed	Anglo	nigeria	African	2	south africa	Anglo	1	ghana	African	2	uganda	African	2	tanzania	African	2	1	0	1	1	1	0.75
72	EBANX	brazil	developing	Latin Amercia	argentina	Latin America	1	brazil	Latin America	1	uruguay	Latin America	1	colombia	latin America	1	chile	Latin America	1	0	0	0	0	0	0.00
74	bunq	netherlads	developed	Nordic	germany	Germanic	2	italy	Latin Europe	2	spain	Latin Europe	2	france	Latin Europe	2	ireland	Anglo	4	1	1	1	1	3	1.50
75	CFGl	united states	developed	Anglo	canada	Anglo	1	uk	Anglo	1			-			-			-	0	0	.	.	.	0.00
76	trulioo	canada	developed	Anglo	ireland	Anglo	1	czech republic	East Europe	6	slovakia	East Europe	6			-			-	0	5	5	.	.	5.00
78	wave	senegal	undeveloped	African	kenya	African	1	rwanda	African	1	tanzania	African	1	nigeria	African	1	ghana	african	1	0	0	0	0	0	0.00
79	zip co	australia	developed	Anglo	newzealand	Anglo	1	uk	Anglo	1	usa	Anglo	1	mexico	latin America	6	canada	Anglo	1	0	0	0	5	0	1.25
80	alan	france	developed	Latin Europe	begium	Latin Europe	1	spain	Latin Europe	5			-			-			-	0	4	4.00
81	solarisbank	germany	developed	Germanic	netherlands	Nordic	2	austria	germanic	1	UK	anglo	3	belgium	latin europe	3	greece	Near East	6	1	0	2	2	5	2.25
82	enfusion	united states	developed	Anglo	ireland	Anglo	1	hongkong	confucian Asia	2	uk	Anglo	1	china	Confucian Asia	2			-	0	1	0	1	.	0.67
83	remitly	uk	developed	Anglo	philippines	Far East	3	usa	Anglo	1	uk	Anglo	1	canada	Anglo	1	australia	Anglo	1	2	0	0	0	0	0.00
84	ascend money	united states	developed	Anglo	vietnam	Far East	3	cambodia	Far East	3	myanmar	Far East	3	indonesia	Far East	3	philippines	far east	3	2	2	2	2	2	2.00
85	opay	nigeria	developing	African	kenya	African	1	ghana	African	1	south africa	Anglo	2	egypt	Arab	5			-	0	0	1	4	.	1.67

Appendix.3 – Cultural Distance calculation process

86	truemoney	thailand	developing	Far East	vietnam	Far East	1	cambodia	Far East	1	myanmar	Far East	1	indonesia	Far East	1	philippines	far east	1	0	0	0	0	0	0.00
87	zeta	india	developing	Far East	philippines	Far East	1	vietnam	Far East	1			-			-			-	0	0	.	.	.	0.00
88	scalable capital	germany	developed	Germanic	austria	Germanic	1	uk	Anglo	3	Switzerland	Germanic	1			-			-	0	2	.	.	.	2.00
89	chargebee	india	developing	Far East	usa	Anglo	3	australia	Anglo	3	netherlands	Nordic	6	germany	Germanic	5	nordics	Nordic	6	2	2	5	4	5	4.00
90	FWD	hongkong	developed	Confucian Asia	macao	Confucian Asia	1	thailand	Far East	2	philippines	Far East	2	indonesia	Far East	2	malaysia	far east	2	0	1	1	1	1	1.00
91	signifyd	united states	developed	Anglo	spain	Latin Europe	5	uk	Anglo	1	europa	Latin Europe	5	mexico	latin America	6			-	4	0	4	5	.	3.00
92	enova	united states	developed	Anglo	uk	Anglo	1	canada	Anglo	1	australia	Anglo	1			-			-	0	0	0	.	.	0.00
93	feedzai	portugal	developed	Latin Europe	usa	Anglo	5	uk	Anglo	5	spain	Latin Europe	1	australia	Anglo	5	hongkong	Confucian Asia	6	4	4	0	4	5	3.25
94	floqast	united states	developed	Anglo	uk	Anglo	1	israel	latin europe	5			-			-			-	0	4	.	.	.	4.00
95	bitpanda	austria	developed	Germanic	germany	Germanic	1	uk	Anglo	3	france	Latin Europe	3	spain	Latin Europe	3	turkey	Near East	6	0	2	2	2	5	2.75
96	zego	uk	developed	Anglo	ireland	Anglo	1	spain	Latin Europe	5	france	Latin Europe	5	belgium	latin Europe	5			-	0	4	4	4	.	4.00
98	radius	uk	developed	Anglo	ireland	Anglo	1	denmark	Nordic	4	belgium	Latin Europe	5	netherlands	Nordic	4	portugal	Latin Europe	5	0	3	4	3	4	3.50
99	truelayer	uk	developed	Anglo	germany	Germanic	3	france	Latin Europe	5	italy	Latin Europe	5	spain	Latin Europe	5	australia	Anglo	1	2	4	4	4	0	3.00
100	freshbooks	canada	developed	Anglo	usa	Anglo	1	netherlands	Nordic	4	uk	Anglo	1	ireland	Anglo	1	mexico	latin america	6	0	3	0	0	5	2.00
101	pacaso	united states	developed	Anglo	spain	Latin Europe	5	mexico	Latin America	6	caribbean	Others	0	uk	Anglo	1			-	4	5	1	0	.	2.00
102	ivalua	united states	developed	Anglo	canada	Anglo	1	uk	Anglo	1	singapore	Confucian Asia	2	australia	Anglo	1	germany	Germanic	3	0	0	1	0	2	0.75
103	PPRO	uk	developed	Anglo	turkey	Near East	5	europa	Germanic-Nordic-latin	4	asia pacific	anglo	1	usa	Anglo	1			-	4	3	0	0	.	1.00
104	sumup	united states	developed	Anglo	ireland	Anglo	1	germany	Germanic	3	poland	East Europe	6	austria	germanic	3	italy	Latin Europe	5	0	2	5	2	4	3.25
105	saltpay	uk	developed	Anglo	iceland	Nordic	4	slovakia	East Europe	6	croatia	East Europe	6	south africa	Anglo	1	portugal	Latin Europe	5	3	5	5	0	4	3.50
106	thought machine	united states	developed	Anglo	singapore	Confucian Asia	2	nordic	Nordic	4	hongkong	Confucian Asia	2	usa	Anglo	1	poland	East Europe	6	1	3	1	0	5	2.25
107	flutterwave	nigeria	developing	African	ghana	African	1	south africa	Anglo	2	uganda	African	1	kenya	African	1	tanzania	African	1	0	1	0	0	0	0.25
108	raisin	germany	developed	Germanic	austria	Germanic	1	france	Latin Europe	3	spain	Latin Europe	3	uk	Anglo	3	netherlads	Nordic	2	0	2	2	2	1	1.75
109	lunar	denmark	developed	Nordic	sweden	Nordic	1	norway	Nordic	1			-			-			-	0	0	.	.	.	0.00
110	shift technology	france	developed	Latin Europe	uk	Anglo	5	uk	Anglo	5	singapore	Confucian Asia	6	hong kong	Confucian Asia	6	switzerland	Germanic	3	4	4	5	5	2	4.00
111	earnix	israel	developed	Latin Europe	usa	Anglo	5	uk	Anglo	5	australia	Anglo	5	germany	Germanic	3	italy	Latin Europe	1	4	4	4	2	0	2.50
112	lydia	france	developed	Latin Europe	portugal	Latin Europe	1	spain	latin europe	1			-			-			-	0	0	.	.	.	0.00
113	clara	mexico	developing	Latin Amercia	brazil	Latin America	1	chile	Latin America	1	colombia	Latin America	1			-			-	0	0	0	.	.	0.00
114	Vnlife	vietnam	developing	Far East	cambodia	Far East	1	myanmar	Far East	1	singapore	Confucian Asia	2			-			-	0	0	1	.	.	0.50
116	Welab	china	developing	Confucian Asia	hongkong	Confucian Asia	1	indonesia	Far East	2			-			-			-	0	1	.	.	.	1.00

Appendix.3 – Cultural Distance calculation process

117	Nium	singapore	developed	Confucian Asia	india	Far East	2	lithuania	East Europe	7	uk	Anglo	2	usa	Anglo	2	japan	Confucian Asia	1	1	6	1	1	0	2.00
118	Matrixport	singapore	developed	Confucian Asia	russia	East Europe	7	uk	Anglo	2	china	Confucian Asia	1			-			-	6	1	0	.	.	0.50