Nat. Volatiles & Essent. Oils, 2021; 8(4): 9404-9410

Agile Fintech Startups: Key Drivers For Success In Fragile Environment

Dr. P. v. Raveendra[1*] , Dr. Y M Satish[2]

[1,2,]Department of Management Studies, M S Ramaiah Institute of Technology, VidyaSoudha, MSR Nagar, Mathikere, Bengaluru, Karnataka, India.

Email:raveendrapv@msrit.edu https://orcid.org/0000-0002-6057-4546

Dr Y M Satish ORCID: https://orcid.org/0000-0002-6828-4164

Abstract:

Coronavirus pandemic has transformed businesses around the globe, making firms to rethink and rework completely on their processes.The factors like Social distancing, subsequent lockdowns, and othertravel restrictionswhich were unleashed by the COVID-19 crisishave urged lot of people to switch to online mode of buying the required items.If one explores the post-crisis opportunities for the firms, fintech sector has stepped in disruptive innovation and is likely to generate new and embracing solutions. Fintech companies have already initiated in working on their mission and business models after COVID-19.In this back drop, it is very evident that COVID-19 has created incredible opportunities for the Fintech startups and the challenges faced by Fintech startups in tapping the same opportunities need to be studied. Hence, based on the intensive review of literature from various secondary sources an attempt has been made to explore the challenges and opportunities created by COVID-19 Pandemic Outbreak for the sustenance of Fintech startups.

Keywords: Fintech startups, Drivers for success, Technology, Pandemic, banking sector

1.Introduction:

The focus of the customers is now how to minimize the human touch in the transactions which lead to 600 per cent increase in the demand for virtual cards" (Shah, 2020).The number of individuals having bank accounts is lower than the number of people having internet connections in every country. Such a gap is wider in some countries, for example in Mexico, 37% are having bank account while 71% had access to internet. The scenario is not different in many developing countries. Further, the average

period required to avail a loan from a bank is more than a month whereas Fintech startups can approve the loans in hours. During the pandemic, Fintech startups responded quickly by understanding the needs ofthe customers with the help of digital lending platforms.Fintech startups will have a huge market potential from various sectors across globe
(Lara, 2020). Majority of goods and services became available via the Internet, which lead to the demand for Fintech services and alternative payment solutions (Editorial Team ,2021).There is a change inattitude, behavior and purchasing habits of the consumers as social distancing has become anorm. and thus leading huge demand for online retail services. Fintech sector is predominantly well-positioned to flourish in this new reality which brought new opportunities (Knox, 2020). This is possible because of agility of Fintech startups in the fragile environment and are able to reach the customers where the banks stopped in providing the required service.

2. Design of the study: In this review paper, various success stories for Fintech startups are analyzed to identify the key drivers for their success and what practices can be adopted banks to compete better in this fragile environmen**t.**

3. Key drivers of fintech startups success:

3.1**.**Customization: Many Fintech startups had win the hearts of the customers through customizing their services like free investment advice, cancelling transaction charges, participating in social responsible activities locally, guiding the customers to minimize the costs and increase the profit, training on financial literacy and identifying potential customers for the customers.Omni channel payments are order of the day. Many companies were relied on bank and cash transfer are understanding the need of hour and switching to Omni channel payments for better customer experience and engagement.(Agarwal, 2020).

Banks are regulated by the respective Central Banks of the country. In the fragile environment, Central banks of the respective countries should give the flexibility to the local banks to customize the services.

3.2.Cross selling of other financial services:

Along with the payments gateways, fintech startups offering services in lending, wealth tech, personal finance, insurtech, regtech which made stakeholders to believe paperless transactions are also safe Fintech startups had become single window channel for many financial services(Aswhini, 2021). Fintech startups offered related financial services like insurance products, evaluating customer credit worthiness, conducting financial literacy programmes on behalf of stock exchanges or other regulatory bodies. (Gupta & Bhut, 2018).

Banks can offer other related financial services without any other formalities of paper work.

3.3. Resilience: The ongoing economic slowdown and harsh interest rate cuts have forced the Fintech startups to rethink their revenue and expenditure models and also modify or expand their resources. Many companies are adopting cost-saving strategies like workforce reduction and pay cuts to withstand economic pressure (Shillin & Ereckdone, 2020). Some Fintech startups companies like Kabbage have already furloughed several of their employees. Contactless payment made Fintech to repurposing their resources to withstand the overload of increased transaction volumes.Fintech startups had cut down their cost wherever it is possible. Some companies had cut down their costs by work force reduction.

Such flexibility of right sizing is not available to the banks particularly public sector banks. Banks should able to change its structure according the strategy being selected.Banks should learn how to manage their teams and bring out the best positive change to build the right customer centric culture. (Bryan, 2020).

3.4Use of technology to minimize credit risk:

Fintech startups clearly defined risk assessment methods and models it did not violate those norms in the name of acquiring new customers. Some of these companies have found the smart way of doing the business by networking with big brands in the banking sectors and other related sectors (Shah,2020). The untapped potential markets by the banks is because of risk avoidance strategies. The middle and lower middle income group customers are always viewed from risk point of view. Fintech startups have viewed the same potential customers in a different angle and reached them. Fintech startups are able to use of technologies like machine learning, block chain technology, Artificial intelligence for credit evaluation to minimize credit risk (Smith,2020). Use of these technologies require sensitive customer information like income, social security numbers, saving patterns, online purchasing etc. Many companies suffered at least one attempt of a data breach. According to ImmuniWeb, even before the COVID-19 crisis, almost every Fintech organization had serious data privacy, compliance or other security issues related to API security and loopholes in web application security(Agarwal, 2020).

Banks can use these technologies to reached untapped customers and for risk minimization with precautionary measures.

3.5 Agility: The speed of the services is the key element in this industry. customers are ready to pay a little bit of higher charges for the services if the service is delivered at a faster rate. The secret of success of private lenders is the delivering at a faster rate with minimum/zero paper work. (Soni, 2020). Fintech startups made use of this concept with the help of technology in such a way that without personal interaction they deliver the required financial services.Fintech startups focused on customer experience, satisfaction and learn to deliver personalized services.

To regain the customers confidence, banks should rewrite its vision mission statement around customer and adopt new strategies to excel in customer service. Use of common sense in finding the solutions to the customer problems will suffice instead of going through rule books(Gupta & Bhut, 2018). Banks should continuously take the feedback from the customer and restructure themselves to the changes in the environment. Some banks are already in that direction but it is long way to go as Fintech startups move much faster in reaching the customers. (Ostroverkh, 2020)

3.6Financial inclusion: Financial inclusion is the buzz word among many banks for the last two decades however Fintech startups had shown the way how to make it effective in practice. The services offered by both are more or less same, but the implementation differs. Banks should able to re structure themselves and meet customer expectation. (Girling,2020)

3.7Right pricing:Startups are lucky enough to get the funding at the right time. These exceptions are there in every country. There is a lot of demand for funds from the customers but there are few financiers to lend the money to Fintech startups. Even if someone is ready, it will be with stringent norms and with higher cost(Ahmad, 2020).

Banks are having advantage in this area as they can borrow the funds at a lower cost.

3.8. Innovation: The number of innovations made by banks in their life cycle is much smaller when compared to the numbers of innovations made by Fintech startups. The role of financial intermediary is simple to match the ‘borrowers of the money’ and ‘investors of the money’. However, there are so many hurdles in the process. The UK based Fintech Unicorn found a simple way to bring these two together by focusing on peer-to peer lending with help of user interface and transparency in loan formalities.

It is commonly known fact that to become rich start investing at the early stage. Acorns company finds the way by investing automatically with the spare changes left to the users after their everyday purchase. Thus, they are able to inculcate the habit of investing at early age by providing the customer with the required financial literacy. Customers will become confident about their investment choices in future and make them as smart investors. (Saxena, 2020)

It is right time for banks to focus on customer centric innovations. Making use of technology in right way in its process to reaching the needs of the customers is key to success.

Conclusion

Three billion people from more than seventy countries are advised to work from home. More than eighty percent of them do not want to visit their banks and many consumers want to try digital apps for their financial activities. Fintech startup had large potential in the products like digital wallets and contactless payments(McIntosh,2020).

Synergy can be created when both banks and fintech startup work together. Many banks like Citigroup, J P Morgan chase, Goldman Sachs, Bank of America had invested in fintech companies to extend their services. Some banks improved their service offering and increase customer retention by having strategic partnership with fintech startups. In global financial markets there are abundant opportunities for integration and collaboration with other technology solution providers to create sustainable customer base. Banks can gain the synergic impact will be created by partnering with right Fintech startups which have already build the niche markets for themselves.

References:

Agarwal, H. (2020, July 20). New Challenges and Opportunities for FinTech Companies Post COVID-19. Retrieved January 15, 2021, from beaconstac: https://blog.beaconstac.com/2020/05/fintech-companies-post-covid/

Ahmad, S. (2020, April 30). Covid-19 impact: Fintech startups smell opportunity, revisit business ideas. Retrieved January 13, 2021, from www.business-standard.com: https://www.business-standard.com/article/companies/covid-19-impact-fintech-startups-smell-opportunity-revisit-business-ideas-120041200382_1.html

Aswhini. (2021, January 21). Top 32 FinTech Startups In India | Fintech Startups in 2021. Retrieved January 25, 2021, from www.startupstalky.com: https://startuptalky.com/fintech-startups-in-india/

Bryan, A. (2020, May 27). Lessons to be leart from biggest fintech startups today. Retrieved January22 2021, from www.upside.com: https://upside.com/blog/business-resources/fintech-startup-lessons/

Editorial Team. (2021, January 11). Fintech in the midst of global pandemic: Predictions for 2021. Retrieved January 30, 2021, from Finextra Research website:

https://www.finextra.com/blogposting/19734/Fintech-in-the-midst-of-global- pandemic-predictions-for-2021

Girling, W. (2020, October 7). Connecting the front and the back office in banking. Retrieved January 2021, from www.fintechmagzine.com: https://www.fintechmagazine.com/banking/connecting-front-and-back-office-banking

Gupta, S., & Bhut, A. (2018, August 22). Staying ahead of the technical assistance curve: Six lessons from FinTech start-ups in India. Retrieved January 23, 2021, from www.micrisave.net: https://www.microsave.net/2019/08/22/staying-ahead-of-the-technical-assistance-curve-six-lessons-from-fintech-startups-in-india/

Knox, N. (2020, April 8). How a Global Pandemic Illuminates Opportunities in Fintech | Blue Fountain Media. Retrieved January 30, 2021, from Blue Fountain Media website: https://www.bluefountainmedia.com/blog/how-global-pandemic-illuminates- opportunities-Fintech

Lara, M. G. (2020, November 20). Need financing because of pandemic? SMEs turn into fintech companies. (I. Insights, Editor) Retrieved January 10, 2021, from Ifc.org: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/insights/fintech-financing-smes

McIntosh, R. (2020, March 25). Coronavirus: New Challenges and Opportunities for Fintech | Finance Magnates. Retrieved January 30, 2021, from Finance Magnates | Financial and business news https://www2.deloitte.com/content/dam/Deloitte/us/Documents/financial-services/us-beyond-covid-19-new-opportunities-for-fintech-companies.pdf

Ostroverkh, Y. (2020, February, 20). Lessons Enterprise Banking Learned from FinTech Startups. Retrieved January 15, 2021, from www.diceus.com: https://diceus.com/banking-learn-from-fintech-startups/

Saxena, P. (2020, September 18). Valuable Business Lessons That Fintech Startups Can Teach You. Retrieved January 16, 2021, from www.appinventiv.com: https://appinventiv.com/blog/lessons-from-fintech-startups/

Shah, I. (2020, March 28). Covid-19 is a turning point for this FinTech. (T. E. times, Editor) Retrieved January 11, 2020, from ET BFSI.com: Covid-19 is a turning point for this FinTech,https://bfsi.economictimes.indiatimes.com/news/fintech/covid-19-is-a-turning-point-for-this-fintech/74861775

Shillin, M., & Ereckdone, J. (2020, October 20). Beyond COVID-19: New opportunities for fintech companies. Retrieved Januar 5, 2021, from www.deloitte.com: https://www2.deloitte.com/us/en/pages/financial-services/articles/beyond-covid-19-new-opportunities-for-fintech-companies.html

Smith, R. (2020, May 19). 5 Important Lessons Learned About Fintech from an Industry Insider. Retrieved January 17, 2021, from https://fintechweekly.com/magazine/articles/5-important-lessons-learned-about-fintech-from-an-industry-insider

Soni, S. (2020, December 30). Expectations 2021: With Covid fallout in rearview mirror, fintech startups set to make up for 2020 losses. Retrieved January 15, 2020, from financial express.com: https://www.financialexpress.com/industry/sme/expectations-2021-with-covid-fallout-in-rearview-mirror-fintech-startups-set-to-make-up-for-2020-losses/2161872