

Banks Vs Fintech

A guide for Startups
and Businesses

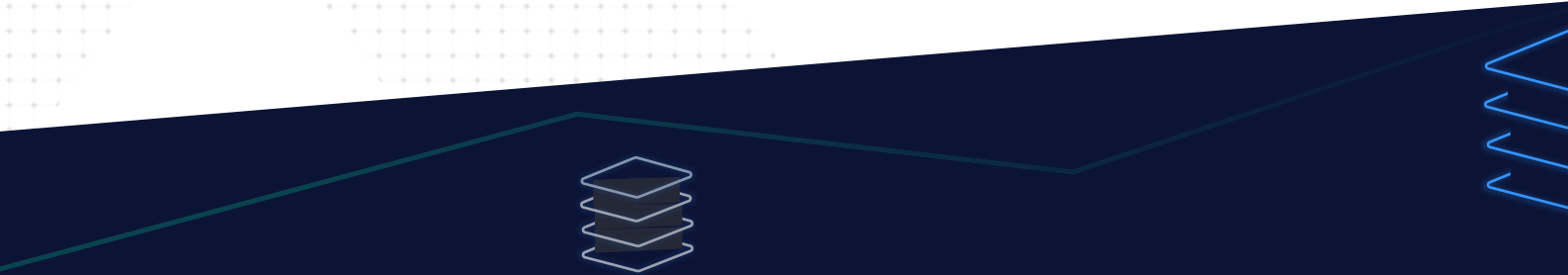
 **Razorpay**





Contents

Introduction	1
Why is Fintech winning over banks?	3
• Personalized use experiences	4
• Use of Technology	6
• Functional efficiency	7
• Accessibility	9
• Comprehensive solutions	9
Use Cases best suited for RazorpayX	10





Introduction



Banks thrive in a crowded market today (there are more than one lakh bank branches in India today). For the longest time, banks have been competing with each other on various fronts - price, products offered and distribution of branches. Banks that offered competitive pricing, a good range of products and a well-distributed network of branches earned customer loyalty and success. But today, customer experience is the core differentiator. Banking products that are easy to use, convenient, intuitive to customer needs, and available on-demand across all channels/devices is the hook to attracting and retaining customers. This led to the start of Fintech - the application of technology in financial services in order to service customers better and faster. Given regulatory requirements, while fintech firms rely on banks to run core banking operations, the key differentiator is the value that fintech solutions deliver through optimized, convenient and efficient solutions, powered through technology.

Fintech firms have had a marked impact on the banking and financial services space over the past few years. The transaction value of the Indian fintech sector was estimated to be approximately **USD 33 billion in 2016 and is forecasted to reach USD 73 billion in 2020**. The huge uptake of fintech is backed by India's surging internet and mobile phone usage, raising the overall awareness and adoption of fintech. From powering online payments, to financial lending and end-to-end cash flow management, fintech is outdoing the scope of traditional banking. And, not only that, Fintech is broadening the range and delivery of products and services, it is getting closer to its customers, wherever they are, bringing in a level of financial inclusion unseen in the industry.

Given the headway made, consumers and corporations are increasingly preferring fintech players over traditional banks to address financial and banking needs. In an interesting study, EY found out that **40% of customers expressed decreased dependence** on their bank as their primary financial services provider and used nonbank providers for financial services. Even large corporations are turning to fintech players to solve complex money movement use cases from **payment acceptance to disbursals, reversals, and reconciliation.**

79%

want access to flexible borrowing capabilities that minimize their interest payments.

57%

have a positive view of fintech startups.

Just over half of the banks consider themselves to be customer-centric

57%

think the days of going into a physical financial institutions for any reason are coming to an end.

73%

of financial sector executives believe consumer banking is the sector most likely to be disrupted by FinTechs



Previously in the financial industry, capital, reputational trust and regulations were the only barriers to entry. Technology is changing the game. Large financial institutions need to build or buy innovation to maintain and extend their leadership positions. As consumers demand new technologies, we will see increased adoption or acquisition of Fintech by banks to serve consumers. In addition, the Fintech revolution is expanding the market, thereby positioning some pure play FinTech startups to become large financial institutions of the future.

David Blumberg | Founder & Managing Partner
Blumberg Capital



The best thing about having Razorpay as a partner is that you don't have to think about the new payment technologies in the industry or tracking the conversions percentages or the support you get. They are proactive in all the fields that make the overall experience so smooth both for the user and for the merchant partner. If you are looking for a payment partner, these are the guys to be considered as the first option and then you can keep on continuing to focus on the key Business.

Anil Kumar | Senior Product Manager
Quikr



Why is Fintech Winning Over Banks?



There is clearly growing importance of fintech over banks. An amalgam of factors from technology to functional efficiency to usability and accessibility is catalyzing this growth.

Here are some of the top reasons why businesses prefer fintech players over mainstream banks:

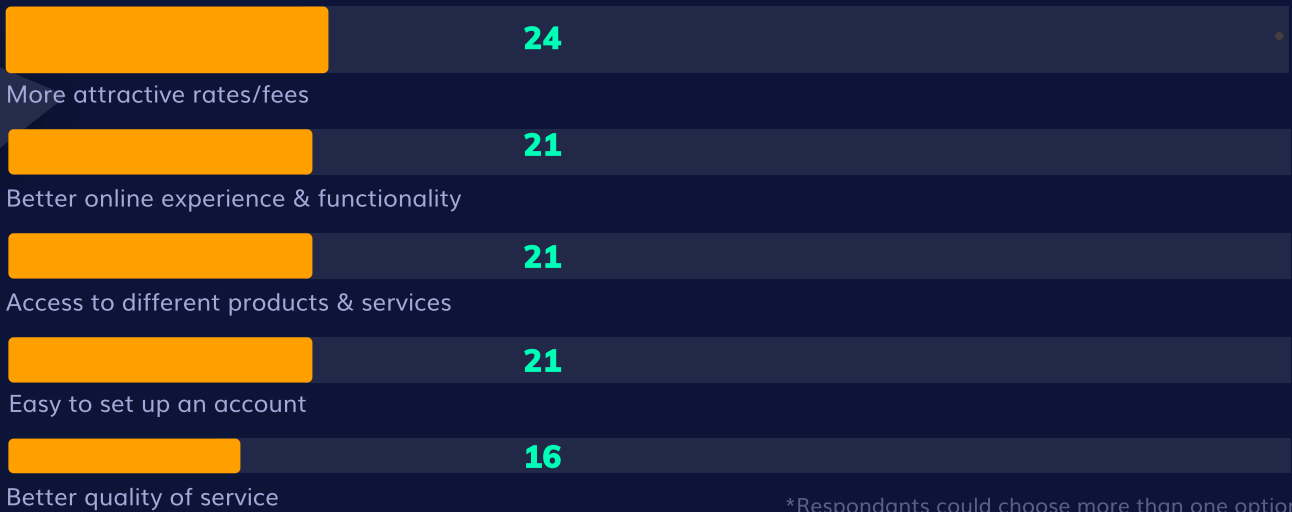
Personalized User Experiences

User experience is the key element defining success for organizations across verticals. In banking and financial services. User experiences that empower consumers to get exactly what they want, at the time they want are the key value drivers. Everything from quick and efficient transaction processing, easy access to relevant information, prompt customer support and personalized service across channels is fast becoming an industry norm.

According to **EY's Global Customer Banking Survey**,

"Nearly two-thirds of consumers perceive little or no differentiation of products and services across the overall banking sector, a situation that has created an opening for nontraditional players through the promise of a better experience"

Here are some of the most pertinent reasons customers prefer a fintech solution:



What fintech firms are doing differently is to look at challenges with a deeper, customer-centric lens; to do a better job of listening to customers. Fintech players go that extra mile in understanding specific pain points and creating intuitive solutions

to address them. For example, one of the biggest aspects of running a business or startup today is the collection or processing of payments from customers. **A unified platform that can collect payments** across all modes (debit cards, credit cards, UPI, netbanking, wallets etc.), all currency types and payable through mobile and/or desktop will enable businesses to offer a smooth buying experience to end customers.

In fact, **products in fintech are so robust today that businesses can address all their banking needs at a single place**, at a click of a button, through automated solutions, - from accepting payments to getting personalized data insights to routing payments and reconciling cash flows.

The key aspects driving customer experience are:



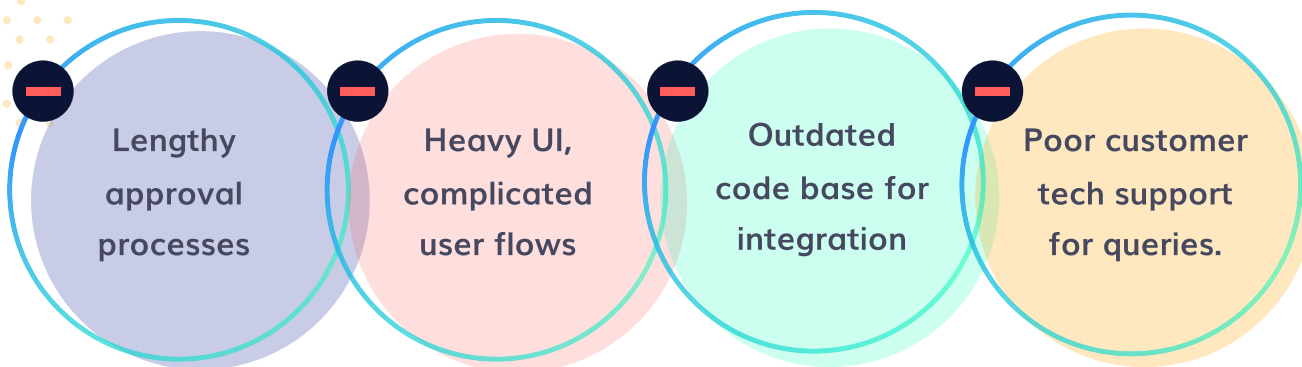
Source: Capgemini Financial Services Analysis, 2018

Through unparalleled user experience and innovative products, fintech firms are addressing the gap between customer expectations and market reality. Every year more and more businesses are getting started with (or moving to) fintech players over banks for these exact reasons.

Use of Technology

Traditional banking systems are often difficult to operate, due to clunky, outdated systems and technology. Most banks grapple with legacy infrastructure and are unable to deliver products and services with ease and agility.

Customers using banking solutions are often faced with a range of problems like:



All of this basically compromising the efficiency and effectiveness of banking operations.

Fintech leverages this exact gap. Technology application in fintech solutions can be seen at each stage of the customer journey, where every customer interaction is optimized. Interfaces are seamless, intuitive, easy to use, yet functionally rich.

With developer-friendly documentation, open APIs, and cloud capabilities, fintech solutions are robust, while being effortless to get started with and operate.

Fintech firms are also ahead of the curve in adopting new technologies with regards to front-end interfaces, data analytics, infrastructure systems and artificial intelligence, all of which enable faster services, that are more accurate, and available at a lower cost.

Another area of value between banks and fintech players is data intelligence. Fintech solutions allow businesses to access a wealth of data from end-customers through [real-time analytics platforms](#). The deep insights and predictive analytics can be leveraged to greatly aid business decisioning. Everything from the health of cash flows to tailoring sticky offerings for customers to identifying the top expense buckets and revenue drivers can all be derived from rich dashboards and reports.



Functional Efficiency

Another major differentiator between banks and fintech players is the speed of delivery. Some of the key principles that fintech operates on are **speed, relevance,** and **proactive customer support.** When these factors come together, they create operational efficiencies that are not matched by traditional banks. Traditional banks heavily rely on conventional practices like physical documentation and manual verification all of which lead to higher turnaround time for businesses. In addition, banks typically have outdated systems, heavy code bases and stand-alone software that do not integrate with important businesses tools like CRM systems, accounting software, etc that are core to most businesses today.

In comparison, fintech solutions are built to provide businesses the required agility through functional efficiencies that are achieved by simplifying processes and application of smart technologies. Customer interaction is kept to a minimum and most processes are online and automated. **Process efficiency is achieved through features like paperless verification, online onboarding, digital capabilities, mobile responsiveness, cloud-enabled instant access, and automated validation, approval systems**

The key aspects that fintech firms focus on to achieve operational efficiency are:

Speed

Fintech solutions are built to optimize the entire customer journey by having shorter turnaround times across the process. Every single process from setting up an account, collecting payments, making payouts, reconciling accounts and reporting are simple and quick to use

Relevance

Relevance or applicability of solutions is a tangible difference between fintech and banks solutions. Fintech solutions address specific customer problems with exact niche solutions. For instance, if your business is offering products/services to customers through a subscription model, with a bank you might only be able to collect customer payments and that too in a non-automated way. All other associated tasks with running the subscription business like controlling the billing cycle, sending customer reminders, following up on payment status, etc have to be completely handled by you. In comparison, a **fintech powered subscription** solution will handle all these complexities for you, automatically in a single place. You can even run your subscription payment plans based on your business needs - fixed payment, usage-based or user based.

Accessibility

Fintech solutions are always optimized for easy access and seamless delivery, through the use of technology. Access to fintech solutions are much easier than traditional banks. For instance, integrating with a payment gateway for your website is far more easier and quicker with a fintech provider than with a conventional bank - the number of documents required are fewer and the time to go live is just a few days; in many cases, you even have the ability to simply test the system for as long as you want to before activated the solution on live mode.

As a business, you can get all the details about your banking, financial transactions and other important updates online, retrievable at any time and viewable on desktop and mobile. In fact, many fintech solutions are easily accessible via dedicated mobile apps. You can even set up notifications or alerts as per your business preferences.

Comprehensive Solution

Businesses today thrive in a complex and diverse ecosystem. Banking and money movement lie at the heart of this. An organization not only has to have a solid system to collect customer payments (from different sources through varied modes) but how it manages this inflow of funds is pertinent. Funds have to be routed to different channels at varied timelines, based on business and market critical needs. Based on the business use case, collected funds might need to be transferred or disbursed to vendors, agencies, third-party sellers and intermediaries, at different settlement schedules.

The financial intricacy does not end there, sometimes money needs to be settled back to the customer in the form of refunds. In other instances, money would need to be sent upfront to customers, in the form of discounts or wallet top-ups. This calls for complex routing logic, something that banks do not deliver well.

So, if you're a business looking to make a choice between a bank and a fintech solution to handle your business's financial heavy lifting, here's a chart that will help you make the decision.



Fintechs



Banks

Technology

- Open APIs and SaaS based solutions

- Legacy & clunky infrastructure

UI/UX

- Intuitive & easy to navigate.
- Continuous feedback incorporated through NPS surveys

- Complex and non-intuitive.
- No feedback is incorporated to upgrade user experience

Customer Support

- Dedicated 24/7 support and specific SLAs for issue resolution

- Too many manual interventions and too many delays

Dashboard & Analytics

- Built-in data analytics platform with insights and suggestions that can be easily accessed from the dashboard

- Mainstream data with no insights or reports.
- Need external tools to derive any actionable insights

In conclusion, while traditional banks are still the spine of the entire banking and financial industry in India, businesses would greatly benefit from leveraging fintech solutions based on their several advantages.

Xperience

The Future of Banking

A brief introduction to Razorpay's financial
payouts platform **RazorpayX**

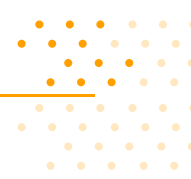
With **RazorpayX; simplify, accelerate, and supercharge** every aspect of your financial operations! From accepting payments and managing cash flow to reconciling transactions and flexible payouts



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