

How Digital Innovation Can Improve Access to Finance for SMEs



Meet the speakers



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The state of SME Lending in CEE



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Annual
Study
Report

Digital SME Lending CEE 2021



SME Banking Club, October 2021

About the Study

- An annual Review on the possibility to apply and get a loan fully online for Micro & SME customers (entrepreneurs and companies) provided by banks & FinTechs in the CEE countries
- Analyzed countries (10): Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, Serbia, Turkey
- Period of analysis: Sept-Oct 2021
- The study includes a description of the main trends in digital lending and a detailed analysis of digital process.

Methodology

Scope:



Banks & Non-banking financial companies

Analysis of 94 banks in the CEE region (from the following countries: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, Serbia, Turkey)



Only online

23 financial organizations that have online/mobile application for SME loans (SMEs can apply online) were covered in this Study



20 parameters

Analysis and comparison was carried out within 20 parameters



No UX-audit

A UX-audit was not done

Methodology

Data collection:

- **Direct and demo access** to lending modules of Online & Mobile Apps and websites
- **Desk study:** collection of publicly available information (manuals, instructions, videos)
- **Interview with specialists** of banks & financial companies responsible for small business, calls to call centers, applications received from banks & financial companies

Results:



1 Table

Table
20 Online Lending
parameters from 94 financial
organizations

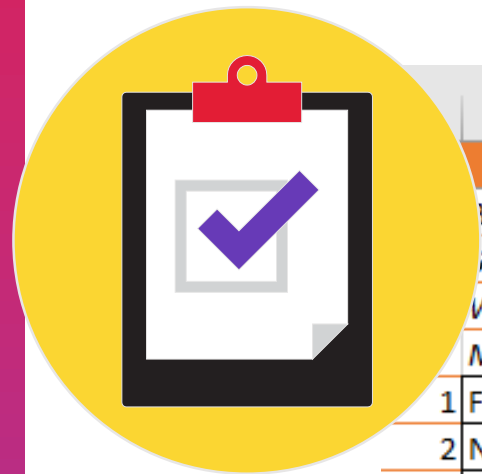


1 Study

PDF-
document with Study
results

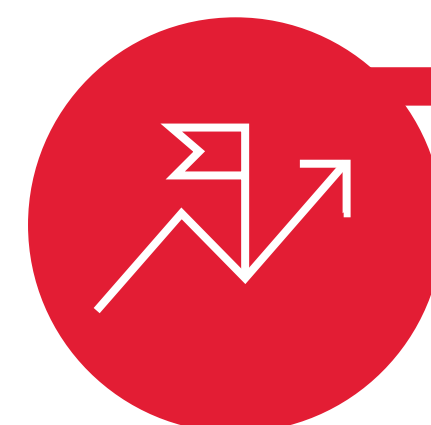
Functionality analysis of 94 financial organizations

Excel table with 20 Online Lending parameters from 94 banks & financial companies



B	C	D	E	F	G	H	I	J
Functionality	Santander Bank Polska	ING Bank Śląski	ING Bank Śląski - SA	mBank	TBI Bank	Omnibank	PKO BP	Moneta Money Bank
Bank/FinTech	Bank	Bank	Bank	Bank	Bank	FinTech	Bank	Bank
SME Lending Online (Unsecured in LCY)	Biznes Ekspres/Overdraft			Micro Loan	Unsecured SME Loan	Unsecured SME Loan	Unsecured Micro Loan	Express Business Loan
Web	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mobile	No	Yes	No	Yes	No	No	No	Yes
1 Full Online application for PE	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
2 Numer of fields to be fulfilled by the customer in loan application - for new customer	No	17	30	41	No	17	No	19
3 Numer of fields to be fulfilled by the customer in loan application - for existing customer	22	17	16	NA	No	7	NA	4
4 Full Online application for LE	No	No	Yes	No	Yes	Yes	Yes	Yes
5 Numer of fields to be fulfilled by the customer in loan application - for new customer	No	No	30	No	10	17	No	No
6 Numer of fields to be fulfilled by the customer in loan application - for existing customer	No	No	16	No	10	7	NA	5
7 Number of clicks from Home page (Bank's www/Online Banking) to loan application	Home page in ebanking services; 8 from	3	2/3	2	4	1	3	2
8 Full Mobile application for PE	No	Yes	No	Yes	No	No	No	Yes
9 Numer of fields to be fulfilled by the customer in loan application - for new customer	No	17	No	NA	No	No	No	No
10 Numer of fields to be fulfilled by the customer in loan application - for existing customer	No	17	No	NA	No	No	No	4
11 Full Mobile application for LE	No	No	No	No	No	No	No	No
12 Numer of fields to be fulfilled by the customer in loan application - for new customer	No	No	No	No	No	No	No	No
13 Numer of fields to be fulfilled by the customer in loan application - for existing customer	No	No	No	No	No	No	No	No
14 Automatical decision making inside the bank (scoring)	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
15 Online signing of loan agreement	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
16 Online signing of annexes to loan agreement	Yes	No	Yes	No	No	Yes	No	No
17 Quick automatical disbursement (up to 24h)	Yes	Yes	Yes	Yes	No	8h	Yes	Yes
18 Possibility to send/attach documents on covenants (insurance etc)	No	Yes	Yes	No	No	Yes	No	Yes
19 Loan repayment (schedule and early repayments) - in Online Banking	No	Yes	Yes	No	NO	No	Yes	No
20 Loan repayment (schedule and early repayments) - in Mobile Banking	No	Yes	No	No	No	No	No	No
Additional info & Sources								https://www.youtube.com/watch?v=hIT_JZtG9

Effects of the pandemic for SMEs in terms of finance



Main challenges for SMEs

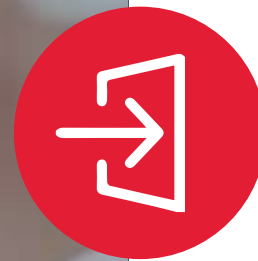
1. **Decreasing of business volumes and extended payment deadlines cause to increased liquidity gap in the SME segment.**
2. During the crisis and recovery, **SMEs ultimately need a simple path to credit** - to get quick access to finance operational expenses and an increased financial gap.
3. Digital factoring & BNPL solutions are becoming a strong alternative to lending.
4. **SME segment continues to stay underserved** by the banks in crisis times.



Opportunities for Banks/FinTechs

1. Offering SMEs a **quick and straightforward path to credit** will be stronger and more differentiating proposition than under normal conditions.
2. Limited opportunities for physical contact engages incumbents in online processes – **quick and easy online onboarding and smooth self-servicing via the digital channel are becoming a must.**
3. **Access to account information** based on the AIS (PSD2) can be used to differentiate underwriting abilities and **fasten the decision-making process.**

SME Lending: key trends in the CEE region



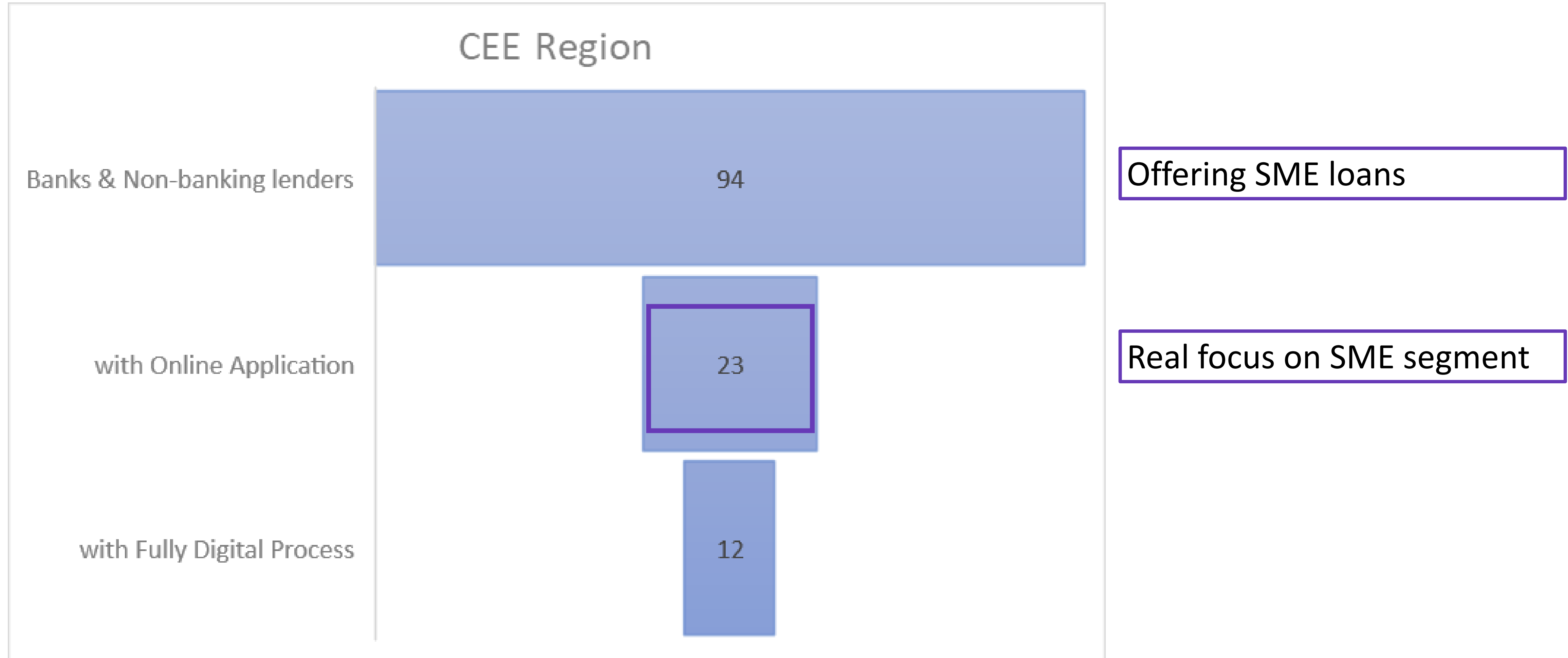
24% (23 banks & non-banking lenders) have online loan application

- **87%** of them offer online/mobile lending application to Private Entrepreneurs
- **43%** of them offer online/mobile lending application to Legal Entities



13% (12 banks & non-banking lenders) have fully digital lending process for SMEs (for PE or LE)

Digitalization of SME Lending: key trends in CEE



SME Lending: key trends in the CEE market

Companies offering online lending process for SMEs within countries

FinTechs

Banks

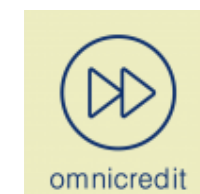
Poland 9



CZ 6



Romania 4



Решения за твоето утре

SME Lending: key trends in the CEE market

Number of clicks for SME customer to apply online

omnicredit.ro

Micro-credit calculator for legal entities

Choose the right loan amount and period for your business

The amount I want to borrow lei

The duration of my loan months

Lunar Rate 14,768 Lei

Total payment 88,607 Lei

[Get a loan now](#)

This offer is informative and does not constitute a firm offer. In order to obtain a firm offer, it is necessary to create a user account and complete the micro-credit application.

1

FinTechs:
Webpage

ING | ING Business | PL | EN | Remaining:04:51

Transfers and Requests | Accounts | History | Products

Your history

Recent transfers

Realization date	Beneficiary Title	Debited account Order type	Amount Currency	Status
23.07	Fundacja Rozwoju Pr... /NIP/5213641211/FV 2...	78...9031857403 Domestic transfer	73.80 PLN	done
14.07	ING Commercial Fina... 50cc4dd8-64b6-4a23-8...	78...9031857403 Domestic transfer	1.00 PLN	done

Remaining:04:53 | GG COMPANY SPÓŁKA Z OGRA... | HRYNYUK OLENA | Log out

Documents and messages | Administration and Tools

New application | Standing orders | Templates | Data import

0 To authorize / To send

ING | ING Business | PL | EN | Remaining:04:45 | GG COMPANY SPÓŁKA Z OGRA... | HRYNYUK OLENA | Log out

Transfers and Requests | Accounts | History | Products

Economic news | Read

My products

- Cards
- Loans
- Deposits
- DD - Payer
- Foreign Exchange
- Standing orders

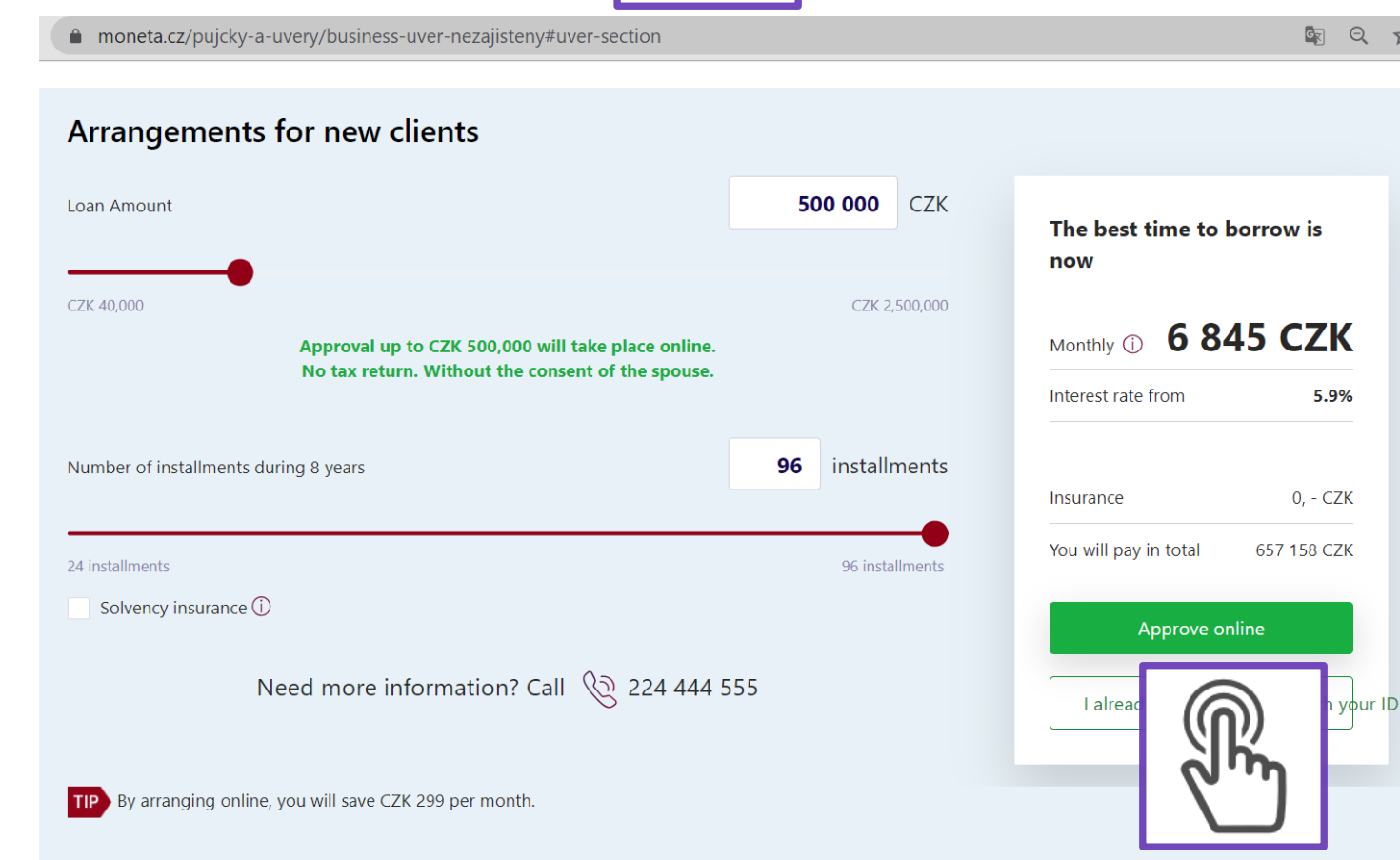
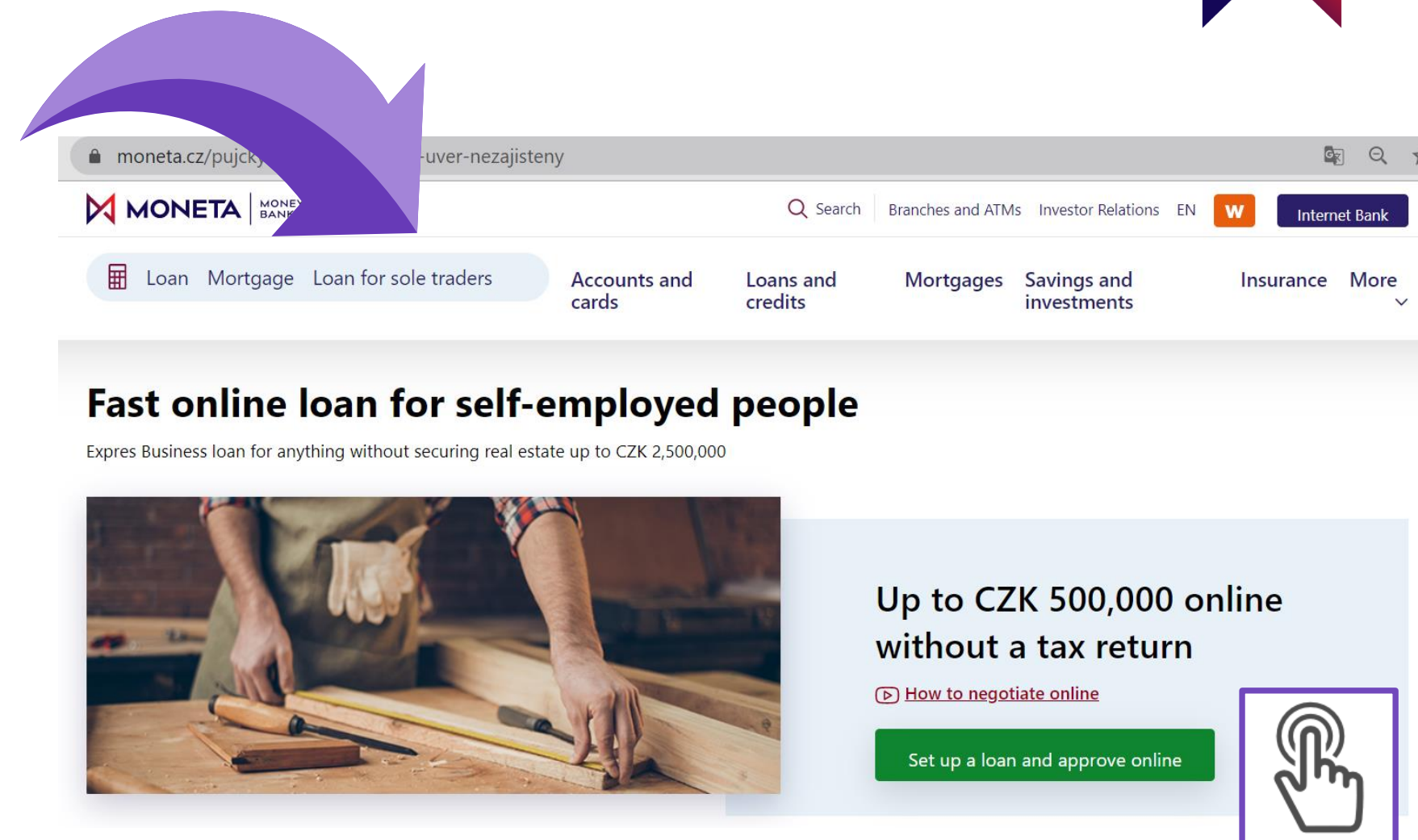
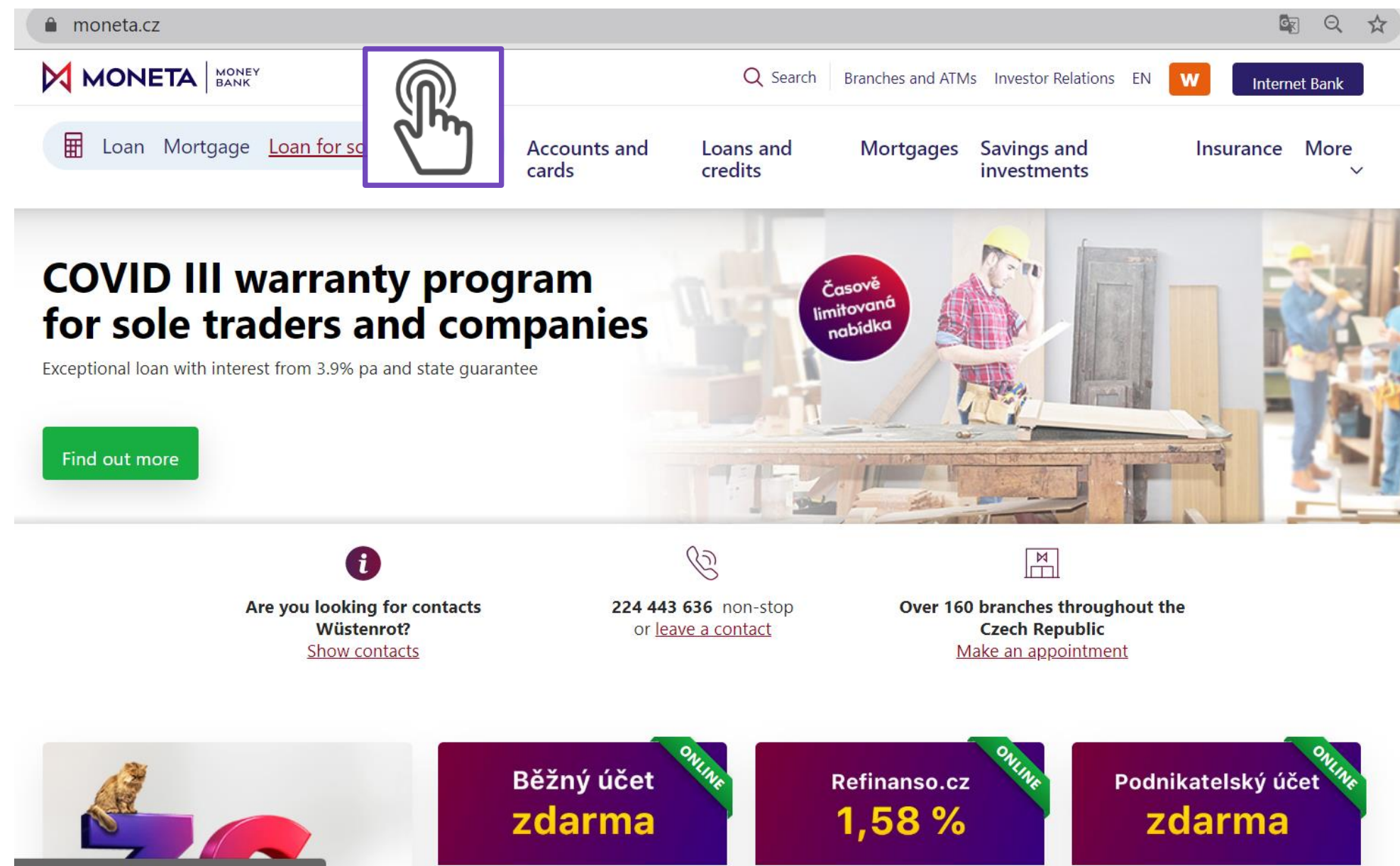
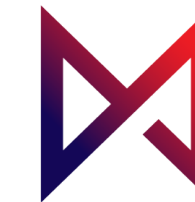
2-3

Banks:
Online Banking – for existing customers



SME Lending: key trends in the CEE market

Number of clicks for SME customer to reach loan application



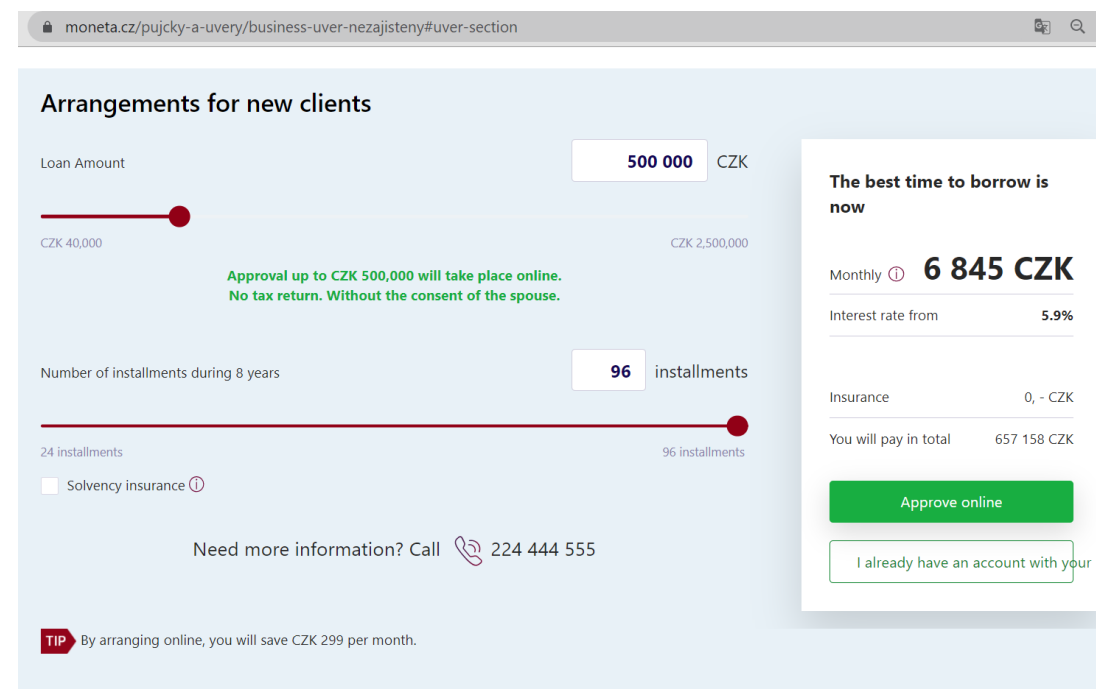
Banks:
Web – for new customers

3-4

SME Lending: key trends in the CEE market

Credit process remains complicated for SMEs

Number of fields in Online Loan Application



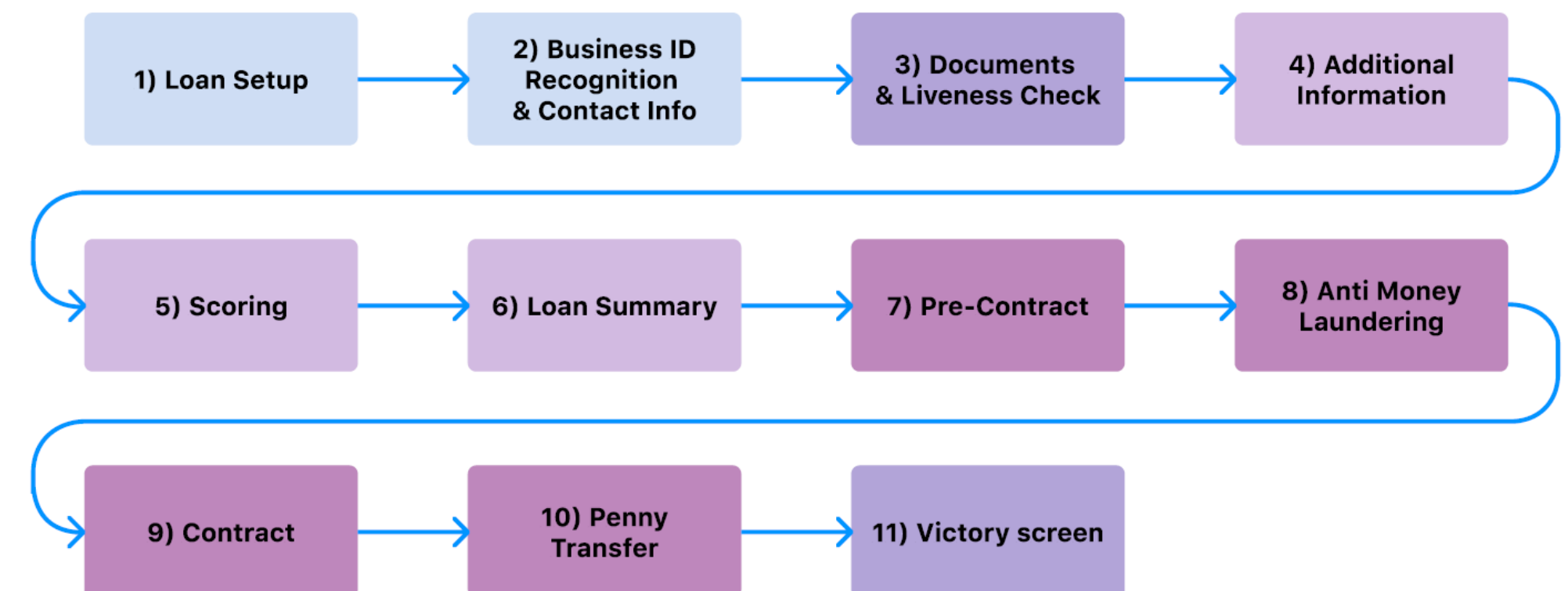
For new customers

28

For existing customers

16

Number of financial companies offering fully digital lending process for SMEs: from application till loan disbursement



3

WHO WE ARE



Established in 2010

Regional focus on Central & Eastern Europe, CIS and the Caucasus

Professional focus on financial services for micro, small and medium enterprises

Members include commercial banks; business partners – international financial institutions, IT providers, consultant companies



7000+
contacts



3000+
unique visitors
monthly



2500+
YouTube
subscribers



4500+
LinkedIn
subscribers



2000+
email
subscribers



500+
Instagram
subscribers



500+
Twitter
followers



1000+
event
attenders

WHAT WE DO



ANALYTICS



NEWS AND MAGAZINE



STUDY REPORTS



CONFERENCES



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How to successfully transform SME Lending



Paula Costea

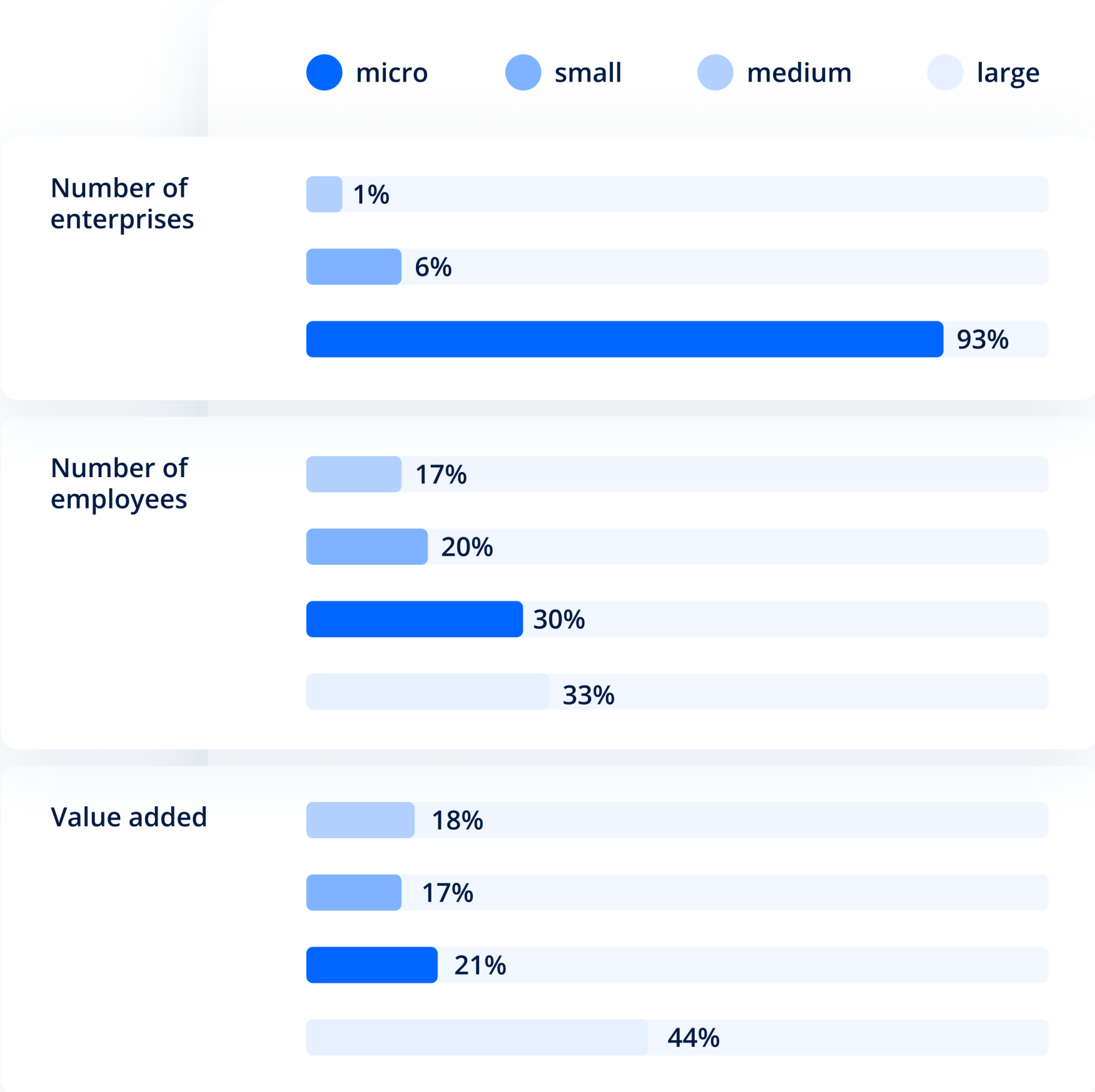
VP, Business Solutions & Innovations

FintechOS

SMEs are at the core of global economies

25 million SMEs in the EU, accounting for 65% of the private-sector employment

Small and medium-sized enterprises (SMEs): share in total companies, employment and value added



Sources: European Commission, Allianz Research

How COVID-19 affected the SME sector

74%

of small businesses said they have been impacted negatively by the pandemic, with revenue, profit margins and sales volumes taking the biggest hit.

56%

have decided to change their business models in response to changing market conditions, with the majority leaning towards more digital channels.

Overall impact of the pandemic on the business



European SMEs are dramatically underserved by banks

The SME “financing gap”: SME’s need for external finance – to stay alive or fund expansion plans and other strategies – was €400 billion (\$481 billion) in 2019 in Europe.

The Bank of England puts the shortfall at £22 billion (\$30.5 billion) for the UK alone in the same year.

In Europe, about half of SMEs considered bank loans and credit lines for their businesses, according to a recent half-yearly report from the European Central Bank. And **71 percent of SMEs applying for loans said they were successful in receiving the full amount**. Still, nearly a fifth were relying on family and friends for a helping hand.

Getting a SME banking loan can be a daunting task

In the UK, more than
50%
of SMEs apply to only one provider because of the “hassle” and

long application process while
29%
Of would-be borrowers are put off completely because of the “effort” involved.

The average **time-to-yes** is between
3&5 weeks

The average **time-to-cash** is nearly
3 months

COVID-19 update: A survey conducted by McKinsey in August 2020 found that 70 percent of SMEs in the five European countries it looked at (France, Germany, Italy, Spain and the UK) said the pandemic had hit revenues. One in five was worried about defaulting on loans and more than half felt their business might not survive another year.

The current state of SME banking

There's a lot to put on the transformation agenda

What's gone wrong?

Overlooked and underserved

- With their relatively low individual turnover, SMEs have been less of a priority for incumbents.
- SMEs have yet to benefit from digital innovation to the extent that retail customers have.

Poor product fit

- SMEs are diverse, but many banks don't tailor products to subsegments or match them to business life stages
- Globally, 20% of SME banking heads say they wish they'd better segmented their SME customers in the previous year to help design products and processes around their needs.

Complexity and friction

- Front and back office processes are usually adapted from retail or corporate, so SMEs experience long, complex and friction-filled customer journeys.
- 83% of European SMEs say they want to be able to apply for banking products more quickly and easily, but only 18% are happy with their bank's service

Legacy system blocking change

- Legacy remains a massive hurdle for SME banking transformation projects.
- The threat of digital challengers is focusing leaders' minds on the need to overcome legacy.

The FintechOS approach

The key to solving the SME lending challenge

- **Best-in class CX:** ensure faster access to credit while efficiently combining digital channels with valuable advisory
- **Personalisation:** Offer bespoke products and services that are contextually relevant to SME's needs.
- **Automation:** Achieve true process automation. This will improve customer experience while lowering costs. Banks should aim to redesign back-end processes to eliminate manual input and enable real-time decision-making.

What are the main technology enablers

- **Build with data:** Banks should embrace the use of data-driven platforms designed to allow multiple parties, from SME clients to legacy systems and third-party data providers, to seamlessly connect and interact as part of end-to-end solutions.
- **Ecosystem integrations:** Connect to and make use of the huge amount of useful data available in the SME ecosystem. This is also key to pursuing value add services (BFM).

Personalisation

Market to a segment of one

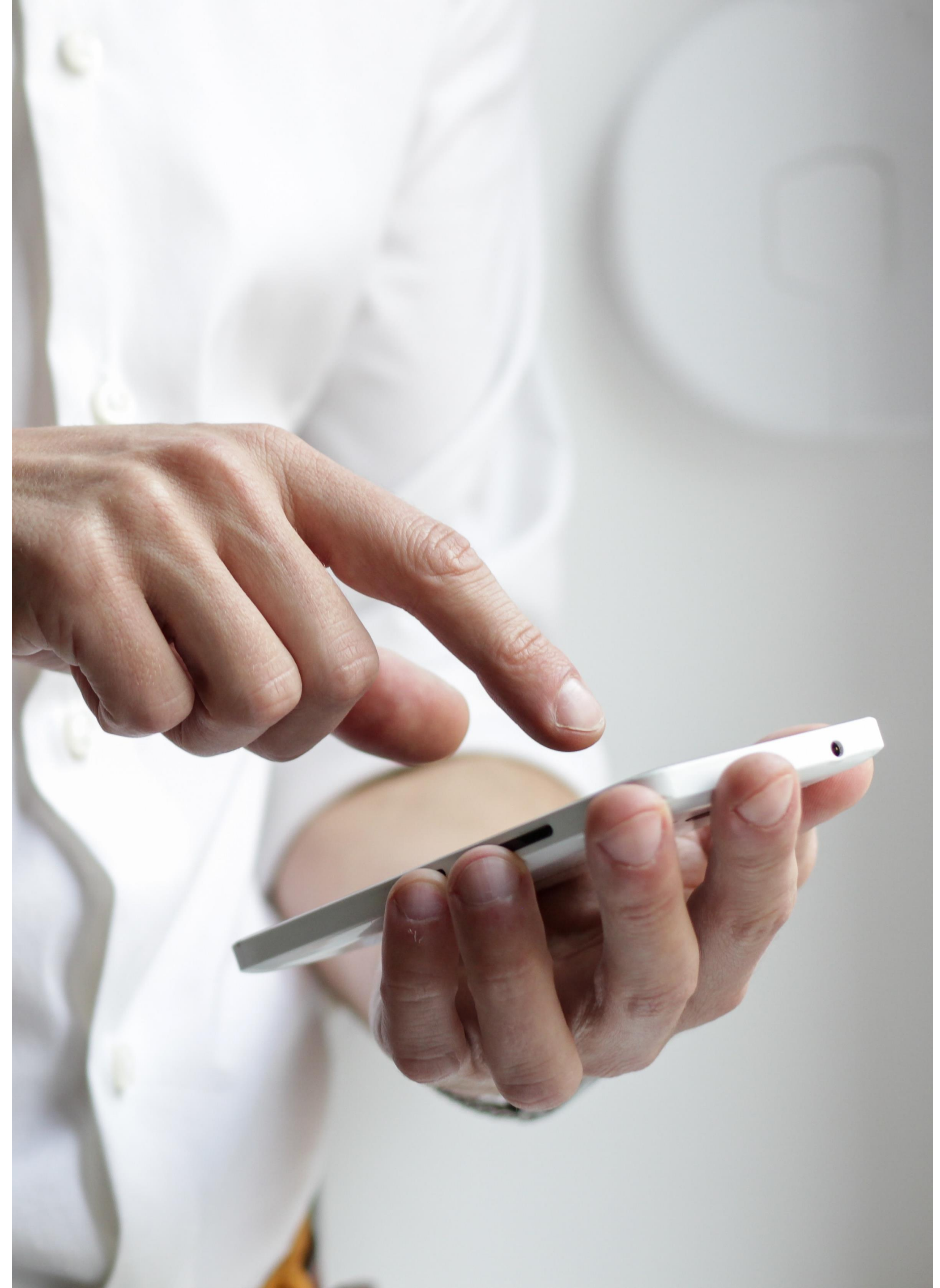
Offer your customers bespoke products and services that are contextually relevant to their needs

Use the Right Tech to Unleash Internal Data

Banks are well placed to reimagine their core lending products by, for example, offering short-term 'top-up' loans to SME customers that can be applied for and approved in a matter of minutes. This use case sees a bank using existing data and advanced analytics to refine a product to meet a specific, targeted need.

Tap into the Power of Tailored Recommendations

Several banks have achieved a ten-fold increase in their data-driven recommendations' success rate, while others have managed to boost new sales by over 30%. Where Relationship Managers (RM) have worked in tandem with these engines, banks have seen the number of RM-customer interactions increase by more than 50%.



Automation

Unlock the power of your data

Automation can improve customer experience while lowering costs, so banks should aim to redesign back-end processes to eliminate manual input and enable real-time decision-making

Tap the Power of Automation

For traditional banks, lending has emerged as a priority area for digital innovation because it represents an opportunity to tackle high costs, boost customer experience and catch up with the newcomers setting the pace of change.

An end-to-end automated digital loan origination process can reduce 'Time to Yes' to under 10 minutes, give SMEs the experience they need, and reduce lending costs by 40%

Digital leaders are focusing transformation on three key areas



Time to Apply

cut down to 5 minutes



Time to Yes

from 20 days to 10 minutes



Time to Cash

cut down to 24 hours

Ecosystem integrations and value-added services

SMEs are increasingly expecting “beyond banking” services

20% of SMEs would be happy to pay a monthly fee to their bank for value-added services

SMEs Want More: The Opportunity for Value-Added Services

33% of SMEs are already using, or have expressed an interest in using, a range of services to help them run their businesses, improve customer service and boost sales, while 20% say they would be happy to pay an additional monthly fee for value-added services. (an extra £8.5bn for UK banks, by one estimate)

The Route to Building an SME Ecosystem

The most compelling option could well be growing beyond core product offerings into banking adjacencies: in this approach banks would provide services such as accounts-receivable management, factoring, accounting, and cash-flow analysis

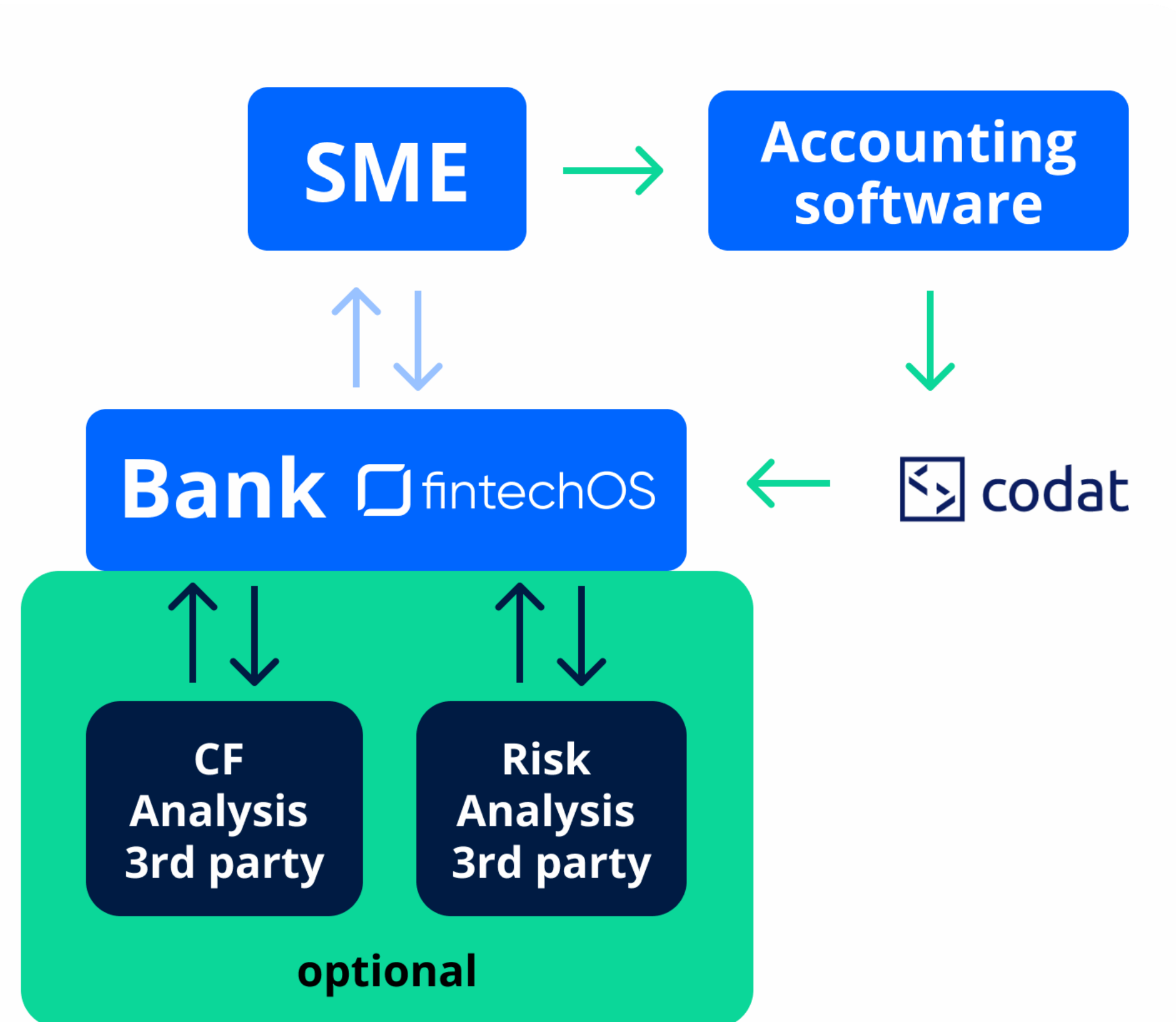
Connectivity is the Key

Banks will need the ability to connect with inter linked businesses from across a diversity of sectors. To do this they should embrace the use of API-enabled platforms designed to allow multiple stakeholders, from providers to end-users, to seamlessly connect, interact and exchange value.



Customer-centric SME banking example

Automated - cash flow management



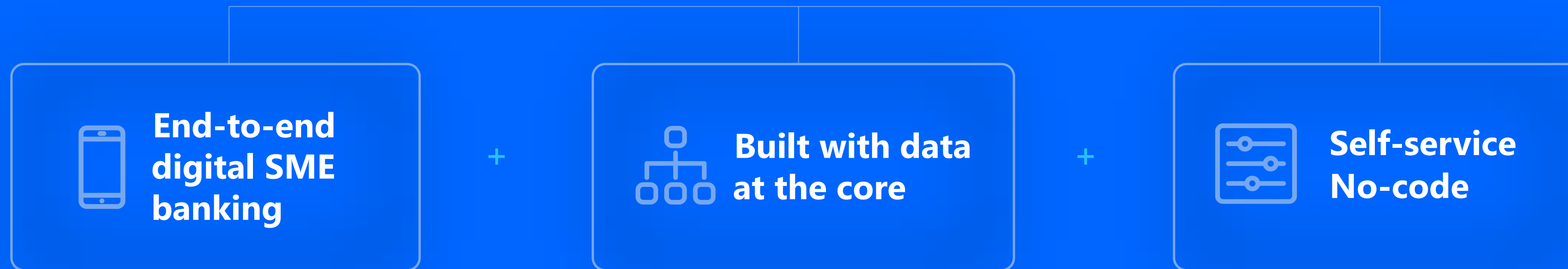
1. FintechOS enabled bank extracts the SME's cash flow data on a monthly basis
2. Bank automatically reviews the SME's CF health
 - Optionally the bank can use 3rd party CF analysis tools easily integrated with FintechOS via APIs
3. If the SME's CF shows potential risks (i.e: negative cash flow) the bank automatically triggers a loan approval process
4. The bank automatically assesses the SME for loan amounts sufficient to alleviate its CF challenges
 - Optionally the bank can use a 3rd party credit risk assessment tools easily integrated with FTOS via APIs
5. Pending a positive credit analysis result, the SME administrator is notified via the channel of her choice with details about the CF risk as well as pre-approved loans
6. The SME administrator can instantly contract the loan by providing a digital signature (further digital signature invites can be sent to relevant stakeholders automatically)

What the customers sees:

1. Email / SMS / WhatsApp notification about a potential cash flow risk and proposed solution: a pre-approved short term loan
2. Upon log in to the Internet / Mobile banking app the SME user can find further details about their cash flow projections as well as the proposed loan and alternatives

How technology can help

The FintechOS approach



Demo



Live Q&A session



Thank you!

Any questions, anytime:

please reach us at webinar@fintechos.com

