Cracking the Code for Successful SME Banking

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Meet our speakers

Sue Douthwaite
Non-Executive Director & Board Advisor
Financial Services

Tunde Kehinde
CEO & Co-Founder
Lidya Nigeria

Catalin Dediu
VP, Product Management
FintechOS

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Repurposing the digital-first SME Bank:

The secrets behind the success of selected SME neobanks

Sue Douthwaite
Non-Executive Director & Board Advisor
Financial Services

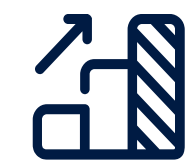How well do we understand our SME customers?
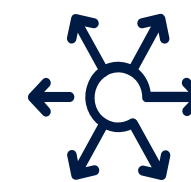
SME life cycle

Phase 1 - Planning creativity and ideas

Phase 2 - Pre-revenue planning and launch
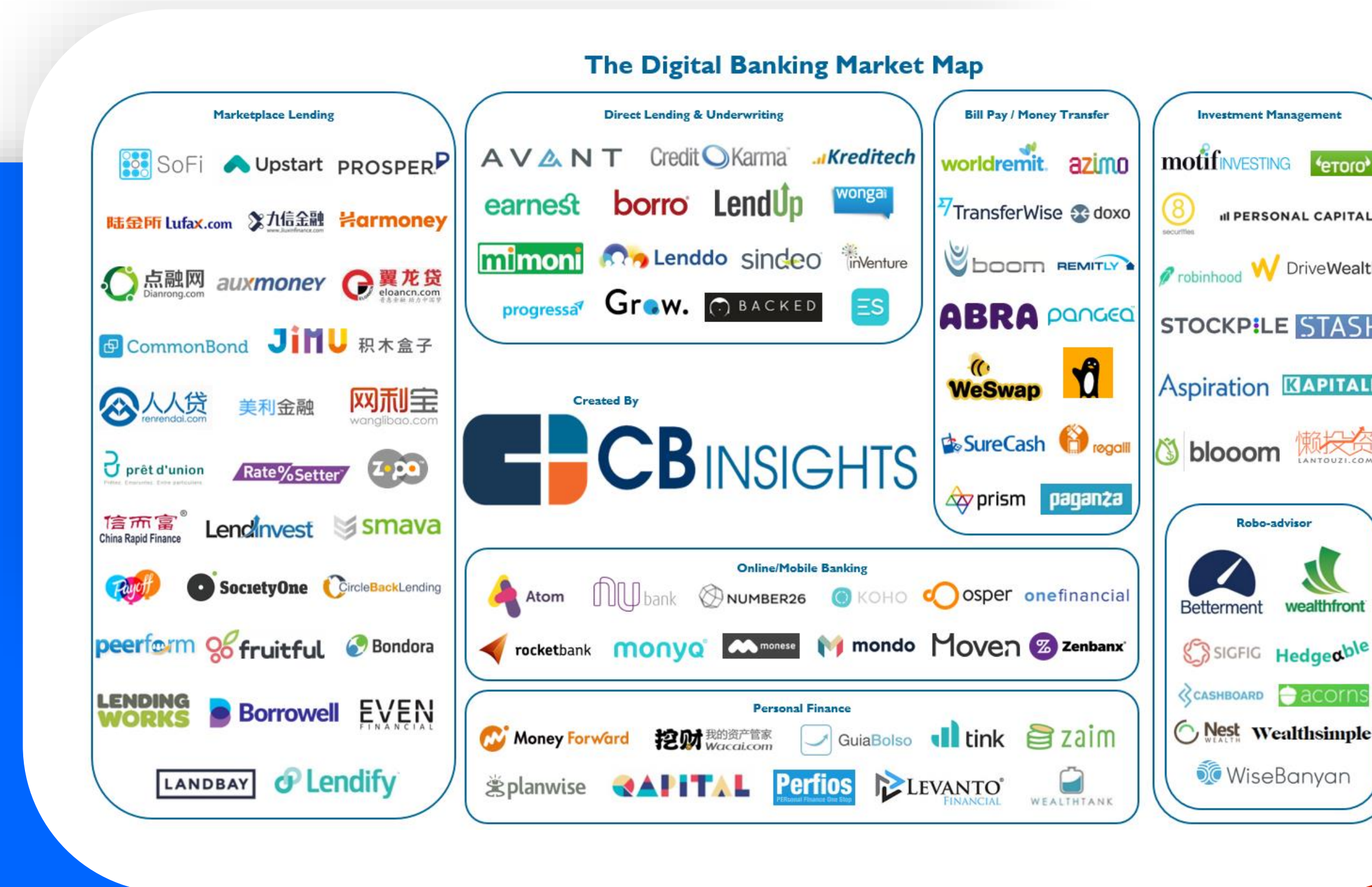
Phase 3 - Post-revenue growth

Phase 4 - Expansion

Phase 5 - Realizing the value and next iteration growth or exit

In an increasingly crowded and competitive market who will differentiate and succeed?

The Digital Banking Market Map

Blue ocean

Red ocean

Serving the needs of the customers / users – the next battleground
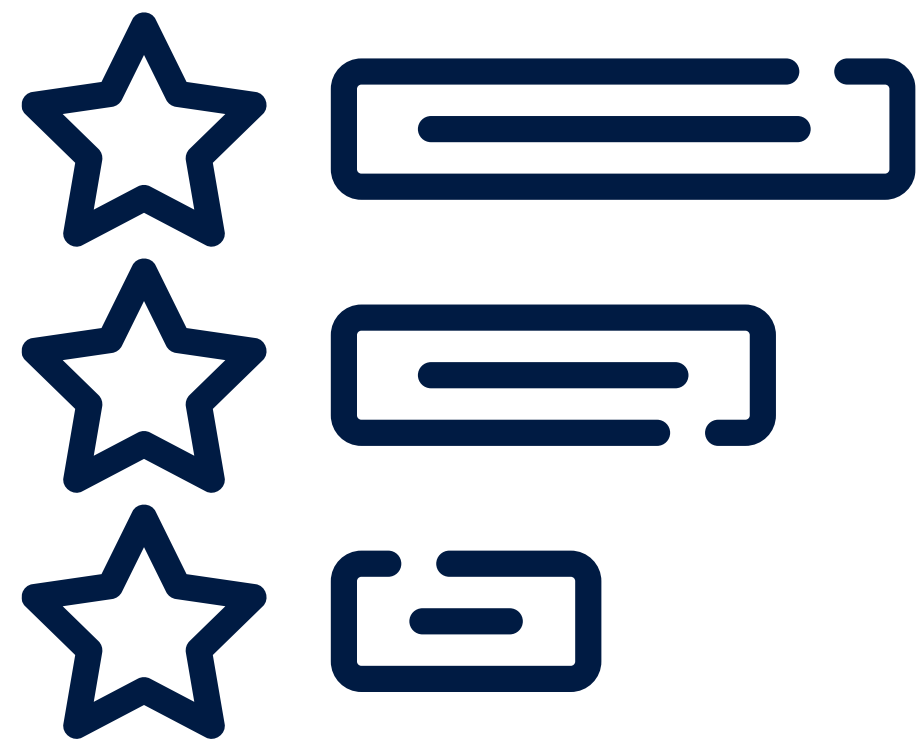

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Lending

Payment

Banking

Service

Success will be defined by delivering remarkable and unique experiences and outstanding frictionless service

**Humans
process emotions
in one-fifth the time
we do rational
thought**

How AI and FinTech can bridge the global SME credit gap

Tunde Kehinde
CEO & Co-Founder
Lidya Nigeria

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Lidya: Financing Small Businesses in Fast Growing Economies

Data-Powered Working Capital Loans

www.lidya.info

Why focus on Fast Growing Economies

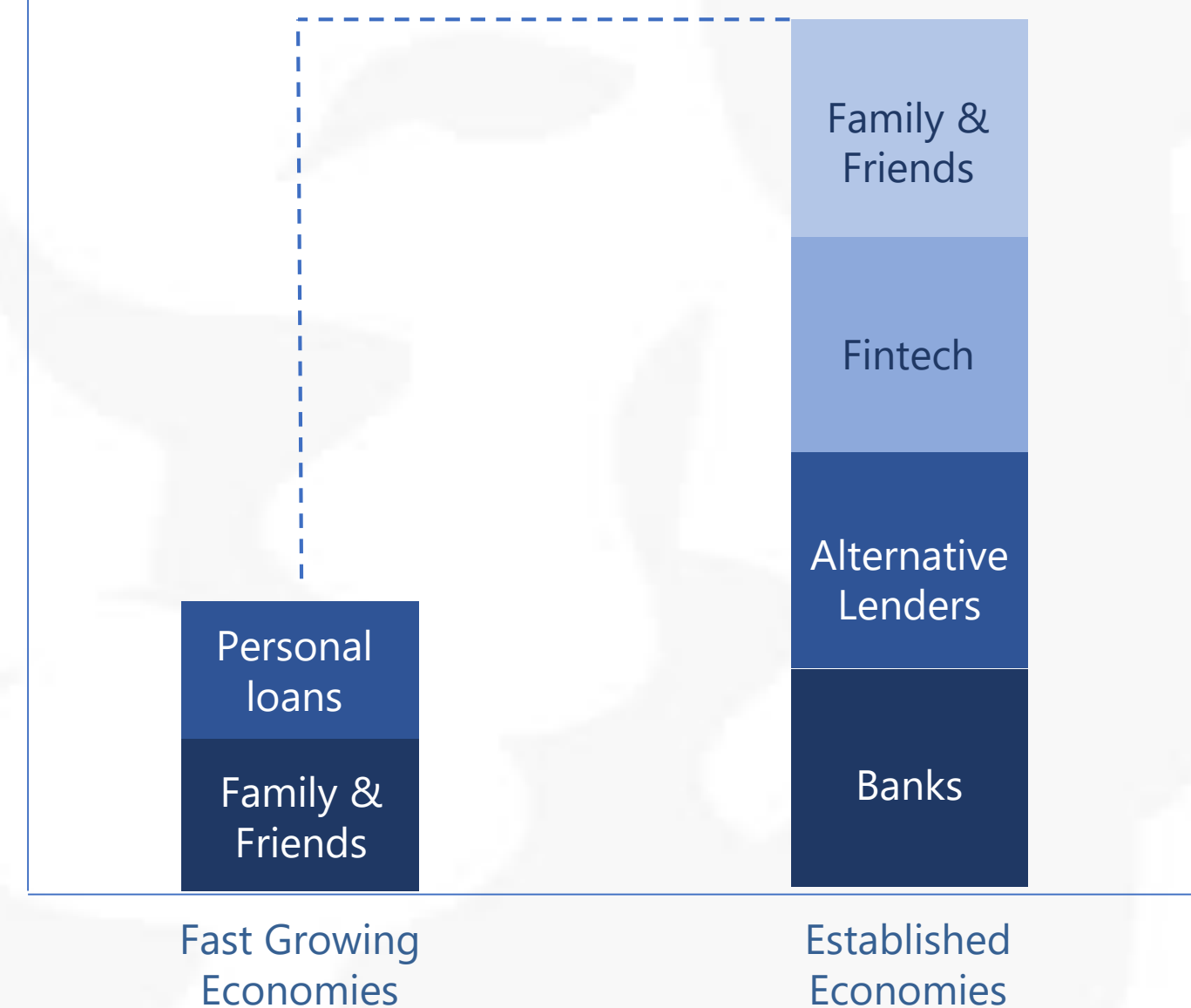## Fast growing economies are the best risk-reward investment in small business finance today

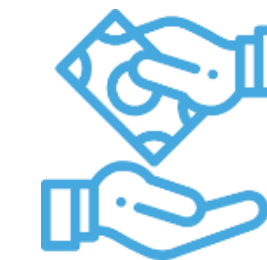**Huge credit gap in fast growing economies**

Poorly served by the financial sector

Data explosion gives Lidya an opportunity to win this market

$3 Tr
SME Credit Gap
in fast growing economies

~4% annual GDP growth in these economies

Limited options for capital means SMEs can be acquired at scale with attractive LTVs & costs

Family & Friends

Fintech

Personal loans

Alternative Lenders

Family & Friends

Banks

Fast Growing Economies

Established Economies

Digitization of financial transactions on the rise

Technology increasing data processing capability

Policies easing access to KYC and transaction data (ie PSD 2)

Fast growing economies are growing rapidly, led by digital-first SMEs seeking credit

Definition: Fast growing economies defined as countries in Eastern Europe, Latin America, Africa, Asia. Established economies defined as G7. Source: SME FInance Forum..

Our vision

A future where every great business owner has fair and fast funding to build and grow high impact businesses

Grow your business with Lidya

Build your credit with Lidya

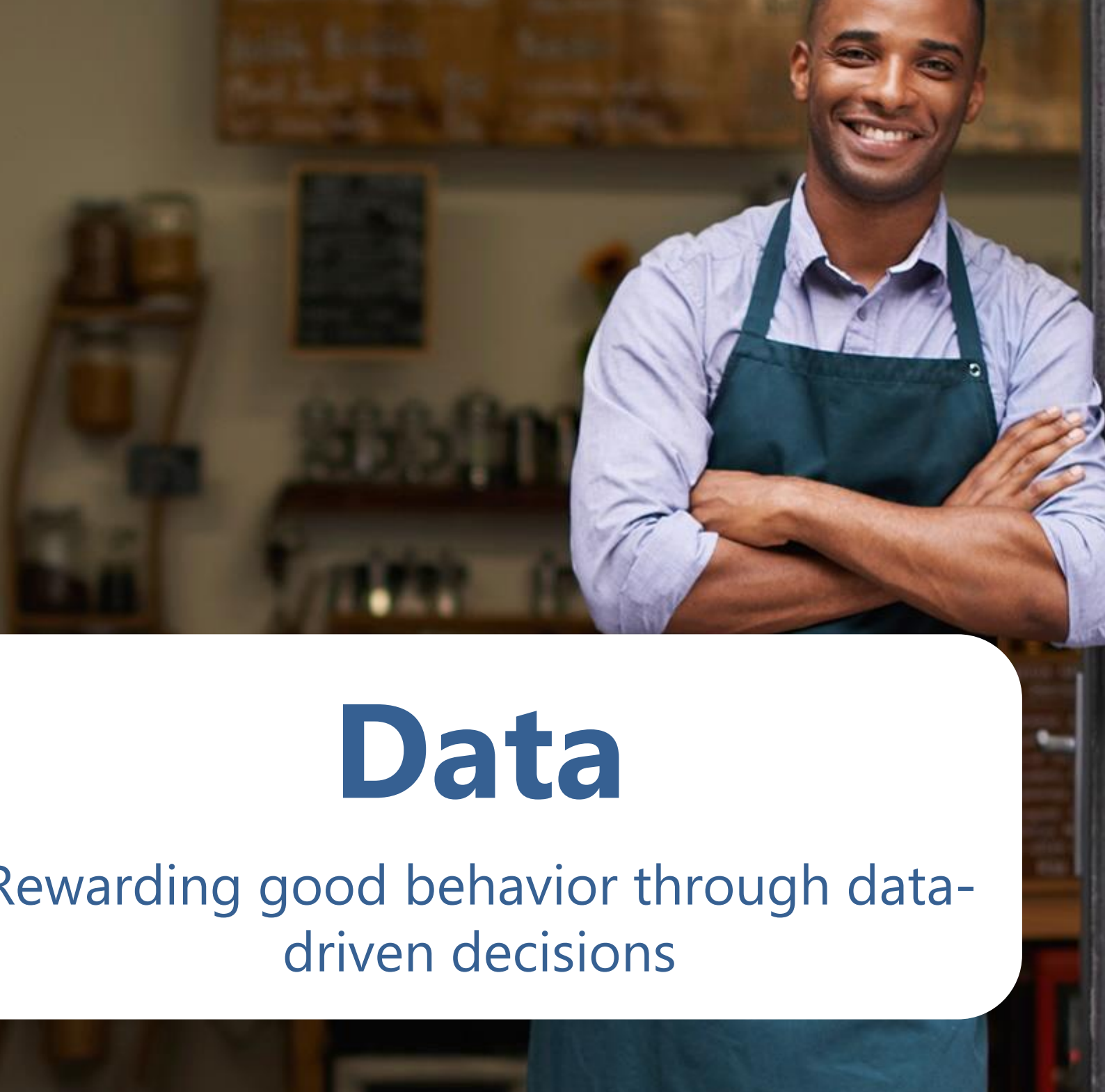Plan your future with Lidya

1 Day
Financing great businesses in as little as 24h

Data
Rewarding good behavior through data-driven decisions

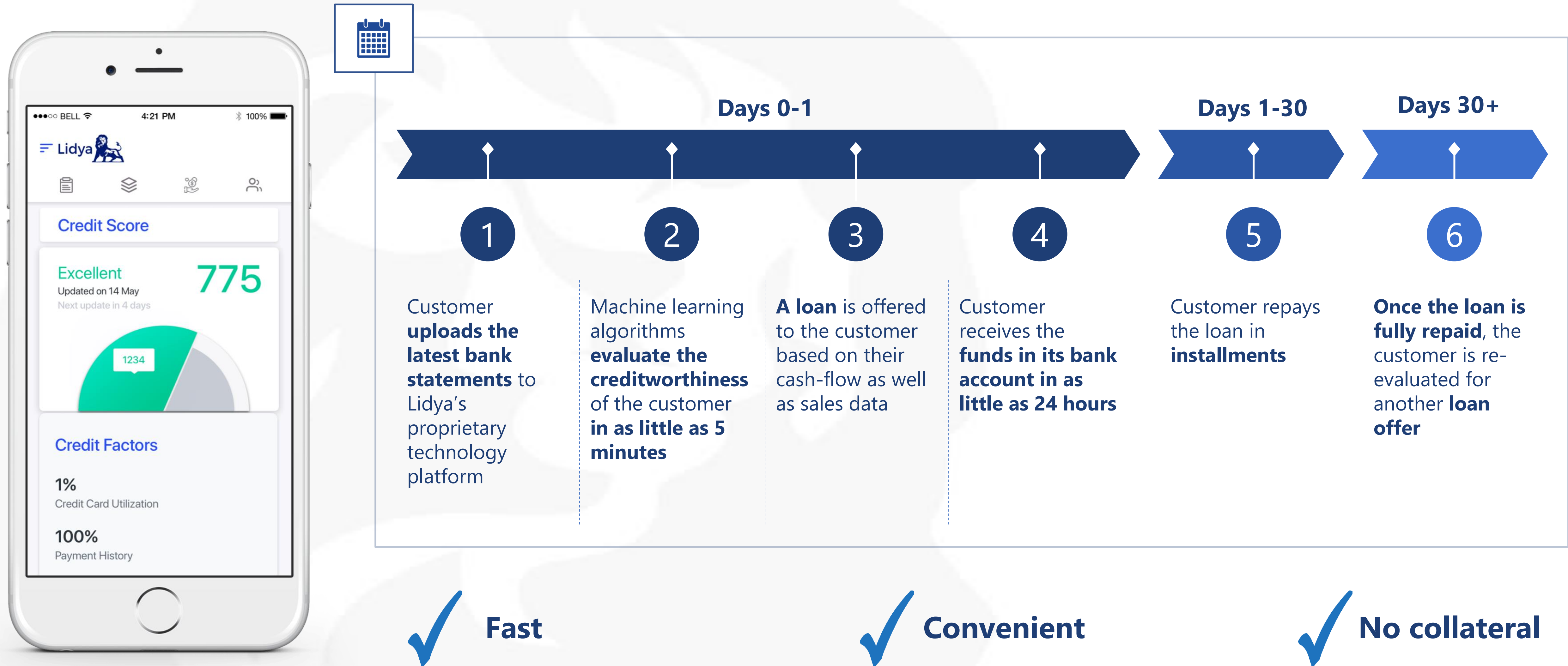## Growth
Partner for growth

Our Strategy: working capital finance, rapidly expanded around the world

How the product works

Days 0-1				Days 1-30	Days 30+
1	**2**	**3**	**4**	**5**	**6**
Customer **uploads the latest bank statements** to Lidya's proprietary technology platform	Machine learning algorithms **evaluate the creditworthiness** of the customer **in as little as 5 minutes**	**A loan** is offered to the customer based on their cash-flow as well as sales data	Customer receives the **funds in its bank account in as little as 24 hours**	Customer repays the loan in **installments**	**Once the loan is fully repaid**, the customer is re-evaluated for another **loan offer**

✓ **Fast**   ✓ **Convenient**   ✓ **No collateral**

Our Model Works

Initial traction demonstrates product-market fit for the Czech and Polish markets

Cumulative loan originations
('000 USD)

- 2,000
- 1,750
- 1,500
- 1,250
- 1,000
- 750
- 500
- 250

$1m USD in loans disbursed

Europe

Nigeria

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14

Months since first loan disbursed ->
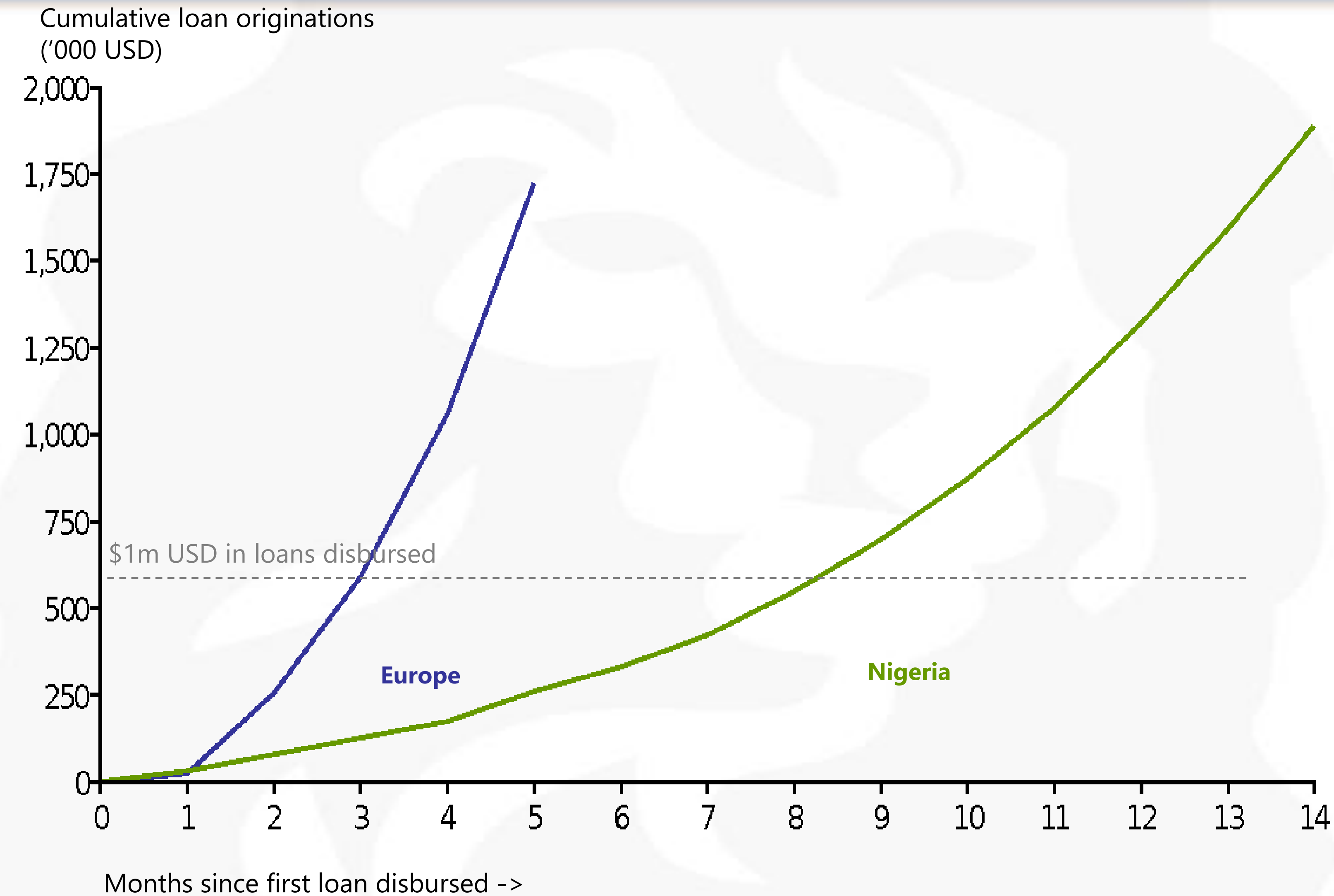
~$60m
Loans Disbursed

>25,000
Loans

~95%
Customer Repeat Ratio

Customer centricity in SME banking

Catalin Dediu
VP, Product Management
FintechOS

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.

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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%.

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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.

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Customer-centric SME banking example
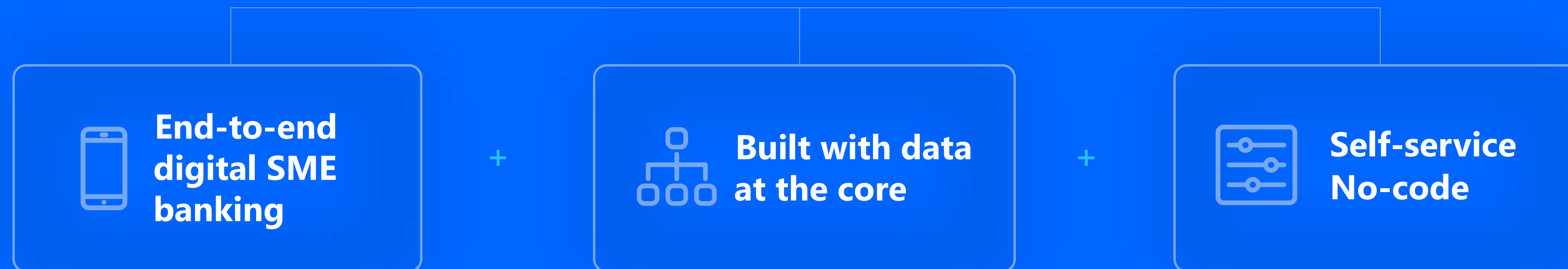
Automated - cash flow management
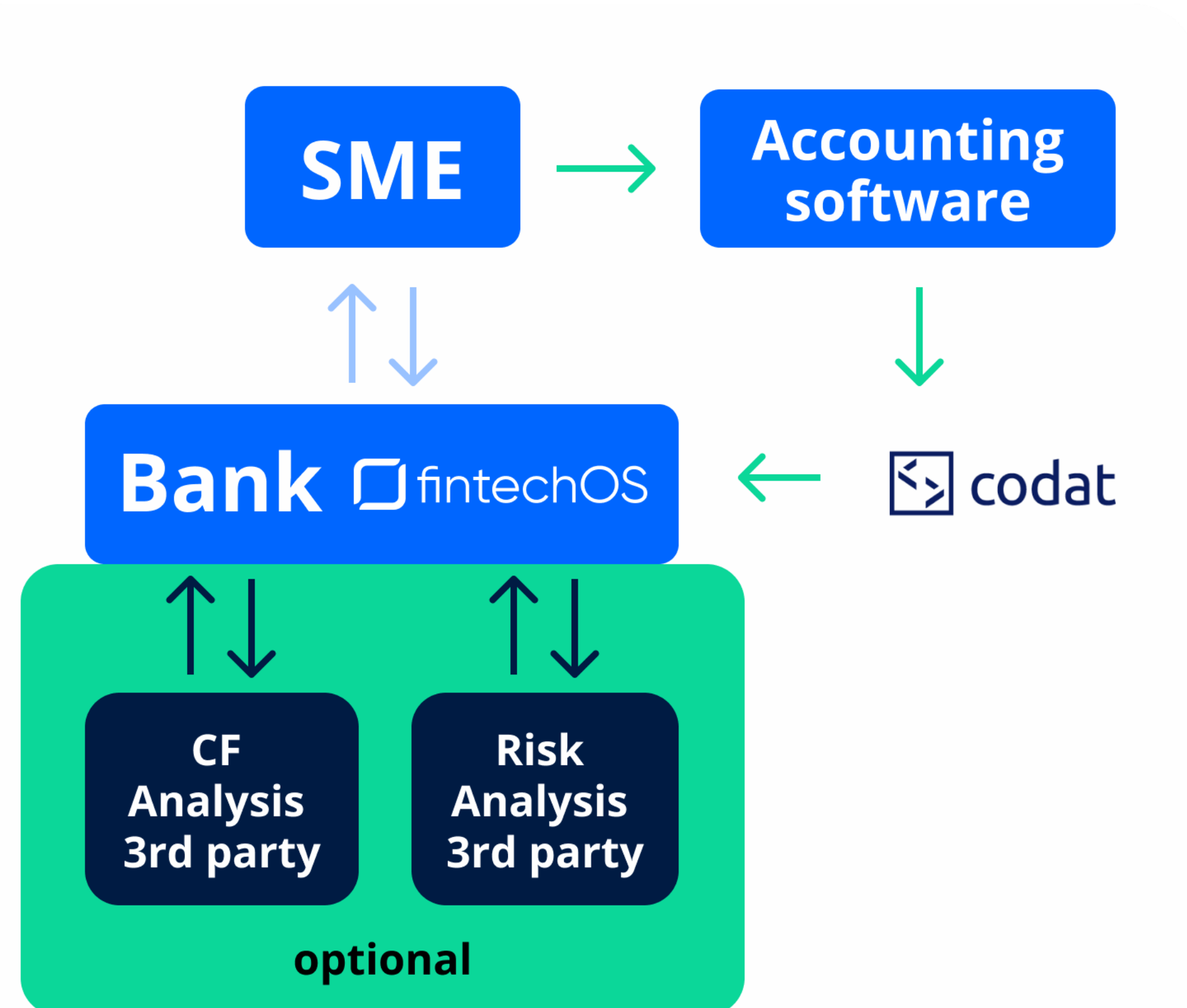
1. FintechOS enabled bank extracts the SME's cash flow data on a monthly basis
2. Bank automatically reviews the SME's CF health
   - Optionally the bank can use 3rd party CF analysis tools easily integrated with FintechOS via APIs
3. If the SME's CF shows potential risks (i.e: negative cash flow) the bank automatically triggers a loan approval process
4. The bank automatically assesses the SME for loan amounts sufficient to alleviate it's 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

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End-to-end digital SME banking

+

Built with data at the core

+

Self-service No-code

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Live Q&A session

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Thank you!

Any questions, anytime:

please reach us at **webinar@fintechos.com**

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