



## **SME banking in the digital-first world**

**Amidst the focus on retail and corporate banking, a quiet digital revolution has been taking place in the SME segment.**

With an increasing number of consumers and businesses, traditional banking is becoming obsolete. Currently about 46% of consumers use only digital channels for banking. Companies and individuals expect to apply for finance as easily as when ordering a takeaway.

Fintech companies are making that happen: they have rapidly redefined banking through innovating disruptive digital services and targeted products. Now many services enable business owners to check their balance, update account information, apply for credit, make payments, and manage expenses through mobile or desktop apps.

In the past, applicants would be required to fill out a manual form and complete a credit check before receiving finance. Now, not only can applicants fill out applications online, they can go through an alternative digital lending process that is defined by individual providers, not an industry.

For example, OnDeck is an online digital lender who offers loans to small and midsize enterprises. The user can apply for loans from \$5,000-\$500,000 in just 10 minutes. Services like OnDeck have appealed to SMEs because they remove the limitations and long wait times that come with loans from traditional lenders.

As incumbents fear to lose money to the disruptive innovation of the fintech companies, traditional banks plan to increase fintech partnerships. This is in order to regain the confidence of the jaded SME market by adopting fintech mentality for up-to-date financial management solutions. For SMEs, this collaborative and cooperative relationship between banks and fintechs is creating an ecosystem. And it's in the ecosystem where an entrepreneur can find everything they need to support their business goals.



**56% of SMEs**  
use a banking and payments  
fintech service



**46% of SMEs**  
use a financing fintech service

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## **Fintech adoption in 2020**

Over the past few years, banks have been evolving with fintech breathing down their necks. Consumers and SMEs, on their part, have become more open about sharing their data.

The Global FinTech Adoption Index 2019 revealed that 89% of SMEs are willing to share data with fintech companies. Also, 56% of SMEs use a banking and payments fintech service, while 46% of SMEs use a financing fintech service.

This data proves that SMEs are ready for on-demand digital services, even if that means sharing their data. This has led incumbent banks to evolve. They are no more skeptical about data sharing either.

Primarily, if there's one thing SMEs have gained throughout the rise of fintech, it's personalized offerings. The option to do business and manage financial accounts as they need.

### **How can banks change the experience for SMEs?**

With the use of the data, and mapping out consumer behavior – banks can personalize offerings to each customer, with a ready business banking connected with cloud services to support daily tasks of a company.

According to McKinsey, with an ecosystem of features provided to SMEs, the latter could handle up to 79% of jobs digitally, thus being able to only focus on revenue.

At the same time, banks will acquire new SME businesses along with tons of precise data for credit scoring and sales increase.

And so, banks need to focus on what matters to business:

- Let SMEs manage a wide range of banking products and services without having to purchase additional systems that support cash pooling or credits & loans individually
- Handle transactions in the blink of an eye thanks to the automated data exchange
- Support SMEs in managing accounts of different types, buying currencies, making local and international payments, or consolidating balances

### **At your service**

Well, that's where we come in.

We have built a cash and liquidity management suite optimized for fast, 6-month deployment. It's called [Comarch SME Banking](#), and it builds upon its sister system – [Comarch Corporate Banking](#) which marked its presence on the market 20 years ago. Since then, it was implemented in the largest banking groups in numerous countries, proving its worth as a handy and flexible banking solution for SMEs and corporations.

Take this scenario to get a grasp of what the system can do: company employee contracts for a home electronics container in Korea. In just a few clicks, they secure the transaction with a letter of credit, and pays for the goods by means of a working capital loan with currency conversion.



In the meantime, the employee collects all necessary signatures of board members - for the transaction to go through - and files an application for financing the construction of a new warehouse for the goods before they arrive in Europe.

The bank sells the company four high-margin products without the involvement of a single manager. All before it's even lunch time.

### **What's next for fintech and SME banking?**

As we move in 2020, it's clear that SMEs have a voracious appetite for personalized services and financial management services. Banks need to take immediate action if they are to meet the demands of SMEs and compete with fintech companies in the digital age.

Neha Goel, Business Development Manager, Comarch

E: [neha.goel@comarch.com](mailto:neha.goel@comarch.com)

L: <https://www.linkedin.com/in/nehagoel18/>