

A greater industry coopetition urgent for banks & fintech to face challenges



Dr Shahadat Khan
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When I asked Dr Khan

T Remember when you had to go to a bank to do your banking?

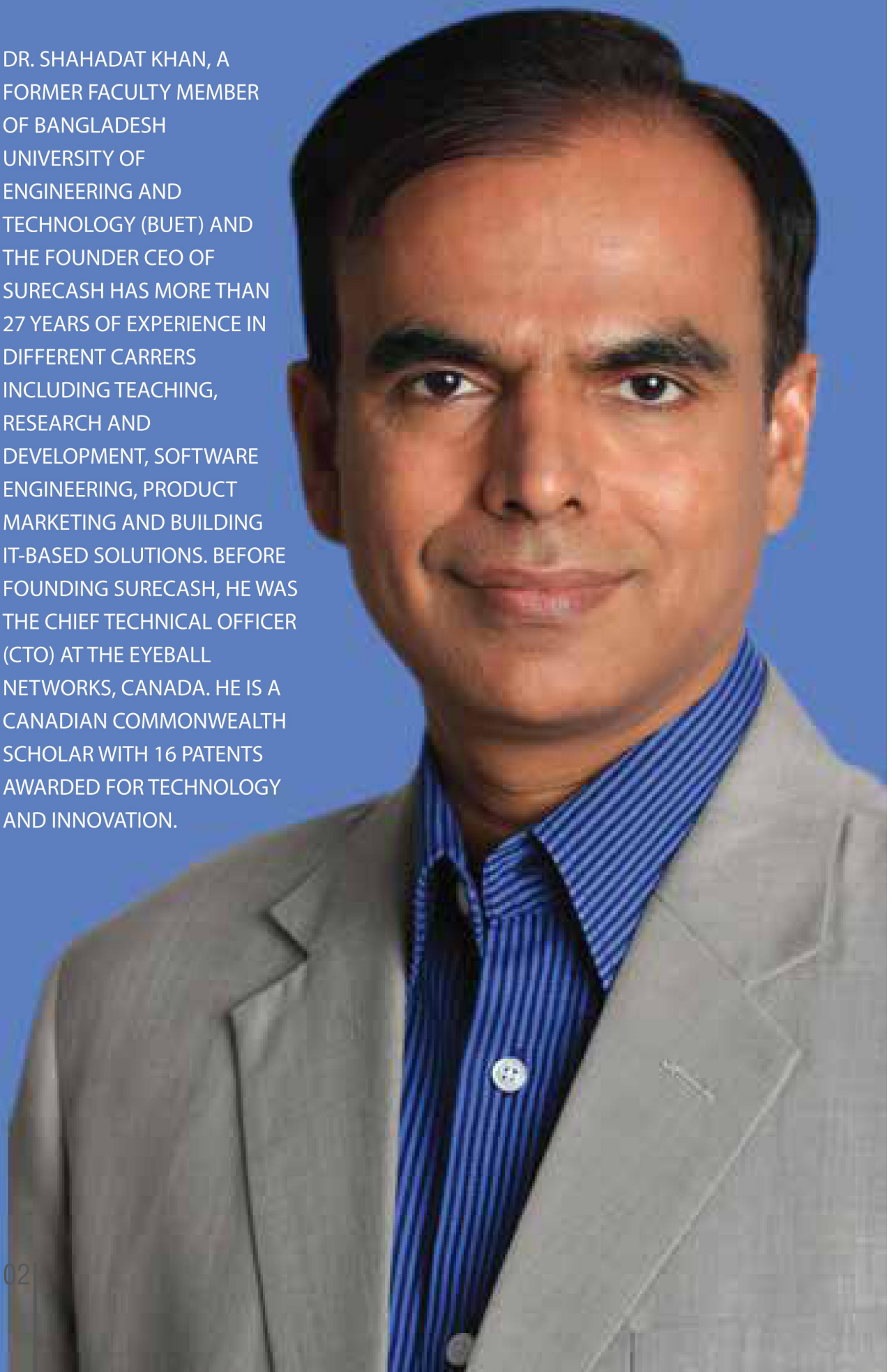
Most people are using smart phones, debit and credit cards to withdraw funds from their accounts, pay bills against shopping, buying and utilities. They don't like to stand in a que at bank branch. So, banks are shutting down their well decorated branches to cut cost of operations.

The customer experience at leading banks is undergoing a revolution, with technology and

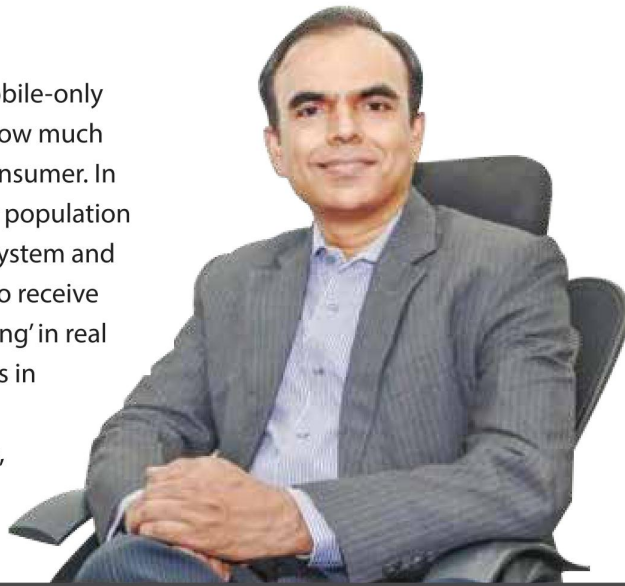
innovation bringing change at lightning speed, making things faster, simpler and safer. Today's banking experience looks nothing like it did 10 years ago, and the ongoing digital disruption promises to make today look like, well, just a good start.

For example, long queues and journeys to the bank's distribution center for receiving stipend is a thing of the past for many parents of students living at a remote village of Bangladesh. SureCash, a digital financial service ensures the

DR. SHAHADAT KHAN, A FORMER FACULTY MEMBER OF BANGLADESH UNIVERSITY OF ENGINEERING AND TECHNOLOGY (BUET) AND THE FOUNDER CEO OF SURECASH HAS MORE THAN 27 YEARS OF EXPERIENCE IN DIFFERENT CARRERS INCLUDING TEACHING, RESEARCH AND DEVELOPMENT, SOFTWARE ENGINEERING, PRODUCT MARKETING AND BUILDING IT-BASED SOLUTIONS. BEFORE FOUNGING SURECASH, HE WAS THE CHIEF TECHNICAL OFFICER (CTO) AT THE EYEBALL NETWORKS, CANADA. HE IS A CANADIAN COMMONWEALTH SCHOLAR WITH 16 PATENTS AWARDED FOR TECHNOLOGY AND INNOVATION.



We've begun to see the rise of mobile-only banks, which demonstrates just how much convenience drives the modern consumer. In Bangladesh, almost half of the adult population is out of the coverage of banking system and most of them only use MFS tool to receive transfer payments but not for 'Banking' in real terms. Building physical branches in remote areas, for a dispersed population with low-value accounts, for instance, is not viable in most circumstances.



delivery of stipend money their children every quarter quickly through its app without any interruption by third parties. Students are now paying school fees from their mobile phones from the comfort of home and hostel. Institutions can check their collection through web interface like Facebook.

As a technology professional as well as a banking customer, I can notice that the financial services industry is going through a period of extraordinary change at the moment. I can see banks are working hard on innovative ways of connecting touchpoints and utilising their data in a more meaningful way. And as a customer, I can see that little by little, I am starting to receive a more personal service from my bank. I have, you could say, a rather unique perspective of the situation. Because, I use a smart phone and always work with IOT.

If I didn't know better, I'd say that my relationship with my bank hasn't really changed in the last 20+ years and that it hasn't done anything to really understand me as a consumer, how I bank and the sort of transactions I like to do on different platforms. But, I do know better. The drive to provide more personalised banking services represents a huge investment from my bank, as they struggle to deliver more connected and competitive services – it's just that at the moment we are still only scratching the surface of what is possible.

The question has been raised: How could a bank find the balance between touch and technology? Certainly, it is evolving customer experiences.

Experience is now the driving force in banking, with traditional banks feeling the pressure of competition from new players which have been able to quickly adopt technology to make their customer experiences meaningful, seamless and intuitive. For most customers, banks are still very siloed in how they operate. Whilst banks provide similar services through their different channels, they have tended to be built using different technology platforms, making cross channel journeys difficult to achieve.

But what is a meaningful banking experience when today's consumers want and need more than a digital-only experience from their banks? How can banks help their customers who need help navigating those moments when life and money meet? Innovative digital solutions, data and analytics, and a customer-first approach can enable banks to build closer human connections and solve financial problems. So, the concept of channel will disappear as banks start to break down these silos and work towards bringing the physical and digital experience together. This will be a huge step for banks to take, but an incredibly important one because customers don't think in terms of channels - they want to consume services where, when and how they want them and services must be adapted accordingly.

However, the evolving world of technology has created untold possibilities for the banking industry, much more is involved in keeping up with the dizzying pace of change. So, today's bank must build customer trust on fulfilled expectations. And it is of major importance for

banks to keep up with technology and strive to be innovative so set themselves apart. Be it through FinTech cooperation or even coming up with their own in-house innovations. The best way is bank-fintech collaboration to drive innovations. This will reduce cost and corruption, discourage tax evasion, and allow for more effective subsidy payouts.

For example, Rupali Bank could save nearly Tk 100 crore every year from ghost beneficiary under its Stipend Disbursement Program after it made Sure Cash as its distribution partner. The bank disburses stipend money worth Tk 00000 lakh among to ---- students every year through digital channel that delivers money timely and quickly at a very minimum cost. Technology is changing the cost equation in fostering financial inclusion and increasing the benefits for all parties involved. It is making more cost-effective for traditional financial institutions to reach previously untapped markets and allow new market entrants to better serve customers at every part of the economic pyramid.

To keep growth pace, globally banks are trying to deliver their customers easy and convenient service as anything else we can do on a mobile phone. So, we've begun to see the rise of mobile-only banks, which demonstrates just how much convenience drives the modern consumer. With institutions such as Amsterdam's bunq making waves as one of the world's first mobile-only banks ... customers can easily sign up for accounts on the go, eliminating the paperwork and trip to the brick-and-mortar bank branch. And as biometric authentication is paired with mobile banking, banks should extend a hand to the unbanked or underbanked, who may be unable to verify their identity through a credit history or permanent address. So, digital financial inclusion should be the cornerstone of bank's strategy to ensure better customer experiences.

The Global Findex Report shows that 50 per cent of adults owned an account at a financial institution or through a mobile money provider in 2017. In Bangladesh, almost half of the adult population is out of the coverage of banking

system and most of them only use mobile financial service (MFS) as a tool to receive transfer payments but not for 'Banking' in real terms. Banks have covered only 25 per cent unbanked population. They can add value to their accounts bring the rest of unbanked population people with this MFS tool. Because building physical branches in remote areas, for a dispersed population with low-value accounts, for instance, is not viable in most circumstances.

While Bangladesh is on a very high growth path with its Vision-2020 goal, almost at the two-digit level, majority of the people are out of the growth process. This is neither desirable nor sustainable for the nation. All services such as savings, insurance and remittances are extremely important for poverty alleviation and development. Globally mobile financial services have been proved as an effective tool to unleashing fortunes for the people at the bottom of economic pyramid. Because, this unique digital tool has provided lower distribution and operational costs, greater scale, faster and more convenient service, more affordable and accessible products for low-income individuals, and ultimately a larger customer base for financial institutions. With its multidimensional impact on financial inclusion, several study reports say that this new fintech player had a game changing role in poverty reduction and women empowerment in Bangladesh over the last 10 years.

MFS is not an end in itself, it is a means to achieve broad-based financial inclusion and achieve the SDGs (Sustainable Development Goals). Thanks to the government's proactive policy, financial inclusion has made great strides and delivered numerous benefits to all segments of society in Bangladesh over the years. MFS is the driving force in this inclusion story. So, banks, micro-financial institutions, regulators and others involved in the process should work together with MFS operators to reach and acquire unbanked and underbanked segments of the population.

The bottom line is: A greater industry competition is urgent to explore more opportunities and face challenges both bank and fintech now facing.