

Client Servicing in FinTech Industry

<https://doi.org/10.34047/MMR.2020.7101>

Abstract

The paper provides an overview of the role of client servicing within the FinTech industry, highlighting its significance, challenges, and evolving strategies. The FinTech sector, characterized by innovative digital financial services, has revolutionized traditional banking and investment landscapes. Effective client servicing in this context is paramount for building trust, ensuring regulatory compliance, and fostering sustained customer relationships. However, unique challenges arise, including maintaining personalized experiences in a technology-driven environment, addressing cybersecurity concerns, and adapting to rapidly changing market trends. The paper explores the multifaceted nature of client servicing in FinTech, drawing attention to the fusion of technological advancements and personalized human interactions. By analyzing industry practices, case studies, and emerging trends, this abstract sheds light on how FinTech companies can excel in client servicing and contribute to the sector's ongoing transformation.

Keywords: Client Servicing, FinTech Industry, Significance, Challenges, Strategies, Digital Financial Services

Introduction

The buzz around fintech has gained substantial attention of traditional financial institutions, startups, venture capitalists and regulators. Banks and regulators are hard-pressed to revisit their operating model and policies respectively to create a conducive environment of collaboration and dynamism amidst the participants in the fintech ecosystem.

The year 2015 was a formative year for the Indian fintech sector, which saw the emergence of numerous fintech start-ups, incubators and investments from public and private investors. It was clearly reflected that a right mix of technical skills, capital investments, government policies, regulatory framework and entrepreneurial and innovative mind-set could be the driving force to establish fintech as a key enabler for financial services in India. Building a robust fintech ecosystem where start-up firms engage in external partnerships with financial institutions, universities and research institutions, technology experts and government agencies is expected to be a key enabler for growth and innovation in the fintech sector.

Hence, this project aims at servicing one of the important stakeholders which are clients in Fintech industry.

Objective: To understand the servicing of a client in Fintech industry.

Definition of Fintech

The term "FinTech," which is the short form of the phrase Financial Technology, denotes companies or representatives of companies that combines financial service with modern, innovative technologies and as a rule, new participants in the market offer Internet-based and application-oriented products. Fintech generally aim to attract customers with products and services that are more user friendly, efficient, effective, transparent and automated than those currently available and traditional banks have not yet exhausted the possibilities for improvements along these lines. In addition to offering products and services in the banking sector, there are also Fintechs that distribute insurance and other financial instruments or provide

third-party services and in a generous sense of the term, “Fintech” encompasses companies that simply provide the technology to financial service providers.

In the end, it is not possible to construct a restrictive definition of “Fintech” that applies to all of the entities traditionally associated with the term and while most companies in the Fintech industry have certain features in common, there are always enough exceptions to render them inadequate for producing a general definition. For example, many of the Fintech companies are in their start-up phase and since not all the Fintech companies are start-ups, this category cannot be an essential part of a fintech definition.

Growth of Fintech in India

The traditional financial services have globally undergone a radical transformation that has been brought about by technology and innovation & in 2015, more than 12000 start-ups emerged in the Fintech space across the world with a massive investment of \$ 19 billion. By definition, Fintech comprises of technology-based businesses that are competing against, enabling or collaborating with existing financial institutions and these companies also collaborate with universities and research institutions, government associations and also industries bodies. The industry is likely to continue its current growth movement, with the global Fintech software and services sector predicted to touch USD 45 billion by 2020 at a CAGR of 7.1% and at this juncture, India has created an ecosystem that provides start-ups an opportunity to exponentially grow into big businesses.

Right from scooping out range of unexplored sections to engaging with foreign markets, Fintech start-ups are delivering innovations that was previously difficult to achieve and the Fintech software in Indian market is confident to touch USD 2.4 billion by 2020 from the current USD 1.2 billion in the FY 2016. In the last few years, the Indian economy, which is significantly cash-driven, has taken advantage of the Fintech opportunity and with a wide range of option, including e-wallets, lending and insurance, the variety of services provided in this sector are immense and have changed the way consumers carry out their daily transactions.

Indian Fintech is especially advantageous, since the country boasts of excellent youth demographics which is rapidly growing & furthermore, smartphone penetration is likely to witness an upsurge- from 53% in 2014 to 64% in 2018 and the financial services market in India is primarily untapped, with 40% of the population having no association with any bank and more than 80% of the transactions are carried out through cash. This represents an opportunity for Fintech start-ups to massively spread their wings in different segments.

2.4: Relevant Stakeholders

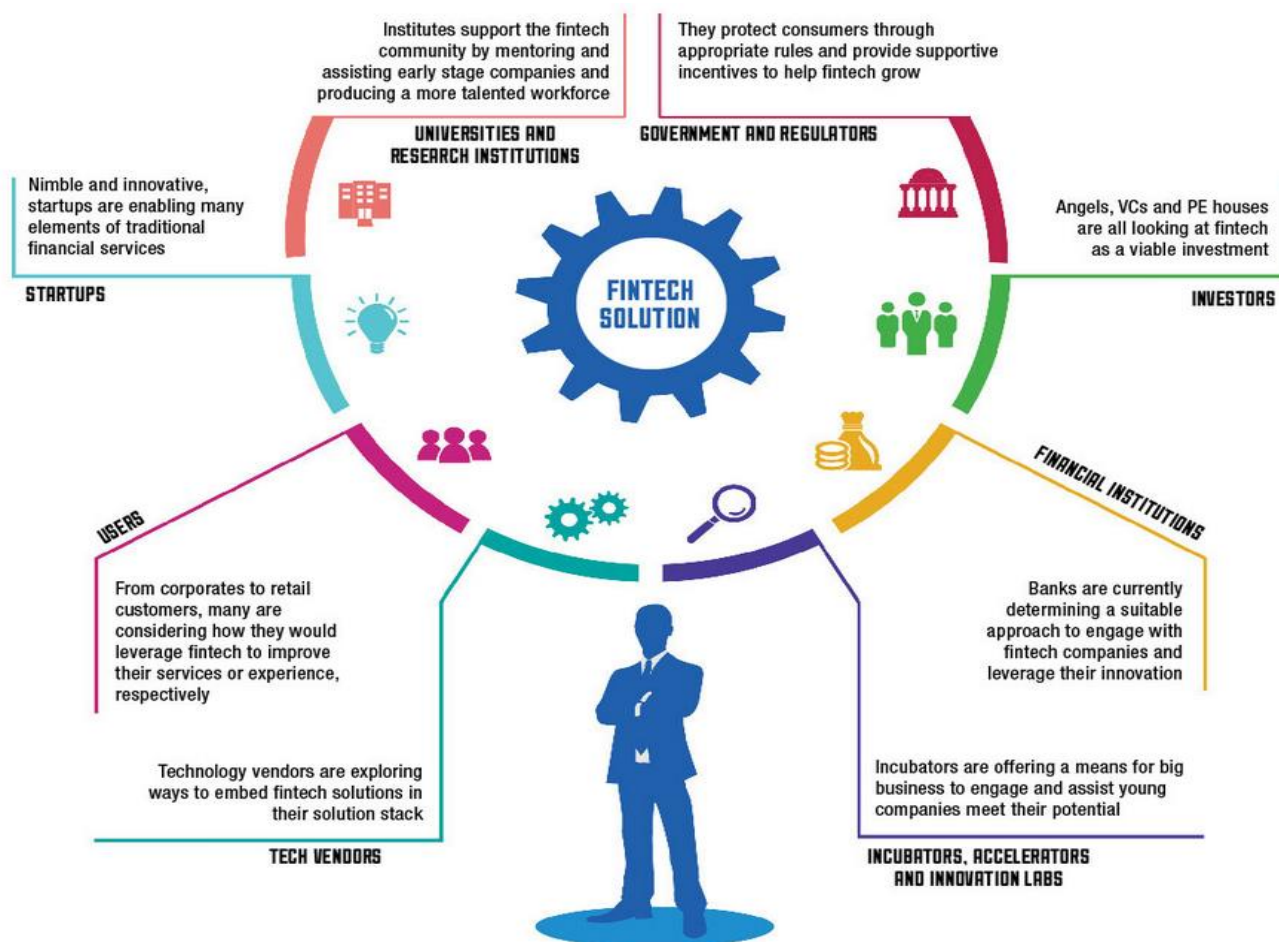
Since the Fintech ecosystem is based on the principle of collaboration and integration with other agencies, this is where the exchange of ideas and strategies, building of networks and conversion of opportunities play a significant role and below are the key stakeholders that define the success of this industry:

Start-ups

Contrary to popular perceptions, the start-up fintech space is not just limited to mobile-wallets & presently, India boasts of over 600 start-ups in Fintech that belongs to various segments and the number is predicted to rise, especially with the introduction of the initiatives such as focussed accelerator program by local and state governments and banks. Also, additionally, support through funding is provided by leading corporates and venture capital and at this point, the start-ups are undergoing a makeover- from disrupters to enablers of change.

Government and Regulators

The government along with regulators such as the RBI and SEBI are extending all the support to Fintech



companies in order to realise the country's vision to become a cashless economy and through the 'Startup India' initiative that was launched in 2016, the government visualises to build a strong ecosystem for the start-ups in the country, drive sustainable economic growth, generate large scale employment opportunities and promote innovation. To further aid start-ups the government has launched a range of tax and surcharge reliefs, including income tax exemption for the start-ups for the first 3 years, a credit guarantee mechanism through debt financing for start-ups as well as other exemptions.

Universities & Research Institutes

Academic bodies play a significant role in shaping the mind-set of prospective entrepreneurs and lately, leading India institutions are playing a proactive role by organising events and competitions as well as offering technical courses.

Pillars of a FinTech Ecosystem

Incubators and Accelerators

This is a critical component of the Fintech ecosystem and the role of incubators and accelerators is not just limited to funding but also to strengthen the financial industry and enhance soft skills and financial institutions play a significant role to discover the talent and develop platforms and solutions. Secondly, non-financial institutions focus more on incubators than accelerators and some of the most significant initiatives include PayPal Incubator and Yes Fintech.

Users

The users, comprising of customers in both individuals and organizations, have shown impressive receptivity to the transition of India's economy being technology-driven and the routine transactions made by cash have given way to cashless transactions and mobile banking's.

Financial Institutions

With the rapid emergence of the Fintech sector, various Banking Financial Service Institutions are collaborating with Fintech Start-ups on a variety of platforms such as wallets and online client acquisition, among others and they are proactively mentoring, supporting and investing in innovative start-ups. For example, Bank of India offers a wallet in collaboration with Paymino that is powered by TechProcess.

2.5: Growth Levels

A range of factors have contributed towards the success and development of the Fintech ecosystem in



India and with India's population going digital at a very fast pace, the number of internet users touched 450-465 million in June 2017 and is expected to rise even further and with government's consistent efforts to promote digital services through 'Digital India', there lies no opportunity for existing Fintech Start-ups as well as potential investors. Apart from this, the government's push towards financial inclusion for India's population is a critical factor as well and the launch of 'Jan Dhan Yojana' scheme aims to provide a bank account to every citizen. The Fintech start-ups can capitalise on such opportunities by offering simplified and efficient transaction services. The government's biometric identification database, Aadhar, contains information of over 1 billion Indian citizens; that is likely to minimise the effort required for first-level verification of the customers and furthermore, to provide an impetus to cashless transactions, the government has introduced tax rebates for traders accepting more than 50% as electronic payments.

About

CapitaWorld is an unique Fund Raising Platform, which is created as a one stop solution for the financial requirements of not only Fund Seekers (Individual/Business), but also for Fund Providers (Banks/NBFC's/High net worth individuals etc.) and Service Providers (CA/CFA/CFP/ CPA/Investment Bankers, other financial professionals etc.). CapitaWorld is smart, intelligent and automated digital financial platform.

How would Banks and NBFCs benefit from CapitaWorld

-  All Authenticated Retail Proposals directly at the Desk of the Banker (with EKYC, Credit Bureau Check)
-  All Authenticated Corporate (MSME) Proposals directly with the Banker
-  Pool of proposals with direct Central Team Access (can be extended to Branch level integration as well)
-  All Data available Upfront
-  Data can be provided in necessary forms/ formats duly filled up
-  Preliminary filtering and assessment/ scoring done
-  Artificial Intelligence driven recommendation engine
-  Future Technology Drive systems with Machine Learning Algorithms
-  Complete Transparency in the process and direct connect to the customers
-  Total ease in Acceptance/ Rejection of proposal

The Concept of CapitaWorld

Explanation

- 1) There are two types of fund seekers i.e Corporates and Retail. Retail fund seekers apply for seeking fund for Home loan, Car loan, Personal loan, Loan against Property, etc. Corporate Fund seekers apply for seeking fund for Working Capital, Term loan, unsecured loan, etc. The fund seekers then need to register with the CapitaWorld platform.
- 2) Once the registration is successful, the fund seekers may fill an application for the kind of loan he/she wish to avail. Often fund seekers need to visit various banks, stand in queues and submit various documents. CapitaWorld has introduced a concept of "One Form" wherein data points of various Banks and NBFCs are combined into one single form. The fund seekers have to upload all their documents thus saving their time, money and energy

i. Social Media Profile

Generally bankers check 3 pages of Google to ensure that nothing wrong, explicit or criminal record is written against the fund seeker. CapitaWorld checks up to 30 pages of Google for more clarity and reliability and submits it to the banker.

ii. CW SME Scoring

For SMEs, there is no international scoring and rating agency. FIITCH, an international agency is entering India through CapitaWorld. The corporates fund seekers will automatically be evaluated and their scoring will be sent to the bankers.

iii. Credit Score

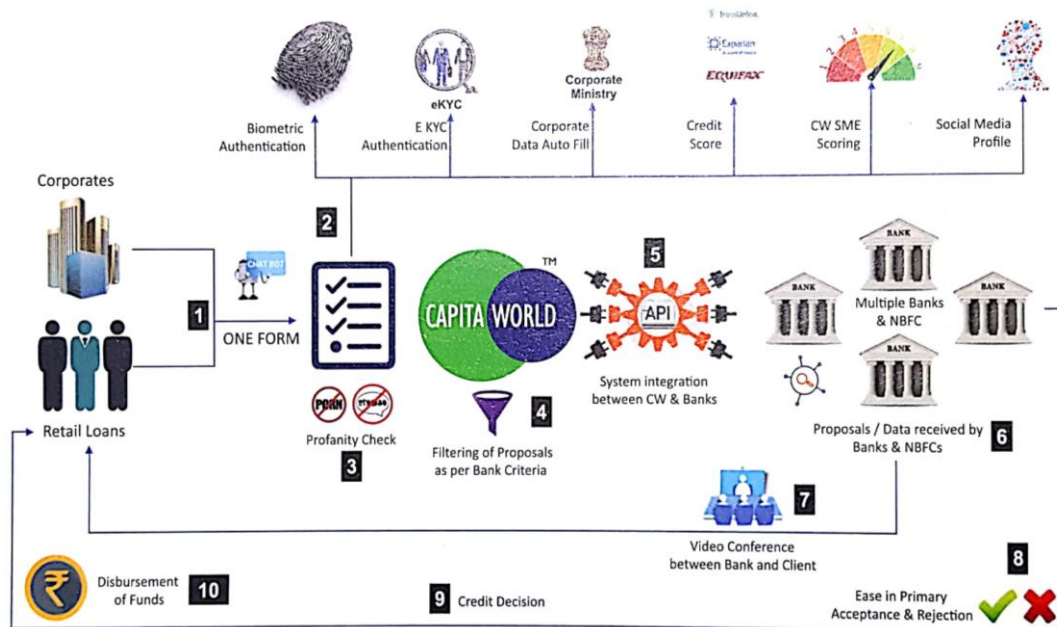
CapitaWorld generates credit score of an individual fund seeker and submits it to the banker. Generally, the more number a time a person checks his credit score, it gets reduced. But with CapitaWorld, it remains constant.

iv. Corporate Data Auto fill:

The corporate fund seekers have an option to auto fill their data from Ministry of Corporate Affairs. Out of 500 data points available at Ministry of Corporate Affairs, CapitaWorld's one form auto fill's 70 data points which results into filling 60% of form automatically.

v. E-KYC and Biometric Authentication

CapitaWorld's research and development team have come up with the testing of e-kyc and biometric



authentication wherein with the help of biometric of a fund seeker, his data will be auto filled.

vi. Profanity Check:

CapitaWorld has installed software on their portal wherein if more than 60% of body parts is shown in any pictures or documents which are uploaded by fund seeker, then it raises an alarm that something is wrong. This is done in order to avoid any explicit content or pornographic material to be uploaded on portal.

When fund provider (Banks and NBFCs) registers with CapitaWorld, they have to upload certain criteria through on the basis of which they will accept loan proposals. So once a fund seeker completes filling of one form, a teaser is prepared and it is automatically segregated and sent to various fund providers on the basis of their given criteria.

If more than or equal to 50% of the criteria matches then the proposal's trailer is directly sent to fund providers inbox or else it is sent to their connections tab. If fund provider likes that proposal then he accepts it and fund seeker gets a notification about the same. Fund seeker gets an option to choose three fund providers and once he/she chooses the accepted fund provider then the whole proposal is visible to the fund provider.

On acceptance from both the fund seeker and fund provider, CapitaWorld gives an option of videoconferencing wherein fund seeker and fund provider can easily connect and negotiate the deal. CapitaWorld has also installed software for pulse detection, face detection, behavioural analysis, sentimental analysis etc. through videoconferencing. All the said features are applied to the fund seeker when he/she is answering the questions asked by fund provider through videoconferencing. A detailed analysis report is then sent to banker in order to take decisions. Once a fund provider is satisfied with the fund provider, decision is taken. After submission of few offline documents, loan is disbursed and the process for that loan gets completed.

Project Snapshot

A project snapshot is basically a one-page summary of client's financial position, their current requirements of loan and the purpose for which a company requires loan. This is an initial document sent to banks and on the basis of this, it is decided whether the company will get funding or no.

A preformat of project snapshot looks like

Project Snapshot				
Entity Name :	xxx			
Constitution :	Private Limited			
Industry:	xxxx			
Financials				
				Rs in Lakhs
Financial Year	2014-15	2015-16	2016-17	2017-18
Status	Audited	Audited	Audited	Provisional (Till 31st Dec, 2017)
Particulars				
Revenue from Operations	2180.36	2189.97	2027.54	1676.51
Net Profit	19.18	5.28	-66.98	10.59
EBITDA	100	90.01	36.87	123.79
EBIT	65.19	42.58	-20.27	67.79
Current Assests	741.72	734.97	450	705.69
Current Liabilities	345	220.56	707.31	600.51
Current Ratio	2.15	3.33	0.64	1.18
Long Term Debt	500	550	30	200.44
Equity	102.46	102.46	102.46	102.46
Debt-Equity Ratio	4.88	5.37	0.29	1.96
LTB	504.38	565.48	31.09	200.44
STB	160.63	116.12	579.45	416.83
Loan Proposal -Takeover + Topup				
Particular	Type of Loan	O/s as on date	Total value (Approx)	
Cash Credit with ICICI Bank	Funded			
WCDL with HDFC Bank	Funded			
Letter of Credit with HDFC Bank	Non Funded			
Bank Guarantee with Axis Bank	Non Funded			
Derivative with Axis Bank	Non Funded			
Channel Finance with Aditya Birla Finance	Funded			
Total Amount				
Collateral Details				
Particulars		Total Value		
Current Asset (Primary Security)		705.69		
Plant and Machinery (Primary Security)		282.27		
Movable Asset of Company		397.12		

Land and Building		124.11		
Founder 1				
Founder 2				
Founder 3				
Total Amount				

Conclusion

There are a plethora of FinTech startups emerging in India, across all segments in financial services. The pace at which FinTechs are emerging; there is no denying the fact that our country has enormous entrepreneurial potential. There are roughly 1500 FinTech startups, big and small, operating in India, and out of these, almost half were setup in the past two years.

The FinTech revolution is being further encouraged by the initiatives of the government and regulatory bodies which are ready to go the extra mile to enable innovation in financial services a reality. Big banks and other financial institutions are also looking to actively collaborate with startups for their mutual benefit. Having a structured program for engaging with FinTech startups can almost act like an outsourced R&D function for the financial institutions.

This shows that India is on the verge of financial revolution. The total investment that the FinTech industry has witnessed in has boomed in 2015-17. There is still considerable momentum in the industry and we will continue to see this trend continuing hereafter. Though a majority of successful startups as of now have been in the payments space, moving forward we foresee a number of them coming up in other segments as well. But particularly in alternate lending, wealth management and insurance.

It is clear to me that good customer service is vital. It is aware that satisfied customers return to the business and ensure that healthy profits are made. They also help to build a good reputation. For example, Portakabin uses market research and different types of data to ensure it gets a clear message about what customers do and don't like. It knows that if customers receive good service, 'this time, next time, every time', then they are more likely to return.

Also following are the results of the parameters on which CapitaWorld was being judged:

Scale	Parameters					
		Speed	Confidentiality	Stability	Creativity	Impact
	High	CAPITA WORLD	CAPITA WORLD	CAPITA WORLD	CAPITA WORLD	CAPITA WORLD
	Medium	CAPITA WORLD		CAPITA WORLD		CAPITA WORLD
	Low					

So based on the results, I can say that CapitaWorld is doing reasonably good and have lot of potential to grow in the coming years.

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