Image not found or type unknown

# Should Fintech firms and Banks be collaborated?

## Description

In this age of transparency and digitization, Fintech firms and start-ups have been the major gainers. They are also emerging as strong players in the financial sector by offering personalised and transparent offers to the customers. By weakening the loyalty of established customer base, these newly emerged Fintech firms are giving hard time to traditional banks. With Tech giants like Amazon, Flipkart and WeChat venturing into finance sector, it clearly indicates that they are doing everything in their capacity to be in the limelight always. On the other hand banks are suffering due to their non-flexible boundaries.

While there exists a serious rivalry between the two, collaboration is also being perceived as an option for mutual benefit. But before this brand new “Banking + Fintech” financial ecosystem attains immense importance, it is imperative to understand its pro’s and con’s.

**Points for the Motion:-**

- **Improved Profitability:**

‘The Fintech revolution’ is being understood as the reason for the termination of legacy banks. Thus now it is essential for the existing traditional banks to comprehend these firms as partners rather than follies. This will not only enhance the overall profitability of the banks but also improve their degrading performance in the recent years.

- **Benefits of data enrichment:**

Data enrichment is an innovative way through which the Fintech firms use machine-learning engines to add value to the plethora of existing data of customers acquired from millions of transactions. This will surely help the banks to not only identify particular customers but also in maintaining them.

- **Next wave of tech generation:**

With the foray of Tech giants in finance, the new wave of tech generation has arrived. But full benefits can be reaped when these new technologies reach the other major participant of this sector. Thus the bank and tech alliance will not only reduce costs but also increase efficiency of the banks, due to superior technical know-how abilities.

- **Benefits of portfolio diversification:**

With their expertise in giving importance to particular customer needs, the Fintech firms will help banks to diversify their loan portfolio as now the customers will be provided what they want.

- **Increased customer awareness:**

The EY FinTech Adoption Index 2017 has stated that the percentage of people aware about FinTech facilities in 2017 has risen to 84% as compared to 62% in 2015. Thus in a such a scenario it is absolutely beneficial for the banks to merge in these small scale Fintech startups and deliver greater value to their customers.

**Points Against the Motion:**

- **Huge costs:**

One of the primary concern of a bank is its costs such security cost, compliance costs, auditing expenditure. These costs will only increase with such collaboration on account of provision of secure network and complex structure of a FinTech firms operations.

- **Complexity in dealing with customers:**

Due to a nexus of financial data resulting from data enrichment, the dealing with customers and other organization will be difficult and time consuming.

- **Reluctance of Banks:**

Banks are reluctant to alter their already well-established tech system which will hinder the efficiency due to dissimilarity in the Tech architecture.

**Conclusion :-**

The Bank and FinTech collaboration is deemed to be beneficial in enhancing the efficiency of finance sector due to the advanced technologies of the Tech organisations and with the advantage of the established customer base of large banks. But there are still some stones left unturned on account of expenditures and the complexity possessed.

**Your Turn…**

What is your opinion on this topic? Express your thoughts in the comment section below. Subscribe to our blog to read answers to trending GD topics.