

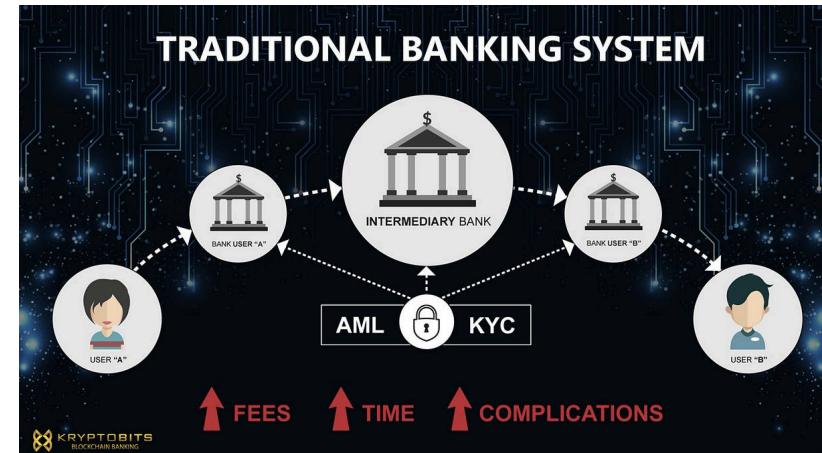
# What is Traditional Banking and FinTech

## **Traditional Banking:**

Traditional banking has been around for centuries. It is usually characterised by physical branches, regional headquarters, own-branded ATMs, many employees, and personal customer service provided by dedicated account managers. While traditional banks offer online services, the main focus is mainly on physical presence.

Many customers choose traditional banking because of the direct customer service. A global consumer banking survey has revealed the reason for this choice. The survey results showed that live contact builds trust and credibility.

Clients prefer to visit a physical location and deal with a real person when seeking financial advice or buying new products. In addition, being present in such local branches gives more confidence, especially when opening a bank account.



**Fintech:** Fintech is a combination of “Finance” and “Technology”. Technology-based financial systems help people to avail all types of financial services without any issues. And because of this approach, the market has observed a greater increase in the use of technology for financial services than ever before. Besides, because of the mandatory and intense use of the internet, banking and financial institutions can easily track the transactions and can easily take benefit from the fintech systems.

Businesses rely upon fintech for payment processing, e-commerce transactions, accounting and, more recently, help with government-assistance efforts like the Payroll Protection Program (PPP).

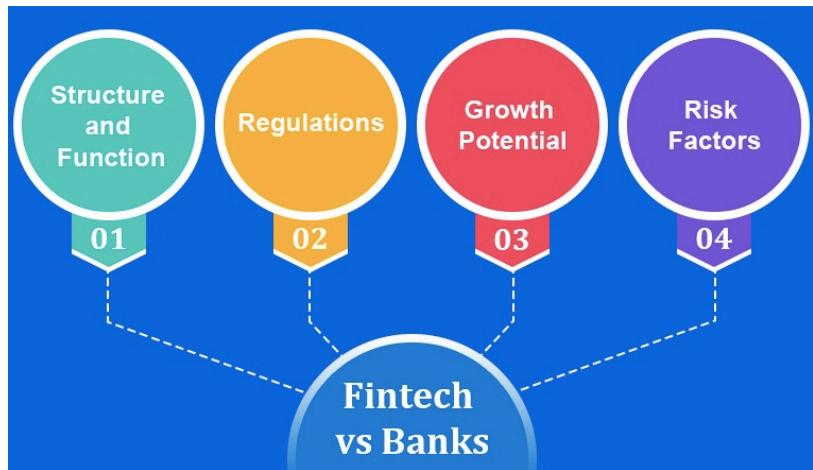
At its core, fintech is utilized to help companies, business owners, and consumers better manage their financial operations, processes, and lives. It is composed of specialized software and algorithms that are used on computers and smartphones.



# Difference between Fintech and Traditional Banking

Some of the major differences between legacy financial institutions and the banking industry that have a fintech ecosystem are –

- **Structure and Function —>**
- **Fintech:** Fintech is an innovative and customer-centric concept. It comes with the ability to streamline complex financial processes. And this makes it straightforward and simple for the users to access all types of banking facilities. Besides this, fintech enables organizations to make changes easier, rebuild legacy systems, and innovate the systems with something new and interesting.
- **Traditional banks:** The regulatory framework and overall financial system that traditional banks utilize restrict their ability to use emerging new technologies in time. For this reason, banks can't come up with new products or services that can address the client's requirements or issues at the time as fintech companies. We can say that it happens because banks are more process-oriented in comparison to fintech.



## **Regulations —>**

- **Fintech:** When it comes to fintech companies, they don't particularly have one regulator. This is one of the most important reasons why so many fintech startups have started appearing. And without strict regulation, these fintech firms can make changes to their business and they don't have to follow any type of strict guidelines. This makes it very simple for fintech startups to adapt to their client's requirements and work faster in this risky industry..

- **Traditional Banks:** The world banking system is regulated by a central or national bank in the country of origin. And the regulating bodies need a traditional bank to adhere to legal restrictions, requirements, and guidelines that can help in safeguarding the client's money. This means that banking regulations are utilized to ensure transparency between clients and financial institutions.

## **Growth Potential ->**

- **Fintech:** On the other hand, since the pandemic, the global fintech market is rapidly growing and digital transformation has become a big deal and it is bringing up new trends every day. And this has brought some amazing growth levels in the financial market which comes with a great level of sustainability.
- **Traditional banks :** Traditional banks have sustained the financial market for the past many years and with fintech coming into the picture and evolving in such a way, they are adapting to changes in client requirements. This also means having fintech features like mobile payments, digital security, and peer-to-peer lending which have the capabilities to enable clients to borrow money from an individual or a group of people.

## **Risk Factors ->**

- **Fintech:** As you know that fintech regulations have a flexible nature and this could make it riskier for the industry. But because of its benefits like robust, less expensive, highly user-friendly experience, and innovative nature, it is considered to be a better option than traditional banks.
- **Traditional banks:** When it comes to legacy infrastructure, the stricter the regulations are, the more they help in lowering the risks. But if the institution wants to stay competitive, offer a better service to the users, and reach out to more people, using financial technology is very important. By offering the best services, the legacy systems can make the users come to the applications.

CFTE Fintechs vs Banks		
	Fintechs	Banks
<b>Definition</b> 	Technology that automates and improves the delivery of financial services	Financial institutions that are licensed to accept deposits from their customers and make loans
<b>Technology</b> 	Fintech companies rely heavily on technology	Banks do not rely as heavily on technology advancements
<b>Structure</b> 	Organisational structures with fewer barriers to trends, encouraging innovation	Rigid organisational structure that may restrict quick rolling of innovation
<b>Collateral</b> 	Fintech has lenient and flexible collateral requirements	Banks have strict collateral requirements
<b>Target Customers</b> 	Fintechs target the unbankable such as those with low credit ratings	Banks usually target customers with proven track records as well as strong credit ratings

# **Different characteristics, functions, and features of Traditional Banking and Fintech :**

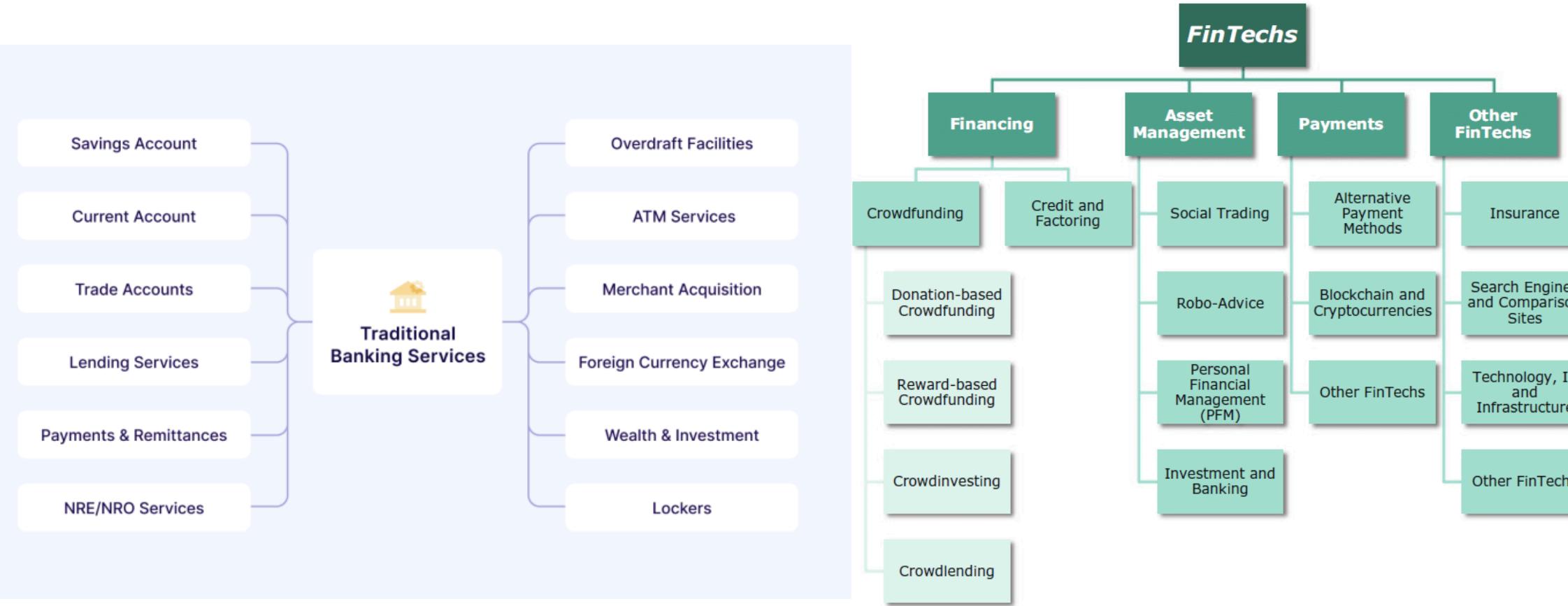
## **• Traditional Banking:**

- **Physical Branches:** Traditional banks typically have physical branches where customers can conduct various banking transactions, including deposits, withdrawals, and account management.
- **Paper-Based Transactions:** Many transactions in traditional banking involve paper-based processes, such as filling out forms for account opening, loan applications, and other services.
- **Limited Accessibility:** Traditional banks may have limited operating hours and physical locations, which can restrict access for customers, especially those in rural or remote areas.
- **Higher Fees:** Traditional banks often charge higher fees for services such as overdrafts, account maintenance, and wire transfers.
- **Longer Processing Times:** Transactions and processes in traditional banking can take longer to complete due to manual processing and paperwork.
- **Personalized Customer Service:** Traditional banks often offer personalized customer service through face-to-face interactions with bank staff at branch locations.
- **Regulatory Compliance:** Traditional banks are subject to strict regulatory requirements and compliance standards to ensure the safety and security of customer funds and financial stability.

## **• Fintech:**

- **Digital-First Approach:** Fintech companies leverage technology to provide digital financial services, offering mobile apps and online platforms for banking, payments, investing, and lending.
- **Automation and Efficiency:** Fintech companies automate many processes, leading to faster transaction times, reduced paperwork, and increased operational efficiency.
- **Accessibility:** Fintech services are often accessible anytime, anywhere, allowing customers to manage their finances remotely via smartphones, tablets, or computers.
- **Lower Fees:** Fintech companies typically have lower fees compared to traditional banks, offering competitive rates for services such as money transfers, currency exchange, and investment management.
- **Innovation and Disruption:** Fintech companies drive innovation and disrupt traditional banking models by introducing new products, services, and business models that cater to changing consumer preferences and market demands.
- **Data-Driven Insights:** Fintech companies leverage data analytics and artificial intelligence to gain insights into customer behavior, preferences, and financial needs, enabling personalized recommendations and targeted marketing.
- **Regulatory Challenges:** Fintech companies face regulatory challenges and compliance requirements, as they operate in a highly regulated industry and must adhere to laws related to consumer protection, data privacy, and financial regulations.

# Major sectors and services offered by Traditional Bank and FinTech:



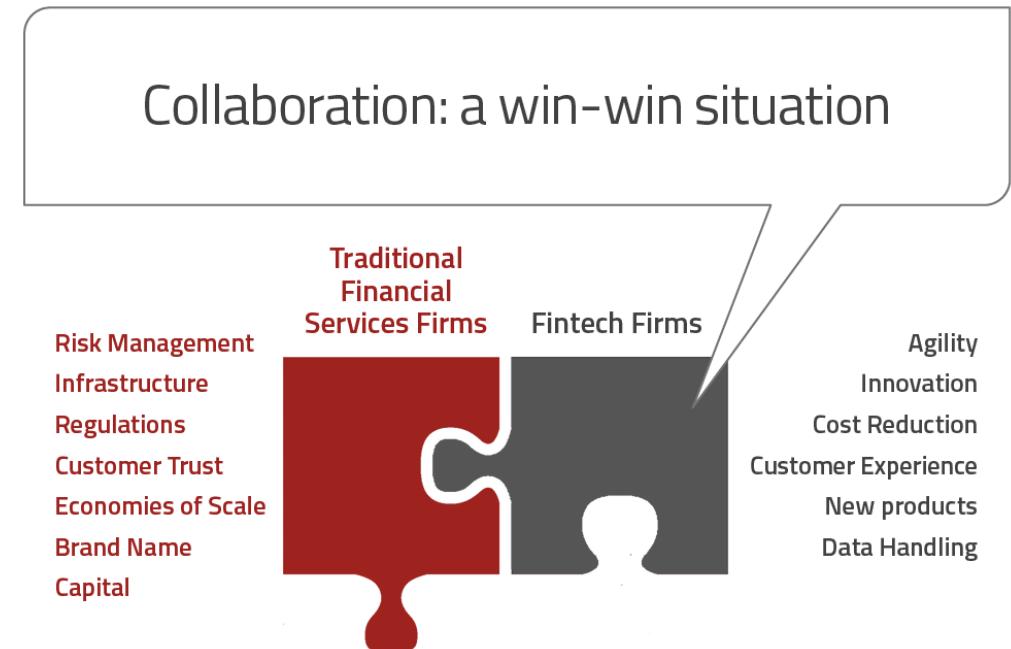
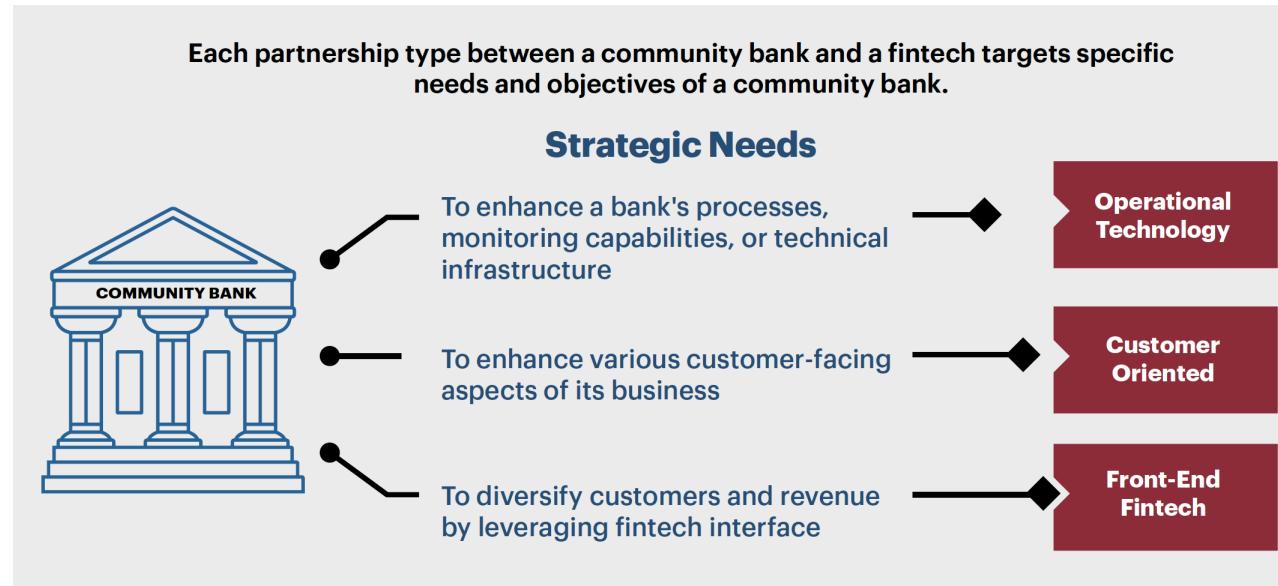
## Strategic Partnership between Traditional Bank and Fintech :

Strategic partnerships between traditional banks and fintech companies are symbiotic relationships that enable both parties to capitalize on each other's strengths, drive innovation, and deliver value to customers, shareholders, and stakeholders in the rapidly evolving financial

services landscape. These partnerships are essential for staying competitive, meeting customer demands, and navigating the digital disruption reshaping the banking industry.

## Reasons of Strategic Partnership:

- **Innovation:** Fintech companies bring innovative technologies and solutions to the table, while traditional banks have established customer bases and regulatory compliance. Partnering allows banks to leverage fintech innovations without having to develop them in-house.
- **Customer Experience:** Fintech firms focus on enhancing the customer experience through user-friendly interfaces, seamless transactions, and personalized services. Partnering with fintechs enables banks to modernize their digital offerings and meet evolving customer expectations.
- **Market Expansion:** Traditional banks may lack agility and flexibility in adapting to changing market demands. Partnering with fintechs allows banks to access new customer segments, markets, and product lines that they may not have reached on their own.
- **Cost Efficiency:** Developing and maintaining technology infrastructure can be expensive for traditional banks. Partnering with fintechs allows banks to reduce costs associated with technology development, innovation, and digital transformation initiatives.
- **Regulatory Compliance:** Fintech companies often face regulatory challenges, while traditional banks have established compliance frameworks and expertise. Partnering allows fintechs to navigate regulatory requirements more effectively, while banks benefit from fintechs' agility and innovation.



## Benefits of Strategic Partnership for Traditional Banks:

### Understanding the Benefits of Strategic Partnerships

Expanded Market Reach



Cost Savings

Enhanced Competitive Advantage

**-Digital Transformation:** Partnering with fintechs accelerates traditional banks' digital transformation efforts, enabling them to offer modern, technology-driven financial products and services to customers.

**-Customer Engagement:** Fintech partnerships enhance customer engagement and loyalty by providing innovative solutions that meet evolving customer needs and preferences.

**-Competitive Advantage:** By leveraging fintech innovations, traditional banks gain a competitive edge in the market, attracting new customers and retaining existing ones.

**-Revenue Growth & Risk Mitigation:** Fintech partnerships open up new revenue streams for traditional banks through expanded product offerings, increased transaction volumes, and access to new markets. Collaborating with fintechs allows traditional banks to diversify risk and stay ahead of regulatory changes, improving their resilience and long-term sustainability.

## Benefits of Strategic Partnership for Fintech Companies:

- Market Access:** Partnering with traditional banks provides fintech firms with access to established customer bases, distribution channels, and regulatory frameworks, accelerating their market penetration and growth.
- Brand Credibility:** Fintech partnerships enhance brand credibility and trustworthiness by associating with reputable traditional banks, increasing customer confidence and adoption of fintech solutions.
- Scale and Resources:** Traditional banks offer fintech companies access to resources, expertise, and infrastructure that may not be available to them independently, enabling faster growth and scalability.
- Regulatory Support & Innovation Validation:** Collaborating with traditional banks helps fintech firms navigate complex regulatory environments and compliance requirements, reducing regulatory risks and barriers to entry.

Building Strong Partnerships  
Leveraging Strategic Partnerships for Growth and Innovation

Identifying Strategic Partnerships

1

Access to New Markets

2

Technological Expertise

3



Resource Sharing

4

Collaborative Innovation

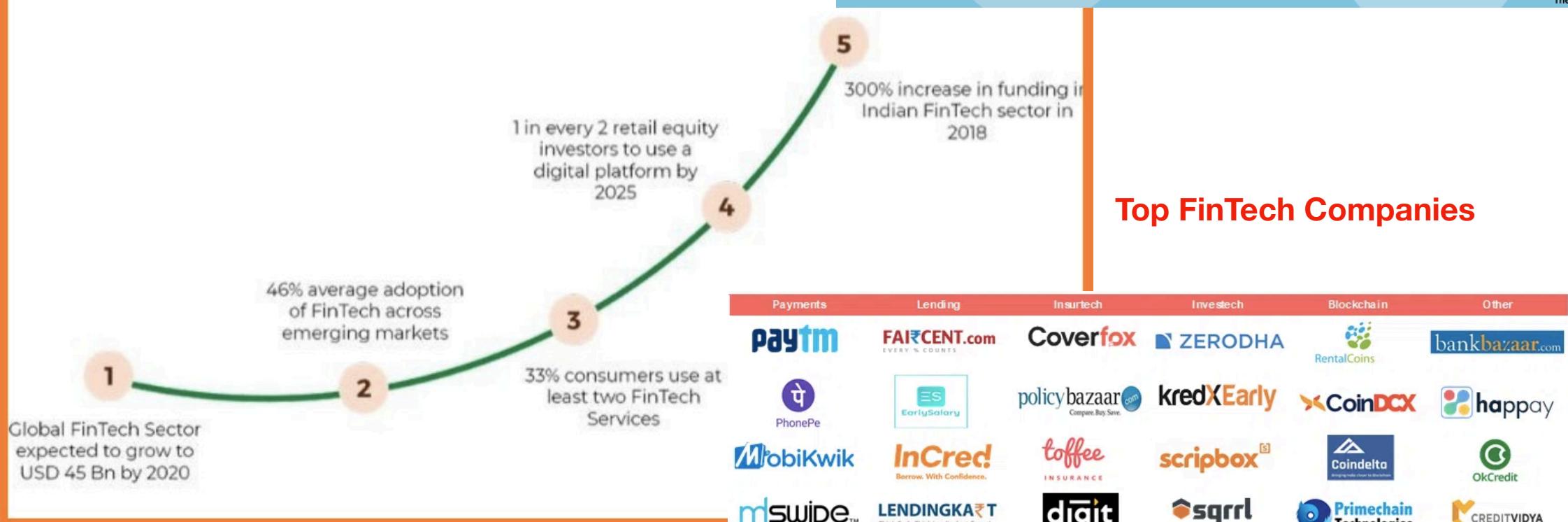
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Mitigating Risk

6

## FinTech Success

### FinTech Growth Curve



## THE FINTECH INDUSTRY

Fintech covers a wide range of applications, from digital wallets and cryptocurrencies to fraud protection and new loan processes.



Peer-to-peer  
lending  
platforms



Budgeting  
Apps



Blockchain  
Technology



Mobile  
Payments



Online and Mobile  
Banking



Broker  
Services

The

## Top FinTech Companies

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