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Development Of A Growth Sustainability Model For The Banking Industry

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Abstract:
Background: *Leaders and organizations are realizing that their greatest efforts alone will not be enough to solve today's complex and linked problems in their organisations. They are putting their interests aside and working together to create a new civic infrastructure that will help them achieve their common goals. Most organisations have some form of composite strategy in their operations; some of these strategies, even if implicit or emergent, appear to be workable and effective; and the basic problem that all organisations must deal with is how to formulate a hybrid strategy that adds to, rather than detracts from the company's overall sustainable advantage.*
Materials and Methods: *This study employed a rigorous narrative literature review approach of the FinTech (Financial Services Technology) firms and the traditional banks concerning competition versus collaboration between these two players in the financial sector, a case of Nigeria. This is because it aims to explain the underlying significance of combining competition and collaboration in the banking sector to sustain growth. The strengths, weaknesses, opportunities, and threats (SWOT) and PESTLE analysis of both players were examined and incorporated into the development of the model, and the performance metrics for the model were also carried out.*
Results: *The growth sustainable model is a shared enterprise, serving one another, assisting one another in creating value, committed to one another, and pursuing jointly developed objectives and goals. The result shows that the developed model is better than other related existing work. The comparison of the developed model with existing related work shows that the developed model can ensure growth and expansion, enhance business structure, and create efficiency, innovation, and knowledge sharing above all other compared works.*
Conclusion: *The model is recommended for financial institutions for growth and development.*
Key Word: *FinTech; Traditional Bank; Business Models; Competitive Model; Collaborative Model; SWOT*

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I. Introduction

The Financial Services (FS) industry has welcomed the technology, often known as Financial Technology (FinTech), and it is here to stay[1]. Despite these admirable achievements, there is a clear risk of capital importation in the future that would harm our capital market and economy as local investment in FinTech remains glaringly inadequate to the foreign capital input.

Nowadays, technology is a value proposition in the financial systems sector. Currently, there are over 162 million active mobile lines nationwide, and Nigeria's Internet penetration rate is projected to be 47.9%, which has resulted in higher rates of banking with over 40 million bank accounts as opposed to the 3 million CSCS investment accounts[2]. To cut costs, boost efficiencies, develop client relationships, and simplify regulatory compliance, FinTech organizations use automation, digitization, and simplification. The Front, Middle, and Back Office Operations will all benefit from the solutions, and the Capital Market will also gain from them all.

Consequently, value-added processes are being developed by businesses to offer innovative, high-quality, low-cost products on schedule, with shorter cycle times and better reactivity than ever before[3]. However, because of technological, organizational, institutional, and social advancements, the logic of service delivery is constantly changing. As a result, leaders and organizations are realizing that even their best individual efforts are insufficient to address today's complex and interwoven issues. They are beginning to put their interests aside and work together to create a new civic infrastructure that will help them achieve their common goals[4].

Banks offer a variety of services offline, retaining a large number of customers, and they also offer online banking services, allowing customers to meet their needs 24/7, without having to go to a teller[5,6]. Banks have also started to improve their services, cut expenses, and focus on more profitable areas. However, there are obstacles to overcome, such as adapting to a changing environment and convincing users to utilize online banking [5,6,7]. Moreso, banks operate primarily electronically, and they have a track record of establishing external systems such as ATMs and phone banking. Users who were already familiar with these technologies transitioned seamlessly to Internet banking[5,8,9]. On the other hand, juggling of fundamental banking processes with information technology could be difficult and time-consuming, especially because it is a different area entirely, and competing with core IT businesses for these services could be difficult[5,8,9,10]. This is where the growth sustainable model decision has to be wisely made.

This study investigates the strategic incentives of traditional commercial banks and FinTech firms to form competitive-collaborative relationships. While the two firms (traditional commercial banks and FinTechs) are in strong competition, there is still room for cooperation and swift digital world adaptation between Fintechs and traditional banks. Although banks have been there for many years, they currently need to undergo significant technological improvements to meet the needs of clients in the modern era, which Fintechs can deliver.

A business policy formulation and corporate strategy technique was used for this study. The competitive strategy model was built as one arm of the growing apparatus, while the collaborative (advantage) strategy component was included as another arm. These two methods of company strategy formation were combined, and the sustainable growth model was developed from it. The following research questions were defined for this study: RQ 1: Is a combination of competitive and collaborative strategies required in the various dimensions of the industry environment of the banks? RQ 2: What blend of composition of competitive and collaborative strategies can make the two elements interact in a way that is mutually consistent and reinforcing, rather than counterproductive? RQ 3: What advantage will the utilisation of hybridized competitive and collaborative strategies bring to an organization?

II. Material And Methods

Research Design

A rigorous narrative literature review of competitive and collaborative strategies was carried out. Insights from comprehensive field research of effective collaboration examples in the banking industry around the world were used in the study. Internal competition and internal collaboration were critically examined, as well as the key factors that drive their adoption, the implications of applying each strategy, how degrees of internal rivalry and internal collaboration alter at different management levels, and whether a feasible hybrid model combining both management approaches is achievable. Data was gathered from trustworthy sources, including reports from numerous well-known financial institutions like PwC, Accenture, and KPMG. Additionally, data was discovered in publications from Google Scholar and ResearchGate, including articles, reports, and scientific papers.

For the development and evaluation of the model, this study used a business policy formulation and corporate strategy technique. The competitive strategy model was built as one arm of the growing apparatus, while the collaborative (advantage) strategy component was included as another arm. These two methods of strategy formation were combined, and examples of both the harmonious dovetailing of competitive and collaborative plans as well as their inconsistency were investigated. The strengths, weaknesses, opportunities, and threats (SWOT) and PESTLE analysis of both players (FinTech and Traditional banks) were examined to unravel the internal and external factors that affect them, and incorporated into the development of the model.

Data Gathering Procedure

This study employed a qualitative research approach. This is because it aims to explain the underlying significance of combining competition and collaboration in the Nigerian banking sector to sustain growth. Also, the inductive and bottom-up approach nature of this research approach would help in the development of a model based on the data collected for understanding and developing a hybridised competition-collaboration model for Nigerian banks. Data was gathered from trustworthy sources, including reports from numerous well-known financial institutions like PwC, Accenture, and KPMG. Additionally, data was discovered in publications from Google Scholar and ResearchGate, including articles, reports, and scientific papers.

Search Strategy

The following keywords were used to search databases for relevant material: Competition Versus Collaboration in Business, Competition Versus Collaboration in the Nigerian Banking Sector, Financial Inclusion in Nigeria, FinTech and Traditional (Commercial) Banks, and the challenges faced by FinTech and Traditional (Commercial) Banks in Nigeria Business Space.

An additional search was undertaken on peer-reviewed articles and abstracts of journal papers to ensure an up-to-date appraisal and to assist in the recommendation of a business model for Nigerian banks and FinTech enterprises. Financial databases were searched for literature, and Google Scholar was employed for online searches.

Search Design

This study's scope is limited to keyword searches that produced the most relevant results. Because the study's aims and objectives are better addressed this way, a keyword combination search is also performed. In addition, backward and forward reference searches were incorporated in all rounds of the keyword search. Backward and forward searches were halted once data saturation was reached. This is the point at which no fresh information or suggestions that would improve or change the study's findings are expected to be offered. It is worth mentioning that the online searches are literature discovered via Google Scholar and Research Gate portals. The search results were terminated when no fresh information was discovered. Following the creation of a preliminary list of publications, further articles/reports were discovered utilizing the Central Bank of Nigeria (CBN) and related financial institution databases, as well as Google to keep track of fresh reports and articles.

Literature Selection Process

The literature selection procedures were based on the following criteria: inclusion and exclusion criteria. The implementation of clear inclusion and exclusion criteria increases the chance of repeatable and trustworthy results, reduces the risk of research injury, and safeguards vulnerable persons from exploitation[11].

Tools and Resources Considered for the Data Analysis

The Strengths, Weaknesses, Opportunities, and Threats (SWOT) and PETLE analysis tools were used.

Performance Evaluation Metrics

The performance of the model is evaluated using the following metrics for analysis: Growth and expansion, Funding and market liquidity, and Business structure.

III. Result

Gathered Data and Matching

The increase in the Nigerian population and lack of financial inclusion and financial services penetration across the country has been described as a major challenge to the banking sector in Nigeria. The gathered data for this study shows that 40% of the Nigerian population is unbanked, and a big portion of the total population is credit invisible. However, the data gathered on the impact created by the FinTech in the Nigerian emerging market show that FinTech firms are increasing financial inclusion through the use of technology to offer smooth and cutting-edge financial services to both banked and unbanked individuals in Nigeria, this shows that the weakness of the traditional banks in lacking capacity and innovation to increase financial inclusion which is a strength for FinTech firms in the use of technology.

Also, analyzing the data gathered concerning the several challenges of FinTech firms in Nigeria shows that the FinTech firms lack defined framework and regulations to assure the protection of customers. Besides, the liquidity of Nigeria's capital market is overly dependent on foreign capital and growth funding structure. However, these challenges are the strength of the traditional banks. In addition, the gathered data and its analysis show that FinTech firms and traditional banks can competitively collaborate in these regards to achieve win-win success.

The matching of the FinTech firms and traditional banks using SWOT analysis was carried out. The SWOT tool is used on both institutions to comparatively analyse their strengths, weaknesses, opportunities, and threat, to provide answers to the three research questions of the study. Each of the research questions is therefore analysed.

RQ 1: Is a combination of competitive and collaborative strategies required in the various dimensions of the industry environment of the banks? The analysed data shows that a combination of competitive and collaborative strategies is required in the various dimensions of the industry environment of the banks.

In the same vein, the comparative analysis of the FinTech firms and traditional banks using PESTLE analysis was carried out, to provide an answer to research question two of the study.

RQ 2: What blend of composition of competitive and collaborative strategies can make the two elements interact in a way that is mutually consistent and reinforcing, rather than counterproductive? The analysed data shows that a composition a blend of competitive and collaborative strategies can make the two elements interact in a way that is mutually consistent and reinforcing, rather than counterproductive is achievable.

In other to provide an answer to research question three of this study

RQ 3: What advantage will the utilisation of hybridized competitive and collaborative strategies bring to an organization? The analysed data shows that Optimising an organisation’s overall position based on its foundation and utilisation of both competitive and collaborative can be an advantage.

Development of the Growth Sustainability Models

The highlighted key characteristics of the developed model are a long-term orientation, the ability to partially self-adjust, and the ability to make complex interdependencies between its types of partners. The model allows a loosely connected network of businesses and other organizations that grow their capabilities around a common set of technologies, information, or skills and collaborate and compete to create new goods and services is an ecosystem collaborative business model.

It is a system that is mostly self-contained, self-adjusting, and connected through shared institutional structures and mutual value generation through service exchange amongst resource-integrating actors. The interactions between members of an ecosystem are defined by a set of rules and standards, and the value of an ecosystem is solely established by the collaborator(s). In general, the ecosystem is governed by a shared set of (complementary) aims and objectives, and a shared set of knowledge and skills. The developed business model is a shared enterprise, serving one another, assisting one another in creating value, committed to one another, and pursuing jointly developed objectives and goals. The descriptive diagram for the business model is shown in Figure 1.

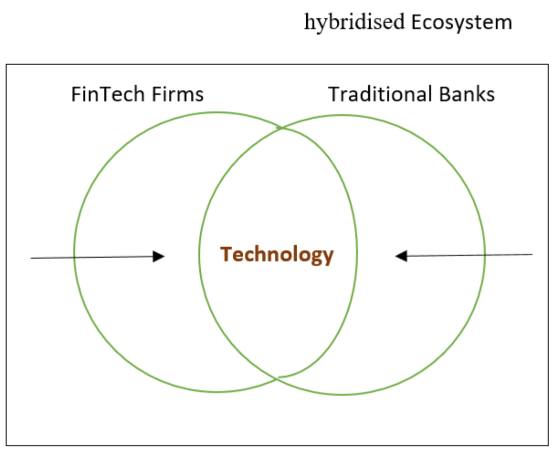

Figure 1: Conceptual view of the developed Business Model (Source: Research Findings)

IV. Discussion

Results Discussion

The benefits of the developed business model are built based on the enabled critical mass required to increase market share, increased competitive advantage through combined market strength, and opportunities to concentrate on long-term competitiveness rather than short-term costs or gains. The developed model enables the sharing of resources like machinery and equipment, capital, and market contracts as well as the combined expertise, knowledge, and capabilities of the partnership's members. This approach is built to the fullest extent possible by integrating resources and experience in market research, product development, or product delivery, and it aids members of the value chain in achieving objectives that they couldn't do on their own.

Since a large percentage of Nigerians currently earn their primary income in cash, most transactions are conducted in cash. There is a need to use a scalable system or technology to promote financial inclusion if traditional financial institutions have been around for a long time but have not been able to meaningfully decrease the financial inclusion gap. The reduction in the financial inclusion gap can be achieved via robust collaboration between FinTechs and traditional banks to meet or surpass the 20% financial inclusion gap reduction target set by Nigeria's financial inclusion policy. The collaboration will aid a significant chance to add value by developing technology-driven solutions for swift financial penetration into the Nigerian rural and suburban areas. This will also, redefine how financial products are delivered to users, and how financial services are provided to customers. Besides, the FinTech firms are utilizing both online and offline capabilities to promote financial inclusion which is a problem that has long plagued Nigeria's financial services industry. A collaboration with traditional banks will further strengthen the technological capacity of the FinTech firms.

In summary, Banks may provide FinTechs with years of customer loyalty, established networks, and business size in exchange for profiting from innovation and agility. Collaboration between FinTechs and traditional (commercial) banks can thus provide several benefits. Banks have large deposits when compared to FinTechs. Collaboration would aid them in developing a better financial system, making it easier for banks to manage cash. Working with banks will allow FinTechs to be regulated by the same government agencies, which will help them develop confidence. FinTechs may alleviate a lot of regulatory difficulties by partnering with traditional banking institutions that have already built an ironclad anti-money-laundering policy and decades of security experience. This can assist in safeguarding the integrity of the online financial ecosystem. Because of the superior technology that FinTechs can bring to banking, the financial system will improve overall, resulting in higher client satisfaction.

Both traditional banks and Fintech companies will gain a lot from collaboration. Since Fintech technologies enable customers to access much more convenient services online, this helps to alter customer mentality and behavior. Traditional banks may improve the client experience by utilizing the flexibility and cutting-edge technologies of Fintech firms. The collaboration will also build a solid foundation for advancement and innovation. Additionally, by working together, Fintech may learn how to navigate a complex regulatory environment. If the two can work together, there are instant benefits for both sides. Traditional banks gain from Fintech's innovation and agility, and their decades of client loyalty, corporate scale, and established network will help to enhance confidence in financial technology.

Furthermore, a collaboration between fintech and traditional banks will deliver other several advantages such as improved financial systems, a high level of trust, and the deployment of superior technology for financial transactions and management of customers.

Evaluation of the Developed Model

The developed business model is evaluated using three performance metrics, namely, growth and expansion, funding and market liquidity, and business structure. The resultant effect shows that:

Growth and Expansion: The increased market share, increased competitive advantage through combined market strength, and opportunities to concentrate on long-term competitiveness rather than short-term costs or gains will result in growth and expansion for both traditional banks and FinTech firms. Also, the customers' experience of the traditional bank will be improved greatly by utilizing the flexibility and cutting-edge technologies of Fintech firms, and thus enable the FinTechs to build a more solid foundation for advancement and innovation.

Business Structure: The developed model enables the sharing of resources like machinery and equipment, capital, and market contracts as well as the combined expertise, knowledge, and capabilities of the partnership's members. This approach is built to the fullest extent possible by integrating resources and experience in market research, product development, or product delivery, and it aids members of the value chain in achieving objectives that they couldn't do on their own. The scalability of the system and technology to promote financial inclusion. Aiding a significant chance to add value by developing technology-driven solutions for swift financial penetration into the Nigerian rural and suburban areas. This will further strengthen the technological capacity of the FinTech firms. In the same vein, the innovation and agility of the Fintech firm and decades of client loyalty, corporate scale, and established network of the traditional bank will help both parties to enhance confidence in financial technology that will improve financial inclusion and quality customer experience.

Funding and Liquidity: Traditional (commercial) banks have large deposits when compared to FinTechs. The Competitive-Collaboration will aid both parties in developing a better financial system, making it easier for both parties to manage cash. Working with banks will allow FinTechs to leverage on being regulated by the same principle which will help instill confidence in their customers. This will also alleviate a lot of regulatory difficulties associated with FinTechs.

Comparison of the Developed Model with Other Related Work

The comparison of the developed model with other related works shows agreement with their findings, but with great superiority. [8]work demonstrates that the general assumption that stronger competition means more active firms is misleading and that increased competition may harm consumers. His study affirms that organization should focus on reducing inefficiency through collaboration rather than enhancing competition. This finding is in tandem with the developed model which is a win-win model for participating firms. Also, [9]work which established that a company can boost innovation by creating external collaborative alliances, is a somewhat reflection of the developed model which hybridized both competition and collaboration.

In addition[10], study agreed that competition-collaboration can lead to effective problem-solving through knowledge sharing and innovation, which is in sync with the developed model. Also, the study of [5]affirms that mobile banking information and communication technologies (ICT) are always creating new sorts of marketplaces and new patterns of industrial dynamics in a competition and collaboration strategy. This result from[5] is one of the innovative outputs of the developed model that is meant to create sustainable growth in the Nigerian banking industry.

However, none of these considered related works developed any model from their study, but, looking at their findings and comparing it with the developed model in this study via four parameters namely: growth and expansion, enhanced business structure, innovation, knowledge sharing, and efficiency, it shows that the developed model can ensure growth and expansion of participating party, and produced the enhanced business structure for participating parties. It also shows superiority in terms of innovation, knowledge sharing, and efficiency. The comparative analysis is shown in Table 1.

Table 1: Comparative Analysis of the Developed Model with Other Related Work

Models/Criterion	Growth and Expansion	Enhanced Business Structure	Innovation	Knowledge Sharing	Efficiency
Developed Model	Yes	Yes	Yes	Yes	Yes
Oh et al. (2018)	No	Yes	No	No	Yes
Naidoo and Sutherland (2016)	No	No	Yes	Yes	No
Huang and Yu (2011)	No	No	Yes	No	Yes
Dinda and Mukherjee (2010)	No	No	No	Yes	Yes

Source: Research Findings

V. Conclusion

This research has demonstrated that Fintech has developed quickly in recent years following the financial crisis and that it is impossible to dispute the benefits of modern technologies in Fintech's financial services. Fintech has completely transformed the banking sector by offering quicker, more customer-focused services than traditional banks have ever provided. Fintech has made the banking business more competitive than ever, forcing traditional banks to adopt new tactics to stay competitive in the market.

The study shows that traditional banks have been having trouble keeping up with customer demands for new services. Customers in the digital age need traditional banks to undergo a transition that might enhance the client experience. In addition, traditional banks must put more of an emphasis on regulation, which is what caused the financial crisis in the first place. One of the most important things for traditional banks to do next is to move to the digital ecosystem. Traditional banks can stay up with the rapid advancement of technology by becoming digitalized. Additionally, digitalization is the solution for banks to address their shortcomings and get ready for possible threats from regulation to security. Additionally, traditional banks can only utilize their advantages through technology; for instance, they can invest in data analysis, which is thought to be the most important resource.

Consequently, competitive collaboration seems to be the best course of action in the competition between FinTech and traditional banks as opposed to going head-to-head. Partnerships can be advantageous for both parties. Traditional banks have the opportunity to easily access technological advancements to enhance customer service and digitalize financial services. Additionally, this will enable the banks to provide their clients with online services using mobile devices, which is the current global trend. Fintech may profit from the enormous number of existing consumers, which enables Fintech to quickly grow its services and products.

The virtual and remote transactions that are peculiar to FinTech firms have been a concern for the financial regulatory bodies in Nigeria. However, FinTech firms will alleviate a lot of regulatory difficulties by the use of the developed model with traditional banking institutions that have already built an ironclad anti-money-laundering policy and decades of security experience. This can assist in safeguarding the integrity of the online financial ecosystem, thereby reducing corruption practices.

Since a large percentage of Nigerians currently earn their primary income in cash, most transactions are conducted in cash. There is a need to use a scalable system or technology to promote financial inclusion if traditional financial institutions have been around for a long time but have not been able to meaningfully decrease the financial inclusion gap. The reduction in the financial inclusion gap can be achieved via robust collaboration between FinTechs and traditional banks to meet or surpass the 20% financial inclusion gap reduction target set by Nigeria's financial inclusion policy.

The competitive collaboration will aid a significant chance to add value by developing technology-driven solutions for swift financial penetration into the Nigerian rural and suburban areas. This will also, redefine how financial products are delivered to users, and how financial services are provided to customers. Besides, the FinTech firms are utilizing both online and offline capabilities to promote financial inclusion which is a problem that has long plagued Nigeria's financial services industry. A collaboration with traditional banks will further strengthen the technological capacity of the FinTech firms. Furthermore, a collaboration between fintech and traditional banks will deliver other several advantages such as improved financial systems, a high level of trust, and the deployment of superior technology for financial transactions and management of customers.

For future work, it is recommended that the use of hybrid methods and procedures of combining both primary and secondary data should be used. The primary data collected via interviews of experts, and administering of questionnaires can be combined with credible secondary data and analysed for future work. In addition, it is recommended that future research should focus on how to address security and trust, and combat cybercrime. Consequently, the increase in the Nigerian population and lack of financial inclusion and financial services penetration across the country have been described as a major challenge to the banking sector in Nigeria. Thus, the developed Model can be used to increase financial inclusion. The Model can accommodate the four main areas of contrast between FinTech and traditional (Commercial) banks, namely: the way of doing business, regulations, growth potential, and risk factors. The developed model will accept the innovative ways of doing business from FinTech in addition to that of the traditional bank to achieve growth and banking penetration in the suburb. Also, the developed model will use the risk proof of and friendly regulation of the traditional bank to achieve growth and stability. The deployment of the developed model for addressing the problem of financial inclusion will be a win-win business model for both the FinTech firms and traditional banks in Nigeria.

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