



Innovation in Small Business Banking

Fintech as Partners or Competitors?

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When it comes to small business banking's mediocrity, the time for excuses has passed. Across all sectors, global nonbank funding has risen from \$4 billion in 2013 to \$19 billion in 2015, fueling nonbank competition in core revenue-generating services such as transfers, payroll and merchant services. This should be ample cause for banks of all sizes to confront the endemic lack of development of digital banking for small businesses. But only a few institutions have already begun to overhaul their services in earnest- for instance, by innovating with labs, partnerships and venture capital funds. And globally, no bank's strategy devotes the same attention to small business as retail or commercial banking - leaving small business owners with unmet needs. To help banks looking to give small businesses the tools they demand, this report broadens the "build, buy, or partner" model introduced in previous Javelin research to all types of feature upgrades - providing readers an innovation framework. Additionally, this report includes analysis of 15 bank examples of innovation in small business across the globe. Meeting small businesses' rising expectations is a serious commitment - one that no institution can afford to avoid.

Key questions discussed in this report:

- What small business banking areas are being affected by nonbank upstarts?
- How is the small business fintech ecosystem evolving?
- Who are some of the notable nonbank providers on the market?
- What are the options for small business banks to focus on innovation?
- Which innovations from small business banks would be placed among the best practices?

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