



Can APIs help FIs close the SME finance gap?

Anh Trinh from Mambu and Guilhem Vincens from Google Cloud discuss the role of APIs in helping FIs solve inclusivity issues and better attract and service SMEs.



In both emerging and mature markets, small and medium-sized enterprises (SMEs) are the economic lifeblood, powering innovation, GDP growth, and job creation.

Yet despite their significant contributions, large segments remain unable to access the necessary financial services they need to thrive.



Today, **40%** of global SMEs are not having their financial needs met¹.

Levels of exclusion vary by region – **50%** of ASEAN SMEs are underserved². They can even be impacted by demographics – **70%** of women-owned SMEs have insufficient or no access to financial services³.

Exclusion is not deliberate. Rather, the financing gap has arisen because of various challenges, including inadequate financial infrastructure, limited distribution channels, cash-flow visibility issues, and regulatory constraints.



Understanding the SME financing gap.

The primary barriers preventing financial institutions from effectively serving SMEs can be split into three key categories:



1. Low Commercial Attractiveness:

Returns on financing SMEs are often lower than with other segments, leading to revenue and cost pressures for financial institutions.



2. High-Risk Profiles:

SMEs pose challenges in underwriting due to their variable business models and limited historical data. This results in higher default rates compared to other customer segments.



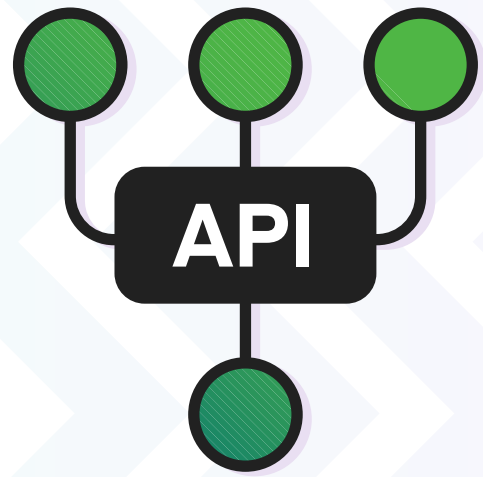
3. Poor Market Knowledge and Segmentation:

Financial institutions struggle to understand the nuanced needs of SMEs due to their diverse sizes, industries, and business models. This hinders their ability to effectively segment the market and provide adequately tailored solutions.

APIs help to remove legacy barriers that prevent FIs tackling SME inclusivity

To be competitive in the SME space, FIs must overcome technical and organisational challenges to deliver new experiences to customers; operate more efficiently and securely; and take advantage of new data-derived intelligence.

APIs (application programming interfaces) are a key enabler to operating at internet speed and scale. Enabling faster flows of information between applications, they let FIs easily access customer data, draw insights and create innovative products tailored to consumer, market and regulatory needs.



For SMEs, this means enhanced products that fit their needs and stage of maturity, higher levels of service and fiscal transparency, so they can better access and manage their business finances.



For banks looking to balance out the cost and risk of SMEs with its revenue potential, APIs streamline operations, innovating and enabling automated processes and reducing the overall cost of doing business.

APIs can help FIs to automate and speed up credit decisioning, decrease new loan approval times from five days to one minute, and improve customer experiences without increasing risk.

Using APIs to link to third-parties, allows FIs to quickly cover critical steps, combining services like identity validation and credit ranking alongside internal insights into customer behaviour. In the case of SME merchants, this can also include historic and real-time POS transactions and customer buying trends.



Collaborative technology empowers new solutions

To help SMEs realise more agile and cost-effective operations and services, Mambu and Google Cloud are using their on-going partnership to revolutionise financial services and foster more inclusive growth.

By synergizing their expertise and resources around cloud and APIs, they can help FIS to better serve the diverse and growing SME segment – irrespective of location, or the nature of their businesses – and build more successful forward-looking SME strategies including the five below:

4 API-driven strategies for the success of SME offerings



1. Tailored SME Solutions:

Craft products and services specifically tailored to the needs of SMEs, including flexible financing options and streamlined application processes.



3. Collaborate with Fintech Partners:

Forge partnerships with fintech companies to expand reach and offer innovative solutions to SMEs.



2. Gain Data-Driven Insights:

Leverage technology for data-driven insights to better understand SME customer behaviour and enhance risk assessment capabilities.



4. Streamline Processes:

Embrace automation and digital technologies to streamline processes and reduce costs associated with SME banking.

Orchestrating **data flows** to transform SME offerings

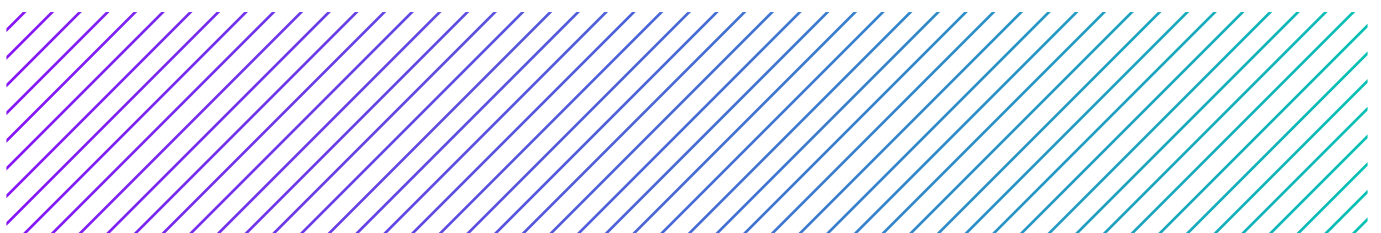
Through API connections, Mambu and Google Cloud can utilise **forward-looking data sources**, to leverage end-consumer transaction data and external sources, reducing SME lending risks and enhancing credit models. Together they can break down internal system silos and enhance **customer digital engagement**, reducing slow manual processes and improving customer experience, retention and acquisition.

For those targeting merchant SMEs, they can also **fasten SME lending underwriting** by leveraging machine learning models to extrapolate total merchant revenue and make accurate data-driven decisions in real-time.

But the real game changer is Mambu's Core Banking SaaS platform which provides flexible and modern data architecture and business logic to make complex **SME fee schemes** accessible, affordable and easy to build and implement. This allows FIs to fast-track SME products tailored to specific countries, industries and even individuals.

Examples of solutions in action: leveraging the Mambu/Google Cloud advantage

Differentiate by offering more integrated services to SME merchants.		Attract and retain customers by making digital engagement mandatory.	
Use Mambu and Google Cloud to harness forward-looking data sources and cutting-edge modelling techniques.		Use Mambu and Google Cloud to reduce the number of manual approval processes and increase digital engagement levels.	
Reduce SME-lending risks and enhance the performance of credit models.	Create a total holistic view by factoring SME historic data into automated risk scoring & decision processes.	Fasten SME lending underwriting with revenue extrapolation.	Modify offering to SME needs, and instantly reflect terms in their accounts.
Google Cloud leverages APIs to consolidate and analyse customer transaction data and externally sourced contextual data to reduce SME-lending risks and enhance credit model performance.	Mambu's Data Distribution and Exchange Platform (Data Extract) & Streaming APIs allow (near) Real-time exposure of SMEs' transactional data to FIs' data-driven decisioning engine, which then results in more meaningful & timely offerings to SMEs.	Google Cloud, utilises ML base model trained on past merchant customer retention, TCV, refined segmentation, accounting data, statements, etc. to extrapolate the total merchant revenue.	As soon as data-driven decisions are available, Mambu lets programers define a host of complex business logics. e.g. credit-score-based interest schemes, SME-segment-based fee plans or credit limit adjustment based on repayment behaviors.



Driving inclusive growth together

The transformative partnership between Mambu and Google Cloud, provides a fast-to-market pathway for FIs to better navigate the complexities of SME financing, unlocking new opportunities for commercial growth.

By organically building on the capabilities offered by both platforms, FIs can finally address the needs of SME customers at scale, closing the finance gap and driving higher levels of inclusion. Using APIs and advanced cloud technology to smash data silos and build more empowering financial ecosystems, they can finally give more SMEs the financial support they need to thrive.

Accelerate your digital transformation with Google Apigee API Management & Mambu

Businesses everywhere are adapting to the blistering pace of today's digital economy. To remain competitive, they must overcome technical and organisational challenges to deliver new experiences to customers; operate more efficiently and securely; and take advantage of GenAI and new data-derived intelligence. APIs are a key enabler to operating at internet speed and scale. APIs connect applications to one another and to the data and services that power them – enabling businesses to quickly and easily combine software for new products.

Mambu offers comprehensive tools to facilitate the provision of loans and financing for businesses aiming to initiate new operations or seeking support for expansion and growth. Our platform empowers financial institutions to create highly



customisable business lending products, perfectly suited to the distinct requirements of commercial organisations, as well as small and medium-sized enterprises (SMEs).

Securely delivering, managing, and analysing APIs, data, and services is complex and critical. To navigate this complexity, businesses need enterprise-grade API management to exert the power of APIs across an organisation's entire IT ecosystem. Apigee gives businesses control over and visibility into the APIs that connect applications and data across the enterprise and across clouds.

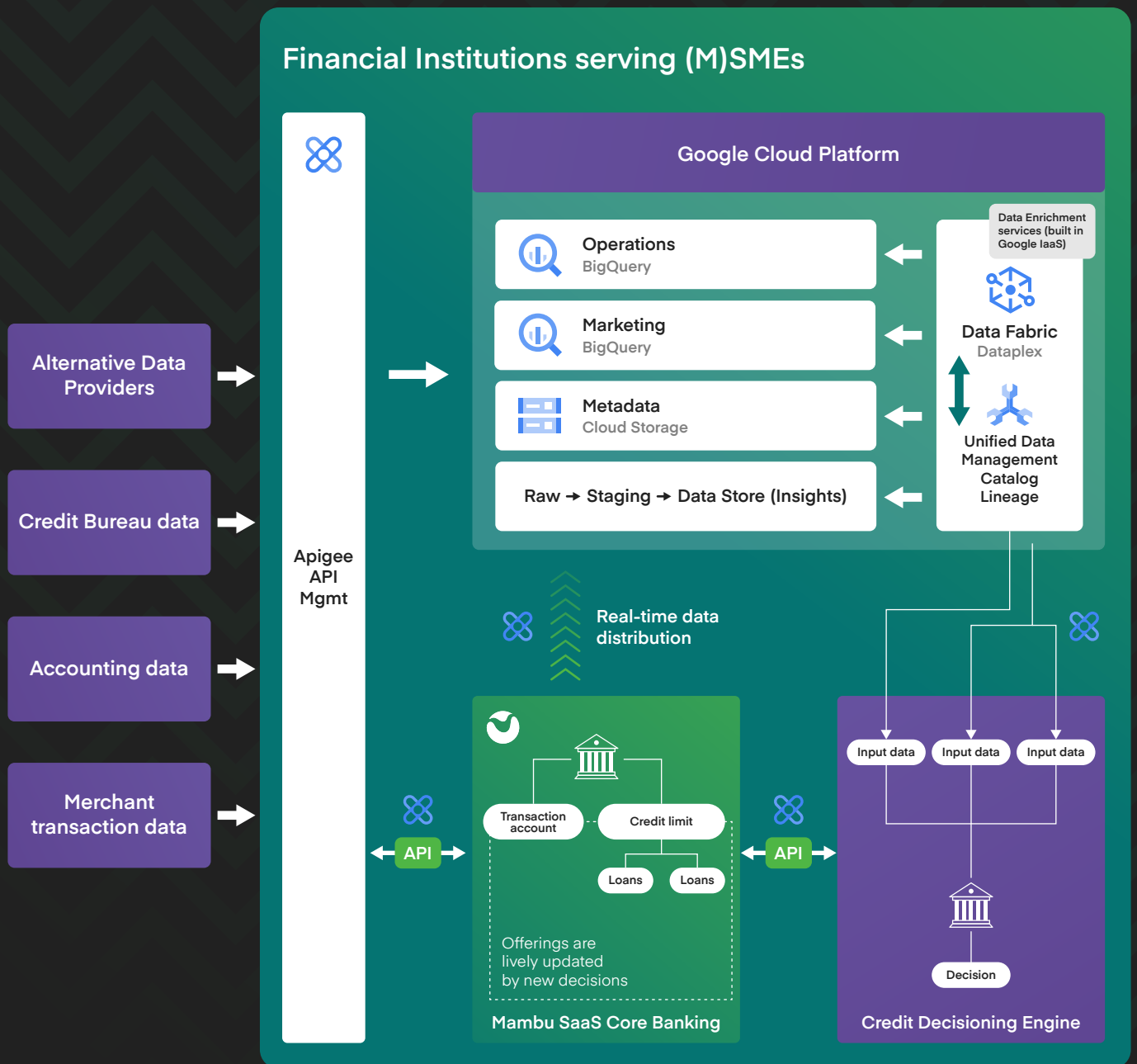
Apigee is the platform for all of an enterprise's API initiatives, whether powering external experiences, enabling agility and speed for internal or external developers, or connecting internal applications and systems.



With Apigee **and its AI embarked capability**, businesses can deliver connected experiences, modernise applications, and activate new business channels **in a much faster way.**

On-going incentivised relationship of data integrity & credit limit.

Approach: The richer data that a SME generates with their bank, the more appropriate credit limit it is assigned & better pricing is offered by the bank.

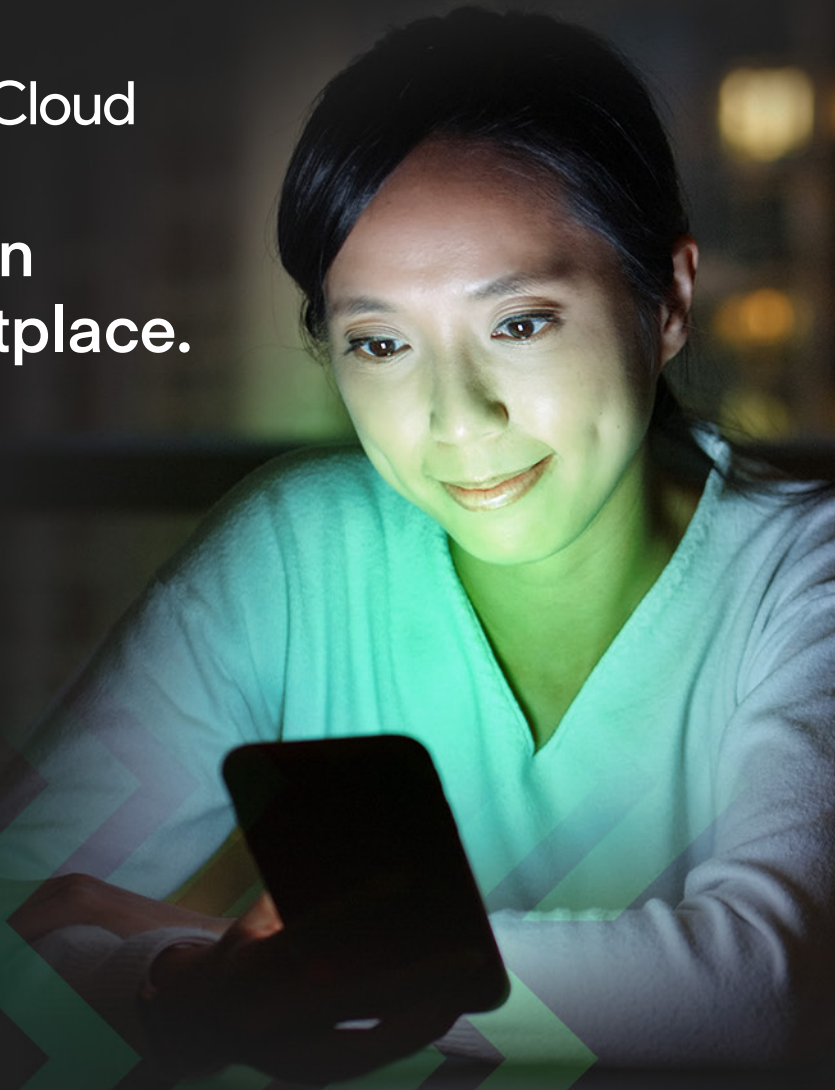




Mambu is available on Google Cloud Marketplace.

[Find us there](#)

Mambu already supports hundreds of customers in over 65 countries – including Western Union, Commonwealth Bank of Australia, N26, BancoEstado, OakNorth, Raiffeisen Digital Bank, ABN AMRO.



Thank you to our authors



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Mambu

Anh – a growth-mindset holder – brings along with her 13 years of banking experience half of which were to spearhead transformation projects in foreign banks in Vietnam & three years in Mambu, a cloud native Core banking SaaS, as APAC Regional Solutions Consultant.



Guilhem Vincens
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Guilhem has 22 years of experience in change management and innovation in the banking industry. Having worked 7 years in Fintech and 14 years in a global bank. He is now focused on providing Financial Institutions with business solutions on Google Cloud - API with Apigee.

Notes:

- 1) https://www.ey.com/en_it/banking-capital-markets/how-a-global-fintech-captured-growth-in-the-sme-segment#:~:text=Small%20and%20medium%2D sized,40%25%20having%20unmet%20financial%20needs
- 2) <https://www2.deloitte.com/content/dam/Deloitte/sg/Documents/financial-services/sea-fsi-digital-banking-small-medium-enterprises-noexp.pdf>
- 3) <https://fundinggapforwomenentrepreneurs.live.ft.com/#:~:text=The%20IFC%20estimates%20that%20there,no%20access%20to%20financial%20services>