

## **Smaller institutions are being technologically excluded – here’s why that matters**

Europe’s consolidated banking market is consistently left out of the banking technology conversation. Here’s Natech President & CEO Thanasis Navrozoglou on why smaller institutions deserve to be heard...

Europe’s smaller banking institutions are the backbone of national economies. They support customers in often underserved communities, providing products and access to financial services that underpin daily life for millions of Europeans. There are around 1,500 such institutions in German-speaking countries alone, including cooperatives, credit unions and small commercial banks providing localized services to SMEs, for instance.

In the wake of the 2008 financial crash, trust is everything. Smaller institutions who have earned that trust, often over hundreds of years in business, are economically – and arguably culturally – invaluable.

The market is consolidating and small institutions simply can’t afford to stand still. Regulation is constantly evolving, forcing institutions to adapt to or integrate new standards and processes. Customer expectations are increasingly digital, real-time and cross-border. And neo-banks, fintech mergers and digital-first challengers are snapping at the heels of centuries-old institutions. Fail to evolve, fast – and you fail to survive.

## **Renewing focus on the core banking back end and back office processes**

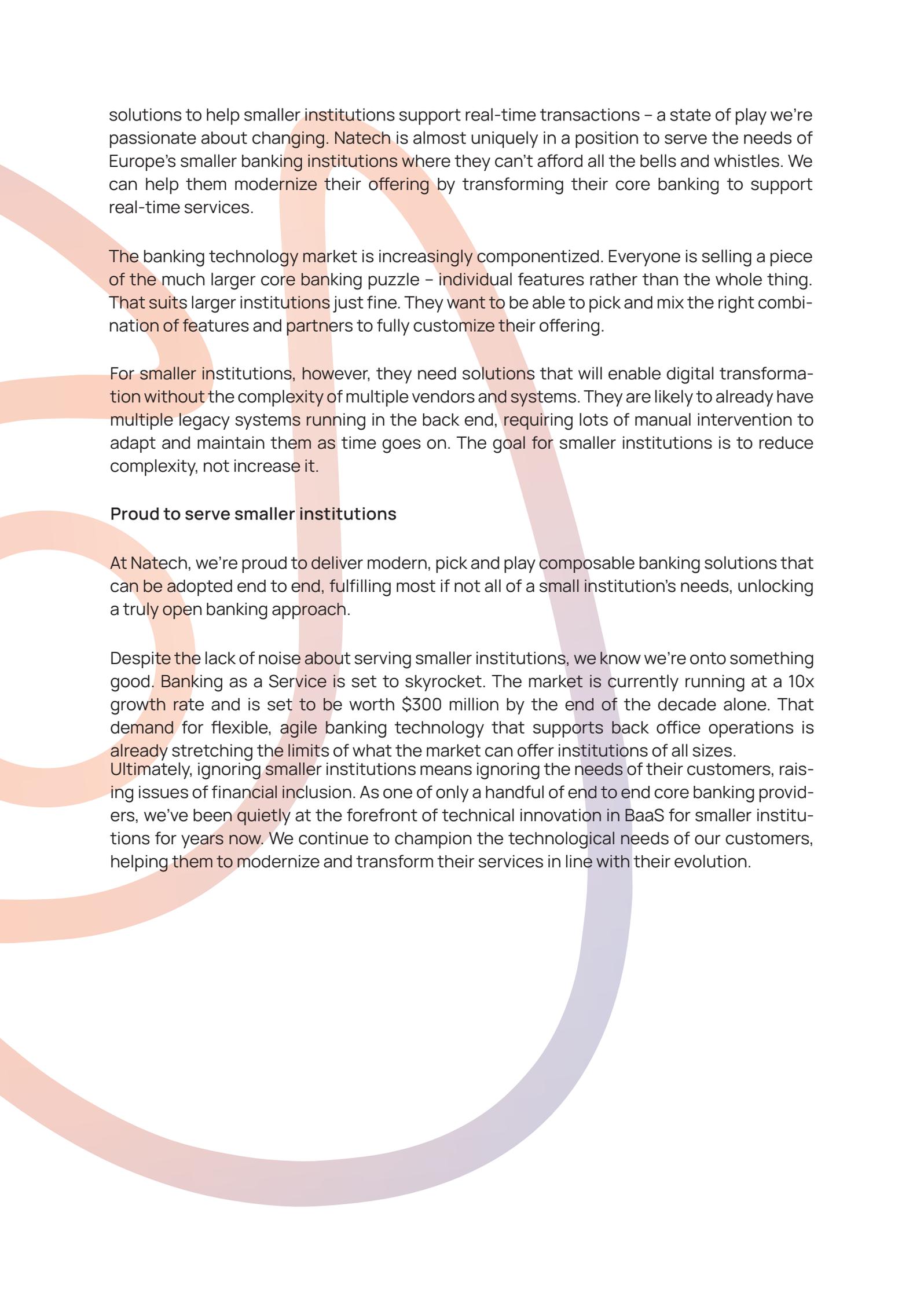
I was thinking recently about the trends impacting the banking technology space – the emerging features and solutions that are coming to the fore. As we’ve seen from recent conference agendas, and as [Nektarios Liolios](#) and I touched on in blogs last month, the industry is becoming laser-focused on two things: the banking front end, creating customer experiences that delight, and payments processing

Of course, Europe’s smaller banking institutions want to improve the customer experience, too. They want a shiny front end and to meet increasingly digital customer expectations. In sharp contrast, no one is talking about the less glamorous side: the back office processes and back end layer needed to unlock things like real-time payments.

Worse still, there’s little talk of adapting existing legacy systems to meet evolving regulatory requirements and facilitate modernization – the main hurdle remaining for smaller institutions yet to digitally transform. A recent EY study found that four in five banks are still reliant on the equivalent of 1950s technology, with paper-based and manual processing still the norm.

## **Enabling real-time payments for smaller institutions**

For all the talk of how great real-time payments are, giving smaller institutions the means to get there is surprisingly overlooked in the payments technology market. There’s little in the way of



solutions to help smaller institutions support real-time transactions – a state of play we're passionate about changing. Natech is almost uniquely in a position to serve the needs of Europe's smaller banking institutions where they can't afford all the bells and whistles. We can help them modernize their offering by transforming their core banking to support real-time services.

The banking technology market is increasingly componentized. Everyone is selling a piece of the much larger core banking puzzle – individual features rather than the whole thing. That suits larger institutions just fine. They want to be able to pick and mix the right combination of features and partners to fully customize their offering.

For smaller institutions, however, they need solutions that will enable digital transformation without the complexity of multiple vendors and systems. They are likely to already have multiple legacy systems running in the back end, requiring lots of manual intervention to adapt and maintain them as time goes on. The goal for smaller institutions is to reduce complexity, not increase it.

### **Proud to serve smaller institutions**

At Natech, we're proud to deliver modern, pick and play composable banking solutions that can be adopted end to end, fulfilling most if not all of a small institution's needs, unlocking a truly open banking approach.

Despite the lack of noise about serving smaller institutions, we know we're onto something good. Banking as a Service is set to skyrocket. The market is currently running at a 10x growth rate and is set to be worth \$300 million by the end of the decade alone. That demand for flexible, agile banking technology that supports back office operations is already stretching the limits of what the market can offer institutions of all sizes. Ultimately, ignoring smaller institutions means ignoring the needs of their customers, raising issues of financial inclusion. As one of only a handful of end to end core banking providers, we've been quietly at the forefront of technical innovation in BaaS for smaller institutions for years now. We continue to champion the technological needs of our customers, helping them to modernize and transform their services in line with their evolution.