



360 Degree banking services for Start-up Eco system

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Abstract

The article delves into the evolving realm of banking services tailored for startups, focusing on the 360-degree banking concept. It examines how this all-encompassing approach serves the multifaceted financial needs of burgeoning enterprises. The primary aim is to evaluate the sufficiency of the holistic banking model and how well major Indian banks are addressing the distinctive requirements of startups. A thorough analysis of the service offerings from major banking institutions was conducted to gauge their suitability for startups. This involved assessing the range of services provided, such as business accounts, credit options, payment systems, investment banking, digital platforms, and advisory services. The study suggests improvements in digital banking services, the introduction of startup-friendly fee structures, and enhanced marketing strategies to promote awareness of these specialized services. The findings underscore the dedication of Indian banks to fostering startup growth through a comprehensive suite of financial products. The recommendations put forth are designed to refine these services, positioning these banks as the go-to allies for startups in their journey towards success.

Keywords: 360-Degree banking, Startups, credit facilities, investment banking, holistic banking model, marketing efforts

Introduction

The startup ecosystem is a vibrant and dynamic network that fuels the growth of innovative businesses. It has various components like skilled workforce, market access, and supportive policies. Access to diverse funding sources, including angel investors and venture capitalists, is crucial for startup success. Supportive government policies streamline legal processes and incentivize entrepreneurship. Challenges such as cultural barriers and financial constraints exist. Startups rely on various funding sources like personal savings, angel investors, and crowdfunding. Essential banking features for startups include online banking, business credit cards, and cash management services. 360-degree banking offers a comprehensive range of financial services, though challenges like high fees persist. Alternative financial institutions provide additional financing options for startups.

Problem of the Study

In India, the startup ecosystem is burgeoning, driven by a spirit of innovation and entrepreneurship. However, there is a discernible gap in the banking sector's ability to meet the financial needs of these startups. The study at hand delves into the adequacy of banking services provided to startups, investigating the factors that influence their choice of

banking services and the extent to which banks have succeeded in supporting them. It is imperative to identify the key elements that affect startups' banking preferences and to evaluate their satisfaction with the services received. This will highlight areas where the banking sector can improve and optimize its offerings to better align with the requirements of the startup ecosystem.

Significance of the Study

The significance of this study extends beyond academic interest; it has the potential to significantly impact the startup landscape in India. By shedding light on the factors that influence startups' banking choices and assessing the current state of banking services, the study provides critical insights that can help banks tailor their services more effectively. Addressing the gaps and deficiencies in banking support for startups is essential to create an environment that fosters entrepreneurship and innovation. This, in turn, can spur economic growth and job creation. The findings of this study could also guide policymakers, regulators, and industry stakeholders in developing strategies and initiatives that strengthen the symbiotic relationship between the banking sector and the startup ecosystem, ultimately supporting the growth and success of emerging enterprises in India.

Review of literature

Table 1: Reviews of literature on Startups and financial services provided by banks

S.No.	Title	Author	Outcomes
1.	The Indian startup ecosystem: Drivers, challenges and pillars of support	(Korreck S., 2019) ^[4]	The research paper's three major objectives are to analyse the current situation of the Indian startup ecosystem. To begin, it tries to provide insight into the growth drivers and motivations of Indian firm founders. Second, it emphasises the challenges that small businesses face. Finally, it describes the foundations that underpin the Indian startup ecosystem. The paper analyses India's startup ecosystem's major opportunities and growth drivers, such as government help, access to capital, a growing talent pool, and an entrepreneur-friendly culture. However, it acknowledges the difficulties that Indian companies face, such as a dearth of early-stage investment and a scarcity of skilled mentors and advisors.

2.	Start-Up Ecosystem in India: A Study With Focus on Entrepreneurship and University Business Incubators	(Adhana, 2020) ^[1]	The article provides a comprehensive insight of India's startup environment. It emphasises on the importance of incubators in developing and nurturing successful business ventures, as well as the government's policy actions promoting entrepreneurship and establishing university business incubators. The essay covers the hurdles that entrepreneurs encounter in India and emphasises the significance of incubator advice and help in bringing startup ideas into reality. It also investigates the possible impact of campus incubators on business growth and local employment.
3.	The Startup Environment and Funding Activity in India	(David, D et. al., 2021) ^[3]	The article explains how the Indian startup ecosystem has grown dramatically over the last two decades. However, startups in India continue to experience difficulties in obtaining capital. The government has taken steps to solve this issue, including the establishment of a special startup fund and the simplification of rules. Despite these efforts, the funding environment remains difficult. The piece also emphasises the need of businesses demonstrating continuous earnings and healthy exits for investors. The funding crisis has resulted in layoffs and postponed stock listings, and the situation is projected to deteriorate further.
4.	Digital Transformation in Banking: Exploring Value Co-Creation in Online Banking Services in India	(Malar, D.A et. al., 2019) ^[5]	The article focuses on value co-creation in Indian online banking services. It investigates the potential of digital transformation in the banking industry and how it may help businesses gain a competitive advantage. The article emphasises the importance of co-creating customer value in the banking industry and how it may result in mutually beneficial outcomes for both consumers and enterprises. In addition, the study examines the factors that influence internet banking adoption in developing nations, such as perceived utility, compatibility, and security. The essay delves into the problems that developing countries experience when it comes to embracing online banking services, as well as the promise of digital transformation in overcoming these challenges.
5.	Banking service quality provided by commercial banks and customer satisfaction. A structural equation modelling approaches	(Alolayyan, M.N et. al., 2018) ^[2]	This article analyses the impact of service quality and customer satisfaction structures in Jordanian commercial banks. The study employs structural equation modelling to investigate the links between exogenous and endogenous variables. According to the study, the order of importance of the service quality dimensions examined here is assurance, reliability, tangibles, empathy, and responsiveness. According to the findings, service quality has a considerable impact on customer satisfaction in commercial banks.
6.	Intellectual Property Rights-based Debt Financing to Startups: Need for a Changing Role of Indian Banks	(Panda, 2021) ^[6]	The article examines the difficulties that startups in India have in raising the necessary funding for expansion due to the scarcity of traditional debt financing sources. The authors propose that Indian banks investigate providing debt financing to startups based on intellectual property rights (IPR), allowing them to leverage their IPR assets to get loans. This approach would necessitate a shift in Indian banks' roles, as they would need to have the ability to assess the value of IPR assets and the risks connected with them. According to the authors, this approach would assist both startups and banks by providing startups with much-needed money and allowing banks to diversify their loan portfolios.

Research questions

After reviewing aforementioned literatures following research questions arises from the research point of view;

1. What are the factors affecting startup companies to choose banking finance services?
2. Whether Banking Institutions in India has out reached the targeted goals of startup financing policies?

Objectives of the study

Taking into account the aforementioned research concerns and gaps in the literature, this study intends to achieve the following objectives

1. To investigate factors affecting banking finance preference by startups in India.
2. To evaluate financial services provided by banking institutions in India towards startups.

Research methodology

Research Design

The research adopted a mixed-method approach, combining exploratory research, data collection, and analysis to achieve the study objectives comprehensively. The exploratory phase involved extensive literature review to understand the concept of 360-degree banking for startups and identify key factors influencing startup companies' choice of banking services. Subsequently, data collection methods, including on-site visits, interactions with stakeholders, and online surveys, were employed to gather information on banking

preferences and satisfaction levels of startups in India. The collected data was then analyzed using analytical tools to assess the adequacy of banking services and identify areas for improvement.

Sources of Data

- **Literature Review:** Industry reports, academic publications, and online sources were explored to understand the concept of 360-degree banking and identify relevant factors influencing startup banking preferences.
- **On-site Visits:** Visits to startup incubators in Bhubaneswar provided firsthand insights into the ecosystem, and interactions with Chief Operating Officers (COOs) offered qualitative information on specific banking needs of entrepreneurs.
- **Online Surveys:** Surveys via Google Forms targeted a diverse range of startups to gather information on banking needs, experiences with banking services, and awareness of banking institution offerings.

Sample Determination

The sample for the study comprised startups operating in India, with a focus on those located in Bhubaneswar, as reflected by the on-site visits. The sample size for the online surveys was determined based on the need to obtain a

representative sample of startups across various industries and stages of development. The study has used descriptive statistics such as mean, standard deviation in the analysis. To examine important factors affecting choice of banking finance services, the study has used factor analysis.

Variables under the Study

- Factors Affecting Startup Companies to Choose Banking Finance Services
- Satisfaction with Current Banking Services
- Factors Influencing Bank Selection
- Likelihood of Recommending Current Bank
- Factors Affecting Banking Finance Preference

Data Analysis and Findings

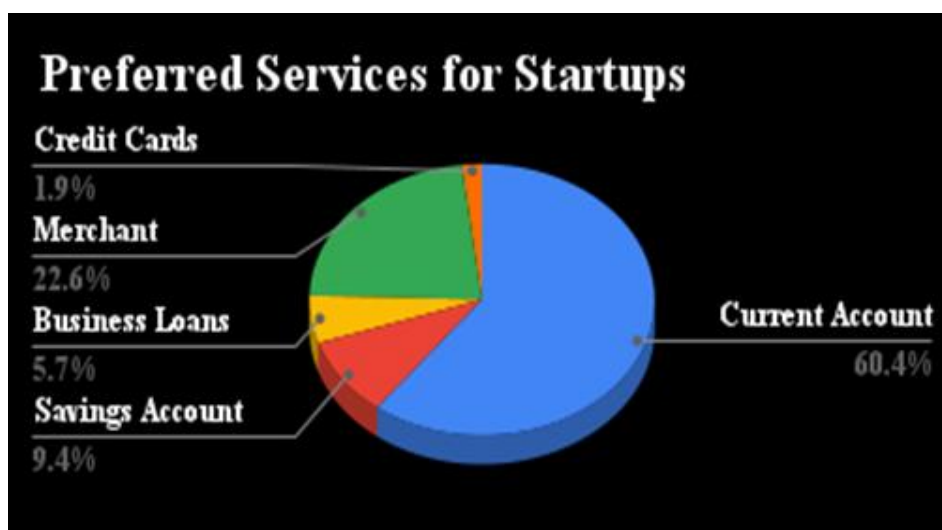
Introduction

The findings from the analysis evaluated how well banking institutions in India meet the defined objectives of

addressing startup banking needs. Assessing strengths, weaknesses, and alignment of offerings, the comprehensive understanding gained during this phase highlighted areas for improvement. The findings formed the basis for project conclusions and recommendations to optimize support for startups by banking institutions.

Banking services usage

According to the survey, Indian entrepreneurs use a range of banking services to assist their business operations. Current accounts are frequently used, which emphasises how important they are for daily transactions, whereas savings accounts are used to store money and earn interest. Startups use business loans for expansion and capital investment. The use of merchant services, payment gateways, and credit cards shows how important seamless payment processing and credit options are to businesses.



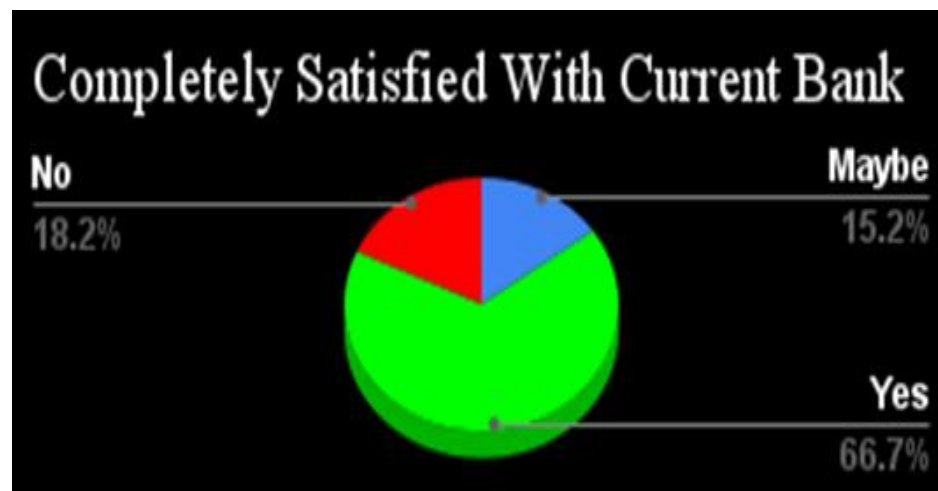
Source: Based on Author’s Calculation

Fig 1: Preferred Banking Services by Startups

Satisfaction with current banking services

In light of their present banking services, startups express a variety of opinions, according to the study results. Some companies express satisfaction by applauding aspects like quick customer service, simplicity, and a variety of banking goods and services. Other entrepreneurs, on the other hand,

express concern about exorbitant fees and levies, a lack of robust online banking tools, and long wait times for customer service. For startups, higher levels of satisfaction would result from addressing these issues and improving the overall client experience.



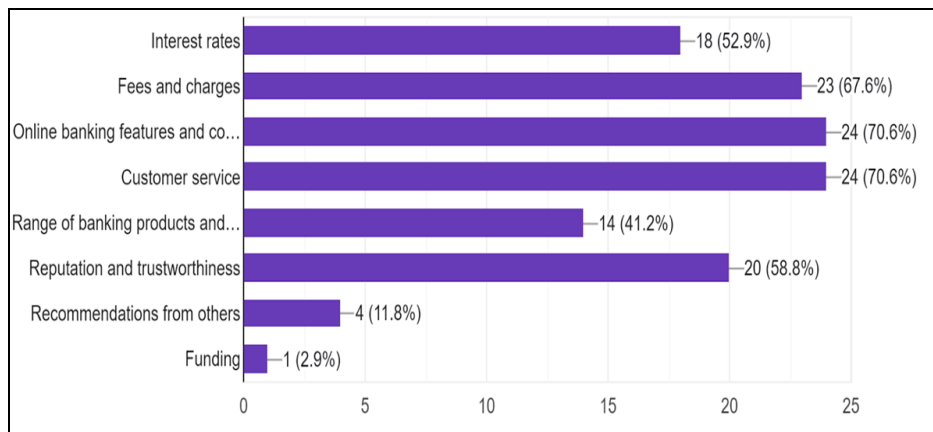
Source: Based on Author’s Calculation

Fig 2: Startups Satisfaction with their Current Banking Institution

Key factors influencing bank selection

When selecting a bank for their operations, startups take into account a number of variables. Competitive interest rates, favourable fees and levies, practical online banking

tools, and top-notch customer service were among the most crucial elements found. Additionally, startups value a variety of financial services and products as well as the bank's standing and reliability.



Source: Based on Author's Calculation

Fig 3: Factors Influencing Bank Selection

Likelihood of recommending current bank

Startups vary in their readiness to endorse their present banks to other startups. Startups are more likely to suggest their banks to others if they have had excellent experiences, including favourable interest rates, reasonable costs, effective services, and proactive customer care. The degree

of general satisfaction with the banking connection affects the likelihood of a recommendation. Positive word-of-mouth recommendations from the startup community are more likely to benefit banks that continuously provide excellent experiences and value-added services.

Factors affecting banking finance preference

Table 1: Descriptive statistics of factors

Factors	Mean	Std. Deviation	Analysis N
Interest rate	.51	.507	35
Fees and charges	.71	.458	35
Online banking features and convenience	.66	.482	35
Customer service	.71	.458	35
Range of banking products and services	.43	.502	35
Reputation and trustworthiness	.57	.502	35
Recommendation from others	.11	.323	35

Source: Authors calculation

The descriptive statistics for all factors examined in the factor analysis model are shown in Table 1. The model's factors are all binary in nature. As a result of this mean value of all variables is in between 0 to 1. These variables represent reasons for start-ups preference to a particular banking system. The study has found that preference of banking institution due to interest rate has the mean value of

0.51, indicating 51% of entrepreneurs have interest rate as one of the reason for banking finance presence. Likewise other factors also have different level of mean score with respect to banking finance preference. Further the study tried to test the adequacy of sample and strength of relationship among the variables.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.576
Bartlett's Test of Sphericity (Approx. Chi-Square)	39.635** (0.008)

Source: Authors calculation

Table 2 illustrates the test results for sample adequacy and the strength of the association between the variables. The KMO result is 0.576, which is greater than 0.5, suggesting that the samples included in the study are close to adequate.

Another indicator of the strength of the association between variables is Bartlett's test. The analysis discovered that the correlation between variables is adequate and statistically significant.

Table 3: Total Variance Explained

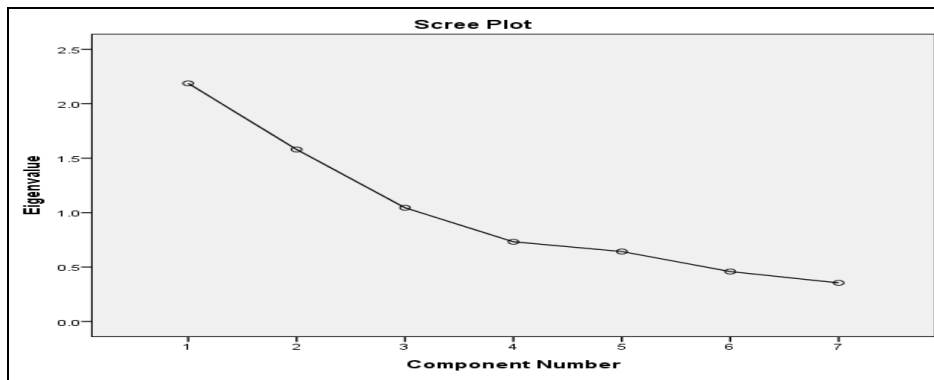
Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.187	31.243	31.243	1.975	28.214	28.214
2	1.580	22.569	53.812	1.703	24.333	52.547

3	1.045	14.924	68.737	1.133	16.189	68.737
4	.732	10.458	79.195			
5	.643	9.181	88.376			
6	.459	6.554	94.930			
7	.355	5.070	100.000			

Source: Authors calculation

The Eigen Values and rotation sum of squared loadings used in the factor analysis model are shown in Table 3. The study has found that out of 7, 3 components have initial Eigen value score more than 1. Thus there are 3 important components for all 7 variables in the model. The extracted

sum of squared loading for component 1 is 28.21% while it is 24.33% for component 2 and 16.19% for component 3. In total all 3 components have 68.74% of rotation sum of squared loadings. The initial Eigenvalues are shown graphically in following scree plot.



Source: Authors calculation

Fig 4: Scree Plot

Figure 4 demonstrates the graph of eigenvalues versus all factors. The graph can be used to determine how many factors to keep. It can be seen that three components have Eigen values more than one, whereas the others have values

less than one. The curve likewise began to flatten after component 3, implying that just three elements were preserved.

Table 4: Rotated.Component Matrix

Factors	Component		
	1	2	3
Interest rate		.734	
Fees and charges		.821	
Online banking features and convenience	.700		
Customer service	.744		
Range of banking products and services	.839		
Reputation and trustworthiness		.579	
Recommendation from others			.960

Rotation Method: Varimax with Kaiser Normalization.

Source: Authors calculation

The object of rotation is to limit the number of factors with strong loadings on the variables under consideration. The rotation has no effect on the analysis but simplifies its interpretation. Table 4 shows the Rotated Component Matrix. The study discovered that the most essential variables for component 1 are online banking features and

convenience, customer service, and the range of banking products and services. Component 2 considerations include interest rate, fees and charges, and reputation and trustworthiness. Similarly, for component 3, recommendations from others are crucial.

Table 5: Descriptive Statistics of components factor score

Components	N	Minimum	Maximum	Mean	Std. Deviation
Component 1	35	.00	3.00	1.8571	1.13241
Component 2	35	.00	3.00	1.8000	1.07922
Component 3	35	.00	1.00	.1143	.32280

Source: Authors calculation

There is a need to find out most important component among the 3 components. So the study further proceeds to find out mean factor score of all 3 components, which is shown in table 5. The study found that among 3

components, component 1 is best as the mean score of 1.8571 is highest. And the study has already found that component 1 is highly affected by 3 factors i.e. online banking feature and convenience, customer service, and

range of banking product and services. So the study found that online banking feature and convenience, customer service, and range of banking product and services are important factors affecting banking finance preference by start-ups.

Findings

1. Several technology startups, including Auum Platforms, Vayuj, Thinkgenix Biotech Pvt Ltd, and others, have mentioned online banking features and convenience as important factors when selecting a bank. This suggests that technology startups value digital banking services that offer ease of use and convenient access to their accounts.
2. Startups such as Auum Platforms, Ecobeton Readymix Private Limited, Vayuj, Mo Diesel, and others have mentioned issues with customer service, slow response times, or lack of adaptability to the needs of new entrepreneurs. This suggests a common concern among startups regarding the quality of customer service provided by banks, indicating a need for improved support and responsiveness.
3. Some startups, including Ecobeton Readymix Private Limited, Mo Diesel, Texiant Software Pvt Ltd, and others, have mentioned specific requirements such as collateral-free funding, tailored credit solutions, working capital loans with flexible interest rates and repayment terms, and convenient cash management services. This indicates a desire for banks to offer more customized financial solutions that cater to the unique needs of startups.
4. Startups like Ampy Logi and UBC Therapeutics Private Limited have mentioned recommendations from others as an important factor in choosing a bank. This implies that startups value word-of-mouth referrals or feedback from other entrepreneurs or trusted sources when making their banking decisions.

Conclusion, and, recommendations

The analysis yielded key findings regarding the banking institution's ability to meet startup needs, evaluated against project objectives. A combination of desk research and data analysis provided insights into 360-degree banking for startups. The approach ensured reliability and validity, leading to recommendations for enhancing support based on identified gaps. These recommendations focused on optimizing products, services, and marketing strategies to better address startup requirements. The findings, evaluation, and recommendations were synthesized into a logically structured, comprehensive report.

Recommendations

1. Awareness Initiatives

Conduct seminars and workshops to promote banking services for startups.
Showcase diverse offerings, including financial support, mentorship, and digital solutions.

2. Incubation and Investments

Establish or collaborate with incubators to provide workspace, mentoring, and resources.

3. Financial Tools

Provide startup-specific financial tools for effective cash flow and expense management.

4. Networking and Collaboration

Organize specialized events for startups to foster networking and collaboration.

5. Startup-Friendly Loans

Offer flexible and low-interest loans tailored for startup needs.

6. Dedicated Relationship Managers

Assign dedicated relationship managers with expertise in startup challenges.

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