

# Fintech Opportunities Knock: Are You Ready To Build The Door?



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## Problem of practice

The global fintech business is a hive of innovation and expansion, despite declining funding and revenue multiples and some depressing years.<sup>1</sup> The success rate of fintech startups is **low**, with India experiencing a **downward** trend as well.<sup>2,3</sup> India has immense potential - projected to be a **US\$2.1 trillion** market by 2030 - but the rate of new fintech startup incorporations is declining.<sup>4</sup> This raises the question: Is fear of failure discouraging new entrants? Fintech is a broad industry encompassing various financial verticals, each operating within unique business environments and consumer markets. A key determinant of success or failure is how entrepreneurs perceive and act upon opportunities. In their **research** article, Ramoglou and McMullen explain how entrepreneurs can create dynamic possibilities through innovative actions and strategic alignment instead of waiting for opportunities that exist 'out there'.<sup>5</sup> They propose a framework for effectuating opportunities, emphasising that entrepreneurial success stems from active engagement rather than passive discovery. Given India's vast potential and the need to expand access to financial services to even the most unreached segments of society, understanding and applying this framework could redefine how fintech startups approach innovation and success.

<sup>5</sup> The article 'What Is an Opportunity?: From Theoretical Mystification to Everyday Understanding' by Stratos Ramoglou and Jeffery S. McMullen, featured in Volume 49, Issue 2 of *Academy of Management Review*, argues that 'opportunities' in entrepreneurship are not fixed things we discover, but ideas we believe can lead to a better future

## Challenges to fintech growth

Failure is common in the startup world. A majority of start-ups fail, [more than two-thirds](#) of them never give investors a profit.<sup>6</sup> In India, fintech ventures reflect a [similar](#) pattern.<sup>7</sup> Reasons [for such a high failure rate are](#) financial constraints, poor product-market fit, ineffective marketing, team conflicts, regulatory barriers, and technological mismatches.<sup>8</sup> Other [reasons](#) for [failure](#) are entrepreneurs' inability to mobilise suitable teams, misjudgement of competition, and failure to innovate, adapt and pivot.<sup>9,10</sup>

Despite the projected growth of the Indian fintech sector, USD 2.1 trillion by 2030 and the highest fintech adoption rate globally at 87% (the world average is 64%), new company formations are slowing down. In 2023, [fintech startup incorporation](#) fell by 72% compared to 2021.<sup>11</sup> Clearly, more than favourable market potential is needed; entrepreneurs must understand how to create and navigate opportunities strategically.

Often, entrepreneurs struggle to discern real opportunities, mistakenly viewing them as something to be stumbled upon or discovered, leading to ineffective strategies and even failure. That need not be the case, as Ramoglou and McMullen propose a novel model for understanding opportunities that offers a solution to this problem.



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## Reframe with ABC model

Opportunities are dynamic and fluid entities that are not to be 'discovered' or 'created'. Instead, opportunities are expressions of potentiality that arise when the right conditions align with the entrepreneur's actions and desired outcomes. Ramoglou and McMullen propose a framework for entrepreneurial success rooted in actualising, rather than discovering, opportunities. Their ABC Model provides a structured way to connect vision, action, and environment:

- **A (Desired Future):** What the entrepreneur hopes to achieve—a particular outcome or goal
- **B (Entrepreneurial Actions):** The concrete steps entrepreneurs take to move toward the desired future
- **C (Enabling Conditions):** The external factors or conditions (market, technological, regulatory) must align to allow the entrepreneur's actions to succeed in realising the desired outcome.

According to this model, opportunities emerge when these three components align. Entrepreneurs must focus on having a vision and taking strategic action while monitoring and shaping the external environment to support their goals.

## Apply the ABC model in fintech

Fintech operates at the intersection of finance, technology, consumer markets, and policy, where the right conditions can drastically shift the landscape. The ABC model is particularly relevant for fintech entrepreneurs who must adapt to rapidly changing regulations, emerging technologies, and evolving customer demands. Let's break down how this insight can be applied to the fintech world:

**A (Desired Future in Fintech):** Entrepreneurs in the fintech sector often have a specific goal, such as creating a new payment platform, improving financial inclusion, or automating lending processes. The crucial step is clearly defining these goals and ensuring they align with current market demands. For instance, [PolicyBazaar](#) offers comparative information that simplifies decision-making for insurance consumers, helping them navigate a confusing and complex array of product offerings.<sup>12</sup>

**B (Entrepreneurial Actions):** These actions may include developing a new mobile app, partnering with banks, or adopting cutting-edge technologies like blockchain or AI to provide innovative financial services. However, taking action without understanding the broader conditions could lead to failure. For example, Paytm aimed to achieve breakeven by September 2023, but





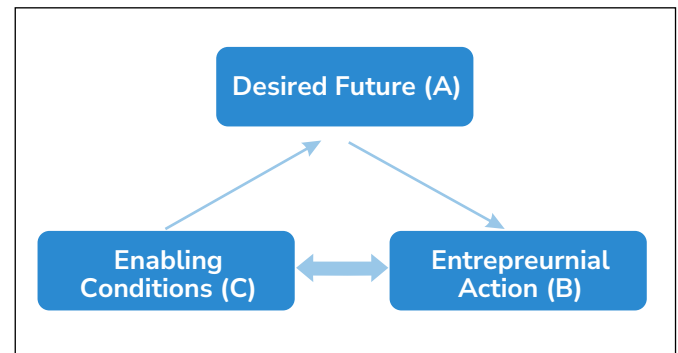
reached this goal six months earlier, granting them financial freedom. [McKinsey reports](#) that Paytm achieved this goal through disciplined cost management, revenue growth across businesses, and a business model with strong operating leverage.<sup>13</sup> The entrepreneurial actions can be strategic, such as decisions on pricing systems like freemium, pay per use, dynamic pricing, or tactical, such as short-term price promotions or product trials.

**C (Enabling Conditions):** The fintech sector relies heavily on a supportive regulatory environment and robust technological infrastructure. For instance, when launching a digital lending platform, it is crucial to have regulations that permit such services to operate legally and a digital infrastructure that allows customers to access the platform effortlessly. Peer-to-Peer (P2P) lending tech platforms often face issues with fraud. The Reserve Bank of India continuously refines regulations and imposes stricter licensing and compliance standards for P2P lenders operating under a non-banking financial company (NBFC) framework, promoting ethical business practices.

Entrepreneurs must monitor and sometimes even influence conditions to ensure the right support structures are in place for their actions to succeed. Entrepreneurs must adapt their strategy or focus on

influencing policymakers to create more favourable conditions if these conditions are unfavourable.

**Figure 1: ABC Model of Opportunity Actualisation in Fintech**



Source: Developed by authors based on research by Ramoglou and McMullen

## ABC theory to action

Here are some fintech companies that have leveraged the ABC model.

### PayPal

- **A:** Used the opportunity by creating a global platform for secure digital payments.

- **B:** Developed technology that enabled secure online payments and targeted the growing e-commerce market.
- **C:** Rise of online shopping, increased consumer trust in digital payments, and the regulatory environment for digital transactions enabled [PayPal](#) to thrive.<sup>14</sup>

### Reliance

- **A:** First created the opportunity for digital payments and digital banking by launching an extensive telecom network (Jio) and an e-commerce app (JioMart) that complemented a fintech offering.
- **B:** Building on these foundations, Reliance's digital businesses were consolidated into a super app (My Jio) and a subsidiary ([Jio Platforms](#)).<sup>15</sup> These early actions were followed by a series of fintech offerings, including JioFinance, which includes UPI payments, digital savings, insurance, and a credit business that now includes home loans.
- **C:** The conditions that enabled this success were high smartphone penetration in India, government policies supporting digital inclusion, and a relatively underdeveloped telecom market with high-cost data services, which Jio capitalised on by offering more affordable alternatives.

Jio's success wasn't about 'discovering' an existing opportunity but creating one by aligning its actions with favourable market conditions.

### UPI (Unified Payments Interface)

- **A:** Enabling seamless, real-time digital payments across the country.
- **B:** National Payments Corporation of India (NPCI) developed the user-friendly [UPI](#) interface, collaborating with banks and financial institutions and ensured interoperability.<sup>16</sup>
- **C:** India's growing mobile phone penetration, a regulatory push for digital financial inclusion, and collaboration between banks, fintech companies.

UPI has since transformed India's digital payment landscape, showing how fintech innovations can thrive when the right conditions exist.

Even well-intended entrepreneurial actions can fail if the enabling conditions (C) are not aligned or deteriorate over time. The demise of [Powa Technologies](#) in the UK is one such example.<sup>17</sup> Powa aimed to

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Artificial Intelligence (AI) and predictive analytics can enhance the ABC model by providing real-time insights into market sentiment, regulatory trends, and customer behaviour. This agility is particularly vital in fintech, where change is constant and rapid.

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revolutionise mobile commerce by developing PowaTag, a platform that allowed customers to make instant purchases by scanning QR codes. The company sought to position itself as an industry leader in mobile payments.

To achieve this, Powa made substantial investments in developing the PowaTag technology, established partnerships with thousands of retailers, and launched aggressive marketing campaigns to promote adoption of the platform. However, there were significant challenges: consumers were not widely embracing QR code-based payments, retailers were hesitant to adopt new systems without clear evidence of demand, and the competitive landscape included new mobile payment solutions, such as Apple Pay, that offered more practical options.

This disconnect between Powa's efforts and market realities ultimately led to poor adoption rates and financial difficulties for the company.

## Steering fintech the ABC way

The ABC model serves as a decision-making compass. It encourages entrepreneurs to:

**Define Clear Goals (A):** These must align with real-world problems or market gaps.

**Take Targeted Actions (B):** Actions should be iterative and informed by data and feedback.

**Align with Conditions (C):** Entrepreneurs must adapt to, or actively influence, regulatory and technological environments.

Artificial Intelligence (AI) and predictive analytics can enhance this model by providing real-time insights into market sentiment, regulatory trends, and customer behaviour. This agility is particularly vital in fintech, where change is constant and rapid. The ABC model is applicable across sectors. Healthcare, retail, logistics, and education operate within complex ecosystems where opportunities must be carefully shaped and timed.

While there is an explosion in the fintech industry, it is challenging for most of these businesses to **break even** and survive.<sup>18</sup> New entrepreneurs should constantly assess the **opportunities** they seek, allowing them to drop the less promising ones and stick with those still appealing.<sup>19</sup>

*"This is an opportunity, which is nothing but a different way of saying, 'This is possible' or 'This can actualise.'"*

(Ramoglou, S., & McMullen, J. S., 2024). "What Is an Opportunity?" *Academy of Management Review*, 49(2))

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