

## Analysis of P2P Lending Platform in Slovakia

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### Abstract

*The world's most widely used digital platforms have been on the market for more than ten years. As a phenomenon of the present, their popularity continues to grow. It is indisputable that the growing popularity of these platforms has also affected the market for transport, accommodation and financial services in Slovakia. Therefore, the question arises: what are the differences between the classic form of business and the business based on the digital platform principle in Slovakia? In connection to this question, the aim of the article is to analyse the possibilities and offerings of digital platform operating in Slovakia. Emphasis is placed on comparison of selected digital platform and traditional enterprises, in both cases, operating in the area of providing selected services in Slovakia. This article is specifically focused on financial services. The comparison is realized through the business model canvas and points out to the main differences between classic and platform based-businesses.*

**Keywords:** collaborative economy, digital platforms, e-commerce, economic business model canvas

### INTRODUCTION

Technological progress transforms the way we do business. New forms of businesses are emerging. One of them is internet based-business. Internet business can have, in addition to traditional e-commerce through the so-called "E-shops", the form of Internet platforms operating on the principle of collaborative economy (or sharing economy, shared economy, peer-to-peer economy) (Frankenfield,

2018). Essential to a collaborative economy is a company or a group of companies that acts as a mediator that facilitates activities by digital platforms that create an open marketplace for the temporary usage of goods or services provided by private individuals. In other words collaborative economies consist of giving, swapping, borrowing, trading, renting, and sharing products and services for a fee, between private individuals — generally with the help of a web-based (digital) collaborative platform, shared marketplace or peer-to-peer application (Frankenfield, 2018; Eljas-Taal et al., 2018; Miller, 2019). The collaborative economy has evolved over the past few years. Now it serves as an all-encompassing term that refers to a host of online economic transactions (Chappelow, 2020) which provide new opportunities for people to offer their services (including on a temporary and part-time basis) and for entrepreneurs to reach more potential customers, as well as offering customers lower prices and greater choice (European Commission, 2019). In general, a collaborative economy encompasses a variety of businesses. Most digital platforms under collaborative economy framework cover sectors of accommodation, transport, finance and online skills (on-demand household services, on-demand professional services) (Eljas-Taal et al., 2018; European Commission, 2019).

Rapid revenue growth of companies operating on the principle of collaborative economy and radical changes in consumer habits are often disruptive to other well-established businesses in these sectors. Study by PwC shows that while in 2013 the sharing economy companies in the sectors where the new business model is the most prevalent earned sales revenue of 15 billion dollars, by 2025 this will have risen to 335 billion dollars, so half of the revenues in these markets will go to companies with a sharing-based model (PwC, 2016). Such is the global estimate of collaborative economies' future development. If we focus on Europe, the size of the collaborative economy relative to the total EU (European Union) and United Kingdom economy was estimated to be 26.5 billion euros (0.17% of EU and United Kingdom gross domestic product in 2016). Similarly, it is estimated that about 394 000 persons are employed within the collaborative economy in the 27 EU countries and United Kingdom (0.15% employment of these 28 countries). The largest collaborative economy markets are found in France (EUR 6.5603 billion), UK (EUR 4.6377 billion), Poland (EUR 2.7366 billion) and Spain (EUR 2.5243 billion). These top four countries also offered the most jobs in the collaborative economy (approx. 74600, 69400, 65400 and 39700, respectively) in 2016. The collaborative economy in Slovakia is a relatively small but growing market. This does not come as a surprise, as Slovakia is a small economy by itself. The Slovak collaborative economy reached an overall market volume of 122 million euros in 2016, to which 3575 employees contributed. Viewed from a Europe-wide perspective, Slovakia demonstrates a below-average number of platforms per 1 million inhabitants (1.47). Slightly more promising figures can be retrieved from the collaborative economy's contribution to overall national employment (0.15%) and national GDP (0.13%) (European Commission, 2018).

There is no study that currently (in 2020) measures the size of a collaborative economy in Slovakia nor in Europe. PwC's estimates point to the fact that revenue from businesses operating on a shared economy basis will significantly grow by 2025 (PwC, 2016). It can be therefore expected that Slovakia will not bypass the worldwide increase in popularity of collaborative economy platforms whose share in the country's total GDP, employment and other macroeconomic indicators will surely increase compared to the measured results in 2016. In connection with this fact, it is appropriate to investigate the differences between digital platforms of collaborative economy and classic forms of businesses in Slovakia.

## GOAL AND METHODOLOGY OF ARTICLE

Digital platforms of collaborative economy are used in different sectors. Given the limited scope of this article, it is not possible to analyse the digital platforms of the collaborative economy across all sectors in which they operate. Therefore, this article focuses on the analysis of the selected sector, which is in this case the financial sector. Representative of the digital platform operating in Slovakia is company iService and its platform “Žltý melón” ([www.zltymelon.sk](http://www.zltymelon.sk)). On the other hand representative of classic business is a bank – Tatra banka. The subject of analysis and comparison is Žltý melón because it is the most used Slovak P2P lending platform (Skukalík, 2019). The choice of Tatra banka was influenced by the fact that it is one of the largest banks in Slovakia, which was the first private bank in Slovakia after the year 1989 ([financnykompas.sk](http://financnykompas.sk), 2019).

For comparison purposes, the method of business model canvas is used in the article. Business model canvas is referred to as a technique that describes and justifies the way in which the company creates, delivers and records value (Osterwalder & Pigneur, 2010). The model includes business-related components and activities, as well as the income that a company acquires and the expenses it incurs (Kopp, 2019). It consists of nine interconnected categories creating a way to plan not only key resources and activities, but also added value, customer relationships, distribution channels, customer segment, cost structure and revenue sources. Through the model, we can look at the company comprehensively and notice whether we missed something important, and we can even compare models with each other. Mentioned categories represent four basic aspects of company: customers, supply, infrastructure and financial viability. Composition of economic business model canvas consists of following components (Luenendonk, 2015):

- *Key partners* – this component identifies key partnerships and then can serve as a basis for a plan for future partnerships. Individually identified partnerships can be classified into 4 basic groups: strategic alliances, competitive alliances, joint ventures and buyer-supplier.
- *Key activities* – this component consists of identification of the activities that a company must undertake in order to operate successfully. It is important to identify the main business activities that are most involved in generating profit and operating a company.
- *Key resources* – an overview of resources is most important to the business model. The overview provides a company with information about the total assets that are necessary for the final product or provided service. It also provides an overview of unnecessary resources, which can save costs for a company.
- *Value propositions* – offer value solves the basic question, which is: what problem does it solve through the offered product or service? After answering this question, it is important to focus on how to improve the product or service in order to differentiate a company from its competitors. The last step at this point is to identify the underlying value that a company provides.
- *Customer relationships* – most important step is to identify the relationship a company has with its customer. Individual relationships can be divided into personal assistance, specialized personal assistance, self-service, automated services, communities or co-creation. Following the identification of the relationship, it is important to determine the value of the customer in terms of his purchases of specific goods or offered services.
- *Channels* – the first step and priority is to identify the customer channels. The number of contact points may vary or be limited. It all depends on the strategy company has set.

- *Customer segments* – Identifying current and future customer needs is an important step in creating effective customer segmentation. After getting to know the needs of customers, the customer list is created and redistributed based on their priorities.
- *Cost structure* – this component consists of analysing the costs incurred by the company based on its business activities. An overall cost analysis is created, which identifies only those costs incurred by the company respectively it needs to run the business.
- *Revenue streams* - The revenue report provides information on how customers buy a company product or service. There can be six types of revenue: asset sales, usage fees, subscription fees, leasing, licenses, advertising.

Individual parts of the business model canvas are filled with data about the classic form of business – the bank and the digital platform based on the principle of P2P loans. Consequently, the comparison of both forms of business is based on the obtained data. Data about Žltý melón included in the individual parts of the economic business canvas model are based on the information that was obtained from the available sources (qualitative data) via the website [www.zltymelon.sk](http://www.zltymelon.sk). Economic business model canvas for Tatra banka consists of information that was obtained through the open sources (qualitative). These sources are the main website [www.tatrabanka.sk](http://www.tatrabanka.sk) and individual subpages of this website. Main findings from these websites are stated in the following chapter dedicated to the comparison of selected financial institutions.

## **COMPARISON OF ŽLTÝ MELÓN AND TATRA BANKA BY ECONOMIC BUSINESS MODEL CANVAS**

### *Key partners*

Strategic alliances for P2P lending platform Žltý melón are made up of companies and individuals who participate in the functioning of the platform. They are a guarantee for the platform to be able to secure investments and enable its clients to borrow money. Last but not least, the JEREMIE Co-Investment fund is a key partner for the platform, which was at the birth of the platform itself. Google, providing the marketplace for platforms' mobile application is another key partner for the platform. Insurance company Generali provides a loan insurance for customers of the platform.

For Tatra banka strategic relationship is formed with its parent company Raiffeisen Bank International AG or its subsidiaries, which work closely with Tatra banka in providing services to their customers at a certain level. Insurance of the loans is provided by UNIQA insurance company. Mobile banking is critical focus of Tatra banka, therefore Google and Apple with its marketplace Google play and App store is another key partner for Tatra banka. Tatra banka, in cooperation with its customers, is able to provide banking services at the highest level.

### *Key activities*

Digital platform Žltý melón upgrades and keeps regular maintenance of web and mobile applications of the platform. Žltý melón is trying to be accessible through its website and mobile application to its customers at a time when the customer has a problem they are unable to cope with or are interested in helping. The P2P-lending platform Žltý melón provides tailor-made loan offers or money lending options for customers.

Tatra banka provides its customers with several mobile applications that they can use on a daily basis. For this reason, it is very important for the bank to ensure that individual applications work smoothly and that the applications are available to customers in the latest versions. Through the chatbot Adam, Tatra banka tries to help its customers solve their problems. By providing advantageous services for customers Tatra banka offers its banking services to its customers through customer groups, into which it classifies individual customers, whereby it can specialize individual services for specific selected customer groups.

#### *Key resources*

Customers and investors are an important resource for the Žltý melón platform, because without them the platform would not work and would have no one to provide its banking-character services to. Another key resource for Žltý melón is its mobile application. Most customers use the services provided by the platform through the application. By making the platform work exclusively through an mobile and a website application, the Internet is a key resource with which Žltý melon would not work. Žltý melón with its brand raises awareness among its customers and the society as a whole. In general, a well-known brand can bring new customers to the company.

Customers are also an important resource for Tatra banka in terms of funds that customers want to keep in the bank. Tatra banka provides its services through its website and mobile application and its contact centres that customers can visit. For this reason, the key resources are employees who ensure the operation of the bank and the provision of banking and other services. Mobile applications and websites are a key resource, as mobile banking and usage of banking services provided via the Internet are an essential part of our lives. As well as for Žltý melón, the brand for Tatra banka is another key resource that can raise awareness about the bank among the potential customers.

#### *Value propositions*

By using the services of the P2P platform Žltý melón the customer is able to get a commission for every recommended customer who wants to borrow or invest. This commission will be paid to the customer only if the loan or investment is approved by the Žltý melón. Žltý melon provides loans at the best terms and lower interest rates than commercial banks. The customer communicates with the platform from their home. The operation of Žltý melón is transparent and at the same time the platform provides its customers with simple and understandable conditions of lending and investing.

Tatra banka's banking services are available to customers through the Bank's branches, the bank's websites and mobile applications. Account opening is possible not only at the branch but also through the website and mobile applications of Tatra banka. Tatra banka provides several mobile applications for its customers, such as MobilePay, TB Reader, VIAMO.

#### *Customer relationships*

As the awareness of lending of funds through P2P lending platforms is growing, it is important that current or potential customers have the support of the platform Žltý melón. Platform Žltý melón provides customer support through its website and mobile applications.

Nowadays electronic banking services are commonly used. On this basis, it is important for the bank to provide its clients with ancillary and supportive services that will try to solve their problems and provide

them with assistance in the area of electronic banking. Tatra banka is providing support primarily with AI chatbot Adam. Other forms of customer support are realised in banks branches by the bank employees.

### *Channels*

Through the website and mobile application Žltý melón provides not only financial services for its customers but also important information about investing and lending money on the platform. Žltý melón uses social media and classic media to promote and raise the awareness of the platform. Social media are a meeting place where users of the platforms meet and share their experience with the platform. Classic media such as online magazines and specialised websites share space for publishing PR articles about Žltý melón. In these articles potential customers can learn a lot of useful information about platform, its performance and functionality as a whole.

Tatra banka operates both offline and online. Therefore, it reaches current and potential customers with modern online and traditional marketing tools. In case of traditional tools we can mention classic leaflets in which customers can read about banking services of Tatra banka. Another widely tool by the bank is advertisement in television and in print media. In terms of online marketing tools, Tatra banka uses basically everything that is available – websites, mobile applications and social media. What the bank offers with classic “offline” marketing tools is also offered through these digital tools.

### *Customer segments*

Customers of Žltý melón are predominantly people who want to borrow money and people who are willing and able to lend money. So we can identify two groups of customers – lenders and borrowers.

Customers of Tatra banka are ordinary people, self-employed people, small businesses, companies, big corporations, who want to want to open an account in the bank or apply for a loan (mortgages).

### *Cost structure*

Cost structure of Žltý melón is mainly made up of: wages of employees, the cost of updating, upgrading and maintaining mobile application and website, payments of taxes.

Cost structure of Tatra banka is mainly made up of: wages of employees working in the every Tatra banka branches, the cost for updating, upgrading and maintaining mobile applications and websites, payments of taxes, operating costs incurred during the operation of bank’s branches.

### *Revenue streams*

The revenue generated by P2P lending platform is predominantly made from loan fees, investment management fees, approved loan and investment fees, and penalty fees.

Tatra banka’s revenues are predominantly made up of bank account fees, loan fees, bank card registration fees, and penalty fees.

## CONCLUSION

Based on the comparison, it is possible to say that P2P platform represents a competitive threat for commercial banks in terms of providing funds to their customers under preferential conditions. Žltý melón is a platform dedicated to borrowing money and creating opportunities to invest to its customers exclusively via the Internet. The customer does not come into direct confrontation with the employees of the company, as the whole communication and the approval process are carried out electronically. The disadvantage of this platform is the limited incentive of banking services.

In comparison with the platform, Tatra banka has built branches where it physically provides its services to customers. As time progresses, commercial banks are starting to use different technologies to provide their customers with banking services without physical contact. In addition to its branches, Tatra banka also has a website and various applications through which the bank's customers can also use its services from the comfort of their home without the need to visit a bank branch.

For lending platforms, there is a threat that commercial banks, by slowly adapting to their customers' requirements, are starting to use and apply modern technologies that could jeopardize the functioning of emerging P2P lending platforms, including in terms of the type of individual services provided.

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