

Analysis of Business Models' Innovation – Applications with Digital Financing of Licensed Finance Companies in Sri Lanka

W. Lakmini Senevirathne

Doctoral Student, University of Kelaniya.

Abstract: The main purpose of this study is to explore and examine the contribution of digital finance to the business model innovation in Licensed Finance Companies in Sri Lanka. There are 39 licensed finance companies in Sri Lanka that have been registered under the Central Bank of Sri Lanka. The appropriateness of studying the business model innovative practices in digital financing in Sri Lankan context was considered and accordingly identified two key players called LB Finance PLC and LOLC Finance PLC based on scrutinizing the secondary data and study was done using deductive approach. The main objective of the author was identification of the applications on digital financing as in a disruptive way while innovating the business model. Licensed Finance companies in Sri Lanka play an enormous role in the financial industry and therefore, going towards with disruptive innovations with digital financing is essential rather than completely depend on the traditional products and services as well as processes. This study presents the practices of two players and recognized many applications such as digital apps and wallets, designated websites for digital financing, process automation systems like oracle fusion and fusion X, BPR workout for recovery performed...etc which helps to innovate their existing business model. The observations emphasized that the key players have applied many digital financing techniques and platforms in a disruptive way to their business model innovation process.

Keywords: Business Model Innovation, Digital Finance, Applications, LB Finance PLC, LOLC Finance PLC.

INTRODUCTION

As stated by (Sanjari Shahrezaei. *et al.*, 2018), according to the Economist Intelligence Unit, a recent worldwide study of more than 4,000 top managers indicated that the majority (54 percent) preferred innovative business models above new goods and services as a source of future competitive advantage. A business model innovation might take the form of introducing new activities, connecting existing activities in unexpected ways, or altering which party performs a given activity. Companies often invest significant resources in innovating their processes and products in order to achieve revenue growth while also maintaining or improving profit margins (Sanjari Shahrezaei. *et al.*, 2018).

In the twenty-first century, innovation serves as the foundation for both creativity and ongoing progress. In addition, financial innovations help to minimize risks and/or costs in financial markets, as well as enhance the overall performance of financial systems. Often linked with legal technology, financial innovation, or financial technology (fintech), transforms the way finance is carried out as a sort of disruptive innovation, changing the method in which finance is carried out. In the financial technology industry, there are numerous damaging peaks, and the industry is always pushing the frontiers of disintermediation, re-intermediation, and automation, all of which are focused on the customer's user interfaces and consumer experience (Abdelli, M. E. A. *et al.*,

2021).

Selected Key Players for the Study

By looking at the Sri Lankan context, analyzing the business model innovation with identifying the applications on digital financing related to the licensed finance companies is very appropriateness. According to the study scope, it has been recognized key players as LB Finance PLC (LBF) and LOLC Finance PLC (LOFC) among Licensed Finance Companies (LFCs) in Sri Lanka.

According to LBF Annual Report (2020/21), LBF formed in May 1971 as a private limited liability company, and later changed its status to a public limited liability company in 1982. In 1997, the firm was listed on the Colombo Stock Exchange and again in June 2008, it was re-registered under the new Companies Act No. 7 of 2007. Initially, Lewis Brown & Company Limited owned the majority of the company's shares, and later, in 1994, Vanik Incorporation Limited purchased the majority of the company's shares and became the company's controlling shareholder. Annual Report of LBF in 2020/21 reveals that the total asset of the LBF is Rs. 140.57 billion while generating a profit after tax amounting Rs.6.80 billion. ROE and ROA are 26.58 percent and 4.78 percent respectively as well as cost to income ratio is indicated as 30.56 percent.

According to LOFC Annual Report (2020/21),

LOFC is a Registered Finance Company of the LOLC Group. LOFC, which began commercial operations in 2003, today offers a comprehensive variety of financial services that have been deliberately developed to meet the needs of everyone from small business owners to multinational corporations. In addition to the preservation of Savings and Term Deposit Accounts in LKR and foreign currency, they also provide inward worker remittance, money changing, the issue of Visa Debit Cards, Credit Cards, LOLC Real Time, alternate finance, auto and SME finance, working capital, and foreign currency business services. Annual Report of LOFC in 2020/21 reveals that the total assets of the LOFC is Rs. 170.2 billion while generating a profit after tax amounting Rs. 4.4 billion. ROE and ROA are 13.0 percent and 2.4 percent respectively.

Evolving the Concept of Business Model Innovation

It is imperative to obtain the definition of the business model concept according to the literature before elaborate the business model innovation. The concept of a business model applies primarily to the implementing of many elements of an activity of the business aimed at creating value for its customers. A business model illustrates the concept of management that the consumer desires and how the firm can great arrange to generate, deliver, and acquire that value (Doz & Kosonen, 2010; Teece, 2010; Tikkanen. *et al.*, 2005). A business model is a really broad sense and straightforward representation of a company and how it works to achieve its goals (for example, profitability, growth, social impact, and so on.) However, there is a difference in opinion among scientists on more pragmatic definitions of a business model that go beyond the evolutionary level (Klang. *et al.*, 2014; Wirtz. *et al.*, 2016; Zott. *et al.*, 2011). Following the intensive growth in the Business Model literature in the 1990s, Innovation and Business Model studies began to draw attention in the 2000 decade. The conceptual integration process between Innovation and Business Models, on the other hand, required uniqueness and was more dependent on the alignment of researchers' intentions than the development of a conceptual basis (Vils. *et al.*, 2017).

Disruptive Innovation with Digital Transformation and Financing

According to (Schumpeter, 2017), economic system changes from inside, with the old structure being destroyed and a new one being created. (Tushman & Anderson, 1986) extended this idea

to technological innovations, and they have established a difference between innovations that enhance competence and innovations which undermine competence. Innovating to enhance competence means making changes that build on current knowledge and experience. In contrast to competence-destroying innovations, which either establish a new product category or replace an existing product category, involve the acquisition of new information (Abernathy and Clark, 1985). It was also discovered that industries go through cycles of gradual change that are punctuated by technical breakthroughs that either improve or degrade the competence of companies in the sector in which they operate (Tushman & Anderson, 1986). Adapting disruptive business models allow organizations to respond to market shifts by realigning their products or services with technological innovation while also realigning their processes, skills, logical forms of profit, and value network relationships to match. An enterprise's business model defines the manner in which it is organized to deliver value to customers, and according to that business model defines the manner in which a business model delivers value to customers (Hwang & Christensen, 2008; Mitchell & Bruckner Coles, 2004). External developments in technology and market requirements, which cannot be tracked or taken advantage of that by current business models, add to the disruptive pressures that force businesses to develop new business models to compete in the future (Cozzolino. *et al.*, 2018).

According to (Jiang. *et al.*, 2021) the integration of information technology and finance has progressed to become an essential facet of China's financial system in recent years. Digital finance, a new financial model, is advantageous to the improvement of traditional financial organizations, as well as the transformation of financial businesses from being based on credit and collateral to being reliant on data. Internet of Things devices generate vast amounts of data; artificial intelligence, machine learning and cloud computing improve the efficiency of data processing; big data provides timely feedback and has the potential to re- shape and re-engineer business models: block chain allows for the updating and real-time dissemination of data; etc. Furthermore, digital applications are less expensive and may enable for cost reductions to be achieved more quickly. Previous research has shown that digital finance, which includes digital financial services and products such as online

credit, mobile payment, digital crowdfunding, e-commerce supply chain financing, and so on, has a multifaceted and cumulative effect on financial productivity on the business model changes (Jiang, *et al.*, 2021).

Finance Companies in Sri Lanka

Considering the Sri Lankan context, 39 finance companies have been registered under the Central Bank of Sri Lanka (CBSL) as at 30th December 2021. According to the CBSL Annual Report (2020), by the end of December 2020, the total assets of the sector (including Specialized Leasing Companies (SLCs)) were worth Rs.1,401.6 billion, contributing to 5.9 percent of Sri Lanka's financial system's total assets. When

compared to the previous year (2019), deposits dominated the funding mix, with borrowings from the sector declining. Further, there were 1,517 branches and 460 other outlets in the sector (LFCs & SLCs), with 1,001 branches (66.0 percent) concentrated outside the Western Province.

According to the CBSL Annual Report (2020), while dealing with the ambiguity and obstacles faced by the COVID-19 pandemic, financial sector in Sri Lanka was able to sustain its stability. In the meantime, LFCs and SLCs sectors experienced a lackluster performance, which was expressed in a declining trend in the asset base, credit and deposits, and profitability, as well as an increase in non-performing loans (NPLs) during the year.

Composition of Assets and Liabilities of the LFCs and SLCs Sector

| Item | 2019 | | 2020 (a) | | Change (%) | |
|---------------------------------|----------------|--------------|----------------|--------------|------------|-------------|
| | Rs. bn | Share (%) | Rs. bn | Share (%) | 2019 | 2020 (a) |
| Assets | | | | | | |
| Loans and Advances (net) | 1,102.7 | 77.0 | 1,039.9 | 74.2 | -3.0 | -5.7 |
| Investments | 132.2 | 9.2 | 158.8 | 11.3 | 20.5 | 20.2 |
| Other | 197.8 | 13.8 | 202.9 | 14.5 | 7.1 | 2.6 |
| Liabilities | | | | | | |
| Total Deposits | 756.7 | 52.8 | 748.6 | 53.4 | 5.6 | -1.1 |
| Total Borrowings | 405.6 | 28.3 | 328.0 | 23.4 | -12.6 | -19.1 |
| Capital Base | 203.2 | 14.2 | 248.0 | 17.7 | 10.6 | 22.1 |
| Other | 67.2 | 4.7 | 77.0 | 5.5 | 0.3 | 14.6 |
| Total Assets/Liabilities | 1,432.7 | 100.0 | 1,401.6 | 100.0 | 0.1 | -2.2 |

(a) Provisional

Source: Central Bank of Sri Lanka

Distribution of Branches of LFCs and SLCs Sector by Province

| Province | End 2019 | End 2020 (a) | Movement during the year |
|---------------|--------------|--------------|--------------------------|
| Central | 160 | 166 | 6 |
| Eastern | 117 | 119 | 2 |
| North Central | 99 | 107 | 8 |
| North Western | 156 | 165 | 9 |
| Northern | 89 | 96 | 7 |
| Sabaragamuwa | 113 | 116 | 3 |
| Southern | 151 | 162 | 11 |
| Uva | 67 | 70 | 3 |
| Western | 480 | 516 | 36 |
| Total | 1,432 | 1,517 | 85 |

(a) Provisional

Source: Central Bank of Sri Lanka

Exhibit 1: Assets and Liabilities of LFCs and SLCs **Exhibit 2: Branch Distribution of LFCs and SLCs**

Purpose of the Study

The main purpose of this study is to explore and examine the contribution of digital finance to the business model innovation in LFCs in Sri Lanka. It is very significant to obtain an understanding of the innovative practices in digital financing in Sri Lankan context. LFCs in Sri Lanka play an enormous role in the financial industry and therefore, going towards with disruptive innovations with digital financing is essential rather than completely depend on the traditional products and services as well as processes.

METHODOLOGY

In place of the approach of this study with the positivism paradigm as the research philosophy, this researcher has espoused a deductive approach to review the concepts and previous literature in developing the case. As per the research tools, it was based on literature reviews, journal articles and experiential justifications while revealing industry-related rationales. Accordingly, this study has followed a precis format of a literature review and as well the model of case review to explore content with case associated illustrations from both LBF and LOFC. Accompanying, this case has been developed backing with the

secondary data attained from annual reports, web sites and other secondary sources.

CASE REVIEW

According to CBSL Annual Report (2020), there are a wide range of branch network over 1,000 belongs to 39 LFCs currently. It could be seen that many LFCs are implementing some kind of digital platforms up to a certain level. Nevertheless, there are some LFCs that have a specific digital financing platform in their strategy and outline themselves or practice some techniques for moving forwards to such kind of platform with a lethargic change. When it was analyzing the annual reports of LFCs, it was recognized the main criteria to be analyzed in depth for the purpose of this study on the applications with digital financing. Consequently, following model could be illustrated for further analysis.

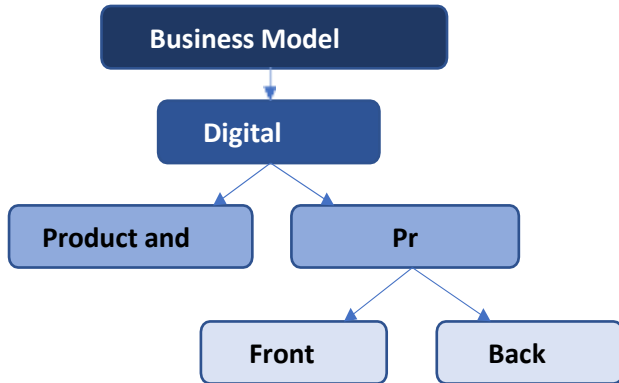
Model

Exhibit 3: Categorization of Business Model Innovation

Source: Author Developed

Digital Financing

According to (Rvspk. *et al.*, 2020), Financial sector in Sri Lanka is being revolutionized as a consequence of technological improvements in the country. Banks started to use computer-based technology for their day-to-day operations in the 1980s, which marked the beginning of the digitization of financial transactions. Since then, there has been a change in the way financial operations are carried out, with manual processing giving way to digitization of the process in many cases. (Rvspk. *et al.*, 2020) further elaborates this digitization process has been carried out in order to provide customers with a greater level of service while also enhancing their degree of comfort. This has been done via the employment of simple-to-use procedures and the promotion of financial inclusion, both of which have been implemented. For this reason, in Sri Lanka, it is now capable of conducting the transactions using various methods such as credit cards and debit cards, online banking and mobile banking, and mobile phone based electronic money systems...etc.

Smart phone-based financial technology breakthroughs have surged to the forefront of public discussion throughout the globe. Yet another paradigm shift is taking place in the payment industry, as trends are shifting away from payment cards and toward mobile-based applications such as e-money, QR code-based payments, near field communication-based payments, and a variety of further alternatives to payment cards (Fairouz & Wickramasinghe, 2019). The CBSL is now seeking to discover the most effective techniques and means of embracing these advancements and their potential uses in the country while simultaneously maintaining the

stability and security of the financial system in its current configuration. The present financial environment, as well as market participants, must be brought into alignment with the demands of the finance sector in the foreseeable future (Weerakkody. *et al.*, 2021). Changing go-to-market strategies are essential for banks, which could begin by shortening their strategy cycles from years to months rather than years. Along with improving their capacity to recognize and adapt changes in the environment, businesses must also become more strategically focused on being operationally lean and agile in response to shifting market conditions. When deciding whether to embrace or work with fintech firms that enable digital interactions, these issues will be taken into account. They will also have an impact on the acceptance of the reality that there are alternatives to key legacy IT systems that deliver faster speed for revenue generation, more efficiency in operations, and a better customer experience than traditional IT systems. Innovation to an existing business model can be moved forward through such platforms.

According to the developed model above and scrutinizing the annual reports of respective LFCs, it was recognized that LBF and LOFC have followed and implemented some digital financing platforms actively and effectively to innovate their business model in a successful manner.

Digital Financing - Products & Services

When it considers the business model innovation aspect, according to LBF Annual Report(2020/21), LBF use their digital financial products as their key initiatives. Accordingly, it could be identified the CIM App as the key digital product of LBF which has two dimensions, namely CIM Customer App and CIM Business App. As per the LBF's annual report indicates, with the purpose of addressing the pressing demand for digital platforms as a method of circumventing pandemic-related mobility constraints, LB CIM, a wallet application, was created. It was developed in-house by LBF's Digital Financial Services (DFS) business employing a complex dual platform architecture to accommodate the transactional capabilities of both clients and merchants. While flattering CIM Customer app, many facilities could be obtained such as money transfers, paying utility bills, making reloads to mobiles, reviewing the status and installment settlements on LB lease, loan or gold loan and supporting to the JustPay facility by linking bank accounts...etc while enjoying an interest. As well, the CIM Business

app also provided many facilities like real time tracking of all transactions including direct debit instructions integrated with LankaQR for the lowest fee. When it compares the traditional business model, which was used to do all

transactions in physical way, now it has been changed and upgraded with digital platforms with more innovations and accordingly their business model has been changed.

CIM Customer App

- ◆ Earn an attractive interest for the balance in CIM digital account (secured under the deposit insurance scheme of the Central Bank of Sri Lanka)
- ◆ Review the status and pay the installments for LB lease/loans or gold loans anytime
- ◆ Check FD portfolio details
- ◆ Link bank accounts and pull money using JustPay facility
- ◆ Send money to anyone, any bank, anytime instantly
- ◆ Reload mobiles and pay all utility bills
- ◆ Settle credit card bills with no convenience fee
- ◆ Pay any insurance premium real time
- ◆ Make payments at LankaQR accepted +200,000 merchants anywhere



CIM Business App

- ◆ Integrated with LankaQR to facilitate interoperability between mobile wallets whilst offering the lowest fees in the market
- ◆ Convenient and cost effective solution to make supplier payments, utility bill payments, salary payments and money transfers to any third party savings or current account
- ◆ Get money credited to the wallet savings account directly to start earning interest instantly
- ◆ Direct debit instructions in real time
- ◆ Real time tracking of all transactions

Exhibit 4: Features of CIM App
Source: LB Finance PLC- Annual Report

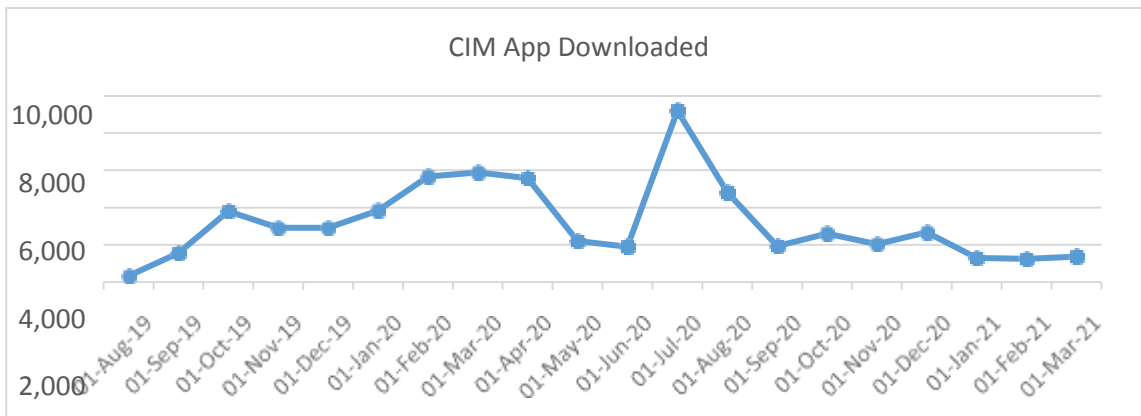


Exhibit 5: Trend of CIM App Downloading
Source: LB Finance PLC- Annual Report

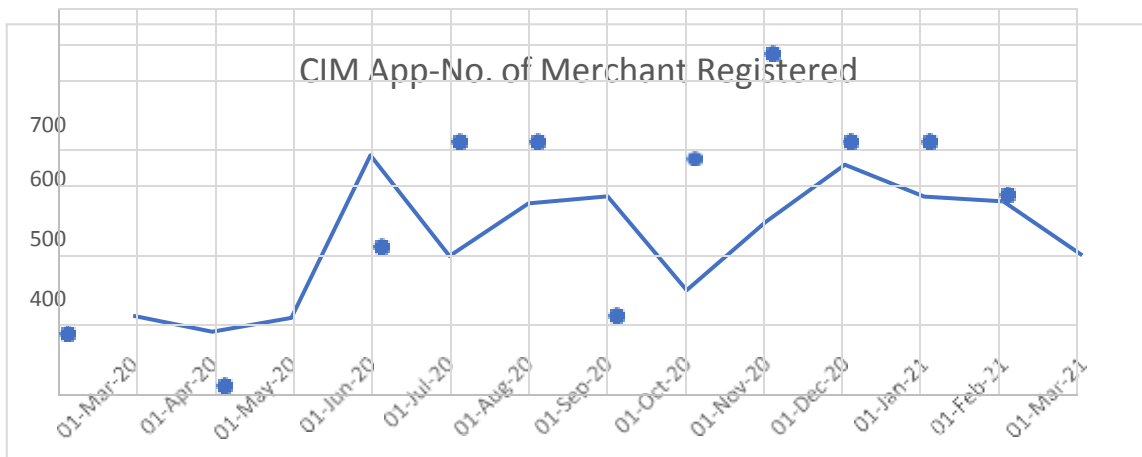


Exhibit 6: Trend of Merchant Registration for CIM App

Source: LB Finance PLC- Annual Report

According to the LOFC Annual Report (2020/21), they believe that the introduction of e-commerce has increased customer contacts and that consumers have become more demanding as a result of their need for real-time service. If it runs a client-centric firm, digital transformation is particularly critical when it comes to the customer service center. The demands of consumers for real-time, tailored, and fast assistance in resolving their difficulties via the channel that is most convenient for them continue to grow.

It was noted that LOFC has operated the app called iPay successfully. Further, they believe that as a result of increased adoption and the introduction of new application features for its customer and merchant base, iPay, which is LOFC's unique fintech project, was propelled into the number one position among digital payment platforms in the nation in the fiscal year 2020/21. During the time period under consideration, iPay grew from a simple payment gateway to a more comprehensive lifestyle payment application that provides unmatched ease when compared to its rivals in the

industry. Mainly, Customers benefited from the option to create digital savings accounts, digital fixed deposits, and credit card payment acceptance, which enhanced their overall experience with fully digital eKYC. Customers were able to complete their transactions entirely using the iPay app, eliminating the need to visit any LOLC branches. iPay's transaction volumes per month increased from Rs. 37 million per month to Rs. 1.1 billion per month, surpassing the competition and demonstrating the increasing acceptance of the lifestyle fin-tech product among the over 24 applications available in the market. As part of its "cloud and mobile" strategy, the company is pursuing significant projects to investigate data science and artificial intelligence, with the goal of empowering the organization (LOFC Annual Report, 2020/21). Aforesaid applications and practices are key sources to their business model innovation perspectives and their financial recordings has indicated the progress of such innovates to the model they built up.



Source: LOLC Finance PLC- Annual Report
Exhibit 7: Features of iPay

As per the findings from annual reports of both companies, it is noted that they have operated digital apps to change the business model in a digital angle. However, LOFC's application called iPay is more advanced app when it compares with CIM app of LBF. Because, iPay has several facilities that go beyond just a wallet facility. iPay,



Source: LOLC Finance PLC- Annual Report
Exhibit 8: Performance of iPay

in particular, offers the ability to open digital savings accounts and fixed deposits, resulting in fully digital electronic KYC. Therefore, it eliminates the customer visits to LOFC branches (LOFC Annual Report, 2020/21). Therefore, it could be emphasized that the digital business model innovation of LOFC is more sophisticated

than LBF according to the findings as mentioned above.

Nevertheless, both apps are implicated in some shortfalls which could be overcome with certain developments with information technology infrastructures when it looks into the international practices. For example, according to State Bank of India Annual Report (2020/21), YONO app from the State Bank of India offers unparalleled capabilities (both standard and novel), which Sri Lankan institutions have yet to incorporate. A digital banking platform offered by the State Bank of India (SBI) that allows users to access a variety of financial and non-financial services, such as digital facilities on gold loans, purchasing airline tickets, train, bus, and taxi tickets, making online purchases, and making medical bill payments. Accordingly, SBI has changed their business model innovation through digital financing immensely. YONO is an abbreviation for You Only Need One. However, LOFC has practiced Mobile Gold Loan Module and Gold Loan iPay integration (LOFC Annual Report, 2020/21).

Digital Financing - Processes

According to the relevant annual reports of LBF and LOFC, author has found that several digital processes have been implemented and practiced by such LFCs to modify their business model. With the aim of showcasing a clear picture of those, digital processes have been split off into two angles, such as front end and back end digital processes.

Digital Processes – Front End

As per the LBF Annual Report, (2020/21) revealed clearly, employing business processes and technology for business analysis to determine critical performance processes, which allows them to focus on their core competencies and specializations is very important. In addition, LBF has established an innovation and technology center to oversee the administration of business processes and to create new technologies. They have implemented few front end digital processes like automation of the insurance renewal process, Integration of the gold loan system to the LB CIM mobile app and introduced cash recycle machine (CRM) for cash withdrawals and Mobile app for leasing products field staff and as well as chatbot introduced to the corporate website and social media platforms while handling the majority of the

various inquiries received at any given moment on both the website and social media platforms (LBF Annual Report, 2020/21).

As well, it is noted that in LOFC, as a part of the organization's Business Process Redesign initiative, an innovative solution termed "Smart Marketing Executive" was created, which consists of a web-based and mobile-based mobile application. Marketing executives are able to carry out their day-to-day duties with minimum engagement with backend officials, resulting in a paperless office atmosphere and faster service to consumers, as the term implies. In addition, Teller Automation solutions, Housing Loan Module, Vehicle Valuation App, Anti-Money Laundering Module, Fixed Deposit Settlement through the Common Electronic Fund Transfer Switch (CEFTS) and Real-Time Gross Settlement (RTGS), Loan against Fixed Deposit solution, Credit Card Auto Debit Process, Rental Recovery through internal Savings accounts solution and external bank (Direct Debit Process), Business Process Redesign (BPR) Exercise for Facility Formation Automation Development in addition Digital lending Platform Development together with Lanka Quick Response (QR) Code execution...etc were recognized in LOLC (LOLC Annual Report, 2020/21). Based on these process changes, their overall front-end procedures have been changed with such innovates. In another words, ultimately impact to their business model changes.

Digital Processes – Back End

Back-end processes are essential part of the business process innovation task. It helps to sharpen the business process in digital financing. Accordingly, both LFCs rigorously take several steps to strengthen their digital business model.

LBF's information technology infrastructure is designed to manage enormous and varied workloads while maintaining a high degree of performance, consistency, and availability of mission-critical applications and systems. It seems they always strive to accept new technology, support innovation that reduces process complexity, and create technological solutions that are aligned with business goals. LBF purchases licensed software from suppliers and also builds software solutions in-house for their needs in terms of software (LBF Annual Report, 2020/21).



Source: LB Finance PLC- Annual Report

Exhibit 9: Information Technology Infrastructure of LBF

Further, according to LBF Annual Report (2020/21), LBF has introduced digitalized face recognition intended for scam detection, an abundantly automated risk assessment scorecard for branches and gold loan centers, and as well implemented Artificial Intelligence technology for leasing module. Moreover, it launched Eclipse credit module and automation of the credit authentication process while providing the holistic picture of the business for business heads and branch staff of gold loan business. As well, it drifted the local host disaster recovery system to cloud-base hosted to a dedicated data center managed by Sri Lanka Telecom.

The amount of data being saved has expanded dramatically as a result of digitalization. Aspects of auditing and monitoring are crucial for spotting abnormalities and also for conducting forensic investigations in the event of a data breach. Like some practices in LBF, LOFC installed an Online Application Firewall in 2017 to give extra security to essential public-facing web applications that were exposed to the internet (LOFC Annual Report, 2020/21).

While LBF was commenced its operations with oracal fusion (back end ERP system) as the first

financial institution in South Asia, LOLC has begun FusionX, a next-generation, exponential, cloud-based financial services suite, which is aimed to deliver cutting-edge functionality, performance, and security. FusionX is a banking technology platform that aims to replace the current core-financials system and make it more accessible. As well, through the implementation of RPA reconciliation, LOLC was able to handle the process properly and quickly, resulting in substantial cost savings. Moreover, Credit Information Bureau of Sri Lanka (CRIB) Host-to-Host (H2H) Automation and Data Extraction, Internal Rate of Return work-flow Phase 1 Automation, BPR workout for Recovery performed and resolution rolled out effectively including XGEN total solution rolled out were identified (LOLC Annual Report, 2020/21).

Summary of the Digital Applications in LB Finance PLC and LOLC Finance PLC

Analysis of digital financing information in the business model innovation, both companies performed their actions through digital apps. According to the study, following key criteria have been pinpointed with relate to the study scope of LBF and LOFC.

| | LB Finance | LOLC |
|--|---|---|
| Digital Apps |   |    |
| Dedicated website for digital payments | NO | www.ipay.lk |
| App downloaded | CIM – Individual + 63,000 CIM – Business +5000 | LOLC Real Time +16,000 CLC online +14,000 LOLC I Pay +150,000 |
| Social media engagement Facebook | Like + 17,000 | Like + 36,000 |

Exhibit 10: Digital platforms of LBF & LOLC**Source:** Author Developed

| | LBF | | LOLC | |
|----------------------|---------|---------|----------|----------|
| | 2020/21 | 2019/20 | 2020/21 | 2019/20 |
| App downloaded (Cum) | +63,000 | +36,000 | +150,000 | +122,000 |
| Transaction volume | 237% | 118% | 412% | 347% |
| Customer base growth | 210% | 180% | 400% | 241% |
| Merchant base growth | 102% | 82% | 234% | 303% |

Exhibit 11: Digital platforms of LBF & LOLC in terms of performance**Source:** Author Developed

CONCLUSION

The main intention of this study is to explore and examine the contribution of disruptive ways of digital finance to the business model innovation of Licensed Finance Companies in Sri Lanka. Among 39 LFCs under the CBSL, the author recognized two key players in the industry called LBF and LOFC. Considering the above cases, modifying the business model could be a tough decision, but it is essential for LBF and LOFC to be in the long run. Industries and markets are ever-changing and evolving. Not to mention, company goals and values as an entrepreneur will change over time as well. In the above cases, it has been identified a pivot and modified the business model modifications in various stages including digital financial business touch.

Understanding the contextual trends that drive those modifications, it could be realized where customer value is moving forward. It is about where the value is heading next. It is about LBF and LOFC that is exploring new ways to create, deliver, and capture value. Understanding how to

make the appropriate modification for an existing business is significant. Therefore, author identified that there was a business model modification, reshaping and going beyond of traditional business model to create a future oriented business solution for their stakeholders.

The author has adopted a deductive approach to review the concepts and previous literature in developing the case. Further, it was used research tools like journal articles, literature review, experiential justifications and as well industry related rationales. Secondary data from annual reports, web sites and other sources were used for analysis process. Accordingly, based on the identification of two key players, a model has been developed for this study of the applications on digital financing. Consequently, digital financial products and services as well as processes including the two ways of front end and back end were recognized in each key player. Accordingly, digital apps, designated web sites and many digitalized innovative applications on process developments specially in back end were

pinpointed. Finally, it was found that the scrutinized key players have applied many digital financing platforms in a disruptive way to their business model innovation process.

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