



A Study on Impact of Fintech on Banking Services

Shiv Kumar¹, Anil Kumar²

¹Assistant Professor, Department of Commerce, Government College Hansi (Hisar), Haryana, India.

²Assistant Professor, Department of Commerce, Government College Nalwa (Hisar), Haryana, India.

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Abstract: The rise of financial technology (FinTech) has brought about a profound shift in traditional banking, redefining how financial institutions function and connect with their customers. Innovations like digital wallets, peer-to-peer lending platforms, and automated investment tools have revolutionized the financial landscape by enhancing efficiency, improving accessibility, and tailoring services to individual needs. This wave of technological progress has made banking more seamless and customer-focused than ever before. This paper examines the profound impact of fintech on banking and towards the financial inclusion. It highlights the ways in which traditional banks are adapting by adopting digital strategies, forging partnerships with fintech firms, and investing in advanced technologies. While fintech brings numerous advantages, the research also explores associated challenges, including regulatory compliance, cybersecurity risks, and the need for workforce upskilling. Ultimately, the paper underscores the transformative potential of fintech in driving a more inclusive, innovative, and dynamic banking ecosystem. The research findings of the study are that the fintech has played an unprecedented and transformative role in revolutionizing banking services in India. From streamlining traditional processes to enhancing customer experiences, it has catalyzed the modernization of the financial sector. The integration of digital solutions, such as online banking, mobile apps, and fintech innovations, has bridged gaps in accessibility, making financial services available to even the remotest corners of the country. Consequently, technology has not just uplifted banking in India but has also laid the foundation for a more inclusive and resilient financial ecosystem.

Key Words: Fintech, Technology in Banking, Financial Inclusion etc.

1. Introduction

FinTech has become a revolutionary stepping in the banking industry, transforming traditional practices and setting new benchmarks for convenience, efficiency, and innovation. By harnessing cutting-edge technologies like artificial intelligence, blockchain, and big data analytics, it has allowed banks to optimize operations, improve customer experiences, and reach a wider audience with their services. Innovations like e-banking, digital payment systems, mobile banking, and peer-to-peer lending platforms have disrupted the conventional banking landscape, driving both competition and collaboration between FinTech companies and established financial institutions. This revolution has significantly accelerated the financial inclusion, making banking accessible to more people than ever before. However, it has also brought significant challenges, such as adapting to evolving regulatory requirements and addressing the growing need for robust cybersecurity measures. The integration of FinTech into banking is reshaping the industry, paving the way for a dynamic, tech-driven, and customer-focused future in finance.

2. Objectives of the Study

- i. To explore the concept and types of Fintech Services used in Banking Sector.
- ii. To evaluate the role and impact of Fintech Services in Banking Sector.

3. Research Methodology

This study employs a conceptual study approach and gathering the conceptual frameworks of the related concepts and to identify the types of Fintech Services used in banking sector and evaluating its impact in the performance of the Banking sector. The research design followed for this study is descriptive in nature and employs a systematic and comprehensive approach.

4. Analysis and Interpretation

4.1 Types of Fintech Services in Banking Sector

Fintech services have revolutionized the banking sector by introducing innovative solutions that enhance efficiency, accessibility, and customer experience. Some fintech services that are used in the banking sector are as follows:

- i. **Digital Payments:** Services like mobile wallets, UPI and contactless payments have made transactions faster and more convenient.
- ii. **Lending Platforms:** Peer-to-peer (P2P) lending and digital loan platforms simplify borrowing by connecting lenders and borrowers directly.
- iii. **Robo-Advisors:** Automated investment platforms provide personalized financial advice and portfolio management using algorithms.
- iv. **Blockchain and Cryptocurrencies:** Blockchain technology ensures secure transactions, while cryptocurrencies offer alternative investment options.
- v. **Regulatory Supervision:** Fintech services made convenient the Regulatory observance to ensure the banks to comply with the regulations through automated reporting and monitoring.
- vi. **Fraud Detection and Cybersecurity:** Advanced AI and machine learning tools identify and prevent fraudulent activities.
- vii. **Customized Personal Finance needs:** The applications that help users track expenses, set budgets, and achieve financial goals.
- viii. **Open Banking:** APIs allow third-party developers to build applications and services around financial institutions, promoting innovation.
- ix. **Wealth Tech:** Platforms that focus on wealth management, offering tools for investments, savings, and retirement planning.

4.2 Impacts of Fintech Services in Banking Sector

Financial Technologies introduced recently have significantly influenced the performance of the banking industry, bringing both opportunities and challenges. It mainly contributes to the banking in Payments, clearing and settlement services, innovations are targeted at improving the speed and reducing cost which lead to changing the ways of people accessing financial services. Some of the innovations in areas of payments, clearing and settlements in the financial markets and the evaluation of their impact are as follows:

i. Positive Impacts

Enhanced Efficiency: Automation of processes like loan approvals, customer onboarding, and fraud detection has reduced operational costs and improved service speed.

Increased Financial Inclusion: Fintech solutions have expanded banking services to underserved populations, especially in rural areas, through mobile banking and digital wallets. Improved Customer.

Experience: Personalized financial products, 24x7 accessibility and user-friendly interfaces have elevated customer satisfaction. Innovation and Competition: Fintech has driven banks to innovate and adopt new technologies, fostering a competitive environment.

Data-Driven Decision Making: Advanced analytics and AI tools enable banks to make informed decisions, predict market trends, and manage risks effectively.

ii. Challenges and Threats

The usage of Fintech services brings out some challenges as well which requires to be addressed with more confidence growth in the banking industry. These are as follows:

Cybersecurity Risks: Increased reliance on digital platforms has made banks more vulnerable to cyberattacks.

Regulatory Compliance: Adapting to evolving regulations for fintech services can be complex and resource-intensive.

Disruption of Traditional Models: Fintech startups often challenge traditional banking models, forcing banks to rethink their strategies.

In nutshell, the fintech services have reshaped the banking landscape, making it more dynamic, inclusive, and customer-centric. However, banks must address challenges like cybersecurity and regulatory compliance to fully harness the potential of fintech.

4.3 Facts and Figures of usage of Fintech Services in the Banking Industry

- i. **Global Fintech Adoption:** As of 2025, approximately 64% of global consumers have adopted fintech services, with 75% using payment and money transfer solutions.
- ii. **Market Growth:** The global fintech industry is projected to grow from \$226.71 billion in 2024 to \$917.17 billion by 2032.
- iii. **Digital Payments:** In India, digital payments dominate the fintech sector, with a significant share in transaction volume.
- iv. **Banking Efficiency:** Studies show that banks leveraging fintech services have improved operational efficiency and customer satisfaction.
- v. **Financial Inclusion:** Fintech has played a pivotal role in expanding banking services to underserved populations, particularly in emerging markets.

4.4 FinTech Experience in India presented at NITI Aayog's FinTech Conclave

India has been leading the charge in the transformation of financial services, as highlighted by recent data from the Reserve Bank of India (RBI). A global survey places India second in FinTech adoption, boasting an impressive 52% adoption rate. With around 1,218 FinTech firms operating in the country, this thriving sector has not only created numerous jobs but has also spurred significant investment interest. The RBI has long championed the idea of moving towards a "less-cash" society by encouraging the widespread use of electronic payments. The goal has been to create a payment system that is safe, secure, and easily accessible while harnessing technological advancements to ensure faster transaction processing. Alongside this, efforts have been focused on making payments affordable, interoperable, and user-friendly, while prioritizing customer awareness and protection. Traditionally, banks have been the backbone of payment services, but the rapid evolution of technology has reshaped this space. Non-bank entities are now actively collaborating with banks or directly competing by offering innovative retail electronic payment solutions. This shift has been encouraged by a regulatory framework that fosters their participation in the payment ecosystem. In recent years, there has been a concerted push to develop world-class payment platforms and infrastructure, such as Immediate Payments Service (IMPS), Unified Payments Interface (UPI), Bharat Interface for Money (BHIM), Bharat Bill Pay System (BBPS), and Aadhaar-enabled Payment System (AePS). These innovations have revolutionized the country's retail payment landscape, with the volume of retail electronic payments surging nearly nine times over the past five years. This truly underscores the transformative power of technology in reshaping the way India handles money.

5. Findings and Interpretations

The rise of FinTech services has had a profound impact on the banking industry in almost all the services by redefining operational models and service delivery. Traditional banks are no longer the sole providers of payment services, as FinTech firms and non-bank entities have introduced disruptive innovations that enhance accessibility, affordability, and convenience for customers. This has led to perfect competition and collaboration, moving towards improved customer-centric solutions. The investment in modern payment infrastructures reflects a focused effort toward inclusivity and efficiency, making financial services accessible even in remote areas. FinTech services have democratized the financial landscape, fostering a shift toward digital-first approaches. The resulting transformation underscores the adaptability of India's banking industry, positioning it as a leader in embracing technological advancements for improved financial services. This evolution not only benefits individual consumers but also strengthens India's financial ecosystem, contributing to economic growth and stability.

India has witnessed remarkable advancements in banking technology and trade finance, with innovative models of lending and capital raising beginning to make their mark. These emerging alternatives have the potential to disrupt traditional lenders and redefine the role of intermediaries in the financial system. One such innovation, crowdfunding-raising funds from a large pool of investors-is still in its early stages in the country. Peer-to-peer (P2P) lending has shown promise in bridging the financing gap for small and medium enterprises. Currently, eleven entities have been licensed to operate P2P platforms. Additionally, the RBI has granted licenses to seven digital loan companies (NBFCs) that operate exclusively through mobile applications. To ensure customer convenience and trust, these digital entities are required to maintain at least one physical office that customers can access if needed. Furthermore, seven payment banks have entered the financial ecosystem, utilizing cutting-edge FinTech solutions. From onboarding customers to managing operations, these technology-driven banks are setting new benchmarks in leveraging digital tools for efficiency and accessibility. These developments highlight India's commitment to fostering innovation and inclusivity in its financial landscape.

6. conclusion

FinTech holds immense promise in revolutionizing India's financial services sector and advancing financial inclusion. By leveraging the innovative technologies, the banks are significantly reducing the overall operational costs whereas improving the accessibility and the quality of financial services in the country. However, to harness its potential effectively, a delicate balance must be maintained-maximizing the benefits of FinTech while mitigating its global challenges and risks. To build a more inclusive, cost-efficient, and resilient financial ecosystem, it is essential to adopt enabling technologies while implementing robust risk management strategies. This transformation demands proactive efforts from both the government and regulatory bodies. Their role is critical in refining policies, fostering innovation, and ensuring that FinTech solutions reach marginalized and underserved communities, ultimately driving measurable improvements in financial inclusion. This approach will not only strengthen the financial system but also pave the way for equitable growth and sustainable development. The advancement of the banking industry is providing assurance in a way to strengthen the overall financial system of the country.

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