

A Study on the Impact of Fintech on Banking Industry

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Abstract Financial technology (Fintech) is used to describe new tech that seeks to improve and automate the delivery and use of financial services. At its core, Fintech is utilized to help companies, business owners and consumers better manage their financial operations, processes, and lives by utilizing specialized software and algorithms that are used on computers and, increasingly, smartphones. The objective of the study is to analyze the the impact of fintech on banking industry. The sample of the study is 150. Descriptive research design and random sampling method is used. Questionnaire is used as a primary data. Percentage analysis, chi-square analysis and correlation statistical tools have been applied. The findings show that the respondents are highly dissatisfied towards the app has minimum data storage and they are satisfied towards the gives useful and clear reports. It must be revised often based on the present scenario and it must provide clear reports and status of the transactions to the users. It concluded that the development of Fintech sector has also given a boost to overall economy of India. But still there are some hindrances related to e security and the usage rate among unbanked population. So, the initiatives taken must not be faded away because of these little but not the least factors. So the regulators should formulate the effective policies to remove it as such the fintech sector can upgrade the banking system of India completely.

Keywords Fintech, Fintech services, Banking industry

I. INTRODUCTION

Financial technology (Fintech) is used to describe new tech that seeks to improve and automate the delivery and use of financial services. At its core, Fintech is utilized to help companies, business owners and consumers better manage their financial operations, processes, and lives by utilizing specialized software and algorithms that are used on computers and, increasingly, smartphones. Fintech, the word, is a combination of "financial technology". When Fintech emerged in the 21st Century, the term was initially applied to the technology employed at the back-end systems of established financial institutions. Since then, however, there has been a shift to more consumer-oriented services and therefore a more consumer-oriented definition. Fintech now includes different sectors and industries such as education, retail banking, fundraising and nonprofit, and investment management to name a few.

1.1 Statement of the problem

An overwhelming interest is growing in financial technology (henceforth: FinTech) in recent years. This contemporary financial phenomenon characterized basically by heavy use of technology in communication, some called it network economics. FinTech service encapsulates –but not restricted to- wide range of financial services capitalising from the explosive developments in technology, it includes the payments, clearing and settlement category, followed by credit, deposit and capital-raising services. Despite the fact that the FinTech players attract the global attention from the financial industry leaders and legislators, the issue as a subject of study still in infant stage, little scientific research has been conducted yet. The paper aims at first place to shed light on this wave of impact of Fintech on banking industry, it aims also to clarify the role of FinTech in the financial industry in general and banking sector in particular. The paper obtained its goals in two main phases, firstly; background and definition of the Fintech. In the second phase, we will identify the influence of FinTech on banking industry and the required response to face it.

1.2 Objectives

- To study about the quality of services in Fintech
- To understand the attractive Fintech products
- To facilitate speed of services, convenience and simplicity in Fintech services

1.3 Research Methodology

To make the research systemized the researcher has to adopted certain method. The method adopted by the researcher for completing the project is called research Methodology.

1.3.1 Research Design

“A Research Design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in procedure”. The research design adopted for the studies is descriptive design. The researcher has to describe the present situation in order to know the behavior of the consumers. Hence descriptive research study is used. Descriptive research can only report what has happened and what is happening.

1.3.2 Method of Data Collection

The study basically uses primary and secondary data. The study depends mainly on the primary data and secondary data namely the text books, journals, newspapers, magazines and internet.

- **Primary Data:** Primary data means data which is fresh collected data. Primary data mainly been collected through questionnaire from the respondents.
- **Secondary Data:** Secondary data means the data that are already available. Generally speaking secondary data is collected by some organizations or agencies which have already been processed when the researcher utilizes secondary data; the process of secondary data collection and analysis is called desk research. Secondary data provides economy in time and cost. It is easily available and unbiased. Secondary data may either be published data or unpublished data. For this study secondary data were collected from the annual reports of the company and from the company website. Secondary data has been collected from the company record, various magazines, journal and various web sites.

1.3.3 Sampling Techniques

- **Population:** The aggregate elementary units in the survey are referred to as the population. Here it covers a group of Fintech users through online.
- **Sample Size:** The study is based on the opinion of a group of Fintech users through online. The total number of sample taken for the study is 150 respondents.
- **Sample Design:** Random sampling techniques were used for the study. Random sampling is a part of the sampling technique in which each sample has an equal probability of being chosen. A sample chosen randomly is meant to be an unbiased representation of the total population.

1.3.4 Statistical Tools Used

The data collected from the respondents were converted into readable for processing, classification and arrangements. The data was tabulated and analyzed by using Statistical Methods like.

1. Anova
2. Chi Square analysis
3. Correlation

1.4 Scope of the Study

This study will focus on the impacts of Fintech on banking industry. This study examines how the quality of services in Fintech benefits the users. This study is used to identify the different attractive products of Fintech .this study also states about the speed of service , convenience and simplicity in financial services.

1.5 Limitations of the Study

- This study only analyzed Fintech services only, not other services of banks.
- Due to the time constraints, only specific sample size from the entire segment has been considered for the study.
- Whatever the data had been gathered is based on suggestive study but not exhaustive study.
- The researcher found it difficult to collect the questionnaire, since some of the respondents did not give proper response.

II. REVIEW OF LITERATURE

Shubham Goswami (2022) Fintech projects, which are regarded as some of the most significant advances in the financial sector, have also obviously been driven by the growth of digital transformation, as Fintech Mobile money and digital wallets address the economic infrastructure vacuum with an innovative technology solution and enable customers to conduct financial transactions affordably and dependably by eliminating spatial barriers, and can be used to bridge the gap of banked and unbanked. This paper investigates the critical success factors influencing the adoption of disruptive financial technology for financial inclusion in rural India.

Pradeep Dwivedi, (2021) Fintech is the combination of innovation and technology to deliver financial products and services to stakeholders. The paper aims to investigate the impact of Fintech on the competitiveness and performance of the banking industry in the UAE. The research is empirically tested based on the 76 banking professionals and executives (bankers) from Dubai (UAE). The findings suggest that the adoption of Fintech had a significant influence on the competitiveness and competitiveness results in the performance of the banking industry in the UAE.

Sharif Abu Karsh(2020)The purpose of this research paper is to examine the impact of Fintech companies compared to the traditional banking industry. Fintech is a digitalized financial solution that is offered to small businesses and individuals to fulfill their banking needs. It is expected that Fintech companies will be able to offer the same banking products as existing banks, but the Fintech companies are predicted to grow at a faster pace in countries where digital technology is available. There has been mention that Fintech companies have already had a financial impact on the performance of traditional banks.

Buchak, Matvos, Piskorski, & Seru, (2018) traditional financial institutions have been facing competition in their main business by non-banking financial institutions and shadow banks. In addition, the emergence of Fintech has allowed start-ups, BigTech and neobanks or challenger banks to enter the financial services sector as new competitors; in particular, Fintech start-ups are active in the key segments of financial services such as payments and remittances, lending, enterprise financial management, crowdfunding, enterprise technologies for financial institutions, trading and capital markets, insurance, personal financial management, wealth management and digital banking.

Navaretti et al. (2018), Fintech firms cannot replace banks, but rather coexist with them, cooperate, or potentially become like banks. One of the reasons is that the liquidity that Fintech lenders provide is limited because they do not have access to central bank liquidity like banks. The fact that they cannot do maturity transformation limits further the liquidity services they can offer. In fact, there have been many cases where online lending platforms have permitted maturity mismatches, with lenders being able to take their money faster than borrowers repay their loans.

III. FINDINGS OF THE STUDY

Percentage Analysis

- 50.7% of the respondents are female.
- 39.3% of the respondents are in the age group of 31 - 40 years.
- 46.7% of the respondents are married.
- 31.3% of the respondents have completed graduation.
- 36.7% of the respondents are self employed.
- 56% of the respondents have 21,000 - 30,000 as their income level.
- 30.7% of the respondents said that good towards the perception towards fintech services.

Objective 1: To Study About the Quality of Services in Fintech

- 37.3% of the respondents said that excellent towards the ease of use in technology.

- 32.7% of the respondents said that good towards the complaint addressing mechanism is vibrant.
- 40% of the respondents said that good towards the product available based on our need.
- 31.3% of the respondents said that average towards the transparency in rules and regulations.
- 27.3% of the respondents said that good towards the faster rate of approval.

Objective 2: To understand the attractive Fintech products

- 36% of the respondents said that strongly agree towards the card integration.
- 30% of the respondents said that agree towards the mobile payments.
- 47.3% of the respondents said that agree towards the cost of transactions.
- 46.7% of the respondents said that strongly agree towards the smart card technology.
- 30% of the respondents said that strongly agree towards the block chain.
- 35.3% of the respondents said that disagree towards the chat bots.
- 52% of the respondents said that agree towards the omni channels.
- 42.7% of the respondents said that strongly agree towards the all powered systems.
- 34% of the respondents said that agree towards the e – wallets.

Objective 3: To facilitate speed of services, convenience and simplicity in Fintech services

- 38.7% of the respondents are satisfied towards the uses efficient technology.
- 56% of the respondents are satisfied towards the gives useful and clear reports.
- 30% of the respondents are highly satisfied towards the facilitates frequent communication of transactions.
- 46.7% of the respondents are satisfied towards the online customer support.
- 52% of the respondents are highly satisfied towards the transparency status.
- 46% of the respondents are satisfied towards the convenient transactions.
- 52.7% of the respondents are highly satisfied towards the user friendliness of the app.
- 36% of the respondents are highly dissatisfied towards the data storage capacity of the app.
- 44.7% of the respondents are satisfied towards the speed of connectivity of the app.

Anova:

- P value is 0.861 which is greater than 0.05. Hence, null hypothesis is accepted, therefore there is no significant difference between age group of the respondents and simplicity of Fintech.

Chi Square Analysis

- P value is 0.032 which is less than 0.05. Hence null hypothesis is rejected. So, there is a significant relationship between educational qualification and ease of use in technology.
- P value is 0.086 which is greater than 0.05. Hence null hypothesis is accepted. So, there is no significant relationship between educational qualification and effectiveness of complaint addressing mechanism.
- P value is 0.014 which is less than 0.05. Hence null hypothesis is rejected. So, there is a significant relationship between educational qualification and Availability of products based on the need.
- P value is 0.607 which is greater than 0.05. Hence null hypothesis is accepted. So, there is no significant relationship between educational qualification and transparency in rules and regulations.
- P value is 0.000 which is less than 0.05. Hence null hypothesis is rejected. So, there is a significant relationship between educational qualification and faster rate of approval.
- P value is 0.294 which is greater than 0.05. Hence null hypothesis is accepted. So, there is no significant relationship between occupation and card integration.
- P value is 0.362 which is greater than 0.05. Hence null hypothesis is accepted. So, there is no significant relationship between occupation and mobile payments.
- P value is 0.324 which is greater than 0.05. Hence null hypothesis is accepted. So, there is no significant relationship between occupation and cost of transactions.

- P value is 0.00 which is less than 0.05. Hence null hypothesis is rejected. So, there is a significant relationship between occupation and smart card technology.
- P value is 0.709 which is greater than 0.05. Hence null hypothesis is accepted. So, there is no significant relationship between occupation and block chain.
- P value is 0.189 which is greater than 0.05. Hence null hypothesis is accepted. So, there is no significant relationship between occupation and chat bots.
- P value is 0.410 which is greater than 0.05. Hence null hypothesis is accepted. So, there is no significant relationship between occupation and omni channels.
- P value is 0.743 which is greater than 0.05. Hence null hypothesis is accepted. So, there is no significant relationship between occupation and AI Powered systems.
- P value is 0.178 which is greater than 0.05. Hence null hypothesis is accepted. So, there is no significant relationship between occupation and E - wallets.

Correlation Analysis

- Co-efficient of correlation between average annual income and attractive fintech products is -0.164. It is below 1. So there is negative relationship between these average annual income and attractive fintech products.

IV. SUGGESTIONS

To study about the quality of services in Fintech

From the study there must be ease of use of technology in Fintech services in order to motivate all sorts of users. There must be 24x7 customer care to resolve the customers complaints. The products and services must be designed based on the needs of the customers. There must be transparency in rules and regulations in Fintech transactions. The concern must ensure faster rate of approval in order to increase the users for the services.

To understand the attractive Fintech products

From the study of attractive fintech products there must be effective mobile payments, card integration and smart card technology in the services for customers. The service providers must ensure minimum cost of transaction for the users. The concern must create awareness about effective block chain technology integration and its benefits to the users. There must be chat bots to assist the customers in efficient manner. The E-wallets must have excellent features similar to other competitive services. It must be revised often based on the present scenario.

To facilitate speed of services, convenience and simplicity in Fintech services

It must provide clear reports and status of the transactions to the users. The app must be user friendly one. It must be easy one to use all options available in the application. It must ensure minimum data storage and there must not be too interruption in the apps. The connectivity must be very fast. The access of application must need least storage of data

V. CONCLUSION

India is confidently moving up the Fintech ladder and provides plenty of opportunities for Fintech startups to enter the diversified market and be successful provided a careful solution-customer match and a strong go-to-market strategy is in place. Fintech companies around the world are disrupting the banking industry through the offering of digital financial products and services on platforms that are easily accessible for the consumer and financial institutions. Fintech companies are grouped into many segments such as crowd funding, insurance, payments, data exchange and digital wallets. Even though the disruption is minor, the banking industry is taking note of the changes and disruptions. The banking industry will need to change their business models to incorporate the digital technology or they may lose their competitive advantage. The development of Fintech sector has also given a boost to overall economy of India. But still there are some hindrances related to e security and the usage rate among unbanked population. So, the initiatives taken must not be faded away because of these little but not the least factors. So the regulators should formulate the effective policies to remove it as such the fintech sector can upgrade the banking system of India completely.

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