IJARSCT
ISSN (Online) 2581-9429
International Journal of Advanced Research in Science, Communication and Technology (IJARSCT)
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
Impact Factor: 7.53
Volume 4, Issue 2, September 2024

The Role of Fintech in Transforming Traditional Banking Services

Sujal Shinde[1], Dr. Sharad Kadam[2], Dr. Manesh Patil[3]
Researcher[1] and Guide[2,3]
MIT Arts, Commerce and Science College, Alandi Devachi, Pune, India[1,2]
Avantika University, Ujjain, Madhya Pradesh, India[3]

Abstract*: Fintech has been instrumental in the invasion of traditional banking services enriched with technologically driven tools to deliver a whole new layer over our global financial landscape. In this research paper, attempt has been made to explore how the traditional banking sector can have been revolutionised by not only increasing accessibility and efficiency but also improving customer experience with fintech. Many of the most promising fintech innovations (like mobile banking, blockchain technology, digital payments and peer-to-peer lending) have been evaluated in this paper through a more expanded outlook: how it has sought to resolve longstanding issues that banks had faced before; high transaction costs, slow processing times, limited accessibility for financial transactions. The document further looks at the impact of fintech on regulations, cyber security and competitions among financial service providers. Through a combination of case studies and industry data, this research illustrates the challenges — as well opportunities — facing fintechs, what it takes to create success with their technology push into traditional banking markets. The results indicate that while fintech does indeed present a formidable threat to traditional banking models it is also a potential boon for the world's economies in terms of increased economic activity and financial innovation.*

Keywords: Fintech

I. INTRODUCTION

Financial technology, or fintech had & is continuing to experience exponential growth with the transformation of financial services which has occurred in recent years. Fintech covers a wide range of technological solutions to improve and automate the delivery and use of financial services. Fintech has brought a new breed of consumer and business financial services — from mobile banking to online payments, blockchain technology, peer-to-peer lending etc., all creating competition for the traditional sector.

Enter fintech — financial technology firms who deliver products and services consumers want but traditional banks have been slow, uncoordinated or too entrenched to develop. This change made banks re-think their business model, invest in digital technology and create collaborations with fintech companies to keep pace. The main objective of this research paper is to investigate the fintech impact on redefining conventional banking services and determining opportunities and challenges in these transformation.

II. LITERATURE REVIEW

The literature is replete with discussions on how fintech innovations are increasingly displacing traditional banking models as the central focus area. According to Gomber et al. According to Shin (2017) fintech companies have used tech advancements in delivering new accessible, faster and more efficient financial products or services as compared with traditional banks. Consequently, so Boardroom agendas are evolving with more focus on a need for banking to be pushed further ahead of the curve: Competition is brisker and banks that do not innovate or adopt digital strategies will become obsolete.

A major punch center was, mobile banking and digital payments for broader financial inclusion. As noted by Claessens et al. According to Li and Marom (2018), the introduction of fintech solutions has helped improve access to banking services for portions of the population underserved by traditional banks, especially in developing countries which have

IJARSCT
ISSN (Online) 2581-9429
International Journal of Advanced Research in Science, Communication and Technology (IJARSCT)
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
Impact Factor: 7.53
Volume 4, Issue 2, September 2024

less developed bank infrastructure. Those tools allow people to do everything from daughters, save and borrowing that they can increasingly perform using nothing more than a smartphone — into their own hands.

The Fintech Revolution is the need for use of blockchain technology and cryptocurrencies in addition to regulatory systems that allow access quickly. Narayanan et al. Therefore, as Eyal et al. (2016) pointed out, the decentralized property of blockchain can help to assist in a secure and transparent manner with efficient transactions recording able to shake up on payments; clearing and settlement processes which are several areas of traditional banking that tend s hypothetical threats from this potential disruptor. Which, as a new asset class existing beyond traditional financial system of regulation banks will take not only opportunities but also some risks about cryptocurrencies (especially blockchain enabled).

Books and articles also focus on the challenges facing Cybersecurity/Regulations. Arner et al. According to (2015), despite the numerous advantages, fintech innovations also create a considerable threat for data safety or privacy. With all of this incredibly sensitive financial data on hand, keeping that in a secure location becomes even more critical as the size of your fintech company. There are also growing concerns given that fintech is constantly expanding and regulatory frameworks have not kept pace, which has sparked calls for new regulations related to the specific risks arising from digital financial services.

Finally, the literature looks at how traditional banks respond strategically to fintech challengers. The research of Vives (2017) supports this statement and shows that many banks have adhered to a more collaborative strategy wherein they partner with fintech startups in order to incorporate innovative solutions into their existing services. As a result, banks were able to beef up their digital skills in-house without compromising customer trust and regulatory compliance. Meanwhile, other banks have taken more offensive approaches by building their fintech solutions or acquiring a fintech company to complement the digital proposition.

The literature review concludes that fintech is transforming conventional banking services, encouraging innovation and increasing the construction of financial inclusion with new risks associated to cybersecurity and regulation. In a world of fintech future — where Alipay and Stripe are the new Goldman Sachs and Morgan Stanley, banks will have to do enable other providers within their stack.

III. RESEARCH METHODOLOGY

This study adopts a mixed-method research methodology, using both qualitative and quantitative data to assist with the analysis of how fintech influences traditional banking services. The methologies employed in the research are as follows.

Review of Literature: This involved a comprehensive search and review of the various academic literature, industry reports and case studies on fintech to understand the current state-of-practice in this regard with respect to banking. Additionally, this laid the general theoretical framework to understand how fintech and traditional banking are in fact working.

Case Studies: used three case studies of leading fintech companies (PayPal, Square and Revolut) to demonstrate the real-world application use cases for how these innovations can disrupt traditional banking services. The specific use case studies presented here were chosen because of their widespread reputation within the industry, as well as for influencing trends across financial services.

This post is based on the report Staying Ahead of The Curve —Tradition and Technology (read here) which looks into how traditional banks are dealing with new generation FinTechs. • Surveys and Interviews: We distributed surveys to banking core employees, as well as fintech experts in order to evaluate where our best practices or ideas fit against common viewpoints. The study also included interviews of key stakeholders in the banking and fintech industry to detail the challenges and opportunities brought about by these new financial technologies.

Analysis of data: Quantitative data extracted from traditional banks and various financial reports, market studies as well as surveys will be examined in order to analyze the performance including global finance report and fintech compared UBTS over other companies. They used statistical tools to identify the trends and correlations between fintech adoption habits, with changes in traditional banking metrics such as customer acquisition transaction costs, service efficiency.

IJARSCT
ISSN (Online) 2581-9429
International Journal of Advanced Research in Science, Communication and Technology (IJARSCT)
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
Impact Factor: 7.53
Volume 4, Issue 2, September 2024

IV. RESULTS

The research results demonstrate that fintech has greatly influenced the core areas of traditional banking services. Key findings include:

Greater Competition and Loss of Market Share: Across the board, traditional banks have seen their market share drop — especially in payments or lending areas that fintechs provide far faster and more customer-centric solutions for. Results from the study indicate that banks not embracing digital technologies are suffering a bigger drop off in customer acquisition and retention.

Improved Financial Inclusion: Fintech has revolutionized how people access to financial services, especially the unbanked population. Mobile banking and digital payment platforms have brought those unbanked by conventional banking infrastructure into the financial system. As a direct impact, many more individuals have been enabled to digitally save, borrow and transact.

Banks Incorporating Digital Strategies: A number of legacy banks have recognised the fintech challenge and are embracing digital possibilities, by increasing their investments in these technologies while also collaborating with outside agencies. As a result, they can provide new and improved services like mobile banking apps, real-time payments or personalized financial products. However, the study also showed that right-sizing these programs is only successful in about half of cases depending on a bank's ability to incorporate new workarounds.

Since, the developments in fintech has moved at a pace much faster than any other regulatory framework and it raises issues as data security, confidentiality or financial stability etc. Cybersecurity — Fintech companies and traditional banks agreed that securing digital platforms against cyber threats is a top investment target, which both segments of respondents identified as one of the biggest challenges.

V. DISCUSSION

The results of this study highlight the significant implications fintech is having on existing banking landscape. This is, in large part, driven by the disruption that fintech providers have done to traditional banks and it has become increasingly important for them to continue innovating their services in order meet shifting consumer demands. The ability of these companies to provide need-driven innovation, in fields as diverse and broad sweep as payments,, lending or financial inclusion makes them a potent tool for the traditional banking model towards faster cheaper services that are more easily accessible.

However, the study also underscores some of the obstacles that continue to plague fintech companies (and legacy banks), primarily on regulatory and cybersecurity issues. The fast emergence of innovation has opened a regulatory gap that can create financial stability and consumer protection risks. Moreover, as the financial services sector increasingly digitizes, it has highlighted cybersecurity threats like never before.

Different cases of how traditional banks are fairing in terms of fintech adoptions, would suggest that no single mould can be used for all. This means banks who are most nimble, willing to invest in technology and embrace partnerships with well-positioned fintechs will thrive best. Conversely, laggards may keep losing share to competitors and find themselves unable to satisfy the demands of maturing users.

VI. CONCLUSION

In summary, The landscape of the FinTech industry is evolving rapidly and various aspects are continuously disrupting traditional banking models with new avenues for growth and inclusion. Although it may have created competition from in the world of fintech has really pushed traditional banks to do better with their products and services. The future of banking may be the greater collaboration between fintech startups and traditional banks, that will also face regulatory challenges about regulations as well cyber security issues.

Traditional Banks will survive this new era by pivoting towards the technological changes and stay focussed on digitizing or RegTeching their core capabilities that are necessary to mitigate risks associated with Fintech innovation. The evolution of fintech will continue, and the process of understanding its full effects within finance — ones that not only further our knowledge but also can be used to formulate policies aimed at long-term stability in global financial systems.

IJARSCT

ISSN (Online) 2581-9429

International Journal of Advanced Research in Science, Communication and Technology (IJARSCT)

International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal

Impact Factor: 7.53

Volume 4, Issue 2, September 2024

BIBLIOGRAPHY

[1]. Arner DW, Barberis J, Buckley RP (2015) The new normal in the development of Fintech? On page 1271 of the Georgetown Journal of International Law, volume 47(4).

[2]. Claessens S, Frost J, Turner G and Zhu F 2018 Global Fintech Credit Markets (% of GDP) Size, Drivers and Policy Issues Quarterly Review September 2018, Bank for International Settlements, p. 29-49

[3]. Gomber, P.; Koch, J. A & Siering, M. (2017). Unsupported title Digital finance and fintech: Current research and future research directions. Journal of Business Economics, 87(5), 537-580. doi:10.1007/s11573-017-0852-x

[4]. Narayanan, A., Bonneau, J., Felten, E. W., Miller, A. & Goldfeder, S.—Bitcoin and Blockchain security (2016)MathSciNetGoogle Scholar Bitcoin And Cryptocurrency Technologies : A Comprehensive Introduction Princeton University Press.

[5]. Vives, X. (2017). Fintech on banks. Image Source: Pixaby Malmendier & Shanthikumar (2017),"Learning from Suffering: Investor Inexperience and the Value Anomaly".