International Journal of Applied Research 2015; 1(9): 177-179

ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2015; 1(9): 177-179
www.allresearchjournal.com
Received: 24-06-2015
Accepted: 30-07-2015

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Fintech innovations and their impact on traditional banking systems

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Abstract
Traditional banking systems in India are undergoing a major transformation because to fintech developments. Everyday transactions have been transformed by the rise of digital payment services like Paytm and PhonePe which have increased financial inclusion and decreased the need for cash. Peer-to-peer lending websites like Lendbox and Faircent provide speedier access to funds and frequently better conditions than traditional bank loans. Blockchain technology is being incorporated to address trust and fraud issues and provide more transparent and safe transactions. Traditional banks' mobile banking apps incorporate fintech capabilities and provide smooth user experiences akin to those of fintech firms. Fintech's data analytics skills also make it possible to provide more individualised financial services and products, which raises client happiness and loyalty. Even though these innovations present challenges for traditional banks, many of them are forming alliances with fintech companies to remain competitive, which is leading to a convergence of traditional and modern banking practices in India.

Keywords: Fintech developments, digital payment services, peer-to-peer lending, blockchain technology, mobile banking apps, data analytics

Introduction
The financial landscape in India is being completely transformed by fintech innovations, which present both enormous potential and problems for established banking systems. Peer-to-peer lending, blockchain technology, digital payment systems, and sophisticated data analytics are all changing the way financial services are provided and used. These developments improve financial inclusion by providing a wider population with more easily accessible and effective services. Recognising fintech's disruptive potential, traditional banks are developing strategic collaborations and embracing these technologies more frequently in order to stay competitive. India's banking industry is undergoing a significant transformation as a result of the dynamic interaction between fintech companies and traditional banks, opening the door for a more technologically sophisticated and inclusive financial environment. The financial sector in India has undergone a transformation thanks to fintech advances, which have had a big impact on conventional banking institutions. According to Dinardo (2015) [1], there has been a notable departure from traditional banking services with the emergence of "alternative finance" platforms. "Digital payment" platforms like Paytm, PhonePe, and PhonePe quickly became well-known, revolutionising the way people made purchases. These platforms offered a practical, cashless way to transfer money, which was especially helpful in a nation where a sizable portion of the populace lacked bank accounts. The National Payments Corporation of India further expedited this procedure by implementing the "Unified Payments Interface" (UPI), increasing accessibility to real-time payments and transfers.

Fintech advances ushered in a "digital (r) evolution" in the financial sector, as noted by Dapp *et al*. (2014) [2]. As fintech businesses like Faircent and Lendbox established "peer-to-peer lending" platforms, incumbent banks in India faced significant problems. These platforms offered quicker loan approval times and frequently better rates as an alternative to traditional bank loans. Banks were forced by the competition to reconsider their approaches and adjust to the shifting environment. In order to improve the client experience, traditional banks began incorporating fintech technologies into their daily operations. They did this by implementing "mobile banking apps" and digital services.

Furthermore, "blockchain technology" was implemented to guarantee safe and open transactions, resolving issues with trust and fraud. The partnership between established banks and fintech companies demonstrated a "digital evolution," in which banks took advantage of fintech innovations to remain competitive and relevant in a world that was changing quickly.

According to Arner *et al*. (2015) [3], FinTech's development represents a "new post-crisis paradigm." This paradigm was made clear in India when the banking industry was transformed by fintech advances following the 2008 financial crisis. The "data analytics" skills of fintech made it possible to provide more individualised financial services and solutions, which increased client loyalty and happiness. Realising the promise of these technologies, traditional banks partnered strategically with fintech companies to improve the services they provide. The amalgamation of conventional and contemporary banking methodologies was suggestive of a wider pattern in which fintech functioned as a trigger for transformation in the banking sector. Traditional banks were able to stay competitive in a changing financial market by implementing fintech technology to provide more effective, customer-focused services. The incorporation of fintech innovations highlighted the significant influence these technologies had on conventional banking institutions, propelling a change towards a financial ecosystem in India that is more technologically sophisticated and inclusive.

Literature Review

According to Morawczynski *et al*. (2010) [5], who looked at financial inclusion tactics in India, having a "bank account" alone was insufficient for full financial inclusion. Fintech developments filled this need by providing services that went beyond standard banking. "Peer-to-peer lending" websites such as Lendbox and Faircent arose, offering easily accessible loan choices that traditional banks frequently were unable to match in terms of simplicity and speed. These fintech platforms provided financial products that were specifically designed to meet the requirements of underrepresented groups. Fintech companies and banks are becoming more competitive and work together more often as a result of traditional banks being forced to review and improve their service offerings.

Peric (2015) [6] emphasised the significance of "digital financial inclusion," stressing that fintech advancements were crucial in providing financial services to communities that had not previously had access to banks. This trend was mirrored in India, where traditional banks integrated "mobile banking apps". These applications used cutting-edge "data analytics" to provide customised financial services and solutions, increasing user pleasure and engagement. Kauffman and Dan (2015) [4] assessed about the "global fintech revolution" and how it's affecting card usage and payment systems. The emergence of "digital payment" platforms like PhonePe and Paytm signified a substantial shift away from cash purchases in India. These platforms became quite popular because they offered a smooth, cashless transaction experience. Instantaneous real-time transfers were made possible by the widespread adoption of the "Unified Payments Interface" (UPI), which further revolutionised payments. In order to stay relevant and competitive in the changing financial landscape, traditional banks had to adjust by including comparable digital payment systems.

The traditional banking systems in India have seen a substantial transformation due to fintech advances, particularly in rural areas. According to Kanda *et al*. (2015) [7], significant changes were previously brought about by the incorporation of contemporary banking methods into the rural economy. "Fintech," or financial technology, brought about sophisticated banking options like digital wallets, automated teller machines, and mobile banking (ATMs). The formerly restricted accessibility of banking services was greatly improved by these improvements. Better financial inclusion started to be felt by rural populations, who had previously received inadequate treatment from traditional banking institutions.

Khare (2010) [8] assessed the effects of India's growing online banking industry on customer relationship management (CRM). When fintech was first being adopted, banks concentrated on building strong online platforms to make transactions and client interactions easier. Online banking became an essential part of "CRM" initiatives, allowing banks to better understand client behaviour and provide personalised services. The financial performance consequences of fintech adoption in the Indian banking sector were emphasised by Sayed and Sayed (2015) [9]. They examined the market value added (MVA) of a few Indian banks and found that the market valuations of those that adopted fintech technologies were higher. Better financial performance and operational efficiencies were made possible by fintech tools like "artificial intelligence" for predictive analytics and "blockchain" for safe transactions. By implementing these technologies, traditional banks were able to save expenses, improve security, and provide cutting-edge goods and services.

Fintech innovations substantially changed the financial environment in India by having a major effect on traditional banking institutions. Fintech use in retail banking and payments increased profitability and efficiency, claim Hasan *et al*. (2012) [10]. Digital banking platforms and sophisticated payment systems were made possible by financial technology, which also decreased operating costs and expedited transaction processes. In order to stay competitive, traditional banks, which had previously mainly relied on physical branches and manual procedures, started implementing these advances. Tumbe (2015) [11] showed the integration of digital financial services and mobile banking into post office operations, rural and underprivileged populations now have greater access to banking services. These technological developments enabled more participation in the financial system, greatly supporting the "financial inclusion" goals.

Chong (2015) [12] focused on the opportunities and problems that fintech brings to the next wave of financial services. Fintech businesses brought about novel solutions including robo-advisors, blockchain technology, and peer-to-peer lending. These innovations provided more effective, transparent, and user-friendly options, challenging established banking paradigms. Banks were forced to incorporate comparable technologies into their operations in order to adjust to these developments. The "fintech challenge" forced established banks to reconsider their approaches and adopt digital transformation in order to remain competitive in a market that is changing quickly.

Anand and Chhikara (2013) [13] emphasised the ways in which fintech advances promoted financial inclusion and, consequently, economic expansion. Fintech companies helped close the gap between the unbanked population and established financial systems by offering digital financial services. This promoted economic growth and activity by making loans, savings accounts, and insurance goods more accessible. Traditional banks started implementing fintech solutions to attract a wider customer base and promote economic development after realising the potential of "financial inclusion" through technology. Nag (2012) [15] looked at recent changes in India's financial inclusion landscape, highlighting the contribution of fintech to this advancement. The efficiency and reach of financial services were greatly increased with the advent of digital wallets, mobile banking, and other fintech alternatives. Digital platforms presented new chances for traditional banks, which had previously struggled to provide effective banking services in remote and rural locations. These technological improvements played a major role in the "recent development" in financial inclusion by allowing banks to provide more accessible and inclusive services. This change promoted increased economic involvement and stability nationwide in addition to improving financial inclusion. Figure 1 presents the various fintech innovations that have been transforming the India's banking institutions:

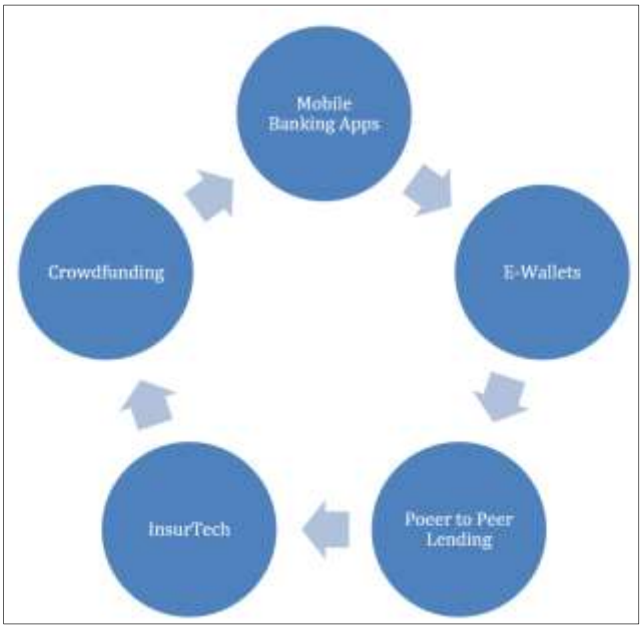

Fig 1: Fintech Innovations That Have Been Transforming the India's Banking Institutions

Conclusion

To sum up, the incorporation of fintech innovations into India's conventional banking institutions has resulted in significant transformations, enhancing the effectiveness, accessibility, and customisation of financial services to better meet the demands of customers. Artificial intelligence, blockchain technology, and digital payment systems have transformed banking operations and encouraged financial inclusion, especially in rural areas that are neglected. Traditional banks have also had to adjust because of these developments, using digital strategies to stay competitive and relevant in a market that is changing quickly. Fintech's ascent is hampered by issues like cybersecurity risks, data privacy issues, and regulatory barriers. To address these problems and establish a safe and inclusive financial environment, traditional banks, fintech startups, and regulatory agencies must work together. In the end, if innovation is handled ethically and inclusively, the effective integration of fintech may spur economic growth, improve customer satisfaction, and create a robust banking industry in India.

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