

# Impact of Fintech on the Profitability of Banks in India: A Review

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**Abstract** – In the Era of digitalization, where every sector is evolving in its own way, the banking sector is also adopting and evolving digitally. In this review study secondary sources such as various websites and journals have been used for collecting the data of fintech industry. It has been found that fintech has revolutionized banking sector by providing speed, efficiency and accessibility to the customer over the years. UPI and fintech has greater potential of growth in upcoming years. It has transformed traditional banking system into a more agile, data-driven, and digitally integrated ecosystem.

**Key Words:** Fintech, Bank, UPI

## 1.INTRODUCTION

FinTech's origins can be traced back to the late 20th century with the advent of financial data processing and electronic transactions. However, the industry truly began to flourish in the early 21st century, driven by the rapid advancement of digital technologies and the increasing demand for more efficient, accessible, and user-friendly financial services.

### Key Drivers of Growth

Several factors have propelled the growth of FinTech:

1. **Technological Advancements:** Innovations in mobile technology, artificial intelligence, blockchain, and big data analytics have enabled the development of sophisticated financial products and services.
2. **Consumer Demand:** There is a growing demand for convenient, fast, and personalized financial services. Consumers seek alternatives to traditional banking that offer greater flexibility and lower costs.
3. **Regulatory Changes:** Regulatory environments in many countries have evolved to support innovation in financial services while ensuring consumer protection and financial stability.
4. **Investment and Funding:** Significant investment from venture capitalists and institutional investors has fueled the rapid expansion and development of FinTech startups.

### Core Segments of FinTech

The FinTech industry encompasses a wide range of sectors, including:

- **Digital Payments:** Mobile payments, digital wallets, and peer-to-peer (P2P) payment platforms.
- **Lending and Financing:** Online lending platforms, peer-to-peer lending, and crowdfunding.
- **Wealth Management:** Robo-advisors, investment platforms, and financial planning tools.
- **Insurance Technology (InsurTech):** Digital insurance platforms, usage-based insurance, and automated claims processing.
- **Regulatory Technology (RegTech):** Tools and platforms for regulatory compliance and risk management.
- **Blockchain and Cryptocurrencies:** Decentralized finance (DeFi), cryptocurrency exchanges, and blockchain-based solutions.

## LITERATURE REVIEWS

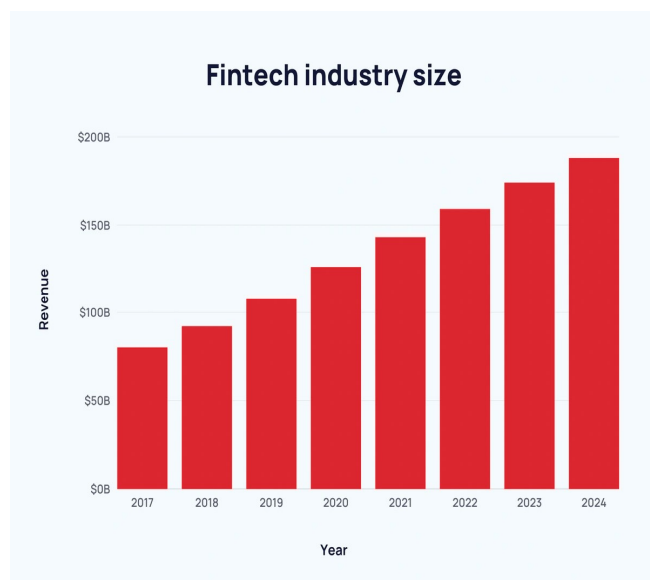
(Dr.Girish Kumar Painoli, Dr.D.Paul Dhinakaran ,Dr.C.Vijay, 2021) ; have conducted a study on “Impact of Fintech on the Profitability of Public and Private Banks in India.” The main purpose of their study was to measure the impact of fintech on the profitability of public and private banks. Their research explains the evolution of fintech industry and present scenario in fintech in banking sector. They collected data from various websites and online sources. They found fintech services are fastest growing in India and it is going to change the habits and behaviour of the Indian finance sector.

(Dr. C. Vijai, 2019) ; has conducted a study on fintech in india - opportunity and challenges. As fintech provided alternative solutions for non-banking financial industry, the purpose of this paper was to access the opportunity and challenges in fintech industry. For the research he has used secondary data including various websites and online sources.It explains the evolution of fintech in the country india.

(Georgios A. Panos and John O. S. Wilson, 2020) conducted a study on “Financial literacy and responsible finance in the FinTech era: capabilities and challenges.” In the research they highlighted that in the era of digital finance inclusion, financial education and appropriate policy interventions are important for wellbeing. They also found how financial frauds are increasing day by day and incurs major losses and creates distrust on financial institutions. The paper suggests it is very essential to cultivate basic financial money management fundamentals in every individual to tackle fraud

(Rashedul Hasan, Muhammad Ashfaq and lingli shao, 2021.) conducted a research on “Evaluating Drivers of Fintech Adoption in the Netherlands:” the main objective of their study was to ascertain what the main factors are which affect Dutch customers’ adoption and experience of mobile payments. Based on quantitative method, the study examines the factors that influence the adoption and experience of mobile payments and the impacts of the COVID-19 outbreak on payment methods due to social distancing rules in the Netherlands. It finds that perceived ease of use, perceived usefulness, safety and trust are the main factors that affect the adoption of mobile payments, and mobile-payment providers need to improve technical protection and offer some benefits to boost the mobile-payment business.

## GLOBAL FINTECH MARKET SIZE



(source: <https://experiencetheblog.com/2024/06/fintech-industry-statistics.html> )

The global fintech market has witnessed significant expansion over the past decade. As of 2022, the market was valued at approximately \$167.54 billion, with projections estimating it will reach \$514.9 billion by 2028. This represents a compound annual growth rate (CAGR) of 25.18%

## FINTECH INDUSTRY IN INDIA

India is amongst the fastest evolving fintech markets in the world. Its fintech industry market size is \$584 billion in the year 2022 and is estimated by \$1.5 trillion till the year 2025.

- Number of digital transactions in FY 2023-24 (till 11.12.2023) : \$116 billion

- Value of digital payment transactions done via UPI (FY 2022-23): INR 139Lakh Cr
- Fintech unicorns: 17
- Fintech Funding (2014-2022) (approx): \$34 BILLION

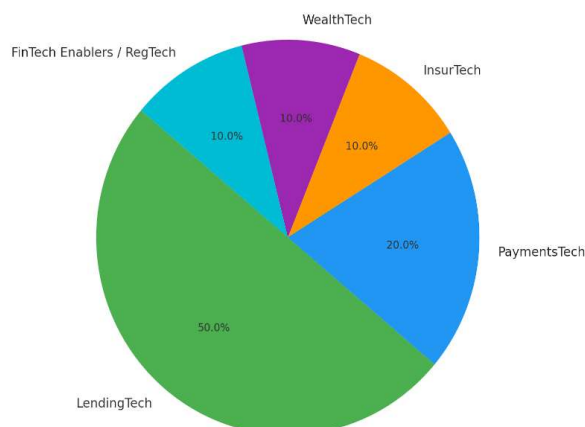
The Fintech sector in India has witnessed funding accounting to 14% share of Global Funding. India ranks #2 on Deal Volume. The Fintech Market Opportunity is estimated to be \$2.1 Tn by 2030. Indian fintechs were the 2nd most funded startup sector in India in 2022. Indian Fintech startups raised \$5.65 Bn in 2022. The total number of unique institutional investors in Indian fintech almost doubled between 2021 and 2022, rising from 535 to 1019 respectively.

## Digital Payments

- From just 1 Mn transactions in 2016, UPI has since crossed the landmark 10 Bn transactions
- UPI recorded the highest ever volume of transactions in FY 2024-25 (Apr 2024-Mar 2025): average ~14.46 bn/month
- Daily transactions on the UPI platform can touch 1 Bn by 2026
- Digital Payments increased by 76% in transactions and 91% in value (2022)
- A pan-India digital payments survey (covering 90,000 respondents) revealed that 42% of respondents have used digital payments
- Acceptance of digital payments infrastructure has increased from 170 Mn touch points to 260 Mn touch points (increase of 53%)

## INDIA'S FINTECH STARTUP

Sectoral Breakdown of Indian FinTech Ecosystem (2024-2025)

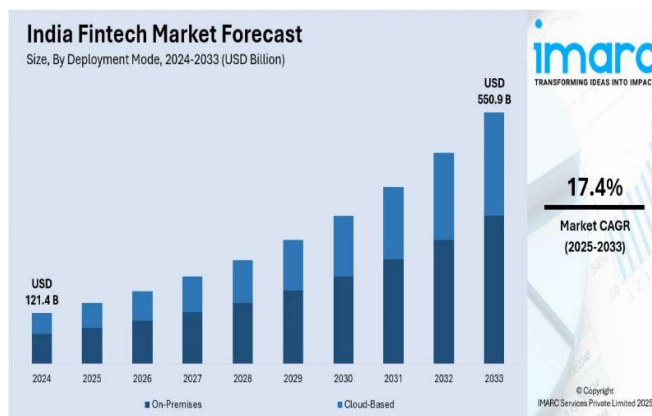


- Lending accounted for ~USD 135M in Q1, Payments ~USD 53M+, InsurTech ~USD 70M overall
- Enabler fintechs had the most deals, indicating growing interest in infrastructure and compliance tools.

**In FY24**, according to the ETBFSI report:

- Lending Tech: ₹34 trillion
- Payments Tech: ₹29 trillion
- Neo-Banking: ₹5.6 trillion (Total fintech market ~₹68 trn)

## MARKET VALUATION OF FINTECH IN INDIA



(source: [https://www.imarcgroup.com/india-fintech-market?utm\\_source=chatgpt.com](https://www.imarcgroup.com/india-fintech-market?utm_source=chatgpt.com) )

### Market Size Estimates

- **USD 121.4 billion in 2024** — as reported by IMARC Group
- **Projected growth to ~USD 150 billion by 2025–26** (based on extrapolations from robust CAGR of ~17–30%)

### Growth Trajectory (2019–2024)

- From ~USD 60 billion in 2020, to 75 billion in 2021, 95 billion in 2022, to 110 billion in 2023, reaching 121.4 billion in 2024

## COLLABORATION BETWEEN FINTECHS AND BANKS

In the pre-fintech era banks used to offer conventional products, which only catered to the locality near by the presence of banks. However, with the arrival of the fintech era and conditions like pandemic gave an opportunity to the fintech industry. Fintech were now able to cater to a bigger market with a range of services such as UPI and digital payment to a range of

customised services in insurance or digital lending. It created a win-win situation for both banks and fintech startups.

In recent years, the collaboration between FinTech companies and traditional banks in India has grown substantially, transforming the financial services landscape. Rather than being seen as competitors, FinTechs are increasingly viewed as strategic partners by banks. This partnership model leverages the agility and innovation of FinTechs with the trust, regulatory infrastructure, and customer base of banks. Banks benefit from FinTechs' advanced technological capabilities, such as AI-driven credit scoring, real-time payment interfaces, API banking, and seamless customer onboarding, while FinTechs gain access to broader distribution networks, regulatory knowledge, and capital reserves

## IMPACT OF FINTECH ON BANKING SECTOR

Fintech companies are disrupting and also promoting banks by offering innovative solutions that are more convenient and user-friendly than traditional banking techniques. For example, many fintech companies offer mobile payment services that allow customers to pay for goods or services with just a few taps on their smartphone. These services are more secure and cost-effective than traditional banking methods, which is why they have become so popular among consumers.

- Ways how fintech has revolutionised the banking industry
  - Increased Efficiency
  - Access to New Technologies
  - Cost reduction
  - Improved security
  - Increased transparency

## FINTECH HAS IMPACTED IN VARIOUS ASPECTS GIVEN BELOW

### 1. Loans

inTech has revolutionized the **lending landscape** by introducing speed, personalization, and accessibility—radically changing how loans are processed, disbursed, and repaid.

- Faster Loan Processing and Disbursal
- Alternative Credit Assessment Using Non-Traditional Data
- Increased Financial Inclusion
- Customized Loan Products and Flexible Repayment
- Growth of Peer-to-Peer (P2P) Lending Platforms
- Regulatory and Risk Challenges in Digital Lending

### 2. Payment Services

FinTech has revolutionized payment services by making them faster, more accessible, and highly secure. Traditionally dominated by cash, cheques, and card-based systems, the payments landscape has undergone a paradigm shift due to FinTech innovations.

- Digitization of Transactions
- Increased Financial Inclusion
- Reduced Transaction Costs
- Real-time Payments and Settlements
- Improved Security and Fraud Detection
- Ecosystem Integration with Business Tools
- Rise of Mobile Wallets and UPI
- Contactless and QR Code Payments
- Global Remittance Simplification
- Regulatory Evolution and Compliance Innovation

### 3. Wealth management

FinTech has revolutionized the wealth management industry by making investing more **accessible, personalized, and cost-efficient**. Traditional wealth management, once reserved for high-net-worth individuals and reliant on relationship-based advisory, is now being democratized through digital platforms powered by FinTech.

- **Introduction of Robo-Advisors** – Automated, algorithm-based investment advisory.
- **Low-Cost, Paperless Investing** – No paperwork; reduced entry barriers and fees.
- **AI and Analytics Integration** – Personalized insights and portfolio optimization.
- **Micro-Investing Enablement** – Investments starting with very small amounts.
- **Goal-Based Planning** – Financial tools aligned with specific life goals.
- **Increased Accessibility** – Wider reach across Tier 2 and Tier 3 cities.
- **Mobile-First Investment Platforms** – Anytime, anywhere portfolio access.
- **Enhanced Financial Literacy** – User-friendly tools promoting informed investing.
- **Seamless Integration** – WealthTech linked with insurance, tax, and budgeting services.
- **Regulatory and Cybersecurity Challenges** – Growing concerns over data protection and compliance

### 4. Remittance Transfers

FinTech has revolutionized the global remittance landscape by making cross-border money transfers **faster, cheaper, more transparent, and more accessible**. Traditionally, remittances relied on legacy systems like SWIFT and money transfer operators (MTOs) such as Western Union or MoneyGram, which were **slow (2–5 days)** and charged **high fees (6–8% on average)**. FinTech disrupted this model through digital-first platforms that use advanced technology to streamline transfers.

- **Lower Transaction Costs** – Reduced fees compared to traditional money transfer services.
- **Faster Transfers** – Real-time or near-instantaneous cross-border transactions.
- **Increased Accessibility** – Enabled remittances without needing a bank account (via mobile wallets).
- **Enhanced Transparency** – Clear fee breakdowns and real-time tracking of transactions.
- **Improved User Experience** – Mobile apps and digital platforms for easy, on-demand transfers.
- **Financial Inclusion** – Extended remittance services to rural and underbanked populations.
- **Regulatory Compliance** – Automated KYC/AML processes for faster onboarding.
- **Blockchain Integration** – Use of decentralized ledgers to ensure secure, verifiable transfers.
- **Global Reach** – Cross-border capabilities expanded via FinTech partnerships and APIs.
- **Boost to Indian Economy** – Easier inward remittances support household income and consumption.

### 5. Insurance Services

FinTech has significantly disrupted and revitalized the insurance industry through the emergence of **InsurTech**—a sub-sector combining technology with insurance services. This transformation has impacted product design, distribution, pricing, customer engagement, and claims processing.

- Digital Distribution & Reach
- Personalized and Micro Insurance
- Improved Customer Experience
- Faster Claims Processing
- Cost Reduction and Efficiency
- Regulatory Integration

### 6. Equity-Funding

FinTech has transformed equity funding by democratizing access to capital and streamlining the investment process for both startups and investors.

- Rise of Equity Crowdfunding Platforms
- Improved Access and Speed
- Data-Driven Investment Decisions
- Increased Funding Volume and Inclusion
- Challenges and Regulation

## CHALLENGES

Challenges for Banks due to FinTech:

1. Disruption of Traditional Revenue Models
2. Customer Attrition & Loyalty
3. Technology Gap
4. Cybersecurity Risks

5. Compliance & Regulatory Overlap
6. Talent Shortage

#### FUTURE OF FINTECH IN INDIA

India's FinTech future is **radical and inclusive**, powered by AI, blockchain, embedded finance, and a digital-first regulatory ecosystem. Continued penetration into non-metro markets, expanding public-private collaboration, and global outreach via UPI and FinTech exports position India as a rising global FinTech powerhouse by 2030.

The focus on innovation interwoven with trust, compliance, and deep inclusion makes India a model for financial transformation globally.

#### CONCLUSION

FinTech has revolutionized the banking sector by enhancing speed, efficiency, accessibility, and customer-centricity. It has transformed traditional banking into a more agile, data-driven, and digitally integrated ecosystem. While banks benefit from innovation through collaboration and process optimization, they also face challenges related to legacy systems, cybersecurity, and regulatory compliance. Going forward, a hybrid model—where traditional banks leverage FinTech capabilities while maintaining regulatory discipline—will define the future of financial services. Sustainable growth will depend on responsible innovation, strong partnerships, and balanced regulation to ensure both inclusion and stability in the financial system.

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