

FINTECH REVOLUTION: BRIDGING THE GAP BETWEEN TRADITIONAL BANKING AND MODERN TECHNOLOGY

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Abstract:

The Fintech revolution fundamentally transforming the financial industry by merging cutting edge technology with traditional banking system to improve accessibility, efficiency & customer experience. Over the past years, financial services sector has witnessed a major transformation inspired by the rise of financial technology (Fintech). This paper investigates how Fintech innovations are changing traditional banking & creating a more inclusive, efficient and customer focussed-financial landscape. We explore key technology innovation such as block chain, AI, mobile banking & peer-to-peer lending, highlighting their role in improving financial accessibility, reducing the operational cost and enhancing user experiences. This paper analyse the transformation of traditional banking by Fintech companies, analysing the key factors driving this changes and its implications for the financial services industry. It explores the technological advancement, changing consumer behaviour, regulatory changes & emerging investment trends are reshaping the relationship between Fintech and traditional banking and also it investigate strategies for traditional banks to adopt and compete with Fintech companies. This paper offers forecast for the future of the Fintech and traditional banking.

Keyword: Fintech; Traditional banking; Technology advancement; Financial analysis.

INTRODUCTION:

The financial industry, dominated by traditional brick and mortar banks, is undergoing a significant transformation driven by financial technology (Fintech). Fintech uses technology to provide more efficient, more accessible & customer oriented services. Innovation in Fintech, such as AI & block chain technology and many more are disrupting to the traditional banking. Fintech companies also offer innovative solution across payments, lending, wealth management & compliance. This disruption challenging the traditional banks, promoting them to adapt and develop new strategies to remain competitive. Recent advancement in Fintech have dramatically transformed the traditional banking industry. By merging financial services with technology, Fintech has reshaped how banking services are delivered, fostering innovation & competition. Fintech has also improved financial inclusion by providing underserved populations with greater access to financial services.

The financial technology (Fintech) has greatly reshaped the financial landscape, driving innovation, efficiency & accessibility in financial services. The expansion of digital transformation in banking sector is propelled by growing customer expectation for smooth and accessible services. As financial sector progresses, Fintech companies have become key

competitors to the traditional banking sector, using technology to create customer focused solutions. The combination of finance and technology in Fintech is bringing positive changes to the global economy by transforming how financial services are accessed and delivered. It is transforming traditional banking by increasing connectivity, accessibility and flexibility. Technology advancements like mobile banking apps, digital wallets & block chain are changing the way individuals and business manage finance, providing greater convenient, efficiency and customization. While banks understanding the need to collaborate with Fintechs to promote innovation, they face challenges in adjusting to the fast shifting digital world.

New business models powered by digital technology platforms are transforming traditional banking services. Advancement like AI, block chain technology and data analysis, Fintech offering more flexible, affordable and customer oriented solution, reshaping the practices of traditional banking sector. This research paper explore the origins, development and impact of Fintech, which has challenged the tradition financial institutions and redefined the customer expectation. As a banking sector faces both challenges and opportunities in adapting these shifts, the paper addresses the different start-ups in Fintech industry. The paper explores how technology innovation from mobile banking apps to peer to peer lending platform, on the financial services and their impact on both consumer and business. It also investigate the transformative influence of Fintech on traditional banking sectors, focusing on how it bridging the gap between traditional banking and modern technology.

REVIEW OF LITARATURE:

Charalampos Basdekis, Apostolos Christopoulos, Ioannis Katsampos & Aikaterini Vlachou (2022), FinTech's rapid growth and its effect on the banking sector; This research paper explains the rapid growth of Fintech & its impact on the Greek banking sector, shaped by the 4th industrial revolution. The paper has highlighted how Fintech companies, along with bigTech, are disrupting traditional banks by transforming consumer behavior & market dynamics. This study discloses that, Compare to Fintech, consumer trust traditional bank more. It also reveals that the level of education among bank employees, as well as their fear of losing jobs as a result of automation, also determines the extent to which bank employees adopt new technology. It highlights the factors of trust, security, and customer-centric innovation in the growth in the financial landscape. It suggests that the banks must also adapt to the digital transformation process

Dr. P Rajendran, Dr. MarimuttuK N, Dr. Naziya Jamal (2023), Financial Technology (Fintech) Revolution: Reshaping the Landscape of Financial Services; This paper explains the revolution brought by Fintech companies, and also it explain about the evolution of Fintech companies and their impact on financial services. It discusses how traditional financial institution have been disrupted by the Fintech companies and how customer expectations have been redefined. The author provide a detailed exploration of the various aspects of the Fintech revolution, examining its origins, evolution & impact on financial services. This paper also addresses the challenges faced in the evolving the landscape of financial services and highlights the need for collaboration between financial institution and policy maker to ensure a balanced financial ecosystem.

Dr. Puja U Kaushik (2024), The impact of Fintech on Traditional banking models; This paper explains the transformative effects of Fintech on the traditional banking. As the financial sector undergoes further transformations with technology, it addresses changes and challenges to traditional banking regarding adopting Fintech's rising status. Changes in customer

experience, technological innovation, and competition, and technological disruption, cybersecurity risks, and regulatory issues, are among some of the key changes discussed. Also, it explains opportunities for innovation and growth. Fintechs bring both good and bad changes in the banking sector. Equilibrium between technological innovation and the right regulatory structure can build an efficient and more resilient financial sector.

Hari Prasad Josyula (2021), The role of Fintech in shaping the future of banking services;

This paper explains how Fintech is reshaping the traditional banking services. The evolution financial technology, or Fintech, has had, and it has primarily focused on all technologies which improve the efficiency, accessibility, and scope of banking. Moreover, those changes have been accompanied with implications for the customer experience, financial landscape, real-time transaction, and overall trajectory of the banking industry. This paper predicts future banking services and focuses on roles, business models, and financial stability, always emphasizing the continuous adaptation and cooperation needed. Thus, this paper emphasizes the relevance of understanding how Fintech is evolving its role in building the future banking system.

Toluwalase Vanessa Lyelolu, Patience Okpeke Paul (2024), Disruption of traditional banking by Fintech: A review and Financial analysis;

This paper describes the disruption that Fintech is inflicting on the traditional banking system by examining key factors driving this transformation and its implications for the financial services. It looks into technological advancement, changes in the customer's behavior and dynamics in regulation as well as investment trend that shapes the Fintech landscape as opposed to traditional banking. It explains how traditional banks can adapt and compete with Fintech as well. This paper discusses the challenges and opportunities provided by Fintech, underlining the fact that traditional banks have to evolve to remain competitive. It concludes that Fintech disruption requires banks to innovate and embrace change to achieve long-term growth and sustainability.

OBJECTIVE:

- To study a broad view of historical development and the evolution of FinTech.
- To study an overview of the financial industry and traditional banking.
- To study various start-ups under FINTECH in India.
- To analyse how Fintech bridges the gap between traditional banking and modern technology.

METHODOLOGY:

The study is based on secondary data. To understand the Fintech revolution; Bridging the gap between traditional banking and modern technology, secondary data have been collected from books, journals, newspapers, reports, government data, and relevant websites. All these sources have been consulted to ensure the effectiveness of the study.

HISTORICAL DEVELOPMENT AND EVOLUTION OF FINTECH:

Managing your money has never been easier; just a few taps, you gain complete control, leaving behind the days of long waits in bank lobbies. Fintech or financial technology, is giving the financial world a digital upgrade. Services like banking, loans, insurance & venture capital are becoming faster, more streamlined and more accessible, thanks to ground breaking technological innovations. Fintech leverages the latest tools to completely rethink how we manage money.

Fintech is the term used to describe the use of technology to modernize financial services. It uses AI and data analytics to provide financial services and manage risk. Fintech can help financial institutions improve customer experience & provide more personalized services.

Here’s what Fintech provides;

- **Convenience:** Fintech services and apps can be accessed from virtually anywhere, at any time, allowing users to manage their finance on the go.
- **Time saving:** Fintech saves users time and effort by automating many aspects of finance, like transfer & bill payments.
- **Choice:** Fintech companies provides a diverse array of financial products & services, offering users more choices and flexibility in managing their money.
- **Accessibility:** Fintech makes it easier for those who have historically been excluded from traditional finance system, such as the unbanked and underbanked populations.

Evaluation of Fintech;



Source: AllabPage

The above figure explains the evaluation of the Fintech industry. Fintech 1.0 focuses on building the foundation for a global financial system, with innovations like the telegraph and early electronic fund transfer system such as Fedwire. In Fintech 2.0, traditional financial institutions moved from analog to digital system, with advancements like mainframe computers, ATMs, credit cards & the beginning of online banking in the 1980s. Fintech 3.0 covers the period after the financial crisis in 2008 when Fintech start-ups flourished, introducing mobile banking, cloud computing and big data analytics to personalize services for customers. Fintech 3.5 is a transitional period where Fintech grew globally with API collaborations between banks & Fintech firms and the early adoption of block chain technology. Fintech 4.0 is characterized by disruptive technologies like AI and machine learning to personalize finance and automated services, as well as open banking regulations, improved financial management and increased competitions.

UNDERSTANDING THE CONCEPT OF FINANCIAL INDUSTRY AND TRADITIONAL BANKING:

The financial industry plays a major role in the economy, encompassing banks, insurance companies, investment firms & other financial institutions. Traditional banking, is a part of the financial industry, provides lending and saving services. The financial sector is a part of the economy consisting of business and organizations that provide financial services to

commercial & retail customers. It include a wide variety of industries such as banking, investment firms, insurance providers and real estate companies.

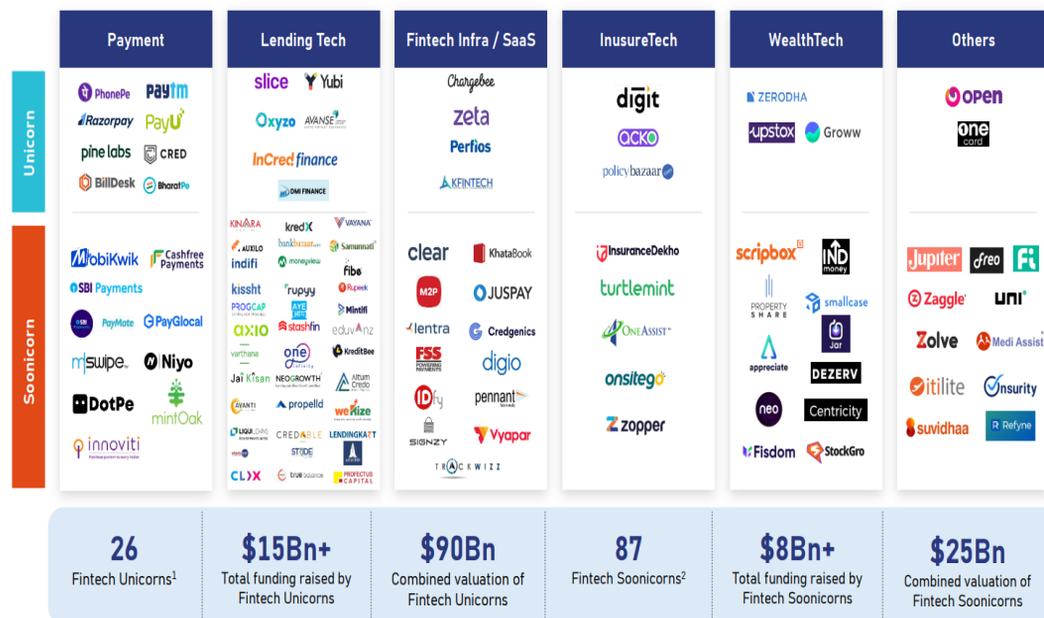
Financial industry is made up of many institutions that provide financial services to the customers and business. A strong financial sector is a represent a healthy economy. The financial industry helps the government to raise the money and it also helps people to manage their money and provide services like insurance, loans, etc., Financial institutions generates revenue from loan, mortgages & other financial activities.

Traditional banking refers to financial services that are offered through physical establishments like branches & ATMs. Traditional banking is a segment of financial sector that involves lending money and accepting deposits. These bank make money by charging higher interest rate on loans compared to the interest they pay on deposits. Traditional banks offer a range of services, such as saving and checking accounts, loans, investment opportunities & customer services, ATM services. Traditional banks can range from large scale commercial banks to community based banks or credit unions. Traditional banks are mainly divided into three parts: such as Retail banks, Corporate banks and Investment banks.

DIFFERENT START-UPS IN FINTECH IN INDIA;

According to multiple sources, the Indian Fintech industry is expected to be valued at approximately \$150to \$160 billion by 2025, indicating a significant growth in the sector. Some of the top Indian Fintech companies in various financial service fields are listed below;

Snapshots of Unicorns and Soonicorns in the Fintech ecosystem



In the above figure explains the different Fintech companies in India. In payment sector, there are Phonepe, Paytm, Pine labs, Niyo, Dotpe, Mobikwik and more. In the lending tech, there are Slice, Yubi, Axio, Indifi, Oxyzo and other. In Fintech infrastructure, there are Zeta, Clear, Juspay, Digio, Lentra and many more. In insurance tech, there are Digit, Acko, PolicyBazaar, Zopper, etc., In wealth tech, there are Zerodha, Upstox, Groww, Neo, Scripbox and many others. Finally, in other Fintech categories, we can see open, One, Zaggie, Fi and Jupiter and more.

FINTECH BRIDGING THE GAP BETWEEN TRADITION BANKING AND MODERN TECHNOLOGY;

Fintech (financial technology) is transforming the financial landscape by bridging the gap between traditional banking and modern technology. This shift is changing how individuals handle their finance, making it more convenient, accessible and secure. Fintech connects traditional banking with modern tech by using digital innovations to enhance the banking experience. It uses technologies like AI, ML (machine learning) and block chain to create more efficient and tailored financial services. Fintech bridges the gap between technology and banking, enabling financial institutions to adopt digital innovations that address user needs, enhance operational efficiency and drive sustainable enterprise growth.

Moreover, digital transformation in finance empowers account holders by offering a variety of financial products and services with competitive pricing and various options. With tools like digital banking apps, economic planners and robo-advisors, individuals gain better control over their finance, invest in diverse portfolios and make well-informed financial decisions in real time. Fintech also extends the reach of financial services to underserved populations, offering access to institutional services, credit and insurance. Additionally, Fintech drives innovation in traditional banking by fostering a culture of experimentation, collaboration and agility. Banks and agents are partnering with Fintech and technology providers, investing in digital transformation and adopting agile approach to stay competitive in an evolving market.

How Fintech bridges the gap between traditional banking and modern technology;

- ❖ **Digital banking:** Fintech provides digital banking applications that allow customers to manage their accounts, make payments and transfer funds online.
- ❖ **Mobile banking:** Fintech utilizes mobile technology to provide banking services to individuals without access to physical bank branches.
- ❖ **Data analytics:** Fintech uses data analytics to gain insights into customer behaviour and develop more targeted, personalized financial products & services.
- ❖ **AI- powered customer services:** Fintech uses Chatbot's and AI interfaces to assist customers with basic tasks and reduce the need for extensive staff.
- ❖ **Fraud prevention:** Fintech uses information about payment history to detect and flag potentially fraudulent transactions.

SUGGESTION:

- 1) Fintech should continue to expand access to banking services for the underserved population, especially in rural areas.
- 2) Fintech companies should invest in stronger cybersecurity measures to secure users' financial data.
- 3) Fintech must create deeper partnerships with traditional financial institutions.
- 4) Fintech can make the banking sector more personalized by using AI to offer tailored financial advice, smart budgeting tools, and investment strategies.

- 5) The Fintech industry needs to work with the government and the regulatory bodies to set clear and consistent guidelines.
- 6) Fintech platforms need to include more educational resources that can help the customer understand complex financial concepts.

CONCLUSION:

The Fintech revolution is a transformative force that is reshaping the financial landscape by bridging the gap between traditional banking practices and cutting-edge technological advancements. The Fintech revolution has created new opportunities for innovation and inclusion. It has expanded financial access to underserved communities, improved efficiency, reduced cost and accelerate financial transactions. Additionally, Fintech has fostered the development of new financial products & services, such as peer-to-peer lending, robo-advisors and block chain based solutions, all of which have the potential to revolutionize the industry further. The disruption brought about by Fintech has created both challenges and opportunities for traditional banking sectors, requiring them to adapt and innovate to remain competitive in a fast changing environment. By adopting digital transformation, partnering with Fintech start-ups and focusing on enhancing customer experience and innovation, traditional banks can effectively set themselves up for sustainable, long term growth.

By integrating innovations like AI, ML, block chain, mobile banking and digital payments, Fintech has redefined how financial services are delivered, making them accessible, efficient & customer centric. The collaboration between established banks and Fintech start-ups holds the potential to unlock new opportunities for growth, efficiency. To maintain long term success, both party must continue to innovate while addressing the challenges such as cybersecurity, regulatory compliance and ensuring customer trust. As Fintech continues to progress, it is essential for financial institutions to remain adaptable, respond to changing customer needs, and harness the power of technology to deliver seamless and personalized experiences. Ultimately, the Fintech revolution goes beyond technology; it's about building a future where financial services are more accessible, equitable and relevant to people across the globe. Through collaboration, innovation and adaptability, the financial sector can thrive in the digital age, meeting the evolving expectations of its customers while driving industry wide growth.

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