

Chapter 18

Disruptive Innovations: Impact of Fintech in the Banking Industry

K. Malavika

 <https://orcid.org/0009-0008-0893-0399>

Department of Management, Central University of Tamil Nadu, India

K. V. Adithya

Department of Management, Central University of Tamil Nadu, India

S. Visalakshmi

Department of Management, Central University of Tamil Nadu, India

ABSTRACT

A significant transformation has occurred in the banking sector in recent years due to the emergence of new Fintech businesses that are providing cutting edge services and technologies that are altering the way banks conduct business. Innovative services like online payments, data analytics, wealth management, and investment banking are provided by Fintech solutions, which elevate the banking process to a new level and maximize the Fintech's influence on the banking sector. This chapter aims to comprehensively examine the disruptive nature of Fintech innovations and their impact in the banking industry. It highlights how FinTech companies affect the financial stability of banks, how Fintech has enhanced customer experience through mobile banking apps, online transactions and personalized services. It also emphasizes how the Fintech solutions have improved operational efficiency and reduced cost for Banks. The findings of this study will offer actionable insights to stakeholders for embracing innovation, addressing challenges, and navigating the evolving landscape of fintech-integrated banking.

1. INTRODUCTION

The world is experiencing the full force of the financial technology (FinTech) revolution. FinTech has gained popularity recently, although technology has been present in the financial services sector since the 1850s. The term is typically used to describe technological advancements that have the potential to

DOI: 10.4018/979-8-3693-2683-1.ch018

revolutionize the financial services industry, spur the growth of innovative business models, applications, processes, and products, and eventually assist consumers (Murinde et al., 2022). Fintech (financial technology) initiatives, which are regarded as some of the most significant breakthroughs in the financial industry, have surged in number as a result of the developing digital transformation. The term “fintech” denotes new processes and products that have entered the financial services market as a result of advancements in digital technology (Finances Online, 2019). The COVID-19 pandemic has expedited the development of fintech, or the application of digital technology to financial services, which is altering the financial landscape (Morgan, 2022). Building more inclusive and effective financial services and fostering economic development are made possible by the continuous digitization of money and financial services. Fintech is rapidly changing the financial sector and making it harder to distinguish between financial enterprises and the financial sector. Fintech is rapidly growing in the financial market and is having a significant impact on banks and financial institutions. This digital transformation allows users to access their financial needs from anywhere without having to physically go to a bank. Thanks to innovative products in the fintech sector, the functions of the banking sector are being reduced from complex to simpler. This development will empower customers to make financial decisions making them more financially literate than ever before. Most documents are digitalized and customer’s data is protected in a very secure manner (Amarpreet Singh Viridi & Mer, 2023).

The global financial technology (FinTech) revolution is currently in full swing. The significance of banks in the financial system makes it imperative to comprehend the opportunities and risks that FinTech presents for banks, as well as how it influences the primary roles of financial intermediaries and how it fits into the modern financial ecosystem. The banking industry has undergone significant technological and regulatory transformations as a result of deregulation and liberalization, information and communication technology advancements, new trading and savings options, cybersecurity adjustments, and digitalization (Broby, 2021).

It is not apparent that FinTech revolution will totally disrupt conventional banking or, instead, strengthen the current financial products’ structure. We examine the growing amount of literature on FinTech and FinTech-powered services, focusing on the opportunities and risks that banks face. This paper is hence ideal on the grounds that in many nations the customary ‘blocks and cement’ model in banking has been joined with or supplanted by a web-based model, where data innovation and exceptionally specific human resources assume significant parts.

In this setting, non-banking financial institutions and shadow banks have been competing with traditional financial institutions in their main business. Additionally, the emergence of FinTech has made it possible for start-ups, BigTech, and neobanks, also known as challenger banks, to enter the financial services industry as new rivals (Basu & Bawa, 2022). Specifically, FinTech new businesses are dynamic in the vital sections of monetary administrations like installments and settlements, loaning, venture monetary administration, crowdfunding, undertaking innovations for monetary establishments, exchanging and capital business sectors, protection, individual monetary administration, abundance the board and computerized banking.

The banking industry has unquestionably been transformed by fintech, which has significantly altered the way we manage our finances. From advanced financial stages and versatile installment answers for customized monetary administrations and inventive loaning choices, fintech has changed the client experience and set out new open doors for monetary incorporation. The advantages of fintech in banking are apparent. Clients currently appreciate upgraded accommodation, further developed openness, and cost reserve funds. Customized monetary administrations engage people to settle on better monetary

19 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/disruptive-innovations/342401

Related Content

Heavy metals removal from groundwater: A review based on cost estimation of various adsorbents

(2022). *International Journal of Circular Economy and Waste Management* (pp. 0-0).

www.irma-international.org/article//302208

Online to Offline-based e-waste "Internet + Recycling" pattern building: Online to Offline-based e-waste

(2022). *International Journal of Circular Economy and Waste Management* (pp. 0-0).

www.irma-international.org/article//311052

Evaluating the Nexus Between Honesty and Integrity in the Hospitality and Tourism Teaching Industry

Rekha Maitra and Tarun Bansal (2022). *International Journal of Circular Economy and Waste Management* (pp. 1-17).

www.irma-international.org/article/evaluating-the-nexus-between-honesty-and-integrity-in-the-hospitality-and-tourism-teaching-industry/306213

Influence of Special Treatment, Interactive Features, Physical Features, and Price on Customer Loyalty Restaurant Industry

M Mansha Tahir (2022). *International Journal of Circular Economy and Waste Management* (pp. 1-14).

www.irma-international.org/article/influence-of-special-treatment-interactive-features-physical-features-and-price-on-customer-loyalty-restaurant-industry/306214

Employees Perception Regarding CSR Initiatives of the Companies in India

Vikrant Vikram Singh, Manoj Pandey and Anil Vashisht (2019). *Behavioral Finance and Decision-Making Models* (pp. 204-217).

www.irma-international.org/chapter/employees-perception-regarding-csr-initiatives-of-the-companies-in-india/225240