IMPACT OF FINTECH IN DIGITAL TRANSFORMATION IN FINANCIAL SECTOR

Dr.A.ARUL PRAKASH, Ph.D.,

Assistant Professor,
Faculty of Management,
SRM Institute of Science and Technology,
Kattankulathur-603 203
arulpraa@srmist.edu.in

Abstract

Financial technology, better known as 'fintech', is one of the fastest growing areas of the information technology industry. The sector emerged from the integration of technology and traditional financial services. Recently, on December 3, 2021, at the launch of the Infinity Forum, a forum for Fintech sort his leaders, Indian Prime Minister Mr.Narendra Modi announced that India with a largely income-driven "Security Shield" called for a "fintech revolution" in Investment, insurance, institutional financing. The statement comes at a time when India's fintech adoption rate is the highest in the world at his 87%, well above his global average of 64%. Enabling factors here include the Digital India initiative, the enabling policy environment, and the presence of a sizeable talent pool. According to Amitabh Kant (CEO, NITI Aayog), the Indian fintech industry has collectively raised over US$27.6 billion and is expected to surpass US$150 billion by 2025.

FinTech applies to all innovations related to financial transactions, whether for personal or business use. Fintech, which began with the birth of credit cards (1950s) and ATMs (1960s), has changed the world ever since. There was a time when fintech only referred to the back office work of a bank or securities company. The Internet Boom and the Advancement of Mobile Computing the Evolution of Modern Fintech Fintech has transformed into an on-going global revolution. Fintech today occupies an important place in the modern digital world. Technology in fintech service is increase. on several years the fintech is grown in our country . most of the financial work are to be done online .Digitalization in financial service make work easy and Easy to operate the financial services. Digital transformation has revolutionised the fintech industry, making it more customer focused and innovative. By offering services online, financial organisations can streamline processes and delight everyone from stakeholders to end users.

Key words: Integration of Technology, Technology transformation in financial sector and Indian government initiatives in financial operations.

INTRODUCTION

Digital transformation of financial services is integrating cutting-edge technology into financial services to enhance effectiveness, security, and customer experience. It involves streamlining financial operations using technological breakthroughs like block chain, AI development services, and data analytics. FinTech has revolutionized customer interaction by offering seamless, real-time services through mobile banking, digital payments, and personal finance apps. These innovations enhance customer satisfaction while reducing transaction times and operational costs. As FinTech continues to grow, challenges such as cyber security, regulatory compliance, and ensuring fair access to technology remain critical. Future research is focusing on addressing these issues while enhancing the integration of digital financial services with emerging technologies like AI and block chain. This article provides a detailed examination of how FinTech is transforming the financial landscape by driving digital innovation and creating new opportunities and challenges for both traditional institutions and start-ups.

REVIEW OF LITERATURE:

Kuppani Sathish, Jayendra Gopal Thatipudi, P. Manikandan, N. Kanthimathi, T. Srinivasa Rao, P Alexander (2023), conducted research on 'Blockchain based Enhancement of Digital Revolution in Financial Sector'. The research states that Digitalization alters enterprise interactions and the sector's structure, resulting in new business models, transformed value chains, new product delivery channels, and more. However, academics have yet to adapt these strategic shifts of Fintech for sustainability or the future directions of the financial industry. Financial technology notably revamps traditional models to better serve loyal customers by enhancing digital access channels, solutions, and product options.

Namrata Kapoor Kohli, Timsy Kapoor, Vidya Telang (2023), conducted research on 'Digital Payment System as a Growth Driver for the Indian Economy an Analysis'. The objective of this study examines that Digitalization is a key growth driver in today's economy, offering advantages like speed, cashless transactions, and transparency. It's especially impactful in enhancing economic growth which is the Key momentum by accelerating digital payment systems like Immediate Payment Service, Real Time Gross Settlement, Electronic Fund Transfer, National Automated Clearing House, and Unified Payments Interface.

Amit Shrivastava, Ajay Mishra, Pooja Talreja (2023), conducted research on 'An Analysis of the Role of ICT in Digitalization of Banking Financial Services & Insurance Sector'. The research states that the banking sector's biggest challenge today is modernization with technology network that will unify urban and rural areas under sustainable development, ensuring social inclusivity. . As banks undergo a technological transformation, they encounter disruptive technologies requiring extensive adaptation of collaboration strategies.

STATEMENT OF THE PROBLEM

The financial sector has undergone significant digital transformation driven by the rise of financial technology (fintech). However, this evolution presents both opportunities and challenges. While fintech enables improved financial inclusion, operational efficiency, and customer satisfaction, its rapid integration also disrupts traditional financial models, raising critical concerns about regulatory compliance, cybersecurity, and market stability. The problem lies in addressing these challenges while maximizing fintech's potential to foster innovation and efficiency in the financial sector. There is a need for robust research, policy frameworks, and partnerships to navigate this complex transformation effectively.

OBJECTIVE OF THE STUDY

(i). To analyse the impact of Fintech in digital transformation in financial sector.

(ii).To analyse the awareness about digital transformation in financial sector.

(iii) To identify support of government to promote the Digital transformation in Fintech industry.

(iv) To examine the perception and awareness of respondent towards fintech services.

(v)Identify the major preferences in the fintech services.

RESEARCH METHODOLOGY:

Research methodology is the main key point of any kind of research which is related to the research study time. In the research methodology it can be find out the different types of solutions through the real market survey, from the questioning or direct interview with the industry people as well as students and other peoples who are currently working and they have some basic knowledge with the any kind of or related our research industry so it can easily asked them some questions about our research like in our project we can asked that about FINTECH how it will be in their past and what are their future demand. By that questions answer we easily analyse our research and made some good frame for our project.

Data collection method

Data collection method we utilized for this research will be the primary data collection methods. It means that we used primary sources to collect the real data from people. So because of that data we can easily related to our research and helps to deliver our project. Mostly researcher used this method for the general researches.

Research type

This research used the Qualitative Research methodology for our research. Qualitative research involves no numerical data, such as opinions and literature. Examples of qualitative data may include survey, participant comment, observation, google form etc.

Source of data collection

Primary data collected from by questionnaire with the help of google form. Secondary data collected from various sources like google scholars, Chatgpt, lead squared etc

Sampling Techniques

Sampling Method: Non-probability and Convenience Sampling method is used in research to collect Primary Data through structured Questionnaire. Sample size is 500 and all respondents residing in Kanchipuram district of Tamilndau..

Gaps in the study

i. Most of the papers reviewed are specifying only qualitative characteristics of digital transformation in financial sector.

ii. None of the papers reviewed in the aspect of impact on digital transformation regarding fintech in financial sector.

iii. This papers reviewed as per the current scenario of Fintech advancement in recent years.

SCOPE OF THE STUDY:

The present study is focusing on the impact of fintech in digital transformation in financial sector and examines how fintech improves financial inclusion, customer experience and It Assess the role of fintech in digital transformation across different economies and the rapid adoption of fintech in emerging markets for financial inclusion and their impact of fintech growth in financial sector.

RESULT AND DISCUSSION:

Table No.01

Table showing occupation of Respondents

1. **OCCUPATION**

Particulars	No .of Respondents	% of Respondents
Students	215	43 %
Teachers	155	31 %
Employees	130	26 %
Total	**500**	**100 %**

Source: Primary data

Interpretation

It is observed that out of 500 respondents, majority proportionate belongs to students which are around 43% as they are the frequent users of digital payment services. Next proportionate has teachers which is around 31% and The remaining 26% segment which consists of other employees are users of fintech and All the respondents are the users of one or the other mode of digitalization.

Table No.02

Table showing most preferred digital services of the Respondents

2. **Digital services:**

Particulars	No .of Respondents	% of Respondents
Mobile Banking Apps	315	63 %
Online payment apps	30	6 %
Digital wallets and payments	85	17 %
Investment platforms	70	14 %
Total	**500**	**100 %**

Source: Primary data

Majority of respondents are using Mobile Banking Apps 63%, next by using digital wallets for payments. It is observed that though the numbers of students are more, yet investment platforms are not used frequently for this purpose. Some other payments they are using online payment apps.

Table No.03
Table showing duration of financial activities of the Respondents

3. Financial Activities:

Particulars	No .of Respondents	% of Respondents
Less than One year	205	41 %
One year to three years	130	26 %
Three to Five years	120	24 %
Five years and above	45	09 %
Total	**500**	**100 %**

Source: Primary data

From the above table one it can interpret that majority of them prefer for investment pattern for less than a year and not for long term investment of more than 5 years which is mere 9%. We can further see that investment pattern grows in ascending order along with the ascending order of number of years.

Table No.04
Table showing the degree of respondents anticipate changes in digitalization during the next ten years

4. Digitalization changes of the respondents:

Particulars	No .of Respondents	% of Respondents
Significantly transform industries and daily life	185	37 %
Incrementally improve existing technologies and services	140	28 %
Maintain current trends without major disruptions	110	22 %
Decline in relevance and impact	10	02 %
Not confirm	55	11 %
Total	**500**	**100 %**

Source: Primary data

From the above it can interpret that a significant portion of respondents 37% anticipate that digitalization will lead to major transformations in financial sector and daily life, indicating high expectations for future technological advancements and their impact. A smaller, yet substantial, group 28% expects more gradual improvements in current technologies and services, suggesting an incremental rather than revolutionary approach. 22%

have faith in that the current pace and nature of digitalization will continue without major changes, indicating a belief in the stability and maturity of existing trends. Only a minimum percentage of 2% foresees a declining trend, reflecting general optimism. The 11% of respondents are lack of consensus about the future trend of digitalization.

Table No.05

Regression analysis towards effectiveness of FinTech in Digital Transformation in financial sector

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.711[a]	0.605	0.598	0.150

From the above table we could infer that the R square value is above .6 which explains that the independent variables are able to explain 60 percentage of the dependant variable behavior which in this case it is effectiveness of Fintech in Digital Transformation in financial sector.

Table No.06

Regression analysis towards Digital Transformation in Fintech

Coefficients [a]					
Model	Un-standardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.495	.111		4.453	.000
Online Transaction	.122	.045	.132	2.693	.007
Credit and loans	.132	.047	.142	2.828	.005
Crypto and stock market	.169	.045	.187	3.778	.000
Use of Technology	.117	.045	.125	2.627	.009
Government Support	.098	.045	.104	2.193	.029
Financial sector norms	.111	.046	.112	2.406	.017
Improvement of Tech.	.073	.046	.075	1.601	.110

The regression equation formulated at the end of the regression analysis can be depicted as effective financial planning (Y) = $.122X_1 + .132X_2 + .169X_3 + .117X_4 + .098X_5 + .111X_6 + .73X_7$

It could see that the variable that has a higher influence on the effective digital transformation and the Knowledge regarding Fintech by the financial sector and the knowledge about technical advancement to create various impact of digital transformation.

SUMMARY OF FINDINGS:

Majority of respondents are using Mobile Banking Apps 63%, next by using digital wallets for payments. It is observed that though the numbers of students are more.

- **Personalization**: Fintech leverages data analytics and AI to provide tailored financial products and services.
- **Convenience:** Mobile apps and digital platforms simplify tasks like payments, loans, and investments, offering 24/7 access.
- **Faster Transactions**: Real-time processing speeds up payments and settlements compared to traditional systems.

It is observed that out of 500 respondents, majority proportionate belongs to students which are around 43% as they are the frequent users of digital payment services.

- Access to Underserved Populations: Fintech solutions like mobile banking and microfinance platforms enable access to financial services in remote or underserved areas.
- Affordable Solutions: Lower fees for basic services like remittances and payments make financial services accessible to low-income individuals.

It can interpret that a significant portion of respondents 37% anticipate that digitalization will lead to major transformations in financial sector and daily life, indicating high expectations for future technological advancements and their impact.

- Automation: Fintech automates back-office functions, reducing human errors and costs.
- Cloud Computing: Streamlined data management and reduced infrastructure costs through cloud adoption.
- Process Simplification: Digitization eliminates paperwork and simplifies regulatory compliance.

SUGGESTIONS:

This article explores how fintech innovations such as mobile payments, blockchain, and AI are transforming financial services by increasing efficiency, inclusion, and competition. It highlights the potential of fintech to disrupt traditional banking structures and addresses challenges like regulatory adaptation and market concentration.

This study examines how fintech has reshaped the financial industry, focusing on innovations like cashless payments, crowd funding, and peer-to-peer lending. It explains the role of disruptive technologies such as AI and IoT in making financial services more accessible and efficient. The review categorizes fintech into evolutionary stages and discusses its global impact, particularly in addressing gaps in traditional finance systems and unlocking new growth opportunities.

This research highlights the evolving landscape of fintech, including the shift from a focus on rapid growth to sustainable profitability. It details trends like embedded finance and banking-as-a-service (BaaS), which have been pivotal for small and medium enterprises (SMEs) underserved by traditional finance. The report also discusses the challenges fintech face in securing funding amidst economic pressures.

CONCLUSION:

In conclusion, fintech is not just a disruptor but a transformative force that is reshaping the global financial landscape. While challenges remain, its role in driving digital transformation is critical to creating a more accessible, efficient, and innovative financial ecosystem. Technology in fintech service is increase. on several years the fintech is grown in our country . Most of the financial work are to be done online .Digitalization in financial service make work easy and easy to operate the financial services in financial sector.

References:

1. **V. Acharya et al.2012,** The seeds of a crisis: a theory of bank liquidity and risk-taking over the business cycle, J. Financ. Econ.

2**. V. Acharya et al., 2019,** On reaching for yield and the coexistence of bubbles and negative bubbles, J. Financ. Interned.

3. **A.N. Berger et al.2016,** Reexamining the empirical relation between loan risk and Collateral: the roles of collateral liquidity and types, J. Financ. Intermed.

4. **D. Besanko et al**. Competitive equilibrium in the credit market under asymmetric Information, J. Econ. Theory.

5. **S. Bhattacharya et al**., Contemporary banking theory, J. Financ. Intermed.

6. **A.Arul Prakash, (2024)** "A Study on Future Trends of Fintech in Capital Market Operations" YMER, Volume 23: Issue 09 (September_ 2024.
****