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## IMPACT OF FIN-TECH ON THE BANKING INDUSTRY – A STUDY OF INDIAN MILLENNIALS

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### Abstract

The banking industry has majorly evolved in the past ten years. The rise of fin-tech services has brought about significant amount of changes in the daily banking scenario. The introduction of digital banking has disrupted the traditional banking landscape in the country by posing threats to established banks for adapting the changes. This global evolution had the maximum impact on Indian millennials (born between 1980 and 1995) since that part of the population had largely experienced traditional banking. This paper aims to examine the impact of the changing financial technologies in the banking industry pertaining to Indian millennials. A sample size of approximately 120 people was taken via Google form to conduct this study

### CHAPTER-1

### INTRODUCTION

#### Introduction

Financial Technology (known as fin-tech) refers to the use of technology and innovation to create and deliver financial services to help companies, business owners and consumers to manage their operations. Introduction of financial technology is where the transition from analog to digital took place and the penetration of fin-tech lending correlates with the bank's performance. The Fin-tech companies take leverage though digital platforms, software and other advancements to enhance various aspects of the financial industry. It refers to the application of recently introduced technologies such as block-chain, artificial Intelligence and cloud computing which helps in creating business models who provide convenience, low costs and better accessibility to financial services. In addition to insurance, asset management and payments the Fin-tech organizations engage in a variety of other areas.

One of the largest users of fin-tech is the banking industry, since they have rapidly accommodated financial technology in their day to day tasks. As per Statista research department in June 2023, India is gauged to have the highest users. The estimated number of users in India were at approximately 29.5 crores which is 7 crores beyond that of the United States which was ranked at second position. Increasing internet and smartphone use has also helped, resulting in increased use of digital technology throughout the country.

As per economic times Indian millennials spend about 17 hours online weekly with 11 percent of this time i.e. 1.5 hours is spent on banking and transactions. Millennials from tier 2 and tier 3 cities are adopting digital banking rapidly and with maximum percentage of payments(89%) coming from tier 2 cities. United Payments Interface (UPI) along with RuPay, the indigenous counterpart to MasterCard, Visa and Union Pay are India's most popular payment systems. Loan disbursement and investment advice, peer to peer lending and other banking services which formerly required human labour are now a part of digitization.

### **Rise Of Fin-tech in the Indian market**

India is one of the fastest growing markets for fin-tech. The basic structure of fin-tech started through telecom network and ventured into fin-tech startups. A number of steps taken by the Indian government such as demonetization and Jan Dhan Yojana have largely encouraged the financial sector towards digitization. The "Reserve Bank Of India" and the Indian Bank's Association came together to form the "National Payments Corporation Of India (NPCI)", which served as the foundation for different payment systems. As a result of country's effective and powerful government reforms that are constantly pushing the country towards a digital economy, the Indian market has seen enormous investments across different sectors.

On March 25, 2020 the world's largest lockdown was laid, confining more than 1.3 billion people to their homes, due to the spread of Coronavirus. The government imposed restrictions on physical movement and pushed for fewer cash transactions through cash on commodities. While other sectors suffered severe losses, the fin-tech sector sustained huge expansions. Demand for digital services soared to a new high as the outbreak of the pandemic became more severe in 2021. One of the main reasons for India's quick rise into the forefront of Fin-tech is a combination of Micro-economic factors such as e-commerce business and the demographic dividend of India. Industries such as Investment, Insurance, personal finance and lending are also part of this change.

There are different types of fin-tech tools in the banking industry which provide innovative solutions to enhance efficiency and customer experience. The commonly utilized tools in the banking sector are:

### **Mobile Banking**

Mobile banking applications enable the users to manage their accounts, download e-statements at their convenience, pay bills and also has biometric feature for enhanced security.

### **Digital Wallets**

Digital wallets like Pai (paytm), Google pay, Apple pay etc. can be linked to bank accounts and used for instant payment without banking hour's constraints.

### **Electronic Payments**

Payments such as NEFT and RTGS can be wired through internet banking without the hassle of presenting documents in the bank through net banking.

### **Wealth Management and Investment**

Investment solution allows users to do portfolio management and administration from any location through a central management window. Data analysis tools and systems with built in bots assist clients on asset management and investment as cloud based platforms.

### **Lending/Loans**

Individuals around the country can apply now for loans and instant credits using their phones. Consumers can also download bank statements or loan statements several times as per their convenience which increases the transparency. This level of accessibility has allowed individuals to secure loans conveniently without any long procedures or hassle.

### **Significance of Digitization in Indian Banking Financial Services**

The convenience related to digital banking is a key feature of the new banking era. There are less procedures and fiction involved with completion of common financial tasks such as completing a purchase or scrutinizing your balance. Some key aspects highlighting the importance of digitization in the Indian banking financial services are mentioned below:

#### **a) Amplified Accessibility:**

Digitization has made banking services more accessible to a larger part of the population for whom earlier it was not possible since they had to make runs for each and every small and bigger tasks. Online banking services allow people to conduct banking tasks without the need for physical presence at a bank branch.

**b) Minimize Costs:**

For banks and financial Institutions , digitization has resulted in cost savings through automated processes , electronic documentation and online transactions which has reduced the need for paperwork and physical infrastructure.

**c) Convenience and Efficiency:**

The convenience of online banking can be stated by the fact that the most primitive banking services may be accessed with the click of a button which is an aid for folks in outlying places.

**d) Data Analytics and Risk Management:**

Data platforms generate a lot of data which banks take leverage for analytics and risk management. This also provides an analysis of customer behavior for banks to make informed decisions, assess credit risks and tailor to financial products according to the specific consumer needs.

**Features of Indian Banking Financial Services****Internet Banking**

Internet banking is a digital banking platform that gives authorization to consumers to conduct a variety of monetary and non-monetary ventures from the alleviation of their own homes. Online banking consists of assorted advantages such as its reliability and security. Online banking customers are allowed to move funds from one account to another easily. This has led to the development of cyber banking which goes by the names Internet banking, online banking, and online spending.

**Magnetic Ink Character Recognition (MICR)**

The MICR number is a cheque's serial number which is located at the back side of it which gives each and every cheque and unique identification number. It also saves the bank from any frauds or overwriting.

**Centralized Online Real-time exchange (CORE)**

The word “core banking” refers to the bank’s main computer system, which processes monetary transactions for the banks from various locations. Core banking applications are critical for day to day functioning of modern financial institutions.

### **Immediate Payment system (IMPS)**

Instant money transfer allows secure electronic transfers of funds between bank accounts, without any time fund gap and regardless of the time of the day. It also allows the customers to manage their finances and transactions by simply logging from their mobile devices. A total of four parties are involved in every IMPS transaction i.e. sender, receiver, banks and the national financial switch.

### **Electronic Clearing system (ECS)**

The term “Electronic clearing system” refers to a method in which monetary transactions among different financial institutions can be completed electronically. This is the standard procedure followed by financial institutions when sending out huge collective transfers from one single account to multiple accounts such as salary, distributable dividend declared or interest accrued. The “National Automated Clearing House (NACH)” in India is a constituent of the country’s electronic clearing system since it maneuver financial transactions from one institution to another.

## **CHAPTER-2**

### **LITERATURE REVIEW**

#### **Literature Review**

**Research Study by Deloitte (2022)-** “The banking industry is thought to be the most important source of economic growth for a country. In the course of time, the banking branches are becoming less and less integrated with the traditional banking sector. Due to comprehensive use of the internet and information technology, several banks are thriving cutting-edge solutions that could in due course result in branchless and cashless banking. The use of mobile banking and e-banking are two major examples of this change”.

**The impact of digitalization on the banking sector: Evidence from fin-tech countries- Paper By Jihen Bousrih-** “States that Cashless societies have become more widespread in a number of countries and the banking system contributes to the achievement of this goal. To conclude, banks in several countries have succeeded in raising the number of cashless payment transactions. The growth of technology around the world, however, raises the possibility that worries regarding the stability and profitability of banks will be ignored”.

**Impact of Financial Technology (Fin-tech) on Financial Inclusion(FI) in Rural India By Goswami , S Sharma and B Chouhan 2022** “The fin-tech projects which are some of the most significant project in the financial sector have been driven by the growth of digitization and transformation, as fin-tech mobile money and digital wallets address the economic infrastructure with an innovative technology solution and enable the consumers to conduct financial transactions in an affordable way by eliminating the spatial barriers and can be

used to bridge the banking gap. This paper basically investigates the success factors which influence the adoption of disruptive financial technology.”

## CHAPTER-3

### RESEARCH OBJECTIVES AND

### METHODOLOGY

#### Research Objectives

The primary objective of this research is to provide a conceptual understanding on the impact and the role of fin-tech in transforming the financial services industry and its financial inclusion among the Indian millennials. This signifies the study of awareness, adoption and usage of millennials about digital payment system. Furthermore, this study shall also ascertain and observe other factors and strategies which influence the millennial population to continue using digital payment and the obstacles faced by them in doing the same.

#### Research Methodology

**Research Design:** A quantitative approach is required to collect information on the experience and perspectives of the consumers on accepting a new change in the global era. This is a quantitative research and precise in nature.

**Data Collection:** Primary data is collected through a survey from the major cities of Uttar Pradesh using a questionnaire method with close-ended, multiple choice and Likert scale questions framed according to the objectives of this study. This questionnaire is circulated via a Google form link to different groups of individuals. Secondary data is collected from different articles, journals, books and research papers on the internet.

**Sample size:** The sample size is 200 respondents.

**Sampling technique:** The convenience method sampling is used for this research. The information was collected from respondents and examined by statistical software.

#### **Limitations of the research**

The most significant limitation of this study is lack of awareness among people regarding digital payments, specifically our targeted part of the population i.e. millennials. The sample size was limited to the urban population thus neglecting the rural population.

## CHAPTER-4

### DATA ANALYSIS AND INTERPRETATION

#### Data Analysis and Interpretation

The responses of the digital questionnaire are as follows:

#### 1) Qualification

- A) Graduate- 41.4%
- B) Professional- 41.4%
- C) Student- 17.2%

#### 2) Age

- a) Below 30: 20.3%
- b) Between 30-40: 55.6%
- c) Between 40-50: 15.5%
- d) Above 50: 8.6%

#### 3) Gender

- A) Male – 57.9%
- B) Female-42.1%
- C) Prefer not to say- 0

#### 4) Occupation

- a) Service -41.4%
- b) Non-working- 20.7%
- c) Business – 37.9%

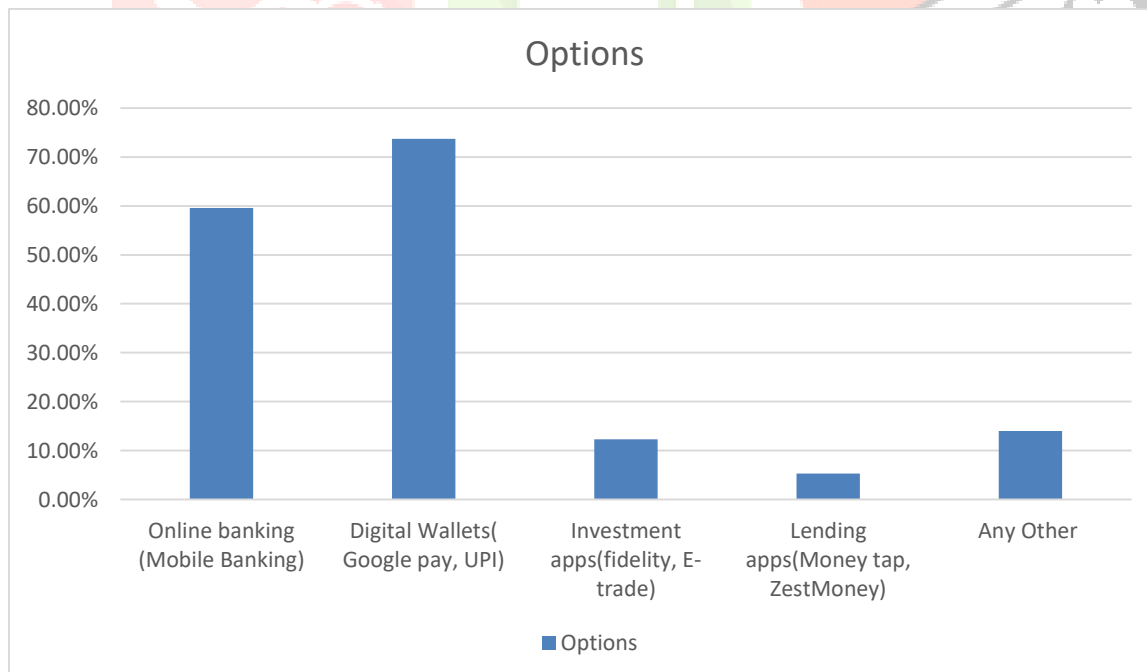
5) Income:

- A) Below 5 Lakhs- 8.9%
- B) Above 5 lakhs up to 7.5 lakhs-12.5%
- C) Above 7.5 lakhs up to 10 Lakhs- 57.1%
- D) Above 10 Lakhs- 21.4%

6) How frequently do you use fin-tech services for banking transactions?

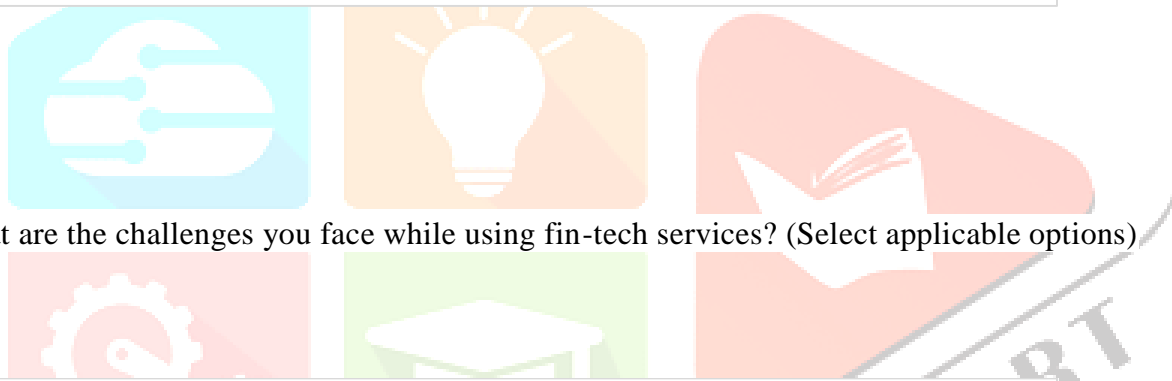
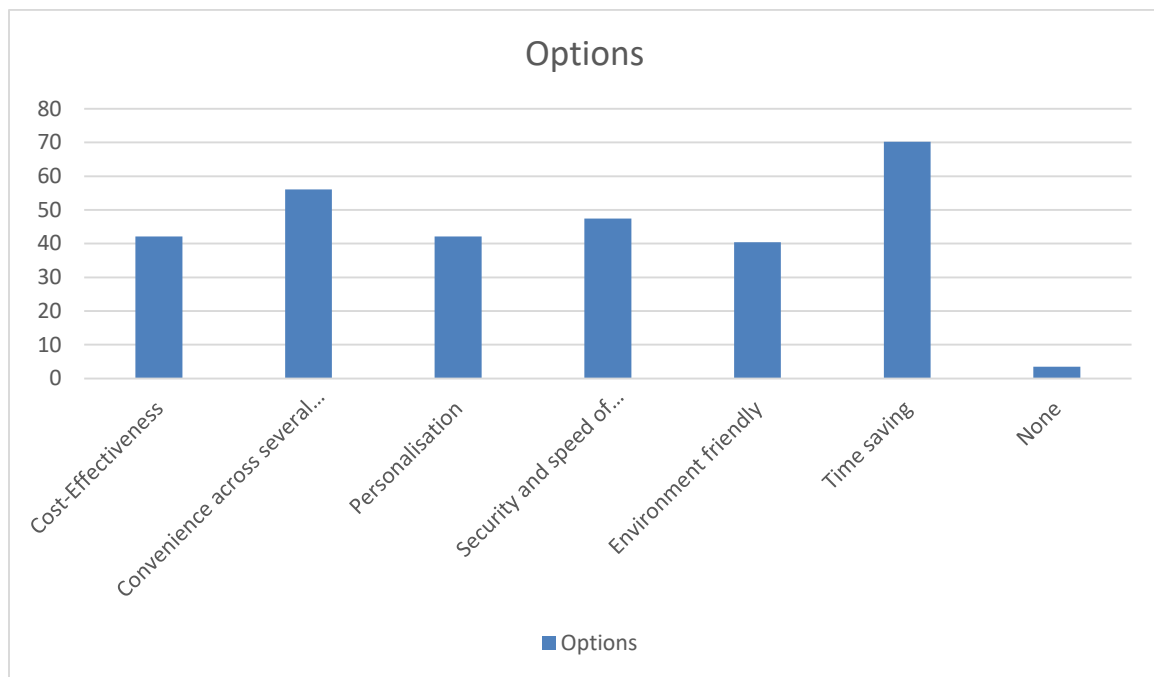
- A) Daily- 55.2%
- B) Several times a week- 19%
- C) Once a week- 1.7%
- D) Rarely- 3.4%
- E) Once in a while- 6.9%
- F) Never- 13.8%

7) Which specific fin-tech platforms do you use? (Select Applicable options)





8) What advantages do you believe fin-tech brings to the banking industry? (Select applicable options)



9) What are the challenges you face while using fin-tech services? (Select applicable options)



10) Do you think fin-tech has contributed to increased financial inclusion among millennials?

a) Agree – 93%

b) Disagree- 7%

11) Do you feel equipped with proper information regarding fin-tech services by the bank?

a) Agree- 69.6%

b) Disagree- 30.4%

12) Do you believe current regulations adequately address potential risks associated with fin-tech?

a) Agree- 75%

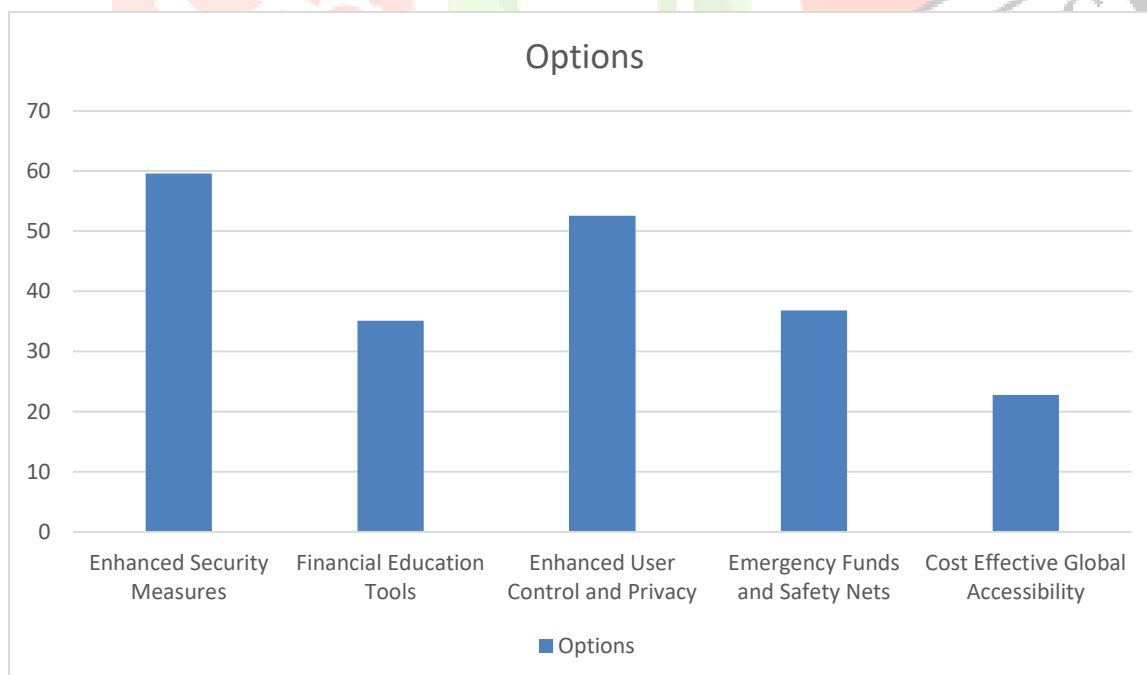
b) Disagree – 25%

13) Has your reliance on traditional banking methods decreased due to fin-tech?

a) 83.6%

b) 16.4%

14) What features or improvements would you like to see in fin-tech services? (Select applicable options)

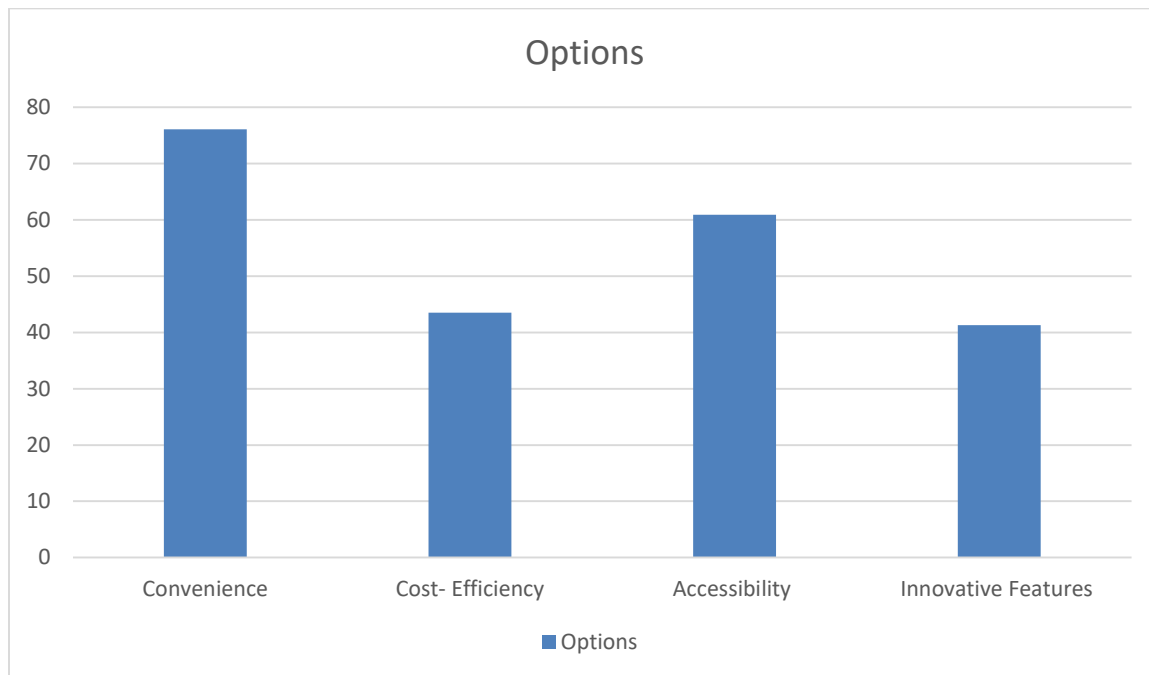


15) Would you prefer entirely digital banking services in the future or do you still value traditional banking?

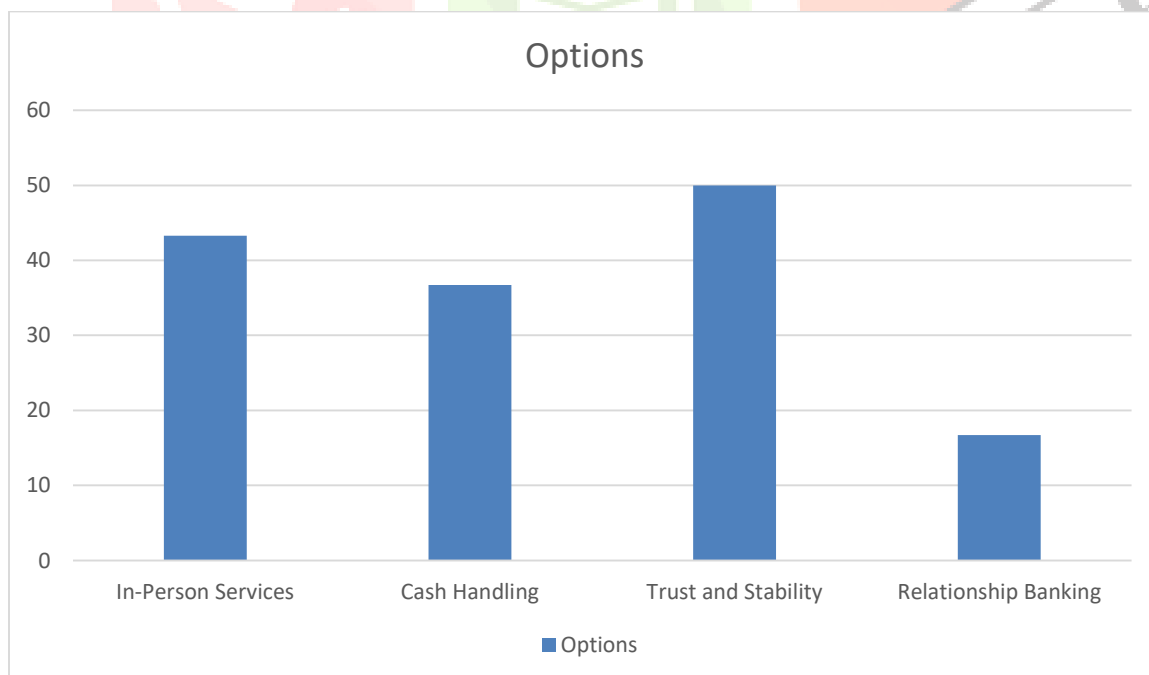
a) Yes, I prefer entirely digital banking services- 75.9%

b) No, I still value traditional banking – 24.1%

16) If yes, then reasons for your preference (Select applicable options):



17) If No, then reasons for valuing traditional banking (Select applicable options):



## **DATA INTERPRETATION**

The data collected is being interpreted as follows:

- 1) The set of individuals covered in this survey consists of approximately 82% graduated and professionals and the remainder are students who do not form part of the earning sector.
- 2) The maximum number of respondents are from age 30 to 40 with 57% being males.
- 3) The paramount respondents are service class with an average income of above 7.5 lakhs.
- 4) More than half of the respondents use fin-tech services daily and “Digital wallets” is the highest specific fin-tech platform used among others.
- 5) The perceived advantages of fin-tech are primarily time saving thereafter convenience and lastly cost-effectiveness.
- 6) The main challenges reported are Technical Issues followed by security Issues and then Limited Customer Support.
- 7) Financial Inclusion and awareness – More than 90% agree that fin-tech has contributed to increase financial inclusion and almost 70% agree that they are not fully equipped with the information regarding fin-tech by the bank.
- 8) More than 80% of the respondents think that modern banking methods are more prominent.
- 9) The most desired features are Enhanced Security Measures followed by Financial Education Tools and Cost-Effective thereafter Global Accessibility.
- 10) Two third of the respondents prefer entirely digital banking services in the future and the fundamental reasons for their preference are convenience , cost efficiency and accessibility.

## **ANALYSIS**

This analysis provides a comprehensive overview of respondent demographics, fin-tech usage patterns, perceptions, and preferences-

- A) Respondents are predominantly young, educated professionals with a high preference for digital banking services.
- B) Digital Wallets and Online Banking are the most widely used fin-tech platforms.
- C) While there is a consensus on the advantages of fin-tech, there are concerns about technical issues and security.
- D) The findings suggest a positive overall sentiment toward fin-tech, with users recognizing its advantages in terms of convenience and efficiency.

- E) Despite the perceived benefits, there is a significant portion of respondents who feel inadequately informed about fin-tech services by the bank.

As the banking industry continues to undergo transformation, understanding and addressing user preferences and concerns will be crucial for ensuring the success and widespread adoption of fin-tech solutions.

## **SUGGESTIONS**

Based on the analysis of the above data the banks and financial institutions should develop and implement customer education programs to bridge the gap in providing clear and comprehensive information about the fin-tech services. This activity can also enhance user confidence and satisfaction. A segmentation analysis can also be performed to identify patterns or preferences among different demographic groups (age, occupation, income) which can help in tailoring fin-tech services to specific user needs. Since a portion of respondents mentioned environment-friendly aspects as an advantage, explore opportunities for fin-tech platforms to integrate sustainability practices. Implementing these suggestions can contribute to a more comprehensive understanding of the fin-tech landscape and help in addressing user concerns while enhancing the overall banking experience. Understanding the trade-offs and preferences can guide the development of more user-friendly financial services.

## **CHAPTER-6 CONCLUSION**

### **CONCLUSION**

Financial technology (fin-tech) is an important innovation strategy for digital payment services, especially for the millennial generation, who are early adopters of new technologies. Fin-tech offers several benefits for digital payment services, such as convenience, speed, accessibility, and security. The millennial generation is more likely to use digital payment services than other age groups, and they prefer mobile payment options over traditional payment methods.

However, the success of fin-tech as an innovation strategy for digital payment services depends on several factors, such as the quality of the user experience, the reliability of the technology, and the availability of affordable and accessible financial services. The research also suggests that there are some challenges associated with fin-tech, such as cyber security risks, regulatory issues, and lack of financial literacy among consumers.

Overall, the research project suggests that fin-tech is an important innovation strategy for digital payment services, particularly for the millennial generation. However, to fully realize the benefits of fin-tech, it is necessary to address the challenges and barriers that exist and to ensure that the technology is accessible, affordable, and user-friendly for all consumers.

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