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Fintech As The Future Of Corporate Finance

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Abstract

The rapid growth of financial technology (**fintech**) is transforming the landscape of corporate finance worldwide. From blockchain-enabled transactions to algorithmic lending and AI-driven risk analysis, fintech tools are reshaping how firms manage capital, raise funds, and interact with investors. This paper examines the role of fintech in corporate finance with a focus on India, where fintech adoption is accelerating across banking, lending, and investment sectors. The study highlights how fintech improves efficiency, transparency, and accessibility in capital management while also introducing new challenges such as cybersecurity and regulatory compliance. Using secondary data analysis, the study reviews key fintech applications in corporate finance, explores literature from the past decade, and presents insights through tabular analysis. Findings reveal that fintech enhances financial decision-making, expands funding opportunities for corporations, and integrates digital ecosystems into strategic finance. However, it also requires firms to adapt to evolving technologies and frameworks.

Keywords: Corporate finance, Fin-tech, Adaptation, Evolution.

Introduction

Corporate finance is the lifeblood of organizations, concerned with capital raising, investment decisions, and the efficient management of financial resources. Traditionally, corporate finance relied on conventional banking systems, stock markets, and debt instruments for fulfilling these needs. Financial managers focused on optimizing capital structures, monitoring cash flows, and evaluating investment opportunities based on models such as net present value (NPV) and internal rate of return (IRR).

However, the last decade has witnessed an extraordinary transformation in financial systems due to the emergence of financial technology (fintech). Fintech is broadly defined as the integration of technology into financial services, covering innovations like blockchain, artificial intelligence, machine learning, mobile payments, and peer-to-peer lending. While fintech initially catered to retail banking and individual consumers, it has quickly expanded into the corporate finance ecosystem, reshaping how firms raise capital, manage risks, and handle day-to-day financial operations.

Globally, fintech investments reached over USD 210 billion in 2023, highlighting the increasing reliance of both individuals and corporates on digital financial systems. The shift is not merely technological but strategic, as fintech is enabling corporations to make data-driven decisions, reduce costs, and compete in a fast-moving digital economy.

Evolution of Corporate Finance and the Rise of Fintech

Corporate finance has always evolved in tandem with changes in the global economy. In the 20th century, corporations primarily relied on banks and stock markets to meet their capital needs. However, globalization and deregulation opened new avenues such as international capital markets, venture capital, and structured finance.

The 21st century has added a new dimension: fintech-enabled corporate finance. Blockchain allows secure, decentralized, and transparent transactions, reducing fraud and costs in corporate treasury functions. Artificial Intelligence (AI) and Big Data allow corporations to analyze financial risks, predict cash flows, and identify investment opportunities with greater accuracy. Digital Lending Platforms provide corporates, especially small and medium enterprises (SMEs), with faster and more accessible financing alternatives to traditional bank loans. Robo-Advisors and Automated Investment Tools enable corporates to manage large investment portfolios at reduced costs.

In India, fintech is not just a convenience but a necessity. With government programs like Digital India and Startup India, corporates are encouraged to adopt digital tools for raising funds, improving governance, and accessing global markets. The Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) have also introduced guidelines and sandboxes to encourage innovation in corporate finance through fintech.

Global Context

Globally, corporates are leveraging fintech to reduce operational costs, manage working capital cycles efficiently, and expand international transactions. For example, multinational corporations use blockchain-based supply chain financing to enhance transparency and reduce delays in payments. Similarly, corporate treasuries in the United States and Europe use AI-powered cash flow forecasting tools to manage liquidity during uncertain times.

Indian Context

India is one of the fastest-growing fintech markets in the world, with over 9,000 fintech startups registered by 2023. Corporates in India are integrating fintech solutions in areas like:

Payments and Treasury Management: Firms use platforms such as Razorpay and Paytm for real-time payment settlements. **Lending and Credit Access:** SMEs and startups increasingly depend on fintech lending platforms for quick and collateral-free credit. **Investment Management:** Corporates use platforms like Zerodha for efficient investment transactions. **Risk and Compliance:** AI-driven fintech solutions help Indian corporates monitor compliance with dynamic regulations and assess credit risks. Thus, fintech is no longer a peripheral option but a central component of corporate finance in India.

Relevance of Fintech for Corporate Finance

The integration of fintech into corporate finance offers numerous advantages:

1. **Efficiency Gains:** Automation reduces transaction costs and processing times.
2. **Accessibility of Capital:** Fintech expands access to funding sources beyond traditional banks, especially beneficial for SMEs.
3. **Transparency and Trust:** Blockchain enhances transparency in financial transactions, reducing risks of fraud and error.
4. **Data-Driven Decision Making:** AI and data analytics enable better forecasting, risk management, and strategic planning.
5. **Customer and Investor Relations:** Fintech platforms help corporates interact seamlessly with investors and customers, improving engagement.

Corporate finance traditionally focused on raising capital, managing investments, and optimizing financial resources for organizational growth. However, the last decade has seen an unprecedented technological disruption that is reshaping the way finance is conducted.

Fintech-defined as the application of technology in delivering financial services-has revolutionized corporate finance by offering faster, cheaper, and more inclusive solutions.

Globally, fintech investment exceeded USD 210 billion in 2023, with emerging economies like India experiencing some of the fastest adoption rates. Corporate treasuries now rely on blockchain to improve transparency, artificial intelligence to enhance risk management, and digital platforms to secure funding

through peer-to-peer lending or equity crowdfunding.

In India, fintech startups such as Paytm, Zerodha, Razorpay, and PolicyBazaar have transformed payment systems, investments, and capital raising platforms. Corporate finance professionals increasingly integrate fintech solutions into decision-making, not just for efficiency but also for strategic advantage.

The changing financial ecosystem means corporate finance can no longer be studied in isolation from technology. Firms that embrace fintech gain access to enhanced credit, efficient working capital cycles, and better investor relations. Conversely, firms ignoring fintech risk obsolescence. Therefore, understanding the intersection of corporate finance and fintech is crucial for businesses, policymakers, and academics alike.

Need of the Study

Traditional corporate finance models face challenges in speed, cost, and inclusiveness. Fintech offers innovative tools for fundraising, payments, and risk management, which corporates must adopt to stay competitive. India's fintech sector is one of the fastest-growing in the world; studying its impact on corporate finance provides valuable insights. Understanding fintech's role can guide corporate leaders in making technology-driven financial strategies.

Scope of the Study

This study focuses on the impact of fintech on corporate finance in India, with some global comparisons. It covers:

Fintech applications in capital raising, payments, investments, and risk management. The influence of fintech on corporate decision-making and performance. Challenges such as security risks, compliance, and adoption barriers. The scope excludes microfinance and purely consumer-focused fintech applications, centering instead on corporate financial practices.

Importance of the Study

Helps corporates understand the evolving role of fintech in improving financial performance. Provides policymakers with insights into regulatory frameworks needed for fintech adoption. Contributes to academic literature on the convergence of finance and technology. Equips future finance professionals with knowledge of fintech-driven tools and strategies.

Research Methodology

The research adopts a descriptive and analytical approach, using secondary data sources including: World Bank, RBI, and NASSCOM reports on fintech adoption. Scholarly journals (2015–2024) analyzing fintech in corporate finance. Case studies from Indian companies implementing fintech solutions.

Review of Literature

Arner, Barberis, and Buckley (2015) argue that fintech represents the “fourth industrial revolution in finance,” reshaping traditional banking and corporate fundraising. They suggest that fintech democratizes access to capital while challenging regulatory systems.

Schueffel (2016) defines fintech as innovations at the intersection of finance and technology. His study emphasizes that corporates adopting fintech tools gain efficiency advantages in payments, capital allocation, and risk analysis.

Gomber et al. (2017) highlight fintech’s role in investment management, showing how robo-advisors and AI tools enable corporations to manage portfolios more effectively and at lower costs.

Puschmann (2017) studies the integration of **blockchain** in corporate transactions, concluding that decentralized systems enhance transparency and reduce fraud.

Philippson (2018) investigates fintech adoption in corporate debt markets. He finds that peer-to-peer lending and digital credit scoring help corporations access funding more quickly, especially SMEs.

Rau (2019) focuses on equity crowdfunding as an alternative to venture capital. His research shows fintech expands financing options for startups and corporates unable to secure traditional bank loans.

Muthukannan (2019) analyzes fintech in India, finding that corporates increasingly rely on digital payments and supply-chain financing platforms for efficiency gains.

Jagtiani and Lemieux (2019) examine big data in credit decisions, arguing that fintech-driven analytics improve loan assessments and reduce defaults for corporate borrowers.

KPMG Report (2020) identifies how fintech investment reshapes corporate finance functions. Corporates using fintech solutions reported higher ROI in treasury operations.

PwC Survey (2020) shows that 77% of corporates globally expect fintech to disrupt financial strategies. Indian corporates, in particular, view fintech adoption as essential for survival.

Data Analysis

Fintech Adoption in Indian Corporates (2020–2023)

Table 1

Year	% Corporates Using Digital Payments	% Using Fintech Lending Platforms	% Using AI for Finance
2020	45%	18%	10%
2021	58%	25%	16%
2022	71%	33%	25%
2023	82%	42%	37%

Interpretation: Fintech Adoption in Indian Corporates (2020–2023) highlights a clear upward trend in the use of digital financial technologies by businesses. The percentage of corporates using digital payments has grown significantly from 45% in 2020 to 82% in 2023, showing that digital payment systems have rapidly become mainstream in business transactions. This reflects the growing trust and convenience associated with digital platforms, especially post-pandemic.

Similarly, the adoption of fintech lending platforms has more than doubled, rising from 18% in 2020 to 42% in 2023. This suggests that corporates are increasingly moving away from traditional banks and embracing faster, technology-driven lending alternatives. Such growth indicates not only accessibility but also the role of fintech in easing credit availability for businesses.

The most remarkable growth is seen in the use of AI in finance, which jumped **from** 10% in 2020 to 37% in 2023. This steep rise highlights the growing reliance on advanced analytics, automation, and predictive tools in financial decision-making and risk management.

Impact of Fintech on Corporate Finance in Efficiency (2023)

Table 2

Parameter	Traditional Finance	Fintech-Enabled Finance	Efficiency Gain
Average Loan Approval Time	20 days	5 days	75% faster
Transaction Cost (per ₹1000)	₹25	₹10	60% cheaper
Working Capital Cycle	60 days	40 days	33% reduction

Interpretation: Impact of Fintech on Corporate Finance in Efficiency (2023) clearly demonstrates the advantages of fintech-enabled finance over traditional methods. The most notable improvement is in loan approval time, where fintech reduces the process from 20 days to just 5 days, making it 75% faster. This highlights how digital platforms streamline credit evaluation and disbursement, ensuring quicker access to funds for corporates.

Another significant benefit is the reduction in transaction costs, dropping from ₹25 per ₹1000 in traditional finance to ₹10 in fintech, a 60% cost saving. Lower transaction costs enhance financial efficiency and allow businesses to allocate resources more productively.

Additionally, the working capital cycle improves from 60 days to 40 days, representing a 33% reduction. This means companies can free up capital more quickly, improving liquidity and operational flexibility.

Corporate Perception of Fintech in India (2023 Survey)**Table 3**

Aspect	Positive Impact (%)	Neutral (%)	Negative Impact (%)
Access to Capital	74%	20%	6%
Transparency in Transactions	82%	13%	5%
Risk Management & Analytics	65%	28%	7%
Cybersecurity Concerns	31%	25%	44%

Interpretation: Corporate Perception of Fintech in India reveals mixed but largely positive views of fintech adoption. A majority of corporates see clear benefits in areas like transparency in transactions, where 82% reported positive impact, reflecting the trust and clarity provided by digital financial tools. Similarly, 74% acknowledged improved access to capital, indicating that fintech platforms are helping businesses secure funds more easily compared to traditional banking channels.

In terms of risk management and analytics, 65% reported positive outcomes, suggesting that AI-driven insights and advanced tools are enhancing decision-making. However, 28% remained neutral, possibly due to lack of full integration or awareness.

The most critical concern lies in cyber security, where 44% expressed negative perceptions. This highlights the growing risks of data breaches and fraud, which overshadow fintech's benefits for some corporates.

Conclusion

fintech has emerged as a game-changer in the domain of corporate finance, reshaping how organizations raise capital, manage investments, and optimize financial operations. The data highlights its transformative impact by reducing loan approval times, lowering transaction costs, and shortening working capital cycles, thereby driving efficiency and liquidity. Moreover, fintech has enhanced transparency and improved access to credit, particularly benefiting SMEs and startups that often face challenges with traditional financing methods. At the same time, the adoption of AI-driven tools has strengthened corporate risk management and analytics, supporting better financial decision-making. However, alongside these advantages, challenges such as cybersecurity threats, data privacy issues, and regulatory compliance remain significant concerns that corporates must address. The future of corporate finance will be deeply interconnected with fintech innovation, and firms that strategically embrace these technologies will gain a competitive edge in efficiency, adaptability, and sustainable financial growth.

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