

A STUDY OF FINTECH AND ITS DISRUPTIVE IMPACTS ON TRADITIONAL BANKING

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ABSTRACT

The abstract on ‘fintech and its disruptive impact on traditional banking’ highlights the transformative influence of fintech on traditional banking models. fin tech enhances efficiency, reduces costs, and offers personalized services, challenging banks to innovate. key disruptive includes digital payments, peer-to-peer lending, and user-friendly investment platforms. traditional banks must adapt by embracing technology, improving customer experiences and potentially partnering with fin tech firms to remain competitive. This evolution presents both challenges and opportunities for the banking sector as it navigates a rapidly changing financial landscape shaped by technological advancements.

KEYWORDS: *Traditional Banking, Fin Tech, Reduces Costs, Investment.*

Article History

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INTRODUCTION

Financial technology, or fintech, refers to the innovative use of technology in delivering financial services. Fintech startups and companies leverage digital platforms, artificial intelligence, blockchain, and big data to offer faster, more efficient, and user-friendly financial solutions. From mobile banking and digital wallets to peer-to-peer lending and robo-advisors, fintech is revolutionizing the financial landscape by making services more accessible and cost-effective.

The rise of fintech has significantly disrupted traditional banking by challenging its long-established business models. Unlike conventional banks that rely on physical branches and lengthy processes, fintech companies provide seamless, digital-first experiences with lower fees and higher convenience. This disruption is particularly evident in areas such as payments, lending, and wealth management, where fintech firms offer personalized services that cater to modern customer needs.

Moreover, fintech fosters financial inclusion by providing services to unbanked and underbanked populations who may lack access to traditional banking. However, it also presents challenges for regulators and legacy institutions, requiring them to adapt to a rapidly changing environment. As fintech continues to evolve, traditional banks must embrace digital transformation and innovation to remain competitive in an increasingly technology-driven financial world.

LITERATURE REVIEW

- **Zhang et al. (2020)** explored the impact of digital payment platforms on transactional behavior and financial inclusion.
- **Gupta and Sharma (2019)** conducted a comparative analysis of mobile banking adoption in traditional and digital-first banks, revealing insights into consumer preferences and adoption patterns.
- **Additionally, Lee and Chan (2018)** emphasized the significance of artificial intelligence (AI) and machine learning in optimizing decision-making processes within Fintech applications.
- **Chen and Zhang (2017)** highlighted the role of blockchain technology in enhancing security and transparency in financial transactions.
- **Davis and Leong (2016)** investigated the influence of Fintech on customer satisfaction and loyalty, emphasizing the importance of user-friendly interfaces and personalized financial services.

OBJECTIVES

Objectives of Fintech

- Fintech aims to provide financial services to a broader audience, including unbanked and underbanked populations, through digital platforms and mobile applications.
- By leveraging automation, artificial intelligence, and blockchain, fintech reduces operational costs and enhances the speed of transactions.
- Fintech companies use data analytics and AI to offer tailored financial products, such as customized loans, investment recommendations, and smart budgeting tools.
- Many fintech solutions eliminate the need for physical branches, allowing people in remote areas to access financial services via smartphones.
- Blockchain and AI-driven fraud detection improve transaction security, reduce fraud risks, and enhance trust in financial transactions.

METHODOLOGY

This study employs a combination of quantitative and qualitative research methods for a comparative analysis. Surveys and interviews will be conducted with both fintech startups and traditional banking institutions. Key areas of focus include financial performance metrics, customer satisfaction levels, and the adoption of digital technologies. The methodology section details the research design, data collection strategies, and analytical approaches used to assess fintech's impact on traditional banking. The study seeks to evaluate the scale of this transformation, identify key influencing factors, and explore its implications for financial institutions and consumers.

Fintech's Growth in the World. Source: PWC Global Fintech Survey 2017

According to CNN Indonesia, the investment value of FinTech's industry in the world is US \$ 3 Billion in 2013, US \$ 12 Billion in 2014 and rose to US \$ 20 Billion by 2015 and the United States of America is the country that produces the largest FinTech industry in the world with 4.7 million of its Fintech industry, followed by India as much as 1.91 million Fintech industry and the UK as much as 820 thousand FinTech industry. The second phenomenon. The report of the Association of Indonesian Internet Service Providers, stated that in November 2015 the internet users in Indonesia amounted to 88.1 million (34% of the population), social media users amounted to 79 million (31%) and mobile users amounted it 318.5 million (125%). This shows that the use of digital technology in Indonesia is enormous. Digital technology has been able to change the behavior of Indonesian people in all aspects of life, such as electronic books,

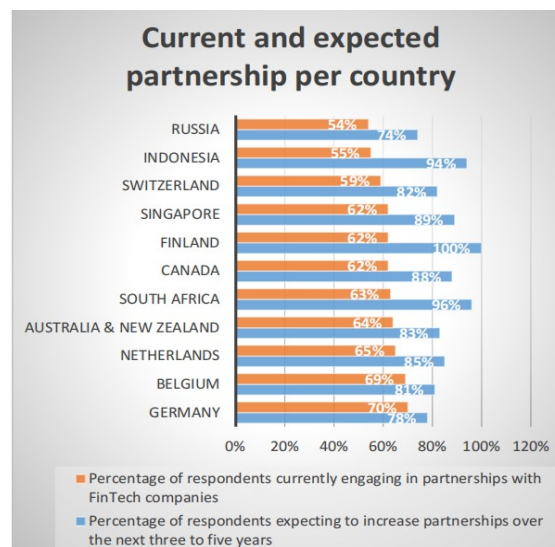


Figure 1. FinTech's growth in the world.
Source: PWC Global Fintech Survey 2017.

Figure 1

CONCLUSION

The societal shift in behavior is the driving force behind the increased use of digital technology. This change has significantly impacted Indonesia's banking sector, particularly with the rise of FinTech companies that utilize technology platforms. A gap exists between traditional banks in Indonesia, which still rely on conventional systems, and FinTech companies that have embraced technology. To address this challenge, many traditional banks in Indonesia are adopting business process

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