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FINTECH ESPOUSAL AND ITS IMPACT ON PUBLIC SECTOR BANKS IN INDIA

[1]Ms. Samiksha, [2]Ms. Sonal Vikram, [3]Ms. Ananya Sidana

[1,2]Assistant Professor, [3]Student, Department of Commerce,
Baba Farid College of Management & Technology, Bathinda

Abstract

The global banking industry has undergone massive transformation because of rapid development in Financial Technology (FinTech). In India, public sector banks (PSBs) constitute the core of the financial system and are increasingly embracing FinTech innovations to enhance efficiency, customer experience, and competitiveness in a digital economy. The study aims to determine the extent of FinTech espousal and its effects on operational performance, service quality, and overall functioning of public sector banks in India. The study employs a descriptive and analytical research design and utilizes both primary and secondary data: primary data were collected through a structured questionnaire administered to employees and customers of selected public sector banks, and secondary data were obtained from journals, Reserve Bank of India reports, bank annual reports, and other published sources. The study shows that FinTech adoption has resulted in improved transaction speed, enhanced customer convenience, and improved operational efficiency, service quality, and overall functioning of public sector banks in India.

Keywords: FinTech, Public Sector Banks, Digital Banking, Espousal, Operational efficiency

Introduction

Banking plays an essential role for the economic development of any country by mobilizing people's savings, facilitating their investment, and encouraging financial inclusion. Nowadays global banking industry is experiencing huge transformation due to fast changing technology. Financial Technology, popularly known as FinTech, refers to the integration of technology with financial services to deliver innovative, efficient, and customer-centric solutions. FinTech innovations like mobile banking, digital payments, artificial intelligence, blockchain, robo-advisory, and big data analytics have majorly modified traditional banking services.

In rural and semi-urban area, share of deposits, lending and financial outreach has been increasing in public sector banks. PSBs are facing challenges such as bureaucratic procedures, legacy systems, high operating costs, and rising non-performing assets even due to their wide reach . FinTech has produced both opportunities and challenges for public sector banks. On one hand, FinTech offers banks massive benefits to enhance operational efficiency and improve customer service; on the other hand, it inserts risks related to cybersecurity, data privacy, and regulatory compliance.

Acknowledging the significance of digital age, public sector banks in India starts adopting various FinTech solutions, including Unified Payments Interface (UPI), mobile banking applications, digital lending platforms, and core banking upgrades. FinTech adoption has accelerated due to government initiatives like Digital India and Jan Dhan-Aadhar-Mobile(JAM). In view of this , it becomes crucial to scrutinize how FinTech adoption has impacted the functioning and performance of public sector banks in India. This study aims to examine the benefits and challenges of FinTech espousal in Indian PSBs and to provide understanding for policymakers and banking professionals.

Review of Literature

Several studies have examined the role of FinTech in transforming the banking and financial services industry.

(**Miriyam & E, 2025**) concluded that fintech has significantly transformed the banking sector in India, creating new opportunities for financial inclusion and improved access to capital.

Study indicated significant FinTech adoption in Uttar Pradesh's banking sector, particularly among public sector banks, enhancing digital client acquisition and cooperation. However, there was significant decrease in financial education.

(**Goel & Kashiramka, 2025**) concluded that there is a positive association between FinTech development and cost efficiency in banks and found that banks with higher levels of FinTech adoption exhibit greater cost efficiency.

(Sonawane & Motwani, 2024) Public sector banks often face challenges like regulatory hurdles and technology integration, which impacted their ability to fully leverage FinTech innovation for improved financial services.

(**Abouraia & Al Morsey, 2020**) found that FinTech adoption significantly impacted financial inclusion and economic development in India, particularly benefiting public sector banks by enhancing banking penetration, especially in rural areas, and necessitating targeted strategies to address regional disparities in technology access.

(Shet et al., 2025) concluded that FinTech have significantly transformed traditional banking models in India by introducing innovative and efficient financial services. Also highlighted challenges that traditional banks face due to the rise of FinTech companies like Paytm, PhonePe, and Freecharge, which offer faster and more convenient services.

(**Chawla, 2025**) concluded that digital banking has significantly accelerated the growth of India's digital economy from FY2019 to FY2025, and active participation of various stakeholders, including government agencies and fintech companies, were identified as a key driver of innovation and penetration of digital financial services.

(**Choudhary, 2025**) concludes that fintech is significantly transforming India's banking and financial landscape, contributing to financial inclusion and economic growth. Innovations such as UPI, blockchain, digital wallets, and AI-powered solutions are identified as key drivers of this transformation.

(**Raj & Upadhyay, 2020**) FinTech can enhance collaboration between public sector banks and FinTech firms, improving access to financial services and credit assessment for underserved sectors, thereby accelerating financial inclusion in India through innovative solutions and regulatory support.

(**T, 2025**) concludes that fintech is a significant driver of financial inclusion in India, enabling the unbanked population to access formal economic services and its potential to promote gender equality by providing women with financial tools and fostering social impact through crowdfunding and impact investing.

(**Khalid, 2025**) found positive relationship between the growth of digital transactions and the Reserve Bank of India's Financial Inclusion Index (FII) and that the COVID-19 pandemic has significantly accelerated the adoption of digital payments in India.

Objectives of the Study

1. To examine the extent of FinTech adoption in public sector banks in India.
2. To identify challenges faced by public sector banks in adopting FinTech solutions.

Research Methodology

This study is based on descriptive **and analytical research design**. It aims to examine the extent of FinTech espousal and to analyze its impact on the performance and functioning of public sector banks in India. Secondary data were collected from published journals, books, Reserve Bank of India reports, bank annual reports, and reliable online sources.

Findings and Results

The findings show that FinTech has genuinely improved how public sector banks operate. Perhaps the most striking change has been in transaction speed—banking services have become noticeably faster and more efficient for everyone involved, from customers to bank staff. FinTech has also helped banks cut down on operational expenses by reducing paperwork, automating repetitive tasks, and streamlining daily operations.

Most people surveyed had good things to say about digital banking tools like mobile banking apps and UPI. They appreciated how these services have made banking far more convenient—you can handle your transactions whenever and wherever you need to, which has really enhanced the overall experience.

Beyond just convenience, the research found that going digital has brought more transparency and accuracy to banking. Digital systems mean fewer manual mistakes, better record-keeping, and easier tracking of transactions, all of which help build customer trust.

That said, it's not all smooth sailing. Several obstacles are still holding back FinTech's full potential. People raised concerns about cybersecurity risks and technical glitches—after all, more digitalization means more vulnerability to data breaches and system crashes. Another issue is that many employees lack advanced digital skills, which affects how well they can use these new tools. There's also some resistance to change, especially among older staff members who are understandably hesitant about switching to new technology. On top of that, rural and semi-urban branches often don't have adequate digital infrastructure, which limits how far FinTech services can reach.

To truly make FinTech work for everyone, banks will need to invest in employee training, upgrade infrastructure in underserved areas, and strengthen cybersecurity measures. Only then can FinTech adoption be both sustainable and inclusive across all public sector banks.

Conclusion

The research indicates that the integration of FinTech has significantly enhanced the operational efficiency and service quality of public sector banks in India. By incorporating digital technologies and innovative financial solutions, these banks have managed to optimize their processes, minimize processing times, and offer quicker and more dependable services to their clientele. Consequently, levels of customer satisfaction have risen, and access to banking services has broadened, particularly for marginalized and unbanked groups, thereby promoting the objective of financial inclusion.

However, the study also points out various challenges that need to be addressed for effective and lasting FinTech implementation. Issues concerning cybersecurity threats, insufficient technological infrastructure, and differing levels of employee preparedness persist.

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