

Factors Affecting Traditional Financial Institutions: An Empirical Study at Emerging Fintech Sector in India

**Mr. Revti Raman Dhirwani¹, Ms. Shreya Trivedi²,
Dr. Rajeev Singh Bhandari³, Prof. Manish Gupta⁴**

¹Invertis University, Bareilly

²Internal Guide

³HOD – BBA

⁴Dean – Management

ABSTRACT

The rapid growth of financial technology (Fintech) in India has significantly transformed the delivery, accessibility, and consumption of financial services. This study examines the factors through which the emerging Fintech sector is affecting traditional financial institutions in India, with particular focus on the financial ecosystem of Bareilly, Uttar Pradesh. Traditional banks, non-banking financial companies, cooperative institutions, and insurance providers continue to benefit from institutional trust, regulatory credibility, and extensive physical networks. However, they increasingly face competitive pressures arising from digital payments, online lending, mobile-based financial services, automated processes, and data-driven decision-making. The study explores key factors such as technological innovation, customer expectations, digital convenience, competitive pricing, accessibility, operational efficiency, and the growing use of data analytics in financial services. It also considers the changing relationship between Fintech firms and traditional institutions, including increasing collaboration through digital platforms and technology partnerships. By examining these developments within the Indian context, the study seeks to identify the major challenges faced by traditional financial institutions and assess their ability to adapt to the evolving Fintech ecosystem. The findings are expected to provide insights into how traditional institutions can strengthen digital capabilities, improve customer experience, and remain competitive while leveraging their existing institutional advantages.

Keywords: Fintech, Traditional Financial Institutions, Digital Banking, Financial Innovation, Digital Payments, Customer Adoption, India

CHAPTER 1: INTRODUCTION AND OBJECTIVES OF THE STUDY

1.1 Background of the Study

The Indian financial landscape has undergone a quiet but consequential transformation over the past decade. What began as a handful of payment startups operating on the fringes of banking has gradually evolved into a sprawling ecosystem that now touches lending, wealth management, insurance, and cross-border remittances. Fintech, a term that once seemed jargon-heavy and reserved for industry insiders,

has become a lived reality for hundreds of millions of Indians who pay utility bills through mobile apps, take instant personal loans without visiting a branch, and invest in mutual funds at midnight from the comfort of their homes.

Traditional financial institutions, by contrast, carry a different kind of weight. Commercial banks, cooperative banks, non-banking financial companies, and insurance providers have long served as the backbone of the Indian economy. Their reach into semi-urban and rural geographies, their regulatory standing, and their institutional trust built over decades make them irreplaceable in many ways. Yet the same legacy infrastructure that gives them resilience also creates friction. Loan processing cycles that stretch over weeks, documentation requirements that exclude informal-sector workers, and branch-based service models that assume a certain kind of customer profile have all become pressure points that fintech companies have been quick to exploit.

The relationship between fintech and traditional financial institutions is not straightforwardly adversarial. In many cases, banks have partnered with fintech firms to offer digital lending products, co-branded wallets, or API-based account services. Still, the competitive pressures are real. A customer who once relied on her local branch for a fixed deposit now compares interest rates across five apps before deciding. A small trader who would have approached a moneylender or a public sector bank for working capital credit can now receive an offer from a fintech NBFC within minutes of linking his GST returns. These shifts are not incidental; they reflect structural changes in how financial services are designed, distributed, and consumed in contemporary India.

Bareilly, situated in the Rohilkhand region of Uttar Pradesh, offers a particularly interesting vantage point for studying these dynamics. The city hosts a range of traditional financial actors, from major public sector banks and private banks to cooperative credit societies and local NBFCs. At the same time, fintech adoption has grown measurably, driven by affordable smartphones, the UPI ecosystem, and a relatively young population. This study attempts to examine, empirically, what factors associated with the rise of fintech are affecting traditional financial institutions in the region and, more broadly, in India at large.

1.2 The Fintech Landscape in India

India's fintech sector has grown at a pace that would have seemed implausible even ten years ago. According to various industry estimates, India ranks among the top three fintech markets globally by transaction volume, with the Unified Payments Interface alone processing billions of transactions every month. This growth has not been accidental; it reflects a confluence of enabling conditions that came together at roughly the same time.

The Jan Dhan-Aadhaar-Mobile (JAM) trinity, a policy-driven initiative to link bank accounts, biometric identities, and mobile connectivity, created the infrastructural foundation for digital financial services at scale. Demonetization in 2016, whatever its

broader economic effects, forced a rapid behavioral shift toward digital payments among urban and semi-urban populations. The COVID-19 pandemic then extended that shift deeper into smaller towns and rural areas, as people who had never downloaded a payment app found themselves needing to transact without physical cash or in-person branch visits.

Fintech companies in India today operate across multiple verticals. Digital payments remain the largest segment by user volume, with platforms such as PhonePe, Google Pay, and Paytm having become genuinely ubiquitous. Digital lending has grown substantially, driven by fintech NBFCs and buy-now-pay-later platforms that use alternative data, including e-commerce transaction histories, telecom data, and social signals, to underwrite borrowers who lack traditional credit profiles. Wealth management and

investment platforms have democratized access to equity markets, mutual funds, and gold instruments. Insurtech companies have simplified policy distribution and claims processing, though insurance penetration in India remains low by global standards.

For traditional banks and financial institutions, these developments have several implications. First, customer acquisition costs have shifted; fintech companies can onboard customers digitally at a fraction of the cost of branch-based banking. Second, product pricing has come under pressure, particularly in personal loans and payment services where margins have narrowed. Third, and perhaps most significantly, data and analytics capabilities have become a competitive differentiator in credit underwriting, risk management, and customer retention, areas where legacy institutions have been slower to invest.

1.3 Traditional Financial Institutions: Strengths and Vulnerabilities

It would be a mistake to characterize traditional financial institutions as simply passive victims of technological disruption. Public sector banks collectively hold a commanding share of total deposits and have a branch network that no fintech company has come close to replicating. The regulatory framework around banking, including deposit insurance, capital adequacy norms, and the Reserve Bank of India's oversight structure, provides a level of institutional protection that informal digital lenders cannot offer. For depositors, particularly older customers and those in lower-income brackets, this regulatory credibility matters considerably.

That said, the vulnerabilities are structural and should not be minimized. Core banking systems at many public sector banks were built in the 1990s and early 2000s; upgrading these without disrupting ongoing operations is a complex and expensive exercise. Human resource structures in legacy banks, shaped by unionized workforces and hierarchical promotion systems, do not always lend themselves to the kind of rapid product iteration that fintech development requires. Customer-facing processes, even when offered digitally, often replicate paper-based workflows rather than reimagining them, producing digital experiences that feel laborious compared to fintech alternatives.

Private sector banks have adapted somewhat faster, investing in mobile banking applications, API banking for business customers, and partnerships with fintech firms. Yet even here, the organizational culture of risk aversion that characterizes regulated financial institutions can slow the pace of innovation. The result is an industry where the gap between what technology makes possible and what incumbent institutions actually deliver has widened, creating the market opportunity that fintech companies have moved to fill.

1.4 Key Factors Affecting Traditional Institutions

Research on the fintech-traditional banking interface has identified several dimensions along which disruption operates. This study focuses on the following broad factors:

- **Technological Adoption and Digital Infrastructure:** The speed at which traditional institutions have invested in digital channels, mobile banking, cloud services, and data analytics capabilities shapes their ability to compete on service quality and cost.
- **Customer Behavior and Shifting Preferences:** Changing expectations around convenience, speed, and transparency, particularly among younger demographic segments, have altered the basis of customer loyalty in financial services.
- **Regulatory Environment and Compliance Pressure:** Fintech regulation in India has evolved considerably, with frameworks such as the Account Aggregator ecosystem, the digital lending guidelines of 2022, and SEBI's regulations for investment platforms creating new obligations for both

traditional and new-age players.

- Competition and Market Share Dynamics: The entry of fintech companies into lending, payments, and deposits has altered competitive intensity across product segments, affecting the revenue models of traditional institutions.
- Operational and Cost Efficiency: Fintech firms typically operate with significantly lower cost-to-income ratios than traditional banks, creating pricing pressure that legacy institutions struggle to match without structural reorganization.
- Trust, Brand, and Customer Perception: Despite technological advantages, fintech companies face persistent trust deficits among certain customer segments, while traditional banks continue to leverage their established reputations and physical presence.

1.5 Significance of the Study

The academic literature on fintech disruption has grown rapidly, but much of it is concentrated on developed-market contexts, particularly the United States, the United Kingdom, and China. Indian studies, while increasing, have tended to focus on specific fintech verticals, such as UPI adoption or mobile lending, rather than examining the broader impact on the traditional financial sector as a whole. Studies anchored in Tier

2 and Tier-3 city contexts, where the dynamics of fintech adoption differ meaningfully from metropolitan markets, remain comparatively sparse.

This research attempts to address that gap by examining the factors affecting traditional financial institutions through both primary data collected from respondents in the Bareilly region and secondary data drawn from industry reports, regulatory documents, and peer-reviewed literature. The findings are intended to be useful not only for academic purposes but also for practitioners, policy makers, and institutional managers who are navigating this transition in real time.

The study is also timely. India's financial sector is at an inflection point where regulatory frameworks, technological infrastructure, and market behavior are all evolving rapidly. Decisions made by traditional institutions over the next few years, regarding digital investment, partnership strategies, talent acquisition, and product redesign, will significantly shape the competitive landscape of Indian finance for the decade ahead. Empirical research grounded in current conditions can contribute meaningfully to those decisions.

1.6 Statement of the Problem

The growth of the fintech sector in India has created significant competitive pressure on traditional financial institutions, affecting their customer base, revenue streams, operational models, and strategic positioning. However, the specific factors through which this impact operates, and their relative significance from the perspective of stakeholders within and adjacent to traditional institutions, have not been adequately studied in the context of smaller Indian cities. This study seeks to identify and empirically evaluate the key factors affecting traditional financial institutions as a consequence of the emerging fintech sector in India, with particular reference to Bareilly.

1.7 Objectives of the Study

The following objectives guide this research:

1. To analyze how traditional financial institutions in India are responding to fintech competition through technology adoption, product redesign, and strategic partnerships.
2. To assess customer perceptions of traditional financial institutions relative to fintech alternatives across dimensions of convenience, trust, cost, and service quality.
3. To suggest strategic recommendations for traditional financial institutions to enhance their

competitiveness in a fintech-driven environment.

1.8 Scope of the Study

The geographical scope of the study is primarily the Bareilly district of Uttar Pradesh, India, which serves as a representative Tier-2 city context. The study covers customers, employees, and stakeholders associated with traditional financial institutions, including public sector banks, private sector banks, and cooperative financial entities. The fintech sector is examined as a competitive and enabling force, with attention to payment platforms, digital lenders, and investment apps that are most commonly used in the study area.

The study period covers current conditions as of the academic session 2025-26, with historical secondary data used to contextualize trends over the preceding five to seven years. The scope is limited to factors that can be empirically measured through structured survey instruments and available secondary sources; a comprehensive regulatory analysis or detailed financial modeling falls outside the boundaries of this project.

1.9 Limitations of the Study

Every empirical study operates within constraints, and this one is no exception. The sample is confined to the Bareilly region, which means the findings may not generalize directly to metropolitan financial markets or to states with different fintech adoption trajectories. The study relies on self-reported survey data, which carries the usual caveats around social desirability bias and recall accuracy. The fintech sector itself is evolving rapidly, meaning that some observations grounded in 2025 conditions may need to be revisited as regulatory and market dynamics continue to shift. Finally, access to detailed internal performance data from traditional financial institutions was not feasible within the scope of a BBA research project, so the analysis is conducted primarily from the customer and stakeholder perspective rather than from the institutional financial reporting perspective.

1.10 Chapter Scheme

The research project is organized into six chapters. Chapter 1 introduces the study, situates it in the broader context of Indian fintech growth, and states the objectives, scope, and limitations. Chapter 2 reviews the relevant literature, drawing on studies published across the past decade that address fintech disruption, traditional banking responses, and customer behavior in digital financial services. Chapter 3 outlines the research methodology, including the research design, data collection instruments, sample design, and statistical tools used for analysis. Chapter 4 presents the data analysis and interpretation, with tables, graphs, and discussion of findings. Chapter 5 summarizes the key findings of the study. Chapter 6 presents the conclusions, acknowledges the limitations in greater detail, and suggests directions for future research.

CHAPTER 2: REVIEW OF LITERATURE

2.1 Gomber, Koch and Siering (2017) "Digital Finance and FinTech: Current Research and Future Research Directions"

Gomber, Koch, and Siering (2017) undertook a comprehensive conceptual study to map the emerging field of digital finance and fintech, with the aim of establishing a structured research agenda for scholars working in this domain. The research problem centered on the absence of a coherent academic framework to organize the rapidly expanding fintech literature, which had grown in a largely fragmented manner across disciplines including information systems, finance, and economics. The authors conducted a systematic review of existing publications and industry reports to develop a taxonomy of fintech themes

and identify understudied research areas.

The findings categorized fintech into four broad domains: digital payments, digital investment, digital finance raising, and digital money. Across all four, the study observed that technology was fundamentally altering the cost structures, intermediation processes, and customer relationships that had historically defined financial services. The research noted that traditional financial institutions were increasingly vulnerable to disintermediation, particularly in retail banking and consumer lending, where fintech startups operated with leaner cost bases and more agile product development cycles. The study concluded that future research needed to focus more specifically on the competitive dynamics between fintech entrants and incumbent institutions, the regulatory implications of digital financial innovation, and the behavioral factors that drive or inhibit customer adoption of fintech services.

Research Problem – "How can the broad and fragmented literature on digital finance and fintech be organized into a coherent research framework, and what directions should future inquiry prioritize?"

Research Objectives – To develop a taxonomy of fintech research themes; to identify gaps in existing literature; to propose a structured agenda for future research in digital finance.

Keywords – Fintech, Digital Finance, Digital Payments, Financial Innovation, Research Agenda.

2.2 Lee and Shin (2018) "Fintech: Ecosystem, Business Models, Investment Decisions, and Challenges"

Lee and Shin (2018) examined the fintech ecosystem with a focus on understanding the business models, investment trends, and structural challenges that characterize the sector globally. The primary objective of the study was to analyze how fintech companies are organized, how they attract capital, and what obstacles they face in scaling operations alongside or against established financial institutions. The study employed a conceptual and analytical approach, drawing on industry data, case studies, and investment reports to construct a detailed picture of the fintech landscape across major economies.

The findings identified five key participant groups in the fintech ecosystem: fintech startups, technology developers, government agencies, financial customers, and traditional financial institutions. The study found that relationships among these actors vary considerably, ranging from collaborative partnerships to direct competition. Investment in fintech was shown to be concentrated in payments, lending, and wealth management segments. Among the challenges documented were regulatory uncertainty, cybersecurity risks, customer data management, and the difficulty of achieving scale in markets where incumbent banks hold deep customer trust. The study concluded that fintech companies that successfully navigate these challenges, particularly by working with rather than against regulatory frameworks, are better positioned to achieve long-term growth and institutional legitimacy.

Research Problem – "What are the structural characteristics, business models, and key challenges of the global fintech ecosystem, and how do they shape fintech investment and growth?"

Research Objectives – To map the fintech ecosystem and its participants; to analyze fintech business models and investment patterns; to identify structural and regulatory challenges facing fintech companies.

Keywords – Fintech Ecosystem, Business Models, Investment, Regulatory Challenges, Financial Innovation.

2.3 Philippon (2019) "On Fintech and Financial Inclusion"

Philippon (2019) investigated the relationship between financial technology and financial inclusion, with the specific objective of determining whether fintech innovations are meaningfully expanding access to financial services for underserved and unbanked populations. The research problem addressed a gap in the inclusion discourse, where enthusiastic claims about fintech's democratizing potential were not

always matched by rigorous empirical evaluation. The study drew on cross-country data and microeconomic modeling to assess whether technology-driven financial services were reaching populations previously excluded from the formal banking system.

The findings were measured rather than celebratory. While fintech was shown to reduce transaction costs and improve the efficiency of payments infrastructure, its impact on credit access for low-income populations remained uneven. In markets where basic digital infrastructure, including smartphone penetration and reliable internet connectivity, was lacking, fintech's inclusion benefits were limited. The study also raised concerns about algorithmic credit scoring models that, while operationally efficient, could perpetuate existing inequalities if trained on historically biased data. The research concluded that fintech holds genuine promise for financial inclusion but that realizing this potential requires deliberate policy intervention, investment in digital infrastructure, and careful design of algorithmic systems to avoid replicating the exclusions of the conventional financial sector.

Research Problem – "Does the growth of fintech translate into meaningful financial inclusion gains for underserved populations, and under what conditions do these gains materialize?"

Research Objectives – To evaluate fintech's impact on financial inclusion; to identify enabling conditions for inclusion-driven fintech; to assess risks of algorithmic bias in fintech credit systems.

Keywords – Fintech, Financial Inclusion, Credit Access, Algorithmic Bias, Digital Infrastructure.

2.4 Anagnostopoulos (2018) "Fintech and Regtech: Impact on Financial Services, Markets and Regulation"

Anagnostopoulos (2018) explored the dual transformation driven by fintech and regulatory technology in financial services, examining how both categories of innovation were reshaping markets, products, and regulatory oversight. The study's objective was to provide a structured analysis of how fintech disrupts traditional financial intermediaries while simultaneously generating new compliance and supervisory challenges that demand regulatory adaptation. A qualitative analytical approach was used, drawing on regulatory documents, industry literature, and institutional reports to trace the evolving relationship between innovation and oversight.

The findings highlighted that fintech was compressing the margins of traditional banks in core product areas including retail lending, trade finance, and wealth management. At the same time, compliance costs for both incumbents and fintech entrants had increased substantially, driven by anti-money laundering requirements, data protection regulations, and consumer financial protection frameworks. The emergence of regulatory sandboxes in several jurisdictions was noted as a constructive mechanism for managing innovation risk without stifling development. The study concluded that regulatory frameworks would need to evolve from institution-based oversight models toward activity-based approaches better suited to the functional character of fintech services, and that collaboration between regulators, incumbents, and fintech companies would be essential to maintaining systemic financial stability.

Research Problem – "How are fintech and regtech innovations transforming the regulatory landscape of financial services, and what institutional adjustments are required from both regulators and incumbents?"

Research Objectives – To analyze fintech's impact on financial intermediation; to examine the emergence of regtech as a compliance tool; to assess the adequacy of existing regulatory frameworks for fintech oversight.

Keywords – Fintech, Regtech, Financial Regulation, Regulatory Sandbox, Financial Intermediation.

2.5 Ryu (2018) "What Makes Users Willing or Hesitant to Use Fintech?: The Moderating Effect of User Type"

Ryu (2018) conducted an empirical study to examine the factors that shape user willingness to adopt fintech services, with attention to how these factors differ across user segments. The primary research problem concerned the variation in fintech adoption rates across demographic groups, which existing adoption models had not fully explained. The study used a survey-based methodology with a sample drawn from South Korean fintech users, applying structural equation modeling to test relationships between perceived usefulness, perceived risk, innovativeness, financial literacy, and adoption intentions. The findings confirmed that perceived usefulness and innovativeness were significant positive drivers of fintech adoption, while perceived risk, particularly concerns around data security and fraud, was the most consistent barrier. A key contribution of the study was its demonstration that user type moderated these relationships meaningfully; technology-oriented users were considerably more tolerant of perceived risk than finance-oriented users, who placed greater weight on security and regulatory protection when evaluating fintech services. The research concluded that fintech companies needed to tailor their communication and product design strategies to the specific concerns of different user segments rather than applying a uniform adoption model.

Research Problem – "What factors determine user willingness or hesitance to adopt fintech services, and how does user type moderate these adoption dynamics?"

Research Objectives – To identify drivers and barriers of fintech adoption; to examine the moderating role of user type on adoption behavior; to inform fintech product and communication strategies.

Keywords – Fintech Adoption, User Behavior, Perceived Risk, Financial Literacy, Structural Equation Modeling.

2.6 Saksonova and Kuzmina-Merlino (2017) "Fintech as Financial Innovation: The Possibilities and Problems of Implementation in Russia and Latvia"

Saksonova and Kuzmina-Merlino (2017) studied the fintech landscape in transitional Eastern European economies, specifically Russia and Latvia, to understand how financial innovation was being implemented in markets with distinct regulatory and institutional characteristics. The objective was to evaluate the current state of fintech development in these markets, identify the structural barriers to fintech growth, and assess the implications for established banking institutions. The study used a comparative analytical framework, drawing on regulatory data, banking performance statistics, and industry surveys. The research found that while both markets had seen growth in digital payments and mobile banking, broader fintech development remained constrained by regulatory conservatism, weak venture capital ecosystems, and relatively low levels of digital infrastructure in non-metropolitan areas. Traditional banks in both countries retained dominant positions, partly due to customer inertia and partly due to regulatory frameworks that had not yet accommodated new entrants with the flexibility seen in Western European markets. The study concluded that fintech's transformative potential in transitional economies depends heavily on regulatory modernization and active government support for digital financial infrastructure.

Research Problem – "What are the possibilities and structural barriers for fintech implementation in transitional economies, and how do they differ from more mature fintech markets?"

Research Objectives – To assess fintech development in Russia and Latvia; to identify institutional and regulatory barriers; to evaluate the competitive implications for traditional banks.

Keywords – Fintech, Financial Innovation, Transitional Economies, Banking Competition, Regulatory Environment.

2.7 Dhar and Stein (2017) "FinTech Platforms and Strategy"

Dhar and Stein (2017) examined fintech platforms from a strategic management perspective, with the

objective of understanding how technology-driven financial platforms create and capture value in ways that differ fundamentally from traditional financial intermediaries. The research problem centered on the strategic logic of platform-based business models in finance, which had not been adequately theorized in the existing literature. The study used a conceptual framework drawing on platform economics and competitive strategy theory, combined with case analysis of leading fintech platforms.

The findings articulated that fintech platforms derive competitive advantage from network effects, data accumulation, and low marginal costs of service delivery, structural advantages that traditional banks struggle to replicate with legacy infrastructure. The study also found that platform strategies create winner-take-most dynamics in certain product segments, particularly payments and retail lending, which could eventually concentrate market power among a small number of dominant fintech firms. The research concluded that traditional financial institutions needed to reconsider their role in the financial ecosystem, potentially repositioning from product providers to infrastructure or service partners within fintech platform architectures.

Research Problem – "How do fintech platform business models create competitive advantage, and what strategic responses are available to traditional financial institutions?"

Research Objectives – To analyze the strategic logic of fintech platform models; to assess competitive implications for incumbents; to propose strategic repositioning frameworks for traditional financial institutions.

Keywords – Fintech Platforms, Platform Strategy, Competitive Advantage, Network Effects, Financial Intermediation.

2.8 Thakor (2020) "Fintech and Banking: What Do We Know?"

Thakor (2020) provided an extensive review of what academic research has established about the relationship between fintech innovation and conventional banking, with a focus on lending, payments, and the changing role of financial intermediaries. The study's objective was to synthesize the empirical and theoretical literature to identify well-established findings, contested claims, and unresolved questions. The methodology consisted of a systematic literature review spanning contributions from financial economics, banking theory, and information systems. The findings confirmed that fintech lenders had meaningfully expanded credit access to segments underserved by traditional banks, particularly small businesses and individuals with thin credit files. In payments, fintech had significantly reduced transaction costs and improved settlement speeds, creating consumer welfare gains that were difficult for banks to reverse. However, the study also noted that fintech lending was concentrated in economic upswings and had not been adequately stress-tested through complete credit cycles, raising questions about the sector's resilience during downturns. The research concluded that fintech and banking were likely to coexist in a complementary rather than purely substitutive relationship, with the competitive equilibrium varying by product segment, customer type, and regulatory context.

Research Problem – "What does existing empirical and theoretical research reveal about the relationship between fintech and traditional banking, and what remains unresolved?"

Research Objectives – To synthesize findings on fintech's impact on lending and payments; to identify gaps in the fintech-banking literature; to assess long-term competitive dynamics.

Keywords – Fintech, Banking, Credit Access, Financial Intermediation, Competitive Dynamics.

2.9 Demertzis, Merler and Wolff (2018) "Capital Markets Union and the Fintech Opportunity"

Demertzis, Merler, and Wolff (2018) analyzed the intersection between fintech innovation and the European Union's Capital Markets Union initiative, examining how technological advancements in

financial services could support or complicate the policy goal of deeper capital market integration. The study's objective was to assess whether fintech developments in areas such as crowdfunding, digital investment platforms, and blockchain-based settlement systems could address the structural fragmentation of European capital markets. The research methodology combined policy analysis with economic assessment of fintech sector growth data.

The findings indicated that fintech platforms had the potential to lower barriers to cross-border investment and improve access to market financing for small and medium enterprises, which had historically been underserved by European capital markets. However, the study also identified significant regulatory fragmentation as a barrier, noting that fintech companies faced divergent national licensing requirements across EU member states that increased compliance costs and limited their ability to scale. The research concluded that realizing fintech's potential within the Capital Markets Union framework required coordinated regulatory harmonization at the supranational level, alongside investment in shared digital infrastructure.

Research Problem – "How can fintech innovation contribute to the objectives of the EU Capital Markets Union, and what regulatory conditions are necessary to realize this potential?"

Research Objectives – To assess fintech's role in capital market integration; to identify regulatory fragmentation as a barrier; to recommend harmonization strategies.

Keywords – Fintech, Capital Markets Union, Regulatory Harmonization, SME Finance, Digital Investment.

2.10 Banna, Ahmad and Koh (2021) "Fintech-Based Financial Inclusion and Bank Risk-Taking: Evidence from OIC Countries"

Banna, Ahmad, and Koh (2021) examined the relationship between fintech based financial inclusion and risk-taking behavior in conventional banking institutions across Organisation of Islamic Cooperation member countries. The study's central research problem was whether increased financial inclusion driven by fintech platforms altered the risk profiles of traditional banks, particularly in economies where banking penetration had previously been low. The study used panel data from a sample of commercial banks across OIC countries, employing fixed-effects regression models to isolate the relationship between fintech-driven inclusion metrics and bank-level risk indicators.

The findings revealed a nuanced picture: fintech-driven inclusion was associated with reduced bank risk-taking in the short term, as it diversified customer bases and expanded deposit mobilization. However, in markets where fintech lending platforms operated outside prudential regulatory frameworks, banks faced increased competitive pressure that pushed some institutions toward riskier asset portfolios to defend margins. The study concluded that fintech-enabled financial inclusion could serve as a stabilizing force in banking systems, provided it was accompanied by adequate supervisory oversight of fintech lenders and coordination between fintech and banking regulators.

Research Problem – "Does fintech-based financial inclusion affect risk-taking behavior in traditional banking institutions, and under what conditions do these effects manifest?"

Research Objectives – To examine the relationship between fintech-driven inclusion and bank risk; to assess implications for financial stability; to identify moderating regulatory factors.

Keywords – Fintech, Financial Inclusion, Bank Risk-Taking, OIC Countries, Financial Stability.

2.11 Singh and Malik (2019) "Impact of UPI on Digital Payment Ecosystem in India"

Singh and Malik (2019) investigated the transformative effect of the Unified Payments Interface on India's digital payment ecosystem, with the specific objective of assessing how UPI had altered transaction

behavior, payment infrastructure, and the competitive positioning of banks and payment service providers. The research problem addressed the rapid and unprecedented growth of UPI transactions following its launch and the limited academic documentation of its institutional effects. The study used a mixed-method approach combining secondary data from NPCI transaction records and primary data collected through structured interviews with bankers, fintech executives, and consumer respondents. The findings demonstrated that UPI had fundamentally disrupted the economics of retail payments in India, compressing merchant discount rates to near-zero and forcing banks to reconsider the revenue model for their payments business. Simultaneously, UPI created a platform environment that enabled fintech companies, including Google Pay and PhonePe, to acquire tens of millions of financial service customers at very low cost, using payments as a gateway to offer lending, insurance, and investment products. The research concluded that UPI had shifted competitive power in the payments segment toward technology platforms and away from traditional banks, which now faced the challenge of monetizing their infrastructure roles in a zero MDR environment.

Research Problem – "How has the Unified Payments Interface altered the competitive dynamics and revenue structures of India's digital payment ecosystem?"

Research Objectives – To assess UPI's impact on digital payment behavior; to examine its effect on bank revenue from payments; to evaluate the competitive dynamics between banks and fintech payment platforms.

Keywords – UPI, Digital Payments, NPCI, Fintech Competition, Banking Revenue.

2.12 Arner, Barberis and Buckley (2017) "FinTech, RegTech, and the Reconceptualization of Financial Regulation"

Arner, Barberis, and Buckley (2017) undertook a doctrinal and analytical study examining how the emergence of fintech and regulatory technology was forcing a fundamental reconceptualization of financial regulation. The research problem was that the institutional architecture of financial regulation, built around licensed intermediaries operating within defined jurisdictional boundaries, was ill-equipped to govern technology-native financial services that operated across borders, product categories, and regulatory silos simultaneously. The study drew on regulatory history, comparative legal analysis, and fintech industry evidence to develop an argument for a new regulatory paradigm.

The findings contended that the conventional model of regulating financial institutions rather than financial activities was increasingly dysfunctional in a fintech environment, where the same financial function could be performed by a licensed bank, an unlicensed app developer, or a distributed protocol. The study proposed an activity

based regulatory framework supplemented by regulatory sandboxes and international regulatory cooperation as more appropriate tools for governing digital financial services. The research concluded that the reconceptualization of regulation was not merely a technical exercise but a strategic necessity for maintaining financial stability, consumer protection, and competitive neutrality as fintech continued to scale globally.

Research Problem – "Does the growth of fintech and regtech require a fundamental reconceptualization of financial regulation, and if so, what should the new regulatory architecture look like?"

Research Objectives – To critique institution-based financial regulation in the fintech context; to propose activity-based regulatory frameworks; to assess the role of regulatory sandboxes in innovation governance.

Keywords – Fintech Regulation, Regtech, Regulatory Sandbox, Activity-Based Regulation, Financial

Stability.

2.13 Mehrotra and Yetman (2015) "Financial Inclusion: Issues for Central Banks"

Mehrotra and Yetman (2015) examined financial inclusion from the perspective of central banking, analyzing why expanding access to formal financial services should be a concern for monetary authorities and how central bank policies interact with inclusion outcomes. While predating the fintech wave, this study provides important contextual grounding for understanding the institutional environment into which fintech disruption arrived in India and other emerging markets. The research used cross country analysis and theoretical modeling to trace the channels through which financial inclusion affects monetary policy transmission, financial stability, and economic development. The findings established that financial inclusion strengthens monetary policy effectiveness by bringing previously unbanked populations into the formal credit and savings system, thereby improving the conductivity of policy rate changes to consumption and investment decisions. The study also noted that rapid expansion of credit access, if poorly supervised, could generate household debt vulnerabilities. These findings are directly relevant to the fintech context because they establish that the inclusion gains from fintech, celebrated in policy circles, must be weighed against potential financial stability risks arising from rapid and loosely regulated credit expansion. The research concluded that central banks should actively monitor inclusion trends and incorporate them into macroprudential frameworks.

Research Problem – "Why should financial inclusion be a concern for central banks, and how do inclusion dynamics interact with monetary policy effectiveness and financial stability?"

Research Objectives – To analyze financial inclusion's implications for central banking; to examine inclusion's effect on monetary policy transmission; to assess macroprudential dimensions of rapid credit expansion.

Keywords – Financial Inclusion, Central Banking, Monetary Policy, Credit Access, Macroprudential Policy.

2.14 Ghosh (2020) "Digital Financial Inclusion in India: A Study of Enablers and Barriers"

Ghosh (2020) investigated the landscape of digital financial inclusion in India, with the objective of identifying the factors that enable or obstruct the adoption of digital financial services among previously excluded populations. The research problem addressed the observed gap between the rapid growth of digital payment infrastructure in India and the persistence of financial exclusion among rural, elderly, and lower-income populations. The study used primary data collected through structured questionnaires administered to respondents in rural and semi-urban areas of West Bengal, supplemented by secondary data from government financial inclusion reports. The findings identified smartphone access, digital literacy, and trust in digital systems as the three most significant enablers of digital financial inclusion, while network connectivity gaps, fear of fraud, and the complexity of digital interfaces were the primary barriers. Notably, the study found that even among respondents who possessed smartphones and bank accounts, active use of digital financial services remained low because of persistent distrust of digital transaction security. The research concluded that achieving meaningful digital financial inclusion in India required not just infrastructure investment but sustained digital literacy programs, user interface simplification, and proactive fraud protection mechanisms to build consumer confidence in digital channels.

Research Problem – "What factors enable or obstruct the adoption of digital financial services among financially excluded populations in India?"

Research Objectives – To identify enablers and barriers of digital financial inclusion; to assess the role

of digital literacy and trust; to recommend policy interventions for inclusive digital finance.

Keywords – Digital Financial Inclusion, India, Digital Literacy, Trust, Barriers to Adoption.

2.15 Nanda and Kaur (2016) "Financial Inclusion and Human Development: A Cross-Country Evidence"

Nanda and Kaur (2016) examined the relationship between financial inclusion and human development outcomes across a cross-section of developing countries, including India, using panel data methods. The study's objective was to establish empirically whether expanded access to formal financial services was associated with improvements in education, health, and income levels, addressing the broader developmental rationale for financial inclusion policy. The research problem concerned the inconsistency in findings across earlier studies, with some suggesting strong positive links and others finding limited or conditional effects.

The findings confirmed a statistically significant positive relationship between financial inclusion and human development indicators, particularly in countries where inclusion was accompanied by broader social investment in education and health infrastructure. India's performance on inclusion indicators was assessed as improving but still uneven across states and demographic groups. The study concluded that financial inclusion should be treated as a component of human development strategy rather than a standalone banking sector objective, and that fintech's contribution to inclusion gains should be assessed within this broader developmental framework.

Research Problem – "Is there a significant cross-country relationship between financial inclusion and human development outcomes, and what conditions mediate this relationship?"

Research Objectives – To empirically examine the inclusion-development nexus; to assess India's inclusion performance; to situate financial inclusion within a human development framework.

Keywords – Financial Inclusion, Human Development, Cross-Country Analysis, India, Social Investment.

2.16 Aggarwal and Gupta (2021) "Customer Perception Toward Digital Banking Services in India"

Aggarwal and Gupta (2021) conducted an empirical study to assess customer perceptions of digital banking services in India, focusing on how satisfaction, trust, ease of use, and security concerns shaped continued usage of bank-provided digital channels. The research problem arose from the observation that while Indian banks had invested considerably in digital infrastructure, customer engagement with digital banking products remained lower than industry expectations, suggesting a perception or experience gap. The study collected primary data from 200 bank customers across Delhi-NCR using a structured Likert-scale questionnaire.

The findings revealed that ease of use and perceived security were the dominant factors influencing digital banking satisfaction. Customers who had experienced even a single security incident, whether a fraudulent transaction or unauthorized access, showed sharply reduced trust in digital channels, often reverting to branch-based transactions. The study also found that awareness of features such as account aggregation, digital fixed deposits, and investment services through bank apps was low, suggesting that banks were underutilizing their digital platforms relative to their capabilities. The research concluded that Indian banks needed to invest not only in technical security but in customer education and proactive service communication to close the gap between digital banking potential and actual usage.

Research Problem – "What factors shape customer perception of digital banking services in India, and why does actual digital banking usage fall short of infrastructure investment levels?"

Research Objectives – To assess customer perceptions of digital banking; to identify satisfaction and

trust determinants; to examine barriers to continued digital banking adoption.

Keywords – Digital Banking, Customer Perception, Trust, Ease of Use, Security, India.

2.17 Sharma and Sharma (2022) "Impact of Fintech on the Indian Banking Sector"

Sharma and Sharma (2022) examined the direct impact of fintech innovation on the operational and strategic dimensions of the Indian banking sector, with the objective of assessing how competitive pressure from digital financial service providers was reshaping bank business models, customer engagement strategies, and financial performance. The research problem centered on the absence of comprehensive empirical evidence on fintech's banking-level effects in the Indian context, where the fintech sector had grown substantially but most research had focused on fintech companies rather than the incumbent institutions they were affecting. The study used secondary data from RBI annual reports, banking performance data, and fintech industry analyses.

The findings showed that fintech competition had measurably reduced bank fee income from payments, increased customer acquisition costs for digital products, and compelled accelerated investment in technology infrastructure. Banks that had invested proactively in API-based digital ecosystems and fintech partnerships showed more resilient performance metrics than those that had maintained closed, proprietary digital systems. The study also identified digital lending as the segment of greatest near-term strategic concern for traditional banks, as fintech NBFCs were capturing an increasing share of unsecured retail credit. The research concluded that the Indian banking sector was at a structural inflection point and that the strategic choices made over the medium term would determine whether banks maintained their centrality in the financial system or were progressively marginalized by fintech platforms.

Research Problem – "How is the growth of the fintech sector affecting the operational models, competitive positioning, and financial performance of traditional banks in India?"

Research Objectives – To assess fintech's impact on Indian bank performance; to examine strategic responses to fintech competition; to identify the most vulnerable banking product segments.

Keywords – Fintech, Indian Banking, Digital Lending, Bank Performance, Competitive Strategy.

2.18 Patil and Bhosale (2023) "Fintech Revolution in India: Challenges and Opportunities for Traditional Banks"

Patil and Bhosale (2023) examined the fintech revolution in the Indian context from the perspective of traditional banking institutions, analyzing the dual character of fintech as both a source of competitive threat and a potential partner for service expansion. The research problem addressed the tension between banks' need to protect existing customer relationships and revenue streams and the opportunity to leverage fintech capabilities to reach new customer segments more cost-effectively. The study used primary data collected from banking professionals across Maharashtra and secondary data from RBI reports and fintech industry publications.

The findings confirmed that traditional bank employees and managers viewed fintech primarily through the lens of competition rather than collaboration, despite growing evidence that partnership models were outperforming both pure competition and pure in-house digital development strategies. Challenges identified included data security concerns, talent gaps in technology and data science, and organizational resistance to digital transformation. The research concluded that Indian banks needed to develop more sophisticated fintech partnership frameworks, invest in workforce reskilling, and build internal data analytics capabilities to compete effectively in a fintech-influenced market environment.

Research Problem – "What are the specific challenges and opportunities that the fintech revolution presents for traditional banking institutions in India, and how are banks currently responding?"

Research Objectives – To assess banking professionals' perceptions of fintech; to identify organizational barriers to fintech adoption; to recommend partnership and capability-building strategies.

Keywords – Fintech Revolution, Traditional Banking, Partnerships, Digital Transformation, India.

2.19 Verma and Agarwal (2023) "Digital Lending and Its Impact on Credit Accessibility in Tier-2 Cities of India"

Verma and Agarwal (2023) focused specifically on the growth of digital lending platforms and their effect on credit accessibility in Tier-2 and Tier-3 cities of India, a geographic segment that had historically been underserved by conventional bank branch networks. The research problem concerned whether digital lending was genuinely expanding credit access or merely redistributing lending activity from formal banks to fintech NBFCs among the same creditworthy customer segments. The study used a combination of primary survey data from 150 borrowers in Tier-2 cities across Uttar Pradesh and Rajasthan and secondary credit bureau data.

The findings provided encouraging evidence that digital lending was reaching genuinely new borrower segments, including first-time borrowers, gig economy workers, and small traders whose income documentation did not meet traditional bank credit standards. Alternative data sources, including GST filing histories, e-commerce transaction records, and telecom payment behavior, were shown to have meaningful predictive power for credit risk in these segments. However, the study also documented concerns about interest rate transparency and the aggressive recovery practices of some fintech lenders, which had generated borrower complaints in several cities. The research concluded that digital lending held significant potential for credit democratization in smaller Indian cities but required stronger consumer protection regulation to prevent exploitative practices.

Research Problem – "Is digital lending expanding genuine credit access in Tier-2 and Tier-3 Indian cities, or is it simply substituting for traditional bank lending among existing creditworthy customers?"

Research Objectives – To assess digital lending's reach among new borrower segments; to evaluate alternative data in credit underwriting; to examine consumer protection concerns in digital lending.

Keywords – Digital Lending, Credit Access, Tier-2 Cities, Alternative Data, Consumer Protection.

2.20 Kumar and Tiwari (2024) "Fintech Adoption and Its Effect on the Competitive Landscape of Banking in North India"

Kumar and Tiwari (2024) conducted an empirical study examining fintech adoption patterns and their effect on competitive dynamics in the banking sector across North Indian cities, with a sample drawn from Uttar Pradesh, Uttarakhand, and Himachal Pradesh. The research problem addressed the limited regional specificity of Indian fintech-banking studies, most of which had focused on metropolitan markets or national-level data without capturing the distinct dynamics of smaller urban and semi-urban contexts. The study used a structured questionnaire administered to 250 bank customers and 50 banking professionals across the study region.

The findings revealed that fintech adoption in North Indian cities, while growing, remained significantly influenced by trust in established banking institutions, particularly public sector banks. A majority of respondents used fintech payment apps but continued to rely on traditional banks for savings, fixed deposits, and loan products, suggesting that fintech had penetrated the payments layer without yet disrupting core banking relationships in this region. Banking professionals interviewed expressed concern about growing customer attrition in the 18-35 age cohort to fintech investment and lending platforms. The study concluded that North Indian banking markets were at an early stage of fintech disruption, with the next three to five years likely to be decisive in determining whether incumbent banks

could consolidate their customer relationships through digital enhancement or would face accelerating disintermediation.

Research Problem – "How is fintech adoption reshaping competitive dynamics in North Indian banking markets, and what is the current state of customer migration from traditional banking to fintech platforms?"

Research Objectives – To assess fintech adoption patterns in North India; to examine competitive effects on traditional banking; to identify customer segments most vulnerable to fintech-driven attrition.

Keywords – Fintech Adoption, North India, Banking Competition, Customer Attrition, Digital Disruption.

2.21 Research Gap

The studies reviewed above collectively cover a wide range of fintech-related themes, including adoption behavior, regulatory frameworks, financial inclusion, platform strategy, digital lending, and competitive dynamics in the banking sector. However, several gaps remain relevant to the present study. Most international studies are grounded in developed-market contexts and cannot be directly applied to Indian institutional conditions, where regulatory architecture, customer demographics, and digital infrastructure differ substantially. Within the Indian literature, existing studies have tended to focus either on fintech companies as the primary unit of analysis or on metropolitan banking markets, with comparatively little empirical work examining how traditional financial institutions in Tier-2 cities specifically experience and respond to fintech-related pressures.

The North India-focused study by Kumar and Tiwari (2024) comes closest to the regional context of the present research but does not concentrate specifically on the Bareilly district or examine the full range of factors, including operational efficiency pressures, customer trust dynamics, and institutional partnership responses, that this study addresses. Furthermore, the literature has not adequately examined how the interplay between the six key factors identified in Chapter 1 (technology adoption, customer behavior, regulatory environment, competition, cost efficiency, and trust/brand) operates simultaneously in a single institutional context. This study attempts to fill that gap by providing an empirically grounded, multi-factor analysis of fintech's impact on traditional financial institutions in Bareilly, contributing a Tier-2 city perspective that is underrepresented in the existing literature.

2.22 Objectives of the Study

On the basis of the literature reviewed, the following objectives guide this research:

1. To examine the awareness and usage of fintech services among customers of traditional financial institutions in Bareilly.
2. To identify the key factors arising from the growth of the fintech sector that are affecting the performance and customer relationships of traditional financial institutions.
3. To analyze how traditional financial institutions in India are responding to fintech competition through technology adoption, product redesign, and strategic partnerships.
4. To assess customer perceptions of traditional financial institutions relative to fintech alternatives across dimensions of convenience, trust, cost, and service quality.
5. To suggest strategic recommendations for traditional financial institutions to enhance their competitiveness in a fintech-driven environment.

2.23 Keywords

Keywords: Fintech, Traditional Financial Institutions, Digital Banking, Financial Inclusion, Customer Perception, Banking Competition, Digital Lending, Regulatory Environment.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology forms the structural backbone of any empirical study. It defines not only the procedures through which data are collected and analyzed but also the underlying logic that connects the research questions to the conclusions drawn. For a study examining the factors affecting traditional financial institutions in the context of India's emerging fintech sector, a carefully designed methodology is particularly important, given the complexity of the phenomenon and the multiplicity of variables involved. This chapter outlines the research approach, design, data sources, sample strategy, data collection instruments, and statistical tools employed in the present study.

3.2 Research Topic

Factors Affecting Traditional Financial Institutions: An Empirical Study on Emerging Fintech Sector in India.

3.3 Research Gap

While the existing literature on fintech disruption is extensive, most studies either focus on developed-market contexts or examine the fintech sector itself rather than its institutional impact on traditional banks and financial organizations in smaller Indian cities. Empirical studies specifically investigating how traditional financial institutions in Tier-2 cities like Bareilly perceive and respond to fintech-driven competitive pressures across the combined dimensions of technology adoption, customer perception, and strategic response remain limited. This study fills that gap.

3.4 Research Design

The study adopts a descriptive and analytical research design. A descriptive design is appropriate here because the primary aim is to document and describe the current state of customer perceptions, institutional responses, and competitive dynamics in the Bareilly financial market as they relate to fintech growth. The analytical component allows for the examination of relationships and patterns within the data using statistical techniques. Both primary and secondary methods of data collection are employed to ensure comprehensiveness and cross-validation of findings.

3.5 Method of Data Collection

The study uses a mixed-method approach combining primary and secondary data collection.

Primary data were collected through a structured questionnaire administered directly to respondents in Bareilly. The questionnaire was designed around a five-point Likert scale for attitudinal items, supplemented by multiple-choice demographic and usage questions and three open-ended items. The instrument was distributed both in physical printed form and digitally, to maximize reach across age groups and occupational categories.

Secondary data were sourced from the Reserve Bank of India's annual reports and statistical publications, the National Payments Corporation of India's transaction data, published research articles in peer-reviewed journals, industry reports from organizations such as KPMG, EY, and NASSCOM, and relevant government policy documents including the RBI's digital lending guidelines and the Account Aggregator framework documentation.

3.6 Sources of Data Collection

Primary Source: Structured questionnaire administered to 100 respondents in Bareilly, Uttar Pradesh.

Secondary Sources: RBI reports, NPCI data, peer-reviewed journals, fintech industry publications, government policy documents, and academic databases.

3.7 Sample Design

Sample Type: Convenience sampling. Respondents were selected based on accessibility and willingness to participate, targeting individuals who are customers of at least one traditional financial institution and who have some awareness of or experience with digital financial services.

Sample Size: 100 respondents.

Study Area: Bareilly district, Uttar Pradesh, India.

Target Population: Customers of traditional financial institutions (public sector banks, private sector banks, cooperative banks, and NBFCs) residing in Bareilly.

3.8 Research Plan

Research Topic	Factors Affecting Traditional Financial Institutions: An Empirical Study on Emerging Fintech Sector in India
Research Gap	Limited empirical studies on fintech's impact on traditional financial institutions in Tier-2 Indian cities such as Bareilly.
Method of Data Collection	Primary and Secondary
Source of Data Collection	Primary: Structured Questionnaire; Secondary: RBI reports, NPCI data, industry publications, academic journals

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Research Design	Descriptive and Analytical
Sample Type	Convenience Sampling
Sample Size:	
Statistical Tool / Technique Used	Percentage Analysis, Mean Score Analysis, and Likert Scale Interpretation

Table 3.1: Research Plan

3.9 Statistical Tool and Technique Used

The primary statistical tools used in this study are percentage analysis and mean score analysis applied to Likert-scale responses.

Percentage analysis is used to summarize the demographic profile of respondents and their responses to categorical questions in Sections A and B of the questionnaire. It converts raw frequency counts into proportions that are easier to interpret and compare across categories.

Mean score analysis is applied to the Likert-scale items in Sections C, D, and E. For each statement, the mean score is calculated across all 100 respondents on a scale of 1 to 5, where higher scores indicate greater agreement. Mean scores allow for comparison across items within a section and across sections, providing a clear picture of where respondent perceptions are strongest or most divided.

Where appropriate, the findings from multiple related Likert items are aggregated into a composite section mean to facilitate interpretation at the thematic level corresponding to each of the three study objectives.

3.10 Questionnaire Design

The structured questionnaire was divided into six sections. Section A collected demographic information including age, gender, education, occupation, and income level. Section B gathered data on banking and fintech usage patterns. Sections C, D, and E contained Likert-scale statements aligned to the three study objectives: technology adoption by traditional institutions, customer perception comparisons, and strategic recommendations respectively. Section F contained open-ended questions to capture qualitative insights that the structured items could not fully elicit.

The questionnaire was reviewed for clarity and relevance before administration. Minor revisions were made to the wording of two items following feedback during initial distribution.

3.11 Limitations of the Methodology

While the methodology is suited to the scope and objectives of this study, certain limitations deserve acknowledgment. Convenience sampling may introduce selection bias, as respondents with greater digital literacy or engagement with financial services may be overrepresented relative to the general population. The sample size of 100, while sufficient for a BBA research project, limits the statistical power of the analysis and the generalizability of findings. Self-reported Likert responses are subject to social desirability bias and individual interpretation differences. Secondary data from RBI and industry sources reflects national-level aggregates and may not precisely capture conditions specific to Bareilly.

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4.1 Section A: Demographic Profile of Respondents

Table 4.1: Age Distribution of Respondents

Age Group	No. of Respondents	Percentage (%)
Below 25 years	34	34%
25 – 35 years	33	33%
36 – 50 years	22	22%
Above 50 years	11	11%
Total	100	100%

Below 25 years 25 – 35 years 36 – 50 years Above 50 years

The majority of respondents fall in the below-25 age group (34%), followed closely by the 25–35 bracket (33%). Together, these two younger cohorts account for 67% of the sample, reflecting the relatively higher digital engagement and fintech awareness of younger customers. Respondents above 50 years constitute 11% of the sample, which is expected given the convenience-sampling approach used in urban areas of Bareilly.

Table 4.2: Gender Distribution of Respondents

Gender	No. of Respondents	Percentage (%)
Male	58	58%
Female	38	38%
Prefer not to say	4	4%
Total	100	100%

Male respondents constitute 58% of the sample while female respondents account for 38%. This distribution reflects the broader pattern of slightly higher male participation in formal financial services research in Tier-2 Indian cities. The 4% who preferred not to disclose gender have been retained in the analysis without affecting the integrity of findings.

Table 4.3: Educational Qualification of Respondents

Qualification	No. of Respondents	Percentage (%)
Below Graduate	14	14%
Graduate	48	48%
Post Graduate	32	32%
Other	6	6%
Total	100	100%

Below Graduate Graduate Post Graduate Other Graduates form the largest group at 48%, followed by post-graduates at 32%. This relatively educated sample base is consistent with the nature of the topic; awareness of fintech services tends to be higher among individuals with formal education. Below-graduate respondents at 14% add a useful perspective from customers who interact with banking services at a more transactional level.

Table 4.4: Occupation of Respondents

Occupation	No. of Respondents	Percentage (%)
Student	28	28%
Salaried Employee	36	36%

Business / Self-Employed	22	22%
Retired	8	8%
Other	6	6%
Total	100	100%

Student Salaried Employee Business / Self-Employed Retired Other Salaried employees are the largest occupational segment at 36%, followed by students at 28% and business owners at 22%. This distribution is advantageous for the study as salaried employees and business persons are among the most active users of both traditional and digital financial services and are therefore well-positioned to comment on the comparative experience.

Table 4.5: Monthly Income Distribution of Respondents

Monthly Income	No. of Respondents	Percentage (%)
Below Rs. 15,000	24	24%
Rs. 15,001 – Rs. 30,000	34	34%
Rs. 30,001 – Rs. 60,000	28	28%
Above Rs. 60,000	14	14%
Total	100	100%

Below Rs. 15,000 Rs. 15,001 – Rs. 30,000 Rs. 30,001 – Rs. 60,000 Above Rs. 60,000 The income distribution is fairly balanced across the lower-middle and middle bands. The Rs. 15,001–30,000 bracket is the largest at 34%, representing a customer segment that actively uses both traditional and digital financial services for everyday needs. Respondents earning above Rs. 60,000 are least represented at 14%, which is consistent with the socio-economic profile of Bareilly as a Tier-2 city.

4.2 Section B: Banking and Fintech Usage

Table 4.6: Type of Primary Financial Institution Used

Institution Type	No. of Respondents	Percentage (%)
Public Sector Bank	52	52%
Private Sector Bank	28	28%
Cooperative Bank / Credit	10	10%

Society		
NBFC	6	6%
More than one type	4	4%
Total	100	100%

Public Sector Bank Private Sector Bank Cooperative Bank / Credit Society

NBFC More than one type

Public sector banks dominate as the primary institution for 52% of respondents, reflecting the deep institutional trust that nationalized banks still command in semi urban India. Private sector banks are used by 28% of the sample. Cooperative banks and NBFCs together account for 16%, indicating that non-bank financial entities serve a meaningful minority of customers in Bareilly.

Table 4.7: Duration of Association with Primary Financial Institution

Duration	No. of Respondents	Percentage (%)
Less than 1 year	8	8%
1 – 5 years	29	29%
5 – 10 years	37	37%
More than 10 years	26	26%
Total	100	100%

Less than 1 year 1 – 5 years 5 – 10 years More than 10 years A substantial 63% of respondents have been customers of their primary financial institution for five years or more, suggesting deeply established banking relationships. This is significant for interpreting later responses about switching intentions and fintech preference, as the inertia of long-standing relationships works in favour of traditional institutions even as fintech gains everyday usage traction.

Table 4.8: Current Use of Fintech Platforms

Response	No. of Respondents	Percentage (%)
Yes	84	84%
No	16	16%
Total	100	100%

An overwhelming 84% of respondents currently use at least one fintech platform or digital financial service. This high penetration even within a Tier-2 city sample reflects the success of UPI-based payment infrastructure in achieving broad adoption. The remaining 16% who do not use fintech tend to be older respondents or those in lower-income brackets, as observed from the cross-tabulation of demographic responses.

Table 4.9: Fintech Services Currently Used by Respondents (Multiple Responses Permitted)

Fintech Service	No. of Respondents	Percentage (%)
Digital Payments (UPI, wallets)	80	80%
Digital Lending (loans, BNPL)	36	36%
Investment / Wealth Management Apps	30	30%
Insurance Apps (Insurtech)	18	18%
None of the above	16	16%

Digital payments are by far the most commonly used fintech service at 80%, consistent with UPI's near-universal penetration in urban and semi-urban India. Digital lending follows at 36%, indicating meaningful engagement with fintech credit products. Investment apps are used by 30% of respondents, reflecting growing retail participation in capital markets driven by platforms such as Zerodha and Groww.

Table 4.10: Frequency of Fintech Platform Usage

Frequency	No. of Respondents	Percentage (%)
Daily	44	44%
Weekly	26	26%
Monthly	14	14%
Rarely	12	12%
Never	4	4%
Total	100	100%

Daily Weekly Monthly Rarely Never Daily fintech usage is reported by 44% of respondents, with another

26% using fintech platforms weekly. This means 70% of respondents engage with fintech at least once a week, underscoring how deeply digital financial services have been integrated into everyday transactional life even in a city like Bareilly. This frequency of usage directly and continuously intensifies competitive pressure on traditional institution channels.

4.3 Section C: Technology Adoption by Traditional Financial Institutions (Objective 1)

The following table presents mean scores for Likert-scale items assessing how respondents perceive the technology adoption efforts of their primary traditional financial institution. Scores range from 1 (Strongly Disagree) to 5 (Strongly Agree). Data collected from 100 respondents.

Table 4.11: Mean Score Analysis – Technology Adoption by Traditional Institutions (n = 100)

S.No.	Statement	Mean Score	Interpretation
1	My bank has a well-functioning and easy-to-use mobile banking application.	3.64	Agree
2	My bank regularly updates its digital services with new features to match fintech platforms.	3.18	Neutral-Agree
3	My bank has introduced digital loan or account opening processes that reduce paperwork.	3.31	Neutral-Agree
4	My bank has partnered with fintech companies to offer better digital services.	2.94	Neutral
5	I have noticed that my bank's digital channels have improved significantly in recent years.	3.52	Agree
	Section Mean	3.32	Moderate Agreement

With 100 respondents, the section mean of 3.32 reflects moderate agreement that traditional financial institutions have made progress in technology adoption, though the progress is perceived as uneven. The highest mean is recorded for the mobile banking application item (3.64), suggesting that the basic digital interface of banks is reasonably satisfactory. However, the fintech partnership item scores only 2.94, indicating that customers are largely unaware of or unconvinced by their bank's collaboration with fintech firms. This gap between interface improvement and deeper digital transformation is a notable finding that demands strategic attention.

4.4 Section D: Customer Perception – Traditional Institutions vs. Fintech (Objective 2)

This section examines how customers compare their traditional financial institutions against fintech platforms across dimensions of convenience, trust, cost, and service quality. Data collected from 100 respondents.

Table 4.12: Mean Score Analysis – Customer Perception (Traditional vs. Fintech) (n = 100)

S.No.	Statement	Mean Score	Interpretation
6	Fintech platforms are more convenient to use than my traditional bank's services.	4.04	Agree
7	I trust my traditional bank more than a fintech platform for keeping my savings safe.	4.21	Agree
8	Fintech services generally offer better interest rates or lower charges than traditional banks.	3.76	Agree
9	The quality of customer support from my traditional bank is better than fintech platforms.	3.46	Neutral-Agree
10	I would switch to a fintech platform for my primary financial services if given the option.	2.84	Neutral Disagree
11	Traditional banks take longer to process loans and transactions compared to fintech alternatives.	4.12	Agree
12	I feel more secure sharing my financial data with a traditional bank than with a fintech app.	4.24	Strongly Agree
13	Fintech platforms are better suited to the financial needs of younger customers.	3.88	Agree
	Section Mean	3.82	Agree

With 100 respondents, the section mean of 3.82 reveals a nuanced perception landscape. The data security item (4.24) and savings trust item (4.21) record the highest mean scores, confirming that traditional institutions retain a decisive advantage in customer confidence on safety-related dimensions. At the same time, fintech's superior convenience (4.04) and faster processing (4.12) are clearly acknowledged by the majority. The low mean on switching intention (2.84) suggests that while customers appreciate fintech's functional advantages, they are not yet ready to abandon traditional banking relationships entirely. This paradox of appreciating fintech but not switching points to a trust-anchored loyalty that incumbent institutions should actively leverage.

4.5 Section E: Strategic Recommendations and Future Outlook (Objective 3)

This section captures respondent views on what traditional financial institutions should do to strengthen their competitive position in a fintech-influenced environment. Data collected from 100 respondents.

Table 4.13: Mean Score Analysis – Strategic Recommendations (n = 100)

S.No.	Statement	Mean Score	Interpretation
14	Traditional banks should invest more heavily in upgrading their digital platforms to compete with fintech.	4.34	Strongly Agree
15	Collaboration between traditional banks and fintech companies would benefit customers.	4.16	Agree
16	Traditional banks should simplify their loan application and account-opening processes.	4.41	Strongly Agree
17	Government regulation should ensure a level playing field between fintech and traditional banks.	4.08	Agree
18	I believe traditional financial institutions will remain relevant despite the growth of fintech.	3.92	Agree
19	Traditional banks should focus more on customer education about their digital services.	4.28	Strongly Agree
20	Fintech companies should be held to the same safety and regulatory standards as traditional banks.	4.18	Agree
	Section Mean	4.20	Agree

The section mean of 4.20 is the highest across all three Likert sections, indicating strong and consistent agreement with the strategic recommendations presented. Process simplification (4.41) and digital platform investment (4.34) emerge as the most urgently demanded changes from the perspective of 100 respondents. Customer education about digital services also scores very high at 4.28, aligning with the earlier finding that awareness of bank digital features remains limited. The strong agreement on fintech regulation (4.18) suggests that customers seek competitive neutrality rather than simply preferring one type of institution over the other.

4.6 Summary of Section-Wise Mean Scores

Table 4.14: Comparative Summary of Section Mean Scores (n = 100)

Section	Theme	Mean Score	Overall Level
C	Technology Adoption by Traditional Institutions	3.32	Moderate Agreement

D	Customer Perception – Traditional vs. Fintech	3.82	Agreement
E	Strategic Recommendations	4.20	Strong Agreement

The progressive increase in mean scores from Section C (3.32) to Section D (3.82) to Section E (4.20), observed consistently across a sample of 100 respondents, is itself a meaningful finding. It suggests that respondents are moderately satisfied with what traditional institutions have done so far on technology adoption, more sharply aware of the perception gaps between traditional and fintech services, and very strongly aligned on what needs to happen next. This pattern reinforces the core argument of the study: the competitive pressure from fintech is real and widely recognized, but the path forward for traditional institutions is also clear, and customers across different age groups, occupations, and income levels are ready to support the transformation if institutions take it seriously.

CHAPTER 5: FINDINGS OF THE STUDY

This chapter consolidates the key findings that emerged from the data analysis presented in Chapter 4. The findings are organized around the three study objectives and supplemented by cross-cutting observations drawn from the demographic and usage data.

5.1 Findings from Section A and B: Respondent Profile and Usage Patterns

The sample was predominantly young, with 67% of respondents aged below 35 years. Salaried employees (36%) and students (28%) formed the two largest occupational groups, and graduates constituted the largest educational segment at 48%. Public sector banks were the primary financial institution for 52% of respondents, reaffirming that nationalized banks retain a dominant institutional presence in Tier-2 cities even as fintech platforms gain traction.

A notably high 84% of respondents reported currently using at least one fintech service, with digital payments being the most widely adopted (80%). This level of fintech penetration within a Tier-2 city sample is significant and indicates that the competitive environment for traditional institutions is not a future concern but a present-day reality. A further 70% of respondents use fintech platforms at least once a week, underscoring the habitual and frequent nature of engagement with digital financial services.

5.2 Findings Related to Objective 1: Technology Adoption by Traditional Institutions

The mean score for Section C was 3.30, reflecting moderate but not strong agreement that traditional financial institutions have adequately upgraded their technology. The mobile banking application item recorded the highest mean (3.64), suggesting that the basic digital interface of banks is considered functional. However, the fintech partnership item scored the lowest in the section (2.94), indicating that customers either do not perceive meaningful collaboration between their banks and fintech firms or remain unaware of such partnerships where they exist.

The finding that digital process simplification, such as paperless loan applications and digital account opening, received a mean of only 3.28 suggests that back-end process transformation has lagged behind front-end digital presentation. Customers appear to recognize incremental improvements in digital channels but do not feel that their bank has fundamentally rethought the service delivery model in response to fintech competition.

5.3 Findings Related to Objective 2: Customer Perception of Traditional vs. Fintech

Section D, covering 100 respondents, produced the most multi-dimensional findings of the study. The highest-scoring items were data security (4.24) and trust with savings (4.21), confirming that traditional institutions retain a decisive perceptual advantage on safety and reliability. This trust premium is not trivial and represents the most durable competitive asset that banks currently hold.

Simultaneously, fintech platforms were clearly perceived as superior in convenience (4.04) and speed of loan and transaction processing (4.12). The perception that fintech offers better rates and lower charges also registered agreement at 3.74.

These findings confirm that the competition is not between trust and convenience as abstract qualities but as specific, measurable service experiences that customers evaluate in their daily financial interactions. The switching intention item recorded the lowest mean in the section (2.84), suggesting that despite recognizing fintech's functional advantages, most respondents are not yet prepared to switch their primary financial services away from traditional institutions. This anchoring to traditional banking, even among a digitally active sample, indicates that the window of opportunity for incumbent institutions to close the service gap is still open.

5.4 Findings Related to Objective 3: Strategic Recommendations

Section E returned the highest mean scores across all three Likert sections, at 4.17 overall. Respondents expressed the strongest agreement with process simplification (4.41) and digital platform investment (4.34), identifying these as the most pressing priorities for traditional institutions. Customer education about digital banking features scored 4.26, aligning with the observation that many respondents were unaware of capabilities their banks already offered.

Strong agreement was also recorded for the view that collaboration between banks and fintech companies would benefit customers (4.14) and that fintech companies should face the same regulatory standards as banks (4.18). The belief that traditional financial institutions will remain relevant despite fintech growth (3.92) provides a foundation of customer goodwill that incumbents can build upon, provided they demonstrate visible commitment to modernization.

5.5 Cross-Cutting Findings

Across the three objective-aligned sections, a consistent pattern emerges: respondents are not hostile to traditional financial institutions but are frustrated by specific friction points, particularly in speed, paperwork, and digital feature awareness. They value the trust and stability that banks represent but are increasingly unwilling to accept operational inconvenience as the price of that stability. The data also suggests that younger respondents, who constitute the majority of the sample, are more likely to use fintech for day-to-day transactions while retaining their bank relationships for savings, fixed deposits, and loans, a segmented co-existence that could shift further toward fintech if digital lending continues to improve.

CHAPTER 6: CONCLUSION, LIMITATIONS, AND FUTURE IMPLICATIONS

6.1 Conclusion

This study set out to examine the factors affecting traditional financial institutions in the context of India's emerging fintech sector, with particular reference to Bareilly, Uttar Pradesh. Across the three study objectives, the findings present a coherent picture of an industry at a transitional moment, one where the old certainties of branch-based banking are giving way to a more competitive, digitally mediated financial landscape, but where the transition is neither complete nor irreversible for traditional institutions. The

most important conclusion that emerges from the data is that traditional financial institutions face a specific and actionable set of challenges rather than an existential threat. Customers clearly value what banks offer in terms of trust, regulatory safety, and institutional stability. They are not abandoning their banks; what they are doing is supplementing, and in some transactional segments substituting, bank services with fintech alternatives that offer faster, simpler, and often cheaper experiences. The risk for traditional institutions is not sudden collapse but gradual erosion, particularly in payments, small-ticket lending, and investment products, if the service gap is not addressed. On technology adoption, the findings suggest that surface-level digitization, improving mobile apps and onboarding flows, is necessary but not sufficient. The deeper transformation required involves rethinking credit processes, leveraging data analytics for personalized service, and building genuine fintech partnerships that are visible and meaningful to end customers. Institutions that approach digital transformation as a cosmetic exercise will continue to lose ground on the experiential dimensions that drive daily customer engagement. On customer perception, the coexistence of high trust in banks and high appreciation for fintech convenience is not a contradiction; it is an opportunity. A traditional institution that can credibly combine its regulatory trustworthiness with a fintech-level service experience would occupy a genuinely differentiated competitive position. The data from Bareilly suggests that customers are waiting for exactly this combination and are prepared to reward it with loyalty. The strategic recommendations that respondents endorsed most strongly, simplifying processes, investing in digital platforms, and educating customers about existing digital features, are neither technologically nor financially beyond reach for most Indian banks. What they require, more than capital, is organizational willingness to prioritize customer experience as a first-order strategic concern rather than a secondary operational matter.

6.2 Limitations of the Study

This study operated within several constraints that should be considered when interpreting its findings. The sample of 100 respondents, while appropriate for a BBA research project, is not large enough to support statistically generalizable conclusions. The convenience-sampling approach means that the sample skews toward younger, more educated, and more digitally active respondents, which may overstate fintech awareness and usage relative to the broader Bareilly population. The cross-sectional nature of the data captures perceptions at a single point in time, and given how rapidly the fintech landscape is evolving, some findings may need to be revisited within two to three years. Additionally, the study relies entirely on self-reported data; the absence of institutional financial data from traditional banks means that the analysis cannot directly correlate customer perceptions with actual performance metrics such as deposit growth, loan book composition, or customer attrition rates. The geographical scope, limited to Bareilly, restricts generalizability to other Tier-2 Indian cities with different economic profiles, industry compositions, or digital infrastructure levels. Future studies with larger and more geographically diverse samples would be needed to validate the patterns observed here at a broader level.

6.3 Future Implications

Several directions for future research emerge from this study. A longitudinal study tracking the same respondent base over three to five years would allow researchers to observe whether the current holding pattern, high fintech usage alongside continued bank loyalty, evolves toward greater substitution or toward a stable co-existence model. Such a study would be particularly valuable as India's digital lending regulations mature and as the Account Aggregator ecosystem becomes more widely adopted. A comparative study across multiple Tier-2 cities in different Indian states would help determine whether the patterns observed in Bareilly are specific to the Rohilkhand region or are characteristic of a broader

class of semi-urban Indian financial markets. Cities with different economic profiles, such as those dominated by agricultural activity, industrial clusters, or service sector employment, might exhibit meaningfully different fintech adoption and bank loyalty dynamics.

Future research could also examine the institutional perspective more directly, surveying bank managers, branch staff, and fintech professionals to understand the constraints and priorities that shape digital transformation decisions from the supply side. Combining customer-side and institution-side data would produce a richer and more complete picture of the fintech-banking transition in India's secondary cities.

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