

Impact of FinTech Startups on Digital Banking Adoption among Customers in India

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ABSTRACT

The rapid proliferation of FinTech startups in India has reshaped the digital banking landscape, introducing service delivery models that challenge traditional banking. This study, “Impact of FinTech Startups on Digital Banking Adoption among Customers in India,” examines how FinTech-driven innovations influence customer adoption and continued use of digital banking services. While existing literature has studied technology adoption through frameworks such as TAM and UTAUT, limited work has examined how FinTech-specific factors — particularly convenience, ease of use, trust, security, and social influence — jointly drive adoption among Indian customers. This study addresses that gap through a quantitative survey of 193 digital banking users, analysed using correlation, regression, chi-square and ANOVA in SPSS. Instrument reliability was confirmed through Cronbach’s alpha ($\alpha = 0.946$). The findings show that perceived convenience, ease of use, and trust and security each have a significant positive influence on customer adoption of FinTech-enabled digital banking services, while demographic variables such as gender and occupation show no significant influence. The study contributes to adoption theory in an emerging-market context and offers practical guidance for FinTech firms, banks, and policymakers seeking to accelerate digital banking adoption and financial inclusion.

Keywords: FinTech, Digital Banking, Customer Adoption, Trust and Security, Perceived Convenience, Perceived Ease of Use, India

INTRODUCTION

Banking has changed dramatically over the past decade. Where banking once meant waiting in line, filling out paperwork, and working within branch hours, smartphones now allow most transactions to be completed in seconds. This shift has been driven largely by FinTech startups — technology-based companies that have entered the financial services space and introduced offerings such as unified payment interfaces, mobile wallets, and biometric authentication. In India, government initiatives such as ‘Digital India’ have reinforced this shift by pushing large sections of the population toward digital financial behaviour for the first time.

Adoption of digital banking is shaped by more than convenience alone. Prior research points to usability, social influence from friends and family, trust in authentication systems such as OTP and biometrics, and customer awareness of the services on offer as key drivers of adoption (Chan, 2022; Devi, 2026). At the same time, FinTech startups do not always compete with banks — in many cases the two collaborate, with banks gaining innovation and FinTech firms gaining credibility and reach (Sharma, 2024; Hornuf, 2021). This study examines how these FinTech-driven factors — convenience, ease of use, trust and security, awareness, and social and institutional influence — shape customer adoption and continued use of digital banking services in India.

Problem Statement

Although several industry reports (NASSCOM, BCG, KPMG) have documented the growth of the FinTech sector, comparatively little research has examined how the specific characteristics of FinTech applications translate into sustained customer adoption — as opposed to one-time download or trial usage.

OBJECTIVES OF THE STUDY

1. To study the role of FinTech innovation in improving customer satisfaction, comfort, and convenience in digital banking.
2. To investigate the impact of trust, security, technological awareness, and perceived usefulness on customers' digital banking adoption behaviour.

REVIEW OF LITERATURE

1. (Li, 2017): Found that FinTech growth had a mildly positive effect on U.S. retail bank stock returns, suggesting FinTech firms often support rather than fully replace banks.
2. (Chan, 2022): Using the UTAUT model on Australian respondents, found that performance expectancy, social influence, trust, and perceived risk strongly affect adoption of Open Banking.
3. (Sharma, 2024): Found that while FinTech firms challenge banks through innovation, many banks are increasingly partnering with FinTech companies to improve efficiency and customer experience.
4. (Narayani, 2025): Found that FinTech services enhanced transaction speed, digital onboarding, and convenience post-COVID-19, with trust and cybersecurity influencing adoption.
5. (Devi, 2026): Using UTAUT on Indian startup entrepreneurs, found performance expectancy the strongest driver of FinTech adoption, followed by trust and social influence.
6. (Hornuf, 2021): Found that banks with clear digital strategies were more likely to form partnerships with FinTech startups across Canada, France, Germany, and the UK.
7. (Tuli, 2024): Found that convenience, transaction speed, and secure platforms strongly influence FinTech and digital banking adoption among Non-Resident Indians.
8. (Oberoi and Dharni, 2024): Found that digitalisation, smartphone penetration, and government initiatives have driven FinTech growth in India, alongside challenges of cybersecurity and trust.
9. (Haddad, 2021): Studied 87 countries (2005–2018) and found that FinTech startup growth positively influenced the performance and stability of incumbent financial institutions.

10. (Muthukannan, 2019): Found that incumbent banks build dynamic capabilities — digital technology adoption, organisational learning, and FinTech collaboration — to remain competitive.

RESEARCH GAP

- Most existing Indian studies rely on secondary or industry-reported data rather than primary survey evidence collected directly from digital banking users across diverse demographic segments.
- Few studies examine convenience, ease of use, trust/security, awareness, and social influence together within a single integrated model; most focus on only one or two constructs in isolation.
- Empirical research on FinTech–bank collaboration and its influence on continued usage intentions remains limited within the Indian context.
- There is a paucity of research examining the moderating role of demographic variables (age, income, occupation) in the relationship between FinTech adoption factors and usage patterns across Indian urban and regional markets.
- Technology adoption studies grounded in TAM and UTAUT frameworks tend to address digital banking broadly, without isolating variables specific to FinTech startups.
- Industry and market reports quantify FinTech growth but lack rigorous behavioural or statistical modelling of the drivers of customer-level adoption.

HYPOTHESES

H0₁: FinTech innovation has no significant impact on customer satisfaction, comfort, and convenience in digital banking.

H1₁: FinTech innovation has a significant positive impact on customer satisfaction, comfort, and convenience in digital banking.

H0₂: Trust, security, technological awareness, and perceived usefulness have no significant impact on customers' digital banking adoption behaviour.

H1₂: Trust, security, technological awareness, and perceived usefulness have a significant positive impact on customers' digital banking adoption behaviour.

RESEARCH METHODOLOGY

- Research Design: Quantitative, descriptive research design.
- Population: Individuals using FinTech-enabled digital banking services (mobile banking, UPI, e-wallets, internet banking).
- Sampling Technique: Convenience sampling (non-probability).
- Sample Size: 193 valid responses, from 200 questionnaires distributed via Google Forms.
- Data Source: Primary data collected through a structured questionnaire.
- Scale Used: 5-point Likert scale.
- Reliability: Cronbach's $\alpha = 0.86$ (overall), confirming strong internal consistency.
- Statistical Tools: Pearson correlation, simple linear regression, chi-square test, and ANOVA, analysed using SPSS.

DATA ANALYSIS AND INTERPRETATION

Chi-Square Tests

Table 4.1.38 Chi square

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Gender * Have you ever experienced fraud or security issues? If 1, did this experience reduce your use of digital banking	193	65.90%	100	34.10%	293	100.00%

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	2.213 ^a	2	0.331
Likelihood Ratio	2.573	2	0.276
Linear-by-Linear Association	0.981	1	0.322
N of Valid Cases	193		
a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is .42.			

Chi-Square Test — Gender vs. Fraud/Security Experience & Its Effect on Digital Banking Usage

Inference: Since .331 is well above the 0.05 cutoff, it's safe to say gender doesn't play a role here. Men and women are about equally likely to have faced fraud or security issues, and equally likely (or unlikely) to have cut back on digital banking because of it. This isn't a "men worry more" or "women worry more" situation — it's a shared concern, regardless of gender.

ANOVA

Occupation vs. "FinTech startups have significantly changed the way I conduct my banking activities"

ANOVA						
FinTech startups have significantly changed the way I conduct my banking activities	Sum of Squares	df	Mean Square	F	Sig.	Bayes Factor ^a
Between Groups	2.005	4	0.501	0.707	0.588	0
Within Groups	133.352	188	0.709			
Total	135.358	192				
a. Bayes factor: JZS method, testing model vs. null model.						

Inference:

Since .588 is far above 0.05, occupation doesn't seem to change how people feel about this statement.

Whether someone's a student, a working employee, or runs their own business, they all seem to agree (or disagree) at roughly the same level that FinTech startups have changed how they bank. In short, this feeling of "FinTech has changed my banking habits" isn't tied to what someone does for a living it's a pretty universal experience across occupations.

OVERALL FINDINGS

- Perceived convenience and efficiency are positively and significantly associated with customer adoption of digital banking services.
- Perceived ease of use has a significant positive influence on adoption; simpler, more navigable applications encourage greater FinTech usage.
- Trust and perceived security significantly influence adoption — customers who feel their data and transactions are secure are more willing to use FinTech-enabled services.
- Demographic factors such as gender and occupation do not significantly change how customers respond to fraud/security concerns or to FinTech's overall impact — adoption behaviour appears to be driven more by perception than by demographics.
- These findings align with the Technology Acceptance Model (Davis, 1989), which links perceived usefulness and ease of use to technology adoption.

CONCLUSION

This study examined the impact of FinTech startups on customer adoption of digital banking services, focusing on perceived convenience and efficiency, perceived ease of use, and trust and perceived security. Primary data were collected from 193 respondents and analysed using correlation and regression techniques in SPSS. The findings confirm that convenience, ease of use, trust, and security all positively influence customer adoption of digital banking services, with trust emerging as a particularly important driver. Overall, the study concludes that FinTech startups have meaningfully transformed digital banking in India by making financial services more convenient, secure, and user-friendly, and that adoption behaviour is shaped more by customers' perceptions of these factors than by their demographic profile.

LIMITATIONS OF THE STUDY

- The study was limited to 193 respondents, which may affect the generalisability of the findings.
- Convenience sampling was used, which may introduce sampling bias.
- The study relied on respondents' self-reported perceptions collected through a questionnaire, making results subject to response bias.
- Only selected variables — convenience, ease of use, trust, and security — were examined; other potential influences on adoption were not included.
- The cross-sectional design limits the ability to observe changes in adoption behaviour over time.

SUGGESTIONS

- FinTech startups should continue improving the convenience, speed, and reliability of the transaction

process.

- Security systems should be strengthened and regularly upgraded to protect customers’ financial and personal information.
- Digital banking interfaces should remain simple and user-friendly across all age groups.
- Banks and FinTech startups should collaborate to introduce innovative financial products and expand financial inclusion.
- Customer awareness programmes should be conducted to educate users on safe digital banking practices.
- Future research could use larger, probability-based samples and include additional variables such as financial literacy, digital literacy, and service quality.

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