Impact of Fintech Startups on the Banking Sector in India

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Abstract

We are witnessing a Fintech revolution in India with many new companies and products coming up. Some of these companies like Instarem are competing with the banks in the remittances space by providing low cost solutions, some companies like Paytm and Bankbazaar have developed apps that transfer money quickly, others have developed innovative peer to peer lending platforms. This could mean that the banking sector is under threat due to the disruption caused by Fintech companies. There is also a possibility that this Fintech revolution will actually benefit the banking sector, who can ride on their superior technological platforms to deliver innovative solutions to the digital customers and also for deepening financial inclusion in India. Some of these companies are helping banks detect fraud and money laundering using artificial intelligence and machine learning. This scenario has laid the ground for a kind of unique partnership between the traditional banks and Fintech disruptors with advantages for both partners. Banks can work together to deliver superior solutions for their digital customers and Fintech companies can leverage on bank’s large customer base, experience and their deep financial pockets. The purpose of this paper is to analyse the emerging trends and impact of the Fintech revolution on the banking sector in India. It also suggests approaches which banks in India can take to deal with this situation, how can they learn and collaborate with these Fintech startups to develop a new face of banking in the coming years.

Key Words: Fintech revolution, banking, digital customers