

Original Article

Digital Banking and Fin-Tech: Trends and Challenges

Dr. Pragati R Gore

Asst. Prof. RJSPM ACS College, Bhosari, Pune

Manuscript ID:

IBMIIRJ -2025-020303

Submitted: 02 Jan 2025

Revised: 25 Feb 2025

Accepted: 25 Mar 2025

Published: 31 Mar 2025

ISSN: 3065-7857

Volume-2

Issue-3

Pp. 10-12

March 2025

Correspondence Address:

Dr. Pragati R Gore
Asst. Prof. RJSPM ACS College,
Bhosari, Pune
Email: gorepragati1@gmail.com



Quick Response Code:



Web: <https://ibrj.us>



DOI: 10.5281/zenodo.15421758

DOI Link:

<https://doi.org/10.5281/zenodo.15421758>



Creative Commons

Abstract

There has been noticeable development in the economy of India since past decade. Banking and finance sector has very substantial role in development process. Banks are the support of every economy, backbone of any country. Banks play a vital role in activating and sustaining economic growth, mostly in developing countries. These sectors has changed with changing demographics and priorities of public, also are greatly been effected by fast changes in technology and the regulations. Banks and financial institutes have to change the way of its operations. Banking and finance sector are both public and private sector. Digital modification & Fin-tech has altered the traditional banking industry. Online and mobile banking are becoming more preferable, allowing customers to access their accounts and conduct transactions from anywhere at any time. Artificial intelligence (AI) has changed the banking and financial industry. New financial companies such as fin-tech companies and digital banks, are challenging traditional banks by offering innovative products and services. This paper makes an attempt to highlight the challenges faced by Banking and finance and suggests some possible measures for its growth. The study found that public sector banks are still behind the private sector banks in terms of modernization, overworked service offerings, lower profitability, loads of NPA. This study is based on secondary data.

Key words: Digital Banking, Innovation, Fin-tech, Banking, Finance, Artificial intelligence.

Introduction:

Banks are the support of every economy, backbone of any country. So, it is very important that banks remain healthy, prospering and flourishing. Otherwise, a financial issues can effect a country and thus leading to losses and it can collapse. This is especially true for developing countries like India. Banks play a vital role in energizing and maintaining economic growth. The banks are the support of any economy. In India banks face different kinds of problems like profitability, Liquidity and financial stability. The banking and financial industry is undergoing a systematic change. There is strong competition from Fin-techs. There are challenges of moving business models, growing regulation and agreement pressures, and complex technologies which are changing the financial businesses. The growth of Fin-tech and start-ups is changing the world of financial services. The traditional banking systems have to change the way of doing business. The rules and regulations have become more complicated. The data privacy is also an important concern. Now a days the customer demands are growing, they are interested in personalized services, 24 by 7 availability, prompt service etc. All these banking and finance industry challenges can be overcome by the new technology which has created this trouble. But it is not an easy task. Banks need transformation to survive and flourish in the current scenery. It is must for the Banking and finance sector to come out of traditional practices and adopt the changing environment and modern practices.

Objectives: The objectives of this research is to study:

1. Digital Banking and Fin-tech in India.
2. Trends in Banking and Challenges Banking and Finance industries facing now a days.
3. Suggestions to overcome the challenges in banking and finance.

Methodology:

The secondary data in this research paper is collected from various reports, journals, news articles, various bank portals. Various reports are referred which are published on RBI portal. The internet sources on digital Banking and finances, reports and information published by Insurance Regulatory and Development Authority, Bank Authority and RBI, relevant data and study of previous research papers published on Banking and finance are been referred for information.

Creative Commons (CC BY-NC-SA 4.0)

This is an open access journal, and articles are distributed under the terms of the [Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International Public License](https://creativecommons.org/licenses/by-nc-sa/4.0/), which allows others to remix, tweak, and build upon the work noncommercially, as long as appropriate credit is given and the new creations are licensed under the identical terms.

How to cite this article:

Gore, P. R. (2025). Digital Banking and Fin-Tech: Trends and Challenges. *InSight Bulletin: A Multidisciplinary Interlink International Research Journal*, 2(3), 10-12. <https://doi.org/10.5281/zenodo.15421758>

The study for this paper is based on secondary data. This paper tries to look into Banking and finance sector of India.

Discussion:

Recent Changes in Banking, Finance and Insurance sectors are as follows:

1. New Fin-tech firms are now a days creating challenge to the traditional financial institutions. This is probably due to the changing customer demography and expectations of young techno savvy customers.
2. The mode of transactions have changed now a days. Digital payment, mobile payment using UPI, Electronic payment services, RTGS, EFT (electronic fund transfer), electronic clearing services, UPI, mobile-banking, are some new ways. This has changed the banking practices in the market. Today finance companies are using online payment, telephonic, virtual and online advisory services. The multi-distribution, product innovation, claim management etc. has become common in financing sector.
3. The digital infrastructure has become inevitable, more forceful as more consumers are comfortable with online transactions. The banking industry have to move to modernization for day to day services, lending services, etc. whether business-to-consumer or business-to-business in online form.
4. Regulators of banking like RBI, Central Government, State government have put additional stress on the sector with open-banking initiatives, consumer protection initiatives, and regulatory capital requirement etc.

Challenges

Challenges before the Banking and Financial Services industries are growing at a alarming rate. These challenges are New technology, new competitors, and a shifting digital scenery, which are placing increasing pressure on banking institutions. Also Fin-techs are increasing which have targeted gainful areas in financial services. In order to face all this a traditional banks and credit sector must learn from new innovations, technologies and Fin-techs. They are all booming due to a easy and intuitive customer experience.

In Cities and Urban areas people are familiar with banking system but there is need to pay more focus on rural Banking. There is huge portion of the population that is not using banks or not aware of importance of bank, they require financial literacy. Government is assisting Indian Banks for focusing on it to increase the business growth.

Cultural Shift

Now we are in the Age of digitization and AI, Artificial intelligence. AI has also entered in banking and financial industry. In this digital world, there's no place for hand-operated processes and systems. Banks and financial institution need to think of technology-based methods. Therefore, it's important that banks and financial institutions promote innovation. The culture is shifting and changing rapidly in which technology is there to raise existing system and operations for maximum efficiency. This cultural change toward a technology is for acceptance of digital transformation.

Regulatory System

Bank regulations have bulged after the Financial Crisis. Collaboration among banks, central banks and regulators is needed to work more effectively together. There is increase in regulatory fees for earning, other charges and thus there is credit losses since the 2008 fiscal crisis which is a concern for financial institutions.

Rising Expectations

Today the consumer is smarter knowledgeable, and more informed than before. He has high expectations in regard of comfort in banking. Changing customer sociology play a major role in expectations. Young generation of banking customers has more understanding of technology. As a result, there is increased expectation of digital experiences. There is a challenge to satisfy both older generations and younger generations of banking customers at the same time. This is only possible by integration of traditional and modern banking. When banking industry combine digital experiences into conventional bank branches then both generation will be satisfied. In financial services customers expect custom-made services through simple and intuitive edges on any device, anywhere, and at any time.

Customer Retention

The customer retention is another issue or challenge faced by Banks today. Although customer experience can be hard to calculate. The customer commitment is becoming an endangered concept. Customer commitment is an effect of client relationships that begin with knowing the customer and their expectations and solving customers problems. The banks and Financial institution should achieve customer holding by implementing an ongoing client-concentric approach.

Security Problems

With a periodical failure over the past few years, security is one of the leading banking industry challenges, as well as a prime concern for bank and Financial institutions and customers as well. The security of social media channels and the security of the IT infrastructure and all the data it holds is one of the most important challenges. As a result of cloud transitions and supply chain issues the security breach is an issue. Financial institutions must invest in the latest technology-driven security measures such as Authentication, regular checking, to keep customers safe.

Cyber Security

Another challenge that bank and finance companies face is cyber security. Due to the type of data and the absolute amount of data being collected, banks and finance companies must remain extremely watchful against threats such as to be able to properly safeguard customers' data and their online documents. For customers, the issue of cyber security is a key factor in their decision when choosing a bank.

Continuous Innovation

All business to be successful requires perception, better client relationships, and continuous innovation. The good and impressive practices throughout the industry can provide valuable insight, helping banks and finance companies to stay competitive. The impact of Fin-tech on traditional banking models is noticeable, affecting every aspect of the financial industry. There are challenges of relationship and cooperation between Fin-tech and traditional banking models which also gives opportunities for enhanced efficiency, improved customer experiences, and a more flexible and adaptive financial sector. Continuous innovation is sometimes time consuming and unrealistic.

Solution

Challenges of Digital Banking and Fin-Tech will remain for sure. But with the precise team to support the activity, digital transformation is possible. The financial services team is also helping banks in this matter. With a wide variety of products and services custom-made to the banking and financial industry many challenges can be resolved. Data science expertise, business intelligence, Artificial intelligence i.e AI and other technologies are here to help banking and financial organization tackle banking industry challenges. During difficult times such as a pandemic time, by using the best way to solve the functional and regulatory issues, the banking industry did well. Banking, finance and Insurance sector has to keep in mind that sustainable success in business requires sensibility, gracefulness, good client relationships and continuous innovation.

Conclusion

This paper has shown that digital innovation is bringing about important changes. Digital banking and fin tech has made transformation in banking market. Customers can easily pay their bills, transfer money from one place to another and easily check the bank details with convenience of place and time. The Indian banking and finance industry has seen a absolute transformation in recent years. The present-day environment of digital banking and fin-tech has both opportunities and challenges for the banks and finance companies. Convenience, efficiency, fast and transparency are the primary benefits of the technology-enhanced financial services. Most people are now familiar with technology as it influences their lifestyle. The Indian banking system has been transformed by financial technologies like UPI, Internet Banking, Mobile Banking, Mobile Wallet, QR Code, etc. By applying more up-to-date solutions and technological security measures, the benefits can be enjoyed, and the challenges can be easily balanced. There is no doubt that digital banking has greatly improved consumer services and the way that banking services are provided. To make digital banking all-purpose, the Indian banking industry will need to overcome number of obstacles. Especially to hazards associated to confidential client information and internet fraud, also the potential of cyber threats, which might seriously damage banking services. It is necessary to see how the banking industry handles these difficulties. Also, the government and other parties involved must play a significant role. The rigid plan or strategy, is essential to ensure new and updated services but this should be tested before being launched. It is essential for the banking and financial industry to meet the complex savings and financial needs of the economy.

Acknowledgments

I am Dr. Pragati R Gore, Commerce faculty from RJSPM, ACS College, Bhosari, Pune. I am thankful for publication of my research paper in your journal.

I am also thankful to Dr. K. G Kanade, Principal of RJSPM, ACS College.

Financial support and sponsorship

Nil.

Conflicts of interest

There are no conflicts of interest.

References:

1. Customers' Perception on Challenges Of Digital Banking System With Reference To Select Public Sector Banks In Karnataka: Dr. R. Kasilingam, Ms. Thanuja.
2. Issues and challenges of digital Banking in Indian banking sector in recent times: Prof. D. G. Tapas
3. The impact of fintech on traditional banking models : Dr. Puja U Kaushik
4. A study on emerging trends and challenges in digital finance, P. Divya
5. Recent Trends, Major Opportunities and Challenges of Digital Banking in Indian Context, Vijayashree M. C
6. Digital transformation and the emergence of the Fintech sector: Systematic literature review
7. Fintech and the digital transformation of financial services: implications for market structure and public policy.
8. Fintech Sector of India – Trends, Challenges and the Way Forward Dr. Swapna Sarkar Associate Professor
9. <https://fintech.global>
10. https://en.wikipedia.org/wiki/Digital_banking
11. <https://www.aubank.in/blogs/challenges-and-opportunities-in-digital-banking-industries>
12. <https://ideas.repec.org/a/igg/jebr00/v18y2022i1p1-20.html>
13. <https://www.investopedia.com/terms/f/fintech.asp>
14. <https://ijrpr.com/uploads/V3ISSUE10/IJRPR7334.pdf>
15. <https://www.sciencedirect.com/science/article/pii/S2666954422000084>