The Impact of Financial Technology (Fintech) on Traditional Banking Performance: A Comparative Study of Emerging and Developed Markets

Keshav Goyal

Prof.Mr.Nakul

MBA Student,

School of Business, Galgotias University

Abstract

This research examines the impact of Financial Technology (Fintech) on traditional banking performance across developed and emerging markets. Utilizing a mixed-methods approach—panel data regression and qualitative analysis—this study compares G7 and BRICS countries from 2015 to 2024. Findings suggest Fintech negatively impacts Net Interest Margins in developed markets due to intense competition, while in emerging markets, Fintech enhances Return on Assets by promoting financial inclusion. Strategically, developed market banks defend through innovation and cost-efficiency, whereas emerging market banks collaborate to expand. These findings emphasize the contextual nature of Fintech's impact.

Key Words: Fintech, Traditional Banking, Emerging Markets, Developed Markets, Bank Performance, Financial Inclusion.

1. INTRODUCTION

Financial Technology (Fintech) is reshaping financial services through mobile banking, digital wallets, and blockchain. Traditional banks face both disruption and opportunity. This study compares Fintech's impact on banks in developed and emerging markets. In developed countries, Fintech drives competition, forcing banks to innovate defensively. In emerging economies, Fintech fosters inclusion and complements traditional banks. This paper offers empirical insights on these divergent impacts.

2. METHODOLOGY

This study used a mixed-methods design. Quantitatively, it analyzed panel data from top commercial banks in G7 and BRICS countries from 2015 to 2024, measuring ROA, ROE, and NIM against Fintech penetration proxies. Qualitatively, it assessed banks' strategic reports and case studies. A fixed-effects regression model identified trends while thematic content analysis captured strategic responses.

3. RESULTS AND ANALYSIS

The quantitative analysis revealed distinct patterns across market types. In developed markets, Fintech penetration significantly negatively correlated with Net Interest Margin (NIM), but not with ROA or ROE. This indicates pressure on margins but relative preservation of profitability through cost efficiency. In emerging markets, Fintech showed a significant positive correlation with ROA, demonstrating complementary market expansion effects. Thematic analysis revealed that G7 banks focus on defensive innovation, while BRICS banks embrace partnerships and financial inclusion strategies.

Table -1: Summary of Fintech's Impact on Bank Metrics

Market Type	NIM Impact	ROA Impact	Strategic Response
Developed Markets	Significant Negative	Not Significant	Defend and Innovate
Emerging Markets	Not Significant	Significant Positive	Collaborate and Expand

4. DISCUSSION

Strategically, developed market banks are pursuing cost optimization, in-house innovation, and acquisitions. In contrast, banks in emerging economies are adopting partnership strategies, agent banking, and mobile-first development to expand reach. Regulation plays a dual role: enabling innovation in emerging markets through sandboxes and enforcing open banking in developed economies. These dynamics illustrate the contextual nature of Fintech disruption and opportunity.

5. CONCLUSIONS

This study concludes that Fintech's impact is not monolithic. In developed markets, it imposes a direct threat, requiring defensive strategic innovation. In emerging markets, it acts as an enabler, expanding services and improving ROA through inclusion. Future research should explore customer-level behaviors, employment shifts, and regulatory models.

REFERENCES

1. 1. Arner, D. W., Barberis, J., & Buckley, R. P. (2015). The evolution of Fintech. Georgetown Journal of International Law.
2. 2. Berger, A. N., & Humphrey, D. B. (1997). Efficiency of financial institutions. European Journal of Operational Research.
3. 3. Christensen, C. M. (1997). The innovator's dilemma. Harvard Business School Press.
4. 4. Chishti, S., & Barberis, J. (2016). The FINTECH Book. John Wiley & Sons.
5. 5. Dapp, T. (2014). Fintech – The digital transformation of the financial industry. Deutsche Bank Research.
6. 6. Gomber, P., Koch, J. A., & Siering, M. (2017). Digital Finance and FinTech. Journal of Business Economics.
7. 7. Jack, W., & Suri, T. (2014). Risk sharing and transaction costs: Kenya's M-PESA. American Economic Review.
8. 8. Zalan, T., & Toufaily, E. (2017). The promise of Fintech in emerging markets. In Contemporary Issues in International Business.